

21/12/2021

Market Review:

As the Christmas period approaches, the Dry Freight markets are finishing the year on a negative footing, with little physical or sentimental reason the drag it out of a downward trajectory. Further dated futures into Q2 onwards do seem to have a more positive outlook, but the heavily discounted nature of Q1 period seems to indicate that not only is the year done, but also 2022 may start on a somewhat negative front. We wish you a happy festive period!

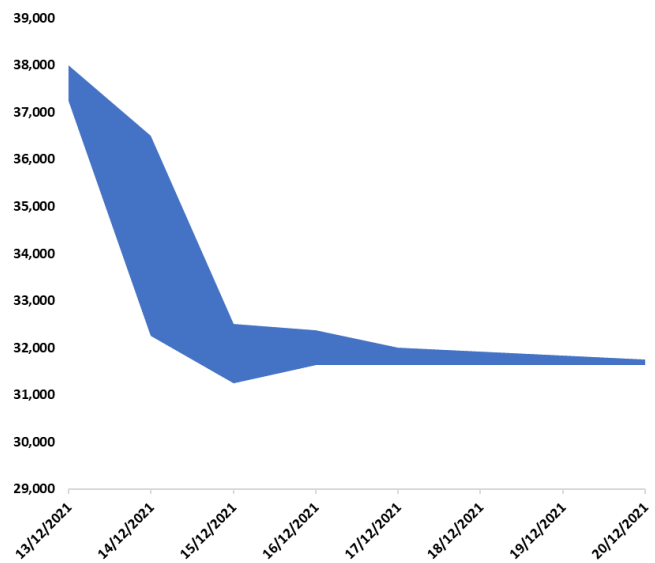
Freight Rate \$/day	17-Dec	10-Dec	Changes %	Short Term	Sentiment
Capesize5TC	22,613	40,035	-43.5%	Bearish	↓
Panamax4TC	20,658	26,274	-21.4%	Bearish	↓
Supramax10TC	27,158	28,065	-3.2%	Neutral to Bullish	↗
Handy7TC	27,842	28,295	-1.6%	Neutral to Bullish	↗

Capesize

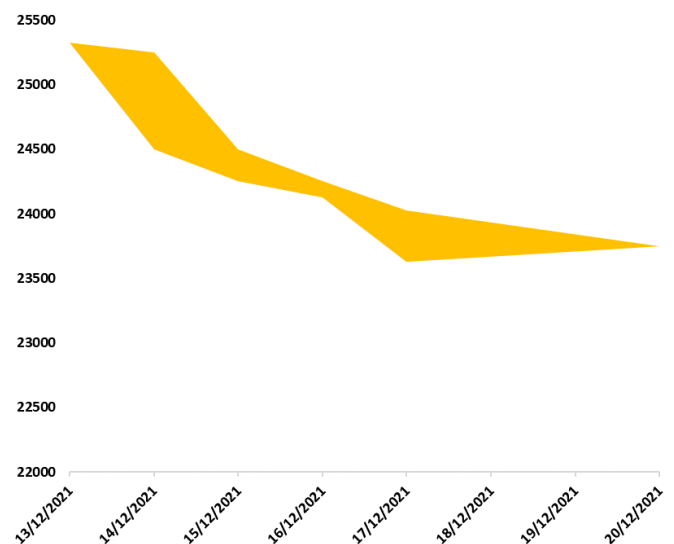
At the beginning of the week the physical market was also under huge pressure as the Atlantic routes had rates slashed, and rumours of weaker fixing in the Pacific. This left many tilting towards the negative side sentiment wise with the run into Christmas upon us. With seasonal weather disruptions leaving Q1 heavily discounted, it will take a significant change to turn things around this year.

Short-run bearish.

Capesize 5TC Trading Range



Panamax 4TC Trading Range



Data Source: FIS Live

Panamax

The start of the week was marked by Panamax paper and underlying physical struggling to find a footing, with tonnage mounting in both basins and the bearish cape sentiment further fuels sellers appetite. There was support, however, for further dated futures contracts with the Q1 v Q2 spread contango widening further with some volume trading on the spread inside \$1000-750 range as the longer dated periods remained supported.

