

FIS Dry Freight Weekly Report

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Market Review:

Capesizes continued to post the biggest gains among all vessel sizes, leading the pack into positive territory, with Panamaxes and the smaller size vessels edging up from their current highs. The strong gains were driven by robust coal demand from India and Europe, as well as some relief at the news Shanghai plans to relax its Covid lockdown measures in June.

Freight Rate \$/day	16-May	9-May	Changes %	Short Term	Sentiment
Capesize 5TC	32,581	26,412	23.4%	Bullish	↑
Panamax 4TC	27,832	27,757	0.3%	Bullish	↑
Supramax 10TC	30,224	30,057	0.6%	Neutral	-
Handy 7TC	30,004	29,708	1.0%	Neutral	-

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	227	+3	138 (-11)	62 (+9)	17 (+3)		
Panamax	351	+8		164 (+13)		87 (-8)	62 (+2)
Supramax	457	+5		74 (+7)		62 (-13)	305 (+25)

Capesize

Overall, it was another bullish week for Capes on physical, with all routes posting gains and the 5TC index stepping up to the \$30,000-mark at mid-week driven by strong coal and healthy iron ore demand. Most of the drive came from the Pacific region, as fixtures concluded in quick order at higher levels, with the speed of these fixtures boosting owner confidence. The key C5 iron ore route (West Australia to China) was fixed initially just shy of \$14 for late May loading dates, but once it broke through this threshold on Wednesday, higher fixtures were heard between \$14.85-\$15.15 for the rest of week. The big positive highlight of the week was Australian and Indonesia coal demand from India, which gave significant support to the larger vessels. Last week around 6.3 million tonnes of coal were shipped to India, up 55.5% w-o-w, IHS Markit Commodities at Sea Service data showed. In a continuation of the observation in the last report, over half of the coal shipped to India was carried by Capesize ships. India has had to ramp up its coal imports due to low domestic stocks and early arrival of a heatwave, and therefore high volumes of coal shipments to India are expected in the coming weeks, until the monsoon season starts in June. In terms of rates, a coal stem from Indonesia to India at \$13.50 for 22-26 May loading dates. Other trips included Nacala to India were heard at sub \$16.50 for end of May date. A market source said owners favoured shorter trips, expecting a further increase in rates.

Capesize 5TC Front Month Trading Range

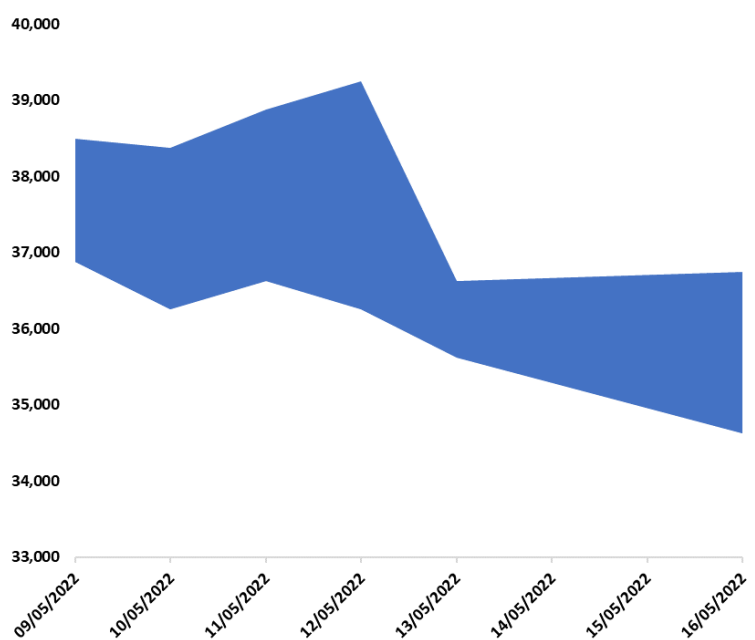


Chart source: FIS Live

The Atlantic basin was calmer, with the C3 route from Tubarao to Qingdao fixed around \$35 for late Jun to early July dates throughout the week. Iron ore cargoes from Saldanha Bay to Qingdao were fixed between \$25-\$25.45 for early Jun dates. It is worth noting that the Cape/PMX spread reversed from a -\$5300 differential in early May to +\$4750 on Monday. The last time Capes were marked higher than Panamax was December 2021, and if rapid gains continue on the Capes, some charterers may shift to Panamaxes, ultimately limiting the upside for the big ships. Furthermore, the downside risk of weaker iron ore demand from China persists, with the ongoing lockdowns in China driving broadly bearish views in equity and metals markets.

