

FIS Dry Freight Weekly Report

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Market Review:

A good start of year for Freight markets with activities quickly picking up, the Baltic Dry Index remained at healthy levels, gaining 3% to 2289 over the holiday period. Capesize saw positive fixtures across the main routes, while Panamax had a bumpy start as the Indonesia coal export ban came up before the New Year adding uncertainty. Supramax had a slow start of the year, rates softening under thin trading activities.

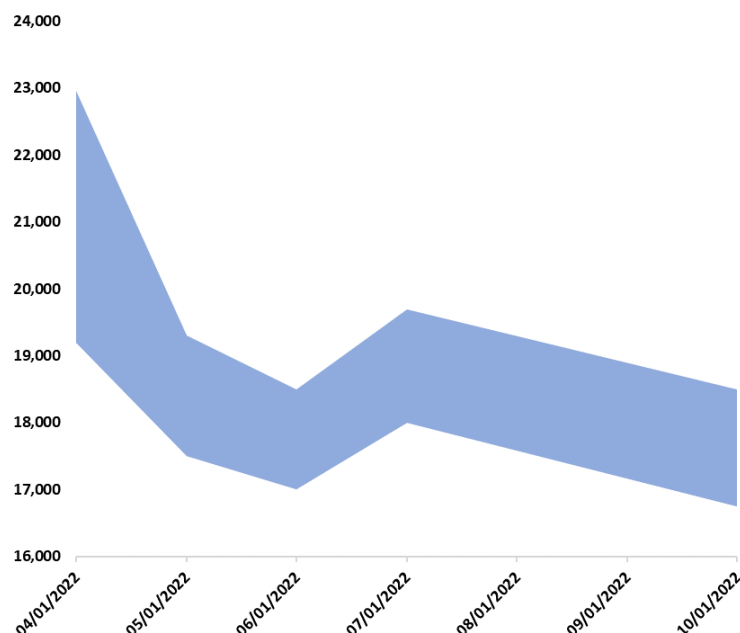
Freight Rate \$/day	07-Jan	24-Dec	Changes %	Short Term	Sentiment
Capesize5TC	20,167	19,176	5.2%	Bullish	↑
Panamax4TC	25,274	21,822	15.8%	Bearish	↓
Supramax10TC	22,813	25,188	-9.4%	Bearish	↓
Handy7TC	23,402	26,384	-11.3%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	202	-36	176	42	10		
Panamax	267	-64		100		91	50
Supramax	363	-122		32		48	255

Capesize

In the first week of year shipping demand showed itself to be strong, rates gradually lifted up with major iron ore miners being active in the market and expectation of port congestion in China. Chinese steel miners continued their last round of stocking before the Lunar new year, iron ore prices were also supported by the restocking activities before the end of January. Vale, however, announced production issues in its Southeastern and Southern Systems due to heavy rains, which each contribute about 20% of their iron ore production. On the fixture side, the key route moving iron ore from Australia to China heard fixing strongly at above \$9 for laycan day from 20 January onwards, as charters were keen to secure the tonnage. Little was being heard out of the Atlantic region, but owners were resistant and hold on the high rate due to vessel delays caused by bad weather, latest fixture rate for Tubarao to Qingdao at end of January to early February were reported at the levels of \$21.50- \$22.00.

Capesize 5TC Trading Range



Derivatives market gains at the end of 2021 quickly evaporated as the paper premium over index realigned closer to flat. There was a stronger end to the week for Cape FFAs as news of stronger C5 fixtures pushed Jan to highs of 19500, Q1 to 19000 while Cal 23 traded up at 20000. While the Pacific was posting some decent gains, the Atlantic was considerably more sluggish which mean the 5TC index made modest gains of just over 3%.

Short-run bullish

Chart Source: FIS Live

Panamax

Despite the news of the Indonesia coal export ban which put Panamaxes under pressure, decent demand and fresh enquires from North Atlantic and EC South American continued to support the market. Firmed fixtures were heard from trans Atlantic and front haul trips as grain buyers pushed up the rates. As the uncertainty over Indonesia remained, ship owners were pushed to seek alternative routes. Negative sentiment was present in derivatives, with the selloff in Panamax paper markets the main theme in last week trading. Trading had got off to a bumpy start with prompts initially gapping lower as sellers rushed to take advantage of the gains seen over the holiday period. Jan and Q1 slipped to \$23250 and \$24000 respectively before we began to see some support. After the falls of the week and with some sharp discounts on deferred periods, the market finally saw the curve gathering some support at the lows, with sellers holding off which made for a relatively quiet end to the week.

