

FIS Dry Freight Weekly Report

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

22/03/2022

Market Review:

The Dry freight market gave back some of the gains last week as global oil and coal markets have come off highs. Capesize faced downside risks as iron ore demand was in questions as key steel making region in China faced production curbs and severe delays in road and port transportation; while Panamax and the smaller size vessels received good support from coal and grains demand.

Freight Rate \$/day	21-Mar	14-Mar	Changes %	Short Term	Sentiment
Capesize 5TC	20,481	23,101	-11.3%	Bearish	-
Panamax 4TC	25,225	26,490	-4.8%	Bullish	↑
Supramax 10TC	32,440	32,270	0.5%	Neutral to Bullish	↗
Handy 7TC	30,322	28,051	8.1%	Neutral to Bullish	↗

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	207	-7	134 (-4)	58 (+4)	10 (-4)		
Panamax	351	+3		156 (+5)		88 (-15)	65 (-1)
Supramax	438	-39		101 (+1)		55 (-4)	269 (-28)

Capesize

Capes were supported last week by healthy iron ore demand especially in the Pacific basin, with all major miners active in the market. Shipments from Australia continued to increase last week as the main driver for rates, while shipments from Brazil had improved notably (although most of vessels preferred to stay in the Pacific for better rates on top of the high bunker costs). In terms of fixtures, the C5 iron ore route (West Australia to China) edged up from the previous week to above \$12, fixing rates were heard between \$12.35 - \$12.50 for late March laycan. As the week progressed however, despite more cargo being reported for early Apr dates, rates slipped from \$12.50 to \$12.35, and a sharp correction on Monday to \$11.60 was heard for Dampier to Qingdao with 6-8 Apr loading dates. In the Atlantic, Tubarao to Qingdao with iron ore (the C3 route) saw rates initially firming to \$30 but fixed at the \$28.75-\$29 as the weekend approached. Iron ore cargos out of South Africa were thin despite the rate for Saldanha Bay to Qingdao making it to a high of \$19.50, up \$2 from the week before. The C7 coal route (Bolivar to Rotterdam) also climbed up and was heard fixing in the mid \$14s. The sentiment change later in the week was triggered by China's battle with covid outbreaks impacting perceived demand for raw materials, combined with bunker prices cooling off a touch which has taken some of the heat out of the cape voyage rates. Sing 380 and 0.5% fuel oil both fell over \$50 and were assessed at \$589 and \$826 respectively on Friday. However, the outlook in second quarter still remained bullish, as China will ease monetary policy to combat the economic slowdown due to covid restrictions, in order to hit its GDP growth target.

