FIS

# Dry Freight Weekly Report

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

## 19/07/2022

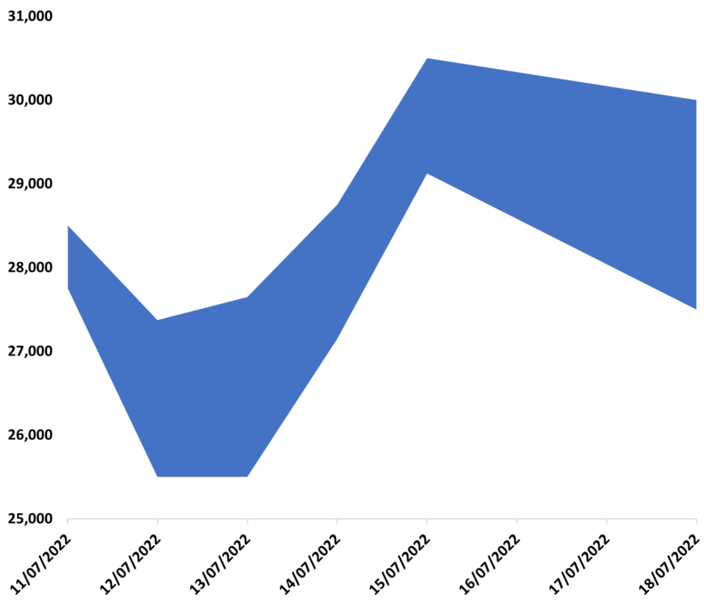
**Market Review: Market sentiment has slightly improved in the dry freight market, especially as Capesizes posted a positive w-o-w move and the losses in the smaller vessels seemed to have halted. Panamaxes were the straggler of the week, as they struggled to shrug off the bearish demand outlook, despite support from the FFA market. Hopefully, the return of Australian coal shipments and talk of reopening some ports in the Black Sea will inject some optimism in the near term.**

| Freight Rate $/day | 18-Jul | 11-Jul | Changes % | Short Term | Sentiment |
|---|---|---|---|---|---|
| Capesize 5TC | 24,603 | 19,613 | 25.4% | Neutral to Bullish | - |
| Panamax 4TC | 15,510 | 18,210 | -14.8% | Bearish | ↓ |
| Supramax 10TC | 22,406 | 23,672 | -5.3% | Bearish | ↓ |
| Handy 7TC | 21,370 | 21,239 | 0.6% | Bearish | ↓ |

| IHS | Weekly Total Shipments | | Iron Ore | Coal | Bauxite | Agribulk | Minor bulk |
|---|---|---|---|---|---|---|---|
| Capesize | 201 | -7 | 138 (-6) | 48 (+5) | 7 (-6) | | |
| Panamax | 319 | -32 | | 166 (+2) | | 66 (-33) | 51 (-2) |
| Supramax | 406 | -65 | | 75 (-27) | | 66 (-7) | 254 (-27) |

