07 February 2025

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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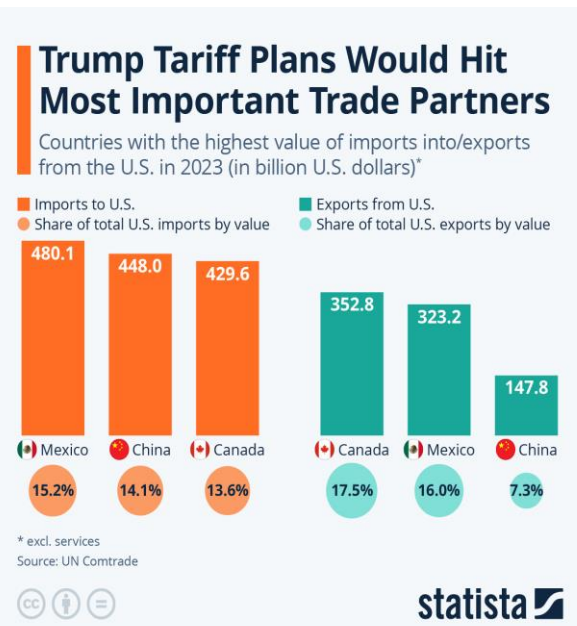
… Temporary Reprieve, but where is the Logic? …



[Source : Statista]

*On Monday, Trump delayed tariffs on Mexico for 30 days after President Claudia Sheinbaum agreed to rush 10,000 troops to the border to help block the flow of drugs and illegal migrants going north and high-powered weapons going south.

Later that day, Canada's PM Justin Trudeau secured a similar 30-day reprieve by pledging to implement a C$1.3bn border plan, launched in Dec. In 2024, 96.6% of US-bound fentanyl was seized at the Mexican border vs only 0.2% at Canada's.

**US government data shows that combined goods imports into the US from Mexico and Canada totalled $894bn in 2023 rising to $919bn in 2024. Together they accounted for 28.3% of total US imports last year.

^Trade data from Refinitiv shows that, in 2024, Mexico exported c. 500k-bpd of crude oil and 100k-bpd of fuel oil to the US and imported c. 250k-bpd of gasoline and 100k-bpd of diesel from the US, all by sea.

By end 2024, Canada was exporting c. 360k-bpd of crude oil to the US from seaports in its east and west and 3.5m-bpd of crude overland. In 2024, it sent some 100k-bpd of CPP to the US via its seaports, rising to over 200k-bpd in Q4.

POINTS OF VIEW

Last weekend President Trump announced import tariffs, effective Feb 4, on the US's largest trade partners: Mexico and Canada at 25% and China at an additional 10% rate. Less than 48 hours later, the first two were granted a reprieve.* The EU is also in the crosshairs while the UK may escape as its bilateral trade is in balance. In 2024, Mexico's share of total US imports was 15.6%, China's 13.5% and Canada's 12.7%. As 80% of Mexican and 77% of Canadian exports go the US these zero to 25% levies will likely prove to be recessionary. Tariff threats against Mexico and Canada were designed to stimulate action at their borders to stop the smuggling of drugs and people. Trump blames China for supplying fentanyl precursors to cartels and Mexico and Canada for providing safe passage for drugs and migrants into the US that leads to social and economic loss and death. Separately, on trade, Trump's view is that any country running a trade surplus with the US is cheating, alongside those that gain from unfair state subsidies that damage US manufacturing and steal jobs. In fact, US deficits are often a byproduct of relative US economic outperformance, high wages, tech gains and resilient consumers who can choose what to buy and from whom. Tariffs are a foreign policy tool that support Trump's anti-globalisation views and his disdain for the rules-based international order. He dislikes multilateral institutions and has pulled the US out of the WHO and Paris and talks of leaving the WTO and Nato. He aims to reshore manufacturing, reindustrialise the US, create jobs and strike bilateral trade deals in one-on-one negotiations that the US will win.

The initial market reaction to tariffs was negative as global exchanges faltered - led by automakers, tech companies and utilities - while oil prices and the dollar gained. It is speculated that the Fed might need to pause rate cuts for up to 18 months as tariff wars will underpin inflation following recent years in which central banks successfully managed to bring it down towards target. What is curious was the decision to single out the US's North American neighbours in Mexico and Canada and the world's largest trading bloc in the EU with its 450 million people.** Refineries in the Midwest and on the USG coast import crude oil from Canada by pipeline, and from Mexico by sea, and are set up to process these heavy sour grades. They would have to import replacement crude from Latin America and the Arabian Gulf while some tariffed crude would be diverted to China, India and Europe, boosting ton-miles.^ In recognition of this reality, Trump set the tariff on energy imports from Mexico and Canada at the lower rate of 10%, effectively admitting to the folly of his policy. US gasoline and diesel prices would almost certainly rise. These latest trade tactics, long ago flagged, are potentially an act of wilful self-sabotage, if implemented. Trump likes to see stock markets rising and yet he risks achieving the opposite. China responded to Tuesday's tariffs by adding 15% to coal and LNG imports from the US, and 10% to crude oil, farm machinery and vehicle imports. It will also appeal to the WTO.

