



CONTENTS

2. Dry Cargo Chartering
Steady As She Goes
3. Dry Cargo S&P
Riding The Clutch
4. Tankers
Crude Conundrum

THE BIGGER PICTURE

... Hurricane Harvey ...



Source: The Weather Channel

POINTS OF VIEW

Harvey hit the Texas coast near Houston late last Friday 25 August as a Category 4 hurricane, leaving death and destruction in its wake. After crossing Mexico's Yucatan Peninsula, the Gulf of Mexico's warm waters caused it to regenerate from a tropical depression to a full-on C4 hurricane in the last 56 hours of its journey to landfall. It packed winds of up to 130 mph with top total rainfall of a provisional 51.88 inches recorded at Cedar Bayou, Texas in the August 26-30 period. It was the strongest landfall in this area, known as the Texas Coastal Bend, since Hurricane Carla in September 1961. Texas authorities estimate the cost at \$125 billion. The slow-moving storm has caused catastrophic flooding in Texas and Louisiana, home to 8.9m-bpd of refining capacity, about half of the US total. At least 13 Gulf coast refineries are offline, removing an estimated 4.4m-bpd of refining capacity, almost a quarter of the national total. This includes Motiva's 600,000-bpd Port Arthur refinery, the country's largest, and Exxon's 570,000-bpd Baytown refinery, the second largest. US crude oil inventories had fallen 5.4m-bpd in the week ending 25 August as refining runs ramped up to a 12-year high ahead of the storm's arrival. Crude oil prices have since fallen*, as stocks have risen on weaker demand, while product prices have increased sharply on weaker supply.

Colonial's two pipelines that ship 2.3m-bpd of gasoline, diesel and jet fuel from Houston to the Midwest and Northeast, terminating in New York Harbor, drastically reduced flow this week due to pumping outages and a lack of product supply, while Explorer has shut its two pipelines that run from Texas to Tulsa, Oklahoma and Chicago, Illinois with 0.66m-bpd combined capacity. US wholesale gasoline prices surged 33% in a week to \$2.14 a gallon on Thursday, just ahead of the Labor Day weekend holiday that backstops the summer. This has opened up price arbitrage opportunities for Asian and European refiners and traders who can profitably ship oil products to the USG, USEC and Latin America to fill the vacuum left by the storm. Reports suggest that some 40 product tankers have been fixed to ship 1.5mt of gasoline trans-Atlantic from Europe to destinations such as New York, Mexico, Brazil, Venezuela, Peru and Colombia being three-times normal TA volumes. This is providing a welcome boost to lacklustre product freight rates proving that there often is a silver lining at times of such adversity.

In the week from 24 to 31 August, the Baltic Clean Tanker Index rose 38% from 508 to 703 points and the TC2-37, covering 37,000mt CPP moving between Rotterdam and New York, surged 675% from \$2,750 daily to \$21,321 per day. The MR Atlantic Basket did less well putting on just 68% in the past week rising from \$11,367 to \$19,085 daily, not least because it started higher. The Baltic Dirty Tanker Index also benefitted from Harvey's havoc and moved up over 9% in the 23-31 August period going from 620 to 677 points. The topical beneficiary was TD9-TCE, covering 70,000 crude oil moving between Puerto La Cruz in Venezuela and Corpus Christi in Texas, which gained a stonking 1,073% in the 23-31 August period storming from \$1,671 daily to \$19,603 per day. Finally, the broader Aframax-TCE rose 172% in the same period rising from a disastrous \$1,711 daily to a dismal \$4,652 per day as it was weighed down by other global routes that are still performing poorly, with no disruptive weather events to help bail them out. It is a case of black swan becoming white knight for clean tankers.

Yesterday we heard of explosions at the Arkema chemical plant in Crosby, Texas as a flooding-induced refrigeration shutdown destabilised its extremely flammable organic peroxides. The damage toll to the Gulf coast's refining and petrochemical infrastructure will take weeks and months to repair. This suggests that US crude imports** and US product exports will be constrained for some time. Low US crude prices and abundant domestic supply^, based on weak Gulf refining demand, will encourage Asian traders to import US crude as soon as they can get the tankers into port. Equally, US Northeast gasoline and middle distillate imports from Europe and Asia face being underpinned in the foreseeable future as long as Gulf coast refineries are out of action and the pipelines linking them to the consumer heartland remain closed. Latin American product buyers will also need to seek out more distant European and Asian suppliers during this period. This will boost both crude and product tankers and transmit unearned good fortune globally. An unforeseen Act of God has ruined lives and businesses in Texas and Louisiana and yet it has raised tanker rates from the doldrums. As monthly, quarterly and annual average tanker earnings will get an unexpected lift from this tragic event, and no doubt asset values too, we are left to wonder one thing. Where is that elusive algorithm that captures these all too frequent and transformational events in shipping?

