HARTLAND
SHIPPING SERVICES

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WEEKLY COMMENTARY

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The Stage is Set

THE BIGGER PICTURE

… Élysée 2.0 – shaping the new EU? …

Source: Twitter

*Belt and Road Initiative, also known as One Belt One Road.

^The UK joined the European Economic Community (Belgium, France, Italy, Luxembourg, the Netherlands and West Germany) in 1973 along with Denmark and Ireland.

POINTS OF VIEW

After three days of discussions in Beijing this week hopes have risen that an escalation in the US-China trade wars can be averted. It is even possible that sufficient progress can be made to announce a framework deal in time for the World Economic Forum in Davos at the end of this month. This will ensure that the US keeps its own national interests right at the forefront of the global economic agenda. The prospect helped stock market indices bounce back this week, illustrating how important it is to world trade to avoid a senseless increase in tit-for-tat tariffs in the world's two largest economies. Yesterday, in a significant departure from the past, a leading German industry body, the Federation of German Industries (BDI), spoke out against unchecked competition in Europe from China's state-controlled economy. The timing is just ahead of EU elections that will usher in a new European Commission and also just ahead of Britain's intended end March exit from the EU. The UK has been distinctly pro-China so its imminent departure from the EU-28 will allow the EU-27 to fashion a new relationship with external non-market economy nations such as China. For some time France has been sceptical of China's trade policies and finally Germany is beginning to see the light. It coincides with Élysée 2.0, the Macron-Merkel sequel to the de Gaulle-Adenauer Élysée Treaty of 1963 that rehabilitated the Franco-German alliance which has dominated the EU project ever since. The Franco-German reaction to Brexit and other populist moves is to ever closer union led by themselves, the bloc's two most powerful economies.

This brings us back to the BDI which yesterday complained that Beijing is not liberalising its economy, despite claiming otherwise, as its markets and prices are distorted by state aid. It is instead establishing its own political, economic and social model that enters into systemic competition with more liberal economies such as Germany. The result is global overcapacity in industries such as steel and cement which leads to excess production being dumped in overseas markets, including Europe. It warns that the same may happen in other areas, such as robotics and batteries, and urged Brussels to adapt its legal framework to confront dumping and subsidies and to block state-financed acquisitions of technology companies. The BDI acknowledges that China remains the driving force of the global economy and is an important sales and procurement market for German industry, but it seeks better protection from non-EU, non-market economies that seek to be active in Europe. In this sense, it supports President Trump's 'America First' and 'Make America Great Again' campaigns as needed antidotes to China's BRI* and 'Made in China 2025' campaigns. From the BDI's perspective, what is required is a sharpening of EU state aid legislation and anti-subsidy instruments as Germany wakes up to the fact that China is a competitor as well as a partner. Germany-China trade reached €187bn, being €86bn in exports and €101bn of imports, which was 30% of total EU-China trade in 2017, making China Germany's most important trading partner outside the EU.

This shift in German business sentiment dovetails with hardening US-UK attitudes to Chinese intellectual property theft and Russian cyber attacks as illustrated by moves against Huawei and Russian state interests. Within the EU, Germany and France are looking for tougher assessments of future relationships with external powerhouses such as China and India and, outside the EU, the US and UK seek to redefine their stance on inward migration. Some commentators see equivalence between Trump's Wall and the UK's EU exit, as both seek to erect barriers to uncontrolled immigration. The reality is somewhat different. Many Trump supporters blame China for the carnage of US factory closures and job losses, ignoring the technological shift from heavy industry to services and from workers to robots. Much steel and mining has been outsourced and many steelworkers and miners now work above ground in safer service industries. In the UK, remainers characterise leavers as romantic islanders harking back to the days of empire and the pink bits on the world map. They ignore a key element of the leave vote whose reference point is the EEC^, the Common Market, not the political-economic union of today's federalist EU. Élysée 2.0 revives the ever closer union theme in response to internal fractures and external threats. The likes of the US, UK and EU are looking to modernise relations with their closest neighbours as well as update their relations with increasingly populous, powerful and assertive nations such as China, India and Russia. In the context of Brexit, Élysée 2.0 and US-China friction we can only hope for the best outcomes which are most likely those that preserve tariff-free trade and open dialogue.

