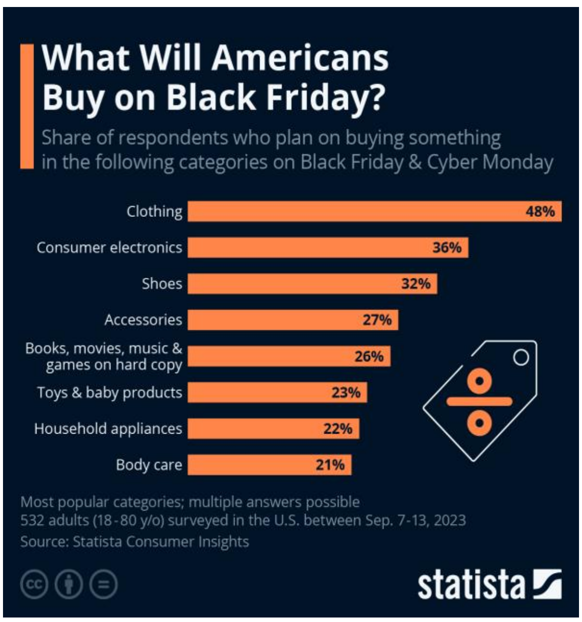
24 November 2023

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

… Any Bargains Out There? …



Source : Statista

*Current Nominal 1-year TC Rates Nov 2023 vs Jan 2020:

VLCC 310k-dwt	$57,250 vs $65,200
LR2 115k-dwt	$46,250 vs $32,000
Capesize 180k-dwt	$14,167 vs $13,100
LNGC 174k-cbm	$102,500 vs $94,600
VLGC 84K-cbm	$78,358 vs $42,751
PCTC 6,500-ceu	$115,000 vs $16,500

Source: Clarksons

POINTS OF VIEW

World events are grabbing our attention, even crowding out other considerations in our daily lives. However, in the context of the global economy, it is hard not to notice that the big issues of the day are inflation and high interest rates. These affect us all as we battle a cost-of-living crisis. Everything is more expensive than before, and our finances do not stretch as far as they used to after over ten years of super cheap money. HSBC Global Research put out a piece on interest rates earlier this week entitled "Conditions for cuts" posing the question of what the Fed, ECB and BoE need to see before cutting. The bank sees no further Fed, ECB or BoE rate rises and expects cuts to start in Q3 2024 (Fed), Q4 2024 (ECB) and Q1 2025 (BoE). That means that we have quite a while to wait before we start to get any relief from high borrowing costs. At these dates, HSBC expects sub-trend growth, rising jobless rates and a sustained easing in wage growth and core inflation. It is thinking that hawkish 'sticky inflation' risks will be broadly balanced by dovish 'overtightening' risks. It says that markets are probably right to have priced out more rate hikes from the Fed, the ECB and the BoE but the bank thinks that they have collectively gone too dovish in expecting the Fed and the ECB to have cut twice by next July, and for the BoE to have cut twice by next September. In a world of data-dependent world central banks, HSBC thinks that policymakers will want to see the 'whites of the eyes' of underlying disinflation and reckons that they will not have seen enough of this by the middle of next year.

So, what might central banks need to see to cut rates? HSBC outlines four simple macro conditions. In ascending order of priority, they are: 1) sub-trend GDP growth, 2) unemployment rising towards or above 'equilibrium' rates (or alternatively, other clear signs of labour market loosening, such as falling vacancies), 3) wage growth falling towards 3.5% (which it considers is consistent with 2% inflation), 4) core inflation below 3% and – crucially – clearly on a path towards 2%. Particularly given that core inflation is around 4% (PCE) in the US, at 5% in the Eurozone and 5.5% in the UK, we are still some way off from these conditions being met, especially in Europe. It thinks that they should be met by around the middle of next year in the US, but later in Europe, given extra stickiness in wages and inflation. However, even if the macro forecasts are right, given the very gradual disinflation HSBC envisages, it is hard to know exactly when policymakers will be ready to make the move. Developments in other areas such as real interest rates, or pay deals in the Eurozone, could tip the balance. Their macro forecasts could be wrong. Given recent guidance from the Fed, the ECB and the BoE, HSBC would probably need to see big new inflation data surprises, or another energy shock, to trigger further hikes.

