



### CONTENTS

2. Dry Cargo Chartering  
Bigger Sizes Show  
Improvements
3. Dry Cargo S&P  
Holding Firm
4. Tankers  
Chopy Waters

... Right Direction ... and down to 3% in June ...

### Inflation Cools to 26-Month Low in May

Year-over-year change in the Consumer Price Index for All Urban Consumers in the U.S.\*



\* not seasonally adjusted  
Source: Bureau of Labor Statistics

statista

Source : Statista

\*HSBC latest forecasts basis current (3m earlier):

% Year	GDP			Inflation		
	2022	2023f	2024f	2022	2023f	2024f
World	3.1	2.3 (2.3)	2.2 (2.3)	8.4	6.3 (6.7)	4.8 (4.7)
Developed	2.6	1.1 (1.0)	0.7 (0.7)	7.5	4.8 (4.7)	2.9 (2.7)
Emerging	3.6	3.9 (3.9)	4.0 (4.2)	9.1	7.3 (8.0)	6.1 (6.0)
USA	2.1	1.6 (1.5)	0.7 (0.5)	8.0	4.2 (4.5)	3.3 (3.3)
China	3.0	5.3 (5.6)	4.9 (5.5)	2.0	0.8 (2.5)	1.9 (2.8)
Japan	1.0	1.1 (0.9)	0.7 (0.6)	2.5	3.0 (2.3)	1.2 (0.6)
India	6.7	6.1 (5.1)	5.8 (6.0)	6.7	5.0 (5.4)	5.0 (5.0)
Euro	3.5	0.4 (0.6)	0.7 (0.7)	8.4	5.5 (5.4)	2.7 (2.5)
UK	4.1	0.2 (0.4)	0.7 (1.4)	9.1	7.5 (6.4)	3.4 (3.2)
Brazil	2.9	1.9 (0.7)	2.0 (1.9)	9.3	4.9 (4.9)	4.2 (4.2)
Mexico	3.1	2.5 (1.5)	1.9 (1.9)	7.9	5.6 (6.0)	4.4 (4.3)

^China's producer price inflation is at -5.4% as it moves through disinflation to deflation, making its exports more attractive.

But this coincides with US headwinds as payments on \$1.6tn of student debt, suspended in Mar '20, resume in Oct '23.

### POINTS OF VIEW

This week we bring you a paraphrased summary of two recent reports from HSBC Global Research. The first is globally orientated entitled: "Are we nearly there yet" and the second is Asian orientated entitled: "The big inflation reversal".

The first states that central banks hope they are near the end of their tightening cycles, but an array of upside and downside global risks could derail the best-laid plans, while monetary policymaking could also be complicated by fiscal actions in the short and the medium term. It all makes for a challenging journey. An end to the most aggressive monetary tightening cycle is gradually drawing closer, but we are certainly not there yet. At the global level, the aggregate hard data have not looked too bad in recent months. Despite a global industrial recession, the services sector has kept the global composite PMI on an upward trend. Yet global inflation has continued to edge lower since its peak last September. Some emerging market central banks, which were among the first to respond to rising inflation back in 2021, are now confident their work is done, even as every G10 central bank, except Japan's, has surprised in a hawkish direction, either in action or communication. The outlook is precarious though. The feared deeper financial sector turmoil following the regional banking sector crisis of early March has not, as yet, materialised but financial conditions are tighter and there are more signs that delinquencies are rising. China's reopening boom appears to have stalled and the eurozone did not manage to avoid recession after all. Most importantly, with core inflation way too high and labour markets still tight, the major central banks are seemingly determined to finish the business of fighting inflation back to target. This is still a world where any country or sector reliant on leverage will continue to feel the strain. While for governments – which in some places are still adding to demand – the fiscal arithmetic will only become more challenging.\*

The second, which focuses more on China – the main driver of global shipping demand – states that slowing exports and wobbly demand in China are curtailing growth across Asia. But easing price pressures provide welcome relief for hard-pressed households and offer at least some breathing space for the region's central bankers. It was all a bit 'pumped up'. But, at last, the air is coming out when it comes to inflation in Asia, that is. The price shock over the past year, still very much present in many other parts of the globe, is rapidly fading in Asia. But, as the inflation bubble, well, deflates, there are now other worries to contend with. Exports, after a little spurt earlier in the year, are languishing once more. (Exports fell 12.4% y-o-y in June after 7.5% in May; imports slid 6.8% from 4.5%). Partly that's because China's re-opening is falling short of initial hopes. And as Chinese producers now sit on considerable spare capacity, goods price disinflation will only intensify – everywhere. Meanwhile, rising global funding costs, driven by the Fed's quest to quell US inflation, is cutting into capital spending in much of Asia, too. None of this, however, will knock the region off track. Its resilience will endure, even if growth through '24 will stay for the most part below trend. That, of course, only means that price pressures will remain well-contained, allowing monetary officials to loosen the reins. Initially gingerly, perhaps, but likely with much promptness and gusto should growth falter even more than expected. That, after all, is the advantage when the air has swished out of the inflation balloon: even if others may dither there'd be little justification in holding back on cuts.

