Dry Bulk Shipping

August 14, 2018

Breakwave Dry Futures Index: 1,876	Baltic Dry Index (spot): 1,709	Short-term Indicators:
↑ *30D: 10.5%*	↑ *30D: 2.6%*	*Momentum:* ***Negative***
↑ *YTD: 53.3%*	↑ *YTD: 25.1%*	*Sentiment:* ***Neutral***
↑ *YOY: 40.7%*	↑ *YOY: 50.2%*	*Fundamentals:* ***Negative***

Bi-weekly Report

- **Capesize rates remain in range -** After briefly spiking to ~27,000/d, Capesize rates returned in their most recent range. In the last month, Capesize rates have averaged ~25,000/d, the highest average level for this time of the year since 2010. Panamax rates remain also in range, having stayed between ~10,000/d and 13,000/d during the last 12 months.

- **Atlantic Capesize cargo flow at multi-year highs -** The 4-week trailing average of Atlantic Capesize fixtures reached its highest level ever last week, matching last year's performance. We view that as a contrarian signal, as over time there is a strong reversion to the mean element to this indicator.

- **We expect rates to strengthen from here -** A short breather following the recent strength in fixtures might lead to some softening in rates, especially in the Atlantic. However, as we enter the fall, we expect rates to resume their upward trend. We continue to expect new multi-year highs in spot Capesize rates.

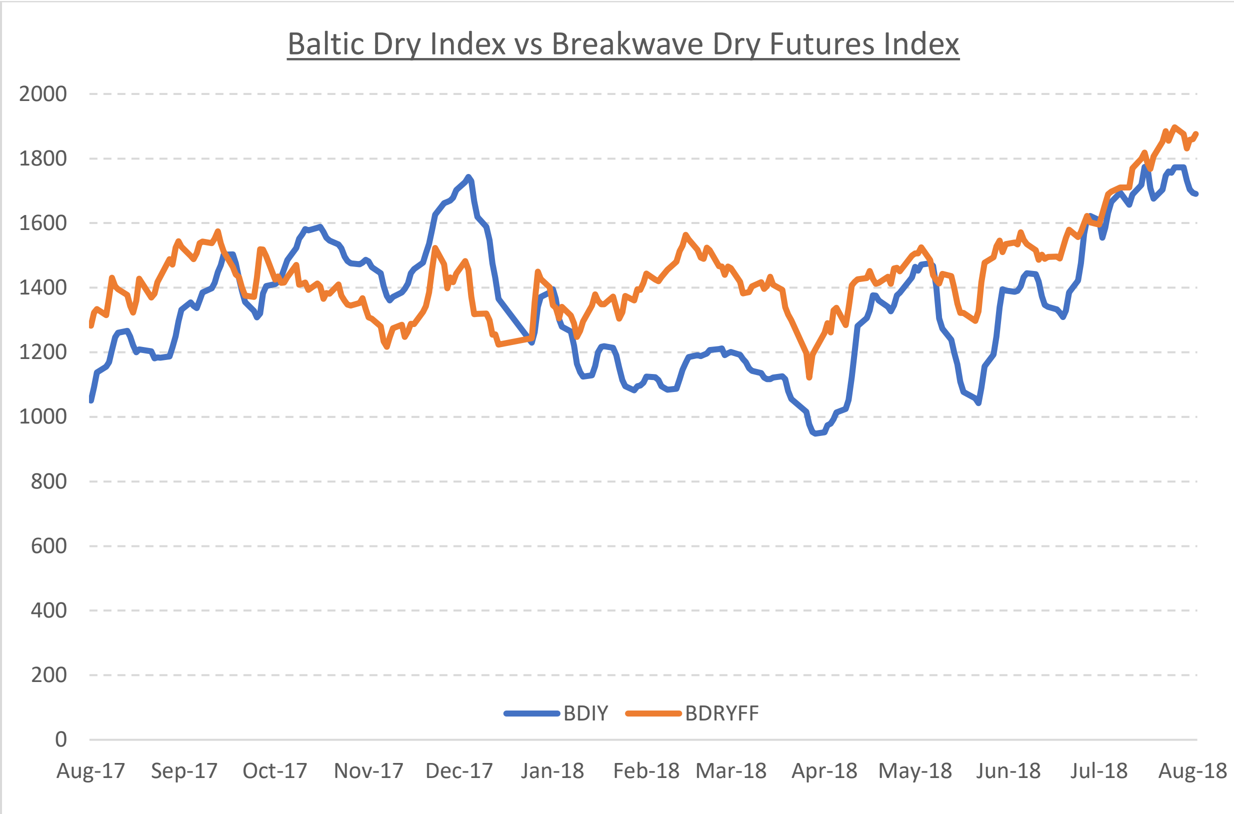
- **1H trade Chinese volumes only slightly higher -** Year-to-date, China import volumes for the big 3 dry bulk commodities (Iron ore, Coal, Soybeans) is up about 2%. That is less that what has been expected earlier in the year, as iron ore imports have remained relatively flat.

- **Fleet growth for the year should now exceed 2% -** Year-to-date growth in the global dry bulk fleet is now about 2%. With additional deliveries anticipated for the rest of the year and minimal scrapping given the strength in rates, fleet growth might approach 3% for all of 2018.

- **Short term outlook cautious -** We turn cautious in the near term as both fundamentals (cargo flow vs. ships available) have turned negative while we also see market participants hesitant to assign considerable premiums to forward prices. However, any correction should be short lived as we enter the seasonally strong period for dry bulk freight.

- **Long term outlook neutral -** We continue to see positive fundamentals for the year ahead with both supply/demand balance tightening and regulatory changes adding to possible disruptions in trade that can be beneficial for rates. Longer term, we remain more cautious mainly on the back of unfavorable steel fundamentals in China.

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	**YTD**	**YOY**
China Steel Production	451mt	6.0%
China Steel Inventories	4.1mt	8.1%
China Iron Ore Imports	621mt	-0.8%
China Iron Ore Inventories	154mt	12.6%
China Coal Imports	175mt	14.3%
China Soybean Imports	53mt	-3.7%
Brazil Iron Ore Exports	220mt	2.3%
Australia Iron Ore Exports	422mt	5.3%

Supply

Dry Bulk Fleet	833dwt	1.9%

Freight Rates

Baltic Dry Index, Average	1,308	35.0%
Capesize Spot Rates, Average	16,083	43.4%
Panamax Spot rates, Average	11,172	28.8%

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

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