18 November 2022

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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… India is Rising …

[Source : Statista]

Another busy week in which events dominated the news wires and the air waves. The main event took place on Tuesday, just as the G20 leaders were meeting in Bali, after a S-300 missile landed four miles inside the Polish border with Ukraine, tragically killing two farm workers. This was a much feared moment, leading to a swift convention of Nato ambassadors under Article 4 with the possibility that it might trigger an Article 5 response under which an attack on one is an attack on all. Russian forces had launched around 100 missiles against targets across Ukraine following a humiliating retreat from Kherson. By Wednesday morning some of the tension had dissipated as President Biden declared that it was "unlikely" that the missile was fired from Russia, raising more questions than answers. The media reported that it may have been a Ukrainian defensive rocket knocked off course. The issue drowned out Trump's low energy speech from Mar-a-Lago announcing his run for the US presidency in 2024, a rare instance of theatrical bad timing on his part, illustrating his loss of relevance and support. The NYT suggested that "Trump's unusually early announcement was motivated in part by a calculation that a formal candidacy may help shield him from multiple investigations into his attempts to cling to power after his 2020 defeat, which led to the attack by his supporters on the Capitol on Jan 6, 2021…". His best chance of staying out of jail may be to regain the legal immunity offered by the office of POTUS. The Murdoch press, which includes Trump's once favourite Fox News channel, has deserted him and called him a loser and a flop after a poor Republican performance in the mid-terms. America faces the equally bleak prospect of more Biden and less Trump.*

The economic news was briefly dominated by US inflation figures surprising with a lower than expected annualised October reading of 8.0%, while the UK's number also surprised, with a higher than expected reading of 11.1%. The UK is suffering from high energy and food prices which are curiously stripped from 'core' inflation that came in at 6.5%. The markets received a boost from an apparent Sino-US rapprochement after the Biden-Xi meeting in Bali on Monday. The US and China agreed to compete with one another but stop short of veering into conflict. They want to maintain open lines of communication and address transnational global issues such as climate change, macroeconomic stability, debt relief, health security and food security. Biden routinely raised other recurring topics such as Xinjiang, Tibet, Hong Kong, Taiwan, North Korea and Ukraine, where they have differences of opinion, although both sides agreed that a nuclear war should never be fought, could never be won and should not even be threatened. The US made clear that it will stand firm by its Indo-Pacific allies while extending economic aid to poorer countries to counter the influence of China's Belt and Road Initiative. Another boost came from Beijing's move to stimulate the economy by recalibrating policy in the two linked crisis areas of property and lockdowns. Private sector Covid testers are not being paid by local governments which have lost money from falling land sales, their main source of funding.** Hence, the whole process of test and enforce, allied to anger and riot management, is apparently failing, as widely seen in video footage from Guangzhou, so zero-Covid may be dying a natural death.

The top-down measures announced by Beijing,^ to refinance property developers and ease Covid lockdowns, supported by the PBoC and CBIRC,^^ will be a shot in the arm for the Chinese economy and for the dry bulk shipping market. HSBC describes them as a game changer as the focus has shifted to supporting property developers, an important move from project-centric measures up to now. But, it will take time for the measures to have an effect so, at this stage, it is mostly a welcome boost to sentiment with the actual benefits likely to flow through to the economy and shipping next year. That will coincide with low bulk carrier deliveries and minimal fleet growth, the key to maintaining rates at healthy levels while we await a post-recessionary demand recovery. When inflation is tamed, lockdowns are eased and any recessions prove to be short and shallow, then a demand surge is possible. The Capesize segment has been most affected by the Chinese property sector meltdown, leading to lower iron ore and steel demand. The annual average of the BCI-5TC was $18,025 in 2019, $13,070 in 2020, $33,333 in 2021 and $16,358 in 2022 YTD. These numbers reflect rate developments pre-Covid, mid-Covid and exit-Covid as demand dynamics changed through the cycle. This year, we hit a peak of $38,169 on 23 May, a trough of $2,505 on 31 August and have a current reading of $9,305. Chinese demand recovery is eagerly awaited.

