

FIS Dry Freight Weekly Report

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Market Review:

Both Capesize and Panamax suffered heavy losses last week, with their time charter rates reaching record lows. After a long holiday weekend, the downward trend continued on a weak physical outlook, it remains to be seen whether the bearish view would carry on to the new month.

Freight Rate \$/day	26-Aug	19-Aug	Changes %	Short Term	Sentiment
Capesize 5TC	3,413	6,267	-45.5%	Neutral to Bearish	↘
Panamax 4TC	11,008	13,852	-20.5%	Neutral to Bearish	↘
Supramax 10TC	19,183	19,082	0.5%	Neutral to Bearish	↘
Handy 7TC	16,794	17,285	-2.8%	Neutral	-

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	233	+24	160 (+28)	63 (+9)	5 (-6)		
Panamax	372	+29		190 (+14)		94 (+14)	53 (+3)
Supramax	497	+49		104 (+29)		65 (+1)	312 (+24)

Capesize

With ample vessel supply reported in both basins, Cape rates were under huge pressure with its time charter plunging below \$3,000. Along with more owners discounting their offers to stay in the Pacific, the bearish view over the region persisted. As our last report mentioned, the demand for high grade ore would not be supported by the current thin steel margins and with the slow pace of steel output in China, investors wondered where the possible turnaround could come from. Meanwhile owner's returns now have dropped below operation levels with some owners already idling their vessels to avoid negative returns. Whilst some put hope on weather related disruption to prevent rates diving deeper. Volume wise, iron ore exports from Australia remained healthy with shipment edging up, while exports from South Africa and Brazil also were making improvement but still far away from a strong rebound. On the fixture side, the key C5 iron ore route (West Australia to China) was briefly fixed higher at \$8.30 for 3 – 5 Sept laycan on Tuesday, before falling straight the rest week to \$7.50 for mid Sept on Friday. Yesterday, C5 was heard at mixed level between \$7.30-7.60. On the other hand, tonnage lists continued to grow in North Atlantic, moving iron ore on the C3 route from Tubarao to Qingdao was heard \$2 lower at \$18.10 for early Oct dates. Other trips out of Brazil also reported lower than previous weeks, with trips from Sudeste to Qingdao was fixed at \$3 lower at \$19 for 4 Sep, and from PDM to Rotterdam was heard at \$7.80 for 15-24 Sept. Out of South Africa, mid Sept rates fell further from \$13s to \$12.08 on the Saldanha Bay to Qingdao route. Furthermore, the mixture of robust coal demand and competitive rates, more coal was carried by Capesizes last week with total shipments reaching 9.5 million tonnes, up 30% w-o-w, according to IHS Markit Commodities at Sea Service data. In terms of rates, a cargo with coal from Samarinda to Mundra was heard at \$6.25 for 18-22 Sept.

Capesize 5TC Front Month Trading Range

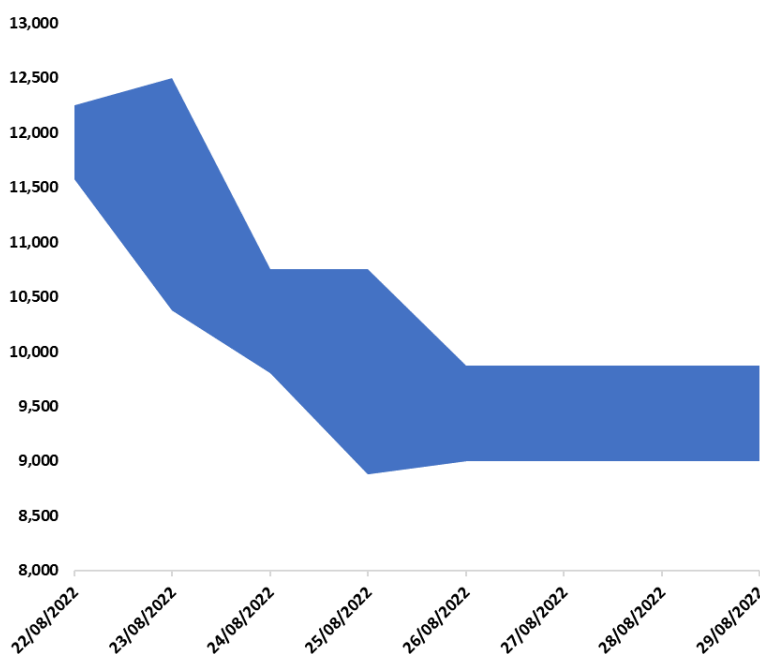


Chart source: FIS Live

On the other hand, the underlying iron ore market gave up its previous gains at the open of this week over the market chatter about productions cut in one of the top steelmaking regions in China, which may dampen the demand for Australian iron ore. In addition, global oil prices overturned their losses last week, with Singapore 380 and 0.5% fuel oil assessed at \$475 and \$733 respectively on Monday.

