13 September 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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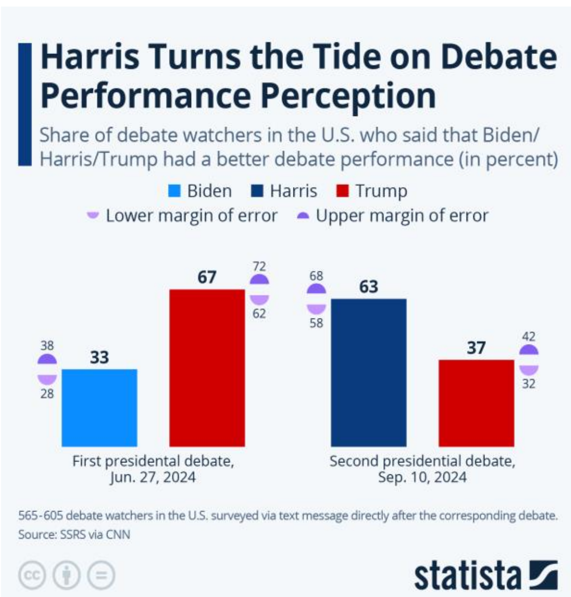
… A third decider is called for, but Trump is not keen…



Source : Statista

POINTS OF VIEW

Much has been said about the China deceleration and it is beginning to look as if it is speeding up rather than finding a floor. The CSI 300 closed today at its lowest in nearly six years. Latest data shows Chinese steel rebar prices at sub $430 a ton, the lowest level since early 2017, Aussie iron ore at sub $80 a ton FOB, the lowest since end 2022, China's producer prices down 1.8% YoY in Aug, and its consumer prices up 0.7% YoY, although by only 0.2% after stripping out a big rise in food (particularly pork) costs. Weak Chinese demand is undermining global commodity prices. China now threatens to export deflation, even as the Federal Reserve is still obsessed with inflation and has so far declined to cut interest rates. WTI crude started the year at around $70 a barrel, before hitting a peak of $87 in early April. Now, it is back to $70. Henry Hub natural gas prices started the year at $2.60 per million BTU, surged to an annual high of $3.40 in mid-January, and are now back to $2.40. Iron ore (62% Fe CFR China) started this year at $136 per ton before slumping to an annual low of $91 this week. Copper started 2024 at $3.90 per pound, peaked at $5.20 in May, and has retreated to below $4.20 today. Wheat started at around $629 a bushel, spiked to $720 by end May, and has since slumped to $555 today. Soybeans began at around $1,270 per bushel but have slipped to below $990 today. The common theme is elevated prices within the first half of the year, as optimism in the global recovery held, only to be replaced by falling prices as recession fears rose. These fears have been driven by the pernicious draining effect of high interest rates on consumer spending and by the malign global impact of a chronic China slowdown.

Brent crude is at its lowest price in three years on weak demand from the US and China.* One upshot of this is that Russia's oil revenues have sunk to their weakest level since Feb with its Urals crude getting closer to $60 a barrel, the level of the G7 price cap. If the slide continues then it will deprive the dark fleet of business and play back into the hands of the regulated fleet. OPEC had planned to raise output from October but will now postpone any decision until December. It faces a dilemma as its market share has steadily dropped from 36% in 2000 to 26% now. OPEC's mainly MEG output is held back and is being replaced in Asian markets by incremental new output mainly from the US, Brazil and Guyana with help from Canada and Norway. This represents a big ton-mile gain, especially for VLCCs, that mitigates against the reduction in absolute seaborne volumes. However, OPEC's patience may be tested by expanding Atlantic production and it could revert to the old ploy of flooding the market, depressing prices and squeezing out higher-cost producers, including the US shale patch. As Bloomberg reminds us, the cartel has launched two price wars during the last decade and may be on the cusp of a third. With this risk in mind, the supermajors** might be faced with having to cut their large share buybacks that have sustained interest in their equity. Dividend payouts may also come under pressure.

