03 February 2023

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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Source : Statista

POINTS OF VIEW

Full year 2022 results are starting to come in from the international oil companies (IOCs). Yesterday, Shell posted full year profits of $39.9bn, the highest in its 115-year history and well ahead of its previous record of $28.4bn in 2008. Earlier, ExxonMobil announced a $55.7bn profit for 2022, the highest ever for a western oil company, and its US rival Chevron made $36.5bn. By the time the other supermajors, BP and Total, have reported next week, they should have made about $200bn between them last year. The largest of the national oil companies (NOCs), Saudi Aramco, should soon reveal its Q4 results having accumulated net income of $130.3bn over the first three quarters of 2022. It will be interesting to see how close it gets to the sum of profits of the top five supermajors. Politicians and the general public are keen to impose windfall profits on these oil and gas companies, as beneficiaries of the war in Europe and regardless of shareholder rights, and risk seeing investment in oil, gas and renewables reduce and or shift to more friendly tax regimes.* These oil companies should not need to apologise for what they do, as the energy transition will go to 2050 so we need oil and gas while phasing in more renewables.** The FT points out how Shell is having a use-of-cash flow crisis: how to reinvest its profits. Shell returned $26bn to investors in 2022, of which $18bn was for share buybacks, boosted by the 2021 sale of its Permian basin business. $4bn has already been allocated to share buybacks in this quarter. Last year, of its overall capital expenditure of $24.8bn, only $3.5bn was spent on renewables, up 47% year-on-year. Why? Renewables do not pay; oil and gas do.

Governments are generally moving slowly on the green transition not least because there is an army of self-interested parties that resist change, no matter how obviously we need it. The IOCs need to work about how many new projects are worth investing in if they face a potential guillotine by 2050. The NOCs, and this is most visible in the Middle East (especially KSA, UAE and Qatar) are rapidly diversifying their economies away from oil and gas towards trading, tourism and sport. To achieve this, they finally seem to be willing to be more socially liberal in designated tourist settings. Meanwhile, the weather is very much on their side. Turning to the tanker markets. Asset values have had a good run but are now taking a pause as spot freight rates have been slipping, trying to find a floor. It is almost as if they have been waiting for the end of Chinese New Year after which we may get some guidance from the demand side. Tanker values^ have risen by on average 38% since the start of 2022. Despite the strong value gains, there remain buyers who believe in more upside potential, and there are always fleet owners willing to harvest a profit, especially on older paid-down units where current demand is strongest. As VLCC examples, Birdie 302,481 MHI Nagasaki 2005 was reported sold for a full $52.5m, while the Maran Aquarius 320,821 Daewoo 2005 was reported sold for $52.0m. They were both recently concluded (in the last few months) and compare favourably with the reported sale of Maran Andromeda 320,472 Daewoo 2005 for $37.0m in August last year. That is a big move (40%).

We would appear to have the almost perfect functioning of the S&P market with willing buyer, willing seller and a sharing of the upside and downside risks. Selling elderly large crude carriers made perfect sense for portfolio owners in 2022, as there was strong buying interest from Middle Eastern, Chinese and other buyers for further trading. This even tempted some listed companies to cash in unusual upside opportunities. Last year, Euronav cleared a $96m gain after selling some of the more elderly members of its fleet including a ULCC, six VLCCs and four suezmax tankers. It secured premium prices for these older units and is free to deploy part of the proceeds in buying back its shares which trade at a big discount to NAV. The arbitrage of selling older tankers at a premium, to invest in discounted (to steel) company shares, must be hard to resist. Euronav's 2022 annual profit came in at an above analyst forecasts at $203m after a $339m loss in 2021. Euronav awaits the outcome of the competition between its two largest shareholders, connections of CMB and Frontline,^^ to see where it is heading next. Given its already strong cash position, a bull tanker market would offer even greater options to lay down deposits on more new tankers, rejuvenate the fleet and decarbonise the company's footprint all at once. It remains pro-consolidation and like the IOCs and NOCs has no plans on giving up the day job.

