31 May 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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… Trade Wars can lead to Real Wars …

Source : Statista

POINTS OF VIEW

The US-led western world is facing pushback on many fronts from those countries upon which it has imposed sanctions. These nations include Russia, Belarus, Iran, Venezuela, China and North Korea. Trade between sanctioned countries has risen and there is every motive to use their own currencies to escape what they see as the tyranny of the US dollar. The latest Xi-Putin meeting, their 43rd, reinforces the fact that China and Russia are rapidly increasing their bilateral trade ties. China's exports to Russia and the Eurozone reached an inflection point in 2021 when they equalled $67.6bn by value. By 2023, China's exports to Russia had surged 65% to $111.4bn while those to the Eurozone had plunged 49% to $34.5bn. In contrast, US exports to Russia in 2023 were worth just $0.6bn.* Sino-Russian bilateral trade was $240bn last year, a 26% y-o-y rise, with China exporting goods such as cars, smartphones, electronics and industrial machinery and importing mostly energy in the form of Russian oil, gas, LNG and coal. Sanctioned countries are known to be supporting Russia's war effort in Ukraine via workarounds and parallel imports. In Russia, China gains access to vast raw materials and land-based trade routes that are less vulnerable to US pressure than Indo-Pacific sea lanes. China is increasing its share of trade with the Middle East, Central Asia, Sub-Saharan Africa and other Asia but it still needs US and European markets on a two-way trade basis.

Apart from the Sino-Russian alliance there is also the Sino-Taiwan issue. Threats to invade Taiwan may be aimed mainly at the domestic audience although recent military drills surrounding Taiwan raised the sabre-rattling to uncomfortable levels. An Atlantic Council paper has concluded that a blockade is more likely, and easier to execute, than an outright invasion as the island nation is particularly vulnerable to a naval siege. The paper reports that Taiwan hosts the sixth-largest container ship arrivals in the world and imports 98% of its total energy needs. In the event of a blockade, it has 146 days of oil consumption, 39 days of coal and 11 of natural gas. Should the US and its allies feel obliged to come to Taiwan's defence, which is far from certain, then the US could become involved in a direct confrontation with China, something that it has been at pains to avoid vis-à-vis Russia over Ukraine. The economic damage that would flow from sanctions and counter sanctions is estimated at upwards of 10% of global GDP, but this estimate may be on the low side given China's centrality to global supply chains. China would probably dump its FX reserves and Treasuries, pushing up bond yields and interest rates. It would be crippling to world trade and shipping and risk hyper-inflation. Such an outcome suggests that China's real aim may be neither invasion nor blockade but hoped-for peaceful submission. However, there is no indication that Taiwan would concede.

Sino-US tariff wars are likely to escalate no matter who wins the November US presidential election. Biden's latest proposed package of tariffs on Chinese goods may mark the beginning of the end of 25 years of globalisation, although near shoring, friendshoring and onshoring will be a slow process as it will take time to rejig established supply chains. Shipping has survived the tariff wars that were escalated under Trump (2016-20) and continued under Biden (2020-24). Tariffs are more political than economic, with votes at stake, as there is little evidence of economic gain, just higher costs for end consumers. In dry bulk shipping terms, China to US trade is small^ whereas US to China trade is large and dominated by soybeans, corn, coal and others. In 2016, total volumes were 51.1mt, then 50.6mt in 2017, falling to 21.3mt in 2018, back up to 31.0mt in 2019, 60.1mt in 2020, 74.6mt in 2021, 65.4mt in 2022 and 51.8mt in 2023. The flows illustrate the mutual importance of US farm exports to China and how China arbitrages US and Brazilian supplies. US-China soybean exports in 2017 were at 31.3mt but plunged to 8.1mt in 2018 as China sought to avoid US purchases. Correspondingly, Brazil's soybean exports to China rose from 52.2mt in 2017 to 66.8mt in 2018.** 63% of the annual drop in US purchases was substituted by increased Brazilian supplies. As the example suggests, in our fungible world, tariffs need not reduce volumes, but simply shift flows from one place to another. So far, shipping has coped well enough with tariff wars, but it could do without another shooting war, especially amidst the busy Asian sea lanes, as that would really change the calculus.

*Source: The FT, China's General Administration of Customs, US International Trade Commission, Eurostat.

^China to US dry bulk trade volume was about 3mt in 2023 compared with about 5mt before the trade war outbreak.