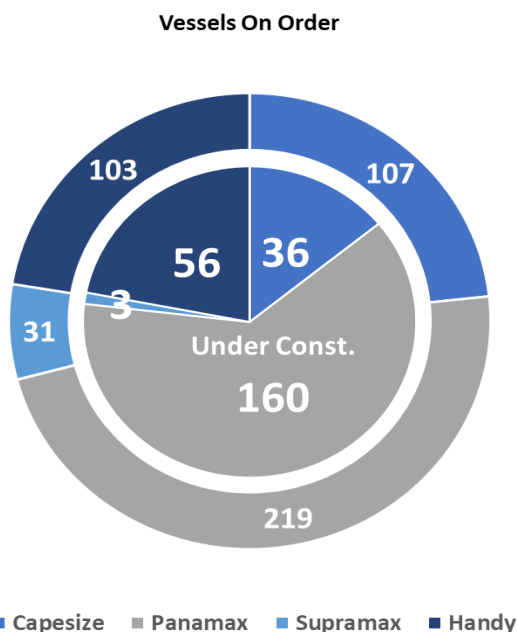
Short-run bearish

Supramax

Supramaxes drifted lower on negative sentiment and thin coal -chartering activities, the weekly coal shipment numbers shredded over 60% according to IHS figures. Market source reported the tonnage lists lengthen in South East Asia while limited fixtures out from EC South American adding further pressure. However, laden and ballast levels were still balanced at the beginning of the year. The futures market started the year under pressure on the prompt in earlier trading, with Jan gapping down to \$23250 in small volume, but further out dates were supported. Despite a bit of a push midweek, the deferred market started to come under pressure with Cal22 and Cal23 printed \$22100 and \$16250 respectively. This softening carried on into the end of the week, ending fairly rangebound with the market finding some light bid support.

