29 November 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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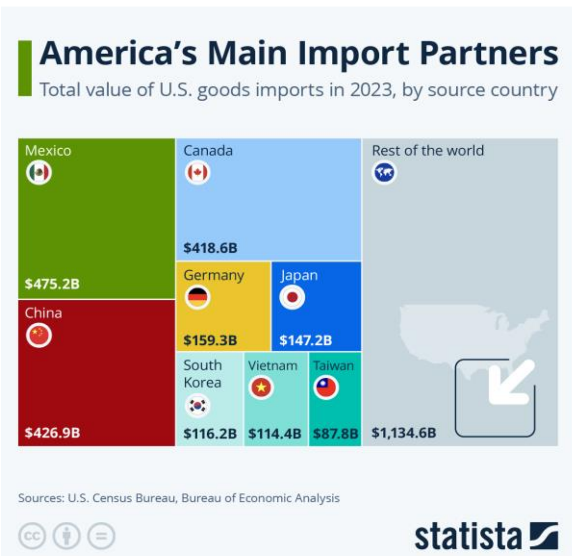


Source : Statista

POINTS OF VIEW

Trump is back. He considers that he took over the presidency on Nov 6, the day that his victory in the presidential election was confirmed, rather quicker than we had expected. Despite having criticised Biden for poor economic performance and inflation, he is now taking credit for the US economy's strong showing. The seeds of inflation were sewn in 2020, the last year of Trump's term, after he first ignored Covid and then belatedly threw vast amounts of money at it. This set the conditions for a post-pandemic demand surge that put huge pressure on global supply chains, subsequently amplified by Russia's invasion of Ukraine in Feb 2022. Inflation was a pan-Western issue, not a uniquely American one. Despite the IRA, Chips Act and American Rescue Plan, Biden and the markets brought inflation back towards the 2% target, but lately inflation has shown signs of stickiness. The Fed's preferred measure of underlying inflation, core personal consumption price index, rose 2.8% in October YoY and 0.3% MoM, complicating the Fed's policy action.*The announced 25% tariff on all goods arriving from Canada and Mexico, and an extra 10% on China, are regarded as inflationary, suggesting that interest rates will not come down as quickly as hoped, maintaining pressure on household budgets, corporate balance sheets and the federal deficit.** Trump has a drill, baby, drill policy but raising the cost of 5.2m-bpd of imported oil from Canada and Mexico, not easily replaced as US refineries are tooled up to process these heavy sour grades, will increase US gasoline prices by an estimated 50 cents a gallon.^ So much for promising to lower US fuel costs.

Trump has no plans to exempt Canadian and Mexican crude oil imports, the top sources of US imports, under his new tariff plan that looks to have been announced without reference to his commerce and trade nominees. The US Midwest will be most vulnerable to spikes in pump prices in a trade measure that the oil industry warned would hurt consumers, industry and national security. Reuters quotes a spokesperson for the American Fuel and Petrochemical Manufacturers group as saying: "Across-the-board trade policies that could inflate the cost of imports, reduce accessible supplies of oil feedstocks and products, or provoke retaliatory tariffs have potential to impact consumers and undercut our advantage as the world's leading maker of liquid fuels. One might ask, why would he indulge in such a Biden-like act of self-harm? The American Petroleum Institute said: "Canada and Mexico are our top energy trading partners, and maintaining the free flow of energy products across our borders is critical for North American energy security and US consumers." These trade bodies, and the nominated government officials, only have until Jan 20 to persuade the president-to-be that these tariffs will backfire on the US economy. Trouble is, they may also backfire on the officials, as in: "You're Fired!"

Another event that may have caught us by surprise is the ceasefire in Lebanon which requires Hezbollah to retreat north of the Litani River and the IDF south of the border. The buffer zone will be patrolled by the Lebanese army and the UN. This will enable displaced occupants of southern Lebanon to return home and displaced Israelis to do the same in northern Israel. The agreement merely enforces the 2006 UN resolution 1701 and makes it safer for residents on each side of the border. Some commentators see this not just as an admission of defeat for Hezbollah but also for its main backer, Iran. It leaves Hamas stranded in Gaza as the IDF is no longer involved in intensive military operations on two fronts in the west and the north. Much credit is being claimed by Amos Hochstein, the US envoy, with not much being attributed to Anthony Blinken's tireless efforts. True to form, Trump's administration will lay claim to anything good that happens while continuing to lay blame on the Democrats for everything that goes wrong. Hochstein asserts that the ceasefire in Lebanon will pave the way for a similar event in Gaza at which point we are being led to believe that peace will come to the West Bank, Yemen's Houthis will stop attacking ships in the Red Sea and Iran will call off its proxy militias in Iraq and Syria. Believe that if you wish. Trump is getting ready to abandon Ukraine on Jan 20 having appointed Kyiv-sceptic retired general Keith Kellogg as special envoy.^^ Shipping is heavily invested in these issues whether it be a looming rise in global trade wars or an imminent reduction in regional shooting wars. There's a mixture of good and bad repercussions in each and we will find out what they are soon enough.

