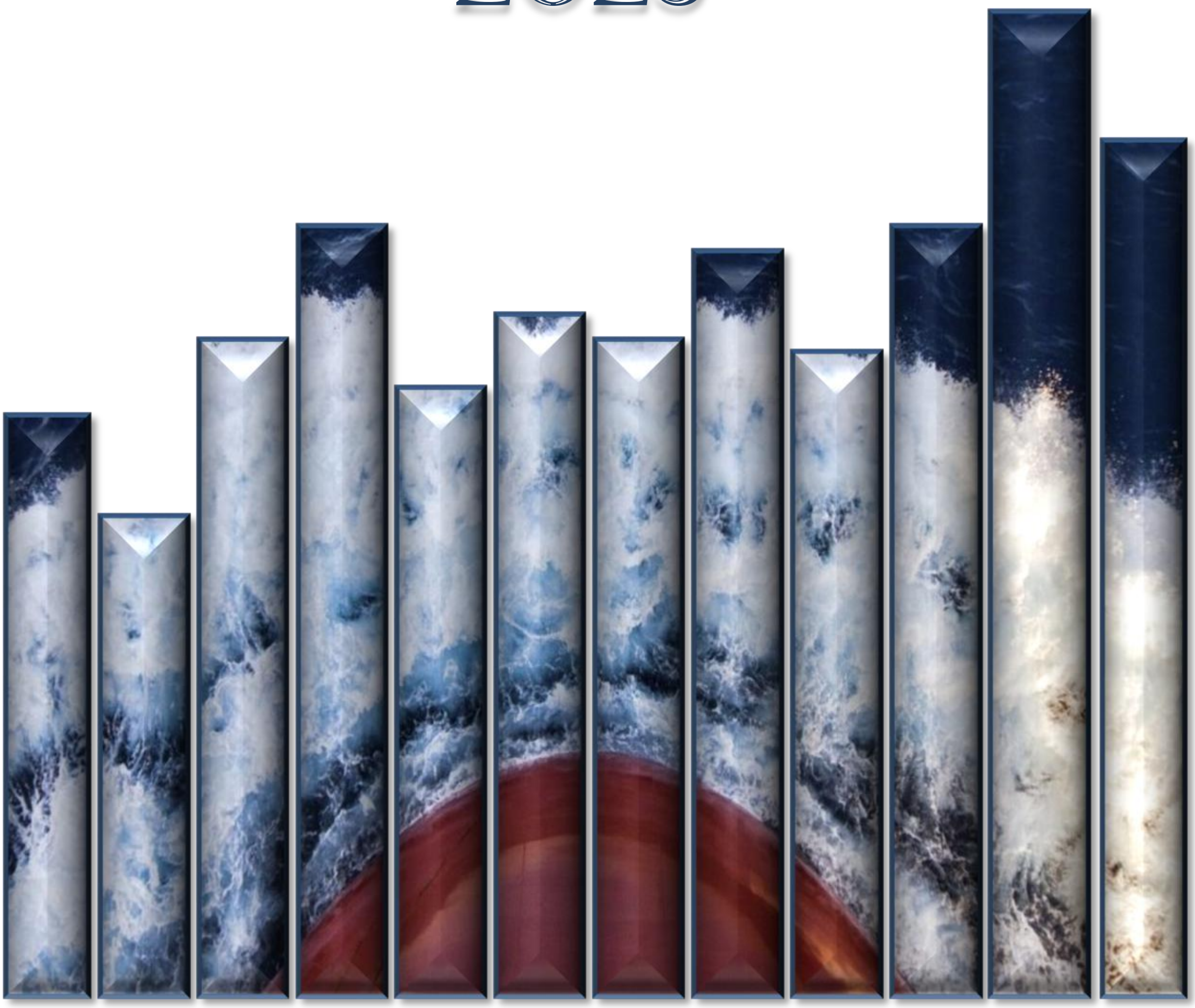
DRY BULK MARKET ANNUAL REVIEW
2023



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Prelude

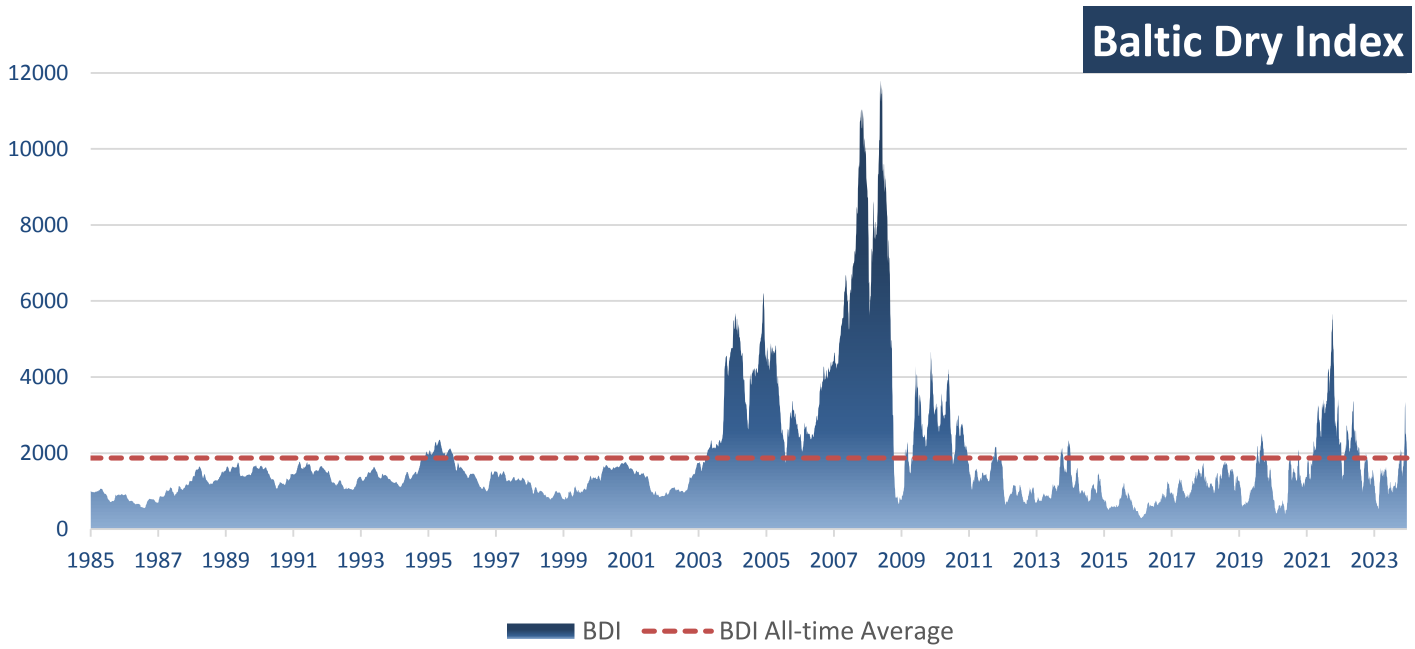
Ensuing a quite prosperous trading year with an annual average of approximately 1939 points, the Baltic Dry Index entered 2023 on a notably subdued tone. Curiously, the latter half of 2022 recorded a gradual loss of momentum, with all segments experiencing significant pressure. Despite facing challenging circumstances, our clients and associates responded to our annual sentiment survey in early January, expressing a prevailing sense of "cautious optimism" for the upcoming twelve months – held by the majority. However, notably, the second most chosen response was "rather pessimistic," marking a shift from previous years. Reflective of this prevailing negative sentiment is the decrease in respondents identifying as "optimistic" by 19 percent compared to our previous year's survey, while the second most positive option dropped by approximately 4 percent. In stark contrast, the percentage of respondents anticipating a "rather pessimistic" phase rose significantly from 15 percent to 39 percent. Various factors contributed to this shift, including the negative momentum in time-charter rates during late 2022, expectations of softer global economic growth, and increased uncertainty regarding the trajectory of post-zero-Covid China. These elements collectively painted a less vibrant picture for most survey participants.

Against this backdrop, the indicator of activity in the dry bulk spectrum – the Baltic Dry Index – balanced at 1250 points in the first trading day of 2023. Contextualizing, ranging from 673 points to 7070 points, Baltic Dry Index annual averages ebbed and flowed during the last thirty-nine years, averaging 128 points below the 2,000-point mark. However, Baltic Dry Index values don't lie in a symmetrical fashion around the mean. Interestingly, only eleven out of the thirty-nine years surpassed the historical average levels. Among the remaining years, twenty-two stayed within the 1000-1900 range, while the remaining six averaged below the critical threshold of 1000 points.

Taking into account the aforementioned details, 2023 emerged as a relatively lackluster year in terms of performance, with its average of 1378 points (as of 23rd Dec) positioning it closely near the BDI's median value. Moreover, falling 400 points below the thirty-nine-year average, the just-concluded trading year struggled to sustain buoyancy. Persistently navigating adverse currents, 2023 proved challenging, with only the noteworthy spike in the fourth quarter standing out as a memorable highlight.

As observed, the sluggish performance of 2023 fell short of expectations, primarily due to subdued demand for seaborne trade, stringent monetary policies, China's uneven recovery, and reduced congestion at ports worldwide. The customary slow start, typical of the season, was evident once more in the first quarter, significantly reducing daily hires. However, this downward trend lasted only a few weeks before the spot market regained some of the lost ground. The second quarter deviated from the anticipated trajectory, largely moving sideways. It was the third quarter that left a lasting impression, marked by an unexpected daily decline in the Baltic Dry Index, leading it into the three-digit range by late July. In contrast, the fourth quarter exhibited a decisive upward trend, reaching multi-month highs.

Reflecting back on the four-act year, four issues stand out: China's half-hearted reopening, lagging effect of restrictive monetary policies, peak of interest rates and a lacklustre trading environment, and a shopping frenzy amid challenges related to maritime chokepoints.

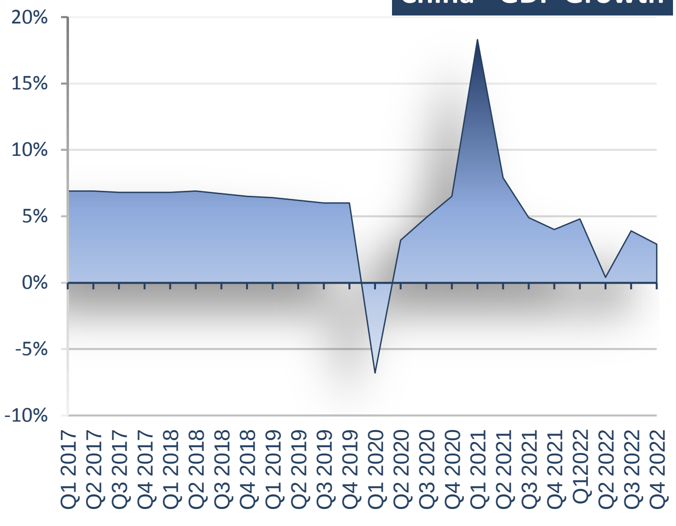


Act I – "Beneath the ocean surface lies a sandy murky bottom"

The trading year began its journey into the first quarter of 2023 with subdued market sentiment, hoping for a reversal from the sharp downturn of the previous period. Despite the recent downward trend, Baltic TCAs remained above operational expenses across all segments. Specifically, the BCI-5TCA stood at $13,561, BPI-TCA at $12,944, BSI-TCA at $10,646, and the BHSI-TCA at $11,051 daily, on the first trading day of 2023. However, these values were notably lower compared to the corresponding figures from a year earlier. Shifting to the S&P front, there were notable changes in the market. Five-year-old eco Capesizes were fetching around $43 million, while Kamsarmaxes of the same age were priced at $30 million, marking considerable declines year-on-year. Similarly, a standard five-year-old Ultramax was in the market for approximately $27.5 million, and a modern 38,000 dwt Handy for $23.5 million, circa 8 percent lower than their respective early 2022 figures. In the paper market, all forward curves were in contango, with some relatively stable sections in the near term.

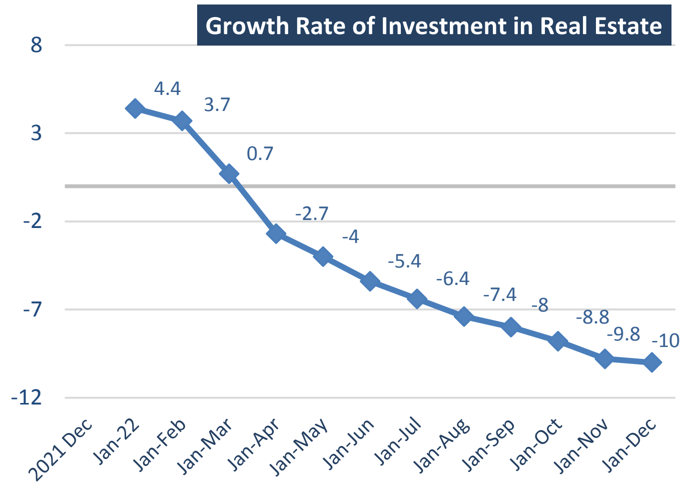
After a few weeks of downward pressure in the spot market, the third week of the trading year commenced with a deluge of data, notably China's fourth-quarter economic performance. In the final quarter of the preceding year, GDP remained unchanged compared to the third quarter and showed a 2.9 percent increase year-on-year, surpassing analyst predictions of a minimal 1.6 percent rise. However, over the trailing four quarters, China's economy only expanded by 3 percent throughout 2022, highlighting the considerable toll of Beijing's enduring zero-Covid policy. This growth fell short of China's official target of 5.5 percent, marking the slowest expansion since 1976, barring the unprecedented events of 2020.

According to figures released by the National Bureau of Statistics, several metrics exceeded expectations in December 2022. Retail sales experienced a 1.8 percent decrease compared to the previous year during the same month. However, industrial production, reflecting activity in manufacturing, mining, and utilities, increased by 1.3 percent in December. Meanwhile, the urban surveyed jobless rate declined to 5.5 percent during the same period, down from 5.7 percent in November.



Source: National Bureau of Statistics of China, Doric Research

Contrarily, the real estate sector continued to exhibit negative signals. Real estate development investment totalled 13,289.5 billion yuan in 2022, marking a significant 10 percent decrease from the previous year. Within this, residential investment stood at 10,064.6 billion yuan, down by 9.5 percent. Correspondingly, the sales area of commercial housing was recorded at 1,358.37 million square meters, indicating a decline of 24.3 percent compared to the previous year, with the residential sales area decreasing by 26.8 percent. Additionally, sales of commercial housing amounted to 13,330.8 billion yuan, down by 26.7 percent, with residential sales declining by 28.3 percent.



Source: National Bureau of Statistics of China, Doric Research

Despite grappling with significant global economic challenges, geopolitical pressures, a debt crisis in the pivotal property sector, and stringent self-imposed constraints due to its zero-Covid policy, the world's second-largest economy managed to navigate these obstacles. The mid-January GDP report brought relatively positive news. Post its transition away from the strict zero-Covid measures, Chinese Vice-Premier Liu He emphasized during the Davos summit that the country was swiftly returning to normalcy, presenting an optimistic outlook for 2023. This positive projection came despite China recording its second-lowest annual growth figures in over four decades.

In sharp contrast, expectations for the first quarter of the spot market were notably pessimistic. Trading activities encountered a dual challenge of rising Covid infections and the holiday season in China, leading to a gradual reduction in stockpiles at utilities. Furthermore, a sluggish commencement to the economic year worldwide exerted additional downward pressure on the Baltic indices, pushing them toward multi-month lows. Looking ahead to the rest of the year, anticipated increased consumption in China due to pent-up demand and a general rise in market confidence were seen as crucial factors expected to steer the Baltic Dry Index (BDI) back on a positive trajectory.

During the final trading week of January, the Baltic Dry Index continued its downward trend, closing at 676 points, a level last observed in early June 2020. Experiencing an additional 32 percent decline within the week, Capesizes were operating at a meager $4,433 per day. While the mid-size segments concluded the fourth trading week above their intra-week lows, Panamaxes and Supramaxes remained relatively steady at $9,487 and $7,150 respectively. Handysizes lost further ground, settling at $7,763 per day. Persistently caught in a downward trend since the preceding June, the course of the BDI instilled skepticism and uncertainty within the dry bulk sector.

Echoing a similar sentiment, the IMF emphasized that global economic uncertainty continued to linger, exerting a dampening effect on growth. Despite a slight decline in the IMF's World Uncertainty Index over the past couple of months, recent times have witnessed sustained high levels of uncertainty, stemming from successive shocks. These shocks notably include Russia's invasion of Ukraine and the resultant cost-of-living crisis. Analyzing the components of the uncertainty index revealed evolving drivers over time. The index surged after the unexpected Brexit vote in the United Kingdom, followed by a substantial increase after the surprising outcome of the 2016 US presidential election, which escalated trade tensions between the US and China. Another significant spike occurred in early 2020 with the onset of the coronavirus pandemic. Less than two years later, the shock from Russia's invasion of Ukraine and renewed trade uncertainties associated with the risk of geoeconomic fragmentation contributed to another notable increase in uncertainty, as reported by the IMF.

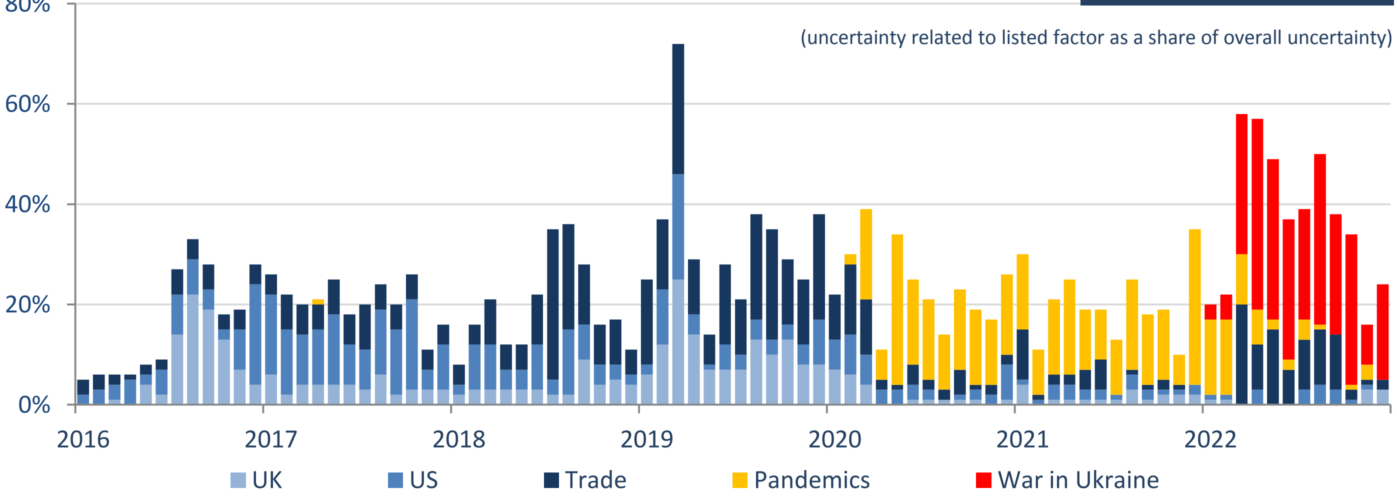
While pandemic-related disruptions no longer held the primary position in driving economic uncertainty, they significantly impacted China's macroeconomic indicators. China witnessed a substantial slowdown in economic growth during the fourth quarter of 2022, marking its second-lowest growth rate in at least four decades. This deceleration was attributed to stringent Covid containment measures and a slump in the real estate sector. The key real estate sector in China experienced a sharp downturn, with investments plunging by 10.0 percent year-on-year in 2022, marking the first decline since 1999. In contrast, electricity production in China displayed resilience, reaching 757.9 billion kWh in December, a 3.0 percent increase year-on-year. For the entire year, power generation amounted to approximately 8.4 trillion kWh, marking an approximate 2.2 percent increase annually. In the realm of international trade, Chinese exports plummeted by 9.9 percent in December to USD 306.1 billion, following an 8.7 percent drop in the previous month. Similarly, imports to China fell by 7.5 percent year-on-year in December to USD 228.07 billion.

Although the aforementioned factors had already impacted the disappointing freight market levels by the end of January, the market sentiment regarding China's demand for commodities had significantly changed. Transitioning from a relatively subdued 2022, expectations for a robust 2023 emerged. Chinese households amassed $2.6 trillion in bank deposits solely in the previous year, fueling pent-up demand and fostering elevated expectations for the forthcoming months. This fervent accumulation had set the stage for a potentially dynamic period ahead.

As of early February, the International Monetary Fund projected a decline in global growth, estimating it to drop from approximately 3.4 percent in 2022 to 2.9 percent in 2023, with an anticipated increase to 3.1 percent in 2024. This forecast for 2023 marked a 0.2 percentage point increase from the October 2022 World Economic Outlook (WEO) but remained below the historical average (2000-2019) of 3.8 percent. The IMF noted that while risks remained predominantly skewed towards the downside, adverse risks had somewhat eased since their most recent report. On the positive side, there was potential for a stronger upswing driven by pent-up demand in various economies. Additionally, there was anticipation for a potentially faster decline in inflation, signalling a positive trend in economic conditions. Conversely, potential severe health-related impacts in China or an escalation of Russia's conflict in Ukraine were highlighted as factors that could hinder the recovery and pose considerable downside risks to the global economic outlook.

Regarding advanced economies, the projected growth was anticipated to undergo a significant decline, dropping from 2.7 percent in 2022 to a mere 1.2 percent in 2023, before a slight uptick to 1.4 percent in 2024 – reflecting a downward revision of 0.2 percentage points for 2024. The International Monetary Fund projected that a substantial majority of advanced economies would experience a contraction in growth during the current economic year. In contrast, for emerging market and developing economies, growth was forecasted to see a modest increase, climbing from 3.9 percent in 2022 to 4.0 percent in 2023 and further to 4.2 percent in 2024 – indicating an upward revision of 0.3 percentage points for 2023 and a downward revision of 0.1 percentage point for 2024. Approximately half of the emerging market and developing economies were expected to observe lower growth in 2023 compared to 2022.

Uncertainty drivers



Source: Ahir, Bloom, and Furceri (2022a), IMF, Doric Research

Emerging and developing Asia was anticipated to undergo expansion in 2023 and 2024, with growth rates projected at 5.3 percent and 5.2 percent, respectively, following a tepid performance in 2022. Notably, China's growth fell below the global average for the first time in over 40 years. This slowdown in the world's second-largest economy had a dampening effect on global trade growth and international commodity prices. However, projections indicated an upturn in China's growth for 2023, expected to reach 5.2 percent. This positive outlook for China was seen as beneficial not only for the country itself but also for the global economy. Recent analysis from the IMF suggests that when China's growth rate increases by 1 percentage point, growth in other countries tends to rise by approximately 0.3 percentage points.

The significant reopening initiatives in China have sparked widespread optimism. Yet, despite this positivity, the spot market had yet to witness any tangible benefits or improvements. The leading Capesize Baltic index wrapped up the second trading week of February with double-digit weekly gains, yet holding steady at levels that continued to lack inspiration, settling at $4,033 daily. Comparatively, these figures hadn't been witnessed since a few trading days in August 2022 or the initial phase of the Covid-19 pandemic. The broader Baltic Index mirrored this trend, reaching nearly three-year lows at 602 points, a level last recorded in early June 2020.

