12 April 2019

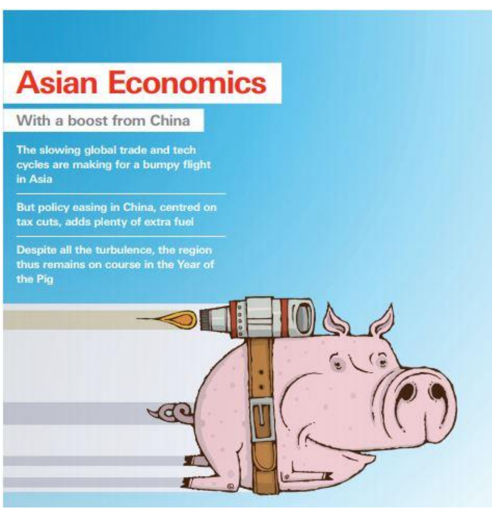
HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

THE BIGGER PICTURE

Asian economics… With a boost from China



Source: HSBC Global Research

This week we bring you an extract of the HSBC Global Research report named "Asian Economics Quarterly". The authors discuss about the region's last quarter performance and the challenges that lies ahead. They hold the view that pessimism around China's slowdown is overdone and foresee gradual growth recovery in the coming quarter thanks to bigger than expected stimulus measures.

POINTS OF VIEW

Bit of a stumble. After holding up well for most of 2018, activity in much of Asia has started to sag last quarter. Exports are partly to blame, and not just because of disruptions from the US-China trade tensions: the global industrial cycle is slipping and the demand for electronics has weakened sharply. The good news, however, is that policymakers are responding. The Fed, for one, signalled a pause for this year, which opens up space for rate cuts in a number of markets. More potently, China beat expectations and unveiled a punchy tax cut package. This should go a long way to stabilize Mainland demand in the coming quarters, and thereby put a floor under regional trade. There is, it seems, still some gas left in the tank. It was a bumpy ride last year, admittedly. Three big shadows suddenly emerged over the global economy. The Fed's tightening lit a fire under the dollar, whipping financial markets about, not least in emerging markets especially sensitive to changes in global funding costs. Then, trade tensions between the US and China risked putting a dent in exports, while raising greater questions about the future shape of the world economy. And by mid-year, China, long the global growth engine, started to sputter, adding to the worries for investors. Dark, dark shadows. At last, some light is starting to shine through. The Fed has signalled a pause to its tightening cycle this year, relieving pressure on hard-pressed borrowers. Signs of a truce between China and the US are also encouraging, with a deal possible by mid-year, even if doubts linger. And China, at last, has stepped up efforts to shore up growth, from tax cuts to a marginal loosening of the monetary reins. Take out the sun lotion, then, and head to the beach?

Not quite. As HSBC's Global Chief Economist Janet Henry and her colleague James Pomeroy explain in a recent report, there are broader, structural challenges that continue to weigh down growth. The industrial cycle remains weak, stretching from poor demand for electronics to automobiles, posing headwinds for exports, including in Asia. The marginal easing, both monetary and fiscal, in developed markets that is scheduled to come through will also have only a limited effect on reviving growth. Fortunately, and perhaps recognizing the broader challenges, China has stepped up and unveiled a considerable stimulus. As HSBC's Chief China Economist, Qu Hongbin, estimates, the tax cuts alone amount to over 2% of GDP, possibly raising growth by 0.5ppt over the coming quarter. To be sure, risks remain, including that a sharper downturn in housing presents a drag on growth. At the same time, China has deep fiscal pockets to shore up demand should it unexpectedly weaken further. Consensus, in short, has become too bearish on China. And stronger Mainland growth should help to put a floor under regional trade, benefitting especially Asia's more export dependent economies.

