



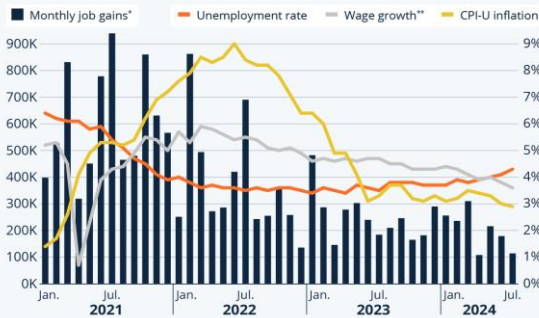
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... Slowly Does It ...

### Ready for a Soft Landing?

Key labor market and inflation indicators in the United States (seasonally adjusted)



\* Monthly change in total nonfarm employment

\*\* Year-over-year change in average hourly earnings for all private employees

Source: U.S. Bureau of Labor Statistics

statista

Source: Statista

\*Steel supports millions of jobs in China but weak demand and overcapacity saw more than 2,300 firms in the red in June this year, up one third from the end of 2023.

\*\*Germany's Salzgitter AG blamed excess capacity and Chinese exports for its first half loss. ArcelorMittal SA, Europe's top steelmaker, has made similar complaints.

China's steel exports are on target to reach over 100mt annualised this year which is more than North America's (US & Canada) entire 2023 steel output of 93mt.

China's finished steel exports in Jan-Jul 2024 were up 11mt or 22% year-on-year to 61mt, even as July exports were down almost 11% month-on-month from June.

The defence sector needs homegrown steel while whole communities from the American Rust Belt to Northern England depend upon steel for jobs and income.

^China's steel output may plateau at c. 1bt per annum, demand for long products (housing, construction, etc.) fall, and for flat products (cars, white goods, etc.) rise.

China increasingly uses electric arc furnaces to melt down steel scrap, a less pollutive process than the old-fashioned blast furnaces: a threat to iron ore and coking coal.

^^See Bloomberg's "Welcome to the End of the Biggest Commodity Boom." After basking in the sunshine of higher prices, iron ore faces a blizzard.

### POINTS OF VIEW

China is the common denominator in every type of commercial ship. Thus, one can say that shipping needs China. The writer first visited the village of Shum Chun (better known as the supercity of Shenzhen today, with 13.3 million inhabitants) in 1980. It was one year after China introduced the one child policy and two years after Deng Xiaoping announced his Open Door Policy in late 1978, welcoming foreign businesses that wanted to set up in China. He created Special Economic Zones that included Shenzhen, Zhuhai and Xiamen that became the engines of growth for the Chinese economy. Back in 1980, in the early years of China's 'Great Awakening', the nation produced only 37mt of crude steel, far behind Japan's 111mt. Today, China has produced more than 1,000mt a year (being 54% of global output in 2023) for four years in a row from 2020 to 2023, whereas Japan slumped to 87mt last year, according to the World Steel Association. Now China finds itself in something of a rut as it faces a chronic housing and property crisis and falling steel demand. In the first seven months of this year China's steel output was just under 614mt, just over 2% lower than in the same period in 2023. Output is expected to soften over the balance of this year but, at current rates, total production may still scrape in at 1.05bt, making it five billion-ton years in a row. There is an informal cap on output, that should not exceed the previous year, to limit pollution from the coal and energy intensive process of making steel.

Weak margins and falling steel prices since 2021 mean that only 5% of China's steel mills are currently profitable, according to MySteel.\* In the first seven months of 2024, property sector investment dropped by 10%, and it is likely to trend lower over the rest of 2024. Steel exports, an important safety valve, rose 22% in the first seven months to just over 61mt. However, this is likely to meet the backlash of protectionist import tariffs overseas. China's rise to global steel dominance posed problems for foreign steel mills. Now its decline from peak steel will present new challenges as it exports its excess production into markets abroad, undermining recipient domestic industries, and raising national security issues.\*\* China is rotating towards less steel intensive high-tech manufacturing and green technologies which, when added to a declining population, have left the country with excess housing stock and more than sufficient infrastructure. Hu Wangming, the CEO of China Baowu Steel Group, presides over what Bloomberg describes as an empire of blast furnaces churning out 130mt of steel every year. That makes it the third largest steel producer in the world after No.2 India at 140mt. He has sounded a warning that China's steel sector faces a "harsh winter". He said that it will be "longer, colder and more difficult to endure than we expected." The embattled industry is hoping for substantial stimulus but so far this remains absent and may never materialise. Bankruptcies and consolidation beckon.

