



Unseasonal Seasonality

Dry Freight markets are as interesting as ever. As we venture into the second month of 2024, we are observing some unusual movements that appear to put several Dry Freight market spreads well outside their recent seasonal ranges. We explore this phenomenon in a bit more detail in our latest special article.

Index v Rolling Front Months

The Panamax index v Rolling Front Month (RFM) ratio has hit 0.7398 (7/2/24). This is interesting as seasonality is bullish whilst the ratio is entering a support area. The last few times we have seen the ratio at this level the index has pushed hard, resulting in further upside in the futures.



Left Chart: Panamax index v Rolling Front Month; Right Chart: Supramax index v Rolling Front Month

Charts source: Bloomberg, FIS

We have the same scenario in the SMX index against the rolling front month. Ideally, we would like to witness a further widening of the ratios, but the carry is warning that the index could move to correct, rather than the futures selling lower.

Intra and Inter-product Spread Seasonality

We have seen the Cape Q2 24 v Q3 24 spread remain historically high, with the Q2 closing near flat to Q3 on 06/02. This is a spread to watch, if we start to see bearish momentum in the futures this spread will be very exposed as we are nearly USD 5,000 above the 3-year average valuations.

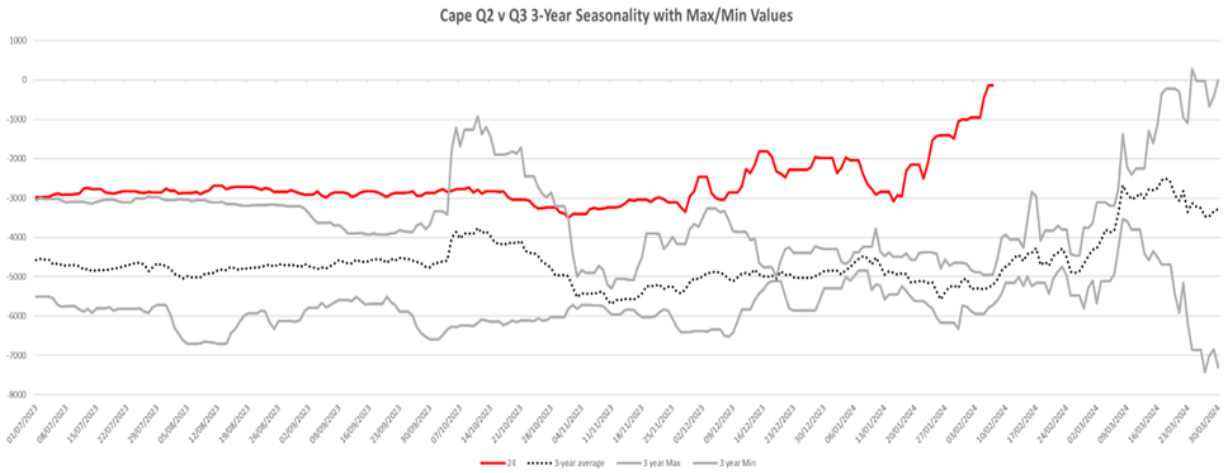


Chart source: FIS

The Cape v Panamax Cal 25 spread is more interesting than the above for a couple of reasons. As a rule, Capes move up faster than the Panamaxes and therefore tend to also correct faster. We are around USD 3,000 above the 3-year average values, and USD 2,000 above the 3-year high for this time of year. We are therefore wondering if we will see some form of mean reversion on this spread.

The first thing of note is that the futures are on an extended Elliott wave 3, meaning this downside move is potentially countertrend. However, the last move looks to have been parabolic, with price in divergence with the relative strength index (RSI), warning we could see a momentum slowdown. Second, we appear to be on the wrong side of the parabolic trend line, warning there could be further downside within this correction. As a rule, a wave 4 correction will end between the 38.2% - 50% retracement levels. Now there is a chance that the pullback will be shallow, as the wave 2 pullback looks to have been deep. But based on the average valuations on the spread, and the Cal 25 futures moving lower on the divergence, the spread is looking vulnerable.

