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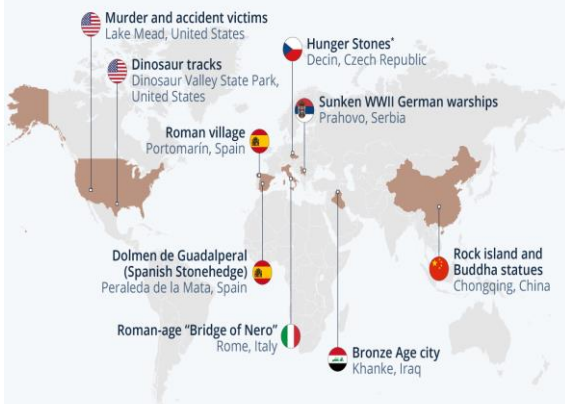
As August drew to a close this week, so markets sold off again as inflation beds in, interest rates rise, energy prices squeeze upwards and new Covid cases sent China back into lockdown. Stock, commodity and shipping equities are being sold on the assumption of reduced global demand amidst overwhelming negativity and a Covid bounce back that has stalled. Stock markets no longer care for growth or value shares or commodities; everything must go. Shipping has suffered a similar loss of faith with the Baltic spot container index, the FBX, sliding to 4,730 points today, down 50% since the start of this year and 58% below its all-time high of 11,137 on 9 September 2021. This index does not tell the whole story though. A.P. Moller-Maersk's EBITDA for Ocean came in at \$9.6bn in Q2 2022 against \$4.4bn in Q2 2021. Its latest 2 August EBITDA forecast for the whole group in 2022 is raised to \$37.0bn from \$30.0bn on 26 April and \$24.0bn on 9 February. Higher freight rates were partly offset by lower volumes and by higher fuel, handling and network costs. However, strong contract rates, at well above previous year levels, provide a strong base despite the decline in spot rates, a reduction in congestion and lost consumer confidence from the war in Ukraine. A record profit is in sight this year regardless of a forecast 1% fall in global box demand. The market focuses too much on spot freight over the mitigating term factors or increasingly large contribution from logistics, air freight and terminals.*

On Wednesday, the BDI dipped below 1,000 points "as bulker demand dwindles in the doldrums", as per a Tradewinds headline on Wednesday, in what are the worst rates since June 2020. The BCI is dragging down bulk carriers, but not all boats are the same as we have non-eco, eco without scrubber, and eco with scrubber (26% of the cape fleet). Indices tend to reflect the least efficient types and thus put a negative spin on the state of the market.^ Golden Ocean has 28 of its 56 capes fitted with eco electronic main engines and scrubbers. 60% of its 97 strong fleet have scrubbers, and 56% of its available vessel days are fixed to end 2022.** In Q2, its fleet averaged \$29,431 daily, 18% up on \$24,920 in 2Q21. It sees more upside than downside from here, with increased iron ore output from Brazil, disrupted and inefficient coal trades and China restocking even as port congestion has reverted to a pre-pandemic 30%. Much will depend on China's lockdown policy and stimulus strategy in H2 as this will influence the trade balance. Star Bulk, another listed bulker company, has 128 ships ranging from nukes to supras, 94% of which are scrubber-fitted. In Q2, it averaged \$30,451 per day across the fleet, 33% up on \$22,927 a year ago, and has 61% of available days booked at \$29,000 daily in Q3. It is encouraged by limited fleet growth, upcoming IMO engine power and speed limitations, its competitive operating costs and the major benefit of its fully recouped \$250m investment in scrubber retrofits. These provide welcome protection against an uncertain macroeconomic environment.

Crude tankers really turned a corner in Q2 and closed the gap on product tanker earnings as sanction deadlines approach. Last week, eco scrubber-fitted VLCCs earned on average \$64,309 per day on the spot market against \$63,822 and \$68,557 daily respectively for similar spec suezmax and aframax tankers. MRs corrected down to \$38,675 per day while LR2s held on at \$68,557 daily. Tanker rates should get support from a global stock build as oil prices fall, based on weaker consumption as inflation bites. However, ton-miles will be added to east-west product flows and to west-east crude flows as EU sanctions on seaborne Russian oil imports take effect from early December. Fleet growth will be low (OB of sub 5%), compensating for a period of possibly lower end-user oil use, while tanker values continue on the upward trend that started at the beginning of 2021. Product owner Hafnia's 142-strong fleet (of which 129 are owned) averaged \$29,077 daily in Q2. It has 72% of earning days booked at \$36,504 in Q3 and 42% of available days secured at \$34,400 in H2. Frontline said its LR2s took centre stage in Q2 after reporting a net profit of \$47.1m, up from a \$26.6m loss a year ago. For Q3, it has 73% of VLCC days booked at \$28,100 daily, 73% of suezmax days fixed at \$45,000 and 62% of LR2 days locked in at \$46,200 per day. It believes that we have reached a cyclical upturn, with supply and demand for oil and product transport gradually tightening. It all goes to prove that indices are only useful to a point. Strategy ultimately determines financial outcomes.

