25 May 2018

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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… The End of the Deal …

THE WHITE HOUSE
WASHINGTON
May 24, 2018

His Excellency
Kim Jong Un
Chairman of the State Affairs Commission
of the Democratic People's Republic of Korea
Pyongyang

Dear Mr. Chairman:

We greatly appreciate your time, patience, and effort with respect to our recent negotiations and discussions relative to a summit long sought by both parties, which was scheduled to take place on June 12 in Singapore. We were informed that the meeting was requested by North Korea, but that to us is totally irrelevant. I was very much looking forward to being there with you. Sadly, based on the tremendous anger and open hostility displayed in your most recent statement, I feel it is inappropriate, at this time, to have this long-planned meeting. Therefore, please let this letter serve to represent that the Singapore summit, for the good of both parties, but to the detriment of the world, will not take place. You talk about your nuclear capabilities, but ours are so massive and powerful that I pray to God they will never have to be used.

I felt a wonderful dialogue was building up between you and me, and ultimately, it is only that dialogue that matters. Some day, I look very much forward to meeting you. In the meantime, I want to thank you for the release of the hostages who are now home with their families. That was a beautiful gesture and was very much appreciated.

If you change your mind having to do with this most important summit, please do not hesitate to call me or write. The world, and North Korea in particular, has lost a great opportunity for lasting peace and great prosperity and wealth. This missed opportunity is a truly sad moment in history.

Sincerely yours,

Donald J. Trump
President of the United States of America

Source: The Times

*US crude oil exports rose to a record of 2.6m-bpd two weeks ago.

**GMS reported this week that VLCCs committed through 2018 is creeping towards 30.

POINTS OF VIEW

Yesterday President Trump cancelled his 12 June Singapore meeting with Kim Jong-un after a hostile North Korean reaction to US threats of a "Libya model" from Bolton and Pence. Trump set up the meeting without the interface of his foreign policy advisers, egotistically positioning himself to take all the credit for a successful outcome. Conversely, he should now be responsible for the consequences of the collapse in these much anticipated talks. The only business-like part of this process was in realising that the talks were doomed and deciding to cut his losses. In one glaring oversight in this headlong rush into a meeting was the failure to set out the agenda, most notably to clearly define 'denuclearisation' with each side having a quite different interpretation. If anything good comes of this then it might be that Trump will give diplomacy a chance, and use the tried and tested institutions that he so despises. These exist because global issues are more complex than New York real estate deals. It is embarrassing that he has been so easily played by both Kim and Xi Jinping. Kim was never going to unilaterally dismantle his nuclear capability and Xi was never going to let the US tread on China's toes in its own backyard. North Korea is a vassal state of China, dependent on China for 90% of its national income. It is well within China's gift to guarantee North Korea's economic future, and this is not a role that it will cede to the US. China would reckon that it can control a nuclear North Korea but it could not tolerate a united Korean peninsula and US troops on its southern border. Kim's demeanour changed after his second summons to see Xi in China and between them they exploited Trump's vulnerability. This is a fitting riposte to the trade concessions that China has been forced into on account of Trump's big stick approach, now shifting to the auto sector.

Erratic US foreign policy (over North Korea, Iran, Syria, Russia, Venezuela, Jerusalem, Palestine, Mexico, trade, etc.) boosted Brent to $80 a barrel, a level at which hedge funds long on oil were happy to unload and take profits. Brent is now below $77 a barrel and pundits are polarised as to whether it goes up to $100 or down to $60. After today's calmer North Korean response to Trump's letter, even recognising the 'Trump formula', there will be fewer bets on the former. US oil production has already reached 10.7m-bpd and is now hitting export* constraints as the pipeline infrastructure in Texas cannot cope with this sudden rise in output. China continues to step up its purchases of US light sweet crude which is helping tonne-mile demand for large crude tankers. The IEA's latest forecast is for global oil demand growth of 1.4m-bpd in 2018, a figure that could be met by forecast US 2018 output growth alone. The combination of a collapse in Venezuelan production and the re-imposition of Iranian sanctions is not the threat it seems as Opec and Russia could ease their 1.8m-bpd output cuts that have been in place, and well exceeded, since the start of 2017. Thus the oil market is well supplied and we have no need to be alarmed at rising oil costs crimping demand, eating into discretionary spending and cutting world economic growth. For Brent, $60-80 a barrel may be a reasonable forecast price range. OECD stocks are already back to 5-year averages so, while this excludes important consumers such as China and India, it is a step in the right direction. We are edging closer to the end of destocking and a switch to restocking that is so badly needed to boost seaborne tanker demand.

