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## THE BIGGER PICTURE

... Having a Laugh at the United Nations ...



Source: The FT

## POINTS OF VIEW

Interest rates and oil prices are rising and President Trump is not happy. He addressed the general assembly of the United Nations in New York this week and reinforced his nativist and unilateralist credentials, upsetting almost the entire audience that generally favours globalism and multilateralism. He is for sovereignty and against such multilateral institutions as Nato, the WTO, the ICC, the UN, the EU and Opec. In breaking away from the rules-based pack he risks empowering and consolidating China and Russia, his biggest unilateral opponents. Brent crude broke above \$80 a barrel this week causing the president to accuse Opec of “as usual ripping off the rest of the world”. His sometimes ally, Saudi Arabia, has not taken kindly to such words and has no intention of raising output. The other country capable of obliging, non-Opec Russia, an alleged friend of the president’s family and its business interests, likewise has no plan to increase production. Opec member Venezuela is in disarray with its oil output trending down while others with spare capacity, such as the UAE, Kuwait and Iraq, will follow Opec guidelines. That leaves one other big beast, Iran, which from 4<sup>th</sup> November will come under a second and more punitive round of US sanctions that are designed to choke off its oil sales. Such a stranglehold will devastate an already fragile economy and may stir up domestic rebellion with unpredictable outcomes. It is by no means certain that a radical war-mongering theocracy will be replaced by outward-looking reformists.

In his address to the UN, Mr Trump said that Iran was led by a “corrupt dictatorship” that sows “chaos, death and destruction” across the Middle East. Iran’s President Rouhani responded in kind in what seemed to be the very end of diplomacy. He accused the US of being a bully in the same week that China invented the word “bullyism”, also in connection with Mr Trump, extending the list of ‘isms’ of which he stands accused. Under these circumstances, of alienating the world’s largest producers and reimposing sanctions on Iran, it is no surprise to see oil prices move higher. Markets are betting on tightening supply and oil bulls are calling for \$100 a barrel by the New Year. There is no doubt that the US is already succeeding in intimidating buyers to cut back on Iranian oil purchases. Iran’s exports of crude and condensate have fallen from 2.8m-bpd in April to 2.0m-bpd today, well before the next round of US sanctions are set to come into effect. Iran has been selling oil at a deep discount, delivering the oil for free on its own tankers, taking euros and yuan, and doing barter deals. India will continue buying Iranian crude, and also buy more US crude on a delivered CIF basis, while China will do whatever it wants, defiant and fearless of US reprisals in the context of its bilateral trade war. It is good that Mr Trump is challenging multilateral institutions that have become bloated, corrupt, lazy and in need of reform, but the polarisation of unilateral and multilateral thinking has negative implications for world society, global trade and collective security.

Tankers continue to perform badly, presenting opportunities to those buyers with a combination of resources and conviction. Eyal Ofer’s Zodiac Maritime is being linked with the purchase of six new tankers (3 suezmax and 3 aframax) for \$282m from the bankrupt Toisa. Some interesting themes were raised at shipping’s version of the UN general assembly, the more polite but also multilateral Capital Link Forum in London. The IMO admitted that it cannot delay implementation of the 2020 sulphur cap but said that the regulatory system allows for “experience-building”. This will create some extra confusion. In failing to ban heavy fuel oil, the IMO created a loophole for ships to continue carrying HFO if fitted with exhaust gas scrubbers. At the same conference, Tsakos (TEN) admitted to backing away from a big deal due to uncertainty and to being fearful of fitting scrubbers. The idea of “dumping a chemical into the sea ... appears disgusting” and a politician somewhere “will make a name for himself by bringing in legislation that will ban those scrubbers”. Ridgebury Tankers quipped that “sulphuric acid in the water makes great headlines” while questioning the philosophy that tanker owners with scrubbers will get rich quick on the fuel price spread\*. As more owners opt for scrubbers, increasing demand for HFO, the price of it will find support while, at the same time, the price of MGO/LSFO will be undermined. The price delta will narrow. Shipowners, oil refiners and scrubber manufacturers are investing huge sums on the IMO loophole. Unexpected or disappointing outcomes may give rise to class action lawsuits as punters on all sides seek compensation for regulatory ambiguity.

