16 August 2024

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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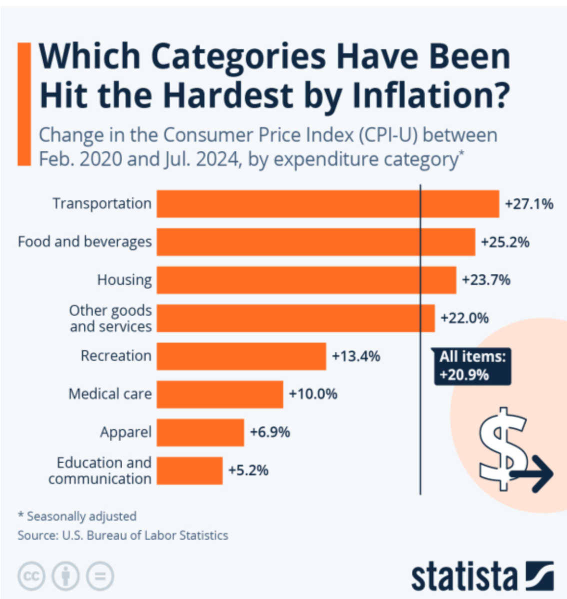


Source : Statista

POINTS OF VIEW

After a tumultuous two weeks, financial markets are gradually regaining their composure. The rout was influenced by a rapid easing in US employment numbers that raised the chances of recession. A major contributing factor to the panic was the BoJ raising base rates from 0.1% to 0.25% on 31 July that caused an abrupt rise in the yen-dollar and a forced unwinding of the global yen carry trade. Hedge funds around the world had been borrowing yen at next to nothing to invest in higher yielding instruments such as Mexican bonds (10%), US Treasuries (4%) and over-valued AI shares. The prevalence of algo-trading may have exaggerated the losses as sell triggers were repeatedly hit on the way down, reinforcing the downward spiral. The episode illustrates how the global financial system is at risk from the huge non-bank unregulated sectors while the banks themselves are in a regulatory straitjacket. Central banks are diverging in monetary policy with the BoJ raising, the ECB and BoE cutting, and the Fed holding. Each market has slightly different inflation drivers but, in common, inflation is proving stickier than hoped for which suggests that easing cycles are unlikely to gain momentum until we enter 2025.* Cost pressures on households, businesses and national budgets will likely constrain spending which may double down the need to raise taxes to pay for pandemic largesse. China's property induced economic rut, traced back to the introduction of Xi's three red lines in Aug 2020 and 3 years of lockdowns, is causing foreign capital flight. FDI fell by $15bn in Q2 after peaking at an annual record of $344bn in 2021. Should the trend persist, it will be the first annual net outflow since 1990.

Oil prices are under downward pressure despite the world being on tenterhooks as Iran prepares a counter-strike against Israel. Israel is prepared, but everyone is keen to avoid such a riposte as it would likely be a precursor to a wider regional conflict. The fact is that global demand is weakening and yet OPEC+ had planned to phase out longstanding cuts from October by gradually reintroducing 2.2m-bpd of withdrawn barrels by Sep 2025. This may now be less likely especially as OPEC, in its latest 12 August oil market report, made small downward revisions to its latest forecasts of oil demand growth in 2024, by 135k-bpd to a still healthy 2.11m-bpd, with some 0.2m-bpd growth in the OECD and about 1.9m-bpd in the non-OECD. In 2025, the forecast is reduced by 65k-bpd to 1.78m-bpd, with about 1.7m-bpd from the non-OECD.** It notes China's unchanged economic growth forecasts of 4.9% in 2024 and 4.6% in 2025 but recognises "softening expectations" of China's oil demand growth this year. China's crude oil imports in July came in at 9.97mbpd, down 12% versus June and down 3% versus July 2023, and the lowest monthly import print since Sep 2022. Jan-Jul 2024 imports averaged 10.89m-bpd which was down 2.4% year-on-year. China's reduced demand was put down to recent weak processing margins on higher crude import prices and, at a more structural level, lower fuel demand as EVs gain domestic popularity. It is revealing that state refiner Sinochem has 'indefinitely' shut two plants to stem losses.