Capesize 5TC Apr Trading Range

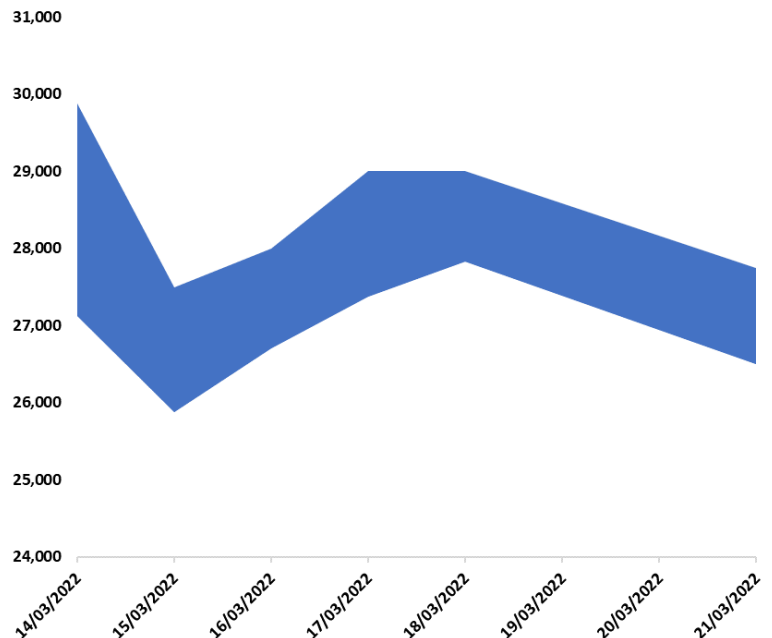


Chart source: FIS Live

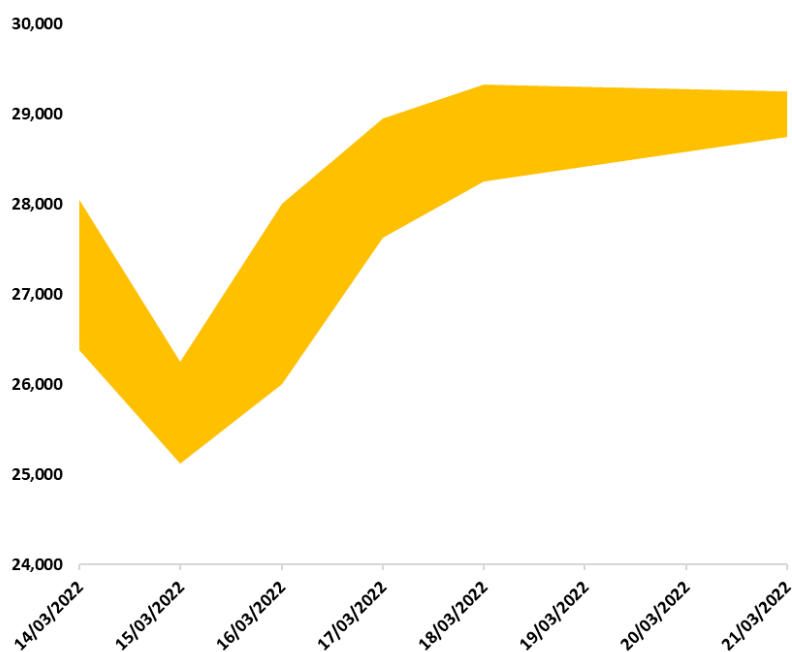
The trend in the Capesize FFA market has been negative for much of the last week, after the recent strong gains. Although there was a fight between physical and paper, (with physical levels early last week firming alongside a weakening futures market) both eventually finished on a more bearish note. Apr had ended the previous week at \$30,250 but lost nearly \$5,000/day by the middle of last week. There was some respite midweek with rumours of progress of peace talks between Russian and Ukraine lifting rates in smaller ships which also filtered through into the capes. Yet this did not prevent paper closing down on the week, sentiment which carried on into Monday as C5 was fixing below \$12.00, causing further falls on paper as well.

Short run Bearish

Panamax

Panamaxes faced a correction last week in spot prices but remained firm on paper for the nearby months. Coal demand continued to show strength in the Asian market, and Indonesian coal exports jumped 9% last week to yet another record high of over 10.8 million tonnes, according to IHS Markit Commodities at Sea Service data. Moreover, increased activities were witnessed in trans-Atlantic routes for the grain shipments, and the market expects Brazilian soybeans will join the fray as harvest time is upon us. Fixture-wise, rates came off across all routes on physical, with early laycans bearing the brunt; loadings for mid-March dates from EC South America redelivery Singapore-Japan came off the 30k mark to \$26,750, and \$23,000 for early Apr. In the Pacific, Australia routes lost about \$2k from last week's level, with round voyages fixed at \$30,000 for a mid-March laycan before slipped to \$28,750; EC Australia redelivery India came off \$5k was heard

Panamax 4TC Apr Trading Range



at \$33,000. Trips via Indonesia redelivery Japan were heard at lower rate of \$ 30,000. More talks in the market about increased tonnage demand will support the freight rate, as new trade pattern for key commodities after sanctions against Russian, with Russian itself turns its coal exports from West to East, as a result the Asian importers will buy less from their usual suppliers which allowed Europe also to meet their coal demand.

In panamaxes it was the bears that dominated early week trading, with April dropping over \$2,000/day over the first two days of the week to \$25,375. News of progress in peace talks prompted a quick recovery of rates, and the positive mood spread as buyers re-entered the market; Last Wednesday April traded \$26250 up to \$27750, Q2 from \$26250 up to \$27500 and Q3+4 from \$24500 up to \$25375. The end of the week into Monday was characterised by low volume, as the recovery petered out, but rates still strengthened to trade above \$29,000 for April by the Friday close.

