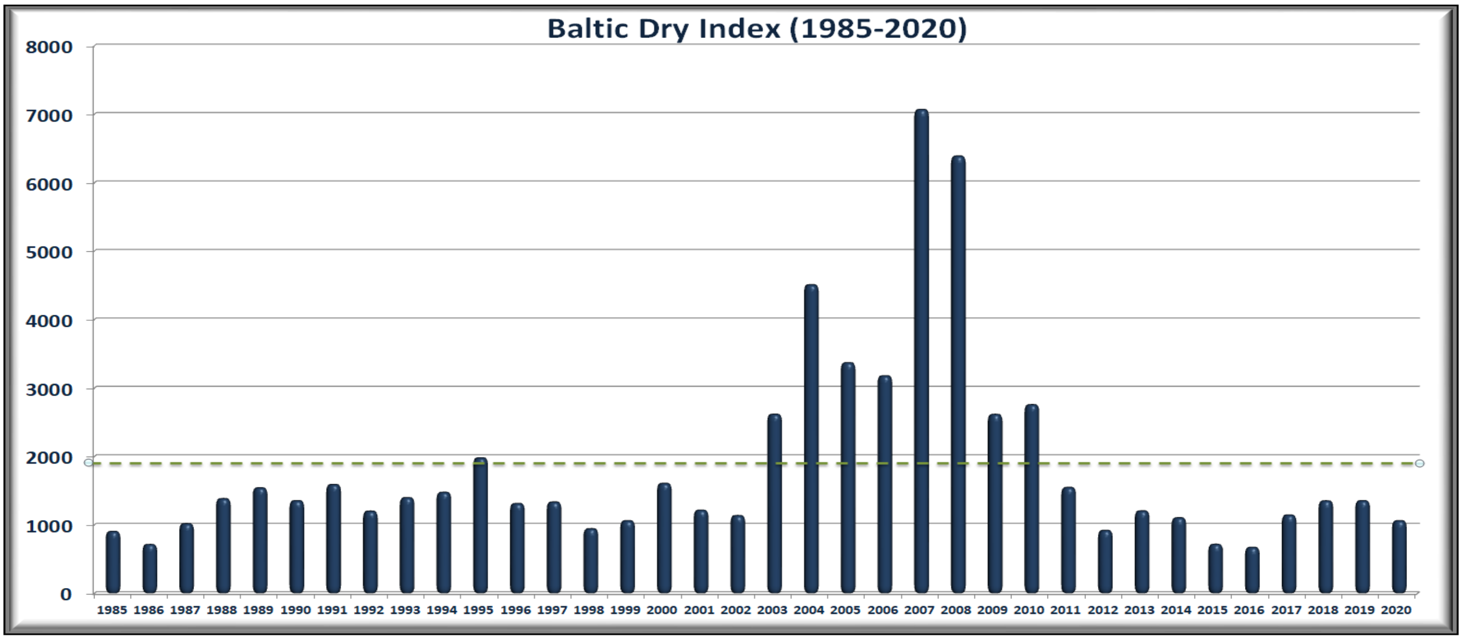
ANNUAL REVIEW 2020

DORIC
SHIPBROKERS S.A.

Prelude

Following one of its most volatile trading years of the past decade with an annual average of 1353 points, 2020 started its long journey with mixed sentiment. On the one hand, the Baltic Dry Index balanced at 976 points on the first trading day of the year, circa 23.29% lower than that day a year back, causing some concerns. On the other hand, consensus was that the “IMO 2020” regulations would have a positive impact on the spot market. In this context, “cautiously optimistic” was the phrase that we heard the most from our clients and friends during our annual sentiment survey in early January for the third year in a row, with the exact interpretation, however, being quite different on each separate case. Interestingly and in spite of the positive tone of your responses, the average of guestimations was 1268, circa 100 points below the actual average value of the index for 2019. However, the course of the indices during 2020 was anything but smooth and predictable. In fact, the Covid-19 shock was catalytic for the dry bulk industry, with Baltic indices suffering much from long-lasting droughts during the first five months of this unparalleled trading year. After hard-landing at 393 points in the second week of May, the gauge of activity in the dry bulk spectrum peaked at 2097 points on October 6, offering only modest relief. Since then, Baltic Dry Index kept losing steam, painting the fourth quarter performance with murky colors. Even though it was more than welcome, mid-December positive reaction didn’t suffice to reheat market low temperatures.

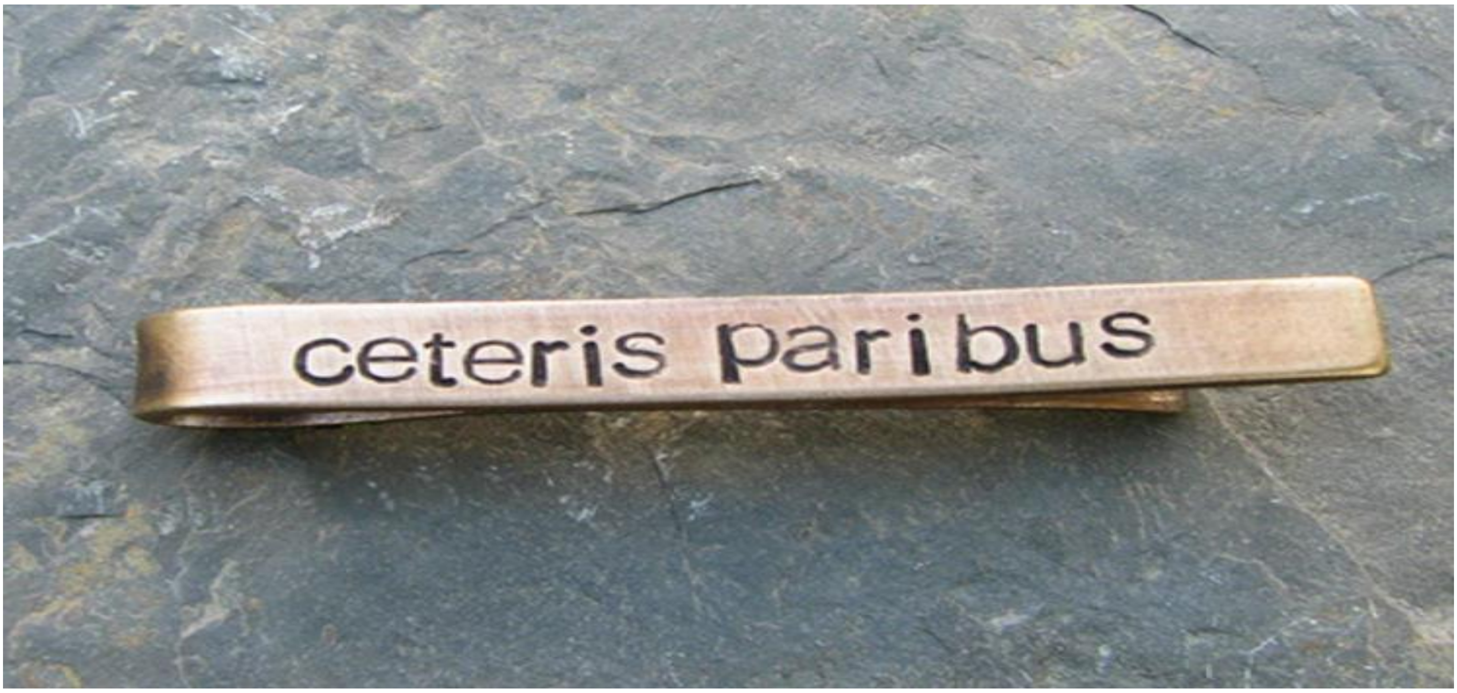


Contextualizing, ranging from 673 points to 7070 points, Baltic Dry Index annual averages ebbed and flowed during the last thirty-six years, averaging at 145 points below the 2,000-point mark. However, Baltic Dry Index doesn’t follow normal distribution. Indicatively, that just nine out of the thirty-six years managed to stand higher than these levels. From the remaining, twenty-one years had averages within the 1,000-1,900 boundaries whilst the remaining six averaged below the psychological trap of 1,000 points. Given the aforementioned, 2020 was a rather infertile year in terms of performance, as the 1066 points it averaged is placing it well below the median. Additionally, remaining well below the average of the thirty-six-year horizon, 2020 was the worst performer of the last four years. In any case, steaming valiantly through rough sea passages and yet managing to keep its main deck afloat is what makes 2020 so special!

As it transpired, the unprecedented 2020 did not fulfill by any means the great expectations of a profitable year due to IMO 2020-related supply disruptions, facing, in addition, challenges never seen before. The seasonal sluggish start made its appearance during the first quarter of 2020 as well, however this was intensified by exogenous shocks. Furthermore, the second quarter diverged from the typical flight plan, heading southern than it was initially thought to. The third and fourth quarters made a courageous attempt to change 2020 plot, with moderate results though.

Reflecting back on the four-act year, four issues stand out: deep and grave uncertainty, unprecedented stimuli, lethargic tone in the newbuilding market and changing political scene.

Act I - Ceteris Paribus*



"holding other things constant"

The year embarked to the first quarter of its 2020 trip in a quite positive spirit, anticipating a boost from the new IMO regulations, *ceteris paribus*. In fact, Baltic TCAs were lingering well above OPEX in all segments. In particular, the BCI-5TCA lay at $11,976, BPI-TCA 8,537, BSI-TCA at $7,277 and the BHSI-TCA at $8,787 on the closing of the first trading day of 2020. On the S&P front, five-year-old eco Capesizes changed hands for circa USD 37.5m whilst same-aged Kamsarmaxes at USD 27.5m, both lower Year-on-Year. In sync, a typical five-year-old Ultramax was sold for circa USD 22m and a modern 38,000dwt Handy at USD 23.5m, or just 2.2% and 2.1% below early 2019 figures. In the paper market, all forward curves were quite flat, albeit with backwardation parts on the front end due to seasonal factors.
However, it is not unusual for our temperamental market to switch from high to low quite rapidly during this period of the year and 2020 didn't manage to stop these mood swings. In particular, facing one of the steepest falls of the last years, the Baltic Dry Index concluded the third week of the year considerably lower, at 754 points. Comparing the aforementioned balancing levels with the respective ones of the previous years, it was only the January of 2016 that lay lower. On top of that, having lost more than 69% in less than five months, the gauge of activity in the dry bulk spectrum had left far behind the solid 2500-point heights of early September 2019 only to hard-land in this January lowlands.

As every time the Baltic indices violently shift course, all eyes were on Chinese economy. The world's second largest economy grew during 2019 at the lowest rate since 1990, at the same time as the country's birth rate was falling to a record low, highlighting the domestic challenges Beijing was facing. In particular, the Chinese Gross Domestic Product expanded 6.1 per cent in 2019, revealing an economy under pressure from weak consumer spending and problems in the banking system. However, this reported figure was higher than analysts' consensus, with all major stock market indices trending mildly higher following the data release. Furthermore, earlier this year, the People's Bank of China stressed that it will cut banks' reserve requirement ratio by 50 basis points, effective January 6. Bringing the level for 'big banks' down to 12.5%, China's central bank released around 800 billion yuan –$114.91 billion– in funds to stimulate the slowing economy.

