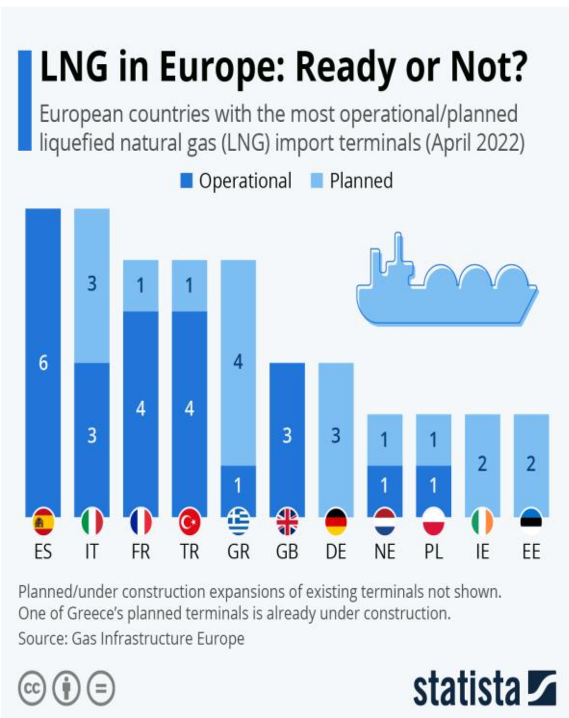
29 July 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

… Just Ship It In …



Source : Statista

*The deal between Russia and Ukraine, brokered by Turkey and the UN, permits the imminent resumption of Ukrainian grain exports.

**Sergei Lavrov, Russian Foreign Minister, is touring Egypt, Ethiopia, Uganda and DRC to blame the West for grain shortages in Africa.

^This was done on Wednesday ahead of which European gas prices surged 30% between Monday and Tuesday to €210 per MWh.

On Tuesday, the EU targeted a 15% cut to its winter gas use, but exempted ex-EU gas grid island states of Cyprus, Ireland & Malta.

^^Including causing Russia to seek stronger ties with the non-West, led by China, in a pivot away from the Euro-Atlantic community.

Louis Ashworth of the Daily Telegraph wrote: "Russian economy is crippled at every level despite Putin's propaganda." GDP down 40%!

POINTS OF VIEW

Last Friday, a deal* was signed in Istanbul that will lift the Russian naval blockade of Ukraine's Black Sea ports and open a safe corridor for the seaborne export of stranded grains. 22mt of various grains are in silos around Odesa, ready for export, freeing up space for Ukraine's imminent 60mt harvest, of which up to 40mt may be exported. Although Russian grains and fertilisers are exempt from western sanctions, many buyers have refrained from doing so from a reputational aspect. This led to a 24% drop in its fertiliser sales and a 10% fall in its grain sales. As part of the deal, Russia is cleared to export these commodities and this should restore prices towards market levels, allowing the Kremlin to boost its war chest, on top of the tens of billions already coming in from its oil and gas sales. It also permits Russia to paint itself as the saviour of Africa from famine while declaring the West as a colonialist intent on imposing its unipolar world order on others.** Antonio Guterres, UN Secretary General, called the deal a 'beacon of hope' on the Black Sea. Only hours later, Russian missiles were raining down on 'military targets' in Odesa, casting doubts that Russia will honour the agreement. The attack may put off owners from sending their ships to Ukraine and deter insurers from providing H&M, war risks and cargo cover. The war, and western sanctions, have had a polarising effect with Brazil, China, Hungary, India, Iran, KSA, Syria, UAE and Venezuela sympathising with Russia. Turkey's on the fence, a mediator.

