The 4th Quarter of 2020 Management Discussion and Analysis (MD&A)

Our Key Performance Indicators:

Consolidated Financial Performance (US Dollar Terms): The results, audited by EY Office Ltd., show you the latest financial position of Precious Shipping Public Company Limited and its subsidiaries ("the Company"). The earnings per day per ship during Q4 came in at USD 10,022, taking the annual figure to USD 8,332. Please look at the Market Segmentation report that shows you the relative performance of the PSL fleet's earnings per day per ship compared to the Index ships. In this quarter, daily operating costs were USD 5,067 which has taken the annual costs to USD 4,705 per day per ship, or slightly higher than our target of USD 4,650 for the year but lower than USD 4,778 for the actual of the previous year. The EBITDA was USD 13.79 million during Q4 and USD 36.25 million for the year. In Q4 we made a net profit of USD 0.90 million, with earnings per share of Baht 0.02. This is the first quarterly profit for this year. In year 2020, we made a net loss of USD 40.80 million, with a loss per share of Baht 0.83.

THE HARD FACTS	2019	2020	Q4 2019	Q4 2020
Highest earnings per day per ship in USD	24,937	20,500	24,937	20,500
Average earnings per day per ship in USD	9,622	8,332	10,628	10,022
Av. earnings per day per Handysize ship in USD	9,002	8,214	9,132	10,033
Av. earnings per day per Supramax ship in USD	9,961	7,477	12,121	10,211
Av. earnings per day per Ultramax ship in USD	10,712	9,575	12,502	9,782
Operating cost per day per ship in USD	4,778	4,705	4,788	5,067
EBITDA in million USD	44.49	36.25	13.30	13.79
Net Profit/(Loss) in million USD (excluding Exchange gain (loss) and Non-recurring items)	(7.07)	(13.24)	0.94	2.10
Net Profit/(Loss) in million USD	(7.25)	(40.80)	0.87	0.90
Earnings (Loss) Per Share in Thai Baht (excluding Exchange gain (loss) and Non-recurring items)	(0.14)	(0.27)	0.02	0.04
Earnings (Loss) Per Share in Thai Baht	(0.15)	(0.83)	0.02	0.02

Consolidated Financial Performance (Thai Baht Terms):

For the year ended 31 December 2020, the Company incurred a net loss of Baht 1,294.86 million as compared to a net loss of Baht 228.49 million in 2019. The main reasons for the changes are as follows:

1. The Net Vessel Operating Income (Vessel Operating Income net of voyage disbursements and bunker consumption) for the year 2020 was 12% lower than the Net Vessel Operating Income for the year 2019. This is mainly due to the decrease in the average earnings per day per Vessel which declined from USD 9,622 in 2019 to USD 8,332 in 2020. Average

freight rates were lower than the previous year due to the impact of Covid-19, particularly between February and May 2020. The fleet size as on 31 December 2020 was 36 vessels.

2. Vessel running expenses are 1% lower compared to the figure in 2019. The average operating expenses (Opex) per day per Vessel (including depreciation/amortisation of Drydocking/Special Survey expenses) decreased from USD 4,778 for 2019 to USD 4,705 for 2020, mainly on account of lower crew and stores expenses.
3. Administrative expenses (including management remuneration) for 2020 came in Baht 210.27 million lower than the figure in 2019, mainly due to the decrease in legal and personnel expenses.
4. Loss of Baht 868.72 million after signing a settlement agreement with Sainty Shipyard in Q2 2020.
5. Gain of Baht 11.99 million from the settlement of a cross currency swap and other derivative instruments.
6. Finance costs in 2020 were Baht 106.15 million lower than the figure in 2019, due to lower interest expenses. This was driven by a lower LIBOR rate as well as due to a reduction in overall debt.

Market Segmentation (Q4 2020): The Baltic Handy Size Index (BHSI) averaged 619 points, as derived from an average Time Charter (TC) rate of USD 11,142 per day. In comparison, **our Handy size fleet earned USD 10,033 and underperformed the BHSI TC rate by 9.95%.** The Baltic Supramax Index (BSI) averaged 977 points, as derived from an average TC rate of USD 10,749 per day. In comparison, **our Supra/Ultra fleet average earnings were USD 10,009 per day and underperformed the BSI TC rate by 6.88%.** Our target is to outperform the indices.

The SET Opportunity Day will be virtually held at 1615 hours on the 24th of February 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 Q4 results. Number of live online participants during PSL's presentation of Q3 results on 18 November 2020 were: SET website 115 views, YouTube 100 views and Facebook 35 views, making a grand total of 250 views.

Long Term versus short term Charters: The long-term charters, over 1 year, already booked as of 1st January 2021 are shown in the chart below. As can be seen, our forward four-year rolling book is currently at the 15% 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.

Ship recycling has progressed with 15.1 MDWT (+83.5%) of ships being recycled during 2020 (despite the lockdowns experienced in the Indian subcontinent between the 3rd week of

March and the end of May) across the dry bulk fleet as compared to **8.23 MDWT** in 2019. The existing **age profile at the end of 2020 of 56.2 MDWT** (31.71 MDWT in the geared segment and 24.48 MDWT in the gearless segment) or **6.2%** (9.85% in the geared segment and 4.18% 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 6.07%** (order book up to end 2023 compared to net supply end of 2020), should result in the world dry bulk fleet growing at a much slower pace. **Healthier recycling is expected during 2021/2022** due to the large number of 20+ year old ships in the world fleet, state of the freight markets, pressures from BWTS/IMO2020, Special Survey costs on these older ships, and additional regulatory pressure that might force their early recycling.

BDI Developments and our read of the market:

- Please watch this [beautiful video by BIMCO & ITN] on the role of ships and the 1.7 million seafarers who serve on them.
- The **dry bulk market will have the same macro issues** of supply/demand balance dominating its narrative. Please **see the next section for a comprehensive explanation**.
- **2020 was a year of two halves**. In the FH we had the **mother of all black swans, Covid-19,** descend on the dry bulk markets **resulting in demand destruction** and a **global economic recession as bad as the 1929 great depression**. The pundits proclaimed that **the dry bulk market was condemned to perdition**. But just as the pundits were murmuring our last rights, **China and its USD 667 billion stimulus plan** announced in May, **brought the dry bulk market and demand roaring back to life!**
- The **BDI** averaged **685 in FH,** and **1,444 in SH (+110%)** having started the **year at 976 points and ended on 24 December 2020 at 1,366 points (+40%)**.
- To emphasize the above, in the **FH Capes averaged USD 7,186** and, in the **SH, averaged USD 18,913 (+163%!) Capes started** the year **at USD 11,976** on 2 January, dropped to a **low of USD 1,992** on 14 May, rose to a **high of USD 34,896** on 6 October and **ended** the year **at USD 16,633** on 24 December while **net supply grew by 3.73% during 2020!**
- **19.9% of Chinese iron ore imports came from Brazil up by 7.4% and 62.5% from Australia up by 5.9% in 2020.**
- **Brazilian iron ore exports were down 1.2% while Australian iron ore exports were up by 3.4%.** As longer ton-mile was replaced with shorter ton-mile, it negatively affected the Cape sector in the FH.
- **Scrubbers** fitted onto 3,000+ ships **have 'wasted'** minimum **USD 6 billion** or more **that could have been** much better **spent on real problems like decarbonization**.
- **Net supply growth of 3.84% exceeded ton-mile demand growth**, estimated by Clarksons Research **at -2.19%** and by Clarksons Platou Analysts **at +0.5%, during 2020**.
- **India's rice exports rose by 45.9% from a year ago to 14.4 MMT in 2020**.
- **China's hog population is surging** after eradication of African Swine Fever requiring larger imports of Soybeans and corn.
- **American consumers have paid down debt** dramatically during Covid-19 as compared to the GFC so **could be on a spending spree once vaccines become freely available. Consumer spending accounts for 70% of USA GDP!**
- **Federal Reserve officials are predicting that 2021 would be 'impressive!'**
- The port of **LA reported a 27.3% increase in imports in October** 2020 compared to October 2019, being the **highest-ever in its 114-year history!**

