06 April 2018

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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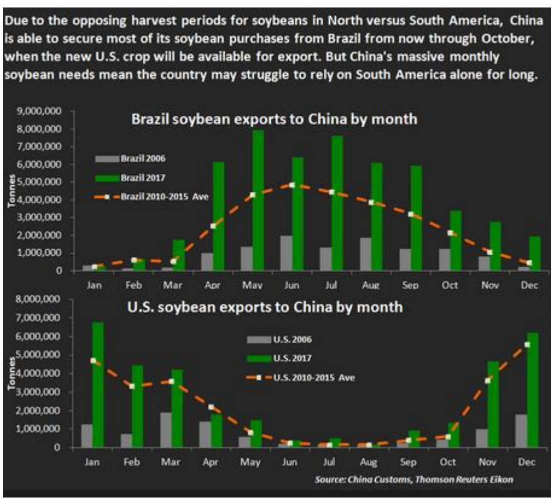
THE BIGGER PICTURE

… A Hill of Beans …



Source: Reuters

*Section 301 investigations into China's intellectual property practices.

^Facebook, Amazon, Apple, Netflix and Google.

**North Dakota, South Dakota and Nebraska are 3 of 10 GP states.

^^Lately, China has been buying more Brazilian and less US soya beans.

***USDA SB export estimates in 2017/18, Brazil: 70.5mt; US: 56.2mt.

POINTS OF VIEW

Early this week President Trump announced 25% import tariffs on $50 billion worth of Chinese industrial, technology, transport and medical products. China swiftly responded with similar size tariffs on equivalent value US goods ranging from soyabeans, beef and whiskey to planes, cars and chemicals. The US duties will come into effect by June at the earliest, and Chinese retaliatory measures will only be triggered after the US tariffs become effective. Over the next 60 days negotiators on both sides will work tirelessly to find ways in which to avoid an escalating programme of joint self flagellation. The global seaborne trade in soyabeans is important to dry bulk shipping, and it will not stop with Chinese duties on US supply, but trade flows will adjust. China imports 100mt of soyabeans a year with about 51mt coming from Brazil and about 33mt from the US. Other sources are few and far between, especially as this year's Argentine crop is down nearly 30% due to drought. It is not feasibly possible for China to replace all of its US sourced soyabeans from other suppliers. Chinese crushers supply pig farmers with high protein soyabean meal and households with soy cooking oil. Causing domestic prices to rise would be an act of self harm but if the government decides that its people will make sacrifices in the national interest, then so be it. Exactly how America's farmers, auto and aero workers will react is less predictable. They may not be so supportive of the president's attack on the country's agricultural and manufacturing base in retaliation for alleged Chinese intellectual property theft*. That train left the station long ago, and the FANGS^ do not even pay their fair share of taxes. This is one trade war to avoid.

The United States is the world's largest producer of soyabeans and China is the world's largest importer, buying 60% of all globally traded beans. Of the ten largest producer states, eight are Republican. The largest, Illinois, is Democrat and the fourth largest, Nebraska, is non-partisan. The other eight are all 'red' states: Iowa, Minnesota, Indiana, Missouri, Ohio, North Dakota, South Dakota and Arkansas. The top nine are classified as belonging to the Midwest, the beating heart of America, and they include part of the symbolic Great Plains**. Only the smallest top ten producer, Arkansas, is outside the Midwest; it is part of the South. The Midwest is known for its farming and manufacturing and is a vital part of the great US economic miracle. For China to target US soyabean exports is to attack the agricultural heartland of America as well as the voter base that helped install Trump in the White House. The US-China soyabean trade is worth over $12 billion a year, and it is as important to China as it is to the US. Tellingly, China has been building up its soyabean inventories over the past six months, mainly from Brazil and the US^^, in anticipation of this moment. It can continue to buy more Brazilian and less US beans by outbidding for Brazilian supplies thus forcing US exports into markets abandoned by Brazil***. It will buy any shortfall from other sources and use substitute crops to sustain its, the world's largest, livestock industry. So far, the phoney war on tariffs is more threat than action, more snort than bite, but this may change.