Short-run bearish.

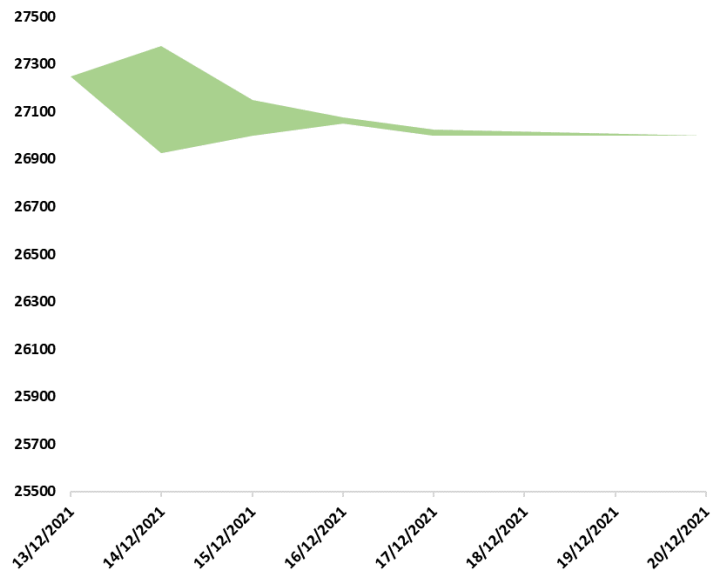
IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	220	-8	156	45	11		
Panamax	337	+5		170		70	63
Supramax	471	-14		82		65	308

Supramax

Like the larger ships the Supramaxes drifted on thin volume, with a generally negative slide downwards. Further dated contracts did see support however, especially highlighted is the Cal 23.

Short-run neutral to bullish.

