HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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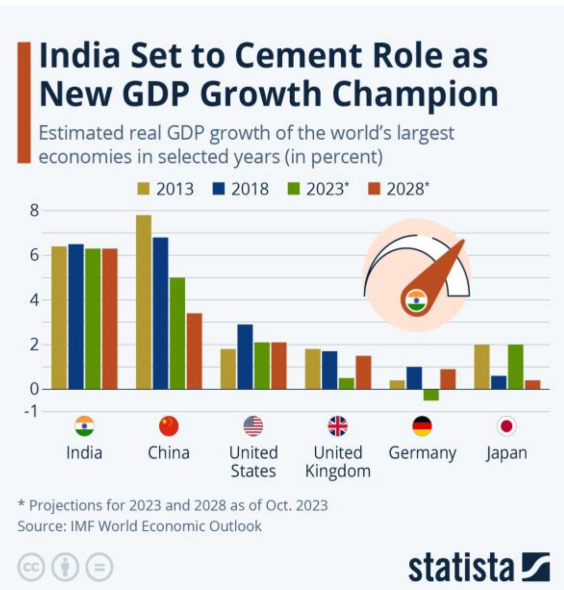
… India to the rescue, or maybe China ? …



Source : Statista

POINTS OF VIEW

This week we are shining a light on the China growth paradox. China released its GDP growth figures this week. In perfect symmetry, the economy grew 5.2% year-on-year in each of December, Q4 and Cal 2023 thus beating the 5% annual target. A Reuter's poll of analysts predicts GDP growth slipping to 4.6% this year. The 2023 figures appear quite good, before considering that China was in lockdown in 2022, the comparator year. Zero covid lockdowns and rigorous testing were only abandoned on 7 Dec 2022. Local governments re-opened with much greater vigour than a scared and sceptical populace. Despite economic headwinds in 2023, largely stemming from China's intractable real estate crisis and low consumer confidence, its import-export figures were superficially impressive and supportive of global seaborne trade. But considering base effects and other factors paints a slightly different picture. Iron ore imports rose 6.6% YoY to 1.18bt, a new record. However, annual steel production was flat at 1.02bt after five months of falling output Aug-Dec, and after two years of decline: -3.0% in 2021 and -1.7% in 2022. Low demand from the property sector was mitigated by high steel exports,* +36.2% YoY to a 7-year high of 90.3mt, strong growth in shipbuilding, high EV production and exports, and big investments in solar and wind which also led to robust imports of bauxite for producing aluminium.** Official figures suggest that steel demand in China fell 3.3% in 2023 and is forecast to fall another 1.7% in 2024 as it green transitions from blast furnace to electric arc furnace production.

China's coal imports also hit a record high in 2023 at 474.4mt, up 61.8% YoY, despite record domestic coal production of 4.66bt, up 2.9% YoY, even though quality tends to decline as output rises. A sharp increase in mining accidents and fatalities, as sweating output raises risks, is leading to more mine inspections and regulatory shutdowns. This will help underpin high quality thermal imports. Other factors that lifted coal imports in 2023 were a fall in global thermal coal prices, Australia being allowed back into the post-dispute import frame, and a big fall in domestic hydropower for a lack of rain where it was needed despite flooding where it was not. Another import positive was soybeans, up 11.4% YoY to 99.4mt on abundant overseas supplies and as hog and sow herds recovered from the debilitating impact of African swine fever and covid lockdowns. This was achieved regardless of a trend towards more healthy eating at meat's expense. This may not affect future import volumes if farmers merely switch using soybean meal from pig feed to chicken feed, and crushers still need the soy oil. Moving on to crude oil, imports hit a new record of 11.28m-bpd, up 11.0% YoY. China always takes advantage of price dips to build inventories while both state refiners and teapots bought embargoed Russian, Iranian and Venezuelan crude at heavy discounts then exported a slate of refined products at market prices. Product exports averaged 62.7mt or 1.37m-bpd, up 16.7% YoY, while refinery throughput hit a record of 734.8mt, up 9.3% YoY. And to think that 2023 was a slow demand year…

