

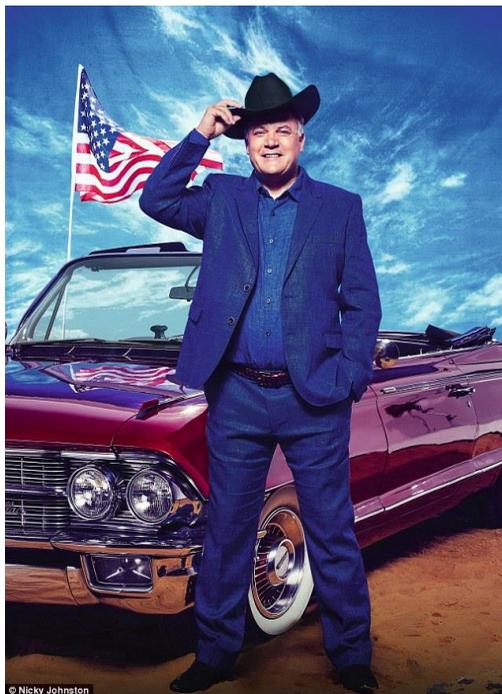


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THE BIGGER PICTURE

...Ed Balls in Trumpland...



Source: The Daily Mail

*See the excellent BBC trilogy "Travels in Trumpland with Ed Balls" to meet the human voters behind the electoral earthquake

^The 'Manufacturing 2025' or 'Made in China 2025' programme, aimed at boosting China's tech capability, is a threat to the existing US-led order.

POINTS OF VIEW

Summer is ending and it is back to work for most professionals in the shipping industry and a chance for the markets to build up a head of steam going into the last quarter of 2018. We are seeing better supply and demand balance in bulk carriers and containers but tankers are suffering the consequences of a strong market either side of 2015 when oil prices were low and demand was high. Now we have a few headwinds to contend with including the impact on consumption of rising US dollar interest rates and higher oil prices, as sanctions on Iran and Venezuela begin to take effect. We also have the added complication of US-initiated trade spats around the world, especially those aimed at China and last year's huge \$375 billion trade surplus with the US. Some people are even calling the peak of the Chinese steel cycle, that has stoked the dry bulk market recovery from the top down, benefiting the biggest ships the most. The US president is determined to challenge the cosy old world order. He pulled out of the TPP and TTIP, is renegotiating Nafta and now has the WTO in his sights. He has threatened to pull the US out of the WTO if it does not shape up. As with Nato, the threat of US withdrawal from multinational institutions helps to focus minds. The president believes in maximum leverage in any situation. He borrowed heavily in his real estate ventures so that he could steer his banks to the negotiating table when things got dicey, as they often did. Similarly, he is financially leveraging the US economy, via lower taxes and higher spending, for more immediate gains. Higher deficits and rising national debt will survive Trump's presidency whether it be for another two or six years. The debt problems will be left to another president and to a future generation. Regardless of this fact, he enjoys broad support for standing up to America's political and economic opponents*.

People have been calling an end to China's steel boom for years and it is still yet to happen. According to SIN's latest Dry Bulk Trade Outlook, world seaborne trade in iron ore is expected to rise 2.0% year-on-year from 1,473mt in 2017 to 1,503mt in 2018 and then by another 1.8% to 1,530mt in 2019. China's seaborne iron ore imports will account for almost 72% of global trade in iron ore at 1,058mt in 2017, rising 1.8% to 1,077mt in 2018 and by another 1.3% to 1,091mt in 2019. It is a slowing rate of growth, but it is growth. Nonetheless, it is amazing how quickly China seems to be transitioning from an industrial and manufacturing juggernaut to an economy driven by services and consumer spending[^]. In its industrial processes it is cutting overcapacity and reducing pollution. In manufacturing it is moving steadily up the value chain by taking advantage of an increasingly well-educated workforce that is graduating with greater emphasis on science, technology, engineering and mathematics. HSBC Global Research thinks that trade wars could be "A blessing in disguise" by strengthening China-EM links. It states that in the 10 years since the 2008 Global Financial Crisis, China has repositioned its export competitiveness away from selling labour-intensive goods to developed markets (DM) toward selling electronics and machinery to emerging markets (EM).

