

FIS Dry Freight Weekly Report

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

01/03/2022

Market Review:

The dry freight market lost most of its gains from the first half of last week, Capes bore the brunt of the fall coming quickly off highs and posting a 12.5% weekly loss, while Panamaxes and smaller size vessels still maintained in a positive range. Stable Iron ore and coal demand would lend support to the bigger size ships, however market sentiment was cautious and turned bearish for the huge uncertainty developed in eastern Europe. With commodity prices spiking on the back of restricted supplies and global tension, high volatility in freight rates are likely to be repeated in the coming weeks.

Freight Rate \$/day	28-Feb	21-Feb	Changes %	Short Term	Sentiment
Capesize 5TC	13,414	15,331	-12.5%	Bullish	↑
Panamax 4TC	22,053	20,633	6.9%	Neutral	-
Supramax 10TC	26,711	25,758	3.7%	Bearish	↓
Handy 7TC	25,296	23,504	7.6%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	232	+31	139(+4)	71(+24)	13(+2)		
Panamax	358	-6		166(+6)		105(-9)	45(-7)
Supramax	477	+19		94(-2)		59(-15)	295(+26)

Capesize

Capes took a negative turn at the end of last week, despite strong fixtures reported in the seaborne market. The main activity came from the Pacific market due to robust demand, the key iron ore route West Australia to China fixed at \$9.30-9.40 for laycan mid-March at the beginning of the week, then jumped to \$10.30-40 towards the end of the week, before slipping below \$10 on Friday. Transpacific routes also witnessed significant gains during the week. In the Atlantic region, the market lacked fresh enquires and had limited transactions; moving iron ore from Tubarao to Qingdao were heard at \$23 for 20-28 March. Fronthaul trip with similar dates from Seven Island to Rotterdam were fixed at \$10.95. While iron ore cargos out of South Africa were scant; hearing Saldanha Bay to Qingdao with mid-end March dates were fixed at the lower end of \$17.

Fundamentally, not much has changed from last week with iron ore and coal demand remaining positive as construction projects are expected to pick up in warmer weather conditions. In addition, bunker prices hit record high levels with Sing 380 and 0.5% fuel oil assessed at \$526 and \$747 respectively on Friday, with shipowners not having much incentive to lower freight rates considering the rising bunker cost.