Short run bullish

Chart source: FIS Live

Supramax

Supramaxes finished the week in a positive range despite the drop in the first two days, as activities strengthened up in US Gulf and South America with more grain cargos. In terms of fixtures, US Gulf to the continent were heard at \$31,750 and Mississippi to Imbituba at \$30,000. As coal prices halt its aggressive rally and traded in a steadier range last week, Asian markets lost some of its stems as fewer enquires surfaced compared with previous weeks, followed by fixture rate for Indonesia redelivery China slipped below \$43,000.

The supramaxes followed a similar trend to the panamaxes with rates coming pressure across the curve against a softening underlying and chasing a thin bid side. April and Q2 traded down to respective lows of \$31,500 and \$30,000 and losses extended into the deferred periods. April bottomed out at a low of \$29,750 on Tuesday, before a recovery started midweek like in Panamaxes as end of week rates pushed above the ceiling of Monday, April ending at \$34,500. The positivity leaked into the start of this week, with rates nudging slightly higher and breaking above the \$35,000 for April and \$25,000 for Q4.

Short run neutral to bullish

Supramax 10TC Apr Trading Range

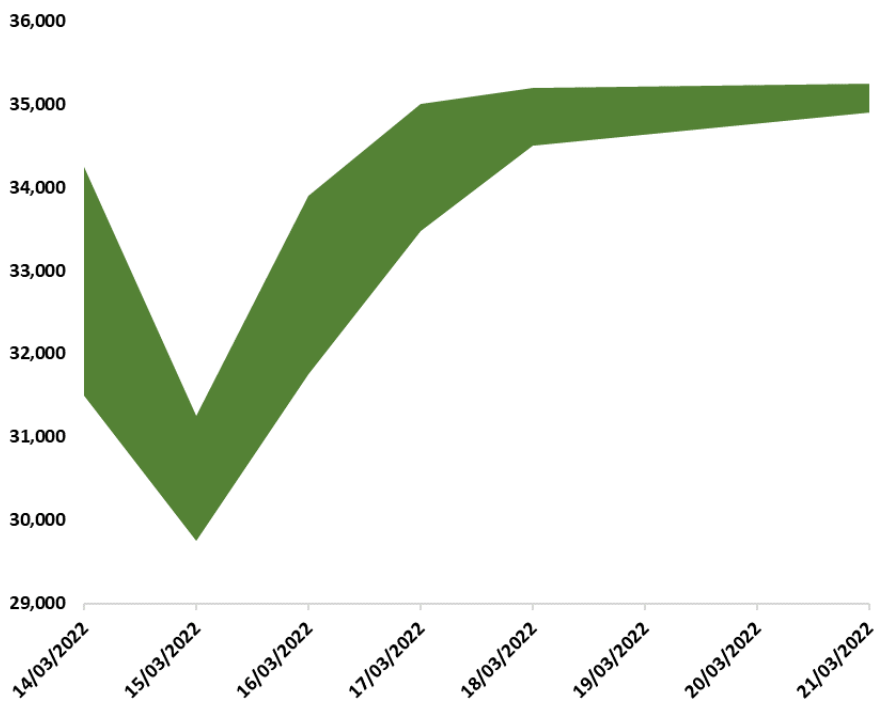


Chart sources: FIS Live

FFA Market

It was still an active but calmer week for FFAs with trading volumes of over 56,000 lots posted on exchanges, and strong activity also seen in Panamax options with over 3,700 lots traded among the total on options of 4,030 lots. In the futures market, Capes and Panamaxes traded respectively around 2,490 lots and 4,810 lots per day last week, Supramaxes followed right behind with 2,350 lots traded per day last week. Main actions focus on Apr, Q2'22 and Cal23 contracts. Open Interest continued to build up with futures holding on gains, on 21 March Cape 5TC 166,952 (+3,514 w-o-w), Panamax 4TC 226,526 (+4,482 w-o-w), Supramax 10TC 91,596 (+2,995 w-o-w).

