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POINTS OF VIEW

This week we have seen the world's leading business men and women ascend to Davos in Switzerland for their annual World Economic Forum where they compare notes on the global economy and their roles within it. Unfortunately, it was a distinctly B-list of political attendees who were either too busy at home or preferred to avoid being seen at such an elitist bash when the world is facing a backlash against the uneven rewards of globalisation. Parts of the world are rotating instead towards unilateralism, protectionism and populism. The US president stayed holed up in Washington to deal with the partial government shutdown while the UK prime minister is stuck in London, mired in Brexit. China's president Xi is occupied with the country's biggest slowdown in three decades while India's Prime Minister Modi is preparing a re-election campaign having lost out in the state elections last month. Meanwhile, France's president Macron remained in Paris as he confronts a populist gilets jaunes movement that has no time for back-slapping in Davos. 3 of the 5 major issues at Davos related to climate change, the other two being weapons of mass destruction and cyber security risks. Major fears are Fed rate rises, the withdrawal of US stimulus, economic weakness in Europe and Japan, the ending of ECB QE, Italian debt, EM debt, the ever-present fear of a Chinese hard landing, US-China trade wars and a no deal Brexit.[^] In other words: business as usual, nothing has changed.

THE BIGGER PICTURE

... Populist Pandemic ...



Source: The FT

China reported 2018 GDP growth of 6.4% in the last quarter of 2018 and 6.6% for the year, its slowest rate of growth since 1990. This prompted the IMF to downgrade its forecast of global growth to 3.5% in 2019, down from 3.7% in October, and to 3.6% in 2020, down 0.1% on its previous estimate. Weakness in Europe and Japan caused it to reduce its growth forecast for advanced economies from 2.3% in 2018 to 2.0% in 2019 and to 1.7% in 2020. The US government shutdown is preventing roll-out of Mr Trump's policies, causing delays and even jeopardising them. A 'no deal' Brexit is another global risk as it will have knock-on effects on Europe, but China is still the main concern. It is already suffering from first round trade skirmishes with the US, made worse by its own structural economic deceleration.* More government stimulus may follow in the form of infrastructure spending and looser bank lending rules, but these will provide a diminishing return in a saturated economy where the consumer is already showing signs of fatigue. It will also increase the national debt burden and yet it will not help the raft of private companies that is going bust for lack of access to traditional financing. Xi Jinping's policy of supporting the as yet unreformed state-owned sector, and strategically projecting its subsidised might in international markets, is confrontational. China's major western trading partners, including the US and Germany, are realising that China is both friend and foe. On March 1st, the US will raise tariffs on \$200bn of Chinese imports from 10% to 25% if no agreement is reached. Mike Pompeo, US Secretary of State, in his video-link address to the WEF on Tuesday set tough conditions for Chinese compliance.^{^^}

For reasons already mentioned, this state of uncertainty sent the University of Michigan's monthly Index of Consumer Sentiment down to 90.7 this month, its lowest reading since October 2016, just before Mr Trump was elected. At the same time it has rattled global stock markets but, it should be noted, they have demonstrated the potential to make V-shaped recoveries in recent months. Shipping may take its cue from this. There was a mini sugar rush for containers and tankers in Q4, but rather less so for bulk carriers, as importers tried to get ahead of the threat of higher US and Chinese import tariffs from January. This soured after a 90-day grace period was agreed in early December, so the boost in container freight and tanker rates proved unsustainable. Chinese New Year awaits, implying lower activity levels up to mid February. On the bulk carrier front, the Baltic's measure of capesize earnings fell 25% from a peak of \$17,704 in mid December to \$13,288 today. Kamsarmax earnings dropped 55% from a peak of \$16,110 in mid October to \$7,260 now, while large handysize earnings fell 39% from a peak of \$11,869 at the end of October to \$7,271 today. Tankers did even worse. VLCCs are 65% off their peak of \$35,772 in early December to \$12,630 today while suezmax are 56% lower than their 23 November peak of \$54,802 at \$24,022 and aframax are 51% below their 19 December peak of \$44,167 at \$21,551 now. Earnings for a MR2 have halved since a peak of \$33,118 on 12 December to \$16,441 today. Such confidence-draining corrections are in line with shifting activity levels. Benign supply growth, especially in sizes below the largest, and still positive demand growth should soon lift earnings back up the other side of the 'V', taking asset values up with them. As always in shipping, hope springs eternal!

