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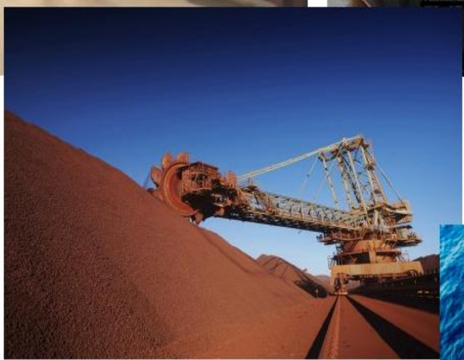
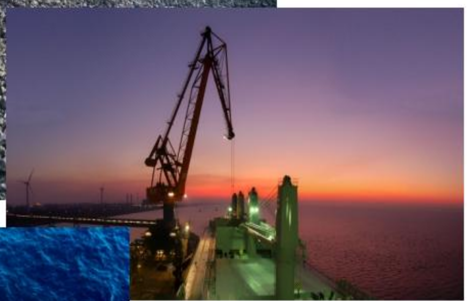


REVIEW 2022

DORIC
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Prelude

Ensuing one of the most generous and fertile trading years of the recent past with an annual average of some 2943 points, Baltic Dry Index stepped into the new year with a rather tepid and lukewarm feeling. In fact, one should take a long trip down the memory lane to draw a parallel of the spot market's steep downward correction in end of 2021, with Capesizes mainly being under severe pressure. In spite of the adverse currents, our clients and friends replied to our annual sentiment survey in early January that they remain "cautiously optimistic" for the next twelve months – or at least the majority of them. Indicative of the prevailing bullish sentiment is that "optimistic" or "cautiously optimistic" gathered 25 percent and 60 percent of the replies respectively. In comparison to our previous survey one year ago, "optimistic" was chosen by 15 percent less market participants whereas the second more bullish option by circa 3 percent more. Conversely, the percentage of the survey respondents believing in a "rather pessimistic" period increased from 2.6 percent to 15 percent since our 2021 sentiment survey. Among other factors, the early January's downswing of time-charter rates combining with anticipation of a softer global economic growth painted the view of most of the respondents with less vivid colours, albeit quite bright nevertheless. In sharp contrast to Baltic indices' downward trend, market sentiment remained relatively robust during the first trading days of 2022.

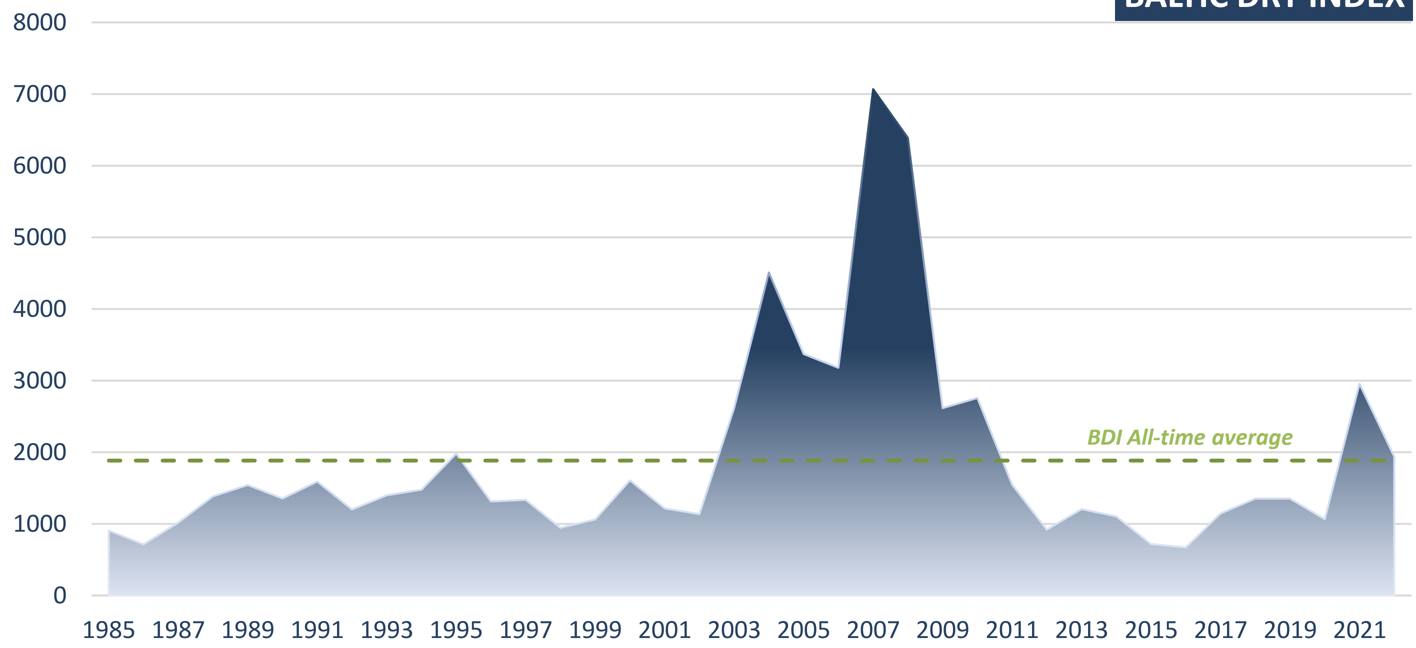
Against this backdrop, the gauge of activity in the dry bulk spectrum – the Baltic Dry Index – balanced at 2285 points in the first trading day of 2022. Contextualizing, ranging from 673 points to 7070 points, Baltic Dry Index annual averages ebbed and flowed during the last thirty-eight years, averaging 115 points below the 2,000-point mark. However, Baltic Dry Index doesn't follow normal distribution. Indicatively, just eleven out of the thirty-eight years managed to stand higher than the all-time average 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, 2022 was a rather fertile year in terms of performance, as the 1934 points (as of 23 Dec) it averaged is placing it well above BDI's median value. Additionally, hovering few points above the average value of the thirty-eight-year horizon, the trading year that just ended managed to keep the market afloat. Steaming decisively through rough seas and facing quite a few headwinds, the challenging 2022 really carried it off with its bow always being afloat.

As it transpired, the eventful 2022 didn't manage to fulfill the great expectations of standing substantially above an average year mainly due to sluggish demand for seaborne trade, tighter monetary policies, zero-Covid draconian measures and less congested ports around the globe. The typically seasonal lethargic start made its appearance again in the first quarter, pushing daily hires materially lower. However, this downward pressure lasted for just few weeks, with the spot market regaining some of the lost ground. The second quarter diverged from the typical flight plan, trending mostly sideways. It was the third quarter though that engraved to memory, as the Baltic Dry Index oddly kept losing steam day by day, plunging into the three digits for the first time in more than two years. In a similar vein, the fourth quarter further deflated from the aforementioned levels, displaying acrophobic symptoms to the recent past heights.

Reflecting back on the four-act year, four issues stand out: geopolitical tension and conflict, persistently high inflation and aggressive monetary tightening, dry bulk shipping and commodities at a deflationary course, concerns about global growth and rising Covid-19 infections in China.

BALTIC DRY INDEX



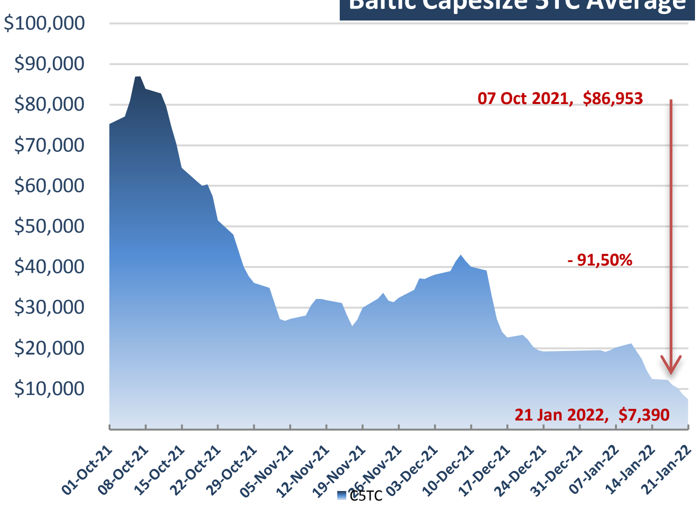
Source: Baltic Exchange, Doric Research

Act I – "What is past is prologue."

The trading year embarked to the first quarter of its 2022 trip in rather meek spirits, anticipating a reversal of the previous period harsh downward correction. In spite of the descending trend of late, Baltic TCAs continued lingering well above OPEX in all segments. In fact, the BCI-5TCA laid at $19,490 daily, BPI-TCA 25,865, BSI-TCA at $24,303 and the BHSI-TCA at $25,322 on the closing of the first trading day of 2022. On the S&P front, five-year-old eco Capesizes changed hands for circa $47m whilst same-aged Kamsarmaxes for $33m, both considerably higher year-on-year. In sync, a typical five-year-old Ultramax was sold for around $30m and a modern 38,000dwt Handy for $25.5m, or circa 69 and 73 percent above the respective early 2021 figures. In the paper market, all forward curves were in backwardation, albeit with flattish parts on the front end.

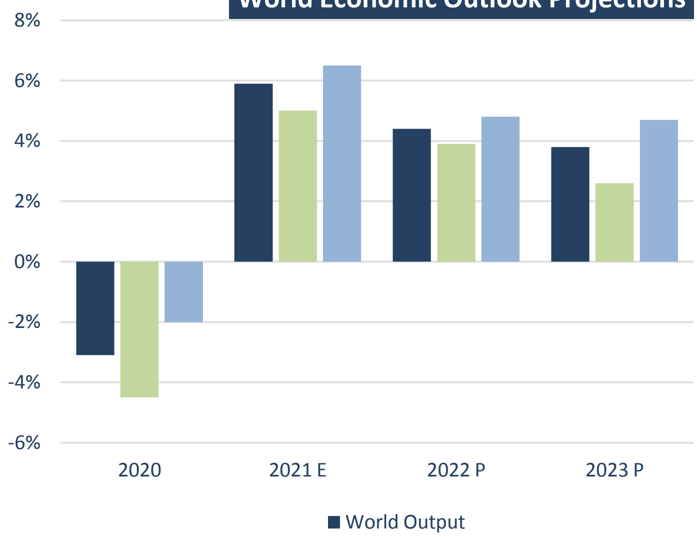
After a couple of weeks with the spot market reporting $5,000 losses, the third week of the trading year kicked off with a slew of data, including China's fourth-quarter GDP. In reference to the locomotive of global growth, China's economy expanded by 8.1 percent in the previous year, far exceeding the government's own targets. It has to be noted that the aforementioned figure was largely distorted by a historic collapse in activity at the start of 2020. As far as the fourth quarter goes, gross domestic product expanded by 4 percent year-on-year, according to data from the National Bureau of Statistics. Weakening growth in the closing months of 2021 suggested that trouble was still on the horizon as the country contended with a deepening real estate crisis, renewed Covid outbreaks and Beijing's zero Covid policy.

Against these developments, the People's Bank of China cut the one-year policy loans rate by 10 basis points to 2.85 percent and the rate on seven-day reverse repurchase agreements to 2.1 percent. Furthermore, Beijing lowered mortgage lending benchmark rates as monetary authorities step up efforts to prop up the slowing economy. In early January, Chinese Premier Li Keqiang stressed the importance of implementing macro policies innovatively, better unleashing market vitality, stabilizing the macroeconomy, and keeping the economy running within an appropriate range. But he reiterated that the government would not resort to "flood-like" stimulus. With Baltic Capesize Index having lost some 91.5 percent of its value in just few months, an outpouring of stimuli might sound as an alluring scenario to Capesize owners. However enticing it might sounded though, all omens were not favoring such a plot twist.



Source: Baltic Exchange, Doric Research

It was early October 2021 when IMF stressed that global economic upswing was continuing, even as the pandemic resurged. However, economic recovery lost momentum since then, hobbled by the highly transmissible Delta variant and its repercussions. Adverse developments since the aforementioned World Economic Outlook (WEO) had a negative impact on many major economies, with global economy entering 2022 in a weaker position than anticipated. Meanwhile, inflation had been higher and more broad-based than initially anticipated, particularly in the United States. Adding to these pressures, China's housing sector was having a bumpy year start, as some of the country's most high-profile developers were struggling to shake off a crisis that had been ballooning for months. In this juncture, global growth was expected to moderate from 5.9 in 2021 to 4.4 percent in 2022 - half a percentage point lower for 2022 than in the October WEO, largely reflecting downward revision in the two largest economies. In China, pandemic-induced disruptions related to the zero-Covid policy and prolonged financial stress among property developers induced a 0.8 percentage-point downgrade. In reference to the world's largest economy, supply shortages, a more hawkish monetary approach and a less expansionary fiscal policy produced a downward 1.2 percentage-points revision. In the euro area, prolonged supply constraints and Covid-19 disruptions produced a less severe markdown of 0.4 percentage point.



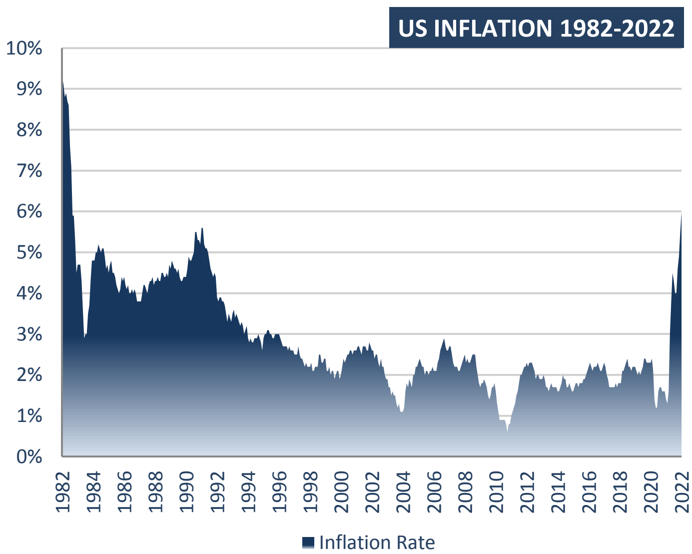
Source: IMF, Doric Research

Bearing all these in mind, Fed chair signaled a tougher stance on inflation the last week of January. With a strong labor market and inflation well above 2 percent, the Committee expects it would be appropriate to raise the target range for the federal funds rate. Fed Chairman Powell's hawkish stance at a press conference following the Fed's January meeting sparked a sharp stock market sell-off. The US dollar, on the other hand, surged to its highest level in nearly 18 months. Whilst a strong dollar and a global economy losing momentum were rarely pro-shipping conditions, seasonality took the lion's share of the negative impact to the Baltic Dry Index during the first trading month of the year. However, the FFA market demonstrated a late January spasmodic positive reaction, hinting an underlying confidence going forward.

At the same time as the IMF was stressing that global growth was expected to moderate from 5.9 in 2021 to 4.4 percent in 2022, the latest OECD Composite Leading Indicators (CLIs) pointed towards the same direction. The CLIs, which are driven by factors such as order books, confidence indicators, building permits, long-term interest rates, new car registrations and many more, are cyclical indicators designed to anticipate fluctuations in economic activity over the next six to nine months. Among major OECD economies, a drop in momentum was visible across the board in early February. In the US, the CLI pointed out a stable growth, although the CLI level was below its long-term trend. In reference to the second largest economy, the CLI for China (industrial sector) continued to point to a loss of momentum, dropping below its long-term trend. In India, the CLI continued to anticipate stable growth, whereas in Brazil the indication was for a sharp growth slowdown.

Better reflecting the course of the global economy, Handies touched multi-year highs of $37,109 daily in late October 2021. Growth in regional trades, a strong rebound in global economy and the 'de-containerization' of some cargoes unfolded nicely for the Handysize. Riding this wave, Handies enjoyed a period of vivid activity during the last two quarters of the previous year, positively surprising many who were under the impression that the least volatile among the segments were in fact dull as well. Since late October though, the leading index of the sector's workhorses was in a downward spiral to an early February closing of $17,819 daily. Much of that contraction could be largely attributed to seasonal factors, yet still the alarming signals from the OECD Composite Leading Indicators couldn’t be ignored.

Whilst Handies kept losing steam, the US Consumer Price Index (CPI) moved towards the opposite direction in February, returning to early 1982 levels. In fact, the US Labor Department stressed that consumer prices jumped 7.5 percent in January compared with a year earlier, the steepest year-over-year increase since February 1982. On a month-on-month basis, CPI rose by 0.6 percent, the same as the previous month and more than economists had expected. The so-called core CPI, which excludes food and energy, rose 6.0 percent over the last year, or up from 5.5 percent over the 12 months to December. The energy index rose 27.0 percent over the last 12 months and the food index increased 7.0 percent. Ultra-low interest rates, heavy doses of federal aid, increased commodity and energy prices, shortages of supplies and workers, and robust consumer spending combined to send inflation leaping.



Source: US Bureau of Labor Statistics, Doric Research

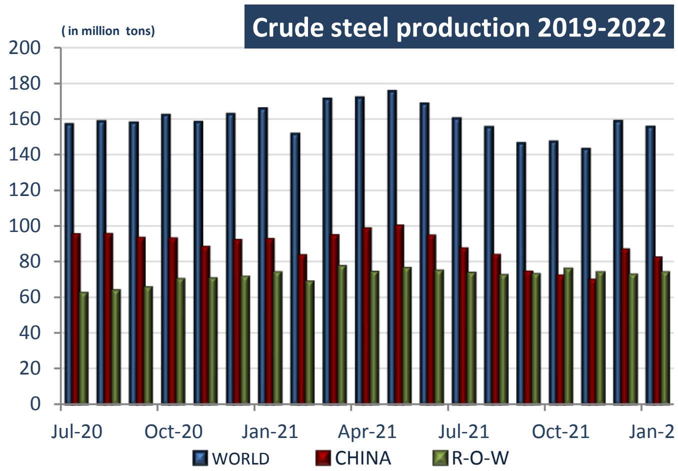
With commodity prices on the high end, yet still below their recent multi-year highs, 'Doctor Copper', a nickname associated with copper for its ability to predict pivotal turning points in the global economy, followed closely. After a 26 percent rise during 2021, copper prices have struggled for direction during the first two months of 2022. On the one hand, the decelerating locomotive of the global growth, namely China, posed some concerns for the course of the soft red-coloured metal prices. On the other hand, copper stocks once again continued to fall, approaching historically low levels. Against this backdrop and with a risk-off sentiment in wider financial markets, copper trended lower in mid-February, after a short-lived rally that propelled the price to its highest in four months.

The seventh week started with Russia stressing that President Vladimir Putin would personally oversee military drills involving “strategic forces”, at a time of soaring tensions at the country’s border with Ukraine. The defense ministry said the exercise would include multiple practice launches of intercontinental ballistic missiles and cruise missiles. The air force, units of the southern military district, as well as the Northern and Black Sea fleets would be involved in the huge nuclear drills. US troops and hundreds of vehicles, on the other hand, entered the Czech Republic from Germany in the third week of February en route eastwards to Slovakia for NATO's Saber Strike military drills. Whilst the aforementioned games were the focal point of the western world, Beijing eyes were fixed on commodity prices for yet another week and in particular iron ore. In fact, China's state planner held what it called a "reminding and warning" symposium with domestic and foreign iron ore traders on February 17 in an effort to ensure market stability. China's planner told some iron ore traders to release excessive inventory and reduce stocks to reasonable levels, following a joint investigation with the market regulator in Qingdao.

With weekly inventory in excess of 155 million tonnes, threats, promises and friendly warnings can alter players' expectations, sending not only iron ore prices lower but also Capesize spot rates.

The eighth trading week started on the right foot, with Baltic indices reporting gains across the board. With BCI TCA increasing by $1,443 and BPI82 TCA by $594, the gearless segment made their intention clear to move higher, concluding the first trading day of the week at $15,331 and $21,969 daily respectively. In tandem, BSI TCA and BHSI TCA were in an upward trajectory, concluding higher at $25,758 and $23,504 respectively.

On Tuesday, World Steel Association was anything but in line with the aforementioned positive feeling of the spot market. Association's data indicated a softer tone in one of the most important industries for the dry bulk sector. In fact, global crude steel production declined by 6.1 percent in January compared with the output in January 2021 and it was also lower by 2.4 percent compared with December 2021. Global steel output was estimated at 155 million tonnes compared with 162.9 mt in January last year and 158.7 mt in December 2021. With China registering negative growth for the seventh consecutive month, the above reading came as no surprise. In particular, the world's leading producer furnaced an estimated 81.7 Mt in January 2022, down some 11.2 percent on January 2021. Conversely, steel production in India continued to be on the positive side with the output rising by 4.7 percent year-on-year to 10.8 mt. Japan produced 7.8 mt, or down by 2.1 percent, at the same time as the United States were having a monthly output of 7.3 Mt, or up 4.2 percent year-on-year. Whilst one of the largest and most dynamic industry associations in the world posed some concerns for the derived demand for shipping services looking forward, Baltic indices kept steaming north. Reporting further increases, BCI TCA touched one-and-a-half-month highs of $18,181 and BPI82 TCA stood shy of $25,000 daily on Wednesday's closing.