Capesize 5TC Trading Range

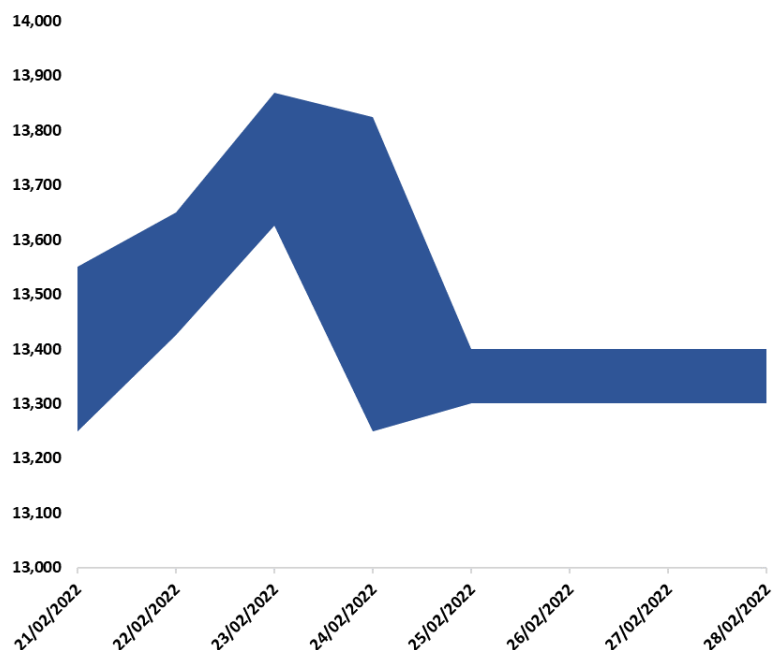


Chart source: FIS Live

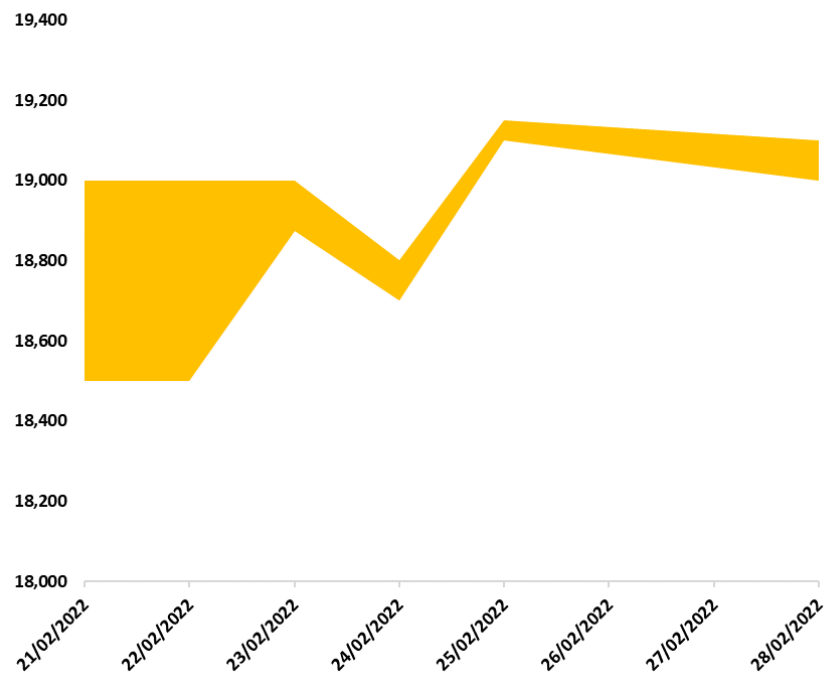
In the FFA market, Capes had a pretty solid start to the week with balance of year contracts seeing the sharpest gains but with considerable premiums already priced in the curve. With rumours of C5 fixing close to \$10.00 caused rates to push with March up to \$21,250, Q2 \$28,750 while Q3 topped out at \$33,250. Midweek continued the moved up despite news that CSN cancelled their March cargoes due to a conveyor belt breakdown in Itaguai. Russia's move to declare war on Ukraine caused traders to head for the exists, with the indexes in both basins being marked down, although the immediate impact on Capesizes is likely to be considerably less than on the smaller vessel sizes.

Short run bullish

Panamamax

With health grain and coal demand, activities from both Atlantic and Asian basins remained firm last week, however freight rates came off as the escalating events and global tensions eroded the sentiment. Fixtures wise, EC South America redelivery Singapore-Japan at \$22,500-23,000 for the early March dates and rumoured \$24,000 were fixed as the week progressed, trips of NC South America redelivery Singapore-Japan were fixed at \$34,500, also NC South America redelivery Skaw-Gibraltar with late Feb at \$21,500. Asia markets were less affected, being well supported on panamax rates, with strong coal shipments from Australia and Indonesia continued to lift up the rates, fixtures for North Pacific round voyage were reported from \$20,000 edged up to \$24,000 and then \$26,000 for 28 Feb-5 March, and EC Australia redelivery India at \$29,500. While trips via Indonesia redelivery Japan were heard at \$28,500. According to IHS Markit Commodities at Sea Service, last week Indonesian coal shipments increased another 18% w-o-w to the high seasonal levels of 9.2 million tonnes, Australia coal shipments also rebounded strongly to 8.0 million tonnes, up 28% w-o-w. However, the situation in the Black Sea region has created huge uncertainty and downward pressure to rates.

