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## THE BIGGER PICTURE

... Take Back Control – Go Private! ...



Source: The Guardian

## POINTS OF VIEW

We may be forgiven for thinking that the US and UK, the world's 1st and 5th largest economies, lack political leadership at a particularly challenging time in the geopolitical and global market cycles. Mr Trump is busy fending off accusations of collusion with Russia in engineering the result of the US presidential election of which he was the beneficiary. Chaos in Washington is becoming commonplace as his new chief of staff, a young and pugnacious investment manager, is replaced by an elderly retired general. Government by financiers and soldiers evidently is not working and the populist forces that brought these people into power may be in retreat, just as they are in continental Europe. One might even detect a tinge of nostalgia for the good old days of elite politicians and career diplomats; at least they got things done, albeit slowly. The Trump administration is churning key jobs while failing to push through promised reforms of healthcare, border control and taxes. This power vacuum has allowed China and Russia to ramp up their displays of military prowess in defiance of decades of US dominance. They are pitching to be the primary military disrupters in an economically expansionist Asia Pacific, leaving the US to patrol an economically becalmed Atlantic.

Meanwhile, the UK is paralysed by its commitment to leave the EU. Paradoxically, the deal team is dominated by remainers who are negotiating to leave while planning to remain by other means. Having triggered Article 50 there is no way back to the status ex-ante; we are shaping up to either leave or stay on worse terms than we previously enjoyed. The spider's web of 44 years of membership makes leaving hard to do, by design of the EC. Other members in the rump EU-27 that envy our chance to leave are now realising that if the UK cannot do it, then what chance for them. Had the EC given Cameron his emergency brake on migration, considered a key demand of leavers, then the vote might have been 52:48 remain rather than the reverse. The misinformation on both sides of the referendum debate did no credit to the political class. Karan Bilimoria, a crossbench peer writing in The Guardian, asserts that the UK already has the power to "take back control", a far cry from the public's perception, it simply chooses not to exercise it. Tony Blair removed exit checks in 1998\*, meaning that the UK knows who comes in but not who goes out, thus voluntarily abandoning control of our borders.

Exit checks were reintroduced in 2015, but inadequately, and the government refuses to release statistics on these checks less they demolish its anti-immigration stance. The UK's reliance on immigration to fill both skilled and unskilled jobs is glossed over and distorted to pander to public misconceptions about job competition and access to public services. The UK could easily have taken back control of its borders, under European Parliament and Council Directive 2004/38/EC, which allows EU member states to repatriate EU nationals after three months if they have not found a job or do not have the means to support themselves. Bilimoria states that other countries, such as Belgium, regularly repatriate thousands of individuals based on this directive. Why is the government not using it, and why is the British public not aware of it? The current prime minister and former home secretary, Theresa May, and the current home secretary, Amber Rudd, stand accused of hiding the facts, driving anti-immigration messages and of being economically illiterate when it comes to the necessity of the freedom of movement of people. That being so, it would appear that the UK public was as misled by our own politicians as the US electorate allegedly was by the Russians.

We have our fair share of misinformation in shipping, constantly in search of the Holy Grail of nailing down supply-demand balance and ship utilisation ratios. Accurate raw source data would give us a better insight as to how the balance is shifting and help us to understand the path of freight rates and asset values. The fact that research papers and market reality rarely get on the same page suggests that the data is misleading. This is not surprising. On the demand side, reliance upon import-export data from national customs assumes that the data gathering is sound, ignoring the political imperatives to occasionally tweak the data, varying from country to regime. Supply-side data involves a degree of guesswork about shipyard order books as newbuilding contracts are private between owner and shipyard. To add to the confusion, we then need to overlay these factors with tonne-mile changes (a key factor in utilisation) as trade patterns constantly evolve. This is a practical impossibility. And yet there is still a hunger for long-term forecasts<sup>^</sup> because they are needed as shipping and financial sectors converge, as public meets private and as spreadsheet replaces instinct in our ever riskier world.

\*Exit checks act as a deterrent as well as enabling accurate migration data and a check on over-stayers.

<sup>^</sup>Warren Buffet: "Forecasts usually tell us more of the forecaster than of the future."



