09 August 2024

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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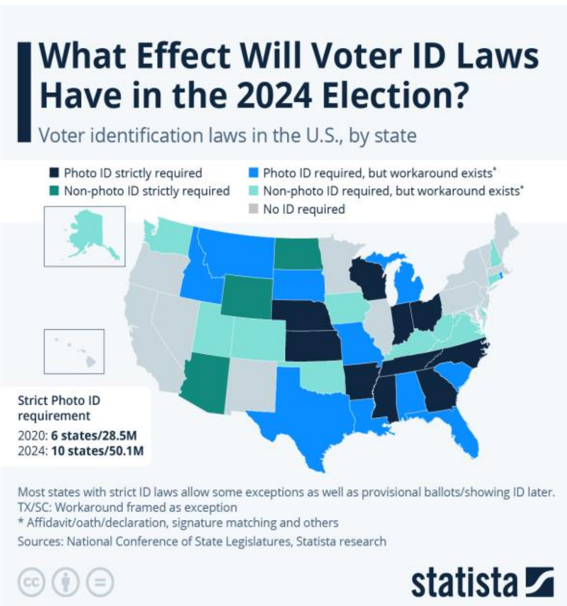
… Voter fraud, now firmly on the radar …



Source : Statista

POINTS OF VIEW

Last Friday the stock market rout started, only to intensify on Monday this week. The causes were several. In the US, weak July employment data (114,000 new jobs versus a projected 175,000) and a tick up in unemployment to 4.3%, a 3-year high, from 4.1% in June. The out-performance of AI-related stocks went into reverse and lower consumption suggested that households were feeling the effects of high interest rates that the Fed had chosen to keep on hold at 5.25-5.5%. In Japan, the BoJ's 2.5x upward shift to 0.25% propelled a 4-week 10%+ appreciation in the yen-dollar, pummelling its exporters.+ Meanwhile, China continues to suffer from an enduring property crisis, weak consumer demand and lower manufacturing output. Fears are that strong imports of iron ore and thermal coal may slow in the coming months as domestic demand for steel and coal-derived electricity is fading. China is said to be buying on price weakness as well as to stockpile enough raw materials to keep its regional territorial ambitions and options open.* Manufactured exports face headwinds from rising overseas tariffs that will in turn reduce China's need for excessive raw material inventories. Signs of stuttering economic performance in the US, Europe, China and Japan were enough to cause a sell-off in global equities – first led by the Mag 7 – much of which was purchased with debt.** Rapid deleveraging sees even 'good' stuff sold off to pay for the 'bad'. On Monday, Wall Street's fear gauge, the VIX, hit its highest level since Covid hit in March 2020.

It will come as no surprise that, among such indiscriminate selling, shipping shares were just so much collateral damage, caught in the crossfire of global financial panic. Shipping equities across the board were hammered on Black Monday^ only to bounce back on Tuesday when it may have been determined that neither they, nor the US economy, nor even the Fed, had done that much wrong. Fears of a recession may be overblown as the US economy is still set to expand by 2.6% this year, according to the IMF, and a part of last Friday's weak payrolls is attributable to weather factors (e.g. Hurricane Beryl). The Fed may have been slow to ease rates but has plenty of room to cut as needed from its September meeting. Bulk shipping is held back by tepid absolute volume demand but helped by near-term low net new supply, an ageing fleet and event-driven diversions that have reduced effective tonnage supply. Essentially, the bulk shipping sectors are evenly balanced with the overall global economic outlook set to influence whether we face a boost to, or a dent in, seaborne demand. The hit to global equities, and shipping in particular, looks unjustified and yet markets can remain irrational longer than we can remain solvent. Economists at Goldman Sachs have raised the probability of a US recession in the next 12m from 15% to 25%, up to a still remote 1 in 4 chance. Morgan Stanley is more sanguine, putting the recession risk at 50%. Scholars all.