### Capesize

Capesize 5TC Front Month Trading Range



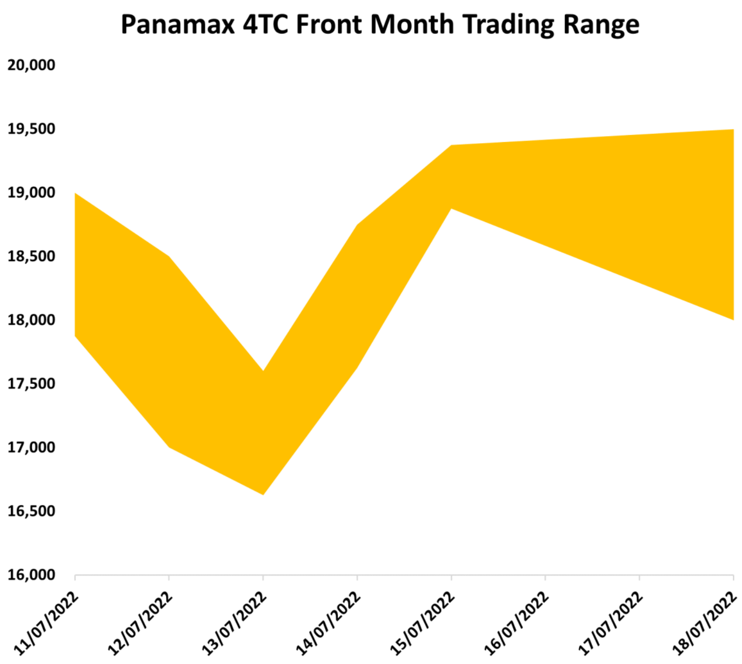

The Cape market initially moved lower due to an Asian holiday on Monday and depressed global economic outlook, but the mid-week market sentiment was lifted by the improvements in the Atlantic, pushing the TC rates above the $20,000 threshold. Apart from three Australian majors active in the Pacific market, Vale and Trafigura took some tonnage in Brazil, coupled with coal cargoes facing a longer turnaround in Rotterdam and Hamburg, which tightened up vessel supply in the Atlantic region. On a weekly basis, Australian iron ore exports were still stable at around 18 million tonnes, whilst Brazilian iron ore exports recovered by 25% to just under 8 million tonnes. For fixtures, rates moved higher as the week progressed. In the Pacific, the key C5 iron ore route (West Australia to China) was fixed between $10.25-$10.50 in the early part of the week for 24-26 July, before recovering to $10.75-$10.85 for the latter part of the week, then on Monday rates were heard above $11 for early August loading dates. In addition, coal cargos carried by Capesize dropped for a third week to below 30%, with falling Australian coal exports due to heavy rainfall disrupting coal deliveries to the main coal port Newcastle. In the Atlantic, moving iron ore on the C3 route from Tubarao to Qingdao rose from $29.50 to $30.60 and then $32 for early August laycan. Out of Brazil, other trips including from PDM to Qingdao also fixed higher at $32 for the end of July and $34.40 for 1-10 Aug. From West and South Africa, although demand remained subdued rates were firmed, trips from Saldanha Bay and Kamsar to Qingdao were fixed at above $22 and $33 respectively for early August loading dates. Last week the market looked slightly positive as more owners began to ballast toward Brazil which has shaken up the fundamentals. Although July is a low season for demand for iron ore and the drops continued in the underlying markets, as China has stepped up its stimulus by restarting construction projects to boost demand, along with Rio Tino catching up on its shipments to hit annual targets, Capes are likely to see improvements in the late summer. Elsewhere, bunker prices continued to drop especially on the HSFO, which fell to a six -month low, Singapore 380 and 0.5% fuel oil were assessed at $424 and $877, respectively last Friday.

*Chart source: FIS Live*

The Cape FFA market had a negative start to the week but recovered later on with rates ending around or slightly above the previous Monday levels, with a much-improved index. The Pacific market slipped by over a dollar to $10.26/pmt on the key C5 route which dragged down rates alongside renewed worries about the health of the world economy. This dragged down prompt paper values by over $2,000/day and also dragged down the index for its only negative print for the reporting period. The sentiment reversed on the news of C5 fixing at $10.75 and C3 at $33.00 pushing rates to their highest that week with the August contract hitting $30,000, Q4 $27,750, and Cal 24 $16,875. The renewed optimism in the market has cooled into the new week, but the sentiment is still more buoyant than it had been a few weeks ago.

**Short run neutral to bullish**

## Panamax




Panamaxes were marked down nearly 15% to the mid $15,000/day level as market sentiment was eroded further with losses posted across all routes. The demand outlook turned negative last week amid low grain exports and coal shipments in Australia which has still not returned to normal flows, although mineral activities remained stable and robust coal exports flowed out of Indonesia. The North Atlantic was particularly pressured by a lack of fresh enquires with rates posting heavy losses. Fixtures wise, grains cargos via EC South America redelivery to China were fixed around $2,700 lower compared with last week to $21,000 for mid-July, before falling to $18,000–$20,000 on Monday; while ECSA redelivery to Sing/Japan was heard between $19,000-$20,500. Trips via NCSA redelivery to Skaw-Gib were fixed below $20k at $16,000.
In the Asian market, the coal route ex Indonesia continued to speed up at its seasonal high but had a lack of support elsewhere. Indonesia's redelivery to India eased to $12,750 (-$6,250), and redelivery to South China fell to the lower range of $15,000-$16,000 (-$3,000). But excess tonnage lists grew in the Pacific and suppressed rates, with round trips from Australia to Sing-Japan at the low $20,000. Last week Panamaxes had clearly not found a floor amid negative signals, market sources said owners had to lower offers in order to get employment and some were pressing to get fixed for late August dates in fear of a further drop in rates. As there was somewhat of a rally in the FFAs with talks of China considering lifting a coal ban from Australia, and the potential of grains finally being allowed out of the Black Sea, it could help to lift the Panamax market.

Panamax paper markets followed a similar trend to the larger ships with a negative start followed by a complete recovery late week. The imported sentiment from the big ships was aided by Cape/PMX spread sellers offering extra support triggering better pay across the curve coupled with those looking for standard coverage. Rates hit highs Thursday with the August contract up to $19,750, Q4 up to $27,750, and Cal 24 to $16,875. The paper market defied the negativity on the index across the week, dropping from $18,210 to $15,510 (-14.8%) Monday to Monday.

