29 May 2020

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… US-China Trade Tensions …

Not getting any better!

Source: The FT / Reuters

POINTS OF VIEW

The US death toll from Covid-19 exceeded 100,000 this week, an unwelcome milestone reached, just as some states tentatively emerge from the strictest form of lockdown. The rate of new infections in the US is now stabilising as it is in the UK, France, Italy and Spain. But, regrettably, the coronavirus pandemic is quickening worldwide, with nearly 700,000 new known cases reported in the last week; Latin America and the Middle East being the most badly affected. New York Times data suggests that the virus has infected over 5.7 million individuals and killed at least 357,000 people around the world. It was only last Thursday that total cases broke through the 5 million mark after it had taken almost two weeks for another one million cases to become known. Just as the virus is being brought under control in parts of the US, Europe and Asia so it is spreading in other parts of the world. This raises the gruesome prospect that countries that are succeeding in flattening the curve are at risk of importing second phase infections in the coming winter. Despite this risk, the trend is still to emerge from lockdown, increase testing and tracing, re-open economic and social life and use newfound hospital capacity to fight and contain the virus. We cannot hide from it, so we must confront it, while we attempt to regain normal lives and work to achieve a global economic recovery.

This week Twitter, the US president's media mouthpiece, via which he reaches out to 80 million of his followers, put 'fact check notices' on two of his tweets concerning voting by ballot. Trump is vigorously against a CV-induced safety measure to shift to voting by ballot, instead of in person, in November's presidential election. It is well known that many more Democrat supporters would participate in the election if they have a postal vote, and that is why the president needs to protect democracy, prevent ballot theft and fraud, avoid a rigged election and, of course, save his own chances of re-election. Twitter sought, for the first time, to draw attention to the factual inaccuracies in the two tweets. Historically, it could have done this to hundreds of his past controversial tweets, riddled with inaccuracies and untruths, as he routinely bypassed the free press. According to him, under his presidency, the free press is no longer free, hence his use of Twitter to directly communicate with his base. CNN, the Washington Post, the New York Times and even the Wall Street Journal are not to be trusted. Yesterday, the president reacted with an executive order to review social media's liability shield* and accused Twitter of shifting from platform to publisher, and of trying to influence political outcomes. Sound familiar? Logically, if the liability shield is removed then Twitter will be obliged to drop the president as a client given his constant propagation of partisan views and fake news.

Not one to be outdone, the Chinese president, Xi Jinping, used the current turbulent situation as cover to introduce a national security law on Hong Kong,^ curtailing political freedoms within the city. This prejudices the end January phase one deal between the US and China under which China pledged to increase agricultural, energy and services purchases from the US. It was too ambitious at the outset but Covid-19 has sounded the death knell on the deal, adding to a list of failed Trump deals. China does not need cheap US crude oil or LNG and can buy soybeans cheaper from Brazil. Now the two sides are about to escalate their trade war and this is poor timing for shipping as it sees the green shoots of demand recovery across the three main sectors. Midweek, Mike Pompeo, the US secretary of state, declared that Washington no longer considered Hong Kong to be autonomous from Beijing, threatening its special trade status and potentially drawing it into the US-China trade and tariff wars that started back in early 2018. Amidst all the turmoil, modern tanker values are still 1.3% higher than at the start of the year while bulk carriers are down on average 8.5%, and beginning to represent fair value to potential buyers. Modern VLCC spot earnings were averaging around $42,500 per day last week, on weaker oil demand and unwinding storage, down from a peak of $279,000 daily in mid March. Modern capesize spot earnings averaged only about $1,300 daily last week, on Brazilian iron ore outages and tonnage oversupply, down from a peak of $8,300 per day in mid April. Things have been worse but should improve in June and in the second half of this year as we emerge from lockdowns and get back to work.

*As conferred by section 230 of the 1996 Communications Decency Act.

^Criminalising "separatism, subversion of state power, terrorism or interference by foreign countries or outside influences."

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Dry Cargo Chartering

The **BDI** closed at 504 points up 6 points from last week.

Despite an increase in front-haul routes at the beginning of the week the **capesize** market weakened noticeably by $771 to close the week at $3,369. BHP Billiton and Rio Tinto both took several To Be Nominated vessels for 170,000 / 10% ore stems from West Australia to Qingdao with freight rates ranging from $4.25 to $4.50. A To Be Nominated Oldendorff vessel was fixed for a 160,000 / 10% Tata Steel Global ore stem from Acu to Ijmuiden at $3.40 pmt, while Anglo American fixed at $6.20 pmt for their 160,000 / 10% coal cargo from Richards Bay Coal Terminal to Qingdao.