VLCC spot market earnings have been hit hard by a combination of excess tonnage supply and global oil destocking as oil prices recovered from their January 2016 trough of $27 a barrel. According to SIN, in 2018-ytd, a modern VLCC has averaged just over $5,500 per day compared with $17,800 daily in 2017 and $41,500 daily in 2016. The nominal value of a 5-year old 310,000-dwt VLCC rose to $64m by the end of 2017 (where it remains today) from $60m at the end of 2016, suggesting that an earnings recovery is already, to some extent, priced in. The tonnage supply side is moderating with the orderbook to fleet ratio at an acceptable 15% with 20 VLCCs ordered in the first four months of 2018 compared to 18 in the same period last year. 11 new units delivered to end April this year compared with 19 over the same period last year. More usefully is a sharp rise in supertanker demolition in response to weak earnings and impending IMO rules relating to BWTS, NOx, SOx and GHG emissions. 19 VLCCs** were scrapped in the first four months of 2018 compared with 13 in the whole of 2017. Deep pocketed financial investors could upset the market balance if they continue to order new VLCCs in an attempt to time the cycle in their pursuit of capital gains and earnings yield. Otherwise, on the strength of the current data, the supply and demand balance is improving and 2019 should provide us with much better conditions.

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Dry Cargo Chartering

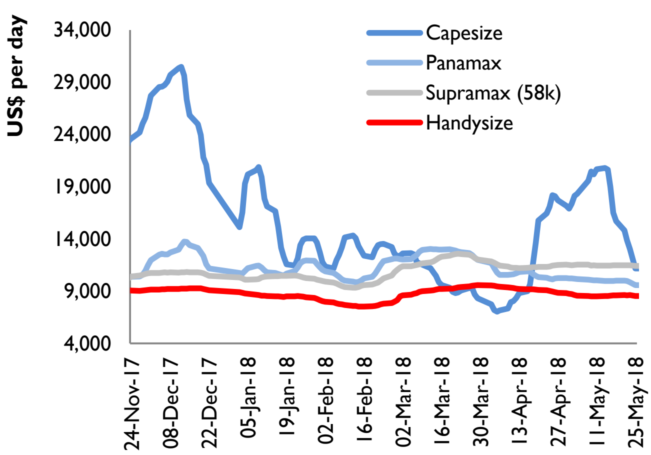
The **BDI** finished the week at 1077, down from last weeks close of 1273. The **cape** market continued its dramatic fall, closing the week at $11,177. A significant drop from last weeks close of $15,712 and the previous weeks $20,684. Brazils lack of cargo continuing to be the major factor. On Port Hedland/Qingdao, BHP Billiton fixed a TBN 170,000/10 ore at $7.45 fio 80,000shinc/30,000shinc. At the end of the week, this run was being fixed at closer to $7.10 with Bao NYK fixing the *Dong-A Astrea* LD relet. On TC, the *Genco Hadrian* (169,025dwt-2008) fixed delivery Lianyungang for a trip via EC Australia, redelivery South China at $12,500 with option for N.China at $13,000. Jiangsu fixed the *Duhallow* (179,481dwt-2016) retro Dalian for a trip via Australia, redelivery Singapore-Japan at $13,600. On period, Koch Shipping fixed the *Lin Jie* (177,359dwt-2003) delivery Zhoushan for 18/20 months trading redelivery worldwide at $15,350.

The Panamax market has dropped further this week and closed it at $9,572, down from last week closing of $10,009. In the Atlantic, Cofco fixed the *Scandinavian Express* (93,016-dwt, 2010) delivery Rotterdam for a trip via Murmansk and Israel redelivery Cape Passero at $11,700 and Oldendorff took the *Ikan Bagang* (83,651-dwt, 2009) delivery Rotterdam for a trip via Baltic redelivery Continent at approximately $6,000. The *Xing Xiang Hai* (81,780-dwt, 2017) was fixed to Bunge delivery aps Rio Grande for a trip redelivery Skaw-Cape Passero at $15,250. In the Pacific, Norvic took the *Caravos Harmony* (81,780-dwt, 2013) delivery Chiba for a spot trip via the North Pacific with sulphur redelivery Singapore-Japan at $12,750. The *Aquaknight* (75,395-dwt, 2007) was fixed by Pacific Bulk delivery Hong Kong for a trip via Indonesia redelivery S China at $12,000 and the *Genco Surprise* (72,495-dwt, 1998) was taken by Kaishun delivery Quanzhou for a trip via Indonesia redelivery North China at $10,250. On the front haul, ECTP took the *Anna S* (75,966-dwt, 2001) delivery EC South America for a trip redelivery Singapore-Japan at $13,500 with $350,000 bb. On the period, the *King Loong* (77,430-dwt, 2006) delivery CJK fixed for 4-6 months redelivery worldwide at $13,000.

