HARTLAND
SHIPPING SERVICES

2 December 2022

WEEKLY COMMENTARY

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… Pressure is Building …

Source : Statista

It is three years to the day since Covid-19 was first officially recognised in Wuhan, kicking off the rolling lockdowns that continue to this day. Xi Jinping's zero-Covid policy aims to defeat rather than contain the virus. In other parts of the world, where vaccines have been widely dispersed and where lockdowns ended long ago, living with the virus has been deemed the best and only solution.* China's attempt at eradication is not working and really should be abandoned. The problem is that Chinese domestic vaccines are less effective, its healthcare system is unable to cope with mass infections and its vulnerable elderly are vaccine-sceptic. In the face of widespread unrest, resistance to lockdowns and criticism of the CCP, the policy may soon be eased. Indications are that blanket lockdowns will soon be replaced by home quarantine, that the elderly will be 'encouraged' to have vaccines and that foreign vaccines will soon replace or augment Sinovac and Sinopharm. The world economy and the shipping industry badly need a change in the Chinese approach to Covid-19 as the present policy is stifling both Chinese and global demand.

In other news, Germany's Olaf Scholz wants a return to the pre-war peace order with Russia, although there will be no return to the pre-war 'strong partnership'. His words, spoken at a Berlin Security Conference, were interpreted as coded support for a peace settlement, a position that would also have the backing of President Biden should Putin be willing to talk seriously. Meanwhile, President Macron of France said, during a visit to the US this week, that engagement with Russia would only be pursued "on the basis of conditions to be set by Ukrainians themselves." This appears to be a harder position, and a shift away from an earlier stance, that encouraged Ukraine to make territorial concessions, which was firmly ruled out by Ukraine's President Zelensky.^ Jens Stoltenberg, the Nato Secretary General, highlighted the bloc's reliance on free trade with authoritarian countries, a situation that needs addressing and updating. He went on to describe China as a 'challenge' not an 'adversary'. Engagement is almost certainly preferable to the far greater risks of polarised isolationism. Wishfully, an end to zero-Covid, peace in Ukraine and interaction with authoritarian states should be both pro-shipping and pro-trade, revitalising current moribund global demand. A massive reconstruction programme in Ukraine will most likely be even more positive for shipping than the unasked for benefits of worldwide disruption caused by war and disease.

The supply of cargo ships looks benign in all sectors apart from containers and LNG. Going into global recession, container orders in the greatest quantum ever appear misplaced. LNG carrier orders seem more appropriate given the current high global dependency on gas and the western world's efforts to stifle supply by sanctioning the world's biggest producers after the US: Russia and Iran.** But, a lot can change in the many years between order and delivery. Qatar, an occasional pariah state, is a renewed best friend of the West after increasing LNG supplies to the UK and Europe. Realpolitik always wins in the end. Over $200bn of gas profits recycled into staging the World Cup now looks like money well spent. Qatar has the world stage and has been able to promote itself and the region with everything from camel beauty shows to astonishing high rise architecture along the corniche after its peaceful accumulation of vast gas revenues, a result of Russian belligerence and of cutting its gas pipeline flows into Europe.+ Iran, hobbled by western sanctions, is unable to exploit the giant South Pars/North Field that it shares with Qatar (3,700 vs 6,000 km2), and thus denied revenue. Football is a great leveller. Old political enmities between, for example, the US and Iran and Qatar and Saudi Arabia are suspended both on and off the pitch. We are reminded that the most divisive issues are caused by politicians, rulers and regimes - not by their citizens.

A benign and somewhat transparent tonnage supply side in the bulk shipping sectors is contrasted by a totally opaque demand side. Will the EU/G7/Oz^^ succeed in cutting Russian oil supply only to see prices escalate and reinforce a global recession? Will Xi Jinping continue locking down producer and consumer capacity and drive China deeper into an economic crevasse the likes of which it has not seen in over 40 years? Will democratic governments and muscular dictatorships, which each share some of the characteristics of the other, be able to withstand popular revulsion at their consistent failure to deliver what their peoples want? A new world order is upon us with geopolitics centre stage. The World Cup is providing us with some real life lessons and a welcome distraction.

*Chinese netizens were rightly confused to see Xi Jinping mask-less at the G20 in Bali and the football masses mask-less in Qatar.

^The suspicion is that both sides have extreme and irreconcilable objectives, regrettably suggesting that the war will drag on.

**World's leading natural gas producers in 2020 in billion cubic meters: USA – 947.7 ; Russia – 693.4 ; Iran – 253.8 (Statista 2022).

+It does look as if Russia has subsidised the World Cup in Qatar by squeezing up the price of its LNG exports to world markets.

