18 August 2023

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

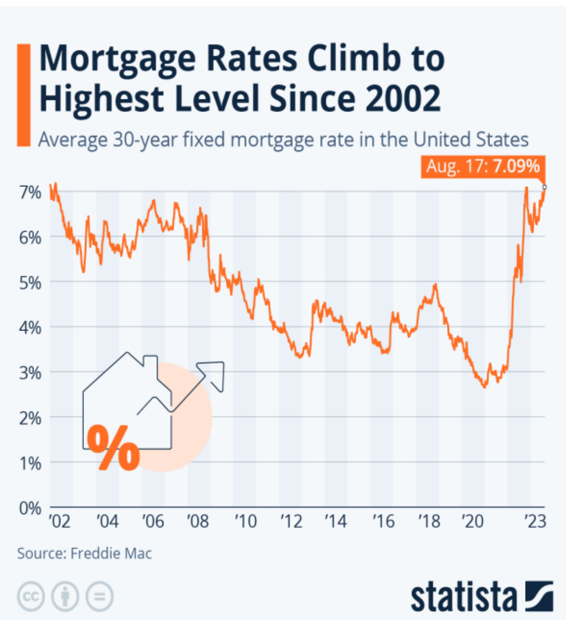
CONTENTS

2. Dry Cargo Chartering
   Lift Off

3. Dry Cargo S&P
   Dogs Day

4. Tankers
   Keeping Faith

… Interest Rate Pain : Not Over Yet …



Source : Statista

POINTS OF VIEW

It would be wrong to entirely blame China for the lacklustre performance of the three main shipping sectors. Developed countries must bear their share of blame as they reel from a collapse in demand in response to central banks raising interest rates to tackle inflation. 15 years of near zero interest rates – free money if you like – are reversing brutally with consequences for everyone from individuals and households to companies and national exchequers. The private equity model of loading companies with debt is being challenged by rising interest rates, putting many companies at risk, while those high rates make private credit more appealing as funds replace banks in lending at the margin. The real estate sector is troubled. Commercial demand fell as logistics bottlenecks eased and office blocks miss their workers. Residential suffers from falling values, loss of the feel-good factor and short arms stuck in deep pockets. Past unbridled spending is evaporating as high and rising refinancing, remortgaging and debt servicing costs kick in. Cheap car, ship and equipment leasing deals are over as rates rise 55-times from 2015 lows.

China's contribution to shipping demand is still significant although, after stripping out base effects of a country in lockdown last year, the annual comparisons are less than flattering. Crude steel output in the first seven months was 626.5mt, up 2.5% YoY, while steel consumption is forecast to be 0.8% lower than in 2022.* As in both 2021 and 2022, the NDRC is targeting zero steel output growth in 2023, although evidence of clear instructions is patchy. In 2022, output fell 1.7% YoY to 1.018bt. Iron ore imports in the first 7m were 669.6mt, up 6.9% YoY, on inventory rebuild and robust H1 steel production. Both steel output and iron ore imports are forecast to fall in H2. Coal imports were at 261.1mt, up 88.6% YoY, on cheaper import prices and recent high aircon demand. Crude oil imports were 326.0mt, up 12.4% YoY, given the draw of cheap Russian oil and restocking. Most significantly, Dr Copper, with its PhD in economic forecasting, was at 3.0mt, down 10.7% YoY. Raw material imports were boosted by low prices and China's ability to process them into value-added exports, which is good, for as long as it lasts.

The above disguises real problems in China's economy: a property crisis, LGFV debts, defaulting investment companies, weak exports, a shrinking labour force, soaring youth unemployment, falling prices and consumers defensively channelling money into education, healthcare and pensions.** The party and the state are at risk of not keeping their side of an unwritten and unspoken bargain: political and social acquiescence in exchange for rising jobs, income and prosperity. Xi Jinping is prioritising national 'security' issues over the economy, which is back-to-front from most people's perspective.^ Waging economic and commercial war on the US, the West and its allies appears to be ill-timed unless it is designed to distract attention from the parlous state of its economy. In exchange for wolf warrior diplomacy, sabre-rattling over Taiwan and withholding rare earths, China has landed itself less high-end microchips, lower inward FDI and rising friend-shoring, as a mixed sense of fear and wariness over China's long-term intentions sets in.^^ Meanwhile, China is tinkering with rate cuts when helicopter money is needed.

