FIS

Dry Freight Weekly Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

18/01/2022

Market Review:

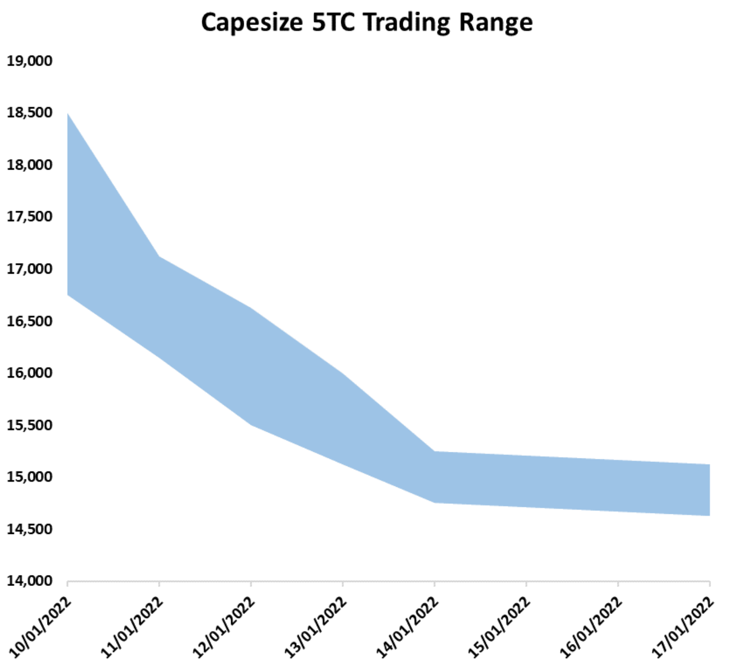
Freight rates across all vessel types dropped further throughout last week amid weather disruptions and seasonally reduced activities in Q1. Baltic Dry Index was at $1731 down $546 compared to previous week, Cape 5TC was the hardest hit losing nearly $9000 and dropping down to $12190 on Monday. Smaller size vessels drifted lower under the pressure of limited enquiries and lengthy tonnage lists particularly in the Pacific as Indonesia was still absent from its coal activities.

Freight Rate $/day	14-Jan	07-Jan	Changes %	Short Term	Sentiment
Capesize5TC	12,407	20,167	-38.5%	**Bearish**	↓
Panamax4TC	20,040	25,274	-20.7%	**Bearish**	↓
Supramax10TC	20,868	22,813	-8.5%	**Bearish**	↓
Handy7TC	21,464	23,402	-8.3%	**Bearish**	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	**197**	**-1**	131 (-10)	50 (+12)	8		
Panamax	**314**	**+57**		120 (+21)		91 (+2)	63 (+23)
Supramax	**394**	**+17**		49 (+10)		55 (+2)	268 (+8)

Capesize

Cape rates dived deeper as weaker fixtures were reported in both basins. According to market sources, Brazil business was muted while there was plenty to offer ex Australia. In Pacific, the key route moving iron ore from Australia to China loading date end of Jan, fell from $8.35-8.40 towards the end of week $7.35-7.30. In Atlantic, heavy rainfall disrupting mining operation was the biggest impact and sentiment remained negative overall, although shorter voyages observed at supported level. A few fixtures from South Africa to China reported at around $17 for end of Jan loading. After having to suspend operations last week due to heavy rain, Vale are gradually resuming production at Brucutu and Mariana as rail services recovered. However, the market expected low seasonal iron ore demand would continue dampening freight rates, especially now Chinese steel miners have completed their re-stocking activities before the Lunar new year.



In the paper market, the week began slowly for the cape. Bad weather continued to cause delays in China which lent support to C5 but heavy rain in Brazil had an adverse effect on exports with talk of dam collapse and mine suspensions hitting the news sites. On Tuesday C5 continued to fix lower, pinning down the index, which led to a midweek and a tidal wave of negative news from the physical market cast a formidable shadow over the paper market. Confirmation that heavy rains in Brazil had severely disrupted logistics and caused Force Majeure to be declared at Sudeste added further downward pressure on indexes.

