HARTLAND
SHIPPING SERVICES

WEEKLY COMMENTARY

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THE BIGGER PICTURE

… Pomp and Circumstance, French Style …

Source: The Times

POINTS OF VIEW

It has been an interesting and glamorous week. The two British hopes at Wimbledon, Andy Murray and Johanna Konta, were eliminated in the quarter and semi finals losing to Americans Sam Querrey and Venus Williams respectively. It was good while it lasted. Also in London, we enjoyed the state visit of Spain's King Felipe and Queen Letizia, the first state visit by a Spanish king to the UK since King Juan Carlos in 1986, 31 years ago. King Felipe said that Britain and Spain are profoundly intertwined, that he respected the UK's decision to leave the EU and that the UK is the second largest investor in Spain. The Gibraltar issue was played down, left for another day and to other people.

Over the English Channel, US president Donald Trump was on his first official visit to France, clearly enjoying the magnificent sights of Paris, and of Mrs Macron. On the eve of Bastille Day Mr Trump indicated that he could revise his decision to pull the US out of the Paris accord on limiting climate change. The Spanish visit to the UK and the US visit to France both demonstrated that Europe still knows how to deliver pomp and circumstance when needed. The visits also show how France and Spain are positioning themselves ahead of the UK leaving Europe. As The Times put it today: "Mr Macron's star is rising in part because of the poverty of British ambition. France is reaching out to the world. Britain must do so too."

The big news in shipping this week was the $6.3 billion takeover of OOIL (the owner of Hong Kong's de facto national shipping line: Orient Overseas Container Line) by Cosco Shipping Holdings, creating the world's third largest container shipping company after Maersk and MSC. This deal was expected to be announced on 30 June in Hong Kong, on the 20th anniversary of Hong Kong's independence from British rule. China's president Xi Jinping was thus denied the opportunity of relishing the symbolism of China taking over Hong Kong's jewel of a privately held^ shipping company that connects the territory, and southern China, to the rest of the world. It is a demonstration of how China is rapidly expanding its overseas influence via its new Silk Road strategy*.

OOCL was founded in 1969 by CY Tung who left Shanghai after Communist takeover in 1949. His son CH Tung became chairman in 1979. The company ran into financial difficulties in the mid 1980s, in the previous great shipping depression, and legend has it that it was rescued by an indirect capital injection from Beijing. Upon Hong Kong handover in 1997 CH Tung became the first chief executive of the former UK colony, an appointee of Beijing. His brother CC Tung took over the reins of OOCL and, along with Hamburg Süd's Oetker family, showed the world how privately owned container shipping companies could prosper. Hamburg Süd is now in the throes of being absorbed by the giant Maersk Line and finally OOCL has bowed to relentless pressure towards industry consolidation, via economies of scale, as a means to an end: survival.

The consolidation trend has accelerated in recent years with the takeover of Singapore's Neptune Orient Lines (NOL) by French carrier CMA CGM and the merger of Germany's Hapag Lloyd with the United Arab Shipping Company, a Qatar dominated entity representing six Gulf states. The musical chairs split up the former alliances enabling the Japanese trio of NYK, MOL and K-Line to break ranks and merge into ONE (the Ocean Network Express). The tanker sector is also heading towards greater consolidation leaving only the dry bulk sector as a large and fragmented universe of small, medium and large players that span private, public and state ownership. It was tough times that inspired consolidation in liner shipping, and so it will be in the wet and dry trades. China's rising dominance of global infrastructure, of the means of production and of trade and transport suggests that the small guys face being squeezed out.

Turning to bulk carriers, the Baltic Dry Index went up in Q1 and down in Q2, but it averaged 1006 points in Q2 compared with 945 points in Q1. The trend is improving and so it should remain over the balance of 2017 and in 2018 as the rate of fleet expansion slows while trade growth continues to rise. This is borne out in the time charter rates with capesize averaging $12,043 daily in Q2 after $11,170 in Q1. Tankers are on a different cycle. The Baltic Dirty Tanker Index averaged 893 points in Q1 falling to 753 points in Q2 while the Baltic Clean Tanker Index averaged 668 points in Q1 falling to 578 points in Q2. A VLCC averaged $18,418 daily in Q1 against $10,543 in Q2 while an MR did $12,493 daily in Q1 versus $12,368 in Q2. On 2017 performance to date big bulkers are trending up, supertankers are trending down and MRs are flat.

