

FIS Dry Freight Weekly Report

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29/03/2022

Market Review:

Capesizes were under significant pressure from lower demand out of China as the nation battled a stage up Covid outbreak, while Panamaxs and the smaller size vessels received support from the increasing coal tonnage demand, set against a looming risk of reducing grain activities from key regions depressing futures rates at the back end of the year. With commodity prices continuing to surge, the market was concerned it would eventually lead to demand disruption in the medium term.

Freight Rate \$/day	28-Mar	21-Mar	Changes %	Short Term	Sentiment
Capesize 5TC	14,380	20,481	-29.8%	Neutral	-
Panamax 4TC	29,410	25,225	16.6%	Neutral to Bullish	↗
Supramax 10TC	32,897	32,440	1.4%	Neutral	-
Handy 7TC	32,166	30,322	6.1%	Neutral	-

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	244	+40	153 (+20)	68 (+11)	18 (+8)		
Panamax	338	-11		180 (+27)		77 (-18)	49 (-7)
Supramax	463	+15		96		58 (-2)	291 (+12)

Capesize

Capes lost ground last week on the back of uncertain iron ore demand as China intensified Covid control measures, causing steel mills in key regions to lessen their raw material purchasing, as some had to halt production. In terms of fixtures, charterers seemed to be on the winning side as owners had to lower offers due to increasing tonnage in the spot market. The C5 iron ore route (West Australia to China) fell further from the previous week to below \$12; fixing rates in the first half the week were between \$11.15 - \$11.35 on 6-10 Apr laycan dates, although on Thursday a brief jump to \$11.70 was seen, triggered by bunker prices making an upward move, before slipping again to around \$11.60 before the weekend. On Monday, West Australia to China was marked below \$10.80. In the Atlantic, Tubarao to Qingdao with iron ore (the C3 route) followed a similar trend, and rates started at high \$27s before dropping to \$26.50 for mid Apr laycans. However, even with the increasing tonnage in the Atlantic, numbers of cape vessels taking coal stems increased notably amid widened premiums with Panamax amid strong demand, with around 8.4 million or 29% of coal shipped by Capes last week. On the demand side, construction and manufacturing activities were halted in the Covid affected cities in China, and as a result iron ore seaborne and portside interest from Chinese buyers remained low, despite iron ore prices gradually recovering last week on the market expectation of recovering demand once the difficult situation eases. The underlying iron ore market returning to neutral sentiment, alongside healthy coal demand, may well provide a floor for the Cape market in the coming months. Elsewhere, HSFO rose more than VLSFO with Sing 380 and 0.5% fuel oil assessed at \$655 and \$868 respectively on Friday.

