

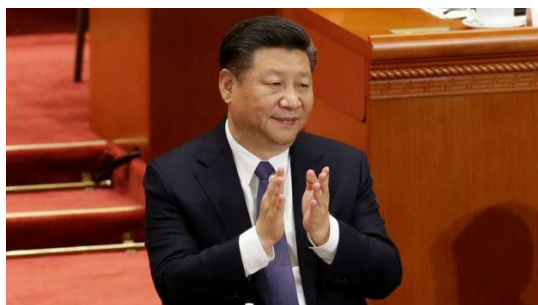


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THE BIGGER PICTURE

... President for Life ...



Source: Reuters

POINTS OF VIEW

On the BCC's Today programme this morning, its world affairs editor John Simpson observed that our world has perceptively changed in the last ten days. It all started last weekend when China's National People's Congress endorsed President Xi Jinping as president for life, empowering him to continue with his combination of structural reform and crackdown on corruption (and his opponents). This confirms him as the most powerful post-Mao political figure in China and we can expect even greater Chinese assertiveness in all areas social, economic and military. The overseas push might best be embodied by the Belt and Road Initiative, while nearer home it will enforce its territorial rights in the China Seas. In Russia, President Putin is heading for a landslide victory just as Russia is becoming ever more bellicose in its projection of power. There was Putin's nuclear weapons seminar and there was the use of a nerve agent against the Skripals in leafy Salisbury, the first use of such banned weapons in Europe since WW2. Unlike with Obama in Syria, there was not even a red line in place to cross. The UK has retaliated by expelling 23 'diplomats' and with more targeted sanctions. Russia was probably surprised at the solidarity of the reaction with the US, Germany, France, Nato, the UN and other allies rallying behind the UK against Russia. On the BBC's Newsnight programme last night, Mikhail Khodorkovsky, the former Yukos boss and Putin critic, claimed that Putin has lost control of the Kremlin. He asserted that a cabal of 100 or so criminals, fronting as Kremlin courtiers, have taken control. It was they who were allegedly behind the poison attack on the Skripals using the GRU, the black ops unit of the Russian security services. Real life is imitating art.

Over to the US, President Trump, and the art of the deal. The ink had hardly dried on his steel and aluminium import duties before his economic adviser Gary Cohn resigned. Next, US secretary of state Rex Tillerson was fired for disagreeing with the president on everything. These two were replaced by right wing conservatives in Peter Navarro and Mike Pompeo, people who see things through the same lense as the president. Attorney General Sessions is next in the firing line, followed by a general clear-out of all the moderate 'adults' in the administration. China, Russia and North Korea have much to fear. Theresa May, the UK prime minister, was much gratified by Trump's support for the UK over the Skripal affair. The US went even further, choosing this moment to accuse Russia of repeated cyber attacks on key US infrastructure. In Europe, Angela Merkel has formed a coalition government, but she is much weakened and she has the Alternative für Deutschland party snapping at her heels. In France, Emanuel Macron is the new Sun King, he is in favour of a federal Europe and is dismissive of Brexit. Whilst all around the populists and authoritarians are taking over, the UK suffers from weak leadership as it faces apparent economic ruin and isolation. In China, Russia, the US and Europe moderate political forces are being swept aside in favour of much more right wing political exponents. Iran and North Korea have rightly slipped off the front pages. As Simpson said, our geopolitical world has just got even more complicated.