Traders are now betting on 100bps of Fed interest rate cuts over the balance of this year. This will ease the pain of floating rate loans on consumers and businesses alike in paying for goods and services. This should feed through to stimulate demand and hiring across the economy as well as reducing US government debt servicing costs. The S&P 500 has averaged gains of 17% in the year following the start of a Fed easing cycle. This may seem optimistic, but it is a plausible glass-half-full outcome. A glass-half-empty view might highlight that the S&P Global world manufacturing index has fallen below the dreaded 50-mark, and the Bloomberg commodity index has sunk to a 3-year low. China is left in a deflationary lurch, not helped by the abrupt end to the yen's freefall, which has caused a tsunami of repatriated savings, and implosion of the yen carry trade. Weak US employment data (partly reversed by Thursday's drop in unemployment claims) could lead to lower demand, less hiring and more firing thus reinforcing a vicious cycle of ever weaker demand that may only be broken by firm policy intervention, i.e. by Fed rate cuts. All at sea, shipping will have to deal with wherever global demand settles. Owners can only influence supply. The delivery of new bulkers and tankers will not rise significantly until 2026, by which time there will be many ships needing retirement. New can replace old as eco regulatory requirements and operational realities bite. Shipping markets can detach themselves from global equities where deficient computer programmes tend to tar all sectors with the same brush.

+This was only the second BoJ policy shift in 17 years and only one third of analysts anticipated it. Kazuo Ueda, BoJ governor, wanted to push rates up even further.

*China's crude oil imports bucked the trend: July 9.97m-bpd, -12% mom, -3% yoy and Jan-Jul 10.89m-bpd, -2.4% yoy, based on low fuel demand and weak refining margins.

**The carry trade is blamed. Investors borrowing yen at 0.1% to invest in e.g. AI. BoJ hiked to 0.25% on 31 July while AI shares were falling, squeezing leveraged investors.

The Magnificent Seven rose in value from $12.3tn at the start of this year to $16tn by the end June half-year point. This concentration of risks & gains is now taking its toll.

Even borrowing yen to buy dollars and invest in US Treasuries came unstuck as yen interest rates rose while US yields fell. Also, yen loan repayment costs surged…

JP Morgan warns that, after the BoJ raised interest rates for only the second time in 17 years on 31 July, the carry trade unwind is only 50-60% complete. Fasten seatbelts…

^On Monday in Tokyo, K-Line lost 22% or $2.38bn in market capitalisation; Mitsui OSK lost 14.6% or $1.75bn; and NYK Group was down 13% or $1.81bn.

WEEKLY COMMENTARY

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Dry Cargo Chartering

A more encouraging start to the week for **Capesize** markets was seen as rates began to gather momentum before tailing off slightly by Friday. All major miners were active in the Pacific during a busy mid-week point resulting in a much needed general uplift to markets, while the Atlantic saw less activity. Overall timecharter rates were up to $20,213, an increase of $914 from last reported. Rates from Western Australia held steady with the current Baltic Exchange average around $9.90 pmt for this route. From Dampier, Glovis took *Ocean Duke* (180,361-dwt, 2010) for 170,000 mtons 10% into Qingdao at $10.00 pmt, while Rio Tinto took five positions across the week with freight paid ranging from $9.70 pmt to $9.85 pmt for late August dates. From Port Hedland into China, BHP and FMG each took a TBN position for 160,000 mtons 10% at $9.85 pmt apiece, and charterers Safe Arrival reportedly fixed *Bulk Spain* (176,328-dwt, 2011) at $10.05 pmt for the same run. Elsewhere, we also heard that *Navios Pollux* (180,727-dwt, 2009) won a Kepco tender for 145,000 mtons 10% coal Richards Bay/South Korea at $18.42 pmt. Additionally, Salzgitter chartered an Oldendorff TBN for 130,000 mtons 10% Narvik/Hamburg-Hansaport at $4.90 pmt, Arcelor Mittal took a Swissmarine TBN for 130,000 mtons 10% Acu/Lázaro Cárdenas at around $21.75 pmt, and Costamare fixed *Xin Hai* (206,331-dwt, 2007) for Tubarao option West Africa to Qingdao at $23.75 pmt for early September.

