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HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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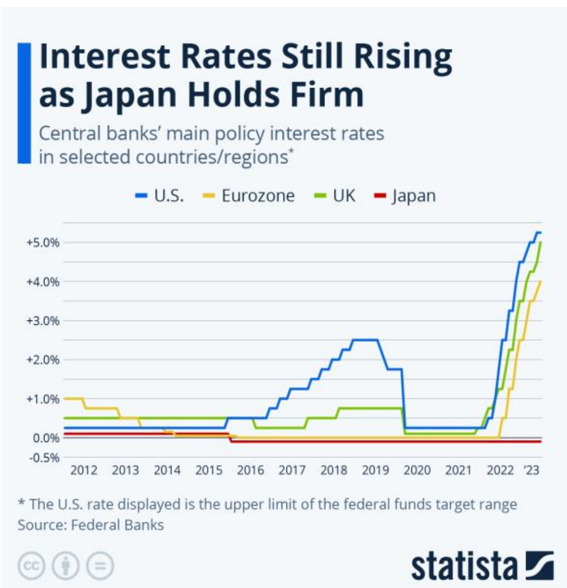
… Western Economic Headwinds …



Source : Statista

POINTS OF VIEW

Once considered to be transitory, headline - or consumer price - inflation (CPI) has for some time now proven itself to be resilient, none more so than in the UK where it came in at 8.7% in the year to May, unchanged from April. Worse still, service sector orientated core inflation (that strips out volatile variables such as energy, food, alcohol and tobacco) is still rising, with a reading of 7.1% in May, its highest level since March 1992. Headline inflation has been driven mainly by labour shortages, high imported food costs and generous wage settlements which were preceded by ruinous strike action across public sector industries and services. That is why the BoE base rate has risen to 5% with expectations of a peak of 6%, or even more, which may prove to be unaffordable for many homeowners with mortgages and is rapidly cooling down the property sector.* Things are not as bad in the US where CPI declined to 4.0% in May from 4.9% in April (with core down to 5.3% in May). It is a similar story in the eurozone that saw a year-on-year fall in CPI to 6.1% in May from 7.0% in April (with core down to 5.3% in May).** The Fed has paused rates at 5.25% but reserves the right to impose another two or even more 0.25% hikes, if needed, while the ECB has just raised 0.25% to 4.0%, its highest level since the 2008 GFC. As western central banks belatedly and repeatedly raise rates to crush inflation, they are also quite intentionally reducing consumer demand and employment in a bid to return to the 2% inflation target.

The inflation scourge is more western than global as central banks were slow to raise rates and persisted too long with quantitative easing. A combination of lockdown goods spending, post-lockdown services spending, tight labour markets and war in Europe has left differing imprints. The US benefits greatly from energy independence, while Europe suffers from energy dependence (on Russia) and the UK faces labour and skills shortages from Brexit. Beyond the Atlantic economies, inflation has been patchy, but is generally not such a big issue. In Asia, at the lower end of the May monthly readings: China with 0.2%, Thailand 0.5%, Hong Kong and Taiwan 2.0%, Vietnam 2.4%, Malaysia 2.8%, Japan 3.2%, South Korea 3.3% and India 4.3%. And at the higher end: Singapore 5.1%, Philippines 6.1%, Bangladesh 9.9%, Sri Lanka 25.2% and Pakistan with 38.0%. In Central Asia, the 'stans are mostly in the 10-20% range while, in the Middle East, four of its five OPEC 13 members are in the 2.8-4.0% range, with the only MEG outlier being sanctioned Iran at 54.6%. The higher the inflation, the lower the consumer demand. The big spending Asian economies are all in the low inflation category of around 5% or lower, thus theoretically protecting consumption. The problem is China. Its inflation is low due to weak demand and cheap imported (sanctioned) energy. Jet fuel demand is low as people are not flying long-haul. The woeful property market has negatively impacted sentiment and there are lingering concerns about how to pay privately for education, healthcare and future retirement. Where China goes, others follow. China's weak consumption is a drag on global demand, so it hurts us all.+