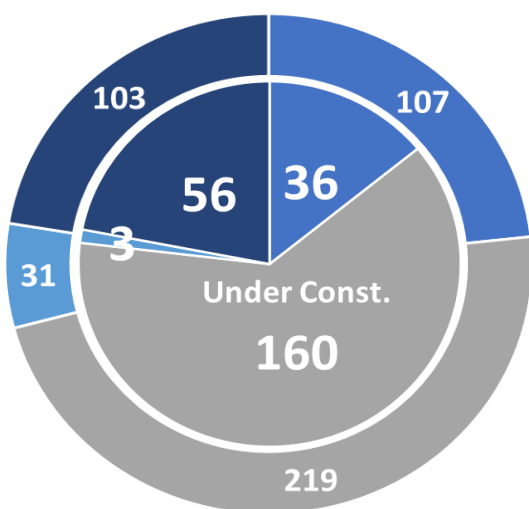
Supramax 10TC Trading Range



Fleet Capacity Changes

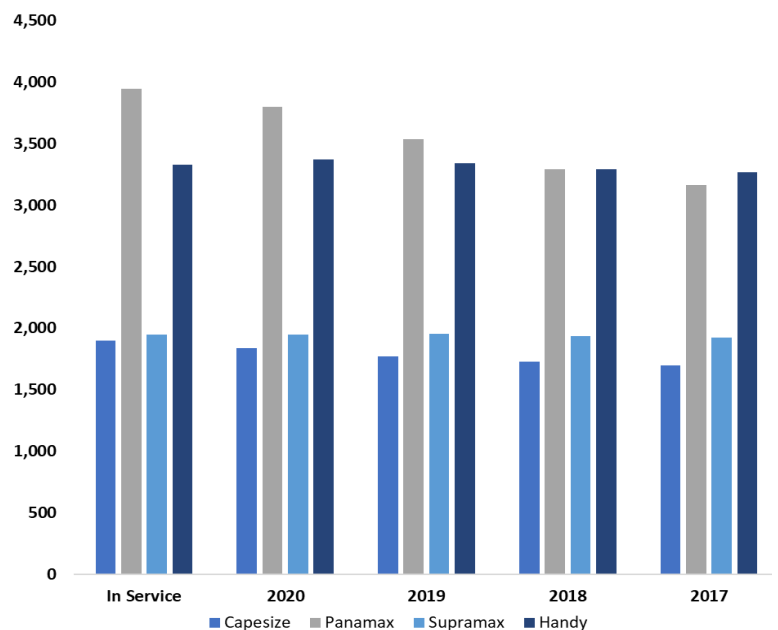
Dry bulk vessels supply remained tight with lower order books, under the environmental restrictions in coming years the market expects supply will have limited expansion. Due to shipyard capacity, shipbuilders turned their strategies towards higher profit container vessels, JP Morgan shared the view of dry bulk scrapping are likely to pick up from 2H 2022. In recent months, global orderbook in dry bulk segments saw main interest in larger size, IHS reported 11 new order added to Capesize vessel and 19 new order on Panamax size in October.

Vessels On Order



■ Capesize ■ Panamax ■ Supramax ■ Handy

Historic Fleet Levels



Global Fleet Capacity							
Dry Bulk No. of Vessels	On Order	Under Const.	In Service	2020	2019	2018	2017
Capesize	107	36	1,898	1,840	1,773	1,728	1,700
Panamax	219	160	3,950	3,801	3,537	3,294	3,166
Supramax	31	3	1,948	1,946	1,952	1,937	1,926
Handy	103	56	3,330	3,372	3,343	3,292	3,268
Dry Bulk Carries Mil DWT	On Order	Under Const	In Service	2020	2019	2018	2017
Capesize	21.0	7.1	373.5	361.1	347.1	334.5	324.7
Panamax	16.6	12.2	299.8	288.7	269.3	251.3	242.0
Supramax	1.7	0.2	108.4	108.3	108.6	107.8	107.2
Handy	3.6	2.0	107.1	109.4	108.5	106.3	105.4

FFA Market

Trading activities started to slow down last week as holiday season is approaching, although stop loss selling was observed from Tuesday. Cape and Panamax slumped under small volumes throughout the week and respectively traded average around 2,515 lots and 2,235 lots per day, while Supramax followed the big size vessel but the loss was less severe with 950 lots traded per day last week. Main trading activities are focused on Jan and Q1'22 contracts. In terms of open Interest, on 17 Dec Cape5TC 156,051 (+5,226 w-o-w), Panamax4TC 226,474 (+4,426 w-o-w), Supramax 10TC 87,945(+1,735 w-o-w).

Freight Rate \$/day	17-Dec	10-Dec	Changes %	2021 YTD	2020	2019	2018	2017	2016
Capesize5TC	22,613	40,035	-43.5%	33,545	13,070	18,025	16,529	15,129	7,388
Panamax4TC	20,658	26,274	-21.4%	25,642	8,587	11,112	11,654	9,766	5,562
Supramax10TC	27,158	28,065	-3.2%	26,789	8,189	9,948	11,487	9,345	6,164
Handy7TC	27,842	28,295	-1.6%	25,683	8,003	9,288	8,700	7,636	5,214

FFA \$/day	17-Dec FIS Closing	10-Dec FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2021 Mkt High	2021 Mkt Low
Capesize5TC Jan 21	18,750	22,750	-17.6%	25,000	18,250	35,900	13,000
Capesize5TC Q1 22	16,500	18,750	-12.0%	23,150	15,350	33,500	13,000
Panamax4TC Jan 21	19,750	22,000	-10.2%	22,250	19,500	33,750	13,650
Panamax4TC Q1 22	20,825	22,500	-7.4%	22,800	19,000	31,750	13,650
Supramax10TC Jan 21	22,500	24,500	-8.2%	24,750	22,400	35,250	15,650
Supramax10TC Q1 22	21,700	23,750	-8.6%	24,000	20,000	35,250	15,650

