26 May 2023

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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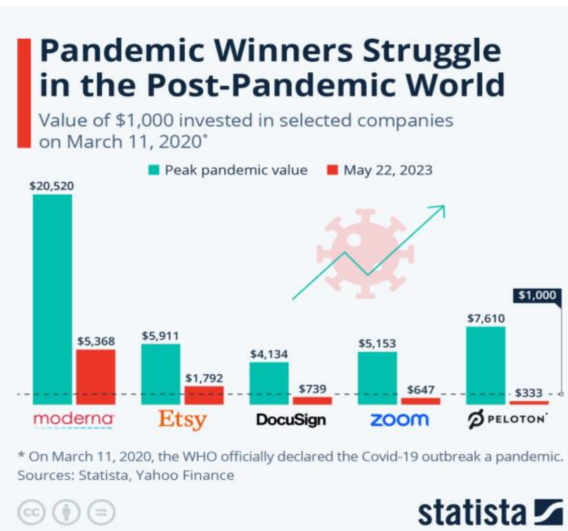
… The Post-Pandemic Reset …



Source : Statista

POINTS OF VIEW

Our three main shipping sectors appear becalmed at the moment, not quite what we had expected. We hear of more ship sales and contracting failing and charters for bulkers and containers renewing at much reduced rates. There are still hopes for a better second half of this year should central banks be able to clearly demonstrate that they are taming inflation, paving the way for interest rates to be lowered, which will be very much needed. We should be reminded that there is no template for dealing with a pandemic recovery, one in which we are not reverting to pre-pandemic behaviour nor to prior levels of investment and economic growth. Layer on top of that the end to a prolonged period of near zero interest rates post-GFC and the return of inflation. Finally, factor in 15 months of the largest war in Europe since 1945, with no end in sight. These events have combined to make for a unusually challenging economic and geopolitical backdrop. We also are experiencing various societal and health problems that are a legacy of lockdowns. The combination creates fertile ground in which the doomsayers can plant their seeds of doubt. One such article has just appeared in the FT entitled: "Boomy talk about the Chinese economy is a charade." This is a cause for concern in shipping given China's central role in both generating and satisfying global demand for wet and dry bulk commodities and manufactured goods.*

The key tenet of this thoughtful article by Ruchir Sharma, chairman of Rockefeller International, is that Wall Street's forecasts are now even more optimistic than what he sees as Beijing's unreachable growth target.** He perceives a disconnect between the rosier investment bank views and the dim reality on the ground. Sell-side analysts are still sticking to forecasts of over 5% GDP growth even though the reopening has stalled. Chinese companies are apparently much more circumspect as domestic consumers have not embarked on unbridled post-lockdown spending sprees. China accumulated excess savings during the pandemic worth 3% of GDP, whereas in the US it was 10%, so China did not get the reopening boost that the US did. Corporate revenues would need to have grown faster than 8% in Q1 to achieve 5% GDP growth. Instead, they rose only 1.5%. Revenues are growing slower than officially stated GDP in 20 out of China's 28 sectors. Furthermore, the MSCI China stock index has fallen 15% from its January peak and consumer discretionary stocks are down 25%. This all helps to explain falling imports (down 8% in April) and credit growth being at half the pace expected ($103bn in April) while retail sales and industrial output came in well below analyst estimates. It further states that Chinese consumer debt has doubled in the past decade to 30% of disposable income (10% in the US) and urban youth unemployment is at 20%.

Sharma writes that these facts point to the source of the problem. Since 2008, China's economic model relied on government stimulus and rising debt,^ with capital being funnelled into the real estate sector, now in crisis after having been the main driver of growth. Stimulus spending during Covid was constrained by high debt levels. The stimulus and debt model came unstuck in the property sector when local governments could no longer raise cash from land sales to developers as the merry-go-round ground to a halt: over-built, over-priced and now massively under-sold. The money has run out and central government is not willing or able to bail out insolvent developers or cash-strapped local governments. This has had a domino effect on industry which has slowed faster than the consumer sector that should be central to the great reopening. Sharma suggests that long-term potential GDP growth is 2.5%, half the target, with a shrinking population another drain on prospects. Wall Street, he argues, is sticking to its 'boomy' outlook through the selective use of official data, normally the job of central government. After some encouraging data earlier this year, this latest batch is sobering, the hope was that a Chinese reopening boom would counteract a US downturn this year. Now this looks less certain although there is still belief in some quarters that a more sustainable Chinese consumer rebound may appear later this year.^^ Given all the uncertainties and the prevalence of exogenous shocks, some good some bad, you can invent your own future and few will be able to contest it.+ For shipping, particularly tankers and bulkers, the hope and expectation remains that supply-side discipline will be rewarded even if demand growth is half-hearted.

