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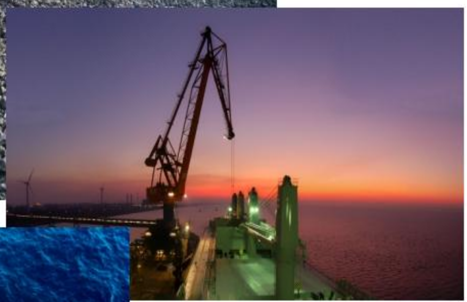


REVIEW 2021

DORIC
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Prelude

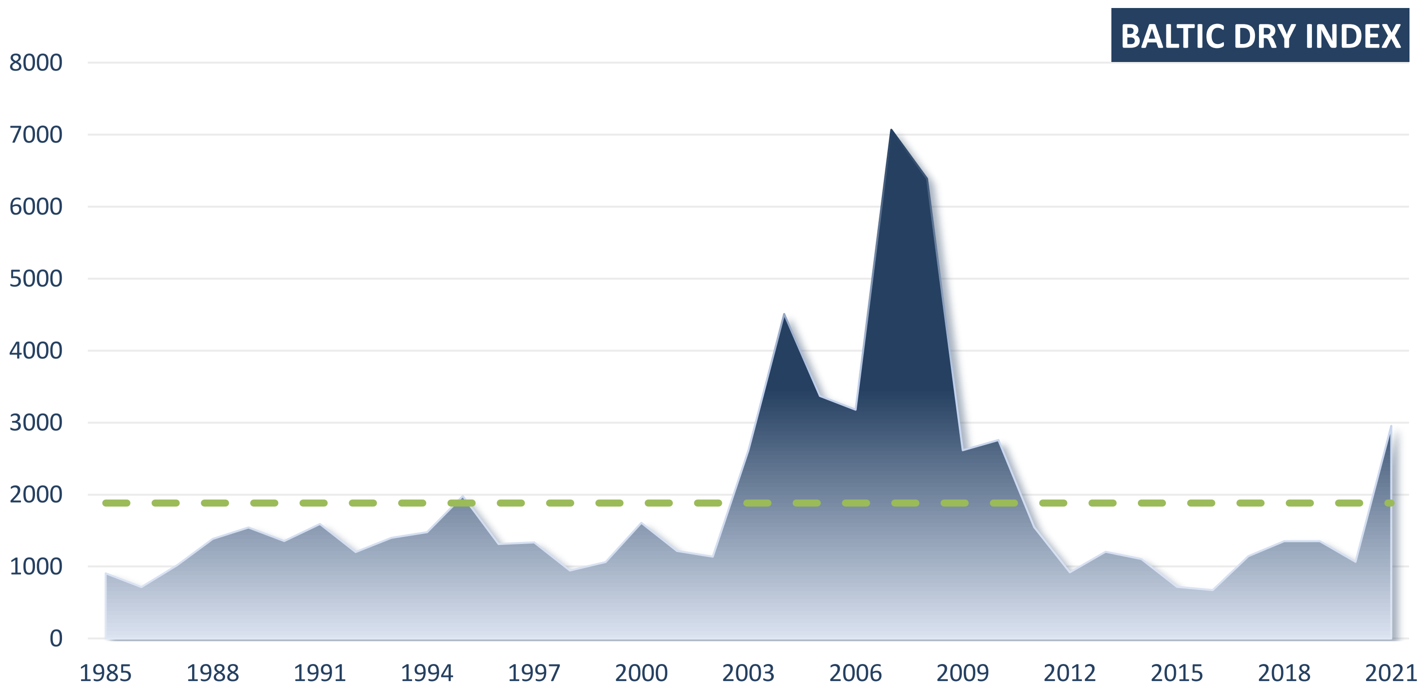
Ensuing one of the most disordered and fallow trading years of the recent past with an annual average of just 1066 points, Baltic Dry Index stepped into 2021 with a definitely more positive tone. In fact, one should dig well into history in order to draw a parallel of the mid-January 2021 frenetic pace of the spot market. In this juncture, our clients and friends replied to our annual sentiment survey that they were remaining "cautiously optimistic" for the following twelve months –or at least the majority of them. Indicative of the prevailing positive sentiment was that "optimistic" or "cautiously optimistic" gathered 39.5 percent and 57.9 percent of the replies respectively. In comparison to our 2020 survey, "optimistic" had been chosen by some 32 percent more market participants whereas the second more bullish option by circa 10 percent less. Conversely, the percentage of the survey respondents believing in a "rather pessimistic" period plummeted from 25 percent to just 2.5 percent. Among other factors, the early-January spike in time-charter rates combining with anticipation of a global economy gathering momentum painted the view of the vast majority of the respondents with vivid colors. In fact, one third of the replies were in favour of the most positive scenario for the average levels of Baltic indices, by ticking the above 1600-point answer. In sharp contrast to frigid weather across north Asia during the first days of the year, market sentiment seemed to be warmed up for good.

Against this backdrop, the gauge of activity in the dry bulk spectrum balanced at 1374 points in the first trading day of 2021. Contextualizing, ranging from 673 points to 7070 points, Baltic Dry Index annual averages ebbed and flowed during the last thirty-seven years, averaging 117 points below the 2,000-point mark. However, Baltic Dry Index doesn't follow normal distribution.

Indicatively, just ten out of the thirty-seven years managed to stand higher than these levels. From the remaining, twenty-one years had averages within the 1,000-1,900 boundaries whilst the remaining six averaged below the psychological trap of 1,000 points. Given the aforementioned, 2021 was a rather fertile year in terms of performance, as the 2943 points it averaged is placing it well above the median. Additionally, hovering well above the average value of the thirty-seven-year horizon, the trading year that just ended was the best performer of the last thirteen. In any case, steaming decisively through rough seas and yet managing to increase RPM is what makes 2021 so special!

As it transpired, the teeming 2021 fulfilled by all means the great expectations of a profitable year due to pent-up demand and accumulated savings further boosting global growth and trading activity. The seasonal sluggish start made its appearance during the first quarter of 2021 as well, however this lasted for just few weeks and market managed to remain buoyant. Furthermore, the second quarter diverged from the typical flight plan, heading northern than it was initially thought to. It was the third quarter though that engraved to memory, as the Baltic Dry Index surpassed the 5000-point mark for the first time since early September 2008. The fourth quarter, on the other hand, deflated the aforementioned levels, giving the impression that it never felt comfortable at these heights.

Reflecting back on the four-act year, four issues stand out: impetus and high expectations, acute congestion and vibrant trading activity, dry bulk shipping and commodities at multi-year highs, inflation and concerns about global growth.



Source: Baltic Exchange, Doric Research

Act I – Keeping Expectations High

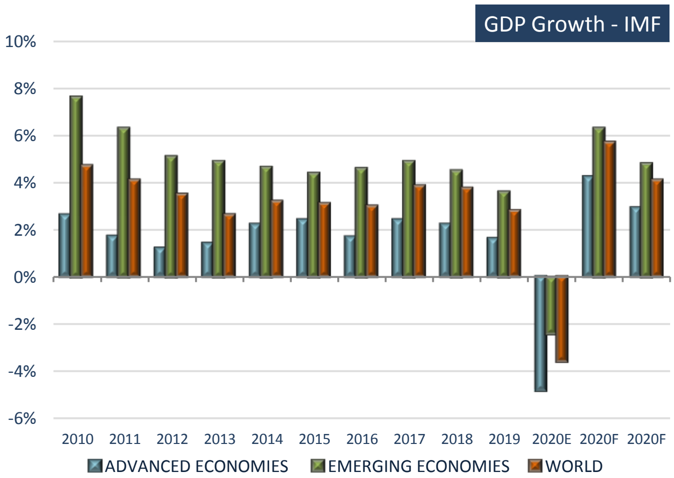
The year embarked to the first quarter of its 2021 trip in good spirits, anticipating renewed impetus to the economic regeneration of the dry bulk shipping after the initial Covid-19 shock. In fact, Baltic TCAs were lingering well above OPEX in all segments. The BCI-5TCA laid at $16,656 daily, BPI-TCA 12,272, BSI-TCA at $11,305 and the BHSI-TCA at $12,040 on the closing of the first trading day of 2021. On the S&P front, five-year-old eco Capesizes changed hands for circa $35.5m whilst same-aged Kamsarmaxes at $22m, both lower year-on-year. In sync, a typical five-year-old Ultramax was sold for circa $17.75m and a modern 38,000dwt Handy at $ 20.5m, or circa 11 and 19 percent below early 2020 figures. In the paper market, all forward curves were relatively flattish, albeit with backwardation parts on the front end due to seasonal factors.

After a couple of weeks with vivid activity, the third week of the trading year kicked off with a slew of data, including fourth-quarter GDP. In reference to the locomotive of global growth, China's economy grew by 2.3 percent in 2020, being the only major economy to have expanded the previous year. According to an IMF report released in early January, China's GDP was estimated to have grown circa 2 percent in 2020, while the GDP of developed economies as well as emerging and developing economies could have plunged by 5.4 percent and 2.6 percent, respectively.

Even though the virus-hit Chinese annual growth was lowest in 45 years, world's second largest economy avoided recession in spite of the 6.8 percent dive in the first quarter of 2020. The dramatic rebound was highlighted by a solid acceleration over the last three months of 2020, when China's economy expanded by 6.5 percent from a year earlier, beating analyst forecasts of 6.2 percent growth. As far as the specific sectors go, Industrial production grew by 2.8 percent in 2020, down from 5.7 percent in 2019. Conversely, retail sales, contracted by 3.9 percent during the previous twelve months, down from 8.0 percent growth in 2019. Notwithstanding the fact that the slowing of pace of consumption posed concerns about the strength of the Chinese economy, industrial production along with GDP growth statistics were clearly indicating that the catalytic for the Baltic Dry Index course economy was again gathering momentum.

Along these lines, the gauge of activity in the dry bulk spectrum was roaring during the first three trading weeks, balancing at unusual for this time of year heights. In particular, having an average value of 1675 points for the first fourteen trading days, the main trends for the fall/winter 2020-2021 looked very promising. Averaging some 43.2 and 31.1 percent above the corresponding periods of 2019-2020 and 2018-2019 respectively, Baltic Dry Index seemed to have left behind the exogenous shocks of Brumadinho dam disaster in early 2019 and Covid-19 initial jolt in early 2020. Additionally, exceptionally cold weather sweeping through China had materially increased power demand, having a positive bearing to Baltic indices as well.

After an estimated sharp contraction of 3.5 percent in 2020, global economy was projected to grow a solid 5.5 percent in 2021 and 4.2 percent in 2022, according to the latest update of IMF world economic outlook. Indicative of the global economy course reversal was the fact that the Fund had revised its 2020 estimate 0.9 percentage points higher than projected in the October WEO forecast. Additionally, 2021 growth forecast was revised up as well by 0.3 percentage point, reflecting additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections. In line with the recovery in economic activity and global product, global trade volumes were forecast to grow circa 8 percent in 2021, before moderating to 6 percent in 2022. This had become already evident in the liner shipping, with container spot rates hitting record levels. Unprecedented surge in demand and severe shortages of equipment in key export hubs pushed not only spot rates considerably higher but also the more stable long-term contract freight rates.



Source: IMF, Doric Research

Whilst global economy was gathering pace at long last, it was not unusual for our temperamental market to switch from high to low quite rapidly during this period of the year and 2021 didn't manage to control these mood swings. As they were 'once bitten, twice shy', indices seemed to still have fresh in their memory the ghastly start of 2020. In this context, seasonality had a clear negative bearing on the Baltic Dry Index during the last trading week of January and the first of February, with Capesizes leading the flock towards the mid-winter southlands. In particular, the high-profile Capes experienced a substantial decline in freight rates from circa $26,000 per day to $12,662 daily in less than fifteen trading days. Fortunately, that was not the case with the other segments and thus BDI kept lingering at healthy – for this time of year – levels nevertheless during the first trading days of February.

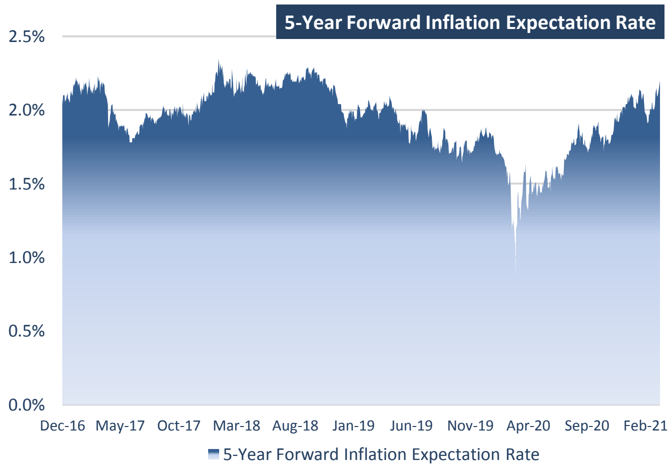
Against these developments, punters of the SnP market, being convinced of the impermanence of the recent spot market trends, pushed ship values higher. The impressive year start though was catalytic for the course of asset prices, with modern units having a price tag of $36.5m and $27.5m for eco and non eco Capesizes respectively. Much like Capesizes, secondhand Kamsarmax prices were on an upward trend lately, with five-year-old units being in the market for tick above $24m. In accord, geared segment asset prices balanced at circa $20m and $15m for modern Ultras and Handies respectively, trending higher. Whilst spot market seemed to have second thoughts in the first couple of weeks of February, the air of confidence in the SnP arena didn't leave much room for swaying back and forth.

With agricultural prices roaring, metal prices touching multi-year highs and oil surpassing the $60-a-barrel mark, most of the major investment banks started mumbling that commodities appeared to have begun a new supercycle of years-long gains. In such a case, "Dr. Copper" wouldn't have missed the opportunity. Unsurprisingly, the price of pinkish-orange metal trended upwards for the previous ten months, after landing at multi-month lows in April 2020. By riding this wave, copper for delivery in March reported further gains in the second week of February, surpassing $8,300 a tonne on the Comex market. To that end, both supply and demand dynamics as well as market expectations had a positive bearing. As far as production goes, global output during the first 10 months of 2020 were 0.5 percent lower compared to 2019 levels, according to the International Copper Study Group. It has to be noted that Chile, the second-biggest producer, mined 12.5 percent less in 2020, reporting an annual production of just 2.15 million tonnes. On the far side of the moon, Beijing's copper inventories dropped to near decade lows on robust demand from factories. Adding to the above US economic stimulus tailwind and a weaker US Dollar and the bullish scenery had been set. Setting aside the specific dynamics in the market of reddish-gold metal, Copper is often used as a gauge of global economic health. With a reputation of having a "PhD in economics" because of its ability to predict turning points in the global economy, "Dr.Copper" early May 2020 forecast of a global economy gathering pace had been proven quite accurate for yet another time.

In tandem, all but one of the Baltic indices seemed to be in favour of a positive development looking forward. In particular, better reflecting global economy course due to plethora of cargoes, geared segments had been trending strongly upwards during the trailing eight and a half months. With an impressive increase of 218 percent and 229 percent from their April 2020 balancing levels for Handies and Supras respectively, the "busy bees" of our industry flew over the $13,000-per-day obstacle, or some $3,000 higher than Capes. With dry bulk shipping stocks galloping and all but Capesize Baltic indices cantering in sync, all eyes were on the Capesize hibernators during the second week of February. Whilst Cape bears didn't wake up from their slumber, the forward market stressed that warmer temperatures were ahead of us.

During the onset of coronavirus, miners were one of the sectors that investors were avoiding at all costs. Following a long-lasting bear commodity market, mining corporations faced the double whammy of supply chain disruptions and plummeting demand during the first half of the unparalleled 2020. However, since then, miner share prices followed an upward path, touching multi-month highs during the third week of February. In fact, Rio Tinto reported its best annual earnings since 2011, and declared its biggest dividend in its history, after strong demand for iron ore from China sent the price of the rusty red rocks to a nine-year high. In sync, BHP stressed that "the outlook for the short term remains uncertain, but with vaccine deployment underway, albeit with some uncertainty as to timing and efficacy, a major downside risk to the plausible range has been substantially mitigated. Additionally, the scale of stimulus that has been applied in key economies should provide solid support for recovery." Bearing in mind the recent GDP figures posted by China, iron ore miners expected a relatively comfortable demand throughout the year, thus keeping alive miner stock upward tendency. However, miners didn't manage to spread their positivity to the most China-centric among dry bulk segments, with Capesizes drifting below the $15,000-mark in the closing of the third week of February.