What of containers? The Baltic's FBX index of spot freight rates is now on 1,270 points, 11.7% below the pre-Covid start 2020 level of 1,439 points. It is a mystery to most of us why carriers are still ordering new ships when oversupply is looming or is already here. The orderbook is at 7.41m-teu which is 28.1% of the fleet of 26.39m-teu. Having surpassed 20m-teu in 2017, the fleet is forecast to rise 50% to 30m-teu by 2025. The highest ever OB/FL ratio was in November 2007 at 61.3% when the OB in absolute terms, 6.58m-teu, was lower than today's 7.41m-teu. That mistake ushered in many years of pain as average daily containership earnings sank from $20,575 in 2008 to a low of $6,367 in 2009 before recovering to $14,103 in 2020, the best year since 2008. Then 2021 gave us $50,802 and 2022 $69,025. In 2023-ytd, the average is $24,337 and we face downward pressure.^ In that period, the annual SCFI Comprehensive Freight Rate Index sank to a low of 649 points in 2016 and achieved a high of 3,792 in 2021. We average 977 in 2023-ytd. The biggest ships are the newest and the smallest the oldest. There is a vast tranche of ageing mid-sized ships that may be vulnerable should capacity growth not match demand growth.^^ Destocking continues and restocking will follow but, in the absence of strong demand, many large ships face layup before endless days on a beach getting burned. Not the best holiday, but good for the market.

*Many UK homes are on short fixed and variable rates, whereas EU rates are longer, and the US has 30-year fixes, meaning lower costs.

**Headline inflation peaked at 11.1% in the UK last October, at 9.1% in the US last summer, and at 10.6% in the eurozone last October.

+Eli Lee, FT: "Asian emerging markets will benefit from shift beyond China". China's working age population will be 25% lower by 2050.

Over time, the likes of India, Indonesia and Vietnam will benefit from friend-shoring, demographics, automation and fundamentals.

^These earnings, fleet and orderbook figures are courtesy of the Shipping Intelligence Network.

^^Number/Capacity of Ships in the 6,000-11,999 TEU size now over 15 years of age: 347/922 = 38% and 2.72/7.92m-teu = 34%. (SIN).

Dry Cargo Chartering

After last week's excitement in the **capesize** market, the comparative volatility of the sector was clearly demonstrated as time charter averages fell once more by $3,119 to end up at $14,133. A combination of several holidays and an increase in the number of ballasting ships resulted in a growing negative sentiment. Coal fixtures this week included charterers Pacific Bulk fixing 135,000 mtons 10% Norfolk to Zhoushan for 15/24 July at $35.25 pmt, and LSS taking a TBN vessel for 150,000 mtons 10% Indonesia to India at $5.75 pmt. Elsewhere, we heard that Rio Tinto fixed 165,000 mtons 10% bauxite Kamsar to China at $20.30 pmt. From Australia the same charterers fixed 170,000 mtons 10% from Dampier to Qingdao at $8.65 pmt, while BHP took 160,000 mtons 10% from Port Hedland 11/13 July at $8.60 pmt. Additionally, it was rumoured that ST Shipping fixed a Bolivar to Iskenderun run at $11.25 pmt.

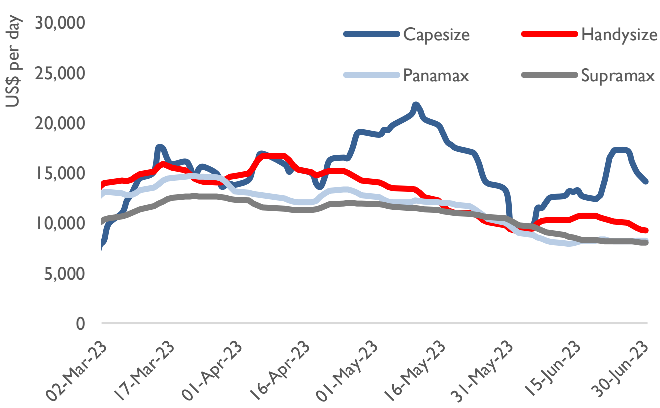
It is another slow-paced week for the **panamax** market with limited significant developments. A P5 TC closed at $9,273 down by $866 since last reported 23rd June. More reports surfaced ex Australia, Klaveness took *Alpha Pride* (82,032-dwt, 2019) open Kohsichang for a trip to Indonesia via Kwinana at $10,000 and *Taho Eudaimonia* (84,616-dwt, 2022) open Jinzhou was heard fixed for a trip via East Coast Australia to China at $10,250. Similarly, *Golden Hope* (84,640-dwt, 2023) was fixed from Shanhaiguan to Arabian Gulf via Australia at $11,000. Over in the Atlantic, Comerge was linked to *Tai Kudos* (81,670-dwt,2017) open Singapore for a trip via East Coast South America for redelivery in Singapore-Japan range at $14,000. On the front haul, Cargill fixed *Alma* (81,947-dwt, 2017) from North Coast South America to Singapore-Japan range at $15,650 plus $565,500 bb and it was reported that *Icarus* (75,043-dwt, 2012) delivery Paranagua was fixed for a trip to Singapore-Japan range at $15,400 plus $540,000 bb. On voyage, SAIL fixed TBN 75,000/10 coal lift Hay Point-Darymple Bay-Abbot Point/Visakhapatnam 20/29 Jul at $14.80.

