04 November 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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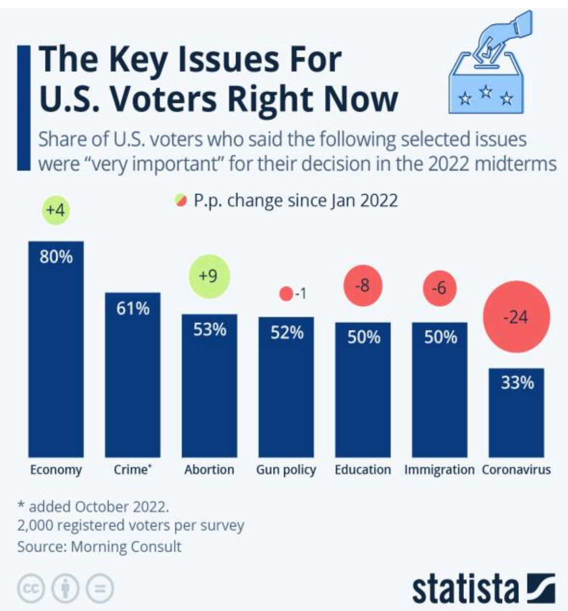
Mixed signals and misinformation are making it even more difficult than usual to assess where markets are going. Large bulkers are in plentiful supply as congestion unwinds in China where steel output is down 3.5% this year, knocked sideways by lockdowns and a housing market meltdown, and thus failing to support prior levels of iron ore imports. Chinese and global seaborne imports are each forecast to be down about 2% y-o-y in 2022, and flat in 2023, as world steel demand slides. This week, the Russians very briefly pulled out of facilitating the safe passage of grain shipments from Ukraine's Black Sea ports, potentially removing a recovering source of employment for bulk carriers. Almost 10mt of grains had left Ukraine's ports since Aug 1, less than half of pre-war levels.* The Black Sea Grain Initiative was set to expire on Nov 22. Russia deems it has reasons not to back its renewal after a Ukrainian unmanned drone attack last weekend that used the safe corridor to target Sevastopol and its Black Sea fleet. It also argues that the West has not delivered on pledges to lift some economic sanctions that would enable Moscow's own agricultural exports of grains and fertilisers. Earlier this week, Hong Kong and China shares got an unexpected flash lift after rumours that Beijing was planning on relaxing its Covid restrictions. If this is true, it will not take effect before March 2023.** Finally, just to add to a sense of unease, this week North Korea launched 23 missiles into the seas off the Korean peninsula, and is supplying artillery shells to Moscow, while Iran prepares to equip Russia with short-range ballistic missiles.

Most analysts have given up on the dry bulk space for this year, hoping for better things next year, although possibly not as soon as the usually quiet first quarter. It has been better for tankers that have benefited from disrupted trade flows and this has been borne out by Scorpio Tankers and its Q3 results, posting a net profit of $266m compared with a $73m net loss a year ago. Its fleet of modern product tankers has exploited the tendency for newer refineries to open closer to the wellheads thus transforming a long-haul crude trade into a long-haul product trade. Refineries in Turkey, the Arabian Gulf, India and China are importing more crude to process into refined products, especially diesel, to send Europe and make up for Russian supply shortfalls. This coincides with a shortage of diesel in the North American market which is restraining its exports to South America and Africa, leaving them to source alternatives from farther away suppliers in the Indo-Pacific region. Domestic oil demand may recover in China should the "Reopening Committee" do what it says and permit people to move and factories to work. Realistically, this is months away. Oil supply is a potential matter of concern given Opec's imminent headline 2m-bpd cuts^ and the chance that Russia may be unable to export up to 1.5m-bpd of its oil given upcoming sanctions and price controls on shipping and insurance. In a sign of weakness, the US has delayed by 45 days the Dec 5 implementation of the EU/G7 oil price cap on Russian crude exports.^^