*Bloomberg reports that Nouriel Roubini is preparing for a world in which yields on long-dated US bonds will edge higher as Trump's agenda risks eroding price stability.

**These initial targeted tariffs blame Canada and Mexico for cross-border illegal migration and drug trafficking and all three countries for the growing fentanyl crisis.

^The US has imported an average of 5.2m-bpd of crude and products from Canada and Mexico in 2024 to date, with more than 4m-bpd of that originating in Canada.

Trump transition spokeswoman, Karoline Leavitt, as quoted by Reuters: "President Trump will work quickly to fix and restore an economy that puts American workers first by re-shoring jobs, lowering inflation, raising real wages, lowering taxes, cutting regulations, and unshackling American energy." A political pipe dream?

^^He advocates making military aid conditional on Kyiv entering talks. Bloomberg reports that the US provides over half of publicly announced missile deliveries.

There is the very real possibility that Nato will soon be faced with financing its own defence against Russia whose aggression is on the cusp of being rewarded.

Dry Cargo Chartering

It was another difficult week for the **Capesize** sector with limited fresh cargoes and growing tonnage availability contributing to the decline of BCI 5TC, the BCI closing today $17,686 down $4,092 since last Friday. After a busy week of fixing ballasters, the Atlantic started somewhat subdued. North Atlantic was muted which led to vessels open in the Conti-Med region to price cargoes loading out of West Africa. Sinoafrica took a 'TBN' 170000mt 10% from Freetown to Qingdao for 21/25 Dec at $20.85 which is almost $3 drop compared to last week for the same trade, meanwhile, Alam fixed 'TBN' 170000mt 10% from Kamsar to Qingdao 24/30 Dec at $23.75. The Pacific started positively earlier this week, however, the correction did not last and started to decline close to the end of the week. Rio Tinto fixed a 'TBN' 170000mt 10% Dampier/Qingdao 16/18 Dec at $9.40 while FMG fixed 'TBN' 190000mt 10% Port Hedland/Qingdao 11/13 Dec at $10.30.

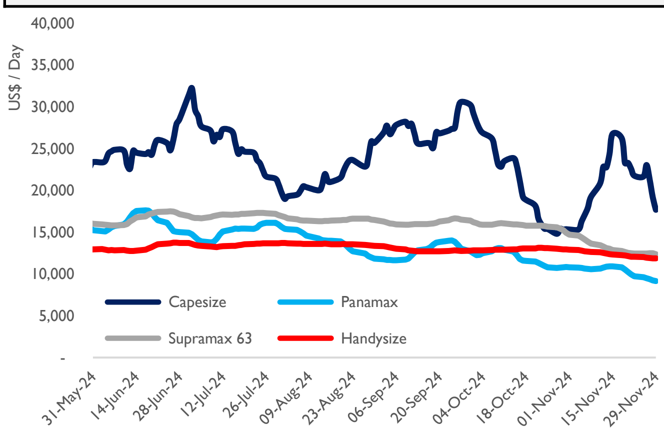
A slow week for the **Panamax** market with rates ex Asia struggling to find a floor. The BPI closed at $9,161 down by $586 since last week. The Atlantic remained a mixed affair, mineral voyage rates and the quick and short duration business continued to pay a premium to index rates, however a distinct lack of grain activity fed into the market with an overall bearish feeling. Asia saw a big spread as owners' reduced offers were met with charterers standing off. Further falls are expected to materialise with a lack of meaningful demand from the usual load areas, particularly NoPac. In the Atlantic, Oldendorff were linked to the *RGL First* (82,215-dwt, 2017) Rotterdam 27/28 November for a trip via Narvik redelivery Rotterdam at a rate in the $11,000's. *One Energy* (81,076-dwt, 2011) Rotterdam 3/6 December fixed for a trip via US East coast redelivery India with Western bulk with rates of around $13,500. *Kythira I* (81,444-dwt, 2011) passed Gibraltar 20 November was heard fixed basis 2 laden legs redelivery Atlantic at $11,250 with Aquatrade. In the Pacific, *Red Lily* (81,855-dwt, 2017) Fukuyama 28/29 November was heard fixed for a trip via Australia redeliver South China at rates between $11,500 and $12,000 with Messrs Tongli. *Mondial Cosmos* (81611-dwt, 2017) dely Lanshan 28/29 Nov fixed for a trip via Australia redel Japan at $10,250 while the *Aspasia Luck* (72270-dwt, 2000) dely Zhanjiang 2 Dec fixed for a trip via Indonesia redel South China at $7,500.

