FIS Dry Freight Weekly Report

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Market Review:

Another negative week for the dry freight market, with only Capesize holding its ground while other vessel sizes fell deeper into the negative territories. Optimism on strong coal demand was dampened by the flooding in Australia along with China's new covid cases.

Freight Rate $/day	11-Jul	04-Jul	Changes %	Short Term	Sentiment
Capesize 5TC	19,613	18,481	6.1%	Neutral to Bearish	-
Panamax 4TC	18,210	20,883	-12.8%	Bearish	↓
Supramax 10TC	23,672	25,103	-5.7%	Bearish	↓
Handy 7TC	21,239	22,609	-6.1%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	218	-24	151 (-9)	45 (-19)	13 (+3)		
Panamax	357	-17		176 (-33)		89 (-6)	59 (+25)
Supramax	476	+24		99 (+11)		65 (+2)	272 (-40)

Capesize

Capes closed last week with slightly improved sentiment after the shortfall earlier in the week. In terms of demands, last week Australian iron ore exports edged down but still stabilised at around 18 million tonnes, whilst Brazilian iron ore exports failed to show recovery with much lower volumes than the previous week. Moreover, coal cargos carried by Capesize has dropped for a second week to less than 30%, on top of falling coal exports from Australia as the main coal port in Newcastle was closed for almost a week since heavy rainfalls disrupted coal deliveries. For the fixtures, rates were almost unchanged on a weekly basis. In the Pacific, the key C5 iron ore route (West Australia to China) fell below the $11 mark to fix between $10.40-10.50 in the early part of the week for 20-25 July, before returning to $11.40 as resistance was evident on the shipowner side. In the Atlantic, moving iron ore on the C3 route from Tubarao to Qingdao fixed at $29.50, the same as the last two weeks for the end of July dates. Out of Brazil, other trips including from Sudeste to Qingdao was fixed at just below $31 for early August laycan. From West and South Africa, although demand was reduced last week rates stayed firm, trips from Saldanha Bay and Richard Bay to Qingdao were fixed at $22 and $21 for early Aug, and Freetown to China was just shy of $31 for the end of July loading dates. On the Transatlantic side, rates were reported lower, but more activities did surface, with cargos from Puerto Bolivar and Seven Island to Rotterdam heard at $15 and $10.75 respectively. As previously mentioned, July has a low seasonal demand for iron ore and the congestion in China and JKT regions have eased. More demand is required to take out the spot tonnage list, in order to push up the freight rate. In addition, bunker prices continued to plunge especially HSFO, which fell to a five-month low, Singapore 380 and 0.5% fuel oil were assessed at $486 and $917, respectively last Friday.

