

FIS Dry Freight Weekly Report

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Market Review:

The dry freight market has been overshadowed by negative sentiment since the start of June, with all size vessels posting losses. This week, as participants return from holidays and events, it should provide clarity of whether the market has reached a bottom. However, the optimism over China exiting lockdown and significant demand recovery has diminished by increasing virus cases again, with market concerns over US inflation data adding further downward pressure.

Freight Rate \$/day	13-Jun	6-Jun	Changes %	Short Term	Sentiment
Capesize 5TC	18,627	22,866	-18.5%	Neutral	-
Panamax 4TC	22,067	24,237	-9.0%	Neutral	-
Supramax 10TC	27,092	29,259	-7.4%	Bearish	↓
Handy 7TC	25,192	28,167	-10.6%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	236	+14	158 (+24)	57 (-13)	11 (-1)		
Panamax	371	+20		191 (+9)		78 (0)	65 (+16)
Supramax	459	-18		72 (-21)		67 (-3)	301 (-5)

Capesize

Capes dropped below the \$20,000-mark last week amid weak sentiment in the derivatives market and sluggish activity in physical. Early on, the surge in fuel oil prices had given some support to the Capes during the first part of week when market liquidity was comparably low. Meanwhile, Australian iron ore shipments jumped up to 20.7 million tonnes last week, reaching the upper range of seasonal levels, which has nicely mirrored hopes of a return to normality for Chinese steel production. In the Pacific market, having being the main support for a number of weeks, finally softened, as more ships would rather not ballast to Atlantic region in search of cargos due to rising bunker costs. Therefore supply outweighed demand and has dampened the owners' confidence. The key C5 iron ore route (West Australia to China) drifted from \$12.95 at the beginning of the week to between \$12.20-\$12.50 for end of Jun loading dates where it seemed to be stabilised, then bounced back to just shy of \$13 before the weekend approached. However, the rates fell again on Monday to the low of \$12.15-\$12.20 as the sell off in the future market accelerated.

In the Atlantic, moving iron ore from Sudeste to Qingdao was fixed at \$31.50 for 27 June, other trips out of Brazil were also heard but no confirmed details just yet. Cargos with ores from Freetown to Qingdao were fixed at \$32.90 on 18-23 Jun, from Saldanha Bay to Qingdao was heard at \$22.40 for early July. Elsewhere, a cargo with coal from Teluk to Qingdao was fixed below \$9 for 20-27 Jun while coal shipments directed to India has come off the recent high due to the monsoon season. In addition, bunker prices touched three-month high levels with Sing 380 and 0.5% fuel oil assessed at \$594 and \$1,054 respectively on Friday.

Capesize 5TC Front Month Trading Range

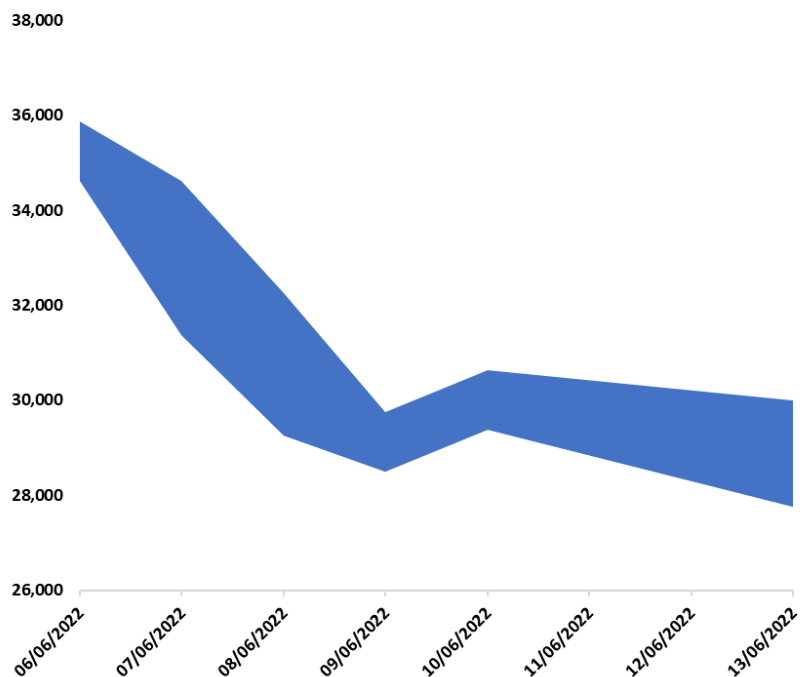


Chart source: FIS Live

The picture in the paper market the last week has one that has been overwhelmingly negative, with the index wiping off some \$4,000/day and prompt futures down several thousand. The July contract lost \$7,000 Monday to Monday, but more deferred periods less affected with Q4-22 losing \$1,250 and Cal 24 down \$525. Liquidity at the start of the week was thin as market participants returned from European holidays and the Posidonia event in Greece. Consistently negative indices did keep buyers away and it will probably need buyers to come into the market to be able to help bolster rates in the near term.