A dire week for the Capesize FFA market as market rates dropped significantly along with the index as front month contracts dropped below the \$10,000/day threshold. Despite early week mild optimism, the warning signs of low volume and no real recovery in physical markets triggered a significant fall off midweek, with the index falling \$972/day and \$1,705 on two successive days. This depressed the Sep contract to a weekly low of \$8,875, Q4-22 to \$13,750, and Cal 24 to \$14,325. With the prompt months taking the brunt of the significant market pressure, the increasingly contango curve structure indicates that traders may have given up on much of a recovery this year, and are pinning their hopes on a better 2023.

Short run neutral to bearish

Panamax

Panamaxes gave up over 20% of its value last week amid the slow activities ahead of the bank holiday weekend and limited enquires reported from the Atlantic. Therefore the resistance from the owner's side was very minimal. In terms of demand, grains shipments stayed firm last week with decent volumes reported out of South America, while activities remained sluggish in US Gulf for the time being. Furthermore, although coal demand was on the increase, it also brought in the competition from Cape vessels that eagerly sought employment. Regarding fixtures, thin activities were heard on the Fronthaul and Transatlantic with offers heading lower. Trips from NC South America redelivery to Sing/Japan slipped from \$20,000 to \$19,000 as the week progressed. In the South, Cargos with grains from EC South America redelivery to Far East was fixed lower between \$16,250 –

16,400, and from ECSA to the Continent was heard at \$24,500, as the growing tonnage list became a main issue in the Atlantic. On the flip side, the optimism continued in the Indonesia and Australian coal market with coal shipment making high record. Coal cargoes via Indonesia redelivery to S. China were marked lower, with rates dropping from \$15,000 to below \$13,500. Moreover, a trip via NoPac to Sing/Japan was fixed at between \$16,000. Overall, the outlook of demand and supply still maintained a balance, but as the bearish sentiment persisted in Capes, Panamax rates would be capped until stronger demand appears.

Interestingly this week the Panamax paper led the falls in the market, seeing significant losses earlier than the bigger ships. With more gradual negative moves, the front months took the brunt of the early week losses. September dropped from \$14,100/day to \$12,025. Q4-22 down from \$15,125 to \$13,175, and Cal 24 \$12,150 to \$11,300. Unlike the Capes, the Panamax forward curve structure has not yet moved into contango, with prompt months clinging onto marginally higher rates.

