FIS Dry Freight Weekly Report

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

20/06/2022

Market Review:

The dry freight market recovered some of its losses from last week after market participants fully returned to their desks post-holidays. Despite some concerns over the slowing of steel production as China tightened up Covid measures, increasing iron ore demand was observed last week along with healthy coal demand. Furthermore, decent grains demand from Brazil helped lend more support. Whether the dry freight market can hold on to these levels when broader financial markets are dropping remains to be seen.

Freight Rate $/day	21-Jun	13-Jun	Changes %	Short Term	Sentiment
Capesize 5TC	25,138	18,627	+35.0%	Neutral to Bearish	-
Panamax 4TC	24,510	22,067	+11.1%	Neutral to Bearish	-
Supramax 10TC	27,167	27,092	+0.3%	Bearish	↓
Handy 7TC	24,051	25,192	-4.5%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	238	+10	154 (+2)	62 (+8)	11(-1)		
Panamax	371	+10		179 (-4)		91 (+7)	59 (-8)
Supramax	461	-10		89 (+19)		57 (-17)	298 (-9)

Capesize

Capes had a slow start of the week and stayed under the $20,000 threshold, before heading towards $25,000 with the reassurance of better fixtures from both basins and improved sentiment in the FFA market. Last week, iron ore exports from Australian producers soared up by 12% to 21.3 million tonnes, coupled with South African exports reaching the top end of weekly volumes of 1.4 million tonnes, data from IHS Markit Commodities at Sea Service showed. Although shipments out of Brazil remained flat and in line with seasonal levels, fixture rates were lifted due to the tightness of tonnage in the region. In the Atlantic, moving iron ore on the C3 route from Tubarao to Qingdao was fixed from $31 at the beginning of the week to $33.50 for 20-30 Jul. From West and South Africa, fixtures were also improved with cargos from Noadhibou to Qingdao fixing from $30 to $33 as the week progressed for 13-24 July loading dates, while trips from Saldanha Bay to Rotterdam were fixed at $14 for mid-July and to Qingdao was heard above $24. The Pacific market stood in the spotlight, ramping up exports before the Australian financial year ends, with the key C5 iron ore route (West Australia to China) recovering from $12.20 to the high of $13.55 for early July dates before the weekend, although on Monday rates drifted to $13.45, pressured by the sell-off in global markets. Despite the returning covid restrictions in China, the market had mixed views over Chinese steel production, as some said iron ore shipments towards China and their steel mill operations remained stable. However, as the plunge in iron ore markets seemed to continue, the confidence in recovering steel demand will be further tested. In addition, bunker prices had a significant fall, with Sing 380 and 0.5% fuel oil assessed at $563 and $957 respectively on Monday, which should give more options for scrubber-fitted ships to ballast out of the Pacific amid the widening spread.

