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POINTS OF VIEW

China's Communist Party celebrated its 100th birthday yesterday with much fanfare and razzmatazz in Beijing and around the country. It is said in the UK that the country is policed by consent. As long as the vast majority of citizens abide by our laws then a relatively small force should be able to contain the minority of lawbreakers. The CCP has 95 million members which accounts for only 6.6% of the nation's 1.44 billion population. It holds sway over public life by consent of the people while the rising prosperity of the past 40 years raises expectations. For example, the party has the paradoxical task of achieving 6% annual growth while still tackling pollution, as an expanding middle class knows that it needs to protect its health to enjoy its wealth. In recent months, the NDRC has clamped down on hoarders and speculators who have been blamed for high raw material prices across the commodity complex. If higher input prices feed through to consumer price inflation then the people's consent of the CCP could begin to crumble. China faces a Herculean challenge in playing its own vital part in global decarbonisation. It produces 3.7 billion tonnes of coal annually but still needs to import another around 240 million tonnes by sea each year. The intention is to reduce coal imports and yet, currently, China's demand for coal-fired electricity generation exceeds the growth rate of domestic coal output. China continues to build coal-fired capacity* despite its coal-mining industry suffering from mine accidents, pit closures and reduced capacity from pollution abatement measures.

... China : Addicted to Coal ...



Source : YaleEnvironment360 / ImagineChina

China has supported the dry bulk sector this year with strong iron ore, coal, grain and oilseed imports. On the coal front, Commodore Research estimates that China's power plant stockpiles are down by around 25% year-on-year while coal-fired electricity production was up around 10% year-on-year in Q2. There are concerns of coal shortages this summer, as air conditioning use increases, extending into winter when heating demand will return. Given that domestic coal production is hampered, seaborne imports will need to rise. As Australian coal is still banned, with no shipments for six months now, imports will continue to be sourced from both nearby and faraway sources. In the month of May, China imported 11.2mt from Indonesia (flat YoY), 5.1mt from Russia (+113%), 1.2mt from the Philippines (+200%), 1.0mt from Mongolia (-44%), 0.8mt from Colombia (+167%), 0.7mt from the US (from zero in May 2020), 0.5mt from Canada (unchanged), and 0.4mt from South Africa (from zero in May 2020). Australia has had no problem in selling its coal to other buyers at high prices, while China has evidently had to search far and wide and to pay considerably more. Meanwhile, India's power plant coal stockpiles are down year-on-year by 18mt or 37%. It can only meet 16 days of demand compared with the customary 21 days. Global crude steel production hit a record 174.4mt in May, up 25.6mt or 17% year-on-year. China is playing a key part in this but it is significant that the ROTW is chipping in, setting records for two months in a row, with more to come.

Bulk carrier earnings have been on an improving trend so far this year, with expectations of further gains to be made in the second half. Using Baltic Exchange spot earnings data, the BCI-5TC averaged \$17,126 per day in Q1 before rising 82% to average \$31,120 daily in Q2, while the BPI-5TC averaged \$18,493 in Q1 before advancing 41% to average \$26,052 in Q2. In the smaller geared sizes, the BSI-10TC averaged \$16,633 in Q1 before gaining 54% to average \$25,538 in Q2, while the BHSI-7TC averaged \$16,610 in Q1 before adding 36% to finish on \$22,507 daily in Q2.[^] Bulk carrier spot earnings in Q2 were higher than almost anyone dared to expect at the start of this year. As we begin Q3, the sub-cape segments continue their advance, turning the hesitant sentiment of Q1 into one of greater conviction that further gains are possible. Supply-side growth is benign even as it has been helped by port congestion, bad weather and Covid-19 disruption and vessel deviation. On the demand side, we have seen resurgent enquiry even after taking into account the base effects of a shock drop in demand in first half last year. Bulk carriers have been favoured by a recovery in global steelmaking, and thus strong demand for iron ore and coking coal, with additional support from thermal coal, grains and oilseeds. To cap it all, sky-high container freight has seen migration of some box cargo to bulk. A near perfect scenario!

*In 2020, 57% of China's total energy consumption came from coal, down from 72% in 2005, leading China to account for 28% of total global CO2 emissions last year.

In 2020, China brought on line 38.4 gigawatts of new coal-fired capacity, compared with 11.9 GW introduced elsewhere ex China. It has 247 GW under development, 21% up on end 2019's 205 GW.

