

18/04/2023

## Market Review:

All vessel sizes drifted lower last week as the holiday period took a toll. Apart from coal shipments posting a small weekly dip, sizable drops were observed in iron ore and grains shipments. The tonnage list was building up in some key regions, until that changed, it'd be hard to shrug off the negativity which has been carried into the new week.

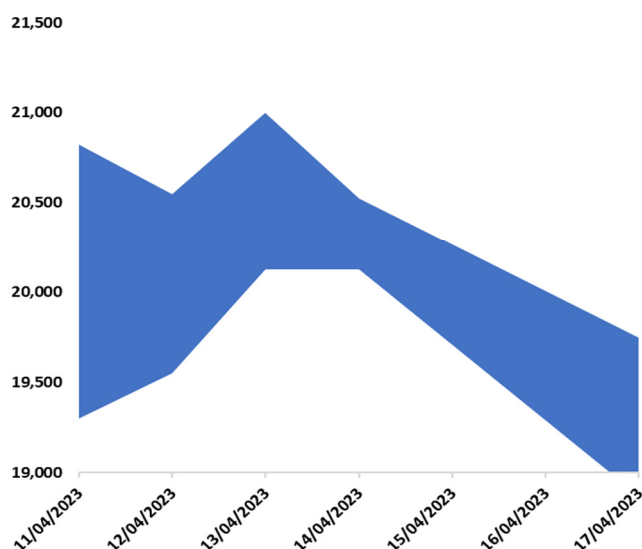
Freight Rate \$/day	17-Apr	11-Apr	Changes %	Short Term	Sentiment
Capesize 5TC	14,939	15,849	-5.7%	Bearish	↓
Panamax 4TC	13,740	15,333	-10.4%	Bearish	↓
Supramax 10TC	12,075	12,444	-3.0%	Neutral	-
Handy 7TC	11,344	11,443	-0.9%		

IHS	Weekly Total Shipments		Iron Ore	Coal	Bauxite	Agribulk	Minor bulk
Capesize	200	-13	133 (-11)	53 (+7)	12 (-5)		
Panamax	322	-69		153 (-51)		83 (-23)	46 (+4)
Supramax	459	-47		101 (+3)		61 (-16)	268 (-37)

## Capesize

Cape had a negative start last week amid lackluster activity post-holiday and cautiousness over the potential impact of Cyclone Ilsa approaching Western Australia. Once the weather concern was dismissed, we saw a rebound on Thursday with Australian routes climbing above the pre-Easter level. However, rates drifted again on a quiet Friday without fresh supporting factors carrying into the new week. Demand wise, lower iron ore shipments from the key regions apart from Brazil. As the data from S&P Global Commodities at the Sea showed, Australia shipped around 12.7 mnt iron ore last week, down 32%. Similarly, there was a 25% reduction from South and West Africa at 1.4 million tonnes, leading to a weekly volume drop of 16%. Even so, the decline in time charter rates was restrained due to steady fixtures reported in the Atlantic regions and decent coal demand. Last week, we saw a sharp weekly increase of 51.7% in Capesize coal shipment and its total volumes at around 9.3mn tonnes. For the fixtures, rates seemed unsettled in the Pacific, the key C5 iron ore route (West Australia to China) fell below the \$8 mark to fix at \$7.95 at the start of the week for 26-28 Apr, before lifting up to \$8.50-8.60 for end of Apr loading dates, as resistance was evident on the shipowner side and limited impact from the cyclone. However, rates drifted to \$8-\$8.10 by Friday and stayed at this level on Monday due to tonnage build up in the region and in favour of charterers. Besides, increasing coal shipment from Australia to China reported in the market has helped take out some available tonnage.

Capesize 5TC Front Month Trading Range



In the Atlantic, fresh cargoes were reported from most key areas with steady rates. Moving iron ore from Tubarao to Qingdao on the C3 route was fixed within a dollar range at sub \$22 for mid-May onwards; and to Misurata was reported as low as \$15. Out of West Africa, trips from Kamsar to China with bauxite was fixed at below \$22 for 25 Apr-4 May, and from Pepel to China with iron ore were reported from \$21.95 for 7-11 May to \$22.50 for 17-21 May. An uptick was also seen in the South with trips from Saldanha to China fixing from \$14.75 up to \$16. In addition, bunker cost continued to rise due to higher demand forecast and political tensions over Taiwan, on Monday Singapore 380 and 0.5% fuel oil were assessed at \$475 and \$596 respectively. Despite some light support from strong economic data and steel production from China, a weaker tone would remain on Cape until tonnage list begins to drop in the Pacific.

