11 November 2022

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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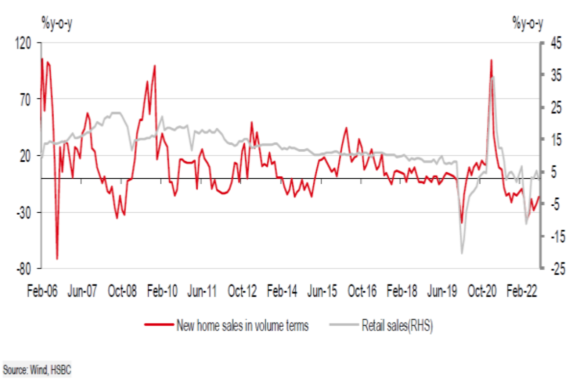
Getting back on track…

This week we bring you an extract of HSBC Global Research report about China's growth in 2023, the economist discuss why GDP could top 5% next year.

China's housing sales and retail sales are positively correlated.



Source : HSBC Global Research

Multiple challenges continue to impact China's economy. COVID-19 restrictions are denting activity in the major cities, especially given the case resurgence lately, the property sector is still weak, and the consumption recovery is sluggish. Despite this, we remain constructive on China's growth outlook and keep our 2023 forecast at 5.2%. In our base case, we see China further fine-tuning and gradually relaxing some COVID-19 restrictions in 2023, the housing market stabilising, and continued policy support along with improved policy implementation. This, combined with a low base, is why we see 5.2% growth next year as achievable.

One of the key assumptions embedded in our growth forecast is a gradual relaxation of the COVID-19 policy next year. Although we do not expect any major policy shift in the near term, the authorities continue to lay the groundwork for future relaxation. On the vaccinate rate, 90.2% of the Chinese population have received two doses, as of 12 October 2022, out of which 57.2% have also had a booster dose. In particular, the booster coverage in the elderly population (aged 60 years old and above) has gradually increased to 67.3%. Though the ratio is still lower than the ideal level, it is higher than the whole population, indicating the prioritised efforts to cover the elderly. Some relaxations are already underway. For example, China increased the number of international flights to 840 per week between Oct-22 to 25 Mar-22, a 106% increase from the same period in 2021, though this is still less than 5% of the pre-pandemic level of c18,000 flights per week. At the same time, the authorities are more pragmatic about entry and exit requirements to facilitate business integration with the rest of the world. Regarding the scientific consensus on the pandemic globally, the recently concluded UN's General Assembly assessed that the pandemic is not over, but the end is "in sight".

It has been a challenging year so far for the property sector, with national residential housing sales dropping c29% y-o-y in value terms for the first nine months in 2022 (down 26% y-o-y for commercial buildings). Various measures have been rolled out by both the central and local governments with a goal of stabilising the housing market. Reviving market confidence is critical. Both housing sales and housing prices have been falling for months, prompting most cities, which imposed price controls on second-hand homes in 2020 and 2021, to lift restrictions recently. However, the average listing price for second-hand homes fell for a 14th consecutive month in Oct-22. The lacklustre confidence may further dampen housing sales and weigh on prices. Another challenge for the ongoing property developers' woes is the funding gap. According to HSBC credit analysts Helen Huang et al., for 34 developers that have either defaulted or extended payments of their offshore dollar bonds or onshore RMB bonds, fresh funding of cRMB3trn is needed to complete stalled projects. So far, the aggregate new funding provided by policy banks, commercial banks, and local governments is less than RMB1trn. Without enough funding, developers' financial problems may spill over to their suppliers, creditors, and homebuyers with potential wider repercussions.

We expect further easing to help growth fully recover. On the fiscal side, infrastructure investment will likely remain an important tool. There has been accelerated issuance of special local government bonds, as well as policy banks' credit and equity investments in infrastructure projects. The concern remains about the weakening local fiscal stance as local fiscal revenues are under pressure from slower economic growth, as well as the decline in land sales so far this year, while expenditures are rising in relation to public health and social welfare spending. The central government might be better positioned to provide funding either by drawing down its reserves or issuing Treasury bonds, given its low debt-to-GDP ratio (20.6% as of September 2022, according to the National Institution for Finance & Development). However, a more bullish case where stronger policy support filters through and revives business and consumer confidence, combined with faster fine-tuning of COVID-19 measures, could lead to a potential full recovery in consumption. If consumption growth leaps back to pre-pandemic levels (around 7-8% y-o-y), combined with a stronger investment push in manufacturing and infrastructure, this could, in turn, support GDP growth to reach pre-pandemic levels of around 6% (2019 GDP reached 5.9%).

