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U.S. Economy Slows as Inflation Heats Up in Q1 2024

Real GDP growth and change in the price index for personal consumption expenditure*



* Both seasonally adjusted at annual rates
Source: U.S. Bureau of Economic Analysis

statista

Source : Statista

*In the Battle of Guadalcanal, SI's main island, Japan lost 31,000 men in a failed attempt to maintain its occupation against the US and its allies, testimony to its strategic value.

**In the five years since 2019, when Sogavare withdrew SI's recognition of Taiwan, China has built a £50m sports stadium in Honiara, a new hospital and many roads.

^The ADB was formed by the US and Japan in 1966. Despite being the largest economy in Asia, China was and is still only the third largest shareholder.

G20 proposals in 2010 on IMF reform would have seen China's voting power double, to put it third behind the US and Japan but, by 2015, it remained blocked in Congress. The UK signed up to the AIIB just before the March 2015 deadline, much to the anger of the US. Thereafter, China was allowed to invest in UK critical infrastructure.

^^The US has 11 aircraft carriers. China's third, following Ukraine-designed Liaoning and Shandong, is the homegrown Fujian, named after the province opposite Taiwan.

It is undergoing sea trials this week and should deliver next year. Its design appears to be based on the USS Gerald R Ford class, the most modern in the US fleet.

P.S. The information for this piece mainly comes from a series of articles that have appeared, over time, in The Times of the UK. Many thanks to The Times.

POINTS OF VIEW

Almost unnoticed in the western world, a battle for hearts and minds – and maybe a lot more – is being waged between the world's two largest economies, America and China, in a remote Pacific island nation. The subject: the Solomon Islands. No matter where you live on the planet, this drama is relevant because it pits what is arguably a declining influence in the Indo-Pacific region against a rising one, and the outcome has potentially profound implications. On Monday, the prime minister of the Solomon Islands, Manasseh Sogavare, resigned after admitting electoral defeat. He had been prime minister on four separate occasions since 2000 and has been the dominant figure in SI politics during all that time. This small nation of 700,000 people and 147 inhabited islands sits 900 miles off Australia's northeast coast. It gained independence from the UK in 1978, but still has King Charles III as its monarch and head of state. It was the location of one of the biggest Pacific battles in WWII between the US, its allies and Japan at Guadalcanal.* Its strategic importance is as great today as it was then. At the heart of Sogavare's loss were his close, and unpopular, relations with China after he severed ties with Taiwan in 2019, agreed a secret security pact with Beijing in 2022, and last year declared that China is the "way to go forward" after a visit to its capital.** It raised concerns that the shady deal would see China offer aid and security assistance in exchange for its navy and its other ships docking in Honiara, even possibly building a Chinese naval base. This clearly alarmed locals as much as it did the US, Australia and NZ.

During Obama's presidency, 2009-2017, he refocused US foreign policy on rapidly growing Asia, anticipating an Asian Century, after decades of costly US military misadventures in the Middle East. It amounted to the US taking its eye off the ball in the Middle East, enabling the Syrian civil war that began in 2011 and saw Russia gain influence, but also in Europe, that led to Russia's invasion of Ukraine in 2014. In Asia, the pivot was equally unsuccessful. It had an overt military flavour that sought to contain China's rise, as well as a more discreet economic and trade objective. In 2015, Obama denied China entry to the Trans-Pacific Partnership, while declining China's invitation to join the Asian Infrastructure Investment Bank, which both sent an adversarial message. Washington preferred to stick with its control over the World Bank and the Asia Development Bank and refused to play second fiddle to China in the AIIB.^ So much for encouraging China to be a responsible stakeholder in the global economy. Furthermore, Obama's pursuit of revitalised links with old allies such as Japan and Taiwan was a red rag to a bull and only served to accelerate China's expanding influence in the Asia-Pacific. The US strategic pivot almost certainly triggered Xi Jinping's decision to launch the Belt and Road Initiative in 2013, the year in which he came to power, and today the BRI continues to roll on out. The net result of Obama's pivot to Asia is a stronger Russia in Europe, a stronger Iran in the Middle East and a stronger China in Asia.