Source: W.S.A, Doric Research

On Thursday though, the western hemisphere woke up, with news of Russian invasion of Ukraine spreading out uncertainty in communities as well as markets. Oil prices surged, with Brent breaching $100 a barrel for the first time since 2014. European stock futures plunged 4 percent as investors dumped riskier assets. US wheat and corn futures rose by their daily trading limits on Thursday, while soybeans reached the highest level since 2012. Gold prices jumped more than 2 percent to their highest in over a year. Furthermore, raising fears that a war in Europe would fuel higher inflation and derail economic growth also had a negative bearing on market sentiment.

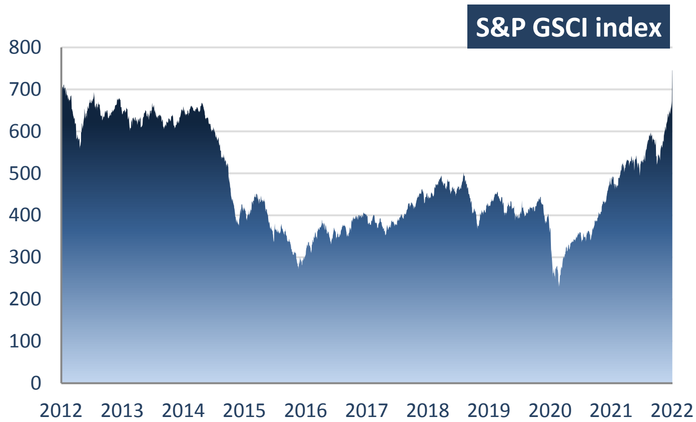
Against this backdrop, Ukraine's military suspended operations at its ports. Russia had earlier suspended movement of commercial vessels in the Azov Sea until further notice, but kept Russian ports in the Black Sea open for navigation. With most of the shipping offices around the globe trying to assess their exposures to the current geopolitical crisis, many boats fixed and failed in the Atlantic in the last week of February. In this context and with FFA values plunging, the tone in the Atlantic spot market was rather muted.

As hostilities continued in Ukraine and Russian forces pressed their advance on the capital Kyiv, Canada, the EU, Japan, New Zealand, Taiwan, the United Kingdom, and the United States unveiled a series of sanctions against Russia targeting mainly banks, oil refineries, and military exports. Western leaders froze the assets of Russia's central bank, limiting its ability to access $630bn of its dollar reserves. Selected Russian banks would also be removed from the Swift messaging system, which enables the smooth transfer of money across borders. These measures aimed at “asphyxiating Russia’s economy”, according to the French Foreign Minister Jean-Yves Le Drian.

In this context, a growing list of Western companies were planning to exit Russia. Boeing suspended maintenance and technical support for Russian airlines. Apple said it stopped sales of iPhones and blocked app downloads of some state-backed news services. Harley-Davidson suspended shipments of its bikes to Russia. Setting aside the headline-grabbing responses of some of the largest corporations of the western Hemisphere, Russia is not only importing goods and services but also exporting a wide range of commodities. Russia is among the world’s five top exporters in a broad set of commodities, from gas and oil to coal and wheat. Imposing sanctions to all these trades would not leave the rest of the world unaffected.

Big energy consumers were boycotting Russian crude, pushing oil prices above $110 a barrel in the first week of March. In sync, wheat futures in Chicago touched multi-year highs. Other commodities including aluminum and coal also soared, in a move that will have profound effects on global businesses and consumers. In Europe, wholesale natural gas prices reached almost €200 per megawatt hour while thermal coal surged beyond $400 a tonne. Energy markets had largely been spared from sanctions deployed by the US, EU and UK on Russia’s financial sector, but typical buyers were effectively selfsanctioning. Dry bulk trades were a mirror image of energy markets, with most of the participants being in a self-sanctioning mood too. “Doing business with Russia has an elevated commercial risk, with uncertainty around payment systems and new sanctions coming.” Norden CEO Jan Rindbo stressed characteristically. He further added that “This self-sanctioning (along with other companies) had a bigger impact than official sanctions".

Rising trade uncertainty sent global commodity prices skyrocketing, reporting the biggest weekly rally in more than 50 years. The S&P GSCI index, a barometer of global raw material prices, increased by some 18 percent during the first week of March, leaving it on track for the sharpest rise on records. Under these circumstances, trading activity in the dry bulk sector was quite numb in early March, with uncertainty being on a rise.



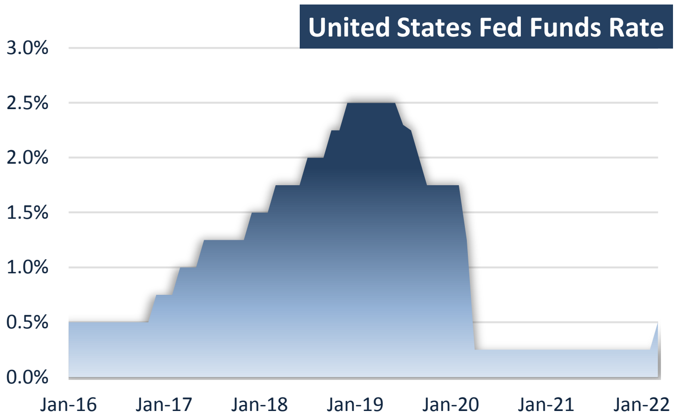
Source: S&P Dow Jones Indices, Doric Research

Whilst energy and food prices kept galloping, the Rome-based Food and Agriculture Organization (FAO) stressed that it was not clear whether Ukraine would be able to harvest crops if the war dragged on, while uncertainty also surrounded the prospects for Russian exports in the coming year. Additionally, Russia is one of the world’s most important exporters of the three major groups of fertilizers - nitrogen, phosphorus and potassium. Rising input costs in turn could impact next season’s harvest, leading to elevated food prices in the longer run. Hence, international food and feed prices could rise by up to 20 percent as a result of the conflict in Ukraine, triggering a jump in global malnourishment, the United Nations food agency warned in the second week of March. As another eventful week was approaching to its end, IMF Managing Director Kristalina Georgieva stressed that the war in Ukraine and massive sanctions against Russia had triggered a contraction in global trade, forcing the International Monetary Fund to lower its upcoming global growth forecast.

On the other hand, the spot market observed solid fixture across the board in mid-March, temporarily making the supply-demand deliberation less relevant. Handysize segment was in a mood to shake things up a bit. Reporting weekly gains of circa $2,000, the workhorses of drybulk sector managed to stand at $29,922 daily, or circa $8,000 and $4,000 above the respective mid-March closings of Capesizes and Kamsarmaxes! On the same wavelength with Capesizes, Supramaxes were trending mostly sideways to circa

$32,000 daily. Being under mild pressure, Kamsarmaxes lingered at around $25,000 daily, losing some of their vividness in the first three weeks of March.

On Wednesday 16 March, all eyes were on Fed's meeting. After four years and with commodity prices galloping, the Federal Reserve lifted its benchmark interest rate by a quarter of a percentage point, bringing the target range to 0.25 to 0.50 percent. According to Federal Open Market Committee statement, indicators of economic activity and employment continued to strengthen. Job gains were strong in recent months, and the unemployment rate declined substantially. Inflation remained elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures. The invasion of Ukraine by Russia caused tremendous human and economic hardship. The implications for the US economy were highly uncertain, but in the near term the invasion and related events were likely to create additional upward pressure on inflation and weigh on economic activity. In this context, the Committee decided to raise the target range for the federal funds rate and anticipated that ongoing increases in the target range would be appropriate.



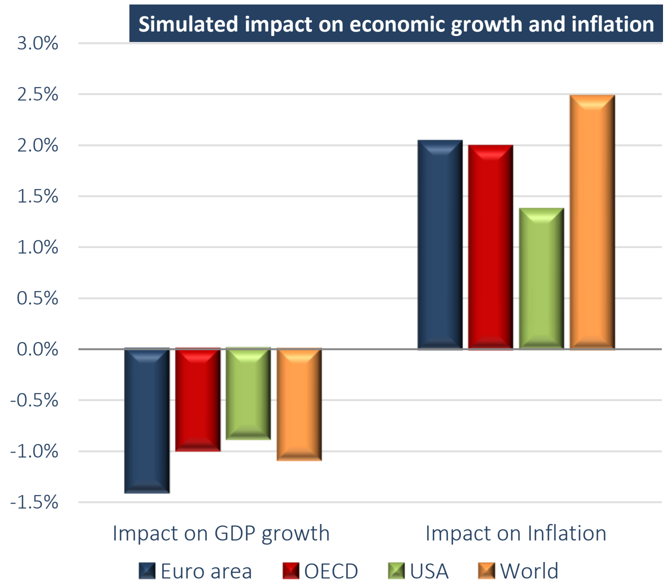
Source: FED, Doric Research

Emphatically towards the opposite direction, Chinese Vice Premiere Liu He indicated plans to take measures to boost the world's second largest economy. China's Financial Stability and Development Committee promised "substantial measures" to shore up growth and flagged other supportive actions. The Finance Ministry stressed that it won't expand a property tax trial this year. Additionally, China's cabinet said it would resolve risks around property developers. After a brutal 12 months for Chinese equities, the Hang Seng China Enterprises Index was trending strongly upwards. Property stocks rallied the most in more than a decade. Wall Street's three major indices enjoyed strong gains as well. In tandem, European stocks reported substantial weekly advances.

As it has become apparent from the aforementioned, a divergence in the monetary policies of the US and China was more obvious than ever. However, monetary policy was not the only field that US and China have failed to bridge their differences. United States President Joe Biden and his Chinese counterpart, Xi Jinping, began in mid-late March their first direct talks in months, amid growing US concern over Beijing's relationship with Russia and its stance on the war in Ukraine. Following the meeting, Chinese President Xi Jinping stressed that China and the United States must not only guide their relations forward along the right track, but also shoulder their share of international responsibilities and work for world peace and tranquility, according to the state media Xinhua. On the other hand, the White House stressed that President Biden "described the implications and consequences if China provides material support to Russia". With diplomatic chasm remaining unbridged and monetary policies sending contradicting signals, the spot market adopted a wait and see stance during the eleventh week of this tumultuous trading year.

In some respects, the 'specific gravity' of Russia and Ukraine in the global economy is relatively small. Together, they account for just 2 percent of the global GDP and a similar proportion of total global trade, with limited bilateral trade with most countries. However, Russia and Ukraine do have an important influence on the global economy, being key commodity exporters. In particular, the combined exports of the two countries account for about 30 percent of global exports of wheat, 20 percent of corn, mineral fertilisers and natural gas, and 11 percent of oil. The prices of many of these commodities increased sharply since the onset of the war. Disruptions to wheat, maize and fertilisers risk raising hunger and food insecurity across the world and particularly in emerging market and low-income countries.

The World Bank said in the last week of March that a number of developing countries face near-term wheat supply shortages due to their high dependence on Ukrainian exports. However, the fertilizer crisis was in some respects more worrying because it could inhibit food production in the rest of the world that could be in position to take up the slack. Additionally, soaring metal prices could affect a wide range of industries such as aircraft, car and chip manufacturing. Against this background, the moves in commodity prices and financial markets since the outbreak of the war, if sustained, could reduce global GDP growth by over 1 percentage point in the first year and push up global consumer price inflation by approximately 2.5 percentage points, according to OECD's estimates.



Source: OECD, Doric Research

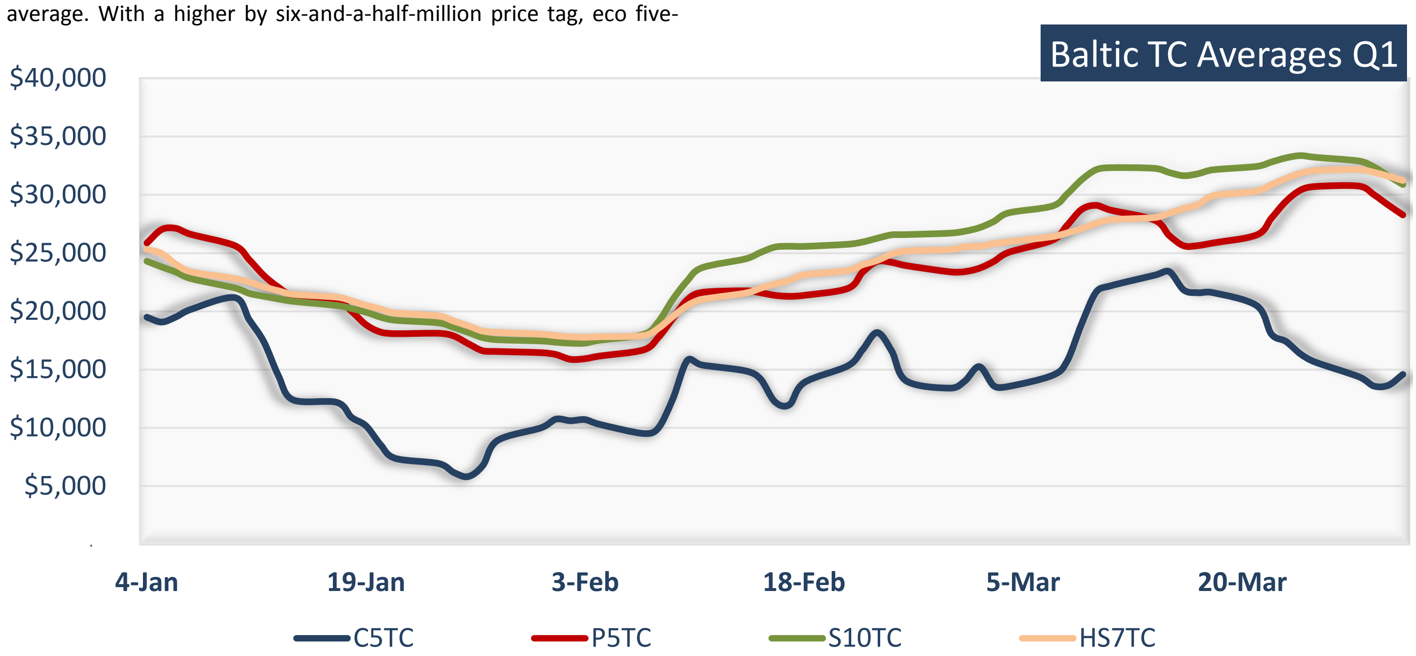
Note: Simulated impact on GDP (% change) and inflation (% points) over the 1 year period beginning 24 February 2022.

In this unstable and fragile economic juncture, world crude steel production for the 64 countries reporting to the World Steel Association was 142.7 million tonnes in February, a 5.7 percent decrease compared to February 2021. With the aforementioned in mind, Capesizes were also negatively affected from the top steelmaking city of Tangshan's decision to implement a temporary lockdown on the last Tuesday of March to avoid further cases of Covid-19 as infections surged. On top of that, the slowdown in Chinese coal imports had also a bearing on Capesize market sentiment. Conversely, all the other segments trended upwards, largely ignoring macroeconomic omens. Leaving behind for a moment the initial shock from hostilities in Ukraine, Panamaxes along with Supras and Handies reported significant increases of their value few days before the ECSA grain peak season started in April.

Against this background, the most China-centric among segments, Capesizes, had a respectable average of $14,756 daily for the first quarter of 2022, or up 26.8 percent from the average of the first quarters of the last five years. However, the aforementioned quarterly average lay well below Q1 performance of the previous trading year let alone the stronger second half of 2021. As far as the Panamax segment goes, the BPI 82 TCA experienced a teeming first quarter average of $23,218 daily, or 65.5 percent above that of the five years and some 123.7 percent higher than the respective figure of the last ten. With three-month average for Supramaxes at $25,156 daily and for Handies at $24,084 daily, freight market of the geared tonnage run unleashed, reporting 87.7 percent and 89.7 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 2022 of $40.5m, run-of-the-mill five-year-old Capesizes were on the market at circa eight million dollars above their Q1 five-year average. With a higher by six-and-a-half-million price tag, eco five-year-old Capesize units had a Q1 average of $47m. Modern Kamsarmaxes had an average price of $34.5m during the last three months, or $8.5m above the respective average of the last five years. Moving down the ladder to the geared tonnage, market for five-year-old Ultras and same-aged large Handies lingered on average at $31.5m and $27.5m respectively, or some 31.9 percent and 48.6 percent above the average prices of the Q1s between 2018 and 2022. That being said, it has to be noted that market expectations in the closing of this quarter are materially different compared to its start. With the bold Capesize exception, all other asset ending prices are currently balancing above the aforementioned average figures.

As market was leaving behind the most fertile first quarter of the last twelve years, the dynamics of the last period, albeit turbulent, shaped a lush trading environment. Looking forward towards the seasonally strongest period, market sentiment remained rather mixed, anticipating a few spikes but being quite uncertain for the overall average.



Source: Baltic Exchange, Doric Research

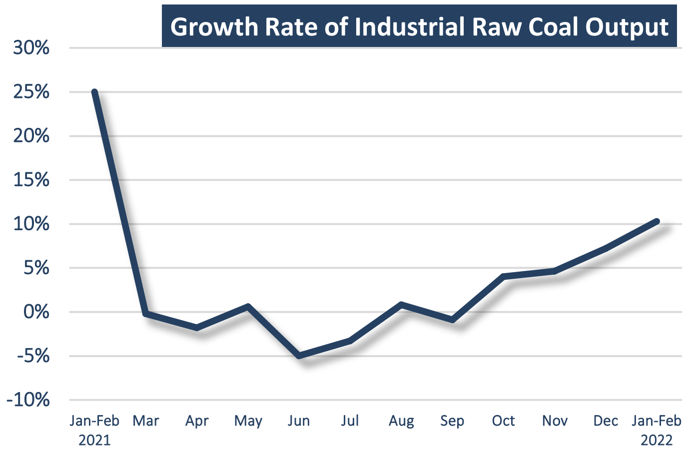
Act II – "April hath put a spirit of youth in everything."

For nearly two years, China's daily Covid-19 cases rarely extended into three digits, and often weeks went by without a single case. China's zero-Covid policy had been among the strictest approaches to tackling the pandemic anywhere in the world. Even as the rest of the world struggled to contain the more transmissible new variants, China remained largely untouched.

All that changed in early April though, as multiple local outbreaks across the world's second largest economy resulted to the largest surge in China's local infections. Beijing city introduced its most meticulous Covid-19 controls since the early stages of the pandemic, trying to stop the explosion of Omicron cases in other parts of China reaching the capital. The municipal government announced draconian measures after more than 200,000 infections were reported across China since the start of the outbreak on March 1. Beijing only had 64 Covid-19 patients under treatment, but Shanghai recorded more than 120,000 local infections since March 1, while more than 62,000 had been reported in the northeastern car-making and corn-producing province of Jilin. Despite growing public anger over quarantine rules in the city, authorities extended a lockdown in Shanghai to cover all of the financial center's 26 million people.

At the same time as several cities were placed under varying levels of lockdown, activity in China's services sector contracted at the steepest pace in two years in March. The Caixin services purchasing managers' index (PMI) took a dive to 42 in March from 50.2 in February, dropping below the 50-point mark that separates growth from contraction on a monthly basis. The reading indicated the sharpest activity decline since the initial onset of the pandemic in February 2020. In a similar vein, the Purchasing Manager Index (PMI) of China's manufacturing industry was 49.5 percent in March, lower than the threshold and down 0.7 percentage point from the previous month. From the perspective of sub-indices, the production index was 49.5 percent, down 0.9 percentage point from the previous month, indicating a decline in manufacturing production. The new order index lingered at 48.8 percent, down 1.9 percentage points from the previous month, indicating a weaker demand for the manufacturing industry.

In contrast to the above concerning data for the path of Chinese economy, domestic coal industry seemed to be in an expansionary mood. In particular, raw coal production increased rapidly in the first couple of months of 2022. For January and February, 690 million tonnes of raw coal were produced domestically in China, with a substantial year-on-year increase of 10.3 percent. With the average daily output lingering at 11.64 million tonnes, imported coal was just 35.39 million tonnes during the first two trading months, or down 14.0 percent. China's state planner set a target for daily coal output at 12.6 million tonnes for 2022, higher than a previous peak of 12.4 million a day set in December. With increased domestic production having a negative bearing in imports, the Pacific market was not exactly busy during the fourteenth trading week. On top of that, the uncertainty surrounding Russian and Ukrainian commodity exports created further turbulence in the market. Given the above, it is hardly surprising that all Baltic indices were in the red that week.