Among all the positive signs of the China-US trade talk, prospects for export growth are clouded by slowing global demand. Total exports contracted by 4.7% y-o-y in the Jan-Feb period, with the shipments to the US dropping by 14.6% y-o-y. Domestic demand is stabilising, with fixed asset investment (FAI) growth edging up in the first two months of 2019, while retail sales growth remains steady. However, industrial production is still slowing, and housing markets continue to cool down. Seeing the downside risks, the authorities at the annual session of the National People's Congress (NPC) announced a bigger-than-expected stimulus package whilst trimming this year's growth target to 6-6.5%, from around 6.5% in previous years. In addition, Beijing has also stepped up support for small- and medium-sized enterprises (SMEs) by including more enterprises into the SME category eligible for preferential taxation treatment. This makes 95% of China's corporate taxpayers eligible for the SMEs tax deduction. Beijing has also increased the annual quota by 60% y-o-y for local government special bond issuance to finance additional spending in infrastructure projects, which will help engineer a modest rebound in infrastructure investment in the coming quarters. Stimulus aside, structural reforms are needed to revitalise the private sector. The Government Work Report has promised to speed up key reforms based on the principle of competitive neutrality, such as industrial polices, market access and government procurement. Doing so should help level the playing field for both domestic private sector and foreign companies. This will not only help boost the private sector's business confidence and investment, but also facilitate China-US trade talks. It should also address the main concerns of all the main trade partners, facilitating other trade talks, including the Regional Comprehensive Economic Partnership (RCEP), Trans-Pacific Partnership (TPP) and previous Bilateral Investment Treaty (BIT).

Despite slower global demand and cooling housing markets, we believe that the filtering through of the bigger-than-expected stimulus measures will likely lead to a gradual growth recovery in the coming quarters. The private sector, rather than the debt-dependent property and SOE sectors, will lead the modest recovery this time. This has two main implications. First, the recovery will be more broad-based and hence more sustainable, given that private firms account for over 60% of GDP, 70% of patenting activity and 80% of urban employment in China. Second, since private firms are a much more efficient users of capital, reallocating the new credit and fiscal resources away from the state sector to the private sector will actually reduce the credit-intensity of the GDP growth in the coming years.

WEEKLY COMMENTARY

12 April 2019

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

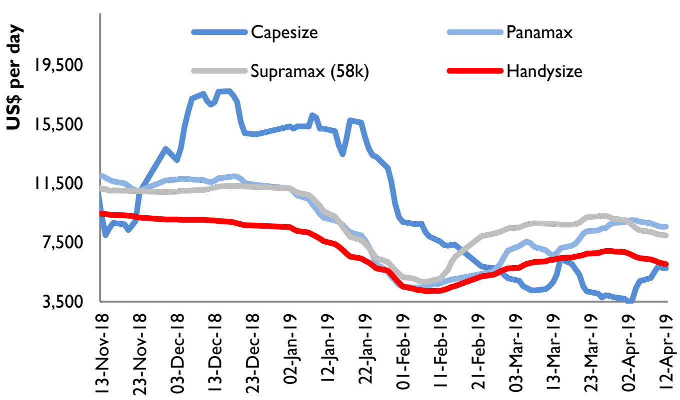
The **BDI** closed the week at 726, up from last weeks 711. This was due to a bounce back in the **Cape** market which started the week positively before taking a small tumble at the end of the week and close at $5,737. This however was still up from last weeks $4,881. Once again, fixtures this week were unreported. On voyage, ore runs West Coast Australia to China were fixing at around $4.90 while Tubarao to China was at $12.80. The **Panamax** market saw a softer tone this week with the index sliding from last weeks $8,902 to $8,577. Business in the Pacific remained active. Rates were being concluded at $7,000 as seen by *One Energy* (81,076 dwt, 2011) which fixed from Qingdao via East Australia to China with Oldendorff. *Santa Cruz* (83,456 dwt, 2011) was said to have fixed delivery Qingdao via Australia with redelivery Malaysia at $8,250. In the Atlantic, Bunge fixed *Flat Mette* (81,200 dwt, 2016) for a trip delivery Gijon via Kamsar redelivery Aughinish at $10,000. On the front haul, Cargill took the *Avax* (75,399-dwt, 2006) delivery Santos for a trip to Singapore-Japan at $14,000 plus $400,000 bb. On period, Uniper took the *Phaidra* (87,146-dwt, 2013) delivery Taichung for 14 to 16 months trading at $10,500.

