



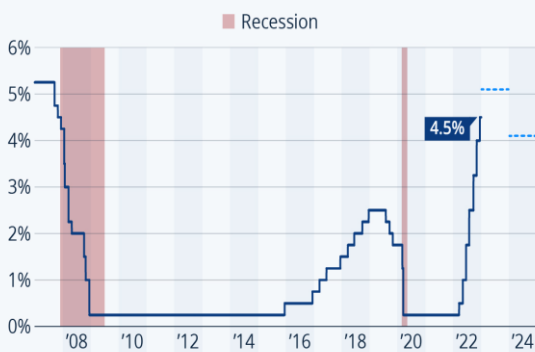
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... When the going gets tough, the tough get going ...

## Fed Slows Rate Hikes But Signals More to Come

Upper limit of the U.S. federal funds target rate range\*



\* dotted lines indicate median projections of the midpoint of the appropriate target range for the federal funds rate at the end of the specified calendar year  
Source: U.S. Federal Reserve



statista

Source: Statista

\*Data courtesy of the Shipping Intelligence Network.

^Asset Price Indicator being the 5-year old value divided by the sum of 1-year TC earnings, with no adjustment for opex, giving a crude indicator of the number of years needed to pay for the asset.

\*\*Eco S/F VLCC averaged \$44,458 in 2022 after \$13,954 in 2021 and an E/S/F MR averaged \$41,353 in 2022 from \$12,143 in 2021.

## POINTS OF VIEW

The container segment suffered the biggest correction in 2022 after having peaked at record highs in the first half. The Baltic's FBX index, a measure of spot rates across 12 main trade routes, plunged 77% during the course of last year, going from 9,363 to 2,146 points. The Shanghai Containerised Freight Index for Asia-Europe crashed during 2022, falling 86% from \$7,777 to \$1,078 per FEU on China-North Europe and down 75% from \$7,529 to \$1,850 per FEU on China-Med. The SCFI for Transpacific was down 82% from \$7,994 to \$1,423 per FEU on China-USWC and was 74% lower from \$11,833 to \$3,067 per FEU on China-USEC. This collapse in spot rates, that accelerated from the autumn, has not yet derailed AP Moller-Maersk's 2022 annual profit projection of \$37bn, protected to a large extent by high contract cover. Contract renewals this spring will be at much lower levels. The malaise in the spot market naturally filtered through to time charter rates and asset values, with the slide picking up momentum in the second half. For example, monthly average 6-12m TC rates for a 8,500-teu unit peaked at \$151,000 daily in the spring and fell back 55% to \$68,000 by December. Monthly average 10-year old values for an 8,500-teu unit held at \$140m for the first 8 months of 2022 before collapsing 54% to \$64m in December.\* Linterlytica estimates that 2.6m-teu of new tonnage will deliver this year against just 0.25m-teu of demolition, leading to fleet growth of 8.8% in 2023 after 4.1% in 2022. The additions are mostly in the modern post 10,000-teu sizes while scrapping will be mostly in the elderly sub 5,000-teu sizes. Much will depend upon capacity management (delivery schedules, blanked sailings, sailing speeds, etc.) and the impact of regulations and congestion.

It was even more a game of two halves in 2022 for bulk carriers. The slump in bulker rates has had much to do with China's real estate meltdown, the world's largest ever, and the consequential fall in its steel output and iron ore imports. This was compounded by the inability of Australia and Brazil to supply forecast volumes. China is responsible for 53% of the world's crude steel output and 74% of seaborne iron ore imports, so China's crisis is everyone's crisis and it has not yet fully played out. The BDI started 2022 on 2,285 and finished it 34% lower on 1,515 points. It hit an annual peak of 3,369 on 23 May and an annual trough of 965 on 31 August, an over 70% spread between high and low. A modern eco scrubber-fitted 180,000-dwt cape averaged \$24,666 daily in 2022, 29% lower than its \$34,782 average of 2021.\* At the other end of the scale, average earnings for a modern eco 38,000-dwt handy ended up at \$20,820 daily in 2022, 19% lower than its \$25,748 average of 2021. The volatility in earnings is lower than in the larger sizes. As to monthly changes in values, a 5-year old 180,000-dwt cape started the year at \$46m and had fallen to \$43m by December while a 5-year old 38,000-dwt handy fell from \$27.5m in January to \$23.5m in December. Our API^ in December was at 6.4 for a cape and 5.1 for a handy, the latter being the better buy. For the dry bulk sector to do better, China really needs to re-engage, hopefully by 2H23.