**Short run bearish**

*Chart source: FIS Live*

### Supramax

Supramaxes were similar to Panamaxes last week with slow activity in the Atlantic and no support provided from Australia and NoPac sides. In mineral runs, buyers waited on the sidelines in anticipation of lower prices as the underlying market faced a selloff. As a result, minor bulk volumes continued along a similar trend to the previous week, with cargos of steel from Vietnam to S. China shy of $25,000 and Taiwan to the Continent fixed above $30,000. On the Atlantic side, enquires were lacking in ECSA and easing from the Continent and Mediterranean regions, with trips via US Gulf to China, fixed at $25,000 and ECSA redelivery to Sing-Japan at $16,500. Also, cargos from West Africa to China were heard to fix between $18,000-$20,000. In the Asian market, rates were further eased as the support from the coal stems evaporated further, with trips from Indonesia to China fixed in a wider range with a low of $16,000 but most were heard closer to $21,000, and the route to West India was paid at $16,500.

It was a more mixed picture in the smaller Supramax vessels in the paper markets Monday to Monday. Like the Panamaxes it suffered from a weakness in the index, moving from $23,672/day to $22,406 but was less significant a move. The same can be said for the FFA contract values, which although they followed a somewhat similar trend to the Panamaxes it was less emphatic. The August contract moved from $21,250 to $23,250, Q4 from $18,550 to $19,500, and Cal 24 from $12,500 to $13,125.

**Short run bearish**

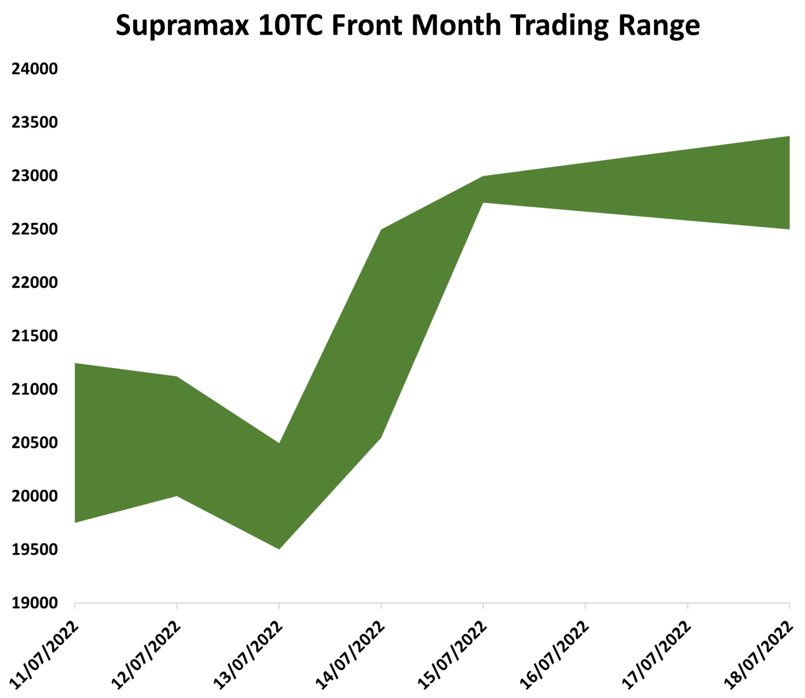



*Chart sources: FIS Live*

## FFA Market

The FFA market was muted due to the Asian holiday on Monday, but activities quickly picked up in the rest of the week, with trading volumes of over 55,890 lots posted on exchanges and both Capes and Panamax being traded in decent size. Sizeable activity was also seen in options with a total of 12,470 lots traded last week, especially on the Panamax. Overall, Capes and Panamaxes traded respectively around 2,680 lots and 3,900 lots per day last week, Supramaxes followed right behind with 1,400 lots traded per day last week. Main actions focus on August, Q4'22 and Cal23 contracts. Open interest increased as new positions opened in the further back contracts, on 18th July Cape 5TC 166,618 (+3,939 w-o-w), Panamax 4TC 197,615 (+2,724 w-o-w), Supramax 10TC 90,953 (+293 w-o-w).

## FFA Market Indexes

| Freight Rate $/day | 18-Jul | 11-Jul | Changes % | 2022 YTD | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|
| Capesize5TC | 24,603 | 19,613 | 25.4% | 18,230 | 13,070 | 18,025 | 16,529 | 15,129 |
| Panamax4TC | 15,510 | 18,210 | -14.8% | 23,076 | 8,587 | 11,112 | 11,654 | 9,766 |
| Supramax10TC | 22,406 | 23,672 | -5.3% | 26,697 | 8,189 | 9,948 | 11,487 | 9,345 |
| Handy7TC | 21,370 | 21,239 | 0.6% | 25,417 | 8,003 | 9,288 | 8,700 | 7,636 |