The **S10TC** closed at $8,241 down by $63 since reported last week 22nd June. In the Pacific, Swire fixed *Federal Inspire* (63,693-dwt, 2022) delivery Xiamen 28th June for a trip via West Australia for a trip to Singapore-Japan range around $10,000 whilst *Ning Yue Hai* (63,562-dwt, 2017) was covered delivery Yuhuan 27th June for a trip via Indonesia to Bangladesh at $10,000 and *Dayang Orient* (56,380-dwt, 2011) was covered delivery Cai Mep 27th June for a trip via Indonesia to China at $7,000. Whilst in the Indian, *Ocean Tianbo* (63,579-dwt, 2018) fixed delivery Mina Saqr prompt dates for a trip to Bangladesh at $13,000 whilst Norvic covered *Titan I* (58,090-dwt, 2009) delivery Tuticorin prompt dates for a trip via South Africa to East Coast India at $8,250 and Ultrabulk took *Valentia Blue* (58,086-dwt, 2013) delivery Richards Bay prompt dates for a trip to US Gulf at $11,000. And in the Atlantic, Oldendorff fixed *African Bari Bird* (63,479-dwt, 2017) delivery West Africa prompt dates for a trip to China at $18,000 and *Santa Ines* (63,449-dwt, 2019) fixed delivery North Brazil 1-7 July for a trip to Singapore-Japan range at $14,000 plus $140,000 bb.

The **BHSI** closed this week at $8,029 down a marginal $168 since last Friday, in another slow and uninspiring week for the handies. In the Atlantic, despite a push on enquiry in the Mediterranean and Continent, the long list of spot tonnage has kept rates low. *Agios Fanourios* (33,261-dwt, 2009) fixed Passing Canakkale via Black Sea redelivery Algeria with grains at $6,750 to Coli Bulk. Navimerchants fixed *Puck* (37,916-dwt, 2012) at $5,500 delivery Baltic for a trip to Portugal. Lauritzen fixed a 28,000-dwt vessel for $5,000 p/d for their Morocco to ARAG gypsum cargo. The US Gulf, perhaps the weakest market, with some gut wrenchingly low numbers being chucked about. Trans-Atlantic trips were fixed around $5,000 arrival pilot station on the Kanda 32 types. East coast south America remained stable, *Captain Christos* (38,225-dwt, 2011) fixed basis delivery Recalada a trip to Morocco at $11,000 with Oldendorff. On period, *Kharis Trinity* (28,325-dwt, 2010) open Vila de Conde fixed dropping outward pilot for abt 3 to abt 5 months redelivery Atlantic at $8,000 with Worthington. With holidays in Singapore and shipping events taking place, minimal activity was seen across Asia. Some observed growing level of open tonnage due to limited fresh enquiry in the region, leading to generally weaker numbers for all directions. *Ocean Gracious* (38,276-dwt, 2013) opening in Taketoyo spot was fixed for a trip via Japan to Malaysia with an intended cargo of slag at $5,700. *Ken Vista* (38,206-dwt, 2011) open Lanshan ppt fixed Via Japan to Taiwan with slabs at $6,000. *Berge Scafell Pike* (37,687-dwt, 2020) open Lanshan fixed a trip to West Coast India for $8,800 and *Great Vanguard* (38,652 2018) open Surabaya fixed a trip redelivery Philippines with coal at $7,100 with Ultrabulk.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Flag Evi	82,629	2014	EC South America	6/8 July	Singapore-Japan	$15,300	Cofco Agri	+$530,000 bb
Seiyu	82,426	2021	Busan	29 June	North China	$10,250	Cnr	Via Australia
Alma	81,947	2017	NC South America	4 July	Singapore-Japan	$15,650	Cargill	+$565,000 bb
Majestic Star	81,878	2020	Salvador	7 July	Skaw-Gibraltar	$16,000	Bunge	Scrubber fitted
Icarus	75,043	2012	Paranagua	29/30 June	Singapore-Japan	$15,400	Cnr	+$540,000 bb
Federal Inspire	63,693	2022	Xiamen	28 June	Singapore-Japan	$10,000	Swire	Via W Australia
Darya Mira	61,087	2021	CJK	30 June / 4 July	Continent	$10,250	YND	-
Valentia Blue	58,086	2013	Richards Bay	Ppt	US Gulf	$11,000	Ultrabulk	-
BBC Pluto	37,495	2010	Canakkale	Ppt	Algeria	$7,000	Cargill	Via Black Sea
Daydream Believer	37,114	2012	Bayuquan	Ppt	US West Coast	$7,000	Pacific Basin	-