## Dry Cargo Chartering

The **cape** market this week rose considerably, with the average timecharter rate finishing the week at \$12,963 a rise of \$3,188. Sentiment in the North Atlantic remained positive with Swiss Marine trading \$7.25 vs. \$7.50 for C7, which was above the index which stands \$7.15. Swiss Marine also fixed *Evgenia* (175,800-dwt, 2011) for an Atlantic round voyage at 7k, delivery Gijon redelivery Skaw-Gibraltar. There was no activity to report on C3 after Koch fixed 20/30 September dates at \$14.35 yesterday. In the Pacific, voyages were being fixed at a high of \$6.50, however this dropped today with BHP fixing at \$6.30 and \$6.25 for 21-23 August dates. Quadrolink took *Aquamarine* (182,060-dwt, 2009) at \$13,900 with delivery Xiamen for a prompt trip via Australia, redelivery Singapore/Japan. On the period side of things, Koch fixed *Yasa Dream* (207,805-dwt, 2008) for 4/6 months at \$17,400 in Shanghai ex D/D.

The **panamax** market finished the week at \$9,237, up from last weeks close of \$8,880. In the Pacific, Oldendorff fixed the *Jimmy T* (81,704-dwt, 2017) for a trip retro CJK via East Coast Australia, redelivery India at \$8,500. Louis Dreyfus fixed the *Spitha* (75,410-dwt, 2005) retro Haldia for a trip via East Coast South America redelivery Singapore-Japan at \$10,000. Later in the week, Caravel were reported to have fixed the *MP Kamsarmax I* (81,190-dwt, 2017) delivery Hong Kong via East Coast Australia, redelivery India at \$9,000. In the Atlantic, Norden fixed the *Zheng Heng* (81,948-dwt, 2012) delivery Tubarao for a trip to Poland at \$11,250. Bunge fixed the *Star Renee* (82,221-dwt, 2006) for a trip delivery US Gulf via COGH, redelivery Singapore-Japan at \$14,500 plus \$450,000 bb. COFCO Agri were reported to have fixed the *Key Mission* (82,099-dwt, 2013) delivery East Coast South America redelivery Singapore-Japan at approximately \$11,000 plus \$600,000 bb. On the period side, Aquavita fixed the *Leda C* (81,526dwt-2011) retro Singapore for 4-6 months trading, redelivery worldwide at \$11,000.

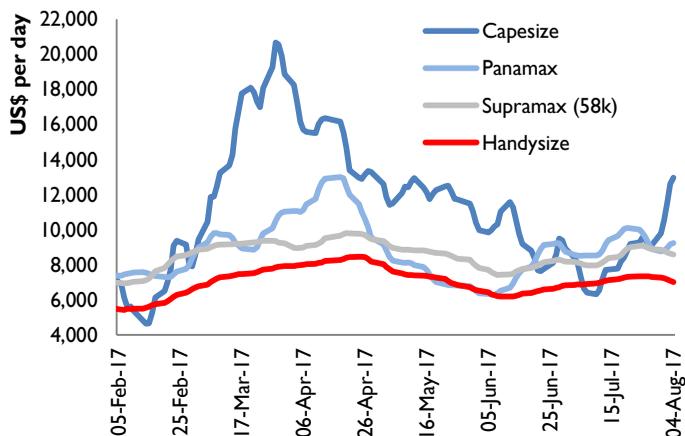
The smaller sizes failed to follow their larger brethren in mounting a charge this week. The Black Sea offered a glimmer of hope whereas the rest of the world was fairly sedate. **Supras** closed at \$8,577 and **handies** at \$7,006.

The Pacific slowed notably this week as enquiry dried up, Supramax rates in particular, whilst the handies were a little more resistant. Supra Indonesia coal rates basis delivery Singapore are paying around the \$9,000 mark. Earlier in the week, charterers Transpower fixed *Kiran Australia* (63,700-dwt, 2013) delivery Singapore prompt for a trip via Indonesia redelivery South China at a decent \$10,700. The AG market remained firm with low 9's achievable for trip to India, *Hannah s* (53,208-dwt, 2008) covered delivery Mina Saqr for a time charter trip to India at \$9,250. Rates are considerably stronger in the Atlantic, round voyages are paying around the 10k mark, *SSI Challenger* (56,042-dwt, 2004) went for delivery Tuzla prompt trip via Black Sea redelivery Spanish Mediterranean intention grains at mid 9s, the charterers Eagle Bulk. From East Coast South America Raffles took *IVS Hirono* (60,280-dwt, 2015) delivery Santos prompt trip redelivery Chittagong intention sugar at a very healthy \$13,400 daily plus \$340,000 bb. Limited period activity however MOL took *Coral Gem* (55,073-dwt, 2010) delivery South Korea prompt for about 3/5 months at \$8,850.