Tankers in 2022 were roughly the reverse of bulkers: starting the year badly, ending it well. The Black Swan event, catching western intelligence services off guard, was the 24 February Russian invasion of Ukraine. This amplified commodity and labour supply shortages, pushed up prices, generated inflation and higher interest rates and interrupted the Covid exit demand surge. The economic consequences were the end of free money and a massive rise in debt servicing costs. The 2% target inflation rate is now 4%, the world has changed. The western sanctions on the Russian energy complex have upended conventional trade flows with European seaborne imports of Russian crude now being replaced by distant Atlantic and Middle Eastern supplies and its nearby Russian oil product imports replaced by distant refineries in Turkey, the UAE, India and China – the very same receivers of discounted Russian crude. This no-brainer of an arbitrage is good for tankers. The BDTI rose 159% in 2022 and the BCTI was up 216%, despite steep corrections in December. Spot earnings recovered\*\* and a 5-year old VLCC rose in value from \$72m in January to \$95m in December while a 5-year old MR went from \$30m to \$40m. In December, our API for a VLCC was at 4.5 and an MR at 3.0 making the smaller size the better bet, same as for bulkers. Tankers look well set in 2023 so long as longer distances defeat recessionary oil demand destruction.

### Dry Cargo Chartering

Any new year optimism in the **cape**size markets was quickly dashed this week as massive corrections were seen across all routes before a minute upturn on Friday. Time-charter averages ended up at \$12,543, down by \$6,206 from our final report of 2022. Current average freight prices for Australia to China are estimated to be a little over \$7.00 pmt, while ex. Brazil they are over \$18.00 pmt. In what has been a quiet week on most fronts, very few cape fixtures were reported. Of those that were concluded, we heard on Wednesday that *Cape Good Hope* built 2010 was fixed for 170,000 mtons 10% iron ore loading Sudeste for Qingdao at the end of this month at \$20.25 pmt. BHP were reported to have taken 2 vessels loading from Port Hedland to China for mid-Jan dates at \$7.40 pmt and \$7.45 pmt apiece, while Rio Tinto took a vessel from Dampier at \$7.20 pmt. Last week Uniper, were linked with a TBN CCL ship for 125,000 mtons 10% coal loading Baltimore for Rotterdam 17/26 January at \$14.80 pmt.

A very muted start to the New Year as rates continues to soften steadily in many areas. The **P5 TC** closed at \$11,693 down by \$2,120 since last reported 23rd December. In the Pacific, it was reported that Louis Dreyfus took *Alba* (82,044-dwt, 2019) from Tianjin for a Nopac round trip at \$8,000. lino was rumoured to have fixed *Osaka Star* (84,947-dwt, 2016) from Kinuura via East Coast Australia at \$12,500 and on a similar route, *Lady Marite* (76,529-dwt, 2009) was fixed for a trip from Kobe via East Coast Australia to Japan at \$7,000. Over to the Atlantic, it was said that Oldendorff fixed *Laurence Francoise* (81,772-dwt, 2019) for a bauxite trip via Kamsar to Stade at \$15,000. On the backhaul, Norden fixed *Sea Gemini* (81,715-dwt, 2014) from Tuticorin via East Coast South America for redelivery in Singapore-Japan range at \$14,500 and Cobelfret was linked to *Jag Akshay* (82,044-dwt, 2016) from Immingham via US East Coast to China at \$22,500. On voyage, Kepco Tender fixed Five Ocean TBN for their 80,000/10 coal lift Kaliorang/Hosan 13/22 Jan at \$8.24.

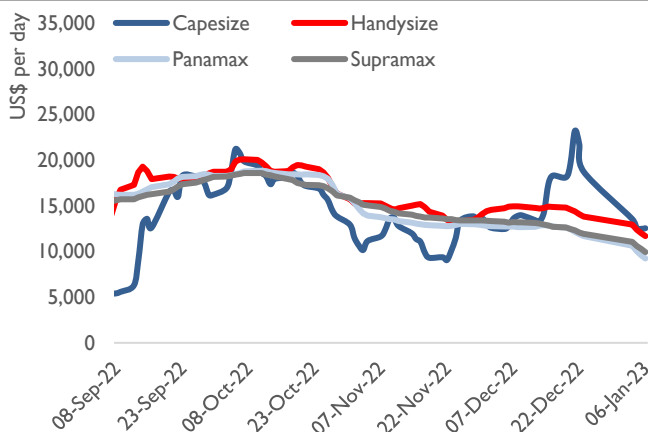
**Supramax** market fell heavily in the first week of 2023 as the S10TC closed at \$9,233 down by \$1,413 (-13.3%) since 3rd January 2023. In the Pacific, *FJ Viola*