We are faced with a raft of conflicting signals on demand in all sectors of the global economy which makes investing ever more challenging. The Aug 2 financial market meltdown took listed shipping shares with it, many by rather more than their non-shipping counterparts. We are admittedly in the middle of usual summer softness in shipping markets so, we are told, the fall in shipping equity prices may represent a good buying opportunity, according to many equity research analysts. Seasonality is a common feature with expectations of stronger wet and dry bulk markets over the balance of Q3 and in Q4. Clarksons Securities is quoted in TradeWinds as saying that, before the summer, many shipping equity valuations were at roughly 100% of net asset value (NAV). Now, listed tanker owners are trading at an average of about 87% of NAV and bulker owners at about 72%. This it believes "is an excellent opportunity for investors who missed out on the recent shipping rally to re-enter the market." The industry is presently in a more robust state that in previous downturns, owing to stronger balance sheets and lower real fleet growth. China is, as always, the secret sauce to shipping fortunes so we need to better understand how it might prime seaborne demand next year. It needs to resolve some major issues^. Otherwise, stocks are generally rebounding and may herald a market recovery in September, when traders return from the beaches.

*US CPI fell to 2.9% in July from 3% in June, the lowest since March 2021. In the UK, consumer prices rose 2.2% in July from 2% in May & June, below the forecast of 2.3%.

Headline inflation rates in France and Germany in July were higher than in the UK at 2.7% and 2.3%, respectively.

**The IEA is forecasting sub 1m-bpd growth in global oil demand for both 2024 (0.97) and 2025 (0.95). Global oil demand rose 0.87mbpd in Q2 of 2024.

^Of particular concern is the rout in steel and iron prices in recent days to below ~400/t and $100/t respectively.

Dry Cargo Chartering

Capesize markets rose steadily from opening on Monday, before peaking mid-week and tailing off on Thursday and Friday. Plenty of activity from all major miners was seen in the Pacific, while pressure mounted in the Atlantic as the gap between offers and bids grew noticeably wider. Timecharter averages closed at $21,037, an increase of $824 from last reported. Rio Tinto took five TBN positions ex Dampier paying between $9.88 pmt and $10.90 pmt, while three TBN vessels were fixed from Port Hedland with a similar freight range paid there from $9.88 pmt to $11.00 pmt. Elsewhere, Vale fixed 170,000 mtons 10% Teluk Rubiah/Son Duong in the low $7.00's pmt. Over in the Atlantic, LDC took *Lady Wyn* (182,514-dwt, 2020) and *Aanya* (179,628-dwt, 2012) for 170,000 mtons 10% iron ore Tubarao/Qingdao at $24.90 pmt and $25.05 pmt respectively, while Element chartered *Eurydice D* (174,788-dwt, 2009) for the same route for mid-September dates at $25.90 pmt. Additionally, Vale fixed 140,000 mtons 10% Tubarao/Djen-Djen at $14.05 pmt, and Rio Tinto fixed Seven Islands/El Dekheila at $11.00 pmt. On timecharter, *Capetan Ioannis* (180,652-dwt, 2011) was fixed delivery Huanghua for a Pacific round voyage at $25,000.

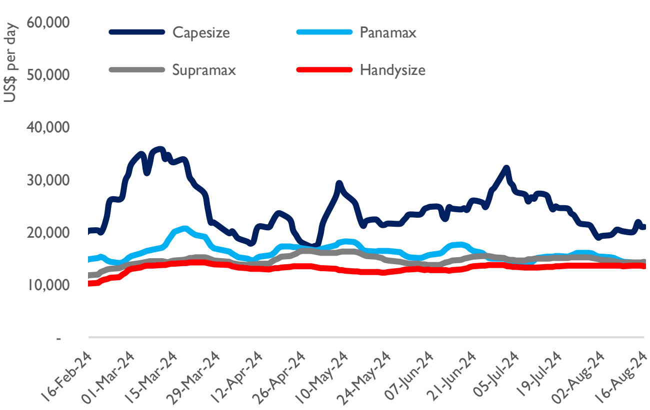
The **Panamax** market continued to ease with limited activity. A softer tone and sentiment continued to erode both rates and confidence in the market. The Atlantic returned a two-tier market between the mineral and grain round trips with some support for early September arrival dates from South America, however, the basin remains nervous overall. The Pacific saw some limited fresh support and interestingly, improved levels particularly for trips into Japan. However, despite a good clear-out of nearby tonnage in recent days, nervousness continued to enshroud the market. P5 TC closed at $13,970 down by $418 since last reported 14 July. In the Atlantic, *HSL Tampa* (81,818-dwt, 2017) Kohsichang 17 August fixed for a trip via East Coast South America option US Gulf redelivery Singapore-Japan at $16,000 with Messrs Cofco, whilst for the same structured deal *Karpaty* (82,135-dwt, 2013) Fangcheng 18 August fixed at $14,000. *Yangze 15* (82,027-dwt, 2019) delivery arrival pilot station East Coast South America 1/10 September was heard fixed for a trip redelivery Singapore-Japan at $17,250 plus $725,000 bb with Reachy. In the Pacific, *Yasa Sapphire* (82,406-dwt, 2023) Nansha 14/15 August heard fixed for a Pacific round trip at a rate in the region of $15/15,500. *Argonaut* (81,117-dwt, 2016) Rizhao 21/22 August fixed for a trip via NoPac redelivery Singapore-Japan at $11,850 while *Pan Navigator* (82,079-dwt, 2019) CJK 13/14 August was fixed for a trip via East Coast Australia redelivery South China at $13,600. On voyage, SAIL fixed 'TBN' for their 75,000 mtons 5% coal lift Australia Abbot Point Coal Terminal/East Coast India 10/19 September at $17.10.

