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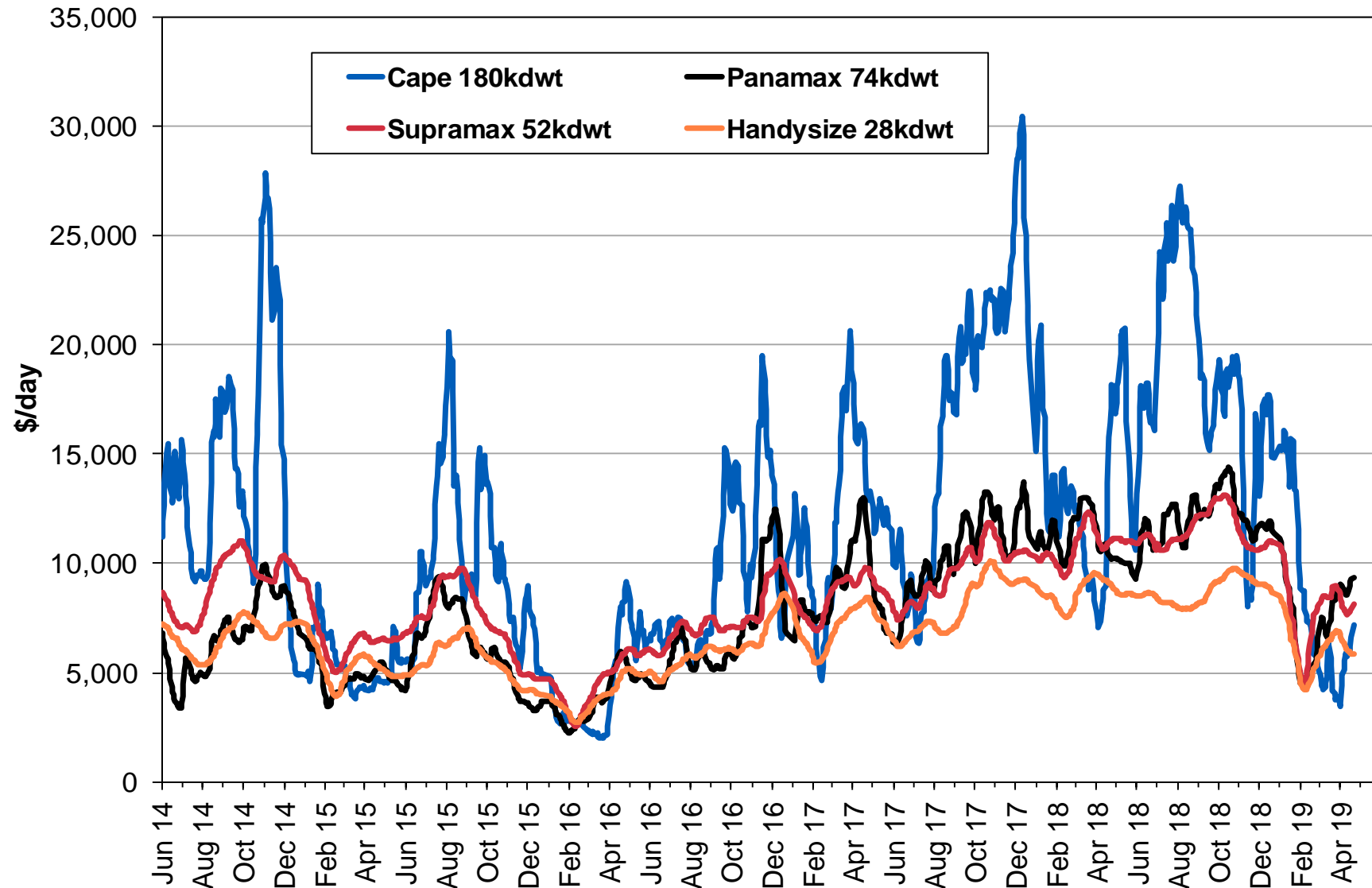
DRY BULK FREIGHT MARKET

VANCOUVER

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APRIL 2019

BALTIC EXCHANGE AVERAGE TIMECHARTER RATES



WHY SUCH A CRASH IN FREIGHT RATES?