Panamax 4TC Trading Range



EC Australia redelivery India at \$29,500. While trips via Indonesia redelivery Japan were heard at \$28,500. According to IHS Markit Commodities at Sea Service, last week Indonesian coal shipments increased another 18% w-o-w to the high seasonal levels of 9.2 million tonnes, Australia coal shipments also rebounded strongly to 8.0 million tonnes, up 28% w-o-w. However, the situation in the Black Sea region has created huge uncertainty and downward pressure to rates.

Early week bid interest saw the market gap up quickly, Q2 printing initially at \$26,900 then up to \$28,250 in the morning session, Q3 pushing to \$26,500 and Q4 to \$24,500 before retreating off the highs pre-index. Despite a bit of a sell down on Tuesday, renewed interest midweek pushed levels slightly higher with March trading in good size between \$25,750 - \$26350, Q2 pushed up to \$28,500, Q3 to \$26,750 and Q4 to \$24,950. Further out saw renewed interest with Cal23 printing \$17,600 - \$17,950, Cal24 \$14,500 and Cal25 \$13,500. With the onset of conflict, the market was in disarray as global markets come under pressure and a rush of long liquidations and risk mitigation saw the curve under pressure, ending with prompt dates off an average \$3500.

Short run neutral

Supramax

Sentiment turned negative with uncertainty and consequence from Black Sea region, market source said vessels were sent away from the area to choose alternative routes, owners were not willing to conduct trades considering the high risk. Asia areas remained relatively positive as decent support from coal shipments, Indonesia redelivery China fixed firmed up to \$28,000 before reaching \$32,000 towards to the end of the week, While Atlantic region looked balanced with rates remained stable in US Gulf and more enquires emerged from Africa. Overall rates were under pressures due to the uncertainty and limited activities in the key grain routes.

A positive start to the week for Supramax paper, with rates pushing across the curve. March and April pushed to respective highs of \$29,250 and \$30,000. Q234 pushed to \$27,000 average. Midweek was volatile and active with prompt paper initially drifting down before firm underlying and sparse offers propelled the market upwards and above rates at the start of the week. With tensions escalating to conflict in Ukraine the front of the curve slipped \$2500 on average and less on deferred. Despite a few bounces through the day it closed at day lows. There was, however, a positive end to the week with recovering rates supported across the curve.

