HARTLAND
SHIPPING SERVICES

26 July 2019

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… Our new PM : Boris "Britain Trump" …

Source: newsthump

POINTS OF VIEW

On Tuesday, Boris Johnson was confirmed at the UK's new prime minister. He has three stated targets: deliver Brexit, unite the country and defeat Jeremy Corbyn. On the first, he has pledged to exit the European Union by 31 October 2019 with or without a deal. There is no majority in the House of Commons for a no-deal exit even though arguably this might be considered the purest form of exit. Leavers did not vote for a qualified exit, they simply voted to leave, but parliament is unlikely to permit a disorderly departure. We are left with Theresa May's compromise solution that tries, but fails, to respect the wishes of both leavers and remainers. As far as the EU is concerned, this is the deal-based exit. It is already agreed and set out in the 585-page withdrawal agreement. It does not intend to renegotiate the terms of the WA despite the fact that it has failed to win parliamentary approval on three separate occasions. It is widely considered to be a poorly negotiated deal, done by Mrs May and her closest civil servants, bypassing key cabinet ministers. It is disliked by the majority of the electorate and is characterised by Sabine Weyand,^ the EC's deputy chief negotiator, as Brussels retaining all controls over swathes of British regulation. Under the three future UK-EU relationships that the WA sets out - transition, backstop and bespoke - the UK will not be in the EU, but it will be ruled by the EU. Far from regaining sovereignty, the UK will become the first colony of the EU.* It is hard to see the WA in its current form being approved by parliament so, in the absence of renegotiation and with no parliamentary backing for a no-deal exit, Boris will fail to deliver Brexit as promised. He seeks to energise the nation but many critics know that behind the bombast lurks laziness and incompetence; sound at all familiar?

The uncertainty created by the Brexit issue is damaging to UK economic growth. The Office for Budget Responsibility has estimated that even a 'benign' no-deal exit will trigger a recession, shrink the UK economy by 1.4% in 2020 and see unemployment peak at over 5% in 2021. It will add £30 billion a year to public borrowing to 2024 and take the national debt above £2 trillion for the first time. The UK economy expanded by 0.5% in Q1, helped by stockpiling, only for this boost to dissipate in Q2 with an estimated contraction of 0.1%, the first quarterly contraction since Q4 2012. This is all happening concurrent with slower Chinese and global economic growth. To put this in perspective, the Chinese economy expanded by 6.6% in 2018, or by $1.4 trillion to $13.6 trillion, making it second largest economy after the US. Its $1.4tn growth last year equalled total Australian output in 2018 as it creates another Australia every year. Shipping also faces uncertainties but, like China, demand is still growing while net new tonnage supply is easing. The BCI-5TC's strong run finally came to end after peaking at $32,963 daily on Monday. It ended the week 18% lower at $27,145 per day. However, since inception in February 2014, this index has a history of spiking, so nothing has changed, but the overall tone is still positive and the handysize indices have continued to edge up.

There is growing support for a European-led naval mission to ensure safe transit through the Strait of Hormuz after IRGC forces seized the UK-flagged, Swedish-owned Stena Impero. The UK and Europe are keen to dial down the tensions created by the more confrontational approach of the US and Iran that could accidentally spiral out of control. The threat to tankers in the MEG has done little to boost rates. The VLCC-TCE has collapsed from a recent high of $11,900 on 21 June to $529 yesterday. The Suez-TCE was better at $15,141 while the Afra-TCE was at $5,982. Crude oil is being taken out of the market by Opec and by sanctions against Iran and Venezuela. The IEA forecasts 1.2m-bpd global oil demand growth in 2019^^ followed by 1.4m-bpd in 2020 as the global economic outlook improves and as petrochemical plants ramp up. Crude oil tankers may have to sit out the rest of 2019 and hope that improving economic activity, tied to the imminent disruption of IMO 2020, deal them a better hand later this year and next year. It has not been good for clean tankers either as the Baltic MR Atlantic Basket has fallen from a recent peak of $18,331 on 24 June to $10,519 yesterday. Significantly, asset values are unaffected as, over the past six months, a 5-year old VLCC has risen from $66.1m to $69.7m, the same age aframax has gone up from $32.6m to $35.9m and a 5-year old MR has improved from $27.1m to $28.4m. The BSPAs are pricing in better times ahead as more crude will move west to east and more refined products will shift east to west as refineries respond to maritime industry needs for IMO-compliant low-sulphur fuels.

^At end June, Sabine Weyand was appointed EU Director-General for Trade, now responsible for negotiating a trade deal with the UK.

*As observed quite publicly by Boris Johnson and more privately by various EU member states.

^^This is down from the IEA's mid January 2019 forecast of 1.4m-bpd global oil demand growth for this year.

