16 December 2022

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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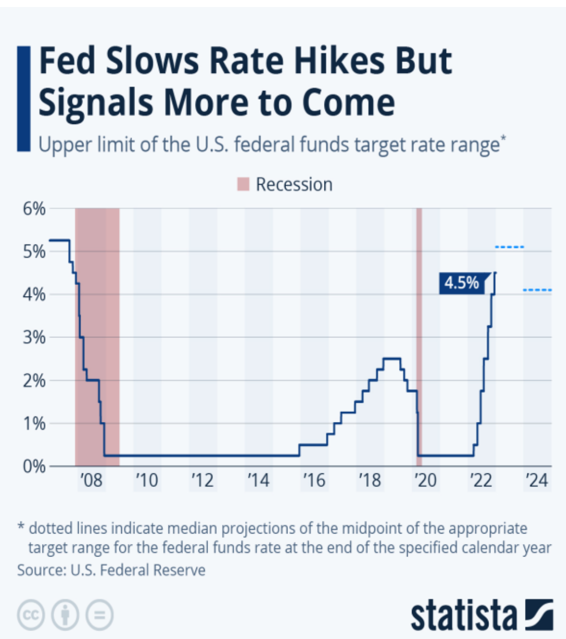
Might we have reached a turning point in the inflation cycle? Latest estimates of annual inflation in October and November show it falling from 7.7% to 7.1% in the US, from 11.1% to 10.7% in the UK and from 10.6% to 10.0% in the Euro area. Inflation is a more acute problem in the big energy consumer nations in the West where sanctions on the Russian energy complex have raised the price of crude oil, gasoline, diesel, natural gas and LNG raising costs for driving, heating, retail, hospitality, manufacturing and industry. We recall that inflation existed before 24 February as demand rose when many countries exited Covid and as weather conditions decimated agricultural production and disease laid low livestock and poultry. Asia was unable to escape the rising cost of food and energy but generally got away with lower inflation levels than have prevailed in the West. Here also there are signs of an inflection point where the data is in. Figures from Trading Economics for annual inflation in October and November show it falling from 2.1% to 1.6% in China, 2.7% to 2.4% in Taiwan, 5.7% to 5.0% in South Korea, 5.7% to 5.4% in Indonesia, 6.0% to 5.6% in Thailand, 6.8% to 5.9% in India, 26.6% to 23.8% in Pakistan and 66.0 to 61.0% in Sri Lanka. This sample would suggest that global inflation is starting to turn back down but gives us little indication of how long it will take to return to pre-pandemic targets. The Fed, ECB and BoE each raised base rates by 0.5% this week, lower than their previous 0.75% hikes, but still ratcheting up the pain for borrowers while inflation remains persistently high.*

Goods and energy inflation have moderated, as many commodity prices have soared and repented this year, but they have been replaced by services inflation, mainly wage rises in tight labour markets, that is not responsive to – and may be fuelled by – central bank monetary policy. However, should the pace of inflation have embarked upon a downward trajectory then, eventually, this will be good for the gradual restoration of global demand, especially if tied to China reopening. This has led OPEC to forecast a 2.3m-bpd, or 2.3%, rise in global oil demand in 2023 after regaining the 100m-bpd annual level this year that we last saw in pre-pandemic 2019. In its latest November Oil Market Report, the IEA is a little less optimistic in forecasting 1.7m-bpd demand growth in 2023 after 2.1m-bpd this year, with annual average oil demand rising from 99.9m-bpd in 2022 to 101.6m-bpd in 2023. Such gains in predicted oil consumption are made after netting off the negative impact of high prices, persistent inflation and slower economic growth from the positive impact of a grinding Covid-exit demand recovery as people and businesses get moving and working again. At street level, we still face a prolonged period of higher prices that will stretch all budgets, so hold the balloons and the bunting. 2023 will be tough but may just represent the bottom of the cycle.** All the foregoing is about macro economics which only tells us so much.

