

# FIS Dry Freight Weekly Report

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### Market Review:

The Dry freight market extended its rally last week and hit the highest levels this year. Among all vessel sizes, Capesize had the biggest gains last week as it benefitted from recovering iron ore demand and coal activities to Europe, while Panamax and the smaller size vessels, which already held significant premium over Capesize, also posted decent gains last week over a positive demand outlook. However, downside risks appeared this week with the futures market falling. It remains to be seen if physical and futures will continue to diverge this week, the only certainty is that freight markets never bore us.

Freight Rate \$/day	14-Mar	7-Mar	Changes %	Short Term	Sentiment
Capesize 5TC	23,101	14,508	59.2%	Neutral	-
Panamax 4TC	26,490	24,777	6.9%	Bullish	↑
Supramax 10TC	32,270	29,037	11.1%	Neutral to Bullish	↗
Handy 7TC	28,051	26,414	6.2%	Neutral to Bullish	↗

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	216	-1	138(+4)	57(-3)	15(-1)		
Panamax	349	+2		157(-11)		94(+3)	66(+15)
Supramax	463	-27		99(-6)		63(+5)	285(-12)

### Capesize

Capes surged sharply by 59% last week on strong iron ore and coal demand, as well as soaring fuel costs driving voyage rates. For iron ore, we saw strong shipments out of Australia last week coupled with improved volumes from South Africa. Despite oil prices falling as hopes grew of Ukraine and Russia peace talks, bunker costs still remained near record high levels with freight rates rising to compensate. Sing 380 and 0.5% fuel oil came off the peak and were assessed at \$618 and \$857 respectively on Monday. Strong European coal demand saw rates from EC Australia to the Continent heard \$36 for early Apr dates. In the Pacific the key C5 iron ore route (West Australia to China) lifted \$1 from last week up to \$11.50 for late march laycan to start the week, and as time progressed, we saw it jumped up to \$11.95 at the mid-week and hold firm towards the weekend; higher rates in region of \$12.35 were heard on Monday. In the Atlantic, Tubarao to Qingdao with iron ore (the C3 route) saw higher rates of \$30.5 for mid Apr, although activity out of Brazil was thin due to poor weather which continued to affect logistics and transport. Iron ore cargos out of South Africa Saldanha Bay to Qingdao on 6-10 Apr were fixed at mid-\$22 level, up from last week's rate of \$17 and the C7 iron ore route (Bolivar to Rotterdam) was heard fixing at low \$14s. Elsewhere, Seven Islands to Qingdao for early April dates was heard at \$34.75. Despite the drop in derivative market and rising cautiousness in the market, fundamentally it looks relatively stable. However there is potential downside risk of reduced iron ore demand from China, as the nation has imposed lockdowns and strict measures on several big cities amid the resurgence of covid cases.

Capesize 5TC Trading Range

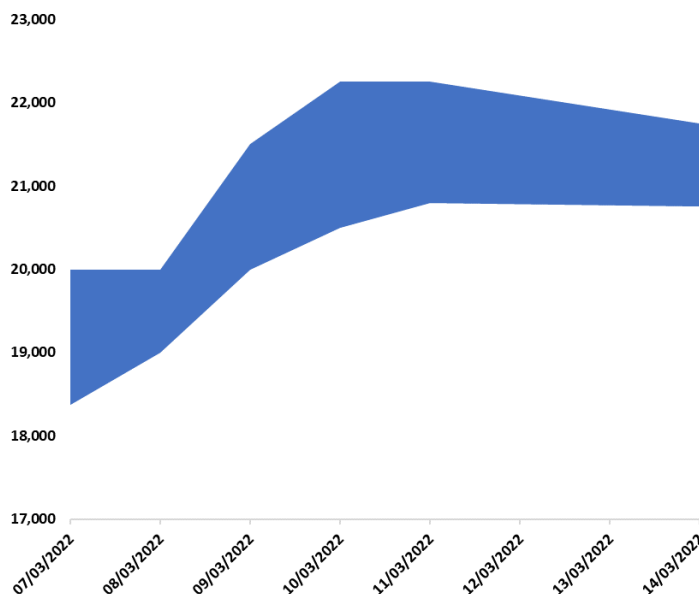


Chart source: FIS Live

Capesize paper the last week was generally positive to midweek. Paper levels continued to trade at a significant premium to spot and there was good activity, especially midweek. April began the week at \$26,375. Physical levels gave good support with the index making steady gains Tuesday. Other factors supporting the market were an abundance of coal flowing from Australia into Europe, leaving the potential for the spot mkt to pop as the tonne-mileage increases. Also, with bunkers so expensive, the fleet becomes more inefficient, as owners slow steam thus adding to the pressure. The paper saw a relatively sharp correction moving into the weekend, and on Monday, driven by profit-taking and the sharp drop on smaller sizes.

