13 July 2018

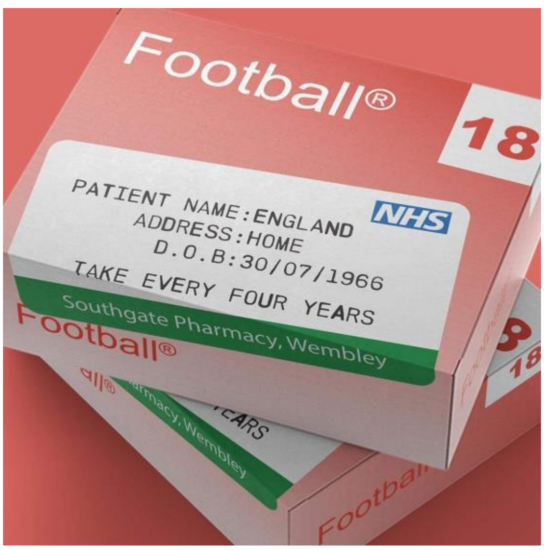
HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

THE BIGGER PICTURE

… We're Going Home …



Source: Internet

^The Tory cabinet suffered two major resignations in Davis and Johnson in protest over Mrs May's plan for Brexit In Name Only, or Brino.

*Yesterday Mr Trump denied the UK a trade deal on account of Brino; today he claimed that the US-UK relationship has never been better.

*Today he denied criticising Mrs May is his world exclusive interview with The Sun, despite evidence to the contrary, branding it "fake news"

^^See the Tom Burgis article in the FT Magazine entitled: "Tower of Secrets; the Russian money behind a Donald Trump skyscraper."

POINTS OF VIEW

On Tuesday the United Kingdom marked the 100th anniversary of the founding of the Royal Air Force (RAF) with a 100 plane flypast over Buckingham Palace. If the Lancaster bomber had accidentally dropped one on No.10 Downing Street no harm would have been done as no-one was, or is, at home^. Watching the flypast from the wide open space of the Covent Garden piazza, French school children burst into spontaneous applause as the Red Arrows painted the sky with the colours of the Tricolour. It was a good omen for that evening's World Cup contest against Belgium, which France duly won. Alas, it was not to be for England on Thursday night, rising national confidence was not repaid as the team cracked up against a more battle-hardened and assertive Croatia. We're Going Home. Fifa must have hoped for an England-France final while Wimbledon will miss Roger Federer. During the week the US proposed another $200bn of tariffs on Chinese imports, roiling global markets. President Trump hopped on Airforce One for a Nato summit in Brussels, tweeting en route that Nato must immediately increase defence spending to meet its treaty obligations. Germany came in for special criticism over the Nord Stream gas pipeline between Russia and Germany - which bypasses the friendly Baltic states, Poland and Ukraine - for paying billions of dollars to Russia when the US is spending billions of dollars protecting Germany from Russia. Despite Russia's annexation of Crimea and eastern Ukraine, Trump still wants it to be readmitted to the G8. Bypassing the usual institutions, and saying what he really thinks, has seen Trump succeed in shaking up the Old World Order. However, his bad-mannered UK visit proves his inability to distinguish between fact and fiction. He is full of contradictions*, he is Trump on Trump, he is his very own collateral damage. Next up Putin, a good time for Robert Mueller to reveal Trump's past and present dealings with Russia.^^