Short run bearish

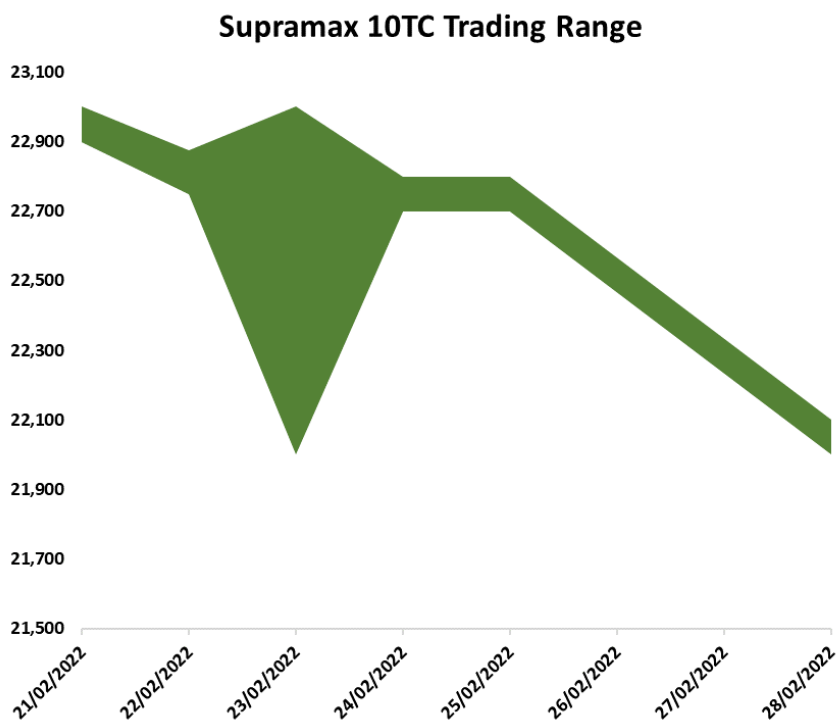


Chart sources: FIS Live

FFA Market

FFAs had a very active week with high trading volume of over 81,800 lots posted on exchanges, with strong activities seen in Cape and Panamax options of over 13,500 lots traded. In the futures market, Capes and Panamaxes traded respectively around 3,760 lots and 6,690 lots per day last week, Supramaxes followed right behind with 3,120 lots traded per day last week. Main actions focus on March, Q2'22 and Cal23 contracts. Open Interest declined since Feb drew to an end, on 28 Feb Cape5TC 161,148 (-2,745 w-o-w), Panamax4TC 227,344 (-2,942 w-o-w), Supramax 10TC 86,038 (+144 w-o-w).

FFA Market Indexes

Freight Rate \$/day	28-Feb	21-Feb	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	13,414	15,331	-12.5%	13,097	13,070	18,025	16,529	15,129
Panamax4TC	22,053	20,633	6.9%	19,450	8,587	11,112	11,654	9,766
Supramax10TC	26,711	25,758	3.7%	21,678	8,189	9,948	11,487	9,345
Handy7TC	25,296	23,504	7.6%	21,272	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	28-Feb FIS Closing	21-Feb FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Mar 22	15500	20000	-22.5%	21,250	15,500	23,750	14,750
Capesize5TC Q2 22	24700	28375	-13.0%	30,725	24,500	30,725	20,000
Panamax4TC Mar 22	22700	25425	-10.7%	26,500	22,300	27,000	19,000
Panamax4TC Q2 22	25125	27875	-9.9%	28,500	23,835	28,350	19,000
Supramax10TC Mar 22	26500	29000	-8.6%	29,625	26,250	29,625	19,500
Supramax10TC Q2 22	26375	28625	-7.9%	29,500	19,900	29,500	19,900

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

March Futures – We highlighted last week that USD 21,382 was the key resistance to follow as price remained vulnerable below this level. The futures traded to a high of USD 21,250 before entering a corrective phase. The move lower was driven by outside events after Russia invaded Ukraine, resulting in the futures trading below the USD 16,250 support, meaning the technical is now bearish. Downside moves below USD 15,630 will target the USD 14,100 and USD 12,169 support levels. Upside moves that fail at or below the USD 19,346 level remain vulnerable to further tests to the downside, above this level price will target the USD 21,250 fractal resistance. Price is technically bearish having made a lower low; however, at USD 15,650 we are on Fibonacci support with the 1-hour intraday technical producing a positive divergence. This is not a buy signal it is a warning that we have the potential to see a momentum slowdown and warns we have the potential to see a small test to the upside in the near-term.

Panamax

March futures - Technically bullish last with the expectancy that the futures had the potential to trade to a new high. We questioned what the ever-changing geopolitical landscape will have on the Black Sea? Not a good one, the invasion into the Ukraine has basically meant that it is now part of a war zone. The futures had traded up to USD 26,500, just USD 375 below the high, however on news of the invasion price has gapped lower and is now at USD 22,625. The technical has a neutral bias due to the deep pullback but is only bearish below USD 24,125. The index and price are now at an equilibrium due to the uncertainty in the market; However, with the index moving lower it would suggest that we could see the futures come under further pressure in the coming days. One positive for freight/Panamax is the rising coal price, with many dependant on Russian gas/oil it does warn that there is the potential for a switch to coal which could support longer-term freight prices.

