17 January 2020

HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… USA trying to get even with PRC …

Source: the balance

POINTS OF VIEW

On Wednesday this week in Washington, as planned, the US and China signed a phase one trade deal bringing to an end mutually escalating tit-for-tat tariffs.* This agreement covers trade and services with China making various pledges to increase its purchases of US agricultural goods and energy products that are aimed at reducing the US trade deficit with China. The deal was signed by President Donald Trump and China's chief trade negotiator Liu He. President Xi Jinping did not attend as this is only an interim deal and a prelude to more contentious phase two discussions about China's alleged theft and forced transfer of intellectual property and its routine use of state subsidies to gain a competitive edge. The US side played up this deal as a successful conclusion to almost 2 years of global trade disruption, largely of its own making.^ The Chinese side was more subdued, promising best endeavours to raise purchases of US goods, but the targets fall well short of being hard and fast obligations. Over the next two years, to end 2021, China will buy and import from the US manufactured goods, agricultural goods, energy products and services that exceed the 2017 baseline by no less than $200bn. China will buy, subject to "market conditions", an average of $40-45bn of US agricultural products both this year and next, compared to only $24bn of such purchases in 2017. It will also buy at least $52bn extra over 2 years of US energy products. These ambitious, or maybe unrealistic, plans have implications for Chinese purchases of US soybeans, pork, crude oil, LNG, coal, etc. They will lead to another forced change in seaborne trade flows.

It is noteworthy that China imported a total of almost 89mt of soybeans in 2019, up 1% on 2018, despite African Swine Fever reducing the size of its hog herd by more than 40% over the 18-month most active period of the US-China trade wars. China imported less soybeans from the US and more soybeans and by-products from Brazil and Argentina, the same countries upon which the US recently reinstated steel and aluminium import tariffs for alleged currency devaluation. In reality, it was an act of revenge for the success of these South American nations in exploiting the loss of the China export market for US farmers. Farmers are being compensated for their losses by federal government subsidies paid out of tariffs imposed on imported Chinese goods, ultimately funded by hapless US consumers who are caught in the crossfire. Now the South Americans, who increased their soybean plantings, will face less demand from Chinese buyers while US farmers, who reduced soybean plantings in favour of corn and wheat, face more demand for stuff that they do not have. American farmers may have been wrongfooted while the Ukraine and Canada, Trump's occasional friends, may find an opportunity to sell their soybeans to China. As regards crude oil, Japan and South Korea kowtowed to the US and slashed their imports of Iranian crude, replacing them with long-haul US crude imports. Now these supplies are likely to be diverted to China so that it can try to meet its phase one 'targets'. This week the UK, France and Germany put Tehran on notice for breaching the 2015 Iran nuclear deal,^^ caving into persistent US pressure to back its sanctions on Iran or risk suffering 25% tariffs on their car exports to the US. Trump's dealmaking involves an offer wrapped in a threat, reminiscent of the Sicilian approach to dispute resolution.

Under this president the US is no longer a champion of free trade, if it ever was. Over the past two years the US has caused trade tariff barriers to be erected across the globe, increasing costs to consumers and slowing growth. Consumption has been the only engine in a world economy that sees industry, manufacturing, exports and investment powering down and under-performing. China's pledges under phase one will be another twist of the trade kaleidoscope and lead to further disruption to seaborne trade flows. Shipping has coped well enough during two years of US-initiated trade wars and will no doubt adapt again, as trade is fungible. If one source of supply is blocked then another takes its place. The difficulty for forecasters, who try to assess the Holy Grail of supply-demand balance, is that it is hard to predict from where such displaced commodities will be replaced, as so much depends upon a mixture of availability and price. Last year, Latin American soybeans replaced US beans into China while lost iron ore supplies from Brazil and Australia gave India and South Africa a chance. Opec and Russian oil production cuts, aimed at rescuing low oil prices, gifted the US, Brazil and Norway the chance to sell their incremental light crude to Asian refiners. The switch from short-haul to long-haul crude imports gave supertanker owners a rare chance to make money. The US-China truce will shorten and lengthen voyages, favouring some and not others, but who knows how?

