HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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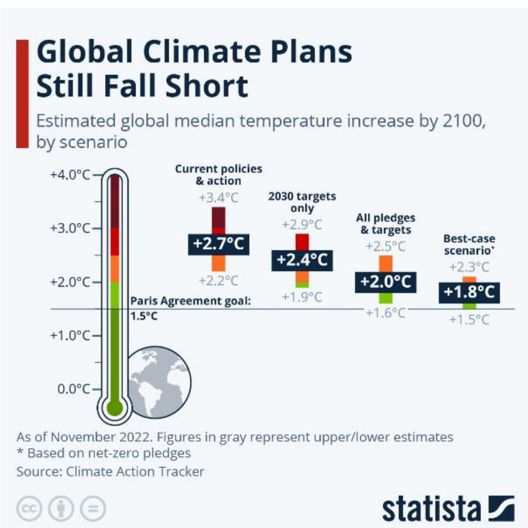
…A Slow Shuffle…



Source : Statista

*Beyond the 13 members of Opec, the Opec+ alliance also includes 10 other producers, most notably Russia.

^Opec+ has gradually extended its output cuts since 2022, and these can be broadly summarised as follows:

Nov-22: -2m-bpd (headline cut of 2m-bpd, reality closer to 1.1m-bpd).
Apr-23: -1.7m-bpd (1.2m-bpd by OPEC plus a 0.5m-bpd cut by Russia).
Jul-23: -1.3mbpd ("voluntary cut" from KSA 1m-bpd + Russia 0.3m-bpd).
Nov-23: -0.9mbpd ("voluntary cut" in place until at least end of Q1-24).
Current total cut: 5.9m-bpd to end Q1-24 / 3.7m-bpd to end 2024.

^^This week it was announced that US crude oil output had hit another all-time high at 13.2m-bpd.

**Crude tanker rates have been healthy in 2023 (VLCC route TD3: MEG-FE averaging $35,000 per day YTD), but perhaps they could have been even higher were it not for the output cuts.

POINTS OF VIEW

Last Thursday Opec+* announced an extension to the existing voluntary 1.3m-bpd cuts in oil output by Saudi Arabia and Russia (combined), as well as a further 0.9m-bpd of voluntary cuts from other members. This takes total Opec+ cuts to a combined headline total of c. 6m-bpd^. Not all the cuts are being actualised given the non-compliance or the pre-existing inability of some members to hit their quotas. These new cuts are expected to last until at least the end of Q1-24. Whilst the consensus had been for existing cuts to remain, the additional cuts were a surprise to some. That said, the impact on oil prices has been fairly muted: after an initial rise in Brent crude to $83pb fuelled by initial talks of extra cuts, these gains have subsequently been eroded over the past week. Brent now stands at $76pb, its lowest levels since July. HSBC Global Research published a report ahead of the meeting entitled "*Oil Markets – no good options for Opec+",* which explored some of the recent price drivers and likely longer-term dynamics. We have summarised key sections of this report in paragraphs 2 and 3.

Saudi Arabia has put the blame for recent dips in oil prices on recessionary fears and economic headwinds or "speculators". The reality is more mundane and is almost entirely due to oil market fundamentals, in particular strong non-Opec supply growth, more so than any weakness in demand. For all the headlines about weaker oil demand or the end of oil, oil demand is fine right now at 102m-bpd, comfortably above pre-Covid-19 levels. Oil supply continues to grow, even with Opec+ cuts, output from key non-Opec producers US and Brazil is increasing at a steady clip. US tight crude oil has grown by 0.5mbpd this year^^. Production by Opec members Nigeria and Iraq has risen by a combined c. 0.4m-bpd in the last six months. Iran and Venezuela have added c. 0.5m-bpd in the same period. Total Opec+ supply has not fallen that much despite the significant production cuts. From Apr-23 to Oct-23, Saudi Arabia has cut its production by nearly 1.5m-bpd, however, total Opec+ output has declined by less than 0.6m-bpd in this period.

