14 October 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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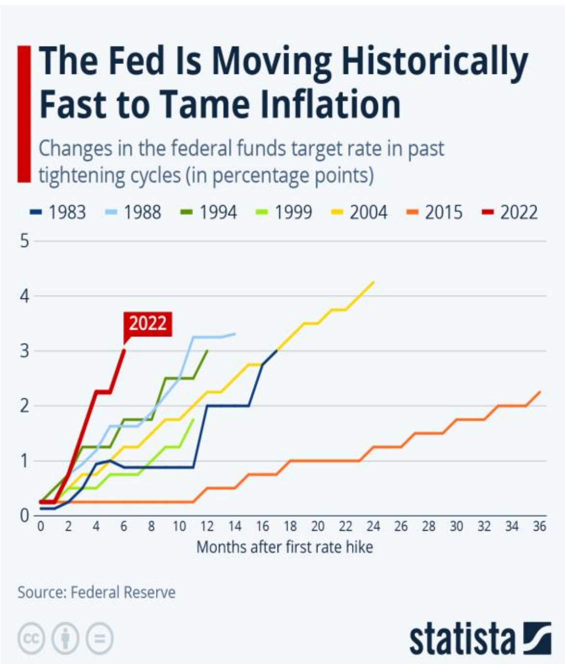
… Mugged by Reality …



[Source : Statista](#)

*As they say, the stone age did not end for a lack of stone, and it will be the same for oil, leaving Opec in a hurry to monetise its assets.

**With steeply rising interest rates and volatile prices, the cost and risk of investing in new output is too high. Dividends are easier.

Higher interest rates are being used to tackle cost-push, supply-side inflation, discouraging investment in energy and driving up prices.

^IMF Oct vs (Apr) global GDP growth forecasts. 2021: 6.0% (6.1%); 2022: 3.2% (3.6%); 2023: 2.7% (3.6%).

IMF Oct global inflation forecasts. 2021: 4.7%; 2022: 8.8%; 2023: 6.5%; 2024: 4.1%. "Monetary policy should stay the course."

^^Diesel refining margins in the Atlantic Basin are at all-time highs after Ukraine, refinery closures and French refinery strikes.

POINTS OF VIEW

The last week has reset the war in Europe and some key relationships. It was only in July that President Biden flew to Jeddah to meet MbS, Saudi Arabia's minister of everything. He was pleading for more oil to help the US and Europe out of a tight spot, after a regrettable lack of investment in oil and gas production, soon to be made worse by the West's own sanctions on Russian seaborne oil exports. Last Saturday, forces sympathetic to Ukraine blew up part of the Kerch Strait Bridge that links Crimea to the Russian mainland and is a vital supply route to its troops in southern Ukraine. Starting Monday, Russian cruise missiles hit multiple cities in Ukraine, targeting civilian infrastructure such as power and water utilities, housing blocks, bridges and museums. Many analysts regard this brutal retaliation as a sign of desperation and weakness. The head of GCHQ, the UK's cyber security unit, said that Russia's military is exhausted and running out of munitions, as well as friends, with even India and China recoiling at the latest attacks. Last week, MbS backed Putin and Russia, the "+" in Opec+, snubbing the US by announcing 2m-bpd oil output cuts. History may get to regard this as the wrong call for many reasons. One, the US is a bigger oil producer and has an economy beyond only hydrocarbons.* Two, Europe has built up its gas and coal inventories to normal pre-winter levels. Three, Russia is losing the war, and losing support. Four, the shift to renewables will be accelerated. Five, the US may no longer decide it is worth providing security to the KSA and pull out its forces and equipment, leaving others (Russia? And?) to defend it from Iranian-backed Shia militias that are keen to promote their own unique and alternative lifestyle brand across the region.

The groundwork for an oil for arms and security pact dates back to 14 February 1945 and the meeting on the USS Quincy, in the prophetically named Great Bitter Lake of the Suez Canal, between King Abdul Ibn Saud and President Roosevelt. Has MbS just undone 77 years of close cooperation? Does he even care? Or, was the bond already fatally weakened by US loss of interest in the Middle East, after achieving energy independence in 2020, and after its highly symbolic August 2021 withdrawal from Afghanistan, ending the 20-year 'war'? Time will tell. The trouble is that Riyadh's support of Putin has alienated not just the western world but also important nations east of Suez that quickly shrink from backing losers. The US may retaliate by banning the export of refined products which would leave Europe perilously short of diesel. This may all lead to weaker enforcement of difficult to enforce western sanctions against Russia, and realpolitik-driven easing of sanctions against Venezuela's huge oil industry. There is a very real chance that the current regimes in Russia and Iran will be toppled, leading to even worse disruption to energy exports from both, and a global competition to secure crude from anyone that can pump it and products from any refinery that can process it. Even a big reduction in shipped volumes may be compensated for by heavy delays and longer distances travelled. We could face the biggest oil shock since the 1979 overthrow of the Shah of Iran, all tinged with memories of the 1973 Arab oil embargo.

