

FIS Dry Freight Weekly Report

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****There will be no Dry Freight Analysis Report on the 2nd Aug, the report will be resume on 9th Aug****

Market Review:

The larger dry bulk vessels dropped on the back of lower production forecasts from the major iron ore miners and generally lower activity in the Atlantic. The smaller ships, however, bucked the trend of the larger ships seeing support from the Black Sea export agreement signed by Russia and Ukraine, alongside good mineral and coal demand. The prospect of a relaxation of the Chinese ban on Australian coal also added another potential support point.

Freight Rate \$/day	25-Jul	18-Jul	Changes %	Short Term	Sentiment
Capesize 5TC	21,526	24,603	-12.5%	Neutral to Bullish	↗
Panamax 4TC	17,564	15,510	13.2%	Neutral	-
Supramax 10TC	22,865	22,406	2.0%	Bearish	↘
Handy 7TC	21,814	21,370	2.1%	Bearish	↘

Capesize

Capesize 5TC Front Month Trading Range

Capes gave away some of their gains from the previous week amid slow progress in the Atlantic, but there was support elsewhere shown by TC rates maintaining above the \$20,000 threshold. Weekly, Australian iron ore exports increased by 6.7% to around 19 million tonnes, whilst Brazilian iron ore exports dipped below the seasonal average to 6.1 million tonnes. Furthermore, the market confidence of a bullish Q3 was dimmed by the news of Vale cutting its annual production target, with the company estimated to ship 10-30 million tonnes less in 2022. As hesitant buyers held onto orders, other underlying markets also struggled to hold onto gains, with iron ore slipping below \$100 for most of last week. In the Pacific, the key C5 iron ore route (West Australia to China) was almost unchanged and fixed between \$10.70-\$10.80 in the early part of the week for 2-6 Aug, then lifted to \$11-\$11.15 before the weekend, with a high of \$11.95 heard for late Aug loading dates. Given the multiple options for staying in the Pacific to move iron ore and coal (Indonesia – India) or ballast out to Brazil, owners seemed to gain more control of rates and sailed towards a brighter week ahead. In the Atlantic, moving iron ore on the C3 route from Tubarao to Qingdao drifted away from \$32 as activities were less busy than the previous week despite increasing interest seen on Brazil to China route for late August. Out of Brazil, supplies began to tighten up for 2H Aug, with rates reported at \$31 and \$32. Other than that, a cargo with steel stem from Narvik to Port Talbot was fixed at \$8.75 for 30 July – 3 Aug. In addition, Singapore 380 and 0.5% fuel oil were assessed at \$450 and \$781 respectively last Friday, dropping with the fall in crude oil prices.

