

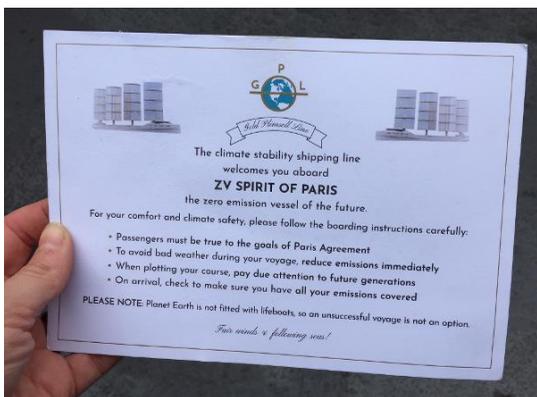


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THE BIGGER PICTURE

... A Week of Hot Air ...



Source: Campaign Against Climate Change

POINTS OF VIEW

From trade wars to real wars, Mr Trump is the global tweeter in chief, whose childlike unpredictability keeps everyone guessing. At least he provides some distraction from the sluggishness of today's shipping markets that seem to be in a synchronised slowdown. The Trump administration is engaged in skirmishes with China over a variety of goods imports that took the US-China trade deficit to \$375bn in 2017. Its threatened actions would be retaliation for alleged intellectual property theft and are designed to frustrate the "Made in China 2025" programme. It might better be called the "Remade in China 2025" programme. Hawks in the US government wish to head off an existential threat to the US economy as this Chinese initiative seeks global leadership in key industries of the future such as artificial intelligence, robotics and communications. This trade war will be waged in the air, on the seas, on the ground and in cyber space. A real war may kick off if the US, France and UK decide to hit Syrian chemical weapon sites and airbases in response to last week's chlorine and sarin attack on Douma. The risks are of reprisals should the strikes hurt or damage Russian and Iranian bystanders and their hardware. Russia's envoy to Lebanon suggested that the Russians would target incoming missiles and their launch platforms, i.e. planes, ships and submarines in what would be a shift to outright conflict. This real war will also be waged in the air, on the seas, on the ground and in cyber space. With so much hot air about it is a relief that Russia and the US are in contact via a deconfliction hotline, as such dialogue prevents both Putin and Trump from trying to divert attention from their domestic problems.

Shipping markets provide no such relief. In tankers, average earnings[^] for a modern VLCC have slumped from \$64,846 per day in 2015; to \$41,488 in 2016; to \$17,794 in 2017 and to \$6,774 daily in 2018 to date. The nominal value of a 5-year old VLCC dropped from \$80m in 2015, and to \$60m in 2016, before rebounding to \$64m in 2017. It remains at this level today as the market is prepared to price in a recovery. Average earnings for a modern MR product tanker fell from \$21,444 per day in 2015; to \$12,124 in 2016; to \$10,213 in 2017, and are at \$10,212 daily in 2018 to date. The nominal value of a 5-year old MR was at \$29m in 2015, \$22m in 2016, back up to \$25m in 2017 and to \$26.5m today. The charter market needs to start delivering or values will come under pressure. In bulk carriers, modern capesize earnings have improved from \$6,369 per day in 2015 and \$6,035 in 2016 to \$13,475 in 2017 and \$10,147 daily in 2018 so far. The current performance is dismal and is expected to improve if the data is correct. Putin and Trump have taught us to worry about fake news, selective statistics and biased reporting, so it is a concern. As with tankers, the market believes in a recovery from past low asset values. The nominal value of a 5-year old capesize has risen from \$25m in 2015 and \$24m in 2016 to \$33m in 2017, where it remains today. Finally, average supramax earnings went from \$7,366 per day in 2015 and \$6,264 in 2016 to \$10,590 in 2017 and \$12,221 daily in 2018 so far. 5-year supras have gone from \$13.5m in 2015 to \$14m in 2016 and \$17.5m in 2017. Today they are at \$18m. It should get even better...