Dry Cargo Chartering

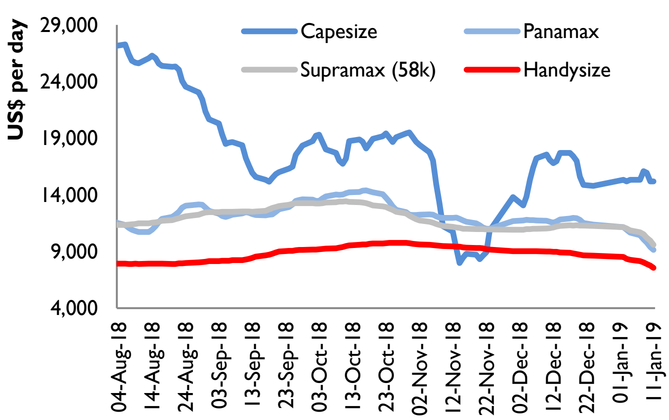
It was a very gloomy week across all markets resulting in the **BDI** closing the week at 1,169, down from last weeks 1,260. The **cape** market closed in the red at $15,180, compared to last weeks $15,341. On timecharter, Winning fixed the *Genco Constantine* (180,183-dwt, 2008) delivery retro Jaigarh for a trip via West Africa, redelivery China at $20,500. MOL fixed the *Xin Tai Hai* (180,346-dwt, 2011) delivery Gibraltar for a trip via Ponta Da Madeira redelivery South Korea at $31,000. ST Shipping fixed the *Anangel Explorer* (171,926-dwt, 2007) delivery Ijmuiden via West Africa, redelivery Singapore-Japan range at $32,000. On voyage, Dampier/Qingdao ore runs started the week in the mid $6's but fell to $6 by Friday. Tubarao/Qingdao runs were fixed $17.75 however also fell closer to $17 by the end of the week.

The **panamax** market dropped rapidly, concluding at $9,145, down from last week close of $10,677. In the Pacific, Comerge fixed the *MG Kronos* (84,790-dwt, 2016) delivery Matsuura for a trip via NoPac redelivery South China at $12,000 with charterers option North China at $11,750. The *Osmarine* (76,596-dwt, 2006) was fixed delivery Donghae via Stockton redelivery Japan at $9,750 and the *Rosalia D'amato* (74,716-dwt, 2001) was fixed delivery Xinsha for a trip via South Kalimantan redelivery South China at $8,250. In the Atlantic, Cargill took the *Yasa H Mulla* (83,482-dwt, 2011) delivery US Gulf for a trip redelivery Skaw-Gibraltar at $11,250 with $125,000 bb and Bunge fixed the *Xing Shun Hai* (81,824-dwt, 2018) delivery East Coast South America for a trip redelivery Skaw-Gibraltar at $15,250. On the front haul, the *Fortune Daisy* (74,979-dwt, 2011) was fixed to Bunge delivery Santos for a trip redelivery China at $13,750 with $375,000 bb. Ausca took the *Skyros* (79,366-dwt, 2011) delivery East Coast South America for a trip redelivery Singapore-Japan at $13,450 with $345,000 bb. On the period side, Cobelfret took the *Ecosand G.O.* (75,239-dwt, 2008) delivery Mishima for 5-7 months redelivery worldwide at $11,700.

This week in the **Supra** market fell by $1,278 to finish the week sub $10,000 at $9,596. In the Atlantic, *Yangtze Galaxy* (56,453-dwt, 2012) was fixed delivery Singapore for a trip redelivery China at approximately $10,250. In the Pacific, Marubeni fixed their NoPac order on *Santa Virginia* (61,271-dwt, 2014) delivery CJK at $11,000 redelivery Japan and *Imperial Fortune* (53,505-dwt, 2006) fixed an Indonesian coal run into South Vietnam delivery Hong Kong at $6,200. With regards to period, *Great 61* (61,580-dwt, 2015) fixed 4/6 months to Oldendorff at $12,500 delivery Japan and *NPS Ocan Star* (53,074-dwt, 2003) also fixed 4/6 months delivery Zhoushan at $10,500. The **Handy** market this week followed the market trend of losing ground, finishing down $707, ending the week at $7,569. In the Atlantic, Oldendorff fixed *Kite Bay* (38,330-dwt, 2016) delivery US Gulf for a trip into the Continent with grains at $9,000. In the Pacific, *Ithaca Visby* (35,052-dwt, 2010) was fixed delivery South China for a prompt trip into Indonesia with steels at $7,600. There was little to report on the period side of things for Handies.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Genco Constantine	180,183	2008	Retro Jaigarh	4 Jan	China	20,500	Winning	Via West Africa
Great Qin	176,104	2010	Son Duong	14-16 Jan	Singapore-Japan	17,000	Pacific Bulk	Via West Australia
Scandinavian Express	93,016	2010	Kaohsiung	9 Jan	China	10,850	Smart Gain	Via West Australia
Scarlet Island	81,842	2014	EC South America	18-19 Jan	Singapore-Japan	13,800	Cargill	+ $380,000 bb
Hua Sheng Hai	81,233	2017	US Gulf	25 Jan	Passero	12,600	Star Logistics	Via Egypt + $260,000 bb
TN Sunrise	60,948	2015	SW Pass	16-20 Jan	Mediterranean	16,000	Klaveness	+ $100,000 bb
Alster Bay	55,430	2008	Campha	10 Jan	Bangladesh	10,500	CNR	Via Vietnam
Diamond Stars	55,389	2011	Busan	PPT	Singapore-Japan	9,250	Norvic	Via NoPac
Kite Bay	38,330	2016	US Gulf	PPT	Continent	9,000	Oldendorff	
Pacific Harmony	38,139	2013	CJK	14-15 Jan	SE Asia	7,750	CNR	



Exchange Rates	This Week	Last week
JPY/USD	108.26	108.29
USD/EUR	1.1525	1.1375

Brent Oil Price	This Week	Last week
US$/barrel	60.87	57.22

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	401.0	367.0
MDO	560.0	505.0
Rotterdam IFO	368.0	332.0
MDO	549.0	503.0

Dry Bulk S&P

The year has started with a spread of transactions from Kamsars through to handies. The majority of the sales are in line with last done, with a couple of deals representing a step up.