^The Tung family own about 70%.

*One Belt, One Road. Channelling Chinese capital into land and sea infrastructure linking Asia and Europe, creating access to resources.

Dry Cargo Chartering

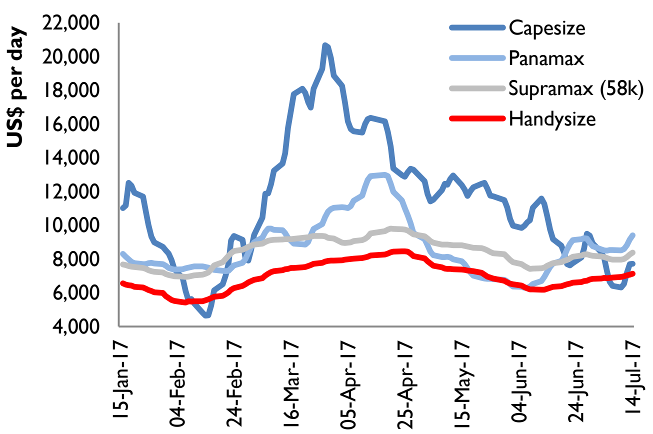
This week the BDI rose 78 points to finish the week at 900, mainly off the back of a strong ECSA market. **Capes** bounced back slightly this week; the index rising $1,332 to close at$7,718. Despite the rise in levels, the earnings are still less than inspiring as they trail the running average for 2017 by $3,5k (it stands at $11,254 YTD). In the Pacific, Rio Tinto covered 170,000/10% ore for Dampier / Qingdao at $5.10. Early in the week, RGL fixed the *Giant Ace* (179,147-dwt, 2009) delivery CJK for an Aussie round voyage at $5,950, rates have picked up slightly since then though. In the Atlantic there was not a huge amount of activity reported. Swiss Marine fixed the *Orsa Bottiglieri* (178,076-dwt, 2010) delivery Gibraltar for a trip via US East Coast to China at $14,000. On period, Pacific Bulk covered the *Giuseppe Bottiglieri* (175,244-dwt, 2011) delivery China for 3/5 months at $9,500.

A positive week in the **Panamax's**, driven mainly by the East Coast South America market, with the timecharter average increasing by $875 to end on the week on $9,398. In the Pacific, Oldendorff took the *Polymnia* (98,704-dwt, 2012) a relet from Cargill, delivery Qingdao via East Coast Australia redelivery India at $9,500. The *Geneva Queen* (81,361-dwt, 2012) delivery Bohai Gulf via Indonesia redelivery South China fixed at $7,500 with Intermarine. Klaveness took the *Melite* (76,436-dwt, 2004) delivery Beilun for 2 laden legs redelivery Singapore-Japan at $9,250. On fronthaul, the *Ying Shun* (82,000-dwt, 2013) delivery East Coast South America redelivery Singapore-Japan fixed at $10,500 plus $550,000 bb to Bunge. Norden also took a vessel on fronthaul, the *Super Grace* (81,601-dwt, 2011) delivery East Coast South America redelivery South East Asia at $11,000 plus $600,000 bb. In the Atlantic, the Rio Tinto fixed the *Giacometti* (81,731-dwt, 2013) delivery Bilbao for 2 laden legs redelivery Skaw-Gibraltar at $10,500. Oldendorff took the Hai Huang Xing (73,581-dwt, 2005) delivery Rotterdam via Baltic redelivery Skaw-Gibraltar at $11,000. The *Aquaknight* (75,395-dwt, 2007) delivery Aarhus via Ust Luga redelivery Cape Passero fixed at $11,000 to Nordic Bulk Carriers. On the period front, Bunge took the *Nord Crux* (81,791-dwt, 2005) delivery Yatsushiro for 4/6 months redelivery world wide at $10,750.