Economically, we have intervention everywhere. The BoJ stepped in to defend the yen against the strong dollar. China continues to enforce lockdowns as it pursues a Covid eradication policy that everyone else has abandoned. The UK has imposed price controls on energy and is at loggerheads with the BoE as the government pursues fiscal easing while the central bank exercises monetary tightening. Rising petrol prices in the US have the Biden government considering banning the export of refined products, which will hurt its refiners as much as it will deprive a needy Europe. The shale patch** will not come to the rescue in an oil supply crunch as it has become used to profits and debt reduction over risky drilling investments. The latest IMF GDP forecasts^ predict a global recession which suggests lower oil demand will converge will lower oil supply, in a race to the bottom. It is hard to foresee how the supply-demand balance will work out, whether we face sharply higher or deeply lower oil prices. China is in the market to buy all the crude it can just in case its much vaunted and old school stimulus package raises its oil demand. Failing which, its refinery complex is well suited to the conversion trade, turning imported crude into the refined products that Europe may soon be short of.^^ Tanker rates are up and down, but are still at good levels, and are waiting for their next orders from the market. It's anyone's guess where we go from here.

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Consistent softening was seen across **cape** markets this week before a slight upturn on Friday. Overall time-charter averages were down by $1,909 to end up at $17,965. Average freight prices for 170,000 mtons from Brazil were around $23.00 and from Australia were around $9.00 pmt. Relatively little information came to light this week but we did hear of a few completed iron ore deals. These included Mittal taking *New Admire* built 2015 and relet from NS United for 150,000 mtons 10% loading Port Cartier for Qingdao at $31.75 pmt, Oldendorff taking an unnamed vessel for Tubarao-China at $23,00 pmt on Wednesday, and Rio Tinto fixing *Pacific Vista* built 2012 for 170,000 mtons 10% loading Dampier for Qingdao 24/26 October at $9.30 pmt. Additionally, we heard a capesize was fixed for a Teluk Rubiah-Qingdao run next week at $7.10 pmt. On the coal side of things, a Panocean TBN vessel was put forward for a Kepco tender from Richards Bay to Hadong for 6/15 November at $17.45 pmt.

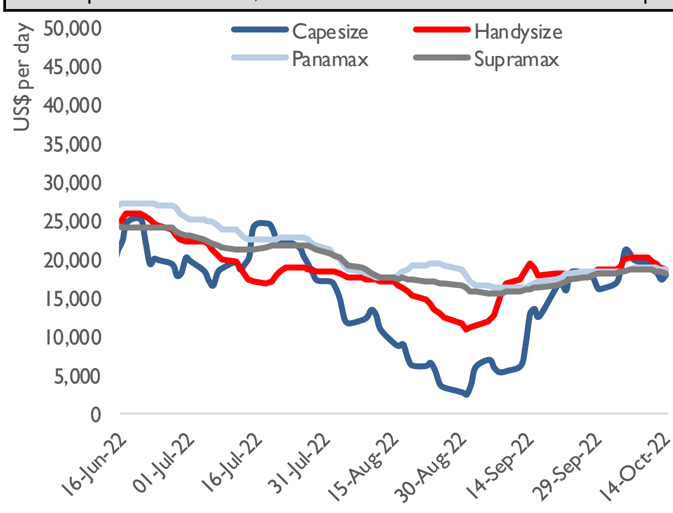
Rate have slipped after the various global holidays in the past week and a downward trend can be felt throughout the market. The **P5TC** closed at $18,729 down by $1,387 since last reported 7th October. In the Pacific, Cofco Agri fixed *Pan Unity* (82,709-dwt, 2012) open Hosan for a Nopac round trip at $18,500, coincidentally, it was heard that ETG covered the same trip with *Vita Unity* (82,545-dwt, 2021) open Nagoya at $21,750. Whilst Oriental Pal took *Blumenau* (81,652-dwt, 2012) from Guangzhou for an Indonesia round trip at $16,000. In the Atlantic, MOL covered a vessel open Marin for a trip via US Gulf for redelivery in Singapore-Japan range at $28,000. Bunge was linked to *Selina H* (80,716-dwt, 2019) open US Gulf to redeliver in Skaw-Gibraltar range at $22,750 with a $700,000 ballast bonus and Western Bulk took *Mehmet Aksoy* (81,490-dwt, 2012) for a prompt trip from Gibraltar via Kamsar to Aughinish at $17,750. On voyage, SAIL fixed a Tongli TBN vessel for their 80,000 mtons 10% coal lift from Gladstone to Visakhapatnam 1/10 November at $21.75 pmt.

