



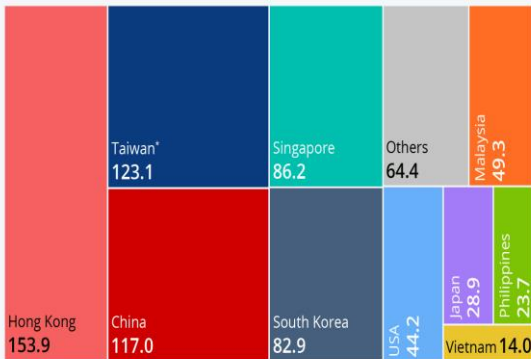
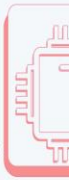
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... China may eat Taiwan's chips ...

## Greater China Dominates Global Microchip Exports

Countries with the biggest export values of electronic integrated circuits in 2020 (in billion U.S. dollars)



\* and other Asian territories that are not Hong Kong or Macau

Source: UN Comtrade



statista

Source : Statista

\*More roads, high speed rail and empty apartment blocks lead to bankrupt real estate developers and mortgage payment strikes.

\*\*Evergrande Group, China's 2nd largest developer has \$300bn of debt. Chinese banks have \$350bn of stalled EG mortgage repayments.

^Demand has switched from a lockdown obsession with goods and home improvements to demand for travel, socialising and eating out.

^^These display a YTD bell curve with recent steep corrections implying that inflationary forces are being tamed as demand fades.

## POINTS OF VIEW

Early this week, Nancy Pelosi, the US House Speaker, paid a two day visit to Taiwan against the advice of the White House. It was met with a tirade of abuse from China in a departure from the norms of restrained diplomatic exchange. Unfortunately, certain western leaders (you know who they are) long ago parted company with the truth, attacked their own democratic institutions, promoted the language of division and painted the slightest criticism as fake news. Now, the world's many autocracies feel emboldened to say and do as they please. Three days of Chinese live-fire military drills started yesterday, effectively blockading the island of Taiwan. However, the abusive language and aggressive threats may only serve to disguise the CCP's tenuous grip on power and mask China's economic and military weakness. Its economy grew at 0.4% YoY in Q2, sharply slower than 4.8% growth in Q1. It expanded by only 2.5% in H1, which makes this year's 5.5% target improbable, after 8.1% growth in the 2021 rebound after a Covid-battered 2.2% expansion in 2020. The blanket lockdowns and factory closures - caused by ineffective vaccines, vaccine hesitancy among the elderly and inadequate hospital facilities - hit the economy hard. The CCP's legitimacy is derived from its delivery of economic growth and raising living standards. It is currently doing neither. The old playbook promotes even more infrastructure spending\* in exhausted and oversupplied sectors, but it cannot compensate for a loss of consumer confidence and lower discretionary spending. New imaginative measures are needed.

As for its military, Con Coughlin, Defence Editor of The Telegraph, has some ideas on that. His opinion is that China is too weak to invade Taiwan successfully. "Beijing is a paper tiger in military terms. Its threats are a pathetic distraction from its internal woes." He sees virtually zero likelihood of China launching a full-scale invasion of Taiwan in the near future. Invading Taiwan would be a very different proposition to Russia's attack on Ukraine involving tanks and troops crossing a land border backed by artillery, missiles and fighter jets. An amphibious and airborne assault on Taiwan would meet a motivated army, a well-trained and well-equipped air force and state-of-the-art Patriot air defence systems. China's last proper combat experience dates back to the Korean War in the early 1950s, whereas the US and its allies have been involved in non-stop operations since the early 1980s, from the Falklands to Afghanistan with much in between. Coughlin suggests that the greater threat to Taiwan is from domestic unrest fomented by pro-Beijing activists and destabilising cyber attacks. He views the latest bombast as an attempt to deflect attention away from China's economic woes ahead of November's 20<sup>th</sup> CCP National Congress when Xi Jinping goes for a third term. There is time for Taiwan, its Asia-Pacific allies, the Quad and NATO to raise their collective deterrent capability to head off any serious possibility of invasion.

