31 January 2025

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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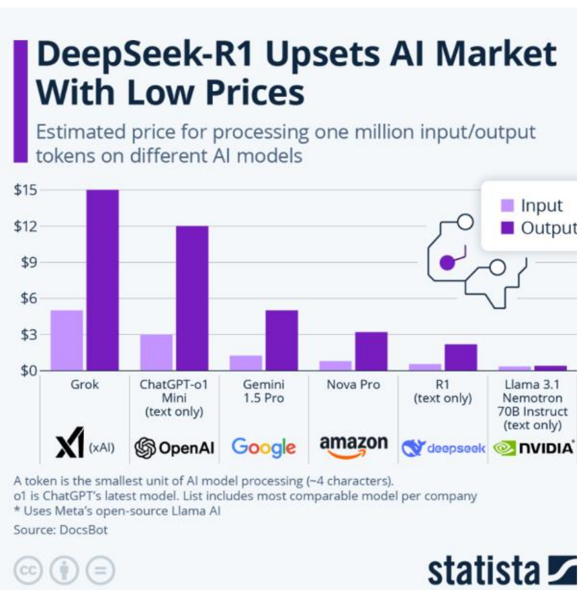
… Gong Xi Fa Cai ! Kung Hei Fat Choy ! …



Source : Statista

POINTS OF VIEW

2025 is a month old, but with the early break for the Lunar New Year holiday, January can feel like a phony war. The real business starts now. For two decades shipping analysts have always looked to China for answers, this year will likely be no different. How its relations with the US play out will be a major theme. A Trump trade war offers major downside to container trades, but so far his tone towards China has been more conciliatory than it was on the campaign trail. Drybulk crystal-ball gazers will be keeping an eye out for the knock-on effects of any trade war on China's appetite for dry commodities. For tanker owners, how Chinese attitudes towards US-sanctioned tankers develop could be the key to unlocking extra cargo from the Middle East or the Americas. Meanwhile in newbuild markets, US politicians can talk about reducing Chinese dominance of shipbuilding all they like, but the reality is stark. Chinese yards took just under 70% of global orders in 2024 (CGT terms) and it is their yards that are ramping up capacity.

It has been taken as given for some time, that China will dominate green industries: EVs, solar panels and wind turbines. This could reasonably be seen through a similar lens to previous Chinese dominance of traditional industries such as steel, ship-building and manufacturing, albeit with a modern twist. It was still supported by cheaper labour and energy costs, economies of scale, strategic government support and early technology transfer from western and other Asian firms. It could ultimately be seen as just a new chapter of the same book. This week however, the west was reminded of China's growing status as an innovator at the cutting edge. The news of DeepSeek's R1 model and its capabilities stunned the tech world, rattled Silicon Valley and bruised America's ego. The ability to run AI models at a fraction of the power demand of leading models, has been labelled by some as a "Sputnik moment" in a new technology race between the two global superpowers. The share prices of Nvidia, down 12% this week, and other AI-related companies were hammered.

The OIES calculate that AI and data centres accounted for ~1% of global electricity demand in 2022. In low case scenarios (pre-DeepSeek) this was placed at ~2.5% by 2030, in a high case closer to 5%, and that was just the start.* Coal is often seen as an analogue fuel in a digital age, but there was a good case that the AI boom would help to sustain it, especially in Asia. In the longer-term, abundant renewable energy, coupled with a revival in nuclear power, was the answer. However, such abundance is far away, and nuclear power plants take years (decades in the UK) to build. The world burns 8.8bntpa of coal, with the IEA saying that 2025 would see this start to plateau. The IEA has made (and revised) such statements before. 1.4bnt of this coal is moved by sea, nearly a quarter of global drybulk cargo.** The Age of Electricity, with exponential growth in demand from AI and data centres, and more linear but by no means trivial growth from EVs, air-conditioners, heat pumps and electrolysis, could have extended the twilight period of coal trades by years, if not decades. ***

Does DeepSeek mean this story is dead? Maybe. It is still early days, but shares in some US electricity producers fell by as much or more than Nvidia. Constellation Energy is down 13% this week, Vistra 9%, both lost far more on Monday and have recovered slightly since.^ These companies' fortunes were directly tied to powering the AI revolution, but even US coal miner Peabody has lost 5% this week. For a contrarian view, some in the tech world have turned to a 19th century British economist. William Jevons was also interested in coal. He noticed that the increased efficiency of new steam engines was counter-intuitively boosting coal use, even though less coal was needed to make the same unit of energy. Instead, cheaper steam power meant steam engines were used more widely and in new applications. Ultimately this meant more, not less, coal demand. Those invoking Jevons' Paradox would argue that making AI cheaper and less energy-intense could mean an even wider AI roll-out. Coal miners will hope that this creates more demand for the underlying resource powering it too. The Economist points out that Jevons' Paradox has been discussed before in many fields and has not always held. It argues that the key factor is how useful AI becomes. If it is still perceived as largely irrelevant chat-bots, Jevons' Paradox will not hold. If it becomes "the fundamental driving force of the industrial economy" as coal was, then the AI-train may still be on track. ^^

*OIES = Oxford Institute for Energy Studies. Figures from "Global Electricity Demand: what's driving growth and why it matters?" Jan-25

**This is international seaborne trade only. Including coastal coal trades (Chinese and Indonesian) pushes global coal shipments closer to 2bntpa. Source: AXS.