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Dry Cargo Chartering

The **BDI** closed the week at 1,937, down from last week's 2,170. This was driven by a cape market which closed the week at $27,145, considerably down from last weeks $32,765 with reasons unclear. There was little timecharter activity reported except for the *Sunbeam* (171,199-dwt, 2000) which fixed delivery Guangzhou for a trip via East Australia redelivery China at $30,000. On voyage, Dampier/Qingdao ore runs were fixed at $9.80-$10 for 170,000/10. Tubarao/Qingdao runs were fixed at $22, also for 170,000/10. NYK fixed the *Nian Feng Hai* (177,878-dwt, 2008) delivery Pohgang for 11 months trading redelivery worldwide at $20,000.

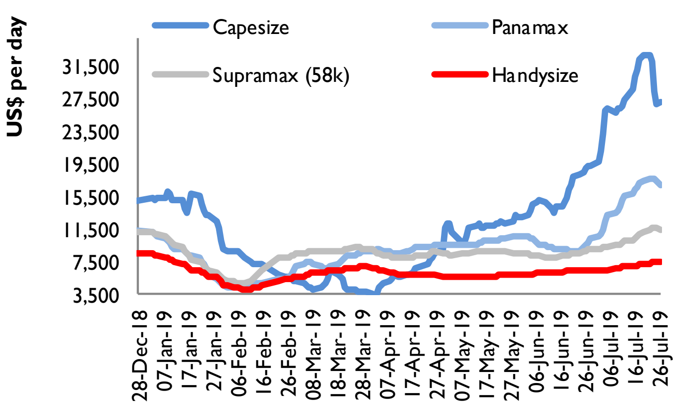
The **panamax** market started the week strong but petered out, ending the week at $16,869. In the Pacific, HMM fixed *Sea Empress* (79,252-dwt, 2012) delivery Taean redelivery Korea via CIS at $15,500. Lotus Ocean fixed *Golden Sue* (84,942-dwt, 2013) delivery Gladstone redelivery South China at $16,500 plus $330,000 bb. In the Atlantic, *Ocean Dalian* (75,559-dwt, 2011) was fixed delivery East Coast South America redelivery Skaw-Gibraltar for a trip at $22,000. On front haul, Omegra fixed *Mehmet Aksoy* (81,585-dwt, 2012) for a trip delivery East Coast South America redelivery South East Asia at $17,250 daily plus $725,000 bb. On period, Cargill fixed *Myrto* (82,131-dwt, 2013) delivery Taichung for 9 to 11 months redelivery worldwide at $14,000.

The **supramax** started strongly this week with the Black Sea and West Africa markets showing promise. However it softened from Wednesday through to the end of the week, closing at $11,492, up from last weeks $11,282. In the Indian ocean, *Aragona* (63,166-dwt, 2015) fixed delivery Chittagong for a trip via East Coast India redelivery China with iron ore at $17,250. In the Pacific, *Patrick Star* (52,454dwt, 2004) fixed delivery Hong Kong for a trip via Indonesia redelivery Vietnam at $9,400. Cargill fixed the *Amis Miracle* (62,350-dwt, 2018) delivery Huanghua for a trip via NoPac redelivery far east at $11,750. Finally, *RHL Monica* (53,542 dwt, 2008) fixed delivery South Korea for a trip via CIS redelivery Taiwan at $8,400. Little action was reported in the Atlantic except for the *Chayanee Naree* (56,548-dwt-2012) which fixed delivery Houston for a trip redelivery Turkey at $15,000 with XO.

The **handy** market closed the week at $7,575, up $350 from last weeks close. The rates in the Atlantic continued to climb with the Mediterranean remaining busy with increasingly positive signs from the Black Sea. In contrast, US Gulf continued to soften while East coast South America remained firm. The *Strategic Harmoney* (39,880-dwt, 2014) fixed delivery North Brazil for a trip redelivery US Gulf-Continent range at an impressive $18,000. On the Continent, the *Crinis* (28,378-dwt, 2011) fixed delivery Brake for a trip to Algeria at $10,500. The Happy Venture open *Norway* (28,587-dwt, 1996) was fixed with Itiro at $16,500 for a trip redelivery Chittagong to Japan range. There was a slight uptick in activity in the Pacific. In the south, *Mount Hope* (28,180-dwt, 2014) was fixed and failed by Cargill for a quick sugar trip ex Thailand going to Indonesia at mid 7's and *Outrider* (33,190-dwt, 2016) open Indonesia fixed an Australian round voyage at $9,500. In the north, there was very little reported activity this week. With regards to period it was rumoured that a 28k open South East Asia fixed 2/3 LL in the high 6's.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Pacific Vista	180,328	2012	CJK	05/07 Aug	Singapore-Japan	29,000	Panocean	Via Pacific
Sunbeam	171,199	2000	Guangzhou	22 Jul	China	30,000	CNR	Via E.Australia
Star Aphrodite	92,006	2011	CJK	24/25 Jul	China	14,000	Oldendorff	Via E.Australia
Mehmet Aksoy	81,585	2012	EC South America	14/15 Aug	SE Asia	17,250	Omegra	Plus 725,000 bb
Orpheus	75,631	2017	Antwerp	26/29 Jul	Jorf Lasfar	25,000	Klaveness	Via Murmansk
Pacific Ability	61,456	2016	Singapore	22/26 Jul	China	17,200	GBC	Via Kosichang
Orient Grace	58,620	2012	Phy My	28/30 Jul	China	12.750	Pacific Success	Via Indonesia
Shandong Hai Tong	56,724	2012	Bataan	24 Jul	China	12,500	AMC	Via Indonesia
Strategic Harmony	39,880	2014	N.Brazil	Early Aug	US Gulf/Caribbean	18,000	CNR	Intention Grains
Banglar Samriddhi	38,894	2018	WC India	PPT	EC India	9,950	Seacoast	