In June 2022, the European Council adopted a sixth package of sanctions, the earlier ones having followed Russia's annexation of Crimea in 2014. That event might have warned western intelligence agencies what could come next, but it seems they thought that Putin's appetite was satiated. Latest sanctions are being applied to a variety of EU imports from Russia. Among other things, its coal will be banned from August, its seaborne crude oil from December and its seaborne oil products from February. Its Druzhba pipeline oil imports are exempt after objections from Hungary, Slovakia and the Czech Republic. However, sanctions are not being applied to health, pharma, food and agricultural imports and exports so as not to harm the Russian population, or indeed EU businesses and citizens. The EU, which received 40% of its natural gas from Russia in 2021, has pledged to reduce Russian gas imports by two-thirds within a year, but Russia is in any case restricting its Nord Stream pipeline deliveries to just 20% of capacity to prevent the EU from building up inventories ahead of winter.^ Poland, Bulgaria and Finland have had their Russian gas supplies totally cut for being 'unfriendly': not paying in Russian roubles to prop up the currency. Meanwhile, the US has declared a complete ban on Russian oil and gas imports while the UK will phase out Russian oil imports by year end. What we have is a patchwork set of rules with more holes in it than a Swiss cheese. Putin is good at exploiting perceived weakness and the missile attack on Odesa, so soon after reaching a deal, was his way of generating a Trumpian state of drama, chaos and uncertainty.

Richard Connolly of The Times wrote: "Sanctions are making Russia weaker – but Putin stronger". Punishments imposed by the West increase the dependence of the population and the elite on the Kremlin even if they are inflicting pain. The sanctions package froze the assets of the Russian state and its richest citizens, while locking its banking sector out of the dollar financial system. Access to critical technologies, ranging from microchips and passenger jets to parts used in oil and gas extraction and weaponry, is denied. However, the country is adapting to change, its energy and food exports cost more, its elite is mobilising to provide inferior substitute goods at elevated prices, an enriching process, while most of the distraught population remains dependent on the state and its publicly owned enterprises. The Kremlin's propaganda machine has succeeded in portraying the war as a defence against NATO's relentless eastward expansion. Most western goods have gone, others have taken their place, and the pro-Kremlin elite is closer to the centre than ever before, while the public rallies around the flag with no place else to go. Sanctions seem to work in a patchy way but inflict collateral damage on the enforcers.^^ Proactive deterrence should beat reactive measures. Western sanctions have not triggered a policy change from Putin, just as they did not from Iran or North Korea. A more sophisticated approach is needed that does not raise prices, suffocate demand and encourage yet more war.

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Dry Cargo Chartering

Another week of decline across **cape** markets saw rates steadily soften so that time-charter averages ended up at $17,255, down by a sizeable $5,107. Freight prices for Brazil-China slipped below $26.00 pmt by the end of the week and West Australia-China was below $10.00 pmt. Notable ore fixtures included a TBN CCL vessel winning a Ore & Metal tender for 180,000 mtons 10% from Saldanha Bay to Qingdao for end-August at $16.47 pmt, while Rio Tinto chartered among others *Frontier Neige* relet from Anglo and built 2011 for 170,000 mtons 10% from Dampier to Qingdao for 12/15 August at $9.85 pmt. Additionally, it was reported that the same charterers took a unnamed vessel for 170,000 mtons 10% from Seven Islands to China at $31.95 pmt via Suez or in their option at $33.45 pmt via COGH. Coal fixtures that were concluded this week include a Polaris TBN vessel being put forward for a Kepco tender of 150,000 mtons 10% from Richards Bay to Dangjin at $19.64 pmt, while LSS took 2 vessels for early-mid August for 150,00 mtons 10% stems loading Tarakan to Mundra at $8.00 pmt and $8.50 pmt. Little came to light in terms of T/C or period deals.

