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## THE BIGGER PICTURE

... Sailing into a Storm? ...



Source: The FT

## POINTS OF VIEW

Stand well clear of the exits at the White House, you may get trampled in a stampede worse than the daily 5pm exodus from government offices. When Trump started out as president he surrounded himself with sensible people with experience in politics, business, diplomacy and the military. One assumed that they would counteract the president's more extreme tendencies. Now they are mostly gone and they are being replaced by conservative hawks and economic dinosaurs: people like John Bolton, Mike Pompeo and Peter Navarro. They tend to be more in line with the president's own views, so the circuit breakers have gone. They are not diplomats and would sooner start trade wars with China, promote regime change in North Korea, bomb Iran and bait the Russian bear. We are said to be on the cusp of synchronised global economic growth, a juggernaut that may not easily be deflected from its course. We must view Trump's idiosyncrasies in this context. Can he and his new advisers really mess up the world economy all on their own? His tax cuts were viewed positively by US business, but his trade tariffs are reversing the feel-good factor and generally do not have the support of business. Neither are they likely to retain the backing of blue collar workers once the good and bad effects of these contrasting policies are netted off. White collar share owners will be dismayed that Trump has turned against the stock market, erasing the gains for which he had earlier taken credit. Stock markets have been pumped full of hot air by leading central banks, and are now at elevated risk of popping, whereas a fundamentally driven global economy can easily shrug off a bear market in equities.

It is now becoming clear that the steel and aluminium tariffs were just the appetizer. They were about to inflict harm on America's neighbours in Canada and Mexico; on its friends in South America, Europe and the Asia Pacific; and on its own industry, jobs and workers. By now, true friends have secured exemptions\*, rendering the metal tariffs redundant. Yesterday, Trump served up the main course, a large cold dish of duties of up to 25% on high-tech Chinese exports worth up to \$60 billion, finally identifying his real target. China may not retaliate against US soyabean farmers, who have an abundant crop ready for export. In the last crop year, China bought 36mt, or about \$12 billion by value, of US soyabeans. It needs to maintain this source of supply as a vital component of its 100mt annual soyabean import programme. That is partly because the drought-hit Argentine crop is expected to come in at 28% below forecast at 39.5mt from 55.0mt, reducing China's leverage over the US in the agribulk sector, even though Brazil exports 68mt of soyabeans a year and could probably fill any supply gap. Instead, China outlined provisional plans to counter with \$3bn of tariffs on various US imports including pork, wine, steel pipes, fruit and nuts. China maintains a pro-trade stance and does not want to sink into a damaging trade war with the US. The US accuses China of \$100bn a year of intellectual property theft and of causing the US to suffer a \$375bn trade deficit with China in 2017, rising to as high as \$500bn depending upon how it is calculated.

It is unclear what impact the US-China trade dispute will have on shipping. The tariffs target some 12% of goods by value that arrive in the US from China. Bimco points out that containers could be hit by a reduction in China-US flows of consumer goods such as electronics, apparel and household goods. RoRo trade could suffer from any fall in the US-China \$10.5bn by value<sup>^</sup> of passenger car sales, and tankers would wince at any drop in the \$4.4bn by value<sup>^</sup> of US-China crude oil sales. However, global trade in oil, agricultural products and consumer goods is fungible. If one trade shuts down then another replaces it; this is the normal functioning of global trading and shipping. There is almost always an alternative source of supply, so we are not anticipating at any net loss in seaborne trade volumes, just a change in trading patterns. The changes will be beyond prediction, there will be tonne-mile gains and tonne-mile losses. They will most likely cancel each other out, so do not lose sleep over it. We return to the more important issue of global economic growth, something that surely even Trump cannot stump. In its 2Q18 Global Economics, HSBC asks "Could the sweet spot turn sour?". It is not quite Goldilocks, neither too hot nor too cold, but global growth is robust by post-crisis standards and all regions are participating in a synchronised upturn. Unemployment is falling, wage growth is modest, deflation is averted, inflation is contained and interest rates are still low. The US is doing well, helped by tax cuts, but maybe hindered by a widening deficit at this point in the cycle. Growth in Japan and the eurozone has peaked, while emerging markets are performing below their potential. The main risks come from monetary and trade policies so the policymakers still have important work to do.