Data Source: FIS Live, Baltic Exchange

Dry Bulk Trades/Iron Ore

After the Chinese rate reduction, market confidence was boosted across commodity markets, iron ore prices surged to their highest since the end of October this year. However, downside risks remain for iron ore as Tangshan local authority implemented a new round of production measures in response to heavy pollution alert in the city, restrictions are effective from 19 Dec until further notice. Moreover, Mysteel data showed the blast furnace capacity utilization rate among the surveyed 247 Chinese steel mills, only dipped 0.15% from last week to 74.28% during 10-16 December, indicating a gradual recovery in demand. A survey published by the China Iron & Steel Association (CISA) today that the crude steel production in first three weeks of December climbed nearly 12% compared with the same period last month. That is in line with healthy steel margins which encouraged mills to boost their production. According to Bloomberg data, the profit margins were \$149.66/mt for domestic HRC and \$154.06 for rebar on 15 Dec, increasing about \$30.8 and \$44.6 respectively over a month.

IHS full year forecast of Australia iron ore export was lifted marginally to around 920-922 Mmt, and Brazil iron ore full year shipment forecast 5% higher at 353Mmt. From the seasonality chart below, the weekly shipment from the top two exporters again diverged, Australia to China weekly export stabilised at the 3-month level 14.7 million tonnes, while iron ore from Brazil broke through the seasonality range and rebounded nearly 63% to 6.8 million tonnes.