\*Bob Burke of Ridgebury Tankers, quoted in Tradewinds: “If there was one guy with a VL who had a scrubber and nobody else did he would get all the margin. If every single VL owner puts a scrubber on then obviously the charterer will take that away from us as we will beat each others’ brains out again and come down to wherever the TC is.”

## Dry Cargo Chartering

The **BDI** closed the week at 1,540, up from last weeks close of 1,413. The **capsize** market closed at \$18,350, a big jump from last weeks close of \$16,000. On time charter, ECTP fixed the *Anangel Hope* (179,445-dwt, 2015) delivery Rotterdam for a trip via Seven Islands, redelivery Singapore-Japan at \$40,000. GNS fixed the *Aquarange* (179,842-dwt, 2011) delivery Hadong, via East Coast Australia, redelivery Singapore-Japan at a rate of \$16,000. Also, Oldendorff fixed the *Mount Troodos* (179,383-dwt, 2012) delivery Hong Kong, via West Australia, redelivery China at a rate of \$17,250. On voyage, ore runs from Dampier to Qingdao started the week at \$7.20 for 170,000/10%. By the end of the week rates had risen slightly to \$7.45 for 170,000/10%. Rio Tinto fixed a Jera relet, the *Sea Triumph* (181,415-dwt, 2012) for 170000/10% Seven Island to Qita at \$25.50.

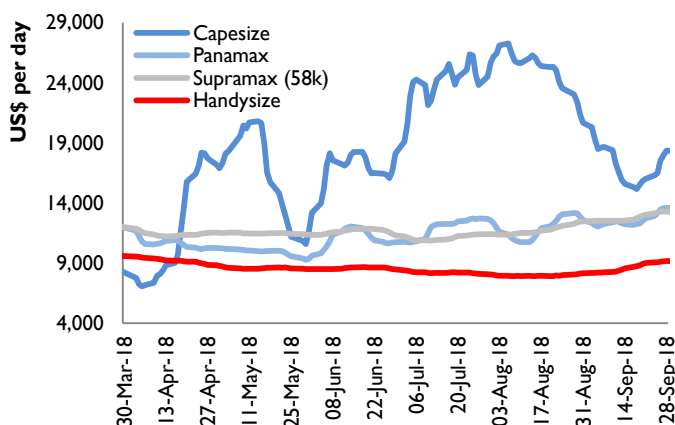
The **panamax** market closed at \$13,595, up from last weeks close of \$12,732. In the Atlantic Norden fixed *Darya Aum* (81,109-dwt, 2018) delivery Gibraltar for a trip via Itacoatiara at \$15,500 redelivery Skaw-Gibraltar and *Partra* (80,596-dwt) was fixed by Star Logistics at \$21,750 for a trip ex Paranagua to full Med. Dámico took *Raraka* (76,064-dwt, 2012) delivery Paradip for a prompt trip via ECSA at \$15,000 redelivery SE Asia. In the Pacific, *Silvergate* (77,239-dwt, 2014) fixed a North Pacific round voyage with Cargill delivery Kwangyang at \$14,250. In the period market Jaldhi took the *Ocean Rosemary* (82,265-dwt, 2013) delivery Hong Kong for 4/6 months at \$13,900 redelivery

worldwide. Bunge took *Asterion* (81,600-dwt, 2017) delivery Immingham for 2 laden legs within the Atlantic at \$15,500.

