FIS Dry Freight Weekly Report

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Market Review:

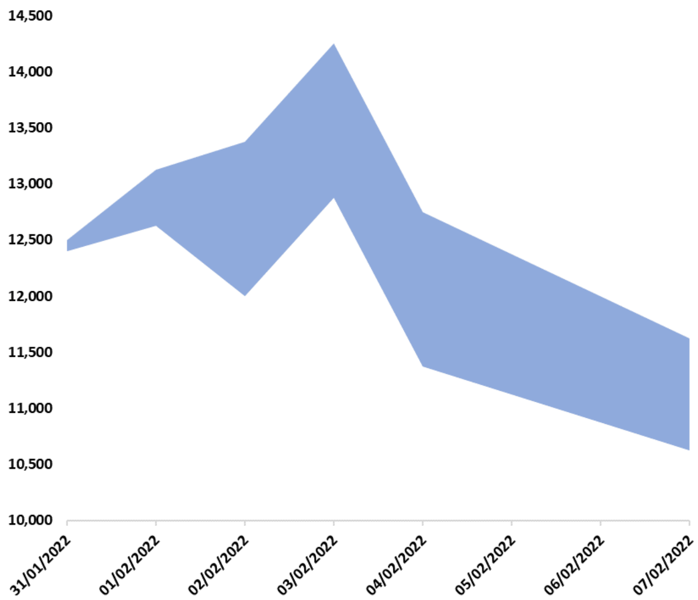
Baltic Dry Index recovered from its end of January losses to mark a new start post Chinese New Year. Among all vessel sizes, Capesize had the biggest gains last week and returned to $10,000, while Panamax and the smaller size vessels edged lower with Asian participants away for holiday. Rising commodity prices and bunker costs persisted, and port congestion in Chinese ports came back to an historical high level which could help prevent freight rates dropping lower, whether it's a brighter outlook in Spring remains to be seen.

Freight Rate $/day	4-Feb	28-Jan	Changes %	Short Term	Sentiment
Capesize 5TC	10,302	8,918	15.5%	Neutral	-
Panamax 4TC	14,829	15,221	-2.6%	Bullish	↑
Supramax 10TC	17,531	17,569	-0.2%	Bullish	↑
Handy 7TC	17,819	18,198	-2.1%	Neutral	-

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	215	+4	138 (-3)	53 (+1)	12 (+3)		
Panamax	325	0		167 (+28)		77 (-7)	55 (-6)
Supramax	449	-51		77 (+9)		62 (+2)	381 (+38)

