

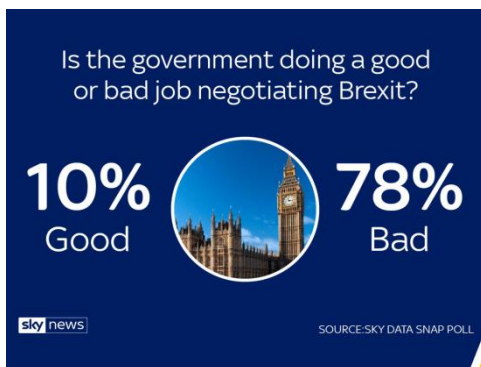


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THE BIGGER PICTURE

... Losing Faith in Politicians ...



Source: Sky News

POINTS OF VIEW

The summer holidays are in full swing and shipping asset markets are quieter as a result. On the political front, the US and UK administrations share a similar appearance of chaos to outside observers. Both President Trump and Prime Minister Theresa May have witnessed elevated staff turnover, some welcome, some not. Trump is still surfing on a wave of populist support despite alienating key elements of both the Republican and Democratic elite. The populist election result of 2016 was after all a vote against the elite and against institutions and Trump is attempting to keep his supporters on side by bypassing deep state institutions, tackling illegal migration, bringing back jobs and raising public spending. His former communications director, Anthony Scaramucci, disparagingly referred to Trump's backers in the flyover states as "low information emotional voters" who like what they see in the president and could not care less what happened in Russia. Those voters also just happen to be the people that work in the mines, fields, ranches, factories, mills and refineries in America's heartland that keep the country going. They fight in foreign wars, in defence of flag and country, that are started by wealthy folk who live along the coasts. Following indeterminate one-on-one meetings with North Korea's Kim Jong-un and Russia's Vladimir Putin, this week the president was denied a similar opportunity with Iran's Rouhani whose team refuses to meet if the US goes ahead with the reimposition of the sanctions that Obama had lifted in 2015.

Most people in the UK are despairing over the government's handling of the EU exit negotiations*. The majority of MPs in parliament are on the side of remaining in the EU and are thus unable to deliver the will of the people as reflected in the narrow 52:48 2016 referendum vote to leave. A diluted version of the Chequer's proposals is unlikely to pass a parliamentary vote, creating a 'what next' moment. Others are pushing for a 2-year extension to Article 50 to buy more time while Hunt has warned that as each day passes a 'no deal' exit becomes more likely. The EC and Barnier have been criticised for their inflexibility and they have been warned that they are misreading the UK if they think it will blink first. There is the obvious problem that the EC is merely following the mandate given to it by the EU27 and it is not easy to go back and ask for variations that require all 27 ticks. Also, the UK has consistently failed to respect the indivisibility of the four freedoms (the free movement of goods, capital, services and labour); they are the glue that holds a fractious EU together. Populist elements are most visible in Italy, Greece, Spain and Hungary but they lurk not far below the surface across the EU. How to pacify populist voices is as much a problem in Europe as it is in America and Britain. The threat of escalating trade wars is affecting economic sentiment although anecdotal evidence suggests that China is coming off worse than the US as, in the second quarter, Chinese GDP growth fell to 6.7% while US GDP growth rose to 4.1%. Beijing is now keen to reopen a trade dialogue with Washington to settle their differences while the US is considering raising tariffs on \$200bn of Chinese imports from 10% to 25%.

The shipping markets seem to be responding to the more fundamental drivers of supply and demand, setting aside for now any potential hits to the demand side from new and emerging trade barriers. The three main sectors are differentiated mostly by the way they adjusted supply to meet demand, and bulk carriers are the clear winners. Data from the Shipping Intelligence Network shows a gradual improvement in the weighted average of all bulk carrier earnings from \$6,218 per day in 2016, to \$10,986 in 2017 and \$11,758 in 2018 so far, representing an 89% gain. In contrast, tankers went the other way with the weighted average of all tanker earnings going from \$17,917 per day in 2016, to \$11,655 in 2017 and \$8,483 in 2018 so far, representing a 53% decline. The 2018 year-to-date tanker reading is the worst since SIN's records began in 1990. Containers have behaved more in line with bulk carriers with the Clarksons average containership earnings going from \$5,678 per day in 2016, to \$7,091 in 2017 and \$9,475 in 2018 to date, a 67% gain. Earnings dictate asset values and this is reflected in the bulk carrier secondhand price index which is up 71% from 71.15 points in 1Q16 to 121.92 in 2Q18. The tanker secondhand price index is down 19% from 130.5 points in 1Q16 to 106.0 in 2Q18 having avoided steeper falls by strong buying interest at levels perceived to represent fair value. The containership secondhand price index is up 51% from 29.34 points in 1Q16 to 44.41 in 2Q18. Bulk carriers and containerships are doing alright, but could do a lot better, while tankers are doing very badly and simply must do better.