^^Monday's price cap for Russian seaborne crude exports may price at $60pb vs current Urals FOB prices of $52, as per Argus/Platt's.

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Dry Cargo Chartering

This week began with a decline across the **cape** market before a brief mid-week pick up that again tailed off come Friday. Overall timecharter averages ended up at $12,598/day, down by $775 from last reported. Average freight prices posted by the Baltic ended up at just over $19.50 pmt for Brazil-China and just over $8.00 pmt ex Australia. Plenty of iron ore fixtures came to light, including Rio Tinto chartering *Genco Resolute* built 2015 and relet from Oldendorff for 170,000 mtons 10% from Seven Islands to Oita for end December at $24.20 pmt for transit via Suez. The same charterers also took *Baltic Wolf* built 2010 and relet from Classic for the same business at $24.10 pmt. Charterers CSN took *London Spirit* for 180,000 mtons 10% Itaguai to Qingdao for loading 17/21 December at $21.50 pmt on Tuesday, and we also heard that Vale fixed *Capetan Ioannis* for 150,000 mtons Tubarao to Misurata loading end December at $15.85 pmt. FMG and BHP took a selection of tonnage ex Port Hedland for China with freight prices ranging from $8.90 pmt to $8.50 pmt all for the second half of this month. Little was reported in terms of period, T/C, or coal deals.

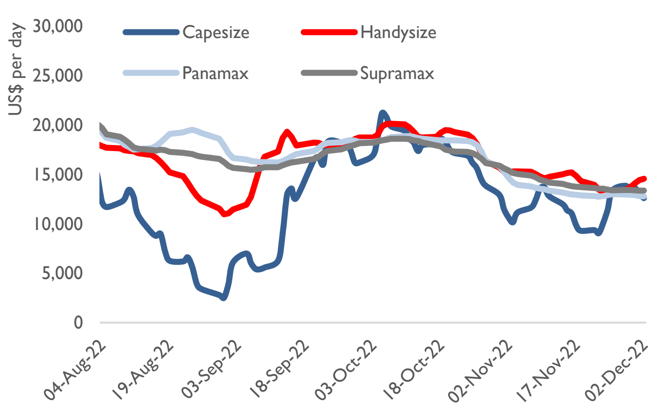
The **panamax** market had a mini re-bound this week with the support from the Atlantic region whilst Asia remains volatile. The P5 TC closed at $14,564 up by $1,254 since last reported 25th November. In the Pacific, increased activity was noted up in the North. It was rumoured that Tongli fixed *Kesaria* (81,932-dwt, 2009) open CJK for a prompt trip to China via Port Latta at a low $11,000 and similarly, Ultrabulk was reported to have fixed *BBG Honor* (81,917-dwt, 2015) open Onsan for a prompt trip via Nopac to Singapore-Japan range at $15,000. It was also heard that Kline secured *Pan Energen* (81,170-dwt, 2012) open Kobe for a trip via Nopac for redelivery Japan at $9,000. On the front haul, it was said that *Ming De* (82,111-dwt, 2014) fixed from Amsterdam via Baltic for redelivery Singapore-Japan range at $24,500, whilst Cargill fixed *Agri Bright* (76,432-dwt, 2013) open Butterworth for a trip via East Coast South America for redelivery in Singapore-Japan range at $12,000. Within the Atlantic, *GU Imabari* (76,619-dwt, 2009) delivery East coast South America was heard placed on subjects for a trans-Atlantic round trip at $24,500 with Bunge. On voyage, Kepco Tender fixed KC Maritime TBN vessel for their 80,000/10 coal lift Bunati/Hosan 10/19 Dec at $7.93.

A flat week for the **supramax**, the Atlantic struggled to gain any momentum, with limited inquiry. Fresh prompt cargo helped to boost the sentiment in the East, the 10TC average now at $12,818. The **BSI** closed this week at $12,777 down $277 from last week. In the Gulf, *Wooyang Belos* (63,590-dwt, 2016) delivery US Gulf fixed a trip into North Spain with grains at $21,500 to Bunge. *Nemea* (61,300-dwt, 2015) delivery Port Arthur fixed a trip redelivery UK-Continent intention wood pellets at $22,000 with Ultrabulk. In The Mediterranean, *Doric Javelin* (57,859 dwt, 2016) delivery Algeria for a trip redelivery Dakar-Tema range $19,000 to Oldendorff. In the East, *Lucky Source* (53,410-dwt, 2007) delivery Tieshan for a trip via Indonesia redelivery China at $7,000. *Zein* (52,402-dwt, 2001) delivery Singapore fixed a trip via Indonesia redelivery China at $10,500. Meadway took the *Global Hope* (57,294-dwt, 2010) delivery Lugait for a trip via Indonesia redelivery South Korea at $8,750.