With the Chinese Lunar New Year approaching, activity in the spot market was anything but vivid during the fourth week of this trading year. Losing another 26% on a weekly basis, the Baltic Dry Index concluded the week materially down at 557 points. Looking back on index history, only three years bottomed out at lower levels than the aforesaid ones. In particular, February 2015 and 2016 moved momentarily below the 500-point mark for the first time in the last thirty years, balancing at 471 and 290 points respectively. Furthermore, the gauge of activity in the dry bulk sector landed at minima of 554 points in the summer of 1986 amid one of the worst distressing freight market slumps. Having already reported a daily closing lower than the 2019 lowest of 595 points and with Chinese holidays still ahead, it would have been difficult for 2020 to avoid the comparison with these sterile years, at least as far as the absolute minima were concerned. According to an old aphorism, “a good beginning is half the battle!” Admittedly, 2020 cannot claim victory over this first half.

In sync, discouraging earnings results from ExxonMobil and Chevron, as well as industrial forerunner Caterpillar had a negative bearing in market psychology. In addition, concerns about the outbreak of the Coronavirus had been added to unsatisfactory financial results forcing the S&P 500 to move into negative territory for the year. At the same time, losing the 500-point-mark, the BDI was balancing at 487 points. The gloomy atmosphere in the spot market was in line with the pessimistic tone emerging from economic forecasters about growth prospects in 2020. In fact, the IMF pointed out that the global expansion had weakened. In particular, global growth projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021—a downward revision of 0.1% for 2019 and 2020 and 0.2% for 2021 compared to those in the October World Economic Outlook. The downward revision primarily reflected negative surprises to economic activity in few emerging market economies, notably India, which led to a reassessment of growth prospects over the next two years. However it has to be noted that these projections were made before the deadly virus.

During the same time, China reported a 60 per cent increase in the number of people who have died in the new coronavirus outbreak to 41, as France confirmed the first cases of the disease in Europe and Australia and Malaysia reported their first patients. There were 1,287 people infected with the disease, with China shutting down more than 10 cities around Wuhan, the central metropolis where the outbreak is believed to have originated, and the US confirming its second case of the Sars-like virus.

On the “black gold” front, following a sharp fall of oil prices from circa $70 a barrel on January 6 to less than $55 on the first days of February, the technical committee of the OPEC+ alliance agreed that deeper supply curbs were needed. In particular, a technical panel that advised OPEC and its allies led by Russia proposed a temporary cut in production of 600,000 barrels per day, as Chinese energy executives were estimating that the country’s oil consumption would plunge as much as 25 per cent that month. Further to IMF’s downward revision of global growth, the outbreak of the coronavirus and its effect to Chinese oil consumption had a negative bearing in the outlook of the oil industry, forcing the largest oil producer to revise their productions downwards in order to sustain oil prices above $50 a barrel.

In harmony, “Dr. Copper”, being reputed to have a Ph.D. in economics because of its ability to predict turning points in the global economy, was the latest commodity to fall victim to the epidemic. Copper traders in China asked miners from Chile to Nigeria to cancel or delay shipments. By declaring force majeure, a number of Chinese copper buyers postponed overseas orders, pulling prices for the industrial metal to its lowest in almost three years. In an economic juncture that China’s economy was showing signs of slowdown even before the virus, Coronavirus fears were the catalyst causing the price of the red-orange metal to plunge.

“One swallow does not make a summer and one positive week does not materially change the balancing levels of the market. However, following a period of two months during which the Baltic Dry Index kept losing one supporting level after the other, the gains of the BDI during the seventh week of this trading year look much more appealing than what they might actually have been.” These were the exact words that best described the spot main stage during the second week of February 2019. In a weird turn of events, the same week of 2020 perfectly resembled the aforementioned state. In particular, the seasonal downturn during the Q1 of 2019 was exaggerated due to unforeseen supply side disruptions in Brazil, whilst the same tendency became sharper in the 2020 juncture due to unpredicted demand side exogenous shock. The net effect in both cases was exactly the same, the Baltic Dry Index balancing way below regional maxima. Along with the shedding of rates, spot market sentiment had been traumatized in both years as well.

Conversely, asset market appeared to be much more dispassionate in both downturns. Indicatively, five-year-old eco Capesizes were on the market for circa $36m, or approximately eight point five million dollars more than same-aged Kamsarmaxes. In the other two segments of the dry bulk sector, five-year-old Ultramaxes and the same-aged Handies balanced at $21m and $17m respectively. As they compared with the start of the 2020, mid-February asset prices lingered circa 4%-5% lower, with modern secondhand Handies being the only exception. In reference to the latter, the steadier cash flow stream of an investment in this segment seems to have kept asset prices afloat, reporting a 3% monthly increase.

Following IMF downward revision of global growth, world merchandise trade growth was likely to remain weak in 2020, according to the World Trade Organization Goods Trade Barometer released the third week of February. Without taking into consideration the recent outbreak of COVID-19, the real-time measure of trade trends read 95.5 –well below the index's baseline value of 100. Additionally, WTO stressed that this sub-trend performance could be reduced further by a new global health threat. The drop in the barometer since the November update had been driven by additional declines in indices for container shipping (94.8) and agricultural raw materials (90.9). Although indices for export orders (98.5), air freight (94.6) and electronic components (92.8) were all below baseline, they appeared to have stabilized.

The rapid spread of the Coronavirus around the globe sent stock prices tumbling during the ninth week of the year. Raising fears of pandemic forced stocks to have their worst week since the 2008 crisis. With some $6 trillion being wiped off, world share markets faced a fresh bout of selling during the last few trading days. After reporting a record close the previous week, the gauge of the stock performance of 500 large companies listed on stock exchanges in the United States lost some 15% of its value, harshly correcting downwards. In sync, European and Asian equities were under pressure throughout the week. By the same token, the CBOE Vix index –a gauge of expected volatility in Wall Street stocks – jumped as high as 47– rising almost three-fold in the past week.

At the same time as Wall Street was beginning to price in the risk that the coronavirus could spark a severe economic slowdown, the World Health Organization raised its risk assessment on COVID-19 to "very high." WHO director-general Tedros Adhanom Ghebreyesus stressed that it's concerning those cases of the virus, which emerged in China, had been spreading from Italy and Iran to other countries. Health systems around the world aren't ready to deal with the spread, he said. In this juncture and with stock exchanges being in the red, Capesizes kept heading south. Having lost circa 110% since late December 2019, the Baltic Capesize Index concluded at -328 points, claiming in parallel the glory of the highest sensitivity to Chinese matter of affairs in a broad range of financial and physical asset range.

In the first week of March, OECD published its interim economic assessment. On the assumption that the epidemic would have peaked in China in the first quarter of 2020 and outbreaks in other countries proved mild and contained, the intergovernmental economic organisation revised by ½ percentage point downwards its projection for global growth. In particular, annual global GDP growth was projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019, with growth possibly even being negative in the first quarter of 2020. A longer lasting and more intensive coronavirus outbreak though, spreading widely throughout the Asia Pacific region, Europe and North America, would have weakened prospects even more. Against these developments, government bond prices raced to all-time highs on Friday while stocks across the globe continued plummeting.

On diametrically opposite direction, the Baltic Panamax 82 TC average index saw its levels doubling, after landing to multi-month lows of $4,681 daily on February 5. Since then, with an average daily increase of $225, the gauge of activity in the Kamsarmax spectrum moved considerably higher, concluding shy of the five figures on the closing of first week of March and covering all of its 2020 losses. Whilst current "Coronavirus infected" balancing levels of BPI 82 TC were still lagging those of 2018, they managed to surpass the respective "dam collapse" levels of the previous year. Whilst an impressive pirouette from the Capesize market was still awaited, the encouraging reaction from the sub-Capesize segments injected some optimism in the market.

Don't walk under any ladders, don't break any mirrors, don't spill any salt and so many "don'ts" are suggested every Friday the thirteen in many offices around the globe. Apparently, the eleventh week of 2020 opened numerous umbrellas indoors, just after picking up a penny facing down and walking by a pack of black cats. The week started with European stocks slumping. After Monday opening, London's FTSE 100 was down 7 per cent – on track for its worst day since the 2008-09 financial crisis. Germany's Dax and France's Cac 40 fell more than 6 per cent as the Stoxx Europe 600 index slid into bear market territory. In tandem, across the pond, US stocks suffered their worst one-day freefall since late 2008, at the same time as Treasury yields were plummeting to record lows. The double whammy of Coronavirus panic and Saudi Arabia's decision to start an oil price war were catalytic for markets to face a "Minsky moment". On Tuesday, investors tempted to buy the dip saw few hours later Goldman Sachs warning that the coronavirus outbreak and oil crash would sent market plunging by circa 30 per cent from its recent maxima. On Wednesday, the World Health Organization called the coronavirus outbreak a pandemic for the first time. In this context, S&P 500 fell by another 4.9 per cent, ending shy of a bear market. On Thursday, in their worst day since the 1987 crash, US stocks lost circa 10 per cent of their values, emphatically ignoring FED and ECB emergency actions. Apparently, Trump's ban on Europeans travelling to the US further stressed markets, claiming in parallel the glory of one of the most "expensive" bans in history.

In a parallel universe not far away, oil prices crashed on Sunday evening following Saudi Arabia harsh response to Russian refusal to make deeper cuts to output despite the sharp hit to demand from the Coronavirus outbreak. The OPEC+ failure of diplomacy led to one of the biggest pivotal tactical movements in the behaviour of oil producers in a generation. Flooding markets with oil and injecting uncertainty into them, Saudi Arabia made a bold statement that its intention is to dominate the game in the international oil chessboard. Against these developments, oil prices fell as much as 30 per cent on the second week of March opening.

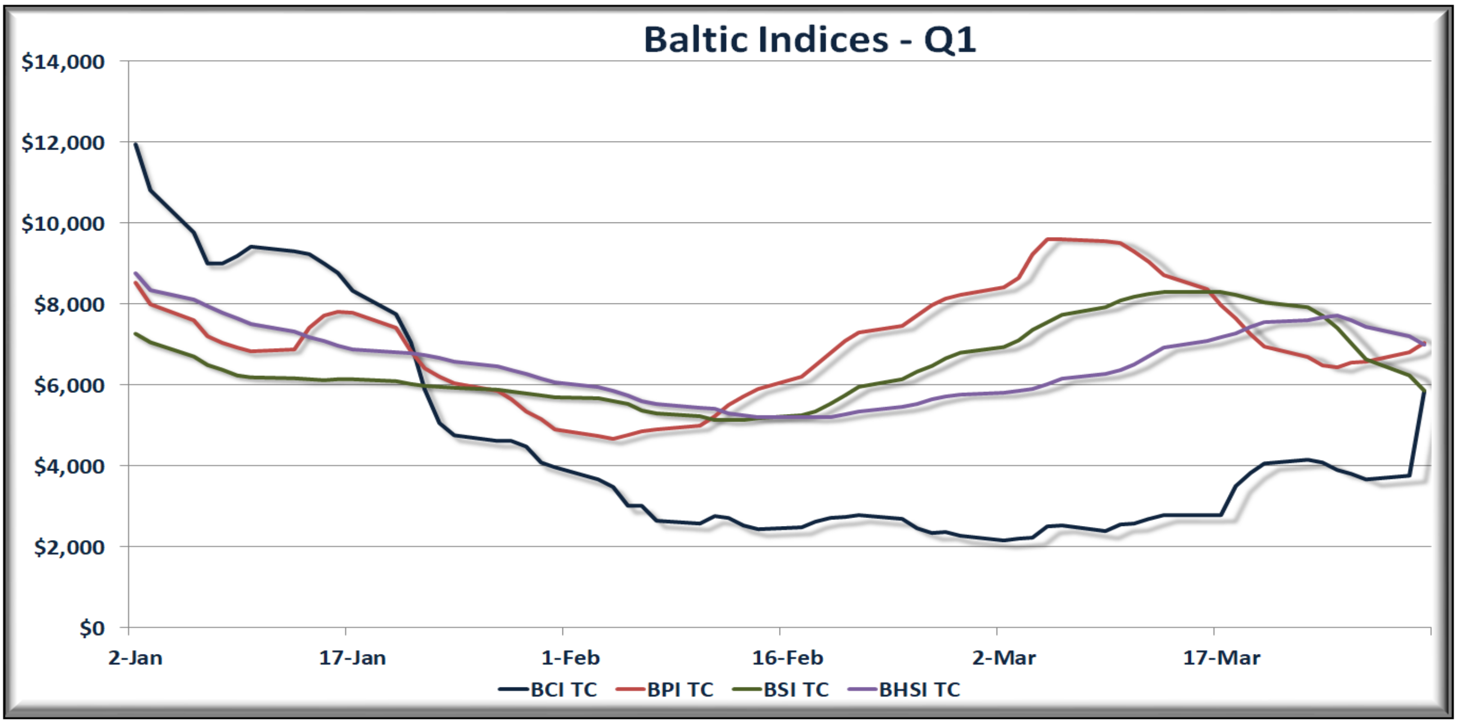
Right before the final curtain of the week, the US followed China, Germany, Norway, Japan and Australia on a new round of stimuli, sending the S&P 500 sharply higher. Trying to avoid repeating of SARS epidemic, China, Japan, Singapore and Taiwan didn't hesitate to take draconian measures, avoiding more dramatic consequences. Conversely, in this corner of the world, Europe and the States didn't manage to keep the disease at bay. Thus, while the western part of the globe was still debating whether widespread lockdowns or the bizarre "herd immunity" approach would have been the best response to the outbreak, the world's second largest economy was making strategic decisions on the economic front. In particular, China was set to unleash circa $400 billion of fiscal stimulus to revive an economy severely beaten from the Covid-19 pandemic.

