

FIS Dry Freight Weekly Report

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Market Review:

Baltic Dry Index suffered a sharp loss this week to \$1343 on Tuesday, Cape 5TC index had a speedy fall of \$1000 a day last week to below \$7000 this week, while Panamax dived below \$17,000 from mid last week. Smaller size vessels dropped lower under the pressure of limited enquiries and lengthy tonnage lists. Any optimistic sentiment in the derivative market seemed short-lived last week. There were small rebounds observed on Monday but this was under thin volumes and unlikely to stick.

Freight Rate \$/day	21-Jan	14-Jan	Changes %	Short Term	Sentiment
Capesize5TC	7,390	12,407	-40.4%	Bearish	↓
Panamax4TC	16,751	20,040	-16.4%	Bearish	↓
Supramax10TC	19,237	20,868	-7.8%	Neutral	-
Handy7TC	19,859	21,464	-7.5%	Neutral	-

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	205	+14	145 (+16)	44 (-4)	12 (+5)		
Panamax	296	-7		125 (+10)		819 (-16)	53 (-3)
Supramax	448	+58		64 (+18)		57 (-3)	298 (+35)

Capesize

Cape rates continued to lose ground this week with losses across all routes. C5TC fell below \$7,000 on Monday, nearly 43% marked down from the previous week. Q1 is a low season for iron ore demand which has not been helped by the Vale production disruption, even though it has now restarted its mining operations in Southern Brazil. With Chinese New Year approaching, Asian markets have gradually cooled this week in preparation for the holiday period. On the fixture side, offers were forced lower with ample supply of tonnage in both basins. In the Pacific, the key route moving iron ore from west Australia to China, laycan early Feb fixing from \$7.7 gradually fell to \$6.9 towards to end of last week, and \$6.75 heard on Monday. In the Atlantic, rates continued to fall with limited activity out of Brazil, but some cargos were reported from West and South Africa, including Nouadhibou to Qingdao in late Jan and early

Feb loading fixed at \$20 and later at \$18; Saldanha Bay to Qingdao in mid Feb dates was heard fixed at \$13.25 to \$12.10; Tubarao to Qingdao was heard fixed at \$17.35. With Panamax being over a \$9000 premium, some Capesize ships were heard taking coal stems for better returns, moving coal from Puerto Drummond to Gijon at \$10.40. In addition, owners returns have been squeezed by rising bunker prices, with Sing 380 and 0.5% fuel oil jumping above \$490 and \$660 respectively last week, putting fuel cost rises at nearly \$90/mt over just a month. From our calculations, fuel costs for C3 increased from 36% of freight cost at the beginning of this year to around 53% currently. While on C5 it currently makes up 41% of the C5 rate compared to 27% a month ago.

