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THE BIGGER PICTURE

... 2019 State of the Trump address ...



Source: The FT

POINTS OF VIEW

In his State of the Union address to Congress last Tuesday night, President Trump managed to send out the usual mixed messages. As with all political leaders, he took credit for everything good that has happened on his watch while blaming others for everything bad. To rapturous and sycophantic applause he listed a series of economic achievements whose origins well predate his presidency. He highlighted the partisan nature of today's politics, made worse by the fact that his Republicans have lost control of the House, and called for unity in the national interest. Moments later he was back sowing division calling for his southern wall to be paid for by Congress. In trying to fulfil his main campaign pledge, to build a security wall, he was breaking another in asking Congress to stump up \$5.7bn for it,[^] instead of Mexico paying as promised. He has accentuated divisions between Republican and Democrat and has polarised opinions across America on lines of race, religion, gender and wealth. Internationally, he is in retreat from the multilateral institutions that have secured world peace in favour of bilateral deals in which America can bully its way to victory. He has threatened military intervention in backyard Venezuela, while overlooking human rights abuses in other Latin American countries. He seeks regime change in Caracas allowing President Maduro to claim that the US is after its oil reserves, the world's largest. This is fanciful given that US oil output is the world's highest, averaging 11.6m-bpd in 2018. And yet other major producers such as Russia (11.2m-bpd) and Iran (3.8m-bpd for Jan-Sep 2018) are also sanctioned while number three, Saudi Arabia (10.3m-bpd), is kept close despite its well documented issues in Yemen and Turkey. This president sees everything through the lens of his ego, money and dealmaking; moral principles do not count. Mr Trump still has a loyal hardcore support base that identifies as much with his abrasive policies as with his reflected human failings. This base is predominantly white, male, middle income and Republican but latest polls* indicate that his approval rating has slipped from a peak of 56% two years ago to 41% today. He has lost ground in every single category of race, gender, income, party, education and age. His chances of a second term are diminishing.

The president took credit for strong economic growth and record low unemployment. He ignored the fact that growth momentum picked up under President Obama while the stimulative effects of Mr Trump's December 2017 \$1.5 trillion tax cuts for the wealthy have already faded, leaving a legacy of trillion dollar annual deficits to be paid back by future generations. Other highlights included sending 3,750 extra troops to the southern border to intercept northbound migrant caravans; a second meeting with Kim Jong-un in late February in Vietnam; ongoing US peace talks with the Taliban; a call to end the witch hunt into possible collusion between the Trump campaign and Russia in the 2016 US election; withdrawal from the Intermediate Range Nuclear Forces Treaty of which Russia is in violation; and ongoing trade discussions with China as the two superpowers jockey for leadership in technical innovation and future world domination. Telling China that "it must include real, structural change to end unfair trade practices, reduce our chronic trade deficit, and protect American jobs" is a tough call. China's state-centric model is the basis for China's future domestic economic growth and overseas expansion and it is inseparable from China's one-party political system. This is unlikely to change but it is an admirable effort to level the playing field, albeit 30 years too late. All this is so much more interesting than shipping right now, which is in the doldrums across the three main sectors, and we can hardly work out what we have done wrong. The tanker trades are disrupted by output cuts and sanctions in ways that are hard to fathom, but it is plain to see that tanker rates are well off their respective December peaks. According to Baltic data, VLCCs are 90% lower at \$3,726 daily, suezmax 64% weaker at \$18,527 per day, aframax off 72% at \$12,427 daily and MRs down 64% to \$11,957 per day.^{^^} Chinese crude oil imports set two monthly records in 4Q18 ahead of the CNY holidays that are now upon us.^{**} China has greatly reduced imports of US crude oil despite it not being on the tariff list. Reuters reports that oil traders are viewing the March 1st deadline for the resolution of US-China trade friction as the most significant date in the calendar. This simmering "easy to win" dispute between the world's largest economies is transmitting negative demand vibes around the world, eating into the global consumption of middle distillates used in transport, manufacturing, mining and farming. Distillate consumption has been closely correlated with the US and global business cycle over the past 50 years. We can only hope that this Year of the Pig brings home the bacon for tankers.

[^]Congress has until 15 February to approve funding or face another government shutdown following the earlier record 35 day closure.

*Source: Politico in conjunction with Morning Consult.

^{^^}As quoted at Thursday 07 February close.

