26 July 2024

WEEKLY COMMENTARY

HARTLAND SHIPPING SERVICES

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…Sino-American Relations – Trade Carefully…

Source : Statista

POINTS OF VIEW

The past week has seen another twist in the US election. President Biden has finally stepped aside, with his VP Kamala Harris the likely replacement. Markets still see a Trump win as the probable outcome, although the Democrats' odds have improved since Biden quit. As Trump's return looms ever closer, it is worth asking: what impact will he have on shipping markets? To start with the positive (for shipping at least): his scorn for environmentalism is a boost for oil and gas. Crude, LPG and LNG trades should benefit. Trump has promised more drilling and pledged to reverse the pause on approvals of new LNG export terminals*. His tougher stance on Iran could also put pressure on their exports, which have risen under Biden. Non-sanctioned nations will need to pump more. So far so good for tanker and gas owners. The only uncertainty is the buyers. China imports little oil from the US, but nearly half its seaborne LPG, and is the top buyer of new long-term US LNG contracts. Will China really look to increase its reliance upon US hydrocarbons as Trump fires more shots in the trade war?** Gas trades have proven to be fungible of late, buyers will be found, but it may not be as long-haul as some might hope. China has more local friends in the Middle East and Russia.

The container sector should fear a larger trade war, with Trump suggesting a 60% tariff on all Chinese goods and 10% for everyone else. In the short-term there might be a pre-Trump import rush until January, but eventually a hike in tariffs will hurt overall demand. Some of this impact may be cushioned by the inevitable transhipment and more relocation of production to Vietnam, India and Mexico, but Trump does not just want to decrease reliance on China, he wants to bring jobs home. Regardless of if he succeeds, there will inevitably be some net trade loss from higher tariffs. China will have to respond. In the first Trump trade war, they targeted US farmers and reduced imports of US grains, potentially a major issue for the drybulk market. However, China can substitute this with more imports from Brazil, with minimal net tonne-mile impact^. There is also a danger that US tariffs hurt minor bulk trades, but US drybulk imports make up ~2% of global volumes, against ~11% of global container imports. The greater concern for the dry market is the knock-on impact of the trade war on the domestic Chinese economy. China's exports to the US were still worth $500bn in 2023, despite weak demand and friend-shoring. A further fall in trade with the US could exacerbate the existing real estate and consumer confidence crises^^. So far Chinese imports of iron ore, coal and bauxite have shown resilience in the face of domestic headwinds, even more will be needed to survive a Trump storm.

On global issues, Trump has sent mixed messages on the Israel-Hamas conflict, but his VP-nominee JD Vance is a firm supporter of Israel. Added to Trump's hawkish approach to Iran in his first term, it is hard to envisage an end to the attacks in the Red Sea. This would sustain the current boost to container teu-miles, as well as the more modest support to the bulker and tanker owners. On the other hand, Trump and Vance are also America First isolationists. They want to end overseas military commitments and promise to end the Ukraine war "on day one". This could undermine the G7 ban on Russian oil which has lifted tanker tonne-miles. The US breaking ranks would test the military and economic stomach of the EU and the UK, but it is what these nations do that really matters. Russia-US trades were minimal pre-war, it is the dislocation of Russia-EU routes that has driven tanker trades, and their embargoes are likelier to remain in place***. If Trump does somehow strike an enduring peace deal, there is also scope for more reliable Ukrainian grain flows, and some extra minor bulk demand from reconstruction.

Trump is full of contradictions from one rally to the next. The one constant theme of his last presidency was chaos and melodrama. He preached the *"Art of the Deal"* and used bluster and bombastic threats to try to coerce weaker nations, before signing deals, sometimes gaining only quite trivial concessions. He could then hold this up as another win for him and America and move on to the next dust-up. He will also have bigger things to worry about closer to home: his various legal battles, spiralling government debt and responsibility for the migration crisis. The most confident conclusion we can make is that the volatility and uncertainty in today's shipping markets is only going to increase under Trump 2.0.

*At last week's Republican National Convention he repeated his promise to "drill, baby, drill".

**China imported 32mt of seaborne LPG last year, 15mt came from the US, with total US exports at 58mt (Refinitiv). The Baker Institute discussed the contradictory reliance on Chinese buyers to fund new US LNG export projects, whilst trade tensions between the two rise. China has signed up for 24mtpa of new LNG supplies from the US, albeit currently most Chinese contracted volumes are being traded and re-sold into Europe. (*Is the US Preparing to Ban Future LNG Sales to China? April 2024*).

^In 2017 China imported 46mt of US soybeans. This dropped to 42mt and 38mt in 2018-19, following the outbreak of the trade war. However, over the same period, imports from Brazil rose from 67mt to 80mt and 74mt (AXS). This was also during the onset of African Swine Fever which hammered Chinese soybean demand.