**Short run Neutral**

**Panamax**

Panamaxes expanded their gains last week, supported by healthy coal and grains shipments, especially with brighter grains outlook since harvest was picking up in South America. In addition, after the big jump last week coal shipments to NW Europe were up 3% w-o-w to 2.4 million tonnes, which was mostly supplied by Australia as a replacement for Russia. Indonesian coal jumped 12.7% last week to a record high of just over 10 million tonnes, according to IHS Markit Commodities at Sea Service data. Fixture-wise, Skaw-Gibraltar TA trips were fixed at \$21,500 at the start of the week \$23,000 towards the end of the week. EC South America redelivery Singapore-Japan was up nearly \$1,000 to \$25,750 for the first two weeks in Apr before jumping to \$30,500 for similar dates at the end week. In the

Pacific, Australia routes jumped up about \$7-8k from last week's level, with round voyages firming up to \$32,000 for a 10 March laycan, and ultimately to \$35,000; EC Australia redelivery India was heard at \$38,000. Trips via Indonesia redelivery Japan were heard at high levels of \$40,000-45,000 for mid Apr and redelivery China rose from \$29,000 to \$33,000. Activity thinned out before weekend approached as a standoff developed between owners and charterers, and oil and energy related commodities faced a correction. The sentiment did turn slightly soft and rates in both basins slipped on Monday, it become a mind game, to see if charterers would wait for lower offers while coal demand is still hot.

Panamax derivative markets also had a busy week, albeit turning negative earlier than the larger ships. April started the week at \$29,250 and soon gapped up to \$31,000, Q2 printed \$29,750, before moving to highs midweek with April at \$33,500, Q2 finding level at 32,750, Q3 29,500, Q4 just above \$27,000 where it hit a bit of resistance. The end of the week turned negative and continued over into the start of the next, with April levels dipping below \$26,000, with notable selling pressure from Asia early on as sentiment changed on physical.

