HARTLAND
SHIPPING SERVICES

01 March 2019

WEEKLY COMMENTARY

CONTENTS

THE BIGGER PICTURE

… No Deal for Desperate Don in Hanoi …

Source: The Guardian/Saul Loeb/AFP/Getty

POINTS OF VIEW

It has been a bad week for US president Donald Trump. Robert Lighthizer, the US trade representative, admitted this week that it was proving "hard work" to reach a deal with China. Stock markets sunk. As recently as Monday the Chinese market rose 5.6% after DT blinked first. He said that he was prepared to delay raising tariffs beyond the March 1st deadline as "substantial progress" was being made. Part of the problem would seem to be that Lighthizer is linking short-term resolvable issues with long-term intractable ones. With compromise on each side, it should be possible to narrow the widening US-China trade deficit and agree on mutual protection of each other's intellectual property rights. But linking such issues to reform of China's state capitalist model will prevent any progress on future trade rebalancing. China's state-driven economic model is a derivative of its chosen political system and any structural change will be the result of lengthy evolution, not current negotiations. On Thursday, DT's two-day talks with Kim Jong-un broke down and were abruptly terminated; a poor sign.* The meetings in Hanoi took place without either side defining what complete denuclearisation of the Korean peninsula actually means. To DT, it is the termination of the North's nuclear weapons capability while, to Kim, it is gradual multilateral disarmament including the removal of US nuclear weapons. Neither side can comply without compromising its own, and regional, security and leverage. Kim is interested in the removal of sanctions without the loss of his nuclear deterrent. DT promised to turn N. Korea into the next Vietnam^ but it fell on deaf ears as each misread the other's intentions and ambitions.

DT can be applauded for engaging with North Korea but he made a mistake in claiming to be in "no rush". After two sets of talks, no real progress has been made. His campaign for re-election next year will suffer from the fact that he has not delivered on his 2016 campaign promises. Irritatingly for DT, while he was having dinner with Kim in Hanoi on Wednesday, Michael Cohen, his former lawyer and chief fixer, was giving testimony to a congressional committee in Washington. He opened his remarks by calling the president a racist, a cheat and a conman. To be fair, this is the assertion of one liar against another**, but Cohen did not provide any evidence of Russian influence in the result of the 2016 US presidential election; this he left to the long-awaited findings of the Mueller enquiry. In disputed Kashmir, India and Pakistan increased their tit-for-tat attacks, raising the risk of an accidental nuclear war. We had been looking at Syria, Iran, North Korea and the South China Sea as potential flashpoints that could turn into regional wars. The actual trigger invariably comes out of left field. Meanwhile, back in the US, Jay Powell, the Fed chairman, pointed to slower growth in Europe and China and admitted "over the past few months we have seen some crosscurrents and conflicting signals" in the US. One may be the record seven million Americans in default on their auto loans, as these are usually the last bills that people stop paying. Another, that January was the 13th consecutive month of year-on-year contraction in pending sales of existing homes. All is not right in the global economy and it is starting to affect the US.+

The current economic and geopolitical climate is negatively influencing consumer and investor sentiment. We have no solution to the US-China trade war or to the manner and timing of the UK's departure from the EU. Both are, or threaten to be, disruptive. Container shipping might have the most to fear from a slowdown in consumption as it will impact household discretionary spending on the stuff that moves around the world in a box on a ship. Like DT, the container industry is suffering from top-down overcapacity. In the president's case, too big an ego; in shipping's case, too many big ships. The delivery of mega ships^^ is creating overcapacity on the Asia-north Europe trade for which they were intended, causing liner operators to shift tonnage onto other routes. This merely spreads the problem around, depressing rates on other routes. Some of these megamax ships are being deployed on Asia-Middle East, Asia-Med and even on the Transpacific. The pressure is evident in freight on the Shanghai-Rotterdam route being down 10% last week to $1,656 per feu, and 20% off its 12-month peak of 2,082 on 3 January, according to the World Container Index. 95 megamax are in operation with 42 on order. From April, Cosco will deploy seven on Asia-ME and Maersk and MSC (2M) will switch a series of 19,000-teu from Asia-NE to Asia-Med. Last week, 2M deployed the 2016-built 19,462-teu MSC Eloane on the Transpacific. It is the largest ship to call the USWC since 1H16 when the 2015-built 17,859-teu CMA CGM Benjamin Franklin did three TP sailings. The box trades are not alone in relying upon DT to reflate global demand. DT is too.

*It is unusual for such talks to terminate early as diplomatic protocols have to be respected. It may be a product of US top-down diplomacy.

^The 2019, not the 1975, version.

**Cohen is a convicted felon who is about to serve a 3-year prison term in May for perjury. He now regrets lying for Trump.

+Annualised US GDP growth fell to 2.6% in 4Q18 from 3.4% in 3Q18 and 4.2% in 2Q18.

