# The 1st Quarter of 2021 Management Discussion and Analysis


*We are moving towards a just-in-case supply chain, not just-in-time. This [Ever Given] incident will make more people think about their supply chains.*

**Soren Skou**
Chief Executive Officer
AP Moller-Maersk
*TradeWinds, 2 April 2021*

# Our Key Performance Indicators

## Consolidated Financial Performance (US Dollar Terms)

**The results**, reviewed by EY Office Ltd., show you the latest financial position of the Company. The net profit for Q1 2021 was USD 12.32 million. The earnings per day per ship during Q1 2021 came in at USD 12,157, higher than any Q1 since 2011. The Market Segmentation report shows you our comparative performance with the Index ships. In this quarter, daily operating costs were USD 4,933, higher than our target of USD 4,750 and that of the previous year. The EBITDA was USD 20.11 million during Q1 2021, higher than in any Q1 since 2010. The profit per share stood at Thai Baht 0.24 for this quarter.

| The Hard Facts | Q1 2021 | Q1 2020 |
|---|---|---|
| Highest earnings per day per ship in USD | 34,000 | 19,162 |
| Average earnings per day per ship in USD | 12,157 | 8,398 |
| Av. earnings per day per Handysize ship in USD | 11,990 | 7,934 |
| Av. earnings per day per Supramax ship in USD | 11,685 | 7,614 |
| Av. earnings per day per Ultramax ship in USD | 13,078 | 10,384 |
| Av. earnings per day per Supramax/Ultramax ship in USD | 12,340 | 8,918 |
| Operating cost per day per ship in USD | 4,933 | 4,602 |
| EBITDA in million USD | 20.11 | 8.71 |
| Net Profit (Loss) in million USD excluding Exchange gain (loss) and Non-recurring items | 8.87 | (4.46) |
| Net Profit (Loss) in million USD | 12.32 | (3.68) |
| Earnings (Loss) Per Share in Thai Baht excluding Exchange gain (loss) and Non-recurring items | 0.17 | (0.09) |
| Earnings (Loss) Per Share in Thai Baht | 0.24 | (0.08) |

## Consolidated Financial Performance (Thai Baht Terms)

For the quarter ended 31 March 2021, the Company earned a net profit of Baht 375.13 million as compared to a net loss of Baht 117.10 million in Q1’2020. The main reasons for the changes are as follows:

- The Net Vessel Operating Income (Vessel Operating Income net of voyage disbursements and bunker consumption) in Q1’2021 is 37% higher than the Net Vessel Operating Income in Q1’2020. This is mainly due to an increase in the average earnings per Vessel per day which increased from USD 8,398 in Q1’2020 to USD 12,157 in Q1’2021, due to a strong Dry Bulk Freight market. The fleet size as on 31 March 2021 was 36 vessels.

- Vessel running expenses in Q1’2021 are 4% higher than the figure in Q1’2020. The average Vessel operating expenses (Opex) per day per Vessel (including depreciation/amortisation of

Drydocking/Special Survey expenses) increased from USD 4,602 for Q1'2020 to USD 4,933 for Q1'2021, mainly on account of higher crew and store expenses.

- Administrative expenses (including management remuneration) for Q1'2021 came in Baht 32.43 million lower than the figure in Q1'2020, mainly due to the reduction in legal expenses.
- Finance cost for Q1'2021 were Baht 54.49 million lower than the figure in Q1'2020, due to lower interest expenses. This was driven by a lower LIBOR rate as well as due to a reduction in overall debt.
- Exchange gain was higher by Baht 83.36 million mainly because the favorable currency movement led to a reduction in the US Dollar equivalent figure for Debentures.

**Market Segmentation:** During Q1, the Baltic Handy Size Index (BHSI) averaged 923 points, derived from the average Time Charter (TC) rate of USD 16,610. Compared to that, **our Handy size earned USD 11,990 and underperformed the BHSI TC rate by 28%**. During Q1, the Baltic Supra Index (BSI) averaged 1,512 points, derived from the average TC rate of USD 16,633. In comparison, **our Ultras/Supras averaged USD 12,340 and underperformed the BSI TC rate by 26%**. Our target is to outperform the indices.

**The SET Opportunity Day** will be held at 15:15 hours on the 19th of May 2021 via the SET *live web casts*. We hope that many of you will attend this event electronically where the Company will get a chance to thoroughly discuss Q1 results.

**Ship recycling has started with 3.81 MDWT** of ships being recycled during Q1 across all sectors of the dry bulk market as compared to 4.77 MDWT in Q1 2020 **down by 20%**. However, **0.90 MDWT of geared ships (Handy and Supras/Ultras) were recycled during Q1 as compared to 0.71 MDWT in Q1 2020 up by 27%!** The existing **age profile at the end of Q1 2021 of 58.44 MDWT** (32.73 MDWT in the geared segment and 25.71 MDWT in the gearless segment) or **6.39%** (3.58% in the geared segment and 2.81% in the gearless segment) **of the world fleet being 20 years or older**, together **with low levels of the order book to fleet ratio of 5.56% (order book up to end 2023 compared to existing net supply end of Q1 2021)**, should result in the world dry bulk fleet growing at a much slower pace. **Healthier recycling is expected during the balance of 2021 due to the number of 20+ year old ships in the world fleet as well as regulatory pressures on these ships.**

**Long Term versus short term Charters:** The long-term charters, over 1 year, already booked as of 31st March 2021 are shown in the chart below. As can be seen, our forward four year (2021 to 2025) rolling book is currently at the 14.8% level with a visible revenue stream of USD 137.5 million.

| Year | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Total Available Days | 13,140 | 13,140 | 13,140 | 13,176 | 13,140 |
| Fixed T/C Days | 2,190 | 1,992 | 1,825 | 1,830 | 1,825 |
| %age Fixed T/C Days | 17% | 15% | 14% | 14% | 14% |
| Av. T/C Rate/Day in USD | 13,577 | 14,062 | 14,550 | 14,550 | 14,550 |
| Contract value in million USD | 29.7 | 28.0 | 26.6 | 26.6 | 26.6 |

It is our intention to continue to charter out our ships on long term period contracts whenever practical and economically viable.

# Is it different this time, really?

## Signs Of A Recovery – This time *it is* different!

| Daily average Time Charter rate | 2009 | 2016 | 2020 | Q1, 2021 |
|---|---|---|---|---|
| Capes | 42,656* | 7,388** | 13,073** | 17,126** |
| Panamax | 19,303* | 5,562* | 9,923** | 18,493** |
| Supras | 17,338* | 6,164** | 8,189** | 16,633** |
| Handy Size | 11,342* | 5,214* | 8,003** | 16,610** |
| Demand (Billion Tonne-miles) | -3.36% | +2.10% | +0.5% | +3.37% (+6.7% DNB) |
| Chinese Stimulus | USD 578 bn | - | USD 667 bn | ROW $20+ trillion |
| Orderbook/Fleet ratio | +80.49% | +17.99% | +6.07% | +5.57% |
| Net Supply Growth | +9.23% | +2.40% | +3.84% | +2.6% (+1.5% DNB)^ |

- **Recycling: Q1 2020 = 4.77 MDWT, Q1 2021 = 3.81 MDWT (-20%).**
- **Old Age Profile: 20+ years of age end of Q1 2021 = 6.39% of existing fleet.**
- **Order book to fleet ratio end of Q1 2021 = 5.56% of existing fleet.**

*Note: *BCI 172K (4TC), BPI 74K (4TC), BSI 52K (6TC), BHSI 28K (6TC).*

***BCI 180K (5TC), BPI 82K (5TC), BSI 58K (10TC), BHSI 38K (7TC).*

*^Estimates from Clarksons and DNB Markets.*

*Source: Clarksons*

To better understand the above slide, please read the commentary that follows:

- We have selected the years **2009 (immediately following the GFC), 2016 (worst year ever in shipping), and 2020 (impacted by the Mother of all Black Swans, Covid-19)**.
- The orderbook to existing fleet ratio in **2009 was an astronomical 81%** and explains why the industry was in a **recession for 12 years thereafter (2009 to 2020)** just trying to absorb this excessive supply.
- China enacted a **steel-intensive stimulus plan of USD 578 billion immediately following the GFC** resulting in the **BDI recovering from 663 points on 5 December 2008 to an intermediate high of 4,291 points on 3 June 2009 and a final high of 4,661 on 29 November 2009**.
- **2016 was a classic year of supply exceeding demand** (2.4% versus 2.1%) while still struggling with the **excess supply created after the GFC**. 2016 also had a **high order book**

**to fleet ratio of 18%** and was **not blessed with any stimulus from the Chinese government making it the worst year ever for dry bulk shipping**.

- **In 2020** demand dropped in FH but grew in SH for a **+0.50% ton-mile demand growth rate for the year according to Clarksons**.

# Why Will 2021 be different?

- Clarksons forecasts **demand to grow by 3.37%** while DNB Markets forecasts **demand to grow by 6.7%** in 2021. Clarksons forecasts **net fleet growth of 2.6%** while DNB Markets forecasts **net fleet growth of 1.5%** in 2021. This should **lead to a strong 2021!**

- China enacted a **USD 667 billion stimulus plan in end May 2020, almost 16% larger than what it did after the GFC, to combat Covid-19** which should support the dry bulk market **in 2021 and beyond**.

- Government and Central Banks pumped **USD 20+ trillion of monetary/fiscal stimuli which should translate into a multi-year strong ton-mile demand growth**.

- In March/April 2021, **IMF improved world GDP shrink to 3.3% in 2020**. **IMF revised 2021 world GDP growth upward to +6.0% and +4.4% for 2022**. The latest IMF forecast for 2021 GDP growth rates was Australia +4.5%, Canada +5.0%, China +8.4%, Denmark +2.8%, France +5.8%, Germany +3.6%, Greece +3.8%, India +12.5%, Indonesia +4.3%, Italy +4.2%, Japan +3.3%, Netherlands +3.5%, New Zealand +4.0%, Norway +3.9%, Saudi Arabia +2.9%, South Korea +3.6%, Spain +6.4%, Sweden +3.1%, Switzerland +3.5%, Taiwan +4.7%, Thailand +2.6%, UAE +3.1%, UK +5.3% and USA +6.4%.

- **Household debt in the US is at its lowest levels in 40 years** and could lead to a **consumer spending binge** once the pandemic is in check.

- **Data points in China point to strong growth with significant growth rates in flights, hotel bookings, car rentals, Starbuck same store sales, Apple product sales, Tesla car sales, LVMH sales and Bulgari sales**.

- The new ship **orderbook to existing fleet ratio (5.56%) at the end of Q1 is the lowest in 20+ years**. This means that even if there is minimal scrapping, **new ship supply will be insignificant while demand is expected to expand strongly** and allow owners to **make money over the next few years**.

- VesselsValue reports **bulker new buildings ordered** to end of Q1 at USD 331m as **the lowest, second-hand purchases** at USD 3.87b as **the highest, recycling sales** at USD 259m as **the highest** as compared to Tankers, Containers, Gas, OSV and Car carriers.

- Almost 4 times as much DWT was delivered (48.66 MDWT) than was ordered (13.87 MDWT) in 2020. This has happened twice in the last decade in 2012 and 2016. On both occasions the **BDI increased** in the subsequent year **by 31% in 2013 and 70% in 2017**.