With the cyclone expected to pass by port Hedland on Wednesday/Thursday, FFA market reaction was dominated by fear and overreaction, and this ensured it opened flat on Tuesday following Monday's close and continued to trend lower throughout the day. This continued into Wednesday as all eyes were on the cyclone passing by Port Hedland. However, it was a big day for C5 with 8.45 and 8.50 trading in over 1 million tonnes on Apr contract. Bid support across the full curve cleared as the day closed, with a little bit of profit taking seen at the highs. Thursday saw a busy morning, however, this was followed by a relatively slow afternoon with sharper bids getting sold off and the curve nudging lower. With the cyclone finally behind us, focus could now be turned elsewhere on Friday. Yet ultimately, the curve slipped lower in what was a low volume day and week. Monday saw May Vs Jun capes sold in volume at 2850 in what was an actively traded spread all day. Also, a fresh wave of selling saw 19000 and 18750 sold on Q2, with the low on May \$18900. Some bid support was seen with May struggling to trade much lower than \$19000.

**Short run bearish**

**Panamax**

An uninspiring week for Panamax due to slow fixing in the Continent and lower grains shipments from ECSA. The previous optimism in the Atlantic vanished, cargoes via ECSA redelivery Sing/Japan with grains were fixed from \$20,250 to \$18,000 as the week progressed. On a 74dwt rates also drifted lower to around \$17,000. As more charterers were in the 'wait and see' mode for price dropping lower, the pressure in the Atlantic rate persisted. In comparison, the Pacific basin showed a more interesting picture with recovering coal demand from Australia and Indonesia. Coal cargoes via Australia redelivery India were fixed at \$15,750 and redelivery S. Korea was lifted \$500 during the week to \$13,500. Indo round trip didn't show much improvement with rate conducting at \$14,000. On the grains runs, trips via NoPac redelivery Sing/Japan were heard at \$15,000. If buying interest for Brazilian soybean did not improve, we are likely to see further correction on Panamax.

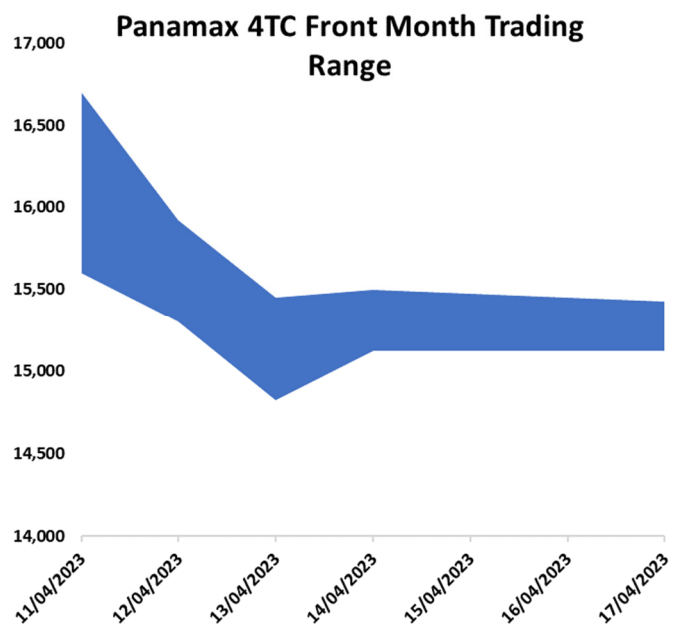


Chart source: FIS Live

In the FFAs, Tuesday very much mirrored Capes for the Pmx as sellers nudged the curve lower on the prompt periods from the open. May incurred the biggest hit printing \$16500 down to \$15700 in decent size and Q2 from \$16300 to \$15750. Wednesday witnessed another sluggish day as rates continued to drift lower across the curve through most of the day with sellers sharpening their ideas post index. April and May sold off to \$14750 and \$15250 lows respectively. Q2 saw support tested at \$15500 with Q3 trading down to \$16500 as the contango opened up to -\$1000 while further out Q4 traded down to \$15750 and Cal24 maintained a tight \$13300-13500 range. Thursday started off positive with good size printing on the prompt. Q2 hovering around the \$15200-15350 mark and Q3 around \$16400-\$16500. May slipped under \$15000 printing at a low of \$14800 and Q2 at \$15000 before bouncing back at the close with buyers wiping out any post index losses as we closed out flat on the day. Friday saw some stability return to the Panamax paper after a week that was dominated by the curve being under pressure. Profit taking took place with April and Q2 pushing back to \$15300 highs while Q3 and Q4 were nudged back up to \$16750 and \$15800 highs respectively, leaving us to close the balance of the year contracts up on the day. Monday was characterized by May and June printing around \$15100-15250 and \$16100-\$16250 respectively. The hope is that as the week goes on, more movement will take place.