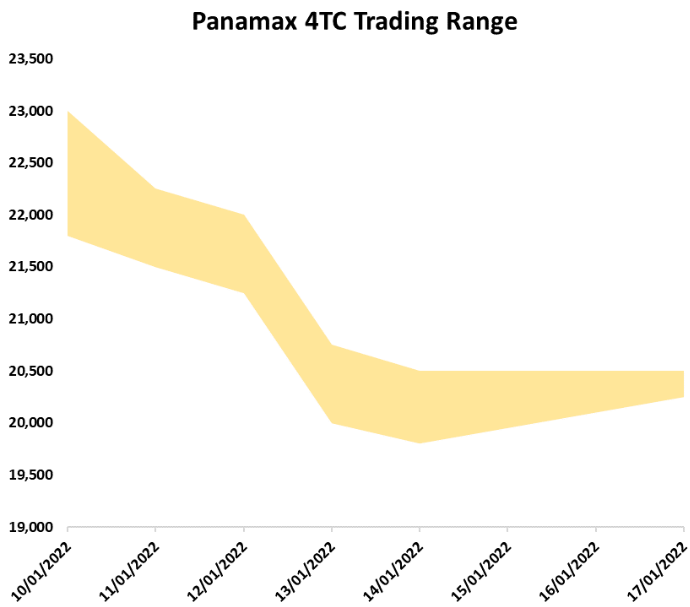
Chart source: FIS Live

In the derivatives market despite C5 fixing higher and the 5TC index improving by $1,041 to $21,181 early in the week, the paper was marked lower across the board. The slew of negative news in the physical market put pressure on the paper, and pushed down rates steadily across the week.

Short-run bearish

Panamax

Panamax rates were in freefall this week. In the Pacific Australia picking up its coal exports—up 4.3% to 7.3 million tonnes last week according to IHS, had little impact on the long tonnage list in SE Asia. The Indonesian government released an additional 22 coal ships for coal exports on 17th Jan (34 ships in total), with miners hoping to be granted more export permissions soon. Grain exports remained healthy with around 10 million tonnes shipped last week which is same level as last year. In addition, Brazil soybean planting season began early this year, which could result in high export volumes in Feb-March rather than the more usual Q2. An increase in volume out of Brazil will lend some needed support in the rates in the near term. However, the Asian market looks depressed and with limited reports out of the Atlantic, the laden and ballast spread widened to nearly -200 this week. We will need to see a significant influx of cargo to overturn the downward trend in Panamax.

