HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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… The Chips are Down, the Stakes are High …

[Source : Statista](#)

^Admiral Mike Gilday, Head of the US Navy Operations, has warned that China may invade Taiwan before 2024, a startling 3-year advance on previous estimates of 2027 last year.

Anthony Blinken, US Secretary of State, is worried about maritime traffic and trade flows in the Taiwan Strait and ROC semiconductor production, both of which are vital to the global economy.

^^US Commerce Dept: the export controls will "restrict China's ability to obtain advanced computing chips, develop and maintain supercomputers, and manufacture advanced semiconductors."

*China consumes 75% of semiconductors sold globally, but it produces only c.15% of global output. The Guardian quotes experts as saying that China is 4-5 years behind its overseas counterparts.

**Shipping needs China and prospects of a rebound next year (with IMF forecasts of GDP growth of 3.2% in 2022 & 4.4% in 2023) would coincide with slower supply growth in the wet and dry bulk sectors.

The 20th National Congress of the Chinese Communist Party is drawing to a close. GDP and Customs updates have been withheld, not a good sign. Little new has been announced, apart from plans to prioritise technical development. Otherwise, it is largely more of the same: more lockdowns, more investment in saturated infrastructure, no real estate crisis solution, rising national indebtedness, stretched household finances, greater income inequality, all set in a demographic time bomb. Unreformed SOEs still get support from state-owned banks while entrepreneurial private businesses are starved of capital. The three red lines policy is collapsing the real estate sector (30% of GDP), zero-Covid is suppressing economic activity and sapping public patience, while common prosperity remains a slogan. Then there is the cult of Xi, a throwback to Mao, and to what Bloomberg Opinion likens to a Great Slide Backward. It recalls how Deng Xiaoping opened the economy to the outside world from 1978; now Xi Jinping is shutting it back down and closing it off. Old assumptions that China would usurp the US as the world's largest economy are being parked. We can see resilience in the US economic recovery through the proactive, albeit belated, actions of the US Federal Reserve in raising rates to tackle inflation. It is a leader, and others follow. The resultant strong dollar is disinflationary within the US and inflationary outside it for all those countries that buy oil, gas, coal, grain, steel, iron ore, copper, etc. in US dollars. Just as we fret that Russia may resort to using tactical nuclear weapons in Ukraine, as evidently it is losing the ground war, so there is speculation^ that China may advance its timeline for Taiwan 'reunification', as apparently it is losing its own economic war.

Since Trump days, the US has been engaged in a tariff trade war with Beijing. This year, it has been involved in a proxy war with Russia in Ukraine, backed by the UK and the EU, that has morphed into a wider energy war with Russia, Saudi Arabia and other OPEC nations. The war in Europe is spiralling out of control as each side deploys more sophisticated weapons, with Ukraine supplied by the US, UK and EU and Russia now supplied by Iran with, for example, lethal kamikaze drones. Big wars start with small ones, and this may be no different. With Iran backing Russia, Israel may be compelled to mobilise its powerful resources alongside the West. To make matters even worse, on 7 October,^^ President Biden opened a new front in the US's ongoing skirmishes with China, this one in the critical race for domination of all things military, business, security and social: microchips, semiconductors and AI. By withholding hi-tech components with any American content from sale to China,* it can potentially frustrate Xi's "Chinese Dream", and his hi-tech ambitions, given China's dependence on imported technology. In reply, China may withhold delivery of rare earths to the outside world, an area in which it is globally dominant in both supply and processing capacity. Rare earths are needed to make the microchips that go into mobile phones, fridges, radars and missiles. There is also the possibility that Biden's policy backfires and raises China's urgent need to 'own' Taiwan's technology sector to get ahead. In terms of Sino-US relations, this is nothing less than a battle for leadership of the global economy.