Cuts could get delayed if wages and inflation prove stickier than HSBC's already sticky central base. But it foresees dovish risks as equally plausible. Given that we probably have not seen all the impact of past rate rises yet, central banks might find that they have over-tightened policy so will need to start easing sooner. Bearing these risks in mind, the bank does not think the journey atop BoE Chief Economist Huw Pill's Table Mountain will be a boring one – some finely balanced policy decisions lie in store next year. As a capital-intensive business, shipping will welcome lower inflation and falling interest rates, especially considering the looming capital costs of decarbonisation and fleet replacement. Fortunately, most shipping sectors have enjoyed a good ride at various times over the past four years with cash generated padding and deleveraging balance sheets. This applies to bulk carriers, crude and clean tankers, containerships, LNGCs, VLGCs, PCTCs, and so on.* The multi-billions earned in the container space from disrupted supply chains provide a cushion for the current massive correction in container freight and time charter rates. They are now needed to subsidise the egregious folly of a bloated orderbook. Gas carriers and tankers have done well from war in Europe and rising tonne miles while bulk carriers have suffered from China's slower rate of growth and its property crisis, but even they are now perking up. Excluding containers, limited net new supply over the next few years offers some promise although there are no guarantees as we remain hostage to unpredictable events.

Dry Cargo Chartering

A week of two-halves for the **Capesize** market, the first of which was slightly subdued before a huge push in rates on Thursday and Friday. Overall, we saw time-charter averages skyrocket to $28,071, leaping up by $5,158 from last reported. Plenty of Australian iron ore deals came to light this week, with the usual majors involved. Rio Tinto covered seven 170,000 mtons 10% Dampier-Qingdao positions for December dates with freight ranging from $9.10 pmt to $10.10 pmt. Oldendorff, BHP, and Cargill also fixed a selection of Aussie vessels with the latter covering two ships. Similar freight prices were seen between $9.60 pmt and $9.90 pmt. From the South Atlantic, Oldendorff fixed *ESL Whale* (180,389-dwt, 2011) for 170,000 mtons 10% Tubarao-Qingdao for 20/25 December at $24.50 pmt, and Olam chartered *Pontotriton* for the same trade at $21.75 pmt. From RSA, Anglo fixed a TBN ship for 190,000 mtons 10% Saldanha Bay-China at $16.50 pmt. On the coal front, Welhunt fixed 130,000 mtons 10% Newcastle to Xiamen 7/12 December at $13.50 pmt, while on the period side of things K-Line took *New Orleans* (180,960-dwt, 2015) delivery China 7/19 December for about 20/22 months at $20,000.

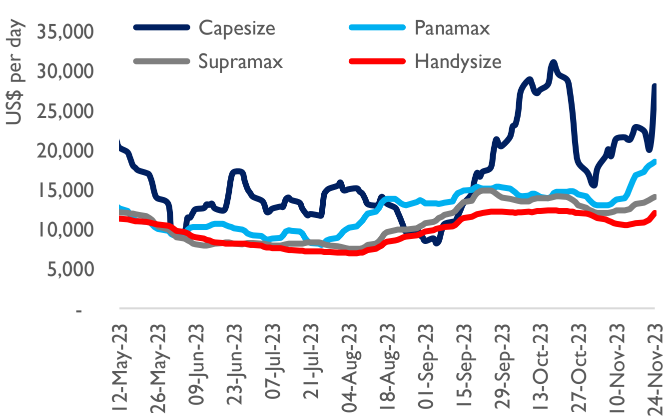
The **Panamax** market appeared to show gradual improvement in recent days. In the Atlantic a slower week saw buyers seemingly retracting slightly from the recent frenzy. Asia saw renewed demand from Indonesia which lifted rates, with tonnage appearing tight in the south whilst other areas were well stocked and balanced for the time being. P5 TC closed at $18,577 up by $1,709 since last reported. In the Atlantic, *BBG Singapore* (81,974-dwt, 2022) open Jorf Lasfar 21/22 November was fixed for a trip via US East coast at $27,000 with Jera. *Tatry* (82,138-dwt, 2013) open Gdynia prompt was heard fixed for a trip via Baltic redelivery Skaw-Spain with grains, and *Bulk Sweden* (77,126-dwt, 2014) open Gijon 27/28 November was reported fixed for a trip via Mo I Rana redelivery Passing Muscat Outbound-Japan range at $34,000 with Koch. In the Pacific, *Yin Zhu Hai* (76,463-dwt, 2008) open Machong 24 November was heard fixed for a trip via Indonesia redelivery South China at $13,500 with Klaveness. *Anastasia* (75,331-dwt, 2006) open Dafeng 25/27 November was heard fixed for a NoPac round trip at $12,000 with Cargill. In the South came rumours of *Rosco Banyan* (74,967-dwt, 2010) open Masinloc 28/29 November fixing for a trip via Indonesia redelivery Singapore-Japan range at $14,000. On voyage, Kepco Tender was covered by a '*Wooyang TBN*' for their 80,000 mtons 10% coal lift Taboneo/Dangjin at $10.80 pmt.

