10 May 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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… And now for something completely different ! …

Source : Statista

POINTS OF VIEW

Copper in on the move again. Dr Copper has an almost mythical reputation and is said to have a PhD in economics. Price movements are taken as a leading indicator of expanding or contracting economic growth. It has widespread applications in housing for wiring and appliances; it is used in factories, energy grids and power generation; and it is needed in solar, wind and EV production. AI data centres, the latest big thing, need a lot of copper for wiring and power.* It is estimated that copper use in US data centres alone will double over the next few years. We have had two years of depressed prices coinciding with falling demand from China's real estate sector, dating back to Evergrande's first bond default in September 2021, but also due to customary erratic output, the latest interruptions being in Panama and Zambia.** The slump seems to have ended and prices are rising again as investors come around to the view that there is not enough copper to meet future demand. Copper prices are up 20% this year having risen from $3.88 to $4.67. Mines have been plagued by strikes over labour, wage, cost, environmental and safety issues leading some mines to shut down. To drill new mines takes many years with S&P Global estimating that since year 2000 it takes on average 16 years to move from exploration to production and it costs on average $3.5bn per 100,000 tonnes of annual output. Anglo's Collahuasi mine (560,000mt p.a.) would cost about $20bn today. Existing mines reduce lead times and execution risks.^

Hence BHP's unsolicited £31bn all-share bid for Anglo American that excludes its other separately listed South African assets: the Kumba iron ore mine and the Amplats platinum business. This clearly risked offending RSA, its Public Investment Corporation (Anglo's largest shareholder)^^ and the ANC. That's a clean sweep in the offence stakes, reminding us of keen sporting rivalries between Australia and South Africa on cricket pitch and rugby field. The inescapable fact is that South African business is blighted by rolling power blackouts, insufficient rail and port capacity and high levels of crime. There is also an unpalatable level of political risk and government intervention. BHP will have to come back with a much-improved bid to engage with Anglo's board as the pre-bid share price reflected recent poor performance in its copper and diamond operations, with De Beers under strategic review ahead of a possible sale. The targets for BHP are its prized copper mines of Collahuasi and Los Bronces in Chile and Quellaveco in Peru. These may also be of interest to Glencore (a better fit for the overall portfolio, albeit a large bite), Rio Tinto (for which there are also synergies, and the acquisition would be less of a stretch), and maybe even Vale. Copper would be the prize with the rest being spun off. Other potential suitors may be Southern Copper and Freeport McMoRan leaving Antofagasta, Teck Resources and First Quantum to fight over the scraps.

Many countries are pledged to achieve net zero by 2050 without a coherent idea of how they will get there. Ultimately, it is being left to someone else, or to some other government, to get it done. There are no short-term fixes; it requires vision and long-term planning that is absent in the West. The path to a low carbon future requires less fuel but more materials, and the latter need to be mined which is energy intensive and environmentally unfriendly. According to Tom Stevenson in The Telegraph ("The world is poised on the edge of a new copper supercycle"), electric vehicles require six-times as many minerals as conventional vehicles and basic materials account for 15% of total greenhouse gas emissions. The irony is that the green revolution requires investment in the problem and maybe only China gets this. It continues to roll out coal-fired power stations even as it injects massive investments in solar, wind and hydro so that it has back-up electricity capacity. Copper prices will remain volatile in the short term, but matching future constrained supply with rising demand is looking to be quite a challenge.+ With insufficient time to bring on new mines, and the considerable costs and risks involved, good existing businesses are likely to be favoured and subject to serious bidding interest. The verity of such an observation should be borne out in how the BHP bid for Anglo plays out, and who else might join the fray. We will soon learn which companies believe in the strength of metal demand in the green transition. Stevenson points out that the copper price was higher in the mid-1970s than it was in 2003. Then, within three years, it had quadrupled. Has its time come again?

*It requires 3x as much copper to generate the same amount of electricity from solar, and 8x as much from offshore wind, compared to a gas-fired power station.

**Biggest copper producers in 2023 in million tons: Chile (5.0), Peru (2.6), DRC (2.5), China (1.7), USA (1.1) followed by Russia, Indonesia, Australia, Zambia and Mexico.