Source: National Bureau of Statistics of China , Doric Research

In mid-April, World Trade Organization revised downward its projections for world trade over the next two years. The Geneva-based organization expected merchandise trade volume growth of 3.0 percent in 2022 – materially down from its previous forecast of 4.7 percent. The latest estimates based on the WTO Global Trade Model captured (1) the direct impact of the war in Ukraine, including destruction of infrastructure and increased trade costs; (2) the impact of sanctions on Russia, including the blocking of Russian banks from the SWIFT settlement system; and (3) reduced aggregate demand in the rest of the world due to falling business/consumer confidence and rising uncertainty. Under these assumptions, world GDP at market exchange rates was expected to grow by 2.8 percent in 2022, down 1.3 percentage points from the previous forecast of 4.1 percent.

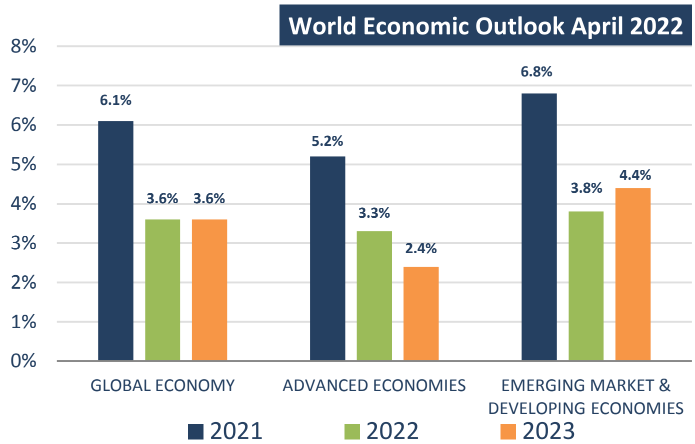
The most immediate economic impact of the crisis was a sharp rise in commodity prices. In a period when inflationary pressures were already the main theme in most of the economies, increased commodity prices came to add further fuel on that trend. In fact, the US consumer price index jumped 8.5 percent in March from 12 months earlier, the sharpest year-over-year increase since December 1981! Prices had been driven up mainly by robust consumer demand, bottlenecked supply chains and disruptions to global food and energy markets worsened by Russia's war against Ukraine. From February to March, inflation rose 1.2 percent, the biggest month-to-month increase in the last seventeenth years.

In this juncture, James Bullard, president of the St Louis branch of the Fed, said the central bank needed to be more aggressive in its efforts to root out the highest inflation in four decades as he called for rates to rise to a point where they actively curtail growth. On the same wavelength, Eurozone inflation surged to an all-time high of 7.5 percent in March, further intensifying the European Central Bank's policy challenge as it seeks to fight spiraling prices without hurting growth. For months, inflation had raced ahead of the ECB's target and was more than triple the 2 percent seen as guaranteeing price stability.

The war was not the only factor weighing on world trade and inflation, according to WTO. Lockdowns in China to prevent the spread of Covid-19 were again disrupting seaborne trade at a time when supply chain pressures appeared to be easing. That could lead to renewed shortages of manufacturing inputs and higher inflation as well. Indicative of the aforementioned was that China's truck traffic dropped 40 percent since mid-March, while truck movement around Shanghai was down to 15 percent of its normal level. Logistics operators and exporters faced delays in delivering cargo domestically and overseas amid travel restrictions.

In a time when stricter lockdowns in China and restrictive monetary policies in the US and EU seemed to be the new reality Baltic indices had to face, an expansionary policy from Beijing would be more than welcome. In mid-April, China's State Council said in a statement after a regular meeting chaired by Premier Li Keqiang that "In light of changes in the current situation, we will encourage large banks with higher provisions to lower provision ratios in an orderly manner and will use monetary policy tools, including RRR cuts, in a timely way."

In spite of the positive note of Chinese monetary policy, news kept arriving from the macro front was anything but supportive. In particular, the International Monetary Fund lowered its forecast for global economic growth to an estimated 6.1 percent in 2021 and to just 3.6 percent in 2022 and 2023. That corresponded to 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the January World Economic Outlook Update.



Source: IMF. Doric Research

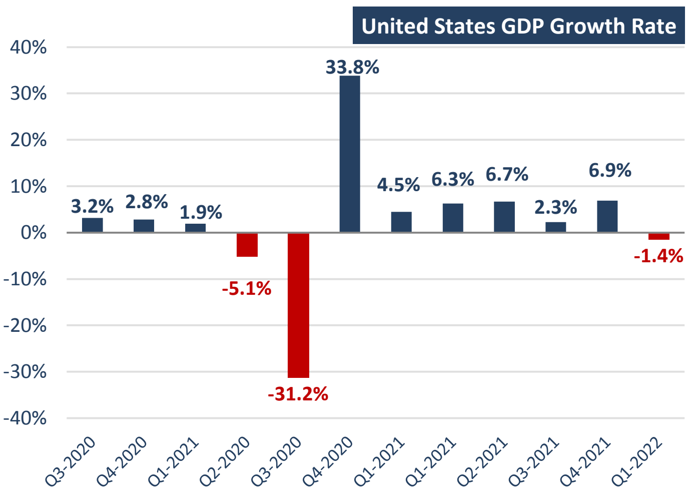
As far as the Russo-Ukrainian conflict goes, a severe double-digit drop in GDP for Ukraine and a large contraction in Russia and Belarus were more than likely, along with worldwide spillovers through commodity markets, trade, and financial channels. In reference to the world's second largest economy, slowing growth in China's economy had wider ramifications for Asia and for commodity exporters. The combination of more transmissible variants and a zero-Covid strategy entail the prospect of more frequent lockdowns, with attendant effects on private consumption in China. Additionally, policy space in many countries eroded by necessary higher Covid-related spending and lower tax revenue in the previous couple of years. In that juncture, fiscal support was set to generally decline in both 2022 and 2023. Faced with rising borrowing costs, governments were increasingly challenged by the imperative to rebuild buffers.

In many countries, inflationary pressures had become a main concern. In some advanced economies, including the United States and some European countries, it had reached its highest level in more than 40 years. Furthermore, there was a rising risk that inflation expectations become de-anchored, prompting a more aggressive response from central banks. In emerging market and developing economies, increases in food and fuel prices could significantly increase the risk of social unrest. Inflation was expected to remain elevated for longer than in the previous forecast, with IMF stressing the incremental impact of war-induced commodity price increases to an already inflationary environment. In particular and for 2022, inflation was projected at 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies — 1.8 and 2.8 percentage points higher than what was projected in January. Elevated inflation would complicate the trade-offs central banks were facing between containing price pressures and safeguarding growth. Against this backdrop and reflecting the significant slowdown in overall activity, global trade growth was expected to decline notably to 5 percent in 2022 and further to 4.4 percent in 2023 – 1 and 0.5 percentage points lower than in the January forecast.

In the tug-of-war between unfavourable macro fundamentals pulling from the one side and auspicious seasonality from the other, Baltic indices needed once again to walk along a thin rope. Being known as one of the most famous tightrope artists, Baltic Dry Index was seeking to near the yearning seasonality end, without losing its poise.

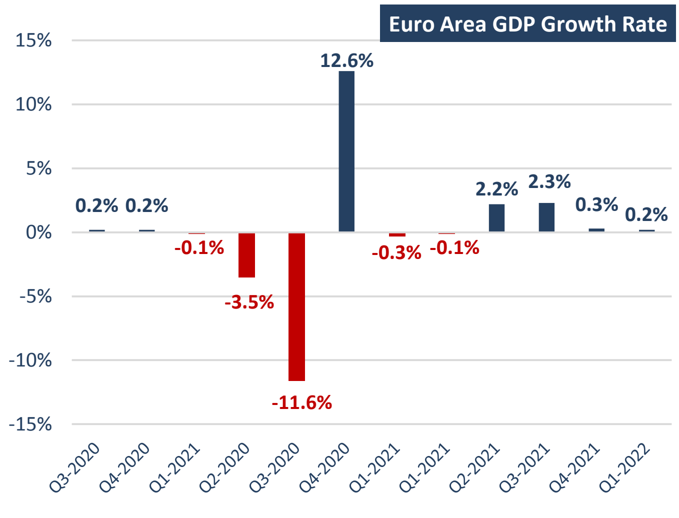
In sharp contrast, headlines in the Western hemisphere were anything but cheerful during the seventeenth week. From the unexpected US first economic contraction since mid-2020 to the softer economic growth in the eurozone, the tone in the markets was quite dull. In sync, China's economy reeled from severe Covid-19 lockdowns, forcing Beijing to introduce afresh supportive measures in order to avoid a hard-landing scenario.

The US economy contracted unexpectedly in the first quarter, as a record-high trade imbalance and weaker inventory growth masked strong spending by American consumers and businesses, according to the US bureau of economic analysis. In particular, real gross domestic product decreased at an annual rate of 1.4 percent in the first quarter of 2022, well below market forecasts of a 1.1 percent expansion and following a 6.9 percent growth in Q4 2021. The decrease in real GDP reflected decreases in private inventory investment, exports, federal government spending, and state and local government spending, while imports, which are a subtraction in the calculation of GDP, increased. With inflation lingering at multi-decade highs, the GDP report was unlikely to change the Federal Reserve's plans to raise interest rates rapidly this year.



Source: US bureau of economic analysis, Doric Research

In sync, Eurozone economy slowed as inflation increased to 7.5 percent. In the first quarter 2022, seasonally adjusted GDP increased by 0.2 percent in the euro area and by 0.4 percent in the EU, compared with the previous quarter, according to a preliminary flash estimate published by Eurostat. In the fourth quarter of 2021, GDP had grown by 0.3 percent in the euro area and 0.5 percent in the EU. Compared with the same quarter of the previous year, seasonally adjusted GDP increased by 5.0 percent in the euro area and by 5.2 percent in the EU in the first quarter of 2022, after +4.7 percent in the euro area and +4.9 percent in the EU in the previous quarter. Zooming out, eurozone economy navigated through a turbulent quarter, yet still managing to eke out a small positive growth number. With the Omicron impact milder than expected and the war in Ukraine having an increasing impact from early March onwards, eurozone managed to avoid contraction this quarter, with the outlook for 2Q remaining pretty muddy tough.



Source: Eurostat, Doric Research

In the Pacific, China's economy had been hit hard by waves of the coronavirus, urging leaders to push for timely tax cuts and other support policies. The complexity, severity and uncertainty of China's economic development environment have increased," the Politburo was quoted as saying by the official Xinhua news agency. "Stabilising growth, employment and prices are facing new challenges. It is very important to do a good job in economic work and effectively protect and improve people's livelihood," Xinhua reported. China's top leadership vowed on the last Friday of April to speed up the implementation of existing tax-cut and supportive policies, as well as the use of new monetary policy tools and effective investment.

In this juncture with roiling geopolitical games and ensuing economic uncertainty being the focal point, Baltic indices seemed to be rather hesitant in setting clear course. However, the leading Capesizes ended April on a positive note at $17,713 daily, having left the low teens behind.

In a rather choppy week for most of the markets around the globe, May started with the Federal Reserve raising the target for the fed funds rate by half a point to 0.75-1 percent - the second consecutive rate hike and the biggest rise in borrowing costs since 2000. It was the first time in 22 years that the central bank had hiked rates this much. The decision was unanimous, with all 12 members of the policy-setting Federal Open Market Committee agreeing on it. In addition, the Committee decided to begin reducing its holdings of

Treasury securities and agency debt and agency mortgage-backed securities on June 1, shrinking the size of the Federal Reserve's balance sheet. In his post-meeting press conference, Fed Chairman Jerome Powell stressed that additional half-percentage-point rate hikes would be on the table for the next few meetings. After acknowledging that inflation was much too high, Fed Chairman stated that "We are moving expeditiously to bring it back down." However, with the Russia-Ukraine conflict still raging, price pressures on food and energy were unlikely to abate any time soon. Additionally, the bank also warned that the pandemic-related lockdowns in China will likely weigh on already battered supply chains.

However, China's zero-tolerance approach to Covid-19 did not only have a negative bearing on global supply-chain, but also on the course of the world's second largest economy itself. In fact, China's factory activity saw a decline in April, as the spread of Covid-19 led some enterprises to reduce or halt production, while the nonmanufacturing sector also slowed in the same period, data from the National Bureau of Statistics showed. The impact of lockdowns on business was underlined that week by publication of the purchasing managers' index (PMI) for China's manufacturing sector. In particular, China's manufacturing PMI further dropped by 2.1 percentage points to 47.4 in April, marking the lowest figure since February 2020. The non-manufacturing segments took also a 6.5-percentage-point dive to just 41.9.

China - Manufacturing PMI

Source: NBS, Doric Research

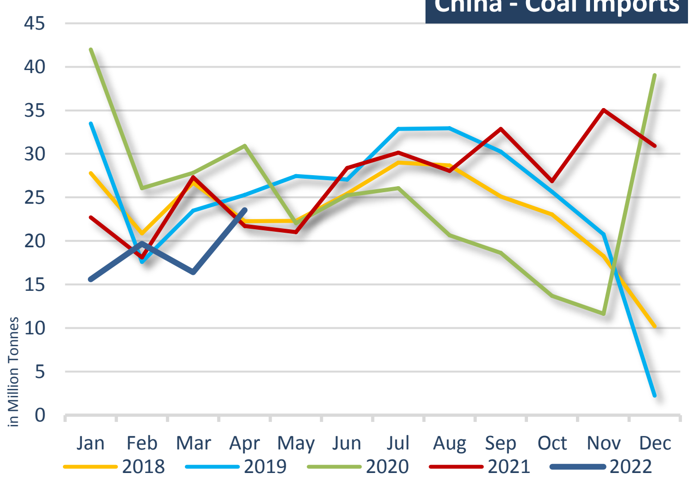
Despite the contraction in many industries, Chinese official sources voiced positiveness to the outlook, saying that with the effective control of the epidemic and the emergence of policy effects, corporate expectations were regarded to gradually improve. Whilst the locomotive of global growth seemed to be in a quite challenging crossroad, Baltic indices found the courage to steam north during the eighteenth week, with BCI TCA balancing at $24,002, BPI82 TCA at $28,572, BSI TCA at $30,024 and BHSI TCA at $29,516 daily.

At the same time as stock markets around the globe were reassessing their valuations based on a new "hawkish" reality, Chinese international trade data were the focal point of the shipping community. China's export growth softened to single digits - the weakest in almost two years - while imports remained unchanged in April as tighter and wider Covid-19 lockdowns had a negative bearing on factory production and domestic demand. In reference to the dry bulk commodities, in specific, Chinese customs cleared 86.06 million tonnes of iron ore in April, 12.7 percent less than a year earlier, implying ongoing weak activity in the country's steelmaking industry. Total production of top miners, including BHP, Rio Tinto and Fortescue Metals Group in Australia, had been disrupted by supply-chain bottlenecks and pandemic-induced labour shortages, while Brazil's Vale had also had weather-related issues.

In April, the Baltic Capesize TCA reported an average value of $14,020 daily, or some 53 percent lower year-on-year. However, the most capricious segment of the dry bulk sector had been in a better mood in early May, balancing above the $30,000-mark. In January-April, China imported 354.4 million tonnes of iron ore, down 7.1 percent from the respective period a year ago. During the same period, Capesizes were running at $14,578 daily on average, or 27.8 percent lower than the average of the first four months of 2021.

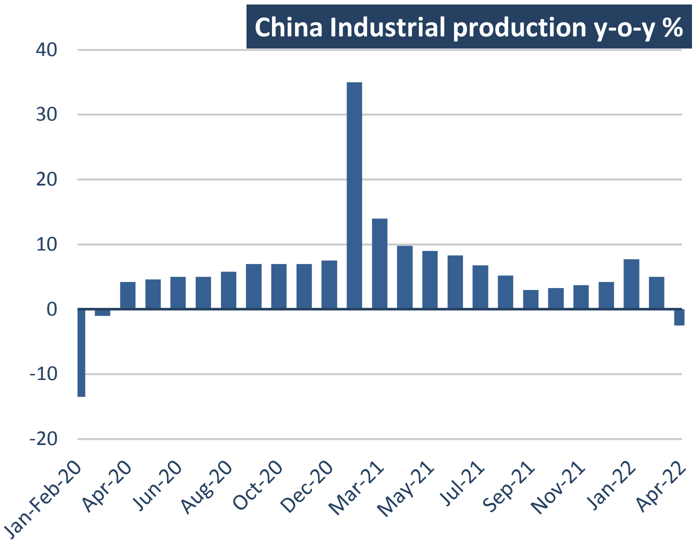
As far as the other two major commodities of the dry bulk spectrum go, China's soybean imports fell in April at the same time as coal imports were surging, yet still both remaining lower for the whole January-April period on a year-on-year basis. In particular, China took in 23.55 million tonnes of coal last month, data from the General Administration of Customs showed in mid-May. That compared with 16.42 million tonnes in March and 21.73 million tonnes in April 2021. During the first four months though, China brought in a total of 75.41 million tonnes of the least loved commodity, or down some 16 percent from shipments in the same period a year earlier. Clearly, China's coal imports had been negatively affected by Beijing's decision to prioritise energy security in the wake of geopolitical uncertainties caused by the Ukraine conflict, targeting a materially higher daily domestic coal production of 12.6 million tonnes. On the same wavelength, the world's largest soybean importer brought in 8.08 million tonnes of oilseed in April, or up by 27 percent from 6.35 million in March, according to data from the General Administration of Customs. The aforementioned figure was distorted though as poor weather conditions and slow harvests in South America caused delays in the arrivals of March cargoes. April's reading was also up from 7.45 million tonnes in the same month a year earlier. In the first four months of the year, China imported 28.36 million tonnes of soybeans, marginally lower by 0.8 percent than 28.59 million in the previous year. In spite of the lukewarm Chinese trade data, April was a quite active trading month for the Panamax segment, with the BPI 82 TCA reporting a monthly average of $26,517 daily or up 23 percent year-on-year.

China - Coal Imports



Source: GAC, Doric Research

At a time when Baltic indices were trying to lift from their Q1 lows, consumption and production data from China kept injecting uncertainty in the dry bulk market. China's economy slowed sharply in April as Beijing's draconian "dynamic zero Covid-19" strategy dragged consumption and industrial production to their lowest levels since early 2020. In particular, the total value of retail sales of consumer goods during the last month lingered at 2,948.3 billion yuan, down by 0.69 percent month-on-month. With millions of Chinese being under some form of lockdown, retail sales dropped 11.1 percent compared with the previous year. The aforementioned reading was sharply worse than March's 3.5 percent contraction. In the first four months, the total retail sales of consumer goods reached 13,814.2 billion yuan, marginally lower by 0.2 percent year-on-year. As lockdowns forced factories to suspend operations and disrupted supply chains, industrial production took a 2.9-percent dive in April from a year earlier, compared with a 5 percent gain in March, indicating the largest decline since February 2020. In the first four months, the total value added of the industrial enterprises above the designated size grew by 4.0 percent year-on-year, 2.5 percentage points lower than that of the first quarter.



Source: NBS, Doric Research

Additionally, China's electricity output plunged in April as virus restrictions in Shanghai and other parts of the country negatively affected economic activity from steel mills to shopping malls. In particular, electricity generation dropped in April from the prior month to 608.6 billion kilowatt-hours, a decline of 4.3 percent on the same period last year. Thermal power output plummeted to an even greater degree, down 12 percent for the biggest drop since 2008, as the share of renewables increased at the expense of coal and gas.

Furthermore, property sales by value in April slumped 46.6 percent from a year earlier – the biggest drop in the last 16 years - according to Reuters calculations based on data from the National Bureau of Statistics. The sector – a key pillar of the Chinese economy - had been in a severe slump since last year after the authorities clamped down on excessive borrowing by developers. In the first four months, property sales by value fell 29.5 percent year-on-year, compared with a 22.7 percent decline in the first three months.

With China's pillars of growth wobbling, Baltic indices pinned all hopes for the upcoming months on seasonality. As far as the twentieth trading week goes, the Dry Baltic Index reported strong gains. However, the last trading week of May saw Baltic Capesize indices being in a freefalling mode. After steaming for eleven trading days north of the 3000-point-mark and touching five-month highs on the last trading Monday of May, Baltic Dry Index trended sharply downwards to a Friday 27 May closing of 2681 points. Whilst Baltic indices were losing their recent highs, market uncertainty was on a rise.

