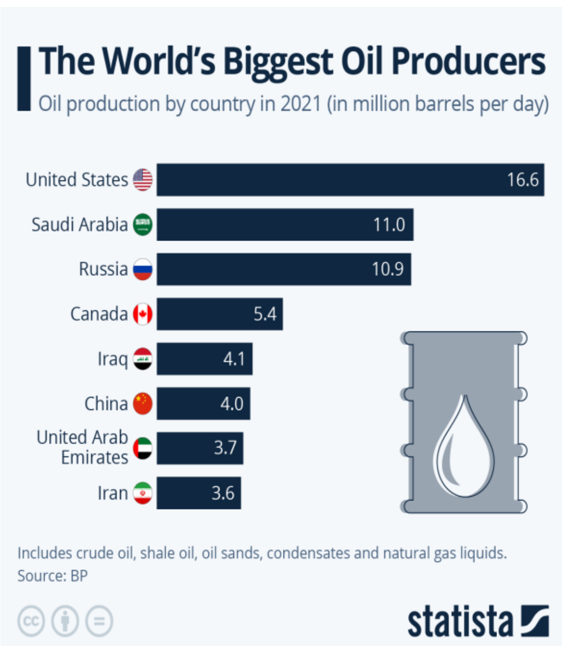
HARTLAND
SHIPPING SERVICES

9 December 2022

WEEKLY COMMENTARY

CONTENTS

… North America competes with Opec+ …



Source : Statista

On Monday 5 Dec, the EU ban on Russian seaborne crude oil imports finally came into effect together with a simultaneous G7-led price cap (set on 2 Dec) of $60 a barrel FOB for seaborne exports to third-party countries. Transporting oil above the cap will invalidate western H&M and cargo insurance and P&I cover as well as removing access to finance and many other marine services in which the UK and Europe are the dominant providers.* As early as Monday there was a 20+ tanker traffic jam in the Bosporus, including 7 suezmax and 6 aframax, as Turkey checked that southbound tankers were fully P&I insured.** The $2bn ceiling cover provided by the International Group may be replaced by sovereign cover from Russia on the sell side or by similar sovereign cover on the buy side, subject to whether it is an FOB sale or a CIF purchase. The large Russian fleet and the growing 'dark' fleet are unlikely to be affected and important post-invasion buyers of Russian crude (in geographical rotation: Turkey, the UAE, India and China) are unlikely to take much notice, resenting the imposition of sanctions by the West that raise costs for all on a global basis.^ One broker estimates that 393 tanker sales, representing 43% of the total since 24 Feb, have gone to unknown buyers or newcomers. These could be aimed at sanctioned trades with Russia, or with Iran and Venezuela where avoidance lessons have been learned. Buyers may use the price cap to get heavier discounts than they do currently, and this is a G7 aim: to squeeze Russia's war chest. At the time that the FOB price cap was set, Urals Baltic Sea ex Primorsk was trading at $49, Urals Black Sea ex Novorossiysk at $51 and ESPO Pacific Ocean ex Kozmino at $75 a barrel, the $59 average of the three being below the price cap, and well below the prevailing price of Brent last Friday of over $85 pb.

This week, Brent and WTI have been in freefall, falling to year lows of $76 & $71 pb today, pressured down by recession fears but also on expectations of further Fed tightening after latest employment data exceeded forecasts. So, market actions and events have either rendered the G7 price cap symbolic, or shown that it is working, depending on your point of view. Demand destruction is baked into analyst thinking and China is unlikely to move the needle in the coming months, despite unlocking. Its economy is lifeless and is no longer responding to treatment and stimulus. We can only hope for resuscitation over the course of next year. The big news on Wednesday was when Beijing announced a rollback on its zero Covid policies, a concession to the worst nationwide protests since 1989 that led to the Tiananmen Square crackdown. No concession was admitted, the timing was apparently planned long ago and went ahead despite the fact that, on Tuesday, daily infections reached their second highest level this year. Mass testing is over, state facility quarantine is being replaced by home isolation and city-wide, district and neighbourhood lockdowns have been suspended (but can always be brought back). Nonetheless, these measures give some hope that people can travel, work, shop and socialise and that industry, manufacturing, services and logistics can begin to normalise. An economic re-opening is on the cards but it would be unwise to take for granted any instant change as demand outside China is compromised by persistent inflation, rising interest rates and falling property, stock and bond prices. The CCP appears to be restoring the unwritten social pact that swaps restrictions on personal freedoms for a growing economy and the prospect of a better life.