Following a remarkable period when the combination of low interest rates and subdued inflation was seen as paying in the perpetuity, financial markets faced up to the realisation that this concrete belief of the previous months might actually have had some cracks on its surface. Whilst stock markets were lingering very close to their all-time maxima, rumours surfaced that a good old friend from the eighties was about to visit. The unprecedented fiscal stimulus planned by the new US administration and Fed's commitment to maintain an accommodative monetary policy was seen as a friendly call to inflationary environment. In fact, with commodity prices roaring and global economy gathering momentum, investors around the globe were increasingly worried that consumer price indices were going to trend higher. In the US, market "break-even" expectations of inflation over a ten-year horizon rose to 2.2 percent whilst those of five-year 20 basis points higher.



Source: Federal Reserve Bank of St. Louis, Doric Research

For Wall Street market, higher interest rates could lead to a domino of re-pricing across the board. For the main street markets, increased interest rates tend to moderate economic growth. Additionally, higher interest rates increase the cost of borrowing, reduce disposable income and therefore limit the growth in consumer spending. Speaking against that tense backdrop on Tuesday, the chair of the Federal Reserve, Jerome H. Powell, delivered a blunt message to lawmakers that the economic outlook remains wildly uncertain and that the central bank must continue its extraordinary efforts to support the economy.

At the same time as investors in stock exchanges started worrying about the inflationary pressure scenario, gearless segments were focusing in very different issues. In particular, after an impressive year start, Baltic Panamax 82 TC index surpassed bravely the $20,000-mark in the third week of February, but since then it followed a downward trend to $19,256 daily. Conversely, Baltic Capesize index was the real stick-in-the-mud these two first trading months, running the party and concluding in the last Friday of February at discouraging levels of $11,934 daily. Emphatically towards the opposing direction, geared segments kept galloping and breaking one record after the other. In fact, Baltic Supramax index broke into the $20,000 territory, or some $8,000 above that Friday Capesize levels. On the same wavelength, Baltic Handysize index balanced at $19,254 daily in the last closing of February, just a couple of greenbacks below Kamsarmaxes.

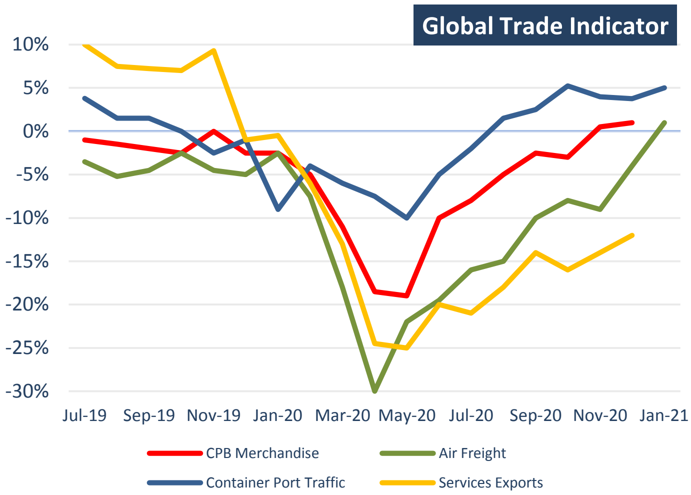
March started with the Australian economy reporting an expansion of 3.1 percent in the three months to December, data from the Australian Bureau of Statistics showed. In reference to specific industries, agriculture gross value added rose 22.5 percent through the year to December quarter 2020, the largest rise since 2008. Grain output rose 84.4 percent, as a result of drought breaking rain at the beginning of 2020. This was reflected in a 64.6 percent increase in exports of cereal grains. Conversely, mining gross value added fell 3.6 percent through the year to December quarter 2020, well below the pre-pandemic ten-year average of 6.0 percent. This fall was driven by coal mining and oil and gas extraction which was partly offset by a rise in iron ore mining. In fact, coal value added fell 12.4 percent as adverse weather events caused the temporary closure of mines and disrupted coal production. On top of that, global industrial shutdowns in response to the Covid-19 pandemic led to an overall decline in coal demand. Geopolitics had also a bearing in Australia's coal industry, with changes to international import policies reducing demand for its product. Setting aside the "least loved" commodity, iron ore mining rose 2.1 percent as miners increased supply to meet global demand as China re-commenced steel production in the H2 of 2020. Global supply chain disruption, due to the temporary closure of Brazilian mines also strengthened demand for Australian iron ore. Whilst the world's 13th largest economy and one of the most important commodity exporters was gathering momentum, Australia coal industry was the discordant note of this V-Shaped recovery, after Beijing started restricting coal imports from Australia.

While China allowed in February a number of vessels carrying Australian coal to dock on humanitarian grounds, Beijing signaled that a lifting of its unofficial ban on imports of the commodity which began in October was off the table, or at least for the months to follow. At the same time as the Australian economy and the sub-Capesize segments had largely recovered even lacking coal steam, Capesizes keep were cruising without this extra fire on their cylinders during the first week of March.

Following IMF's upward revision of global growth in late January, OECD stressed that a global economic recovery was in sight. In particular, according to Paris-based organization, prospects for an eventual path out of the crisis had improved, with encouraging news about progress in vaccine production and deployment and a faster-than-expected global rebound in the latter half of 2020. Expectations for a stronger recovery were also being reflected in financial and commodity markets, with US long-term bond yields and oil prices returning to their levels prior to the pandemic.

Overall, global GDP growth was now projected to be 5.6 percent during 2021, an upward revision of more than 1 percentage point from the December OECD Economic Outlook. In tandem, global industrial production strengthening carried on in previous months and global merchandise trade had already returned to pre-pandemic levels, helped by the strong demand for IT equipment and medical supplies. Business investment had also picked up sharply, despite continued near-term uncertainty and high corporate debt.

In reference to international trade, world trading volume in December last year exceeded early 2020 levels, after having a fourth quarter growth of 4 percent. With this positive momentum building further up in the first quarter of the current year both containers and bulkers kept steaming north. At the same time as global economy and trade indicators were pointing higher, dry bulk forward curves remained in backwardation, not letting the positive sentiment overheat.



Source: OECD, Doric Research

In the midst of the dry bulk elation, Panamaxes singled out in mid-March, touching multi-year maxima. In particular, after reporting 33 percent weekly gains, Baltic Panamax Index 82 rocketed to $26,773 daily, the highest value since index inception. In tandem, the traditional Baltic Panamax Index 74 jumped to $25,437 daily, last seen in fall of 2010. Spot market blazing fire keeps owners' sentiment sizzling hot along with forward and asset market high temperatures. Apparently, disruptions in tonnage supply had a definite positive bearing in that juncture, conducting in parallel a sensitivity analysis on how small changes in vessel supply can significantly increase spot market lingering levels. In addition, coal and grain demand was there to support Panamax rally, albeit less intensely than one would expect.

Digging into the staple coal runs, Asia's total imports of seaborne coal, both thermal for power plants and coking for steel-making, were estimated by Refinitiv at 65.59m tonnes in February, down from January's 80.71m tonnes. China, the world's biggest importer of coal, saw its seaborne imports drop to 18.14m tonnes in February, down from January's 22.72m. Furthermore, India's imports were 13.47m tonnes in February, down from 17.98m in January. Japan brought in 13.80m tonnes in February, a drop from January's 16.21m tonnes and also tick below the 13.89m tonnes recorded in February last year. However, this trend reversed in March with Indonesia coal exports to China moving considerably higher and Australia exports to India and Japan showing a clear upward tendency.

In reference to the second pillar of the Panamax segment and in anticipation of official custom data, China soybean imports plummeted by 32 percent to 5.7m tonnes in February, with all soybeans being sailed from the US. As far as the other major soybean exporting region goes, Refinitiv's trade flows tracked little exporting activity from South America over the previous month. In March, China soybean imports continued the downward trend, as US soybean arrivals significantly decreased and Brazil soybean exports had been affected from weather-related logistics issues. With estimated soybean imports of just 4.8m tonnes, Chinese customs were expected to clear the smaller volume of the protein-rich beans in the last 12 months.

Spot market took a pause during the last week of the first quarter. Following a prolonged period when shipping's main concerns were trade wars and Covid-19 pandemic, the grounding of the 20,288-teu 'Ever Given' (built 2018) came as a bold reminder of industry's idiosyncratic risks. In particular, the colossal Taiwan-owned 'Ever Given' ran aground and blocked the Suez Canal, sending shockwaves around the globe. International trade relies on an extensive network of overland and maritime transport routes along which lie 14 chokepoints of global strategic importance, according to Chatham House researchers. Among them, two man-made chokepoints single out, namely Panama and Suez Canals. Indicative of the importance of the latter to global trade is the fact that a back-of-the-envelope calculation by Lloyd's List suggesting that $9.6 billion worth of daily marine traffic halted by the massive container vessel that lodged in the Suez Canal earlier this week, blocking transit in both directions.

In these unforeseen circumstances, congestion outside both canal entrances soared, with estimated number of vessels waiting their turn to transit though the clogged maritime artery varying from 165 to 185 according to the source. Among them, circa 46 were bulkers. Of these bulkers stuck, four were Capesizes, five were Panamaxes, twenty were Supramaxes and seventeen Handysizes, according to Lloyd's List Intelligence vessel-tracking data. In the aforementioned figures, one can also see the relative importance of the Canal in the trades of the four distinct bulker segments. In fact, the relative value of Suez Canal to the Capesize segment is the smallest among bulkers, as the staple C3 and C5 iron ore routes dictating this sub-market balancing levels.

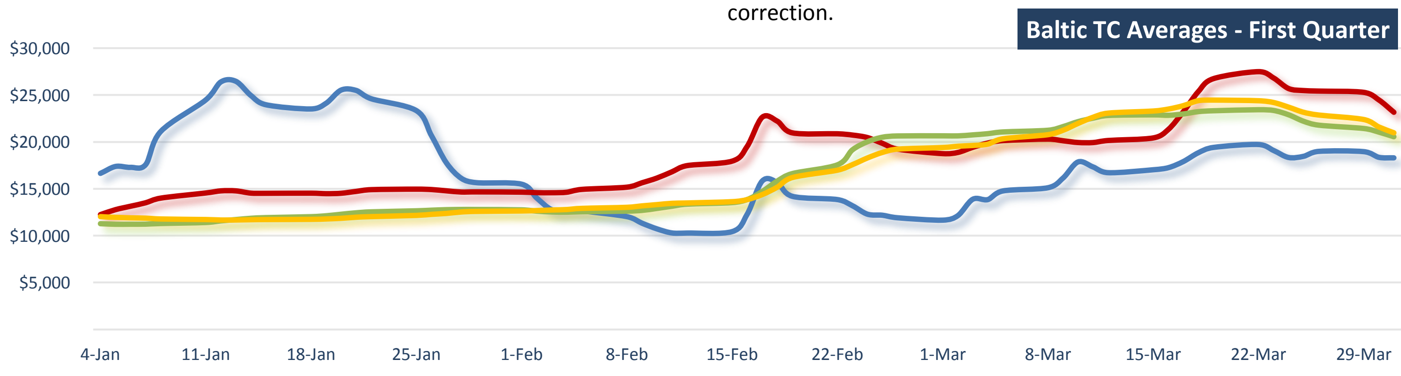
In addition, Panamaxes typically need Suez shortcut for Black Sea or Continent grains and USEC coals, both of some importance but by no means the trendsetters of the segment. Conversely, as it becomes apparent from the increased number of geared tonnage being stuck in the current unfortunate juncture, the bearing of the Canal to Supramaxes and Handies is quite substantial. In particular, fertilizers, steels, grains and mineral sands are shipped in bulk through one of the world's most important waterways.

The blockage of Suez Canal was anything but prolonged, without having any material effect on the Baltic indices in the end. Leaving this unforeseen event behind, the gauge of activity ended the first quarter on a very positive tone.

A slew of macro data injected optimism in the market. Even though the virus-hit Chinese annual growth in 2020 was lowest in 45 years, world's second largest economy managed to avoid recession in spite of the first quarter dive, indicating a positive momentum. In sync, having an average value of 1675 points for the first fourteen trading days, the gauge of activity in the dry bulk spectrum was balancing at unusual for this time of year heights. With commodity prices roaring, most of the major investment banks started mumbling that commodities appear to have begun a new supercycle. Shipping cycles, on the other hand, were definitely bullish during the same period, yet less euphoric.

Against this background, the most China-centric among segments, Capesizes, had a respectable average of $17,126 daily for the first quarter of 2021, or up a well 57 percent from the average of the first quarters of the last five years. As far as the Panamax segment goes, the BPI 82 TCA experienced a teeming first quarter average of $18,493 daily, or 67.5 percent above that of the five years and some 108.8 [percent higher than the respective figure of the last ten. With three-month average for Supramaxes at $16,633 daily and for Handies at $16,610 daily, freight market of the geared tonnage run unleashed, reporting 66.5 percent and 80.5 percent higher averages than their trailing five-year ones respectively. Additionally, by considering a broader horizon, one has to go back to 2010 to find similarly fruitful first quarter averages in the geared spectrum.
On the S&P front, having an average price for the first quarter of 2021 of $28.75m, run-of-the-mill five-year-old Capesizes were on the market at circa one million dollars below their Q1 five-year average. Having a nine-million higher price tag, eco five-year-old Capesizes had a Q1 average of $36.5m. Modern Kamsarmaxes had an average price of $24.5m during the last three months at the same time as Panamax indicative prices were hovering at $20m, or $1.5m above the respective average of the last five years. Moving down the ladder to the geared tonnage, market for five-year-old Supras and same-aged large Handies lingered on average at $17m and $16.5m respectively, or 1.2 percent and 8.3 percent above the average prices of the Q1s between 2017 and 2021.

With market leaving the most fertile first quarter in the last eleven years behind, Q1 of 2021 dynamics surprised positively the vast majority of shipping community. Looking forward towards the seasonally strongest trading period, market sentiment remained robust, yet with a lurking unease due to late March downward correction.



Source: Baltic Exchange, Doric Research

Act II – Following Trend Lines, Not Headlines

With first quarter's impetus injecting optimism in the market, the seasonal strongest second and third quarters were anticipated to add extra buoyancy. April started with IMF projecting a stronger recovery in both 2021 and 2022 compared to previous World Economic Outlook (WEO) forecast. Growth estimated to be 6 percent in 2021 and 4.4 percent in 2022. These projections were 0.8 percentage point and 0.2 percentage point stronger than in the Oct 20 WEO for 2021 and 2022 respectively, reflecting additional fiscal support in a few large economies and the anticipated vaccine-powered recovery in the second half of the year.

As far as the emerging market and developing economies go, considerable differentiation was expected between China – where effective containment measures, a forceful public investment response, and central bank liquidity support facilitated a strong recovery – and other smaller economies. In reference to a dry-bulk sensitive regional group, 2021 Emerging and Developing Asia projections had been revised up by 0.6 percentage point, reflecting a stronger recovery than initially expected after lockdowns were eased in some large countries within the group. In advanced economies, the US was projected to return to end-of-2019 activity levels in the first half of 2021 and Japan in the second half. In the euro area and the UK, activity was expected to remain below end-of-2019 levels into 2022. With respect to the Oct 2020 WEO, projections for 2021 had been revised down in Europe and up in Japan and the US.

In particular, the Biden administration's $1.9 trillion rescue package was expected to further boost GDP over 2021-22, with significant spillovers to main US trading partners as well. Illustrative simulations on the NiGEM global macroeconomic model suggested that the expansionary measures could raise US output by around 3-4 percent in the first full year of the package, according to the OECD. On top of that, the US upturn had the potential to also stimulate demand in other economies. Output was expected to rise by 0.5-1 percent in Canada and Mexico and between 0.25-0.5 percent in the euro area, Japan and China. However, the most politically controversial element for the pro dry-bulk Plan was that it was planned to be funded by an increase in the corporate income tax and changes to international tax provisions.

