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THE BIGGER PICTURE

... Meaningful Mayhem ...



Source: The Spectator

POINTS OF VIEW

The UK parliament is proving itself incapable of delivering the EU exit that a small majority of the people voted for in June 2016. Maybe this is not so surprising as a large majority of members in both the House of Commons and House of Lords voted to remain. Theresa May, despite repeatedly saying that 'leave means leave' paradoxically delivered up a half in, half out compromise that is worse than staying in the EU on current terms and that satisfies very few. It was voted down in parliament on Tuesday night by 432 to 202 votes, the largest government defeat in parliamentary history. It is probably fair to say that when people voted to leave in 2016 they had in mind a clean break, not remaining in the EU by other means. Mrs May's wilful ignorance of this point has left us with 2½ years of wasted negotiations and on the fringe of a constitutional crisis. 926 days have been lost during which time the government should have prepared us for a clean exit, what is now called a hard or non-deal Brexit. Instead, we are drifting towards crashing out without a plan. We have just 70 days left to 29 March. In the light of this defeat, and the EU's refusal to reopen negotiations on the withdrawal agreement, we are returning full circle to the original pure choices: between leave and remain, chaos and humiliation.* Staying in, whether achieved by revoking Article 50 or via another referendum, will invite either the government or the electorate to betray the very tenets of our democracy. Despite so many Conservative MPs^ dumping Mrs May's proposal on Tuesday, on Wednesday they were willing to back her to beat Labour's no-confidence vote that Tuesday's debacle had triggered. Labour is no better. Elected MPs on all sides, displaying cowardly and dishonest partisan bias, are letting down the entire nation.

The EU, after Mrs May's resounding failure, will not be inclined to offer any concessions. As Mr Tusk** tweeted, the EU might as well just wait for the UK to wave the white flag and stay in to avoid the manifest uncertainties of leaving. Parliament retains the option of pulling the Article 50 emergency brake at the last minute to stop a Brexit train crash.^ Shipping offers some respite from the mayhem of UK domestic politics, the partial US government shutdown, dimming US business optimism, China's fading growth prospects, unresolved US-China trade wars and an economic growth slowdown across Europe's leading economies. For example, Germany's export-orientated economy grew by 1.5% in 2018, down from 2.5% in 2017, its weakest growth rate in 5 years as external demand fades. In such uncertain times, it is to our advantage that fleet growth is set to moderate over the next few years. Using CRS data, in 2018, the bulk carrier fleet expanded by just 2.9% from 817.4m-dwt to 841.2m-dwt while total dry bulk trade rose by 2.3% in absolute terms and by 2.7% in tonne mile terms. This year, a delivery schedule of 42.4m-dwt indicates maximum fleet growth of 5.0%, but this will dwindle with demolition, losses, conversions and slippage. Dry bulk trade growth is forecast at 2.3% absolute and 3.1% tonne miles. If the numbers are right then we should see another year of earnings growth and asset value gains. The total bulk carrier order book is 88.5m-dwt, or 10.5%, its lowest since 2002. The largest bulk carriers are set to see the greatest fleet growth.

The total tanker fleet (crude and clean) grew by only 1.0% in 2018 rising from 581.9m-dwt to 588.1m-dwt. The combined delivery schedule for 2019 is 41.3m-dwt, or just 7.0% of the start year fleet. This will reduce with scrapping and slippage. The total order book is set at 11.3% of the fleet, an historically low number. In simple rounded numbers, total tanker supply rose 1% in 2018 against tanker demand of 2% and in 2019 each is expected to rise by 3%. Drilling down, courtesy of Oil & Tanker Trades Outlook, crude tanker fleet growth was at 0.2% in 2018 and forecast at 3.6% in 2019 while crude tanker demand was at 2.2% in 2018 and forecast at 3.6% in 2019. Supply and demand is coming into balance but we still have an overhang from prior years of oversupplying demand. The product tanker fleet grew by 1.6% in 2018 and is forecast to expand another 2.6% in 2019. This compares with product tanker demand rising 2.3% in 2018 and forecast demand growth of 3.2% in 2019. This supply-demand combination suggests that good times lie ahead for clean tankers. We have a constrained supply side and the prospect of IMO 2020 disruption to effective tonnage supply growth. We are less clear on trade flows as the US ramps up crude exports while Opec and Russia cut their output by 1.2m-bpd or more to save oil prices. We also worry about the impact of rising import tariffs on global demand and about the status of Chinese energy demand in the context of a slowing economy. Demand is like a casino but, for those of a nervous disposition, rest assured, it is easier to leave Las Vegas than it is to leave the European Union.

