HARTLAND

SHIPPING SERVICES

09 March 2018

WEEKLY COMMENTARY

CONTENTS

THE BIGGER PICTURE

… Hogwash …

Source: The Wall Street Journal

*Under Section 232 of the Trade Expansion Act of 1962, import restrictions can be imposed if US national security is threatened.

^In 2017, the US trade deficit with China was more than $375 billion in goods alone. Washington seeks a $75-100bn reduction this year.

**10-times more than the US at 80mt a year, half its output in the 1970s. Manpower needed to produce one ton of steel is down 80% since 1988.

POINTS OF VIEW

Yesterday President Trump confirmed his intention to go ahead with tariffs on imported steel and aluminium, dashing hopes that his announcement at the end of last week, which appeared to take White House staff by surprise, was merely tactical. Negotiations with America's Nafta partners, Canada and Mexico, have been dragging on for six months and going nowhere. The threat of tariffs that will impact both countries may inject some impetus into these talks. In the first instance, Canada and Mexico will get a 30 day exemption, conditional on progress in the negotiations, and other countries may also apply for exemptions. Commerce secretary, Wilbur Ross, who has steel industry experience, is said to be the architect of these protectionist measures*. The EC, presiding over a market of 500 million consumers, is threatening to impose tit-for-tat tariffs on iconic American products such as Harleys, Levis and Kentucky bourbon. Mr Trump has threatened retaliation against European auto manufacturers which would represent a serious escalation. Even steel workers in Ohio and Pennsylvania may understand that their old jobs are unlikely to come back as old steel has been replaced by new hi-tech steel, and the US simply cannot make enough of it. Consumers face higher prices as costs are passed through to goods ranging from cars and fridges to gasoline and drinks. Higher steel and aluminium costs may derail much heralded infrastructure investment before it has even started as the cost of building and repairing highways, bridges, pipelines, rigs, refineries, gas plants and container terminals will rise. Exxon is considering abandoning plans to expand its Beaumont refinery in Texas while Shell is reconsidering the expansion of its Vito oil and gas field offshore Louisiana.

An example of the unintended consequences of tariffs on fungible markets is biodiesel. Rising biodiesel imports from Argentina and Indonesia are threatening to cripple EU output, the world's leading biodiesel producer. Reuters reports that the EU was forced to slash import duties on Argentine biodiesel last September after Buenos Aires mounted a successful challenge at the WTO just weeks after the US had imposed steep duties on the fuel. Hence, one country's problem is simply shifted to another. China is the target but it will not be the victim^. The tariffs on steel and aluminium will affect $50bn in annual US imports, but mainly from countries other than China. China directly supplied only 2% (0.7mt or $1bn) of the 35mt of steel that the US imported last year, compared with 5.7mt (16.5%) from Canada, 5.0mt (14.5%) from the EU, 4.7mt (13.5%) from Brazil, 3.5mt (9.9%) from South Korea and 3.2mt (9.2%) from Mexico. To put this in context, China produced 832mt of crude steel in 2017, 8-times as much as second-placed Japan**, and 32.3mt of aluminium, 4-times as much as second-placed Europe. If Chinese steel exports are shut out of US and European markets then they will be diverted into Asian markets with potentially devastating consequences. Falling prices could prompt steel plant closures in vulnerable southeast Asian countries such as the Philippines and Vietnam, hitting jobs in poorer countries. The US is the world's largest producer of soyabeans with output of 117mt and exports of 59mt in the 2016/17 crop year, ahead of Brazil with output of 114mt and exports of 63mt. China buys 60% of the 140mt annual global trade in soyabeans making it strategically well placed to hit back at the US by targeting the influential US farm lobby. It will suffer the injury of reduced sales if China chooses to shift this $14 billion a year trade with the US to other suppliers.

