HARTLAND SHIPPING SERVICES

16 June 2023

WEEKLY COMMENTARY

CONTENTS

2. Dry Cargo Chartering
   More of the Same

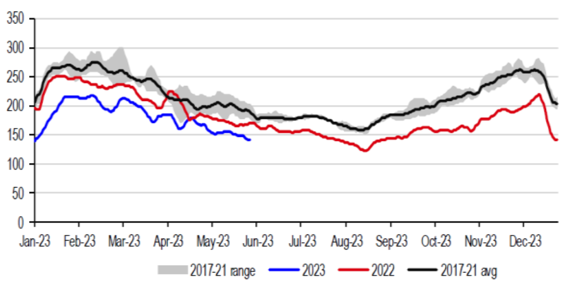
3. Dry Cargo S&P
   Heating Up

4. Tankers
   Spoilt for Choice

POINTS OF VIEW

The rising mercury in London this week brought back memories of the panic in commodity and financial markets last summer, when Europe was on the brink of a major energy crisis. Vladimir Putin's decision to turn off the gas taps, coinciding with heatwaves across the continent and outages at French nuclear plants, led to astronomical prices*. Due to the short-sightedness of a generation of politicians and years of underinvestment in energy networks, there was no Plan B except to cut demand and hope for a mild and windy winter. Governments were forced to write blank cheques to cover household bills and preparations were made for rationing or even blackouts. Since the autumn however, prices have retreated, and the Eurozone has endured only a very marginal recession^. Nevertheless, the brunt has largely been borne by industrial cut-backs. This week Bloomberg wrote that "the largest consumers of the fuel still appear reluctant to run their businesses at full steam." The ripple effect of the energy crisis has not been limited to Europe, nor just to the LNG shipping market. Minor bulk demand has weakened in Europe as factories, mills and smelters powered down and energy costs have also squeezed Asian economies too. In the container market, consumer demand on the vital Far East-Europe route has also contracted. Despite transient boosts to some demand sectors, such as stockpiling of coal last autumn and some gas-to-oil switching, the global economy will undoubtedly become healthier when Europe's industrial engines are running at full steam. To help shed some light on what has happened and what the future might hold, we bring you excerpts from HSBC Global Research's recent review of the gas market, titled "*Summer Gas Glut, Winter Uncertainty*".

…Industrial gas demand in top 5 countries*…
7-day average (mcm/d)



Source: HSBC, Refinitiv. As of 31 May 2023.
**Germany, UK, France, Italy and Belgium*

Natural gas prices in Europe and global LNG prices have slumped by two-thirds since the start of 2023 and by more than 90% from their peaks. Over the past few weeks, they have returned to historical levels of around USD8/mBtu. Lower prices were expected to trigger a recovery in demand, however Asian LNG imports are still lower than 2022, driven by a decline in Japanese demand, whilst in China industrial activity post re-opening has disappointed. High European LNG imports have helped to replenish storage rather than meet end-user demand. European industrial gas consumption fell 16% y/y in 2022 as high gas prices depressed activity and led to switching to other fuels. So far this year, demand has continued to slide: running at 14% below 2022 levels year to date.** Until recently, it was unclear how much of the decline in Europe's industrial gas consumption was structural versus temporary. In other words, it was difficult to determine how much was due to shutdowns and permanent efficiency gains, versus temporary reductions in activity and fuel switching. There is now evidence of a large element of permanent demand destruction. This could be explained by plant shutdowns and relocations outside Europe (e.g. in the chemical and ammonia sector); and sticky efficiency gains, e.g. changes in industrial processes to reduce energy or gas usage which are not easily reversed. The generally weak macroeconomic backdrop has not helped either. Delays in passing on lower wholesale gas prices to end-user tariffs meant that consumers have not yet benefited from lower prices. The contango in the forward curve (i.e. higher winter prices versus summer) might deter consumers from switching back to gas.^^ Meanwhile, there is evidence that those who can switch back more easily, particularly European refiners, have already made this change, leaving little scope for further switching.