Short run neutral

Panamax

Panamax activities were impacted by holidays across Asia and Europe and many participants who were at the Posidonia event. As a result, both basins were quieter than normal. Moreover, coal shipments out of Australia and Indonesia both have come off recent highs. In terms of fixtures, demand was lacking from the North Atlantic which dragged down the overall rate, in spite of improving demand on the P6 route. Initially, owners resisted lowering their offers, but as the selloff in the FFAs become consistent, some had to give way in order to secure business. For the grains runs, most of the steams were from ECSA for early July dates, while very few reported from US Gulf and NCSA with growing tonnage list. Cargoes from EC South America redelivery Singapore -Japan were fixed from the low of \$27k to \$27,500. On the other hand, the Asian

market was centred around the Indonesian coal business, with trips to South Korea fixing at \$15.75/mt for 25-29 Jun, and redelivery to North China at \$18,000 and to Japan at \$28,500 for 9-14 Jun. The key route of Indo redelivery India was fluctuated between \$19,000-\$22,000 for mid Jun loadings, despite over 60% of coal shipments were still carried by Capes. In contrast, activities out of Australia reported to be thin, EC Australia redelivery India with coal was rumoured fixed at \$21,500.

Initially the Panamax FFA market saw some bid support at the beginning of the week with Q3 printing \$28,250 and Q4 \$24,900 and further out Cal 23 traded \$17250. Pressure was added from Tuesday onwards, with July and August taking the brunt of the losses, with both losing over \$1,000/day. Despite lower losses than Capes, there was a consistently negative across the reporting week albeit lower than the losses on the larger ships. Monday to Monday losses on July were \$2,625, Q4 \$1,050, and Cal 24 \$450.

Short run neutral

Panamax 4TC Front Month Trading Range

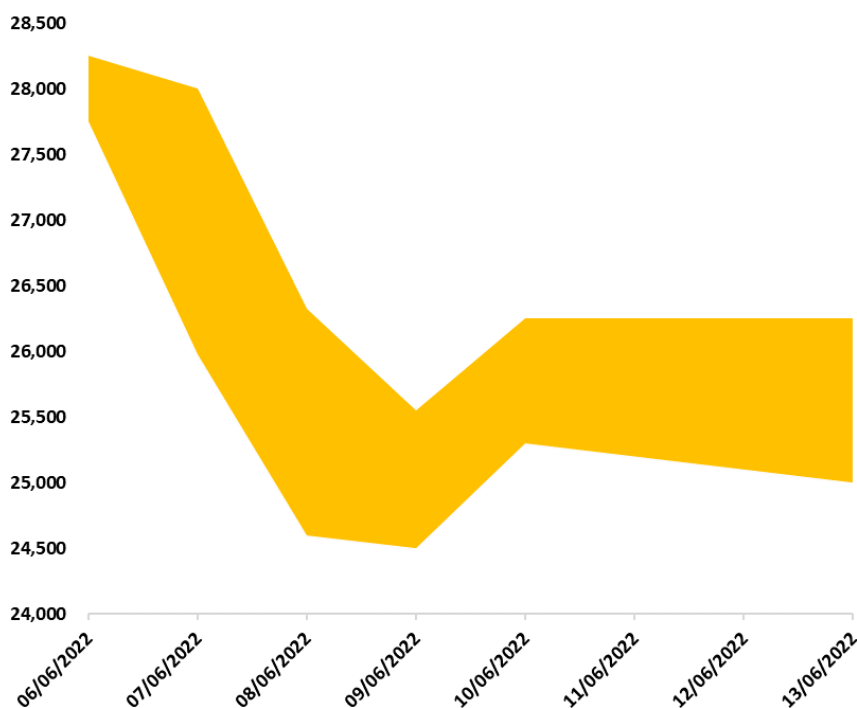


Chart source: FIS Live

Supramax

Similar to the bigger size vessels, holidays and events in Greece took a toll prompting falling rates. Both transatlantic and fronthaul were under pressures due to lack of fresh enquiries, therefore tonnage in the South started to build up. Trips for US Gulf redelivery to Singapore-Japan were heard just above \$20,000; while in the South, EC South America redelivery was fixed at \$20,500. In the Pacific, coal volumes shipped by Supramaxes dropped a touch, especially from Indonesia. Last week, total coal shipments of Indonesian coal to CJK fell to 4.2 million tonnes, down 9.2% w-o-w, data from IHS Markit Commodities at Sea Service showed, with rates fixing at around \$26,000.