It turns out that the IEA's more modest forecasts of global oil demand growth are proving more astute than OPEC's own bullish bets.^ Commodity market dynamics are changing, and we inevitably find ourselves looking to China for answers. The FT quotes economists at Morgan Stanley estimating that China needs to spend Rmb10tn ($1.4tn) over two years in stimulus funds to reflate the economy and return it to sustainable growth. This would be 2.5-times the bazooka package that it deployed in 2008 after the GFC. It is needed to counter deflation and should be targeted directly at households and not to investment, manufacturing and infrastructure as it was back then. The prolonged deep property slump has destroyed confidence and caused households to cut spending while increasing saving, taking the seasonally adjusted savings rate in Q2 to over 30%. There is a massive rise in the domestic supply of unwanted consumer goods that are now flooding export markets. They will meet tariffs along with EVs, steel, aluminium and refined oil products. China's 2024 5% GDP growth target is slipping (4% YoY in Q2), needing resolute action. Other banks (Goldman, Macquarie & HSBC) broadly agree that a Rmb5-10tn stimulus package is required, a 'shock and awe' policy, to revive consumer spirits. Gavekal^^ suggests Rmb3-8tn in direct transfers to households. Let's hope that the Politburo is listening as shipping will be missing a key demand component without a new big bazooka.

*China imported 11.56m-bpd of crude in Aug, highest in a year, driven by low prices.

**Generally considered as Exxon, Chevron, Shell, Total, Conoco, Eni and BP.

^IEA has just cut its forecast of 2024 global oil demand growth by 7.2% to 0.9m-bpd.

^^Gavekal is a research firm founded by Louis-Vincent Gave and Anatole Kaletsky.

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SHIPPING SERVICES

Dry Cargo Chartering

After stumbling last week, **Capesize** markets softened notably with talk of diminishing September cargoes in the Pacific and fewer coal tenders, while Atlantic activity remained relatively muted. Overall timecharter averages ended up at $25,620, a decline of $2,212 from last reported. From Port Hedland, FMG took one TBN for the end of this month at $11.50 pmt, while four vessels were fixed for Dampier/Qingdao with freight ranging from $11.45 pmt to $11.60 pmt. Mercuria were also active from Western Australia fixing *GH Nightingale* (180,010-dwt, 2009) for 170,000 mtons 10% at $11.90 pmt and *CIC Paola* (179,999-dwt, 2014) for 160,000 mtons 10% at $11.70 pmt. From the Atlantic, CSN covered Itaguai/Qingdao loading first half of October at $28.25 pmt, while ECTP took First Phoenix (182,591-dwt, 2020) at $27.95 pmt, and Oldendorff fixed *Star Marianne* (178,906-dwt, 2010) at $27.45 pmt both ex Tubarao. From Narvik, Cargill chartered an Oldendorff TBN to Jubail at $27.50 pmt, while *Pacifist* (181,458 2011) was fixed for 150,000 mtons 10% to El Dekheila at $9.90 pmt.

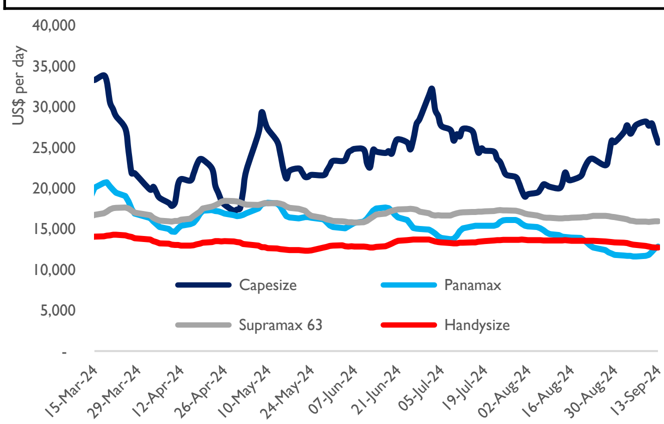
This week saw consistent modest gains for **Panamax** markets, with reports of better than last done being achieved for trans-Atlantic trips and growing demand from NoPac and Australia. Timecharter averages on Friday ended at $12,849, up $1,204 from last week. From the Pacific, Oldendorff took *Admiral Jimmu* (82,042-dwt, 2020) delivery Nantong for a NoPac round trip with the option of Australia loading at $14,250, while Cargill fixed *Golden Kiku* (82,459-dwt, 2022) delivery Zhuhai for an Aussie round trip at $15,600. On the Far East period front, K-Line took *Medusa* (82,194-dwt, 2010) delivery Gunsan for 5/7 months trading at $15,500 with worldwide redelivery. In the Indian Ocean, WBC fixed JY River (81,161-dwt, 2019) delivery Haldia for a trip via EC India to China at $17,000 with scrubber benefit to the owners. In the Atlantic, the same charterers took *Sterling Saga* (82,908-dwt, 2013) delivery San Ciprian for a trip via the USEC to India at $21,000, while Mainline chartered *Bright Venture* (81,486-dwt, 2020) delivery APS ECSA for a trip with iron ore to the Continent at $16,000. On voyage, Vale fixed *Caravos Glory* (81,672-dwt, 2012) for 75,000 mtons 10% Ponta da Madeira/Eren at $15.75 pmt.

