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### POINTS OF VIEW

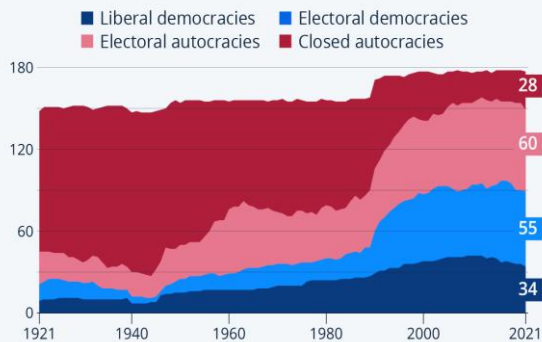
Last week, we noted the China reopening and the possibility that it will seek to ease diplomatic and trade relations with the West and its Asian neighbours and put an end to 'wolf warrior' diplomacy. This week, it was announced that Chinese GDP growth came in at 3.0% in 2022, after 8.4% in 2021, well below the targeted 5.5%. It was also the second weakest reading since 1976\*, only undercut by Covid-hit 2020 when the Chinese economy expanded by only 2.2%. Over the full year, industrial output rose 3.6%, fixed asset investment gained 5.5%, retail sales ended up 0.2% lower and real estate investment fell by 10% during a property crisis that saw home sales fall 24% by floor space and 27% by value. The real estate collapse has been a big drag on consumer spending. Now there is the prospect that this may gradually reverse after plans were recently released to provide direct support to property developers that have been beset by waves of defaults. In 2022, Covid controls took precedence over economic growth but, now that they have been abandoned, 2023 should see a welcome return to pro-growth policies. Another factor that might drive an overall policy reset was the announcement on Tuesday that China's population registered its first decline in 60 years, falling 850,000 to 1.41 billion last year. Taken altogether, the 1980-2016 one-child policy, a peak 29% of GDP dependence on the property sector and the recent failed zero-Covid policy have battered China's growth rate and collectively may have encouraged, or forced, Xi Jinping pragmatically to seek to mend some fences on the global stage.

... Is China at another turning point? ...

### Is Democracy in Decline?



Evolution of the number of political regimes in the world by type\*



\* Political regimes based on the classification by Lüthmann et al. (2018) and the assessment by V-Dem's project.

Sources: Our World In Data, Lüthmann et al. (2018), V-Dem



statista

[Source : Statista](https://www.statista.com/chart/1000/evolution-of-political-regimes-in-the-world-by-type/)

\*1976 was the final year of the decade-long Cultural Revolution, just two years before Deng Xiaoping opened up China to the world.

\*\*It is actually a 2-way street with the West dependent upon China for sourcing and processing most of the world's rare earth minerals.

Many western companies have critical manufacturing bases in China. For example, over 95% of Apple products are 'made' there.

See FT Big Read articles "How Apple tied its fortunes to China" and "What it would take for Apple to disentangle itself from China".

^China's newfound opposition to protectionism may be a dig at the US for frustrating its access to high-end technology imports.

^^Chinese people are said to have accumulated \$2 trillion in excess savings and are raring to go on an enormous spending spree.

China's deteriorating demographics, made worse by Covid which discouraged or delayed couples from having children, with births down and deaths up, also feeds into the coincidental property crisis. There will be lower housing demand going forward in what is already an overbuilt market. As Bloomberg Opinion points out: "Even though China is making history as one of the fastest-aging societies on Earth, its headcount headache actually isn't that special. Which is why Xi Jinping would be wise to ask his neighbours for some tips", Dan Moss writes. "Japan, Singapore and South Korea have been living with their baby busts for years, and the roof hasn't caved in yet, thanks to a cocktail of automation and immigration. That said, China's labour pool is shrinking at a less-than-opportune time. The legacy of another misguided policy, Covid Zero, is weighing down its economy." All the more reason to draw to an end to years of hostile behaviour towards its Asian neighbours in the South China Sea and their supporters in the West. Already, the US is consciously decoupling from China, and this is most keenly manifested in US actions to choke off the supply of high-end semiconductors to China that have military and AI uses.\*\* Partly as a result of this, China is now making overtures to Europe to head off another decoupling that would only reinforce its rising sense of isolation. Liu He, China's vice-premier, is an economic moderniser and a graduate of Harvard's Kennedy School of Business. He was at the WEF in Davos this week.