## FFA Market Forward Values

| FFA $/day | 18-Jul FIS Closing | 11-Jul FIS Closing | Changes % | Weekly Mkt High | Weekly Mkt Low | 2022 Mkt High | 2022 Mkt Low |
|---|---|---|---|---|---|---|---|
| Capesize5TC Aug 22 | 27,500 | 28,250 | -2.7% | 30,500 | 25,250 | 39,250 | 20,625 |
| Capesize5TC Q3 22 | 26,875 | 27,175 | -1.1% | 28,750 | 24,500 | 39,250 | 21,500 |
| Panamax4TC Aug 22 | 18,150 | 18,425 | -1.5% | 20,000 | 16,500 | 30,700 | 16,050 |
| Panamax4TC Q3 22 | 18,175 | 18,638 | -2.5% | 20,500 | 16,925 | 30,000 | 20,000 |
| Supramax10TC Aug 22 | 23,250 | 21,250 | 9.4% | 23,100 | 19,750 | 36,000 | 16,525 |
| Supramax10TC Q3 22 | 22,900 | 21,750 | 5.3% | 23,000 | 19,750 | 31,850 | 15,750 |

Data Source: FIS Live, Baltic Exchange

## Freight Technical View

### Capesize

August Futures – Technically bullish last week but buyside momentum had stalled due to the lack of trend in the market, the futures traded below the base of the 3-river morning star pattern but held above the USD 25,437 support. Price has since traded above the USD 29,500 and USD 30,250 fractal resistance levels, to a high of USD 30,500. The futures have opened the week lower (18/07) with price trading below Fridays low of USD 29,125 signalling the futures have entered a corrective phase on the intraday. Downside moves that hold at or above USD 27,200 will support a near-term bull argument, below this level will warn that the USD 25,500 fractal support could be tested, if broken the daily technical is considered bearish. Upside moves above the USD 30,500 high will target the USD 32,750 and USD 33,565 resistance levels. The technical is bullish based on the futures making higher highs and higher lows but the daily RSI is at 50 with the stochastic in overbought territory. Momentum is warning that the futures are vulnerable to a test to the downside; however, if the RSI moves above and holds above the 50 level then the stochastic becomes less relevant.

### Panamax

August Futures – Technically bearish last week with a near-term downside target at USD 17,188, there were warning signs that we had the potential to see a momentum slowdown. The futures traded to a low of USD 16,625 before trading up to a high of USD 19,500. We now looked to have completed the bearish wave 3 of the Elliott wave cycle, suggesting we have entered a countertrend wave 4. Upside moves that fail at or below USD 25,700 will leave the technical vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Technically bearish with the upside move considered as countertrend, this move does have the potential to be greater in time and price than recent upside moves, as it looks to be a higher timeframe wave 4. Downside moves below USD 16,625 will indicate the futures have entered a bearish wave 5, implying the USD 14,247 and USD 12,627 support levels could be tested.

## Supramax

August Futures – Technically bearish last week we were seeing the futures find support on the back of a slowing index. Price traded to a low of USD 19,500 before moving higher. Intraday Elliott wave analysis remains bearish, implying upside moves should be countertrend at this point, above USD 23,545 the futures will have a neutral bias, only above USD 25,500 will it signal wave completion. If we fail to trade above the USD 23,545 resistance it will leave the USD 19,500 fractal low vulnerable, below this level we have further support at USD 18,375 and USD 17,195.

## Capesize August 22 Morning Technical Comment – 240 Min

## Dry Bulk Trades/Iron Ore

Iron ore plunged to near $96 after several key economic and industrial indicators were released. In H1, China's GDP only grew 2.5% to 56.3 trillion yuan ($8.4 trillion), the slowest pace since the pandemic started in 2020. The growing concerns over China's economic recovery have dampened market confidence with Goldman Sachs cutting its forecast to 3.3% considering China's lockdown measures and poor growth in Q2. However, car sales and manufacturing activities rebounded in June, with investment in the manufacturing sector being up 19.2% YoY in H1; while real estate investment showed a 15% YoY growth, down from the last figures of 18%. Apart from that, data from the National Bureau of Statistics (NBS) shows that Chinese crude steel output fell by 6.5% YoY to 526.8 million tonnes for the first half of 2022; the output in June stood at around 90.73 million tonnes, down 6% compared with May, due to heatwaves in the north and central China, and heavy rains in the south disrupting construction activities. Furthermore, according to a Mysteel survey of over 247 Chinese steel mills, the average blast furnace utilisation rates slipped 1.7% w-o-w to 84.01%, and the operation rates dropped 1.55% w-o-w to 76.98%, %, for the week ending 15 July, citing steel output capacity is on its fourth week of decline as more steel mills continue idling their blast furnaces. On the supply side, Rio Tinto released its quarterly report today, its shipments were up 2% in H1, and its operations will ramp up in the rest of the year to meet its annual target. On Monday, iron ore briefly moved up to $100 as the Chinese government stepped up the effort and worked with developers to restart construction projects across the nation. Investors took it as a positive sign of China's commitment to aid its property market. Furthermore, The People's Bank of China injected 9 billion yuan in financial markets, outlining that the central bank will provide further policy support to the real economy. On the other side, industrial figures continued to show a trend of declining steel demand with falling rebar output and steel prices staying at a 2-year low.