A mixed week for the **Supramax** market, the BSI63 closed at $15,977 up $48 since last week. In the Atlantic sentiment remained weak with limited fresh activity surfacing and a limited amount of enquiry. *Medi Adriatico* (60,550-dwt, 2016) was linked to Norden covering a vessel basis delivery Port Said for a trip with clinker redelivery Abidjan at $10,000. From the Mediterranean, *Spring Jasmine* (63,441-dwt, 2023) was heard fixed basis delivery East Med. redelivery USA in the mid $7000s. In the South Atlantic, *Magic Seas* (63,301-dwt, 2016) fixed delivery Brazil for a trans-Atlantic trip basis redelivery East Mediterranean at $18,500 while, *Lowlands Luck* (63,482-dwt, 2023) fixed via East Coast South America for a fronthaul trip at $15,500 + $550,000bb with *Crystal Seas*. In the Pacific, while overall it remained relatively flat with limited fresh cargo appearing from the south, there was a bit more interest in the nickel ore trades, which provided gradual improvements. In the Pacific, *Josco Taicang* (58,675-dwt, 2012) open Weda was heard fixed at around $19,500 to a trip via Philippines to China with nickel ore. *EM Jade* (55,019-dwt, 2020) open Ganyu fixed for a trip via Philippines redelivery China with nickel ore at $15,500. *Afros* (63,223-dwt, 2018) was heard fixed basis delivery Koh Sichang also for a trip via Indonesia redelivery WC India at $15,000. In the Indian Ocean, *Sea Destiny* (55,614-dwt, 2009) was heard fixed basis delivery Bin Qasim trip via Jubail redelivery East Coast India at $15,000.

The **Handysize** market cooled this week, with a softening of rates across board, the BHSI closed today at $12,731 a drop of $308 since last Friday. Despite an influx of cargoes entering Black Sea and East Mediterranean markets, a backlog of prompt tonnage kept rates down, with owners still fixing at around $7-8,000 per day for intra-med trips or trips to the Continent. A 33k-dwt fixed at $7,500 arrival Milos for a trip to Antwerp. A 39k-dwt fixed a grains run at $9,000 via Black Sea to Algeria with Norden. The continent was quiet with little reported activity, it was heard a 44k-dwt fixed on subs for a scrap trip to Turkey at 10,750 passing Skaw. *Eco Cathar* (38,494-dwt, 2012) open Casablanca fixed delivery Safi with fertilizers for a trip basis redelivery A-R-A-G range at $8,000 with Centurion. It was soft again in the US Gulf, *Gullholmen Island* (38,309-dwt, 2011) open Port Alfred fixed on subs for St Lawrence to Morocco with grains at around $16,000 to TMA, while Falcon took *Ethra Gold* (32,599-dwt, 2010) open Port Esquivel for a trip basis redelivery Iceland with Alumina at $14,650. All eyes were on the South Atlantic, with rates continuing to drop at pace. It was reported *CS Crystal* (30,478-dwt, 2010) in ballast from Matadi fixed delivery arrival pilot station Bahia Blanca for a trip with grains to Santos at $13,000 to Weco Bulk. *Imabari Logger* (37,478-dwt, 2014) open San Lorenzo fixed via Upriver to Peru at $21,500 with Canfornav. In the Pacific, the market remained stable despite the general lack of activity. While the tonnage count is increasing, healthy cargo volumes entering the market has generally kept rates around last done. In the Far East, we have seen 2-3k difference in the bid-offer spread (8k-12k, per day), for trips to South East Asia on a 33k-dwt vessel in CJK. In South East Asia, a 32k-dwt open Philippines was heard fixed at around $8,700 levels to North China, while a 28k-dwt passing Singapore was heard fixed at around $9,750 levels to the Far East.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Clia	92,968	2012	Tanjung Bin	15/18 Sept	Malaysia	$14,000	Sinmal	Via Indonesia
Troodos Oak	85,439	2020	Tachibana	12/14 Sept	Singapore-Japan	$15,500	Cnr	Via NoPac
Ioannis R	75,754	2008	Retro Singapore	27 Aug	Singapore-Japan	$10,500	SDTR	Via EC South America
Glyfada I	75,639	2009	US Gulf	25 Sept	Skaw-Spain	$20,000	Bunge	-
Shen Hua 805	75,437	2014	Qinzhou	15 Sept	South China	$11,500	Cnr	Via Indonesia
Medi Adriatico	60,550	2016	Port Elizabeth	Ppt	China	$18,000	Bainbridge	$180,000 Ballast Bonus
Bao Yuan	56,837	2012	Tianjin	12/18 Sept	Red Sea	$16,500	Cnr	-
Riva Wind	53,533	2005	Maputo	Ppt	China	$14,000	Enesel	$140,000 Ballast Bonus
Armia Krajowa	39,071	2016	Panama City	15 Sept	UK-Continent	$16,000	PCL	-