This is the context of SI's situation today. Beijing appeared to suffer a setback after its pro-China candidate was forced to resign but, ironically, yesterday Jeremiah Manele became the new PM. As foreign minister in 2019 and 2022 he signed off on both China volte-face. He leans more towards SI's traditional western contacts, but he also pledged to continue embracing China. Samoa was once to welcome a Chinese port project in its capital Apia, but this was overturned in October 2021 when a new PM was ushered in. Fiame Naomi Mataafa did not see any economic sense in an AUD100m port project that represented 12.5% of Samoa's AUD800m GDP, a likely recipe for default and subsequent debt-for-equity swap. One month later, in November 2021, and quite possibly unrelated, large-scale riots broke out in Honiara that targeted Chinese business owners and left its Chinatown in flames. Feelings still run high. Only Nauru, the Marshall Islands, Palau and Tuvalu recognise Taiwan, with all other Pacific islands retaining diplomatic ties with Beijing. It matters. You either get your aid and security package paid in dollars or in yuan depending upon which way you swing. All is not lost for China as it has ongoing infrastructure projects in many other Pacific islands. For example, take Kiribati. It is restoring a 2km WWII airstrip on the aptly named tiny atoll of Kanton that was formerly used by the US and its allies. Make no mistake, the US and China are entering a new era of intense territorialism in the Pacific that they both border.

Dry Cargo Chartering

Amidst numerous holidays worldwide, especially in Asia, activity in both basins remained subdued as anticipated. Minimal changes from route indices led to a rise of \$4,154 on the **BCI** index average closing today at \$22,166. There was limited reports of fresh activity from West Australia to Qingdao, with major players staying relatively inactive. Across the Atlantic, there were mixed views on the transatlantic round voyage. While some saw a short-lived but positive sentiment, others pointed out that several vessels awaiting to be fixed in the north. One ship in the North Atlantic was fixed 185,000mt /10% iron ore from Boffa to China with mid-May dates at a rate in the very low \$24s. A Newcastlemax was fixed for 180,000mt/10% from Itaguaí to Qingdao for 28 May onwards at \$26.25 to CSN. The 2011 built *Berge Ishizuchi* (181,458-dwt, 2011) fixed 150-160,000mt from Tubarao to Sokhna or El-Dekhela at \$16.90 for an EZDK tender. In Asia, Costamare reportedly took a vessel for 170,000mt/10% iron ore from Whyalla to Qingdao with end May dates at very low \$15. Another unnamed vessel went to MRL for 170,000mt/10% iron ore from Esperance to Qingdao at \$12.25. Olam took a vessel for 150,000mt/10% ore from Taboneo to Hong Kong at \$6.75.

The **Panamax** market had a slow start to the week, with minimal activity and weaker market sentiment. The market continued to drift due to the holidays affecting global trade. Slow activity persisted in both the Atlantic and Asia, although some pockets of optimism appeared. The South Atlantic showed some positivity with rates ticking up for early June arrival positions. In Asia, there was talk of the market finding a floor, with signs of recovering demand across all loading regions. P5 TC closed at \$16,952 up by \$52. In the Atlantic, the *Bright Venture* (81,486-dwt, 2020) delivery aps East Coast South America 17/18 May fixed for a trip redelivery Singapore-Japan at \$19,650 plus \$965,000 bb to Messrs Reachy. The *Lemessos Castle* (82,226-dwt, 2020) retro sailing Singapore 25 April was reported fixed for a trip via East Coast South America redelivery Singapore-Japan at \$21,250 with Viterra, whilst the *MG Mercury* (84,790-dwt, 2016) retro sailing Muscat 23 April fixed for a trip via East Coast South America redelivery South East Asia \$21,500, or redelivery Singapore-Japan at \$22,000 to Messrs Raffles. In the Pacific, the *Cl Grace* (81,563-dwt, 2012) Dalian 2/3 May was rumoured fixed for a trip via NoPac redelivery Singapore-Japan at \$14,250 to Grain Compass. Ex Australia the *Crimson Empress* (82,250-dwt, 2014) Masinloc 3/4 May was heard fixed for a trip via East Coast Australia redelivery South China at \$19,000. Further South, the *Shail Al Rayan* (76,629-dwt, 2006) was fixed in direct continuation Hong Kong 3/4 May for a trip via Indonesia redelivery South China at \$15,500 with Tongli. On the period front, *Union Voyager* (81,964-dwt, 2014), Longkou 22 April 6/8 months at \$16,500 however lacking further details. *Darya Ma* (81,874-dwt, 2011) Qingdao 1/6 May fixed basis 1 year at \$17,150 to Western Bulk, the *Leto*