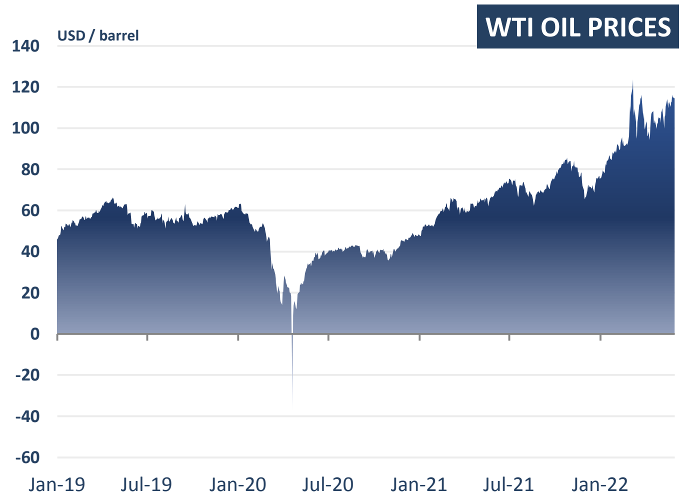
Spot market was not the only one in a reconsideration mood lately though. Stock market investors were increasingly worried about the possibility of recession in the US. Nasdaq and the leading S&P 500 indices had been in a downward trend since early January, losing some 23 and 14 percent of their values respectively. Worries that aggressive moves to curb multi-decade-high inflation might actually derail the world's largest economy dampened investors' risk appetite. The Fed, earlier that month, raised its benchmark interest rate by 0.5 percentage points, the largest increase in more than 20 years, and signaled that it would do the same at its next two meetings. In reference to the world's second largest economy, China could struggle to record positive growth in the second quarter of this challenging year, according to China's premier. As Covid-19 curbs squeezed firms in April, profits of China's industrial sector fell at their fastest pace in two years, with elevated raw material prices and supply chain bottlenecks squeezing margins and disrupting factory activity. While lofty commodity prices drove up the profit growth of some upstream industries – with the mining sector soaring 142 percent – manufacturing firms saw their profits dive by 22.4 percent. Overall, profits shrank 8.5 percent from a year earlier, swinging from a 12.2-percent gain in March. In this unfavourable juncture, Baltic Dry Index concluded the last full trading week of May deep in the red.

In a rollercoaster period for most of the commodities, oil wouldn't miss the ride. The price of Brent crude averaged $87.22/bbl in January 2022 as against $74.10/bbl during December 2021 and $54.84/bbl during January 2021. In an already elevated price environment, Russian invasion of Ukraine in late February was catalytic for the course of oil prices. In fact, with market reacting to supply disruptions stemming from the possibility of a ban on Russian oil and natural gas, oil prices jumped in early March. West Texas Intermediate crude futures, the US oil benchmark, at one point spiked to $130.50/bbl – its highest since July 2008. In sync, the international benchmark, Brent crude, hit a high of $139.13/bbl in early March, touching 13-year maxima. Oil was rising during March on the prospect for a full embargo of Russian oil and products. Brent's April monthly average was $106/bbl, $7/bbl less than the March 2022 average but still $41/bbl more than April 2021. The respective monthly average for the WTI balanced at $102/bbl, similarly $7/bbl less than March 2021 and $40/bbl more than April 2021. After a lukewarm May start, oil prices returned on their upward trend in mid-May on optimism that China would see significant demand recovery after positive signs that the country's coronavirus pandemic was receding in the hardest-hit areas. Additionally, stockpiles in the Strategic Petroleum Reserve fell to 538 million barrels, the lowest since 1987, according to data from the US Department of Energy released. Oil prices ended May on a positive sign ahead of the US Memorial Day holiday weekend, the start of peak US demand season, and as European nations were negotiating over whether to impose an outright ban on Russian crude oil.

Oil prices have hit fresh highs in the first week of June after European Union leaders agreed on a plan to block more than two-thirds of Russian oil imports. In fact, Brent crude rose above

$123/bbl mid-week, the highest it has been for two months. US crude oil and fuel stockpiles were in downward trajectory, as demand continued to outstrip supply, with commercial crude inventories drawing down even as more strategic reserves entered the market. On Friday June 3, oil slipped after OPEC+ decided to increase production targets by slightly more than planned, although tight global supply and rising demand as China eased Covid-19 restrictions limited the decline. The Organization of the Petroleum Exporting Countries and allies, or OPEC+, increased their output boost to 648,000 barrels per day (bpd) in July and August rather than 432,000 bpd as previously agreed.

WTI OIL PRICES



Spot market, on the other hand, was moving mostly sideways the first week of June, with BCI TCA concluding at $24,274 daily, BPI82 TCA at $25,663 daily, BSI TCA $29,738 daily and BHSI TCA $28,712 daily. Capesizes ended the week in the black, at the same time as all the other segments were drifting marginally lower. There had been several significant changes in the global economic environment in the previous months, including the worldwide spread of the Omicron variant, the greater-than-expected persistence of inflationary pressures and a faster adjustment of monetary policy in a number of major economies than previously expected, forcing the spot market to be quite cautious in terms of direction picking. Additionally, the economic impact of the war in Ukraine was perplexing things even more, blurring the outlook of the market during the summer months.

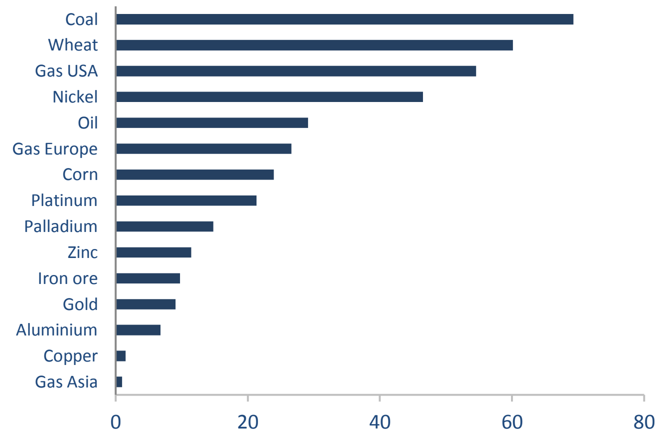
Following the acute phase of the pandemic, central banks in most advanced economies started to withdraw stimulus as the recovery progressed and inflationary pressures emerged. In the jargon of central bankers, that process was often described as bringing about a "normalisation" of monetary policy. In that "normalisation" process though, central banks would need to walk a fine line between tackling inflation and avoiding a substantial slowdown, or as Goldman Sachs brilliantly put it "the narrow path to a soft landing". In that period when central banks had to test their tightrope walking skills, global GDP growth was projected to slow to 3 percent in 2022 and between 2.75-3 percent in 2023, with output rising by only around 2 percent over the year to the fourth quarter of 2022, according to the OECD.

Almost all countries were expected to grow more slowly in 2022-23 than was foreseen before the war. In the United States, GDP growth was anticipated to weaken from 5.7 percent in 2021 to 2.5 percent in 2022. Supply shortages, exacerbated by the war in Ukraine and Covid-related lockdowns in China, higher oil prices and a faster pace of monetary policy "normalisation" would hold back growth to a greater extent than previously foreseen. In the euro area, the war in Ukraine and the lockdowns in China added to supply-side bottlenecks giving additional impetus to inflationary pressures and further denting real household incomes and business sentiment. GDP growth was projected to slow from 5.3 percent in 2021 to 2.6 percent in 2022. After a fast recovery from the first wave of the pandemic, China's economy cooled, partly reflecting the strict measures that remained in place to eradicate the spread of the virus as well as weak real estate investment due to tighter regulations and the failure of some major developers. GDP growth was projected to slip to 4.4 percent in 2022 before rebounding to 4.9 percent in 2023. India recorded the strongest rebound from the Covid-related downturn of any G20 economy, but momentum was dissipating owing to weaker external conditions, rising global food and energy prices and the tightening of monetary policy. GDP growth, which reached 8.7 percent in FY 2021, was now projected to slow to 6.9 percent in FY 2022.

Setting aside the short-term impact of war in the global economy and spot market, OECD stressed that there might be longer-term consequences as well, including pressures for higher spending on defense in Europe and elsewhere, changes to the structure of energy markets, potential fragmentation of payment systems, reformulation of supply chains, and shifts in the composition of foreign exchange reserves. A re-division of the world into blocs separated by barriers would sacrifice some of the gains from specialisation, economies of scale and the diffusion of information and know-how.

Commodity prices

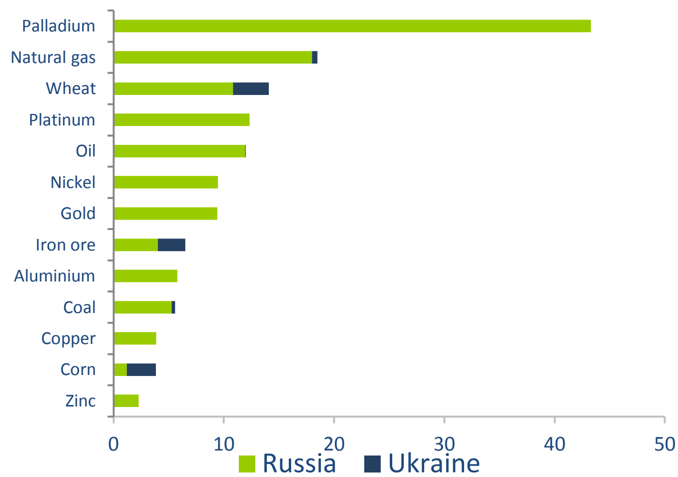
% change from Jan 2022 average



Source: Refinitiv, International Energy Agency, World Bank and OECD, Doric Research

Russia and Ukraine commodity production

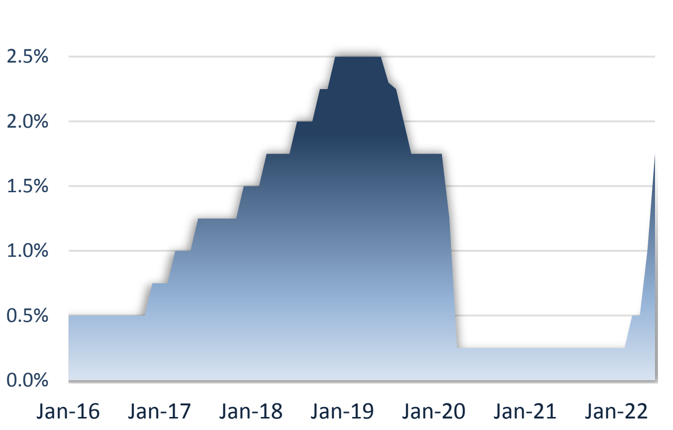
% share of World, 2020



Source: Refinitiv, International Energy Agency, World Bank and OECD, Doric Research

In the short term, surging inflation led investors and oil traders in mid-June to brace themselves for a big move by the Fed. The world's financial markets were preparing for the sharpest rise in US interest rates in almost 30 years. Stock and bond markets sold off sharply as unexpectedly high inflation figures raised the prospect of the Fed taking a more aggressive approach. Without any surprises, officials agreed to a 0.75-percentage-point rate rise at their two-day policy meeting that concluded on Wednesday June 15.

United States Fed Funds Rate

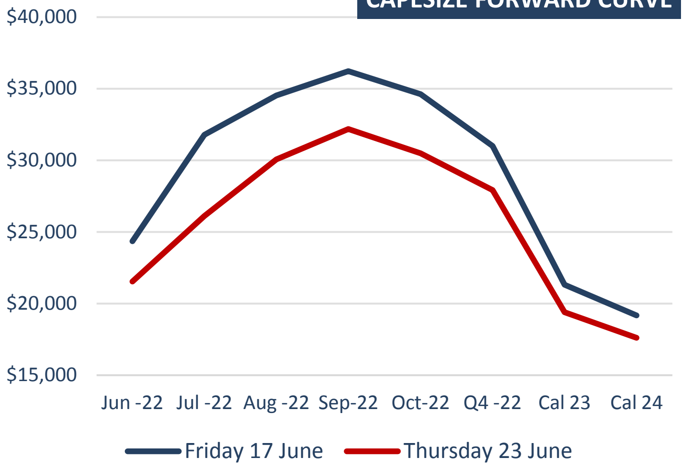


Source: FED, Doric Research

In a week full of monetary policy activity, the European Central Bank promised fresh support for the bloc's indebted south, tempering a market rout that threatened a repeat of the debt crisis that almost blew the single currency away a decade ago. Following an emergency meeting, the central bank's governing council pledged to accelerate plans to create a "new anti-fragmentation instrument" and apply flexibility in reinvesting redemptions. The ECB stressed that it would direct cash to more indebted nations from debt maturing in a recently-ended 1.7-trillion-euro pandemic support scheme and it would work on the aforementioned new instrument to prevent an excessive divergence in borrowing costs. The People's Bank of China, on the other hand, kept the interest rate of the one-year medium term lending facility unchanged at 2.85 percent while injecting 200 billion yuan ($29.67 billion) of liquidity into the banking system, according to a statement on its website. China's major economic indicators improved in May, and thus China's central bank abstained from cutting a key policy interest rate, avoiding further policy divergence from the US that could add pressure on the yuan.

A ripple effect, with the Fed's sharpest rise in US interest rates in almost 30 years as the epicentre, was expanding its reach across the commodity and stock markets during the twenty-fifth week of the year. The last full week of the first half of the year started with Dalian iron ore futures plummeting by their 11 percent limit on Monday, whilst those in Singapore dropped as much as 8 percent, as concerns grew about a collapse of steel consumption in top user China. All the latest recession rhetoric coupled with a projected slowdown in construction activity during the rainy season in China and weak profits at mills didn't leave much room for positivity in the iron ore markets. Against this backdrop, the forward market of the dry bulk sector was under severe pressure, with July and August contacts freefalling. Spot market followed closely, being in the red for the most part of the week. Even though Baltic indices might turn deaf to macroeconomic calls for a certain short period of time, they rarely remain unaffected from FFA market ebbs and flows.

CAPESIZE FORWARD CURVE



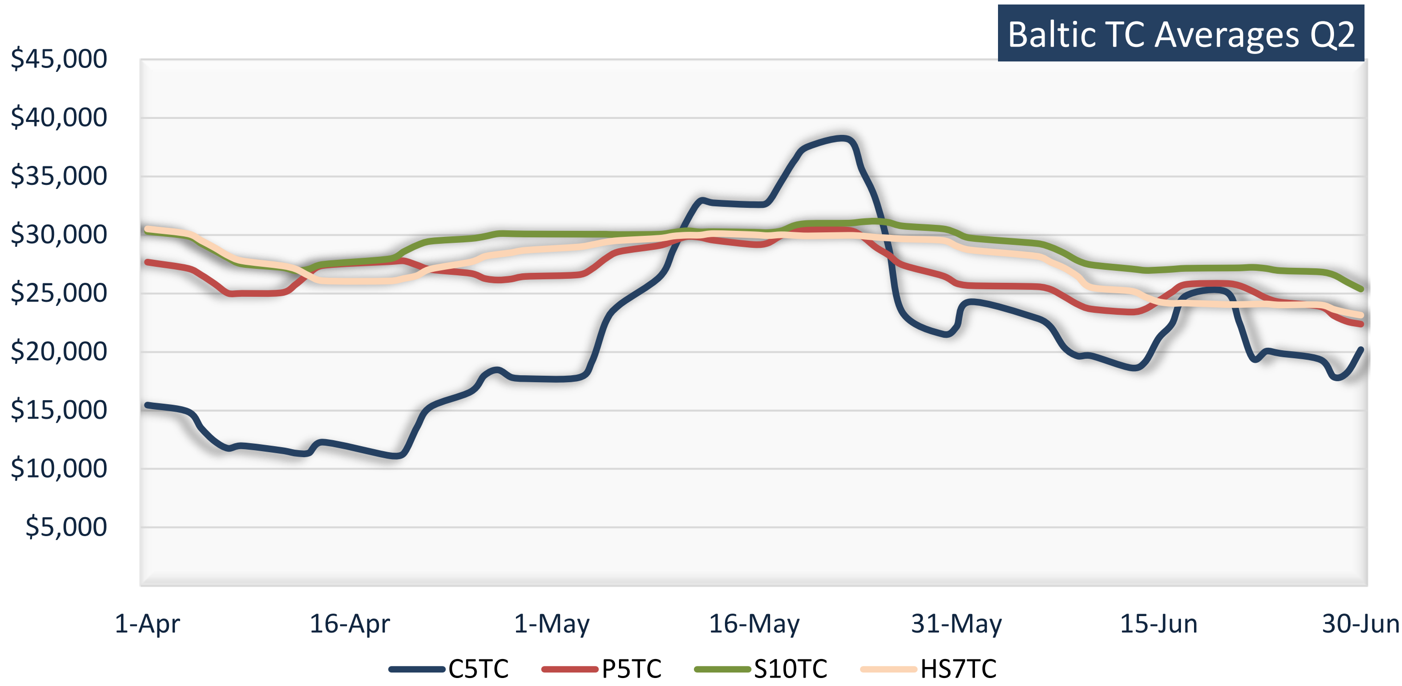
Source: Baltic exchange, Doric Research

Whilst freight market was trying to reassess its levels, not being yet sure if sector-specific dynamics would manage to overcome a quite ominous macroeconomic environment, "Dr. Copper" didn't seem to have second thoughts. In fact, copper prices were set for their biggest weekly fall in a year, as investors worried that efforts by central banks to tame inflation will stifle economic growth and reduce demand for metals. In fact, the most-traded July copper contract in Shanghai fell 3.5 percent to 64,080 yuan ($9,572.47) a tonne today, or down 7.9 percent week-on-week. Other industrial metals tumbled as well, with nickel down circa 13 percent that week and tin off 25 percent, their biggest weekly slump since 2005.

As yet another profitable first year halves concluded, sentiment of the dry bulk sector remained rather mixed. With BCI 5TC averaging at $14,019, BPI-TCA at $26,517, BSI 58-TCA at $28,800 and BSHI-TCA at $27,856 daily, April's average values had a positive bearing on market psychology, mainly due to an impressive performance of the geared sub-markets. The following month saw Capesizes adding further fuel to a monthly average of $29,140 daily, whilst all other segments followed through. In tandem, Kamsarmaxes had an average of $28,785 daily during this period. Similarly, BSHI-TCA trended mildly upwards to a solid May average of $29,719 daily, at the same time as BSI-TCA was reporting further gains at $30,458 daily. June, on the other hand, reversed these tendencies, with Baltic indices losing some of their steam. Capesizes balanced for several days below the $20,000-mark, reporting a June average of $20,884 daily. Kamsarmaxes and Handies lost circa $4,000 of their values to a monthly average of $24,437 and $25,029 daily respectively. Being the star performers for the month of June, Supramaxes had a monthly average of $27,361 daily, yet still remaining below their recent highs. Overall, the first half of 2022 was a rather fertile one, but lacking last year Capesizes' vibrancy. With geared segments stealing Capesize thunder and being in the front seat, spot market managed to hover at solid levels during the previous six months.

On the S&P front, having an average price for the H1 of 2022 of $43m, run-of-the-mill five-year-old Capes were on the market at circa eight point five million dollars above their H1 five-year average. Having a seven-million higher price tag, eco five-year-old Capes had a H1 average of $50m. Modern Kamsarmaxes had an average price of $36m during the last six months, or $10m above the respective average of the last five years. Moving down the ladder to the geared tonnage, market for five-year-old Ultras and same-aged large Handies lay on average at $33m and $28m respectively, or some 41 percent and 48 percent above the average prices of the H1s between 2018 and 2022.

As yet another profitable first year halves concluded, sentiment of the dry bulk sector remained rather mixed. Those who were expecting an economic slowdown due to tighter monetary policies had seen the Russian invasion of Ukraine amplifying the aforementioned shift in global financial conditions. On the other hand, those focusing on the supply side discipline witnessed a rather buoyant market determined to remain as such, paying macro-environment no mind. In this crossroad, dry bulk indices had yet to decide whether to follow the grey macroeconomic outlook or to focus on the rosier sector-specific factors.



Source: Baltic Exchange, Doric Research

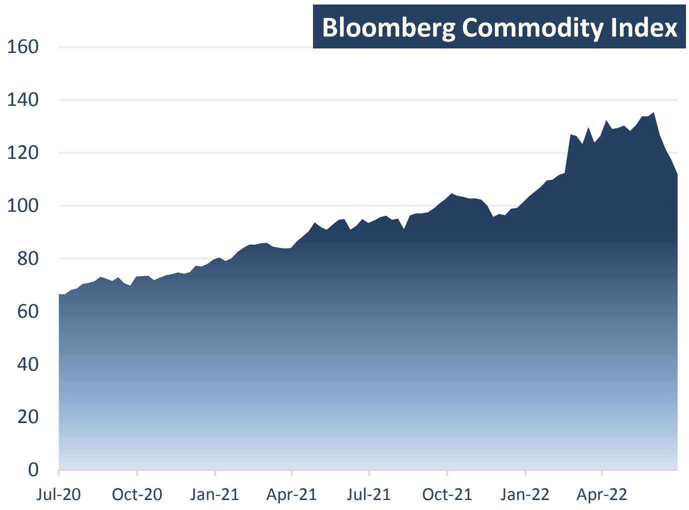
Act III – "'Tis not enough to help the feeble up, but to support them after."