Exchange Rates		This week	Last week
	1 USD	140.42 JPY	143.27 JPY
	1 USD	0.9019 EUR	0.9003 EUR
Brent Oil Price		**This week**	**Last Week**
	US$/barrel	72.48	71.07

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	449.5	438.0
VLSFO	583.5	638.0
Rotterdam HSFO	416.5	442.0
VLSFO	524.5	540.0

Dry Bulk S&P

Two vintage Capes sold this week. Star bulk are reported to have offloaded their scrubber fitted *Star Triumph* (176,343-dwt, 2004 Universal) for $20m. A firm price comparing against the two years younger non-scrubber fitted *Great Navigator* (176,343-dwt, 2006 Universal) which sold for $19m at the end of July. The second is *Glovis Ambition* (172,559-dwt, 2002 Nippon Kokan) sold for $14.1m.

Greek owners Alberta have picked up *Kitaura* (119,277-dwt, 2012 Sanoyas) for $25m. The last mini-cape sold was *Star Paola* (115,259-dwt, 2011 New Times - Scrubber) in April for $23.5m.

In the Supramax sector Chinese buyers are rumoured to have acquired seven Hantong built Dolphin 57's ranging from twelve to sixteen years old for an en bloc price of $80m. Elsewhere *Sagarjeet* (58,073-dwt, 2009 Tsuneishi Zhoushan) sold for $16.3m. This is in line with last done *Titan I* (58,090-dwt, 2009 Tsuneishi Cebu) sold earlier this month for $16.2m, although it is worth noting she had special survey due imminently, whereas *Sagarjeet* is not due till 2029.

Finally, looking at sales in the Handysize market, four Chinese built ships have been sold. A pair of 2011 built vessels, the larger of the two, *Thomas Selmer* (34,963-dwt, 2011 Samjin Weihai) achieved a price of $13m, while *Maple Fortitude* (32,491-dwt, 2011 Taizhou Maple Leaf) sold for $11m. A strong price for *Thomas Selmer* when comparing with the year younger *DL Jasmine & DL Lilac* (33,700-dwt, 2012 Samjin Weihai) sold for $12.6m each in July.

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Star Triumph	176,343	2004	Universal			$20.0 M	Scrubber fitted
Glovis Ambition	172,559	2002	Nippon Kokan			$14.1 M	
Kitaura	119,277	2012	Sanoyas		Alberta	$25.0 M	
Sagarjeet	58,073	2009	Tsuneishi Zhoushan	C 4 x 30T		$16.3 M	
Mandarin Phoenix	57,000	2010		C 4 x 36T			
Mandarin Eagle	56,876	2008		C 4 x 30T			
Mandarin China	56,778	2011					
Mandarin River	56,774	2011	Hantong		Chinese	$80.0 M	En Bloc.
Mandarin Hantong	56,741	2011		C 4 x 36T			
Mandarin Singapore	56,724	2011					
Mandarin Noble	56,693	2012					
Zhe Hai 362	35,091	2010	Zhejiang Tenglong	C 4 x 31T		$8.3 M	Sold via Chinese Auction.
Thomas Selmer	34,963	2011	Samjin Weihai	C 4 x 35T		$13.0 M	
Zhe Hai 161	33,478	2007	Zhoushan Wuzhou	C 4 x 25T		$6.0 M	Sold via Chinese Auction.
Maple Fortitude	32,491	2011	Taizhou Maple Leaf	C 4 x 31T		$11.0 M	

Recent months have seen a resurgence in the ordering of containerships. In June alone, more than 1m-teu was ordered, this itself would represent capacity worth more than 3% of the entire global fleet. On a 3-month moving average basis, containership ordering is now back at its highest point since Q2-21, the peak of the last container ordering boom. Other milestones hit in the last month include the product tanker orderbook now exceeding 20% of the fleet (dwt-terms) and the slower crude tanker orderbook now inching above 10%. The drybulk orderbook also saw numerous additions over the last month, most notably in the Panamax sector, boosted in particularly by over 30 Kamsarmax orders by COSCO. The Panamax orderbook now stands at 14% of the fleet.