HSBC expect prices to stay "low" by recent standards (normal by historical standards) throughout 3Q as Europe could fill storage capacity earlier than usual. As of 5 June, European storage was over 70% full, well above the historical average of 53%. Europe should be in a good position to face the winter, with storage hitting 95% by 1 November, the use of floating LNG and Ukrainian storage could also relieve temporary pressures. Europe now faces the prospect of a temporary glut this summer, which would have been unthinkable a year ago. The range of outcomes will be widest in the winter, with the main uncertainty being the weather.*** HSBC gas price forecasts are their lowest since early 2022, before the start of the war. HSBC still expect the global LNG market to remain somewhat tight until 2026, due to a lack of new liquefaction start-ups in 2023-24 before significant new capacity comes online from the US and Qatar from 2025. For 2025-29 they expect supply growth to outpace demand, leading to a new downcycle in the LNG market. Overall, gas demand will likely become more volatile and unpredictable due to a lower share of industrial consumption and increased penetration of renewables in the power mix, with large swings between the winter heating season and summer.

*In August month-ahead TTF prices hit $93/mBtu, after averaging $3/mBtu in 2020.

^Recent downgrades placed Eurozone output growth at -0.1% in both Q4-22 and Q1-23, a technical recession.

**Relative to the 2017-21 average, industrial demand is 23% lower.

^^The likelihood that gas prices could rise again in winter makes any short-term process changes simply not worth the trouble.

***In a cold / warm winter scenario storage would be ~20% / 70% respectively at the end of March 2024. The former leading to a significant "call on LNG" from Europe to replenish storage. The range of storage fill between a low / high demand scenario is equivalent to 10% of the world's LNG market.

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Dry Cargo Chartering

This week saw moderate gains across **capesize** markets before tailing off on Friday. Overall time charter averages were up just $114 from last week to close play at $12,674. Baltic Exchange average freight prices for major routes were as follows: Tubarao-Rotterdam approximately $8.75 pmt, Brazil-China approximately $20.40 pmt, West Aussie-China around $8.15 pmt, RSA-China circa $15.15 pmt. From the Pacific, it was reported that Rio Tinto took several vessels for their Dampier-Qingdao run of 170,000 mtons 10% for end June/early July dates. Freight ranged from $8.40 pmt to $8.55 pmt. Elsewhere, Vale fixed Salt Lake City built 2005 for 170,000 mtons 10% ore loading Teluk Rubiah to China at $6.10 pmt, and Glovis fixed Aom Marta built 2019 for Port Hedland to Qingdao end June dates at $8.70 pmt. Additionally, Cargill chartered Cape Elianto built 2022 for 190,000 mtons 10% bauxite Kamsar to China at $20.20pmt.

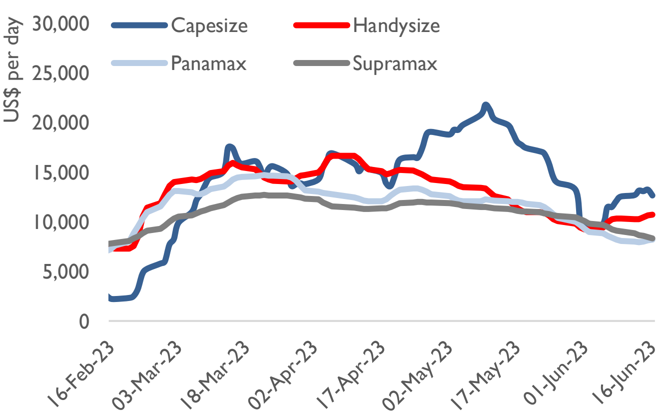
Panamax markets remained primarily unchanged and more observation is still required in both arenas though a little more activity was seen in the Atlantic. P5TC closed at $10,738 down by $422 since last reported 9th June. *Ocean Happy* (93,122-dwt, 2010) was rumoured to have been fixed for a trip from Go Gia, Vietnam to Taiwan via Indonesia in the high $5,000s, whilst Jera were linked to *Van Gogh* (95,711-dwt, 2013) open Taichung for a trip to Japan via Indonesia at $10,000. Panocean were also heard to have secured *Alpha Legacy* (82,047-dwt, 2018) for a trip from Shajiao via Villanueva to Japan at around $9,000. In the Atlantic, *Jag Aditi* (80,677-dwt, 2011) was said to have been fixed for a trip from East Coast South America to Singapore-Japan range at $16,000 with a ballast bonus of $600,000. Similarly, *Omicron Light* (76,602-dwt, 2005) open Fujiarah was fixed for a trip via East Coast South America for redelivery in Singapore-Japan range at $11,250. Within the Atlantic, Cargill took *Ocean Lorry* (75,658-dwt, 2012) open East Coast South America for a trip to Gibraltar-Skaw range at $13,000. On voyage charter, SAIL fixed on a TBN basis 75,000 mtons 10% coal Abbot Point-Visakhapatnam for 1/20 July at $15.00 pmt.