\*Canada, Mexico, Argentina, Brazil, Australia, South Korea and the EU.

<sup>^</sup>In 2017.



## Dry Cargo Chartering

The BDI finished the week at 1,122, down from last weeks close of 1,143. Another poor week for the **Capes** saw the market drop \$536 to close at \$9,064, down from last weeks close of \$9,600. However, a late revival on Friday may be the beginning of a much needed comeback. In the Atlantic, Ilva relet the *Cosco Cape Alexandros* (179,166-dwt, 2010) 115,000/10% for Nouadhibou/Taranto at \$5.95 pmt and the *Tempo* (250,342-dwt, 2017) 180,000/10% was fixed by TKSE for Tubarao/Rotterdam at \$5.65 pmt. In the Pacific, KEPCO took the *Changnyung TBN* 145,000/10% for Vanino/Hadong at \$4.38 pmt. The *Cheng May* (180,008-dwt, 2017) 160,000/10% was fixed by FMG for Port Hedland/Qingdao at \$5.95 pmt. On the front haul, the *Anangel Fortune* (174,272-dwt, 2005) 170,000/10% was fixed by Rio Tinto for Seven Islands /Kawasaki at \$18.50 pmt. On the period rate, Swiss Marine fixed the *New Orleans* (180,960-dwt, 2015) delivery China for 11/13 months at \$21,000. The *FPMC B Kingdom* (206,500-dwt, 2013) was fixed by Koch Shipping delivery Bayuquan for 8/10 months at \$21,300.

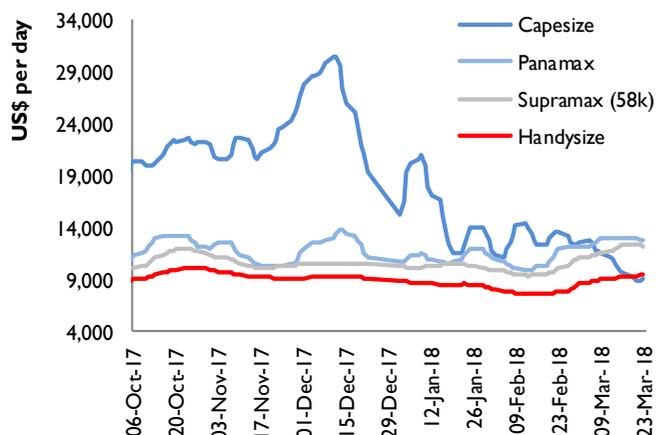
The **panamax** market this week has fallen by \$240 to end the time charter average on \$12,753. In the Pacific, *Union Mariner* (81,964-dwt, 2013) delivery Dalian via NoPac redelivery Singapore-Japan fixed at \$14,500 to Pacific Basin. Panocean took the *Hebei Zhangjiakou* (93,647-dwt, 2011) delivery Qingdao redelivery Singapore-Japan at \$14,900. Louis Dreyfus fixed the *Topaz* (75,499-dwt, 2004) delivery Tarragona via Black Sea redelivery Singapore-Japan at \$22,500 on fronthaul. In the Atlantic market, Louis Dreyfus fixed the *Rising Wind* (82,151-dwt, 2014) delivery East Coast South America redelivery Skaw-Gibraltar at \$20,000.

Jera fixed the *Bulk Portugal* (82,224-dwt, 2012) delivery Hamburg via Murmansk redelivery Skaw-Cape Passero at \$16,000. Norvic took the *Egret Oasis* (76,028-dwt, 2014) delivery Ghent via US East Coast redelivery Cape Passero at \$13,900. On the period side of things Norden took the *Tai Kudos* (81,670-dwt, 2017) delivery Taaen for 11/13 months at \$16,000 redelivery worldwide.

