31 May 2019

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… Anxious times for Presidents, Politicians and Pigs in general…

Source: ABC

POINTS OF VIEW

Shipping has had a tough start to 2019 just when we thought that things were getting better. A series of exogenous shocks (e.g. Brumadinho, Veronica, sanctions*, trade wars, tariffs, African swine fever, China slowing, global slowdown, Trump, Mueller, May and Brexit) has hit sentiment hard, and that has done its own damage. We are witnessing an unexpected 6-month setback on our long road to recovery, but we hope to resume normal progress in the second half of 2019. The iron ore output cuts in Brazil and Australia have sent spot iron ore prices to $120 a tonne. At such levels we get stock drawdown, switches to lower grades and alternatives, higher Chinese domestic production and greater use of steel scrap in electric arc furnaces. As iron ore supplies normalise so prices will come back down and the seaborne market will revive. China's 1Q19 crude steel output was up 10% year-on-year and in April it hit an all-time record of 85mt, over one billion tonnes at an annualised rate. On the other matters, it looks as if sanctions are here to stay and that the US-China trade dispute and tariff wars are getting worse not better. ASF has spread across the whole of China and has already moved on to South East Asia. China and the world appear to be slowing down while Mueller and May are going and Brexit is sticking around like an unwelcome guest.

The European elections did not concede quite as much ground to populism as feared and, from a UK perspective, the Brexit party came out on top while Labour and the Conservatives were punished and the Liberal democrats were reborn. In aggregate, we are told, votes for those parties associated with Remain outnumbered those associated with Leave. After three years the UK is no closer to leaving the EU with a 31 October Halloween deadline looming. The fundamentals will not change with a new leader; there will still be deep division within parliament and the nation. Some call it democracy in action, others are less polite. There would seem to be no clear majority for any of the possible 'solutions': the Withdrawal Agreement, a no-deal exit, another referendum, revocation of Article 50, or a general election. Theresa May, having failed to seek consensus until the very end, is now the unlikely advocate of compromise. Her deal, which tried to satisfy everyone but satisfied no-one, and is often seen by leavers as worse than staying, was voted down three times. The 2016 referendum was a narrow 52:48 vote in favour of leaving but its delivery was left to a government and parliament that is majority in favour of remaining. Once May has gone, Boris Johnson is favourite to become the leader of the Conservative party, and not everyone is happy about that.

A private law suit has been brought against him for repeatedly lying in the referendum campaign as he quite literally took the UK's gross £18 billion annual budget contribution to the EU and converted it to a weekly saving of £350 million.^ Both sides lied in the campaign, but such judicial interference in politics is considered dangerous and smacks of establishment intervention to thwart Brexit. In the US version, Mueller is returning to private life, ahead of which he broke his 2-year silence in a valedictory speech. He wanted to contradict the president's claims that he was in the clear over allegations of Russian collusion. Mueller simply put it that he could not indict a sitting president and thus left it to Congress to examine the evidence and determine if there are sufficient grounds for impeachment. Such a process may get past the Democrat House only to be blocked in the Republican Senate, making it a questionable exercise. But, the president's rants against Mueller suggest he is rattled, and launching diversionary tactics on other issues.** The pressure on Huawei is intensifying. Its blacklisting will see vital components in its global supply chain withheld. China is retaliating, threatening to deny the world access to the rare earth minerals that it controls that go into all things from magnets to iPhones. A US-China trade deal is not getting any closer, it is becoming more distant.^^

On the plus side, with all these negative demand-side factors, it is quite astonishing that the global economy and blue-water shipping are doing as well as they currently are. As some of these events pass, and as others are resolved, either in part or in full, we will see a normalisation of the demand-side drivers. That will allow the benign supply-side dynamics to assert control. We have full employment and low interest rates in key advanced economies, and we have constrained tonnage supply in shipping markets and new regulatory hurdles ahead. It will not take that much to cause an unbridled lift-off and, when that happens, sentiment will rally and propel markets higher.

*On Iran, Venezuela and Russia.

^This saving would help the NHS and services but the figure failed to deduct the rebate, farm subsidies, development funds and grants.

**Mr Trump will impose 5% tariffs on all Mexican imports on 10 June rising to 25% in October in punishment for lax migration controls.

^^Some are suggesting blocking China from the global payments system.