The IMO* met this week to discuss reductions in greenhouse gas emissions at sea and the implementation of the IMO 2020 sulphur cap and the Ballast Water Management Convention. All three measures should have major implications for the future supply side of shipping. At the start of the week the nominal target range for reducing annual CO₂ emissions was set at 50-100% of 2008 peak year levels by 2050. The US, Brazil and Saudi Arabia prefer no fixed target while a 100% target is preferred by the EU and Pacific Island states. By yesterday it had become a crowd pleasing 'at least' 50%, short of the 70% reduction that is widely deemed necessary to bring shipping into compliance with Paris Agreement climate change objectives, an agreement from which shipping was originally excluded. It is not a good time for the IMO, a UN organisation, to backslide. That is what it did before on single-hull tanker phase-out and more recently on the timetable for the installation of ballast water treatment systems. We will soon know if it will reconfirm that 1st January 2020 is indeed the real deadline for a switch to max 0.5% sulphur content marine fuels (from max 3.5% today). The river wall opposite the IMO has a warning scratched into the grime: "IMO DONT SINK PARIS" and cards have been handed out to passers-by stating "The world is waiting and watching... IMO, don't disappoint." These environmental protections are needed, and they will be disruptive proportionate to the extent of ambition and the degree of enforcement. They will add costs, some of which will pass through to end-users, but better quality and higher safety standards will also raise the bar and help to regulate tonnage supply. Non eco ships will leave the fleet, to be replaced by more environmentally friendly models.

*MEPC 72 – 72nd session of the IMO's Marine Environment Protection Committee to confirm a strategy for reducing GHG emissions from ships.

[^]Data courtesy of CRS Shipping Intelligence Network time series.

The **BDI** was back above 1,000, up 66 points over the week to finish up at 1,014. The **Cape** market looked to have turned a corner this week, finishing the week up \$1,655 on last weeks close of \$7,156. There were few TC reported fixtures in the Atlantic but the main C5 route improved by over \$1 with the rate standing at nearly \$6.40. In the Pacific Oldendorff fixed *Cape Stork* (175,611-dwt, 2011) for an Australia round voyage redelivery China at approximately \$10,000 with delivery Liheng and *Golden Savannah* (181,044-dwt, 2017) a RWE relet was fixed by SK Shipping delivery Lianyungang for a trip via west Australia redelivery China for \$9,700 for the 1st 40 days then \$12,500 thereafter. Daelim took the *Ocean Duke* (180,361-dwt, 2010) for 11-13 months delivery Bayuquan at \$17,000.

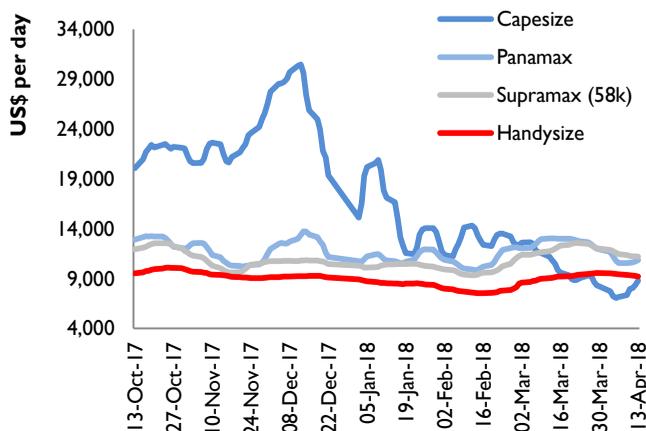
The **Panamax** market started to pick up and kept rising throughout the week. It concluded the week at \$10,849, up from last week's close of \$10,574. In the Atlantic, CJ International fixed the *Te Ho* (77,834-dwt, 2004) delivery Plate for trip to Skaw-Passero at approximately \$15,500 and Louis Dreyfus took the *Sirocco* (82,000-dwt, 2014) delivery Recalada for trip redelivery Poland at \$19,500. In the Pacific, the *Alpha Progress* (81,251-dwt, 2012) was taken by Unico delivery Xingang for trip via NoPac redelivery Singapore-Japan at \$11,250. Jaldhi fixed the *Wangaratta* (82,206-dwt, 2011) delivery Niihama for a spot trip redelivery Malaysia via Australia at \$9,000. Uniper took the *Good Wish* (75,015-dwt, 2011) delivery Mariveles for trip via Indonesia redelivery

India at \$11,000. On the front haul, the *Thetis* (73,624-dwt, 2004) was fixed to Glencore delivery Port Said for a spot trip redelivery South East Asia via Black Sea at \$19,000. On the Period, Norvic took the *Xin Hong* (82,226-dwt, 2013) delivery Tianjin for 4-6 months redelivery worldwide at \$12,900.

