HARTLAND
SHIPPING SERVICES

Queen Elizabeth II

1926 - 2022

9 September 2022

HARTLAND
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WEEKLY COMMENTARY

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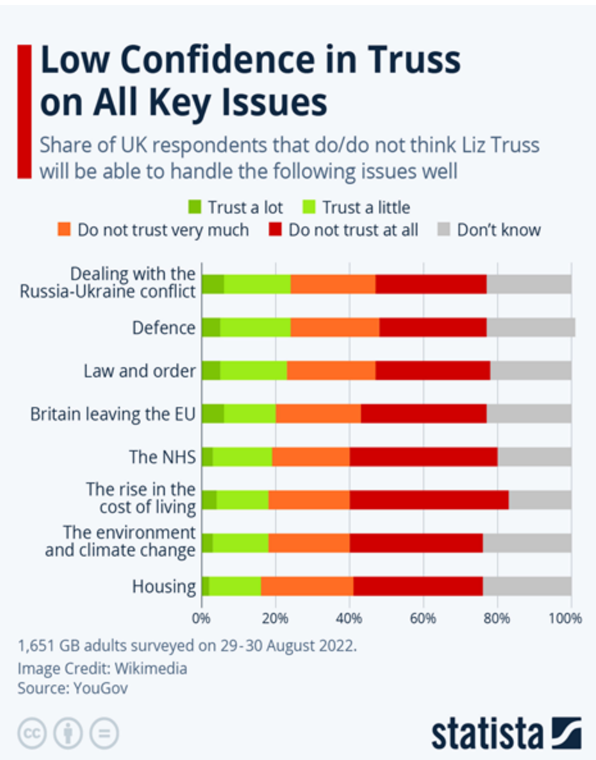
… Trust in Truss …



Source : Statista

POINTS OF VIEW

Our summer is over as rain, and now tears, replace sun and scorched yellow turns green. Storm clouds lurk, both physically and metaphorically: the Fed's monetary tightening, an energy crisis in Europe and a China economic meltdown. The war in Europe, fought on the ground between Russia and Ukraine, is joined by a parallel energy war being waged by Russia on Europe. In the UK, the annual cap on household gas and electricity bills averaged £1,208 a year ago, is at £1,971 today, and is set to rise 80% to £3,549 on 1st October. By April 2023, Cornwall Insight forecasts it to rise to £6,616 equating to a £5,478 rise in energy bills in 2 years. Most households cannot afford this. For businesses, ranging from pubs to restaurants and manufacturing to industry, the increase in energy costs could be as much as 7-times.* Households face insolvency and businesses face closure without truly massive government intervention. Putting the country on a war footing will make it easier to justify throwing the kitchen sink at the problem. Past governments are guilty of short-termism and absent energy security. The good news: our new PM, will cap household bills at £2,500 (i.e. at current levels after a £400 rebate and a dropped £150 green levy), to be funded by borrowing and backstopped by the tax payer for decades to come. The government will maintain an open exposure to wholesale gas prices for up to two years for households. Windfall taxes on energy and utility companies are ruled out, so far, as they are anti-Conservative, anti-capitalist and will deter investment in the green transition. Earlier moratoria on oil and gas exploration in the North Sea and on land-based fracking will be lifted. The total cost is estimated at £150bn, 5% of UK GDP.**

Why, you ask, should we be bothered about what happens in the UK, a country of only 67.8m, now outside of the EU? Maybe because of the size of the response, and its immediacy. If it works in bringing down prices, it may provide a template for Europe. Germany has earmarked €65bn to provide relief to households and businesses. Now one wonders whether that will be enough. The BoE puts current inflation at 10%, against its 2% target, rising to a peak of over 13% in late Q4. Sterling is plummeting and needs rescuing.^ There is thus a pressing need to bring inflation down as soon as possible to head off double-digit percent wage rise claims from unions representing workers in services ranging from airports, mail, ports and rail to courts, hospitals, schools and waste. Bringing down inflation will require less punitive rate rises and will lower debt servicing costs. Goldman Sachs said that the proposed cap on energy bills could see inflation peak at 10.8% in October, 4% lower than its earlier 14.8% forecast. It also sees prices falling more quickly, with inflation slowing to 2.4% by December 2023.^^ Any recession may be shorter and less severe by deploying a big bazooka. UK energy companies might feel inclined to voluntarily pay part of their windfall profits to the Treasury while nuclear, renewable and utility companies are apparently, in principle, willing to accept long-term contracts at well below current spot prices, but still higher than year-ago levels. Norway, our main gas supplier, has tentatively offered something similar to ease immediate cost pressures across the UK economy.