We will soon find out whether the Russian fleet, the 'dark' fleet and the tankers of dissenting owners, those who refuse to be bound by unilateral western sanctions, will be sufficient to guarantee the uninterrupted flow of Russian oil to markets. A key plank of tanker support is low net new supply of tankers over the next few years, given thin orderbooks, with the demand-side bonus of prospective global oil restocking when supplies are available, and at the right price. What we fear is a low supply of tankers meeting a low supply of oil, which will be something of a washout. As things stand, latest weekly average earnings for tankers are holding up well with VLCCs at $91,195pd, suezmaxes at $92,317pd, aframaxes at $88,136pd and MRs at $42,776pd. Turning to containers, the Baltic's FBX index, covering a basket of spot rates, has fallen 62% this year and time charter rates are also giving up past gains. Midweek, AP Moller-Maersk's CEO predicted global container demand declining 2-4% this year, worse than its previous guide of zero growth. Its shares fell nearly 8% in intraday trading. Carriers are rapidly reducing capacity and blanking sailings in an effort to match slowing consumer demand. Well, that's the bad news. The good news is that Maersk beat earnings forecasts for Q3 with net income of $8.9bn, taking its first nine months to $24.2bn, and it is still on track to reach underlying Ebitda of $37bn for the year. APMM highlighted the war in Ukraine, energy crisis in Europe, high inflation and looming global recession as the dark clouds on the horizon that are causing freight rates to normalise and congestion to unwind. In summary, the tonnage supply side is mostly benign but the demand side is in the hands of autocratic states, sanctions and events.

… Done with Lockdowns …



[Source : Statista]

*SIN estimates Ukraine's total grains exports (wheat, corn, barley, soybeans, etc.) will reach 27.5mt in Cal' 22 vs 50.0mt in Cal '21.

**Draconian lockdowns continue with the latest at a Foxconn iPhone plant in Zhengzhou and at the Shanghai Disney Resort.

^Opec will probably only cut around half the headline amount, if at all, as much will depend upon global oil demand and oil prices.

^^This coincides with same date of the EU import ban on Russian seaborne crude imports. The price cap is yet to be formalised.

Turkey, India and China will not respect the price cap (rumoured at $63pb) while Russia will not sell to anyone operating the cap.

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Cape time charter averages tanked even further this week as wider market uncertainty began to spread, yet on Friday a small turnaround was seen with many routes gaining. Overall, the BCI C5TC fell $2,713 to end up at $11,139. It should also be noted the Baltic's revised backhaul rate went negative to -$4,722/day. Despite this a good deal of fixtures were reported. These included Rio Tinto taking a TBN Newcastlemax ex Dampier for 190,000 mtons 10% iron ore at $8.05 pmt, and the same charterers covered a 170,000 mtons 10% stem at $8.30 pmt for loading mid-November. We also heard on Wednesday that charterers CSN took *Johanna* built 2016 for 170,00 mtons 10% Itaguai/Qingdao for loading end November/early December at $19.00 pmt. On the coal side of things, Oldendorff fixed a TBN vessel for 170,000 mtons 10% loading Whyalla to China at $12.00 pmt. In addition, they covered 150,000 mtons from Adang Bay to Mundra at $6.00 pmt, while elsewhere Welhunt fixed 130,000 mtons 10% loading Abbot Point for Hon Mieu and Campha at $12.80 pmt. Lastly, Olam took on *Barbarian Honor* (180,091-dwt, 2011) relet from Richland delivery Far East in February 2023 for 1 year trading at $16,000.

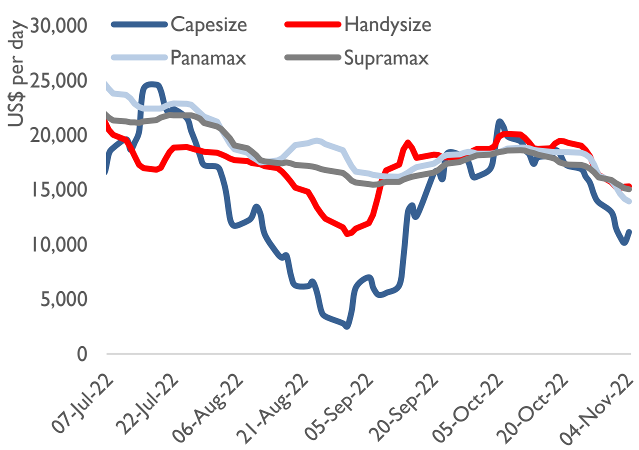
It has been a challenging week as market continues to plunge with little signs of recovery in the **panamax** sector. The P5 TC closed at $15,299 down by $1,051 since last reported 28th October. In the Pacific, it was reported that *Luck Fortune* (76,662-dwt, 2002) passing Ningde was fixed for a trip via Indonesia to South China at $13,000, whilst Viterra took *Richway Trader* (82,231-dwt, 2022) open CJK for a Nopac round trip at $17,750. It was rumoured that MOL covered *Unity Neptune* (84,808-dwt, 2017) open Hong Kong to Japan via EC Australia at $17,000. In the Atlantic, Western Bulk was heard to have fixed *Great Hope* (75,480-dwt, 2012) delivery Gibraltar for a trip to Aughinish via Kamsar at $13,000 and *Salaminian* (81,565-dwt, 2015) took a trip from East coast South America for redelivery in Singapore-Japan range at $17,500 with a $750,000 ballast bonus. Similarly, The Starlight was seen fixed for a trip from US Gulf via Suez to Singapore-Japan range at $16,5000 with a $650,000 ballast bonus.On voyage, Kepco Tender fixed Five Ocean TBN for their 80,000/10coal lift Kaliorang/Hosan 13/22 Nov at $10.25.