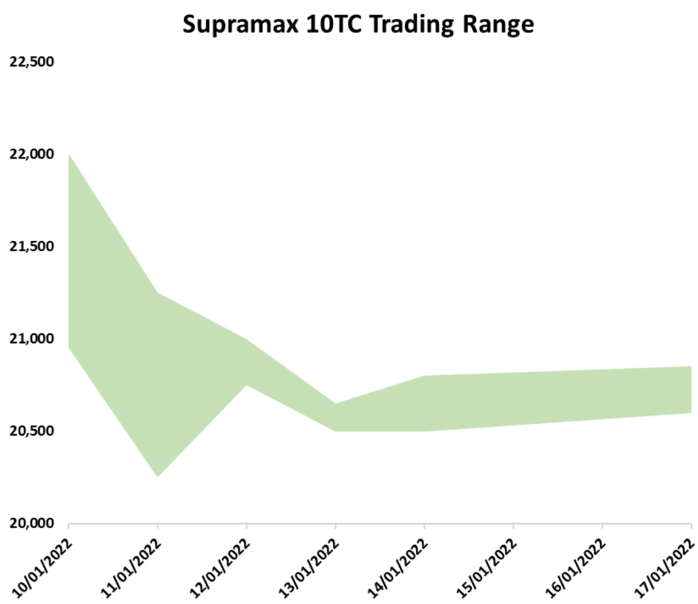


Panamax paper sold off from the start of last week with prompt periods taking the initial hit, Jan traded $22750, Feb $22500 and Q1 $22750, with sellers applying more pressure throughout last Monday and we witnessed between $750- $1000 wiped off the prompt months. There was some recovery Tuesday from a combination of short covering with some buyers having to chase rates higher in order to get any volume done. The rest of the week saw sellers in the driving seat, especially on prompt months, with buyer periodically rearing their head in the market. The end of the week did see some buyers returning, pushing up rates, with Feb trading $20750, March $23500 and q1 to $21500 at the close.

Short-run bearish

Supramax

Supramax rates remained under pressure in both basins. Lack of coal activity and subdued demand from China impacted tonnage opening in the Pacific. In the Atlantic some firm fixtures were reported from US Gulf. ECSA remained well supplied with a growing list of ballasting tonnage, but high levels of congestion and a slight uptick in demand provided some support to the rates which seemed to have found a floor there this week.



Supramax paper rates drifted through the start of the week against a softer underlying. Losses were heaviest on the prompt, with Jan and Feb slipping to respective lows of $21000 and $21500, but losses further out were slightly more limited. Pressure came later in the week in the prompt months, with further out continuing to trade in a tight range, with a good level of bid support. The end of the week softened, following the larger vessel sizes. Feb and March slipped to respective lows of $20500 and $22500. Q234 and Cal22 slipping around $250.

Chart source: FIS Live

Short-run bearish

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

FFA futures trading activities picked up the pace this week gone. Cape and Panamax futures traded respectively an average of around 3,173 lots and 4,349 lots per day, Supramax gradually warmed up with 1,300 lots traded per day last week. As we are head towards the second half of January, active contracts rolled to Feb and Q2'22 contracts and high interest saw in Q3'22, far back contracts were also active, with Cal23 taking the lead, hearing over 3000 days exchanged on Cape 5TC and 2580 days on PMX 4TC. In terms of open Interest, on 17 Jan Cape5TC 151,430 (+5,961 w-o-w), Panamax4TC 220,992 (+7,471 w-o-w), Supramax 10TC 84,809 (+2,116 w-o-w).

Freight Rate $/day	14-Jan	7-Jan	Changes %	2022 YTD	2020	2019	2018	2017	2016
Capesize5TC	12,407	20,167	-38.5%	17,521	13,070	18,025	16,529	15,129	7,388
Panamax4TC	20,040	25,274	-20.7%	23,080	8,587	11,112	11,654	9,766	5,562
Supramax10TC	20,868	22,813	-8.5%	22,159	8,189	9,948	11,487	9,345	6,164
Handy7TC	21,464	23,402	-8.3%	22,958	8,003	9,288	8,700	7,636	5,214

FFA $/day	14-Jan FIS Closing	7-Jan FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Feb 22	13,375	17,000	-21.3%	16,500	12,750	19,250	12,750
Capesize5TC Q2 22	22,000	23,750	-7.4%	24,700	21,000	24,700	21,000
Panamax4TC Feb 22	20,700	23,450	-11.7%	23,000	18,350	25,250	18,350
Panamax4TC Q2 22	23,650	24,125	-2.0%	24,000	21,250	25,350	21,250
Supramax10TC Feb 22	20,750	22,750	-8.8%	21,800	20,450	23,600	20,450
Supramax10TC Q2 22	23,000	24,050	-4.4%	23,600	21,250	24,150	21,250

Data Source: FIS Live, Baltic Exchange

Dry Bulk Trades/Iron Ore

Iron ore prices rallied above $130 amid tightening supply concerns over heavy rain in Brazil and possible tropical cyclones in west Australia. As the week progressed, iron ore retreated $3 after sources reported that Chinese steel miners had almost completed their restocking and port inventories reached a high record. However, on Monday People's Bank of China announced massive monetary stimulus by lowering interest rate and repos to combat market pressure from the small scale covid outbreak and ease the slowdown in economic growth this year. Market analysts believed more easing measures would be delivered later this year to support the slow down in the property market, and therefore increased demand for raw materials. However, steel miners were reluctant to boost production considering profit margins, with coal prices hit year highs and weakening demand with only 2 weeks left before the Lunar New Year. Supply disruption in Brazil has caused high grade ore to spike, according to market sources, miners purchased mainly mid grade ore to minimise the cost await Vale operation to resumed.