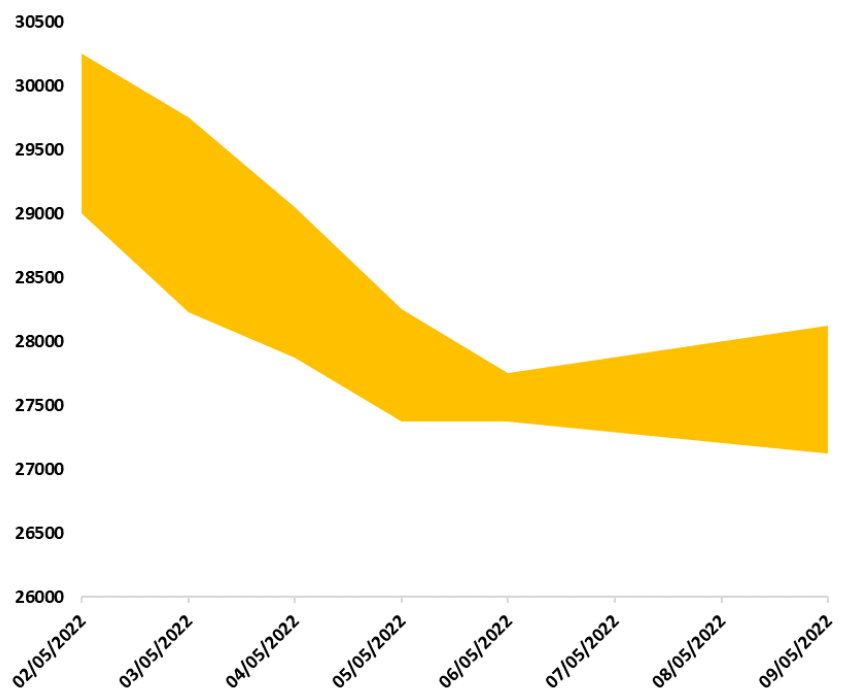
The Capesize FFA market was choppy the last week, with gains frequently reversing themselves the following day, and with most of the curve ending slightly down week-on-week. Sentiment at the start of the week had been positive off the back of increased tonne miles on coal flows from Asia into Europe, together with the Brazilian majors finally starting to pump, leading to a short term squeeze with owners and operators finally having some leverage over the miners. C5 rates pushed beyond \$14.00 and C3 headed closer to \$34.00, dragging the front of the curve, with May pushing above \$30,000/day, but the rest of the curve saw losses, perhaps mainly over the large carry from spot to later FFA periods. The June contracted ended the week slightly down from \$37,500 to \$36,250, Q3 down from 38,500 to 36,000, and Cal 24 from \$21,000 to \$20,500.

Short run bullish

Panamax

A The upward momentum in Panamaxes paused in later part of last week, impacted by a sluggish Atlantic market. Although fronthaul trips of minerals and grains to the Far East remained positive, down in the South Atlantic activities were quieter, with falling rates. As some charterers were anticipating further corrections they took a step back, and the market witnessed prices head lower before the weekend. Fixtures heard included US Gulf redelivery Far East at \$43,000, Trans-Atlantic trips redelivery Skaw- Gibraltar were fixing higher between \$30,000-\$32,000, while in the south, cargoes from EC South America redelivery Singapore-Japan were fixed \$3,000 lower at around \$30,000. On the other hand, robust coal demand kept the Pacific market looking healthy, with Indonesian routes being the most popular. Trips via Indonesia redelivery India were paid at \$23,000 for mid-May dates before lifting towards \$26,000 later in the week, and rates basis redel Japan were heard at \$27,000. Overall, Panamaxes received good support from the recent rally in Capes and expected high coal shipments in near term.

Panamax 4TC Front Month Trading Range



The Panamax paper of the past week was a slow slide downwards across much of the curve. Weaker Cape sentiment seeped into the market, with much of the front of the curve losing value at the start of the week. By Tuesday close May and June slipped to \$27250 and \$28250 lows respectively while Q3 broke \$29,000 support to print, at \$28500 on the low with Q4 following and dropping to \$24500. There was light volume as the market came towards the end of the week, printing levels just over \$1,000/day lower on prompt contracts.

