HARTLAND
SHIPPING SERVICES

17 March 2023

WEEKLY COMMENTARY

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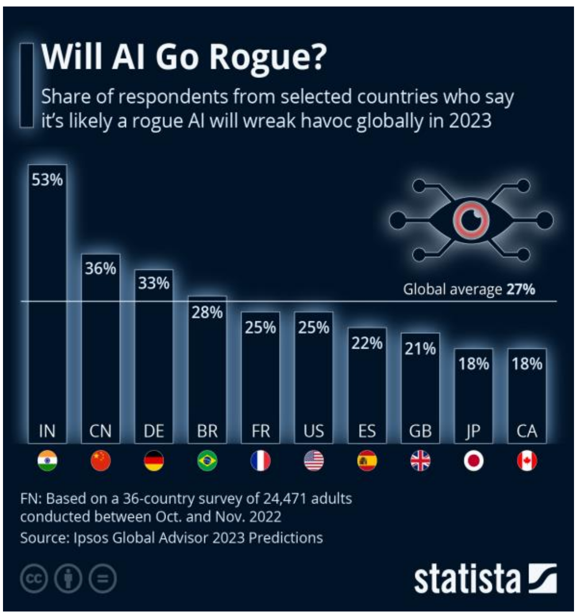
… It already has, just look at Global Markets ! …



Source : Statista

POINTS OF VIEW

It has been another tumultuous week in financial markets after last week's failure of two lenders: tech-focused Silicon Valley Bank and crypto-focused Signature Bank. These events cast suspicions on the bond portfolios of all banks worldwide, regardless of their size and liquidity. Most notably, it ensnared the deeply troubled and scandal-hit Credit Suisse as millionaire and billionaire depositors pulled out their money. Its largest shareholder, the Saudi National Bank, rather too abruptly declined to inject more capital into Credit Suisse on Wednesday. Early on Thursday, the Swiss National Bank put up a SFr50bn ($54bn) loan facility as a means towards calming frayed investor nerves. This provided some relief to global banks and worldwide stock indices but best be prepared for more turbulence. Naturally, the failure of a bank of the size and complexity of CS would be another Lehman Bros moment, and it would finish Switzerland's role in secretive banking. But, Lehman was at the heart of a US sub-prime property collapse in which widely securitised mortgage-backed bonds plunged in value to the lowest common quality denominator: trailer trash loans. In 2008, the US Treasury declined to bail out Lehman but this time it is bailing out the uninsured depositors of SVB, Signature and other US banks. As carry trades have brutally reversed, it is worth reflecting upon the almost uniquely fatal characteristics of SVB's flawed business model.

It had assets of $212bn on 9 March and a market cap of $16bn before becoming the largest bank failure since 2008. In the tech boom years of 2020 and 2021 it took almost $130bn in new deposits from venture capital providers and tech start-ups awash with investor cash. It was too much to lend out so it put $91bn of its $120bn investment portfolio in long-term fixed rate bonds paying on average 1.64%, still profitable given the low interest paid on deposits. 2022 was the year in which everything changed as tech companies hit the buffers and the Nasdaq sold off, coinciding with inflation and rising interest rates. The FT tells us that, last year, SVB's deposit costs soared from 0.14% to 2.33% while the value of its long bond portfolio plunged $15bn, values fall as yields rise, a classic squeeze.* It planned to fix the problem by selling low-yield long-dated bonds and buying higher-yield short-dated bonds while raising $2.25bn in new equity. In so doing, it crystallised $1.8bn in losses while failing to complete the capital raise before its clubby herd of tech depositors got wind of SVB's terminal problems and accelerated the pace of withdrawals. On 10 March, the day that the VC Founders Fund advised clients to exit SVB, depositors desperately sought to remove $42bn, 25% of its $171bn deposit base, in 24 hours in a classic run on the bank, forcing the FDIC to step in.** SVB had concentration risk, but it did put the 'cool' in banking, until it froze.

