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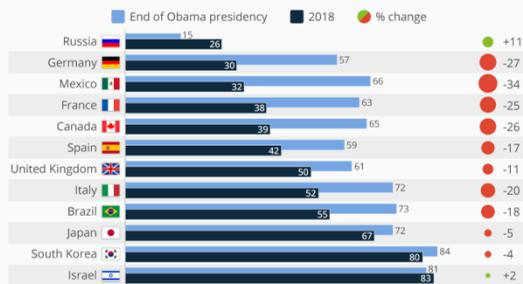
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## THE BIGGER PICTURE

... Trump, Trade, Tricks and Tirade ...

### U.S. Suffers Decline In International Image

Share with a favorable view of the U.S. in selected countries (%)



Source: Pew Research Center

Source: Pew / Statista

## POINTS OF VIEW

This week the Global Maritime Forum met in Hong Kong to discuss major issues that will affect shipping over the next 10 years. The top three impact issues\* were identified as: 1) global economic crisis; 2) energy price fluctuations; and 3) cyber attacks and data theft. All are quite topical, and thus at the forefront of people's minds. It is ten years since the collapse of Lehman Brothers that represented the peak of the so-called Global Financial Crisis (GFC). Such crises usually conform to a pattern of 10-year cycles, meaning that we are now due another one. Fluctuating oil prices are certainly an issue as this week Brent popped above \$85 a barrel. We can blame many things but a representative sample might be: the imminent re-imposition of US sanctions on Iran; US sanctions on Venezuela; the reluctance of Saudi Arabia and Russia to turn on the taps, as demanded by the US president; inadequate oil infrastructure in the Permian Basin in Texas, hence shutting in export barrels; unreliable Opec producers such as Libya, Nigeria and Angola and, lastly, steady global oil demand growth of 1.5% a year. Quite a lot of the 'blame' for higher oil prices flows back to the US and not, as the US would have it, to Opec. Ultimately Opec and Russia will intervene should Brent hold above \$80 for too long as this price is in the foothills of demand destruction. The last point is cyber attacks and data theft. Russian meddling in the 2016 US presidential election is still being investigated while Maersk is still smarting from the \$300 million shock of its 2017 NotPetya cyber attack. The Faangs, much loved for their varied social benefits, as well as for their share price performance, are being scrutinised for misuse of our data.

The Global Maritime Issues Monitor's top three shipping impact issues involve a large element of mea culpa. The GFC was the product of financial engineering gone wrong, itself a response to the suppression of US rates since 2001, leading to a frantic search for yield and a mistaken journey up the risk curve. The shift to zero-bound interest rates only intensified after 2008. The GFC caused a collapse in global demand in 2009 and this hit shipping hard and fast, but the main and more enduring culprit was self-induced oversupply, and that still haunts us to this day. Oil price fluctuations are a natural response to changes in supply and demand, mostly human-induced. Excessive oil production causes oil prices to fall and consumption to rise, while inadequate oil production causes oil prices to rise and consumption to fall. Short-term trends in oil demand are price-driven while long-term trends are more related to demographics and wealth. In shipping we have the challenge of short-term IMO 2020 and long-term GHG 2050^ targets. Both will dramatically alter the price and type of fuels consumed by ships at sea to the eventual benefit of the environment. Shipping needs to work out more efficient mechanisms for passing on these extra costs in the supply chain. Logically, it will end up at the end of the line: with consumers and higher goods prices. Scare stories of shipping companies going bust in the face of spiralling fuel costs make no sense, as fuel is the main midstream cost and it must be passed on. Either that, or no ships...