Capesize 5TC Front Month Trading Range

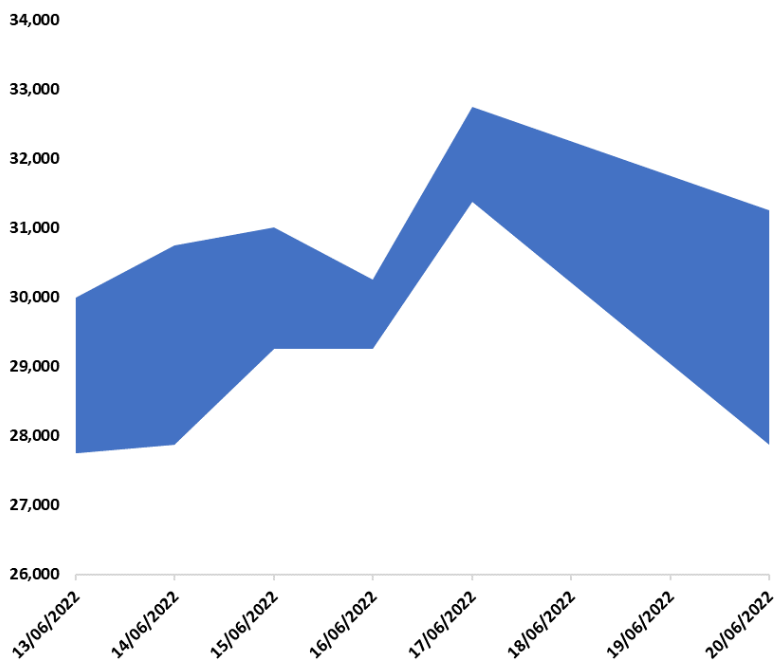
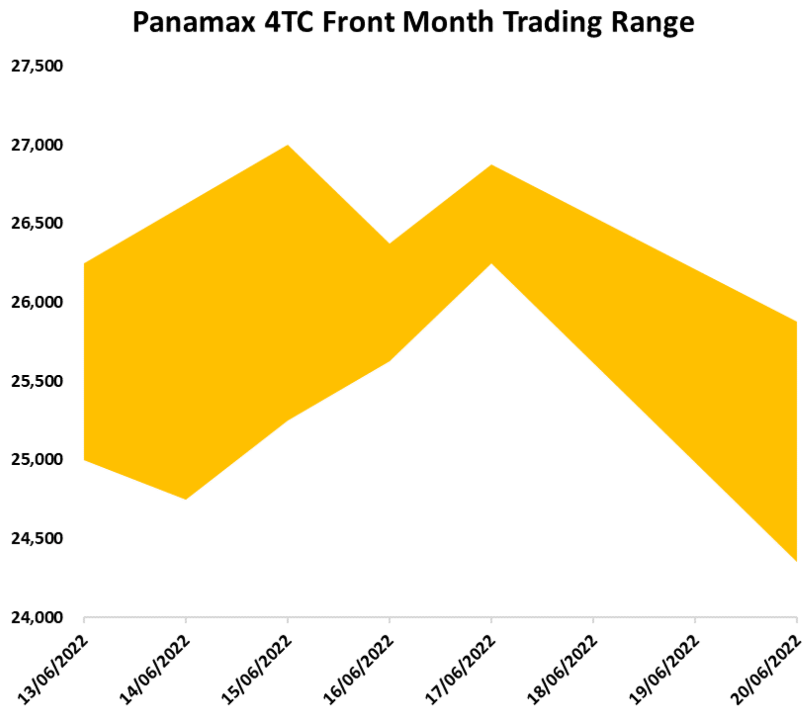


Chart source: FIS Live

Capesize paper recovered from its negative week last analysis report to post some healthy index gains, but to a lesser extent on the FFAs. These gains in the paper were all but wiped out on the most recent Monday, with heavy losses across the curve. With C5 enjoying Brazilian majors finally being back in the market for vessels in the second half of July and the North Atlantic seeing a fresh injection of cargo, this helped lift the index. On the FFA side, the market was dogged by the concerns for the health of the global economy. By the end of the week, rates had lifted slightly, with July up $3,875 to $31,875/day, Q3 up $1,000 to $34,000 but Cal 23 was down $613 to $21,325. All of the gains were wiped out as losses in the equity markets triggered sharp moves down in the commodity markets casting a shadow over the Dry FFA market.

Short run neutral to bearish

Panamax



Panamaxes recovered the last two weeks' losses amid healthy grains and coal demands and improved sentiment in Capes. For the grains runs, fresh enquiries were heard from US Gulf and South America to the Continent, pushing weekly exports to a two-month high of just under one million tons. Accordingly, cargos from NCSA and ECSA redelivery Skaw-Gib were fixed higher at $30,000 and $27,500 respectively. Trips via EC South America redelivery Far East were fixed from $25,000 up to $26,500 at the end of the week, while redelivery to Singapore-Japan was heard fixed at $29,000 on Monday, up $4,250 from last done. On the other hand, the Asian market was centred around large Indonesian coal business along with healthy grains and mineral demand out of Australia. The key routes of Indonesia redelivery to India were heard at $24,000, and redelivery to South China was fixed at $23,500 before lifting to $25,000. While Pacific round trips were heard around $25,000 at the mid-week. Overall, the Pacific market remained in balance whilst the Atlantic made good progress as ballast lists began to shrink.

The index gains in the Panamaxes were less pronounced than the larger ships, even so, there was a weekly gain on FFA rates, but like the Capes, these were all wiped out with the negative moves on Monday. June printed early at $23750, July at $26000 and Q3 $26000 before trading down to $22500 June and $25250 Q3. Support in both basins helped to raise rates mid-week before the market turned rangebound, ending the week up a few thousand on prompt months. Monday wiped out gains, with the July contract down $4000/day to $27,875, Q3 down $3,000 to $31,00 and Cal 23 down $2,075 to $19,250.