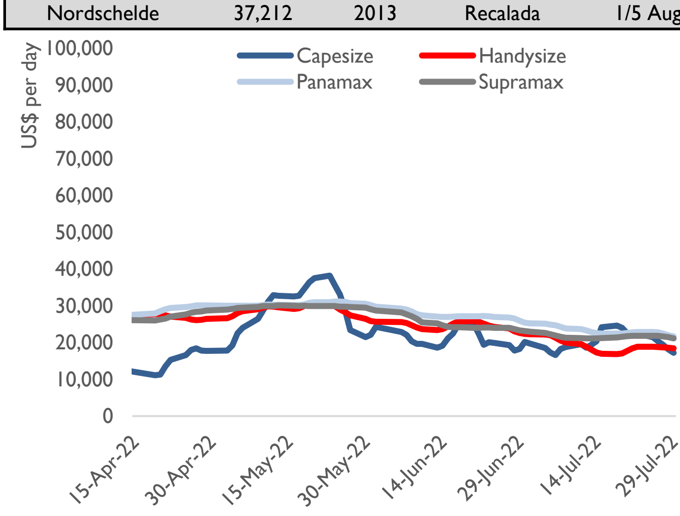
Panamax market idled relatively flat this week last week as it very marginally weakened as the P5TC closed at $18,463 838 down by $375 (-1.99%) since last reported on 15th July. In the Pacific, Oldendorff fixed Cemtex Creation (81,343-dwt, 2012) delivery Qingdao 31st July for a trip via NoPac with Grains back to Singapore-Japan range at $15,500, whilst Jera took Geneva Star (81,846-dwt, 2015) delivery Nansha 28th July for a trip via Indonesia to Japan at $17,500 and Rio Tinto covered Hebei Shijiazhuang (95,319-dwt, 2011) delivery Yantai 22nd July for a trip via Weipa with bauxite to China at $16,000. Atlantic, Cofco Agri fixed Jag Akshay (82,044-dwt, 2016) delivery Ghent 29th July for a trip via US Gulf with option NC South America/EC South America to Singapore-Japan range at $29,000, whilst Louis Dreyfus took Zheng Yao (81,716-dwt, 2014) delivery aps EC South America 30 July-2nd August for a trip via Egypt to redeliver Passero at $31,500. Alternatively, last week Element fixed MBA Future (82,181-dwt, 2019) delivery Japan mid-August for 7-9 months with redelivery worldwide at $19,750. Kepco Tender fixed Pan Ocean TBN vessel for their 80,000/10 coal lift ex Gladstone to Goseong 16/20 August at $15.30.

A rather lacklustre start to the week, with a visible decreased level of activity across both basins, leading to an overall negative sentiment. The **BSI** closed at $21,681, down $1,199 from last week's $22,880. From the Pacific, limited enquiry surfacing from North Pacific and Australia. In South-East Asia, the demand for tonnage and prompt requirement continues to decline. It was heard *that Xin Bo* (52,424-dwt, 2006) fixed for a trip from Campha to China at $17,000. From the Atlantic, lesser enquiry and lower rates were being discussed owing to the summer holiday season. It was reported that *Victorious* (55,648-dwt, 2011) fixed from South Spain to West Africa at $21,00 and *Western Oslo* (63,633-dwt, 2019) was fixed from ECSA to Singapore-Japan range at $18,800.

The **BHSI** closed at $21,114 down $682 since last Friday in a yoyo week within the handy market. East Coast South America remained firm while sentiment fell away in the US Gulf and Continent. *Jules Point* (37,633-dwt, 2013) open Santarem fixed arrival Barcarena redelivery Portugal for $28,000 to Trithorn. *Nordschelde* (37,212-dwt, 2013) open Santos fixed arrival Recalada for a grains trip to Algeria at $32,500 with Bunge. The US gulf slowed down towards the later stages of the week, *Mount Baker* (33,212-dwt, 2003) fixed $18,000 delivery Vera Cruz for an Intra-gulf trip. A 38,000-dwt vessel fixed a trip from Texas to Morocco at a time charter equivalent rate $23,500 with a cargo of sulphur. The Continent was active with an increased level of inquiry, although Owners rating in the teens for trips to West Africa. Intra-Mediterranean trips fixing at around mid-teens. In South-East Asia, a lack of fresh enquiry from Australia and Indonesia, put pressure on Owners to reduce rates, similar story in the north China-Japan region. *Martin Island* (32,723-dwt, 2014) open Kushiro fixed a trip redelivery South-East Asia with clinker at $16,500. *Paiwan Wisdom* (31,967-dwt, 2010) open Lanshan fixed 2-3 Laden legs redelivery Spore-Japan range at $20,750 to Pacific Basin. *Nordorinoco* (38,040-dwt, 2015) fixed delivery Singapore via west Australia basis redelivery South-East Asia with Alumina at $22,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Hebei Shijiazhuang	95,319	2011	Yantai	22 Jul	China	$16,000	Rio Tinto	Via Weipa
Blue Wave	87,340	2011	Amsterdam	22/24 Jul	Passero	$19,250	Bunge	Via NC South America
Jag Akshay	82,044	2016	Ghent	29 Jul	Singapore-Japan	$29,000	Cofco Agri	Via US Gulf
Geneva Star	81,846	2015	Nansha	28 Jul	Japan	$17,500	Jera	Via Indonesia
Zheng Yao	81,716	2014	EC South America	30Jul/ 2Aug	Passero	$31,500	Louis Dreyfus	Via Egypt
Darya Rama	61,212	2018	Taichung	21/25 Jul	US Gulf	$26,000	Meadway	Via Vietnam
Aggeliki B	56,770	2011	SW Pass	Ppt	Continent	$29,000	Cnr	-
Silver Star	55,725	2006	Go Gia	25/26 Jul	China	$18,000	Cambrian Bulk	Via Indonesia
Jules Point	37,633	2013	Barcarena	26/31 Jul	Portugal	$28,000	Trithorn	
Nordschelde	37,212	2013	Recalada	1/5 Aug	Algeria	$32,500	Bunge	- -