*Brent broke below \$51 a barrel on Thursday, and West Texas to below \$46, before a sharp rebound on Friday to near \$53 and above \$47.

**Lloyds List reports that at least 22 tankers, mostly aframax, loaded with 15.3m barrels of crude are waiting off Texas to discharge.

^Goldman Sachs estimates that US crude stocks will rise by 1.4m barrels per day of USG coast refining system outages.



Dry Cargo Chartering

The BDI closed the week at 1,183 points, down from last weeks close of 1,209. The **cape** market was somewhat subdued with little activity reported, with the TC average falling by \$970 to finish the week at \$16,948. Despite the recent falls in rates their remains a strong underlying demand fundamentals and strong optimism within the market. In the Atlantic *Besiktas Azerbaijan* (169,138-dwt, 2010) was fixed by Berge Bulk out of Sines for a trip via Nouadhibou to the Continent at \$19,000 for 10-15 September dates and *Anangle Odyssey* (171,681-dwt, 2006) fixed a transatlantic round out of Rotterdam to Skaw-Gibraltar at \$19,000 with Engie. Oldendorff fixed *Nymphe* (1800,018-dwt, 2009) at \$17,000 delivery Shanghai for a trip via South Africa or West Africa or Brazil for a trip back to Singapore-Japan. Another Front haul was fixed by Classic Maritime on *Marijeanie* (179,759-dwt, 2011) at \$27,500 out of Sines fro a trip with options out to Singapore-Japan. In the Pacific *Aquacharm* (171,009-dwt, 2003) a CCL relet was fixed at \$16,000 by KLC for a trip out Dangjin via Australia back to Singapore-Japan. On the period front *Rosco Maple* (179,764-dwt, 2010) was taken by Jiangsu Steamship for 3/5 months out or Rizhao for \$17,000 with worldwide redelivery.

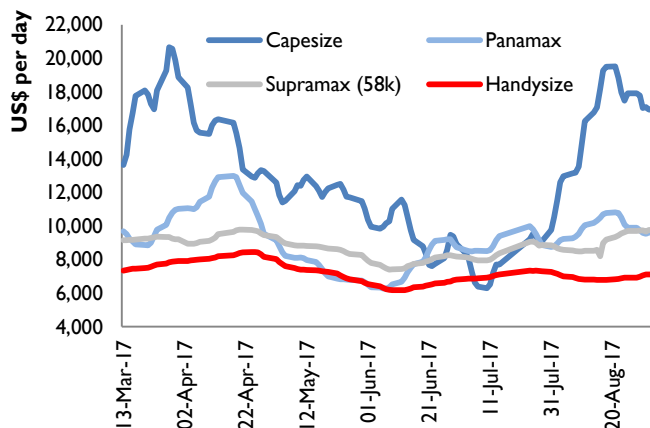
The **panamax** market continued to fall throughout the week with activity slowing in both the Atlantic and Pacific, closing at \$9,610, down from last weeks close of \$9,908. In the Atlantic, Norden fixed the *NBA Monet* (82,099dwt-2012) delivery Dunkirk via the US East Coast, redelivery Jorf Lasfar at \$8,500. Caravel were reported to have taken the *Semiramis* (82,620-dwt, 2013) delivery Yuzhny redelivery Indonesia at \$21,000. The *Efrossini* (75,003-dwt, 2012) fixed passing COGH via East Coast South America redelivery Singapore-Japan at \$12,250 plus \$425,000. In the Pacific, Five Ocean

fixed the *KM Singapore* (80,559-dwt, 2013) delivery Port Dickson via Indonesia, redel iverySouth Korea at \$12,750. *Nicole* (81,120dwt-2013) fixed delivery Kosichang via Geraldton, redelivery China at \$11,500. On period, BG Shipping fixed the *Great Animation* (92,500-dwt, 2011) delivery Taichung for 8-10 months trading, redelivery worldwide at \$10,500. The *Star Suzanna* (81,711dwt-2013) fixed delivery Qinhuangdao for 6-7 months trading, redelivery worldwide at \$11,500.