Domestic oil demand was supported by increased post-lockdown driving and domestic air travel, although international air travel nowhere near recovered to pre-pandemic 2019 levels.^ This means that there is considerable upside potential for long-haul seaborne crude imports, favouring VLCCs. The latest IEA global oil demand forecast is pegged at just over 1.2m-bpd with supply growth estimated at 1.5m-bpd, with half coming from the US and most of the rest fairly evenly spread between Brazil, Guyana, Canada and Norway – all Atlantic-based producers. The Opec+ strategy of reducing output to prop up prices has failed as all it has done is cede market share.^^ US shale producers realise that Opec+ has effectively put a floor under prices so they can 'drill, baby, drill' without fear of a price collapse. The market is well supplied which explains why Brent is struggling to achieve $80 a barrel on weak demand, something that even wars in Europe and the Middle East cannot change. If geopolitical events do worsen, then any bid in oil prices will allow Opec+ to restore barrels to the market. The EIA forecasts that Brent will average $82 a barrel this year and $79 in 2025 while the St. Louis Fed puts Saudi's 2024 breakeven fiscal oil price at $80pb. A bit tight there then. Russia's oil and gas revenues have plunged 37% in a year according to the IEA,+ meaning less warfare money. But if China starts flying again then commodities and shipping will follow.

*Struggling to compete. Arcelor Mittal's Taranto plant is going into special administration while Tata's Port Talbot plant is shutting its two blast furnaces as it switches to steel scrap and EAF production.

**2023: ship deliveries rose 13.6% YoY to 45.0mt-dwt from 39.6mt-dwt in 2022. EV deliveries rose 11.6% YoY to a record 30.2m units and EV exports rose 58% YoY to 4.9m units, surpassing Japan's 4.0m.

^Chinese travellers made 170m foreign trips in pre-pandemic 2019 spending $248bn, 14% of global foreign travel spending. This fell 48% in 2023 to $119bn as cheaper domestic destinations were preferred.

^^KSA & UAE do all the cutting as Russia, Iran and Venezuela are under G7 sanctions while other producers such as Iraq, Libya, Angola & Nigeria are under-supplying due to instability or under-investment.

N.B. Angola quit Opec on 1st January 2024 having joined in 2007.

+Russia's oil exports rose 0.5m-bpd in Dec '23 but estimated export revenues slumped to a 6-month low of $14.4bn as Russian oil price discounts increased while benchmark oil prices declined. (IEA).

WEEKLY COMMENTARY

19 January 2024

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Capesize markets were sluggish early on, but then roared back to life with a surge in momentum on Thursday and Friday. Overall, timecharter averages were up $593 from the previous Friday, to close at $18,608. A notable increase in South Atlantic activity combined with reported premiums to secure tonnage able to load in this region in the first half of February were thought to be behind this. Plenty of Brazilian fixtures came to light as a result including Koch taking *Golden Confidence* (207,988-dwt, 2020) for 185,000 mtons 10% Tubarao/Qingdao 1/10 February at $22.10 pmt. Pacific Bulk fixed *Seawind* (179,656-dwt, 2015) and Oldendorff took *Shagangfirst Star* (179,488-dwt, 2011) both for the same route and cancelling at $22.35 pmt and $21.50 pmt respectively. Some commented that the latter may also have the option of West Africa loading. Elsewhere, ST Shipping fixed *Frontier Jasmine* (182,130-dwt, 2022) for 160,000 mtons 10% Bolivar/Zhoushan at around $30.25 pmt for end January dates, and over in South Africa, Welhunt covered 150,000 mtons 10% coal Richards Bay to Hon Mieu and Cam Pha at $15.50 pmt. From Australia, freight prices paid by Rio Tinto and BHP for their usual iron ore shipments into China ranged from $7.75 pmt to $8.15 pmt. On the period front, Pacific Bulk were linked to *Ocean Courtesy* (178,021-dwt, 2008) delivery ex dry-dock Zhoushan at the end of the month for 8/10 months at just under $18,000.