Capesize 5TC Front Month Trading Range

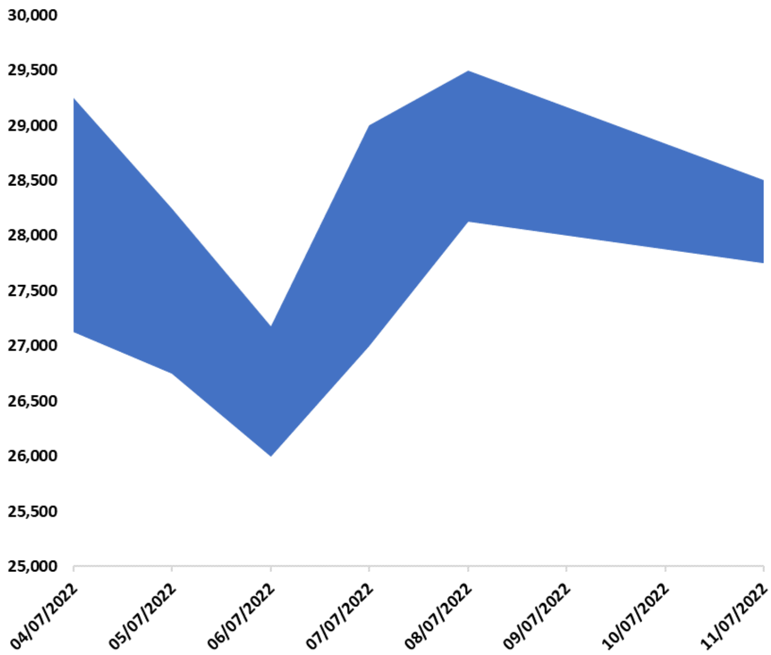
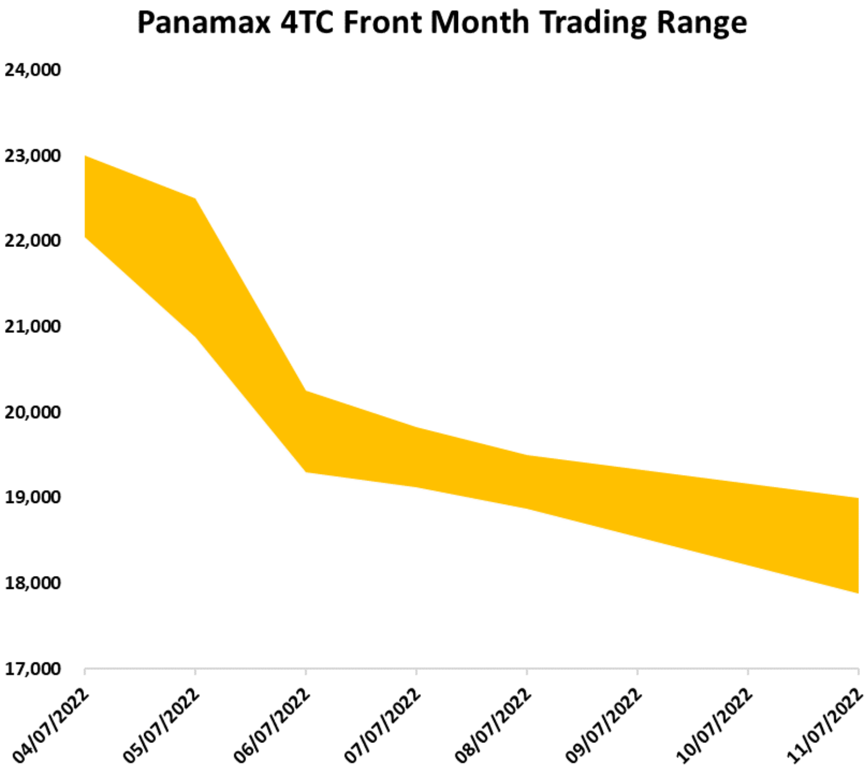


Chart source: FIS Live

A slightly positive end to the week in the futures market, albeit with a negative start with selling pressure to the whole curve. Front-month contracts were heavily marked down and lost around $2,300 – $2,700 despite firmed voyage rates and falling bunker prices. The late rebound started on Thursday, supported by China's stimulus plan earlier in the week and increasing coal move Europe, then C5 fixed at $11.40 pushing prompt months up $2,000. But the index was lower than expected and with the holiday in the Far East on Monday, futures ended up trading in a narrow range under thin volumes.

Short run neutral to bearsih

Panamax



Panamaxes were marked down over 10% as the market sentiment remained negative overall. Demand outlook was mixed last week with decent mineral activities lending in support, while coal shipments were impacted by flooding in Australia and ECSA grains exports slowed down for the season. As a result, all routes posted losses, especially in the Atlantic regions. In the Atlantic, grain cargos via EC South America redelivery to the Far East were fixed at $23,750 for mid-July, while NCSA redelivery to Skaw-Gib was fixed between $24,500-25,000. Other trips included US Gulf redelivery to the Far East heard between $31,250-31,750 (-$1500); a cargo with minerals from US Gulf redelivery Continent was fixed at $28,000 for early July. On that note increasing mineral exports to the Continent were noticed last week which will keep things interesting, around 631kt carried by Panamaxes, up 65% w-o-w data from IHS Markit Commodities at Sea Service showed. In the Asia market, the coal route ex Indonesia continued to speed up last week but had a lack of support elsewhere. Indonesia's redelivery to India eased to $19,000 (-$2,500), and redelivery to South China fell to the low of $18,000 (-$3,000). But tonnage list grew in the Pacific which kept a lid on rates, with trips from Australia to SE Asia fixed at $18,750 and to Sing-Japan at $24,500. Overall, fundamentals were stable with underside risks remaining if the sell-off in Capes and underlying markets accelerates. As coal demand remains robust and grains in the Black Sea approach their peak season, the market hopes this will provide a floor to the Panamax market.

