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THE BIGGER PICTURE

... Iron Ore Weighs on Big Bulkers ...



Source: The FT

^The World Steel Association reported that China's steel production surged 10% year-on-year in 1Q19.

New floor space starts were up 15.5% yoy in April and 13.1% yoy in the first 4 months of 2019. Good old stimulus in property & infrastructure.

*In July last year, the USDA announced a \$12bn aid programme including \$1.65 a bushel for soybeans, c14 for wheat and c1 for corn.

^^Data courtesy of the latest May 2019 monthly edition of Dry Bulk Trade Outlook from CRS.

**Zero growth is expected in the major bulk trades in 2019 after a loss of some 24mt of seaborne iron ore volumes.

POINTS OF VIEW

What a week. The British prime minister has been being ousted at the same time as the US president faces a rising Democratic clamour for his impeachment. They have been desperately clinging to high office long enough to manufacture a positive legacy for themselves. Mrs May has fallen, announcing her resignation today, but Mr Trump will fight on. He intuitively knows which buttons to press; she did not and appeared out of touch with people. The Brexit process has paralysed real economic growth; what little growth we have had is all about stockpiling goods ahead of the anticipated disruption of a hard or no-deal exit. US economic growth will slow down as the impact of high tariffs on Chinese imported goods raises prices and reduces consumer spending, already checked by high gasoline prices which leaves less cash in wallets. US sanctions have torpedoed Iranian and Venezuelan crude oil exports. In the UK and US, these are self-inflicted wounds. Yesterday Brent was also popped, falling 5% on demand jitters and US inventory build. Opec output curbs face US output increases while both contend with a worsening economic outlook. A similar tug-of-war is visible in other commodities as mixed supply and demand signals push up and pull down prices. Shipping is the 'piggy in the middle'.

The tragic weather events in Brazil and Australia in Q1 have removed as much as 100mt of iron ore, on an annualised basis, from the seaborne market. Prices of 62% Fe, CFR China iron ore have risen to a 5-year high of \$97 a tonne, up 37% from \$71 in early January. The Brazil outages have reduced spot liftings on the tonne-mile intensive Brazil-China route to a trickle. Rio and BHP have failed to take advantage after being hit by Cyclone Veronica on 25 March. Iran cannot help itself as it is sanctioned, passing the baton to other Australians, India and South Africa. On the buy side, China cranked out an all-time record 85mt of crude steel in April,[^] but less came from blast furnaces using high quality imported iron ore. Instead an increased portion came from lower grade ore, including domestic, and from iron ore substitutes, steel scrap and inventories. Vale's share price is down 16% since Brumadinho on 25 January while Fortescue is up 120% this year in local currency terms. Its low grade ore is now preferred over Vale's high grade, both in terms of availability and price. Meanwhile, Rio's share price is up 34% this year against BHP's up 15%, partly because BHP faces a \$5 billion claim from the 2015 Samarco dam collapse, and partly because it has less exposure to iron ore than Rio.

If the seaborne iron ore trade has been disrupted by Acts of God, then the seaborne soybean trade has been disrupted by Acts of President, and by African swine fever which has cut Chinese demand for soybean meal used as pig feed. Trump's administration has announced \$16bn of payments to farmers to compensate them for lost Chinese export sales after China retaliated with import tariffs on US agricultural exports. Bloomberg suggests these could be \$2 a bushel for soybeans, c63 for wheat and c4 for corn.* China bought 60% of all US soybeans in 2017 but cut imports last year to attack Trump's voter base. This leaves the US with a huge glut of low-priced beans and a subsidy that will increase planting, reinforce surpluses and prolong low prices. Soy futures were at their lowest price in more than 10 years last week. Such subsidy interventions, on top of the distortion caused by tariffs, highlight the nonsensicality of trade wars. They are simply self-harming. Unfortunately, Xi Jinping cannot and will not back down. Neither can the US president as he needs to meet a campaign pledge, and he wants to get re-elected.