Chart source: FIS Live

Supramax

Supramax managed to hold firm in a tight range despite an easing Atlantic market and lack of fresh enquiry from all sides. Activities out of the US Gulf were limited, but rates remained flat, with a trip from US Gulf to East Mediterranean fixed at \$40,000. A cargo with grain from EC South America redeliver Far East was heard at \$28,500. In contrast, more fixtures surfaced from Indonesia, including trips from Indonesia to China which were fixed from a low of \$20k to \$27,500 as the week progressed; Indonesia to Thailand routes also lifted from \$21,000 to \$25,000. Due to the Asian holiday on Monday, Supramax closed the week earlier on a quiet note.

Despite slightly firmer underlying the supramax paper week-on-week ended slightly down across the board. Despite May and June pushing to respective highs of \$32000 and \$33750 early on in the week and Cal23 and Cal24 trading to \$18000 and \$14900, this sentiment did not hold in the paper. A resolute spot above \$30,000/day could not hold back the tide as Tuesday and Thursday were marked by losses, with of \$1000 on June and \$1450 on Q4 on Tuesday and \$1300 June and \$750 Q4 on Thursday. A muted end to the week, but with rates moving up off the Thursday lows.

Short run neutral

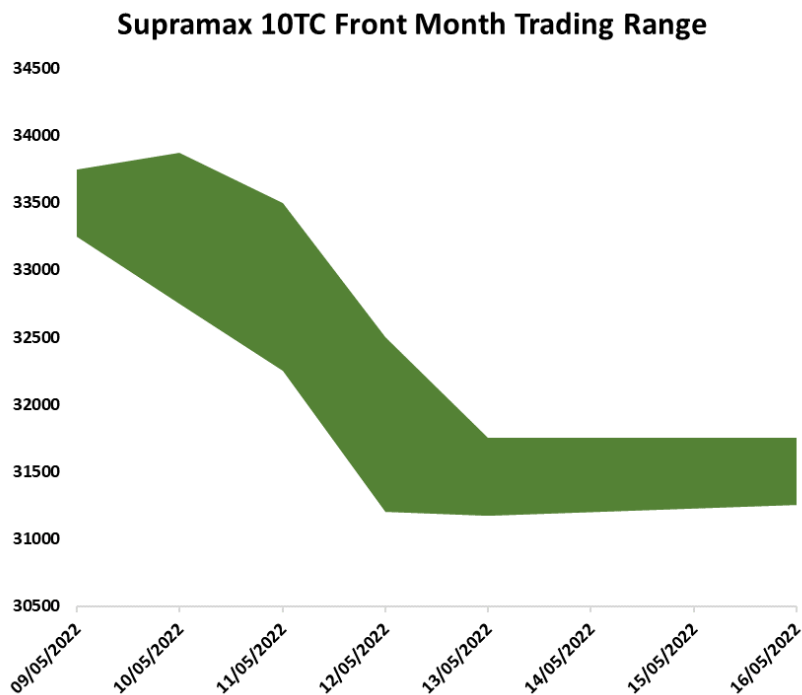


Chart sources: FIS Live

FFA Market

As market participants gradually returned from holiday, trading was initially thin for FFAs with trading volumes of about 38,000 lots posted on exchanges, but decent activity seen in Panamax options with over 5,600 lots traded among the total on options of 8,000 lots. In the futures market, the new route P6-82 Singapore round voyage via Atlantic had its first two trades of 120 days done at FIS. Overall, Capes and Panamaxes traded respectively around 2,800 lots and 3,200 lots per day last week, Supramaxes followed right behind with 1,100 lots traded per day last week. Main actions focus on Jun, Q3'22 and Cal23 contracts. Open interest increased slightly along with rising prices, on 16th May Cape 5TC 160,314(+3,626 w-o-w), Panamax 4TC 205,651(+4,685 w-o-w), Supramax 10TC 92,015(+1,944 w-o-w).

