

# Dry Bulk Shipping

July 31, 2018

**Breakwave Dry Futures Index: 1,852**

↑ 30D: 14.3%

↑ YTD: 47.6%

↑ YOY: 62.5%

**Baltic Dry Index (spot): 1,703**

↑ 30D: 21.0%

↑ YTD: 22.7%

↑ YOY: 79.6%

**Short-term Indicators:**

Momentum: **Positive**

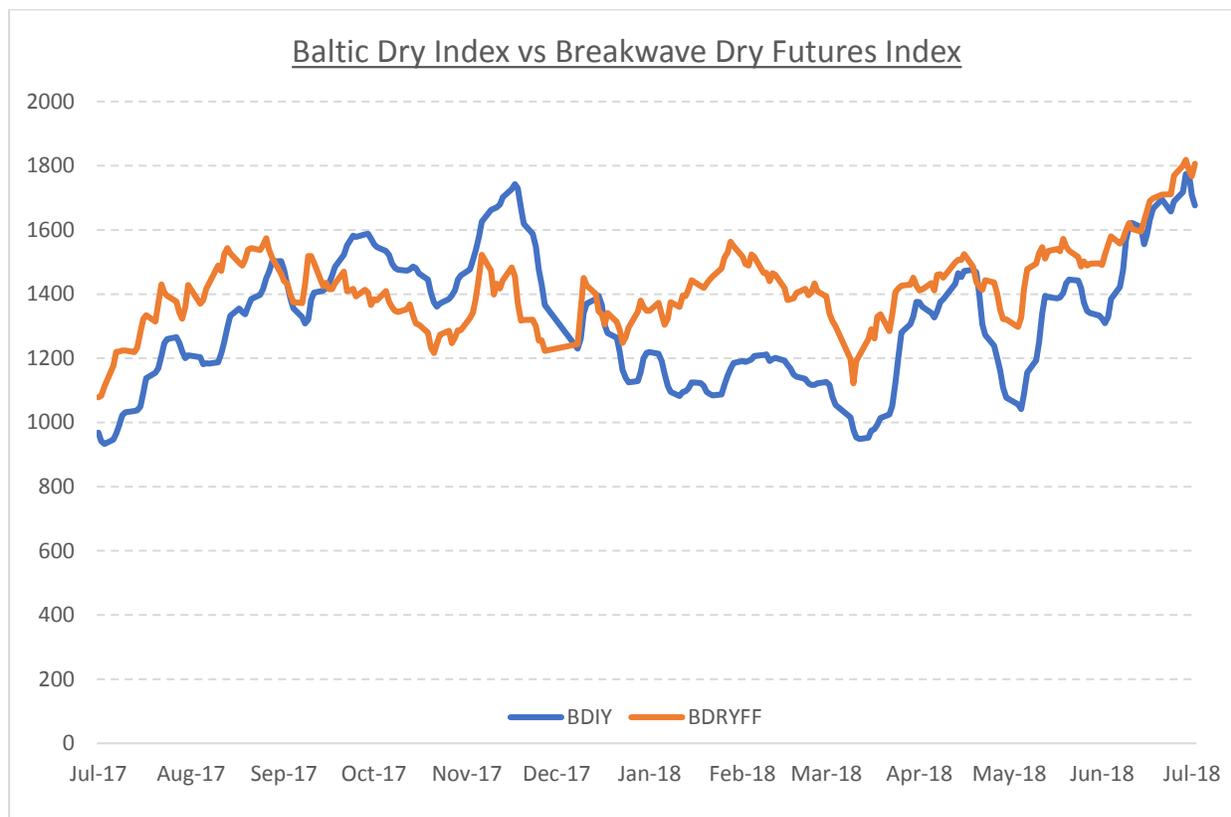
Sentiment: **Neutral**

Fundamentals: **Negative**

## Bi-weekly Report

- **Capesize rates remain flattish** - Capesize rates have stalled following the early July jump, and remain in the 25,000/d region, as the recent flurry of activity has subsided for now. Panamax and Supramax rates strengthened only slightly in the last two weeks and now they also seemed to have peaked.
- **Atlantic Capesize cargo flow slowing down** - The 4-week trailing average of Atlantic Capesize fixtures is now turning lower. The historical relationship to Capesize rates is quite strong, and although there is the possibility of several more cargoes reappearing in the next few days, we expect Capesize rates to remain flat to lower for the next few weeks.
- **August is upon us** - We expect rates to resume their ascent towards the end of August and given the relatively high level rates are stabilizing, the probability of spot rates hitting new multi-years highs in the fourth quarter is increasing.
- **Futures curve now flattish to spot across all segments** - The Freight Futures market is now trading slightly above spot (see BDRYFF vs. BDI), as the risk for a near-term correction is outweighing increased positiveness for the upcoming seasonality strength.
- **Fleet growth estimate for the year remains at ~2%** - Very low scrapping levels and decent newbuilding deliveries continue to point to about 2% fleet growth for the whole 2018. However, regulatory pressures are now starting to build for higher scrapping levels next year ahead of the implementation of new emission standards.
- **Short term outlook neutral** - We remain rather cautious for Capesize rates in the near term, as most of the indications that historically have had good correlation with rates have now turned lower. However, Brazilian cargo flow should continue to come in strong in the next several months, so any pause in rates will be short lived, followed by what we believe are going to be very strong levels for spot rates across all segments towards the end of the year.
- **Long term outlook neutral** - We remain constructive medium term but more cautious longer term and looking for signs of resumption in the global trade leading indicators. 2019 begins to look quite promising from a supply/demand perspective although it is still too early to have a strong view for the whole year.

The Baltic Dry Index (BDI) measures the average spot rates for dry bulk freight with a sector weighting of 40% Capesize, 30% Panamax and 30% Supramax. The Breakwave Dry Futures Index (BDRYFF) is designed to track freight futures contracts with a sector weighting of 50% Capesize, 40% Panamax and 10% Supramax and a weighted average maturity of approximately 50-70 days.



## Dry Bulk Fundamentals

### Demand

	<u>YTD</u>	<u>YOY</u>
China Steel Production	451mt	6.0%
China Steel Inventories	4.1mt	7.7%
China Iron Ore Imports	531mt	(1.6%)
China Iron Ore Inventories	156mt	11.1%
Brazil Iron Ore Exports	149mt	0.2%
Australia Iron Ore Exports	349mt	4.8%
China Coal Imports	48mt	4.8%

### Supply

Dry Bulk Fleet	831dwt	1.7%
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### Freight Rates

Baltic Dry Index, Average	1,276	32.2%
Capesize Spot Rates, Average	15,388	38.6%
Panamax Spot Rates, Average	11,146	29.2%

Note: All numbers as of latest available; Sources: Bloomberg and Breakwave Advisors

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