23 February 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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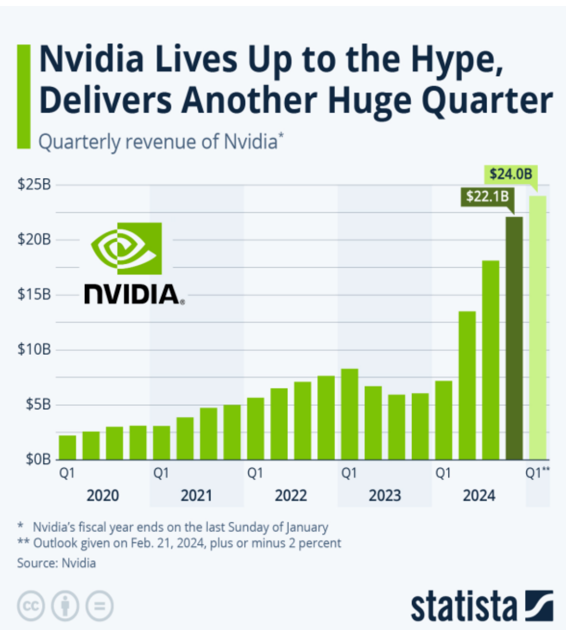
… Nvidia's Rise : Red Flag to Red Dragon ? …



Source : Statista

*For example: the old promise of 60 F-16s. The Pentagon now thinks that Ukrainian pilots will not fly combat missions until end 2024.

^Overland & seaborne crude, products, gas, LNG and coal exports fell from €1.25bn a day in March 2022 to €650mn in January 2024.

**The foregoing stats are courtesy of a Telegraph piece titled: "Russia is losing the economic war: the West must not lose its nerve now."

^^Cars shipped from Mexico to the US pay a 2.5% levy. Chinese EVs can qualify for 2.5% subject to some Mexican assembly or content.

+If the orange one regains the US presidency, then he has promised import tariffs of 10% for everyone and 60% for China. Bluster?

++In 2023, one-third of Chinese EV exports were cars that US Tesla made in Shanghai. Tesla typically discounts prices to factor in duties.

Recommended reading: Washington Post, On the Hill, "European leaders fear the GOP embrace of WW1-era isolationism."

POINTS OF VIEW

The Kremlin's announcement of Alexei Navalny's death last Friday coincided with the start of the three-day Munich Security Conference. But coincidence it was not. It was carefully timed to threaten and mock Nato. Russia's capture of Avdiivka over the weekend added to a sense of doom in Munich, signalling that Russia had seized the battlefield initiative in Ukraine, its biggest gain since it took Bakhmut last May. Ukraine blamed the fall of Avdiivka on severe ammunition shortages and on Nato's too-little-too-late weapons supply strategy.* To make matters even worse, on 30 January the IMF had released improved GDP growth forecasts for Russia of 3.0% in 2023 and 2.6% in 2024, making it a pan-European economic champion. The figures mask the fact that its defence spending is now estimated at 7.5% of national output, industrial production is stalling, it is hitting capacity constraints and labour shortages, energy revenues have halved^ and sanctions loopholes are being closed. Estimates are that 300,000 Russians have died or been badly injured in battle while 800,000 have left the country, interest rates are at 16% and the liquid assets of the National Wealth Fund have fallen from 6.6% to 2.7% of GDP in the last two years since the war began. In that time, Europe has failed to get its military industrial complex onto a war footing, but there is still time to turn things around because Russia will struggle to sustain current war effort intensity as the conflict spills into a third year.** As Mr Evans-Pritchard wrote in The Telegraph this week: "Despite a whiff of 1938 defeatism in Munich, nobody should be fooled by Putin's fantasies."