Last week total iron ore shipments improved by 8.8% to 30.7 million tonnes, with exports generated from Australian producers maintaining a seasonal high. As the charts below show, last week's shipments from Brazil to China has bounced back and surpassed the seasonal average, as well as exports from Australia to China, moved to the higher end of the seasonal range.

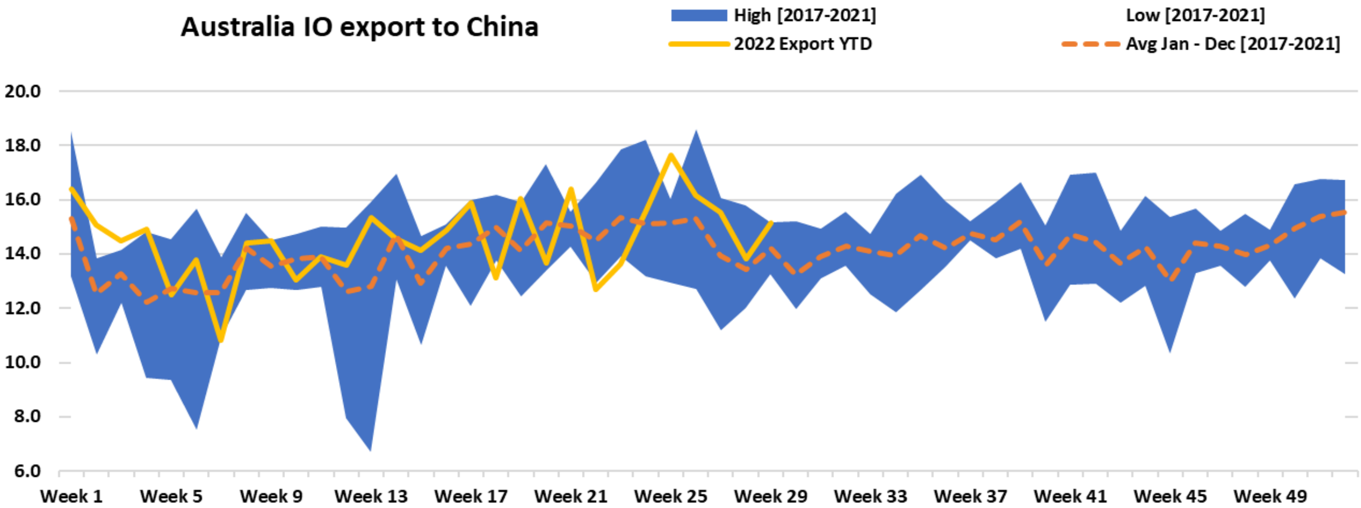
## Dry Bulk Trades/Iron Ore

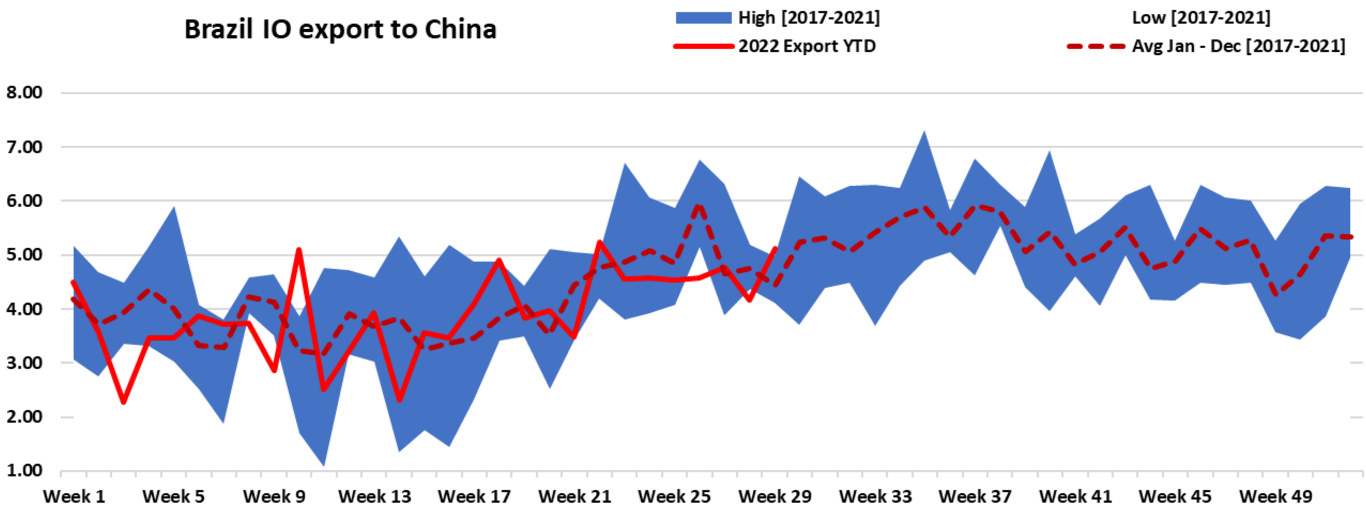
| Export (million tonnes) | Jun-22 | May-22 | Q2-22 | Q1-22 | Q4-21 | Q3-21 | 2021 | 2020 |
|---|---|---|---|---|---|---|---|---|
| Australia | 81.7 | 77.2 | 233.2 | 219.1 | 236.1 | 233.9 | 922.9 | 922.4 |
| Brazil | 29.8 | 27.5 | 82.3 | 69.5 | 91.1 | 97.8 | 350.3 | 336.6 |
| South Africa | 5.4 | 5.6 | 15.9 | 14.7 | 15.5 | 15.3 | 59.6 | 56.0 |
| India | 0.7 | 2.2 | 5.7 | 7.6 | 2.0 | 4.9 | 37.7 | 50.8 |
| Canada | 4.6 | 4.3 | 13.6 | 11.7 | 15.0 | 18.1 | 57.1 | 58.1 |
| Others | 13.7 | 14.6 | 41.5 | 45.3 | 51.2 | 46.9 | 190.7 | 179.7 |
| **Global** | **135.9** | **131.4** | **392.1** | **367.7** | **410.8** | **417.0** | **1618.4** | **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 | 15.2 | 13.8 | 9.6% | 10.77 | 10.92 | -1.4% |
| Brazil-China | 5.1 | 4.2 | 23.3% | 30.94 | 29.90 | 3.5% |