Panamaxes did not have the same turnround as Capes, posting a weekly loss of over $3000 on the front contracts, and selling pressure persisting throughout the week. The offer side really took hold of the market with resistant levels being tested and broken, July and Aug were sold down to $18,800 and $19,075 respectively, Q3 and Q4 down $3,600 and $2,500 in weeks ending at $19,275 and $18,500 respectively. Although buyers returned at a low-price level, volumes were exchanged on smaller scales. On Monday, rates drifted lower without finding much support.

Short run bearish

Chart source: FIS Live

Supramax

Supramaxes drifted lower last week amid slow activities in the Atlantic and easing coal support from Australia. In mineral runs, buyers adopted a wait-and-see approach as steel prices hit a 19-month low and metal prices faced a sell-off. As a result, minor bulk activities dropped compared with the previous week. However, in the Atlantic better demand was noticed from US Gulf, with trips to China fixed at $29,000, to CJK at $26,750 and to the Mediterranean at $20,000. In the Asian market, rates were further eased as the support from the coal stems began to evaporate, with a trip from Indonesia to China fixed a touch lower at $20,000. However, as the peak season for containers approaches, it is believed it will lend some support and limit downside risks.

Supramax paper market gradually traded lower across the week. There was some good volume action on more deferred periods early in the week, with Cal 23 moving from 15,550 to nearly $14,350 and Cal 24 falling from $12,950 to $12,550. However, losses were the bigger on front months – July $22,450 (-2,050 from Monday), Aug $21,000 (-3,750) and Q3 $21,600 (-2,900).

Short run bearish

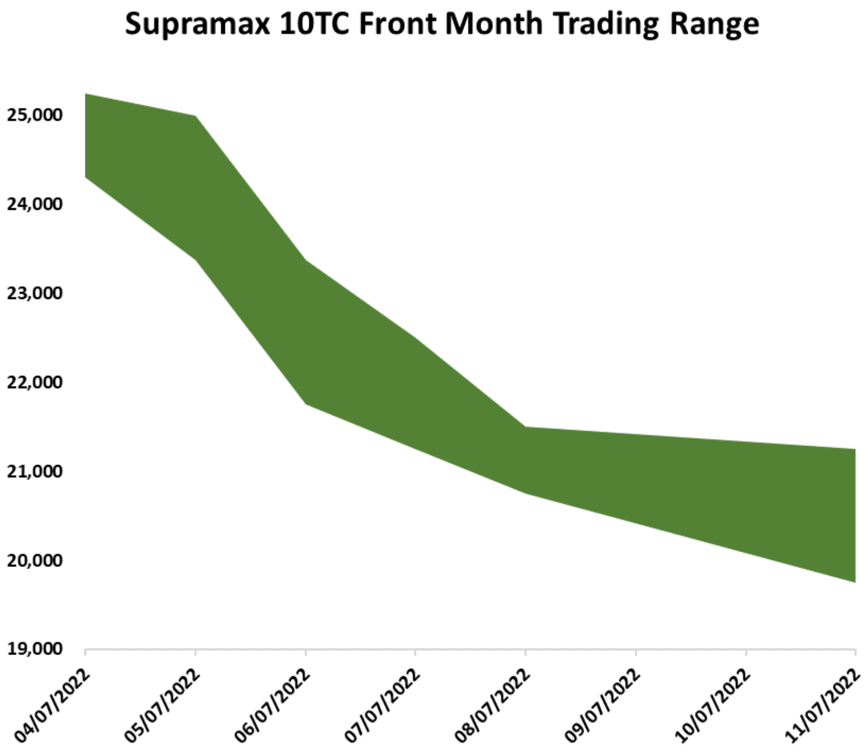


Chart sources: FIS Live

FFA Market

Despite various holidays impacting the market activities, FFAs had an active week with trading volumes of over 54,800 lots posted on exchanges and both Capes and Panamax being traded in decent sizes. The sizeable activity is also seen in options with a total of 10,980 lots traded last week, especially on the Panamax. Overall, Capes and Panamaxes traded respectively around 2,600 lots and 3,600 lots per day last week, Supramaxes followed right behind with 2,100 lots traded per day last week. Main actions focus on Jul, Q3'22, Q4'22 and Cal23 contracts. Open interest increased as new positions opened in the further back contracts, on 11th July Cape 5TC 162,679 (+4,967 w-o-w), Panamax 4TC 1948,91 (+3,968 w-o-w), Supramax 10TC 90,660 (+802 w-o-w).