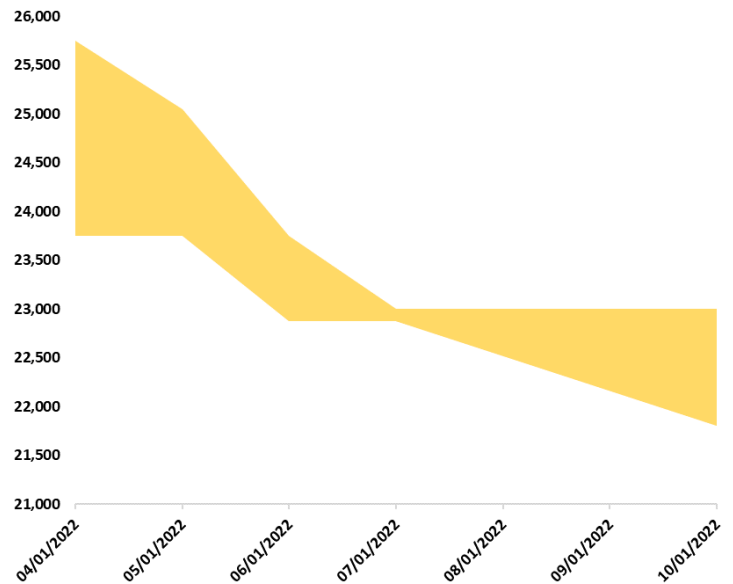
Short-run bearish

Fleet Capacity



Data Source: Bloomberg

Panamax 4TC Trading Range

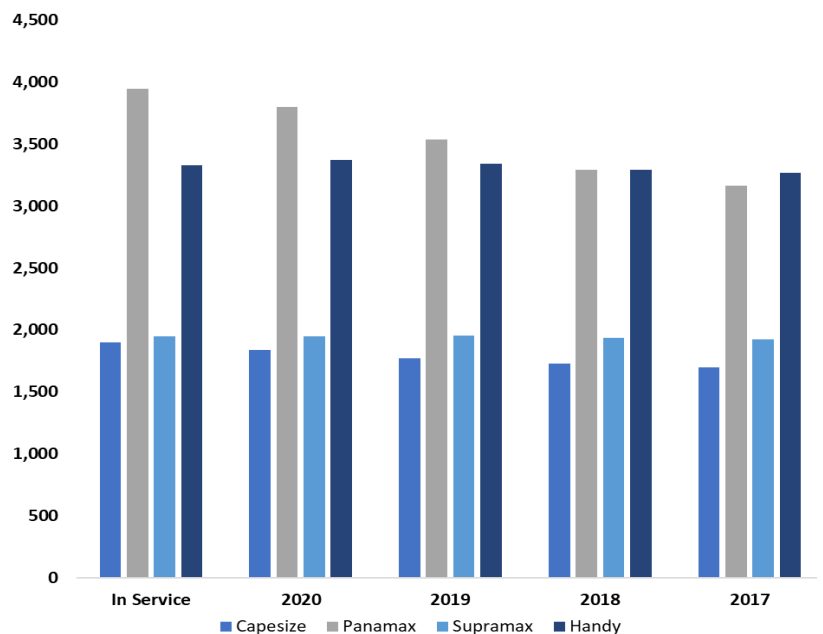


Supramax 10TC Trading Range



Chart Source: FIS Live

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 resumed as participants returned from holiday, Cape and Panamax futures traded respectively average around 2,955 lots and 2,117 lots per day last week, Supramax moved in a slower mode with 1,027 lots traded per day last week. Main trading activities are focused on Jan and Q1'22 contracts, far back contracts also gained tractions with decent volume changing hands in Q4'22 and Cal23. In terms of open Interest, on 10 Jan Cape5TC 145,469 (+4,581 w-o-w), Panamax4TC 213,521 (+4,227 w-o-w), Supramax 10TC 82,693 (+935 w-o-w).

Freight Rate \$/day	7-Jan	24-Dec	Changes %	2022 YTD	2020	2019	2018	2017	2016
Capesize5TC	20,167	19,176	5.2%	19,891	13,070	18,025	16,529	15,129	7,388
Panamax4TC	25,274	21,822	15.8%	25,116	8,587	11,112	11,654	9,766	5,562
Supramax10TC	22,813	25,188	-9.4%	23,262	8,189	9,948	11,487	9,345	6,164
Handy7TC	23,402	26,384	-11.3%	24,107	8,003	9,288	8,700	7,636	5,214

FFA \$/day	7-Jan FIS Closing	24-Dec FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Jan 21	18625	23000	-19.0%	25,150	17,000	25,150	17,000
Capesize5TC Q1 22	18342	20925	-12.3%	20,500	15,500	20,500	15,500
Panamax4TC Jan 21	23025	26000	-11.4%	26,750	22,150	26,750	22,150
Panamax4TC Q1 22	23450	23850	-1.7%	24,850	21,875	24,850	21,875
Supramax10TC Jan 21	22250	23250	-4.3%	25,300	22,000	25,300	22,000
Supramax10TC Q1 22	22950	22750	0.9%	23,375	21,550	23,375	21,550

Data Source: FIS Live, Baltic Exchange

Dry Bulk Trades/Iron Ore

Iron ore prices posted another week of gains on growing optimism that China will roll out supportive measures and expectation of recovering demand. Furthermore, Chinese steel miners were concerned the rapidly growing covid cases in Australia would cause distribution to supply. Also the zero covid policy back home has imposed partially lockdown in some steelmaking cities, thus suspended their operations, with miners rushing to complete their purchases for Chinese New Year. In addition, according to China Iron & Steel Association (CISA), steel production in China increased 11% in December with healthy margins and no production curbs in place. Capesize forward curve showed a backwardation in February but picked up again March was closely relative to China raw material demand and government policies, as constructions activities will be halted during Chinese New Year from 1st February, and Beijing's pledge to improve air quality ahead of the Olympics. On Tuesday iron ore was pushed up to \$128 by the news that Vale will suspend train services on the Estrada de Ferro Vitoria a Minas railway and production in its southeastern and southern systems to guarantee the safety of their staff.