- **China's imports and exports rose 13.2% and 9.9%** in September 2020 compared to September 2019.
- **China's shipments to the USA increased by 46% in November** 2020 compared with November 2019.
- USA has **shipped 27.3 MMT Soybeans in 2020 to China**.
- USA had **shipped 1.9 MMT of wheat in 2020 to China.**
- China imported **8.5 MMT of wheat up 58%** in 2020 compared to 2019.
- China imported **11.3 MMT of corn up 49%** in 2020 compared to 2019.
- China imported **1,170 MMT of iron ore up 9.3%** in 2020 compared to 2019.
- China imported **304.1 MMT of coal up 1.5%** in 2020 compared to 2019.
- China imported **100.3 MMT of Soybean up 13.3%** in 2020 compared to 2019.
- China produced **1,053 MMT of Steel up 5.7%** in 2020 compared to 2019.
- China exported **53.7 MMT of Steel down 16.5%** in 2020 compared to 2019.
- China imported **20.23 MMT of Steel up 64%** in 2020 compared to 2019.
- **China's PMI index was 51.9 during 2020** due to various stimulus measures taken by the Chinese government.
- **China's 2020 GDP growth was 2.3%, the only major economy to have grown in 2020.** The Chinese government have certainly stimulated economic activity and increased demand for dry bulk commodities. The **IMF expects 8.1% GDP growth for China for 2021**.
- **The EU has agreed to a USD 2.2 trillion Covid-19 stimulus package!**
- Government and Central Banks pumped **more than USD 17.9 trillion of monetary/fiscal stimulus** which should **translate into strong ton-mile demand growth in 2021/2022.**
- **La Nina has been pronounced and may lead to supply chain disruption in FH 2021.**
- **UK GDP fell a staggering 11.4% in 2020.**
- **Japan's GDP contracted by 5.4% in 2020.**
- **India's GDP shrank by 12.2% in 2020**.
- **Singapore's GDP shrank by 6.7% in 2020**.
- In Jan 2021, **IMF calculated world GDP shrank by 3.5% in 2020. IMF revised 2021 world GDP growth to +5.5% and +4.2% for 2022.** The latest Jan 2021 IMF forecast for 2021 GDP growth rates was Australia +3.5%, Canada +3.6%, China +8.1%, France +5.5%, Germany +3.5%, India +11.5%, Indonesia +4.8%, Italy +3.0%, Japan +3.1%, Netherlands +3.0%, Saudi Arabia +2.6%, South Korea +3.1%, Spain +5.9%, Thailand +2.7%, United Kingdom +4.5% and United States +5.1%. There were no changes to forecast for 2021 GDP growth rates for Denmark +3.5%, Greece +4.1%, New Zealand +4.4%, Norway +3.6%, Sweden +3.5%, Switzerland +3.6%, Taiwan +3.2% and United Arab Emirates +1.3% from the last reported outlook in October 2020.
- **Covid-19 continues to pose a threat** to individual countries as well as to the world economy. If this threat **dissipates by the FH of 2021,** which appears a distinct possibility thanks to more than three vaccines crossing the finish line before the end of 2020, **then shipping would be back to normal by the SH of 2021.**
- **Capital markets remained frozen in 2020.** We hope for the **reopening of debt/equity** capital markets **during 2021**, especially now that we have vaccines up and running.
- The Regional Comprehensive Economic Partnership (**RCEP), a free trade pact signed** in November **by 15 major economies (combined GDP of USD 26 trillion**), including China, Japan, South Korea, Australia, New Zealand and 10 Southeast Asian countries **will spur regional trade and reduce anti-globalization risks**.
- President **Joe Biden has pledged to spend $2 trillion on roads, bridges**, and electric-car charging points.

- **Brexit** is finally done. Another **uncertainty** holding back markets **has been removed!**
- **The EU-China pact was signed in November allowing access to EU investments into China.**
- The current **orderbook to fleet (end 2020) ratio is at 6.07%** (for the **geared sector 4.39%** and for the **gearless sector 6.99%)** or the **lowest quarterly reading for over 20 years!**
- Almost 4 times as much DWT was delivered (48.66 MDWT) in 2020 than was ordered (13.87 MDWT). 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**.**Recycling has gone from 8.23 MDWT in 2019 to 15.1 MDWT (+83.5%) in 2020 despite the Covid-19 lockdown disrupting one quarter of recycling**.
- Covid-19 induced **congestion delays**, **deviations for crew changes** adding to ton-miles, and delays due to **14-day quarantine of ships have all tightened supply of ships**.
- **Owners continue to reduce the speed of their ships** further tightening supply.
- **PSL's exposure to the smaller geared segments** means that it will be exposed to **lower growth in net supply of 0.84% in 2021**.
- **Ships 20 years or older,** comprising about **56.2 MDWT or 6.2%** of the existing fleet (31.71 MDWT of the geared fleet or 9.85% and 24.48 MDWT of the gearless fleet or 4.18%) at the end of 2020 **would be ideal candidates for recycling** as they would have to invest in ballast water treatment systems, IMO2020, expensive special surveys, and possibly face regulatory-led forced recycling after 2023.
- **Net supply growth in 2020 of 3.84% has exceeded ton-mile demand growth of -2.19% to +0.5% (differing estimates from Clarksons Research and Analysts.)[1] The reverse is expected for 2021 and 2022 with expectations that ton-mile demand will handsomely exceed net supply growth in each of these two years.**
- Another way to look at **market prospects** would be to **compare the current forward orderbook of 55.06 MDWT (till end of 2023) as a percentage (6.07%) of the existing fleet at the end of 2020** and see when it was as low as this number, that would have been in the mid 1980's!
- Clarksons data shows **a net fleet growth rate of 3.84% in 2020 (873.43 MDWT to 906.99 MDWT.)** Our read of the **growth in supply by end of 2021 and 2022 of 1.84% and 0.22% (906.99 MDWT to 923.66 MDWT by end 2021 and then to 925.73 MDWT by end 2022), assumes recycling of 16 MDWT/year and slippage of 15% per year in 2021 and 2022.**
- **If our reading of net supply growth at 1.84% pans out, then 2021 should be a good year considering the world GDP growth rate of 5.5% indicated by the IMF**.
- 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 passing special surveys on 20+ year older ships, then **the market would further benefit from** this **tightening of** available **ships**.

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[1] Clarksons explanation for the varying estimates: *It is worth making clear that the dry bulk trade forecasts on Shipping Intelligence Network (derived from the Dry Bulk Trade Outlook) are produced by Clarksons Research, an independent part of the Clarksons Group, while the analyst's report is produced by the dry cargo analysts within the broking department at Clarksons Platou. While we generally have a well aligned view of the markets, it is not uncommon – particularly in such a dramatic and volatile year as 2020 – for our forecasts to show some differences. It is worth pointing out that tracking every single tonne of dry bulk trade, and its exact trade route, is not possible, and so any tonne-mile trade estimate published by either Clarksons Research or the Clarksons Platou analysts represent estimates based on a selection of trade flows and assumptions, and the methodology used may not be the same. Both estimates do however show a clear tonne-mile 'bonus' compared to the estimated growth rate of dry bulk trade in tons last year. We are also currently working on the January edition of the DBTO – the first since full-year data became available for some trade flows, which may well lead to some upwards revisions to our trade position for full year 2020. It will likely also be a few months until complete full year 2020 data is available for all countries and commodities, so there may well be further small changes to estimates published from both ourselves and the dry cargo analysts.*

Is it different this time, really?

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

Capes TCE (Year)	2009*	2016**	2020**	2021 (*as of 27 Jan*)**
Start	$8,997 (2 Jan)	$4,811 (4 Jan)	$11,976 (2 Jan)	$16,656 (4 Jan)
Low	$8,997 (2 Jan)	$1,985 (17 Mar)	$1,992 (14 May)	$16,656 (4 Jan)
High	$93,197 (3 Jun)	$19,515 (17 Nov)	$34,896 (6 Oct)	$26,489 (13 Jan)
End	$37,191 (24 Dec)	$10,078 (23 Dec)	$16,409 (23 Dec)	$17,790 (27 Jan)
Demand (Billion Tonne-miles)	-3.36%	+2.10%	-2.19% to +0.5%^	+4.36% (+6.7% DNB)
Chinese Stimulus	USD 578 bn	-	USD 667 bn	-
Orderbook / Fleet ratio	+80.49%	+17.99%	+6.07%	-
Net Supply Growth	+9.23%	+2.40%	+3.84%	+1.7% (+1.5% DNB)

- **Recycling:** 2019 = 8.23 MDWT, 2020 = 15.10 MDWT **(+83.5%).**
- **Old Age Profile**: 20+ years of age end of 2020 = **56.23 MDWT / 6.20%** of existing fleet.