^Hence BHP's £31bn all-share bid for Anglo American, which excludes Anglo's South African based Kumba iron ore and Amplats platinum businesses. It wants the copper.

^^PIC is conflicted as it has a mandate to foster development as well as guarantee the future of mining that provides jobs and skills in a country with 32% unemployment.

+Between 2012 and 2020 capital expenditure in the copper industry fell by more than 40%. Covid and China's property crash followed. Now, a copper shortage looms.

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Dry Cargo Chartering

A sizeable jump was seen across **Capesize** markets at the beginning of this week before tailing off slightly towards the end. Despite this, timecharter averages were up to $27,301, a huge increase of $5,135 from last Friday. Reports of reduced tonnage supply in the Atlantic relative to available cargoes was the real driving force behind this surge, particularly along the South America fronthaul route. Anglo fixed *Rosebank* (203,067 2012) on Wednesday for 190,000 mtons 10% ore Acu/Qingdao at $27.75 pmt for the second half of June, while Polaris took *Star Dragon* (178,062-dwt, 2008) at $27.25 pmt for Tubarao/China 5/10 June. Additionally, CSN chartered *Cape Ray* (177,853-dwt, 2007) for 180,000 mtons 10% Itaguai/Qingdao 7/9 June at $28.50 pmt, and it was reported *XH Sanmen Bay* (203,000-dwt, 2007) covered Tubarao option West Africa/China at $27.50 pmt for late June dates. Elsewhere, Javelin took *Nord Steel* (182,288-dwt, 2023) for 125,000 mtons 10% Baltimore to Tuna in the high $39.00's pmt. Over in the Pacific, steady activity from the major miners and other usual players was seen. Rio Tinto, BHP, FMG, and Oldendorff took eight late May positions for Australian iron ore into China with freight paid ranging from $11.00 pmt to $12.00 pmt. On the coal front, Libra took a TBN position at $13.50 pmt for 150,000 mtons 10% RBCT/Gangavaram, as well as another TBN for the same quantity loading Indonesia for Mundra at $9.15 pmt for 18/25 May.

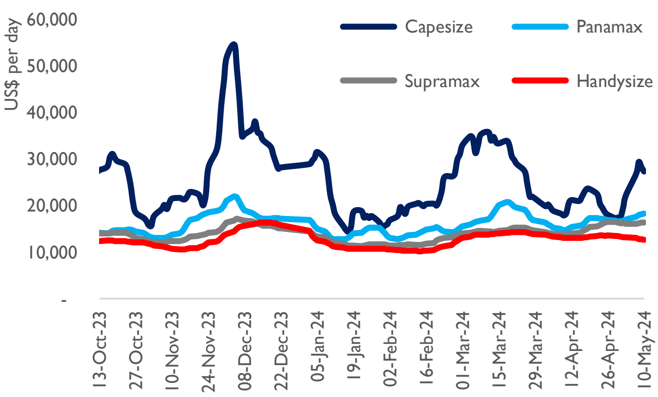
Panamax markets saw encouraging signs this week, mostly due to improving rates in the East. Timecharter averages rose to $18,230, an increase from last Friday of $1,278. Plenty of Pacific fixtures emerged this week in comparison to those in the Indian and Atlantic oceans. Richland chartered *Glory Trader* (77,672-dwt, 2004) delivery Taichung for a trip via Indonesia to South China at $17,500, while charterers Refined Success took *Giorgis* (82,567-dwt, 2014) delivery Japan 8/9 May for a trip via Newcastle to Taiwan at $17,250. Crystal Sea fixed *Darya Rashmi* (82,210-dwt, 2023) delivery CJK for a trip via East Coast South America to Singapore-Japan range at $19,000, Cargill chartered *Manousos P* (82,561-dwt, 2008) delivery Kunsan 7 May for a NoPac round trip at $15,500, and we heard WBC took *DL Acacia* (81,568-dwt, 2013) delivery Chiba 4 May for a trip via East coast Australia to India at $12,750. In the Atlantic, *Golden Future* (81,210-dwt, 2020) was fixed delivery Gibraltar 9 May for a trip via North Coast South America to the Far East at a sizeable $31,000 with scrubber benefit to charterers. For period, we heard Oldendorff took on *Rui Ning 22* (75,541-dwt, 2013) delivery CJK for 3/5 months trading redelivery worldwide at $15,250. On voyage, TKSE fixed a Nordic TBN for 75,000 mtons 10% Mobile/Rotterdam for the beginning of June at $21.00 pmt.