Short run neutral to bearish

Chart source: FIS Live

Supramax

Supramaxes retreated lower last week as limited activity in the US Gulf, and it was comparably quiet in the Pacific. Although grains support from Brazil has lifted the outlook in the Atlantic region, tonnage lists were building up in the north. In terms of fixtures, EC South America redelivery SE Asia was fixed between $21,500 - $22,000. A trip for Arabian Gulf redelivery Chittagong was heard at $34,000. In the Asian market, sentiment improved slightly as robust coal business flowed out of Indonesia last week, with rates holding at firm levels. Trips from Indonesia to China were fixed at $20,000, and to CJK at $28,00, while to WC India was paid between $32,000-$33,000.

It was a much more mixed picture in the Supramax FFA market, with almost no movement on the index or FFA values Monday to Monday. There were marginal gains mid-week, with the market being dragged up by improved sentiment in the larger ships. However front months lost $760-$1575 off their value in the Monday slide in prices like the other vessel sizes, putting them back to where they had begun a week before. July ending Monday at $27,750/day, Q3 at $27,425, and Cal 23 $16,350..

Short run bearish

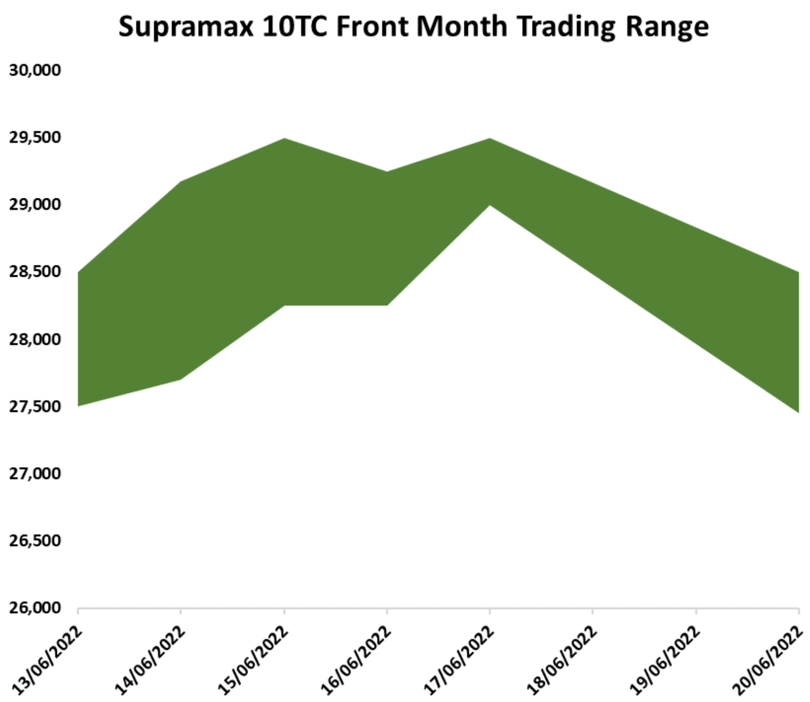


Chart sources: FIS Live

FFA Market

FFAs had a decent week with trading volumes of over 42,500 lots posted on exchanges and both Capes and Panamax being traded in large size. Sizeable activity also seen in options with the total of 6,500 lots traded last week. Overall, Capes and Panamaxes traded respectively around 2,700 lots and 2,740 lots per day last week, Supramaxes followed right behind with 1,550 lots traded per day last week. Main actions focus on Jul, Q3'22, Q4'22 and Cal23 contracts. Open interest increased slightly along with prices recovering, on 20th June Cape 5TC 166,758(+4,827 w-o-w), Panamax 4TC 205,246(+4,077 w-o-w), Supramax 10TC 93,834(+1,827 w-o-w).