Intervention in free markets should be unusual in democracies, but this one is in response to Russia's intervention in energy markets, itself a retaliation against sanctions. Under Trump, the US entered a trade war with China, with tariffs and counter tariffs harming both sides. One gets the impression of a breakdown in the normal functioning of diplomatic channels. Now another intervention is in sight as the G7 seeks to cap the price at which Russia can export oil, very hard to enforce, risking that Russia will cut our energy supplies completely. Perversely, Russia is making $20bn a month from oil sales compared to $15bn last year. The UK, US, Canada and Japan have already stopped buying Russian oil while France, Germany and Italy will stop seaborne Russian oil imports from December. China, India and Turkey are unlikely to support the G7 idea, despite it controlling 90% of the marine insurance market, and will continue buying discounted Russian crude and products while finding alternative insurance solutions.+ Meanwhile, tanker owners see rates continue their upward trend on utilisation gains as disrupted oil flows elongate. Bulkers suffer from a China slowdown and its real estate crisis, containers are past their peak and are hit by recession fears, while tankers are recovering from two years in the wilderness as they benefit from Putin's war.

*Bluebell Dairy in Derby. 18m ago its annual energy bill was £35K. It is now £80K. If renewed at today's spot prices, it would be £225K.

**£303bn was spent on Covid measures in the year to April 2021. Debt servicing costs have ballooned since then as interest rates rise.

^It sunk to $1.14 on Wednesday, its lowest level against the US dollar since 1985, as the UK economy struggles and the dollar strengthens.

^^The cap could have a general disinflationary impact on prices which would mirror the large rise and fall in commodity prices this year.

+Insurance from G7 providers will only be available to ships carrying oil at or below the price cap, which is yet to be determined.

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The beginning of the week saw the **cape** markets decline once again before levelling off and picking up slightly as trading drew to a close on Friday. Time-charter averages were ultimately down $502 to $5,574. T/C rates for front haul hovered above $20k. Average freight prices according to the Baltic Exchange were below $19.00 pmt for the Brazil-China route while they were well under $8.00 pmt out of Australia, both decreasing from our last report. From Saldanha Bay to Qingdao a Classic TBN vessel fixed 170,000 mtons 10% iron ore for 1/6 October at $13.88 pmt with 1.25% total comms, while *Cape Neptune* was fixed for the same trade at $13.43 pmt. Charterers CSE took *Natty* the 2011-built Aquavita relet for 150,000 mtons 10% iron ore loading Port Cartier for Luoyu at $22.50 pmt, and Rio Tinto fixed a Swiss Newcastlemax for 190,000 mtons 10% loading out of Seven Islands bound for Oita for 21/27 September at $23.00 pmt with the vessel sailing via the Suez Canal. Little was reported in terms of coal, T/C, or period deals.

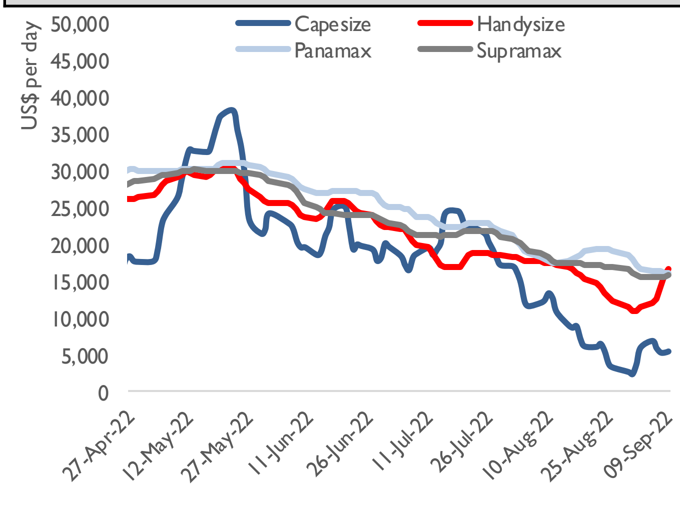
Panamax tonnage enjoyed some significant gains this week but further observation might still be required to ascertain the direction of the market. The P5TC closed at $16,786 up by a sizeable $5,344 since last reported on 2nd September. In the Pacific, Cobelfret fixed *ITG Uming 2* (81,361-dwt, 2017) open Port Kelang 9/10 September for a trip to Philippines via Indonesia at $18,000, and *Queena* (82,082-dwt, 2016) open CJK was fixed for a Nopac round trip at $15,000, whilst *Vincent Talisman* (81,577-dwt, 2020) open Nagahama 18 September was also fixed for a Nopac round trip at $19,500 but little details emerged. In the Atlantic, D'amico covered *Karpaty* (82,138-dwt, 2013) open Gibraltar 12 September for a trans-Atlantic round trip between $12,500-$13,000. Louis Dreyfus were linked to *Tiger East* (76,212-dwt, 2013) sailing Dublin 4 September via US Gulf to the Far East at $18,000, and Aquatrade took *NBA Magritte* (82,099-dwt, 2013) passing Skaw 7 September for 2 laden legs redelivery Skaw-Gibraltar at $16,000. On voyage, a Kepco Tender was covered by a Wooyang TBN vessel for their 80,000 mtons 10% coal lift ex Samarinda to Gangneung for 21/30 September at $11.18 pmt.

