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... China – Low Inflation, Low Growth ...



Source : Statista

The 20<sup>th</sup> Congress of China's CCP ended last Sunday with Xi Jinping cementing his role as supreme leader and new Great Helmsman. His comments during the week stressed that he is prioritising national security over economic growth, and his 7-strong Politburo Standing Committee was packed with unknown yes men. Global markets sold the yuan and Chinese equities. The security focus chimes with Putin's narrative that justifies the invasion of Ukraine as defence against Nato's relentless eastwards expansion. China characterises the West's efforts to protect freedom of navigation in the South and East China Seas as meddling and as interfering in China's sovereignty. If China were to invade Taiwan, no doubt it would blame the West. In Hong Kong, it has already breached the terms of the Sino-British Joint Declaration and the Basic Law which guaranteed "one country, two systems" for 50 years after the 1997 British handover. There have been protests, riots, deaths and detention as China sought to enforce its new security law on Hong Kong, less than halfway into the 50-year term pledge. But there was no invasion. In his speeches last week, Xi called for militarisation and for the accelerated unification of Taiwan, and by force if necessary. The hastened timeline may be prompted by Biden's recent decision to restrict exports of US technology to China, especially those components that can be used in military and surveillance applications. In ratcheting up the military threats, and in overt references to taking Taiwan by force, China is using a carrot and stick approach, but easy on the carrot. Is it just trying to cajole Taiwan into a diplomatic solution and a peaceful accession.<sup>^</sup>

Like Ukraine was, Taiwan is prepared for an amphibious assault on its island nation and is well-equipped to defend itself. However, such a war is hard to contemplate, especially if it brings in the US on Taiwan's side. Biden has promised this more than once, only to have his words walked back by the Pentagon which prefers to stick to its policy of 'strategic ambiguity'. In prospect would be military war, a technology war and a trade war all rolled into one. The last one would involve sanctions which have a chequered history. They never fully worked against Iran and Venezuela and they are not totally working against Russia. Allegedly, they are doing much damage to the Russian economy but they are also hurting more people in more countries among the enforcing nations, a kind of Pyrrhic victory at best. High energy prices and inflation were conditions that pre-existed the 24 February invasion, but the latter has made matters much worse. Pitting the No.1 and No.2 global economies against each other in multilateral hostilities will not play well, and it will be in a totally different league to what is unfolding in Russia. Biden may have exposed China's Achilles heel with his 7 October hi-tech ban, and this has infuriated China and many of its global suppliers. Nonetheless, China has been working on strategic alliances and self-sufficiency for years, with the Belt and Road Initiative at their heart. It will be aiming to progress these at speed over the next five years to elevate its preparedness for a more robust foreign policy.

As China is central to global trade, any sanctions applied to it may simply backfire, and China knows this all too well. Take China's billion tonnes a year steel industry. It imports 73% of global seaborne iron ore. What will happen to that? Out of a 2022 forecast<sup>^^</sup> of a 1,484mt global seaborne iron ore trade, Australia's export share is heading towards 880mt, Brazil 343mt, South Africa 66mt, Canada 54mt, India 25mt, Sweden 24mt, Peru 21mt, Chile 15mt and Mauretania 13mt. These nine nations account for 1,441mt, 97% of total global seaborne iron ore exports, of which China buys 1,087mt or 75%. Last year, China alone imported 705mt from Australia, 64% of its seaborne total. So, if Australia\* were to entirely cut off supply to China, and in the unlikely event that all the other nations supply only China, then it would still have around a 100mt or 9% import shortfall. The result would devastate China's, and the world's, steel industry. An invasion deterrent? When it comes to oil, this is already being rehearsed with Russian sanctions<sup>\*\*</sup> ahead of the 5 Dec crude and 5 Feb product EU import bans. Even more Atlantic crude will go east and even more east-of-Suez products will go west. How many countries will toe the western line and shun Chinese goods? Will shipowners avoid Chinese shipyards and will service providers+ be compelled to drop Chinese business? This could test the limits of western overreach, but everyone should be wargaming the potential impact of a Chinese invasion of Taiwan. It is a real possibility within the next five years if a negotiated settlement cannot be reached. Is China's tactic to ramp up pressure on Taiwan to engineer peaceful capitulation? Who knows?

<sup>^</sup>Western intelligence services misread Putin's military build-up on Ukraine's eastern flank, so we should not get fooled again.

<sup>^^</sup>Figures and forecasts of global and regional seaborne iron ore trade are from SIN's October 2022 Dry Bulk Trade Outlook.

\*Australia is a member of the Quad, an Asia-Pacific alliance that includes the US, India and Japan; The Asian Nato.