*For an amusing take on Biden listen to Series 7 Episode 5 of The Skewer on BBC Sounds. 8:30 minutes in. Warning: headphones on!

**In the FT: "Public records show accounts receivable at (China's) 11 main PCR testing stations soared 90% to $5.4bn in September".

^See HSBC's 16 November Global Research note entitled "China's property easing – a game changer".

^^People's Bank of China, the central bank, and China Banking and Insurance Regulatory Commission, the regulator.

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Dry Cargo Chartering

Cape markets once again slid as market uncertainty prevailed with time charter averages softening consistently over the course of the week. Overall they ended up at $9,305, a fairly significant drop of $3,502. Likewise, average freight price estimates fell for all the major routes in to China and by Friday ended up at around $17.80 pmt ex Brazil, sub-$8.00 pmt ex West Australia, and around $13.50 pmt ex RSA, respectively. The usual big names were active on the Aussie-China iron ore route with Rio Tinto, BHP, and Solebay all taking tonnage. Prices ranged from $8.80 pmt to $8.40 pmt for 170,000 mtons 10%. Additionally, we heard that Nippon Steel took on *Frontier Harvest* built 2011 for 190,000 mtons 10% loading Pointe Noire for Japan 8/17 December at $23.50 pmt. This was a tender with no address commission or brokerage. On Monday NYK took the Koch relet *Aliki* for a Saldanha Bay-Qingdao run at $14.65 pmt for an early December laycan. On the coal side of things a Panocean TBN vessel covered a Posco tender of 170,000 mtons 10% loading DBCT for Gwangyang at $9.05 pmt.

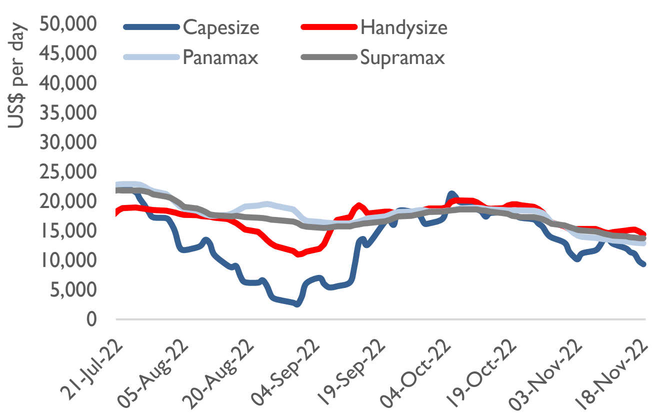
At the start of the week, **panamax** activity levels picked up slightly in the Atlantic but the Asian market remained flat throughout. The P5TC closed at $14,343 down slightly from our last report 11th November. In the Pacific, Uniwin fixed *New Honor* (82,062-dwt, 2013) delivery Hong Kong for redelivery worldwide at $14,500 for 2 laden legs. In the North, NYK took *Lowlands Comfort* (81,845-dwt, 2016) open Ube for a trip via Nopac redelivery Japan at $15,000, and it was reported that Bunge had also fixed *ASL Neptune* (82,372-dwt, 2009) for the same trade at $12,600. In the Atlantic, Cofco were linked to *Shandong Peng Cheng* (82,154-dwt, 2010) open East Coast South America for a trip to Singapore-Japan range at $19,500 with a $950,000 ballast bonus. It was also rumoured that *Cape Kennedy* (81,391-dwt, 2012) was fixed for a trip from East Coast South America to Skaw-Mediterranean range at $26,000. Up North, there came talk that Trafigura had fixed *Vitakosmos* (82,177-dwt, 2012) open US Gulf for a trip to the Far east at $21,000 and a $800,000 ballast bonus but details remained uncertain. On voyage, SAIL fixed a TBN vessel for their 75,000 mtons 10% coal lift Taboneo to Visakhapatnam at $12.15 pmt.