One of the most reliable gauges of the efficiency of this fiscal policy was expected to be, for yet another time, the Baltic Capesize 5TC index. Lingering at unprofitable levels during the last two and a half months, the barometer of the Capesize segment reported one of its worst quarterly averages during the last twenty years, dragging down along with it not only the general index but also market psychology. Having all eyes on it, BCI 5TC reported a solid 45.4% weekly increase during the week to 20 March, albeit from a very low basis. Putting a lot of faith in Chinese stimuli as well, iron ore prices kept hovering at very healthy levels. Being largely unaffected from the outbreak of Covid-19 and ignoring mounting concerns of widespread economic slowdown, prices of rich in iron oxide rocks seemed to be immune to the new virus.

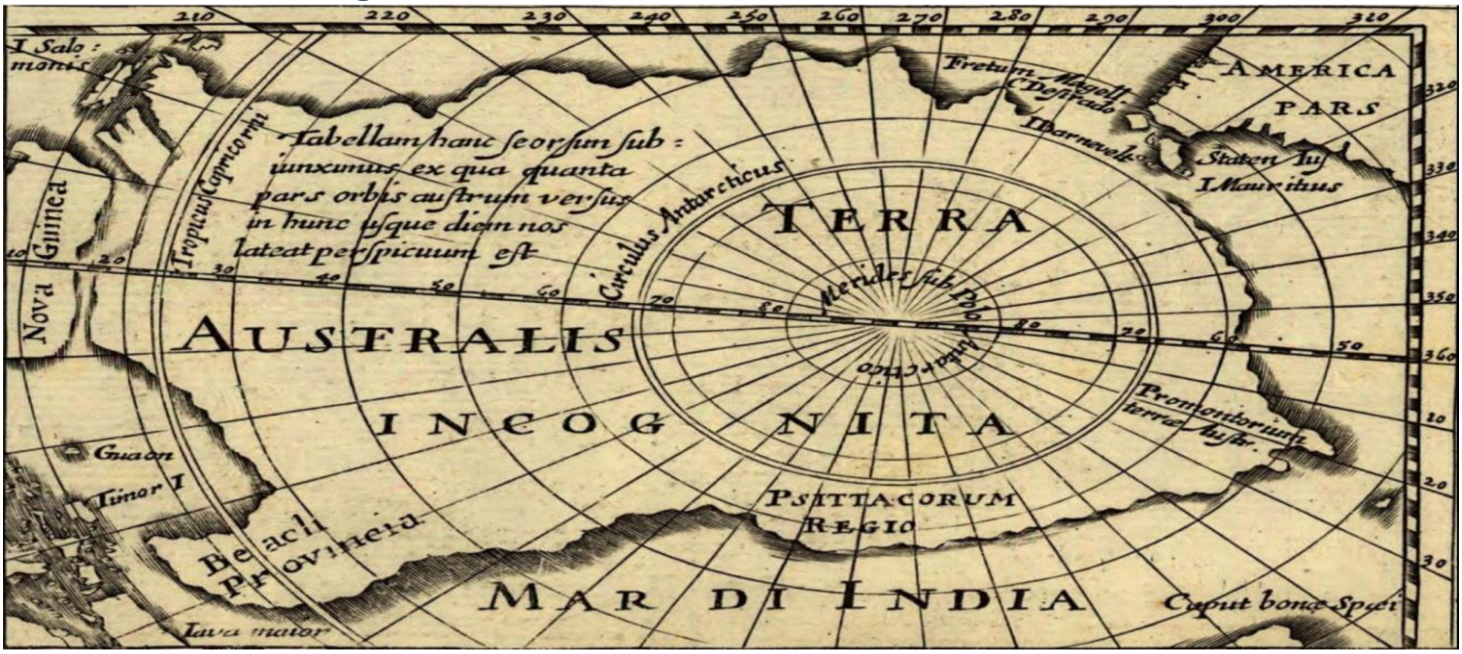
The first quarter of a year of high expectations for the dry bulk market ended, with the much-awaited positive effect of the IMO 2020 emphatically missing and Covid-19, possibly the "deepest-black swan" of the post-Lehman era, making its appearance. Against this background, China-centric Capesizes had an abject average of $4,550 daily for the first quarter of 2020, or down some 43.3% from the average of the first quarters of the last five years. As far as the Panamax segment goes, the BPI TCA experienced a tepid first quarter average of $7,093 daily, or 7.8% below that of the five years and 14.9% lower than the respective figure of the last ten. With three-month average for Supramaxes at $6,560 daily and for Handies at $6,501 daily, freight market of the geared tonnage lay 11.4% and 0.9% lower than their trailing five-year averages respectively. Additionally, by considering a broader ten-year horizon, the Baltic indices had only the infertile 2015-2016 period between them and the abyss.

In the S&P market, having an average price for the first quarter of 2020 of $36.5m, five-year old Capes were on the market at circa three million dollars below previous year Q1 average. Panamax indicative prices hovered at $18.25m during the Q1 of 2020, or $1.25m above the respective average of the last five years. The market for five-year-old Supras and same-aged Handies lingered on average at $16.8m and $16.7m respectively, or 5.3% and 18% above the average prices of the Q1s between 2016 and 2020.

Setting aside our daily visits in the majority of well-known websites with economic context, I would bet that most of us flicked through pages with tips for setting up the ideal home office during the second half of this quarter. From choosing a dedicated area to considering the light and from having a way to keep time to staying away from the fridge, many advices like these were blended with Boeing CDS, unemployment indices, oil price trends and stock market steep falls in one of the most peculiar periods in living memory.



Act II – Terra Incognita *



* "Land that have not been mapped or documented"

Not surprisingly, the second quarter started on the wrong foot. With global economy into Covid-19 *terra incognita*, the collapse of stock exchanges foreshadowed a rather bleak outlook for the economies in both banks of the Atlantic. In addition, a series of gloomy economic data releases published on the first week of the second quarter painted the economic juncture in slate grey colors. In the Old World, not a single one of the leading European economies could claim immunity to Covid-19, as this continent became the epicenter of the deadly virus. Whilst the efficiency of the efforts to contain the virus outbreak varied across the euro area, the economies of the block shared a common fate. Demonstratively, the Eurozone composite Purchasing Managers Index (PMI) of services and manufacturing, compiled by IHS Markit, plunged to just 29.7 in March, after a reading of 51.6 in February. Indicative of the worrisome conditions was the fact that the March figure was the lowest one since the survey began in the late 90s.

Across the pond, it was not the stock market headlining the economic press during the fourteenth week but rather the latest developments in the labor market. According to data published from the Labor Department, more than 10m people had filed for unemployment benefits in the past fortnight, with data showing a record 6.6m filed for jobless aid for the first time last week. The Labor Department also stressed that the economy continued to identify layoffs related to COVID-19 across a broad array of industries. In this context, the unemployment rate jumped to two-and-a-half year maxima of 4.4 per cent.

Conversely, China's manufacturing activity seemed to have left the infertile February behind. China's official Purchasing Managers' Index rose, above the threshold of 50 that separates expansion from contraction, to 52 in March from a record low of 35.7 a month earlier, according to the National Bureau of Statistics (NBS). However, The NBS attributed the impressive rebound in PMI to its low February base, stressing that by no means this reading can be used as a signal of stabilization. Luckily enough, the wayward Capesize segment ignored the NBS recommendation, trending strongly upwards in the backwash of the data release. After spending most of the current year in negative territory, Baltic Capesize Index lay at 319 points on that week closing.

In this juncture, OECD stressed that increasingly stringent containment measures needed to slow the spread of the Covid-19 would necessarily led to significant short-term declines in GDP for many major economies. Even though it was extremely challenging to assess the exact impact of these measures of global product, the intergovernmental organization mentioned that it was clear that they implied sharp contractions in the level of output and international trade. In particular, covering only the initial direct impact, for each month of containment a loss of 2 percentage points in annual GDP growth was the base case scenario, ceteris paribus. However, it was noted that all major economies had taken drastic monetary and fiscal measures to counterbalance the severe pressure in their product from the containment measures. Fed had cut interest rates close to zero and expanded its balance sheet by buying up Treasury debt and government-guaranteed mortgage-backed securities. Additionally, it further expanded its action by detailing new loan facilities worth $2.3tn to deliver credit to small businesses and municipalities.

In sync with OECD estimations, oil demand fell by roughly a third as most of the world's largest consumers had effectively shut down, pushing "black gold" prices down to their 18-year minima. Against this development, OPEC+ drew up plans for combined cuts of 10m barrels per day in May and June, with calls by officials for US producers and others to cut a further 5m bpd.

Whilst Moscow and Riyadh agreed on to cut production by 10m barrels per day or circa 10% of global supplies, Mexico initially refused to sing up to a 400K-barrel cut. Major oil markets were closed that Friday, but prices failed to rally after mid-week cuts - the biggest in history - as a 15% cut was failing to match demand plunge. At the same time as global growth has been in search for support from fiscal and monetary policies and oil prices from colossal cuts, gearless segments gave some impetus to the Baltic Dry Index.