The unintended consequences of US instigated trade wars are many, and more will unfold as the rhetoric ramps up. We have already heard that Harley-Davidson has shut a Kansas City plant and will outsource some of its production to Thailand while Tesla just announced that it will open a huge assembly line in China. Both moves are designed to skirt tariffs and have angered President Trump by undermining his hardline bargaining position. Reuters has drawn our attention to a more local issue of farm versus factory in the county of New Madrid, Missouri which is being torn apart by the consequences of tariffs. The Noranda Aluminum smelter had provided the community with high paying jobs since it opened in 1969, until it went bust in early 2016. About 1,000 people lost their jobs and had to look for new ones at lower pay rates. People lost homes, people got divorced, local services were cut and the only people hiring were farmers. Now it is all change as US tariffs on imported steel (25%) and aluminium (10%) were enough to bring the smelter back to life in mid June as Magnitude 7 Metals. It has plans to hire 465 workers. Unfortunately, China's retaliatory 25% tariff on imported soyabeans has hit New Madrid's agricultural exports. Farmers are delaying equipment purchases, renting out their land to hunters and selling crops forward in the face of falling prices. Farm workers are leaving the land to resume jobs at the smelter. Soyabeans are usually barged down the Mississippi River to Gulf Coast seaports, aggregated and shipped overseas, mostly to China. Now demand has fallen away, as have prices. The Trump tariffs have made winners and losers out of neighbours in New Madrid county.

Bloomberg points out that the latest round of US tariffs, a 10% supplement tax on 6,031 Chinese goods, include some trades that do not, or no longer, exist. Take five: 1) Chinese pipeline gas imports from the US; 2) US LNG imports from China; 3) US live trout imports from China; 4) US radio-tape player imports from China; 5) US electrical energy imports from China. Dealing with each in turn: 1) There is no gas pipeline between the US and China; 2) China is the second largest LNG importer but has no liquefaction capability for export; 3) This trade stopped in 1992; 4) This trade stopped in 2006, five years after the advent of the iPod; 5) There are no trans-Pacific power lines. The Trump administration that invented Fake News now brings us Fake Trades. It is too early to imagine the impact of trade wars on shipping demand in a fungible world, but we still believe that once Trump has extracted meaningful concessions from China, Europe, Canada and Mexico he will declare victory and consider his campaign promises to have been honoured. We will then return to trade more-or-less as usual, just a little different around the edges. Meanwhile, the Baltic Exchange's capesize BCI 5TC hit a 2018 record of $24,287 daily today. Who forgot to tell them about the trade wars?

WEEKLY COMMENTARY

13 July 2018

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

The BDI this week rose 44 points to settle at a total of 1,666. This week **Cape** market fluctuated with a fall seen at the beginning of the week, however lost ground was regained in the later part of the week resulting in a small increase in the time charter average, finishing at $24,287, up $12 compared to last week. In the Atlantic, *Golden Bexely* (180,228-dwt, 2016) was fixed by SwissMarine for an Atlantic round voyage delivery Gibraltar redelivery Skaw-Cape Passero at $30,500. In the Pacific, *Alpha Dignity* (176,296-dwt, 2011) fixed a trip via West Australia delivery Zhoushan into Singapore-Japan range at $21,000. On the period side of things *Duhallow* (179,481-dwt, 2016) was fixed for 6/9 months by Pacific Bulk delivery Jingtang for world wide trading at $24,500 and *Kyla Fortune* (170,726-dwt, 2001) was fixed for 11/13 months delivery Dangjing by Bunge at 90% of the BCI 5TC average.

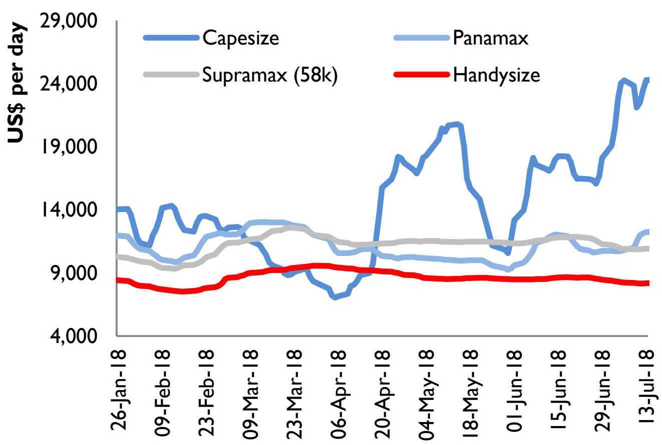
The **Panamax** market this week rose a significant $1,412, with the time charter average concluding the week at $12,233. In the Atlantic, *Great Cheer* (93,297-dwt, 2009) was fixed by Ultrabulk delivery Mobile for a trip into Rotterdam at $14,000 plus $400,000 bb and D'amico Fixed *RB Jordana* (81,301-dwt, 2016) delivery Fos for a spot trip via the US Gulf and Saudi Red Sea redelivery Cape Passero at $14,500. *New Honour* (82,062-dwt, 2013) was fixed by Seacon for a front-haul for mid August dates ex East Coast South America into Singapore-Japan at $16,000 plus $600,00 bb. In the Pacific, *Santa Cruz* (83,456-dwt, 2011) was fixed by MOL for a NoPac round voyage at $12,000 delivery Tachibana.