*Mrs May has until Monday to come up with a Plan B that is acceptable to parliament and that has a chance of being approved by the EU...

^118 of 317 Conservative MPs voted against the May deal. Labour's no-confidence vote was defeated 325-306 thanks to the 10 DUP votes.

**"If a deal is impossible, and no-one wants no deal, then who will finally have the courage to say what the only possible solution is?"

^^The 2016 referendum on UK membership of the EU was only advisory. Parliament may decide that UK interests are best served by staying.

Dry Cargo Chartering

This week the **BDI** fell by 57 points to finish the week down at 1,112. The **Capes** fell at the beginning of the week, however regain the lost ground as the week progressed. The BCI ended marginally up this week, finishing at \$15,746. *Ocean Leo* (177,638-dwt, 2003) open Singapore was fixed by Trafigura for a trip via Brazil redelivery Singapore-Japan at \$15,500 plus various other undisclosed options. In the Pacific, Jiansu Steamship fixed *Erato* (180,120-dwt, 2010) which was spot is CJK for a trip via east coast Australia redelivery Mundra at \$12,000 with an option for China redelivery at \$13,000 and *Densa Shark* (179,227-dwt, 2012) was fixed for an Australian round voyage via Whyalla by Oldendorff delivery Nantong at \$11,000. On the period side of things, NYK fixed *Cape Asia* (176,000-dwt, 2011) for 4/6 months delivery Huanghua at \$13,500.

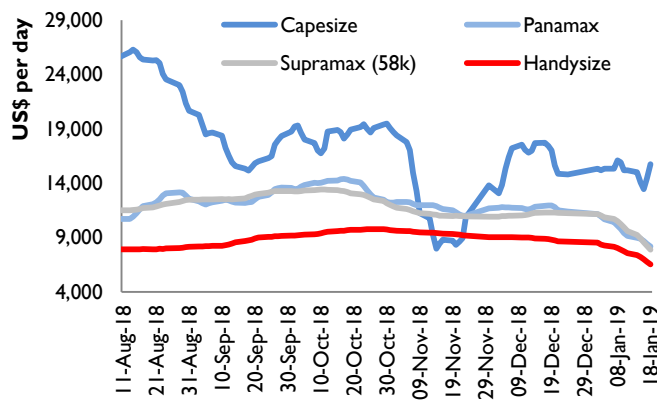
The **Panamax** market continued dropping throughout the week, eventually concluding at \$8,190, down from last week close of \$9,145. In the Atlantic, Bunge fixed the *Tinos* (81,391-dwt, 2011) delivery Barcerena for trip redelivery Skaw-Barcelona at \$11,100 plus \$120,000 bb and Cargill took the *Frontier Leader* (81,383-dwt, 2013) delivery Trombetas for a trip redelivery Skaw-Gibraltar at \$10,500 with \$100,000 bb. The *Alexandria* (82,852-dwt, 2012) delivery Fazendiha fixed to Amaggi for a trip redelivery Turkey at \$12,000 with \$100,000 bb. In the Pacific, the *Little Prince* (74,133-dwt, 2001) fixed to Norden delivery Kinuura for a trip via NoPac redelivery Singapore-Japan at \$9,100. Sinotrans took the *Dione* (81,145-dwt, 2017) delivery Rizhao for a trip via NoPac redelivery Singapore-Japan at \$9,500. On the front haul, Aquavita took the *TR Lady* (82,048-dwt, 2017) delivery Rotterdam for a spot trip via Klaipeda and Suez redelivery China

with fertilizers at \$18,000. The *Star Betty* (81,168-dwt, 2011) fixed to Omega delivery East Coast South America for a trip redelivery Indonesia at \$14,050 plus \$405,000 bb, redelivery rest of South East Asia at \$14,250 plus \$425,000 bb. On the period, Fractal Marine took the *Navios Centaurus* (81,472-dwt, 2012) delivery Xiuyu for 10-13 months redelivery worldwide at 111% of BPI 4 timecharter average.

