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### THE BIGGER PICTURE

... Trump and Haley – One Last Grapple ...



Source: The FT

### POINTS OF VIEW

Last week, Jerome Powell of the Fed may have been a little too effusive in his praise of the US economy at a time when the rest of the world is slowing down. He raised US rates, warning of more to come, in response to strong employment, robust economic growth and inflationary pressures. Such pressures have been driven by higher retail and energy prices which are by-products of US-initiated trade wars with Canada, Mexico, the EU and China and US-imposed sanctions on Iran and Venezuela. On Monday, Brett Kavanaugh was sworn in as a justice to the Supreme Court after a narrow 50:48 victory following a sham investigation into his alleged misdemeanours. On Tuesday, Nikki Haley resigned as US ambassador to the UN, allegedly sacked for not following the Trump-Bolton “America First” policy aggressively enough. UN members may have laughed at Trump’s claims\* but the UN, along with other institutions such as Nato and the WTO, is now more open to attack by Bolton, national security adviser and chief exponent of America’s multilateralist reform agenda. On the same day, the IMF cut its forecast of global growth for 2018 and 2019 to 3.7% from 3.9% in April. Its main reason: rising trade tensions between the US and its trading partners that is now hitting global economic activity. On Wednesday, the president said that the Fed had “gone crazy” in raising rates. His interference is inappropriate<sup>^</sup>, especially as justification of higher rates is to encourage investors to keep buying US debt to pay for his generous tax cuts. Rate rises are simply in line with forward guidance, normal procedure. On Thursday, the president enjoyed expletive-ridden adulation from Kanye West\*\* in the Oval Office.

The above few illustrations of presidential bullying and intimidation mask the reality that it is not working so well as China, the IMF and the Fed appear to be fighting back. They can do a lot to harm him with their strong grips on trade, forecasting and rates. The US president is a master of unintended consequences. He promised to rescue sunset industries such as steel and aluminium, but his import tariffs have damaged America’s vast auto and aviation industries. He has accidentally favoured soybean farmers in Brazil over those at home in Iowa. Brazil can now import US beans at a discount while selling its beans to China at a premium. Trump’s trade tangles have fed a bond market rout and an equity market correction. It is poor timing just ahead of the mid-terms but no doubt he will find plenty of other people to blame. The focus on US sovereignty only weakens America while emboldening autocratic regimes in Russia, China and the Middle East, even to the point that some feel free to conduct black ops in our back yard. It is also stoking up right-wing extremism across Europe, including in Germany. The populist government in Italy has defied the EU in announcing a deficit-widening budget, despite debt at 130% of GDP, causing an Italian bond sell-off and a jump in yields. Italy’s cost of funding will rise and increase the risk of a eurozone crisis far worse than the Greek one. Its open defiance of Brussels is competing with Brexit and recalcitrant late EU joiners in undermining a crumbling European edifice that is desperate to shore itself up against potential internal and external shocks, plenty of which seem to be lying in wait.

For once, we are thankful to be in shipping, gliding above the dirty quagmire of politics and clumsy attempts to recalibrate the existing world order. Shipping just gets on with the job. Focusing on the dry bulk and crude oil sectors, we have seen quite a jump in earnings in recent weeks and this has occurred despite trade disputes, lower economic forecasts, financial market turmoil and elevated geopolitical angst. The Baltic Dry Index has been choppy all year but has trended higher since the start when it was on 1,230 points. Today it is on 1,579 having peaked at 1,774 on 24 July. BCI-180 capesize earnings have also trended higher having started the year at \$15,125 daily, slumped to \$7,051 on 5 April, peaked at \$27,283 on 6 August, and are now at \$18,746 daily. The BPI-82 kamsarmax has been a standout having gone from \$11,720 at the start of 2018 to 15,996 today, while the BSI-58 supramax has also done well in going from \$10,312 in early January to \$13,395 today. The Baltic Dirty Tanker Index of crude oil tankers has had a tough year. It started 2018 at 700 but in recent weeks has shot to 921 points. VLCC average earnings have gone from -\$444 to \$15,956 daily, suezmax from \$7,036 to \$20,583 and aframax from \$5,036 to \$13,161 per day. The key message is that these indices have surged lately, in the opposite direction to financial indices. Trump can affect sentiment in some markets but he cannot tamper with the shipping fundamentals.

\*At the recent US General Assembly in New York. Europe, including the UK, aligned with Russia and China in opposing US policy on Iran.

<sup>^</sup>It is also likely to backfire as presidential interference will cause the Fed to raise rates even faster just to prove that it is independent.