**Short run bullish**

**Panamax 4TC Trading Range**

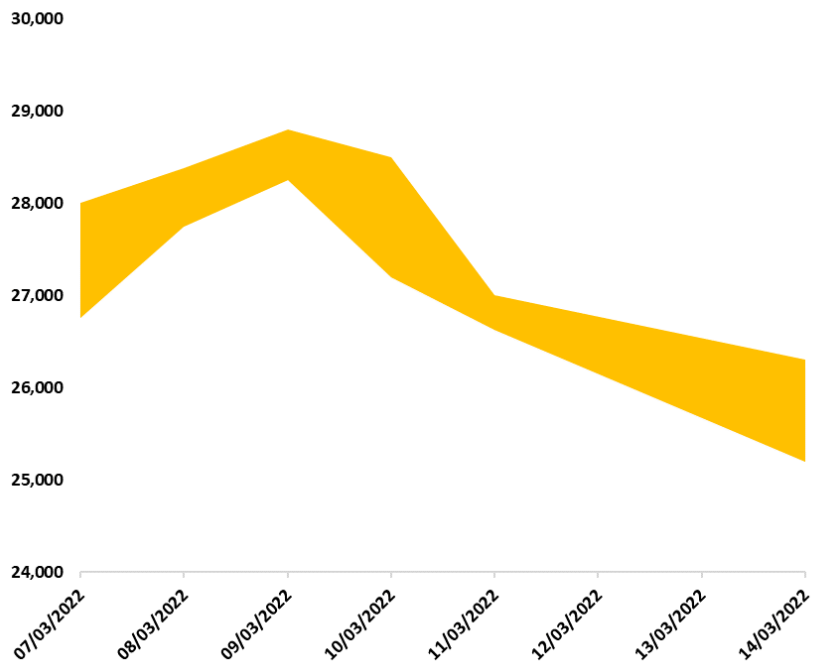


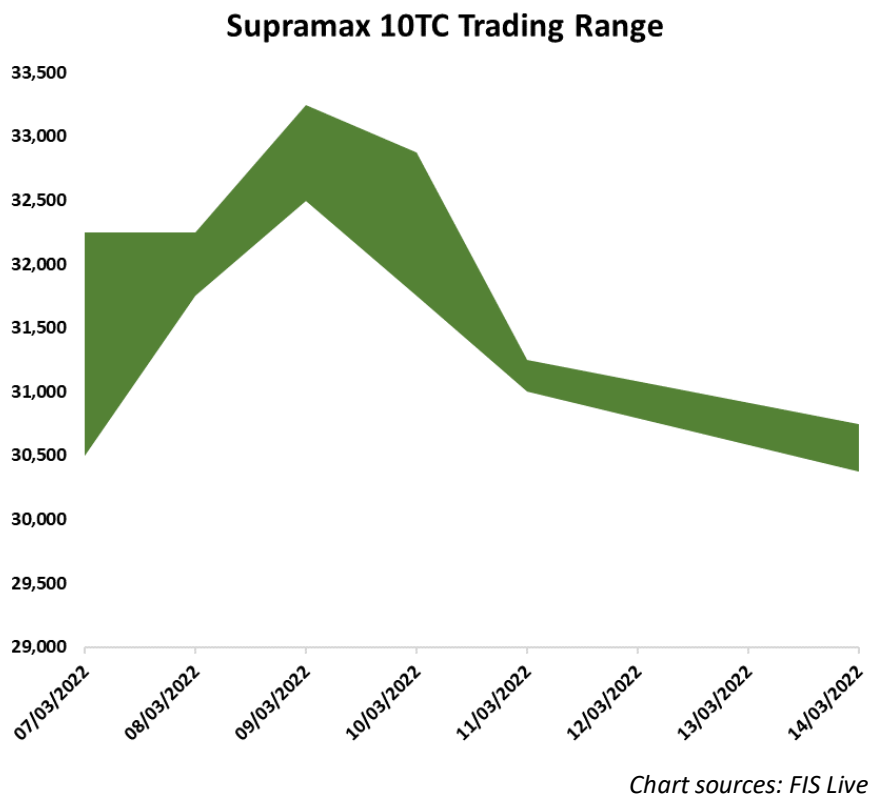
Chart source: FIS Live

## Supramax

Indonesia coal activities and strong fixture rates continued to support Supramaxes, despite lack of fresh enquires from other regions. As we noted in the past two weeks, the numbers of Supramax vessels moving coal stems from Indonesia to JKT region continued to grow. Furthermore, port closures in China caused tighter vessel supply will lend some support to the freight rate. In terms of fixtures, activities slightly improved from US Gulf and South Africa areas in Atlantic, hearing a trip from US Gulf to Greece was fixed at \$15,500, while Asian market remained positive with Indonesia redelivery China climbed above \$50,000 as the highlight and Indonesia redelivery India trip was heard at \$40,000-42,000.

Supramaxes on paper following much of the movement of Panamax, with a positive early week followed by a negative slide which continued on into the next week. April had begun the week at \$32,000, rising to a high of \$38,000 as bids chased thin offers. Fortunes reversed midweek, pre-empting a softening of the index, with levels dropping back to week open by the end of Friday and dropping even further below \$32,000 that start of this week.

Short run neutral to bullish



## FFA Market

FFAs had the busiest week so far this year with trading volumes of over 83,300 lots posted on exchanges, and strong activity also seen in Panamax options with over 9,390 lots traded among the record total on options of 11,960 lots. In the futures market, Capes and Panamax traded respectively around 4,220 lots and 6,070 lots per day last week, Supramaxes followed right behind with 3,600 lots traded per day last week. Main actions focus on March, Apr, Q2'22 and Cal23 contracts. Open Interest and volumes increased during prices were in uptrend indicating new buying came to the market and likely to stay bullish in short term, on 14 March Cape5TC 163,438 (+5,818 w-o-w), Panamax4TC 222,044 (+2,984 w-o-w), Supramax 10TC 88,601 (+2,855 w-o-w).

## FFA Market Indexes

Freight Rate \$/day	14-Mar	7-Mar	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	23,101	14,508	59.2%	13,929	13,070	18,025	16,529	15,129
Panamax4TC	26,490	24,777	6.9%	20,579	8,587	11,112	11,654	9,766
Supramax10TC	32,270	29,037	11.1%	23,290	8,189	9,948	11,487	9,345
Handy7TC	28,051	26,414	6.2%	22,350	8,003	9,288	8,700	7,636