For period, ADMI fixed *RB Lisa* (81,535-dwt, 2016) for 11/13 months at $13,950 delivery Ennore for prompt dates and Oldendorff fixed *Athanassios G.O.* (87,447-dwt, 2011) was fixed for 4/7 months delivery Pagbilao at $13,850.

The **supramax** market closed the week at $10,923, up from last weeks close of $10,892. In the Atlantic, the *Olympic Pioneer* (55,340-dwt, 2012) was fixed by Centurion for delivery Houston, redelivery West Coast Central America at $20,750. Louis Dreyfus fixed the *Roadrunner Bulker* (57,809-dwt, 2011) for delivery US Gulf, redelivery Mediterranean at $14,500 and the *Aggelos B* (58,480-dwt, 2010) was fixed for delivery Kamsar, redelivery Ireland at $11,250. On the front haul, the *Sealuck II* (55,452-dwt, 2004) was fixed for delivery Canakkale, redelivery Singapore-Japan range at $15,500. In the Pacific, the *Imperial Fortune* (53,505-dwt, 2006) was fixed by a Japanese charterer for delivery Davao via the Philippines, redelivery Japan at $13,800 and Tongil fixed the *MP Ultramax* (63,339-dwt, 2016) for delivery Kohsichang via Indonesia, redelivery China at $10,500. The handy market closed at $8,175, also down from last weeks close of $8,238. A quiet week for the **handies** meant not much was reported, the *Marina L* (28,384-dwt, 2014) was fixed by MUR for Makassar via Amampare, redelivery China-Japan range at $8,250. MUR also fixed the *CMB Giulia* (34,297-dwt, 2012) for delivery CJK via CIS, redelivery South East Asia for $8,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
True Chariot	182,571	2015	Yantai	11th July	Singapore - Japan	25,300	Panocean	Via Australia
Golden Bexley	180,228	2016	Gibraltar	17th July	Skaw – Cape Passero	30,500	Swiss Marine	Transatlantic Round
Honest Sky	95,719	2013	Onahama	12th / 14th July	Singapore - Japan	13,500	NYK	Via E Australia
Great Cheer	93,297	2009	Mobile	18th / 21st July	Rotterdam	14,000	Ultrabulk	$400,000 bb
MBA Liberty	82,217	2010	Porto Vesme	11th July	EC India	20,000	Oldendorff	Via USEC
All Star Atlas	63,500	2014	SW Pass	16th / 23rd	Turkey	18,500	Bulk Trading	
Great Link	63,464	2016	Karachi	8th July	China	12,500	cnr	
Sealady	60,426	2015	EC South America	Prompt	Singapore - Japan	15,250	ADMI	$525,000 bb
CMB Giulia	34,297	2012	CJK	9th July	SE Asia	8,000	MUR	Via CIS
Marina L	28,384	2014	Makassar	7th / 9th July	China-Japan	8,250	MUR	Via Amamapare



Exchange Rates	This Week	Last week
JPY/USD	112.50	110.61
USD/EUR	1.1646	1.1713

Brent Oil Price	This Week	Last week
US$/barrel	74.88	76.51

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	470.0	467.0
MDO	669.0	662.0
Rotterdam IFO	442.0	441.0
MDO	617.0	640.0

Dry Bulk S&P

It is perhaps a bit too early to start talking about summer doldrums, but there is a distinct lack of impetus in the second hand market. The recent Chinese flag regulations limiting imports to Tier II engines has created significant turbulence for older bulkers. The implications for values cannot yet be calibrated. For the moment there is a desperate rush to get units into Chinese buyers hands ahead of the 1st September deadline.