The **BHSI** closed this week at $13,340, marginally down $63 since last week. A positive sentiment in the East, driven by improved North Pacific grain volume in the last two weeks, while the Atlantic market slowed down, with all major markets cooling. The Continent was inundated with an over supply of tonnage driving rates down, forcing Owners into four figures. Charterers taking advantage of cheap tonnage from the lower continent, with Owners ballasting into South America. Cargill fixed *Nalinee Naree* (31,699-dwt, 2005) open Aveiro fixed delivery Itaqui for a trip back to Bourgas at $17,000. MUR took *Thalis* (37,189-dwt, 2012) open Casablanca delivery Vila De Conde for their usual Alumina into Norway at $20,000. The Mediterranean continued cooling driven by lack of inquiry; a 32,000-dwt fixed at $12,000 arrival Iskenderun for a trip to Caribbean. Total volume of exports in the US Gulf have held up despite the low levels of water down river, but rates are still low. A 38,000-dwt was fixed from the river to West Mediterranean at $16,000. South America still the driving force of the Atlantic, a 35,000-dwt, open Upriver fixed a trip to West Mediterranean at $26,500. *Agia Doxa* (33,261-dwt, 2010) open Itaja fixed delivery Santos for a trip to Brake with grain at $19,000 with Fednav. Southeast Asia had a strong push for spot demand, perhaps a push before Christmas. A 31,000-dwt logger open North Vietnam fixed at $8,000 dop with concentrates via Indonesia with concentrates to the Far East with HMM. A 28,000-dwt open Gresik fixed mid 8'000s via south Australia back to Southeast Asia with wheat. A large handy fixed delivery CJK via Australia redelivery China at $9,000. Period Inquiry has risen in the Pacific, *Grampus Dignity* (32,877-dwt, 2012) open Qingdao fixed 4/6 months at $11,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Santa Graciela	82,149	2013	Tomogashima	29/30 Nov	Japan	$10,000	Cnr	Via EC Australia
Xenia	82,019	2016	Passing Gibraltar	6/8 Dec	Singapore-Japan	$24,000	Cargill	Via US Gulf
Great Victory	77,853	2015	Passing Gibraltar	24 Nov	Singapore-Japan	$20,500	Crystal Sea	Via US Gulf
Kerveros	76,602	2003	EC South America	20 Dec	Singapore-Japan	$16,650	Cofco Agri	+$665,000 bb
Milagro	75,205	2009	North China	Ppt	Singapore-Japan	$9,250	Cargill	Via NoPac, Scrubber benefit to owners
Nemea	61,300	2015	Port Arthur	Mid Dec	UK-Continent	$22,000	Ultrabulk	-
Doric Javelin	57,859	2016	Algeria	1/2 Dec	Dakar-Tema	$19,000	Oldendorff	-
Global Hope	57,294	2010	Lugait	29 Nov/ 3 Dec	South Korea	$8,750	Meadway	Via Indonesia
Thalis	37,189	2012	Vila Do Conde	10/15 Dec	Norway	$20,000	MUR	-
Seaglass II	29,124	2008	Paranagua	Ppt	Continent-UK	$19,000	Ace Shipping	-



Exchange Rates		This week	Last Week
	JPY/USD	134.04	138.71
	USD/EUR	1.0527	1.0410

Brent Oil Price		This week	Last Week
	US$/barrel	86.56	85.44

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	395.0	418.0
	VLSFO	674.0	660.0
	Rotterdam IFO	380.0	375.0
	VLSFO	570.0	555.0

Dry Bulk S&P

With overall sentiment looking bearish as we come to the end of the year, sales continue to be reported at below 'last done' levels. This is first evidenced by the *Lowlands Comfort* (81,845-dwt, 2016 Tsuneishi Cebu) which has been sold to Hamburg based Blumenthal Shipping for $26.35m. Even with the February cancelling in mind, this is a significant step down from the sale of the sister vessel, *Nord Gemini* (81,870-dwt, 2017 Tsuneishi Cebu) for $30.5m which concluded in October. Similar discounts can also be seen on Chinese designed vessels with the *DL Carnation* (81,805dwt, 2014 Jiangsu) having been sold to Greek buyers for $18.7m. For comparison, the *Ocean Thyme* (82,306-dwt, 2014 Dalian) was sold in October for $21m - both vessels are equipped with M/E engines.