It was not a pretty week for the **supra** or **handy** segments. The supramax market closed the week at \$7,880, down from last weeks close of \$9,596. The handy market closed the week at \$6,535, down from last weeks close of \$7,569. Rates were falling in both basins with tonnage lists building. In the Atlantic, Fayette fixed the *Wikanda Naree* (53,857-dwt, 2013) delivery Chernomorsk for a trip redelivery South East Asia with steels at \$15,750. Van Bloom fixed the *Jia Mao Shan* (56,623-dwt, 2011) delivery Turkey for a trip to West Africa at \$11,000. Centurion fixed the *Nefeli* (63,466-dwt, 2016) delivery US Gulf for a trip redelivery Peru with grains at \$15,000. WECO fixed the *Nautical Sif* (63,549-dwt, 2015) delivery Lagos for a prompt trip redelivery India at \$17,250. Trithorn fixed the *Venus Bay* (30,003-dwt, 2012) delivery Santos for a trip redelivery Arabian Gulf at \$14,000. In the Pacific, *Loch Ness* (61,272-dwt- 2016) fixed delivery Qingdao for a trip via NoPac redelivery Indonesia at \$10,500. GMT fixed the *Atlantic Fairy* (27,935-dwt, 2013) delivery Thailand for a prompt trip redelivery Indonesia with sugar at \$7,000. On period, White Lake were reported to have fixed the *Nordrubicon* (37,985-dwt, 2016) delivery South Brazil for 12 to 14 months trading redelivery Atlantic at \$12,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Aqua Vision	180,353	2011	Lianyungang	20-25 Jan	Singapore-Japan	10,250	Cara	Via EC Australia
Aquacarrier	175,935	2011	Yeosu	PPT	Singapore-Japan	11,000	CNR	Via Australia
Tinos	81,391	2011	Barcerena	25-30 Jan	Skaw-Barcelona	11,100	Bunge	Plus \$120,000 bb
Apollo	77,326	2006	CJK	21-24 Jan	Singapore-Japan	8,750	Cargill	Via NoPac
Seacon 9	74,844	2012	EC South America	8 Feb	Singapore-Japan	13,250	Olam	Plus 325,000 bb
Huayang Rose	63,562	2016	Libreville	21-24 Jan	China	17,350	Ausca	
Loch Ness	61,272	2016	Qingdao	PPT	Indonesia	10,500	CNR	Via NoPac
Doric Valour	58,109	2011	Recalada	PPT	Med	13,750	Sea Pioneer	
Tia Marta	34,334	2015	Recalada	PPT	Algeria	11,500	Swire	
Atlantic Fairy	27,935	2013	Thailand	PPT	Indonesia	7,000	GMT	



Exchange Rates	This Week	Last week
JPY/USD	109.64	108.26
USD/EUR	1.1362	1.1525

Brent Oil Price	This Week	Last week
US\$/barrel	62.76	60.87

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	396.0	401.0
MDO	568.0	560.0
Rotterdam IFO	356.0	368.0
MDO	540.0	549.0

18 January 2019

Dry Bulk S&P

With the BDI hovering just above the 1,000 point mark and Chinese New Year just around the corner, the chartering market in the short-term is experiencing a painful start to the year. However, we should not lose sight of the encouraging dry market fundamentals highlighted on our opening page (continued dry bulk trade growth and the smallest orderbook for 17 years).

The headline sale of the week is *Loch Nevis* (61,237-dwt, 2016 Shin Kurushima), sold to clients of Neptune Lines for \$24.25m. We understand she has a non-automated main engine, and a simplified spec. Eagle Bulk continue to expand into Chinese built Ultramax's, with reports this week that they've bought the Lomar owned *Queen Cuki* (63,707-dwt, 2015 Cosco Zhoushan) for \$20.5m in an off market deal.

The sale includes an index linked time charter for max 18 months. Both these sales, all things considering, are more or less in line with market expectations.