Supramax market continued to soften as the S10TC closed at $12,870 down by $478 (-3.58%) since last reported on 4th November. In the Pacific, HC Progress fixed *Florinda* (58,600-dwt, 2008) delivery Hong Kong prompt dates for a trip via Indonesia to Cambodia at $6,000 whilst Fortune Bulk covered *Tai Harmony* (53,806-dwt, 2004) delivery Cebu 20-21 November for a trip via Indonesia to China at $8,500 and *African Bateleur* (66,643-dwt, 2015) was taken delivery Gresik 18-19 November for a trip via Indonesia to China at $12,000. Whilst in the Atlantic, Norden fixed *ST George* (58,729-dwt, 2012) delivery Eleusis prompt dates for a trip with cement to US East Coast at $22,000 and *Antigoni B* (56,928-dwt, 2011) was covered delivery Port Arthur for a trip to West Coast India at $29,000. *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 Polaris* (60,404-dwt, 2018) delivery Yeosu 11-15 November for 18-20 months with redelivery worldwide at $13,100 and Western Bulk Carriers took *DSI Andromeda* (60,309-dwt, 2016) delivery Rotterdam 16-18 November for 10-12 months with redelivery worldwide at $14,000.

Atlantic was stable, although a negative sentiment was felt creeping across the major loading markets. Positive signs of pressure easing in the Pacific Ocean towards the end of the week, although rates largely remain sub 10,000 usd per day most directions. **BHSI** closed at $13,727, down $447 from last Friday. Continent was active, notably with French grains, a 30kdwt vessel fixed delivery Caen for a trip to Morocco at $11,000 with Nova Marine Carriers. Meadway took a handy at $14,000 delivery Skaw for a grains trip via Riga to Dar Es Salaam. Scrap trips were being recorded around 13,000 USD per day into Turkey. In the Mediterranean, a 34kdwt was fixed from the Adriatic to the West Mediterranean with concentrates at $16,000. A 32kdwt fixed salt from Egypt to the Baltic at $16,000. Across the pond, *St Patrick* (38,113-dwt, 2014) fixed from the Gulf to Ireland at $17,000 although the fixture might not have concluded. Down the coast of South America, a 35kdwt fixed from Plate to the Mediterranean at $23,000 aps. *Four Otello* (34,357-dwt, 2010) fixed delivery Recalada with grains into West Coast South America around $29,000. In Asia, rates remained very poor, although signs of improvement as we approached the end of the week. *Yangtze Ambition* (32,688-dwt, 2011) open South Korea was heard to have fixed at a tick above $10,000 for a trip to West Coast South America with Oldendorff but no more details came to light. It was reported that the *Auckland Spirit* (32,262-dwt, 2003) open Penang fixed for 2 laden legs at $10,000. A 40kdwt logger open Thailand fixed at $10,500 dropping outward pilot for a trip to the Far East and a 33kdwt vessel open Singapore fixed Alumina via West Australia to East coast India at $12,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Lowlands Rise	95,711	2013	Kangneung	20/21 Nov	China	$16,500	Oldendorff	Via NoPac
Doric Warrior	93,115	2010	South Africa	27 Nov	Taiwan	$14,800	SDTR	+$480,000 bb
Taho Australia	81,320	2019	EC South America	Mid Dec	South Asia	$19,000	Cnr	+900,000 bb
Omiros L	81,450	2013	Cape Passero	14/17 Nov	Skaw-Barcelona	$13,500	Bunge	Via NC South America
Striggla	75,196	2009	Dangjin	15/16 Nov	Singapore-Japan	$11,150	Element	Via NoPac
Tele Luzhou	61,693	2017	Lianyungang	14 Nov	Singapore-Japan	$12,000	Crescent Bulk	2/3 laden legs
African Bateleur	66,643	2015	Gresik	18/19 Nov	China	$12,000	Cnr	Via Indonesia
Rui Fu Cheng	57,567	2005	Meizhou	15 Nov	China	$4,750	Cambrian Bulk	Via Indonesia
Four Rigoletto	34,438	2011	Lower Baltic	Ppt	West Africa	$17,000	NMC	-
Auckland Spirit	32,262	2003	Penang	Ppt	Singapore-Japan	$10,000	J Lauritzen	2 laden legs



Exchange Rates	This week	Last Week
JPY/USD	139.81	147.1
USD/EUR	0.9633	0.9910

Brent Oil Price	This week	Last Week
US$/barrel	86.99	95.19

Bunker Prices ($/tonne)	This week	Last Week
Singapore IFO	420.0	436.0
VLSFO	650.0	700.0
Rotterdam IFO	412.0	430.0
VLSFO	585.0	633.0

Dry Bulk S&P

Despite a recent softening in freight rates, we continue to see a good level of buying interest on secondhand Bulkers. Having said this, the majority of firm buyers are trying their luck with low-ball offers rather than meeting 'last done' levels - as evidenced by our rather short list of confirmed sales below.