^{**}Jan-Dec 2018: average 9.2m-bpd (+10% yoy). Dec: 10.3m-bpd; Nov: 10.4m-bpd (new record); Oct: 9.6m-bpd. Chinese customs data.

Dry Cargo Chartering

All segments closed down from last week however there was a small revival towards the end of the week. The **BDI** closed at 601, down from last weeks 645. The **cape** market was the only segment to finish in the red on Friday, closing the week at \$7,911, down from last weeks \$8,877. On timecharter, NYK fixed the *KSL Santos* (181,055-dwt, 2014) delivery South Korea for a trip via East Coast Australia, redelivery Oita at \$10,000. On period, SwissMarine fixed the *Lake Despina* (181,406-dwt, 2014) delivery retro Caofeidian for 11/14 months trading redelivery worldwide at \$14,500. On voyage, Tubarao/Qingdao runs were fixed at \$13.60 for 185,000/10, while Port Hedland/Qingdao runs were done at \$4.80 for 180,000/10%.

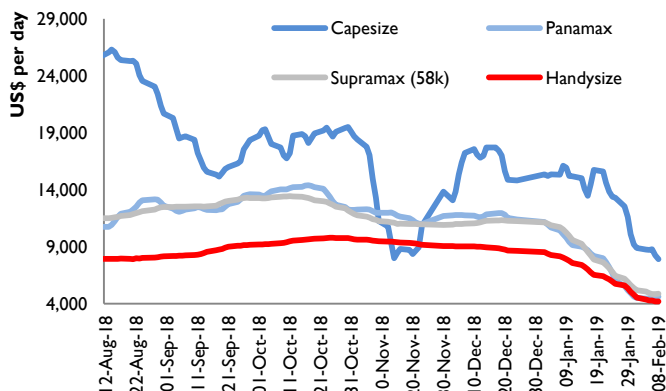
The **panamax** market also lost further ground, closing at \$4,618. In the Atlantic, Ultrabulk fixed the *Iolcos Pride* (87,375-dwt, 2010) delivery US East Coast for a trip to Sines at \$10,250. Polaris fixed the *Sakizaya Queen* (81,858-dwt, 2018) delivery pss Skaw for a trip via Baltic/Suez, redelivery India at \$13,250. Cargill fixed the *Paraskevi* (74,269-dwt, 2003) delivery SWP for a trip redelivery Indonesia at \$13,000 plus \$290,000 bb. Ausca fixed the *Vita Future* (81,600-dwt, 2015) delivery EC South America for a trip to Singapore-Japan at \$12,750 plus \$275,000 bb. In the Pacific, Jaldhi fixed the *Densa Pelican* (82,744-dwt, 2012) delivery pss Colombo

for a trip via South Africa, redelivery India at \$5,500. *Star Topaz* (81,800-dwt, 2018) fixed delivery CJK for a trip via NoPac redelivery Singapore-Japan at \$7,000. The *Iris 11* (75,798-dwt, 2004) fixed delivery Taiwan for 4/6 months trading redelivery worldwide at \$4,150 first 60 days and \$8,650 for the balance.

It was a similar story on the supras and handys although the losses were much less than last week. The **supramax** index closed at \$4,870, down from last weeks \$5,164. The **handy** market closed the week at \$4,202, also down from last weeks \$4,516. In the Atlantic, Norden fixed the *Feng Mao Hai* (63,413-dwt, 2017) delivery Canakkale for a trip redelivery West Africa at \$4,950. Cargill fixed the *Nord Kanmon* (60,236-dwt, 2018) delivery Constanza for a prompt trip to the Continent at \$6,000. The *Star Fighter* (61,455-dwt, 2013) fixed delivery Norfolk for a trip redelivery Med at \$6,500. Veles Bulk fixed the *Solar* (46,768-dwt, 2000) delivery Paranagua for a spot trip via Yemen redelivery Port Said at \$5,250. Lauritzen fixed the *Gold Oak* (37,732-dwt, 2017) delivery Panama for a trip to UK-Cont at \$5,000. In the Pacific, the *Nautical Georgia* (63,435-dwt, 2017) fixed delivery East Kali for a trip to West Coast India at \$9,250. Panocean fixed the *Lake Hakone* (28,496-dwt, 2010) delivery Thailand for a prompt trip redelivery Indonesia with sugar at \$4,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
KSL Santos	181,055	2014	S.Korea	PPT	Oita	10,000	NYK	Via EC Australia
Genco Augustus	180,151	2007	Jintang	27 Jan	Singapore-Japan	10,000	CNR	Pacific
Star Topaz	81,800	2018	CJK	6 Feb	Singapore-Japan	7,000	CNR	Via NoPac
Vita Future	81,600	2015	EC South America	Beg March	Singapore-Japan	12,750	Ausca	Plus 275,000bb
Sidari	75,204	2007	Fazendinha	20 Feb	Spain	8,000	Bunge	
Nautical Madison	63,372	2018	E.Kalimantan	PPT	S.China	9,250	Tongli	
Common Horizon	63,294	2016	Recalada	PPT	Italy	6,250	CNR	
Federal Cardinal	57,955	2015	Up River	PPT	Spain	5,500	Bunge	
Nordcolorado	37,964	2016	N Brazil	11 Feb	Baltic	5,400	Whitelake Shipping	
Gold Oak	37,732	2017	Panama USA	PPT	UK-Denmark-Continent	5,000	J Lauritzen	



