FIS

Dry Freight Weekly Report

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Market Review:

The dry freight market continued its downward correction last week amid a short-term outlook of vessel oversupply. This resulted in losses posted across all vessel sizes. Despite these moves, export volumes were positive, with iron ore exports from Australia remaining above seasonal high levels. However, the recent support from coal and grains may lose some steam after reaching a seasonal peak.

Freight Rate $/day	8-Aug	1-Aug	Changes %	Short Term	Sentiment
Capesize 5TC	12,152	17,100	-28.9%	Neutral	-
Panamax 4TC	16,288	17,056	-4.5%	Bearish	↓
Supramax 10TC	18,377	21,211	-13.4%	Bearish	↓
Handy 7TC	18,783	20,774	-9.6%	Bearish	↓

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	236	+2	156 (-2)	59 (+3)	10 (+1)		
Panamax	359	-32		174 (-45)		89 (-1)	58 (+7)
Supramax	454	-64		90 (-7)		55 (-37)	291 (-90)

Capesize

Capesizes posted heavy losses last week amid an oversupply of tonnage in the Pacific region and sluggish activity in the Atlantic, which pressured TC rates to sub $12,000. On a positive note, iron ore shipments out of the Pacific were strong and still stayed above a seasonal high in the last nine weeks. Despite this, rates were dragged down by missing activity in other key regions. Weekly, Australian iron ore exports increased 16% to 19.5 million tonnes. However, iron ore exported by Brazil was 32% lower at around 6.2 million tonnes. In terms of fixtures, the key C5 iron ore route (West Australia to China) eroded further, with rates being fixed between $9.50-$9.70 at the early part of the week for mid-Aug, before falling straight to $8.50 at mid-week and then to the lowest of $7.70 was heard. Although some strength was seen again before the weekend as rates lifted back to $8 and then at $8.30 yesterday. It remains to be seen whether the momentum could last the remainder of this week. In the Atlantic, Vale actively sought vessels moving iron ore on the C3 route from Tubarao to Qingdao. Still, rates drifted away from $24 for H2 August loading dates to just shy of $22 for early September. It will require significant change for C3 to rebound, considering the time to absorb the long ballast list around Brazil. Other than that, iron ore flows out of South Africa were slow, with trips from Saldanha Bay to Turkey fixing below $8 for early September and from Richard Bay to Rotterdam at $7.10 for 15-23 August. As Cape rates weakened further and the spread with Panamax widened to $4k, coal shipments by Cape vessels returned to pre-July levels at around 30%. In addition, global oil prices fell to a six-month low, with Singapore 380 and 0.5% fuel oil assessed at $462 and $681 respectively on Monday.