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Dry Cargo Chartering

Cape market seemingly turned a corner this week as average time charter rates rallied to end the week at $12,807. This was an increase of $1,668 from our last report on 4th Nov that closed at $11,139/day. We heard that *Vittoria* (180,025-dwt, 2015) fixed 170,000 mtons 10% iron ore from Saldanha Bay to Qingdao for loading at the beginning of December at $14.44 pmt. Charterers were Ore & Metal. Olam took a TBN vessel ex Ponta da Madeira to the same discharge port at $23.25 pmt, and charterers Treasure Boost fixed *Star Karlie* relet from CCL built 2016 for 200,000 mtons 10% from Freetown to China at $20.35 pmt. This was basis 1.25% total comms. Additionally, Pacbulk covered *Savina* (176,382-dwt, 2011) for 170,000 mtons 10% Port Hedland to Qingdao at $8.40 pmt. Lastly, Enessel took *Baltimore* (177,243-dwt, 2005) relet from OceanPal delivery Jiangyin for a trip with chrome ore via RSA back to the Far East at $13,000.

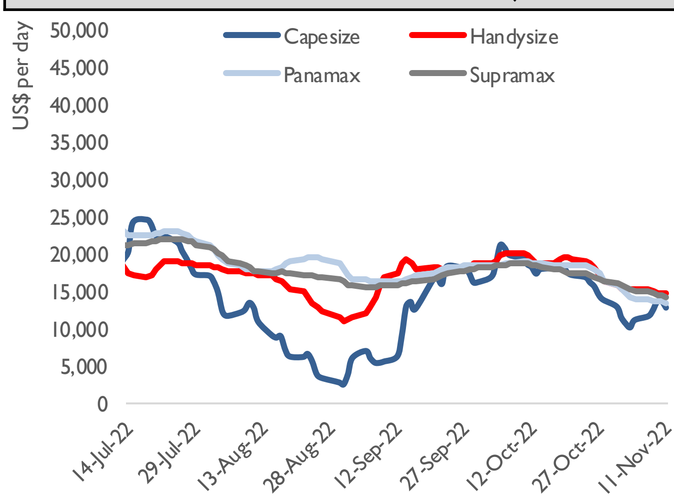
The **panamax market** has a continuous shortfall in cargo volume which is causing rates to ease in many places. The P5 TC closed at $14,735 down by $564 since last reported 4th November. In the Pacific, The *Euripides Graecia* (82,055-dwt, 2020) was reported fixed for a trip from Yeosu to India via East Coast Australia at $17,000 and The *Ilia* (80,309-dwt, 2011) open Singapore was fixed for a trip via Indonesia to China at $15,000. Cargill was linked to The *Guo Yuan 12* (75,946-dwt, 2011) open Kashima for a Nopac round trip at $15,500. Moving on to Atlantic, Damico reportedly fixed The *Fortune Trader* (74,750-dwt, 2001) open Gibraltar for a trip via North Coast South America to Port Said at $13,500. Meanwhile, it was rumored that Aquatrade took The scrubber-fitted *Yangze 17* (82,265-dwt, 2020) for 2 laden legs from Tubaro for redelivery in Singapore-Japan range at $18,000 with a $800,000 ballast bonus. Similarly, Reachy fixed The *Astrea* (81,838-dwt, 2015) open East Coast South America to Singapore-Japan range at $19,000 with a $900,000 ballast bonus. On voyage, Kepco Tender fixed Pan Ocean TBN for their 80,000/10 coal lift Bunati/Dangjin 20/24 Nov at $9.70.

Supramax market continued to soften however at a slower rate this week as the S10TC closed at $13,348 down by $597 (-4.28%) since last reported on 4th November. In the Pacific, *Chang Hang Run Hai* (58,032-dwt, 2012) fixed delivery South China prompt dates for a trip via Indonesia back to China at $8,000 whilst *Qi Fu* (52,358-dwt, 2005) was covered delivery passing Singapore prompt dates for a trip via Indonesia to China at $12,000. Meanwhile in the Indian, *Anasa* (55,679-dwt, 2018) was fixed delivery Chittagong prompt dates for a trip via East Coast India to West Coast India at $5,750. Whilst in the Atlantic, Georgia M (58,666-dwt, 2012) was fixed delivery US Gulf prompt dates for a trip to Singapore-Japan range at $25,000 and XO Shipping took *Beks Ceyda* (63,592-dwt, 2015) delivery SW Pass 23-30 November for a trip with petcoke to China at $30,000. On the period front ASL Bulk covered *DSI Phoenix* (60,456-dwt, 2017) delivery Kosichang spot dates for 16-18 months with redelivery worldwide at $13,250 and Cargill took *Alis* (58,000-dwt, 2013) delivery Baltic prompt dates for 4-6 months with redelivery worldwide at $16,250.