Capesize 5TC Apr Trading Range

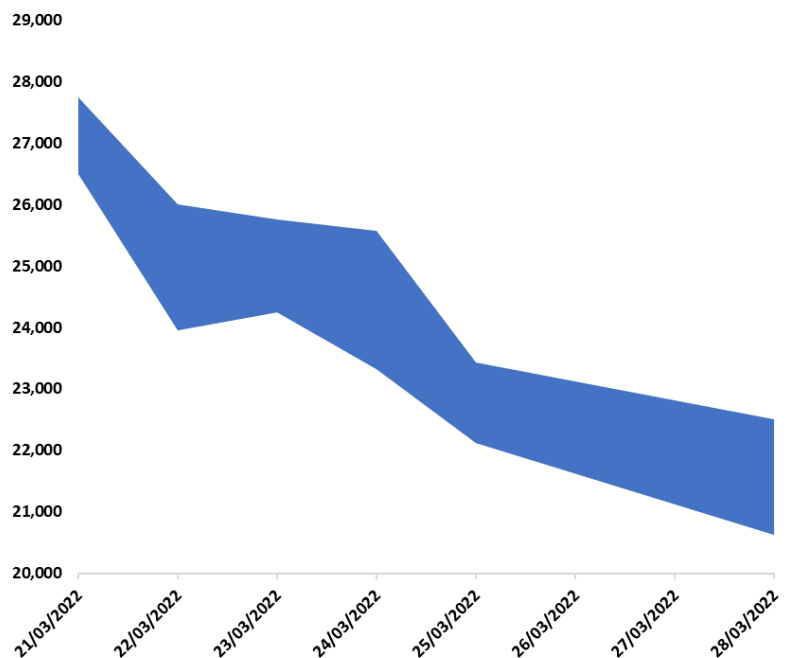


Chart source: FIS Live

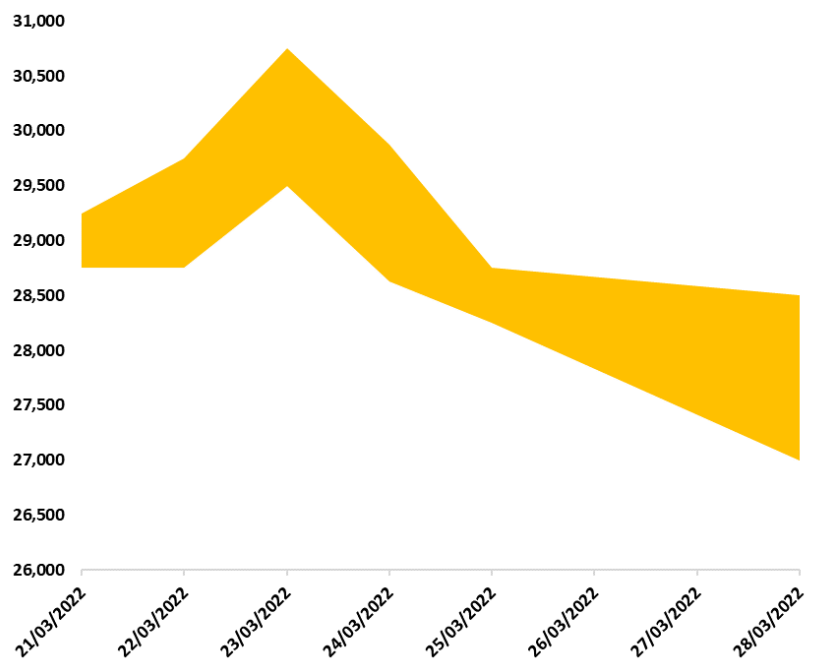
In the paper market, Capes lost ground over much of the week, with the Apr contract losing some \$5,000/day. As sentiment sagged early in the week, this weighed on the futures, with the hardest hit being prompt months. There was choppy trading mid-week, as some resolute buying interest held the bearish tide a bay at certain points. However, the negative sentiment slid into the weekend and into this week, with the Capesize 5 T/C being marked down by \$1079/day to \$16,333 on Monday. The Q34 contract remained well supported however, suggesting that there is belief that the physical may turn around in the near future.

Short run Neutral

Panamax

Panamax physical stayed firm throughout the week, as a backdrop of healthy coal demand continued. Last week we had the top two exporters - Australia and Indonesia - continue to boost shipments, together totalling 28.6 million tonnes, according to IHS Markit Commodities at Sea Service data, with Indonesian coal exports making further record weekly highs of over 10.8 million tonnes. On top of the strong coal demand providing good support to the Panamax rates, improving grain business set a bullish tone in the market. Market sources said tonnage for trans-Atlantic rounds become very tight with charters giving in, and fixtures from NC South America redelivery Skaw-Gibraltar rose from \$28,500 to \$32,000 as the week progressed, while East Coast South America redelivery Singapore-Japan also firmed up to \$33,500 as the highest. In the Pacific, Australia round voyages returned to \$30,000; East Coast Australia redelivery India was heard between \$27,000-\$28,000 for late March laycan. Trips via Indonesia redelivery Japan were heard at \$26,500. The market closely monitored developments in Black Sea region, while international buyers relied on South American exporters to fill the gap in supply for now.

Panamax 4TC Apr Trading Range



In the Panamax futures market to begin with it seemed to defy the Cape negativity, with rates nudging up on good volume, April and Q2 traded up to \$29500 and \$30000 highs respectively, while further out Q3 traded \$27850 and Q4 up to \$25600 highs with Cal23 trading inside \$17300-17350 range. This was not to last as some long positions were unwound and balance of the year contracts gave up an average \$1750-1500 and weight remained in the offer side into this week.