FFA Market Indexes

Freight Rate $/day	11-Jul	04-Jul	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	19,613	18,481	6.1%	18,106	13,070	18,025	16,529	15,129
Panamax4TC	18,210	20,883	-12.8%	23,338	8,587	11,112	11,654	9,766
Supramax10TC	23,672	25,103	-5.7%	26,850	8,189	9,948	11,487	9,345
Handy7TC	21,239	22,609	-6.1%	25,579	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA $/day	11-Jul FIS Closing	4-Jul FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Aug 22	28,250	27,900	1.3%	29,500	26,000	39,250	20,625
Capesize5TC Q3 22	27,175	27,250	-0.3%	28,500	26,000	39,250	21,500
Panamax4TC Aug 22	18,425	22,500	-18.1%	22,800	18,000	30,700	16,050
Panamax4TC Q3 22	18,638	22,300	-16.4%	22,875	18,400	30,000	20,000
Supramax10TC Aug 22	21,250	24,750	-14.1%	25,150	20,000	36,000	16,525
Supramax10TC Q3 22	21,750	24,500	-11.2%	25,000	20,000	31,850	15,750

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

August Futures – Technically bullish last week with the futures in the early stages of a corrective phase. Price traded to a low of USD 26,000, meaning we held the USD 23,897 support, resulting in the futures moving higher. The moving averages are now flat indicating a lack of trend in the market, this is supported by the RSI which is neutral at 49; however, a bullish 3 river morning star candle pattern formed last week, warning that the futures are supported. Upside moves above the USD 30,250 fractal resistance will target the USD 32,750 and USD 35,625 levels. Likewise, downside moves that trade below USD 26,000 will imply that the correction is complex and suggest that the USD 23,897 support could come under pressure. A neutral RSI with the stochastic in overbought territory is warning that support levels could come under pressure in the near-term; however, if the RSI moves above 50 the stochastic is less relevant. We remain technically bullish, but buyside momentum has stalled due to the lack of trend in the market, the futures now need to trade above the USD 29,500 level, if we do then upside resistance levels should come under pressure.

Panamax

August Futures – Technically bearish last week with the USD 19,875 support looking vulnerable, if broken we targeted the USD 17,273 – USD 16,425 support zone. The futures have since traded to a low of USD 17,875, meaning we remain above the support zone. Technically bearish, upside moves that fail at or below USD 21,653 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. The intraday Elliott wave cycle is showing a 5-wave pattern lower from the move that started on the 18/05, warning we have the potential to see a momentum slowdown within this phase of the cycle. However, using the William's approach, we have a near-term downside target at USD 17,188. Technically bearish, there are warning signs that we could see a momentum slowdown soon due to the 5-wave pattern and intraday divergence.

Supramax

August Futures – technically bearish last week with a downside target at USD 21,714, the futures have traded through our support level to a low 19,750. The futures are rejecting the lows today on the back of a slowing index (Mon 11/07, price is currently at USD 20,675 which is USD 925 of the days low). However, upside moves that fail at or below at or below USD 23,668 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Intraday Elliott wave analysis remains bearish, suggesting upside moves should be considered as countertrend at this point.

Chart source: Jul 22 Cape 5TC from Bloomberg

Dry Bulk Trades/Iron Ore

Iron ore closed the week in gains but the fortune quickly turned on Monday as the market fears that rising covid cases may trigger restrictions and hurt demand. Last week, China was considering selling 1.5 trillion yuan ($220 billion) special bonds through local governments, to boost infrastructure spending. Furthermore, China's car sales and rebar usage for construction activities showed signs of recovery. Since the Chinese government cut purchase taxes from 10% to 5%, total passenger cars sale rose to 1.42 million units in June, up 37% from May and up 27% y-o-y, data from the State Taxation Administration showed. Moreover, total inventories for rebar among major Chinese steel mills fell for a third consecutive week to 10.85 million tonnes, down 5.1% w-o-w; while HRC inventories ticked up 1% to 3.90 million tonnes for the week ending 1 July, data from SMM showed. On the other hand, China Iron Ore & Steel Association (CISA) cited that the daily crude steel output among member mills fell 7% or 158,800 tonnes to a three-month low of 2.1 million tonnes per day during 11-20 June. On top of that, steel mills in the northwest joined the southwestern mills to call for production cuts of 10%-30%, which would roughly reduce between 11-33 million tonnes of iron ore usage from the region considering steel production capacity stood at around 70 million tonnes.

