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THE BIGGER PICTURE

... Dominating Davos ...



Source: The FT

POINTS OF VIEW

It has not been a great start to the year for bulk carriers. Earnings have stagnated, as have prices, and we are left waiting for a market bounce once the influence of Chinese New Year fades from the data. It is much the same for crude oil tankers where earnings for all sizes from VLCC to suezmax and aframax are trading below daily opex, according to Baltic Exchange TCE data, although asset values have yet to follow suit. Clean tankers have done better, trading above daily opex, but we still have the impression of a market lacking direction, of one maybe taking a breather before deciding which way to go next. Financial markets have seen the FTSE and the Dax trade up and down this year while the S&P, Nikkei and Hang Seng have traded up. New highs have been tested and there is currently no end in sight. It was a good week for the financial world's glitterati, and a few leading lights from shipping, to take off to Davos to compare notes on the status of global demand, which ultimately matters to us in shipping. The IMF[^] has just raised its global growth forecast for 2017 from 3.5% to 3.7% and for 2018 and 2019 from 3.7% to 3.9% pointing to a further strengthening in global economic performance. Such a strong forecast for 2018-19 would be the first sustained and broad-based expansion since before the onset of the global financial crisis some ten years ago. Harvard University economics professor, Ken Rogoff, said that reflation should replace secular stagnation as the summary phrase of the moment. Davos vibes were good but they were tempered by caveats such as fracturing US social cohesion, eurozone fragility and Chinese debt.

Goldman Sachs alumni played prominent roles in uttering market-moving statements. Starting with Lord Jim O'Neill, he admitted that he may have over-estimated the negative impact of Brexit on the UK economy, something Mark Carney, governor of the Bank of England, was earlier accused of doing. The fact is that Brexit is far from a done deal, and we are far from seeing the short and long term consequences, but growth has indeed suffered, a weaker pound has been inflationary and many companies are finessing partial relocation plans as uncertainties remain. What has changed is the synchronised nature of growth in the global economy which Lord Jim now reckons may be enough to rescue the UK from a much worse fate. Another Goldman alumnus, Steven Mnuchin, US Treasury Secretary, said this week that he is happy with the trade benefits of a weaker dollar, putting a sell sign on the dollar*. This earned a rebuke from the president who ultimately prefers a strong dollar, putting a buy recommendation on the dollar. Markets were confused. Finding himself stuck in the middle, ECB president Mario Draghi lamented that these currency comments had been unhelpful. Convention dictates that countries should not talk down their currencies. Naturally, dollar weakness translates into euro strength, compromising Europe's export competitiveness. The UK pound pushed up to a Thursday peak of \$1.43 causing similar issues for our exporters of goods and services. Mnuchin not only contradicted a current president but also a former one. He reversed president Obama's suggestion that the UK would be at the back of the queue for a trade deal by moving us back to the front. We appreciate that.

Trump is nothing if not a Jekyll and Hyde character. He had previously said that he would not attend Davos as he has never been a great admirer of the attendees or the institutions that they represent. Then he changed his mind and decided to make a grand appearance, to beat Macron's own, the first US president to attend in 20 years. It was a chance to claim credit for US stock market records and global economic growth; such as the fact that the US has created \$7tn in new wealth since he became president a year ago. This self promotion came so soon after he had slapped tariffs on imported washing machines and solar panels. He still wants to champion free trade, but only to the point that it does not damage American interests. He was elected by blue collar workers who believed in his slogan Make America Great Again only to introduce tax cuts that favour businesses and the wealthy, including his own and himself, and those that go to Davos. He pulled out of the TPP, but may now consider rejoining^{^^}. His attempts to reduce immigration have switched into a proposed general amnesty for illegals in exchange for the Democrats approving funding of the Mexican Wall. He has no problem taking two opposite views and then jamming them together. He basks in positive news coverage while any negative reporting is branded fake news. President Trump made the point that America First does not mean America Alone, and that what is good for America is good for the world, and he encouraged foreign companies to invest in the US. The mood at Davos was bullish so let us hope that it translates into a strong underpinning of the demand outlook for international shipping, because that is just what we need.