Short run neutral to bullish

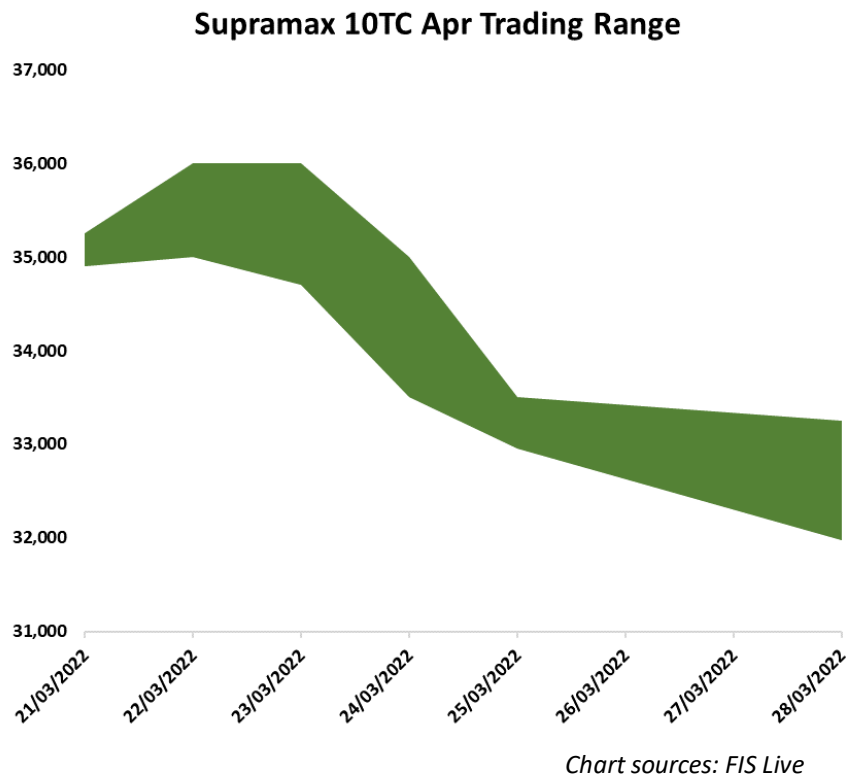
Chart source: FIS Live

Supramax

Supramaxes started the week on a positive note before taking a turn, eventually closing the week with only small gains. Despite limited activity reported from the US Gulf, the market remained balanced, as solid coal demand lent support along with a quick recovery in Mediterranean region. In terms of fixtures, cargoes delivery to Egypt were heard at better rate of \$29,250-\$30,500, in addition, business started to get going in Black Sea region with a voyage to China were rumoured at \$29,000. However, rates in Asia slipped a touch with the key route Indonesia to China fixtures sliding from \$45,000 to \$40,000.

In a similar fashion to the Panamaxes, there was some positive moves at the beginning of the week, encouraged by some firmer underlying, with March and April pushing to respective highs of \$31800 and \$35750, although gains on the backend of the curve were more limited. Despite continued firm underlying physical the paper shifted lower, feeling the trend of the other vessel sizes. The end of the week saw April drop to below \$33,000/day and losses extended into the deferred periods, with Cal23 slipping to \$16,800.

Short run Neutral



FFA Market

It was a comparably less active week for FFAs with trading volumes of over 47,900 lots posted on exchanges, and strong activity also seen in both Cape and Panamax options with over 4,000 lots and 3,780 lots respectively traded. In the futures market, Capes and Panamaxes traded respectively around 2,690 lots and 3,050 lots per day last week, Supramaxes followed right behind with 1,730 lots traded per day last week. Main actions focus on Apr, Q2'22 and Cal23 contracts. Open Interest continued to build up with futures losing values, on 28 March Cape 5TC 172,533 (+5,581 w-o-w), Panamax 4TC 229,369(+2,843 w-o-w), Supramax 10TC 93,003 (+1,407 w-o-w).