IHS 2021 full year forecast of Australia iron ore export was marginally lower compared with the previous year to around 920-922 Mmt. Brazil iron ore shipment in 2021 stood 4% higher at 349.9 Mmt, its forecast for Q122 would be up 8% YoY to 82.7 Mmt. From the seasonality chart below, the first two weeks shipment had increased significantly to stay way above the yearly average, Australia to China weekly exports hit 16.7 million tonnes in the Jan 2022, while iron ore from Brazil stayed within the seasonality range, weekly average of 4.1 million tonnes.

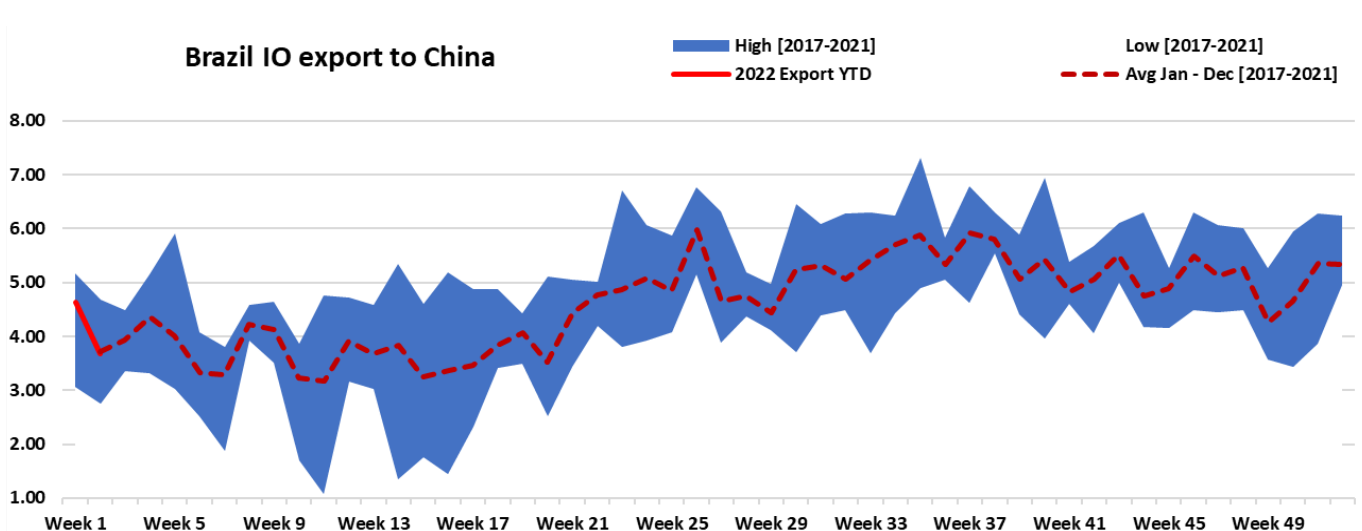
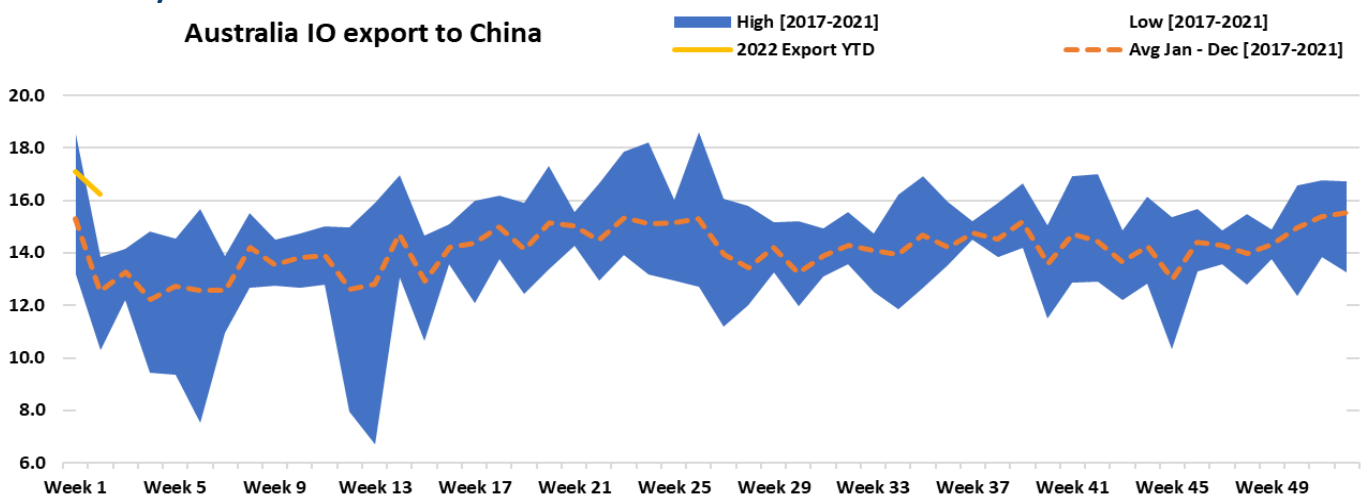
Dry Bulk Trades/Iron Ore