Investors have mixed views on iron ore price in Q3, some outlined iron ore is more exposed to China's easing monetary policy than other commodities, which might see a rebound if more government stimulus is released. But others are focused on the prospect of sliding steel demand inside China and abroad amid fears of a global recession.

Last week total iron ore shipments dropped by 10.8% to 29.4 million tonnes amid weaker demand, with exports generated from Australian producers maintaining a seasonal high. As the charts below show, last week's shipments from Brazil to China has again fallen off the seasonal average, while the same destination from Australia came off the peak but stayed at the top end of the seasonal range.

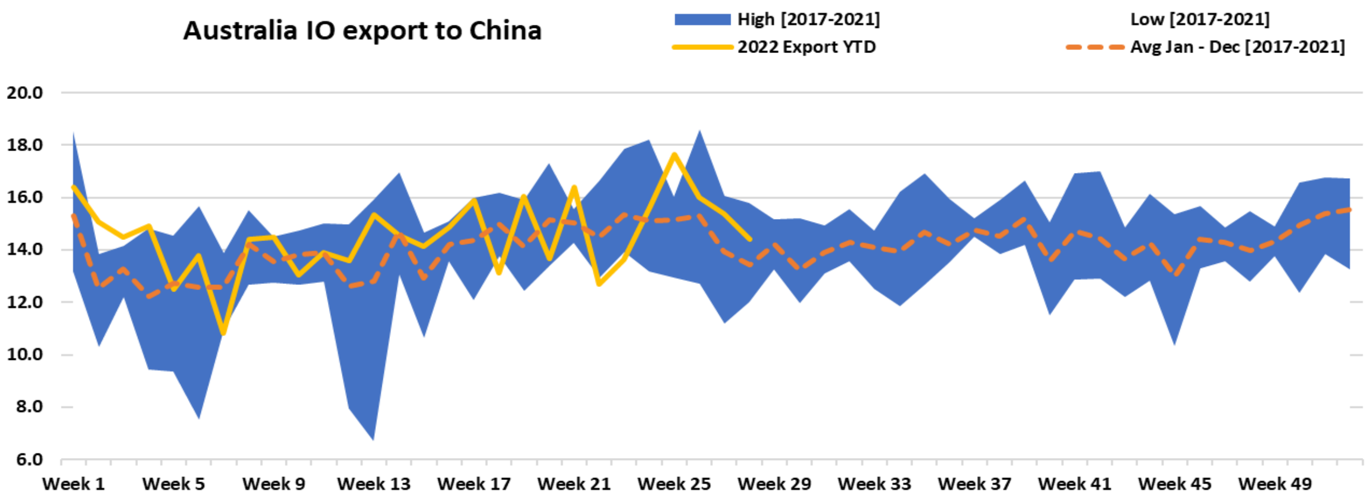
Dry Bulk Trades/Iron Ore

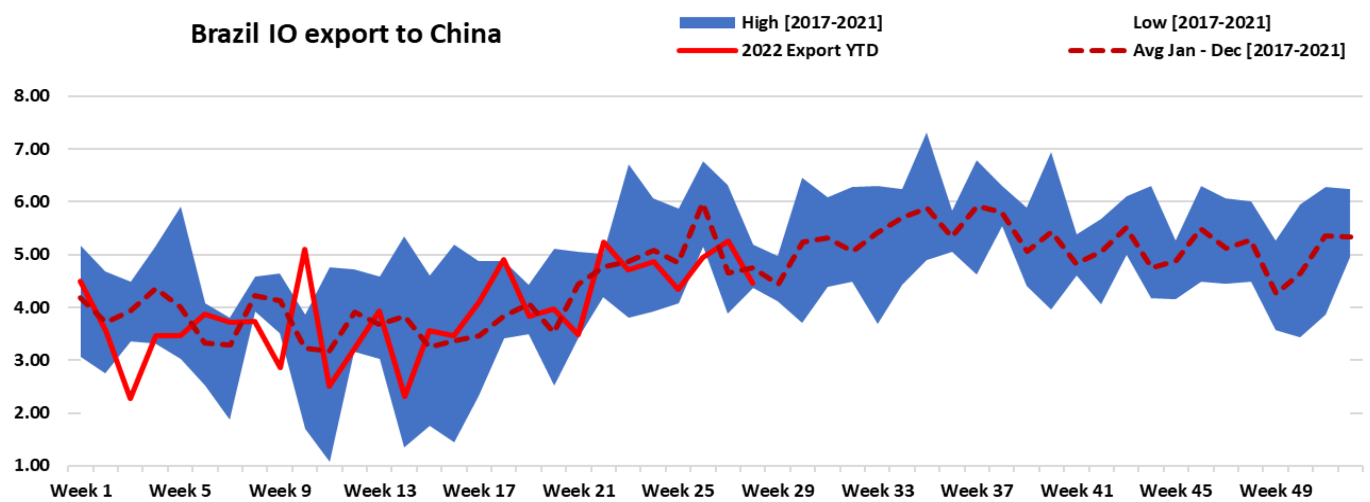
Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Australia	77.4	74.3	219.1	236.1	233.9	235.4	922.9	922.4
Brazil	27.9	24.8	68.9	91.1	97.9	84.9	350.4	336.6
South Africa	5.4	4.9	14.9	15.1	15.1	13.9	57.8	56.0
India	2.2	2.9	7.7	2.1	5.3	14.4	39.0	50.8
Canada	4.3	4.7	11.7	15.0	18.1	11.3	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	14.4	15.4	**-6.5%**	10.92	11.45	**-4.7%**
Brazil-China	4.5	5.3	**-15.2%**	29.90	29.78	**0.4%**

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

The benchmark Newcastle coal August contract jumped up $35 in a week to close at $426.80 on Monday on the back of robust demand and supply issues. As mentioned in the last report, Japan and South Korea were busy stocking up in preparation for summer. Hotter weather was reported in North and Central China, coal demand is expected to reach a new high. According to China Electricity Council, China's power consumptions are likely to increase by 7% YoY in the second half of 2022, thereby coal stocks need to build up to higher levels.

Last week, total coal shipment fell by 16.4% to 23.8 million tonnes, as top supplier Australia shipped 46% less compared with the previous week to 4.3 million tonnes. The key port Newcastle must shut for another week as flooding halts coal deliveries. JKM imported only 2.6 Mmt (-50%) from Australia last week. While supply from Indonesia remained strong, with a total of 10.8 million tonnes of coal exports, up 12% w-o-w.