So much for earthly matters that give us too much to worry about. Ships and their crews keep on trucking, creatively working around all manner of obstacles and challenges. The container sector has had a record few years, printing money as logistical issues and Covid-19 made ships deviate and get stuck in ports. Now that congestion is unwinding, spot rates are normalising and heading back towards pre-pandemic 2019 levels, with still a way to go. The FBX index closed on 3,369 points today, 64% below its start 2022 value and 70% below last September's all-time record. Bulk carriers are rangebound at still decent levels. This year's delta between peak and trough in the BDI is 71% with a 23 May peak of 3,369 points and a 31 August trough of 965 points. Today it is on 1,819 points and there is good upside potential from here. Tankers are on the up after a tough two years. The 2022 delta in the BDTI is 61% with a peak of 1,744 points on 12 April and a 679 point trough in early February. Today it is at 1,737 points and set to go higher. The BCTI delta is 69% with a 22 June peak of 1,732 points and a 25 January trough of 543 points. Today it reads 1,232 and promises more. At a time of the world's worst geopolitical crisis since the 1962 Cuban Missile Crisis, and the worst global economic crisis since the 2008 GFC, shipping is holding its head above water. In fact, it is doing well considering recessionary headwinds and demand destruction. The icing on the cake, for ALL shipping demand, would be the return of China.**

WEEKLY COMMENTARY

21 October 2022

Dry Cargo Chartering

Further softening was seen across **capesize** markets this week with T/C rates falling by $790 to end up at $17,175. A good deal of iron ore fixtures emerged this past week. Rio Tinto were notably active taking a reported 4 vessels ex. Dampier for Qingdao with freight prices ranging from $9.10 to $9.35 pmt. Additionally, CSE took a Berge Newcastlemax for 190,000 mtons 10% from Seven Islands to Luoyu loading 9/13 November at $25.75 pmt. Elsewhere, Olam fixed Southern Cross built 2021 for 180,000 mtons 10% from Western Australia to China at $9.30 pmt. It was also rumoured that at the very end of last week, Vale chartered a Berge TBN vessel for 170,000 mtons 10% Ponta da Madeira to Taranto at $15.70 pmt, and an unnamed vessel was fixed at $7.30 pmt for a Teluk Rubiah to Qingdao run. We heard little in the way of coal, T/C or period deals.

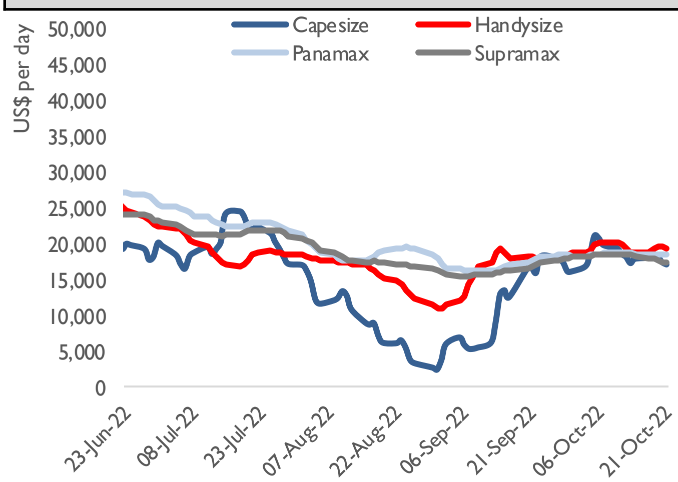
For the **Panamax** market this week, the start of the week showed some steady gains before the market levels flattened out. The P5 TC closed at $19,293 up by $564 since last reported 14th October. In the Pacific, NYK fixed The *Xing Chang Hai* (81,824-dwt, 2018) open Tianjin for a Nopac round trip, redelivery Japan at $20,000, similarly, Viterra covered the same route on The *Balos* (82,025-dwt, 2018) open Hachinohe at $23,000. Still in the North, The *Hong Dai* (76,557-dwt, 2010) was fixed for a trip open Longkou via Nopac for redelivery in Singapore-Japan range at $17,000. Moving over to the Atlantic, Cargill fixed The *Crystal Ocean* (82,558-dwt, 2021) for a prompt trip open Antwerp via US Gulf to be redelivered in Singapore-Japan range at $28,500. Whilst Bunge was heard to fix *The Yu Zhu Feng* (75,519-dwt, 2011) open Malta for a trip via US Gulf to Skaw-Barca at $18,000 and it was said that The *ETG Hayate* (81,957-dwt, 2022) was fixed open Cadiz for a trans-Atlantic roundtrip redelivery Skaw-Gibraltar at $19,000 but little else emerged. On voyage, Kepco Tender fixed Pan Ocean TBN for their 85,000/10 coal lift Samarinda / Boryeong 24/28 Oct at $9.85.