Iron ore exports dropped sharply with massive export cut from Brazil, around 21.5% less volume compared with last week to be under 3 million tonnes. From the seasonality chart below, last week Brazil shipments fell out of the five year average range, and were at their lowest level in 6 years, whilst Australia to China exports came down below 16 million tonnes mark, but was still higher in a low demand season.

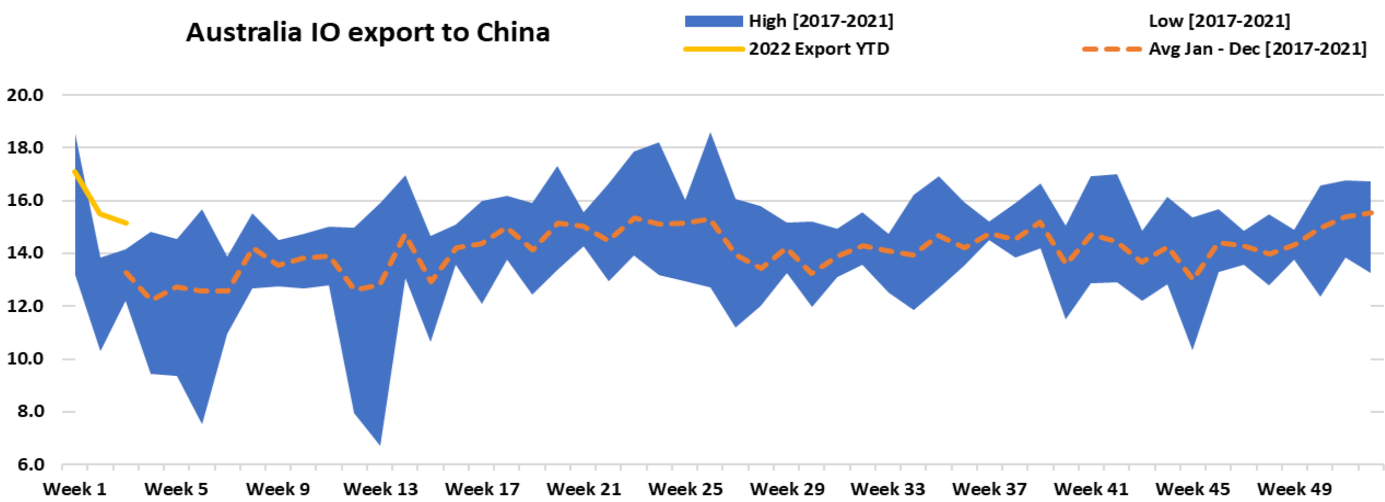
Dry Bulk Trades/Iron Ore

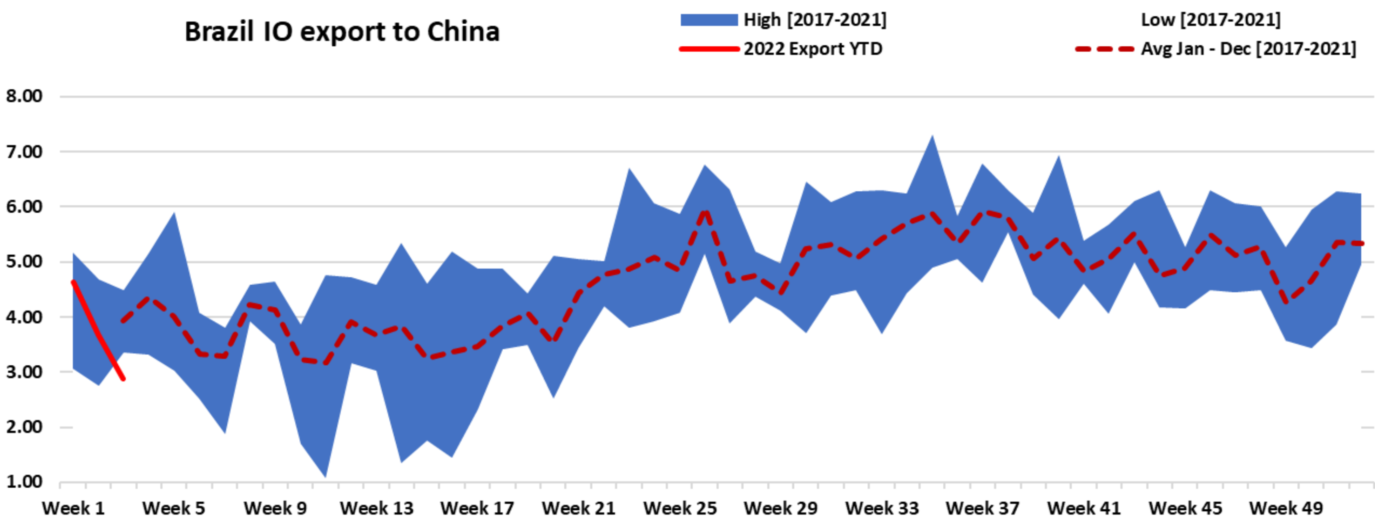
Export (million tonnes)	Dec-21	Nov-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Australia	85.1	75.7	236.7	233.9	235.2	217.4	923.2	930.2
Brazil	30.0	30.4	90.7	97.6	84.9	76.5	349.7	337.7
South Africa	5.7	5.4	15.0	15.1	13.9	13.7	57.7	55.6
India	0.9	0.4	2.5	5.3	14.4	17.3	39.5	55.5
Canada	4.5	4.8	14.9	18.1	11.3	13.1	57.4	58.5
Others	17.5	14.2	46.8	41.5	45.6	39.7	173.6	82.4
Global	**143.8**	**130.8**	**406.7**	**411.5**	**405.2**	**377.7**	**1601.1**	**1601.6**

Iron Ore Key Routes

	IO Export Million mt			Freight Rate $/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Australia-China	15.2	15.5	-2.2%	8.32	9.06	-8.1%
Brazil-China	2.9	3.7	-21.5%	20.66	21.97	-5.9%

Seasonality Charts





Data Source: IHS Connect, Bloomberg

Dry Bulk Trades/Coal

Market talk was that the Indonesian government may relax the export ban, the initial signs being the releasing of 22 ships for export on Monday. The ban has dragged Indonesian coal export volume from an average 2.6 million tonnes per week last Q1 to below 1 million tonnes. As the seasonality chart shows, Indonesian coal exports to China rebounded from the first week of ban as numbers of ships were released but still way below the average level. As a result, Australia and US coal prices continued to surge over two weeks, with coking coal Australia export price hit all time high last week following global tight supply and improved demand, on 14 Jan TSI FOB index, up $38 or 10.2% wow to the highest level of $409.

