FIS

Dry Freight Weekly Report

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

22/02/2022

Market Review:

The dry freight market held gains last week, with smaller size vessels leading and lending support to the bigger ships for a change. The Cape market saw strong shipments in the iron ore sectors, and brighter outlook awaits with the hope of an uptick in demand from China in the following weeks. Panamaxes were supported by coal and grain demand, although political tensions are lingering in the background. Healthy demand for minor bulks continued to keep Supramaxes comfortably at the current levels. As mentioned previously, dry bulk commodity prices carried on their bumpy ride and the bunker market's volatility persisted, all likely to increase volatility in freight rates .

Freight Rate $/day	21-Feb	14-Feb	Changes %	Short Term	Sentiment
Capesize 5TC	15,331	14,888	3.0%	Bullish	↑
Panamax 4TC	20,633	20,427	1.0%	Neutral	-
Supramax 10TC	25,758	24,508	5.1%	Bullish	↑
Handy 7TC	23,504	21,568	9.0%	Bullish	↑

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	202	+10	136 (+60)	48 (-6)	12 (-1)		
Panamax	363	+67		159 (+32)		107 (+15)	57 (+11)
Supramax	455	-37		95 (+15)		67 (-18)	275 (-28)

Capesize

Capes held marginal gains last week and opened in a positive note on Monday. The Cape market was jittery amid the plunge in iron ore markets last week, but better sentiment did return before the weekend. The key iron ore route West Australia to China fixed at $8.20 for laycan early March at the beginning of the week, then dipped to $7.50-8 in the mid of week, before rebounded above $8 on Friday. Port Hedland to Qingdao rumoured fixing at better rate round $9 on Monday. Refreshed cargoes from South Korea and Japan also provided some support for Cape rates. In the Atlantic region, strong demand from West Africa continued to take some ballasters out of the market, rates were improved with reported fixtures including Freetown to Qingdao fixed at $22.50 for early to mid-March, trip with similar dates from Nouadhibou to Qingdao were heard at $22. Fronthaul trip from Seven Island to Oita for 9-18 March were heard at $30. While iron ore cargos out of Brazil were less active with the absence of Vale and rates slipped throughout the week. Meanwhile, Indian coal imports increased strongly in its third consecutive week, last week 4.8 million tonnes of coal shipped to India from key suppliers Indonesia and Australia, up 14.4% w-o-w, according to IHS Markit Commodities at Sea Service. Capesize vessels were heard taking coal stems from Teluk to Qingdao on early March at high rate around $6.30. In addition, with more Chinese steel mills resuming production post Winter Olympics, market participants were optimistic on iron ore demand. Furthermore, solid gains were observed in the paper market on Monday which strengthened confidence of ship owners, leading to limited offers heard on the physical side. Elsewhere, bunker prices slipped a touch but were still at highs with Sing 380 and 0.5% fuel oil assessed at $507 and $706 respectively on Monday.