\*\*He is a rapper, married to Kim Kardashian, at the White House to have a chicken lunch with the president to discuss pardons and racism.



## Dry Cargo Chartering

The **BDI** closed the week at 1,579, up from last weeks close of 1,536. The **cape** market closed the week at a positive \$18,746 after an up and down week. This was up from last weeks close of \$18,026 and included a jump of \$1,541 today. On time-charter, the *Rosco Maple* (181,453-dwt, 2010) fixed delivery Qingdao for 2 laden legs redelivery Singapore-Japan range at \$17,900. *Brave Sailor* (176,283-dwt, 2011) fixed delivery Zhoushan for a trip via East Coast Australia, redelivery China at \$17,000 bss CJK or \$18,000 bss north of CJK. On voyage, Bilgent fixed the *Cape Enterprise* for 170,000/10% ore Tubarao/Qingdao at \$20.18. This run was fixed in the mid \$21's by the end of the week. Dampier/Qingdao ore runs were fixing closer to \$8. On period, *Iron Fritz* (176,298-dwt, 2003) fixed delivery Jiangyin for about 12 months trading, redelivery worldwide at a rate bss BC15 TC average.

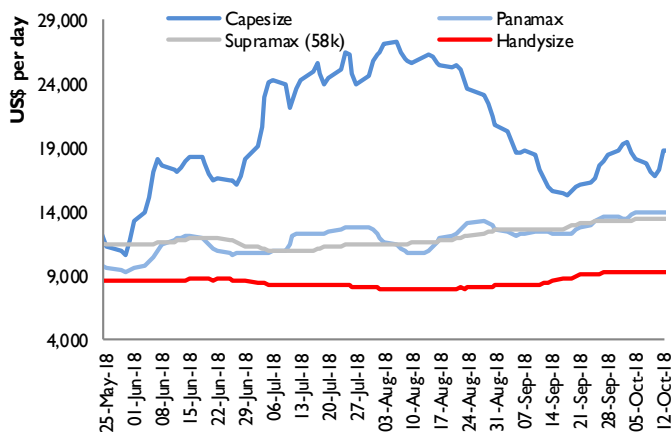
The **panamax** market closed the week at \$14,227, up from last weeks close of \$13,849. Rates in the Atlantic were climbing at a significant pace while rates were sliding in the Pacific. In the Atlantic, Bunge fixed the *Maria* (76,015-dwt, 2003) delivery US Gulf redelivery UK-Continent with grains at \$15,000 plus \$500,000 bb. ACB fixed the *Elena Ve* (75,750-dwt, 2010) delivery Rotterdam for a trip via Baltic, redelivery Skaw-Gibraltar range at \$13,500. In the Pacific, Tongli fixed the *Julian* (73,613-dwt, 2003) delivery Taichung for a trip via Indonesia, redelivery South China at \$14,000. Norvic fixed the *Belgrano* (81,870-dwt, 2015) delivery Zhoushan for a trip via Indonesia, redelivery India at \$15,000.