Supramax markets continued to firm off the back of a strong North Atlantic shift. The lingering tonnage delays stemming from the Panama Canal restrictions fuelled a significant uptick in US Gulf market rates. This sentiment has influenced all other global regions resulting in a positive turn in the index. The S10TC closed at $14,067 up by $817 (+6.17%) since reported last week on the 17th November 2023. In the Pacific, *Incredible Blue* (57,001-dwt, 2011) was fixed delivery Rizhao prompt dates for a trip via Indonesia to East Coast India at $9,500, whilst Teambulk took *Amis Glory* (55,474-dwt, 2016) delivery Qinzhou prompt dates for a trip via Campha with clinker to Bangladesh at $16,000 and Indonesia to China at $16,000. Whilst in the Indian, *BBG Leader* (63,241-dwt, 2015) fixed delivery Vizag 24th November for a trip via South Africa to Singapore-Japan range at $14,500 and *Sania* (57,011-dwt, 2010) was covered delivery Chittagong 24th November for a trip via Indonesia to China at $8,250. In the Atlantic, Seacon fixed *DSI Altair* (60,309-dwt, 2016) delivery Southwest Pass for a trip with grains to Barranquilla in the low-mid $30,000's, whilst Oceana fixed *Evanthia* (53,284-dwt, 2005) delivery Santos for a trip to Singapore-Japan range at $15,500 plus $550,000 bb. On the period front *Amoy Dream* (63,878-dwt, 2017) was fixed delivery Ravenna for about 4/6 months with redelivery worldwide at $18,000 and Norden covered *Season Fuzhou* (63,342-dwt, 2019) delivery Otranto 5-14 December for about 3/5 months with redelivery worldwide at $18,500.

The **Handy** market witnessed positive trends across both basins this week. The confluence of factors, including tonnage scarcity in the Atlantic, congestion at the Panama Canal, and the subsequent escalating tonne-mile demand, is propelling US markets. The BHSI closed this week at $12,062 up $1,276 since last Friday. In the South Atlantic, healthy cargo levels were reported for inter-Atlantic and fronthaul destinations for the end of November and early December laycans. Thanksgiving also led to a busy period in the US Gulf, with Charterers rushing to fix tonnage due to a lack of availability, while continuing to source tonnage from the Continent and the Western Mediterranean to fulfil their needs. *UBC Santa Marta* (31,582-dwt, 2008) was fixed delivery Houston for a trip redelivery East Coast Mexico with petcoke at $28,000 with Ultrabulk. The Black Sea continued to improve with more cargo availability. *TS Flower* (38,852-dwt, 2017) opening in Casablanca was rumoured to have been fixed basis delivery Escoumins via Quebec to the UK-Continent with an intended cargo of wood pellets at $27,500. *Sagittarius* (28,508-dwt, 2010) opening in Casablanca was rumoured to have been fixed for a trip via the UK to the Turkish Mediterranean with an intended cargo of scrap at $10,000 to Shield whilst others heard that she had failed on subjects. Period interest has picked up over the last 10 days, with owners seeking period cover across Q1 for large Handysize vessels quoting rates in the mid-teens. Asia displayed a balanced situation, with more prompt tonnage needing coverage before an anticipated improvement. In Southeast Asia, Indonesia has shown increase activity resulting in slight gains in the region. In North China and Japan, fresh enquiry levels remain stable, with expectations of increased activity from the Pacific North West that may benefit owners in the near future. Improvement in levels for owners for requirement loading in Australia was also observed. A 37,000-dwt was rumoured to have been fixed basis delivery passing Singapore via Indonesia to China with an intended cargo of coal in the high $7,000's. A 32,000-dwt was heard to been fixed a trip from Indonesia to China at $6,000. On period front, *Merel D* (35,039-dwt, 2016) opening in Mundra 25/30 November was fixed for 2 to 3 laden legs at $9,000 to Pan Ocean.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Welprofit	93,249	2011	Lumut	27/30 Nov	Philippines	$11,500	Oldendorff	Via Indonesia
MSXT Thalia	84,204	2022	Rotterdam	26/28 Nov	Singapore-Japan	$34,000	XO Shipping	Via EC Canada
Shen Hua 808	75,411	2014	Kemen	24 Nov	South China	$12,500	Cnr	Via Indonesia
Anastasia	75,331	2006	Dafeng	25/27 Nov	Singapore-Japan	$12,000	Cargill	Via NoPac
Cymona Energy	74,867	2012	Antwerp	End Nov	Jorf Lasfar	$24,500	Vitol	Via Burnside
Spar Indus	63,800	2016	Qinzhou	Ppt	Thailand	$13,500	Cnr	Via Indonesia
John Oldendorff	61,579	2019	US Gulf	Ppt	Singapore-Japan	$33,000	Cnr	-
Yao Tu	52,891	2012	Bahodopi	28 Nov	China	$16,000	GEL	Via Indonesia
AP Dubrava	38,703	2015	Tyne	Ppt	Continent-Mediterranean	$18,000	Oldendorff	Via St Lawrence
Mayuree Naree	30,196	2007	Singapore	Ppt	Singapore-Japan	$5,800	Cnr	Via Australia