Many other banks hold long-term government bonds that are underwater^ but, if held to maturity, then they will get their principal back, the low yields simply being a drag on bank profits in the run-off. So, this crisis appears to be a threat to bank profitability and not a threat to bank solvency as in 2008. What followed 2008 was 13 years of near zero rates and no visibility as to when it would end, until it did in 2022. Ray Dalio of Bridgewater warned: "This bank failure is a canary in the coal mine of a changing cycle." The pain "in 2008 was heavily in residential real estate, now it's in negative-cash-flow venture and private equity companies as well as commercial real estate companies." Ouch. This crisis may cause bank depositors to demand higher rates for their money, and this will squeeze bank margins, in turn restricting their enthusiasm for lending and the generosity of their loan terms. The FT: "If banks now have to become more conservative to protect their balance sheets, that will have consequences for credit creation and the economy." This all has implications for shipping. For example, CS is the largest lender to Greece.^^. We do not appear to face the trade finance meltdown that followed Lehman, just tougher terms and higher costs, already familiar from greater regulatory and green transition measures. As if in defiance, it was a good to firm week for bulker and tanker earnings even as global equities sank. Bulkers were up on average 5.4%, led by the BHSI up 7% to $12,500. Tankers were up on average 12.2%, led by the Suez up 20% to $78,906. Crisis, what crisis? Shipping fundamentals are trying hard to assert themselves but larger market forces are at play. Keep calm and carry on.

*Under Trump, banks with assets between $100bn and $250bn (such as SVB) faced looser capital and liquidity requirements.

**The FDIC guarantees deposits up to $250,000 but at end 2022 c. 96% of SVB's deposits exceeded, or were not covered, by FDIC.

^It is estimated that US banks have 620bn of unrealised security losses, having been encouraged to hold LT bonds by regulators…

Larry Fink of BlackRock: "This is the price for decades of easy money." Fed policy has been too loose, too low, for too long.

^^Petrofin estimates that at end 2021, $5.6bn of CS's $10bn shipping loan portfolio at that time was out to Greek shipowners.

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Dry Cargo Chartering

Monday and Tuesday saw the **capesize** sector strengthening even further before levelling off as the week drew on. Overall time-charter averages were up by $1,401 from last week, ending up at $15,867. Baltic Exchange average freight prices by Friday were approximately $20.50 pmt for Brazil/China, around $8.75 pmt for Australia/China, and just shy of $10.00 pmt for Brazil/Rotterdam. In terms of coal fixtures, it was reported that a Costamare TBN vessel was fixed by TKSE to load 170,000 mtons 10% Dalrymple to Rotterdam at $13.90 pmt at the beginning of April. Elsewhere, Rio Tinto took a Classic TBN vessel for 165,000 mtons 10% ore from Kamsar to Zhoushan for the end of the month at $21.00 pmt. In terms of time-charter, Olam fixed *Pigi* (203,149-dwt, 2014) relet from East 33 Maritime delivery COGH for a trip via Brazil option West Africa to the Far East at $16,500 and a $1.2m ballast bonus, while Panocean chartered *Pacific Success* (180,407-dwt, 2011) relet from Ming Wah delivery Zhoushan for an Aussie round trip at $22,000.

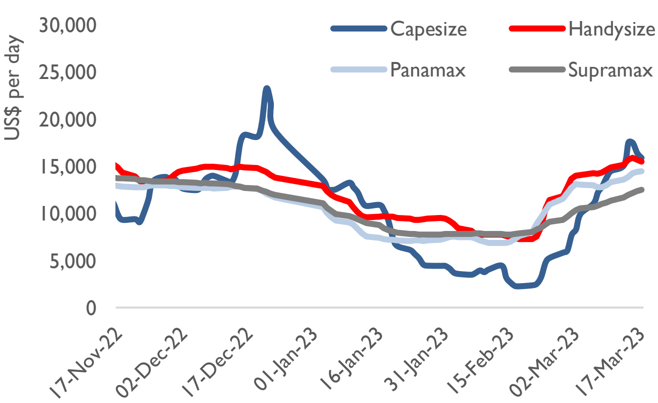
Another favourable week for the **panamax** market as demand and market rates held on steadily. P5TC closed at $15,509 up by $625 since last reported on 10th March. In the South Pacific, Multimax took *Tai Hang 9* (74,002-dwt, 2001) open Beihai via Indonesia to South China at $16,500 and Everest secured *Sweet Melissa* (79,445-dwt, 2011) open Meizhou for an Indonesia round trip at $17,000. Tongli was reported to have fixed *Xin Han* (82,297-dwt, 2013) open Putian for 2/3 laden legs for redelivery in Singapore-Japan range at $17,000. Over in the Atlantic, *MG Kronos* (84,790-dwt, 2016) was fixed PMO for a trip to Singapore-Japan range via East Coast South America with Raffles at $19,750, whilst Louis Dreyfus took *Zheng Hui* (81,797-dwt, 2014) passing Canakkale for a trip via Ukraine to Far East at $29,800. In the South, Cargill were linked to *Circle Harmony* (81,177-dwt, 2012) open East Coast South America for a trip to Skaw-Gibraltar range at $21,000. On voyage, a Kepco tender fixed a Wooyang TBN for their 80,000 mtons 10% coal lift Samarinda to Goseong loading 27th March/2 April at $9.39 pmt.