The long-haul grains and oilseeds trades from North and South America to China and the Far East are tonne-mile rich, providing succour to large sub-capesize bulk carriers. China's last six months of stockbuilding is partly reflected in rising time charter rates. Kamsarmax average daily rates rose from $8,917 in 1Q17 and $8,873 in 2Q17 to $11,414 in 3Q17 and $12,362 in 4Q17. In 1Q18 they averaged $11,986 per day. It has been a similar pattern for panamax and supramax. Panamax average rates rose from $9,061 in 1Q17 and $9,391 in 2Q17 to $11,336 in 3Q17 and $12,494 in 4Q17. In 1Q18 they averaged $12,482 per day. The same figures for a supramax over the past five quarters are $8,769 - $9,888 - $11,140 - $12,564 - $12,225. One question is what will happen over the next three quarters to end 2018? China should fill its boots with Brazilian supplies in Q2 before any trade action is decided upon. Thereafter, if US action is taken, China could go into stock drawdown mode and use other ingredients in its pigfeed, but it will struggle to maintain high protein levels. After September, China is traditionally reliant upon US seasonal exports so a deal must be struck well before then. Logically, the US and China will drop their petulant wrist-slashing threats. Unfortunately, President Trump insists on applying crude and disruptive negotiating tactics to world issues, mindless of the consequences when moving from binary to multiple outcomes. Losing his voters is one thing but causing job losses, higher inflation, rising base rates, lower consumption and reduced investment will be the road to perdition, and the next recession. After Cohn and Tillerson left the White House only Mnuchin is left to tame the gung-ho spirits of Lighthizer, Navarro and Bolton. Let's hope he sucks seeds.

Dry Cargo Chartering

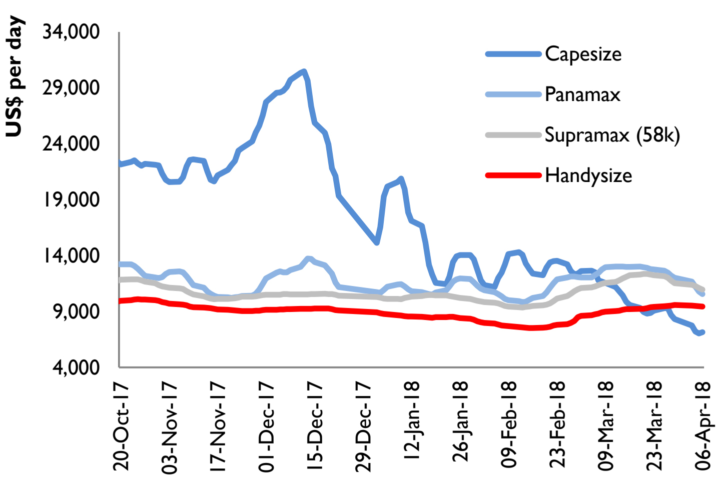
The cape market this week remained low and has dropped further by another $1,183 to finish the timecharter average at $7,156. In the Atlantic the *York* (180,060-dwt, 2015) fixed delivery Sines for a trip via Ponta Da Maderia and Turkey redelivery passing Cape Passero by MOL at $7,500. A fronthaul was fixed on *Cape Violet* (280,274-dwt, 2015) a Jera relet by Oldendorff delivery Falmouth via options into Singapore/Japan at $17,500. In the Pacific *KSL China* (179,109-dwt, 2012) delivery CJK for a prompt trip via Australia in Singapore/Japan at $10,750 by RGL. On the period side of things *Los Angeles* (206,104-dwt, 2012) was fixed for 9/12 months delivery Kwangyang with SwissMarine at $19,150.

The panamax market this week fell off significantly, dropping $1,437 to end the timecharter average on $10,574. In the Atlantic we saw the *Helvetia One* (92,737-dwt, 2012) delivery Brunsbuttel via Murmansk to Israel redelivery Passero at $13,000, fixed by Bunge. Langlois took the *Zoi XL* (82,273-dwt, 2006) delivery Damietta via Black Sea to Red Sea with grains redelivery Port Said at $11,800. Bunge again in the Atlantic were reported to have take the *Bulk Poland* (82,150-dwt, 2014) delivery Gibraltar via Kamsar redelivery Fos at $11,800. On fronthaul, Raffles fixed the *Konstantinos II* (81,698-dwt, 2013) delivery EC South America redelivery Singapore-Japan at $15,500 plus $550k bb. Cofco fixed the *Bravery Phaethon* (76,606-dwt, 2004) delivery Ghent via North Coast South America redelivery Singapore-Japan at $15,600. Cargill fixed the *YM Endeavour* (82,205-dwt, 2011) delivery San Ciprian via Santarem redelivery Singapore-Japan at $18,750. In the Pacific, the *Darya Ma* (81,874-dwt, 2011) delivery Nantong via the North Pacific redelivery Singapore-Japan at $12,000. Louis Dreyfus fixed the *Semiramis* (82,301-dwt, 2013) delivery Chiba via the North Pacific redelivery Singapore-Japan at $14,250. BG Shipping fixed the *Nui Zhi* (71,252-dwt, 1995) delivery South China via Indonesia redelivery South China $8,000.