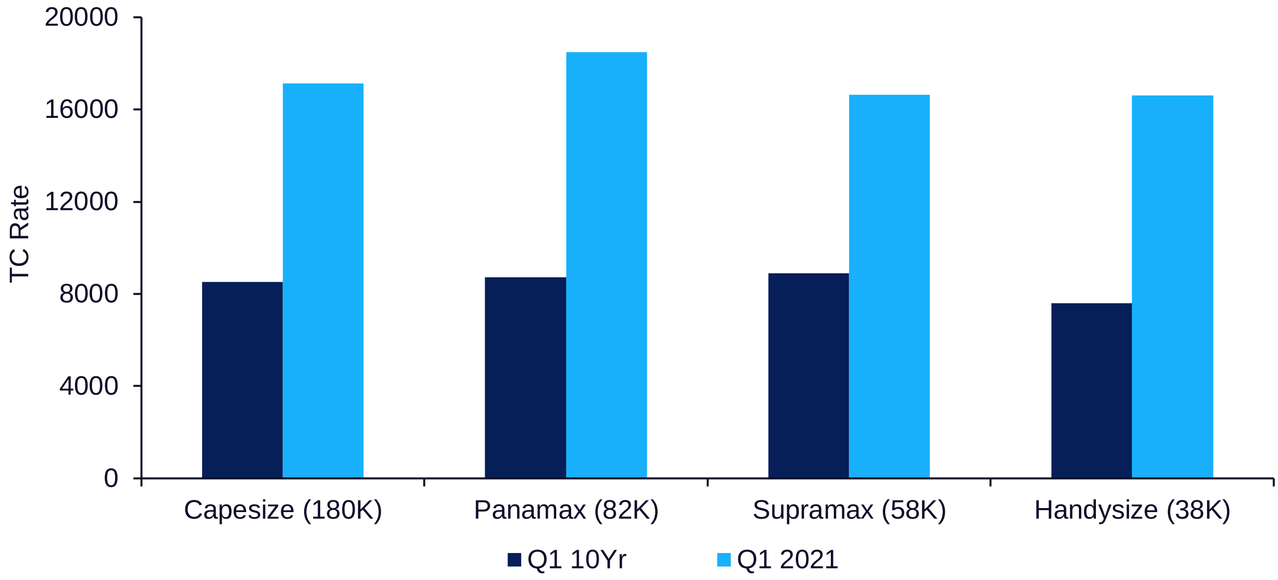
- **Supply of ships has been temporarily reduced due to:** Geopolitical tensions between China and Australia have ships stuck with coal at Chinese discharge ports; floods in Australia have long queues of ships waiting at load ports; rerouting of coal imports to China has increased ton-miles; slow steaming has reduced available ships; Covid-19 induced congestion delays; deviations for crew changes adding to ton-miles; delays due to 14-day quarantine of ships have all tightened supply of ships.

- **Ships that are +20 years old are 6.46% of the existing fleet, higher than the orderbook to fleet ratio of 5.56% at the end of Q1 2021**.
- New ship **orderbook has been restrained due to** the **12-year long recession; banks not lending** to shipowners; **capital markets remain frozen**; 5-year-old Ultras selling at USD 20/21m versus brand new Ultras marketed at USD27/29m, a **no brainer for buying secondhand ships**; and the **massive uncertainty surrounding new regulations on GHG** curtailing new ship orders.
- Cargo volume **by 2050 will be about 3.5 times 2008 volumes**, requiring **3.5 times more ships**, yet **IMO has mandated GHG must be cut by 50% compared to that in 2008!**
- Any ship built with an **Internal Combustion engine after 2025** would, therefore, have a **shortened economical life of just 10 to 15 years** before being replaced by zero GHG emitting vessels for future regulatory compliance.
- **New regulations**, under IMO formulation, **may oblige owners of 20-year-old, gas guzzling ships to scrap them** reducing the supply side even further after 2023.

# BDI Developments and our read of the market

## Average Benchmark Time Charter in Q1 Over Ten-Year Average Q1

| Vessel type | Avg 10 Yr Q1 In USD | Q1'21 In USD | Change in % |
|---|---|---|---|
| Cape size | 8,569 | 17,126 | 100% |
| Panamax (82K) | 8,730 | 18,493 | 112% |
| Supramax (58K) | 8,901 | 16,633 | 87% |
| Handy size (38K) | 7,590 | 16,610 | 119% |




*Source: Clarkson's, 31 Mar 2021*

- As always, the dry bulk market will have the same macro issues of supply/demand balance dominating the narrative. **As supply/demand balance has been reached or is very close, the secular recovery would be characterized by extreme volatility as any change in demand or supply would have a disproportionate impact on the BDI**.

- **2021 started with the ingredients of the perfect virtuous cycle** in place with demand growth led by the **Chinese stimulus of USD 667 billion**, enacted in end May 2020, strengthened by the approximate **USD 20+ trillion monetary and fiscal stimuli enacted by the ROW** governments to counteract the economic impact of Covid-19. Typical **Chinese New Year demand slowdown in Q1 was absent due to the spike in Covid-19 cases** in different parts of China resulting in restriction of free movement during their holiday season. This combination led to the **highest Q1 numbers in the last 10 years!**

- **Brazilian exports of iron ore in Q1 to China rose by 18.8% y-o-y**. Iron ore exports revved up in March allowing the daily earnings of Capes to finally exceed the smaller sizes. The Q1 average TC rates for Capes was higher than any Q1 in the past 10 years. The increase in April has further strengthened as the month has progressed as can be seen by the average being **higher than the last 10-year average by 253%** (10-year April average of USD 8,277 versus April '21 average of USD 29,229)!

- **Congestion in Brazil was pronounced in Q1 with 161 ships (120 Panamax and 41 Supras/Ultras/Handy sizes) waiting to load Soybeans**, some since January, due to the same wet weather. This strengthened the upward virtuous cycle of time charter rates, by artificially reducing supply, **making Q1 2021 the best Q1 in the last 10 years**.

- **Why are the rates for the Geared ships so strong?** There are a few reasons: they **carry all types of cargoes**; driven by the **re-opening of economies**; **re-stocking** of goods; **increased energy demand; increased food demand**; coal from Australia being banned into China disrupting trade and **increasing ton-mile demand**; China's shutting of polluting steel mills but **allowing imports of scrap** to reduce pollution from such steel mills.

- **China's PMI index averaged 51.3 during Q1 2021 (Jan 51.3, Feb 50.6, Mar 51.9)** due to the stimulus enacted in end May 2020. The Chinese government continues to support their economy to counter the impact from Covid-19.

- **China's GDP for Q1 2021 was up a staggering 18.3% due to the impact of the stimulus to counteract Covid-19**. As a result: **iron ore imports** for Q1'21 at 283 MMT versus 263 MMT for Q1'20 **up 7.6%**; **steel production** at 269 MMT **up 15.1%**; monthly average **steel inventory** at 18.6 MMT was **down 13.1%**; **steel imports** at 3.7 MMT was **up 15.6%**; **steel exports** at 17.7 MMT was **up 23.8%**; **steel consumption** at 255.1 MMT was **up 14.6%**; **coal imports** at 95.8 MMT was **flat** equal to the very high imports in Q1'20.

- **Agri-bulk exports from Brazil and Argentina** in March almost touched the record established in May 2020 **of 26.2 MMT**. Forecast **April exports of 27.8 MMT (+14% YoY) will be a new record**.

- **The Q1 GDP for USA was up a gigantic 6.4%! The Euro Zone Q1 GDP however was down -0.7%. The difference is due to the relative speed of the roll out of vaccines**.

- **President Biden has passed a USD 1.9 trillion stimulus plan**.

- **Biden is pushing a USD 2.25 trillion infrastructure plan which is bullish for geared dry bulk ships! Infrastructure means more steel, cement, wood** – all of which are in short supply in USA.

- America produces about 85 MMT of steel but consumes an extra 30 to 35 MMT without the new requirements from the infrastructure plan. Please keep in mind that the most recent three presidents – Obama, Trump, Biden - have all promised big infrastructure spend but have not achieved anything. Maybe, Biden will be 'third time lucky'?

- **In Q1 Net ship supply increased by just 0.83% (7.53 MDWT)** with a very low orderbook to fleet ratio at 5.56% at the end of Q1 ensuring a smaller net increase in 2021.

- **These two factors**, one demand-enhancing and the second reducing net ship supply, **have produced the perfect virtuous cycle**, resulting in the best Q1 in 10 years.

- Due to strengthening freight rates, **recycling has reduced from 4.77 MDWT in Q1 2020 to 3.81 MDWT in Q1 2021**. Annualized, this equates to **15.24 MDWT of recycling for 2021**.

- **Owners are still sailing their ships at reduced speeds despite the higher rates** and that has assisted in tightening available supply.

- As a result, the **BDI averaged 1,739 in Q1 and ended the quarter at 2,046** points having started the year at 1,374 points. The BDI is at **3,254 points as of 11th May 2021**.

- Breaking down the components of the BDI, we find that smaller segments have been able to rally more than larger size segments. This is due to **strong demand from minor bulks (commodities that move on our ships)**.

- **PSL's exposure to the smaller geared segments** means that it will be able to capitalize on the **stronger growth in minor bulk demand of 4% forecast by Clarksons** versus **expected net fleet growth in the geared sector of 1.55%**.

- As **the 'new BDI' has a strong bias towards larger vessels** (BDI since March 2018 has 40% weight from Cape index, 30% from Panamax index, 30% from Supra index and zero from Handy Size index), **any decline in earnings on larger vessels has a pronounced impact on the BDI**.

- **With low sulphur fuel** (LSFO) costing almost USD 100/150 PMT more than the cost of high sulphur fuel oil (HSFO), **the simplest way to reduce LSFO consumption is to reduce speed further tightening the supply of ships**.

- **Ships 20 years or older**, comprising 58.44 MDWT or 6.39% of the existing fleet at the start of 2021 **would be ideal candidates for recycling**, as they would have to invest in ballast water treatments systems and expensive special surveys too.

- Another way to look at **market prospects** is to **compare the current forward orderbook of 50.89 MDWT or 5.56% of the existing fleet at the end of Q1** and see that it is the **lowest percentage in over 20+ years!**

- **New ship orders placed during Q1 2021 amounted to 3.79 MDWT and was 19% lower Y-O-Y**.

- The **IMF indicates world GDP for 2021 would grow by 6% up from its January forecast of 5.5%. If the Covid-19 situation normalizes, we should see a healthier demand picture for the next few years, due to solid economic growth rates aided by the USD 20+ trillion fiscal and monetary stimuli from the ROW**.

- Our read of the **growth in supply based on Clarksons data has a net fleet growth rate of 1.97% (906.99 MDWT to 924.87 MDWT) by end of 2021 and 0.42% (924.87 MDWT to 928.76 MDWT) by end of 2022, assuming recycling of 16 MDWT and slippage of 20% in 2021 and 2022**.

- **If Clarksons reading of the demand growth rates and the supply side turns out as per our predictions, then 2021 and 2022 should be significantly higher than the Covid-19 year of 2020**.

- **If the supply side gets a dividend by the recycling of the very old ships, slow steaming by the rest** of the owners who are using LSFO and **forced down time in dry docks** for those owners who are still running 20+ year older ships, then **the market would further benefit from this tightening of available ships on the supply side**.