Right now, we have other things to worry about: inflation, rising energy and food prices, an unfinished pandemic, other viral threats, war in Europe, and so on. Our shipping markets are affected in various ways with the current status of bulkers weakening, tankers strengthening and containers holding on. Supply-side problems are clashing with demand-side issues. Our enduring inability to expand supply was a problem in the post lockdown demand surge.<sup>^</sup> It is a bit less of a problem now as we flip into demand destruction from high energy and food prices, made worse by the war. The China slowdown alone has weakened global demand and dented key commodity prices of oil, iron ore, copper, steel, lumber, wheat, corn and soybeans.<sup>^^</sup> A similar elongated bell curve is sketched out by the BDI which has recently weakened on falling Chinese steel output and weaker iron ore imports and slower Brazilian iron ore production and exports. Its BCI, BPI, BSI and BHSI components are similar. They were doing well, now not so much. The FBX, a Baltic index covering spot bookings on 12 global trade lanes, is less of a bell curve and more of a ski slope this year, but contract bookings remain strong at high levels as shippers secure future space, while time charter rates are holding up on the lack of available box ships for hire. More promising, and long awaited, is the inverted bell curve of the VLCC-TCE which has been rescued from the depths by high demand for suezmax and aframax tankers. The BCTI and its MR components have also been much helped by elongated trade flows. It's musical chairs time!

## Dry Cargo Chartering

**Cape** markets saw yet further steady decline this week as time-charter averages fell by another \$5,555, to close play at \$11,700. Freight rates along the Brazil-China route shed almost \$4.00 pmt to end up at around \$22.00 pmt on average, while rates from Australia to China were firmly under \$8.00 pmt. On this latter route, Rio Tinto, BHP, and FMG all took advantage and booked multiple iron ore stems covering most of this month. Freight prices mid-week were around \$9.00 pmt but slipped to sub-\$8.00 later on. Additionally, Vale chartered the 2005-built CCL relet *Aquabridge* for 170,000 mtons 10% from Teluk to Qingdao at \$5.60 pmt for 12/14 August. For coal, on Tuesday SAIL took a Koch TBN vessel for 140,000 mtons 10% from Norfolk and Newport News to Dhamra 20/29 August at \$38.45 pmt. LSS fixed 150,000 mtons 10% from Samarinda to Mundra at \$6.40 pmt and also the same quantity from Abbot Point to Krishnapatnam at \$10.85 pmt.

**Panamax** market took a blow this week as it furthered weakened as the P5TC closed at \$17,699 down by \$764 (-4.14%) since last reported on 29th July. In the Pacific, *MG Mercury* (84,790-dwt, 2016) fixed delivery Cigading 8-9 August for a trip via Indonesia to South China at \$24,500, whilst *Cemtex Innovation* (81,326-dwt, 2013) was taken delivery Kakogawa 7th August for a trip via EC Australia back to Japan at \$15,500 and Louis Dreyfus covered *Dimitris A* (82,518-dwt, 2008) delivery Busan 4th August for a trip via NoPac with grains back to Singapore-Japan range at \$15,000. Atlantic, *Trafigura* fixed *Dragon* (81,382-dwt, 2012) Bunge relet delivery passing Skaw 4-5 August for a trip via US Gulf to Continent at \$18,500 whilst Cofco Agri took *Panstar* (76,629-dwt, 2005) delivery aps EC South America 15th August for a trip to Singapore-Japan range at \$20,600 + \$1,060,000 bb. Alternatively, MOL fixed *ITG Uming 3* (81,994-dwt, 2020) delivery CJK 4-6 August for 5-7 months with redelivery worldwide at \$22,750. Kepco Tender fixed Pan Ocean TBN vessel for their 80,000/10 coal lift ex Tarahan to Taean 15/24 August at \$10.95.

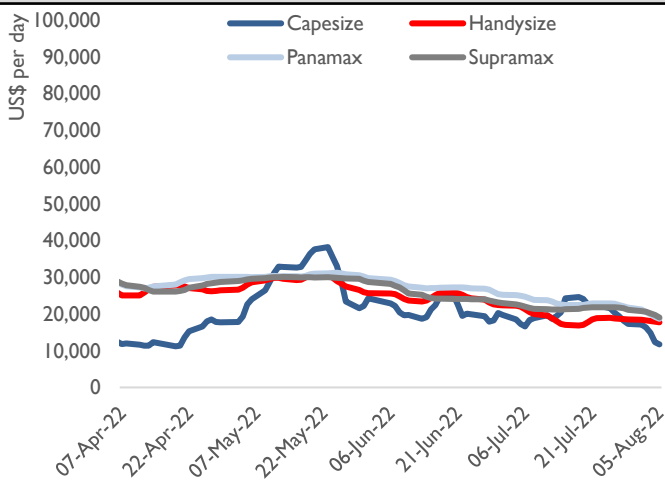
It has been a slow start to the month of August for the **supra** markets, the lack of activity saw rates slip again. The BSI closed at \$18,698, down from last week's \$21,681. From the Pacific, shortage of fresh enquiry is said to bring