Clients of Load Line have reportedly bought the Tier I, *Conti Lapislazuli* (57,001-dwt, 2011 Taizhou Sanfu) for \$9.5m. While undisclosed Chinese buyers are rumoured to have purchased the Tier II, *SSI Expedition* (56,971-dwt, 2010 Zhejiang Zhenghe) for \$12.4m in line with the sister, *SSI Invincible* reported sold towards the end of last year.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Queen Cuki	63,707	2015	COSCO Zhoushan	C 4x30	Eagle Bulk Pte. Ltd.	20.5	
Loch Nevis	61,237	2016	Shin Kurushima Toyohashi	C 4x31	Neptune Lines	24.25	
Conti Lapislazuli	57,001	2011	Taizhou Sanfu	C 4x30	Load Line Marine	9.5	Tier I
SSI Expedition	56,971	2010	Zhejiang Zhenghe	C 4x36	Chinese	12.4	Tier II
Sea Confidence	52,300	2005	Oshima	C 4x30	Chinese	9	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$m	Delivery
Mamitsa XI	150,393	1995	Kawasaki HI	Bulk	20,536	420	'as is' Singapore
Eagle Birmingham	99,343	1997	Samsung HI	Tank	16,711	435	'as is' Singapore
Serval	13,700	1995	Stocznia Szczecinska	Cont	5,700	450	Alang
Jasa Bakti	12,308	1992	Mitsubishi HI	RoRo	13,774	435	Alang
Maregas	5,681	1991	B.V. Scheepswerf	Gas	2,498	520	Bangladesh
Limanskiy	911	1985	Sudostroitelnyy Zavod	Reef	1,832	428	Bangladesh

18 January 2019

Tanker Commentary

The tanker market has taken a breather this week with little in the way of sales. This is not a reflection of a lack of interest with healthy numbers of buyers inspecting and competing on ships and we anticipate sales will be forthcoming, particularly in the product sector. It is interesting to note the substantial increase in period timecharter activity with approximately 25 fixtures coming to light this week highlighting the appreciation in earnings and subsequently asset values are following suit.

The uncoiled LR2 *Phoenix Dream* (105,784-dwt, 2005 HHI) has invited offers this week following a number of inspections in Singapore.

At the time of going to press, the vessel is reportedly trading with a Greek buyer in excess of \$15m but a deal is yet to be finalised.

Elsewhere, reports are surfacing of a number of crude tanker newbuilding orders in Korea. Sinokor and Oman Shipping have penned contracts for scrubber fitted VLCCs at DSME whereas an undisclosed European buyer has contracted two firm suezmax newbuildings at HHI at \$75m.

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate \$pd	Charterer
Vladimir Tikhonov	162,400	2006	Daewoo	6 mths	23,500	Trafigura Beheer BV
Dolviken	159,100	2012	Samsung	2 yrs	23,250	Vitol
San Jacinto	159,000	2016	Hyundai Samho	3 yrs	30,000	Mercuria
Trinity	158,800	2016	Hyundai Samho	3 yrs	30,000	Mercuria
SCF Baikal	158,100	2010	Hyundai HI	1 yr	23,000	Clearlake
NS Burgas	156,600	2009	Jiangsu Rongsheng	1 yr	23,000	BP
Everbright	156,000	2010	Jiangsu Rongsheng	1 yr	23,000	Repsol
Haima	110,100	2009	Mitsui	6 mths	17,750 - Inc Opt	Peter Dohle Schiffahrts KG
Albanel	110,000	2009	Hudong	3 yrs	17,500	ST Shipping
Oilmeda	110,000	2010	Hudong	3 yrs	17,500	ST Shipping
Gulf Coast	75,000	2005	Hyundai HI	1 yr	15,750	Trafigura Beheer BV
Selini	74,300	2009	Sungdong	3 yrs	15,000	FLOPEC
Salamina	74,300	2009	Sungdong	3 yrs	15,000	FLOPEC
Gotland Carolina	53,200	2006	CSSC OME	2 yrs	12,200	Clearlake
Gotland Sofia	53,200	2007	CSSC OME	2 yrs	12,400	Clearlake
Gotland Marieann	53,200	2008	CSSC OME	2 yrs	12,600	Clearlake
Gotland Aliya	53,200	2008	CSSC OME	2 yrs	12,600	Clearlake
Nave Capella	50,000	2013	Dae Sun	1 yr	12,000	Vitol
High Adventurer	50,000	2017	Onomichi	1 yr	15,250	Trafigura Beheer BV
High Explorer	50,000	2018	Onomichi	1 yr	15,250	Trafigura Beheer BV
Grand Ace 8	46,200	2008	STX Offshore	6 mths	13,700 - Inc Opt	Hartree Partners LP
Grand Ace 7	46,100	2007	STX Offshore	6 mths	12,900 - Inc Opt	Vitol
Celsius Rome	46,000	2009	Shin Kurushima	1 yr	13,250	Norden
Loukas I	43,600	2005	Uljanik Brodogradiliste	6 mths	14,000 - Inc Opt	FLOPEC

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