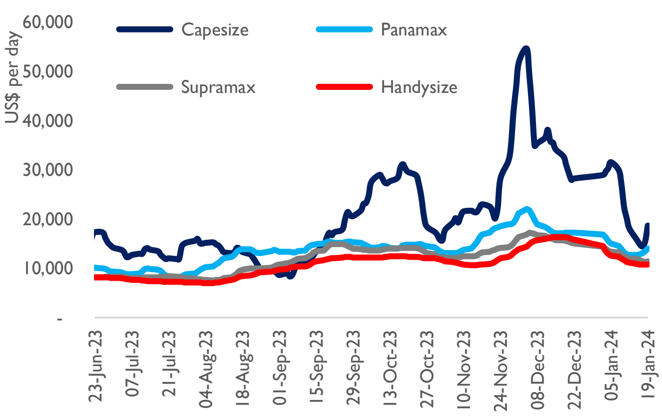
The **Panamax** market opened with Atlantic leading the charge whilst Asia continued under pressure. In the Atlantic, talk in some parts of increased front-haul demand lent minimal support, elsewhere, the fundamentals appeared unchanged with tonnage building and the resultant rates softening. Asia remained flat to soft with little activity reported, but with some talk of fresh demand entering the fray. In the Atlantic, *BBG Hechi* (82,037-dwt, 2022) Reydarfjordur 18 January was fixed for a trip via Mo I Rana redelivery Rotterdam at $16,500 with Cargill. *CL Xiangxi* (82,059-dwt, 2023) Gibraltar was heard fixed for a trip via US Gulf option North Coast South America redelivery Singapore/Japan at $24,000. Trafigura were linked to *Xin Dong Guan 15* (76,202-dwt, 2015) passing Singapore for a South American round trip at a rate in the region of low $12,000. In the Pacific, *Morning Cloud* (74,962-dwt, 2011) Yeosu prompt fixed for a North Pacific round trip at $9,500 and *Marina I* (81,014-dwt, 2015) Bayuquan 2 for a North Pacific round trip at $12,000 both linked to Cargill. *Amphitrite* (98,697-dwt, 2012) delivery Dongjiakou was heard fixed for a trip redelivery Japan at $12,000 with NS United.

Subdued by a sluggish cargo market, **Supramax** activity remained tepid this week, with inquiries falling short of expectations. The S10TC closed at $11,328 down by $639 (-5.34%) since last Friday. However, the late-week rally in larger sizes from the South Atlantic suggests the potential for positive momentum to extend to Ultramax and Supramax segments in the coming week. In the Pacific, Sunshine fixed *Aleena I* (56,874-dwt, 2010) delivery passing Suao, Taiwan prompt dates for a trip via Indonesia to China at $8,650 whilst Team Bulk covered *Vimic Sunrise* (56,057-dwt, 2006) delivery Surabaya prompt dates for a trip via Indonesia with clinker to Bangladesh at $11,000. Whilst in the Indian Ocean, *Amorgos* (63,500-dwt, 2023) fixed delivery Port Elizabeth prompt dates for a trip with manganese ore to Malaysia at $22,000 plus $219,000 bb and Propel took *Spring Sky* (61,413-dwt, 2014) delivery Port Elizabeth 21-26 January for a trip with manganese ore to East Coast India intention Vizag and Haldia at $20,000 plus $200,000 bb. In the Atlantic, Cefetra covered *Federal Integrity* (63,729-dwt, 2023) delivery Recalada 25th January for a trip to Spain at $18,000 whilst Weco took *Loch Crinan* (56,108-dwt, 2013) delivery Skaw prompt dates for a trip via Baltic with scrap to East Mediterranean at $19,500. Whilst on the period front, Stone Shipping have taken *DSI Aquarius* (60,309-dwt, 2016) delivery Yuhuan 19 January for period with minimum December 1 2024 and maximum February 1 2025 duration with redelivery worldwide at $14,500.

