HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… The new frontline in US competition with Russia and China? …

Source: The Times

POINTS OF VIEW

Greenland is an autonomous territory of Denmark with 56,000 inhabitants covering an area larger than western Europe. It is 85% ice-covered and has huge reserves of minerals, including rare earth elements that are used in new technologies. The Arctic Circle in which it sits also has oil, gas, palladium, platinum and diamonds. China currently controls the largest share of rare earth minerals that go into making everything from iPhones and laptops to electric vehicles and missile guidance systems. The ongoing US dispute with Huawei is potentially prejudicing US and European access to these vital raw materials making alternative sources of supply imperative. This is the background to President Trump's expressed interest in buying Greenland, initially regarded as a bad joke by the Danish government.* Given the president's loose attitude towards minorities and the environment it is a laughable proposal. He is a climate change denier, is pulling the US out of the Paris Agreement and is opening up environmentally sensitive federal lands to oil and gas drilling and pipelines. He objected to Paris in that it is futile to self-impose carbon reduction targets if other heavy polluters such as China and India are not legally bound. Conventionally, the US would provide leadership in such situations. Instead it has opted out which provides little incentive for other polluters to exercise self-restraint. Despite the apparent absurdity of Mr Trump's proposal, it does flag up how the US is in a race with Russia and China to secure and apportion the military and economic benefits that will flow from securing the rights to explore this vast untapped wilderness. Denmark declined Trump's interest upon which he cancelled his upcoming state visit, by tweet.

The Times has estimated that Greenland has 31.4 billion barrels of undiscovered oil, 1.1 billion tonnes of iron ore and that it could supply 25% of global rare earth demand over the next 50 years. Greenland favours independence but lacks the ability to finance itself as 60% of its $1.2 billion annual budget is from Danish subsidies. It is open to business but is not for sale. Global warming^ is opening up sea routes through the Arctic, an area that China has included in its Belt and Road infrastructure strategy for a new Polar Silk Road. It is already invested in the Kvanefjeld mining complex in southern Greenland that will see rare earth elements transferred to China for processing.** Trump has reminded Denmark that the US defends it, as well as all other countries within the Nato alliance, as he attempts to insert a wedge between the US and the Russia-China axis. Estimates of Greenland's 'value' start at $1.1 trillion, almost the same as the US has spent on Afghanistan since 9/11 in 2001, another off limits country that is rich in untapped mineral resources. The president's decision to pull all 14,000 US troops out of there before next year's election is consistent with his wish for the US to stop being the world's policeman. In so doing, he will leave the country to civil war between the Afghan government, the Taliban and Isis. It seems better that they fight themselves rather than focus on US forces but, if the terrorist factories return, then it becomes unfinished business. The president's focus is on trade and money and getting even, not on other people's problems.

This Greenland tale tells us that shipping faces the opening up of new frontiers, host to new and old commodities, and new trade lanes that can only be good for cargo demand growth. As the ice melts, new polar routes – the Northern Sea Route (Russian) and the Northwest Passage (Canadian) – will compete with the Panama Canal, impacting tonne-mile demand in various ways, while increasing the overall cargo base. New sources of oil, gas, coal, iron ore, copper, zinc and rare earth elements will flow from the Arctic Circle, adding to the spider's web of both long-haul and short-haul trade arbitrage opportunities. Russian LNG is already being exported from the Yamal Peninsula and from 2022 it will be moving from the new Arctic 2 LNG project. The Arctic frontier offers the world a vast new source of dry and wet cargo that it will soon be possible to extract and ship in a regulated and environmentally friendly way. The Arctic's commercial claims are much enhanced by the viability of the Northwest Passage whose importance to Canada and its allies is obvious: it provides an 'over-the-top' shortcut between the Atlantic and the Pacific. Thule Air Base in northwest Greenland highlights the Arctic's strategic claims. It opened in 1946 and is still a critical link in the US chain of defences against Russian and Chinese incursion. Greenland, with its Danish backing and protection, is precious real estate that is evidently much envied on any strategic and commercial criteria. It is quite literally in pole position to leverage the return on its resources while also protecting its environment. Greenland may not be for sale but it is now in play. Go North, young man!

*It is not without precedent. In 1946, President Truman offered $100m in gold for Greenland, just as the Cold War was getting underway.

^The Times: global warming sees Greenland lose ice mass of 280bt a year since 2002, equivalent to 112m Olympic swimming pools…

**Kvanefjeld, operated by ASX-listed Greenland Minerals with SSE-listed Shenghe Resources its top shareholder with 11%.

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23 August 2019

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Dry Cargo Chartering

The **BDI** closed the week at 2,168. Up from last weeks close of 2,088. Another positive week in the **capes**, the market rising $814 to $30,437. On Voyage, the Iron ore run saw the *Dignity* fix at $22.75 on 190,000/10% for a Tubarao to Qingdao trip with Cargill, while Vale fixed the *Imperial Frontier* 170,000/10% on the same run at $20.95. In the Atlantic, LKAB took a Swissmarine TBN at 170,000/10% on another iron ore trip from Narvik to North China at $29.50. Elsewhere, Fiveocean and Panocean TBN's at 130,000 10% were fixed from Newcastle to Youngheung and Boryeong at the start of the week with KEPCO at $15.55 and $14.75 apiece.