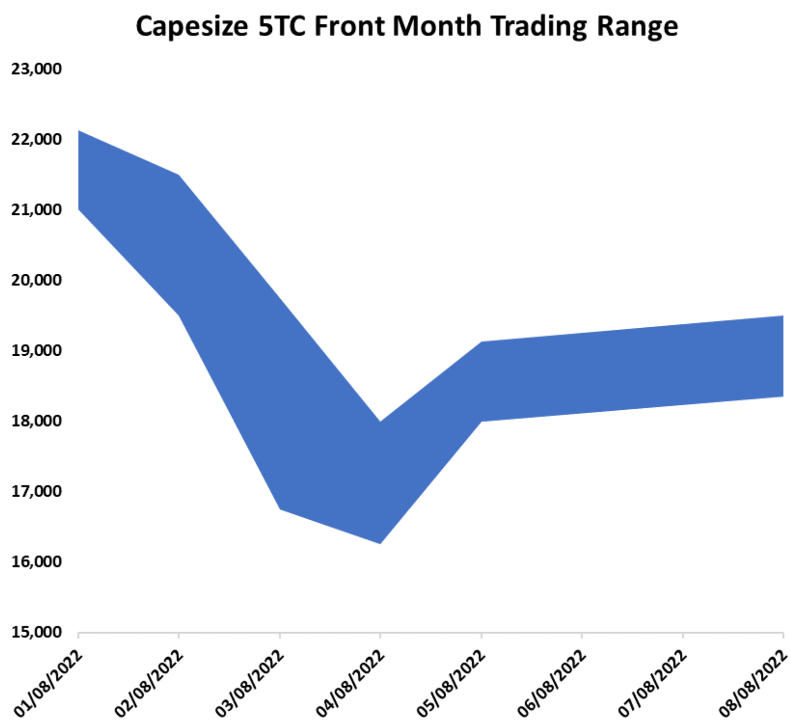


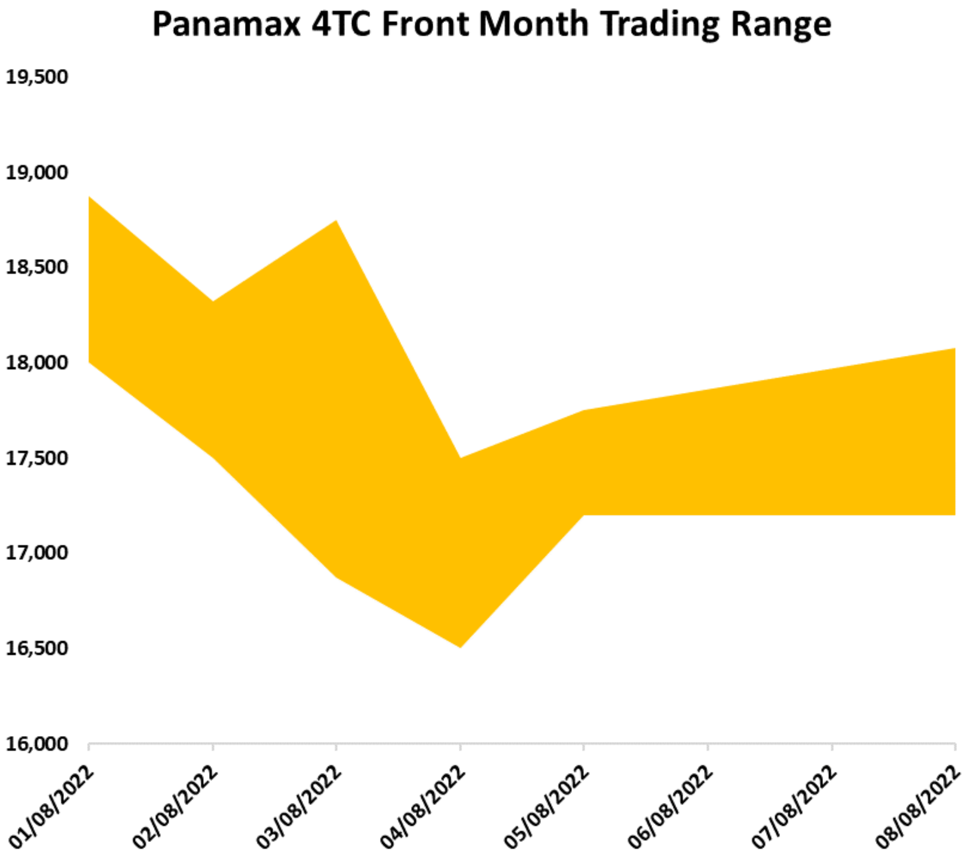
Chart source: FIS Live

The capsize paper market saw significant losses across the reporting week, with front-month contracts losing some $4,000/day. The slump was caused by a toxic combination of hedging, heavy options delta, and triggered stops, which weighed heavily on the market. The heavy losses on Wednesday seemed to pre-empt the significant drop in the index, which posted a next-day fall of $2,571. There was a slight reprieve at the end of the week as the selling pressures evaporated, and the September contract recovered to $18,250/day, having been $21,750 at the start of the week and Q4 at $18,500 from $22,875. Longer-dated contracts held their value much better, with limited losses on the calendar contracts.

Short run neutral

Panamax

Panamaxes gradually eased last week due to lower activity in both basins. The Atlantic remained a mixed bag as grain demand began to slow down, while on the mineral side, volume ticked up from their recent levels. Regarding the fixtures, more action was observed from US Gulf with fresh demand for the end of August dates, and grains redelivery to Sing/Japan was fixed at $25,250. Support was also seen in the Transatlantic routes, with US Gulf redelivery to the Continent rising from $18,250 to $18,500, and a trip via Algeria redelivery to Skaw - Gib was heard at $23,000. Elsewhere, grains cargos via EC South America and redelivery to Sing/Japan were fixed at $20,000. In the Asian market, Indonesian coal was the main support factor of the week since there was limited activity heard from Australia; thereby, rates fell under pressure mainly from a long tonnage list in NoPac. After reaching a peak in the previous week, coal shipments saw volumes drop a little. This echoed with China which has completed its peak seaborne thermal coal buying over the summer, according to the China Coal Transport and Distribution Association. Coal cargoes via Indonesia redelivery to S. China were fixed at $11,500 before lifting to $13,000, with a rumour of $15,000. On the other hand, little support was generated from the North, as round trips to Sing-Japan were fixed at $18,500 and a trip via Australia redelivery to India was heard at $14,000. If the Asian market continues to drift, it is expected to see more vessels ballast to the west.



The losses in the Panama FFA market were less pronounced than in the larger ships, with the September contract losing only $1,500 weekly. Although with a bearish Cape market and easing physical, the market saw sellers drive down the curve. A consistently negative index (down from $17,056 to $16,363 across the week) added further weight behind the negative moves.

