HARTLAND
SHIPPING SERVICES

02 June 2023

WEEKLY COMMENTARY

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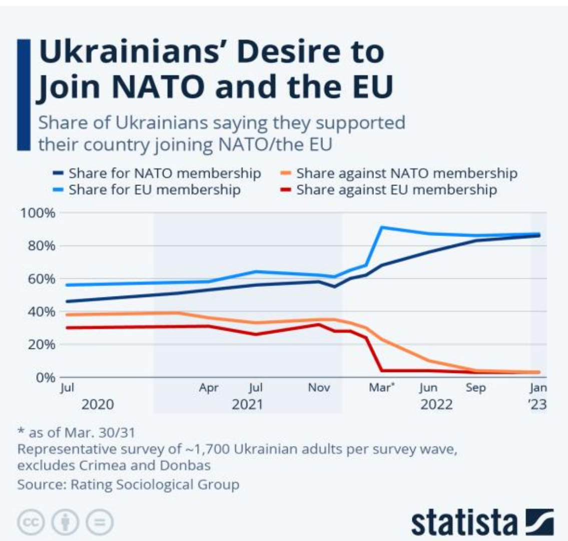
… Coming Soon …



Source : Statista

POINTS OF VIEW

In 2016, Opec and Russia (plus others) decided to cooperate on output targets in order to manage oil prices, creating the 23-nation coalition known as Opec+. In early 2020, just as the Covid virus was spreading, Russia rejected Opec's request to cut output leading to overproduction and Brent plunging to below $20 a barrel in April. At that point the brief but brutal price war was aborted and they agreed on production cuts amounting to almost 10m-bpd. This led to a steady climb in prices to a dizzy peak of $124 a barrel in March 2022. This weekend, Opec meets with Russia in Vienna to discuss output strategy. Some media organisations such as Bloomberg, Reuters and the WSJ have been denied press access, an unusual move. The atmosphere is a bit tense as Saudi Arabia has been doing most of the heavy lifting in cutting output, along with the UAE and Kuwait, to support oil prices. Despite these efforts, Brent languishes at around $75 a barrel, having just got a lift from Washington's last minute avoidance of debt default, down from a mid April peak of $87 a barrel. The problem is weak global demand. Opec+ barrels had been progressively fed back into the market in the 2022 Covid recovery phase, but this has since petered out as inflation bites, interest rates rise and China's rebound stutters. Meanwhile, Russia is maintaining high output levels to finance its military operation in Ukraine, but to little avail. Its oil and gas tax receipts fell to the equivalent of $8.30bn in April, down 5.9% m-o-m from March's $8.82bn, and down 64% y-o-y from April 2022's $23.05bn. Western sanctions are working, effectively squeezing the Kremlin's hydrocarbon rents that routinely fund 40% of its budget.

The incompatibility of Opec and Russian objectives may lead to another fallout that could see Saudi Arabia opening the spigots to collapse prices and regain lost market share from its Russian partner. However, this will not help the kingdom pay for its megaprojects (such as the vast $500bn Neom City on the Red Sea) or to finance its generous social and economic reform programmes, but it would pull the rug from under Russia's feet. After the April 2020 output agreement, Russia's production rose steadily to December 2021 before finally falling below its agreed quota. In other words, Russia had 20 months of not playing by the rules in its role as a leading Opec+ member, until this year. However, since October, Opec+ has coordinated output cuts with Saudi Arabia anticipating global economic recession and falling oil demand and Russia retaliating for western sanctions and price caps. Thus, since 2019, global oil output has waxed and waned in response to world events. Covid, inflation and recession fears led to production cuts while the end of lockdowns, China's re-opening and the war in Europe saw production rise. The fortunes of crude oil and product tankers have been closely correlated with these periods of feast and famine on what has been a rollercoaster journey.* The Vienna meeting will determine oil output and influence tanker rates. As Bloomberg puts it: "For as long as possible, Moscow will continue to pretend it has reduced supply and its Opec+ partners will pretend to believe it. Unless the hoped-for demand surge comes along soon, it's a fiction they'll struggle to maintain."

So the big question is, where is the demand? The IEA forecasts world oil demand to rise 2.2m-bpd y-o-y in 2023 to 102m-bpd. In its May Oil Market Report it wrote: "China's demand recovery continues to surpass expectations … while the OECD is set to return to growth in 2Q23, its average 2023 increase of 350k-bpd pales in comparison with 1.9m-bpd in non-OECD gains." From a tanker viewpoint, Russian oil is travelling further and Opec cuts mean replacement volumes for Asian refiners will come from the US and other Atlantic Basin suppliers. Chinese demand is gradually perking up with its refinery output rising almost 19% y-o-y in April to 14.9m-bpd. Demand may be somewhat elusive but the supply side is benign with the orderbook for all tankers at only 4.6% of the fleet. Taking VLCCs. 35 delivered in 2021; 42 in 2022; 24 are due in 2023; 0 in 2024; 1 in 2025; 1 in 2026. From next year, only 2 VLCCs are slated for delivery in 2024-2026 although more may be added in the later part of the period. In the meantime, all we need is that forecast demand recovery to materialise in H2 to expose a shortage of new eco supertankers just as pressure rises to reduce carbon emissions. The IEA anticipates tighter market balances in H2 when demand is expected to eclipse supply by almost 2m-bpd, maybe forcing Opec+ to reverse its production cuts.