FFA Market Indexes

Freight Rate \$/day	16-May	9-May	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	32,581	26,412	23.4%	15,907	13,070	18,025	16,529	15,129
Panamax4TC	27,832	27,757	0.3%	23,161	8,587	11,112	11,654	9,766
Supramax10TC	30,224	30,057	0.6%	26,452	8,189	9,948	11,487	9,345
Handy7TC	30,004	29,708	1.0%	25,470	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	16-May FIS Closing	9-May FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Apr 22	36,250	37,500	-3.3%	39,000	35,500	39,000	20,000
Capesize5TC Q2 22	36,000	38,500	-6.5%	38,750	33,250	38,750	21,500
Panamax4TC Apr 22	27,550	29,250	-5.8%	30,000	27,000	33,000	16,050
Panamax4TC Q2 22	27,750	29,500	-5.9%	29,950	25,650	30,700	16,050
Supramax10TC Apr 22	31,750	33,750	-5.9%	33,850	31,250	36,000	20,500
Supramax10TC Q2 22	30,400	31,500	-3.5%	31,700	27,750	31,700	19,625

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

June Futures – Last week we noted that the RSI on the 4-hour chart had produced a negative divergence, warning of the potential for a momentum slowdown, with downside moves below USD 36,500 indicating the futures had entered a corrective phase. We also noted that any corrective move lower had the potential to be countertrend. Price traded below the USD 36,500 support level to a low of USD 34,625; however as highlighted in the morning technical (16/05) if the RSI, which was near neutral moved above 50 then momentum was vulnerable to a test to the upside. Upside moves that fail at or below USD 37,674 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 39,250 high. Corrective moves lower that hold at or above USD 29,020 will support a bull argument, below this level the futures will have a neutral bias. Technically bullish but in a corrective phase, key support, and resistance levels to follow are USD 37,674 and USD 29,020.

Panamax

June Futures - Elliott wave analysis last week suggested we were on a bullish impulse wave 5 of this phase. However, the new high meant the futures had created a negative divergence with price, warning we had the potential to see a momentum slowdown, whilst downside moves below USD 28,875 would mean price had entered a corrective phase. The futures did move lower with price trading to a low of USD 27,375, corrective moves that hold at or above USD 26,620 will support a bull argument, below this level the daily technical will have a neutral bias, warning the USD 24,750 fractal support could be vulnerable. Likewise, upside moves that fail at or below USD 29,272 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 30,250 high. Technically bullish but in a corrective phase, market bulls will want to see the USD 26,620 support hold if tested.

Supramax

June Futures – Near-term bullish last week with the longer-term technical continuing to have a neutral bias, downside moves below USD 33,200 warned the intraday technical is weakening, leaving the USD 30,750 and USD 28,250 support levels vulnerable. The futures traded below the USD 33,200 support to a low of USD 31,175, the technical remains bullish but with a neutral bias. A close today (16/05) above USD 31,933 (currently USD 31,750) will mean the momentum based on price is starting to strengthen; however, upside moves that fail at or below USD 32,965 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 33,875 fractal resistance. We have now had two bullish waves since the 06/04/22, both of which only consist of 3-waves on the intraday technical. This is warning that the recent upside move is potentially part of a longer-term corrective phase, warning support levels could be tested. Technically bullish but with a neutral bias, support levels could be vulnerable here based on the recent price action since early April.

Capesize June 22 Morning Technical Comment – 240 Min



Chart source: Jun 22 Cape 5TC from Bloomberg

Dry Bulk Trades/Iron Ore

Iron ore prices recovered some of its losses this week after China’s Central Bank cut interest rates on new mortgages in its latest effort to support the property market. On Sunday, the People’s Bank of China announced a drop in interest rates for first time home buyers from 4.6% to 4.4% in order to promote the growth and development in the housing market. Following lower-than expected steel demand and an uptick in blast furnace operation and utilisation rate, iron ore lost over 8% last week as short-term demand seemed pessimistic. Furthermore, China’s crude steel output in April rose 5.1% from the previous month to 92.78 million tonnes, however the total output during Jan-Apr fell 10.3% YoY to 336.15 million tonnes, data from the National Bureau of Statistics (NBS) showed today. Elsewhere, market sources said Shanghai will aim to ease lockdown measures on 1st June, and return to normality by late June, as the number of covid cases decline.

Last week Australian iron ore shipments to China slipped below the seasonal level and stood at 14.3 million tonnes. For the shipments from Brazil to China, we saw volume also slowed down under 4.0 million tonnes, slightly above the seasonal average.