***Ember Energy estimate global electricity demand grew by over 2% in 2023, but expect this to grow faster in the coming years. They saw the major sources of demand growth coming from EVs, heat pumps, air conditioning and data centres, all adding ~0.2-0.3% alone to global electricity demand.

^Constellation Energy own nuclear power stations. Vistra own gas power plants and solar farms.

^^The Economist 30-Jan-25: "Tech tycoons have got the economics of AI wrong".

WEEKLY COMMENTARY

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Dry Cargo Chartering

It was ultimately a fairly flat week in the market, with the **BDI** closing down 43 points on last week, finishing at 735, with losses during the week being offset by some gains on Friday.

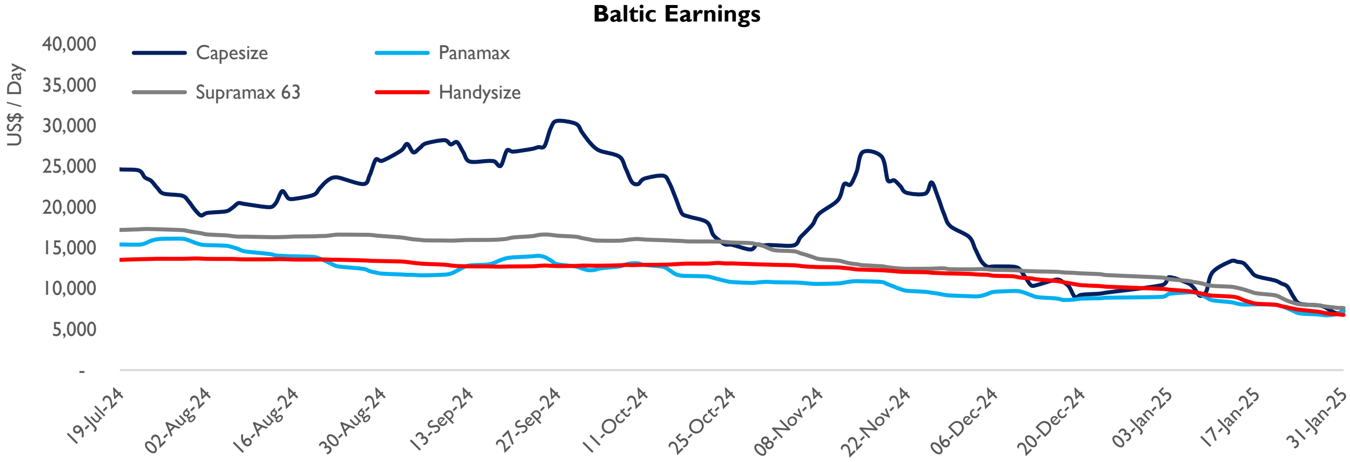
Capesize timecharter averages weakened over the course of the week with a small bounce-back on Friday, ending at $7,252, a drop of $904 compared to last reported. Market sentiment was again affected by the prevailing oversupply of tonnage. Over the Lunar New Year, there was very little activity in the East, with only one charterer known to be in the market. There was more support for owners in the Atlantic, yet little was reported fixed.

The **Panamax** timecharter averages closed at $7,199, which was up $230 in last 7 days, perhaps showing an early sign of the market bouncing back upwards for now. Panamax markets in the Atlantic saw a peculiar North/South divide, with East Coast South America claiming the headlines as activity slowly picked up. Meanwhile in the North Atlantic, demand was slow to non-existent.

It was another slow week in the **Supramax** market. The BSI63 timecharter average closed at $7,628, a fall of $450 from last week. The Atlantic remains sluggish, with limited fresh demand. Cargoes saw declining interest, with transatlantic rates for Supramaxes dipping well below $12,000/day. Unsurprisingly, the Pacific region was muted this week as many were off celebrating the Lunar New Year. With most of the early to mid-February cargoes booked last week at low rates, and ample prompt tonnage still available, it was said that forward cargoes did not improve freight rates significantly. In the Indian Ocean, whilst more fixtures surfaced, the rates were still disappointing and there were no signs of improvement.

It was a flat week in the **Handysize** sector the BHSI closing today at $6,780 down $626 since last week. Within the Atlantic, there was little change in rates on the Continent and in the Mediterranean, perhaps a potential sign that we have reached the bottom. The US Gulf cooled off a tad, owners will still expect to see five figures on a 38k-dwt for transatlantic trips. The South Atlantic hangs in the balance, although levels softened marginally this week. It was another subdued and challenging week for the Pacific Handysize market. With the ongoing holidays in full effect, activity in the Asian market has been minimal. With most players having already covered cargoes prior to the holidays and owners with prompt vessels reluctant to fix at current levels, the market appears to be on hold across all loading areas.