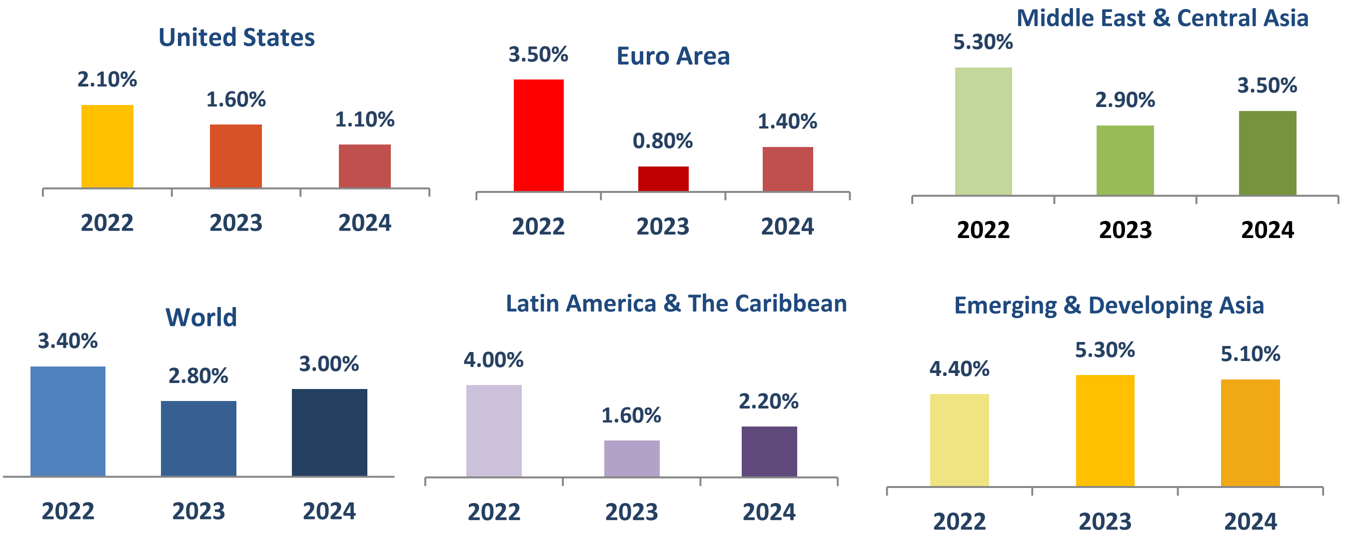
As traders reevaluated demand expectations in China, Dalian iron ore futures faced deepening weekly losses. The inventory of imported iron ore across China's 45 major ports surged to a four-month high of 137.3 million tonnes, marking a notable increase, according to data from industry provider Mysteel. Consequently, Singapore iron ore futures were on downward trajectory, reaching their lowest levels in nearly three weeks. Contrary to market expectations, the post-Lunar New Year holidays failed to stimulate steel demand in China, showing a stagnant trend. Subsequently, both Dalian and Singapore iron ore futures were experiencing further declines, coinciding with discouraging updates from the Chinese property market indicators.

On the main stage, the total volume of iron ore dispatched from 19 ports and 16 mining companies across Australia and Brazil surged by 3 million tonnes or 13.7 percent from January 30 to February 5, reaching 24.5 million tonnes. However, despite this notable increase, it failed to significantly alter the trajectories of the corresponding Baltic indices. Specifically, the influential C5 index (West Australia/Qingdao), a barometer for the Pacific market, experienced marginal losses, balancing at $6.20 per metric tonne. Meanwhile, the primary index for the Atlantic market, C3 (Tubarao/Qingdao), showed a slight uptick, settling at $16.68 per metric tonne. Although it's typical for these key Capesize indices to reach such low levels in early February, it's the prolonged downward trend that had been notably impacting the momentum of the spot market.

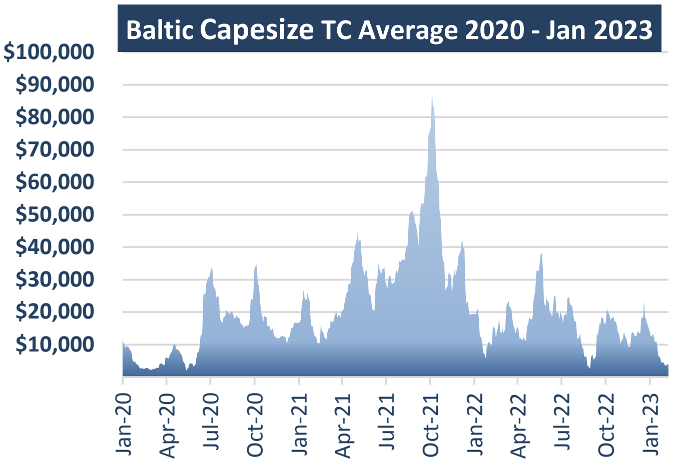
During the same period, the Dalian Commodity Exchange had on a subdued note. Steel mills, exercising caution, refrained from hastening their production, preferring to wait for clearer signals indicating additional policy support for the Chinese economy. This cautious stance of steel mills, coupled with a lukewarm recovery in the real estate sector, dampened the demand for imported iron ore. Despite the country's reopening efforts and the government's relaxation of leverage limits to stimulate growth, the global growth engine had not yet gained the required momentum to surge ahead confidently.

In the midst of this situation, as a promising signal remained notably absent within the spot market, the Baltic Dry Index sharply declined to 538 points by mid-February. On February 17, the prominent Baltic Capesize TC index stabilized at $2,246 daily, revealing a market that fell significantly below the previous five-year average, painting a discouraging picture. Similarly, the Baltic Panamax TC index experienced continued pressure, concluding the third trading week of February at $7,302 daily. However, geared segments performed more favourably, as both the Baltic Supra TC and Handy TC indices closed positively at $7,641 and $7,875 daily, respectively.

Growth Projections by Region (real GDP growth, %)



Source: IMF, World Economic Outlook, Doric Research



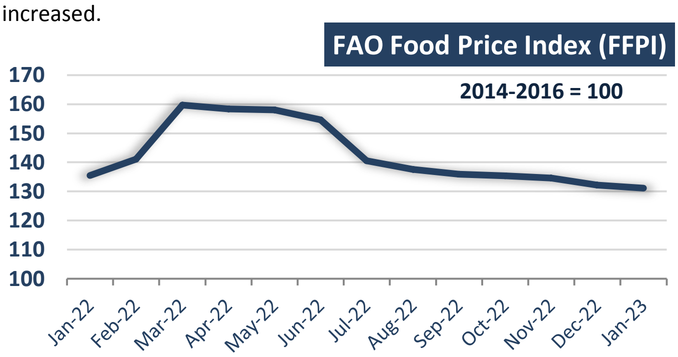
Focusing on the unpredictable Capesize sub-market, the notably China-centric segment largely operated below operational expenses (OPEX) throughout the initial two trading months as steel mills refraining from hastening their production. In contrast, mainland China witnessed no decline in new home prices in January for the first time since August 2021. The stabilization was attributed to relaxed Covid-19 restrictions and increased supportive measures implemented by Beijing. According to the National Bureau of Statistics (NBS), the average new-home price in 70 medium and large cities across China remained stable in January, in contrast to a marginal decrease in December. Moreover, a higher number of cities among the surveyed 70 reported increases in new home prices last month, with prices rising in 36 cities, up from 15 in December. Beijing introduced a series of supportive measures in late November 2022, including developer financing support and reduced mortgage rates for homebuyers. Similarly, local governments across China introduced various measures over the past three months aimed at boosting demand and stimulating house sales. Despite the improving sentiment, the recovery had been uneven, with private surveys indicating a slump of approximately 20 percent year-on-year in home sales by floor area.

Price Indices of Newly Constructed Residential Buildings

Cities	Last Month=100	the Same Month Last Year=100
Beijing	100.4	105.2
Tianjin	100.3	97
Qinhuangdao	99.7	94.4
Dandong	100.1	96
Dalian	99.9	95.2
Shanghai	100.7	104.2
Ningbo	100.6	101.9
Quanzhou	99.5	96.3
Wuhan	100.2	94.3
Guangzhou	99.8	99.7
Shenzhen	99.8	99.1
Chengdu	100.6	108.6
Xi'an	100.2	102.2
Nanjing	100	100.2
Qingdao	100.4	101.5

Source: National Bureau of Statistics, Doric Research S.A

One year following the Russian invasion of Ukraine, most disruptions in commodity trades have been absorbed by the markets. Initially, many commodity prices soared in the invasion's early months. However, since then, the impact of supply-side disruptions had significantly lessened. In January 2023, the FAO Food Price Index averaged 131.2 points, marking a 0.8 percent decrease from December 2022 and the 10th consecutive monthly decline. Overall, the index had fallen by 17.9 percent from its peak in March 2022. January's decline was primarily influenced by decreases in the price indices of vegetable oils, dairy, and sugar, while those of cereals and meat remained relatively stable. Simultaneously, the S&P GSCI Index reported a negative performance in January. Energy and livestock were the poorest-performing components, while industrial and precious metals experienced notable gains. Specifically, natural gas prices trended downward during January. Within the industrial metals sector, lead prices fell, while zinc, aluminium, and copper all saw substantial increases. In the agricultural sector, wheat and cocoa prices declined in January, whereas sugar and coffee increased.

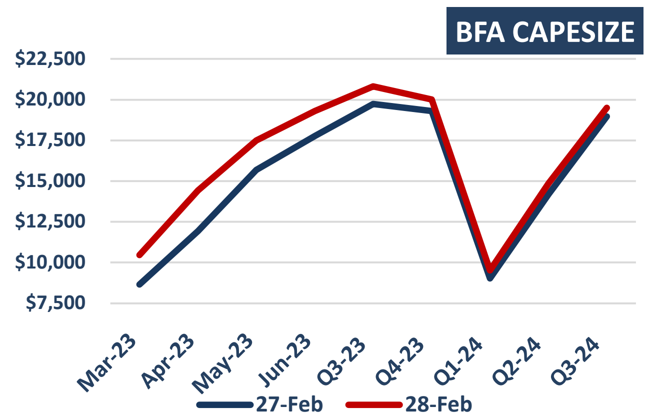


Source: FAO, Doric Research

While the initial impact of the war on commodity prices was less significant than anticipated, it did instigate substantial shifts in energy policies and commodity flows. Refinitiv data revealed considerable reductions in seaborne imports of Russian crude oil by Japan and Germany in 2022, dropping by 60 percent compared to the previous year. Similarly, the US also considerably decreased its import of Russian crude oil. In stark contrast, China increased its imports of Russian crude by 30 percent, while India's imports surged during the same period. In the natural gas market, European importers sought alternative sources to Russian supplies, leading to a significant uptick in imports of liquefied natural gas from the US. Against this backdrop, Baltic indices underwent a turbulent ride over the trailing twelve months, reaching multi-month lows in the final week of February.

The ninth trading week commenced with Asian shares reaching a two-month low, prompted by ongoing adjustments for continuously rising US and European interest rates. Consequently, Dalian and Singapore iron ore futures sustained losses due to concerns about near-term decreased demand. Adding to the pressure, the steel production hub in Tangshan had to close some capacity in response to heavy pollution, impacting early-week trading activity negatively. However, a contrasting trend emerged as signs of heightened import demand from India halted the decline in thermal coal prices. With the imminent peak summer season ahead, potential electricity shortages led utilities in the world's second-largest coal consumer to ramp up their interest in Indonesian cargoes.

Amidst a somewhat mixed sentiment prevailing in the commodity markets during the early part of March, the spot and forward markets within the dry bulk sector remained resolute in their trajectory. Forward Freight Agreements (FFAs) continued their upward correction, with the front end of the Capesize curve displaying double-digit percentage gains. This trend formed a Capesize Contango forward curve, marked by substantial increases in May and June contracts, trading at $14,500 and $17,500 daily, respectively. This positive momentum extended across the board with prompt months experiencing upward shifts.

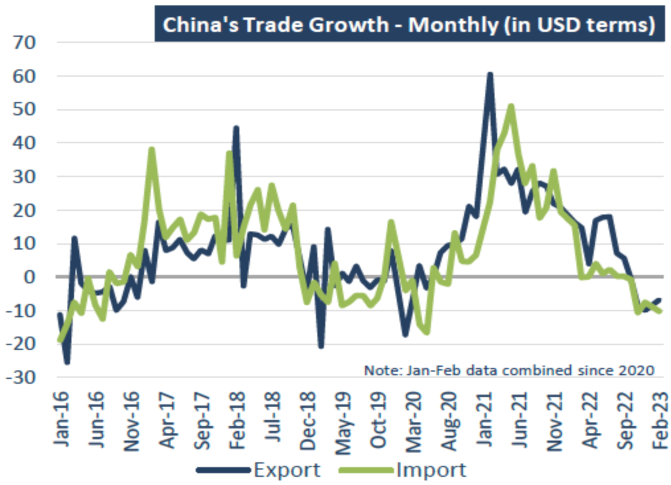


Source: Baltic Exchange, Doric Research

Adding to market dynamics, China's national bureau of statistics released data showing a remarkable expansion in the domestic manufacturing sector, marking its fastest pace in over a decade. The official manufacturing sector purchasing managers' index (PMI) stood at 52.6 points last month, a significant rise from January's reading of 50.1 and surpassing economists' expectations set at 50.5 points. Notably, these levels marked the highest recorded since April 2012. The five sub-indices constituting the manufacturing PMI, including the production index, new order index, employee index, and supplier delivery time index, all surpassed the threshold, signalling positive trends. However, the raw material inventory index remained below the threshold of 50 points. Particularly noteworthy was the production index at 56.7 percent, indicating a notable acceleration in manufacturing production activities. Meanwhile, the new order index at 54.1 percent signified a growing demand within the manufacturing industry. Conversely, the raw material inventory index at 49.8 percent suggested a continued narrowing of major raw material inventories in the manufacturing industry.

In North China's Hebei province, specifically within the steel industry, the Purchasing Managers' Index (PMI) continued its upward trajectory, marking a third consecutive month of growth in February. The index surged to a fresh five-year high, reaching 60.7 points, a substantial increase of 9.6 basis points from the previous month, as per the latest data released by the Hebei Metallurgical Industry Association in March. Despite global economic pressures and a slowdown in steel consumption growth, Chinese steel exports showed upward momentum due to improved global supply chain conditions, emphasized by the Association in a statement. This resulted in the sub-index for new export orders rising by 4.5 basis points in February, reaching 46.2 points. However, it remained below the 50-point threshold that distinguishes expansion from contraction. Senior statistician Zhao Qinghe from the National Bureau of Statistics noted 'With the effect of the holidays…and the repercussions of the epidemic fading away, the recovery of production by manufacturing companies accelerated and demand continued to rise.'

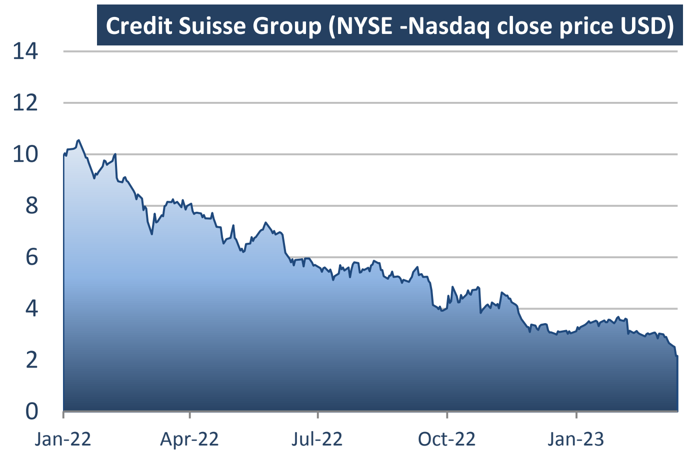
Capitalizing on this trend, the Baltic Dry Index had shown a steady ascent over the first week of March, entering four-digit territory and injecting moderate optimism in the spot market. On the flip side, during the second week of March, China reaffirmed what the dry bulk and container sectors had sensed in the initial trading months of 2023. Indicating a slowdown in the recovery of the world's second-largest economy, customs data revealed a significant drop in China's exports for the January-February period compared to the previous year. At the same time, imports declined at an even swifter rate, signalling a deceleration in the global economy and weakened domestic demand. Specifically, China's exports experienced a substantial 6.8 percent year-on-year decline, totalling USD 506.3 billion in combined figures for January and February. Imports fared worse, plunging by 10.2 percent from the previous year to USD 389.4 billion. This steep decline in the international sector of China's economy highlights two key developments during this period. Firstly, Beijing encountered challenges in revitalizing the Chinese economy after nearly three years of draconian Covid-19 measures. Moreover, the global economy's slowdown significantly impacted China's international trade activity. The National Development and Reform Commission noted, 'Downward pressure on the global economy is being compounded by the effects of protectionism, growth of global trade is slowing down, and competition in the international market is intensifying, which has made it more difficult for China to maintain stable export growth'. These factors had made it increasingly challenging for China to maintain stable export growth.



Source: China Customs, Doric Research

In terms of volume, Chinese imports of dry bulk commodities surged notably compared to a year earlier, albeit from a low starting point. Notably, China's coal imports spiked by 73 percent year-on-year, reaching 60.64 million tonnes during January and February, a significant increase from the 35.39 million tonnes recorded in the same period the previous year. However, concerns emerged due to rising inventories at Chinese ports and utilities, stemming from a slower-than-expected recovery in demand, potentially impacting the continuation of this upward trend. In the realm of iron ore, the world's largest consumer imported 194 million tonnes of the steel-making ingredient in January and February, marking a 7.3 percent increase year-on-year. Despite this, imported iron ore stocks at China's major 45 ports remained relatively low. Forecasts suggested that advancements in real estate and infrastructure construction would bolster downstream demand, potentially leading to a further decrease in iron ore port stocks. Regarding staple grain trades, the world's leading oilseed buyer imported a record volume of 16.17 million tonnes of soybeans within the first two months of the year. Following the lifting of pandemic restrictions, China's substantial demand for grain imports indicated a robust appetite for such commodities. In this economic juncture, the Baltic Dry Index managed to stay on an upward trajectory, touching 1600 points in Mid-March.

In a turbulent mid-March week for banking stocks and overall market conditions, Baltic indices stood out as one of the least volatile asset classes during the eleventh trading week! The Federal Reserve Board took measures to provide additional funding to eligible depository institutions, aiming to ensure these banks could meet their depositors' needs and stabilize the financial landscape. US bank stocks faced a significant downturn, prompting traders to seek refuge in the safety of government bonds that Monday, following regulatory actions to prevent the potential fallout from Silicon Valley Bank's potential collapse. Tuesday saw a partial recovery in US stocks as the market reevaluated the underlying risks, causing bonds to retreat. However, Wednesday brought a sharp turn as Credit Suisse shares plummeted by as much as 30 percent to an all-time low. This decline followed statements from its largest shareholder indicating a refusal to inject additional capital into the bank. The Zurich-based bank had acknowledged 'material weaknesses' in its internal controls over financial reporting just a day earlier. To counter the growing concerns, the Swiss central bank stepped in to reassure the market, stating its commitment to provide a liquidity backstop to Credit Suisse. Simultaneously, a consortium of US banks extended a USD 30 billion lifeline to San Francisco-based First Republic Bank. This move followed the collapse of two other mid-sized US banks, keeping the spotlight on First Republic Bank's stability.

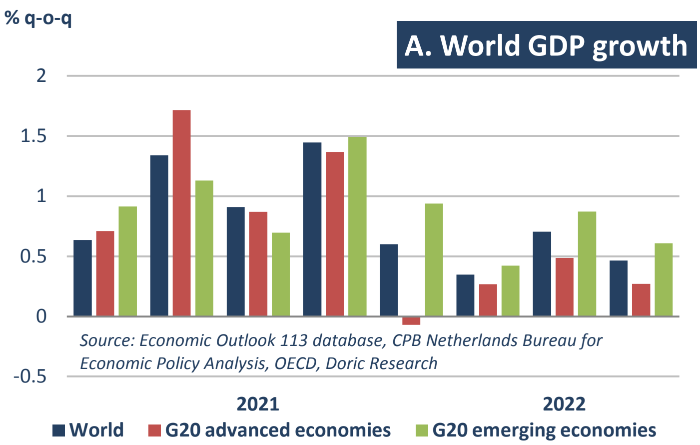


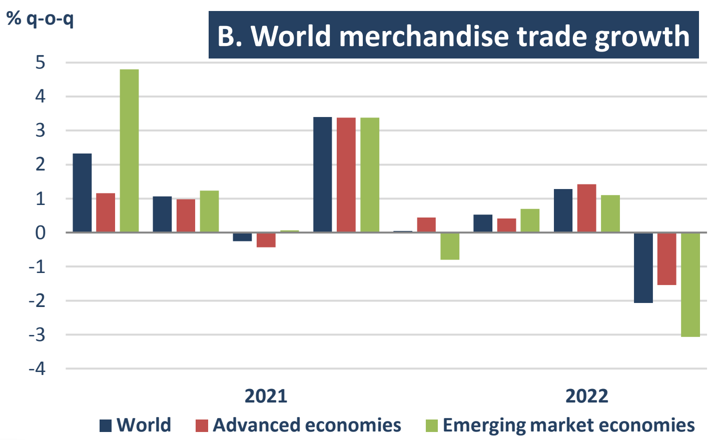
Contrarily, China's central bank made a significant announcement by stating its intention to reduce the amount of cash banks were required to hold as reserves, marking the first such adjustment this year. The People's Bank of China (PBOC) underscored its commitment to bolster the world's second-largest economy, which was gradually recovering from the effects of the pandemic-induced downturn. The 25-basis points reduction in the reserve requirement ratio for all banks, effective March 27, aimed to inject approximately 500 billion yuan (equivalent to USD 72.6 billion) into the market. This move would lower the average reserve requirement ratio of Chinese financial institutions to 7.6 percent. In a statement, the central bank emphasized its strategy 'The PBOC will keep monetary policy targeted and powerful," the central bank said in a statement. "We'll provide better support for key areas and weak links, refrain from a big stimulus…and concentrate on pushing for high-quality development".

Despite the tumultuous environment, the Baltic Dry Indices exhibited a relatively passive tone in mid-March. Neither the recent turbulence in the banking industry nor the modest stimulus measures in China seemed to significantly impact their trajectory. Some volatility stemmed from apprehensions originating from the US and Swiss banking sectors, possibly influencing the paper market and creating a case of the 'tail wagging the dog.' In any case, the Capesize TC Average held steady at $15,867 daily, reflecting an increase of approximately $13,000 compared to the previous month.

As March drew to a close, the OECD highlighted a positive turn in growth prospects for the largest economies based on early 2023 data. Monthly indicators pointed toward a near-term improvement, reflecting rising consumer confidence and stabilized or rebounded enterprise survey indicators across major regions. In February, a notable shift was observed as more firms reported increased output rather than a decline in all major economies, particularly in the US, the euro area, China, and the UK. This improved activity and sentiment in the primary G20 economies was underpinned by a decline in global energy and food prices, bolstering purchasing power. Additionally, the anticipated positive impact of China's reopening on global activity contributed to this momentum. The Baltic indices remained cautious observers of China's recent developments throughout much of February, yet eventually echoed this underlying positive sentiment in their daily closings for March.

The OECD projected that global growth would persist below trend in 2023-24, with inflation gradually moderating as the swift and coordinated monetary policy tightening over the past year fully takes hold. Forecasts suggested an average annual global GDP growth of 2.6 percent in 2023 and 2.9 percent in 2024. While this rate aligned closely with pre-pandemic trends, it remained subpar compared to earlier decades. Most G20 economies were anticipated to experience slower growth in 2023 compared to 2022, with China standing out as a notable exception due to the relaxation of anti-Covid measures.





Nevertheless, signals from China, the world's second-largest economy, presented a mixed picture, especially within its significant steel industry. Expectations were high regarding the impact of China's reopening on steel production. However, concerns persisted about the sustainability of this initial boost due to ongoing underlying issues in the country's property market. These concerns restrained the surge of iron ore stock at Chinese ports. In fact, according to Mysteel, iron ore inventories at major Chinese ports decreased for the fourth consecutive week, declining to 136.05 million tonnes as of March 24.

The Baltic Dry Index faced a lacklustre start in the first quarter of 2023 following an uninspiring fourth quarter of 2022. This period marked a notable downward correction in the spot market, a trend not witnessed in recent trading history, impacting all segments severely. The market experienced significant pressure due to a combination of rising Covid infections and the holiday season in China, leading to a gradual depletion of commodity inventories. Moreover, the dreary commencement of the global economic year intensified the strain on the Baltic indices. Steel mills adopted a cautious stance, refraining from immediate production increases and preferring to await further signals of policy support. This wait-and-see approach, coupled with a sluggish recovery in the real estate sector, dampened commodity demand. Despite the reopening of the country and the government's efforts to ease leverage limits to stimulate growth, the global economic engine struggled to gain the necessary momentum for robust progress. This cautious attitude and subdued activity across industries contributed to the ongoing challenges faced by the Baltic indices.

In contrast to previous months, March brought a more optimistic sentiment to the spot market, especially with China's national bureau of statistics reporting a remarkable expansion in the domestic manufacturing sector. This expansion marked the sector's fastest growth in over a decade, serving as a clear indicator that the world's second-largest economy was successfully navigating the challenges posed by the nationwide Covid-19 outbreak. Riding this positive momentum, the Baltic Dry Index witnessed a significant rise in early March, reflecting substantial gains. While the shipping industry closely monitored China's post-Covid trajectory, global authorities remained vigilant for potential repercussions stemming from recent bank turmoil. This included the collapse of Silicon Valley Bank and Signature Bank in the US, along with the emergency takeover of Credit Suisse, which kept authorities worldwide on high alert for potential systemic impacts.