Capesize 5TC Trading Range

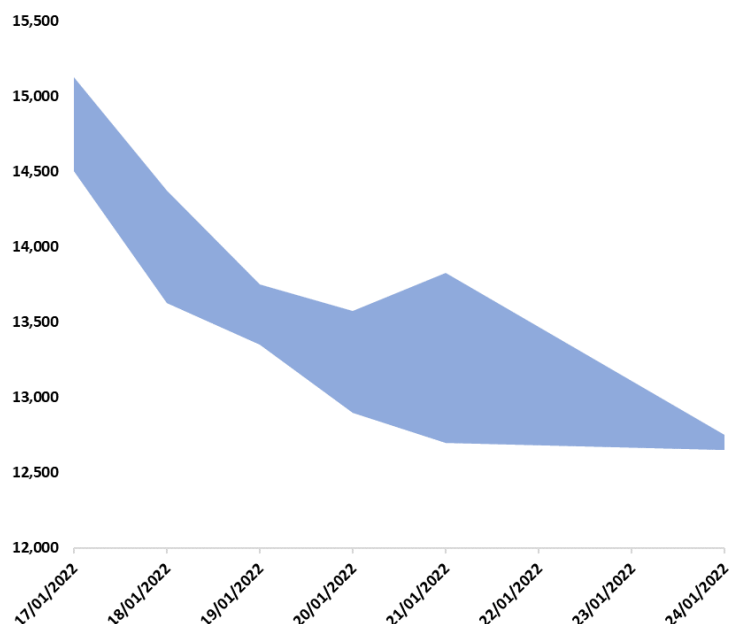


Chart source: FIS Live

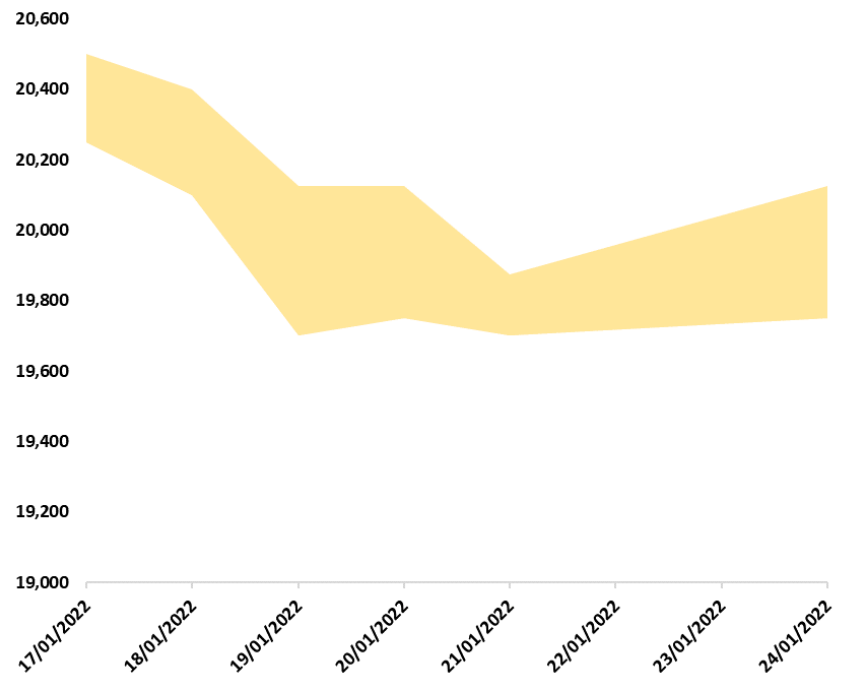
Short run bearish

Panamax

Panamax rates continued to head lower last week. Although coal shipments showed signs of recovering, lack of fresh demand and lower grain shipments set a negative tone. Grain exports remained around the same level at around 10.5 million tonnes last week, with a 4% slight decrease in volumes. In the Pacific, Australia took advantage of high prices and boosted its coal exports—up 13% to 7.8 million tonnes last week with 1.7 million tonnes directed to India according to IHS Commodities at Sea Service, since Indonesian coal exports were yet to recover. In the Atlantic, fixtures of NC South America redelivery Skaw/Gib were heard at \$18,500, NC South America redelivery Singapore-Japan at \$25,250, Black sea redelivery Port Said fixed below \$20,000. Whilst the Asian market remained lacklustre, North Pacific redelivery Singapore-Japan rates ranged at \$18500-\$18000. On the supply side, the laden and ballast spread widened further to nearly -280 this week, indicating supply exceeded demand. Furthermore, with Capesize competing for coal business, this added some pressure on Panamax rates. In the near term, improving demand from Indonesia and early Brazilian soybean exports this year should lend some support in rates.

Short-run bearish

Panamax 4TC Trading Range



Supramax

Supramax market sentiment was lifted last Thursday following the news of more cargoes released from Indonesia. Some participants expected at the beginning of the year that the export ban would last longer, with some estimates pitting it to last for a month. Consider the change of policy, supramax rates may now have found the floor, and are set to recover from this point. Last week we saw increasing shipments in coal and minor bulk sectors. In terms of fixtures, rates in US Gulf and EC South America regions continued to soften, with the key route US Gulf redelivery Japan reported at \$35,500, but there was limited information reported from Asia.