FFA Market Indexes

Freight Rate \$/day	21-Mar	14-Mar	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	20,481	23,101	-11.3%	14,643	13,070	18,025	16,529	15,129
Panamax4TC	25,225	26,490	-4.8%	20,954	8,587	11,112	11,654	9,766
Supramax10TC	32,440	32,270	0.5%	24,081	8,189	9,948	11,487	9,345
Handy7TC	30,322	28,051	8.1%	22,985	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	21-Mar FIS Closing	14-Mar FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Apr 22	26625	27625	-3.6%	33,850	25,750	34,000	17,750
Capesize5TC Q2 22	31250	30375	2.9%	33,850	29,000	34,000	20,750
Panamax4TC Apr 22	29125	26500	9.9%	33,250	25,000	33,750	19,000
Panamax4TC Q2 22	29250	26650	9.8%	29,500	22,250	33,000	16,050
Supramax10TC Apr 22	35000	31500	11.1%	35,250	28,500	38,000	19,900
Supramax10TC Q2 22	33800	29800	13.4%	34,000	25,150	35,750	19,900

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

April Futures - The futures continue to hold in a bullish trending environment, but price is in a corrective phase. Downside moves on the daily technical that hold at or above USD 21,232 will support a bull argument, below this level the futures will have a neutral bias. The RSI is above 50, supporting a bull argument but price is now between the 8-21 period EMA's, suggesting the futures have found value at this point. A close on the daily chart above USD 28,066 would warn that momentum is improving based on price, implying the USD 29,257 resistance level could be tested, above this level the futures will target the USD 31,000 high. The futures remain in a corrective phase with price holding above the Fibonacci support zone (USD 25,346, USD 23,600, and USD 21,232). The RSI is at 56 and will need to hold above the 50 level, if it does, we could see further tests to the upside.

Panamax

April Futures – last week we noted the futures were in a corrective phase with downside moves considered to be countertrend. Price did trade below the USD 26,460 support, to a low of USD 25,125 before moving higher, the technical remains bullish but now has a neutral bias. Upside moves in the futures that fail at or below USD 30,725 will leave the technical vulnerable to further tests to the downside, above this level price will have a bullish bias and target the USD 33,625 high. The daily technical remain bullish above USD 22,750 and bearish below, intraday Elliott wave analysis would suggest we have the potential to test the USD 33,625 high.

Supramax

April Futures – As noted last week, our Elliott wave analysis had suggested the downside moves should be considered as counter-trend, Price did trade below the USD 30,575 support, meaning the futures had a neutral bias; however, having traded to a low of USD 29,750 the futures are now at USD 35,100 having traded above the USD 35,195 resistance on Friday. The technical is bullish and has a bullish bias once again, price needs to trade above and hold above the USD 35,195 level, if it does, we target the USD 38,000 high. Intraday Elliott wave analysis is bullish suggesting corrective moves lower will be against the trend.

Chart source: Apr Cape 5TC from Bloomberg



Dry Bulk Trades/Iron Ore

Iron ore prices plunged initially last week as the Covid outbreak worsened in China, market sentiment was bearish after activity curbs were imposed and construction sites were shut due to lockdown measures in some cities. However, it did bounce back at mid-week following positive industrial data and the reassurance of top government officials about hitting economic growth targets. Furthermore, China's investments in infrastructure and property both saw strong growth during Jan-Feb, up 8.1% and 3.7% YoY respectively, the two sectors account for 61% of Chinese steel demand, data from the National Bureau of Statistics (NBS) showed. Towards the weekend, sentiment was lifted by the positive signals from policy maker about concrete action will be taken to bolster the economy in the first quarter and kept key economic indicators within an appropriate growth level. Elsewhere, according to Mysteel's industry survey, the five major finished steels on its second weeks decline while daily crude steel production among 247 Chinese BF and 71 EAF steel mills was up 2.7% to 2.73 million tonnes per day, the highest level in six-month, indicating recovering steel demand. Some mills expect China's steel output will remain lower in Q1 but will increase from late March to Apr as the annual production target has been unofficially notified within 2021 level which is around 1.03 billion tonnes.

On Monday, outbreak controls extended to road close in Tangshan and severe transport delays were declared in some ports, snapped the iron ore rally on late Friday.

Elsewhere, Japan's new ship orders fell for a third consecutive month by 10 vessels (-23.7% MoM, -57.5% YoY) due to soaring raw material prices pressuring production cost, according to Japan Ship Exporters' Association (JSEA) data showed, a JSEA official said that cost factor will reflect in vessel prices as raw material prices are set to rise for 2022. In terms of iron ore import, Japan will import 5% more in Q1.