During the first quarter of 2023, the shipping industry, particularly the Capesize segment, faced a dull performance with an average daily rate of $9,144, marking a 15.8 percent decline compared to the average of the first quarters over the last five years. Similarly, the Panamax segment, reflected in the BPI 82 TCA, had a subdued first quarter, averaging $11,326 daily, which was 17.4 percent lower than the five-year average. Within the geared sub-market, the three-month average for Supramaxes stood at $10,171 daily, and for Handies at $9,702 daily. Both segments experienced a significant downturn, reporting averages that were 23.5 percent and 25 percent lower than their respective five-year averages. This hard landing pointed to a new reality in the freight market during the first quarter of 2023, indicating challenging conditions compared to the preceding five-year trends.

In the S&P market, standard five-year-old Capesizes were priced around $38.75 million on average for the first quarter of 2023, approximately $5 million higher than their five-year Q1 average. Eco five-year-old units held a higher price tag, averaging around $45.5 million in Q1. Modern Kamsarmaxes averaged $30.5 million, marking a $3 million increase compared to their five-year Q1 average. Moving to geared tonnage, the market for five-year-old Ultras and large Handies hovered around $29 million and $25 million, respectively. These prices were approximately 16.5 percent and 20.1 percent higher than the average prices observed in Q1 between 2019 and 2023.

Market was somewhat uncertain as it moved past a lukewarm first quarter, with the dynamics of the previous three months adding to the overall uncertainty. Looking ahead to the traditionally robust periods of Q2 and Q3, market sentiment remained mixed. There were expectations for occasional significant upticks, but overall, a sense of caution regarding the annual average performance had become apparent.

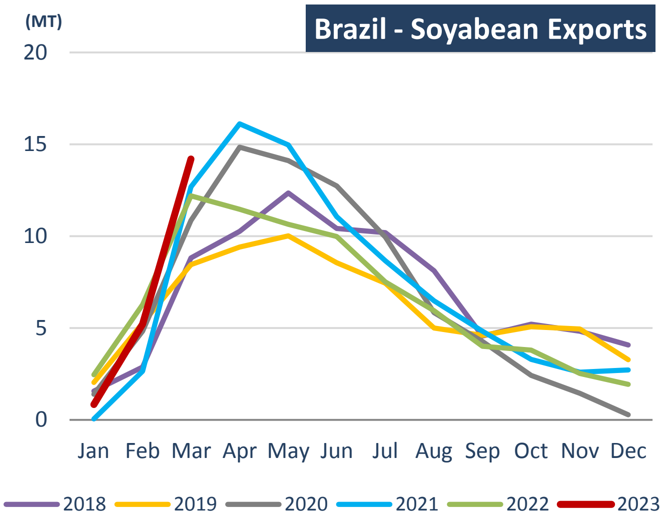
Act II – "Even at headwaters, the river believes in flowing into the ocean."

The fourteenth week in the spot market showcased a divergence between two segments: gearless vessels surged ahead while geared ones lost momentum. Notably, the Baltic Capesize and Panamax indices reported substantial gains, closing at similar levels of $16,928 and $16,661 daily, respectively. In contrast, the Baltic Supramax and Handy indices declined, returning to mid-March levels of $12,773 and $11,578 daily, respectively. A similar contradiction became apparent on the macro-commodity news with China manufacturing activity softening whilst East Coast South America was setting a rather cheerful tone.

In March, China's influential manufacturing sector, constituting a third of the world's second-largest economy, faced a slowdown due to sluggish export orders. The official Purchasing Manager Index (PMI) for China's manufacturing industry stood at 51.9 percent, dropping by 0.7 percentage points from the eight-month high seen in the prior month. Key sub-indices, including production, new orders, and supplier delivery time, remained above the threshold. However, indices related to raw material inventory and employment were below the threshold. Despite sustained demand, companies opted for cautious inventory management, resulting in ongoing inventory reductions. This cautious approach was mirrored in the spot market for geared segments, which lacked the vibrancy seen in previous years.

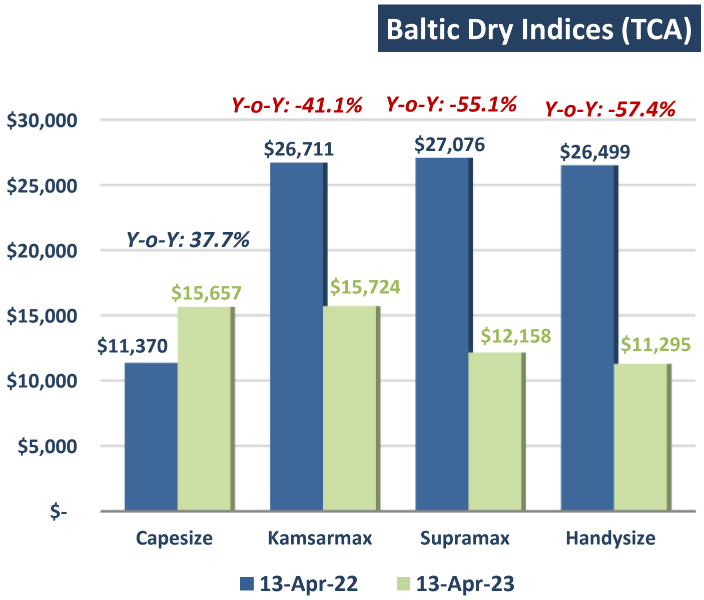
Stepping away from the spotlight on China's massive manufacturing sector, the focus in dry bulk shipping during the first week of April turned toward staple grain trades. The bustling activity in the world's main granary, East Coast South America, infused the market with optimism, accompanied by a surge in available cargoes. Riding this wave, the Panamax bulker sector hit its peak, reaching levels not seen in nearly six months. The significant activity in the heart of the Atlantic had notably uplifted the entire Panamax market, with the leading P6 (ECSA rv) trading in the very high teens, indicating increased momentum and positive market sentiment.

In a departure from the norm, US corn exports in the previous month amounted to 4.3 million tonnes, marking a significant 35.7 percent drop below the three-year average for March. Surprisingly, trade data from the Brazilian government revealed that China had by then become the leading destination for Brazilian corn exports by volume, overtaking traditional importers. If the United States Department of Agriculture's projections held true, Brazil was poised to surpass the US as the world's largest corn exporter in the 2022-23 marketing year. However, Brazil had shifted its focus to soybeans in early April. The primary soybean producer shipped 14.2 million tonnes of high-protein beans in March, marking a remarkable 19.3 percent increase above the five-year average, according to Refinitiv trade data. As of April 5, accumulated 2022-23 Brazilian soybean exports had reached 23.5 million tonnes, showcasing a 6 percent rise from last year and setting a new record for that period. Moreover, the latest Williams lineup report, released on April 4, indicated 12.4 million tonnes of soybeans scheduled for delivery in April. With robust global demand for Brazilian soybeans, being more competitive due to a strong US dollar, Refinitiv forecasted 2022-23 Brazilian soybean exports to soar to 92.8 million tonnes, representing a substantial increase from the previous year.



Source: Brazil Customs, Doric Research

In the second week of April, the Capesize market stood firm in the mid teens, significantly higher compared to the same period last year. However, other segments in the dry bulk shipping industry were trailing behind the vibrant levels seen in the previous year. Despite surpassing the unprofitable Q1 levels, overall performance had not yet exceeded that of the previous year. Specifically, with daily rates closing at $15,724 for Kamsarmax and $12,158 for Supramax, the mid-sized vessels were operating at around 50 percent lower rates compared to the previous year. The decline in the Handysize sub-market was even more pronounced, with the Baltic TC index concluding at $11,295 daily, marking a sharp 57.4 percent drop compared to the previous year. This scenario unfolded against a backdrop of high uncertainty in the global economy, shaped by the cumulative impact of the past three years of adverse shocks, leading to unforeseen challenges.



Source: Baltic Exchange, Doric Research

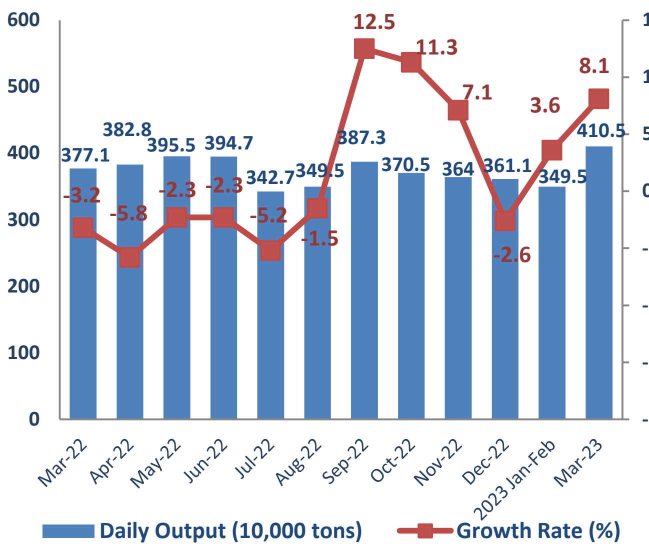
Against this backdrop, IMF's baseline forecast was for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before settling at 3.0 percent in 2024. Advanced economies were predicted to experience a pronounced slowdown, dropping from 2.7 percent growth in 2022 to just 1.3 percent in 2023. Conversely, emerging market and developing economies showed stronger average growth prospects, with an expected 3.9 percent growth in 2023, rising to 4.2 percent in 2024. However, these growth prospects varied widely across different regions. April's growth forecast for 2023 was slightly lower (by 0.1 percentage point) than January's World Economic Outlook Update and notably below the 4.7 percent forecast made in January 2022. Regarding global headline inflation, the IMF anticipated a decline from 8.7 percent in 2022 to 7.0 percent in 2023. Disinflation was anticipated across major country groups, with around 76 percent of economies expected to report lower headline inflation figures in 2023. Factors contributing to this projected disinflation included declining fuel and nonfuel commodity prices, along with the anticipated moderating effects of monetary tightening on economic activity. At the same time, inflation excluding food and energy was expected to decline more gradually to 6.2 percent in 2023.

The volume of global trade was anticipated to experience a notable slowdown, with growth projected to decrease from 5.1 percent in 2022 to 2.4 percent in 2023. The composition of spending was anticipated to shift from traded goods back towards services, contributing to this deceleration. Additionally, the lingering impacts of US dollar appreciation in 2022, which increased the cost of traded products for many economies due to the dollar's predominant role, were expected to further dampen trade growth in 2023. In essence, the IMF's outlook pointed towards a weaker trajectory for trade growth compared to the average of 4.9 percent seen in the two decades preceding the pandemic.

The Baltic indices found themselves in a tug-of-war between concerning macro fundamentals on one side and promising seasonality on the other. In this balancing act, the Baltic Dry Index, renowned for its agility, aimed to navigate toward the awaited seasonality without compromising its stability. The dry bulk market witnessed a moderate wave of optimism following China's faster-than-expected expansion in Q1, a contrast to the World Trade Organization's cautious outlook on merchandise trade volume growth and the IMF's downgraded global economic growth projection. In the latter part of the sixteenth trading week, the Baltic indices showed positive momentum, notably with Supramaxes leading the charge. Despite this positivity, Kamsarmaxes experienced marginal losses, closing at $15,225 daily by the week's end. Capesizes, known for their unpredictability, surged by $926, reaching $16,270 daily. Geared segments, highly sensitive to broader macroeconomic shifts, trended upward, with Supras standing at $13,211 daily and Handies balancing at $11,876 daily. Amidst these dynamics, the Baltic Dry Index hit one-month highs on the third Friday of April, reaching 1504 points.

On the macro front, the world's second largest economy expanded by 4.5 percent in the first quarter as consumption got a boost after Beijing abandoned draconian Covid-19 measures. Beating expectations for growth of circa 4 percent, the year-on-year figures from China's National Bureau of Statistics marked the strongest expansion since early 2022. An increasing number of positive factors were contributing to the overall improvement in economic operation, Meng Wei, spokesperson for the National Development and Reform Commission, told a press conference, adding that domestic demand was gradually expanding, production and supply were recovering at a faster pace, and public expectations were notably improving. The higher-than-expected growth rate in the first quarter was partly driven by a rebound in consumption, with official data showing retail sales gathering momentum. Conversely, factory output in March was up 3.9 percent from a year earlier, slightly missing expectations. On a month-on-month basis, in March, the added value of industries increased marginally by 0.12 percent.

Steel Production



Source: National Bureau of Statistics of China, Doric Research

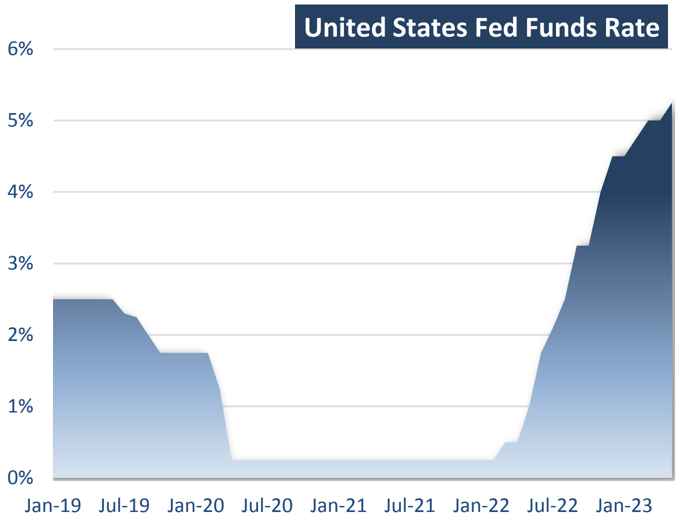
The conclusion of the third week of April brought about a mix of sentiments in the spot market. Dalian and Singapore iron ore futures faced losses for the third consecutive session, dropping to four-month lows. This decline was attributed to limited buying interest from steel mills and an increase in port inventories, which cast a shadow over investor sentiment regarding iron ore. Despite this, there was a positive turn in the Baltic indices, showcasing significant gains. This boost in the indices contributed to lifting the morale within the dry bulk shipping sector, countering the downtrend experienced in the iron ore futures market.

Following the previous week's positive Chinese GDP data, economists expressed optimism in late April regarding Beijing's potential to achieve its annual growth target of 5 percent for 2023. China experienced vigorous export growth in March, reinforcing Beijing's commitment to bolster trade in support of the broader economic recovery. Notably, exports surpassed expectations, marking a substantial increase of 14.8 percent from the previous year, totaling US$315.59 billion. This surge put an end to five consecutive months of decline. The growth was largely propelled by exports to Russia and shipments to the Association of Southeast Asian Nations (ASEAN). Additionally, the considerable rise was likely influenced by exporters rushing to fulfill a backlog of orders previously disrupted by the pandemic in recent months. However, analysts maintained caution regarding the sustainability of this trend. Sluggish external demand, coupled with geopolitical factors, posed potential challenges to China's trade development.

During Q1 2023, the US economy expanded by an annualized 1.1 percent, a noteworthy slowdown from the previous quarter's 2.6 percent growth. Falling short of market expectations for a 2 percent growth, this pace marked the weakest performance since Q2 2022. The dip in real GDP from the fourth quarter was primarily due to decreased inventory investment and a slowdown in nonresidential investment. However, this was partly counterbalanced by increased consumer spending, an uptick in exports, and a smaller decline in residential investment. Similarly, other major Western economies exhibited signs of losing momentum. The euro zone, for instance, experienced marginal expansion in the first quarter, growing by only 0.1 percent, below the 0.2 percent growth anticipated in a Reuters poll. Among the largest economies within the bloc, Germany recorded no growth, while France, Italy, and Spain expanded more than expected. Germany's stagnant economy resulted from a decline in government and household consumption, offset by increased exports and capital investment. Despite strikes opposing the government's pension reform bill, the French economy saw modest growth of 0.2 percent in the same period. The subdued performance of Western economies contributed to Baltic indices maintaining a narrow trading range over the past few months, with local peaks and troughs being less than three thousand dollars apart – excluding Capesizes.

During the initial trading week of May, the Federal Reserve continued its significant monetary tightening by implementing another interest rate hike. This marked the 10th consecutive increase in just over a year, elevating the Federal Funds Rate to a target range of 5 percent to 5.25 percent, the highest level since 2007. Since the onset of the Fed's tightening cycle, there had been indications of moderation in price increases across the United States. In March, inflation in the US receded to its lowest point in nearly two years, with year-over-year price growth reaching 5 percent. These figures represent the lowest levels reported since May 2021. Despite this, the latest inflation reading remained notably higher than the Fed's target of 2 percent, prompting discussions about a potential pause in the sequence of rate hikes. The post-meeting statement reiterated the central bank's commitment to curbing inflation but omitted the prior indication of "some additional policy firming may be appropriate." This alteration suggested a potential shift in the Fed's stance regarding further rate increases. With regard to this topic, Fed Chair Jerome Powell said that the central bank would “approach that question at the June meeting.” He further added that “People did talk about pausing, but not so much at this meeting. There’s a sense that we’re much closer to the end of this than to the beginning,”

Across the pond, the eurozone grappled with persistently high inflation levels. Annual inflation in the region surged to 7 percent in April, marking the first increase following five consecutive months of decline, as reported by the European Union’s statistics agency, Eurostat. While food and drink prices continued their ascent, the rate of increase slowed to 13.6 percent in April from 15.5 percent in March. Energy prices rebounded by 2.5 percent after a 0.9 percent decline in March. Despite the recent decline in headline inflation, the European Central Bank noted that underlying price pressures remained robust. In response to the sustained high inflationary environment, the Governing Council opted to raise the three key ECB interest rates by 25 basis points. This move led to the main deposit rate reaching 3.25 percent, marking the most significant rate increase in the ECB's 25-year history.

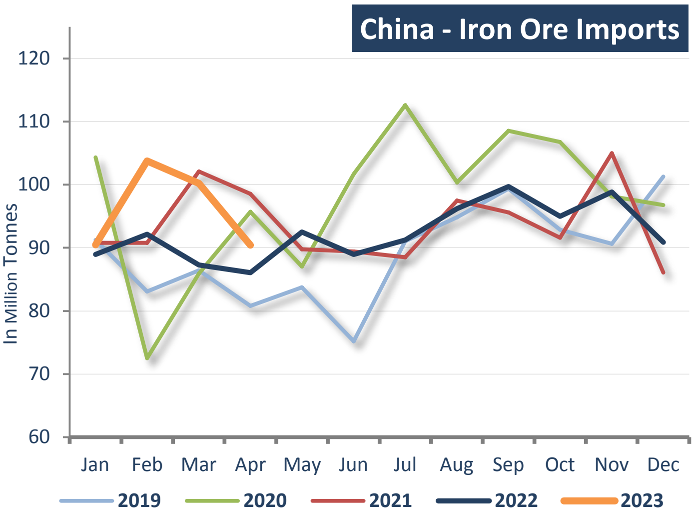


Source: FED, Doric Research

Baltic indices used the array of public holidays worldwide as an excuse to retreat and reassess their trajectories. During that uneventful week, the prominent Baltic Dry Index wrapped up the first Friday of May at 1558 points.

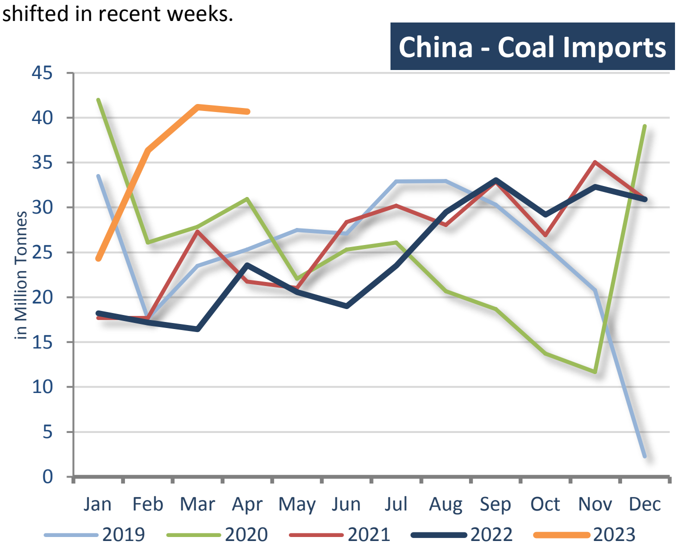
In the second week of May, Baltic indices embarked on a quest for direction. Despite a prevailing sentiment in the spot market that the previous week's subdued atmosphere was an anomaly and better days were imminent, this optimism faced a reality check as the week progressed. The initial positive momentum, notably in the Capesizes index, hinted at a promising start. However, this optimism encountered a challenge as China's trade data was unveiled. In April, China experienced a significant contraction in imports, coupled with a slower growth rate in exports. Despite the earlier rapid expansion of global growth post the easing of Covid-19 restrictions, the latest data pointed towards a shift. Notably, the surge in growth predominantly stemmed from a robust surge in services consumption rather than the traditional stalwart, the manufacturing sector.

In the realm of dry bulk commodities, Chinese customs cleared 90.44 million tonnes of iron ore in April, showing a 5.1 percent increase compared to the previous year. This surge in iron ore demand coincided with China's steel mills reporting an average daily hot metal output of 2.45 million tonnes in April, marking a 5.6 percent rise from the same period last year, according to calculations based on data from Mysteel. However, April's import volumes fell short of March's 100.23 million tonnes due to shrinking steel margins, which dampened buying interest. Moreover, concerning economic indicators emerged, including a steeper-than-anticipated decline in new Chinese bank loans, fueling worries about the economy's momentum. Reports indicated that many Chinese steel mills reduced prices amid growing concerns about steel demand during the peak spring construction season. Given this backdrop, the most actively traded September iron ore on China's Dalian Commodity Exchange experienced losses, marking a sixth consecutive weekly decline. Iron ore prices plummeted by over 20 percent from the year's peak of $131 a tonne in mid-March, as the initial optimism following China's relaxation of Covid-19 restrictions faded.



Source: GAC, Doric Research

As far as the other two major commodities of the dry bulk spectrum go, China's soybean imports experienced a notable decline in April, totaling 7.26 million tonnes, significantly below market expectations. Chinese customs implemented a new requirement in April, mandating traders to await quarantine check results before taking delivery of their soybeans, a process that can take up to two weeks. Previously, traders could receive deliveries into their warehouses while awaiting inspection permits, enabling immediate processing. The revised procedure, holding cargoes at customs warehouses until permit approval, has raised importers' costs and dampened the quantity demanded. Similarly, coal imports softened in April, with customs data indicating a decrease to 40.68 million tonnes from March's 15-month high of 41.17 million. Despite a strong first quarter when coal imports exceeded last year's figures, the seaborne coal market faces uncertainty about whether April's decline marks the onset of a downward import trend. The price discrepancy between domestic and imported thermal coal will significantly influence future seaborne activity. Previously, Australian coal held a cost advantage over local supplies, but this balance has shifted in recent weeks.

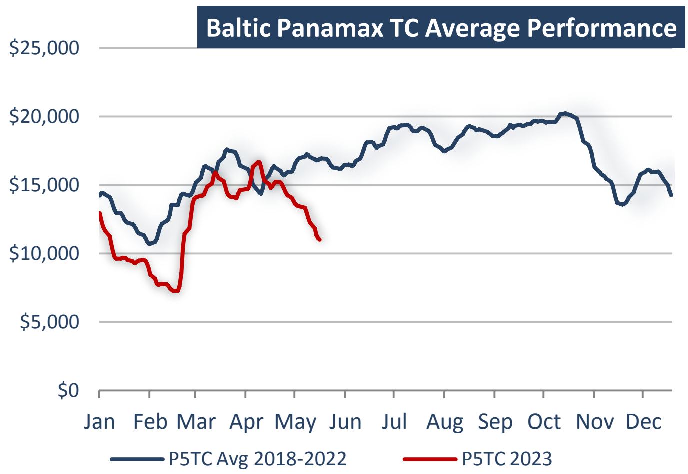


Source: GAC, Doric Research

The twentieth trading week took a negative turn following the previous week's subdued atmosphere. The Capesize index set the tone for a retreat on Monday morning, and subsequently, all major indices showed declines. With double-digit losses compared to the previous week, the Baltic Capesize and Panamax 82 TCA indices closed the week at $17,459 and $11,001 daily, respectively. While Capesizes experienced a reduction in their recent gains, Kamsarmaxes swiftly returned to uninspiring levels last seen in late February. On the geared segment front, the Baltic Supramax index concluded the week lower at $11,846 daily, mirroring figures from February 27th. Similarly, the more stable Handies settled at $11,018 daily, marking a two-month low.