It goes on to say that EM accounted for 59% of China's total exports in 2017, larger than the US (19%), the Eurozone (16%) and Japan (6%) combined. In a scenario where a 25% tariff is placed on \$200bn of China's exports to the US, China's overall export growth could slow by 3.8%. This would be fully offset if export growth to EM grew just 1.3% faster. Clearly we have a lot to learn about the changing dynamics of seaborne trade as new trading relationships evolve out of US mercantilism. Bulk carrier earnings have been patchy since the beginning of 2017. The current Baltic BCI-5TC shows that a modern capesize is earning a respectable \$20,671 per day while the BSI-TC puts a modern supramax at \$12,475 daily. More revealing is the gain in 5-year old values over the same timeframe. At the start of 2017 a 5-year old 180,000-dwt capesize bulk carrier was worth only \$22.4m, today it is \$14m or 62.5% higher at \$36.4m. Meanwhile, a 5-year old 58,000-dwt supramax bulk carrier is up 35% since the start of 2017 from \$13.7m to \$18.5m. After brisk asset value appreciation in 2017, the rise in asset values this year has been remarkably subdued as the freight market has not provided adequate succour. We can only hope that the closing months of 2018 provide more old world vigour, inspiring elevated movements of iron ore, coals and grains to pump asset values higher. Ironically, we may find ourselves more aligned with Trumpland voters in old world industries and somewhat cast adrift by China's rapid shift to new world services.

Dry Cargo Chartering

The capes ended the week at \$21,354, down from last weeks close of \$25,333. In the Atlantic, the *Star Virgo* (207,812-dwt, 2017) 180,000/10% was fixed by TKSE for delivery Tubarao, redelivery Rotterdam at \$9.00. In the Pacific, K-Line fixed the *Cape Victory* (177,000-dwt, 2010) for delivery Dangjin via West Australia, redelivery Singapore-Japan at \$23,000. On the front haul, Bahrain Steel fixed the *CCL TBN* 150,000/10% for delivery Port Cartier, redelivery Bahrain at \$21.85 and the *Global Commander* (207,953-dwt, 2010) 190,000/10% was fixed by ECTP for delivery Sepetiba, redelivery Qingdao at \$22.75. On the period front, Swiss Marine fixed the *Aquamarie* (178,896-dwt, 2012) for 12/14 months, delivery Qingdao at \$22,000.

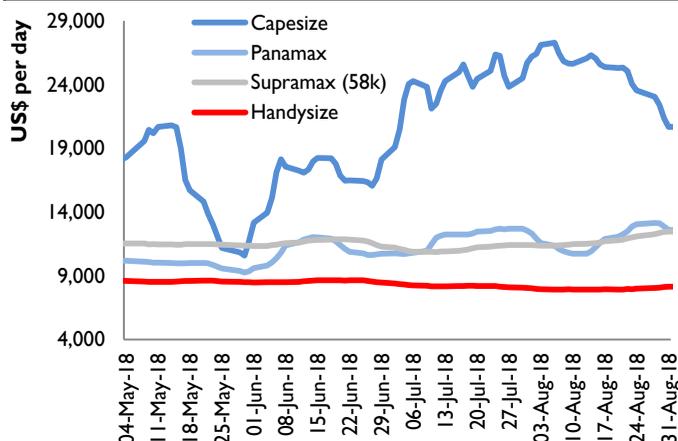
The panamax market improved first half of the week, but dropped towards the end, closing the week at \$12,582, a decrease of \$473 from last week. In the Pacific NYK took *Hebei Shijiazhuang* (93,721-dwt, 2007) delivery Caofedian for a trip via North China redelivery Japan at \$14,800. *Xin Han* (82,297-dwt, 2013) delivery Busan for prompt trip via the North Pacific redelivery Vietnam fixed at \$12,000 to Pacific Bulk. In the Atlantic, *Oratorio* (81,841-dwt, 2014) delivery Ponta Da Madeira for redelivery Swainousjcie fixed at \$22,000 to Element. Glencore also took *Sudety* (82,138-dwt, 2013) delivery Flushing prompt trip via Itagui redelivery Spain at 14,000. On the fronthaul, *Nirefs* (75,311-dwt, 2001) delivery East Coast South America for a trip to Singapore – Japan range fixed at \$15,500 plus \$550,000 bb to Cargill. *Nod Capella* (81,944-dwt, 2014) delivery Black Sea redelivery South Korea fixed at 27,500 to Bunge. On the

period front, *KM Keeling* (82,072-dwt, 2010) delivery Jingtang for 11-13 months trading, redelivery worldwide fixed at 13,750.