\*\*And before that western sanctions on the oil exports of Iran and Venezuela that have been to some extent successfully bypassed.

+Including banks, insurers and brokers, shipowners and brokers, commodity traders, agents, IOCs, NOCs, lawyers, etc. etc.

## Dry Cargo Chartering

Negative sentiment seemed to leak into all markets this week, with the **capex** leading the way. Time-charter averages dropped \$3,323 to end up at \$13,852. Freight prices along the major routes dipped fairly significantly with Brazil/China falling below the \$20.00 pmt mark and to around \$8.60 pmt from Australia. A limited number of deals were reported to have been concluded this week. Among the iron ore fixtures, we heard that Tata Steel global chartered a vessel to load 160,000 mtons 10% from Acu to Ijmuiden loading 18/22 November at \$13.25 pmt and also out of South America, Vale fixed a undisclosed vessel for 150,000 mtons 10% from Tubarao to Sokhna, Egypt at \$23.75 pmt. Elsewhere the usual charterers including the likes of FMG, Rio Tinto, and BHP were actively fixing vessels ex Australia from Port Hedland and Dampier to China. Freight prices ranged from \$8.90 pmt to a notably very low \$5.30 pmt. Additionally, on Tuesday Oldendorff took *Genco Tiger* built 2011 for 150,000 mtons 10% of coal loading Gladstone bound for Dhamra at \$13.00 pmt with D/A's at discharge port capped at \$400k.

A less desirable week in the **panamax** markets as we saw rates plunging progressively. The P5TC closed at \$16,350 down by \$2,943 since last reported 21<sup>st</sup> October. In the Pacific, Tongli covered *Yasa Diamond* (84,973-dwt, 2021) open Zhangjiang to China via WC Australia at \$20,000, whilst Bunge took *Cosmar* (82,025-dwt, 2016) for a prompt trip from South Korea via Nopac at \$20,750 for redelivery North of CJK and \$20,250 for south of there. Further South, it was heard that *Belo Horizonte* (81,681-dwt, 2012) was fixed for an Indonesia round trip at \$17,000. In the Atlantic, Reachy fixed *Aom Sophie II* (81,816-dwt, 2020) from Liverpool via US Gulf to the Far East at \$30,000, with scrubber benefit going to charterers. Raffles took *Great Wealth* (75,570-dwt, 2011) delivery Skaw for a trip via US Gulf for redelivery Singapore-Japan range at \$22,550. Oldendorff covered *Navios Victory* (77,095-dwt, 2014) from the US Gulf to Singapore-Japan range at \$21,000 with a \$750,000 ballast bonus.

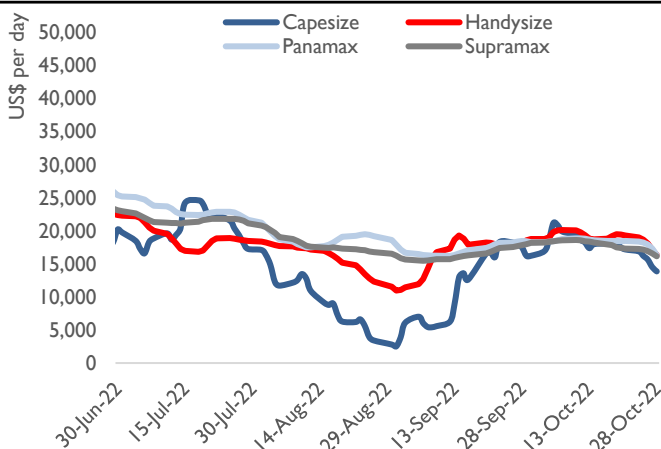
On voyage, a Kepco tender was covered by a Panocean TBN vessel for their 80,000 mtons 10% coal lift from Balikpapan to Hosan at \$10.90 pmt.

**Supramax** market was in free fall this week as the S10TC closed at \$16,318 down by \$2,137 (-11.58%) since last reported on 21st October. In the Pacific, ESM fixed *Hua Heng 166* (56,841-dwt, 2011) delivery Kosichang prompt dates for a trip via Indonesia to China at \$12,000 and Chunan took *Beauty Lotus* (63,685-dwt, 2015) delivery Tianjin 25th October for a trip with Steels to SE Asia at \$12,500. Meanwhile in the Indian, Swire fixed *CMB Bruegel* (63,667-dwt, 2021) delivery passing Port Elizabeth prompt dates for a trip via Luderitz to Singapore-Japan range at \$22,600 + \$260,000 GBB. Whilst in the Atlantic, Nordic fixed *Swan* (53,487-dwt, 2066) delivery passing Ksaw prompt dates for a trip via ARAG with scrap to Turkey at \$22,500, Ultrabulk took *Sunrise Jade* (63,244-dwt, 2015) delivery Mississippi River prompt dates for a trip to the Continent at \$28,000 whilst *V Star* (56,734-dwt, 2013) was fixed delivery Ghana prompt dates for a trip with minerals to Singapore-Japan range at \$20,500 and XO Shipping covered *Orion Ocean* (61,321-dwt, 2015) delivery Savannah 25th October for a trip via Fazendinha to the Caribbean at \$19,000.

