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THE BIGGER PICTURE

... A Right Royal Reception ...



Source: BBC/AFP

*In 2018, the US contributed 3.4% of its GDP, above the 2% mandate, which was equivalent to 69% of total Nato spending.

^Tremendous for the US, but not so good for the UK, if other bilateral trade discussions are anything to judge by.

**Cuba sends medical and military 'consultants' to Venezuela in exchange for subsidised oil imports from Caracas.

^^Mr Trump does compromise, lifting import tariffs on Canadian/Mexican steel/aluminium and delaying by 6m import tariffs on EU/Japanese cars.

POINTS OF VIEW

It has been a busy week in London with all the disruption that comes from a state visit by the US president, at the Queen's invitation. It did not start well with Mr Trump tweeting retaliatory derogatory remarks about Sadiq Khan, London's mayor, just as Airforce One was coming in to land at Stansted. The president certainly appeared to enjoy the pomp and circumstance of visiting Buckingham Palace, an opportunity for him to visit a proper palace with timeless treasures. He was accompanied by his side of the family, all expenses paid, to enjoy rare photo opportunities, raise his re-election chances and embellish the Trump brand value to somewhere nearer the fantasy \$4 billion that he claimed back in 2013. The Duchess of Sussex did not attend proceedings, after he had called her "nasty", and her husband, Prince Harry, kept his distance. Mr Trump denied calling Meghan nasty, despite the evidence, this being a man who is said to cheat at golf and falsify his medical records. Royalty, politicians and public were mostly respectful of the president, but more of the office than the holder. The US and UK are important allies and partners and this week commemorated the 75th anniversary of the D-day landings. In her banquet speech at the palace, later echoed by Mr Macron, the Queen praised the role that multilateral institutions have played in promoting peace since 1945. One assumes that the Queen was alluding to the UN, EU and Nato. Mr Trump has little time for these. He rightly wants Nato to bear its fair share of defence costs while encouraging the UK to make a clean break from the EU so that we can strike a tremendous^ bilateral trade deal.

The US seeks to open up the UK to US agricultural imports, including hormone-injected beef and chlorine-washed chicken, both of which would breach current EU rules that we plan on continuing to abide by. Mr Trump also said that our NHS was "on the table" in a trade deal, although he later retracted this in the face of unambiguous political hostility. The UK will not contemplate the privatisation of the taxpayer-funded NHS just so that American pharmaceutical companies can raise drug prices to predatorial levels. In the US, healthcare is run as a business; here, it is run on a needs basis. In discussing the Huawei affair, Mr Trump suggested that Five Eyes intelligence sharing will be maintained if our security services can guarantee to ringfence Huawei's content in our 5G telecoms infrastructure. Huawei is set to become the battleground on which the US and China fight for global technological dominance. China is considering restricting its supply of rare earth minerals that are vital components in telecoms, medical and military equipment. Given integrated supply chains, it will have a global rather than US-specific impact. The US expects to go ahead with raising tariffs on all Mexican imported goods and this week it banned US cruise ships from calling Cuba to further undermine the Maduro regime in Venezuela.** Such cruise ships have already diminished Cuba as a tourist destination, but the consequent loss of income will only cause Cuba to intensify its anti-US activities.

Needless to say, this ramping up of trade disputes, even before the US has had a chance to switch focus to Europe and Japan, is roiling financial and shipping markets. America's traditional worldwide allies – Nato members and partner countries – are divided over US sanctions on Iran, Venezuela, Russia and North Korea and are alarmed at how it is picking bilateral trade fights with China, Canada and Mexico.^ Mr Trump is proving to be an unpredictable disruptor, which keeps his opponents on the edge of their seats, but there is no sign of any strategic planning when it comes to foreign and trade policy. It appears to be intuitively made up on the hoof, and it largely revolves around presidential deal-making instinct, and yet not a single deal has been successfully concluded. The fall-out in shipping has been mostly sentimental, but it has had varying impacts on each of the main three sectors of bulkers, tankers and containers. A modern capesize is earning on average only \$6,200 per day so far in 2019 after \$14,000 in 2018 and \$13,500 in 2017. A modern supramax is doing rather better at \$9,100 this year compared with \$12,100 in 2018 and \$10,600 in 2017. In the crude tanker class, average earnings for a modern VLCC are at \$19,100 daily so far this year compared with \$15,600 in 2018 and \$17,800 in 2017. In the product tanker class, a modern MR workhorse is averaging a respectable \$12,600 this year compared with \$8,800 in 2018 and \$10,200 in 2017. In containers, a modern 2,750-teu unit is averaging \$8,800 so far this year after \$10,800 in 2018 and \$8,800 in 2017. In all three sectors, especially in sizes well below the largest, we expect better earnings in the second half of 2019, rising further in an IMO-disturbed 2020.