“ seasonal

- . dry bulk trade usually drops in the 1q
- . Chinese winter curtailment measures

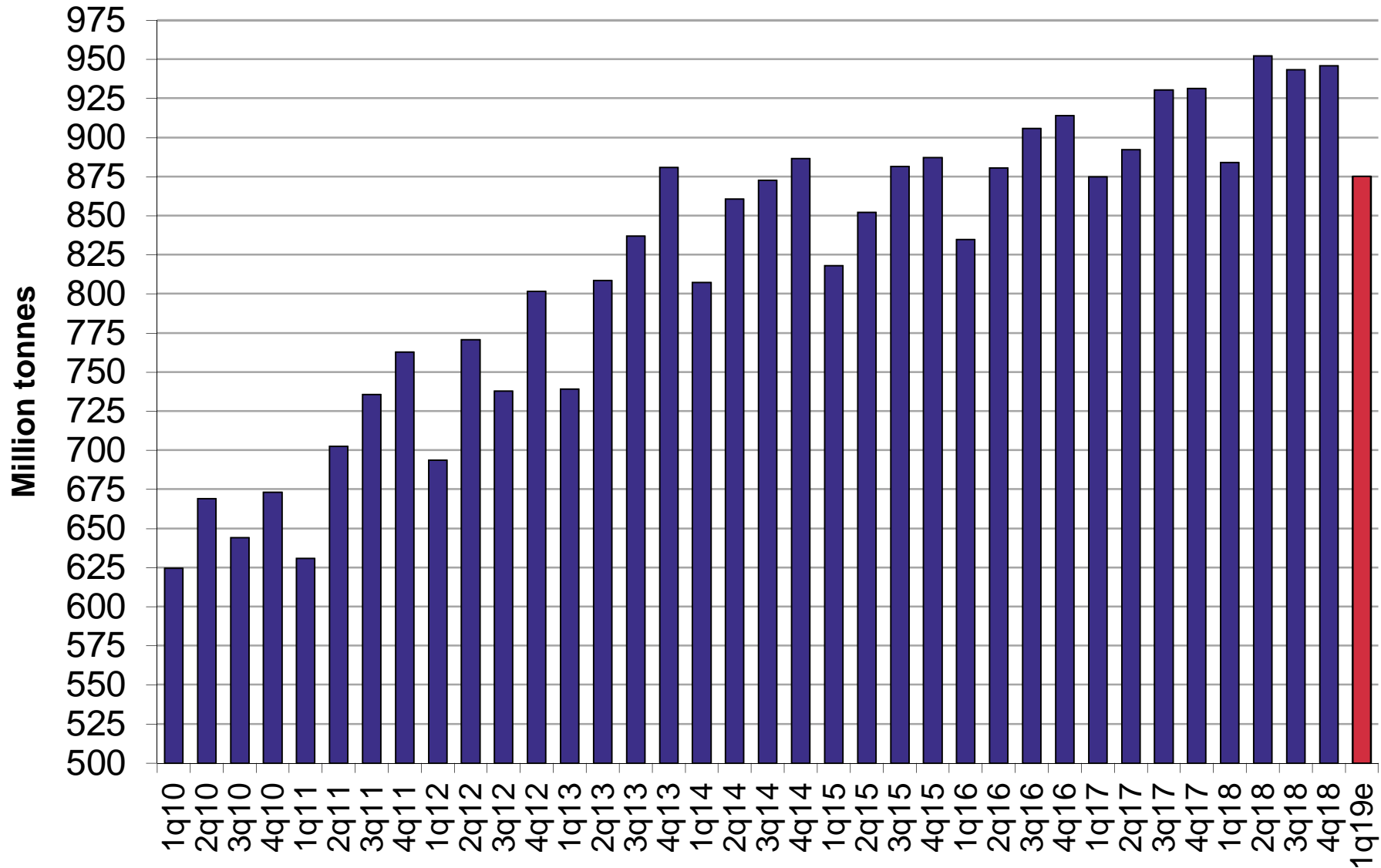
“ exceptional

- . clampdown on coal imports into China
- . trade war continues to distort grain trade patterns
- . disruptions to Australian dry bulk exports
- . Brazilian iron ore tailings dam disaster

