02 November 2018

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… Imminent US-China trade deal, or just mid-term politics? …

Source: The FT

POINTS OF VIEW

Brent oil prices have posted a sharp 16% downward correction to $73 a barrel* since spiking to $87 in early October, just one month ago. The IEA has revised its forecast of global oil demand growth from 1.4 to 1.3m-bpd for this year and from 1.5 to 1.4m-bpd for 2019. It cited a weaker economic outlook, trade concerns, higher oil prices and revisions to Chinese data. Meanwhile, Vitol has revised its oil demand forecast from 1.7 to 1.3m-bpd in 2018 and from 1.5 to 1.3m-bpd in 2019. It cites a deceleration in global economic momentum which is weighing down on worldwide equity markets and oil prices. It is clear that prices above $85 a barrel are not currently sustainable and will lead to demand destruction as economic growth is fragile outside of the US. Rising oil output from Opec's UAE and Libya and from non-Opec Russia and the US have allayed fears of nearby shortages. October proved to be the worst month for global equities in more than six years on fears that corporate earnings have peaked amidst a receding tide of global monetary policy stimulus. Luckily, the stock market sell-off has recovered slightly but concerns still hang around the US mid-term elections, geopolitical tensions among major Middle Eastern oil producers, Iranian and Venezuelan sanctions, US-China trade disputes, the path of US interest rates, the Italian-EU budget standoff and a Brexit deal or no deal. It all amounts to a lot to worry about but all of these issues have been on the radar for a long time. It is usually the things that we least anticipate, both on the upside and the downside, that have the greatest impact. The possibility of an imminent US-China trade deal has boosted Asian equities and the yuan today, but the timing of the US announcement just ahead of the mid-terms warns us to keep the champagne on ice.

In shipping, we like to think that we are prepared for most of the key issues, although the sheer number of challenges to take into account only gets bigger. We work with educated supply-side bets on fleet growth as most of orderbook information is bound by confidentiality clauses. It is easy to over-estimate the orderbook by including options as firm orders, and easy to under-estimate it by having only a murky view of the situation in Japan. Maybe the Japanese are just better at keeping secrets. On the demand side, the outlook in the main three sectors is particularly complicated right now as the global economy is in flux. US-China trade tariffs are affecting the way soybeans are being traded and US sanctions on Iran and Venezuela are impacting crude oil movements. Any slowdown in global economic growth is likely to affect the container trades in consumer goods if households rein in their spending. It is hard enough to forecast changes in future seaborne volumes of dry bulk commodities, crude oil, oil products and manufactured goods. It is even more difficult to anticipate how trade tariffs, economic sanctions and consumer habits will alter trade flows, either adding or subtracting to the vital tonne-miles that feed into the all-important supply-demand balance. We also have the added intervention of rising regulations that increase the costs for all actors, putting other pressures on the supply side. We have ballast water treatment systems, scrubbers, tier 2 versus tier 3, IMO 2020, GHG emission targets, and so on. It is not clear how these will be dealt with, how they will be enforced or whether they will tighten or loosen.

The VLCC fleet will probably shrink this year after 35 deliveries in the first ten months of 2018 offset by 35 units being scrapped. Latest news is that the DS Velvet (301,438 Halla 1999) has also just been sold for scrap, taking the demo tally to 36. The first three quarters of this year have been tough, with average VLCC earnings in the year to date at just under $10,000 daily. The fourth quarter got off to a great start with average earnings at over $41,000 per day last week, and should have built further on that number this week. Asian purchases of Iranian crude oil^ are being substituted by supplies from more distant Atlantic sources, increasing tonne miles. However, China and India were still importing Iranian crude in October while other key Asian buyers, such as Japan and Korea, have already pulled back. All four countries are negotiating limited waivers with the US, and all four have dramatically increased their imports of US crude oil this year. If prices for Brent and WTI hold in the mid 70s and mid 60s respectively then demand destruction should be avoided and we may see upward revisions to IEA demand growth forecasts in mid November. This prospect will be greatly increased should the signs be that the US and China will sign a trade pact at the G20 summit in Argentina later this month. And, who knows, the US might release its stranglehold on the Argentinian oil industry, enabling China and Russia to go ahead and finance its rehabilitation, thus raising the flow of Latin American crude oil to Asian buyers. It could just happen…

*WTI is about ten dollars lower at $63.50 per barrel.

^Iranian crude oil exports are down about 1.0m-bpd this year.