FFA Market Indexes

Freight Rate \$/day	28-Mar	21-Mar	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	14,380	20,481	-29.8%	14,786	13,070	18,025	16,529	15,129
Panamax4TC	29,410	25,225	16.6%	21,585	8,587	11,112	11,654	9,766
Supramax10TC	32,897	32,440	1.4%	24,832	8,189	9,948	11,487	9,345
Handy7TC	32,166	30,322	6.1%	23,709	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	28-Mar FIS Closing	21-Mar FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Apr 22	21000	26625	-21.1%	27,750	20,400	34,000	17,750
Capesize5TC Q2 22	27250	31250	-12.8%	33,500	26,850	34,000	20,750
Panamax4TC Apr 22	27625	29125	-5.2%	30,750	27,125	33,750	19,000
Panamax4TC Q2 22	28000	29250	-4.3%	30,750	27,750	33,000	16,050
Supramax10TC Apr 22	32000	35000	-8.6%	36,000	31,750	38,000	19,900
Supramax10TC Q2 22	32000	33800	-5.3%	35,500	29,150	35,750	19,900

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

April Futures – The RSI has moved below 50 with price now trading below the USD 21,232 support, from a technical perspective the trend is considered as neutral. Downside moves below USD 16,200 fractal support will create a lower low will meaning the technical is bearish. Upside moves that fail at or below USD 26,161 will leave the technical vulnerable to further tests to the downside, above this level the futures will target the USD 29,000 high. Near-term price action in the April contract looks vulnerable; however, we roll into the May futures in a couple of days, and this is trading at a USD 7,000 premium to the April which based on today's levels will put price above the USD 26,161. This could be significant for the technical as the seasonality chart starts moving higher in early April.

Panamax

April Futures – We highlighted last week that the technical had a neutral bias with upside moves that failed below the USD 30,725 resistance remaining vulnerable to further tests to the downside. The futures traded to a high of USD 30,750 but failed to hold above it with price once again correcting, suggesting the futures are potentially in a complex corrective Elliott wave 4. Upside moves above the USD 30,750 fractal resistance will be bullish, implying the USD 33,625 high could be tested. Likewise, downside moves below USD 27,037 (currently USD 27,262) will weaken the technical further, warning that the USD 25,125 fractal support could be tested. Seasonality is now leaning to the sell side with the index showing a negative divergence, the index remains bullish above USD 22,750 and bearish below. Technically neutral, there are warning signed that support levels could be tested and broken.

Supramax

April Futures – We noted last week that the futures had traded above the USD 35,195 resistance, meaning price had a bullish bias with the futures, if price could trade above and hold above this level then we would target the USD 38,000 high. Price failed to hold above the resistance level with the futures now testing the USD 31,603 level, if it holds it will support a bull argument, if broken we target the USD 29,750 fractal low; however, the longer-term trend remains bullish above USD 26,750. Like the Panamax seasonality is now leaning to the downside until mid-April with the index moving lower on the back of a negative divergence, this is warning that near-term support levels could be tested. Elliott wave analysis does still warn that we could have a test to the upside; however, the technical itself is neutral at this point.

Chart source: Apr Cape 5TC from Bloomberg



Dry Bulk Trades/Iron Ore

Iron ore prices gradually made their way up to \$150 last week despite the ongoing production curbs under Covid measures. Tangshan was under temporary lockdown since last Tuesday as Covid cases surged, market sources reported that the local mills were either lacking raw materials or having a build up of steel inventories due to transport restrictions. Not only is Tangshan facing supply disruptions for raw materials, steel mills in other regions also started to struggle with logistical delays due to lockdown measures, with up to today about 20 steel mills issuing plans to hold maintenance over the next few months according to Mysteel. However, iron ore prices rallied on the back of the surging prices in oil and base metal markets, also the news of China's industrial profit growth in the first two months of this year. According to National Bureau of Statistics (NBS), the nation's industrial profit was up 4.2% against last December and up 5% YoY, with the significant increase mainly due to surging commodity prices. Moreover, domestic steel prices have rallied for a fourth consecutive week, with market expectations that steel prices will persist which alternately support the iron ore demand, especially now China has resumed steel and pig iron ore exports to the US since the pause in 2018 due to the China-US trade war.