## Seasonality Charts




Data Source: IHS Markit Commodities at Sea Service, Bloomberg

## Dry Bulk Trades/Coal

Last week, total coal shipments 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 has to shut for another week as flooding halts coal deliveries. According, to JKM, it 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.

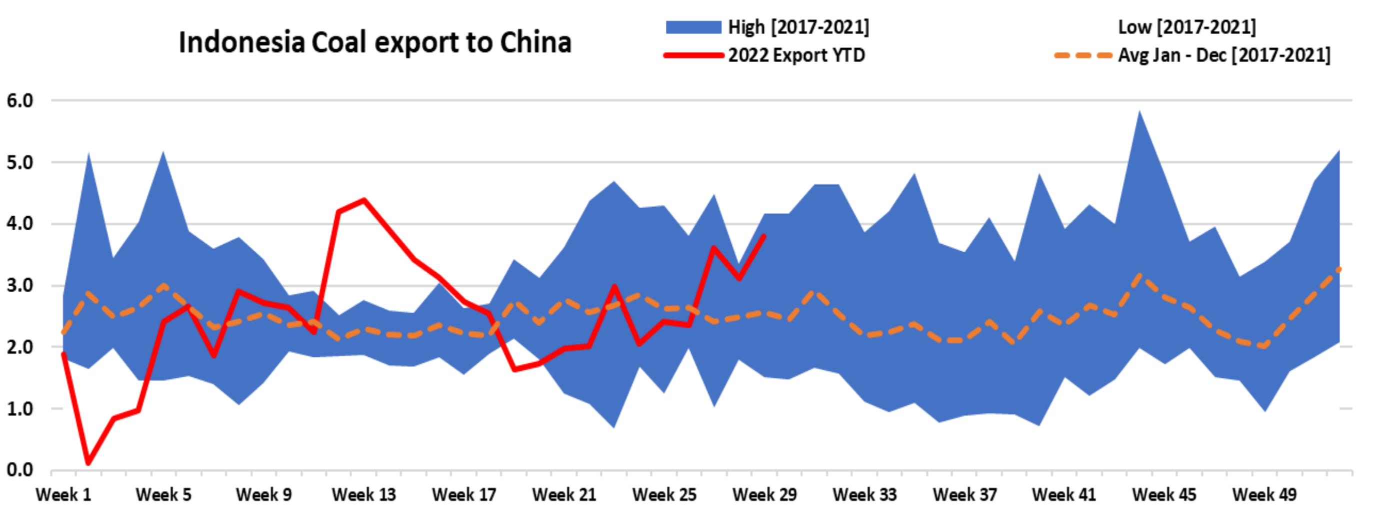
**Dry Bulk Trades/Coal**

| Export (million tonnes) | Jun-22 | May-22 | Q2-22 | Q1-22 | Q4-21 | Q3-21 | 2021 | 2020 |
|---|---|---|---|---|---|---|---|---|
| Indonesia | 40.4 | 39.1 | 119.1 | 88.6 | 106.0 | 109.3 | 416.8 | 377.0 |
| Australia | 33.3 | 30.5 | 91.1 | 84.5 | 90.8 | 97.0 | 368.8 | 376.1 |
| Russia | 18.3 | 16.9 | 50.1 | 41.2 | 40.8 | 44.1 | 173.5 | 178.4 |
| USA | 7.7 | 6.5 | 20.3 | 17.9 | 17.7 | 15.8 | 68.9 | 56.0 |
| Colombia | 4.4 | 4.9 | 14.4 | 16.1 | 15.8 | 15.5 | 61.1 | 58.6 |
| South Africa | 4.6 | 4.2 | 13.3 | 14.3 | 17.1 | 14.0 | 61.0 | 72.8 |
| Others | 8.4 | 8.6 | 24.4 | 25.2 | 25.3 | 26.9 | 93.9 | 75.9 |