Capesize 5TC Trading Range

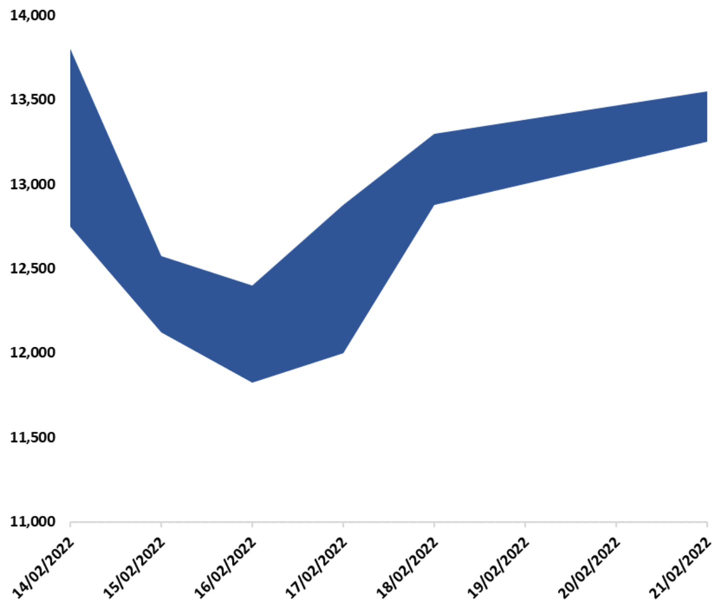


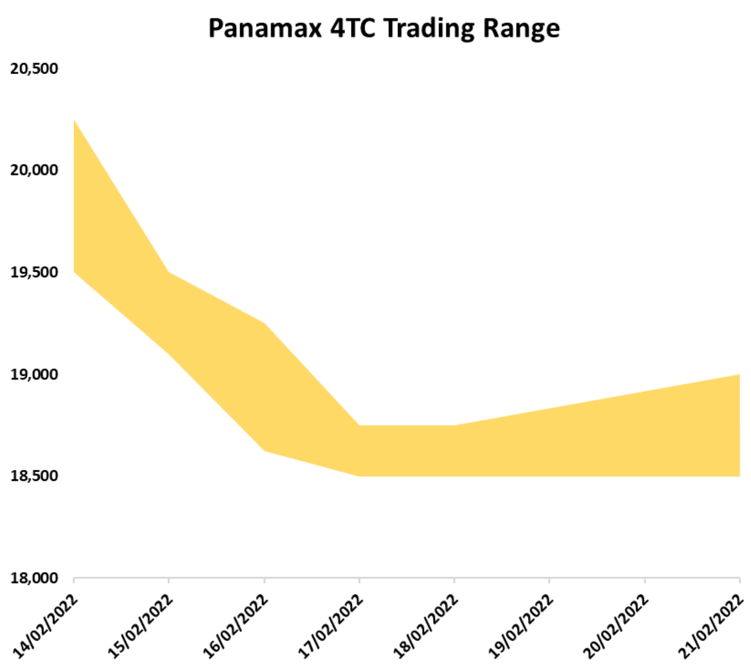
Chart source: FIS Live

In the derivatives last week, prices initially came under pressure, albeit in fairly thin volume. The very prompt focused slide caused Q234 to gap downwards to 28000 before finding some support there while cal23 transacted 20500. Rates did rebound on Q234 to 28500 on Monday afternoon but ultimately paper remained rangebound. It remained unclear whether the big ships were feeling the pressure from the broader sell-off across other markets due to ongoing concerns in Ukraine or part of a more sustained correction. Derivatives were jittery Tuesday as iron ore opened limit down, once again it was the balance of year contracts that came under the hammer. Feb traded to a low of 12000, March to 17500 while Q234 was sold down to 27000. Rates rebounded a touch as the day progressed, but liquidity was thin in the afternoon session with most traders content to see how the week went before taking on too much risk. Thursday prompt paper came under significant pressure from the outset as rumours C3 was fixing sub 22.00 and C5 had fixed 7.50 circulated. As a result the indices were significantly discounted, notably the Pac r/v was marked down 30% while the 5TC index came off nearly 14%. The afternoon session saw some support appear, particularly on Q34 which propped up the March & April contracts, leaving the offer side thin as the day drew to a close. The end of the week saw the market following up a rapid rise in Atlantic physical, before ending to week on a more muted note with small rises in prompt periods.

Short run bullish

Panamax

Activities from both basins remained very active last week with rates staying within steady ranges, but Panamax was found to be a bit exhausted from its bullish run and sentiment turned mixed, and as a result the week ended in small gains. Fixtures wise, EC South America to South East Asia in mid Feb were fixed between $20,000-23,000, while talks of EC South America redelivery Singapore-Japan at $19,000 and then lifted to $21,000 later the week, and rumoured $26,000 were discussed, also trips via Black Sea to Singapore-Japan were fixed $32,750 then $37,000 for late Feb. Increasing activities were noted in Asia market which well supported the cargo lists, however rates were uneven, fixtures for North Pacific round voyage were reported from low $19,000 ranged up to $24,000 for 20-22 Feb. According to IHS Markit Commodities at Sea Service, last week Indonesian coal shipments increased 18.6% w-o-w to the seasonal levels of 8.2 million tonnes, whilst Australia coal shipments fell from previous week but still at healthy level. However, the intense situation in the Black Sea region continues to add huge pressure to rates.