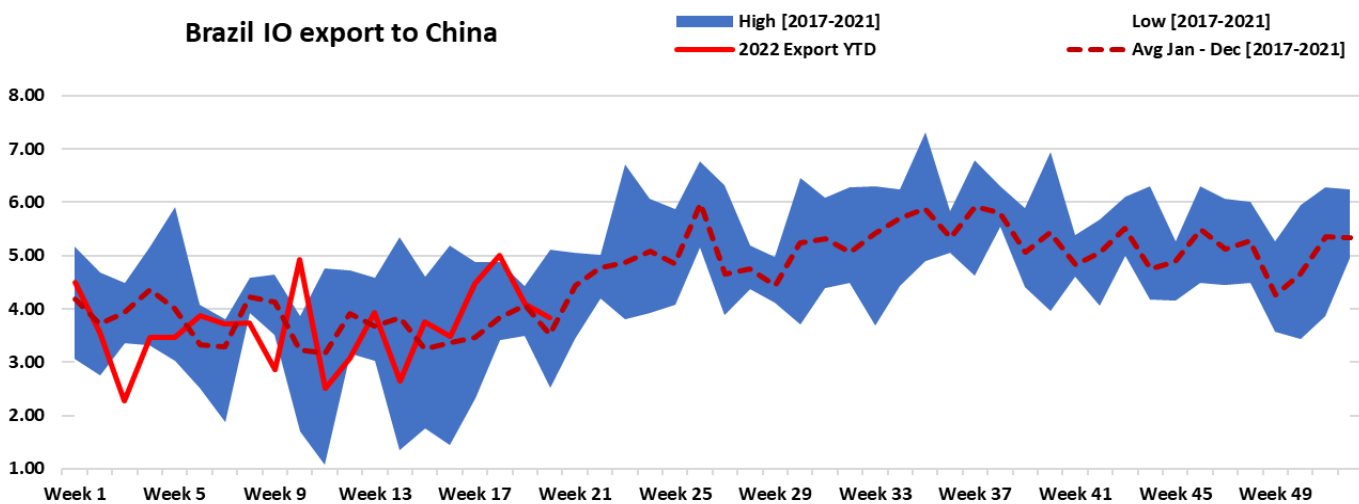
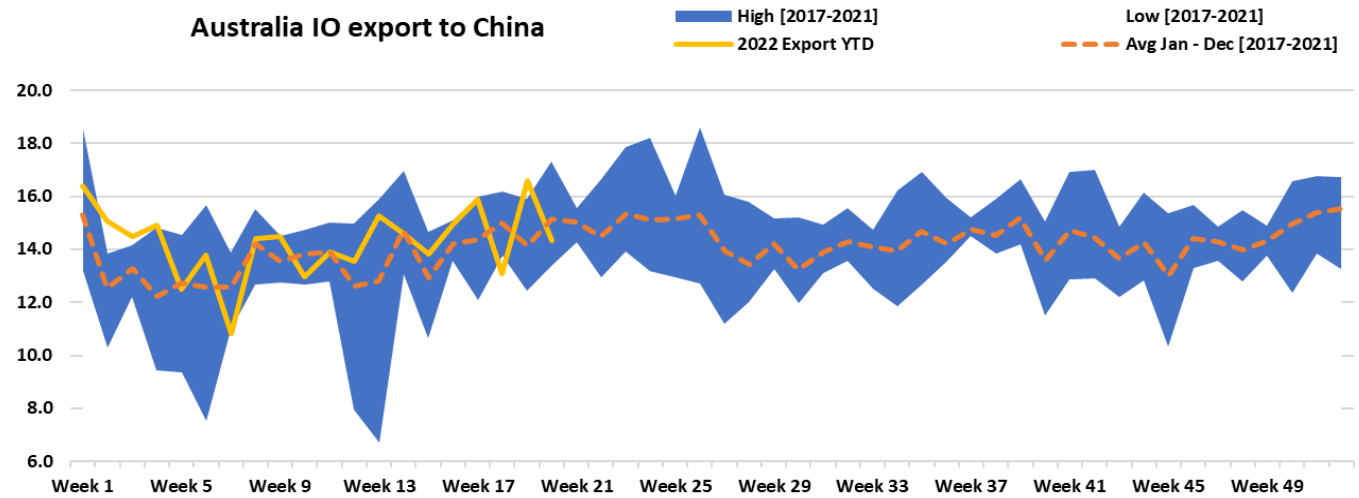
Dry Bulk Trades/Iron Ore