lower rates on prompt tonnage for backhaul and inter-Pacific trade. *Vosco Sunrise* (57,472-dwt, 2013) was rumoured to be fixed for a trip from CJK to Vietnam at \$12,000 but no further details came to light. *Lucky Source* (53,411-dwt, 2007) was fixed from Hong Kong to China at \$14,500. From the Atlantic, levels continue to drop as markets remain flat. *Global Brave* (57,317-dwt, 2010) open Casablanca was said to be fixed to WC Central America at \$18,250. Similarly, for front haul sources spoke of the same. *Vita Kouan* (63,323-dwt, 2016) was heard fixed from Rio Grande to Bangladesh at \$18,500.

Very little to be excited about in the **handy** market this week, BHSI levels dropped \$2,068 closing at \$19,046. Atlantic markets remained quiet, not helped with holidays in Geneva on Monday. Despite an increase in inquiry, Continent rates started dropping quickly with a noticeable build-up of spot tonnage. Despite the recent Russian-Ukrainian trade agreement, little reported grain activity from the Black Sea, although sentiment in the area has improved. Owners asking mid-teens for trans-Atlantic trips to America and a tick less to South America, *Friendly Islands* (28,387-dwt, 2012) fixed delivery Gibraltar for a 50-day trip via East coast South America, redelivery Italy at \$13,500. The US Gulf was soft with little reported activity. In South America, *Maputo* (34,408-dwt, 2010) fixed arrival Necochea with AEC for a trip to North Brazil at \$24,000. *Western Maple* (32,493-dwt, 2010) fixed on subjects from Barcarena, redelivery Aveiro at \$25,000 with Pacific Basin. *Alberto Topic* (34,356-dwt, 2015) fixed basis delivery Recalada for a trip to Tunisia at \$28,000 with Alberta. In Southeast Asia, sentiment fell further with rates continuing to drop quickly. The North China-Japan region suffered from limited fresh Inter-pacific requirements. In the Persian Gulf, *Unison Jasper* (37,296-dwt, 2019) was fixed basis Delivery Jubail via the Gulf for a trip to the US Gulf-US East Coast range at \$24,500 to Lauritzen. A 32,000-dwt logger open Taipei fixed two laden legs at \$22,750. *CSE Fortune Express* (36,155-dwt, 2014) open Taipei fixed a trip redelivery Southeast Asia at \$16,000's. A 33,000-dwt logger open CJK, China fixed low 20'000's for a back haul. On period, a 33,000-dwt vessel open Dalian ex Dry-Dock in the 19,000's usd per day for a year. *Yangtze Classic* (32,503-dwt, 2012) open Bell Bay fixed 3 to 5 months \$ 25,000 to Baltnav.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Anglo Marimar	98,681	2011	Taichung	29/30 July	Singapore-Japan	\$16,000	Jera	Via EC Australia
Tai Kindness	84,574	2021	Lianyungang	31 July-1 Aug	Singapore- Japan	\$22,000	MOL	Via EC Australia
Mighty Star	81,635	2020	Nagoya	9/10 Aug	Singapore-Japan	\$18,000	Oldendorff	Via Nopac
Panstar	76,629	2005	EC South America	15 Aug	Singapore- Japan	\$20,600	Cofco Agri	+\$1,060,000 bb
Yu Zhu Feng	75,519	2011	San Ciprian	31 July	Skaw- Gibraltar	\$19,000	Bunge	Via NC South America
Tomini Liberty	63,511	2018	Santos	10/15 Aug	US Guf	\$28,000	Cnr	-
Ocean Enterprise	63,261	2016	New Orleans	5/10 Aug	China	\$27,000	Cnr	-
Aris Glory	58,758	2007	CJK	4/7 Aug	China	\$17,000	Cnr	-
Unison Jasper	37,296	2019	Jubail	Ppt	US Gulf- US East Coast	\$24,500	Lauritzen	Via Arabian Gulf
Nordic Skagen	34,850	2010	Lebanon	Ppt	Riga	\$18,500	Cnr	-



Exchange Rates	This week	Last Week
JPY/USD	133.22	133.42
USD/EUR	1.0231	1.0186

Brent Oil Price	This week	Last Week
US\$/barrel	93.61	110.02

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	498.0	505.0
VLSFO	785.0	890.0
Rotterdam IFO	477.0	482.0
VLSFO	724.0	787.0

5 August 2022

### Dry Bulk S&P

After a quiet few weeks with limited sales the dry list sales list is significantly longer. Some deals have been excluded from our table too given they are not representative of 'market levels' as some companies shift assets from public companies to private and vice versa.