The first report, being global, highlights how western central banks are reacting to price pressures and inflation by aggressively raising rates. This continues to pose problems for the banking system, particularly mid-size banks that parked excessive deposits in fixed long-term bonds that are now deeply under water on a mark to market basis. Forced pre-maturity selling, to pay fleeing depositors, realises losses and hastens the end, as per SVB. The second report, being Asian, emphasises how inflation is less of a problem in Asia leaving some room to cut rates and stimulate growth. China, naturally, features large in both. Will weak domestic demand and chronic excess capacity revive its exports through heavy discounting of its goods?^ At some point, this could help rekindle moribund goods purchases in the US, UK, Europe and elsewhere. It may happen as soon as this half, but more likely in 2024.

## Dry Cargo Chartering

A better week for the **Capesize** markets that saw time-charter averages increase by \$1,097 from the previous week to close play at \$13,722pd. A good deal of Australian fixtures emerged with Rio Tinto taking at least five TBN vessels for the end of July for their usual 170,000 mtons 10% iron ore lifting from Dampier to Qingdao. Freight prices this week ranged from \$7.95 pmt to \$8.35 pmt for this trade. BHP also took 3 vessels for 160,000 mtons 10% Port Hedland-China with freight consistently around the \$8.00 pmt mark. Elsewhere, Treasure Boost Shipping fixed an Oldendorff TBN vessel for 190,000 mtons bauxite Freetown to Qingdao at \$19.25 pmt, while Alam fixed 170,000 mtons 10% Kamsar-China at \$20.10 pmt. Additionally, Ore and Metal fixed Saldanha Bay-China at \$14.00 pmt for early August dates. On time-charter, *HL Passion* (179,656-dwt) was rumoured fixed delivery Hadong for a Pacific round voyage at around \$17,000pd, while Deyesion took on *Aquamarine* (TBRN New Assimina) (182,000-dwt, 2009) delivery Caofeidian next month for 13/15 months at 102% BCI 5TC.

**Panamax** market saw a tightening tonnage profile and improved rates levels in the Atlantic market indicates a positive outlook whilst Asia remains underwhelming with the lack of activity still. PSTC closed at \$9,853pd up by \$1,001pd since last reported 7 July. In the North Pacific, *Ocean Dream* (82,201-dwt, 2020) open Onahama was fixed for an Australian round trip at around \$10,000pd, whilst JSSC was reported to have taken *Maxwell* (82,170-dwt, 2017) open Oita for a trip via Newcastle for redelivery in South China at \$8,000pd. HMM was heard to have fixed *Ying Hao 02* (75,449-dwt, 2012) open Zhanjiang for a trip via Indonesia to South Korea at \$7,000pd but no other details have been disclosed. Within the Atlantic, *Ultra Puma* (81,855-dwt, 2010) open Altamira was said to have been fixed to Norvic for a trans-Atlantic round trip at \$13,000, similarly, scrubber fitted *First Margaux* (82,276-dwt, 2023) open Jorf Lasfar was also fixed for a transatlantic round trip with scrubber benefit going to the charterers. On the front haul, Smart Gain was linked with *Globe Electra* (80,306-dwt, 2010) open East Coast South America for a trip to Vietnam at \$14,000 plus \$400,000 bb. On voyage, SAIL fixed TBN for their 75,000/10% coal lift Dalrymple Bay CT - Hay Point CT - Abbott Point CT / Visakhapatnam 5/14 Aug at \$14.35.

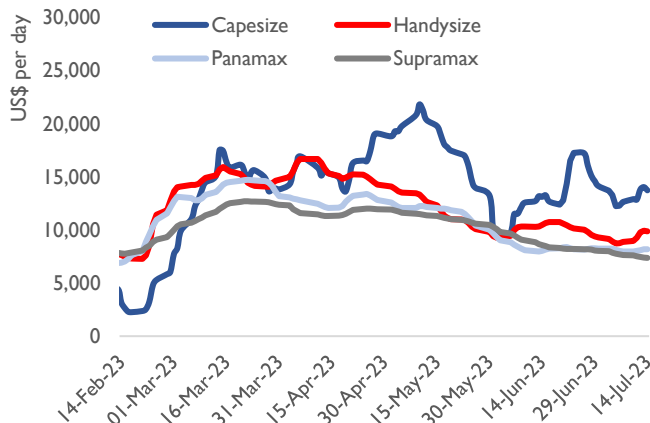
**Supramax** market showed a little sign of positivity this week, but that was short lived as it settled and continued to remain flat. The S10TC closed at