# Others' reading of the market

China, the world's biggest buyer of **iron ore**, takes about 70% of global seaborne cargoes. But that other 30% does matter - and there are signs of a recovery in demand in the wake of the coronavirus pandemic. The total global volume of seaborne iron ore discharged at ports in January was 134 MMT. This was up from 122.82 MMT in December and 125.18 MMT in November, and some 6.5% higher than the volume for January 2020. China's seaborne imports in January were 98.79 MMT, meaning the ROW was at 35.21 MMT. For the same month in 2020, imports by ROW were 34.07 MMT, a rise of 3.3% year-on-year. (Reuters – 9 Feb 21)

Record Chinese purchases have sent **corn** prices soaring. In 2020 China imported a total of 11.3 MMT of corn. In January alone China bought 2.1 MMT, representing the largest monthly purchase in history. The significant corn purchases come in the wake of the recovery in China's hog herd after outbreaks of the African Swine Fever a few years ago hit the country's pig population. Yet, the massive corn imports have surprised many, as the Middle Kingdom used to be self-sufficient. Now market participants are wondering for how long the surge will sustain. Rabobank appear bullish, as they project the increase in demand for feed grains as well soybeans to continue until 2030. Representatives from major US agricultural company ADM expect China to import approximately 25 MMT corn in future years. Other industry participants are less optimistic, as they consider the Chinese corn imports surge to be temporary. Once China has replenished the corn stock, they expect the buying spree to peter out. (Maersk Brokers – 19 Feb 21)

China is not expected to take a softer stance towards Australian products, and its appetite for commodities will bode well for exporters elsewhere. We have already witnessed growth in Chinese imports from other sources. There are concerns over Australian iron ore exports to China, but we do not expect these to be impacted in the short term. In the longer term, China may increase the pace of its investments in Africa, where there is potential for high grade iron ore production. If it does materialize, it might go the same way as Guinean bauxite with end-to-end Chinese investments and a reduction in imports from other sources. Australian exporters stand to lose more if they are not prompt in securing buyers elsewhere. In terms of shipping demand, the likely upshot of this scenario would be that commodities end up travelling longer distances, with a potential for upsizing in vessel classes. (Braemar ACM – 25 Feb 21)

**Coal** imports represent about 25% of India’s coal consumption but with domestic coal production largely static at 720 MMT for the past three years, imports may well need to increase to meet growing demand especially as an additional 37GW (+16%) of new coal-fired power plant capacity is due to come on stream over the next two years. As coal still accounts for 73% of India’s current energy mix there are good grounds for optimism for coal imports going forward and especially in 2021 given that the IMF forecast India’s GDP growth to increase by 11.5% this year. (Howe Robinson Research – 26 Feb 21)

Argentina **barley** to China may reach a record of 1 MMT in 2021. Last year Argentina shipped 0.3 MMT of barley to China, which was then a record. Australia used to be China’s preferred barley supplier. Yet, with the diplomatic standoff between the two countries, China has looked for supplies elsewhere. Export declarations filed with Argentina’s Ministry of Agriculture show that already 1.1 MMT of barley have been sold YTD. The majority is expected to be heading for China. In addition, Chinese buyers have already booked three 60,000 MT parcels from Argentina for delivery in 2022, a strong signal that China plans to stay in the Argentine barley market for some time. Analysts expect Argentina to produce a total of 4.2 MMT of barley in 2021/2022, up 11% y/y. Most of the Argentine barley produce is discharged in Saudi Arabia, but exports have rerouted as Saudi started tapping into Australia barley. (Maersk Brokers – 26 Feb 21)

Covid-19 has distorted fundamentals in the dry market. This makes it hard to gauge whether the most recent freight cycle which peaked around 2019, has bottomed out or is still trending down. Chinese economic policy will be crucial like measures to curtail risk now that growth has recovered. In our base case, we are positive on long-term prospects for **freight**, owing to limited supply growth and a global recovery, even as Chinese growth slows. (Braemar ACM – 4 Mar 21)

Strong Argentinean **soybean meal** exports so far this year have helped contribute to sub-cape’s strong start in the south Atlantic. A shortage of handysize tonnage in Argentina and Brazil in Q1 has led to very inflated rates with standard 30-35,000 dwt Handysize recently securing time charter rates in $20,000’s for trips from Upriver Argentina to the Continent-Mediterranean. Some incentive for the uptick in exports has been recently inflated prices for soybean meal which have increased from $335 pmt in August 2020 to touch $545 in January compensating farmers for the re-establishment of export taxes. China does not import any soybean meal from Argentina but accounted for 5.5 MMT of Argentina’s 6 MMT of soybeans in 2020. Opinion is split on forecasts for Argentina’s 2021 soybean crop. Whilst the USDA predicts slightly higher soybean meal production and increased exports above 2020's low 14 MMT, the Buenos Aires Grains Exchange said it would cut its forecast for harvest year 2021 soy crop, currently 46 MMT due to current high temperatures and a lack of rainfall. For sure Argentina's record annual export figure for soybean meal of 29 MMT in 2016 remains well out of reach! (Howe Robinson Research – 5 Mar 21)

**Soybean** trade was extremely positive in 2020, despite the global economic impact from Covid-19, driven primarily by Chinese demand as the country was rebuilding its pig herd following the devastating African swine fever outbreak in previous years. Global soybean exports reached 150.8 MMT in 2020, a +11.9% increase from the 134.8 MMT in 2019. China's performance in calendar 2020 was quite stellar, with imports of 94.9 MMT of soybeans up +17.5% y-o-y, accounting for 63% of global soybean trade. In January-February 2021, the US exported 12.8 MMT of soybeans a +61.1% surge on the same period of 2020, of which 8.9 MMT in January, was the highest in the past six years. Given the usual seasonality intrinsic in the agricultural trades, US soybean exports will decline in coming months. Considering the depletion of US soybean inventory, current rapid shipping pace is simply unsustainable. Exports after March/April may drop to historical lows. (Banchero Costa – 5 Mar 21)

While the Tangshan order to close some **steel**-blast furnaces this month has spooked the iron ore market, it is unlikely that this measure alone will be enough to make a serious dent in iron ore demand in China this year. The Tangshan measures show that air pollution is still an issue in China, and the steel industry needs to be prepared for similar crackdowns in other producing regions. In theory, steel mills will want to maximize production and minimize emissions, which means a shift to higher quality iron ore and increasing use of beneficiated products such as pellets. This benefits producers but tends to hurt miners of lower quality iron ore. It is worth noting that the bulk of China's domestic iron ore output is of considerably lower quality than even the low-grade producers in Australia, meaning it requires more coking coal to be turned into pig iron and then crude steel. A reduction in the use of domestic iron ore may help seaborne suppliers of all grades, but much will depend on whether China's steel mills switch to higher quality inputs. (Reuters – 11 Mar 21)

Thus far in March, benchmark **Supramax** spot rates have averaged USD21.3k/day and is up a staggering 178% from an average of USD7.7k/day in March 2020 – the strongest March since the inception of the BSI 58 in 2016 and at levels previously seen in 2010. Mid-size bulk carriers are generally exposed to a wider variety of cargoes than Capes (e.g., agribulks, minor bulks, iron ore & coal) and we believe the recent uptick for mid-size bulkers is attributable to a broader set of factors, largely driven by re-opened economies, re-stocking, coal & agriculture demand. USDA's recent numbers suggest that 2.8 MMT of grains (corn, sorghum, soybeans & wheat) were inspected and/or weighed for exports in the week ending 3 March 2021 – up from 1.9 MMT in comparable week last year. Moreover, as China's import of Australian thermal coal has ebbed down to zero, other routes have taken hold, as seen by US increasing its Q4 2020 coal exports to China to 17.4 MMT, up 748% QOQ and 252% YOY. More mid-size bulker demand could yet come, as China ramps up its imports of scrap metal after lifting the ban on the commodity in early 2021. Albeit a moderate impact, China's push towards a greener future, and less reliance on Australian coal, could be a positive for the mid-size bulk segment and a negative for the larger sizes. (DNB Markets – 12 Mar 21)

Heavy rains at the end of January into February have delayed Brazil's **soybean** harvest and disrupted logistics causing the worst congestion in Brazil's grain ports for some years. With virtually no beans exported in January and a mere 2.9 MMT in February (compared to 4.8 MMT in February 2020), vessels have arrived with no cargo in the silos thus line-ups have grown rapidly such that 140 Panamax and 41 Handy/Supra/Ultras are currently at anchor in Brazil's 14 main grain loading ports. Clearly the knock-on effect of less available tonnage especially in the pacific (than is usual in Q1) is inflating rates and with a fall in new building deliveries (e.g., only two Panamax came out of yards in February), lack of additional supply is likely to prolong the current strong sub cape market. However significant quantities of soybeans are now arriving at ports so we are likely to see a big bounce in monthly exports, perhaps as much as 15 MMT transported in March, which if confirmed would be an all-time monthly record. Should terminals be able to achieve this throughput then we may be seeing congestion peaking at present levels, though with the Brazil soybean harvest forecast to be a record 133 MMT, overall shipments may exceed 2018's record 83 MMT. (Howe Robinson Research – 15 Mar 21)

Vale announced on 12 March that it is commissioning further **iron ore** production at its Timbopeda mine. Vale's resumption plan, outlined in their Q4 Production and Sales report, expects production capacity to expand by 28 MMT in 2021 as other mines such as Vargem Grande, Fabrica and Brucutu resume activity. This increase in production would account for 8% of all Brazilian iron ore shipments in 2020. Brazilian iron ore shipments in February totaled 23.2 MMT rising 3% YoY. Based on shipments so far this month, we expect 26.4 MMT of iron ore to be shipped from Brazil over March, which is 14% higher MoM. (Braemar ACM – 15 Mar 21)

For January and February 2021, official Chinese figure for **coal** production of 617.6 MMT, is up 26.3% and 20.2% on the comparable months for 2020 and 2019. The rise in coal production could be attributed to China's strong electricity consumption, which for January and February 2021 posted an increase of 21.0% and 13.2% on 2020 and 2019. The growth for the first two months of 2021 versus 2019 implies a CAGR of 6.4%, just shy of the 8.4% CAGR in electricity consumption for the ten-year period from 2009-2019. This is very much an indication of a V-shaped recovery, as the Chinese have managed to offset the losses from Covid-19. Thermal electricity consumption almost retained its market share, by posting an increase of 20.3% and 11.4% on 2020 and 2019. For January and February 2021, Chinese **steel** production was reported at 175.0 MMT, up 13.1% on the comparable months of 2020 and 17.0% on 2019 – underlining the contribution from China's stimulus program. The strong economic activity in China is behind the recent strength in dry bulk markets. Capesize rates are USD16.8k/day, more than 3x YOY and 2x the 2019-level. Even more strikingly, the smaller vessel sizes – which typically witness lower volatile earnings than the Capesizes – are seeing stellar earnings coining anticipations of a "super cycle". YTD Panamax rates are USD15.6k/day (92% above last four years average for Q1), YTD Supramax rates are USD15.3k/day (85% above) and YTD Handysize rates are USD13.1k/day (99% above). (DNB Markets – 16 Mar 21)

China installed 52 gigawatts of new **wind power** in 2020 compared to 17 gigawatts in the US. China's wind power investments cemented its position as global leader, as nearly 60% of all global wind power installations came from China last year. (Financial Times - 18 Mar 21)

China has accounted for 61% of the global **soybean** trade during 2019 to 2021. Chinese demand is usually supplied by US during October through March and by Brazil from March through October. Brazil is set to harvest 133 MMT soybean according to the USDA – double the volume during the mid-2000's and above 125.6 MMT in 2019/20 season. The trend is widely expected to continue due the weak Brazilian real and high future prices for US soybeans. Likely more good news for the mid-size bulker segment which has been riding new highs recently and lifting other dry bulk segments along with it. (DNB Markets – 19 Mar 21)