FFA Market Indexes

Freight Rate $/day	21-Jun	13-Jun	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	25,138	18,627	**35.0%**	17,978	13,070	18,025	16,529	15,129
Panamax4TC	24,510	22,067	**11.1%**	23,605	8,587	11,112	11,654	9,766
Supramax10TC	27,167	27,092	**0.3%**	27,006	8,189	9,948	11,487	9,345
Handy7TC	24,051	25,192	**-4.5%**	25,921	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA $/day	21-Jun FIS Closing	13-Jun FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Jul 22	27,875	28,000	**-0.4%**	32,750	25,500	42,000	20,000
Capesize5TC Q3 22	31,000	33,000	**-6.1%**	34,350	31,000	38,750	21,500
Panamax4TC Jul 22	24,375	25,125	**-3.0%**	28,000	23,500	33,000	16,050
Panamax4TC Q3 22	24,675	25,600	**-3.6%**	27,000	24,250	30,700	16,050
Supramax10TC Jul 22	27,750	27,750	**0.0%**	29,625	27,500	36,000	20,500
Supramax10TC Q3 22	27,425	27,800	**-1.3%**	29,250	26,100	31,700	19,625

Data Source: FIS Live, Baltic Exchange

Dry Bulk Trades/Iron Ore

Iron ore prices continued to plunge on Monday after giving up nearly 14% of its value last week. The Chinese domestic market opened in a sea of red with most ferrous products posting significant losses. Both rebar and coal futures slumped over 10% during the Asian day session, DCE iron ore being the worst hit with the September contract reaching limit down. Furthermore, Chinese steel mills have given more thought about lowering their output levels in response to sluggish demand. It seems producers see cutbacks as a necessary step due to lower demand, resulting in a likely drop in iron ore prices. According to a Mysteel survey of over 247 Chinese steel mills, the average blast furnace operation rate edged down 0.28% w-o-w to 83.83% during 10-16 Jun, and capacity utilisation rates stabilised at 90.15% after seven weeks of increases. In addition, equity markets extended losses on Monday as investors were concerned about high inflation and a global recession, although Chinese banks sustained their loose monetary policies with unchanged lending rates.

Last week total iron ore shipments were up 5.6% to 33.4 million tonnes, with sharp increases generated from Australian producers. As the charts below show, last week shipments from Brazil to China were in line with the seasonal average, while the same destination from Australia has broken out of the seasonal range, marking a new high of this year.