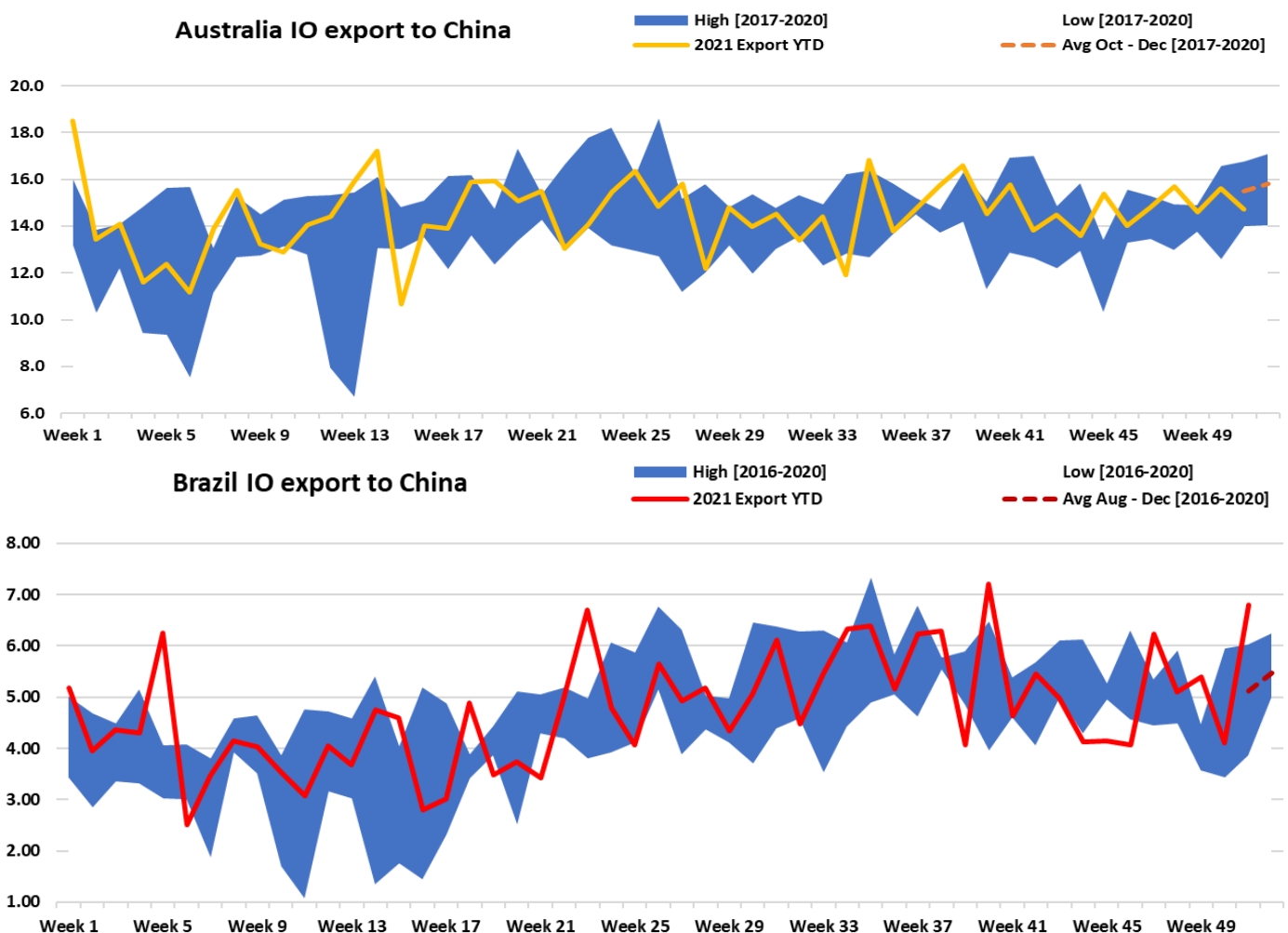
Dry Bulk Trades/Iron Ore

Export (million)	Nov-21	Oct-21	Sep-21	Q3-21	Q2-21	Q1-21	2020	2019
Australia	76.0	75.6	82.1	234.1	236.1	218.0	930.2	884.7
Brazil	30.3	30.1	31.1	97.8	85.1	77.7	337.7	348.8
South Africa	5.3	3.9	4.8	14.9	13.9	13.9	55.6	54.5
India	0.6	1.2	0.7	5.5	14.4	17.5	55.5	35.8
Canada	4.8	5.7	6.3	18.2	11.3	13.0	58.5	54.0
Others	14.0	14.6	13.6	40.4	43.9	38.6	82.4	81.5
Global	131.0	131.1	138.6	410.9	404.6	378.7	1601.6	1538.6

Iron Ore Key Routes

	IO Export Million mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Australia-China	14.7	15.6	-5.8%	10.82	14.06	-23.0%
Brazil-China	6.8	4.1	65.9%	24.34	28.71	-15.2%

Seasonality Chart



Dry Bulk Trades/Coal

Chinese coal November import figures showed its strong demand in the winter month, imported 20.2 million tonnes from Indonesia, up 225% YoY, and received 3.3 million tonnes from its second provider Russia, 86% up YoY. The upward trend of demand is likely to continue although pollution levels are under watched before the winter Olympic. From the seasonality chart below, the top two exporters ramped up their coal shipments last week, Indonesia shipped more than 5.5 million tonnes last week, up 66.7% w-o-w. While Australia also increased the exports the, to Japan alone was 3.1 million tonnes.