Exchange Rates	This week	Last Week
JPY/USD	133.42	136.70
USD/EUR	1.0186	1.0183

Brent Oil Price	This week	Last Week
US$/barrel	110.02	104.50

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	505.0	472.0
VLSFO	890.0	936.0
Rotterdam IFO	482.0	478.0
VLSFO	787.0	772.0

Dry Bulk S&P

It looks like the dry sector is going to have to sit a few dances out while its more attractive tanker sister is waltzed around the market by eager buyers. Overall there is a summer doldrums feel this week with supply and demand falling away.

The Japanese-controlled *Bonanza YR* (76k-dwt, 2006 Tsunesihi) is reported sold at a last-done $16.4m. The ultramax *Ultra Alpha* (63k-dwt, 2015 New Times) is reportedly sold at $27m, although others claim that the disappointed Korean sellers withdrew her.

The Chinese-built supramax *Teresa Oetker* (58k-dwt, Dayang) is sold for $17.25m. Variations in quality and pedigree have smudged the benchmarks for Chinese supramaxes of this age but we would generally expect Dayang units to be on the higher end of the value spectrum.

Elsewhere *Sophia K* (55k-dwt, 2011 Mitsui) is sold for a respectable $22.6m and likewise *Crete Trader* (53k-dwt, 2009 Zhejiang) achieved a creditable $16.2m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Bonanza YR	76,465	2006	Tsuneishi	-	undisclosed	$16.40m	BWTS fitted
Ultra Alpha	63,203	2015	New Times	C 4x35T	undisclosed	$27.00m	BWTS fitted
Teresa Oetker	58,018	2010	Yangzhou Dayang	C 4x35T	undisclosed	$17.25m	BWTS fitted
Sophia K	55,612	2011	Mitsui	C 4x30T	Dubai based	$22.60m	BWTS fitted
Crete Trader	53,428	2009	Zhejiang	C 4x35T	Middle Eastern	$16.20m	BWTS fitted

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Tanker Commentary

Older tankers have taken the stage this week with the majority of sales being more than 10 years old. There are fewer transactions within the younger more modern fleet due to the firming freight market with owners bullish on rising asset values.

In the aframax sector, Samos Shipping are reported to have sold *Oracle* (105k-dwt, 2008 Sumitomo) for $28.75m. This represents a firm increase in pricing when compared to *Maran Sagitta* (105k-dwt, 2009 Hyundai) which sold at the end of last month for $27.6m. A stark contrast to earlier in the year when similar vessels were achieving prices in the high teens. Elsewhere in the aframax sector, AET have sold *Chola Queen* (140k-dwt, 2002 Imabari) for circa $17m.

Prime Maritime are reported to have sold *Arctic Flounder* (74k-dwt, 2009 Brodosplit) and *Arctic Char* (74k-dwt, 2008 Brodosplit) for $40m enbloc.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Kioni	310,389	2004	Imabari	undisclosed	$29.50m	Basis DD due
Oracle	105,380	2008	Sumitomo	undisclosed	$28.75m	
Prosperous	105,355	2009	Sumitomo	undisclosed	$28.70m	BWTS fitted
Chola Queen	104,996	2002	Imabari	undisclosed	$17.00m	
Arctic Char	74,996	2008	Brodosplit	undisclosed	$40.00m enbloc	Ice 1A & epoxy
Arctic Flounder	74,925	2009				
Karadeniz Powership Anatolia	72,515	2004	Samsung	undisclosed	$13.25m	epoxy
Baltic Flavour	37,105	2006	Hyundai Mipo	undisclosed	$14.25m	epoxy phenolic & BWTS fitted

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