*The FT puts Shell's cash taxes at $100m in 2022 rising to $500m in 2023 thanks to tax credits for renewables and decommissioning.

**China, India, Indonesia, etc. will not pass up their right to burn oil, coal and gas if that is what it takes to fulfil their growth potential.

^The average of the Tanker BSPAs since start 2022 being a 5-year old VLCC, suezmax and aframax crude and MR product tanker.

^^They each control around 22.9% of Euronav's shares and are battling over the future direction of the company.

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

This week once again saw **cape** rates soften as time-charter averages decreased to $3,561 a fall of $872. But following last week's trend, it should be highlighted that this figure was again half of the decline seen in the previous week. Average Baltic Exchange freight prices for Tubarao-Rotterdam were sub $7.00 pmt, around $16.00 pmt for Brazil-China, and about $6.40 pmt ex. Western Australia. More activity was reported this trading week and a good number of fixtures emerged. These included charterers Mercuria taking *Xin Bin Hai* built 2010 for 150,000 mtons 10% coal from Richards Bay to Stigsnaes, Denmark at $6.00 pmt, while a SAIL tender from Newport News and Norfolk to Dhamra for the end of the month was covered at $29.75 pmt for 140,000 mtons 10%. Cofco fixed *Stella Alice* relet from Cara for 170,000 mtons 10% iron ore from Saldanha Bay to Qingdao at $11.70 pmt, and on Wednesday ST Shipping took *AM Tarang* built 2019 for 185,000 mtons 10% from Kamsar to Yantai for 19/25 Feb at $16.85 pmt. The likes of Rio Tinto and BHP fixed a selection of their usual Western Australia iron ore stems with freight rates ranging from $6.30 pmt to $6.50 pmt. Additionally, Vale fixed 2 TBN vessels each for 170,000 mtons 10% ore loading Teluk Rubiah to Son Duong for prompt dates at $4.00 pmt and $4.50 pmt apiece.

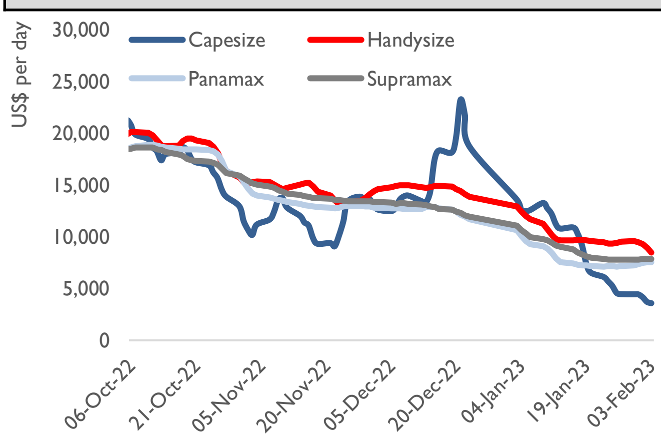
The post holiday market for the **Panamaxes** is still struggling to find a breakthrough, limited activities can be seen. P5 TC closed at $8,456 down by $1,031 since last reported 20th January. In the Pacific, scrubber fitted *Star Charis* (81,713-dwt, 2013) open Xingang was fixed for a trip to India via Australia at $7,000. Whilst in the North, ASL Bulk was linked to *Navios Harmony* (82,790-dwt, 2006) open Lanshan for a NoPac round trip at $9,250 and *Dennissan* (78,095-dwt, 2012) open CJK was promptly fixed for the same round trip at $9,000. It was heard that TataNYK had fixed *STL Miracle* (82,338-dwt, 2008) open Tachibana for a trip via Australia to India at $7,000. Over in the Atlantic, Louis Dreyfus was rumoured to fix *Nestor S* (75,200-dwt, 2011) open East Coast South America for redelivery in Spain at $10,000 and Western Bulk Carriers had taken *Magic Starlight* (81,048-dwt, 2015) open Gibraltar for a prompt trip via Kamsar for redelivery in San Ciprian at $7,000. On the fronthaul, Cargill secured *Star Amber* (82,023-dwt, 2015) open East Coast South America for a trip to Singapore-Japan range at $14,250 and a $425,000 ballast bonus. On voyage, SAIL fixed TBN for their 75,000/10 coal lift HPCT/Visakhapatnam 17/26 Feb at $16.05.

