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Source: The Guardian

POINTS OF VIEW

We spend a lot of time analysing the imperfect data surrounding supply and demand fundamentals to gain some form of clarity over what might happen next. Maybe we are simply deluding ourselves in this frustrating exercise as it rarely yields accurate forecasts when we look back in the rearview mirror to see how we have done. It is not at all surprising as we operate in extremely volatile markets that our shaped as much by external forces and events as by those pesky so-called fundamentals. Product tankers got an enormous boost from Hurricane Harvey, literally dragging them out of the doldrums, only to retrace their footsteps once the storm had passed. The Gulf Coast refineries started to come back on line far quicker than it takes to ship gasoline from continental Europe to the demand centres in the US northeast. This spike of excitement in a dull market was all down to just one storm, begging the question of whether Irma, Jose or Katia cause a repeat performance? Furthermore, if just one storm can throw product tanker rates so far off course, albeit briefly, then what hope for predictions when one considers all the other issues that routinely affect international shipping?

Shipping markets are increasingly being affected by the aforementioned unknown events, known events and government policy, or lack of it. An example of a known event is today's ballast water treatment regulations entering into force, although the IMO has granted a 2-year grace period, and some owners have managed to stretch this to 7 years before they need to comply with the BWM convention. Unknown elements are the total cost (estimated at \$100 billion) and what system to fit that is globally compliant in a world of patchwork regulation. We also have to contend with new rules covering NOx and SOx emissions leaving owners to decide whether or not fit exhaust scrubbers or just burn more expensive cleaner fuel in ports. Multifuel propulsion systems are likely to extend to conventional ships from the elite LNG carrier model. Adoption will be influenced by the more widespread availability of alternative clean fuels now that heavy fuel oil is fast going out of fashion. It is similar issue to that of the adoption of electric cars which will proliferate once the recharging infrastructure is in place.

On that subject, this week France's president Macron announced that France will ban all petrol and diesel vehicles by 2040 and be carbon neutral by 2050. This is not far away given the high cost of traditional long life assets such as power stations, refineries, pipelines and ships. Is the useful economic life of a VLCC still 25 years, or is it 20 or 15 or less? In the wake of the 2008 crisis Japanese owners unsentimentally scrapped their supertankers upon their 15th anniversary. Much progress has been made in the past ten years in reducing the cost of renewables such as wind, solar and wave and now we are on the cusp of a battery storage breakthrough that will enable storage of electricity until periods of peak demand. Under the circumstances it is logical that Saudi Aramco is diversifying its economy away from oil and looking to list 5% of the company for \$100 billion, thus valuing it at a useful \$2 trillion. There is a palpable sense of urgency to get this done as we all know that the stone age did not end for a lack of stone. On the subject of materials, what would happen to the world's steel industry if materials ranging from Kevlar® to graphene were adopted as a steel substitute on an industrial scale? It would do for dry bulk shipping what onshoring and 3D printing may do to container shipping. These are known threats with unknown implementation timelines.

Finally, to policy. President Trump has delivered on none of his campaign promises the most exciting of which, for the markets at least, was reforming Obamacare which would pay for tax reform (read cuts) and infrastructure spending. It was taken for granted by stock markets and hoped for by shipping markets. It may never happen. Over in China, president Xi Jinping is determined to tackle pollution. The NDRC has been shutting down polluting and illegal production capacity in areas such as mining, steel, aluminium, cement and glass. It demands the import of higher grade iron ore and thermal coal to reduce pollution and improve quality, thus pushing up import volumes to record levels and boosting world commodity prices. But, the NDRC is prone to second thoughts, suddenly feeling sorry for sidelined domestic miners and producers, fearful of job losses and social unrest. Policies reverse, stimulus wanes, 'fundamentals' reassert themselves. The government clamped down on overseas investment by the likes of Anbang, HNA, Fosun and Dalian Wanda on concerns of excess leverage, but was it just blocking capital flight? In Europe, a stalemate in Brexit talks makes a hard exit possible which will be disastrous for trade. Policy interference is at unprecedented levels and, together with the knowns and unknowns, it can really mess with the so-called fundamentals.