A key question is how long the current regime of active market management by Opec+ can last. For now, Saudi Arabia's high fiscal oil price breakeven means it remains motivated to defend a $80pb price floor. But the flipside is a loss of market share: the last time Saudi Arabia produced less than 9m-bpd, outside of the pandemic and the Sep-19 attack on its facilities, was in 2011. Opec+'s fundamental challenge is that strong non-Opec supply growth looks likely to outpace slowing demand growth. HSBC expects 2023 demand growth of 2.2m-bpd to slow to 1.3m-bpd in 2024 and 0.7m-bpd in 2025. Its estimates suggest that an extension of the Opec+ cuts into 2025 will be needed to avoid a return to a market surplus. Opec+'s current output restricting policy could come to an end on a two to three-year view. This would occur when the cartel realises that cutting output is no longer in its best interests, as it encourages growth from other producers with the loss of market share potentially becoming more permanent. If the cartel grows weary of this trend, it might restart a price war to regain lost market share. In practice, this would entail Opec+ abandoning current supply quotas and raising output closer to capacity. HSBC believe we are not yet at this point and that its supply discipline will continue to hold for now, in 2024 and possibly in 2025. A switch to a "market share strategy" after a long period of supply management would likely come as a shock to the market but would be nothing new for the group. Opec implemented this strategy for nearly two years from Nov-14 when it declined to cut production in the face of rising US shale output. Alternatively, Opec+ could opt for a short-lived sharp increase in production before tightening again – a "shock and awe" tactic in the same vein as the Saudi surge in Apr-20.

Saudi-led Opec+ output cuts have been absorbed by the tanker market as higher volumes on long-haul routes from the Americas offset lower volumes from the Middle East.** This mixed demand picture may continue into 2024, with the non-existent crude tanker supply growth (we forecast 0.5% in 2024) helping to further tighten the tanker market. HSBC raises the tantalising possibility of the market being flooded with barrels if the cartel does abandon its more restrictive output policies, akin to surges seen in Apr-20 and 2014-15, when tanker rates boomed.

Dry Cargo Chartering

After a busy few weeks, the **Capesize** market came crashing down to close the week at $35,320, down from last week's close of $51,727. Rates fell as the week went on and by Friday, iron ore from Dampier to Qingdao was fixed at $10.50 for 170,000 mtons 10%, while San Nicolaos/Qingdao was fixed at $25. No fixtures were reported on time charter.

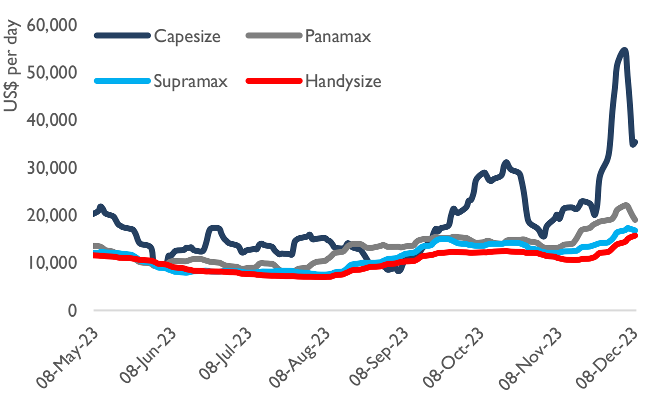
The **Panamax** market corrected as rates came under pressure. The Atlantic appeared under further pressure with sizeable losses on the routes and little resistance offered by those wishing to cover positions for impending holidays. Asia returned slower days too with a wide bid/offer spread evident. P5 TC closed at $18,932 down by $2,137 since last reported 1st December. In the Atlantic, *Shandong Fu Yi* (81,784-dwt, 2019) sailed Gibraltar 5 December was heard fixed for a trip via US East Coast redelivery Gibraltar-Skaw at $30,000 with Messrs Javelin. The *Alpha Hero* (82,053-dwt, 2013) retro sailing Mangalore 30 November fixed for a trip via East Coast South America redelivery Singapore-Japan at $17,250. The *Nissaki* (81,466-dwt, 2013) Gibraltar 6 December was reported fixed basis 2 laden legs redelivery Skaw-Gibraltar with first leg intention ex Colombia to Praia Mole with coal at a confirmed rate of $30,000 with NS United. In the Pacific, *CL Lianyungang* (81,058-dwt, 2018) Surabaya 12 December was heard fixed for a trip via Australia redelivery Singapore-Japan, whilst the *Afroessa* (78,175-dwt, 2014) Zhoushan 5 December was fixed for a trip via Port Latta redelivery China at $19,000 with Jera. In the South, the *Erica* (75,007-dwt, 2002) Luoyuanwan 7 December fixed for a trip via Indonesia redelivery South China at $17,300. On voyage, Welhunt fixed *'Richland TBN'* for their 140,000 mtons 10% coal lift Newcastle/Yantai 13/20 December at $18.50.