Short-run neutral

Supramax 10TC Trading Range

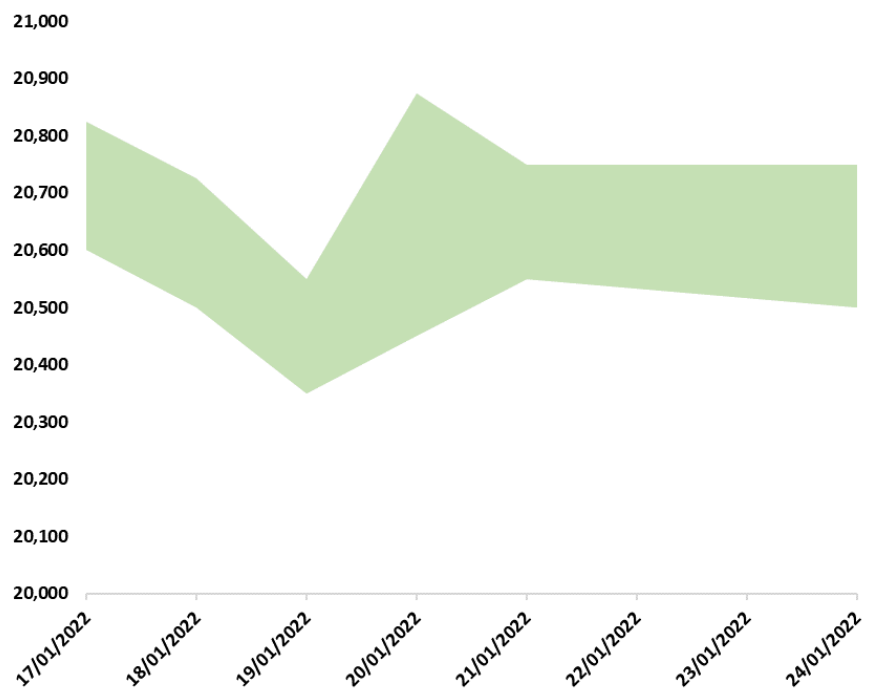


Chart source: FIS Live

FFA Market

FFAs saw active trading last week with nearly 60,000 contract lots posted on exchanges. Cape volumes slightly decreased due to volatility spikes, while high volume traded on Panamax last Thursday. On average, Cape and Panamax futures traded respectively around 2,745 lots and 4,900 lots per day last week, Supramax also saw decent liquidity with 1,950 lots traded per day last week. In terms of open Interest, on 24 Jan Cape5TC 157,253 (+5,823 w-o-w), Panamax4TC 225,976 (+4,984 w-o-w), Supramax 10TC 86,366 (+1,557 w-o-w).

Freight Rate \$/day	21-Jan	14-Jan	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	7,390	12,407	-40.4%	14,611	13,070	18,025	16,529	15,129
Panamax4TC	16,751	20,040	-16.4%	21,160	8,587	11,112	11,654	9,766
Supramax10TC	19,237	20,868	-7.8%	21,301	8,189	9,948	11,487	9,345
Handy7TC	19,859	21,464	-7.5%	22,043	8,003	9,288	8,700	7,636

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	10500	13375	-21.5%	14,750	10,500	19,250	10,500
Capesize5TC Q2 22	21500	22000	-2.3%	25,750	20,000	24,700	20,000
Panamax4TC Feb 22	18000	20700	-13.0%	22,250	16,500	25,250	16,500
Panamax4TC Q2 22	23050	23650	-2.5%	23,250	19,000	25,350	19,000
Supramax10TC Feb 22	19500	20750	-6.0%	21,500	17,500	23,600	17,500
Supramax10TC Q2 22	22250	23000	-3.3%	23,250	19,900	24,150	19,900