The third week of April saw the FFA market roaring and China reporting an impressive growth rate. In the spot arena, following a rather lukewarm fortnight, gearless segments stepped on the gas that week, sending the Baltic Dry Index higher to 2385 points. In the meantime, injecting further optimist in the spot market mid week, the World Steel Association released its Short Range Outlook (SRO) for 2021 and 2022. In particular, the Brussels-based association forecasted that steel demand was expected to grow by 5.8 percent in 2021 to reach 1,874m tonnes, after declining by 0.2 percent in 2020. In 2022 steel demand was projected to further grow by 2.7 percent to reach 1,924m tonnes.

In reference to specific steel producers, Chinese construction sector had a fast recovery from April 2020, supported by infrastructure investment. For 2021 and onwards, real estate investment growth was expected to decrease due to the government's guidance to slow growth in the sector down. Investment in infrastructure projects in 2020 reported a mild growth of 0.9 percent. However, as the Chinese government kicked off a number of new projects to support the economy, the growth in infrastructure investment was expected to pick up in 2021.

Furthermore, India suffered severely from an extended period of severe lockdown, which brought most industrial and construction activities to a standstill. However, the economy had been recovering strongly since August 2020, with the resumption of government projects and pent-up consumption demand. India's steel demand fell by 13.7 percent in 2020 but was expected to rebound by 19.8 percent to exceed the 2019 level in 2021.

Top 10 Steel using Countries 2020 - SRO April, finished steel products

	Million Tonnes			y-o-y Growth Rates %		
Countries	2020	2021 (f)	2022 (f)	2020	2021 (f)	2022 (f)
China	995	1,024.90	1,035.10	9.1	3	1
India	88.5	106.1	112.3	-13.7	19.8	5.9
United States	80	86.5	90.2	-18	8.1	4.3
Japan	52.6	56	58.8	-16.8	6.5	5
South Korea	49	51.5	52.8	-8	5.2	2.5
Russia	42.5	43.8	45.1	-2.3	3	3
Germany	31.1	34	35.8	-11.6	9.3	5.3
Turkey	29.5	35	37	13	18.7	5.7
Vietnam	23.3	24.5	26.3	-4.2	5	7.6
Mexico	21.7	23.4	24.6	-11.8	7.5	5.5

(f) = forecast

In the advanced economies spectrum, after the free-fall in economic activity in the second quarter of 2020, industry generally rebounded quickly in the third quarter, largely due to the substantial fiscal stimulus measures and unleashing of pent-up demand. However, activity levels still remained below the pre-pandemic level at the end of 2020. As a result, the developed world's steel demand recorded a double-digit decline of 12.7 percent in 2020. World Steel Association expects substantial recovery in 2021 and 2022, with growth of 8.2 percent and 4.2 percent respectively.

Against this background, the market of the largest bulkers steamed further north during the third week of April, balancing at $28,520 daily on that week closing. That Friday's levels were some 209 percent and 376 percent higher than the respective ones of 2020 and 2019. Even though it is not unusual for Capesizes to spike at these or even higher levels in the third or fourth quarter of the year, one has to dig a bit deeper into historic data to find such heights in the first two trading weeks of the second quarter.

In accord, commodity prices continued their recovery in the first quarter of 2021, with four-fifths of commodities lingering above their pre-pandemic levels. Prices had been lifted by the global recovery from last year's recession, improved growth prospects, and commodity-specific supply factors for crude oil, copper, and several food commodities, according to the latest update of the World Bank's Commodity Markets Outlook.

As far as energy commodities go, price of crude oil, natural gas, and coal all rose in tandem by around one-third in the first quarter, with similar increases across the three energy commodities. Firming demand as well as continued production cuts pushed crude oil prices materially higher. On the same wavelength, coal prices gathered a certain momentum over the past two quarters. The sharp recovery in coal prices was partly due to the global recovery, but was also driven by the cold weather in Asia. Following a contraction of 5 percent in 2020, demand for coal was anticipated to increase slightly in 2021 in line with the economic recovery, driven by rising demand in Asia, while supply growth remained modest.

Against this background, Coal prices were expected to further rise by around 30 percent. On the agriculture front, the World Bank's Agricultural Price Index increased more than 9 percent in Q1, building on the previous quarter's momentum. Within this group of commodities, the respective Grain Price Index jumped more than 17 percent during the same period, pushing the Food Price Index to a seven-year high. Strong demand for feed commodities by China and US dollar depreciation had a clear positive bearing in the course of grain prices. Wheat prices continued their upward momentum in early 2021 as well.

With grain prices trending upwards, the World Bank's Fertilizer Price Index jumped by 24 percent in the first quarter of 2021, led by phosphates and urea and driven by strong demand and higher input costs. Remaining consistent on their upward trajectory, metal prices in March 2021 were almost 70 percent higher than their troughs in April 2020, with copper, tin, and iron ore prices reaching 10-year highs. A blend of global economic recovery, supply disruptions, and a weaker US dollar fueled metal price rally and it was expected to do so for the remaining of 2021 as well.

In this light, how odd would it be for the gauge of activity in the dry bulk spectrum not to follow closely? Not being in a mood for surprises, Baltic Dry Index capitalized on the strong demand that push commodity prices higher. Setting aside two minor setbacks in early February and late March, the burgeoning general index of the dry bulk sector trended strongly upwards, balancing at some 2788 points on the closing of sixteenth trading week. Indicative of the strength of April's momentum was the fact that the second-best late April daily closing in the last ten years was 1330 points in 2018.

Following World Bank's semi-annual rosy Commodity Markets Outlook, copper prices soared during the seventeenth trading week, touching ten-year maxima. An amalgamation of concerns about supplies from Chile, sliding inventories, a softer dollar and expectations of stronger demand from top consumer China sent pinkish-orange metal prices materially higher. In tandem, conditions in the global manufacturing sector continued to brighten at the end of the first quarter, despite the potential for growth to be stymied by rising cost inflationary pressures and supply-chain disruptions, according to J.P. Morgan. In fact, the J.P. Morgan Global Manufacturing PMI rose to 55.0 in March, a 121-month high and its best reading since February 2011. The level of the PMI was supported by stronger growth of output, as well as new orders and employment. Looking forward though, the recent rally in copper prices was likely to stall in the second half of the year as top consumer China reins in stimulus spending, a Reuters poll showed in the last week of April.

The pacesetter in dry bulk spectrum, on the other hand, didn't hesitate at all to pour gasoline on the fire. With BCI TCA hovering at multi-year maxima of $39,589 daily on the last Thursday of April, Capesizes were reminiscent of their inherent snooty nature. Having their value doubled in just twenty-one trading days, the capricious segment was balancing at levels last seen in late September 2013. Furthermore, the comparison of these levels with the respective averages of 2011-2015 and 2016-2020 was stressing that the largest bulkers had steamed the extra mile, leaving Covid-19 and Brumadinho dam disaster behind.

Following a first quarter with increased volume, China's imports of the large majority of commodities continued expanding in April from a year ago, data from the General Administration of Customs showed. As far as iron ore goes, China's imports remained quite active throughout the January-April period, with volumes increasing by 6.7 percent. In April, Chinese customs cleared 98.6 million mt of iron ore, down 3.5 percent from the March levels of 102.1 million mt, yet still remaining 3 percent higher year-on-year. Apparently, Tropical Cyclone Seroja had a negative bearing in the Australia shipments in early April. Emphatically towards the opposite direction, Chinese imports of the "least loved" commodity drifted lower. China imported 90.1 million mt of coal and lignite over January-April, or some 28.8 percent lower year-on-year. For April, in specific, the world largest consumer bought 21.7 million mt of coal from abroad, or down 20.5 percent on a monthly basis. As it became apparent, China-Australia trade conflict had negatively influenced some of the busiest dry bulk runs.

The most remarkable monthly increase in the custom data though, was that of soybeans. The world's top importer brought in 7.45 million mt of protein-rich beans in April, considerably higher year-on-year. In anticipation of a spike in domestic demand, Chinese crushers had an increased appetite for soybeans from top exporters Brazil and the United States in the early months of 2021. For the whole period, China imported 28.63 million mt of soybeans, up 17 percent from the respective period in the previous year. Whilst Brazilian shipments had to face weather-related disruptions, United States managed to increase their share in the vast Chinese soybean market during the first four months of 2021.

With Baltic Dry Index touching its highest daily closing since mid-2010 at 3,266 points on the first Wednesday of May, corn and soybean futures hitting multi-year highs and iron ore balancing at its highest-ever levels of $200 a tonne, commodity and freight markets imitated NASA's Ingenuity helicopter flights on the Red Planet.

US Inflation Rate

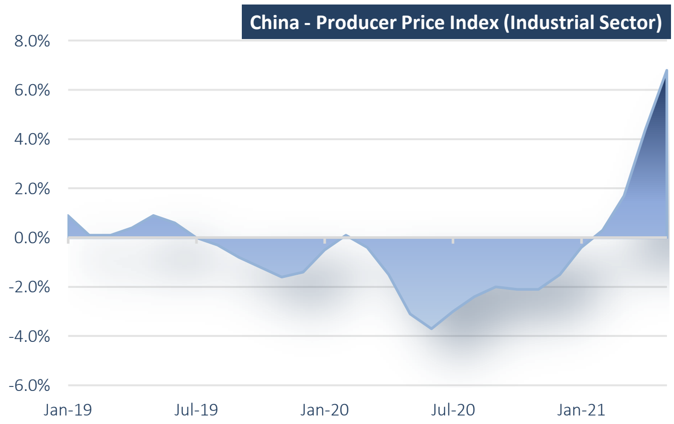
Source: US Bureau of Labor Statistics, Doric Research

In the second week of May, markets were wondering how do you build up the courage to visit old friends. When you lose touch for quite a long time, it always feels a bit awkward to contact them. But according to George R.R. Martin famous quote, old stories are like old friends. You have to visit them from time to time. After almost thirteen years, an old chap was around and took the courage to pay us a visit. The Consumer Price Index for All Urban Consumers increased 0.8 percent in April on a seasonally adjusted basis after rising 0.6 percent in March, the US Bureau of Labor Statistics reported. Over the last 12 months, the all items index increased 4.2 percent before seasonal adjustment. This was the largest 12-month increase since a 4.9-percent increase for the period ending September 2008.

The index for all items less food and energy rose 3.0 percent over the past 12 months; this was its largest 12-month increase since January 1996. Rapid reopening of the US economy and previous period unprecedented stimuli had a bearing on the pace of inflation, driving up prices across the board. The much-anticipated US inflation numbers came in at levels that send shockwaves across markets, with US stock indices reporting sudden, heavy losses. Whilst the question of whether the uptick of inflation rate was just a post-pandemic phenomenon or something more structural was still unanswered, US stock market covered some of their initial losses.
At the same time as US Consumer Price Index trended materially higher, Chinese ports saw their iron ore stocks drifting lower. Not willing to let port stocks move further down, the world's largest importer boosted its imports from Brazil, with Vale reporting significant increase in activity. Against this background, Capesizes managed to stay above $40,000 a day for seven trading days in a row.

Unaspiringly, World Steel Association stressed in the third week of May that global crude steel output rose 10 percent year-on-year in the first quarter of 2021. Crude steel production for the 64 countries reporting to the platform was 486.9 million tonnes in January-March, with China remaining the world's largest crude steel producer with 271 million tonnes in the first quarter. In line with the first quarter upward trend, world crude steel production was 169.5 million tonnes (Mt) in April 2021, or some 23.3 percent higher Y-o-Y. In chorus, all of the ten largest steel-producing countries reported increased output, with India producing 152.1 percent more than the low base same month last year. In sync, China produced 97.9 Mt in April 2021, or up 13.4 percent on April 2020. Japanese mills produced 7.8 Mt, or up 18.9 percent year-on- year. The United States output rose by 43 percent to 6.9 Mt. at the same time as Russia, South Korea, Germany and Turkey were reporting double-digit increases.

With steel production moving higher and commodity prices touching multi-year highs, China's factory gate prices expanded at the fastest pace in more than three years in April. In particular, China's producer price index rose 6.8 percent in April year-on-year, according to the National Bureau of Statistics. With mounting inflation concerns, China's state planner stressed that it would take measures to stabilise steel and iron ore market. Following this development, Dalian iron ore set for worst week since March, with prices being under severe pressure during the third week of May. In tandem, steel prices lost some of their steam, retreating for last week's record highs. In reference to coal, Beijing moved one step further. World's largest consumer urged local coal producers to boost output to meet peak demand in summer. Against these developments, the concrete belief that a commodity super-cycle was upon us appeared to have some major scratches on its surfaces.



Source: NBS, Doric Research

In spite of the sharp increases in factory gate prices, the world's second largest economy's recovery quickened sharply in the first quarter to record growth of 18.3 percent year-on-year, fuelled by solid demand at home and abroad and continued government support for smaller firms. However, if first quarter performance is compared to the preceding one, China's economy grew by just 0.6 percent, below Bloomberg's analyst growth forecast of 1.4 percent and the 2.6 percent growth between the third and fourth quarters of 2020.

Both comparisons had their own distortions though, as the first quarter of 2020 growth rate was subdued due to Covid-19 initial shock whilst the fourth quarter was boosted by unprecedented stimuli. In this regard, the renminbi gained more than 10 percent over the last twelve months, buoyed by China's economic rebound from the corona virus pandemic. However, Beijing became concerned over ballooning commodity prices and increasing risk of asset bubbles. In this context, the National Development and Reform Commission statement warned that companies "should not collude with each other to manipulate market prices…hoard goods and drive up prices," adding that the price increase was a result of multiple factors, including from overseas, but also reflected over-speculation. Normal production and sales in the industry were disrupted, it added. The aforementioned acted as a catalyst, sending commodity prices lower and Baltic indices in search of new lower equilibrium levels during the last week of May.

With sport market galloping for the most part of the first five months though, five-year-old Capes changed authority for $37m on May 2021 closing, or some $10m above early January levels. Although some modern "eco" units were holding higher price tags at mid $43m, the aforementioned trend remained quite the same for them as well. The impressive year start was also catalytic for the course of the Kamsarmax asset prices, with modern units having a price tag in excess of $28m, or 27 percent higher year to date. In a parallel universe not so far away, five-year-old Ultramaxes felt the same boost during the first quarter, trending strongly upwards to $24m. Indicative of the strong push in asset prices is that same description and age tonnage could be found in the market for less than $18m in late 2020. As far as the positive surprise of the current trading year goes, Handies managed to see their cash inflows increasing substantially during this fertile period and thus asset prices registered solid gain. In particular, lingering circa 36 percent above their December 2020 levels, five-year-old 38K Dwt Handies broke into the $20m territory, balancing tick above this mark.

In tandem with the other commodities, global food prices extended their rally during May to the highest in almost a decade, the Food and Agriculture Organization of the United Nations (FAO) reported in the first week of June. In particular, the FAO Food Price Index averaged 127.1 points in May, 4.8 percent higher than in April and 39.7 percent higher than in May 2020. A surge in the international prices of vegetable oils, sugar and cereals led the increase in the index.

After a delay in the soybean harvest, Brazil reached new records in the following months. From January to April, shipments totaled 33.6 million tonnes, breaking the old record of 31.9 million tonnes reached in the first four months of the year in 2020, according to data from the Ministry of Agriculture, Livestock and Supply. In April, leading soybean producing country sold 17.38 million tonnes of soybeans, the highest monthly total ever and 17 percent higher year-on-year. China bought 70 percent of the total soybeans exported in this period. Following on the same tone, Brazilian soybean exports reached 16.4 million tonnes in May, a record for this time of the year, according to official data in the first week of June. Brazilian ports loaded 781,114 tonnes of beans per working day in May, down from daily shipment rates above 880,000 tonnes at the beginning of the month but still 10.7 percent higher on the year. During the same period, modern Kamsarmaxes enjoyed a quite healthy trading environment, reporting a bi-monthly P6 (Dely Spore Atlantic RV) average of $25,651 daily. Looking ahead, increased activity was expected for the next weeks as well. Additionally, Brazil was expected to produce a record 135 million tonnes of soybeans in the 2020-21 marketing year (February-January) and to export an all-time high volume of 85 million tonnes. These tonnes along with 1.36 million tonnes of US corn that had been sold to China for delivery in 2021-22 were expected to keep Kamsarmax and Ultramax markets well supported for the rest of the trading year.