Like the other smaller ships, the supramax FFA market has a consistently negative index printed in every day across the reporting week, losing \$2,167 and ending at \$27,092. Supramax paper rates from the start of the week came under pressure, with a softer underlying and chasing a thin bid side, the July contract lost over \$2,000. Rates bottomed out Wednesday before the market staged a as light recovery. Overall rates were down \$2,000 on the July by week end and down \$350 on Cal 24, ending at \$28,250 and \$13,925 respectively.

Short run bearish

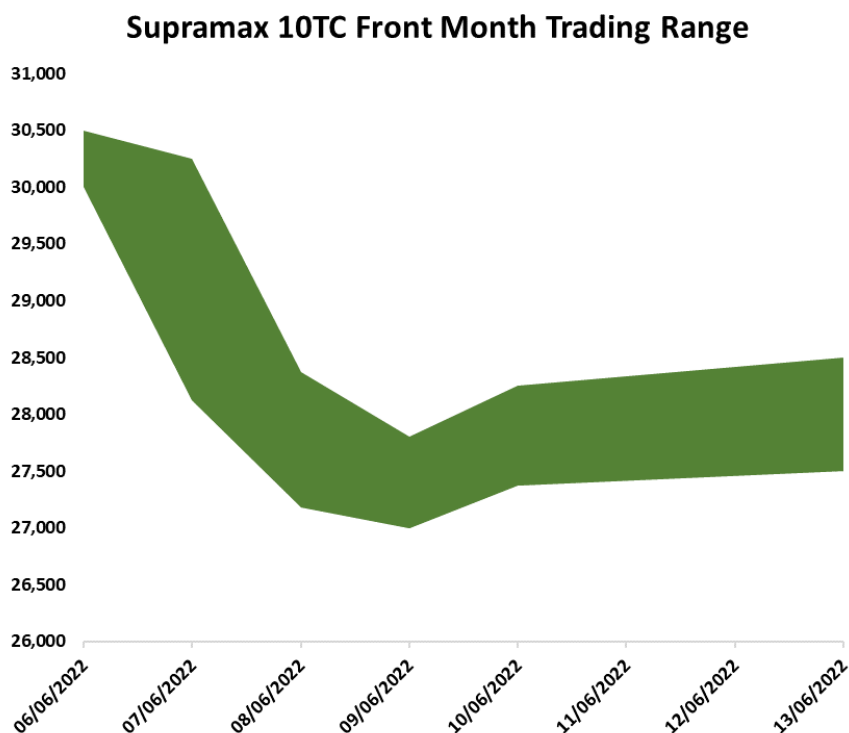


Chart sources: FIS Live

FFA Market

FFAs had a busy week with trading volumes of over 53,800 lots posted on exchanges and both Capes and Panamax being traded in large size. Decent activity also seen in options with the total of 9,5700 lots traded last week. In the futures market, the new route P6-82 Singapore round voyage via Atlantic continued to see good interest of 180 days traded last week. Overall, Capes and Panamaxes traded respectively around 3,730 lots and 3,520 lots per day last week, Supramaxes followed right behind with 1,600 lots traded per day last week. Main actions focus on Jun, Q3'22 and Cal23 contracts. Open interest increased slightly along with falling prices, on 13th June Cape 5TC 161,931(+6,908 w-o-w), Panamax 4TC 201,169 (+3,516 w-o-w), Supramax 10TC 92,007(+2,662 w-o-w).

FFA Market Indexes

Freight Rate \$/day	13-Jun	6-Jun	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	18,627	22,866	-18.5%	17,772	13,070	18,025	16,529	15,129
Panamax4TC	22,067	24,237	-9.0%	23,604	8,587	11,112	11,654	9,766
Supramax10TC	27,092	29,259	-7.4%	27,003	8,189	9,948	11,487	9,345
Handy7TC	25,192	28,167	-10.6%	25,996	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	13-Jun FIS Closing	6-Jun FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Jun 22	22,875	28,000	-18.3%	29,625	22,000	42,000	20,000
Capesize5TC Q3 22	33,000	37,000	-10.8%	36,500	32,500	38,750	21,500
Panamax4TC Jun 22	22,875	26,000	-12.0%	26,100	22,500	33,000	16,050
Panamax4TC Q3 22	25,600	27,875	-8.2%	28,100	24,500	30,700	16,050
Supramax10TC Jun 22	27,250	29,500	-7.6%	30,000	27,000	36,000	20,500
Supramax10TC Q3 22	27,800	29,750	-6.6%	30,000	25,500	31,700	19,625