Transmed are rumoured to have sold their 2012 Bohai cape, *Ekaterini V* (173k-dwt, 2012 Bohai) for \$32.5m which looks a firm price. Above the March sale of *Stella Anita* (18k-dwt, 2012 Dalian) for \$30.5m.

The scrubber fitted *Nautical Anne* (63k-dwt, 2016 Hantong) is rumored sold for \$31m. If correct and a recent sale, this is a very

firm price given the one year older, non-scrubber fitted *Ultra Alpha* (63k-dwt, 2015 New Times) reportedly saw a best offer in the high 26s/27m. It also shows the premium some Buyers will pay for scrubber fitted tonnage given the spread in fuel.

MUR are reported to have committed one of their older handies *African Falcon* (27k-dwt, 2003 New Century) to Egyptian buyers for \$11.5m, a price which looks very firm however we understand the deal may have been agreed some time ago. Given the recent news about MUR acquiring Dreyfus' fleet of modern handies in JV with JPM, perhaps this could be one of several of their smaller, older handies being shifted on?

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Ekaterini V	173,555	2012	Bohai	-	undisclosed	\$32.50m	BWTS fitted
Kriton	73,975	2003	Hyundai Samho	-	undisclosed	\$15.00m	BWTS fitted
Princess Jasmine	73,867	1997	Sumitomo	-	Chinese	\$6.00m	
Nautical Anne	63,593	2016	Jiangsu New Hantong	C 4x30T	undisclosed	\$31.00m	BWTS & Scrubber fitted
Nathan Brandon	56,489	2013	Nantong Huatai	C 4x36T	Densay	\$18.70m	BWTS fitted & Tier II
Denali	53,800	2009	Jiangsu	C 4x36T	undisclosed	\$16.00m	BWTS fitted
Miss Simona	34,529	2010	SPP	C 4x35T	Greek	\$16.40m	BWTS fitted
African Falcon	27,101	2003	New Century	C 4x30T	Egyptian	\$11.50m	BWTS fitted, old sale

## Tanker Commentary

Although we are well into the summer holiday season, the tanker market is anything but stagnant. A perfect storm of aggressive buyers with a limited number of ships available for sale is making gazumping standard practice and setting new benchmarks.

Looking at this week's standout sales - the Greek controlled *Maran Andromeda* (320k-dwt, 2005 Daewoo) has changed hands this week, securing a price in the low \$37m - a notch up against last done with *Kioni* (310k-dwt, 2004 Imabari) being sold end of last month with DD due for \$29.5m.

In the Afra segment, the BWTS fitted *Stride* (105k-dwt, 2009 Hyundai) has found a buyer at \$32.5m which is firm when reflecting on last month's sale of *Oracle* (105k-dwt, 2008 Sumitomo) that achieved \$28.75m.

MR tankers remain top of the shopping list for most tanker buyers - last week we saw owners of *Grand* (50k-dwt, 2008 SPP) obtaining \$19.3m, whilst this week's sale of the younger *Orwell* (51k-dwt, 2010 Hyundai) steals the show with a sale price of \$25m with BWTS fitted.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Maran Andromeda	320,472	2005	Daewoo	undisclosed	\$37.25m	
Tinat	316,502	2002	Hyundai	Far Eastern	\$29.50m	
Altair Trader	311,110	2005	Mitsui	undisclosed	\$36.00m	BWTS fitted
SPM Strength	159,314	2002	Hyundai Ulsan	Chinese	\$17.00m	
Ridgebury Lindy B	146,356	2007	Universal	Stealth Gas	\$32.00m	BWTS & Scrubber fitted
Stavanger Falcon	105,419	2009	Sumitomo	undisclosed	\$28.10m	
Stride	105,369	2009	Hyundai Ulsan	undisclosed	\$32.50m	BWTS fitted
Orwell	51,745	2010	Hyundai Mipo	undisclosed	\$25.00m	BWTS fitted & epoxy phenolic
Stefanie	37,248	2003	Hyundai Mipo	undisclosed	\$10.80m	epoxy phenolic
Esther	36,990	2005	Hyundai Mipo	Greek	\$11.50m	epoxy

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