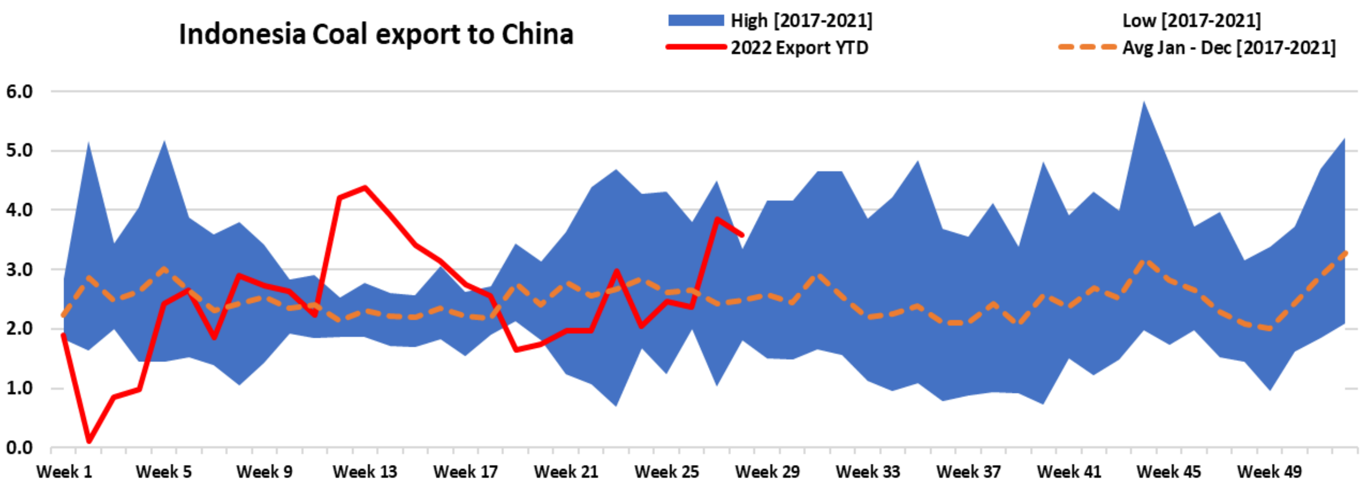
Dry Bulk Trades/Coal

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**

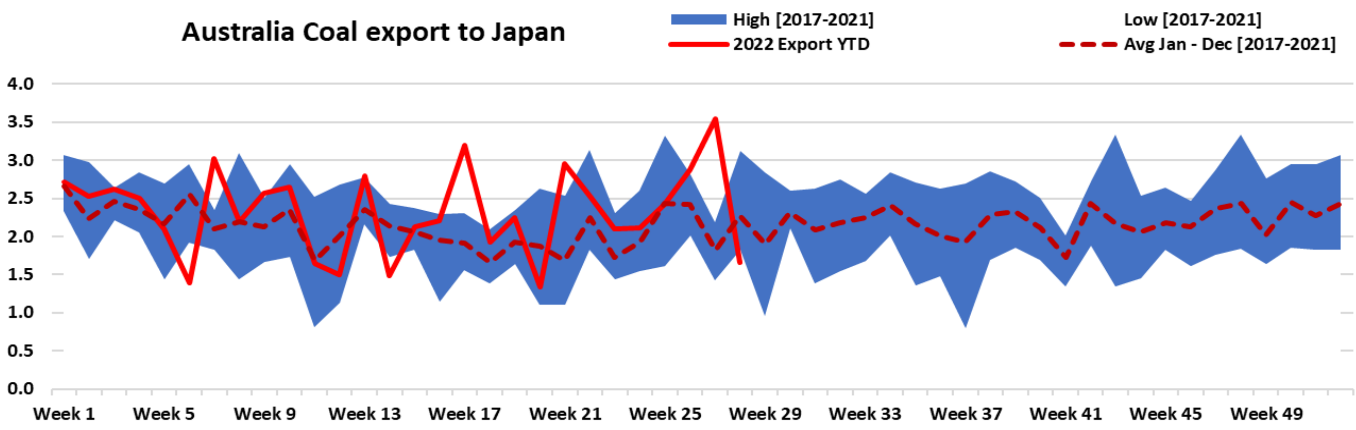
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	3.6	3.8	**-6.6%**
Australia-Japan	1.7	3.5	**-53.2%**

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

Grain futures moved higher and closed the week on a positive note. Corn prices soared amid supply concerns as weather forecasts of a heatwave in mid-July at the key growing regions in the US Midwest and some parts in Europe, coupled with exports uncertainty increase in Argentina due to inflation risks and government policy. Soybean and wheat also jumped and returned to the high level seen in June, supported by strong demand with a rumour of increasing buying interest from China.