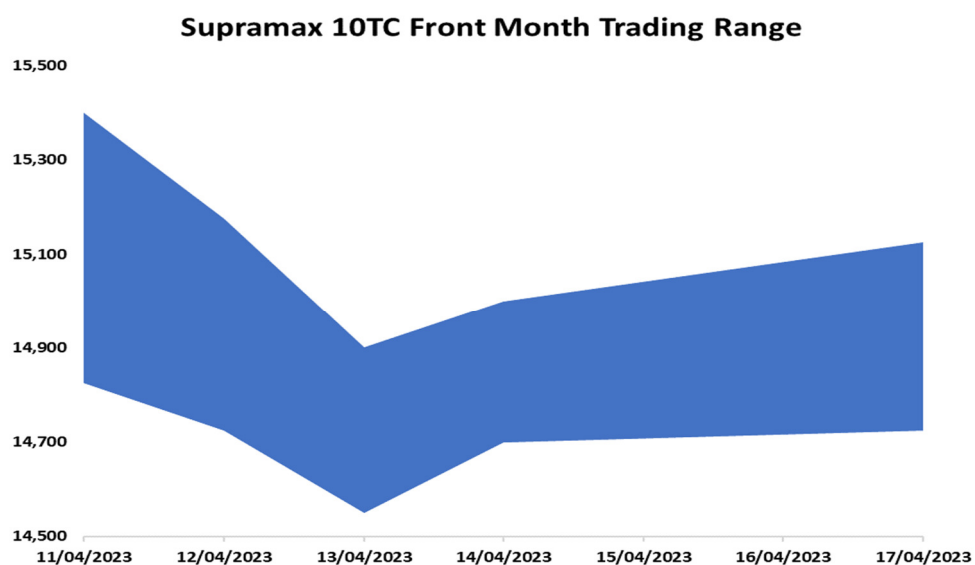
**Short run bearish**

**Supramax**

Following the negative sentiment in the bigger size and weaker grains shipment, Supramax marked lower across the week. Nevertheless, the supply and demand outlook remained steady in both basins. Let's see what the new week brings.

Tuesday opened up with Smx prompt rates continuing to be under pressure. Apr and May traded to respective lows of \$13200 and \$14850. Losses extended into the back end of the curve, with Cal24 trading to a \$13300 low. Wednesday followed a similar pattern, with Apr and May trading to respective lows of \$13100 and \$14500. The back end of the curve remained rangebound on Thursday, with only a limited number of trades. Apr and May traded to respective lows of \$12900 and \$14600. Friday saw a quiet and rangebound end for Supramax paper, with limited volume trading across the curve. May and June traded to respective lows of \$14750 and \$15800. Finally, the week started off as it finished last Friday, with rates largely remaining rangebound. May and June traded in respective ranges of \$15000-\$15100 and \$16000-\$16050.

**Short run neutral**



## FFA Market Indexes

Freight Rate \$/day	17-Apr	11-Apr	Changes %	2023 YTD	2022	2021	2020	2019
Capesize5TC	14,939	15,849	-5.7%	9,932	16,177	33,333	13,070	18,025
Panamax4TC	13,740	15,333	-10.4%	10,547	8,587	25,562	8,587	11,112
Supramax10TC	12,075	12,444	-3.0%	10,460	8,189	26,770	8,189	9,948
Handy7TC	11,344	11,443	-0.9%	9,935	8,003	25,702	8,003	9,288