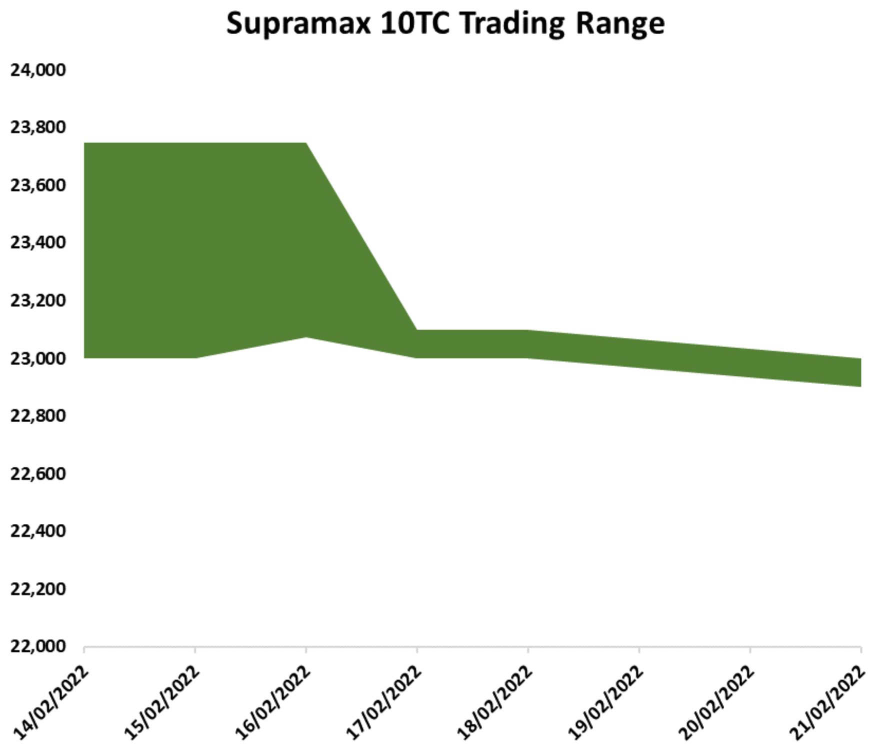
It was an active start to last week with sellers from the open chasing a thin bid side to start. Prompt was the main focus with March trading $24750 down to $24000 in good size and Q2 from $26500 to $25500, with some bid support after index. Tuesday was a jumpy morning trading eventually giving way to some better buying post index as the improved bullish Supramax paper triggered a raft of PMX/SMX spreads which coupled with some hedging saw rates chased higher in order to get coverage. Mar tested $25000 resistance while Q2 broke through $26000 resistance to print $26250 high, and Q3 and Q4 printed $24500 and $23000 highs respectively. Midweek was saw back and forth trading, before Cape sentiment allowed the market to find a floor with short covering and cross vessel spreading gave further support. Q2 pushed up to $24750 and $26500 highs respectively while Q34 traded up to $24000. Further out gains were moderate but still finished up. The week ended with a sporadic day of trading with periods of activity on a patchy Friday. March traded between $24750 and $25250, Q2 $26500 up to $27000 and Q3 up to $25500.

Short run neutral

Chart source: FIS Live

Supramax

Sentiment took a shift from positive to slightly negative for Supramaxes as limited enquires surfaced from key areas. On the Asia routes, Australia redelivery Singapore-Japan was fixed at $29,000 and Indonesia redelivery China fixed eased to $23,500. While Atlantic region looked balanced with rates remained stable in US Gulf and EC South America, key route included US Gulf to East Mediterranean at $23,500, Black Sea redeliver West Coast India were fixed at $45,000 and Algeria to India were heard at $35,000. Market participants are watching closely at the Black Sea wheat and corn supply as tension accelerated.



It was a quiet start last week for Supramax paper with rates drifting across the curve, following the larger sizes and chasing a thin offer side. March and Q2 slipped to respective lows of $27750 and $27600. Q4 gapped down to $23850. Losses were more limited on the deferred periods, with Cal23 printing $17250. Further into the week the market came under pressure. Some strong buying interest from Europe Wednesday afternoon pushed rates back up, before rates pushed Thursday across the curve following the larger sizes and chasing a thin offer. March and April pushed to respective highs of $28500 and $29500. Q2 and Q3 pushed to highs of $28250 and $26250. The deferred ticked up with Cal23 reaching $17600. Then it was a quiet end to the week, with rangebound prompt rates and the quarters ticking up slightly. Q23 pushed to $27600 high. The deferred softened with Cal23 trading down to $17550, closing supported across the curve.

Short run bullish

FFA Market

FFAs had a busy week with decent trading volume of over 55,000 lots posted on exchanges, with increasing activities saw in options of over 9,800 lots traded. Particularly for Capes and Panamaxes futures, traded respectively around 3,250 lots and 3,770 lots per day last week, Supramaxes followed right behind with 1,660 lots traded per day last week. In terms of open Interest, on 21 Feb Cape5TC 163,893 (+6,483 w-o-w), Panamax4TC 230,286 (+4,851 w-o-w), Supramax 10TC 85,894(+1,373 w-o-w).

