15 March 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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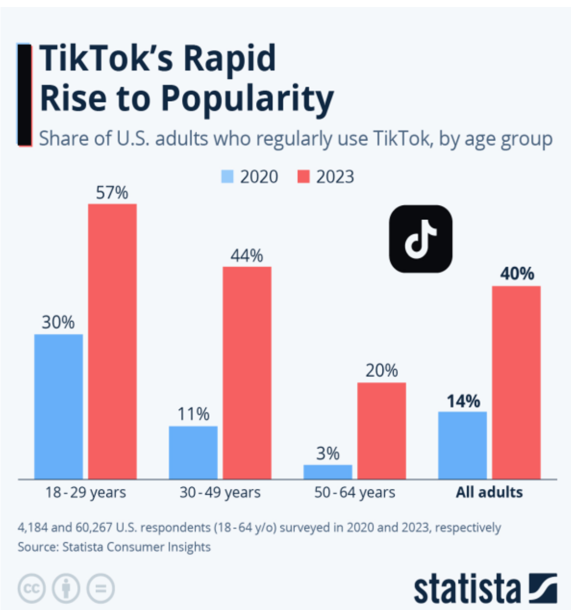
… TikTok's Time Bomb ? …



Source : Statista

POINTS OF VIEW

Sino-US trade tensions are already running high but are set to rise further in the run-up to US presidential election in November. Things took a downward turn in 2018 when the US slapped tariffs on $250bn of Chinese goods, setting off a tit-for-tat trade war. Under Biden, the tariffs remain in place, but relations have soured on the impact of the Inflation Reduction Act and Chips Act, the restricted supply of high-end microchips to China, and on western investigations into state support for - and oversupply of - EVs, solar panels and lithium-ion batteries.* In another dust-up on Wednesday, the House of Representatives voted 352-65 in favour of ByteDance either divesting its TikTok platform, which has 170 million American users, or face a possible nationwide ban. The rationale is the oft-used premise of national security concerns around data harvesting but, at an estimated valuation of $180bn, TikTok would be a big ask for any buyer. Anyway, our main interest today is Tuesday's United Steelworkers union** petition to the US Trade Representative, under Section 301 of the 1974 Trade Act, to investigate alleged unfair economic practices in China's shipbuilding and maritime logistics sectors. It appears to be a last gasp measure, a forlorn push to revive a sunset industry in US shipbuilding that has become a glaring strategic weakness in today's geopolitically troubled world. Under Ronald Reagan's presidency, from 1981-1989, US commercial shipbuilding collapsed after the removal of state subsidies in line with the then free market economic principles of his administration. The USW action is 40 years too late.

The USW president, David McCall, claimed that "the US was once a leader in the commercial shipbuilding industry, but over the past two decades, the CCP enacted a comprehensive strategy to dominate the full spectrum of global trade, making massive investments in shipbuilding and engaging in predatory trade practices." As mentioned above, the decline in US shipbuilding goes all the way back to the 1980s when China was far behind Japan and South Korea in world shipbuilding rankings. While the US was winding down its capacity in the 1980s and 1990s, China was ramping its up. Each country followed its own plan, but it is only the US that now has major regrets. According to the FT, the USW petition claims that Chinese shipbuilders have benefited from protectionist government policies, including preferential financing ranging from state-run bank loans to tax breaks. Such assertions ignore the US Jones Act that is far from being pro free trade and is to some unquantifiable extent to blame for the demise of US commercial shipbuilding once the subsidies were removed.^ Is a socialist command economy, where the state dominates, protectionist? Or is it simply the nature of the system?^^ China directs state-owned banks to support its state-owned enterprises. The private sector is often sidelined and lately endured clampdowns in areas ranging from hi-tech to private education. If the US 'free market' economy cannot compete then maybe it needs to change. After all, these days, it is neither free nor market-based.