This week in the **Supra** market fell by \$251, finishing up at \$11,218. In the Atlantic, *Tai Shine* (61,473-dwt, 2012) was fixed by Pacific Basin at \$16,500 delivery US Gulf for a trip into the East Mediterranean and *Ocean Freedom* (55,771-dwt, 2010) was fixed by Bunge delivery Paranagua at \$15,900 for a trip into South Spain. In the Pacific, *Menalon* (56,617-dwt, 2011) fixed a trip delivery CJK to India via East Coast Australia at \$11,000 and *Ikan Parang* (56,697-dwt, 2011) did a steels trip delivery Lianyungang into Penang at \$9,500. On the period side of things *ST Pinot* (57,949-dwt, 2013) was taken by Oldendorff for 2/3 laden legs at \$13,500 for world wide trading. In the **Handy** market this week we saw a softening in rates, with the TC average ending the week at \$9,227, a fall of \$215. In the Atlantic, there was little reported activity on the handies. A few more fixtures were reported in the Pacific, *Lord Ali* (36,816-dwt, 2011) was fixed by Joint Faith delivery Kunsan for a trip into the Arabian Gulf with steels at approximately \$8,250 and *Star Lily* (33,248-dwt, 2008) was fixed at \$9,000 by GMT for a trip into Japan with coal delivery Campha. No reported period fixtures were reported on the handies this week.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Australia Maru	181,415	2012	Kakogawa	16/17 Apr	North of CJK	10,800	Pacific Bulk	Via West Australia
Cape Stork	175,611	2011	Liheng	16 Apr	China	10,000	Oldendorff	Via Australia
Ocean Sapphire	93,029	2012	Taichung	11 Apr	China	10,500	Tongli	Via Port Hedland
Limnionas	84,000	2017	EC South America	30 Apr	SE Asia	16,300	Oldendorff	\$630,000 bb
Puma Max	81,339	2012	NC South America	End Apr	Skaw-Passero	15,000	Bunge	\$160,000 bb
Spar Pavo	63,800	2016	Savannah	PPT	Turkey	16,000	Ultrabulk	
Lietta	57,070	2009	Canakkale	PPT	India-Japan	16,700	CNR	Via Black Sea
Menalon	56,617	2011	Singapore	13 Apr	WC India	11,250	Bainbridge Navigation	Via Indonesia
Star Lily	33,248	2008	Campha	PPT	Japan	9,000	GMT	
Coreocean OL	28,358	2009	Shuidong	PPT	Far East	8,000	CNR	Via Australia



Exchange Rates	This Week	Last week
JPY/USD	107.67	106.91
USD/EUR	1.2313	1.2279

Brent Oil Price	This Week	Last week
US\$/barrel	71.92	67.11

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	394.0	380.0
MDO	632.0	615.0
Rotterdam IFO	380.0	361.0
MDO	616.0	581.0



Dry Bulk S&P

It is difficult to pick out any particular trend from the sales we report this week. Perhaps we can blame the lack of direction on two successive Easter weekends and the Qing Ming festival, but in truth the lack of recorded sales is probably more due to the anemic freight market and a bloated list of sales candidates. Buyers are somewhat spoilt for choice and this is probably giving them pause for thought. There is no sign of the market softening anywhere - indeed the benchmarks for supras, ultras and handysizes continue to push up. For those with a steadfast belief in the fundamentals of supply, this current hiatus offers buyers a wide range of opportunities in almost every sector.

Two panamaxs are sold this week, both mid-aged Imabari's. *Prosperity* (76,633-dwt, 2005 Imabari) is reported to be sold at a last-done \$12.5m while reportedly *Madeleine* (76,561-dwt, 2006 Imabari) is sold for a much more juicy \$14.3m. We await more details.