This week's two major events, as outlined above, restrictions on Russian crude oil exports and the announcement of Chinese Covid easing, have had an immediate, and maybe knee-jerk, effect on VLCC and capesize spot earnings. A general sense of confusion in the crude oil market saw Russian export cargoes collapse early in the week and VLCC rates to fall, but only briefly.^^ The Baltic's VLCC-TCE stood at $32,591 last Friday 2 Dec, fell to $28,474 on Tue 6 Dec, only to rebound 31% to $37,242 daily today, 9 Dec. In contrast, suezmax spot rates have risen 9% in the past week, going from $105,400 to $115,219 per day, while aframax spot rates have eased back 9%, going from $107,016 to $97,546 daily. Capes got a boost from a tighter market and harder sentiment with the Baltic BCI-5TC gaining 11%, going from $12,598 to $13,957 in the week to today. Next year, capes may need to derive outsize support from low fleet expansion and extra ton-miles as the cargo side is not looking helpful. Vale is expecting 310-320mt iron ore output in 2023, Rio's iron ore output is forecast at 320-325mt and Glencore's coal output is forecast at 110mt, all unchanged from 2022 guidance. We need China to come out and play in 2023, failing which we will be reliant on events to bail us out, yet again.

*The 13 mutual P&I clubs that make up the International Group cover liabilities for 95% of the world fleet. 8 are UK-based.

**Most of the tankers being stopped are loaded with exempt Kazakh crude delivered to Novorossiysk via the CPC pipeline.

^Lloyds List reports that Russian interests have bought 29 VLCCs, 31 suezmax and 49 aframax so far this year. Double this are needed.

^^Tradewinds reports that in the month prior 5 Dec Russian seaborne exports averaged 3.5m-bpd, now below 2.0m-bpd.

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Positivity seemed to return to the **cape** markets this week as time-charter averages rose steadily to end up at $13,957. This was an increase of $1,359 from last Friday. Average freight prices ex Brazil were just above $19.00 pmt by the end of the week and for Australia-China approximately $8.80 pmt. Lots of concluded iron ore deals emerged in the past few days with Rio Tinto, among others, actively fixing tonnage from Dampier to Qingdao to cover the upcoming Christmas period. Freight prices ranged from $8.30 pmt to $8.75 pmt. We heard that Oldendorff fixed *Lila Hangzhou* built 2006 for 130,000 mtons 10% coal from Newcastle to Mailiao for 21/30 December at $10.75 pmt. Additionally at the end of last week, SwissMarine took the CCL relet *Star Libra* for 190,000 mtons 10% iron ore from Tubarao to Qingdao at the end of the month at $19.85 pmt, while Vale covered a TBN vessel for 170,000 mtons iron ore loading Teluk Rubiah to China for 13/14 December at $6.50 pmt. Little came to light in terms of T/C deals.

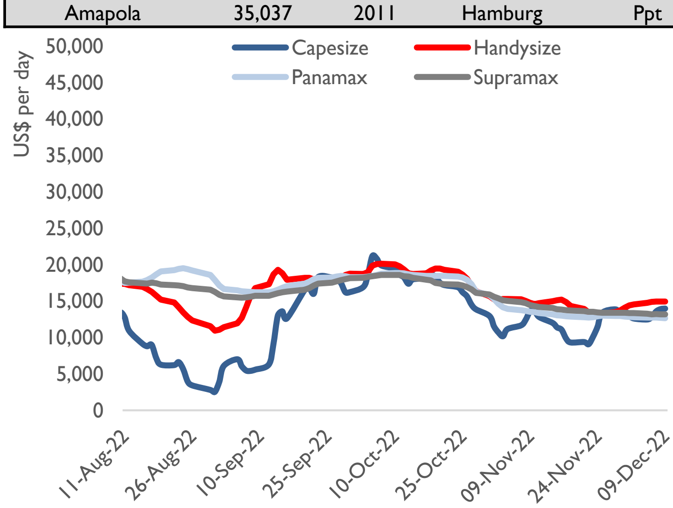
A slow start to the week for the **panamax** market but it seemed to remain stable with an inclination of positive sentiment. The P5 TC closed at $14,927 marginally up by $363 since last reported 2nd December. In the Pacific, ASL Bulk reportedly fixed *The Guang Xin* (76,377-dwt, 2017) open Kunsan via Nopac for redelivery in Singapore-Japan range at $8,500 whilst Refined Success took The KM MT *Jade* (81,487-dwt, 2008) open Taichung for a trip to Indonesia via East Coast Australia but rates were kept under wraps. Down South, there came talks that The *Rui Ning 20* (75,564-dwt, 2013) open Putian was fixed for a trip to South China via Indonesia at $10,000. In the Atlantic, The *Crimson Ark* (81,765-dwt, 2017) was heard fixed in direct continuation passing Gibraltar for a prompt trip to Continent via US Gulf at $17,500 with Cargill and it was rumoured that Cofco fixed The *Kiran Africa* (79,105-dwt, 2011) from East Coast South America to Skaw-Passero range at mid $20,000s. On a fronthaul trip, it was said that Panocean fixed The *Vitaocean* (82,250-dwt, 2013) open Dunkirk for a trip via North Coast South America for redelivery in Singapore-Japan range at $23,650. On voyage, Kepco Tender fixed KC Maritime TBN vessel for their 75,000/10 coal lift Semirara/Dangjin 16/20 Dec at $8.88.