The **Supramax** market saw a correction this week as the Pacific made a negative turn. The Atlantic is still holding firm although the downward trend is being felt throughout all basins. The S10TC closed at $16,731 up by $353 since reported last week on 1 December 2023. In the Pacific, Fortune Bulk fixed *Madison Eagle* (63,301-dwt, 2013) delivery Zhoushan 4-5 December for a trip via Indonesia to West Coast India at $12,400 and Cambrian took *Armonia* (58,609-dwt, 2013) delivery Samalaju prompt dates for a trip via Indonesia to China at $15,500. Whilst in the Indian, *Win Yi Hai* (56,805-dwt, 2011) fixed delivery Karachi prompt dates for a trip via Arabian Gulf with aggregates/limestone to Bangladesh at $14,500 and *Crowned Eagle* (55,950-dwt, 2008) fixed delivery Magdalla spot dates for a trip via Red Sea to East Coast India at $18,500. And in the Atlantic, Pacific Basin fixed Key *Ohana* (55,705-dwt, 2010) delivery Garrucha prompt dates for a trip to US East Coast at $18,000. Whilst on the period front, Bunge took *Bulk Bolivia* (63,456-dwt,2016) delivery Mersn prompt dates for 3-5 months with redelivery Atlantic at $25,000 and Oldendorff covered *Carla* (63,453-dwt, 2019) delivery Ningde 14 December for 5-7 months with redelivery worldwide at $16,000.

The **BHSI** closed this week at $15,700 up by $1,792 since this time last week. Positivity surrounded the Atlantic, as rates continued upwards across all the major loading zones, especially in the South Atlantic, although early warning signs market will start to level, before long. A pickup of enquiry on Continent and Mediterranean, a 35k-dwt, fixed a scrap trip via Denmark to Turkey, at $33,000 p/day. *Kouros Pride* (34,125-dwt,2011) opening in Algeria 12 December was fixed basis delivery Gibraltar for a trip to East Coast Mexico at $14,000 to Pegasus. A 37k-dwt was heard being fixed at $17,000 for a trip via Hamburg to New Orleans. *Mother M* (35,856-dwt, 2012) open Diliskelesi fixed dop via Alexandria to Houston with steels at $15,000 with Lighthouse, while *SSI Marvellous* (37,062-dwt, 2013) open Iskenderun fixed on subs dop via Egypt redelivery Caribbean at $18,000 with Ultrabulk. Fednav fixed *Regius* (33,367-dwt, 2016) at $17,000 delivery Cannakale via Black Sea into Algeria. The US Gulf remained firm, *Commander k* (35,207-dwt, 2012) open Tuxpan fixed delivery SW Pass to East Mediterranean at $24,000 with Clipper. In North America, *Kayta Atk* (28,467-dwt, 2009) open Puerto Cabello spot, fixed to the East Mediterranean in low $20,000s. In the Pacific region, Improving levels of cargo enquiry from Australia, South East Asia and North China-Japan against a limited tonnage list, helped towards the positive sentiment in the East. *Poavosa Wisdom VI* (28,200-dwt,2009) open Japan 9 December was heard to have fixed a trip to South East Asia at $10,000. (34,512-dwt,2017) open Zhoushan was heard to have fixed trip to Continent, Mediterranean range at $11.200.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Bora	81,682	2014	Van Phong	12/13 Dec	Japan	$19,000	NYK	Via Indonesia
Nissaki	81,466	2013	Gibraltar	6 Dec	Skaw-Gibraltar	$30,000	NS United	-
PS Framura	76,833	2014	Guangzhou	14/18 Dec	South Korea	$16,000	Dooyang	Via Indonesia
Maple Peace	76,015	2004	Chiba	8/10 Dec	Singapore-Japan	$14,000	Klaveness	Via NoPac
Shen Hua 801	75,331	2013	Zhuhai	9 Dec	South China	$18,500	GLX	Via Indonesia
Armonia	58,609	2013	Samalaju	Ppt	China	$15,500	Cambrian	Via Indonesia
Trans Autumn	56,838	2012	Ningde	7 Dec	China	$12,000	Cnr	Via Indonesia
Key Ohana	55,705	2010	Garrucha	Ppt	US East Coast	$18,000	Pacific Basin	-
Mother M	35,856	2012	Diliskelesi	10/15 Dec	Houston	$15,000	Lighthouse	Via Alexandria
Poavosa Wisdom VI	28,200	2009	Japan	Ppt	SE Asia	$10,000	Cnr	-



Exchange Rates		This week	Last week
	1 USD	144.49 JPY	147.38 JPY
	1 USD	0.9306 EUR	0.9216 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	75.57	80.79

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	441.0	480.0
VLSFO	603.0	662.0
Rotterdam HSFO	436.0	487.0
VLSFO	540.0	575.0