Panamax 4TC Front Month Trading Range

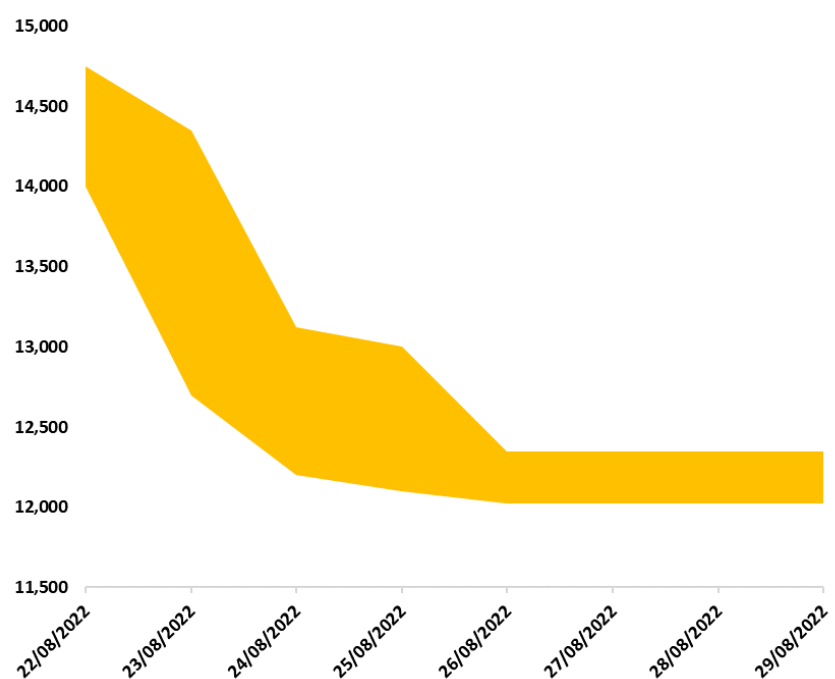


Chart source: FIS Live

Supramax

Supramaxes managed to hold on to its ground last week despite the sharp losses on the bigger vessels. A mixed bag in the Atlantic with the market sentiment turning weaker as time passed, due to limited action happening in the South and lack of fresh enquires in the US Gulf. Grains cargos via Santos redelivery Algeria fixed much lower at \$20,500. On the bright side, coal volumes have kept up the optimism, with rates for moving coal from Indonesia to China steady at \$28,000, while redelivery to CJK was fixed \$2k higher at \$29,000. Elsewhere, a cargo with nickel via Philippines to China was fixed at \$19,000. However, the demand from other key regions needs to pick up soon, otherwise the sole support from coal may not be able to hold the floor for the Supramaxes.

The supramax FFA market, despite a fairly resolute index, suffered a similar fate to the other FFA contracts, with rates falling across the week. Rates suffered most significantly on Tuesday and Thursday, the two days with the largest falls on the Panamax and Cape baskets respectively. This pushed the September contract to a weekly low of \$16,625/day, Q4-22 to \$14,050, and Cal24 to a low of \$11,500. Still in a fairly backwarddated structure, the Supramax FFA market still has quite a bit of room left to fall on prompt months, before being in the same situation as the Capes.