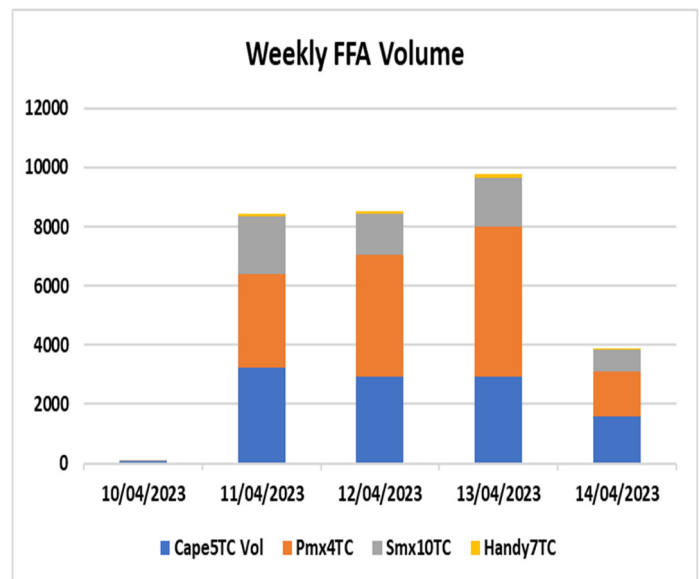
## FFA Market Forward Values

FFA \$/day	17-Apr FIS Closing	11-Apr FIS Closing	Changes %	Weekly Mkt High	Weekly Mkt Low	2023 Mkt High	2023 Mkt Low
Capesize5TC May 23	18,925	19,425	-2.6%	20,850	19,000	22,600	12,600
Capesize5TC Q3 23	22,850	22,625	1.0%	23,650	22,650	23,900	17,800
Panamax4TC May 23	15,150	15,700	-3.5%	16,500	14,800	18,300	12,650
Panamax4TC Q3 23	16,675	16,450	1.4%	16,750	16,300	18,100	12,300
Supramax10TC May 23	15,100	14,850	1.7%	15,250	14,600	17,250	13,900
Supramax10TC Q3 23	16,325	16,150	1.1%	16,400	16,000	17,350	12,000

Data Source: FIS Live, Baltic Exchange

## FFA Market

Despite a four-day week post Easter, FFAs saw large volumes changing hands during the mid-week. In a weekly total, nearly 31,700 lots cleared on futures and 5,670 lots on options. The majority of the volumes were on the larger sizes; seeing Capes and Panamaxes futures trading around 2,680 lots and 3,460 lots per day last week; Supramaxes followed behind with an average of 1,420 lots traded daily last week. A subdued week for options, just around 2,870 lots and 2,460 lots being cleared on the Cape and Panamax, respectively. As we moved to mid-Apr, more activity was shifted to the May contract, along with the primary contracts Q2'23, Q3'23 and Cal24 contracts. Open Interest increased as positions extended to further months, on 17th Apr, Cape 5TC 193,423 (+4,510 w-o-w), Panamax 4TC 186,380 (+2,090 w-o-w), Supramax 10TC 88,647 (+1,300 w-o-w). In addition, decent interests also saw on the voyage routes, with 1.88 million tonnes changing hands on C5; and 175kt on C3.



## Dry Bulk Trades/Iron Ore

Iron ore had a bumpy ride last week, seeing price initially jump following potential supply issues in West Australia. In the latter part of the week, gains were given away amid thin seaborne activity and eased weather concerns. In another note, China's crude steel output in March rose 6.9% YoY to 95.73mn tonnes and in Q1 was up 6.1% YoY to 261.56mnt, according to National Bureau of Statistics (NBS) data. Steel production is expected to take a dive in the late quarters, given the annual production was requested to be the same level as last year.

Last week total iron ore shipments dropped by 15.9% to 26.1mn tonnes as activities were impacted by weather concerns in W. Australia and regional holidays, with exports generated from Australian producers taking a hit (-32.5% w-o-w, 12.7 mnt). As the charts below show, last week's shipments from Australia to China fell off the seasonal average from the high levels seen in the previous weeks. Moreover, reduced shipments were reported from South and West Africa with a weekly total of 1.4mn tonnes, down 25.0% from the previous week. On the flip side, iron ore shipment from Brazil rebounded 25.9% week on week to 6.5mn tonnes, in line with the pre-Easter level. It's exports to China also returned to the high end of the seasonal level.