The **Supramax** continued the gradual dropping trend throughout this week despite US Gulf & East Coast South America show some recovery at the later half. It closed the week at $7,967, down from last weeks $8,304. In the Atlantic, *Nautical Madison* (63,372-dwt, 2018) fixed delivery Recalada for a trip redelivery Singapore-Japan range at $13,750 plus $375,000. Klaveness fixed *Amis Dolphin* (60,830-dwt, 2015) delivery Mississippi River for a trip with grains redelivery Continent at $14,000. In the Indian Ocean, the *Ikan Pulas* (63,520-dwt, 2016) fixed delivery Port Elizabeth for a trip redelivery Singapore-Japan range at $11,800 plus $180,000.The *Dubai Galactic* (55,418-dwt, 2007) fixed delivery East Coast India for a trip redelivery China at $9,000. In the Pacific, Chun An fixed *Tai Happiness* (52,686-dwt, 2004) delivery Donghae for a trip via CIS redelivery Taiwan at $6,500. Glovis fixed the *Aliki Perrotis* (60,897-dwt, 2015) delivery CJK for a trip via NoPac redelivery Bangladesh at $9,500. Norden fixed the *Galini* (56,015-dwt, 2005) delivery Huangpu for a trip via Indonesia redelivery South East Asia at $6,000.

The **handy** index closed the week at $6,028, once again down from last weeks $6,430. In the Pacific rates continued their sideways trend, with little encouragement for change moving into next week. It was very quiet this week with several events going on due to Singapore Maritime Week. In the north, quick CIS trips were reportedly going for around mid 6's basis Busan. In the south there was very little to report with growing tonnage lists putting pressure on rates. With the subdued market there was little to report on the period front either. The Atlantic dragged on from last week and continued its overall fall. In the US Gulf, tonnage was building up with a lack of cargo. *Qi Xian Ling* (34,551-dwt, 2012) fixed delivery Skaw Passero for a trip to Ireland at a low $6,000. East Coast South America continued to soften. Trithron took the *African Venture* (34,721-dwt, 2012) delivery Recalada for a trip to Australia at $14,000 and we heard a 30k-dwt fixing Plate to UK/Continent at $10,000. The Mediterranean and Black Sea seemed continued to hover around the $5k although *Bar* (35,000-dwt, 2014) fixed $6,100 delivery Canakkale for a trip via Black Sea, redelivery Otranto.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Alkimos	95,300	2013	EC South America	2 / 7 May	South East Asia	15,400	CJ International	Plus 540, 000 bb
Dimitra	93,243	2010	Taichung	PPT	China	7,000	Norden	Via Weipa
Flag Mette	81,200	2016	Gijon	9 Apr	Aughinish	10,000	Bunge	Via Kamsar
One Energy	81,076	2011	Qingdao	12 Apr	China	7,000	Oldendorff	Via East Australia
Avax	75,399	2006	Santos	25 Apr	Singapore-Japan	14,000	Cargill	Plus 400,000 bb
Bulk Paraguay	63,461	2016	Surabaya	12-15 Apr	China	11,500	CNR	Via Indonesia
GH Sky Beauty	63,398	2017	US Gulf	PPT	Japan	18,000	Swire Bulk	
Mimi Selmer	55,711	2005	Kuantan	06/08 Apr	South China	6,500	Ausca	
African Venture	34,721	2012	Recalada	PPT	Australia	14,000	Trithorn	
Matakana Island	31,923	2005	Praia Mole	PPT	Rio Grande	10,500	Norsul	