A steady week for the **handies** and **supras**, rates picking up ever so slightly across the board. In the Pacific there were some suggestions the Pacific is picking up again, the *Amstel Eagle* (56,108-dwt, 2007) fixed delivery Gresik for a trip to Thailand at \$12,750. The Far East wasn't as firm, quick trips to S.E. Asia were discounted and paying supras in the low 7s. The North Pacific was quiet. The handy market was quiet in the Pacific, with rates seeming to come off though not much was reported. In the Atlantic Hurricane Harvey has led to uncertainty about the direction the US Gulf will head in, rumours of up to half a million tonnes of petcoke being swept off the quayside at Houston and Port Arthur suggested rates may come off aggressively. For now though, they appear to be holding steady; the *Lalis D* (55,648-dwt, 2011) fixed prompt business ex US Gulf to the East Mediterranean at \$13,000. Apart from East Cost South America, Atlantic handy rates remained fairly steady. The *Eternity C* (36,830-dwt, 2012) was rumoured to have fixed Paranagua / Far East at \$13,000. The period market remains firm in anticipation of a strong Q4. The *Bridgegate* (53,477-dwt, 2010) fixed to Thorco for 2/3 laden legs redelivery Atlantic at \$10,750. Intermarine took the *Bao Flourish* (56,832-dwt, 2012) for 3/5 months at \$10,000.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Anangel Odyssey	171,681	2006	Rotterdam	10/12 Sep	Skaw-Gibraltar	\$19,000	Engie	-
Aquacharm	171,009	2003	Dangjin	29/31 Aug	Spore-Japan	\$16,000	KLC	-
Great Animation	92,500	2011	Taichung	3/5 Sep	China	\$10,750	CNR	Via East Coast Australia
Karlovasi	82,354	2016	Inchon	4/9 Sep	Spore-Japan	\$13,000	ADMI	Via US Gulf
Clipper Vision	77,154	2015	Brazil	13/15 Sep	Skaw-Spain	\$15,350	ECTP	-
Ultra Alpha	63,203	2015	Canakkale	2 Sep	Spore-Japan	\$20,000	Meadway	Via Black Sea
Navios Oriana	61,442	2012	CJK	3/4 Sep	China	\$11,500	Joint Fortune	Nickle Ore
Lalis D	55,648	2011	USG	PPT	East Med	\$13,000	CNR	Petcoke
Eternity C	36,830	2012	Paranagua	31 Aug	Far East	413,500	CNR	-
Pretty Sight	35,279	2013	Antwerp	PPT	Turkey	\$9,500	Falcon	Scrap



Exchange Rates	This Week	Last week
JPY/USD	110.20	109.72
USD/EUR	1.1864	1.1804

Brent Oil Price	This Week	Last week
US\$/barrel	52.51	52.41

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	313.0	312.0
MDO	481.0	473.0
Rotterdam IFO	301.0	294.0
MDO	487.0	464.0



Dry Bulk S&P

As we step into September the market motor is running but there is a feeling that the clutch has not yet been fully let out. Generally the market is well stocked with sales candidates at 'last done' prices but turnover seems a little subdued after the summer recess. While the freight market is not galloping away, the BDI has remained above the 1000 mark for a month now and the Q4 future rates point to the status quo being maintained. While there is activity to report across the board, given the modest optimism of the freight markets, one might have expected turnover to have started to pick up by now.

That said there is enough to fill a market report. The capesize *IVS Cabernet* (177,173-dwt, 2007 Namura) is reported sold at \$20.5m to CTM, reportedly after a previous deal at \$22m failed. Oldendorff have finally scooped the neo-panamax *Boavista* (93,077-dwt, 2010 Kouan) for \$14m.

In the ultramax sector sisters *Star Jing* and *Star Vivian* (63,500-dwt, 2013 Kouan) have been sold for a modest \$29.6m enbloc to Wilmar. In contrast last week we reported the Greathorse units built at Chengxi 2014/5 at about \$19-20m each. The Kouan built sisters had a so-so reputation.

In the supramax sector the Taiwanese-controlled *Poseidon SW* (55,688-dwt, 2008 Oshima) is sold for \$13.0m - pretty much in line with last done. This weeks United Ocean sale is the boxhold *Ocean Promise* (51,687-dwt, 2010 Oshima). She is sold at \$14.7m to Norwegian owners Seven Seas at touch more than the \$14.5m her slightly smaller, younger sister *Furka* (50,630-dwt, 2011 Oshima) achieved six weeks ago.