Chart sources: FIS Live

FFA Market Indexes

Freight Rate $/day	21-Feb	14-Feb	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	15,331	14,888	3.0%	12,713	13,070	18,025	16,529	15,129
Panamax4TC	20,633	20,427	1.0%	19,015	8,587	11,112	11,654	9,766
Supramax10TC	25,758	24,508	5.1%	21,000	8,189	9,948	11,487	9,345
Handy7TC	23,504	21,568	9.0%	20,775	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA $/day	21-Feb FIS Closing	14-Feb FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Mar 22	20000	19125	4.6%	20,750	16,500	23,750	14,750
Capesize5TC Q2 22	28375	26250	8.1%	30,725	24,500	28,950	20,000
Panamax4TC Mar 22	25425	24000	5.9%	26,150	21,750	27,000	19,000
Panamax4TC Q2 22	27875	25825	7.9%	28,350	24,150	28,000	19,000
Supramax10TC Mar 22	29000	27975	3.7%	29,250	27,100	29,250	19,500
Supramax10TC Q2 22	28625	27325	4.8%	29,000	20,450	26,000	19,900

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

March Futures - The futures traded below the USD 18,800 support last week resulting in the Price trading to a low of USD 16,500, keeping the technical above key support, however the deep pullback meant the technical had a neutral bias. Having held support the futures have broken near-term resistance levels, upside moves that fail at or below USD 21,382 remain vulnerable to further tests to the downside, above this level the futures will target the USD 23,750 high. The daily RSI is now above 50 with the stochastic in oversold territory, momentum is warning the futures are vulnerable to a test to the upside, providing the RSI holds above the 50 level. The technical is bullish, there are concerns over the depth of the pullback that has created the wave overlap below USD 20,250 leaving the futures vulnerable to a test to the downside, making USD 21,382 the key resistance for market buyers.

Panamax

March Futures - We noted last week that the futures had produced a 3-wave pattern lower which is often associated with bullish moves, we also highlighted a bullish Elliott wave. The downside moves held above key support alongside trend support resulting in the futures moving higher. The upside moves above USD 25,727 today would suggest that the USD 26,875 high could be broken, if it is we have a potential upside target at USD 29,834 level using the Bill Williams approach. The technical is bullish supported by the RSI above 50, however if the futures do make a new high it is worth noting that Elliott cycle will have achieved the minimum requirement for phase/cycle completion whilst the RSI will create a negative divergence with price. The technical is currently bullish, the question is what the ever-changing geopolitical landscape will have on the black sea?

Supramax

March futures - As noted last week the futures had warned that we could be about to enter a corrective phase with downside moves considered as countertrend. The futures consolidated (producing a very small pullback) with price trading to a high of USD 29,250, suggesting we are about to confirm a bullish Elliot wave-5 with a potential upside target as high as USD 34,587. However, like the Panamax, upside moves that trade above USD 29,500 will create a negative divergence with the RSI, not a sell signal it does warn of the potential for momentum slow down. If a new high is achieved, then key fractal resistance will rise to USD 27,050. Technically bullish supported by the Elliott wave cycle, any divergence on a new high will need to be monitored.

Dry Bulk Trades/Iron Ore

Iron ore went through one of its toughest weeks and losing nearly 12% of its value last week, with prices swing nearly $5 in a day. Iron ore prices battled between price controls from the Chinese market regulator and positive outlook in steel productions. On the industry side, blast furnace operation rate among 247 Chinese steel mills was recovering 1.39% to 69.58% due to more mills resumed operation post-holiday, as stated in Mysteel's industry survey. Furthermore, market sources said that steel inventories at the mills showed signs of decline as mills started to fulfil previous orders that was made before holiday and steel products were on delivery to traders. Market sources also reported that some mills in Hebei have returned to operation from Sunday when the Winter Olympics drew to a close, and around 12 blast furnaces will resume output from next week in other cities. The control measures previously imposed for reducing pollution during the Olympics were set to ease from Monday. Elsewhere steel output has already improved the past two weeks after Chinese New Year. On the other hand, the question of how long the price investigation would last remains unclear for investors. High volatility are likely to persist in iron ore.

According to IHS Markit Commodities at Sea Service, iron ore shipment last week from Australia were significantly up 29.8% to 18.3 million tonnes from the previously week, with its shipment to China stood at 14.9 million tonnes a week. While out of Brazil, shipments were modest with increased volume to China, but total exports down 8% w-o-w to 4.7 million tonnes. From the seasonality chart below, Australia weekly shipments crossed the average mark and toward the higher end of the 5 year range.