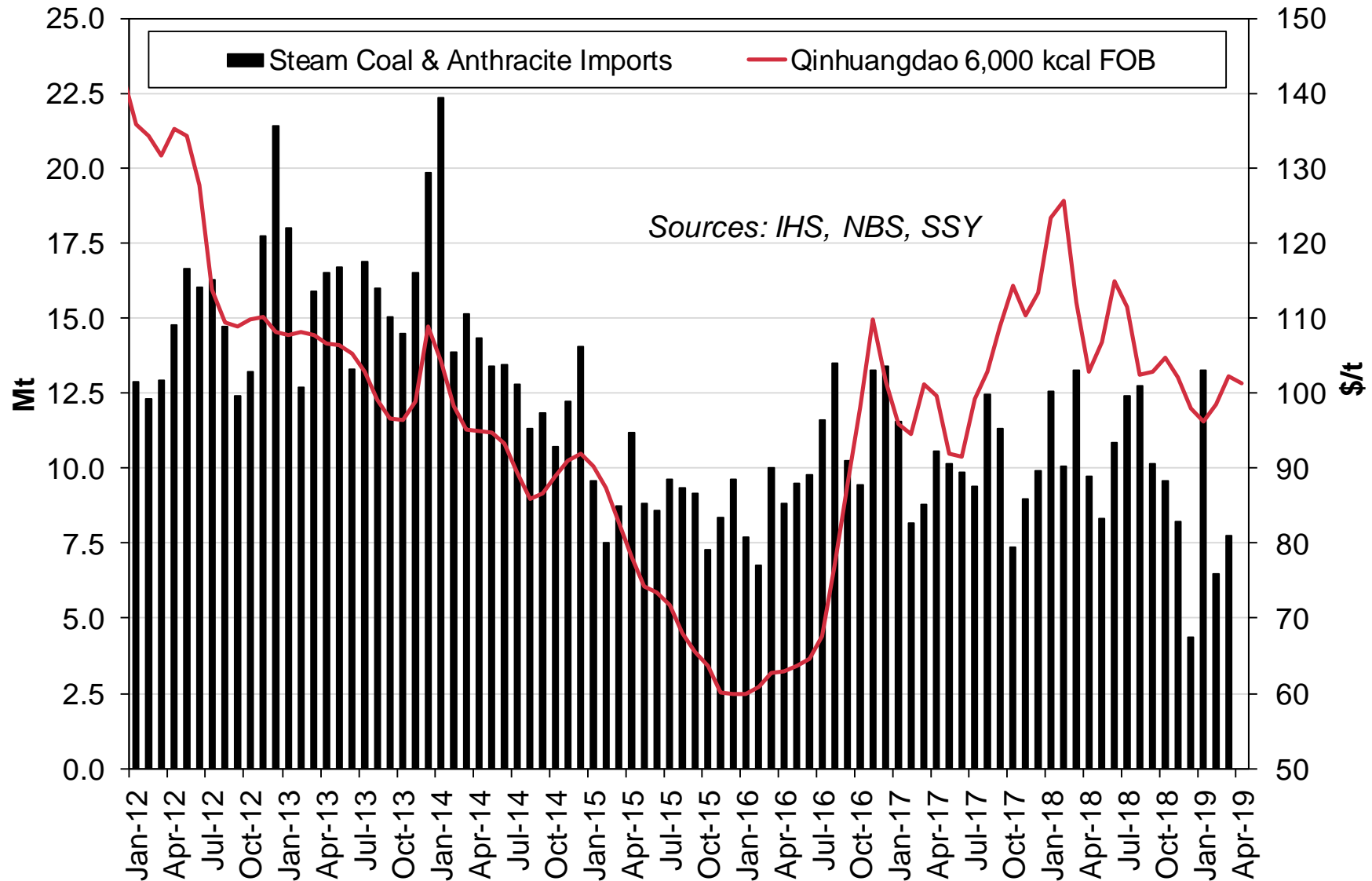
“ cyclical

- . economic slowdown the most fundamental risk of all

