06 October 2023

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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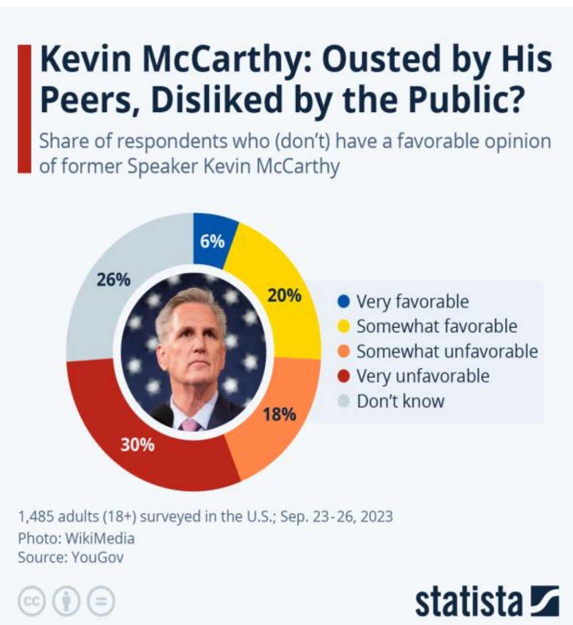
POINTS OF VIEW

Bond markets are throwing a major tantrum after central banks, led by the Fed, have indicated that interest rates will have to stay higher for longer to suppress inflation.* Treasuries and other government bonds have been selling off, causing yields to rise, raising the cost of servicing the national debt. This week in the UK, 30-year gilt yields hit a 20-year high above 5%. The UK national debt is £2.59tn (about the same as annual GDP) so, at this rate, it would cost £130bn a year to service. The government spent £111bn in the last tax year ending 5 April on debt interest payments, more than the total education budget.** Households and businesses, already struggling to cope with their short-term debt obligations, face higher tax rates and reduced public services, an ominous combination. Over the pond, Washington is in disarray. Republicans have toppled their own speaker, Kevin McCarthy, for daring to do a sideline deal, securing Democrat support to prevent a government shutdown. There is no precedent for what happens next, except that Congress cannot function without a speaker. The risk of legislative paralysis remains, and public funding ends on 15 November. In the meantime, the president's son and the former president himself are both on trial in America. The Russians, and every other country that wishes the US and its allies harm, must be thrilled that the leader of the western world appears intent on hastening its own decline. All they need do is sit back and watch. And they had wanted a contest.

This isolationism is evident between parties, within parties and on the overseas stage. US funding of Ukraine is now suspended, contrary to Biden's promises, as far-right MAGA Republicans gain the upper hand in Congress. One might detect the hand of the former president in latest developments. He has promised to end aid to Ukraine on day one of being re-elected. He and his far-right supporters are allegedly pro-Putin and would rather devote energy to confronting China, which they see as the bigger threat. Biden, despite his disdain for Trump, has rolled over all the former president's tariffs on, and sanctions against, China and added some. These are contained in the IRA and CHIPS acts that restrict the export of hi-tech equipment which may have military applications and that back his 'Made in America' policy. This only invites retaliation and serves to highlight China's lead in the race to control key green transition inputs after a distracted West took its eye off the ball. Now it is battling nimbies to open or reopen rare earth mines around the world as it confronts China's two decades of ramping up its global supply chains. One could argue that the US and its allies went into Afghanistan in 2001 for revenge and into Iraq in 2003 for oil. It was unknown then that Afghanistan was sitting on trillions of dollars of mineral deposits, or that American shale oil would obviate the need for Iraqi oil. They left both places without oil or rare earths.

The US has succeeded in persuading the UK, EU, Japan and South Korea to join it in limiting sales to China of certain semiconductors, AI, quantum computing and biotechnology - these being at the heart of today's great geopolitical competition. It is unusual to see such joined-up action. The result is to further strain relations with China which only complicates trading links. Fortunately, and despite all the foregoing, dry bulk shipping evidently is not greatly affected. Although China has huge domestic coal output, it still needs to import record amounts of high-grade thermal coal for blending in its power stations and to compensate for a recent lack of water for its hydro-electric power plants. Australia, Indonesia and the Russian Pacific are its biggest seaborne suppliers. It is similar for iron ore and bauxite. This year, iron ore, coal and bauxite imports are all up on last year, only the ratio has changed.^ This is reassuring given the problems in China's real estate sector. Also, latest reports indicate that China is emerging as a big buyer of wheat from the US, France and Australia despite often not enjoying cordial relations with the sellers.^^ Trade continues when trade must. These resilient commodity trade flows and TM-rich Atlantic/Pacific trades, as in Brazil/China iron ore and Guinea/China bauxite, have rescued the capes. The Baltic's Cape-5TC is up 232% since a trough on 5 Sep, going from $8,266 to $27,445 daily today, a rebound that few anticipated. We foresee only 0.7% growth in the cape fleet in 2024, so the segment will benefit from any government medicine to heal its ailing property sector that underpins raw material imports in the world's premier driver of dry bulk seaborne demand.