After a record decline of 8.6 mb/d in 2020, global oil demand was forecast to rebound by 5.4 mb/d in 2021 and a further 3.1 mb/d next year, to average 99.5 mb/d. Mirroring global macro trends, the recovery was expected to be uneven not only amongst regions but across sectors and products. While the end of the pandemic was in sight in advanced economies, slow vaccine distribution could still jeopardise the recovery in non-OECD countries. In reference to specific sectors, the aviation sector was expected to be the slowest to recover as some travel restrictions were likely to stay in place. Gasoline demand was also expected to lag pre-Covid levels, as continued teleworking practices and a rising share of electric and more efficient vehicles provide an offset to increased mobility. Conversely, petrochemicals were projected to be boosted by robust demand for plastics, while global trade supports bunker demand. Against this background, "OPEC+ needs to open the taps to keep the world oil markets adequately supplied," the Paris-based energy watchdog stressed in the second week of June.

At the same time as oil industry was in search of a new balance, grain markets were quite vivid, with increased activity across the board. China's soybean imports in May increased significantly from the previous month, according to customs data. In particular, the world's largest importer of beans bought in some 9.61 million tonnes in May, up 29 percent month-on-month. In the first five months of the year, China imported 38.22 million tonnes of soybean, or up 12.9 percent year-on-year. Adding further fuel to the fire, Brazilian daily soybean shipments averaged 0.8 million tonnes during the first week of June, compared with 0.6 million tonnes in the same period last year, leaving promises for an active June in East Coast South America. In that juncture, the famed P6_82 (Dely Spore Atlantic RV) was lingering at $32,168 daily on the closing of the second week of June.

Setting aside the high-profile soybeans, China's massive livestock sector was set to pounce on millions of tonnes of other grains as well. China was expected to use 36 million tonnes of wheat in feed in the 2021/22 crop year, after using 38 million tonnes in 2020/21, according to China National Grain & Oils Information Center. Additionally, the United States Department of Agriculture (USDA) pegged China's barley imports for 2021-22 (Oct-Sept) at 10.6 million tonnes, revising upwards its previous forecast. In reference to corn, China bought more than one-third of its projected total imports for the 2021-22 marketing year from the United States, according to data from the USDA. In particular, the department of agriculture figures indicated that China had bought 9.5 million tonnes of corn from the US and was expected to import about 26 million tonnes from all international suppliers for the 2021-2022 season. Whilst China's appetite for grains was expected to remain insatiable in the next months as well, the country's winter wheat harvest and increased domestic corn production might not let international trade flows overheat. Baltic indices, on the other hand, didn't seem to have a lot of concern about overheating engines during the second half of the twenty-third week, firing on all cylinders.

In a period of increasing prices, the Fed stressed in the third week of June that most officials expected an interest rate rise in 2023, earlier than their previous projections. Additionally, the Fed's economic projections had the median Federal Open Market Committee participant forecasting gross domestic product growth of 7 percent for the current year, fifty basis points higher than in March. Core inflation was expected to be 3 percent this year, materially higher than the 2.2 percent expected in March. At the end of its two-day policy, the US central bank kept its main interest rate on hold at the rock-bottom range of 0 to 0.25 percent, forecasting, on the other hand, at least two rate hikes by the end of 2023. Following Fed's more hawkish tone, the greenback trended upwards at the same time as global stocks was continuing a steady descent from record highs reached earlier in the week. On Friday, Federal Reserve Bank of St. Louis President James Bullard stressed that inflation was stronger than anticipated and it would take the Fed several meetings to figure out how to pare back stimulus, sending Wall Street's main indices sharply lower. In sync, the Bloomberg Commodity index trended downwards by more than 4.5 percent this week, reporting its worst week since the start of the pandemic. Mid-week, China's National Food and Strategic Reserves Administration said on its website it would release copper, aluminum and zinc in batches to nonferrous processing and manufacturing firms "in the near future" via public auction. The notice came at a time when Beijing tried to cool a further surge in metal prices fuelled by a post-pandemic economic recovery, unprecedented stimuli and speculative buying.

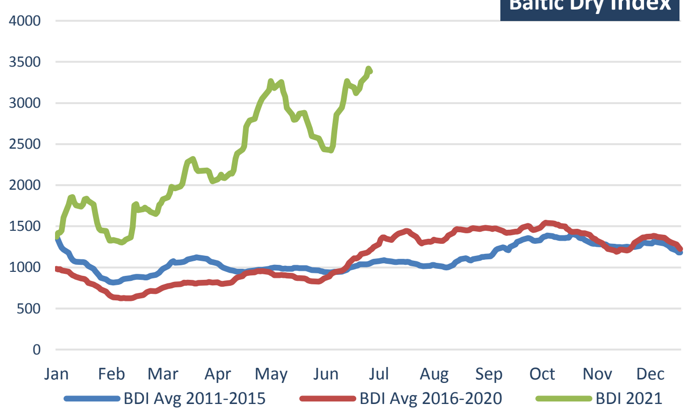
Against this backdrop and following a prolonged steep correction, the Baltic Capesize index landed at $19,845 in mid-June. However, the twenty-third week injected optimism in the market, as the largest bulkers were showing a tendency to move higher. Indeed, by heading strongly upwards during the first four trading days of that week, BCI 5TC touched the $35,000-mark on Thursday, or some $15,000 higher than its recent local minima. However, Fed's hawkish surprise along with Beijing's decision to release some of its strategic reserves couldn't let the FFA market dancing around pretending that nothing really happened. Whilst sector's flag bearing geared segments held the strong recovery flag as they led dry bulk shipping towards the end of the second quarter, gearless segments had been clearly influenced by the latest macro developments.

Following last week Fed's hawkish tone and Beijing's decision to release some of its copper, aluminium and zinc strategic reserves, the twenty-fifth week started with China's state planner stressing that market regulators were jointly looking into the iron ore spot market and have pledged to crack down on hoarding and speculation. As a result, iron ore prices moved considerably lower, landing at a three-week low. Much like the initial reaction of the S&P 500 to Fed's tapering concerns, iron ore prices reported daily losses of 8.8 percent on the Dalian Commodity Exchange. In this context, Capesizes started the week on the wrong foot, losing $630 of their value during that Monday.

After a period of unprecedented stimuli and with the majority of advanced economies gathering pace, authorities around the globe were trying to tame inflation and the ever-increasing commodity prices. However, concerns had been expressed from various sources whether the latter can be achieved without disturbing the fragile path towards full recovery. Another series of measures had been tested during the last week of June, with the Australian Bureau of Statistics releasing preliminary trade data. In fact and despite ongoing political and trade tensions between the two countries, China was by far the leading importer of Australian products. At the same time as Australia posted a record May trade surplus, boosted by surging volumes and higher prices for its commodity exports, Wall Street equity markets moved further into record territory and Baltic Dry Index well above the 3000-point mark. US stock markets left the high US inflation reading behind to turn their attention to President Biden's secured infrastructure spending deal worth about $1tn, boosting industrial, energy and financial stocks. In tandem, spot market decided to give Capesizes some time to pick up the pace, focusing on the other galloping segments during the twenty-fifth week. With BPI 82 TCA increasing by 3 percent W-o-W, BSI 10 TCA by 2.7 percent and BHSI 7 TCA by 7.5 percent, Baltic Dry Index closed the week on a positive tone, tick below recent multi-year maxima.

As one of the most lavish first year halves in recent memory was approaching to its end, sentiment of the dry bulk sector remained robust. Following a well-supported first quarter, April's market trended mostly sideways, with the bold Capesize exception though.

Baltic Dry Index



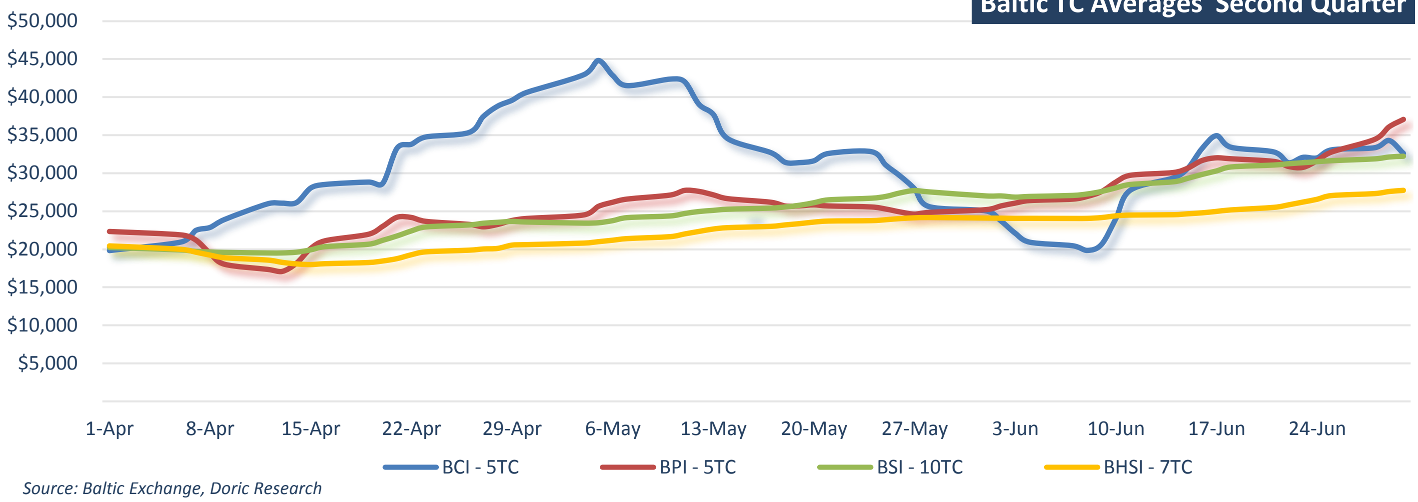
Source: Baltic Exchange, Doric Research

With BCI 5TC averaging at $29,798, BPI-TCA at $21,554, BSI 58-TCA at $21,216 and BHSI-TCA at $19,239 daily, April's mean values had a positive effect on market psychology, mainly due to an impressive Capesize performance. The next month saw Capesizes adding further fuel to a monthly average of $35,508, whilst all other segments followed through. In tandem, Kamsarmaxes had an average of $25,974 during this period. Similarly, BSHI-TCA trended mildly upwards to a May average of $22,776 daily, at the same time as BSI-TCA was reporting further gains at $25,523 daily. Capesize June, on the other hand, reversed the aforementioned tendencies, with Baltic Capesize indices losing some of their steam. Emphatically towards the opposite direction, the sub-Capesize segments kept climbing an upward path, reporting averages of $30,209, $29,480 and $25,246 daily for the Kamsarmaxes, Supras and Handies respectively.

With geared segments stealing Capesize thunder and being in the front seat, spot market managed to register more than 200 percent year-on-year increases on its six-month averages, touching levels not seen before by the majority of junior or mid-career brokers. In particular, the most China-centric among segments, Capesizes, had a respectable average of $24,062 daily for the first half of 2021, or up some 80 percent from the average of the first quarters of the last five years. As far as the Panamax segment goes, the BPI 82 TCA experienced an eye-catching H1 average of $22,212 daily, or some 136.9 percent higher than the respective figure of the last ten. With six-month average for Supramaxes at $21,014 daily and for Handies at $19,511 daily, freight market of the geared tonnage kept roaring, reporting 91.7 percent and 95.1 percent higher averages than their trailing five-year ones respectively. By considering a broader horizon, one has to go back many years to find similarly fruitful first half averages in the geared spectrum.

On the S&P front, having an average price for the H1 of 2021 of $32.25m, run-of-the-mill five-year-old Capes were on the market at circa one million dollars above their H1 five-year average. Having a circa eight-million higher price tag, eco five-year-old Capes had a H1 average of $40m. Modern Kamsarmaxes had an average price of $26m during the last six months, or $2.5m above the respective average of the last five years. Moving down the ladder to the geared tonnage, market for five-year-old Supras and same-aged large Handies lay on average at $19m and $17.8m respectively, or 10.1 percent and 11.5 percent above the average prices of the H1s between 2017 and 2021. That being said, it has to be noted that market expectations in the closing of the striking H1 were materially different compared to this year start and as such ending asset prices were substantially above the aforementioned average figures.

Baltic TC Averages Second Quarter



Source: Baltic Exchange, Doric Research

Act III – High Flying Birds

Having left an amazing first half of the year behind, freight market is heading towards what is usually the seasonally strongest third quarter. Interestingly, Capesize segment started for its Q3 journey from the exact same levels as it had done it a year ago, with last trading days of June 2020 and 2021 being just few hundred dollars apart. Conversely, Kasmarmax jumping-off place was more than three times taller than it was the same day one year ago, with the last trading day of June 2021 flirting with the $40,000-mark. Better reflecting the general macro environment, geared segments stood circa 300 percent higher than their last year Q3 launch pad. Trying to guesstimate the course of the index has never been an easy task; the general feeling among market participants was that the previous period rally hadn't yet unfolded its full potential.

In early July though, many countries across the globe were forced to impose stricter lockdown measures to combat the spread of the infectious Delta variant of Covid-19. The Delta variant was first detected in India in late 2020. By June 1, it had spread to 62 countries. Two weeks later, it had been found in 80 countries and by July 4, the number had risen to 104. Dozens of countries including but not limited to South Africa, Bangladesh, Indonesia, Thailand implemented new travel bans or tighter restrictions in an attempt to stop the spread of the virus. In reference to Asia-Pacific region, Indonesia was among the worst-hit countries, facing its deadliest outbreak since the pandemic began. In Australia, Sydney announced it would strengthen its Covid-19 protection measures, as the spread of the Delta variant was gathering pace. In South Korea, Seoul instituted its highest level of virus-related restrictions across the capital and the capital's surrounding areas, affecting about half the country's 52m people.

In Japan, Tokyo Olympics organisers stressed that even having a limited number of local spectators would be too risky given the spread of the virus and that no fans would be allowed into venues to watch the events. In the US, White House chief medical advisor Dr. Anthony Fauci stressed that the Delta variant accounted for roughly 20 percent of newly diagnosed cases in the US. In the UK, the more infectious Delta was the dominant variant, according to Public Health England.

Whilst global concerns about the Delta variant kept increasing, the failure of the Opec+ group to seal a deal on raising oil supplies propelled crude prices to their highest level in at least three years. The group initially agreed on the need to raise oil production, as demand started to outstrip supply. However, the United Arab Emirates had objected to extending an agreement unless the group agreed to revisit how the emirates' production target was calculated. Thus, the previous agreement that kept supply restrained remained in force. Crude markets had been volatile over the past two days following the breakdown of discussions between major oil producers.

Conversely, the FAO Food Price Index (FFPI) fell in June, following twelve months of consecutive rise. The FFPI averaged 124.6 points in June 2021, down 3.2 points (2.5 percent) from May, but still 33.9 percent higher than its level in the same period last year. The drop in June reflected declines in the prices of vegetable oils, cereals and, to a lesser degree, dairy prices, which more than offset generally higher meat and sugar quotations, according to the Food and Agriculture Organization of the United Nations. Looking forwards, favourable global outlook supported by improved production prospects in many key producers outweighed upward pressure from dry conditions affecting crops in North America.

Whilst dry bulk sector always keeps an eye on the latest developments in oil industry and on grain production prospects, it is quite common for China to set the general market tone. On Friday, the People's Bank of China said on its website it would cut the reserve requirement ratio for all banks by 50 basis points, effective from July 15. With growth losing some of its steam, Beijing was about to release circa 1 trillion yuan ($154.19 billion) in long-term liquidity to underpin its post-Covid economic recovery.