The third issue of cyber security is one that we are ill-prepared for, as it is an evolving issue and we have yet to develop robust defences; we need to raise our preparedness. We can hedge and reduce exposure to fuel and cyber threats but it is far more difficult to protect ourselves from un-flagged macro-economic events that can reduce global demand at a stroke. John Hadjipateras, CEO of Dorian LPG, is quoted as saying that the best protection against the unforeseen and unforeseeable in shipping is a strong balance sheet. Not all shipping companies are able to meet such prudential advice. One might add, scarce availability of finance is a positive for the supply side, and no more than 50% gearing is a sound idea. It would have saved many an owner, and bank, post 2008. Oaktree is one of the biggest investors in shipping and it is interesting to read the thoughts of co-founder Howard Marks\*\* on risk and the next financial crisis. His latest Insights of 26 September 2018 is titled "The Seven Worst Words in the World" which are: "too much money chasing too few deals"; an apt metaphor for shipping in the 2004-2008 period. There are both similarities and differences between now and 2008. The banks are better capitalised but total leveraged debt outstanding is double the amount of 2007 at \$2.5tn. He advises us to "move forward, but with caution" and finishes with: "Just about everything in the investment world can be done aggressively or defensively. In my view, market conditions make this a time for caution."

\*As set out in the Global Maritime Issues Monitor 2018.

^Shipping is responsible for about 90% of global trade while emitting about 2.5% of global greenhouse gas (GHG) emissions.

\*\*On Oaktree Capital Management website under Insights.

## Dry Cargo Chartering

The **BDI** closed the week at 1,536, down slightly from last weeks close of 1,540. The **cape** market closed the week at \$18,026, also down from last weeks close of \$18,350. In the Pacific, K-Line fixed the *Mineral Honshu* (181,408-dwt, 2012) delivery CJK for a trip via Australia, redelivery Singapore-Japan at \$20,750. Hyundai Glovis fixed the smaller *Lowlands Phoenix* (177,036-dwt, 2004) delivery CJK via west Australia, redelivery Singapore-Japan range at \$16,000 first 30 days then \$20,500 thereafter. In the Atlantic, Uniper fixed the *Golden Cumulus* (180,499-dwt, 2018) delivery Gibraltar for a spot trip via USEC redelivery Gib-Skaw range at \$19,000. On voyage, the Dampier/Qingdao ore runs started in the 9's however finished being fixed in the mid \$8's by Friday.

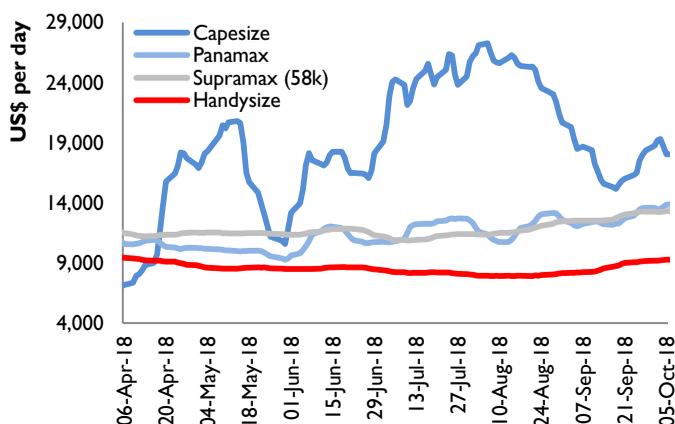
This week the Panamax market gained \$254 from last week, meaning the TCE average closed up at \$13,849. In the Atlantic, Klaveness took *Key Guardian* ((83,468-dwt, 2011) for a trip out of Tubarao into Ghent with Iron ore at \$24,000 and Oldendorff took *Darya Devi* (81,930-dwt, 2013) delivery Wilhelmshaven for a trip via the Baltic to Skaw-Passero at \$15,500. In the Pacific *Sunny Young* (81,966-dwt, 2011) fixed a trip via Indonesia into India at \$19,000 basis delivery Tanjung Bin with K-Line and Pacific Bulk took fixed a North Pacific round voyage on BTG *Matterhorn* (81,060-dwt, 2016) in d/c delivery Rizhao redelivery Singapore-Japan at \$15,000. On the period side of things Bunge took *Star Kamila* (82,769-dwt, 2005) for 6/8 months delivery

Phu My at \$14,500 for world wide trading and Oldendorff too *Despina V* (81,200-dwt, 2018) delivery Bordeaux for balance of period, Maximum to 1<sup>st</sup> April 2019 for world Wide trading at \$20,000.