At least it is more interesting than shipping right now, which largely has been taking a breather over the course of Q1 to date. We can probably blame that on China as well, with its lunar new year holidays and its smog-driven clampdown on coal-burning, steel-making and other polluting industrial processes that fuel shipping demand. The highlights in a miserable crude tanker market are reports of 16 VLCCs going for scrap so far this year, including four this week, along with a suezmax and two aframax. We need more of the same before the positive demand-side outlook can shine through. This week the IEA revised its forecast of 2018 global oil demand growth to 1.5m-bpd, rising from 97.8m-bpd in 2017 to 99.3m-bpd this year. OECD crude stocks are fast returning to the five year average as destocking continues, and there has been a massive unwinding of VLCCs and other crude tankers in floating storage in recent months. Hence the abysmal current earnings. IMO 2020 and the IMO Ballast Water Convention should see every large crude tanker approaching 20 years of age demolished. \$460 per tonne is on the table, typically \$18-19m per VLCC, so best take it while you can. Such a concerted cull, combined with the likely ending of Opec and Russian output restraint by 2019, could just provide a bonanza for tankers as oil consumer nations flip back to restocking. You just need to get through 2018 first. For bulk carriers, do not be too alarmed about the US metal tariffs as they are small fry. If one can rely upon the tariff recipients to act more maturely than the tariff imposers, by not retaliating, then we will all be fine. All this speculation of cold war and trade war should be treated for what it is: jaw jaw.

The **BDI** finished the week at 1,143 down from last weeks close of 1201. The fall due to the cape market which closed the week at \$9,600, down a staggering \$1,954 from last week. Many were reporting a lack of fresh cargo, especially in the Atlantic. The ore Dampier/Qingdao run was fixing at around \$6.35 basis 170,000/10 however fell to \$6.10 level by the end of the week. Vale fixed the Amorito for Tubarao/Qingdao at \$15.20 for 160,000/10 with ore. *The Alexandra P* (181,255-dwt, 2009) fixed delivery CJK for a prompt trip via East Coast Australia redelivery Singapore-Japan at \$11,800. Pacific Bulk fixed the *Aqua Splendor* (175,589-dwt, 2012) delivery Rizhao for a prompt trip via Australia redelivery Singapore-Japan at \$11,500.

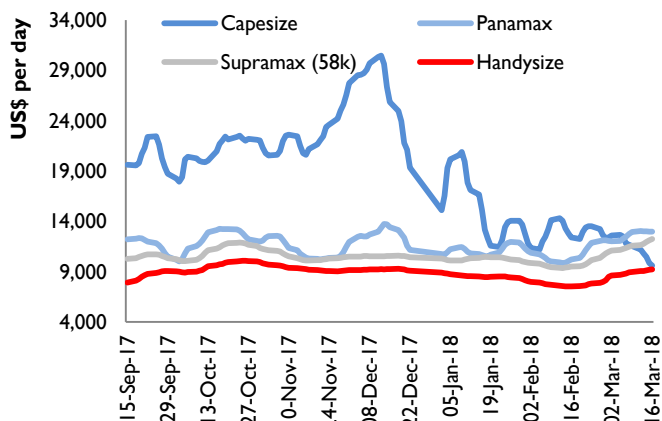
The **panamax** market kept fairly steady this week, dropping by \$33 to end the time charter average on \$12,993. In the Atlantic, Cofco fixed the *NBA Van Dyck* (95,527-dwt, 2014) delivery Gdansk via Murmansk and Israel redelivery Gibraltar at \$18,000. Bulk Trading took the *Great Talent* (76,773-dwt, 2005) delivery Swinoujscie via Riga redelivery Skaw-Gibraltar at \$17,000. On front haul, Bunge fixed the *Transatlantic* (81,250-dwt) delivery East Coast South America redelivery Singapore-Japan at \$16,350 plus \$635,000 bb. Also on front haul, Oldendorff took the *Tai Prosperity* (77,747-dwt, 2005) delivery US Gulf redelivery Singapore-Japan at \$17,000 plus \$700,000 bb. In the Pacific the *Brilliant Discovery* (81,798-dwt, 2014) delivery Fukayama via East Australia redelivery Philippines fixed at \$14,800 to Louis Dreyfus. Louis Dreyfus again in the Pacific

fixed the *Odysseas* (81,259-dwt, 2013) delivery CJK via NoPac redelivery Singapore-Japan at \$13,750. On the period front, Ausca fixed the *Afterhours* (74,500-dwt, 2007) delivery retro Lumut for 1 year redelivery worldwide at \$13,000.