Supramax markets took a another hit this week as the S10TC closed at $16,227 down by $431 (-2.59%) since last reported. In the Pacific, Norden fixed *Federal Ibuki* (63,498-dwt, 2018) delivery Fangcheng 10/15 September for a trip via Indonesia to Thailand at $18,000, whilst *Heilan Spring* (56,920-dwt, 2010) was covered delivery Kaohsiung 10 September for a trip via Fiji with iron ore to North China at $16,000, and *FLC Longevity* (56,784-dwt, 2009) was taken delivery Singapore on prompt dates for a trip via Indonesia to China at $15,000. Meanwhile in the Indian Ocean, Propel Shipping covered *CP Tianjin* (63,541-dwt, 2016) delivery Beira on prompt dates for a trip to EC India at $22,500 + $300,000, whilst Seacon took *Pacific Pride* (59,944-dwt, 2012) delivery Mina Saqr on prompt dates for a trip to WC India at $17,000 and Panbulk fixed *BBG Master* (63,650-dwt, 2016) delivery Dharamtar 7/9 September for a trip via Arabian Gulf to Bangaldesh at $16,000. In the Atlantic, Oldendorff took *CL Anzi He* (63,500-dwt, 2020) delivery Owendo prompt dates for a trip to China at $23,500 whilst Eagle fixed *Green Genie* (61,202-dwt, 2020) delivery Poland prompt dates for a trip to East Africa and Norvic covered *AP Slano* (57,500-dwt, 2012) delivery Constanta on prompt dates for a trip with grains to South Korea at $17,000. Additionally, *Chiloe Island* (58,044-dwt, 2013) was fixed delivery Japan on prompt dates for 12 months period with redelivery worldwide at $18,000.

Overall, **handysize** markets remained relatively flat and subdued this week with average time-charter rates dipping a touch before recovering. Ultimately, rates were up a fraction by $59 to close play at $15,709. The UK-Continent market softened even further this week. *Xiu Yu Hai* (38,836-dwt, 2016) open Immingham fixed delivery APS Hamburg for a trip with wheat to Morocco at $9,500. We also heard that an unnamed vessel was on subs at $8,500 for a scrap trip out of North France to Turkey but no further details emerged. Additionally, it was reported that Ultrabulk fixed *Minneapolis Miyo* (38,209-dwt, 2020) delivery Continent region for a trip to the US Gulf at $13,500. Out of East coast South America, rates saw some improvement as WBC took *Nordrhone* (38,036-dwt, 2015) open Rio Grande delivery Recalada to Ireland at a healthier $23,000. From the US Gulf, *Tomini Shamal* (38,785-dwt, 2016) was rumoured to be covered delivery SW Pass redelivery WCSA at $17,500. From the Indian Ocean, we heard that *Atlantic Bulker* (36,309-dwt, 2014) was recently fixed delivery Chennai for a prompt trip to WCCA at $20,000. In the Pacific, Jade Alliance took *Yihai* (31,800-dwt, 2019) delivery Taipei for a prompt trip via Vietnam to Hong Kong at $12,500, *Shi Long Ling* (34,510-dwt, 2013) fixed delivery Manila via Indonesia to China with coal at $18,500, and XO took *Asturcon* (36,071-dwt, 2014) delivery Port Arthur redelivery West Coast India at $16,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
TW Jiangsu	93,225	2012	Boryeong	3/8 Sep	Taiwan	$10,000	Uming	Via Australia
Kydonia	92,828	2012	Gibraltar	3 Sep	Skaw-Barcelona	$15,000	Bunge	Via NC South America
SDTR Doris	84,998	2021	Flushing	10 Sep	China	$21,000	Cargill	Via US East Coast
Iolcos Commander	76,094	2013	Tomakomai	12/13 Sep	Japan	$15,000	Cnr	Via EC Australia
GH Glory	74,793	2010	Hong Kong	12/15 Sep	China	$15,000	Cnr	via Indonesia
CL ANzi He	63,500	2020	Ownedo	Ppt	China	$23,500	Oldendorff	-
Federal Ibuki	63,498	2018	Fangcheng	10/15 Sep	Thailand	$18,000	Norden	Via Indonesia
Green Genie	61,202	2020	Poland	Ppt	East Africa	$13,750	Eagle	-
Minneapolis Miyo	38,209	2015	Cont	Ppt	US Gulf	$13,500	Ultrabulk	-
Shi Long Ling	34,510	2013	Manila	Ppt	China	$18,500	Cnr	Via Indonesia