Trump's tariff threats against America's neighbours and friends risk fracturing the western alliance and pushing potential allies into the other tent, strengthening coalescence around the expanding BRICS group. Recessions could be triggered in North America as its highly integrated supply chains would face serious disruption, while destabilised economies in North and Latin America will only worsen migration and strengthen the cartels. It makes no sense at all for the US to paint itself as an unreliable partner. The prospect of rising costs in Europe will compromise its ability to raise defence spending and bolster Ukraine, Poland and the Baltic states. Trump will claim that his bully-boy tactics are working. Colombia backed down on migrant repatriation flights, that have anyway been active for some time, while Panama has granted toll-free transits to US warships and will withdraw from China's Belt and Road Initiative. Mexico and Canada were both quick to agree to intensify their efforts to tackle drug and trafficking issues at their borders, although measures were already in place. It is all about the optics. Trump must secure (even limited) wins to show that he is delivering on his promises and to please his base. As for China, given its weakened economic position it may be willing to be more conciliatory and join the negotiating table. It has a big card up its sleeve: withholding rare earths and other minerals that the West badly needs. It is hard to assess the impact of tariffs on shipping and trade given their traffic light nature: green, amber, red, repeat, broken.

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Dry Cargo Chartering

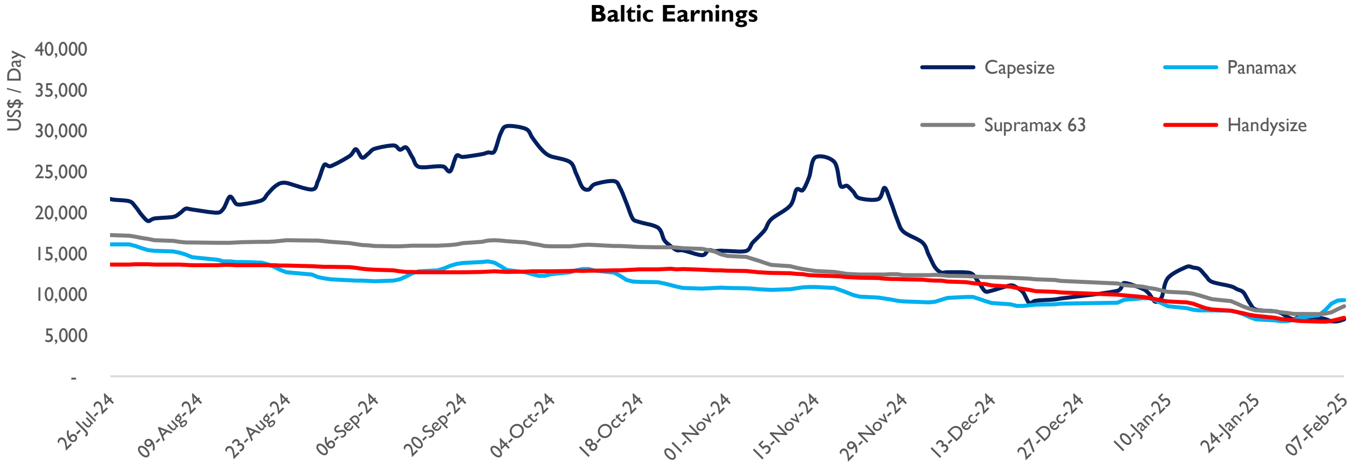
The **BDI** may have finally started to claw its way out of a deep hole, finishing the week 80 points up from last Friday at 815. The **Capesize** market experienced a fairly soft week, with the BCI the sole timecharter average (among the four vessel classes) to decline further beneath a perceived bottom. It fell to $6,964, a $288 drop from last week's close. The ongoing tonnage oversupply persisted, and fixtures concluded this week struggled to push levels any higher.

This failed to dampen spirits in the **Panamax** sector, however, where sizeable gains were seen. The BPI rose to $9,318 by Friday, a mammoth gain of $2,119 in the week to date. Much firmer rates for fronthaul trips further encouraged the positivity, and by mid-week the South American loading zone saw multiple timecharter fixtures concluded north of $14,000/day.

The **Supramax** market showed mixed trends over the past week, with the BSI climbing to $8,553, a $925 jump. Overall, the market remains cautious, yet with cause for optimism. In the West, the South Atlantic proved resilient with stronger levels for later dates, while the Continent and Mediterranean saw limited fresh inquiries, with some activity nonetheless. After a quiet start to the week, the Pacific market started to get more active after the Chinese Lunar New Year holiday, with increasing inquiries daily. Operators with pre-holiday bookings may now struggle with the market's quick comeback. In the Indian Ocean, the market appears to have bottomed out, with improving rates being discussed.