## FFA Market Forward Values

FFA \$/day	14-Mar FIS Closing	7-Mar FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Apr 22	27625	28000	-1.3%	34,000	26,750	34,000	17,750
Capesize5TC Q2 22	30375	30000	1.3%	34,000	30,000	34,000	20,750
Panamax4TC Apr 22	26500	31125	-14.9%	33,750	26,250	33,750	19,000
Panamax4TC Q2 22	26650	30500	-12.6%	33,000	23,250	33,000	16,050
Supramax10TC Apr 22	31500	34750	-9.4%	38,000	31,250	38,000	19,900
Supramax10TC Q2 22	29800	32875	-9.4%	35,750	21,000	35,750	19,900

Data Source: FIS Live, Baltic Exchange

## Freight Technical View

### Capesize

April Futures – We had a near-term upside target at USD 31,156 last week based on the William’s method of price projection, the futures traded up to a high of USD 31,000 before entering a corrective phase. Key support on the daily technical is at USD 21,232, downside moves that hold at or above this level will support a bull argument, below this level the technical will have a neutral bias. Likewise, a close on the daily chart above USD 30,166 will indicate that momentum is improving based on price, warning the USD 31,000 high could be tested. On the intraday technical near-term support is at USD 26,460, corrective moves lower that hold above this level will support a bull argument, if broken the futures will target USD 24,250. The longer-term trend remains bullish but in a corrective phase, with the USD 26,460 support looking vulnerable.

### Panamax

April Futures – last week we noted that upside moves above USD 30,963 will target the USD 33,200 and USD 36,021 resistance levels. The futures traded to a high of USD 33,625 before entering a corrective phase. Our Elliott wave analysis would suggest that downside moves should be considered as countertrend; however, price is currently at USD 26,500, below USD 26,447 the pullback is considered as deep and the technical phase neutral. Only below USD 22,750 is the technical bearish. A close on the daily chart tomorrow above the USD 28,872 level would indicate that momentum is improving based on price, warning we could be in the early stages of a bullish wave 5. Price is on key support; below USD 26,447 we have a neutral bias, as the deep pullback will reduce the probability of the futures trading to a new high.

## Supramax

April futures - Having just broken the USD 34,587 resistance last week we noted that the futures will target the USD 36,615 and USD 39,200 levels, price traded to a high of USD 38,000 before entering a corrective phase. Our Elliott wave analysis would suggest that this is a corrective wave 4, with key support at USD 30,575 (currently USD 31,500). Downside moves below this level will mean the futures will have a neutral bias based on the depth of the pullback, further support can be found at USD 29,157 and USD 26,750. Upside moves that fail at or below USD 35,790 will leave the futures vulnerable to further tests to the downside, above this level price will target the USD 38,000 high. Wave analysis would suggest this is a countertrend corrective wave 4.



## Dry Bulk Trades/Iron Ore

Iron ore prices slumped last week to below \$145 as investors were concerned about China’s economic growth as the Covid outbreak worsened in China, the downward trend continued at the start of this week that we saw iron ore quickly lost another \$10. China imposed a lockdown in Shenzhen – a financial and technology hub – after cases spiked in short time. Market sentiment was bearish after activity curbs were imposed and construction sites were shut due to lockdown measures in some cities. Along with other investment banks that lowered the forecast for China’s GDP in 2022, Morgan Stanley cut its Q1 forecast for China’s economic growth to zero. On top of that, lower than expected steel production added future pressure on the raw material prices, China’s crude steel and pig iron ore output both fell 10-11% YoY to 157.96 million tonnes and 132.13 million tonnes during Jan- Feb, data released by national Bureau of Statistics (NBS) showed.

Last week Australian iron ore shipments to China inched up and stabilised at the healthy level of 14 million tonnes. For the shipments from Brazil to China, we saw volume came off the peak to below 3 million tonnes due to heavy rain caused delays in transportation, according IHS Markit Commodities at Sea Service, its forecast for the top two producers during Q1 stood at a total 296 million tonnes with 224 Mmt (+3% YoY) for Australia, and 71.5 Mmt (-7%YoY) for Brazil.