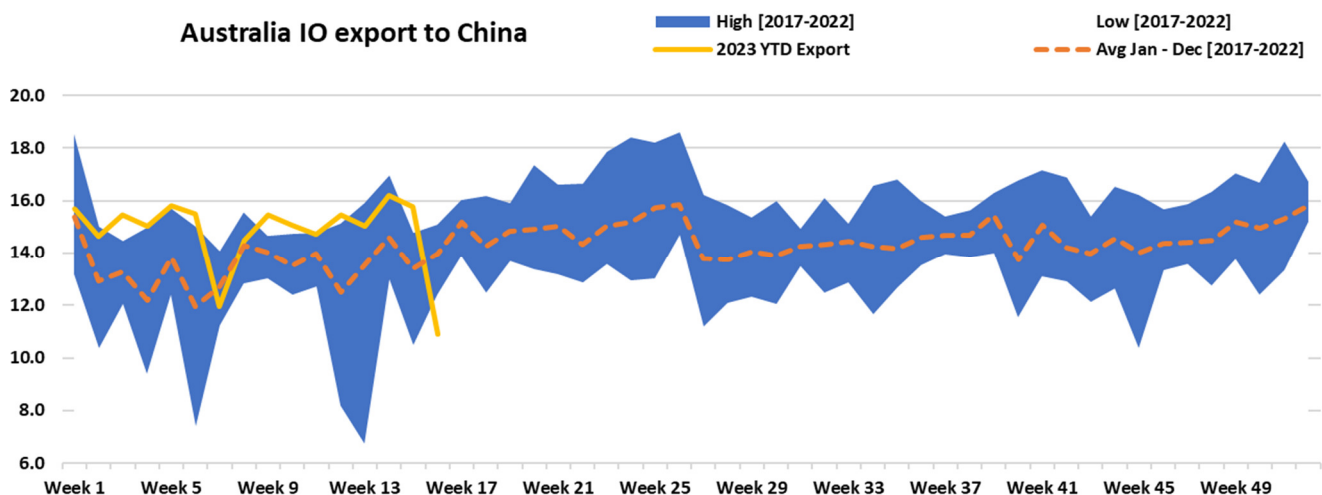
### Dry Bulk Trades/Iron Ore

Export (million tonnes)	Feb-23	Jan-23	Q4-22	Q3-22	Q2-22	Q1-22	2022	2021
Australia	67.0	80.7	246.5	235.0	234.9	219.0	935.4	919.8
Brazil	23.1	22.3	93.0	97.7	82.8	70.6	344.1	352.9
South Africa	4.6	5.4	11.4	15.6	15.9	14.4	57.4	60.5
India	3.8	3.5	2.9	0.9	5.4	7.2	16.4	37.6
Canada	3.7	4.8	14.5	17.7	13.5	11.7	57.4	57.2
Others	11.3	12.6	45.0	43.7	41.4	45.7	175.8	201.2
<b>Global</b>	<b>113.5</b>	<b>129.3</b>	<b>413.4</b>	<b>410.6</b>	<b>393.9</b>	<b>368.6</b>	<b>1586.5</b>	<b>1629.2</b>