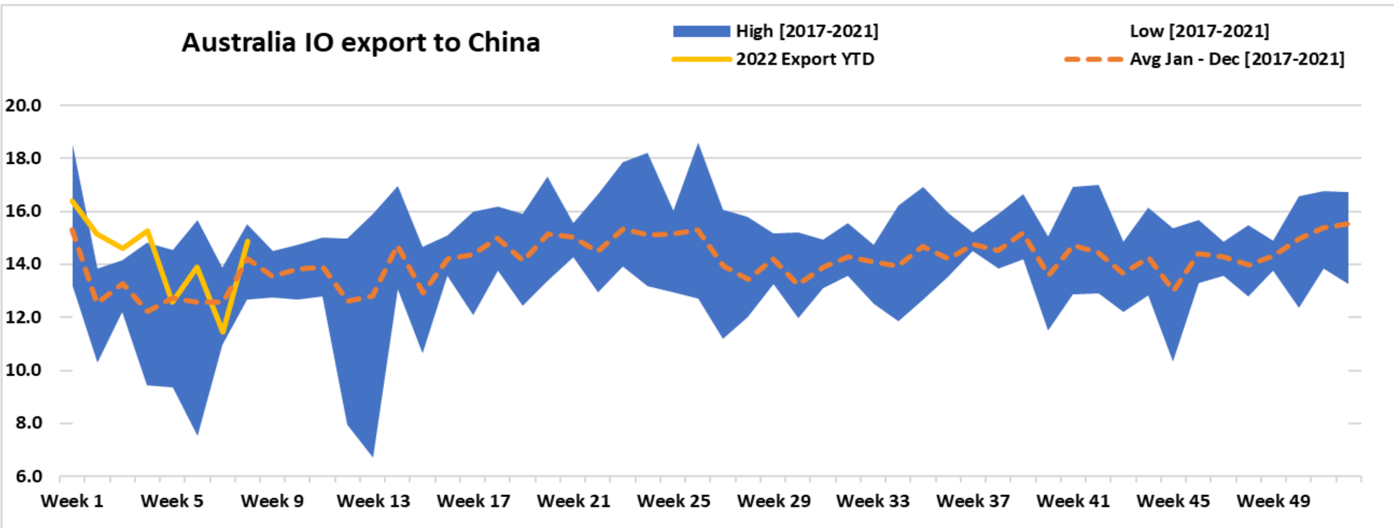
Dry Bulk Trades/Iron Ore

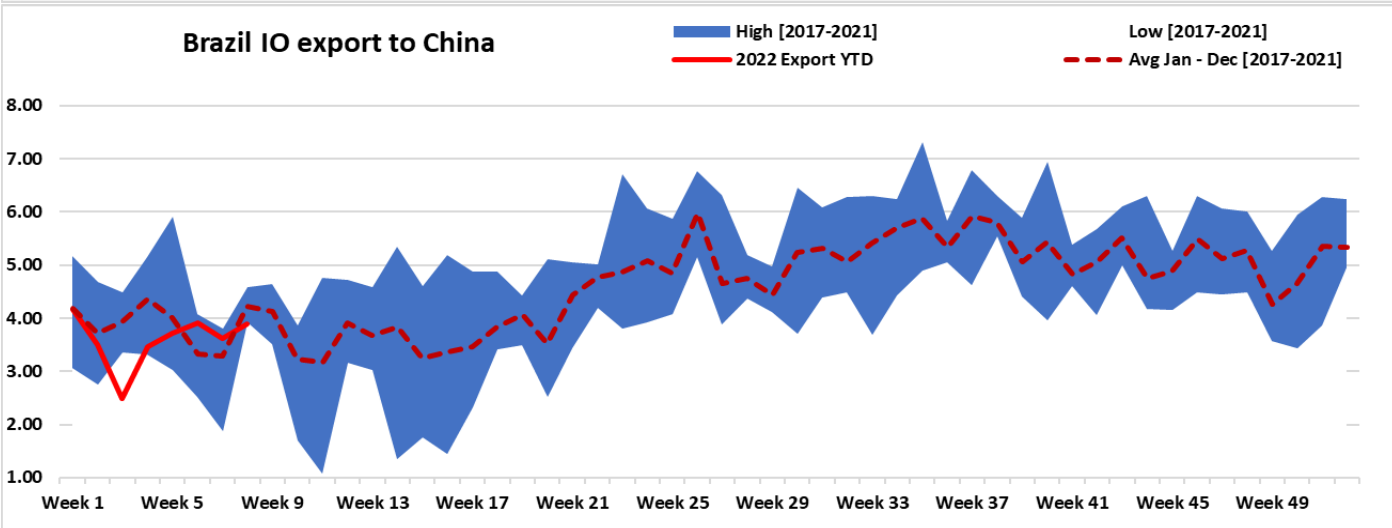
Export (million tonnes)	Jan-22	Dec-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Australia	78.0	84.8	236.4	233.9	235.2	217.4	922.9	930.2
Brazil	24.1	30.1	90.8	97.6	84.9	76.5	349.8	337.7
South Africa	4.8	5.7	15.0	15.1	13.9	13.7	57.7	55.6
India	2.2	0.9	2.4	5.3	14.4	17.3	39.4	55.5
Canada	3.7	4.5	15.0	18.1	11.3	13.1	57.5	58.5
Others	15.3	18.2	48.5	41.5	45.6	39.7	175.3	82.4
Global	**128.0**	**144.2**	**408.2**	**411.5**	**405.2**	**377.7**	**1602.6**	**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	14.9	11.4	30.0%	7.98	7.92	0.8%
Brazil-China	3.9	3.6	7.2%	22.01	22.15	-0.6%