Dry Cargo Chartering

The **BDI** closed the week at 1,138, up from last weeks close of 1,096. The **Cape** market remained firm, closing the week at \$15,007, up \$2,020 from last week. On Wednesday the *Lowlands Orchid* (176,193 dwt, 2005) fixed Pyeongtaek via Pacific redelivering Singapore-Japan range at \$14,750. Citic fixed the *Cape Leonidas* (180,149 dwt, 2010) delivery Zhanjiang for a trip via West Australia redelivery South China at \$18,000. On period the *P.S. Palios* (179,134 dwt, 2013) fixed to SwissMarine delivery Caofeidian for 9 to 11 months redelivery worldwide at \$17,500. On voyage runs, BHP fixed two cargos of 170,000/10 iron ore from Port Hedland to Qingdao at \$7.35 & \$7.45. Five Ocean fixed a 133,000/10 coal from Newcastle to Hadong at \$11.25. In the Atlantic, Polaris was also heard to have fixed a Kepco tender for 130,000/10 coal from Puerto Drummond to Boryeong at \$26.00.

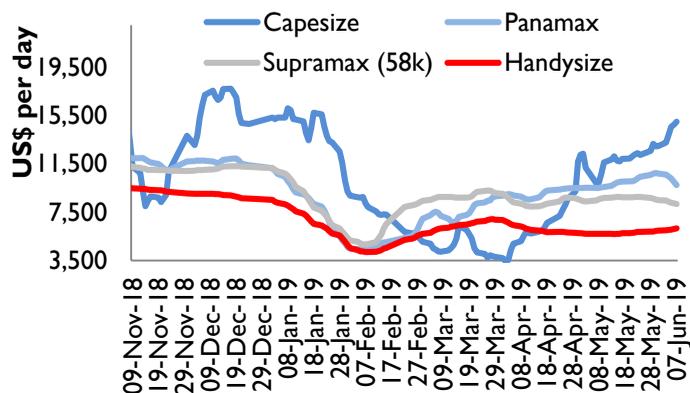
On the **Panamax**, last week's gains in the index could not be maintained, losing \$969 to end the week at \$9,736. In the Pacific, Klaveness took *Bulk Japan* (82,951-dwt, 2006) delivery Qingzhou for a trip redelivery Japan via Indonesia at \$11,500 while *Canea* (75,356-dwt, 2007) was fixed delivery Rizhao redelivery South East Asia via NoPac at \$10,500. In the Atlantic, Louis Dreyfus fixed *Peace Gem* (76,433-dwt, 2012) for a trip delivery East Coast South America redelivery Skaw-Barcelona at \$17,500. On fronthaul, *Nord Venus* (80,655-dwt, 2011) was fixed for a trip delivery East Coast South America redelivery Singapore-Japan at \$15,300 daily plus \$530,000 bb. Period activity was minimal but Speed Logistic was said to have fixed the *Anais* (76,015-dwt, 2002) delivery Lianyungang for 5 to 8 months at \$10,850 redelivery worldwide.