The upshot is a worse than expected dry bulk market this year, fully reflected in dismal earnings. Top down, iron ore trade is expected to contract 1.6% in 2019 to 1.45bn tonnes^{^^} after years of robust growth. Total bulk carrier fleet growth is placed at 2.4% this year against dry bulk trade growth of just 1.2% in absolute terms and 1.3% in tonne-mile terms. Iron ore exports from Brazil are expected to drop 9% to 355mt this year while Australian iron ore exports are predicted to rise a modest 1% to 848mt. Lost iron ore volumes should be recovered in 2020. Meanwhile, global soybean trade is set to remain flat at 147mt, recovering 4% in 2020 to 154mt. More positively, this year's fleet supply growth could be adjusted down by some 0.7% as vessels exit service to retrofit scrubbers, narrowing the 2019 supply-demand gap. 2020 looks better with fleet growth of 2.4% against trade growth of 2.3% absolute and 3.1% tonne-mile. Minor bulk^{**} trade is the real star, forecast to rise 3.7% this year and 3.4% next year against handysize fleet growth of 1.7% and 1.1% respectively. Instead of thinking big, try thinking smaller!

Dry Cargo Chartering

The **BDI** completed this week at 1066. It has been an encouraging week in the **Cape** market with levels finalizing at \$12,242 up \$334 from last week. Pac Bulk fixed in direct continuation, the *KSL Seville* (181,003 dwt, 2015) delivery Tianjin for a trip via Australia with redelivery Singapore-Japan at \$14,900. Further south, the *Sunbeam* (181,003 dwt, 2015) fixed a round trip delivery Kernen via East Australia with redelivery South China at \$12,000. On the Continent the *Necklace* (92,903 dwt, 2012) fixed delivery Hamburg for a trip via the Baltic, redelivery India at \$22,000 with Polaris. The West Australia / Qingdao ore run saw *Alpha Faith* (170,000/ 10%, 2008) fix at \$7.10, while *Stamatis* (185,000 /10%, 2015) fixed the Turbarao / Qingdao route at \$16.50 to SwissMarine. A few period deals completed this week notably the *Baltimore* (177,243 dwt, 2005) delivery retro Wakayama for 19/22 months redelivery worldwide \$15,000 with Koch.

The **Panamax** market continued its positive upward trend, climbing \$2,155 to end the week at \$12,197. In the Pacific, *Crystal Sea* took *CL Grace* (81,563-dwt, 2012) delivery Taichung for a trip redelivery Taiwan at \$8,900 while *Tongli* fixed *Four Coal* (76,822-dwt, 2014) for a trip from Guangzhou to South China via Indonesia at \$9,500. Atlantic continued to remain firm. Bunge took *KT Birdie* (74,866-dwt, 2011) delivery relet East Coast South America redelivery Skaw-Gibraltar for a trip at \$17,250. On fronthaul, *Starlog* fixed *Kavo Paloma* (75,968-dwt, 2007) for a trip delivery US Gulf redelivery Singapore-Japan at \$15,250 daily plus \$525,000 bb and Cargill took *Saita I* (81,922-dwt, 2014) at \$16,300 plus \$630,000bb for similar business. On period, *Derby* (80,333-dwt, 2011) delivery Haldia for 4/6 months trading, redelivery worldwide at \$11,500.

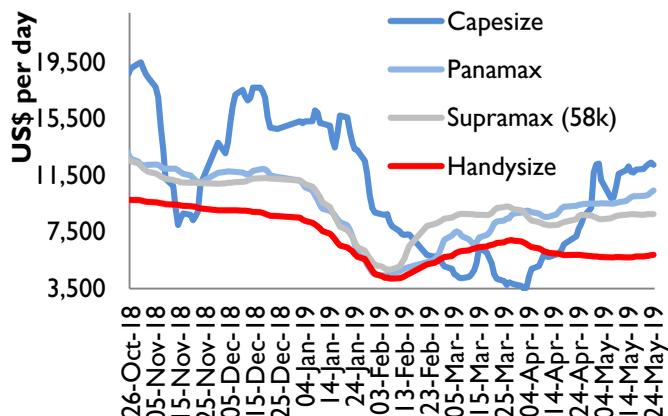
The **Supramax** market was pretty flat this week, while the Atlantic market continued to grow, the Pacific softened further, the BSI closed at \$8,764, slightly up from last weeks \$8,738. In the Atlantic, Bunge fixed