The first trading week of the third quarter saw Baltic indices steaming further south, with the Baltic Dry Index balancing mid-week at three-month minima. Growing concern that out-of-control inflation, rising interest rates and slowing growth could join forces to tip the world into recession had a negative bearing on market activity. As in every time when discussions surrounding the possibility of recession flare up, all eyes were on the shape of the US yield curve and in particular on the ten-two treasury yield spread. The yield curve is usually upward sloping, whereby a higher fixed rate of return is earned from lending money for longer periods of time. Shorter-term yields tend to represent what investors believe will happen to central bank policies in the near future. Longer-dated maturities represent investors' best guess at where inflation, growth and interest rates are headed over the medium to long term. From an economic perspective, an inverted yield curve is a noteworthy and uncommon event because it suggests that the near-term is riskier than the long term. A negative spread has historically been viewed as a precursor to a recessionary period. In fact, a negative ten-two spread has predicted every recession from 1955 to 2018, with a contraction following between six and twenty-four months, and is thus seen as a far-leading indicator.

The two-to-ten-year segment of the yield curve inverted in late March for the first time since 2019 and again in June. In early July, yields on two-year Treasuries rose as high as 2.95 percent, while the ten-year stood at 2.94 percent. The two-year, five-year part of the curve also inverted for the first time since February 2020.

The aforementioned inversion suggested that while investors expected higher short-term rates, they might be growing nervous about the Fed's ability to control inflation without derailing the economy. Fed, however, found a new ally on its attempt to tame the highest inflation in the last forty years. After touching historic highs earlier this year, commodity prices were moving down, with investors reversing bullish bets on everything from corn to copper and oil in the latest sign of recession fears gripping financial markets.

In particular, oil prices were trending downwards in the previous weeks, landing at multi-month lows. In sync, copper prices sunk to their lowest in almost 20 months as persistent worries that a recession would dampen metals demand hit a market with thin summer volumes. Iron ore took a hit as well to its lowest level this year in Singapore, as China was facing fresh Covid-19 flare-ups in several areas including Shanghai. Other commodity markets also faced severe falls, with the broad S&P GSCI agricultural prices index down 28 percent since its all-time high in mid-May. In this unstable economic environment where commodity prices kept falling, it came as no surprise that trading activity in the dry bulk spectrum was rather dull in early July.

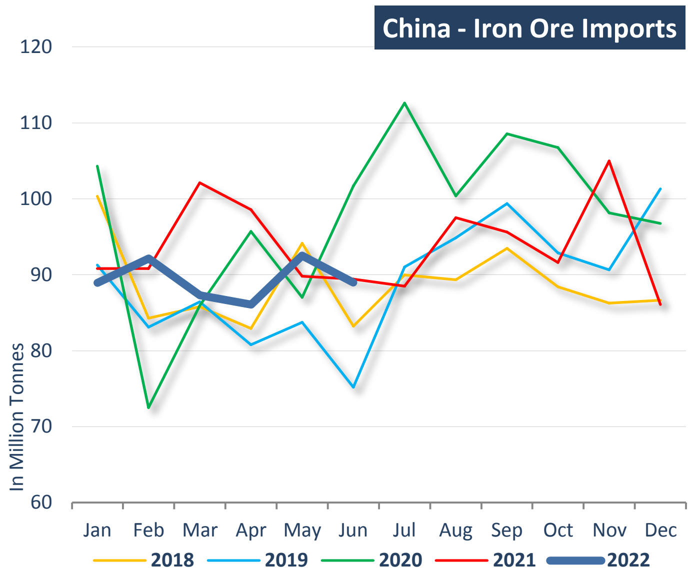


Source: Bloomberg, Doric Research

Apart from some glimpses of hope stemming from headlines of a possible stimulus package in China, the twenty-eighth trading week was a rather dull and uninspiring one. China's Ministry of Finance stressed that Beijing was about to allow local governments to sell 1.5 trillion yuan ($220 billion) of special bonds in the second half of this year. The debt would mostly be used to pay for infrastructure spending, a good old recipe that policy makers are using to boost an economy hit by Covid lockdowns and a housing slump. Following the news, Dalian iron ore recouped from a selloff in the previous sessions at the same time as copper prices reported strong gains. However, Baltic indices weren't convinced that these liquidity injections would suffice. Indicatively, BPI 82 TCA had been balancing below the $20,000-mark in the previous five days, for the first time since early February. BSI 10 TCA and BHSI 7 TCA, on the other hand, had been hovering above $20,000 per day during the second week of July, yet still both reported considerable losses on a week-on-week basis. BCI TCA was the only Baltic index in the green, bouncing back to $20,000 daily.

On the macro front, once again, the US inflation quickened to 9.1 percent from a year earlier, climbing 1.3 percent from May. Energy prices rose 41.6 percent, the most since April 1980. Food costs surged 10.4 percent, the most since February 1981, with food at home jumping 12.2 percent, last seen on April 1979. The so-called core CPI, which strips out the more volatile food and energy components, advanced 0.7 percent from the previous month and 5.9 percent from a year ago. All the aforementioned figures were standing well above analysts' forecasts and market consensus. It was widely anticipated that the central bank was going to increase interest rates by 0.75 percentage points later this month and could well consider as much as a 1 percentage point rise. These high inflation levels, and the monetary policy reaction they would entail, shaped certain gloomy expectations for most of the markets across the globe. Commodity prices kept deflating across the board, touching multi-month low in most markets. Among them, US wheat futures reported material losses, balancing to their lowest for the third quarter backed by expectations for a deal that could lead to the resumption of Ukrainian Black Sea grain exports.

In this macro environment, China reported a sharp slowdown in its commodities imports in June as the world's second largest economy saw a slow recovery from the widespread Covid-19 lockdowns. In fact, China's June soybean imports fell by some 23 percent year-on-year to 8.25 million tonnes, as high global prices and weak demand curbed importers' appetite for the protein-rich seeds. Shipments from Brazil began slowing in April and May as buyers eyed falling crush margins. As far as minerals go, China's iron ore imports in June fell modestly from a year earlier, due to weaker demand from the steel-making industry. The world's top iron ore consumer imported 88.97 million tonnes of iron ore last month, easing 0.5 percent from 89.42 million tonnes in June 2021, according to the General Administration of Customs. Iron ore imports slumped from March to April, as Brazil's Vale halted iron ore train operations due to heavy rain while miners in Australia suffered from pandemic-induced labour shortages. Additionally, Chinese steel companies were suffering from weak margins and high inventories, disincentivising any increase in production. In a similar vein, China's coal imports plummeted by 33 percent in June from a year ago, with traders turning down expensive overseas cargoes in favour of domestic ones. In particular, China imported 18.98 million tonnes of coal in the previous month, compared to 28.93 million tonnes in June 2021. Over the first half of 2022, China imported 115 million tonnes of the fuel, or a whopping 17.5 percent lower than a year ago.



Source: GAC, Doric Research

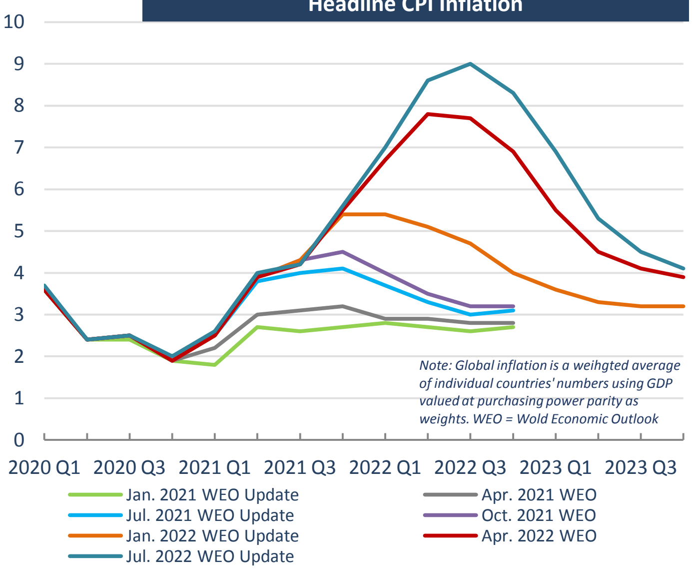
Whilst data from the Chinese customs were pointing to a significant slowdown, ECB followed Fed on its hawkish flight. The central bank of the euro area delivered its first interest rate hike in over a decade in the third week of July. Joining other major central banks in the race to get on top of galloping inflation, ECB dared greatly with a 50 basis-point hike, ending the negative rates era. The aggressive ECB decision showed how the world's monetary authorities were shifting their policies to confront surging prices even as signs of a coming global recession multiply. The United States, Canada, New Zealand and Switzerland among others lined up in the previous weeks with aggressive rate rises. In this juncture, ECB's decision was aligned with the monetary stance of the rest of the OECD economies.

With Russia squeezing natural gas supplies to Europe, Italy being in the eye of a political crisis and record inflation eroding household spending across the continent, the outlook for the eurozone worsened during the trailing few months. Even though the relative importance of the European continent in the dry bulk trades is not the one it used to be long time ago, a shaky economic outlook of the bloc can have a negative indirect impact on the staple trade runs. That being said, governments in Europe announced that several coal-fired power plants would be returned to service while the planned retirement dates for other plants would be delayed. Additionally, Kiev and Moscow agreed a “de facto ceasefire” on cargo ships that would finally carry the stranded grains from Ukrainian ports. Although that could offer a boost in the Black Sea trades, concerns from diplomatic channels should be taken into account as to how this initial agreement will deploy in the field. Whilst the latter might light a glimmer of hope for the drybulk sector, the unfavourable European macroeconomic environment did not allow market sentiment to convincingly warm up.

Whilst the US were still in a debate whether two consecutive quarters of decline in a country's real gross domestic product should be used as a practical definition of a recession or not, the IMF slashed its global growth forecasts and raised its projections for inflation, warning that the risks to the economic outlook are “overwhelmingly tilted to the downside”. In particular, IMF's baseline forecast was for growth to slow from 6.1 percent last year to 3.2 percent in 2022 – 0.4 percentage point lower than in the April 2022 World Economic Outlook. Lower growth earlier this year, reduced household purchasing power, and tighter monetary policy drove a downward revision of 1.4 percentage points in the United States. In China, further lockdowns and the deepening real estate crisis have led growth to be revised down by 1.1 percentage points, with major global spillovers. In Europe, significant downgrades reflect negative externalities from the war in Ukraine and tighter monetary policy.

In reference to the main theme of the current trading year, global inflation was likely to intensify, with the IMF raising its forecasts for this year and next by nearly a full percentage point to 8.3 percent and 5.7 percent, respectively. It was anticipated to reach 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies this year – upward revisions of 0.9 and 0.8 percentage point respectively. In the early 1980s, disinflation episodes were often costly, with high unemployment being the price of taming inflation. In the current juncture, lower starting inflation levels, lower and better-anchored inflation expectations, and the greater flexibility of labor and product markets in advanced economies suggest that costs may be lower. However, higher sovereign and corporate leverage may amplify the effects of policy tightening and influence the willingness of central banks to act decisively on inflation, with potentially higher medium-term output costs.

Global Inflation Forecasts: Serial Upside Surprises (%)
Headline CPI Inflation



Source: IMF, Doric Research

In that macro environment how odd would it be for Baltic indices to keep their sterns afloat? Being, in fact, in sync with the underlying grey economic juncture, Baltic Dry Index concluded lower the last week of July at 1895 points, with all sub-markets in the red.

August started with US House Speaker Nancy Pelosi landing in Taipei and marking a significant demonstration of support towards Taiwan despite China's warnings of retaliation over the visit. Pelosi and the congressional delegation that accompanied her stressed in a statement that the visit "honors America's unwavering commitment to supporting Taiwan's vibrant democracy." As Beijing stepped up military drills and warplane incursions around the island, China's Ministry of Foreign Affairs said that "U.S. House Speaker Nancy Pelosi insisted on visiting Taiwan in disregard of China's serious concerns and firm opposition, seriously interfering in China's internal affairs, seriously undermining China's sovereignty and territorial integrity, seriously trampling on the one-China principle, and seriously threatening the peace and stability across Taiwan Strait."

At the same time as Taiwan's export-oriented industrial economy had to take into serious consideration the aforementioned geopolitical games, Chinese manufacturing activity was taking another dive. In particular, the purchasing managers’ index (PMI) for China’s manufacturing sector came in at 49 in July, down from 50.2 in June. Negative impacts including the traditional production off-peak period, insufficient market demand, and the weakened performance of energy-intensive industries weighed on the industry, according to NBS senior statistician Zhao Qinghe. Further to Chinese official PMI discouraging reading, the total profit of manufacturing industry in China was 3,189.31 billion yuan, or down some 10.4 percent year-on-year. With profits tumbling, China's daily pig iron and crude steel output dropped to 2.311 million mt and 2.670 million mt during July 21-31, down 6.2 percent and 5.9 percent from July 11-20 respectively, according to data released by the China Iron & Steel Association Aug. 4. In the first half of 2022, China’s crude steel output was 527 million mt, a year-on-year decrease of 6.5 percent, with a cumulative daily output of 2.9109 million mt. The CISA estimated daily pig iron and crude steel output in July at 2.379 million mt/d and 2.725 million mt/d, down 7.2 percent and 9.9 percent from June respectively.

The aforementioned steel output cuts were expected to support domestic steel prices, which had fallen steeply in the last three months due to weak demand and supply glut. However, any rebound in prices could only be marginal, as steel mills would limit steel output cuts as soon as steel profit margins recover. Capesizes, on the other hand, were by no means in a rebounding mood during the thirty-first trading week, concluding at a demoralizing three-and-a-half-month low of just $11,700 daily. With demand outlook remaining clouded by increasing worries about an economic slump in the United States and Europe, debt distress in emerging market economies, and a lustreless Chinese economy, the rest of the segments had no other real option but to follow the leading Capes on this downward spiral.

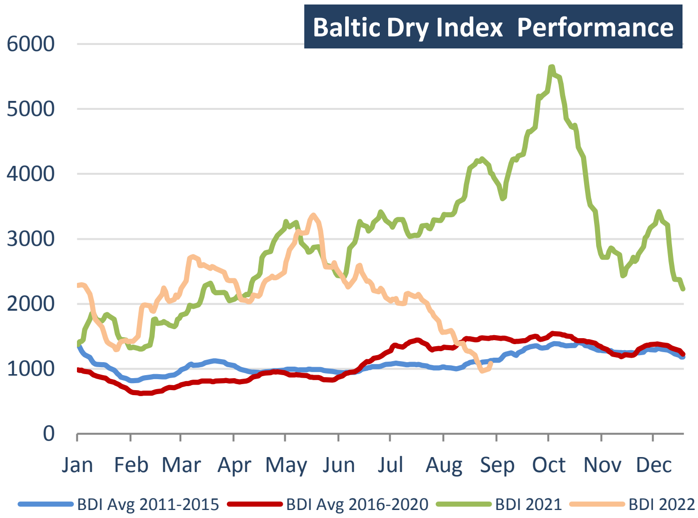
Reluctantly, US inflation eased slightly in July at last on the back of lower petrol prices. In particular, the Consumer Price Index for All Urban Consumers was unchanged in July on a seasonally adjusted basis after rising 1.3 percent in June, according to the US Bureau of

Labor Statistics. Upon receiving the news, stock markets jumped, with the leading S&P 500 index increasing considerably and entering into positive territory for the month. In the opposite direction from the US inflation, albeit from a much lower basis, China's consumer price index rose by 2.7 percent in July from a year earlier, up from 2.5 percent in June.

The prices of food, tobacco and alcohol increased by 4.7 percent year-on-year. Among foodstuff, the price of fresh fruit increased by 16.9 percent; the price of livestock meat increased by 8.4 percent, of which the price of pork increased by 20.2 percent. China's pig herd had been contracting in the past year as falling margins pushed some farmers to exit the market or reduce the number of their sows to curb heavy losses. Tight supplies and a recovery in demand pushed China's pork prices higher in July on an annual and monthly basis. Against this backdrop, China's state planner urged top hog breeders to ensure steady supplies. Additionally, Beijing agreed to waive some requirements from the phytosanitary agreement signed with Brazil to allow corn exports this year. The Ministry of Agriculture of Brazil stressed that China's private sector has already requested import licenses from the Chinese government. However, no deadline was set for the beginning of shipments. Mid-August, trading companies expected to export at least 1 million tonnes of corn this year to China, sources close to the negotiation say. This news came in a period when China's soybean imports in July took a 9.1-percent dive from a year earlier and the main P6 Baltic index (ECSA FH) was struggling to find a floor.

Up until the end of August, China produced 608 million tonnes of steels, down 7.1 percent from the same period last year. At the same time, it imported 627 million tonnes of iron ore, down 3.4 percent year-on-year. On the flip side, China mined an additional 10.8 percent of its own iron ore to a total of 613 million tonnes. A similar story played out for coal. In the first seven months, coal imports were considerably lower by 18 percent to 138.5 million tonnes whereas local mining was up 11.5 percent to 2.56 billion tonnes. Soaring international coal prices, compounded by the war in Ukraine, created that substitution effect to the detriment of bulkers. Russian coal imports to China have been up 65 percent to 7.4 million tonnes, displacing longer hauled coal imports.

Having spent a good part of the current trading year competing with the splendid 2021 performance, Baltic Dry Index had a first-six-month average of 2279 points – very similar to the one of the previous year. However, July and August had a very different story to narrate. Whilst last year, spot market during these months was full of confidence, reporting strong gains week after week, it kept losing steam one year later, leading to an end-of-August closing of just 965 points. Indicative of the immense pressure is that the BDI was lingering in the end of August well below its average value for both the 2011-2015 and 2016-2020 trading periods. In sync, China's factory activity declined further in August as new Covid-19 infections, the worst heatwaves in decades and an embattled property sector weighed on production.



Source: Baltic Exchange, Doric Research

On the same wavelength, the S&P Global Eurozone Manufacturing PMI fell to 49.6 in August, down from 49.8 and further beneath the 50.0 mark that separates growth from contraction. Although only just below 50, this was the lowest reading since June 2020 and signalled a second successive deterioration in manufacturing operating conditions. The au Jibun Bank Japan Manufacturing PMI balanced at 51.5 in August, following a July reading of 52.1. While marking the 19th month of expansion in the sector, the latest figure was the lowest since September 2021, amid growing economic headwinds. In a similar vein, the S&P Global South Korea Manufacturing PMI dropped to 47.6 in August 2022 from 49.8 in July. Amid weaker global economic conditions, this was the second straight month of contraction in factory activity and the fastest contraction since July 2020. In reference to the world's largest economy, the S&P Global US Manufacturing PMI pointed to the slowest growth in factory activity since July of 2020, balancing at 51.5. Output contracted for a second straight month as new orders fell for a third month in a row amid weak demand, due to increased inflation and economic uncertainty. With manufacturing activity being in contraction across the board and Capesizes being in the doldrums, BDI reported an August average of 1411 points, or the lowest of the last twenty months.

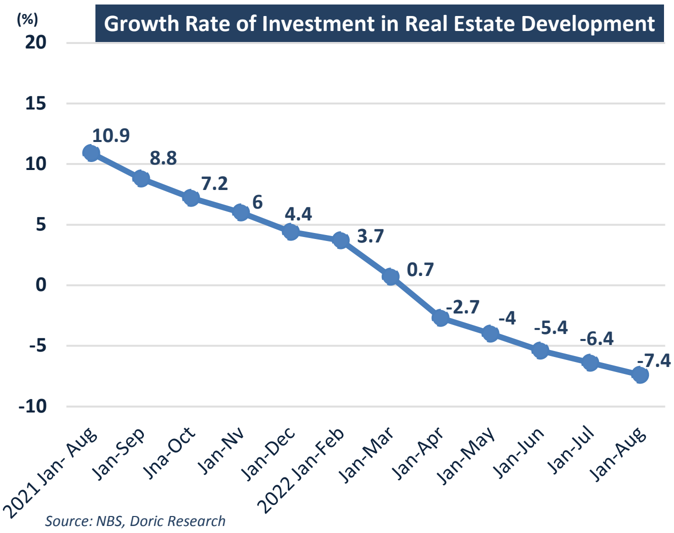
September started with the ECB increasing eurozone borrowing costs by 75 bps to their highest level since 2011. At the same time, European Union was facing a meteoric rise in energy prices. The European Commission has asked its members to consider five immediate moves including a plan to redistribute some energy producers' windfall revenue to businesses and households, a price cap on Russian pipeline gas, and mandatory targets for reducing electricity use during peak hours, among other possible measures.