The **BSI** closed at $12,384, down marginally from last week's $12,438. The US and South Atlantic were active before the Thanksgiving holiday on Thursday. Most cargo activity was Trans-Atlantic though the Cont-Med region was under downward pressure due to a lack of fresh cargo. The PG-WC India region was relatively flat with rates concluded at similar levels to last week, however, South Africa saw some improvement with a number of fixtures reported. The Pacific Ocean saw better numbers in the south due to more Indonesian coal, but the northern Asia market remained subdued. In the north Pacific surplus tonnage struggled to achieve better rates, *Genco Auvergne* (58,020-dwt, 2009) delivery Dalian 4/8 Dec was fixed for a trip via N China redelivery Arabian Gulf with intention steels at $8,500 by Clipper, while *Josco Guizhou* (61,307-dwt, 2020) passing Busan was fixed for a trip via NoPac redelivery Philippines at $11,000 by Olam. Southeast Asia had more coal inquiries which helped improve the sentiment, *SJ Colombo* (55,989-dwt, 2010) delivery Vung Tau 2/3 Dec was fixed for a trip via Indonesia redelivery China with coal at $9,500 by ESM. In the Indian Ocean, more activities in the south were reported, *Bright Falcon* (63,307-dwt, 2019) delivery Maputo 10/15 Dec was fixed for a trip redelivery China at $18,000 plus $180,000 ballast bonus by MOL, and *BBG Chongzuo* (61,185-dwt, 2022) delivery Port Elizabeth 10/15 Dec was fixed for a trip redelivery EC India at $15,500 plus $155,000 ballast bonus by JVS. Furthermore, *Van Hui* (63,879-dwt, 2023) delivery Durban prompt was fixed for a trip via Saldanha, redelivery EC India - China at $16,000 plus $160,000 ballast bonus by Norden. In the Atlantic, many fixtures were concluded before US holiday on Thursday, *CP Nanjing* (63,526-dwt, 2017) delivery Mobile 4/6 Dec was fixed for a trip redelivery ECSA at $16,000, *Port Vera Cruz* (63,558-dwt, 2017) delivery USG 5/10 Dec was fixed for a trip, redelivery Spain with grains at $19,000 by ETG. Further south, *Xin Zheng Sea* (64,128-dwt, 2024) delivery Lagos 22/23 Nov was fixed basis aps Brazil for a trip redelivery USG at $13,500.

The **Handysize** market experienced another slow week, with limited activity across the regions, the BHSI falling to $11,865/day. In the Continent and Med regions, there was increased pressure on rates due to a lack of fresh demand and owners started seeking to ballast to secure employment. In the South Atlantic, market fundamentals remained relatively unchanged, with trans-Atlantic cargoes continuing to be the main driver. The US Gulf market showed limited activity, continuing its downward trend due to an oversupply of tonnage, which has caused rates to fall below previous levels. In the Pacific, the market faced increasing pressure as the supply of free tonnage rises in Southeast Asia and the Far East, whilst cargo availability from NoPaC and Indonesia remains limited. Period activity was also limited, largely due to negative sentiment stemming from the spot market. In the Atlantic, a 38k-dwt was heard fixed delivery Santos redelivery Casablanca with sugar at $13,250. *African Swan* (32,776-dwt, 2005) open Safi was fixed delivery Morocco via CoGH for fronthaul trip at around $12,000. A 38k-dwt was also heard fixed delivery aps ECSA trip to West Africa at $14,000 for a duration of about 60 days. In the Far East market, *TS Index* (38,854-dwt, 2018) was fixed delivery CJK for a trip via Nopac to redelivery Japan at $12,500. *Tao Star* (25,064-dwt, 2010) was heard fixed for delivery Far East 29 Nov for 3/5 months at $10,500. In South East Asia, there was also little activity but there remain a few Australian requirements for mid-end December. A 28k-dwt was reported fixed delivery South East Asia to redeliver South China at $8,000 while a 30k-dwt open Indonesia was heard fixed at low $10k levels for a trip within South East Asia.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Union Voyager	81,964	2014	EC South America	12/15 Dec	SE Asia	$13,300	Raffles	$330,000 ballast bonus
Pegasus	81,852	2012	Busan	28 Nov	China	$9,500	Norden	Via NoPac
Jupiter	77,171	2006	US Gulf	4 Dec	Singapore-Japan	$14,150	Raffles	$415,000 ballast bonus
Spring Snow	74,841	2010	Falmouth	24 Nov	India	$12,000	Tata NYK	Via US East Coast
Port Vera Cruz	63,558	2017	US Gulf	5/10 Dec	Spain	$19,000	ETF	-
ST Cergue	60,696	2017	EC South America	8/12 Dec	Far East	$13,250	Cnr	$325,000 ballast bonus
Jacob H	57,001	2011	Surabaya	26/30 Nov	China	$14,000	Cnr	Via Indonesia
Heng Tai Hong	56,865	2010	Guangzhou	Ppt	China	$8,500	Cnr	Via Indonesia
BBC Jupiter	37,135	2014	Manta	Ppt	Far East	$16,500	Cnr	-
Stadion II	30,124	2012	Recalada	Ppt	West Africa (Matadi)	$16,000	Baltnav	-



