

Happy Capemas: Is This Year's Present Bigger than 2008?

Wednesday 29th November brought the market an early Christmas present, with record cleared volumes on Capesize contracts with 19,057 lots across the Cape TC, options and C5 route. Alongside this there has also been the largest jump in the spot rates since 2010, with rates jumping over \$7,000 from \$34,656 to \$41,796/day on the C5TC index.

There is a range of reasons for this. Firstly, there is the growth of financial market players that have helped bring new liquidity to the market.

Next seasonality, with the post rainy season pick up in flows of bauxite have bolstered volumes on derivatives. Both Vale and Australian volumes have been higher than expected, jumping up before year end. Low iron ore stocks and restocking efforts in China are sucking in raw materials, even against the backdrop of concern about the Chinese property market.

This situation has been exacerbated by the limited number of ballasters as a red-hot Pacific market is keeping vessels tied up and not transferring to the Atlantic in search of cargos.

Smaller vessel sizes have helped support the Cape values as the market is tight with the low water levels in the Panama Canal having a big effect on rates. There is also a weather factor impacting the Pacific trade, with poor weather conditions helping increase congestion.

But like a giddy child staring at the Christmas presents under the tree, will this beat what happened in 2008? Digging into the FIS archive, there are some pre-2010 memories to remember.

On the 24th September 2008 spot Cape rates were at \$56,724/day, with a YTD of \$138,676/day, having been at a year high of \$233,988/day. Compare this to Wednesday's spot of \$41,796, YTD of \$14,959 and year high of \$46,681. The highest value trade for FIS on that day was a Sep-Dec strip at \$80,000/day. Compare that to a Dec-Feb strip today valued at \$20,450/day.

Taking a look at volumes on that day in 2008, it was a record day for FIS volumes and a projected traded market volume 36,000 lots of Cape contracts. The first cleared trade was on LCH in 2005 before a big rise in cleared trading after the 2008 price crash. On the 24th September over 90% of trading had moved to cleared and a small percentage still remaining OTC traded.

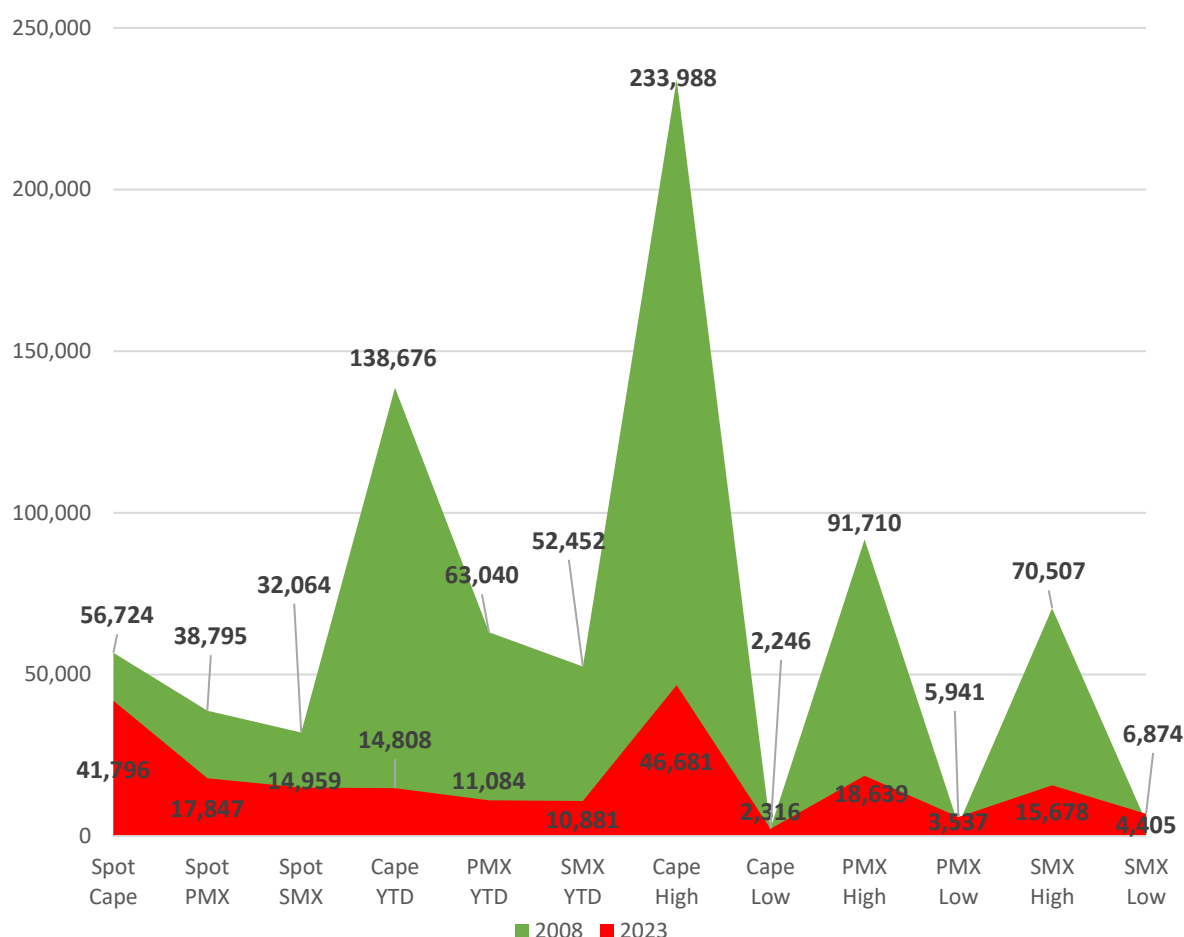
LCH, Nasdaq, and SGX were the exchanges at the time with a mixture of cleared and OTC trades, which has consolidated to just two today in EEX and SGX and almost exclusively cleared trading.

Comparing the volumes from the 29th November 2023 and 24th September 2008 amounts to an equivalent of 53 million tonnes and 100 million tonnes respectively.

So, comparing this year's Christmas present to 2008, 2008 wins on size. Let's hope that the good presents keep coming and 2024 is the biggest yet.

	24/9/2008		29/11/2023
Spot Cape	56,724	Spot Cape	41,796
Spot PMX	38,795	Spot PMX	17,847
Spot SMX	32,064	Spot SMX	14,959
Cape YTD	138,676	Cape YTD	14,808
PMX YTD	63,040	PMX YTD	11,084
SMX YTD	52,452	SMX YTD	10,881
Cape 2008 High	233,988	Cape 2023 High	46,681
Cape 2008 Low	2,316	Cape 2023 Low	2,246
PMX 2008 High	91,710	PMX 2023 High	18,639
PMX 2008 Low	3,537	PMX 2023 Low	5,941
SMX 2008 High	70,507	SMX 2023 High	15,678
SMX 2008 Low	4,405	SMX 2023 Low	6,874
Estimated Total Volume	~36,000	Total Volume	19,057
MT Volume equiv.	100 million tonnes	MT Volume equiv.	53 million tonnes

24th Sep 2008 vs 29th Nov 2023 Capes



Sources: FIS

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