Last week Australian iron ore shipments to China stabilised at the healthy level of 14 million tonnes. For the shipments from Brazil to China, we saw volume recovered to 3.5 million tonnes, slightly lower than the seasonal average, according to IHS Markit Commodities at Sea Service, it's 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.

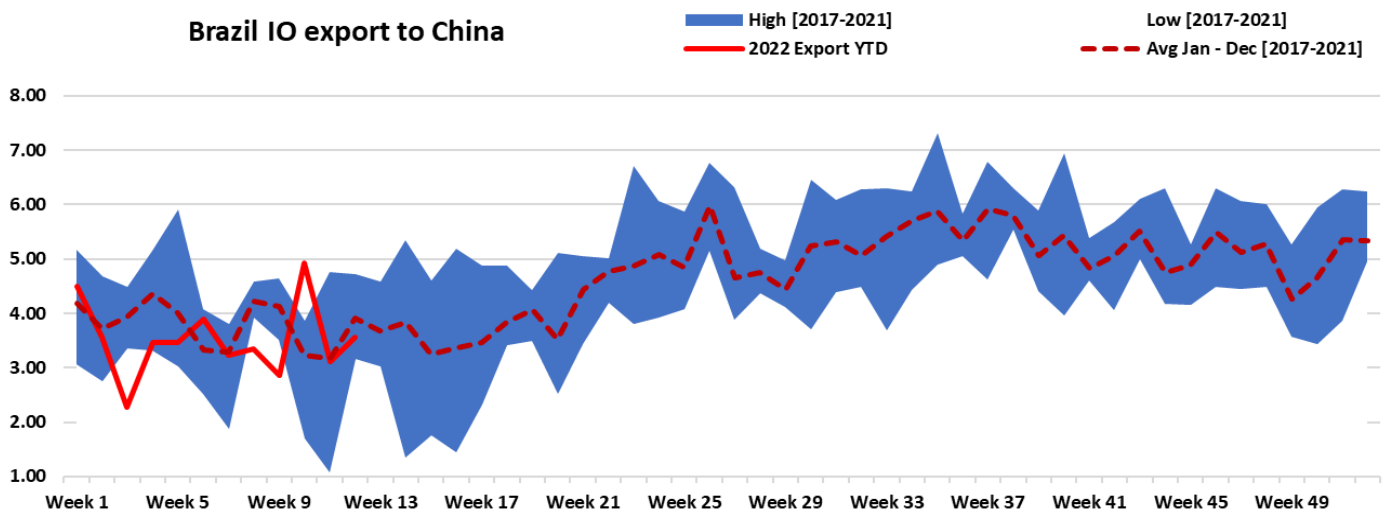
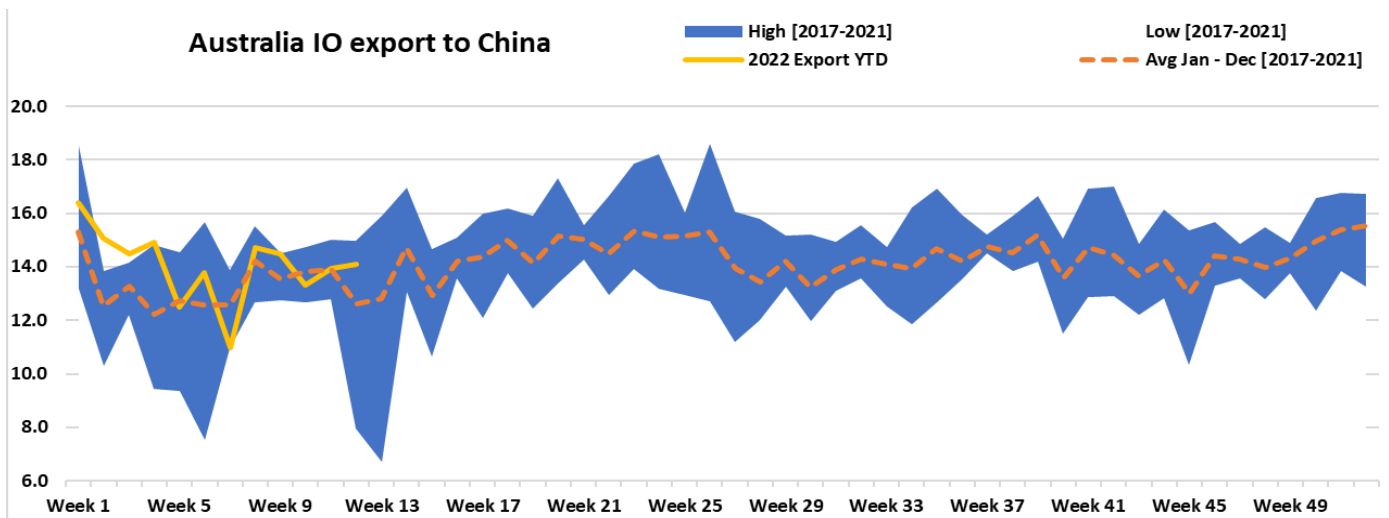
Dry Bulk Trades/Iron Ore