There was a boost in sentiment in the **Handysize** sector, with rates for 6-12m periods picking up by $500/day early in the week. The BHSI closed today at $7,164, an increase of $384 in seven days. Despite some improved sentiment and higher period rates in the Atlantic, the short-term market is still moving slowly. Period interest picked up this week, although operators are still asking for a split rate to take the sting out of the first leg, primarily for Trans-Atlantic voyages from Continent/Mediterranean delivery areas. In the Pacific, while activity was duly slow early in the week, it picked up later. With most players back at their desks after the Lunar New Year, rates were being exchanged around last done levels with prompt owners showing some resistance. Overall, the Asian market is showing signs of improvement with tonnage count appearing tight in the North China region, and spot charterers seem to be raising their bids in Southeast Asia which has been facing increasing enquiries from Australia.

Baltic Earnings



Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Transcenden Star	84,953	2022	North China	8 Feb	Japan	$10,500	Cnr	-
Akaki	84,075	2013	Retro Singapore	26 Jan	Singapore-Japan	$9,000	Cnr	Via East Coast South America
Bonneville	79,403	2010	Lumut	4 Feb	Philippines	$6,000	Oldendorff	Via Indonesia
Anastasia K	78,882	2011	East Coast South America	15/16 Feb	Arabian Gulf	$11,300	Drydel	$130,000 ballast bonus
Ariana	76,631	2005	East Coast South America	15 Feb	Singapore-Japan	$12,250	Cnr	$225,000 ballast bonus
Federal Kudos	63,812	2022	South Korea	Ppt	Far East	$8,100	Cnr	Via NoPac
New London Eagle	63,140	2015	Jakarta	11/12 Feb	China	$9,500	Cnr	Via Indonesia
Abigail	61,913	2013	CJK	Ppt	West Africa	$5,000	De Cheng	$5,000 first 75 days, $9,000 thereafter
Mount Hikurangi	31,646	2013	Canakkale	Ppt	WC South America	$7,000	Contilines	-
Zante Dawn	34,146	2011	Morocco	Ppt	Arag	$4,000	JL	-

Exchange Rates		This week	Last week
	1 USD	151.20 JPY	154.95 JPY
	1 USD	0.9675 EUR	0.9608 EUR
Brent Oil Price		**This week**	**Last week**
	US$/barrel	74.36	76.77

Bunker Prices (US$/tonne)	This week	Last week
Singapore HSFO	513.5	511.5
VLSFO	580.0	589.0
Rotterdam HSFO	474.5	466.5
VLSFO	544.5	561.5

Dry Bulk S&P

Amongst other things, the year of the snake is said to bring wisdom, transformation and possibilities for strategic growth. That ties in neatly with the current state of play in the drybulk market where there is a sense of anticipation amongst buyers for opportunities over the coming weeks.

Three Capesize bulkers are reported sold this week. Firstly, *Cape Friendship* (185,879-dwt, 2005 Kawasaki) is understood to been have picked up by a Chinese buyer for $16.1m with DD due in June this year. Meanwhile, London based Zodiac are said to have sold two of their vintage Capes to as yet undisclosed buyers in an enbloc deal worth $30m - *Cape Heron* (177,656-dwt, 2005 Mitsui SS/DD 02/25) and *Cape Hawk* (176,996-dwt, 2006 Namura SS 10/26 DD 03/25) both with DD due imminently (this month and March respectively). By way of comparison the 2005-built *Salt Lake City* (171,810-dwt, 2005 Daewoo) was sold three weeks ago for $16.2m, also to Chinese buyers.

The remaining non-eco Kamsarmax from the Chronos fleet, *Patra* (80,596-dwt, 2012 Universal) has found a buyer in Brave Maritime. The Greek owner is understood to have paid $15.75m for her with a timecharter attached at 95% of the BPI until August/November 2025. She has surveys due in October this year.

Finally, there are unconfirmed reports the vintage panamax *Rose* (76,619-dwt, 2008 Shin Kasado) has been sold to Chinese buyers for $10.8m - quite a firm price considering she has drydocking due in 2 months.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Cape Friendship	185,879	2005	Kawasaki	-	Chinese	$16.1m	
Cape Heron	177,656	2005	Mitsui	-	Chinese	$30.0m	Enbloc
Cape Hawk	176,996	2006	Namura	-			
Patra	80,596	2012	Universal	-	Brave Maritime	$15.75m	TC attached @ 95% BPI until Aug/Nov-25
Rose	76,619	2008	Shin Kasado	-	Chinese	$10.8m	Unconfirmed / DD due

Monthly Newbuilding Update
(February 2025)

After several years of booming orders across ship types, cross sector newbuild prices (CNPI index) currently stand 40% higher than they did 5 years ago at the start of 2020. After bottoming out during late 2020 in the depths of the Covid-19 pandemic, the rise in prices has been fairly continuous except for a brief downturn in the second half of 2022. In tangible terms, a newbuild Ultramax price bottomed out in Q4-20 at $24m, today it stands at a tick below $35m: a 46% rise. Larger vessels rose even further: Capesize by 53% over the equivalent period. Similar rises have been seen across other sectors, MR2s rising from trough to peak by 38%, 2,700-TEU containers by 36%.