Capesize

Capesize 5TC Trading Range

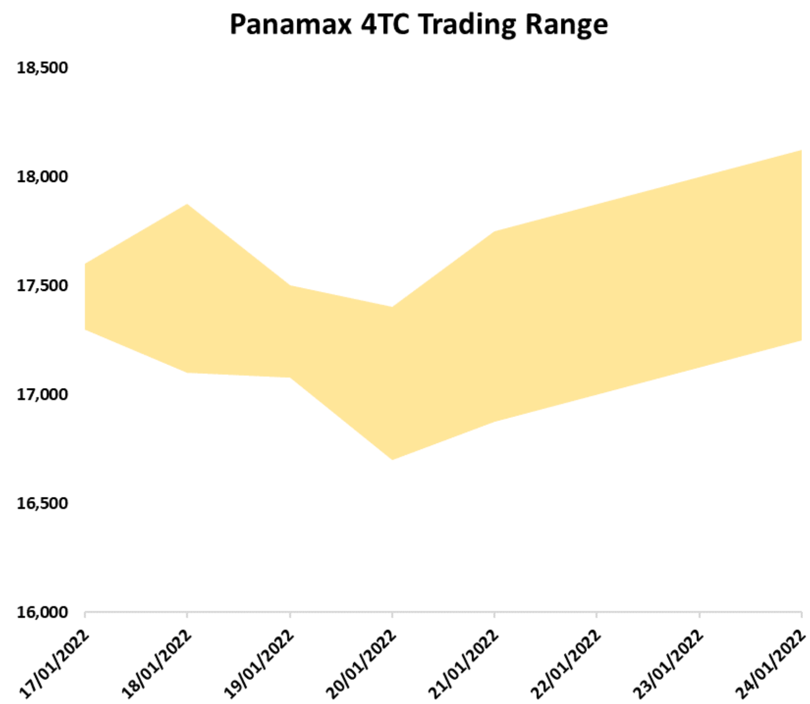


Last week Capes started on a quiet note with the absence of Asian players. Fixtures were initially heard with better rates under thin activity with the key iron ore routes West Australia to China, laycan Mid Feb fixing between $7.60-7.80, and Brazil to China early Feb loading date fixed around $21. As the week progressed and more participants returned from holiday, rates slipped with more transactions surfacing, West Australia to China routes again headed to the low $7 range – Port Hedland to Qingdao reported at $7.00, Dampier to Qingdao heard at $7.10 for 20-23 Feb. In the Atlantic, South African regions were comparably more active than Brazil, in terms of iron ore shipments, South Africa last week shipped around 1.2 million tonnes, or 12% more than the previous week with a 50% increase in China destinated cargo according to IHS Commodities at Sea Service. Out of Brazil, the C3 route (Tubarao to Qingdao) was reported at low $20s. Furthermore, bunker prices continued their sharp rise seeing Sing 380 and 0.5% fuel oil climb above $510 and $708 respectively, adding further woe for shippers, especially those using VLSFO. According to market sources, ship owners were reluctant to ballast, as the overall return would be dampened by the extra bunker costs. However, the surge in iron ore prices and Chinese government relaxation of emissions targets for its steel industry should lend good support for to Capesize freight rates in the coming quarters. In the derivatives market, it was slow moving and traded in narrow range, with Q2 onwards holding firmed above $24,500 due to the spreads with Panamax, whilst the prompt months contracts continued their losses, with the March contract down to 17,000 on Monday from $18,250 a week ago.

Chart source: FIS Live

Short run neutral

Panamax



The arrival of the new month also brought recovering coal shipments for Panamaxes. Indonesia's coal ban expired last Monday despite tighter local supply rules remaining in place. As a result, Indonesian coal exports last week totalled 8.1 million tonnes back a similar level to last year. For the grains, there were decent shipments out of Brazil, but lower volumes recorded in other regions, leading to only a 3% increase compared with the previous week. High congestion reappeared in EC South America which should support rates in the near term. In the Atlantic, fixtures of EC South America redelivery Singapore- Japan laycan date early Feb were fixed at $18,000, while talks of EC South America redelivery SE Asia around $19,000, US Gulf redelivery Egypt were heard at $17,500. At the latter part of the week, better rates were discussed for the fronthaul trip and more steam out from South America seemed to lift the sentiment: fixtures included EC South America redelivery Sing-Japan up from $20,000 to $21,500. In the Asian market movements were slower, a number of fixtures surfaced for coal shipments out from Indonesia and Australia but details yet to be confirmed. It was hearing Australia redelivery to India at $19,000 for mid Feb dates and Australia redelivery Japan were done at the same level before lowering to $17,000. With a better outlook in the physical and Capes lending support, Panamax futures saw buying interest across the curve and prices moved up in response. Active contracts first tested lower under thin liquidity during Lunar New Year, but this was soon reversed and saw Feb bounced from below $17,000 to $18,250, March and Q2 gained respectively $2250 and $1080 in a week to $24,000 and $25,200 on Monday. Further dated contracts Cal 23-24 also observed gains and fresh interests.