Short run neutral to bearish

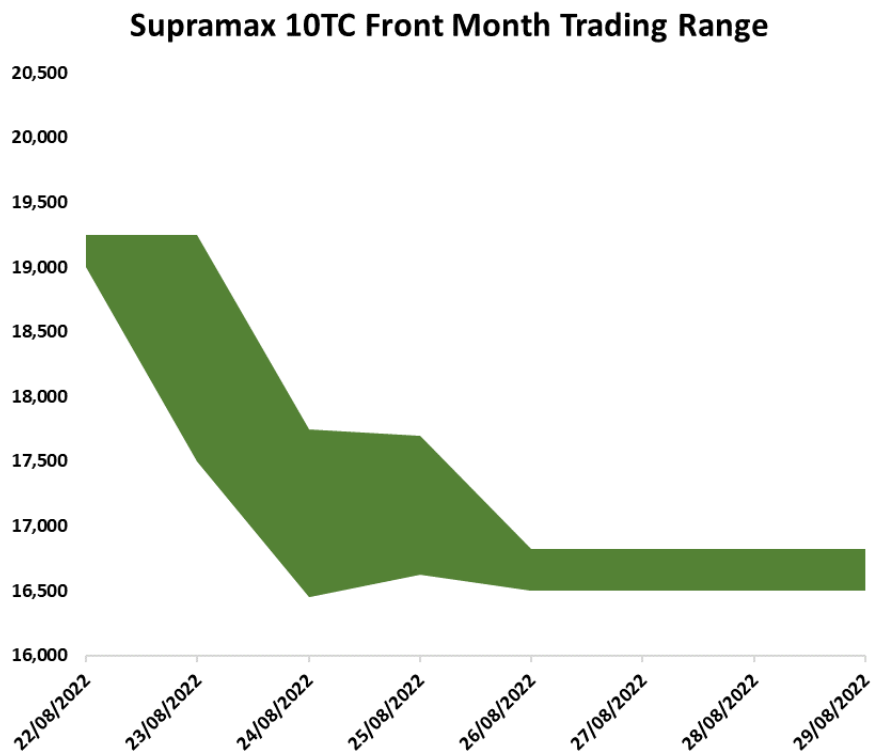


Chart sources: FIS Live

FFA Market

Followed by the high volatility and market participants rushed to do deal ahead of the UK bank holiday on Monday, FFAs had a busy week with trading volumes of over 57,200 lots posted on exchanges. Strong activity were seen in options last week, with 7,470 lots being cleared in Panamax among 11,940 lots traded last week. In addition, FIS arranged the first P3A-82 trade of 75 days via EEX last week, in supporting customers to hedge the trans-Pacific trade. Overall, Capes and Panamaxes traded around 3,100 lots and 3,300 lots per day last week; Supramaxes followed right behind with 1,540 lots traded per day last week. Main actions focus on Sep, Q4'22 and Cal23 contracts. Open interest rose as the week progressed with noticeable increase on the Panamax and Surpramax, on 29th Aug Cape 5TC 177,455 (+5,558 w-o-w), Panamax 4TC 196,286 (+2,387 w-o-w), Supramax 10TC 92,731(+2,166 w-o-w).

FFA Market Indexes

Freight Rate \$/day	26-Aug	19-Aug	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	3,413	6,267	-45.5%	17,370	13,070	18,025	16,529	15,129
Panamax4TC	11,008	13,852	-20.5%	21,753	8,587	11,112	11,654	9,766
Supramax10TC	19,183	19,082	0.5%	25,510	8,189	9,948	11,487	9,345
Handy7TC	16,794	17,285	-2.8%	24,324	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA \$/day	26-Aug FIS Closing	19-Aug FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Sep 22	9,250	11,125	-16.9%	12,500	9,000	39,250	9,000
Capesize5TC Q4 22	13,750	16,125	-14.7%	16,650	13,500	36,500	13,500
Panamax4TC Sep 22	12,025	14,650	-17.9%	14,500	11,800	30,700	11,750
Panamax4TC Q4 22	13,175	16,000	-17.7%	15,950	13,000	30,700	13,000
Supramax10TC Sep 22	16,800	19,250	-12.7%	19,750	16,500	31,850	15,750
Supramax10TC Q4 22	14,250	17,625	-19.1%	17,500	14,000	30,500	14,000

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

September Futures – We remain in a bearish trending environment with the futures below all key moving averages supported by the RSI below 50. The futures have traded below the USD 10,950 low creating a positive divergence on the intraday RSI, not a buy signal it does warn that we have the potential to see a momentum slowdown. Price has traded to a low of USD 8,800 with the futures remaining in divergence. Intraday Elliott wave analysis would suggest we have a potential downside target as low as USD 6,443. Upside moves that fail at or below USD 16,712 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.

