04 May 2018

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

CONTENTS

THE BIGGER PICTURE

…US trade officials in Beijing are seeking a $200bn reduction in the US trade deficit …

Source: The FT

*Last week China imposed a 178% import duty on US origin sorghum, a trade involving only 4.6mt in 2017, so just a taste of things to come. A bigger deal will be China's proposed 25% import duty on US soyabeans, a trade involving 32mt in 2017.

^In recent months, John Dowd and Ty Cobb, key members of President Trump's legal team, have resigned. Ominously, the president has now hired Emmet Flood who represented Bill Clinton when he was impeached by the House of Representatives in the late 1990s.

POINTS OF VIEW

It has been a busy few weeks. The yield on 10-year US Treasuries broke through the significant 3% mark and Brent rose above $75 a barrel. The two are related as higher oil prices feed into inflation and inflation leads to higher bond yields and the expectation of rising interest rates. The success of the Opec output cuts, thanks in no small measure to Venezuela's collapsing oil industry as a result of mismanagement and US sanctions, has lifted oil. The threat of real war spinning out of proxy wars in Syria between the US and Russia and Saudi Arabia and Iran has elevated geopolitical tensions, even as they recede in the Korean peninsula. Furthermore, the possibility that President Trump will reimpose sanctions on Iran, and thus impede its oil industry, has supported the case for higher oil prices. Meanwhile, central banks are terrified of raising interest rates lest they plunge the global economy back into recession. The US relationship with Russia only gets worse as evidence mounts that Russia interfered in the US presidential election, and maybe in other elections in Europe, even possibly influencing the result of the UK referendum on EU membership. Russia benefits from sowing discord in the US and Europe, seeing a man elected as US president who is deeply flawed and malleable, and undermining EU unity as one of its stronger members leaves the club. From a Russian perspective, it is merely pushing back against European and Nato eastward expansion in Europe and using cyberspace to influence politics, a modern version of US historical intervention in politics and actual or attempted regime change in countries ranging from Vietnam, the Philippines, Indonesia and Nicaragua to Iraq, Afghanistan, Libya and Syria.

The common theme in all the above is the long arm of US power in imposing its 'democratic' will on other countries via economic and military sanctions, both covert and overt. The cult of leadership sees strong men as embodied by Putin and Xi pitted against weaker leaders such as Trump and May. It has just been revealed that Trump dictated his own "astonishly excellent" medical record in late 2015 at a time when he was accusing his election opponent Hilary Clinton of being medically unfit to lead. The only thing that Trump and Xi have in common is that they both dye their hair, and there it ends. Western politicians are prevented from addressing major issues by the rolling 5-year electoral cycle, with more efforts invested in re-election rather than in doing good, while China takes a one hundred year view, and permits lifetime leadership to boot. The early trade skirmishes (another form of sanction) relating to solar panels, white goods, steel and aluminium now risk infecting important seaborne trades in grains and oilseeds*. Tariffs are self-defeating and will only raise the cost of goods of all kinds to consumers and end users, generate inflation, raise interest rates and lead us by the hand into the next debt crisis. A hawkish US team has been in Beijing to discuss trade issues. We can only hope that the talks are another example of US presidential bluster, being seen trying to deliver his manifesto pledges to those that voted for him, regardless of the consequences. He may not have that much to lose as the special counsel Robert Mueller closes in and impeachment remains possible^, but the US stands to lose much.

All of the above is just so much random noise to shipping which continues to get on with the job regardless of the destructive interference of man and machine. Shipping markets are expectantly poised for better times, the key indicator being cyclically low order book to fleet ratios across all sectors, suggesting that net new supply will be constrained over the next few years. Add into this mix the IMO's tightening regulatory noose that may serve to elongate benign supply conditions beyond 2020. All we need is for demand to keep on growing in its usual steadfast and resilient manner. Trade growth was temporarily derailed in 2009 by the global financial crisis, originating in sub-prime lending to US homeowners, but it bounced back remarkably quickly. Such a man-made crisis has its theoretical equivalents today. It might start with unnecessary trade wars that have the afore-mentioned unintended consequences of generating inflation, pushing up interest rates, squeezing corporate margins and crimping investment and consumer spending. In other words, recession. As a man-made event it is thus avoidable. Similarly, shipping's next problem is more likely than not to be man-made as owners revert to ordering new ships over and above what is needed for fleet replacement, but thankfully this will not be felt until 3-5 years from now. Bulk carriers are well positioned with an OB/FL ratio of 10%. Apart from 2017, it was last below this level in 2002. Containers are also promising with an OB/FL ratio of 12%, which is the lowest figure since records began in 1996, matched by tankers at 12%, a figure last visited in 2013. These sectors are set fair so long as we can avoid human disruption to the demand side.