Exchange Rates	This Week	Last week
JPY/USD	108.68	107.71
USD/EUR	1.1123	1.1226

Brent Oil Price	This Week	Last week
US$/barrel	63.31	62.38

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	452.0	453.0
MGO	595.0	588.0
Rotterdam IFO	395.0	379.0
MGO	564.0	556.0

Dry Bulk S&P

Most of Europe has experienced record breaking temperatures this week as the mercury's soared across the continent. The BDI on the another hand is taking some time in the shade having basked in its recent record breaking numbers. That said, enough heat has been injected into the sale and purchase market for renewed confidence to return and the recent healthy turnover in sales to continue.

Two ultramax deals take the head lines this week. Eagle Bulk are reportedly negotiating a six ultramax deal in the region of $122m. Four 2015 built units with scrubbers fitted and two 2016 built units that will have scrubbers retrofitted. We will report further details once known. Oman Shipping have reportedly bought two Dolphin64 resales ex Zhoushan Changhong (owned by the yard) at $23m each. Hull, No. *CHB044* & *CHB045* (64k-dwt, 2019 Zhoushan) the first vessels is scheduled to delivery promptly in mid-August, the later in Q4. There has been very little turnover in Chinese built resale this year, one has to look back to May and the Mingsheng Financial Leasing sale and lease back deal on two Nantong Xiangyu units at $22.5 each, or even further back to fate of *Ocean Neeraj* (64,000-dwt, 2019 Cosco Zhoushan) that was reported fixed / failed $22m.

Elsewhere, unsurprisingly interest in secondhand capes have spiked and so too have the prices. The Japanese controlled *Nord Steel* (180k-dwt / blt 2007 Imabari) is an example of this having reportedly been sold to Chinese buyers for $17.75m a substantial unturn from the $13.35m Brave Maritime paid for the two year older *Maritime Power* (176k-dwt, 2005 Universal) back in May.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Nord Steel	180,230	2007	Imabari	-	Chinese	17.8	
Zhoushan Changhong CHB045	64,000	2019	Zhoushan Changhong	C 4x30	Oman Shipping	23.0	
Zhoushan Changhong CHB044	64,000	2019	Zhoushan Changhong	C 4x30	Oman Shipping	23.0	
Sinar Kapuas	57,374	2011	STX Offshore	C 4x30	Chinese	11.0	
Navios Primavera	53,464	2007	Iwagi Zosen	C 4x31	undisclosed	10.4	
Bright Hero	51,725	2009	Oshima	C 4x30	Greek	10.5	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price $m	Delivery
Luka	20,501	1999	Flensburger Schiffbau-Ges.	Gen	5,263	328.0	'As is' Pireaus
Hojin	18,273	1990	Shin Kurushima	RoRo	15,194	412.0	India
Omar B	11,702	1983	SA Juliana Constructora Gijonesa	Bulk	5,241	385.0	India
Meratus Ambon	8,122	1992	Atlantis Engineering & Construction	Cont	3,851	370.0	'As is' Singapore
Gripo	3,929	1986	Kochi Jyuko (Eiho Zosen)	Reef	11,018	351.0	India

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Tanker Commentary

Interest in all sectors remains firm despite freight rates struggling over the summer months particularly on the crude side. The lack of sales activity can be attributed more to a dearth of modern sales candidates rather than a lack of demand. In the crude sector this week – Samo Steamship are understood to have sold the aframax *Nectar* (105,317-dwt, 2005 Sumitomo) to a Greek buyer. Interestingly enough, the last 2005 built aframax sold was the Agrios (106,029-dwt, 2005 DSME) back in March when earnings were considerably higher illustrating that values have remained stable.

The turn over of MRs is continuing at a rapid pace irrespective of configuration or age. This week, the Japanese pumproom *Eagle Express* (45,902-dwt, 2010 Shin Kurushima) is reported to have been committed to Union Maritime for $16.3m – with SS due on delivery. Again the price matches recent activity of similar aged ships. Elsewhere, Formosa are also understood to have finalised a deal to a Greek buyer on *FPMC 23* (50,999-dwt, 2010 STX) but further details are yet to be disclosed.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Nectar	105,317	2005	Sumitomo HI	Greek	15.9	
Fpmc 23	50,999	2010	STX Offshore	Avin	undisclosed	
Eagle Express	45,902	2010	Shin Kurushima	Union Maritime	16.3	delivery SS due

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