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Seaborne coal prices edged down last week over limited buying interest. However, market expected an uptick in near terms as steel production improved as pollution curbs eased in Northern regions in China, driving up demand for raw materials. Domestic coking coal price continued to drop from its price adjustment which put downward pressures on the seaborne prices, as well as created a competitive arbitrage in international market. In addition, according to National Development and Reform Commission on Monday, China's daily coal output has returned above 12m tons level since the nation pledged to secure its energy supply, while another three coal mines with production capacity of 19 million tonnes were approved.

As the seasonality chart shows below, Indonesian exports have returned to usual levels of 3 million tonnes of coal shipping to China, against a total 8.2 million tonnes of coal last week, both figures were higher than seasonal average. Whist decent volumes were reported from Australia last week with despite came off the peak but stayed above the 5 year average line.

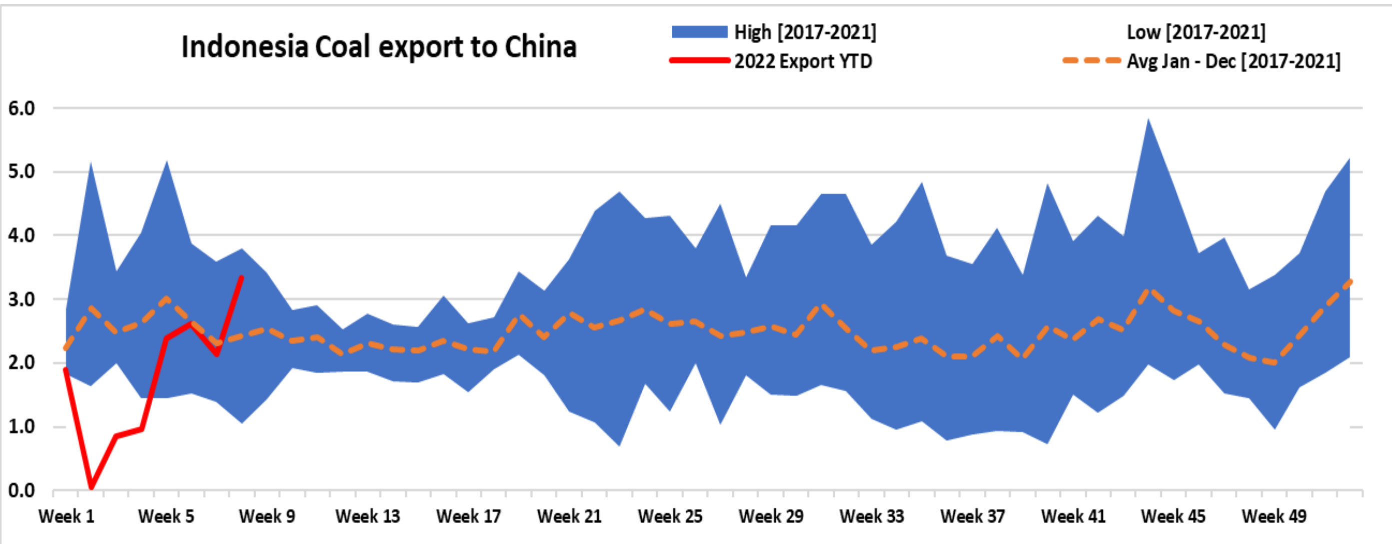
Dry Bulk Trades/Coal

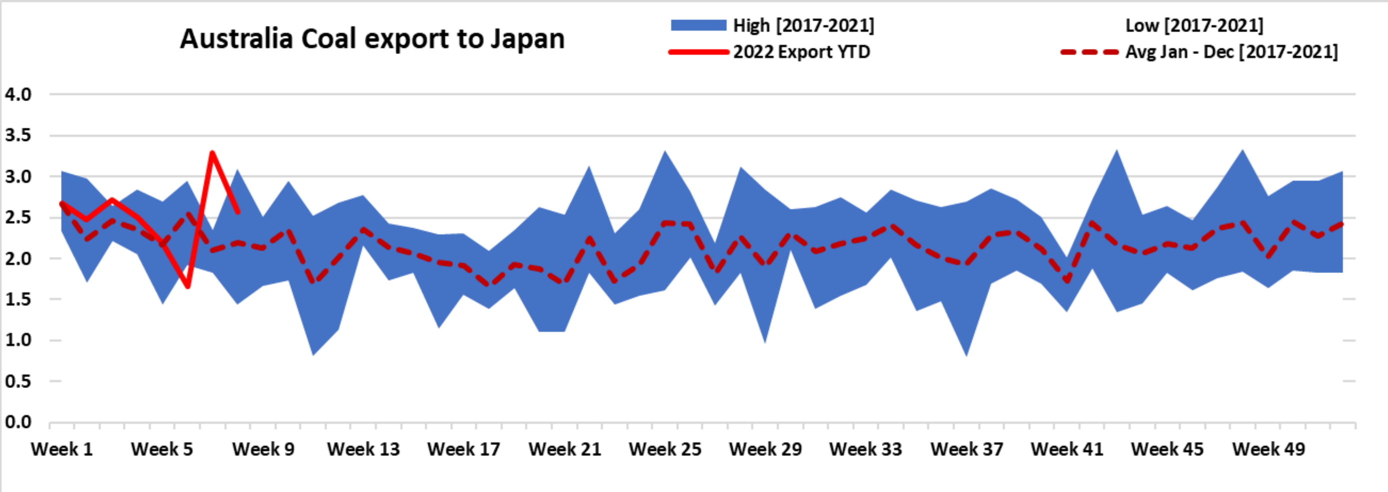
Export (million	Jan-22	Dec-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Indonesia	13.7	34.9	106.6	110.0	102.5	102.2	421.4	379.4
Australia	31.8	30.3	90.7	96.3	92.3	86.6	365.9	380.9