Short run bullish

Supramax

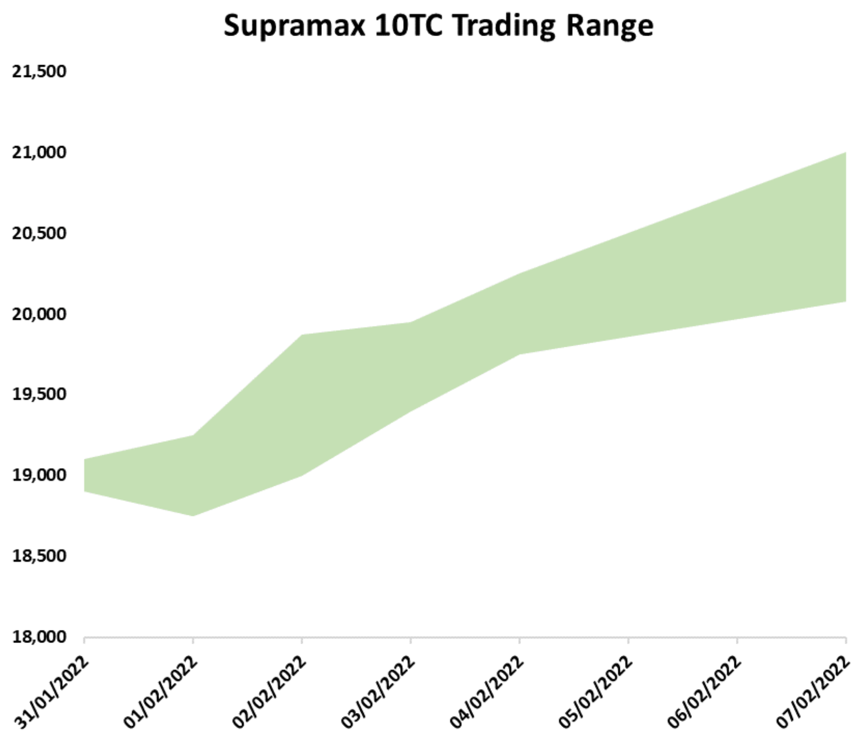


Chart source: FIS Live

Supramaxes remained supported as coal shipment from Indonesia remerged as well as fresh enquiries from the Atlantic. In addition, strong commodity prices continued to fuel an optimistic sentiment, with a little light at the end of the tunnel for post Winter Olympic trading opportunities. Elsewhere, congestion levels in ECSA remained severe and above the 5 year average level of around 50. According to IHS Commodities at Sea service 84 vessels were in anchored on 6th Feb.

In the paper market, prompt contracts were initially rangebound since buyers chased thin offers, then towards to the end of the last week rates pushed higher making decent gains crossed the curve, March and Q2 closed the week at high $25,500 (+2,000 w-o-w) and $25350 (+1,500 w-o-w).

Short run bullish

FFA Market

FFA trading activity last week was impacted by Asian holidays with lower volume posted on exchanges. On average, Cape and Panamax futures traded respectively around 2,495 lots and 3,260 lots per day last week, while positions were gradually opened on Panamax 5TC with decent contract lots saw on its options. Supramax were also less active during the holiday period with 1,395 lots traded per day last week. Open Interest declined since Jan drew to an end, on 7 Feb Cape5TC 149,804 (-4,998 w-o-w), Panamax4TC 216,748 (-6,712 w-o-w), Supramax 10TC 82,346 (-1,653 w-o-w).

Freight Rate $/day	4-Feb	28-Jan	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	10,302	8,918	15.5%	12,351	13,070	18,025	16,529	15,129
Panamax4TC	14,829	15,221	-2.6%	18,791	8,587	11,112	11,654	9,766
Supramax10TC	17,531	17,569	-0.2%	19,863	8,189	9,948	11,487	9,345
Handy7TC	17,819	18,198	-2.1%	20,494	8,003	9,288	8,700	7,636

FFA $/day	4-Feb FIS Closing	28-Jan FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Mar 22	17250	18750	-8.0%	20,250	17,000	20,250	14,750
Capesize5TC Q2 22	24250	24750	-2.0%	25,000	24,000	25,000	20,000
Panamax4TC Mar 22	23175	22850	1.4%	23,200	21,250	25,000	19,000
Panamax4TC Q2 22	24800	24750	0.2%	25,250	23,875	25,350	19,000
Supramax10TC Mar 22	25000	23000	8.7%	25,200	22,500	26,750	19,500
Supramax10TC Q2 22	25250	23750	6.3%	24,300	23,750	26,000	19,900

Data Source: FIS Live, Baltic Exchange

Freight Technical VIew

Capesize

March Futures - The roll from February to March resulted in the futures gapping higher, from a technical perspective the up-side move created by the roll means the technical is considered bullish, as the rolling front month contract traded above the USD 14,750 level. As noted on the morning technical reports, momentum had the potential to become vulnerable to a test to the downside as the faster moving stochastic entered overbought territory, whilst the RSI was around the 50 level. We have seen a technical pullback with the intraday technical currently considered bearish; However corrective moves lower that hold at or above the USD 13,320 level will support a bull argument, below this level the technical will have a neutral bias. The in-dex is around USD 1,000 above the 5-year seasonality value, however based on the same seasonality chart we could see price levelling out over the next 8 to 10 days. The futures are technically bullish but in a corrective phase, key support is at USD 13,320.