WEEKLY COMMENTARY

04 May 2018

HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

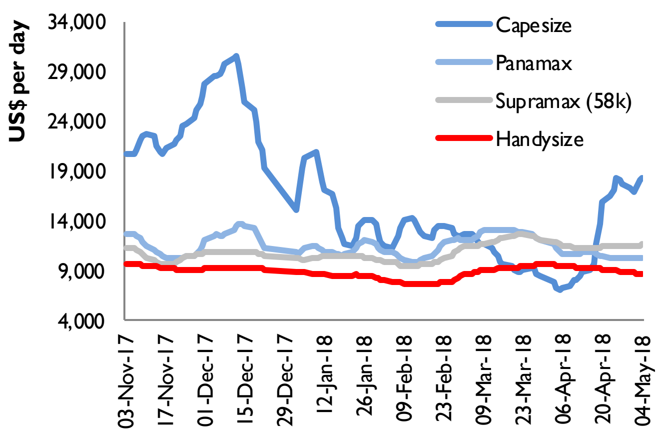
This week the BDI rose 23 points, finishing the week at 1384. The **Cape** market gained 86 points, finishing the week at 2,337, which equated to a TCE average of $18,308. In the Atlantic this week there was little to report, however, on the front haul, Polaris took *Ehime Queen* (181,221-dwt, 2016) a Bunge relet fixed delivery passing Cape of Good Hope for a trip via Brazil into China at $21,000 plus $980,000 bb. In the Pacific basin, *Tom Selmer* (175,219-dwt, 2011) fixed with Quadrolink delivery Qinhuangdao for a trip via West Coast Australia into Singapore/Japan range at $16,400. And on the period side of things, Pacific Bulk took *Star Aurora* (171, 199-dwt, 2000) for 1 year retro Qingdao at $16,000 for world wide trading.

The **Panamax** market had another mixed week, eventually closing the week at $10,176, down from last week's close of $10,250. In the Atlantic, Cargill fixed the *Key Opus* (81,863-dwt, 2015) delivery Ponta Da Madeira for a trip redelivery Gibraltar-Skaw with ore at $14,000 with $100,000 bb. The *Tatry* (82,138-dwt, 2013) was fixed to ADMI delivery Gibraltar for a trip via North Coast South America redelivery Skaw-Gibraltar at $10,150. In the Pacific, the *Prabhu Puni* (76,015-dwt, 2002) fixed delivery Xiuyu for a trip via Indonesia redelivery India at $9,250. Norvic took the *Atalanta* (82,094-dwt, 2010) delivery Qinhuangdao for a trip via Australia redelivery India at $11,000. On the front haul, Ausca fixed the *Syros I* (81,393-dwt, 2011) delivery East Coast South America for a trip to Singapore-Japan at $14,750 with $475,000 bb and Omegra fixed the *Grand Marcia* (79,452-dwt, 2012) delivery Santos for a trip redelivery South East Asia at $14,500 with $450,000 bb. On the period, the *Julian* (73,613-dwt, 2003) delivery Yeosu was taken by Ausca for 4-6 months redelivery worldwide at $10,000.