Short run bearish

Chart source: FIS Live

Supramax

Supramaxes were under further pressure as limited enquires were made in all areas, and as a result, TC rates continued to correct and dropped below $18,000. Although demand for coal and minerals provided a floor to rates, negative sentiment was fuelled by limited activity in both the US Gulf and ECSA, on top of the depressed grains shipment demand. For fixtures, vessels from the US Gulf to China were heard at the mid $20,000 and to Japan at low $20,000 after owners bucked to gain employment. While decent demand for steel was noticed last week, with China ramping up its exports, a trip via Zhoushan redelivery Continental was fixed at a lower rate of $19,000; via Tianjin redelivery, Red Sea was heard at $20,500. At the same time, a cargo with coal via Indonesia to China was heard at $17,000. On Sunday, four-grain ships departed from Ukrainian ports under the new Black Sea corridor; it has yet to transfer into any visible support for the market. Even then, it is more likely to be seen in the Handysize market.

The Supramax FFA market followed a similar trend to the Panaxes, with smaller negative moves than the Capes. A consistently negative index Monday to Monday alongside a depressed broader freight market dragged down paper prices. September hit a week low of $17,500/day, Q4 a low of $16,875, and Cal 23 at $12,950. Q4 made up most of the late week trading as the market recovered slightly, despite the index continuing to fall

Short run bearish

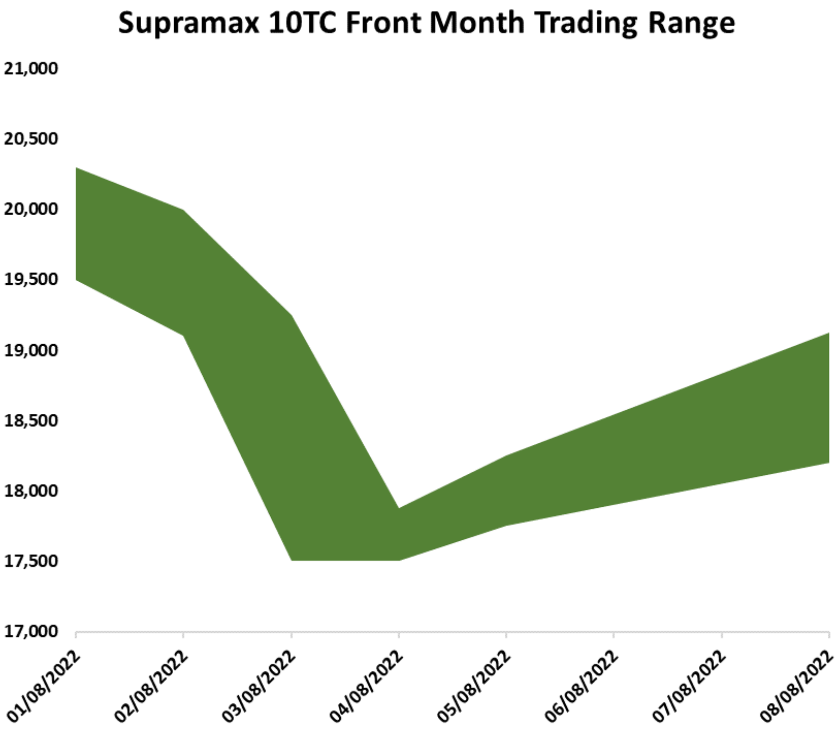


Chart sources: FIS Live

FFA Market

FFAs had a fairly active week with trading volumes of over 65,600 lots posted on exchanges, and both Capes and Panamax traded in large sizes. Large activity is also seen in Cape options, with 12,300 lots being cleared among 17,165 lots traded last week. Overall, Capes and Panamaxes traded around 5,100 lots and 3,400 lots per day last week; Supramaxes followed right behind with 1,500 lots traded per day last week. Main actions focus on Aug, Sep, Q4'22 and Cal23 contracts. Open interest increased along with falling prices, on 8th Aug Cape 5TC 162,534 (+8,927 w-o-w), Panamax 4TC 187,050 (+3,253 w-o-w), Supramax 10TC 86,575 +1,400 w-o-w).

FFA Market Indexes

Freight Rate $/day	8-Aug	1-Aug	Changes %	2022 YTD	2020	2019	2018	2017
Capesize5TC	12,152	17,100	-28.9%	18,220	13,070	18,025	16,529	15,129
Panamax4TC	16,288	17,056	-4.5%	22,457	8,587	11,112	11,654	9,766
Supramax10TC	18,377	21,211	-13.4%	26,163	8,189	9,948	11,487	9,345
Handy7TC	18,783	20,774	-9.6%	24,967	8,003	9,288	8,700	7,636

