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THE BIGGER PICTURE

... See No Evil ...



Source: The FT

*Legend has it that Roosevelt offered Ibn Saud to protect the House of Saud against its regional rivals in exchange for the Saudis guaranteeing the free flow of oil to the US through thick and thin. However, records suggest that no such discussion took place, but a 60-year cooperation pact was put in place that survives to this day.

*In 1973, the Arab oil embargo on the West, in retaliation for its support of Israel in the Yom Kippur War, led to a quadrupling of oil prices. High prices brought demand destruction and energy conservation. This time it would be little different, and the already fast-paced shift to renewables will only accelerate, a point that Saudi Arabia is well aware of.

*Since 1978, when China opened up, US companies have been so keen to establish a foothold in China that they agreed lopsided JVs (e.g. put in 75% equity in exchange for 25% of the profits) and in the process voluntarily gave away IP rights; the rest China 'took', and now it has what it wants. Trump seeks to reverse this process, well intentioned but too late.

POINTS OF VIEW

Lately the news has been dominated by the Khashoggi affair. News outlets such as CNN, the New York Times and the Washington Post – all frequently vilified by the administration and accused of fake news reporting – were handed an opportunity to dish some dirt back at their accusers. The president's initial reaction to the Turkish leaks was to threaten Saudi Arabia with punitive action. In return Saudi Arabia threatened to cut its oil exports, raising the prospect of oil spiking above \$100 a barrel and tipping the world economy into recession. These extreme positions were quickly moderated with the president offering a 'get out of jail free' card, touting the possibility of 'rogue killers', leading Saudi Arabia to tone down its rhetoric. The Saudis need oil export revenues to balance the budget, and both sides are bound by a cooperation pact dating back to 1945 when Roosevelt and King Ibn Saud met on board the USS Quincy*. They still need each other. The US wants the kingdom's help in containing IS and Iran while Jared Kushner is in search of the Holy Grail, an MbS-mediated Palestinian solution. The president is keen to protect weapons sales to the kingdom, as these underwrite jobs at Boeing, Lockheed and Raytheon, and to maintain massive Saudi investment in the US, ranging from IT to Trump condos. For its part, Saudi Arabia needs the US to protect it from Iran and its proxies and to help it diversify the economy away from oil dependence. So the shocking demise of one Saudi journalist has achieved disproportionate importance, particularly when viewed against the scale of human suffering in the war in Yemen, prosecuted by the kingdom and enabled by US and UK military hardware and software.

If there is a moral high ground, then the president has never been there. But, to be fair, many politicians and businessmen are at best occasional visitors. All sides are guilty of turning a blind eye in their relentless pursuit of power and filthy lucre. The president accused Saudi Arabia of the worst cover-up ever in its explanation of Khashoggi's death, bringing to bear all his experience in such matters. We may never know the full details as President Erdogan of Turkey will cut a deal with the Saudis and the Americans to disappear the audio and visual evidence that it gained illegally. The result will avert a 1973-style oil embargo**, keep Saudi Arabia's economic reform agenda on track, maintain pressure on Iran, protect allied arms sales to the kingdom and keep billions of Saudi sovereign wealth flowing into western companies. Everyone is happy apart from the notional morals and ethics minister in the sky. One thing that Mr Trump does understand all too well is that business and ethics are poor business partners and we might as well be honest about it. An article in the FT by Gideon Rachman entitled "Donald Trump embodies the spirit of our age" suggests that "the 45th US president could yet go down as a leader who changed the course of history and embodied the spirit of an age." The world has grown tired of self-interested politicians and Mr Trump provides a radically alternative way: a transactional approach to politics. Not for him the cumbersome 159-nation WTO, instead one-on-one bilateral trade deals with South Korea, Canada and Mexico in which the US can fight its own strong corner. Instead of coalescing with China he sees the need to confront it, reversing decades of surrender.^