Everyone will lose in a trade war so the US will most likely back down once it can claim some minor victory, such as a meaningful reduction in its huge trade deficit with China. Ironically, yesterday's confirmation of the tariffs coincided with a group of 11 nations (including Japan, Canada and Australia) finalising a sweeping trade deal last night in Santiago, Chile. Mr Trump pulled the US out of the Trans-Pacific Partnership last year, a deal that aims to reduce tariffs across a broad array of goods and services. As Japan's foreign minister, Taro Kono, said: "Only free trade will contribute to inclusive growth of the world economy. Protectionism isn't a solution." The US, along with the EU and Japan, has genuine concerns about intellectual property rights infringements and foreign acquisition of American firms, especially in the technology space, so we might expect much more scrutiny of potential deals by the Committee on Foreign Investment in the US. Otherwise, the best we can hope for is that these metal tariffs do not escalate into a full blown trade war. All parties are aware of the risk of escalation so it might be best just to ignore the tariffs, avoid retaliation and move on. Meanwhile Mr Trump will soon be distracted by his upcoming meeting with Rocket Man and his chance to claim credit for denuclearising and uniting the Korean peninsula. That really would be something.

WEEKLY COMMENTARY

09 March 2018

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

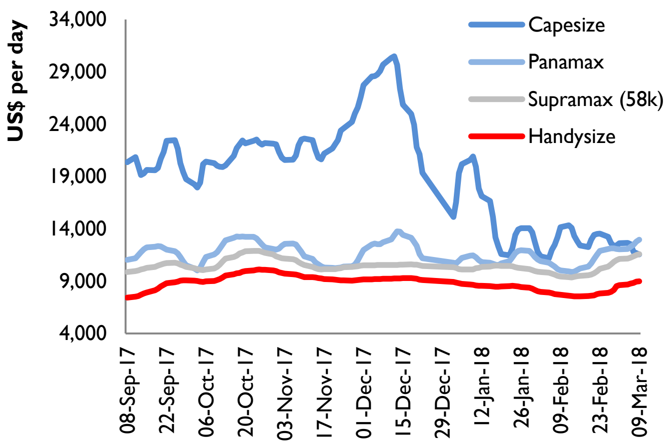
The **BDI** finished the week at 1,201, slightly down from last weeks close of 1,207. Another poor week for the **capes** which saw it continuing to go against the run of play, dropping another $1,055 and bringing the charter average down $11,554 from last weeks close of $12,609. In the Pacific, Rio Tinto took the *KM Kobe* (180,652-dwt, 2011) 170,000/10% for Dampier/Qingdao at $6.30 pmt and the Glencore TBN 150,000 was fixed by the Zhejiang Energy Group for Newcastle/Zhoushan at $9.60 pmt. In the Atlantic, TKSE fixed *Stella Hope* (180,007-dwt, 2016) 150,000/10% for Narvik/Rotterdam at $3.30 pmt. On the front haul, Polaris fixed the *Pioneer* (171,681-dwt, 2004) 170,000/10% for Tubarao/Qingdao at $16.25 pmt. The Panocean TBN 150,000/10% was fixed by KEPCO for Westshore, Canada/Youngheung for $9.72 pmt. On the period, the *Navios Lumen* (180,661-dwt, 2009) was taken by Swiss Marine for 12 months trading redelivery worldwide at $20,000.

It was another busy week for the **panamax** market. The time charter average continued rising steadily and closed the week at $12,960, up from last week's close of $12,038. In the Atlantic, the *Artvin* (82,231-dwt, 2011) was fixed to Norden delivery Trombetas for a prompt trip redelivery Stade at $14,000 daily with $100,000 bb. Louis Dreyfus took the *Globe Electra* (80,000-dwt, 2010) delivery East Coast South America for a trip to Skaw-Cape Passero at $17,000. In the Pacific, K line fixed the *Pedhoulas Trader* (82,214-dwt, 2006) delivery CJK for a trip via Australia redelivery Malaysia at approximately $13,250 and the *Skyros* (79,366-dwt, 2011) fixed delivery Tianjin for a trip via te North Pacific redelivery Singapore-Japan at $11,750. On the front haul, ADMI took the *RGL First* (82,215-dwt, 2017) delivery East Coast South America for a trip redelivery Singapore-Japan at $16,250 with $675,000 bb. The *An Ho* (77,834-dwt, 2004) fixed delivery Santos for a trip redelivery Singapore-Japan at $15,250 plus $525,000 bb. On the period, PCL took the *ABY Jeanette* (82,566-dwt, 2014) delivery Fangcheng for 4/6 months redelivery worldwide at $14,850.