Export (million tonnes)	Apr-22	Mar-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Australia	74.6	76.5	219.1	236.1	233.9	235.4	922.9	922.4
Brazil	25.0	23.9	69.1	91.1	97.9	84.9	350.4	336.6
South Africa	4.8	4.2	13.8	15.1	15.1	13.9	57.8	56.0
India	2.8	3.2	8.1	2.1	5.3	14.4	39.0	50.8
Canada	4.7	4.6	11.7	15.0	18.1	11.3	57.3	58.1
Others	13.5	15.8	46.1	53.5	48.8	51.2	196.4	179.7
Global	125.3	128.2	367.8	412.9	419.1	411.1	1623.7	1603.6

Iron Ore Key Routes

	IO Export Million mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Australia-China	14.3	16.6	-13.5%	14.42	12.55	14.9%
Brazil-China	3.8	4.1	-6.5%	34.01	28.21	20.6%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Asian coking coal prices fell a touch as negative sentiment crept in ferrous markets combined with lower-than-expected steel demand from China. Furthermore, the drop in steel prices added further downside pressure on seaborne coking coal prices.

Global coal shipments were up 12% last week to a total of 24.8 million tonnes amid ongoing energy crisis and post covid economy recovery. In particular, coal shipments from Australian to India hiked up to 2.1 million tonnes last week (+129% w-o-w), as India rushed to double up their buying before the monsoon season arrived. Another coal provider – Indonesia – also ramped up its exports to India with a total of 3 million tonnes (+26.2%) shipped last week.

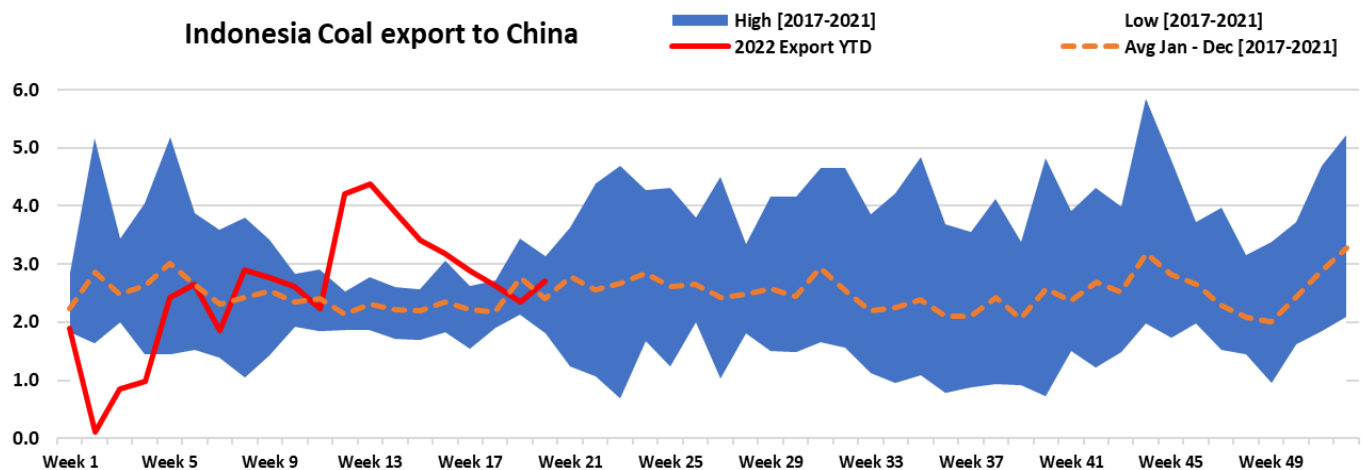
Dry Bulk Trades/Coal

Export (million tonnes)	Apr-22	Mar-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Indonesia	39.7	43.8	88.8	106.7	109.6	101.2	418.3	377.0
Australia	27.6	27.3	84.7	90.8	97.2	93.4	369.1	376.1
Russia	15.4	13.9	41.2	40.8	44.4	45.3	174.3	178.4
USA	7.4	7.1	18.3	17.9	16.0	18.0	69.5	56.0
Colombia	5.2	5.6	16.1	15.9	15.5	14.6	61.4	58.6
South Africa	4.3	4.7	14.3	17.1	14.0	15.2	60.9	72.8
Others	7.6	8.9	23.2	22.7	24.0	19.8	85.8	75.9
Global	107.3	111.3	286.5	311.7	320.7	307.5	1239.3	1194.9