Finally for the handies, we have some much needed waypoints. *Aristo River* (33,532-dwt, 2005 Shin Kurushima) is sold for something in the high 7's, while two Imabari 28s are being closely negotiated. *Glory Marugame* (28,343-dwt, 2008 Imabari) is reported to have received offers in the mid to high 7's while her same age sister *Zenith Explorer* had a bid at \$7.6m, but is holding out for more. While these numbers are below the last reported sale, that of the Vietnamese controlled *Tan Binh 139* built 2007 at \$7.85m, that was an exceptional 10% jump up on last done and perhaps should have been taken with more than a pinch of fish sauce.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
<i>IVS Cabernet</i>	177,173	2007	Namura	-	CTM	20.5	
<i>Star Jing</i>	63,562	2013	Taizhou Kouan	C 4x30	Wilmar	29.6	Enbloc sale
<i>Star Vivian</i>	63,458						
<i>Poseidon SW</i>	55,688	2008	Oshima	C 4x30	Greek	13.0	
<i>Ocean Promise</i>	51,687	2010	Oshima	C 4x30	Seven Seas	14.7	
<i>Aristo River</i>	33,532	2005	Shin Kurushima	C 4x30	Undisclosed	High 7s	



Tanker Commentary

This week, all eyes were set on the JX Ocean controlled *Nichinori* (298,414-dwt, 2002 Universal). Having had 11 parties onboard there were split opinions over what levels the ship might see. Some arguing that with the depressed freight market, buyers would be pushing for a price well below last done, whilst others felt that the combination of 11 outright buyers, the lack of sales candidates, and a firming scrap market would aid the sellers in achieving a respectable price. The last comparable sale brokers were looking to for guidance was that of the *TI Topaz* (319,430-dwt, 2002 Samho) sold in May to New Shipping for \$21.5m. In the end only five of the eleven offered on the *Nichinori*. But with all offers starting with a \$2, and the ship going to Sinokor for region \$21.5m, it seems that a handful of buyers see prices as having hit the bottom.

Also in the crude sector, Gener8 continue to dispose of their vintage tankers helping to set the market. This week, the aframax *Gener8 Pericles* (105k dwt / built 2003 Sumitomo) and *Gener8 Elektra* (106k dwt / built 2002 Tsuneishi) are both reported to have been sold to different buyers that are yet to be disclosed. A price of \$11.0m is being reported for the *Gener8 Pericles*, which is a step up from the last done, and \$10.0m for the *Gener8 Elektra*. It is encouraging to see more owners taking advantage of the firm demolition prices on offer from the sub continent and cashing in on their vintage assets. There is now little or no interest from secondhand buyers in larger crude tankers so one would imagine this trend is likely to continue particularly when owners face the prospect of having invest money to pass special survey or drydocking.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Nichinori	298,414	2002	Universal	Sinokor	21.5	
Gener8 Elektra	106,560	2002	Tsuneishi	Greek	10	
Gener8 Pericles	105,674	2003	Sumitomo	Undisclosed	11	
Tanja Jacob	73,004					
Jill Jacob	72,908	2003	Samsung	Coral	Undisclosed	Enbloc sale

Tanker Period Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
RS Tara	160,036	2016	Shanghai Waig	1 year	25,500	Mercuria
RS Kaystros	158,000	2017	Shanghai Waig	5 years	Undisclosed	RS Tankers
Goldway	157,781	2016	Sungdong	6 months	18,000	Philips 66
LR Pioneer	109,000	2009		1 year	14,500	ST Shipping
Silver Point	51,063	2011	STX	1 year	14,500	Cuba Metales
Kourion	50,209	2012	SPP	2 years	13,250	Poys Haji-loannou

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

© Copyright Hartland Shipping Services Ltd 2017. ALL RIGHTS RESERVED.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Hartland Shipping Services Ltd.

All information supplied in this paper is supplied in good faith, Hartland Shipping Services Limited does not accept responsibility for any errors and omissions arising from this paper and cannot be held responsible for any action taken, or losses incurred, as a result of the details in this paper. This paper is distributed to the primary user of the delivery email account and may NOT be redistributed without the express written agreement of Hartland Shipping Services Limited. The primary user may make copies for his or her exclusive use.