Supramax market continued to slide this week as the S10TC closed at $13,945 $16,318 down by $2,373 (-14.54%) since last reported on 28th October. In the Pacific, *Summer Sky* (63,415-dwt, 2017) fixed delivery Kohsichang spot dates for a trip via Australia with alumina to Continet at $15,000, whilst Refined Succes took *Rui Ning 7* (53,478-dwt, 2010) delivery Singapore 4-5 November for a trip via Indonesia to China at $8,000 and Chinaland covered *Princess Erin* (57.334-dwt, 2011) delivery CJK prompt dates for a trip to Brazil at $12,000. Meanwhile in the Indian, ST Shipping fixed *Aquataurus* (60,238-dwt, 2017) delivery Cape Town prompt dates for a trip via Luderitz to the Continent at $25,000 whilst Mystic *Eagle* (63,301-dwt, 2013) was taken delivery Port Elizabeth 12-14 November for a trip to China at $21,000 plus $210,000 bb. Whilst in the Atlantic, *Spar Canis* (53,565-dwt, 2006) was fixed delivery Douala prompt dates for a trip to China at $21,750.

The **BHSI** closed this week at $15,043 down $1,099 from last week. Market sentiment dropped hard and fast in the Pacific, rates dropping deep into the single figures. Atlantic was flat and softened on the Continent, Eisbein event in Germany slowing activity down, although rates remain steady in the Americas. Owners fixing around mid-teens for trips from the Baltic to Morocco or similar. In the Mediterranean, *Seastar Hawk* (40,355-dwt, 2022) failed on subjects for a trip from the Eastern Mediterranean to the US Gulf at under $20,000 with Lightship. In the Gulf, owners asking mid-upper teens for intra-gulf and trans-Atlantic trips. In the North coast of South America, *Mykonos Dawn* (37,880-dwt, 2017) fixed basis delivery Barranquilla for a trip to Altamira with metcoke at $17,500 to Bulk Trading. *Weco Lucilla C* (35,009-dwt, 2011) fixed for a trip from North Brazil for a trip to South Brazil with iron ore in the low $30,000s to Norsul. The Far East was very poor, 29,000-dwt was rumoured to have been fixed for a trip from Rizhao to the Mediterranean with steels at $10,200 to Norvic. A 40,000-dwt vessel fixed $12,000 from Korea to the Continent. A 32,000-dwt fixed at very low teens for a trip US West Coast to New Zealand while the *Oasis Island* (37,816-dwt, 2015) open in Everret, USA fixed a trip via US West Coast to Singapore-Japan at $16,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
En May	85,001	2017	EC South America	20Nov	Arabian Gulf-PMO range	$18,500	Cnr	+$850,000 bb
Cymona Glory	84,100	2011	Belawan	31Oct/ 3Nov	South China	$19,000	Cnr	+45,000 bb
ASL Venus	82,153	2011	EC South America	13/14 Nov	Poland	$30,000	Louis Dreyfus	-
Serifos	81,086	2015	EC South America	14Nov	Singapore-Japan	$18,000	Cofco	+800,000 bb
Sentosa Challenger	81,061	2020	Xinsha	1/2Nov	Singapore-Japan	$18,000	Klaveness	$18,000
Summer Sky	63,415	2017	Kohsichang	Ppt	Continent	$15,000	Cnr	Via Australia
Princess Erin	57,334	2011	CJK	Ppt	Brazil	$12,000	Chinaland	-
Josco Yangzhou	55,621	2005	Ningde	6Nov	China	$7,500	Tongli	Via Indonesia
Ken Ei	37,956	2013	Thailand	2Nov	Singapore-Japan	$11,000	Oldendorff	Via EC Australia
Oasis Island	37,816	2015	Everret	End Nov	Singapore-Japan	$16,000	Cnr	-