*Baltic TCEs – peak average daily earnings since start 2020:

VLCC: $264,072 pd on 16 Mar 2020
Suezmax: $132,006 pd on 23 Nov 2022
Aframax: $125,722 pd on 28 Nov 2022
MR Atlantic: $87,469 pd on 23 Apr 2020
MR Pacific: $79,699 pd on 23 Apr 2020

Baltic Sale & Purchase Assessments of 5yo Jan 2020 – Jun 2023:

VLCC: $75.5m > $98.1m (+29.9%)
Suezmax: $52.8m > $68.7m (+30.1%)
Aframax: $40.2m > $64.2m (+59.7%)
MR: $29.6m > $42.5m (+43.6%)

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The **capesize** market plummeted this week, with time-charter averages on wednesday falling by $3,122. Overall, averages ended up at $9,254 a decrease of $4,702 from our report last Friday. Baltic Exchange average freight prices for major routes were as follows: Tubarao-Rotterdam approximately $7.90 pmt (-$1.00), Brazil-China approximately $18.00 pmt (-$1.50), West Aussie-China around $7.50 pmt (-$0.80), RSA-China circa $14.00 pmt (-$0.60). Rio Tinto continued to take advantage of the falling market by booking at least 7 capes for mid-June dates for their 170,000 mtons 10% Dampier-Qingdao route. Freight prices ranged from $8.30 pmt on Monday down to $7.40 pmt by the end of the week. Likewise, BHP chartered *Cape Agamemnon* and 2 other TBN ships for 160,000 mtons 10% iron ore Port Hedland-China for mid-June with freight ranging from $8.00 pmt to $7.55 pmt. Elsewhere, Ore and Metal fixed Saldanha Bay-Qingdao at $14.15 pmt, Mittal took a TBN vessel for 150,000 mtons 10% ore Port Cartier to Kakogawa at $25.60 pmt, and Rio Tinto also fixed 165,000 mtons 10% bauxite Kamsar to China 21/25 June at $19.25 pmt.

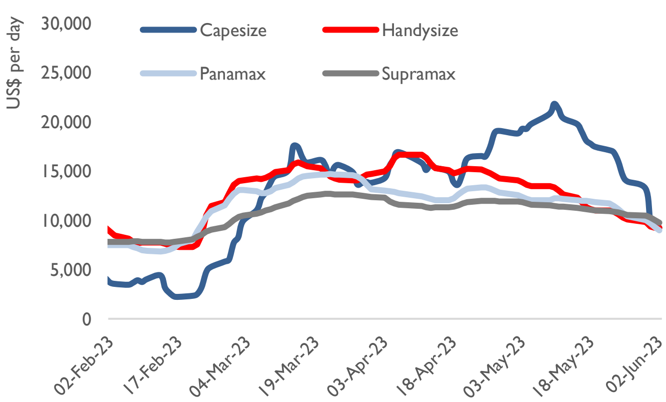
Negative sentiment remained in the Atlantic. Pacific finally seeing more cargo enquiries close to the end of the week, although many spot vessels left struggling. A **P5TC** closed at $9,269 down by $803 since last reported 19th May. In the Pacific, it was reported that *Guo Yuan 88* (86,417-dwt, 2021) was fixed for a trip delivery Dung Quat via Indonesia to redel Japan at $11,000. Whilst *Fenda 18* (73,288-dwt, 2000) open Hong Kong was fixed to Lotus Ocean for a trip via Indonesia redel South China at $4,000. In the north, *Energy Cosmos* (81,982-dwt, 2020) open Kakogawa was fixed for a trip via North Pacific redelivery Singapore-Japan with Sulphur at $10,000. In the Atlantic, most fixtures are concluded with ballasters for fronthaul, *Star Amethyst* (82,123-dwt, 2009) was delivery aps East coast South America for a trip redelivery Singapore-Japan at $14,750 plus $475,000 bb by Cargill, similarly, Koch Trading took *Ying Shun* (81,169-dwt, 2013) was fixed delivery retro Port Kelang for a trip via East coast South America redelivery Singapore-Japan at $10,000. On voyage, Kepco Tender fixed Wooyang TBN for their 80,000/10 coal lift Semirara / Dangjin 8/12 June at $7.38.