[^]Note how in Q2 the normal order, of the largest ships earning the most, was restored: BCI at \$31,120; BPI at \$26,052; BSI at \$25,538 and the BHSI at \$22,507.

Dry Cargo Chartering

The **BDI** closed this week at 3,285 points, up by 30 points from last Friday.

Time-charter averages in the **cape** market dropped by \$3,963 this week to close play at \$29,106. Pacbulk took on the colossal *Seacon Africa* (206,291-dwt, 2006) delivery Zhoushan 10th July for 7/11 months at an equally sizeable \$34,500, while Korea Line chartered the CCL relet *Sea Poseidon* (176,371-dwt, 2011) delivery CJK for a spot trip via NoPac redelivery Singapore-Japan range at \$33,000. Additionally, another CCL relet *Aquamarine* (182,060-dwt, 2009) was fixed to Five Ocean for a prompt trip delivery Salaya via Taman redelivery South Korea at \$41,000. This week's coal voyage fixtures include a Panocean TBN vessel winning a 140,000 mtons 10% Kepco tender from Newcastle to Younghueng at \$16.77 pmt, and a KSC TBN vessel being chartered for another Kepco tender of 130,000 mtons 10% again from Newcastle to Dangjin at \$18.75 pmt for mid-July dates. Several Western Australia-Qingdao iron ore stems were also covered such as the 2010-built *Hero* being chartered by BHP for 170,000 mtons 10% from Port Hedland 18/20 July at \$11.50 pmt. Fixtures out of Brazil included Vale taking *Monemvasia* for 170,000 mtons 10% from Tubarao to Qingdao at \$25.50 pmt for 10/20 July. Rates for this particular route dropped to an average of below \$26.00 pmt as the week drew to a close.

The **panamax** market continued to tick up this week as it closed today at \$37,086 up by \$5,648 (17.97%) since last reported on 25th June. In the Pacific, Jera fixed the *Yue Dian* (87,329dwt, 2011) delivery Taichung 29th June for a trip via Indonesia to Japan at \$30,000 whilst NYK took the *MG mercury* (84,790dwt, 2016) delivery Yokohama 2nd July for a trip via EC Australia to Taiwan at \$36,000. In the Indian Ocean, the *Miho Pracet* (79,964dwt, 2008) was fixed basis delivery Paradip 30 June/1 July for a trip via EC India to China at \$45,000 and Cargill fixed the *Okinawa* (81,397dwt, 2009) delivery Krishnapatnam 9/16 July for a trip via Black Sea to Singapore-Japan range at \$37,000. Meanwhile in the Atlantic, the *Ting May* (85,001dwt, 2019) was relet basis delivery Port Said beginning July for a trip via French Mediterranean to Gibraltar at \$45,000 whilst Cofco Agri took the *Good Hope Max* (76,739dwt, 2005) delivery Barcarena 3rd July for a trip to Skaw-Gibraltar range at \$50,000. Additionally, Smart Gain fixed the *KM Shanghai* (80,545dwt, 2014) delivery Nadahama 5/15 July for 1 year with redelivery worldwide at \$28,500. A Five Ocean TBN vessel was fixed for the Posco tender for 90,000 mtons 10% coal from Hay Point to Pohang for 17/26 July at \$20.25pmt

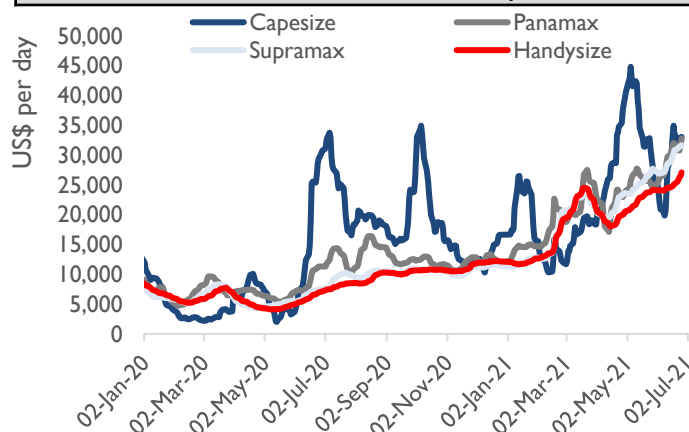
whilst a TBN vessel was fixed for the SAIL tender for 75,000 mtons 10% coal from Hay Point to Visakhapatnam for 20/29 July at \$33.80 pmt.