FFA Market Forward Values

FFA $/day	8-Aug FIS Closing	1-Aug FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2022 Mkt High	2022 Mkt Low
Capesize5TC Aug 22	13,750	17,625	-22.0%	18,500	12,000	39,250	12,000
Capesize5TC Q4 22	19,250	22,875	-15.8%	23,250	16,000	36,500	16,000
Panamax4TC Aug 22	16,375	17,900	-8.5%	18,250	15,600	30,700	15,600
Panamax4TC Q4 22	17,450	18,250	-4.4%	18,350	16,250	30,700	16,050
Supramax10TC Aug 22	18,750	20,050	-6.5%	20,350	17,450	31,850	15,750
Supramax10TC Q4 22	17,800	18,800	-5.3%	18,750	16,700	30,500	15,750

Data Source: FIS Live, Baltic Exchange

Freight Technical View

Capesize

September Futures – We noted on the last report that the futures were technically bullish based on higher highs and higher lows; however, with the RSI at 50 and the stochastic overbought, momentum was warning that if the RSI moved below 50, we could be vulnerable to a test to the downside. The RSI failed to hold with the futures trading to a low of USD 16,250. The technical remains bearish with price below the 8-21 period EMA's whilst the RSI remains below 50, supporting a bearish argument. The new low has created a positive divergence with the RSI resulting in a small move to the upside, momentum is now slowing down, warning we have the potential to form a base around these levels. Downside moves below the USD 16,250 low will create further intraday divergences, meaning the futures although bearish are not considered a technical sell at this point. Upside moves above USD 22,125 will have bullish implications going forward.

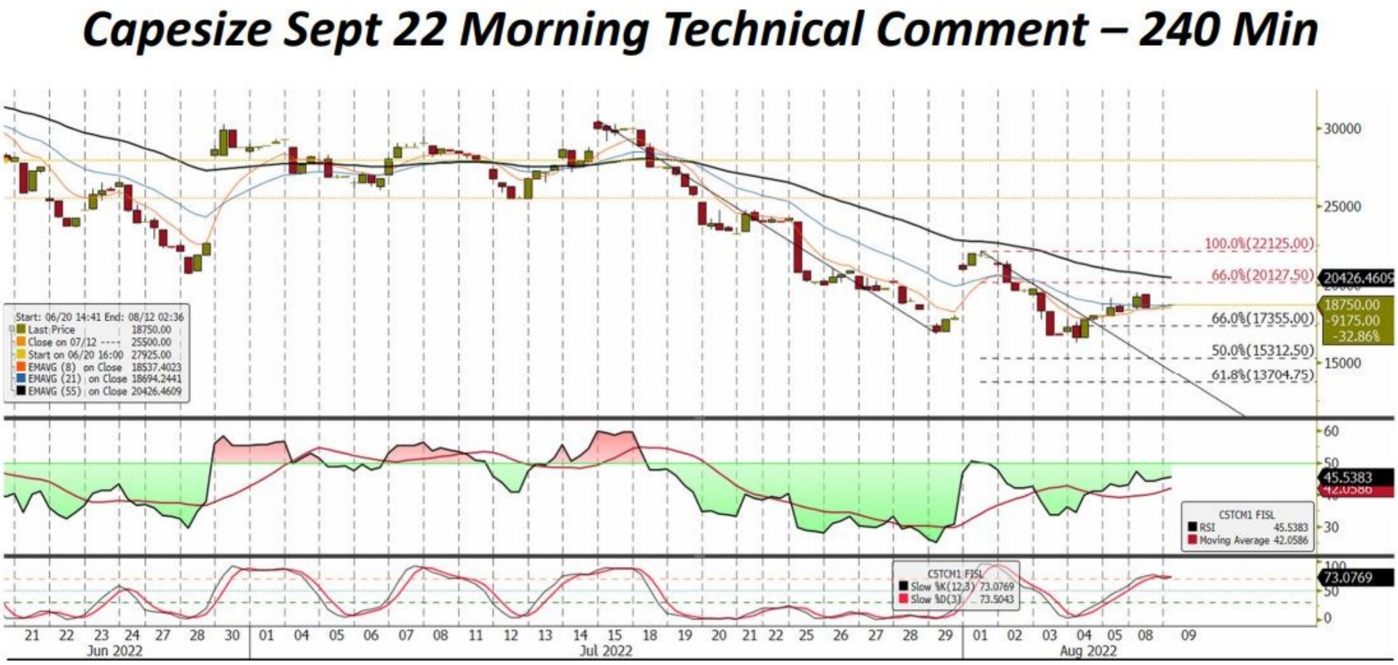
Panamax

September futures – On the last report we noted that the futures looked to have completed the bearish wave 3 suggesting upside moves should be considered as countertrend. in part we were correct, the upside move was a countertrend move; however, with price only trading to a high of USD 20,575 it would suggest that the upside move was not high enough in price, or long enough in time for it to be the higher timeframe wave 4 that we were expecting. This would suggest we witnessed further wave extension in the bearish Elliott wave 3. The Downside move has made a new low (USD 16,500), creating a second positive divergence with both the daily and intraday RSI's. Technically bearish with the futures giving up early gains into the close, we do have the potential to trade as low as USD 13,375 within this phase of the cycle; however, our wave analysis does confirm that we are on a wave 5 of a higher timeframe wave 3, with the divergence suggesting we have potentially already completed this phase of the bear cycle. Upside moves will still be considered as countertrend with the futures remaining vulnerable below USD 25,657, meaning a fractal break above USD 20,575 although bullish based on a higher high, would still be part of a larger countertrend move. Technically bearish but not considered a technical sell at this point.