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	16.2	17.1	-5.2%	9.06	9.21	-1.6%
Brazil-China	3.7	4.6	-20.7%	21.97	21.87	0.5%

Seasonality Charts



Data Source: IHS Connect, Bloomberg

Dry Bulk Trades/Coal

On the first day of new year, the Indonesian government announced ban on coal exports to secure supply for their power plants, which suddenly put nearly 10% of dry bulk shipping demand at risk. As a result, Australian and Chinese coal prices spiked through the week due to tight supply, buyers had to turn to other suppliers as an alternative. Early this week, Indonesia relaxed the ban and allowed 11 ships to load and coal to leave ports, with around 120 vessels waiting at the coal port according to Refinitiv data. On a further note, Indonesia will discuss on Wednesday whether to lift the ban. From the seasonality chart below, Indonesia coal suffered massive cut to nearly 2.2 million tonnes last week which was the average level in the past years, it made up only half of the previous export after the ban taking place. However, Australia coal took advance and increased its exports to fill demand, its coal shipments during 3 Jan-7 Jan ramped up 5.3% to 8.5 million tonnes, to Japan alone was 3.5 million tonnes.

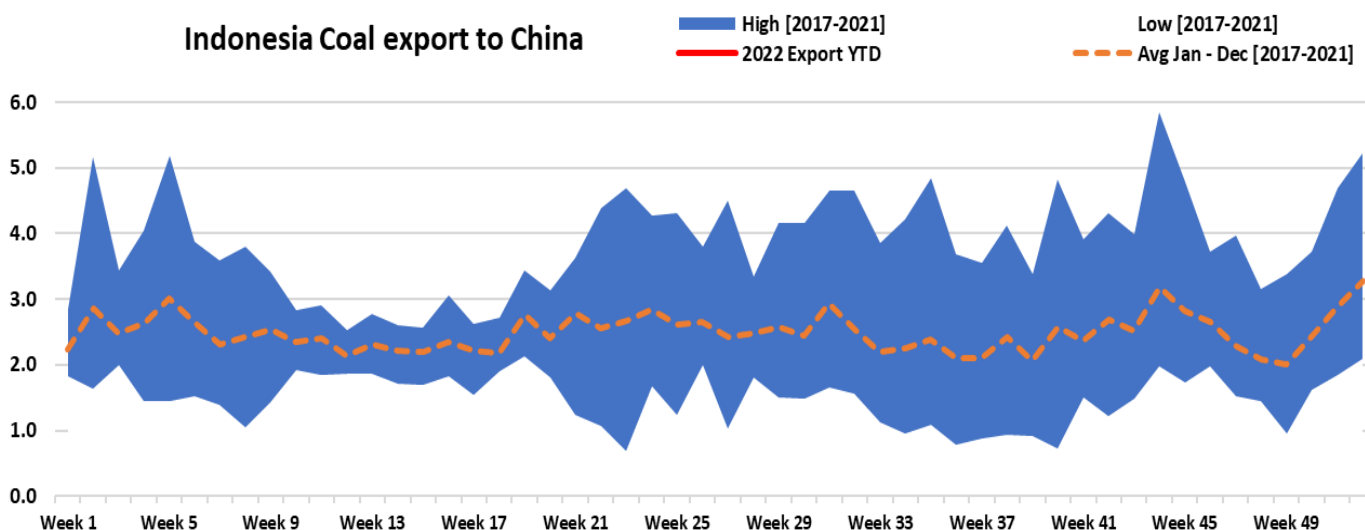
Dry Bulk Trades/Coal

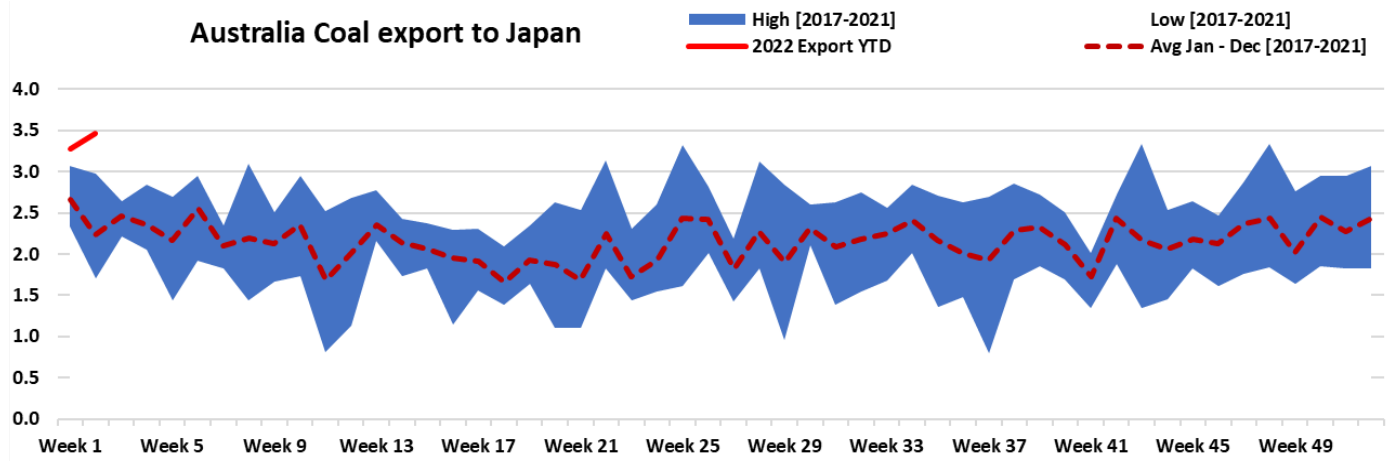
Export (million)	Nov-21	Oct-21	Sep-21	Q3-21	Q2-21	Q1-21	2020	2019
Indonesia	33.6	38.3	34.9	109.5	102.9	101.8	379.4	413.4
Australia	29.5	31.3	32.0	97.4	93.2	88.1	380.9	402.4
Russia	11.6	13.3	13.1	40.9	42.1	40.9	173.6	152.8
USA	6.4	7.0	5.3	16.3	17.9	17.3	56.1	72.9
Colombia	5.2	5.2	5.1	15.4	14.5	15.5	59.9	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	2.2	4.4	-50.2%
Australia-Japan	3.5	3.3	5.8%

Seasonality Charts





Data Source: IHS Connect, Bloomberg

Dry Bulk Trades/Agri

Both Brazilian and US soybean futures prices moved higher last week amid concerns over crop losses in South America due to the adverse weather conditions. According to Platts reports, market analysts lowered their crop forecast for Brazil in 2022 to 131 million mt considering the yields reduction. Despite the falling farmers sales, market participants expected that new crop soybeans will be ready to be exported in the main southern Brazilian ports after mid January. However, heavy rain forecast this week would be a main factor for a slower harvest pace.