The Atlantic **Supramax** market remains flat, although positive sentiment in south Atlantic was sensed. Pacific reclaimed the lost ground with more and better fixtures being concluded. The prompt tonnages supply appeared to be tight for the increasing cargo enquiries.The BSI closed at $14,343 up $30 from last week. In the Pacific, *Ikan Seligi* (56,236-dwt, 2010) fixed delivery Koh Sichang prompt for a trip via Indonesia redelivery China with coal at $13,500, similarly *Nordic BC Kiel* (55,947-dwt, 2010) open Singapore 14/16 August fixed by Tongli for a trip via Indonesia redelivery China with coal at $16,000. In the Indian Ocean, *Jin Rong* (58,729-dwt, 2008) fixed basis delivery Kandla for a trip redelivery Far East with salt at $12,000. In the East Coast of India, *Visha Diksha* (57,133-dwt, 2012) was taken by Seapol for a prompt trip via Paradip redelivery West Coast India at $12,750. In the Atlantic, there was very little reported activity, *Yangtze Dawn* (56,700-dwt, 2010) was fixed by Drydel for a trip with prompt delivery Douala redelivery East Coast India-China at $16,000.

A quiet end to the week with European national holidays, the **BHSI** closed today $13,576 down $19 since last Friday. On the Continent, a few grain runs to West Africa helped inject some life to the market, paying around $12-13,000 per day basis arrival pilot station. In the Mediterranean, *Ultra Osorno* (37,981-dwt, 2018) fixed delivery Canakkale for a trip to Algeria at $11,000. A 32k-dwt was heard fixing at $10,000 arrival pilot station Algeria to Veracruz with bagged cement. Positive signs from the US Gulf with a number of ships fixing this week, easing pressure on tonnage lists and a growing cargo book for September dates appearing. *Norse Antwerp* (40,020-dwt, 2021) open Altamira fixed a trans-Atlantic trip at $18,000, smaller tonnage fixing at mid-teens. *Equity* (37.071-dwt, 2013) was heard fixing inter-Caribbean trip at $17,000. South America remained firm; a 35k-dwt was heard fix failing to West Africa close to $19,000. On period, it was heard a 37k-dwt was fixed from Paranagua at $16,000 for minimum 7 months with world wide redelivery. In the Pacific, it was a generally quieter week with holidays both in the Far East and Southeast Asia. Few enquiries in circulation, with a tendency for operators preferring to secure business off-market. Towards the end of the week, enquiry levels increased, with interest coming from both Australia and further north. This boosted optimism for the Pacific market, but overall, it was felt that it was too early to determine a clear trend. In the Far East, a 28k-dwt open in Japan was fixed around $9,000 per day levels, for a trip within the Far East. A 37k-dwt vessel opening CJK was heard fixed around $15,500 for short period. In South East Asia, a 28k-dwt open Malaysia was fixed at $11,750 for a trip to Philippines. Another 28k-dwt passing Singapore was fixed at $10,000 for a trip to Far East. A 37k-dwt vessel passing Singapore was heard fixed at around $15,000 per day levels for a trip within South East Asia. A 38k-dwt open Surabaya was heard fixed for an Aussie round voyage at $16,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Yasa Sapphire	82,406	2023	Nansha	14/15 Aug	Singapore-Japan	$15,250	Cnr	Via East Coast Australia
Phaedra	82,053	2015	East Coast South America	1/10 Sept	Singapore-Japan	$17,750	Cargill	-
Skopelos I	79,659	2011	Kaohsiung	17 Aug	Taiwan	$12,000	Cnr	Via East Coast Australia
Luyang Smooth	75,618	2011	Shanwei	10/14 Aug	Philippines	$7,500	Cnr	Via Indonesia
Oriental Promotion	74,401	2001	Taichung	13 Aug	South China	$9,500	Cnr	Via Indonesia
Ikan Seligi	56,236	2010	Singapore	14 Aug	China	$13,500	Cnr	Via Indonesia
Vimc Sunrise	56,057	2006	Singapore	14 Aug	China	$15,500	Tongli	Via Indonesia
Nordic BC Kiel	55,947	2010	Singapore	14/16 Aug	China	$16,000	Tongli	Via Indonesia
Mykonos Dawn	37,880	2017	Rio Grande	18/22 Aug	West Mediterranean	$18,750	Cnr	-