Supramax market continued to fall yet again this week. The Pacific struggled to produce enough cargo volume and the general forward sentiment continued to be questioned. The **S10TC** closed at $9,011 down by $1,392 (-13.38%) since reported last week 26th May. In the Pacific, *AP Slano* (57,300-dwt, 2012) fixed delivery Davao prompt dates for a trip via Philippines to China at $8,500 and Messinian Spire (56,056-dwt, 2008) was covered delivery CJK prompt dates for a trip via Indonesia to West Coast India at $4,250. Whilst in the Indian, *Aries Confidence* (63,158-dwt, 2018) fixed delivery Colombo prompt dates for a trip via South Africa to Far East at $11,000 and Trans Power took KSL Qingyang (56,880-dwt, 2011) delivery Karikal 31st May for a trip to China at $5,000. And in the Atlantic, Cargill fixed *Spar Norma* (63,165-dwt, 2017) delivery Itaqui prompt dates for a trip to Singapore-Japan range at $13,100 plus $310,000 bb whilst Norvic took *Genco Auvergne* (58,020-dwt, 2009) delivery US Gulf prompt dates for a trip to Morocco at $14,250.

Remarkably, the **BHSI** closed this week as the strongest performing index at $9,805, although down $780 since last Friday. Continent and Mediterranean lacked fresh prompt inquiry driving Owners rates down quickly. A 38,000-dwt logger fixed from the Baltic to the East Mediterranean in the $11,000's. A 32,000-dwt vessel fixed from Morocco to the Continent at $7,000. *Fuat Bey* (35,436-dwt, 2014) fixed from East Mediterranean to North coast South America – Caribbean range at $9,000pd. Rates continued to soften in the States and in the Gulf, with again, limited inquiry leaving Owners little choice. Cargill fixed the *Corewise Ol* (37,059-dwt, 2013) basis delivery Savannah for a trip to Rotterdam with Woodpellets at $8,000. East Coast South America dropped further, *Hainan Island* (32,573-dwt, 2004) open in Vila De Conde fixed a 30-day trip basis delivery Maceio to Texas Gulf at $12,000, *Floriana* (33,862-dwt, 2012) fixed Fazendinha for a trip to Norfolk with grains at $14,750 to Western Bulk Carriers and *Armia Krajowa* (39,071-dwt, 2016) fixed WWR Upriver to Morocco at $16,000. A very similar story in the East, while Japan braces itself for a Typhoon expected to hit land over the weekend. *Nemrut Bay* (34,431-dwt, 2019) open in Hiro fixed for a trip to Southeast Asia at $7,500. *Clipper Dee* (31,638-dwt, 3013) open spot in Onsan fixed a short trip within the Far East at $5,000. *Sandy Bay* (40,020-dwt, 2020) opening in Singapore heard fixed for a trip via Indonesia to the Philippines at $9,500. *Autumn Sea* (35,279-dwt, 2013) opening in Laemchabang fixed a trip to Australia at $7,000. *DL Marigold* (33,752-dwt, 2012) open spot in Lanshan reportedly fixed a trip to East Coast India at $8,000, option redelivery in West Coast India at $7,000 to Panocean.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Guo Yuan 88	86,417	2021	Dung Quat	1 Jun	Japan	$11,000	Cnr	via Indonesia
Bettys Dream	82,641	2008	Passing Singapore	29 May	PMO	$11,600	D'Amico	via EC South America & Arabian Gulf
Mondial Success	82,010	2017	aps EC South America	20/25 Jun	Singapore-Japan	$16,500	Kline	+ $650,000 bb
Energy Cosmos	81,982	2020	Kakogawa	3/6 Jun	Singapore-Japan	$10,000	cnr	via NoPac
Fenda 18	73,288	2000	Hong Kong	2 Jun	South China	$4,000	Lotus Ocean	via Indonesia
African Pheasant	63,507	2019	SW Pass	-	Singapore-Japan	$22,000	Bunge	-
AP Slano	57,300	2012	Davao	Ppt	China	$8,500	cnr	via Philippines
KSL Qingyang	56,880	2011	Karikal	31 May	China	$5,000	Trans Power	-
Uni Harmony	37,655	2016	Vila Do Conde	Ppt	Mississippi River	$15,000	Western Bulk Carriers	intention alumina
'Floriana	33,862	2012	Fazendinha	Ppt	Norfolk	$14,750	Western Bulk Carriers	intention grains



Exchange Rates		This week	Last week
	JPY/USD	139.66	140.30
	USD/EUR	1.0725	1.0725

Brent Oil Price		This week	Last week
	US$/barrel	75.91	77.07

Bunker Prices ($/tonne)		This week	Last week
	Singapore IFO	442.0	445.0
	VLSFO	530.0	575.0
	Rotterdam IFO	437.0	454.0
	VLSFO	568.0	584.0

Dry Bulk S&P

The BDI has dropped below 1,000, a figure which usually leads to confidence in the dry secondhand market is deflating. However, activity in the shipyards over recent months suggests that there is plenty of money to invest in the dry market. The question remains whether the short to medium term prospects for the freight market are sufficiently optimistic to restart the climb of secondhand values. We are seeing an abundance of sales candidates across sectors ten years old and older.