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Dry Bulk S&P

As a result of the recent gains seen in the Capesize market we have two sales to report this week. The first being the *Iron Miracle* (180,643-dwt, 2011 Tsuneishi Cebu - ME engine) which has been sold for a touch over $27m. Reports suggest she did not inspect well, having scored below 70 via Idwal however her electronic M/E will have pushed the price up. This sale was followed by the Pavimar owned *Magic Orion* (180,200-dwt, 2006 Imabari) which was concluded at $17.8m. The price is very much in line the last similar Capesize sold, *Satori* (177,456-dwt, 2007 Mitsui), which Greek owners Kassian sold for $18.5m in early November. Having said this, it must be noted that the majority of ships being sold today will likely deliver within Q1, by which point the market is seasonally far weaker.

Stepping down to the Kamsarmax and Panamax sector, clients of Global Meridian Holdings invited offers on their *Peak Dawn* (81,902-dwt, 2013 Tsuneishi Zhoushan) on Wednesday and she has since been tied up at slightly above $23m. By way of comparison, back in late October Greek buyers purchased the *Royal Fukuyama* (82,224-dwt, 2013 Tsuneishi) for the same price which would suggest a slight firming in asset prices since. The final sale in this sector came from Japanese sellers with Mitsubishi Ore cashing in on their *King Coal* (76,361-dwt, 2010 Oshima) for $15.9m. It is widely reported that Bulk Seas were the eventual buyers, beating out a number of compatriots and northern European owners.

Two modern Handysizes conclude our sales report this week. The first being *Global Hero* (34,481-dwt, 2015 Hakodate - M/E engine) which went to European buyers for $17.3m. The price could be argued as soft, given the similar spec *Ping Jing* (34,398-dwt, 2015 Namura - M/E engine) sold three weeks prior for the same price despite being in very poor condition and having less favourable charter market conditions in the background. Finally, Korean owners, Shinsung Shipping are understood to have sold the *Shinsung Clever* (37,084-dwt, 2014 Saiki - OHBS - MC engine) for $18.2m with an 11-15 month TC attached.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Iron Miracle	180,643	2011	Tsuneishi Cebu		Greek	$27.2m	
Magic Orion	180,200	2006	Imabari			$17.8m	
Peak Dawn	81,902	2013	Tsuneishi Zhoushan			$23.0m	
King Coal	76,361	2010	Oshima		Greek	$15.9m	
Ermione	55,557	2008	IHI	C 4x35t		$14.0m	
Shinsung Clever	37,084	2014	Saiki	C 4x31t		$18.2m	TC Attached 11-15mos 1st 45 days at $7.5k pd. Thereafter, $11.25k p/d
Global Hero	34,481	2015	Hakodate	C 4x30t	European	$17.3m	Eco M/E

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Tanker Commentary

As the festivities continue to ramp up in the build-up to the holidays, crude tanker owners have further reason to celebrate as the December rate rally continues with many VLCC and Suezmax owners reporting average fleet rates significantly higher than they were expecting in early November. Although not quite as high as the rates seen in December 2022, they still remain higher than those seen in the 2020 and 2021 keeping the wet market positivity very much alive going into the final weeks of the year.

This week our sales table is fully stocked by VLCC's. Middle Eastern owners AISSOT have sold two of their eco, scrubber fitted VLCC's, *Ninawa* and *Diyala* (320,596-dwt dwt 2019 SHI) to Bahri for $114m each, showing continually increasing price levels over the last 6 months when we saw *Maria P. Lemos* (319,191-dwt, 2018 HHI) sold to DHT for $94.50m. Greek Buyers are understood to be the buyers of the scrubber fitted, *Athenian Freedom* (299,991-dwt, 2013 HHI) for $73.5m. A solid price when looking back to the two slightly older *Fida* and *Sifa* (316,373-dwt, 2011 HHI) which sold in the summer for $64m each.

Finally this week in a rare sale of this size and specification, Norwegian owners Tailwind AS, have sold their Stainless Steel vessel, *Rundemanen* (34,614-dwt, 2004 Kitanihon Zosen) for $20.5m to undisclosed buyers.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Ninawa	320,596	2019	Samsung	Bahri	$114.0m	Eco / Scrubber Fitted
Diyala	320,596	2019	Samsung	Bahri	$114.0m	Eco / Scrubber Fitted
Athenian Freedom	299,991	2013	Hyundai	Greek	$73.5m	Scrubber Fitted
Rundemanen	34,614	2004	Kitanihon Zosen		$20.5m	Stainless Steel

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