He said that China is keen to restore the money-making bonhomie of the golden years, which would be a good option for China under its present circumstances. He said: "We must let the market play the fundamental role in the allocation of resources, and let government play a better role. All-round opening up is the basis of state policy and the key driver of economic progress. China's national reality dictates that opening up to the world is a must, not an expediency. We must open up wider and make it work better. We oppose unilateralism and protectionism"^^ This can only have been music to the ears of ministers and global business leaders in Davos and a clear message of conciliation. A headline in the UK's Telegraph read: "China tells the world that the Maoist madness is over – we can all make money again." The micro world of shipping and spot freight rates is dismal today, whereas the macro story of possible Chinese re-engagement is positive: good for China and good for global trade and shipping.^ On the geopolitical front, it may dial down the aggressive rhetoric on Taiwan and even join its Asian neighbours and the West in attempts to contain rogue states and mischief-makers that include North Korea, Iran and Russia. It all looks a bit heaven-sent so it could well end up being a mirage, but it is welcome news at a time when households, companies and countries are feeling the discomfort of economic hardship and the anxiety that a deeply divided world transmits. A bit of all-round healing is what is ideally needed.

## Dry Cargo Chartering

A further disappointing week across **capsize** markets saw time-charter averages consistently slide even further to end up at just \$6,529, a huge decrease of \$4,241. Average freight prices according to the Baltic Exchange (all bound for China) ended up at sub \$17.00 pmt ex. Brazil, about \$6.60 pmt ex. Western Australia, and approximately \$12.25 pmt ex. Saldanha Bay. We heard that EGA chartered *Samjohn Solidarity* built 2010 for 180,000 mtons 10% iron ore from Kamsar to Qingdao at \$16.30 pmt for mid-Feb dates, while ArcelorMittal took *Monemvasia* built 2009 for 150,000 mtons 10% iron ore from Port Cartier to China at \$28.25 pmt. We also heard that the NYK relet *Flag Seaman* built 2013 was fixed by Cargill for 170,000 mtons 10% Pointe Noire to China at \$25.00 pmt, and Genco Tiger fixed for 180,000 mtons 10% Itaguaí to Qingdao at \$17.50 pmt. Both deals were basis 1.25% total commission. Additionally, *Los Angeles* (206,104-dwt, 2012) was taken by NYK delivery Tianjin last Sunday for trading until minimum 20 May 2024, maximum 5 August 2024 at \$17,700.

**Panamax** market this week saw Asia market move with slower momentum as we dive into the upcoming Lunar new year holidays. The P5 TC closed at \$9,544 down by \$74 since last reported 13th January. In the Pacific, little details came to light but it was heard that *Alcmene* (93,193-dwt, 2010) open Hosan was fixed for a prompt Nopac round trip whilst *Brickfielder* (93,019-dwt, 2011) open Kaohsiung was fixed for a prompt Australian round trip. It was also said that *Astarte* (81,513-dwt, 2013) open Qinzhou was fixed for an Indonesia round trip at \$6,000 but no other details surfaced. In the Atlantic, Louis Dreyfus fixed *Nord Pollux* (81,839-dwt, 2016) for a prompt trip from Gibraltar via North Coast South America for redelivery in the Far East at \$19,000 and \$19,250. Similarly, Swissmarine took *Star Sophia* (82,295-dwt, 2007) passing Muscat Outbound via North Coast South America for redelivery in China at \$11,500 with scrubber benefit to owners and Cargill was rumoured to have secured *Climate Pledge* (86,461-dwt, 2022) open Ijmuiden for a trip via US East Coast for redelivery in Japan at \$22,000. On voyage, Kepco Tender fixed *Five Ocean TBN* for their 80,000/10 Samarinda/Hosan 1/10 Feb at \$6.38.

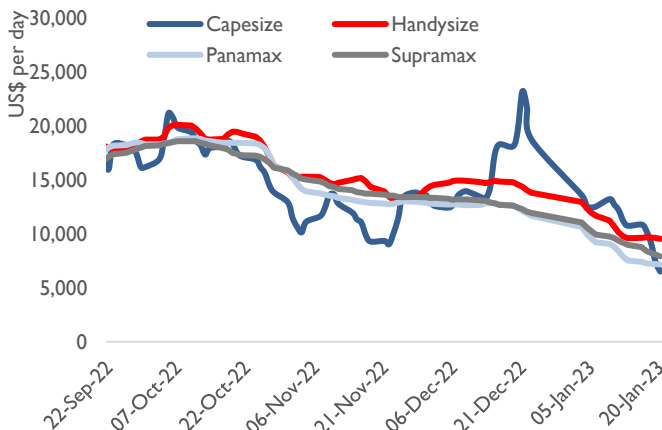
**Supramax** market seemed to slowly begin to bottom out this week, as the slide slowed in pace as it fell this week as the S10TC closed at \$7,177 down by \$368 (-4.88%) since last reported on the 13th January 2023. In the Pacific, Cambrian fixed *Aris Lucky* (50,209-dwt, 2001) delivery Shihanoukville 26th January for a trip via Indonesia to China at \$6,500 whilst *Hony World* (56,837-dwt, 2012) was covered

