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### POINTS OF VIEW

We would all welcome an economic recovery in China, a resumption of the one that started at the end of last year, after a sudden end to lockdowns, only to fizzle out three months later. When Lehman Brothers collapsed in September 2008, it became the symbolic victim of a housing crisis born out of trailer trash loans, wholesale securitisation and failed financial modelling. After the Treasury and the Fed stepped in with huge liquidity and brutal loss crystallisations at the nation's biggest banks, US markets started to turn back up just six months later. Less so in the UK and Europe, as they never took the cure and had to endure a prolonged and painful recovery that arguably is still incomplete. China may need its Lehman moment to clear the decks. It requires a reckoning in its bloated real estate sector that will wipe out equity and bondholders in the most indebted developers and cause policy banks to take deep haircuts on outstanding loans.\* Only by hitting the reset button can the enormity of the problem be resolved, the guiding model being US action in 2008. Private and public sector buyers will emerge to pick over the carcass of China's property sector and get it back on its feet. Unfortunately, such a solution is not favoured by Xi Jinping who dislikes the idea of letting private sector players potentially profit, or to do anything that might mimic what is done in the US and the West. Japan provides an alternative lesson. The bursting of its stock and real estate bubble at the end of 1989 led to one, two or three decades of zombification (opinions differ) as no remedy at all was taken, opting instead to keep broken companies on life support via persistently loose BoJ monetary policy.

The sooner the Chinese leadership takes drastic action, the quicker we will get over the lingering infection of the real estate problem. It is contaminating public confidence in government and causing consumers to retreat into their shells while private businesses and entrepreneurs remain haunted by 'common prosperity' and Xi's purge of the tech billionaires. Flagging industrial production and dwindling exports provide no respite. The real estate sector has been a fundamental driver of demand for seaborne imports such as iron ore, coking coal, steel, non-ferrous metals, lumber, cement, and so on. Excessive construction and over-investment in infrastructure has run its course as a source of economic stimulus. It no longer provides a return in a country whose population is shrinking, and whose GDP in the past 40 years went from an average of 10% for 30 years to 6% in the last ten. Counter-intuitively, this year China's iron ore and crude oil imports are holding up well.\*\* Its dominance of rare earths and metals mining and processing gives it global control over the green transition process in everything from solar and wind to batteries and hi-tech.^ It can withhold components that the West needs in military applications while its strength in EV and battery production poses a threat to a lethargic and flat-footed European car industry. Before it can exploit these advantages, it needs to fix the property sector and reignite the consumer.

There are signs of unrest in the highest echelons of the CCP. In late July, after a prolonged period of absence, China's rising star foreign minister, Qin Gang, was replaced by veteran diplomat Wang Yi, who was reappointed to the post. Then followed a shake-up at the top of the PLA's elite Rocket Force that overseas China's nuclear missile capability. Now, Li Shangfu, China's defence minister, is the latest senior official to go missing, having not been seen in over two weeks. Rahm Emanuel, Washington's outspoken ambassador to Japan, quipped that "something is rotten in the state of Denmark"^^ and likened the string of disappearances to Agatha Christie's novel "And Then There Were None". Xi Jinping did not attend the G20 in New Delhi last weekend, the first time in a decade at the helm for him to miss a G20. At a time of weak economic performance, and strained relations with the US, this is potentially destabilising, not just in China, but worldwide. There is the risk that "what might trigger a war between China and the West is not strength, but weakness."+ This provocative theory is that China is less a rising power than a peaking one as its economy enters what may prove to be a permanent slowdown, as easy growth dries up and the population declines.++ If the leadership really felt this way, then it could bring forward a move on Taiwan, not defer it. The risk of reunification vanishing might be so intolerable that it may act whether ready or not, defying all forecasts. We sincerely hope not.

... Autocracies are Notably Absent ...

### Which Is 'the Best Country in the World'?

Ranks of countries according to the U.S. News & World Report's "Best Countries" ranking



\* Switzerland 2017-2023

Source: The U.S. News and World Report



Source : Statista

\*Local Government Finance Vehicles (LGFVs) will need to be recapitalised by the State in the form of a western-style bailout.

\*\*In Jan-Aug this year, China imported 379mt of crude oil, up 14.7% y-o-y, and 776mt of iron ore, up 7.4% y-o-y.

^China has a lead over the US in 37 of 44 tech fields, from AI to robotics, according to the Australian Strategic Policy Institute.

^^A quote from William Shakespeare's play "The Tragedy of Hamlet".