*As part of the phase one deal, US tariffs on $120bn worth of PRC goods were lowered from 15% to 7.5%, all other tariffs (averaging 20%) on both sides remain in place until November 2020 to encourage compliance.
^Steve Mnuchin had said that the test of a 'good' trade deal would be for China to meet its demand for a $200bn reduction in the trade deficit. The Balance estimates it at $419bn in 2018 falling to $353bn in 2019.
**China agreed to buy at least $52.4bn in additional energy purchases to end 2021 from a 2017 baseline of $9.1bn, split $18.5bn in 2020 and $33.9bn in 2021. So, China must buy $27.6bn worth this year…
^^The JCPOA, or Iran nuclear deal, was created 14 July 2015, adopted 18 October 2015, implemented 16 January 2016 and abandoned by the US 8 May 2018. Just part of Trump's unravelling of all of Obama's work.

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Dry Cargo Chartering

Its been a very gloomy start to the year for all segments. The **BDI** closed the week at 754, down from last weeks close of 774. The **cape** market closed the week at $8,352, this was also down from last weeks $9,438. At the end of the week, 170,000/10% ore runs for Dampier/Qingdao were fixed around $7.10, while Tubarao/Qingdao runs were fixed around $17. On time charter, *Shinyo Fortune* (169,631-dwt, 2002) fixed delivery Lianyungang retro 12th January for a trip via Gladstone, redelivery China at $3,500 with Daelim.

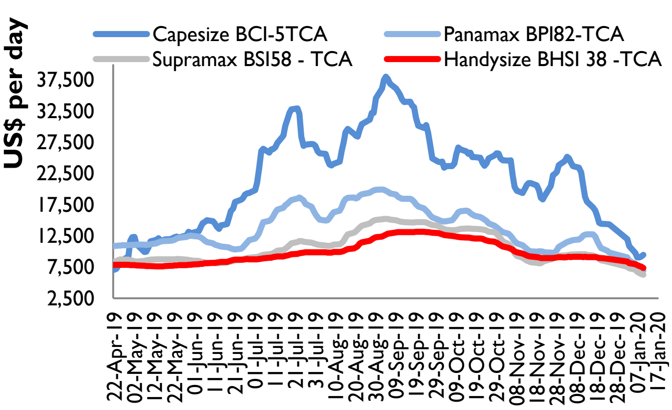
The **panamax** market was the pick of the bunch, closing the week at $7,830 up from last weeks $6,939. In the Pacific, *Diamantina* (82,139-dwt, 2010) was fixed delivery Hong Kong redelivery Japan via Indonesia at $4,000. Oldendorff fixed *Ecopride GO* (81,963-dwt, 2013) delivery Dalian for a trip to Japan at a miserable $3,000. In the Atlantic, Swiss Marine fixed *Ilia* (80,561-dwt, 2011) delivery State for a trip to Continent via Aaheim at $5,250. On fronthaul, Cargill fixed *Axios* (81,690-dwt, 2016) for a trip delivery aps East Coast South America redelivery Singapore-Japan at $15,000 daily plus $500,000 bb. Cofco fixed *Lolcos Vision* (87,375-dwt, 2010) was fixed delivery aps East Coast South America redelivery South East Asia at $13,500 daily plus $350,000 bb. There was little reported on the period front.