Panamax

September Futures – Having previously noted that we were witnessing wave extension the futures continue to move lower. Price is below all key moving averages supported by the RSI below 50, the futures have now traded to a low of USD 10,250. The intraday and daily divergences have now failed, supporting a bear argument, wave analysis continues to suggest that upside moves should be considered as countertrend at this point. Upside moves that fail at or below USD 15,827 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Technically bearish with near-term support at USD 9,767, upside moves are still considered as countertrend.

Supramax

September futures – having rejected the upside resistance zone between USD 19,600 – USD 20,000 the futures have traded below the USD 17,500 support, to a low of USD 15,500, below our USD 15,762 target. We remain below all key moving averages supported by the RSI below 50, upside moves that fail at or below USD 18,453 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. The intraday and daily technical are in divergence with the RSI, not a buy signal it does warn that we have the potential for a momentum slowdown. Technically bearish, with near-term support at USD 13,360, the divergence will need to be monitored going forward.

Chart source: Bloomberg

Capesize Sept 22 Morning Technical Comment – 240 Min



Dry Bulk Trades/Iron Ore

Iron ore futures retreated in the latter part of last week to close above \$105 as the Chinese steel mills seemed less pessimistic about demand in September, along with a small recovery in margins, as output continued to grow since the beginning of August. According to a Mysteel survey of over 247 Chinese steel mills, blast furnace operation rates were up 2.24% w-o-w to 80.14%. Capacity utilisation rates also improved for a fourth week, edging up 1.39% w-o-w to 85.27% over 19 – 25 Aug. Meanwhile, iron ore inventories at 45 major Chinese ports were decreasing for the first time in two months to 138.2 million tonnes, down 0.5% or 722,100 tonnes. However, the optimism quickly evaporated with iron ore plummeting below \$100 again at the start of this week, followed by the news of restricted production in Tangshan, on top of major steel producers already missing earnings targets for the year. Other than that, two Chinese banks announced infrastructure spending of an additional 300 billion yuan (\$44 billion) last week, although its impact on commodity markets has been limited so far.