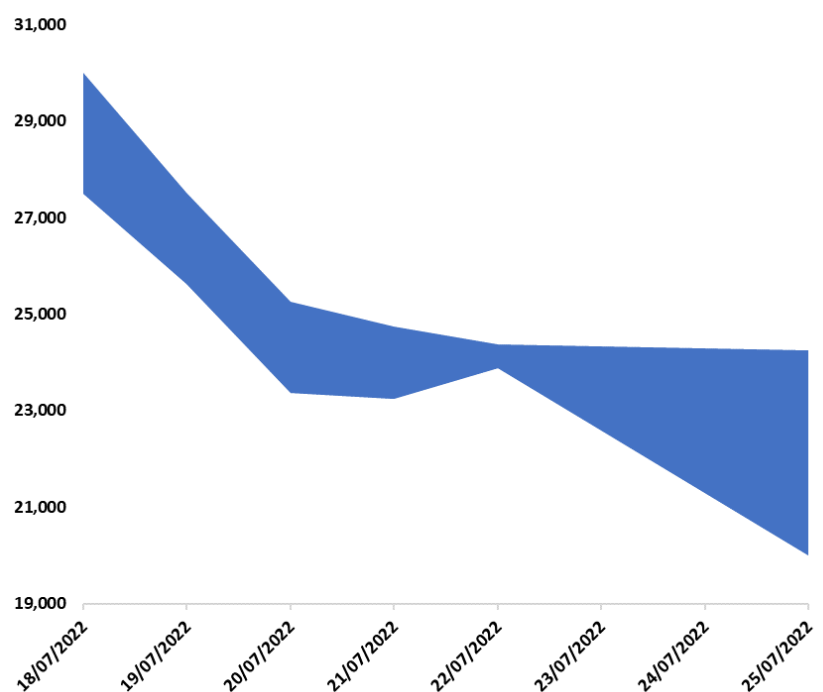


Chart source: FIS Live

In the Cape paper market rates across the reporting week slid, with the drops more aggressive at the start of the week. Prompt futures contracts lost more than the index movement of $-\$3,077$ (-12.5%), with the C5TC Aug FFA moving from $\$27,500/\text{day}$ to $\$20,000$, and Sep down from $\$30,250$ to $\$24,350$, -27% and 19.5% respectively. There was a summer feel about the market as volume was lighter than previous weeks and traders looked towards later in the year in hope of a revival of fortunes on renewed activities.

Short run neutral to bullish

Panamax

Panamaxes had its fortune turn last week on solid coal and mineral demand, whilst grain exports remained firm. Last week, Australian exports doubled, with Japanese buyers being reasonably active. Still, volumes were yet to resume fully, whilst the excellent support from Indonesian trade has been holding up the rates for nearly a month. Moreover, tonnage in the Atlantic market finally saw tightness due to new mineral demand and good support in the 2H Aug for ECSA. For once, both basins looked more balanced, with more room to go rise in the near future. In terms of the fixtures, grain cargoes via EC South America redelivery to Sing/Japan rose from $\$18,000$ to $\$20,250$. Trips via NCSA redelivery Passero were fixed at $\$19,250$.

Bids were also improved on the transatlantic routes with fresh enquires; a cargo with iron ore from Tubarao to Gijon + Ghent was fixed at $\$20$ for early Aug. In the Asian market, rates were nearly unchanged as Indonesia's redelivery to India was heard at $\$19,000$; redelivery to South China was initially fixed lower at $\$13,500$, before moving up to $\$14,250$. While round trips from Australia to Sing-Japan stayed around $\$20,000$ and a trip via Australia redelivery, SE Asia was heard above $\$15,000$. In addition, as grain prices may fall further after a deal was reached between Russia and Ukraine to ship grains out of Black Sea Ports, international buyers may take the price advantage to fill large orders. If this plan is sustained, the grains export trade could support Panamaxes once the insurance and safety issues are resolved.

Panamax FFAs, however, had a much better start to the week than capes, being lifted by improved buying across the curve driven by better physical levels in the Atlantic and a run of positive indexes. The Aug contract hit a midweek high of $\$20,575/\text{day}$, Q4 $\$20,375$ and Cal 24 $\$13,250$. Despite the index continuing to print good numbers, the market could not hold on to all the gains, ending the week modestly up on Monday's levels. The start of the new week pressured the market like the larger ships, but there was some good volume changing hands on Cal 23 at $\$14,100$ to $\$14,200$, and Cal 24 traded a couple of times between $\$12,850$ and $\$12,750$.