The US economy is booming while the Chinese economy sputters, so this new era of American assertiveness is doing it no harm so far. A month ago Brent was at \$85 and today it is back down to \$76 a barrel on oversupply fears and no sign of spiking ahead of sanctions being reimposed on Iran from November 5th. The greater concern is of rising US interest rates and a growth slowdown. The Iran issue has generated a restocking frenzy as a precaution against rising oil prices and this is reflected in better freight rates after a difficult year to date. The Baltic's VLCC TCE, the average of TDI and TD3, having averaged -\$1,195 daily over the first nine months of 2018, is now close to \$18,000 daily, with suezmax at \$23,500 and aframax above \$28,000 per day. This is a long-awaited and welcome respite for crude oil tankers ahead of what should be a better 2019 as supply and demand growth come into balance. Latest CRS data forecast COT demand growth of 1.6% in 2018 rising to 3.8% in 2019 against negligible COT net fleet growth to end Q3 2018 year-on-year and 3.6% growth in 2019. Mr Trump has withdrawn from the Paris Agreement and opened up federal lands to oil and gas drilling in a quest for US energy self sufficiency. However, the president is concerned about short-term oil price spikes due to falling output in Iran, Venezuela and Angola and has sided with various flag states and industry associations in calling for an IMO 2020 'experience building' phase. It will not derail the start date which should bring us slower steaming and faster scrapping.



Dry Cargo Chartering

The **BDI** closed the week at 1,519, this was down from last weeks 1,576. The **cape** market closed the week at \$19,078. This was again up from last weeks close of \$18,932. In the Atlantic, *Star Despoina* (170,162-dwt, 1999) fixed delivery Ghent for a trip via Baltic, redelivery Skaw-Gibraltar range at \$18,000. Whilst in the Pacific *Mineral China* (171,128-dwt, 2003) fixed delivery CJK for a prompt trip via East Australia, redelivery Singapore-Japan range at \$21,500 and *Anangel Prosperity* (174,240-dwt, 2006) fixed delivery CJK for a trip via West Australia, redelivery China at \$19,000 with RGL. On voyage, ore runs at Dampier/Qingdao were fixed in the mid-high 8's throughout the week. Tubarao/Qingdao runs were being fixed a tick over \$20. There was little reported period activity on the capes this week.

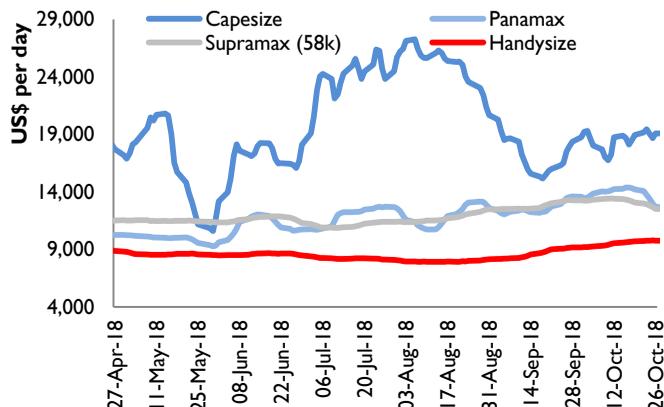
The **panamax** market has been dropping throughout the week and concluded at \$12,682, down from last week close of \$14,217. In the Pacific, U Ming fixed the *Rosco Palm* (82,153-dwt, 2011) delivery CJK for a trip via Australia redelivery Taiwan at \$12,500. Louis Dreyfus took the *Sea Proteus* (81,761-dwt, 2013) delivery Yeosu for a trip via NoPac redelivery Singapore-Japan at \$13,100. The *Modigliani* (81,767-dwt, 2013) was fixed to Tongli delivery Tieshan for a trip via Tanjung Bara redelivery North China at \$14,250. In the Atlantic, Jera took the *Key Knight* (82,099-dwt, 2012) delivery Ghent for a trip via Ventpils redelivery Gibraltar at \$18,000. Ultrabulk fixed the *Tuerkis* (92,759-dwt, 2012) delivery Tubarao for a trip redelivery Point Lisas with iron ore at \$16,500 plus \$70,000 bb. On the front haul, Norden fixed the *YM Endeavour* (82,205-dwt, 2011) delivery retro Visakhapatnam for a trip via East Coast South America redelivery South East Asia at \$14,500. The *Ultra Tiger* (83,611-dwt, 2009) was taken by Cargill delivery East Coast South America for trip to Singapore-Japan at \$16,500 plus \$650,000 bb.

On the period, the *Kona Trader* (76,596-dwt, 2007) fixed to Starboard delivery Qinzhou for min 4 to about 7 months redelivery worldwide at \$12,750.

