19 August 2022

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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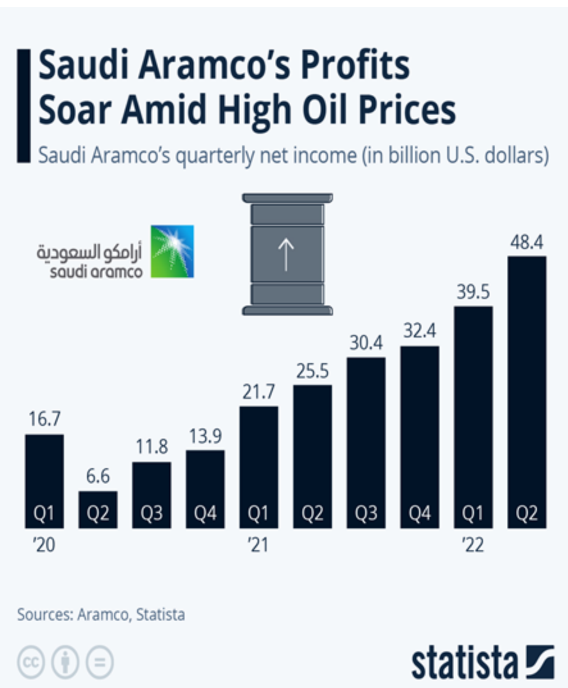

Source : Statista

POINTS OF VIEW

Summer holidays are in full swing just as markets send out mixed messages. The beach is the best place to be. Despite a turnaround in US stocks, as tech and consumer-related shares rally, China's worsening economic slump has caused a sell-off in oil, energy and the broader commodity complex. Its housing sector has serious and unresolved problems and, this week, China missed expectations of latest factory output and retail sales figures,* while youth unemployment rose to a record 20%, prompting the central bank to cut interest rates to boost liquidity. Rising Covid cases create the spectre of further damaging lockdowns that are a continuing drag on economic activity and consumer demand. We had assumed that Xi Jinping was going to magically conjure up an economic recovery ahead of the upcoming November CCP party congress, at which he hopes to win a third term as president. Now that time is running out on that front, some observers anticipate instead that he will promote himself as the great unifier, which may involve more jingoistic sabre-rattling over Taiwan and Hong Kong. Amidst all this turmoil, Saudi Aramco posted the largest ever corporate profit of $48.4bn in Q2, while BHP posted a 26% rise in underlying attributable profit to $21.3bn for the year ending 30 June 2022, its best result since 2011. Oil and coal have done well, boosting the coffers of Aramco and BHP, but oil is now well off its 2022 high while coal still finds support. Earlier fears of oil shortages sent Brent to $124pb on 8 March, now back down to $95pb as demand wobbles and recession looms.

HSBC Global Research is forecasting a UK transition from stagnation to outright recession from Q4. It puts Jubilee-affected Q2 GDP growth at -0.1% q-o-q, Q3 at zero and Q4 going negative as high gas prices and the cost of living crisis intensify. This downturn is forecast to last to mid-2023, with 2023 GDP growth estimated at -0.9% y-o-y. HSBC expects CPI inflation to peak in January 2023 of 14% y-o-y and three 25bp interest rate rises to take Bank Rate to 2.5% by end 2023. So, we face a cold, costly, recessionary winter and, by the end of next year, the UK economy will be 0.6% smaller than it was at end 2019, and 5.7% smaller than it would have been on its pre-pandemic, pre-Brexit trendline. On the bright side, and there is one, HSBC does not expect the recession to be as deep or as long-lasting as the BoE's latest forecast, with its tighter fiscal and monetary policy assumptions. Armed with a new PM in September, significant fiscal loosening is anticipated as well as fresh help given to alleviate the cost of living crisis. Many countries are suffering from similar problems with other issues that are unique to themselves. Under the circumstances, it was good to see Matthew Lynn writing in The Telegraph last Sunday about "Three mega trends on the new bull market." He observes that the markets are looking forward and are about to reveal new big themes and breakout stars. He declared that the bear market on the Nasdaq had officially ended, having bounced back over 20% since its low point.^

