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## THE BIGGER PICTURE

### ... Trade Talks ...



Source: The FT

\*Mr Barr had previously denounced the Mueller probe as “fatally misconceived” in an unsolicited memo to the Justice Department.

In February this year, Mr Barr’s son-in-law, Tyler McGaughey, left the Justice Department to join the White House legal team.

\*Mr Trump has frequently referred to the Mueller inquiry as a corrupt witch hunt without any merit. It has now become impartial...

The Mueller inquiry cost \$33.9 million and 34 people, including six DT aides and advisers, were charged.

^^The Golan Heights were seized by Israel in the 1967 Six Day War and annexed in 1981.

## POINTS OF VIEW

The 675-day Mueller inquiry into possible presidential Russian collusion and obstruction of justice ended with a whimper last Sunday. 48 hours after the special counsel had filed his final report, the attorney general William Barr,<sup>^</sup> himself a presidential appointee, produced a four-page synopsis. He found no evidence that DT’s campaign conspired or coordinated with the Russian government to influence the 2016 presidential election. Mueller disappointed Democrats in search of a smoking Russian gun. On the topic of obstruction Mueller wrote: “While this report does not conclude that the president committed a crime, it also does not exonerate him.” He left the door open for Congress to explore this issue in greater detail. To this end, the Democrats requested to see the Mueller report in its entirety, but Barr has so far declined to do so. We might recall that the president had asked FBI director, James Comey, to go easy on his national security adviser, Michael Flynn, who had lied about his contacts with the Russian ambassador. Mr Trump subsequently fired Comey and then attacked ex FBI chief Mueller\* after he was appointed to conduct his inquiry. So, given Mueller’s equivocation, the A-G luckily had no grounds on which to indict his boss. Barr stated that, even if a president terminated an investigation of himself, that would not be obstruction of justice! This set DT off on a victory lap. He claimed complete exoneration which is not yet justified. On Monday, as if in celebration, he recognised Israeli sovereignty over the Golan Heights^^, considered under international law as Syrian territory, boosting the re-election prospects of his troubled friend, Bibi Netanyahu. Election tampering normally carries consequences.

Little progress is being made in the Sino-US trade talks, maybe because President Trump has blinked twice. First, in early December, when he agreed to extend the deadline for raising tariffs to March 1. Then again, in late February, when he agreed to an indefinite suspension of the tariff increases, as the two sides were making “substantial progress”, buying more time to reach an agreement. A rise from 10% to 25% on \$200 billion worth of Chinese imports into the US was put on hold. These two US concessions on timing have taken the pressure off China and the word is that it is even backtrading on some issues (for example, intellectual property protection) that were considered already agreed. Mr Xi may reckon that Mr Trump needs a deal more than he does, not least with the 2020 presidential election looming into view. Failure to repeal Obamacare, build the wall and denuclearise the Korean peninsula make him keen for a win. Mueller and Barr have certainly helped him a bit. Lighthizer and Mnuchin, negotiating for the US, may have failed to fully appreciate Chinese sensitivities. The US is seeking strict enforcement mechanisms, and the right to unilaterally reimpose tariffs without any reciprocal right for China to retaliate. The Chinese team, under Liu He, cannot be seen to surrender to US bullying as this would be regarded as a form of betrayal back home. So, exaggerating the progress made to the media is not helpful. In the US, Mr Trump is under pressure from business and farm lobbies to conclude these talks as both need to know where they stand, and to plan accordingly. By the same token, the steel lobby wants the president to stand firm as, the longer import tariffs remain in place, the better for US steelmakers.

Europe finds itself in a difficult place, caught in the US-China crossfire, as the world’s leading economies determine future world trade rules. The EU is China’s biggest trade partner and China is the EU’s second largest trade partner. In 2017, the EU exported €198bn of goods to China and imported €375bn of goods from China. When the EU allowed China to enter the WTO club in late 2001, it relaxed the core requirement that members be market economies, assuming that China would fall into line as it became more prosperous. Over the last ten years, Europe has been consumed by its own economic problems and, over the last three years, it has been distracted by Brexit. The EC now says that China has become “a systemic rival promoting alternative models of governance.” Technically, it is still treated as an emerging market but it is quite clearly becoming a technological heavyweight that challenges its global competitors. Chinese companies have preferential access to the domestic market while foreign companies are beset with restrictive licencing and investment conditions, compulsory joint ventures and technology transfer. Both state and private companies are supported by state subsidies that shield them from foreign competition. Chinese activity in the South China Sea and BRI are seen as predatory. Taken altogether, China is undergoing a major reappraisal in the West. This matters to shipping as China is the main driver of seaborne demand.