Heavy rainfall has led to disruption of the Hunter Valley railway, primarily used to transport **coal** to the port of Newcastle in New South Wales (NSW). The storms have knocked out both ship-loaders, with the first reportedly not due to restart operations until Q3 of this year following storms in mid-November. As the storms continue, it is likely that operations at Port Waratah will also be affected. 65 vessels totaling 7 MDWT are queued off the coast of eastern Australia, with 34 of these being

Panamaxes, all likely to load coal. Shipments of coal from this region stand at 18 MMT so far this month, 4 MMT below their 5-year low in 2017. April 2017 saw similar weather effects and damaged railways in NSW and Queensland. Shipments over this period fell 26% MoM, a similar decline would bring March loadings to around 21.5 MMT, the lowest level since AIS records began. Meteorologists have noted the storm may continue for days and move further south, potentially affecting operations at Port Kembla, approximately 250km further south of Newcastle. (Braemar ACM – 19 Mar 21)

US **corn** shipments to China have been limited in the most recent weeks, though it does not mean that total US corn shipments have been dragging. The US exported 2.2 MMT of corn in the week ended March 11, representing the second highest for any week on record. Weekly US corn inspections have exceeded 2 MMT only four times since 1983, with two of these instances taking place during the current marketing year. In 2017 the US experienced their best March with export totaling 6.7 MMT. Projections have exports through to the 11th of this month already 30% higher than the comparable period four years ago. The USDA currently expects US corn exports to reach 66 MMT this year, a 6.6% increase. Brazil's late second crop planting may boost US sales even further. Japan and Mexico traditionally represent about half of US exports. Yet at the time of writing, they occupy only 35% of current sales, as Chinese purchases of 18.7 MMT so far have shrunken market shares of other importers. At the beginning of the month US corn export sales were reported to have reached 90% of the USDA's export target for the 2020/2021 marketing year, but supply for exports does not appear to be an issue, and the country has shipped less than 40% of the total so far. (Maersk Brokers – 19 Mar 21)

Over-land **coal** supply in China has taken a hit as Covid-19 controls at Mongolia's border, implemented on March 16th, have tightened. This is the primary route for trucks transporting Mongolian coal into China, and restrictions now limit crossings to 50 trucks per day. This compares to a normal of 200 trucks per day, and some reports suggest restrictions may be tightened further. As a result, price conditions for importing seaborne coal have improved. The seaborne coal import arbitrage collapsed from highs of $50/tonne in January to almost $1/tonne last month, as a relaxation of import restrictions cooled extremely high domestic prices. Since then, this arbitrage has crept up to above $11/tonne, supported by the disruption in Mongolia. Domestic mines in northern regions have also been hit by sandstorms, which have affected trucks' ability to transport coal to end-users. These pricing effects will increase seaborne coal imports over the coming weeks. (Braemar ACM – 22 Mar 21)

**Coal** accounted for 57% of China's energy consumption in 2020, according to China's National Bureau of Statistics. San Francisco-based think tank Global Energy Monitor estimates China has commissioned 73 gigawatts of new coal power projects—more than five times the rest of the world combined. (Fortune – 23 Mar 21)

Due to favorable growing and harvesting conditions Australia's **wheat** production for the crop year Jul '20–Jun '21 is estimated to be a record 33 MMT, more than double the 15.2 MMT in the previous crop year. Yields have been especially high such that marketing year exports (Oct to Sep) are forecast to more than double y-o-y to 21 MMT. Exports started to gain pace from the start of the year with 5.1 MMT wheat exported in Jan/Feb an annual record for this two-month period. Shipments to South East Asia have been especially strong. Apart from plentiful supply, a competitively priced Aussie dollar versus USD as well as much higher freight rates from alternate suppliers in Q1 like Argentina and Russia/Ukraine in the Black Sea has played its part. China was Australia's No.1 market in 2020 with exports totaling 2 MMT though to date shipments have been modest with just 4 vessels reported with wheat to China; now however rumors abound that they have made substantial purchases in Q2. Perhaps a contributory factor for China turning to Australia has been Russia's decision to impose a wheat export tax of 25 euros per tonne starting 15 Feb to stabilize domestic food inflation. This export tax rose to 50 euros per tonne on 1 Mar and is intended to stay in place at least until 30 Jun. This increased level of wheat exports from Australia has given the Pacific **sub-Cape market** a significant boost during Q1, and with shipments set to increase further in Q2, it has no doubt been a contributory factor for Pacific round voyage rates in both Panamax and Supramax now exceeding trans-Atlantic timecharter rates. (Howe Robinson Research – 1 Apr 21)

2020 proved to be a truly terrible year for **coal** seaborne trade down -12.7% y-o-y to 1,130 MMT. Coal imports into Vietnam increased by +124.6% y-o-y in 2020 to 37.4 MMT, from 16.7 MMT in 2019. Vietnam imported just 4.3 MMT of coal in 2018, and 2.6 MMT in 2017. Until few years ago, Vietnam was a net exporter, shipping significant volumes to China. Imports in Jan-Feb of 2021 have not been at par with the exceptional levels seen in 2020 but were still very strong. In Jan-Feb 2021 Vietnam imported 4.5 MMT of coal, down -8.1% y-o-y in Jan-Feb 2020 but was +229% up from Jan-Feb 2019. (Banchero Costa – 2 Apr 21)

Firm Chinese **steel** prices has seen domestic steel producers favor iron ore with higher Fe content to increase their output. Trading activity for higher grade iron ore fines is relatively lively, suggesting that iron ore with Fe content above 60% is gaining market share. This news should be positive given that China's domestic supply of iron ore is characterized by poorer quality than producers further away, such as Brazil. China's main economic planning agency (NDRC) held yet another meeting to discuss measures for ensuring the country's coal supply ahead of the summer peak. Chinese authorities are eager to avoid another period of rising domestic coal price and have been urged by local utility companies to provide a more predictable import quota system. On the flip side, NDRC are cited wishing local coal producers to raise output and for higher power generation from non-coal sources. China seems firm in its aversion of Australian coal volumes and are therefore hiking up imports from US, South Africa, and Colombia – with the former exporting nearly 0.3 MMT of coking coal to China during February 2021. China's marginal imports are being sourced from further away – hence boosting tonne-miles and potentially yielding a small relative advantage to mid-sized bulkers as alternate trading patterns could favor these vessel classes. (DNB Markets – 8 Apr 21)

In Q1 2021, the Baltic **Capesize TC** index averaged 17,088USD/day (+272.4%y-o-y), the Panamax (82k) 18,309USD/day (+157.8%y-o-y), the Supramax 16,491USD/day (+151.3%y-o-y), the Handysize (38k) 16,508USD/day (+153.1%y-o-y). Deliveries of bulk carriers in 2021 are expected to decline to a total of 31.7 MDWT, from 47.6 MDWT in 2020. In Q1 2021, deliveries totaled 10.86 MDWT, -17% y-o-y on Q1 2020 in DWT terms. Demolition activity in 2021 is expected to increase to about 14.1 MDWT, up from 12.9 MDWT in 2020. In Q1 2021, demolition of 4.69 MDWT, +10% y-o-y in DWT terms. Net fleet growth for all bulk carriers over 20K DWT is expected to slow down to +2% y-o-y in 2021, and then further to about +1% in 2022. The fleet expanded by a net +4% y-o-y in 2020. In Q1 2021, iron ore loadings increased by +5.8% y-o-y to 368.2 MMT. Iron ore loadings from Australia increased by +2.8% y-o-y, and from Brazil by +19.9% y-o-y. In Q1 2021, coal loadings declined by -8.3% y-o-y to 279.6 MMT. Coal loadings from Australia declined by -5.2% y-o-y, from Indonesia by -14.3% y-o-y, but from Russia increased by +7.4% y-o-y. (Banchero Costa – 9 Apr 21)

China's **wheat** imports along with other food and feed grains continues a strong uptrend in 2021. During Jan-Feb, China's wheat imports were up 265.1% y-o-y at 2.48 MMT, while corn purchases jumped 414.4% on the year to 4.8 MMT. Similarly, barley imports rose 79.4% on the year to 1.32 MMT. China's recent grain purchases come on the back of aggressive imports made in 2020. The country imported 11.3 MMT of corn in 2020, up 136% on the year, while wheat exports increased 140% to 8.38 MMT, and barley imports were up 36% at 8.08 MMT. (Platts – 8 Apr 21)

Market participants have patiently waited a boost in US **corn** exports to match the record yearly expectation, but the wait is officially over as recent shipments have blown past nearly every benchmark. US corn exports in February hit 6.3 MMT according to official data published on Wednesday. That tops 2008's record for the month by 17% and is the largest monthly volume since July 2018. Weekly export data suggests that March shipments reached an all-time monthly record by a long shot, likely topping 9 MMT. The largest-ever volume is 7.75 MMT set in May 2018, and the March high is 6.7 MMT from 2017. (Reuters – 8 Apr 21)

With **steel** production in some regions still lagging pre-pandemic levels, a rebound in manufacturing activity has led to shortages. These pockets of demand have turned to the seaborne market to fill the void, boosting bulk carrier demand. March was a strong month for most dry bulk trades, but flows of steel products were particularly impressive, helping to propel rates to ten-year highs, with total volumes in Q1 at 38.5 MMT, 25% higher YoY and the highest quarterly volume on record. The Supramax sector has been the prime beneficiary of this increase. Trade on these vessels grew by almost 60% YoY in March to 9.3 MMT. Pre-pandemic, these trades accounted for on average 7.2% of demand for Supras but the recent jump in trade has boosted this figure to 10.7%, making it the third-most important commodity group for this sector last month after grains and coal. Manufacturing PMIs in the USA and the Eurozone have jumped by 2.0 and 7.3 points respectively since December 2020. Both indices are firmly above 50, indicating expansionary conditions. These recoveries, combined with China's stimulus impulse last year have helped to prop up global steel demand. Global steel capacity was slashed in the early days of the pandemic as orders dried up, but now even as demand has recovered, mills in some countries remain idled and production is tracking below 2019 levels. With domestic supply constrained in the US, local steel prices have soared, fueled further by infrastructure-heavy stimulus plans resulting in an arbitrage opportunity for exporters, who in March shipped the greatest volume of steel to the US on bulk carriers since 2015. US steel imports in Q1 21 grew by 38% YoY, with growth coming in the form of Supras from countries which did not heavily cut capacity during the pandemic, such as South Korea and Ukraine. In Europe we see a similar pattern, though shipments have been dampened somewhat by import restrictions. The sharp recovery in industrial activity has sparked shortages for manufacturers and a price surge. Imports last month were up by 13% YoY at almost 2 MMT. Here again Supras have seen a boost in demand, but Handies have also enjoyed increased trade. Supras and Handy steel shipments into Europe grew by 34% and 18% YoY respectively in March. Turkey, Russia, and Ukraine were the top suppliers for this market, but we also recorded an increase in longer-haul trades from China, Vietnam, and South Africa, mostly made up of Supras. Industrial activity in Southeast Asia and the Indian subcontinent has been resilient through the pandemic, boosting steel imports from other Asian countries. A jump in demand in Vietnam, Thailand, Indonesia, and Bangladesh, has helped to push Chinese exports to their highest levels since 2016. Purchases from these countries have also helped to lift South Korean exports to record levels, leading to tightness in the Pacific market where Supra rates are currently double what they were at the start of the year. Steel trade will remain elevated if certain regions struggle to regain lost output. This process will likely last a few months, provided industrial demand remains strong. US GDP is now forecast to grow by 6.4% in 2021, a 3.3% improvement versus IMF's October 2020 outlook. This is supportive of a broader recovery in steel consumption, but at the same time, the Euro Area's 2021 forecast has been downgraded by 0.8% to 4.4%, owing to renewed restrictions to curb the virus' spread. (Braemar ACM – 9 Apr 21)