Last week Australian iron ore shipments to China rose above 16.4 million tonnes. For the shipments from Brazil to China, we saw volumes make another jump to 4.5 million tonnes, reaching the high of the seasonal average, 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.

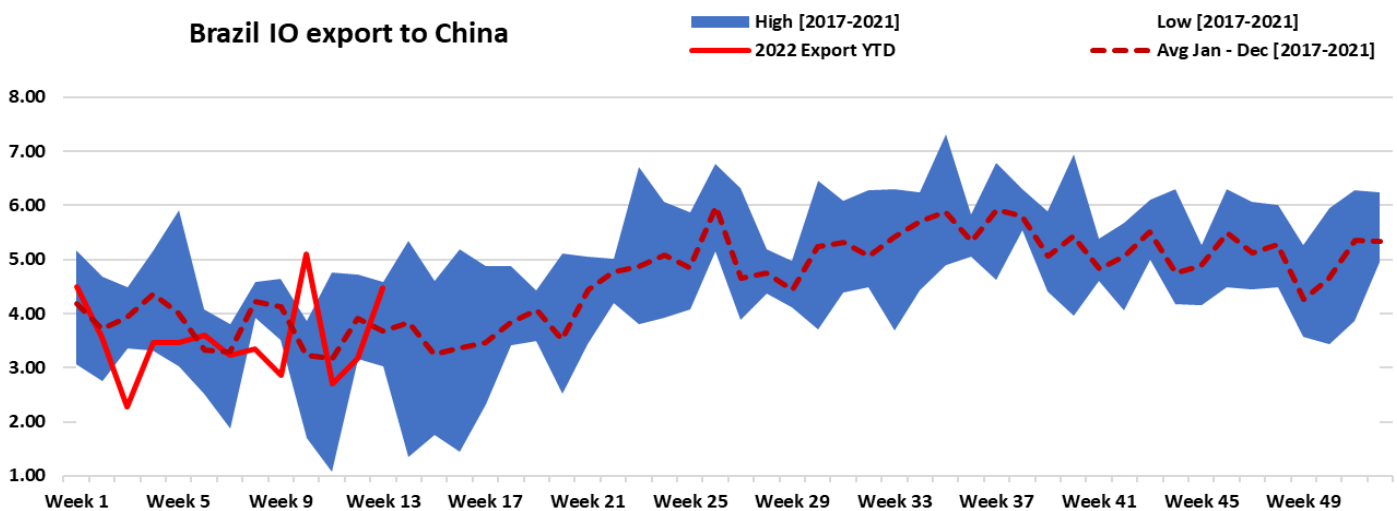
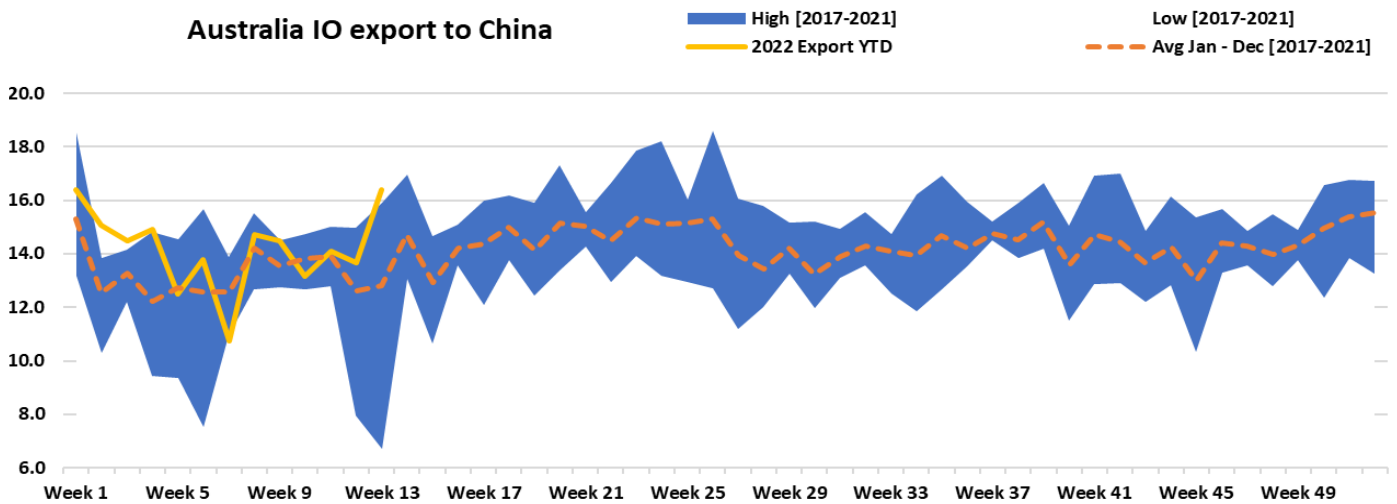
Dry Bulk Trades/Iron Ore