## Dry Cargo Chartering

The **BDI** closed the week at 689, a tick down from last weeks 690. Once again the **cape** market continued its downward spiral to end the week at \$3,796, compared to last weeks \$4,180. Daelim fixed the *Lowlands Brilliance* (169,693-dwt, 2010) delivery Singapore for a trip via Richards Bay redelivery India at \$4,000. On period, Swiss Marine took the *Dream Co* (181,249-dwt, 2015) delivery Zhoushan for 9 to 12 months trading at \$13,400. On voyage, ore runs West Coast Aussie to China were fixing in the low \$4.70 and Tubarao to China at \$11.90.

It was a happier story on the **panamax** market with the index finishing at \$8,813, up from last weeks \$8,241. In the Pacific, *Kelly* (81,247-dwt, 2017) fixed delivery Wakayama via NoPac with redelivery Japan at \$10,200. In the Atlantic, Glencore fixed *BW Barley* (83,369 dwt, 2010) on a trip delivery East Coast South America redelivery Gibraltar-Skaw at \$18,750. Rates have firmed thanks to more active East Coast South America front haul activity. Louis Dreyfus took the *Anais* (76,015-dwt, 2002) delivery Santos redelivery Singapore-Japan at \$14,500 plus \$450,000 bb. On the period front, *NBA Magritte* (82,099-dwt, 2013) was fixed delivery Rotterdam redelivery Atlantic at around \$12,550 by Norden.

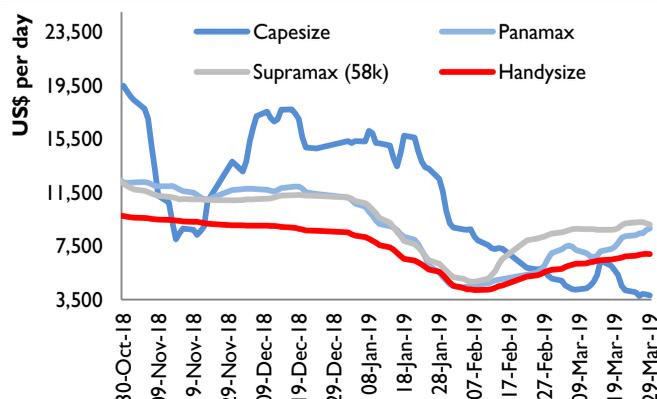
The **supramax** market closed the week at \$9,094, slightly down from last weeks \$9,199. In the Atlantic, WECO fixed the *Unity Discovery* (60,629-dwt, 2017) delivery US Gulf for a trip to Morocco with coal at \$16,000. Glovis fixed the *Al Yasat II* (57,408-dwt, 2011) delivery Casablanca for a trip via Morocco redelivery East Coast India at \$15,000. In the Pacific, Seatrek fixed *Sea Lion* (53,621-dwt, 2007) delivery Singapore for a trip via Indonesia redelivery Thailand at \$8,750. *Idee Fixe* (63,458-dwt, 2015) delivery Mina Saqr for a trip

redelivery East Coast India at \$11,500. Ultrabulk fixed the *SBI Tango* (61,286-dwt, 2015) delivery Durban for a trip to China at \$12,400 plus \$240,000 bb.

The **handy** market closed the week at \$6,983, up from last weeks \$6,723. The Pacific market started slowly with little in the way of reported fixtures. In the Far East, lack of fresh enquiry meant that the market moved sideways with little encouragement that this will change next week. In South East Asia, *Lauren Ocean* (41,712-dwt, 1996) was fixed delivery Singapore for a trip to the Philippines at \$8,000 and it was rumoured that a 28k fixed mid 7's dop Thailand for a trip with sugar into Indonesia. On the period side of things, optimism from some strong numbers last week wasn't carried over the weekend and there was little reported activity, with most charterers unwilling to match owners ideas. However it is understood that IMC fixed *Pretty Ivy* (35,214-dwt, 2011) open in Vietnam for short period. In the Atlantic it was still all about East Coast South America which remained the pick of the areas. *Interlink Activity* (38,569-dwt, 2015) fixed delivery Recalada for a trip to West Coast South America at \$20,000 while strong numbers were still being reported for both costal runs and trips across. Rates in the US Gulf and Continent remained firm. Clipper fixed the *Vigorous* (33,500-dwt, 2013) delivery SWP for a trip to East Coast Mexico with grains at \$9,000. Rates in the Mediterranean and Black Sea were softening on a daily basis. We heard a small handy fixed at \$3,500 for a trip to the Continent and a 37k fixing \$5k Black Sea to East Mediterranean which ballasted from Alexandria. On period, Navision took the *Sam Panther* (33,395-dwt, 2010) delivery Rio Haina for 4-6 months trading at \$8,500 redelivery Atlantic.

### Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Aquasurfer	178,854	2013	Kwangyang	PPT	South Korea	6,800	KSC	Via Western Canada
Skythia	177,830	2010	Wakayama	25 Mar	Singapore-Japan	5,000	Jiangsu Steamship	Via E Australia
BW Barley	83,369	2010	EC South America	5 Apr	Gibraltar-Skaw	18,750	Glencore	
Kelly	81,247	2017	Wakayama	27/30 Mar	Japan	10,200	CNR	
Anais	76,015	2002	Santos	17/18 Apr	Singapore-Japan	14,500	Louis Dreyfus	Plus 450,000 bb
CP Guangzhou	63,527	2015	Makassar	3 Apr	South Korea	11,750	CNR	Via Indonesia
SBI Tango	61,286	2015	Durban	3/5 Apr	China	12,400	Ultrabulk	Plus 240,000 bb
Unity Discovery	60,629	2017	US Gulf	PPT	Morocco	16,000	Weco	
Nordorinoco	38,040	2015	Iskenderun	PPT	Argentina	6,300	European Charterer	Via Mediterranean
Hanze Gdansk	34,735	2013	Santos	PPT	Kaliningrad	14,000	Canfornav	Via Up River



Exchange Rates	This Week	Last week
JPY/USD	110.73	109.89
USD/EUR	1.1231	1.1279

Brent Oil Price	This Week	Last week
US\$/barrel	68.44	66.61

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	425.0	429.0
MDO	600.0	616.0
Rotterdam IFO	407.0	409.0
MDO	575.0	581.0



## Dry Bulk S&P

We are gripped by the Brexit Crisis, and beneath our office this afternoon a small mob of UKIP fascists are chanting incoherently. The future path of the UK's relationship with the EU is as unclear as ever. A similar lack of a clear path seems to be facing the drybulk markets.

At the end of the first quarter, the recovery of the freight market has been far from V-shaped and for the capesizes the year continues abysmally. Unsurprisingly the only capesize deals we are now seeing are being done with the demolition yards. Recovery elsewhere has been modest, but there are differing trends that are running through the market.

Turnover for older panamaxs remains high. Values for older, less fuel-efficient, tonnage have dropped significantly over the last three months and at these new levels there are plenty of (mostly Chinese) buyers. Younger tonnage is finding it difficult to find buyers and in any case there are few eco units being offered for sale.

Meanwhile activity has slowed for Japanese built and controlled, supramax tonnage, although negotiations are still on-going this week for a few units. For the moment the

consensus in Tokyo is that the bottom has been reached and sellers are showing more resolve - sticking to their price ideas or withdrawing tonnage. Buyers are now testing out the Chinese-built, supramax fleet to see what low-hung fruit they can pick. Again the price decline has stalled, but the market will be unable to strengthen significantly as long as banks continue to toss the occasional, distressed, sales candidates into the lists.

For the handies, turnover has slowed to a crawl. There is now a massive build up of tonnage for sale. Values on a dollar for dwt basis far outstrip what is required in the supramax and panamax markets. Buyers will prowl about the handysize sales herd until they can pick out the weak and vulnerable.

### Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
Cemtex Pioneer	77,598	2004	China Shipbuilding	-	undisclosed	7.3	
Moonray	57,000	2009	Jiangsu Hantong	C 4x35T	undisclosed	10	
Sunlight Lily	33,642	2012	Shin Kochi Jyuko K.K. - Kochi	C 4x30T	Greeks	12.50	

### Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Berge Manaslu	263,502	1992	Kawasaki HI	Bulk	40,157	460.00	Bangladesh
Ore Guaiba	169,147	1999	Halla Eng & HI	Bulk	22,521	450.00	Bangladesh
SKS Tiete	109,773	1999	Hyundai HI - Ulsan	Comb	18,400	430.00	India
White Pearl	39,273	1985	Stocznia im Komuny Paryskiej	Bulk	11,796	443.00	Bangladesh
Weisshorn	14,643	1996	Volkswerft Stralsund	Cont	5,800	undisclosed	As is' Kingston
Van Iris	12,229	1994	Imabari	RoRo	16,062	465.00	'As is' Singapore



## Tanker Commentary

Following on from last week's trend, current sales activity in the tanker sector is focused on vintage tonnage. Liquidity for modern units is limited with owners clearly unwilling to part with their assets with the prospect of a buoyant freight market in 2020 around the corner.

The turn over of vintage VLCCs remains fluid driven mainly by buyers looking to acquire vessels for FSO conversion projects. SK Shipping are reported to have sold *C. Dream* (298,570-dwt, 2000 Hitachi) for \$21m to undisclosed interests. It is interesting to note that as recently as October last year, a VLCC of the same age was sold for recycling where as this sale is approximately a \$4.0 premium on the residual scrap value.

Offers were invited this week for the pumproom MR *Ariake Maru* (45,920-dwt, 2008 Shin Kurushima). Asahi Tanker Co appear to have been underwhelmed by the top offer believed to be in the region of \$14m having put a \$15.5m price tag on the vessel and the vessel is likely to be withdrawn.

### Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
C. Dream	298,570	2000	Hitachi Zosen	undisclosed	21	
Jinan	40,232					
Dukhan	40,231	2003	ShinA Shipbuilding	Italian	8	
Emmanuel Tomasos	37,113	2002	Hyundai Mipo Dockyard	Indonesians	7	

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