[^]Christine Lagarde of the IMF urged delegates to appreciate the new momentum "but use this time to find lasting solutions to the challenges facing the global economy."

*The dollar index fell 13% in 2017 and 3.7% so far in January 2018. A weaker dollar means higher oil prices and better terms of trade for US exporters.

^{^^}The Trans-Pacific Partnership. Trump may also renegotiate rather than withdraw from Nafta (the North American Free Trade Agreement).



Dry Cargo Chartering

The BDI finished the week at 1,219, up from last weeks close of 1,125. The **capes** regained some ground after a disastrous week, closing at \$14,057, up from last weeks close of \$11,571. On the Dampier/Qingdao ore run, Rio Tinto fixed an EPS TBN 170,000/10% at \$6.20. By the end of the week the same runs were fixing close to \$6.95. Bao Steel fixed the Panocean TBN 170,000/10% ore Port Hedland/Zhanjiang at \$6.10. In the Atlantic, ACM fixed a Koch TBN 150,000/10% ore Port Cartier/Rizhao at \$24.00. On time charter, the *Sunbeam* (171,199-dwt, 2000) fixed delivery Hong Kong for a trip via Australia, redelivery Singapore-Japan at \$14,000. Jiangsu Steamship fixed the *Aqua Vision* (180,353-dwt, 2011) delivery Dalian for a trip via Australia, redelivery North China at \$12,500. Phaethon fixed the *Argentina* (177,897-dwt, 2010) delivery China for 12 months trading redelivery worldwide at \$17,500.

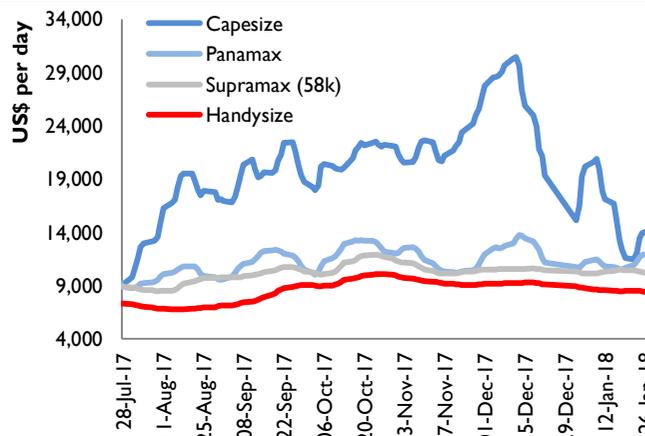
The **panamax** market started strong and kept the upward momentum throughout the week. The time charter average shot up from last week's close of \$10,693 and finished the week at \$11,958. In the Pacific, Louis Dreyfus took the *Golden Jake* (82,188-dwt, 2011) delivery Tachibana for a trip via NoPac redelivery Singapore-Japan range at around \$12,750 daily. Hyundai Glovis took the *Mastro Nikos* (82,177-dwt, 2011) delivery CJK for a trip via NoPac redelivery Singapore-Japan range at \$12,750. The *Tiger Lily* (81,886-dwt, 2016) was fixed by MOL for delivery Japan trip via East Coast Australia redelivery Japan at \$13,750. In the Atlantic, Oldendorff fixed the *Unity N* (79,642dwt-2011) delivery Gibraltar trip via Kamsar redelivery Stade at \$12,000. Bunge took the *Farah Louise* (81,886-dwt, 2017) delivery Barcelona for a transatlantic round voyage redelivery Skaw-Gibraltar range at \$15,250. On the front-haul, Amaggi fixed the *Energy Hope* (82,122-dwt, 2012) delivery retro San Ciprian for trip via North Coast South America with grains redelivery Singapore-Japan range at \$22,000. The *Navios Northern Star* (75,395-dwt, 2005) was taken by ECTP delivery East

Coast South America trip to Singapore-Japan at \$15,400 plus \$540,000 bb. On the period, Ausca took the *Dione* (75,172-dwt, 2001) delivery Zhanjiang for 14/17 months redelivery worldwide at \$10,350. Crystal Sea fixed the *Orient Union* (79,754-dwt, 2011) delivery Dalian for 4/6 months redelivery worldwide at \$12,000.