The Supramax market rose this week, concluding at \$12,442, up from last week's close of \$12,102. In the Pacific, the *Rising Sky* (63,405-dwt, 2017) was fixed to Olam delivery Longkou for a trip via Port Kembla redelivery Vietnam at \$13,000 and the *Mandarin Sky* (56,930-dwt, 2009) was taken by United delivery Ningde for a trip via Philippines with nickel ore redelivery China at \$11,500. In the Atlantic, BG Shipping took the *Swan* (53,487-dwt, 2006) delivery Londonderry for a prompt trip via Antwerp redelivery East Mediterranean with scrap at \$13,500. On the front haul, the *Navios Mercury* (61,393-dwt, 2013) fixed to Victory Shipping delivery Santos for a trip redelivery Chittagong with sugar at approximately \$15,100 plus \$510,000 bb. The Handy market has kept steady to firm, closing the week at \$8,112, up from last week's close of \$8,000. In the Pacific, the *Daytona Beach* (28,233-dwt, 2012) fixed delivery Campha for a spot trip redelivery Thailand with steels at \$7,950. In the Atlantic, the *Orhan* (35,138-dwt, 2013) delivery Rotterdam fixed a prompt trip redelivery Continent with coal at \$10,800. On the period side, Oldendorff took the *Kiran Australia* (63,700-dwt, 2013) delivery Arabian Gulf for minimum 4 to about 7 months redelivery worldwide at \$14,250. The *Xin Hai Tong 10* (48,924-dwt, 2015) delivery Inchon for 5-8 months redelivery worldwide at \$11,200.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Alpha Hope	181,433	2011	Jingtang	PPT	Singapore-Japan	25,000	NYK	Via Brazil
Anagel Fortune	175,500	2005	Caofedian	29 Aug	Singapore-Japan	20,000	CNR	Via West Australia
Iolcos Ambition	87,376	2012	EC South America	17 Sep	S.China	16,500	Comerge	BB \$650,000
Ocean Wind	76,619	2005	Port Said	02 Sep	Port Said	13,500	Langlois	Via Red Sea
Tiger East	76,213	2012	Hamburg	02 Sep	Skaw-Porto Torres	15,000	Norden	Via Murmansk
Aquaknight	75,396	2007	Nagoya	05 Sep	Singapore-Japan	12,000	DHL	Petcoke
Aqualeo	63,948	2018	Gresik	03 Sep	China	17,000	Full Links	17,250 if north of CJK
Diamond Sea	55,437	2011	USG	PPT	Med	20,100	Eagle	Petcoke
Amber L	47,282	2000	Abu Dubai	PPT	Bangladesh	11,750	CNR	Via Pakistan
Gladiator	28,341	2008	Merak	25 Aug	Singapore-Japan	8,500	CNR	2/3 LL



Exchange Rates	This Week	Last week
JPY/USD	110.85	111.21
USD/EUR	1.1632	1.1614

Brent Oil Price	This Week	Last week
US\$/barrel	77.29	76.07

Bunker Prices (\$/tonne)	This week	Last week
Singapore IFO	469.0	458.0
MDO	696.0	670.0
Rotterdam IFO	432.0	425.0
MDO	660.0	647.0



Dry Bulk S&P

There's been a sense of greater activity this week as the proverbial 'pupils' return to school, aided by the announcements by two listed companies of large acquisitions. Star Bulk have bought two ER Schiffarts Capes and a Supramax en bloc *ER Brandenburg* (178,987-dwt, 2010 HHI Gunsan), *ER Bougogne* (179,906-dwt, 2010 Hyundai Samho) and *ER Brighton* (55,783-dwt, 2010 Hyundai Vinashin) in a cash plus shares deal. Based on the current Star Bulk share price, this values the deal at \$58.7m. This comes with a call option on four more 2010 Korean capes at \$28.85m per ship in Spring 2019, while the sellers have a put option at \$26.4m per vessel. These are not the only capes sold, with Bright Navigation rumoured to have picked up *NSS Grandeur* (176,882-dwt, 2006 Mitsui) at \$20.5m, a mark down on the sale of sister ship, *Royal Chorale* (177,544-dwt, 2006 Mitsui) at \$22.0m three weeks ago.