*A Sky Data poll puts this figure at 78%. 50% are in favour of a second referendum that Mrs May foolishly ruled out "in any circumstances".

Dry Cargo Chartering

The **BDI** closed the week at 1,773, up from last weeks 1,676. The **cape** market kept up its impressive summer pace, closing the week at \$27,124. This was up from last weeks close of \$23,824. On time charter, Jiangsu Steamship fixed the *Mineral Stonehenge* (175,713-dwt, 2010) delivery Taicang for a spot trip via Australia, redelivery Singapore-Japan range at \$25,000. There was a fair amount of activity on period. The *Star Angie* (177,932-dwt, 2007) fixed delivery Cape Passero for 8/10 months trading redelivery worldwide at \$28,000. Daelim fixed the *Frontier Garland* (181,480-dwt, 2011) delivery Fujian for 6/8 months trading redelivery worldwide at \$25,800. Jera fixed the *Seafarer* (181,110-dwt, 2014) delivery Qingdao for 6/8 months trading, redelivery worldwide at \$28,000. On voyage runs, Rio Tinto fixed a TBN 170,000/10 Dampier/Qingdao ore cargo at \$9.60. These runs increased steadily as the week went on to \$9.95. Vale fixed the *Pan Advance* 170,000/10 Tubarao/Qingdao at \$23.99.

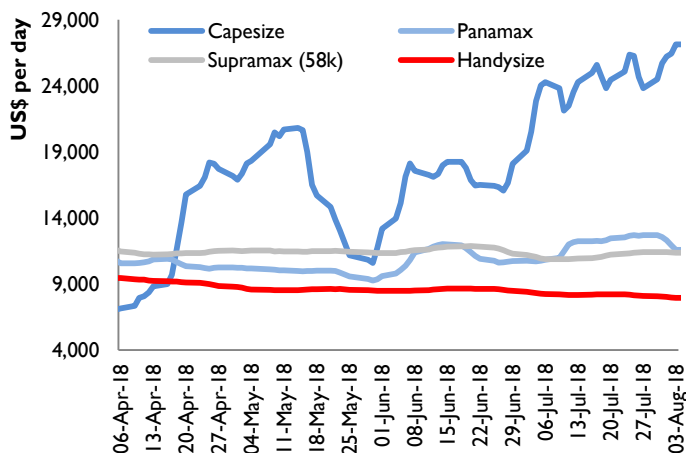
It has been a somber week for the **panamax** market. The time charter average dropped to \$11,574 from last week close of \$12,695. In the Atlantic, Cargill took the *Yasa H. Mulla* (83,482-dwt, 2011) delivery US Gulf for a prompt trip redelivery Skaw-Cape Passero at \$13,500 plus \$350,000 bb and Star Logistics fixed the *Menaro* (81,600-dwt, 2015) delivery Brazil for a prompt trip redelivery Egyptian Med at \$18,000. In the Pacific, the *Golden Jake* (82,188-dwt, 2011) delivery Huanghua fixed a prompt trip via the North Pacific redelivery South East Asia at \$11,000. DBC fixed the *Key Guardian* (83,468-dwt, 2011) delivery Port Kelang for a trip via Indonesia redelivery Philippines at \$11,500 and Tongli took the *Medi Vitoria* (76,616-dwt, 2004) delivery Higashiharima for a trip via East

Australia redelivery China at \$10,250. On the front haul, the *Silver Dragon* (74,748-dwt, 2006) delivery East Coast South America fixed to Omega for a trip redelivery Singapore-Japan at \$15,250 with \$525,000 bb. The *Pontvremon* (76,318-dwt, 2001) delivery retro Haldia fixed a trip via East Coast South America redelivery Singapore-Japan at \$11,500. On the period side, Fractal took the *Seawind* (75,637-dwt, 2006) delivery Incheon for 5-7 months redelivery worldwide at \$12,250.