(61,174-dwt, 2020) was covered delivery Kwangyang 4<sup>th</sup> January for a trip with slag to Arabian Gulf at \$8,000, Cambrian fixed *Alegre III* (55,808-dwt, 2007) delivery Singapore 2-3 January for a trip via Indonesia to China at \$7,350 whilst Pacific Basin took *BBG Leader* (63,241-dwt, 2015) delivery CJK early January for a trip to West Coast Central America at \$9,000 first 75 days and \$12,500 thereafter. And in the Atlantic, *Seaboss* (55,426-dwt, 2004) fixed delivery South West Pass on prompt dates for a trip via Mississippi river to Jorf Lasfar at \$19,750, whilst Norden took *Aliki Force* (58,419-dwt, 2010) delivery East Mediterranean on prompt dates for a trip to West Africa at \$10,000 and XO Shipping covered *Sheng Feng Hai* (56,879-dwt, 2011) delivery Agadir on prompt dates too for a trip to West Africa at \$10,000.

The **BHSI** closed this week \$9,931 down \$2,010 since our last report. A fast paced start to the year in the Atlantic, with a multitude of fixtures recorded this week and over Christmas, yet all routes softened, and rates dropped quickly. On the Continent, a 32,000-dwt vessel fixed delivery Skaw to Algeria with grain at \$9,000. In the Mediterranean, *Kansu* (36,920-dwt, 2021) open Spot in Oran fixed delivery Canakkale to the Caribbean intention Puerto Limon, with steels at \$7,500 for first 40 days and \$10,000 thereafter with Martrade. *Radius* (36,976-dwt, 2012) open Otranto fixed delivery Canakkale to Lisbon at \$8,500 with Lauritzen. US Gulf remained quiet with little reported. South America was largely the weakest performing market within the Atlantic. *Sea Moon* (28,494-dwt, 2002) fixed failed from North Brazil basis redelivery Morocco at \$9,500 with Cargill. Cargill also took the *Discoverer* (32,688-dwt, 2011) fixed from North Brazil into the East Mediterranean at \$11,000. In the Pacific, market sentiment was equally poor, partially driven by recent covid outbreak uncertainty in China. In India, *Pan Amber* (38,220-dwt, 2012) open Chennai fixed passing Singapore via Tasmania basis redelivery Spore-Japan with Concentrates at \$9,500 with Oldendorff. In Southeast Asia, *HG Perth* (29,966-dwt, 2011) fixed to China at \$5,100. *Alentejo* (36,041-dwt, 2013) open Kohsichang fixed a quick inter Southeast Asia trip \$7,000. Further North, *Papora Wisdom* (28,344-dwt, 2009) open Qingdao fixed an Aussie round voyage at \$9,400. *Federal Prestige* (41,750 2023) Ex Yard fixed via Korea redelivery Philippines at \$6,250.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Amami	98,648	2011	Busan	3/4 Jan	China	\$12,000	Cobelfret	Scrubber fitted
Vela Star	83,651	2009	EC South America	20 Jan	South Asia	\$16,250	Norden	+625,000 bb
Bahri Grain	81,855	2014	EC South America	23/24 Jan	SE Asia	\$16,000	Cargill	+600,000 bb
Alpha Progress	81,251	2012	Passing Yosu	1/2 Jan	Singapore-Japan	\$10,250	Louis Dreyfus	Via Nopac
Epiphania	80,410	2012	Antwerp	28 Dec	Singapore-Japan	\$21,500	Louis Dreyfus	Via US Gulf
Nor Yucatan	63,500	2019	Singapore	28/29 Jan	China	\$9,000	Cambrian	Via Indonesia
Alegre III	55,808	2007	Singapore	2/3 Jan	China	\$7,350	Cambrian	Via Indonesia
Seaboss	55,426	2004	SW Pass	Ppt	Jorf Lasfar	\$19,750	Cnr	Via Mississippi River
Nordorinocco	37,482	2011	South Korea	Ppt	China	\$9,250	Oldendorff	Via NoPac
Giorgios B	35,315	2010	Santos	10/17 Jan	Black Sea	\$13,000	Cargill	-