The rest of the world is invested in China's continued economic growth. Its national debt is estimated at 282% of GDP. It is the world's No.1 commodity consumer buying everything from soybeans, meat and luxury goods to iron ore, crude oil and non-ferrous metals. BCA Research (in the NYT) reports that, over the past decade, China has been the source of more than 40% of global economic growth compared with 22% from the US and 9% from the eurozone 20. In April, the IMF forecast Chinese GDP growth of 5.2% in 2023 (35% of global growth) and 4.5% in 2024. Its October report will mark those down significantly. The central government needs to restructure the paralysing burden of $9.3tn in local government debts and, as the FT puts it, deal with "a general psychological funk that inhibits households from spending". The dynamic private sector needs to be embraced, not regulated away, while the SOEs require reform.+ Households will only regain the feelgood factor once house prices have stopped falling, just as the nation continues with its transition from polluting heavy industry to hi-tech manufacturing, services and consumption. Shipping relies upon China's success.++

*China Iron and Steel Association (CISA) forecast. Other data and forecasts are from the NBS and GAC.

**Country Garden missed payments on foreign bonds; Evergrande filed Chapter 15 in the US; Zhongrong defaulted on savings products.

In H1 2023, total household deposits in Chinese banks grew by about CNY12tn (c. $1.7tn), the largest expansion in a decade. (NYT).

^Clamping down on private entrepreneurs, especially hi-tech, in favour of supporting unreformed SOEs, has proven to be anti-growth.

^^US venture capital investment in China has fallen from $32.9bn in 2021 to $9.7bn in 2022 and to $1.2bn in 2023-ytd. (The Telegraph).

+Xi is anti-privatisation of state-owned assets but, run in the right way, it need not resemble Yeltsin's corrupt 1990s experiment.

++See "How the end of 'Made in China' is crippling the world's second-largest economy" by Melissa Lawford in The Telegraph.

WEEKLY COMMENTARY

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The **Capesize** markets remained stagnant without making further progress, resulting in a flat market and a time charter average of $13,255. There appears to have been some resistance among the owners in the Pacific, which in turn has triggered a shift in market sentiment. Consequently, this altered sentiment has paved the way for a positive improvement in rates that have been concluded today on C5 by about 0.60 cents. The Atlantic market is increasingly adopting a positional stance, where index dates are gaining a premium. However, as these shipments from South Brazil and West Africa to the Far East dwindle and dates move forward there's a perception that rates will likely start to decline. In the Pacific, Contango is reported to have fixed a TBN vessel for 170,000 mtons 10% Port Hedland to Qingdao 1/5 September but further details have not come to light. Vitol is reported to have fixed a Costamare TBN for 150,000 mtons 10% RBCT to Mailiao 20/30 September at $13.00 pmt. Oldendorff fixed a TBN ship for 170,000 mtons 10% from Dampier to China 29 August/5 September in the region of $7.70 pmt. In the Atlantic, Vale was reported to have fixed *Comanche* (180,882-dwt, 2016) for 170,000 mtons 10% PDM to Son Duong 5/15 September in the low $21.00's pmt. ST Shipping is reported to have fixed a TBN ship for 150,000 mtons 10% Bolivar to Dangjin 10/19 September at $28.00 pmt.

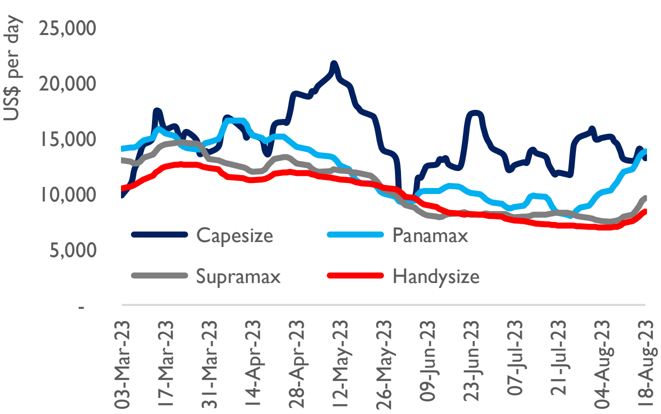
For **Panamaxes**, the North Atlantic continued to be driven by a lack of tonnage availability which saw levels continue to rise but activity was said to have slowed, particularly for grains requirements from the US Gulf region which may level the current growth. A positive outlook for the South Atlantic remained as enquiry levels for September remained buoyant. In Asia, some spoke with a mood of caution owing to reduced activity and rumours of some vessels failing on subjects which may signify a change in fortunes in the near future. P5 TC closed at $13,876. In the Pacific, *Zhong Xin Yuan* (93,237-dwt, 2010) opening in Son Duong 24/27 August was rumoured to have been fixed for a trip via Indonesia to South Korea in the mid $9,000's. *Cedric Oldendorff* (95,740-dwt, 2011) opening in Fuzhou 21st August was rumoured to have been placed on subjects for a trip via Indonesia to the Philippines at $9,250. In the Atlantic, *Dokos* (82,024-dwt, 2022) was rumoured to have been fixed basis delivery Passing Muskat Ooutbound via East Coast South America to Singapore-Japan at $16,500. *Pella* (82,163-dwt, 2010) was heard to have been fixed for a trip delivery Santos 5/6 September redelivery Singapore-Japan. *Platanos* (81,123-dwt, 2011) was heard to have been fixed basis delivery in the US Gulf for a trip to the Continent with Olam at $13,500 plus a ballast bonus of $350,000. On voyage, Vitol fixed a Costamare TBN ship for their 160,000 mtons 10% coal lift Richards Bay Coal Tterminal to Mailiao 21/30 September at $13.00 pmt.