On the macro front, the world's second largest economy sustained the good momentum of late, according to National Bureau of Statistics of China. As the economic and social activities have fully resumed, the year-on-year growth for most production and demand indicators improved, services and consumption witnessed fast recovery, and employment and prices were generally stable. In April, the Index of Services Production increased by 13.5 percent year-on-year. In sharp contrast, the investment in real estate development during the first four months of the current year came at 3,551.4 billion yuan, considerably lower by 6.2 percent year-on-year. Among them, the investment in residential buildings lay at 2,707.2 billion yuan, down 4.9 percent. From January to April, the floor space under construction was 7,712.71 million square meters, a year-on-year decrease of 5.6 percent. The floor space of residential buildings under construction was 5,429.68 million square meters, down 5.9 percent. In tandem, the floor space of buildings newly started was just 312.2 million square meters, down 21.2 percent. China's retail sales of consumer goods and service sectors remain bright spots as factory and real estate data fail to add further steam.

Against this backdrop, China soybean imports continued growing amid economic recovery, recent price declines and possible shortage of soybean supplies. Refinitiv trade flows tracked 8.8 million tonnes of soybean imports in China this April, a five-year high for the month. Moreover, 10.2 and 10.3 million tonnes of soybeans are heading for China and will arrive in Chinese ports in May and June, respectively. Accumulated soybean imports in the first half of the year were expected to reach 49.3 million tonnes, an all-time high and well above last year's respective period. Brazil was the leading supplier of China soybean imports. A total of 7.1 million tonnes of Brazilian soybeans arrived in China in April. Refinitiv trade flows indicated that soybean imports from Brazil would further grow to 8.6 and 9.7 million tonnes for May and June, respectively. In spite of the cheerful tone in the soybean market, the main carriers of grains in these staple seaborn runs diverted lately from their usual flight plan, ending the twentieth trading week at P6_82 (ECSA RV) levels of just $12,827 daily. As a flotilla of ballasters could attest, one swallow does not a summer make neither can a single load pocket buoy the entire freight market.



Source: Baltic Exchange, Doric Research

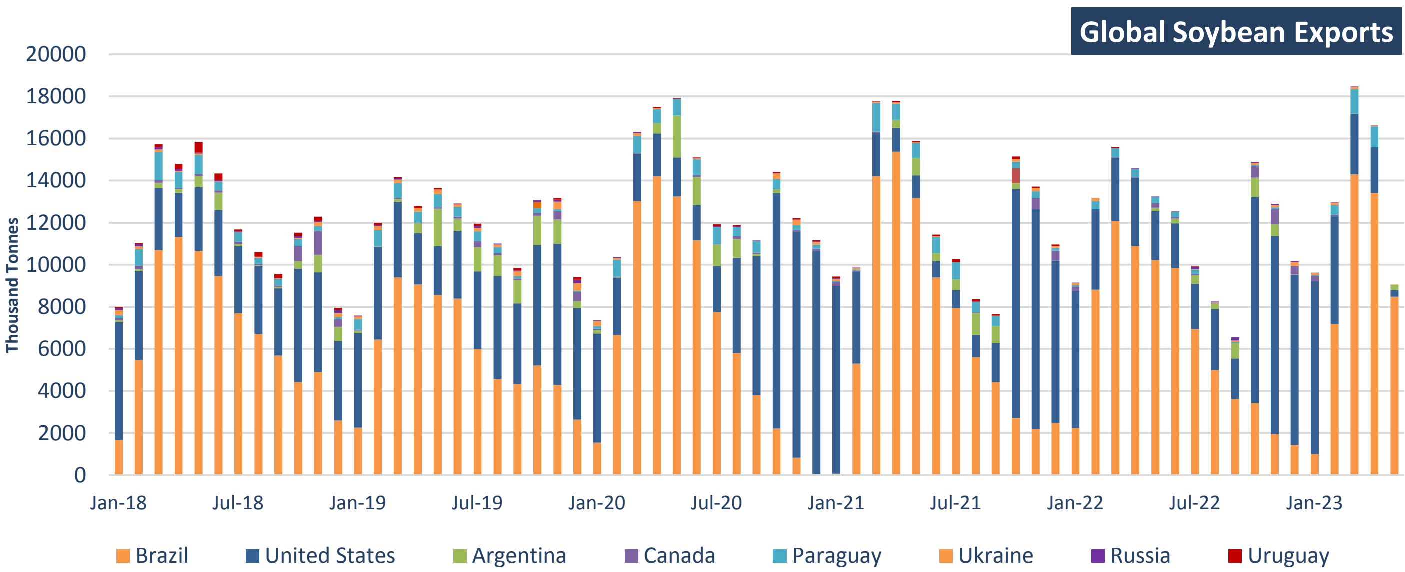
In the final week of May in the US, investors closely monitored discussions on the government debt ceiling between President Joe Biden and the House Speaker. The most recent update revealed that the White House and House Republicans were swiftly working on finalizing a deal regarding government spending. This deal aimed to prevent an unprecedented default on US debt and simultaneously alleviate the significant cloud of uncertainty looming over the country's economy. Meanwhile, Europe's largest economy faced challenges as it slipped into a mild recession that same week. Following a 0.5 percent contraction in the final quarter of the previous year, Germany's gross domestic product also experienced a decline in the first quarter of 2023, meeting the technical definition of a recession.

In mid-May 2022, the spot market witnessed a significant downward correction. The Baltic Capesize index, registering double-digit weekly losses, concluded the final Friday of May at a two-month low of $13,956 per day. Simultaneously, Kamsarmaxes experienced a sharp downturn, returning to late February levels, hovering around $10,072 daily, marking a 64.4 percent year-on-year decrease. The Baltic Supramax index mirrored this trend, ending the week at $10,403 daily, levels last observed on February 23. Handies followed suit, reaching a two-and-a-half-month low of $10,585 daily.

As global stock markets sustained their anticipation of a "soft landing" and retained their elevated positions, the price of copper mirrored the downward trend observed in the Baltic indices. Experiencing a decline of over 15 percent from its peak at the start of 2023, copper had initially rebounded during the last quarter of the previous year in response to the reopening of the Chinese economy. Often referred to as "Dr. Copper" due to its capacity to gauge global market health, this metal holds extensive use in construction, infrastructure and household appliances. The sharp drop in its spot price reflected a rapid accumulation of copper stockpiles. Moreover, mounting apprehensions about the failure of China's industrial resurgence contributed to the downturn in commodity prices. Concurrently, steel rebar prices in China plummeted to their lowest levels in three years during the final week of May, highlighting a slowdown in the growth of the world's second-largest economy, notably in its fragile property sector. Iron ore futures also recorded weekly losses, influenced by a bleak demand outlook in China, the leading steel producer. The anticipated seasonal deceleration in construction activity in China, commencing in June, was projected to diminish the demand for steel.

Source: CEIC, Shanghai Futures Exchange, Doric Research

Amid a tumultuous spot market and waning market sentiment, the World Trade Organization (WTO) released an update on the "Goods Trade Barometer" in the first week of June. This barometer, a composite leading indicator for global trade, offers real-time insights into the trajectory of merchandise trade in comparison to recent patterns. The most recent reading of 95.6 showed an increase from the previous four months but remained significantly below the baseline value of 100. Breaking down the overall index, the automotive products index surged to 110.8, significantly surpassing the trend due to robust sales in both the United States and Europe. Additionally, the export orders index, known for its high predictability, rebounded to 102.7 after a slight decline following the onset of conflict in Ukraine. Conversely, indicators reflecting container shipping (89.4), air freight (93.5), and electronic components trade (85.2) continued to highlight weaknesses. The index for raw materials trade rested at 99.0, in line with the expected trend. These varying signals from the component indices indicate a potentially uneven path to trade recovery.



Source: Refinitiv, Doric Research

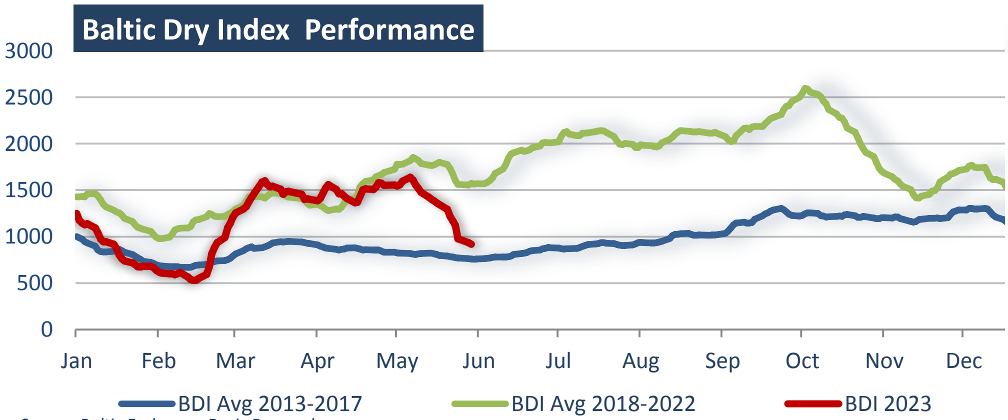
Source: World Trade Organisation, Doric Research

After a 2.4 percent quarter-on-quarter drop, the volume of global merchandise trade experienced a 0.8 percent year-on-year decline in the final quarter of 2022. The downturn stemmed from various interconnected factors, including the ongoing conflict in Ukraine, persistently high inflation in advanced economies, and tighter global monetary policies, as reported by the Geneva-based intergovernmental organization. While the relaxation of China's strict zero-Covid policy seemed to have bolstered port activity in the country, this was counterbalanced by reduced throughput in European ports. Early data indicated that international trade remained subdued in Q1 of 2023, yet an uptick in export orders hints at a potential turnaround for the second and third quarters. Given this landscape, the WTO has projected merchandise trade growth to reach 1.7 percent in 2023.

While the WTO's export orders index hinted at a potential trade recovery, albeit with some turbulence, another key indicator reflecting economic trends in the manufacturing sector faced setbacks in May. Specifically, China's Purchasing Managers Index (PMI) for manufacturing registered at 48.8 percent, marking a 0.4 percentage point decline from the previous month and persisting below the critical 50-point threshold that distinguishes expansion from contraction. This downturn in China's manufacturing sector was mirrored by subdued performance across other vital sectors in the world's second-largest economy. In April, property investment and sales experienced a significant decline, concurrent with a substantial 20.6 percent fall in industrial profits. Within this context, the Baltic Dry Index, on the first Friday of June, settled in the three-digit range for the first time since late February, considerably below the average value observed over the previous five years. Notably, within sub-markets, the standout performance of Handies at a modest $9,805 daily rate was particularly striking amidst this landscape.

The global economy, having expanded by 3.1 percent last year, was anticipated to undergo a considerable slowdown to 2.1 percent over the course of 2023, as per the World Bank's projections. This deceleration was attributed to ongoing efforts of monetary policy tightening aimed at curbing high inflation rates. Despite stronger-than-anticipated growth in several major economies—fueled by China's swift economic reopening and resilient consumer spending in the United States—the outlook for global activity in 2023 pointed toward a notable slowdown. Forecasts indicated a substantial expansion in China juxtaposed with a significant softening in advanced economies for the entirety of 2023. Looking ahead to the subsequent year, a tepid recovery was projected, with the economy expected to pick up slightly to a growth rate of 2.4 percent.

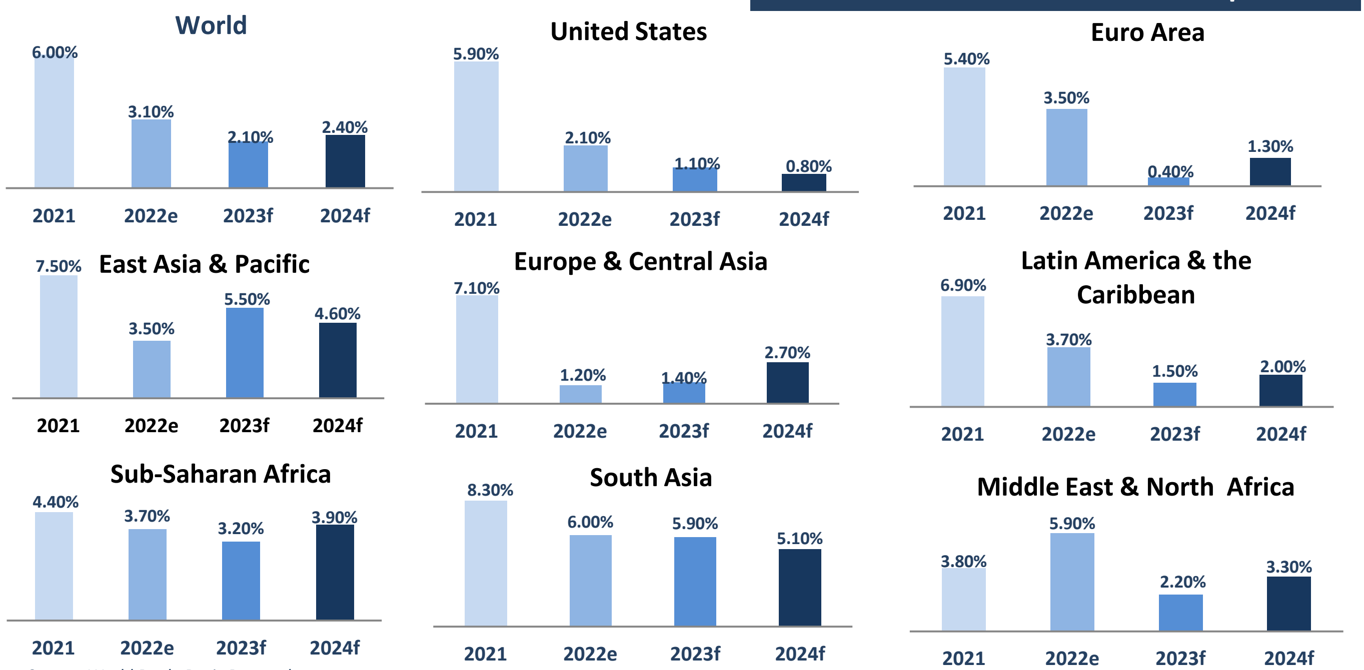
Specifically, growth in advanced economies was forecasted to decelerate significantly, averaging 0.7 percent annually in 2023. This projection largely stemmed from the impact of extensive central bank interest rate hikes implemented over the past eighteen months. In the first quarter of 2023, the United States saw a 1.1 percent quarterly expansion, driven by robust consumption trends. Meanwhile, the euro area experienced a 0.3 percent growth rate on an annualized basis, influenced by lower energy costs, alleviating supply chain constraints, and governmental fiscal support. The anticipated growth trajectory for advanced economies suggested a modest acceleration to 1.2 percent in 2024, primarily due to an expected pickup in the euro area. Expansion in emerging market and developing economies was projected to rise to 4 percent in 2023, predominantly propelled by the resurgence of growth in China. Excluding China, growth in developing economies was predicted to decline to 2.9 percent in 2023 due to the impact of high inflation and consequent monetary tightening, as well as a slowdown in external demand. However, growth in developing economies excluding China was forecasted to modestly increase to 3.4 percent in 2024.



Source: Baltic Exchange, Doric Research

Source: WTO, Doric Research

World Bank – Global Economic Prospects



Source: World Bank, Doric Research

In the early months of 2023, economic activity in China experienced a resurgence, driven by a speedier-than-anticipated economic reopening. This prompted a projection for China's growth to rebound to 5.6 percent in 2023. The economic reopening, specifically, stimulated consumer spending, particularly within the domestic services sector. However, forecasts indicated a modest uptick in investment as the effects of infrastructure-related stimulus waned, compounded by considerable debt levels exerting pressure on the recovery of the property sector. The outlook suggested that weak external demand would act as a dampening factor on growth. Although the reopening would bolster services trade, the subdued activity within the infrastructure and manufacturing sectors was anticipated to adversely impact overall trade. This imbalance was attributed to services being less trade-intensive compared to other sectors like manufacturing and infrastructure.

During a period of increasing consumer spending, the trajectory of goods trade in China followed a different path. May showcased a mixed picture in China's imports of major commodities, where amplified volumes of crude oil and iron ore were counterbalanced by sluggishness in copper and indications of a plateau in coal imports. China's import of iron ore in May experienced a 4 percent uptick to 96.18 million tonnes from a year earlier. This rise corresponded with the profitability of surveyed steel mills, reaching 34.2 percent by the end of May, up from 26.41 percent in late April. Simultaneously, China witnessed a record high in soybean imports, reaching 12.02 million metric tons, a 24 percent increase from the previous year. This surge was due to delayed cargoes, which, after stringent inspections, were eventually discharged at ports. In tandem, crude oil imports in May surged to the third-highest monthly level on record, totalling 51.44 million tonnes, a 12.2 percent year-on-year increase. Refiners, post-maintenance in April, escalated operations and bolstered inventories during this period. Conversely, copper imports in May saw a decline of 4.6 percent from a year earlier, reflecting subdued demand amid an uncertain economic recovery, which curbed buying interest. Additionally, while Chinese customs cleared 39.58 million tonnes of coal in May nearly double the volume from a year ago—the figure marked a decrease from the previous month, suggesting a potential plateau in coal imports.

As global goods trade growth faced a slowdown and China's exports declined more rapidly than anticipated in May, geared segments tied to economic indicators reflected concerns about the broader scenario by mid-June. In contrast, gearless segments showcased gains, foreseeing increased activity in traditional staples like iron ore and grain runs in the upcoming weeks.

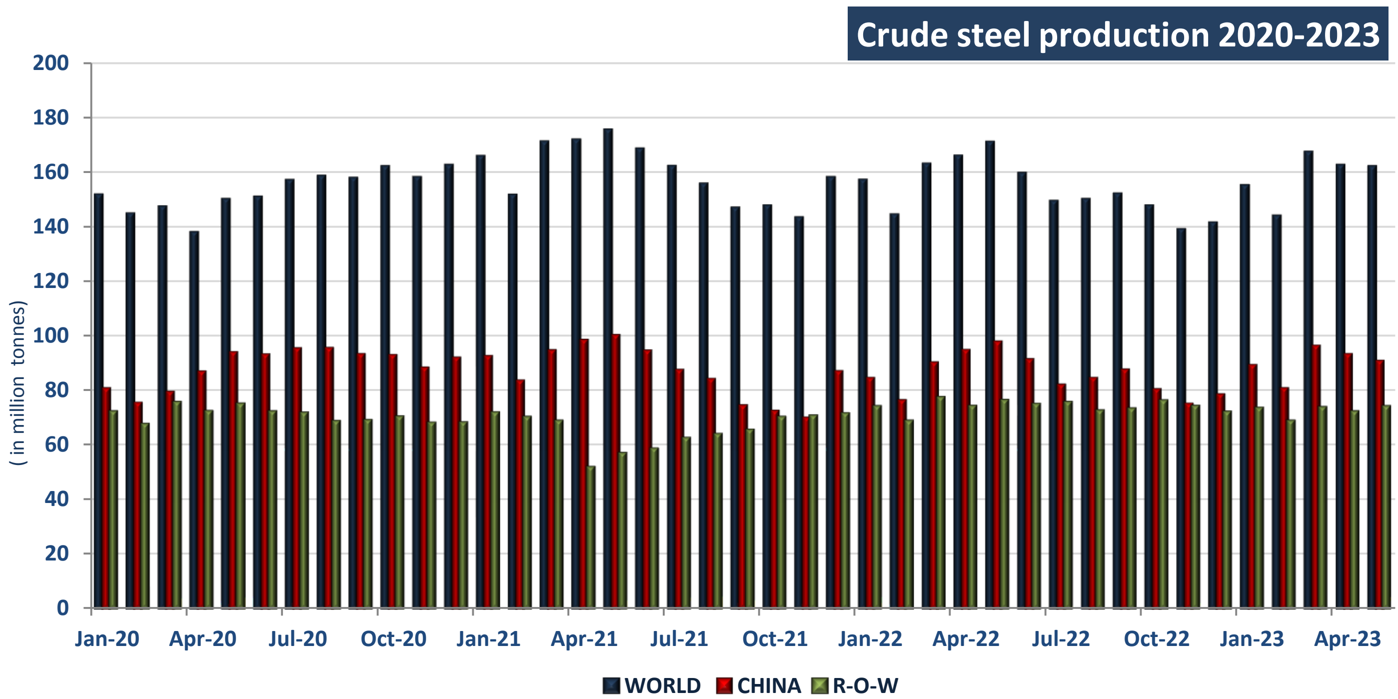
In mid-June, after a streak of ten consecutive hikes that pushed borrowing costs to their highest level since September 2007, the Federal Reserve chose to maintain their benchmark rate unchanged, holding it within the range of 5 to 5.25 percent. Policymakers emphasized this pause allowed them to gather additional information and assess the implications of their previous monetary policy decisions. However, they remained prepared to make adjustments if emerging risks threatened their goals. Notably, officials hinted at the potential for two more hikes in 2023. In determining the appropriate extent of further policy adjustments to bring inflation back to 2 percent, the Committee considered factors such as the cumulative impact of previous tightening, the time lags affecting economic activity and inflation in response to monetary policy, and ongoing economic and financial developments. Amid signs of a softening labour market and a moderation in consumer spending, the S&P 500 and Nasdaq surged to their highest levels in 14 months. Investors interpreted the economic data as suggesting the US Federal Reserve might be approaching the end of its aggressive interest rate hike cycle. Across the Atlantic, while inflation in Europe had been on a downward trajectory, projections indicated it would persist at levels deemed excessively high for a prolonged period. Consequently, the ECB's Governing Council decided to raise the three key interest rates by 25 basis points and signalled the likelihood of another hike in July. This move marked the eighth consecutive rate hike, bringing the benchmark rate in the euro area to 3.5 percent, its highest since May 2001. European markets closed marginally lower as investors absorbed the European Central Bank's latest monetary policy decision.

China's surprising move to cut its seven-day reverse repo rate by 10 basis points to 1.90 percent, marking the first rate cut in 10 months by the People's Bank of China, aimed to bolster banking liquidity and stimulate the broader economy. This cut coincided with a 2 billion yuan injection ($279.97 million) through short-term bond instruments. Despite economic challenges, China's retail sales of consumer goods displayed strength, reaching 3,780.3 billion yuan in May, marking a 12.7 percent year-on-year increase. The services sector also exhibited robustness, with the Services Production index rising by 11.7 percent year-on-year. However, factory activity continued to languish, and construction faced constraints due to a downturn in the property market. Real estate investment in China notably plummeted by 16.2 percent year-on-year in April, a sharper decline than the 7.2 percent drop recorded in March. New construction in terms of floor area experienced a steep 21.2 percent year-on-year decrease in the January-April period following a 19.2 percent drop in the first quarter of the year. Additionally, industrial output grew by 3.5 percent in May from a year earlier, marking a slowdown from the 5.6 percent gain observed in April.

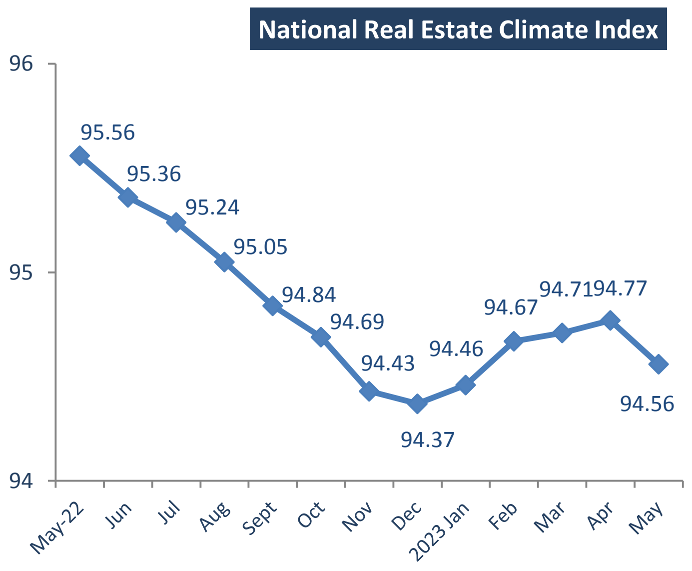
As the second quarter approached its conclusion, the Baltic Dry Index surged into positive territory, reaching 1240 points and showcasing triple-digit weekly gains. However, a closer examination of the index's components revealed a nuanced narrative. The Capesize segment single-handedly propelled the primary gauge of activity within the dry bulk spectrum higher, while all other segments experienced declines, notably with Panamax registering the most substantial decrease. Specifically, the Baltic Capesize index surged to one-month highs of $17,252 daily, marking double-digit gains week-on-week and driving the overall index. Conversely, the Panamax 82 TCA index concluded the week in negative territory, hovering just above the four-digit mark. In the realm of geared segments, the Baltic Supramax index remained stagnant at $8,178 daily, encapsulated within a low-earning environment throughout June. Similarly, Handies concluded the week at $8,197 daily, a significant decrease compared to last year's figures by approximately $16,000 at the same closing period.