Supramax

September futures – Technically bearish with upside moves considered as countertrend on the last report, the futures had looked like they might trade above the USD 25,500 resistance. However, price stalled at USD 24,600 before trading to a new low. We now have a positive divergence on the daily technical warning of the potential for a momentum slowdown; however, the intraday RSI is making new lows, suggesting any move higher still has the potential to be countertrend. Upside moves that fail at or below USD 22,120 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Only above USD 24,600 will the futures confirm that we are in a higher timeframe wave 4. Technically bearish, we maintain our view that upside moves are still considered as countertrend.

Chart source: Bloomberg



Dry Bulk Trades/Iron Ore

Iron ore recouped some losses at the end of last week and on Monday in response to falling steel stockpiles and renewed confidence in China's economic recovery. According to the General Administration of Customs (GACC) data, China's trade surplus hit a record $101 billion in July due to robust exports reported in July, which were up 18% YoY, surpassing an estimated 14% growth. Although some economists doubted the increase would be sustainable considering weak Chinese domestic demand and zero covid strategy, the surprising positive export figures indicated that Chinese producers have been catching up on business lost due to lockdowns. China exported 40.1 million tonnes of steel products from Jan-July, which was still down 6.9% YoY, but in terms of export value, YoY values were up 32.3% to $58.71 billion. On the imports, China imported 626.8 million tonnes of iron ore in the last seven months, which was down 3.4% or 21.8 million tonnes compared with the same period the previous year, despite a 2.5% import volume increase in July. On the industrial side, more steel mills planned to lift production this month; a market source said another seven mills would resume operation on top of the ten mills raising production last week. As a result, the average blast furnace rates ticked up last week. According to a Mysteel survey of over 247 Chinese steel mills, the blast furnace operation rate was up 1.09% w-o-w to 72.7%. Capacity utilisation rates also halted the decline first time since the end of June, slightly up 0.3% w-o-w to 79.6% from 29 July – 4 Aug. Furthermore, CISA cited in a survey that China's finished steel stockpiles have shrunk from 7.3% to 10.7 million tonnes on 31 July.

Last week total iron ore shipments rose slightly to 33.4 million tonnes, with exports generated from Australia rebounding 16% to 19.5 million tonnes after a previous dip. However, exports from Brazil were down, with volumes again falling to the recent lows of 6.2 million tonnes, down 32% w-o-w. The charts below show that last week's shipments from Brazil to China had a straight fall and broke the lower end of the seasonal average. Still, exports from Australia to China remained above the seasonal high and stood at around 16 million tonnes.