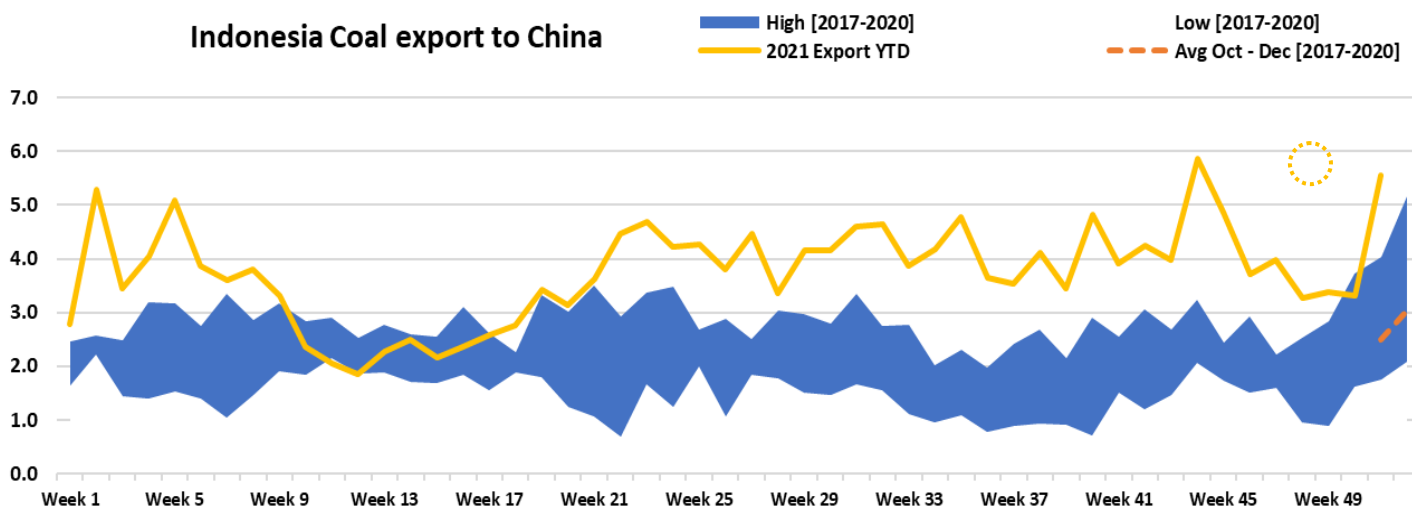
Dry Bulk Trades/Coal

Export (million)	Nov-21	Oct-21	Sep-21	Q3-21	Q2-21	Q1-21	2020	2019
Indonesia	33.6	38.3	34.9	109.5	102.9	101.8	379.4	413.4
Australia	29.5	31.3	32.0	97.4	93.2	88.1	380.9	402.4
Russia	11.6	13.3	13.1	40.9	42.1	40.9	173.6	152.8
USA	6.4	7.0	5.3	16.3	17.9	17.3	56.1	72.9
Colombia	5.2	5.2	5.1	15.4	14.5	15.5	59.9	83.7
South Africa	5.4	6.1	4.7	13.6	15.3	15.0	74.2	73.4
Others	7.2	7.5	8.8	23.2	19.8	19.6	76.2	95.5
Global	99.0	108.7	103.8	316.3	305.8	298.2	1200.3	1294.0

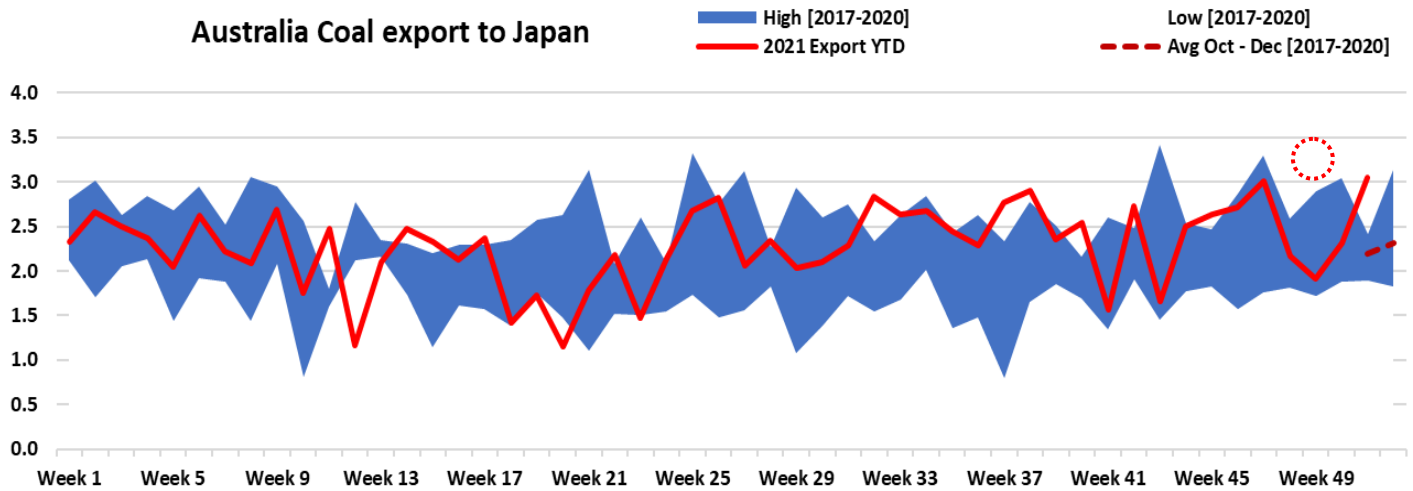
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
	Last Week	Prev. Week	Chg %
Indonesia-China	5.5	3.3	66.7%
Australia-Japan	3.1	2.3	32.1%

