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THE BIGGER PICTURE

... A Leader of No-one ...



Source: The FT

POINTS OF VIEW

Theresa May must be one of the world's worst negotiators. She keeps ruling things out that she subsequently has to backtrack on. No-one in their right mind would ever use the words "red lines" after President Obama failed to act on his in Syria, trashing the credibility of the United States on the world stage. But she has painted red lines all over the place and she is now boxed in, caged and helpless. Nearly three years after the referendum on EU membership, the UK is plunged into a constitutional crisis, all the more extraordinary given the length of time we have had to prepare. Parliament seems to have chosen not to execute the will of the people. Instead it is just going through the motions of honouring the result of the referendum while secretly plotting some other outcome: anything but leave. British politics is broken, democracy is undermined, politicians are feckless and the Conservative and Labour parties are at death's door. We need something more than spring cleaning; we need to sweep the House clean of the old parties and invent some new ones that are relevant in today's changing world. Much attention has been paid to the erosion of democracy in the US as President Trump exercises chaotic autocracy on an experimental fly-by-wire basis. He is abandoning the multilateral institutions that have served us, albeit only adequately, in favour of a system that promotes family, friends, fixers, felons and fools to high office, agency and court. Demagoguery is in and this week May out-trumped Trump.* We may be edging towards a much denied finale: revocation of Article 50 on the grounds of national emergency.**

We cannot fathom how much progress is being made in the Sino-US trade talks. The president says that everything is going smoothly, even as he threatens to keep the tariffs in place for a very long period while the US monitors Chinese compliance. The US trade representative, Robert Lighthizer, has a different view that major obstacles still remain. He, much more than the president, is intent on linking the avoidance of higher tariffs, and the removal of existing ones, to a fundamental reform of China's state-backed economic model. This model, joined at the hip to China's one-party political system, has served China well since Deng Xiaoping opened China to the world in 1978. It is hard to see how China would willingly call it quits on the trade war, in exchange for reform of its political and economic model, when all around the world it sees democracy in retreat and authoritarianism on the rise. An updated shortlist of global autocrats, in alphabetical order rather than order of repression, might read: Assad, Bolsonaro, Duterte, Erdogan, Macron, Maduro, May, MbS, Trump and Xi. China's growth rate is slowing to 6.3%, in part due to US actions and in part due to its own transition from heavy industry and low-end manufacturing to services and high tech. It is still growing at twice the US rate and at 4-5 times the north European rate. As China observes the disenfranchisement of voters in places like the US, UK and France it is unlikely to be minded to change course. Politics is now playing a major role in global trade, so outcomes matter to shipping.

While the western world has spent the past ten years dealing with the aftermath of the GFC, in a way that accidentally spawned rising populism, China has quietly got on with business. It is the world leader in 5G global communication networks and its Huawei has become a national champion. In response, the US has threatened to excommunicate any of its partners in the Five Eyes alliance (Australia, Canada, NZ and UK) from intelligence sharing if they use Huawei in their 5G networks. It smacks of McCarthyism, but there are legitimate grounds for concern. President Trump's best chances of re-election are continued economic growth and running on an anti-socialist ticket against an increasingly left-wing Democrat opposition. In the UK, Corbynism is similarly feared, as are left and right wing populist movements across Europe. In a world in which Russia is accused of cyber meddling in US and European elections, maintaining technological leadership is paramount. The West is going through a reassessment of China's Belt and Road initiative as it sees risks that state-owned companies and policy banks will convert debt into equity across Asia, the ISC, Africa, C&E Europe and Latin America. China is gaining ownership interests in vital infrastructure that it has built and financed. It is far from clear whether this process is benign paternalism or aggressive neo colonialism. Rome is just about to endorse BRI, giving China a gateway into Europe.[^] The Italian economy is vulnerable and it could still trigger a euro crisis. Now, China could potentially ride to the rescue and refinance Rome's debt via Italy's deep and liquid bond market, but at a cost. For now, all we want is an end to Brexit and an end to US-China trade wars. Shipping will benefit.