This week the BDI rose 149 points, ending the week at 1332. **Capes** closed the week at \$20,343, up \$3,395 on last week. Both basins saw similar levels for round voyages, in the Pacific DHL took *Sea Monterrey* (180,491-dwt, 2016) delivery Pohang for an Australian round voyage at \$21,750. On voyage, Rio Tinto covered 170/10% ore Dampier / Qingdao for 22/24 September dates at \$7.95. In the Atlantic, Classic Maritime fixed the *Leopold LD* (179,816-dwt, 2014) fixed delivery Skaw for a trip via the USEC & Turkey, redelivery Passero at \$21,000. On Voyage, TKS covered 180/10% Tubarao / Rotterdam for 1st half October at \$8.49pmt. On fronthaul, K-Line fixed the *Newmax* (203,067-dwt, 2012) aps Tubarao, trip far east at \$18,750 plus \$1.3 million bb. On period, Bunge took the *Xin Chang Hai* (179,200-dwt, 2017) delivery Tianking for 4/6 months at \$17,700.

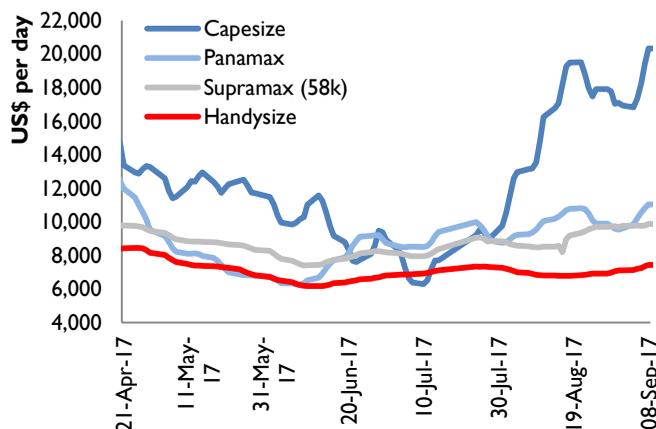
Another positive week for the **Panamax** market with the timecharter average increasing by \$1,187 to end on the week on \$11,037. In the Pacific, *Marbella* (72,561-dwt, 2000) delivery Phu My fixed for a trip Indonesia redelivery South China at \$9,500. Vattenfall took *RB Jake* (81,039-dwt, 2016) delivery Lianyungang spot trip via East Coast Australia redelivery Japan at \$13,000. Oldendorff also fixed *Sinokor Sunrise* (79,393-dwt, 2011) delivery Lanshan for trip via NoPac redelivery Singapore – Japan range at \$10,000. On the fronthaul, Hyundai Glovis took *Rosco Poplar* (82,331-dwt, 2008) delivery aps US Gulf redelivery Singapore-Japan range at around \$16,000 plus \$600,000 bb. *Key Knight* (82,099-dwt, 2012) delivery retro Krishnapatnam via East Coast South America redelivery Singapore-Japan at \$14,100. In the Atlantic, *Camellia Bliss* (81,896-dwt, 2015) delivery SW pass redelivery Gibraltar-Skaw fixed at \$12,000 plus 200,000 bb. ACB took *Woolloomooloo* (76,064-dwt, 2012) delivery retro passing Cape Passero via Baltic redelivery

Skaw-Passero at \$9,500. On the period front, *Star Suzanna* (81,711-dwt, 2013) delivery Qinhuangdao for 5-8 months trading, redelivery worldwide at 12,500. *Prabhu Das* (76,015-dwt, 2005) delivery Kinuura for 6-9 months trading, redelivery worldwide at \$11,000.