One has to dig deep into history to find parallel of the April 2020 socioeconomic climate. In the early 20th century, the Journal of the American Medical Association, following WWI and with first wave of Spanish flu in full swing, stressed that "The 1918 has gone: a year momentous as the termination of the most cruel war in the annals of the human race; a year which marked, the end at least for a time, of man's destruction of man; unfortunately a year in which developed a most fatal infectious disease causing the death of hundreds of thousands of human beings. Medical science for four and one-half years devoted itself to putting men on the firing line and keeping them there. Now it must turn with its whole might to combating the greatest enemy of all – infectious disease,"

A century later, following the trade war, coronavirus pandemic exceeded 2 million confirmed infections and 130,000 deaths worldwide during the third week of April, with many experts stressing that the confirmed cases might understate the true spread and toll of the contagion because of a lack of testing. In this bleak juncture, the IMF published its latest update of World Economic Outlook. The Great Lockdown, as one might call it, was projected to shrink global growth dramatically. In particular, global economy was projected to shrink sharply by 3 per cent in 2020, an outcome far worse than during the 2009 global financial crisis. The growth forecast was marked down by more than 6 percentage points relative to the October 2019 WEO and January 2020 WEO Update projections.

In sync, commodity prices decreased sharply since the release of the October 2019 World Economic Outlook. In particular, energy prices plummeted, as containment measures directly hit the transportation sector. In the natural gas market, virus containment policies introduced in late January in China strongly reduced demand for natural gas, leading some Chinese liquefied natural gas buyers to halt their LNG imports as storage tanks filled. Prices recovered slightly in March as Chinese activity slowly resumed, but European natural gas prices declined as the pandemic moved to Europe. In accord, IMF annual base metals price index were projected to decrease by 10.2 per cent in 2020 and by a further 4.2 per cent in 2021 on expectations of a sharp decline in global industrial activity. Conversely, the IMF's food and beverage price index increased slightly, by 0.1 per cent between the WEO reference periods. Stubbornly against this dismal background, on the main stage of drybulk theatre, Capesizes made a dramatic volte-face from mid-March -350 points to mid-April balancing levels of 887 points.

In the last trading week of April, the "Pipeline Crossroads of the World" made headlines, as oil prices slipped into the negative territory. Cushing, Oklahoma's formal history began in late 1891, with cotton farming being the mainstay of the local economy. However, the town's most exciting era arose in 1912, when an oil boom began. Wells were drilled everywhere, as of the first forty-six, only one proved a dry hole. This was the beginning of the Cushing-Drumright Field, with Cushing soon becoming a refining center. The boom lasted up until March 1915, when the field produced 8.3m barrels of oil. Then a sudden decline began, and by the end of 1916 production decreased by more than 50%. Nevertheless, sixteen companies still operated there in 1930. By 1940, however, only three refineries remained active. The 1970s and 1980s brought economic crises, as Cushing's last two major refineries closed in 1982. However, Cushing's strategic position made this small town the most significant trading hub for crude oil in North America, connecting Gulf Coast suppliers with northern consumers. Additionally, Cushing is the delivery point for West Texas Intermediate crude oil futures traded on the New York Mercantile Exchange. By 2007 Cushing held 5% to 10% of the total US crude inventory in several tank farms, enhancing its status as "Pipeline Crossroads of the World." With crude oil inflows pouring in and refiners taking out a quarter less than a year ago, the prospect that those colossal tanks might soon be full to the brim sent US benchmark oil prices for delivery next month plunging into the negative for the first time in history.

Whilst the crude oil world was full of surprises that week, news arriving from the steel front was more or less in line with the consensus. In particular, world crude steel production for the 64 countries reporting to the World Steel Association was just 147.1m tonnes in March 2020, or down by 6.0% Y-o-Y. Being negatively influenced by the Covid-19 pandemic, global production was 443.0m tonnes in the first three months of 2020, down by 1.4% compared to the respective period in 2019. In reference to specific regions, Asia produced 315.2m tonnes of crude steel during Q1 of 2020, or marginally down Y-o-Y. The EU produced 38.3m tonnes during the same period, reporting double-digit percentage losses on a yearly basis. North America's steel production in the first three months of 2020 was 29.5m tonnes, a decrease of 4.0% compared to the Q1 of 2019. As far as the world's two largest producers go, China's furnace 79.0m tonnes and India 8.7m tonnes of crude steel in March 2020, decreasing by 1.7% and 13.9% Y-o-Y respectively.

Following IMF's downward revision of global growth projections, World Trade Organization picked up the torch, painting a rather gloomy outlook for the months to come. In particular, even before Covid-19 pandemic, trade was already slowing, weighed down by trade tensions and slowing economic growth. In fact, world merchandise trade registered a marginal decline of -0.1 per cent in volume terms during 2019, after rising by 2.9 per cent in the previous year. The forward-looking statements of the Geneva-based organization could be best understood in terms of two distinct scenarios: A) a relatively optimistic scenario, with a sharp drop in trade followed by a recovery starting in the second half of 2020, and B) a more pessimistic scenario with a steeper initial decline and a more prolonged and incomplete recovery. Under the optimistic scenario, the recovery would be strong enough to bring trade close to its pre-pandemic trend, while the pessimistic scenario only envisaged a partial recovery. However, in any case, all broader economic groups but "Other regions" (Africa, Middle East and Commonwealth of Independent States) were expected to suffer double-digit declines in exports and imports during 2020.

In the train of the pandemic and with trade multipliers plummeting well below previous period trends, unemployment rates around the globe surged to levels not seen in many years. With Atlantic in focus, more than 30m workers in Europe's five biggest economies applied to have their wages paid by the state via short-term leave schemes. Across the pond, another 3.8m Americans filed new claims for unemployment benefits in the week to May 1, bringing the six-week total to more than 30m.

In light of these developments and with US GDP contracting by 4.8%, the Federal Reserve warned of lasting "medium-term" economic fallout from the coronavirus pandemic. In particular, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 per cent, stressing that the ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of this macro environment and with Beijing returning tick softer than expected to "normal", the gauge of activity in the dry bulk spectrum lost further steam during the eighteenth week of this unprecedented trading year.

As the world's second largest economy started to make its first timid steps towards "normality", Beijing's iron ore imports in April rose to 95.71 million tonnes, or 11.4% higher than a month earlier. That compares with imports of 85.91 million tonnes in March and 80.77 million tonnes a year earlier, when shipments from Brazil's top miner Vale SA were disrupted after Brumadinho dam disaster. In reference to the total imported quantities for the first four months of 2020, Chinese customs cleared 358.4 million tonnes of iron ore, or 5.3% more than the respective figure in the corresponding period last year. However, this substantial increase can be largely attributed to January imports, with February and March activity being rather subdued.

Leaving behind the unfruitful first quarter, Chinese appetite for ore appeared to be much healthier during April, pushing arrivals from Brazil and Australia higher by 12.7% and 0.7% respectively. By riding this wave, Baltic Capesize Index trended upwards, waking up from a long-lasting negative territory nightmare. However, with Australia claiming a larger share on Chinese iron ore market lately and Beijing's steel exports remaining 11.7% lower than the previous year, the largest bulkers hesitated to continue heading north during the nineteenth week of this unprecedented year.

In reference to the second of the major seaborne commodities, China's coal imports in April surged 22% from a year earlier, as lockdowns eased and international prices remained under pressure. In particular, world's largest coal consumer imported 30.94 million tonnes of coal and lignite during April, up 23% M-o-M and 35% Y-o-Y. Overall, Chinese custom cleared 126.73 million tonnes of brownish-black sedimentary rocks year to end April, reporting an increase of 26.9% Y-o-Y. Even though this figure is inflated by the slowing of offloadings at the end of 2019, it offered adequate support to Panamax indices on their attempt to flee from February lows. However, this trend appeared to be must softer since mid-March, not letting Baltic indices move materially higher. Additionally, India's coal imports dropped to just 18.65 million tonnes in April due to the lockdown to contain the spread of Covid-19 infection. Indicative of the sharp decline is the fact that during April 2019, the world's second largest consumer of coal imported 26.34 million tonnes.

It was around mid-May when many rational voices across the political and economic spectrum stressed that an unproductive blame game would not help most of the industries struggling to stay afloat. Yet, a new era “Cold War” scenery was set in the geopolitical arena. Trump administration prevented a government pension fund from investing in Chinese stocks, the US commerce department accused Huawei of not stopping the use American technology in its designs. On the Early side of May, Scott Morrison, Australia’s prime minister, said that his government wanted an independent inquiry into the Covid-19 outbreak, which according to his view was in the interests of the wider international community.

Against these developments, Chinese ambassador to the United States, Cui Tiankai, called on US politicians to end the blame-China game and focus on tackling the Covid-19 pandemic. Cui said in an opinion piece published by the Washington Post that “It is time to focus on the disease and rebuild trust between our two countries. As President Abraham Lincoln called for 'the better angels' in his inauguration speech, I hope that the wisdom of preceding generations will guide us to choose the right side of history and work for our shared future together,". Leaving aside the inspiring words of its ambassador for a moment, Beijing made clear to its trade partners that Brazil also produces nutritious beans and rich in iron oxides minerals. Against this background, Baltic Dry Index seemed to have stopped seeking after its bread and butter, concluding at destructive levels of 407 points on the closing of twentieth week. Having reported a year to mid-May average of 597 points, the gauge of activity in the dry bulk universe has only the ill-famed 2016 between it and the abyss.

Delayed by almost three months due to Covid-19 pandemic, China's national legislature started its annual session at the Great Hall of the People in Beijing in the third week of May. Amidst growing international controversy over his government’s handling of the earliest stages of the pandemic, Premier Li Keqiang, in his work report to the congress, stressed that “Through the hard work and sacrifice of our entire nation, we have made major strategic achievements in our response to Covid-19,”. On the economic front, the Coronavirus epidemic and the global recession that followed through have taken a heavy toll on the Chinese economy in the first quarter, as the gross domestic product shrank 6.8% Y-o-Y. Whilst Chinese officials appeared to be confident of economy’s ability to rebound, Beijing decided not to set a specific annual economic growth target for 2020. As far as the fiscal policy goes, China was expected to raise its fiscal deficit to more than 3.6% of GDP, up from 2.6% last year. It also issued Rmb1tn in treasury bonds to mitigate the impact of Covid-19. Additionally, Beijing intended to advance opening-up of its economy to a higher level at the same time as it was aiming to expand effective investment with priority given to new infrastructure, new urbanization initiatives and major projects.

As the world second largest economy was trying to return back to “normality”, OECD composite leading indicator (CLI) for the industrial sector was tentatively pointing towards a positive change in momentum, with April’s CLI and a large upward revision for March both pushing the CLI upwards. Conversely, India, being for two months under strict lockdown, was heading towards its first annual contraction in 40 years. In particular, Goldman Sachs predicted the Indian economy would shrink by as much as 45% on an annualized basis during the second quarter, suffering its most severe recession since 1979. Overall, Goldman's forecasts suggest India's GDP will shrink by 5% this fiscal year. In sync, OECD India’s CLI kept lingering below the critical level that separates economic expansions from contraction.

The economic wreckage forced governments across the globe to start easing restrictions even as new cases climb. Whilst global economy was slowly opening up, Baltic indices made some timid steps towards the right direction. As they were ‘once bitten, twice shy’, indices still had fresh in their memory the ghastly start of 2020. In particular, the high-profile Capesizes experienced a ten-fold decline in freight rates from circa $38,000 per day to $3,500 during the past eight months. With punters of this asset being convinced of the sustainability of that trend and with the cataclysmic developments on the Covid-19 front, ship values followed the same pattern. Although some modern “eco” Capesize units were still holding price tags at mid USD 30 mil., the aforementioned trend remained quite the same for them as well. In a parallel universe not so far away, five-year-old Kamsarmaxes felt the same gravitational force during the last period. After touching USD 25 mil. in late 2018- early 2019, modern Kamsarmax prices kept moving lower, concluding at circa USD 22 mil on this unprecedented May closing.

