17 November 2023

WEEKLY COMMENTARY

HARTLAND SHIPPING SERVICES

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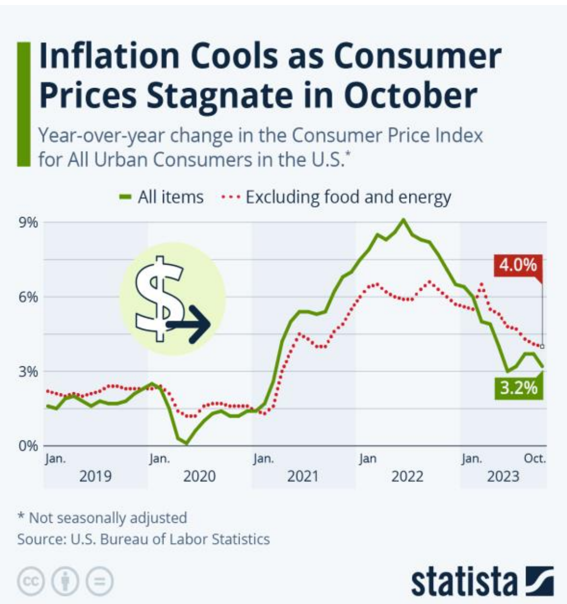
… On an easing trajectory? …



Source : Statista

POINTS OF VIEW

The IEA has just released its latest monthly Oil Market Report. As a Paris-based OECD body it appears to be beholden to the green transition leanings of its members with 22 out of 31 being in continental Europe, plus the UK and Turkey on the fringe.* The IEA favours moving away from fossil fuels, and this might have influenced its recent call that oil demand will peak before 2030. However, in its November report, it is slightly more upbeat foreseeing slightly higher consumption but also stronger output than it did in the prior month. Global oil demand growth is forecast to rise 2.4m-bpd, from 2.3m-bpd previously, reaching an annual average of 102m-bpd this year. In 2024, demand growth is estimated to fall to 930k-bpd, up from 880k-bpd previously. China, despite its own economic headwinds, notably in the real estate sector, is leading the charge and accounts for 1.8m-bpd of this year's 2.4m-bpd gain.** One might question whether China's economic problems are really that bad given its rebounding oil demand and higher GDP growth than almost all other countries. On the crude oil output side, the US hit 13.2m-bpd in October, well above KSA at 9.0m-bpd and Russia at 9.5m-bpd. As Opec+, the group they lead, has cut export barrels in attempts to support oil prices, so the key Atlantic growth producers of the US, Brazil, Kazakhstan, Norway and Guyana are gratefully making up the shortfall with long-haul shipments to Asian buyers^.

In this week's reports, the IEA and Opec agree on one thing: this year's oil demand is robust with the latter estimating global demand growth of almost 2.5m-bpd, just above the IEA's 2.4m-bpd. They should be close to actual with only a month and a half to go. Where they diverge is in their 2024 projections with Opec at 2.2m-bpd and the IEA about 1.3m-bpd lower, at just over 0.9m-bpd, a big gap. The IEA says that the 2024 demand slowdown will arise as the last phase of the pandemic economic rebound dissipates and as advancing energy efficiency gains, expanding electric vehicle fleets and structural factors reassert themselves. Opec sees relatively strong economic growth in India (5.9%) and China (4.8%) in 2024 driving oil demand growth there and in the Middle East and other Asia. Still, it is hard to reconcile the forecasting gap. As the IEA represents the world's largest oil consumer nations, and Opec hosts the world's largest oil producer countries, it is unsurprising that they tend to play to their own audiences. While the IEA respects the green agenda of its members, Opec is obliged to pander to the ambitions of its members to monetise their oil and gas reserves while they still can. Despite the Opec+ output cuts, the Brent oil price has fallen 20% from a YTD high of $97pb at end September to $78pb today. One explanation might be that Russia, Iran and Venezuela have become adept at evading sanctions and can still find seaborne markets for their oil, especially east of Suez. They are eating the cartel's lunch.

