Dry Bulk Shipping

April 13, 2021

Breakwave Dry Futures Index: 2,186	Baltic Dry Index (spot): 2,145	Short-term Indicators:
↑ *30D: 11.3%*	↑ *30D: 9.4%*	*Momentum:* **Negative**
↑ *YTD: 120.8%*	↑ *YTD: 57.0%*	*Sentiment:* **Positive**
↑ *YOY: 131.7%*	↑ *YOY: 237.8%*	*Fundamentals:* **Neutral**

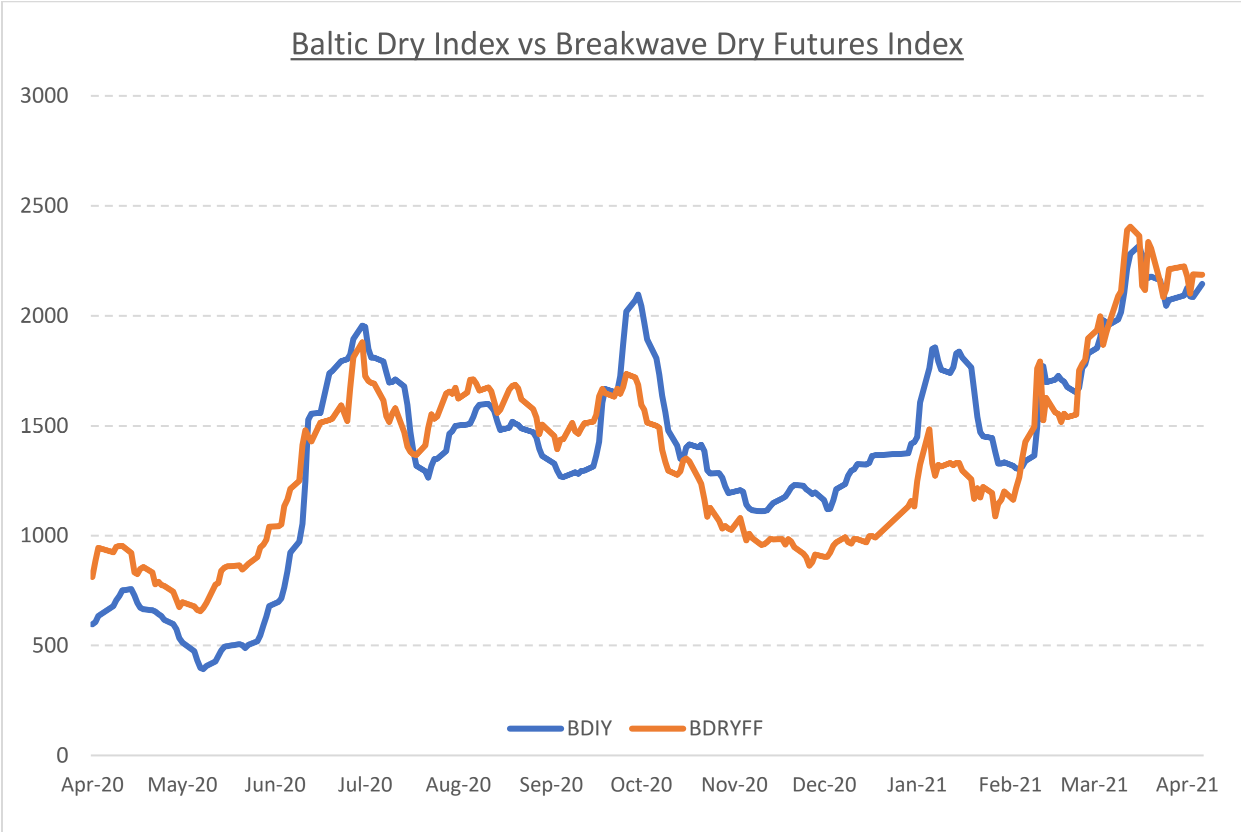
Bi-Weekly Report

- **Capesizes shine as smaller sizes drift lower –** With the spot index hovering in the high 20,000s and with futures pointing to the magic 30,000+ number, Capesize rates have finally caught up to the level that the smaller, sub-cape segments have been pointing to over the past several months. The sluggish winter period is behind us, and owners, armed with increased confidence, have regained the upper hand in dictating the direction of rates. Fundamentals look encouraging, and although our expectation has been for a significant rally only later in the summer, the market is currently enjoying some of the most profitable levels in many years. Panamax and Supramax rates are slipping, but it seems owners feel confident that they can control the rate of descent and soon push prices up once again. The broader commodity markets are quite supportive of dry bulk, while logistical constraints across maritime are adding further fuel to the fire. A cyclical upturn is underway, and the current tightness should not be viewed as just another positional squeeze; rather, the global economy is expanding at fairly high rates, the result of more than a year's worth of lockdowns and muted economic activity, while infrastructure stimulus globally combined with shifting trade flows further support shipping demand. Volatility should remain elevated, but any dips in the spot market will just be an opportunity for investors to add to existing length, in our view. Upturns are usually met with denial at the early stages of a cycle, which seems to also be the case today.

- **Non-China infrastructure spending to further support dry bulk –** The significant stimulus resulting from the pandemic recovery efforts, is having a profound impact on real infrastructure spending, with the US being the latest country to push for a sizable ~$2 trillion infrastructure package. Traditionally not a dry bulk demand center, the US has recently seen its fair share of smaller parcel inbound cargoes, aiding the Supramax and Handymax segments, as trade flows have shifted quite a bit on the back of significant price differences for commodities globally. By no means the US can drive dry bulk demand to levels that have a meaningful impact on spot rates; instead, we expect demand from the US for smaller size vessels to get some marginal support in the next few years, subject to bilateral country agreements especially with China. However, the rest of the world might also push for comparable levels of spending, which is supportive dry bulk and can have a meaningful impact on freight rates. Finally, one must always keep in mind the current extremely low orderbook at a point of such meaningful increases in demand for bulk goods.

- **Volatility in freight continues to increase –** In 2021, we expect demand growth for dry bulk shipping to total almost 3x the growth in net new supply, and although utilization is still well below the record high levels of the 2000s, directionally, utilization is heading to new multi-year highs that have the potential to push shipping rates much higher. We anticipate volatility to increase this year, and although such a turbulent environment might seem scary at times, it is a characteristic for shipping that has been in hibernation for most of the past decade and is about to wake up and make potential trading returns quite attractive subject to prudent risk management.

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	175mt	13.1%
China Steel Inventories	9.8mt	-16.9%
China Iron Ore Inventories	134mt	12.8%
China Iron Ore Imports	182mt	2.8%
China Coal Imports	41mt	-39.5%
China Soybean Imports	13mt	-0.7%
Brazil Iron Ore Exports	81mt	16.8%
Australia Iron Ore Exports	68mt	5.1%

Supply

Dry Bulk Fleet	883dwt	3.7%

Freight Rates

Baltic Dry Index, Average	1,770	198.1%
Capesize Spot Rates, Average	17,608	274.7%
Panamax Spot rates, Average	17,292	200.5%

Note: All numbers as of latest available; Imports/Exports/Production are YTD sums as of last reported; Inventories/Fleet are weekly totals

Sources: Bloomberg and Breakwave Advisors

Contact:

Breakwave Advisors LLC
17 State Street, 40th floor
New York, NY 10004
Tel: +(1) 646 775 2898
Email: research@breakwaveadvisors.com