*Note: * 2009 basis the Baltic 172K Capesize Index (4 Routes),*
*** 2016, 2020 & 2021 basis the Baltic 180K Capesize Index (5 Routes)*

^Clarksons explanation for the varying estimates: It is worth making clear that the dry bulk trade forecasts on Shipping Intelligence Network (derived from the Dry Bulk Trade Outlook) are produced by Clarksons Research, an independent part of the Clarksons Group, while the analyst's report is produced by the dry cargo analysts within the broking department at Clarksons Platou. While we generally have a well aligned view of the markets, it is not uncommon – particularly in such a dramatic and volatile year as 2020 – for our forecasts to show some differences. It is worth pointing out that tracking every single tonne of dry bulk trade, and its exact trade route, is not possible, and so any tonne-mile trade estimate published by either Clarksons Research or the Clarksons Platou analysts represent estimates based on a selection of trade flows and assumptions, and the methodology used may not be the same. Both estimates do however show a clear tonne-mile 'bonus' compared to the estimated growth rate of dry bulk trade in tons last year. We are also currently working on the January edition of the DBTO – the first since full-year data became available for some trade flows, which may well lead to some upwards revisions to our trade position for full year 2020. It will likely also be a few months until complete full year 2020 data is available for all countries and commodities, so there may well be further small changes to estimates published from both ourselves and the dry cargo analysts.

Precious Shipping PCL

Source: Clarksons

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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 an **estimate of -2.19% (Clarksons research) to +0.50% (Clarksons Platou analysts) ton-mile demand growth for the year**. Cape time charter rates went from an average **of USD 7,186 in the FH to** an average of **USD 18,913 in the SH (+163%)** despite the **net Cape fleet growth of 3.73%** during the year, confirming **supply/demand balance is at hand!**
- **Why will 2021 be different?** the new ship **orderbook to existing fleet ratio (6.07%) is the lowest in 20+ years**. This means that even if there is minimal scrapping, **new ship**

supply will be insignificant and allow owners to **make money over the next few years as demand is expected to continue to expand**.

- 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**.
- **Ships that are +20 years old are 6.2% of the existing fleet, higher than the orderbook to fleet ratio of 6.07% at the end of 2020**.
- 2020 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 16/18m versus brand new Ultras marketed at USD26/27m, a **no brainer for buying secondhand ships**; and the **massive uncertainty surrounding new regulations on GHG** curtailing new ship orders.
- **Capes started the year at USD 16,656 on 4 January and had reached a peak of 26,489 on 13 January and finally closing at 15,675 on 29 January 2021. This has been the highest January in over a decade. Dare we say, a portend of better times to come**?
- 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.
- 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 17.9 trillion of monetary/fiscal stimulus** which should **translate into strong ton-mile demand growth in 2021/2022.**
- **2021 has demand growth rate of 4.36%** (Clarksons) **to 6.7%** (DNB Markets) versus a **net fleet growth rate of 1.7%** (Clarksons) **to 1.5%** (DNB Markets). This will result in strong time charter rates and **2021 will be the start of strong earnings** for dry bulk ships.

Others' reading of the market:

There will be a "robust" growth in coal trade in 2021, with increases in imports in several countries, mainly in Asia. Even the European Union is forecast to see imports rise to 87 MMT from 71 MMT this year. Thermal coal imports, for power generation, are projected to rebound by 5% to 991 MMT, according to Drewry estimates. That compares with a 10% drop this year to 943 MMT. Coking coal imports, for steelmaking, will meanwhile recover by 6% to 275 MMT, compared to the 14% drop to 259 MMT envisaged for 2020. (Lloyd's List – 13 Nov 2020)

Savings deposits in the US have now surged to $15.9 trillion, up from the pre-pandemic level of $13.2 trillion. What is most puzzling is that deposits are going up even as the interest banks pay on deposits has collapsed to near-zero? (Wall Street Journal – 13 Nov 2020)

Shipping and ports will benefit from the RCEP, a free trade pact signed by 15 major Asia-Pacific economies, analysts said. They expected the trading bloc (consisting of China, Japan, South Korea, Australia, New Zealand as well as 10 Southeast Asian countries) to spur regional trade in the long run and reduce anti-globalization risks. (Lloyd's List – 17 Nov 2020)

Supply is at historical lows due to the recent demand shocks and ambiguity around the future of vessel propulsion technology, while demand for dry bulk is healthy as ton-miles are growing, driven by global infrastructure stimulus projects. The uncertainty about future fuels has curbed newbuilding activity. News of a vaccine to control the virus would also support a rebound in 2021 and 2022. (Lloyd's List – 18 Nov 2020)

Analysts expect the RCEP to contribute $200 billion in total to the global economy by 2030. (Fortune – 19 Nov 2020)

International shipping is key to the global economy, transporting 90% of global trade volumes. It requires 4m barrels of oil a day to move these vital goods. The value of cargoes shipped by sea is close to $7trn annually, more than the entire GDP of Japan. (TradeWinds – 21 Nov 2020)

In Brazil, heavy rainfall has begun to restrict the flow of material to ports, resulting in lower volumes from some regions. Australian volumes are tapering down on the back of seasonally weaker demand from China. Chinese Capesize queues have again begun to rise, hitting 10.3 MDWT this week. This marks a 32% increase since mid-Oct and is 55% higher than the 5-year historical average. The total DWT capacity of these ships waiting to discharge amounts to about 2.8% of the trading Cape fleet. Congestion is 37% lower than peak of 16.3 MDWT in Aug. China's recent informal ban on Australian coal is preventing a handful of Capes from discharging, but stricter Covid-19 testing is also slowing down ships. (Braemar ACM – 24 Nov 2020)

Price of copper, aluminum, iron ore, zinc and other raw materials continue to climb, a classic bet by investors that the global economy will bounce back strongly in 2021. (Fortune – 7 Dec 2020)

According to the USDA, soybean shipments to China in the marketing year Sep to early Dec totaled 21.6 MMT with just 8.2 MMT exported to ROW; this compares to 7.5 MMT and 10 MMT respectively during the same period in Q4 2019. Shipments usually fall away in Q1, but encouragingly official data suggests that outstanding sales may be as high as 8.7 MMT to China with a further 14.4 MMT in sales to ROW – this compares to future sales at this point last year of just 2.4 MMT (China) and 7.2 MMT (ROW.) The USDA forecast sales for the 2020/21 marketing year to be around 53 MMT up 31% YoY. (Howe Robinson – 18 Dec 2020)

Seaborne trade declined by -2.1%, but ton-mile demand grew, albeit at a slow 0.5% as cargoes normally intended for the Atlantic market deviated to China. (Clarksons – 21 Dec 2020)

Low fleet growth is the main factor behind the bullish sentiments for dry bulk. Dry bulk commodity demand growth of around 4%-5% in 2021, against estimated fleet growth of 2%, provides optimism that rates will rise after the downturn that started in 2016. China was the key driver of dry bulk trade in 2020, largely due to its massive infrastructure spending. With the expectation that other economies will return to growth in 2021, there is hope that latent demand will ping back. (Lloyd's List – 23 Dec 2020)

America's president-elect, Joe Biden, has pledged to spend $2trn on roads, bridges, and electric-car charging points. Green projects make up 30% of the European Union's €750bn ($918bn) recovery fund. China has set aside 10trn yuan ($1.5trn) for new projects, and many Latin American and Asian governments plan to splurge. The Global Infrastructure Hub, a unit of the G20, reckons the world will need $82trn of investment by 2040. (The Economist – 2 Jan 2021)

China's spending and economic growth will become less steel-intensive over the coming years, and that stimulus efforts will be restrained. But China's carbon-neutrality ambitions have also put blast-furnace steel production, which is one of the largest sources of CO2 emissions in the country, in the crosshairs. Recently, authorities have reclassified certain scrap steel products, allowing them to be imported for recycling purposes. This could hint at a greater role of electric arc furnace steel production in 2021 and beyond, and lower demand for iron ore, though with scrap steel prices currently high, margins for recycling steel are not yet supportive of a significant increase of this form of production. (Braemar ACM – 7 Jan 2021)

The dry market enjoyed better trade relations between the US and China in 2020, which saw grain trade between the two countries more than double YoY to almost 36 MMT. As US soybean exports appear to have recovered, weather-related crop destruction in China in 2020 also increased the country's appetite for corn imports. US - China corn trade on bulkers hit a record 2.7 MMT over Q4 last year and has remained strong so far this year, helping to push Supramax and Panamax rates to multi-year highs for January. (Braemar ACM – 7 Jan 2021)

One US Federal Reserve official says there is now a "clearer focus" about the economy's path forward and a horizon for a fuller recovery. Another says the pandemic's "endgame" is here. A third predicts 2021 will prove "impressive." (Reuters – 12 Jan 2021)