*On Wednesday evening she gave a speech that pitted the people against parliament by blaming the latter for her Brexit mismanagement.

**Late on Thursday Mrs May secured an EU extension to 12 April which gives her three weeks to table her 'deal' for a third time.

[^]Italy will be the first G7 country to back BRI. 13 EU countries have signed secretive formal MoUs endorsing BRI.

Dry Cargo Chartering

The **BDI** closed the week at 690, down from last weeks 730. Any optimism we had in the **Cape** market last week was crushed this week as the BCI gave up all its gains to close at \$4,180. Panocean fixed the *Aqua Venture* (180,300-dwt, 2010) delivery Qingdao for a trip via Australia redelivery China at \$7,000. On period, Pacific Bulk fixed the *Dream Coral* (181,249-dwt, 2015) delivery Huanghua for 2 years trading redelivery worldwide at 122% of the BCI 5-timecharter average. On voyage, ore runs West Coast Aussie/China is fixing at around low \$5 and Tubarao/China at \$11.7.

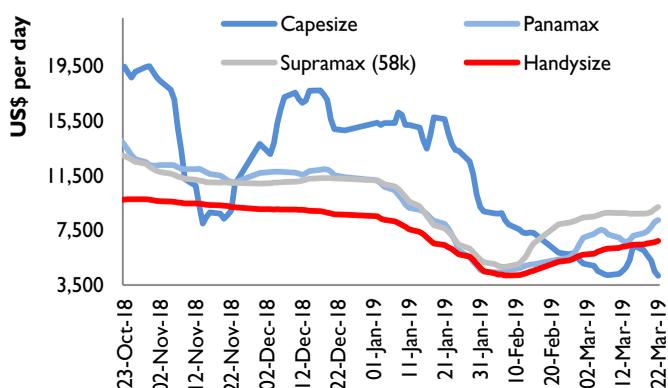
Thankfully, the **Panamax** market did not disappoint in its recovery ending the week at \$8,241, up from last week \$7,108. *Aquatic* (83,730-dwt, 2008) was said to have fixed delivery Dalian via NoPac with redelivery Singapore-Japan fix at \$8,600 to Cargill. In the Atlantic, Nordic fixed *Ultra Leopard* (81,600 dwt, 2016) on a trip delivery Immingham redelivery Skaw-Gibraltar at \$8,750. On the fronthaul, Seacon took the *Pan Bicorn* (82,158-dwt, 2012) delivery East Coast South America redelivery Singapore-Japan at \$15,300 plus \$530,000 bb. *Phoenix Ocean* (76,067-dwt, 2014) was also fixed for delivery East Coast South America redelivery Singapore-Japan at \$13,750 plus \$375,000 bb. Once again, little period activity was seen in both basins. The **supramax** started pretty flat but finished strongly this week which closed at \$9,199, up from last weeks \$8,709. Leading by East Coast South America & US Gulf market despite Black Sea & Indonesia markets are continuously dropping. *Manna* (55,697-dwt, 2005) fixed delivery Santos for a trip redelivery West Mediterranean at \$17,500, *Eships Prosperity* (56,832-dwt, 2012) fixed delivery US Gulf for a trip of petcoke redel East Coast India at \$16,500, *Glovis* fixed *SITC Taishan* (58,107-dwt, 2010) delivery Canakkale for a trip to Chittagong at

\$13,400. In the Pacific, Norden fixed *LMZ Ariel* (56,812-dwt, 2012) delivery Singapore for a trip via Indonesia redelivery West Coast India at \$8,500.