Whilst Baltic indices were losing some of their vim during the third week of July, all shipping eyes were on China in anticipation of economic data releases. In particular, China's economy grew by 7.9 percent in the second quarter of 2021 compared with a year earlier to post a 12.7 percent growth in the first half of the year, according to National Bureau of Statistics. On that Thursday, the Bureau of Statistics stressed also that China's economy sustained a steady recovery with the production and demand picking up, employment and prices remaining stable, new driving forces thriving fast, quality and efficiency enhancing, market expectations improving and major macro indicators staying within reasonable range. The national economy witnessed the steady and sound growth momentum consolidated. However, after plateauing at 18.3 percent in the previous three months, China's gross domestic product growth slowed to 7.9 percent year-on-year in the second quarter, posing some concerns for the course of the world's second largest economy for the remaining of the year.

Setting aside the headline-grabbing GDP growth figure, industrial production went up by 8.9 percent in the second quarter, down from the 24.5 percent rebound recorded in the first three months. The slowdown was brought on a decline in mining, but partly offset by high-tech manufacturing. In the first six months, the investment in fixed assets (excluding rural households) reached 25,590.0 billion yuan, up by 12.6 percent year-on-year. However, it grew only marginally in June, moving just 0.35 percent higher. Specifically, in the first half of the current year, the investment in infrastructure was up by 7.8 percent year-on-year, a slight decrease compared with the first five months. In addition, manufacturing increased by 19.2 percent year-on-year, or 1.4 percentage points faster than the first five months. As far as real estate goes, sector development increased by 15.0 percent year-on-year, with a slight decrease compared with the first five months for this sector as well.

Source: NBS, Doric Research

In reference to international trade, the total value of imports and exports of goods was 18,065.1 billion yuan during the first six months, an increase of 27.1 percent year-on-year. In particular, China's exports grew faster than expected in June, as solid global demand led by easing lockdown measures and vaccination drives worldwide eclipsed virus outbreaks and port delays. The total value of exports was 9,849.3 billion yuan in the first two quarters, up by 28.1 percent year-on-year. Overall imports also beat expectations, with the pace of gains easing from May though, with the values boosted by high raw material prices, customs data showed. The total value of imports was 8,215.7 billion yuan in the first half of 2021, up by 25.9 percent year-on-year. In terms of dry bulk commodities, China imported 89.42 million tonnes of iron ore during June 2021, the lowest figure in the last thirteen months. For the first six months this year, China imported a total of 139.56 million tonnes of coal, down 19.7 percent year-on-year. The world's top importer of soybeans brought in 10.72 million tonnes of the seed in June. On top of increased soybean imports, Chinese customs cleared also 6.97 million tonnes of the grains during the last month, considerably higher on a year-on-year basis. In sync, China's June steel exports rose by 22.5 percent compared with May to 6.46 million tonnes. In the first six months, China exported some 37.38 million tonnes of steels, up 30.2 percent year-on-year.

It was less than a month ago when Xinhua quoted an unnamed spokesperson for the National Development and Reform Commission stressing that coal demand and supply are largely in balance, and that the market fundamentals do not support any major price hikes. In particular, rising hydro and solar power output, together with higher coal production and imports, were expected to result in a "relatively large" decline in China's coal prices during July. Few weeks later though, China's daily electricity consumption posted a new record of 27.2 TWh on July 14th, representing an increase of more than 10 percent from the peak level of last summer and further tightening power and coal supply. In this context, China's state planner ordered power plants to build their coal inventory to the equivalent of at least seven days of consumption by July 21. In the Chinese domestic coal market, the Qinhuangdao benchmark 5500 kcal FOB NAR spot price moved materially higher, hovering at CNY 1000 per tonne. In sync, the Newcastle high-grade spot price extended its rally last week to its highest price in more than a decade.

In the past few months, solid growth in coal consumption in China had been outstripping sluggish growth in domestic coal supply, supporting high price levels. In fact, China's raw coal production was 320 million tonnes in June, which was down 5 percent from June 2020, according to data from the National Bureau of Statistics released on July 15th. From January to June, 1.95 billion tonnes of raw coal were produced, with a year-on-year growth of 6.4 percent. However, it was the June sluggish output that pushed the prices of the least-loved commodity even higher. On top of that and in terms of varieties, the growth rate of hydropower turned from positive to negative during June, while the growth rate of wind power dropped. Looking forward, Refinitiv's proprietary hydro model for China suggested relative weakness in hydro power in July was likely to add to coal burn as compared to last year to the tune of 7.1 million metric tonnes. Substantially greater replacement of hydro with coal is expected in August as well.

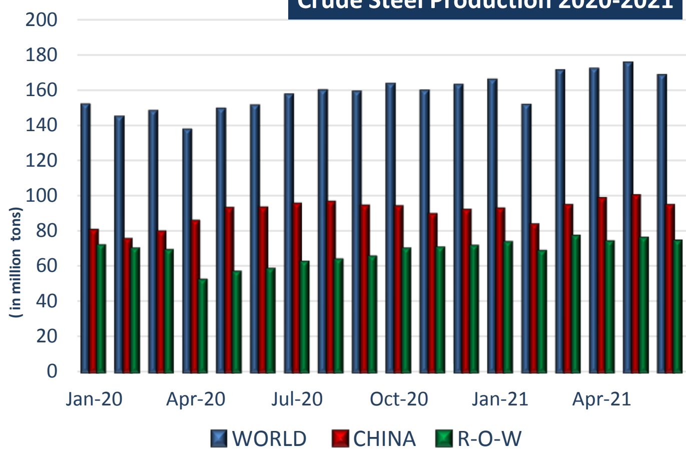
With domestic coal production drifting lower and hydro-electric power output following the same trend, China's coal imports in June rose 35 percent from a month earlier to their highest level in 2021. In fact, Chinese customs cleared some 28.39 million tonnes of the fossil fuel last month, up from 21.04 million tonnes in May, and 12.3 percent higher compared to June of 2020. However, for the first six months, China brought in a total of 139.56 million tonnes of coal, down 19.7 percent year-on-year, according to data from the General Administration of Customs. However, increased June imports didn't suffice, forcing Beijing to announce the biggest release of coal from China's state reserves this year. The National Development and Reform Commission stressed that China was going to release more than 10 million tonnes of coal from its reserves, on top of 5 million tonnes already released this year. Although these figures were tiny in comparison to China's monthly coal consumption, it was a clear signal from Beijing that it was not going to tolerate increased price levels for a prolonged period of time.

In a period when all segments of the dry bulk sector were hovering at very healthy levels in tandem, vaccine inequality threatened global economic recovery, IMF warned. At the same time as spot rates across the bulker spectrum stood above the $30,000-mark, economic prospects were diverging further across countries since the April 2021 World Economic Outlook forecast. Vaccine access emerged as the principal fault line along which the global recovery split into two blocs: those that can look forward to further normalization of activity later this year –almost all advanced economies– and those that was expected to face resurgent infections and rising Covid death tolls, according to the Fund. In these conditions, IMF stressed that global economy was projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast was unchanged from the previous WEO, but with offsetting revisions. In particular, prospects for emerging market and developing economies had been marked down for 2021. By contrast, the forecast for advanced economies was revised up. These revisions reflected pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derived largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

As far as Emerging Market and Developing Economies go, the forecast for the group was revised down 0.4 percentage point in 2021 compared with the April WEO, largely because of growth markdowns for emerging Asian economies. Growth prospects in India had been downgraded severely, following the second Covid wave during March-May. Similarly in the Tiger Cub Economies, recent infection waves were causing a drag on activity. Meanwhile, China's 2021 forecast was revised down 0.3 percentage point on a scaling back of public investment and overall fiscal support. Growth forecasts for other regions had generally been revised up for 2021, largely reflecting the stronger-than anticipated outturns in the first quarter.

In a similar vein, advanced economies reported the strongest percentage growth of crude steel production during June. In particular, the United States produced 7.1 Mt, up 44.4 percent Y-o-Y. In sync, German mills furnaced 3.4 Mt during last month, or 38.2 percent higher than the respective period of 2020. Reporting a 44.4 percent Y-o-Y increase, Japan produced 8.1 Mt in June. The combined output of the two largest producers was 103.3 Mt, with China and India furnacing 93.9 and 9.4 Mt respectively. Russia is estimated to have produced 6.4 Mt, or up 11.4 percent. Overall, world crude steel production for the 64 countries reporting to the World Steel Association was 167.9 Mt in June 2021, an 11.6 percent increase compared to June 2020. However, just before the closing of the last week of July, Asia's iron ore futures took another dive, collapsing under the weight of China's resolve to reduce steel output in line with its de-carbonization drive, and slowing domestic demand for the construction and manufacturing material. China asked mills to limit this year's output to no more than the 2020 volume, after first-half production grew nearly 12 percent compared with a year earlier. Whilst dry bulk community ponders whether the increased steel output of advanced economies had any potential to counterbalance the proclaimed drop in Chinese production, Capesizes remained consistent with yet another Friday thrust.

Crude Steel Production 2020-2021



Source: WSA, Doric Research

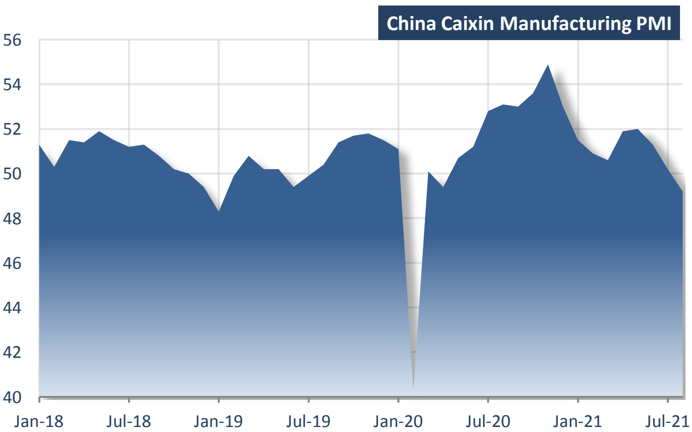
Mid-Summer and the Dry Cargo sector was enjoying good activity with all sizes appreciating. It would seem that the seasonal summer slowdown came and went in a blip. Mixed macro-economic news from the speculated tightening of the Federal Reserve's stimuli, to less than robust growth anticipated for the Chinese for the rest of the year, coupled with anxiety over the Delta Virus had done little to dent the rise in charter rates and ship values. Iron ore, the staple commodity of the Capesize, had lost some $50 pmt, or circa 20 percent of its value, since its recent maxima. China's efforts to slow down steel production and pollution were the main cause. On the other hand, Chinese buyers were happy to bring down the price of the steelmaking ingredient from its dizzy heights and were opportunistically ramping up their purchases at a time when Brazil and Australia had favorable weather conditions. Midway in the third quarter and there seemed little resistance to the market's advance.
As the Bulker market continued to ascend, all sizes were making gains, with the Capesize being more prominent at this juncture.

In the last week of August, financial stocks gained traction and posted strong gains, with the S&P 500 reaching a new record high of 4,501 points. Supported by the Federal Reserve's $120bn-a-month asset purchase programme which had offset concerns about the effect of the coronavirus pandemic, the main index of the US stock exchange set a high 51 times this year up to end of summer. In a closely watched virtual speech at the Jackson Hole gathering of central bankers on the last Friday of August, Fed's Chairman Jerome Powell sent his strongest signal in the last eighteen months that the Federal Reserve could start dialing back its massive pandemic-era stimulus programme later this year. However, he warned against moving prematurely to tackle consumer prices, which the Fed believes to be "transitory" and were most pronounced in a narrow range of sectors sensitive to pandemic-related disruptions. Against this backdrop, both S&P 500 and NASDAQ touched afresh all-time maxima, in the belief that the US central bank was going to remain patient afterall.
At the same time as Jerome Powell stopped short of signaling the timing for any reduction in the central bank's asset purchases beyond "this year", commodity prices from iron ore to oil trended upwards as concerns eased about the impact of Covid-19 on the Chinese economy. Following previous week's sharp sell-off, iron ore prices bounced back above $150 a tonne. China's announcement on Monday that it had reported no new local Covid-19 cases had a positive effect on the price of the steel-making ingredient. In sync, oil prices were on course to post their biggest weekly gain since October last year. In particular, Brent Crude traded at $72.13, as Gulf of

Mexico oil operators started evacuating personnel and shutting in production ahead of a hurricane expected to pass through the Gulf in the weekend.

During the same week, the Baltic Dry Index moved higher, touching 4235 points. As far as the whole August is concerned, the gauge of activity in the dry bulk spectrum managed to register monthly gains of more than 28 percent. In fact, by gaining circa 1000 points in the last twenty trading days, BDI didn't leave any room for second thoughts. By decomposing the general index, the first half of August belongs to the geared segments whilst the second one to Capesizes. All segments embarked on their August journey full of confidence, trending materially higher on their attempt not to fall short of market expectations. Whilst both Supramaxes and Handies were steaming north of the $30,000 daily parallel, Panamaxes were trailing them circa $2,000 lower. However, for the rest of August the main question was not if the $30,000 levels would be maintained but rather if $35,000 or even $40,000 daily might be this rally cap for all sub-Cape segments. Capesizes, on the other hand, decided to surpass the $40,000 barrier in August 16 and never looked back. With a solid 27 percent increase since then, the largest bulkers ended the 34th week of this trading year at the prestigious $51,099 daily.

Conversely, China's factory activity slipped into contraction in August for the first time in the last eighteen months as coronavirus containment measures, supply bottlenecks and high raw material prices weighed on output in a blow to the economy. In fact, one of China's most important gauges of manufacturing activity, the Caixin manufacturing purchasing managers' index, came in at 49.2 in August, dropping below the 50-mark that separates monthly expansion from contraction, for the first time since April 2020. In sync, the official PMI manufacturing figures fell just short of a contraction at 50.1, or at its weakest reading since February last year. Both supply and demand in the manufacturing sector shrank as the Covid-19 outbreaks disrupted production. The gauges for output, total new orders and new export orders all dropped into negative territory. Output shrank for the first time since February 2020. Demand for intermediary products and investment goods also dropped, while that for consumer goods was relatively stable. Exports fell amid logistics disruptions and as the pandemic continued overseas, according to Markit. As far as prices go, inflationary pressure remained high. Input costs rose for the 15th month in a row and the growth rate accelerated in August after slowing for two consecutive months. Transportation costs rose and raw material prices remained high. The gauge for output prices stayed in expansionary territory, but growth was moderate.



Source: Caixin, Doric Shipbrokers

In these conditions, the slightly arrogant and haughty Capesize attitude of the last period was seriously tested during the first week of September, with the respective Baltic indices heading south. In particular, after hovering for five days above the $50,000-mark, the most capricious of the dry bulk segments lost some $5,000 in just five trading days. News arriving from the steel production front was anything but encouraging this week. Iron ore prices were under severe pressure amid more expectations for crude steel production curbs in China for the remainder of the year. A total of 22 Chinese steel mills had plans to hold maintenance stoppages this month from a few days to as long as 90 days as of September 2, indicating that the central government's determination to cut steel output is steadily progressing. In this context, steel futures in China jumped on the first Friday of September, with stainless steel rising more than 6 percent along with gains in rebar and hot-rolled coils, as production curbs during the peak demand season stoked concerns about global supply.

On the same wavelength with steel prices, world food prices jumped in August after two consecutive months of decline, pushed up by strong gains for sugar, vegetable oils and some cereals, the United Nations food agency said on Thursday. FAO's food price index, which tracks international prices of the most globally traded food commodities, averaged 127.4 points last month compared with 123.5 in July.

In Brazil, rising soybean prices along with concerns that escalating domestic political tensions could weaken the country's currency reduced farmers' appetite for exports. On top of that, hurricane Ida in the US Gulf had a negative bearing in the trading activity. In particular, Ida damaged a grain elevator owned by Cargill. Additionally, CHS stressed that its grain facility may lack power for weeks after the storm. Vulnerable supply chain infrastructures, such as barge and rail facilities, were forced to close until damage assessments completed. With the two major grain exporting areas in the Atlantic not willing or not being capable of feeding the spot market with new orders, Panamax indices trended lower the first week of September, losing 7 percent week-on-week and landing at $32,445 daily on that week closing.