Of more consequence on a global level is that the EU signed an agreement with China late in 2020. The EU-China investment, which has been some seven years in the making, removes barriers on foreign investments in China for certain European industries as well as tackling forced technology transfer, non-transparent subsidies, and state-owned enterprises. It also commits China to "make continued and sustained efforts" to ratify international conventions on banning forced labour. (Lloyd's List – 13 Jan 2021)

Coal burn is soaring in northeast Asia as utility companies turn to the solid fuel amid a cold snap and an LNG supply crunch. European demand is also on the rise. With the surge in LNG prices, coal is now cheaper than gas on a per Megawatt basis for the first time in years. Colder than usual weather in the norther hemisphere coupled with improving industrial demand should keep coal demand and shipments at healthy levels in the coming weeks. (Arrow – 15 Jan 2021)

Almost 4 times as much DWT was delivered (48.7 MDWT) in 2020 than was ordered (13.5 MDWT). 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. (Arrow – 20 Jan 2021)

The dry market has started 2021 on good footing, as a rarely seen January rally extends into the second half of the month. And the Handy market has been no exception. The Baltic Exchange's 38k dwt Handysize index has averaged over $11,835/day so far this year, 63% higher versus the same period in 2020. The Supramaxes are also performing well, however, the premium that they typically earn over Handies has continued to erode, a trend we have seen emerge over the past couple of years. The Supramaxes earned on average in 2020 just $185/day over the 38k dwt Handies, down from $656/day in 2019 and $1,162/day in 2018. One can debate whether these indices are accurate measures of the rates that owners of these ships receive, but we see the same trend occurring in the period market. Based on our one-year timecharter assessments, Supramax returns averaged only $713/day more than the Handies in 2020. This is down from $975/day in 2019 and $1,815 /day in 2018. A clue as to why this differential has narrowed may lie in the supply-side. The Handy market appears to have been spared the excessive supply growth that has plagued the larger vessels. 2020 saw hefty fleet additions in the dry market, but Handy deliveries have been vastly outpaced by those of the bigger ships. Last year we recorded 138 new ships come onto the water within our broader Supramax Category boosting the size of this fleet in dwt terms by 3.6%. Within this, the relatively new Ultramax fleet grew by 13.6%. Meanwhile, Handysize additions in 2020 only pushed this fleet's carrying capacity up by 1.6%.

This mismatch could in part explain why average Handy rates have been closing in on those in the Supramax market, which are being weighed on by a flood of new Ultramax tonnage. The pattern looks set to continue. At just 4% of current fleet capacity, the Handysize orderbook is the lowest of any dry bulk sector, 2 percentage points lower relative to Supramaxes. The demand-side also plays a role in this relationship. By aggregating all Handysize and Supramax trade flows, including ballast voyages, we can measure the relative importance of different commodities to demand for each shipping sector. The starkest difference between the Handies and Supras in this demand breakdown is on coal. The Supramax market is heavily exposed to coal, which accounted for around a quarter of demand over 2019-20. The Handysizes meanwhile only depended on coal for about 10% of their demand. Instead, Handies appear to be much more focused on grains, which accounted for 26% of demand over the last two years, versus 19% for the Supramaxes. Given how these commodities have been impacted by the pandemic, it is unsurprising that demand for Handies has been somewhat more robust than for Supramaxes over the last few months. Global coal trade slumped by almost 10% YoY in 2020, as we saw a sharp drop in both power demand and steel production outside of China. Being more dependent on this commodity, the Supramax markets took a relatively greater hit to demand. In addition, for most of 2020 China imposed strict import controls on thermal coal imports while it tried to boost domestic production. The grain trades meanwhile continued to grow in 2020 as food demand remained resilient and many producers enjoyed favorable weather conditions. Total grain volumes increased by 5% YoY, and while this boost was enjoyed by all the geared ships, it likely supported Handysize rates to a greater extent as grain accounts for a larger share of demand in this market. Handies are also more exposed to the fertilizer trades which fared well last year. The various fertilizer products account for 11% of Handy demand compared to 7% for Supramaxes and a boost in long-haul shipments from the Baltic and European continent to countries in the Americas and Southeast Asia helped to buoy Handy rates in 2020. Supramaxes tend to be more heavily focused on the minor ore trades, especially nickel ore, which saw volumes plunge at the start of 2020 following an export ban from Indonesia. Nickel ore trade accounted for 5% of Supramax demand in 2019 and less than 1% for the Handies, so a 30% reduction in shipments last year put a greater dent in demand for the larger vessels. Ordering patterns and the contrasting growth prospects for both grain and coal trade seem to support a continuation of this trend. However, with the commodity landscape extremely volatile, as we progress through the year, we will likely see varying trade growth stories continue to affect the Handy-Supra relationship in different ways. Just over the past few weeks, as China has relaxed controls on thermal coal imports, we have seen a surge in Supramax trade that has again pushed up rates relative to Handies. And as global investment and raw material demand recovers, the key takeaway is that we remain positive on the long-term prospects for both the Handy and Supramax markets, which are well placed to take advantage of a rebound in minor bulk trade. (Braemar ACM – 21 Jan 2021)

In 2020, global seaborne coal trade declined by as much as -12.7% y-o-y, as lockdowns shutdown much of the global economy. Nevertheless, the Pacific basin (China and Vietnam) remained the brighter spots on the global map, and this helped to shore up demand for Australian coal. Coal exports from Australia declined by less than from most other major exporters. In 2020, Australia exported 358.1 MMT of coal for a net decline of -7.7% y-o-y, compared to the 388.0 MMT exported in 2019. Australia is still very much the top exporter of coal worldwide. In 2020 Australia extended its lead over Indonesia which exported just 314.4 MMT of coal, down -18.6% y-o-y. Coal exports from Australia to China declined by -22.2% to just 70.1 MMT, while exports to India increased by +3.8% y-o-y in 2020 to 47.0 MMT. (Banchero Costa – 26 Jan 2021)

Many of the countries which drive raw material trade appear to be on good economic footing for 2021 or have had their growth forecasts revised upwards by the IMF. China's raw material imports accounted for more than 40% of dry bulk shipping demand before the pandemic, measured in terms of dwt used in 2019. We still expect structural changes in China's economy and steel sector to make economic growth less steel-intensive over the coming years but given the county's dominance over demand for iron ore, coal, grains and many of the minor bulks, a swift return to pre-pandemic levels of economic activity bodes well for a cyclical recovery in the dry bulk market. The greatly improved outlook for India (+11.5%), accounting for more than 6% of seaborne raw material demand, is also likely to support freight, while the dry market's heavy exposure to Japan (9% of demand) is also a positive given the IMF's constructive (+3.1%) view on this country. These growth stories mean that the slower recovery path for Europe is of relatively less concern for dry bulk shipping given that these countries combined account for less than 7% of demand. In terms of this 'direct' raw material demand, the US (+5.1%) is relatively insignificant as an importer, accounting for only around 2% of shipping employment. But a further boost in fiscal spending would likely filter into other areas of the global economy, bolstering underlying shipping demand. And of course, a surge in manufacturing investment and construction activity will spur welcome demand for minor bulks such as cement, aggregates, and finished steel goods, which in turn need to be produced elsewhere. (Braemar ACM – 28 Jan 2021)

Key Supply Side Developments:

We started 2020 with 873.43 MDWT and have increased to 906.99 MDWT at the end of 2020. If we were to apply a slippage factor of 15% (it was actually 11.8% for 2020) to the scheduled deliveries in 2021 and 2022 and further assume that scrapping reaches 16 MDWT (it was actually 15.1 MDWT during 2020) we would be left with **a net fleet growth of 1.84%** (906.99 MDWT to 923.65 MDWT of which 321.85 MDWT to 324.54 MDWT for the geared sector, 585.14 MDWT to 599.11 MDWT for the gearless sector) **by end of 2021 and 0.22% by end of 2022** (923.66 MDWT to 925.73 MDWT of which, 324.54 MDWT to 323.92 MDWT for the geared sector, 599.11 MDWT to 601.81 MDWT for the gearless sector.) **Congestion, ballasting ships, slowing speeds and Covid-19 quarantine delays** are other factors that will assist supply side tightening.