Short run neutral

Panamax 4TC Front Month Trading Range

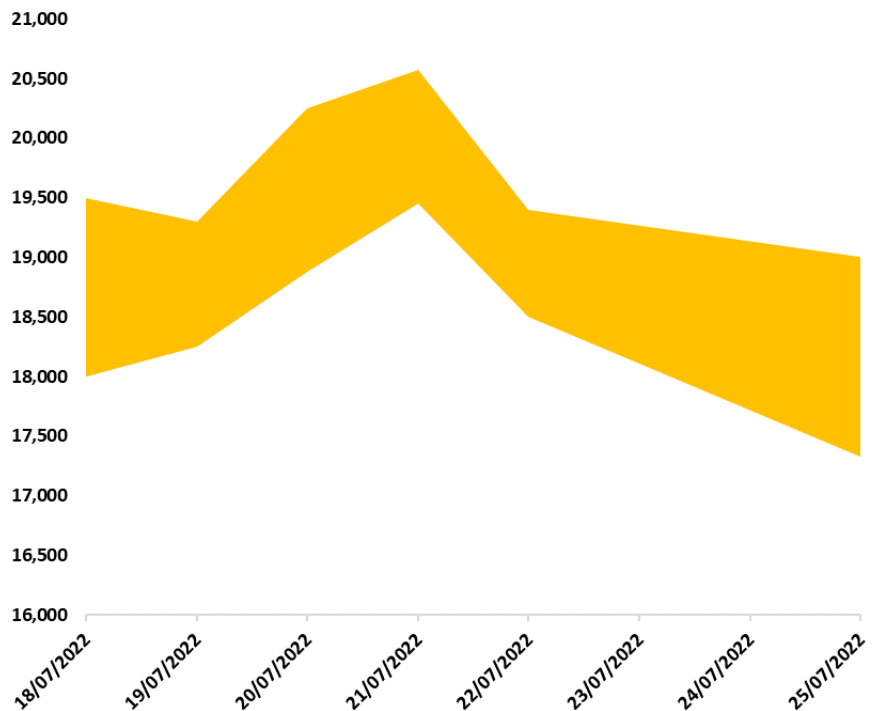


Chart source: FIS Live

Supramax

Supramaxes ended the week with minor gains with decent support from the Asian market. At the same time, the Atlantic was a mixed bag, with the key region of the US Gulf initially seeing more activity surfacing but limited reports of action from the South. With the summer holiday season upon us, a strong upward move looks difficult to justify. For the fixtures, vessels with a coal stem from Mobile to EC South America were fixed at \$27,350 for 23-25 July and from Houston to Japan was heard at \$28,000 before lifting to \$29,000. Above all, coal shipments were strong last week with the Australian market coming back to life, while Indonesia was still running the main show, with trips from Indonesia to China fixing \$3,000 higher at \$24,000. A journey via Indonesia redelivery SE Asia was paid at \$27,000. Australian round trip was also improved, up to around \$24,000.

Like the Panamax FFAs, the Supramax paper market was mildly positive across the week before a weaker start on Monday to this week. An almost clean sweep of positive indexes helped support rates, with Aug ending the week up \$1,000 to \$24,250/day, Q4 up \$1,550 to \$21,050, and Cal 24 up \$250 to \$13,375. It was not able to hold on to these gains as Monday brought a resumption to the selling in the market and a lower index, with rates dipping slightly below the prior Monday's close.