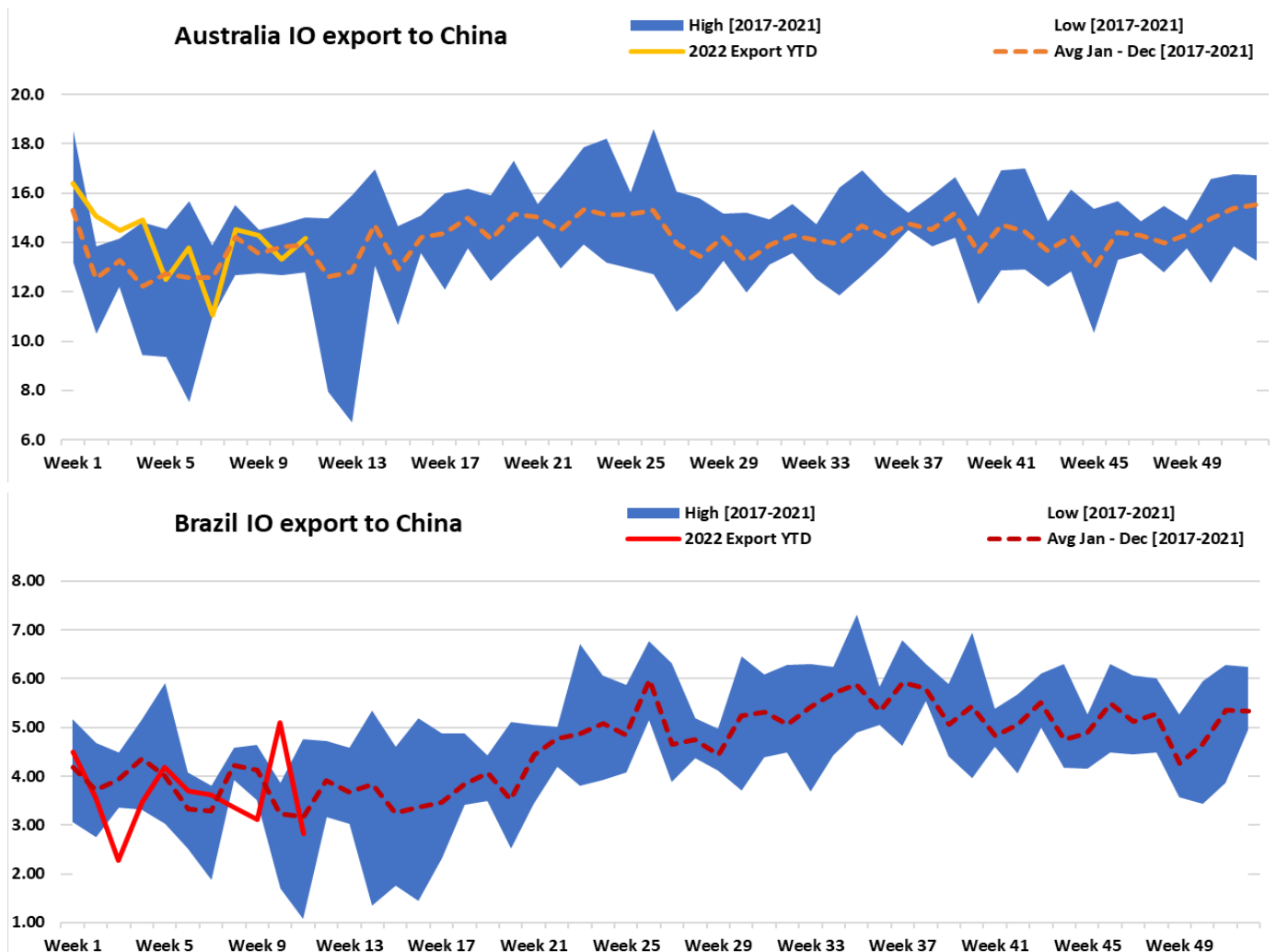
### Dry Bulk Trades/Iron Ore

Export (million tonnes)	Feb-22	Jan-22	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Australia	65.2	77.5	236.2	233.9	235.4	217.3	922.8	922.5
Brazil	21.8	23.6	91.1	98.0	85.0	76.6	350.6	336.5
South Africa	4.7	4.7	15.1	15.1	13.9	13.7	57.9	56.0
India	2.3	2.8	2.4	5.4	14.3	17.3	39.3	53.1
Canada	3.1	3.6	15.0	18.1	11.3	12.9	57.3	58.1
Others	14.3	15.6	50.6	45.4	49.4	42.3	187.7	174.0
<b>Global</b>	<b>111.5</b>	<b>128.0</b>	<b>410.4</b>	<b>415.8</b>	<b>409.3</b>	<b>380.1</b>	<b>1615.6</b>	<b>1600.1</b>

### Iron Ore Key Routes

	IO Export Million mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Australia-China	14.2	13.3	6.6%	11.74	9.65	21.6%
Brazil-China	2.8	5.1	-44.8%	29.12	22.74	28.1%

### Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

## Dry Bulk Trades/Coal

Seaborne coal prices rallied on strong buying interest and sanctions on Russia, although dipped briefly mid-week when it mirrored a price correction on oil and other commodities related to Ukraine and Russia markets, but the supply tightness due to weather related disruptions moved the prices again to record highs. Weather agencies said heavy rains and flooding in Australian which could last to May, as a result impacting its production levels and causing logistics delayed. Another top coal exporter, Indonesia, may also face production curbs in Apr due to similar wet weather.