What others' say about Supply Side Developments:

The Supramax sector has experienced the most radical changes in age profile over the last two years, according to Alphabulk. The proportion of ships below the age of five falling from 34% to 22%, with 125 ships, or nearly 6 MDWT, of 25 years and over. (Splash – 20 Nov 2020)

The dire market helped push older geared ships to the scrap yards, meaning the net change in Supra capacity since the start of the year has been a 3.4% increase to 197.1 MDWT. The Handies have seen just 65 new ships joining and 32 removals, capacity has grown by 1.5% YTD to 88.9 MDWT, the lowest capacity increase of any dry bulk sector. Additions in this market have been concentrated heavily on Large Handy designs, while scrapping has naturally focused on the older, small, and traditional handy fleets. (Braemar ACM – 26 Nov 2020)

More than 60 vessels are stranded outside Chinese ports awaiting clearance to enter. We estimate the capacity to be about c0.8% of the global dry bulk fleet. (DNB Markets – 27 Nov 2020)

VLOC: to date 21 of the largest bulk carriers have delivered this year. However, demolition stands at 22 thus net fleet growth is currently only a marginal +0.6 MDWT at present.

Capesize: 77 deliveries or 15.5 MDWT ships in 2020 against just 19 deletions (3.2 MDWT) giving a 12.3 MDWT increase in the total Capesize which now stands at 264 MDWT.

Panamax: a strong inflow with 147 newbuildings and 9 deletions for a net inflow of 11.6 MDWT.

Supra-Ultramax: deliveries to end Nov 2020 are same as 2019 inflow (130) and with just 3 deletions it has been another strong year of net growth (6 MDWT). There are now 3,411 vessels (geared 46-70,000 DWT) trading, the greatest number of vessels of any dry bulk sector.

Handy: by contrast 64 deliveries and 48 deletions or just 0.7 MDWT growth within this segment.

Current indications suggest a 3.6-3.7% net increase (35 MDWT) in the dry bulk fleet in 2020 to around 885 MDWT, ranging from 5.2% for Panamax down to less than 1% in VLOC/Handy size. (Howe Robinson Research – 11 Dec 2020)

As the average speed of the dry bulk fleet fell in December, we estimate that effective supply decreased with the equivalent of -10.7 MDWT, resulting in an effective net change of -9.8 MDWT or an annualized -12.9%. YTD the dry bulk fleet has deliveries of 48.6 MDWT and scrapping of 14.9 MDWT. The total fleet per end of December was 912.2 MDWT. (DNB Markets – 5 Jan 2021)

Removals of over-age ships took longer to start than we had expected at the start of 2020, owing to shuttered demolition yards in the FH and a strong market in the SH. Towards the end of the year we saw a meaningful increase in removals. In Q4 we recorded 6 Panamax removals. This is relatively small, but it does represent a significant uptick in demolitions and is greater than annual removals in 2018 and 2019. Similarly, in Q4, we saw the highest level of Supramax and Handy removals since 2017. A still-sizeable scrap pool, and strong demolition rates on the back of high steel prices, will likely translate to more scrapping in 2021. (Braemar ACM – 7 Jan 2021)

Regulatory Developments:

Shipping carries around 90% of all cargoes in the world by volume and is responsible for **about 2% of GHG**. **Livestock**, on the other hand, is **responsible for 9.9% of GHG** according to the United States Environmental Protection Agency. And yet, here we are, grappling with Zero Emission Vessels, whilst no one is talking about shutting down or curtailing the emissions from the livestock business. Strange world we live in!

Scrubbers fitted onto 3,000+ ships have 'wasted' minimum USD 6 billion or more that could have been much better spent on real problems like decarbonization. With the disappearance of any meaningful spread between LSFO and HSFO prices the economic advantage, extolled by owners that were retrofitting scrubbers on their ships, has also been destroyed. Scrubbers are not only no longer in economic vogue but the 'open loop' variety, almost 85% of all scrubber fitted ships, are being banned from more and more ports around the world. This means that open loop scrubber fitted ships will have to burn IMO2020 compliant LSFO when in ports. More operational headaches for owners of such ships. None of our ships have scrubbers fitted on them.

The IMO, in the 3rd week of November, mandated Energy Efficiency Existing Ship Index (EEXI) will come into force from 2023. This will require ships to match fuel efficiency of newbuildings. To meet EEXI standards ships will either run on slow speeds or be forced to increase efficiency. Cost of such efficiency retrofits will be expensive, or ships are forced out of the market as they will have to operate at slower speeds that are unacceptable to Charterers. As a result, **forced recycling of older tonnage may be speeded up due to Regulatory pressure from 2023 onwards**.

What others' say about Regulatory Developments:

The Canadian government recommends that individual governments continue to take unilateral action to restrict or prohibit scrubber discharges from both open-loop and closed-loop systems. We also recommend that the IMO focus on harmonizing rules for scrubber discharges including where, when, and even if those discharges should be allowed, and to do so with urgency. (TradeWinds – 24 Nov 2020)

Tankers and bulkers over 12 years old will have to improve fuel efficiency by up to 20% to comply with new efficiency standards for existing ships. The Energy Efficiency Existing Ship Index (EEXI), agreed by the IMO last week, is set to enter into force from 2023 and requires existing ships to match the fuel efficiency of newbuildings. Ships that fall short of EEXI standards will be required to adopt engine power restriction to meet the EEXI requirements or use other efficiency measures. Many shipowners will find the cost of economic upgrades too expensive or will be forced out of the market because they will have to operate at lower speeds. The consequence could be that the scrapping of the older tonnage is accelerated. (TradeWinds – 26 Nov 2020)

China failed to meet its 2020 trade deal targets with the US. By the end of December, Beijing had purchased about 58.1% of the $172 billion worth of goods it pledged to buy last year under the "phase one" agreement with Washington. (Bloomberg – 22 Jan 2021)

Our read of the Novel Coronavirus or Covid-19:

Covid-19 has taught us **quite a few lessons**. (1) **Do not take anything for granted especially health workers and seafarers**. (2) **Black Swans are not** as **rare** as they are made out to be, in fact, they are becoming quite common. (3) **Remote working will continue** to become more mainstream with the passage of time. (4) The corporate bond market, at least in America, has learnt that there is a hard Fed-backstop and that will keep **corporate America able to draw ever cheaper loans** from the bond market. (5) If you are **in the developing world, corporate credit has frozen** and will remain so till Covid-19 vaccines take hold. (6) It has **exposed the shortcomings of poor leaders** while shining a bright **light on those that have performed extremely well**. (7) It has exposed the **shortcomings of capitalism** especially the huge gap between the haves and the have-nots and how the richest 1% have grown their wealth while the poorest of humanity has fallen deeper into extreme poverty. (8) In **future Black Swan events, governments and central banks will react with greater alacrity** as they have exhibited with Covid-19. (9) **Just-in-time** will be one phrase that **will have lost its meaning** with inventory buildup becoming common across every industry. (10) **Business travel will be shed like old clothes** rarely to be used in the future. (11) **Airlines may never quite recover** from the current body blows meted out to them. (12) Alternate ways of **meeting people over electronic platforms will become the norm** rather than the exception. (13) It has **increased food insecurity** amongst the economically challenged so dramatically this year that it has influenced the **Nobel Committee to award the Peace Prize to the World Food Program**, a United Nation entity. (14) It is an **amoral virus disproportionately attacking the poor, the dispossessed, the weak, people of color** while almost giving a free pass to the rich, the well-heeled, those who ignore all social distancing/mask rules, and those who can afford experimental treatments either due to their position or their economic might. (15) We have embraced **remote class surveys**, **remote inspection of our ships**, **cloud-based computing**, **working remotely** and **reduced our travel bills**. (16) Finally, it has **forced businesses to start rethinking how they conduct themselves from a societal perspective and made them think outside the box** if they want to survive and thrive in a Covid-19/post Covid-19 world.