The kasmsarmax *Crystal Star* (82,172-dwt, 2014 Sanoyas) is rumoured committed to a Greek Buyer, for region $24.5m.

Several supras are reported sold, perhaps the most interesting being two Tier I dolphin 57s *Kavala Seas* and *Paros Seas* (56,380 / 56,780-dwt, 2011 Jiangdong) which are reported committed to Chinese Buyers for $12.2m each. Given the end December sale of the Tier I *Salford Quay* and *North Quay* (57,000-dwt, 2010 Sanfu / Ningbo Beilun) were sold for $19m en bloc at the end of last year, the prices achieved by the Kavala and Paros seas represents a significant step up. Greek Buyers continue to scoop up Japanese Supras, Whitesea Navigation are rumoured to have purchased *Topaz Halo* (55,612-dwt, 2011 Mitsui) for $15.4m while New Vision's name has been linked to the year older, but larger dwt *Ocean Colossus* (58,831-dwt, 2010 Kawasaki) for $15.4m too.

On the handies, two modern Chinese units have been committed *Grand Marais* and *North Star* (35,093-dwt, 2016 Jiangdong) for $16m each to a European Buyer. There's been a lack of turnover in this sector. The last comparable sale was *Newchang* (38,800-dwt, 2017 Huanghai) sold in August '18 for $18.9m. Given the drop in dwt and the ship being a year older, this could be interpreted as more or less in line with last done.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Crystal Star	82,172	2014	Sanoyas Shipbldg	-	Marmaras	24.5	
Ocean Colossus	58,831	2010	Kawasaki	C 4x30	Greeks	15.4	
Paros Seas	56,780	2011	Jiangdong	C 4x30	Chinese	12.2 each	
Kavala Seas	56,380						
Topaz Halo	55,612	2011	Mitsui	C 4x30	Whitesea Navigation	15.4	
Grand Marais	35,093	2016	Jiangdong	C 4x30	Europeans	16 each	
North Star	35,000						

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $m	Delivery
Eurovision	71,345	2000	'3 Maj'	Tank	15,555	425	'as is' Singapore
Ever Ultra	63,388	1996	Mitsubishi HI	Cont	24,018	425	'as is' Taiwan
Gaz Supplier	49,996	1990	Mitsubishi HI	Gas	17,122	425	India
Mareno	17,705	2000	Saint John	Cont	5,996	444	'as is' Oman
Ever Able	15,606	1996	Hayashikane	Cont	7,004	380	'as is' Taiwan

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Tanker Commentary

With the clock ticking to IMO 2020, the stage is set for 2019 to be an exciting year for tanker S&P. We are off to a busy start with six transactions to report this week. In the VLCC sector, clients of Sinokor have reportedly sold their vintage VLCC *Pacific Glory* (299,999-dwt, 2001 Samsung) to undisclosed buyers for $23.5m. The price paid for the 18 year old ship is a firm 30% premium to the current demolition value and a reflection of the more positive market owners are enjoying.

Elsewhere in the crude sector, the uncoated aframax *Blue River* (106,600-dwt, 2002 Tsuneishi) has been sold to Stalwart Tankers for $12m. In the product sector the news of the week is the *Green Hellas* (50,885-dwt, 2014 Daesun) which is said to have been committed on subjects to Chinese buyers for $26m. Whilst details of the deal are hazy, if concluded, it would be only the fourth modern (5 years or younger) MR sold in over a year on a charter free basis.

The Japanese owned pumproom MRs continue to be in popular demand with two concluded out of Tokyo this week. The *Marine Express* (45,989-dwt, 2009 Shin Kurushima) has been sold to Indian buyers for region $16m, which is inline with last done. Moving down a vintage the *High Glow* (48,000-dwt, 2006 Naikai) achieved a price close to $12m, and is believed to have also gone to Indian based buyers.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Pacific Glory	299,999	2001	Imabari	Undisclosed	23.5	
Nordic Spirit	151,294	2001	Samsung HI	Europeans	10.5	Shuttle tanker
Blue River	106,638	2002	Tsuneishi	Stalwart	12	
Green Hellas	50,885	2014	Dae Sun Shipbuilding	Chinese	26	On subs
High Glow	46,846	2006	Naikai Zosen Corp	Indian	12	
Marine Express	45,989	2009	Shin Kurushima	Pollonji	16.25	

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