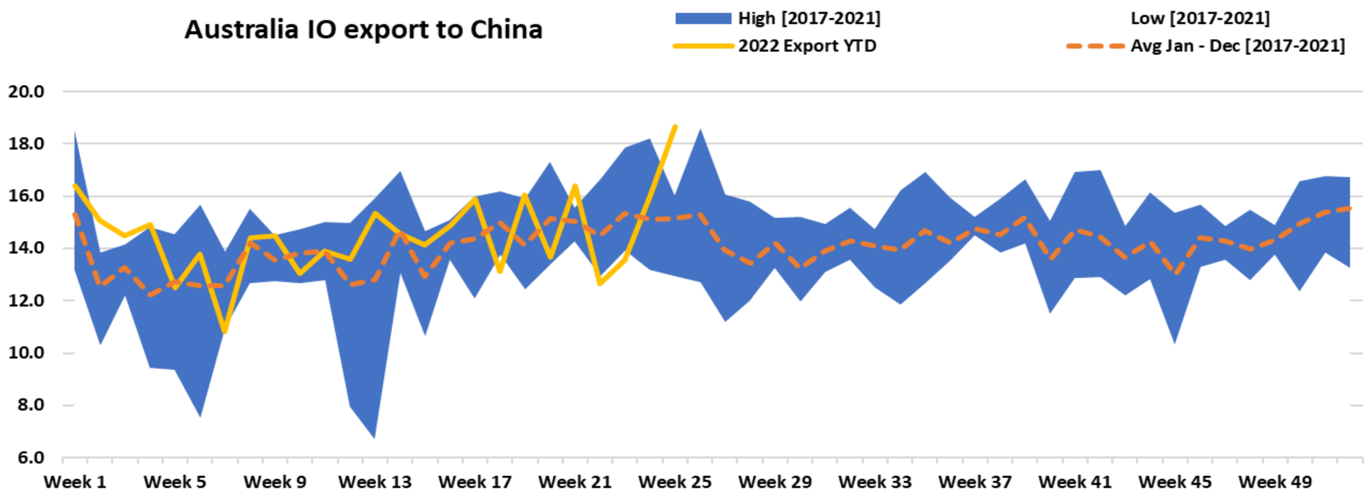
Dry Bulk Trades/Iron Ore

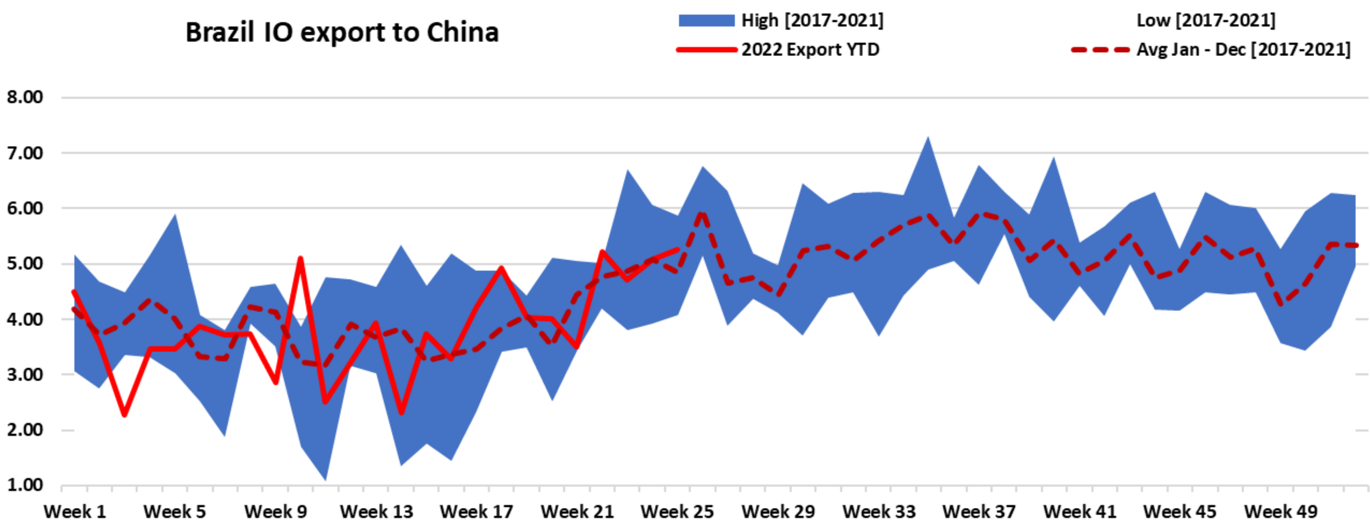
Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Australia	77.4	74.3	219.1	236.1	233.9	235.4	922.9	922.4
Brazil	27.9	24.8	68.9	91.1	97.9	84.9	350.4	336.6
South Africa	5.4	4.9	14.9	15.1	15.1	13.9	57.8	56.0
India	2.2	2.9	7.7	2.1	5.3	14.4	39.0	50.8
Canada	4.3	4.7	11.7	15.0	18.1	11.3	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	18.6	16.1	16.1%	12.71	12.62	**0.7%**
Brazil-China	5.3	5.1	3.5%	31.95	31.97	**-0.1%**

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Asian thermal coal prices came off further from their record highs after China reimposed covid restrictions and the aggressive selloff in the Chinese domestic markets. Similarly, Asian coking coal markets were under deep selling pressure due to the monsoon season in India and potential steel production cuts from China. The lack of strength in steel prices combined with slowdown construction activities, many physical buyers adopted a wait and see approach for late arrived dates.

Last week, total coal shipment was up 6.1% to 26.7 million tonnes, with demand from China increasing 8.8% to 5.1 million tonnes. Elsewhere, India imported around 5.8 Mmt as strong comeback from the previous drop, but still off the peak levels we saw in May. On the supply side, Australian ramped out exports by 40% last week to 8.6 Mmt, with over 65% of them shipped to JKM.