… It did take 15 goes to get him elected in January …



Source : Statista

*Equities have also come under pressure as a higher proportion of earnings will go to pay debt interest. Equities may need to fall further to cause a rally in bond prices as investors switch to chasing yield.

**Also, since peaking at $97pb on 27 Sep, Brent has plunged 13% to $84pb today. The assumption is of lower demand caused by interest rates staying higher for longer. The bots appear to have control.

^In 2020, cape TM demand was 76% iron ore, 16% coal & 7% bauxite. In 2023, the equivalent figures are 70%, 18% & 11% with strong coal and bauxite growth making up for weaker iron ore demand growth.

^^Australia is China's largest wheat supplier, accounting for over 40% of its imports. France sold 600kt three weeks ago while the US just sold 220kt, its largest sale to China since July 2021.

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Dry Cargo Chartering

Another incredible week across **Capesize** markets saw time-charter averages propelled to $27,445, a huge rise of $6,925 from previously reported. A combination of renewed Brazilian iron ore demand, ever-increasing Aussie-China coal trade, and comparatively low Chinese stockpiles are all thought to be contributing to current upwards market trends. Rio Tinto covered 5 positions for 170,000 mtons Dampier-Qingdao for mid-late October dates with freight ranging from $10.30 pmt to $10.60 pmt. They also covered an additional 190,000 mtons 10% lifting at $10.35 pmt. FMG and BHP chartered three capes for Aussie business between them. Freight was from $10.40 pmt to $10.70 pmt. From South America, Samjohn Legacy was fixed by CSN for 180,000 mtons 10% loading Itaguai for China at $25.00 pmt. Charterers IMR fixed a Richland TBN for 170-175,000 mtons Saldanha Bay-Qingdao at $18.40 pmt. *CSC Preeminence* (208,801-dwt, 2020) fixed delivery Dangjin for 9-11 months trading at $24,000, while Oldendorff took the scrubber-fitted *Golden Future* (175,861-dwt, 2010) delivery Singapore for a trip via Brazil and West Africa to the Far East at $23,500 plus a gross ballast bonus of $500,000.

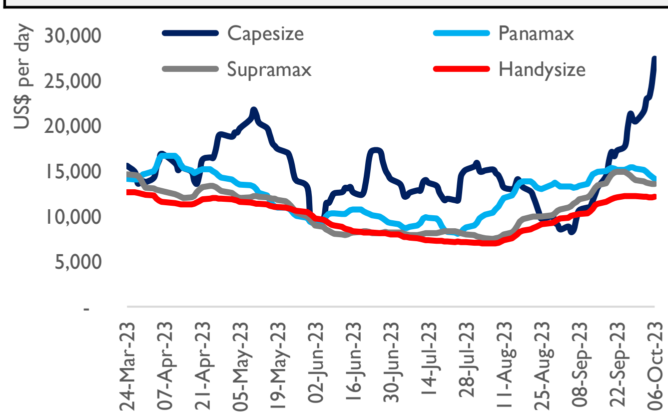
Negative sentiment encompassed the **Panamax** market with little support seen and a continuation of drifting rates. The Atlantic appeared stagnant with very few bids whilst offers remained flat. Asia lacked any impetus too, with general market nervousness seen. P5 TC closed at $14,151 down by $1,154 since last reported. In the Atlantic, *Golden Friend* (81,206-dwt, 2020) delivery aps US Gulf 10/20 October was heard fixed for a trip redelivery Singapore-Japan at $24,000 plus $700,000 bb to COFCO. *Omicron Eagle* (81,426-dwt, 2009) retro sailing Singapore 12th September was reported fixed for a trip via North Coast South America redelivery Far East at $15,500, whilst COFCO were linked to *Pessada* (75,484-dwt, 1999) open Mombasa 20th September for a trip via East Coast South America redelivery Skaw-Gibraltar at $19,000. In the Pacific, *Chola Destiny* (76,619-dwt, 2008) open Muara Berau 10th October fixed for a trip via Indonesia redelivery India at $8,500 to NYK, and *Star Peace* (79,025-dwt, 2011) open Pasir Gudang 5/8 October fixed to Delta Corp for the same trip via Indonesia redelivery India at $12,500. *Orion Globe*] (81,837-dwt, 2015) Tokachi 5/6 October was heard fixed for a trip via Long Beach redelivery China at between $14,500 and $15,000 with Cobelfret. On voyage, Arcelor Mittal fixed BBG Guigang for their 70,000 mtons 10% coal lift Norfolk to Fos 6/7 Oct at $17.50 pmt.