The **handy market** in the Atlantic was overall in a stable condition, although softening in parts, especially on the Continent. The Pacific Gulf and markets in the Far East continued in a downwards trajectory. BHSI index fell $869 from last week, to close play today at $14,174. On the Continent, *Loyalty Hong* (32,958-dwt, 2010) fixed delivery North Continent for a trip to India at $15,400 with SeaSchiffe. *Union Fuji* (37,649-dwt, 2019) delivery Skaw for a prompt trip via Baltic redelivery Luanda with grains at $18,000. Nova Marine fixed the *BBC Neptune* (37,504-dwt, 2010) delivery Rouen for a trip with grain to Morocco at $13,000, others were fixed at $12,000 usd/per day. The Mediterranean was stable, a 37kdwt fixed via the Black Sea to Continent at low 20,000's usd/per day. The US Gulf ticked up, a 29kdwt fixed for an intra-gulf at around 20,000 usd/per day. In South America, MUR fixed the *TBC Kailash* (35152-dwt, 2011) delivery Sao Luis for a trip redelivery Norway at $23,500. Pacific Basin fixed the *Luzon Strait* (33,517-dwt, 2007) from Morocco, basis delivery Maceio for a trip redelivery Cadiz at $26,000. In the Persian Gulf, market rates fell fast and quickly, *African Tiger* (37,672-dwt, 2022) fixed delivery Damman for a prompt trip to South Africa at $13,000. A 38,000-dwt fixed delivery Singapore via Australia, redelivery in the Far East at $9,500. A 32,000-dwt fixed on subs at $11,000 for a coal trip from Indonesia into China. *Mount Owen* (28,333-dwt, 2008) fixed delivery Moji fixed via Japan redelivery Manila with slag at $9,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Baltimore	177,243	2005	Jiangyin	3/4 Nov	Singapore-Japan	$13,000	Enessel	Via South Africa
Chariklia Junior	92,932	2011	Toledo	13 Nov	South Korea	$14,750	Cnr	Via Indonesia
Ultra Jaguar	81,922	2016	EC South America	20/30 Nov	Singapore-Japan	$18,250	Cnr	+$825,000 bb
Hua Yang Chuan Qi	76,945	2003	Meizhouwan	8 Nov	South China	$13,250	Tongli	Via Indonesia
Elena Ve	75,329	2010	Gibraltar	11/12 Nov	Skaw-Gibraltar	$12,000	Cofco Agri	Via EC South America
Beks Ceyda	63,592	2015	SW Pass	23/30 Nov	China	$30,000	Xo Shipping	-
Georgia M	58,666	2012	US Gulf	Ppt	Singapore-Japan	$25,000	Cnr	-
Chang Hang Run Hai	58,032	2012	South China	Ppt	China	$8,000	Cnr	Via Indonesia
Emerald Enterprise	33,199	2015	Vera Cruz	Ppt	Altamira	$18,500	Cnr	Via US Gulf
Mount Owen	28,333	2008	Moji	1/5 Nov	Manila	$9,500	Cnr	Via Japan



Exchange Rates		This week	Last Week
	JPY/USD	138.72	147.14
	USD/EUR	1.0338	0.9910

Brent Oil Price		This week	Last Week
	US$/barrel	95.19	98.02

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	436.0	425.0
	VLSFO	700.0	702.0
	Rotterdam IFO	430.0	405.0
	VLSFO	633.0	650.0

Dry Bulk S&P

In recent days there has been some speculation that China may be beginning to ease it's Covid policies which has prompted some improved sentiment in the equity markets.

Capesize rates have come off substantially over the past month, however this week we have seen some signs of positivity. Spot rates have rallied by just under $1,700/day over the past week. There has a been a sustained interest in the capesize sale and purchase market. Five buyers bought the inspection report of *Navios Obeliks* (181,415-dwt, 2012 Koyo, scrubber & BWTS fitted) which sold to Greek buyers for $30m. Elsewhere *Aquafortune* (174,752-dwt, 2011 Namura) and *HL Shinboryeong* (179,294-dwt, 2010 Hyundai Samho) have sold for $27m and $25m respectively. Since *Edward N* (176,216-dwt, 2011 SWS) failed earlier this week at $23m, the last reported sale was *Eketerini V* (173,555-dwt, 2012 Bohai) at the beginning of August which achieved $32.5m.

