

FIS Dry Freight Weekly Report

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

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Market Review:

Although it was hard to overcome the gravity of the selloff in broader financial markets, losses eased in the dry freight market last week, with rates lifted mid-week. However, rates eventually returned to where the week started, with a negative near-term outlook returning. On a positive note, another strong week of coal shipments was observed, and many expect the good demand to continue as the peak consumption season approaches.

Freight Rate \$/day	04-Jul	27-Jun	Changes %	Short Term	Sentiment
Capesize 5TC	18,481	19,336	-4.4%	Neutral	-
Panamax 4TC	20,883	22,534	-7.3%	Neutral	-
Supramax 10TC	25,103	26,832	-6.4%	Bearish	↓
Handy 7TC	22,609	24,014	-5.9%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	244	-4	158 (-7)	66 (+0)	10 (+5)		
Panamax	389	+17		218 (+40)		80 (-7)	53 (-20)
Supramax	467	-13		79 (-12)		61 (-3)	311 (-2)

Capesize

Capes stayed range bound and closed the week slightly lower due to ample supply reported in both basins with tonnage lists continuing to build up. In terms of iron ore exports, last week Australian iron ore came off the previous week's peak and stabilised at 18.8 million tonnes, whilst Brazilian iron ore volumes recovered, although they are still below the seasonal levels. In the Pacific, the key C5 iron ore route (West Australia to China) was fixed between \$11.10-\$11.25 at the early part of the week for mid-July laycan, before bouncing to \$11.50-\$11.70 as more resistance was shown on the shipowner side. However, it fell below \$11 on Monday which surprised many participants who outlined stable iron ore flows. Robust coal activities kept sentiment up in the Asian market, cargos from Tarahan and Muara Pantai to Mundra were fixed at mid to high \$8s from mid-Jul onwards while from Teluk to Qingdao it was under \$8, and the long trip from Newcastle to Korea was heard at 20.12 for 10-19 Jul. In the Atlantic, moving iron ore on the C3 route from Tubarao to Qingdao fixed mostly at \$29, the same as the week for the end of July dates. Out of Brazil, other trips including from Acu and PDM to Qingdao were fixed at \$30.5 and \$31 respectively for mid-Jul laycan. From West and South Africa, demand ticked up 3% from last week with rates staying firm due to weather conditions causing delays. Trips from Saldanha Bay to Qingdao were fixed from \$20.1 to \$21. Apart from that, July has a low seasonal demand for iron ore and the plunge is likely to persist in the iron ore market. But freight rates lacked bullish momentum and drifted again on Monday. In addition, congestion in China have eased significantly since restrictions have been lifted for two weeks, coupled with the fall in bunker prices last week which took some support away. On Monday, Singapore 380 and 0.5% fuel oil were assessed at \$540 and \$984, respectively.