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

Novel Coronavirus, the disease:

High levels of "T cells" that respond to the coronavirus could be sufficient to offer protection against infection, an English study said, adding to the evidence of the crucial role they play in immunity to Covid-19. Many Covid-19 survivors are likely to be at greater risk of developing mental illness, psychiatrists said on Monday, after a large study found 20% of those infected with the coronavirus were diagnosed with a psychiatric disorder within 90 days. (Reuters – 10 Nov 2020)

People who have had Covid-19 are highly unlikely to contract it again for at least six months after their first infection, according to a British study of healthcare workers. (Reuters – 20 Nov 2020)

Doctors are studying the impact of Covid-19 on pregnant women and their unborn babies in Singapore, where an infant delivered by an infected mother earlier this month had antibodies against the virus but did not carry the disease. (Reuters - 30 Nov 2020)

The new Covid-19 strain that emerged in the UK may already be in the US, Germany, France and Switzerland, officials said. Ireland imposed new restrictions to stem an "extraordinary growth" in cases and said the nation should assume the new variant has arrived. (Bloomberg – 22 Dec 2020)

The new variant that emerged in the UK is not only more transmissible but appears to affect a higher proportion of people under 20, according to a scientific report. (Bloomberg – 31 Dec 2020)

People who have had Covid-19 are highly likely to have immunity to it for at least five months, but there is evidence that those with antibodies may still be able to carry and spread the virus, a study of British healthcare workers has found. (Reuters - 14 Jan 2021)

Covid-19's economic impact:

The traditional bickering forces of Europe have managed to do something Washington cannot: reach an agreement on a $2.2 trillion Covid-19 stimulus package. (Fortune – 11 Dec 2020)

A new patchwork of rules adopted by states, cities and counties are much less strict and far narrower than measures imposed to stop the spread of the virus in the spring. The overall economic bite will be smaller, too, compared to the downdraft that started earlier this year and which led to roughly 22 million people losing their jobs, a collapse in retail spending and a recession in the US. (Reuters – 20 Nov 2020)

Yoshihide Suga is set to unveil his first stimulus package as Japan's PM on Tuesday with an overall value of 73.6 trillion yen ($707 billion). (Bloomberg – 7 Dec 2020)

This is a time to look forward and consider what to expect from year two of the pandemic. The basics may be the same, but vaccines and cheap, rapid tests should make a difference as the world continues to adapt to living with the virus. (The Economist – 26 Dec 2020)

The cost of covid-19 in 2020 and 2021 will amount to about $10.3trn in forgone output: goods and services the world could have produced had it remained unafflicted. (The Economist – 9 Jan 2021)

Covid-19's impact on airlines:

Airlines are on course to lose $157 billion this year and next, their main global body IATA warned, further downgrading its industry outlook in response to a second wave of coronavirus infections and shutdowns afflicting major markets. (Reuters – 24 Nov 2020)

Cathay Pacific carried fewer than 38,000 passengers in November, a decrease of 98.6% compared to November 2019. The airline, which made a record FH loss of US$1.27 billion, expects to lose even more money in the second half of the year. Thai Airways has been forced into court-backed rehabilitation proceedings, Philippine Airlines is seeking court protection for a debt restructuring and South Korea's two largest carriers are to merge to try to improve their parlous finances. (Nikkei Asia – 26 Dec 2020)

Covid-19 reduced airline passenger traffic by 67% in 2020 to levels last seen in 1999, according to a new report by travel data and analytics company Cirium. More than 40 airlines completely ceased or suspended operations, and experts expect more to fail in 2021. (CNBC – 3 Jan 2021)

Covid-19's impact on Shipping:

Container shipping has gone from doomsday to payday in the space of a few months. Sea-Intelligence the Danish consultancy, having initially predicted a combined $23bn loss for the container shipping pack at the start of the pandemic in April, is now forecasting the liner industry will chalk up a $14bn profit this year, marking one of the greatest turnarounds in fortunes in the 64-year history of containerization. (Splash – 23 Nov 2020)

Cruise giant Carnival racked up $8bn in losses during the first nine months of 2020 alone, pushing it to offload almost 20 ships. (TradeWinds – 23 Dec 2020)

Governmental actions on Covid-19:

Janet Yellen's appointment as Treasury secretary will bring a tighter coordination between fiscal and monetary policies at a critical juncture. (Bloomberg - 27 Nov 2020)

The UN General Assembly adopted a resolution on 1st December urging all nations to designate seafarers as key workers and implement the IMO crew change protocols. (BIMCO – 2 Dec 2020)

Some 3,115 Americans died from Covid-19 on 11 December, more than all that perished on 11 September 2001. (Bloomberg – 12 Dec 2020)

In Washington they cannot seem to agree on budgets and stimulus, and yet Japan is about to pass its third "extra" budget this year, this one involving an extra $210 billion to help the Covid-battered economy. Call it "Suga-nomics." (Fortune – 16 Dec 2020)

US Congress passed a $900 billion pandemic relief package on 21 Dec night that would finally deliver long-sought cash to businesses and individuals and resources to vaccinate a nation confronting a frightening surge in Covid-19 cases and deaths. (Boston Globe – 21 Dec 2020)

Businesses in the UK are getting a new $6.2 billion package to help them through the coming months. (Fortune – 5 Jan 2021)

Tests, Vaccines and Cures for Covid-19:

Various researchers and startups are working on mouthwash-based Covid-19 tests that promise high accuracy and speedy processing times. (Fortune – 16 Nov 2020)

Pfizer says that more interim results from its vaccine study suggest it is 95% effective and that it protects older people most at risk of dying from Covid-19. (Boston Globe – 18 Nov 2020)

Cambridge biotech Moderna said it will ask federal regulators to authorize emergency use of its Covid-19 vaccine, after complete results from a late-stage study showed it was 94.1% effective at preventing and 100% effective at warding off severe cases. (Boston Globe – 30 Nov 2020)

A type of Covid-19 test that can be taken without the need for a nose or throat swab has been found to be highly effective, including for people not showing symptoms, the British government said. The RT-LAMP tests, made by privately held UK company OptiGene, have been studied in a pilot program. (Reuters – 1 Dec 2020)

Treatment of Covid-19 infection with a new antiviral drug, Molnupiravir, completely suppresses virus transmission within 24 hours, researchers in the Institute for Biomedical Sciences at Georgia State University have discovered. (News Medical – 3 Dec 2020)

Two vaccine candidates developed by China's Clover Biopharmaceuticals triggered strong immune responses in an early-stage human trial and appeared to be safe, the company said. "Based on the positive Phase 1 results reported, Clover and its partners are confident to enter late-stage clinical development for both vaccines," the company said. (Reuters – 4 Dec 2020)

Earlier this morning, a 90-year-old woman in the English city of Coventry got the first Pfizer-BioNTech Covid-19 vaccine, a rollout that will be watched the world over. (Fortune – 8 Dec 2020)

AstraZeneca-Oxford have become the first vaccine developer to publish their full data in a peer-reviewed scientific journal. The data confirms that their vaccine is 70% effective overall. However, it still does not definitively show how effective the vaccine is with patients over the age of 55. (Washington Post – 9 Dec 2020)

On Wednesday, the UAE approved the vaccine by Chinese state-owned drug-maker Sinopharm for widespread domestic distribution and claimed that Sinopharm's vaccine was 86% effective in preventing Covid-19 infections after analyzing data from phase III trials. (Fortune – 10 Dec 2020)

Germany's CureVac is beginning large-scale trials of its Covid-19 vaccine. The Phase 2b/3 study will include over 35,000 participants in Europe and Latin America. (Financial Times – 14 Dec 2020)

The first Covid-19 vaccines were administered by US hospitals today, the initial step in a historic drive to immunize millions of people as deaths passed 300,000. (Bloomberg – 14 Dec 2020)

Trained dogs can identify people with Covid-19, even those with no symptoms. In the preliminary study published in PLoS One, dogs who sniffed swab samples of armpit sweat could tell which samples came from Covid-19 patients and which were from people who tested negative for the new coronavirus. (Reuters – 15 Dec 2020)

Oxford and AstraZeneca announced that the regimen of a half dose followed by a full dose booster appeared to be 90% effective in preventing Covid-19. (Reuters – 24 Dec 2020)

Researchers at Carnegie Mellon University report an advanced nanomaterial-based biosensing platform that detects, within seconds, antibodies specific to Covid-19. In addition to testing, the platform will help to quantify patient immunological response to the new vaccines with precision. (Advanced Science News – 24 Dec 2020)

Britain became the first country to approve the AstraZeneca-Oxford vaccine as it battles a winter surge driven by a highly contagious variant. An affiliate of China's state-owned drug maker

Sinopharm said its vaccine showed 79.34% efficacy and has requested regulatory approval, moving a step closer to becoming the first approved vaccine in China. (Reuters – 30 Dec 2020)

Research shows that Pfizer-BioNTech's vaccine is likely to provide protection against the more-transmissible Covid-19 variants from the UK and South Africa. The research specifically looked at responses to these mutant viruses from those who have been vaccinated with the companies' mRNA jab. Moderna, which uses similar technology is also confident of its continued efficacy in the face of the mutants. (Fortune – 8 Jan 2021)

A little-noticed group of medical researchers is racing to find treatments for Covid-19 in its early stages, hoping to keep infected people out of the hospital with everyday medications like antidepressants or vitamins. Instead of seeking new drugs, the researchers are pulling common generics off pharmacy shelves, and even eyeing the nutritional-supplement aisles, in search of agents with proven safety and, perhaps, hidden superpowers. (Boston Globe – 14 Jan 2021)

