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THE BIGGER PICTURE

... The Crystal Ball ...



Painting by John William Waterhouse

POINTS OF VIEW

The British summer is drawing to an end, and yet it seems as if it never really got started; maybe next year? How very alike the shipping markets, occasionally showing promise only to fizzle out in a damp squib, but leaving us ever hopeful of a better future. One of our greatest challenges is trying to work out what will happen next. Who and what will follow Trump? Is Afghanistan the new Vietnam? Is there a will to resolve the Palestinian issue? Will migration permanently change the face of Europe? Will the UK really leave the EU? Will Xi Jinping consolidate his power base and marginalise his opponents? Will inflation pick up and interest rates rise? Are central banks sowing the seeds of the next global financial crisis? Will One Belt, One Road provide us a positive demand side shock that will take us back 15 years and deliver us another dry bulk boom? So many questions and so few answers. Despair not. Bright minds are working on a new way of predicting the future of markets, world trade, geopolitics and shipping. Shipping is rightly last as it uniquely relies on the former three items, and many more besides. Shipping is the ultimate global business, it being unable to swerve world events be they economic, commercial or political. And yet, so few people realise that almost everything that surrounds them in their humdrum daily lives – from the cereals on the breakfast table and the gas in the central heating system to the car in the driveway and the weedkiller in the garden – arrived by ship*. That makes shipping central to us all.

The mythical crystal ball of fortune telling and clairvoyance is to be incarnated by CargoMetrics Technologies, a firm that according to Bloomberg “uses tools such as satellite signals and shipping data to trade commodities, currencies and equity futures.” Job done; we will soon know what will happen before it happens. Never mind that shipping data is the cornerstone of this predictive beast, thus using unreliable supply and demand shipping data in an event, price and policy-driven market place. Despite being regarded at various times in the past as heretical, crystal gazing has been popular even before the days of the Roman Empire. Sunlight and crystals combine to generate images that guide important decisions in life such as love, marriage, business, finances and soon when and where to position one’s ships. Up until now, crystal gazing had found itself discredited – a bit like Trump and voodoo – and replaced by humans in the form of economists, analysts, central and investment bankers. But, as one always says, this time is different. CargoMetrics** was seeded by a highly respected Israeli shipping billionaire backed by a famous software squillionaire^ . It has gained further support and credibility from hedge funds, as in Tudor and Blackstone, and the giant of shipbroking, Clarkson. The latest participant is Maersk Tankers which announced an investment this week. This is a meeting of minds, a powerful combination of data collection covering finance, trade, commodities and shipping. It may represent the next step in forecasting, harnessing artificial intelligence to get an edge over one’s peers. Might it be a collective mea culpa for the recent poor performance of hedge funds that must justify their high fees, or die?

Boston-based CargoMetrics has been variously described by the shipping and financial press as a quantitative hedge fund and a shipping quant fund. Tradewinds describes it as “a cognitive trading hedge fund that purely trades on shipping data and possesses specialised capabilities, algorithms and models to find trade signals in any commodity.” It sounds semi-human. It is raising tens of millions but its deep-pocket backers could easily push this to hundreds of millions. Maersk Tankers describes it as bridge between the technical world and the industry world, a natural progression in an age in which every big company needs to have a digitalisation strategy, or get left behind. Soren Meyer, chief strategy and information officer at Maersk Tankers, is looking to shift the basis of commercial decisions from a gut feeling to a data-driven approach. This risks ignoring the fact that, historically, most of the best shipping decisions have been guided by instinct and intuition rather than by spreadsheets and computer algorithms. Publicly listed shipping companies need to justify their decisions using science over intuition, and yet many still trade below net asset value and have a proclivity to file for Chapter 11 protection when their all too similar, rigid and brittle business models fail. In this sense, they need help, be it divine or divined. Are they finally accepting this fact? From crystal to digital, a small step for man and one giant leap for bots in what is evidently a steady march to eclipse human intelligence by artificial intelligence. We doubt that access to CargoMetrics will be widely available, given the proprietary nature of the endeavour^^. If we all were to get access to what happens next then we will all do the same thing at the same time with the usual predictable results. In that sense, plus ça change!