Exchange Rates		This week	Last Week
	JPY/USD	147.14	147.70
	USD/EUR	0.9910	0.9940

Brent Oil Price		This week	Last Week
	US$/barrel	98.02	95.27

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	425.0	398.0
	VLSFO	702.0	722.0
	Rotterdam IFO	405.0	380.0
	VLSFO	650.0	646.0

Dry Bulk S&P

Despite falling dry indices this week, we saw some causes for celebration when Russia made a 'Liz Truss' worthy U-turn and re-entered the Black Sea grain corridor, saving several vessels from a Black Sea lock in and keeping the high earning trade route alive.

In what is a still an active SnP market, Capes seems to be the flavour of the week despite weaker rates. *True Patriot* (180k-dwt, 2016 Imabari) invited offers on Monday and is understood to have now sold for $39.75m to undisclosed buyers, however all the usual names are being mentioned as potential Buyers. Two 2011 built ladies also found new homes this week, *Edward N* (176k-dwt, 2011 SWS) has been sold to Taiwanese Owners Eddie Steamship for $23m, and *Aquafortune* (174k-dwt, 2011 Namura) is heading to Chinese buyers for $26.5m. With a lack of recent sales over the last few months due to Owners taking advantage of a stronger market, it is safe to say all 3 of these are several million down on last done. However on the vintage ladies, *Orient Angel* (176k-dwt, 2007 Namura) has now been sold for $19m to Turkish buyers. This sale has managed to stay in line with the last vintage lady done at the beginning of October, *Shinyo Guardian* (177k-dwt, 2005 Namura) which was sold to Turkish Owners Beks for $16.9m.

Finally, Post Panamax vessels have been seeing a recent revival in the SnP market. After we reported 3x Chinese built sales last week, *CMB Van Mieghem* (95k-dwt, 2011 Imabari) has achieved xs $21m to Swiss Buyers, showing a solid premium over the equivalent aged Chinese built units.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
True Patriot	180,967	2016	Imabari	-	undisclosed	$39.75m	
Orient Angel	176,859	2007	Namura	-	Turkish	$19.00m	
Edward N	176,216	2011	Oshima	-	Taiwanese	$23.00m	
Aquafortune	174,725	2011	Namura	-	Chinese	$26.50m	
CMB Van Mieghem	95,737	2011	Imabari	-	Swiss	xs $21.00m	
Caro Padre	63,227	2012	Yangzhou Dayang	C 4x35T	undiclosed	$21.00m	SS Due

HARTLAND SHIPPING SERVICES

Tanker Commentary

Continued strong earnings on both crude and clean have not translated into a substantial sales board this week. Buyers of ice class tankers are not being deterred by the premiums required to secure tonnage illustrated by the $20.7m achieved on the *Atlantica Bell* (50k-dwt, 2006 STX, BWTS fitted, Ice 1A) whereas the non Ice Class sister *Seabright* (Also 2006) was sold recently for $18m. The ice class LR1 *Ortolan Coco* (74k-dwt, 2008 Brodosplit, Ice 1A) has also been sold for $20.5m with SS/DD and BWTS due in March.

Beks Denizcilik have made a very profitable turn on their LR2 *Beks Swan* (108k-dwt, 2009 SWS). They purchased the vessel from Xihe Holdings fleet sale in October 2021 for $17.7m and are reported to have now sold her for $36m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Europe	441,561	2002	Daewoo	undisclosed	$43.00m	Sold for storage
Valtamed	158,609	2004	Daewoo	European	$26.00m	
Beks Swan	108,929	2009	SWS	undisclosed	$36.00m	
Ortolan Coco	74,992	2008	Brodosplit,	undisclosed	$20.50m	Ice 1A, SS/DD/BWTS due in March-23.
Atlantica Bell	50,844	2006	STX	undisclosed	$20.70m	Ice 1A, BWTS fitted

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