The Supra Market this week lost $48 on the TCE, ending the week down at $11,431. Rates continued to fall in the Atlantic, little was reported, however a front haul was fixed on *KM London* (63,386-dwt, 2017) delivery Port Rhoades for a prompt trip into China by Jierui at $19,000. In the Pacific *Anan Maria* (55,600-dwt, 2007) fixed an Australia round voyage delivery Phu My redelivery China at $13,500 and *Pure Vision* (56,830-dwt, 2011) was fixed by Ausca at $12,750 for an Indo coal run into China delivery Singapore. On the period side of things Meadway fixed *New Direction* (56,097-dwt, 2013) for 2 laden legs delivery CJK at $12,800 redelivery Singapore/Japan. In the Handy market this week followed the downward market trend, losing $45 to finish the week at $8,559. In the Atlantic *AEC Ability* (37,500-dwt, 2006) was fixed for a trip delivery Port Arthur into the West Mediterranean by Oldendorff at $12,500 and in the Pacific *Rojarek Naree* (29,870-dwt, 2005) was fixed by Athena Shipping delivery Penand for a prompt trip via South East Asia into India at $8,250. Baltnav took *Maratha Prestige* (32,080-dwt, 2010) for 4/6 months of world wide trading at $9,000 with delivery taking place in the Philippines.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
KSL Sapporo	180,960	2014	Retro Jintang	21 May	Mailiao	16,200	Oldendorff	Via Vanino
Shinyo Endeavour	170,578	2002	Shanghai	PPT	China	11,000	Jiangsu Steamship	Via Newcastle
Navios Prosperity	82,535	2007	Kimitsu	27/31 May	Singapore-Japan	12,500	Marubeni	Via NoPac
Nord Sun	82,146	2013	Jorf Lasfar	25/30 May	Continent	9,000	Cargill	Via NC South America
Medi Gladstone	81,845	2016	Gijon	PPT	Japan	18,500	MOL	Via US EC
Pure Vision	56,830	2011	Singapore	25 May	China	12,750	Ausca	Via Indonesia
Pacific Crown	56,469	2012	Singapore	25/31May	Thailand	13,300	Meadway	Via Indonesia
Arcadia	50,362	2002	Maputo	End May	Pakistan	11,250	MUR	$125,000 BB
Iraklis	45,635	2002	Recalada	23/30 May	Mediterranean	12,000	CNR	
Rojarek Naree	29,870	2005	Penang	PPT	India	8,250	Athena Shipping	Via SE Asia



Exchange Rates		This Week	Last week
	JPY/USD	109.22	110.97
	USD/EUR	1.1657	1.180

Brent Oil Price		This Week	Last week
	US$/barrel	76.75	79.78

Bunker Prices ($/tonne)		This week	Last week
	Singapore IFO	456.0	455.0
	MDO	690.0	698.0
	Rotterdam IFO	432.0	442.0
	MDO	665.0	673.0

Dry Bulk S&P

In a volatile market people seek stable earnings. It's no surprise therefore that interest in the handysize sector has been steadily growing of late, buyers recognising the value in the consistent earnings that once again this sector (compared to it peers) has shown this year to date. This increased interest is clearly reflected in the number of handysize sales we have to report this week, and with a number of negotiations currently playing out we expect to report more sales in the coming weeks.

Cobelfret have reportedly sold their two ice 1B Seahorse 37's, *Lowland Saguenay* and *Lowlands Boreas* (37,144-dwt, 2013 Yangfan) for regions $14.25m per vessel, to clients of Pola Martime. *Perseverance* (30,060-dwt, 2013 Tsuji) has been sold by Doris Maritime Services SA to undisclosed buyers for $10m. *Glorious Sentosa* (28,346-dwt, 2010 Imabari) has been sold to undisclosed Greek interest for a rumoured price ranging from $9.5-$10m. Vietnamese buyers Tanh Binh are rumoured to have bought *Clipper Lasco* (28,371-dwt, 2004 Imabari) for $6.85m.