The **supramax** market closed the week at \$13,273, up from last weeks \$13,022. In the Atlantic, *Adirondack* (57,016-dwt, 2010) fixed with Evomarine for a scrap run delivery Gdynia ex Baltic redelivery East Med at \$14,000. *Nord Kitten* (60,195-dwt, 2017) fixed front haul ex Black Sea with ADMI into Chittagong at \$24,000 for early October dates. In the Pacific, *Texas* (58,018-dwt, 2011) fixed delivery Bayuquan for a trip into Vietnam-Thailand at \$12,000. With regards to Period, Oldendorff took *Sam Wolf* (57,200-dwt, 2012) delivery Umm Al Quwain for 4 to 6 Months at roughly \$13,750 as well as the *Esperia* (56,763-dwt, 2012) delivery Kandla for 3 to 5 months at \$13,500. The **handy** market was also up, closing at \$9,155, after last weeks close of \$8,994. In the Atlantic, Pola fixed the *Iberian Bulker* (37,668-dwt, 2017) delivery Santos for a trip to Cont-Baltic range at \$15,500. In the Pacific we heard the *Indigo SW* a 37k dwt open Samalaju fixed and *Aus RV* at high 10's dop redelivery Far East with a clean cargo. On the period side, *Broadgate* (37,949-dwt, 2017) was fixed for 2 LL with Oldendorff delivery Port Kelang for \$10,850 redelivery Singapore-Japan.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Anangel Hope	179,445	2015	Rotterdam	30 Sep-2 Oct	Sing-Jpn	40,000	ETCP	Via Seven Islands
Mount Troodos	179,383	2012	Hong Kong	PPT	China	17,250	Oldendorff	Via West Australia
Helvetia One	92,737	2012	Passing COGH	26-27 Sep	PMO	15,000 + 500K GBB	CNR	Via ECSA
Tangereine Island	82,265	2012	Singapore	PPT	Sing-Jpn	17,000	Louis Dreyfus	Via ECSA
Skopelos I	79,659	2011	RBCT	9 Oct	ECI	14,000 + 400K GBB	Jaldhi	
Nord Kitten	60,195	2017	Canakkale	Early Oct	Chittagong	24,000	ADMI	
Adirondack	57,016	2010	Gdynia	5-10 Oct	East Med	14,000	Evomarine	Via Baltic Int Scrap
Hammonia Korsika	56,722	2010	Surabaya	PPT	WCI	13,500	CNR	Via Indonesia
Aramis	55,830	2012	Durban	06-09 Oct	CJK-Japan	13,700 + 370,K GBB	Norvic Shipping	
Broadgate	37,949	2017	Port Kelang	PPT	Sing-Jpn	10,850	Oldendorff	



Exchange Rates	This Week	Last week
JPY/USD	113.38	112.63
USD/EUR	1.1581	1.1738

Brent Oil Price	This Week	Last week
US\$/barrel	82.1	78.74

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	493.0	473.0
MDO	730.0	712.0
Rotterdam IFO	455.0	435.0
MDO	688.0	657.0



### Dry Bulk S&P

There is a good spread of sales to report this week. In general more buyers are on the road inspecting vessels but whether there are enough buyers to absorb the large fleet current for sale is another matter. Faced with a mass of competing sales candidates on one hand and an increasingly generous freight market on the other, it would not be surprising if the ranks of sales candidates were thinned as owners decided to fix period instead.

In the capsize sector, BW are reported as the buyers of *Tenshu Maru* (179,993-dwt, 2010 Tsuneishi) at \$29.0m – a significantly stronger number than last months sale of the same age and dwt CPO Oceania (built Daewoo) which was reported sold at \$27.2m.

Two units are sold in the panamax/kamsarmax market this week. The kamsarmax *Jag Arya* (80,487-dwt, 2011

SPP) is sold to Greek owners Trade Fortune at \$18.8m, while the year older panamax *Sky Jade* (81,487-dwt, 2010 Universal) is sold for similar money, \$18.75m, to Chinese institutional investors.

Two smaller supramaxes have found new homes. *Persus Ocean* (53,549-dwt, 2007 Iwagi) is sold for \$11.0m to Indonesian buyers, while the older *Eigen* (50,249-dwt, 1999 Mitsui) achieved \$7.2m.