The **supramax** index closed the week at \$13,395, slightly up from

last weeks \$13,327. The **handy** index closed the week at \$9,536, also up from last weeks \$9,260. It was still all green for the Atlantic, especially on the handy sizes, with large numbers still being reported in most areas. Front hauls on the supras were still hitting the low 20's ex US Gulf and Baltic Sea. Meadway fixed the *Atlantic Maya* (56,052-dwt, 2005) delivery Canakkale for a prompt trip via Black Sea, redelivery China with grains at \$22,500. The *Chang Shan Hai* (56,838-dwt, 2010) fixed delivery Huelva for a trip via North Coast South America, redelivery China at \$21,000. In the south, the *Athos* (57,269-dwt, 2016) fixed delivery Durban for a prompt trip redelivery Singapore-Japan range at an impressive \$13,500 plus approx. \$425,000 bb. Rates in the Pacific slowly faded on both sizes. *Yuan Teng* (53,463-dwt, 2008) fixed delivery CJK for a prompt trip via Philippines, redelivery China at \$11,000. *SAM Jaguar* (57,453-dwt, 2013) fixed delivery Singapore for a trip via Indonesia redelivery West Coast India-Pakistan range at \$14,500. *Soldoy* (56,830-dwt, 2011) fixed delivery Mumbai for a trip via the Arabian Gulf, redelivery East Coast India with petcoke at \$16,000. Little was reported on the handys except for the *Great Reward* (31,785-dwt, 2011) which fixed delivery Xiuyu for a trip via Australia, redelivery South East Asia with scrap at \$9,250. On period, Daewoo fixed the *Strange Attractor* (55,742-dwt, 2006) delivery Villanueva for 7/9 months redelivery world wide at \$12,950. Jaldhi secured the *Endurance SW* (60,225-dwt, 2015) delivery Paradip for 4/6 months trading redelivery world wide at \$14,000.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Star Pauline	180,274	2008	Rizhao	PPT	Singapore-Japan	20,750	K-Line	Via West Australia
Duhallow	179,481	2016	Gibraltar	PPT	Skaw-Gibraltar	23,750	JERA	Via Bolivar&Rotterdam
Ocean Aphrodite	93,145	2011	Immingham	Spot	Skaw-Gibraltar	16,000	Oldendorff	Via Baltic
Emerald Dongji	81,845	2015	Taichung	12/13 Oct	India	16,000	Tata NYK	Via East Australia
Corviglia	73,305	1999	Gibraltar	17 Oct	Malaysia	22,000	ECTP	Via Itaqui
Seaboni	62,657	2015	USG	PPT	Cont	22,000	XO	Grains
Nathan Brandon	56,489	2013	CJK	PPT	China	10,250	CNR	Via Indo
Atlantic Maya	56,052	2005	Canakkale	PPT	B.Sea	22,500	Meadway	Grains
Great Reward	31,785	2011	Xiuyu	Spot	SEAsia	9,250	Simec	Via Aus with Scrap
Privlaka	27,112	2005	Fairless Hills	PPT	Italy	11,000	Ace Shipping	Woodpellets



Exchange Rates	This Week	Last week
JPY/USD	112.32	113.81
USD/EUR	1.1574	1.153

Brent Oil Price	This Week	Last week
US\$/barrel	80.85	84.29

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	516.0	526.0
MDO	744.0	755.0
Rotterdam IFO	462.0	477.0
MDO	690.0	707.0

12 October 2018

### Dry Bulk S&P

The market is awakening and the low hung fruit, particularly in the panamax and supramax markets is being gathered in by buyers. Chinese buyers continue to pursue elderly panamax tonnage while the supramax market is dominated by Greek buyers.

The considerable pool of tonnage in the second hand market is beginning to be drained and unless another wave of sales candidates arrive we can expect prices to stiffen in the short term.

Eastern Pacific are reported as the buyers of the Japanese controlled *Bulk Asia* (181,380-dwt, 2014 Imabari) for \$40.4m – a better than last done price.

Two modern Japanese panamaxes are sold this week. *Eisho* (74,930-dwt, 2012 Sasebo) is sold for in the region of \$18.7m – a good price for a smaller dwt vessel that has been on the market for some time. *AOM Milena* (76,606-dwt, 2009 Shin Kasado) achieved her target price of \$16.0m at the first time of asking. Chinese buyers have picked up the post-panamax *Yongji* (77,672-dwt, 2000 Mitsui) for a firm \$8m, while *New Herald* (72,900-dwt, 1997 Daedong) is sold at \$5m also to Chinese buyers. Two older units are sold at auction with mixed fortunes. *Hai Jing* (75,928-dwt, 2001

*Kanasashi*) achieved \$7.62m, while *Angelic Grace* (74,750-dwt, 2001 Hudong) was reportedly repurchased by Diamlemos at auction for \$5.5m.

In the supramax market Greek buyers are very much on the front foot. Neptune Lines are reportedly the buyers of *Ivy Unicorn* (55,874-dwt, 2011 IHI) for \$16.5m – a definite step up on last done. A comparable number is reported for the year older *Indigo Evolution* (55,625-dwt, 2010 Mitsui) which is reported sold for \$15.5m to as yet unidentified Greek buyers. Weaker numbers, for deals that were probably conclude last week, have been reported for the *Triton Seagull* (56,058-dwt, 2007 Mitsui) at \$13.1m and the *Medi Firenze* (58,722-dwt, Tsuneishi Cebu) at \$13.5m. The latter has been in and out of the market for many months.