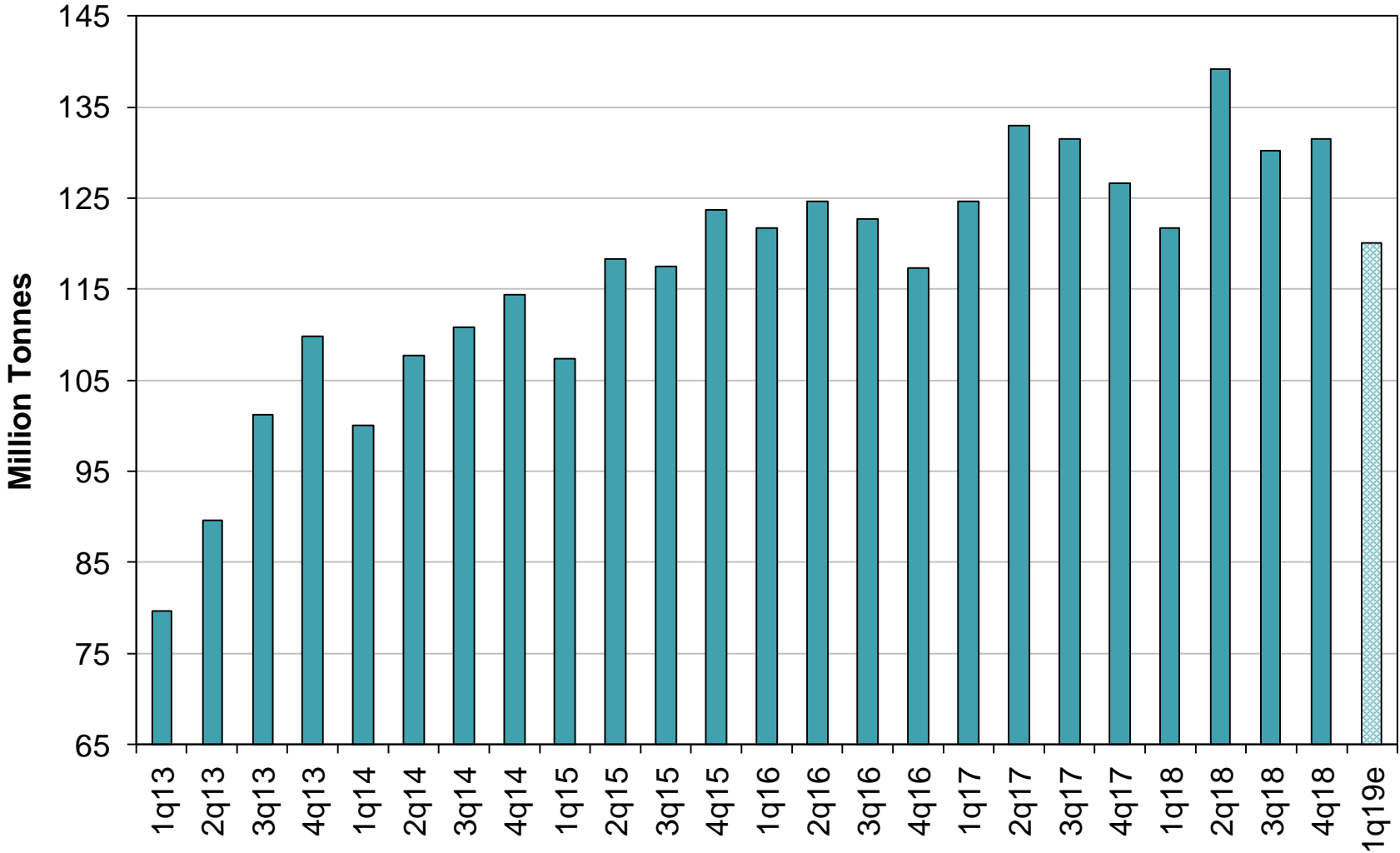
MAJOR DRY BULK & KEY MINOR BULK TRADES BY QUARTER