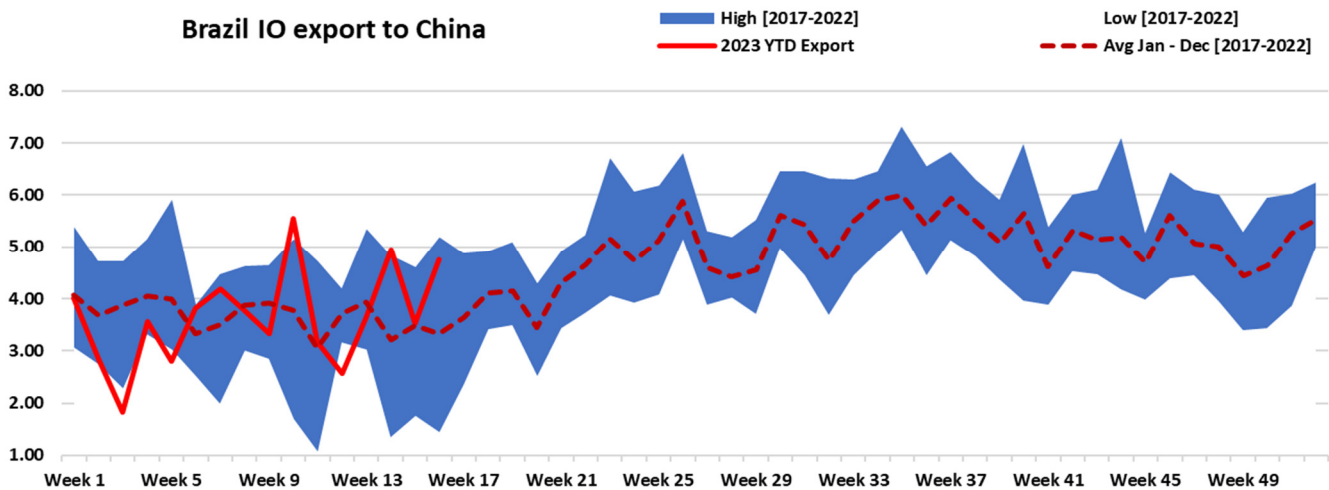
### Iron Ore Key Routes

	IO Export Million mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Prev. Week	Chg %
Australia-China	10.9	15.8	<b>-30.8%</b>	8.19	8.60	<b>-4.8%</b>
Brazil-China	4.8	3.5	<b>35.3%</b>	22.08	22.32	<b>-1.1%</b>

### Seasonality Charts



### Brazil IO export to China



## Dry Bulk Trades/Coal

Last week, total coal shipment recovered a touch after the holiday dips, up 5.3% to 26.8 million tonnes, as both top supplier Indonesia and Australia shipped out more compared with previous week. But not yet back to the pre-holiday levels. In the Asian Pacific, shipments from Indonesia drifted for another week to 9.8 million tonnes last week. As the chart below shows. But its exports to China have drifted from an all-time high, but still well beyond the seasonal level and a small increase noted last week. It was brighter on the Australian side, with weekly coal shipment rebounding 23% to 7.6 million tonnes, due to steadily increasing demand from key regions except SE Asia. Its exports to the JKT region 4.2 mnt (+43%), India 1.1 mnt (+30%) and a significant increase to China 1.4 mnt (+129%), whilst to SE Asia at 577kt (-38%). In addition, China’s coal import hit a record high in March after high demand from Indonesian coal and resumed delivery from Australia. However, imports showed sign of slowdown in early Apr due to falling domestic coal price.