Supramax markets came off this week, as general cargo volumes fell as a result of Golden Week. The Atlantic took the biggest hit this week, whilst the Far East remained relatively flat. The S10TC closed at $13,558 down by $483 since reported last week on the 22nd September. In the Pacific, Oldendorff fixed *Beechgate* (63,449-dwt, 2019) delivery CJK prompt dates for a trip via Skardon River to China at $12,500, and *Star Fighter* (61,455-dwt, 2013) was covered delivery Singapore for a trip via Indonesia to South China at $17,000. In the Indian, Norden fixed *Tomini Liberty* (63,511-dwt, 2018) open Krishnapatnam 7th October for a trip delivery Durban to Singapore-Japan range at $19,000 plus $190,000 bb, *Ceylon Princess* (63,212-dwt, 2016) open Magdalla was covered on subs basis dop for a trip via AG to Bangladesh at $14,500, and *Jag Radha* (58,133-dwt, 2009) was taken on subs delivery Mina Saqr for a trip with limestone to Bangladesh at $16,500. Over in the Atlantic, *Great Vista* (61,072-dwt, 2021) open Dominican Republic fixed delivery North Brazil for a trip with grains to China at $16,250 plus $625,000 bb, and ITG took *Ocean GLSR* (56,108-dwt, 2014) delivery Port Harcourt 26th September for a trip via Owendo to East coast India at $23,000. Meanwhile on the period front, *Josco Fuzhou* (58,705-dwt, 2012) was covered delivery Tianjin for 4-6 months with redelivery worldwide at $12,750.

Market levels dropped slightly in **Handysize** sectors this week, driven by a lack of fresh enquiry across the Atlantic and national holidays in China. The BHSI closed at $12,144 down $74 since last week. The Continent and Mediterranean cooled significantly, it was reported a 40,000-dwt fixed from the Continent to the Far East at $20,000 dop. *Jin Yuang Ling* (31,772-dwt, 2009) open Iskenderun fixed failed at $16,500 passing Canakkale for an intra Mediterranean trip with grains. *Paris Trader* (40,292-dwt, 2013) open Gibraltar fixed via East Mediterranean redelivery Caribbeans at $20,000 with clinker to Lighthouse. In the Black Sea, *Saint Dimitrios* (33,788-dwt, 2011) fixed from Varna for a trip redelivery South Spain at $15,250. The US, that has been steady for a few weeks, started showing signs of improvement with levels of enquiry on the up. *Agia Dynami* (35,220-dwt, 2010) fixed delivery Savannah for a trip to the United Kingdom at $12,000 with Cargill. Positive vibes from North Brazil with a lack of prompt tonnage, it was reported *Federal Yamaska* (37,153-dwt, 2013) fixed delivery Vila De Conde for a trip redelivery Norway with Alumina at $16,000. With widespread holidays across Asia, limited activity was observed. In the Far East region, some noticed a slight uptick in available tonnage which may lead to some reductions from owners. Many are anticipating a surge in fresh enquiry once holidays conclude. A 28,000-dwt open China was rumoured fixed for a trip to Southeast Asia around low-mid $8,000. *Uni Auc One* (28,709-dwt, 2007) open Port Moresby heard fixed mid-high $11k 's for an Aussie round voyage. A 38,000-dwt open Japan also heard fixed low $10k's for trip to Southeast Asia.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Transcenden Emerald	84,958	2023	Hong Kong	30 Sept	South China	$15,000	Cnr	Via Australia
Jal Tara	84,827	2019	Tachibana	8/11 Oct	Vietnam	$14,750	Klaveness	Via Australia
Power Globe	80,655	2011	Ningbo	3/6 Oct	China	$10,250	WBC	Via Australia
Ocean Dalian	75,599	2011	Guangzhou	6 Oct	China	$13,000	Cnr	Via Indonesia
Spitha	75,410	2005	EC South America	20/21 Oct	Singapore-Japan	$16,250	Hanson	-
Beechgate	63,449	2019	CJK	Ppt	China	$12,500	Oldendorff	Via Skardon River
Star Fighter	61,455	2013	Singapore	Ppt	N.China	$17,000	Cnr	Via Indonesia
Great Vista	61,072	2021	North Brazil	Ppt	China	$16,250	Cnr	-
Nordic Malmoe	35,843	2012	Canakkale	Ppt	W Mediterranean	$17,000	Cnr	Via Black Sea
Chios Freedom	35,626	2015	Stettin	Ppt	West Africa	$20,250	NMC	-