The US and its western and eastern allies have their hands full with Russia's war in Europe, Iran's malign influence across the entire Middle East region, North Korea's constant unpredictability and China's territorial claims over Taiwan. January's DPP election victory in Taiwan and Nvidia's rising share price can only invigorate such claims. The DPP is hard pro-independence while Nvidia's galloping value reinforces Taiwan's position at the heart of the global supercomputing and AI universe. However, judging from media focus, the more pressing issue in current China-West relations is trade in the run-up to the November US presidential election. Concerns are rising over China's industrial and manufacturing over-capacity that sees it export excess output into overseas markets which undermines global competition and jobs. It threatens to ramp up price wars, tariffs and protectionism no matter who is president come 2025. It happened in steel, aluminium, chemicals and textiles and is now extending into electric vehicles, solar panels and lithium batteries (3NP). China is the world's largest producer of goods; the US is the biggest consumer of stuff. The two cannot avoid one another. In 2018, the US slapped heavy tariffs on Chinese imports which remain in place. Towards the end of the former presidency, import duties on Chinese EVs rose from 2.5% to 27.5%. Two things happened. First, China now tranships more of its US-bound goods via Mexico which is protected by the USMCA.^^ Second, China now targets more of its EV exports on Europe where tariffs are 10%. Europe is too slow to protect its domestic car industry which is dangerously stuck in the combustion engine era.+

The FT reports that, last year, Mexico announced tariffs of 5-25% on Chinese imports to close the loophole, but it is unclear how rigorously the regime is being enforced. Trade ingenuity tends to find a way, just look at sanctions' avoidance. For China, Europe is a soft target for surplus EVs. China's domestic market has been crushed by falling consumer confidence stemming from the $300bn collapse of Evergrande and ongoing stagnation in China's broader property sector. Raising manufacturing output for export, led by the three new pillars (3NP), is designed to compensate for such losses. BYD toppled Tesla as the No.1 EV seller in China in December. Now a tsunami of Chinese EVs threatens us with an entry level BYD Seagull priced in the UK at £9,500 against the cheapest Tesla 3 at £43,000. Elon Musk is rightly afraid for all EV producers world-wide.++ Western carmakers, and anyone involved in the green transition, are victims of a lack of foresight and find themselves locked out of the inputs and supply chains that China has assiduously built up over three decades. The net zero straitjacket equals deindustrialisation in UK/Europe and opportunity for China. BYD's Explorer No.1 docked at Vlissingen this week to unload 5,500 BYD EVs destined for UK/European showrooms. It is in the vanguard of an amphibious invasion that everyone had expected in Taiwan.

Dry Cargo Chartering

A slightly muted start to the week was observed across **Capesize** markets before they roared into life as timecharter averages shot up to $26,079, a huge rise of $5,775 from last reported. The Pacific-based major miners returned from CNY equipped with very healthy cargo lists, and a combination of tightening tonnage supplies saw rates improve dramatically throughout the week. Rio Tinto, BHP, FMG, HMM, Mingwah, and Mercuria took at least nine early March positions between them for Australian iron ore into Qingdao. Freight prices ranged from a low of $9.35 pmt to a high of $10.35 pmt. By Friday the Baltic Exchange priced this route for 160-170,000 mtons at around $11.20 pmt. Elsewhere in Asia, Libra fixed 150,000 mtons 10% coal Indonesia to Mundra at $6.55 pmt. From the Atlantic, Vitol took Shandong Prosperity for 170,000 mtons 10% Tubarao to China at $24.30 pmt, Oldendorff fixed *Ace Eternity* (182,098-dwt, 2021) for the same trade at $24.75 pmt, and Panocean chartered *Mount Carmel* (177,003-dwt, 2007) again for the same at $24.00 pmt. Like last week, all had West Africa loading options. On timecharter, *Cape Boss* (175,882-dwt, 2003) fixed delivery Mailiao 20 February for a trip via Newcastle to China at $18,000, and Norden fixed *Cape Mercury* (209,963-dwt, 2023) delivery Rotterdam for a front haul to the Far East via West Africa at a sizeable $46,000. We also heard ST Shipping took on *GCL Thames* (182,334-dwt, 2023) delivery Tianjin for 1 year trading at about $32,000.