Handysize embraced continuous improvements through the week, gaining on average an extra \$50 each day to close week at \$6,723. The Handies in the Pacific this week remained relatively flat, however there were encouraging signs as the week progressed. In the Far East there was little reported activity, however numbers discussed were up from last weeks. In South East Asia, again the week started rather flatly, however as the week went on we saw more positive signs. While last week vessels were being fixed in the 6's for inter South East Asia trip number discussed this week were in the 7's. *Pacific Calm* (38,123-dwt, 2013) fixed coal to the Philippines at \$8,500, delivery *Nha Be*, she managed to gain a premium to market levels being a grabber. On the period desk, *AC Sesoda* (28,453-dwt) open Makassar fixed \$8,250 for 2/3 laden legs which is encouraging for the coming weeks. In the Atlantic it was all about East Coast South America where rates were quickly rising on a daily basis. On Friday a 34k-dwt was reported to have fixed \$14,000 delivery Santos for a trip via Up River to the Baltic. A 37k-dwt fixed similar at \$12,000 mid week. Rates in the US Gulf held firm with a 39k-dwt fixing inter US Gulf at \$8,500. On the Continent a 37k-dwt fixed \$9,500 pass Gibraltar for a scrap run out of Ghent into the East Mediterranean. It was a different story in the Mediterranean and Black Sea which continued to soften. Inter-Mediterranean rates were being reported in the 4's delivery Canakkale on smaller handys with most owners trying to escape by fixing into East Coast South America or US Gulf.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Aqua Venture	180,300	2010	Qingdao	21 Mar	China	7,000	Panocean	Via Australia
ESL Dolphin	179,527	2010	Gibraltar	PPT	Skaw-Cape Passero	9,000	SwissMarine	Via Colombia
Aquatic	83,730	2008	Dalian	PPT	Singapore-Japan	8,600	Cargill	Via NoPac
Pan Bicorn	82,158	2012	EC South America	10/11 Apr	Singapore-Japan	15,300	Seacon	Plus \$530,000 bb
Ultra Leopard	81,600	2016	Immingham	25/27 Mar	Skaw-Gibraltar	8,750	Nordic	
Phoenix Ocean	76,067	2014	EC South America	18 Apr	Singapore-Japan	13,750	CNR	Plus \$375,000 bb
Mandarin Fortune	56,822	2008	Singapore	24/26 Mar	China	11,250	CNR	Via Indonesia
Manna	55,697	2005	Santos	End Mar	West Mediterranean	17,500	Norden	
Konstantinos D	50,326	2000	CJK	PPT	Singapore-China	8,000	CNR	
Mastro Mitros	45,601	2001	Cape Passero	PPT	West Africa	8,000	Cargill	Via Fos



Exchange Rates	This Week	Last week
JPY/USD	109.89	111.45
USD/EUR	1.1279	1.1323

Brent Oil Price	This Week	Last week
US\$/barrel	66.61	66.47

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	429.0	440.0
MDO	616.0	613.0
Rotterdam IFO	409.0	416.0
MDO	581.0	589.0



Dry Bulk S&P

Now through the ides of March, buyers (outside the cape market) are looking forward as opposed to nervously over their shoulders. Turnover continues from panamaxs to handies with a spread of sales across the vintages and sizes.

M Maritime are reported to have bought *Puppis Ocean* (81,070-dwt, 2014 JMU) for \$23.75m, in line with the January sale of *Crystal Star* (82,172-dwt, 2014 Sanoyas) for \$24m. The Panamax *Ocean Wind* (76,585-dwt, 2006 Imabari) is rumoured to be finally committed for \$9.75m having been pushed heavily for sale for the past six months. Appetite from Chinese Buyers for older panamaxs remains with rumours circulating *Navios Galaxy I* (74,195-dwt, 2001 Namura) is committed for \$6.1m.

Following last week's confirmation of *Adventure I* sale, the year younger sister, *Adventure II* (62,472-dwt, 2018 Oshima) has been committed for \$26.5m, at the time of writing there's been no clarity on the buyer. Activity on Dolphin 57s continues as Chinese Buyers are reported to have picked up *Almandin* (56,899-dwt, 2010 Hantong) for \$9.9m, in line with recent sales.

Carval are rumoured to have sold two modern handies, *Summit* and *Alpine* (both 37,300-dwt, 2015 Nanjing Dongze), for \$30m. These would represent the first modern Chinese handy sale since Carval sold out two similar units in December last year for prices more or less in line with these.