Panamax

March Futures - On the last report we had questions about the validity of the Elliott wave cycle due to the lifting of the export ban out of Indonesia. The futures have since rolled meaning the intraday technical is now considered bullish; However, although the RSI is above 50 on the daily chart, the intraday RSI is showing a negative divergence, warning we have the potential to see a technical pullback. Downside moves below USD 21,175 will break fractal support on the daily technical and be considered as bearish. With the futures in the March contract USD 8,171 above the index there is a disparity gap that needs to be closed, we have previously highlighted that the seasonality on the 5-year chart tends to turn at the end of January and this has been the case, as the index is moving higher. If the index fails to produce a strong consecutive upside move soon, then we could see a correction in the technical, if the seasonality chart follows the five-year average and moves around 55% to 56% higher between now and mid-March, then the futures are currently at fair value. It is important to note that the three- and five -years seasonality charts are skewed based on the index move in 2021 and this could give a false expectation of the next move. The technical looks like it could potentially enter a correctly phase soon, if the index moves higher as the technical pulls back then the disparity gap could narrow significantly and very quickly. Technically bullish and vulnerable to a pullback, market buyers will be looking for a technical pullback into a bullish index. Aggressive upside moves on the index will further support a bull argument.

Supramax

March Futures- we have a similar situation in the Supramax as that of the Panamax, having produced a bullish gap after the roll into the March contract has continued to move higher, unlike the Panamax the intraday technical does not have a negative divergence. We do however have the same issue regarding a disparity gap, which is at USD 8,144 above the index, meaning if the index doesn't move higher soon, we could see some form of technical pullback. The index has started to produce positive figures suggesting the seasonality chart is turning higher, meaning it is now all about the scale of the move, we could have a potentially similar situation to that of the Panamax where market buyers will be looking for a technical pullback into a rising index. Technically bullish, corrective moves lower that hold at or above USD 20,972 will support a bull argument, below this level the daily technical will have a neutral bias. Focus should now be on the disparity between the March contract and the index, as aggressive upside moves in index will support a bullish technical in the futures.

Dry Bulk Trades/Iron Ore

Iron ore prices moved closer to $150 despite thin liquidity during Lunar New Year. This week, the market opened with mixed signals as there were strong portside iron ore trading but seaborne cargo trading was lower. The game changer for this week was Ministry of Industry and Information Technology and Ministry of Ecology and Environment who jointly announced on Monday that China will move its peak emissions target from 2025 to 2030, giving its steel industry an extra five years of rising carbon emissions, which sent out a signal that the nation's emissions goal should not come at the expense of reducing industrial productivity. Prior to the announcement, market analysts forecasted a 3% increased of iron ore imports from China in 2022. Currently port inventories remained at historic high levels amid production curbs last year and pollution controls in preparation of Winter Olympic, with the market expecting iron ore demand to pick up strongly in Q2 and Q3 this year with less likely production restrictions as in 2021. Exports last week from Brazil were flat with the previously week at about 3.5 million tonnes of iron ore shipped to China. While out of Australia, shipments increased 10% w-o-w to 14 million tonnes. From the seasonality chart below, it shows both Brazil and Australia shipments crossed the average mark and aimed to the higher end of the 5 year range.