This week the Supramax market fell $554 to finish up at $12,023. In the Atlantic, XO Shipping took the *Globe Trinco* (58,785-dwt, 2008) delivery West Africa into the East Mediterranean at $13,500 and the *Josco Runzhou* (58,722-dwt, 2011) was fixed by Oldendorff delivery Black Sea into the US Gulf at $7,000. In the Pacific, the *Ionic Spirit* (56,108-dwt, 2010) fixed for delivery Prai to South East Asia via Indonesia at $12,250 and Klavness took the *Yasa Canary* (55,431-dwt, 2013) for delivery Semarang into the West Coast of India via Indonesia at $14,400. On the period front, the *Mandarin Sky* (56,930-dwt, 2009) was fixed delivery Zhoushan for 5/7 months redelivery worldwide at $12,000. Very little was reported this week on the Handies which fell $135 to end at $9,442. In the Atlantic, Pacific Basin fixed the Sharpness (35,510-dwt, 2015) for delivery Nikolaev into ARAG for $11,500. On the period front, the *Bunun Elegance* (45,556-dwt, 2014) was fixed delivery Vietnam for 5/7 months, redelivery worldwide, at $11,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Navios Gem	181,336	2014	CJK	2 Apr	Japan	12,000	NS United	Via Newcastle
York	180,060	2015	Sines	PPT	Cape Passero	7,500	MOL	Via Ponta Da Madeira & Turkey
Zoi XL	82,273	2006	Damietta	PPT	Port Said	11,800	Langlois	Via Black Sea to Red Sea
Darya Ma	81,874	2011	Nantong	PPT	Singapore-Japan	12,000	Bunge	Via Nopac
Bravery	76,606	2004	Ghent	4 Apr	Singapore-Japan	15,600	Cofco	Via NCSA
SBI Virgo	63,629	2017	Canakkale	02/06 Apr	China	19,000	Langlois	Via Black Sea
Kiran Caspian	63,476	2015	Zhangjiang	PPT	China	13,000	CNR	Via Indonesia
Globe Trinco	58,785	2008	W Africa	PPT	East Med	13,500	XO Shipping	
Sharpness	35,510	2015	Nikolayev	PPT	ARAG	10,400	Pacific Basin	
Maple Harmony	23,003	2010	Hong Kong	PPT	Indonesia	8,300	GMT	



Exchange Rates	This Week	Last week
JPY/USD	106.91	105.10
USD/EUR	1.2279	1.2345

Brent Oil Price	This Week	Last week
US$/barrel	67.11	70.05

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	380.0	379.0
MDO	615.0	608.0
Rotterdam IFO	361.0	364.0
MDO	581.0	572.0

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Dry Bulk S&P

April can be a cruel month. Expectations are raised after a cold, wet winter, and unwary gardeners are then caught by the unexpected late frost. The freight market has likewise been afflicted by a sudden freeze. Undeterred, we have a relatively long list of sales to report this week from across the sectors. However this is an Easter double bill and the soybean war is still in its phoney stage.

Two sister capers have been sold from separate sellers to related buyers; CTM and Goodbulk have reportedly acquired *Ocean Commander* and *Big Bang* (both 174,100-dwt SWS 2007) for $21.5m each.

Two panamaxes and a kamsarmax have been sold this week, two at stronger levels, and one not so much. Greek buyers have paid a stronger $19m for *BBG Ambition* (82,108-dwt, Tsuneishi Zhoushan 2009), while Omicron are reported to have paid $12.6m for *DR Bravo* (76,806-dwt, Sasebo 2005) - the first middle aged panamax sold for some time. Smaller panamaxes, from lesser known Chinese yards are harder to sell and *Annabel* (75,200-dwt, Penglai 2010i) achieved only $14.3m.