Despite activity in all other sectors the capesize sector has a lean and hungry look and the only capes sold this year have been for demolition.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
<i>Puppis Ocean</i>	81,070	2014	JMU	-	M Maritime	23.75	
<i>Ocean Wind</i>	76,585	2006	Imabari	-	undisclosed	9.75	
<i>Navios Galaxy I</i>	74,195	2001	Namura	-	Chinese	6.1	
<i>Adventure II</i>	62,472	2018	Oshima	C 4x30	Undisclosed	26.5	
<i>Almandin</i>	56,899	2010	Hantong	C 4x36	Chinese	9.9	
<i>Intrepid</i>	48,913	1999	IHI	C 4x25	Chinese	5.5	
<i>Alpine</i>	37,300	2015	Nanjing Dongze	C 4x30	Undisclosed	30m en bloc	
<i>Summit</i>							

Tanker Commentary

The recent upturn in activity in the vintage VLCC space has seen asset values firm substantially since the turn of the year in the face of strong competition mainly from Asian buyers for FSO conversion projects. Contrary to this trend, we understand Agritrade have sold *Sea Horizon* (298,412-dwt, 2001 Hitachi) to fellow Singaporean buyers Ocean Tankers for \$22.5m. On the face of it, the price looks quite light compared the last comparable sales of *Pacific Glory* (299,999-dwt, 2001 Imabari) at \$23.5m and *VL Sakura* (298,641-dwt, 2001 Hitachi) at \$24m in January and February respectively however it is worth noting *Sea Horizon* has DD due later this year. Elsewhere, offers were invited this week for the same vintage *Formosapetro Challenger* (281,501-dwt, 2001 IHI) with the top offer seen in the region of \$18m reflecting the discount for the lower dwt. At the time of going to press a sale is yet to be finalised and we hope to shed further light on this next week.

The appreciation in vintage tanker values has transcended down to aframax where Target Marine appear to be profiting from an asset play on several 2003 built units bought cheaply last year. *Voyager C* (104,864-dwt, 2003 Samsung) is reported to have been sold for \$13.5m to Middle Eastern interests having purchased the vessel for \$10.6m and *Gardenia* (115,000-dwt, 2003 Hyundai Samho) sold for \$13.2m to south east Asian interests having been acquired from DHT as recently as November 2018. Capital Ship Management have followed suit flipping *Agrios* (106,029-dwt, 2005 Daewoo) for \$15.8m which was bought as the CSK Shelton in October 2018 for \$12.9m.

In the product sector, the deepwell configuration *Isola Bianca* (50,927-dwt, 2008 SPP) is understood to have been committed for \$15.5m to Greek interests which is in line with recent activity.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Sea Horizon	298,412	2001	Hitachi	Ocean Tankers	22.5	
Garnedia	115,000	2003	Hyundai Samho Heavy Ind.	South East Asian	13.2	
Vermilion Energy	106,131	1999	Namura	Celsius	Excess 7.5	LR2 trading DPP
Agrios	106,029	2005	Daewoo	Waruna	15.8	
Voyager C	104,864	2003	Samsung Heavy Ind. Geoje	Middle East	13.5	
Isola Bianca	50,927	2008	SPP	Greek	15.5	
Desert Mariner*	49,992	2018	Hyundai Vinashin	Undisclosed	Mid/High 32s	

*T/C attached for 5 years firm from March 2018 to Cargill at \$14,500pd (+ 2 further year options).

Vessel	DWT	Built	Yard	Period	Rate \$pd	Charterer
Xin Long Yang	308,376	2017	Dalian	3 yr	32,000	ExxonMobil
Cosdignity Lake	308,084	2017	Dalian	6 mth	30,000 Inc. options	Trafigura
Kudos	109,672	2007	Dalian	1 yr	19,000	Vitol
Pyxis Malou	50,667	2009	SPP	6 mth	14,000	Trafigura
Rita M	45,997	2009	Shin Kurushima	1 yr	13,950	ST Shipping

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