| **Global** | **117.0** | **110.7** | **332.6** | **287.7** | **313.5** | **322.7** | **1244.1** | **1194.9** |

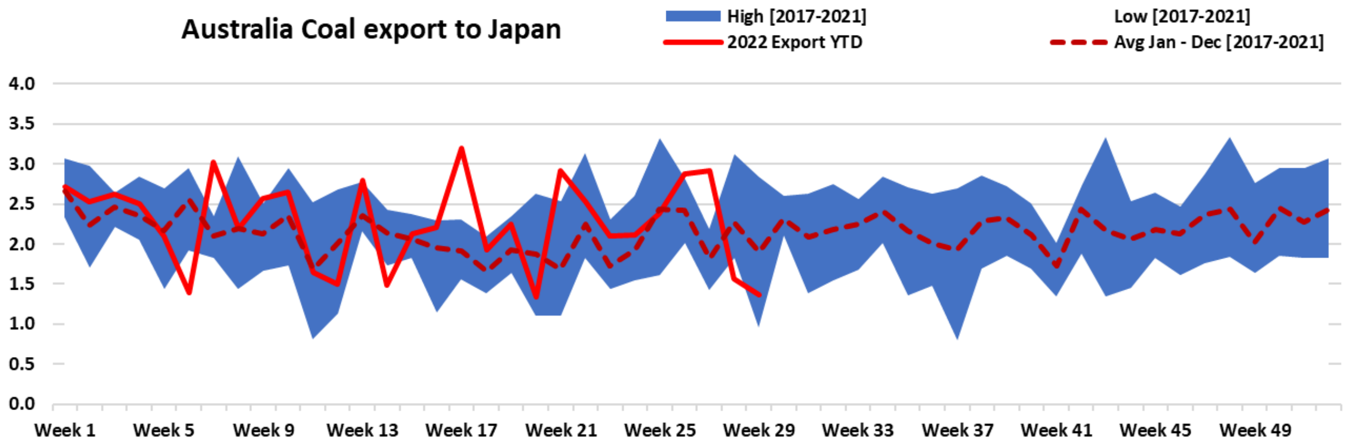
**Coal Key Routes**

| **Coal Key Routes** | Coal Export Million mt | | |
|---|---|---|---|
| Coal Export Million mt | Last Week | Prev. Week | Chg % |
| Indonesia-China | 3.8 | 3.1 | **21.9%** |
| Australia-Japan | 1.4 | 1.6 | **-12.8%** |

## Seasonality Charts




Data Source: IHS Markit Commodities at Sea Service, Bloomberg




Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

## Dry Bulk Trades/Agri

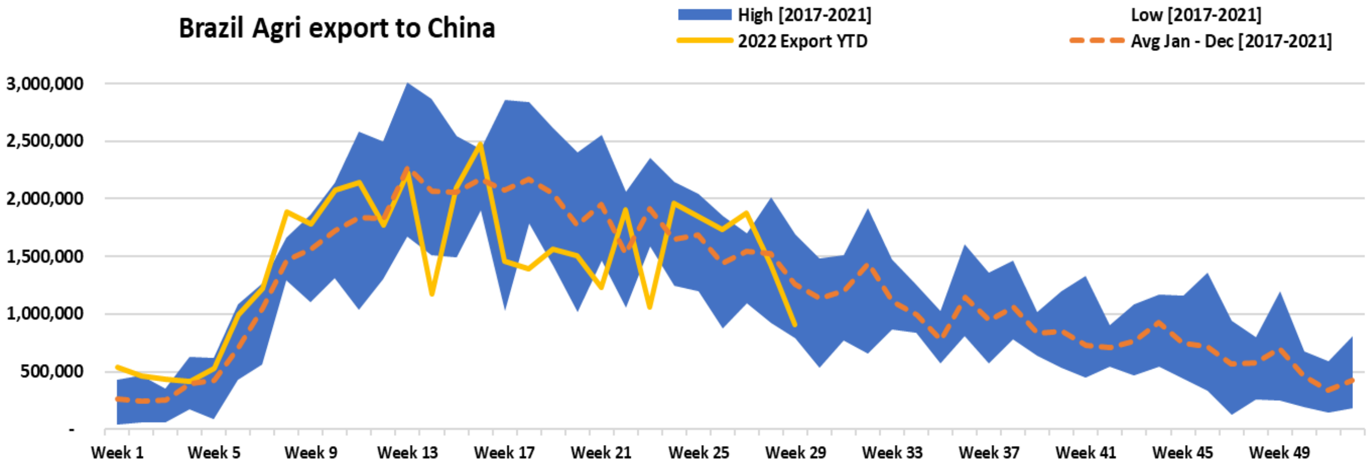
Last week global grains shipments fell below 10 million tonnes, down 10.7% w-o-w, according to IHS Markit Commodities at Sea Service. Total shipments out from Brazil picked up 11.7% to 3.8 million tonnes, although exports to China slipped below the seasonal average. On the other hand, shipments from the US had an underperforming week with volumes returning to the previous low level of around 1.6 million tonnes, down from 23.5%.