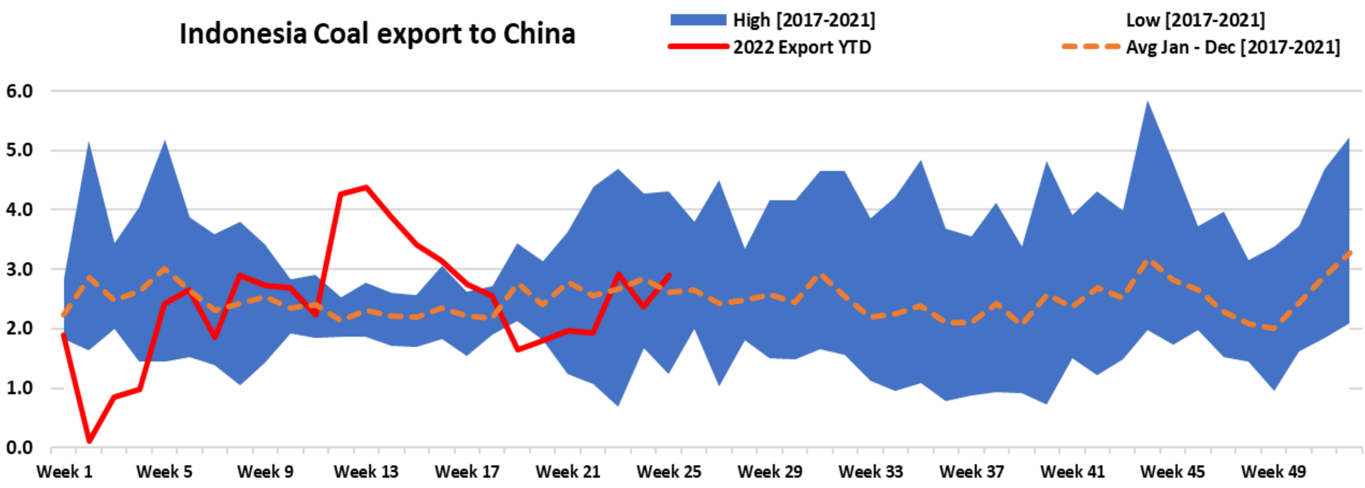
Dry Bulk Trades/Coal

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**

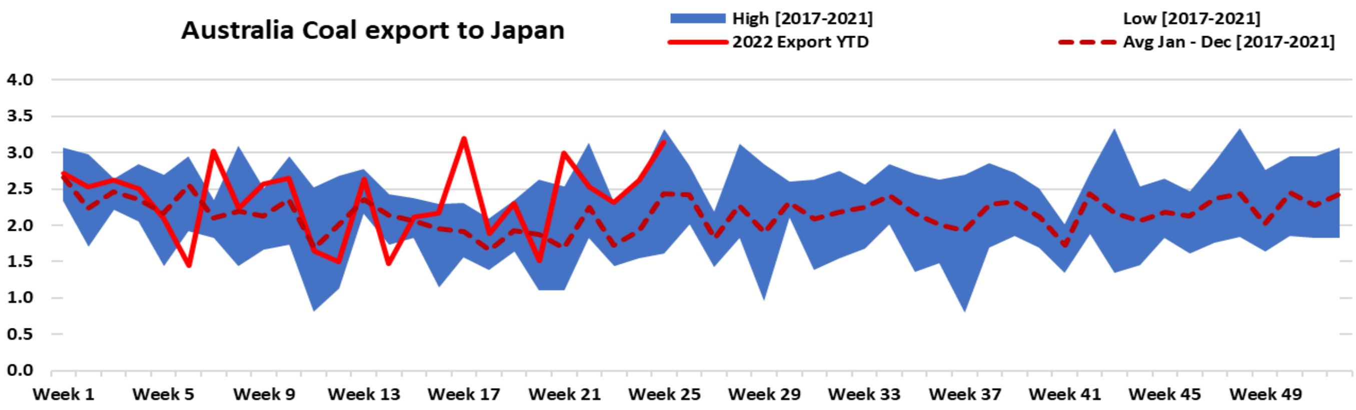
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	2.9	2.4	**22.4%**
Australia-Japan	3.1	2.6	**20.0%**

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 futures closed the week on a softer tone, largely impacted by the selloff in the crude oil market. Soybean futures traded lower last week as the market expected the planting progress in US was nearly completed. Wheat prices also headed lower due to the winter harvest accelerating in the Southern U.S. and parts of Europe. Whilst corn futures managed to edge up over potential extreme weather conditions threatening the crop.