The **supramax** index closed the week at $11,543, up from last weeks close of $11,507. In the Atlantic, Centurion fixed the *Spar Octans* (63,800-dwt, 2015) delivery Ghent for redelivery East Mediterranean at $16,000 and the *Antigoni B* (56,930-dwt, 2011) was fixed by Cosmotrade, delivery Istanbul via the Black Sea, redelivery Persian Gulf for $17,000. In the Pacific, the *Wadi Feran* (57,281-dwt, 2011) was fixed for delivery Kohsichang via Thailand, redelivery East Coast India at $14,000 and Polaris fixed the *Daimongate* (63,496-dwt, 2017) for delivery Gangavaram via Australia, redelivery Far East at $12,000. The **handy** index closed at $8,592, down from last weeks $8,851. On the smaller sizes, Nurship fixed the *Irmgard* (38,100-dwt, 2012) for delivery Canakkale, redelivery Caribs/Cristobal at $10,3000 and the *Strategic Entity* (39,880-dwt, 2015) was fixed for North Brazil / West Coast South America at $11,250. On the period front, the *Captain Costis* was fixed by Meadway, delivery Rio de Janeiro for 4/6 months at $10,550.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Ehime Queen	181,221	2016	PSG COGH	05-06 May	China	21,000 + 980k GBB	Polaris	Via Brazil
Anangel Grace	180,391	2010	Xiamen	Spot	China	20,000	CNR	Via West Australia
Key Opus	81,863	2015	Ponta Da Madeira	12-14 May	Gibraltar-Skaw	14,000 + 100k GBB	Cargill	
Prabhu Puni	76,015	2002	Xiuyu	05-06 May	India	9,250	CNR	Via Indonesia
Silver Dragon	74,748	2006	Taichung	04 May	S.China	9,750	CCS	Via Philippines
West Treasure	61,292	2014	Fangcheng	05 May	WCI	12,000	CNR	Via Indonesia
E Transporter	56,745	2010	RBCT	01 May	Pakistan	11,250 + 140k GBB	CNR	
KSL Huayang	53,570	2010	CJK	12 May	S Korea	10,000	CNR	
Strategic Entity	39,880	2015	N Brazil	10 May	WCSA	11,250	CNR	
Irmgard	38,100	2012	Canakkale	01-02 May	Caribs/Cristobal	10,350	Nurship	



Exchange Rates	This Week	Last week
JPY/USD	109.17	109.23
USD/EUR	1.1941	1.2077

Brent Oil Price	This Week	Last week
US$/barrel	73.86	74.79

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	418.0	417.0
MDO	657.0	650.0
Rotterdam IFO	387.0	388.0
MDO	616.0	630.0

Dry Bulk S&P

The end of April's fleet and orderbook figures are particularly encouraging for the ultramax/supramax and handysize sectors.

The total orderbook for ultramax/supramaxes has shrunk by a net 23 units, or 1.2m-dwt from this time last year, while the handsize orderbook has shrivelled even faster - 44 units or 1.9m-dwt. The same cannot be said for the larger sectors. The kamsarmax orderbook has grown by 79 units or 6.6m-dwt since last April, while the capesize/VLOC orderbook has ballooned by 64 units or 17.1m-dwt. In percentage terms, the handysize and supra/ultramax fleets are just 5% of the total fleet in dwt terms, while the kamsarmax orderbook is equivalent to 9% of the fleet and the cape/VLOC orderbook has reached 14%.

The sales reported this week show a steady if unspectacular advance in values across the board.

Lykiardopolu are reported to have sold their caper *Sonia* (177,974-dwt, 2009 SWS) for $26m, perhaps to Korean buyers which is a better price than last week's sale of Dalian-built *Shourang Harmony* (built 2010) at $25m. Perhaps the premium is more a testament to specification and condition than market forces.

Chinese appetite for tonnage just within the CCS age limit continues. A strong $9.85m has been paid for *Maganari* (75,941-dwt, 2001 Kansashi).

Three supras are reported sold. *Sage Caledonia* (58,086-dwt, 2013 Tsuneishi Cebu) is reported sold at $18.5m - at best a sideways movement in values - she was reported fixed and failed at similar levels at the start of the year. Two Dolphin57s are sold : *Suprastar* (57,000-dwt, 2011) Qingshan for $11.75m and *AS Vincentia* (56,708-dwt, 2010 Kouan) for $11m. There are a lot of similar units for sale and at juicy discounts to their Japanese contemporaries.

Finally in the handy sector, four Hyundai Mipo large handies are sold, with the Vietnamese-built unit seemingly valued above her Korean cousins. Pioneer are rumoured the buyers of *Orient Dispatch*, *Orient Delivery* and *Orient Defender* (36,800-dwt 2013, 2012, 2011 Hyundai Mipo) for $41m enbloc - which suggests something like $13.05m, $13.65 and $14.3m respectively, compared to $13.3m reported paid for *Nord Auckland* (36,782-dwt, 2011 Hyundai Vinashin).