It does not necessarily inform us about shipping demand which since 2019 has been determined mainly by supply chain dislocations rather than absolute levels of global end-user demand. The disruption of Covid, climate change, wars and strikes have done a lot to make demand seem larger than it actually has been, by adding ton-miles to grateful shipowners. Meanwhile, sticky high prices, technology fears, economic uncertainty and general hesitancy have restrained orders for bulkers and tankers leading to the lowest orderbooks in well over 20 years. This contrasts with box ships and LNG carriers which have blocked out shipyard capacity all the way out to 2025.^ Bulkers should get a lift next year from where they are now from easing price pressures, China reopening, a steel revival and more positive sentiment. But, steel demand in China may not rise that much as infrastructure spending will be of a softer variety with enough roads and rail and an oversupplied housing sector. The focus will probably be on services such as hospitality and travel. Container freight and time charter rates have quickly fallen back close to 2019 levels as goods inventories are high and ships are in oversupply even before the biggest orderbook ever begins to deliver from next year.^^ Hapag Lloyd is alone in putting a positive spin on the container market's prospects. A lot of scrapping and a massive consumer demand recovery will be needed to absorb these new ships. Tankers are the most encouraging with both crude and products moving over longer distances as refineries shut and new ones are dislocated from points of need. The EU ban on Russian oil and the G7 price cap will reinforce inefficiencies while tonnage supply fades in 2023-2025. Just go with the flows.

… Fed Frighteners …



[Source : Statista](#)

*The Fed to 4.25-4.5%, the ECB to 2% and the BoE to 3.5%, the highest rates since the GFC in 2008. Their inflation target is 2%.

**Central banks are slowing rate rises for fear that their economies cannot take much higher rates without being plunged into recession.

UK base rates have risen from 0.1% in Dec 2021 to 3.5% in Dec 2022, a massive 35-fold increase in the past 12 months.

^2022 contracting. LNG: 168 units/28.6m-cbm/14.1m-cgt. Box: 342 units/2.6m-teu/12.0m-cgt. Combined: 67% of CGT ordered.

^^Nov '22 containership orderbook of 7.45m-teu, 29% of the fleet, the highest ever after 6.84m-teu, 58% of the fleet, in July 2008.

The FBX spot index has fallen 77% this year while laden imports were down 24% y-o-y into LA and down 28% y-o-y into LB in Nov.

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Capesize markets rocketed upwards this week, with time charter averages leaping by $4,355 from last Friday to end up at $18,312. This was seemingly led by the Brazil-China route as average freight prices jumped up to well over $21.00 pmt, a fairly sizeable increase compared to last week when rates hovered around the $19.00 mark. In terms of reported fixtures, we heard that Vale chartered a TBN vessel for 170,000 mtons 10% iron ore loading Teluk Rubiah to Qingdao over Christmas at $5.90 pmt, while a unnamed ST Shipping vessel was taken by Saltzgitter for 130,000 mtons 10% from Narvik to Hansaport at $8.25 pmt. On Monday it was reported that an NYK TBN vessel fixed 150,000 mtons 10% loading Port Cartier to Kakagowa 1/10 January at $28.00 pmt, charterers were Arcelormittal. At the very tail end of last week several coal deals were concluded. Among them, the 2010 built *Epic* for 130,000 mtons 10% from Newcastle to Boryeong at $15.50 pmt, and a Panocean TBN ship for 145,000 mtons 10% loading Richards Bay to Hadong at $14.35 pmt.