Supramax markets showed small signs of improvement this week. The sentiment has improved, and although tonnage lists still seem healthy, cargo and order lists seem to be growing at a steadier rate. The S10TC closed at $7,501 up by $351 (4.91%) since last reported on the 27th of January. In the Pacific, *Trans Autumn* (56,803-dwt, 2012) fixed delivery CJK for a trip via Philippines with Nickel Ore to China at $6,500 whilst *Iliana* (58,018-dwt, 2010) was covered delivery Surabaya prompt dates for a trip via Indonesia to East Coast India at $11,000. Whilst in the Indian, Bainbridge fixed *Tiger Pioneer* (63,462-dwt, 2015) delivery Maputo for a trip to East Coast India at $15,200 plus $150,000 bb. And in the Atlantic, Ultrabulk fixed *Explorer Africa* (61,360-dwt, 2012) delivery Montevideo prompt dates for a trip to West Mediterranean at $12,000 whilst Cosmo Trade took *Equinox Seas* (52,009-dwt, 2003) delivery Praia Mole prompt dates for a trip with Steel Slabs to Aviles at $10,500.

The **handysize** index closed the week at $7,846, slightly up from last weeks close of $7,773. Optimism grew in the Pacific with an increase in period fixing while levels in the Atlantic slightly dropped off as the week went on. In the Atlantic, a 34k-dwt fixed $8,500 APS Alexandria for a trip to North Spain with steels. A 33k-dwt fixed Poland to Turkey with scrap at $7,500. In the South Atlantic, a 37k-dwt fixed $11,000 for a trip Praia Mole into West Africa. Little was reported out of the US Gulf although rates continued to slide with a build up of prompt tonnage. In the Pacific a 32k-dwt fixed a firm $12,500 for a trip ex Vancouver into China with grains. A 35k-dwt open CJK fixed $4,500 for a trip to South Korea. On period we heard the *Vega Falktind* 31k-dwt fixing $9,500 delivery East Coast South America for 5-7 months redelivery Atlantic and the *DL Marigold* 33k-dwt fixing $10,250 delivery Busan for 4-6 months.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Pont Rouge	99,992	2021	Kawasaki	30 Jan	Singapore-Japan	$10,000	Oldendorff	Via NoPac
S Rumba	84,867	2015	Rotterdam	31 Jan	Erdemir	$13,000	Unionsea	Via Norfolk, Scrubber benefit to Charterers
Bettys Dream	82,641	2008	EC South America	16 Feb	Singapore-Japan	$14,500	Cofco Agri	+$450,000 bb
Jing Lu Hai	77,927	2015	Colombia	12/18 Feb	Poland-Passero	$17,000	ST Shipping	-
Orion III	76,602	2005	Taiwan	26 Jan	China	$5,500	Tongli	Via Indonesia
Explorer Africa	61,360	2012	Montevideo	Ppt	W Mediterranean	$12,000	Ultrabulk	-
Nikitis	57,023	2010	Santos	Ppt	SE Asia	$12,000	Seatrans	+$200,000 bb
Rhine Confidante	57,016	2010	Singapore	Ppt	China	$10,000	Cnr	-
Federal Sutton	37,168	2012	Laem Chabang	Ppt	Indonesia	$5,500	Western Bulk Carriers	-
St Peter	32,688	2009	Brazil	Ppt	Singapore-Japan	$14,000	Crescent Bulk	-



Exchange Rates	This week	Last week
JPY/USD	130.92	129.94
USD/EUR	1.0849	1.0856

Brent Oil Price	This week	Last week
US$/barrel	81.36	88.56

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	386.0	430.0
VLSFO	665.0	701.0
Rotterdam IFO	390.0	413.0
VLSFO	586.0	612.0

Dry Bulk S&P

Dry Bulk owners were hoping to see a boost in freight rates once Lunar New Year celebrations had concluded but as of yet there is no such increase to be seen. The BDI closed at 740 on the 23rd January and as of the 2nd February, it stood at 640 points. Despite the bearish sentiment, there continues to be high demand for vessels of a certain specification - particularly those fitted with modern electronic engines. If such units can be found, Buyers are paying significant premiums to prise them away from their current owners.