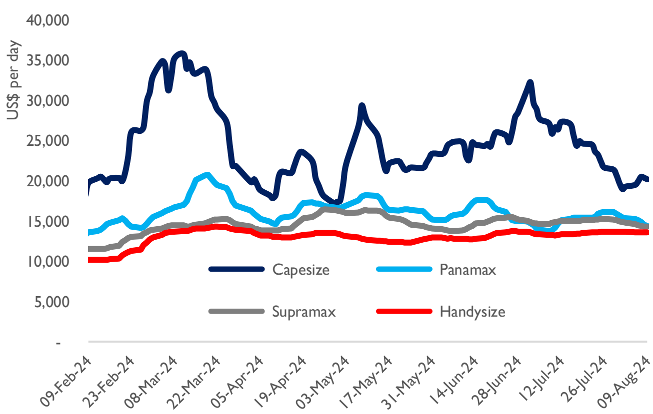
The **Panamax** market continued to push down this week, as there was a general lack of demand for vessels. Charterers continued to hold the upper hand, reducing their bids, with some owners reluctantly willing to accept these. In the Atlantic, due to a lack of activity the overall feeling was of weaker sentiment. In Asia, rates ex NoPac and Australia continued to slide as the tonnage count grew. Further south, despite solid volumes from Indonesia, rates continued to slip as tonnage lists increased here too. The P5TC closed at $14,388 down by $957 since last reported. *Panagiotis* (80,717-dwt, 2010) fixed retro sailing Krishnapatnam for a trip via East Coast South America to Singapore-Japan at $15,250 with Olam. *Omicron Pearl* (76,529-dwt, 2008) fixed delivery APS East Coast South America 22 August for a trip redelivery Vietnam with Langlois, whilst *Ocean Road* (75,051-dwt, 2012) fixed delivery passing Cape of Good Hope 9 August for a rumoured trans-Atlantic round trip with ETA Santos 21 August. In the Pacific, *Golden Soul* (84.986-dwt, 2023) open Taichung 11/17 August was fixed for a Pacific round trip at around $16,500-$17,000 with Deyesion. *Osaka Star* (84,947-dwt, 2016) fixed passing Taichung 13/17 August for a trip via West Coast Australia redelivery China at $17,000 with Refined Success, while *Eva* (82,301-dwt, 2013) fixed passing Yeosu 3/4 August for a trip via NoPac redelivery Japan at $14,000. On voyage, Contango fixed a TBN for their 80,000 mtons 10% coal lift Banjarmasin/Taiwan at $7.30 pmt.

The **Supramax** index closed the week at $14,313, down $454 from last Friday's $14,767. Market sentiment remained poor in both the Atlantic and Asian arenas. The US Gulf, previously a stronghold of the Atlantic, lost further ground this week with more ballast tonnage inbound putting pressure on rates for next week. The Mediterranean bubbled slowly with very little reported activity while Europeans take their summer holiday. *Tomini Unity* (63,590-dwt, 2010) open Jorf Lasfar fixed delivery APS Itaqui to the US Gulf at $18,500. *Pangeo* (56,965-dwt, 2009) fixed from the West Mediterranean via Suez redelivery Arabian Gulf at $20,000. In the south Atlantic, *Obsession* (63,569-dwt, 2022) fixed delivery Santos for a trip to the Far East at $17,600 plus $660,000 gbb. *Ios* (63,500-dwt, 2024) fixed for a prompt trip ex Port Elizabeth to China with manganese ore at $21,500 plus $215,000 bb with Swires. Elsewhere in Oman, *Curia* (57,559-dwt, 2015) fixed delivery Salalah for a trip to Vietnam with gypsum in bulk at $15,750 to Tongli. *Jun Rui* (63,800-dwt, 2014) was heard fixed delivery Dammam for a trip via the Middle East redelivery West Coast India with limestone at $15,000. In the Pacific, *Meghna Prosper* (52,481-dwt, 2006) fixed delivery CJK for a trip with fertilisers to West Coast India-Pakistan range at $11,000. Tongli fixed *Luzon* (55,657-dwt, 2010) delivery Singapore for a trip via Indonesia redelivery India at $17,000. *Guang Mao* (64,965-dwt, 2014) fixed delivery Busan for a trip via NoPac redelivery Far East at $13,500.