Zhang Rui, General Manager of Shanxi Jianbang Group, has estimated that China's steel industry needs to cut more than 30% of enterprises to survive its current difficulties. China's steel demand probably peaked in the 2020-24 window, and it could see a steady decline from now on given overbuilt infrastructure, falling factory output prices, diminishing profits and plant closures.^ Services are now prioritised over heavy industry and investment. Lael Brainard, one of Biden's top economic advisers, said earlier this year that China's "policy-driven overcapacity poses a serious risk to the future of the American steel and aluminium industry." It will curb Chinese steel shipped via third countries such as Mexico and tariff hikes appear inevitable. Stuck in the middle of US-China trade tensions is the attempted takeover of United States Steel by Nippon Steel. It would either create a more resilient entity or represent a national security threat depending on one's point of view. Steel woes translate into iron ore problems with the latter being this year's worse performing commodity, down 28% YTD.^ China inflated the iron ore price boom, up 937% since the mid-1990s, and China is now bringing it down. New mines in Australia and Africa will add to the current surplus. India has its own iron ore, so it will not support the seaborne market. 2<sup>nd</sup> and 3<sup>rd</sup> tier miners, including China, will be squeezed out as prices fall, so China's imports may remain robust. But will they support new 180k-dwt cape prices of \$77m? Possibly not...

## Dry Cargo Chartering

A steady week for **Capesize** markets, that saw some much-needed continuous improvement. Average rates ex. Brazil increased by about \$1.00 pmt over the week, and gains in freight prices ex. Australia were seen too. Overall time charter averages ended up at \$23,645, an increase of \$2,608 from last Friday. From Australia, Rio Tinto, active as always, took six TBN positions from Dampier paying between \$10.70 pmt and \$11.00 pmt, while FMG took two from Port Hedland at \$11.00 pmt and \$11.30 pmt. Elsewhere, Libra fixed 150,000 mtons 10% coal Indonesia/India at \$8.00 pmt. From West Africa, Sinoafrika took *Luck Fortune* (180,310-dwt, 2004) for 180,000 mtons 10% Freetown/Qingdao at \$25.50 pmt, and ECTP reportedly fixed last Friday *Pounda* (177,897-dwt, 2009) for Boffa, Guinea/Fangcheng at \$25.20 pmt. From South America, Oldendorff took *Cape Midori* (209,996-dwt, 2014) Tubarao option West Africa/Qingdao at \$25.75 pmt for late September dates. From Canada, Rio Tinto covered 190,000 mtons 10% Seven Islands/Oita at \$31.20 pmt, while on timecharter Olam fixed *Star Dragon* (178,062-dwt, 2008) delivery retro-sailing Dongjiakou for a trip via Taboneo to Hong Kong at \$21,000.

There was continued weakness in the **Panamax** market this week, particularly in the North Atlantic. Long tonnage lists continued to be seen with minimal fresh enquiry, and forward dates were further discounted. In Asia, Indonesian trade to China was quite active but largely unchanged at around the \$12,000 mark. The Pacific had a generally more balanced week with fixtures at slightly better rates than last done. P5TC closed at \$12,724 down by \$1,246 since last reported. In the Atlantic, RB *Jake* (81,039-dwt, 2016) fixed aps US East Coast for a trip to China at \$25,250 plus \$525,000 bb. *Xing Yang Hai* (84,740-dwt, 2022) was fixed delivery aps East Coast South America for a grains trip to the Far East \$18,000 plus \$800,000 bb. In the Pacific, *Green Friendship* (82,000-dwt, 2019) was fixed ex-drydock for a NoPac round trip at around \$14,500. *Bali* (81,259-dwt, 2012) fixed delivery CJK for a trip via East Coast Australia redelivery China with India options at \$11,000. *Aom Sveva* (81,625-dwt, 2019) was also fixed basis delivery CJK for an Australian round voyage redelivery South China at \$14,500. On voyage, Kepco fixed a Sun Ace TBN position for their 75,000 mtons 10% coal lift Tanjung Kampah/Dangjin at \$8.24 pmt.

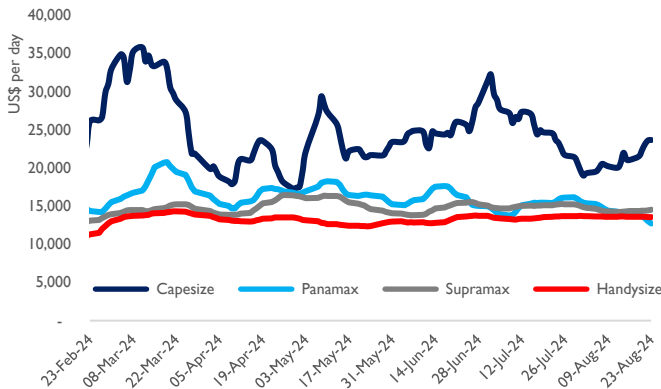
The **Supramax** Atlantic market gave rather mixed signals this week, as the US Gulf saw more fresh enquiry but other regions within the basin remained muted. The Pacific had more tonnage building up with few forward cargoes to push up sentiment and overall demand. Charterers appeared reluctant to improve on their rates and generally felt they had both plenty of time and candidates to choose from before deciding to cover. The BSI closed at \$14,498, up by \$155 from last week. In the Pacific, *Jag Rani* (56,819-dwt, 2011) was fixed delivery Singapore for a prompt trip via