This week in the **Supra** market the TC average dropped by \$44 finishing the week at \$11,362. In the Atlantic the *Tegea* (55,616-dwt, 2011) was taken by WBC at \$16,700 delivery Vila Do Conde for a trip to Iceland with Alumina and *SBI Maia* (61,105-dwt, 2015) fixed with Refined Success delivery US Gulf for a trip to South Brazil with Petcoke at \$13,000 plus \$60,000 bb. In the Pacific the *Tamar* (56,663-dwt, 2010) fixed delivery Surabaya for a trip via Indonesia to mid China at \$13,000 and the *Loch Shuna* (56,600-dwt, 2014) fixed a North Pacific round voyage with Panocean at \$10,000 delivery Busan, this was down on levels seen last week. On the period side of things *Thor Madoc* (55,695-dwt, 2005) was fixed for 3/5 months by K-Line delivery North China at \$11,750. The **Handy** market this week rates also fell with the TC average ending up at \$7,945 a fall of \$157. In the Atlantic *Aeolos* (31,615-dwt, 2001) was fixed delivery Skaw for a prompt trip via the Baltic into the East Mediterranean with timbers and generals at \$10,750. In the Pacific the *Golden Kiku* (29,700-dwt, 2005) was fixed with G2Ocean at \$7,000 delivery Indonesia for a trip into Singapore/Japan with concentrates. There was little to report on the period side for handies.

Representative Dry Cargo Market Fixtures

| Vessel | DWT | Built | Delivery | Date | Redelivery | Rate (\$) | Charterers | Comment |
|--------------------|---------|-------|------------|-----------|-------------------|-------------------|------------|-------------------|
| Mineral Stonehenge | 17,5713 | 2010 | Taicang | Spot | Sing-Jpn | 25,000 | JSSSC | Via Australia |
| Yasa H. Mulla | 83,482 | 2011 | US Gulf | PPT | Skaw-Cape Passero | 13,500 + 350K GBB | Cargill | |
| Shandong Fu Hui | 81,782 | 2017 | Singapore | 11-13 Aug | Sing-Jpn | 11,500 | Polaris | Via ECSA |
| Spring Snow | 75,200 | 2010 | Qinzhou | 03 Aug | S.China | 9,250 | CNR | Via Indonesia |
| Zoita Sigala | 63,351 | 2014 | Navlakhi | 06 Aug | PG | 12,550 + 255K GBB | PCL | Via RBCT |
| Mimi Selmer | 55,711 | 2005 | Kohsichang | 05-10Aug | China | 9,550 | CNR | Int Tapioca chips |
| Tegea | 55,616 | 2011 | Do Conde | Mid Aug | Iceland | 16,700 | WBC | Int Alumina |
| Peristil | 52,113 | 2010 | Tianjin | 05-07 Aug | Indonesia | 7,350 | Chun An | Int Steels |
| Hibiscus | 48,610 | 2002 | Gresik | 01-02 Aug | China | 11,000 | CNR | Via Indonesia |
| Aeolos | 31,651 | 2001 | Skaw | PPT | E.Med | 10,750 | CNR | Via Baltic |



| Exchange Rates | This Week | Last week |
|----------------|-----------|-----------|
| JPY/USD | 111.41 | 111.01 |
| USD/EUR | 1.1584 | 1.1653 |

| Brent Oil Price | This Week | Last week |
|-----------------|-----------|-----------|
| US\$/barrel | 73.47 | 74.85 |

| Bunker Prices (\$/tonne) | This week | Last week |
|--------------------------|-----------|-----------|
| Singapore IFO | 467.0 | 471.0 |
| MDO | 642.0 | 651.0 |
| Rotterdam IFO | 426.0 | 442.0 |
| MDO | 619.0 | 638.0 |



Dry Bulk S&P

As Europe stays red hot, the dry market appears to be settling in for a prolonged siesta.

The most active Buyers of ships so far this year, the Chinese, have had their appetite suppressed by uncertainty over the new regulations and a reluctance to pay up for more expensive, modern units. This coupled with summer holidays in the Northern Hemisphere with many Greek owners away has led to a discernible drop in both reported sales and genuine purchase enquiries.

There remain a few active Buyers however, Goodbulk continue their spending with the purchase of two modern capes, *True Windsor* and *True Navigator* (180k-dwt, 2012/2011 Daehan) for \$68.3m en bloc, more or less in line with expectations.

Elsewhere, there were two supramaxes reported, *Aquapride* (61,465-dwt, 2012 Iwagi) sold for \$20m to Swiss Bulk, a soft price if true given the recent sales of *Sage Amazon* and *Sage Colorado* (63,000 / 2012 Dayang) for \$19.5m, as the Japanese tonnage tends to see more of a premium. There are suggestions *Aquapride* may be an old sale though. *Bulk Neptune* (55,657-dwt, 2009 Mitsui) is reported committed to Greeks for \$15m, in line with last week's sale *Navios Armonia* (55,522-dwt, 2008 Kawasaki) at \$14.2m.