Interest rates are rising, inflation is rampant, real wages are falling and recession is looming and yet the tech-heavy Nasdaq is peering through the gloom to tell a different story. Look out for military technology, logistics and energy security. Is it showing the way ahead for the other bourses? Maybe, given that the relatively laggard FTSE 100 fell 26% from a Dec '19 peak to an Oct '20 trough and has since rebounded 35%, recovering all its losses.** Other indices such as the S&P 500, DJIA, Nikkei 225 and Dax have done well since early 2020 and have snapped out of recent bouts of weakness. Shipping markets are more mixed with bulk carriers in a summer slump, with capes plunging towards $7,000 daily, on low iron ore exports from Brazil and weak steel demand in China. Container spot rates peaked last September^^ and have nearly halved since then. In many cases they have fallen below contract rates which can cause problems. Time charter rates and asset values are holding up well, on limited tonnage availability for charter or sale, but charter durations are much shorter, and it is fair to guess that the best is in the rear-view mirror. That leaves tankers which, after prolonged challenging conditions, are perking up in terms of spot and term earnings and asset values. Limited tonnage supply growth, longer trades due to the war, and resurgent post-lockdown and post-recession demand growth, for both consumption and storage, makes tankers late to the party. Meanwhile, the other partygoers are a little tired, but might just get a second wind. There will be light beyond the current gloom.

*Retail sales rose only 2.7% YoY in July, against a forecast 5.0%, while industrial production rose only 3.8%, against a forecast 4.6%.

^It fell 34% from a peak of 16,057 in Nov '21 to a low of 10,646 in Jun '22 before rebounding 23% to 13,047 at last Friday close.

**It fell 26% from a peak of 7,542 in Dec '19 to a low of 5,577 in Oct '20 before rebounding 35% to 7,502 at last Friday close.

^^The FBX index peaked on 11,137 points last Sep and has fallen 47% to 5,849 up to yesterday.

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Dry Cargo Chartering

Last week's optimism for the **cape** markets was short lived as once again rates dipped. By close of play, time-charter averages were down to a mere $6,267 a decline of $4,631. Brazil-Far East freight prices sunk below $18.00 pmt, while stems ex. Western Australia went as low as $7.50 pmt primarily because of China's subdued demand for iron ore. Yet for this latter route, many charterers were eager to capitalise on this softening and booked shipments for later this month and early September. Between them, the likes of Rio Tinto, BHP, FMG, Refined Success, and Solebay took at least fourteen TBN iron ore capes with prices ranging from just over $8.00 pmt to the aforementioned low of $7.50 pmt. Elsewhere, on Monday AngloAmerican fixed a stem Saldanha Bay-Qingdao for 26/30 August at $13.90 pmt while on Wednesday Pacbulk fixed a vessel for very similar business at $13.45 pmt. Lastly, SAIL took *Philadelphia* built 2012 for 140,000 mtons 10% coal loading 2 ports USEC to Dhamra for early next month at $29.90pmt.

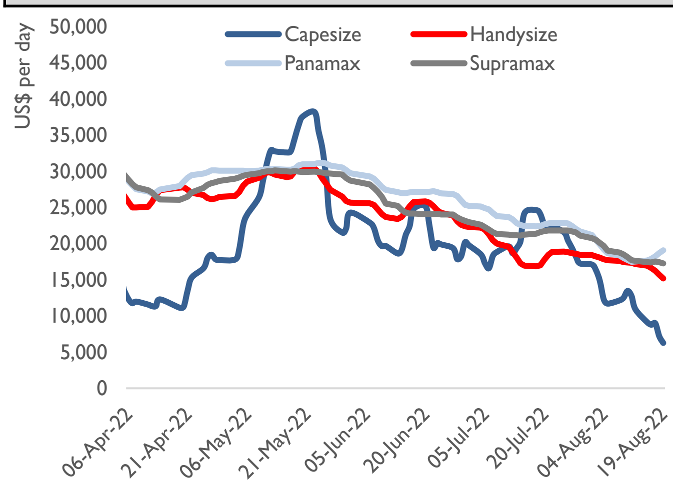
Panamax markets took another big negative blow this week, as the P5TC closed at $15,188 down by $1,973 (-11.5%) since last reported on 12th August. In the Pacific, Jera fixed *Martine* (86,949-dwt, 2009) delivery Ishikawa 16th August for a trip via Australia to Singapore-Japan range at $14,000, whilst Oldendorff covered *Alexandra* (82,329-dwt, 2006) delivery Chiba 22-25 August for a trip via NoPac back to Singapore-Japan range with grains at $14,250. *Golden Sue* (84,943-dwt, 2013) was taken delivery Weihai 15-17 August for a trip via Indonesia to Japan at $18,000. Meanwhile in the Indian, Norvic fixed *Egret Star* (81,678-dwt, 2012) delivery Ennore 13th August for a trip via South Africa to China at $16,000 and Allianz Bulk covered *Clia* (92,968-dwt, 2012) delivery aps Richards Bay 23-25 August for a trip to India at $20,000 + $350,000bb. Whilst in the Atlantic, Oldendorff fixed *Aiantas* (81,111-dwt, 2016) delivery aps NC South America 1st September for a trip to Singapore-Japan at $17,500 + $750,000bb and *Horizon Diamond* (76,048-dwt, 2011) was covered delivery aps EC South America 5th September for a trip to Skaw-Passero at $28,000. Alternatively, Norden fixed *Pescadores SW* (82,230-dwt, 2012) delivery Kunsan 17th August for 8-11 months with redelivery worldwide at $17,000. Kepco Tender fixed a Pan Ocean TBN vessel for their 85,000-88,000 mtons coal lift ex Roberts Bank to Goseong 5/14 September at $17.10 pmt.