In other sectors *New Mighty* (179,851-dwt, 2011 HHIC) has been sold to H Line for $27.5m. *Golden Spring* (83,730-dwt, 2008 Sanoyas) has reportedly been seen sold to clients of Unisea for $16.5m. The Chinese continue to hoover up supramax tonnage. *Magnum Force* (53,630-dwt, 2008 Yangzhou Dayang) has been sold to Chinese buyers for regions $9.8m and *Navios Achilles* (52,055-dwt, 2001 Sanoyas) has also been sold east for $8.4m, both prices in line with last done deals.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
New Mighty	179,851	2011	HHIC	-	H Line	27.5	
Golden Spring	83,730	2008	Sanoyas	-	Unisea	16.5	
Trade Spirit	82,045	2016	Jiangsu Newyangzi	-	Undisclosed	24.5	
Magnum Force	53,630	2008	Yangzhou Dayang	C4x35	Chinese	9.8	
Navios Achilles	52,055	2001	Sanoyas	C4x30	Chinese	8.4	
Lowland Saguenay	37,152	2013	Yangfan	C4x30	Pola Maritime	14.25 each	
Lowlands Boreas	37,144						
Perseverance	30,060	2013	Tsuji Jiangsu	C4x30	Undisclosed	10.0	
Clipper Lasco	28,371	2004	Imabari	C4x30.5	Tan Binh	6.85	
Glorious Sentosa	28,346	2010	I-S Shipyard	C4x30.5	Greek	9.5	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	$/LDT	Delivery
Al Salheia	310,453	1998	Huyndai HI	TANK	42,501	406.5	'As is' Kuwait
SMT Bontrup	44,016	1979	Kawasaki HI	BULK	15,109	434.0	India
Arzew Gas	9,539	1976	Meyer JL	LPG	5,891	470.0	India

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Tanker Commentary

Turnover remains muted in a market well populated with vintage sales candidates and hamstrung by abysmal earnings. Theorising about likely forward oil-pricing, trade policy and the long-awaited start of restocking is all very well, but few fleets are breaking even at the moment. As long as balance sheets continue to bleed red, investment remains highly speculative.

But 'speculation' is pretty much every shipowners middle name and interest seems to be most focussed on the MR sector at the moment. Old and modern tonnage values continue on their divergent courses as investors are tempted by cheap modern tonnage and increasingly wary of less efficient older units. Two sales this week point to softening prices. The sellers of *Nord Intelligence* (47,975-dwt, 2010 Iwagi) having set their stall out at excess $17m, sold at $16.5m to either Greek or UK-based buyers. The older *Arctic Bridge* (50,921-dwt, 2005 STX) is sold at $12m. She fixed and failed at something close to $13m three months ago. Meantime the gap between elderly and middle-aged tonnage is widening. Sisters to Arctic Bridge (but four years younger) were sold last month at almost $7m more.

In the LR1 sector, Expedo are rumoured to have sold a block of four sisters (abt 73,900-dwt, 2005 New Century) for $44m enbloc. The price looks relatively strong in comparison to the sister sold last week, *United Banner* (73,584-dwt, 2007 New Century), which we now understand was sold for just $ 10.25m. However the Expedo sisters are clean traders and United Banner is not. Moreover United Banner is part of the rapidly evaporating Toisa fleet - which shows it is not just what you sell but how you sell it. But auction sale or not, to put it in a slightly wider context, two 07 built, dirty-trading sisters were sold for $14.25m each in January

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
New Challenge	73,964	2005	New Century	Undisclosed	44.0 en bloc	
New Champion	73,911					
New Century	73,901					
New Confidence	73,897					
United Banner	73,584	2007	New Century	Laliotis	10.25	
Arctic Bridge	50,921	2005	STX Jinhae	Undisclosed	12.0	
Nord Intelligence	47,975	2010	Iwagi	Undisclosed	16.5	
Hanze Kochi	12,279	2007	Um Deniz	West African	7.0	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate ($/pm)	Charterer
Kronviken	114,523	2006	Samsung	1 year	14,500	
Solviken	114,523	2007	Samsung	1 year	14,500	
Searunner	114,129	2017	Sungdong	15 months	15,500	
Georgia A	74,998	2007	Minami Nippon	1 year	13,000	
Zefyros	50,155	2013	SPP	1 year	13,000	

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