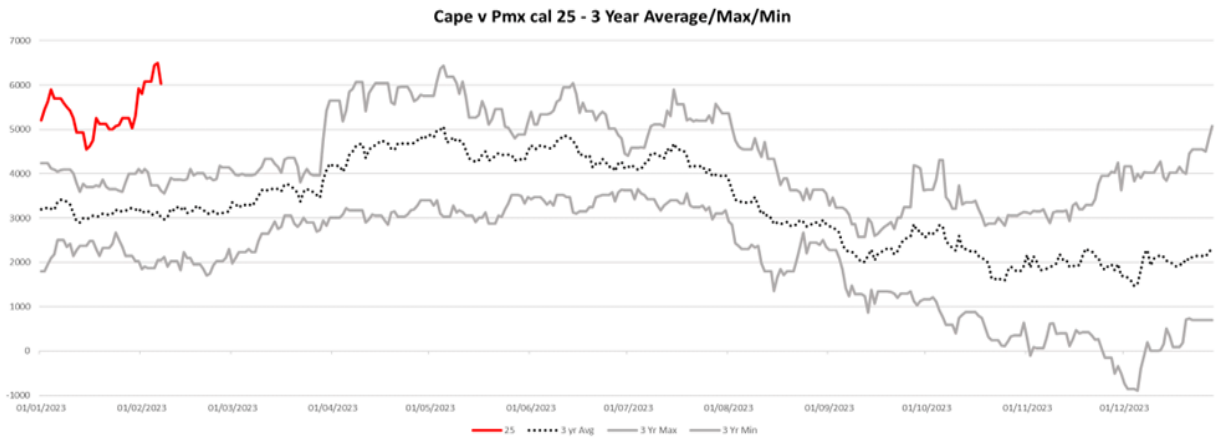


Chart source: FIS

The Panamax v Supramax Cal 25 spread has just seen quite a major correction, so it might be a case of waiting to see if it has another move higher before seeking any selling opportunities. This spread seems to be very high from a seasonality perspective, making it interesting. It could therefore see sellers at higher levels if it moves back up. Remembering the ratios on the first chart, this is one to hold off on, as the indexes could soon have a move higher if the ratio widens much further. If you are patient, you could extract better value on this.

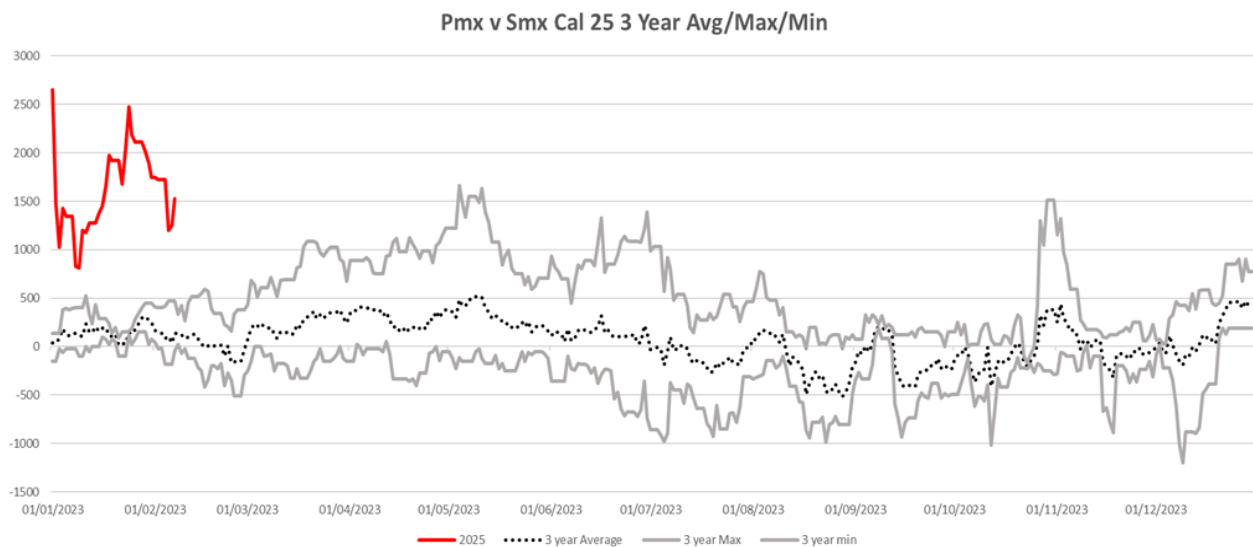


Chart source: FIS

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