Capesize 5TC Front Month Trading Range

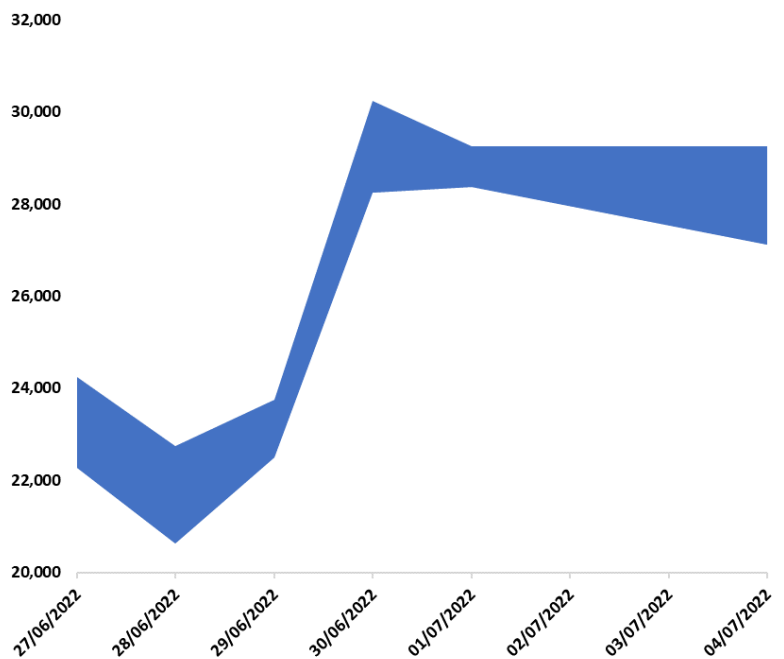


Chart source: FIS Live

The Cape FFA market remained fairly static, if marginally positive, over the reporting week. Despite the month roll and change of front contract, rates Monday to Monday closed around the same levels with some mid-week movement. News of better physical fixtures in Atlantic with C3 fixing at \$29.50 and above, as well as transatlantic fixing at \$33,000 helped to encourage buyers in to steady the market. Week-on-week August contract ended up \$775 at \$27,900/day, Q4 moving up \$500 to \$26,750, but the Cal 24 contract was down from \$17,225 to \$16,875. The index however was down over the week, off \$18,481.

Short run neutral

Panamax

Panamaxes faced further correction last week as the growing tonnage count in the Atlantic eroded market sentiment. Despite that, some participants believed that a floor has been found on the back of healthy grains activities and strong coal demand, which is reflected in the robustness of the paper market. In the Atlantic, bids were absent which worried owners that suppressed rates are on the way. Fixtures including grain cargoes via EC South America redelivery to the Far East were fixed at last week's level of \$23,000 while redelivery to SE Asia at \$28,000. A cargo with minerals from Kamsar redelivery Skaw-Gib was fixed at \$25,000 for early July. At last, fresh enquiries were

heard from US Gulf with redelivery Sing-Japan fixing at \$33,000. On the other hand, the coal route ex Indonesia speeded up last week but had a lack of support elsewhere. Indonesia redelivery to India eased to \$22,000 (-\$2,500), and redelivery to South China recovered from \$21,000 to \$24,000 for late Jun dates. Similarly, Pacific round trips eased from \$20k to \$18,750, and rates were heard to have lifted to \$19,800 and beyond on Monday. Overall, fundamentals were stable with underside risks remaining if the sell-off in Capes and underlying markets accelerates.

The Panamax FFAs suffered a similar fate to the larger ships on the futures, albeit with a straight week of falls on the index. Weaker physical levels in both basins pressured the FFAs early in the week, as the June contract closed out, clinging on the levels above \$23,000. August was unmoved at \$22,500, Q4 moved up \$200 to \$20,500, but Cal 24 was off \$100 to \$12,750.