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

July Futures – Technically bearish with price trading below all key moving averages supported by the RSI below 50, Elliott wave analysis is neutral at this point due to a deep pullback from the recent high. Upside moves that fail at or below USD 35,505 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias with a near-term upside target at USD 39,500. Downside moves below USD 26,500 will target our key support at USD 21,125. The futures had seen a two-day upside move; however, price failed to hold above the 200-period MA (USD 29,650) and is now trading below the USD 28,500 level, indicating technical weakness, warning we have the potential to test the USD 26,500 support in the near-term and potentially the USD 23,625 and USD 21,125 in the longer-term.

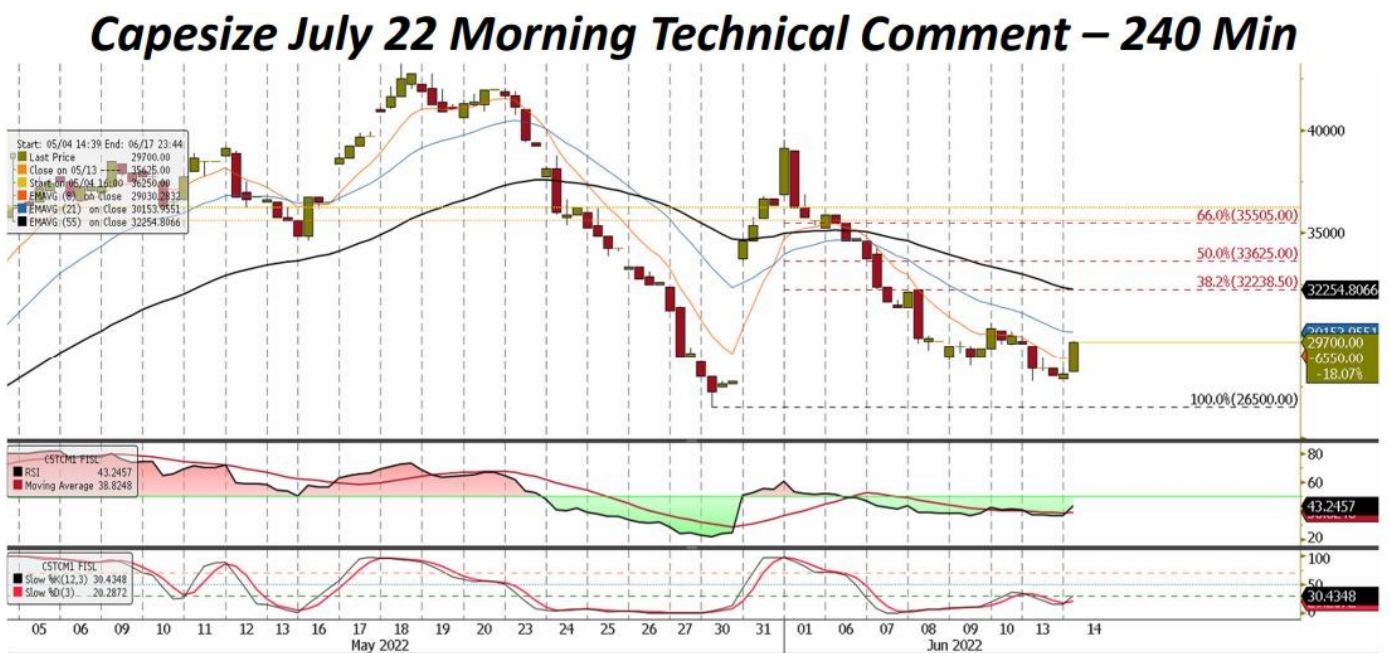
Panamax

July Futures – The technical has been trading around flat EMA's for weeks, meaning price has had a neutral bias; however, the downside move below the USD 24,750 level is warning the technical is starting to weaken. Near-term support is at USD 24,500 and USD 22,750, this is our current near-term downside target for market sellers. USD 22,750 is a key level, as below it the futures will have traded below the base of the bull wave that started on the 22/05, at this point we have confirmation that we are unlikely to see a bull wave higher in the intermediate period, suggesting the futures are vulnerable to further downside moves. Upside moves that fail at or below USD 28,097 will leave the futures vulnerable to further corrective moves lower, above this level the technical has a neutral bias. Only above USD 29,950 is the technical bullish. Technically bearish, downside moves below USD 24,500 will target the USD 22,750 fractal support.