In practical terms, the bureaucratic requirements in China call for deliveries to be completed by the end of the first week in August. In the face of this deadline there are reports of several recent sales collapsing. The lucky last few units will get delivered in the next couple of weeks, after which we expect a significant softening in values for vessels just within the previous eighteen-year, maximum age requirement. Until we know at what level prices settle at, sellers cannot judge whether the expense of converting engines to Tier II standards is a realistic alternative.

At the moment the premiums in the Chinese coastal trades do not justify the capital expenditure required for significantly more modern tonnage.

The older panamax *Poseidon* (75,000-dwt, 2002 Hyundai HI) arrived in China this week and is reported sold with prompt delivery to Chinese buyers at $9.5m with drydock due.

Nisshin are reported to have sold a pair of kamsarmaxes, *Hanton V* and *Hanton VI* (abt 81,100-dwt, 2015/2016, Hantong) for $ 49m enbloc.

In the supramax segment, *Navios Armonia* (55,522-dwt, 2008 Kawasaki) is reported sold at $14.2m, while the slightly older and marginally smaller *Fortune Unity* (53,472-dwt 2006 Iwagi) is sold at $10.65m - which illustrates a more than $2 million premium for those extra 2,050-dwt.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Hanton Trader V	81,073	2015	Jiangsu Hantong	-	Undisclosed	24.2	
Hanton Trader VI	81,093	2016				24.3	
Poseidon	75,000	2002	Hyundai HI	-	Chinese	9.5	DD due
Navios Armonia	55,522	2008	Kawasaki	C 4x30.5	Greek	14.2	
Fortune Unity	53,472	2006	Iwagi Zosen	C 4x30.5	Undisclosed	10.65	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price	Delivery
Jade Prosper	314,250	1999	Mitsui Chiba	TANK	38,122.04	420	'As is' Singapore
Annapurna	17,562	1991	Hyundai Ulsan	GAS	7,996	406	'As is' Dubai (Auction)
Nanga Parbat	17,601				7,956		
Andesgas	16,263	1991	Meyer JL	GAS	6,593	455	India

Tanker Commentary

Tumbleweed continues to blow in the tanker market as rates show little sign of a recovery. There is a flock of buyers circling the market, but in the majority of cases the spread between buyers & sellers fixing levels remains too wide. This week talks have been centred around VLCCs with one major transaction taking place and another one in the pipeline. John Fredriksen's Ship Finance International has sold off a trio of vintage VLCCs to newly formed compatriot owner ADS crude.

The vessels in question are *Front Page*, *Front Stratus* and *Front Serenade* (300k-dwt, 2002 Hitachi Zosen). The reported price of $25.8m each is a firm one, especially when you take into account that in May the *Rokkosan* (300,257-dwt, 2003 Universal) was sold for $21.5m. At the time of writing details on the deal are scarce, but we understand the price may include either long subjects with credit, or scrubbers being retro-fitted prior to delivery. Sticking with the VLCCs, BW are said to be in close discussions on two of their Samsung VLCC resales with delivery 1h '19. Iraqi owners AISSOT are being labelled as the prospective buyer and we understand they have agreed a price of $88m per ship basis the vessels both being scrubber ready.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Front Page	299,164					
Front Stratus	299,157	2002	Hitachi Zosen	ADS Crude	77.6 (enbloc)	
Front Serenade	299,152					
Andreas	35,966	1999	Daedong	Indian	5.8	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate ($/pm)	Charterer
Kastelorizo	115,000	2018	SWS	1 year	15,500	CCI
Stenaweco Andrea Corrado	49,999	2015	Hyundai Mipo	1 year	15,000	Maersk
Maersk Mississippi	47,990	2010	Iwagi Zosen	1 year	13,000	Norden

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