[^]Reports are that Davos is under-estimating the chance of two 'no deals' in March: 1st March US-China deadline and 29th March Brexit Day.

*Consumer demand is faltering as illustrated by vehicle sales in China falling by 2.8% year-on-year in 2018 to 28.1m units, the first decline in over 20 years. (China Association of Automobile Manufacturers).

^{^^}Beijing must accept fair trade, free and open seas and the principles of democracy. China is unlikely to accept any of these principles.

Dry Cargo Chartering

The **BDI** this week dropped down below the 1,000 mark, finishing the week at 905 points. The **Cape** market also fell this week, with the TCE ending down at \$13,288. Hyundai Glovis fixed the *Stella Lucy* (180,012-dwt, 2015) a RWE relet delivery retro Lanshan for a trip via Brazil back in Singapore-Japan at \$15,000. A front haul was fixed on *Gotia* (178,012-dwt, 2012) at \$25,500 delivery Cape Passero for a trip via Nouadhibou into Japan with MOL. Pacific Bulk fixed *Ugo De Carlini* (176,153-dwt, 2006) for a pacific round voyage delivery Zhoushan at \$7,600. On the period side of things *Cape stork* (175,611-dwt, 2011) was fixed for 11/13 months by Rio Tinto delivery retro Dalian at \$16,000 and Hyundai Glovis took a KLC relet, *Navios Melodia* (179,132-dwt, 2010) delivery China for 4/6 months at \$14,500.

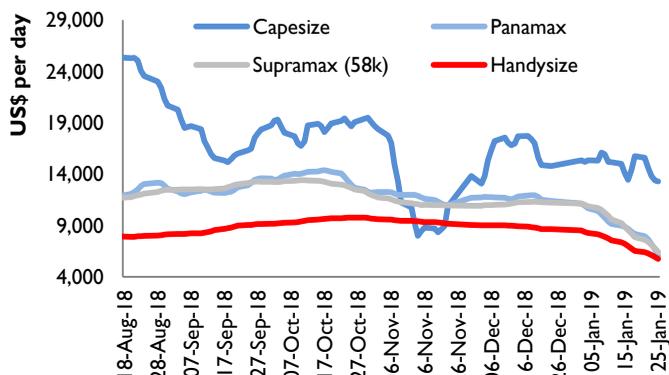
The **Panamax** index followed the market trend this week, falling down to \$6,020. In the Atlantic, Uniper fixed *Epictetus* (84,000-dwt, 2013) delivery Rotterdam for a trip via US East Coast redelivery Skaw-Jorf-Lasfar at \$5,500. In the Indian Ocean, Jaldhi took the *Diamond Ocean* (82,306-dwt, 2014) for a trip ex Richards Bay Coal Terminal into full India at \$11,500 plus \$170,000 bb. In the Pacific, *Agios Nikolas* (76,390-dwt, 2004) was fixed by Cargill delivery Newcastle into South Korea at \$6,000 plus \$172,500 bb. Norden were period takers of Panamaxes this week, fixing *MBA Liberty*

(82,217-dwt, 2010) for 8/12 months delivery Cai Lan at \$9,000 for the first 30 days thereafter \$11,300 and also taking *Aeneas* (81,586-dwt, 2011) for 3/5 months delivery Hong-Kong at \$8,000 for the first 40 days, thereafter \$11,000.