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Dry Cargo Chartering

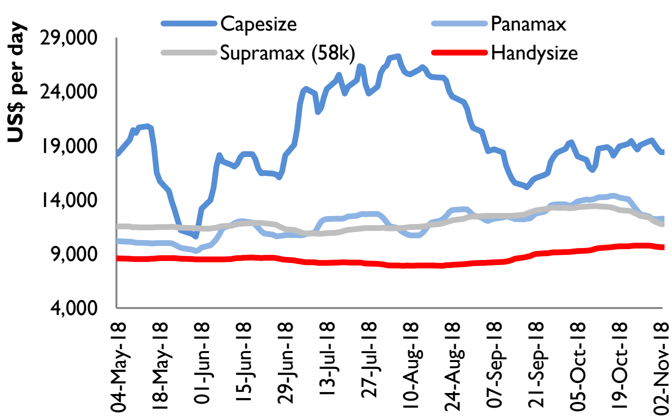
The **BDI** closed the week at 1,457. This was down from last weeks close of 1,519. The **cape** market also closed in the red, at $18,412, down from last weeks $19,078. On timecharter, *Sealink* (180,116-dwt, 2010) fixed retro Huanghua 28 Oct for a trip via Whyalla, redelivery Singapore-Japan range with Oldendorff at $20,000. *Anangel Argonaut* (177,835-dwt, 2009) fixed delivery Jiangyin for a trip via West Australia, redelivery Singapore-Japan at $22,000. MOL fixed the *Anangel Unity* (179,818-dwt, 2015) delivery Rotterdam for a trip via Port Cartier redelivery Japan at $37,500. On voyage, ore runs ex Dampier/Qingdao were being fixed in the high 8's for 170,000/10%. Rates dropped to mid 8's by the end of the week.

The **panamax** market has dropped further to close the week at $12,263 despite a slight improvement at the end of the week. In the Pacific, Norvic fixed *Xing De Hai* (82,000-dwt, 2017) delivery Qingdao for a trip via NoPac redelivery Singapore-Japan range at $14,759. *Alpha Charm* (81,800-dwt, 2018) delivery CJK for trip via East Coast Australia redelivery India fixed at $14,000. On the fronthaul, Sinochart took *Star Charis* (81,710-dwt, 2013) delivery East Coast South America redelivery Singapore-Japan range fixed at $16,400 plus $640,000 bb. Cargill also took *Fiji* (81,285-dwt, 2013) delivery East Coast South America trip redelivery Singapore-Japan range at $16,600 plus 660,000 bb. In the Atlantic, *Port Star* (82,177-dwt, 2012) delivery East Coast South America redelivery Skaw-Cape Passero fixed at $23,000. Norden took Lowlands *Nello* (76,830-dwt, 2004) delivery Ghent for trip via Murmansk and Turkey redelivery Cape Passero at $15,000. On the period front, Oldendorff took *Akaki* (84,074-dwt, 2013) delivery Dunkirk 5-6 months trading, redelivery worldwide fixed at $15,750 plus 575,000 bb.

With a large chunk of the shipping community heading to Eisbein it was a quiet week, especially in the Atlantic. The **supramax** index continued to fall throughout the week and concluded at $11,743, down from last week close of $12,508. In the Atlantic, the *Yuan Shun Hai* (56,956-dwt, 2009) fixed delivery Fortaleza for a trip redelivery Spain Mediterranean at $18,000. Bulk Trading fixed the *An Chang* (55,217-dwt, 2009) delivery South West Pass for a prompt trip redelivery Greece with petcoke at $18,250 and Norden took the *Yuanping Sea* (55,646-dwt, 2004) delivery Rotterdam for a prompt trip via Baltic redelivery Morocco with sulphur at $12,000. In the Pacific, the *Doric Valour* (58,109-dwt, 2011) was fixed to Oldendorff delivery Vancouver for a trip via NoPac redelivery Singapore-Japan at $11,750 with $320,000 bb. Naval Bulk took the *Ocean Reef* (52,458-dwt, 2005) delivery Singapore for a trip via Indonesia redelivery China at $9,250. The *Pavo Bright* (61,218-dwt, 2017) delivery Cagayan de Oro fixed a trip redelivery Philippines at $9,000 for first 25 days and thereafter $12,000. On the period, Cobelfret took the *Clipper Endeavour* (52,483-dwt, 2004) delivery CJK for one year trading redelivery worldwide at $7,000 for first 30 days and thereafter at approximately $10,500. The **handy** market shared the depression, finishing the week at $9,617, down from last week close of $9,763. Little was reported except for the *Clipper Talent* (30,479-dwt, 2009) which fixed delivery Vila Do Conde for a prompt trip redelivery Norway at $17,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
KSL Seattle	181015	2014	Bayuquan	29 Oct	Singapore-Japan	22,500	Panocean	Via West Australia
Mineral Brugge	175155	2011	Richards Bay	PPT	Younghung	20,000	KLC	Plus $990,000 bb
Port Star	82,177	2012	ECSA	7 Nov	Skaw-C.Passero	23,000	CNR	
Xing De Hai	82,000	2017	Qingdao	1-2 Nov	Singapore-Japan	14,750	Norvic	Via NoPac
Oratorio	81,842	2014	Itaquai	6-7 Nov	Port Kelang	16,500	Oetker	Plus $650,000 bb
African Raptor	61,329	2015	CRDIP	PPT	Singapore-Japan	12,250	Oldendorff	Plus $290,000 bb
Yuan Shun Hai	56,956	2009	Fortaleza	10 Nov	Spain Med	18,000	CNR	
Amazonit	56,952	2011	Navlakhi	PPT	South Korea	14,500	CNR	Via WC India
Baltic Cougar	53,100	2009	Singapore	7-8 Nov	Vietnam	9,800	CNR	Via Indonesia
KSL Seattle	181015	2014	Bayuquan	29 Oct	Singapore-Japan	22,500	Panocean	Via West Australia