Exchange Rates		This week	Last week
	1 USD	148.70 JPY	146.63 JPY
	1 USD	0.9107 EUR	0.9165 EUR
Brent Oil Price		**This week**	**Last Week**
	US$/barrel	79.93	79.29

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	487.0	488.0
VLSFO	610.0	601.0
Rotterdam HSFO	486.0	457.0
VLSFO	562.0	552.0

Dry Bulk S&P

With summer holidays continuing in full swing, activity levels are a bit quieter compared to recent weeks. However, with that comes the opportunity to snap up deals with less competition, potentially at lower pricing.

Kicking off with the only Kamsarmax sale of the week, Chinese owners have reportedly sold their 2008-built *Rosco Poplar* (82,331-dwt, 2008 Oshima) for $17.6m to a yet undisclosed European buyers. This pricing is a step down on last week's sale of the 1-year older *Bellemar* (81,448-dwt, 2007 Universal) for $17.57m.

We have numerous Ultramax sales to report; however, this seems coincidental given the time for offers as opposed to a sudden rush in the Ultramax market. A quartet of Chinese built Ultramaxes, *Beauty Lotus, Beauty Lily, Beauty Jasmine* and *Beauty Peony* (all 63,600-dwt, 2015 CSI Jiangsu) have been committed in an enbloc sale for $24.25m each. The buyer's identity remains unclear for now, and whilst the pricing is lower than the last comparable deals - three weeks ago; *Swansea* (63,310-dwt, 2015 Dayang) was sold for $25.5m - we understand that deliveries will not take place until the end of the year. There are two further Ultras to report. Firstly, *Seacon Athens* (63,290-dwt, 2019 Nantong Xiangyu) sold for $32.1m - in line with our benchmarks. Secondly, *Great Spring* (61,438-dwt, 2017 DACKS) is sold via online auction at $27.8m. This is well down on a 'fair market price' but an online auction in mid-August was expected to offer such an opportunity. The sister ship is being sold through the same auction platform later this year, and it will be interesting to see if there is greater competition on her.

The 2009 open hatch and box shaped Handysize *Vigor SW* (32,228-dwt, 2009 Kanda Zosensho) is sold for $13m, which is bang on the benchmarks.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Rosco Poplar	82,331	2008	Oshima			$17.6m	
Beauty Lotus	63,685	2015	CSI Jiangsu	C 4 x 30T		$97.0m	Enbloc Q1 2025 delivery
Beauty Lily	63,654						
Beauty Jasmine	63,638						
Beauty Peony	63,587						
Seacon Athens	63,290	2019	Nantong Xiangsu	C 4 x 35T	Chinese Leasing House	$32.1m	SS freshly passed
Great Spring	61,438	2017	DACKS	C 4 x 31T	Chinese	$27.8m	Sold via online auction
Vigor SW	32,228	2009	Kanda Zosensho	C 4 x 31T		$13.0m	OHBS
CS Caprice	30,465	2010	Tsuji Heavy Industries	C 4 x 30 T		$11.0m	

Dry Bulk Orderbook (as of early August)

As of 5th August 2024	Capesize (>100,000-dwt)		Panamax (69-99,999-dwt)		Supra/Ultramax (45-68,999-dwt)		Handysize (25-44,999-dwt)		Total	
	#	M-dwt	#	M-dwt	#	M-dwt	#	M-dwt	#	M-dwt
2024	12	2.4	60	5.9	71	4.5	51	2.0	194	14.7
2025	36	7.3	127	10.4	189	12.0	136	5.5	488	35.1
2026+	85	19.0	218	18.2	207	13.2	83	3.3	593	53.7
Total	**133**	**28.7**	**405**	**34.4**	**467**	**29.6**	**270**	**10.8**	**1,275**	**103.5**
OB as % Fleet	**7%**	**7%**	**13%**	**13%**	**11%**	**13%**	**9%**	**11%**	**10%**	**10%**