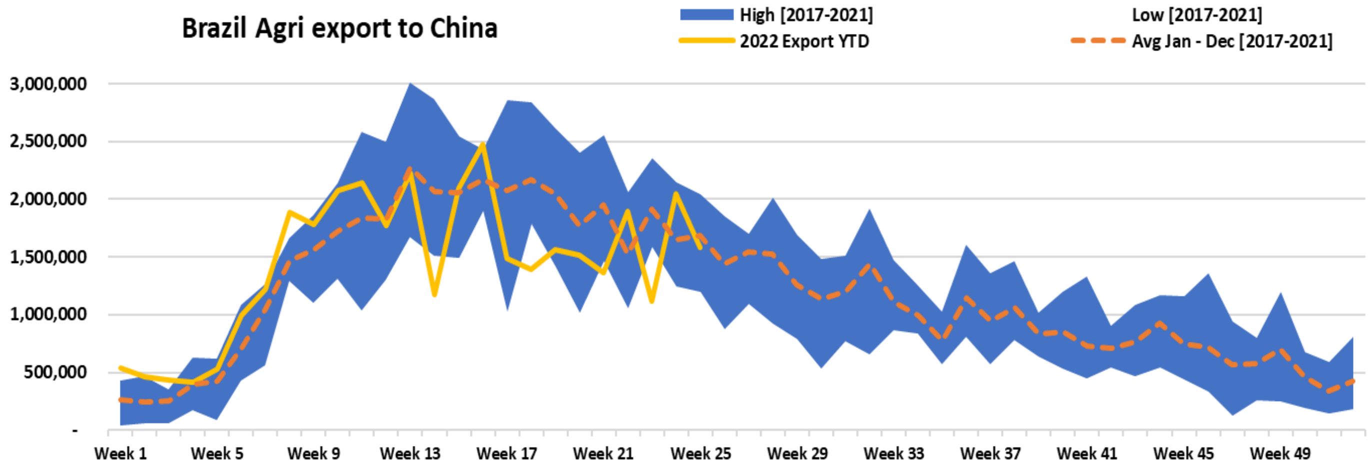
Last week global shipments stabilised at 11.0 Mmt, according to IHS Markit Commodities at Sea Service. Total shipments out from Brazil were reported at 4.2 million tonnes, up 14.3% w-o-w. On the other hand, shipments from US slipped 13.8% to 2.0 million tonnes.

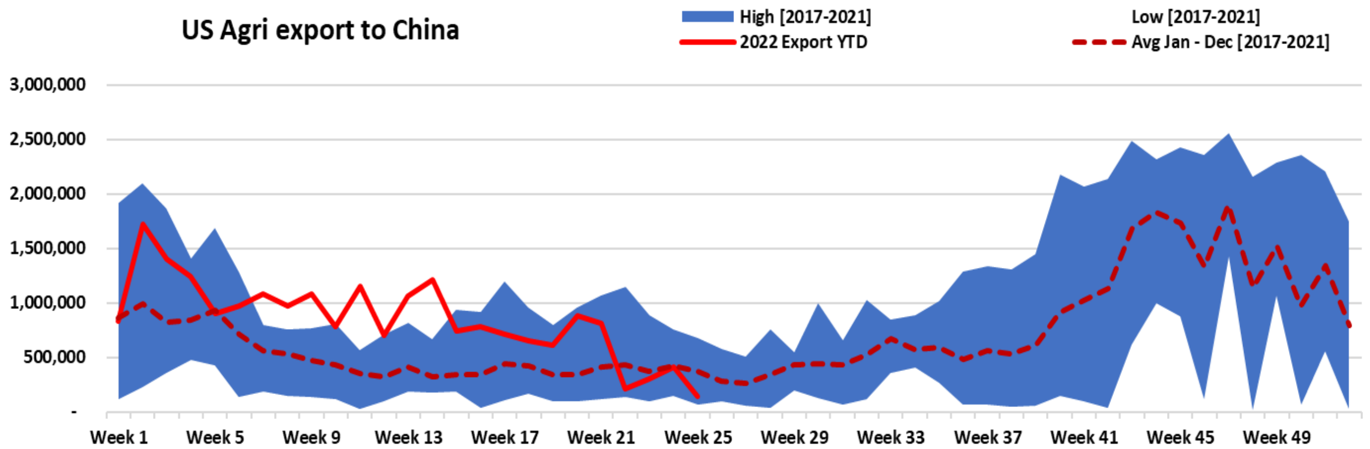
Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Brazil	16.3	16.3	40.5	28.9	43.3	52.7	158.1	170.8
USA	10.4	11.7	37.6	43.2	21.6	32.5	141.4	141.4
Argentina	9.4	8.6	16.6	17.9	24.3	25.6	85.7	79.1
Ukraine	0.0	0.0	12.1	19.2	15.3	8.7	53.9	51.5
Canada	2.6	2.1	6.2	10.5	7.6	11.7	42.5	50.8
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		
Agri Export (thousands tonnes)	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Brazil-China	1577.3	2045.7	-22.9%	69.9	69.5	0.6%
US-China	142.8	416.0	-65.7%	77.9	78.2	-0.3%

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