+ "The era of Chinese growth is over. Like Germany in 1914, war could follow." Sam Ashworth-Hayes in The Telegraph.

++The above Telegraph article suggests that, by 2050, the median Chinese person will be 50 years old.

### Dry Cargo Chartering

**Capesize** markets improved notably again this week with the Pacific leading the way. Increasing enquiry from South Brazil and West Africa also helped to push up rates leaving t/c averages at \$13,284, a rise of \$2,591 from the previous week. From Australia, Rio Tinto were consistently active and covered the end of the month fixing six ships for Dampier-Qingdao. Freight prices for 170,000 mtons 10% iron ore ranged from \$8.20 pmt to \$8.55 pmt. BHP were similarly active taking three vessels including a Berge Bulk position for 160,000 mtons 10% Port Hedland-China. Freight was from \$8.30 pmt to \$8.55 pmt. On the coal front, it was reported that charterers Welhant took a TBN vessel to lift 140,000 mtons 10% from Newcastle to Xiamen for mid-October dates at \$12.35 pmt. From Africa, we heard that Cargill Metal took a K-Line TBN ship for Pointe Noire to Bahrain at \$21.75 pmt. From the South Atlantic, Anglo fixed between 165-180,000 mtons loading Acu also bound for Bahrain at \$15.60 pmt, Trafigura fixed *Feg Success* (182,619-dwt, 2010) for Sudeste-Qingdao at \$20.75 pmt, and TKSE took an Oldendorff TBN for Itaguaí-Rotterdam at around \$8.50 pmt.

There's optimism in the Atlantic regarding increased **Panamax** tonnage, particularly for trans-Atlantic mineral rounds. Brokers reported decent volume for October arrivals and owners seem to have the upper hand in negotiations. However, activity in Asia slowed down slightly with NoPac maintaining its strength, while Australia and Indonesia were less active. P5TC closed at \$14,906 up by \$1,501 since last reported. In the Atlantic, *Glory Prosperity* (82,535-dwt, 2007) retro sailing Kandla 3 September was heard refixed with Olam for a trip via East Coast South America redelivery Singapore-Japan with rate details unknown. *Anna G* (81,004-dwt, 2014) fixed delivery East Coast South America 22 September for a trip redelivery Singapore-Japan at \$16,600 plus \$660,000 bb with Louis Dreyfus, whilst *Star Amber* (82,023-dwt, 2019) Gibraltar 9/11 September was heard fixed for a trip via US Gulf redelivery Singapore-Japan at \$24,750 with Crystal Seas. In the Pacific, *Billy Jim* (82,134-dwt, 2014) open CJK 3 October fixed for a trip via NoPac redelivery China at \$14,000 with Cargill, whilst *Patra* (80,596-dwt, 2012) open Port Dickson 15/16 September was heard fixed for a trip via Indonesia redelivery India at \$13,000. *Great Victory* (77,853-dwt, 2015) open Tobata 16 September was rumoured fixed for a NoPac round trip at \$14,500 to Viterra. SAIL fixed a TBN ship for their 80,000 mtons 10% coal lift Gladstone-Visakhapatnam 1/10 Oct at \$18.10 pmt.

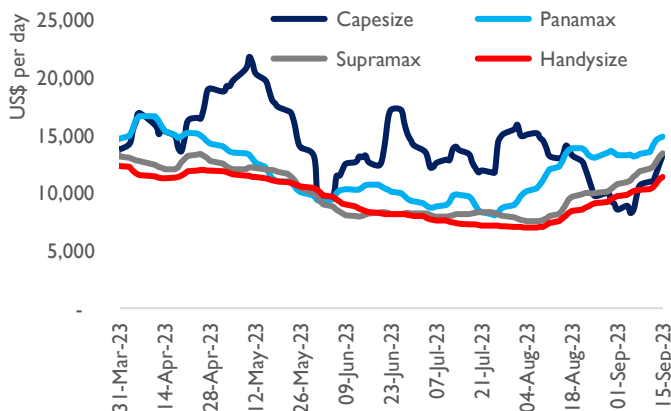
**BSI** closed this week \$13,426 up \$1,556 from last week. Overall sentiment remained positive in both the Atlantic and Asia. A firm week in the Atlantic in the supramax market, notably in the Mediterranean, *Densa Tiger* (55,089-dwt, 2010)

