HARTLAND
SHIPPING SERVICES

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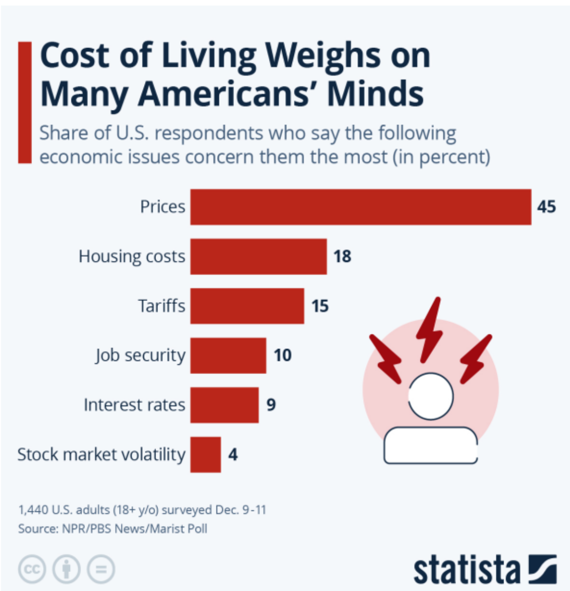
WEEKLY COMMENTARY

Hartland Shipping extends warmest New Year wishes to all our readers.

Here's to a successful year ahead!



Source : Statista

*A cut-and-dry case of the pot calling the kettle black and it was not a one-off. By year-end, the new national security strategy fleshed out US support for far-right groups in Europe and Latam and suggested that Europe faces civilisational erasure.

**Trump should note these events. He faces accusations of extra-judicial killing in Latam in his war on drugs and may yet be implicated in the Jan 6, 2021, storming of the Capitol. Putin and Netanyahu might even take the ICC more seriously.

^Latest talks this week in Mar-a-Lago between Trump and Zelensky have been at least temporarily derailed by Moscow's claim of a 91-drone Ukrainian attack on Putin's residence in Novgorod, causing him to alter his negotiating position.

This week's meeting at Mar-a-Lago between Trump and Netanyahu reaffirms the IDF's commitment to clear the Gaza Strip of Hamas militants, backed by Trump under threat of lethal force as he loses patience with the lack of peace progress.

^^The Yale Budget Lab estimated that the effective tariff rate by November was 16.8%, the highest since 1935. The use of the International Emergency Economic Powers Act for tariffs is being challenged and is before the Supreme Court.

Increased government revenues can support tax cuts and subsidies to affected parties, such as farmers. Cost pass-through may increase in 2026, slowing growth and hitting margins, and making for sticky inflation and persistent high rates.

+The US dollar fell 10% against a basket of major currencies in 2025 with similar dollar losses predicted in 2026 if the Fed (and a likely new chair) finds conditions suitable for further rate cuts that would risk igniting already persistent inflation.

POINTS OF VIEW

The 2025 annual reviews are coming in thick and fast. We chose to precis two: one about events, by Gideon Rachman in the FT, and the other about markets, by Russ Mould in the Telegraph. Rachman's chronological round-up of 2025 geopolitics is dominated by the return of Donald Trump to the White House and starts with JD Vance's address to the Munich Security Conference on February 14. It may have been Valentine's Day but there was not a lot of love in his criticism of Europe that revealed a deep split in the western alliance. He harshly and controversially stated that alleged anti-democratic tendencies of the likes of Britain and Germany are more of a threat to freedom in Europe than Russian aggression.* This was followed by Zelensky's televised dressing-down in the Oval Office on February 28, hinting that the US was on the verge of abandoning Ukraine and leaving Europe to sort out the near four-year conflict. In this respect, the US ceased all direct military and financial aid to Ukraine since Trump took office back in January. April 2 was 'Liberation Day' that saw the US impose tariffs on the whole world, friend and foe alike, but the negative reaction of the bond markets caused the tariff regime to be delayed and modified. A four-day conflict in May between India and Pakistan put the world on nuclear alert, but was thankfully defused, with the White House taking unwarranted credit. The US-Israeli bombing of Iran's nuclear facilities in June shocked the whole world, not least Americans, that had taken at face value a WH manifesto pledge to avoid overseas conflict and focus on domestic issues. It seems that the inflicted damage on Iran was overstated.

A 20-point Gaza peace plan was agreed at the end of September but has yet to get beyond phase one as Hamas refuses to disarm and the IDF refuses to leave the enclave.^ Trump and Xi met on October 30 in Seoul to hold talks on de-escalating the US-China trade war. It soon became clear that China's grip over the global supply and processing of rare earths and critical minerals would force the US to scale back its tariffs. The rare earths card can be played at any time and it hands China a significant advantage in the US-China rivalry. During the year it dawned on us that not all strongmen are free from being held to account. The ex-PI president Duterte was arrested in March for his war on drugs and will face trial at the ICC in the Hague while ex-Brazil president Bolsonaro was imprisoned in late November for his role in an attempted coup.** The ICC also announced that it will investigate possible war crimes committed by the Rapid Support Forces militia in the Sudanese town of El-Fasher in October. Finally, in December, the Department of Justice began the staggered release of the Epstein files once it became clear that Congress would compel it to do so. Heavy redactions and obvious omissions have led to familiar cries of cover-up and Rachman speculates that this might be Trump's Watergate moment.

Mould outlines five trends that defined markets in 2025. First, April's Liberation Day, the response to which was a brief bout of volatility after which things settled down, and the sky did not fall in.^^ Markets seem to be comfortable that the hit to growth, global trade flows and corporate margins will be modest at best. American voters, grumbling about rising food prices all year, were ignored. Second, emerging markets roared back having been quicker to quell inflation and lower debt-to-GDP ratios. There is scope for monetary stimulus while a weaker dollar reduces dollar debt servicing and boosts commodity prices and emerging market equities.+ Third, fixed income is back in favour. Bonds welcomed cooler inflation and interest rate cuts and look forward to more of the same in 2026. But bond vigilantes are watching absolute levels of government borrowing in the West with growing concern, and this could yet be a problem for sovereign bonds. Fourth, despite wars in Eastern Europe and the Middle East, and sanctions against the RIV three, oil prices continue to slide on large surplus supply. This has helped to tame inflation and pacify the consumer cohort. Fifth, is the strength of gold and silver, until this week, and year-end weakness in crypto, striking discordant notes that hint of trouble ahead. Gold and silver could fall further in 2026 if equities benefit from cooling inflation, lower interest rates and steady economic growth. Equally, if central banks fail to manage inflation, by keeping rates low to salve government debt management and interest rate bills, then they will rebound.

The S&P 500 rose 17% in 2025, a 4th year of double-digit gains, beaten by the FTSE 100 at 20%, after the Mag 7 retreated from lofty highs, both outshone by the Hang Seng which gained 29%. In bulk shipping markets, the largest wet and dry ships did best with a modern scrubber-fitted VLCC averaging $63,200 daily on the spot market in 2025, up 39% on $45,400 in 2024. A modern S-F 180,000-dwt cape averaged $23,500 on the spot market in 2025, down 20% on $29,300 in 2024, leaving room for improvement in 2026. Finally, Marjorie Taylor Greene, having dramatically turned on Trump, claims he'll stop at nothing to stay on beyond his 2nd term: "…what do you do when you really lose power, when you become a lame duck? How do you cling to power? You go to war." Happy New Year!