The **Handysize** market remained relatively stable with slight fluctuations, but no major changes in sentiment with little reported across various regions particularly in the Mediterranean, South Atlantic, and Asia. The BHSI closed today $13,595 down $65 since last Friday. The Mediterranean and Continent markets remained quiet. At the start of the week, it was reported, *Flora K* (35,678-dwt, 2015) open Lorient fixed delivery Skaw for trip via Baltic to Douala at $17,000 with Fednav, but the market has cooled quite significantly since then. A 32k-dwt fixed from the East Mediterranean to the Continent at low $8,000's per day. The US Gulf also cooled, *Vega Dablam* (35,112-dwt, 2011) fixed delivery Altamira for a prompt trip via Southwest Pass redelivery Far East at $16,000 to Sagitta Marine. *Manta Nilgun* (33,671-dwt, 2011) open Veracruz fixed delivery Corpus Christi for a trip redelivery East Mediterranean at $16,500 to Norvic. A 40k-dwt vessel was fixed for a trip from the Mississippi River to the West Mediterranean at around $19,000. In the South Atlantic, rates started to push up towards the end of the week, boosted by some strong fixtures. *Nord Dubai* (37,662-dwt, 2021) open Santos fixed delivery Recalada for a trip to West Coast Central America at $28,500 with TMA. In the Pacific, there appeared to be widening gap in terms of expectations between charterers and owners. Earlier this week, the market generally felt softer with little activity but there was also a tightening of fresh tonnage availability towards the end of the week, with owners holding firm on their rates and charterers paying up. In the Far East, *Unity Harmony* (37,140-dwt, 2020) was heard to have fixed a backhaul delivery Mizushima prompt redelivery Continent at $16,000 via Cape of Good Hope and with a duration of about 50 days. *Bunun Power* (37,200-dwt, 2021) fixed delivery Lianyungang prompt for a trip at $17,750 with steels redelivery Continent to NYK. In South East Asia, there was a general lack of prompt tonnage and rates were still steady in this region. *Dewi Saraswati* (31,005-dwt, 2009) was heard fixed delivery Batam prompt via Indonesia to Thailand with coal at $10,500. *Lowlands Pelikaan* (39,260-dwt, 2015) was heard fixed delivery Singapore for 2/3 laden legs redelivery worldwide at $15,750 to HMM. *V Tre* (37,888-dwt, 2017) fixed delivery Bataan for 2/3 laden legs redelivery worldwide at $15,250 to Baltnav.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Leading Glory	93,729	2011	Lumut	31 July	Singapore-Japan	$16,000	Oldendorff	Via South Africa
Oshima Trader	82,226	2021	East Coast South America	15 Aug	Singapore-Japan	$18,500	Mercuria	-
Rosco Cypress	76,801	2004	Van Phong	12/13 Aug	South China	$12,000	Cnr	Via Indonesia
Shail Al Rayan	76,629	2006	Bahudopi	9/10 Aug	South China	$13,000	Chinaland	Via East Kalimantan
Shao Shan 8	75,366	2014	Haimen	4 Aug	South China	$12,000	Cnr	Via Indonesia
Cymona Eagle	63,950	2024	Yeosu	Ppt	Singapore-Japan	$16,500	Pacific Basin	Via NoPac
Sandpiper	58,058	2012	Tokuyama	Ppt	Philippines	$12,000	Norden	Via NoPac
Pythia	58,018	2010	Koh Sichang	Ppt	China	$12,500	Cnr	Via Indonesia
Stamford Pioneer	32,211	2012	SW Pass	Ppt	East Coast Mexico	$15,500	Ultrabulk	-