In accord, freight market of the geared segments has been on a downward spiral during the last eight months. Indicatively, on early September 2019, BSI58 TCA and BHSI 7TC balanced at circa $15,000 and $13,000 daily respectively. One hundred and eighty trading days later, the respective figures were just $5,505 and $4,875 daily. Against these developments, S&P market couldn't remain serene. In particular, being unaffected –at large– from the whole rhetoric of trade tension, five-year-old Supramax prices trended sideways for the most part of 2019, ranging from low to mid USD 17 mil. In sync, after a period of strong asset price increases, modern Handysizes reached a certain plateau during the previous year, balancing at very high USD 16 mil. However, with all major asset classes being under overwhelming stress, the law of universal gravitation was catalytic for the course of geared segment asset prices as well. Lingering circa 9% below their regional maxima, five-year-old Supra and Handy prices lay at circa USD 16mil. and USD 15.5 mil. respectively.

In early June, it was the Australia economy that made headlines. In particular, world's thirteen-largest economy had long seemed protected from global economic and financial crises of the past decades, after managing to remain intact from Asian crisis of the late 1990s, Great Recession of 2008/2009 and crisis in the euro area. In fact, the last recession that the country experienced occurred in 1991. Or to put it another, the last time that the "land down under" saw its GDP growth rate being negative for two consecutive quarters, Martin Scorsese with "Good Fellas" and Francis Ford Coppola with "The Godfather, Part III" lost the best directing Oscar award to Kevin Costner with "Dances With Wolves".

However, lately, some cracks made their appearance on the concrete belief that the commodity-exporting economy was immune against global economic shocks. Reserve Bank of Australia Governor Philip Lowe stressed that the Australian economy was going through a very difficult period and was experiencing the biggest economic contraction since the 1930s. In this context, Reserve Bank of Australia decided to keep interest rates on hold at the record-low level of 0.25 per cent.

At a time when Nasdaq touched the 10,000-point milestone and S&P 500 recovered all of its losses for the year, news arrived from the macro front was anything but cheerful. In particular, global economy was on track to shrink by 5.2 per cent this year amid the COVID-19 pandemic, the deepest recession since the Second World War, the World Bank Group said in its latest Global Economic Prospects. In all, the pandemic was expected to plunge a majority of countries into recession this year, with per capita output contracting in the largest fraction of countries since 1870. In reference to the locomotive of global growth, China's output contracted sharply in the first quarter with exports plunging more than imports as a result of factory closures. Despite the accommodative fiscal and monetary policies and a better feeling in the second quarter, the world's second largest economy was projected to decelerate sharply, from 6.1 per cent in 2019 to just 1 per cent in 2020. This was 4.9 percentage points below previous projections, and the lowest growth rate in more than four decades.

On the same wavelength, Fed highlighted the gap between Wall Street and Main Street, by painting the outlook of the world's largest economy in quite grey shades. More precisely, central bank's forecasts predicted a 6.5 per cent contraction in the US economy for the year with the unemployment rate ending at 9.3 per cent. After posting a moderate gain in 2019, real gross domestic product fell at an annual rate of 5 per cent in the first quarter. In the second quarter, real GDP plummeted at a breathtaking pace. This severe contraction reflected a steep drop in consumer spending associated with measures to contain the spreading virus. Uncertainty about the economic outlook also pushed down business fixed investment.

Navigating in these rough weather conditions, Baltic Dry Index plucked up the courage to move towards the right direction, concluding at 923 points on June 12. Whilst the rest of the world was trying to comprehend the reasons behind the gap in the fortune of Wall Street and Main Street, dry bulk shipping kept wondering if the current trading year would be the worst in the Baltic Dry Index history, in spite of the positive reaction of late.

Pumping tonnes of liquidity into badly beaten economies, central banks across the globe reacted swiftly and forcefully to the pandemic, deploying the full range of crisis tools within weeks. The initial response focused primarily on easing financial stress and ensuring a smooth flow of credit to the private non-financial sector. The pandemic triggered complementary responses from monetary and fiscal authorities. Fiscal backstops and loan guarantees supported central bank actions. Asset purchases, designed to achieve central banks' objectives, helped contain the costs of fiscal expansions, according to Bank for International Settlements. That being said, the first positive reaction to vast stimuli was noted on the stock exchanges. In particular, after losing some 40% within few days, S&P 500 trended decisively higher, covering almost all of the COVID-19-related losses.

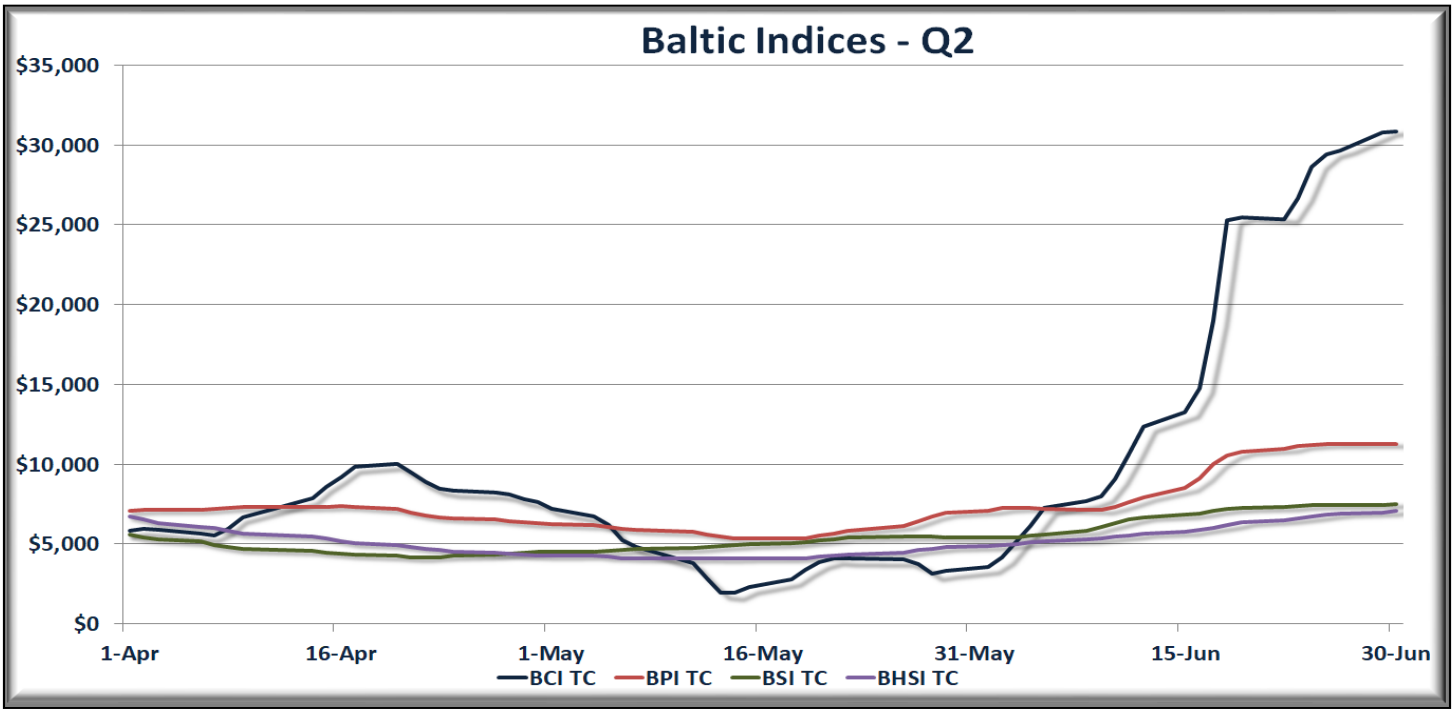
Emphatically towards the same direction, the past twenty-five trading days of Dry Baltic index saw one of the steepest increases of the last years. Having Capesizes on the lead, the gauge of activity in the dry bulk spectrum concluded at 1555 points on the closing of the twenty-fifth week of this unparalleled year. With an impressive 296% rise in just one calendar month, bulkers managed to be re-floated from the mud. Whilst 2019 still holds the record of 323% increase from February trough to July peak, it took BDI 143 trading days to cover this distance. Anyhow, mid-June positive momentum was of a great importance. Predominantly, following five months with rates ‘sunk’ at unprofitable levels that upsurge in activity injected generous doses of optimism in the market. The notion that 2020 would be a “lost year” was gradually getting abandoned.

Setting aside the more positive tone in the dry bulk market, global macro news was anything but accommodative. According to the latest bleaker IMF World Economic Outlook, global growth was projected at -4.9% in 2020, 1.9% below the April 2020 WEO forecast. The COVID-19 pandemic had had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery was projected to be more gradual than previously forecast. In 2021, global growth was projected at 5.4% so long as the viral pandemic didn’t erupt in a second major wave. In China, where the recovery from the sharp contraction in the Q1 was underway, growth was projected at 1% in 2020, supported in part by policy stimuli. Conversely, India’s economy was projected to contract by 4.5% following a longer period of lockdown and slower recovery than anticipated in April.

Blithely ignoring the macro environment, Baltic indices trended strongly upwards for yet another week, as we were approaching the end of the second quarter. At the box office, following five and a half months in the loss-making territory, returns on capital employed (ROCE) of gearless segments managed to stand above zero at last. In particular, Capesize ROCE surged to 14.8%, after touching multi-year lows of -9.29% just 30 trading days ago. In sync, Panamax ROCE balanced for the week at 3.9%, or circa ten percentage points higher than its recent lows. The after depreciation returns on capital employed of the geared segments lay at -1% and -0.9% for the Supramaxes and Handies respectively, both considerably higher M-o-M though. Whilst rolling back of reopenings due to Covid-19 outbreaks sparked a sell-off in Wall Street on Friday 26 June, Baltic indices registered further gains in St Mary Axe just a couple of days before the unparalleled first half of 2020 sink over the horizon.

Having left this inexplicable first half of the year behind, freight market was heading towards what is usually the seasonally stronger third quarter. Interestingly, Capesize segment started for its upward hike some 59.4% higher than the same day one year earlier. Kasmarmax jumping-off place was pretty much the same as this of 2019. Chinese pent-up demand for iron ore, coal and grains pushed gearless Baltic indices materially higher during the last month, covering some ground. On the other hand, better reflecting the general macro environment, geared segments were still lagging considerably by circa 16% last year Q3 launchpad.

In a quarter when Wall Street was focusing on central bank swift actions, iron ore, coal and dry bulk markets really missed the bustle of the city main streets. Trying to guesstimate the course of the index has never been an easy task, even more so under that peculiar juncture, however the general feeling amongst stakeholders had that the worse was behind.



Act III - Ad Astra Per Aspera*

** "through hardships to the stars"*

The third quarter embarked on its journey, with Nasdaq Composite hitting yet another all-time high and S&P 500 lingering very close to its record levels. Apparently the ultra-low interest rate environment and the large-scale quantitative easing had a more than positive bearing in the course of stock exchange indices. On the far side of the moon though, the coronavirus situation worsened further in some parts of the US. In particular, US confirmed cases topped three million to comprise more than 25% of the global total. In this context, OECD stressed that the initial impact of the COVID-19 crisis on OECD labour markets, where data were available, had been ten times larger than that observed in the first months of the 2008 global financial crisis. That reflected the special nature of the COVID-19 crisis with many countries having put entire sectors of their economy “on hold” to contain the spread of the virus. It took less than thirty-six months for the global economy to move from the “most synchronized growth in a decade” to the “most synchronized slowdown” and then to “living with uncertainty”.