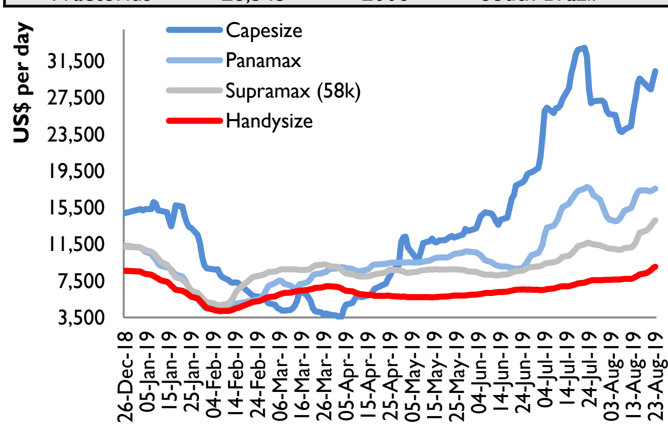
The **panamax** market continued a positive trend this week with the index closing at $17,583. This was up from last weeks $17,359. In the Pacific, Daelim fixed *Tai Hang 8* (72,270-dwt, 1999) delivery Putian redelivery South Korea via Kalimantan at $14,500. In the Atlantic, *Spring Progress* (82,055-dwt, 2016) was fixed delivery Agadir redelivery Jorf Lasfar for a trip via US East Coast at $21,500. On front haul, *Yasa Neslihan* (82,849-dwt, 2005) fixed for a trip delivery East Coast South America redelivery Singapore at approximately $18,750 daily plus $875,000 bb. On period, Daiichi fixed *Medi Chiba* (82,003-dwt, 2016) was fixed delivery Zhoushan for 11 to 13 months redelivery worldwide at $15,500 while *Canea* (75,356-dwt, 2007) was fixed delivery Pasir Gudang for 6 to 8 months redelivery worldwide at $14,750.

The **supramax** market was improving in all areas, with the BSI closing at $14,113, another jump from last weeks $12,753. In the Atlantic, *Yasa Canary* (55,446-dwt,2013) fixed delivery East Coast South America for a trip redelivery Huelva at $26,500. *Sky Beauty* (63,398-dwt, 2017) fixed delivery Tyne via ARAG redeliver east Mediterranean with petcoke at $21,000. In the Indian Ocean, *Young Harmony* (63,567-dwt, 2014) fixed delivery Navlakhi for a trip redelivery North China at $20,500. *Ocean Tianchen* (63,554-dwt, 2018) fixed delivery Port Elizabeth for a trip redelivery China at $14,750 plus $475,000 bb. In the Pacific, *Zhehai 526* (57,226-dwt, 2012) fixed delivery Guangzhou via Philippines redelivery China at $13,750. *Fareast Harmony* (56,756-dwt, 2012) fixed delivery Ho Chi Minh for 2/3 laden legs redelivery Singapore-Japan range at $12,250.

The **handy** market closed the week at $9,056. This was again up from last weeks close of $8,210. In the Atlantic, rates across the board continued to climb. We heard a 37k-dwt achieving a cool $20k ex Recalada to Turkey, while a very nice 34k-dwt achieving $12,500 delivery West Mediterranean for 2/3 laden legs redelivery Atlantic. Off the continent, *Interlink Acui* (37,152-dwt, 2011) fixed delivery Denmark for a Continent round voyage at $14,000. A week of unexpected strength in the Pacific with rates soaring sky high especially for vessels opening in Southeast Asia. Owners could easily achieve five figures for 38,000-dwt while charterers were desperately sourcing for 28,000 dwt in hope of cheaper alternatives. As expected, little fixtures were reported with many owners resisting to conclude any fixtures. *Indigo Silva* (38,090-dwt, 2013) open Gresik was fixed at an impressive $12,900 for moving coal back east. Period enquiries remained high although little was reported on the period desk.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Sunny Smile	95,768	2013	Yantai	End Aug	Japan	17,000	Daiichi	Via Abbot Point
Livia Rose	8,1828	2018	Koper	19 Aug	SE Asia	32,000	Bunge	Via Black Sea
Western Monaco	81,112	2016	Mississippi River	31 Aug/3 Sep	Sepetiba	18,000	Ultrabulk	Plus 225,000 bb
Asia Spring	76,318	2001	Singapore	7 Aug	Singapore-Japan	17,750	CNR	Via ECSA
Siana	73,127	1999	EC South America	End Aug	Singapore-Japan	17,750	CNR	Via ECSA
Cooper Island	57,905	2014	Lome	PPT	E.Mediterranean	16,500	Amaggi	Via ECSA
Balaban	56,753	2009	Nansha	25 Aug	China	12,000	CNR	Int Clinker
Zhong Xin Men	55,408	2017	Jebel Ali	3 Sep	China	22,500	CNR	
IVS Knot	33,143	2010	Gibraltar	PPT	Abidjan	15,000	CNR	Via French Atlantic
Praetorius	28,345	2008	South Brazil	PPT	Continent	13,750	Meadway	Int Grains