The **handysize** index closed the week at \$16,142, this was down from last week's close of \$17,297. Rates in the Pacific continued to fall throughout the week. *Hanze Goteborg* (34,735-dwt, 2013) open Singapore fixed a trip via West Australia redelivery EC India at \$11,000, while another 32k dwt was rumored to have fixed similar at \$9,000 dop Chittagong. *Clipper Medway* (34,061-dwt, 2011) fixed \$11,000 pss Singapore for a Indo coal run. In the Atlantic, rates held steady however began to soften from mid-week onwards with a number of ships failing on subjects. We heard a 39k dwt open Cannakkale fixed low \$20's dop for a trip to USG with BAI. Nova Marine were reported to have fixed the *Jules Point* (37,633-dwt, 2013) for a prompt trip ex Up River to Skaw-Passero range at \$31,000.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Yasa Diamond	84,973	2021	Zhangjiang	25 Oct	China	\$20,000	Tongli	Via WC Australia
Grampus Charm	82,937	2013	Kemen	30/31 Oct	Japan	\$18,500	NYK	Via Indonesia
Bali	81,259	2012	Zhoushan	1/5 Nov	Singapore-Japan	\$15,500	Cnr	Via NoPac
Bulk Halmahera	76,598	2005	US Gulf	6 Oct	Skaw-Gibraltar	\$20,000	Oldendorff	+200,000 bb
Great Wealth	75,570	2011	Skaw	31 Oct	Singapore-Japan	\$22,500	Raffles	Via US Gulf
Sunrise Jade	63,244	2015	Mississippi River	Ppt	Continent	\$28,000	Ultrabulk	-
Pac Alcor	63,144	2021	Norfolk	Early Nov	China	\$27,000	IMC	-
Hua Heng 166	56,841	2011	Kosichang	Ppt	China	\$12,000	ESM	Via Indonesia
DL Olive	35,693	2011	Indonesia	Ppt	Singapore-Japan	\$14,500	Oldendorff	Via Australia
Artic Ocean	33,757	2010	Skikda	21/25 Oct	US Gulf	\$21,000	Bulk Trading	Via Spanish Med



Exchange Rates	This week	Last Week
JPY/USD	147.70	151.54
USD/EUR	0.9940	0.9745

Brent Oil Price	This week	Last Week
US\$/barrel	95.27	92.59

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	398.0	390.0
VLSFO	722.0	725.0
Rotterdam IFO	380.0	375.0
VLSFO	646.0	639.0

28 October 2022

## Dry Bulk S&P

Whilst it is positive to see a healthy amount of activity in the sale and purchase market, the overall benchmark values they are providing are below last done, with buyers spurred on by the levels now attainable from more committed sellers.

Post-panamax continue to change hands to a limited pool of buyers. *Pellonia* (93k-dwt, 2010 Jiangzi Newyangzi) has been sold for \$17.2m, which is in keeping with last weeks enbloc sales of the same aged sisterships *Jin Lang* and *Jin Mei*. Whilst, Sinotrans are reported to have achieved slightly higher numbers for the 2011 and 2010 Jinling built units *Great Animation* and *Great Glen* (93k-dwt BWTS fitted) - reported sold for \$37m enbloc to Middle Eastern based buyers, this is still a drop on the standout sale of *Lara Venture* (93k-dwt, 2011 Shanhaiguan) 2 weeks ago for over \$20m.

In another online Chinese sale, Chinese buyers are reported to have paid \$54m enbloc for a pair of NYZJ kamsarmaxes *CCS Orchid*

and *MSXT Hera* (82k-dwt, 2017/2018). The low price is not really representative of market given the nature of the sale.

A triplet of panamaxes have been sold to various buyers, *Blue Chip* (76k-dwt, 2007 Imabari) to South Koreans for \$15m, *Cabrillo* (75k-dwt, 2010 Penglai) for \$15.8m, and of most interest, *Seawind* (75k-dwt, 2006 Sanoyas) for a healthy \$15.2m. All are BWTS fitted.