As the chart showed below, Australia coal shipping to Japan fell straight to 1.7 million last week, in line with the seasonal average. Indonesian exports to China climbed up further and above the seasonally range, with 3.5 million tonnes of coal shipping last week, strong coal shipment also saw destined to other regions such as JKT and South East Asia.

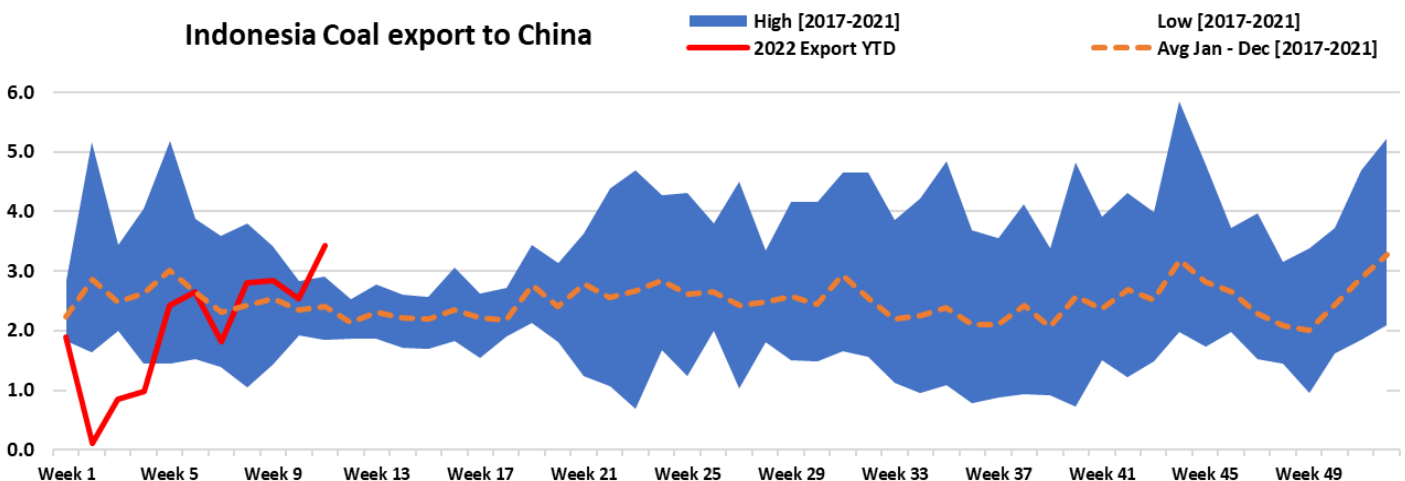
### Dry Bulk Trades/Coal

Export (million tonnes)	Feb-22	Jan-22	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Indonesia	31.7	13.7	106.6	109.8	101.5	101.5	419.3	377.0
Australia	27.7	31.5	90.8	97.0	93.0	87.8	368.6	376.1
Russia	13.8	13.3	40.9	44.3	45.4	43.6	174.2	178.4
USA	7.0	5.6	18.3	16.3	18.5	17.7	70.7	56.0
Colombia	4.8	5.7	15.8	15.5	14.6	15.4	61.3	58.6
South Africa	4.9	4.6	16.9	14.0	15.2	14.7	60.9	72.8
Others	7.8	7.0	22.4	23.9	19.6	19.1	85.0	75.9
<b>Global</b>	<b>97.9</b>	<b>81.3</b>	<b>311.7</b>	<b>320.7</b>	<b>307.7</b>	<b>299.8</b>	<b>1240.0</b>	<b>1194.9</b>