We are rapidly becoming aware that the theoretically achievable NZ50 target is going to be a serious challenge. We see IOC mergers and back-peddling on green targets in the UK, Europe and elsewhere. This week, the FT drew our attention to another domain where oil is preferred over renewables: Latin America. Guyana, adjacent to Venezuela which has the largest untapped crude oil reserves in the world, is the new kid on the bloc. Its 800,000 people are set to boast being a top-20 oil producer by as soon as 2026. The IMF predicts that its GDP will expand by 37% this year. It may be closely followed by Suriname, just to the east of Guyana, which has a large rainforest and is one of only three countries in the world that absorbs more CO_2 than it emits. That is all set to change, in a potential Paradise Lost. Total has found 700mn barrels offshore Suriname and is evaluating a $9bn investment. Latin America is one of the world's best regions for producing green energy with abundant hydro, solar and wind reserves, and yet the low-hanging fruit is oil. Brazil's offshore oil output is rising fast with Petrobras set to invest $62.5bn in oil and gas exploration over five years and another $15.5bn in refining and other purposes. Argentina is expanding its oil and gas production from its Vaca Muerte deposit in Patagonia. Many of Latin America's projects have lower costs and carbon intensity that the global average, so they are encouraged to push ahead with fossil fuels and delay renewables. We are in a tug-of-war between developed OECD nations going green and non-OECD nations staying black.

*Other IEA member countries are Australia, Canada, Japan, Korea, Mexico, New Zealand and the US. Members commit to reducing national oil consumption by up to 10%.

**China's oil demand in September set another all-time high of 17.1m-bpd fuelled by a booming petrochemical sector. This was at the expense of refiners in Europe, Asia and Oceania.

^Non-Opec+ oil output is forecast to rise 1.7m-bpd in 2023 and 1.6m-bpd in 2024. However, Opec suggests that OECD countries will account for only 0.3 out of 2.2m-bpd demand growth in 2024.

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Dry Cargo Chartering

A slightly calmer week in the **Capesize** sector compared to the previous few saw the recent positivity maintained as markets continued to push upwards. Trading ended on Friday with a further sizable increase as time charter averages strengthened again to $22,913, up $1,440 from previously reported. After holidays in Asia on Monday, activity in the Pacific began to pick up as the week progressed. Rio Tino and BHP took 6 positions between them for Australian iron ore stems into China for late November/early December dates. Freight prices ranged from $9.90 pmt to a high of $10.55 pmt. Plenty of iron ore was also fixed in the Atlantic this week. Vale covered 170,000 mtons 10% Tubarao/Qingdao on *Xin Hang* (178,043-dwt 2010) at $21.90 pmt, Koch took *Castillo De Catoira* (173,587-dwt, 2005) at $22.30 pmt, Glovis took a 'TBN' position at $22.00 pmt, and *Mount Carmel* (177,003-dwt 2007) was fixed at $21.95 pmt, all for this same the Brazil-China trade. On the coal front, charterers Libra fixed 150,000 mtons 10% Samarinda to Mundra for 18/25 November with freight between $7.70 pmt and $8.10 pmt. Elsewhere, Mercuria were linked to *Pink Sands* (208,931-dwt, 2016) for 190,000 mtons 10% bauxite Kamsar to the Far East in the $22.00's pmt, and E-Commodities were rumoured to have fixed *Star Martha* (180,274-dwt, 2010) for 125,000 mtons 10% Baltimore to Jingtang first half of December at $40.20 pmt.