Last week total iron ore shipments increased slightly from the previous week to 31.5 million tonnes, with exports generated from Australian improving to 17.5 million tonnes, up 8% from the previous week. For the other top exporter Brazil, volumes rose for a third week, still below seasonal levels, with a total volume of 8.6 million tonnes, up 6% w-o-w. As the charts below show, last week's shipments from Brazil to China finally returned to the seasonal average after three weeks of falls, similarly exports from Australia to China pulled back to the 5 year average and stood at around 14.7 million tonnes.

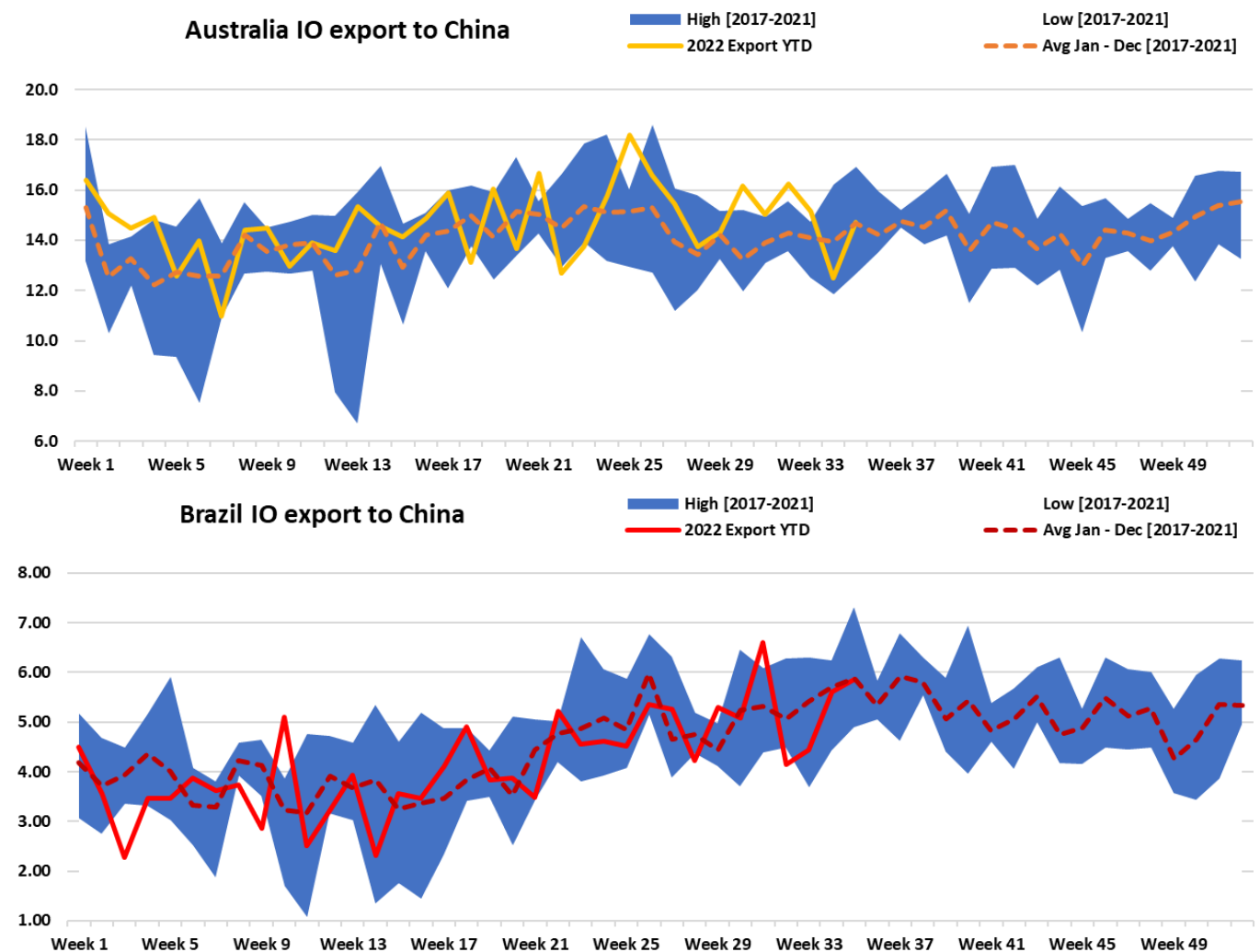
Dry Bulk Trades/Iron Ore

Export (million tonnes)	Jul-22	Jun-22	Q2-22	Q1-22	Q4-21	Q3-21	2021	2020
Australia	77.8	82.9	234.9	219.2	236.1	233.9	922.9	922.4
Brazil	32.4	29.6	81.9	69.5	91.1	97.8	350.3	336.6
South Africa	5.3	5.4	15.9	14.7	15.5	15.3	59.6	56.0
India	0.8	0.6	5.4	7.5	2.0	4.9	37.7	50.8
Canada	4.8	4.5	13.4	11.7	15.0	18.1	57.1	58.1
Others	13.2	13.5	40.9	44.7	51.2	46.9	190.7	179.7
Global	134.4	136.4	392.5	367.1	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	14.7	12.5	17.7%	7.89	7.75	1.7%
Brazil-China	5.9	5.6	4.6%	18.64	19.62	-5.0%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

Coal shipments jumped up to around 29.6 million tonnes (+20% w-o-w) as expected with high demand from key regions. For China alone, its imports hit 7.2 million tons last week marked the highest weekly volume so far this year, as heatwaves across provinces continued to require power produced from coal fired power stations, as hydropower generation dwindled. Accordingly, Indonesian coal ramped up its exports to 10.2 million tonnes, up 1.2 Mmt or 18%, with over 40% of coal destined for China. While Australia also boosted to 8.0 million tonnes, except demand from SE Asia retreated last week, other key regions JKT and especially India hurried up with their purchases in a weekly basis with volume stood around 5.3 Mmt (+7.8%) and 1.6 Mmt (+91.7%), respectively. Elsewhere, coal imports to NW Europe steadied at around 1.4 million tonnes, after reaching a two-month high.