**Coal** inventories in China are low for this time of the year, raising concerns that this summer's demand will exceed supplies. Coal price reached USD 112/tonne on April 1st, an increase of USD 7 and above the government-set upper limit of USD 91.7/tonne. One of the solutions has been to create a predictable system of coal import quotas, citing the issue that domestic spot prices for the first quarter were too high. This comes at the same time as the customs in Huangpu have imposed coal limits to offset high imported volumes during late 2020. In Dec 2020, China imported a record 39 MMT of coal during the winter shortage, but in Jan-Feb imports were down by 40% y-o-y. As a result, the coal stockpiles are insufficient, which has prompted the NDRC to call for a boost in domestic output. Domestic coal production is challenged by maintenance at the Daqin railway, which is expected to last until early May. Moreover, due to the unprecedented production setbacks in the Covid periods, Chinese coal producers will have an easier time reporting percentile increases in output given the low base to compare with, potentially masking any real progress towards fixing the issue. Consequently, it is unsure how China plans to overcome the shortage, but the market reaction has sent China's coal futures down by 6.2% to USD 105/tonne for May contracts on the expectation of output increase. (Maersk Broker – 9 Apr 21)

Indian seaborne **iron ore** exports increased by 47% in March to 6.6 MMT, the highest monthly total on record. Most cargoes headed to China, with 5.1 MMT of Indian iron ore discharging in Chinese ports, also the highest monthly total on record. Supras transported 4 MMT of the iron ore loaded in March, with Capes carrying 1.4 MMT. Our Braemar assessed BS13 route, WCI to Far East on Supras, has tripled YoY to $29,000/day. (Braemar ACM – 12 Apr 21)

A heavy increase in **Capesize loadings** in March has helped to buoy rates over the past few weeks. India, China, and Russia all saw their highest monthly export total on record in March, with 1.9, 1.4 and 3.2 MMT of dry bulk loaded on Capes. Meanwhile, Cape cargoes loaded in Canada and Indonesia increased 55% and 127% MoM in March respectively, totaling 5.6 and 6.3 MMT, marking Indonesia’s second strongest month on record. Cape loadings in South Africa and the USA increased by 18% and 30% MoM respectively in March further contributing to strong Cape demand. Cape loadings of iron ore specifically grew by 18% MoM whilst coal loadings improved 26% MoM in March. On the import side, India also saw a monthly record number of Capes discharging in March, totaling 11 MMT, rising 82% MoM. This was largely driven by coal demand, as the country’s industry continues to rebound from the pandemic related disruption last year. The Baltic Capesize Index is currently up 55% MoM rising to $25,976/day at time of writing. There may be more room to run for the index with the April FFA contract breaking through March highs and rising as high as $27,875/day today. (Braemar ACM – 12 Apr 21)

Chinese customs data for **coal and iron ore** import figures for March indicate imports of 27.3 MMT (up 32% MOM and down 2% YOY) and 102.1 MMT (up 13% MOM and 19% YOY), respectively. Chinese coal imports thus far in 2021 have amounted to 95.76 MMT (unchanged YOY) and matching the elevated import volumes seen in Q1 2020. This seems to include revised volumes for the Jan-Feb period, which came in surprisingly weak last month, and more aligned with the observed strength in the dry bulk shipping market during Q1. For iron ore, cumulative figures from Chinese customs authorities suggest YTD iron ore imports of 262.4 MMT, which is down 0.1% from 2020. We believe firm Chinese steel prices and low coal inventory levels ahead of the summer peak should be beneficial for dry bulk owners near-term. Iron ore would be beneficial from a tonne-mile view, as higher-grade iron ore would be sourced from further away (e.g., Brazil), whilst coal should be beneficial on a purely volume related view, as Chinese authorities have the winter shortage fresh in mind. (DNB Markets – 13 Apr 21)

Two days ago, the **FFA market for Capes and Panamax** vessels posted large declines but has since recovered with next month FFA’s currently quoted at USD29.8k/day and USD20.9k/day, respectively, versus current spot rates of USD28.1k/day for Capes and USD18.8k/day for Panamaxes (BPI 74). Cape spot rates posted a 7.4% gain today, continuing the positive momentum, while Panamax spot rates were up 11.6% today and 7.8% yesterday, having broken their consecutive deteriorating trend from the USD26.2k/day peak in mid-March. The recent uptick further strengthens the positive development for the dry bulk freight markets as the bullish momentum continues into Q2 after a surprisingly strong Q1 – which traditionally is low season. (DNB Markets – 15 Apr 21)

2020 was a reasonably positive year for **iron ore** trade, as demand from China remained strong, and the main constrain has been insufficient supply capacity from exporters. Total shipments in 2020 were up +1.4% y-o-y to 1547.0 MMT. China accounted for 73% of iron ore imports, increasing by +6.9% y-o-y to 1107.5 MMT in 2020. Shipments from Australia to China are still increasing, but by a more modest +1.2% y-o-y, to 167.4 MMT in 1Q 2021. However, the picture is brighter for the rest of the world. (Banchero Costa – 16 Apr 21)

The price of **steel** has increased to its highest level since the 2008 financial crisis due to acute coil shortages in Europe and the USA. Consequently, increasing export opportunities will prevail in Q2, attracting the interest of Asian mills. US price increase is deemed to be due to supply side issues, while in Europe, it stems from a combination of strong downstream demand and supply side shortages. Since the start of the year, prices in the US for hot-rolled coil have risen by 33% and prices in Europe have increased 37%. The absence of US import tariffs on Korean products is already translating into an increase of steel exports to the US. Meanwhile, Japan forecasts its exports will increase 21% on the year for Q2. European steel, India's involvement is expected to grow, as despite having already exceeded its EU quota, they expect more steel to be allowed in. China is also looking to supply the world steel market gap; however, that is unlikely to last domestic prices of steel are likely to increase due to reduced domestic output. Steel production is slow to recover after the lockdown, and with more moving parts, export opportunities are expected to remain well into Q2. (Maersk Brokers – 16 Apr 21)

In the **bulk carrier sector**, gains took a little longer to surface, but have also been notable as earnings, particularly in the mid-sizes, have improved this year. Since Oct-20, our bulk carrier secondhand price index has increased by 31%. The price of a 10-year-old Capesize has increased by 40% ($7.75m) to $27.25m and the price of a 10-year-old Supramax has increased by 35% ($3.75m) to $14.5m over the period. (Clarksons – 16 Apr 21)

Chinese **crude steel** production totaled 94 MMT in March, rising 19% YoY and marking the second highest monthly total on record. This brings production over Q1 to 269 MMT, up by 15% YoY, though this is in part a reflection of weaker output during the country’s Covid-19 outbreak. Economic activity since recovered and continued to drive growth in steel output. Chinese steel exports saw their highest monthly total since 2016 with 4.3 MMT of steel heading to foreign buyers. Supras have been the primary beneficiary of this trend, with these ships accounting for 70% of all steel exports in March, rising 92% YoY to 3.1 MMT. We expect Chinese steel output to remain strong over Q2, but to come under further pressure from regulators later in the year. One of the drivers of increased steel output is China’s construction and property sectors, which saw activity continue to grow in March. Fixed asset investment in infrastructure increased by 31% YoY in March for the second month in a row as stimulus continues to move around the economy. Floor space of newly started houses increased 30% YoY in March rising to 271m square meters, aided by a 26% YoY jump in investment in real estate. Despite reports suggesting the People’s Bank will tighten lending restrictions soon, new loans in March totaled 2.7 trillion-yuan, flat YoY. This brings Q1’s total new loans to 7.7 trillion yuan, up by 8% YoY, though we expect conditions to tighten later in the year. (Braemar ACM – 19 Apr 21)

China appears to be short **coal**. Filling of supply gaps is turning to imports by snapping up Indo coal and even stretching out to Colombian and rarely taken South African. With the peak power demand season approaching and land-based supply of coal hindered, seaborne coal demand looks set to rise and could be the dark horse of the dry cargo market in 2021. (Arrow – 20 Apr 21)

The pace of **grain** shipments from East Coast South America (ECSA) has finally picked up. As the soybean export season commences, Brazilian Agri bulk exports on bulkers totaled almost 18.5 MMT in March, up by 10% YoY, although weak activity in the months prior mean that shipments over Q1 are only 2% higher YoY. Argentinian grain liftings also strengthened in March, jumping by 23% YoY to 7.7 MMT, but total volumes over Q1 still fell by 2% YoY. Exports from these two countries brought total ECSA shipments in March just shy of May 2020's record of 26.2 MMT. Based on shipments so far this month, April shipments are on track to hit an all-time high of 27.8 MMT, marking a 14% increase YoY. (Braemar ACM – 22 Apr 21)

Chinese buyers are thought to have booked at least half a million tonnes from the next French **wheat** harvest, for shipment between July and September, as China looks widely to cover grain import needs heightened by a domestic corn deficit, traders said. (Reuters – 22 Apr 21)

The USDA has announced it expects China to import a record 28 MMT of **corn** in the 2020/21 marketing year, almost tripling the 2020 calendar figure of 11.3 MMT. The surge in imports mainly stems from an increase in demand for feed as the sector recovers from the ASF that plagued livestock from 2018 through 2020. It comes at a time when domestic prices for corn are up 50%, with government, mills and speculators looking to rebuild stocks ahead of concerns for potential supply chain disruptions and weather-related issues. Though this marketing year represents a stock building policy, it is not expected to remain so in the new 2021/22 marketing year, where imports are forecast at 15 MMT. Amid firmer domestic prices and higher planted area, local corn output is expected to increase by 2.8% in 2021/22 to 268 MMT. On the other hand, wheat imports are expected to drop by 47% to 5 MMT in the 2021/22 marketing year, as wheat stocks return to their normal levels and are deemed to be sufficiently supplied. The USDA net sales data shows that China has purchased around 26 MMT corn from the US. Ukraine is expected to potentially supply another 5 MMT of corn. (Maersk Brokers – 23 Apr 21)

China is expected to import 10 MMT of **wheat** in 2020-21, according to the USDA. If realized, China's imports in 2020-21 (July-June) will be the highest in 25 years. (Platts – 26 Apr 21)

The benchmark 62% Fe content **iron ore** price hit $190.5 per tonne today the highest since 2011. Amid reports that economic planners in China are implementing curbs to steel production, steel prices have soared, and margins have increased. Prices in China are receiving support from external demand, with the recovery in global steel production still lagging, resulting in widening premium for ores with higher iron content. The spread between the 65% and 62% grades currently stands at $33.5 per tonne, 130% higher YoY and the highest on record. Global steel production increased by 12.4% MoM to a record breaking 169.2 MMT in March. A robust steel recovery has contributed to strong dry bulk demand in recent months as coal and iron ore shipments have grown in Q2 so far. Today, rebar futures hit their highest levels since 2011, while prices for hot rolled coil have reached record highs with prices rising 51% and 72% YoY on the Shanghai futures exchange. The World Steel Association now projects steel demand to grow 5.8% in 2021, raised from their October forecast of 4.1%. (Braemar ACM – 26 Apr 21)