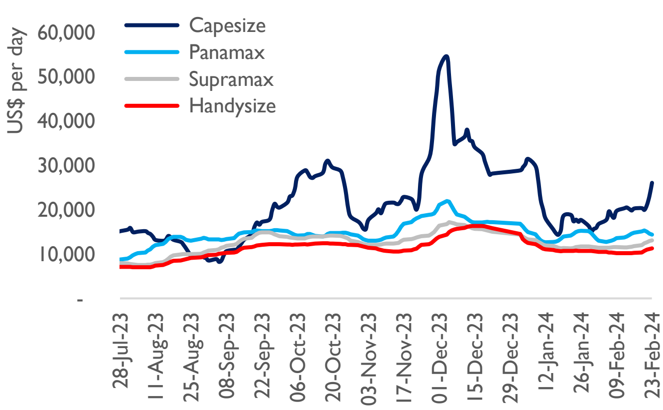
The **Panamax** market returned a minor correction across the week. The North Atlantic continued its struggles with thin demand, charterers continuing to hold the upper hand, with bids being matched with limited resistance. Asia remained a mixed bag with talks appearing toppy in the north, whilst further south there appeared decent levels of activity, so rates overall remained flat. P5 TC closed at $14,357 down by $460 since last reported. In the Atlantic, *Sakizaya Integrity* (81,010-dwt, 2016) open Djen Djen prompt was fixed for a trip via US East Coast & Cape of Good Hope redelivery India at $28,500 with Tata NYK, with reports of dop Hamburg and Gibraltar delivery. *Yiannis NG* (81,043-dwt, 2014) sailed Singpore 4 February was heard fixed for a trip via North Coast South America redelivery Singapore-Japan with Viterra, but rate detail unknown. *Tyana* (82,158-dwt, 2010) delivery aps Santos was reported fixed for a trip redelivery China at $18,000 plus $800,000 bb with Bunge. In the Pacific, *Star Peace* (79,025-dwt, 2011) open Batangas clean fixed for a trip via Indonesia redelivery India at $11,500 with Seapol, whilst *Golden Successful 82* (73,018-dwt, 1999) passing Taichung prompt fixed for a trip via Indonesia redelivery South China at $13,000 with Messrs GLX, for the same trip, *JR Summer* (81,800-dwt, 2003) Hong Kong end February was heard fixed at $15,800 to Opal. On voyage, SAIL fixed 'TBN' for their 80,000 / 10% coal lift Dalrymple Bay Coal Terminal/Visakhapatnam 22/31 March at $18.35.

The **Supramax** market held strong throughout the recent holidays and with the strength in sentiment on the Capes and gearless tonnage, the Supras and Ultras also have firmed again. There is a slight worry of a superficial strength in the market, but the Pacific is beginning to improve which should firm the rates globally. The S10TC closed at $11,299 down by $484 since reported last Friday. In the Pacific, AMC fixed *Polyworld* (56,645-dwt, 2011) delivery Zhanjiang prompt dates for a trip to Chittagong at $14,000 and Drydel covered *Jahan Brothers II* (56,014-dwt, 2006) delivery Singapore 28 February – 05 March for a trip via Indonesia to West Coast India at $13,000. Whilst in the Indian ocean, Drydel took *Josco Shengzhou* (64,250-dwt, 2022) delivery Port Elizabeth 9 March for a trip to China at $26,000 plus $260,000 bb whilst Victory Shipping fixed *Al Karama* (63,878-dwt, 2019) delivery Bahrain prompt dates for a trip with petcoke to West Coast India at $28,000. And in the Atlantic, Ashley Shipping covered *Kaan Aksoy* (61,113-dwt, 2022) delivery Monrovia for a trip with iron ore to China at $29,250 and Pangaea fixed *Ultra Crimson* (61,084-dwt, 2016) delivery Ghent 22-23 February for a trip with scrap to Mediterranean at $18,000.