Supramax markets rallied globally as sentiment improved in all basins. The S10TC closed at $9,674 up by $1,666 (+20.8%) since reported last week on the 11th of August. In the Pacific, Dai Fu fixed *Bulk Bolivia* (63,465-dwt, 2016) delivery Kwangyang prompt dates for a trip via Philippines with nickel ore to South China at $9,750 and option for North China at $10,600, whilst CCX covered *Jag Rohan* (52,450-dwt, 2005) delivery Singapore prompt dates for a trip via Indonesia to China at $12,000 and *Xin Hai Tong* (55,962-dwt, 2008) was taken delivery Port Kelang 17th August for a trip via Indonesia to CJK at $12,000. Whilst in the Indian, Teambulk fixed *Er Maden* (56,522-dwt. 2012) delivery Mina Saqr prompt dates for a trip to West Coast India at $10,000. And in the Atlantic, Orca took *CMB Bruegel* (63,667-dwt, 2021) delivery Santos 24th of August for a trip with pig iron to Charleston at $19,500.

In the **Handysize** markets time charter averages ended the week at $8,449. Positive sentiment enduring across the pacific market. Limited tonnage availability observed in South East Asia has helped push rates up and Charterers have had to source tonnage from other regions. More steel requirements from North China and Japan were said to be entering the market. *Spinnaker SW* (31,657-dwt, 2012) open Niihama 15/16 August fixed trip to South East Asia at $7,500 and *Centurion Mevia* (38,002 2021) opening in Iloilo 20/22 August was rumoured to have been placed on subjects for a trip via Australia to China at $12,500. On period front, *Poavosa Wisdom* (28,324-dwt, 2009) open in Singapore 23rd August was rumoured to have been fixed for balance of period 3 to 5 months at $7,200 for the first 45 days and $8,250 for the balance of the charter. Over in the Atlantic, both the Continent and Mediterranean showed signs of improvement in terms of cargo availability and overall sentiment. A limited number of fixtures came to light, but a 36,000-dwt was rumoured to have been fixed for a Continent-Turkey scrap run at an improved $9,500. Rates for smaller handies for East Mediterranean-Continent trips were around mid-$7,000's, and Black Sea-Med was also paying approximately the same basis Canakkale delivery. Tonnage in South America for August loading was said to be limited. *Porchard* (37,991-dwt, 2023) ballasting from Abidjan reportedly fixed to Weco at $19,500 delivery Rio Grande for a trip to West coast Central America at an impressive $19,500. *Golf* (35,445-dwt, 2011) fixed when where ready Zona Comun for a trip to East Med at around $13,500-$13,750. Revived period interest was sustained this week with concluded deals including *Coreleader OL* (37,118-dwt, 2012) open Georgetown fixing to Norden for 1 year at 105.5% BHSI.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Madredeus	99,648	2011	Tonda	15 Aug	Japan	$13,500	Cnr	Via Australia
RB Jake	81,039	2016	Santos	10 Sept	China	$17,000	Cofco	-
Panstellar	76,602	2003	Singapore	28 Jul	Singapore-Japan	$10,500	Cofco	Via EC South America
Peace Gem	76,433	2012	Chaozhou	17 Aug	S China	$10,000	Cnr	Via East Australia
Vitahorizon	74,483	2007	EC South America	2/3 Sept	Far East	$14,750	Cofco	-
CMB Bruegel	63,667	2021	Santos	24 Aug	Charleston	$19,500	Orca	-
Xin Hai Tong 27	55,962	2008	Port Kelang	17 Aug	CJK	$12,000	Cnr	Via Indonesia
Jag Rohan	52,450	2005	Singapore	Ppt	China	$12,000	CCX	Via Indonesia
Thalis	37,189	2012	Canakkale	Ppt	West Med	$7,400	Pacific Basin	Via Black Sea
TBC Praise	36,685	2012	Cannakale	Ppt	West Med	$7,000	Norvic	Via Black Sea



Exchange Rates	This week	Last week
USD/JPY	145.48	144.85
EUR/USD	1.0862	1.0962

Brent Oil Price	This week	Last week
US$/barrel	83.66	87.26

Bunker Prices (US$/tonne)	This week	Last week
Singapore IFO	562.0	570.0
VLSFO	640.0	648.0
Rotterdam IFO	562.0	585.0
VLSFO	600.0	617.0

Dry Bulk S&P

In the dog days of summer, the market remains surprisingly active. That is not to say that we have a large number of sales to report, but that a number of buyers are testing sellers to see if they will take the next step downwards, and for the moment sellers are resisting.