Exchange Rates		This week	Last week
	1 USD	149.28 JPY	149.32 JPY
	1 USD	0.9482 EUR	0.9457 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	84.54	95.21

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	460.0	544.0
VLSFO	639.0	692.0
Rotterdam HSFO	512.0	592.0
VLSFO	600.0	635.0

Dry Bulk S&P

Firming Capesize rates are fuelling excitement in the second-hand market right now with gearless ships, Panamaxes, Kamsarmaxes and Capes taking over the sales tables. The BCI 5TC index is currently sitting at circa $27k p/day, up $6.5k from last Friday and $14k above the 2023 YTD average. In the first of the Capesizes sales this week, Greek owners, Alberta Shipmanagement are reported to have fought off competition from other Greek Buyers to secure *AM Gijon* (178,462-dwt, 2011 Mitsui) for $25.75m. This was followed by Chinese buyers pouncing on the COSCO owned *Cape Star* (175,366-dwt, 2010 Jiangsu Rongsheng) for around $21.2m, given the holidays in China, further details may emerge next week.

There has been notable activity on Kamsarmaxes with both Blumenthal, GESCO and far Eastern Buyers linked to *AOM Georgina* (82,146-dwt, 2014 Tsuneishi Cebu, eco) and *Lord Star* (82,830-dwt, 2013 Sanyoas, scrubber fitted). The eventual Buyer for each ship is yet to emerge however the scrubber fitted *Lord Star* is reported at 23.8m and the eco *AOM Georgina* at $24.8m. Compared to these sales of Japanese and affiliate units, the price achieved for the older non-eco *Yangtze Xing Jin* (81,649-dwt, 2012 Guangzhou Longxue) seems firm.

The Chinese owned, domestic trading, tier II, Chinese flagged and CCS classed *Xing Hong Da 8* (58,018-dwt, 2012 Yangzhou Dayang) is reported sold for $12.8m to Chinese Buyers. This is a soft price when compared with the recent sale of 2010 sister vessel, *Hanseatic Eagle* (58,018-dwt, 2010 Yangzhou Dayang) in the mid upper 12s however the domestic trading nature of Xing Hong Da 8 has led some commentators to question her condition and potential suitability for the international market. we understand The STX built supramax, Honwin (57,334-dwt, 2009 STX) has been sold via a tender process to Petrovietnam. The reportedly bureaucratic tender process helps to explain the firm price.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
AM Gijon	178,642	2011	Mitsui		Alberta Shipmanagement	$25.75m	
Cape Star	175,366	2010	Jiangsu Rongsheng		Chinese	$21.2m	
Lord Star	82,830	2013	Sanoyas		Undisclosed	$23.8m	Scrubber fitted
AOM Georgina	82,146	2014	Tsuneishi Cebu		Singaporean	$24.8m	M/E engine
Yangtze Xing Jin	81,649	2012	Guangzhou Longxue		Undisclosed	$20.0m	
Orion III	76,602	2005	Imabari		Undisclosed	$10.1m	
Xing Hong Da 8	58,018	2012	Yangzhou Dayang	4x35t	Chinese	$12.8m	Tier II, Chinese Flag, CCS
Honwin	57,334	2009	STX	4x30t	Petrovietnam	$15.0m	Via tender

Tanker Commentary

Newbuilding berths for product tankers are at a premium with 2026 deliveries few and far between. It is not surprising therefore that we are seeing buyers shift their attention to eco second hand tonnage as evidenced by this week's sales table. Four eco MRs are rumoured to have been sold this week with another under close negotiations. Transport Recovery Fund are reported to have sold the scrubber fitted / 22 grade *TRF Bergen* (49,126-dwt, 2015 Hyundai Vinashin) for $37m. The vessel is trading in the Hafnia pool and Hafnia are being linked to the sale however no announcement has been made. Elsewhere, TMS Tankers are understood to have sold the year younger pair of sisters *Bora Bora* and *Lacerta* (both 49k-dwt, 2016 SPP) at $40m each which is in line. Finally, Pleiades Shipping are understood to have committed the first generation eco *Evinos* (49,997-dwt, 2013 STX) for $33.7m.

There are also reports that *Dong A Triton* (50k-dwt, 2015 HMD) is negotiating closely or sold for a firm $38m however at the time of going to press this is unconfirmed.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Chemtrans Aegean	76,578	2007	Dalian	Undisclosed	$22.0m	
Evinos	49,997	2013	STX	Undisclosed	$33.7m	M/E engine
Bora Bora	49,994	2016	SPP	Turkish	$80.0m	M/E Engine
Lacerta	49,994	2016	SPP			M/E Engine
TRF Bergen	49,126	2015	Hyundai Vinashin	Hafnia	$37.0m	22 tanks Scrubber fitted

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