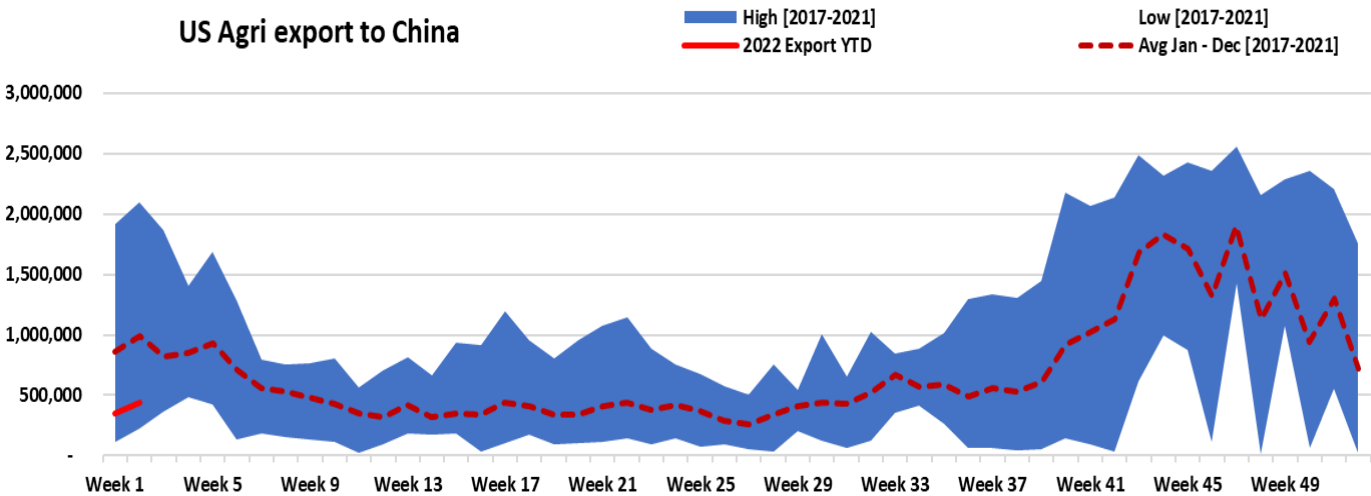
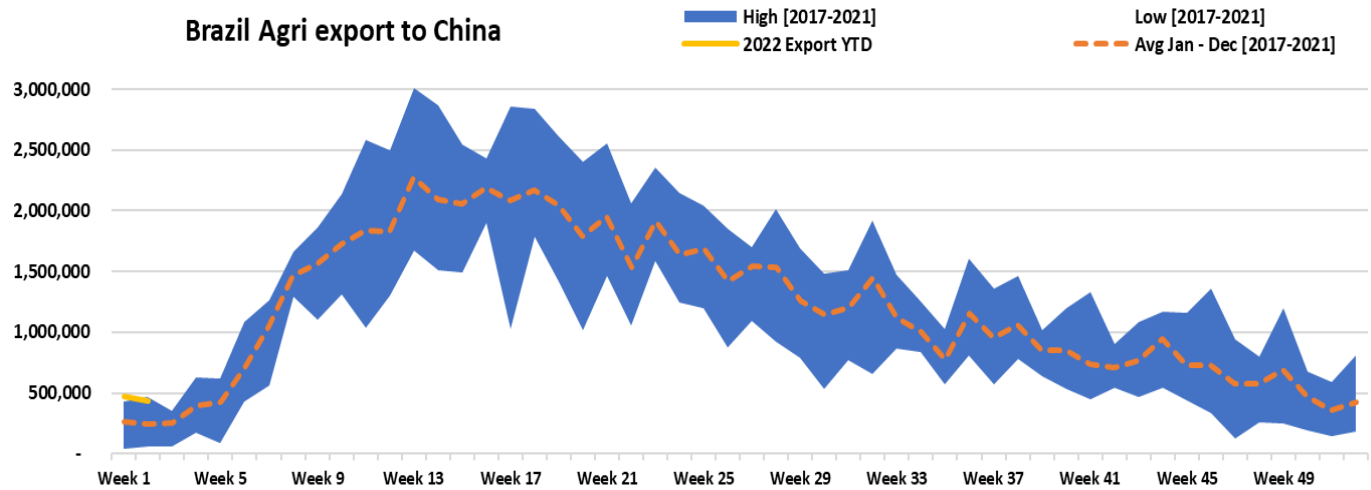
According to IHS, US Agri exports were slightly lower last year to 138.5 million tonnes, down 1.1% YoY, and its forecast for Jan 2022 is 14.2 million tonnes. The seasonality chart below showed improving shipment from Brazil to China with over 450,000 tonnes weekly average in the first two weeks of 2022, breaking through the average five year range. Whilst US to China shipment was in the lower end of average range of 394,000 tonnes.

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	437.6	476.5	-8.2%	59.7	51.1	16.9%
US-China	435.5	352.3	23.6%	70.4	65.7	7.1%

Seasonality Charts



Data Source: IHS Connect, Bloomberg

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