Exchange Rates	This Week	Last week
JPY/USD	112.90	111.88
USD/EUR	1.142	1.1405

Brent Oil Price	This Week	Last week
US$/barrel	72.96	77.67

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	504.0	500.0
MDO	708.0	724.0
Rotterdam IFO	447.0	477.0
MDO	655.0	676.0

Dry Bulk S&P

Ignore the gentle wilting of the freight market, the secondhand market is in full stride and there are plenty of buyers chasing plenty of sales candidates.

Pretty much every segment of the market is represented in the sales list this week.

In the capesize sector, Nisshin's *Frontier Ambition* (180,253-dwt, 2010 Koyo) is sold at an as-per-last-done $29m, while the slightly smaller, but year older, *Ocean Clarion* (176,952-dwt, 2009 Namura) is sold at a benchmark breaking $29m.

A second Vroon-controlled post-panamax is reported sold to Laskaridis. *Scandinavian Express* (93,038-dwt, 2010 COSCO Dalian) is sold at $15.75m, exactly in line with her year younger sister sold last month for $16.7m.

Chinese buyers have bought the Japanese controlled kamsarmax *Global Star* (83,601-dwt, 2010 Sanoyas) for $19.1m, a notch up from last month's sale of the similar *Sky Jade* at $18.75m. Older panamaxes are still working out their values after the closure of the Chinese-flag market, but the smaller *Ioannis Zafirakis* (73,305-dwt, 2004 Namura) has achieved a respectable $10.3m .

In the ultramax sector the resale *Ocean Pankaj* (64,000-dwt, 2018 COSCO Zhoushan) is sold at a modest $23.9m ex-yard. The vessel has had a complex history already and was originally meant to deliver last year.

Activity remains brisk in the supramax sector. *TC Gold* (58,096-dwt, 2011 Tsuneishi Cebu) is sold for a better $16.15m. *Bulk Avanti* (56,024-dwt, 2006 Mitsui) is sold at $12.7m to Vietnamese buyers, again pushing the market up by a percentage point. Smaller supramaxes represent good value for money and are being snapped up in increasing numbers. *Maemi Spirit* (53,482-dwt, 2008 Iwagi) is sold for something in the low 11s, although she has been in the market for same time and was reported not to be the freshest candidate. Finally in the supramax sector, the Tier II-engined Dolphin57s are beginning to show their premium above their Tier I cousins. *Tron Legacy* (56,444-dwt, 2012 Qingshan) is sold to Chinese buyers for $13.3m