According to industry sources, China's National development and Reform Commission has reportedly started directing custom authorities to release more **coal** import quotas. The development follows recent news on a potential shortage ahead of the busy summer months, when increased air-conditioning tend to elevate coal demand. Clearly a positive, the development marks a shift in China's stringent import quota control system and could provide near-term support to dry bulk freight rates. (DNB Markets – 27 Apr 21)

Jefferies analyst Randy Giveans said the **rising BDI** certainly helps the dry bulk shipping equities and expects the BDI to reach 3,300 points by May or June. "We remain very bullish on the sector and recently increased our dry bulk price targets across the board," he told TradeWinds. He said all the right factors have been in place for the BDI to break 3,000 points. "It's the combination of Chinese demand for iron ore, global coal demand stabilizing, robust grain/soybean trade, and minor bulks ramping with GDP. Combine this demand strength with minimal supply growth, and rates will continue to climb. We have been saying this would happen for a few months now. We just thought it would be this summer." (TradeWinds – 29 Apr 21)

Tightness in **coal** supply is likely to keep Chinese imports strong over the next couple of months, and in turn, continue to provide support to the dry market, even if Australian supply is off the menu. Further out we expect protectionist policy to put the pressure back on imports. Despite expectations of stronger electricity demand over the rest of the year, China's main economic planning agency has urged domestic miners to increase production and has reportedly considered financial aid for miners. Meanwhile, the agency has also called for a greater share of renewable sources in the energy mix, which is likely to grow this year. In the steel market, stricter anti-pollution drives later in the year are also likely to drag on coking coal consumption, of which around 90% is already supplied by the domestic market. In our view, these factors will weigh on imports in the second half of the year, though continued shortages in the summer months do pose an upside risk to this view. A recent recovery in Indian coal demand has also provided support to freight, but here too the medium-term outlook is not very encouraging. The country has been pulling in record volumes of Australian coal, but imports from Indonesia and South Africa remain weak. Indian imports totaled 17.8 MMT in March, up by 14% MoM but down by 16% YoY, though the long trip from Australia's east coast has insulated vessel demand somewhat. Indian demand for coal imports had been recovering from the effects of the pandemic, but the dramatic surge in cases over the past few weeks has triggered another industrial slowdown that will likely keep demand from power stations and steel mills subdued. South Korea has voluntarily restricted coal use at its state-owned power plants to reduce its carbon emissions. These cuts have already hit coal burn so far this year, so there is room for power generation to increase slightly later in the year and still be compliant with targets, but nuclear power generation is also expected to be strong, which could negate the need to significantly raise coal imports. South Korean coal imports have remained flat at around 9.5 MMT per month so far this year, 1% lower than 2020's average over this period and 16% lower versus 2019. Japan's coal imports meanwhile have bounced back to pre-pandemic levels, hitting 15.6 MMT in March, flat YoY. But even before Covid-19, Japanese coal consumption was on a downward trend due to structural changes in the country's industry, and we expect this trend to resume in the coming months. (Braemar ACM – 29 Apr 21)

China has set a target of "more than 6%" in total economic growth for 2021 and their industrial production in Q1 has soared 35% compared to the same period in 2020. **Cement** consumption is clearly on the rise and is backed up by Q1 rises in both domestic production and imports in comparison to Q1 2020. We see a massive 141 MMT extra domestic production in Q1 2021 over last year (returning to pre-2018 levels when imports started to arrive), and yet imports have also grown in the same period (up 27% on Q1 2020). China changed from being an exporter to an importer in 2018, and the rate of growth has moved China to the largest global importer of cement (but imports remain less than 2% of Chinese consumption). The origin of Chinese Q1 imports show that the vast majority is from Vietnam, and 98% comes from ports between Indonesia and Japan so are short haul trades. Chinese imports are nearly all in Clinker form, as there is good grinding capacity, whilst Hong Kong imports powdered cement. Where was this Vietnamese clinker going prior to China needing it? The main loser has been Bangladesh, which had Vietnam and China supplying a significant part of its imports. That has been replaced largely from SE Asia and other Indian Ocean suppliers such as Iran, Pakistan, UAE, Oman, KSA and even from India. Whilst these are again primarily short haul routes, this has dramatically increased the demand for **Supramax** tonnage in the western half of the Indian Ocean. It has also reduced the volume of cargo moving from China/Vietnam into the Indian Ocean. Both developments have been key factors behind the tremendous hike in the **shipping market** from the Indian Ocean in Q1 this year. The true power of the Indian Ocean market has been impossible to quantify by the BDI as not one of the routes on the BSI or BPI originate in the Indian Ocean. Nor has there been a dramatic boost in the Handysize routes as the BDI no longer incorporates the BHSI. Other countries that have had dramatic reductions in the cement they get from China since 2018 include USA, Hong Kong, Australia, Kenya, and West Africa. New sources have been found and we continue to be vigilant on the evolution of trade routes. (Howe Robinson Research – 30 Apr 21)

Market **fundamentals for Supras** remain very strong, with ballasters as a share of laden vessels within the lowest level seen in the last two years. This coupled with the strength in Panamax markets means that the most likely way from here is up, although we do not see the same potential for a significant rise in earnings. There is not much change in monthly total shipment volumes for Supras from here until year-end, which coupled with the strongly supporting macro-backdrop means it is hard to see any correction materializing that could take average earnings below 20.000 USD p/d for a sustained period for the remainder of Q2 or in Q3. (Fearnleys – 6 May 21)

# Key Supply Side Developments

**We started with 906.99 MDWT and have increased by 0.83% to 914.52 MDWT as at the end of Q1** 2021. A further 2.99% (27.09 MDWT) is scheduled for delivery in the rest of 2021. If we were to apply slippage factor of 20% (it was 38.4% in Q1 2021) and further assume that scrapping reaches 16 MDWT (it was 3.81 MDWT in Q1 2021) we would be left with **a fleet growth of 1.97% (906.99 MDWT to 924.87 MDWT) by end of 2021 and 0.42% by end of 2022 (924.87 MDWT to 928.76 MDWT), assuming similar recycling and slippage levels as in 2021**.

**Recycling** of ships in the Indian subcontinent **will be hit by a triple whammy**; end of Ramadan and the Eid festival commencing on 13th May; arrival of monsoons in early June; and a surge in Covid-19 cases in India, all coinciding **to reduce recycling during parts of Q2/Q3 2021**.

# What others' say about Supply Side Developments

**Dry bulk demolitions** have increased for the third consecutive quarter, with 43 vessels scrapped so far in Q1, the highest quarterly total since Q3 2017. Despite a month of extremely good timecharter rates, 40% of the ships scrapped so far in Q1 were demolished in March. Scrap prices have rallied on the back of strong steel prices, which have in turn been supported by steel capacity cuts in some regions, incentivizing some owners to scrap their aged vessels. Capes have seen 16 demolitions so far in Q1 2021, matching their highest quarterly total over the last 5 years, with 11 of the 16 vessels being VLOCs. The average age of scrapped Supramax ships has declined by 5 years to 26 since the start of 2018, with this vessel-type accounting for 28% of all bulker demolitions over this period. Meanwhile, the average age of Panamaxes heading for scrap has increased by 5 years since 2017, rising to 28 years of age. (Braemar ACM – 29 Mar 21)

**Bulker new buildings** ordered to end of Q1 at USD 331m are the lowest, second-hand purchases at USD 3.87b are the highest, recycling sales at USD 259m are the highest as compared to Tankers, Containers, Gas, OSV and Car carriers. (VesselsValue report – March 21)

Clarksons report the **dry bulk fleet** added 2.8 MDWT in March (1.5 MDWT of Capes, 0.7 of Pmax, 0.5 of Supras and 0.2 of Handies), while a total of 0.5 MDWT was scrapped (0.3 MDWT of Capes, 0.1 of Pmax, 0.1 of Supras and 0.1 of Handies). This implies a net fleet growth in March of 2.3

MDWT or annualized +3%. As the average speed of the fleet fell, effective supply decreased with the equivalent of -4.7 MDWT, resulting in an effective net change of -2.4 MDWT or annualized -3.2%. YTD the dry bulk fleet has seen deliveries of 10.4 MDWT, scrapping of 3.4 MDWT and the fleet at end March was 919.1 MDWT. (DNB Markets – 6 Apr 21)

There have been 101 **newbuilding deliveries in Q1** consisting of 5 VLOC, 21 Capesize, 13 Post Panamax, 21 Panamax, 24 Supra-Ultra and 17 Handysize. Demolition to date numbers 43 ships: 10 VLOC, 5 Capesize, 7 Panamax, 2 Supramax and 19 Handysize. Ultra's (60-66,000 DWT geared) dominate the Supra sector though we envisage less deliveries than the 138 that came out of yards in 2020. With the current strong freight markets and a relatively young average age it is unlikely many of the 3,400 vessels in this sector will be scrapped this year. Deletions continue to outnumber deliveries in the Handysize sector so though there are 86 vessels left on the orderbook for 2021 their impact on the overall fleet may well be limited. We expect a busy Q2 for deliveries but then expect to see the orderbook start to tail off in the second half of the year, so we forecast total tonnage Inflow in 2021 to be around 35 MDWT. Demolition has started the year strongly by virtue of several VLOC's being taken out of service but with present strong freight markets we envisage the pace of scrapping to slow such that it may only total 11 MDWT by the end of the year. A significantly reduced orderbook will mean net fleet growth at 2.8%, well below the 3.9% in 2019 and 3.6% in 2020. (Howe Robinson Research – 9 Apr 21)

**Bulker sales** reached a record 19 MDWT in Q1, with sentiment positive (many ships saw multiple inspections) and sellers taking advantage of rapidly rising asset values (Japanese sellers have remained active, accounting for 24% of tonnage sold, with Greeks and Chinese some of the largest buyers). (Clarksons – 23 Apr 21)

**Ship recycling** activities in Alang, in India's Gujarat state, have come to a standstill due to a lack of supply in the country of industrial grade oxygen used in cutting iron and steel. The government is scrambling to get oxygen tanks to hospitals where coronavirus patients are dying due to the surge in cases in the country. This has led the authorities to redirect all industrial-grade oxygen for medical use to battle the virus. (Lloyd's List – 28 Apr 21)

A **lack of orders** for new ships is providing further support to the dry bulk freight market as demand for commodities accelerates, a senior executive at US agribusiness giant Cargill said. The Baltic Exchange's main sea freight index, which gauges the cost of shipping commodities such as grain, iron ore, cement, coal, and fertilizer, has rallied close to an 11-year high this week, helped by rising rates for larger capesize ships. Shipping officials say orders for new vessels are slowing partly due to the uncertainty over what technology to invest in as the industry comes under pressure to slash greenhouse gas emissions in the coming decades. (Reuters – 30 Apr 21)

The long-term trend in **average speed** (index 2008=100) comparing 2021 year to date to 2008, is estimated to have **dropped by >15%** in the bulker sector. Against the backdrop of bulker earnings at 10-year highs, average **bulker speeds have risen by just 3.5%** in the last 14 months following the fall of 17% in the last 13 years. Bulkers Apr-21 average speed of 11.4 knots was up 3.5% versus Feb-20, but down 16% versus 2008. (Clarksons – 7 May 21)

# Key Regulatory Developments

**Decarbonization** of shipping has taken **center stage**. Figures of between **USD 1.5 trillion (Standard Chartered Bank) to USD 3.4 trillion (Martin Stopford of Clarksons)** are being tossed around as the **expected final bill** for this exercise.