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Dry Cargo Chartering

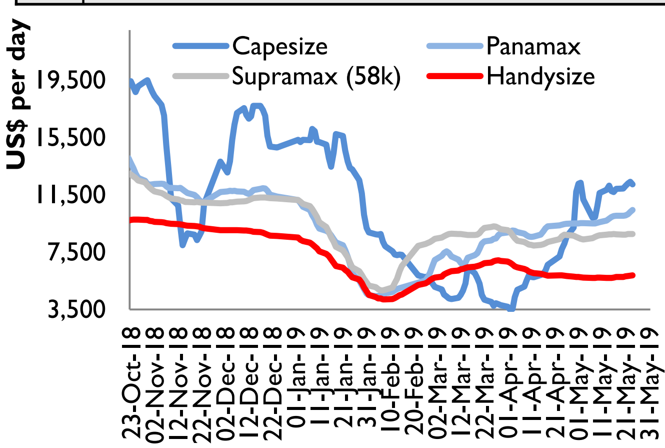
The **BDI** closed the week at 1,096, slightly up from last weeks close of 1,066. The **Cape** market weakened slightly towards the later stages of the week, yet strengthened $745 from last Friday ending on $12,987. This week witnessed a flurry of reported fixtures across both basins. Notably in the East, The *Erato* (180,120dwt, 2010) was fixed for a Pacific round trip redelivering Singapore-Japan at $18,000 with Panocean. Uniper fixed the *Cape Marlin* (206,312 dwt, 2005) at $15,750 from Jiangyin for a trip via Brazil redelivering Singapore – Japan. The West Australian ore runs saw the *Great Song* fix with COSCO to Qingdao for $7.30 fio for 170,000/10, while the NSC group fixed a larger stem with MOSK TBN out of Gladstone to Oita, Japan at $8.30 for 186,500/10. Across Into the Atlantic, the *Mineral China* a CCL relet, fixed from Narvik to El Dekheila at $6.30 for 150,000/10 while MOL TBN won a NSC tender for 150,000/10 iron ore from Nouadhibou to Kimitsu and Tobata at $18.90.

The **Panamax** market lost ground this week with the index falling $1,492 to end the week at $10,705. In the Pacific, Tongli took *Sea Marathon* (81,945-dwt, 2015) delivery Singapore for a trip redelivery Malaysia at $11,500 while *Sea Taurus* (76,616-dwt, 2004) was fixed for a trip from Zhoushan to Malaysia via Indonesia at $9,250. In the Atlantic, *Tiger South* (76,000-dwt, 2013) fixed delivery Hamburg via Baltic redelivery Skaw-Gibraltar at $10,000. *Aeolian Fortune* (82,099-dwt, 2011) was fixed for a trip delivery East Coast South America redelivery Singapore-Japan at $16,400 daily plus $640,000 bb. On period, Phaethon took the *Baltia* (75,776-dwt, $11,950 with an optional second year at $11,950.

The **Supramax** was soft this week, the slow rise in the Atlantic market not able to cover for the fast dropping Pacific. This resulted in the BSI closing at $8,511, down from last weeks $8,764. In the Atlantic, Meadway fixed *Erasmos* (54,863-dwt, 2011) delivery Canakkale for trip via Black Sea redelivery Iraq at $13,500. *Peterborough* (55,793-dwt, 2009) fixed delivery Santos for a trip redelivery China at $12,750 plus $275,000. In the Indian ocean, *Kiran Bosphorous* (63,549dwt, 2014) fixed delivery Richards Bay for a trip redelivery Pakistan at $12,900 plus $290,000 bb. Daewoo fixed the *Ageri* (56,754-dwt, 2012) delivery Mesaieed for a trip via Al Jubail redelivery Thailand at $12,500. In the Pacific, *Bao Ji* (56,734-dwt, 2013) fixed delivery Ningde for a trip via Philippines with nickel ore redelivery China at $7,750. *SBI Hyperion* (61,171-dwt, 2016) fixed delivery Hong Kong via Indonesia for a trip redelivery South Vietnam at $8,500. The **Handy** market closed the week at $5,969, slightly up from last weeks $5,862. In the Pacific, rates remained very flat in the North however there was improvement in SE Asia. Seacoast fixed the *Jia Feng* (25,378-dwt, 1996) delivery WC India for a prompt trip to Chittagong with clinker at $6,000. Martrade took the *Fortune Hero* (34,758-dwt, 2012) delivery Bin Qasim for a trip via Kandla, redelivery S Vietnam with salt at $5,700. It was very quiet in the Atlantic with holidays on Monday and Thursday. The only reported fixture was XO who took the *Qing Feng Ling* (34,650-dwt, 2013) delivery Oxelosund for a trip to Turkey with scrap at $7,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Newmax	203,067	2012	Longkou	30 May	Singapore-Japan	14,100	Fiveocean	Via West Australia
Erato	180,120	2010	CJK	03/07 June	Singapore-Japan	18,000	Panocean	Pacific Round
Mariolina De Carlini	87,337	2010	Kaohsiung	02/06 June	Singapore-Japan	11,250	Crystal Sea	Via EC South America
Star Mona	82,188	2012	Rizhao	03/05 June	Japan	13,000	Cargill	Via North China
Tiger South	76,000	2013	Hamburg	Spot	Continent	10,000	CNR	Via Baltic
Sadlers Wells	61,339	2015	Kaohsiung	28/31 May	China	8,750	CNR	Via Australia
Peterborough	55,793	2009	Santos	Mid June	China	12,750	CNR	Plus 275,000 bb
Maria S	53,548	2008	Kandla	28 May	EC India	8,500	Norvic	Via Mina Saqr
Jia Feng	25,378	1996	WC India	PPT	Chittgong	6,000	Seacoast	
Seiyo Explorer	24,800	1996	N China	26/29 May	Thailand	6,250	CNR	