Russia	13.3	14.4	41.1	44.0	44.4	43.5	173.0	173.6
USA	6.3	5.9	18.2	16.3	18.0	17.4	69.9	56.1
Colombia	5.8	5.6	15.8	15.5	14.6	15.5	61.4	59.9
South Africa	4.5	5.3	16.8	14.0	15.3	14.7	60.8	74.2
Others	7.0	7.4	22.5	23.8	19.6	19.1	85.0	76.2
Global	**82.5**	**103.9**	**311.7**	**320.0**	**306.7**	**299.0**	**1237.4**	**1200.3**

Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	3.3	2.1	55.8%
Australia-Japan	2.6	3.3	-22.0%

Seasonality Charts





Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

Soybean prices traded higher last week as concerns about Brazil and Argentina crop shortfall. On the other hand, China's demand for soybean in second half of 2022 remained strong which may see a pick up in US soybeans. Farmers' sales in Brazil were reported to be low as soybean harvest and winter corn seeding taking the priority. Market source said that some Chinese soybean buyers had to walk away from the high Brazil soybean prices which lead to about 10 cargos were cancelled. The outlook for wheat and corn are rather uncertain, prices surged last week as market fear the grain shipments in Black Sea would be disrupted by the Russian aggression.

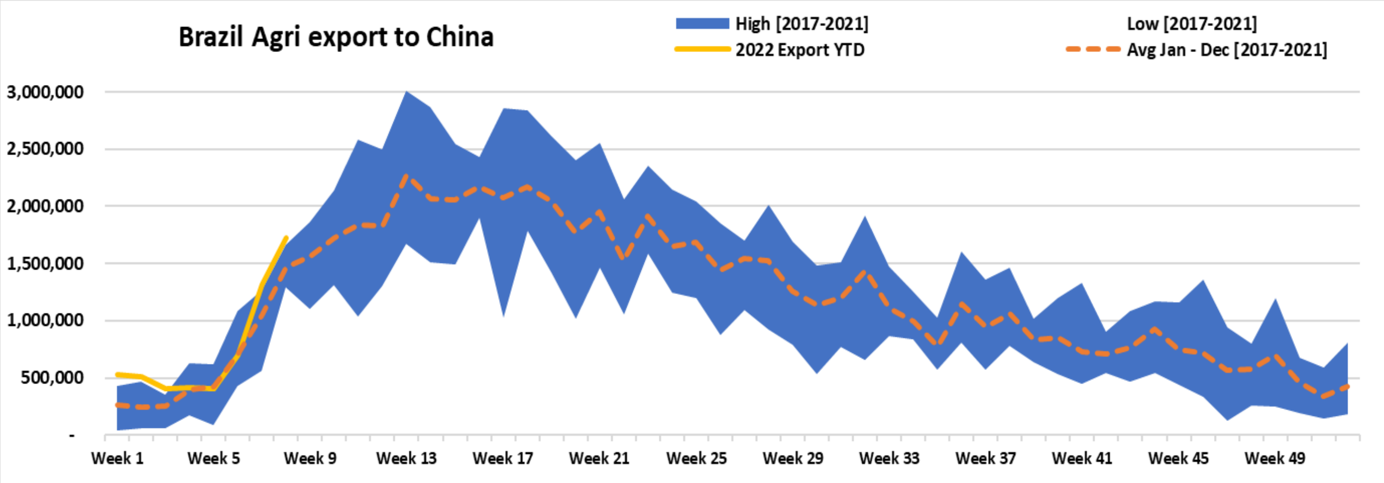
As the seasonality chart below shows shipments from US to China have returned to the seasonal average which were about 530-550 kt. While shipment of Brazil to China had another week of sharp increased and broken out of the higher end of 5-year average range.