The **supramax** market closed the week at \$12,508, down from last weeks \$13,395. In the Atlantic, front hauls ex Black Sea and WAF were still holding firm. The *Magic Seas* (63,301-dwt, 2016) fixed delivery Canakkale for a trip via Black Sea redelivery South East Asia at \$25,500 and the *Sea Star* (56,591-dwt, 2014) fixed \$21,500 delivery Lome for a trip to China. Norden took the *SBI Pisces* (63,796-dwt, 2016) delivery Barcarena for a trip to Egypt at \$21,500. The *Pu Lan Hai* (56,965-dwt, 2010) fixed delivery Morocco for a trip to West Africa at \$19,750. The *Marylisa V* (52,428-dwt, 2003) fixed delivery Dakar for a trip via West Africa, redelivery Black Sea at \$16,000. Rates in the Pacific were dragging down. In the Pacific, *Rising Ski* (63,405-dwt, 2017) fixed delivery Vietnam for a prompt trip via Indo, redelivery Philippines-South China range at \$13,000. The **handy** market closed the week at \$9,763, slightly up from last weeks \$9,704. It was a quiet week in the Atlantic however most areas remaining fairly firm except, for the Continent. The US Gulf was the only area showing promise where rates were improving. Rates in the Pacific slowed as the week went on. Pacific Basin fixed the *Nordtigris* (37,964-dwt, 2015) delivery Cabedelo for a prompt trip to Algeria with sugar at \$16,500. The *King Sugar* (28,196-dwt, 2010) fixed delivery Singapore for a sugar run via east Australia, redelivery Japan at \$8,000. *Atlantic Brave* (33,407-dwt, 2016) fixed delivery Thailand redelivery Indonesia at \$8,750.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Ocean Leo	177,638	2003	Hong Kong	23-24 Oct	China	20,500	Cargill	Via Tubarao
Aquajoy	171,009	2003	Xinsha	End Oct	China	21,500	Jiangsu Steamship	Via E. Australia
Pacific Kindness	82,177	2011	Noshiro	18 Oct	Singapore-Japan	15,500	Jera	Via NoPac with coal
Mitose	77,376	2008	Ennore	SPOT	Singapore-Japan	16,500	Louis Dreyfus	Via ECSA
Tiger West	76,000	2013	Belfast	PPT	Continent	15,000	ADMI	Via USG with grains
Great Rainbow	63,464	2015	Kandla	PPT	China	17,800	Lacay Shipping	Via WC India
Ken Star	61,423	2012	Tieshan	18 Oct	China	11,500	CNR	Via Philippines
Star Maine	61,263	2015	Wwr Up River	PPT	Chile	24,000	Western Bulk Carriers	With grains
Abyssinian	36,064	2014	Rio De Janeiro	PPT	Setubal	18,500	CNR	With steels
SE Marina	33,173	2017	Port Everglades	PPT	Egypt	16,000	Baltnav	Via SW Pass



Exchange Rates	This Week	Last week
JPY/USD	111.88	112.41
USD/EUR	1.1405	1.1466

Brent Oil Price	This Week	Last week
US\$/barrel	77.67	80.58

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	500.0	510.0
MDO	724.0	730.0
Rotterdam IFO	477.0	467.0
MDO	676.0	678.0



Dry Bulk S&P

The lists of sales candidates remain lengthy, however prices remain steady and Buyers have a myriad of options as long as they pay last done levels. The BDI finishes another week above 1,500 points and provides support to the numerous Buyers mulling over their options.

Greek buyers continue to pick up capes, *Cape Zenith* (180,120-dwt, 2010, Imabari) was sold for \$30m, and early suggestions were pointing to Laskaridis as the Buyer. This is in line with the sale of *Tenshu Maru* (179,993-dwt, 2010 Tess Cebu) sold end Sept for \$29m. Elsewhere *Pacific Explorer* (177,500-dwt, 2007 Mitsui) sold for \$21m to Greeks (with January '19 delivery), a price comparable to the August sale of *NSS Grandeur* (176,882-dwt, 2006 Mitsui) to Bright Navigation for 20.5m, given the slightly forward delivery.

Interestingly, a couple of smaller supramaxes changed hands this week. Prior to the change in Chinese regulations for

coastal business, multiple Japanese 52s were sold each week as the Chinese market hoovered them up. Since the change in policy transactions volumes have plummeted. The discount available for a 52 vs a 55-dwt is now at about \$2m, seemingly enough to tempt Buyers back to this less fashionable size. *Frognal* (52,544-dwt, 2005 Tess Cebu) is sold for region \$10m and *Nikkei Dragon* (52,950-dwt, 2009 Oshima) sold for \$13m.