Indonesia redelivery China with coal at \$15,500 to Tongli, while *Christos K* (63,197-dwt, 2015) open Zhoushan 23/25 August was fixed to Seapol for a trip via Indonesia to West Coast India with coal at \$15,500. *Western Venture* (64,636-dwt, 2023) open Caofeidian 28 August/1 September was heard fixed for a trip with steels to South East Asia in the low \$16,000's, and *Clipper I-Star* (61,403-dwt, 2013) open Fangcheng fixed a trip via Indonesia to Thailand at \$14,500. Whilst in the Indian Ocean, *Al Wathba* (63,555-dwt, 2019) was fixed delivery Kandla for a prompt trip via the Middle East to West Coast India at \$11,000 to Propel. *Grey Luna* (56,670-dwt, 2011) was fixed to Teambulk delivery Fujairah 22/25 August for a trip via Mina Saqr to West Coast India with limestone at 16,500. In the Atlantic, *Elizabeth M II* (63,683-dwt, 2020) open Tema 20 August was fixed for a trip via Vila do Conde to China at \$23,000. Elsewhere, *Amis Star* (61,123-dwt, 2019) was fixed by Drydel delivery Luderitz 10/12 September for a trip via South Africa to China at \$21,000 plus \$210,000 bb.

Confidence lifted in the Atlantic on the **Handies** this week, the BHSI closed today at \$15,533, down by just \$23 since last reported. The Continent and Mediterranean remained slow but firming. *Maputo* (34,408-dwt, 2010) open Bremerhaven fixed delivery Germany for a scrap trip to East Mediterranean at \$11,000 with Clipper. Additionally, it was heard a 28k-dwt vessel fixed low teens from Morocco to Namibia. A pickup was seen for intra-Mediterranean trips, *Scio Spirit* (35,283-dwt, 2009) fixed a short grains runs at \$8,000 with delivery dropping outward pilot Nemrut Bay. Also, a big Handy open East Mediterranean fixed steels from Iskenderun to Monfalcone at \$10,500. Lauritzen fixed *Nordic Incheon* (35,817-dwt, 2018) open Casablanca for their usual south Spain to Amsterdam-Rotterdam-Antwerp-Gent range with gypsum at \$9,500 delivery Spain. The US Gulf continued to push up, *Loch Lamond* (38,436-dwt, 2012) fixed delivery South-West Pass for a trip to Mexico at \$18,000 with Swire. Norden took *Lucky Voyager* (37,317-dwt, 2009) open Tampico on subs for a trip from Jamaica to Rotterdam at \$16,500. In the Pacific, it was a balanced week with a lack of fresh enquiry notably from Australia and Indonesia, softening rates in the area. Activity picked up in the Far East with trips to West Coast India pushing up numbers to close to \$15,000. A 28k-dwt vessel open Japan was heard fixed at \$12,000 for a trip to Singapore. In South East Asia, a 32k-dwt open Indonesia was heard fixed at around \$13-14,000 per day for a trip within South East Asia, and a 28k-dwt open Philippines was heard fixed to the Far East at around \$11,000. A 32k-dwt vessel open Singapore was heard fixed for two laden legs at around \$13,500, and we also heard a 38k-dwt open Malaysia was fixed at \$15,000 per day for concentrates to the Far East.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Andreas K	91,873	2009	Donghae	Ppt	Japan	\$13,750	Jera	Via Roberts Bank
CK Venture	82,269	2012	Hong Kong	22/24 Aug	South Korea	\$13,000	Panocean	Via Indonesia
Aom Sveva	81,625	2019	CJK	19 Aug	South China	\$14,500	Cnr	Via Australia
Chang Xin 66	80,013	2012	Masinloc	25/29 Aug	Philippines	\$13,250	Oldendorff	Via Indonesia
Tiger West	76,229	2013	CJK	22/25 Aug	Singapore-Japan	\$10,250	Cnr	Via East Australia
Afros	63,223	2018	Koh Sichang	22/23 Aug	Thailand	\$16,000	Cnr	Via Indonesia
Teal Bulker	57,903	2014	Makassar	Ppt	China	\$18,500	Cnr	Via Indonesia
Jag Rani	56,819	2011	Singapore	Ppt	China	\$15,500	Tongli	Via Indonesia
Icy Bay	37,570	2017	US Gulf	Ppt	Brazil	\$15,000	Cargill	-