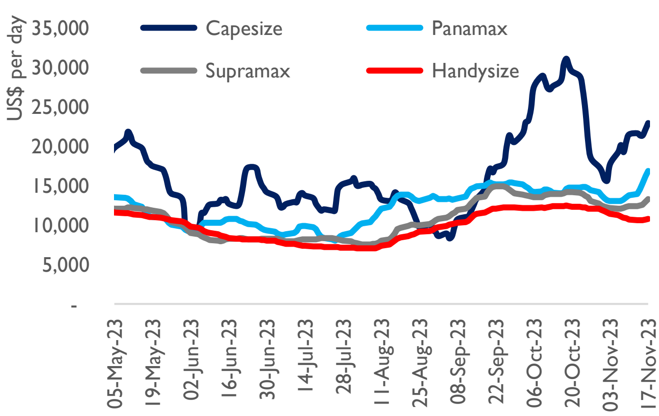
The **Panamax** market appeared active with the North Atlantic returning the headline rates and moves. Asia bared its teeth too, with solid levels of demand to maintain and improve rates. P5 TC closed at $16,868 up by $3,095 since last reported 14 July. In the Atlantic, *Shandong Fu Ze* (81,782-dwt, 2017) delivery East Coast South America end November was clean fixed for a trip redelivery Singapore-Japan at $18,500 plus $850,000 bb. *Navios Amite* (82,002-dwt, 2021) was alleged fixed for a coal lift ex Ubatuba to Safi with ST Shipping whilst *Zephyros* (81,805-dwt, 2016), Itaqui 25 November was rumoured fixed for a trip redelivery Singapore-Japan at $18,750 plus $875,000 bb with Cargill. In the Pacific, *Duke I* (80,700-dwt, 2010) Singapore spot was rumoured fixed for a trip via West Coast Australia redelivery China at $18,000, whilst *Astarte* (81,513-dwt, 2013) Yantai 16 November fixed for an Australian round trip. *STL Miracle* (82,338-dwt, 2008) Donghae prompt was fixed for a trip via Australia redelivery Korea at $11,000. On voyage, SAIL fixed 'TBN' for their 75,000 mtons 10% coal lift Abbot point/Visakhapatnam 10/20 December at $17.60.

Supramax market turned quickly and positively this week as the US Gulf market was set on fire! A substantial imbalance in available tonnage for firm liftings has led to vessels open on West Africa and even East Coast South America fixing to load from the US Gulf. This has had a spillover effect on South African markets as sentiment has also firmed there. The S10TC closed at $13,250, up by $877 (+7.09%) since reported last week. In the Pacific Ocean, *Beauty Lily* (63,654-dwt, 2015) was fixed delivery Koh Sichang prompt dates for a trip via Indonesia to South China at $14,000 and Naval covered *Oak* (57,274-dwt, 2011) delivery Weda Bay 12-14 November for a trip via Indonesia to China at $13,000. Whilst in the Indian Ocean, Panbulk fixed *Leonardo* (63,676-dwt, 2020) delivery Mesaieed prompt dates for a trip via Mina Saqr with aggregates to Bangladesh at $12,000 and *Arinaga* (63,500-dwt, 2022) was taken delivery Mongla 9 November for a trip via East Coast India with iron ore to China at $10,000. While in the Atlantic, Consolidated fixed *Aquataurus* (60,238-dwt, 2017) delivery Nemrut 14 November for a trip via Izmir to Conakry at $15,500 whilst *Star Pyxis* (56,615-dwt, 2013) covered delivery Derince prompt dates for a trip via Black Sea to UK-Continent range at $11,000.