This week the **Supramax** market rose \$249 to finish up at \$12,567. In the Atlantic, front hauls were fixed by *Ece Nur Bayraktar* (58,500-dwt, 2011) delivery Vila Do Conde into Singapore-Japan by Norden at \$15,000 plus \$500,000 bb for a trip with Alumina and *Thor Brave* (53,506-dwt, 2012) was fixed by Bunge delivery Beaumont for a prompt trip to Japan at \$24,500. In the Pacific, *Dawn* (53,605-dwt, 2005) fixed a trip delivery Singapore via Indonesia into Thailand at \$15,500. On the period front, *Josco Taizhou* (55,561-dwt, 2005) was fixed for 4/6 months delivery South China by AUSCA at \$12,850. The **Handies** this week went up by \$189 to end at \$9,416. In the Atlantic, little was reported however *CS Jaden* (30,101-dwt, 2013) fixed a trip with HBC delivery Cabedelo via Recalada into the Baltic at \$14,000. In the Pacific, *Stamina SW* (28,378-dwt, 2012) fixed a back haul out of South East Asia into the Mediterranean with Caledonia Maritime at \$7,500. With regards to period, *Bunun Brave* (45,556-dwt, 2014) was taken for 5/7 months of worldwide trading by Gregale Shipping delivery Charleston at \$16,000 and *Great Intelligence* (38,797-dwt, 2017) was taken by Cargill for a couple laden legs delivery CJK at \$11,000.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Charlotte Selmer	175,154	2011	Shanghai	25/26 Mar	North of CJK	10,600	RGL	Via Australia
Shinyo Endeavour	170,578	2002	CJK	PPT	Singapore-Japan	10,250	Jiangsu Steamship	Via East or West Australia
Bulk Portugal	82,224	2012	Hamburg	23/24 Mar	Skaw-Cape Passero	16,000	Jera	Via Murmansk
Union Mariner	81,964	2013	Dalian	22 Mar	Singapore-Japan	14,500	Pacific Basin	Via NoPac
Topaz	75,499	2004	Tarragona	21 Mar	Singapore-Japan	22,500	Louis Dreyfus	Via Black Sea
Nautical Amethyst	56,899	2011	Dubai	PPT	WC India	17,750	CNR	
Grand Hermes	56,854	2011	Qinzhou	26/27 Mar	Chittagong	15,750	CTG	
Thor Brave	53,506	2012	Beaumont	PPT	Japan	24,500	Bunge	
CS Jaden	30,101	2013	Cabedelo	PPT	Baltic	14,000	HBC	Via Recalada
Stamina SW	28,378	2012	Philippines	PPT	Mediterranean	7,500	Caledonia Maritime Services	Via SE Asia



Exchange Rates	This Week	Last week
JPY/USD	105.10	105.79
USD/EUR	1.2345	1.2306

Brent Oil Price	This Week	Last week
US\$/barrel	70.05	65.00

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	379.0	370.0
MDO	608.0	591.0
Rotterdam IFO	364.0	348.0
MDO	572.0	548.0



### Dry Bulk S&P

A week of what might have been for various Buyers and Sellers across various dry segments sectors. Times Navigation appear to have walked away from buying three Kamsarmaxes en bloc (*Ocean Virgo / Ocean Libra / Ocean Scorpio* all 82k-dwt, 2013 Yangfan) for region \$18.3m per vessel. Talk amongst Brokers suggested they may have failed to lodge the deposit. At the other end of the spectrum, *Glorious Sawara* (28,339-dwt, 2009 I-S) was rumoured to be committed at very close to \$9m, however Sellers reportedly left the Greek Buyers Jilted at the alter. This the second time this has happened to a buyer of an Imabari Japanese 28 after the same happened with the Buyer of *King Canola* (28,207-dwt, 2013 Imabari) a few weeks ago. This could be down to renewed appetite from the period market for the 28, a ship previously out of fashion, now fetching in excess of 9k a day for a year.