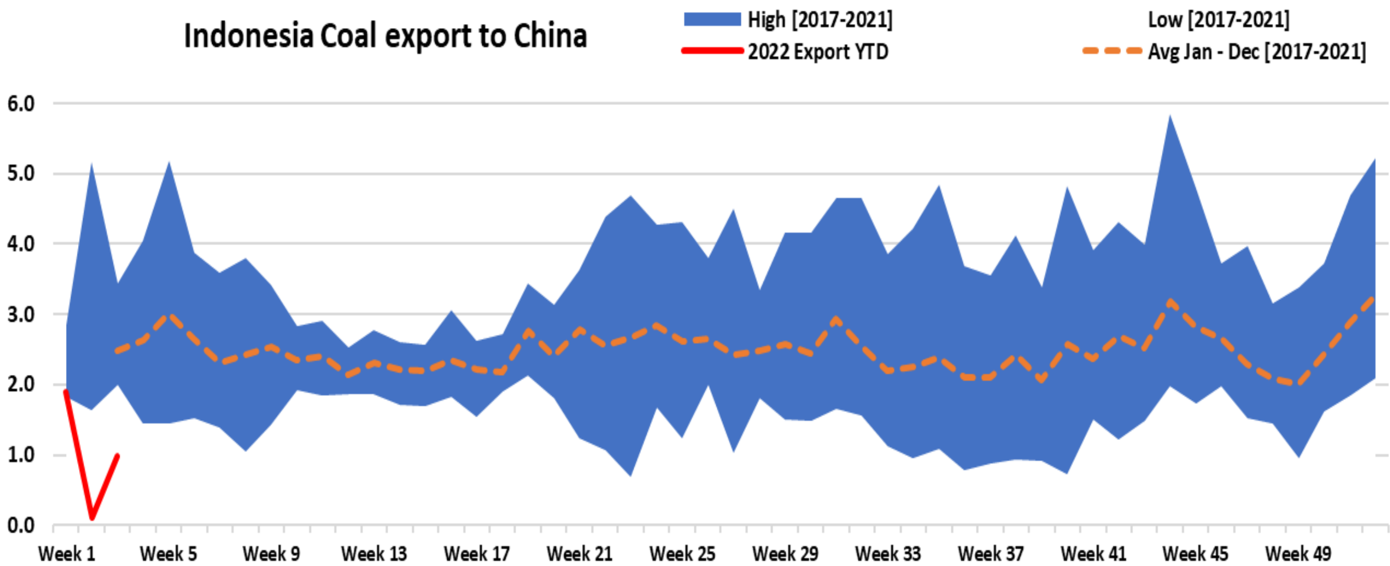
Dry Bulk Trades/Coal

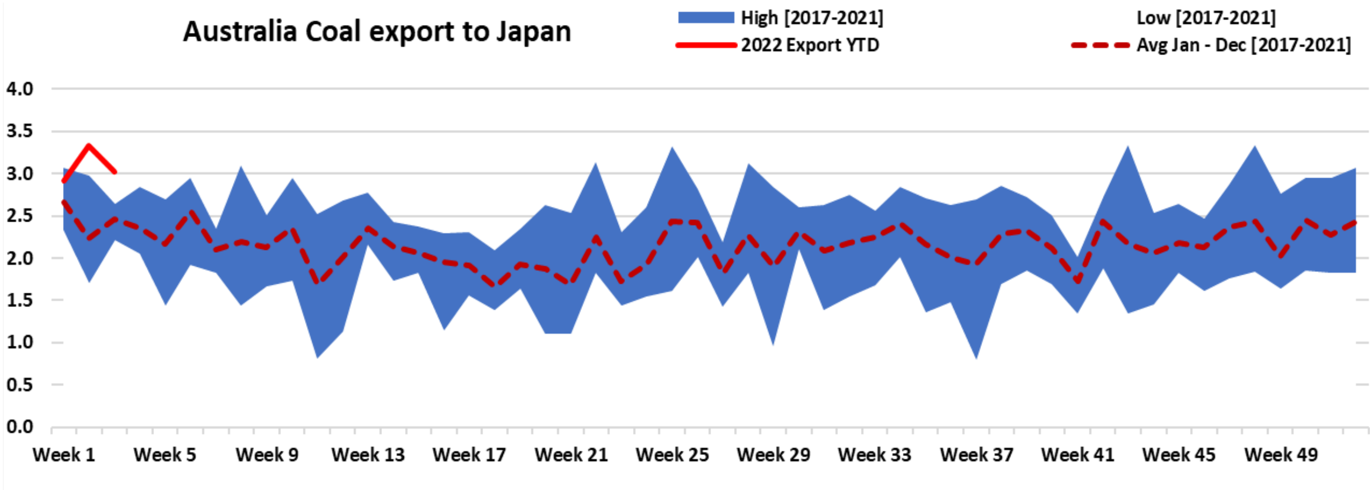
Export (million	Dec-21	Nov-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Indonesia	34.9	33.5	106.9	110.0	102.5	102.2	421.6	379.4
Australia	30.6	28.3	90.3	96.3	92.3	86.6	365.5	380.9
Russia	14.0	12.3	40.3	44.0	44.4	43.5	172.2	173.6
USA	7.1	5.6	19.6	16.3	18.0	17.4	71.3	56.1
Colombia	5.6	5.2	16.0	15.5	14.6	15.5	61.5	59.9
South Africa	5.3	5.5	16.9	14.0	15.3	14.7	60.9	74.2
Others	7.5	7.3	22.8	23.8	19.6	19.1	85.3	76.2
Global	**105.0**	**97.8**	**312.6**	**320.0**	**306.7**	**299.0**	**1238.3**	**1200.3**

Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	1.1	1.9	-42.9%
Australia-Japan	3.0	3.3	-9.5%

Seasonality Charts





Data Source: IHS Connect, Bloomberg

Dry Bulk Trades/Agri

Trading activities out of Brazil were less active this week, farmers' sales were reported to be thin as the continuous rainfall hampered field activities in Mato Grosso, the largest producer in Brazil. Soybean futures ended on a weaker note last week. According to Platts, 2021-22 Soybean crop harvest has exceed the 5 year average of 1.1% to 1.7% according agri consultancy Patria Agronegocios and better weather condition this week for harvest. On the demand side, rumours of increased buying interest from China for March loading cargos helped give prospect of future support.

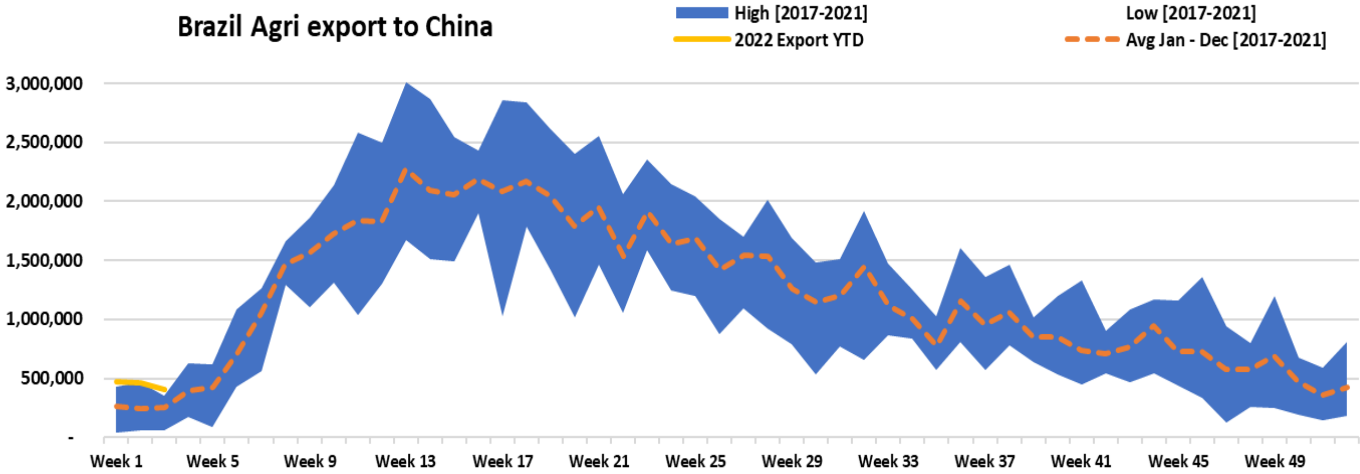
The seasonality chart below shows shipments from Brazil to China drifted lower to near 400,000 tonnes, but still in better performed compared with past years as it remained the highest level same period of time since 2017. Whilst US to China shipment was still in the lower end of average range of 440,000 tonnes.