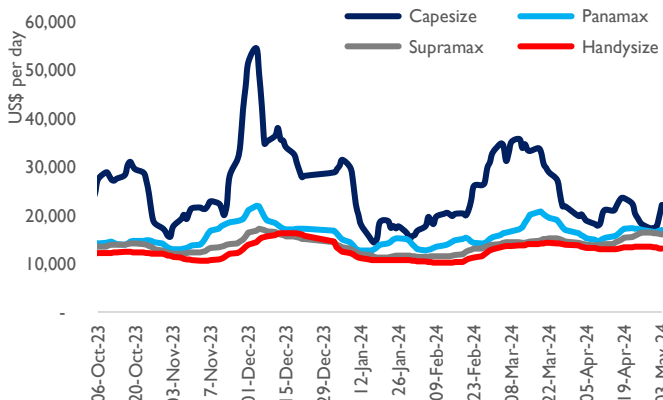
(81,297-dwt, 2010) Nantong 2/15 May fixed basis period minimum 1 March 2025/max 30 April 2025 at \$16,000 with ASL Bulk.

The **Supramax** market took a breather this week with public holidays. Cargo levels remained stable, but with fewer inquiries, freight rates experienced a slight correction. The SIOTC closed at \$16,034 down by \$407 since reported last Friday. In the Pacific, XO Shipping fixed *GW Mathilde* (63,592-dwt, 2020) delivery Lianyungang prompt dates for a trip with steels to Southeast Asia at \$17,250 and *PVT Diamond* (55,623-dwt, 2011) was covered delivery CJK prompt dates for a trip via Philippines with nickel ore to South China at \$16,000. Whilst in the Indian, *Ocean Cadence* (63,500-dwt, 2023) fixed delivery Chittagong prompt dates for a trip via East Coast India to China at \$20,000 whilst Drydel took *Global Journey* (56,052-dwt, 2013) delivery Port Elizabeth 14-15 May for a trip to China at \$18,500 plus \$185,000 bb. Whilst on the period front, Drydel took *Core Imperial* (63,343-dwt, 2019) delivery Cai Lan prompt dates for 3-5 months with redelivery Arabian Gulf at \$20,000 with scrubber benefit for charterers.