The **Supra's** were up this week \$347 to finish at in the five figures at \$10,045. In the Atlantic, *Oslo Venture* (63,500-dwt, 2015) fixed a scrap run out of Ghent down to Turkey with EMR at \$10,000 and *Venus Halo* (55,848-dwt, 2012) fixed similar out of Brunsbuttel into Turkey, again with EMR at \$11,400. *Baltic Wasp* (63,389-dwt, 2015) fixed a TA of Recalada into Continent with Bunge at \$14,250. *Big Glory* (55,809-dwt, 2005) fixed a front haul out of Mersin via the Black Sea into Chittagong with HBI at \$20,000. In the Pacific, *Carmencia* (58,770-dwt, 2009) fixed out of Singapore to CCX for a trip into China via Indonesia at \$13,750. Plenty of activity on the period front, notable fixtures being *Spirit of Seatrek* (63,132-dwt, 2015) fixing 3/5 months out of Chittagong for \$11,500 and *Pacific Bright* (56,512-dwt, 2013) fixing 5/7 months at \$10,500 delivery Dangjin for world wide trading. The **Handies** capped a positive week by all by being up by \$318, closing at \$7,433. In the Atlantic, *Dragonera* (34,613-dwt, 2016) fixed a TA out of Rio Grande at \$12,000 into the Mediterranean with Pacific Basin and *Rome Trader* (32,387-dwt, 2010) fixed a front haul out of the West Mediterranean into AG/India at \$11,000 with Cosmotrade. In the Pacific, *Kite Bay* (38,330-dwt, 2016) fixed a trip out of Ho Chi Min to the Far East via Australia at \$9,500 and *Bunun Justice* (37,748-dwt, 2017) was fixed by IMC also for an Australia round voyage out of Taicang at \$9,100 into South East Asia. Again, plenty of activity on the period front with Cargill taking *Four Butterfly* (34,423-dwt, 2011) delivery East Coast South America for 4/6 months of Atlantic trading at \$9,150.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Goldend Surabaya	181,046	2017	Retro Cape Passero	3 Sept	Skaw-Gibraltar	19,500	Cargill	Trans Atlantic round
Sea Monterrey	180,491	2016	Pohang	09/10 Sept	Spore-Japan	21,750	DHL	Via Australia
Saronic Champion	93,115	2011	Wilhelmshaven	11/14 Sept	Skaw-N.Spain	13,500	Atlantic Coal & Bulk	Via Baltic 2LL
Rosco Poplar	82,331	2008	US Gulf	25/30 Sept	Spore-Japan	16,000	Hyundai Glovis	+ \$600,000 bb
RB Jake	81,039	2016	Lianyungang	Spot	Japan	13,000	Vattenfall	E.C Aussie
Oslo Venture	63,500	2015	Ghent	PPT	E.Mediterranean	10,500	EMR	
SAM Jaguar	57,453	2013	Gresik	12/13 Sept	Thailand	13,000	CNR	Via Indonesia
Levan	53,688	2006	Chaguaramas	09/11 Sept	Australia	14,000	CNR	Via West Africa
Bunun Justice	37,748	2017	Taicang	PPT	SE Asia	9,100	IMC	Via S. Aussie
Dragonera	34,613	2016	Rio Grande	PPT	Mediterranean	12,000	Pacific Basin	



Exchange Rates	This Week	Last week
JPY/USD	107.66	110.20
USD/EUR	1.2044	1.1864

Brent Oil Price	This Week	Last week
US\$/barrel	54.77	52.51

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	337.0	313.0
MDO	516.0	481.0
Rotterdam IFO	316.0	301.0
MDO	508.0	487.0



Dry Bulk S&P

As we've reported over the last few weeks turnover of tonnage throughout the summer was somewhat subdued, not so this week. Buyers have returned with a bang. Taking increased confidence from the improving freight market, driven by the building momentum in the Cape sector which sees the BCI finishing the week at 20,343 points (numbers not seen since March this year). China's insatiable appetite for higher quality iron ore and thermal coal to tackle air pollution is the main market stimulus, resulting in positive gains and sentiment trickling down into all sectors that are now showing consistent up turn. As a result the majority of sales concluded this week are at levels above last done.

JP Morgan continues to dominate the headlines in the S&P market. Having flipped out the *True Frontier* (179,294-dwt, 2010 Hyundai Samho) to buyers H-Line last week for circa \$29.5m, earnings are roughly a \$9m profit in 9 months. They have put that profit to work sharply, widely reported this week to have bought two modern SwissMarine capes, the *Cartigny* (182,651-dwt, 2016 Japan Marine) and sister *Chevrier* for \$45m per vessel. Some reports also suggest the vessels come with employment attached for three years at \$17,000 pd.

There are a couple notable sales across the Kamsarmax & Panamax sector this week. Having called for offers on the 7th Sept the *Navios Altair* (83,001-dwt, 2006 Tsuneishi) is rumoured sold at \$14.5m to Atlas Maritime.

And the *Ocean Sakura* (76,596-dwt, 2007 Imabari) is reported sold circa \$14m to HK buyers. Both these sales represent a step up in values compared to last done deals like the *Aby Diva* (76,596-dwt, 2007 Imabari) sold in early August for \$12.5m.