The sale of an August 2023 handysize from leading Chinese yard JNS is an interesting illustration of the balance between the secondhand and newbuilding markets. We understand that German buyers have paid in the region of $32.0m for the vessel, a yard stock unit. Competition at the yard has pushed contract prices to $30m and deliveries to 2026, which suggests, once pre-delivery finance and supervision costs are added, there is a very modest premium being paid to skip a two and a half year delivery lead time.

Five bidders competed on *Great Venture* (61,056-dwt, 2019 DACKS) which was sold at auction for $30.03m which suggests a slight drop on last month's values as we saw SUMEC dispose of two 2018 built Crown 63s in the 28s. What is worth noting, is the eco ships that have been sold are tender sales or auctions whereas other eco vessels in the market for sale via more traditional means are yet to accept proposals Buyers put in front of them. A sister to Great Venture is inviting offers via auction on 27th June, if this could be of interest please let us know. The outcome of two eco units from Japan should be clearer next week as *CF Diamond* (58k-dwt, 2016 Tsuneishi) invites offers on Tuesday and more clarity emerges over *Nord Treasure* (56k-dwt, 2014 Mitsui) which took offers this week.

It is harder to judge market movement in the Chinese-built supramax market as the quality of mid-aged tonnage is very varied, so the sale of *Daxia* (56,811-dwt, 2011 COSCO Dalian) at $14.2m is not particularly revealing. However, some sales lists point to well over twenty Dolphin 57s being sales candidates suggesting pricing will head in one direction.

Two high quality, high ice-class, Vietnamese-built units *Arkadia* and *Kampula* (56,300-dwt, 2012 Hyundai Vinashin) have been sold at excess $17m each after a relatively short marketing campaign.

Finally a Chinese-built handy is sold at a last done level. *Brianna* (31,800-dwt, 2009 Nanjing) achieved $10.6m to Turkish buyers.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Hanabusa	77,247	2007	Sasebo	-	Chinese	-	Coal carrier. 5 HO / 5 HA
Great Venture	61,056	2019	DACKS	4x30t	Greek	$30.03m	Online auction
Daxia	56,811	2011	COSCO Dalian	4x36t	-	$14.2m	-
Arkadia Kumpula	56,300	2012	Hyundai Vinashin	4x28t	-	xs $17.0m per vessels	Ice Class 1A
Wooyang Elite	55,600	2011	Hyundai Mipo	4x30t	-	-	Private terms
JNS Hull No. 616	40,500	2023	JNS	4x30t	German	$ 32.0m	October 2023 delivery
Brianna	31,800	2009	Nanjing	4x30t	Turkish	$ 10.6m	-

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Tanker Commentary

Bahri is further shedding its older tonnage and is taking offers today on *Lulu* (316,507-dwt, 2003 Hyundai HI). In April, they sold a pumproom MR, *Bahri Jasmine* (49,000-dwt, 2005 Daewoo) for $18.6m, and at the end of last year they offloaded a number of vintage VLCCs. With last week's reported sale of *Yio* (302,481-dwt, 2005 Mitsubishi) for $54m, we would expect to see something close to $50m.

Last week, in the LR1 sector, the key TC5 route closed at $28,000/day. Rates have decreased this week, closing in at $24,500/day by the end of the week however, they still remain healthy compared to historical averages. In the the S&P market, we reported *Gulf Crystal* (74,999dwt, 2009 HMD) sold last week for $29.5m.

Danish owners Celsius are continuing to offload their older tonnage. *Celsius Riga* (46,151-dwt, 2010 HMD, epoxy phenolic) has sold to US-based buyers for $28.5 million. The last sister ship to sell was the *Celsius Randers* (46,046-dwt, 2010 HMD) which achieved $27m in late March.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Golden Shiner	74,999	2007	Onomichi			Scrubber Fitted
Bowfin	74,994	2008	Minaminippon	-	$79.0m enbloc	-
Lake Sturgeon	74,993	2007	Onomichi			-
Celsius Riga	46,151	2010	Hyundai Mipo	US based	$28.5m	-
Gulf Mishref	46,089	2010	SLS Shipbuilding	-	-	Zinc coated

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