Supramax

July Futures – The Downside move in the futures have held the USD 26,750 support (low USD 27000); this is our key support on the technical, below this level would imply further technical weakness, as it suggests the Elliott wave cycle is bearish. Upside moves that fail at or below USD 29,721 will leave the futures vulnerable to further tests to the downside, above this level the futures will have a neutral bias. Only above USD 30,750 is the technical bullish. Price is below the 8-21 period EMA's supported by the RSI below 50; the RSI has recently made a new low, implying upside moves are potentially countertrend at this point. Technically bearish, market sellers will need to see the futures trade below the USD 26,750 support for confirmation that the upside move this year has been part of a larger corrective phase.

Chart source: Jun 22 Cape 5TC from Bloomberg



Dry Bulk Trades/Iron Ore

Iron ore prices lost over \$10 in a week and traded below \$135, back to where they started at the beginning of June. As the previous optimism over major cities in China exiting lockdown restrictions dwindled as more covid cases were detected. On the industrial side, key steel indicators continued to show recovering steel production and demand during the period of Beijing and Shanghai relaxing lockdowns. According to a Mysteel survey of over 247 Chinese steel mills, the average blast furnace operation rate edged up 0.42% w-o-w to 84%, and capacity utilisation rates ticked up 0.24% w-o-w to 90.14% during 3-9 Jun, suggested that Chinese steel mills have returned to operation levels the same as last August. Meanwhile, iron ore inventories at 45 major ports decreased at an accelerated rate to a 9 month low of 128.5 million tonnes, down 3% or 3.9 million tonnes w-o-w. The daily crude steel output among surveyed 247 blast furnace and 71 EAF steel mills continued to increase, with an increase of 27,200 tonnes per day to 2.99 million tonnes per day over 1 – 10 June.

Last week total iron ore shipments were up 16.8% to 32.7 million tonnes, with the main increase generated from the Australia to China route. As the charts below showed, last week shipment from Brazil to China were in line with seasonal average, while same destination from Australia was directed to the higher end of the seasonal range.

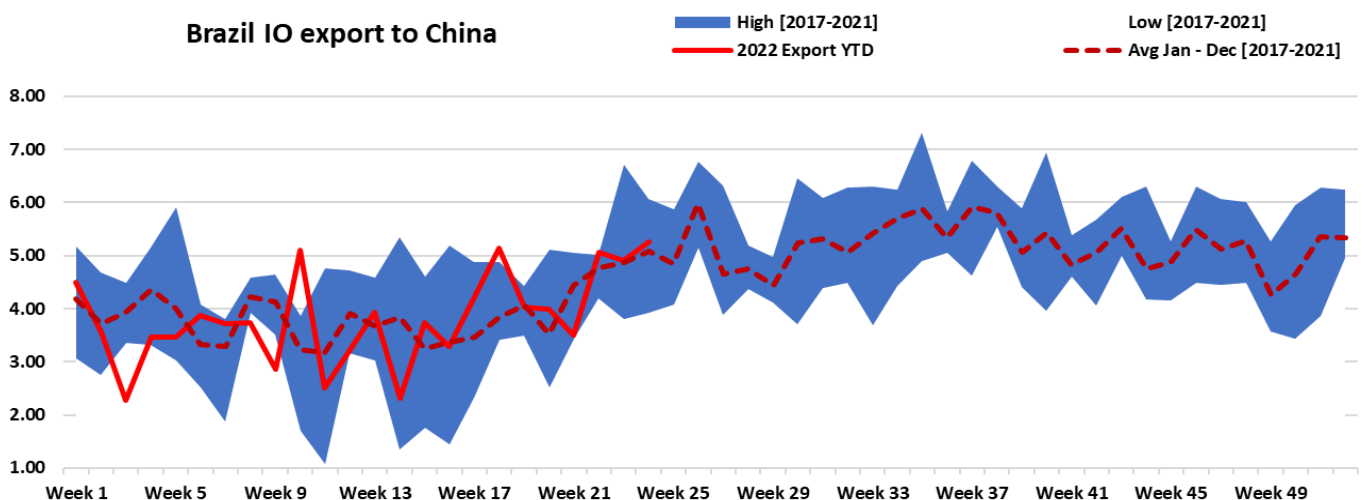
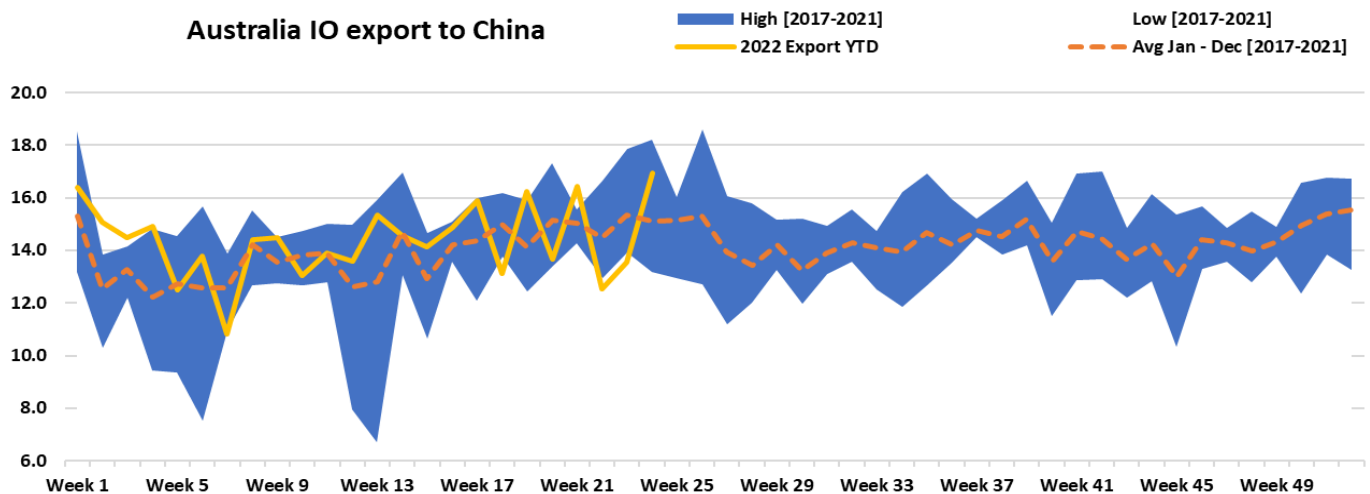
Dry Bulk Trades/Iron Ore

Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Australia	77.4	74.3	219.1	236.1	233.9	235.4	922.9	922.4
Brazil	27.9	24.8	68.9	91.1	97.9	84.9	350.4	336.6
South Africa	5.4	4.9	14.9	15.1	15.1	13.9	57.8	56.0
India	2.2	2.9	7.7	2.1	5.3	14.4	39.0	50.8
Canada	4.3	4.7	11.7	15.0	18.1	11.3	57.3	58.1
Others	15.0	13.3	45.3	53.5	48.8	51.2	196.4	179.7
Global	132.2	124.9	367.6	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	16.9	13.6	25.0%	12.62	12.58	0.3%
Brazil-China	5.3	4.9	7.0%	31.97	31.67	0.9%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Asian thermal coal prices retreated from the record high after China reimposed covid restrictions in Beijing and Shanghai. Whilst the loss on Asian coking coal markets were more severe amid weaker downstream demand and negative steel margins. The lack of strength in steel prices combined with the rainy season in China, which could further dampen the buying interest in seaborne market.

Last week, coal demand from China remained flat among the total coal shipments of 26.2 million tonnes. Elsewhere, India imported much less than previous weeks at around 4.3 Mmt as expected due to weather conditions. Japan, as another top buyer, reported imported about 6% or 270,000 tonnes less than last week.