*China's steel output in April was down 1.5% y-o-y to 92.6mt while global steel output in April fell 2.4% y-o-y to 161.4mt. Meanwhile, Dr Copper has fallen below $8,000/ton, as global demand weakens.

**A comment on the article read: "Economic analysis and projection based on emotive dysfunction and a single month (April) data does not a sound judgment make. While China's recovery may not be as fast and forceful as initially expected, it will eventually arrive …".

^Sour grapes? Japan has been doing the same ever since its bubble burst in 1989. Post 2008, the US, UK & EU have feasted on stimulus and debt in the form of QE and zero rates. They are all still around.

^^Reuters report that Q1 consumer spending in China was weighted towards 'experiences' such as travels, dining and luxury items. Some analysts claim that corporate earnings have reached a trough and that more "routine" spending will reappear in the coming quarters.

+As Bloomberg points out, Goldman Sachs' forecast of major rises in raw material prices this year has so far proved to be wrong, as have been all of the Bank of England's various predictions.

Dry Cargo Chartering

Capesize freight prices corrected fairly significantly this week as we also saw time-charter averages fall to $13,956, a decline of $3,503 since last reported. Baltic Exchange average freight prices for major routes were as follows: Tubarao-Rotterdam approximately $8.90 pmt, Brazil-China approximately $19.50 pmt, West Aussie-China around $8.30 pmt, RSA-China circa $14.60 pmt. Rio Tinto took advantage of this and were very active fixing at least 5 capes for their Dampier-Qingdao iron ore run for early June dates. Freight prices for 170,000 mtons 10% ranged from $8.78 pmt at the beginning of the week to $8.25 pmt by Thursday/Friday. Other West Australian charterers were active too, with BHP fixing *Sheng May* (180,651-dwt, 2019) for 160,000 mtons 10% loading Port Hedland at $8.65 pmt, while FMG took a TBN vessel at the same rate for the same route. From South Africa we heard that Ore and Metal took a TBN ship for Saldanha Bay to Qingdao at $15.09 pmt. Additionally, charterers Safeen Feeders fixed *Beks Istanbul* (179,100-dwt, 2011) delivery East coast India for a round trip via Richards Bay with coal at $17,500.

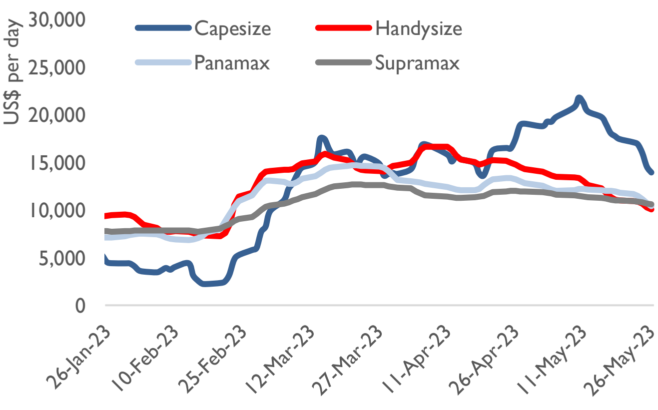
The week started off sluggish as the negative sentiments continued through. **P5TC** closed at $10,072, down since last reported 19th May. In the Pacific, it was reported that Oldendorff fixed *Diamond Globe* (82,027-dwt, 2018) for a trip from Australia via Albany to Vietnam at $8,750. *Xi Long 18* (79,235-dwt, 2013) open Putian was placed on subjects for a trip to Philippines via Indonesia at $5,000 with Damico. In the north, another rumour was heard that *Oceania Graeca* (82,033-dwt, 2019) open CJK was placed on subjects with Tongli for a trip to India via Australia at $10,000. On front haul, *Great Victory* (77,853-dwt, 2015) was heard fixed from East Coast South America for redelivery in the Far East at $16,000 with a $600,000 ballast bonus but no other details transpired. Similarly, Al Ghurair took *Doric Warrior* (93,115-dwt, 2010) open East Coast South America for a trip to Arabian Gulf at $14,750 with a $475,000 ballast bonus. Within the Atlantic, Refined Success fixed *Great Wealth* (75,570-dwt, 2011) open Porto Torres for a trip via US East Coast to Brazil but no rates have been reported yet. On voyage, a Kepco Tender was covered by a Korea Line TBN ship for 80,000 mtons 10% coal lift Gladstone-Boryeong 1/10 June at $10.68 pmt.