Both the **supramax** and **handy** market continued its upwards momentum throughout the week. The supramax time charter average climbed up to \$12,318 from last week close of \$11,663. The handys closed at \$9,227, up from last week close of \$8,991. In the Pacific, the *Medi Lisbon* (58,710-dwt, 2007) fixed delivery Xiamen trip via Philippines redelivery China with nickel ore at \$13,500 daily and the *Amis Brave* (61,000-dwt, 2013) fixed delivery Singapore for a trip via Indonesia redelivery India at \$16,000. Xianglong took the *Tiger Shanxu* (63,438-dwt, 2016) delivery Beihai for a trip via Vietnam redelivery Bangladesh with clinker at \$16,500. In the Atlantic, Klaveness fixed the *Coral Island* (55,700-dwt, 2006) delivery Tema for a prompt trip via Buchanan redelivery Gijon-Swinoujscie with iron ore at \$11,000. The *ND Psitis* (57,814-dwt, 2015) fixed delivery Rotterdam for a trip to East Mediterranean with scrap at \$16,500. On the front haul, Meadway took the *Phoenix Rising* (60,417-dwt, 2015) delivery Damietta for a prompt trip via Black Sea redelivery China at \$22,000. The *Ikan Jerung* (31,760-dwt, 2009) fixed delivery Kosichang redelivery China with tapioca chips at \$10,600. On the period, the *Josco Changzhou* (58,764-dwt, 2011) delivery North China fixed for balance of period about 6/8 months redelivery worldwide at \$12,750.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Songa Claudine	181,258	2011	Gibraltar	PPT	PMO	21,000	Oldendorff	Via Colombia & AG
Hinyo Alliance	176,629	2005	Rizhao	19/21 Mar	Singapore / Japan	12,000	Oldendorff	Via Australia
Castellani	82,129	2014	Tokuyama	19/23 Mar	Japan	15,100	CNR	Via Australia
Popi S	80,400	2012	ECSA	26/27 Mar	Singapore / Japan	16,000	Marubeni	\$600k BB
Orpheus	75,600	2017	Santarem	31 Mar / 9 Apr	Skaw / Span Med	16,000	Cargill	\$150k BB
Bulk Bolivia	63,465	2016	Puerto Brisa	PPT	Quetzal/Guayaquil	33,000	Norden	Coal
Phoenix Rising	60,417	2015	Damietta	PPT	China	22,000	Meadway	Via Black Sea
ND Pistis	57,814	2015	WWR Rotterdam	17 Mar	E.Med	16,500	CNR	Scrap
U Noble	56,856	2012	Singapore	17 Mar	China	14,500	CNR	Bauxite
Ikan Jerung	31,760	2009	Kosichang	PPT	China	10,600	CNR	Tapioca Chips



Exchange Rates	This Week	Last week
JPY/USD	105.79	106.86
USD/EUR	1.2306	1.2293

Brent Oil Price	This Week	Last week
US\$/barrel	65.00	64.61

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	370.0	361.0
MDO	591.0	586.0
Rotterdam IFO	348.0	342.0
MDO	548.0	540.0



Dry Bulk S&P

The lengthening days at this time of the year normally accompany a lifting of ones spirits. Leaving for work in the light and returning in the light has a positive influence on ones soul. The same can be said for the general feel underpinning the dry market. However, despite this underlying positivity we again have a limited number of notable sales to report.

Noble have reportedly sold their *Ocean Integrity* (82,000-dwt, 2015 Guangzhou Longxue) to Greek clients of Primerose Shipping for \$24m basis BWTS fitted. The firmer price compared to the last sister unit, *Sea Ace* (82,000-dwt, 2012 Guangzhou Longxue), sold two weeks ago at \$18.5m could be attributed to the fact that there are rumoured to be circa 750tons ROB included in the purchase price of the *Ocean Integrity*.