Short run neutral

Panamax 4TC Front Month Trading Range

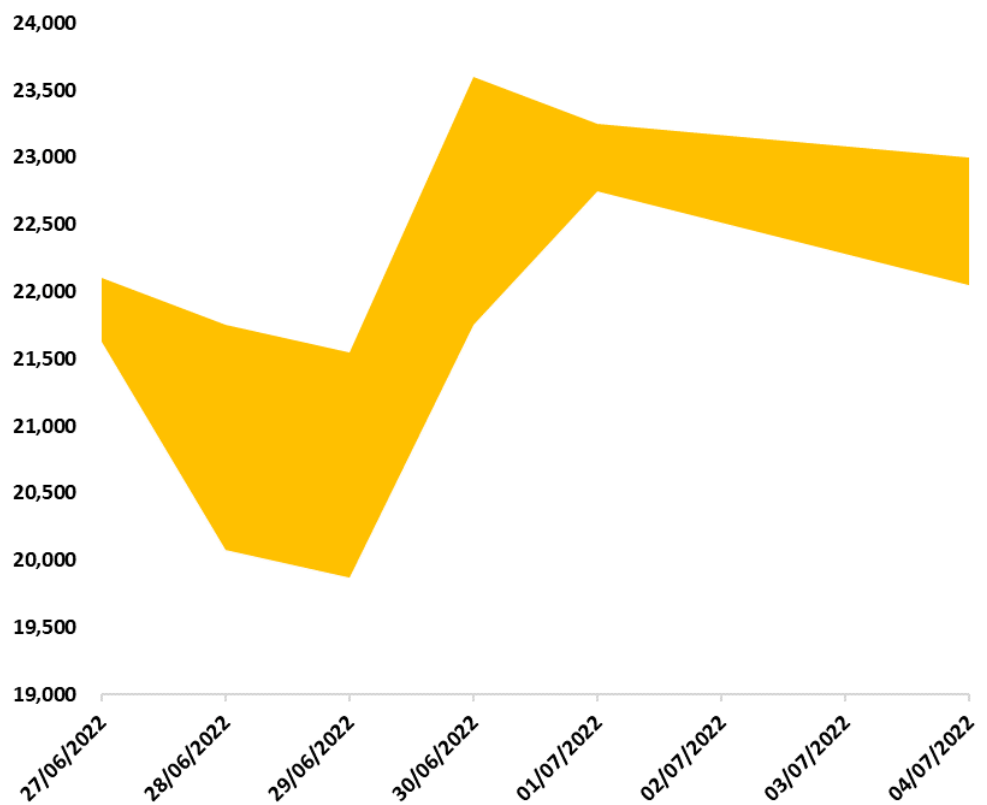


Chart source: FIS Live

Supramax

Supramaxes drifted lower last week amid slow activity in the Atlantic and easing coal support from Indonesia and Australia. In the grains runs, shipments fell below the 5-year average level towards the low end. Whilst mineral activities remained flat compared with the previous week, scrap cargos from the UK to East Mediterranean were fixed slightly higher at \$21,000, and from the Baltic to Vietnam they were also fixed at the same level. In the Asian market, rates were brought down as the support from the coal stems began to evaporate, with a trip from Indonesia to China fixed over \$6k lower at \$20,500. However, as the peak season for containers approaches, it is believed it will lend some support and limit downside risks.

Supramax FFAs mirrored the Panamaxes, with rangebound FFA trading, but with a slowly dropping index. The July contract lost \$1,250 Monday to Monday to close at \$24,500, Q4 down \$800 to \$20,550, and Cal 24 almost unmoved closing at \$12,950.