Seasonality Chart



Australia Coal export to Japan



Data Source: IHS Connect, Bloomberg

Dry Bulk Trades/Agri

Last week soybean prices were on the rise amid strong demand from China and concerns of dry weather in Southern Brazil, which resulted in large sales volume from Brazilian farmer at the current currency level. According to Chinese customs data reported on Monday China bought more soybeans from Brazil than US last month, China imported 3.75 million tons of Brazilian soybeans in November, up 37% YoY, compared with 3.63 million tonnes from US, down 40% YoY. The seasonality chart below represented this shifting trade flows, weekly shipment to China from Brazil recovered slightly and returned to the average seasonality range, another week of volume under 300kt. On the other hand US to China shipment remained depressed and fell out the seasonal average level to a low of 353.3kt, although it's a peak season for US to sell its harvest, the export disruptions was earlier affected by Hurricane Ida and it took time to catch up. IHS estimated the agribulk shipments from the USA would dropped further in Q4 due to the lower soybean shipments, its forecast for December and full year stood at 15.7mt and 138.5mt respectively.

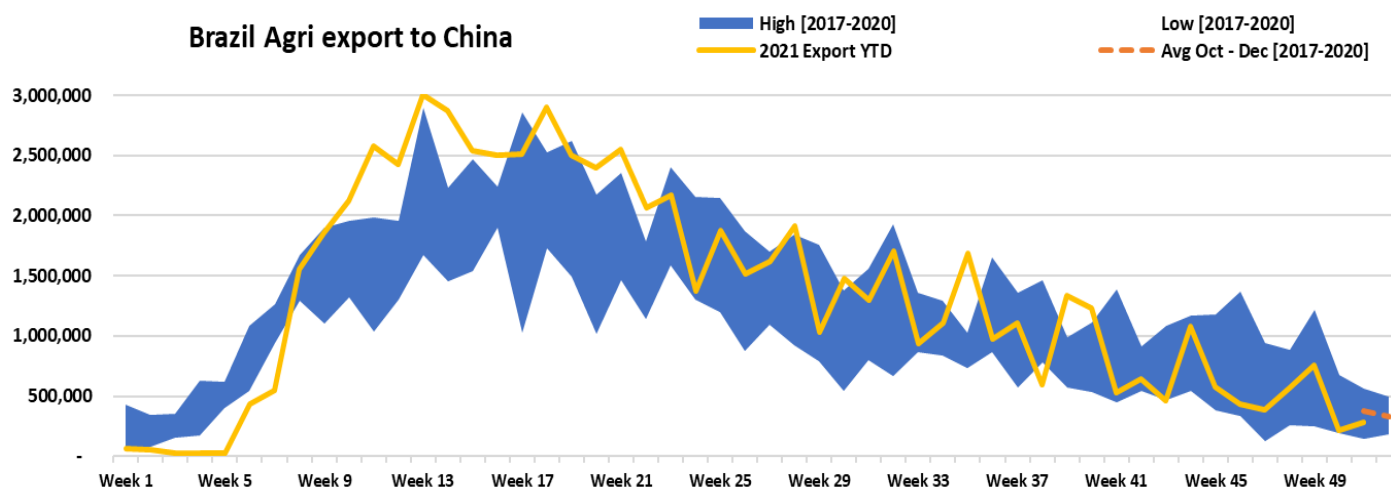
Export (million tonnes)	Nov-21	Oct-21	Sep-21	Q3-21	Q2-21	Q1-21	2020	2019
Brazil	9.7	9.9	13.4	45.1	54.5	34.5	171.6	154.0
USA	14.8	14.5	5.8	20.4	32.1	44.3	140.5	110.1
Argentina	5.0	7.2	7.9	24.3	25.8	18.9	79.0	91.2
Ukraine	7.0	6.2	5.7	15.3	8.8	10.5	51.7	56.3
Canada	3.6	4.0	2.7	7.4	11.5	12.7	50.4	41.2
Russia	2.2	2.8	3.8	10.7	5.1	7.4	35.2	25.9
Australia	2.9	2.2	2.6	8.5	11.0	12.0	20.2	18.8
Others	6.2	8.7	8.6	21.9	16.1	20.1	68.7	63.8
Global	51.5	55.4	50.5	153.6	165.0	160.2	617.3	561.3