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
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	16.4	13.7	19.8%	11.53	12.30	-6.3%
Brazil-China	4.5	3.2	40.8%	26.87	28.47	-5.6%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Seaborne coal prices retreated from historical high levels as the market started to digest the situation from the Russian-Ukraine war. Fundamentally the market was slightly weaker as Chinese port faced longer logistic delays and increased inventories. However, market sources reported that domestic coal prices rose as the market was optimistic the Chinese government can control the Covid outbreak max in a month time. Nonetheless, coal demand was still solid with total shipments up 10.4% to a total of 28.6 million tonnes last week according to IHS Markit Commodities at Sea Service.

As the chart shows below, Australian coal shipments to Japan broke the high end of the seasonal average with 3.3 million tonnes reported last week after the weather related delayed. Whilst Indonesian exports to China shot up to be more than double the average volume at this time of year, with 5 million tonnes of coal shipped reported last week.

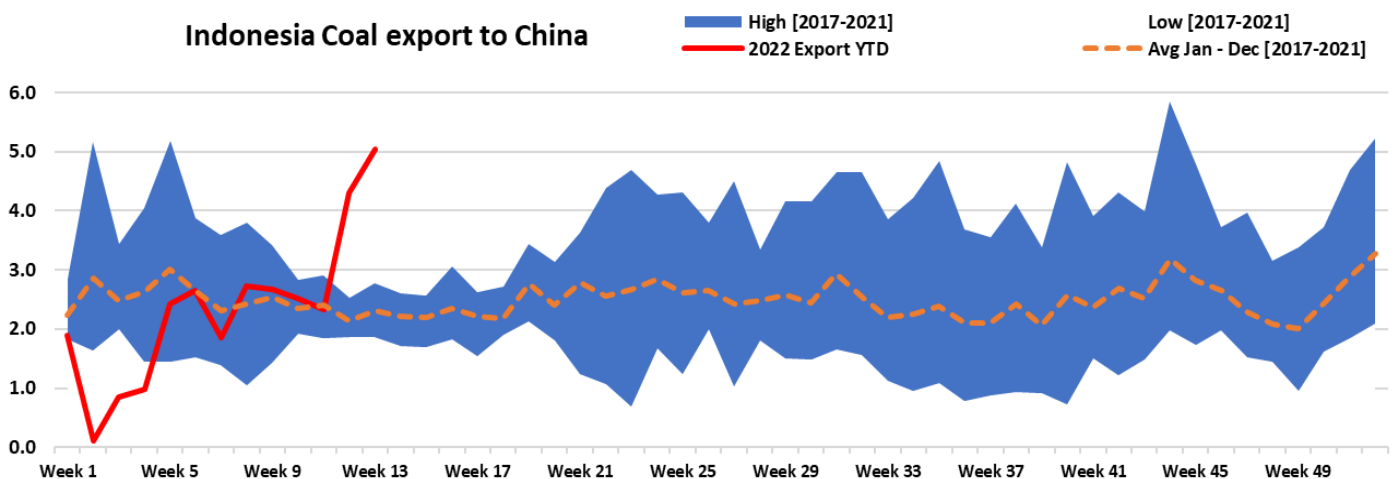
Dry Bulk Trades/Coal

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