The **supramax** market started the week slowly but got more active as the week went on, closing at $6,156, a tick below last weeks $6,267. In the Atlantic, *Nautical Anne* (63,593-dwt,2016) fixed Delivery Passing Ushant for a trip redelivery Egypt intention scrap at $9,500. In the Indian Ocean, *LMZ Phoebe* (56,733-dwt,2011) fixed delivery Mina Saqr for trip redelivery West Coast India at $7,500. *Evans* (53,507-dwt,2009) fixed delivery Paradip for a coastal trip redelivery East Coast India at $5,500. In the Pacific, *Aventicum* (58,087-dwt, 2010) fixed delivery NoPac for a trip redelivery China with petcoke at $7,750 plus $250,000 bb. *Amis Brave* (61,467-dwt, 2013) fixed delivery East Kalimantan for a trip redelivery West Coast India at $7,250. *Densa Dolphin* (58,772-dwt, 2010) fixed delivery Indonesia for a trip redelivery China at $6,000.

The **handy** market closed the week at $6,825. This was down from last weeks $7,352. We saw another disappointing week for the handy size vessels in the Pacific this week. Nearly all rates under discussion were basis aps which in turn rooted out owners that needed to fix and left the ones that were happy to sit spot. In the North, quick CIS round voyages were going for around mid 3's bss Busan on 28k's, with very little activity being seen off the NoPac. In the South, there was only a slight improvement in the rates compared to those seen in the North. It was rumoured the *Clipper Triumph* (30,472-dwt, 2009) fixed delivery Singapore at $3,000 for a trip to ECI with Alumina via East Coast Australia. Period activity again seemed very quiet in terms of fixtures, however there was a lot of enquiry but owners would rather sit spot and wait for an increase in rates. In the Atlantic it was a similar tale to last week with all areas falling except East Coast South America which still provided some decent returns for owners. *Maple Star* (35,322-dwt, 2012) fixed delivery Bahia Blanca for a costal trip at $12,800 with AEC. Trithorn were reported to have fixed the *Mars Harmony* (36,898-dwt, 2011) delivery Recalada for a trip to West Coast South America at $16,500. It wasn't pretty in the Mediterranean and Black Sea with levels around the $4-5k mark. We hope next week brings some much needed light to these other areas. On period there was a rumour a 35k-dwt fixed low 9's ex North Coast South America for 3/5 months redelivery Atlantic but no further details were provided.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Mairaki	181,016	2011	Singapore	PPT	Singapore-Japan	8,000	Panocean	Plus 100,000 bb
Shinyo Fortune	169,631	2002	Lianyungang	12 Jan	China	3,500	Daelim	Via Gladstone
Ecopride GO	81,963	2013	Dalian	18/25 Jan	Japan	3,000	Oldendorff	Int coal
Cymnoa Progress	81,918	2014	Durban	10 Feb	Singapore-Japan	12,600	CNR	Plus 275,000 bb
Ilia	80,561	2011	Stade	18 Jan	Continent	5,250	Swiss Marine	Via Aaheim
Nautical Anne	63,593	2016	Ushant	PPT	Egypt	9,500	CNR	Int scrap
Amis Brave	61,467	2013	East Kalimantan	PPT	WC India	7,250	CNR	
Aventicum	58,087	2010	Nopac	PPT	China	7,750	CNR	Int petcoke Plus 250,000 bb
TS Jasmine	38,800	2018	Kobe	15 Jan	Brisbane	3,500	CNR	Int clinker
Mars Harmony	36,898	2012	Recalada	15 Jan	WC South America	16,500	Trithorn	



Exchange Rates		This Week	20th Dec
	JPY/USD	110.18	109.62
	USD/EUR	1.110	1.1096

Brent Oil Price		This Week	20th Dec
	US$/barrel	64.73	65.43

Bunker Prices ($/tonne)		This week	Last week
	Singapore IFO	353.0	384.0
	MGO	655.0	698.0
	Rotterdam IFO	292.0	304.0
	MGO	546.0	572.0

Dry Bulk S&P

There is very little to cheer in the freight market at the moment and with Chinese New Year a week away, it would have been understandable if the second-hand market sat this week out. Instead, although the market cannot be described as vibrant, there is a reasonably large number of sales to report across the sectors. However values are marginally softer and those sales candidates with imminent drydockings, especially where BWTS have to be fitted, are having to discount a bit harder.