Meanwhile in the **supramax** markets, time-charter average earnings finished up $1,206 to close at $14,502. In the Pacific, the week started strongly but has quietened down by the second half. Demand remained, with a healthy level of enquiry for inter-Pacific business. *Ionic Smyrni* (56,025-dwt, 2013) open Singapore 19/20 March was fixed for a trip via Indonesia redelivery CJK with coal at $20,000. *PVT Sapphire* (56,024-dwt, 2006) open Cigading 16th March was heard fixed at $19,500 for a trip to China. Ramadan is starting on the 22nd March so the volume of cargo from Indonesia and the Arabian Gulf is expected to be slower. From East coast India, *Obsession* (63,606-dwt, 2022) open Haldia spot was heard to have fixed a trip to China at $19,000 but other sources suggest it was closer to $18,500. From South Africa, *Pacific Merit* (63,495-dwt, 2018) open RSA was covered for a trip east at a strong $22,000 plus $220,000 bb, the charterers Norden. From the Plate, Supra's have been fixing a low $20,000's on tct for trip to the East Mediterranean. US Gulf front haul is paying around the $20,000 mark. *Nord Maderira* (64,061-dwt, 2020) open US Gulf concluded at $20,000 for fronthaul, with Cofco being the charterers.

A continued positivity within the **handy** market in both the Atlantic and Pacific. BHSI closed this week at $12.500 up $1,139 from last week. Increased volume of cargo from the Black Sea and Eastern Mediterranean regions helping to boost rates, *Poyang* (39,790-dwt, 2016) fixed delivery Canakkale for a prompt trip via Black Sea redelivery US Gulf with cement at $16,000. *Crinis* (28,378-dwt, 2011) fixed delivery Constantza for a trip to Algeria with grains at $10,250. The Continent was slow but stable, *Helga Bulker* (34,483-dwt, 2017) fixed delivery Rotterdam for a trip redelivery Mediterranean with grains at $14,500 with Integrity Bulk. A 28,000-dwt vessel open in West Africa was rumoured to have been fixed via Tema to Denmark at $9,500. Limited prompt tonnage in both the US Gulf and US East Coast, helped push levels up. *Norse Altmira* (40,020-dwt, 2022) fixed South-West pass for a trip to Morocco with grains at $15,000 with Martrade. Clipper took the *Eco Bushfire* (32,081-dwt, 2011) delivery Tampa for a trip to Atlantic Colombia at $11,000. In South America, *V Uno* (37,888-dwt, 2015) delivery Recalada for a trip redelivery West Coast South America at $22,000. *Carlota Bolten* (37,489 dwt, 2015) delivery Santos for a prompt trip redelivery Morocco at $16,000. *Romandie* (35,774-dwt, 2010) delivery When Where Ready Upriver for a prompt trip redelivery Chile at $21,500. Despite a slow down of enquiry in Southeast Asia and Australia, sentiment remains up. *Centurion Juktas* (37,694-dwt, 2023) fixed dop Bang Saphan for two laden legs, 1st leg into New Zealand at $16,000. *English Bay* (32,833-dwt, 2000) fixed from Koh Sichang for a round voyage at $10,000. A 37,000-dwt vessel open Cilacap fixed for a trip via Australia back to Southeast with clean cargo at around $15,000 levels. On the Period front, a 38,000-dwt open on the Continent was rumoured to have been fixed for 3/5 months with Atlantic redelivery at $13,500 to Oldendorff whilst the *Maryam D* (35,093-dwt, 2016) was rumoured to have been fixed for 4/6 months with Worldwide redelivery at $15,000. In the Pacific, *Bunun Xcel* (39,670-dwt, 2023) fixed delivery yard in Japan for 11/14 months at $16,300.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Pigi	203,149	2014	Cape of Good Hope	25 Mar	Singapore-Japan	$16,500	Olam	Via Brazil, Option West Africa, +1.2 mil bb
Pacific Success	180,407	2011	Zhoushan	Ppt	Singapore-Japan	$22,000	Panocean	Via West Australia
Climate Ethics	87,285	2023	Tachibana	15/16 Mar	Japan	$22,000	Kline	Via East Coast Australia
Xin Han	82,297	2013	Putian	18/19 Mar	Singapore-Japan	$17,000	Tongli	2 laden legs
Circle Harmony	81,177	2012	East Coast South America	13 Mar	Skaw-Gibraltar	$21,000	Cargill	-
Ionic Smyrni	56,025	2012	Singapore	19/20 Mar	CJK	$20,000	Fullinks	Via Indonesia
Bulk Manara	55,692	2010	Merak	13 Mar	China	$18,000	Cnr	-
Norse Altamira	40,020	2022	SW Pass	Ppt	Morocco	$15,000	Martrade	-
Sirius	34,537	2011	Canakkale	Ppt	ARAG	$11,250	Cargill	Via Black Sea
Helga Bulker	34,483	2017	Rotterdam	Ppt	Mediterranean	$14,500	Integrity	-