open Tarragaona heard fixed on subs dop via Kavkaz basis redelivery Chittagong at \$24,000 with Aston. *CS Sonoma* (58,810-dwt, 2010) open East Mediterranean was rumoured to have fixed a fronthaul but no further details came to light. In the US Gulf, *Josco Jinzhou* (58,685-dwt, 2012) open SWP fixed dop via US East Coast for a trip China at \$20,000 with Centurion. Inquiry picked up in the South Atlantic, *Top Fortune* (61,447-dwt, 2017) open Paranaqua fixed for a trip Recalada to Chittagong \$16,500 plus \$650,000 bb. In the Indian Ocean, Pacific Basin took *Unity Life* (63,482-dwt, 2017) delivery Bhavnagar for a prompt trip to China at \$16,500, *Sarika Naree* (63,023-dwt, 2015) fixed delivery Chittagong for a prompt trip with logs via New Zealand back to West Coast India at \$14,000, and *Tristar Prosperity* (56,824-dwt, 2012) was fixed by Oldendorff delivery Navlakhi for a trip with limestone via the Arabian Gulf to West Coast India at \$14,000. Further East, *Qian Dao Hu* (63,398-dwt, 2017) fixed delivery Koh Sichang for a trip via Indonesia to China at \$14,000, while *Mana* (63,408-dwt, 2017) fixed similar business delivery Weda a for trip via Indonesia to South China at \$15,100. We also heard that *PMS Enzian* (61,612-dwt, 2015) fixed delivery Obi for a NoPac trip back to Singapore-Japan range at \$17,000.

A positive feel in the **Handysize** market, with stronger numbers recorded across the board. BHSI closed this week at \$11,420 up \$1,125 from last Friday. Fresh inquiry and a lack of prompt tonnage has benefited several Owners on the Continent, notably *Western Moscow* (39,491-dwt, 2019) fixed Antwerp for a scrap trip to the East Mediterranean with Lauritzen at \$19,000. It was heard a 34,000-dwt was fixed for similar scrap trip in the low-\$20's but not yet confirmed. *TBC Praise* (36,699-dwt, 2012) open Bilbao was heard to have been fixed for a trip delivery Continent redelivery East Coast South America with fertiliser at \$13,000. From the Mediterranean, *Giorgios B* (35,291-dwt, 2010) was heard fixed at \$15,500 delivery Kalamata via Turkey to Durban and redelivery Santos with Swire. Further south in the Atlantic, *Team Bravo* (34,642-dwt, 2012) open Abidjan spot fixed via Upriver basis redelivery Philippines in the mid \$16,000's with Oldendorff. *Chicago Harmony* (38,485-dwt, 2015) open Puerto Cabello fixed \$16,500 dop via North Brazil back to US Gulf with Lauritzen. From Asia, again limited change on index with little reported activity. Sentiment remains positive with a notable increase in inquiry. East of Australia, *TSL Rosemary* (33,191-dwt, 2012) open Brisbane fixed \$11,000 plus \$100,000 bb Kwinana for grains out. Other grain/clean cargoes from Australia have been rated between \$11-12,000 to China for end September dates. A 28,000-dwt fixed Indonesia for a trip redelivery CJK, China at \$10,000 aps. Operators increasingly looked for cover tonnage, *Grampus Dignity* (32,877-dwt, 2012) open Davao fixed 6/8 months low \$10,000's.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Voy Trust	93,077	2012	Lingkou	Ppt	China	\$11,000	Cnr	Via Indonesia
Billy Jim	82,134	2014	CJK	3 Oct	China	\$14,000	Cargill	Via NoPac
Artemis	76,942	2006	Yangpu	9 Sept	China	\$10,000	ASL Bulk	Via Indonesia
Princess Katherine	76,436	2004	EC South America	27 Sept	Singapore-Japan	\$16,300	Raffles	-
Kea	75,633	2010	Huanghua	9/12 Sept	China	\$11,000	Louis Dreyfus	Via NoPac
Mana	63,408	2017	Weda	Ppt	S China	\$15,100	Rich Navigator	Via Indonesia
Qian Dao Hu	63,398	2017	Koh Sichang	14 Sept	China	\$14,000	Cnr	Via Indonesia
Federal Oak	60,385	2020	Akita	12/17 Sept	SE Asia	\$13,000	Pacific Basin	Via NoPac
Charisma GR	37,925	2019	US Gulf	8/10 Sept	WC Central America	\$15,500	Cnr	Via WC South America
Bona	32,844	2012	Cape Henry	Ppt	Otranto	\$12,500	Shield	Via US East Coast