In sharp contrast, metal prices had been under downward pressure. In particular, iron ore prices dropped to their lowest level since March 2022, balancing at $97.19 per tonne as of 7th September. The decline in iron ore prices was driven by multiple market factors, including China's zero Covid policy, global economic slowdown, and a numb downstream demand in the Chinese property sector. In tandem, LME copper moved south, with price of the metal being 29 percent below its record high of $10,845 hit in March. On the same wavelength, oil prices took a dive that week, as a renewed fear over recession and a strong US dollar weighed on the commodity. Brent crude price dropped in early September below the $90-mark for the first time since February.

Whilst an energy crisis in Europe was ante portas and metal prices were already feeling the effect of global economic slowdown, China's export growth weakened in August and imports shrank. Exports rose 7.1 percent in August from a year earlier, marking the first slowdown since April. Rising interest rates, inflation and geopolitical tensions in unison had a negative bearing on outbound shipments. In reference to Chinese imports, the worst heatwaves in decades, a property crisis and sluggish consumption pushed the imported volumes materially lower. China's imports of crude oil, iron ore and soybeans all fell during the first eight months, as strict Covid-19 curbs and extreme heat disrupted domestic output.

As far as drybulk commodities go, China's imports of iron ore rose 5.5 percent month-on-month in August, even as operating rates at furnaces only slightly improved. The world's top iron ore consumer brought in 96.21 million tonnes of the steelmaking material, down slightly from the 97.46 million tonnes imported in August 2021. In the first eight months of 2022, total seaborne iron ore arrivals lay at 705.45 million tonnes, or down by 2.02 percent compared to the same period last year. China's coal imports rose in August to 29.46 million tonnes, up from 23.52 million in July. From January to August though, China imported 167.98 million tonnes of coal, or down a significant 14.9 percent year-on-year. Whilst iron ore and coal imports moved higher in August, soybean imports plunged by 24.5 percent year-on-year. China purchased 7.17 million tonnes of soybeans in August - the lowest for the month of August since 2014. During the same period, Baltic Dry Index kept trending lower, touching one local minimum after the other. However, on the late side of the first trading week of September, iron ore rebounded amid China's intensified support for an ailing property market. In a similar vein, from August 29 to September 2, the average pork price tracked by the Ministry of Agriculture and Rural Affairs was 30.33 yuan (circa $4.39) per kg, up 6.9 percent week-on-week. The price was 61.6 percent higher than a year ago. Against this backdrop, China's state planner urged top hog breeders to ensure steady supplies, a factor to possibly support grain export activity from ECSA. Given the aforementioned, a sense of bottoming out in the spot market became apparent.

In spite of a positive market reaction in mid-September, a helicopter view reveals the actual size of the vast downward correction in both the container and dry bulk markets. Once such a fall is taking place, all eyes are on China and in particular on the property sector. Woes in China's property market worsened in August, with official data showing home prices, sales and investment all falling, as a mortgage boycott and developers' financial strains further hurt confidence in the sector. From January to August, the national real estate development investment was 9,080.9 billion yuan, a year-on-year decrease of 7.4 percent. The newly founded area of houses was 850.62 million square meters, down 37.2 percent. Among them, the newly started residential area was 624.14 million square meters, down 38.1 percent. The completed area of houses was 368.61 million square meters, down 21.1 percent. Among them, the completed residential area was 267.37 million square meters, down 20.8 percent. More significantly, prices extended their year-on-year contraction for the fourth month in August, with prices last month falling 1.3 percent, the fastest annual pace in seven years, and suggesting longer-term homebuyer aversion.



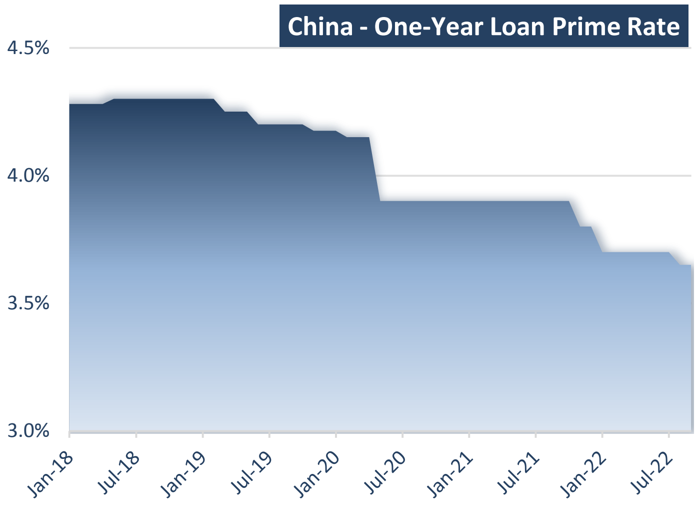
Source: NBS, Doric Research

Conversely, the growth rate of power production was accelerated. In August, the power generation was 824.8 billion kwh, a year-on-year increase of 9.9 percent and an increase of 5.4 percentage points over the previous month. From January to August, the power generation balanced at 5.6 trillion kwh, a year-on-year increase of 2.5 percent. From the perspective of energy sources, in August, thermal power and wind power accelerated, the growth of solar power slowed down, the growth of hydropower decreased year-on-year, and the decrease of nuclear power narrowed. Among them, thermal power increased by 14.8 percent year-on-year, 9.5 percentage points faster than last month. Despite that, China's daily coal output in August slipped to a three-month low of 370.44 million tonnes as some mines in its biggest coal mining regions reduced operations due to heavy rainfall and Covid-19 curbs. On the other hand, coal imports stood at 29.46 million tonnes in August, up 25.3 percent from the prior month and 5.03 percent from a year earlier. However, the outlook for the seaborne coal was not so rosy, with the seasonal temperature drop and a softer tone in industrial activity both having a negative bearing on the demand of the least love commodity.

The dry bulk market spent most part of the thirty-eighth trading week trying to understand which narrative to follow. On the one hand, most of the major central banks reasserted their commitments to tame a galloping inflation, stressing that a painless way to achieve this goal might not be on the table anymore. On the other hand, hopes of more stimulus to shore up China's Covid-hit economy added to the buoyant mood of late. With both sides having, in fact, a well-supported story to narrate, Baltic forward values enjoyed a bumpy ride, with assessments changing constantly direction. As one would rationally expect market sentiment followed closely this carnival ride, ebbing and flowing in tandem.

On the central bank front, the Federal Reserve announced it was raising its key rate by another 0.75 percentage points, lifting the target range to between 3 percent and 3.25 percent - the highest level in almost 15 years. The move came despite mounting concern that the cost of controlling inflation could be a harsh economic downturn. In sync, other central banks also unleashed a wave of rate hikes. Earlier in September, the Bank of Canada hiked its policy rate to 3.25 percent. Canada was the first among the world's advanced economies in the current policy-tightening cycle to deliver a 100-basis-point rate hike. The Reserve Bank of New Zealand last month delivered its seventh straight hike to lift rates to 3 percent, the highest since September 2015. Being on the same page, the Bank of England hiked interest rates by 50 basis points in the third week of September, with money markets pricing in a peak in rates at circa 4.9 percent by June 2023. Earlier that month, the Reserve Bank of Australia increased their base rates by another 50 basis points, taking its key rate to a seven-year high of 2.35 percent. Putting an end to the negative rates in Europe, the Swiss National Bank raised its policy rate by 75 basis points from minus 0.25 percent to 0.5 percent, following ECB's lead few weeks before.

At the same time as rate rises seemed to be a necessity in order to slow down demand, ease upward pressures on prices and avoid long-term damage to the economy, an East-West divergence in central bank actions became apparent. Bank of Japan maintained its ultra-low interest rates, swimming against the current. However, Japanese authorities intervened to shore up the weak yen, being under pressure lately. On the same wavelength, China cut a crucial lending rate in mid-August, in an effort to shore up growth as the world's second-biggest economy was buffeted by repeated coronavirus lockdowns and a worsening property crisis. Additionally, a new batch of eight mega projects in Shanghai was launched in the third week of September with a combined investment approximating 1.8 trillion yuan (US $256.8 billion).



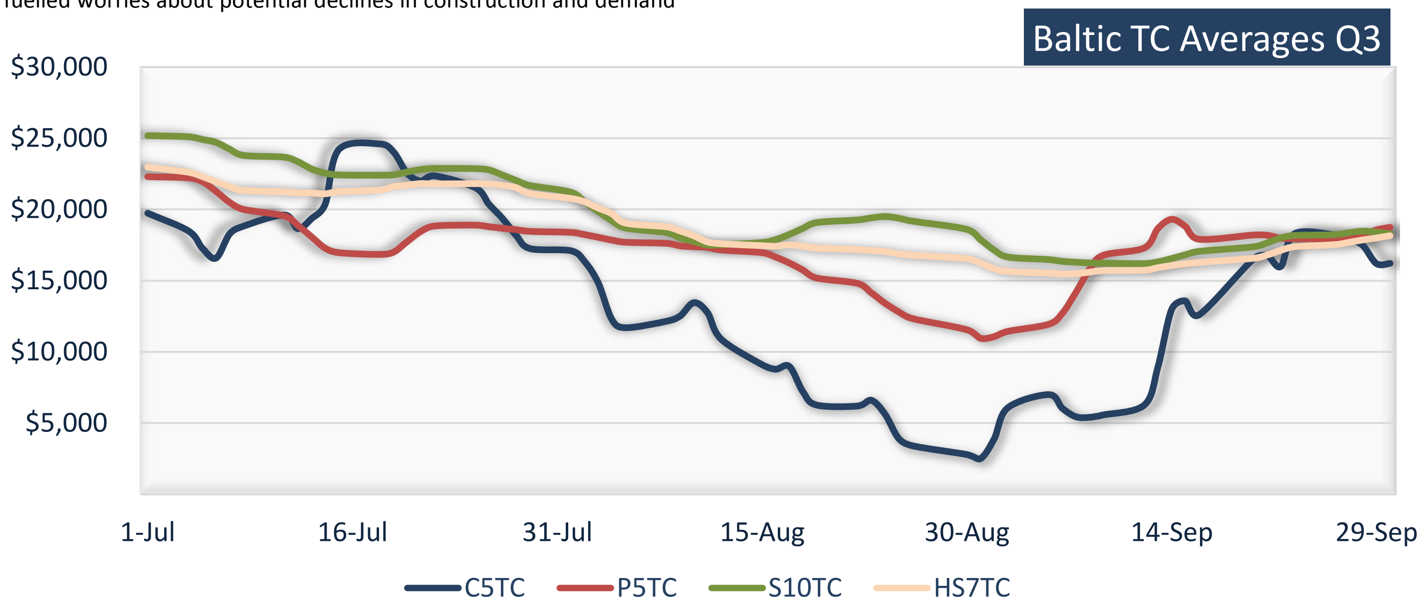
Source: PBoC, Doric Research

One year ago, the last trading week of September started with Hong Kong's stock market plummeting, as an escalating liquidity crisis of the 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 2021. In sync, commodity prices, 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. With growing concerns for a Minsky Moment" in China's property sector, the CBOE volatility index – the "fear gauge" – was hitting its multi-month maxima.

Twelve months later, a sudden major collapse of asset values – as expected by a "Minsky Moment" scenario – might not had happened, yet still China's property sector didn't seem to be on the right foot. Prices for new homes in 70 Chinese cities fell by a worse-than-expected 1.3 percent year-on-year in August, according to official figures, reflecting a turbulent 12 months in which China's housing sector went from an unstoppable driver of prosperity to being the chief threat to the world's growth locomotive. Additionally, nearly a third of all property loans were classed as bad debts – 29.1 percent, up from 24.3 percent at the end of last year. Trying to tackle a deepening property crisis, Chinese local governments may relax the floor on mortgage rates for first-time home buyers in some cities in phases. Analysts stressed that the mortgage rate floor relaxation was quite positive for sentiment, but more stimulus measures were needed.

Spot market seemed to be in accord with analysts, as the Baltic Dry Index was losing steam during the last trading week of the third quarter. The general feeling in the spot market was, for yet another week, that a temperate support kept the market afloat rather than the presence of an assertive force able to drive the market back to the recent 2022 highs.

For the first half of 2022, dry bulk market was echoing the fertile 2021 trading environment. However, it was around the end of May, when numerous bearish factors began kicking in, blurring the picture. Among them, a feeling of a softening world trade activity started building momentum. Aside from the bullish among us stargazing super-cycles and markets through the roof for the third quarter, consensus was focusing on the major shifts in monetary policies across the globe along with a recession aroma, probably having a negative bearing on the short-term prospects of the sector. In fact, the macroeconomic burden was hard on dry bulk's knees during the third quarter, pushing Baltic indices materially lower. In particular, the leading BCI TCA had a Q3 average of $13,695 daily, or down by 67.7 percent year-on-year. In tandem, BPI TCA, BSI TCA and BHSI TCA reported quarterly averages of $17,172, $19,728 and $18,709 per day respectively, more than forty percent below the respective averages a year ago in all segments. The third quarter concluded with BCI TCA balancing at $16,214, BPI TCA at $18,742, BSI TCA at $18,292 and BHSI at $18,159 daily. All the aforementioned values were considerably lower than where they had started just three months ago.



Source: Baltic Exchange, Doric Research

Act IV – "Expectation is the root of all heartache."

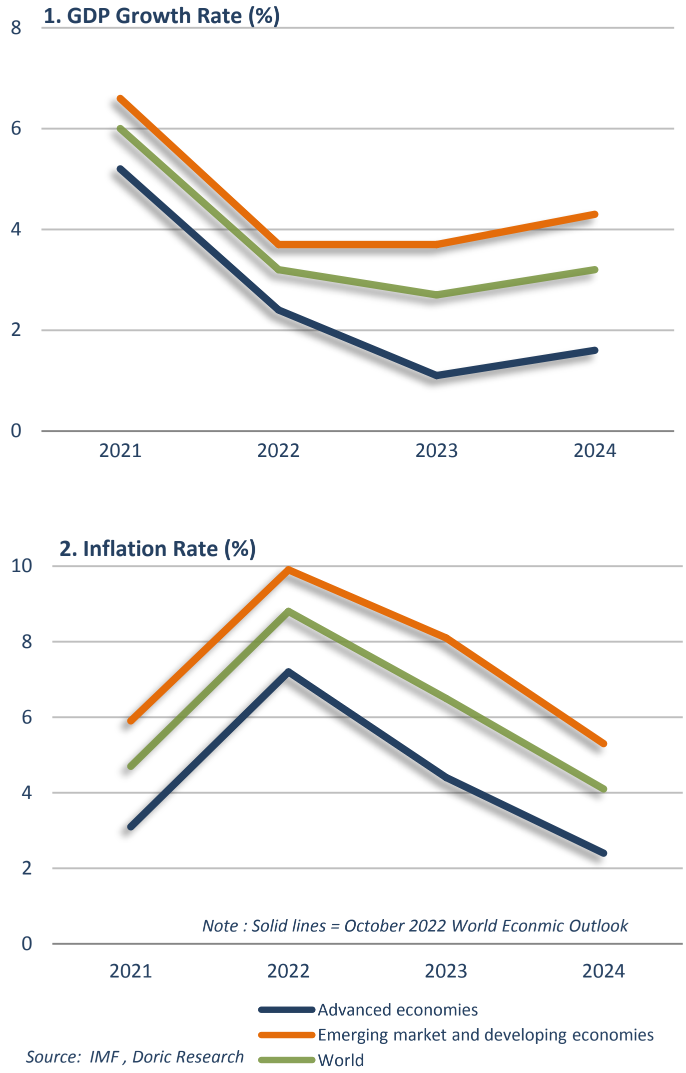
The last quarter of this volatile trading year started with Baltic indices hovering at two-month highs. In spite of this positivity of late in the spot market, international organizations and central banks kept revisiting downwards their GDP growth and world trade volume projections. In particular, in early October, World Trade Organization stressed that world trade was expected to lose momentum in the second half of 2022 and remain subdued in 2023 as multiple shocks weigh on the global economy. WTO economists were expecting global merchandise trade volumes to grow by 3.5 percent in 2022 – slightly better than the 3.0 percent forecast in April. For 2023, however, they foresaw a marginal 1.0 percent increase – down sharply from the previous estimate of 3.4 percent. Furthermore, the new World Trade Organization forecast estimated world GDP at market exchange rates would grow by 2.8 percent in 2022 and 2.3 percent in 2023, with the latter being a whole percentage point lower than what was previously projected. The aforementioned sluggish tone became apparent not only in the spot market of the dry bulk sector during the last three months but also in the container sector.

Whilst concerns for the course of global economy kept rising, OPEC plus, with a bold move, agreed its deepest cuts to production in more than two years at a meeting in Vienna in early October. The cut of two million barrels a day represented about 2 percent of global oil production. The move threatened further inflationary pressures in a world economy already burdened by an energy crisis, drawing a sharp response from president Biden. The US President called on his administration and Congress to explore ways to boost US energy production and reduce OPEC's control over energy prices after the cartel's "shortsighted" production cut.

Spot market had not been in good spirits during the forty-first week of this challenging trading year. With Capesize and Panamax sectors setting a rather sluggish tone as early as Monday, the rest of the pack followed suit, pushing the general index lower to a Friday's closing of 1838 points. However, it was not only that week's uninspiring freight market that had a negative bearing on market psychology. In fact, the International Monetary Fund published the latest update of its World Economic Outlook mid-week. And it was among the gloomiest over the last many years.

As storm clouds gather, policymakers need to keep a steady hand, according to the IMF. The global economy continued to face steep challenges, shaped by the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China. Against these unfavourable currents, global growth was forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This was the weakest growth profile since 2001 aside from the global financial crisis and the acute phase of the Covid-19 pandemic. As far as the largest economies go, US GDP contracted in the first half of 2022, the euro area shrank in the second half of 2022. Prolonged Covid outbreaks and lockdowns in China along with a growing property sector crisis had negatively affected the world's second largest economy.

Global Growth & Inflation Forecasts (%)

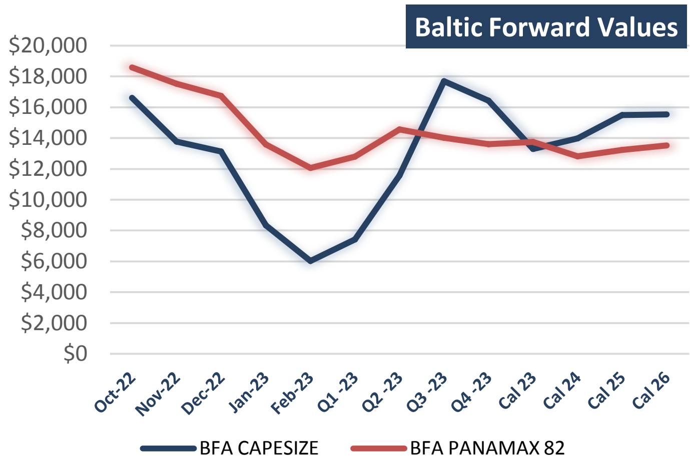


Source: IMF , Doric Research

In reference to the two pillars of the dry bulk market, a weaker than expected output was projected for both China and India. In particular, growth in China weakened significantly since the start of 2022 and was subject to downward revision since the April 2022 lockdowns in Shanghai and elsewhere. Downside risks to China's growth recovery dominated IMF's outlook, with signs of a significant slowdown in the real estate sector. Given that this sector constitutes circa one-fifth of GDP in China, the Fund downgraded China's growth to 3.3 percent in 2022 – the lowest level in more than four decades – and to 4.6 percent in 2023. The outlook for India was for growth of 6.8 percent in 2022 – a 0.6 percentage point downgrade since the July forecast, reflecting a weaker-than-expected outturn in the second quarter and more subdued external demand.

Whilst concerns for the course of global economy kept rising, global trade growth was slowing sharply from 10.1 percent in 2021 to a projected 4.3 percent in 2022 and 2.5 percent in 2023. This percentage growth was higher than the one in 2019 – when rising trade barriers constrained global trade – and also higher than during the Covid-19 crisis in 2020. However, it has to be noted that these projections were well below the historical average of 4.6 percent for 2000-21 and 5.4 percent for 1970-2021, according to the IMF. Additionally, the Washington-headquartered Fund stressed that the dollar's appreciation over the last months was likely to have further slowed trade growth, especially considering the dollar's dominant role in global trade.