In recent months however, there have been signs that prices have started to plateau, and the drybulk specific index has even softened very marginally, down 1% since September. On the one hand there is a plausible case that this recent small tick downwards could accelerate into a tangible fall in prices over the next few months. Ordering interest does seem to have stalled of late across sectors, and shipyards have ramped up capacity: both from a facilities and productivity perspective. On the other hand, with most leading yards sat on at least three years of orders, there will be little near-term need or incentive to cut prices dramatically. Likewise, as we have seen of late in the S&P market, there is so much cash looking for a good deal in every sector, that any modest cut in prices could lead to a stampede back to the yards.

As of 4th February 2025	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
2025	38	7.6	125	10.3	171	10.8	130	5.2	464	33.9
2026	50	9.8	172	14.3	168	10.7	107	4.3	497	39.0
2027+	59	13.3	156	13.1	141	9.0	39	1.6	395	36.9
Total	**147**	**30.7**	**453**	**37.6**	**480**	**30.5**	**276**	**11.1**	**1,356**	**109.9**
OB as % Fleet	**7.2%**	**7.6%**	**14.0%**	**14.3%**	**11.4%**	**12.6%**	**9.1%**	**10.6%**	**10.8%**	**10.9%**

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Tanker Commentary

After a flurry of crude carried sales concluded in the last couple of weeks, this week has proved rather more subdued in terms of confirmed sales with only two vessels sold.

Both sales this week come from the product carrier sector. Pumproom MR2 *Jag Pooja* (48,539-dwt, 2005 Iwagi) has been reported sold for $12m. The last pumproom MR tanker sold of a similar age was *Chiba* (45,975-dwt, 2007 Shin Kurushima) which achieved a firmer price of $17m in December 2024.

Elsewhere, *Sunny Star* (37,857-dwt, 2010 HMD) has been sold for $17.25m to Chemnav. Sales in this market have been illiquid in recent times. The last similar vessel sold was *Nina* (40,401-dwt 2010 Santierul Naval Constanta) sold for $23m with a TC attached at $24k/day until December 2025.

Although there are no crude tanker sales to report this week. It is understood that *FMPC C Intelligence* (301,861-dwt, 2010 IHI) invited offers yesterday and has received an offer from Chinese buyer in the high 40s.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Jag Pooja	48,539	2005	Iwagi		$12.0m	
Sunny Star	37,857	2010	HMD	Chemnav	$17.25m	SS/DD due

Tanker Orderbooks (February 2025)

As of 4th February 2025	Crude Tankers: Aframax (80-120k-dwt) #	Aframax M-dwt	Suezmax (120-200k-dwt) #	Suezmax M-dwt	VLCC (200k-dwt +) #	VLCC M-dwt	Crude Total #	Crude Total M-dwt
2024	6	0.8	29	4.6	4	1.2	39	6.6
2025	13	1.5	39	6.1	26	8.1	78	15.7
2026+	19	2.2	40	6.3	56	17.2	115	25.7
Total	**38**	**4.4**	**108**	**17.0**	**86**	**26.6**	**232**	**48.0**
OB as % Fleet	**5.5%**	**5.8%**	**16.4%**	**16.5%**	**9.5%**	**9.5%**	**10.3%**	**10.5%**

As of 4th February 2025	Product Tankers: Handy (30-41k-dwt) #	Handy M-dwt	MR (41-60k-dwt) #	MR M-dwt	LR1 (60-80k-dwt) #	LR1 M-dwt	LR2 (80k-dwt +) #	LR2 M-dwt	Product Total #	Product Total M-dwt
2024	4	0.1	90	4.5	9	0.7	43	4.9	146	10.2
2025	6	0.2	107	5.3	19	1.4	54	6.2	186	13.1
2026+	9	0.6	88	4.3	32	2.4	74	8.5	203	15.8
Total	**19**	**1.0**	**285**	**14.2**	**60**	**4.5**	**171**	**19.6**	**535**	**39.1**
OB as % Fleet	**3.7%**	**5.0%**	**16.9%**	**17.2%**	**15.9%**	**16.0%**	**36.8%**	**38.1%**	**17.6%**	**21.7%**

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