Exchange Rates		This Week	Last week
	JPY/USD	105.31	106.63
	USD/EUR	1.1142	1.1064

Brent Oil Price		This Week	Last week
	US$/barrel	58.86	59.84

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	380.0	375.0
MGO	578.0	570.0
Rotterdam IFO	295.0	295.0
MGO	543.0	543.0

Dry Bulk S&P

Compared to the frenetic freight market activity this summer, SnP values (for now) have remained relatively stable. The shelves have been well stocked with sales candidates, allowing buyers who have remained at the helm to take advantage of numerous opportunities at consistent prices. With the BDI hovering over the 2,000 point mark all week, sales activity has continued its healthy summer sizzle, with the majority of activity still focused on the panamax and kamsarmax sectors.

Chinese buying activity ploughs on with great gusto. *Bahia I* (82,250-dwt, 2012 Tsuneishi) has reportedly been committed for regions $19.5m to undisclosed Chinese interest, BWTS fitted and surveys due. *Lily Fortune* (91,439-dwt, 2000 Oshima) has reportedly been sold to Chinese buyers for $7m. *Alam Permai* (87,052-dwt, 2005 IHI), is also rumoured committed to Chinese interest close to $11m. *Underdog* (74,444-dwt, 2006 Hudong), similarly has reportedly been snapped up by Chinese buyers for region of $8.5m. To buck the trend, we understand *Vamos* (76,284-dwt, 2004 Tsuneishi) has been sold to undisclosed Middle Eastern interest for $9.5m basis delivery with SS passed.

Elsewhere, *Sam Phoenix* (34,264-dwt, 2011 Zhejiang Jingang) is rumoured sold in the high $7-8m range to undisclosed interest. Good value for the buyer compared to the last similar vessel sold, *Graig Rotterdam* (34,898-dwt, 2012 Jiangdong – Wuhu) which supposedly achieved excess $10m back in July!

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $	Comment
Lily Fortune	91,439	2000	Oshima Shipbuilding	-	chinese	7	
Alam Permai	87,052	2005	IHI Marine	-	chinese	10.8	
Bahia I	82,250	2012	Tsuneishi	-	Undisclosed	19	
Vamos	76,284	2004	Tsuneishi	-	Undisclosed	9.5	
Underdog	74,444	2006	Hudong-Zhonghua Shipbuilding	-	Undisclosed	Regions 8.5	
Bergen	60,319	2015	Japan Marine United	C 4x30	Greeks	21.5	
Sam Phoenix	34,264	2011	Zhejiang Jingang	C 4x30	Undisclosed	Regions 8	
C. S. Star	33,171	2011	Kanda Zosensho	C 4x31	Undisclosed		

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Tanker Commentary

In the run up the January 2020, optimism is strong irrespective of spot earnings across crude and product tankers not living up to expectations. Despite second hand values superseding last done and showing no signs of reversing; it appears buyers focus shows no sign of shifting towards the newbuilding market as illustrated by the well publicised deal of up to 14 modern suezmaxes acquired by Frontline from Trafigura. With plenty of capacity in China, Korea and Japan and plenty of prompt berths on offer – newbuilding prices will surely have to correct to entice buyers away from the second hand investments.

The most interesting selection of sales this week are the in the MR sector where the newly formed Diamond S Shipping Inc have announced the sale of two MRs – *Atlantic Leo* and *Atlantic Aquarius* (49k-dwt, 2008 HMD) at $16.1m each to a Greek buyer. The price is largely in line with recent transactions however what is of particular interest is the comparison against the year younger Chinese built FPMC 19 (46k-dwt, 09 Jinling) sold by Formosa for a reported $11m to Centrofin suggesting a differential of circa 30% between the Korean and Chinese counterparts.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Oriental Jade	306,352	2004	Mitsubishi HI	Undisclosed	28.5	
Breezy Victoria	74,998	2007	Minaminippon	bentech	13.5	
Atlantic Leo	49,999	2008	Hyundai Mipo	velos	16.1	
Atlantic Aquarius	49,999	2008	Hyundai Mipo	Velos	16.1	
FPMC 19	46,851	2009	Jinling Shipyard	Centrofin	11	

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