Short run bearish

Supramax 10TC Front Month Trading Range

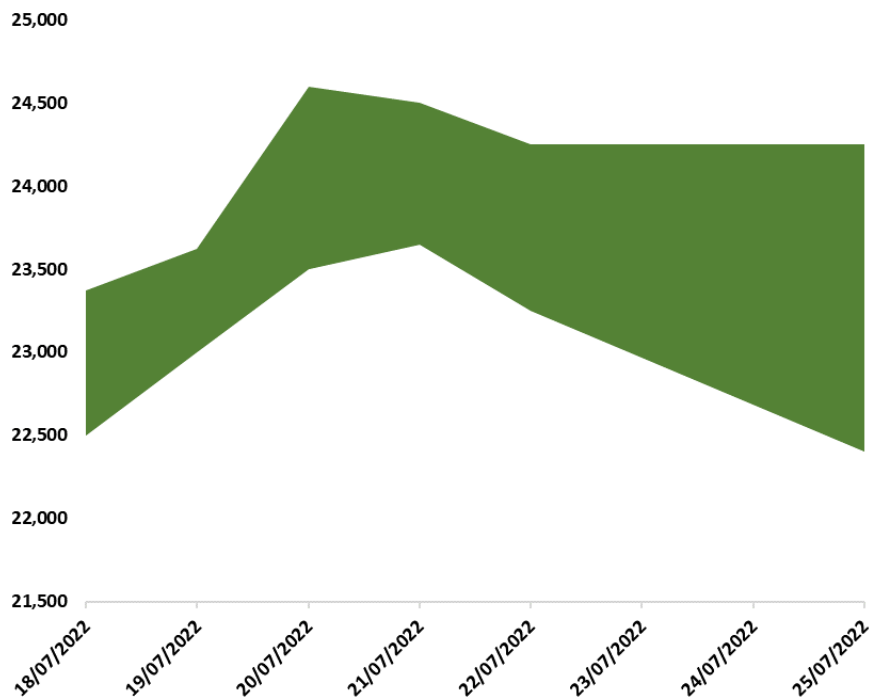


Chart sources: FIS Live

FFA Market

FFAs market had a less active week with trading volumes of over 39,500 lots posted on exchanges, and both Capes and Panamax traded in decent sizes. There was also good activity seen in Panamax options, with a total of 5,900 lots traded last week, among the total options volume of over 6,000. Capes and Panamaxes traded around 1,710 lots and 2,900 lots per day last week; Supramaxes followed right behind with 1,460 lots traded per day last week. Main actions focus on Aug, Q4'22 and Cal23 contracts. Open interest increased as new positions opened in the further back contracts, on 22 July Cape 5TC 168,126 (+1,648 w-o-w), Panamax 4TC 199,289 (+2,047 w-o-w), Supramax 10TC 92,161 (+136 w-o-w).

FFA Market Indexes

Freight Rate \$/day	25-Jul	18-Jul	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	21,526	24,603	-12.5%	18,382	13,070	18,025	16,529	15,129
Panamax4TC	17,564	15,510	13.2%	22,854	8,587	11,112	11,654	9,766
Supramax10TC	22,865	22,406	2.0%	26,555	8,189	9,948	11,487	9,345
Handy7TC	21,814	21,370	2.1%	25,286	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	25-Jul FIS Closing	18-Jul FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Aug 22	20,000	27,500	-27.3%	29,500	20,000	39,250	20,000
Capesize5TC Q3 22	21,675	26,875	-19.3%	27,750	23,400	39,250	21,500
Panamax4TC Aug 22	17,375	18,150	-4.3%	20,600	17,400	30,700	16,050
Panamax4TC Q3 22	18,075	18,175	-0.6%	20,100	18,000	30,000	20,000
Supramax10TC Aug 22	22,400	23,250	-3.7%	23,375	22,250	36,000	16,525
Supramax10TC Q3 22	22,700	22,900	-0.9%	24,350	22,600	31,850	15,750

Data Source: FIS Live, Baltic Exchange

Dry Bulk Trades/Iron Ore

Iron ore secured prices above \$100 and closed at the high of the week, as market sources reported that Chinese steel mills would complete their maintenance in early August with utilisation rates expected to pick up. Last week, according to a Mysteel survey of over 247 Chinese steel mills, average blast furnace utilisation rates slipped 2.6% w-o-w to 81.4%. Operation rates dropped 3.9% w-o-w to 70.4% for the week ending 22 July, citing steel output capacity is on its fifth week of decline, as steel mills idled their blast furnaces. Meanwhile, iron ore inventories at 45 major Chinese ports continued to rise for a fourth week to 131.9 million tonnes, up 1.3% or 1.7 million tonnes over 15-21 July. During mid-last week, iron ore prices received support after Vale cut its annual production target. The Brazilian mining giant released its quarterly report outlining a downgrade of its 2022 production levels to 310–320 million tonnes, having previously been 320–350 million, amid market challenges of recession and sales pressure in China. The reduction follows the company's strategy of 'value over volume' to support iron ore prices after the recent plunge in cost and the risk of weak global demand.