**Source of trade flow data: AXS.

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HARTLAND SHIPPING SERVICES

Dry Cargo Chartering

Consistent activity throughout the week from Pacific-based majors led to an increasingly positive **Capesize** market. By Friday, timecharter averages were up to $23,389, a rise of $1,715 from last reported. Rio Tinto took four mid-June positions for their 170,000 mtons 10% iron ore Dampier/Qingdao run with freight this week ranging from $9.95 pmt to $10.70 pmt. BHP took two TBN positions for 160,000 mtons 10% ex Port Hedland for China, both at $10.90 pmt apiece. We also heard that Contango took *Amigo II* (179,016-dwt, 2011) while Mercuria chartered a TBN vessel both for Western Australia/China voyages at $10.35 pmt and $10.10 pmt respectively. Over in the Atlantic, Brazilian and West African markets were quieter with reports of plenty of inbound ballasting tonnage. LDC were linked to *Alpha Prudence* (178,002-dwt, 2008) for 170,000 mtons 10% Tubarao/Qingdao 19/28 June at $24.25 pmt. *Cape Good Hope* (179,294-dwt, 2010) was reportedly fixed for the same trade at the same rate with ETA Tubarao 7/8 June. Additionally, Element took *Maria D I* (179,232-dwt, 2016) for 180,000 mtons 10% Tubarao/China at $23.90 pmt. Over in West Africa, Koch fixed *Herun Global* (181,056-dwt, 2016) for 190,000 mtons 10% Kamsar/Yantai also at $24.25 pmt, while Treasure Boost Shipping took a Panocean TBN for 180,000 mtons 10% Freetown/China at $23.50 pmt. Elsewhere, Rio Tinto fixed a Trafigura TBN for 170,000 mtons 10% Seven Islands/Qingdao at $32.40 pmt. On timecharter, Deyesion took *Salt Lake City* (171,810- dwt, 2005) delivery CJK for an Aussie round voyage at $23,000, while Richland fixed *Maran Sailor* (171,681-dwt, 2006) delivery Qinhuangdao 26 May also for a trip via Australia to China at $24,000.

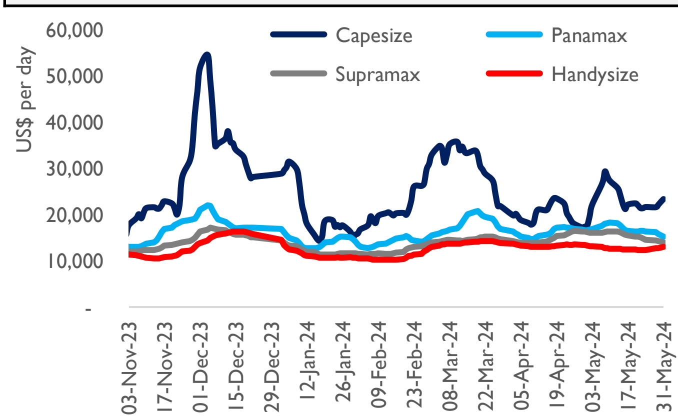
The **Panamax** market struggled to find stability post-holiday, with both the Atlantic and Asia basins facing downward pressure. The Atlantic basin saw a notable lack of demand especially in the north and a surplus of available vessels. In Asia, sentiment weakened as levels continued to flatten out with a growing tonnage list. P5 TC closed at $15,240 down by $1,176 since last reported on 24 May. In the Atlantic, *Seneca* (83,975-dwt, 2013) retro sailing Gibraltar 23 May fixed for a trip via US East Coast redelivery Gibraltar-Passero range at $12,500 to Swissmarine. *Ruby Star* (79,200-dwt, 2011) retro sailing Krishnapatnam 23/24 May was rumoured fixed for a trip via East Coast South America redelivery Singapore-Japan at approximately $15,000, Messrs Cargill rumoured as Charterers. The scrubber fitted *Ultra Margay* (81,921-dwt,2022) aps East Coast South America 9 June was heard fixed for a trip redelivery Singapore-Japan at $19,000 plus $900,000 bb option redelivery Southeast Asia at $18,750 plus $875,000 bb to Bunge with the scrubber benefit to owners. In the Pacific, *CSSC Bright* (81,575-dwt, 2018) Inchon 3/4 June was heard fixed for a trip via East Coast Australia redelivery South China at $17,250. *Shandong Fu Hui* (81,782-dwt, 2017) Xinsha 3 June was rumoured fixed for a Pacific round trip at approximately $18,000 to Deyesion, but no further details. Ex Indonesia came reports of *Eco Czar* (82,372-dwt, 2009) Taichung 26/27 May fixed for a trip via Indonesia redelivery Taiwan at $17,000 to Norden. On the period front, *Seacon Antwerp* (82,332-dwt, 2024) ex yard Zhoushan first half June fixed basis 9/11 months at $19,000 to Koch trading.