In these challenging times, Chinese President Xi Jinping took the stage to start a historic congress of the ruling Communist Party. With Chinese economy battered by Covid-19 curbs and property sector crisis, countless Chinese citizens as well as investors across the globe were hoping the congress to mark a milestone after which the steam engine of global growth began laying the groundwork to dial back on zero-Covid policy. On the other hand, most of the analysts stressed that the congress was unlikely to trigger any immediate or dramatic. Baltic forward curves seemed to be in perfect alignment with the aforementioned analyst views, as the front end of the curves were in steep backwardation.



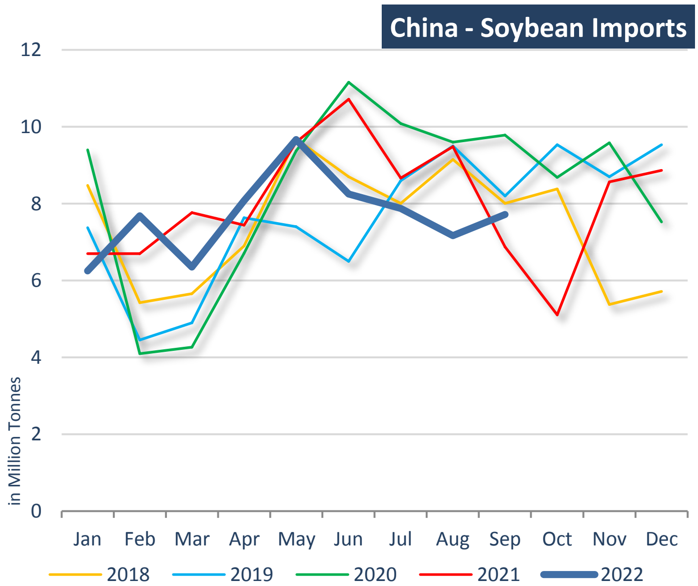
Source: Baltic Exchange, Doric Research

In the forty-second trading week, the spot market was trading within a very narrow range whilst China's third quarter GDP data were surprisingly not available on the official website. In fact, the only update from the government's statistics department came to clarify that the renewed data would be delayed, without providing further explanation or comment. Away from the centre stage of the 20th National Congress of the Communist Party of China, a press conference on Monday addressed the delicate question of economic growth. "The economy rebounded significantly in the third quarter," said Zhao Chenxin, a senior official at the National Development and Reform Commission. On the other hand, economists had forecast growth of just 3.3 percent – far below its 5.5 percent target for the year. Whilst a divergence of views between most of the economists and Zhao Chenxin became apparent, the latest official data published earlier this month indicated an economy trending sideways. In September, the Purchasing Manager Index (PMI) of China's manufacturing industry was 50.1 percent – up by 0.7 percentage points from the previous month – entering marginally into the expansion range.

As the latest macro data revealed a rather lukewarm picture for the course of the world's second largest economy and the lack of fresh statistics injected uncertainty in the market, China's state media emphasised on the previous decade economic progress. In 2021, China's gross domestic product reached 17.7 trillion US dollars, accounting for 18.5 percent of the world's total. From 2013 to 2021, it grew at an average annual rate of 6.6 percent, beating the average global growth of 2.6 percent. During the same period, its contribution to global economic growth averaged 38.6 percent, higher than that of the G7 countries combined. Amid endeavors to open up wider to the world, China's foreign trade had seen a robust expansion in the past decade. Setting aside China's last decade impressive performance, in the third week of October, industrial metals as well as bulkers were eager for forward-looking statements and answers. In the absence of the aforementioned, iron ore's losses deepened, with the benchmark price of the steelmaking ingredient in Singapore hitting a fresh 2022 low. Steel prices in China – accounting for about half the world's output of the manufacturing material – also fell amid a worsening Covid-19 situation in Beijing. Capesizes, on the other hand, were reluctant to set course, trending sideways to their uninspiring levels and looking for further insights in the foreseeable future.

In the last week of October, China reported, at last, the delayed GDP growth data for the third quarter. Few days after China's Communist Party 20th National Congress, Beijing stressed that the world's second largest economy rebounded at a faster-than-expected pace in the third quarter. In particular, gross domestic product expanded by 3.9 percent in the July-September quarter year-on-year. The aforementioned performance stood above the 3.4 percent pace forecast in a Reuters news agency poll of analysts, and quickened from the 0.4 percent pace in the second quarter. The utilization rate of national industrial capacity balanced at 75.6 percent, down 1.5 percentage points from the same period last year, but 0.5 percentage point higher than the previous quarter. In spite of the marginal increase of utilization rate of national industrial capacity quarter-on-quarter, the power production was decreased in September. In fact, the power generation was 683 billion kwh the previous month, or a year-on-year decrease of 0.4 percent. From the perspective of sources, in September, the growth of thermal power and wind power slowed down, the decline of hydropower and nuclear power expanded, and the growth of solar power accelerated.

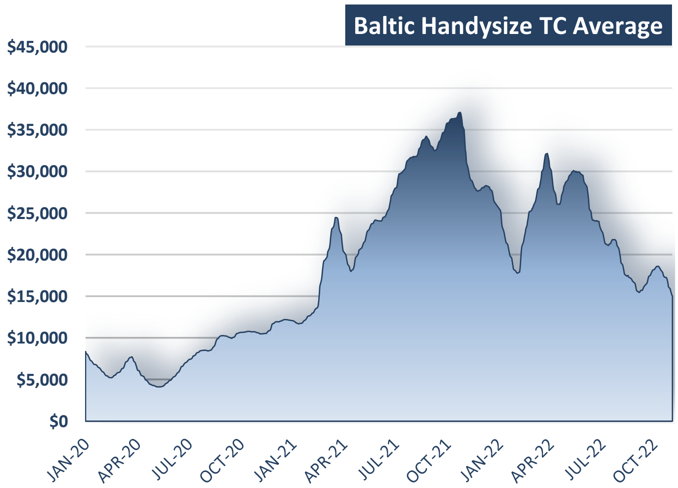
As far as the dry bulk commodities are concerned, China imported 99.71 million tonnes of iron ore in September, or up 3.5 million tonnes or 3.6 percent on the month. The total amount of imported iron ore in January-September decreased by 2.3 percent year-on-year to 822.54 million tonnes. Conversely, China's coal imports rose 12.2 percent in September from a month earlier, with the imports from Indonesia being on a rise. Coal imports totalled 33.05 million tonnes last month, up from 29.46 million tonnes in August. Reporting a significant increase, China's soybean imports in September rose 12 percent from a year earlier to 7.72 million tonnes, reversing a multi-month trend of low arrivals. Even though the September imports were higher, overall imports for the first nine months of the year remain down 6.6 percent compared to last year at 69.04 million tonnes.



Source: GAC, Doric Research

Whilst Chinese economy seemed to have built a certain momentum in the third quarter, albeit not comparable to those of recent past, all eyes were on the reverberations of the 20th National Congress of the Chinese Communist Party. Since the meeting was mostly about personnel changes, the absence of much-anticipated growth-supporting measures echoed across most markets. Hong Kong and mainland China stock markets fell sharply while other major Asia-Pacific markets rose. Iron ore extended its rout to the lowest level in more than two years on mounting concerns over global steel demand. In tandem, Baltic indices were also in the red in the last trading week of October, losing more steam within the typically sturdy fourth quarter.

The forty-fourth week was one of those uninspiring periods taking place in the conventionally seasonal weakest first quarter of every trading year. In fact, with all sub-indices being in the red, Baltic Dry Index concluded on the first Friday of November at 1323 points. Reporting circa 20 percent weekly losses, the leading Baltic Capesize index was flirting with the four-digits, before bouncing back at $11,139 daily just before the closing of the week. In a similar vein, Baltic Panamax 82K index moved further south, yet still managing to close with a positive tone. Conversely, this was not the case in the Supramax spectrum, with the respective Baltic Supramax Index losing some 14.5 percent week-on-week and ending at multi-month lows of $13,945 daily. Being trapped in a downward spiral, the Baltic Handysize Index finished at twenty-month minima of $15,043 daily, last seen in February 2021. Better reflecting the cloudy macroeconomic environment, Handies have this unique "privilege" to mirror the course of the global economy on their balancing levels.



Source: Baltic Exchange, Doric Research

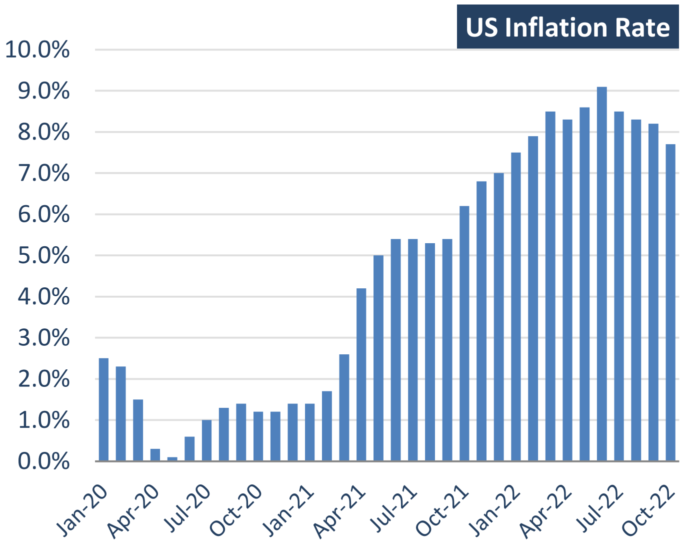
Further challenging an already sputtering global economy, the Federal Reserve raised the target range for the federal funds rate by another 75bps in early November to 3.75-4 percent. Being in line with market forecasts, the aforementioned rise marked a sixth consecutive rate hike and the fourth straight three-quarter point supersized increase, pushing borrowing costs to a fresh high since 2008. Policymakers anticipated that ongoing increases in the target range would be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. Additionally, Federal Reserve chair Jay Powell warned interest rates would peak at a higher level than initially expected even as he held out the possibility of the Federal Reserve slowing the pace of its campaign to tighten monetary policy. The comments of Jerome Powell that it was "very premature" to be thinking about pausing its rate hikes sent stocks lower as US bond yields and the US dollar rose. The Dow Jones Industrial Average slid 505.44 points, or 1.55 percent, to settle at 32,147.76. The S&P 500 dropped by 2.5 percent to close at 3,759.69, whilst the Nasdaq Composite took a 3.36 percent dive to finish at 10,524.80. While inflation remained high, stocks began to rally in October in the hope that the Federal Reserve would start to pivot away from aggressive interest-rate hiking in December. However, the latest developments on the monetary policy front had a negative bearing on November's opening.

On the other side of the moon, iron ore futures climbed in the first week of November, solidifying their weekly gains initially driven by earlier speculations that top steel producer China would ease its draconian Covid-19 rules, and further fuelled by Beijing's fresh pro-growth rhetoric. After suffering its steepest monthly fall in almost two years in October, the market reversal during the forty-fourth week came despite China's National Health Commission denying knowledge of a rumoured committee being formed to assess border reopening in March 2023. The market of the steelmaking ingredient decided to focus on People's Bank of China Governor Yi Gang reassurance that China would be able to maintain normal monetary policy as he steered for a resilient domestic economy, and expressed hopes for a soft landing in the suffering property sector. Whilst concerns had been expressed by various financial institutions and associations that the Chinese steel sector along with global steel demand was remaining in a quite uncertain and fragile phase, Capesizes turned a Nelson's eye to these warnings and pledged allegiance to the iron ore futures trend.

Setting aside the spot market of the geared segments, the forty-fifth week was anything but dull. Risk assets rallied the previous Friday amid speculation that China was preparing to relax its pandemic restrictions. However, over the weekend, health officials reiterated their commitment to the "dynamic-clearing" approach to Covid-19 cases as soon as they emerge. Against this backdrop, US stock futures and commodities slipped in Asia on Monday. In sync, Oil prices reported $1 a barrel loss, with Brent crude futures dropping as low as $96.50 earlier in the day. Following a 7.5 percent increase last Friday, copper prices also traded lower as the reality of China's "Zero-Covid" policy weighed on the industrial metal outlook. Capesizes, on the other hand, started the week on the right foot, with the BCI 5TC balancing at $11,648 daily on Monday's closing after reporting daily gains of $509.

On Monday November 7, Norwegian Prime Minister Jonas Gahr Store and the US Special Presidential Envoy for Climate John Kerry chaired the launch of the Green Shipping Challenge during the World Leaders Summit of COP27. Countries, ports, and companies made more than 40 major announcements on issues such as innovations for ships, expansion in low- or zero-emission fuels, and policies to help promote the uptake of next-generation vessels. Additionally, international zero-emission shipping routes came one step closer to becoming a reality, as the UK made a major pledge alongside the US, Norway, and the Netherlands to roll out green maritime links between them at this year's COP27 conference in Sharm el Sheikh, Egypt.

The headline economic news in mid-November though was neither related to the COP27 climate summit nor to the US midterm elections which dominated mainly the political press. Being the main theme of the front pages, the US inflation rate inched down in October at last! The all-items index increased 7.7 percent for the 12 months ending October, this was the smallest 12-month increase since the period ending January 2022. The all items less food and energy index rose 6.3 percent over the last 12 months. As expectations mounted that the Federal Reserve would increase interest rates by a lesser percentage in December compared to the previous increases, stock futures soared. The S&P 500 surged by more than 5 percent after the data were published. The Nasdaq Composite surged by 7.35 percent – its best since March 2020 – closing at 11,114.15. Global stocks rose on hopes for less aggressive interest rate hikes from the Federal Reserve, an outlook that has the dollar facing its biggest two-day drop in almost 14 years.



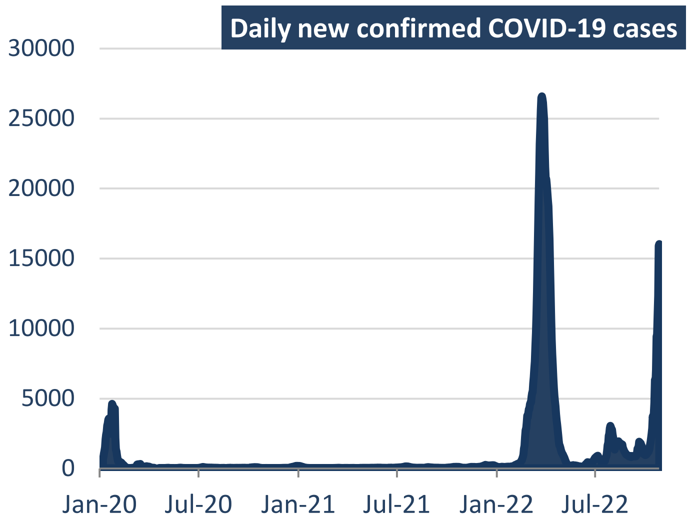
Source: U.S Bureau of Statistics, Doric Research

Nevertheless, the week was not over yet. On Friday November 11, Beijing eased some of its stringent Covid-19 rules, shortening quarantines by two days for close contacts and for inbound travellers and removing a penalty for airlines for bringing in too many cases. Additionally, China would stop trying to identify "secondary" contacts. Markets were cheered by the loosening of the curbs, albeit many sources stressing that these measures were only incremental and reopening possibly remained way off. Soever, oil prices reported strong gains in the last trading days of the week, on rising hopes of improved economic activity and demand in the world's top crude importer. In tandem, industrial metal prices jumped, following a rise the day before in anticipation of a dovish pivot by the Fed. A weaker US dollar also supported commodity prices as it makes them relatively cheaper for buyers holding other currencies. Whilst short-term positive emotional factors are dominating most of the markets, dry bulk shipping seems to take small notice thereof.

The forty-sixth week started with the IMF stressing that global economic growth prospects were confronting a unique mix of headwinds, including Russia's invasion of Ukraine, interest rate increases to contain inflation, and lingering pandemic effects such as China's lockdowns and disruptions in supply chains. With such a demoralizing start, few assets could find the courage to defy the law of gravity. Baltic indices were not among them, with the whole pack being dragged down to multi-month minima. In particular, the leading Baltic Capesize index landed in the four-digits, concluding today at a mere $9,305 daily. Trending sideways, Baltic Panamax 82K index closed the trading week in the red, lingering at $14,343 daily. Echoing concerns for the course of global economy on their balancing levels, geared segments seem to be trapped in a downward spiral, concluding at $12,870 and $13,727 daily for the Baltic Supramax and Handysize Indices respectively.

In the Fund's latest World Economic Outlook, global growth was forecasted for next year to balance at 2.7 percent, a sizeable downward revision from few months earlier. In sync, readings for a growing share of G20 countries had fallen from expansionary territory earlier this year to levels that signal contraction. That was the case for both advanced and emerging market economies, underscoring the slowdown's global nature. While gross domestic product releases for the third quarter surprised on the upside in some major economies, October PMI releases point to weakness in the fourth quarter – particularly in Europe. In China, intermittent pandemic lockdowns and the struggling real estate sector were again contributing to a slowdown that can be seen not only in PMI data but also in investment, industrial production, and retail sales.

Setting aside the stressed real estate sector, the world's second largest economy was facing another challenge this November. Covid-19 cases rose significantly, climbing to near their highest of the pandemic. As the country eased some of its draconian Zero Covid-19 rules, authorities signaled that they were preparing to face even more infections. In fact, China reported 24,028 infections on Thursday November 17– the highest since April when Shanghai's outbreak spurred a surge in the national tally.



Source: Johns Hopkins University CSSE Covid-19 Data, Doric Research

Against this backdrop, Asian markets were in cautious mood during the third week of November, with investors preoccupied by the gloomy global economic picture and Covid's persistence in China. The Nikkei ended the forty-sixth week marginally lower, reversing small gains from earlier. Hong Kong stocks dropped off amid more losses for Chinese property developers. China stocks trended mostly sideways, tracking the cautious mood in regional markets amid concerns of aggressive US tightening and domestic Covid outbreaks. In commodity markets, oil futures regained some ground but still nursed steep losses for the week on worries about Chinese demand and tighter monetary policy in the US. In sharp contrast, iron ore futures advanced and were set for their third straight weekly rise.

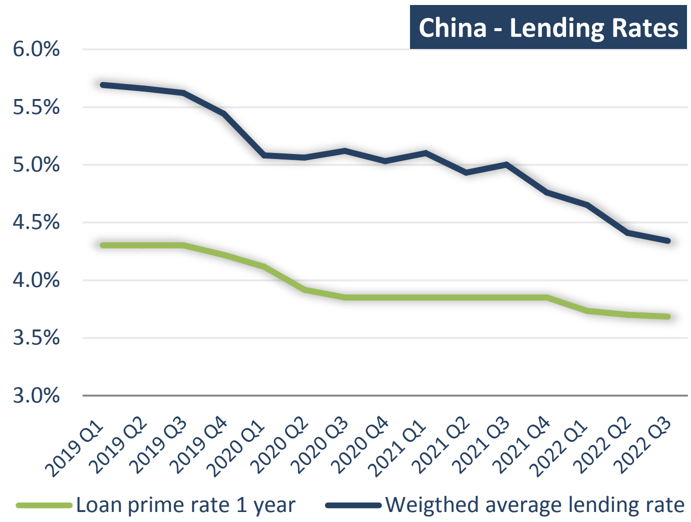
Expectations that Beijing would present enhanced policy actions to support the economy – after easing some of its strict Covid-19 containment rules and unveiling fresh measures to aid an ailing property sector – added to the buoyant mood. The latter was largely absent though from the spot market for yet another week.

In a sea full of reds, the forty-seventh trading week painted our screens with few brushstrokes of green at last! In fact, on the early side of the week, Capesizes took the lead, revisiting the five-digit territory on Wednesday and concluding on Friday at $13,373 daily. Panamaxes made some baby steps towards the right direction on the second half of the week, yet closing the last full trading week of November down at $13,310 daily. In a similar vein but with marginal weekly gains, Supramaxes balanced at $13,004 daily. Moving further south, Handies landed at $13,403 daily, last seen in mid-February 2021. In spite of the mixed signals, Capesizes' positive reaction, injected some moderate optimism in the spot market of the dry bulk sector.

In sharp contrast, on the macro front, OECD stressed that global economy was still facing mounting challenges. In particular, growth lost momentum, high inflation was proving persistent, confidence weakened, and uncertainty was high. Global financial conditions had tightened significantly, amidst the unprecedented sturdy and widespread steps to raise interest rates by central banks lately, having a negative bearing on interest-sensitive spending and adding to the pressures faced by many emerging economies. Labour market conditions generally remained tight, yet wage increases have not kept up with price inflation, weakening real incomes.