from the larger sizes, but the market feel is quite the opposite on the spot at the moment with the Indian and South Atlantic still remaining soft. The S10TC closed at $16,333 up by $299 since reported last Friday. In the Pacific, *Meghna Vision* (61,213-dwt, 2016) fixed delivery Gresik 11/13 May for a trip via Indonesia to Thailand at $28,000, and *Jin Sui* (56,986-dwt, 2008) fixed delivery Ningde 13 May for a trip via Philippines with nickel ore to Weda Bay at $19,000. Whilst in the Indian, Uniwell covered *Wooyang Ivy* (63,590-dwt, 2017) delivery Paradip 14/15 May for a trip via East Coast India to China at $20,500, and *Pacific Talisman* (61,418-dwt, 2016) was fixed delivery Haldia 10/12 May for a trip via East Coast India to China at $20,000. And in the Atlantic, Drylog fixed *Nefeli* (63,466-dwt, 2016) delivery Greece prompt dates for a trip with cement to US East Coast at $17,250, and Pangaea took *Star Wave* (61,491-dwt, 2017) delivery North Continent prompt dates for a trip with scrap to the Mediterranean at $15,000.

A mixed week for the **Handysize** market with limited activity in the Atlantic due to various holidays, while the Pacific remained healthy. The BHSI close at $12,647, a slight decrease from last week of $467. In the Atlantic, the US Gulf lacked fresh impetus and generally rates remained under negative pressure, although some felt a bottom may have been reached. *Tiberius* (33,383-dwt, 2013) reportedly fixed passing Key West via US East Coast to Italy with scrap at $9,000, and *CL Nakama* (37,967-dwt, 2022) open Port Everglades was rumoured to have fixed APS Savannah for a trip to the UK with wood pellets at around $10,000. Elsewhere, *Tomini Mistral* (39,100-dwt, 2016) fixed delivery Bremen for a trip to US East Coast with lumber at $14,500. In the Pacific, tonnage availability in South East Asia and Australia were said to be limited resulting in further positivity and gains. *Jin Rui 82* (35,169-dwt, 2012) opening in Port Hedland 21/22 May fixed for a trip via Australia to China with an intended cargo of minerals at $22,000 to Sinoeast. A 28k-dwt vessel opening South East Asia was heard fixed to West Coast India at around $10,000. A 28k-dwt vessel open South East Asia was heard to have been covered between $11,000-$12,000 to the Far East. Positivity also remained in the North China-Japan area as sources spoke of a healthy levels of cargo availability. *Amidala* (34,443-dwt, 2015) fixed delivery Caofeidan for a trip via North China to Vietnam with metcoke at $15,500, and a 32k-dwt vessel open Lanshan was heard fixed at around $13,000 for legs to Pacific Basin. Also a 28k-dwt vessel open Far East was heard fixed at $11,000 to South East Asia. On period, *Izanagi Harmony* (37,155-dwt, 2021) open Fangcheng 13 May was heard fixed at $15,150 for 8.5/9.5 months trading to Swire.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Kesaria Bunge	81,932	2009	Surabaya	11/13 May	South East Asia	$26,000	Cnr	Via Indonesia
Sakizaya Justice	81,691	2017	Bahudopi	14/15 May	India	$21,000	Viterra	Via Indonesia
Golden Fortune	81,210	2020	Gibraltar	9 May	Singapore-Japan	$31,000	Cnr	Via North Coast South America
Rui Ning 22	75,541	2013	CJK	5 May	Worldwide	$15,250	Oldendorff	3/5 months
Wooyang Ivy	63,590	2017	Paradip	14/15 May	China	$20,500	Uniwell	Via East Coast India
Meghna Vision	61,213	2016	Gresik	11/13 May	Thailand	$28,000	Cnr	Via Indonesia
Jin Sui	56,986	2008	Ningde	13 May	Weda Bay	$19,000	Cnr	Via Philippines with nickel ore
Tomini Mistral	39,100	2016	Bremen	Ppt	US East Coast	$14,500	Norlat	Intention lumber
Jin Rui 82	35,169	2012	Port Hedland	21/27 May	China	$22,000	Sinoeast	Via Australia w/minerals
Amidala	34,443	2015	Caofeidan	Ppt	Vietnam	$15,500	Trimawin	Via North China with metcoke