delivery aps South Kalimantan prompt dates for a trip to Thailand at \$9,000 and *Sanctum* (56,140-dwt, 2012) was taken delivery aps East Kalimantan prompt dates for a trip to China at \$8,500. Whilst in the Indian, *Xing Hao Hai* (56,925-dwt, 2011) was fixed delivery East Coast India 16th January for a trip to China at \$7,750 whilst *AP Astarea* (57,300-dwt, 2012) was covered delivery aps Mundra prompt dates for a trip to China at \$8,000 and *V Bravo* (56,659-dwt, 2012) was taken delivery Mina Saqr prompt dates for a trip to Bangladesh at \$12,500. And in the Atlantic, ABT took *Nefeli* (63,446-dwt, 2016) delivery Houston prompt dates for a trip with petcoke to West Coast Central America at \$19,000 whilst *Southport Eagle* (63,301-dwt, 2013) was fixed delivery Gdynia prompt dates for a trip with grains to Nigeria at \$13,500 and *Besiktas M* (53,020-dwt, 2003) was covered delivery passing Otranto prompt dates for a trip via Black Sea with HBI to Far East at \$26,400.

The slow of crawl into 2023 continued this week as the **handies** rates dropped further still. The BHSI closed at \$7,931 down \$1,065 from last week. The Pacific was very weak, in Asia activity continued to slow, as the Chinese New Year celebrations commence. Sentiment remains very poor for spot fixing, although period inquiry started to emerge, in the anticipation of a market pick up for Q2. Atlantic was very quiet, Continent and Mediterranean lacked inquiry. Rouen to West Mediterranean & Morocco grain runs have remained around \$7,000 aps, while scrap trips loading ARAG to Turkey were fixed a tick over \$7,000. *Bunun Glory* (37,046-dwt, 2015) fixed delivery Floro for 2/3 Laden Legs, redelivery worldwide at \$11,000. TKB covered their salt cargo from East Mediterranean to the Baltic at \$6,000 on a 30,000-dwt ship. USG remained quiet with little reported activity. *Mother M* (34,737-dwt, 2012) fixed delivery West Mediterranean for a trip to Brazil with Fertilizer at \$5,250. In the north of South America, *Charana Naree* (33,720-dwt, 2005) fixed from Vila do Conde via Itaquí to Algeria at \$9,250. *Global Winner* (38,190-dwt, 2011) fixed delivery Santos for a trip to continent at \$10,000 with Oldendorff and *Madrid* (30,885-dwt, 2013) fixed from Itaquí to the Baltic with Copper Concentrates at \$9,500 with Cargill. In the Pacific Gulf, Pan Edelweiss (32,949-dwt 2009) open Dammam fixed basis delivery West Coast India for a trip to Vietnam with an intended cargo of grains at \$6,500 to Allianz. An overriding sentiment the market has bottomed out in Southeast Asia, with more cargo entering the market. In China, *Atlantic Spirit* (35,053-dwt, 2012) open Ex Zhoushan Shipyard fixed a trip to Southeast Asia at \$4,500. *Wonderful SW* (31,702-dwt, 2014) fixed Lanshan for a trip to Japan with bagged Rice at \$4,750 to Oldendorff.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Taho Europe	84,625	2018	Rizhao	21/22 Jan	Singapore-Japan	\$7,500	Cnr	Via Nopac
Pregny	82,628	2022	Dalian	23 Jan	Singapore-Japan	\$8,750	Cargill	Via Nopac
Ever Best	81,717	2013	Gibraltar	18 Jan	Singapore-Japan	\$18,000	Oldendorff	Via NC South America
Rosco Plum	76,801	2004	EC South America	17 Feb	Singapore-Japan	\$15,000	Cargill	+\$500,000 bb
MIM Vangelis Jr	76,619	2005	Port Said	19/20 Jan	Egypt-Med	\$16,000	Cargill	Via Ukraine, chopt redel Indo or China at \$16,000 + \$500,000bb
Port Osaka	62,716	2019	Cristobel	15 Jan	EC South America	\$10,000	Centurion	-
PMS Auerhahn	60,948	2015	US Gulf	20 Jan	India	\$17,000	Cnr	-
Aris Lucky	50,209	2001	Shihanoukville	26 Jan	China	\$6,500	Cambrian	Via Indonesia
Bunun Glory	37,046	2015	Floro	20/30 Jan	World Wide	\$11,000	Cnr	2/3 LL
Atlantic Spirit	35,053	2012	Zhoushan	Ppt	SE Asia	\$4,500	Cnr	-