Furthermore, China's Iron & Steel Association (CISA) cited in a report that they expected China's steel prices to find a floor as supply and demand would return to a balance in the near term, with stepped-up fiscal support from the government. However, as the property crisis persisted in China, with construction activities being put on hold, rebar took a bigger hit in H1 than other steel products, as the latest data from the National Bureau of Statistics (NBS) showed that Chinese rebar output dropped by 14% YoY to 117.7 million tonnes. On Monday, prices jumped on the back of the Chinese government setting up a real estate fund to financially back up developers.

Last week total iron ore shipments were nearly unchanged at 30.0 million tonnes, with exports generated from Australian producers climbing by 6.7% and maintained at a seasonal high. As the charts below show, last week's shipments from Brazil to China took a sharp turn and slipped out of the seasonal average, but exports from Australia to China climbed up for another week to the high of 16.3 million tonnes.

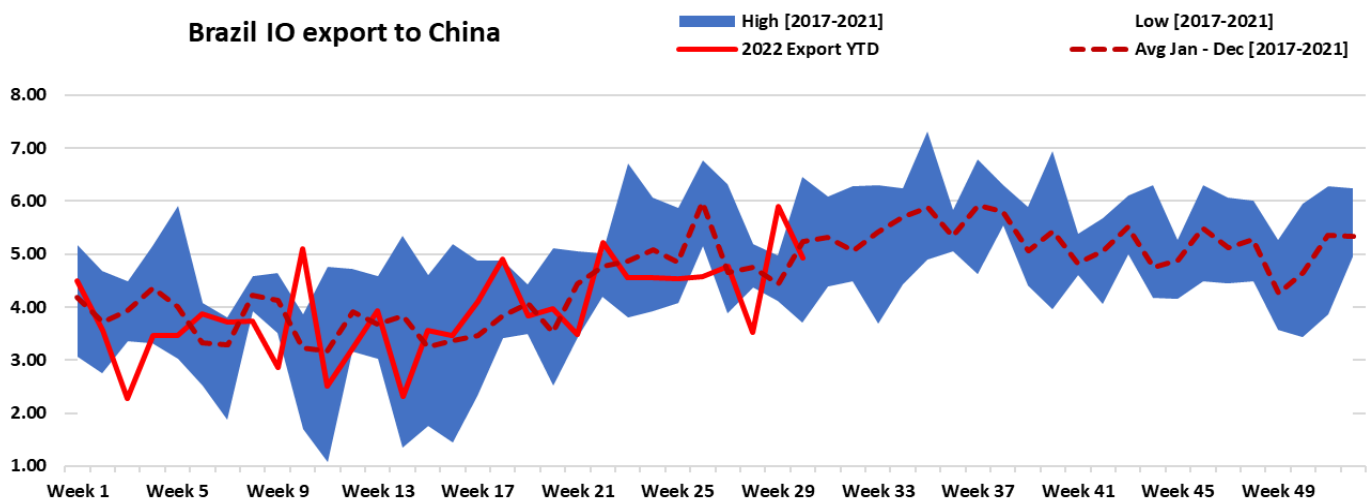
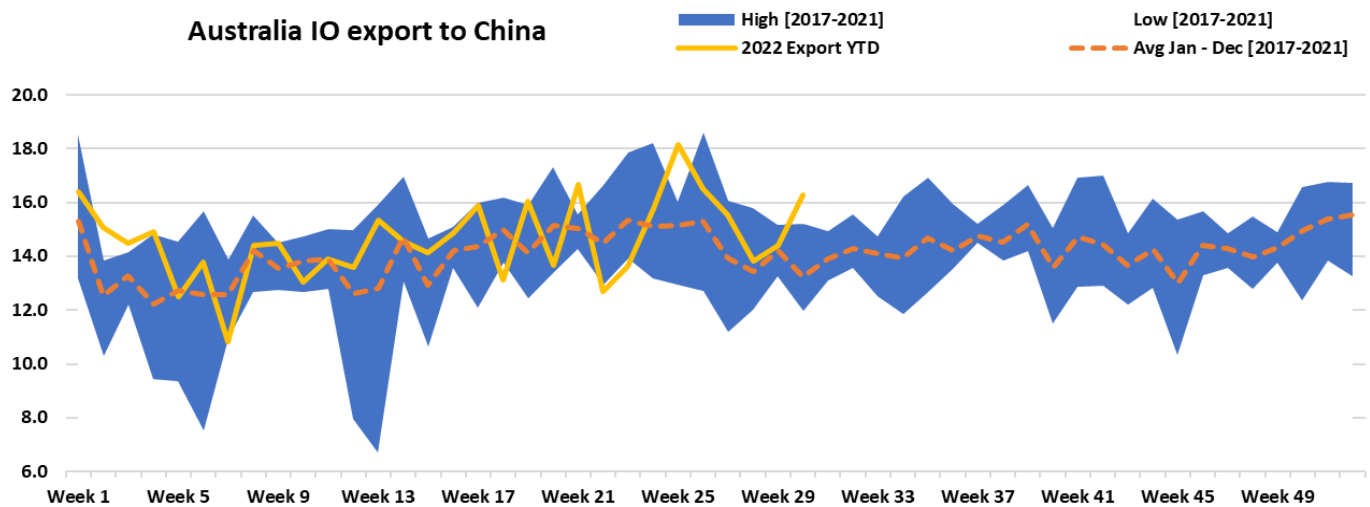
Dry Bulk Trades/Iron Ore