The **Supramax** market continued to drop, finished the week at \$6,436 from last's week close of \$7,880. In the Atlantic, Western Bulk Carriers took *Sunisa Naree* (63,345-dwt, 2016) delivery Owendo for a prompt trip redelivery Norway at \$5,000. The *Yun Shun Hai* (56,956-dwt, 2009), delivery East Mediterranean for a trip redelivery US Gulf was fixed at \$5,000. In the pacific, *Fukuyama Star* (63,000-dwt, 2017) was fixed delivery Batangas for a trip via Australia redelivery Indonesia at \$7,250. In the Indian Ocean, *Red Cosmos* (61,263-dwt, 2015) delivery South Africa was fixed trip redelivery Arabian Gulf at \$11,000 plus \$100,000 bb to Nordic Shipping. The **Handysize** market has pursued the same pattern, seems yet to touch the bottom, closing the week at \$5,742. In the Atlantic, *African Bulker* (35,228-dwt, 2015) was fixed delivery Recalada for a prompt trip to Kalinigrad at \$8,000. In the Pacific, *Apollo Bulker* (33,124-dwt, 2011) was fixed delivery Singapore for a prompt trip via Australia redelivery China with salt at \$5,000 by Cargill.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Stella Lucy	180,012	2015	Lanshan	20 Jan	Singapore-Japan	15,000	Hyundai Glovis	Via Brazil
Densa Shark	179,227	2012	Nantong	PPT	Singapore-Japan	11,000	Oldendorff	Via Whyalla
Limnionas	85,035	2017	EC South America	09-13 Feb	Singapore-Japan	14,500	Norden	Plus \$450,000 bb
Oceana	81,600	2014	NC South America	End Jan	Skaw-Gibraltar	11,000	Bunge	
Alpha Afivos	74,427	2001	Indonesia	26 Jan	Singapore-Japan	6,000	CNR	
Fukuyama Star	63,700	2017	Batangas	28-31 Jan	Indonesia	7,250	CNR	Via Australia
Sunisa Naree	63,345	2016	Owendo	PPT	Norway	5,000	Western Bulk Carrier	
Seven Lady	51,241	2009	Antwerp	PPT	US east coast	3,100	Clipper	
African Bulker	36,228	2015	Recalada	PPT	Kaliningrad	8,000	CNR	
Apollo Bulker	33,124	2011	Singapore	PPT	China	5,000	Cargill	Via Australia



Exchange Rates	This Week	Last week
JPY/USD	109.57	109.64
USD/EUR	1.1401	1.1362

Brent Oil Price	This Week	Last week
US\$/barrel	61.45	62.76

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	407.0	396.0
MDO	575.0	568.0
Rotterdam IFO	368.0	356.0
MDO	540.0	540.0



Dry Bulk S&P

The precipitous drop of the freight market through the 1,000 BDI mark has not aided activity in the second-hand market. But we are entering the choppiest of choppy waters globally at the moment. Leaving aside the horrors of Brexit scheduled for 29th March, and the China vs Trump trade war deadline of 1st March, we still have the annual becalming of the markets that is Chinese New Year to face in just ten days time. Before we make too many judgements on likely asset value trajectories, we should wait for the fire-cracker smoke to clear.

So the second-hand market has no real story to reveal this week. A hot-potch of older panamaxs and more modern handysizes are reported sold at gently softening prices. While the list of sales candidates continues to rise and the sources of finance remain resolutely sealed, there is no great impetus to push values upwards. However orderbooks are very thin, and we await to see what the demand side brings in the year of the Pig.

A handful of elderly panamaxs is sold this week. All of them had been in the market for some time and finally the sellers took what had been established as the market value some months ago. *Reborn* (74,063-dwt, 1999 Tsuneishi), *Minoan Flame* (73,937-dwt, 1998 Tsuneishi) and *Navalis* (73,144-dwt, 1998 Sumitomo) are all sold this week for something in the low 6s. The more modern *Grand Amanda* (78,467-dwt, 2011 Jinhai) is reported sold for something just excess \$12m – a rather weak number, but we understand the vessel had a number of issues.