Exchange Rates		This week	Last week
	1 USD	149.52 JPY	149.68 JPY
	1 USD	0.9143 EUR	0.9199 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	80.32	80.61

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	476.0	462.0
VLSFO	714.0	684.0
Rotterdam HSFO	487.0	477.0
VLSFO	575.0	575.0

Dry Bulk S&P

From feast to famine. After long sales lists in recent weeks we have just four (effectively three straight) sales to report. The freight market is leaping forward but as always the second hand market is cautious to react. A week of rising spot fixtures does not (yet) make an asset boom. In any case the market tends to start calling 'last orders' by mid-November as buyers and sellers shy away from Christmas and New Year deliveries.

But yet again, Capesizes take the centre stage. *Genco Commodus* (169,098-dwt, 2009 Samsung) is reported sold at $19.5m. From a quick review of our records this is the fiftieth Caper sold in the last six months, the seventy fifth this year to date. Despite this frenetic, market values have moved in a comparatively small range.

Elsewhere in the Supramax market *NPS Mosa* (53,556-dwt, 2007 Iwagi) is sold for $11.6m and in the Handysize the Korean built *Navios Lyra* (34,707-dwt, 2012 SPP) is sold for $13.75m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Genco Commodus	169,098	2009	Samsung			$19.5m	
NPS Mosa	53,556	2007	Iwagi	C 4x31t	S. Korean	$11.6m	
Earth Ocean	50,409	2013	Oshima	C 4x30t	TMC Shipping	$19.4m	BBHP, 2-year bareboat charter. Eco
Navios Lyra	34,707	2012	SPP	C 4x35t	Middle Eastern	$13.75m	

HARTLAND SHIPPING SERVICES

Tanker Commentary

Our only crude tanker sale is *Aegean Myth* (115,838-dwt, 2006 Samsung) at $37.5m, which is line with sister ship *P. Kikuma* (115,915-dwt, 2007 Samsung) which we reported last week at $39.3m.

Having invited offers on their two modern MRs last week - *Dee4 Ilex* (49,999-dwt, 2022 Hyundai Mipo) and *Dee4 Mahogany* (49,999-dwt, 2022 Hyundai Mipo), Dee4 Capital have opted to submit the vessels into the GMNTC tender process rather than sell to a market buyer. A price of $54m per vessel is being reported which one would imagine is substantially more than what was on the table from other parties.

On the older MR tonnage, *Chemtrans Carolina* (53,160-dwt, 2006 Guangzhou Shipyard) has agreed a price of $20.1m which is also firm against October's sale of *MR Euphrates* (49,999-dwt, 2008 Guangzhou Shipyard) at $20.8m. Although there is a two-year age difference, the vessel reported this week has a better docking position. Elsewhere, *Shandong Weihe* (46,898-dwt, 2004 Shin Kurushima) was sold via auction but did not go for a 'fire sale' price at $14m - understandable given the current earnings.

Meanwhile, the stainless steel coated *Gion Trader* (19,883-dwt, 2015 Usuki) has sold to Taihua for $29.3m - the last similar sold was the three-year older *GT Star* (19,956-dwt, 2012 Usuki) in April for a much softer $21m, even with a discount considered for the non-electronic main engine. Earnings for J19 designs remain healthy, with 1-yr timecharter rates estimated at ~$19k/day, broadly in-line with where they were back in April (~$20k/day) for the last comparable sale.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Aegean Myth	115,838	2006	Samsung		$37.5m	
Chemtrans Carolina	53,160	2006	Guangzhou Shipyard		$20.1m	
Shandong Weihe	46,898	2004	Shin Kurushima		$14.0m	Auction Sale
Gion Trader	19,883	2015	Usuki	Taihua	$29.3m	Stainless Steel

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