Short run bearish

Supramax 10TC Front Month Trading Range

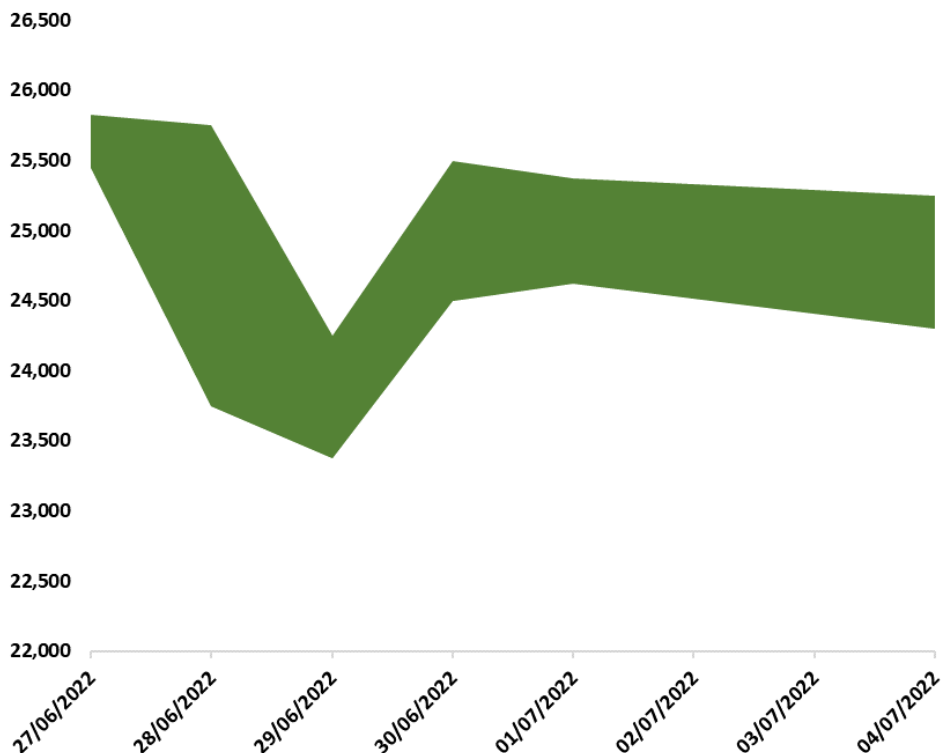


Chart sources: FIS Live

FFA Market

FFAs had a less active week with trading volumes of over 45,600 lots posted on exchanges and both Capes and Panamax being traded in large sizes. The sizeable activity is also seen in options with a total of 5,660 lots traded last week. Overall, Capes and Panamaxes traded respectively around 2,830 lots and 3,100 lots per day last week, Supramaxes followed right behind with 1,510 lots traded per day last week. Main actions focus on Jul, Q3'22, Q4'22 and Cal23 contracts. Open interest decreased as Jun contract expired along with falling prices, on 4th July Cape 5TC 157,712 (-16,562 w-o-w), Panamax 4TC 190,923 (-19,509 w-o-w), Supramax 10TC 89,858 (-6,041 w-o-w).

FFA Market Indexes

Freight Rate \$/day	04-Jul	27-Jun	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	18,481	19,336	-4.4%	18,106	13,070	18,025	16,529	15,129
Panamax4TC	20,883	22,534	-7.3%	23,498	8,587	11,112	11,654	9,766
Supramax10TC	25,103	26,832	-6.4%	26,953	8,189	9,948	11,487	9,345
Handy7TC	22,609	24,014	-5.9%	25,735	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	4-Jul FIS Closing	27-Jun FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Aug 22	27,900	22,375	24.7%	30,250	20,625	39,250	20,625
Capesize5TC Q3 22	27,250	27,050	0.7%	29,500	25,800	39,250	21,500
Panamax4TC Aug 22	22,500	21,825	3.1%	23,600	19,875	30,700	16,050
Panamax4TC Q3 22	22,300	22,300	0.0%	23,450	20,000	30,000	20,000
Supramax10TC Aug 22	24,750	25,750	-3.9%	29,000	25,250	36,000	16,525
Supramax10TC Q3 22	24,500	25,500	-3.9%	25,900	22,100	31,850	15,750

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

August Futures – last week we noted that the divergence will need to be monitored on the July contract, price did move higher but failed to trade above the fractal resistance at USD 26,625 resulting in the futures moving to the downside. The roll into August has created a higher high meaning the rolling front month technical is bullish. A bearish rejection candle on the 30/06 warned that we had the potential to enter a corrective phase. The downside move today below the base of this candle (USD 28,250) has resulted in bids fading in front of technical sellers, price is now trading at USD 27,250. Downside moves that hold at or above USD 23,897 will support a bull argument, below this level we target the USD 20,625 low. Upside moves above USD the high of the rejection candle (USD 30,250) will target the USD 32,750 and USD 39,500 fractal resistance levels. Technically bullish on the back of the roll, the futures are now in the early stages of a corrective phase, making key support to follow at USD 23,897.

Panamax

August Futures – The futures have rolled into August, as noted last week the intraday Elliott wave cycle suggested that upside moves should be considered as countertrend. The futures have moved higher but rejected a key near-term resistance level at USD 25,767, leaving price vulnerable to a test to the downside, resulting in a move lower. Key longer-term resistance to monitor is at USD 27,417, upside moves that fail at or below this level will leave the technical vulnerable to further tests to the downside. Technically bearish, the USD 19,875 support is now looking vulnerable, below this level we target the USD 17,273 – USD 16,425 support zone.

Supramax

August Futures – As noted last week, intraday Elliott wave analysis suggest the futures remained vulnerable to further tests to the downside with key resistance at USD 28,055. Price has traded to a high of USD 25,500 but is now moving lower, warning the USD 23,375 support is looking vulnerable. Using the Williams approach (Bill not Larry) we have a potential downside target at USD 21,714 for this phase of the cycle. Technically bearish with price potentially in the early stages of an Elliott 5th wave. Upside moves above USD 25,500 will continue to remain vulnerable below the USD 28,055 level, above this level the technical is neutral.