Data Source: FIS Live, Baltic Exchange

Dry Bulk Trades/Iron Ore

Iron ore prices continued its rally to \$138 as market sentiment was boosted by the recent expanded fiscal policy from China. Last Thursday, China's central bank injected fresh liquidity into the market by cutting one year and five year lending rates again for corporations and households. On Monday Chinese news agency reported that this year's fixed asset investment in infrastructure and manufacturing are expected to rise 8% YoY as the main driver to stable economic growth. Apart from the special bond of 1.46 trillion yuan (\$230 billion) for 2022 launched late last year, further bonds for funding infrastructure will be discussed in mid-March. But some investors remained cautious about demand outlook during Chinese New Year holiday and the production curbs before the Winter Olympics. Last week, Tangshan as the biggest steel production hub ordered 16 furnaces to shut down operation during 30 Jan – 20 Feb and 3 March- 13 March, and all the blast furnaces in the city must lower their capacity utilization rate from 78% to 63% over the same period. Mysteel estimated the restrictions would take out 60,000 tons of daily production. On Monday further operational restrictions were issued in Hebei and other provinces surrounding Beijing. On the supply side, despite the disruption from poor weather conditions and covid, Australian exporters expected to ramp up production this year. BHP said their iron ore production was on track to achieve 249-259 million tonne target for fiscal year ending in June 2022. Rio Tinto on 18 Jan forecasted their iron ore shipments in 2022 would rise from 321.6 million tonnes last year to 320-335 million tonnes. Overall, optimistic sentiment that more supportive policies rolling out from China's central bank outweighed the concerns of existing and potential production curb before Winter Olympic. As Chinese New Year approaches, buying interests from physical players cooled down with both seaborne and portside prices dipping on Monday. According to trade sources, rising coke prices has hurt steel margins resulting in better demand for lower grade iron ores.

Iron ore exports saw a significant rebound last week from Brazil, with 3.5 million tonnes of iron ore shipped to China. From the seasonality chart below, it shows last week's Brazil shipments returned to the lower end of five year average range. Similarly, with iron ore prices at a 5 month high, Australian shipments increased another 11% to just below 16 million tonnes, marking a record high weekly volume.