CRS data suggests that over the past two decades China has gone from producing about 12% of global commercial ships by tonnage to more than 50% last year. Unctad data of the percentage of global gross tonnage built by country in 2022 puts China in the lead with 46.6% (25.9mn GT), South Korea 2nd with 29.2% and Japan 3rd with 17.3%. In 4th and 5th places are Italy (1.3%) and France (1.1%), based on their cruise and passenger ship production, while every other country has a sub 1% share. The US was in 19th place in 2022 with just 73,000 GT built. The petition seeks to set up a Shipbuilding Revitalisation Fund to help the domestic industry and support and create jobs. It would be part paid for by the imposition of higher port fees on Chinese ships docking at US ports. One cannot but think that this ship has already sailed; the US reached the point of no return a long time ago as it actively pursued outsourcing and deindustrialisation. The FT mentions that in 1975 the US shipbuilding industry was ranked No.1 in terms of global capacity, with over 70 commercial ships on order domestically. Last year, America produced 10 ocean-going vessels against China's more than 1,000 ships, a tripling of its output in 20 years. China has a massive commercial fleet, and an expanding navy, all backed by the world's leading shipbuilding industry. It gives China options. Meanwhile, most other nations look impotent and attempts to resurrect sunset industries are just so much wishful thinking. Anticipation has been woefully absent.

*Global solar panel prices halved in the past year as China doubled output to 3-times global demand. Generous IRA subsidies still fail to protect the US solar industry.

**The USW union is also opposing Nippon Steel's proposed $14.9bn takeover of Pittsburgh-based US Steel, something that Biden supports on national security grounds.

^The 1920 Jones Act stipulated that cargo shipped between US ports be on ships built, owned, flagged and crewed by Americans (… at 5x the cost of Asian equivalents …).

^^China maintained a command economy until 1978 after which it shifted to a socialist market economy. The private sector is held in check by a lack of state support.

For a more detailed look at this topic see the FT's Big Read, Shipping: "Shipbuilding: the new battleground in the US-China trade war." 12 March 2024. Rana Foroohar.

See also in The Diplomat: "Shipping, Ports, and China's New Maritime Empire." 06 February 2024. Mercy A. Kuo with insights from Christopher R. O'Dea.

WEEKLY COMMENTARY

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Dry Cargo Chartering

A slightly more volatile week for **Capesize** markets that saw an overall downwards trend. Generally, sentiment seemed to soften in both basins as charterers and owners alike re-evaluated their options. Timecharter averages dipped to $33,332, a decline of $1,869 from last week. The usual abundance of Australian iron ore fixtures emerged, with Rio Tinto leading the way fixing seven positions for 170,000 mtons 10% Dampier/Qingdao for end of March dates. Freight this week ranged from $12.28 pmt to $14.50 pmt. BHP took three positions loading from Port Hedland with a similar range of freight prices, and Simec took a Norden TBN cape for a Whyalla/China run loading 9/15 April at $18.00 pmt. From West Africa, *Great Song* (180,388-dwt, 2011) fixed Kamsar/Yantai and Longkou at $31.30 pmt, while *Corinthian Phoenix* (179,223-dwt, 2009) fixed Freetown/Qingdao for 170,000 mtons 10% ore at $29.85 pmt to Treasure Boost Shipping. Elsewhere, *Cape Harmony* (178,373-dwt, 2012) was said to have fixed 150,000 mtons 10% Port Cartier to Gwangyang 1/15 April at $42.50 pmt. From South America, for 170,000 mtons 10% Tubarao (option West Africa) to China, Costamare took *Annabel L* (180,803-dwt, 2019) at $31.75 pmt, and NYK fixed *Grand Sakura* (181,924-dwt, 2021) at $31.60 pmt. Additionally, Libra chartered a TBN position for 150,000 mtons 10% coal loading South East Kalimantan/Mundra 22/28 March at $10.90 pmt.