Exchange Rates	This Week	Last week
JPY/USD	108.82	109.48
USD/EUR	1.1145	1.1194

Brent Oil Price	This Week	Last week
US$/barrel	64.99	68.66

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	405.0	404.0
MDO	602.0	613.0
Rotterdam IFO	374.0	383.0
MDO	563.0	584.0

Dry Bulk S&P

The main headline in the dry market this week has been Star Bulk's part cash part shares takeover deal of Delphine Shipping for a reported $139.5m. Away from this consolidation transaction, the the market has remained relatively placid. Despite this there are numerous Buyers waiting in the wings ready to pick off the keenest sales candidates and ready to pounce should prices soften further. The growing concerns about the potential impact of Asian Swine Flu and the ongoing uncertainty surrounding the US-China trade war continue, Buyers wishful advances are being increasingly shackled. As a result, we have an unspectacular list of sales to report this week.

Navios have reportedly exercised a purchase option on *Sea Victory* (77,095-dwt, 2014 Imabari), reportedly at $14.5m. In an off market deal, Chandris look to have sold *Chris* (76,629-dwt, 2006 Imabari) for $10.3m. The buyers are rumoured to be Qatari based S'Hail Shipping, who have been progressively active in this sector. At the time of writing, the exact fate of *GRM Princess* (82,177-dwt, 2011 Tsuneishi Zhoushan) remains unknown, some are suggesting the vessel has been sold in the high 17s. We will report back on this in next week's publication.

Chellaram have remained stoic on their selling position of *Darya Brahma* (56,056-dwt, 2006 Mitsui), since she first entered the market in August last year. We understand the vessel has now finely been sold to undisclosed buyers for regions $10.9m, a number very much in line with Sellers ideas and a good result in light of current sentiment and recent transactions.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
Sea Victory	77,095	2014	Imabari	-	Navios Asia	14.5	Purchase option declared
Chris	76,629	2006	Imabari	-	S'Hail Shipping	10.3	
Darya Brahma	56,056	2006	Mitsui Eng.	C 4x31	undisclosed	10.9	
Trona	18,830	2005	Yamanishi Corp - Ishinomaki	C 3x31	Turkish	6.2	nett price

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price $	Delivery
Skazochnyj Most	47,314	1998	'Uljanik' Brodogradiliste dd - Pula	Tank	9740	285.0	'as is' S. Korea (Auction)
Kapitan Krems	5,720	1980	Vyborgskiy Sudostroitelnyy Zavod	Con	4300	447.0	Bangladesh
Harbour Ivory	4,945	1995	Wuhu Shipyard	Gen	2338	431.0	Bangladesh
Sulphur Espoir	3,999	1995	Shin Kochi Jyuko K.K.	Tank	1887	430.0	Bangladesh

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Tanker Commentary

When trying to build a view on what's to come, other than looking into a ship owner's crystal ball, it is often useful to look to how traders are positioning themselves. Over the past months, they have been actively taking in ships ranging from MRs to VLCCs, steadily pushing up rates. The far reaching uncertainties of what IMO 2020 will bring means traders are looking for coverage, and Owners are looking to be in a position to take advantage of what could be sky high rates as the chaos of January the 1st unfolds.

Maersk Tankers have this week finalised a deal for their *Maersk Jeddah* & *Maersk Jamnagar* (104,623-dwt, 2011 Sumitomo HI) to Greek buyers. The price of $30.3m per ship is a firm step up in values and a clear illustration of the firming appetite to secure quality tonnage.

In the MR sector, the *High Sun* (49,990-dwt, 2014 Hyundai Vinashin) has been sold to Turkish interests for $28m. It should be noted though that at the time of writing our understanding is the deal may be subject to the vessel being able to deliver charter free. Elsewhere in the MR sector, the Samos controlled *Mariposa* (49,999-dwt, 2010 Onomichii) has been sold to undisclosed Buyers for $17.5m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Oklahoma	105,465	2006	Sumitomo HI	Indonesians - PT Trans	18.5	committed to the PT Trans tender same as the Oklahoma
Sakura Princess	105,365	2007	Sumitomo HI	undisclosed	23.0	committed to the PT Trans tender same as the Oklahoma
Maersk Jeddah Maersk Jamnagar	104,623 104,588	2011	Sumitomo HI	Greeks	30.3 each	TC to Trafigura until end 2019 at $20.5k
Mariposa	49,999	2010	Onomichi Dockyard	undisclosed	17.5	
High Sun	49,990	2014	Hyundai-Vin	Turkish	28	On subs
Parsifal II	37,606	2008	Hyundai Mipo	undisclosed	12.8	

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