There is plenty of activity again in the supramax market. *Nord Leader* (55,800-dwt, 2007 Kawasaki) is reported sold at \$11.5m. Eagle Bulk continues to clear out of their Diamond 53's with the reported sale of the *Avocet* (53,500-dwt, 2010 Dayan) at \$10m basis DD due. Bocimar have moved on the *CMB Coralie* (53,500-dwt, 2009 Chengxi) for circa \$9.3m, a price in line with the Eagle Bulk deal. However the stand out sale within the broader sector is the handymax *Worldera 2* (48,900-dwt 2001 IHI) sold for a huge \$7.7m to Chinese buyers. Remembering the sister vessel *Astra* (48,800-dwt, 2004 IHI) achieved circa \$8m back in June. *Dokos* (45,600-dwt, 1997 Tadotsu Tsuneishi) is reported sold for \$4.2m with SS Due.

Sea Melody (34,500-dwt, 2010 SPP) is reported sold for \$10.5m. Having reported last week that the *Glory Marugame* (28,343-dwt, 2008 Imabari) had received offers in the mid to high 7's, we now understand she is sold at \$7.9m to Starmarine Management.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
<i>Chevrier</i>	182,625	2016	Japan Marin	-	JP Morgan	45.0	On subs with 3 year TC attached
<i>Cartigny</i>	182,651						
<i>C Discovery</i>	180,000	2010	HHI	-	H Line	28.0	
<i>True Frontier</i>	179,294	2010	Hyundai Samho	-	H Line	29.5	
<i>Navios Altair</i>	83,001	2006	Tsuneishi	-	Atlas Marine	14.5	
<i>HB Princess</i>	81,684	2013	Qingdao Behai	-	undisclosed	17.0	
<i>Ocean Sakura</i>	76,596	2007	Imabari	-	undisclosed	14.0	
<i>Nord Leader</i>	55,808	2007	Kawasaki	C 30.5	Greek	11.5	
<i>Desert Serenity</i>	53,820	2008	Taizhou Kouan	C 4x36	Korean	9.3	
<i>CMB Coralie</i>	53,463	2009	Chengxi	C 4x36	undisclosed	9.3	
<i>Avocet</i>	53,462	2010	Yangzhou Dayang	C 4x35	undisclosed	10.0	
<i>Worldera-2</i>	48,907	2001	IHI Yokohama	C 4x30	undisclosed	7.7	
<i>Dokos</i>	45,600	1997	Tsuneishi	C 4x30	undisclosed	4.2	
<i>Kovdor</i>	35,315	2010	Nanjing Dongze	C 4x30.5	Greek	Mid/high 7s	Auction sales
<i>Vyritsa</i>	35,314				Singaporean	6.8	
<i>Sea Melody</i>	34,468	2010	SPP Shipbuilding	C 4x35	undisclosed	10.5	
<i>Brasschaat</i>	31,800	2009	Nanjing Dongze	C 4x30	Gulf Star	6.6	Auction sales
<i>Glory Marugame</i>	28,343	2008	Imabari	C 4x30.5	Star Marine	7.9	

Tanker Commentary

Whilst VLCCs have been stealing the limelight this year in our sale&purchase reports, aframaxes have not been far behind with over 25 ships changing hands, and 6 transactions alone in the past 3 months. This week, the key sale to note is that of the Japanese controlled *Neptune Voyager* (104,875-dwt, 2003 Samsung) to Greek buyers. The price, although yet to be confirmed, is rumoured to be in the region of \$10.5m. This is a notable step down to the \$11m achieved by Gener8 on their *Pericles* (104,875-dwt, 2003 Samsung) last week. If we wind the clock back one year, this vintage of aframaxes were seeing mid to high teens.

Whether prices for these older ships have much further to fall remains to be seen, if earnings can get a boost as we head into the winter we may well bounce off the bottom.. if not, there may be some more to go.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Neptune Voyager	104,875	2003	Samsung	Greek	10.5	

Tanker Period Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Stealth Norvic	115,867	2010	Samsung	1 + 1 year option	13,000	Maersk Tankers
Maersk Cancun	52,000	2017	Samsung	1 year	14,750	Clearlake

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