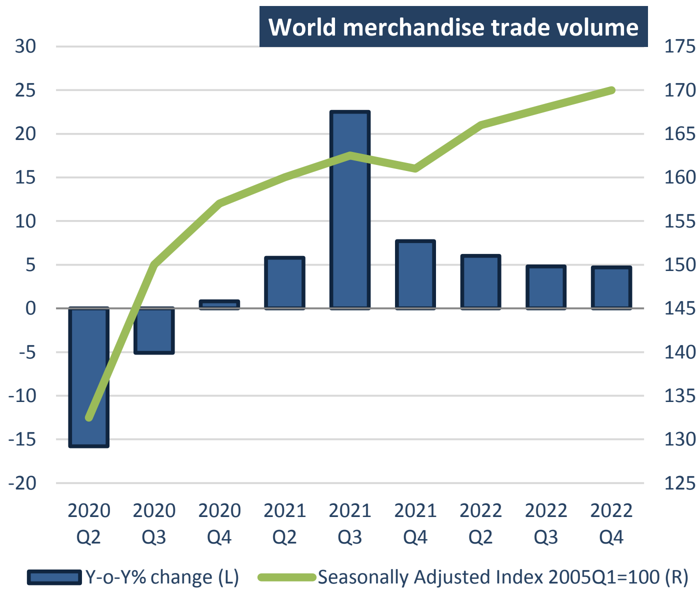
In terms of global trade, it continued to recover in the first half of 2022, helped by solid demand and significant easing in supply chain bottlenecks and port congestion. The aforementioned helped to counterbalance a material contraction in China's imports in the first half of 2022 as its zero Covid-19 policy remained in place. By the third quarter of 2022, the volume of global trade in goods and services was 7 percent higher than in the fourth quarter of 2019, despite the incomplete recovery in services trade. Recent trade indicators were mixed, but there were signals that trade growth was set to slow. Survey measures of new export orders in manufacturing have fallen sharply, particularly in Europe. Container port traffic volumes continued to rise through to September, but early estimates from the Kiel Trade Indicator suggested that global merchandise trade might had contracted in October.

When global economy and international trade appear to be wobbly, Chinese economic data are the focal point. Economic growth of the world's second largest economy was expected to slow to 3.3 percent in 2022 and to rebound to 4.6 percent in 2023 and 4.1 percent in 2024. The emergence of the omicron variant led to recurring waves of lockdowns this year, disrupting economic activity. Additionally, the Chinese October macro data published in mid-November did not show an improvement in real estate, with both property investment (-8.8 percent Y-o-Y YTD) and residential property sales (-28.2 percent Y-o-Y YTD) remaining dull. By contrast, infrastructure investment remained strong (+8.7 percent YTD), reflecting the stepping up of government support. China's central bank announced a relief package for the struggling property sector, consisting of 16 measures. These include a call to banks to step up lending to financially sound property developers, increased access to presale funds for healthy developers, the extension of payment deadlines for distressed developers enabling debt workouts, and additional efforts to safeguard the construction of unfinished projects. Iron ore futures advanced on the last Friday of November and were set for their third straight weekly rise, as the top steel producer's latest moves to support its flagging economy brightened demand prospects. Capesizes decided to align themselves with this trend, reporting the first significant weekly gains seen in months.



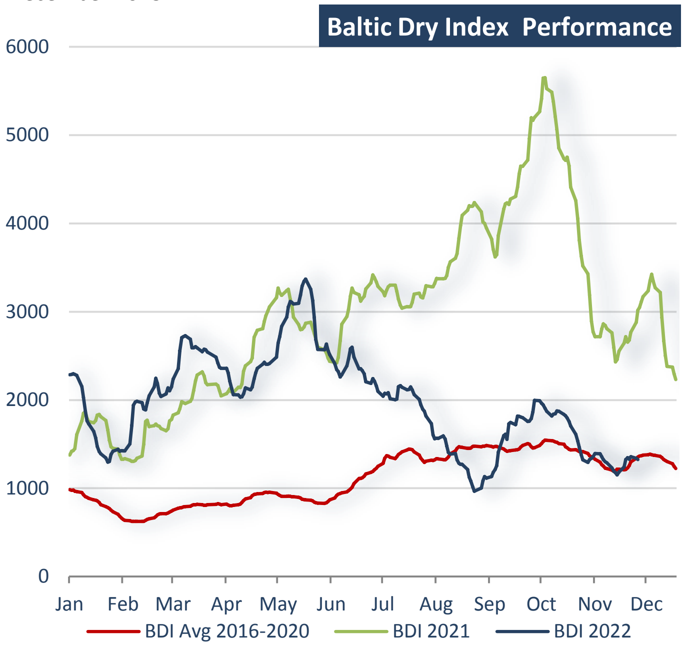
Source: CEIC, OECD, Doric Research

December started with the World Trade Organisation expressing concerns that trade growth is likely to decelerate in the closing months of 2022 and into 2023, according to the latest WTO Goods Trade Barometer. The latest reading of 96.2 was below both the baseline value for the index and the previous reading of 100.0, reflecting cooling demand for traded goods. The drop in the goods barometer was consistent with the WTO's trade forecast of early October, which predicted merchandise trade volume growth of 3.5 percent in 2022 and just 1.0 percent in 2023. Following an expansion of 4.8 percent in the first quarter, merchandise trade posted a 4.7 percent year-on-year increase in the second quarter. For the second half of 2022 materially lower pace of circa 2.4 percent is needed in order for the forecast to be realised.



Source: WTO, Doric Research

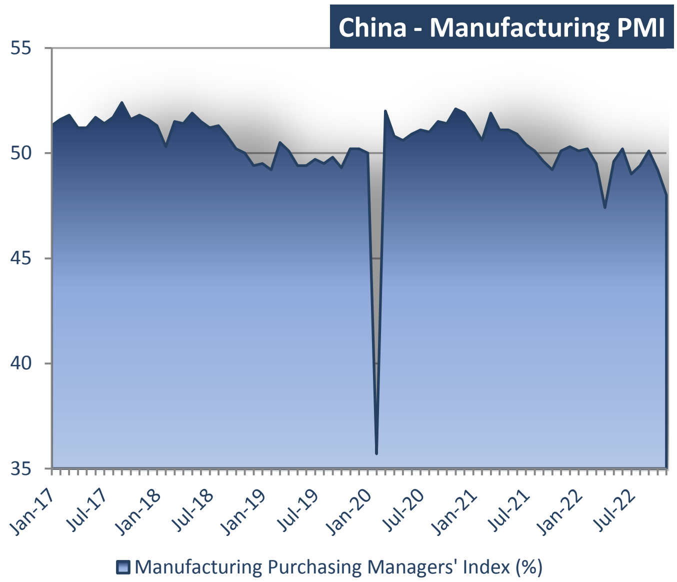
This downward trend of the merchandise trade volume growth became apparent in both the dry bulk and container shipping markets. During the second half of the current trading year, the container market remained on the path towards “normalisation”, according to BIMCO. The Shanghai Containerized Freight Index (SCFI), which represents spot freight rates for loading in Shanghai, fell another 49 percent during the previous couple of months and lay 74 percent below its peak of early January 2022. The index for average freight rates for all containers loading in China, the China Containerized Freight Index (CCFI) continued to fall, balancing 40 percent lower than two and a half months ago, and 54 percent lower than at its peak reached in February 2022. The SCFI was back to levels last seen in September 2020. In parallel, the time charter rates and second-hand prices for vessels followed the freight rates downwards. Compared to two and a half months ago, average time charter rates and average second-hand prices were down 64 percent and 33 percent respectively, as quoted by the key shipping industry body BIMCO. In a similar vein, Baltic Dry Indices too held their course steady towards “normalisation”, reverting closer to their trailing decade average values. In particular, the general Baltic Dry Index ended the first Friday of December at 1324 points, tick less than the respective average value of the 2016-2020 period and tick above the 1301 points that the leading dry bulk index averaged in the second day of December during the five-year period ended in December 2015.



Source: Baltic Exchange, Doric Research

Just before the closing of the first trading week of December, stock exchanges were looking for answers to the US jobs data at the same time as dry bulk was focusing on China’s mounting bills of the stringent zero-Covid policy. In reference to the former, US stock indices moved south, as higher-than-expected job additions in November reignited investor concerns about the Federal Reserve continuing on its path of aggressive monetary policy tightening. On the other hand, Baltic indices were idly watching China’s attempt to gradually ease zero-Covid policy, awaiting for a substantiation to a broader extent of these measures to earn their attention.

November was a rather uninspiring month for the world's second largest economy, with all main macro data indicating a softer tone across the board. In particular, the purchasing managers' index (PMI) for China's manufacturing sector came in at 48 in November, down from 49.2 in October, according to data from the National Bureau of Statistics. Additionally, China’s imports and exports shrank at their steepest pace in at least two and a half years in November, with weakening global demand and strict anti-virus controls in major Chinese cities having a clear negative bearing on the reported trading volumes. In fact, exports took a 9-percent year-on-year dive to $296.1 billion, worsening from October’s marginal decline. The downturn was even more severe than markets had forecast, with economists predicting a further period of declining exports. On the same wavelength, imports fell sharply by 10.9 percent to $226.2 billion in November, down from the previous month’s 0.7-percent retreat. Amidst a monetary tightening in the US and the European continent, shipments to the US plummeted by 25.43 percent in November compared to the same period last year, while exports to the European Union fell by 10.62 percent year-on-year. Conversely, imports from Russia, mostly energy-related, rose 28 percent from a year earlier to $10.5 billion at the same time as exports to Russia were increasing by 18.5 percent to $7.7 billion.

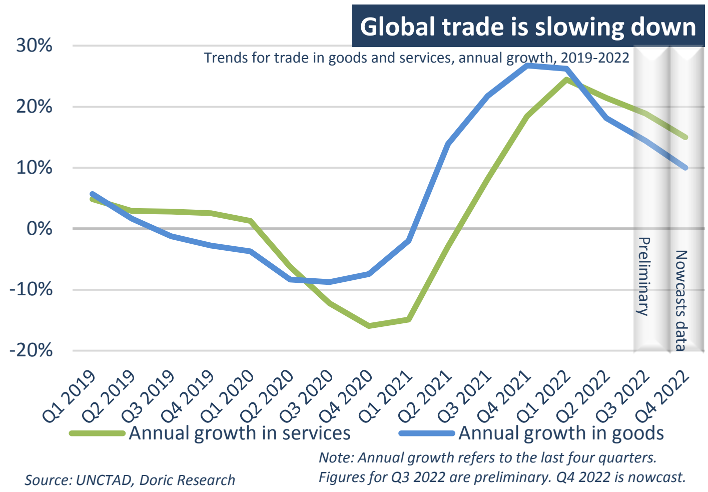


Source: NBS, Doric Research

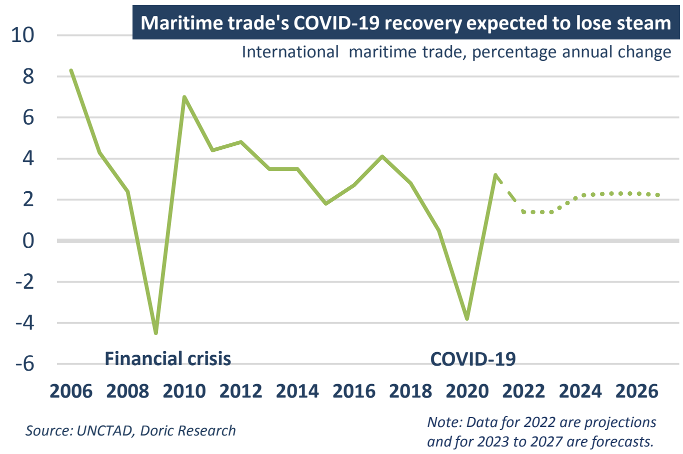
In the dry bulk spectrum, a rather mixed picture came to light. On the one hand, on a monthly basis, iron ore and coal imports reported strong gains. On the other hand, they were still remaining considerably lower year-on-year. Particularly, Chinese customs cleared 98.85 million tonnes of iron ore during the previous month, up from an October reading of 94.98 million. However, November arrivals were 7.8 percent lower than the same month in 2021 and year-to-date imports were 2.1 percent down. Symmetrically, coal imports also looked strong in November, rising to 32.3 million tonnes from October's 29.18 million. However, total imports for the first 11 months of the year dropped 10.1 percent compared to the same period last year. Soybean November imports fell 14 percent on the year to 7.35 million tonnes. After slower loading of shipments and longer customs clearance time, the softer number followed October's plunge in arrivals to just 4.1 million tonnes – the lowest level since 2014. For the first 11 months of the year, imports of the protein-rich beans were down 8.1 percent at 80.53 million tonnes.

With the economic outlook coloured by various shades of grey and in the amidst of mass protests, China signaled a shift in its uncompromising Covid-19 stance as it moved to ease some restrictions despite high daily case numbers. Yuan reached a three-month high early and Chinese stock markets rose as investors looked beyond poor data to growth prospects. There were early signs as well that steel mills were re-stocking iron ore ahead of an expected lift in demand in the new year. However, many analysts and business leaders expressed concerns, expecting Chinese economy to rebound only later next year as the path ahead might be rocky. Few trading days are left before the final curtain and the Baltic Dry Indices are still in search for at least one great victory in the fourth quarter. Setting aside some strong daily gains in the Capesize segment every now and then and a modest mid-November positive Panamax reaction, the tone of the market during this final quarter has been rather soft. The aforementioned trend became apparent especially in the geared segments, with both BSI TCA and BHSI TCA losing more than five thousand dollars quarter to date. In tandem, the UNCTAD nowcast indicated that the value of global trade will decrease in the fourth quarter of 2022 both for goods and for services. Global trade should hit a record $32 trillion for 2022, but a slowdown that began in the second half of the year is expected to worsen in 2023 as geopolitical tensions and tight financial conditions persist, according to the latest Global Trade Update published by UNCTAD.

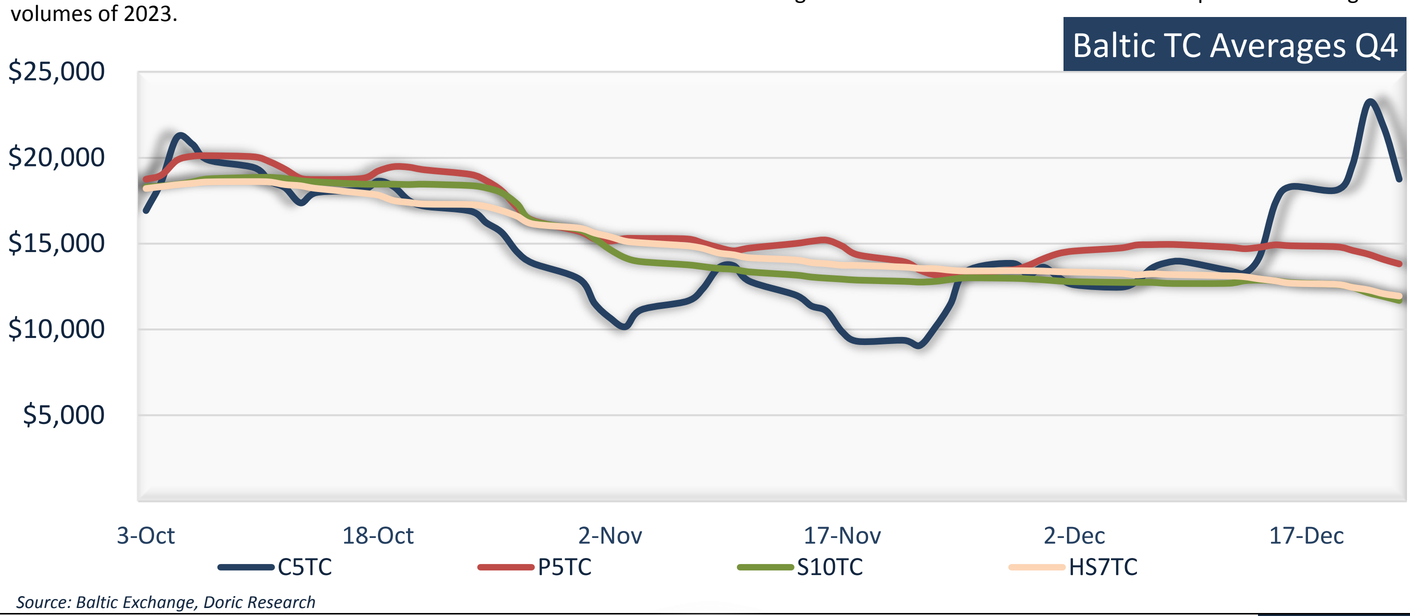
While the outlook for global trade remains uncertain, negative factors appear to outweigh positive trends, according to the intergovernmental organization. In particular, economic growth projections for 2023 are being revised downwards due to high energy prices, tighter monetary policies and sustained inflation in many economies. Additionally, persistently high commodity prices and the continued rise in the prices of intermediate inputs and consumers goods are expected to negatively affect demand for imports. Last but not least, record levels of global debt and the increase in interest rates pose significant concerns for debt sustainability. On the contrary, recently signed agreements such as the Regional Comprehensive Economic Partnership and the African Continental Free Trade Area, as well as improvements in the logistics of global trade are expected to have a positive bearing in the trading volumes of 2023.



As far as the maritime trade is concerned, UNCTAD projects it will lose further steam, with growth slowing to 1.4 percent in 2022. Although freight and hire rates have fallen since mid-2022, they are still above pre-Covid-19 levels. Market levels remain high for oil and natural gas tanker cargo due to the ongoing energy crisis. In an increasingly unpredictable operating environment, future shipping costs will likely be higher and more volatile than in the past. For the period 2023-2027, maritime trade is expected to grow at 2.1 percent annually – considerably slower than the 3.3 percent average recorded during the past three decades.



In a similar vein, Dry Bulk Indices kept trading in a narrow range, bracing themselves for what the ill-famed first quarter will bring.



Curtain Falls On 2022

At the outset of 2022, the current challenging trading year can be considered a tipping point in recent history, characterized by economic, geopolitical, and environmental disruptions. From fighting off what was hopefully the final phase of the pandemic to a full-blown war, a plethora of events and circumstances kept shifting dynamics and balances in most of the markets across the globe.

The tentative post-pandemic recovery was derailed in the second half of the challenging 2022, as the global economy was confronted by a rare convergence of misfortunes. The post-Covid economic boom bequeathed a supply-demand imbalance to the global market. A generous portion of today’s economic distortion derives from unusual disruptions to supply and vast, unpredictable swings in demand. Aggregate demand stimuli were not the optimal medicine for the Covid-related economic issues. Stimulating demand without stimulating supply proportionally generates stubbornly high inflation. Tightening fiscal and monetary policy seems to be the appropriate remedy to tackle galloping consumer price indices, albeit with a substantial adverse effect on economic growth. In this juncture, trade of merchandise goods has to follow closely GDP growth rates on their downward revisions. Additionally, the biggest military conflict in Europe since World War II had also a quite sizeable negative bearing on the course of global economy. In some respects, the 'specific gravity' of Russia and Ukraine in the global economy is relatively small. However, Russia and Ukraine do have an important influence on the global economy, being key commodity exporters. The Russian invasion of Ukraine pushed commodity prices higher and amplified the aforementioned shift in global financial conditions. Furthermore, China reported a sharp slowdown in economic activity as the world’s second largest economy saw a slow recovery from the widespread Covid-19 lockdowns and a numb downstream demand in its key property sector. Supply shortages, exacerbated by the war in Ukraine and Covid-related lockdowns in China hold back growth during the second half of 2022 to a greater extent than previously foreseen.

Turning towards 2023, the key macroeconomic question of the year is whether inflationary overheating can be tamed without triggering a broad-based recession, given tighter fiscal and monetary policies. On this topic, consensus seems to be in discordance. Under most of the scenarios though, markets should brace themselves for a year of below-potential growth. China has to walk a rather bumpy path in the upcoming months, supporting its recent decision to exit from the stringent zero-Covid policy. With mounting daily cases, the balancing act between opening-up and the social impact of the Covid spread in the country is expected to be quite challenging. Global trade should hit a record $32 trillion for 2022, but a slowdown that began in the second half of the year is expected to worsen in 2023 as geopolitical tensions and tight financial conditions persist, according to the latest Global Trade Update published by UNCTAD. In tandem, maritime trade is projected to lose further steam, with growth slowing to 2.1 percent annually for the period 2023-2027 – considerably slower than the 3.3 percent average recorded during the past three decades. Demand growth in the dry bulk spectrum is projected to be shy of 2.0 percent in terms of tonnes, with the tonne-mile growth being tick above this figure. On the supply side, dry bulk fleet growth is expected to reach 2.8 percent in 2022 and just 2.4 percent in 2023. Additionally, the new IMO regulations are expected to reduce the actual supply of tonnage in the spot market as much as 1.0 percent. When trying to integrate the aforementioned driving factors into next year’s outlook, a less festive tone echoes compared to that in early 2022.

May your sails have good winds in 2023!

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