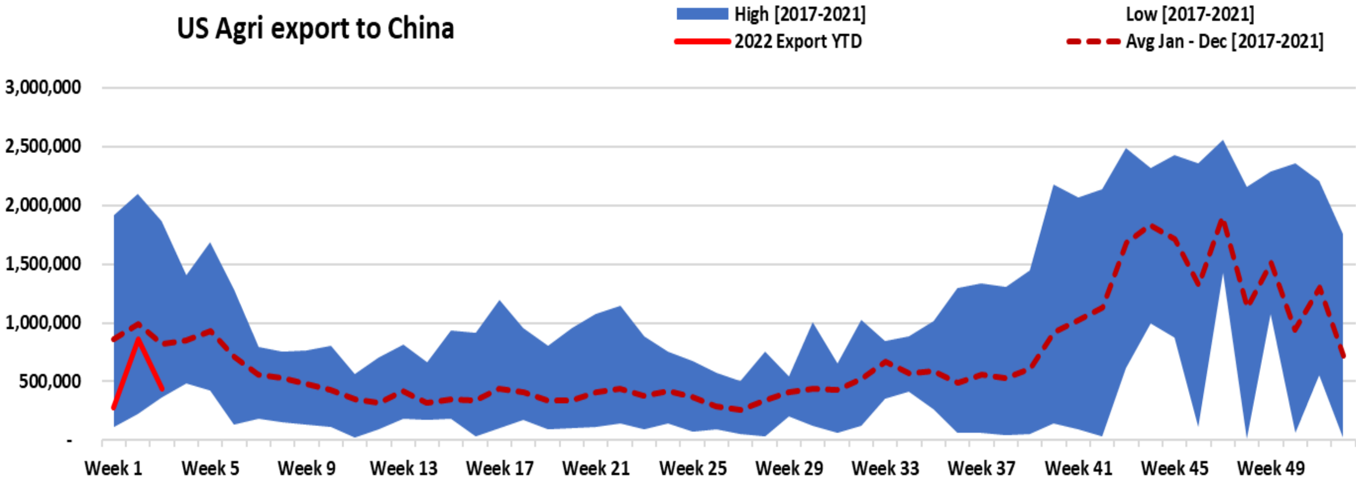
Export (million tonnes)	Dec-21	Nov-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Brazil	10.7	9.9	30.5	45.1	54.4	34.2	164.2	171.6
USA	12.9	14.8	42.0	20.7	32.1	44.0	138.7	140.5
Argentina	6.0	4.8	17.8	24.0	25.6	18.8	86.3	79.0
Ukraine	6.1	6.8	19.1	15.2	8.6	10.5	53.4	51.7
Canada	2.8	3.5	10.5	7.4	11.7	12.7	42.3	50.4
Russia	2.6	2.1	7.5	10.4	5.0	7.2	30.1	35.2
Australia	3.6	3.1	8.9	8.5	11.1	12.0	40.4	20.2
Others	5.4	6.5	20.7	22.6	16.4	20.4	80.1	68.7
Global	**50.0**	**51.5**	**157.0**	**154.0**	**164.8**	**159.7**	**635.5**	**617.3**

Agri Key Routes

Agri Key Routes	Agri Export mt			Freight Rate $/mt		
Agri Export (thousands tonnes)	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Brazil-China	403.5	459.6	-12.2%	56.04	59.74	-6.2%
US-China	436.2	864.0	-49.5%	67.55	70.41	-4.1%

Seasonality Charts





Data Source: IHS Connect, Bloomberg

Written by **Emma Feng**, FIS Senior Research Analyst

Edited by **Chris Hudson**, FIS Communications Director

News@freightinvestor.com, +44 207 090 1120