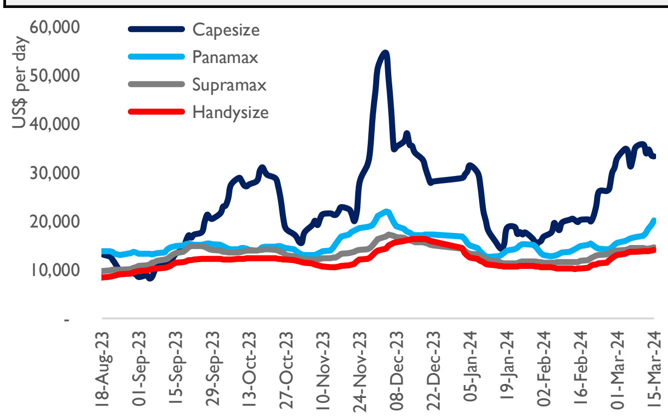
A significant week for the **Panamaxes**, largely attributed to further increased activity in the Atlantic for the grain front haul runs. This appeared to orchestrate sizable gains on the majority of trades with talk of improved bids being met with some resistance by owners. In the North Atlantic demand was less obvious yet rates improved somewhat on the back of demand from the South Atlantic, as tighter tonnage was evident. The BPI closed today $20,106 up $3,356 since last week. In Asia rates continued to rally, owing mostly to strong demand from Indonesia to destination India but again, the lure of the Atlantic with firm period interest permitted owners to remain bullish. In the Atlantic, *Albatross* (82,411-dwt, 2023) open Rotterdam fixed for a trip via North Coast South America redelivery Continent at $18,500. *Explorer Asia* (81,093-dwt, 2016) open Ghent was rumoured to have fixed for a grain front haul trip at a rate in the high $20,000's. *Elati* (81,746-dwt, 2019) open Reydarfjordur fixed for a trip via US Gulf redelivery Singapore-Japan at $29,750 to Bunge. In the Pacific, *KM Hongkong* (82,13-dwt, 2010) Oita 15/17 March fixed for a trip via NoPac redelivery Japan at $19,000. *ITG Uming 2* (81,36-dwt, 2017) CJK 16/17 March was alleged fixed for a trip via Indonesia redelivery Japan at $20,000, whilst HMM were linked to the *Yasa Falcon* (81,526-dwt, 2012) open Fangcheng fixed for a trip via Australia redelivery India at $16,000.

The **Supramax** market continued to idle in a flat manner. The market was evenly balanced throughout before starting to firm later in the week. The US Gulf market and Atlantic routes are firming, with positive sentiment building for next week. The S10TC closed at $14,585 up by $92 since reported last Friday. In the Pacific, Golden Bricks fixed *Lynux Vision* (61,114-dwt, 2014) delivery Kendari 21 March for a trip via Bahodopi with steels to Philippines at $20,000, *PMS Enzian* (61,621-dwt, 2015) was covered delivery Bahodopi prompt dates for a trip to the US Gulf at $13,000 for the first 60 days and $20,000 thereafter and Fullinks took *Trans Autumn* (56,838-dwt, 2012) delivery Kendari 18-19 March for a trip via Indonesia to China at $17,500. Whilst in the Indian, *ND Maritsa* (61,272-dwt, 2016) fixed delivery Chittagong 5-6 March for a trip via Payra to China at $18,750 whilst *Western Eyde* (55,816-dwt, 2014) was covered delivery Hazira for a trip via Salalah to Bangladesh at $19,000. And in the Atlantic, Olam took *Port Tokyo* (63,475-dwt, 2019) delivery Paranagua prompt dates for a trip to China at $18,000 plus $800,000 bb, XO Shipping covered *Equinox Galini* (58,680-dwt, 2012) delivery Liverpool 9-11 March for a trip via Morocco to India (sailing via CoGH) at $20,000 and *Red Fin* (56,780-dwt, 2011) was fixed delivery Fazendinha prompt dates for a trip to Oran at $16,500.