On the **Supra's** this week the index fell \$204, down to \$10,273. In the Atlantic, *Nautical Jennifer* (63,495-dwt, 2015) fixed a quick trip delivery SWP via US Gulf to East Coast Mexico with Ultrabulk at \$22,000. Front-hauls were fixed by *Amstel Falcon* (56,108-dwt, 2013) with Cargill ex US Gulf to Japan at \$23,000 and *Imperial Fortune* (53,505-dwt, 2006) was fixed by Western Bulk at \$13,000 plus 300,000 bb for a trip out of East Coast South America to the Far East. In the Pacific, *Anatoli* (63,427-dwt, 2018) was fixed by Olam for a NoPac round voyage ex yard Imabari to South East Asia at \$9,900 and *Jin Xiang* (61,414-dwt, 2012) fixed an Indonesian coal run with Harmony Innovation to WCI delivery Gresik at \$11,000 and On the period front, Oldendorff fixed *Vita Kouan* (63,300-dwt, 2016) delivery Paradip for 3/6 months at \$12,250 redelivery world wide and *Caravos Liberty* (63,603-dwt, 2013) was fixed for 5/7 months at \$11,800 delivery ECI. This week the **Handies** also saw a fall, with the timecharter average dropping down to \$8,425, a loss of \$79. A rather flat week was seen in the Atlantic with reduced levels of fresh enquiry, rates remained under pressure in the Pacific due to a build up of tonnage. Little was reported on this sector this week, however in the AG, Lauritzen fixed *Global Ace* (33,438-dwt, 2013) for a trip via Qatar to China with Sulphur at \$9,275. In the Pacific, *Bunun Glory* (37,046-dwt, 2015) fixed a sugar run to the Far East delivery Kolsichang at \$8,500 and *Interlink Mobility* (38,767-dwt, 2015) fixed a trip to the Red Sea with steels and generals delivery Jinzhou at \$7,500 for the 1st 58 days then an escalation to \$10,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Aqua Vision	180,353	2011	Dalian	01/02 Feb	North China	12,500	Jiangsu Steamship	Via Australia
Aquabeauty	171,009	2003	Dalian	24/25 Jan	South China	10,000	Oldendorff	Via Australia
Golden Jake	82,188	2011	Tachibana	27 Jan	Singapore-Japan	12,750	Louis Dreyfus	Via NoPac
Energy Hope	82,122	2012	Retro San Ciprian	22 Jan	Singapore-Japan	22,000	Amaggi	Via NC South America
Farah Louise	81,886	2017	Barcelona	29 Jan	Skaw-Gibraltar	15,250	Bunge	Transatlantic RV
Anatoli	63,427	2018	Imabari	End Jan	South East Asia	9,900	Olam International	Via NoPac
Bonny Island	58,044	2013	S Africa	25/26 Jan	Far East	11,750	CNR	\$175,000 bb
Almeria	57,023	2010	Cartagena (Colombia)	05/10 Feb	South Brazil	17,500	Meadway	
Global Ace	33,438	2013	Karachi	PPT	China	9,750	J Lauritzen	Via Qatar
Crystalgate	28,183	2010	Fukuyama	24 Jan	S China	8,000	Nippon Steel	



Exchange Rates	This Week	Last week
JPY/USD	109.33	110.53
USD/EUR	1.2431	1.2243

Brent Oil Price	This Week	Last week
US\$/barrel	70.24	68.62

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	398.0	387.0
MDO	618.0	600.0
Rotterdam IFO	371.0	366.0
MDO	607.0	587.0



Dry Bulk S&P

With Chinese New Year approaching the indices have remained volatile across all sectors this week. Dry fundamentals appear favourable for the year ahead and the sentiment amongst active early investors is to home in on tonnage now - before activity and values escalate once China return from their New Year celebrations. That said, compared to the extensive list of sales that we've reported in the opening three weeks of the year, this weeks pickings look comparatively slim. Slim, but noteworthy. *Key Spring* (80,596-dwt, 2012 Universal) has been sold to clients of Chronos Shipping for \$22.5m, up from the last identical sistership *Azalea Sky* (80,596-dwt, 2012 Universal) sold to Eastern Med at the start of the year for \$22.2m.