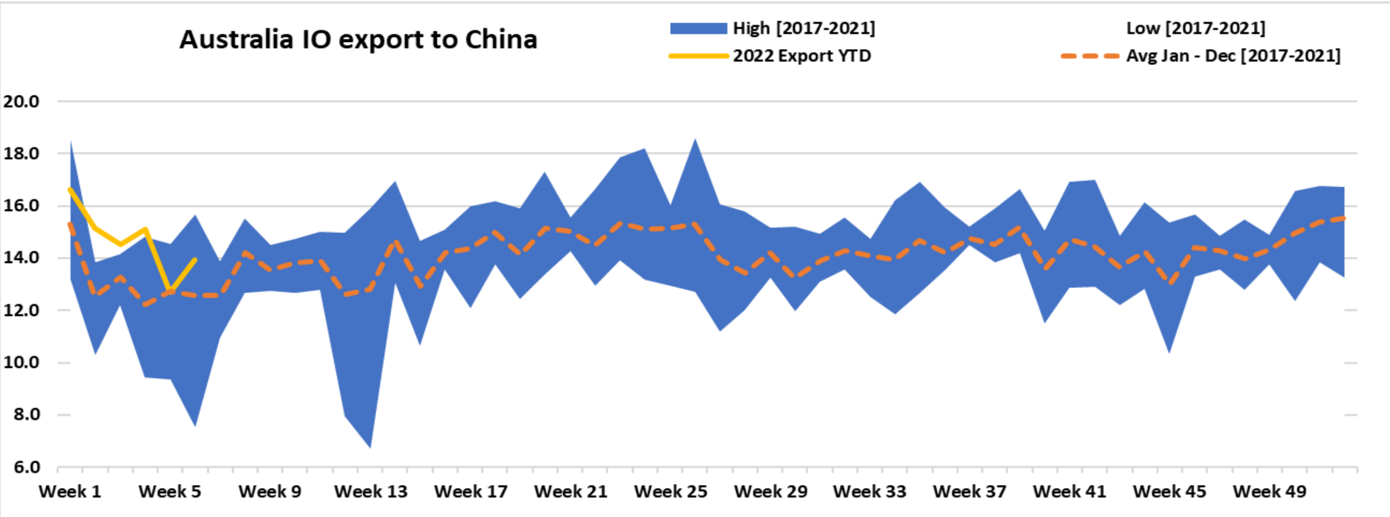
Dry Bulk Trades/Iron Ore

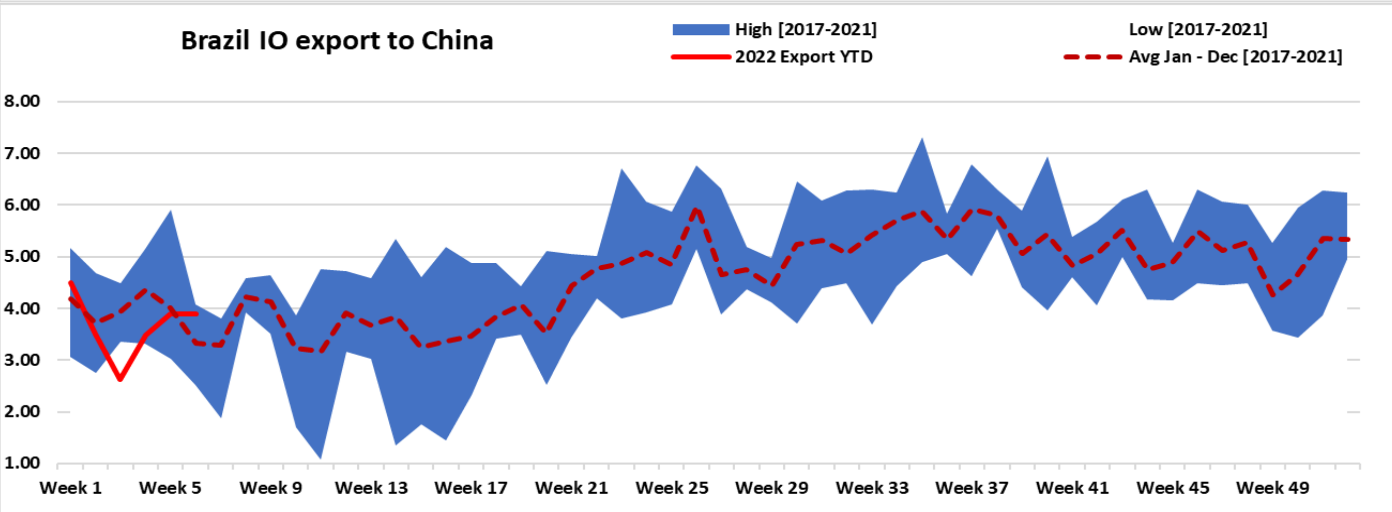
Export (million tonnes)	Jan-22	Dec-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Australia	78.0	84.8	236.4	233.9	235.2	217.4	922.9	930.2
Brazil	24.1	30.1	90.8	97.6	84.9	76.5	349.8	337.7
South Africa	4.8	5.7	15.0	15.1	13.9	13.7	57.7	55.6
India	2.2	0.9	2.4	5.3	14.4	17.3	39.4	55.5
Canada	3.7	4.5	15.0	18.1	11.3	13.1	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	14.0	12.7	10.1%	7.65	6.61	15.7%
Brazil-China	3.9	3.9	-0.02%	20.35	17.56	15.9%