On the broader economic front, data arriving from various sources seemed more aligned with the smaller sub-Capesize segments rather than the influential trend-setting larger bulkers. Notably, a key indicator closely linked to the dry bulk market revealed concerning signals. Despite a robust first quarter, global crude steel production for the 63 countries reporting to the World Steel Association dropped to 161.6 million tonnes in May 2023, marking a steep 5.1 percent decrease compared to May 2022. Among specific regions, Africa, Russia, and the Middle East witnessed increases in steel output, while the rest of the world reported significant declines. China, the world's largest steel producer, experienced a notable 7.3 percent decline in steel production in May, reaching 90.1 million tonnes. Average daily output stood at 2.91 million tonnes, down by 5.7 percent from the previous month's 3.09 million tonnes. Simultaneously, Japan's steel production dropped to 7.6 million tonnes, reflecting a 5.2 percent decrease year-on-year. Despite these reductions, India and Russia saw increases in their steel output compared to the previous year, reaching 11.2 million tonnes and 6.8 million tonnes, respectively.

The impact of declining steel production in China extended to its real estate sector, where investment marked its most significant drop in over two decades in May, plunging by 21.5 percent year-on-year. From January to May, total investment in real estate development reached 4,570.1 billion yuan, marking a 7.2 percent year-on-year decline. Within this, investment in residential buildings amounted to 3,480.9 billion yuan, down by 6.4 percent. Moreover, during the same period, funds allocated for investment by real estate development enterprises totalled 5,595.8 billion yuan, reflecting a 6.6 percent year-on-year decrease. This downturn in investment activities contributed to China's national real estate climate index, which steadied at 94.56 points, closely approaching its lowest level observed in the past two years.



Source: National Bureau of Statistics of China, Doric Research



Source: NBS, Doric Research

In an effort to rejuvenate sluggish economic growth and provide support to China's expansive real estate sector, the People's Bank of China implemented two key lending rate cuts this week, marking the first such action in 10 months. The central bank reduced the one-year loan prime rate by 10 basis points, bringing it down from 3.65 percent to 3.55 percent. Simultaneously, the five-year loan prime rate was trimmed from 4.3 percent to 4.2 percent – the first reduction since August. This recent rate cut follows two monetary easing measures taken the previous week. Last Thursday, the PBOC made its initial cut in the one-year medium-term loan facility in 10 months and concurrently lowered its seven-day reverse repurchase rate. These consecutive moves highlight China's concerted efforts to stimulate economic activity and provide targeted support to its crucial real estate sector.

The recent stimulus measures by China's central bank had a varied impact on the dry bulk market and commodities. While copper, crude oil, and Capesize vessels saw gains in response to the intervention, iron ore, coking coal, and other segments within the dry bulk market showed little reaction. This discrepancy in response suggests that despite the initial positive reactions, there might be a delay between shifts in monetary policy and their effects on the broader economy. The observation implies that additional substantial doses of monetary support may be necessary for the remaining segments to catch up and demonstrate a more pronounced response within the market.

The market's second-quarter averages mirrored the seasonally weakest first quarter, indicating a lackluster phase overall. The Capesize segment notably showed a relatively decent performance in the second quarter, boasting an average daily rate of $15,561. However, all other segments concluded the period without managing to elevate their quarterly averages significantly. The Panamax segment, represented by the BPI 82 TCA, reported an average of $12,248 daily, just under $1000 higher than its first-quarter average. Meanwhile, within the geared sub-market, the three-month average for Supramaxes stood at $10,763 daily, and for Handies at $10,414 daily. However, these segments failed to make a substantial impression with their performances during this period.

As the second quarter drew to a close, the spot market remained at notably depressed levels. Despite heightened activity in certain specific sub-markets, it wasn't sufficient to counterbalance extensive tonnage lists, resulting in Baltic indices taking a downturn.

Anticipation for the traditionally robust periods in the second half of the year sparked mixed sentiments regarding market outlook. While there remained expectations for a better trading environment in the upcoming quarter, the balancing levels at the end of June were far from reassuring, especially given the typical expectations for this phase of the trading year.

Act III – "A lake lacks the energy and vibrant life of the ocean."

The twenty-seventh trading week initiated on a downward trajectory, with all Baltic indices incurring losses. On a macro level, the world's second-largest economy experienced a deceleration in the second quarter as demand weakened. China's factory activity exhibited a slowdown in June, signaling diminishing sentiment. The Caixin/S&P Global manufacturing purchasing managers' index (PMI) dipped to 50.5 in June from 50.9 in May, crossing the pivotal 50-point threshold that delineates growth from contraction. "A slew of recent economic data suggests that China's recovery has yet to find a stable footing, as prominent issues including a lack of internal growth drivers, weak demand and dimming prospects remain," said Wang Zhe, senior economist at Caixin Insight Group. In tandem, China's official manufacturing PMI came in at 49.0 in June, according to China's National Bureau of Statistics.

In a stark contrast to the coal supply crunch and power crisis of 2021, Beijing actively urged miners to ramp up production and incentivized imports. Over the first five months of 2023, China's coal imports surged, reaching 182.01 million tonnes, a significant 89.6 percent increase compared to the previous year. Notably, Australian coal sales to China saw a considerable 21.2 percent spike in May, while Indonesia's coal exports to the nation also rose. The appeal of cost-effective Russian coal remained strong. Furthermore, China's domestic coal output during the same period rose by 4.8 percent year-on-year, hitting around 1.91 billion metric tonnes. These efforts led to increased coal stocks at power plants, with demand for thermal coal expected to remain robust through 2023 due to weak hydroelectric output.

Shifting to the agricultural powerhouse of East Coast South America, Brazilian soybean exports surged, reaching a record 13.8 million tonnes in June, marking a substantial 38.8 percent increase year-on-year. The average pace of soybean shipments per working day in late June exceeded last year's figures, hitting 660,522 tonnes compared to the 475,705-tonne average in June 2022. According to Brazil's grains exporters association (Anec), all agricultural products witnessed significant boosts in shipments during the last month. Corn exports from Brazil totalled 1 million tonnes, marking a 4.5 percent increase over June 2022. Meanwhile, soy meal exports reached 2.1 million tonnes, closely aligned with last year's volume.

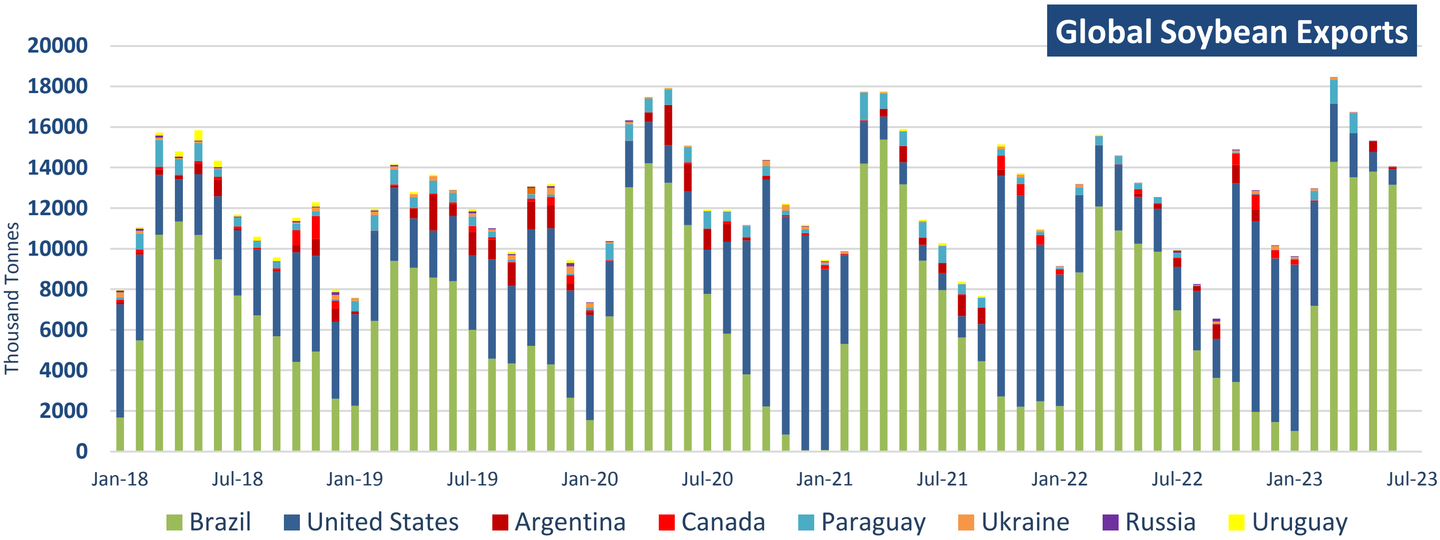
Looking ahead, Brazil was projected to export 9.4 million tonnes of soybeans and 6 million tonnes of corn in July, ensuring a consistent flow of cargoes in the spot market. As a result, a fleet of ballast vessels had set sail towards Brazil, marking it as the central hub drawing significant attention and activity in maritime routes. Despite the buoyant atmosphere in the soybean market, the primary vessels transporting grains in these bustling seaborne routes had deviated from their typical courses, concluding the first week of July at P6_82 (ECSA RV) levels of $10,532 daily.

Baltic Panamax TC Average Performance

Source: Baltic Exchange, Doric Research

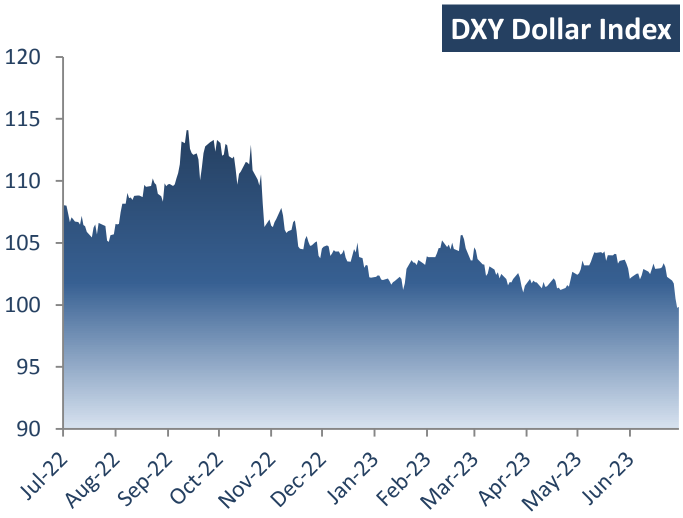
In mid-July, the US annual inflation rate decelerated to 3 percent, based on the Consumer Price Index released by the Bureau of Labor Statistics. This marked a decline in inflation for 12 consecutive months to its lowest point since March 2021, moving away from the multi-decade highs observed in the previous June. However, core inflation, which excludes volatile food and energy costs, exhibited more resilience. Core CPI declined modestly, dropping from 5.3 percent to 4.8 percent in the June data. Notably, the housing index surged by 7.8 percent over the past year, contributing to more than two-thirds of the overall increase in all items except food and energy. Several other indices also experienced considerable

Global Soybean Exports



Source: Refinitiv, Doric Research

increases over the previous year, including motor vehicle insurance (+16.9 percent), recreation (+4.3 percent), household furnishings and operations (+3.6 percent), and new vehicles (+4.1 percent). Subsequent to the milder inflation report, global equities reached new peaks for 2023, while the dollar and Treasury yields continued their decline. The Dow Jones Industrial Average rose by 0.14 percent to 34,394, the S&P 500 gained 0.85 percent, reaching 4,509, and the Nasdaq Composite added 1.58 percent, touching 14,138 points. Conversely, the softer US inflation figures reinforced expectations that the Federal Reserve would opt for just one more interest rate hikes this year. The dollar index recorded its most substantial weekly decline in 2023 during the last five trading days, dropping below the 100-point-mark to reach a new 15-month low, approximately 13 percent lower than the two-decade high observed last year.



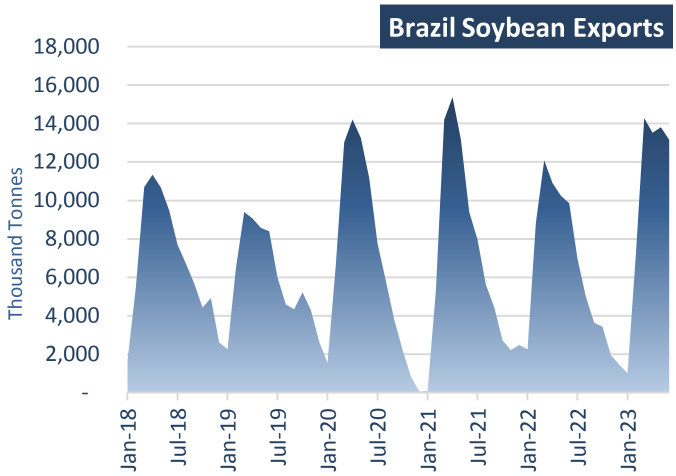
Although a softer dollar and a less restrictive monetary policy were always pro shipping, it was way too early to see any tangible effect on recently concluded fixtures. Typically, the short-sighted spot market was focusing on the staple iron ore, coal, grains and minor bulk commodities, which lately did not seem to be in a rush to be transferred around the globe. In spite of that, some non-negligible weekly gains were recorder during the second week of July, not being sufficient enough though to push Baltic indices anywhere close to last year's values. In fact, as the third quarter dawned, the $20,000-mark seemed more like a Midsummer Night's Dream rather than a feasible goal within their grasp. That being said, as Baltic indices kept treading through murky waters, any week without a sea of reds in their daily closings could be considered as a positive one.

Typically, in late July, dry bulk shipping reports were painted with bright colours, with most of the weekly spot market commentators trying to guestimate at what levels Baltic indices are going to peak in the end. However, in this bizarre trading year, any such conversation seemed to have disappeared into a bottomless pit. The gauge of activity in the dry bulk spectrum, Baltic Dry Index, revisited the three-digit territory during the third week of July, concluding down at 950 points. Capesizes couldn't resist the gravitational forces of late, balancing at a mere $11,958 daily. In a similar vein, the workhorses of the grain trades reported losses, ending the week at BPI82 TC levels of $8,320 daily. Supramaxes could be proud, being the only segment in the green at $8,333 daily. Having lost another $167 on a weekly basis, the small and flexible Handies lay at $7,202 daily on the closing of the third Friday of July.

On the commodity front, grains made headlines once again, with Russian and Ukraine not managing to keep the grain corridor alive. As widely expected, Russia stressed that it will not extend the United Nations-led corridor for the export of Ukrainian grain. "The Black Sea agreements ceased to be valid today," Russian government spokesman Dmitry Peskov said in his daily press briefing. He further added that "The part of the deal concerning Russia has not been fulfilled [and] as soon as the Russian part is completed [fulfilled], the Russian side…will return to this deal immediately." UN sources confirmed that Moscow formally delivered a notification to that effect at the Black Sea Grain Initiative coordination centre in Istanbul. Mid-week, Russia struck Ukrainian ports. Russia described a wave of missile and drone attacks on Ukraine's ports as "mass revenge strikes" in retaliation for attacks by Ukrainian drones that knocked out its road bridge to the Crimean Peninsula. Ukraine's Agriculture Minister Mykola Solsky said that a "considerable" amount of grain export infrastructure at Chornomorsk port had been damaged. In response to threats from Moscow, Kyiv warned that all ships calling at Russian-controlled ports in the Black Sea "may be considered by Ukraine as carrying military cargo with all the relevant risks". Earlier, Russia had also threatened ships calling at Ukrainian ports, withdrawing their previous security guarantees.

The agricultural landscape in Europe faced further challenges, with the largest granary of the continent encountering additional negative developments. The intensifying summer drought across Europe and Canada raised significant concerns regarding wheat production in those regions. Forecasts suggested that the existing drought conditions were likely to worsen over the next month in both Canada and Europe. Additionally, as Australia approached its critical development period for wheat, dry weather was anticipated to dominate the continent, particularly impacting Western Australia due to prolonged dry conditions. Surprisingly, the Black Sea Region emerged as the only major wheat-producing area with a favourable outlook. However, uncertainties loomed due to the recent escalation in the Russia-Ukraine conflict, casted doubts on whether this region's crop would seamlessly reach international markets. Given this challenging scenario, China's reliance on South American crops appeared to have strengthened even further as an alternative source amid the uncertainties plaguing other major wheat-producing regions.

Brazil's dominance in the soybean export market remained unchallenged as US exports continued to lag. Brazilian soybean exports hit an unprecedented high in June, shipping a record-breaking 13.1 million tonnes of beans, surpassing the five-year average by approximately 35.8 percent. This surge was predominantly fueled by China's relentless demand for beans, with Brazil shipping 8.6 million tonnes of soybeans to China during this period, marking a substantial increase compared to previous years. As of July 9, Brazilian soybean exports for the 2022-23 period reached 64.3 million tonnes, standing 19.1 percent above the long-term average and setting a new record. Conversely, the US soybean market remained inactive. June saw a further decline in soybean exports from the United States, dropping to a mere 0.8 million tonnes, the lowest figure since 2016, down from 0.9 million tonnes in May. Outstanding sales of US soybeans as of June 29 plummeted to 3.2 million tonnes, a significant decrease from the previous year's 7.7 million tonnes. Refinitiv forecasts anticipated 2023-24 US soybean exports at 49.5 million tonnes due to reduced supply and international demand, compared to the USDA's July projection of 50.35 million tonnes. Despite the likelihood of a near-zero import scenario for US soybeans in the coming months, robust imports from South American countries, particularly Brazil, were expected to sustain China's soybean imports at near-record highs. Refinitiv trade flow projections indicated that 9.26 and 7.84 million tonnes of soybeans were slated to arrive in China in July and August, well above the same period's figures from the previous year.



Source: Refinitiv, Doric Research

In the last week of July, the barometer of the dry bulk spectrum revisited the four-digit territory, concluding at 1110 points. The anticipation of a further Chinese stimulus sent the leading Capesizes higher, balancing at $15,180 daily. With ECSA feeding the spot market with a constant flow of orders, the main carriers of grains reported gains, laying at BPI82 TC levels of $8,774 daily. In sharp contrast, the geared tonnage remained under pressure, with Supramaxes and Handies lingering at $7,989 and $7,123 daily respectively.

In line with the traumatized sentiment of the dry bulk market, the global economic recovery was slowing amid widening divergences among economic sectors and regions, according to the International Monetary Fund. In particular, global growth was projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. While the forecast for 2023 was modestly higher than predicted in April, it had remained well below the historical (2000-19) annual average of 3.8 percent. Advanced economies continued losing steam, with weaker manufacturing, as well as idiosyncratic factors, offsetting stronger services activity. In emerging market and developing economies, the growth outlook was broadly stable for 2023 and 2024, although with notable shifts across regions.

The International Monetary Fund (IMF) projected a growth rate of 4.0 percent for emerging market and developing economies in 2023, followed by a slight uptick to 4.1 percent in 2024, indicating modest revisions from their previous forecast. China's growth projections remained stable at 5.2 percent for 2023 and 4.5 percent for 2024. However, a shift in composition was evident in the growth trajectory. Consumption growth aligned closely with the April 2023 WEO projections, but investment fell short due to the ongoing real estate downturn in China, with real estate investment plummeting by 7.9 percent in the first half of the year. Forecasts from the National Bureau of Statistics suggested that this trend would persist in the near term. Zong Liang, chief researcher at the Bank of China, remarked that such a decline didn't align with China's growth objectives, highlighting the challenge facing this crucial sector of the Chinese economy. Despite Beijing's efforts to rectify and bolster this key economic sector, the dry bulk shipping industry remained sceptical about an imminent solution. Conversely, India's growth was projected at 6.1 percent in 2023, marking a 0.2 percentage point upward revision from the April projection, reflecting the momentum gained from stronger-than-anticipated growth trends.

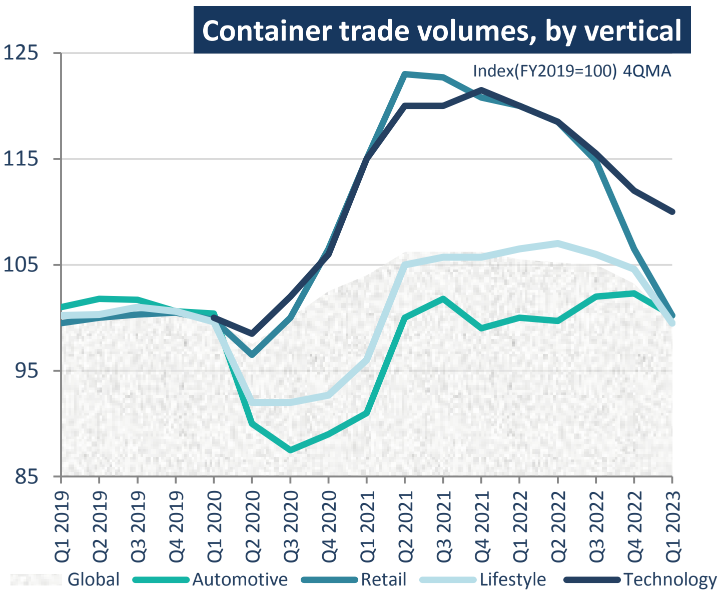
For advanced economies, the growth slowdown projected for 2023 remained substantial: from 2.7 percent in 2022 to 1.5 percent in 2023, with a 0.2 percentage point upward revision from the April 2023 WEO. In the United States, the growth rate was expected to moderate from 2.1 percent in 2022 to 1.8 percent in 2023, with a 0.2 percentage point upward revision attributed to robust consumption growth observed in the first quarter. Within the euro area, growth was forecasted to decline sharply from 3.5 percent in 2022 to a mere 0.9 percent in 2023 before a slight recovery to 1.5 percent in 2024. Although the overall forecast remained largely unchanged, there were variations in specific countries. Italy and Spain saw upward revisions due to stronger services and tourism sectors. However, Germany faced weaknesses in manufacturing output and experienced economic contraction in the first quarter, leading to a downward revision in its growth projections. Turning to the Far East, Japan was projected to experience expansion of 1.4 percent in 2023, representing a modest upward revision. This growth was supported by pent-up demand and accommodative policies. However, growth was anticipated to slow to 1.0 percent in 2024 as the effects of previous stimuli began to fade.

Against this backdrop, world trade growth was expected to face a sizeable three percentage-point decline to 2.0 percent in 2023, before rising to 3.7 percent in 2024, in both cases well below the 2000-19 average of 4.9 percent. The aforementioned decline reflected not only the path of global demand, but also shifts in its composition towards domestic services, lagged effects of US dollar appreciation and rising trade barriers. Facing strong headwinds from the macro environment, dry bulk shipping kept looking for safe harbours amidst a stormy economic junction.

The first trading week of August mirrored the previous one, with gearless segments faring better than their geared counterparts. Kamsarmaxes stood out as the sole segment in positive territory, returning to five-digits at $10,200 daily. This uptick was fueled by robust trading activity in the East Coast of South America (ECSA), which notably influenced the favored bulker type among newbuilding investors. Conversely, Capesizes teetered between stimulus anticipation and the actual demands of the spot market, stabilizing at $15,080 daily, showing a marginal decrease week-on-week. In contrast, Supramaxes and Handies, more indicative of concerns within the global manufacturing sector, experienced further weakening in the first days of August, recording values of $7,568 and $7,020 daily, respectively.

Whilst not many things have changed in the spot market during recent trading days, a historic US credit rating downgrade by rating company Fitch made headlines, sending shockwaves in stock markets across the globe. Fitch cut its US credit rating from triple A to double A plus, citing a mounting government debt burden and the debt ceiling stand-off that two months ago brought the world's largest economy on the verge of a default. Following the surprise downgrade of the country's debt rating, US stocks had their biggest one-day drop in months, joining a global sell-off. However, and in spite of the initial shock, stocks edged higher during the second part of the week as the sell-off in bond markets abated and investors welcomed forecast-beating results from Amazon and weaker-than-forecasted US jobs growth.