Exchange Rates	This Week	Last week
JPY/USD	109.77	109.35
USD/EUR	1.1342	1.1467

Brent Oil Price	This Week	Last week
US\$/barrel	62.05	62.06

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	382.0	414.0
MDO	548.0	581.0
Rotterdam IFO	420.0	373.0
MDO	570.0	540.0



Dry Bulk S&P

It has been a pig of a week in the secondhand market. A few deals that were fixed on subs in the last few weeks have predictably crumpled in the face of a collapse in the spot market, whose sudden and savage decline has been out of kilter with the normal pre Chinese New Year slump.

In such an environment it would not be unexpected to see sellers withdraw market candidates.

Most participants are waiting to see the fire-cracker smoke clear; some are eyeing up the sense of panic that has been engendered by a month of starvation earnings and seeing the opportunities.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Densa Cobra	180,491	2011	STX	-	undisclosed	27.5	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Dangjin Friendship	151,439	1994	China Shipbldg	Bulk	18,343	445	Bangladesh
Lindavia	30,600	1996	Stocznia Gdynia	Cont	10,332	430	'as is' Singapore
Salam Mulia	24,650	1996	KK Kanasashi	Cont	7,506	446	Bangladesh
Anona Ipsa	24,279	2004	Jiangsu Yangzijiang	Cont	10,659	420	'as is' Singapore
CNP Paita	23,047	1998	Stocznia Szczecinska	Cont	7,788	440	India

Tanker Commentary

Hellenic Tankers have taken advantage of the positive sentiment in the tanker market and made a healthy profit from a VLCC purchased within the last 6 months. The VL *Sakura* (298,641-dwt, 2001 Hitachi) purchased from International Seaways in September 2018 for \$18.35m has reportedly been flipped for \$24m illustrating an upturn in values approaching 30% since the summer.

Elsewhere, Eurotankers are reported to have sold a 1999 built suezmax *Eurohope* (159,539-dwt, 1999 Daewoo) for \$12.9m – a vessel that would have been bound for the beaches of the subcontinent a mere few months ago now command a 25% premium on the residual demolition value.

Interest remains rife in the product sector right now, with three notable transactions to report this week. Clients of Zodiac have sold two modern LRIs, the *Abbey Road* (74,919-dwt, 2013 STX) and *Kings Road* (75,000-dwt, 2012 STX) to PNSC for \$30.8m and \$29.8m respectively. The sale marks the first modern LRI transaction in over a year. In the MR sector, Ardmore have sold their *Ardmore Seamaster* (45,800-dwt, 2004 Shin Kurushima) to Chinese Buyers for \$9.4m- a price in line with the recent sale of the *Torm Amazon* (45,000-dwt, 2002 Onomichi) at \$8.3m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
VL Sakura	298,641	2001	Hitachi	Nathalin	24	
Eurohope	159,539	1999	Daewoo	Middle Eastern	12.85	
Kings Road	74,986	2012	STX	PNSC	29.8	
Abbey Road	74,919	2013			30.8	
Ardmore Seamaster	45,840	2004	Shin Kurushima	Chinese	9.7	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate \$pd	Charterer
Universal Leader	300,000	2019	Daewoo	7 yrs	30,100	ExxonMobil
Van Phong I	105,600	2004	Daewoo	1 yr	16,500	Petro Diamond
Seagull	46,200	2000	Hyundai	10 mths	12,500	Bharat Petroleum

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