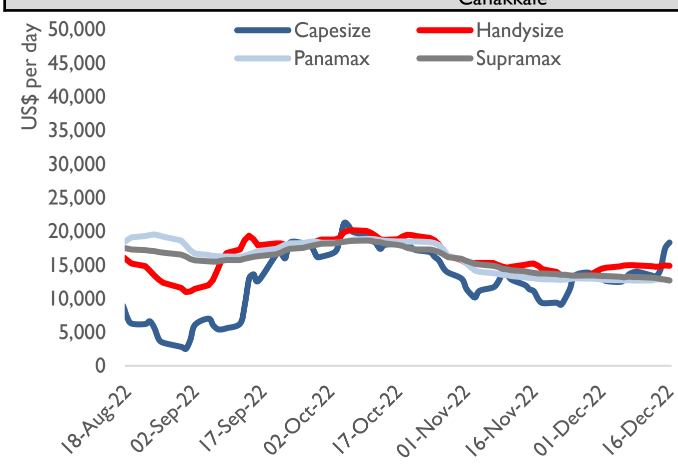
Asian **panamax** markets continued to remain under pressure but the Atlantic held up this past week. The P5TC closed at $14,869 down a fraction since last reported on 9th December. In the Pacific, there came reports that scrubber fitted *First Angelus* (81,984-dwt, 2020) was fixed from CJK to India via East Coast Australia at $12,000. On the backhaul route, it was also rumoured that *BBG Kindness* (63,235-dwt, 2015) open Tianjin was fixed for a trip carrying slag to West Africa in the low $7,000's. Similarly, Pacific Basin were linked with *BBG Guilin* (61,189-dwt, 2021) open Beilun and fixed for a trip to West Coast Central America at $9,500. In the Atlantic, ST Shipping took *Great Hope* (75,480-dwt, 2012) open Aughinish for a trip via Colombia and redelivery in Skaw-Gibraltar range at $14,500, and *Medi Palmarola* (81,874-dwt, 2018) was heard fixed for a trip passing Gibraltar via US Gulf to Singapore-Japan range at low $26,000's with Comerge. Down South, it was reported that Aquatrade took *Medi Oita* (81,607-dwt, 2019) from Buitrago for a trip via EC South America for redelivery Continent at around $32,000 but details remained uncertain. On voyage, Kepco tender was covered by a Hanaro TBN vessel for their 75,000 mtons 10% coal lift Semirara-Dangjin 27/31Dec at $8.93 pmt.

Supramax market nudged up ever so slightly as the S10TC closed at $12,724 up by $52 (0.41%) since last reported on 9th December. In the Pacific, *Yangze 6* (63,478-dwt, 2014) was covered delivery Dongjiakou 13-14 December for a trip to at the Continent at $9,250 for the first 65 days and $12,250 thereafter and ESM took *Fatema Jahan II* (58,096-dwt, 2010) delivery Xiamen prompt dates for a trip via Indonesia to China at $8,750. Whilst in the Indian, *Common Galaxy* (63,172-dwt, 2015) was covered delivery Navlakhi 12-13 December for a trip via WC India with salt to China at $15,000, whilst *Guo Hai Lian 818* (86,786-dwt, 2011) was taken delivery Haldia prompt dates for a trip via Indonesia to WC India at $5,000 and Norvic fixed *New Horizon* (55,445-dwt, 2010) delivery Fujairah prompt dates for a trip with limestone or aggregates to Bangladesh at $12,000. And in the Atlantic, WBC fixed *Sunny Grace* (52,223-dwt, 2006) delivery Oran prompt dates for a trip to West Africa at $13,750 and Clipper covered *Sarocha Naree* (63,046-dwt, 2017) delivery Skaw for a trip via Antwerp with steels to USG-USEC range at $11,000. On the period front CTM took *Young Harmony* (63,567-dwt, 2014) delivery CJK 13th December for 10-12 months with redelivery worldwide at $13,850.