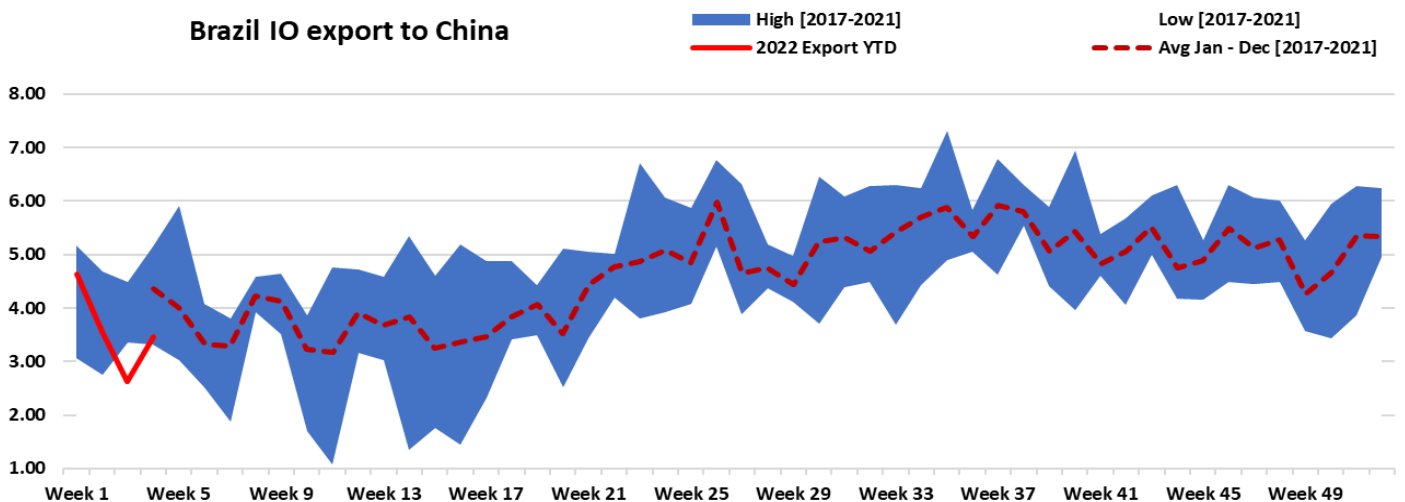
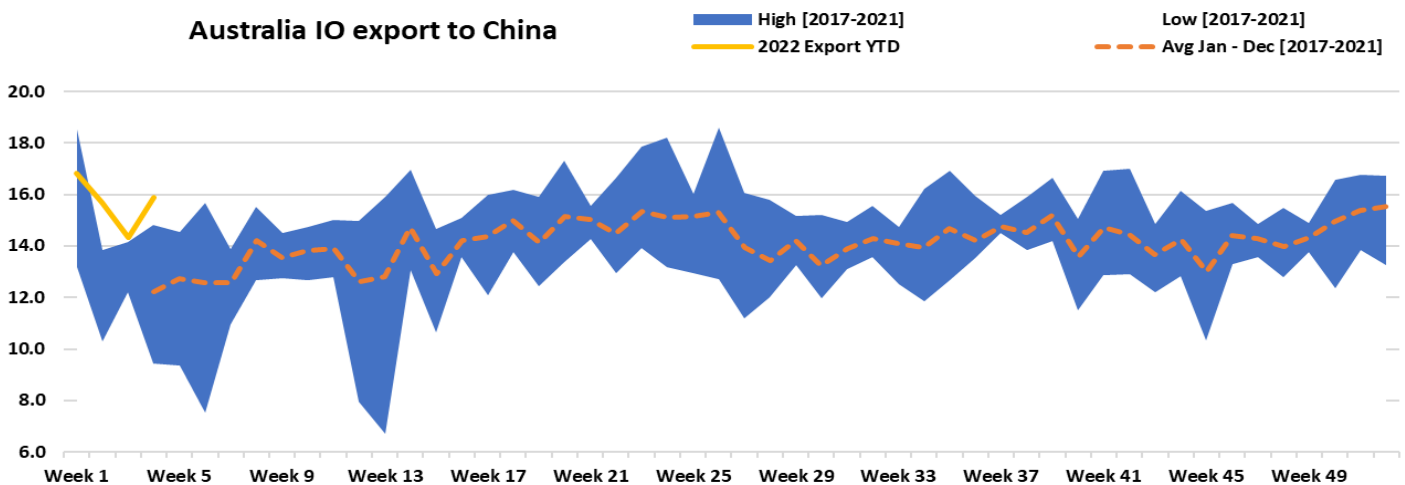
Dry Bulk Trades/Iron Ore

Export (million)	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	15.9	14.3	11.0%	7.34	8.32	-11.8%
Brazil-China	3.5	2.6	31.3%	18.22	20.66	-11.8%

Seasonality Charts



Data Source: IHS Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

The Indonesian government allowed 139 miners that have fulfilled 100% Domestic Market Obligation to resume coal exports on last Thursday, which represented a 4.6 million tonnage according to IHS's calculation, while the remaining 474 miners were still under ban till end of January. As the seasonality chart shows below, Indonesian exports have picked up from previous week low, but are still far off from usual volumes. The shortage in spot markets led to a surge in global coal prices, with Australia coal prices continuing to make new highs amid ongoing supply tightness and labour shortages. Meanwhile, BHP lowered its 2021-22 met coal production estimated to 68 -72 million tonnes from the previous mid-high of 70 million tonne mark, after facing operational disruptions from heavy rains and omicron outbreaks. Similarly, TSI fob Australian hard coking coal on Monday \$444.50, up +\$34 w-o-w. US hard coking coal prices followed suit with high shipments reported last week, IHS Commodities at Sea Service data showered that over 1 million tonnes of coking coal among the total 1.7 million tonnes of coal shipments (+39% w-o-w) from US last week.