Coal Key Routes

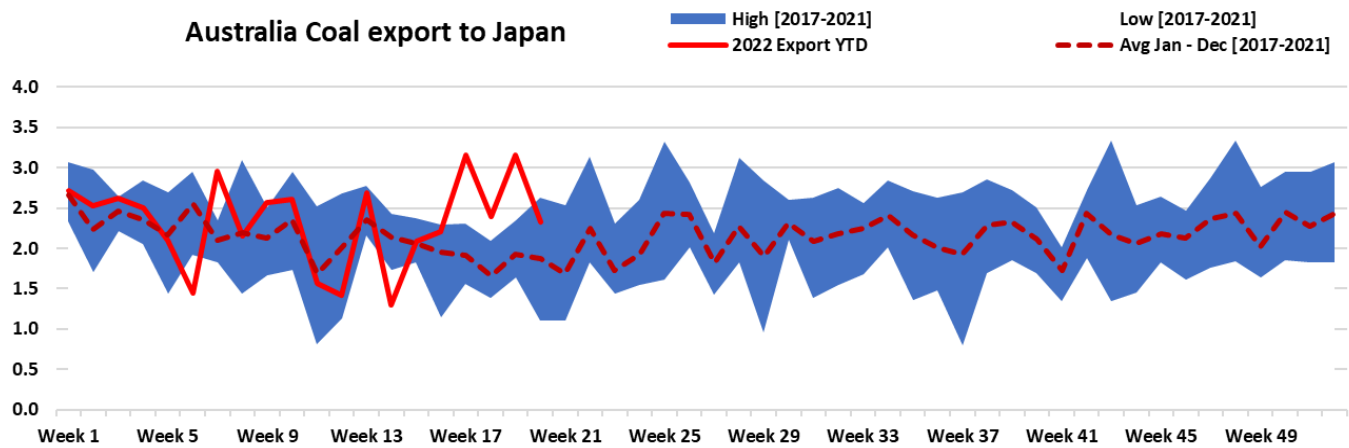
Coal Key Routes	Coal Export Million mt		
	Last Week	Prev. Week	Chg %
Indonesia-China	2.7	2.3	15.9%
Australia-Japan	2.3	3.2	-26.4%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Australia Coal export to Japan



Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

As the US boosted corn and soybean sales last week, along with market optimism on increasing US soybean demand from China, prices ended the week with modest gains; although a small loss on Friday was due to improved weather in the US Midwest. It seems that Brazilian farmers have preferred to hold on to their stocks until higher prices are offered. Market sources said some strong soybean trading activities for June and July loading cargoes were noted last week. Wheat prices lifted again from recent record highs after India banned wheat exports, while still performing on any prior contracts. In the USDA May forecast cited that Russian wheat exports could reach to 39 million tonnes in 2022/23 as the world's largest exporters, whilst Ukraine was short term assessed to ship only half of the volume around 10Mmt in the new agricultural year, bringing the global wheat stockpiles down by 12 million tonnes.