Driven by the buoyant Asian markets, **BHSI** improved this week at $11,299 up from $1,012 since last Friday. Whilst visible activity was minimal across the Continent and Mediterranean, overall levels were said to have remain balanced and settled. However, certain requirements still enabled owners to command a premium. *Strategic Synergy* (39,894-dwt, 2014) open Antwerp fixed a scrap trip from Dordrecht to East Mediterranean at $12,500. In the South Atlantic, uncertainty persisted regarding the River Plate draft reduction and its impact on loading schedules. Some observed a reduction of open prompt vessels across Brazil, which is encouraging some positivity. A 38k-dwt fixed delivery Vila de Conde for a prompt trip to Norway at $14,500. Downward pressure remained for Owners in the US Gulf region with limited cargo available on prompt dates. A 38k-dwt was heard fixing at $6,750 for an intra-Gulf trip. Trans-Atlantic levels are now floating around the $10/11,000 mark, on the larger Handysizes. *Kouros Pride* (34,146-dwt, 2011) in Progresso was rumoured to have been fixed basis delivery SW Pass for a trip to East Coast Mexico at around $7,000 whilst others heard the rate was $8,750. Positive sentiment continued across Asia, with steady flows of fresh requirements and limited open tonnage was observed. Further gains are expected if the imbalance persist. *Clipper Selo* (32,389-dwt, 2011) opening Fukuyama rumoured to have fixed trip via NoPac to Singapore -Japan range at $10,000. A 28k-dwt open Southeast Asia was heard to have fixed an Australia round trip to China around $8,500. On period front, *DL Lilac* (33,75-dwt, 2012) was rumoured to fixed $11,550 for 4-6 months with 1st leg for Aussie salt lifting.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Thassos Warrior	93,243	2010	Tianjin	End Feb	South Korea	$15,000	Wooyang	Via Xingang
Erithiani	83,454	2012	Singapore	1 Feb	Singapore-Japan	$12,500	Reachy	Via EC South America
Hua Cong Zhi Xing	79,252	2012	Singapore	1 Mar	Korea	$19,500	KSC	Via Indonesia
GH Glory	74,793	2010	Singapore	2 Feb	Singapore-Japan	$13,500	Cofco Afri	Via EC South America
Calipso	73,691	2005	Jiangyin	22/26 Feb	South China	$12,500	Cnr	Via Indonesia
Josco Shengzhou	64,250	2022	Port Elizabeth	9 Mar	China	$26,000	Drydel	-
Block Island	61,442	2012	Port Kelang	Ppt	Singapore-Japan	$19,000	Swire	-
Xin Hai Tong 35	56,530	2012	Sihanoukville	Ppt	Mediterranean	$8,500	Cnr	-
Minanur Cebi I	33,811	2011	Santos	Ppt	US Gulf	$12,500	Cnr	-
Adventure	33,730	2011	Fangcheng	Ppt	Singapore-Japan	$6,500	Lauritzen	Via Vietnam



Exchange Rates		This week	Last week
	1 USD	150.40 JPY	150.60 JPY
	1 USD	0.9236 EUR	0.9414 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	81.59	83.06

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	451.0	460.0
VLSFO	644.0	659.0
Rotterdam HSFO	470.0	462.0
VLSFO	580.0	587.0

Dry Bulk S&P

The market is a pressure pot of activity this week. The few eco-type ships that have been on the market are going for more than last done; a combination of limited candidates and buyers buzzing with anticipation about the positive market outlook has led to very firm prices being achieved and new benchmarks set.

Pacific Assurance (207,842-dwt, 2014 Imabari - ME engine) invited offers on Wednesday and received at range of offers from $40m to $45m. She is now rumoured to have been committed at $48.5m to so far undisclosed buyers.

In the Capesize sector, clients of Global Meridian Holdings have offloaded their 10 year old *True Cartier* (181,380-dwt, 2014 Imabari - ME Engine, Scrubber Fitted, SS due July 2024) for a price of $41m. Like the *Pacific Assurance*, the sellers also set a deadline for offers (Monday) and she was quickly committed. It is worth noting that delivery is likely to be in June, just before her Special Survey is due in July. Whilst non-eco, the sale earlier this month of *Kinokawa Maru* (181,392-dwt, 2013 Imabari) for $34m shows the market is now gathering speed.