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	16.3	14.4	13.1%	10.95	10.77	1.8%
Brazil-China	4.9	5.9	-16.5%	31.62	30.94	2.2%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Last week, total coal shipments finally sped up to around 25.8 million tonnes (+14.8% w-o-w) after two weeks of dips. Coal exports from Australia rebounded strongly and stood at about 6.4 million tonnes. However, it still has room to go compared with the expected flows of 8 million tonnes in good weather conditions. In particular, JKM chased up the missing two weeks and resumed its imports to the previous high of 4.8 million tonnes (+186%) from Australia last week. While supply from Indonesia remained robust and marked another high week, with a total of 10.4 million tonnes of coal exported last week.

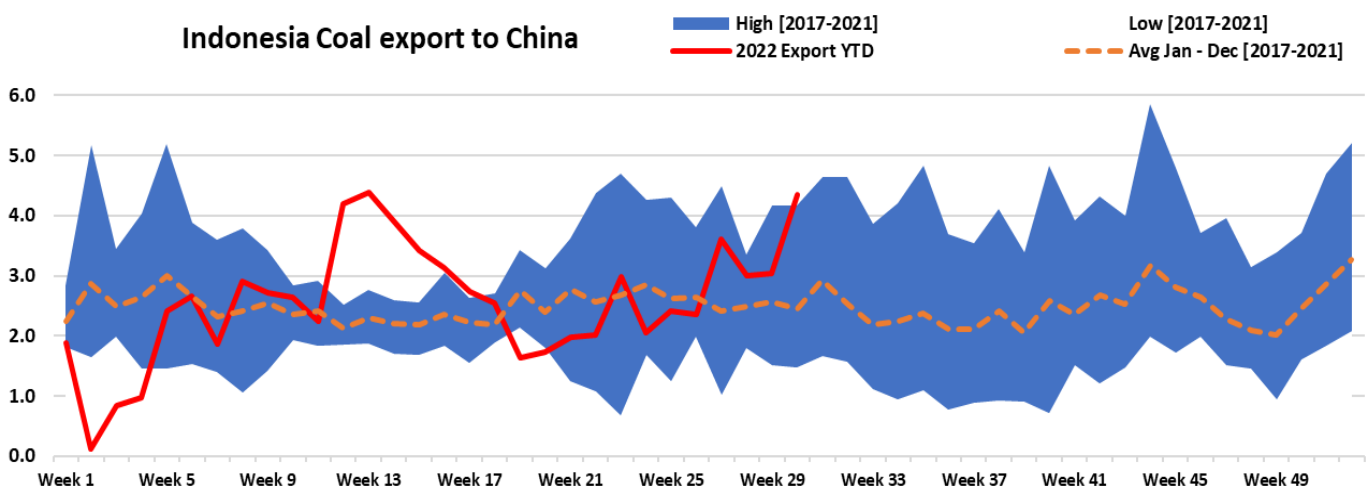
Dry Bulk Trades/Coal

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

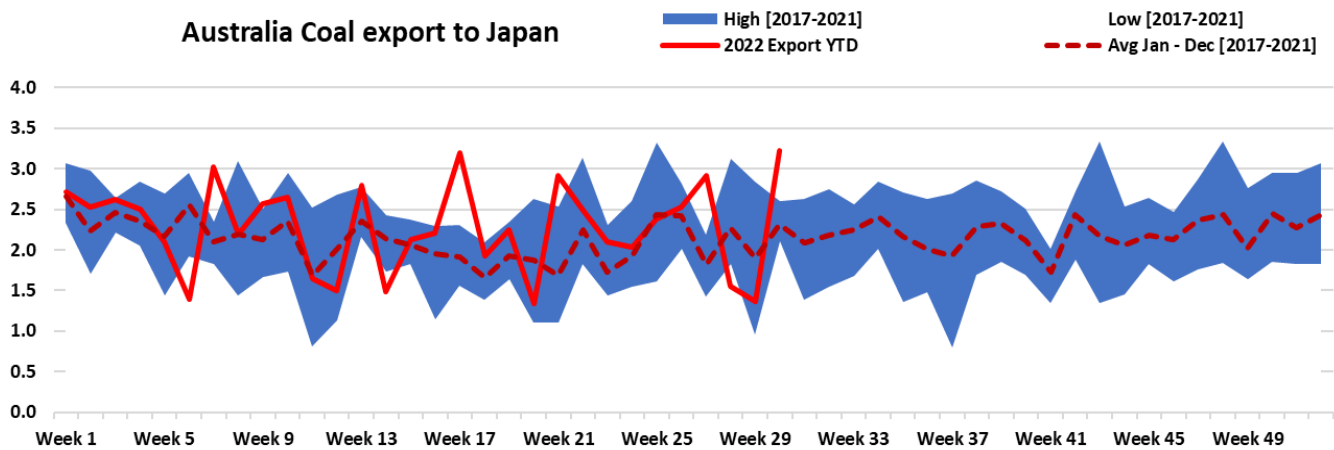
Coal Key Routes	Coal Export Million mt		
	Last Week	Prev. Week	Chg %
Indonesia-China	4.4	3.0	42.9%
Australia-Japan	3.2	1.4	137.0%

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

Grain futures slumped last week after an agreement was signed for shipping grains out of three major Baltic Sea ports. According to last year's figures, the three ports - Odesa, Chernomorsk, and Yuzhny accounted for 85% of Ukrainian grains exports. While the nation is expected to harvest at least 50 million tonnes of grain products this year, that means over 42.5 million tonnes of grains exports could be shipped out. However, market participants expect high volatility to persist in the coming weeks and months due to the challenges of insurance and safety issues. Corn and soybeans were under pressure, further hit as better weather conditions were forecast in the US. Midwest. On Monday, however, prices increased after the weekend port of Odesa was under attack.