Exchange Rates	This week	Last week
JPY/USD	130.32	127.67
USD/EUR	1.0813	1.0811

Brent Oil Price	This week	Last week
US\$/barrel	85.95	84.69

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	418.0	393.0
VLSFO	677.0	620.0
Rotterdam IFO	405.0	382.0
VLSFO	582.0	560.0

20 January 2023

### Dry Bulk S&P

Chinese New Year festivities begin this weekend across Asia with businesses slow steaming in preparation. As the year of the Rabbit approaches, Buyers are poking their heads out their burrows and ready to leap into the new year. Although for now there is limited tonnage especially in the dry market readily available for sale.

Offers are invited today on *African Venture* (34k-dwt, 2012 Chengxi) and expect to hear more on this next week.

After inviting offers last week, *Dyna Globe* (99k-dwt, 2006 Imabari) has now been sold to Indonesian buyers at region \$15.5m, achieving a premium compared to a conventional Panamax bulker given the larger deadweight.

Meanwhile *Mireille Selmer* (33k-dwt, 2010 Samjin) has been offloaded in the high \$10m - a soft price compared to November's sale of *Trudy* (30k-dwt, 2009 Jiangsu Eastern) that was reported as sold for \$12.5m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Dyna Global	99,347	2006	Imabari	-	Indonesians	\$15.50m	BWTS fitted
Navios Prosperity	75,527	2007	STX	-	Undisclosed	\$13.75m	
Mireille Selmer	33,716	2010	Samjin	4x35	Undisclosed	\$10.90m	BWTS / Logs Fitted
Kotor	32,474	2014	Korea Yanase Tongyeong	4x30	Turkish	-	



## Tanker Commentary

Despite the lingering concern of economic recession and rising oil prices the crude market has been holding strong with interest remaining in the older age segment on Sale and Purchase. The *FPMC C Honor* (298k-dwt, 2008 built Universal) has achieved \$54.5m, she does have BWTS / Scrubber fitted, but SS due towards the end of the year.

Some of the Buyers have quietened down a bit with the start of CNY but enquiries are still being made and appetite for older VLCC and Suezmax tonnage remains firm. No real surprise with more cargo being available and higher paying routes such a West Africa to UK Continent.

Ice class tonnage is still demanding a huge premium, highlighted with Thenamaris recent sale of the *Seamagic* (117k-dwt, 2007 built HHI). She is Ice IA, BWTS and actually an LR2 but worth noting trading crude. WS has been going sideways recently however, no bad thing in a market like this and Owners still enjoying strong and stable returns.

Products did take a nose dive, which again even with a 30% downturn in some sizes are still historically high levels. Multiple rumours of Torm being aggressively offering on and indeed successfully purchasing several LRI tankers all around the 10-13 year old bracket. CPP traders seem to be positive there will be a bounce back in the market after CNY along with US refiners coming back online in 2Q 2023, potentially doubling their overhaul.

On the modern MR tankers the *Dong-A Triton* (50k-dwt, 2015 HMD) we understand has seen offers in the mid \$30'sm, Owners have decided to temporize a sale though and revisit after CNY. The older tonnage levels seem to be staying in line with the past few months, two sales of note this week. The *Atlantica Breeze* (47k-dwt, 2007 Sungdong) sold for \$19m to Far East Buyers and the *Lila Amazon* (51k-dwt, 2007 STX) found a new home with Besiktas for \$20m.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
FPMC C Honor	298,078	2008	Universal	Undisclosed	\$54.50m	BWTS / Scrubber Fitted SS Due 11/23
Rider I	299,986	1998	Hitachi	Chinese	-	SS/DD Overdue
Seamagic	116,905	2007	HHI	-	\$47.00m	BWTS fitted ICE IA Coated LR2
Lila Amazon	51,218	2007	STX	Besiktas	\$20.00m	
Atlantica Breeze	47,846	2007	Sungdong	Far Eastern	\$19.00m	

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