After a sombre week the **handy** and **supramax** markets rebounded, remaining in the green throughout most of the week. The handys closed the week at $7,117, up $230 from last week, while the supramax market closed at $8,773, up $446. In the Atlantic, rates in the US Gulf were pushing up. At the beginning of the week, a 58k dwt was reported to have fixed US Gulf to the Med at $12,000. On Thursday the *Great Vision* (63,376-dwt, 2016) was reported to have been fixed for the same trip at $16,000. In the South Atlantic, COFCO fixed the *Roberta* (63,600dwt-2015) delivery East Coast South America for a prompt trip to Egypt at $14,500. Pacific Basin fixed the *Cielo Di Angra* (39,202-dwt, 2015) delivery Paranagua for a trip to Algeria at $12,500. In the Black Sea, MUR were reported to have fixed the *Diamond Sky* (55,304-dwt, 2012) delivery Varna for a trip east at $16,000. Rates also improved in the Pacific. The *Spring Oasis* (63,232-dwt, 2014) fixed Karachi to Far East with iron ore at $9,500. The *Nord Voyager* (55,625-dwt, 2010) fixed delivery Kohsichang via Indonesia, redelivery China at $8,650. On period, Xinaglong fixed the *Salford Quay* (57,081-dwt, 2011) delivery Hong Kong for 3-5 months trading, redelivery world wide at $8,500.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Orsola Bottiglieri	178,076	2010	Gibraltar	12-15 Jul	Sing-Jpn	14,000	SwissMarine	Via USEC
H S C	173,800	2006	Singapore	17 Jul	Sing-Jpn	11,000	DHL	Via South Africa
Polymnia	98,704	2012	Qingdao	15-18 Jul	India	9,500	Oldendorff	Via EC Australia
Trabzon	81,680	2011	Gibraltar	12 Jul	Skaw-Gibraltar	10,500	Rio Tinto	
Bulk Monaco	76,596	2008	Chaozhou	PPT	Philippines	10,000	CNR	Via ECSA
Hanton Trader III	63,800	2014	Continent	PPT	East Med	11,000	EMR	
Jin Gang	56,928	2009	Lanshan	14-15 Jul	China	8,100	YND	Int Nickel Ore
Nord Voyager	55,625	2010	Kohsichang	11-13 Jul	China	8,650	CNR	Via Indonesia
Ceilo di Angra	39,202	2015	Paranagua	19-20 Jul	Algeria	12,500	Pacbasin	
Saronic Spire	32,355	2004	Black Sea	06-09 Jul	East Med	7,500	EFE	



Exchange Rates	This Week	Last week
JPY/USD	112.41	113.81
USD/EUR	1.144	1.1396

Brent Oil Price	This Week	Last week
US$/barrel	48.37	47.03

Bunker Prices ($/tonne)	This week	Last week
Singapore IFO	295.0	303.0
MDO	450.0	443.0
Rotterdam IFO	281.0	275.0
MDO	415.0	415.0

Dry Bulk S&P

The dry second hand market could be likened to an outing to a pick your own fruit farm this week, where one finds juicy strawberries ripe for picking and others that have gone over and missed their opportune time for consumption. Offers were invited on a number of units showing varied results, certain vessels look to have ripened at the right time attracting keen interest above and beyond current sentiment, while others have seemly gone over, attracting subdued interest resulting in further tonnage being added to a growing list of withdrawn units.

The NS United controlled capesize, *NSS Endeavour* (184,887-dwt, 2002 Mitsui) attracted a lot of interest with 11 buyers rumoured to have inspected. Offers were invited yesterday and we understand the vessel has gone for $13.5m to undisclosed interest. When compared to the 2006 *Koyo Cape Frontier* (180,201-dwt, 2006 Koyo) reported sold last week at only $17.2m (and keeping in the mind the *IVS Cabernet* (177,173-dwt 2007 Namura) that was withdrawn mid June due to poor levels offered) the price achieved by the *NSS Endeavour* is firm and goes against previous signs that indicated 10-15 year old capers were under pressure.

On the other hand, 10 year old Japanese built and owned Panamaxes seem to have gone over completely. The *Bulk Monaco* (79,596-dwt, 2009 Shin Kasado) called for offers early in the week and was withdrawn due to the lacklustre levels seen, we understand the highest level offered was circa $11.25m. When compared to the $13.2m achieved by the year older *Coral Garnet* (75,674-dwt, 2007 Sanoyas) towards the end of June it indicates a clear step back in what buyers are currently willing to pay in this sector.

A similar fate has befellan the *Unicorn Ocean* (78,888-dwt, 2008 Sanoyas) which invited offers mid week on a straight purchase or BBHP basis. We understand she only saw BBHP offers which were not attractive enough to owners and has also subsequently been withdrawn.