What Droughts Have Revealed

Selected discoveries/sites revealed by receding water levels/droughts around the world (2022)



* inscriptions from ca. 15th century previous drought/famine
Source: Statista research



statista

Source : Statista

*Xeneta claims long-term freight rates rose 4.1% in August m-o-m and are up 121.2% y-o-y, but all signs are that these will soon fall.

^Last week, an eco scrubber-fitted unit averaged \$13,380 pd in the spot market against \$1,040 pd for a non-eco unit (Source: SIN).

**Q3: 80% of cape days fixed at \$27,900 & 96% of pmax at \$27,100. Q4: 25% of cape days fixed at \$29,500 & 27% of pmax at \$21,900.

^^Euronav in Q2. Its VLCCs averaged \$17,000 pd, up from \$11,250 a year earlier. Suezmax earned \$20,000 pd versus \$10,500 in 2Q21.

Dry Cargo Chartering

A positive turn for the **cape** markets at the end of the week, as rates seemed to turn a corner. Time charter averages went into the green again on Thursday, ending up at \$6,076 an increase of \$2,663. Freight prices from W.Australia to China were approaching the \$9.00 pmt mark by close of play Friday, while prices out of Brazil were creeping close to \$20.00 pmt on average. Plenty of iron ore fixtures came to light Monday through Wednesday, with the usual charterers snapping up tonnage. Rio Tinto were particularly active taking at least four TBN vessels for 170,000 mtons 10% Dampier-Qingdao with prices ranging from \$7.55-\$8.35 pmt. Additionally, Rogesa fixed *NSU Lodestar* built 2013 for 180,000 mtons 10% from Seven Islands to Rotterdam for late September at \$6.50 pmt, while Vale took an unnamed vessel for 170,000 mtons 10% loading Ponta da Madeira to Taranto at \$7.00 pmt. Lastly, we heard that LSS chartered a TBN vessel for 150,000 mtons 10% coal from Bunyu to Mundra at \$5.00 pmt for 5/10 September dates.

The **panamax** market continued to dip this week before firming slightly Thursday and Friday. Yet there was still an abundance of supply with little demand as reflected by time charter rates that ended up at \$11,442, down by \$902 since last week. In the Pacific, Norden took *Swift Suzhou* (81,458-dwt, 2015) for a trip from Zhangjiang to Hong Kong via Tanjung Bara at \$12,000, whilst Polaris covered *Pan Bicorn* (82,158-dwt, 2012) delivery Yeosu for a round trip to Australia at \$12,250. Meanwhile in the Atlantic, Cargill fixed *Navios Southern Star* (82,224-dwt, 2013) for a trans-Atlantic trip delivery aps North Coast South America at \$18,500, and it was heard that Jera took *Ever Best* (81,717-dwt, 2013) open Gibraltar with coal to Italy at \$16,000 but no further details came to light. Also on voyage, a Kepco tender was covered by a GNS Seoul TBN vessel for their 75,000 mtons 10% coal lift ex Westshore to Dangjin 20/24 Sep at \$17.96 pmt.

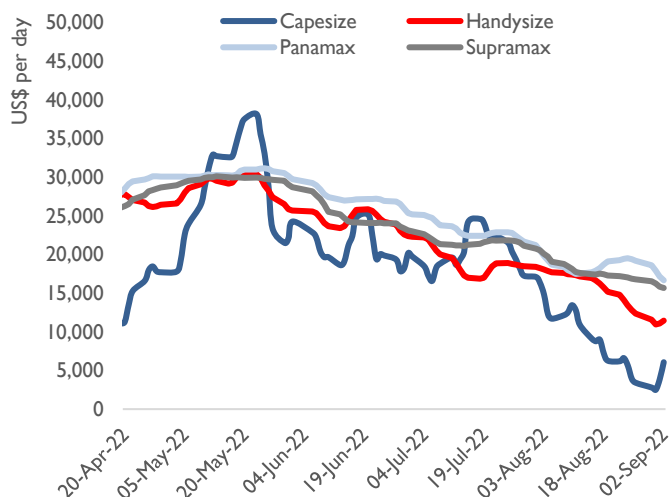
Supramax markets took a big index hit this week as the S10TC closed at \$16,658 down by \$2,525 (-13.16%) since last reported on 26th August. In the Pacific, Transpower fixed *Jabal Harim* (63,277-dwt, 2012) delivery Jinzhou 30/31 August for a trip via Indonesia to WC India at \$15,500, whilst Tongli covered *African Starling* (56,074-dwt, 2013) delivery Anyer 4th September for a trip via Indonesia to China at \$17,000, and *Fareast Harmony* (56,756-dwt, 2012)