^^Drewry estimates the OB of 18,000-teu> at over1m-teu, with 0.46m-teu scheduled to deliver in 2019 followed by 0.62m-teu in 2020.

Dry Cargo Chartering

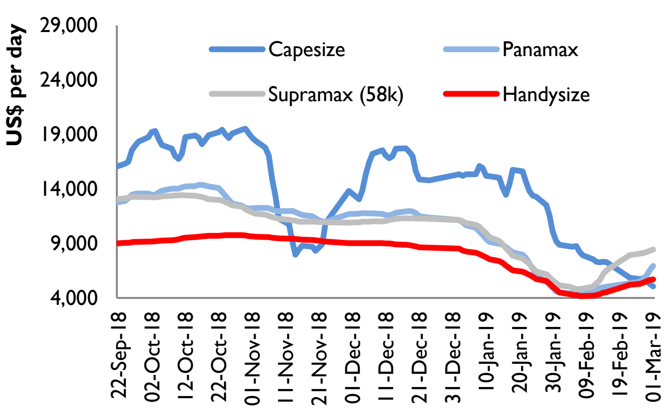
The **BDI** closed the week at 664, up from last weeks 634. The **capes** continued to fall, closing at $5,065 compared to last weeks $5,873. On time-charter, Jiangsu Steamship fixed the *Genco Claudius* (169,001-dwt, 2010) delivery retro Qingdao for a trip via East Coast Australia redelivery China at $5,000. Oldendorff fixed the *Seamate* (177,775-dwt, 2010) delivery retro Bayuquan for a trip via full Australia redelivery Singapore-Japan at $5,500. On period, SwissMarine fixed the *Navios Ace* (178-296-dwt, 2011) delivery China for 1 year trading redelivery worldwide at 107% of the BCI 5 timecharter average. On voyage, ore runs ex Dampier/Qingdao were being fixed at around $5 for 170,000/10%.

The **panamax** market this week climbed by $1,583 to end the time chartering average on $6,953. Encouraging signs continue in the Pacific with plenty of fixtures reported off NoPac and South East Asia. We saw the *Port Star* (82,177 dwt, 2012) fix delivery Lianyungang via NoPac with redelivery China at $8,000 to Pacific Bulk. Norden took the *King Loong* (77,430-dwt, 2006) delivery Mailiao via Indonesia redelivery South China at $7,250. Norden also fixed *Spring Snow* (75,200-dwt, 2010) delivery Phu My via Indonesia redelivery Malaysia. Activity levels reported in the Atlantic remain low. Bunge fixed *Nilos* (75,880 dwt, 2006) on a trip via East Coast South America to Skaw/Passero for $7,500 while *Xing Shun Hai* (81,824-dwt, 2018) was covered by Crystal Maritime for $9,500 plus $140,000 bb delivery US Gulf 13/18 March redelivery Skaw-Gibraltar. delivery East Coast South America redelivery Singapore-Japan at $12,500 plus $250,000 bb. On period front, Oldendorff fixed the *Ever Grand* (81,688-dwt, 2013) delivery Surabaya prompt 1 year redelivery worldwide at $11,500.

The **supramax** started the week strongly but slowed by the close, the indices finished at $8,434, up from last weeks $7,933.The gains heavily supported by rates ex West Coast India & Indonesia. *Astra Centaurus* (58,518-dwt, 2012) fixed delivery Revdanda for a trip of Iron ore redelivery China at $8,750. In the Pacific, Fullinks fixed the *Almar* (58,698-dwt, 2012) delivery Singapore for a trip via Indonesia redelivery China at $13,000. Avani fixed the *Nautical Madison* (63,372-dwt, 2018) delivery Haikou for a trip via Indonesia redelivery West Coast India at $12,000. *Medi Hakata* (58,078-dwt, 2014) fixed delivery Singapore for a trip via Indonesia redelivery Thailand at $10,600. Otherwise on the **Handies** there was signs of the market picking up in the east although little reported, 32k-dwt in Singapore are worth around mid 6s for a Aussie round voyage. In the Atlantic *De Sheng Hai* (38,831-dwt 2017) fixed delivery Jamaica prompt for a trip to Norway at $8,500. The Arabian Gulf seems to be the premium positions, Pacific Basin concluded *Zhe Hai 2* (35,104-dwt, 2012) delivery Khalifa prompt for a trip redelivery East Coast India with sulphur at $8,500. The handy timecharter average finished at $5,728 up from last weeks $5,206.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Anangel Seafarer	179,754	2011	Gibraltar	PPT	Cape Passero	6,500	Cosco	Via Colombia & Turkey
Seamate	177,775	2010	Bayuquan	22 Feb	Singapore-Japan	5,500	Oldendorff	Via EC Australia
Fortune Sunny	82,372	2008	Cai Mep	02/03 Mar	S. China	10,200	Norden	Via Indonesia
Xing Shun Hai	81,824	2018	US Gulf	13/18 Mar	Skaw-Gibraltar	9,500	Crystal Maritime	Plus 140,000 bb
Stahla	76,059	2012	EC South America	24/31 Mar	Singapore-Japan	12,500	Bunge	Plus 250,000 bb
Almar	58,698	2012	Singapore	01/02 Mar	China	13,000	Fullinks	
Equinox Star	58,680	2011	Skaw	PPT	East Mediterranean	6,750	CNR	
Medi Hakata	58,078	2014	Vietnam	27/28 Feb	Thailand	10,600	CNR	Via Indonesia
Interlink Dignity	38,668	2015	US Gulf	PPT	EC Mexico	7,250	Norden	
De Sheng Hai	38,831	2017	Jamaica	PPT	Norway	8,500	CNR	