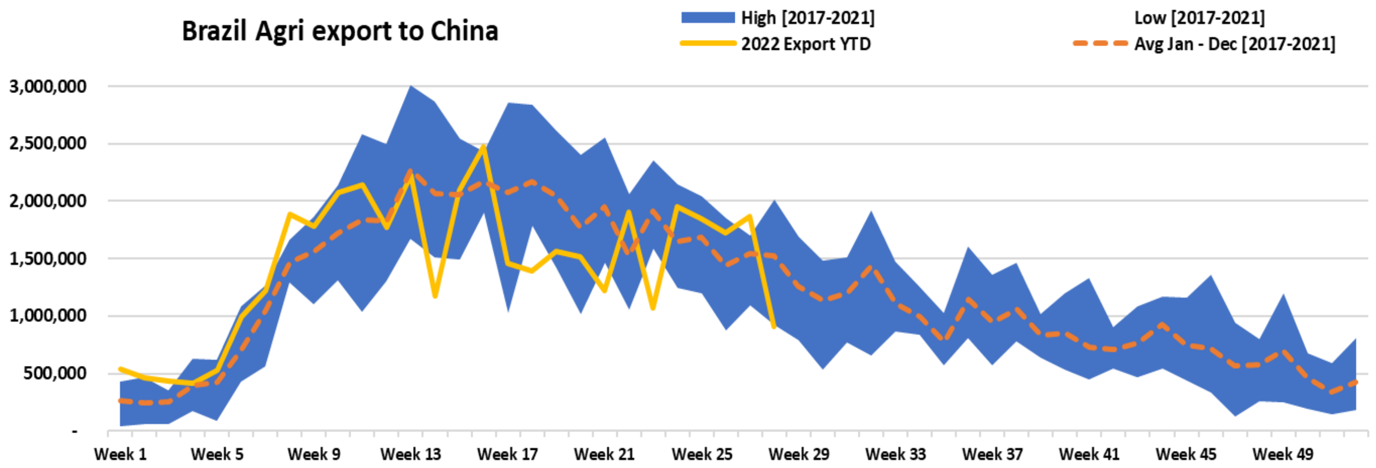
Last week global gains shipments fell a touch but stabilised at around 10 million tonnes, according to IHS Markit Commodities at Sea Service. Total shipments out from Brazil were reported at 3.4 million tonnes, down 17.2% w-o-w. On the other hand, shipments from the US have finally picked up and revised its three weeks downturn, up 39% to near 2 million tonnes.

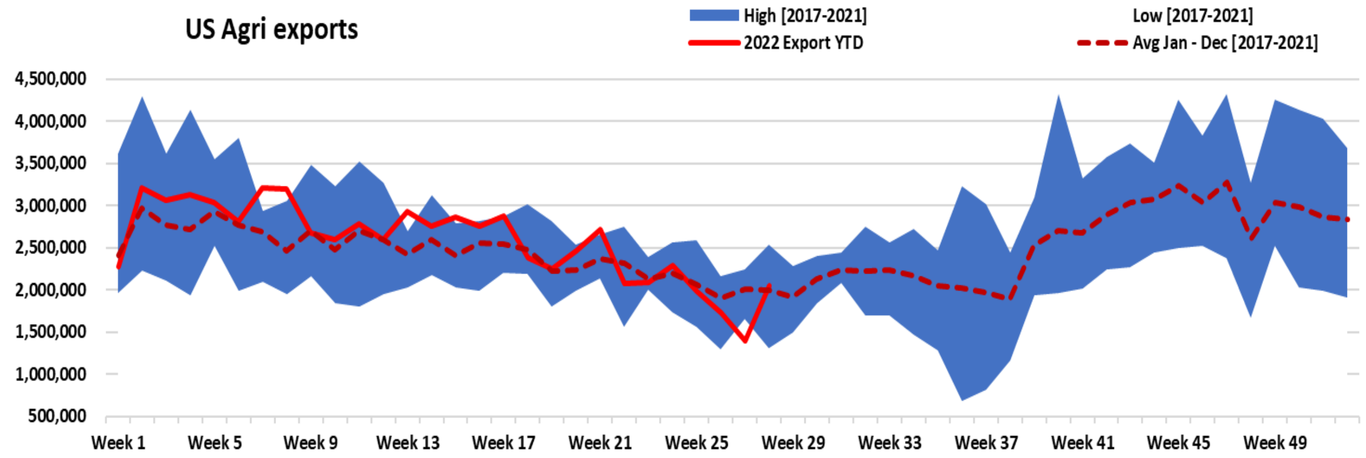
Export (million tonnes)	May-22	Apr-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020
Brazil	16.3	16.3	40.5	28.9	43.3	52.7	158.1	170.8
USA	10.4	11.7	37.6	43.2	21.6	32.5	141.4	141.4
Argentina	9.4	8.6	16.6	17.9	24.3	25.6	85.7	79.1
Ukraine	0.0	0.0	12.1	19.2	15.3	8.7	53.9	51.5
Canada	2.6	2.1	6.2	10.5	7.6	11.7	42.5	50.8
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	910.4	1,865.2	-51.2%	63.2	66.0	-4.3%
US-China	168.6	216.4	-22.1%	72.4	74.9	-3.2%

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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