The sales are all at last done levels or just below last done, keeping Buyers alert. For anyone looking to sell at a premium though its time to take stock and hope the cooler Autumn brings a hotter market and stirs the Bulls from their slumbers.

Reported Dry Bulk Sales

| Vessel | DWT | Built | Yard | Gear | Buyer | Price \$m | Comment |
|----------------|---------|-------|-------------|---------|------------|-----------|---------|
| True Windsor | 180,012 | 2012 | Daehan | - | Goodbulk | 68.3 | Enbloc |
| True Navigator | 179,905 | 2011 | | | | | |
| Genco Surprise | 72,495 | 1998 | Imabari | - | Chinese | 5.45 | |
| Aquapride | 61,465 | 2012 | Iwagi Zosen | C4x30.7 | Swiss bulk | 20 | |
| Bulk Neptune | 55,657 | 2009 | Mitsui | C 4x30 | Greeks | 15 | |
| Jin Cheng | 52,961 | 2003 | Oshima | C4x30 | Chinese | 8.7 | |

Demolition Sales

| Vessel | DWT | Built | Yard | Type | LDT | Price (\$) | Delivery |
|------------------|---------|-------|-------------------|--------|--------|-------------|-------------------|
| Navion Britannia | 124,238 | 1998 | Sestao Astilleros | Tanker | 28,353 | Undisclosed | Undisclosed |
| Bunga Kelana 3 | 105,784 | 1998 | Hyundai | Tanker | 17,091 | 15.1m | 'As is' Singapore |
| Eagle Austin | 105,426 | | Samsung | Tanker | 16,749 | | |
| Ryujin | 14,080 | 1993 | Oshima | RORO | 11,320 | 406 | 'As is' Singapore |
| Salam Mesra | 8,150 | 2007 | Penglai Bohai | CONT | 2,250 | Undisclosed | 'As is' Singapore |

Tanker Commentary

Activity of recent on the VLCCs continues this week with yet another sale to report. Clients of Agritrade have sold their *Sea Latitude* (309,285-dwt, 2001 HHI) to compatriot owners Da Shun. When one takes into account that the *Nichioh* (300k-dwt, 2004 Universal) was sold just last week for \$23m, the price of \$22.5m will most definitely raise some eyebrows, especially given that rates remain firmly in the trough. Agritrade purchased the vessel as the DHT Chris in 2016 for \$23.5m. In the MR sector, the Doun Kisen controlled *Silver Express* (47,401-dwt 2009 Onomichi) has been conclude at \$15m. The ship has been in the market since January and had a number of inspections over the year. Earlier in the year she was on subs with a Chinese buyer at \$16.5m but subsequently failed due to Buyers finance falling apart. There are a number of buyers following the MR sector closely today, but at the same time a number of sales candidates coming out of Tokyo. The question is will the vast number of buyers coming

out the wood work start competing and push prices up, or will there be enough sales candidates for buyers to be more selective. One thing is for sure though, the volume of deals done is only going one way. The calm before the storm.

Reported Tanker Sales

| Vessel | DWT | Built | Yard | Buyer | Price \$m | Comment |
|----------------|---------|-------|----------------|----------------|-----------|---------|
| Sea Latitude | 309,285 | 2001 | Hyundai | Da Shun | 22.5 | |
| Silver Express | 47,401 | 2009 | Onomichi | Undisclosed | 15.0 | |
| Rimar | 45,999 | 1998 | Halla Eng & HI | Middle Eastern | 5.0 | |

Tanker Fixtures

| Vessel | DWT | Built | Yard | Period | Rate (\$/pd) | Charterer |
|-----------------|--------|-------|----------------|----------|--------------|-----------------------|
| Hull 8228 | 50,000 | 2019 | Hyundai Mipo | 3 years | 15,250 | ST Shipping |
| Hellas Avatar | 49,997 | 2015 | Hyundai Mipo | 1 year | 13,850 | Clearlake |
| Hellas Revenger | 49,975 | 2016 | Hyundai Mipo | 1 year | 13,750 | Vitol |
| Champion Timur | 47,210 | 2005 | Hyundai Mipo | 9 months | 15,000 | Pacific International |
| Gulf Rastaq | 46,554 | 2009 | Hyundai Mipo | 1 year | 13,000 | Chevron |
| PVT Dolphin | 45,888 | 2004 | Shin Kurushima | 1 year | 12,650 | R Shipping |

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