Supramax market tumbled further down at a heavier rate dropping by around 12% from last week. The outlook is sadly still very grim and we need the cargo volume to return soon. The S10TC closed at $10,403 down by $1,443 (-12.18%) since reported last week 19th May. In the Pacific, Joint Faith fixed *New Venture* (53,390-dwt, 2009) delivery aps North China prompt dates for a trip to the Continent at $9,000, Tongli covered *Rui Ning 6* (53,501-dwt, 2010) delivery Ho Chi Minh for a trip via Indonesia to China at $7,500 and *Peristil* (52,000-dwt, 2010) was fixed delivery CJK prompt dates for a trip via South Kalimantan back to CJK around $6,500. Whilst in the Indian, last week *YM Advance* (63,509-dwt, 2019) fixed delivery South Africa for a trip to the Far East at $18,300 plus $183,000 bb, White Cloud Shipping covered *Aventicum* (58,087-dwt, 2010) delivery Mesaieed 25th May for a trip to Khalifa at $15,500 and *ST Paul* (57,982-dwt, 2010) was covered delivery East Coast India 22nd May for a trip with Iron Ore to China at $11,000. And in the Atlantic, Olam fixed *Jal Kaml* (63,219-dwt, 2020) delivery Brazil spot dates for a trip to Singapore-Japan range at $15,000 plus $525,000 bb.

A slow week in both Atlantic and Pacific basins. Limited fresh inquiry contributing to the decline of the **BHSI**, down $433 since last Friday. Continent was stable, trips to West Mediterranean paying in the $8,000'spd on 32,000-dwt vessels. Trips from the Baltic to Mediterranean paying closer to $10,000pd. It was rumoured a scrap trip from Hamburg to Turkey was fixed on voyage at $8,500 time charter equivalent. In the Mediterranean, a 36,000-dwt vessel fixed a trip to Peru at around $12,000 p/d. A 34,000-dwt fixed from the Black Sea for a short intra-med trip to Italy at $9,000. US Gulf was quiet, little reported activity while rates continue to soften. East Coast South America held it's position, *TJ Harvest* (32,038-dwt, 2004) open Vera Cruz fixed delivery Fazendinha for a grains trip redelivery Atlantic Columbia at $12,000 with Seacon. Further south, *African Tiger* (37,672-dwt, 2022) open Rosario fixed delivery World Wide Range for a trip East into South East Asia at $16,000 with Axle, and *Sea Falcon II* (37,152-dwt, 2011) open Recalada fixed for a trip via Neccochea to ARAG with grains at $14,500. Meanwhile in the Pacific it was a flat week with little change in rates. Back haul has been quiet lately but the following fixed/failed *Zhe Hai 505* (35,130-dwt, 2011) open Lanshan 2 June Failed Trip Cont at $9,500. Round voyages are paying $8-11,000pd depending on specs, the larger *Eco Splendor* (38,302-dwt, 2013) open Busan fixed via North Pacific, redelivery Spore-Japan range at $11,000, the charterers Daiichi. There is little period appetite at the moment from charterers but *Achilles Bulker* (32,729-dwt, 2003) open Lanqiao fixed 2 laden legs at $8,850, the charterers Yangtze Nav, and a smaller 29k-dwt also covering legs at $7,500pd.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Constantinos G.O	87,450	2011	Kaohsiung	17 May	Japan	$17,000	Panocean	Via Villanueva
Maria G.O	87,450	2011	Taichung	22 May	Taiwan	$7,250	Oldendorff	Via Australia
Yiannis B	82,562	2008	Singapore	12 May	Singapore-Japan	$10,500	Olam Intl	Via EC South America
Konstantinos II	81,698	2013	EC South America	9 June	Singapore-Japan	$15,100	Raffles	+$510,000 bb
Aom Sveva	81,625	2019	Cadiz	23/24 May	Continent	$10,750	Ultrabulk	Via US Gulf
Jal Kamal	63,219	2020	Brazil	Ppt	Singapore-Japan	$15,000	Olam	+$525,000 bb
Melia I	55,612	2011	Fangcheng	Ppt	China	$7,300	Aris	Via Indonesia
River Globe	53,627	2007	Batam	Ppt	China	$10,750	Cnr	Via Indonesia
Sider Eva Maria	39,182	2014	WWR San Lorenzo	Ppt	WC South America	$22,500	Ultrabulk	Via Upriver
Melbourne Spirit	35,573	2013	Barcarena	Ppt	EC Mexico	$15,000	Lauritzen	-



Exchange Rates	This week	Last week
JPY/USD	140.30	138.07
USD/EUR	1.0725	1.0797

Brent Oil Price	This week	Last week
US$/barrel	77.07	76.61

Bunker Prices ($/tonne)		This week	Last week
Singapore	IFO	445.0	454.0
	VLSFO	575.0	584.0
Rotterdam	IFO	454.0	433.0
	VLSFO	584.0	526.0

Dry Bulk S&P

Despite uninspiring freight rates causing general sentiment to shift to a more bearish tone, we still have recorded a healthy number of sales this week across both very modern and more vintage units.

Following a flurry of Capesize sales earlier this month, we only have one to report this week. Foremost Group have committed the *Bao May* (178k-dwt, 2010 SWS) for $25.5m. Whilst the eventual buyer is currently unclear, both Middle Eastern and Chinese parties have been linked to the sale.