\$8,178pd up by \$219 (2.75%) since reported last week on the 7<sup>th</sup> July. In the Pacific, Cargill fixed *Al Yasat II* (57,408-dwt, 2011) delivery Samarinda prompt dates for a trip to West Coast India at \$6,000 plus \$70,000 bb, whilst Oilmar covered *Voyager* (56,584-dwt, 2012) delivery Japan prompt dates for a trip via Indonesia to West Coast India at \$6,000pd and *Jin Bi* (56,361-dwt, 2012) was taken delivery Makassar 18<sup>th</sup> July for a tip via Indonesia to Brunei at \$12,000pd. Whilst in the Indian, *Beauty Jasmine* (63,638-dwt, 2015) was fixed delivery Mina Saqr prompt dates for a trip with clinker to Ghana at \$6,750pd, whilst Meadway took *Seacon Fuzhou* (63,342-dwt, 2019) delivery Port Elizabeth 23-27 July for a trip to the Far East at \$14,000 plus \$140,000 bb and *Avigator* (53,806-dwt, 2002) covered delivery Hamriyah 21-25 July for a trip via Arabian Gulf with limestone to Bangladesh at \$7,500pd. And in the Atlantic, *ML Heron* (63,542-dwt, 2014) fixed delivery East Mediterranean prompt dates for a trip to US East Coast in the low \$10,000's, whilst Canfornav took *Alkyoni SB* (55,757-dwt, 2014) delivery Constanza for a trip with agris to Spain-ARAG range at \$8,500pd and Ultrabulk covered *Spar Libra* (53,565-dwt, 2006) delivery El Dekheila for a trip with clinker to Ghana at \$7,000pd. Meanwhile on the period front, Cargill fixed on subs *Eva Shanghai* (63,683-dwt, 2021) delivery Navlakhi for 4-6 months with redelivery worldwide at \$12,000pd.

**Handy** market unfortunately continued to soften throughout the week. The HS7TC closed at \$7,369pd down by \$258 (-3.38%) since reported last week 7<sup>th</sup> July. In the Pacific, sentiment remained negative. Despite a small flurry of activity midweek, more prompt tonnage would need to be covered before turning the current trend around. The region still lacked fresh enquiry and levels had remained flat. The *Oak Harbour* (33,745-dwt, 2005) open spot in Yantai was fixed for a trip via North China to the Arabian Gulf with an intended cargo of petcoke at \$6,500pd. *Nong Lyla* (33,7730-dwt, 2004) open Pasir Gudang fixed \$5,000pd Indo coal to China. *Eva Carlton* (40,500-dwt, 2023) open Hong Kong 15 July Fixed via North China to West Coast India-PG Range with bagged cargo \$7,800pd. On the period front, the *Zhe Hai 1* (35,056-dwt, 2012) opening in South East Asia with prompt dates was rumoured to have been fixed for 8 to 10 months with worldwide redelivery in the \$8,000s but further details had yet to surface. In the Atlantic, Clipper fixed *Alamo* (39,258-dwt, 2019) delivery SW Pass prompt dates for a trip with grains to West Coast South America at \$10,000pd and Cargill covered *Sea Dolphin C* (33802-dwt, 2011) delivery passing Canakkale prompt dates for a trip via Novorosiysk to Algeria at \$10,000pd.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Koutalios	92,710	2007	Gibraltar	10 July	Singapore-Japan	\$19,250	Louis Dreyfus	Via US East Coast, Scrubber benefit to Charterers
Lady J	82,373	2023	EC South America	15 Aug	Singapore-Japan	\$16,000	Cnr	+\$600,000 bb
Star Amber	82,023	2015	EC South America	16/20 Jul	Skaw-Barcelona	\$15,000	Cargill	-
Agri Kinsale	77,171	2009	EC South America	31 Jul / 2 Aug	Singapore-Japan	\$14,300	Oldendorff	+\$430,000 bb
Xing Sheng	75,725	2011	Jiangnan	13/14 Jul	South China	\$6,750	Richland	Via Indonesia
Seacon Fuzhou	63,342	2019	Port Elizabeth	23/27 Jul	Far East	\$14,000	Meadway	+\$140,000 bb
Beijing Venture	53,600	2010	Tanjung Bara	Ppt	S.China	\$10,000	ESM	+\$50,000 bb
Inca Queen	52,199	2014	CJK	Ppt	Continent	\$7,500 first 65days	Cnr	\$10,000 thereafter
Alpha Bulker	32,700	2006	Safi	Ppt	EC South America	\$3,800	Centurion	-
Lady Lilly	28,397	2013	Canakkale	Ppt	Morocco	\$5,000	Cnr	Via Black Sea exc Ukraine /Russia