Supramax market softened off the back of a slightly busier Golden Week last week than expected. The S10TC closed at $18,588 down by $175 (-0.93%) since last reported on 7th October. In the Pacific, Oldendorff fixed *Western Topic* (62,647-dwt, 2019) delivery Japan prompt dates for a trip to the US Gulf at $16,000. Meanwhile in the Indian, Western Bulk fixed *Star Athena* (63,371-dwt, 2015) delivery South Africa end October dates for a trip to East Coast India at $23,000 + $300,000 GBB. Whilst in the Atlantic, *Aggeliki B* (56,770-dwt, 2011) was fixed delivery Newington on prompt dates for a trip via Canada with aggregates to redeliver US East Coast at $28,000. Alternatively, Olam International fixed *Jabal Shams* (63,224-dwt, 2019) basis delivery Surabaya 25th October – 5th November for 1 year with redelivery worldwide at $17,000 per day.

The **BHSI** closed today at $18,208 down $380 from last week despite a big push on the Continent. A Polish ban on all Russian imports, notably coal, has seen an increase in imports from neighbouring countries, increasing coal imports from about 0.5-1mt of coal per quarter to around 2.5mt and rising. *Four Rigoletto* (34,438-dwt, 2011) fixed failed around $31,000 per for a coal trip Amsterdam to Poland. A large handy was heard fixed at high $20,000's for a trip Baltic to West Africa. Union Bulk covered their stem The Mediterranean, remained steady, owners fixing 20k for most directions. *HTK Neptune* (37,426-dwt, 2007) fixed delivery Canakkale for inter-Mediterranean trip at $19,750. The US Gulf remained under the radar, with little reported activity. A 28,000-dwt fixed mid-teens for an intra-gulf trip with petcoke. A 32,000-dwt fixed from the Gulf to Spain with Petcoke at low $20,000. East Coast South America was slightly bearish, with rates cooling from last week but remain healthy. *Birte Selmer* (34,976-dwt, 2011) fixed from Sao Luis to Norway, Mosjeon with Alumina at $25,000, *Corkscrew* (33,193-dwt, 2010) fixed delivery Sao Sebastion to USG-NCSA range at high $20,000's and *Densa Hawk* (36,746-dwt, 2013) fixed delivery Natal via Upriver to USG at $22,000. The Eastern markets cooled quite dramatically, *Timaru Star* (33,527-dwt, 2004) open Lanshan fixed via China with redelivery West Coast India at $17,000. HMM fixed *Kharis Trinity* (28,325-dwt, 2010) open Japan fixed via Australia, redelivery Indonesia with Sugar at $11-12,000. *Moonbright SW* (36,378-dwt, 2012) fixed from CJK via Australia to Japan again with sugar at $13,500 to Baltnav. Wooyang took *Ken Breeze* (37,148-dwt, 2012) open Yura fixed a trip to redelivery South-East Asia at $15,000. *Densa Cheetah* (37,148-dwt, 2012) open Rizhao spot fixed/failed via Australia to the Pacific Gulf at $13,750.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Bettys Dream	82,641	2008	Marin	13/18 Oct	Singapore-Japan	$28,000	MOL	Via US Gulf
Crimson Empress	82,250	2014	La Coruna	19/20 Oct	Skaw-Spain	$19,000	Oldendorff	Via NC South America
CL Tiffany	81,687	2013	Mariveles	11/12 Oct	South China	$15,000	Oriental Pal	Via Indonesia
Selina H	80,716	2019	US Gulf	20/30 Oct	Skaw-Gibraltar	$22,750	Bunge	+$700,000 bb
Joy	79,457	2011	EC South America	25 Oct	Singapore-Japan	$21,000	Cargill	$1,100,000 bb
Western Topic	62,647	2019	Japan	Ppt	US Gulf	$16,000	Oldendorff	-
Aggeliki B	56,770	2011	Newington	Ppt	US East Coast	$28,000	Cnr	Via Canada
Zhe Hai 522	54,243	2009	Singapore	15 Oct	CJK	$17,500	Cnr	Via Indonesia
Dodo	39,017	2013	Barcarena	Ppt	Caribbean	$26,000	Cargill	-
Caipirinha	38,668	2015	South China	Ppt	Mediterranean	$23,500		