This week, we note that Turkish buyers have been linked to the purchase of two Namura 34's, *Camilla/Tia Marta* (34k-dwt, 2015 Namura - OHBS - M/E Engine) for $19.5m per vessel. The price seems very firm at first glance given UltraBulks recent sale of the *Ultra Fitz Roy* (37,900 '16 Imabari) for US$ 20.6 mill to Pacific Basin just a few weeks ago. Having said this, the lack of modern Japanese, eco design tonnage on the market means that Buyers are having to pay up for the ships that they really want. It is also worth noting that ships of this specification are well placed with forthcoming regulatory compliance, further insulating their asset prices from market volatility.

In other Handysize news, Wah Kwong are understood to have committed their *African Venture* (34k-dwt, 2012 Chengxi BWTS Fitted) for $12.7m. She was the last of the owners Handysize fleet and the purchase price seems roughly in line with the recent sale of *Mirelle Selmer* (33k-dwt, 2010 Samjin BWTS Fitted), of which sold earlier this month for $10.9m. Owners of *Shanghai Pearl* (36k-dwt, 2011 Hyundai Mipo - OHBS - BWTS Fitted) quietly called for offers this week. Whilst we understand negotiations are still ongoing, it is reported she is close to being sold in the mid $13m range.

Gearless bulkers are also feeling the love this week with Greek buyers picking up both the *Hampton Bay* (81k-dwt, 2009 Universal BWTS Fitted) / *Liberty K* (82k-dwt, 2010 Tsuneishi Zhoushan BWTS Fitted) for $19.7m and $19.5m respectively. Once again, the prices seem firm given current earnings which could be explained by the lack of market alternatives combined with optimism surrounding a Dry Market recovery later this year. Elsewhere, Diana Shipping have announced the sale of their vintage Capesize, *Aliki* (180k-dwt, 2005 Imabari BWTS Fitted) for $15.1m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Aliki	180,235	2005	Imabari	-	Undisclosed	$15.10m	
Liberty K	82,217	2010	Tsuneishi Zhoushan	-	Greeks	$19.50m	
Hampton Bay	81,508	2009	Universal	-	Greeks	$19.70m	BWTS Fitted
Bulk Newport	52,587	2003	Toyohashi	C4x31	Undisclosed	$9.30m	SS/DD due May 2023 BWTS Fitted
Camilla	34,334	2015	Namura	C4x30	Turkish	$19.50m	BWTS Fitted
Tia Marta	34,334	2015	Namura	C4x30	Turkish	$19.50m	BWTS Fitted
African Venture	34,721	2012	Chengxi	C4x30	Undisclosed	$12.70m	
AS Elenia	34,421	2011	SPP	C4x35	Undisclosed	$13.30m	Tier II

Tanker Commentary

As the tanker market continues to be driven forward by non-traditional buyers dancing in war related trade inefficiencies, we continue to see firm enquiry across the crude sector.

Greek controlled *Amorza* (159,168-dwt, 2001 Hyundai HI) changed hands this week for $17m. The last suezmax to have sold was *Concord* (159,155-dwt, 2005 Hyundai HI) which achieved $33m in early December. As ever in these frothy freight markets, the big prices are being paid for vessels with very front delivery.

Leo (112,795-dwt, 2010 New Times, epoxy, SS 09/2023, DD 12/2023) has been reported sold for $45.5m to Middle Eastern buyers. The last similar transaction went to fellow compatriots; *Hector* (108,817 dwt, 2008 SWS, epoxy, SS/DD due 08/2023) sold for $40m in early January.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Amoroza	159,168	2001	Hyundai HI	Undisclosed	$27.00m	
Leo	112,795	2010	New Times	Middle Eastern	$45.50m	Epoxy Coated

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