Another forgettable week in the Atlantic for the **surpramax** sector, although much stronger signs reported from Asia. Period inquiry picked up, another boost to market sentiment. The BSI closed at $8230 up $137 from last Friday. In the Mediterranean, *Penguin Island* (58,110-dwt, 2011) open El Dekheila fixed a short trip via Isdemir to Croatia with slag at $9,000. Langlois fixed a supramax for their grains cargo basis passing Canakale for a trip to the AG at $14,000. *Aggelos B* (58,400-dwt, 2010) open Lavrion fixed via Russia Black Sea to the US Gulf at $13,000. In West Africa, *Lycavitos* (58,786-dwt, 2007) Matadi fixed a front haul to China at $12,500 to Enesel. Markets started moving in the right direction further East, *Athena* (57,809-dwt, 2012) fixed dropping outward pilot, Go Gia for a trip, redelivery Singapore-Japan range at $8,500 for the first 40 days and $11000 thereafter. *Aris Glory* (58,758-dwt, 2007) open Tieshan fixed nickle ore via Philippines redelivery China at $8,800. Cargill fixed *Maria Topic* (59,914-dwt, 2016) fixed delivery Kemen to China at $8,500. On period, *Ocean Royal* (58,110-dwt, 2012) was heard to have been placed on subjects for minimum 6 months to maximum 8 months trading in the mid $10,000s.

The **BHSI** dropped $677 since last week, closing today at $8,346 in a quiet and underwhelming week of trading. Continent and Mediterranean markets continued on a downward trend. Western Bulk fixed a scrap cargo from the Continent on a Kanda 32 type delivery passing Skaw $8,000pd. *Nordic Malmoe* (35,842-dwt, 2012) fixed a grains cargo basis delivery Poland to West Africa at $8,500 with Nova Marine Carriers. A 34k-dwt was heard to have been failed on subjects for trip from Gdynia to US East Coast at $6,000pd arrival pilot station. *Abtenauer* (36,063-dwt, 2014) open Malta fixed via Greece for a trip redelivery US East Coast at $9,000. In the Black Sea, *Sirius* (34,537-dwt, 2011) spot Samsun fixed via Bourgas to Span-Med at $5,500 with Cargill. In West Africa, Western Bulk fixed *CS Jenna* (37,713-dwt, 2015) open Port Harcourt via Vila De Conde for a 25 day trip into the US Gulf with Alumina $11,000 arrival pilot station. Huge amount of uncertainty surrounding the US gulf remains, further losses to be expected with limited forward cargo available. In the Americas, *Nordseine* (38,036-dwt, 2015) open Rio Grande fixed a trip to West coast Central America at $15,000, and *Handy Perth* (35,177-dwt, 2013) fixed via Itaqui for a trip to Continent-Baltic range at $10,000. Across the Asia Basin, more visible activity has been observed however insufficient to reverse the current negative trend. Open enquiry had subsided closer to end of week which led to small drops in levels for owners. In the North China-Japan region, some said levels had continued to contract but some felt a bright outlook as more July enquiry was slowly entering into the market. *Saronic Spirit* (38,903-dwt, 2015) open Zhoushan was heard to have been fixed for a trip to the Arabian Gulf in the mid $7,000s and *Yangtze Dignity* (32,414-dwt, 2012) opening Koh Si Chang with prompt dates was also heard to have been fixed for a trip to the Atlantic in the $7,000s with no further details on both. *PRT Belle* (38,204-dwt, 2012) open Thailand mid June was rumoured to have been fixed passing Singapore via East Australia to Japan with sugar at $7,750.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Hebei Shijiazhuang	95,319	2011	Taichung	13/14 June	Japan	$9,750	Pan Ocean	Via Philippines
Leading Glory	93,729	2011	Liuheng	16/21 June	Singapore-Japan	$8,000	Cnr	Via Australia
Yasa H Mulla	83,482	2011	EC South America	1/10 July	Singapore-Japan	$15,500	Bunge	+$550,000 bb
Pan Flower	82,687	2012	Tianjin	15/20 June	Japan	$11,000	Daiichi	Via N China
Ocean Lorry	75,658	2012	EC South America	20/23 June	Gibraltar-Skaw	$13,000	Cargill	-
Navios Vega	58,792	2009	Lanqiao	14/17 June	China	$5,250	Cambrian	Via Indonesia
Lycavitos	58,786	2007	West Africa	15/20 June	China	$12,500	Enesel	-
Seagull	58,609	2010	Alexandria	18/19 June	Douala	$9,000	XO Shipping	Via Barcelona
CS Jenna	37,177	2015	Vila Do Conde	25/30 June	US Gulf	$11,000	Western Bulk Carriers	-
IVS Knot	33,143	2010	Japan	Ppt	SE Asia	$6,250	Oldendorff	-