Exchange Rates		This week	Last week
	1 USD	149.96 JPY	154.86 JPY
	1 USD	0.9466 EUR	0.9621 EUR
Brent Oil Price		**This week**	**Last Week**
	US$/barrel	73.23	74.70

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	478.0	479.0
VLSFO	555.5	576.5
Rotterdam HSFO	461.5	451.5
VLSFO	494.5	524.5

Dry Bulk S&P

As we enter the festive season there is still plenty of activity across the board. Chinese buyers in particular remain the busiest at a time when most of the markets is uncertain as to the direction they will take entering the New Year.

Freight rates have dipped again this week, but questions remain for many a market player. Have some sectors hit the bottom? Are others due for further correction? Have the capes now found a comfortable bed at least for now?

'*Cape Dream*' (179,250-dwt, 2011 Hyundai) invited offers this week and saw a healthy amount of interest largely form the Chinese market. She is now reported sold to undisclosed Chinese buyers for $28m - a price in line with the 2 x 2012 scrubber fitted capes (*Nord Energy and Nord Power*) sold last week. At the time of writing there are a number of similar aged capers under negotiations at similar levels.

The post-Panamax '*Pisces First*' (93,238-dwt, 2010 Jiangsu Newyangzi) has gone to Chinese interests for $12.8mill, indicating a slight softening against 'Potina' (93,183-dwt, 2011 Jiangsu Newyangzi) which sold for $14mill earlier in November.

In the geared sectors, '*PPS Luck*' (55,429-dwt, 2009 Kawasaki) has sold to Chinese buyers for $15.8m (SS passed in February). The eco handy '*Global Aglaia*' (33,158-dwt, 2016 Shin Kurushima) has been committed at mid-high 19s to undisclosed Japanese buyers

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Cape Dream	179,250	2011	Hyundai	-	Chinese	$28.0 m	
Pisces First	93,238	2010	Jiangsu Newyangzi	-	Chinese	$12.8 m	
PPS Luck	55,429	2009	Kawasaki Shipbuilding Corp	C 4 x 31T	Chinese	$15.8 m	SS passed
Aegean Spire	33,401	2008	Shin Kochi	C 4 x 31T	-	$11.8 m	
Global Aglaia	33,158	2016	Shin Kurushima	C 4 x 30T	Japanese	$19.7 m	
Uni Challenge	29,078	2012	Yangzhou Nakanishi	C 4 x 30T	-	$22.0 m	En bloc
Victoria Harbour	29,100	2011					

Tanker Commentary

The volume of tanker sales remains subdued this week with only two sales to report.

In the crude freight market, Middle East - Far East VLCC earnings are currently $12k per day below the YTD average of $36k per day. There was however a surge in Cross-Med clean trades, recovering up to WS 300 this week before tailing off.

In the product market, *Maersk Bering* (29,057-dwt, 2005 GSI - Ice 1C) sold for $15.55m. Sales in this sector are few and far between and the list of candidates on the market is increasing by the day therefore one could argue the hence the price achieved by *Maersk Bering* is remarkably resilient.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Xidi	306,352	2004	Mitsubishi	-	$30.2 m	
Maersk Bering	29,057	2005	GSI	Chinese	$15.55 m	Epoxy Phenolic & Ice 1C

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