The 2019 built ultramax *Nord Yucatan* (63k-dwt, Xiangyu) has been sold for \$28.4m which is quite a step down on the last comparable sale, that of *Berge Tronador* (61k-dwt, 2020 NACKS) sold at the beginning of the month for \$32.5m.

Finally, *Yangtze Eternal* (32k-dwt, 2011 JNS) has been sold for \$13.5m, resetting the benchmarks for Chinese built vessels of this age.

### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Arethousa	169,770	2001	Sasebo	-	undisclosed	\$15.10m	BWTS fitted
Pellonia	93,386	2010	Jiangsu Newyangzi	-	undisclosed	\$17.20m	BWTS fitted
Great Animation	93,204	2011	Jingling	-	Middle Eastern	\$37.00m enbloc	BWTS fitted
Great Glen	93,252	2010					
CCS Orchid	81,966	2017	Jiangsu Newyangzi	-	Chinese	\$54.00m enbloc	BWTS fitted
MSXT Hera	81,738	2018					
Blue Chip	76,596	2007	Imabari	-	South Korean	\$15.00m	BWTS fitted
Seawind	75,637	2006	Sanoyas	-	undisclosed	\$15.20m	BWTS fitted
Cabrillo	75,200	2010	Penglai	-	undisclosed	\$15.80m	BWTS fitted
Nord Yucatan	63,500	2019	Nantong Xiangyu	C 4x35T	undisclosed	\$28.40m	BWTS fitted
Sea Etiquette	51,658	2011	Oshima	C 4x30T	SMT Shipping	\$19.00m	BWTS fitted
Yangtze Eternal	32,573	2011	JNS	C 4x30T	undisclosed	\$13.50m	BWTS fitted
Hippo Strait	27,097	1996	Shin Kurushima	C 4x31T	undisclosed	\$6.20m	BWTS fitted



## Tanker Commentary

Larger crude vessels make up the majority of this weeks sales with high freight rates at the backbone. VLCC's values from young to old in high demand and values seem to have no sign of slowing down anytime soon, this is flowing into other sectors that are also generally holding steady.

Bahri have concluded negotiations on their *Shiblah* (316k-dwt, 2003 Hyundai), with Chinese buyers securing her for \$43m and *Brilliant Jewel* (305k-dwt, 2002 Daewoo) has been sold for \$40m - both have docking due Q1 2023. Earlier this month the VLCC *City of Tokyo* (303k-dwt, 2004 Universal) with SS not until 1H 2024 was sold for \$49m.

The scrubber fitted *Pacific M* (299k-dwt, 2019 Hyundai) and sister ship *Neptune M* (299k-dwt, 2019 Hyundai) have been sold en bloc with below market TC's attached hence a price achieved in the low \$180m to Korean buyers HMM. Only a handful of modern VLCC's have changed hands this year, and HMM were buyers of the last two - back in August before the rise in the market they acquired C.

*Guardian* (300k-dwt, 2019 Daewoo) and *G. Dream* (299k-dwt, 2022) for \$98 and \$108m respectively.

The ice classed *Kimolos Warrior* (157k-dwt, 2013 Samsung) has been sold this week for \$44m, with docking due Q1 2023 - *Vinga* (158k-dwt, 2012 Samsung) was sold in September for \$42m with dry docking freshly passed.

In the aframax segment, *P. Fos* (115k-dwt, 2007 Sasebo) has achieved \$34m with surveys recently passed - a price inline with last done, as the year younger *Sea Legend* (112k-dwt, 2008 Hyundai) was sold for \$35m earlier in the month with docking due end 2023.

Our only product tanker sale to report is the *Celsius Rimini* (53k-dwt, 2009 Shin Kurushima) which has been committed at excess \$24m. A firm figure against last weeks sale of *Falcon Bay* (47k-dwt, 2009 Hyundai) that achieved \$23m which had deepwell pumps and carries a premium over pumproom designs.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Shiblah	316,476	2003	Hyundai Ulsan	Chinese	\$43.00m	
Brilliant Jewel	305,178	2002	Daewoo	undisclosed	\$40.00m	
Pacific M Neptune M	299,546	2019	Hyundai Samho	HMM, Korea	\$180.00m enbloc	TC attached & Scrubber fitted
RS Aurora	159,288	2018	SWS	Delta Tankers	\$64.00m	
Kimolos Warrior	157,258	2013	Samsung	Advantage Tankers	\$44.00m	Ice IC
P. Fos	115,577	2007	Sasebo	undisclosed	\$34.00m	
Daehan 5075	115,000	2022	Daehan	undisclosed	\$72.50m	Epoxy & Scrubber fitted
Celsius Rimini	53,603	2009	Shin Kurushima	undisclosed	\$24.00m	Epoxy

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