Having invited offers at the end of last year and not met the Japanese sellers expectations, *Maple Island* (55,610-dwt, 2010 Mitsui) is now reportedly sold to Indonesian buyers for \$15.5m. If one compares the sale to the two year older *Sage Pioneer* (55,303-dwt, 2008 Oshima) at \$14.2m last week, this looks arguably to be a well priced acquisition.

Chinese buyers continue to clean out older Handymax units: *Nordic Kiel* (48,400-dwt, 2001 Sanoyas) has reportedly been sold for \$8.2m, *Ho Fong* (46,800-dwt, 2001 Shin Kurishima) for \$7.5m, *Kai Xuan* (42,700-dwt, 1997 IHI) for \$5m and *Aristimo* (45,584-dwt, 1997 Halla Eng & HI) for \$5.4m – all to Chinese interests. The discrepancy in pricing reflects the varied condition in units at this end of the market.

In other news, the coal carry *Corona Frontier* (88,291-dwt, 2000 Imabari) has obtained a firm price having received 15 offers and is rumoured sold to a Chinese power company between \$12-12.5m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Corona Frontier	88,291	2000	Imabari Saijo	-	Chinese	12-12.5	
Key Spring	80,596	2012	Universal	-	Chronos	22.5	
Tasman Castle	56,868	2011	Jiangsu Hantong	C 4x35	Load Line	11.6	
Maple Island	55,610	2010	Mitsui Tam	C 4x30	Indonesians	15.5	
Kai Xuan	51,599	2012	Zhejiang Friend	C 4x45	Chinese	5	
Nordic Kiel	48,377	2001	Sanoyas Hish	C 4x30	Chinese	8.2	
Ho Fong	46,762	2001	Shin Kuru	C 4x30	Chinese	7.5	
Aristimo	45,584	1997	Halla End & HI	C 4x30	Chinese	5.4	



Tanker Commentary

Quite interesting developments this week on the future of vintage tankers. With immediate effect – UAE Port State, will not accept any product or crude tankers into UAE waters if they are 25 years and old. This will impact owners with storage contracts in the region as well as limiting trading options of smaller product tankers a number of which trade in the AG. It will also be interesting to see the extent to which the resulting inevitable flow of tonnage onto the demolition market will impact scrap prices.

Tanker sales remain few and far between which can be attributed more to the lack of sales modern candidates rather than a lack of appetite from buyers. The only sale to report this week is the suezmax *Marika* (166,739-dwt, 2004 Brodosplit) which has reported to have been sold to a Greek buyer for high \$15m.

Elsewhere in the crude sector, 6 buyers have inspected the *Kai-Ei* (299,997-dwt, 2004 IHI) in Singapore and offers will be invited this coming Monday. One would imagine the final price will supersede the last done as has been the trend with the spate of similar age aframax sales recently.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Marika	166,739	2004	Brodosplit	Greeks	15.8	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pm)	Charterer
Faithful Warrior	150,000	2016	Hyundai	1 year	25,000	ST Shipping

Should you have any queries about the content of this report or require any services of Hartland Shipping Services, please contact:

Hartland Shipping Services Ltd, London

Tel: +44 20 3077 1600
 Fax: +44 20 7240 9603
 Email: chartuk@hartlandshipping.com
 Email: snpuk@hartlandshipping.com
 Email: consult@hartlandshipping.com

Hartland Shipping Services Ltd, Shanghai

Tel: +86 212 028 0618
 Fax: +86 215 012 0694
 Email: snpcn@hartlandshipping.com

Hartland Shipping Services Pte. Ltd, Singapore

Tel: +65 6702 0400
 Email: projects.sg@hartlandshipping.com

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