Supramax market continued further softened ever so slightly as the S10TC closed at $12,672 down by $100 (-0.78%) since last reported on 2nd December. In the Pacific, *Star Bovarius* (61,602-dwt, 2015) was covered delivery Anyer 9-10 December for a trip via Indonesia to South China at $14,000 whilst Louis Dreyfus fixed *Great Rainbow* (63,464-dwt, 2015) delivery CJK 4-6 December for a trip via Indonesia to Philippines at $10,500. In the Indian, Norvic fixed *Greenwich Eagle* (63,500-dwt, 2013) delivery passing Port Elizabeth for prompt dates for a trip via Southwest Africa to China at $20,000 + $210,000 with scrubber benefit for charterers. Conti Lines covered *Carla* (63,453-dwt, 2019) delivery Tanzania prompt dates for a rip to Poland at $16,500 last week and Propel took *Dubai Crown* (55,338-dwt, 2005) delivery Dubai 3rd December for a trip via Jubail with urea to East Coast India at $13,000. Whilst in the Atlantic, NMC fixed *Crowned Eagle* (55,940-dwt, 2008) delivery Muuga prompt dates for a trip with grains to West Africa at $13,500, Eagle took *Pan Queen* (56,933-dwt, 2011) delivery SW Pass mid-December dates for a trip with petcoke to China at $27,000 and *Atlas* (63,496-dwt, 2017) was covered delivery East Coast South America 15th December for a trip to Singapore-Japan range at $15,500 + $550,000bb.

A mixed week for the **handies**, sentiment in the East continued to creep up, while Atlantic rates slipped further down. The BHSI closed today at $13,182 down marginally $158 since last Friday. On the Continent, *Amapola* (35,037-dwt, 2011) fixed delivery Hamburg for trip with grains to Morocco at $8,750. A day later, Bunge took *Jessica B* (37,384-dwt, 2003) spot Londonderry for the same trip at $6,500, although rumours, not confirmed. Norden fixed *Amanda C* (34,449-dwt, 2012) open Casablanca for their Vila Do Conde lifting of Alumina to the Baltic at $22,500 basis arrival pilot station. The Mediterranean was quiet with little reported activity. In the US Gulf, a 34,000-dwt fixed failed at $12,000 from the river to the Mediterranean and a 37kdwt fixed high teens to the Far East. *Norse Antwerp* (40,020-dwt, 2021) scrubber fitted fixed petcoke to Italy at $16,000. South America, still the strongest market but dropping quickly, especially in the north lacking fresh inquiry. A 39,000-dwt fixed delivery Barcarena for a trip to East coast to Mexico at $20,000. In the South, *Franz Schulte* (39,887-dwt, 2020) delivery Recalada for a trip to Fortaleza at $25,700 with Clipper. Berge took the *Bright Star* (34,529-dwt, 2011) delivery Recalada for a trip to Paranagua at $22,000. A 28,000-dwt rumoured fixed on subs delivery Recalada for a trip into Brazil at $22,000. Across to India, *Lila Incheon* (32,401-dwt, 2010) open Mundra fixed passing Fujairah via Pacific Gulf, redelivery Turkey with Sugar at $10,150. In the Far East, *Ken Un* (37,429-dwt, 2015) scrubber fitted fixed Japan via Newcastle basis redelivery Spore-Japan range with concentrates at $12,700. A 37,000-dwt vessel fixed a south east Asia round trip via Australia at $11,500. On Period, *Poavosa Wisdom VII* (28,324-dwt, 2009) open Caofeidian fixed for 4-6 months at $10,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Point Rouge	99,992	2021	Laizhou	10/11 Dec	Japan	$15,000	Jera	Via Australia
Navios Harmony	82,790	2006	Yingkou	6 Dec	Singapore-Japan	$9,500	Bunge	Via Nopac
Kythira I	81,444	2011	Gibraltar	7 Dec	Skaw-Gibraltar	$17,000	Javelin	Via US Gulf
GNG Concord 3	75,479	2015	Tianjin	6 Dec	Singapore-Japan	$10,800	Panocean	Via Kwinana
LBC Earth	70,578	2012	EC South America	23/28 Dec	SE Asia	$18,500	Olam Intl	+850,000 bb
Tokyo Pioneer	63,500	2020	Praia Mole	16 Dec	Continent	$21,500	Falcon	-
Star Bovarius	61,602	2015	Anyer	9/10 Dec	South China	$14,000	Cnr	via Indonesia
Pan Queen	56,933	2011	SW Pass	Mid Dec	China	$27,000	Eagle	-
Ken Un	37,429	2015	Japan	Ppt	Singapore-Japan	$12,700	Cnr	Via Newcastle, Scrubber for Charterers benefit
Amapola	35,037	2011	Hamburg	Ppt	Morocco	$8,750	NMC	-