The **Supramax** index softened further this week, closing at \$8,173, down from last weeks close of \$8,173. In the Atlantic, *Equinox Star* (58,680-dwt, 2011) fixed delivery EC South America for trip redelivery East Mediterranean at \$16,150. *Anogrya* (56,729-dwt, 2011) fixed delivery SW Pass for a trip redelivery Egypt with coal at \$12,250. In the Indian ocean, *Moondance* (55,566-dwt, 2005) fixed delivery EC India for a trip redelivery China at \$10,500. Seacoast fixed *V Avocet* (51,536-dwt, 2002) delivery Arabian Gulf for a trip redelivery WC India with Urea at \$9,000. In the Pacific, *Apus* (63,122-dwt, 2014) fixed delivery CJK for a trip via Australia redelivery Singapore-Japan range at \$8,000. *Asia Ruby III* (66,023-dwt, 2014) fixed delivery Luoyuan via Indonesia for a trip redelivery Pakistan at \$6,000. On period, Ultrabulk fixed the *Port Orient* (61,485-dwt, 2017) delivery Bremen for 3 to 5 months trading redelivery Atlantic at \$11,000.

The **Handy** index closed the week at \$6,175, up from last weeks \$5,969. Another quiet week in the Pacific which was disrupted by holidays in Singapore on Wednesday and China on Friday. In the north, *Ken Jyo* (37,005-dwt, 2018) open Kashima fixed a trip to South East Asia in the high 6's. Heading further South, *Lentikia* (39,202-dwt, 2012) open Behai was fixed by Berge Bulk for grains into Japan at 8,000 and out of Australia, Austbulk took *DL Lavander* (35,194-dwt, 2014) at 11,000 delivery Kwinana for salt into Indonesia. There was little in the way of reported period fixtures this week in the Pacific. In the Atlantic, rates in the USG and ECSA remained firm. We heard a 39k dwt fixing \$9,000 from the USG to the Continent. XO took the *Bunun Brave* (45,556-dwt, 2014) delivery Skaw for a trip via Baltic redelivery East Med with scrap at \$7,750. The Med and Black Sea remained soft with rumours a 28k dwt fixing \$4,000 delivery Cannakkale to East Med.

Representative Dry Cargo Market Fixtures

| Vessel | DWT | Built | Delivery | Date | Redelivery | Rate (\$) | Charterers | Comment |
|---------------|---------|-------|--------------------------|-----------|---------------------|-----------|-------------------|---------------------|
| Cape Leonidas | 180,149 | 2010 | Zhanjiang | 8 June | South China | 18,000 | Citic | Via West Australia |
| Keeper | 174,674 | 2005 | Hamburg | PPT | Boryeong | 27,000 | Polaris | Via Puerto Drummond |
| Star Astrid | 82,158 | 2012 | Ulsan | 06 June | Vietnam | 12,750 | Norvic | Via East Australia |
| Tuo Fu 8 | 81,721 | 2013 | Santos | 26 June | Singapore-Japan | 16,000 | Medmar | Plus 600,000 bb |
| Peace Gem | 76,433 | 2012 | East Coast South America | 24/28 May | Skaw-Barcelona | 17,500 | Louis Dreyfus | |
| Apus | 63,122 | 2014 | CJK | PPT | Singapore-Japan | 8,000 | CNR | Via Australia |
| Unity | 56,017 | 2007 | Skaw | Spot | East Mediterranean | 8,300 | Weco | Via Baltic |
| V Avocet | 51,536 | 2002 | Arabian Gulf | PPT | West Coast India | 9,000 | Seacoast | |
| Bunun Brave | 45,556 | 2014 | Skaw | PPT | East. Mediterranean | 7,750 | XO Shipping | Via Baltic |
| Adelina | 34,032 | 2012 | SW Pass | PPT | Algeria | 7,200 | Suisse Atlantique | |



| Exchange Rates | This Week | Last week |
|----------------|-----------|-----------|
| JPY/USD | 107.97 | 108.82 |
| USD/EUR | 1.1344 | 1.1145 |

| Brent Oil Price | This Week | Last week |
|-----------------|-----------|-----------|
| US\$/barrel | 62.43 | 64.99 |

| Bunker Prices (\$/tonne) | This week | Last week |
|--------------------------|-----------|-----------|
| Singapore IFO | 394.0 | 405.0 |
| MDO | 562.0 | 602.0 |
| Rotterdam IFO | 373.0 | 374.0 |
| MDO | 533.0 | 563.0 |



Dry Bulk S&P

The freight market is bumping along without particular direction and so too is the second hand market. We have relatively few sales to report but there are plenty of buyers out on the road inspecting ships and battle has been joined over several units. However if we are to see a trend it is of deals failing rather than fixing. There seem to be plenty of buyers testing sellers at lower numbers, but for the moment the only deals that are being done are at repeat-last numbers.