Supramax

March futures – obviously a change in the geopolitical landscape has resulted in the futures moving lower, price did trade up to the USD 29,500 high but not above it. We noted on Friday that the strong upside moves in the Q2-22 and the Cal 23 looked like a dead cat bounce as our Elliott wave analysis suggested the technical had finished a 5-wave cycle on the intraday. Price on the Q2 is USD 2,000 lower today suggesting our analysis is correct, this would also imply that the March contract is now corrective/bearish, making USD 25,144 the key support to follow; downside moves below this level would suggest we could test and trade below the USD 22,900 in the near-term. Technically we remain in bull territory but based on our wave analysis in the Q2 and the Cal 23 we have the expectation that support levels will be tested.



Chart source: Bloomberg

Dry Bulk Trades/Iron Ore

Iron ore prices rallied on the back of resuming steel output from the end of February, although the National Development and Reform Commission (NDRC) continued its investigation and visited the relevant departments and exchange on Monday to enhance the market regulation over iron ore spot and futures markets.

Last week iron ore shipment to China stabilised at 21 Mmt, while the total seaborne iron ore market saw a weekly 8.4% increase to 30.2Mmt, according IHS Markit Commodities at Sea Service.

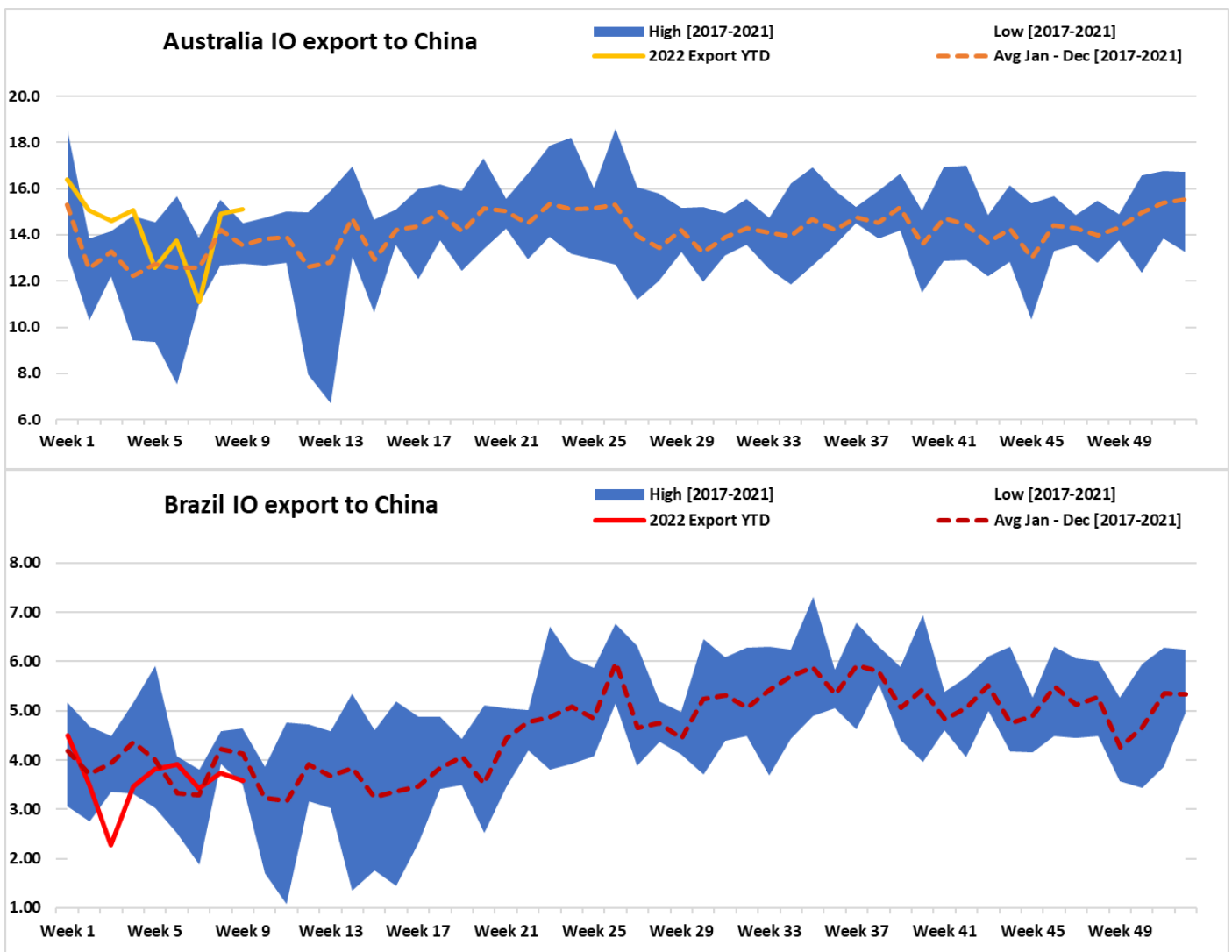
Dry Bulk Trades/Iron Ore

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	15.1	14.9	1.1%	9.63	7.98	20.6%
Brazil-China	3.6	3.7	-3.9%	22.30	22.01	1.3%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Seaborne coal prices surged amid market expectation of recovering steel production, and distorted supply chain were also another key driver for the price rally. According to Fenwei Energy Information Services, some Chinese buyers have halted its coal purchases from Russia due to the concerns of money transaction with Western sanctions.

Last week we continue to see strong coal shipments flow to the market, Indonesian exports to China rebounded sharply and broke out the seasonally range, with over 3.5 million tonnes of coal shipping to China. Whilst strong volumes were also reported from Australia last week, as the chart showed below, its shipment destined to Japan has climbed outside of the 5 year average range, posting a 38% w-o-w increased to 3.3 million tonnes.