In the second week of September though, Capesizes managed to make headlines, reporting an impressive double-digit increase. After hard-landing at $40,518 on hump day's closing, the concertmasters of the dry bulk orchestra decided to play in a different tone, sending the respective Baltic average index up to $46,172 daily on that week closing. In the meantime, recent preliminary figures released by China's customs office suggested an increase activity on the iron ore front. In fact, China's iron ore imports in August rose for the first time in five months, reporting a monthly increase of 10.1 percent to 97.49 million tonnes. In reference to the first eight months in total, the world's biggest iron ore importer brought in 746 million tonnes of iron ore, down 1.7 percent from the same period a year ago. Following data release, iron ore prices trended upwards, rebounding from a seven-month low. However, as the week progressed, iron ore futures in top steel producer China moved south, heading for a second consecutive weekly loss. After the initial boost from custom data, Chinese iron ore industry turned its focus on domestic steel production news. In Jiangsu, China's second-largest steel-producing province, a campaign to monitor energy consumption among industrial enterprises raised fears of further disruption in blast furnace operations, according to Mysteel consultancy. Capesizes, on the other, had their mind on the $20-billion-worth of Chinese August iron ore imports for the rest of the week, leaving aside any other augury or signal whatsoever.

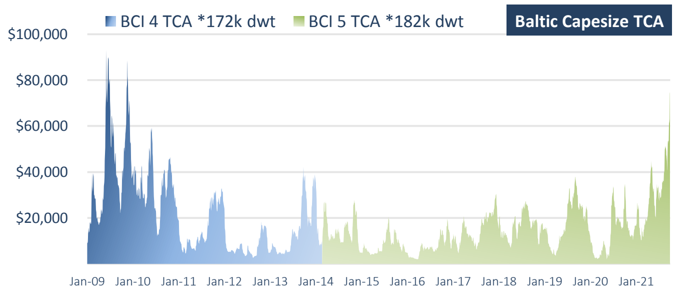
In the opposite direction from the latest iron ore trends, Chinese customs cleared 28.05 million tonnes of coals in August, down from July's 30.18 million. Over the first eight months, the world's biggest coal consumer imported 197.6 million tonnes of the "least loved" commodity, down 11.9 percent from the same period a year ago. Conversely, in the first seven month of the year, domestic coal production was up at a compound annual rate of just 4.1 percent compared with the respective period in 2019, according to the National Bureau of Statistics. However, the latter was rather insufficient, with strong electricity residential and industrial demand pushing coal prices to record highs. Between January and July, electricity consumption beat expectations to increase 15.6 percent compared to the same period last year, the National Energy Administration said. Indicative of the tightening coal supply situation is that the National Development and Reform Commission called for more coal output this summer to help to meet peak demand for air-conditioning. Whilst this measure offered some relief, it didn't manage to materially change the dynamics in the Chinese coal industry. In fact, the Beijing Electric Power Industry Association has joined 11 coal-fired power companies in petitioning authorities to raise electricity rates to avoid bankruptcy amid surging coal prices.

In Jiangsu, China's second-largest steel-producing province, a campaign to monitor energy consumption among industrial enterprises raised fears of further disruption in blast furnace operations during the third week of September. Furthermore, data suggested that China's crude steel output in August fell to the lowest level of the last seventeen months, after Beijing required steel mills to keep full-year steel output and exports flat to 2020 levels. Being under downward pressure for the third straight month, August crude steel output balanced at 83.24 million tonnes, or down by 4.3 percent M-o-M and 13.2 percent Y-o-Y, according to the National Bureau of Statistics. In tandem, average daily production fell by 4 percent to 2.69 million tonnes from 2.8 million tonnes in July and by 14.1 percent from 3.13 million tonnes in June. As far at the whole January-August period goes, crude steel output rose by 5.3 percent from the same period last year to 733 million tonnes. Given China's 2020 crude steel output of 1.065 billion tonnes and Beijing's directive for stable production levels for the current year as well, steel mills needed to limit crude output to just 332 million tonnes during September-December, or down by 8.8 percent Y-o-Y. In this context, iron ore futures in China took another dive during the 37th week, hitting a nine-month low.

Capesizes, on the other hand, woke up on that Monday like they had one of the best weekends ever. With a stunning 14.6 percent daily increase, the Capesize TCA returned bravely above the $50,000-mark, not leaving much of a room for doubts towards where the 37th week was heading. With both Atlantic and Pacific building momentum, Capesizes performed an elegant double pirouette on Monday, leaving early September's melancholia behind.

One week later, Hong Kong's stock market plummeted on Monday morning as an escalating liquidity crisis at Chinese property developer Evergrande showed signs of spreading beyond the sector. The sell-off in Asia hit European stocks that morning and futures prices were suggesting markets in New York would open materially lower. Few hours later, the S&P 500 took a 2.9 percent dive, before closing with a daily drop of 1.7 percent and marking its worst day of trading since May. In sync, Nasdaq Composite moved down by 2.2 percent at the same time as the CBOE volatility index – the "fear gauge" – was hitting its highest level since May. As far as the commodities go, prices of most of them, including iron ore and copper, took a hit, as the potential collapse of one of China's biggest property developers fuelled worries about potential declines in construction and demand for raw materials. Rio Tinto, BHP Group, Vale and Fortescue Metals Group saw their shares tumbling. On the same tone, dry bulk shipping stocks trended downwards at the same time as the FFA market was losing steam.

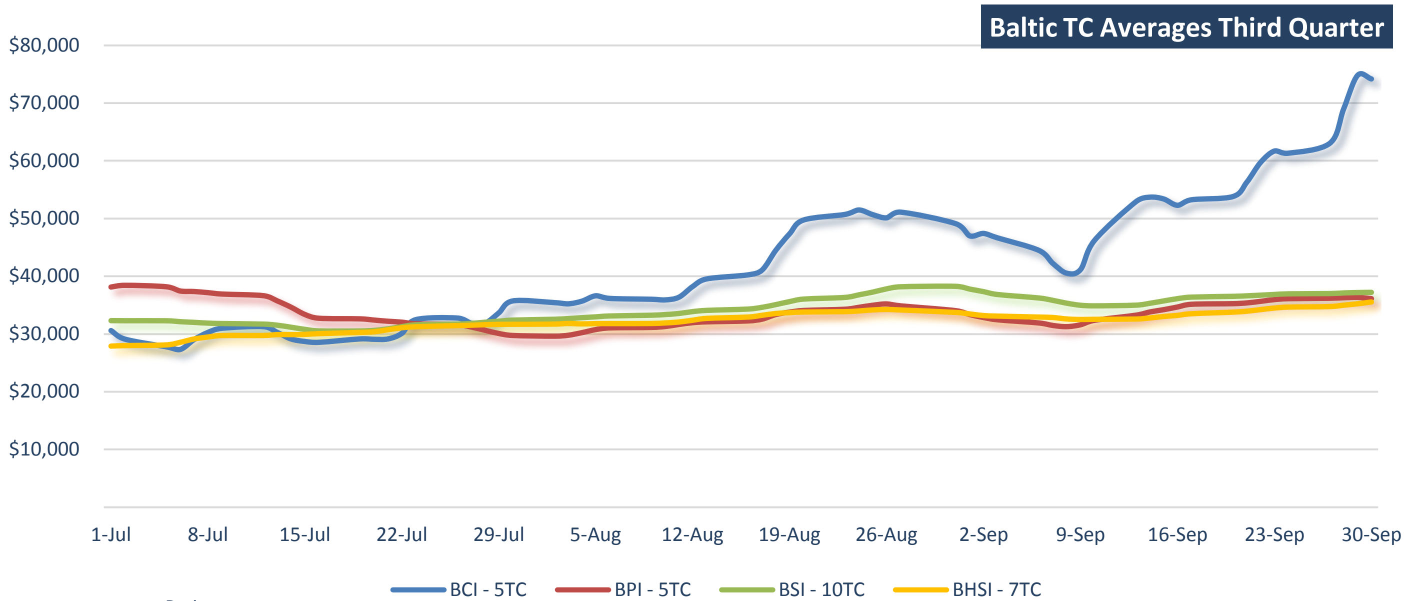
Initial shock aside, Tuesday market opening was much calmer, as most of the analysts played down the "Chinese Lehman" scenario. Consequently, equity markets rebounded from the heaviest sell-off in months, with Hong Kong's index regaining its poise and London's FTSE 100 index rising by 1 percent. It was that time when Capesizes decided to ignore any concerns about Evergrande, reporting another impressive daily increase of $2,474. As the week progressed, most of the financial and commodity markets were gathering pace, with Baltic indices following this trend. With Capesizes galloping above the $60,000-mark, BDI concluded the week at the headline-grabbing levels of 4644 points. Leaving pretty much everything else on the background, spot market was under the influence of the increased number of vessels caught up in congestion off China. In particular, 679 bulkers, or circa 5.5 percent of the dry bulk fleet, were caught up in the logjam, according to Lloyd's List Intelligence data.



Source: Baltic Exchange, Doric Shipbrokers

Even though Baltic indices didn't seem to lose sleep over Evergrande's squeeze, total China's residential property slowdown deepened. Home sales by value slumped 20 percent in August from a year earlier, the biggest drop since the onset of the coronavirus shut swathes of the economy according to Bloomberg calculations based on National Bureau of Statistics data released. For many economists, the property slowdown posed a serious risk to a sector that makes up as much as 28 percent of China's gross domestic product and has a direct impact to many others as well. In fact, China furnaced just 83.2 million tonnes of steel in August, down by some 13.2 percent year-on-year, according to World Steel Association. Such was the effect of the deceleration in Chinese production that despite increased production from various countries, world crude steel production was 156.8 million tonnes in August 2021, or 1.4 percent lower year-on-year.

Regardless of dry bulk shipping admirable maneuvers during the last few weeks of third quarter, there were many Captains out there wondering if the Evergrande moment had passed for good or would be upgraded in the near future as a China property market downward trend. Nevertheless, Baltic indices ended the quarter in very good mood, with BCI lingering at $74,176 daily, BPI at $36,119, BSI at $37,200 and BHSI at $35,543 daily.



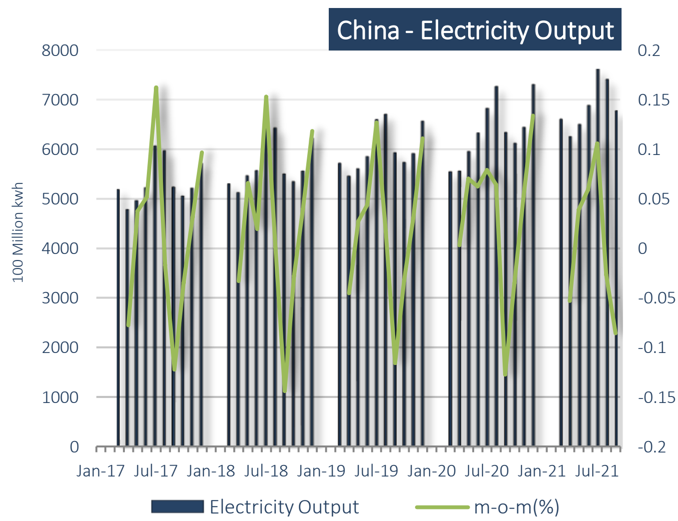
Source: Baltic Exchange, Doric Research

Act IV – A Warm Place South For The Winter

The fourth quarter started with a dramatic fuel crisis in the UK, caused in large part by a lack of truck drivers. BP stressed that nearly a third of its British petrol stations had run out of fuel as panic buying forced the government to suspend competition laws and allow firms to work together to alleviate shortages. The Covid-19 pandemic, Brexit and tax changes had all contributed to scarcity of qualified drivers, with industry bodies estimating a shortfall of circa 100,000. In the latest development, the government put the army on standby to help ease the problem. Setting aside the specific characteristics of the UK crisis and the bizarre proposed solutions, European households and industries were starting to realize that they were going to pay higher electricity and gas bills in the coming months. Meanwhile, US gas and coal producers were struggling to keep up with demand even before the Northern Hemisphere hits its winter period and heating demands skyrocket.

Whilst the Western Hemisphere was feeling some pressure from the increasing cost of energy and the various bottlenecks in energy distribution networks, two of the world's largest energy consumers were already struggling to secure coal supplies. Following the 2020 pandemic shock, the Indian economy expanded at a record pace of 20.1 percent year-on-year in Q2 2021. On the same wavelength, the Chinese economy advanced 7.9 percent year-on-year during the same quarter. With both economies expanding strongly, increased energy demand followed through. China's and India's growing appetite for energy coincided –if not caused to some extent– with galloping fossil fuel prices. Oil rose above $78 a barrel on the first Friday of October, within sight of that week's three-year high. US natural gas futures climbed to a seven-year high, as record global gas prices keep demand for US liquefied natural gas vivid. Gas prices in Europe and Asia traded about four times over US gas due to insatiable demand for the fuel in the latter and low stockpiles in the former. In sync, European coal has risen to a 13-year high at the same time as Australian Newcastle coal was surging by 250 percent from last September to within range of the record set in 2008.

Under these circumstances, over half of India's 135 coal-fired power plants had fuel stocks of less than three days, according to government data. Being locked in long-term agreements with distribution utilities, Indian power producers cannot easily pass on higher input costs. With September Indonesia coal price being seven times higher than similar quality fuel sold by Coal India –according to Reuters calculations –, the state-run company stressed that utilities dependent on imported coal had to curtail power production. In tandem, China was in the grip of a severe shortage of both coal and electricity as the economy resumed strong growth but coal mine output failed to keep up. The lower coal production fuelled a steep climb in local thermal coal prices, increasing by 80 percent year-to-date. With Beijing setting power prices, coal-fired power plants could only operate economically within a certain range of coal input prices. Responding to the crisis, the China Electricity Council said that coal-fired power companies were now "expanding their procurement channels at any cost. Mid-week, Beijing vowed to import more coal and let electricity rates reflect supply and demand.



Source: NBS, Doric Research

The Baltic Dry Index concluded the fortieth week at 5526 points, with the Capesize running unleashed and the smaller segments trying to follow closely this wild ride. In tandem, Drewry's composite World Container index stood 289 percent higher than a year ago. Beating expectations, the resurgence of global economic activity in the first half of 2021 lifted merchandise trade above its pre-pandemic peak, pushing freight rates materially higher.

At the same time as freight rates were touching multi-year highs, the World Trade Organization was predicting global merchandise trade volume growth of 10.8 percent in 2021 – up from 8.0 percent forecasted in March – followed by a 4.7 percent rise in 2022. Quarterly trade growth was up 22.0 percent year-on-year in Q2 of this year but was expected to slow to 6.6 percent by Q4, reflecting 2020's drop and recovery. In particular, the large annual growth rate for merchandise trade volume in 2021 was mostly a reflection of the previous year's slump, which bottomed out in the second quarter of 2020. Due to a lower base, year-on-year growth in the second quarter of 2021 was 22.0 percent, but the figure was projected to fall to 10.9 percent in the third quarter and 6.6 percent in the fourth quarter, in part because of the rapid recovery in trade in the last two quarters of 2020.

Trade volume growth was set to be accompanied by market-weighted GDP growth of 5.3 percent in 2021 and 4.1 percent in 2022 – revised up from 5.1 percent and 3.8 percent respectively. In reference to the trade multiplier, world merchandise trade grew around twice as fast as world GDP at market exchange rates in the years before the global financial crisis (1990-2007), but subsequently slowed to about the same rate on average. The WTO stressed that the latest trade projections implied that the ratio of trade growth to GDP growth would rise again to 2.0:1 in 2021 before falling back to 1.1:1 in 2022. Most importantly, if the forecast is realized, this would indicate that the pandemic will not have had a fundamental structural impact on the relationship between world trade and income.

In a juncture when global trade was gathering momentum and a rapid increase in demand pushed up prices in key commodities and shipping freight rates, the voices of those who suggest peak is near were growing numerous. However the Cape's roaring had been in disagreement with these voices.