The geared sectors are also running just as hot. Like the gearless sectors, demand for eco ships and a lack of tonnage for sale is moving prices higher. *Bulk Monaco* (63,733-dwt, 2023 Shin Kasado) is widely rumoured sold for $40.5m. Clearly buyers are seeing ever increasing value in ships on the water and that are immediately ready to trade versus placing newbuilding orders in Japan. Elsewhere, *Darya Padma* (60,935-dwt, 2015 JMU - ME engine) is understood to be committed for $28.9m.

In the Handysize arena, *Interlink Amenity* (39,989-dwt, 2018 Huatai Heavy Ind - ME engine, DD Freshly Passed) has been committed to clients of Precious Shipping for a price in excess of $25m. Lastly, the Shoei Kisen-owned *Ultra Vanscoy* (38,215-dwt, 2013 Mitsubishi) is understood to have been sold to Greek owners Brave Maritime for $18.18m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Pacific Assurance	207,842	2014	Imabari		Far Eastern	$48.5m	Eco M/E
True Cartier	181,380	2014	Imabari			$41.0m	Eco M/E, Scrubber
Sealink	180,116	2010	Daehan			$31.0m	Scrubber
FPMC B 102	104,990	2011	STX Dalian			$16.8m	Scrubber
Conrad Oldendorff	93,039	2010	Taizhou Kouan		Greeks	$16.5m	Scrubber
Rising Loong	91,439	2002	Oshima			$10.7m	
Maritsa	76,015	2005	Tsuneishi			$12.2m	
Bulk Monaco	63,733	2023	Shin Kasado	C 4x30t		$40.5m	
Darya Padma	60,935	2015	JMU	C 4x30t		$28.9m	Eco M/E
Pacific Integrity	56,100	2013	Mitsui	C 4x30t	Greeks	$20.1m	
Interlink Amenity	39,989	2018	Huatai Heavy Ind	C 4x30t	Precious Shipping	$25.25m	Index linked TC attached
Ultra Vanscoy	38,215	2013	Mitsubishi	C 4x31t	Brave Maritime	$18.18m	
Lago Di Lugano	32,271	2008	Kanda	C 4x31t		$10.6m	OHBS

Tanker Commentary

This week, Bergen based TRF have set a new benchmark for modern VLCC values. It has been widely reported that the scrubber fitted *Eco Seas* (299,998-dwt, 2016 Daewoo) has been sold for $98m. Even when accounting for the difference in yard and design, this sale represents a step up from *Miltiades Junior* (320,926-dwt, 2014 SWS - scrubber fitted) which changed hands for $80m about a month ago. Today's prices reflect the strong sense of optimism surrounding modern crude tankers, where a small but slowly growing orderbook means very few new ships will be hitting the water over the next two years.

Following their sale of *GH Austen* (49,998-dwt, 2009 GSI) last month, Greenheart Capital Management have sold *GH Parks* (50,096-dwt, 2009 SPP - epoxy) this week. The vessel has both special survey and dry dock imminently due and has reportedly fetched around $25m from Chinese buyers. Again, the purchase price appears firm, especially when compared to the sale of the sister ship, *Constance* (50,129-dwt, 2008 SPP - epoxy) which was bought by Petrovietnam for $22m in October last year, also with surveys due.

Finishing this week's report in the stainless segment, Singaporean owners are understood to have sold *Beatrice* (25,932-dwt, 2013 Asakawa – Stainless Steel) to Busan based DM Shipping for $29m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Eco Seas	299,998	2016	DSME		$98.0m	Scrubber
GH Parks	50,096	2009	SPP		$25.0m	
Shogun	44,485	2002	HMD		$13.8m	
Beatrice	25,932	2013	Asakawa	DM Shipping	$29.0m	Stainless Steel

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