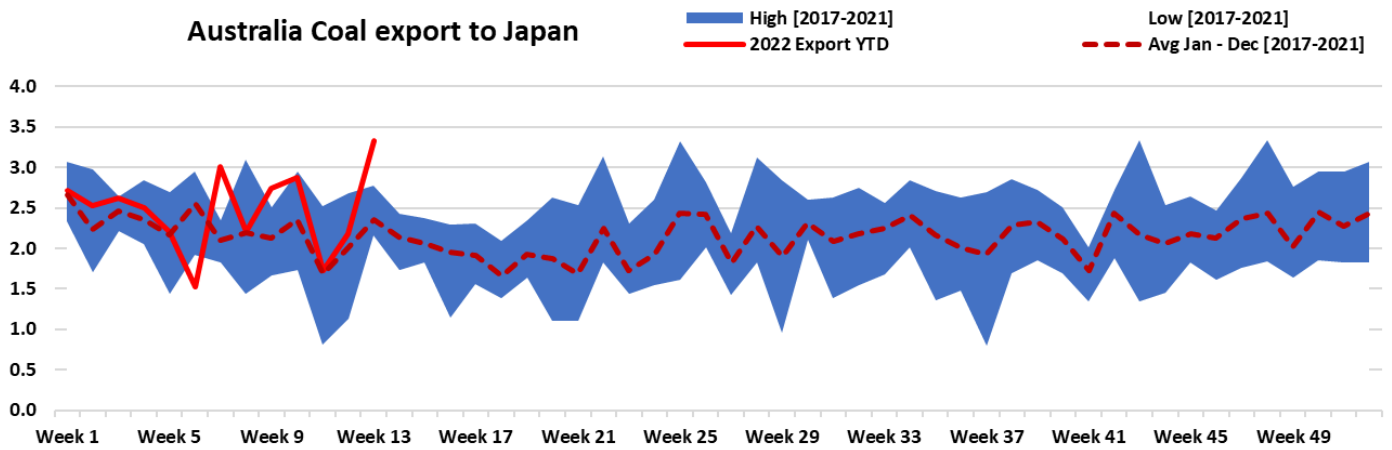
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	5.0	4.3	17.1%
Australia-Japan	3.3	2.2	52.9%

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 continued to rise last week following Russia's invasion of Ukraine threatening supply, although it struggled to hold on to the large gains, and posted some declines last Thursday, as investors awaited the coming U.S. Department of Agriculture (USDA) crop report for a clear direction of the fundamentals. On a related note, fertiliser costs spiked to another record high which caused concern for future agricultural supplies.

Brazil ramped up its exports last week to 4.2 million tonnes last week, up 22.5% w-o-w, data from IHS Markit Commodities at Sea Service showed, with half of the shipments destined to China (2.1 Mmt, +4%) while sharp demand from NW Europe (770kt, +70%). In addition, grains shipment from Russia in Black Sea region has gradually picked up to 300kt last week, towards the lower range of seasonal level of 250-650kt same period in the past 3 years, indicated Russian grains shipments were began to resume. For those heavily grains dependence countries, who will have to pay high premiums to compensate the risk to load from Russian ports, which will support the supramax and handy rates in near terms.