Supramax started with optimism but settled fractionally down from last week as the S10TC closed at $18,455 down by $133 (-0.72%) since last reported on 14th October. In the Pacific, Pacific Basin fixed *Amis Leader* (58,700-dwt, 2010) delivery CJK prompt dates for a trip via Japan with slag to the US Gulf at $16,000 whilst CRC took *African Seto* (61,442-dwt, 2012) delivery Dung Quat prompt dates for a trip with aggregates to Singapore at $18,000. Meanwhile in the Indian, *Lagrange* (53,208-dwt, 2008) fixed delivery Okha prompt dates for a trip to West Coast India at $19,750. Whilst in the Atlantic, Panocean fixed *Tanzanite* (56,835-dwt, 2010) delivery Mississippi River for a trip to China at $24,000.

The **BHSI** closed this week at $17,297 down by $911 since last reported on 14th October. Downward pressure on Owners, with a backlog of spot tonnage and lack of enquiry in the Pacific, lead to rates dropping into the singles figures. The Atlantic stays stable, supported by an active Continent market, although weakening across East coast South America, a small cause for concern. From the Continent, *St. Paul* (37,054-dwt, 2014) open Casablanca fixed via North France to Algeria with Grains at $20,000. Another handy fixed at low $20,000's for a trip Morocco to Portugal. The Mediterranean was steady, a 33,000-dwt fixed failed at $20,000 Algeria to US Gulf, Owners asking similar levels for Intra-Mediterranean trips. *Vega Granat* (31,780-dwt, 2011) open Ancona fixed passing Otranto trip via Black Sea to Arabian Gulf with grains at $20,000. Across the pond, *Morges* (35,693-dwt, 2011) open Savannah fixed a trip to the UK with wood pellets at $17,750 to Norden. In the Gulf, a large handy fixed from Houston to the Mediterranean with grains low $17,000's. South America, continued to cool off, trans-Atlantic trips now closing at mid-20,000's USD per day. A 28,000-dwt vessel fixed from Santos, redelivery Algeria with sugar at $26,000. Sentiment in the East was down this week, rates continued to drop across the board. *CH Clare* (33,144-dwt, 2010), open in the Philippines fixed a trip via Indonesia to China at $11,000 with coal. A 31,000-dwt fixed for a trip basis delivery passing Singapore for a round trip via Australia with salt at $11,000. *Jin Guang Ling* (31,907-dwt, 2009) open Monga fixed basis delivery Singapore via Australia, redelivery Indonesia at mid-high $11,000's. *NY Trader III* (39,388-dwt, 2016) on trip to US West Coast with Cement at $16,000 with Oldendorff. *DL Jasmine* (33,737-dwt, 2012) open Kunsan Spot, fixed a trip South-east Asia with steel at $13,000's with SOL.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Chinook	93,266	2012	Yosu	19/20 Oct	Worldwide	$14,000	Joint Vision	2/3 laden legs
Climate Pledge	87,300	2022	Oshima (ex DD)	18 Oct	Continent	$19,200	Cnr	Via Australia
Crystal Ocean	82,558	2021	Antwerp	Ppt	Singapore-Japan	$28,500	Cargill	Via US Gulf
Star Carioca	81,262	2015	Yosu	22/23 Oct	Singapore- Japan	$19,000	Tata NYK	Via NoPac
Yu Zhu Feng	75,519	2011	Malta	Ppt	Skaw-Barcelona	$18,000	Bunge	Via US Gulf
Great Link	63,464	2016	Singapore	Ppt	Poland	$20,000	Cnr	Via Indonesia
Amis Leader	58,700	2010	CJK	Ppt	US Gulf	$13,000	Pacific Basin	Via Japan
Sea Spirit	53,621	2007	Port Kelang	Ppt	Vietnam	$14,500	Crescent Bulk	Via Indonesia
New Commander	37,187	2012	Fangcheng	Ppt	China	$12,000	Cnr	Via Indonesia
St Paul	37,054	2014	Casablanca	Ppt	West Mediterranean	$20,000	NMC	North France



Exchange Rates		This week	Last Week
	JPY/USD	151.54	148.65
	USD/EUR	0.9745	0.9734

Brent Oil Price		This week	Last Week
	US$/barrel	92.59	92.14

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	390.0	383.0
	VLSFO	725.0	738.0
	Rotterdam IFO	375.0	395.0
	VLSFO	639.0	646.0

Dry Bulk S&P

The Northern Hemisphere winter is approaching and Europe is having to look further afield for energy options. Poland for example imported around 8mt of coal from Russia by rail in Cal. 21. This has to be replaced. Supras and Ultramaxes are performing coal voyages from as far as Indonesia back to Europe and Pmaxes, Kamsars and Capes have fixed Australian / Europe cargoes. While plenty of market participants remain uncertain about long term macro factors, there are others who believe the opportunities presented trading Black Sea cargoes amongst others make today's prices look attractive. As a result, the dry S&P market remains active and we have a spread of sales to report across the sizes.