^^UBS have forecast a 60% tariff on Chinese imports would remove 2.5% from Chinese GDP, even allowing for some diversion of trade via third countries.

***In 2021, the year preceding the Russian invasion of Ukraine, Russia exported on average less than 0.4mbpd of crude to the USA, but 2.7mbpd of crude to Europe. (*Refinitiv*)

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Another week of softening across **Capesize** markets was seen with timecharter averages dropping consistently once more by $2,976, to end up at $21,676. There was subdued activity in the Pacific as a result of typhoon Gaemi which caused the closure of several major ports including Qingdao and Xiamen. It was softer too in the Atlantic with reported activity levels also dropping further. From Australia, Rio Tinto took two TBN positions ex. Dampier at $9.70 pmt and $9.65 pmt a piece, while Cargill fixed *Navios Ray* (179,515-dwt, 2012) for 160,000 mtons 10% Port Hedland/Qingdao at $9.60 pmt. Jera chartered *Michalis H* (180,355-dwt, 2012) and Panocean took *Florida* (182,063-dwt, 2022) both for this same quantity and route at $9.65 pmt and $9.85 pmt respectively. Additionally, CSE took *Cape Phoenix* (181,356-dwt, 2011) for 130,000 mtons 10% West Australia/Kaohsiung at $9.00 pmt, while up in the North Pacific, ST Shipping covered 165,000 mtons 10% Vancouver/Fangcheng at $15.25 pmt. Over in the Atlantic, Vale reportedly took a selection of TBN ships for their usual Tubarao/China route with freight paid ranging from $24.95 pmt to $25.25 pmt for end-August/early September dates. Elsewhere, Oldendorff fixed a Puerto Bolivar/Iskenderun run for mid-August at $14.00 pmt. On timecharter, Richland were linked to *Star Orion* (171,908-dwt, 2005) delivery Samcheon Po 27 July for an Australia roundtrip at around $19,000.

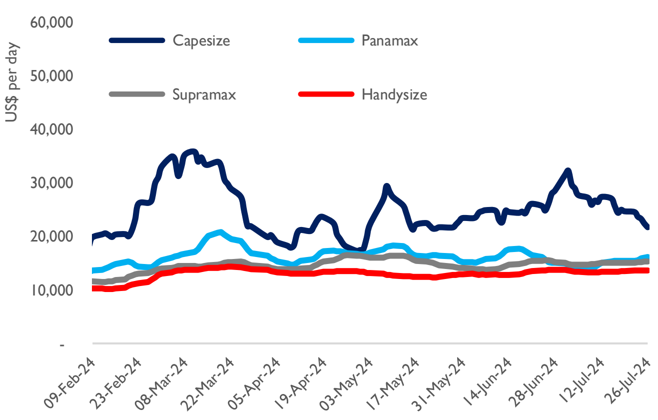
A positive week for the **Panamax** markets in both basins, although the main headline in Asia was again typhoon Gaemi making landfall in China. Generally, there was a fine supply and demand balance but fixing was seen at higher levels than last done. The P5TC closed at $16,125, up $698 since last reported. The Atlantic was balanced and finely poised as charterers took a steady approach while owners were confident of further rate increases. This balance was seen in East Coast South America with talk of a need for increased demand to push rates higher. *Tuo Fu 6* (81,588-dwt, 2013) was fixed aps North Coast South America 15/16 August for a trip redelivering Skaw-Barcelona at $23,250 to Bunge. *Shun Fu Xing* (75,172-dwt, 2001) open Ceyhan 20 July fixed a premium for a front haul trip via Ukraine in the region of $31,000-$32,000, while *Seneca* (83,975-dwt, 2013) was fixed delivery Skaw for a trip via the US East Coast to China at around $26,500. Sentiment was more divided in the Pacific with a positive outlook for South China positions, while further north remained quieter due to thin cargo volumes. Vessels in the south performed better with Charterers paying up as demand rose, leading to an overall feeling of cautious optimism in the latter part of the week. *CL Zhenjiang* (81,121-dwt, 2019) fixed delivery Maizura for a NoPac roundtrip at $14,750, and *Brilliant Knight* (82,009-dwt, 2020) fixed delivery Onohama for a trip via East Coast Australia redelivery Japan at $15,500. *Ionic Pride* (84,992-dwt, 2017) was covered delivery Jeju Island to a trip via Australia back to the Far East at $15,250. We also heard, *Belmonte* (81,344-dwt, 2014) fixed delivery Korea for 2-year trading +/- 2 months at $17,000 to Aquatrade with redelivery worldwide and scrubber benefit to charterers.