Exchange Rates	This week	Last Week
JPY/USD	148.65	145.09
USD/EUR	0.9734	0.9760

Brent Oil Price	This week	Last Week
US$/barrel	92.14	95.29

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	383.0	416.0
VLSFO	738.0	755.0
Rotterdam IFO	395.0	427.0
VLSFO	646.0	654.0

Dry Bulk S&P

Despite a significant slow down in Q3 there seems to be a tentative level of positivity in the dry market despite the current global macroeconomic situation. Small to medium sized geared vessels currently have opportunities to earn premiums on certain cargo's. Some are suggesting that the grain moving out of the Black Sea and through the Bosphorus to the Med is earning a premium of around $60-70 per tonne which represents a TC equivalent of around $30k per day, couple that with grain out of South America and coal distribution increasing around Europe bumper rates seemingly are holding the market steady and maintaining the profits of the Owners in the process.

Ultra's and Supra's dominate this weeks sales tables. Ultrabulk's, *Ultra Wollongong* (61k-dwt, 2011 Oshima) was rumoured to have seen 5/6 offers at around $21m however we now understand Hong Kong based buyers swooped in for a solid price of $22.5m, this is in keeping with the sale of their last Japanese built Ultramax, *Ultra Dynamic* (61k-dwt, 2011 Shin Kasado) which we understand was sold for $22.9m at the end of September. It is worth noting that the *Ultra Wollongong* was marketed with a wide laycan of December 22 all the way to Feb 23 due to her current charter.

Continuing on the theme of staying steady, Uglands Supramax, *Senorita* (58k-dwt, 2008 Tess Cebu) has sold to undisclosed buyers this week for $16m basis SS/DD due March next year, subsequently NYK's one year younger *Sagajeet* (58k-dwt, 2009 Tess Zhoushan) was sold at the end of September for only $150k more.

Finally in the Handy sector despite having 4 class recommendations on her the Singaporean Owned *Himawari K* (38k-dwt, 2015 Imabari) has managed to find a new home on an as is where is basis for $21.5m to Greek buyers, clearly sensing a opportunity to be had....

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Lara Venture	93,758	2011	Shanhaiguan	-	undisclosed	$20.60m	
Fiorela	81,501	2011	Hyundai Samho	-	undisclosed	$22.00m	
Navios Symmetry	74,476	2006	Hudong-Zhonghua	-	undisclosed	$12.00m	BWTS fitted
Nord Biscay	62,625	2019	Oshima	C 4x30T	undisclosed	$33.50m	
Ultra Wollongong	61,684	2011	Oshima	C 4x30T	HK buyers	$22.50m	
Senorita	58,300	2008	Tsuneishi Cebu	C 4x30T	undisclosed	$16.00	On subs
Medi Bangkok	53,466	2006	Imabari	C 4x31T	undisclosed	$14.50m	BWTS fitted
Jin Yao	52,050	2004	IHI	C 4x30T	undisclosed	$12.80m	
Himawari K	37,786	2015	Imabari	C 4x31T	Greek	$21.50m	Four class recommendations. Sale basis 'as is, where is.'

Tanker Commentary

From being in a position where hungry buyers had to fight over a very limited pool of sales candidates, the market has gone full circle and we now are faced with a glut of sales candidates with limited Buyers in pursuit. As per our internal data, since July, the price of a ten year old VLCC has increased circa 25% since July and a 10 year old MR 22% - a sufficient enough premium to deter potential suitors from moving but one that has caused willing sellers to market their ships far and wide.

The standout sale this week would be the four LR1's that Glencore have committed for $112m enbloc. Sellers have taken the ships back on 3-year TC's at $23k per day - a win, win for both buyers and sellers as the former has locked in fixed earnings whilst the latter has cashed out in a red hot market.

Vintage VLCC's continue to find new homes. *The City of Tokyo* (300k-dwt, 2004 Universal) has been sold for $49m, a remarkable number given just over a year ago VL's of this vintage were selling for just above their residual values.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
City of Tokyo	303,994	2004	Universal	undisclosed	$49.00m	
Alpine Plymouth	74,606	2011	Hyundai Mipo	undisclosed	$112.00m enbloc	includes a 3-year TC back at $23,000 p/d
Alpine Pacifica	74,554					
Alpine Pearl	74,552					
Alpine Pembroke	74,602	2010				
BSL Elsa	51,747	2009	Hyundai Mipo	undisclosed	$22.00m	
Swift Omaha	46,087	2010	Hyundai Mipo	United Overseas Group	$25.50m	
Chem Tiger	20,622	2003	Usuki	undisclosed	$11.50m	

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