The drugs, tocilizumab and sarilumab, are currently used to reduce inflammation in patients with arthritis. Hyper-inflammation, whereby the immune system goes into overdrive and destroys a patient's organs, is how covid-19 tends to kill. The search for suitable anti-inflammatory drugs to treat it has already turned up one, dexamethasone. This is a cheap steroid that dampens the immune system across the board. Tocilizumab and sarilumab, by contrast, are more focused. They are both antibodies that block the effect of interleukin-6, a protein that stokes the immune response and has been prominent in patients with covid-19. (The Economist – 14 Jan 2021)

J&J has sufficient data from its late-stage Covid-19 vaccine trial to begin analysis soon, Anthony Fauci, the US government's top infectious disease doctor said. (Bloomberg – 21 Jan 2021)

Key Demand Developments:

China

Following months of depressed exports, external demand for Chinese autos rebounded in October. Exports reached 118,000 units, up by 18% MoM and 20% YoY, amid signs that the global economy is recovering from Covid-19. Elevated demand from the auto industry is likely keeping steel mills' margins healthy on flat products, helping to drive steel output at historically high levels. (Braemar ACM – 10 Nov 2020)

Coal imports into China have the potential to increase in 2021 as compared to this year as domestic coal prices are at a very high level, but this needs a policy change from the government. For a nation that consumes and produces half of the world's coal, the strength of China's import curbs may vary based on the competing priorities to protect domestic miners or power plants. (Lloyd's List – 12 Nov 2020)

Chinese authorities have reportedly allocated an additional 20 MMT of coal import quotas for this year. Part of the additional quota is expected to be used for the vessels that are already waiting at anchorage to discharge coal in China. (Arrow – 26 Nov 2020)

China has recently signed a three-year US$1.46 billion deal with the Indonesian Coal Mining Association (APBI) to buy increased quantities from Indonesia from 2021 which may mean less reliance on Australian thermal coal in future. (Howe Robinson Research – 27 Nov 2020)

We are positive on the dry bulk space, looking through to a 2021 with trade growth of 6.2%, tonne-mile growth of 6.7%, matched by a fleet growth of 1.5%. (DNB Markets – 9 Nov 2020)

Following a 20.5% YoY decline in February, retail sales grew 4.3% in October, their highest growth rate of 2020. Chinese crude steel production hit 92.2 MMT in October, representing a 13% increase YoY. (Braemar ACM – 17 Nov 2020)

One of the phenomenon's of 2020 has been the rise in China's iron ore imports; against a backdrop of three relatively static years (2017-19) of annual imports (around 1.07 BMT), shipments have skyrocketed in the past 6 months. As iron ore imports to the rest of the world have fallen back by around 60 MMT YTD, China appears to have simply absorbed this excess cargo and more. Imports from Brazil have only increased by 3.6 MMT to 187 MMT with supply negatively affected due to this year's heavy rainy season. Clearly the Chinese government's massive stimulus package in the wake of Covid-19 has underpinned this sharp rise in iron ore imports and consequent boom in steel production. With China's GDP back in positive territory there is confidence that these strong iron ore inflows will continue. As China now imports 75% of all seaborne iron ore and produces 57% of the world's steel, its importance to the fortunes of the dry bulk market, cannot be under-estimated. (Howe Robinson Research – 4 Dec 2020)

If China were to try to purchase solely from non-Australian producers, at best it could get 56% of iron ore it typically imports, according to analysis by Goldman Sachs. (Bloomberg – 8 Dec 2020)

Morgan Stanley expects China's GDP growth to reach 9% in 2021 and stabilize at 5.4% in 2022. (Fortune – 13 Dec 2020)

Australia's Trade Minister Simon Birmingham says he is "deeply troubled" by reports that China has formally banned imports of Australian coal. The National Development and Reform Commission on Saturday gave power plants approval to import coal without restrictions, except from Australia, the Global Times reported. (Bloomberg – 14 Dec 2020)

China's automobile sector grew over November, as domestic demand remains healthy. Domestic sales grew by almost 13% to 2.8m units as domestic policies to promote electric car use drive sales. Though this sector accounts for under 10% of China's steel consumption, it has been responsible for elevated demand for hot-rolled coil, helping to boost steel margins. November also saw auto exports hit an all-time high of 128,000 units as external demand recovers, though YTD, foreign car sales remain down by 7.3% YoY. (Braemar ACM – 15 Dec 2020)

Chinese coal imports surged during December, amounting to a record-high 39.1 MMT, up from 2.7 MMT in December 2019. China imported 304 MMT of coal in 2020, which is up 1.4% YOY due to higher demand, driven by stronger power consumption on the back of cold weather and high manufacturing activity. The surge in Chinese coal imports illustrates that although Chinese imports are heavily regulated, the "green zone" (coal price in the range of RMB500 to RMB570 per ton) plays its part as well. Currently, Chinese coal prices are quoted at RMB782/ton, well above the "green zone", which bodes well for coal imports for 2021. (DNB Markets – 14 Jan 2021)

China has returned to secure additional corn and has purchased 3.5 MMT from Ukraine since September but more dramatically buying corn from USA whose exports to China rose to 7.2 MMT in SH 2020 compared to a mere 0.3 MMT for all of 2019. These corn purchases, on the back of strong soybean imports from USA, has been a factor in both a strong Q4 as well as pushing the dry cargo markets to their strongest start in January for 10 years. Better news still is the strong outstanding corn sales currently at over 29 MMT up 19 MMT YoY (+190%) with sales to China close to 12 MMT. These are encouraging signs for renewed export activity ex USG in FH 2021 after minimal cargo movement last year. (Howe Robinson Research – 15 Jan 2021)

China's National Bureau of Statistics reported coal production of 351.9 MMT in December, up 1.3% MOM and 6.1% YOY. Steel production reached 91.3 MMT (up 4.1% MOM and 8.3% YOY). Chinese coal and steel production during 2020 posted an increase of 2.6% and 9.7%, respectively over 2019. Despite Covid-19, Chinese production has risen, partly due to the country's extensive stimulus package. During 2020, China's industrial electricity output rose 3.8% YOY, reflecting the country's economic activity and underlying coal demand. Economic activity in China is the dominant benefactor for healthy dry bulk demand, which coupled with the country's coal import quotas and depleted inventories should benefit dry bulk demand. (DNB Markets – 18 Jan 2021)

China is the only major economy where GDP grew by 2.3% in 2020 despite Covid-19. Consumer demand grew with retail sales increasing by 4.6% in 2020 though lower than the growth in 2019. China's crude steel production increased to above 1 BMT for the first time, with 2020 output reaching 1,050 MMT, 6% higher YoY. China produced a record 58% of global steel in 2020, compared to 54% in 2019. China's electricity production was up by 11% YoY. FAI (infrastructure) grew 1.4% for 2020, as Beijing walks the thin line between supporting the economy and curbing borrowing. The housing market remained subdued in 2020 as mainland house prices rose at their lowest pace since February 2016 while floor space starts finished 1.9% lower YoY, with this trend continuing as authorities stabilize the property market. (Braemar ACM – 18 Jan 2021)

China's soybean imports in 2021-22 marketing year (October-September) are likely to exceed 110 MMT, hitting an all-time high, on sharper-than-expected hog and sow herd recovery from the African swine fever, according to S&P Global Platts Analytics. (Platts – 21 Jan 2021)

Chinese coal and iron ore consumption have soared on higher-than-expected demand and industrial activity, thus prompting increases to our near-term rate estimates as the ramp-up we forecast throughout 2021 arrived early. Although declining, iron ore and steel prices remain strong, and an increasing gap between freight rates and iron ore prices bears promise for the shipowners. (DNB Markets – 26 Jan 2021)

The USDA this week confirmed three separate sales of US corn to China for delivery in the 2020-21 year that ends on August 31. Those sales total 3.74 MMT. One of those bookings, the 1.7 MMT announced on January 28, is the sixth-biggest single-day sale of US corn in records back to 1977. Two of the July 2020 sales to China sit in the top five. (Reuters – 30 Jan 2021)

A ship carrying iron ore from west Africa's Tonkolili mine set sail for China from the Port of Pepel in Sierra Leone on January 31, China's official Xinhua news agency said. (Reuters – 30 Jan 2021)