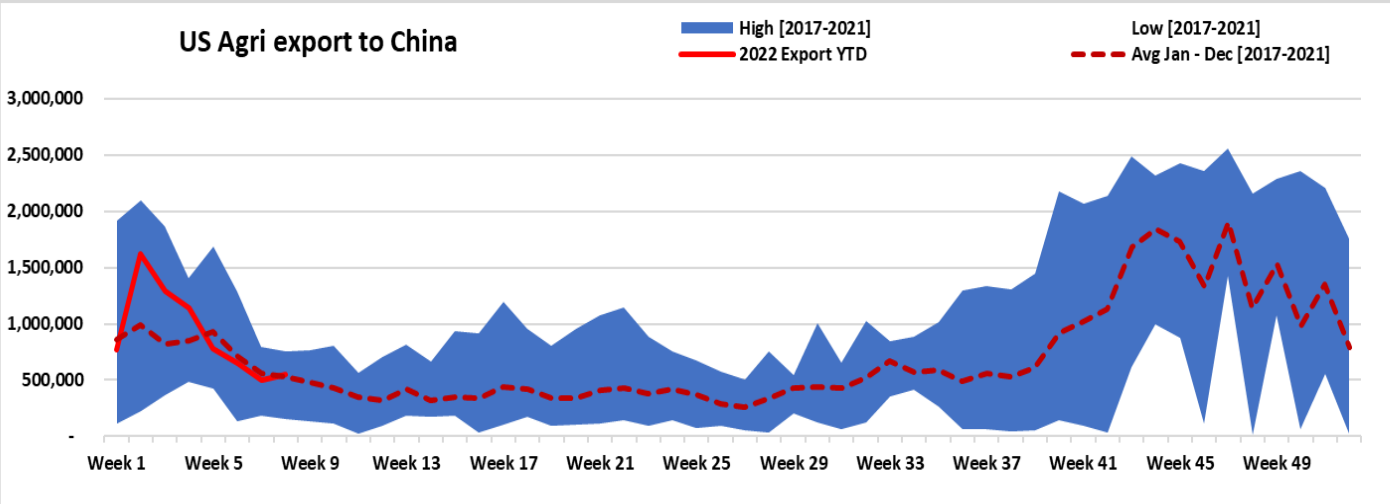
Export (million tonnes)	Jan-22	Dec-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Brazil	8.8	10.9	30.9	45.1	54.4	34.2	164.6	171.6
USA	13.2	13.0	42.0	20.7	32.1	44.0	138.8	140.5
Argentina	5.4	5.9	17.7	24.0	25.6	18.8	86.1	79.0
Ukraine	6.4	5.9	19.2	15.2	8.6	10.5	53.4	51.7
Canada	2.3	2.8	10.3	7.4	11.7	12.7	42.1	50.4
Russia	1.5	2.5	7.4	10.4	5.0	7.2	30.0	35.2
Australia	3.9	3.6	8.8	8.5	11.1	12.0	40.4	20.2
Others	6.2	5.8	21.7	22.6	16.4	20.4	81.1	68.7
Global	**47.7**	**50.3**	**158.1**	**154.0**	**164.8**	**159.7**	**636.6**	**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	1,724.8	1,315.5	31.1%	53.9	52.4	2.8%
US-China	548.7	504.1	8.8%	64.7	62.6	3.3%

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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

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

News@freightinvestor.com, +44 207 090 1120