### Dry Bulk Trades/Coal

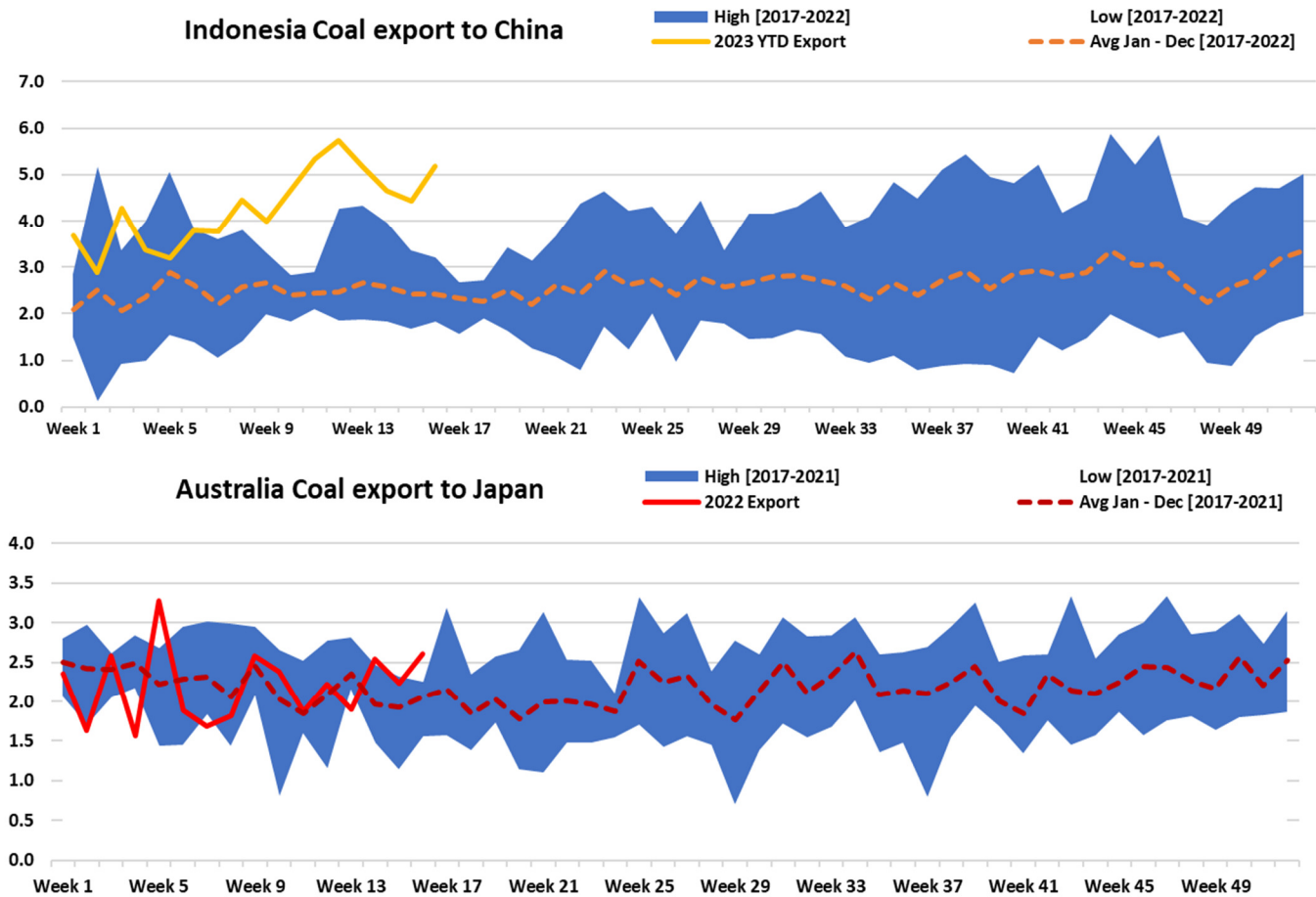
Export (million tonnes)	Feb-23	Jan-23	Q4-22	Q3-22	Q2-22	Q1-22	2022	2021
Indonesia	38.1	34.6	124.4	130.8	118.9	88.8	462.9	415.2
Australia	25.2	26.7	84.4	79.8	90.8	84.6	339.6	368.3
Russia	13.3	15.7	50.1	47.9	51.2	41.9	191.0	172.3
USA	8.3	7.2	17.7	18.0	19.1	17.6	72.4	69.5
Colombia	4.3	4.1	16.2	15.0	14.4	15.9	61.4	60.9
South Africa	3.6	4.9	14.4	16.2	15.3	15.7	61.6	62.1
Others	6.9	7.8	22.8	24.1	24.3	23.9	95.0	88.1
<b>Global</b>	<b>99.6</b>	<b>101.1</b>	<b>330.0</b>	<b>331.7</b>	<b>334.0</b>	<b>288.4</b>	<b>1284.1</b>	<b>1236.4</b>

### Coal Key Routes

Coal Key Routes	Coal Export Million mt		
Coal Export Million mt	Last Week	Prev. Week	Chg %
Indonesia-China	5.2	4.4	16.8%
Australia-Japan	2.6	2.2	16.7%

Data Source: IHS Markit Commodities at Sea Service, Bloomberg

## Seasonality Charts



Data Sources: IHS Markit Commodities at Sea Service, Bloomberg

## Dry Bulk Trades/Agri

Last week shipments from Brazil declined for a third week to 3.6 million tonnes, with around 1.9 million tonnes destined to China (-16.5% w-o-w). As the weekly chart showed, the weekly Brazilian shipments to China dropped below the midpoint of seasonal range. Lower shipments were also reported from Australia last week with only 921kt. At least, a slightly better week for US grains shipment, posting a weekly increase of 15% to 2.3mnt and moving towards its seasonal average. As a result, total shipment fell by 4.8% to around 11.2 million tonnes. Global grains price advanced last week due to rising concerns over the extension of Black Sea safe corridor beyond mid-May, along with interest hikes from central bank seeming to come to an end.