With activity levels in the Atlantic improving, the **BHSI** saw further growth this week at $14,057 up from $316 since last Friday. There was optimism across the Continent and Mediterranean, with increased inquiries overall and a boost from premium-paying Baltic business. In the Mediterranean, the lack of prompt tonnage further fuelled the positive sentiment. Meanwhile in the US Gulf, owners saw small gains as tonnage availability dwindled. *Fiora Topic* (34,356 2015) open Otranto fixed via East Mediterranean redelivery US Gulf at $13,000 with Ultrabulk. *Rila* (41,536-dwt, 2017) fixed basis delivery Panama City for a trip to the UK-Continent with an intended cargo of wood pellets in the $11,000's. *SSI Meral Hanim* (37,238-dwt, 2011) opening in Port Everglades fixed basis delivery Vila Do Conde for a trip to Norway with an intended cargo of alumina at $15,000. Asia shows a glimmer of hope with slight improvement in cargo availability despite limited activities, giving some optimism for potential future improvements. Positivity was also said to have returned for tonnage in North China-Japan with more visible enquiry seen in recent days. A 32k-dwt open Southeast Asia fixed a backhaul trip around $11,500. *Apex Voyager* (37,717-dwt, 2019) open Yangon fixed for 2 to 3 laden legs at $17,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Medi Serapo	87,091	2018	Singapore	25 Feb	Singapore-Japan	$22,000	Comerge	Via East Coast South America
CL Yichun	82,304	2023	Jiangyin	10 Mar	Malaysia	$17,600	Sinmal	Via East Coast Australia
Xin Rong	79,607	2010	Itaguai	30 Mar	Skaw-Gibraltar	$20,000	Cnr	-
Long Shan Hu	76,679	2002	Yuhuan	13/14 Mar	South China	$15,000	Rich Navigator	Via Indonesia
Captain P. Egglezos	76,499	2007	Rio Grande	23/25 Mar	China	$19,000	Crystal Sea	-
Port Tokyo	63,475	2019	Parangua	Ppt	China	$18,000	Olam	-
PMS Enzian	61,612	2015	Bahodopi	Ppt	US Gulf	$13,000	Cnr	-
Xin Hai Jia	57,078	2008	Zhuhai	Ppt	South China	$13,500	Cambrian	Via Indonesia
Bunun Youth	39,703	2023	Rouen	Ppt	Vera Cruz	$18,000	Cnr	-
Fiora Topic	34,356	2015	Otranto	Ppt	US Gulf	$13,000	Ultrabulk	Via East Mediterranean



Exchange Rates		This week	Last week
	1 USD	148.91 JPY	147.13 JPY
	1 USD	0.9184 EUR	0.9147 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	84.91	82.47

Bunker Prices (US$/tonne)		This week	Last week
	Singapore HSFO	491.0	483.0
	VLSFO	653.0	644.0
	Rotterdam HSFO	482.0	477.0
	VLSFO	610.0	582.0

Dry Bulk S&P

Another week goes by and the story in the dry S&P markets remains unchanged: a crowded field of buyers all jockeying for positions on ships across all sectors.

The week's flagship sale comes from the Kamsarmax paddock. *Key Guardian* (83,468-dwt, 2011 Sanoyas) took offers on Wednesday and has been sold to Greek buyers for a princely sum of $23.7m. With younger eco ships racing to new highs, many buyers are now casting their gaze on 2010/2013 non-eco fillies of good pedigree. With a large number of eager buyers now in the saddle, it shouldn't come as a surprise that the non-eco prices are racing. As a comparison, *Nian Nu Jiao* (83,601-dwt, 2010 Sanoyas) was sold in mid-January for $18m - in hindsight a very canny buy.