The latest news making the rounds is for **a USD 100 per ton of fuel oil carbon tax to encourage the move to Zero Emission Vessels**.

**My unanswered question remains: "Can decarbonization be resolved by the Regulators (IMO) forcing all New Building ships to only be Zero Emission ships starting today?"**

**MAN**, the giant European **manufacturer of main engines**, in a news article stated, **"A complete ban on fossil fuels in the second half of the decade could significantly promote such a [decarbonization] development."** Others are finally getting my drift!

Shipowners have not yet got over their wasteful **love affair with Scrubbers** despite **more countries banning** the use of **open-loop scrubbers** in their waters – Turkey being the latest. The spread in price between LSFO and HSFO at USD100/150 is responsible for this shift. Quite a while back MPA Singapore had called **washwater from open-loop scrubbers 'toxic waste'** and had insisted that it be collected and disposed by a toxic waste cleaning agency.

# What others' say about Regulatory Developments

**Bulk carriers** produced an estimated c.160 MMT of CO2 last year, c.0.5% of total global emissions. While bulkers account for c.20% of the shipping industry's CO2 emissions, bulkers moved around 50% of global trade in tonne-miles last year and emitted less CO2 than the containership fleet (c.166 MMT), while moving over three times as much cargo in tonnes. In part, this reflects the economies of scale in moving bulk cargoes in large quantities, but also progress in curbing the sector's emissions over the last decade. Bulker fleet CO2 emissions in 2020 were slightly below 2010 levels, despite dry bulk tonne-mile demand having grown by 40%. Bulkers have, on average, reduced speeds by 18% since 2008, while 29% of capacity is now 'eco' (in line with boxships & tankers). Shipping remains the most carbon efficient mode of transport, and bulkers have amongst the lowest emissions per tonne-mile on average in the industry. Bulkers have also seen some limited uptake of energy saving technologies (ESTs), with c.7% of the fleet now recorded as fitted with one or more (boxships 11%; oil tankers 9%). With EEXI requirements coming up in 2023, some of these options may prove attractive, with 71% of the fleet still 'non-eco' and lower potential for speed reductions than in, for example, the boxship sector. With bulkers amongst the most 'well-travelled' ships in the fleet, major onshore investment will be needed; 77 bulker ports now offer LNG bunkering, of a total of c.1,800. (Clarksons – 26 Feb 21)

Efforts to **reduce emissions** from shipping (~810 MMT of CO2 in 2020, 2.4% of the global total) remain a core issue for stakeholders across maritime. The regulatory and policy framework is ramping up, with announcements including IMO Short-Term Measures (introduction of EEXI in 2023, and a new Carbon Intensity Indicator), the EU's proposed inclusion of shipping in its ETS from 2022 and the Sea Cargo Charter initiative. (Clarksons – 19 Mar 21)

Turkey has joined the growing list of countries acting **against open-loop scrubbers**, including China, Saudi Arabia, Singapore and many European ports and regions. As a result, vessels operating an open-loop scrubber will have to switch to compliant fuels when entering Turkish waters.

Last year the European Parliament's environmental committee had advised that Europe should phase out the use of open-loop scrubbers and restrict the discharge of scrubber wastewater as soon as possible. (Splash – 12 Apr 21)

A report from the UK-based Cambridge Sustainability Commission on Scaling Behavior Change says the **world's wealthiest** 1% produce double the combined carbon emissions of the poorest 50%. The wealthiest 5% alone – the so-called "polluter elite" - contributed 37% of emissions growth between 1990 and 2015. The recent report of the UK Climate Assembly proposed a series of measures targeting carbon-intensive behaviors such as shifting away from meat and dairy produce; banning the most polluting SUVs; and imposing frequent flyer levies. (BBC – 13 Apr 21)

MAN, the giant European manufacturer responsible for nearly one in every two engines in the global merchant fleet, stated "A regulatory framework supported by social consensus, on the other hand, could trigger not only such a technological change, but also a boom in shipping as a result, **a complete ban on fossil fuels** in the second half of the decade could significantly promote such a development." (Splash – 22 Apr 21)

**India** is currently facing its second wave of Covid infections, as new cases in the country has risen to above 300k/day. The spike has put its strain on medical supplies and New Delhi's deputy chief minister recently reported that some of the city's hospitals have completely run out of oxygen. Due to the shortage, all available oxygen has been directed towards hospitals ahead of other uses – such as blow-torch fuel for ship recycling. India's ship recycling industry, which in 2020 stood for 24% of global demolitions, has seen disruptions on the oxygen shortage which could impact shipbreaking capacity. For comparison, during 2020, Bangladesh' and Pakistan's share of global demolitions amounted to 46% and 19%, respectively. (DNB Markets – 22 Apr 21)

**Shipping emits** around 2% of global greenhouse gas emissions but moves 90% of global trade. It is six times more carbon efficient than trucks and 150 times more efficient than aviation. And over the past 10 years the industry has reduced its emissions by 10%, while facilitating a 30% increase of global trade. (Lloyd's List – 26 Apr 21)

The Washington DC-headquartered International Council on Clean Transportation (ICCT) has issued a first-of-its-kind 28-page report, along with an interactive map, looking at the global distribution of washwater pollution caused by ships using exhaust gas cleaning systems. "The most popular type of scrubber, open loop, constantly discharges large amounts of washwater that is acidic and contains polycyclic aromatic hydrocarbons, particulate matter, nitrates, nitrites, and heavy metals including nickel, lead, copper, and mercury, all of which are discharged to the aquatic environment where they can damage marine ecosystems and wildlife and worsen water quality," the ICCT study states, something strongly denied by advocates of scrubber technology. The study finds that approximately 3,600 ships with **scrubbers will emit at least 10bn tonnes of washwater each year** for the next several years, 80% of which is discharged within 200 nautical miles of shore. (Splash – 29 Apr 21)

The Asiatic/Atlantic Lloyd group has completed a $380m spending spree with a newbuilding order for **four ammonia-ready boxships**. (TradeWinds – 3 May 21)

Slower speeds, along with the introduction of new 'eco' ships, have seen the world fleet's estimated **CO2 footprint drop by an estimated 21%** since 2008 to 810 MMT in 2020 (2.4% of global CO2 emissions). (Clarksons – 7 May 21)

# Our read of the Novel Coronavirus or Covid-19

**Governments around the world affected by Covid-19 have announced stimulus measures of around USD 19.78 trillion, or about 23.6% of world GDP in 2020 of 83.85 trillion!** And more stimuli are being discussed and added to this massive total.

The roll out of vaccines, rise of mutant strains, handling of the pandemic by governments, infection rates, death rates, ability of health services to cope, lockdowns and more, will all conspire to make **'Nobody is safe, till everybody is safe' our living mantra for this decade**.

In our earlier letters we had alluded to **this virus being amoral**. In Thailand we have the 3rd wave slamming the health system to near breaking point because **the rich sin at the various nightclubs and the poor die due to overwhelmed health resources**.

# Others' read of the Novel Coronavirus or Covid-19

The **spread of variants** means COVID-19 will likely be around forever. People might require regular booster shots to fight new variants of the virus. But experts say it is impossible to vaccinate everyone yearly, so the virus will continue to circulate. (Business Insider – 12 Feb 21)

A study from Scotland released on February 22nd tracked the health of 1.1m people vaccinated between December 8th and February 15th. It found that the Pfizer-BioNTech **vaccine reduced** the hospitalization rate among inoculated Scots by 85% four weeks after their first dose; the AstraZeneca-Oxford vaccine lowered hospitalizations by 94%. (The Economist – 22 Feb 21)

The Pfizer-BioNTech **vaccine has proven so effective** that public health experts think immunizations could end the global coronavirus pandemic. A study of 1.2 million people in Israel found the shot was 92% effective at preventing severe Covid cases after two doses and 62% after one. It also reduced transmission by 89% and its estimated effectiveness for preventing death was 72% up to three weeks after the first shot. It is the largest study yet to test vaccine efficacy in a real-world environment, outside the confines of clinical trials. (Bloomberg – 25 Feb 21)

**Novavax's Covid-19** vaccine is more than 96% effective against early coronavirus strains, the Maryland company reported yesterday. This is based on a UK trial; until its US trial is complete, Novavax cannot apply for emergency authorization there, but the EU is already reviewing the drug. As for the more contagious UK variant (B.1.1.7), Novavax's jab has 86% efficacy—though it is entirely effective in suppressing severe cases caused by any strain. (NBC News - 12 Mar 21)

**"Long haul" Covid-19** sufferers have been reporting the alleviation of their symptoms once they get vaccinated. Doctors are perplexed…but would it not be awesome if that really were a bonus effect of the vaccines? (Washington Post - 17 Mar 21)

**New and improved** Covid-19 vaccines, including ones that do not require needles and can be stored at room temperature, may be ready as soon as this year, the WHO's top scientist said. In development are inoculations that could be given as a nasal spray or taken orally. Globally, 10 shots have been proven effective since the pandemic began. (Bloomberg – 18 Mar 21)

**Pfizer** is starting human safety tests of a pill to treat the coronavirus. The drug is designed to be administered at the first signs of illness to prevent patients from becoming very sick. The tests could generate results within weeks, the company said. (Bloomberg – 23 Mar 21)

Even as vaccines are rolling out worldwide, the coronavirus and its mutations still pose a major health threat. **Antiviral drug Molnupiravir**, still in clinical trials, would give doctors an important new weapon against coronaviruses and future pandemics. (Bloomberg – 27 Mar 21)

A US study shows a critical component of the immune system known as **T cells** that respond to fight infection from the original version of the virus appear to also protect against three of the most concerning new variants. (Reuters – 30 Mar 21)

**Pfizer** announced Wednesday that its Covid-19 vaccine is safe and strongly protective in kids as young as 12, a step toward possibly beginning shots in this age group. Most Covid-19 vaccines being rolled out worldwide are for adults, who are at higher risk. Pfizer's vaccine is authorized for ages 16 and older. But vaccinating children of all ages will be critical to stopping the pandemic — and helping schools start to look a little more normal. (Boston Globe - 31 Mar 21)

One in three Covid-19 survivors in a study of more than 230,000 mostly American patients were diagnosed with a brain or psychiatric disorder within six months, suggesting the pandemic could lead to a wave of **mental and neurological** problems, scientists say. (Reuters – 7 Apr 21)

**Cuba** may become the smallest country to make covid-19 vaccines. The country has only 11m people and is short of basic goods such as rice and paracetamol. But its long history of medical research has stood it in relatively good stead during the pandemic. Now the country is developing five potential covid-19 vaccines. (The Economist – 10 Apr 21)

There is consistent, strong evidence to prove that the SARS-CoV-2 virus, behind the Covid-19 pandemic, is predominantly **transmitted through the air**, according to a new assessment published on 15 April in The Lancet journal. The analysis by six experts from the UK, the US and Canada says public health measures that fail to treat the virus as predominantly airborne leave people unprotected and allow the virus to spread. (First Post – 17 Apr 21)

If you have had Covid-19, you may only need one of the two vaccine doses recommended by **Pfizer and Moderna**, according to a new study. It is a striking finding at a time when global supplies are under strain. (Bloomberg – 19 Apr 21)

**Faster-spreading** Covid-19 variants are sending more children and young adults to the hospital. Fatalities remain low, but doctors say the virus is now making the young sicker, some gravely, and cautionary tales are beginning to multiply. (Bloomberg – 20 Apr 21)