A flat week in the **Handy** sector, despite the US Gulf continuing to push aggressively upwards. The BHSI closed this week at $10,786 up only $89 since last Friday. Sentiment within the Atlantic market showed signs of improvement. On the Continent, *Strategic Vision* (34,960-dwt, 2012) was reportedly fixed at $17,000 for a trip to West Africa. A 34k-dwt was fixed from the Baltic in the mid-teens to the East Mediterranean. An injection of cargoes within the Black Sea and Mediterranean helped to reduce the number of spot ships in the area, with Intra-mediterranean fixtures around $7,000. In West Africa, *Yuka D* (34,268-dwt, 2011) open Conakry was fixed delivery Itaqui for a trip to Singapore-Japan in the high teens. US Gulf remains the star performer within the Atlantic, with rates in the low 20's for Trans-Atlantic trips. In the South Atlantic, *Ricarda* (39,949-dwt, 2015) was rumoured fixed delivery North Brazil for a trip to Norway at $17,50 with Western Bulk Carriers. Lauritzen fixed the *Harvester* (37,842-dwt, 2017) from North Brazil for a trip basis redelivery US Gulf at $15,500. Negativity persisted across Asia with minimal visible activity and continued lack of fresh enquiry. Some observed improving level of cargo availability in some regions, fostering optimism among owners that a positive shift may be imminent. A 28k-dwt open North China was heard to have been fixed to Southeast Asia around $7,000, we also heard a 36k-dwt open Singapore have been fixed a trip via Australia to Indonesia around mid $7,000s.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Ocean Oceanus	93,072	2011	Kaohsiung	15/17 Nov	S.Korea	$14,000	Five Ocean	Via Indonesia
STL Miracle	82,338	2008	Donghae	Ppt	S.Korea	$11,000	Cnr	Via Australia
Princess A	81,793	2020	CJK	15 Nov	Singapore-Japan	$13,000	Bunge	Via NoPac
Leader	78,090	2012	Zhanjiang	18/19 Nov	Port Dickson	$11,250	Panocean	Via Taboneo
Calipso	73,691	2005	Okha	6 Nov	Singapore-Japan	$10,250	Cofco Agri	Via EC South America
Achi	63,277	2012	Singapore	Ppt	South China	$14,500	Cnr	Via Indonesia
Star Lutas	61,347	2016	Qinzhou	16/17 Nov	China	$13,500	Merit	Via Indonesia
Oak	57,274	2011	Weda Bay	12/14 Nov	China	$13,000	Naval Bulk	Via Indonesia
Ricarda	39,949	2015	N.Brazil	Ppt	Norway	$17,500	WBC	-
Harvester	37,842	2017	N.Brazil	Ppt	US Gulf	$15,500	Lauritzen	-



Exchange Rates		This week	Last week
	1 USD	149.68 JPY	151.35 JPY
	1 USD	0.9199 EUR	0.9354 EUR

Brent Oil Price	This week	Last week
US$/barrel	80.61	81.61

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	462.0	466.0
VLSFO	684.0	684.0
Rotterdam HSFO	477.0	467.0
VLSFO	575.0	575.0

Dry Bulk S&P

Market activity continues unabated, and the thirst for Capesizes remains unslaked. We have no less than seven Caper sales to report this week.

There have been no sales in recent years of very modern Capers and the sale of *Agis* (182,334-dwt, 2023 Namura) at $68m gives a useful guide to where the market is pricing above newbuildings for 2026 delivery. Considering the effect of higher interest rates on pre-delivery finance costs, the premium is very modest.

The other six Capesize sales all match the last one done and reflect an equilibrium of buyers and sellers. *Frontier Brilliance* (181,412-dwt, 2013 Imabari) is sold to UC Shipping for $30.5m. Chinese built sisters *Comanche* and *Chow* (both 180,882-dwt, 2016 SWS) are sold enbloc to Genco for $86.2m. Korean built sisters *Honor* and *Glory* (179,469-dwt, 2011 Hyundai) are sold enbloc to N.G. Moundreas for $49m, while the older *Mineral Noble* (170,649-dwt, 2004 Hyundai Ulsan) is sold for something in the high $12m with dry dock due in March next year.

The Kamsarmax *Ultra Panther* (83,610-dwt, 2008 Sanoyas) is sold for a stronger $16.3m with surveys recently passed. An older Panamax *Katerina* (76,015-dwt, 2004 Tsuneishi) is sold for $10.2m.

Two sales in the Ultramax/Supramax sector suggest differing dynamics at play. Star Bulk have sold *Star Athena* (63,371-dwt, 2015 Chengxi) to Super Eco Bulkers for $23.5m - the same price recorded for her same-age sister *CP Shanghai* last month, but with the significant difference that the *Star Athena* is scrubber fitted.

At the same time Star Bulk also sold the scrubber-fitted *Star Glory* (58,680-dwt, 2012 Nacks) to Greek buyers for $19m, suggesting a healthy premium for the scrubber.