On the international trade front, the combination of recession concerns and high inventories resulted in poor demand growth for container trade and logistics services, according to AP Møller-Maersk. In Q2, the demand for containers declined between 4.0 percent and 6.5 percent year-on-year, due to weak import growth into North America, Oceania and Far East Asia. Imports into Europe showed signs of improvement in Q2 following a very weak run, and together with positive import growth into West Central Asia, and sustained improvement in imports into Africa, offset some of the weakness elsewhere. The Danish shipping and logistics group stressed that global container demand – regarded as a proxy for global trade – would fall by 1 percent to 4 percent this year, versus a previous forecast of plus 0.5 percent to minus 2.5 percent. Lacking favourable tailwinds from the international trade environment, dry bulk shipping kept trying to catch any squall to fill the sails in order to gather pace in mid-August.

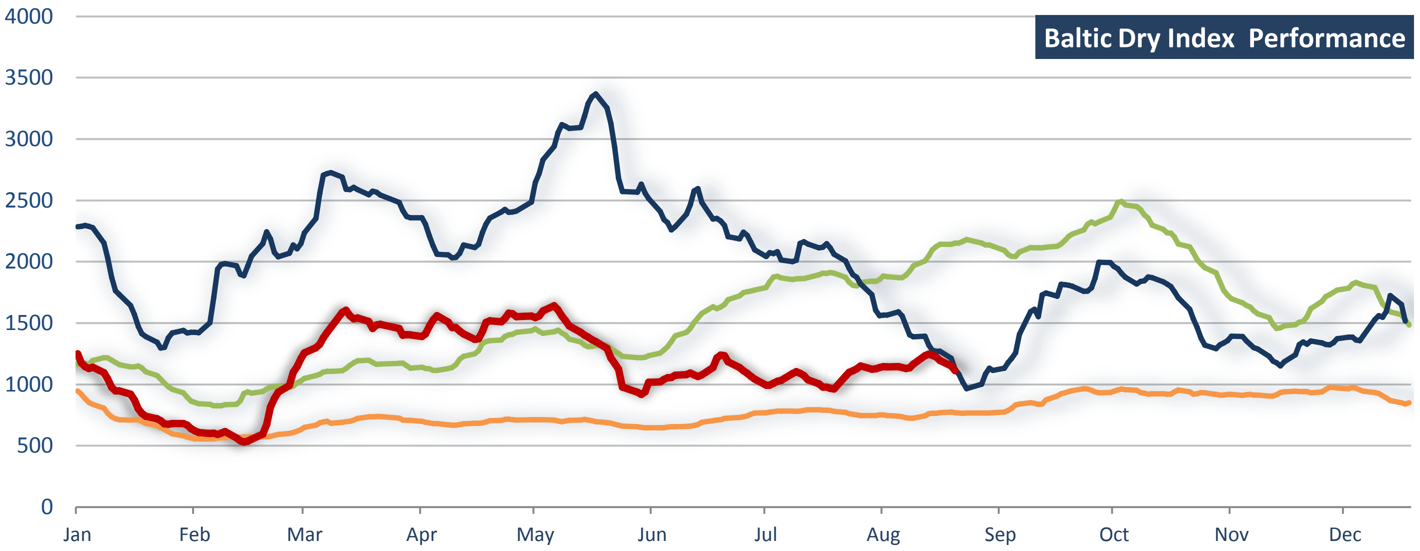


Source: AP Møller-Maersk, Doric Research

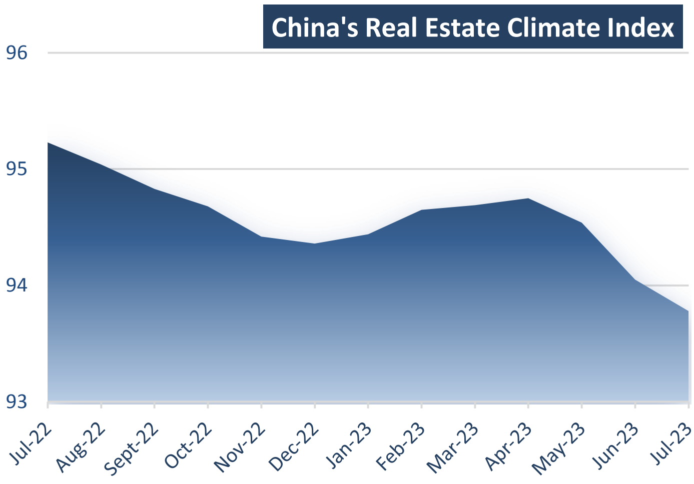
The dry bulk market stood at 1080 points as August drew to a close, a few points lower compared to the same period a year ago. However, the journey to this value was markedly different from the previous year. In 2022, the BDI had peaked at 3369 points in late May, whereas in 2023, it only reached 1640 points by late August. The average BDI for the first seven months of 2022 was significantly higher at 2245 points, in stark contrast to the current year's average of 1140 points. Expectations within the shipping industry for a robust stimulus from Beijing following the post-Covid era were met with modest interest rate cuts and vague assurances of support for debt-stricken property developers. Unfortunately, these measures failed to rekindle sentiment within the industry, leading to a subdued performance in the market.

It seems like the rest of the dry bulk segments had a notable uptick in August, while Capesize vessels were eagerly awaiting significant liquidity injections or a substantial fiscal stimulus from Beijing. Specifically, the key players in grain trades demonstrated robust upward trends in the previous four weeks. For instance, the BPI82 TC levels for Panamax ships reached $13,041 daily, marking a substantial increase of $4,987 compared to the previous month. Similarly, Supramaxes saw gains, reaching $9,993 daily with a monthly increase of $1,715, while Handies achieved a daily balance of $9,122, reflecting a significant 26.8 percent increase month-on-month. In the FFA market, the recent upswing in spot market values resulted in an upward shift in forward curves. For instance, the Panamax curve's front end was positioned $2,000 higher than a month ago, with other curves following closely.

The concerns persisted regarding the slowdown in China's property sector despite recent improvements in market sentiment. From January to July, investment in real estate development amounted to 6,771.7 billion yuan, marking an 8.5 percent year-on-year decrease. Specifically, investment in residential buildings dropped by 7.6 percent to 5,148.5 billion yuan during the same period. In terms of sales, the floor space of commercial buildings sold from January to July decreased by 6.5 percent year-on-year, with residential buildings showing a 4.3 percent decline. Additionally, the sales of commercial buildings were down by 1.5 percent to 7,045.0 billion yuan, whereas residential building sales increased slightly by 0.7 percent. Given these figures, China's real estate climate index fell to multi-month lows, resting at 93.78 points, signalling ongoing challenges within the real estate market.



Source: Baltic Exchange, Doric Research



Source: NBS, Doric Reasearch

The Baltic Dry Index closed the first trading day of September at 1084 points, showing minimal change compared to the previous week. Capesizes experienced a decline while other segments saw gains. Capesizes were notably lower at 8,561 daily, a considerable decrease from the previous week. Kamsarmaxes trended relatively unchanged, closing at $13,300 daily. Supramaxes and Handies, showing substantial month-on-month increases of 38.3 percent and 37.5 percent respectively, demonstrated resilience, closing at $10,779 and $9,742 daily by the end of this week.

Official data from China indicated some improvement in the manufacturing sector but still within contraction territory. The official PMI rose slightly in August, showing more optimism among manufacturers, likely boosted by government support measures. However, the index remained below the expansion threshold for the fifth consecutive month. Manufacturer business expectations improved slightly last month, with the respective index rising to 55.6 from 55.1 in July. Zhao Qinghe, a senior NBS statistician, said manufacturers expressed more robust optimism and confidence with the help of a raft of supportive government measures announced recently. He further added that “The survey also showed that insufficient market demand is still the major problem confronting companies, and it will take time to consolidate the foundation for a recovery in the manufacturing sector.”

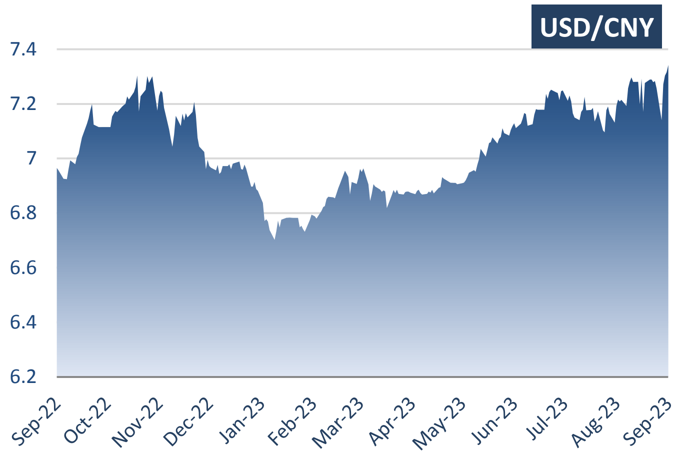
The recent figures for China's non-manufacturing sector indicated a decline in the Purchasing Managers' Index (PMI) to 51 in August, dropping by 0.5 points. This decline came after four consecutive months of moderation, reflecting an overall economic slowdown. However, within the non-manufacturing sector, the construction subindex saw an improvement, rising to 53.8 from 51.2 in July. This sector, impacted by the ongoing property crisis, displayed signs of recovery. Overall, both the manufacturing and non-manufacturing indices appeared to be converging around the 50-point mark. This equilibrium suggested an economy that was neither experiencing significant expansion nor severe contraction, indicating a somewhat stabilized economic condition.

In a similar vein, the eurozone's manufacturing sector sustained contraction in August, per the latest S&P Global eurozone manufacturing purchasing managers’ index survey. The index slightly increased to 43.5 from July's 42.7, marking a three-month high but remaining well below the critical 50-point threshold signifying expansion. Japan faced a third consecutive month of shrinking factory activity in August, attributed to pressure from raw material inflation and rising wages. The final au Jibun Bank Japan manufacturing purchasing managers' index stayed at 49.6, unchanged from the previous month and marking the third month below the 50.0 threshold. Similarly, South Korea's manufacturing sector also contracted in August, registering a manufacturing PMI score of 48.9 in the recent S&P Global survey. Meanwhile, in the world's largest economy, the S&P Manufacturing PMI for August 2023 was at 47.9, down from 49 in July. Although US manufacturing contracted for the tenth consecutive month in August, the pace of decline appeared to be slowing, hinting at a potential stabilization of the sector at lower levels.

With Capesizes in the doldrums and manufacturing activity in contraction across the board, BDI reported an August average of 1150 points, on the low end of the last twenty months. However, China rolled out a series of policy measures in early September that might have had a positive bearing on both manufacturing activity and Baltic indices. According to a joint statement by the People’s Bank of China and the National Administration of Financial Regulation, minimum downpayments for mortgages would be cut to 20 percent for first-time buyers and to 30 percent for second-time buyers nationwide. Previously, homebuyers in tier I cities, such as Beijing and Shanghai, had to make downpayments of at least 30 percent to 40 percent. In addition, interest rates on new mortgages are also being slashed by about 40 percentage points after the central bank set a lower minimum premium to its benchmark loan prime rate. Against this backdrop, base metals rallied the first Friday of September on renewed demand optimism.

In the second week of September, oil made headlines once again. Brent crude futures hovered above $90 a barrel on the late part of the thirty-sixth trading week, whilst US West Texas Intermediate crude futures were following closely. Both oil benchmarks hit 10-month maxima that week after Riyadh and Moscow extended their voluntary supply cuts of a combined 1.3 million barrels per day to the end of 2023. For a good part of the first half of the year, oil prices were trading in a relatively narrow range of $70-$80 per barrel until the extra Saudi production cuts on top of OPEC+ reductions de-anchored prices from that range in July. A renewed effort by Saudi Arabia and Russia to push oil price towards $100 a barrel sent Brent crude prices breaching $90 a barrel for the first time in 2023. Adding further fuel to the upward trend of late, US commercial crude oil inventories decreased by 1.5 percent, or 6.3 million barrels. Furthermore, China's crude oil imports during August jumped by 20 percent from July, and by 31 percent from August 2022, as refiners built inventories and increased processing to benefit from higher profits from exporting fuel. Shipments last month to the world's biggest oil importer came in at 12.43 million barrels per day, the third-highest on record, according to Reuters calculations. However, China's overall exports and imports fell in August, as the double whammy of slowing overseas demand and domestic weak consumer spending squeezed activity in the world's second-largest economy. Further to concerns for the course of the global economy, the strengthening of the US dollar was expected to make crude less affordable for oil-importing countries, restricting weekly price upticks.

Meanwhile, Chinese yuan hit its lowest level against the US dollar in 16 years, reflecting growing concerns about China's economic outlook. The yuan closed in mid-September at its weakest level since the global financial crisis, experiencing pressures from capital outflows. A widening yield gap compared to the United States added to the downward pressure on the yuan, impacting other emerging currencies as well. Simultaneously, the offshore yuan also reached its lowest recorded level against the dollar. A weaker yuan typically bolsters exports by making locally manufactured goods and services more competitively priced in the global market, benefiting industries like solar panel, battery, and electric vehicle manufacturers. However, sectors reliant on imported inputs may face increased costs for goods. The impact of a weaker yuan on imports isn't straightforward and can vary significantly across sectors, depending on the ability to pass on additional costs to end customers.



With all segments reporting double-digit weekly gains, the general Baltic Dry Index concluded at 1381 points in the third Friday of September. Following iron ore prices higher, Capesize submarket covered some of the late August losses, balancing at $13,284 daily. Brazil's bounteous grain harvests, delays at the drought-stricken Panama Canal and increased congestion in East Coast South America had a positive bearing on the midsize bulker market, with Panamaxes and Supramaxes laying at $14,906 and $13,426 daily respectively. Touching four-month maxima, Handysizes remained consistent on their upward trend during the thirty-seventh trading week, lingering at $11,420 daily.

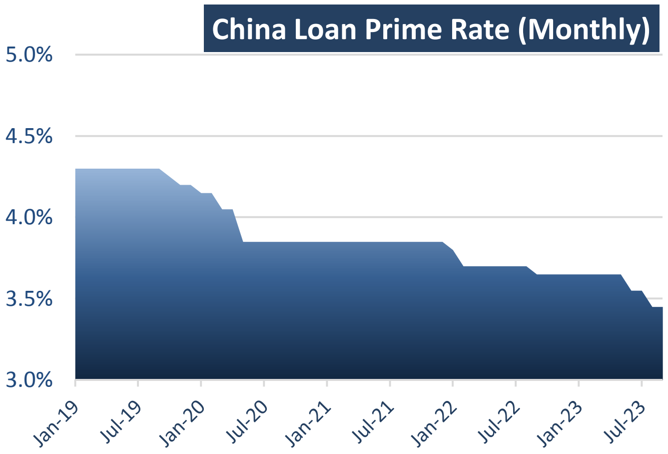
Iron ore markets had been riding a wave of optimism lately, mirroring the upbeat trend in the hot spot market. Fueled by China's efforts to stimulate its economy, iron ore futures witnessed their most significant weekly gains in months, despite a contraction in the country's steel output for August. China, as the world's largest steel producer, manufactured 86.41 million metric tonnes of steel last month, marking a 4.8 percent decline from the previous month but a 3.2 percent increase from the same period last year. August saw an average daily steel output of 2.79 million tonnes, dipping from 2.93 million tonnes in July. Furthermore, the absence of any public announcement that the state planner would continue to cap steel output this year injected moderate optimism in the iron ore and steel markets.

On the third Friday of September, iron ore futures continued their upward trajectory, seemingly more focused on anticipated additional stimulus measures rather than the softening tone observed in the steel market. The day prior, China's central bank announced its decision to reduce the amount of cash banks are required to hold as reserves for the second time this year, aimed at bolstering liquidity. The People's Bank of China implemented a 25 basis point cut in the reserve requirement ratio to around 7.4 percent, following a similar move made in March. This action was anticipated to inject over 500 billion yuan ($68.71 billion) into the economy for medium to long-term liquidity, as per statements from an official at the central bank reported by state media Xinhua. Analysts interpreted this move as an alternative approach to support the economic recovery, particularly considering the limitations posed by a weakening Chinese yuan, which had constrained more aggressive interest rate cuts.

Market sentiment received a significant boost as China showcased stronger-than-anticipated growth in retail sales and industrial production in August. Industrial enterprises recorded a 4.5 percent year-on-year increase in total value added, while the Index of Services Production surged by 6.8 percent year-on-year, marking a 1.1 percentage point acceleration from the previous month. Retail sales of consumer goods also saw an impressive uptick, reaching 3,793.3 billion yuan—an increase of 4.6 percent year-on-year and 2.1 percentage points higher than the previous month. Despite these positive indicators, real estate development investment plunged by 8.8 percent, signaling persisting challenges in that sector. The overall economic activity in China appeared to show signs of improvement in August, hinting at a potential stabilization in the recent growth slowdown. However, the notable downturn in real estate posed ongoing hurdles. As for its impact on the shipping industry, the recent liquidity injection's effectiveness in turning the situation around remained a matter of debate. Nonetheless, it seemed to have provided some support amid the ongoing seasonal upturn.

On the central bank front, the Fed reiterated its commitment to achieve maximum employment and a 2 percent inflation rate over the longer run. In support of these objectives, the Committee decided to maintain the federal funds rate target range at 5-1/4 to 5-1/2 percent. In determining the necessary extent of additional policy adjustments to return inflation to the 2 percent target, the Committee would consider the cumulative tightening of monetary policy, the time lags affecting economic activity and inflation, as well as economic and financial developments. Meanwhile, at its meeting concluding on September 20, 2023, the Bank of England's Monetary Policy Committee narrowly voted to maintain Bank Rate at 5.25 percent, with a majority of 5-4. In Europe, the European Central Bank chose to increase the three key ECB interest rates by 25 basis points. This Hawkish tone echoed across other central banks. The Governing Council of the Bank of Canada reached a consensus to hold the policy rate at 5 percent. Additionally, Norges Bank's committee for monetary policy and financial stability decided during its September 20 meeting to raise the key interest rate from 4.0 to 4.25 percent. While the South African Reserve Bank held its key rate steady, policymakers cited ongoing risks to the inflation outlook. In the Far East, Taiwan's central bank opted to maintain interest rates at their current levels but highlighted continued adherence to tight policy.

At the same time as higher interest rates seemed to be a necessity in order to further slow down demand and eased upward pressures on prices, an East-West divergence in central bank actions became apparent. In a policy statement, the Bank of Japan said it would maintain short-term interest rates at -0.1 percent, and cap the 10-year Japanese government bond yield around zero. On the same wavelength, China kept benchmark lending rates unchanged, in line with expectations, as fresh signs of economic stabilisation and a weakening yuan reduced the need for immediate monetary easing. Whilst higher rates seemed to be the new reality, Baltic indices managed to step on China's positive momentum of late and take a much-needed breather.



Source: People's Bank of China, Doric Research

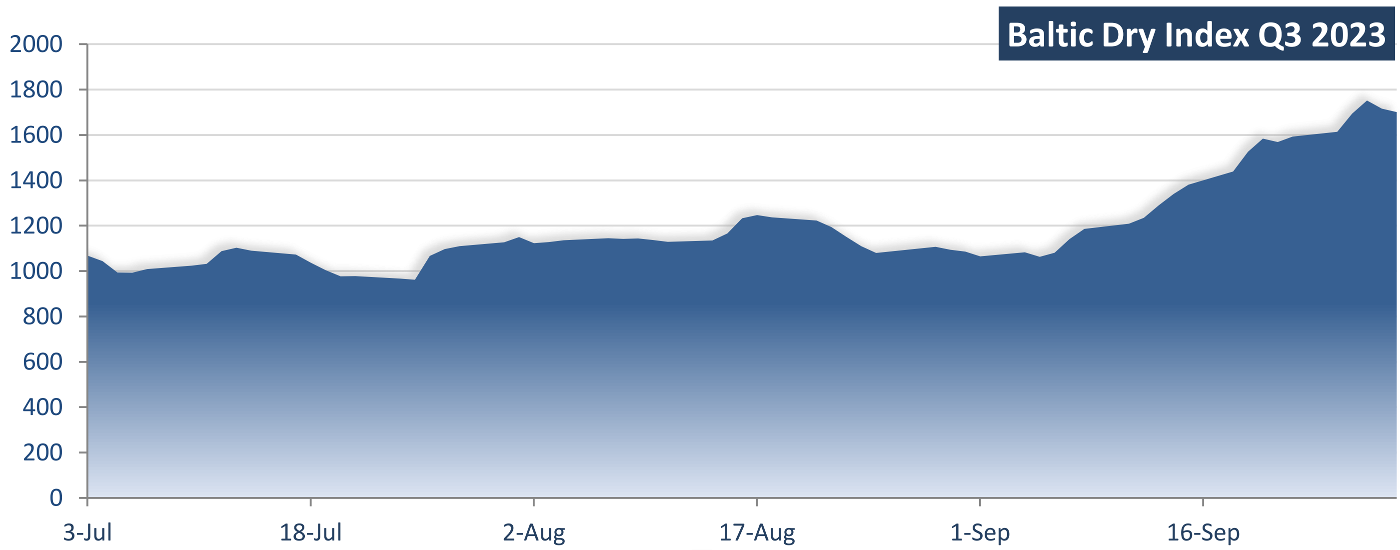
Two years ago, the last trading week of September started with Hong Kong's stock market plummeting, as an escalating liquidity crisis of the Chinese property developer Evergrande showed signs of spreading beyond the sector. The sell-off in Asia hit European stocks that morning and futures' prices were 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. Twenty-four months later, a sudden major collapse of asset values – as expected by a "Minsky Moment" scenario – might not have happened, yet still China's property sector didn't seem to be fully recovered from the initial shock.

In this context, growth in China was seen as slowing, after an initial rebound in early 2023 from reopening, according to the latest OECD's estimates. In contrast, GDP growth in the other major Asian emerging-market economies, India and Indonesia, was projected to remain relatively steady in 2023 and 2024 at circa 6 percent for India and 5 percent for Indonesia. The growth outlook in the rest of the G20 emerging-market economies varied considerably, depending on country-specific circumstances. In the US, the world's largest economy had proved surprisingly resilient to the steep rise in interest rates, with household spending supported by excess savings accumulated during the pandemic. Calendar year GDP growth was projected to ease from 2.2 percent in 2023 to 1.3 percent in 2024. On the contrary, activity has already softened in the euro area and the United Kingdom, reflecting the negative bearing on incomes of the large energy price shock in 2022. GDP growth in the euro area in 2023 and 2024 was projected to be 0.6 percent and 1.1 percent respectively, with the corresponding numbers for the United Kingdom being 0.3 percent and 0.8 percent. Standing alone, Japan was the only advanced economy in the G20 without any increase in interest rates. Improving wage growth and strong service exports were expected to support GDP growth to 1.8 percent this year, before moving back closer to trend in 2024, at 1 percent.

In terms of international trade, the world economy had by then experienced more than a decade in which trading volumes have barely kept pace with output growth. In the latest OECD's Global Trade report, the G20 merchandise trade saw a contraction in Q2 2023, with both exports and imports falling by 3.1 percent and 2.0 percent, respectively. This decline was attributed to subdued global demand and decreasing commodity prices, particularly in the energy sector.

Surprisingly, the third quarter proved to be infertile, witnessing Baltic index averages significantly lower than those of the second quarter. The Capesize segment experienced double-digit quarterly losses, averaging $13,407 daily over the last three months. Despite increased activity from South America, the Panamax segment remained relatively stagnant, with an average of $11,890 daily for the quarter. Within the geared sub-market, the three-month average for Supramaxes was $10,028 daily, while Handies averaged $8,863 daily. Notably, the performance of Handies in the third quarter marked its lowest average daily value, even lower than the typically weaker first quarter.

Amidst the pre-holiday shopping frenzy in China, the BDI didn't delve into longer-term dynamics or examine quarterly averages in the final trading days of September. Seizing the positive market momentum in the last few weeks of the third quarter, Baltic indices were poised to commence the final quarter of the year from a considerably elevated starting position compared to a few months back.