Seasonality Charts





Data Source: IHS Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Seaborne coal prices remained steady under thin activity with holiday taken across Asia. With the covid related labour shortages in Australian coal supplies, other top exporters such as the US, Canada and Russia and Indonesia have taken the advantage to ship more coal to India and Japan. As the seasonality chart shows below, Indonesian exports have bottomed out and returned to usual levels of 3.3 million tonnes of coal shipping to China, whist lower volumes were reported from Australia last week. Elsewhere, IHS forecasted Colombia would increase its Q1 coal exports by 6% to 14.3 million tonnes and 5% YoY increase to 64.4 million tonnes for 2022 amid strong demand.

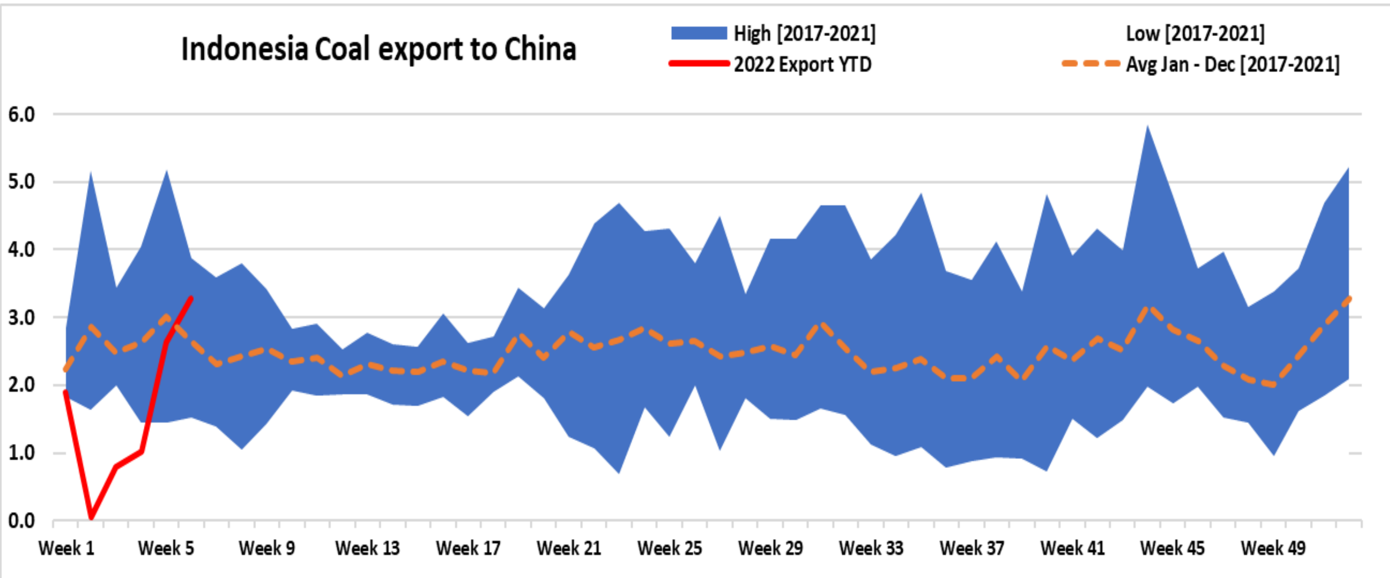
Dry Bulk Trades/Coal

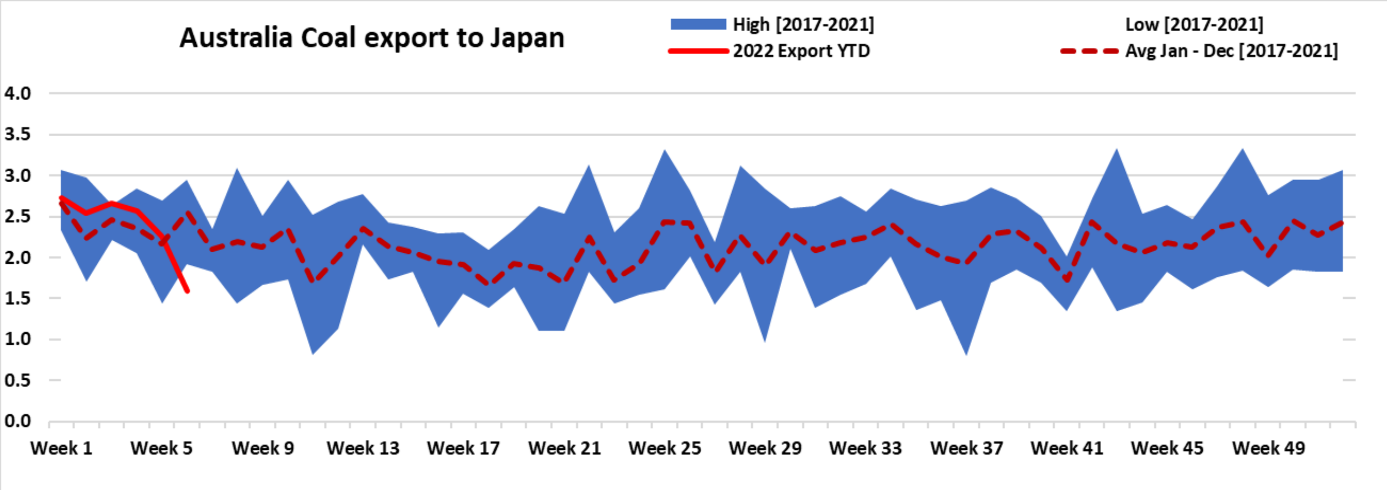
Export (million	**Jan-22**	**Dec-21**	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Indonesia	13.7	34.9	106.6	110.0	102.5	102.2	421.4	379.4
Australia	31.8	30.3	90.7	96.3	92.3	86.6	365.9	380.9