Ozlem Tureci, BioNTech's co-founder and chief medical officer, has backed up **Pfizer** CEO Albert Bourla in saying people will probably **need a third, booster jab** of the companies' vaccine. She also expects people will need an annual shot, as they do with seasonal flu. (CNBC – 22 Apr 21)

Two reports of so-called coronavirus breakthrough infections — in which fully vaccinated people get the illness anyway — suggest that the **vaccines still offer strong protection** against severe disease even in the face of variants. (NBC News - 22 Apr 21)

**American export controls** on raw materials and equipment threaten to hinder global vaccine production. Production lines in India, turning out at least 160m doses of covid vaccine a month, will soon grind to a halt unless America supplies 37 critical items. (The Economist – 24 Apr 21)

Covid-19 spurs a **39% increased risk for diabetes**. (Bloomberg – 5 May 21)

The good news is that the **vaccines work against the virus strain circulating in India** that has spread to several other countries. The bad news is it will not be the only new version of the pathogen to emerge from an outbreak of this scale, underscoring the urgency of mapping other possible variants that may be currently racing through India's population of 1.4 billion. Moderna's Covid-19 booster shots gave positive results against strains that emerged in South Africa and Brazil, according to early results from a mid-stage trial. And the US will support a proposal to waive intellectual-property protections for vaccines at the WTO. Cases in the country could see a sharp decline by July if vaccination efforts continue to be successful, the Centers for Disease Control and Prevention says. (Bloomberg - 5 May 21)

# Key Demand Developments

## China

China will **drive global economic growth** in the coming years as the world recovers from the pandemic that has killed 2.9 million people, the IMF predicts. China will contribute more than one-fifth of the total increase in the world's GDP in the five years through 2026, according to Bloomberg calculations based on IMF forecasts. Global GDP is expected to rise by more than $28 trillion to $122 trillion over that period, after falling $2.8 trillion last year in the biggest peacetime shock to output since the Great Depression. (Bloomberg – 6 Apr 21)

**China's GDP is set to grow by 8.4%**, the IMF projected in a report released Tuesday. The figure is ahead of the IMF's 6.4% GDP growth projection for the US, but behind India's 12.5% forecast. The IMF also said that China will drive global GDP recovery from the pandemic and will account for 20.4% of the world's GDP growth from 2021 to 2026, compared to the US's 14.8% share and India's 8.4% contribution. (Bloomberg – 8 Apr 21)

China's economy likely grew at **record pace of 19%** in the first quarter, rebounding from a pandemic slump early last year as demand recovered at home and abroad and as policy support for ailing smaller firms continued, a Reuters poll showed. (Reuters – 16 Apr 21)

China's National Bureau of Statistic's released its **monthly production figures** for March. According to the production statistics, they showed a strong trend for GDP growth, coal consumption and steel production. March saw Chinese electricity production follow its normal seasonal trend as 662.3bn kWh was produced, which is up 19.2% YOY and 12.3% MOM. YTD, electricity production is thus up 20.4% YOY. Relevant for dry bulk, China's thermal electricity production during March was 498.9bn kWh, which is up 26.6% YOY and 12.0% MOM. YTD, Chinas thermal electricity production is up 22.4% and has YTD accounted for 76% of total electricity production, which compares with the 2018 to 2020 share of 73%, 72% and 71%, respectively. China's domestic coal production, which has been rumored to be suffering from severe inspections following a series of accidents, rose only 3.5% YOY whilst being up 20% MOM. YTD, China's coal production has risen by 16.9% YOY, and has thus been severely outpaced by the country's thermal electricity production – in our view a positive for dry bulk owners, as it would suggest further pressure on Chinese coal inventories ahead of the summer peak. During March, China's steel production rose by 20.4% YOY and 15.7% MOM. YTD, China's steel production has followed its usual seasonal pattern, albeit at an elevated level, and is currently up 15.6% YOY. Pig iron production (raw material for making steel) has followed suit and reads as a strong positive for continued demand as March production figures were up 13.1% YOY and 11.0% MOM. YTD, Chinese pig iron production is up 10.6% YOY. (DNB Markets – 16 Apr 21)

**China's economy continued to boom** in April from the record growth in the first quarter, with strong exports and rising business confidence supporting the recovery. That is the outlook of an aggregate index combining eight early indicators tracked by Bloomberg, which remained unchanged from March in strong expansionary territory. (Bloomberg – 26 Apr 21)

Xinhua news agency predicts the number of Chinese embarking on domestic excursions next week will reach 250 million, up from 195 million during the Labor Day holiday in 2019 before the pandemic. Bloomberg reports that reservations for domestic air flights, hotels, and rental cars for next week's holiday have surged 23%, 43%, and 126%, respectively, compared to the same period in 2019. Tickets for the Palace Museum in Beijing are sold out, while those for Shanghai Disneyland are disappearing fast. Starbucks reported same-store sales growth of 91% in China for the January-to-March quarter. China is Starbucks' second-largest market. Apple reported blowout growth powered by **booming China sales** for Q1'21. Revenue from its "Greater China" region was up 87% over the same period in 2020. China accounted for 41% of Tesla's global sales in 2020. Elon Musk expects China soon will overtake the US to become the company's No. 1 market. LVMH revenue for Q1'21 climbed 30% compared to the same period last year driven by strong growth in China and the US. Bulgari credits mainland consumers for the resilience of sales at the Italian jeweler over the past year. (Fortune – 29 Apr 21)

## Americas

Now that the $1.856 trillion American Rescue Plan has cleared Congressional approval, economists and Wall Street forecasters are busy running the numbers on one of the largest federal aid packages for American families since the Great Depression. They figure all this **helicopter money could boost US GDP by 5, 6 or even 7% this year**, and that it will lift the global economy as well. (Fortune – 11 Mar 21)

**US households' net worth end of Q4'20**, hit an all-time high of $130.2 trillion, the Fed reported yesterday. That nest egg grew an astonishing 10.1% above the Q4 2019 level. As Berenberg economist Mickey Levy explains, household net worth is "a measure of the value of financial (stocks and bonds, etc.) and nonfinancial (real estate, etc.) assets held by households and nonprofits—and its strong rise following the deep economic contraction in Q2020 is striking." For some Americans, the pandemic has done wonders for their credit ratings. (Fortune – 12 Mar 21)

Fed Chair Jerome Powell was crystal clear in his communication. He will not hike if bond yields go up. He will not hike if inflation goes to 2% (looking at the dot plot, it seems the Fed will not even hike if inflation goes to 2.5%!). He will not hike if employment falls to 3.5%. And he **will not hike if the economy grows** by 6.5% this year. (Bloomberg – 18 Mar 21)

President Joe Biden rolled out his own version of FDR's New Deal: a $2.25 trillion infrastructure package. Unveiled on Wednesday, the "American Job Plan" is being billed as the most sweeping economic investment since the original US space program. It is aimed at propping up the country's historically underfunded and **largely disintegrating infrastructure**. (Bloomberg – 31 Mar 21)

On March 25, Biden spoke to multiple reporters, said that **America ranked thirteenth** in the world for quality of infrastructure; Japan is fifth; China is third; and none other than Singapore is first. (Mothership.sg – 1 Apr 21)

Jamie Dimon said he is optimistic the **pandemic will end with a US economic rebound** that could last at least two years. "I have little doubt that with excess savings, new stimulus savings, huge deficit spending, more QE, a new potential infrastructure bill, a successful vaccine and euphoria around the end of the pandemic, the US economy will likely boom," the JPMorgan CEO said Wednesday in his annual letter to shareholders. "This boom could easily run into 2023." Dimon also pointed to US consumers, who used stimulus checks to reduce debt to the lowest level in 40 years and stashed them in savings. (Bloomberg – 7 Apr 21)

In the span of the past twelve months, Congress has enacted a half-dozen laws that succeeded in dumping more than **$5 trillion worth of helicopter money** on the American economy. That equates to roughly 25% of US GDP. All that taxpayer money will provide rocket fuel for historic US economic growth this year, and part of next year. (Fortune – 9 Apr 21)

The **US economy grew in the first quarter** to a size just slightly smaller than the pre-pandemic economy. In other words, we are probably looking at a fast, consumer-driven recovery. Oxford Economics chief US economist Gregory Daco: "Everything about this crisis has been unique. The speed and the magnitude of the contraction in economic activity was unprecedented. The amount of policy support put in place was extremely rapid." (Wall Street Journal – 29 Apr 21)

**US personal incomes soared** in March by the most in monthly records back to 1946, powered by a third round of pandemic-relief checks that also sparked a sharp gain in spending. (Bloomberg – 30 Apr 21)

President Joe Biden's election has done little to slow the inexorable surge of wealth among US billionaires. In his first 100 days in office, amid the drumbeat of calls for the rich to pay more in taxes after decades of tax cuts, the **100 wealthiest Americans added** a combined $195 billion to their fortunes. (Bloomberg – 30 Apr 21)

The decisive factor is the US government's stimulus program, which has managed to bridge the gap between a Great Depression-style hangover in consumer behavior with a Roaring Twenties-type scenario. **Personal incomes jumped 21.1%** in March, the biggest monthly increase on record. Meanwhile spending rose 4.2%, even while the personal savings rate surged to 27.6% from 13.9% the month before. Put simply, people have more money right now, and so saving more and spending more are no longer mutually exclusive scenarios. (Bloomberg – 3 May 21)

## Asia

The **resurgence of Covid-19 in India** has prompted fresh lockdowns across several states. While ports, steelmaking plants and refineries are deemed essential businesses and continue to operate, disruptions should be expected. Steelmakers are diverting mass oxygen supplies for medical use. So far, the impact on steel output is said to be minimal. However, major car manufacturers are shutting down their plants or bringing forward maintenance, the first signals of faltering domestic demand. As a result, steel mills are likely to focus on overseas markets like 2Q20 when exports jumped by 1.7 MMT or 216% after the imposition of the first lockdown. Record-high steel product export prices further incentivize shipments. Coal shipments to India have not been affected yet and hover around pre-pandemic levels. Last year, imports were slashed soon after the outbreak. This time around the impact should be less acute as India's thermal coal stocks are equivalent to just 12 days of consumption, the lowest seasonal level since 2018. That compares to 25 days when the first lockdown was announced in March 2020. With the monsoon season around the corner the window for replenishing inventories narrows. As such, coal import demand should not be affected materially. Although the most recent Covid outbreak has had a limited impact on India's seaborne trade so far, disruptions are likely in the near term. They should be less severe than last year, especially if a nationwide lockdown is avoided. That said, the scale of disruptions will ultimately depend on the effectiveness of restrictions and the speed of vaccine deployment. (Arrow – 29 Apr 21)

## ROW

Households around the world have amassed **$2.9 trillion**—yes, trillion with a T—in excess savings, enough dry powder to fuel one heck of an economic recovery. (Fortune – 4 Mar 21)

The **IMF said** that it now thinks the world GDP shrank by 3.3% last year, less than it had feared, mainly because of the huge stimulus packages that propped up many economies and without which the contraction may have been three times as great. (The Economist – 8 Apr 21)

The **forecast cycle** took another step in the right direction with the IMF raising its 2021 and 2022 estimates by 0.5% and 0.4%, respectively, to +6.0% and +4.4%, citing optimism on vaccines and continued successful policy support, although many challenges remain. Forecasts were higher for all main economies, led by oil intensive India which is expected to grow by 12.5%. Importantly, the +4.4% forecast for 2022 is also well above trend. Trade, and thereby shipping, should benefit from stronger GDP growth. As such, we view this as good news for all the various shipping segments. (Arctic Shipping – 9 Apr 21)