Following World Trade Organization's upward revision of global merchandise trade volume growth to 10.8 percent – up from 8.0 percent forecasted in March – for the current year, IMF stressed in the second week of October that the global recovery was continuing, even as the pandemic was resurging. However, economic recovery was losing momentum, hobbled by the highly transmissible Delta variant and its repercussions. Pandemic outbreaks in critical links of global supply chains, resulted longer-than-expected supply disruptions, further feeding inflation in many countries. Overall, risks to economic prospects had increased, and policy trade-offs have become more complex.

Against this backdrop, the global economy was projected to grow 5.9 percent in 2021 and 4.9 percent in 2022 – 0.1 percentage point lower for 2021 than in the July 2021 World Economic Outlook Update. This modest headline revision, however, masked large downgrades for some countries. The outlook for the low-income developing country group darkened considerably due to worsening pandemic dynamics. The downgrade also reflected more difficult near-term prospects for the advanced economy group, in part due to supply disruptions. Partially offsetting these changes, projections for some commodity exporters had been upgraded on the back of rising commodity prices. In fact, growth prospects for advanced economies were revised down compared to the July forecast, largely reflecting downgrades to the United States, Germany and Japan. The forecast for the emerging market and developing economies was marked up slightly compared to the July 2021 WEO Update.

Rising commodity prices not only had a positive bearing in the commodity exporters' outlook though but also put upward pressure on headline inflation rates. This tendency was fuelling worries that inflation could persistently overshoot central bank targets and de-anchor expectations, leading to a self-fulfilling inflation spiral. A tight anchoring of medium to long-term inflation expectations around the central bank's target is a necessary condition to maintain price stability and is commonly seen as crucial for steering inflation toward this target without suffering substantial economic costs. However, the upward trend in fossil fuel prices kept going during the second week of October, further challenging inflation expectations. In tandem, Capesizes took a dive that week stressing a bit spot market's anchored belief for a prolonged unwavering rally towards pre-Lehman highs.

Following previous week's harsh Capesize correction, market was looking for answers during the third Monday of October. The real question was whether the uninspiring 41st week was just an exception to an otherwise upward trend or the downhill part of the race had just started. Whilst it was pretty much a typical Monday morning in the spot market with most of the participants not being in a mood of rushing into things, the first macro news of the week was anything but dull. In particular, missing market expectations of 5 percent growth and well below the 7.9 percent gain seen in the second quarter, China's economy grew by 4.9 percent in the third quarter of 2021 compared with a year earlier, according to the National Bureau of Statistics. In the first three quarters, the value added of the agriculture industry went up by 3.4 percent year-on-year. During the same period, the total value added of industrial enterprises above the designated size grew by 11.8 percent year-on-year. However, the total value added of industrial enterprises increased by just 3.1 percent year-on-year in September, or marginally higher month-on-month.

Faltering factory activity, electricity shortages, persistently soft consumption and a slowing property sector had altogether a clear impact on the softer growth of the last few quarters. In fact, power production accelerated in September, with the power generation being at 675.1 billion kWh or 4.9 percent higher year-on-year. In terms of varieties, in September, the growth of thermal power and wind power accelerated the growth of nuclear power and solar power slowed down, and the decline of hydropower narrowed. Among them, thermal power increased by 5.7 percent year-on-year. Oddly, raw coal production decreased slightly during the same period. In September, 330 million tonnes of raw coal were produced, a year-on-year decrease of 0.9 percent. Conversely, China's coal imports surged 76 percent in September as power plants scrambled for fuel to ease a power crunch that was pushing domestic coal prices to record highs and disrupting business activity in the world's second-largest economy. In spite of the increased imports though, coal prices kept trending higher and touching record levels in October.

In this juncture, China's National Development and Reform Commission said it would "study specific measures to intervene" if coal prices kept rising, adding that it had organised a meeting with China's biggest coal producers. Following Beijing's strongest intervention in years to boost supply and cool runaway prices of the commodity, China's thermal coal futures plummeted during the third week of October, reporting their worst week in five months. In any case, power plants were still facing difficulties in replenishing stocks ahead of winter demand, with average stocks at key Chinese power plants standing at less than 80 percent of the level last year, according to data from China Coal Transportation and Distribution Association.

One week after China's GDP growth press release, both the EU and the US reported their quarterly performance. In particular, the United States economy grew at a slower pace in the three months ending September, as a wave of Covid-19 cases, supply chain bottlenecks and surging inflation downshifted the pace of the economic recovery. Conversely, Eurozone GDP increased to within a percentage point of its pre-crisis level of activity in the third quarter, thanks to a strong third quarter expansion.

In reference to the world's largest economy, real gross domestic product increased at an annual rate of 2.0 percent in the third quarter of 2021, according to the "advance" estimate released by the Bureau of Economic Analysis. The increase in real GDP in the third quarter reflected increases in private inventory investment, personal consumption expenditures, state and local government spending, and non-residential fixed investment that were partly offset by decreases in residential fixed investment, federal government spending, and exports. The initial reading stressed a sharp slowdown from the second quarter when GDP adjusted for inflation grew 6.7 percent.

In terms of inflation, the price index for gross domestic purchases increased 5.4 percent in the third quarter, compared with an increase of 5.8 percent in the second quarter, hovering around its highest level since 2008. The core PCE price index, which strips out volatile food and energy costs and is closely watched by the Federal Reserve, increased 4.5 percent from the previous quarter, compared with a 6.1 percent rise in the second quarter. Fed chair Jay Powell has taken the view that inflationary pressures was going to ease over time. On the other hand, former Federal Reserve Chairman Alan Greenspan stressed that while some of the forces pushing up prices were likely to prove transitory, rising government debt and other underlying pressures could keep inflation elevated on a longer-term basis.

Across the pond, Eurozone GDP increased by 2.2 percent in the third quarter, gathering pace in the three months to September. Outpacing the US and China, EU growth was mainly supported by strong domestic demand and exports, while supply chain disruptions, shortages of raw materials, and rising consumer prices weighed on the recovery. Eurozone annual inflation surged to 4.1 percent in October, not seen since 2008, according to the EU statistics agency. European Central Bank President Christine Lagarde acknowledged that inflation was expected to be high for even longer.

In a time when the global economy seemed to be in a synchronized deceleration, following the impressive previous period expansions, inflation indices remained at multi-year highs. Whilst ECB President Christine Lagarde and Fed Chair Jay Powell saw behind the sharp uptick in inflation a transitory state of affairs, Beijing decided to intervene, pushing iron ore and coal prices materially lower.

In fact, coal futures on the Zhengzhou Commodity Exchange hit a record 1,982 yuan ($310.17) a tonne on October 19, but had declined by almost 20 percent during the last weeks of October. While that 20 percent drop seemed dramatic, it is worth noting that coal futures were still up more than 200 percent year to date. The aforementioned analogy could coarsely describe the juncture in the dry bulk sector as well during the same period.

World merchandise trade volume 2015-2022

Source: WTO, Doric Research

After two straight months of slower gains, US jobs growth picked up steam in October as Covid-related concerns that had kept workers on the sidelines eased. In particular, the world's largest economy added 531,000 jobs in October, according to the US Department of Labor. The unemployment rate in October edged down to 4.6 percent. That was down from 4.8 percent in September and well below June's level of 5.9 percent. Against these developments, Federal Reserve chair, Jerome Powell, stressed in the first week of November that the economy had recovered enough to start dialing back the Fed's bond purchases but that jobs creation and labour force participation had not yet recovered enough to warrant raising interest rates. In particular, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expected it would be appropriate to maintain this target range until labor market conditions reached levels consistent with the Committee's assessments of maximum employment.

Furthermore and in light of the substantial further progress the economy made toward the Committee's goals since last December, the Committee decided to begin reducing the monthly pace of its net asset purchases by $10 billion for Treasury securities and $5 billion for agency mortgage-backed securities. Because the Fed had been broadcasting its intentions for months, stock markets reacted positively despite earlier concerns that the pull back in crisis-era stimulus could derail the recent equities rally.

In spite of the Fed's decision for winding down its aggressive pandemic-era stimulus measures, it was the COP26 climate summit that made headlines in the first week of November. At the 2021 United Nations Climate Change Conference, or COP26, more than 40 countries pledged to phase out coal entirely. The signatories included big coal consumers such as Vietnam, Indonesia, Poland and Ukraine. However, the deal failed to win support from the US, China, India and other top coal consumers. China and India together burn roughly two-thirds of the world's coal while the United States generates about one-fifth of its electricity from coal. Separately, a group of 25 countries including COP26 partners Italy, Canada, the United States and Denmark together with public finance institutions have signed a UK-led joint statement committing to ending international public support for the unabated fossil fuel energy sector by the end of 2022 and instead prioritising support for the clean energy transition.

Whilst shipping executives had an eye on the United Nations Climate Conference, looking for answers to longer-term energy trends, the spot market was focusing on more ephemeral developments. In particular, China's multi-month energy crisis seemed to have found a solution, but the latter was not involving an increased appetite for coal imports. In fact, China's daily coal output hit 11.67 million tonnes on November 2, rising around one million tonnes from early October. Furthermore, coal inventories at power houses across the country exceeded 110 million tonnes, up by more than 31 million tonnes from end-September. The lack of coal orders from China had been catalytic for the Pacific market in early November, pushing rates further down. On top of that, congestion had been easing in Chinese ports, adding further pressure in the market. The combination of the two, a softer tone on the demand side and a longer tonnage list, could be observed in the market as a steep incline towards the bottom of the hill.

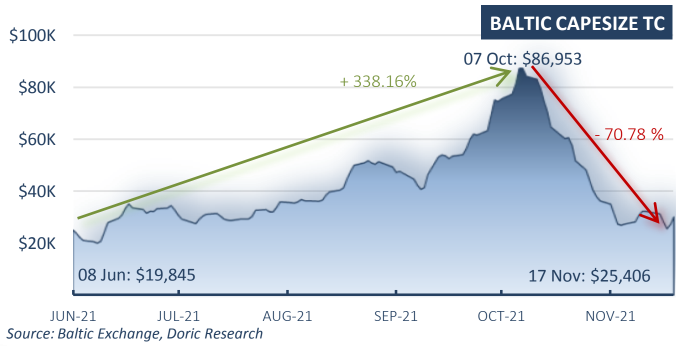
One week after Jerome Powell's, Federal Reserve chair, decision to start dialing back Fed's bond purchases, US consumer price inflation surged higher again in October, according to the Bureau of Labor Statistics. Over the past 12 months, prices climbed 6.2 percent - the biggest increase since November 1990. The monthly all items seasonally adjusted increase was broad-based, with increases in the indexes for energy, shelter, food, used cars and trucks, and new vehicles among the larger contributors. The energy index rose 4.8 percent over the month, as the gasoline index increased 6.1 percent and the other major energy component indexes also rose. The food index increased 0.9 percent as the index for food at home rose 1.0 percent. Furthermore, the core inflation, the index for all items less the more volatile food and energy, rose 0.6 percent in October after increasing 0.2 percent in September, according to the Labor Department. At the same time as the US was facing the largest inflationary pressure in decades, Asian economies were reporting significant increases in the pace of inflation as well. Mid-week, China's National Bureau of Statistics reported that its producer price index rose by 13.5 percent in October from one year ago, the largest increase in 26 years.

Against this backdrop, China's manufacturing PMI fell to 49.2 in October from 49.6 in September. In terms of sub-indices, the production index was 48.4 percent, down 1.1 percentage points from the previous month, indicating a slowdown in manufacturing production activities. In sync, the new order index was 48.8 percent, or down 0.5 percentage month-on-month. The raw material inventory index balanced at 47.0 percent, indicating that the inventory of main raw materials in the manufacturing industry continued to decrease. In terms of broad industries, the business activity index of the construction industry was 56.9 percent, or down 0.6 percentage points from the previous month. In tandem, the business activity index of the service industry was 51.6 percent, down 0.8 percentage points from the previous month. The aforementioned manufacturing disinclination coupled with an easing tendency on the congestion front forced bulkers to deflate their levels in an otherwise inflationary world. That being said, some rays of light appeared here and there during the 45th week, without managing to brighten the whole market canvass.

News arriving from China property market during the third week of November was anything but encouraging. In fact, China's property slump deepened, with new home prices seeing their biggest month-on-month decline since 2015. Furthermore, new construction started in January to October also fell 7.7 percent, compared to a year earlier. Apparently, the debt crisis faced by Chinese property giants had shaken country's property market to a greater extent than what initially was thought so.

Additionally, China's daily crude steel output declined for a sixth straight month in October, falling 4.9 percent on the month and hitting a 44-month low, according to the China Iron & Steel Association. The dive in steel production in China over the past four months had been quite substantial. In fact, the world's largest steel producer churned out just 71.58 million tonnes in October or 23.3 percent less than the respective period in 2020 and off the back of a 21 percent year-on-year fall in September. On top of that, China's daily crude steel output in early November was 20 percent lower year-on-year, to be slightly above October's average, according to the same source. In the first 10 months of the year, Chinese mills furnaced 877.05 million tonnes of steel, down 0.7 percent on an annual basis, according to the National Bureau of Statistics. That was the first drop of year-to-date output reported in at least five years and paved way for Beijing to meet its commitment to avoid higher annual output in 2021.

In this context, the slightly arrogant Capesize attitude of the previous period was seriously tested, with the respective Baltic indices heading south. In particular, after hovering for five days above the $80,000-mark in early October, the most impulsive of the dry bulk segments lost some $50,000 in just thirty trading days, balancing at $29,938 daily on the third Friday of November. Leaving aside for a moment the dramatic rises and steep falls of the last six months, November has been a quite calm month for the Capesize market so far, with the respective TC average index balancing just a couple of thousand dollars up or down for the $30,000-mark.



Source: Baltic Exchange, Doric Research

With China's daily crude steel output declining for a sixth straight month in October, it came as no surprise that World crude steel production followed the same downward trend. In particular, steel production for the 64 countries reporting to the World Steel Association was 145.7 million tonnes in October 2021, a 10.6 percent decrease compared to October 2020. In reference to the specific regions, Asia and Oceania furnaced 100.7 million tonnes, or down 16.6 percent. Increasing by 6.4 percent, the EU (27) produced 13.4 million tonnes during the same period. Reporting strong gains of 12.7 and 16.9 percent, Middle East and North America produced 3.2 and 10.2 million tonnes respectively. In sync, Africa produced an increased steel output of 1.4 million tonnes in October, or up 24.1 percent year-on-year. On a country level, most of the top-ten steel producers were in positive territory the previous month. However, with China's share exceeding half of the world's output, the other steelmakers didn't have enough weight to reverse the global trend.

With China's January-October production being already lower than the corresponding number for 2020, Beijing was likely to achieve its annual target. World’s largest steel producer had successfully controlled its January-October crude steel production after a raft of strict curbs and sluggish downstream demand, leaving room for steel firms to raise output for the rest of the year on a monthly basis. Following last period draconian measures, it only needed to keep November and December output not higher than the respective period of the previous year, or around 88-91 million tonnes per month. Chinese coking coal futures found then an opportunity to surge more than 13 percent during the last Wednesday of November, supported by improved sentiment in the property market and expectations of higher steel production. With Baltic indices reporting gains, a more bullish sentiment was the general prevailing attitude of market participants in the spot dry bulk market as well during the 47th week.

All the above figures and trends were true up until the last Friday of November. Global equities and oil prices tumbled that day, as investors were trying to reduce their positions in companies most exposed to the pandemic and sought shelter in havens after the discovery of a new coronavirus variant. In particular, oil prices lost some $10 a barrel of their values, reporting their largest one-day drop since April 2020. The most-active January Dalian iron ore contract ended daytime trading 6.7 percent lower. Europe’s Stoxx 600 fell 3.7 percent, with France’s CAC 40 index and Germany’s Dax down by 4.8 percent and 4.2 percent, respectively. London’s FTSE 100 index dropped 3.6 percent. On the same tone, S&P 500 and Dow Jones Industrial Average were on pace for the worst Black Friday in over 70 years. In these conditions, Baltic Dry Index managed to end the week largely unaffected, yet more concerned than it otherwise would be.