Agri Key Routes

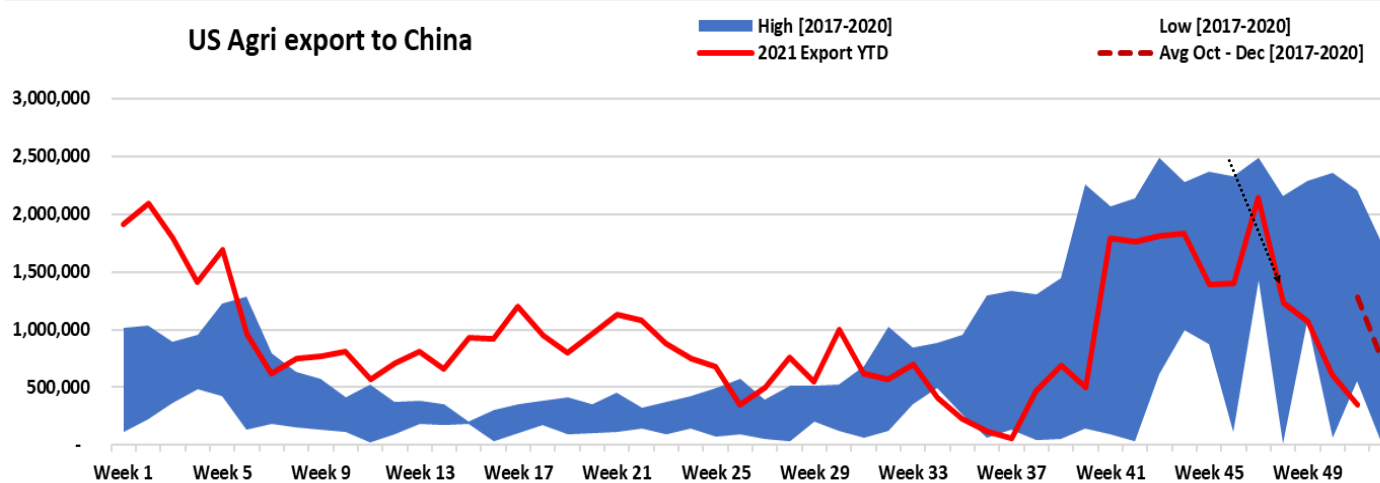
Agri Key Routes	Agri Export mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Agri Export (thousands tonnes)						
Brazil-China	280.3	218.2	28.5%	51.49	55.02	-6.4%
US-China	353.3	608.7	-42.0%	70.05	75.19	-6.8%

Seasonality Chart

Brazil Agri export to China



US Agri export to China



Data Source: IHS Connect, Bloomberg

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