Chart source: Jul 22 Cape 5TC from Bloomberg

Capesize June 22 Morning Technical Comment – 240 Min



Dry Bulk Trades/Iron Ore

Another volatile week for the iron ore market, with prices initially rallying after China eased its tight controls on the virus, but the optimism quickly vanished in the rest of the week as seaborne buying interest remained low along with rising portside inventories. Furthermore, the market expects an extension to production curbs in Chinese northern regions in response to the impending low season for steel demand, which added further pressure on iron ore prices. Market sources said it's possible that China may reduce annual crude steel output by up to 3%, or around 30 million mt, to 1.015 million mt in 2022, as most steel mills have been hit by financial losses over the past two months. According to Mysteel's latest industry survey, blast furnace utilisation rates among 247 Chinese steel mills slipped for a second week to 87.61%, down 1.37%, for the week ending 1 July. The continuous drop was due to more steel mills entering maintenance in response to poor margins. Meanwhile, rebar production among the surveyed 137 steel mills fell by 6.3% to a four-month low of 2.7 million tonnes over the period of 23 Jun – 29 Jun, with a decrease of 23.5% compared to last year. Elsewhere, Goldman Sachs cut its forecast for iron ore prices to \$90 in Q3 and \$100 for 2H on the back of substantial market surpluses.

Last week total iron ore shipments remained at a similar level of 32.7 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 recovered a touch and are in line with the seasonal average, while the same destination from Australia come off the peak but stayed at the top end of the seasonal range.

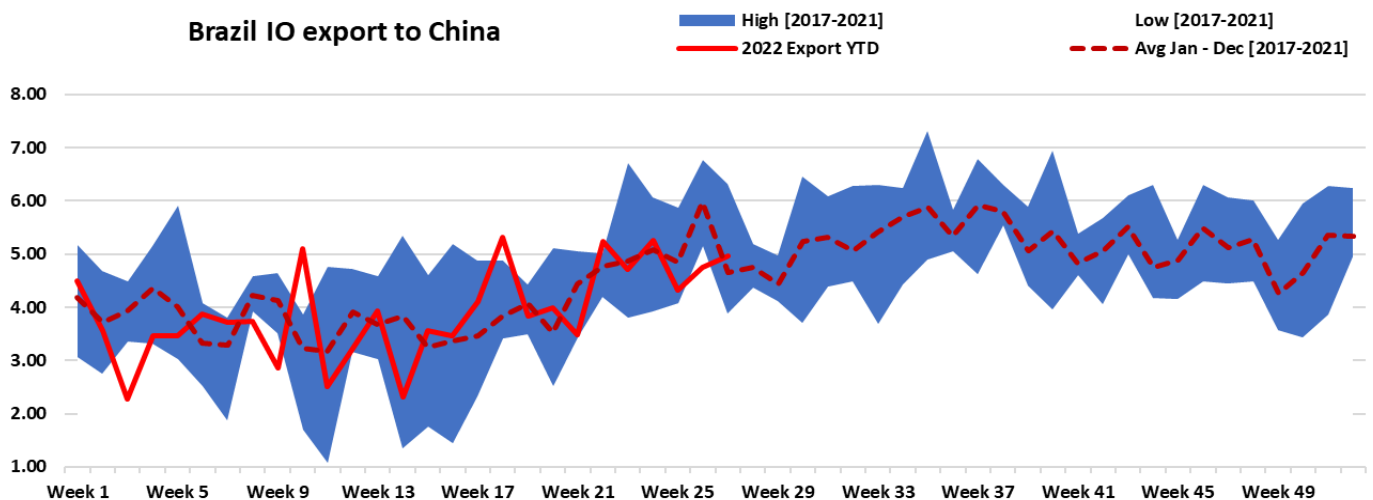
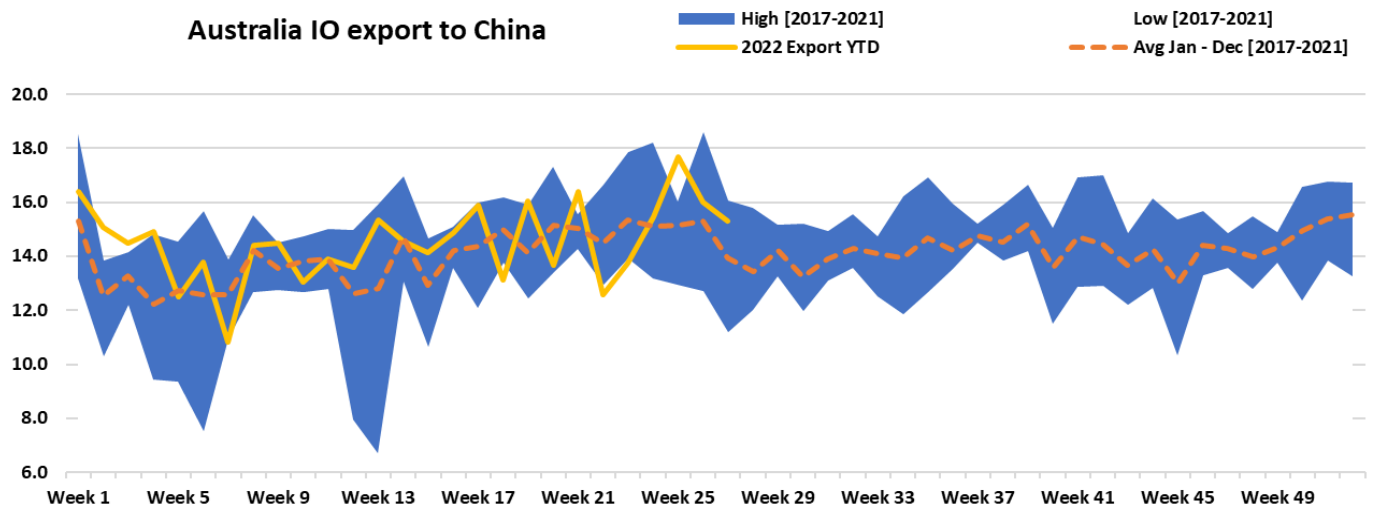
Dry Bulk Trades/Iron Ore