Elsewhere, in the Supramax sector, *Queen Busan* (55,474-dwt, 2010 Kawasaki)) took offers earlier in the week and is now reported sold for $18m - we suspect either Greek or Turkish buyers are in the winner's enclosure. The Japanese sellers will be very happy with this price indeed after selling the one-year older *Queen Kobe* (55,444-dwt, 2009 Kawasaki) for $3m less around two months ago.

The Crown58 design *Thetis* (57,981-dwt, 2013 Zhejiang, Tier 2) has been sold for $17.5m, and the three-year older Dolphin57 type *Sifnos* (57,050-dwt, 2010 COSCO Zhoushan) has gone to Chinese buyers for a price in the high $13m's.

In the Handies, *Asian Bulker* (36,228-dwt, 2017 Shikoku - scrubber fitted) has found a new home for $24m. We don't see many scrubber fitted Handysize and it is unclear if the price reflects a real premium for it. Lauritzen sold exact sister ship Australian Bulker for the same price about a month.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Penelope T	180,201	2007	Koyo			$23.80m	
Key Guardian	83,468	2011	Sanoyas		Itiro Corp	$23.70m	
Vitahorizon	74,483	2007	Hudong-Zhonghua			$12.50m	
Thetis	57,981	2013	Zhejiang	C4x35T		$17.50m	
Sifnos	57,050	2010	COSCO Zhoushan	C4x30T	Chinese	$13.85m	
Queen Busan	55,474	2010	Kawasaki	C4x31T		$18.0m	
BBC Pluto	37,495	2010	Tianjin Xingang	C4x30T	Turkish	$11.60m	
Rui Fu Xing	37,064	2012	Hyundai Mipo	C4x30T		$16.60m	OHBS, ME Engine
Omnia	36,787	2011	Hyundai Mipo	C4x31T	Greek	$15.25m	
Asian Bulker	36,228	2017	Shikoku	C4x31T		$24.00m	Semi-Boxed, Scrubber
Rin Treasure	28,338	2009	Imabari	C4x31T		$9.50m	

Tanker Commentary

In the VLCC segment, *C. Vision* (314,000-dwt, 2004 Samsung) has agreed a price in the region of $33.5m which is in line with January's sale of Elizabeth I.A. (306,229-dwt, 2004 Daewoo) at $34m. Both are of Korean pedigree and with special surveys due and scrubber fitted, suggesting prices have not moved against the last done. However, comparing this week's other sale of *Achelous* (299,868-dwt, 2004 IHI Marine) at $29m against November's sale of the sister ship *Jessica D* (300,976-dwt, 2004 IHI) which went for $32.5m, it tells a different story - both vessels here have special surveys due and neither are scrubber fitted. Scrubber fitted units burning HSFO are potentially holding a premium to their non-scrubber fitted counterparts with higher bunkering costs.

As we wait patiently for the result from the steward's enquiry on *Hansa Bergen* (51,218-dwt, 2007 STX) which invited offers this week, International Seaways are understood to have sold their *Pacific Jewel* (48,012-dwt, 2009 Iwagi) for $25m. This is aligned with February's form when *Ardmore Seafarer* (50,093-dwt, 2010 Onomichi) sold at $26.8m, given she is a year younger and has an additional year left on her surveys. Meanwhile *Glenda Melody* (47,238-dwt, 2011 Hyundai) has achieved a price that is more in line with a pumproom design equivalent, still achieving a slight premium at $27.5m.

Demand for chemical tankers remains high, whilst there are no conclusive sales to report, it is rumoured that a 2007 built J19 design has been picked up for close to $18m which would suggest a significant turn of foot in asset values, whilst earnings for this segment remaining high.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
C. Vision	314,000	2004	Samsung		$33.50m	Scrubber
Achelous	299,868	2004	IHI Marine		$29.00m	Scrubber
Pacific Jewel	48,012	2009	Iwagi		$25.00m	Epoxy
Glenda Melody	47,238	2011	Hyundai		$27.50m	Epoxy Phenolic

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