At that point in time, the OECD considered two epidemiological scenarios for the following 18 months: one where the virus continued to recede and remained under control, and one where a second wave of rapid contagion erupted at a later stage. According to Paris-based organization, unemployment was set to increase to 9.4% on average across the OECD by the end of 2020, up from 5.3% at the end of 2019. In the event of a second pandemic wave in late 2020 though, unemployment rate was projected to as much as 12.6%.

Trying to find profitable employment for more than five months, Baltic Dry index reported one of its worst averages in living memory during the respective period. However, with an impressive 398% pirouette in just thirty-six trading days, the *Prima Ballerina Assoluta* of the dry bulk main stage touched a nine-month high of 1956 points in the first day of the second week of July. However, for the rest of the week and in spite of the Panamax exertion of climbing the mountain, Capesize decided to stop for a breather. Unfortunately, as it always has been, Capesize set the general tempo for yet another week, dragging BDI down to 1810 points on this week closing.

One week later, Beijing's official data injected moderate optimism in the market. In particular, China's economy returned to growth in the second quarter, in one of the world's earliest signs of recovery from the fallout of the coronavirus pandemic. With Chinese GDP growing by 3.2 per cent in the three months to the end of June, compared with the same period last year, the positive economic data followed the first annual decline in decades in the previous quarter. As early as March, China pushed ahead with major investment in new infrastructure, assigning it top importance this year. "Priority will be given to new infrastructure and new urbanization initiatives and major projects, which not only boost consumption and benefit the people, but also facilitate structural adjustments and enhance the sustainability of growth," the 2020 National People's Congress Work Report said.

In this light and by hitting a 33-month high, June Chinese iron ore imports lay at 101.68 million tonnes, surging from 87.03 million in May, data from the General Administration of Customs showed. Reporting an impressive 35.2% increase on an annual basis, Chinese customs in June experienced one of their busiest months of the last many years, bringing the total imported tonnes for the first six months of the year up to 547 million. Following the initial shock of Covid-19 pandemic and with port stocks tumbling, Beijing's insatiable appetite for iron ore was once again catalytic for the course of Baltic indices. However, Rio Tinto flagged sustained Chinese demand for iron ore but a softer tone in Europe and Japan.

In accord, world's largest soybean consumer imported nearly 11.2 million tons of the protein-rich beans during June, or up 71.3% Year-on-Year and marking the highest monthly volume since the data series began in 1999, according to the General Administration of Customs. For the first six months of 2020, China imported tick above 45 million tonnes of soybeans, or up some 18% Y-o-Y. With Brazil claiming the lion's share in this quasi-duopolistic market, increased ton-mile demand pushed Baltic Panamax indices considerably higher. Additionally, rising poultry production and the recovery in China's hog raising industry were expected to increase demand for feed made from soybean meal during the 2020 to 2021 marketing year, the USDA pointed out in a report released in early July.

In this context, Brazil's May soybean exports jumped 45% on the year to reach 15.5 million tonnes, the second-highest ever, with a hefty 74% of this volume bound for China. Following the same trend, the world's largest soybean exporter shipped circa 12 million tonnes of soybeans in June, a 37% rise from the same month last year, as Chinese demand remained vivid. Setting aside the developments in the geopolitical arena, the main reason underpinning China's strong demand for Brazilian beans was its weakened currency, with real losing some 45% of its value and thus boosting the price competitiveness of Brazil's soybeans. Conversely, US soybean exports to China had a dismal April performance, with May and June not showing any signs of improvement. The balances in this quasi-duopolistic game echoed to the spot market as well, with ECSA sub-market being frenetic whilst USG and NOPAC quite muted.

That being said, Brazil's soybean exports slumped 34% M-o-M in the first three weeks of July, according to country's trade data. By contrast, earlier this month, China booked its biggest single-day US corn purchase on record. In particular, the USDA said that private exporters reported that China bought 1.762 million tonnes of corn for shipment in the 2020/21 marketing year that begins on September 1. The deal follows a sale of 1.365 million tonnes to China, spread out over two marketing years, that the USDA announced on July 10. Whilst diplomatic tensions between the US and China have escalated sharply this week, US grains could labour for the common benefit.

On the coal runs, Vietnam was the positive “surprise” of the year. Hanoi’s quick and decisive response to Covid-19 pandemic had a positive bearing to its economic data. Additionally, Vietnam’s National Assembly approved a free trade agreement with the EU. This move expected to help make Vietnam a new investment destination for manufacturers looking to leave China. Furthermore, Hanoi approved its biggest commercial project earlier, with Prime Minister Nguyen Xuan Phuc signing off on a $9.3bn tourist resort. Against these developments, Vietnam’s coal imports in the first half of 2020 surged by more than 50 per cent to a record high of 31.57 million tonnes, the Customs Department said in a statement. Even though this volume was by no means enough to change the course of Baltic mid-sized segment indices, it offered some moderate support to them during the harsh first six trading months of the current unprecedented times.

The last week of July saw Donald Trump suggesting postponement of November's presidential, saying increased postal voting could lead to fraud and inaccurate results. A few days earlier though, a preliminary estimate from the Bureau of Economic Analysis pointed out that the US economy contracted by the most in post-war history in the second quarter. In particular, US GDP plummeted at an annualized rate of 32.9 per cent. Even though the reported per centage of contraction was smaller than economists’ forecast, one should dig deep into history to find a parallel. In fact, the second-quarter of 2020 was nearly four times worse than the fourth quarter of 2008 when the economy contracted at an annual rate of 8.4 per cent. That being said, fresh data pointed to improving trends late in the second quarter. 7.3 million jobs had been added in May and June, following April’s record loss. Additionally, consumer spending picked up as well, while record-low mortgage rates helped drive home sales considerably higher last month. Due to high uncertainty though, Fed decided to maintain the target range for the federal funds rate at 0 to 1/4 per cent and to maintain its quantitative easing policies.

In uncertain economic times with considerable risks to the economic outlook, investors tend to shift their asset allocations towards safe haven assets. Among them, gold is the most shining example. Year to end July, gold prices soared nearly 30 per cent. The price of the metal climbed as much as 2.4 per cent in intraday trading on the last Monday of July to a record $1,945.16 a troy ounce, blasting past its previous nominal high of $1,921 set in September 2011. US deepening Covid-19 crisis sent the US dollar tumbling further during the 31st week, encouraging the most risk-averse investors to choose the precious metal as a store of their value. With very few exceptions throughout history, ships are not made of gold and thus they can serve by no means as a store of value. In fact, they need attractive daily returns to keep their values afloat.

In an eventful August, US stocks hit afresh highs, extending a record run amid signs of progress on US-China trade talks and Fed’s new inflation goal. The US stock market advanced, boosted by investor optimism about a potential treatment of Coronavirus. Additionally, sentiment was further lifted, after senior US and Chinese officials stressed that they were committed to carrying out the “phase one” trade accord signed in January, in a rare sign of co-operation following weeks of increased tension.

Following the news, Chicago corn futures rose 1.5 per cent early in the last week of August, touching their maxima in more than six weeks, buoyed by expectations of higher Chinese demand. On the same wavelength, soybeans rose 1.1 per cent and wheat also registered gains.

A couple of days later, US stocks moved further higher and Treasury yields rose after Jay Powell, Federal Reserve chair, announced changes designed to give the central bank more flexibility on monetary policy. Speaking at the virtual Jackson Hole central banking conference, Mr. Powell said the Fed would shift its inflation target away from an “absolute” to an “average” of 2 per cent, something that would give the central bank the ability to let price growth overshoot the two-per-cent-mark for a time. Market has seen behind Fed’s dovish shift, the US central bank determination to further stimulating the economy by keeping rates near zero, possibly for years. Even though concerns have been expressed that inflation might get out of hand like 1970s, the trendsetter S&P 500 closed up 0.2 per cent having set a new intraday high above 3,500 points.

Conversely, following a rollercoaster period, Baltic Dry Index experienced a relatively flattish August, without any material change. In particular, following a remarkable 398 per cent increase and a steep 35 per cent correction thereafter, BDI embarked on its August journey full of concerns. It was the immense pressure in July's spot market that dampened market sentiment. However, by reacting quickly, the barometer of activity in the dry bulk spectrum didn't let the initial anxiety further escalate. By decomposing the general index, the first half of August belongs to Panamaxes whilst the second one to the geared segments. Indicatively, both Supramaxes and Handies touched their respective 2020 maxima during the last week of the summer.

Following a plethora of headlines with negative macro news during the first eight months of this unprecedented trading year, early September Australian economic data painted a gloomier picture. Indicative of the magnitude of Australian economy's contraction is that the fact that the head of National Accounts at the ABS, Michael Smedes stressed that "The global pandemic and associated containment policies led to a 7.0 per cent fall in GDP for the June quarter. This is, by a wide margin, the largest fall in quarterly GDP since records began in 1959." As far as the international trade goes, import volumes fell more than exports, and as a result net trade contributed 1.0 per centage points to growth. On the imports side, travel services fell $8.2 billion and transport services fell $1.2 billion in original terms. On the exports side, travel services fell $6.3 billion, while coal, coke and briquettes fell $1.3 billion and metal ores and minerals rose $1.2 billion in seasonally adjusted terms.

During the same period, Baltic Capesize Index saw two of its smallest monthly averages of the last twenty trading years. In particular, February and March averages of just $2,721 and $3,224 daily were among the worst performers ever. Following the initial Covid-19 shock and with abundance of monetary and fiscal stimuli though, Baltic Capesize index found its way up. With an average of $19,366 daily, August 2020 for the Capesize market was the third best August in this decade. That being said, the "first violin" of the dry bulk orchestra played the September song in the wrong key. Having lost circa $5,000 during the last week of August and the first of September, BCI TCA concluded below the $17,000-mark for the first time since mid-June on September 4. Yet, with Chinese manufacturing PMI lingering above the critical reading of 50 for another month in a row, Capesizes had every right to feel that the worst is behind them.

Following previous week discouraging Australian GDP data, another commodity exporter reported a steep fall in the value of its gross domestic product. South Africa's economic output plummeted in the second quarter, recording its largest contraction ever as a strict lockdown to curb the spread of the coronavirus shut down most activity. In particular, South African product fell 16.4 per cent in the three months to the end of June compared with the previous quarter, equating to an annualised rate of 51 per cent, official figures showed on Tuesday. Furthermore, the South African Reserve Bank expects GDP to contract by more than 7 per cent for the whole year, in country's worst performance since the Great Depression of the 1930s. In reference to nation's transactions with the rest of the world, the current account balance as a ratio of GDP reverted to a deficit of 2.4 per cent in the second quarter of 2020 from a surplus of 1.2 per cent in the first quarter.

As far as the coal export goes, Richards Bay Coal Terminal exported a total of 41.3 million tonnes of coal from January to July, down 5.45 per cent from 43.69 million tonnes in the same period last year. Aside from the domestic issues and the severe impact of the Covid-19 pandemic, South Africa is more heavily dependent on one nation for its export volumes than other major thermal coal exporters like Indonesia and Australia. In fact, in the previous couple of years, half of all South African exports out of RBCT went to India, a nation with a clearly stated policy of reducing reliance on coal imports. On top of that, India had been strangling to control the pandemic, with serious social and economic consequences. Yet, India, the largest coal importer at RBCT, imported 3.14 million tonnes in July, rising by 11.13 per cent M-o-M but falling by 7.66 per cent Y-o-Y. During August, a similar trend had been noticed in one of the most important maritime routes, but the spark of the previous years still missing from this staple trade. With ECSA flame wavering and USG sparkle not sufficing yet, Baltic indices seemed to be in need of some generous doses of support from mineral trades during the last quarter.