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	15.3	16.0	-4.5%	11.45	12.06	-5.1%
Brazil-China	5.0	4.7	4.5%	29.78	30.97	-3.8%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

The benchmark Newcastle coal August contract moved up \$15 in a week to close at \$391.45 on Monday on the back of robust demand. As mentioned in the last report, Japan and South Korea were busy stocking in preparation for the early arrival of summer. Hotter weather was reported in North and Central China, therefore pushing coal demand to a new high. Last week, total coal shipment advanced by 4.4% to 29.1 million tonnes, with demand from China increasing 17.3% to 6.3 million tonnes as consumption in coastal cities went above the previous years. Exports to India have eased due to rising domestic output. Elsewhere, JKM imported around 10.1 Mmt which is near the highest level this year. On the supply side, Australian exports continued to increase to a total of 8.3 million tonnes despite the transport disruptions to Newcastle port due to heavy rainfalls, against 9.9 million tonnes exports from Indonesia taking the first position, up 12% w-o-w.

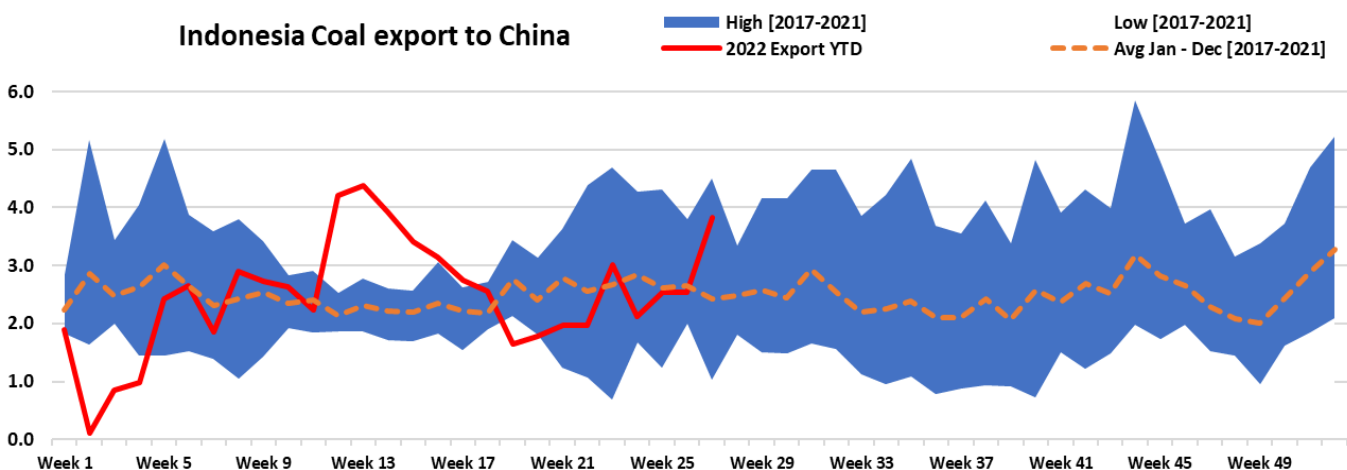
Dry Bulk Trades/Coal

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

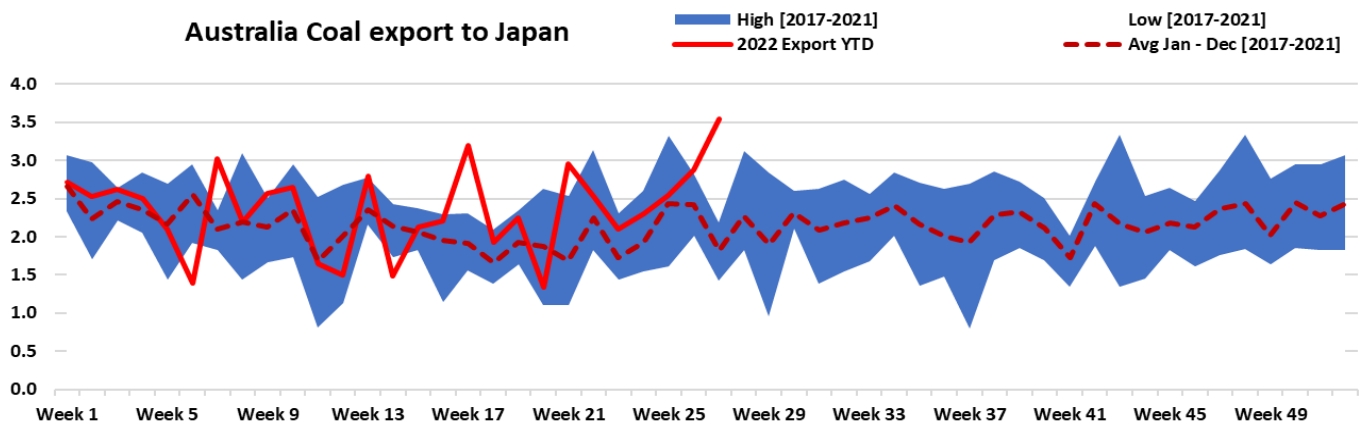
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
	Last Week	Prev. Week	Chg %
Indonesia-China	3.8	2.5	50.7%
Australia-Japan	3.5	2.9	23.3%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Dry Bulk Trades/Agri

Grain futures returned to their downward trend again as growing concerns for a recession. Soybean fell sharply despite the lower-than-expected plantings that were released in the USDA reports. While corn and wheat posted heavier losses, quarterly stocks in corn have improved and wheat harvest advanced in the US and Europe.