On the handy size the Atlantic remains active. On the front haul, Oldendorff concluded *Federal Katsura* (32,594-dwt, 2005) delivery passing Skaw prompt trip via Suez about 50 days redelivery China at \$12,000. South America remains strong, *Cielo di Mizushima* (39,388-dwt, 2016) delivery Praia Mole prompt trip redelivery Rio Haina intention steel at mid \$10,000's, the charterers TBS. In the Pacific, round voyages are paying mid 6' levels, *Despina Angel* (28,534-dwt, 2007) fixed delivery Singapore prompt trip via Indonesia redelivery China with coal at \$6,500.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Wan May	176,460	2012	Zhanjiang	05/10 Aug	S.China	14,750	Quadrolink	Via West Australia
Besiktas Azerbaijan	169,138	2010	Rotterdam	01/03 Aug	Sines	6,900	Uniper	Via USEC
Bulk Malaysia	95,766	2014	South Korea	30Jul/03 Aug	China	10,000	Sinochart	Via Weipa
Lowlands Rise	95,711	2013	Cape Passero	06/09 Aug	Cape Passero	10,400	Norvic	Via USEC
Portaitissa	87,144	2006	EC South America	20/30 Aug	SE Asia- Japan	10,500	Norden	+ \$550,000 bb
Kiran Australia	63,700	2013	Singapore	PPT	South China	10,700	Transpower	Via Indonesia
GH Sky Beauty	63,368	2017	EC South America	PPT	Chittagong	13,500	CNR	+ \$350,000 bb
Shi Zi Shan	56,605	2011	Canakkale	PPT	Egypt	11,000	Aquavita	Via Black Sea
Vosto Star	46,671	1999	CJK	01/05 Aug	China	6,000	CNR	Via Indonesia
Cielo di Mizushima	39,388	2016	Praia Mole	PPT	Rio Haina	10,500	TBS	



Exchange Rates	This Week	Last week
JPY/USD	110.58	110.93
USD/EUR	1.1838	1.1737

Brent Oil Price	This Week	Last week
US\$/barrel	51.99	52.55

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	309.0	309.0
MDO	480.0	468.0
Rotterdam IFO	297.0	299.0
MDO	458.0	460.0



## Dry Bulk S&P

The large gains in the cape market this week have driven the BDI back over a thousand points for the first time since early May this year. With a number of sales to report this week, the dry SnP market seems to be bronzing itself nicely in the summer heat rather than wilting away to seek shade and rest.

Capital Maritime have reportedly sold their *Asterix* (178,978-dwt, 2010 Hyundai Heavy) for regions \$29.5m to Navios. A decent profit for Capital considering they bought the vessel in September 2016 for \$20.75m. *Cape Liberty* (185,897-dwt, 2005 Kawasaki) has been sold to clients of GoodBulk for \$19m, a firm price when one calculates the price differential between the last done *NSS Endeavour* (184,887-dwt 2002 Mitsui) sold for circa \$14m in early July.

JP Morgan continue their acquisition of dry bulk vessels. They are reported to be the buyer of the *United World* (82,026-dwt, 2013 Tsuneishi) sold at \$21.3m. The Japanese controlled *Midland Sky* (81,466-dwt, 2010 Universal) we understand is sold to clients of Songa for \$18m. Both these kamsarmax sales are in line with the recent Ebe purchase of the *Atlantic Prime* (82,188-dwt, 2011 Tsuneishi) reported last week at \$19m.

In an off market deal the Japanese controlled *Star of Sawara* (76,553-dwt, 2008 Shin Kawaso) is rumoured to be sold to Hong Kong based buyers for \$13.5m.

Augustea have reportedly sold their *Aby Diva* (76,596-dwt, 2007 Imabari) for \$12.5m to clients of Erasmus. Considering the firm prices reported for 2001 - 2002 Japanese built panamax in last weeks report, and recalling the \$13.2m achieved by *Coral Garnet* (75,674-dwt, 2007 Sanoyas) back in June, these two sales indicate that potentially (for now at least) the price ceiling has been reached for 10 year old panamax.