Exchange Rates	This week	Last week
JPY/USD	138.41	142.31
EUR/USD	1.1235	1.0880

Brent Oil Price	This week	Last week
US\$/barrel	80.06	76.94

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	501.0	473.0
VLSFO	580.0	579.0
Rotterdam IFO	490.0	475.0
VLSFO	550.0	541.0

14 July 2023

### Dry Bulk S&P

The sales reported this week cover the full spectrum of sizes within the dry bulk sector. The appetite across the board would indicate that there are enough buyers to halt the slide in values. For this week at least.

CDB Leasing of China invited offers this week on a bloc of five capesize bulkers built between 2010 and 2012. It is understood that Greek owners, Danaos Corporation have concluded the deal rapidly, agreeing a price of \$106.5m for the quintet, giving a breakdown in values of \$22.5m for the 2012 built, \$21.5m each for the 2011 units, and \$20.5m each for the 2010's.

The increased auction house activity continues, with the sale of kamsarmax *JY Atlantic* (81,096-dwt, 2019 Chengxi) to undisclosed buyers for \$30.15m, a very marginal increase on the same aged sister *JY Hongkong* (81,107-dwt, 2019 Chengxi) sold last week for \$30m.

The 2004 built panamax *Katerina* (76,015-dwt, 2004 Tsuneishi) has been sold for a price very close to \$13m. By way of comparison, last week the one year younger *Star Planet* (76,812-dwt, 2005 Sasebo) was sold for \$13m.

In another deal that also represents a tick up on last done, Greek buyers are said to have paid a price in the low-mid \$27's for *Mona Manx* (63,878-dwt, 2017 Tsuneishi Zhoushan). We recently reported the sale of the younger sistership *KK Progression* (64,012-dwt, 2018 Tsuneishi Cebu) for \$28m.

Whilst as yet unconfirmed, there are rumours that the 2009 built Imabari 28, *Katyua Atik* (28,467-dwt) has been sold for \$10m, we will report further on this next week,

Finally in our last commentary, *Chris* (56,838-dwt, 2010 COSCO Guangdong) was listed sold for \$12.5m, however we now understand she failed on buyers' subs and was snapped up at \$11.5m, reportedly to clients of Lomar Shipping.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Bulk Ingenuity	176,021	2011					
Bulk Achievement	175,966	2011					
Bulk Integrity	175,966	2010	Jinhai	-	Danaos	\$106.5m	
Bulk Peace	175,858	2010					
Bulk Genius	175,580	2012					
JY Atlantic	81,096	2019	Chengxi	-	-	\$30.15m	Commerical auction
Joy	79,457	2011	Jinhai	-	Lomar	\$14.0m	
Katerina	76,015	2004	Tsuneishi	-	-	\$12.7m	
Chris	56,838	2010	COSCO Zhoushan	-	-	\$11.5m	

## Tanker Commentary

Urals crude is now above \$60pb - in theory inhibiting Russian crude exports on western tonnage. Across the board spot tanker rates are well below year to date averages. Aframax spot rates have fallen to \$31kpd this week against a year to date average of \$54kpd while VLCC MEG-FE rates are about \$29kpd against a year to date average of \$41kpd. Their clean cousins are also wilting. MRs are averaging in the \$18kpd range today against a year to date average of around \$30kpd while LR2s MEG - FE are at \$16kpd against \$35kpd YTD.

Currently we are seeing a much larger number of sales candidates, particularly in the older fleet. Are buyers losing their appetite and sellers losing their nerve? It is too early to say that the party is over but the payback period for fifteen year old MR tonnage at above \$20m is somewhat longer than where we were a few months ago. That said there is no sign of a dip in values. The orderbook remains microscopically small and there is plenty of spare production capacity particularly in the Saudi oil wells.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Donat	166,188	2007	Brodosplit	-	\$42.0m	SS/DD freshly passed
New Jupiter	53,116	2008	GSI	-	\$21.5m	
Dong-A Triton	49,997	2015	Hyundai Mipo	Sonangol	\$38.0m	
Beacon Hill	47,278	2005	Onomichi	-	\$19.0m	
Leon Poseidon	37,577	2011	Hyundai Mipo	-	\$25.0m	
Advantage Pretty	37,289	2006	Hyundai Mipo	Besiktas Shipping	-	

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