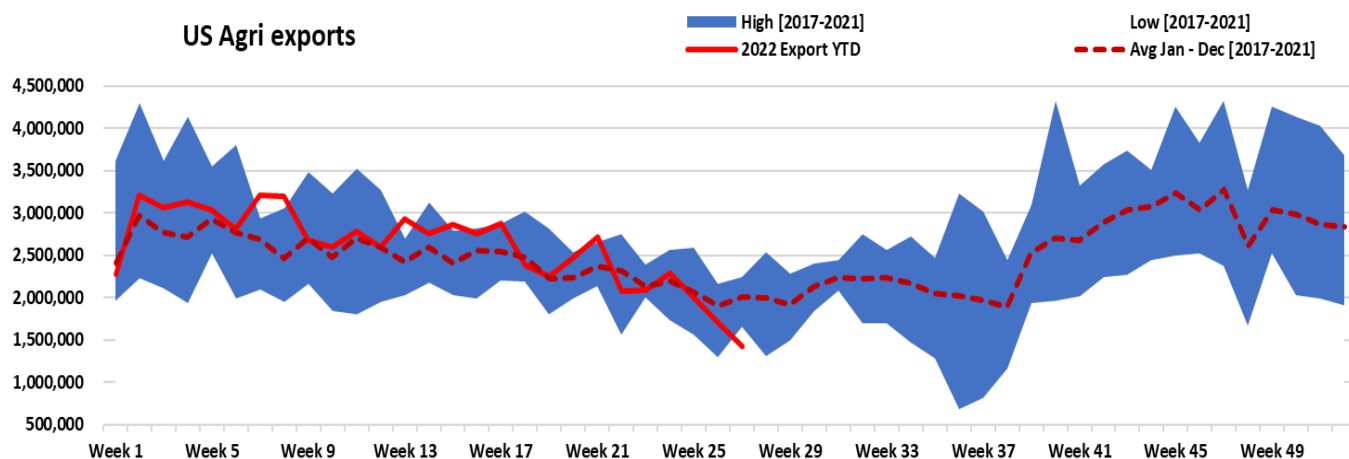
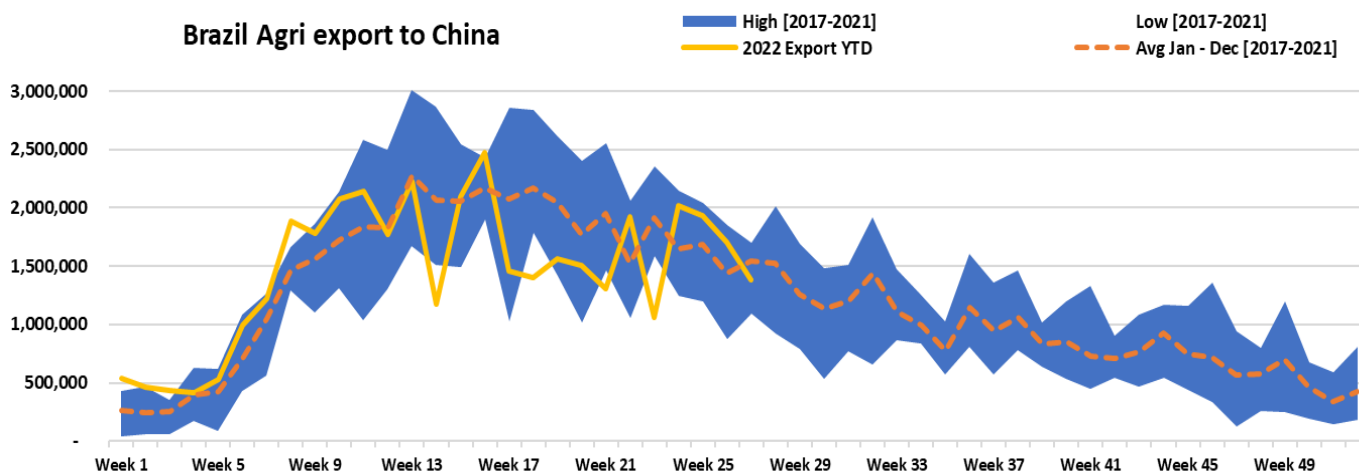
Last week global gains shipments improved by 9.3% to 10.3 million tonnes, according to IHS Markit Commodities at Sea Service. Total shipments out from Brazil were reported at 3.7 million tonnes, up 4.4% w-o-w from the dip in the previous week. On the other hand, shipments from the US declined for the third consecutive week, down 13% to 1.4 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 %
Agri Export (thousands tonnes)						
Brazil-China	1,385.3	1,705.0	-18.7%	66.0	69.4	-4.8%
US-China	137.7	64.8	112.6%	74.9	77.6	-3.6%

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

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