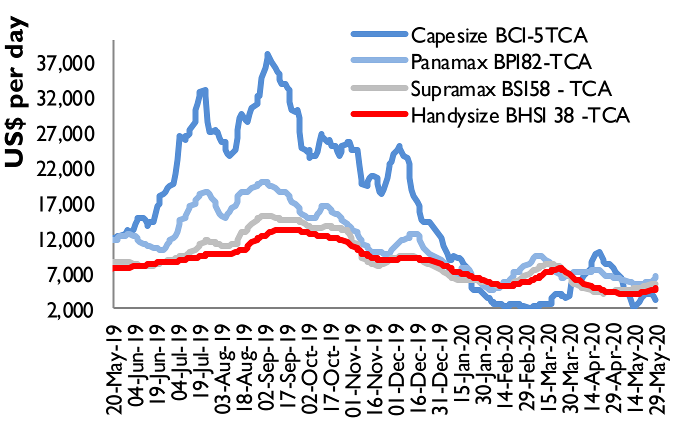
This week the **panamax** market rose considerably by $1,071 finishing at $6,789, up from last weeks closing of $5,718. Trading in the Pacific saw the *Yiannis N G* (81,043-dwt, 2014) fixed delivery Yeosu for a prompt trip via the North Pacific to China by Caravel at $7,250. Meanwhile, the *Framura* (76,833-dwt, 2014) a United relet was taken by Golden Bricks delivery Cai Mep for a prompt coal trip via Indonesia to southern China at $7,300. Over in the Atlantic, Bunge fixed the *Aquavita Sun* (81,600-dwt, 2019) delivery East coast South America for an early June grains trip to Singapore-Japan range at $12,000 plus a $200,000 bb. Additionally, the scrubber fitted *Pegasos* (81,598-dwt, 2012) was fixed delivery Brest for a trip via the US Gulf and Cape of Good Hope redelivery China by Cargill at $13,000. A good deal of period fixtures were reported this week including Starboard taking in the *SBI Capoeira* (84,978-dwt, 2015) delivery Zhoushan for 6-9 months at $9,750 with worldwide redelivery. Also a To Be Nominated Swissmarine vessel was fixed by Golden Ocean for a 75,000 / 10% early June coal stem from Murmansk to Rotterdam at $3.95pmt.

The **supramax** market continued to keep a positive trend in general. The BSI closed at $5,505, up from last weeks $5,350. In the Atlantic, the *Apageon* (52,483-dwt, 2005) fixed delivery Continent for a prompt trip redelivery East Mediterranean with scrap at $5,300. The *Skyfall* (63,057-dwt, 2016) was fixed delivery Canakkale for an early June trip via the Black Sea redelivery Chittagong with grains at $12,700. In the Indian Ocean, the *Ocean Cross* (52,483-dwt, 2007) was fixed delivery Arabian Gulf for a prompt trip redelivery East coast India at $10,850. The *Stove Friend* (57,679-dwt, 2016) was fixed delivery Richards Bay for a trip redelivery Vietnam at $11,600 plus a $160,000 bb. In the Pacific, the *Laconic* (58,519-dwt, 2012) fixed delivery Lanshan for a prompt trip via Indonesia redelivery south Vietnam at $6,000, while the *Sheng Cheng Hai* (56,632-dwt, 2013) fixed delivery Guangzhou for a trip via the Philippines redelivery south China with nickel ore at $9,500.

This week the **handysize** market finished up at $4,875, a climb of $388 up from last weeks close of $4,487. In the Atlantic, the *Strategic Tenacity* (36,767-dwt, 2012) open Casablanca was fixed by EMR for a trip via Liverpool to Darrow at $4,000, and Worthington fixed the *Iskenderun M* (31,727-dwt, 1999) for a trip from San Lorenzo redelivery Santos-Suape range at $5,500. In the Pacific, *Hamburg Team* (39,300-dwt, 2019) was fixed delivery Esperance for a trip to China with grains at $10,000, and the *Ocean Diamond* (28,527-dwt, 1998) open Thilawa was fixed for a trip via East coast India to China at $6,750. On the period side of things, Bulk Marine took in the *Global Arc* (33,438-dwt, 2013) open in the Philippines for 7-9 months at a rate of 88% of the 10T/C BSI58 index.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Venus History	93700	2011	New Mangalore	8 -12 June	China	11,500	cnr	Scrubber fitted
Indus Triumph	92967	2012	Jingtang	28 May	Taiwan	6,000	Tongli Singapore	13/15 months
YM Effort	81702	2008	NCSA	10-17 June	Skaw-Gib Range	6,150	Bunge	With grains
Odysseas L	81259	2013	Mizushima	30 May – 2 June	Worldwide	9,000	Oldendorff	5/8 Months
Ocean Cross	53617	2007	Arabian Gulf	prompt	ECI	10,850	J Lauritzen	
Apageon	52483	2005	Continent	prompt	East Med	5,300	Lalemant	With scrap
Crystal Ocean	48913	1999	Pohang	31 May	South Korea	5,500	Portmann	Via CIS
Hamburg Team	39300	2019	Esperance	prompt	China	10,000	cnr	
Global Arc	33438	2013	Philippines	End June	Worldwide	88% of BSI58	Bulkmarine	7/9 Months
Iskenderun M	31727	1999	Recalada	25-30 May	Santos	5,500	Worthington	Via San Lorenzo