The **handy** size market cooled further this week, the BHSI closed at $12,693 down $219 from last Friday. Lack of Inquiry across the Atlantic, as we lead up to Christmas, expecting a backlog of spot tonnage next week. On the Continent, scrap runs to Turkey were being fixed at around $9,000 and grains to the West Mediterranean at a tick under $9,000 basis arrival pilot station. In the Mediterranean, *Brighten Trader* (39,310-dwt, 2017) fixed delivery Iskenderun for prompt trip redelivery North Coast South America $12,500. A 37,000-dwt fixed from the East Mediterranean to the US Gulf with Minerals at $10,000 and a 28,000-dwt fixed at $8,500 to the Continent $8,500. South America remains the strongest performer, *TBC Prestige* (31,956-dwt, 2014) fixed delivery Itajai for a prompt trip via Bahia Blanca redelivery South Brazil with grains at $17,250 to Norvic. China Navigation fixed *Pegasus* (34,958-dwt, 2018) delivery Nueva Palmira for a prompt trip via Santos redelivery UK-Continent with sugar at $21,000. Trithorn fixed *Arki* (30,271-dwt, 2011) delivery WWR in the Amazon River for a trip to Mexico at $22,500. In the Pacific, sentiment is still positive despite the upcoming holidays, with period interest rising. *Baltic Spirit* (35,239-dwt, 2009) rumoured fixed Delivery ex Dry Dock Zhoushan via Japan for a steel trip to South East Asia $8,050. *Zhe Hai 517* (48,614-dwt, 2013) open Tianjin fixed a trip to India with petcoke at $8,000. On period, *Poavosa Wisdom VII* (28,200-dwt, 2009) open China fixed for 4/6 months at $10,200.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Yangze 22	82,265	2022	CJK	16 Dec	Singapore-Japan	$12,000	WBC	Via Australia
Nord Andromeda	82,251	2022	Bilbao	15 Dec	Singapore-Japan	$28,000	Cofco Agri	Via US Gulf, Scrubber benefit to Charterers
Luck Fortune	76,662	2002	Putian	10 Dec	Singapore-Japan	$10,000	Cnr	Via Indonesia
Topaz	75,499	2004	Busan	11/12 Dec	China	$9,000	Tata NYK	Via NoPac
Great Hope	75,480	2012	Aughinish	15 Dec	Skaw-Gibraltar	$14,500	ST Shipping	Via Colombia
Yangze 6	63,478	2014	Dongjiakou	13/14 Dec	Continent	$9,250	Cnr	$9,250 first 65 days, approx. $12,250 thereafter
Fatema Jahan II	58,096	2010	Xiamen	Ppt	China	$8,750	ESM	Via Indonesia
Pan Begonia	57,307	2009	Singapore	16 Dec	China	$11,000	Deyesion	Via Indonesia
Pegasus	34,958	2018	Neuva Palmira	Ppt	UK-Continent	$21,000	Swire	Via Santos
Daiwan Dolphin	34,393	2015	Passing Canakkale	Ppt	US East Coast	$13,500	Cnr	-



Exchange Rates	This week	Last Week
JPY/USD	137.05	136.36
USD/EUR	1.0633	1.0541

Brent Oil Price	This week	Last Week
US$/barrel	79.27	76.83

Bunker Prices ($/tonne)		This week	Last Week
Singapore	IFO	373.0	380.0
	VLSFO	598.0	610.0
Rotterdam	IFO	365.0	357.0
	VLSFO	522.0	515.0

Dry Bulk S&P

As we approach the end of the year and the dawn of a new regulatory era, it would seem that more participants, armed with their new EEXI calculations, are prepared to accept that a two-tier market is coming. This will raise the premium for eco tonnage. Calibrating precisely that new premium is proving difficult. Generally the whole market has declined since the summer as the freight market has cooled, so at this point it is difficult to point to absolute value gains for eco tonnage. But what we can say is there seems to be a shortage of what buyers want to buy, eco tonnage, and a surplus of what sellers want to off-load, the thirstier units. What we could expect to see in the short term is a recovery in modern eco values, while the rest gets left on the side of the plate. In the meantime the absence of appetite for first generation Chinese-built tonnage makes it hard to judge precisely where those values have fallen to.

For all this uncertainty around market value, this December market feels surprisingly lively. Understandably as we make the switch into the new market a lot of buyers are trying their luck with low-ball offers, most of which are being rebuffed.

Despite our theorising, there is scant evidence of a stiffening of eco values in the sale of *Stony Stream* (64,000-dwt 2015 Chengxi) which is reported sold to Eagle Bulk for $24.2m. This is not a demonstrative uptick but she will not deliver to her new buyers until February. The last comparable sale was of the eco engined *Achilleas* (63,000-dwt, built 2012 Dayang), sold at the end of November for $22m.

However, as we mentioned last week, the very modern kamsarmax *Rich Rainforest* (82,278-dwt, 2022 Yamic) is sold at about $34.5m. We understand the buyers are German, perhaps Chemikalien Seetransport. This price is a notch or two above where her value sat last month.

Greek buyers are reported to have paid $30m for the enbloc purchase of two Rongsheng built panamaxes, *Golden Ice* and *Golden Strength* (75,000-dwt, built 2008 and 2009). This is a softer than last done despite the vessels' values being lifted by being BWTS fitted and having Ice Class 1C.