Russia	13.3	14.4	41.1	44.0	44.4	43.5	173.0	173.6
USA	6.3	5.9	18.2	16.3	18.0	17.4	69.9	56.1
Colombia	5.8	5.6	15.8	15.5	14.6	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	2.6	**24.2%**
Australia-Japan	1.6	2.3	**-29.5%**

Seasonality Charts





Data Source: IHS Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

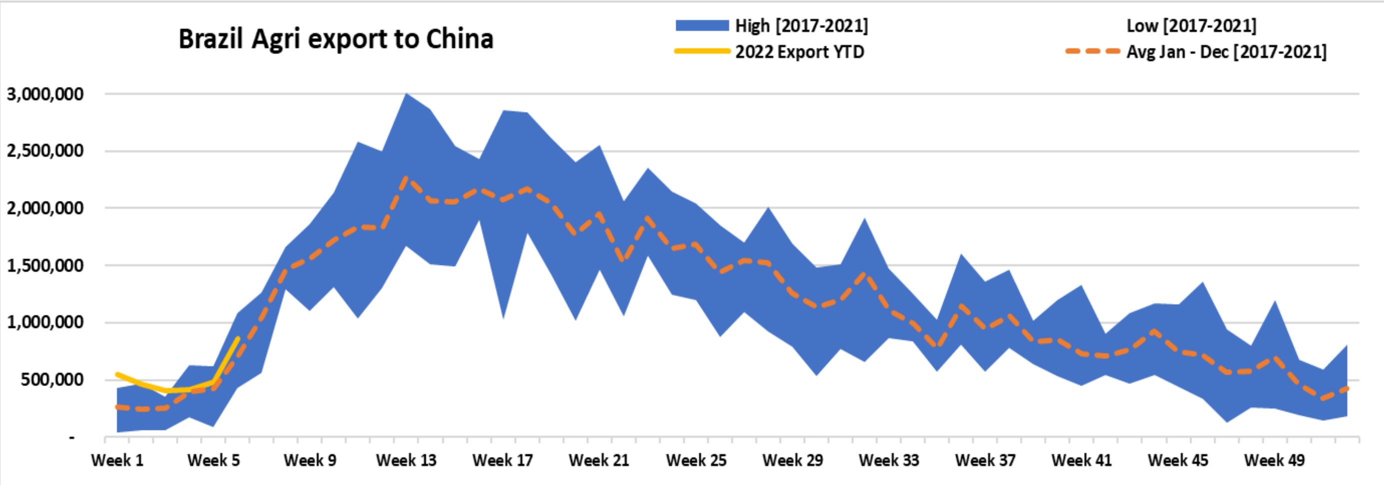
Brazil grains exports ended the January lowered than estimated. There is market concern about potential yields lost in Southern Brazil, Paraguay, Uruguay and Argentina due to the unfavourable weather, sending soybean prices surging to historical highs. With lower yields in Brazil, market expected to see improving demand in US. Meanwhile, Corn demand has faltered as China cancelled some U.S. cargoes which pushed soy active future contract to its largest premium over corn since 2014. As the seasonality chart below shows shipments from US to China continued dropping to less than 253,000 tonnes, reaching the lower end of seasonal average. While shipment of Brazil to China remaining slightly higher than the 5 year average .