Elsewhere, *Nichirin* (55,694-dwt, 2010 Mitsui), is reported sold to Turkish Buyers Densay for \$15.5m. The price is much softer than expected given the recent sale of *Darya Vishnu* (56,056-dwt, 2006 Mitsui) at \$13.3m just a few weeks ago, exemplifying the current dynamic market, which in this case, presented a very good opportunity for the Buyer, and a sense of what might have been for the Sellers.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Nadine Venture	93,759	2011	Shanhaiguan	-	Ukrainians	Upper 17s	
Ocean Vision	81,502	2015	Guangzhou	-	Greeks	24	
Nichirin	55,694	2010	Mitsui Tamano	C 4x30	Densay	15.5	
Ocean Prefect	53,035	2003	Oshima	C 4x30	Far Eastern	xs 9	Due for SS
Nepenthe	48,913	2001	IHI	C 4x30	Chinese	8.2	
Monica P	46,667	1998	Mitsui Tamano	C 4x30	Undisclosed	Low 6s	
Ozge Aksoy	45,664	1995	Tsuneishi	C 4x25	Undisclosed	Low 5s	
Nord Seoul	36,781	2010	Hyundai Vinashin	C 4x30	Greeks	11.5	

#### Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	\$/LDT	Buyer
Amba Bhakti	106,597	1997	NKK Corp	TANK	16,244	384	'as is' Shanghai
DS Vada	309,636	1997	Samsung	TANK	42,971	442	'as is' Khor Fakkan
Maritime Jewel	299,364	2000	Daewoo	TANK	41,733	447	'as is' Singapore
Harsha Vardhana	5,269	1974	Mazagon	TWEEN	5,849	388.50	'as is' Columbo

## Tanker Commentary

Tanker earnings continue to be dragged through the mud. Over the past few weeks the headline story has been demolition. There have been close to twenty VLCCs scrapped this year and the list of potential candidates is anything but slimming. This week a further two, 2 million barrel tankers have been scrapped alongside one Dr Peters aframax. With crude tankers trading well below breakeven and the cash buyers paying respectable levels, the stage is set for what could be a record breaking year for demolition volumes. In February we saw negative fleet growth, no doubt something we will see again for March, the orderbook is manageable and as such sentiment of a recovery within 2019 is fairly unanimous. With that in mind now is the time for cash rich buyers to snap up deals as and when they arise.

Moving down a few vintages, Greek owners Coral have bought the German controlled *HS Medea* (113,013-dwt, 2003 Hyundai Samho) for \$10.7m, a price well in line with recent transactions. All eyes are now fixed on the two Scorpio MRs built 2013 to set a much needed benchmark for the sector. One might value them in the region of \$26m each, but with ten buyers inspecting, it will be interesting to see what level Scorpio can achieve.

Athens based Ionic Shipping are rumoured to have won the race on the Mitsubishi aframax fleet. The deal was conducted off-market and as such, details are scarce, but we understand a price in the region of \$112-115m was paid for the four Japanese built ships. When broken down this may equate to region \$38m for the 2016, \$26m for the 2011s and \$23m for the 2009.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Diamond Faith	114,737	2016	Namura			
Diamond Bliss	107,605	2009		Ionic	112-115	Enbloc sale
Diamond Destiny	107,508	2011	Tsuneishi			
Diamond Eternity	107,497					
HS Medea	113,013	2003	Hyundai Samho	Coral Shipping	10.7	

### Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pm)	Charterer
Stealth Berana		2010	Samsung	1 year	13,800	Penfield
Maersk Murotsu		2010	Onomichi	1 year	13,200	ST Shipping
Maersk Miyajima		2011	Iwagi Zosen			

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