Exchange Rates	This Week	Last week
JPY/USD	111.92	111.71
USD/EUR	1.131	1.1214

Brent Oil Price	This Week	Last week
US$/barrel	71.26	70.30

Bunger Prices ($/tonne)	This week	Last week
Singapore IFO	427.0	434.0
MDO	625.0	607.0
Rotterdam IFO	420.0	418.0
MDO	598.0	586.0

Dry Bulk S&P

We have little to report this week. Overall the market has been focussed in recent week on two main sectors (three if you include capers going for scrap). Firstly, predominantly-Greek buyers have feasted on the low-hung fruit of the Japanese supramax sector. Now there is more resolve amongst sellers, predominantly Japanese, and buyers are for the moment reluctant to push prices upward. Thus the first of our two sales, *Amis Leader* (58,700-dwt, 2010 Tsuneishi Zhoushan) is reported sold at $13.15m, exactly in line with last month's sale of sister ship Ghent (built 2011) at $14m. Secondly Chinese buyers have snapped up a large number of older panamax bulkers as sellers abandoned hope that the market is due for an imminent revival and accepted the new benchmarks. This week the Chinese-built *Silver Dragon* (74,748-dwt, 2006 Hudong) is reported sold for a respectable-under-the-circumstances $8.3m, reportedly to Chinese buyers.

There is a general feeling that the herd is moving towards fresh pastures, perhaps Chinese built ultramaxes where prices are softening and interest is rising, or handies where a couple of recent sales suggest sellers are more willing to compete.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Silver Dragon	74,748	2006	Hudong-Zhonghua	-	Chinese	8.30	
Amis Leader	58,700	2010	Tsuneishi - Zhoushan	C 4x30	undisclosed	13.15	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Berge Denali	289,470	1992	Daewoo Shipbuilding	Bulk	29,433	451.00	Bangladesh
Atlantic Carrier	258,900	1993	Ishikawajima-Harima HI	Bulk	35,101	480.00	Bangladesh
Alpha Millennium	170,415	2000	Sasebo HI	Bulk	24,576	457.00	'As is' Singapore
Medelin Atlas	45,018	1989	Daewoo Shipbuilding	Tank	8,947	427.50	"As is" Belawan
Claes Maersk	28,550	1994	Odense Staalskibsvaerft	Cont	8,965	'undisclosed	India
Calaguas	5,615	1978	K.K. Ichikawa Zosensho	Tank	2,527	320.00	"As is" Belawan

HARTLAND SHIPPING SERVICES

Tanker Commentary

The eye catching sale of the week is Frontline's reported disposal of a pair of modern LR2s. *Sea Pecos* and *Sea Tanana* (115k-dwt, 2018 Daehan) are understood to have been sold to Vitol for $48.5m each banking a tidy profit of in excess of $6m for the John Fredriksen controlled company. The sale is a much needed benchmark in the sector with a number of potential modern and resale aframax/LR2 candidates struggling to find new homes. In addition this week, there are rumours Pantheon Tankers are close to finalising an order at SWS for 2 firm aframax newbuildings plus options at a competitive $44.8m. The price highlights the prospect of softening newbuilding prices across the board as yards become increasingly anxious to fill up surplus capacity into 2021.

The consistent flow of VLCC sales shows no sign of relenting with reports this week of Mercator selling *Nerissa* (299,235-dwt, 2006 Nacks) in the region of $29-30m to NG Moundreas. It is interesting to note, Mercator purchased the vessel at the peak of the market in May 2008 for an eye watering $170m. This is ninth VLCC to be sold in the secondhand market this year whereas only one has been demolished and 20 newbuildings have been delivered so far out of 45 in total which represents 6% of the fleet.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Nerissa	299,235	2006	NACKS	NGM Energy	28.00	having failed in December '18 for $34m to NGM
Sea Pecos	115,674	2018	Daehan Shipbuilding	Vitol	48.50 each	
Sea Tanana	115,666					
Okhta Bridge	47,803	2004	Hyundai Mipo	UAE	9.00	DPP and DD due
Ardmore Seafarer	45,744	2004	Minaminippon	Chinese	9.70	

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