Along with trade, employment and incomes, global economy continues to recover, according to the latest economic outlook of Organization for Economic Cooperation and Development. Being in an upward trend for quite a few quarters in a row, economic recovery has lost momentum and is becoming increasingly imbalanced. In fact, there are parts of the global economy that are rebounding quickly but others are lagging. Particularly within lower-income countries where vaccination rates are still low, demand has yet to fully recover. Furthermore, previous period strong momentum seems to be easing in many countries amidst persisting supply bottlenecks, increasing input costs and the continued effects of the pandemic. On the hot topic of this year, stronger and longer-lasting inflation pressures have emerged in the vast majority of economies at an unusually early stage of the cycle, and labour shortages are appearing even though employment and hours worked are still yet to bounce back to pre-pandemic levels.

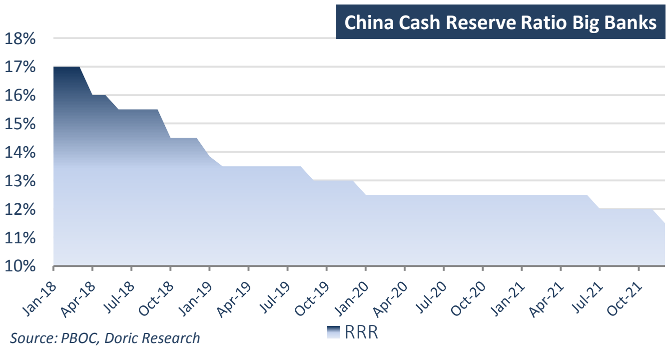
As far as global growth goes, OECD's base case scenario is that the global economic upturn persists, with the world coping better with the pandemic whilst monetary and fiscal policies remaining generally supportive throughout 2022. After a rebound of 5.6 percent in 2021, global growth would move along at a brisk pace of 4.5 percent in 2022, moderating to 3.2 percent in 2023.

In reference to major economies, the US GDP growth is projected to slow to 3.75 percent in 2022 and just under 2.5 percent in 2023, after a strong rebound of 5.6 percent in 2021. China GDP growth of over 8 percent in 2021 is expected to moderate to just above 5 percent in 2022 and 2023, returning to the ‘soft landing’ pre-pandemic course. The recovery was sustained into 2021 by strong exports as the economies of trading counterparts reopened, but has slowed as investment in real estate and infrastructure softened and power outages became widespread. Output in India is projected to rise by circa 9.5 percent in fiscal year (FY) 2021-22 before slowing to just over 8 percent in FY 2022-23 and 5.5 percent in FY 2023-24. India’s vaccination programme has accelerated, underpinning consumer confidence, but Covid-19 scars are expected to leave their mark including lower human capital accumulation than otherwise and less investment in infrastructure, damping the medium-term growth outlook. Although near-term uncertainty has risen with the renewed rise in Covid-19 infections across Europe, the strong output recovery in the euro area is expected to continue.

Euro area GDP growth, which is estimated to reach 5.2 percent in 2021, is projected to moderate to 4.25 percent in 2022 and 2.5 percent in 2023. Brazil’s revival has been supported this year by a rebound in export volume, offsetting the impact of the severe wave of Covid-19 infections in the first half of the year and subsequent supply bottlenecks. The average annual GDP growth of this key exporting country in 2021 is projected at 5 percent, but this masks a slowdown through the course of the year.

In terms of global trade, volume of goods and services should touch pre-pandemic level by the end of 2021, according to OECD. Trade in goods rebounded more quickly, returning to the pre-pandemic level by the end of 2020, but trade in services is recovering only slowly, and remains below the pre-pandemic level. Overall, the volume of world trade is expected to be 9.3 percent higher in 2021 than in 2020. Momentum is projected to lose steam over 2022 and 2023, with volumes rising by 5 and 4.5 percent respectively, in sync with the taming of global activity. Various supply-side impediments such as extreme weather phenomena, shortages of inputs like semiconductors, and shipping delays are negatively affecting production in some industries and holding back merchandise trade growth in the near term.

The forty-ninth week of this sunny trading year started with the best omens. Following many reports and analyses with a clearly cautious tone for the course of the world’s second largest economy during the last couple of months, Beijing’s decision to stimulate the Chinese economy injected generous doses of optimism in the market. In particular, the People's Bank of China will cut the Reserve Requirement Ratio (RRR) of financial institutions by 50 basis points, except for those that already have the ratio set at 5 percent. Following the reduction, the average weighted RRR will be 8.4 percent, according to the central bank. The move is to support the development of the real economy and reduce financing costs. The PBOC also stressed that in order to maintain a prudent monetary policy; it will not use aggressive monetary easing as a stimulus measure. The RRR cut is a “regular monetary policy action,” the PBOC said Monday, downplaying any expectations that it was the start of an easing cycle. The cut, the second this year following a similar broad-based reduction in July, is expected to free up about 1.2 trillion yuan ($188.1 billion) and save financial institutions 15 billion yuan a year in financing costs, the central bank said in a separate statement on its website on December 6.



Source: PBOC, Doric Research

Shares of Chinese real-estate developers jumped in the second Tuesday of December on the dovish signal from the central bank, with a Bloomberg gauge of developers rising 3.2 percent to its highest since late November. In sync, Evergrande’s shares surged as much as 8.3 percent. On the same wavelength, iron ore price surged during the same day after customs data showed China’s iron ore imports rose 14.6 percent in November from a month earlier to hit their highest since July 2020. Chinese customs cleared 104.96 million tonnes of rich in iron oxides rocks last month, up from October’s imports of 91.61 million and were also up 6.9 percent from November 2020, data from the General Administration of Customs showed. In the first eleven months of the year, China imported 1.04 billion tonnes of iron ore, down 3.2 percent from the respective period a year earlier. Capesizes surpassed the $40,000-mark for the first time in the last one and a half months, reporting a daily closing of $41,324 daily on that Tuesday. Reporting an extra 4.1 percentage increase on Wednesday, the most volatile segment of the dry bulk sector touched $43,030 daily, or circa some $17,500 above this quarter minima.

One day later, Fitch became the first rating agency to declare that China Evergrande’s overseas bonds were in default after the world’s most indebted developer failed to make a crucial interest payment. The leading provider of credit ratings also stressed on Thursday that Kaisa, another heavily indebted developer that failed to repay a $400m bond, was in restricted default. Trading in shares of Kaisa Group Holdings was suspended at the same time as Evergrande's shares moved again down, reporting significant losses. Just before that eventful week closing, iron ore futures slipped, as rising portside inventory of the steelmaking ingredient in China signaled prices could further weaken in 2022. In fact, imported iron ore stocked at Chinese ports reached 155.4 million tonnes, the highest since July 2018, according to SteelHome consultancy data. In sync, the steep increase in coal stockpiles at Qinhuangdao had also coincided with large declines in China’s domestic coal prices. Against this backdrop, the front end of the forward curves in dry bulk shipping was trading at a discount to the current levels.

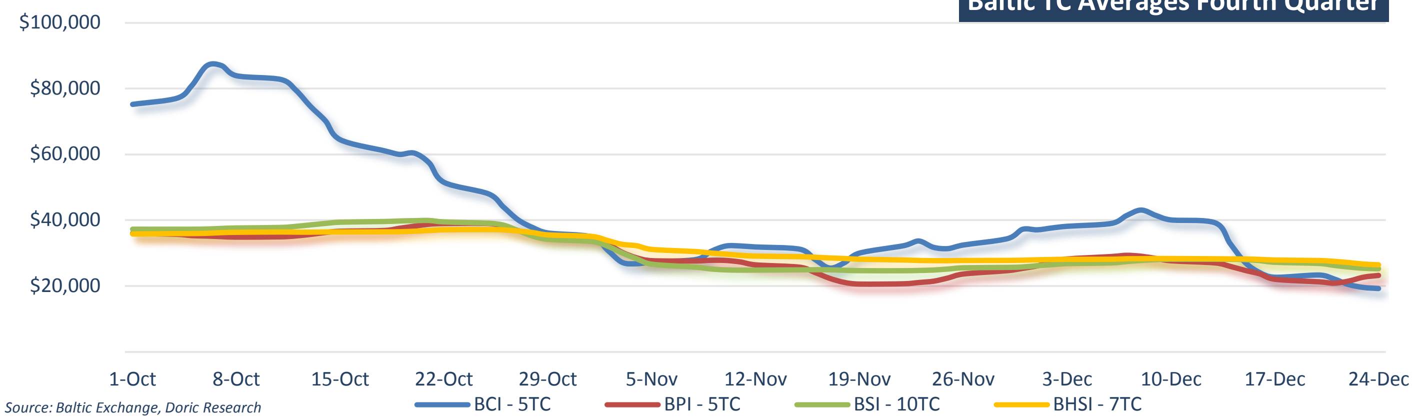
Before the final curtain falls on the dry bulk shipping main stage for the current trading year, Baltic indices remained consistent on their regular seasonal movement, winging their way south in wrinkled V-shaped flocks. Following this well-established pattern, the BDI concluded at 2379 points on the third Friday of December, after losing circa 900 points during the previous five trading days. Whilst the spot market kept deflating its balancing levels, central banks around the world changed their tone about inflation. The ECB and Fed sharply scaled back their programs of asset purchases. In particular, quarterly Fed economic projections showed that 12 policy committee members, out of a total 18, think conditions will warrant at least 3 quarter-point hikes in 2022. In addition, a majority of 11 policymakers anticipate 3 further rate hikes in 2023. That would lift the Fed's benchmark overnight lending rate to a range of 1.5-1.75 percent vs the current 0-0.25 percent range. In a decision that leaves policymakers with plenty of escape clauses, the ECB is going to end emergency bond buys next March, temporarily increasing the pace of its longer-running Asset Purchase Program to ease the transition though. In tandem, central banks in the UK and Norway turned more hawkish, by raising interest rates. In sync, nine emerging economy central banks, ranging from Chile to Russia, also pushed rates higher. Oddly, even the Bank of Japan, usually concerned with deflation, dialed back its coronavirus monetary support.

Along with inflationary pressures, economic recovery had a bearing in energy demand as well. In fact, global electricity consumption is expected to rebound 6 percent in 2021, exceeding the 2019 level. With electricity demand outpacing low-carbon supply, and with steeply rising natural gas prices, global coal power generation is on course to increase by 9 percent in 2021 to a new all-time high. However, coal’s share of the global power mix in 2021 is expected to be 36 percent – percentage points below its 2007 peak, according to the International Energy Agency. In the US and the EU, coal power generation is forecast to increase by almost 20 percent in 2021 but will not reach 2019 levels. By contrast, estimated growth of 12 percent in India and 9 percent in China will push coal power generation to record levels in both countries. In 2020, global met coal consumption declined 3 percent to 1100 Mt as steel production (outside of China) decreased, mainly due to pandemic-related effects. In reference to the current year, a slight increase of 0.5 percent is projected, raising met coal consumption to 1106 Mt.

For the next three years to 2024, International Energy Agency foresees global coal trade stability, but with thermal coal volumes declining 1.9 percent and met coal increasing 2.8 percent annually. Thermal coal trade will be altered as China and India raise domestic production to reduce import reliance, and as the EU, Japan and Korea reduce their coal-fired power generation. Conversely, higher volumes of met coal are expected because China and India cannot raise their domestic production substantially, and because met coal demand for steel production remains high globally.

In a time when seasonality picked up the torch of setting the market tone, Baltic indices concluded the year at very healthy levels of $19,176 for the BCI TCA, $23,158 for the BPI TCA, $25,188 for the BSI TCA and $26,384 for the BHSI TCA. Even though the aforementioned levels are currently balancing below their recent highs, they are still hovering well above last year’s closing.

Baltic TC Averages Fourth Quarter



Source: Baltic Exchange, Doric Research

Curtain Falls On 2021

Looking back to the last twenty-four months, consumer spending, a major source of economic activity, took a dive as the first wave of the pandemic swept across the globe in early 2020. All of a sudden, consumers were forced to change behavior, companies to transform business models, and governments to adjust regulations. Being in the center of global trade, shipping couldn't remain apathetic to the initial shock. However, as early as mid-June 2020, pent-up demand contributed to a robust recovery in consumer spending and thus container and dry bulk freight rates. Much of this boost passed through 2021 as well, adding extra buoyancy to Baltic indices.

Additionally, the severe global crisis triggered acute government spending in an attempt to revive their economies. To put the governments' economic responses in perspective: $10 trillion announced just in the first two months, which is three times more than the response to the 2008–09 financial crisis. Whilst many economies around the globe haven't yet gathered pace, the colossal monetary and fiscal stimuli had a positive bearing in the commodity and shipping markets for the most part of the last couple of years.

On a different tone, among the risk exposures highlighted by the Covid-19 pandemic was the impact to congestion and delays at ports and terminals. Congestion at terminals continues to disrupt global liner and tramp schedules, with quarantines and the side-effects of Covid-19 vaccination blamed for further instability in the supply chain. In fact, the active fleet decreased at the beginning of the year, as the number of vessels caught up in port congestion rose from 4 percent of the fleet in the fourth quarter of 2020 to 5 percent in the first quarter of 2021. On top of that, sector's orderbook hit historical minima, driven by low contracting activity. Uncertainty over vessel eco-friendly design and future zero-carbon fuels is still keeping investors away from the yards. With this tendency remaining stable for the most part of the current trading year, freight rates found another pillar of support, this time from the supply side of the market.

Finally yet importantly, record high freight rates for containerized cargoes and a severe lack of readily available ship capacity are forcing some shippers to turn to the bulk or Ro-Ro trades. One has to go back to early February to trace the first such cases. Since then, volumes of goods including bagged rice, cement and fertilizers continue to flow into the dry bulk and break bulk sectors. The 'de-containerization' of some cargoes has incrementally supported Baltic indices, and predominantly those of the geared segments. The amalgamation of the aforementioned factors pushed freight rates materially higher for pretty much everything that can stay afloat loaded with more than a couple of thousand tonnes of bulk or unitized cargo. In other words, all dry bulk segments trended strongly upwards during the last eighteen months, hovering in tandem above the "psychologically important" level of $30,000 daily for a good part of 2021. Undoubtedly, not all segments behaved the same way down the path, with gearless segments being more volatile around this upward trend than the geared ones. However, as a rising tide lifts all boats so does a global economy with an increased appetite for commodities.

Looking forward, the global economy continues to recover, along with trade, employment and incomes, according to the OECD. But the revival is unbalanced, with countries, businesses and people facing very different economic realities. Recent improvements also conceal structural changes, which mean that some sectors, jobs, technologies and behaviours will not return to their pre-pandemic trends. The situation is extraordinary yet OECD's economic outlook is cautiously optimistic. It focuses on the policies needed to balance such uncertain circumstances with the unusual appearance of rising inflation pressures at an early stage of the recovery. Health, supply constraints, inflation and potential policy missteps are all key concerns. The World Trade Organization is now predicting global merchandise trade volume growth of 10.8 percent in 2021 - up from 8.0 percent forecasted in March - followed by a 4.7 percent rise in 2022. Growth should moderate as merchandise trade approaches its pre-pandemic long-run trend. Supply-side issues such as semiconductor scarcity and port backlogs may strain supply chains and weigh on trade in particular areas, but they are unlikely to have large impacts on global aggregates. The biggest downside risks come from the pandemic itself.

For dry bulk shipping in particular, 2022 is expected to be yet another trading year full of activity. Dry bulk seaborne trade is forecast to further expand, with increased infrastructure spending, more grain supply and higher coal consumption. Dry Bulk feet growth in 2022 is expected to be quite limited, but on top of this vessel inefficiencies are going to challenging the balance with demand growth for the following year as well. Increased iron ore stocks in Chinese ports coupled with February Olympic games in China will, most probably, add pressure to the spot market. Following this period, health, supply constraints, inflation and the developments in the Chinese property market are expected to influence balances of an otherwise well-supported freight market.

May your sails have good winds in 2022!

The reported fixtures and S&P deals are obtained from market sources.