*50,000 ships carry 90% of the \$18.5 trillion in annual world trade.

**Founded by Scott Borgerson of Crystal City, Missouri.

^Idan Ofer, Eric Schmidt and Paul Tudor Jones.

^^Maersk Tankers has bought exclusive rights to exploit the data.



Despite a small revival on Friday, the **Cape** market fell throughout the week, eventually closing at \$17,918, down \$1,570 from last week. In the Pacific, Jiangsu fixed the *Shinyo Challenger* (183,887-dwt, 2002) delivery Nagoya via Australia, redelivery Singapore-Japan at \$16,500. On voyage, the West Australian iron ore run was paying around \$7.00 pmt, Rio Tinto covering two early September 170/10% iron ore stems for Dampier/Qingdao at \$7.00 & \$7.10 pmt. Vale fixed the *Hebei Universe* (182,459-dwt, 2010) 170/10% Teluk Rubiah/Qingdao at \$5.50. There was very little reported in the Atlantic. Anglo American fixed the *Koryu 8* (172,549-dwt, 2000) for Saldanha Bay/Qingdao 170/10% at \$12.65. On the period side, Jiangsu Steamship took the *Rosco Maple* (179,764-dwt, 2010) delivery Rizhao for 3-5 months, redelivery worldwide at \$17,000. Uniper fixed the *Cape Hawk* (176,996-dwt, 2006) delivery Taiwan for 4-6 months redelivery worldwide at \$18,350.

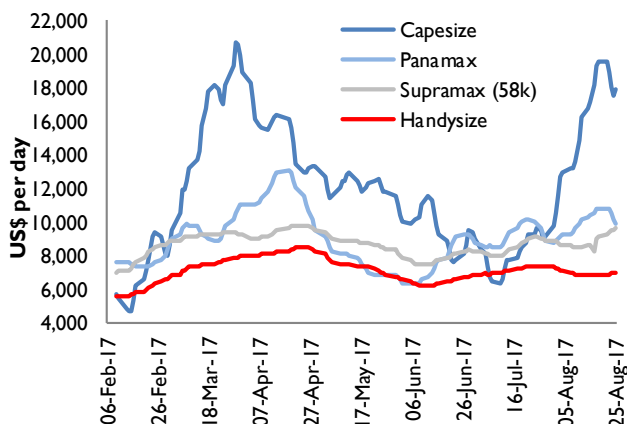
The **Panamax** rate drop this week to end on \$9,908 down \$872. In the Atlantic, the *Union Voyager* (81,964-dwt, 2014) delivery Port Said via Black Sea & Red Sea redelivery Port Said fixed at \$11,750 to Louis Dreyfus. Paccship fixed the *Yue Guan Feng* (75,566-dwt, 2010) at \$9,000, delivery Gibraltar via Kamsar redelivery Fos. Cargill took the *Tiger South* (76,255-dwt, 2013) delivery Port Said via Black Sea redelivery Egyptian Med at \$11,000. On fronthaul, the *Aristidis* (82,153-dwt, 2013) delivery SW Pass redelivery Singapore-Japan via COGH fixed at \$16,250 plus \$625,000 bb to Bunge. The *Star Planet* (76,812-dwt, 2005) delivery Cape of Good Hope via East Coast South America redelivery Singapore-Japan fixed at \$11,500 plus \$375,000 bb. Out of India, Louis Dreyfus took the *Nikiland* (93,251-dwt, 2009) delivery Paradip via South Africa redelivery China at \$11,500.

In the Pacific, the *Ecosand G.O* (75,239-dwt, 2008) delivery Masinloc via Indonesia redelivery South Korea fixed at \$12,000 to Hanaro. The *Guoyuan 8* (79,416-dwt, 2006) delivery Zhanjiang via East Coast South America redelivery Singapore - Japan fixed at \$10,800. On period, Solebay took the *Star Laura* (82,209-dwt, 2006) delivery retro Mundra for 8/11 months trading redelivery worldwide at \$11,500.