And lastly, in the handy sector, the lack of older sales candidates has kept values buoyant. *La Louise* (31,764-dwt, 1998 Hakodate) achieved $5.9m. The modern tonnage pool is a little more populated and *Oceanic Hawk* (29,027-dwt, 2010 Shikoku) has been hooked for $9.2m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Frontier Ambition	180,253	2010	Koyo Dockyard	-	Zodiac	29.00	
Ocean Clarion	176,952	2009	Namura	-	undisclosed	29.00	
Scandinavian Express	93,038	2010	COSCO (Dalian)	-	Laskaridis	15.75	
Global Star	83,601	2010	Sanoyas	-	Chinese	19.1	
Ioannis Zafirakis	73,305	2004	Namura	-	Eastmed	10.30	
Ocean Pankaj	64,000	2018	COSCO (Zhoushan)	C 4x30	Pangea Logistics	23.90	
Tc Gold	58,096	2011	Tsuneishi	C 4x30	Greeks	16.15	
Tron Legacy	56,444	2012	Qingshan	C 4x30	Chinese	13.3	
Bulk Avanti	56,024	2006	Mitsui Eng.	C 4x30	Vietnamese	12.70	
Maemi Spirit	53,482	2008	Iwagi Zosen	C 4x30.5	Eastmed	Low 11s	
Genco Muse	48,900	2001	Ishikawajima Harima	C 4x30	Chinese	6.70	
Apostolos II	34,700	2003	Tianjin Xingang	C 4x30	Greeks	7.30	
La Louise	31,764	1998	Hakodate	C 4x30.5	undisclosed	5.90	
Oceanic Hawk	29,027	2010	Shikoku Dockyard	C 4x30.5	undisclosed	9.20	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price ($)	Delivery
Stellar Fair	266,629	1990	Sasebo HI	Bulk	39,000	467	Full-subcontinent in buyers option
Oaktree	46,842	1993	Halla Engin. & HI	Tank	9002	458	'as is' Colombo with
Kyriakos	29,926	1997	Sembawang	Bulk	7,244	424	'as is' Mongla
Atlantic Star	26,260	1997	MTW Schiffswerft	Cont	7626	450	'as is' Singapore
Pathein Star	20,540	1993	Kvaerner Warnow	Cont	6660	450	'as is' Singapore
Thanlwin Star	20,406	1995	Kvaerner Warnow	Cont	6830	450	'as is' Singapore
Andaman Star	20,211	1993	Kvaerner Warnow	Cont	6989	450	'as is' Singapore
Sentosa Star	17,781	1996	Imabari	Cont	5,948	450	'as is' Singapore

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Tanker Commentary

Positive sentiment from the crude market is translating into a more liquid second-hand market. The year to date has provided comparatively little in the way of sales with negative earnings prohibiting buyers from putting their hands in their pockets despite the enticing prices on offer.

Following a flurry of activity in recent weeks, the tide appears to be turning and prices on the crude at least, are firming. DHT Holdings have confirmed an agreement to sell two vintage aframaxes *DHT Cathy* and *DHT Sophie* (111,928/112,045-dwt, 2004-03 Samsung) for $24.3m enbloc. The price illustrates a significant upturn from recent sales of similar vintage aframaxes particularly taking into account the DHT Cathy has SS/DD due in January 2019.

With VLCCs now earning in excess of $50,000 per day on the spot market it is no surprise one has changed hands this week. Clients of NGM have purchased the *Ds Vida* (299,097-dwt, 2003 NACKS) for $22.8m, a price that reflects the firming prices and increased interest in the sector.

The uncoiled pumproom MR *Nord Innovation* (47,981-dwt, 2010 Iwagi) has reportedly been committed for $17.2m to Turkish interests Densay. The price again looks firm against the $16m Transocean are reported to have paid for the *Pacific Vega* (45,961-dwt, 2010 Shin Kurushima) last week however it is worth noting that the *Nord Innovation* will be delivered with DD passed and BWTS fitted, which must be worth at least $1m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
DS Vida	299,097	2003	Nantong COSCO (NACKS)	NGM Energy SA	22.8	SS due
DHT Sophie	112,045	2003	Hyundai Samho	Greeks	24.3 enbloc	
DHT Cathy	111,928	2004				
Nord Innovation	47,981	2010	Iwagi Zosen	Densay	17.3	BWTS fitted, DD passed
Doxa	47,065	2001	Onomichi	undisclosed	6.5	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate ($/pd)	Charterer
Bunga Kasturi Dua	300,542	2005	Universal	6 mths	27,000	Koch Logistic
Pink Stars	115,600	2010	Samsung	1 yr	15,750	Vitol
Elli	112,700	2010	New Times	6 mths	13,500	Vitol
Sandpiper Pacific	52,000	2013	Sundong	6 mths	13,000	Koch Logistics
Nave Orbit	50,500	2009	SPP	1 yr	12,700	Chevron
Turmoil	50,400	2011	Onomichi Dockyard	1 yr	12,500	Vitol
St Michaelis	50,200	2018	Onomichi Dockyard	1 yr	14,500	Koch Logistics
Ioannis	43,600	2006	Uljanik Brodogradiliste	1 yr	14,500	Koch Logistics

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