CHINA STEAM COAL IMPORTS AND PRICES



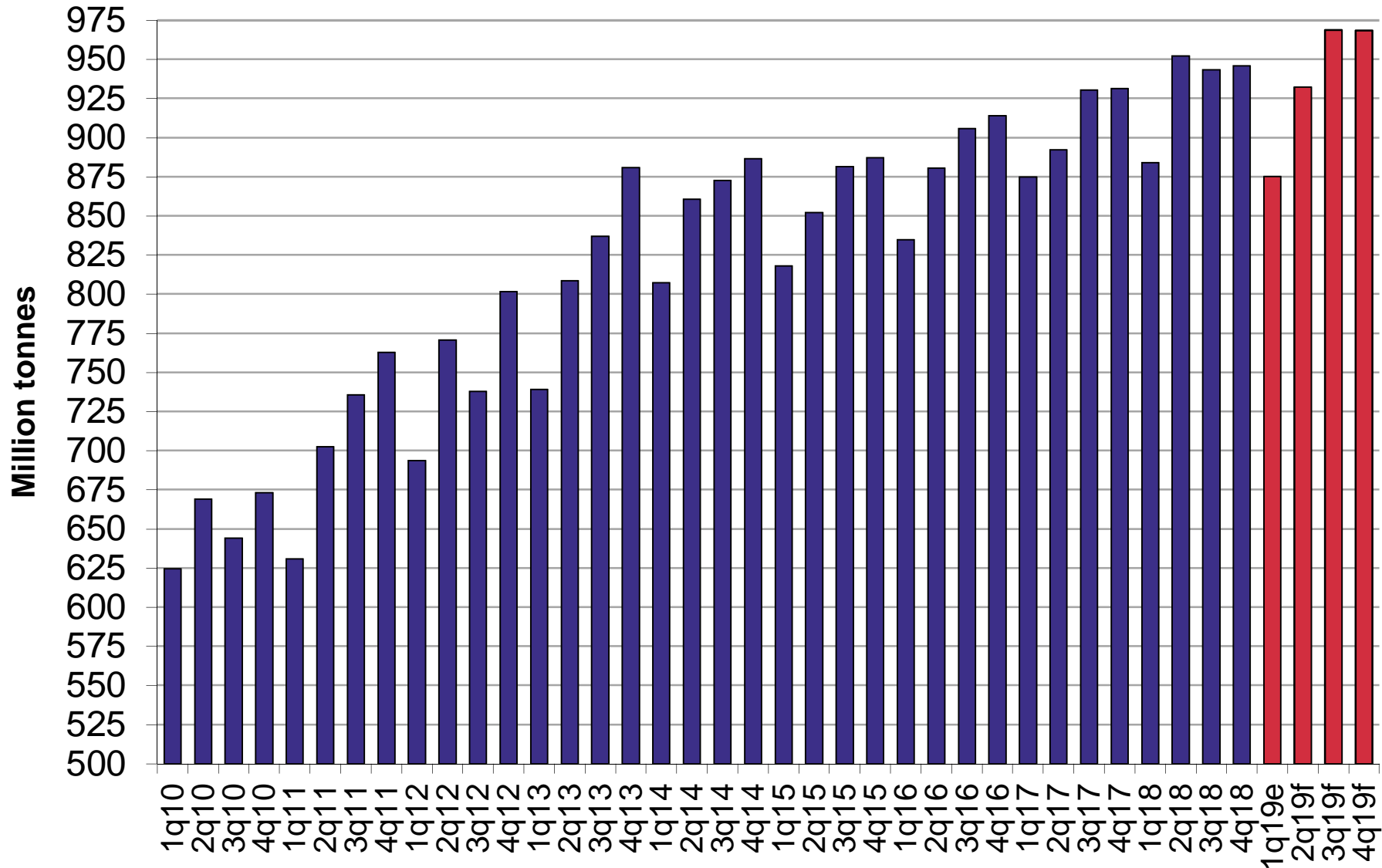
MAJOR GRAIN EXPORTS BY QUARTER: SOYA, WHEAT & COARSE GRAINS



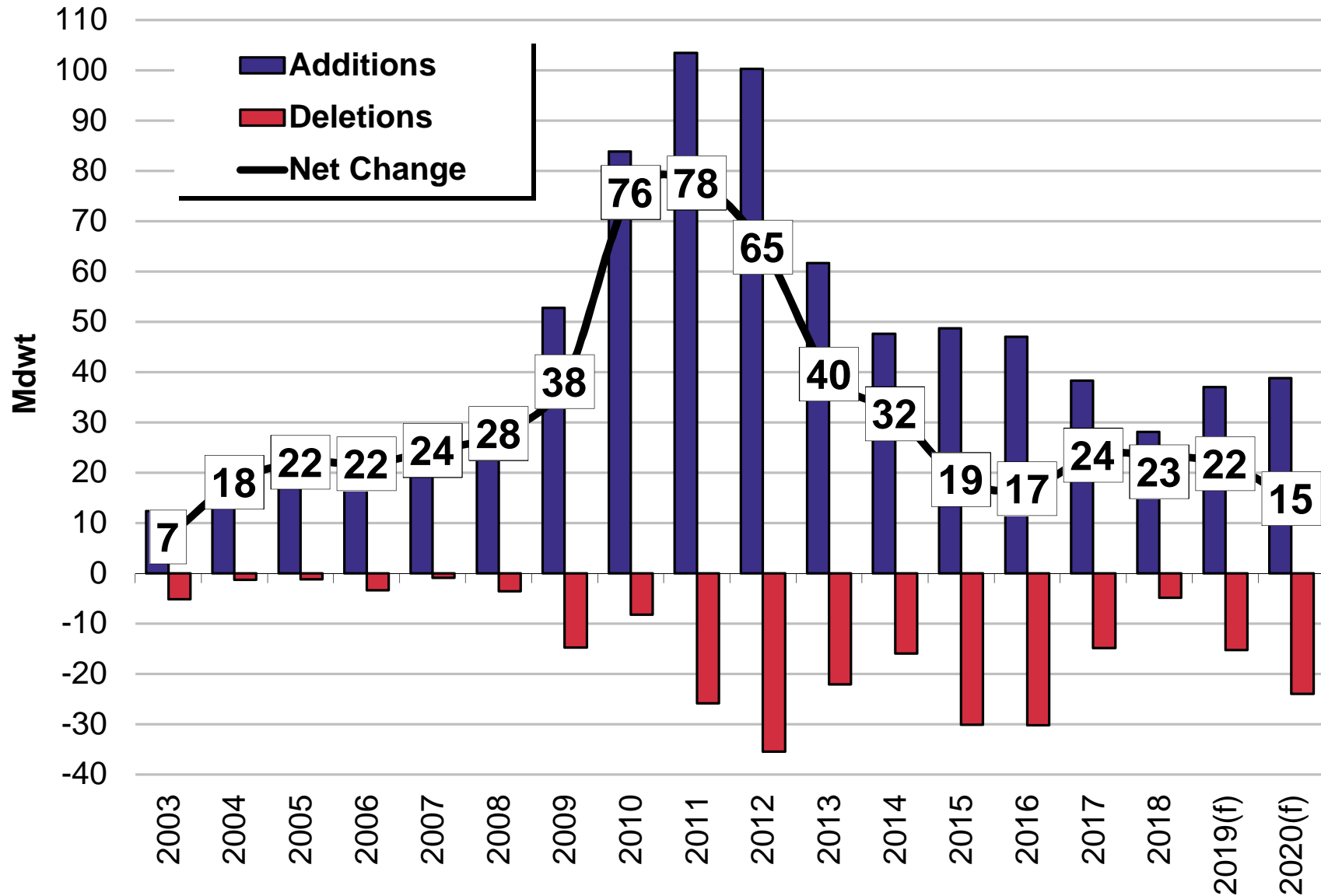
HOW CAN THE FREIGHT MARKET REVIVE?

- “ no hard landing for world economy and especially steel sector demand
- “ an easing in the US-China trade war
- “ increased Chinese stimulus measures in response to economic slowdown to bolster import demand
- “ growth in fronthaul cargo availability (grains, coal & bauxite, as well as iron ore)
- “ revival in demolition critical to keeping fleet supply growth in check as newbuilding deliveries set to re-accelerate in 2019, led by Panamax
- “ IMO regulations add new dimension in 2h19, but uncertainties over scale of impact on s&d balances

MAJOR DRY BULK & KEY MINOR BULK TRADES BY QUARTER



DRY BULK CARRIER NET FLEET CHANGE



IMO 2020: CURRENT SITUATION

- “ scrubber retro-fitting underway and we assume that by March 2020 up to 25% of Capes & 10% of Panamaxs will be scrubber-fitted, but only 5% of geared vessels
- “ increased controls on washwater discharge
- “ greater emphasis on 0.5% sulphur fuel oil as a means of compliance, but uncertainty over availability, compatibility and price
- “ emergence of futures curves for 0.5% sulphur fuels have implications for economics of scrubber-fitting, period market premiums for fuel efficient/scrubber-fitted vessels and prospective scrapping

CONCLUSIONS

- “ spot market crash due to a combination of seasonal, exceptional and cyclical factors
- “ trade growth projections lowered and subject to macroeconomic risks, but record cargo volumes still forecast for 2h19
- “ major uncertainties over the US-China trade war, Chinese coal import quotas, African swine fever and duration of curbs at Brazil's iron ore mines
- “ fleet growth set to rise this year, led by Panamaxes, but the newbuilding orderbook is not out of control+ and there is the potential for increased demolition and a supply-side impact from new IMO 2020



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