Two ten year old supramaxes have changed hands this week. Both were controlled by Japanese owners. *Bulk Pegasus* (58,736-dwt, 2009 Tsuneishi Cebu) is reported sold to Bangladeshi owners Akij for \$13.2m while the smaller *Lake Dynasty* (55,638-dwt, 2009 Mitsui) is sold for a similar \$13.5m to as yet unknown buyers. The sales are as per last done – perhaps a little stringer – and illustrate the pay-off between Philippine construction versus and extra 3000dwt.

Yet another elderly panama has changed hands. A year ago *Ocean Favour* (72,400-dwt, 1998 Sasebo) was looking for \$6.5m and now has been sold for \$6.3m having in the intervening period passed surveys and installed a BWTS.

Finally the laker *Three Rivers* (29,975-dwt, 2010 Gouyu) is reported sold for a relatively buoyant \$8.3m. The vessel is reported to be staying with the same technical managers so perhaps the price doesn't tell the whole story.

Reported Dry Bulk Sales

| Vessel | DWT | Built | Yard | Gear | Buyer | Price \$m | Comment |
|--------------|--------|-------|------------------|--------|-------------|-----------|-----------------------|
| Ocean Favour | 72,400 | 1998 | Sasebo Heavy | - | UAE buyers | 6.2 | |
| Bulk Pegasus | 58,736 | 2009 | Tsuneishi HI | C 4x30 | Akij Group | 13.2 | |
| Lake Dynasty | 55,638 | 2009 | Mitsui Eng. & SB | C 4x30 | Greek | 13.5 | |
| Three Rivers | 29,975 | 2010 | Yangzhou Guoyu | C 3x30 | undisclosed | 8.3 | Charter until Jan '20 |

Tanker Commentary

As we approach the second half of the year, tanker activity remains rife with some interesting deals being concluded. In the products sector, Torm have made their first second hand purchase for well over a year. The Copenhagen based owner has bought the CPO *Australia, Malaysia, Singapore* and *New Zealand* (51k dwt / 2011 HMD) for an enbloc price of \$83m. The \$20.75m per vessel is another step up in values, just last month Transpetrol sold their 2010 built HMDs to Celsius for region \$18m.

The Brightoil judicial fleet sale is gathering momentum with two more tankers on the chopping block this week. A who's who of tanker owners gathered for the auctions of the VLCC *Brightoil Gravity* (319k dwt / blt 2012 HHI) and aframax *Brightoil Lion* (107k dwt / blt 2010 Tsuneishi). The market is awash with rumours of a wide range of pricing and potential buyers however

we understand the vessels have been sold and we hope to shed more accurate news on the outcome in next weeks report. It will be interesting to see if Delta Tankers swoop for the *Brightoil Gravity* having acquired the sister vessel *Brightoil Glory* recently at auction in Korea for a reported US\$ 58 mill. It appears the values are not being hampered by the distressed nature of the transactions with strong competition propping up prices.

Reported Tanker Sales

| Vessel | DWT | Built | Yard | Buyer | Price \$m | Comment |
|-------------------------------------------------------------|---------|-------|--------------------------|-------------|--------------|---------|
| Brightoil Gravity | 319,911 | 2012 | Hyundai Heavy Industries | Diamitidis | 61.5 | |
| Brightoil Lion | 107,525 | 2010 | Tsuneishi Holdings | undisclosed | 24.5 | |
| CPO Australia/ CPO Malaysia/ CPO Singapore/ CPO New Zealand | 51,000 | 2011 | Hyundai Mipo | Torm | 83.0 en bloc | |
| Strymon | 47,120 | 2005 | STX | 'Greek | 10.9 | |

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