Last but not least, the pick of the sales is perhaps the handy, *Sea Bronze* (37,426-dwt, 2007, Saiki) sold by S-Bulkers to Vietnamese Buyers for \$11.5m, \$2m more than they paid for her in January. The high spec *Star Life* (28,210-dwt, 2011 Shimanami/ BWTS fitted) is rumoured sold to Bangladeshi Buyers for low \$11s.

**Last week we erroneously reported St Michael Shipping as the buyers of Peterborough. The actual buyers remain unknown but they were not St Michael.*

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Cape Zenith	180,120	2010	Imabari	-	Greeks	30.0	
Pacific Explorer	177,500	2007	Mitsui	-	Greeks	21	
Lowlands Longevity	173,018	2001	Daewoo	-	Five Oceans, KR	11.6	
U Noble	57,000	2012	Xiamen	-	Chinese	12.8	Tier II
Star Of Nippon	75,611	2004	Sanoyas Hishino	-	Eurobulk	9.8	SS due
Nikkei Dragon	52,950	2009	Oshima	C 4x30	Undisclosed	13.0	
Frognal	52,544	2005	Tsuneishi	C 4x30	Undisclosed	10.0	
Sea Bronze	37,426	2007	Saiki HI	C 4x36	HTK, Vietnam	11.5	
Star Life	28,210	2011	Shimanami	C 4x30.5	Bangladeshi	11.1	SS/DD passed, BWTS fitted

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price (\$)	Delivery
Solar Ember	171,081	1997	Ishikawajima	Bulk	19,500	427 each	Full-subcontinent in Buyer's option
Solar Arion	128,826	1994	Hashihama	Bulk	18,233		
Melor	114,106	1996	Ishikawajima	Tank	19,457	469.5	'as is' Singapore with 700t bunkers ROB
APL Philippines	66,696	1996	Daewoo	Cont	24,072	451.5	UAE (green recycling)
Hyundai Glory	63,404	2004	Mitsubishi	Cont	21,257	465.0	'as is' Busan with 400t bunkers ROB
Vasi Sun	26,288	1990	Bremer Vulkan	Cont	7,401	470.0	Bangladesh
Malacca Star	20,150	1993	Kvaerner Warnow	Cont	7,050	450.0	'as is' Singapore
Yossa Bhum	15,414	1994	Iwagi Zosen	Cont	4,965	440.0	'as is' Singapore



Tanker Commentary

Are we on the verge of seeing the crude market come out of the doldrums? Sales activity has been buoyed by the recent spike in spot rates which has led to a surge in buying interest for crude tankers and we are finally starting to see some liquidity in the market. We calculate 17 aframaxes (built 2005 and younger) have been sold since the middle of September with only a mere 19 changing hands for the preceding 9 months of the year. Product tanker earnings have appreciated to a far lesser extent to the crude ships however, secondhand interest remains strong with a particular focus on the Japanese pumproom MR segment.

Following the recent enbloc sale of 5 aframaxes to Union Maritime and affiliated companies, BP are now reported to have sold off an additional 3 aframaxes to Capital Maritime. *British Eagle*, *British Falcon* and *British*

Kestel (113k dwt, 2006 Samsung) are reported to have obtained close to \$14m each. The price falls in line with the level Capital also reportedly paid recently for the *CSK Shelton* (106k dwt, 2005 Daewoo) in the region of \$13m.

As mentioned, pumproom MRs continue to be in demand despite the constant supply from the Japanese market unrelenting. This week Transocean Maritime are reported to have acquired the *Pacific Vega* (45k dwt, 2010 Shin Kurushima) in an off market deal for \$16.3m. At the same time, sister vessels *Challenge Polaris* and *Challenge Paragon* (46k dwt, 2010-09 Shin Kurushima) are reported to have been sold to Indonesian interests for \$31m Enbloc. Several more pumproom MRs have been inspected recently or are now under offer so more sales are probable next week.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
British Eagle						
British Falcon	113,553	2006	Samsung HI	Capital	14 each	
British Kestrel						
Pacific Vega	45,951	2010	Shin Kurushima	Transocean	16.3	
Challenge Polaris	45,988	2010	Shin Kurushima	Pertamina	31 enbloc	
Challenge Paragon	45,920	2009				

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Maria P Lemos	319,000	2018	Hyundai HI	1yr	31,500	Mercuria
Gstaad Grace	112,800	2010	New Times	1yr	15,000	Solal
Ohio	105,200	2009	Hyundai HI	1yr	14,750	Vitol

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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