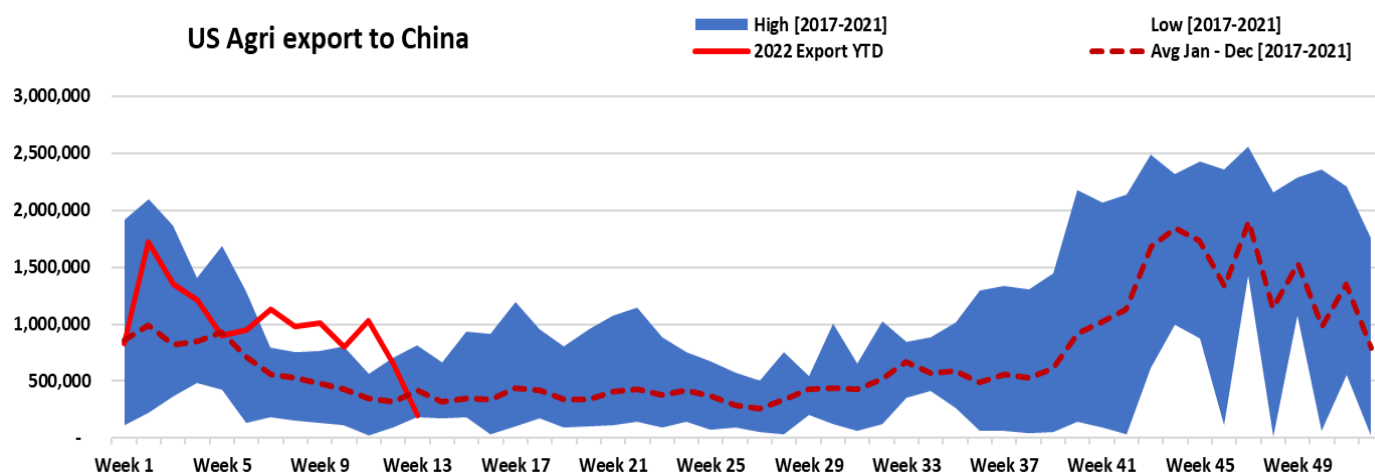
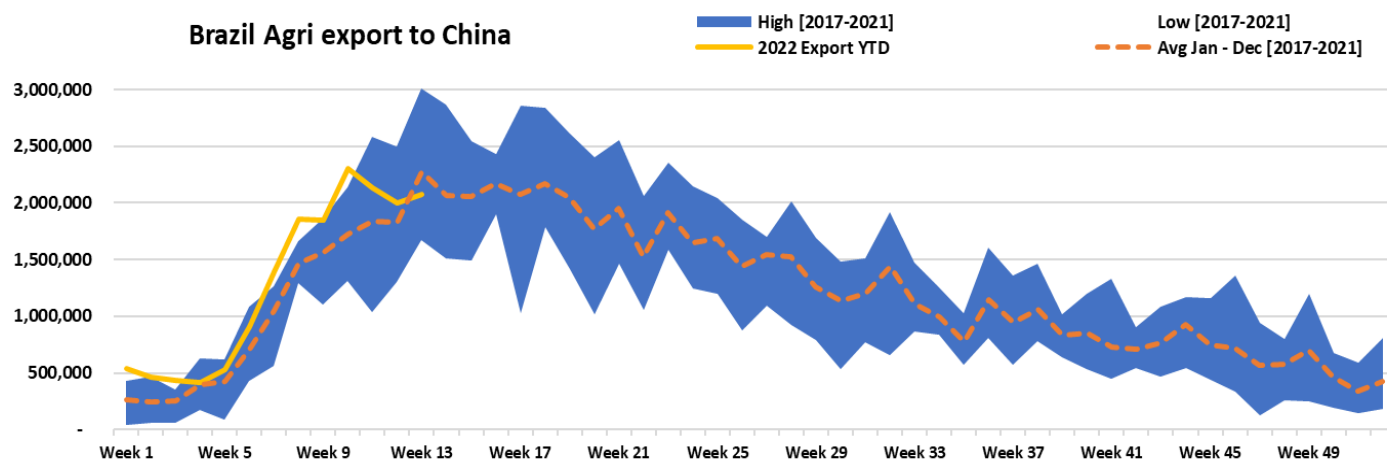
According to IHS Markit Commodities at Sea Service, US Agri shipment stabilised at 2.6 million tonnes last week, with increasing demand from NW Europe. While shipments from Brazil jumped to 4.2 million tonnes, exports to China have improved from previous weeks but still below the seasonal average.

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	2,076.5	1,997.7	3.9%	67.4	65.0	3.7%
US-China	198.3	647.2	-69.4%	77.2	75.2	2.7%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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