Florinda (58,791-dwt, 2008) delivery East Coast South America redelivery Mediterranean at \$15,250, *BBG Forever* (63,268-dwt, 2018) fixed delivery South Brazil for a trip redelivery China at \$14,650 + \$465,000. In the Indian Ocean, *Sinica Graeca* (63,270-dwt, 2015) fixed delivery Richard Bay for a trip redelivery Far East at \$13,500 + \$350,000BB, Seacoast fixed *MV Wadi Albostan* (57,320-dwt, 2011) delivery Magdalla for a trip via Mina Saqr redelivery East Coast India at \$9,750. In the Pacific, *Zhe Hai 522* (54,243-dwt, 2009) fixed delivery Hong Kong for a trip via Philippines with nickel ore redelivery China at \$8,250, *Shandong Hai Tong* (56,724-dwt, 2012) fixed delivery Qinzhou for a trip with aggregates redelivery Singapore at \$5,250.

The **Handy Market** witnessed a gradual increase in the BHSI this week up \$189 from last Friday to finish at \$5,862. Another quiet week in the Pacific handy market, however there were a few fixtures that gave a glimmer of positivity. In the south, *Action Trader* (39,900-dwt, 2017) open Singapore clean fixed a trip via Malaysia to Vietnam at \$12,000 and *Seas 5* (37,205-dwt, 2012) was rumoured to have fixed on subjects at \$9,000 for a clinker run from Kongsichang into China. In the north, market rumours were that a 28k open in Japan fixed a trip south into the Philippines at around 6k dop. There was little to report on the period side of things however numbers discussed were an improvement to those seen last week. Despite the small up rise in rates, little action has been reported in the Atlantic. *S-Bronco* (33,532 dwt, 2005) fixed a prompt trip delivery Paramaribo giving redelivery India, intention logs \$11,500. *Friendly Islands* (28,387dwt, 2005) fixed a spot trip out the Black Sea, delivery Samsun redelivery ARAG at \$4,750. It was quiet on the Period side with no reported deals.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
KSL Seville	181,003	2015	Tianjin	DC	Singapore-Japan	14,900	Pacbulk	Via Australia
Anangel Odyssey	171,681	2006	Lanshan	22/23 May	Singapore-Japan	12,500	Panocean	Via West Australia
Myra	82,100	2010	Santos	17/18 June	Singapore-Japan	16,000	Raffles	Plus 600,000 bb
Yangze 15	82,000	2019	CJK	01 June	India	10,750	CNR	Via East Australia
KT Birdie	74,866	2011	EC South America	18/19 June	Skaw-Gibraltar	17,250	Bunge	
Navios Venus	61,339	2015	Tianjin	18/20 May	Worldwide	10,500	Trafigura	2 laden legs
Mandarin Dalian	56,605	2010	Singapore	24 May	South China	10,750	CNR	Via Indonesia
Ella	52,454	2003	North Brazil	PPT	Continent-Mediterranean	13,500	Louis Dreyfus	
Action Trader	39,300	2017	Singapore	PPT	Vietnam	12,000	Transwind	Via Malaysia
Friendly Islands	28,387	2012	Samsun	Spot	ARAG	4,750	CNR	



Exchange Rates	This Week	Last week
JPY/USD	109.48	109.72
USD/EUR	1.1194	1.1174

Brent Oil Price	This Week	Last week
US\$/barrel	68.66	72.26

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	404.0	424.0
MDO	613.0	638.0
Rotterdam IFO	383.0	408.0
MDO	584.0	633.0



Dry Bulk S&P

Three capes and one VLOC look to have changed hands this week. This brings us to half a dozen capes sold this year, all within the past month. Before this flurry of activity, capes had exclusively been sent up the beach rather than finding buyers for further trading. The indices have risen steadily and the view for some market participants has moved from a fearful to an opportunistic one.