Mixed signals in the Atlantic **Supramax** market this week, with fluctuations in the US Gulf, a balanced South Atlantic, and a subdued Continent-Mediterranean region. Extreme weather in Asia impacted activities, but rates remained stable. The BSI closed today at $15,246 up $132 since our last report from Friday 19th July. Limited activity was reported on the Continent, *Cecilie F* (63,425-dwt, 2024) fixed scrap at $15,000 dop Antwerp via Ghent to Turkey. The US Gulf remained firm with an initial spike at the start of the week. *Cl Diyin He* (63,128-dwt, 2021) open Brownsville fixed a trip via Texas to India with petcoke at an impressive $30,000. In the South Atlantic, the market remained balanced, with supply meeting demand. A 56k-dwt vessel fixed from East Coast South America to the Indian Ocean at $15,000 plus a ballast bonus in the $500,000's. *Bulk Manara* (56,692-dwt, 2010) was heard to be on subjects for a trans-Atlantic run at around $20,000 to $21,000. In West Africa, *Pacific Jasmine* (61,473-dwt, 2016) fixed delivery Douala via Namibia & South Africa redelivery China with manganese ore at $23,500 to Drydel. In the Indian Ocean, *Marla Royalty* (64,691-dwt, 2024) was fixed by Deyesion retro-sailing Chittagong for a trip via Western Australia to China with manganese ore at $16,000, PB took *Ageri* (57,352-dwt, 2012) delivery Mesaieed for a trip via the AG to Bangladesh also at $16,000, and we heard that *KM Vancouver* (63,374-dwt, 2016) open Bhavnagar was covered for balance of period to minimum 20 December 2024 up to maximum 19 February 2025 between $17,000-$18,000. In the Pacific, the South China-Indonesia roundtrip and Indonesia-East Coast India routes both steadily gained throughout the week. As with the bigger sizes, the knock-on effects of typhoon Gaemi in the Taiwan-Philippines region blunted fresh enquiry although rates so far have generally not been significantly affected. *Nord Adriatic* (61,254-dwt, 2016) open Fujian was reported fixed for an Indonesian roundtrip at $15,000, *Victoria* (61,613-dwt, 2016) open Davao fixed via Indonesia redelivery China at $19,000, and *DSI Pegasus* (60,508-dwt, 2015) fixed delivery Koh Sichang for a prompt trip via Indonesia back to Thailand at $16,500.

Overall, the Handy sector experienced another slow week with minimal gains. The **BHSI** closed at $13,670, gaining $124, since our last report. The Atlantic showed some signs of improvement while the Pacific remaining subdued. Limited fresh enquiry was seen on the Continent and in the Mediterranean, as both markets softened. Trips from the Continent to East Mediterranean were fixed at around $12,000 on a 32k-dwt type. The US Gulf and US East Coast firmed up quickly, especially for dirties cargoes. A 32k-dwt was heard covered at $20,000 per day for a trip US Gulf to the West Mediterranean. Scrap trips from the East Coast saw levels in the high teens on smaller Handies. *Clipper Tyne* (31,905-dwt, 2012) fixed delivery Panama City for a trip to the UK-Continent at $16,500, while *Marem* (34,148-dwt, 2012) fixed from the Caribbean for a Jamaica to Iceland trip at levels in the $17,000's. The index picked up marginally in the South Atlantic contradicting the fixtures reported. *Eco Angelbay* (32,165-dwt, 2009) open Fazendinha reportedly fixed on subs for trip Continent at $14,000. *Miltiades II* (30,536-dwt, 2006) open Itaqui spot fixed via Barcarena to Tunisia at $12,750 to Cofco. Oldendorff fixed *Tac Suzuka* (40,273-dwt, 2021) open Up-River for a trip to Algeria at $22,750. Asia experienced a balanced week with less visible activity in general, but numbers remained steady. In the Far East, strong numbers were concluded for laden legs involving logs or steel for backhaul. A 28k-dwt open China was heard fixed for 4/6 months at around $12,000, while a 39k-dwt open China was heard fixed at $17,000 for trip to South East Asia. There was limited cargo availability from Australia and Indonesia, with overall sentiment dropping in the Pacific as a result. On period, a 32k-dwt was heard fixed delivery Jakarta for 5/7 months at $14,000, while a 38k-dwt was heard fixed delivery Singapore early August for 2/3 laden legs at $16,250.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Ionic Pride	84,992	2017	Jeju Island	24 Jul	Singapore-Japan	$15,250	Cnr	Via Australia
Star Luna	82,687	2008	Gibraltar	23 Jul	China	$27,000	SwissMarine	Via US East Coast
Navios Taurus	76,596	2005	Fuzhou	29/30 Jul	South China	$12,000	Cnr	Via Indonesia
Melia	76,225	2005	Songxia	25/28 Jul	Singapore-Japan	$12,500	China Resources Chartering	Via East Coast South America
Grace Mild	75,563	2001	Hong Kong	29/30 Jul	South China	$12,000	Seatrans	Via Indonesia
Mercury Sky	61,569	2017	SW Pass	5/10 Aug	Singapore-Japan	$27,000	Reachy	-
DSI Pegasus	60,508	2015	Kosichang	Ppt	Thailand	$16,500	Cnr	Via Indonesia
Josco Taicang	58,675	2012	Singapore	Ppt	South China	$19,000	Richland	Via Indonesia
Mastro Mitros	45,601	2001	Barcelona	Ppt	Egyptian Mediterranean	$17,500	Norvic	-