Drybulk newbuild prices continue to rise, slowly but steadily. Whilst the pace of price increases has eased slightly this year, Ultramax newbuild prices are still up 6% YTD (~$2m). Since the most recent market low-point at the end of 2020, drybulk newbuild prices are up on average 45% and an Ultramax by 46% in this period. This tracks closely the rise in newbuild prices across sectors, the cross-sector CNPI newbuild price index is up 44% over the same period, an MR2 by 33% and a 2,700-teu containership by 37%. Although input costs, such as steel are significantly lower than they were back in 2021, steel prices in China are currently around $500/t, having spent large parts of 2021 over $850/t. Instead, the rise in prices is being largely driven by extra demand for new ships from across the sectors, each of which have taken the lead in different phases: originally gas and containerships. More recently it has been product tankers, there are now signs that the container market is gearing up for another wave of ordering. This cross-sector contracting boom began in early 2021 and persists at a level almost in-line with our estimate of global shipyard capacity (~54m CGT). The question for the next few months is whether the continued (and even resurgent) cross-sector demand is going to be enough to keep pushing prices up in the face of the extra shipbuilding capacity that will be online by 2026.

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Tanker Commentary

There has been a notable drop off in the volume of tanker sales across the various sectors this week. The combination of lengthy lists of vintage sales candidates and summer holidays perhaps contributing to the slowdown in activity.

The Indonesian owned VLCC *PNS Serena* (300,398-dwt, 2006 Universal) has been sold for about $40m having been on and off the market for the best part of a year. Market rumours suggest the buyers are Chinese, though no concrete details have emerged so far. Continuing in the crude sector, vintage Aframax, *Salamander* (115,000-dwt, 2004 Hyundai Samho) has been sold to Turkish buyers for $27m. This sale represents a significant step down from the last done sale of *Seaqueen* (115,639-dwt, 2004 Samsung) which fetched $30m at the end of July.

In the smaller chemical markets, US based MT Maritime continue to divest their vintage stainless steel fleet. *MTM Gibraltar* (20,810-dwt, 2003 Kitanihon Zosen - STST) has been sold for a fair $14.5m - in line with the sale of *G Bright* (19,931-dwt, 2004 Kitanihon - STST) which was concluded for $15.3m back in May. Elsewhere, *Sambong Hera* (11,416-dwt, 2018 STX - Epoxy Phenolic) has been committed at $23.8m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
PNS Serena	300,398	2006	Universal	Chinese	$40.2m	
Salamander	115,000	2004	Hyundai Samho	Turkish	$27.0m	SS Passed
MTM Gibraltar	20,810	2003	Kitanijon Zosen		$14.5m	Stainless Steel
Sambong Hera	11,416	2018	STX		$23.8m	Epoxy

Tanker Orderbooks (as of early August)

As of 5th August 2024	Aframax (80-120k-dwt)		Suezmax (120-200k-dwt)		VLCC (200-dwt +)		Crude Total	
	#	M-dwt	#	M-dwt	#	M-dwt	#	M-dwt
2024	7	0.81	6	0.9	1	0.3	14	2.1
2025	8	0.93	29	4.6	5	1.5	42	7.0
2026+	23	2.65	74	11.6	61	18.9	158	33.1
Total	**38**	**4.4**	**109**	**17.1**	**67**	**20.8**	**214**	**42.2**
OB as % Fleet	**5%**	**6%**	**17%**	**17%**	**7%**	**7%**	**10%**	**9%**

As of 5th August 2024	Handy (30-41k-dwt)		MR (41-60k-dwt)		LR1 (60-80k-dwt)		LR2 (80k-dwt +)		Product Total	
	#	M-dwt	#	M-dwt	#	M-dwt	#	M-dwt	#	M-dwt
2024	0	0.0	25	1.2	0	0.0	7	0.8	32	2.0
2025	2	0.1	78	3.9	9	0.7	52	6.0	141	10.6
2026+	8	0.3	170	8.4	37	2.8	106	12.1	321	23.6
Total	**10**	**0.4**	**273**	**13.5**	**46**	**3.4**	**165**	**18.9**	**494**	**36.2**
OB as % Fleet	**2%**	**2%**	**16%**	**17%**	**12%**	**12%**	**37%**	**38%**	**16%**	**20%**

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