was taken delivery Hong Kong on prompt dates for a trip via Vietnam with clinker to Bangladesh at \$23,900. Meanwhile in the Indian, *Ocean Tianbo* (63,579-dwt, 2018) fixed delivery Chittagong for prompt dates for a trip via Indonesia to China at \$13,900, whilst Norden covered *Bei Lun 17* (63,151-dwt, 2014) delivery Mobasa 1-5 September for a trip via South Africa to Singapore-Japan range at \$23,000. Alternatively, Graincom fixed *Young Spirit* (63,567-dwt, 2015) delivery Hamriyah for prompt dates for 4-7 months with redelivery AG-Japan range at \$19,000 and Cambrian Bulk covered *MBS Buyan* (53,432-dwt, 2009) delivery Belawan 2-3 September for 2 laden legs with redelivery AG-Japan at \$15,000.

The **handy** market showed no signs of improvement, the East continues to outperform the West as rates in the Atlantic started dropping into single figures. The BHSI closed this week at \$15,650 down \$1,144 from last week. The Continent lacked fresh inquiry and rates cooled even further. Baltnav fixed a 33-kdwt vessel for \$9,000 arrival Amsterdam for their coal trip to Taranto. Expect more Owners to follow into single digits next week. The Mediterranean stayed quiet with little reported activity. *Ocean Beauty* (38,246-dwt, 2012) fixed 2022 arrival Greece for a minerals trip to A-R-A-G range. In the US Gulf, *Tomini Shamal* (38,785-dwt, 2016) fixed delivery South-West Pass for a trip to West coast South America at \$17,500. *Asturcon* (36,071-dwt, 2014) fixed Port Arthur into West coast India at \$16,000 with XO. *Maestro Diamond* (36,920-dwt, 2015) fixed delivery Panama City redelivery Denmark at \$15,750 with PCL. The East Coast of South America felt the downward pressure with both a lack of inquiry and a build up of tonnage, causing negative sentiment for the foreseeable future. Trans-Atlantic rates are now around mid-teens on index. A 32k-dwt vessel was trading around the low-teens for a sugar trip to the Continent at the start of the week. In Asia, sentiment was said to be negative across the region, with minimal fresh enquiry to spark positivity. In the West coast India area, *Admiralty Spirit* (32,263-dwt, 2004) open Kandla fixed a prompt trip to South-East Asia on voyage, no rate reported. *BBC Pluto* (37,495-dwt, 2010) open North China fixed a trip to the Mediterranean at \$19,500. *HPC Sunrise* (35,213-dwt, 2011) fixed basis delivery Lam Chabang for a trip via Indonesia to East Coast India at \$16,500 to Allianz Bulk. On period, *Daiwan Hero* (34,376-dwt, 2016) open Chittagong fixed 3-5 months period at \$18,850.

Representative Dry Cargo Market Fixtures

| Vessel | DWT | Built | Delivery | Date | Redelivery | Rate (\$) | Charterers | Comment |
|------------------|--------|-------|------------------|-----------|--------------------|-----------|---------------|------------------|
| Pampero | 93,275 | 2011 | Pohang | 4/5 Sep | Singapore-Japan | \$10,000 | Cnr | Via WC Australia |
| Pan Flower | 82,687 | 2012 | Mauban | 5 Sep | South China | \$14,000 | Cnr | Via Indonesia |
| ETG Hayate | 81,957 | 2022 | NC South America | 10/20 Sep | Skaw-Spain | \$17,750 | Cnr | - |
| Super Luna | 81,458 | 2016 | EC South America | 10 Sep | Singapore-Japan | \$15,000 | Cofco Agri | +\$500,000 bb |
| Kamares | 74,444 | 2004 | Singapore | Ppt | South China | \$15,500 | Cnr | Via Indonesia |
| Star Monica | 60,935 | 2015 | Qinzhou | Ppt | China | \$21,000 | Cambrian Bulk | Via Indonesia |
| African Starling | 56,074 | 2013 | Anyer | 4 Sep | China | \$17,000 | Tongli | Via Indonesia |
| Fast | 55,398 | 2012 | Rotterdam | Ppt | East Mediterranean | \$16,000 | Lighthouse | - |
| Tomini Shamal | 38,785 | 2016 | SW Pass | Ppt | WC South America | \$17,500 | Cnr | - |
| Alithia | 34,022 | 2012 | Skaw | Ppt | West Africa | \$13,250 | Nmc | Via Lower Baltic |