The new bench market set by the *Chellaram 2006* Mitsui Supramax sold last week at \$13.25m has not been supported by this week's rumoured sale of the similar aged *Nandini* (56,071-dwt, 2007 Mitsui), reportedly sold at \$12m. The latter price is likely to be a reflection of her Indian coastal trading history. *DN Vatan* (58,419-dwt, 2011 SPP) has reportedly been sold to clients of Polforce for \$15m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Ocean Integrity	81,499	2015	Guangzhou	-	Undisclosed	24	
DN Vatan	58,419	2011	SPP	C 4x36	Polforce	15	
Nandini	56,071	2007	Mitsui Tamano	C 4x30	Seastar	12	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	\$/LDT	Buyer
CS Pioneer	287,705	1999	Hitachi Zosen	TANK	38,575	460	Undisclosed
Shinyo Kannika	287,175	2001	IHI	TANK	38,141	450	'As is' Colombo
New Kassos	281,050	2000	IHI	TANK	38,531	445	'As is' Khor Fakkan
New Friendship	279,999	1999	IHI	TANK	38,698	460	'As is' Khor Fakkan
Keema Gianni	113,357	1999	Samsung	TANK	17,684	470	Undisclosed
Aral Sea	104,884	1999	Samsung	TANK	16,831	435	'As is' Singapore

Tanker Commentary

Like a cracked record we must continue to lament the lack of sales to report. Dire conditions, especially in the larger crude sectors has meant that any action has been up the beach.

Overall, we have commented previously how well stocked the VLCC orderbook is with 85 units due to deliver this year and next. However, for the moment, the demolition market is more than a match for the delivery schedule. Sixteen units have been sold for scrap this year including four this week alone : *CS Pioneer* (281,705-dwt, 1999 Hitachi) for \$460/ldt; *New Friendship* (279,999-dwt, 1999 IHI) for \$460/ldwt 'as is' Khor Fakkan; *Shinyo Kannika* (287,175-dwt, 2001 IHI) for \$450/ldt 'as is' Colombo; *New Kassos* (281,050-dwt, 2000 IHI) at \$445/ldt 'as is' Khor Fakkan. The decision to scrap should not have been a difficult one after the worse trading conditions in recent memory. These prices will render total values of about \$17-18m, while three of them were bought in 2013/4 for between \$21m and \$25m.

What happens next might be a little more challenging. It is rumoured that cash buyers are holding up to 10 VLCC's in their hands, without committed end-buyers. The current bid price has now softened, perhaps by \$20-30/ldt, which means the re-opening of the Pakistan market to tankers has become crucial to the smooth deliveries at Khor Fakkan, Singapore and Colombo in the next week or so.

The end February figures already revealed a shrinking VLCC market in 2018: six units scrapped against five delivered. Similarly the aframax fleet was down by a net 2 units while no panamax were delivered and one exited. The suezmax fleet was the only crude sector which grew in the first two months - by 7 units. For the coated fleet, the MR1 and MR2 fleets shrank overall by net two units in the first two months. The MR1 orderbook is practically non-existent, MR2 market is a manageable: 10% of the fleet with the bulk due for delivery next year (76 units).

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pm)	Charterer
Leyla K	115,948	2010	HHIC	6 months	13,500	Teekay
Eser K	115,830					
Esteem Splendour	106,488	2005	Universal	1 year	13,000	CNR
Socrates	74,327	2008	Sungdong	2 years	Undisclosed	Flopec
Two Million Ways	73,965	2008	Onomichi	6 months	Undisclosed	Koch
Vinjerac	52,554	2011	3 Maj Bro	1 year	14,500	CNR
Pyxis Theta	51,462	2013	SPP	6 months	Undisclosed	Koch
Atlantic Muse	51,149	2009	STX	15 months	13,100	Norient
Nave Alderamin	49,998	2013	Dae Sun	1 year	13,500	Navios

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