The **Supra** rose this week by \$435 with the timecharter average finishing at \$9,580. In the Atlantic, *Beks Ceyda* (63,592-dwt, 2015) was fixed by Bunge for a trip ex Upriver to the Mediterranean at \$14,250 and Nautical Loredana fixed a trip to East Coast Mexico/Caribbean out of SW Pass with Norden at \$12,750. *Equinox Melida* (61,299-dwt, 2016) fixed a front haul out of Recalada down to Australia at \$13,750 plus \$375,000 bb and *Mandarin Crown* (56,405-dwt, 2012) was taken by Cargill for a front-haul ex US Gulf to Japan at \$18,000. In the Pacific, *Feng Mao Hai* (63,421-dwt, 2017) was fixed at \$12,750 for a trip ex Bintulu to India via Indonesia and *Josco Taizhou* (55,561-dwt, 2005) was fixed by Huaya at \$7,500 for a trip out of Tianjin down to South East Asia. The **Handy** rose this week by \$135, resulting in the timecharter average finishing up at \$6,935. In the Atlantic, MOL fixed *Vantage Key* (29,870-dwt, 2004) fixed a trip with fertiliser at \$6,000 ex Casablanca to Santos/Recalada and *Four Otello* (34,357-dwt, 2010) fixed out of the US Gulf for a prompt trip to Morocco at approximately \$8,200 with ADMI. Falcon fixed *Pretty Sight* (35,279-dwt, 2013) at \$9,500 for a prompt trip with scrap ex Antwerp to Turkey. In the Pacific, there were no reported handy fixtures. On the period front, Baltnav secured *Four Diamond* (34,059-dwt, 2011) for 4/6 months at \$8,000 delivery Oran.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Shinyo Challenger	183,887	2002	Nagoya	29/31 Aug	Singapore – Japan	16,500	Jiangsu Steamship	Via Australia
Aquavictory	182,060	2012	Bayuquan	Spot	Singapore – Japan	15,400	CNR	Via Australia
Karpaty	82,138	2013	Port Said	Spot	Port Said	11,500	Phaethon	Via Black Sea & Red Sea
Aristidia	82,153	2013	SW Pass	10/15 Sept	Singapore – Japan	16,250	Bunge	Via COGH + \$625,000 bb
Zheng Run	81,810	2013	Taiwan	26/28 Aug	S. Korea	10,500	Five Oceans	Via Indonesia
Naluhu	58,107	2010	Recalada	PPT	Mediterranean	13,250	Cofco	
RHL Varesia	56,738	2011	Singapore	28 Aug	India	11,000	Hayn	Via Indonesia
Genco Loire	53,430	2009	Chornomorsk	PPT	Singapore – Japan	16,500	CNR	
Hong Kai	45,654	1996	Tianjin	PPT	Penang	6,250	CNR	Via N. China
Western Maple	32,493	2010	US Gulf	PPT	Continent	7,250	ADMI	



Exchange Rates	This Week	Last week
JPY/USD	109.72	108.83
USD/EUR	1.1804	1.1745

Brent Oil Price	This Week	Last week
US\$/barrel	52.41	50.93

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	312.0	298.0
MDO	473.0	460.0
Rotterdam IFO	294.0	292.0
MDO	465.0	445.0



Dry Bulk S&P

More market makers are back behind their desks, but the market is not yet up to speed. A generally recovering freight market has not made much impact on turnover but from the few sales we report this week, it is clear that the market is still gaining altitude.

Chinese owners Greathorse have reportedly disposed of no less than six ultramaxs - all built at Chengxi. Four units (*Tiger Tianjin*, *Tiger Hong Kong*, *Tiger Zhejiang* and *Tiger Beijing*, about 63,500-dwt, Chengxi 2015) have been sold to Singaporean commodity trader Olam for just under \$20m each. The other two older sisters (*Tiger Anhui* and *Tiger Shanghai*, built 2014) have been sold to a Greek owner for \$19m each, although we understand the deal is not yet fully finalised.