Exchange Rates		This week	Last Week
	JPY/USD	136.36	134.04
	USD/EUR	1.0541	1.0527

Brent Oil Price		This week	Last Week
	US$/barrel	76.83	86.56

Bunker Prices ($/tonne)		This week	Last Week
	Singapore IFO	380.0	395.0
	VLSFO	610.0	674.0
	Rotterdam IFO	357.0	380.0
	VLSFO	515.0	570.0

Dry Bulk S&P

As temperatures fall across Europe, conversely the market seems to be warming up. Activity is higher in almost all sectors of the market, although activity is not necessarily translating into confirmed sales and the effect on values has been varied.

A range of buyers have been testing sellers in the supramax/ultramax space. One confirmed sale is that of *Sagar Moti* (58,097-dwt, 2012 Tsuneishi Zhoushan) at $17.8m - better than had been expected last week.

In the handy sector, *Gant Grace* (28,375-dwt, 2010 Imabari) is rumoured sold in the region of $12.5m. If confirmed this would be a significant advance on the $11m paid for a 2009 sister last month.

The kamsarmax *Rich Rainforest* (82,278-dwt, 2022 Yamic) reportedly has been sold. The price is unclear currently.

For the moment the capesize market remains in the cold.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
TW Manila	93,250	2012	Jiangsu Newyangzi	-	undisclosed	$19.00m	BWTS fitted
Sagar Moti	58,097	2012	Tsuneishi Zhoushan	C 4x30T	undisclosed	$17.80m	
Zilos	46,541	2000	Oshima	C 4x30T	undisclosed	$8.25m	
Gant Grace	28,375	2010	Imabari	C 4x31T	Greek	$12.50m	Logs fitted

Tanker Commentary

Under the new regulations, tankers carrying Russian crude must be crude sold for under $60/bbl, else it can't be insured or shipped by western companies. This has immediately resulted in a backlog of tankers waiting in the Bosporus as Turkish authorities are demanding that all the vessels passing through their waters carry extra guarantees from insurers. The current backlog is in excess of 26 tankers which equating to around 23 million barrels of oil.

Despite the cap coming into place this week, average VLCC earnings have actually dropped by circa 40%. Having said this, we attribute the softening more towards to uncertainty surrounding crude oil demand as opposed to a direct result of the cap.

In crude S&P news, Teodor Shipping are the latest in the line of UAE based owners to have moved on vintage VLCC's. It is reported that they have purchased the *Syfnos* (298,495-dwt, 2006 Universal) from Greek owners for $ 56m.

Ethiopian Shipping Lines have agreed an enbloc sale with Stamford Shipping for their MR2 duo, *Hawassa* (42,190-dwt, 2013 Jinling, epoxy) & *Bahir Dar* (42,150-dwt, 2012 Jingling, epoxy) for $34m. It is our understanding that the vessels were constructed with a very skinny specification which would support why the price seems low on the surface. For comparison, the *Falcon Bay* (47,147-dwt, 2009 Hyundai Mipo, epoxy phenolic) was sold back in October for $23m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Syfnos	298,495	2006	Universal	Teodor Shipping	$56.00m	
Hawassa	42,190	2013	Jinling	Stamford Shipping	$34.00m enbloc	Epoxy
Bahir Dar	42,150	2012				
Luzern	38,431	2007	GSI	undisclosed	$15.25m	
Star N	37,836	2009	Hyundai Mipo	Greeks	$18.10m	

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