Exchange Rates		This week	Last week
	1 USD	154.09 JPY	157.7 JPY
	1 USD	0.9213 EUR	0.9184 EUR
Brent Oil Price		**This week**	**Last Week**
	US$/barrel	81.95	84.98

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	518.0	533.5
VLSFO	622.0	634.0
Rotterdam HSFO	487.0	506.5
VLSFO	564.0	578.5

HARTLAND SHIPPING SERVICES

Dry Bulk S&P

The Olympic's Opening Ceremony takes place this evening and amongst the many athletes on parade will be numerous sprinters.

The end of July is not normally a time of the year where long sales tables are the norm but this week has been an exception with both buyers and sellers racing to get deals across the finish line.

On the larger ships, Pan Ocean continue the Korean buying spree. They are reported to have purchased the Newcastlemax F*omento Two* (206,960-dwt, 2017 Dahean) for $60m with an index linked charter attached until Q3 next year. The last Newcastlemax reported was picked up in June by HMM, *Herman Oldendorff* (209,243-dwt, 2016 Taizhou Catic) for $55m. The one year older, *Fomento One* (206,810-dwt, 2016 Daehan) was reported sold to Capital for $55m in early May with a similar charter attached so the most recent sale marks a slight improvement even allowing for the age difference.

Chinese owners, Fortune Ocean, are reported to have sold two ships. Their Kamsarmax *Xing De Hai* (82,204-dwt, 2017 Oshima) is reported to have achieved a firm price of $37m. In comparison HMM are reported to have paid the same price, $37m, for the two-year younger *BW Kobe* (81,703-dwt, Tsuneishi Cebu) just over two weeks ago.

Most deals this week involve Supramaxes or Ultramaxes, with Greeks and Chinese buyers linked to most purchases. On the geared ships, values continue to hold steady even with multiple ships coming to the market. Both buyers and sellers have cash in their pockets and for now there seems to be a collective will from sellers to stick to last done pricing.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Fomento Two	206,960	2017	Daehan		Pan Ocean	$60.0m	On charter until Q3 next year at 130% of index
Herun Global	181,056	2016	SWS			$49.5m	DD due
Xing De Hai	82,204	2017	Oshima		Tolani	$37.0m	
Swansea	63,310	2015	Dayang	C 4 x 35T	Castor	$25.5m	
Tai Shine	61,473	2012	Shin Kasado	C 4 x 31T	Chinese	$22.2m	
Xing Xi Hai	60,498	2017	Mitsui	C 4 x 30T	Greeks	$32.5m	
Olympus	57,374	2013	STX Dalian	C 4 x 30T	Europeans	$17.3m	
H Juno	57,353	2011	STX Dalian	C 4 x 30T		$14.0m	
Heilan Cruiser	56,922	2012	Shanghai Shipyard	C 4 x 35T	Hai Tong Shipping	$14.7m	
Ionic Storm	56,032	2005	Mitsui	C 4 x 30T	Greeks	$13.3m	

Tanker Commentary

Vintage MR2's are the flavour of the week. Our three reported 2nd hand sales are all Korean built MRs either in 05 or 06.

Saudi-based giants Bahri continue with their fleet renewal, having been linked this week to an order of four 307,000-dwt VLCC's at Dalian Shipbuilding, their first order within China. Whilst these negotiations are ongoing, they have agreed to sell yet another of their ageing MR tankers - *NCC Tabuk* (45,963-dwt, 2006 Hyundai Mipo - Zinc Silicate) for $20.7m. This is the second of the same design that Bahri have sold in recent times, after Chinese Buyers paid $20.5m for the sister ship *NCC Tihama* (45,948-dwt, 2006 Hyundai Mipo - Zinc Silicate) about a month ago.

Great Eastern are also pushing on with their own fleet renewal plans after committing *Jag Pranav* (51,383-dwt, 2005 STX - Epoxy Phenolic) in the low/mid $17m range. The price appears soft compared to the second 2005 built MR sold this week *Daytona* (47,407-dwt, 2005 Onomichi - Epoxy) which achieved a price of $18m, especially when accounting for the usual premiums given to deepwell over pumproom configuration.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Jag Pranav	51,383	2005	STX		$17.2m	
Daytona	47,407	2005	Onomichi		$18.0m	
NCC Tabuk	45,963	2006	HMD		$20.7m	DD due

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