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Sonia	177,974	2009	SWS	-	Undisclosed	26	
Maganari	75,941	2001	Kanasashi	-	Chinese	9.85	
Sage Caledonia	58,086	2013	Tsuneishi Cebu	C 4x30	Undisclosed	18.5	
Suprastar	57,000	2011	Qingshan	C 4x30	Undisclosed	11.75	
AS Vincentia	56,708	2010	Taizhou Kouan	C 4x30	Middle Eastern	11	
Orient Dispatch	36,887	2013	Hyundai Mipo	C 4x30	Pioneer Marine	41 (enbloc)	
Orient Delivery	36,892	2012					
Orient Defender		2011					
Nord Auckland	36,782	2011	Hyundai Vinashin	C 4x30	Undisclosed	13.3	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	$/LDT	Buyer
New Tinos	305,839	1999	Mitsubishi Nagasaki	TANK	43,200	442	Pakistan
Seakay Spirit	125,133	1979	Sun Shipbuilding	TANK	24,414	382	'as is' Freeport, Bahamas
Hercules M	96,174	1996	Samsung Geoje	TANK	14,709	Undisclosed	Sub-continent
Maharshi Bhardwaj	59,421	1992	Hyundai Ulsan	GAS	16,947	375	'As is' Cochin
Maharshi Shuhatreya	30,466	1982			14,065		'As is' Kandla
Maharshi Bhavatreya	25,998	1991			11,184		
Maharshi Devatreya							
Maharshi Krishnatreya							
Maharshi Mahatreya							

Tanker Commentary

Over the past few months, deals on LR2s of the millennial vintage have been scarce to say the least. The playing field appears to have changed this week though with four sales to report. It is reported that Chandris have agreed a deal with compatriot owner Latsis, on their *Aegea* and *Amorea* (115,000-dwt, Samsung 2009). The price of $23.7m each certainly appears attractive for any buyer, especially when once considers the usual high quality coming out of the Chandris stable. It should be noted though that both ships were trading dirty which will usually see a $0.5m - $1m discount. The Toisa train continues to roll with the Greek oil company Avin securing the coated but dirty trading *United Journey* (112,723-dwt, SPP 2010) and *United Seas* (110,295-dwt, Mitsui Ichihara 2008) for $26m and $20m respectively. When you compare this sale to the Chandris transaction, the price seems relatively firm, especially when taking into account the forced nature of the sale; but it is understood that this deal included finance from the bank controlling the sale which may have inflated the price somewhat. In the MR sector, Kirk Capital has now closed the door on shipping securing a deal on their final four vessels. After selling out their 2 x 2009 STXs last week, the Lego family fund has committed their remaining ships, the *Christina Kirk* (53,540 dwt, Shin Kurushima 2010) and the *Gunhild Kirk* (50,326-dwt, GSI 2009), along with the two MRs *Edith Kirk & Marie Kirk* (37,255-dwt, HMD 2004).

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Aegea	115,878	2009	Samsung	Greek	23.7	
Amorea	115,760					
United Journey	112,723	2010	SPP	Avin International	26	
United Seas	110,295	2008	Mitsui Ichihara		20	
Christina Kirk	53,540	2010	Kurushima	Undisclosed	Undisclosed	
Gunhild Kirk	50,326	2009	GSI			
Edith Kirk	37,255	2004	Hyundai Mipo			
Marie Kirk	37,217					
Seaways Alcmar	46,248	2004	STX	Warm Seas Dev	10.7	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate ($/pm)	Charterer
Kimolos	157,100	2018	Japan Marine	18 months	16,000	UAE
Yasa Golden Horn	116,095	2007	Samsung Geoje	6 months	13,500	Vitol
Yasa Golden Bosphorus	115,867					
FPMC P Hero	114,410	2011	Sasebo	1 year	Undiclosed	Glencore
Sea Jaguar	114,024	2011	Hyundai Ulsan	1 year	14,250	Pantheon Tankers
Megalonissos	106,162	2004	Hyundai HI	1 year	13,500	Koch
Eternal Diligence	74,994	2006	Onomichi	1 year	12,500	Shell
Maritime Equator	56,748	2016	Dalian	1 year	16,500	Reliacne
Active	50,135	2015	Samsung	9 months	15,500	Stena Bulk
STI Amber	49,990	2012	Hyundai Mipo	1 year	15,000	Reliance

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