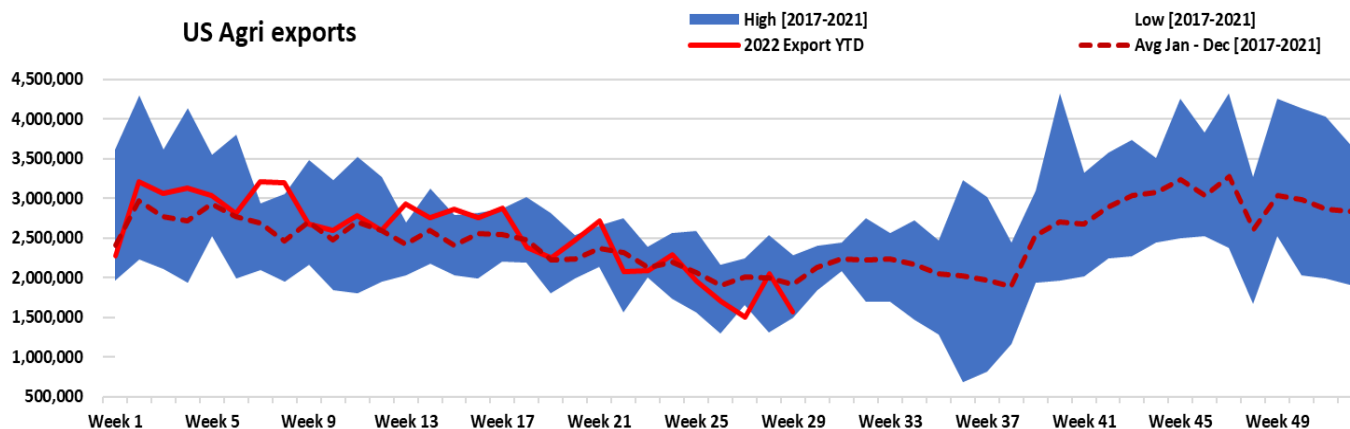
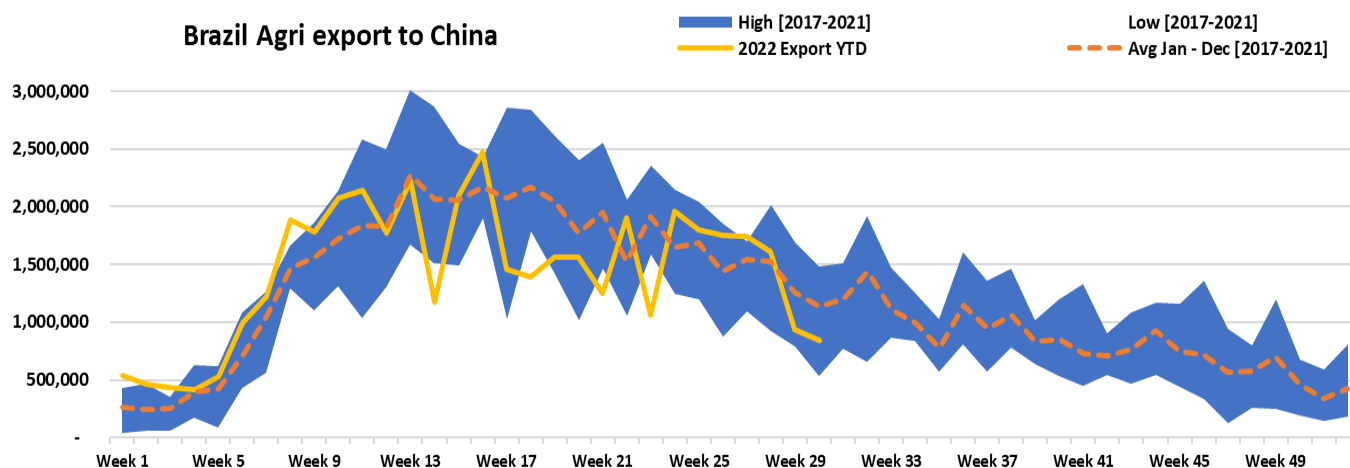
Last week, global gains shipments stayed below 10 million tonnes, down 5.5% w-o-w, according to IHS Markit Commodities at Sea Service. Total shipments from Brazil dropped by 25.1% to 3.1 million tonnes, with exports to China slipping further below the seasonal average. Moreover, shipments from the US fell for a second week, with volumes hovering around the low level of 1.4 million tonnes, down from 10.6.

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		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Agri Export (thousands tonnes)						
Brazil-China	839.8	932.8	-10.0%	55.9	57.8	-3.3%
US-China	0.0	229.5	-100.0%	67.0	68.0	-1.4%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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