Exchange Rates		This Week	Last week
	JPY/USD	111.81	110.70
	USD/EUR	1.1383	1.1338

Brent Oil Price		This Week	Last week
	US$/barrel	65.99	67.18

Bunker Prices ($/tonne)		This week	Last week
	Singapore IFO	428.0	460.0
	MDO	620.0	620.0
	Rotterdam IFO	411.0	431.0
	MDO	592.0	593.0

Dry Bulk S&P

We have few sales to report this week. This is not due to a lack of sales candidates or really an absence of buyers. What is lacking is sufficient sellers to take what is being offered. Many sellers have enough confidence to withdraw and wait for the market recovery to gather momentum. A number of buyers are testing sellers with less than last-done offers, hunting for the serious seller. A couple of Japanese handies took offers this week – *Sagittarius Ocean* (37,052dwt, 2014 Onomichi) and *Maritime Victory* (28,344dwt, 2010 Imabari) - both sellers were unimpressed and the vessels remain in the market.

Following our report last week that the Japanese built *Loch Ness* (61,272-dwt, 2016 Shin Kurushima) was sold at $23m, it seems that the plus-size lady had not yet done her party piece. We understand another buyer has stepped forward and negotiations have been reset in the mid 23's. Another modern ultramax is close to conclusion. Ocean Neeraj, still undelivered from the COSCO Zhoushan Shipyard despite being launched in March 2016, has received a number of offers at excess $21m which the sellers were prepared to counter to. The sister, *Ocean Pankaj*, was sold as recently as December for $24m.

Turnover remains high in the older panamax sector. The Taiwanese built and owned *Te Ho* (77,834-dwt, 2004 CSBC) is sold for $6.9m. This brings up a total of fourteen older panamaxes sold in the last two months compared to five in the previous two months.

Finally the supramax *JPO Delphinus* (56,819-dwt, 2009 Hantong) is sold for $9m to Korean buyers. She was sold out of insolvency with surveys due in three months time.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Te Ho	77,834	2004	China Shipbuilding	-	Undisclosed	6.9	
JPO Delphinus	56,819	2009	Jiangsu Hantong	C 4x35	Koreans	9	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Star Aurora	171,199	2000	Koyo Dockyard	Bulk	21,018	431	'as is' Singapore
Elise	3,075	2007	Usta Mehmetoglu	Cont	20,500	460	'as is' China

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Tanker Commentary

Whilst product tankers have taken the lime light in terms of the volume of vessels sold this year, prospects of asset appreciation on crude ensures interest remains strong and we expect a number of sales to follow imminently. The arrested Bright Oil tanker fleet will see their VLCCs and aframaxes auctioned off in the coming weeks and bound to attract significant attention where as the Japanese controlled *Tamagawa* (314,237-dwt, 2007 Kawasaki) has been under offer this week with owners reported to have countered $40m to a top bid of $38m. The only crude sale we understand has been concluded this week is the Sinokor controlled *Gulf Glory* (298,414-dwt, 2002 Universal). Chinese interests Kunlun Holdings are reported to have paid $24.2m for the vessel having also acquired the year older *Pacific Glory* (299,999-dwt, 2001 Imabari) also from Sinokor in January for $23.5m.

In the product tanker sector, we understand the MR *Isola Bianca* (50,927-dwt, 2008 SPP) has been committed to Greek interests between $15.5-16m which looks a competitive price compared to recent deepwell configuration MR sales.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Gulf Glory	298,414	2002	Universal Shipping	Kunlun	24.2	
Isola Bianca	50,927	2008	SPP	Greeks	15.5	
Nordic Ruth	35,820	2000	Daedong	Nigerians	6.1	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate $pd	Charterer
Suvretta	109,250	2008	STX	1 yr	21,000	Trafigura Beheer
Altesse	74,103	2010	SPP	1 yr	15,000	BP

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