Investors associated with Scorpio have booked a healthy profit on a quartet of Gouyu Dolphin57s. This time last year they paid about \$9.25m each for *E Trader*, *E Transporter*, *E Traveller* and *E Tracer* (56,700-dwt, 2010, 2010, 2011, 2011 Gouyu respectively) and they have now sold them on to Far Eastern buyers at \$12.5m each.

A trio of smaller supramaxes, one Japanese and two Vietnamese are sold, we believe to Chinese buyers. *Aquarius Ocean* (53,463-dwt, 2005 Imabari) is sold for \$10.3m, while a pair of Diamond53 types *White Diamond* and *Blue Diamond* (53,463-dwt, 2008 Ha Long) are sold for something in the high 9s.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Oriental Wise	97,115	2011	Guangzhou Longxue	-	undisclosed	17.8	
Double Prosperity	76,633	2005	Imabari	-	undisclosed	12.5	
Madeleine	76,561	2006	Imabari	-	undisclosed	14.3	
E Trader		2010					
E Transporter	56,745		Yangzhou Guoyu	C4x30	Far Eastern	50.0	Sold en bloc
E Traveller		2011					
E Tracer							
Aquarius Ocean	53,478	2005	Imabari	C4x30.5	undisclosed	10.3	
White Diamond	53,463	2008	Ha Long Shipbldg	C4x36	Chinese	High 9s each	
Blue Diamond	53,521						

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	\$/LDT	Buyer
Delta Millennium	301,930	2000	Samho Heavy Ind.	TANK	41,552	427	'As is' Colombo (last week)
Ecomaster	92,017	1977	National Steel S.Diego	TANK	15,845	300	'As is' Piraeus
Mahika	36,457	1994	Sestri, Italy	TANK	7,301	260	'As is' Lagos
Baltic Moon	11,022	1987	Hayashikane Shbldg	REEFER	6,006	421	India
Mikhail Lukonin	6,221	1981	Oka Navashinskiy	GC	6,221	420	Bangladesh

Tanker Commentary

With a lack of modern sales candidates in both the product and crude sectors this year, asset values have very much been open to debate. That has made the sale of Scorpio's *STI Fontvielle* and *STI Ville* (49,990-dwt, HMD 2013) and the well publicised Toisa fleet very intriguing indeed. We understand a deal has now been finalised for the Scorpio MRs at \$26.5m with PCL reported to have fought off competition from the chasing pack of a largely Danish contingent. The last done of this vintage was the Capital Ship Management controlled *Aristotelis* (51,604-dwt, HMD 2013) for \$29.3m in January which had BWTS fitted and met a very tight laycan for which the buyer paid what now appears to be a very healthy premium.

Elsewhere in the MR sector, the Japanese controlled pumproom *High Enterprise* (45,967-dwt, Shin Kurushima 2009) and *Silver Express* (47,401-dwt, Onimichi 2009) are reported to have committed on 4 week subjects to Shangdong Shipping in the mid \$16m each which is largely in line with the sale of the *Pacific Rainbow* (45,986-dwt, Shin Kurushima 2008) back in March for \$16.1m. In addition, we understand *Star Express* (45,838-dwt, Shin Kurushima 2005) has been sold for excess \$11m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
STI Ville	49,990					
STI Fontvielle		2013	Hyundai Mipo	PCL	26.5	
Silver Express	47,401	2009	Onimichi			
High Enterprise	45,967	2009	Shin Kurushima	Shandong	Mid 16s each	4 weeks subs
Star Express	45,838	2005	Shin Kurushima	undisclosed	11.0	
Oceanic Coral	13,224	2008	Jinse Shipbuilding	undisclosed	7.2	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pm)	Charterer
Australis	299,095	2003	Universal	2 years	20,000	Petroineos
RS Tara	160,036	2016	Shanghai Waigaoqiao	1 year	16,000	Heidmar
Searover	114,049	2017	Sundong	1 year	15,500	Chevron
Captain Paris	113,876					
Captain John	113,876	2014	Hyundai Samho	6+6 months	15,250	Navig8
Captain Spiro	113,796					
King Philippos	111,827					
Lady Henrietta	111,815	2012	Hyundai Heavy Ind	6+6 months	15,250	Navig8
DL Navig8	50,376	2008	SLS Shipbuilding	1+1 year	12.750	ST Shipping

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