Finally in the handy market, a pair of large Japanese handies have been sold enbloc to Orient Shipping Rotterdam. *Unicorn Ocean* (38,503-dwt, 2011 Minami Nippon) and *Ocean Wealth* (38,243-dwt, 2012 Imabari) are reported sold at \$30.4m enbloc. Finally *Van Imabari* (28,397-dwt, 2008 Imabari) is reported sold to Greek buyers. The exact price paid is not yet known but it is unlikely to have been excess \$8.4m.

#### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Tenshu Maru	179,993	2010	Tsuneishi	-	BW	29.0	
Sky Jade	81,487	2010	Universal	-	Mensheng leasing	18.75	
Jag Arya	80,480	2011	SPP	-	Trade Fortune Inc	18.8	
Persus Ocean	53,549	2007	Iwagi Zosen	C 4x30.5	Indonesians	11.0	
Eigen	50,249	1999	Mitsui Eng	C 4x30	Indonesians	7.2	
Unicorn Ocean	38,503	2011	Minaminippon	C 4x30	Orient Rotterdam	30.4	En bloc
Ocean Wealth	38,243	2012	Imabari	C 4x30.5			
Van Imabari	28,397	2008	Shimanami	C 4x30.5	Greeks	8.4	

#### Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price (\$)	Delivery
Msc Koroni	48,244	1998	HHI- Ulsan	-	15,864	\$502.00	Delivered Alang
Nusa Bintang	16,225	1992	Cant. Navale	-	6,993	\$435.00	'As is' Singapore
Maiden Alpha	15,999	1991	Sabah Shipyard	-	4,815	\$365.00	'As is' Belawan



## Tanker Commentary

In 2016 by October, 15 modern\* MRs had changed hands, in 2017 as earnings continued their downwards decline that number had decreased to 10.

In contrast, this year to date, we have only been able to report one modern MR as having changed hands on a straight sale basis\*\*. Prices for modern ships are understandably closely linked to the newbuilding prices. The issue is that whilst rates have come off some 15% over the past year, newbuilding prices have firmed by around 10%. This leaves opportunistic buyers seeking to take advantage of this down market, having to focus on older ships. It is a rarity then that this week we are able to report the sale of the *Great Manta* (51,883-dwt, 2013 Sungdong). Singapore based PCL have paid a price in excess of \$27.5m for the ship that is BWTS fitted and had her first special survey passed earlier in the year. When one considers Japanese pumproom types that are just three years older have been sold for over \$10m less\*\*\*, you can understand why some think the price is firm. The counter argument is that the price is directly correlated to the current \$35m newbuilding price, and as such you are sailing into 2020 with an eco ship,

surveys passed and BWTS installed; will punters be saying this is an expensive deal in Q1 2020, that is the question.

Elsewhere, opportunistic Greek buyers continue to circle ageing crude tankers, which given the historically low prices at a premium on the residual scrap value, can be seen as relative low risk investment. Teekay are reported to have sold off the suezmax *African Spirit* (151,736-dwt, 2013 HHI) to Avin for \$13.0. This is the third suezmax of this vintage Avin have acquired this year and the price is a \$1.0m step down from the last done.

\*Modern ships here are considered vessels built 2013 or after

\*\* Aristotelis (51,000-dwt, 2013 HMD) sold to Chelsea Shipping in January for \$29m

\*\*\* Unique Fidelity (50,083-dwt, 2010, Onomichi) sold to Celsius in August for \$16.8m

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
African Spirit	151,736	2003	HHI - Ulsan	Avin Gr	13.00	
Great Manta	51,883	2013	Sungdong	PCL	27.5	BWTS fitted
Pearl Express	45,727	2004	Minaminippon	Middle Eastern	9.50	uncoiled

### Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Four Sky	115,700	2010	Samsung	1 yr	15500	CNR
Seriana	110,000	2015	Sumitomo	1 yr	15500	Trafigura Beheer BV

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