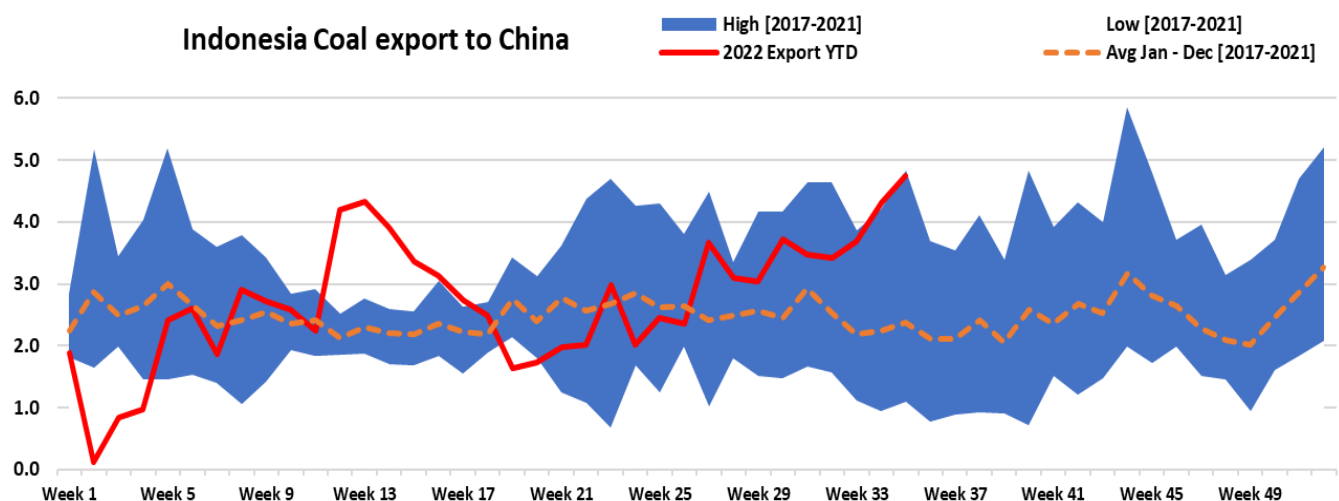
Dry Bulk Trades/Coal

Export (million tonnes)	Jun-22	May-22	Q2-22	Q1-22	Q4-21	Q3-21	2021	2020
Indonesia	44.0	40.1	118.6	88.6	106.0	109.3	416.8	377.0
Australia	24.3	33.0	90.8	84.5	90.8	97.0	368.8	376.1
Russia	17.3	18.4	50.4	41.2	40.8	44.1	173.5	178.4
USA	6.8	7.1	19.3	17.6	17.7	15.8	68.9	56.0
Colombia	4.6	4.4	14.3	16.0	15.8	15.5	61.1	58.6
South Africa	4.3	4.5	13.3	14.4	17.1	14.0	61.0	72.8
Others	9.5	8.2	24.5	25.2	25.3	26.9	93.9	75.9
Global	110.9	115.6	331.3	287.4	313.5	322.7	1244.1	1194.9

Coal Key Routes

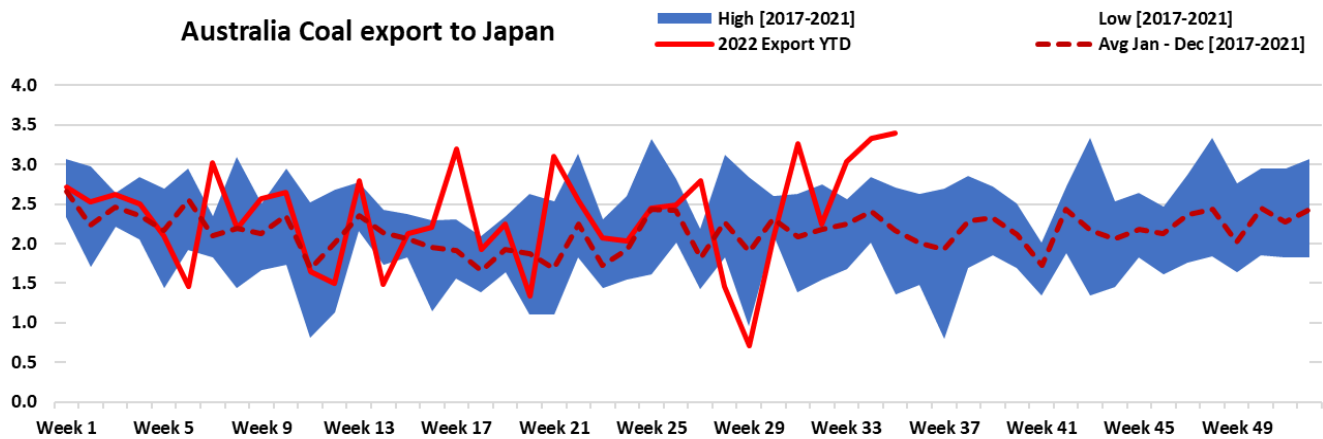
Coal Key Routes	Coal Export Million mt		
	Last Week	Prev. Week	Chg %
Indonesia-China	4.7	4.3	10.0%
Australia-Japan	3.4	3.3	1.9%