Vintage, Japanese-built handysize bulkers continue to attract interest, and Middle Eastern buyers have reportedly paid $9.5m for *Cygnus* (32,642-dwt, built 2005 Kanda).

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Rich Rainforest	82,278	2022	Jiangsu Yangzi-Mitsui	-	Chemikalien Seetransport	$34.50m	
Golden Strength	75,744	2009	Jiangsu Rongsheng	-	Capital	$30.00m enbloc	BWTS fitted & Ice 1C
Golden Ice	75,725	2008					
Stony Stream	64,000	2015	Chengxi	C 4x30T	Eagle Bulk	$24.20m	Delivery in February
Cygnus	32,642	2005	Kanda	C 4x31T	Middle Eastern	$9.50m	BWTS due on delivery

HARTLAND SHIPPING SERVICES

Tanker Commentary

A busy week getting ready for the holidays and a busy week continues for tankers. VLCC market climbed with Bahri on the back of several chartering fixtures and region 2005 +/- built tonnage still seeing impressive numbers in the mid $50's m on the S&P front. Suezmaxs have been a bit slower this week with the only notable sale of the *Ridgebury Mary Jane* (149,993-dwt, 2008 Universal) at $39.5m with SS/DD and BWTS due.

Aframax market has been stealing the show with the spot market staying firm and the backlog in the Turkish Straights slowing available tonnage in the Med. Multiple sales reported this week in the segment, *Houston Star* (116,093-dwt, 2007 Universal) has found at new home at $39.5m basis a delivery in the Baltic within December. The very prompt delivery will have helped push the price up but still a substantial increase on the recent sale of the exact sister *Nordbay* (116,104-dwt, 2007 Universal) at $34.5m (Gardsea are rumoured to be the buyers of both vessels). On the more modern side we have had much less activity of late so interesting to see the *Fos Athens* (105,171-dwt, 2015 Hyundai Gusan) go for $50m and *Southern Rouse* (108,467-dwt, 2018 Tsuneishi) fetch $62m. Decent levels compared to the Chandris 2022 built resale sold a couple of months back at $72m.

Scorpio have been exercising purchase options on their 2014 and 2015 built MR tankers as market levels continue to rise. Rumours a 50,145k-dwt built Korean 2021, scrubber fitted vessel has seen an opening offer of $48m. On the older units a lot of negations going on and the *T Rex* (50,548-dwt, 2006 SPP) has been sold for $19.2m, she is CAP 1, surveys recently passed and BWTS fitted.

The spot market has remained strong for dirty trading Handys with no real sign of slowing down hence no surprise to have seen further sales this week. Notable the *Cape Gavi* (37,606-dwt, 2008 HMD) sold for $17.5m which very much in line with last weeks year younger *Star N* (37,836-dwt, 2009 HMD) which went to Greeks for $18.1m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Houston Star	116,093	2007	Universal	undisclosed	$39.25m	Basis delivery in the Baltic within December, BWTS fitted & DPP
Saint George	109,390	2002	Dalian	undisclosed	$22.50m	Epoxy
Gullit	108,953	2008	SWS	Gardsea	$35.20m	Epoxy & DPP trading
Southern Rouse	108,467	2018	Tsuneishi	undisclosed	$62.00m	BWTS & Scrubber fitted
S-Trooper	105,745	2003	Sumitomo	undisclosed	$24.30m	
Fos Athens	105,171	2015	Hyundai Gunsan	Turkish	$50.00m	BWTS fitted
Summit Africa	73,427	2009	New Times	Cypriot	$19.20m	
T Rex	50,548	2006	SPP	Beks	$19.20m	Epoxy & BWTS fitted
Cape Bradley Cape Bacton	40,345 40,293	2004	Hyundai Mipo	German	$30.00m enbloc	Epoxy & BWTS fitted
Cape Gavi	37,606	2008	Hyundai Mipo	Turkish	$17.20m	Epoxy
Straum	19,536	2010	CSC Qingshan	Chinese	$19.00m	BWTS & Scrubber fitted, Ice 1A

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