Exchange Rates	This Week	Last week
JPY/USD	107.11	107.58
USD/EUR	1.1138	1.0894

Brent Oil Price	This Week	Last week
US$/barrel	34.67	34.50

Bunger Prices ($/tonne)	This week	Last week
Singapore IFO	199.0	208.0
MGO	300.0	306.0
Rotterdam IFO	185.0	185.0
MGO	165.0	256.0

Dry Bulk S&P

As global lockdown restrictions begin to ease further, the basic mechanics of the sale purchase market are likewise starting to move more freely. With clearer guidance now in place for Covid-19 health and safety requirements, pre-purchase inspections are becoming easier to arrange. And, with further clarity surrounding quarantine periods in numerous countries, coupled with the gradual lifting of restrictions, negotiating suitable delivery locations is less of a sticking point. Consequently, activity is warming up nicely.

LM Selene (93,258-dwt, 2009 Jiangsu Newyangzi) has reportedly been sold to undisclosed German buyers for $9m. The insolvency driven sale is a significant step down compared to the last similar deal concluded back in January, that of Nobles ex *Ocean Sapphire* (93,029-dwt, 2012 Cosco Dalian), sold for $13m to Greek interest.

Enquiry from Chinese buyers has notably increased over the last week or so, as they look to take advantage of weakened values in pockets of the market that have traditionally stimulated their interest. The following three vintage panamaxs have reportedly all been sold east to Chinese: *Lucky Star* (76,662-dwt, 2002 Imabari) sold $6.45m, *Cap Ferrat* (75,595-dwt, 2000 Mitsui) sold $4.8m, and lastly *Meister* (69,118-dwt, 1997 Imabari) sold for $3.3m.

Another example of buyers increasingly willing to engage with sellers is the rumoured sale of *BW Flax* (58,096-dwt, 2010 Tsuneishi Cebu). Reportedly now fixed on subjects for a solid $10.5m, with a buyer who waived inspection. The buyers remain unknown, however Far Eastern and Bangladeshi interest have both been muted. Distressed Dolphin57's continue to be snapped up. *Blue Marlin I* (57,078-dwt, 2008 Zhejiang Zhenghe) has been sold at auction for $4.85m.

Elsewhere, *Wave Friend* (28,368-dwt, 2010 Imabari) BWTS fitted, has reportedly been sold to undisclosed interest for $6.35m. Arguable half a million down from what she was expected to achieve at the start of the month, when she was first marketed.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
LM Selene	93,258	2009	Jiangsu Newyangzi	Gearless	German	$9.00m	
Lucky Star	76,662	2002	Imabari Shipbuilding	Gearless	Chinese	$6.45m	
Cap Ferrat	75,595	2000	Mitsui Eng. & SB. Co.	Gearless	Chinese	$4.80m	
Meister	69,118	1997	Imabari Shipbuilding	Gearless	Chinese	$3.30m	
BW Flax	58,096	2010	Tsuneishi Cebu	C 4x30T	Far Easter	$10.50m	on subjects
Blue Marlin I	57,078	2008	Zhejiang Zhenghe	C 4x30T	undisclosed	$4.85m	via auction
Swakop	34,274	2013	Yangfan Group	C 4x35T	undisclosed	$8.50m	BWTS fitted
Wave Friend	28,368	2010	Imabari Shipbuilding	C 4x31T	undisclosed	$6.35m	BWTS fitted

Tanker Commentary

As another week goes by, we hear of more tanker players recording bumper profits from the past few 'months of madness'. Owners that have reaped the benefits over the last few months should have enough in the war chest to weather the storm of uncertainty that continued weak demand for oil may bring.

Now that the party is over, owners are taking stock as market direction is not as clear as it once was. The lack of transactions in this weeks' table supports this.

Norwegian owners of the *SKS Sinni* (159,385-dwt, 2003 HHI) have offloaded their Suezmax to Greek interests for $21m. This could be considered a slightly firm, given the *Ridgebury Alina L* (164,626-dwt, 2001 HHI) and *Ridgebury Astari* (149,991-dwt, 2002 NKK) had fixed and failed at $18.5m and $19.5m respectively earlier this month.

In the MR sector, US based owners have sold their *Ridgebury Julia M* (45,980-dwt, 2007 Shin Kurushima) for $13.5m to an undisclosed buyer. This price falls close to our internal benchmark for a similar aged Japanese built pumproom MR.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Landbridge Wisdom	307,894	2020	Dalian Shipbuilding Industry	SFL Corp	$65.00m	With 7-yr BB back and purchase opt after 3 yrs
SKS Sinni	159,385	2003	Hyundai Heavy Industries	Greek	$21.00m	
Ridgebury Julia M	45,980	2007	Shin Kurushima Dockyard	undisclosed	$13.50m	

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