CMB Partner (81,805-dwt, 2016 Tess Cebu) is reported to have privately sold to Greek interests at $29m with delivery in January. Offers were invited on Wednesday on *Key Light* (83,027-dwt, 2012 Sanoyas) which five buyers came forward on but ended up going to Japanese interests at $23m. The last Japanese or Korean built kamsarmax to sell was *Fiorela* (81,501-dwt, 2011 Hyundai Samho) which achieved $22m in the middle of last month.

As the rate of softening in the supramax and handysize spot market has begun to ease we have seen a number of sales. Modern but non-eco supramax, *Bulk Carina* (57,819-dwt, 2016 Tess Cebu) is rumored to have sold for $22m. This represents vessels holding their values when compared to the straight Japanese built eco supramax, *Ocean Adventure* (57,814-dwt, 2015 Tsuneishi Fukuyama) which sold in early October for $23.5m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Navios Obeliks	181,415	2012	Koyo	-	Greeks	$30.00m	Scrubber & BWTS fitted
HL Shinboryeong	179,294	2010	Hyundai	-	undisclosed	$25.00m	
Aquafortune	174,725	2011	Namura	-	Stealth Maritime	$27.00m	
Key Light	83,027	2012	Sanoyas	-	Japanese	$23.00m	BWTS fitted
CMB Partner	81,805	2016	Tess Cebu	-	Greek	$29.00m	Delivery in January
Navios Taurus	76,596	2005	Imabari	-	Indonesian	$14.00m	
Prabhu Puni	76,015	2002	Tsuneishi Fukuyama	-	undisclosed	$11.50m	
Bulk Carina	57,819	2016	Tess Cebu	C 4x30T	undisclosed	$22.00m	
Jin Feng	52,686	2004	Oshima	C 4x30T	Xinfeng HK Shipping	$13.30m	BWTS fitted
Jian Da	52,677	2005	Oshima	C 4x30T	Turkish	$13.20m	
Worldera-6	52,292	2005	Tess Cebu	C 4x30T	undisclosed	$12.50m	BWTS fitted
Azzura	52,050	2004	IHI	C 4x30T	undisclosed	$12.50m - $12.75m	
Trudy	30,790	2000	Jiangsu Eastern	C 3x30T	undisclosed	$12.50m	
Belle Etoile	28,230	2014	Imabari	C 4x31T	undisclosed	$13.90m	

Tanker Commentary

With healthy earnings on most wet segments, there are few tanker owners taking a neutral stance on S&P. European traders Vitol have made it clear which camp they are in with their sale of two LR2 resale (ex Hyundai Vinashin) to CM Lemos with delivery May 2023 and a TC attached at $34.5k per day.

Appetite for Suezmazes remain high and Ridgebury continue to supply the market with sales candidates, *Ridgebury Nicholas A* (159k-dwt, 2007 Universal, SS/DD due) has been sold to Greek owners Transmed for $34m. Whilst this isn't a better than last done price, it is however an indicator as to how much the market has improved since August, when *Ridgebury Captain Drogin* (166k-dwt, 2007 Hyundai - Ice Class 1A) was sold for $ 29.5m basis SS/DD due.

German owners have offloaded their *Nordic Tristan* (73k-dwt, 2007 New Times) for $21m which had good survey positions. This is line with last weeks sale of the year younger *Ortolan Coco* (74k-dwt, 2008 Brodosplit) which was sold for $20.5m - she had SS/DD and BWTS due in March next year.

Having rumoured to have been sold last month for close to $19m, the *High Mars* (51k-dwt, 2008 STX) has found a new buyer at higher levels, agreeing a price of $ 20.3m - no direction has been reported yet.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Ridgebury Nicholas A	159,395	2007	Universal	Transmed	$34.00m	SS/DD due
Karachi	107,081	2003	Imabari	undisclosed	$21.00m	
Nordic Tristan	73,604	2007	New Times	undisclosed	$21.00m	Epoxy
Augusta	72,344	2003	Hudong	undisclosed	$12.00m	Epoxy
High Mars	51,543	2008	STX	undisclosed	$20.30m	
RF Alice	13,273	2008	Jinse	An Binh Logistics, Vietnam	$7.10m	

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