The **supramax** index closed the week at \$13,327, slightly up from last weeks close of \$13,273. The **handy** market closed the week at \$9,260, also up from last weeks of \$9,155. In the Atlantic, rates remained firm in all of the key areas. The *CP Nanjing* (63,526-dwt, 2017) fixed delivery ECSA for a prompt trip redelivery Far East with grains at \$16,000 plus \$650,000. Mainline fixed the *Anastasia S* (52,808-dwt, 2004) delivery passing Skaw for a prompt trip via St Petersburg redelivery East Med with scrap at \$12,000. Western Bulk fixed the *Carlota Bolten* (37,489-dwt, 2015) delivery Barranquilla for a trip to Norway at \$12,750. Falcon fixed the *Tanta T* (32,500-dwt, 2011) delivery Dneprobugsky redelivery Spain at \$13,500. The holidays in the Asian market didn't have a huge effect on the Pacific market with rates remaining firm. Norvic fixed the *Navios Astra* (53,468-dwt, 2006) delivery Krishnapatnam redelivery Bombay at \$10,500. The *Bridgeway* (53,477-dwt, 2010) fixed delivery Gresik via Indonesia redelivery S China at \$15,000. Ultrabulk fixed the *Pilion* (58,081-dwt, 2010) delivery Port Elizabeth redelivery Singapore-Japan at \$13,100 plus \$310,000 bb.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Anangel Hope	179,445	2015	Rotterdam	30 Sep-2 Oct	Sing-Jpn	40,000	ETCP	Via Seven Islands
Mount Troodos	179,383	2012	Hong Kong	PPT	China	17,250	Oldendorff	Via West Australia
Helvetia One	92,737	2012	Passing COGH	26-27 Sep	PMO	15,000 + 500K GBB	CNR	Via ECSA
Tangereine Island	82,265	2012	Singapore	PPT	Sing-Jpn	17,000	Louis Dreyfus	Via ECSA
Skopelos I	79,659	2011	RBCT	9 Oct	ECI	14,000 + 400K GBB	Jaldhi	
Nord Kitten	60,195	2017	Canakkale	Early Oct	Chittagong	24,000	ADMI	
Adirondack	57,016	2010	Gdynia	5-10 Oct	East Med	14,000	Evomarine	Via Baltic Int Scrap
Hammonia Korsika	56,722	2010	Surabaya	PPT	WCI	13,500	CNR	Via Indonesia
Aramis	55,830	2012	Durban	06-09 Oct	CJK-Japan	13,700 + 370,K GBB	Norvic Shipping	
Broadgate	37,949	2017	Port Kelang	PPT	Sing-Jpn	10,850	Oldendorff	



Exchange Rates	This Week	Last week
JPY/USD	113.81	113.38
USD/EUR	1.153	1.158

Brent Oil Price	This Week	Last week
US\$/barrel	84.29	82.10

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	526.0	493.0
MDO	755.0	730.0
Rotterdam IFO	477.0	455.0
MDO	707.0	688.0



### Dry Bulk S&P

Generally when several influential shipping countries have holidays for all or part of the week the market slows and activity drops, despite numerous public holidays across and Golden Week in China the long lists of sales candidates are tempting Buyers to see what can be achieved when they test committed sellers.

The post-panamax *Ikan Kedewas* (88,279-dwt, 2006 Imabari) has been sold to Greek Buyers for \$12.5m. A sister ship, *Sincere Salute* built 2004 was sold in May to Chinese Buyers for \$13m. Chinese regulatory changes have resulted in Tier 1 ships like this one being unable to enter the coastal market, presenting opportunities for international Buyers at softer levels for. The panamax *Double Prosperity* (76,633-dwt, 2005 Imabari) has been committed to Middle Eastern Buyers at \$10.6, again representing a significant step down on the last comparable sale of *Lady Maria Ocean* (76,596-dwt, 2007 Imabari) for \$13.3 to Greek Buyers in July. Two older panamaxes have been committed too at soft levels, *Navios Felicity* (73,867-dwt, 1997) sold for \$4.9 and *Celerina* (73,035-dwt, 1999 CSBC Kaohsiung) sold for \$5.5m