Act IV – "A rising tide lifts all boats "

China, last Friday, initiated its longest public holiday of the year, spanning eight days until October 6, amalgamating the Mid-Autumn Festival and the annual National Day holiday. Throughout this "golden week" break, numerous popular destinations across China experienced substantial spending surges. Data from Meituan, a prominent on-demand local services platform, revealed a remarkable spike in daily average spending for services and retail, escalated by 153 percent nationwide. Dine-in services witnessed an even more striking surge, with a 254 percent increase compared to the same period in 2019, as reported by the South China Morning Post. Moreover, the Ministry of Culture and Tourism reported a significant surge in domestic travel, with 826 million trips undertaken during the eight-day holiday. This marked a notable increase of 71.3 percent from the previous year and a 4.1 percent rise over the pre-pandemic levels of 2019.

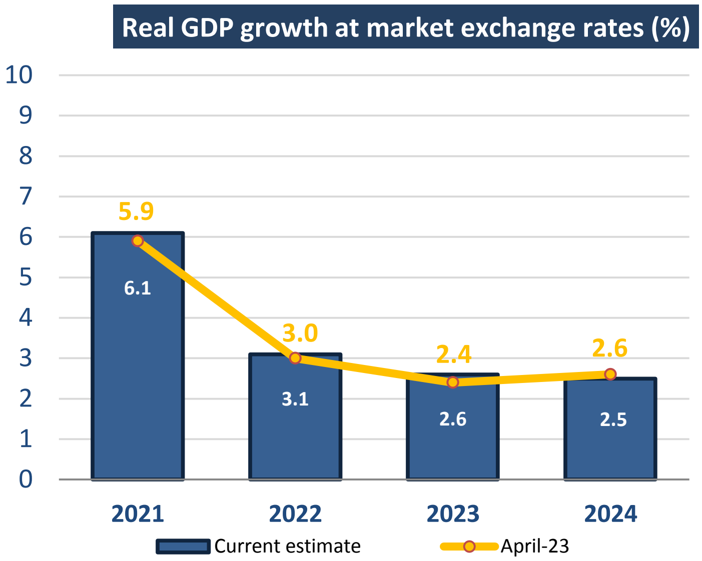
In tandem, the National Bureau of Statistics disclosed data in early October revealing China's manufacturing sector's Purchasing Managers' Index (PMI) hitting 50.2 in September, indicating a positive turn. Notably, this marked the first instance since April that the manufacturing PMI surpassed the pivotal 50-point threshold, suggesting a favourable shift in momentum. Additionally, data unveiled a non-manufacturing PMI of 51.7 for September. Zhao Qinghe, a statistician at the NBS, highlighted the impact of gradually implemented favorable policies, attributing them to the growth witnessed in both manufacturing and non-manufacturing sectors, contributing to the overall economic progress. Despite this positive trend, several economists cautioned that this momentum might dwindle as pent-up demand diminishes over time.

World Trade Organisation (WTO), on the other hand, didn't seem to be impressed by the vibrancy of the atmosphere in popular Chinese destinations. A continued slump in goods trade that began in the fourth quarter of 2022 had led WTO economists to scale back their trade projections for the current year while maintaining a more positive outlook for 2024. In fact, world trade slowed abruptly in the fourth quarter last year as the effects of tighter monetary policy were felt in the United States and the European Union. But, falling energy prices and the end of Chinese pandemic restrictions raised hopes of a quick rebound. So far, these hopes had not materialized, as strained property markets had prevented a stronger recovery from taking root in China, and as inflation had remained sticky in the United States and the EU. Together with the after-effects of the war in Ukraine and the Covid-19 pandemic, these developments had cast a shadow over the outlook for trade in 2023 and 2024. Against this backdrop, the intergovernmental organisation which regulates international trade expected a marginal world merchandise trade volume growth of 0.8 percent in 2023 – down from 1.7 percent in their previous forecast. For 2024, growth should be picking up to 3.3 percent – nearly unchanged from the previous estimate in April.

While Chinese Panamax, Supra, and Handy traders indulged in their well-deserved "golden week" break, the Capesize traders appeared to be quite active. Their continuous monitoring and engagement with the market seemingly contributed to driving the respective Baltic index higher and higher during this period.

As the forty-first trading week drew to a close, most segments witnessed positive performance, culminating in the Baltic Dry Index stabilizing at 1945 points, marking a seven percent increase compared to the previous year. Notably, the gearless segment concluded below its intra-week highs, while geared segments reached their peak values for October. Despite the forthcoming maintenance programs in Chinese steel mills, the prominent Capesize submarket continued trading at sixteen-month highs, maintaining a daily rate of $27,591. In contrast, the ECSA market eased off. Panamaxes and Supramaxes were priced at $14,526 and $13,950 per day, respectively, slightly below their multi-month peaks seen in late September. Handysizes, reaching five-and-a-half month highs, displayed consistent upward movement, hovering at a daily rate of $12,361.

On the macroeconomic background, the International Monetary Fund cut its growth forecasts for China and the euro zone and said overall global growth remained low and uneven despite what it called the "remarkable strength" of the US economy. In particular, global growth was projected to decelerate from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024 on an annual average basis. There was a downward revision of 0.1 percentage point for



Source: WTO, Doric Research S.A

Note: Figures for 2023 and 2024 are projections.

2024 compared with the July 2023 World Economic Outlook projection. Still remaining below the historical average across broad income groups, growth bottomed out in the fourth quarter of 2022.

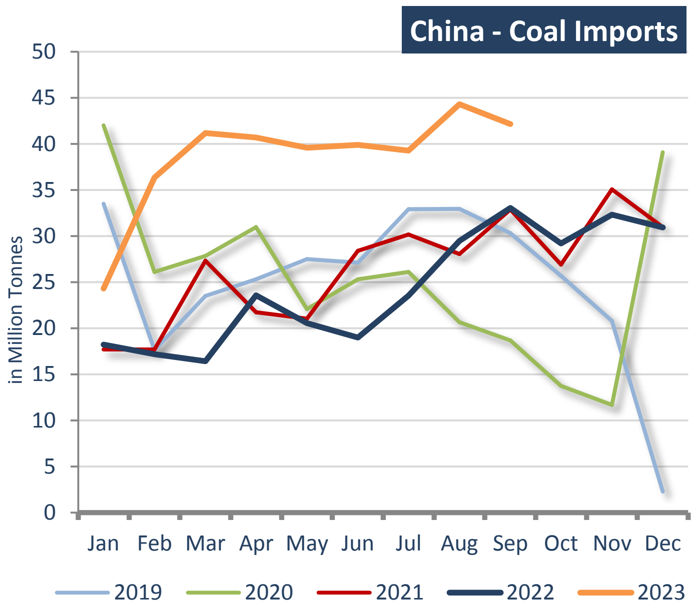
The decline in annual average growth from 2022 to 2023 was predominantly driven by advanced economies, where stronger services activity was countered by a weakening in manufacturing. An estimated 90 percent of these advanced economies were anticipated to experience reduced growth in 2023. On average, these economies were poised for relatively stable growth in 2024, followed by an uptick in 2025. Projections indicated a decrease in growth for the euro area from 3.3 percent in 2022 to 0.7 percent in 2023, with an expected recovery to 1.2 percent in 2024. Among other major advanced economies, the United Kingdom was anticipated to witness a decline in growth from 4.1 percent in 2022 to 0.5 percent in 2023. Japan, however, was set to experience an increase in growth from 1.0 percent in 2022 to 2.0 percent in 2023, supported by pent-up demand and accommodative policies. Regarding the United States, growth projections stood at 2.1 percent in 2023 and 1.5 percent in 2024. Notably, there was a positive revision in the forecast, up by 0.3 percentage points for 2023 and 0.5 percentage points for 2024.

For emerging market and developing economies, growth was projected to decline relatively modestly, from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, with a downward revision of 0.1 percentage point for 2024. The forecast for Russia was for a rise from -2.1 percent in 2022 to 2.2 percent in 2023. In sync, an upward revision was also noted for Ukraine, with projected growth for 2023 balancing at 2.0 percent. Brazil's GDP growth had been revised upward by 1.0 percentage point to 3.1 percent, driven by buoyant agriculture and resilient services in the first half of 2023. Conversely, growth in the Middle East and Central Asia was set to drop from 5.6 percent in 2022 to 2.0 percent in 2023, before picking up to 3.4 percent in 2024. As far as Nigeria went, growth was projected to decline from 3.3 percent in 2022 to 2.9 percent in 2023 and 3.1 percent in 2024.

In reference to the two pillars of the dry bulk market, a significant divergence had become apparent. The International Monetary Fund lifted its 2023-24 growth projection for India to 6.3 percent from its July estimate of 6.1 percent, citing "stronger-than-expected consumption" during the June quarter. Reacting to the International Monetary Fund's report, Prime Minister Narendra Modi stressed that "Powered by the strength and skills of our people, India is a global bright spot, a powerhouse of growth and innovation. We will continue to strengthen our journey towards a prosperous India, further boosting our reforms trajectory". On the contrary, growth projections for China's economy for both 2023 and 2024 were downgraded as the country's real estate crisis as well as weakened consumer and business confidence pose "significant risks". The outlook projected China's economy will grow 5 percent this year and 4.2 percent in 2024, a cut of 0.1 and 0.2 percentage points, respectively, from a previous forecast in July.

In mid-October, the favorable streak within the spot market, the Capesizes – most closely aligned with China – achieved rates exceeding thirty thousand, a level not seen since May 2022. During that time, other trailing segments hovered around similar levels, with the BPI, BSI, and BHSI resting at $28,965, $31,168, and $29,799 daily, respectively. The environment then was marked by ultra-expansionary monetary and fiscal policies, alongside notable inefficiencies across supply chains, validating the adage that "a rising tide lifts all boats." However, the economic landscape had since diverged significantly. The extensive liquidity injections and severe congestion had given way to more restrictive policies and a substantial easing of congestion. The sustained momentum in the spot market over the past two trading years was largely propelled by pent-up demand. Yet, as time progresses, this pent-up demand diminishes, deflating daily rates, particularly affecting the supramax and Handysize segments, which are highly sensitive to the trajectory of the global economy.

The Capesize sub-market closely monitored China's iron ore port stocks, which notably declined to 105.2 million tonnes as of October 13. This marked a nearly 20 percent decrease year-on-year and the lowest level observed since October 2016, according to data from consultancy Steelhome. China had restrained its steel output growth over the past two years to mitigate carbon emissions. However, until October 2023, Beijing hadn't implemented a similar nationwide mandate. The reduced stocks spurred imports, reaching a record high of 876.65 million tonnes for the January to September period, indicating a 6.7 percent year-on-year increase based on customs data. Nonetheless, China's iron ore imports in September witnessed a 4.9 percent decline from August, attributed to decreasing steel margins and a rise in domestic supply, which restrained purchasing. On the contrary, China's coal imports surged by 27.5 percent year-on-year in September. Buyers favored cheaper overseas supplies ahead of the winter peak season, driven by increased industrial usage and seasonal restocking activity. Chinese customs cleared approximately 347.65 million tonnes of coal from January to September, significantly higher by 73.1 percent year-on-year. With sustained robust demand, this trend was anticipated to persist through October. In reference to the staple grains, China imported 7.15 million tonnes of soybeans in September, considerably lower in both month-on-month and on year-on year basis. In the first nine months of the year, soybean imports were standing 14.4 higher year-on-year at 77.8 million tonnes, with Brazil having the lion's share of this trade.



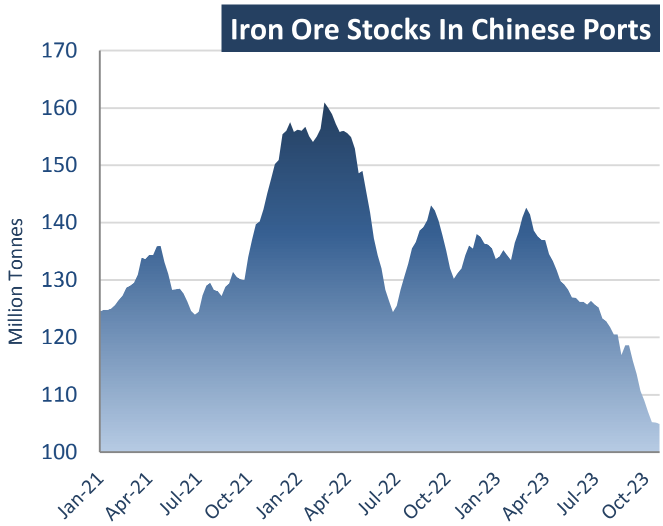
Source: GAC, Doric Research

Whilst Chinese customs kept being busy, the world's second largest economy grew at a faster-than-expected pace in the third quarter. According to the preliminary estimates of China's National Bureau of Statistics, the gross domestic product in the first three quarters reached 91,302.7 billion yuan, a year-on-year increase of 5.2 percent at constant price. By quarter, the GDP for the first quarter increased by 4.5 percent year-on-year, for the second quarter 6.3 percent, and for the third quarter 4.9 percent. Economists polled by Reuters had expected third-quarter year-on-year growth of 4.5 percent. In the first three quarters, the total retail sales of consumer goods reached 34,210.7 billion yuan, up by 6.8 percent year-on-year. During the same period, the total value added of industrial enterprises grew by 4.0 percent year-on-year. In sync, the value added of services went up by 6.0 percent year-on-year. With both consumption and industrial activity surprising on the upside, dry bulk shipping left the real estate market discussion on the sidelines. Baltic indices opted to side with the surprising upside in China's consumption and industrial activity and turn a blind eye in the feeble real estate market.

Capesizes made headlines once again in the last week of October, but this time, it was due to a steep decline rather than their previous soaring performance. Displaying its characteristic volatility, the leading Capesize index surged from $21,645 to $31,089 daily, only to plummet back to $18,461 daily in less than a month of trading. In sync, iron ore futures trading was rather dull as investors weighed China's stepped-up fiscal support against near-term demand prospects. In fact, concerns about Chinese steel mills' further reducing production to comply with emission control protocols and to minimise losses amid weak sales, capped weekly gains for iron ore spurred by Beijing's additional fiscal stimulus. The Panamax segment concluded its trading mostly sideways, settling at $14,448 daily. Corrections in mineral Transatlantic rates and a loss of momentum in ECSA FHs contributed to the Baltic indices being mostly in the red. Following their recent multi-month highs, both Supramaxes and Handies paused during the forty-third trading week, resting at $13,024 and $12,080 daily, respectively.

October had been a fruitful trading month for the Capesizes, with the TCA surpassing the $30,000 mark for the first time over the last seventeen months. In tandem, freight rates for iron ore from both Brazil and Australia to China had increased materially during the same period, with the former pushing to over $26 per tonne and the latter advancing towards $11 per tonne. Fanning the flames of an already robust sentiment, iron ore stocks at the major Chinese ports touched multi-year minima in mid October. Portside inventories slid to 105.2 million tonnes as of October 13, down nearly 20 percent year-on-year, and the lowest level since October 2016, data from consultancy Steelhome showed. However, the last couple of weeks of October, supported by increased China-bound iron ore cargoes, piles of iron ore grew in size. In fact, inventories of imported iron ore at China's 45 major ports included in Mysteel's weekly survey had grown to 111.4 million tonnes by October 26.

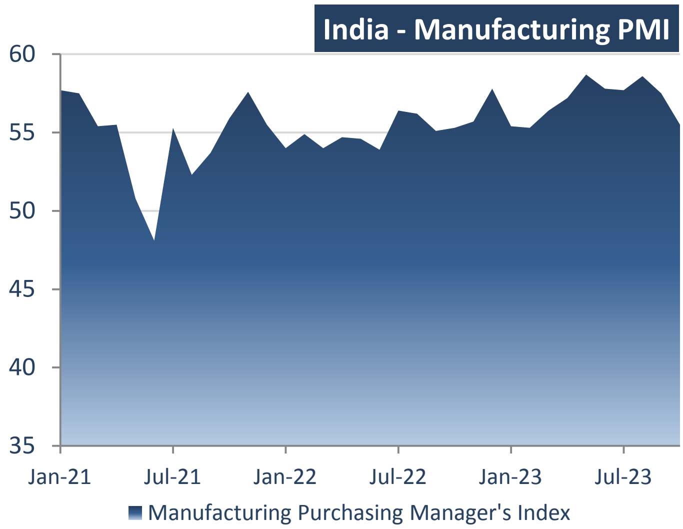
In September, China's crude steel output experienced a 5 percent decline compared to August, totaling 82.11 million metric tonnes, as per official data from the National Bureau of Statistics (NBS). This decline marked the third consecutive monthly decrease from 86.41 million tonnes in August and 90.8 million tonnes in July. However, over the first three quarters, China's crude steel production reached 795 million metric tonnes, reflecting a 1.7 percent increase year-on-year. Conversely, crude steel consumption dipped to 731 million tonnes, a 1.5 percent decrease year-on-year. Vice Chairman of China's Iron and Steel Association, Jiang Wei, attributed this decline in steel consumption to the slowdown in new-home construction. He highlighted an improved structure within China's steel industry, citing increased demand for high-end steel in sectors such as shipbuilding, auto manufacturing, home appliances, and photovoltaic power. Notably, exports of high-value-added steel products also claimed a larger share of the country's total exports. Looking ahead, Jiang anticipated a probable upturn in steel demand driven by heightened manufacturing activities, rapid growth in new energy industries, and the supportive role of infrastructure in the foreseeable future.



Source: Refinitiv, Doric Research S.A

In the first week of November, all Baltic indices were in the red, with the general index concluding at 1462 points. Reporting circa 4 percent weekly losses, the leading Baltic Capesize index was flirting with the mid teens. In a similar vein, Baltic Panamax 82K index moved further south, landing at two-month lows of $13,034 daily. Losing circa 7 percent of its value within a pentad of trading, the Baltic Supramax Index balanced at $12,111 daily. Trading for 28 consecutive trading days above $12,000, the Baltic Handysize Index finished the first Friday of November down at $11,409 daily.

The macroeconomic landscape faced challenges across several regions in October. China's official manufacturing Purchasing Managers' Index (PMI) unexpectedly contracted, slipping to 49.5 from September's 50.2, dipping below the crucial 50-point threshold that separates expansion from contraction. The non-manufacturing PMI, specifically the construction subindex, affected by the ongoing property crisis, decreased to 53.5 from September's 56.2. In Japan, the manufacturing PMI showed a marginal improvement, reaching 48.7 in October, but still remained below the pivotal 50 threshold for the fifth consecutive month. South Korea's S&P Global Manufacturing PMI experienced a slight decline to 49.8 in October, extending its streak of declines for 16 months. Vietnam's manufacturing PMI marginally decreased to 49.6 from 49.7 in September. Similarly, Malaysia's seasonally adjusted manufacturing PMI held steady at 46.8 in October, indicating a continued easing of business conditions for the 14th straight month. India also witnessed a slowdown in manufacturing growth for the second consecutive month. The country's manufacturing PMI dropped to an eight-month low of 55.5 in October, down from 57.5 in September, missing expectations for an uptick in a Reuters poll. Overall, these trends highlighted challenges and weaknesses in manufacturing across several key economies.



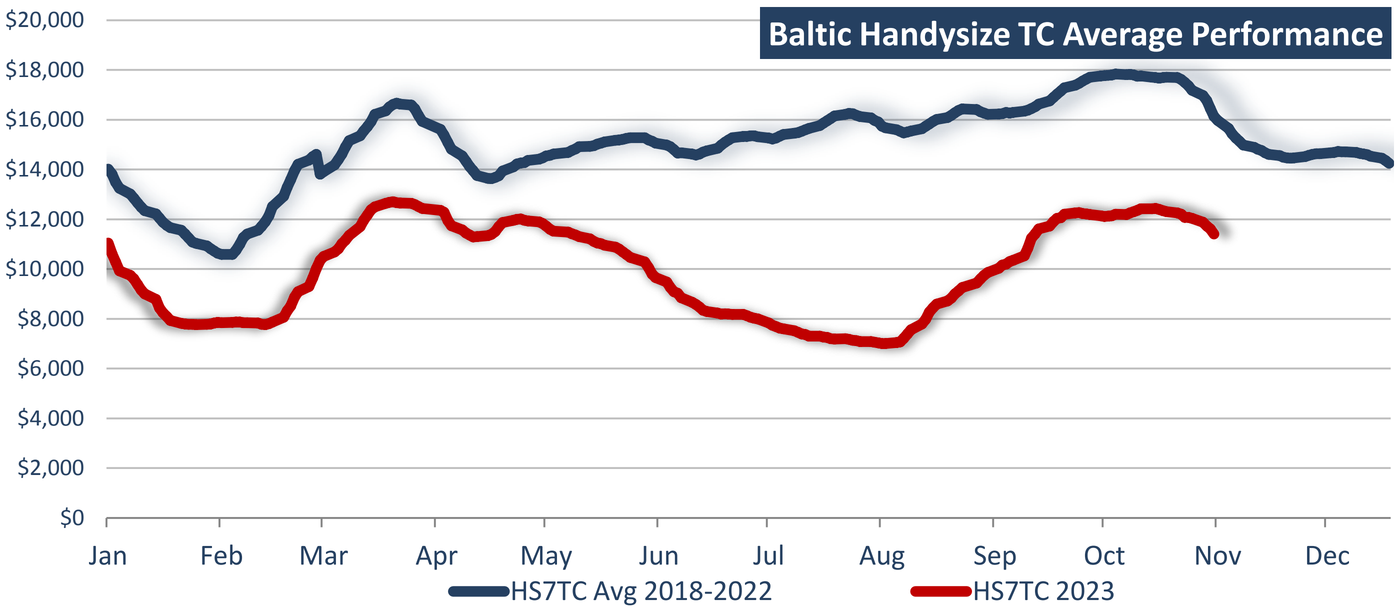
Source: S&P, Doric Research

Regarding the other side of the world, Germany's HCOB manufacturing PMI stood at 40.8 in October, slightly up from 39.6 in September. Despite this increase, it still signaled a significant contraction in manufacturing, reflecting a sustained decline in new orders. The US experienced a notable contraction in manufacturing during October, as the PMI dropped to 46.7 from September's 49.0. Similarly, the UK's manufacturing industry continued its contraction, registering a seasonally adjusted activity gauge of 44.8 in October. Given the strong headwinds facing manufacturing indices globally, it would be unexpected for the Handysize segment to navigate against these trends without heeding these challenges.

The second week of November saw pork prices plummeting, reminiscent of a topic from our university classes - the Cobweb theory. This theory posits that price fluctuations can trigger corresponding fluctuations in supply, leading to cycles of price hikes and drops. Its origins trace back to observations made in 1925 within the US pig markets. Nicholas Kaldor introduced a model centered on agricultural market fluctuations, attributing them to production lags and adaptive expectations. The cycle typically unfolds when hogs prove profitable, prompting producers en masse to expand production, anticipating sustained profits. This expansion continues until the increased supplies cause prices to plummet, rendering profitability unattainable for most producers. Consequently, some producers scale back production or exit the market. The subsequent reduction in the breeding herd translates into diminished pork supplies, gradually driving prices higher once more, restarting the cycle of cyclical expansion. This cyclical pattern, known in economics as the "Pork Cycle," bears striking resemblance to dynamics observed in the shipping industry, hinting at underlying parallels in their market behaviors.

Being under pressure as increased supply has outstripped demand during the trailing few months, live hog futures traded on China's Dalian Commodity Exchange dropped by about 15 percent since early October, reflecting a sharp deterioration in expectations for nationwide pork prices. Wholesale pork prices in the first trading days of November continued to fall, but the rate of decline appeared to be easing as prices near their previous lows. In early November, the average price of pork came in at 18.76 yuan (about 2.61 USD) per kilogram. This figure marked a 45 percent drop from the same period last year. Large-scale farms accelerated the pace of slaughter during the period, while demand shrank, leading to lower prices, the ministry said. Pork holds substantial weightage in China's consumer price index (CPI) as the most consumed meat. The slump in pork prices negatively impacted the CPI headline figure, which declined more than anticipated in October. This decline pushed the country back into a state of deflation, reigniting concerns about the robustness of the world's second-largest economy.