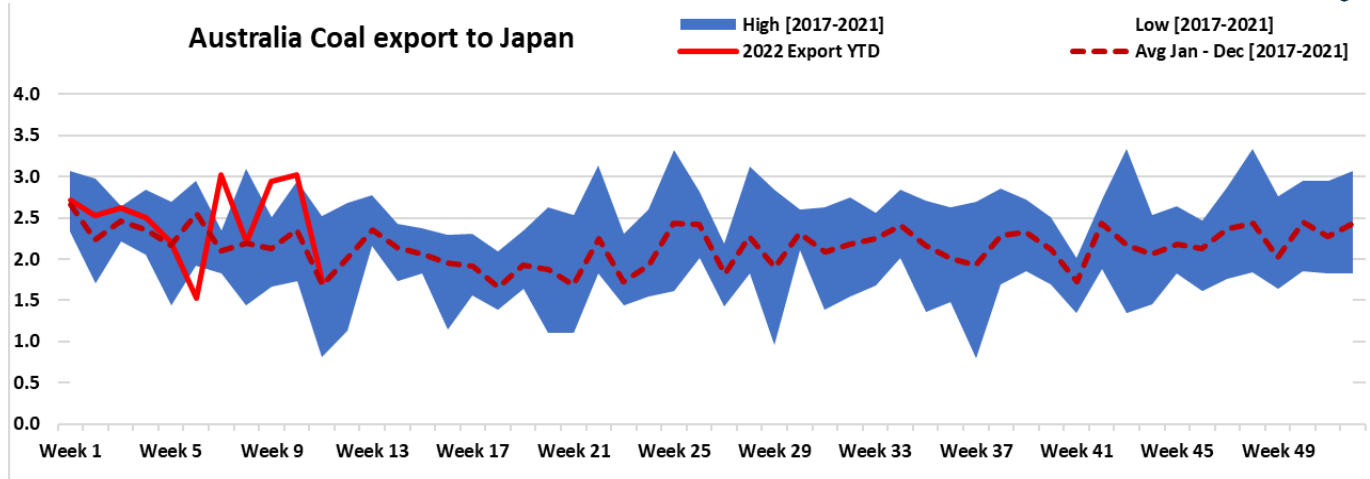
### Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	3.4	2.5	<b>34.8%</b>
Australia-Japan	1.7	3.0	<b>-43.1%</b>

### Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

## Dry Bulk Trades/Agri

Grains prices held up with good gains as supply chains continued to be threatened by Russian’s invasion of Ukraine. Wheat jumped further over the concerns that Russia would suspend its exports for the remaining season, which amounted to around 8 million tonnes plus another 6 million tonnes from Ukraine according to market sources. Whilst Brazil Soybean prices rose last week on the back of increased buying from China, on the supply side, half of the harvest has already completed and forecasted rainfall will boost the production in main Brazil regions. Furthermore, Argentina halted soy exports due to before increasing taxes on shipments also supported soybean prices at high. At the mid-week, soybean prices followed the pulled back in oil and other grains prices as expectations of progress can be made in Ukraine and Russia peace negotiations. In addition, US Department of Agriculture’s World Agricultural Supply and Demand reported that US soybean domestic stock were lower from 325 million bushels to 285 million bushels, due to export fall in South America and increased global demand. While for Brazil and Argentina, soybean harvests were cut to 127 million tonnes and 43.5 million tonnes respectively. For US corn export forecast was also lifted from 2.43 to 2.5 billion bushels to fill the global supply shortage.

According to IHS Markit Commodities at Sea Service, US Agri shipment from US were up 8% to 2.7 million tonnes last week, shipments to China alone were in line with the seasonal average which is around 320-340kt. While shipments from Brazil remained robust and reported a total of 3.8 million tonnes last week, shipments to China alone remained above 2 million tonnes at the higher end of 5-year average range.