| Exchange Rates | This week | Last Week |
|----------------|-----------|-----------|
| JPY/USD | 140.21 | 136.98 |
| USD/EUR | 1.0006 | 1.0036 |

| Brent Oil Price | This week | Last Week |
|-----------------|-----------|-----------|
| US\$/barrel | 94.35 | 98.94 |

| Bunker Prices (\$/tonne) | This week | Last Week |
|--------------------------|-----------|-----------|
| Singapore IFO | 442.0 | 510.0 |
| VLSFO | 692.0 | 790.0 |
| Rotterdam IFO | 500.0 | 530.0 |
| VLSFO | 670.0 | 741.0 |

2 September 2022

Dry Bulk S&P

As we roll into September and the summer period is coming to an end, many are reappearing from their sun loungers rested and ready for what is hopefully a busy few months. This week we saw the BDI drop below 1000 for the first time since June 2020 however at time of writing it had just tipped back over the 1000 mark to 1002. Along with this after suffering one of the worst August's on record capesize vessels showed a glimmer of hope yesterday as the key 5TC route firmed by \$1,382 a day to \$3,887 possibly suggesting capes might have finally reached the bottom of the market.

Despite what has been a very quiet dry market over the last few weeks, we have seen several ships in firm negotiations this week however as shown by our dry sales table, negotiations is all there was as we have no confirmed sales to report. Both the *Ultra Trust* (61k-dwt, 2015 Tadotsu) and the *ASL Grace* (60k-dwt, 2015 Onomichi) called for offers this week however at time of writing we understand no prices were yet confirmed, so we will have to see how these play out over the next few days in order to see what the new benchmark might be.



Tanker Commentary

Buyers for tankers are not being deterred by firming values across the board. Even values of larger crude ships which have not benefitted from the returns achieved by product tankers have continued the ascent northwards.

3 sales this week highlight the trend starting with *Atlantic Pride* (115k-dwt, 2004 Samsung) sold for \$24m whereas the year younger

Sophie Schulte (115k-dwt, 2005 Sanoyas) obtained \$17m back in April. LRI *Aristos* (74k-dwt, 2006 Onomichi) has reportedly been committed for \$20m versus the year younger sister vessel *Polar Cod* (built 2007 Onomichi) being sold for \$11.7m in January. Finally the handy tanker *Baltic Monarch* (37k-dwt, 2006 HMD) has been sold in the region of \$15m against the year younger sister *Sky* (built 2007 HMD) achieving a mere \$8.1m in February.

Reported Tanker Sales

| Vessel | DWT | Built | Yard | Buyer | Price | Comment |
|-----------------|---------|-------|-----------|-------------|------------------|-------------|
| Atlantic Pride | 114,500 | 2004 | Samsung | undisclosed | \$24.00m | Ice IC |
| Aristos | 74,999 | 2006 | Onomichi | UAE buyers | \$20.00m | BWTS fitted |
| Baltic Monarch | 37,273 | 2006 | HMD | undisclosed | \$15.10m | |
| Tiger Joy | 25,284 | 2017 | | | | |
| Tiger Glory | 25,273 | 2018 | | | | |
| Tiger Tenacity | 25,086 | 2017 | Shitaoe | undisclosed | \$180.00m enbloc | On subjects |
| Tiger Integrity | 25,082 | 2018 | | | | |
| Tiger Harmony | 19,994 | 2016 | | | | |
| MTM Tokyo | 20,857 | 2003 | Kitanihon | undisclosed | \$10.50m | StSt |

Demolition Sales

| Vessel | DWT | Built | Yard | Type | LTD | Price \$ | Delivery |
|-----------------|---------|-------|------------|------|-----------|-------------|----------|
| Stolt Groenland | 43,478 | 2009 | Wadan | TANK | 12,154.00 | undisclosed | S. Korea |
| Star Tianjin | 174,096 | 2004 | Waigaoqiao | BULK | 23,683.00 | undisclosed | India |

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