Exchange Rates	This week	Last week
JPY/USD	147.88	147.49
EUR/USD	1.0655	1.0737

Brent Oil Price	This week	Last week
US\$/barrel	93.40	90.54

Bunker Prices (US\$/tonne)	This week	Last week
Singapore IFO	564.0	551.0
VLSFO	676.0	646.0
Rotterdam IFO	604.0	570.0
VLSFO	630.0	606.0

15 September 2023

### Dry Bulk S&P

As we have reported over the last few weeks, appetite and values for eco tonnage have been increasing due in part to the very limited amount of available tonnage for sale, coupled with firming rates. For the older, non-eco units, there is a plethora of sales candidates across the sectors and much fewer Buyers resulting in values being static. However, with the pick up in earnings there are signs that Japanese Supras above 55k-dwt are seeing prices increase.

There remains a steady stream of buyers ready to move for eco Kamsarmaxes, and this week *Geneva Star* (81,846-dwt, 2015 Tsuneishi Cebu) attracted offers from around 7-8 buyers. She has since been confirmed sold to Chinese buyers for \$26.7m. This is a significant step up when compared to the last comparable eco Tsuneishi Kamsarmax, *Rikke* (81,895-dwt, 2016 Tsuneishi Zhoushan), sold for \$26.5m at the end of June.

We understand that the Ultramax *Glory Harvest* (63,339-dwt, 2014 Jiangsu Hantong - Eco) is close to selling for \$22m. She has a timecharter attached to Pan Ocean for 12 months at \$14,750pd, until recently this represented a premium to market rates however with a firming in the period market the charter's impact on pricing is diminished.

Negotiations for the Formosa controlled mini cape *FPMC B 102* (104,990-dwt built 2011 STX Dalian - scrubber fitted) are underway, and whilst no sale has yet been confirmed we understand that the owners have countered to three buyers at around the \$20m mark.

Details emerged this week of a Meadway Supramax sale, *Wave Runner* (55,676-dwt, 2008 IHI) for around \$13m however the new owners are marketing this vessel in the chartering market and we understand the deal was finalised a few weeks ago. There are reports a same age same size Japanese supra has seen an offer at \$14m this week and the Sellers are holding out for more, evidence of increasing values in this sector.

Finally, the only Cape sale of the week the 14 year old *Gracious Eternity* (180,199-dwt, 2009 Imabari) received 4 offers. We understand that the winning buyer is from China at a price of \$21.8m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Gracious Eternity	180,199	2009	Imabari		Chinese	21.8m	
Geneva Star	81,846	2015	Tsuneishi Cebu		Chinese	26.7m	DD due November
Jin Feng	52,686	2004	Oshima	4x30t	-	8.0m	BWTS fitted

## Tanker Commentary

Although the dirty market is struggling, with Aframax tanker spot earnings averaging below \$10k/day, there is still activity in the S&P market. The Japanese controlled Centennial Sapporo (110, 448-dwt, 2008 Mitsui, SS/DD due) took offers on Monday and is reported to have sold to Turkish buyers for \$35.5m. The one year younger Fulmar (115,605-dwt, 2009 Hanjin) is also reported to have been sold this week with exact sister Anavatos (115,459-dwt, 2009 Hanjin) for \$39.5m each enbloc to Middle Eastern buyers. The last similar aged Aframax to have changed hands was Pro Triumph (105,272-dwt, 2009 Hyundai HI) at the end of June for \$38m, showing values holding firm.

In the product tanker market, Sunny Apatite (49,999-dwt, 2016 GSI) has sold for \$34m, representing a softening in values when compared to Dong-A Triton (49,997-dwt, 2015 HMD) which sold in mid-July for \$38m. Wonder Formosa (37k-dwt, 2006 Hyundai Mipo - Epoxy phenolic, Ice IA) and Baltic Freedom (37k-dwt, 2006 Hyundai Mipo - Epoxy phenolic, Ice IA) are both reported to have sold to for \$18m each. The last done was Advantage Pretty (37,289-dwt, 2006 Hyundai Mipo - Epoxy phenolic, Ice IB) in mid-July for \$19m.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Centennial Sapporo	110,448	2008	Mitsui	Turkish	35.5m	
Fulmar	115,605	2009	Hanjin	Middle Easterns	39.5m p/v	DD due 2025
Anavatos II	115,459					
Sunny Apatite	49,999	2016	GSI	-	34.0m	SS due 2026
Wonder Formosa	37,562	2006	HMD	Turkish	18.0m	Ice IA / BWTS Fitted
Baltic Freedom	37,048	2006	HMD	-	18.0m	Ice IA / Trading DPP

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