The **supramax** market continued its positive run, closing the week at $11,663, up from last weeks close of $11,381. The **handys** also continued to climb, closing at $8,991, up from last weeks $8,613. In the Atlantic the US Gulf was still showing decent returns for both sizes. Oldendorff were reported to have fixed the *Ilia* (58,018-dwt, 2009) delivery Texas Gulf redelivery China with petcoke at $22,600. In the Mediterranean, the *LMZ Vega* (56,180dwt-2010) fixed delivery Canakkale for a prompt trip via the Black Sea, redelivery Egypt Med at $11,000. PGSC fixed the *Warisa Naree* (53,840-dwt, 2010) delivery Canakkale for a prompt trip via the Black Sea, redelivery Singapore-Japan at $17,000. It was a bit quiet on the smaller sizes with little reported. Unicargo fixed the *Dino* (33,371-dwt, 2009) delivery Rotterdam for a prompt trip to West Africa at $13,250. The *Voge Mia* (36,866-dwt, 2011) fixed delivery Nouakchott for a prompt trip via North Brazil, redelivery Japan at $12,500. Rates continued to fall in the East Coast Stouth America with little cargo activity. Encouraging signs in the Pacific with strong numbers reported off the NoPac and in the south. In the Pacific, the *Angel B* (58,679-dwt, 2008) fixed delivery Singapore redelivery Pakistan at $13,000. Multimax fixed the *Ocean Prelate* (52,433-dwt, 2002) delivery Richards Bay redelivery Pakistan at $12,200 plus $220,000 bb. MUR fixed the *Maine Ehime* (58,105-dwt, 2012) delivery Port Elizabeth for a prompt trip to Singapore-Japan at $13,000 plus $300,000 bb. On the smaller sizes, the *Poavosa Wisdom III* (28,232-dwt, 2011) fixed delivery Onsan for a prompt trip redelivery Philippines with gypsum at $10,000. On period, Oldendorff fixed both the *Apogee Wonder* (38,186-dwt, 2012) delivery Singapore for 5-8 months trading redelivery worldwide at $10,500 and the *Genius SW* (60,155-dwt, 2015) delivery Haldia for 3-6 months trading redelivery worldwide at $13,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Aqua Vision	180,353	2011	Kemen	12-14 Mar	Sing-Jpn	14,300	Pacific Bulk	Via Australia
Andros Beauty	171,000	2003	Fangcheng	17-21 Mar	Sing-Jpn	15,250	Oldendorff	Via Australia
Harm	93,183	2011	Jintang	11-13 Mar	Sing-Jpn	14,000	KLC	Via Indo
Artvin	82,231	2011	Trombetas	PPT	Stade	14,000 + 100k gbb	Norden	
An Ho	77,834	2004	Santos	25 Mar	Sing-Jpn	15,250 + 525k gbb	CNR	
IVS Naruo	60,317	2014	Richards Bay	20-24 Mar	AG	13,000 + 300k gbb	Oldendorff	
Common Calypso	57,002	2011	CJK	PPT	SE Asia	10,500	CNR	Via S.Korea
RHL Varesia	56,738	2011	Singapore	PPT	S.China	15,000	CNR	Via Indonesia
Dino	33,371	2009	Rotterdam	PPT	W.Africa	13,250	Unicargo	Int grains
Poavosa Wisdom III	28,232	2011	Onsan	PPT	Philippines	10,000	CNR	Int gypsum



Exchange Rates	This Week	Last week
JPY/USD	106.86	105.39
USD/EUR	1.2293	1.2305

Brent Oil Price	This Week	Last week
US$/barrel	64.61	63.42

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	361.0	364.0
MDO	586.0	575.0
Rotterdam IFO	342.0	340.0
MDO	540.0	540.0

Dry Bulk S&P

The head line sale of the week is *Darya Vishnu* (56,056- dwt, 2006 Mitsui) reportedly sold for $13.25m to undisclosed European interest, a step up in price of circa $1m from the last similar deal done. The new bench mark reflects both on the condition Chellaram generally keep their vessels in and the positivity currently springing forth in the market.

Chinese buyers continue to purchase early 2000 blt supramaxes despite rumours Chinese authorities could change the import tonnage age to a maximum of 15 years at any moment. *Navios Herakles* (52,061-dwt, 2001 Sanoyas) is reportedly sold to Chinese for $8.2m basis prompt delivery China, a drop in price from the last done Laminia (53,531-dwt, 2001 Imabari) sold for excess $9m a couple of weeks ago.