Modern eco tonnage still remains in high demand, with the standout sale being two Crown-63 design Ultramax's, *Aries Confidence/Taurus Confidence* (63k-dwt, 2018 New Dayang), which were snapped up by Spar Shipping for $28m per vessel. This was not the only activity in the Ultramax sector this week, as Singapore based PCL invited offers on their *Ikan Pulas* (63k-dwt, 2016 Shin Kasado). It is understood that there were four total offers on the day, with the highest being in the high $28m range. The last of the eco tonnage to have changed hands this week was the B-Delta 43 design *Atlantic Altamira* (43k-dwt, 2017 Qingshan) which has been committed in the region of $24.5m.

At the other end of the market, two vintage Supramaxes have been sold this week. Firstly, Greek owners, Meadway Shipping & Trading have sold their *Magnum Fortune* (53k-dwt, 2009 Yangzhou Dayang) to Indonesian buyers for $12.9m. Following this, Jinhui Shipping & Transport are also understood to have sold their *Great Wenjie* (50k-dwt, 2002 Oshima) for $7.5m.

The last of the sales this week comes in the Handysize sector, where Yangtze Navigation have sold their *Yangtze Oasis* (34k-dwt, 2013 Nantong) for $13.8m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Bao May	178,050	2010	SWS	-	-	$25.50m	
Taurus Confidence	63,270	2018	New Dayang	4x35t	Spar Shipping	$28.50m	Basis Q4 Delivery
Aries Confidence	63,153					$28.50m	
Magnum Fortune	53,631	2009	Yangzhou Dayang	4x35t	Indonesian	$12.90m	
Great Wenjie	50,777	2002	Oshima	4x30t	-	$24.50m	SS due 2027
Atlantic Altamira	43,368	2017	Qingshan	4x30t	-	$24.50m	DD due 11/2025
Yangtze Oasis	34,306	2013	Nantong	4x30t	-	$13.80m	Shallow Draft

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Tanker Commentary

Activity in the Aframax / LR2 sector remains firm with a number of sales and offers in the last week. N G Moundreas are reported to have sold the LR2, *Ace* (113,005-dwt, 2008 New Times) for high $30m region. At the time of writing we are still unclear on the final price, last week *Ampleforth* (108,912-dwt, 2008 SWS) was reported sold for $36m. The also Greek controlled *Seascout* (105,330-dwt, 2004 Hyundai Samho) has a achieved a $27m this week.

In the modern Aframax sector, Pleiades have let go of their eco Aframax, *Sperchios* (106,999-dwt, 2018 Namura) for $68.5m. This price falls in line with the one year older LR2, *Aristoklis* (113,838-dwt, 2017 Daehan) which Capital sold in April for the same price.

After some significant falls in rates recently, it is heartening to see some strong rebounds this week, particularly on the clean side. The BCTI has risen from its trough of 585 to 670 today, while the Baltic MR2 Atlantic basket has risen over $20k/day this week. The LR1 market has remained fairly steady, with the key TC5 route closing the week at $28k/day, whilst still someway from its recent peak of over $70k/day in January, these still represent very healthy profitable earnings for owners.

Gulf Energy Maritime are continuing their selling spree, letting go of five LR1's this week. The *Gulf Coast/Gulf Horizon/Gulf Pearl* (75k-dwt, 2005 Hyundai Mipo - Epoxy) Are all understood to have sold for $20.5m per vessel, whilst the slightly younger *Gulf Coral/Gulf Crystal* (75k-dwt, 2009 Hyundai Mipo) fetched $28.5/29.5m respectively. This was not the only bloc deal to be concluded this week. Vitol have concluded a deal for four MR tankers, *Usma/Piltene/Targale/Ugale* (52k-dwt, 2007 SLS - Ice 1B) for a total of $90m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Dakota Strength	115,878	2007	Samsung	Gardsea	$39.80m	
Ace	113,005	2008	New Times	-	$38.00m	SS/DD due September
Sperchios	106,999	2018	Namura	-	$68.50m	SS/DD Passed this year
Seascout	105,330	2004	Hyundai Samho	-	$27.00m	
Gulf Crystal	74,999	2009	HMD	Onex DMCC	$29.50m	
Gulf Coral					$28.50m	
Gulf Coast		2005		-	$20.50m p/v	
Gulf Horizon						
Gulf Pearl						
Torm Sara	72,718	2003	Samsung	-	$16.50m	Hull damage due to grounding
Usma	52,684	2007	3 Maj	-	$90.00m en bloc	BWTS Fitted
Targale	52,660					
Piltene	52,648					
Ugale	52,642					
Eastern Quince	41,397	2009	SLS	-	$21.00m	BWTS fitted, Uncoiled

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