Whilst Covid-19 pandemic kept sending shockwaves across the globe, China's manufacturing activity remained steady on its rapid expansion in August as the world's second largest economy recovered further from the fallout of the Covid-19 pandemic. In particular, the Caixin China Manufacturing Purchasing Managers' Index (PMI) which gives an independent snapshot of the country's manufacturing sector rose to 53.1 last month from 52.8 in July, reaching a high unseen since the start of 2011 and remaining in expansionary territory for the fourth month in a row.

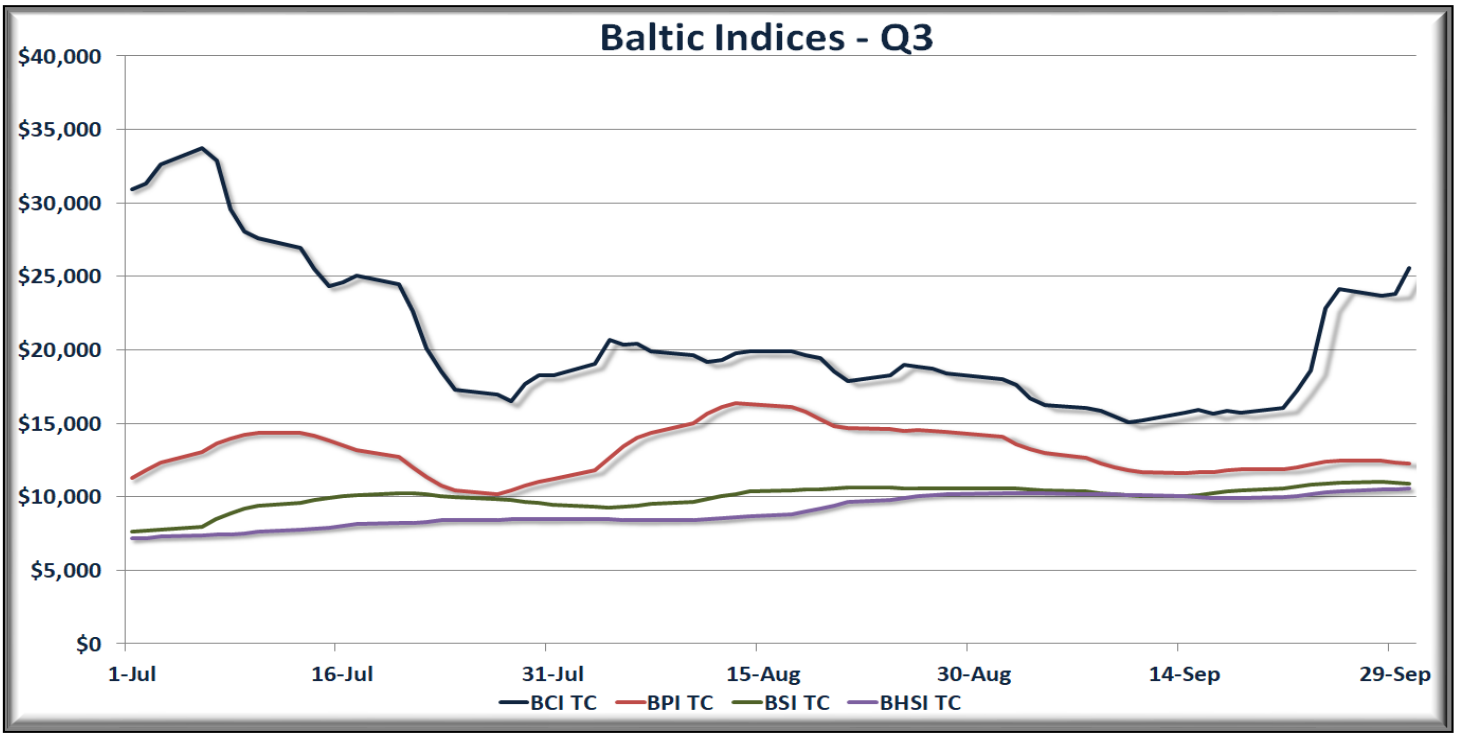
On the contrary, China's coal imports fell to an eight-month local minimum of 20.66 million tonnes in August, down 20.8 per cent from July's 26.1 million and an enormous 33 per cent below the level recorded in August last year, according to customs data. Beijing's unofficial efforts to restrict imports in order to keep domestic prices on track coupled with Covid-19 major disruptions led to a soft August outcome. The aforementioned drop in word's largest importer's demand removed a key pillar of support not only from Baltic indices but also for Indonesian and Australian economies. On top of that, Asia's total imports of coal from the seaborne market have slumped this year amid slowing economic growth. In particular, regional seaborne coal imports were 612.82 million tonnes during the first eight months of the year, or down 7.1 per cent from the same period last year, according to vessel-tracking and port data compiled by Refinitiv.

During the same period, Baltic Dry Index fell into the rhythm of the ebb and flow of global economy waves. Ranging from as much as 2,518 points to just 393 points, the gauge of activity in the dry bulk spectrum had a period average of 1,246 points. However, Capesizes seemed to be in the mood to move higher. In fact, the late September Capesize rally along with the well-supported geared segments pushed the general index some 33.8 per cent above its trailing thirty-three-month average value.

Following an impressive June rally, the third quarter of this exceptional trading year appeared to be a bit confused during the first trading days of July. On the one hand, the demoralizing Baltic indices balancing levels of the first five and a half trading months didn't leave much room for positivity. On the other hand though, the June spike injected generous doses of much needed optimism. But, Capesizes embarked on their Q3 journey without the necessary excitement. Not many days later, Kamsarmax followed through, leaving the geared segments alone on their attempt to heal H1 wound. The same trends continued during the summer months, with Capesizes drifting lower to mid/high teens, Kamsarmaxes fluctuating around the $13,000-mark and geared segments gaining few extra greenbacks by day. However, the typically strongest quarter of the year had a pleasant well-kept surprise before the final Q3 curtain went down. Managing to cover a distance of $10,000 in just eight trading days, the capricious Capesize ladies finished their Q3 adventure circa $5,000 lower from where they had started. In this juncture, Capesizes earned, on average, $20,914 daily during the past three months, or -29 per cent Y-o-Y. In sync, Baltic Panamax index reported a lukewarm Q3 average of $13,108 daily, or 24.3 per cent lower on a yearly basis. The geared segments didn't manage to overcome last year values, with BSI TCA averaging at $9,931 and BHSI TCA at $9,136 daily. Compared with previous third quarter returns, the freight market of the gearless lingered well above its average of the respective period of the last ten year. Conversely, Supramaxes underperformed their long-term average by 3.2 per cent, whilst Handies balanced, on average, 4.3 per cent lower than their ten-year average earnings.

In reference to asset prices, remaining consistent with previous period downward trend, the third quarter of 2020 saw the sector assets losing somewhere between 5 per cent and 17.5 per cent of their values, depending on segment and vessel specs. With an average price of USD 35m for the Q3 of 2020, five-year-old eco Capesizes balanced considerably lower than their five-year average. Panamax Q3 average prices came in at USD 18m, or 2 per cent more than the five-year average of the same period. The market for five-year-old Supramaxes and same-aged 37K dwt Handies were on average at USD 15.5m and USD 17m respectively. These levels were 3 per cent below and 15 per cent above their average prices on the Q3s of the last five years.

With the decent third quarter of the year behind, freight market avoided the Scylla of total collapse and the Charybdis of major bankruptcies in order to continue its journey. Yet, dry bulk market had to navigate through the US presidential elections, a possibility of an extended second wave of Covid-19 pandemic and the aspiration of increased infrastructure spending programs across the globe, before they decide to start their regular seasonal movement towards south.



Act IV - Finis Coronat Opus *

** "the end crowns the work"*

Whilst Baltic Dry Index colours lost some of their vividness during the forty-first week, Asia's emerging currency markets were led higher on Friday by the yuan, which moved more than 1 per cent higher as Chinese markets reopened after a week-long break. China's currency jumped by the most in four and a half years as trading resumed after a long holiday, boosted by the country's accelerating economic recovery. Following an encouraging reading of Chinese manufacturing PMI during the last three months, strong retail sales during the country's Golden Week holiday further boosted investors' sentiment. In this context, China's benchmark CSI 300 index of Shanghai and Shenzhen-listed stocks trended considerably higher that week. Furthermore and setting aside the more favourable macroeconomic fundamentals than developed economies, China's response to Covid-19 pandemic relied more on fiscal stimuli, keeping its main rate relatively high. In fact, fixed-income investors can reap a yield of 2.7 per cent on ten-year Chinese government bond, compared with a just 0.8 per cent from the respective US bonds. This led to an increase demand for Chinese assets and thus for renminbi. On a final note, the latest pre-election political developments in the US may signal a different, less confrontational approach on the trade front. With the latter having a bearing as well in the latest currency movements, the offshore renminbi balanced at 6.6978 against the dollar.

In a time when Chinese economy is gathering pace, shipbuilding industry is still struggling to attract new orders. In particular, the initial Covid-19 shock, nationwide lockdowns across the globe, plummeting global growth, the possibility of an extended second wave of the pandemic and uncertainties related to the course of the global economy had clearly a bearing in investors' decision to stay away from the Far Eastern yards. Additionally, secondhand asset prices kept hovering circa 15-20 per cent lower than their ten-year averages, with the Handysize exception, disincentivizing owners for placing orders for newbuilding tonnage. Most importantly though, the demoralizing H1 Baltic index averages along with their stress in cash flow statements of shipping companies didn't leave much room for newbuilding discussions. At this unfortunate juncture, the orders for new tonnage remained on the ultra-low end, considerably lower than the trailing four years. Thus, the orderbook over fleet ratio balanced at just 6.5 per cent, well below tis twenty-year average of 27 per cent.

As we were moving forward to the second week of October, IMF reconfirmed the positive feeling in the markets. According to the Fund, global economy was climbing out from the depths to which it had plummeted during the "Great Lockdown" in April, as activity normalized faster than expected after most of the country reopened in early April, and Q2 GDP registered a positive surprise on the back of strong policy support. But with the COVID-19 pandemic continuing to spread, many countries had slowed reopening and some were reinstating partial lockdowns to protect susceptible populations. In particular, global growth was projected at -4.4 per cent in 2020, a less severe contraction than initially forecasted.

In reference to global trade, it was expected to contract by circa 10 per cent this year – a pace very similar to during the global financial crisis, despite the contraction in activity being much more pronounced. As noted in the 2020 External Sector Report of IMF, the expected decline in trade volumes largely reflects weak final demand from consumers and firms amidst the synchronized global downturn. Additionally, subdued trade volumes also reflected possible shifts in supply chains as firms reshored production to reduce perceived vulnerabilities from reliance on foreign producers.