Capesize bulkers continue to attract a good amount of buying interest. This week, it is reported that Hamburg based Peter Doehle have paid $24.5m for the *Mount Apo* (175,800-dwt, 2012 Jiangsu Rongsheng). The price is very much in line with the sale of *Aquarange* (179,842-dwt, 2011 HHIC Subic) which fetched $23.5m back in early July. Continuing in the gearless segments, Italian owners Michele Bottigleri Armatore have cashed out on their two post-panamaxes *MBA Rosaria* and *MBA Giovanni* (93,300-dwt, 2011/2010 Jiangsu Newyangzi). The buyers are understood to be Indonesian and have paid around $16.75m per vessel. For comparison, the *Claire Z* (93,313-DWT, 2009 Jiangsu Newyangzi) sold for $16.4m back in May.

CDB took offers on their modern kamsarmax *BBG Qinzhou* (81,608-dwt, 2019 Tianjin Xingang) this week. Initial rumours stated that she saw $26m although she is yet to be concluded. Should this be the eventual sale price, it would represent a step down from the *JY Atlantic* (81,096-dwt, 2019 Chengxi) which was sold via online auction in mid-July for $30.15m - but she was of a superior pedigree and came with a finance package attached.

Stepping down to the ultramax market, Dubai based Vega Bulk are understood to have sold their *Hanton Trader III* (63,800-dwt, 2014 Jiangsu Hantong) to Chinese buyers for $20.4m. Owners exercised their purchase option at slightly below the eventual sale price. Finally, Doun Kisen are understood to have sold their *Cape Trafalgar* (55,757-dwt, 2014 JMU) on a BBHP basis.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Mount Apo	175,800	2012	Jiangsu Rongsheng	-	Peter Doehle	$24.5m	SS due 2027
MBA Rosaria	93,300	2011	Jiagnsu Newyangzi	-	Indonesians	$16.75m	BWTS fitted / GHG rating F
MBA Giovanni		2010				$16.75m	
Hanton Trader III	63,800	2014	Jiangsu Hantong	4x30t	Chinese	$20.40m	Eco M/E
Cape Trafalgar	55,757	2014	JMU	4x30t	-	$24.00m	BBHP basis 2 year period

Tanker Commentary

Kyklades Maritime have executed on two suezmaxes at JMU, taking delivery of the vessels in 2025 and 2026. This move is rejuvenating their fleet following their sale of *Limnia* (309,960, 2009 Imabari - BWTS fitted) at the end of March for $61.5m.

The Spanish controlled *Monte Toledo* (150,611-dwt, 2004 Universal - scrubber fitted) which has been on the market since early May has found a new home to West African owners. The Nigerian buyers are reported to have paid $35.5m for the scrubber fitted vessel. The last similar age suezmax to have changed hands was *Sonangol Kassanje* (148,706 dwt, 2005 Daewoo, no scrubber) which achieved $37m at the end of June evidencing a softening in values. Values have however held high when you look towards earnings; Baltic suezmax TCE is currently averaging $12k/day, compared to June which averaged at $47k/day.

Pumproom MR, *Scarlet Ibis* (46,719-dwt, 2004 Iwagi - Zinc coated) called for offers on Wednesday and is rumoured to have sold for $15m. - a large premium when compared to Korean deepwell MR, *Pro Jade* (46,757-dwt, 2003 Hyundai Mipo - Epoxy) which is reported sold for $12m. The high spec zinc coating on Scarlett Ibis commands a large premium compared to the Pro Jade, despite the fact she is a pumproom which is usually discounted.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Monte Toledo	150,611	2004	Universal	Nigerian	$35.50m	Scrubber Fitted
Pro Jade	46,757	2003	HMD	-	$12.20m	SS/DD due November
Scarlet Ibis	46,719	2004	Iwagi	-	$15.00m	Zinc Coated
Wawasan Blufin	19,997	2007	Shin Kurushima	-	$18.50m	STST
At Honor	10,813	2005	Nokbong	Indonesians	$7.30m	

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