The trend continues as it has been in another spirited week for the **supra** market. Rates are spiking and seeing green in all trade regions. The BSI closed at \$32,283, up from last week's \$31,644. In the Atlantic, *Amis Fortune* (55,468-dwt, 2015) has been fixed for a trip carrying sugar with delivery East coast South America to China at \$24,000 with a \$1.4 million ballast bonus, while the *IVS Windsor* (60,279-dwt, 2016) has fixed delivery US Gulf to Japan at \$43,500. In the Indian Ocean, *Erin Manx* (62,878-dwt, 2020) was fixed for a prompt trip delivery Sharjah to Arabian Gulf-West coast India range for 2/3 laden legs at \$45,000. Also, *VSC Castor* (55,780-dwt, 2014) has been fixed delivery Bin Qasim for a trip to China at a huge \$50,000. In the Pacific, *Nord Potomac* (63,507-dwt, 2016) was fixed for a trip delivery Surabaya to China via Indonesia at \$36,500, and the *Great Spring* (61,411-dwt, 2017) was fixed for a nickel ore run with delivery Ganyu to South China via the Philippines at \$31,000.

Handysize rates continued to firm this week with markets closing at \$27,981, up \$923 from our last report. In the Far East, *Mariterc* (33,345-dwt, 2009) fixed delivery CJK for a CIS trip with steels to South East Asia at \$24,000, while a 37,000-dwt vessel open Thailand was rumoured to have fixed for a trip via Australia to China at around \$28,500 DOP. In the Indian Ocean, *Taikoo Trader* (39,538-dwt, 2020) fixed delivery West coast India for a prompt trip to East coast South America with steels at an impressive \$40,000. The South Atlantic also saw some considerable rates such as *Bona* (32,844-dwt, 2012) fixing to Suisse Atlantique delivery Rio de Janeiro for a prompt trip via Santos to Morocco at \$32,000, and *Tia Marta* (34,334-dwt, 2013) fixing to Cofco delivery Imituba for a trip via River Plate to the Continent at \$38,500. Other fixtures seen in the Atlantic this week include Norden taking *Gant Grace* (28,375-dwt, 2010) delivery Damietta for a prompt trip with cement clinker via Turkish Med to Haiti at \$25,000 despite increasing numbers of spot tonnage in the East Mediterranean, *Unison Medal* (37,431-dwt, 2015) fixing delivery Vlissingen for a trip to South America at \$27,000, and *CS Sarafina* (37,693-dwt, 2014) fixing delivery Onne for a trip via North Brazil to Baltic-Continent range at \$29,000. On the period front, Pacific Basin took on *Hydra Dawn* (34,274-dwt, 2013) delivery North Spain for 4/6 months trading redelivery Atlantic excluding West Africa at \$26,250.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate (\$)	Charterers	Comment
Aquamarine	182,060	2009	Salaya	PPT-27 Jun	South Korea	\$41,000	Five Ocean	Via Taman
Sea Poseidon	176,371	2011	CJK	PPT	Singapore-Japan	\$33,000	Korea Line	Via Pacific
Kavala Louis	83,688	2009	Linkou	2/5 Jul	China	\$31,000	Norden	Via Indonesia
Star Betty	81,168	2011	Qinzhou	27 Jun	Singapore-Japan	\$30,000	Norden	Via EC South America
Good Hope Max	76,739	2005	Aps Barcarena	3 Jul	Skaw-Gibraltar	\$50,000	Cofco Agri	
Nord Potomac	63,507	2016	Surabaya	4 Jul	China	\$36,500	CNR	Via Indonesia
Crimson Grace	61,133	2017	APS Recalada	Early Jul	NCSA	\$40,750	Bunge Miami	Via R Plate
Amis Fortune	55,468	2015	EC South America	Mid Jul	China	\$24,000	CNR	Plus 1.4million bb
Tia Marta	34,334	2013	Imbituba	PPT	Continent	\$38,500	Cofco Agri	Via Plate
Mariterc	33,345	2009	CJK	PPT	SE.Asia	\$24,000	CNR	Via CIS



Exchange Rates	This week	Last Week
JPY/USD	111.48	110.69
USD/EUR	0.8457	0.8373

Brent Oil Price	This week	Last Week
US\$/barrel	75.82	75.36

Bunker Prices (\$/tonne)	This week	Last Week
Singapore IFO	431.0	428.0
VLSFO	550.0	545.0
Rotterdam IFO	418.0	412.0
VLSFO	529.0	521.0

2 July 2021

Dry Bulk S&P

The trajectory of the market continues. There are no hazard warning lights from the freight market and we can expect values to continue to chase the earnings. Sellers are stretching laycans into the fourth quarter and increasingly buyers are prepared to let the sellers have their cake and eat it.