On the supramaxes, the long list of sales candidates remains with several ships negotiating, one of these is *Medi Firenze* (58,722-dwt, 2008 Tsuneishi Cebu) which is rumoured to be trading firm in the low \$13s, if she concludes at this level it would mark a notable drop against *Tschaikowsky* (58,790-dwt, 2009 Tsun Cebu) sold end of July for \$14m, however *Medi Firenze* is rumoured to have had a grounding which makes it hard to view as a benchmark sale. JME Navigation, Greece, have purchased the *Crown 63 Sage Baylorcom* (63,500-dwt, 2015 Dayang) at \$22.95m which is in line with the price achieved on the 2012 built sister in June (*Sage Amazon* 63,227-dwt, 2012 Dayang sold for \$19.5m).

On the handies, Middle Eastern Buyers have purchased the open hatch box shaped *Greenfinch* (32,298-dwt, 2010 Kanda) for \$11.8 and the *Golden Kiku* (29,700-dwt, 2005 Shikoku) is committed to Greeks for \$7m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
<i>Ikan Kedewas</i>	88,279	2006	Imabari	-	Greeks	12.5	
<i>Double Prosperity</i>	76,633	2005	Imabari	-	Middle Easterns	10.6	
<i>Navios Felicity</i>	73,867	1997	Sumitomo HI	-	Undisclosed	4.9	
<i>Celerina</i>	73,035	1999	CSBC Kaohsiung	-	Undisclosed	5.50	
<i>Sage Baylorcom</i>	63,500	2015	Yangzhou Dayang	C 4x35	JME Navigation SA	22.95	TC at 12,825 to D'Amico 3-6m
<i>Greenfinch</i>	32,298	2010	Kanda	C 4x30.5	Middle Eastern	11.8	
<i>Golden Kiku</i>	29,700	2005	Shikoku	C 4x30.5	Greeks	7	
<i>Gloria Hayne</i>	28,392	1996	Imabari	C 4x30.5	\$4.20m		

## Tanker Commentary

Conventional sales activity remains scarce with the majority of transactions that have been concluded coming in the form of refinancing deals as leasing companies in both China and Japan looking to take advantage of historically low asset values. That said, we are now starting to see a greater flow of modern sales candidates entering the market. Given the lamentable earnings particularly in the product sector, it will be interesting to see if more owners opt to dispose of their assets rather than face further trading losses. This week, we have seen several modern LR2s marketed for sale on top the Marinsa Shipping fleet and Brightoil crude fleet which is currently under offer. From a position of very little choice, Buyers now have options. Whether the increased supply will have a detrimental affect on values remains to be seen...

The only notable sale this week is the announcement that Mingsheng Financial Leasing have acquired a pair of VLCCs from Dr Peters which have been fixed on long term TC's to Cosco Shipping Energy Transportation. It has been reported that the DS Vision and DS Venture (297k dwt / blt 2011 Dalian) have obtained a price in the high 40 mill each whereas the details of the TC are yet to be disclosed.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Front Ariake	298,530	2001	Hitachi Zosen	Joint venture - Bumi Armada/ Pallouji Group, India	20.7	price includes \$3.4m loan. Joint venture for conversion project
Ds Vision	297,345	2011	Dalian	Min Sheng	High 40s each	7-10 yrs TC to COSCO
Ds Venture						

### Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Leyla K	115,300	2010	Hanjin Subic	6 mths	14,500	Mjolner Shipping
Stellata	110,000	2016	Sumitomo	1 yr	15,400	Trafigura Beheer BV
Nord Jewel	49,900	2018	JMU	6 mths	13,100	Shell Trading and Shipping Co
Nord Joy	49,800		JMU			
Maersk Peary	38,200	2004	STX Offshore	1 yr	28,700	Military Sealift Command

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