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

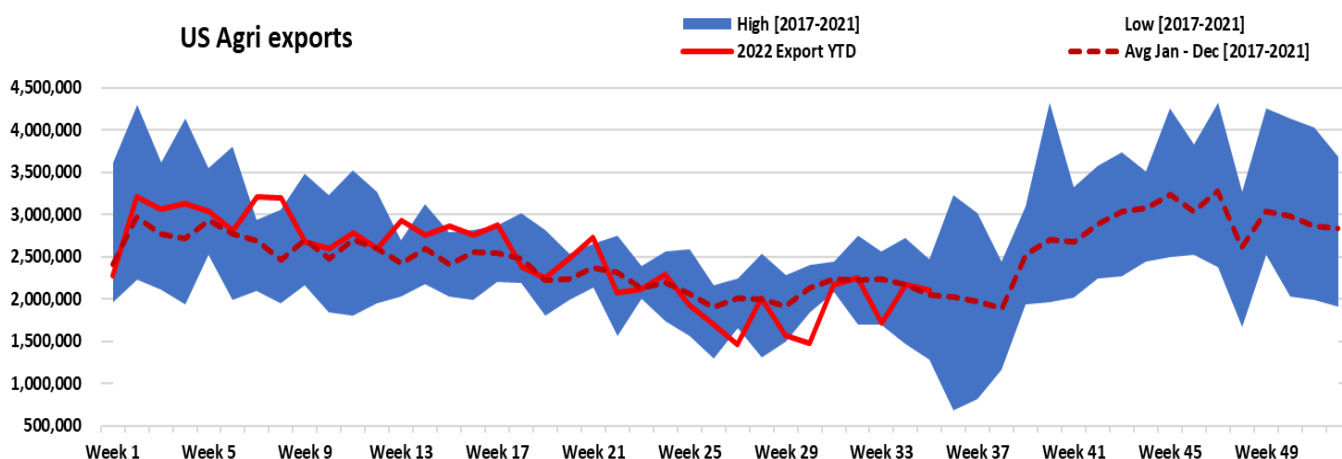
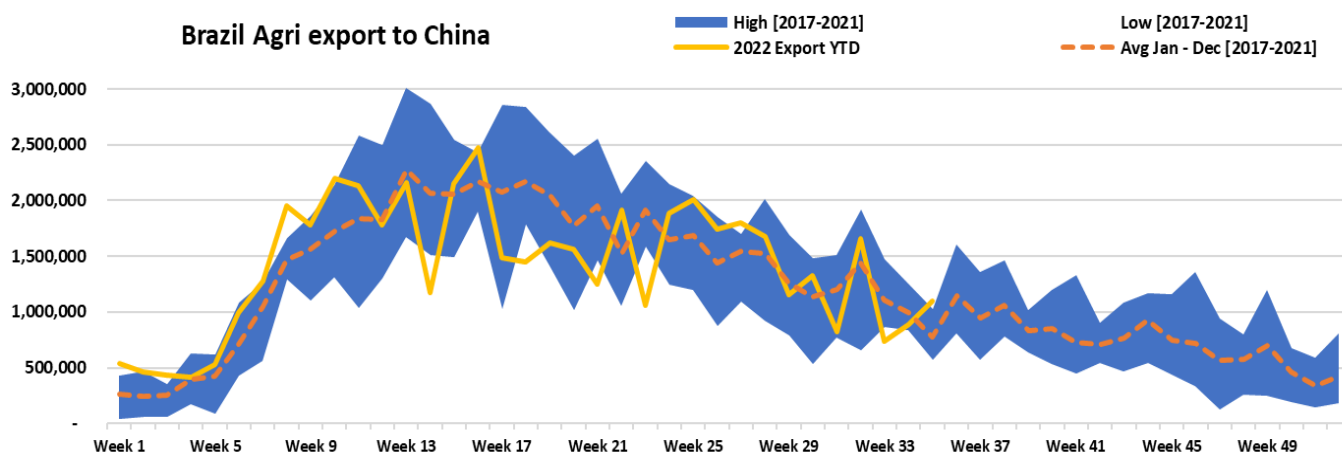
A positive week for grains shipments as total exports volume surged to 12.8 million tonnes, with a noticeable increase of 17.8% that the market has been expected for a long while. Out from Brazil shipments were in line with the season, with the weekly total rising 12% to 4.2 million tonnes. Exports from Brazil to China surpassed the low end of the 5-year average but following a downward seasonal trend. On the other hand, shipments from the US stayed at around to 2.1 million tonnes, towards to the seasonal average.

Export (million tonnes)	Jul-22	Jun-22	Q2-22	Q1-22	Q4-21	Q3-21	2021	2020
Brazil	17.9	16.7	49.4	40.6	28.9	43.0	156.9	170.8
USA	7.8	8.4	30.5	37.4	42.8	21.4	140.3	141.4
Argentina	8.2	7.5	24.5	16.7	17.6	24.0	85.3	79.1
Ukraine	0.0	0.1	0.1	12.1	19.1	15.2	53.4	51.5
Canada	2.1	1.7	6.0	5.8	10.2	7.3	41.3	50.8
Russia	1.7	1.4	4.7	5.0	7.2	10.4	29.7	35.1
Australia	4.0	3.7	11.7	13.1	8.9	8.6	40.8	20.2
Others	8.7	8.1	24.2	25.9	22.9	23.7	85.5	71.5
Global	50.3	47.6	151.2	156.7	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	1,094.6	892.5	22.6%	44.6	48.4	-7.9%
US-China	0.0	364.0	-100.0%	57.1	60.6	-5.7%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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