Exchange Rates	This week	Last week
JPY/USD	144.49	143.40
USD/EUR	1.0914	1.0894

Brent Oil Price	This week	Last week
US$/barrel	75.01	72.91

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	449.0	439.0
VLSFO	593.0	600.0
Rotterdam IFO	482.0	472.0
VLSFO	535.0	435.0

Dry Bulk S&P

While the freight market remains dull, the secondhand market is a little more dappled. Those who have a different approach as to how to describe the mid-way glass can each draw separate conclusions from this week's sales. The market is softer, but there are enough sales out there to suggest that plenty of buyers feel that the market has fallen enough to justify investment. This week's sales are of predominantly modern eco units as buyers continue to defend themselves against the coming wave of environmental punishments directed at the older heavier burners. The posse of ETS, ECAs and FuelEu Maritime will make European trade in particular a painful place for the uneconomic.

The glass-half-full brigade can claim that the recent decline in Kamsarmax values has been halted with the sale of *JY Hongkong* (81,107-dwt, 2019 Chengxi) at $30m, which represents a $1.25m climb on the sale of the sister last week. Equally, for panamaxes the sale of *Coral Opal* (78,090-dwt, 2012 Shin Kurushima) at $19.5m is substantially higher than last done.

For the glass-half-empty team the ultramax market has registered a couple of softer sales this week. The Aeroline-design *KK Progression* (64,012-dwt, 2018 Tsuneishi Cebu) is sold at 28.0m, which compares badly to the recent sale of the year younger Victoria T at $29.2m. *Great Spirit* (61,087-dwt, 2019 DACKS) is sold at $28.9m. However, we misreported last week the sales of two modern eco Chinese units, Gemini Confidence and Virgo Confidence (63,270-dwt, 2019 Dayang) at just $27.5m, but we understand that Gemini Confidence is now negotiating at close to $28.5m.

Finally the eco, scrubber fitted handy *African Bulker* (36,170-dwt, 2015 Shikoku) is sold for $21.5m to Korean buyers - probably not far off last done.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
JY Hongkong	81,107	2019	Chengxi	-	-	$30.0m	Sold via commercial auction
Coral Opal	78,090	2012	Shin Kurushima	-	-	$19.5m	-
KK Progression	64,012	2018	Tsuneishi Cebu	4x36t	Greek	$28.0m	-
Great Spirit	61,087	2019	DACKS	4x31t	Chinese	$28.9m	-
African Bulker	36,170	2015	Shikoku	4x31t	Korean	$21.5m	Scrubber fitted

Tanker Commentary

Year-to-date average earnings for non eco, non scrubber fitted VLCC's are currently sitting at a touch over $50k per day, an almost 52% increase above the 1990-2022 average. As a result, we continue to see a large number of these vessels changing hands at remarkable levels. This week, it is reported that Bahri have sold their *Lulu* (316k-dwt, 2003 Hyundai Ulsan) to Chinese buyers for $42.5m. This is the first vintage VLCC Bahri have sold this year, following the four units they moved on within 2022, the majority of which to Chinese interests.

In the Suezmax sector, Target Marine are understood to have sold their *Melodia* (158k-dwt, 2011 Samsung) to UAE based buyers for region $47m. When factoring the difference in age and yard, this is a slight step down to the sale of the *Front Njord* (156k-dwt, 2010 Jiangsu Rongsheng) which fetched $44m last month.

Seoul based SK Shipping are understood to have sold their *Pro Triumph* (105k-dwt, 2009 Hyundai Ulsan - Epoxy) for $38m - almost the exact figure they achieved for the 2008 sister ship, Pro Alliance back in March of this year. The final product tanker sale we report this week is the *Ridgebury Galileo* (47k-dwt, 2006 Hyundai Mipo - Epoxy Phenolic, Ice 1A) which has sold for $19.5m. This concludes the sale of the Ridgebury fleet which has been strategically divested over the past two years, with 28 owned vessels changing hands.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Lulu	316,507	2003	Hyundai Ulsan	Chinese	$42.5m	-
Melodia	158,671	2011	Samsung	UAE	$47.0m	-
Pro Triumph	105,272	2009	Hyundai Ulsan	UAE	$38.0m	Scrubber fitted
Ridgebury Galileo	47,872	2006	Hyundai Mipo	-	$19.5m	Ice 1A

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