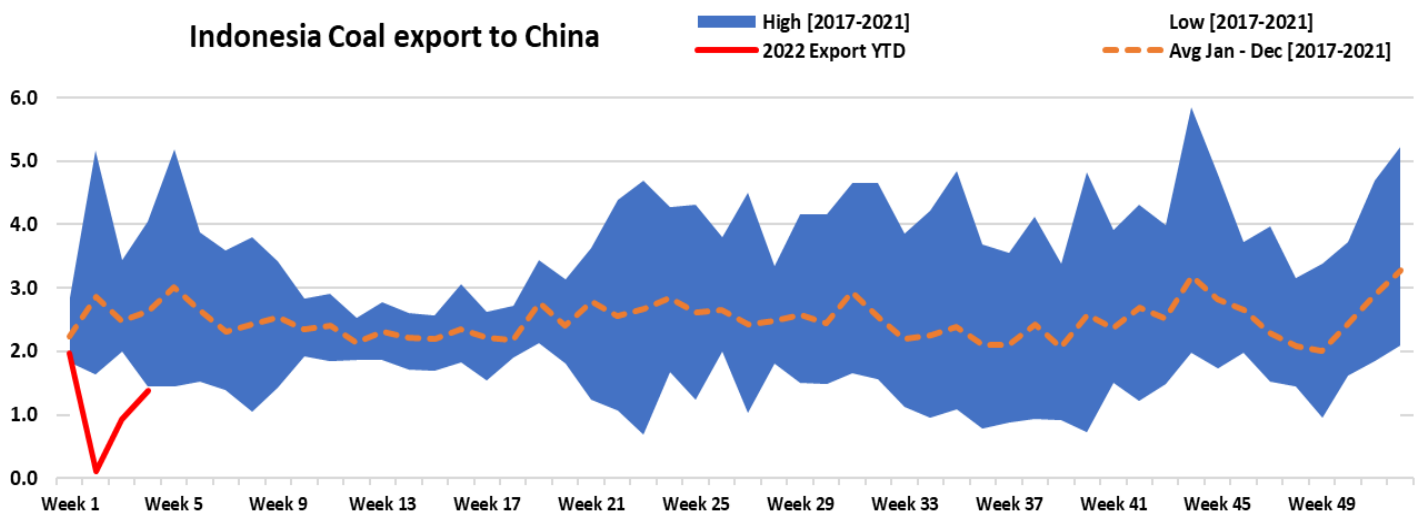
Dry Bulk Trades/Coal

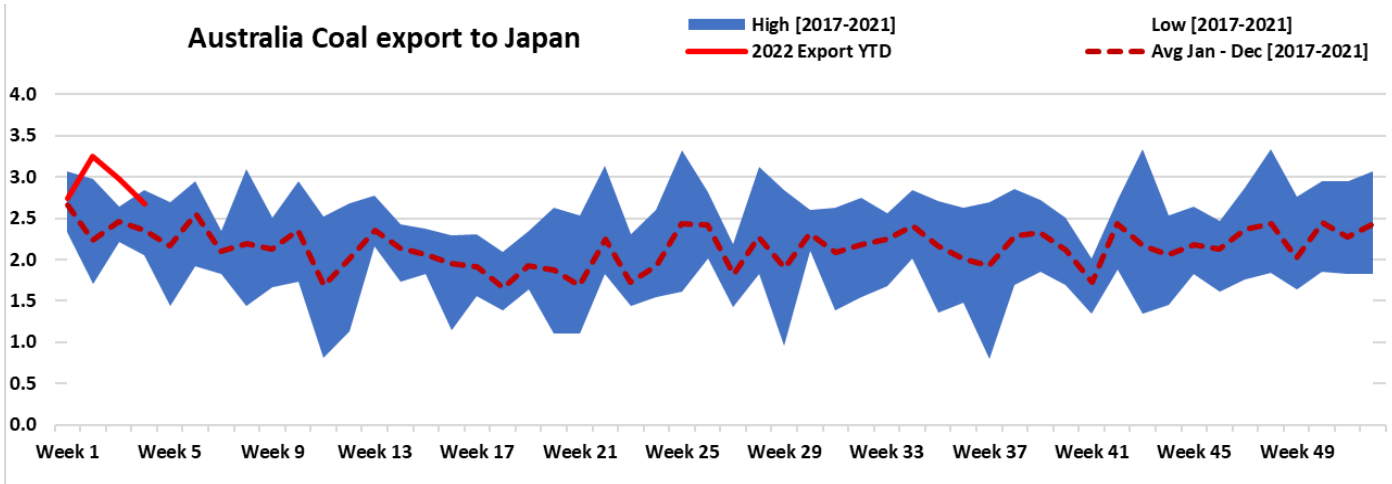
Export (million)	Dec-21	Nov-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Indonesia	34.9	33.5	106.9	110.0	102.5	102.2	421.6	379.4
Australia	30.6	28.3	90.3	96.3	92.3	86.6	365.5	380.9
Russia	14.0	12.3	40.3	44.0	44.4	43.5	172.2	173.6
USA	7.1	5.6	19.6	16.3	18.0	17.4	71.3	56.1
Colombia	5.6	5.2	16.0	15.5	14.6	15.5	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		
	Last Week	Prev. Week	Chg %
Indonesia-China	1.4	0.9	49.4%
Australia-Japan	2.7	3.0	-10.3%

Seasonality Charts





Data Source: IHS Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

Agri shipments remained flat compared with last week, although the market expects potential buying interests from China ahead of the Lunar New Year, with fresh enquires heard from Brazil and the US. Soybean futures remained firm on the back of reduced Brazilian production, with farmers holding off selling until more of the harvest is completed. Market sources reported growing vessel lists waiting at Brazil ports caused by the late harvest. In addition, Other top Agri exporter Ukraine which represented over 8% of the global exports in 2021, expected to increase 20% of its corn exports in 2022 according to IHS Commodities at Sea Service. Although shipment forecasts from Russia in Q1-22 reduced nearly 4% compared with Q4 to 7.2 million tonnes due to a low harvest, total shipments from Black Sea regions for Jan and Q1-22 were still up and forecasted at 9.8 million tonnes and 28.6 million tonnes (+34% YoY) respectively. However, rising Russia-Ukraine tensions could disrupt grain shipments from the regions.