Exchange Rates	This week	Last week
JPY/USD	132.14	134.26
USD/EUR	1.0669	1.0690

Brent Oil Price	This week	Last week
US$/barrel	72.74	82.36

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	415.0	441.0
VLSFO	560.0	590.0
Rotterdam IFO	395.0	412.0
VLSFO	530.0	563.0

Dry Bulk S&P

There was a bit of a Credit Suisse cough and a splutter in the market at the start of the week, but it was no more than that. This is not 2008; the market has far more upside than down and the bank contagion this time seems to have been snuffed out quickly. The market continues its ascent and seems to be gaining momentum.

We have a long list of sales this week. There is a limited pool of sales candidates and we have seen a few sellers become increasingly coy and withdraw to re-consider their pricing.

Cape earnings have surged and re-awakened the secondhand market. The Chinese built and owned *Xin Jin Hai* (180,406-dwt, 2009 Dalian) is sold at a bouncy $23m and the sisters *Aquatonka* and *Aquahaha* (179,2012- dwt, 2012 Hanjin Phil) at $28m each. The older Mount Faber (176,943-dwt,2008 Namura) is reported sold at $ 22.7m.

Having been relatively dormant in recent months, the panamax/kamsarmax market has also burst into life. The stand-out sale is *Efossini* (75,003-dwt, 2012 Sasebo) at $22.5m, with a 12 month timecharter back at $16,000 per day. The older tonnage does not seem to be flourishing quite as vigorously - *ES Sakura* (76,596-dwt, 2007 Imabari) is sold at $14.5m and *Bulk Japan* (82,951-dwt, 2006 Tsuneishi) at $15m.

Generally the older and thirstier tonnage is being left behind. Dolphin57s are being sold but without much of an uplift on price. *AIS Sun* (57,000-dwt, 2010 Yangzhou) is sold at a dismal $11.2m, and *Glovis Magellan* (56,582-dwt, 2013 Xingang) at $15.8m. *Ocean Cross* (53,617-dwt, 2007 Dayang) is sold at a weak $9.9m.

Japanese handies continue to be the belle of the ball with *Schelde Confidence* (38,255-dwt, 2011 Imabari) recording an improved $17.1m sale and another large jump is recorded with the sale of *Hadar* (28,236-dwt, 2012 Imabari) at $13.1m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Xin Jin Hai	180,406	2009	Dalian	-	-	$23.00m	BWTS Fitted
Aquatonka	178,733	2012	HHIC	-	Norden	$28.00m	
Aquahaha	179,023	2012	HHIC	-	Norden	$28.00m	
Mount Faber	176,943	2008	Namura	-	Chinese	$22.70m	
Bulk Japan	82,951	2006	Tsunesishi	-	-	$15.00m	BWTS Fitted
Ikan Kerapu	78,020	2015	Sasebo	-	Seanergy	$26.50m	BBHP Basis
ES Sakura	76,596	2007	Imabari	-	-	$14.50m	BWTS Fitted
Efrossini	75,003	2012	Sasebo	-	-	$22.50m	TC back Safe Bulkers @ 16k pd for 10/14 months
Iris Express	58,785	2007	Tsuneishi Cebu	4x30t	-	$14.30m	BWTS Fitted
AIS Sun	57,000	2010	Yangzhou	4x36t	-	$11.20	BWTS Fitted
Glovis Magellan	56,582	2013	Tianjin Xiangang	4x35t	-	$15.80m	DD and BWTS Due
Ocean Cross	53,617	2007	Yangxhou	4x36t	-	$9.90m	BWTS Fitted
Worldera - 1	51,024	2001	Oshima	4x30t	-	$8.10m	Prompt dely China
Schelde Confidence	38,255	2011	Imabari	4x31t	Greek	$17.10m	
Nordic Skagen	33,741	2010	TK Hongnong	4x30t	-	$12.50m	BWTS fitted
Crux	32,744	2002	Kanda	4x31t	Turkish	$8.00m	
Hadar	28,236	2012	Imabari	4x31t	-	$13.10	