Exchange Rates	This week	Last Week
JPY/USD	142.47	140.21
USD/EUR	1.0041	1.0006

Brent Oil Price	This week	Last Week
US$/barrel	91.76	94.35

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	404.0	442.0
VLSFO	662.0	692.0
Rotterdam IFO	414.0	500.0
VLSFO	680.0	670.0

Dry Bulk S&P

Church bells have been rung this afternoon in Covent Garden and muffled gun salutes carried from Hyde Park. God save the King, God bless the old Queen.

Markets continue regardless.

After a few weeks of paralysis some market players are prepared to take a position. Sales are being reported substantially down on last but the significant point is that buyers are encouraged enough to belief that the large discounts on offer are attractive enough to act.

Eagle Bulk have swept up *Ultra Trust* (61k-dwt, 2015 Imabari) for $28m. Fitted with scrubbers, she would have been worth in excess of $32m as recently as July.

Likewise *Navios Alegria* (76k-dwt , 2004 Tsuneishi) has accepted $13m from unknown buyers, down from a value of around $15m in July.

In the handy sector *Malto Hope* (28k-dwt 2013 Imabari) is sold at $13.7m or Yen 1.96 billion. This represents an 18% decline in value in dollar terms since the start of August but an 8% decline in Yen terms.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Stella Daphne	250,381	2017	Behai	-	Berge Bulk	$98.00m enbloc	BWTS fitted
Stella Isabel	250,379	2015					
Navios Alegria	76,466	2004	Tsuneishi	-	undisclosed	$13.00m	BWTS fitted
Zhong Lian Si Fang	73,747	2000	Sumitomo	-	Chinese	$10.60m	BWTS fitted
Ultra Trust	61,225	2015	Tadotsu	C 4x31T	Eagle Bulk	$28.00m	BWTS fitted & Scrubber fitted
Aquarius 77	35,737	2016	Tsuneishi	C 4x30T	undisclosed	$21.00m	Rumored poor condition
Malto Hope	28,226	2013	Imabari	C 4x31T	Middle Eastern	$13.70m	BWTS fitted

Tanker Commentary

The premium for ice classed ships is highlighted with this weeks sale of two scrubber fitted Aframax sisters - one of which ice class 1A, the other without. Offers were invited end of last week on the *Piper* (115k-dwt, 2005 Samsung) and *Alba* (115k-dwt, 2005 Samsung, Ice 1A), with reports that they have been committed for $29m and $33.5m respectively. Both have BWTS fitted and dry docking due within 6 months of one another.

Elsewhere, the BWTS fitted *Stride* (105k-dwt, 2009 Hyundai, Ice 1C) failed and has been sold again with docking passed to Middle Eastern interests at $32.5m. Firm levels given the younger age along with Aframax TC rates are currently averaging $ 50,000 p.day.

Having entered the market a month ago, *Astrea* (40k-dwt, 2006 ShinA) has been quickly picked up for a healthy $15.5m with dry docking due end 2023 - note she is also BWTS fitted and holds Ice Class 1B. This is a good number for the Sellers when comparing it to *Esther* (37k-dwt, 2005 Hyundai) that was sold in August for $11.5m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Piper	114,809	2005	Samsung	undisclosed	$29.00m	
Alba	113,782	2005	Samsung	undisclosed	$33.50m	Ice 1A
Zhen I	105,588	2002	Daewoo	undisclosed	$17.00m	
Stride	105,369	2009	Hyundai Ulsan	Middle Eastern	$32.50m	Ice 1C & BWTS fitted
Astrea	40,158	2006	ShinA	undisclosed	$15.50m	epoxy phenolic & BWTS fitted

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Chang Sheng	75,752	1998	Sanoyas Hishino	BULK	9,824.00	595.00	Singapore
Polan	74,999	1999	Halla	TANK	12,423.20	589.00	Singapore
Winning Integrity	172,571	2000	Nippon Kokan	BULK	21,216.00	602.50	Singapore

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