The standout of this week would be the *Seastar Harrier* (39,804-dwt, 2022 Hakodate) which has been sold to Japanese buyers for a tick under $31m. The vessel delivers from the yard this week and to the new owners in January. The price is significantly below what the Japanese yards were quoting until relatively recently for 2024/25 contracts. This suggests that the incentives to place orders will remain muted while buyers continue to see more value in the secondhand market.

Older Handysizes are also continuing to see good levels of buying interest. We note that the *Ocean Echo* (37,084-dwt, 2013 Saiki C4x30t, OHBS) has been sold in the region of $17.5m after seeing offers from three different Buyers. The Greek owned, *Penelope T* (33,795-dwt, 2011 Samho C4x30t) has also found a new home for $14m with a short period charter attached at $17k per day. By way of comparison, the *Ionic Halo* (34,039-dwt, 2010 Dae Sun C4x30t) was sold in March of this year for $19m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
LT Ocean Star	75,395	2005	Universal	-	undisclosed	$14.00m	BWTS fitted
Seastar Harrier	39,804	2022	Hakodate	C4x30T	Japanese	$30.90m	Resale
Ocean Echo	37,084	2013	Saiki	C 4x30T	undisclosed	$17.50m	OHBS BWTS fitted
Penelope T	33,795	2011	Samho	C 4x30T	undisclosed	$14.00m	TC attached at $17,000 p/d for 4- 6 months

Tanker Commentary

Despite all eyes being focused on Bahri week, there have been a few tanker sales of note. Vitol have offloaded two very modern VLCC's to Bahri for $224m enbloc. *Elandra Denali* & *Elandra Everest* (299,999-dwt, 2020 Hyundai, BWTS & scrubber fitted) representing a much firmer market when compared to the last modern VLCC sales in August this year when Korean built *C. Guardian* (300,300-dwt, 2019 Daewoo, BWTS & Scrubber fitted) achieved $98m. Elsewhere in the VLCC segment, Korean controlled *C. Passion* (313,998-dwt, 2013 Hyundai, BWTS & scrubber fitted) is reported to have seen three offers in the $62-63m region. When concluded this will set a new benchmark.

USA Military Sealift Command have concluded a 2016 built Samsung MR from Capital Maritime. *Athlos* (50,034-dwt, 2016 Samsung) sold for $41m. The higher price can be attributed to the firming market and the tender process which is lengthy and puts off a lot of buyers. For reference Capital Maritime sold two exact sisters, *Alkaios* and *Archon* (50,137-dwt, 2016 Samsung) to Tufton in early September for $73m enbloc.

Values remain steady in the stainless steel chemical tanker sector. MT Maritime have sold *MTM Tokyo* (20,587-dwt, 2003 Kitahon) and *MTM Fairfield* (20,585-dwt, 2002 Kukuoka) for $22m enbloc. This shows very little movement from the recent sale of *Chem Tiger* (20.622-dwt, 2003 Usuki) in October which went for $11.5m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Elandra Denali Elandra Everest	299,999	2020	Hyundai	Bahri	$224.00m enbloc	BWTS & Scrubber fitted
Cape Tampa	73,719	2009	New Times	undisclosed	$20.25m	Epoxy
Athlos	50,034	2016	Samsung Ningbo	USA Military Sealift Comma nd	$41.00m	Epoxy phenolic
Vallermosa	40,218	2003	Hyundai Mipo	undisclosed	$12.00m	Epoxy
MTM Tokyo	20,587	2003	Kitanihon	undisclosed	$22.00m enbloc	StSt & BWTS fitted
MTM Fairfield	20,585	2002	Fukuoka			

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