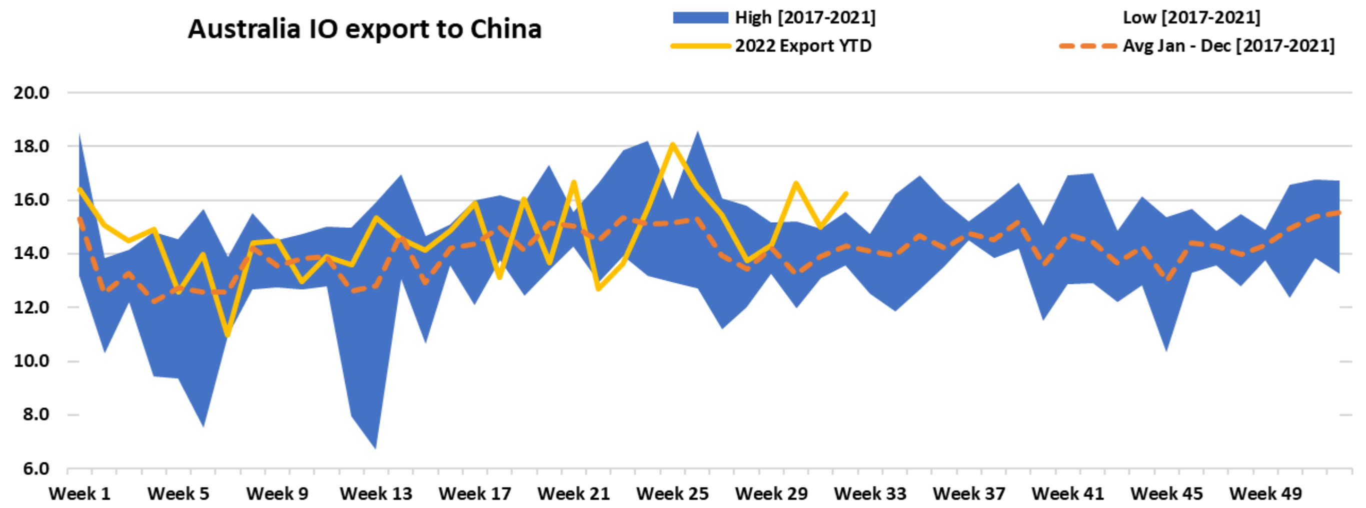
Dry Bulk Trades/Iron Ore

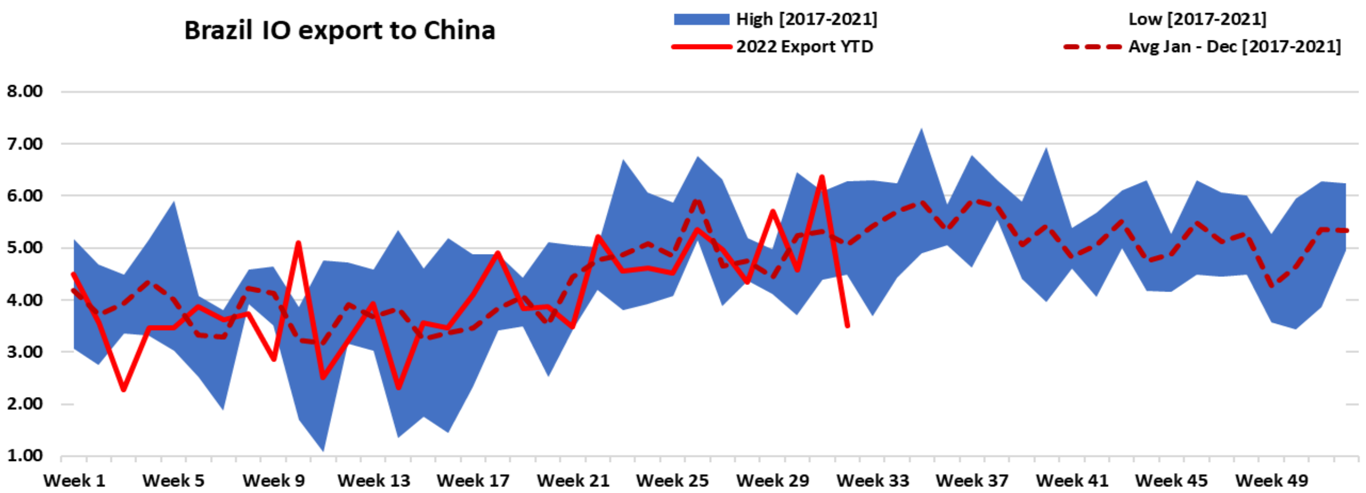
Export (million tonnes)	Jun-22	May-22	Q2-22	Q1-22	Q4-21	Q3-21	2021	2020
Australia	81.7	77.2	233.2	219.1	236.1	233.9	922.9	922.4
Brazil	29.8	27.5	82.3	69.5	91.1	97.8	350.3	336.6
South Africa	5.4	5.6	15.9	14.7	15.5	15.3	59.6	56.0
India	0.7	2.2	5.7	7.6	2.0	4.9	37.7	50.8
Canada	4.6	4.3	13.6	11.7	15.0	18.1	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	16.2	15.0	8.1%	8.69	10.16	-14.4%
Brazil-China	3.5	6.4	-45.1%	23.94	27.97	-14.4%

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Coal

After reaching a peak in the last week of July, total coal shipment returned to the previous steady range of around 24.5 million tonnes (-19.3% w-o-w). Accordingly, coal exports from Australia fell sharply to 5.8 million tonnes from the previous high of 8.2 mil mt. While coal supply from Indonesia remained high, exports also slipped from the peak to 9.7 million tonnes last week, w-o-w down 10.8%. Elsewhere, China imported 138.5 million tonnes of coal in the previous seven months, which was down 18% compared to last year's data from the General Administration of Customs (GACC).