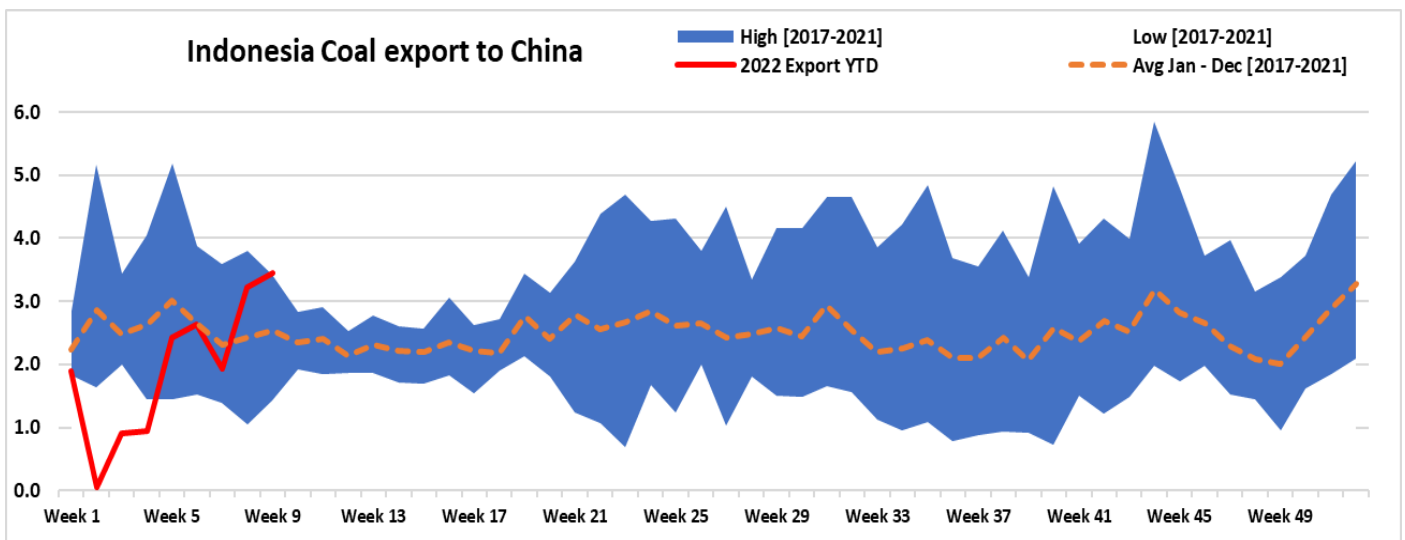
Dry Bulk Trades/Coal

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

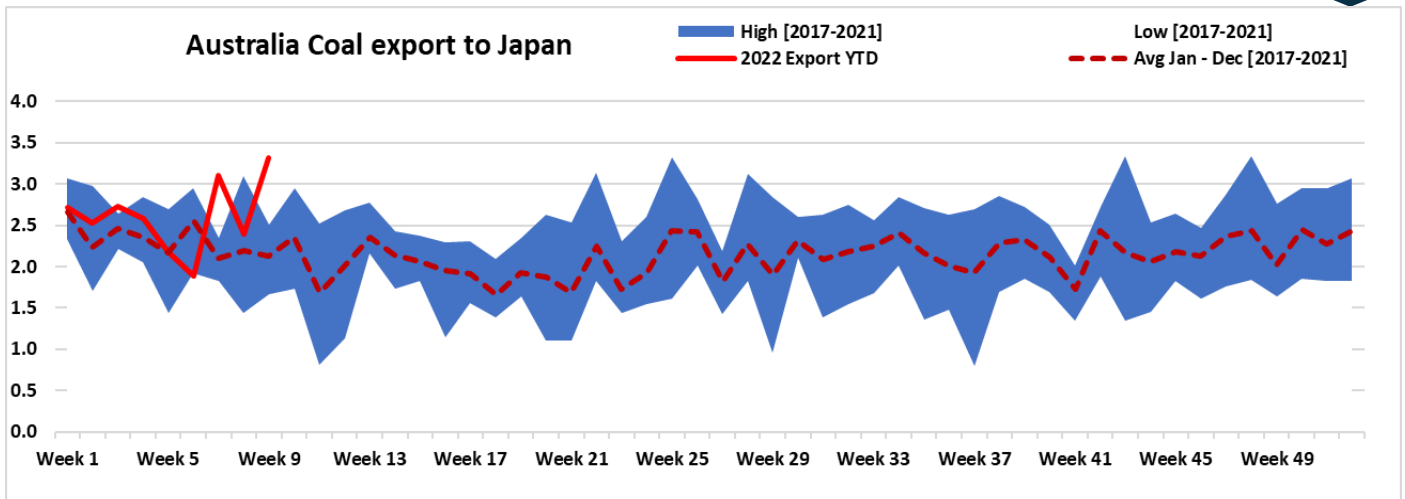
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	3.5	3.2	7.2%
Australia-Japan	3.3	2.4	38.2%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

Grain prices spiked hugely as the war between Russia and Ukraine continued to rage, market participants feared that grain products (corn and wheat) from the region would not be available for the market and months to pass before farmers are able to plant crops with logistics returning to a normal. On the Russian side, it is difficult to export under Western sanctions. Russia and Ukraine together account for around 14% global wheat exports in 2021. IHS Markit Commodities at Sea Service data showed grain shipments from Black Sea last week fell 37% to 1.3Mmt. On top of that, Rosario exchange again lowered its Argentina soybean production from the previous 45 million tons to 40.5 million tons as the drought hurt the harvest. Elsewhere, Australian wheat production is on the rise, the government crop report estimated the harvest would reach 36.3 million tons against analysts forecast of 39 million tons on the back of favourable weather and shortage caused by drought in Southern American and supply disruptions in Black Sea regions.