Exchange Rates	This week	Last week
1 USD	144.92 JPY	148.70 JPY
1 USD	0.8946 EUR	0.9107 EUR
Brent Oil Price	This week	Last Week
US\$/barrel	79.03	79.93

Bunker Prices (US\$/tonne)	This week	Last week
Singapore HSFO	471.0	487.0
VLSFO	632.0	610.0
Rotterdam HSFO	446.0	486.0
VLSFO	549.0	562.0

23 August 2024

### Dry Bulk S&P

The majority of sales this week are Panamaxes and Kamsaramaxes and the different type of ships sold offer an insight into where buyers see value.

Norden are reported to have sold their scrubber fitted and ice classed IC *Nord Penguin* (81,841-dwt, 2015 Oshima) for around \$30m to Greek clients. Elsewhere in a Japanese style sale, the Nissen owned *Elsa S* (80,868-dwt, 2015 JMU) also scrubber fitted but no ice class, is sold for \$30.3m. Some reports linking Ocean Freighters to the purchase, others suggesting the buyers are Far Eastern. Both of these sales represent a step down on the last done Japanese or affiliate of this age, *Valiant Summer* (82,920-dwt, 2016 Tsuneishi Zhoushan) which was sold in May for \$32.5m. She did not have a scrubber either.

Sticking with Kamsars, *Aurora Borealis* (82,315-dwt, 2023 COSCO HI Yangzhou) is reportedly tied up for around \$38.5m. The Buyers are yet to emerge. On the Panamaxes, *Golden Ruby* (74,052-dwt, 2014 Pipavav) SS freshly passed and ice class IC has reportedly achieved the firm price of \$21m. The buyers again are yet to emerge.

Most Japanese Handies around 15 years old have been sold to or linked to Turkish Buyers recently, the trend continues this week as we understand the open hatch box shape holds vessel, *Efficiency OL* (37,130-dwt, 2010 Saiki) is sold to Turkish buyers for around \$15.4m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Pontotriton	177,947	2007	SWS		Chinese	\$23.0m	
Aurora Borealis	82,315	2023	COSCO			\$38.5m	
Elsa S	80,868	2015	JMU		Ocean Freighters	\$30.3m	Scrubber fitted
Nord Penguin	81,841	2015	Oshima		Greeks	\$30.0m	Ice Class IC
Golden Ruby	74,052	2014	Pipavav			\$21.0m	Ice Class IC
Efficiency OL	37,130	2010	Saiki	C 4 x 30T	Turkish	\$15.4m	



## Tanker Commentary

A relatively quiet week in the tanker market with only three sales to report, all of which within the products sector. Depending on the segment it would seem values are flat or showing an ever so slight softening with deals being concluded either in line or a touch below last done levels.

Chinese owned LR2 Osgood (108,936-dwt, 2008 SWS) has been sold to compatriot owners in the region of \$40m. There hasn't been a glut of LR2 sales of this vintage as of late but the price compares well when compared to the January sale of *Mare Oriens* (110,295-dwt, 2008 Mitsui) for \$42.5m.

In the MR sector, *Elegant Grace* (50,698-dwt, 2009 SPP) has been sold to Vietnamese buyers PV Trans for \$27.5m with freshly passed surveys. This represents a slight step down to the same age sister ship *Adamas I* (50,122-dwt, 2009 SPP) which fetched \$28m back in May.

Lastly, the MarineLine coated *Gall* (28,310-dwt, 2018 Wuhu) has been sold to Turkish buyers for \$26m having spent almost a year on the market.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Osgood	108,936	2008	SWS	Chinese	\$40.0m	
Elegant Grace	50,698	2009	SPP	PV Trans	\$27.5m	SS passed
Gall	28,310	2018	Wulu	Turkish	\$26.0m	MarineLine coated

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](mailto:chartuk@hartlandshipping.com)  
Email: [snpuke@hartlandshipping.com](mailto:snpuke@hartlandshipping.com)  
Email: [consult@hartlandshipping.com](mailto:consult@hartlandshipping.com)

**Hartland Shipping Services Ltd,  
Shanghai**

Tel: +86 21 2028 0618  
Email: [newbuild@hartlandshipping.com](mailto:newbuild@hartlandshipping.com)

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

Tel: +65 8223 4371  
Email: [chartops.sg@hartlandshipping.com](mailto:chartops.sg@hartlandshipping.com)

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