A slow week for the **Handysize** market. With widespread holidays, negativity continued as BHSI fell to \$13,114 down by \$409 since last week. Minimal fresh inquiries across the Continent and Mediterranean, coupled with similar inactivity in the US Gulf and East Coast, perpetuated the negative sentiment. This lack of activity further widened the imbalance between available tonnage and cargo demand. The *Hydra Drawn* (34,274-dwt, 2013) open Havana was heard fixed \$9,250 aps SW Pass for trip with steels to Med with Clipper. The *Harvester* (37,600-dwt, 2017) was heard fixed delivery WWR Mississippi River trip to Venezuela at \$12,000 to Falcon. In the Pacific, general positive sentiment endured with a more balanced market across Southeast Asia and North China-Japan. Despite the global holiday slowdown, there was a mixed outlook with more enquiries said to have emerged from Australia. However, Southeast Asia continued to struggle with a lack of available tonnage. A 33k-dwt vessel was heard fixed from SEA for a trip to Australia at the \$13k levels while a 40k-dwt vessel open Malaysia was heard fixed at \$14k levels for New Zealand logs round voyage. A 32k-dwt vessel open Kuching was heard fixed to West Coast India at \$11-12k levels. While enquiries have reduced in the Far East, we can expect activities to pick up when people come back from their holidays next week. A 37k-dwt vessel open Niihama was heard fixed at \$13.5k levels while a 39k-dwt vessel open Nantong was heard fixed at \$13.25k levels, both for a backhaul trip. On period, a 33k dwt vessel open in SEA was heard fixed at 14k levels for short period.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Kang May	85,001	2016	Busan	30/03 May	Japan	\$17,750	Iino	via EC Australia
Medi Eolie	81,845	2016	Port Talbot	30/01 May	India	\$30,000	Mercuria	via US east coast
Kirsten Oldendorff	81,285	2020	River Elbe	27 Apr	Gib-Skaw	\$18,500	Swissmarine	via US east coast <Scrubber benefit to Charterers>
Skyros	79,366	2011	Zhangzhou	1 May	Taiwan	\$12,500	CSE Transport	via EC Australia
Sakizaya Ace	74,936	2013	aps EC South America	25 May	Singapore-Japan	\$19,100	Refined Success	+ \$910,000 bb
Ocean Cadence	63,500	2023	Chittagong	Ppt	China	\$20,000	cnr	via EC India
Eastern Laelia	56,677	2011	Passing Singapore	4 May	Taiwan	\$22,000	Tongli	via Indonesia
Global Journey	56,052	2013	Port Elizabeth	14/15 May	China	\$18,500	Drydel	+ \$185,000 bb
Anne M	53,100	2009	Visakhapatnam	Ppt	China	\$16,500	cnr	via EC India
Hydra Dawn	34,274	2013	SW Pass	Ppt	E Mediterranean	\$9,250	Clipper	Intention grains



Exchange Rates	This week	Last week
1 USD	164.27 JPY	156.80 JPY
1 USD	0.9287 EUR	0.9319 EUR
Brent Oil Price	This week	Last week
US\$/barrel	83.55	89.65

Bunker Prices (US\$/tonne)	This week	Last week
Singapore HSFO	531.0	537.0
VLSFO	630.0	657.0
Rotterdam HSFO	490.0	490.0
VLSFO	577.0	607.0

03 May 2024

Dry Bulk S&P

Pretty much every corner of the globe is away for one reason or another this week, and it would be understandable if all the players had deserted the shipping playground. And yet we have a healthy number of sales to report as we enter the middle third of the year. It has been a very active secondhand market throughout 2024 so far, supported by a freight market sporadically showing good returns in what is usually a muted first quarter. Better than anticipated Chinese GDP growth, strong Chinese iron ore imports and steel exports, higher Chinese and Indian coal imports, favourable conditions for Brazilian soybean and iron ore exports and a resurgence of grain exports from Ukraine, have all collided with a constricted Red Sea to provide a cautiously optimistic drybulk scenario (see our Spring Quarterly report for the fine detail). Add to this the amount of cash in owners pockets, either self-generated or from eager financiers, and the momentum in the secondhand market is maintained.

Turkish buyers Ince have bought the modern Japanese Ultramax *Florentine Oetker* (63,490-dwt, 2017 Imabari) for \$32.85m. They fixed and dropped the same age sister *Federal Island* last week, which was quickly snapped up at the same money by Bahri.

Capers are back in the lists again. Two Newcastlemaxes *Cape Kallia* and *Newmax* (203,067-dwt, 2010 Bohai) are reported sold at a strong \$38m each, while an equally improved number has been paid for the older *Heng Shan* (174,145-dwt, 2007 SWS) at \$21.8m. The overaged *P Melis* (171,448-dwt, 2003 HHI) is sold for \$16m - a \$4m premium over her scrap value but with her next drydocking not due until December 2026.