Exchange Rates	This week	23nd Dec 2022
JPY/USD	132.08	132.61
USD/EUR	1.0635	1.0618

Brent Oil Price	This week	23nd Dec 2022
US\$/barrel	78.45	82.24

Bunker Prices (\$/tonne)	This week	23nd Dec 2022
Singapore IFO	380.0	408.0
VLSFO	588.0	620.0
Rotterdam IFO	375.0	375.0
VLSFO	530.0	528.0

06 January 2023

### Dry Bulk S&P

Orthodox holidays today sit almost midway between Western and Chinese New Year holidays, so it is unsurprising if the secondhand market is subdued and the freight markets threadbare. The start of 2023 has seen dismal Covid reports from China and it must be expected that this will disrupt production and demand and freight earnings at least through the first quarter. But the dry market is still stuffed with cash from 2021/22 and in anticipation of a post-Covid bounce-back in China plenty of buyers are eager to re-invest at the first sign of encouragement. The orderbook has slowly crept up over the last twelve months but still only sits at 7% of the existing fleet - not something to worry buyers in 2023.

price - but expected to be north of \$15.5m. CN Journey (57,005-dwt, 2010 COSCO Zhoushan) fared less well and is reported sold at just \$12.7m.

The Japanese controlled Royal Fairness (55,654-dwt, 2011 Mitsui) is reported sold at about \$16m probably to Chinese buyers.

In the handy sector, Kirishima Sky (35,309-dwt, 2014 Minami Nippon) is reported sold to Greek buyers for \$16.5m. The Green Dolphin design Interlink Sagacity (38,743-dwt, 2015 Kouan) is sold for something in the mid 19s.

We have a handful of sales to report this week.

Two Dolphin57s are reported sold this week. Sunrise Rainbow (56,414-dwt, 2012 Hantong) has been committed at an unknown

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
CN Journey	57,005	2010	Cosco Zhoushan	-	undisclosed	\$12.70m	
Sunrise Rainbow	56,414	2012	Hantong	-	undisclosed	undisclosed	North of \$15.5m tbc
Royal Fairness	55,654	2011	Mitsui	-	Chinese	\$16.00m	
Kirishima Sky	35,309	2014	Minami Nippon	-	Greek	\$16.50m	
Interlink Sagacity	38,743	2015	Kouan	-	undisclosed	Mid \$19.00m	

## Tanker Commentary

Whilst the Dry S&P market takes a breath as we begin the New Year, the opposite can be said for Tanker S&P as there remains several fresh sales to report.

Despite VLCC rates (TD3-TCE) having come off circa 54% since end November, buying interest remains buoyant within the second hand VLCC sector. This is evidenced by both the *Ellinis* (306,507, '07 Daewoo BWTS + Scrubber Fitted) and *Asia Dawn* (281,396 '05 IHI BWTS Fitted) having been purchased by Middle Eastern interests for \$57m and \$50m respectively. It is expected that we will continue to see second hand VLCCs changing hands as Chinese crude demand is forecast to steadily increase as they navigate their way through increased covid infections since reopening. In addition to the aforementioned sales, we also understand that the *FPMC C Honor* (298,000, '08 Universal BWTS + Scrubber Fitted) is in firm negotiations between the \$56 - 58m range.

Greek owners, Dynacom are understood to have sold their *Ice Transporter* (146,270, '06 Universal BWTS Fitted Ice IA) for

\$47.5m. We attribute the extremely firm price tag to both the Ice IA status as well as current high demand for Suezmax tankers due to their suitability for Baltic/Black Sea trades. This sale also continues the theme of large Greek owners taking the opportunity to cash in on their older tonnage whilst asset values remain historically high.

In product news, the German owned *Cordula Jacob/Till Jacob/Konstantin Jacob/Georg Jacob* (76,000, '12/'12/'11/'11 Dalian) have been sold for an enbloc price of \$125m. By way of comparison, in October '22, Glencore committed their own LRI quartet, *Alpine Pearl/Alpine Pacifica/Alpine Plymouth/Alpine Pembroke* (74,000, '11/'11/'11/'10 Hyundai Mipo) for \$112m enbloc although we understand the sale did not materialise in the end.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Ellinis	306,507	2007	Daewoo	Middle Eastern	\$57.00m	BWTS + Scrubber Fitted
Asia Dawn	281,396	2005	IHI	Middle Eastern	\$50.0m	BWTS Fitted
Ice Transporter	146,270	2006	Universal	Undisclosed	\$47.50m	BWTS Fitted Ice IA

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