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
Global	111.5	128.0	410.4	415.8	409.3	380.1	1615.6	1600.1

Iron Ore Key Routes

	IO Export Million mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Australia-China	14.1	13.9	1.2%	12.30	11.74	4.8%
Brazil-China	3.6	3.1	14.8%	28.47	29.12	-2.3%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Seaborne coal prices continued to rise as Europe ramped up coal burning as an alternative to Russian natural gas, as a result international buyers rushed to secure their fuels. Coal prices seem nowhere close to a peak on the back of Europe’s plan of cutting Russian gas by two third this year, although the top importer countries, such as India and China, started to pick up more Russian coal in more competitive prices to form new trade pattern.

Global coal demand remained strong with a total of 26.6 million tonnes shipments reported last week. As the chart showed below, Australia coal shipping to Japan returned back to seasonal average with 2.2 million tonnes reported last week after the weather related delayed. Whilst Indonesian exports to China climbed up further to be nearly double the average volume at this time of year, with 4.5 million tonnes of coal shipping reported last week. For other suppliers, coal shipment from US was forecast at 7.1Mmt for March and increased 9% to 19.2Mmt in Q2 due to high demand from Europe and Turkey.

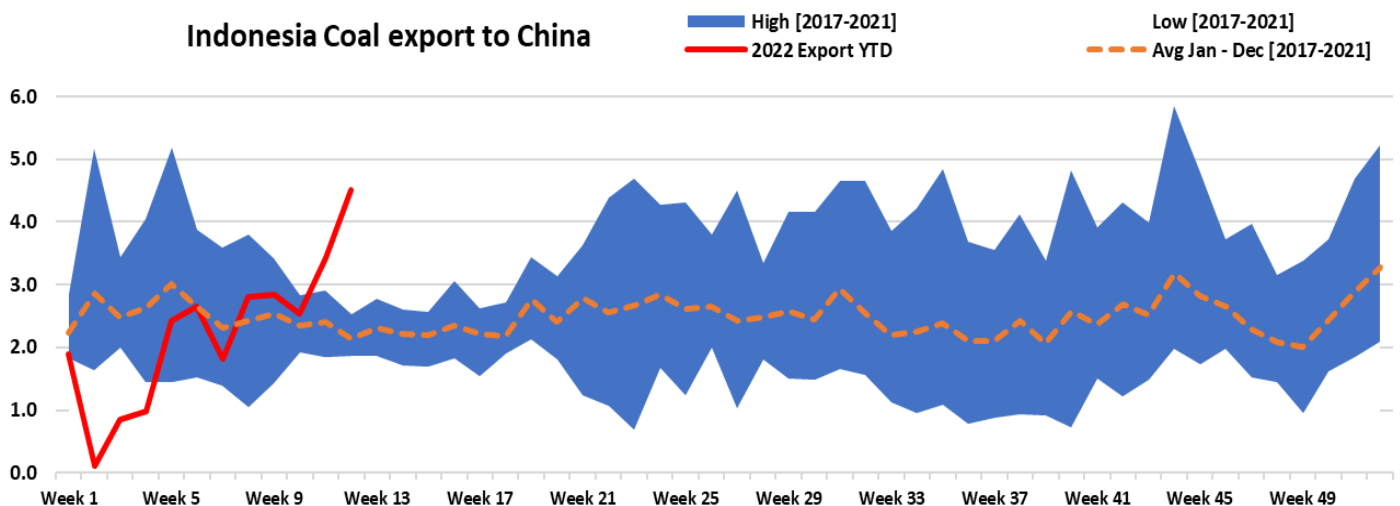
Dry Bulk Trades/Coal

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
Global	97.9	81.3	311.7	320.7	307.7	299.8	1240.0	1194.9