Lastly in the handy sector *IVS Kanda* (32,621-dwt, 2004 Kanda) is sold for \$8.65m, and another long-tem resident of the second-hand market *Voula Seas* (28,495-dwt, 2002 Kanda) is finally (?) sold at \$6.45m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Bulk Asia	181,380	2014	Imabari	-	Eastern Pacific Shipping Corp	40.4	
Yongji	77,700	2000	Mitsui	-	Chinese	8	
Aom Milena	76,606	2009	Shin Kasado	-	undisclosed	16	
Hai Jing	75,928	2001	Kanasashi HI	-	undisclosed	7.62	auction
Eisho	74,930	2012	Sasebo HI	-	undisclosed	18.5	
Angelic Grace	74,750	2001	Hudong	-	Diamlemos Shipping Corp	5.50	auction
New Herald	72,875	1997	Daedong	-	Chinese	5	
Medi Firenze	58,722	2008	Tsuneishi	C 4x30	Indonesians	13.50	
Triton Seagull	56,058	2007	Mitsui	C 4x30	Greeks	13.1	
Ivy Unicorn	55,874	2011	IHI	C 4x35	Greeks	16.5	
Indigo Evolution	55,625	2010	Mitsui	C 4x30	Greeks	\$15.50m	
Ivs Kanda	32,621	2004	Kanda	C 4x30.5	undisclosed	8.65	
Voula Seas	28,495	2002	Kanda	C4x30	undisclosed	6.45	

#### Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price (\$)	Delivery
Island Chief	13,387	1990	Miho	Cont	5,889	\$448.00m	India
Gemini Leader	14,930	1994	Mitsubishi	RoRo	14,886	\$441.00	India (green recycling)
Ocean Concord	95,636	1993	Imabari	Tank	15,925	undisclosed	Bangladesh
Seaways Shirley	112,056	2001	Hyundai HI	Tank	19,004	\$442.00	'As is' Singapore
Kamari	149,706	1997	Dalian	Tank	24,531	\$455.00	'As is' Fujairah
New Horizon	105,575	1997	HHI	Offshore	16,894	\$455	'As is' Khor Fakkan

## Tanker Commentary

For weeks, speculation has surrounded the Marinsa controlled LR2s *Densa Alligator* (105,408-dwt, 2013 Hyundai Gulsan) and *Densa Crocodile* (105,171-DWT, 2015 Hyundai Gulsan). Reports surfaced close to a month ago that Latsco were in close discussions. This week we understand a deal has finally been reached, with the Paris Latsis lead company paying \$61.5m en bloc for the pair of coated aframaxes. Breaking down the price, it appears the LR2 hungry buyer has paid in line \$29m for a five year old ship. To some, this may seem firm when compared to the sale of the *Glory Crescent\** (105,405-dwt, 2013 HHI) at \$25m, but it should be noted that the *Glory Crescent* is uncoiled. The Marinsa sale will set a useful benchmark for those lining up to inspect the Gulf Energy Maritime LR2s that were placed in the market last week\*\*, although we would expect the GEM ships to achieve a premium given the larger cubics.

In the MR sector, we have yet another Japanese MR sale to report. Having sold their *Silver Express\*\*\** for \$15m, Doun Kisen have now committed their *High Enterprise* (45,967-dwt, 2009 Shin Kurushima) to Spring Marine. The reported price of \$13.75m is close to 10% below last done and will have no doubt sent a chill down the other Sellers' spines. The *High Enterprise* does have surveys due in Q1 2019, which have no doubt played some part in the Buyers achieving such a low price. The question is, are the other Japanese sellers going to follow Doun down...

\**Glory Crescent* (105,405-dwt, 2013 HHI) sold to AG Shipping in August 2018

\*\**Gulf Vision* (114,900-dwt, 2012 Samsung) & *Gulf Valour* (114,900-dwt, 2013 Samsung Heavy)

\*\*\**Silver Express* (47,000-dwt, 2009 Onomichi) sold to Greeks for \$15m in August

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Amore Mio II	159,885	2001	Daewoo	Indians	High 10s	
Densa Alligator	105,408	2013	Hyundai HI- Gulsan	Latsco	61.5 en bloc	Coated
Densa Crocodile	105,171	2015				
High Enterprise	45,967	2009	Shin Kurushima	Spring Marine	13.75	

### Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
New Champion	311,100	2018	Koch Logistics	2 yrs	29,750	Koch Logistics
Chryssi	298,900	2000	Kawasaki	1 yr	18,750	Undisclosed
Kleon	115,000	2016	Sundong	15 mths	15,250	ST Shipping
Samraa Alkhaleej	114,900	2006	Samsung	1 yr	20,500 each	Trafigura Beheer BV
Alhani	114,800	2007				
Ashahda	105,200	2004	Sumitomo	6 mths	12,850	Undisclosed
Nord Valiant	49,700	2016	Hyundai Vinashin	1 yr	13,250	Stena Bulk

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