Exchange Rates		This week	Last week
	JPY/USD	141.81	139.23
	USD/EUR	1.0940	1.0770

Brent Oil Price		This week	Last week
	US$/barrel	76.66	74.91

Bunker Prices ($/tonne)		This week	Last week
	Singapore IFO	444.0	435.0
	VLSFO	595.0	580.0
	Rotterdam IFO	477.0	448.0
	VLSFO	542.0	534.0

Dry Bulk S&P

There is a steady stream of sales candidates coming to the market, and whilst there remains a decent amount of interest, buyers are now beginning to test sellers much more aggressively, not always successfully.

The 2006 built capesize *Atlantic Tiger* (188,1820dwt, 2006 Imabari) is reported sold for close to $17m, we understand to Singapore based Winning Shipping. A month ago, the same money would have bought a 2 year older and smaller 171k-dwt design.

Chinese buyers are understood to have stepped up for a 4 ship supramax deal paying $13m per vessel for *Zhou Shan Hai, Yuan An Hai, Yuan Shun Hai* (57k-dwt, 2009 COSCO Zhoushan) and *Jin Zhou Hai* (57k-dwt, 2009 COSCO Dalian).

Taiwanese owners Hsin Chien have sold their 2013 built supramax *New Direction* (56,097-dwt, 2013 Mitsui) to undisclosed buyers for close to $20m. Surprisingly firm when compared to last weeks reported sale of *Nord Treasure* (55,888-dwt, 2014 Mitsui) for $21.5m which is a year younger with an electronic main engine.

And finally, another supramax sale to report, *Stove Ocean* (55,861-dwt, 2013 Oshima) for $21m to Gearbulk Shipping. Note that the vessel is BWTS fitted, is open hatch with boxed holds and can load 300+ containers hence the premium to the New Direction.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Atlantic Tiger	180,000	2006	Imabari		Winning Shipping	$17.0m	
JY Bulk	81,112	2018	Chengxi			$28.49m	Auction sale
Magic Twilight	80,700	2010	STX			$17.5m	
Zhou Shan Hai	57,000	2009	COSCO Zhoushan	4x30t	Chinese	$52.0m	
Yuan An Hai							
Yuan Shun Hai							
Jin Zhou Hai							
Stove Ocean	55,861	2013	Oshima	4x30t	Gearbulk	$21.0m	OHBS

Tanker Commentary

Despite product rates still well above historical averages, over aged tankers are struggling to find new homes. The wealth of candidates that have been put out into the open market have meant that Buyers now have the pick of the bunch. Those ships that are being sold, prices of elderly crude tankers appear to be discounted to last done levels with product tankers remaining firm.

US based, MT Maritime have committed their *MTM Potomac* (51k-dwt, 2004 STX - Epoxy) for a price in the low $18m range. This is very much in line with the prices they achieved for the sister vessels *MTM Hudson* (51k-dwt, 2004 STX - Epoxy) and *MTM Colorado* (51k-dwt, 2004 STX - Epoxy) which were sold in April/May.

Following on from this, Bunhold Investments have sold their deepwell design *Eagle Bay* (47k-dwt, 2008 Hyundai Mipo - Epoxy) for $24.2m. Even when factoring in the age difference, this price is a slight drop off from pumproom design, *Di Matteo* (46k-dwt, 2009 Naikai - Epoxy) which sold for $26m back in April.

Finally, Castor Maritime are understood to have committed their *Wonder Musica* (106k-dwt, 2004 Hyundai - Epoxy) for $24m. This sale does not compare favourably to the sale of the Thenamaris owned, *Seascout* (105k-dwt, 2004 Hyundai) which sold for $27m last month.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Wonder Musica	106,290	2004	Hyundai Ulsan		$24.0m	Epoxy
MTM Potomac	51,291	2004	STX		$18.0m	Epoxy Phenolic
Eagle Bay	47,134	2008	Hyundai Mipo		$24.2m	Epoxy

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