In the supra sector the *Anikitos* (55,666-dwt, 2009 Mitsui Tamano) has been concluded in an off market deal, the price and buyers remain unknown. Another United Ocean unit has been sold out by the liquidators, *Ocean Virgo* (52,393-dwt, 2005 Tsuneishi Fukuyama) is reportedly sold for $8.1m to Indonesians. It would indicate a drop in values for these size supra when compared to the *CE-Guardian* (52,525-dwt, 2006 Tsuneishi Cebu) sold towards the end of May for $10.5m. The *Elektra* (53,299-dwt, 2005 New Century) has been reported sold at $7.5m SS/DD freshly passed. On the older side the *Royal Arsenal* (48,203-dwt, 1999 Oshima) has been committed for a healthy $5.4m.

Finally there are two handy sales to report. After much speculation we understand the *Neptune* (35,947-dwt, 2015 Shikoku) has finally been sold to clients of Chelleram for a price slightly excess of $17m. *Diana Island* (28,398-dwt, 2010 Imabari) has been sold to clients of CSL Group for $8.5m, a price in line with the *Sunny Sky* (28,390-dwt, 2011 Imabari) sold last week in the high $8'sm.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price $m	Comment
NSS Endeavor	184,887	2002	Mitsui Chiba	-	Undisclosed	13.5	
Aesara	75,202	2001	Samho	-	Middle Eastern	7.5	
Anikitos	55,666	2009	Mitsui Tamano	C 4x30	Undisclosed	Undisclosed	P&C off market deal
Elektra	53,299	2005	New Century	-	Far Eastern	7.5	SS/DD passed
Ocean Virgo	52,392	2005	Tsuneishi Fukuyama	C 4x30	Indonesians	8.1	
Royal Arsenal	48,203	1999	Oshima	C 4x25	Undisclosed	5.4	
Neptune	35,947	2015	Shikoku	C 4x30.5	Chelleram	Xs 17	
Diana Island	28,398	2010	Imabari	C 4x30.5	CSL	8.5	

Demolition Sales

Vessel	DWT	Built	Yard	Type	Buyer	Price ($/LDT)
Aura	303,184	1993	Sumitomo	Tank		
Bright	299,085	1993	Daewoo	Tank		
Blue Trader	149,775	1997	Dalian	TANK		
JK Boryeong	80,984	1984	Mitsubishi Nagakasi	BULK		
PDZ Mewah	12,577	1993	Szczecinska	CONT		

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Tanker Commentary

A cast of high profile owners queued up to inspect the MOL controlled aframax *Phoenix Advance* (114,024-dwt, 2011 HHI) in Singapore and we understand Pantheon Tankers have fought off the competition to secure a deal in the region of $28-28.5m. The price is in line with the last comparable sale of this age which was the *Nissos Santorini* (115,724-dwt, 2012 Samsung) in June for $30m to Zodiac who were rumoured to have inspected the *Phoenix Advance* also. There is price stability for more mature aframaxes also with two further sales to report this week. The Valles Steamship controlled *Seaborne* (106,638-dwt, 2003 Tsuneishi) is reported to have been committed to Indonesian interests for $11.5m being supported by the same age *Gener8 Pericles* (105,674-dwt, 2003 Sumitomo) sold at the second attempt this week at $11.7m to Far East interests.

In the products sector the dearth of modern MRs for sale has forced some buyers to focus on older ladies to secure tonnage. Parakou Tankers have sold their clean trading *PTI Volans* (51,224-dwt, STX 2006) to Hong Kong based buyers for a price rumoured to be around $15.2m. Back in May, Parakou sold the year younger sister *Pretty World* for $16.3m. If one takes into account a 6% depreciation per annum, their recent sale would confirm that prices in this sector have found their floor and stabled.

Reported Tanker Sales

Vessel	DWT	Built	Yard	Buyer	Price $m	Comment
Phoenix Advance	114,024	2011	Hyundai Ulsan	Pantheon	28/28.5	
Seaborne	106,638	2003	Tsuneishi	Greek	11.5	
Gener8 Pericles	105,674	2003	Sumitomo Hi	Far Eastern	11.7	
PTI Volans	51,224	2006	STX	Hong Kong based	15.3	
Global Jupiter	13,001	2008	Higaki	Undisclosed	12	

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