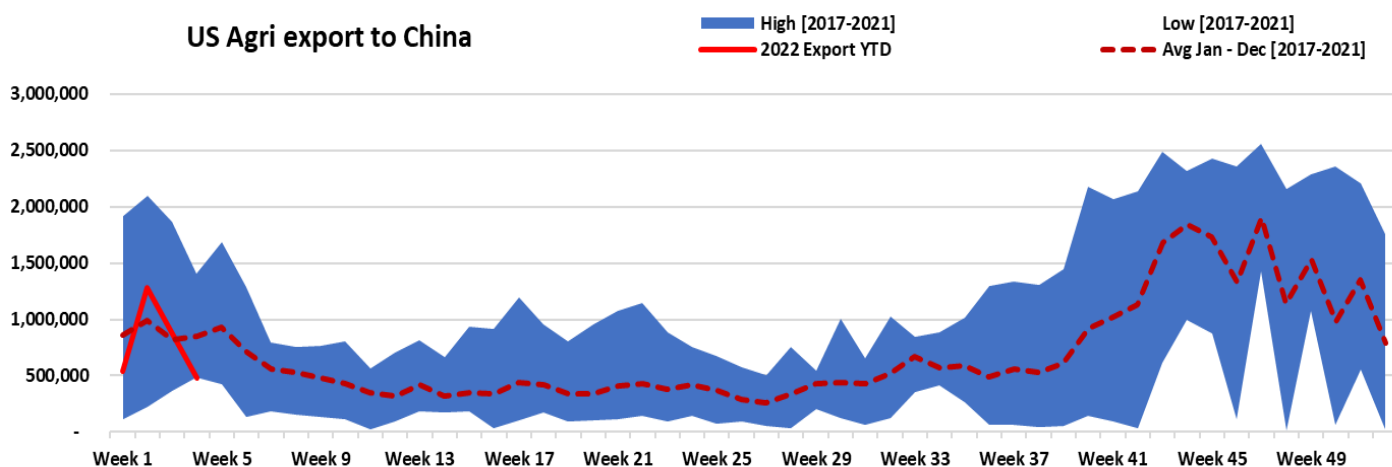
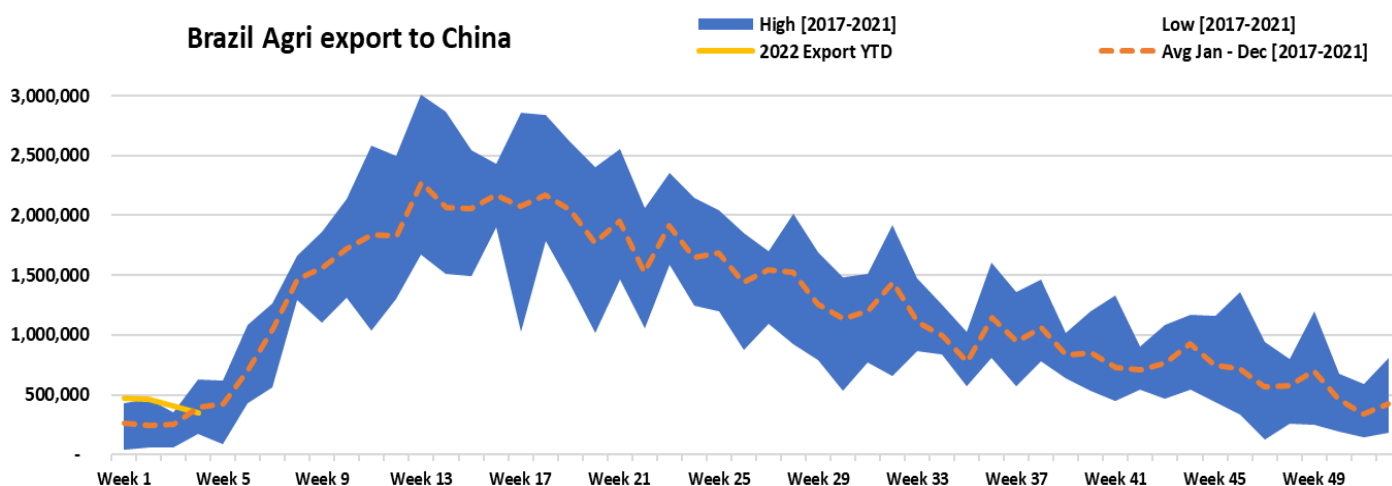
The seasonality chart below shows shipments from US to China dropped sharply to less than 490,000 tonnes, reaching the lowest level of seasonal average.

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		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Agri Export (thousands tonnes)						
Brazil-China	347.4	408.0	-14.9%	50.59	56.04	-9.7%
US-China	481.1	868.4	-44.6%	63.83	67.55	-5.5%

Seasonality Charts



Data Source: IHS Commodities at Sea Service, Bloomberg

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