Finally, two Handysize sales are recorded. *Ping Jing* (34,398-dwt, 2015 Namura) we understand is committed at a softer $17.5m, although reports on her condition were less than glowing, while one of the few units delivered by Hongxin shipyard before its demise, *Cetus* (32,449-dwt, 2010 Hongxin), is sold for just $9.5m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Agis	182,334	2023	Namura		Mittal	$68.0m	
Frontier Brilliance	181,412	2013	Imabari		UC Shipping	$30.5m	
Comanche Chow	180,882	2016	SWS		Genco	$86.2m	Enbloc, Scrubber Fitted
Honor Glory	179,469	2011	Hyundai Gunsan		N.G. Moundreas	$49.0m	Enbloc
Mineral Noble	170,649	2004	Hyundai Ulsan			$12.8m	
Ultra Panther	83,610	2008	Sanoyas			$16.3m	
Katerina	76,015	2004	Tsuneishi			$10.2m	
Star Athena	63,371	2015	Chengxi	C 4x30t	Super Eco Bulkers	$23.5m	Scrubber Fitted
Star Glory	58,680	2012	NACKS	C 4x31t	Greeks	$19.0m	Scrubber Fitted
Atherina	58,677	2009	Tsuneishi Cebu	C 4x30t		$14.2m	
Jin Quan	52,525	2006	Tsuneishi Cebu	C 4x30t		$9.2m	
Ping Jing	34,398	2015	Namura	C 4x30t		$17.8m	
Cetus	32,449	2010	Zhejiang Hongxin	C 4x30t		$9.50m	

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Tanker Commentary

Torm AS take the spotlight this week following their eight vessel (see table below) deal agreed with Kristian Gerhard Jebsen. It is reported that the total purchase price was $399m, with $239m paid in cash and the remainder with $5.5m new shares. Deliveries are set to take place between December and Q1 next year.

Despite average earnings coming off circa $10k this week, we continue to see a number of buyers paying firm prices for older Aframax tonnage. Firstly, Greek owners Stealth Maritime are understood to have sold their *Iridescent* (112,871-dwt, 2009 New Times) for $39.5m. This was followed by Performance Shipping who have sold their *P. Kikuma* (115,915-dwt, 2007 Samsung) for $39.3m. Comparing these two transactions highlights the premiums that Korean tonnage achieves against less favoured Chinese designs. The last of the Aframax sales come from Teekay Tankers who have sold their *Concord Express* (111,920-dwt, 2003 Hyundai) for $26m. By way of comparison, the year-younger *Atlantic Pride* (114,500-dwt, 2004 Samsung) was sold back in September for $24m.

Older MR tankers also continue to find new homes despite the plethora of sales candidates. We note that International Seaways have sold their *Seaways Lorain* (51,218-dwt, 2008 STX - Epoxy Phenolic) for $24.5m. This sale represents a notable step up from the sister ship, *High Jupiter* (51,603-dwt, 2008 STX - Epoxy Phenolic), which was purchased by Seven Islands Shipping in September, for $22m. Wrapping up the product tanker sales this week is an enbloc deal that Stainless Tankers have concluded with Albemarle Shipping. The Tufton Oceanic spin-off have agreed to pay $27m in an enbloc deal for *Monax* (20,762-dwt, 2005 Usuki - Stainless Steel) / *Marmotas* (19,953-dwt, 2005 Usuki - Stainless Steel).

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
SKS Doda	119,456	2012	Hyundai Samho	Torm	$399.0m	Enbloc, $239m cash and approx. $5.5m new shares. All ships are coated.
SKS Dongang	119,456	2011				
SKS Dokka	119,456	2010				
SKS Dee	119,456	2010				
SKS Delta	119,456	2010				
SKS Demini	119,456	2010				
SKS Doyles	119,456	2010				
SKS Douro	119,456	2010				
P. Kikuma	115,915	2007	Samsung		$39.3m	
Iridescent	112,871	2009	New Times		$39.5m	
Concord Express	111,920	2003	Hyundai		$26.0m	
Seaways Lorain	51,218	2008	STX		$24.5m	
Monax	20,762	2005	Usuki	Stainless Tankers	$27.0m	Enbloc, Stainless Steel
Marmotas	19,953					

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