Baltic Earnings



Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Seacon Vancouver	85,688	2023	Jingtang	24 Jan	Japan	$6,000	Cnr	Via East Coast Australia
Rong May	85,005	2017	Kinuura	28 Jan	Singapore-Japan	$5,000	Sumec Marine	Via West Coast Australia
Dart Trader	79,467	2011	Kandla	4/5 Feb	China	$4,000	Cnr	-
Aeolian Breeze	78,092	2012	East Coast South America	22 Feb	Singaoire-Japan	$12,500	Koch Trading	$250,000 Ballast Bonus
Great Victory	77,853	2015	Hong Kong	4 Feb	South China	$5,250	Cnr	Via Australia
Kiran Australia	63,478	2013	Saldanha Bay	Ppt	China	$10,000	Pacific Basins	-
Spar Hydra	58,018	2011	US Gulf	Ppt	India	$11,000	XO Shipping	-
Sheng Feng Hai	56,879	2011	US Gulf	Ppt	Morocco	$9,000	XO Shipping	-
Lignum Matrix	42,541	2023	US East Coast	Ppt	Spain/Mediterranean	$12,000	Union Bulk	-
Seastar Vulcan	39,810	2015	Fukuyama	4/7 Feb	Pasir Gudang	$3,250	Cargill	-

Exchange Rates		This week	Last week
	1 USD	154.95 JPY	156.31 JPY
	1 USD	0.9608 EUR	0.9545 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	76.77	78.23

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	511.5	523.5
VLSFO	589.0	599.5
Rotterdam HSFO	466.5	491.5
VLSFO	561.5	554.5

Dry Bulk S&P

Greek buyers have been capitalising on the absence of Asian buyers taking a break from the market for the lunar holidays, pouncing on a trio of eco Kamsarmaxes with timecharter attached being sold off by Chronos Shipping. It is a case of better the devil you know as three separate Greek buyers have paid better than expected (feared) prices clearly valuing and willing to pay a premium for high spec, Greek managed eco tonnage.

Firstly, *Kleisoura* (80,982-dwt, 2017 JMU) has been sold to Polforce for a reported $28.1m - the price illustrates how Greek buyers favour the JMU design. In addition, the sister vessels *Volos* (82,172-dwt, 2014 Sanoyas) and *Athina II* (82,014-dwt, 2015 Sanoyas) are understood to have been sold for $24m to Sea Tribute and $25.05m to Sealestial respectively. This leaves the non eco main engine *Patra* (80,596-dwt, 2012 Universal) unsold but under negotiations at the time of going to press.

Elsewhere in the Handysize sector, the open hatch boxed *ES Kure* (33,126-dwt, 2012 Kanda) is rumoured to have been sold for $12.9m - a firm price as she will be delivered with SS due.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Volos	82,172	2014	Sanoyas	-	Sea Tribute	$24.0m	TC attached @ 99% BPI, redelivery 30/7 – 30/10/25
Athina II	82,014	2015	Sanoyas	-	Sealestial	$25.05m	TC attached @ 105% BPI, redelivery 15/2 – 15/6/25
Kleisoura	80,982	2017	JMU	-	Polforce	$28.10m	TC attached @ 111% BPI, redelivery 10/7 – 25/10/25
Anais	76,015	2002	Tsuneishi	-	Chinese	$5.60m	DD due
Isa	34,939	1999	Mitsui	C 3x30T		$4.00m	DD due / Laker
ES Kure	33,126	2012	Kanda	C 4x31T	Vietnamese	$12.90m	DD due / OHBS

Tanker Commentary

A Bahri VLCC, *Wafrah* (317,788-dwt, 2007 Hyundai Samho) called for offers last week and is rumoured to have sold for $40m with her drydocking due. The last similar done was the scrubber fitted sister, *DHT Scandinavia* (317,826-dwt, 2006 Hyundai Samho, DD passed) which changed hands last month for $43.40m. The better survey position and the addition of a scrubber, explaining for the most part why an older ship was able to command a far better price.

The flurry of Aframax transactions continues this week with three more sales coming to light. *Kara Sea* (115,191-dwt, 2010 Sasebo, scrubber fitted, SS/DD due), *Sea Senor* (109,647-dwt, 2006 Dalian, epoxy coated, DD due) and *Sousta* (106-045-dwt, 2007 Tsuneishi, DD due) reported to be sold for $36.9m, $28m and $30m respectively. Chinese buyers are rumoured to be behind the purchases bringing the total number of Aframax transactions this year well into the teens.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Wafrah	317,788	2007	Hyundai Samho		$40.0 m	DD due
Kara Sea	115,191	2010	Sasebo Heavy		$36.9 m	Scrubber fitted. SS/DD due
Sea Senor	109,647	2006	Dalian		$28.0 m	Epoxy coated. DD due
Sousta	106,045	2007	Tsuneishi		$30.0 m	DD due

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