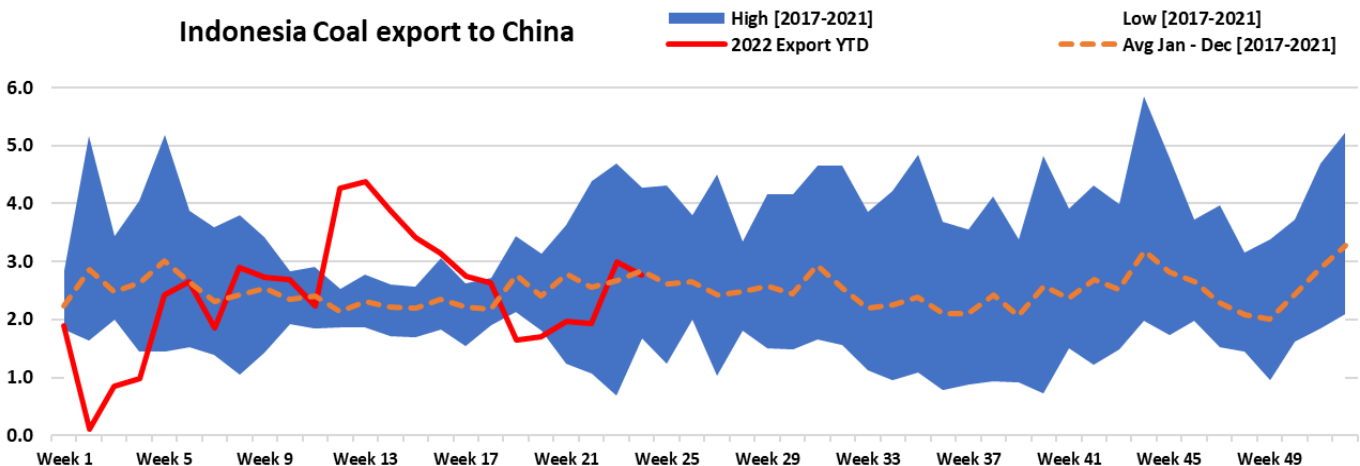
Dry Bulk Trades/Coal

Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Indonesia	39.0	39.7	89.0	106.7	109.6	101.2	418.3	377.0
Australia	31.0	27.1	84.6	90.8	97.2	93.4	369.1	376.1
Russia	16.8	14.9	41.2	40.8	44.4	45.3	174.3	178.4
USA	6.4	6.1	18.1	17.9	16.0	18.0	69.5	56.0
Colombia	4.8	5.1	16.1	15.9	15.5	14.6	61.4	58.6
South Africa	4.3	4.5	14.3	17.1	14.0	15.2	60.9	72.8
Others	8.7	7.4	25.1	22.7	24.0	19.8	85.8	75.9
Global	111.1	104.9	288.3	311.7	320.7	307.5	1239.3	1194.9

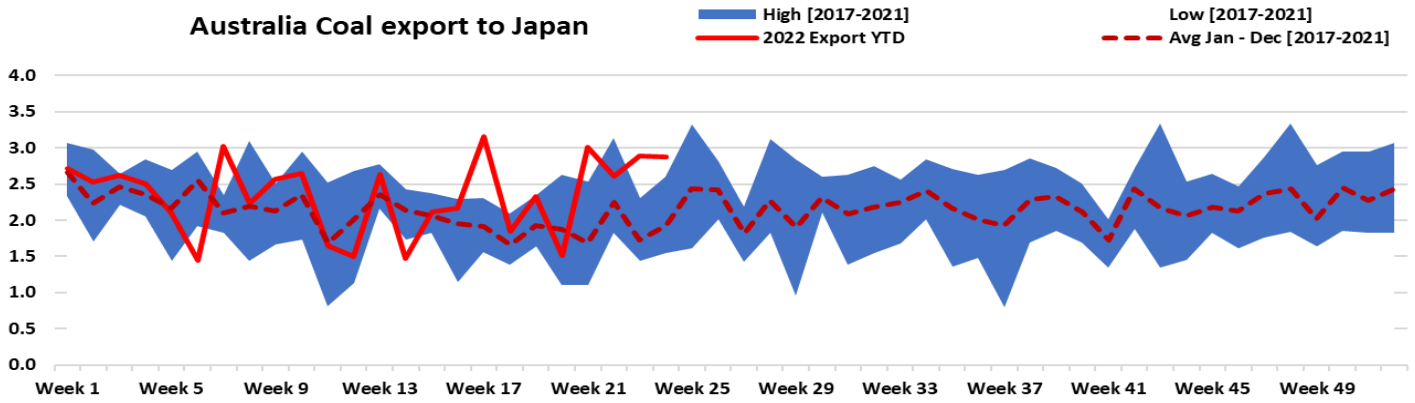
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	2.8	3.0	-7.5%
Australia-Japan	2.9	2.9	-0.5%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Dry Bulk Trades/Agri

Brazilian soybean prices climbed up to their highest level since Sept 2018, as the market expected lower production from the U.S., therefore triggering higher farmers sales last week. However, the upward momentum was halted on Monday following red hot U.S. inflation data and the broad sell off in the global markets. Corn and wheat prices recovered from the previous week's losses with their being still no progress on the matter of shipping grains out of Ukraine. Apart from that, harsh weather in central U.S. and early heatwaves in Western Europe are likely to tighten the global supplies.