Despite the positive change in sentiment, the **BHSI** contracted further this week at $10,692 down from $11,089 since last Friday. From the Atlantic, signs of positivity crept into the Continent and the Mediterranean, with more visible enquiries and a limited tonnage list. Scrap trips fixing on big Handysizes from the Continent to Turkey were seen at levels close to $15,000. In the Mediterranean, a 37k-dwt open Greece fixed $13,500 delivery Canakkale for a trip with cement to US East Coast. *Caroline Selmer* (34,900-dwt, 2011) open Alexandria fixed via Black Sea to Morocco at $10,000 with Allianz Bulk. *Global Harmony* (34,519-dwt, 2010) opening in Annaba fixed for a trip basis delivery in France for a trip to the Mediterranean at $11,000. In the US Gulf, negativity remained with prompt vessels still under some pressure. *Maple Star* (35,322-dwt, 2012) opening in Brunswick fixed for a trip to the UK-Continent with an intended cargo of pellets at $19,000 to Cargill. *Sea Train* (38,742-dwt, 2021) open New Orleans fixed for a trip to Ireland at $16,500 whilst others heard the rate was closer to $20,000 but further details had yet to surface. The South Atlantic started pushing up towards the end of the week, led by a surge in the paper market. *Gullwing* (37,009-dwt, 2013) in ballast fixed delivery Recalada for a trip redelivery West Africa with grains around $16,000. A 35k-dwt fixed Upriver to Algeria at $15,000. South Africa was left very short on Handy cargoes, in part due to disruptions to Richards Bay coal train line, prompting Owners to ballast to South America. Recent positivity in Asia, has helped balance the market, as enquiry levels from Australia were slowing down. The situation in North China-Japan remained unchanged with a lack of enquiry maintaining pressure on prompt tonnage. With the limited opportunity in the north, some vessels were expected to ballast south in search of their next employment. *Schuyler Trader* (35,43-dwt, 2013) opening in Singapore 21/24 January, was rumoured to have been fixed for a trip via Australia to South Korea at $8,000 to Cargill. *Dia Well* (31,718-dwt,2011) open CJK 26-29 January was heard to have been fixed a trip via China to East Coast India at $10,100 to Allianz Bulk.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Clia	92,968	2012	Hamburg	16 Jan	Singapore-Japan	$23,500	Crystal Sea	Via East Coast & Cape of Good Hope
Ocean Pride	82,399	2021	Tanjung Bin	31Jan /2Feb	Singapore-Japan	$16,000	Cnr	Via EC South America
Crystalia Reachy	77,524	2014	CJK	20 Jan	Singapore-Japan	$19,000	Cobelfret	Via NoPac
Guo Yuan 20	75,750	2012	CJK	17/18 Jan	China	$8,500	Cnr	Via EC Australia
Shen Hua 801	75,331	2013	Qinzhou	16/17 Jan	South China	$6,250	CRC	Via Indonesia
Amorgos	63,500	2023	Port Elizabeth	Ppt	Malaysia	$22,000	Cnr	-
Loch Crinan	56,108	2013	Skaw	Ppt	East Mediterranean	$19,500	Weco	Via Baltic
Yangtze Quantum	55,783	2010	Ningde	25/30 Jan	China	$8,000	Daifu	Via Philippines
Gullwing	37,009	2013	Recalada	Ppt	W Africa	$16,000	Cnr	-
Maryam D	35,093	2016	Lake Charles	Ppt	Turkey	$18,000	Norden	-



Exchange Rates		This week	Last week
	1 USD	148.23 JPY	144.74 JPY
	1 USD	0.9192 EUR	0.9114 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	78.46	78.13

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	460.0	451.0
VLSFO	637.0	599.0
Rotterdam HSFO	447.0	437.0
VLSFO	555.0	550.0

Dry Bulk S&P

We have something of a mixed bag to report this week. Three of the eight sales can safely be described as overaged and no doubt the buyers are keeping a close eye on the demolition lee-shore. But the lack of sales this week is misleading. Buyers have started the year very much wide-awake to the opportunities in front of them and generally sales candidates, especially from the Japanese market, are getting a lot of interest. The freight market has taken its usual January cold dip and is likely to remain chilly until after Chinese New Year, but overall, it is warmer than average. There are plenty of optimistic signals and enough cash in the market for Buyers to feel that this is an appropriate time to invest.

The stand-out sale this week is of a pair of modern Handymaxes. Sucden have sold their *Notus Venture* and *Eurus Venture* (abt 43,457-dwt, 2017 Qingshan) for a steady $23.0m each.

A pair of Dolphin57s *Lan Hai Sheng Hui* and *Hai Yang Zhi Hua* (56,603-dwt, 2011 CSI Jiangsu) have been sold for $12.5m - again at "last done" price.