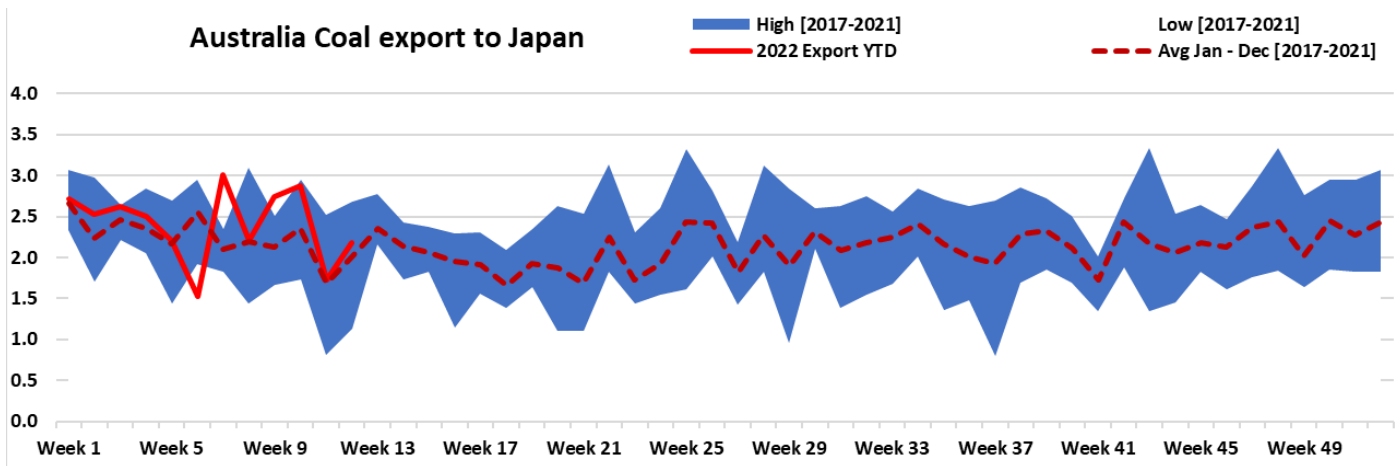
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	4.5	3.4	31.6%
Australia-Japan	2.2	1.7	26.2%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Dry Bulk Trades/Agri

Grains prices jumped up further for most of the week as exports from the Black Sea remained disrupted from the war in Ukraine, the price rally in corn and wheat was halted before weekend due to the effort of ongoing diplomatic talks between Ukraine and Russia. Soybean stayed in a steady range as farmer selling had begun with Apr and May shipments traded at higher values, with local consultancy Agrural outlining that 69% of the harvest was completed on 18 March. Furthermore, the Argentine government raised export taxes on soybean from 31% and 33% to curb inflation and ensure domestic supply, but encouraged farmers to grow and export more as a major global supplier of agricultural products.

Elsewhere, Indian authorities are on the task of increasing its road efficiency and port terminals, preparing to ship wheat to Egypt amid the global supply shortage, with talk of exports to other North African countries also heard.