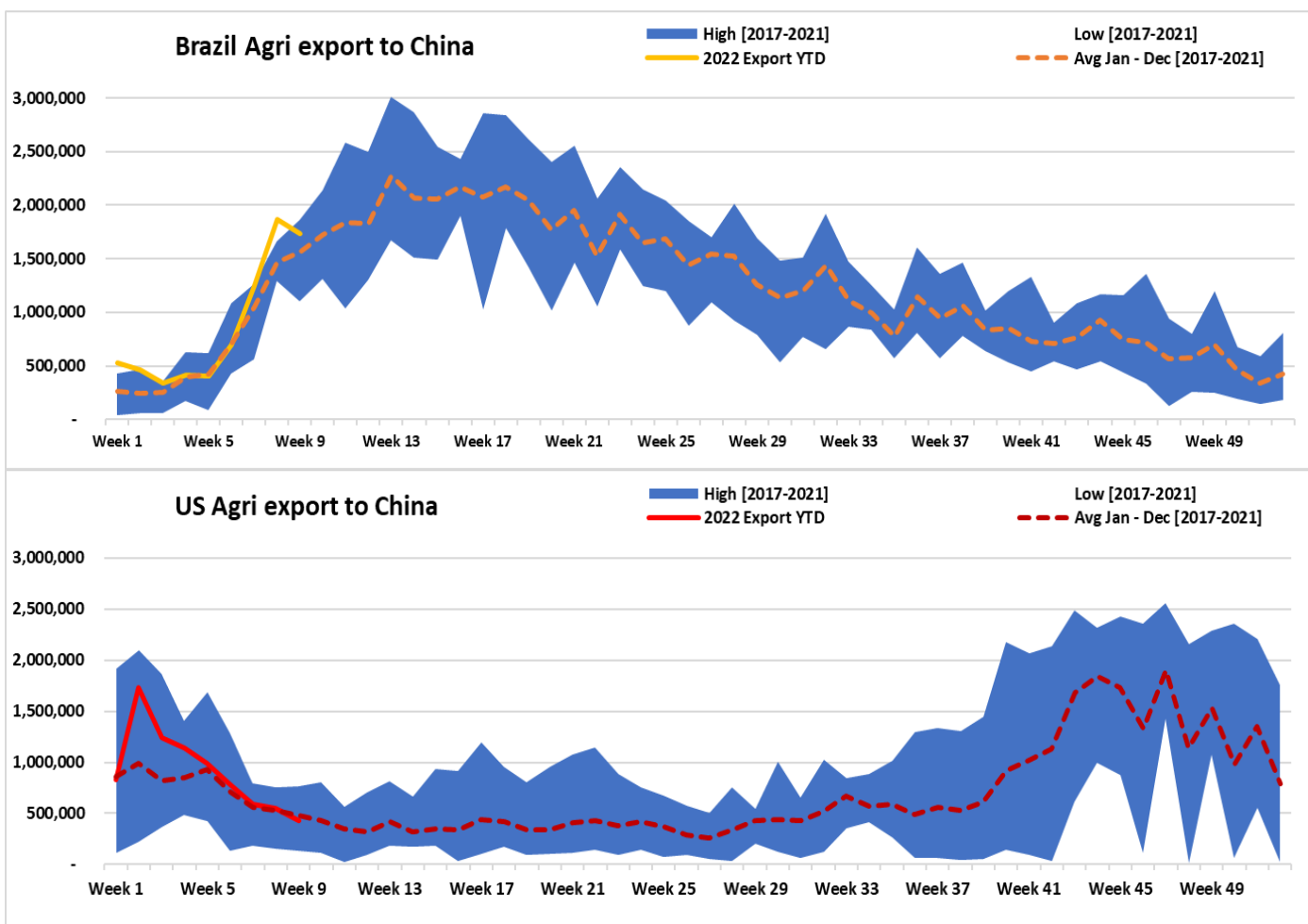
As the seasonality chart below shows shipments from US to China have returned to the seasonal average which were about 430-550 kt. While shipments from Brazil increased 7% last week to 3.9Mmt, shipments to China alone remained above 1.7 million tonnes at the higher end of 5-year average range.

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		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Agri Export (thousands tonnes)						
Brazil-China	1733.2	1867.3	-7.2%	56.8	53.9	5.3%
US-China	425.8	554.4	-23.2%	67.6	64.7	4.6%

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

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com