HARTLAND SHIPPING SERVICES

Tanker Commentary

New benchmark values have been set in the vintage VLCC market as rates have exceeded 100k per day. Despite these mega earnings, Greek owners cannot help but seize the opportunity to cash out on ageing vessels in their fleet. We note this week that clients of Aeolos Management have sold their *Kassos I* (320,47-dwt, 2007 Hyundai Samho - BWTS + Scrubber Fitted) to UAE based buyers for xs $60m. It was thought that a sale at these levels would take some time to be repeated, however it has also came to light this week that Kyklades Maritime have sold their *Limnia* (309,960-dwt, 2009 Imabari - BWTS Fitted) for $61.5m. By way of comparison, just over a week ago Japanese owners committed the *Yufusan* (310k-dwt, 2005 Mitsui - BWTS Fitted) for around $53m.

Product tankers have seen the most love this week with a total of twelve vessels changing hands. In the LR1 sector, the *Chemtrans Oceanic* (74,901-dwt, 2005 New Century - Epoxy) and *Energy Champion* (70,681-dwt, 2005 STX - Epoxy) have both been sold for around $20m each. In the MR sector, Greek owners Pyxis Tankers have sold their *Pyxis Malou* (50,677-dwt, 2009 SPP, epoxy - BWTS Fitted) for $24.8m to UK based buyers. The price seems rather firm when compared to the sale of the similar profile *Desailly* (50,192-dwt, 2009 SPP, epoxy - BWTS Fitted) which recently fetch $22.5m.

Saudi owners, Bahri continue their fleet renewal strategy with an enbloc sale of their NCC Haiel/NCC Dammam (46,965/46,953-dwt, 2008 Hyundai Mipo - Interline) for $20.8m per unit. In weaker markets, these ships would have been much harder to sell given their specialised design (22 tanks), however today, no tanker is left alone on the dancefloor. US based MT Maritime have committed all three of their *MTM Manila / MTM Yangon / MTM Mumbai* (46k-dwt, 2003 Hyundai Mipo, epoxy - BWTS Fitted) to Chinese buyers $14.8m per unit. In the final of the enbloc deals, Bergen based Viken Shipping have committed their MR1 pair *Utviken/Inviken* (38,873/38,872-dwt, 2008 Hyundai Mipo, epoxy phenolic - BWTS Fitted) for xs $20m per unit.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Kassos I	319,247	2007	Hyundai Samho	Middle Eastern	$60.00m	Scrubber / BWTS Fitted
Limnia	309,960	2009	Imabari	-	$61.50m	BWTS Fitted
Star Prosperity	115,098	2009	Sasebo	-	$40.10m	Epoxy
Chemtrans Oceanic	73,901	2005	New Century	-	$21.00m	Epoxy
Energy Champion	70,681	2005	STX	Beks	$19.50m	Epoxy
Pyxis Malou	50,667	2009	SPP	-	$24.80m	
Desailly	50,192	2009	SLS	-	$22.50m	
Evian	48,676	2006	Iwagi	Middle Eastern	$18.00m	
NCC Haiel	46,953	2008	Hyundai Mipo	-	$20.80m	Interline
NCC Dammam	46,965	2008	Hyundai Mipo	-	$20.80m	Interline
MTM Manila	46,839	2008	Hyundai Mipo	-	$14.80m	Epoxy, BWTS fitted
MTM Yangon	46,818	2008	Hyundai Mipo	-	$14.80m	Epoxy, BWTS fitted
MTM Mumbai	46,818	2008	Hyundai Mipo	-	$14.80m	Epoxy, BWTS fitted
Utviken	38,872	2008	HMD	-	$20.25m	
Inviken	38,873	2008	HMD	-	$20.25m	
KS Clover	12,835	2009	STX	Greek	$10.50m	

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

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

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