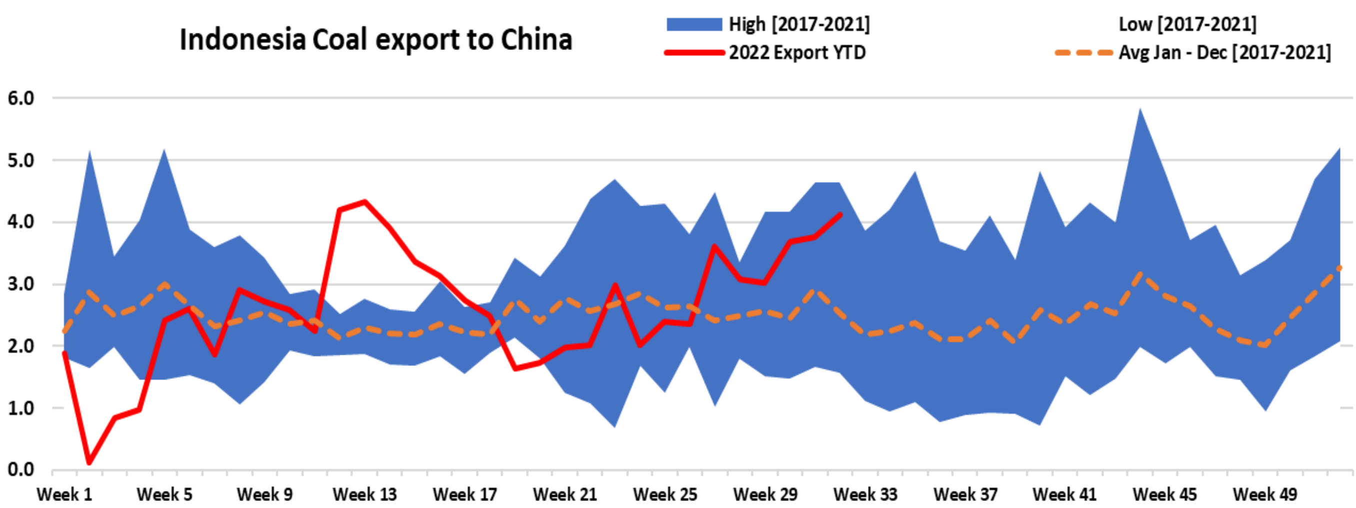
Dry Bulk Trades/Coal

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**

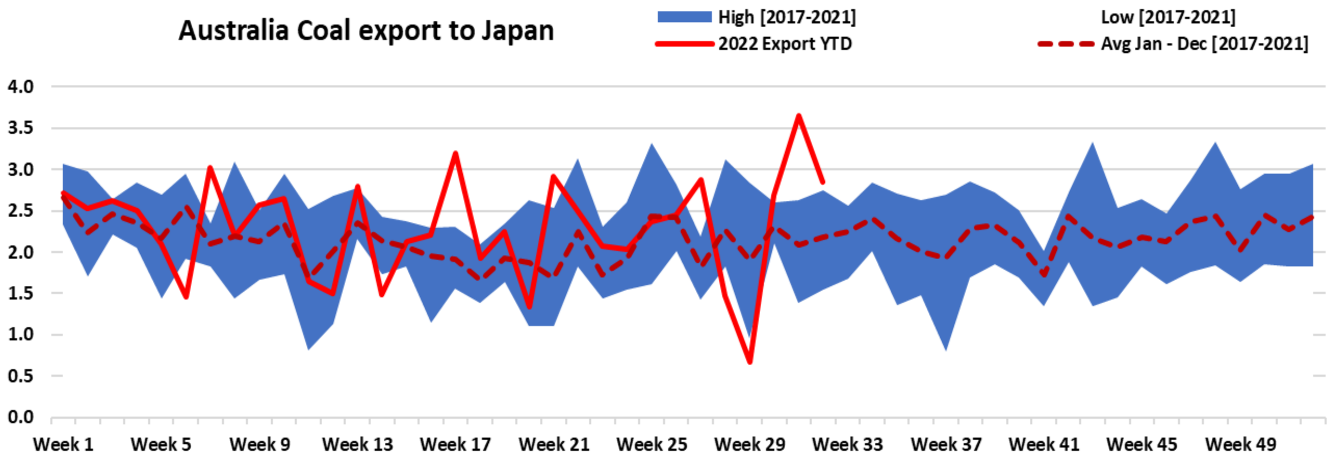
Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	4.1	3.8	9.4%
Australia-Japan	2.8	3.7	-22.1%

Seasonality Charts



Data Source: IHS Markit Commodities at Sea Service, Bloomberg



Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

Dry Bulk Trades/Agri

Wheat and corn futures edged down after more grain ships from Ukraine sailed into global markets. Furthermore, Ukraine's deputy agricultural minister said the new crop could use the new Black Sea safe corridor for its exports in September. At the same time, soybean futures range bounded last week with pressure from higher production forecast in the US.