The **supra** market bounced back a little as we saw some improvement in rates this week. The BSI closed at $19,082, up from last week's $17,526. From the Pacific levels picked up as there has been small gains as fresh tonnage availability becomes tighter with a continued increase in cargo interest. Rates for prompt tonnage have also increased significantly. It was said that *Heilan Spring* (56,920-dwt, 2010) was fixed from Singapore to China at $24,000 due to prompt laycan. *Dato Success* (56,860-dwt, 2012) was also heard fixed from Cebu to China at $18,000. From the Atlantic, the 'summer holiday' effect is still present and not much activity was seen. It was rumoured that *Sea Credence* (55,640-dwt, 2010) open Lome was fixed to China at $14,500, but no further details surfaced. *CL Biliu He* (63,500-dwt, 2020) was fixed for a trip from East Mediterranean to West Africa at $21,000. From the Indian Ocean, little was reported mainly due to a National Holiday in India but it was heard that *Celestial Blue* (61,197-dwt, 2020) was fixed from Bin Qasim to West Coast India at $18,000.

The **handy** market cooled further this week. The Atlantic was weak, with an over supply of tonnage suffocating Owners. The BHSI closed today at $17,283 down $313 from last week. On the Continent, many owners were left short fixing and failing as the market continued to drop. Scrap trips were fixed close to $10,000 per day for small handies. *Venture Soul* (39,359-dwt, 2016) fixed delivery Hamburg for a prompt scrap trip to East Mediterranean at $14,000 with J Lauritzen. *Kouros* (34,125-dwt, 2011) fixed La Pallice for a trip redelivery Abidjan at $15,500. The Mediterranean was steady, rumours of some healthy rates out of Ukraine but Owners remain cautious. The East coast of South America has come off quite drastically in the last two weeks, yet is still the strongest market in the Atlantic. *Centurius* (33,367-dwt, 2015) fixed from Fazendinha to the Mediterranean at $18,000 with Cargill. *Esperance Bay* (28,217-dwt, 2010) fixed Vitoria to New Orleans at $17,000 also with Cargill and *Pomorze* (38,981-dwt, 2008) is on subs at $20,000 for a trip Recalada to the Baltic, again with Cargill. In the East, *M Confidante* (37,391-dwt, 2012) open Dalian fixed a trip redelivery USG at $18,300 with Ultrabulk. *Maria 1921* (35,013-dwt, 2011) open Niihama fixed a trip via Australia redelivery Singapore-Japan $17,500 with Oldendorff. A 38,000-dwt was fixed from China for a 50 day trip back to South Africa at around $19,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Martine	86,949	2009	Ishikawa	16 Aug	Singapore-Japan	$14,000	Jera	Via Australia
Golden Sue	84,943	2013	Weihai	15/17 Aug	Japan	$18,000	Cnr	Via Indonesia
Aiantas	81,111	2016	NC South America	1 Sep	Singapore-Japan	$17,500	Oldendorff	+$750,000 bb
Darya Jyoti	80,545	2010	CJK	16/21 Aug	SE Asia	$13,200	Raffles	Via South Australia
Horizon Diamond	76,048	2011	EC South America	5 Sep	Skaw-Passero	$28,000	Cnr	-
Virgo Confidence	63,206	2019	Recalada	Ppt	Poland	$32,000	Cnr	-
Pan Spirit	56,891	2011	Singapore	18/20 Aug	Japan	$20,000	NYK	Via Indonesia
Qi Fu	52,358	2011	CJK	16 Aug	Cambodia	$15,000	Tongli	Via N China
Venture Soul	39,359	2016	Hamburg	Ppt	East Mediterranean	$14,000	J Laritzen	-
Kouros	34,125	2011	La Pallice	16/18 Aug	Abidjan	$15,500	Cnr	-