Buyers are looking again at Chinese built Supramaxes as the discount from the Japanese equivalents grows to 25-30%. The Crown58 design *Archangelos Michael* (58,015-dwt, 2010 Dayang) and *Gillingham* (58,000-dwt, 2010 Dayang) have been sold separately, for \$13.9m and \$13.8m respectively. Compare and contrast with the Japanese built *Crowned Eagle* (55,940-dwt, 2008 IHI - Wartsila M/E - Scrubber Fitted - SS/DD: Freshly Passed) sold for \$16.5m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Newmax	203,067					\$38.0m	
Cape Kallia	203,027	2010	Bohai		Far Eastern	\$38.0m	Enbloc
Heng Shan	174,145	2007	SWS			\$21.8m	
P Melis	171,448	2003	HHI			\$16.0m	
ASL Yangpu	76,015	2002	Tsuneishi			\$9.2m	
Magic Vela	75,200	2011	Penglai Zhongbai		Turkish	\$16.5m	DD Due
Florentine Oetker	63,490	2017	Imabari	C 4x31T	Ince	\$32.85m	
Archangelos Michael	58,015	2010	Dayang	C 4x36T	Italian	\$13.9m	Delivery June/July 2024
Gillingham	58,000	2010	Dayang	C 4x35T		\$13.8m	
Crowned Eagle	55,940	2008	IHI	C 4x30T	Chinese	\$16.5m	Scrubber, Wartsila M/E, SS/DD Passed

Tanker Commentary

There has been increased activity in the chemical segment, especially amongst J19 designs - asset values continue to hold firm, supported by healthy earnings and a lack of sales candidates. Transport Recovery Fund have sold *TRF Kobe* (19,997-dwt, 2016 Kitanihon) and *TRF Kristiansand* (19,996-dwt, 2016 Kitanihon) for \$32.5m each, setting a fresh benchmark for younger units. Meanwhile, *Ivory Ray* (19,991-dwt, 2011 Fukuoka Shipbuilding) has gone for \$24.9m basis DD due, which is a tick-up against February's sale of the larger *Chem Bulldog* (21,306-dwt, 2010 Imabari) at \$23m which had a better docking position. Lastly, *Chem Jupiter* (19,814-dwt, 2008 Kitanihon Zosen) achieved \$20m with surveys freshly passed, which is up against April's sale of *Livarden* (19,951-dwt, 2007 Fukuoka) at \$18m which had similar survey positions.

In the Suezmax segment, older values have shown a slight improvement. Tsakos sold their *Eurochampion 2004* (164,608-dwt, 2005 Hyundai) in January for \$39m and they continue to clear out their older tonnage, with *Euronike* (164,565-dwt, 2005 Hyundai) going this week for a slightly firmer \$40.5m. Both have dry docking due in 2025.

The scrubber fitted Aframax tanker *Claret Prince* (109,005-dwt, 2010 Hudong) has agreed a price of \$43.5m with Chinese buyers - a price in line with last month's sale of the year older *Afragold* (112,871-dwt, 2009 New Times) at \$41m which has a similar docking position and is also scrubber fitted.

Finally, in the LRI segment, Spring Marine of Greece are reported as the buyers of *Alpine Persefone* (74,269-dwt, 2008 Sungdong) at \$29m basis surveys freshly passed, highlighting only a slight premium for Korean built over Chinese built ships compared with April's sale of *TTC Shakti* (73,981-dwt, 2008 New Century) at \$28m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Euronike	164,565	2005	HHI		\$40.5m	
Claret Prince	109,005	2010	Hudong	Chinese	\$43.5m	Scrubber
Alpine Persefone	74,269	2008	Sungdong	Spring Marine	\$29.0m	DD Due
TRF Kobe	19,997	2016	Kitanihon	Hansa	\$32.5m	Enbloc, Stainless Steel
TRF Kristiansand	19,996				\$32.5m	
Ivory Ray	19,991	2011	Fukuoka Shipbuilding		\$24.9m	Stainless Steel, DD due
Chem Jupiter	19,814	2008	Kitanihon		\$20.0m	Stainless Steel, SS/DD Passed

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

**Hartland Shipping Services Ltd,
London**

Tel: +44 20 3077 1600
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

**Hartland Shipping Services Ltd,
Shanghai**

Tel: +86 21 2028 0618
Email: newbuild@hartlandshipping.com

**Hartland Shipping Services Pte. Ltd,
Singapore**

Tel: +65 8223 4371
Email: chartops.sg@hartlandshipping.com

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