Turkish Buyers are linked to the purchase of the older cape size *Agia Trias* (185,820-dwt, 2002 Kawasaki) for $15m with SS due January 2023. L*ila Nantong* (171,009-dwt, 2003 Sasebo) which sold for $16m two weeks ago.

Greek Buyers are linked to the purchase of two post panamaxes with Jinhui confirming the sale of their *Jin Lang* & *Jin Mei* (93k-dwt, 2010 Jiangsu New Yangzi) for $34.50 en bloc, leaving the sellers with a far more homogenous fleet of purely geared bulkers. The price is a significant drop on the recent sale of *Lara Venture* (93,758-dwt, 2011 Shanghaiguan) which sold last week in excess of 20m to Middle Eastern grain trading Buyers. We understand Lara Venture was grain clean and tier II helping to account for the disparity in pricing,

Hong Kong based Buyers Caravel are linked to the purchase of the Japanese Ultramax *Ultra Wollongong* (61, 684-dwt, 2011 Oshima) - a price more or less in line with another recent sale from ultrabulk for a same age unit for 1 mill USD more, however with a scrubber.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Agia Trias	185,820	2002	Kawasaki	-	Beks Shipping, Turkey	$15.00m	BWTS fitted
Jin Lang	93,280	2010	Jiangsu New Yangzi	-	Greek	$34.50m enbloc	BWTS fitted
Jin Mei	93,204						
Ultra Wollongong	61,684	2011	Oshima	C 4x30T	Caravel Group, Hong Kong	$21.50m	BWTS fitted
Ocean Satoko	37,215	2011	Hyundai Mipo	C 4x30T	Vietnamese	$16.70m	BWTS fitted
Orient Mate	32,471	2014	Tongyeong	C 4x30T	Greek	$16.90m	BWTS fitted

HARTLAND SHIPPING SERVICES

Tanker Commentary

Bumper earnings across both the crude and product markets has resulted in another busy week in second hand tanker S&P. VLCC Baltic indices have climbed to $70,000 p/day, causing a trickle down effect in both the Aframax and Suezmax sectors.

We continue to see older tonnage finding new homes as sellers press on with fleet renewals whilst buyers pounce on ships they can write down quickly in red hot markets. An example of this would be Eurotankers who have sold their CAP-1 rated *Euroglory* (166,447-dwt, 2005 Brodosplit) for $26m.

The current spread of over $250 per tonne between VLSFO/HFO continues to fuel buying interest in scrubber fitted ships. We report this week that Middle Eastern buyers are understood to have purchased the *Hao Yu* (105,522-dwt, 2005 Sumitomo, Scrubber Fitted) for $27m.

Product tankers also remain in high demand with a number of sales candidates being snatched up. Both deepwell and pumproom units are fetching firm prices, evidenced by the *Falcon Bay* (47,147-dwt, 2009 Hyundai Mipo, epoxy phenolic) selling for $23m and *Starman* (45,997-dwt, 2008 Shin Kurushima, epoxy) fetching $21.5m respectively.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Euroglory	166,447	2005	Brodosplit	undisclosed	$26.00m	
Alburaq	112,521	2008	Hyundai Ulsan	undisclosed	$70.00m enbloc	
Sea Legend	112,511					
Hao Yu	105,522	2005	Sumitomo	Middle Eastern	$27.00m	BWTS & Scrubber fitted
BSL Elsa	51,747	2009	Hyundai Mipo	undisclosed	$22.00m	BWTS fitted & low charter attached
Falcon Bay	47,147	2009	Hyundai Mipo	undisclosed	$23.00m	BWTS fitted
Starman	45,997	2008	Shin Kurushima	Teodor Shipping, Dubai	$21.50m	

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