Exchange Rates	This week	Last Week
JPY/USD	136.96	136.97
USD/EUR	1.0049	1.0252

Brent Oil Price	This week	Last Week
US$/barrel	94.40	98.0

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	522.0	535.0
VLSFO	755.0	792.0
Rotterdam IFO	535.0	535.0
VLSFO	735.0	754.0

Dry Bulk S&P

Cape rates have dropped significantly this week however it is worth noting that all the other bulk indices are still reported above USD 15k per day which although a step down on recent times is still showing significant multiple of opex. Grain is now regularly moving out of the Ukraine and the energy crisis is making coal a more viable option for countries that were moving away from it as an energy source, possibly leading to opportunities in the Handysize to Ultramax sectors.

A sign of the summer period with only one confirmed sale this week being the Chinese owned *Zhong Liang Dong Nan* (52k-dwt, 2001, Shin Kurushima) which is reported sold via auction to undisclosed buyers for high $11m including 13% VAT invoice of ship value.

At time of writing we also understand 2 capesize vessels *CHS Creation* (174k-dwt, 2006, SWS, BWTS Fitted) + *CHS Splendour* (170k-dwt, 2006, IHI Marine, BWTS Fitted) are asking for offers but no numbers have been reported yet.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Zhong Liang Dong Nan	52,551	2001	Shin Kurushima	C 3x31T	undisclosed	$11.75m	Online auction

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Tanker Commentary

Tanker buyers have not had the chance to come up for air in this bullish market as new bench marks are being set weekly, and appetite for en bloc deals remains high. There is a considerable amount of activity taking place on wet and whilst negotiations are not reported below, there are several ships under discussions now that we expect to be concluded soon.

This weeks headline was an en bloc sale of four scrubber fitted suezmax tankers - namely *Istanbul* and *Atina* (159k-dwt, 2015 Bohai), and *Zeynep* and *Ayse C* (158k-dwt, 2020 Hyundai) - being sold to New York listed owners SFL, for a total price of $225m.

Meanwhile their compatriots have sold the ice classed *Ridgebury Mary Selena* (146k-dwt, 2006 Universal) to Westport for $31m, which is in line with the sale of sister ship *Ridgebury Lindy B* (built 2007) that changed hands earlier this month for $32m - both have dry docking due in 2025. To highlight how much prices have jumped in this segment recently - the larger design *Libya* (159k-dwt, 2007 Hyundai) and 17 February (160k-dwt, 2008 Samsung) were sold en bloc in May to Greeks for $46m.

In the MR segment, Danish owners have found new homes for their BWTS fitted *Dee4 Dogwood* (47k-dwt, 2008 Onomichi) and *Dee4 Cedar* (46k-dwt, 2010 Shin Kurushima), achieving a figure in the high $44m en bloc - although no buyer has been reported, it's believed the individual prices were $21 and high $23m for the '08/'10 built respectively. This is another nudge north for values when looking at the last sale of a 2010 built pumproom design - this was in June, when *Celsius Richmond* (50k dwt, 2010 Onomichi) went for $19.5m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
C. Guardian	300,000	2019	Daewoo	HMM	$98.00m	Scrubber & BWTS fitted
Istanbul	159,500	2015	Bohai	SFL Corp	$225.00m enbloc	Scrubber & BWTS fitted
Atina						
Zeynep	158,060	2020	Hyundai Ulsan			
Ayse C						
Aksta	159,437	2003	Hyundai Samho	undisclosed	-	epoxy
Ridgebury Mary Selena	146,427	2006	Universal	Westport	$31.00m	BWTS fitted & Ice 1A
Ridgebury Saturn	49,999	2007	Hyundai Mipo	Greeks	$17.50m	
Dee4 Dogwood	47,399	2008	Onomichi	undisclosed	$44.00m enbloc	epoxy & BWTS fitted
Dee4 Cedar	45,994	2010	Shin Kurushima			
Agnes Victory	47,122	2004	Ulijanik	undisclosed	$16.00m - $17.00m	
Gennaro Ievoli	27,912	2002	Fratelli Orlando	undisclosed	$13.50m	BWTS fitted & StSt

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London
Tel: +44 20 3077 1600
Fax: +44 20 7240 9603
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai
Tel: +86 212 028 0618
Fax: +86 215 012 0694
Email: newbuild@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore
Tel: +65 6702 0400
Email: chartops.sg@hartlandshipping.com