New benchmarks are also being set within geared tonnage sectors. The NYK owned, *Sagar Moti* (58,097-dwt, 2012 Tsuneishi Zhoushan) called for offers earlier this week and is understood to be committed in the low $17m range. The last comparable sale within this sector would be the two-year-older *Teresa Oetker* (58,000-dwt, 2010 Yangzhou) which was sold to Greek buyers for $16.4m two months ago. On the Handysizes, the *Melina* (28,418dwt, 2009 Imabari) has been sold fresh out of dry dock for $11m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Lowlands Comfort	81,845	2016	Tsuneishi Cebu		Blumenthal Shipping	26.35	BWTS fitted. Sold with Feb '22 cancelling.
DL Carnation	81,805	2014	Jiangsu		Greek	18.70	BWTS fitted
Fortune Lady	74,694	1998	NKK		Chinese	6.00	BWTS fitted
Glorious Lotus	49,602	2007	Tsuneishi	C3x15t	Undisclosed	13.00	Chip carrier
Melina	28,418	2009	Imabari	C4x31t	Undisclosed	11.00	Basis prompt delivery ex DD

Tanker Commentary

The BWTS fitted, *Concord* (159,155-dwt, 2005 Hyundai) has been sold for $33m with docking due Q1 2024, setting a new benchmark given that *Ridgebury Nicholas A* (159,395-dwt, 2007 Universal) was sold last month for $34m basis docking due. There is lots of enquiry in the market for vintage ships, further trading buyers are paying a substantial premium to scrap, even with surveys due. *Naviga* (158,841-dwt, 1998 NKK, DD due) has been reported as sold to Chinese interests at $18.5m, based on current scrap levels, we estimate her residual value to be in the $11m - 12m region.

Libyan state-controlled ice classed aframaxes, *Samraa Alkhaleej* (114,858-dwt, 2006 Samsung) and *Alhani* (114,795-dwt, 2007 Samsung) have achieved healthy premiums, securing a price of $84m enbloc. There is circa $10 mill premium for a 2007 built ice classed aframax, the non-ice classed aframax, *Nordbay* (116,104-dwt, 2007 Samsung) agreed a price of $34.5m this week. Thenamaris are reported to have offloaded one of their ice classed LR2's, *Seatrust* (114,549dwt, 2004 Samsung) changed hands for $35m.

Turkish buyers Beks have purchased the epoxy coated *Freight Margie* (70,313-dwt, 2004 Daewoo) for $15m, which is in line with *Strofades* (69,431-dwt, 2006 Daewoo) that was also sold this week for $17.3m, both had good survey positions. Meanwhile *Antikeros* (69,714-dwt, 2004 Daewoo) has been sold for $13m however we understand she has been laid up, hence a lower price.

Ice classed handy tankers *Style* (37,923-dwt, 2008 Hyundai Mipo) and *Sky* (37,879-dwt, 2007 Hyundai Mipo) have achieved $16.5m for $16m respectively - the same sellers offloaded sister ships *Silent* (37,847-dwt, 2007 Hyundai Mipo) and *Single* (37,824-dwt, 2007 Hyundai Mipo) for $14.5m each in October which had similar BWTS/Docking positions and were also ice classed.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Concord	159,155	2005	Hyundai Ulsan	Undisclosed	33.00	BWTS fitted
Naviga	158,841	1998	NKK	Chinese	18.50	DD due
Nordbay	116,104		Samsung	Undisclosed	34.50	
Samra Alkhaleej/Alhani	114,858 / 114,795	2006/2007	Samsung	Undisclosed	84.00	Enbloc BWTS fitted Ice 1A
Seatrust	114,549	2004	Samsung	Undisclosed	35.00	
S Puma	105,034	2005	SWS	Undisclosed		BWTS fitted
Freight Margie	70,313	2004	Daewoo	Beks Shipping	15.00	Epoxy
Strofades	69,431	2006	Daewoo	Undisclosed	17.30	BWTS fitted, basis SS/DD freshly passed.
Antikeros	69,714	2004	Daewoo	Undisclosed	13.00	DPP Trading
Seabreeze	53,714	2007	Shin Kurushima	Greek	19.50	Epoxy
Clean Imperial	50,338	2007	SLS	Greek	18.00	Epoxy / high $18'm
Nordic Tatiana	38,396	2007	GSI	Singaporean	15.70	Epoxy/BWTS fitted
Style	37,900	2008	Hyundai Mipo	Undisclosed	16.50	Epoxy phenolic/Ice 1A
Sky	37,900	2007	Hyundai Mipo	Undisclosed	16.00	Epoxy phenolic/Ice 1A
Petrolimex	37,256	2003	Shina SB	Vietnamese	10.00	Epoxy
DH Diligency	8,716	2019	Nantong	Chinese	20.00	Online auction sale

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London
Tel: +44 20 3077 1600
Fax: +44 20 7240 9603
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai
Tel: +86 212 028 0618
Fax: +86 215 012 0694
Email: newbuild@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore
Tel: +65 6702 0400
Email: chartops.sg@hartlandshipping.com