The supramax sector continues to feast on sales candidates from German banks. *Alexandrit, Azurit* and *Hammonia Malta* (abt. 57,000-dwt Hantong 2010) have been sold for $11.3m, $12.4m and $11.5m respectively. Elsewhere there are conflicting reports on the price achieved by *Ten Yoshi Maru* (57,110-dwt, Tsuneishi Zhoushan 2011) - either $16.3m or something in the higher 16's. The lower levels would be as per last done. The buyers are reported as Thai Thoresen, the most active buyer in this sector currently.

Finally the handy size market remains active with three Kanda built sisters built 2007, 2009 and 2010 being sold for a proportionate $10.5m, $11.7 and $12.5m. respectively.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Ocean Commander	174,142	2007	Shanghai Waig		CTM	21.5	
Big Bang	174,109	2007	Shanghai Waig	-	Goodbulk	21.5	
BBG Ambition	82,108	2009	Tsuneishi Zhou	-	Greeks	19.0	
DR Bravo	76,806	2005	Sasebo	-	Omicron	12.6	
Annabell	75,200	2010	Penlai Zhong	-	Greek	14.3	
Ten Yoshi Maru	57,110	2011	Tsuneishi Zhou	C 4x30	Thai Thoresen	High 16s	
Alexandrit	57,015	2010	Jiangsu Hantong	C 4x36	Greek	11.3	
Azurit	56,771	2012	Jiangsu Hantong	C 4x30	Undisclosed	12.4	
Hammonia Malta	56,700	2010	Jiangsu Hantong	C 4x35	New Yangtze	11.5	
Santa Margherita	53,260	2005	New Century	C 4x36	Greeks	8.7	
New Izumo	33,193	2010	Kanda Kawa	C 4x30.5	Far Eastern	12.5	
SSI Spring	32,576	2007	Kanda Kawa	C 4x30.5	Far Eastern	10.5	
Elliott Bay	32,216	2009	Kanda Kawa	C 4x30.5	Undisclosed	11.7	
Omicron Way	29,107	2001	Bohai	C 4x30	Chinese	5.1	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	$/LDT	Buyer
Sea Dolphin	50,743	1990	Mitsubishi	GAS	16,365	450	Bangladesh

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Tanker Commentary

The holidays across the world have not helped give any life to the tanker market, which remains in the doldrums. Something to take from this dire situation though is the number of units which have been committed for scrap. Despite 17 or so VLCCs being committed for Demo this year, only a handful have made their way from the hands of the Cash Buyer to the End User. It would take a significant revival in earnings for these units to return to the active fleet, however the longer they remain in one piece, the greater the chance some may reappear. For further trading, the VLCC *Vega Trader* (299,985-dwt, Universal 2003) has been committed to New Shipping for low $21m. Another VL, *Nave Galactic* (299,168-dwt, Shanghai Jiang 2009) was been reported sold for $44.5m, however we understand this may be an internal deal.

In the products sector, the market is closely watching the Scorpio MRs STI Ville & STI Fontville (50k-dwt 2013 HMD) which are rumoured to have seen four offers, the highest in the mid $20m. The hope is that these modern units are concluded next week, creating fresh benchmarks and providing a sense of clarity for both Buyers and Sellers and hopefully spurring the market into action..

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Nave Galactic	297,168	2009	Shanghai Jiang	Navios	44.5	
Sinar Emas	18,010	2000	Jiangsu	Undisclosed	6.9	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate ($/pm)	Charterer
Iridescent	112,871	2009	New Times	1 year	13,750	Solal
Atlantic Mirage	51,476	2009	STX	6 months	13,250	ST Shipping
Sadah Silver	49,734	2016	Hyundai Mipo	1 year	15,250	Clearlake
Silver Dover	49,635	2015	Hyundai Mipo	6 months	14,000	Koch
Maersk Miyajima	48,020	2001	Iwagi Zosen	1 year	13,250	ST Shipping
Kibaz	47,094	2006	Onomichi	Undisclosed	Undisclosed	ST Shipping
Rinella M	40,441	2006	Constanta	9 months	14,450	ENI

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