Exchange Rates		This week	Last week
	1 USD	155.74 JPY	164.27 JPY
	1 USD	0.9277 EUR	0.9287 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	84.25	83.55

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	533.0	531.0
VLSFO	638.0	630.0
Rotterdam HSFO	489.0	490.0
VLSFO	582.0	577.0

Dry Bulk S&P

With Orthodox Easter celebrations and various other public holidays ongoing in the background, there have only been a handful of sales concluded this week, with all of the action taking place in the Supramax sector.

US listed Pangea Logistics have snapped up two modern Tess-58s, namely; *Belfriend* & *Beltide* (57,679-dwt, 2016 Tsuneishi Cebu) for an enbloc price of $56.6m. At $28.3m per vessel, the price is a step up from the sale of *Nord Seal* (57,631-dwt, 2016 Tsuneishi) for $27.75m back in late March of this year. The vessels are set to deliver between May/July and August/September respectively.

IMECS controlled *Pacific Honor* (58,912-dwt, 2011 Kawasaki) has been committed at $19.45m - a significant increase compared to the sale of *Royal Knight* (58,721-dwt, 2013 Kawasaki) for $19.5m back in November 2023. This sale also illustrates the widening gap between Japanese and Chinese designs. This week, the Dolphin-57 design *Delta Avon* (56,897-dwt, 2012 COSCO Guangdong) has been sold for $14.3m basis prompt delivery.

Finally, whilst the sale is yet to be concluded, rumours suggest *Sibulk Tradition* (53,206-dwt, 2008 Iwagi) has been committed on subjects to Chinese buyers for $14.5m. What is interesting to note is that the same ship was sold in August 2021 for $16.75m, back when she was three years younger and the BSI58 was more than double what it is today, averaging ~$35k/day in August 2021 against ~$16k/day today. After taking into account some age-depreciation in the asset, age-adjusted price levels are actually higher today.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Pacific Honor	58,912	2011	Kawasaki	C 4x31T		$19.45m	
Belfriend	57,679	2016	Tsuneishi Cebu	C 4x30T	Pangaea Logistics Solutions	$56.6m	Enbloc
Beltide	57,679						
Delta Avon	56,897	2012	COSCO Guangdong	C 4x30T		$14.3m	Prompt delivery

Tanker Commentary

The persisting lack of modern eco tonnage available in the tanker market continues to push owners towards newbuildings, despite long wait times for delivery. This week, Greek owners Performance Shipping are reported to have inked an LR1 at Jiangsu Yanzijiang for delivery in January 2027 for a base price of $54.1m.

A relatively quiet week on secondhand with all only two deals of note, both in the MR sector. Scorpio Tankers have sold *STI Manhattan* (49,990-dwt, 2015 SPP, eco, scrubber) to Korean based buyers for $40.50m; a tick up on the exact sister, *STI Gramercy* (49,990-dwt, 2015 SPP, eco, scrubber) which they sold back in February of this year for $39m.

Activity remains buoyant on the older ships. *Grace Fortuna* (47,786-dwt, 2007 STX) sold this week for $23m following a bounty of sister ship sales over the last few weeks including the two Seaways vessels, *Seaways Nantucket* (51,225-dwt, 2008 STX) and *Seaways Niagara* (51,257-dwt, 2008 STX) which both achieved $25m and the *Grand Ace5* (46,176-dwt, 2006 STX) which we reported last month sold at $21m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
STI Manhattan	49,990	2015	SPP	Korean	$40.5m	Scrubber Fitted
Grace Fortuna	47,786	2007	STX		$23.0m	

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