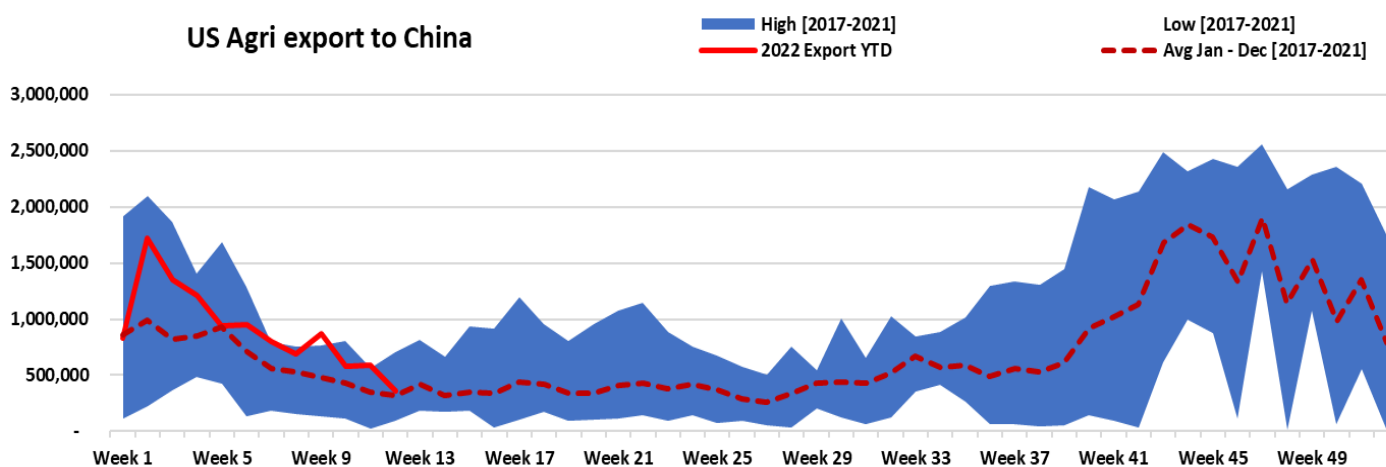
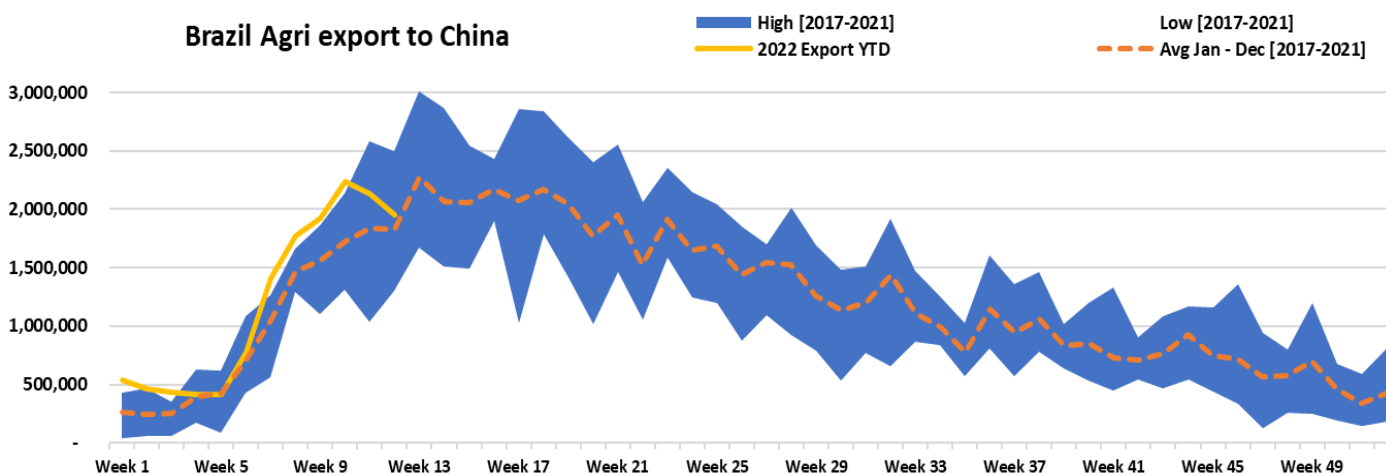
According to IHS Markit Commodities at Sea Service, US Agri shipment from the United States stayed around 2.6 million tonnes last week. While shipments from Brazil declined by 16.6% to 3.3 million tonnes, exports to China also came off noticeably but still remained at healthy level.

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
Global	51.7	49.6	158.2	155.2	165.7	160.6	639.6	618.8

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	1,953.2	2,128.7	-8.2%	65.0	68.7	-5.4%
US-China	361.6	586.4	-38.3%	75.2	78.3	-4.0%

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