The **Supramax** market continued to fall, as the imbalance with an oversupply of tonnage in the Atlantic hurt rates for yet another week. The S10TC closed at $14,060 down by $530 since reported last Friday. In the Pacific, Clipper fixed *African Arrow* (61,285-dwt, 2015) delivery Onsan prompt dates for a trip with steels to West Coast Central America at $17,000 and Raffles took *Somnath* (55,707-dwt, 2005) delivery Cambodia 3 June for a trip via Tarahan, Indonesia back to Cambodia at $15,000. Whilst in the Indian, *Kiran Adriatic* (63,477-dwt, 2014) fixed delivery Port Elizabeth for a trip to China at $21,000 plus $210,000 bb and Drydel covered *Great Rainbow* (63,464-dwt, 2015) delivery Richards Bay 8-10 June for a trip to China at $20,000 plus $210,000 bb. And in the Atlantic, NMC covered *Venture* (61,272-dwt, 2016) delivery Recalada prompt dates for a trip with agri-products to West Africa at $18,000 whilst *Kristinita* (58,105-dwt, 2011) fixed delivery Iskenderun prompt dates for a trip to the Continent at $11,750.

A tale of two basins for the **Handysize** market, split between the Altantic and Pacific. BHSI closed today at $12,966 up $586 from last Friday. Both the Continent and the Mediterranean struggled. A continued lack of fresh enquiry and an increasingly large build-up of spot tonnage in the area, drove rates lower and lower into four figures. Trips from the Mediterranean to the Continent and vice versa were heard done in the low 8,000's on a 32k-dwt or similar. In the South Atlantic, after a period of positivity, a ceiling appears to have been reached. There was a slowdown of fresh enquiry and a subsequent change of mentality from charterers, squeezing on the freight rates, with some major players holding off from fixing which may lead to some corrections to current levels next week. That being said, South Brazil is still the strongest performing sector in the Atlantic, a 38k-dwt vessel rumoured fixed deliver Recalada for a trip redelivery West Mediterranean with grains at $18,000- $19,000 per day. In the US Gulf and US East Coast, cargo availability remained minimal and further reductions in rates are to be expected next week. In the Pacific, *Sea Hawk* (37,163-dwt, 2017) open Manzanillo fixed for a trip redelivery Singapore-Japan in the mid-teens to Trafigura whilst *Stellar Rioni* (38,230-dwt, 2017) open Chile was rumoured to have been fixed for a similar trip to Singapore-Japan at around $17,000 to Norvic. Positivity remained for tonnage in South East Asia as cargo availability was said to have remained buoyant. A lack of available tonnage for cargo loading in Asia and Indonesia has led to continued gains for open tonnage in South East Asia and parts of Southern China. A 33k-dwt vessel passing Singapore was heard fixed for a trip to Malaysia at $14,000. Another 34k-dwt vessel open Malaysia was heard fixed at $13,500 for a trip to Philippines. Improving levels of cargo availability were also said to have continued in North China-Japan and the Pacific Northwest. However, there are still few tonnage availabilities in June opening in the Far East, increasing competition among charterers. A 34k-dwt vessel was heard fixed delivery CJK at $15,000 for Dampier salt to Taiwan. Also heard a 32k-dwt logger open South China fixed at $13,500 for 2 laden legs.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Salt Lake City	171,810	2005	CJK	1/5 Jun	Singapore-Japan	$23,000	Deyesion	via East Coast Australia
Gia Glory	84,998	2022	aps East Coast South America	2 Jun	Singapore-Japan	$20,000	cnr	$1,000,000 bb
Seneca	83,975	2013	retro Gibraltar	23 May	Gibraltar-Passero	$12,500	Swissmarine	via US East Coast
Farmer	81,541	2012	retro Singapore	14 May	Singapore-Japan	$17,750	Norden	via East Coast South America - <Scrubber benefit to Charterers>
Capricorn First	74,759	2005	aps Baltic	23 May	China	$30,000	cnr	intention fertiliser
Great Rainbow	63,464	2015	Richards Bay	8/10 Jun	China	$20,000	Drydel	$200,000 bb
Unity Force	60,629	2016	Map Ta Phut	Prompt	S China	$19,500	cnr	via Indonesia
Kristinita	58,105	2011	Iskenderun	Prompt	Continent	$11,750	cnr	- <last week>
Maverick	37,845	2018	Recalada	-	N Cont/Baltic	$19,250	-	int Denmark, intention grains
Team Bravo	33,642	2012	North France	Spot	West Africa	$8,750	NMC	intention grains