IVS have also announced the purchase of two Japanese Ultramax resales, delivering Q3 2019 from Japan at \$26.4m in addition to chartering in three Japanese Ultramax on long term TCs with purchase options. Sticking with the ultramax, clients of Fafalios are rumoured to have paid \$19.5m for the *Nord Crest* (61,654-dwt, 2011 Oshima). The price is in line with last month's sale of the *Aquapride* (61,465-dwt, 2012 Iwagi) which went for \$20.0m.

Elsewhere, handy bulkers continue to change hands. Bergebulk have paid a fairly firm price of \$18.9m for the China Navigation controlled *Newchang* (38,800-dwt, 2017 Huanghai) whilst Danish owner Lauritzen has finally has sold their *Signe Bulker* (32,755-dwt, 2010 J Nanyang) to Greek buyers for \$9.6m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price \$m	Comment
ER Bourgogne	179,906		Hyundai Samho	-	Star Bulk Carriers Corp		4 x additional 2010 korean built capes at \$28.85m each or \$26.4m each declarable early April 2019
ER Brandenburg	178,987	2010	HHI Gunsan	-	Star Bulk Carriers Corp	Cash + shares	
ER Brighton	55,783		Hyundai-Vinashin	C 4x30	Star Bulk Carriers Corp		
NSS Grandeur	176,882	2006	Mitsui Chiba	-	Bright Nav	20.5	
Nord Crest	61,654	2011	Oshima Shipbuilding	C 4x30	Greeks	19.5	
Genco Cavalier	53,617	2007	Yangzhou Dayang	C 4x36	Undisclosed	Low 10	
Avlemon	42,584	1997	Brodosplit	C 4x30	Chinese	3.2m	
Newchang	38,800	2017	Huanghai Shipbuilding	C 4x30	Berge Bulk	18.9	
Signe Bulker	32,755	2010	Jiangmen Nanyang	C 4x30.5	Greeks	9.6	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LDT	Price (\$)	Delivery
Al Anbariah	95,628	1993	Imabari Shbldg	Tanker	15,933	445	Chittatong /Alang
Skazochnyj Most	47,314	1998	Uljanik Brodogradiliste	Tanker	9,740	450	Nambia

Tanker Commentary

As the summer draws to a close, owners returning to their desks will be looking ahead to the winter, crossing their fingers for a strong seasonal boost. With rates at their current levels, one would hope that it can only go up...!

There is no shortage of interest, no shortage of inspections, and no shortage of offers, but there is a shortage of sales. This would suggest the bid ask spread remains far too wide and sellers are standing their ground. As such, it is no surprise that the one notable sale we have seen this week is a distressed deal from a German bank. The coated but dirty trading *Cape Texel* (73,700-dwt, 2009 New Times) has been sold for \$12.5m. The price sets a new low, but it should be noted that she is dirty trading, and in this market dirty trading LRIs are by no means an easy sell.

The buyers are circling above, but so far, only a handful have swooped down to pick up tonnage. Some expect things to get worse before they get better, but if a cold winter does come our way, a strong seasonal pick up will inevitably make it much more difficult for buyers to pick up these historically cheap deals... one would not want to miss the boat!

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price \$m	Comment
Cape Texel	73,700	2009	New Times	Scandinavian	12.5	
MR Nautilus	43,500	1998	Uljanik Brodogradiliste	Undisclosed	4.8	

Tanker Fixtures

Vessel	DWT	Built	Yard	Period	Rate (\$/pd)	Charterer
Papalemos	319,000	2018	Hyundai HI	1 yr	24,500	Vitol
C Spirit	314,000	2013	Hyundai HI	1 yr	18,300	Reliance Industries
Chrysalis	115,900	2010	Samsung	1 yr	13,750	Maersk Tankers
Arendal	50,100	2010	SPP	6 months	13,000	Undisclosed
Nancy P	50,000	2015	Hyundai Mipo	1 yr	14,500	Shell
High Valor	47,000	2005	STX Offshore	1 yr	13,000	ExxonMobil
High Courage	47,000	2005	STX Offshore	1 yr	13,000	ExxonMobil
Energy Panther	46,600	2008	Sungdong	3 yrs	14,500	ExxonMobil
Jane S	45,000	2015	Hyundai Mipo	1 yr	14,500	Shell

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

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