PCL are rumoured to have sold their *Alam Penting* (87,052-dwt, 2005 IHI) to undisclosed buyers for regions $13.5m. *Eleftheria* (76,099-dwt, 2001 Hyundai Hvy) is reportedly sold east for a price in the regions $9.8m, in line with the last similar vessel sold Alpha Harmony (74,492-dwt, 2001 Daewoo) at $9.8m earlier this year.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Alam Penting	87,052	2005	IHI	-	European	13.5	
Eleftheria	76,099	2001	Hyundai Hvy	-	Far Eastern	9.8	
Myrmidon	73,317	1997	Halla Eng & HI	-	Undisclosed	7.2	
Darya Vishnu	56,056	2006	Mitsui Tamano	C 4x30.5	European	13.25	
Navios Herakles	52,061	2001	Sanoyas	C 5x30	Chinese	8.2	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	$/LDT	Buyer
Greek Warrior	299,999	2000	Mitsui Chiba	TANK	38,968	444	'As is' AG
Guofeng First	211,320	1996	Daewoo	BULK	25,451	465.25	Undisclosed
BW Havis	44,995	1993	Kvaerner Govan	GAS	15,955	475	Undisclosed
Silver Soul	12,763	1988	Hyundai Ulsan	RORO	12,360	470	Alang

WEEKLY COMMENTARY

09 March 2018

HARTLAND SHIPPING SERVICES

Tanker Commentary

A more stable product tanker freight market on both the spot and period has co-insided with a rising level of interest in second hand tonnage following what can only be described as a flat start to 2018. The pumproom MR *Pacific Rainbow* (45,986-dwt, 2008 Shin Kurushima) has reported to have been sold to a Greek buyer for $16.1m. There are some suggestions the deal may have involved a TC back to NYK. The sale acts as a useful benchmark to fellow compatriots Doun Kisen who are in the process of trying to sell the year younger sister High Enterprise (45,960-dwt, 2009 Shin Kurushima) and Silver Express (47,401-dwt, 2009 Onomichi). Clients of Empire Navigation have sold their clean trading *Phoenix* (50,546-dwt, 2006 SPP) for region $15m. The vessel was previously named the MR Arcturus and under the control of Molaris's Empire Nav, but the ship was sold last year in a private deal to a Greek investor. Close followers of the sector may see the price as a firm one. With fixtures ever slightly firming and asset prices very much stabilised, eye brows may start to rise over whether the market has taken a positive turn.

Furthermore in the MR sector, the Chinese controlled *Zhongji No. 1* (45,719-dwt, 2008 Bohai) has reportedly been sold for $10.65m to Wilmar, Singapore. The seemingly low price reflects that the vessel being sold via a sealed bid process on awkward as/is terms without the buyer having the right to a divers inspection on delivery. Simultaneously, the sister Zhongji No.2 has been put on the market and will be sold under the same terms.

Finally, owners of VLCCs will be pleased to learn of another VLCC being sold for demolition this week adding to the expanding list of ships acquired by cash buyers so far this year which has outstripped newbuilding deliveries. Polembros are reported to have sold *Greek Warrior* (299,999-dwt, 2000 Mitsui) for $444 per ldt basis delivery in the Asia Gulf.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Phoenix	50,546	2006	SPP	Undisclosed	15	
Pacific Rainbow	45,986	2008	Shin Kurushima	Greeks	16.1	
Zhongji No 1	45,719	2008	Bohai	Wilmar	10.65	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate ($/pm)	Charterer
Eurohope	159,539	1999	Daewoo	6 months	14,250	UML
Amarthea	113,000	2018	COSCO Dalian	2 year	17,250	Glencore
Searanger	109,165	2009	Hudong-Zhonghua	2 year	14,250	ST Shipping

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London
Tel: +44 20 3077 1600
Fax: +44 20 7240 9603
Email: chartuk@hartlandshipping.com
Email: snpuk@hartlandshipping.com
Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai
Tel: +86 212 028 0618
Fax: +86 215 012 0694
Email: snpcn@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore
Tel: +65 6702 0400
Email: projects.sg@hartlandshipping.com