Exchange Rates		This week	Last week
	1 USD	156.83 JPY	156.92 JPY
	1 USD	0.9192 EUR	0.9212 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	81.98	82.08

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	535.0	528.0
VLSFO	604.0	605.0
Rotterdam HSFO	492.0	474.0
VLSFO	560.0	542.0

Dry Bulk S&P

The secondhand market shelves are well stocked at the moment, and we are beginning to see a backlog of sales candidates in a few sectors. Link that oversupply to a lacklustre Atlantic freight market and it would be reasonable to see a quieter market in the short term.

Theoretically the secondhand market should be focused on the far horizon. Fleet growth is modest with most shipyards stuffed with tanker, gas and container tonnage until 2028. The bulk fleet is elderly with 40% of the geared fleet already in the afternoon of their lifespan. Coal demand remains stubbornly high and Chinese steel exports are at record highs. West African and Brazilian ore exports are expanding, which, even on the basis of flat Chinese demand, will translate into expanding tonne-miles set against a tiny Capesize orderbook. What's not to like?

But for the here and now we have a shorter list of sales candidates this week and reported sales are limited to the geared half of the market.

Enthusiasm continues for Dolphin57s, which are finding a market at significant discounts to their Japanese equivalents. *Seacon 8* (57,000-dwt, 2012 Ningbo Beilun Lantian) has been sold via an online auction, a sale's procedure which has rarely profited sellers. She achieved only $14.1m but has surveys due. The four-year older *Captain Andreadis* (58,760-dwt, 2008 Tsuneishi Zhoushan) was one of the first bulkers built at the Chinese yard and has been sold for something in the low 16s.

In the Handysize sector, we report the sale of the Chinese built *Yasa Violet* (40,500-dwt, 2024 JNS) for $34m. It is unclear when exactly she was sold but clearly it was after her delivery in March this year. Regardless of the date of the sale, the price moves up the benchmark value for a Chinese resale by at least a million. The Wartsila-engined *Tawaki* (39,855-dwt, Chengxi 2014) is sold for a restrained $19.2m, but we understand she had some fire-damage issues. She was bought two years ago at excess $24m.

Finally, the older *Sunshine* (37,317-dwt, 2009 Saiki) is sold for $15.0m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Seacon 8	57,000	2012	Ningbo	C 4x30t		$14.13m	SS/DD Due
Yasa Violet	40,500	2024	JNS	C 4x31t		$34.0m	
Tawaki	39,855	2014	Chengxi	C 4x36t		$19.2m	Logs fitted / Fire damages
Sunshine	37,317	2009	Saiki	C 4x30t	Middle Eastern	$15.0m	OHBS

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Tanker Commentary

Despite the lack of action in the S&P market, publicly listed companies have been vocal extolling the long-term promise the tanker markets offer. Lars Barstad, Frontline's CEO, believes 1,300 new tankers need to be constructed in the next decade due to the ageing fleet. Hunter Group have suggested the current VLCC market has "arguably the best supply outlook ever" and MISC Berhad reported a year-on-year rise of net profits of 24% which is primarily attributed to the tanker division.

Securing modern tonnage in the tanker market proves challenging, and as has often been the case, the sales table is populated with older, non-eco vessels.

Teekay Tankers are reported to have sold the Suezmax *Seoul Spirit* (159,966-dwt, 2005 Daewoo), to undisclosed Buyers for $34.5m. This is a notable softening from the April sale of *Euronike* (164,565-dwt, 2005 HHI) which was widely reported to have achieved a price around $40.5m.

The only other sale we have to report is the Stainless Steel *MTM Antwerp* (20,704-dwt, 2004 Usuki) which we understand is tied up to undisclosed interests, with her surveys freshly passed for around $15m. This is in-line with the sale earlier this month of *G Bright* (19,931-dwt, 2004 Kitanihon) which sold for $15.3m with her surveys passed as well.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Seoul Spirit	159.966	2005	Daewoo		$34.5m	
MTM Antwerp	20,704	2004	Usuki		$15.0m	SS/DD freshly passed Stainless Steel

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