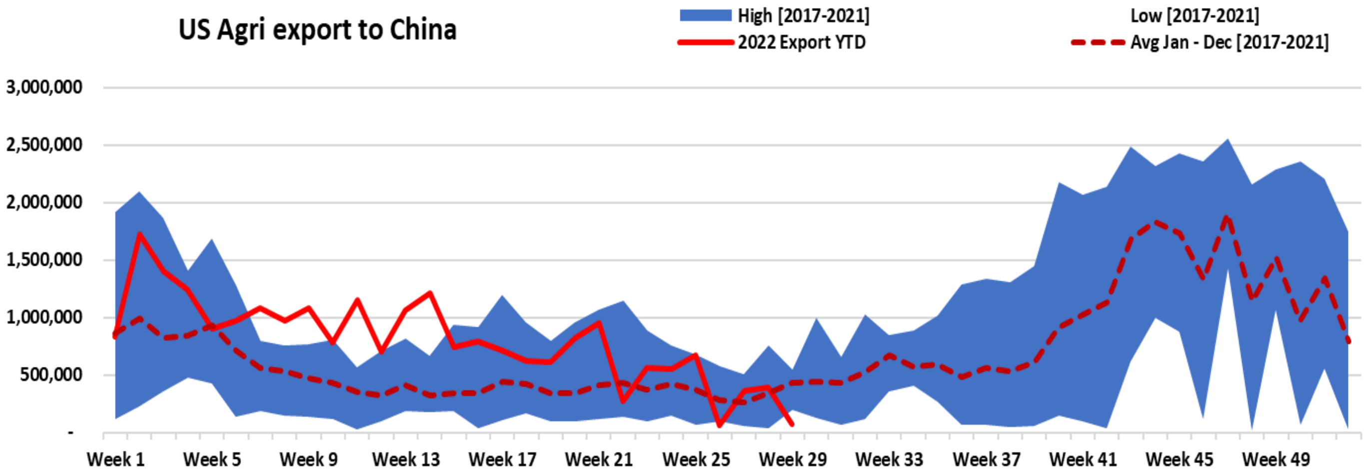
| **Export (million tonnes)** | **Jun-22** | **May-22** | Q2-22 | Q1-22 | Q4-21 | Q3-21 | 2021 | 2020 |
|---|---|---|---|---|---|---|---|---|
| Brazil | 16.6 | 16.0 | 48.9 | 40.2 | 28.9 | 43.0 | 156.9 | 170.8 |
| USA | 8.4 | 10.3 | 30.5 | 37.4 | 42.8 | 21.4 | 140.3 | 141.4 |
| Argentina | 7.6 | 8.7 | 24.6 | 16.5 | 17.6 | 24.0 | 85.3 | 79.1 |
| Ukraine | 0.0 | 0.0 | 0.0 | 12.0 | 19.1 | 15.2 | 53.4 | 51.5 |
| Canada | 1.9 | 2.6 | 6.5 | 6.0 | 10.2 | 7.3 | 41.3 | 50.8 |
| Russia | 1.4 | 1.4 | 4.8 | 5.0 | 7.2 | 10.4 | 29.7 | 35.1 |
| Australia | 3.7 | 4.0 | 11.7 | 13.1 | 8.9 | 8.6 | 40.8 | 20.2 |
| Others | 7.9 | 7.9 | 24.1 | 26.1 | 22.9 | 23.7 | 85.5 | 71.5 |
| **Global** | **47.6** | **50.8** | **151.2** | **156.4** | **157.6** | **153.5** | **633.3** | **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 | 911.8 | 1,430.1 | -36.2% | 57.8 | 63.2 | -8.5% |
| US-China | 70.4 | 388.6 | -81.9% | 68.0 | 72.4 | -6.2% |

## 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