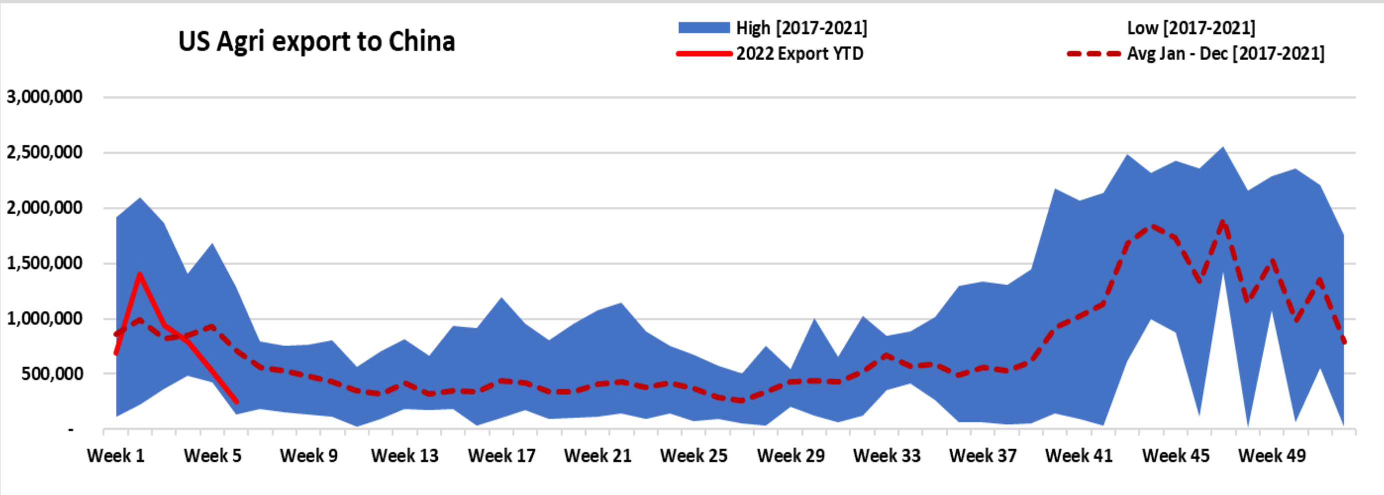
Export (million tonnes)	Jan-22	Dec-21	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Brazil	8.8	10.9	30.9	45.1	54.4	34.2	164.6	171.6
USA	13.2	13.0	42.0	20.7	32.1	44.0	138.8	140.5
Argentina	5.4	5.9	17.7	24.0	25.6	18.8	86.1	79.0
Ukraine	6.4	5.9	19.2	15.2	8.6	10.5	53.4	51.7
Canada	2.3	2.8	10.3	7.4	11.7	12.7	42.1	50.4
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	861.7	479.3	79.8%	47.74	48.09	-0.7%
US-China	252.9	531.1	-52.4%	58.88	60.86	-3.2%

Seasonality Charts





Data Source: IHS Commodities at Sea Service, Bloomberg

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