Zodiac are reported to have picked up the VLOC *Pacific Glory* (233k/ 2004 Imabari) at auction for \$14.5m, about 20% over her current scrap value. The same story applies to *Iron Fritz* (176-dwt, 2003 Universal) which changed hands off market for \$12.3m. Early in the week, *Euro Fortune* (177k / 2005 Mitsui) took offers on Monday and is either committed or very close to being tied up in the low / mid \$13s, in line or a small step up on last week's transaction of *Maritime Power* (176k / 2005 Universal) bought by Greeks for \$13.2m.

There is a sense of groundhog day within the supras. Chinese Buyers have picked up a *Dolphin 57* in a German insolvency sale, *Vil Baltic* (57k / 2010 Qingshan) for \$9.5m and Greek owners have sold another out a Japanese Supra, *Navios Vector* (50k / 2002 Mitsui) for \$6.9m.

Greek Buyers has reportedly picked up *Clipper Iwagi* (28k / 2010 Imabari) for \$7.8m, in line with *Tokamaru Bay* (28k / 2011 Imabari) which sold for \$8.4m in March. The newly formed Russian based outfit White Lake are reported to have purchased two Seahorse 37s with *Summit and Alpine* (37k / 2015 Dongze) finally committed for \$14.4m each following the incorrect rumours in March that the ships had gone for \$30m en bloc.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Pacific Glory	233,694	2004	Imabari Shipbuilding	-	Zodiac Group	14.5	
Iron Fritz	176,298	2003	Universal Shipbuilding	-	Chinese	12.3	
Mineral China	171,128	2003	Hyundai HI	-	South Korean	14.0	3 years TC back
Vil Baltic	57,021	2010	Qingshan Shipyard	C 4x30	Chinese	9.75	
Alpine	37,349	2015	Nanjing Dongze	C 4x30	White Lake	14.4 each	
Summit	37,300						
Clipper Iwagi	28,189	2010	Imabari	C 4x31	Greek	7.81	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Spirit Of Colombo	30,703	2000	China Shipbuilding Corp (CSBC)	Cont	11,481	470.0	'As is' Singapore
Sawasdee Bangkok	20,084	1996	Blohm + Voss	Cont	7,170	468.0	sub-cont options
Tanto Star	13,193	1982	Shanghai Shipyard	Cont	5,431	390.0	'As is' Indonesia



Tanker Commentary

The MR market continues on the course set in recent months. Older pump-room, MR units continue to find new homes relatively easily. Three fifteen-year-old units are reported sold this week. Japanese principals have sold *High Power* (46,866-dwt, 2004 Naikai Zosen) for \$8.5m to Jaldhi Overseas, Singapore. *UACC Strait* (45,934-dwt, 2004 Shin Kurushima) is sold at a similar \$8.8m while *Ardmore Seafarer* (45,744-dwt, 2004 Minaminippon) managed a shade more at \$8.9m. All three units have surveys due imminently. Interest is stronger and supply more limited for the modern half of the fleet, but one unit that did change hands this week is the Japanese controlled *Fidelity II* (48,020-dwt, 2011 Iwagi) for \$18.0m. Delta Marine, Greece were the successful bidders at auction in Hong Kong for the arrested VLCC *Brightoil Glory* (319,819-dwt, 2012 HHI). They paid a reported \$58m - a market price for an auctioned deal. The vessel is without either a scrubber or BWTS system.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Brightoil Glory	319,819	2012	Hyundai HI	Delta Marine	58.0	Auction Hong Kong
Eagle Beaumont	99,448	1996	Samsung HI	undisclosed	8.2	
Fidelity II	48,020	2011	Iwagi Zosen	undisclosed	18.0	
High Power	46,866	2004	Naikai Zosen Corp	Jaldhi Overseas Pte Ltd	8.5	
UACC Strait	45,934	2004	Shin Kurushima Dockyard	undisclosed	8.8	
Ardmore Seafarer	45,744	2004	Minaminippon Shipbuilding	Indian	8.9	

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