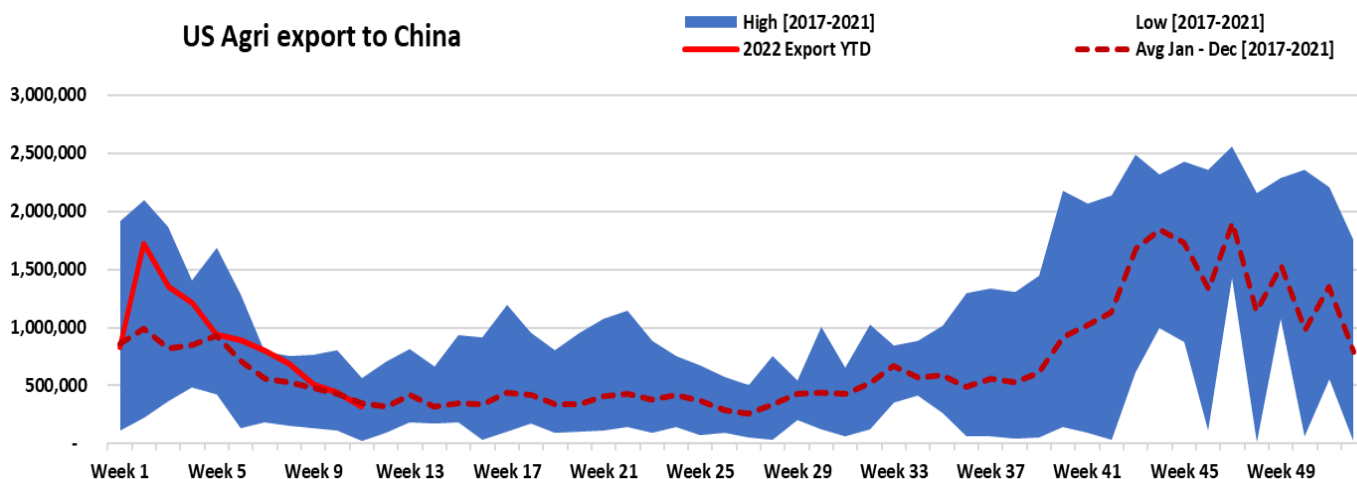
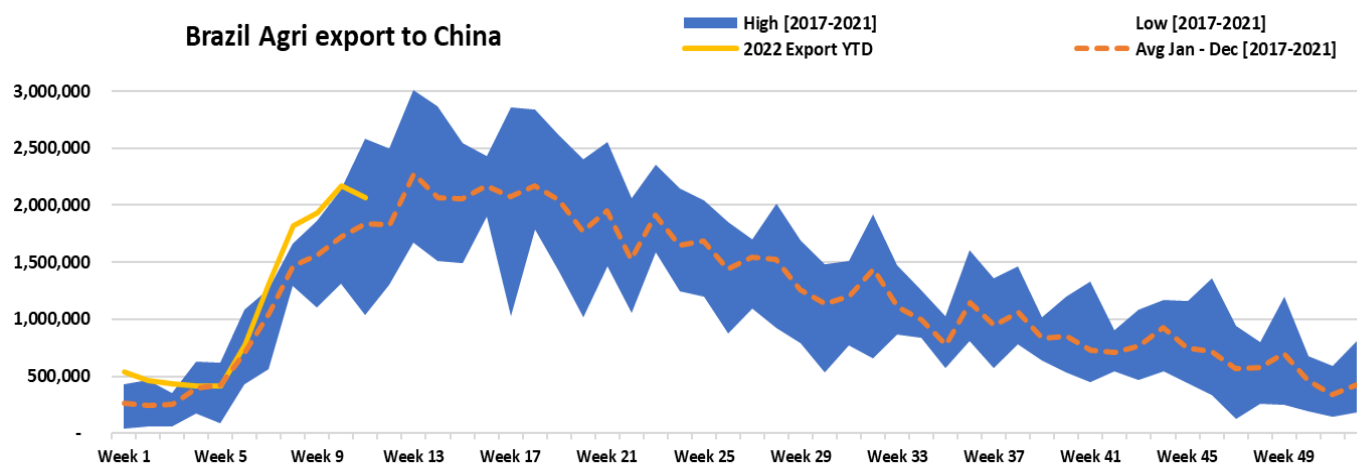
Export (million tonnes)	Feb-22	Jan-22	Q4-21	Q3-21	Q2-21	Q1-21	2021	2020
Brazil	14.2	8.9	30.6	44.8	54.4	34.1	164.0	170.5
USA	11.5	13.1	42.2	21.1	32.2	43.7	139.2	140.0
Argentina	5.6	5.4	17.7	24.2	25.7	18.9	86.6	78.8
Ukraine	5.5	6.3	19.3	15.3	8.6	10.5	53.6	51.6
Canada	2.4	2.2	10.3	7.4	11.7	12.7	42.2	50.5
Russia	2.0	1.5	7.4	10.5	5.0	7.3	30.2	35.0
Australia	4.4	3.9	8.9	8.6	11.2	12.2	40.8	20.0
Others	6.2	8.2	21.7	23.3	17.0	21.1	83.1	72.2
<b>Global</b>	<b>51.7</b>	<b>49.6</b>	<b>158.2</b>	<b>155.2</b>	<b>165.7</b>	<b>160.6</b>	<b>639.6</b>	<b>618.8</b>



## 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	2068.1	2170.9	-4.7%	68.7	60.6	13.4%
US-China	321.9	441.5	-27.1%	78.3	70.9	10.5%

## Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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