Exchange Rates		This week	Last week
	1 USD	146.63 JPY	146.70 JPY
	1 USD	0.9165 EUR	0.9155 EUR
Brent Oil Price		**This week**	**Last Week**
	US$/barrel	79.29	77.17

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	488.0	506.0
VLSFO	601.0	620.0
Rotterdam HSFO	457.0	487.0
VLSFO	552.0	560.0

Dry Bulk S&P

The markets are a tad quieter - but it is mid-August when in past years it has sometimes been the broker's lot to spin an entire weekly market commentary around a solitary sale. We still have eight sales to report on this week, and there is no sign of any retreat by sellers. Much has been made of the imbalance between prices and earnings, but this has made little impact on values. Any valuation is subjective - Peleton has a market value of a billion dollars, which is roughly what it lost last year - but for the moment the drybulk market is content with the returns on offer and more pertinently is expectant of market peaks ahead. Cash and finance is plentiful and many in the market do not see a better option in the shipping sectors than drybulk. Prices are not going anywhere for now.

We have a couple of post-Panamaxes to start with. *Corona Kingdom* (88,233-dwt, 2004 Imabari) is sold for $11.8m and *Navios Apollon I* (87,052-dwt, 2005 IHI), with better survey positions, hit $13.0m. Both sales demonstrate that the post-Panamaxes are valued at a par with the Panamaxes and at a discount to Kamsarmaxes at this age.

To illustrate this, the Kamsarmax *Bellemar* (81,448-dwt, 2007 Universal) is sold for a last done price of $17.57m. In the meantime, Seacon 9 (74,844-dwt, 2012 Ningbo Beilun) has been knocked down at auction for just $14.71m.

We reported the Supramax *Royal Samurai* (58,091-dwt, 2010 Tsuneishi Cebu) last month at $17.9m. We understand the original deal failed and she is now picked up by a second buyer at the same number.

Finally, two resale Handies *Sea Wave* and *Rostrom Dubai* (40,000-dwt, Q1 2025 Daijin) are reported sold at $32m each - a modest premium to newbuilding contract prices for units you won't see on the water until end 2026.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Corona Kingdom	88,233	2004	Imabari			$11.8m	
Navios Apollon I	87,052	2005	IHI			$13.0m	
Bellemar	81,448	2007	Universal		Icon Energy	$17.57m	Delivery Sept/Nov 2024
Seacon 9	74,844	2012	Ningbo Beilun			$14.71m	Online auction
Royal Samurai	58,091	2010	Tsuneishi Cebu	C 4x30T	Hanif Maritime	$17.9m	
Monica D	52,478	2001	Shin Kurushiuma	C 4x31T	Chinese	$7.8m	DD due
Sea Wave Rostrum Dubai	40,000	2025	Jiangsu Dajin Heavy Ind.	C 4x30T		$64.0m	Enbloc resales Delivery Q1 2025.

Tanker Commentary

The tanker freight markets have disappointed in recent weeks, VLCC, LR2 and MR2 earnings are all bouncing around the $20-$30k/day levels, not bad at all but hardly spectacular either. In recent weeks there have been numerous reports of crude ships switching to clean trades which will likely put further downwards pressure on traditional clean markets. We have only 2 deals to report this week, both in the VLCC sector.

Apollo Harmony (301,583-dwt, 2010 IHI) is on subs at $53.8m to Greek buyers, with year-end delivery, a noticeable drop on price levels when compared to *C. Prosperity* (313,525-dwt, 2009 HHI) which sold for $53m in June.

French oil major Total are linked to the purchase of the twelve-year-old *Alsace* (320,350-dwt, 2012 Samsung) for an undisclosed price, likely for a storage project.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Alsace	320,350	2012	Samsung	Total Shipping		
Apollo Harmony	301,583	2010	IHI	Smart Tankers	$53.8m	On subs

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