This ordering helps to explain and justify many of the trends we currently see in the newbuild market across sectors. Yard prices remain high and are still climbing gradually, and early delivery slots are becoming increasingly scarce. The flip-side to this however is yards are starting to move to increase capacity. Several major Chinese yards are looking to expand both physically in terms of facilities (i.e. building new or re-opening old drydocks) as well as bringing more labour and workstreams online.

Dry Bulk Orderbook (as of early September)

As of 4th September 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	8	1.6	48	3.9	56	3.5	39	1.5	151	10.5
2025	36	7.3	128	10.5	191	12.1	139	5.5	494	35.4
2026+	89	20.1	268	22.2	217	13.8	89	3.6	663	59.7
Total	**133**	**28.9**	**444**	**36.6**	**464**	**29.4**	**267**	**10.6**	**1,308**	**105.6**
OB as % Fleet	**7%**	**7%**	**14%**	**14%**	**11%**	**12%**	**9%**	**10%**	**11%**	**11%**

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Tanker Commentary

We have seen a slight uptick in VLCC rates this week (circa $5k/day on the headline Middle East - Far East route) which may provide some comfort to owners that better days are on the horizon as we approach Q4. It has been a relatively quiet week though in the tanker S&P market with only two confirmed sales reported, both of which are within the crude sector.

Athenian Carriers are understood to have committed their eleven-year-old VLCC, *Captain X Kyriakou* (299,991-dwt, 2013 Hyundai - M/E engine) for $80m. The buyers are rumoured to be a group of Norwegian investors. VLCC sales of this age have been few and far between this year, but the price is in line with *Miltiades Junior* (320,926-dwt, 2014 SWS - scrubber fitted) which we understand was sold at a touch above $80m in the recent fleet deal between Capital Product Partners and Bahri.

Following on from this, Mumbai based Great Eastern have sold *Jag Lalit* (158k-dwt, 2005 Hyundai - Ice 1B) in the region of $33m with delivery set to take place in the next couple of months. The buyers are unknown at this stage.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Captain X Kyriakou	299,991	2013	Hyundai		$80.0 M	Eco M/E / Scrubber fitted
Jag Lalit	158,344	2005	Hyundai Samho		$33.0 M	

Tanker Orderbooks (as of early September)

As of 4th September 2024	Crude Tankers: Aframax (80-120k-dwt) #	M-dwt	Suezmax (120-200k-dwt) #	M-dwt	VLCC (200k-dwt +) #	M-dwt	Crude Total #	M-dwt
2024	7	0.8	4	0.6	1	0.3	12	1.7
2025	8	0.9	29	4.6	5	1.5	42	7.0
2026+	28	3.2	75	11.7	67	20.8	170	35.7
Total	**43**	**5.0**	**108**	**16.9**	**73**	**22.6**	**224**	**44.5**
OB as % Fleet	**6%**	**7%**	**16%**	**17%**	**8%**	**8%**	**10%**	**10%**

As of 4th September 2024	Product Tankers: Handy (30-41k-dwt) #	M-dwt	MR (41-60k-dwt) #	M-dwt	LR1 (60-80k-dwt) #	M-dwt	LR2 (80k-dwt +) #	M-dwt	Product Total #	M-dwt
2024	0	0.0	19	0.9	0	0.0	7	0.8	26	1.7
2025	4	0.1	83	4.1	9	0.7	49	5.6	145	10.6
2026+	11	0.4	188	9.3	43	3.2	114	13.0	356	25.9
Total	**15**	**0.6**	**290**	**14.4**	**52**	**3.9**	**170**	**19.5**	**527**	**38.3**
OB as % Fleet	**3%**	**3%**	**17%**	**18%**	**14%**	**14%**	**38%**	**39%**	**18%**	**21%**

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