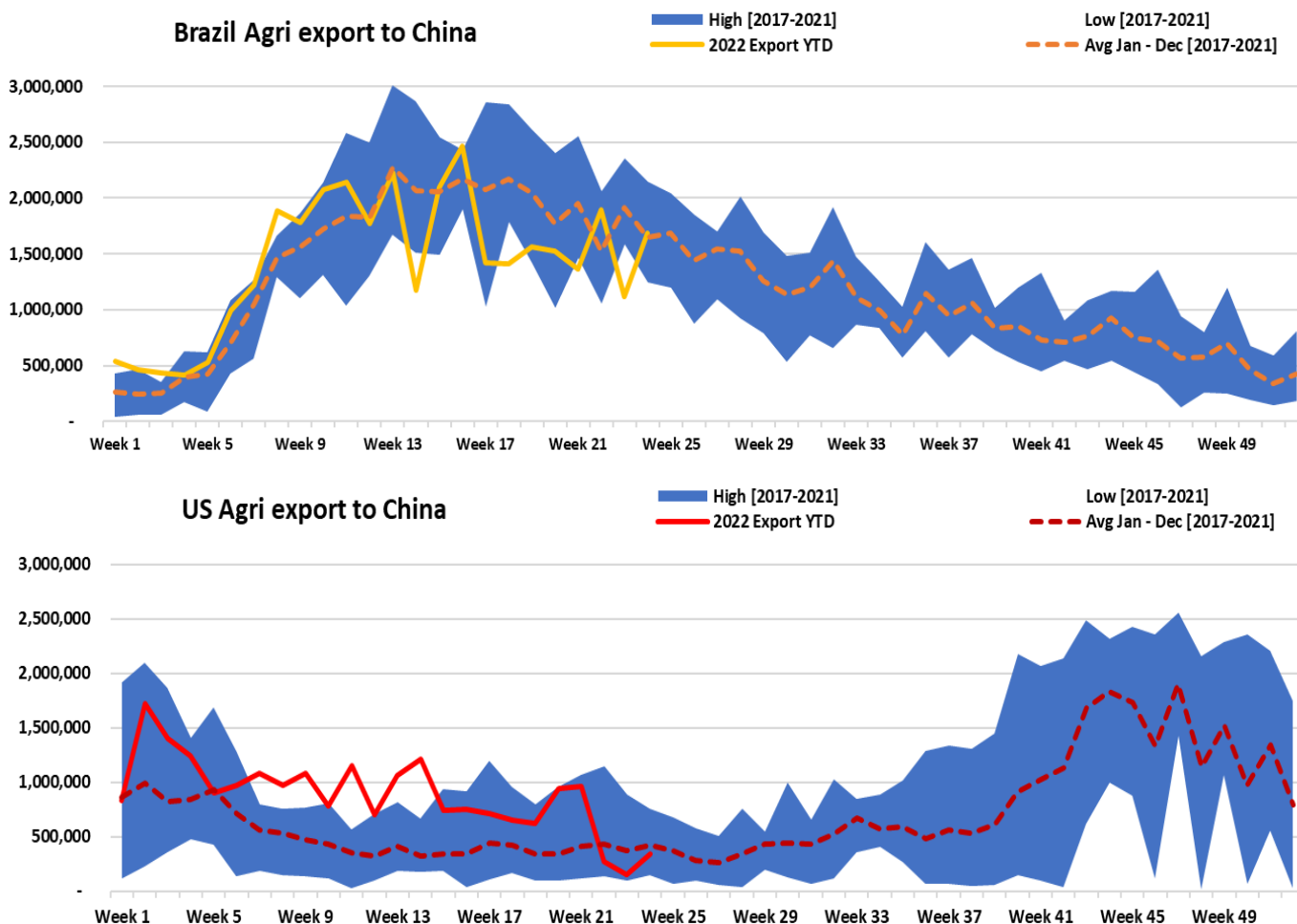
Last week global shipments fell slightly to 10.0 million tonnes, according to IHS Markit Commodities at Sea Service. Shipments out from Brazil were reported at 1.67 million tonnes after the dip from previous week. While shipments from U.S. edged up 6.1% to 2.3 million tonnes.

Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Brazil	16.3	16.3	40.5	28.9	43.3	52.7	158.1	170.8
USA	10.4	11.7	37.6	43.2	21.6	32.5	141.4	141.4
Argentina	9.4	8.6	16.6	17.9	24.3	25.6	85.7	79.1
Ukraine	0.0	0.0	12.1	19.2	15.3	8.7	53.9	51.5
Canada	2.6	2.1	6.2	10.5	7.6	11.7	42.5	50.8
Russia	1.4	2.0	5.0	7.4	10.6	5.0	30.4	35.1
Australia	3.9	4.0	13.2	9.0	8.6	11.2	41.1	20.2
Others	7.9	8.4	26.4	23.0	23.9	17.9	86.4	71.5
Global	51.9	53.0	157.6	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	1,684.3	1,119.0	50.5%	69.5	68.5	1.4%
US-China	346.0	151.2	128.8%	78.2	78.7	-0.7%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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