As confidence grows that the freight market is sustainable so we would expect values for older units to rise. In the panamax sector *Aquaman* (75,243-dwt, 2001 Samho) is sold for \$11m with surveys passed – which represents a five million premium over scrap – which is currently approximately 7-9 months earnings. Two other sales consolidate panamax values; *Orient Genesis* (78,162-dwt, 2014 Shin Kurushima) is sold at \$23m

– which represents a modest premium for her scrubber. Costamare continues to gobble up tonnage. *Imperial Rose* (76,619-dwt, 2008 Shin Kasado) bought for \$19.9m is as last done, while the trio of supramaxes they are reported to have bought this week – *Bulk Patagonia*, *Bulk Curacao* (58,723-dwt, 2012 Kawasaki) and *Bulk Ecuador* (57,937-dwt, 2011 Tsuneishi Cebu) – at \$60m enbloc probably demonstrate a continued strengthening in supramax values.

For the handies, the sale of *King Cotton* (33,622-dwt, 2011 Shin Kurushima) fixes the values for Japanese ten year old handy tonnage at \$14m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Orient Genesis	78,162	2014	Shin Kurushima	Gearless	Meadway	\$23.00m	Scrubber fitted
Imperial Rose	76,619	2008	Shin Kasado	Gearless	Costamare	\$17.90m	
Aquaman	75,243	2001	Samho	Gearless	undisclosed	\$11.00m	SS/DD passed & BWTS fitted
Bulk Patagonia	58,723	2012	Kawasaki	C 4x31T			
Bulk Curacao	57,937	2011	Tsuneishi Cebu	C 4x30T	Costamare	\$60.00m enbloc	
Bulk Ecuador							SS/DD due 09/21
Lara	56,557	2008	IHI	C 4x35T	undisclosed	\$15.30m	BWTS fitted
Cielo Di Capalbio	36,699	2012	Hyundai Mipo	C 4x36T	undisclosed	\$15.50m	
King Cotton	33,622	2011	Shin Kurushima	C 4x30T	undisclosed	\$14.00m	SS/DD due & 2 gens



Tanker Commentary

As earnings remain subdued, there is limited sale and purchase activity to report. Angelicoussis controlled *Maran Triton* (318,692-dwt, 2003 Hyundai Samho, SS-07/2023, DD 08/2021) has been sold to Chinese interest for \$29.5m. A firm price considering she has scrap value of almost \$25 mill. As a point of comparison, in April, *Maran Carina* (306,314-dwt, 2003 Daewoo, SS-04/2023, DD 05/2021) was reported sold for \$24m.

In the MR sector the Japanese owned, *New Breeze* (46,064-dwt, 2010 Iwagi Zosen, BWTS fitted, uncoiled) called for offers yesterday and is now reported to have sold for \$15.5m. A price falling in line with the one year younger *Maersk Miyajima* (48,202-dwt, 2011 Iwagi Zosen, BWTS fitted, uncoiled) which sold in May for \$16.5m to Vietnamese interests.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Maran Triton	318,692	2003	Hyundai Samho	Chinese	\$29.50m	

Demolition Sales

Vessel	DWT	Built	Yard	Type	LTD	Price \$	Delivery
Moon Spring	7,657	1996	Jurong	TANK	2,354.40	568	Bangladesh
Global M	298,982	1998	Daewoo	TANK	42,151.70	505	Indonesia
Aston I	36,032	2001	Daedong	TANK	8,273.00	570	Pakistan
Maya VN	318,778	2003	Hyundai Samho	TANK	44,131.00	undisclosed	Indonesia
Kutch Bay	107,176	1997	Koyo	TANK	16,701.00	557 (Auction)	Sri Lanka

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