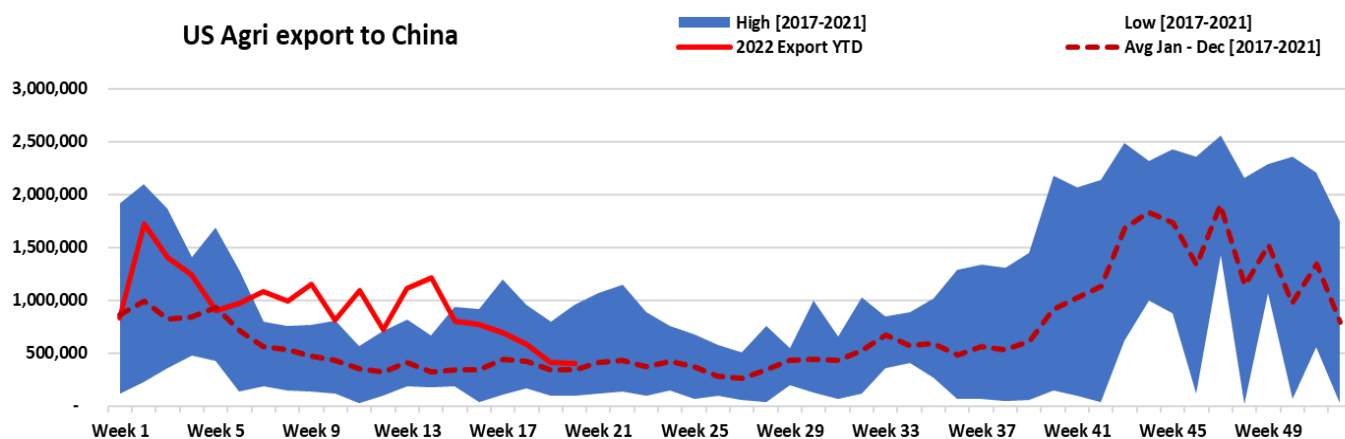
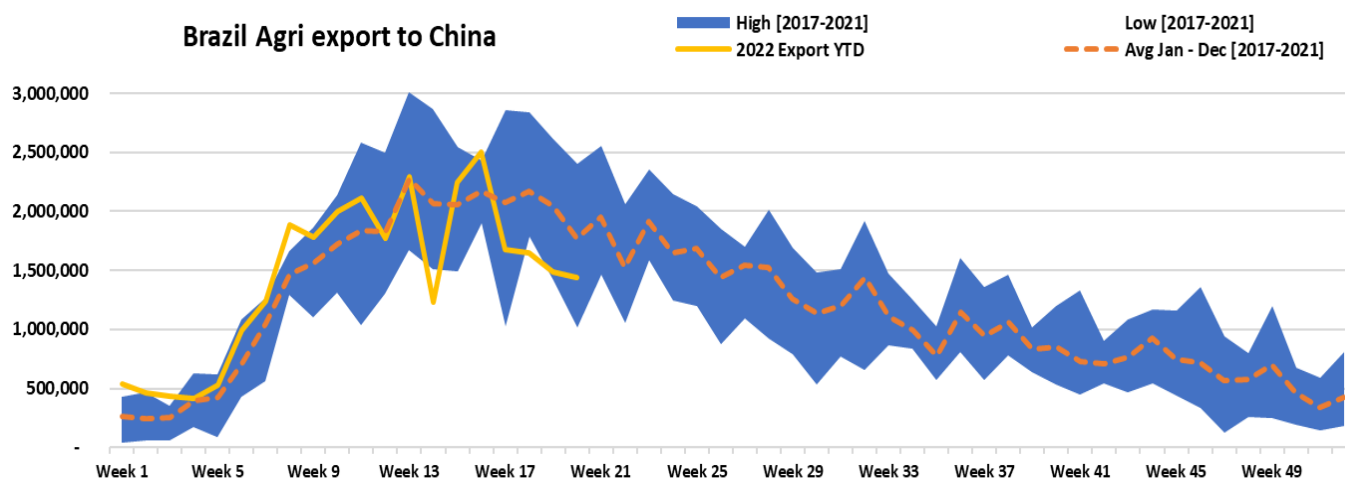
Last week, shipments from Brazil slightly fell 2% last week to 3.4Mmt, shipments to China alone slipped to a similar degree at 1.4 million tonnes. While US shipments improved 2.8% to about 2.4 million tonnes last week, data from IHS Markit Commodities at Sea Service showed. As the seasonality chart below shows shipments from US to China were still above seasonal average in three consecutive weeks, and there were rumours that China had increased buying through private tenders.

Export (million tonnes)	Apr-22	Mar-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Brazil	16.1	17.1	39.7	28.9	43.3	52.7	158.1	170.8
USA	11.8	12.4	37.8	43.2	21.6	32.5	141.4	141.4
Argentina	8.8	5.9	16.9	17.9	24.3	25.6	85.7	79.1
Ukraine	0.0	0.0	11.9	19.2	15.3	8.7	53.9	51.5
Canada	2.1	2.1	6.2	10.5	7.6	11.7	42.5	50.8
Russia	2.1	1.5	5.1	7.4	10.6	5.0	30.4	35.1
Australia	4.1	4.6	13.2	9.0	8.6	11.2	41.1	20.2
Others	7.7	9.6	26.3	23.0	23.9	17.9	86.4	71.5
Global	52.8	53.2	157.3	159.1	155.2	165.4	639.6	620.3

Agri Key Routes

Agri Key Routes	Agri Export mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Brazil-China	1438.9	1483.0	-3.0%	70.4	68.5	2.7%
US-China	402.7	412.0	-2.3%	81.6	79.0	3.3%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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