The kamsarmax *Sunny Young* (81,967-dwt, 2011 Daewoo) has been sold to Greek buyers for $15.5m. The last similar unit sold was the Japanese-built KM *Tokyo* (2010 Sanoyas) in December at $15.2m. On the face of it, the latest sale would indicate a fall in values of about half a million dollars, but some allowance must be made for the fact that we are in a new year. An older Chinese built panamax *Afterhours* (74,456-dwt, 2007 Hudong) is sold at a last done level of $9m to Greek buyers Niris.

The sale of the ultramax *TR Omaha* (63,581-dwt, 2014 Hantong) at $18.25m would seem to buck the downward trend significantly, even despite her eco main engine. However buyers' subjects are not due to be lifted for another week and it is unclear when the sale was concluded.

The sale of *Freida Selmer* (55,718-dwt, 2004 Mitsui) at $8.7m with surveys freshly passed maintains market benchmarks, while the larger handy *Calm Bay* (37,534-dwt, 2006 Saiki) with surveys and BWTS due struggled to $7.5m.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
Sunny Young	81,967	2011	Daewoo	Gearless	Greek	$15.50m	
Afterhours	74,456	2007	Hudong-Zhonghua	Gearless	Niris	$9.00m	
TR Omaha	63,581	2014	Jiangsu Hantong Ship HI	C 4x30T	undisclosed	$18.25m	subs until 24th Jan
Frieda Selmer	55,718	2004	Mitsui Eng.	C 4x30T	undisclosed	$8.70m	ss/dd freshly passed, no BWTS
Nordic Barents	43,732	1995	Daewoo HI	C 4x25T	Russian	$4.50m	
Calm Bay	37,534	2006	Saiki Heavy Industries	C 4x36T	Greek	$7.50m	basis ss and BWTS due immediately
Georgia	28,685	2000	Imabari	C 4x31T	Greek	$4.00m	

Tanker Commentary

As we go to print, rumours are circulating of a whopping decade breaking deal. London based Greeks Enesol are reported to have sold their *Agios Nikolas* (318,980-dwt, 2019 HHI) for $107m! If true the price is breaking a decade long record, with VLCC resales having only been at the $110m region back in 2010 - although we didn't have to factor in pricing for scrubbers then!! Brokers are speculating the buyer to be the consortium of ship owners George Economou, Idan Ofer and Oystein Stray Spetalen, whom were rumoured to have paid $107m for the Hartree resale at the start if this year. Whilst still firm, VLCC rates are softening, and with no confirmation to this deal apparent, it will be interesting to see how things play out.

Elsewhere in the crude sector clients of Teekay Tankers have sold the *Narmada Spirit* (159,199-dwt, 2003 HHI) to New Shipping for $19.4m. At the end of last year, Teekay sold two sister ships at similar prices, so all things considered, values look to be staying level. Handy tankers continue to attract high levels of interest with two further ships to report sold this week. German owners Hartmann have sold their *Mount Kibo and Mount Everest* (37,000-dwt, 2010 HMD) for $14.9m each. When you consider the deal includes the buyer taking over the BWTS to install in docking, the price is in line with the *Alpine Hibis*cus (37,000-dwt, 2010 HMD) deal at $13.7m.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price	Comment
Narmada Spirit	159,199	2003	Hyundai HI	New Shipping	$19.40m	
Ever Rich	47,401	2009	Onomichi	Danish	$16.85m	
Jal Sunayna	46,866	2004	Naikai Zosen	Max Energy Fuel Trading	xs $10.00m	
Mount Kibo	37,843	2010	Hyundai Mipo	undisclosed	$14.90m each	SS due - BWTS included in sale
Mount Everest	37,817					
GS Fighter	17,527	2008	Samho	undisclosed	$12.20m	Marineline coating

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