China's Iron & Steel Association has suggested an increase in the refund rate of the 13% VAT applied to domestic scrap prices to 70% from its current 30%. The increased rate would reduce the effective VAT from 9.1% (after refund rate of 30%) to 3.9% (70%). Mysteel's scrap price index (incl. VAT) is quoted at USD464/tonne, which adjusted for the proposed VAT reduction would decrease to USD440/tonne (or -5.2%). The above aligns with China's target of self-sufficiency for raw materials of 45% by 2025. A key component for reaching this target is to expand the domestic scrap steel supply to 300 MMT per annum (versus 240 MMT in 2019). A reduced VAT would be a positive for the mid-sized dry bulk segments (carries scrap steel) and a minor negative for the larger vessel sizes (carries iron ore). As the reduction would facilitate increased demand for scrap steel, it will be supportive for vessel scrap prices. (DNB Markets – 1 Feb 2021)

Fresh economic data indicates China's Caixin Manufacturing PMI fell in January to 51.5 from 53.0 in December. This is the largest MoM decline in PMI since the Covid-19 pandemic struck in

January of 2020. Fresh lockdowns in China reportedly stifled activity in January, with hopes of an improvement in the coming months as new outbreaks are controlled. Recently imposed travel restrictions are expected to have a positive impact on manufacturing output in the coming months, despite the approaching holidays, as workers remain available. Finally, there was a slowdown in the property sector as tighter borrowing restrictions imposed caused China's construction index to fall from 60.7 to 60.0. (Braemar ACM – 2 Feb 2021)

China put 38.4 gigawatts (GW) of new coal-fired power capacity into operation in 2020, more than three times the amount built elsewhere around the world and potentially undermining its short-term climate goals. Including decommissions, China's coal-fired capacity rose by a net 29.8 GW in 2020, even as the rest of the world made cuts of 17.2 GW. China approved the construction of a further 36.9 GW of coal-fired capacity last year, three times more than a year earlier, bringing the total under construction to 88.1 GW. It now has 247 GW of coal power under development, enough to supply the whole of Germany. (Reuters – 3 Feb 2021)

Americas

With Brazil's sugar production a record 40 MMT in 2020 due to an excellent harvest and sharply declining domestic ethanol consumption (-20% YOY) exports are significantly up. This increase, especially to Asia, has given a boost to dry bulk in 2020. About half of all exports this year have been carried in Supras/Ultras with the balance divided between Handy-size and Panamax tonnage. With news reports this week that China has halted sugar imports from Australia due to political tensions, Brazilian sugar exports will benefit. (Howe Robinson Research – 6 Nov 2020)

Brazil is expected to import 1 MMT of soybeans in 2020 after the world's largest exporter sold out its record crop earlier in the year. If achieved, the volumes would be Brazil's highest import figure since 2008 and compares to the 10-year average of 260,000 mt. Imports are set to continue into 2021, with soybean imports for next calendar year to come in at 0.5 MMT. (Arrow – 9 Nov 2020)

Brazil shipped 4.2 MMT of corn last month. This marks a 24% decline versus the record volumes shipped over October 2019. Liftings over the first ten months of 2020 stand at 24.2 MMT, down by 25% YoY. Volumes on geared vessels such as Ultras and Supras have been disproportionally affected totaling 1.4 MMT in October, down by 29% YoY. Panamaxes hauled 2.8 MMT from Brazil last month, 21% lower YoY. Brazil's corn output this year has been hit by drought across the major producing states, though record planted acreages have kept volumes relatively strong. YTD exports are still 55% higher compared to 2018. (Braemar ACM – 10 Nov 2020)

According to the USDA, Brazil will deliver a bumper harvest of 133 MMT soybeans in 2020/2021, up by 6%. Brazil's national agricultural agency is even more bullish as they expect Brazil to harvest almost 135 MMT. (Maersk Broker – 18 Dec 2020)

Iron ore shipments from Brazil have been weak this year. Over the first 10 days of January, shipments averaged under 0.75 MMT per day, down by 32% on December 2020's average. Capesize rates in the region have been far lower than those in the Pacific. There are signs this differential is narrowing, with a strong Aussie market keeping spot ships in the Pacific and reducing supply for Brazil. Capesize congestion in Brazil has remained relatively low, falling 27% MoM to 5.8 MDWT at the start of this week, owing to the reduction in ballasters over the past few weeks. The drop has seen liftings on VLOCs, and Capes fall equally. (Braemar ACM – 12 Jan 2021)

Asia

Despite repeated promises from India's government to reduce coal imports, volumes continued to rise. In 2019, India imported 206 MMT of thermal and coking coal, but excluding petcoke. This was an increase of 5.1% y-o-y from the 195.9 MMT imported in 2018. In the first 10 months of 2020, India imported 149.9 MMT of coal. This represents a net decline of 13.4% y-o-y compared to the 173.1 MMT imported in the same period of 2019. In October 2020, volumes reached 17.8 MMT 17.8% more than in the same month last year. Imports might realistically reach 20 MMT in November and/or December. (Banchero Costa – 17 Nov 2020)

Indian data due Friday will likely show GDP declined 8.2% in Q3. While that pushes India into its first technical recession since 1996, it is a sharp recovery from the record 24% contraction in Q2. (Bloomberg – 26 Nov 2020)

In 2020 India exported a record 14 MMT of rice (+45.9%), provisional data from the trade ministry showed. (Hindustan Times – 4 Jan 2021)

Cold weather across Asia has added to tightness in a turbulent coal market. With LNG prices soaring on scarce supplies, coal demand has rallied on increased electricity generation, up 8% YoY so far in January. Nuclear power is currently restricted by maintenance works, while rains in Indonesia have tightened coal supply and increased prices. December saw a recovery in Japanese coal imports, aided by increased power generation but also a gradual improvement in coking coal requirements. Japan's coal imports surpassed 16 MMT in December, up 14% MoM but down 3% YoY. Imports will remain strong in January. (Braemar ACM – 12 Jan 2021)

According to the latest customs data, Vietnam's ferrous scrap imports increased by 11% YoY to 6.3 MMT, with nearly 0.8 MMT imported in December. Vietnam continued its rapid industrialization in 2020, with the Covid-19 pandemic having a limited effect on economic growth compared to other countries. Vietnam's economy is expected to have grown by 2.4% last year, allowing steel-intensive industries to remain in growth territory. The country's steel production is estimated to have risen by over 43% YoY in 2020 to 29 MMT, drawing in greater volumes of iron ore and coking coal. However, this figure may not have been enough to keep up with expanding demand, driving increased imports of scrap material. Extremely high raw material prices towards the end of 2020 may also explain Vietnam's appetite for scrap, as recycling margins become more attractive. (Braemar ACM – 25 Jan 2021)

Pakistan's coal demand is expected to remain upbeat in 2021 as more coal-fired and captive power plants are coming up in the current year. A cement manufacturer and exporter anticipated 30-40% hike in coal demand in 2021 from the current volume of over 20 MMT as demand for cement increased, followed by the start of new coal-based power plants. (Dawn – 30 Jan 2021)

Rest of the World

Australian farmers are on track to harvest their second biggest-ever wheat crop after years of drought, as the country's chief forecaster raised its production estimate on Tuesday by nearly 10% to more than 30 MMT because of favorable rainfalls. (Reuters - 1 Dec 2020)

South Africa is the 4th largest exporter of coal, after Australia, Indonesia, and Russia. In 2019 they exported 67.4 MMT. South African exports are largely dependent on the Asian markets, where they face competition from Indonesian and Australian suppliers. In the first 11 months of 2020, they exported 63.6 MMT of coal representing an increase of 3.9% y-o-y, compared to the 61.2

MMT exported in 2019. Shipments to Vietnam surged to 5.2 MMT in Jan-Nov 2020, up from 0.4 MMT last year. Exports to China are up 101% y-o-y to 3.6 MMT. (Banchero Costa – 13 Dec 2020)

The Russian government has finally come out with a formal approval of the proposal to hike the country's wheat export tax. As of March 1st, wheat exports will now be taxed at 50 euro per tonne until June 30th. Russian authorities had initially planned for a EUR 25/tonne tax on wheat exports set for February 15th to March 1st. Additionally, barley and corn exports will respectively be taxed at EUR 10/ton and EUR 35/ton from March 15th to June 30th. The purpose of the levies is to stabilize domestic grain prices and battle food inflation. Russian Deputy Economy Minister advised in a statement that Russia will carry on monitoring the situation and was ready to further adjust the mechanism for grain export regulation if necessary. Likewise, Ukraine has this week announced that the country would limit corn available for exports in the 2020/2021 marketing year to 24 MMT. Ukraine is also aiming to prevent a jump in grain prices and secure supplies. Yet, according to Ukrainian market participants the restrictions is more a symbolic step than an actual need to restrict exports, since there is enough corn in the country for both export and domestic consumption. (Maersk Brokers – 1 Feb 2021)