Two elderly Panamaxes are sold, *Kerveros* (76,602-dwt, 2003 Imabari) is sold for $9.35m and *Alpha Afovos* (74,428-dwt, 2001 Daewoo) for $7.1m.

Lastly a Chinese built Handy, with some Japanese pedigree, *Uni Wealth* (29,256-dwt, 2009 Yangzhou Nakanishi) is sold for $8.5m, some 7-8% below the value of a pure-bred Imabari28 of the same age.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Kerveros	76,602	2003	Imabari			$9.35m	
Alpha Afovos	74,428	2001	Daewoo			$7.10m	BWTS Fitted
Lan Hai Sheng Hui	56,616	2011	CSI Jiangsu	4x30t		$12.50m P/V	
Hai Yang Zhi Hua	56,603						
Best Honor	47,183	1998	Oshima	4x30t	Turkish	$5.20m	
Notos Venture	43,477	2017	Qingshan	4x30t		$23.00m P/V	
Eurus Venture	43,457						
Uni Wealth	29,256	2009	Yangzhou Nakanishi	4x30t		$8.50m	BWTS Fitted

Tanker Commentary

The standout transaction of the week comes in the form of Viken Shipping reportedly cashing in on five modern, 'eco' tankers with rumours pointing towards Greeks as the Buyers. The ships in question are one Suezmax, two Aframaxes and two dual-fuel LR2s, namely; *Morviken* (157,610-dwt, 2018 Samsung), *Breiviken/Eikenviken* (112,500-dwt, 2018 Samsung - Ice 1A - scrubber fitted) and *Angleviken/Askviken* (109,999-dwt, 2023 GSI - dual fuel, epoxy). Whilst the sale has not been officially announced and no price tag revealed yet, with second-hand prices edging towards 2008 levels, this potential acquisition represents both significant investment and long-term optimism surrounding the long-range sector.

Following their recent purchases of seven tankers over the past fourteen months, Turkish outfit Active Denizcilik are understood to have sold their DPP trading LR2, *Fair Seas* (115,406-dwt, 2008 STX - Epoxy) to Shenzhen Brightoil Shipping Group for $43.5m. Even when factoring the age difference, this price compares favourably to the December sale of *Wonder Sirius* (115,340-dwt, 2005 Samsung - Epoxy) for $33.8m.

Stepping down to LR1's, we have three sales to report this week. Firstly, Prime Marine Management have committed their *Brook Trout/Lake Trout* (73,600-dwt, 2007 STX - epoxy) to Dubai based Emarat Shipping for $52m enbloc. This was shortly followed by Trafigura purchasing Harren Tankers owned *Pataris* (73,774-dwt, 2009 New Times - epoxy) for $26m. It is reported that Trafigura were familiar with the ship having had the vessel on time charter prior to their purchase.

Scorpio Tankers are also amongst this week's sellers, after announcing the sale of their scrubber fitted MR2, *STI Tribeca* (49,990-dwt, 2015 SPP - epoxy phenolic - scrubber fitted) for $39.1m. Seoul based KSS Line are reportedly the new Owners.

We wrap up this week's report in the smaller chemical sector, where Canadian owner Algoma has agreed to purchase *Liv Knutsen/Emil Knutsen* (16,500-dwt, 2009 Jiangnan - Ice 1A - epoxy) for $13.8m per vessel, with a bareboat charter back to the Owners until July/August this year.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Fair Seas	115,406	2008	STX	Shenzhen Brightoil Shipping Group	$43.50m	BWTS Fitted
Pataris	73,774	2009	New Times	Trafigura	$26.00m	SS/DD due April '24
Brook Trout	73,672	2007	STX	Emarat Maritime	$26.00m P/V	BWTS Fitted
Lake Trout	73,580					
STI Tribeca	49,990	2015	SPP	KSS Line	$39.10m	BWTS / Eco M/E / Scrubber fitted
Liv Knutsen	16,585	2009	Jiangnan	Algoma	$13.80m P/V	Incl. BBB to Sellers until DD in July/ Aug '24 / ICE 1A
Eli Knutsen	16,544					
ST Sara	8,019	2007	Anadolu Deniz	Turkish	-	Reported sold in Nov '23 and failed.
VS Salma	8,015	2008				
VS Salome	7,915	2007				

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