In the supramax sector, there is a good illustration of the discount between a top quality Japanese unit and a market standard Chinese one. *Pacific Korea* (56,500-dwt, 2012 Hantong) is sold at \$12m while the Japanese-controlled *Ocean Leader* (56,136-dwt, 2010 Mitsui) is sold for a more impressive \$14.5m to Greek buyers.

The panamax *Privatlantic* (75,051-dwt, 2012 Sasebo) is reported sold at an improved \$18.5m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Privatlantic	75,051	2012	Sasebo		Chinese	18.5	SS passed Feb-17
Tiger Tianjin	63,592	2015	Chengxi	C 4x30	Olam, Singapore	20.2	
Tiger Hong Kong	63,570	2015	Chengxi	C 4x30	Olam, Singapore	19.9	
Tiger Anhui	63,542	2014	Chengxi	C 4x30	Olam, Singapore	19.0	
Tiger Shanghai	63,514	2014	Chengxi	C 4x30	Olam, Singapore	19.0	
Tiger Beijing	63,493	2015	Chengxi	C 4x30	Olam, Singapore	19.5	
Tiger Zhejiang	63,488	2015	Chengxi	C 4x30	Olam, Singapore	20.4	
Pacific Korea	56,500	2012	Jiangsu Hantong	C 4x36	Undisclosed	12.0	SS due Nov-17
Ocean Leader	56,136	2010	Mitsui Ichihara	C 4x30	Greek	14.5	
Samjin Hull no1058/59	35,000	2018	Samjin	C 4x35	Oldendorff	15.25	Delivery 2H18

Demolition Sales

Vessel	LDT	Built	Yard	Type	Buyer	Price (\$/LDT)
Hadiyah	20,148	1989	Samsung	TANK	Undisclosed	400 AS/IS Kuwait
Eagle Columbus	16,711	1997	Koyo Dockyard	TANK	Undisclosed	405 AS/IS Singapore



Tanker Commentary

The headline sale of the week is in the MR sector. Empire Navigation has sold the *Box* (51,577-dwt 2009 SPP) to clients of Singaporean based Pacific Carriers Limited. The price of \$18.9m is a slight step down to the \$19.3m achieved by Empire on their sister ship the *Kirstin* back in June. Whilst there remain a number of buyers looking to invest in the MR segment, few are feeling the urge to part with their money today, with most hoping prices have some more to give. With the lack of sales candidates circulating though, buyers who are not there to pay close to last done, may be waiting on the side lines for some time.

With only a handful of LRI sales reported this year, valuing tonnage has become an increasingly difficult task. This weeks sale of the *King Dorian* (73,611-dwt, 2007 New Times) at a reported \$14.5m has set the benchmark for a number of similar age LRI's that are for sale from insolvent German KGs. It is worth bearing in mind that the *King Dorian* is trading clean and had recently passed SS.

Given second hand sales have been few and far between of late, it is encouraging to hear more reports coming to light of larger crude tankers heading towards the beaches of the sub continent. With scrap prices for tankers at a healthy 410-420 per LDT and earnings not giving much in the way of a return, it will be interesting to see if more owners decide to cash in on their vintage assets in the coming weeks.. here's to hoping.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
King Dorian	73,611	2007	New Times	Undisclosed	14.5	
Box	50,577	2009	SPP	PCL	18.9	

Tanker Period Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Mediterranean Glory	319,200	2004	Hyundai Samho Heavy	2 years	16,000	Koch
Kymolos	298,300	1998	Daewoo	2 years	Undisclosed	IOC
Kamolos	281,000	2000	IHI	2 years	24,000	IOC
Hull 2887	153,200	2017	HHI	1 year	14,000	Vitol
Ottoman Courtesy	153,200	2017	HHI	1 year	14,000	Vitol
LR2 Pioneer	115,300	2008	Sasebo	1 year	14,500	ST Shipping
Morning Glory	98,700	1996	Onomichi Dockyard	1 year	21,950	PDVSA
Clarity	50,500	2010	CSSC OME	2 years	19,800	PDSVA
Kourion	50,200	2012	SPP	1 year	13,250	Norden
Balos	45,700	2004	Minami Nippon	2 years	Undisclosed	PDSVA

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