China's consumer price index (CPI) experienced a 0.2 percent decline in October compared to the previous year, based on data from the National Bureau of Statistics. Within the CPI, food prices witnessed a significant 4 percent year-on-year drop, while non-food prices saw a 0.7 percent increase. Even core inflation, excluding the most volatile food and fuel prices, slowed to 0.6 percent in October from 0.8



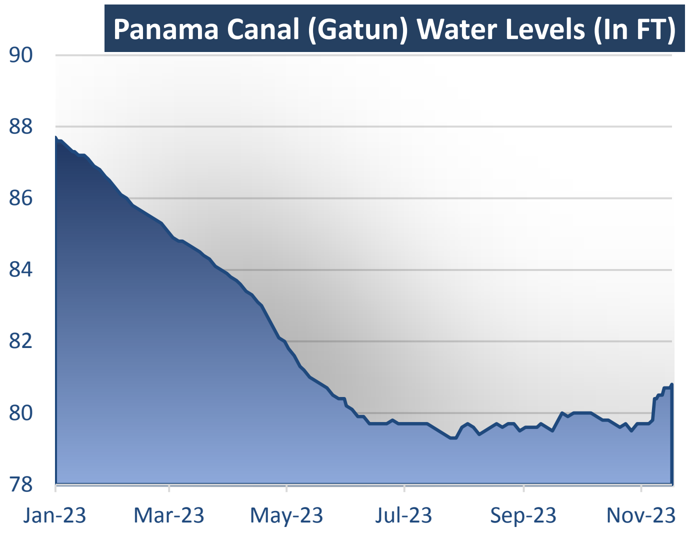
Source: Baltic Exchange, Doric Research

percent in September, indicating China's ongoing struggle against disinflationary pressures. Although officials from the statistics bureau emphasized that "there is no deflation in China and there will be no deflation in the future," the aforementioned price indices, in conjunction with other economic indicators, hinted at the elusive nature of a substantial economic recovery. These metrics collectively suggested that China was still grappling with challenges that hindered a robust resurgence.

Source: NBS, Doric Research

In mid-November, a critical maritime passage took center stage due to unprecedented circumstances. The Panama Canal faced a significant decline in freshwater levels in its reservoirs, crucial for its operation, owing to an exceptional drought this year, as reported by the Panama Canal Authority. October, in particular, experienced a staggering 41 percent decrease in rainfall compared to the typical average, marking the driest October in the last 73 years of recorded data. This persistent drought severely impacted the reservoir system, notably causing Gatun Lake to reach remarkably low levels for this period. With less than two months left in the rainy season, both the Canal and the country grappled with the impending dry season. In response, as of November 3rd, the Canal Authority reduced booking slots to 25 per day from an already decreased 31 per day. This reduction was anticipated to further decrease over the subsequent three months, dwindling to 18 slots per day by February 2024. This adjustment reflected the challenging circumstances posed by the ongoing drought and aimed to manage the Canal's operations during this period of constrained water availability. Approximately 1,000 vessels navigate through the Panama Canal each month, transporting a collective load exceeding 40 million tonnes of goods, constituting around 5 percent of global maritime trade volumes, as per the IMF. However, due to drought-induced restrictions stemming from insufficient rainfall at Gatun Lake, the canal's vital water source, throughput has diminished by approximately 15 million tonnes this year. This has also led to an additional six days in transit for ships. Notably, the impacts of the drought are most acutely felt in ports in Panama, Nicaragua, Ecuador, Peru, El Salvador, and Jamaica, with repercussions reaching as far as Asia, Europe, and North America.

While concerns within the shipping community about the disruptive impacts of climate change on global trade were escalating, Goldman Sachs provided a more sanguine perspective for the course of global



Source: Panama Canal Authority, Doric Research

economy in its latest macro outlook. Goldman Sachs Research anticipated that the global economy will surpass expectations in 2024, echoing the outperformance witnessed in 2023. The leading financial institution foresees another year of growth outperformance across the majority of economies worldwide, projecting global growth to balance at 2.6 percent for the coming year.

The primary reason for this optimistic growth outlook is the apparent lack of necessity for central banks to trigger a recession to curb inflation. In fact, inflation rates have already been on a downward trajectory, reaching their lowest levels since 2021 in many cases. In an environment of significantly reduced headline inflation and resilient labor markets, the growth of real disposable income is expected to further bolster GDP growth. Moreover, Goldman Sachs foresees a lesser drag from tighter financial conditions in 2024 compared to 2023, as the maximum impact of monetary tightening on the growth rate typically lags by about two quarters. Lastly, the investment bank anticipates a recovery in manufacturing activity in 2024 following a subdued pace in 2023. The weak industrial activity this year resulted from a confluence of unusual challenges, including a shift in spending back towards services from goods, the European energy crisis, an inventory destocking cycle to rectify an overbuild in 2022, and a slower-than-expected rebound in Chinese manufacturing. Many of these challenges are expected to diminish in the coming year.

In the final week of November, Bulkers echoed the optimism seen in Goldman Sachs' economic outlook. The Capesize segment notably surged during the week's closure, marking an impressive increase of $5,855 daily. This surge propelled the primary segment of the dry bulk spectrum to reach a daily rate of $28,071 by the end of the forty-seventh trading week. Parallelly, the Panamax segment mirrored the upward trajectory of the Capesize, securing substantial weekly gains and concluding the week at $18,577 daily. Likewise, the Supramax and Handy segments also experienced upward movements, with the former stabilizing at $14,067 daily, while the latter settled slightly lower, resting $2,000 below these levels. This collective upward trend across all bulk carrier segments indicated a positive sentiment prevailing in the industry by the week's end.

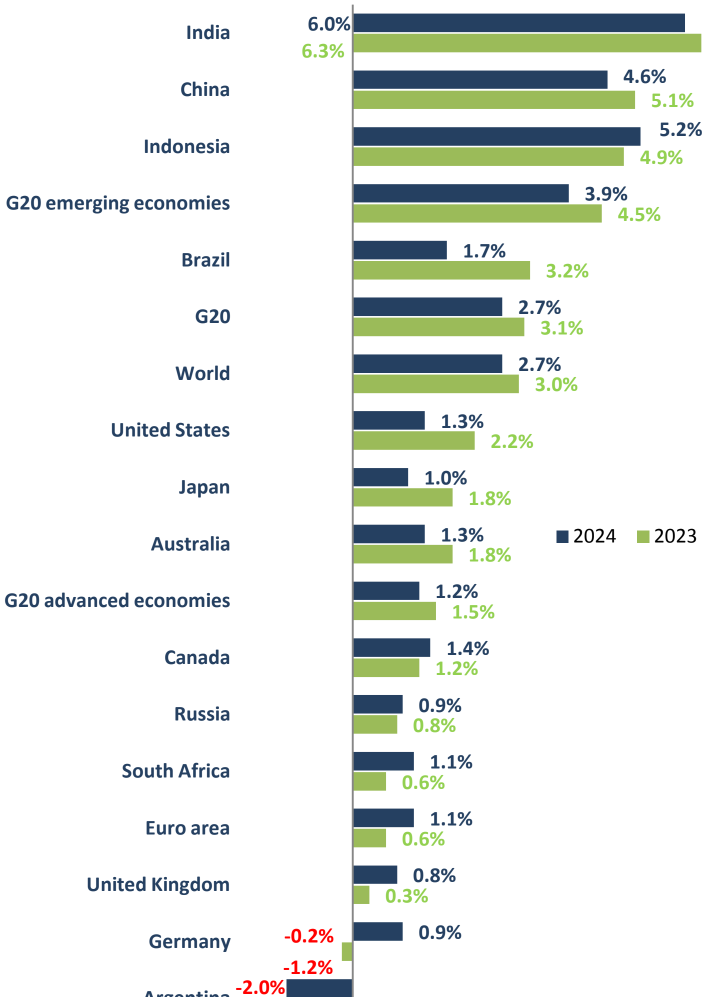
In tandem, iron ore futures marked their fifth consecutive weekly gain, driven by optimism surrounding government backing for China's property sector. China unveiled plans to issue 1 trillion yuan ($139 billion) in sovereign bonds by year-end, part of a larger strategy that included raising the 2023 budget deficit target to 3.8 percent of the gross domestic product, up from the initial 3 percent. Government advisers in China proposed a steady growth target for 2024, anticipating additional fiscal policy support to uphold long-term development objectives, as reported by Reuters. Moreover, speculations emerged regarding Chinese authorities compiling a list of 50 real estate developers for potential funding support. According to Bloomberg reports, the draft list included companies like Country Garden Holdings Co. and Sino-Ocean Group, suggesting a shift in Beijing's approach to aid distressed builders within the country. This news hinted at broader government interventions aimed at supporting and stabilizing the real estate sector.

The anticipated support for steel demand from the construction sector, especially during the traditionally slower first quarter of the following year, was a welcome prospect stemming from the government's financial aid measures. Bloomberg Intelligence's measure of developer stocks saw an uptick, fuelled by expectations that this assistance would mitigate concerns about further turmoil in China's property sector. Additionally, the Hang Seng Mainland Properties index, monitoring Chinese developers, surged by 4.3 percent, contributing to a weekly gain of 9.1 percent. Even Evergrande, in recent weeks, experienced an upward trend in its stock price. The Hang Seng Mainland Properties index gains coupled with the soaring iron ore prices escorted the Capesize spot market to a glorious performance. This change in dynamics, gave way to optimism or maybe speculation that the shadow looming over China's property crisis might dissipate in the coming year. This renewed hope signaled a potential turnaround and a brighter outlook for the property sector in China.

In sharp contrast to the euphoric feeling of the spot market, the Organisation for Economic Cooperation and Development expressed concerns for the course of global economy in the following year. In the first week of December, OECD stressed that the global product proved more resilient than expected in the first half of 2023, but the growth outlook remained weak. The global economy was expected to slow slightly next year but the risk of a hard landing had subsided despite high levels of debt and uncertainty over interest rates. In this context, the world economy was set to expand by 3.0 percent in 2023, before slowing down to 2.7 percent in 2024. A disproportionate share of global growth in 2023-24 was expected to continue to derive from Asia, despite the weaker-than-expected recovery in China so far.

In the realm of advanced economies, a soft landing seemed imminent, with the United States displaying unexpected resilience. Despite the sharp uptick in interest rates, the US economy has demonstrated remarkable strength, benefiting from sustained household spending fuelled by the drawdown of excess savings amassed during the pandemic. However, as this wanes, tighter financial conditions are anticipated to gradually manifest. Projections indicate a slowdown in calendar year GDP growth from 2.2 percent in 2023 to 1.3 percent in 2024 in the US, signalling a dip below potential growth rate. In contrast, the euro area and the United Kingdom have already experienced weakened activity, reflecting delayed impacts from the 2022 energy price shock. The projected GDP growth for the euro area stands at 0.6 percent in 2023, rising marginally to 1.1 percent in 2024. Meanwhile, the United Kingdom is expected to see growth rates of 0.3 percent in 2023 and a slight improvement to 0.8 percent in 2024. Japan, being the sole advanced economy within the G20 to maintain stable interest rates, is projected to witness GDP growth of 1.8 percent this year, before reverting to a more typical trend in 2024, at 1 percent. Overall, the required macroeconomic policy adjustments aimed at curbing inflation and establishing sustainable public finances are poised to impede growth across the majority of advanced economies.

GDP projected growth rates for 2023 & 2024 Y-o-Y%



Source: OECD, Doric Research

Among major emerging-market economies, various responses to global trends have emerged, especially concerning interest rate adjustments aimed at curbing currency depreciation against the US dollar. In contrast to many others, China has pursued an alternative strategy, choosing to ease monetary policy to counter a domestic demand slowdown. Despite an initial surge following reopening in early 2023, China's growth trajectory is anticipated to decelerate through the year. The OECD has marginally adjusted its growth forecast for China, elevating it by 0.1 points to 5.2 percent for this year, with a projection of 4.7 percent for the following year. Meanwhile, other major Asian emerging-market economies like India and Indonesia are anticipated to maintain relatively stable growth rates, hovering around 6 percent for India and approximately 5 percent for Indonesia in both 2023 and 2024.

Growth trajectories across the remaining G20 emerging-market economies vary significantly, contingent upon the unique dynamics and factors influencing each nation. Overall, with the exception of China, there is a projected modest uptick in growth among the G20 emerging-market economies in the coming years.

Despite the growth in global output, trade volumes have experienced a slower-than-anticipated rise in the first half of this year, resulting in a decline in trade intensity. Merchandise trade volumes have been particularly weak, especially in the major advanced economies, with global trade in goods falling by 2.5 percent over the year to June. After a swift rebound from the initial pandemic months, the global trade-to-GDP ratio surpassed 2018 levels by the fourth quarter of 2021 and maintained this position until the third quarter of 2022. However, this ratio has consistently lagged behind the anticipated trajectory compared to the pre-pandemic decade's growth pace. Since mid-2022, reduced merchandise trade has contributed to a decline in total trade relative to GDP. Leading indicators suggest a gradual recovery in trade following the current slowdown.

Curiously, during the forty-eighth trading week, the spot market seemed singularly focused on one pressing question: How high could it ascend? This fixation allowed the freight market to capitalize on recent supportive measures from Beijing while largely ignoring warnings from international organizations.

The idea that a roller coaster is merely a ride, and that it's our privilege and responsibility to see it through to its end, seems afar from the tumultuous waves of the Capesize market in recent weeks. After reaching a lucrative peak of $54,584 on the first Monday of December, a sense of vertigo gripped the largest bulkers, preventing them from fully enjoying the view. Subsequently, the respective index has seen a continuous decline, sitting approximately $20,000 lower than the previously reported highs. In reference to the less volatile spectrum of the other bulkers, a very similar pattern to the one mentioned earlier emerged. However, the experience felt more akin to navigating a bumpy road in a winter countryside rather than a sudden trial of veloxrotaphobia. After maintaining a four-day streak above the $20,000-mark, the Panamax segment experienced losses, settling at $18,932. While the geared segments remained profitable for the first full week of December, Supramax concluded below its intra-week highs at $16,731. On the other hand, Handysize kept steaming north, balancing today at $15,700.

Regarding international trade, China's recent export growth indicates that factories in the world's second-largest economy are attracting buyers through discounted pricing, counterbalancing a prolonged dip in demand. Alongside exports, China's import trends have notably surged in recent months. November's customs data revealed a 3.4 percent month-on-month increase in China's iron ore imports. This surge was fueled by improved steel mill profits and a strengthening yuan. Last month, China imported 102.74 million metric tonnes, marking a rise from October's 99.39 million tonnes. November represented the fourth consecutive month of elevated imports, surpassing 100 million tonnes for the fifth time this year. Forecasts suggest that December's imports will likely resemble the previous month's levels due to mills seeking to secure shipments. However, the soaring prices of imported ores may adversely affect future demand. Market sources anticipate a continuous increase in stockpiles of imported iron ore at Chinese ports. Last week, iron ore volumes stocked at the 45 major ports surveyed by Mysteel reached 115 million tonnes, significantly exceeding recent lows.

China experienced a substantial uptick in coal imports during November, marking a robust 20.9 percent increase month-on-month. Buyers seized the opportunity of more affordable imported coal ahead of the winter season. Last month, Chinese customs cleared 43.51 million tonnes of coal, showcasing a significant 34.7 percent surge year-on-year. The consistent price advantage of imported coal over domestic options incentivized utility companies to increase their purchases. Additionally, a seasonal reduction in hydroelectric power production further bolstered the demand for imports. Analysts from the China Coal Transportation and Distribution Association highlighted these factors as contributors to the recent surge in coal demand. According to customs data, total coal imports for the first 11 months of the year amounted to 427.14 million tonnes, marking a notable 62.9 percent surge compared to the same period in 2022. Notably, China's coal imports from Australia experienced a 19 percent month-on-month rise during November.

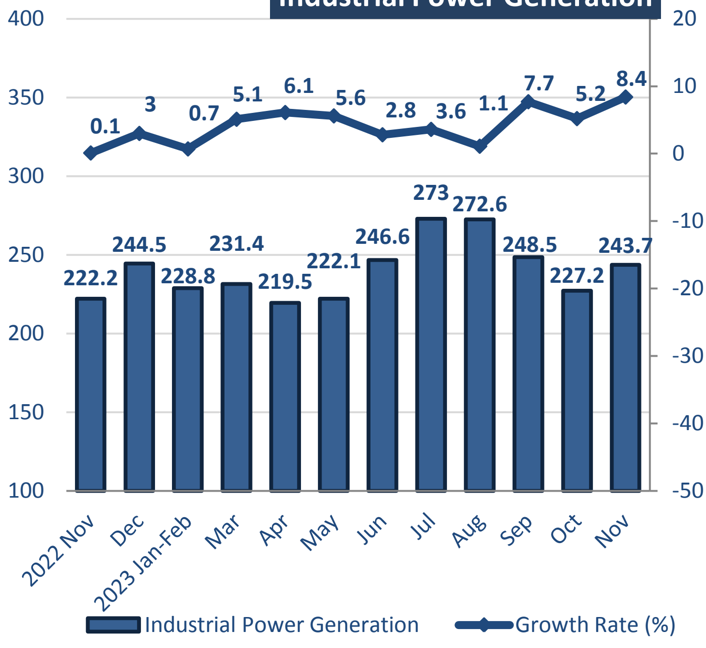
In the domain of staple grains, China's soybean imports surged to 7.92 million metric tonnes in November, marking a 7.8 percent increase year-on-year. Over the first 11 months of the year, the world's leading soybean buyer imported a total of 89.63 million tonnes, reflecting a substantial 13.3 percent surge year-on-year. While Brazil has dominated soybean shipments to China this year, the arrival of US soybeans is anticipated to rebound in the upcoming months. Brazilian soybean exports have been hitting unprecedented heights, consistently setting new records, as indicated by LSEG trade flow data. November witnessed Brazil exporting 4.4 million tonnes of soybeans, second only to the 4.9 million tonnes exported in November 2018. A combination of robust Chinese demand, ample supply, competitive pricing, and strong export momentum has propelled Brazil's soybean industry to remarkable success. Similarly, China has been procuring corn at exceptional levels. LSEG flow data reveals that November saw China import 4.2 million metric tonnes, a record high for the month and nearly five times the long-term average. Notably, China has significantly shifted its corn purchases to Brazil, accounting for 83 percent of total imports. Despite China signing 11 agricultural product purchase contracts with US exporters, outstanding corn sales to China have declined to 335 thousand tonnes, contrasting sharply with 1.8 million tonnes from a year ago and 10.7 million tonnes in 2021.

In the last full trading week of the year, China maintained its robust energy demand while displaying diminished enthusiasm for real estate investments, according to recent data from China's National Bureau of Statistics. These enduring trends, established earlier in the year, continued through the last couple of months, exerting significant influence not only on the economy of the world's foremost consumer of commodities but also shaping the dynamics of international trade.

In particular, the pace of growth in power generation surged ahead significantly. November witnessed a remarkable increase, reaching 731.0 billion kWh, marking an impressive 8.4 percent surge compared to the previous year. This growth rate accelerated by 3.2 percentage points from the preceding month, averaging a daily generation of 24.37 billion kWh. Cumulatively, spanning from January to November, the total power generation amounted to

8.0732 trillion kWh, reflecting a steady year-on-year increase of 4.8 percent. During the same period, distinct shifts in energy source dynamics were evident. Thermal and solar power generation experienced accelerated growth rates, while hydropower generation slowed down. In relation to the expansive coal sector, particularly noteworthy is the accelerated growth rate in raw coal production, alongside the sustained rapid expansion in coal imports. November saw a production of 410 million tonnes of raw coal, exhibiting a 4.6 percent increase year-on-year. The import of coal also continued its robust growth trajectory, reaching 43.51 million tonnes in November, marking a substantial 34.7 percent increase year-on-year. From January to November, the cumulative raw coal production amounted to 4.24 billion tonnes, reflecting a steady 2.9 percent year-on-year increase. Similarly, coal imports reached 430 million tonnes during this period, registering an impressive surge of 62.8 percent in comparison to the previous year.

Industrial Power Generation



Source: National Bureau of Statistics of China, Doric Research S.A

Contrastingly, spanning from January to November, the investment in real estate development within China amounted to 10,404.5 billion yuan, marking a significant year-on-year decline of 9.4 percent. Specifically, the investment in residential buildings accounted for 7,885.2 billion yuan, reflecting a notable decrease of 9.0 percent over the same period. Between January and November, the floor space of real estate development enterprises currently under construction reached 8,313.45 million square meters, experiencing a notable 7.2 percent decrease year-on-year.

As we approach the final trading days of the year, the Baltic Dry Indices continue to bask in their late triumph. The fourth quarter has proven exceptionally rewarding for dry bulk trades, witnessing all segments reaching their peak within the last month. Surpassing the uninspiring quarterly starting value of $8,561 daily, the Capesize segment demonstrated its strength, touching an impressive $54,584 in early December and catching many in the market off guard. This segment, known for its volatility, revealed its full potential at the eleventh hour. Contributing to this surge were dwindling iron ore stocks at Chinese ports and a shortage of tonnage in the Atlantic, further fuelled by China's support for property developers and resolutions to local government debt issues. The Panamax sub-market also experienced a similar surge, reaching its peak in early December. Heightened export activity in the ECSA market and China's unwavering demand for imported coal pushed spot Panamax values to hover at circa $22,000 daily. The buoyant market sentiment this month translated into evident upward trends in the spot market for geared segments as well. Both BSI TCA and BHSI TCA surged by more than six thousand since early September, reflecting the optimism about the global economy for the upcoming year within the workhorses of the dry bulk sector.

Baltic Dry Index Q4 2023

Curtain Falls On 2023

As 2023 draws to a close, this tumultuous year stands out as a pivotal moment in recent trading history, marked by significant economic, geopolitical, and environmental upheavals. From combating record-high inflation rates to grappling with another full-scale war, a myriad of events and circumstances continuously reshaped dynamics and balances across global markets.

The ardently awaited post-pandemic recovery encountered significant hurdles in the latter half of the challenging 2022, as the global economy was facing an uncommon alignment of adversities. The surge in post-Covid economic activity left behind a supply-demand imbalance in the global market. A considerable part of the current economic distortion stems from unprecedented disruptions to the supply chain and unpredictable fluctuations in demand. Efforts to boost aggregate demand weren't the ideal solution for the economic challenges related to Covid. Trying to increase demand without a proportional focus on boosting supply has led to persistently high inflation rates.

As a result, tightening fiscal and monetary policy seemed to have been 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 had to follow closely GDP growth rates on their downward revisions. Furthermore, China held back growth during the second half of 2022 - to an extent greater than previously foreseen - 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. The collective impact of these factors significantly influenced the equilibrium levels of Baltic Indices in early 2023.

On the macroeconomic front, the primary concern revolved around whether the inflationary surge could be tamed without triggering a widespread recession. Consensus on this issue was difficult to be reached. Approaching the end of 2023, inflation has moderated from its earlier peaks but remains somewhat unchecked. While a widespread recession was averted, the year saw growth below its potential. Balancing the reopening of economy with the social repercussions of ongoing Covid spread in China was less arduous than initially expected. Nonetheless, the world's second-largest economy navigated a challenging path over the past year, struggling to make significant strides forward. Global trade was anticipated to contract by nearly 5 percent in 2023 due to geopolitical tensions and evolving trade patterns, as indicated by the Global Trade Update from UNCTAD. However, there has been a noticeable surge in demand for commodities and raw materials in the latter part of 2023. While a broader full-scale war was avoided, new conflicts have arisen. These contradictory elements have collectively shaped the tone of the spot market throughout 2023, creating a nuanced atmosphere that isn't entirely upbeat but not entirely lackluster either.

Looking ahead, global growth is anticipated to sustain a modest pace, influenced by the lagging effects of necessary monetary policy tightening, weakened trade dynamics, and declining business and consumer confidence, as outlined in the OECD's recent Economic Outlook. Concurrently, UNCTAD's Global Trade Update, released on December 11, underscores an "uncertain and generally pessimistic" outlook for 2024, citing ongoing geopolitical tensions, mounting debt, and widespread economic fragility. The latest McKinsey Global Survey on economic conditions emphasizes that geopolitical concerns overshadow other threats to global growth, while inflation shows signs of easing. Despite this, respondents' global outlook appears marginally more optimistic than their current views on the economy. Citigroup stressed that global economy is healing and poised for further recovery. On a more optimistic note, Goldman Sachs Research anticipates several tailwinds for global growth in 2024, including robust real household income growth, reduced impact from monetary and fiscal tightening, a rebound in manufacturing activity, and an increased readiness of central banks to implement precautionary rate cuts if growth decelerates. Additionally, concerning the supply side of the market, any rise in congestion or disruption at maritime chokepoints is expected to decrease the available tonnage in the spot market. This, in turn, is likely to bolster freight rates. Considering these driving factors in shaping the outlook for the spot market in the coming year, a more buoyant sentiment resonates compared to that observed in early 2023.

May your sails have fair winds in 2024!

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