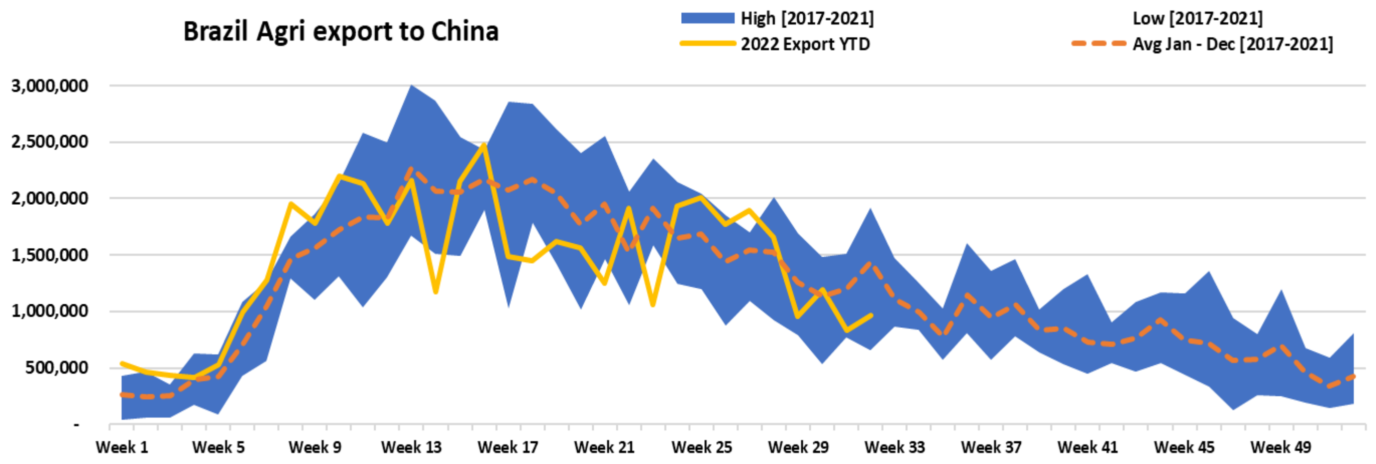
Global gains shipments drifted to 10.8 million tonnes, which was down 10.5% w-o-w, according to IHS Markit Commodities at Sea Service. Total shipments from Brazil dropped by 12.7% to 3.5 million tonnes, with exports to China slipping further below the seasonal average. On the other hand, shipments from the US improved for a second week, with volumes reaching a two-month high of 2.2 million tonnes, up 10.6% or 154,700 tonnes.

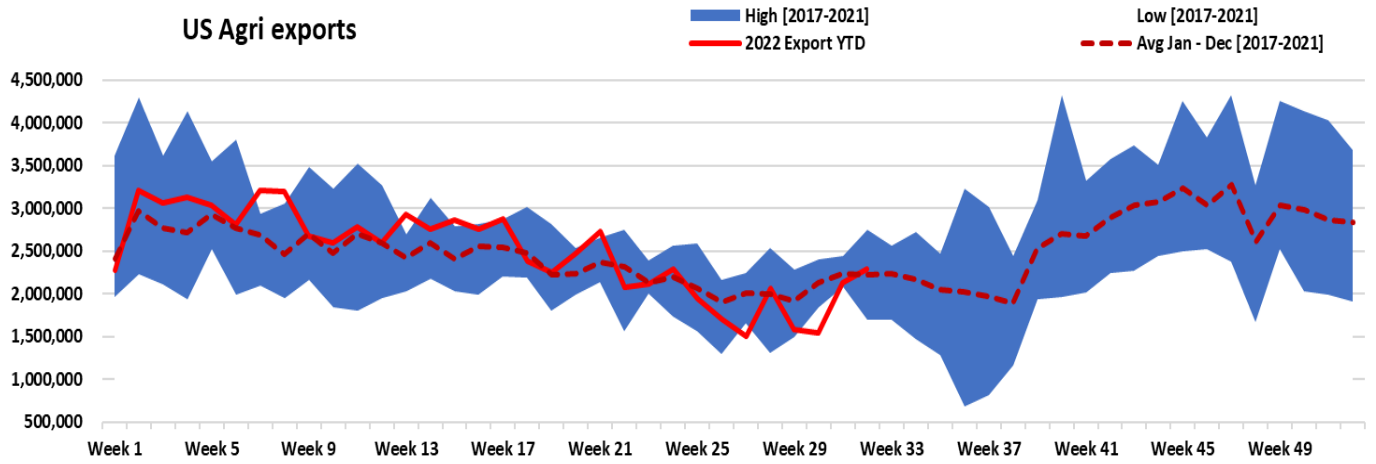
Export (million tonnes)	Jun-22	May-22	Q2-22	Q1-22	Q4-21	Q3-21	2021	2020
Brazil	16.6	16.0	48.9	40.2	28.9	43.0	156.9	170.8
USA	8.4	10.3	30.5	37.4	42.8	21.4	140.3	141.4
Argentina	7.6	8.7	24.6	16.5	17.6	24.0	85.3	79.1
Ukraine	0.0	0.0	0.0	12.0	19.1	15.2	53.4	51.5
Canada	1.9	2.6	6.5	6.0	10.2	7.3	41.3	50.8
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	969.9	831.8	16.6%	53.7	55.6	-3.5%
US-China	211.6	296.8	-28.7%	64.6	66.3	-2.6%

Seasonality Charts





Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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