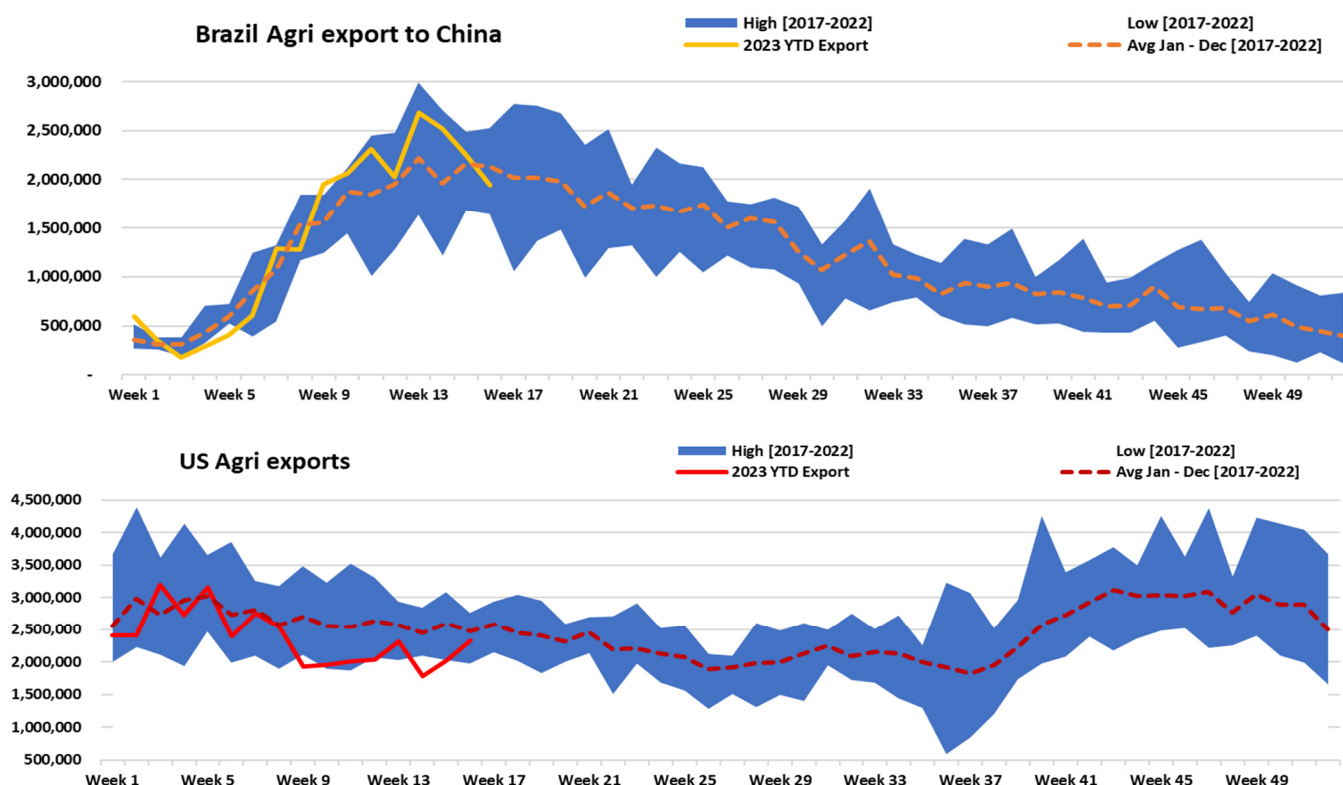
### Agri Key Routes

Agri Key Routes	Agri Export mt			Freight Rate \$/mt		
	Last Week	Prev. Week	Chg %	Last Week	Avg Prev. Week	Chg %
Agri Export (thousands tonnes)						
Brazil-China	1,944.0	2,257.7	-13.9%	45.2	45.5	-0.6%
US-China	261.6	343.9	-23.9%	55.8	54.5	2.4%

Data Source: IHS Markit Commodities at Sea Service, Bloomberg



## Seasonality Charts



Export (million tonnes)	Feb-23	Jan-23	Q4-22	Q3-22	Q2-22	Q1-22	2022	2021
Brazil	12.9	10.5	41.2	49.9	48.2	38.3	177.7	157.2
USA	10.1	12.0	36.8	23.9	30.7	37.4	128.7	140.8
Argentina	3.4	3.2	18.4	20.7	24.8	17.1	81.0	87.0
Ukraine	2.9	3.0	9.8	4.5	0.1	12.6	27.0	58.9
Canada	3.5	4.3	15.1	6.6	5.9	5.9	33.5	40.6
Russia	2.5	3.6	11.7	7.4	4.7	5.1	28.9	29.7
Australia	4.6	4.1	11.3	11.4	11.2	12.8	46.8	39.7
Others	8.1	7.0	21.1	26.6	24.9	25.9	98.5	87.4
<b>Global</b>	<b>48.0</b>	<b>47.6</b>	<b>165.4</b>	<b>151.1</b>	<b>150.4</b>	<b>155.2</b>	<b>622.1</b>	<b>641.4</b>

Data Source: IHS Markit Commodities at Sea Service, Bloomberg

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