The Allseas controlled handysize *Voula Seas* (28,495-dwt 2002 Kanda) is rumoured to be under close negotiation in the mid/high \$5m's to undisclosed buyers. If concluded it would represent a decent level when you consider the year younger *Midway* (28,678-dwt, 2003 Shin Kochi) was sold in June for \$5.5m.

In a cash plus share swoop deal Pacific Basin are reported to have bought five bulk carriers for \$104.6m. The deal consists of four supramaxes and one handysize all built in Japan. One of the ships is a resale delivering from Tsuneishi in January 2018, and the other four units are built 2014 and 2016 from Tsuneishi and Imabari.

### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Cape Liberty	185,897	2005	Kawasaki	-	Goodbulk	19	
Asterix	178,978	2010	Hyundai Gunsan	-	Navios	29.5	
United World	82,026	2013	Tsuneishi Fyym	-	JP Morgan	21.3	
Midland Sky	81,466	2010	Universal Maiz	-	Songa	18	
Aby Diva	76,596	2007	Imabari Maru	-	Erasmus	12.5	
Star Of Sawara	76,553	2008	Shin Kasado	-	Hong Kong based	13.5	
Levantes	76,015	2001	Tsuneishi	-	Chinese	8.2	
U Lucky	57,000	2011	Xiamen	C 4x30	Undisclosed	11	
Chrina	52,817	2001	Onomichi	C 4x30	Chinese	7.5	

### Demolition Sales

Vessel	DWT	Built	Yard	Type	Buyer	Price (\$/LDT)
Impros	101,605	1994	Brodosplit	TANK	Bangladesh	365
Astro Arcturus	98,805	1997	Daewoo	TANK	Bangladesh	392
Yong Huan	74,823	2000	Hudong	BULK	Undisclosed	Undisclosed
Yong Feng	74,099		Jiangnan	BULK		
Sanmar Serenade	45,696	1992	Tsuneishi	TANK	Bangladesh	382



## Tanker Commentary

Whilst activity remains lacklustre and deals scarce, at least this week we have two key transactions to note. Having been quietly mentioned as sales candidates for some months, Cido have committed their 2 x HMD resales *Atlantic Falcon* & *Atlantic Guard* (50,000-dwt, 2017 HMD) to clients of Torm. The ships are scheduled to delivery in Q3 of this year. The price, believed to be around \$32.8m each, is in line with the market for Tier II ships. At the start of the year there was a surge of MR orders at similar levels as the last of the tier 2 berths were booked up. Now MR newbuilding prices in Korea sit at around \$34.5m basis Tier III. Cido remain keen sellers of their 3 x 2007 built MRs. Whilst their price ideas of around \$16.5m are realistic, they are yet to secure a buyer.

Keeping with the products sector, Athens based Phoenix Tankers have sold their clean trading LR2 *Phoenix Light* (105,599- DWT 2009 Hyundai Ulsan) to clients of Great Eastern for \$23.3m. The price is a respectable one given the current market environment and is in line with the India Steam ship deal back in April. With so few ships workable for sale, these younger vessels seem to be holding their value well.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Phoenix Light	105,599	2009	Hyundai Ulsan	Great Eastern	23.3	
Atlantic Falcon Atlantic Guard	50,000	2017	Hyundai Mipo	Torm	32.8 (each)	Delivery Q3 2017

### Tanker Period Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Badr	116,075	2008				
Alhani	114,795	2007	Samsung	6 months	13,500	Solal
Atlas Voyager	115,482	2003	Sanoyas Hishino	6 months	14,500	Solal
Seaenvoy	112,300	2017	Guangzhou Long	2 years	15,750	ST Shipping
Ambrosia	105,363	2006	Sumitomo	6 months	14,000	Samos
Valle Azzurra	50,697	2007	SPP	1 year	13,750	Total
Valrossa	50,600	2008	SPP	6 months	13,500	CCI LLC
PVT Dolphin	45,888	2004	Shin Kurushima	6 months	12,000	ST Shipping
Alkiviadis	36,700	2006	Hyundai Mipo	1 year	12,750	Total

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