A couple of handysizes have changed hands. *Trade Star* (29,627-dwt, 2010 Shikoku) is reported for a softer \$9.2m, *Ocean Neptune* (37,189-dwt, 2012 Hyundai Mipo) is sold at region \$13m – pretty much as per last done.

Finally a 15 year old caper *Mineral Beijing* (174,083-dwt, 2004 SWS) is sold for a disappointing \$13.0m

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Mineral Beijing	174,083	2004	Shanghai Waigaoqiao	-	Undisclosed	13.0	
Grand Amanda	79,467	2011	Jinhai HI	-	Greeks	xs 12	
Reborn	74,063	1999	Tsuneishi	-	Undisclosed	6.2	
Minoan Flame	73,937	1998	Tsuneishi	-	Undisclosed	6.25	
Navalis	73,144	1998	Sumitomo HI	-	Chinese	6.1	
Ocean Neptune	37,189	2012	Hyundai Mipo	C 4x30	Undisclosed	13.0	
Trade Star	29,627	2010	Shikoku	C 4x31	Greeks	9.2	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
CSL Virginia	66,644	2005	Hyundai Samho HI	Cont	21,188	488	Bangladesh
Ever Union	63,388	1997	Mitsubishi	Cont	24,018	440	'as is' Colombo
Maroni	43,260	1981	Onomichi	Tank	10,374	425	Bangladesh
Algowood	31,355	1981	Collingwood Shipyards	Bulk	7,905	undisclosed	Turkey
Boxy Lady	18,447	1996	Stocznia Gdynia	Cont	6,753	460	undisclosed
Kota Harmuni	17,626	1997	KK Kanasashi	Cont	5,313	458	Bangladesh
Ever Ally	15,606	1996	Evergreen HI	Cont	7,004	395	'as is' Singapore
Ever Apex	15,606	1997	Evergreen HI	Cont	7,004	395	'as is' Singapore
Persey	9,989	1983	Schlichting-Werft	RoRo	4,056	440	Bangladesh
Tsezar	3,324	1980	Gotaverken Solvesborg	Tank	1,862	445	Bangladesh



Tanker Commentary

The positive sentiment engulfing the tanker market is creating a nice distraction from the woes of the dry market. Product tankers in particular are catching the eye with buyer's demand outstripping the supply of available tonnage in the market. As a result prices remain firm irrespective to any adverse changes to the spot market. Last week we reported the pending sale of the uncoiled LR2 *Phoenix Dream* (105,784-dwt, 2005 HHI). Contrary to initial reports, we understand the vessel has been sold at a lower price in the region of \$13.9m to a Union Maritime due to problems with tank coatings.

In addition, offers have been invited this week on the Viken Shipping controlled 3 x LR2s – *Troviken*, *Tofteviken* and *Telleviken* (115k-dwt, 2006-05-05 Samsung). The sister vessels which are all trading DPP, will be sold including the balance of TC's to AET until

December 2019 and February 2020 at \$14,500 per day with a profit share on actual earnings and are understood to have seen offers close to \$16m each with negotiations scheduled to take place next week.

Elsewhere, FSL have announced the sale of the Ice class IA MR *FSL Hamburg* (47,496-dwt, 2005 HMD) for a price reported to be in the region of \$11.75m to Roswell Tankers. The last deepwell configuration MR of this vintage to be sold was the *Atlantica Bridge* (50,921-dwt, 2005 STX) back in June for \$12m suggesting that prices of 15 year old units are yet to experience the same level of appreciation as we have seen with the 10 year old vessels.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Phoenix Dream	105,784	2005	Hyundai HI	Union Maritime Ltd	13.90	
FSL Hamburg	47,496	2005	Hyundai Mipo	Roswell Tankers Corp	11.70	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate \$pd	Charterer
Eurovision	158,000	2013	Sundong	18mths	25,000	Stena Bulk
Pro Alliance	105,300	2008	Hyundai HI	6mths	17,000	ST Shipping

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