Following last week's rather positive IMF growth projections, China's National Bureau of Statistics announced that the world's second largest economy grew by 4.9 per cent in the third quarter compared with a year earlier, accelerating from a 3.2 per cent expansion in the second quarter. Whilst consensus had it that previous quarter performance fall slightly back market expectations, it has to be noted that this was the second quarter in a row with a positive sign. By industry, the value added of the primary industry was 4,812.3b yuan, up by 2.3 per cent Y-o-Y; that of the secondary industry was 27,426.7b yuan, up by 0.9 per cent; and that of the tertiary industry was 40,039.7b yuan, up by 0.4 per cent. In reference to industrial production, in the first three quarters, the total value added of the industrial enterprises above the designated size grew by 1.2 per cent Y-o-Y, while that of the first half of this year was down by 1.3 per cent. As far as the investment in fixed assets goes, the investment in infrastructure grew by 0.2 per cent, shifting from negative to positive for the first time in 2020, while that of the first half of 2020 was down by 2.7 per cent; the investment in manufacturing dropped by 6.5 per cent, a decline narrowed by 5.2 per centage points compared with that of the first half of the year and real estate development increased by 5.6 per cent, 3.7 per centage points faster than that of the first six months of 2020. In reference to international trade, both imports and exports appeared to be more vivid. In particular, the total value of imports and exports of goods during the third quarter grew by 7.5 per cent Y-o-Y, while that of the second quarter was down by 0.2 per cent. Overall, increased fiscal spending, tax relief and cuts in lending rates and banks' reserve requirements put the locomotive of global growth on an upward trajectory again, after the discouraging multi-decade-low growth levels seen in the first months of the year.

Against this background, China's imports of major commodities including iron ore, copper, oil and soybeans rose in September from a month earlier. However, coal imports didn't follow this trend. After a first-eight-month average of 27.6m tonnes, Chinese customs cleared just 18.67m tonnes during the working days of September, or down 9.6 per cent M-o-M. For the whole period of nine months, total imports balanced at 239m tonnes, or down 4.4 per cent from the respective period of 2019. More importantly though, the aforementioned sum for the current year was already very close to the 2017-introduced unofficial flexible annual coal import quota of 270m to 300m tonnes. As imports approaching this cap, it appeared that China had begun to slow its imports for the remaining of 2020.

In line with the accelerating Chinese economy for the second quarter in a row, the US reported an impressive third quarter GDP growth percentage as well in the last week of October. In particular, by expanding at its fastest pace in postwar era, the gross domestic product of the world's largest economy grew by 33.1 per cent Q-o-Q, on an annualized basis. In other words, economic output rose 7.4 per cent compared with the previous quarter, according to the standard metric used by Eurozone and many of other advanced economies. The rebound in gross domestic product followed a 31.4 per cent rate of contraction in the second quarter, the deepest since the government started keeping records in 1947. The increase in third quarter product reflected a colossal stimulus and continued efforts to reopen businesses and resume activities that were postponed or restricted due to Covid-19. The expansion of real GDP echoed increases in personal consumption expenditures, private inventory investment, exports, non-residential fixed investment, and residential fixed investment that were partly offset by decreases in federal government spending and state and local government spending.

Very similar was the feeling across the pond as well. The Eurozone economy rebounded from its coronavirus-induced recession in the three months to September, but output remained well below pre-pandemic levels. In the third quarter 2020, seasonally adjusted GDP increased by 12.7 per cent in the euro area and by 12.1 per cent in the EU, compared with the previous quarter, according to a preliminary flash estimate published by Eurostat. These were by far the sharpest increases observed since time series started in 1995, and a rebound compared to the second quarter of 2020, when GDP had decreased by 11.8 per cent in the euro area and by 11.4 per cent in the EU.

In spite of the better macro environment, BDI crossed the October finish line lower at 1283 points.

It was four years ago when Donald Trump received nearly 63m votes and became the 45th president of the United States, with the promise to declare US economic independence once again. President Trump was elected in part due to his commitment to reform the global trading system in ways that would lead to "fairer outcomes" for US workers and businesses, and more "efficient markets" for countries around the world. From Trans-Pacific Partnership, North American Free Trade Agreement up to North Atlantic Treaty Organization and World Trade Organization the newly formed US government was on the view that world order is of need for rearrangement. Undoubtedly, trade balances with China was the focal point of US new leadership. Four years later, some developments on the geopolitical front took place, yet another generous portion of them limit their material impact on headlines of economic press. In any case, iron ore, coal, grain and minor bulk runs were still on demand for bulkers, generating derived demand for shipping services.

Whilst the US was still counting votes in order to elect their president, bold movements were made on geopolitical chessboard. On the intra-Pacific front, China banned imports of Australian timber from Queensland and suspended barley imports from a second grain exporter, while Chinese importers were also bracing for a new round of bans on copper ore and copper concentrate as well as sugar in the latest trade escalations between Beijing and Canberra. In this context and while a second wave of Covid-19 constitutes an imminent threat to global economy, Australia's central bank slashed the cash rate to an unprecedented 0.10 per cent, in the lowest interest rate cut ever recorded. It has to be noted that interest rates had been cut by the Reserve Bank of Australia three times this year. Additionally, RBA stressed that both in Australia and overseas, the outlook for growth involved considerable uncertainty related to the course of the pandemic. Fresh outbreaks were prompting new lockdown measures and could therefore slow the recovery in many advanced economies. Trade and geopolitical tensions also posed downside risks to the recovery.

In sync, the Federal Reserve kept monetary policy steady with interest rates at rock bottom and no changes to its bond purchases, as chairman Jay Powell warned the rise in coronavirus cases around the world was "particularly concerning". Fed chair pointed out that the path of the economy would depend significantly on the course of the virus. Against this background, the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 per cent and was expecting to maintain this target range until labor market conditions reached levels consistent with the Committee's assessments of maximum employment and inflation rose to 2 per cent and is on track to moderately exceed 2 per cent for some time.

As ballots in the US presidential race were still being counted and central banks across the globe remained concerned, freight market kept trending downwards, with all segments being under pressure.

In a period when healthy skepticism had been stretched a bit towards the extreme with some among us challenging US presidential election results and others wondering whether Covid-19 pandemic was real or not, the forty-sixth week of this unparalleled year found the courage to start off on the right foot. In particular, on Monday, a Covid-19 vaccine being developed by Pfizer and Germany's BioNTech was found to be more than 90 per cent effective. News was spread out rapidly, injecting generous doses of optimism in the vast majority of societies and markets around the globe. "To me, this is the best possible outcome," Ugur Sahin, co-founder and chief executive of BioNTech told the Financial Times, while Pfizer boss Albert Bourla said it was "a great day for science and humanity". Against these developments, global stock markets roared on Monday, with companies hit hardest by the pandemic being in the driver's seat. S&P 500 index closed the day 1.2 per cent higher, after having earlier touched all-time highs. In sync, the Russell 2000 of small-cap stocks, a barometer of the US economy, surged 3.7 per cent whilst Europe's Stoxx 600 moved strongly up by 4 per cent, on its best day since May. On the far side of the moon, Nasdaq Composite closed down 1.5 per cent, with many investors switched back to economically sensitive sectors and away from technology stocks. As the week progressed though, the balance between the surging Covid-19 cases in both sides of the Atlantic and the vaccine progress tilted again towards the former though.

Not following the rollercoaster week of the stock markets, the barometer of activity in the dry bulk spectrum kept pointing down for yet another week. Being under pressure for twenty-eight trading days in a row, Baltic Dry Index concluded at 1115 points on November 13, having lost some 46.8 per cent of its value during this period. Whilst vaccine progress, on the one hand, and broad nationwide lockdowns, on the other, clearly had a bearing in the medium and longer-term prospects of the sector, Baltic indices chose to focus on more idiosyncratic factors for their current dull balancing levels. In particular, Chinese increased iron ore port stocks and Beijing sated appetite for coal imports still remained necessary and sufficient conditions for moving on to a lower freight rate environment.

After plunging in the midst of the Covid-19 pandemic, World merchandise trade appears to have rebounded strongly. But, whether growth can be sustained going forward was unclear, according to the WTO's latest Goods Trade Barometer released on 20 November. The Goods Trade Barometer's reading of 100.7 marked a dramatic improvement from the 84.5 recorded last August, which reflected collapsing trade and output in the second quarter as lockdowns and travel restrictions were employed to fight the virus. The latest reading of above 100 points indicated a strong rebound in trade in the third quarter as lockdowns were eased, but growth was likely to slow in the fourth quarter as pent-up demand was exhausted and inventory restocking was completed.

The forward looking statement of WTO was that in spite of partial recovery, trade-related uncertainty remained high. A second wave of Covid-19 infection was already under way in Europe and North America, leading to renewed lockdowns that could trigger another round of business closures and financial distress. On a more positive note, the Geneva-based organization stressed that progress has been reported in the development of a vaccine, but when and how it might be deployed is not yet known.

Much like WTO trade barometer, Baltic Indices were balancing between the current challenging trading conditions and rising prospects of a more favourable economic environment moving forward. In this context, the Baltic Dry Index trended mildly upwards to 1148 points on the closing of the third week of November.

Propelled by a series of Covid-19 vaccine breakthroughs and optimism over Joe Biden's victory in the US presidential election, stock markets around the globe were on track for their best month on record. In sync and despite looming economic uncertainties, investor appetite for renewables remained strong as well. During the first ten months of 2020, auctioned renewable capacity was 15 per cent higher than that of the same period last year, marking a new record. At the same time, shares of publicly listed renewable equipment manufacturers and project developers were outperforming most major stock market indices and the overall energy sector. Driven by China and the United States, net installed renewable capacity was expected to grow by nearly 4 per cent globally in 2020, reaching almost 200 GW, according to International Energy Association. Additionally, renewables were expected to overtake coal to become the largest source of electricity generation worldwide in 2025.

Setting aside the longer term prospects of the "king coal", Indonesian Coal Mining Association and China Coal Transportation and Distribution Association made headlines in the last week of November. In particular, China was aiming to expand thermal coal imports from Indonesia in 2021, according to an agreement signed by the two countries. Under the MoU, Beijing will buy thermal coal worth of $1.46 billion from Indonesia next year. Additionally, the period of this agreement will last three years, with Indonesia coal export target to be reviewed annually. In the first ten months of 2020, China coal imports from Indonesia totaled 110.26m tonnes, considerably lower than the 128.96m tonnes over the respective period a year ago. Moving forward, Indonesia was expected to take a bigger share in China's coal imports as diplomatic relations between Canberra and Beijing are anything but harmonious lately. In any case, the second largest bulk commodity offered generous support to Baltic indices that week.

With daily coronavirus death tolls at alarming levels, fresh restrictions in many US states and increasing layoffs, US stock markets had a softer tone towards the end of the fiftieth week. Additionally, alternating headlines on progress toward a new stimulus deal chopped some of investor optimism, following mid-week euphoria of Wall Street record highs. Across the pond, strong warnings from EU and UK leaders that Britain could leave Europe without a trade deal had a negative bearing on the European markets, with bank stocks setting the negative tone. Despite weakness in the broader markets, most stock markets in emerging Asia gained ground this week, amid expectations of a better-than-forecast economic recovery in the region supported by China's steady rebound. The latter forced iron ore prices to move materially higher during the second half of the year. Against this development and with Sino-Australia relationship turned sour, the China Iron & Steel Association (CISA) held a video conference this week with BHP executives in which there was a "candid exchange of views" on the miner's production, sales and pricing. Furthermore, Luo Tiejun, a CISA vice-president questioned the company about the single day price rise of $7.5 per tonne on the Platts 62 per cent iron ore index last Friday. The Anglo-Australian miner agreed to enhance communication with the association to ensure "an open and transparent iron ore market", according to the briefing.

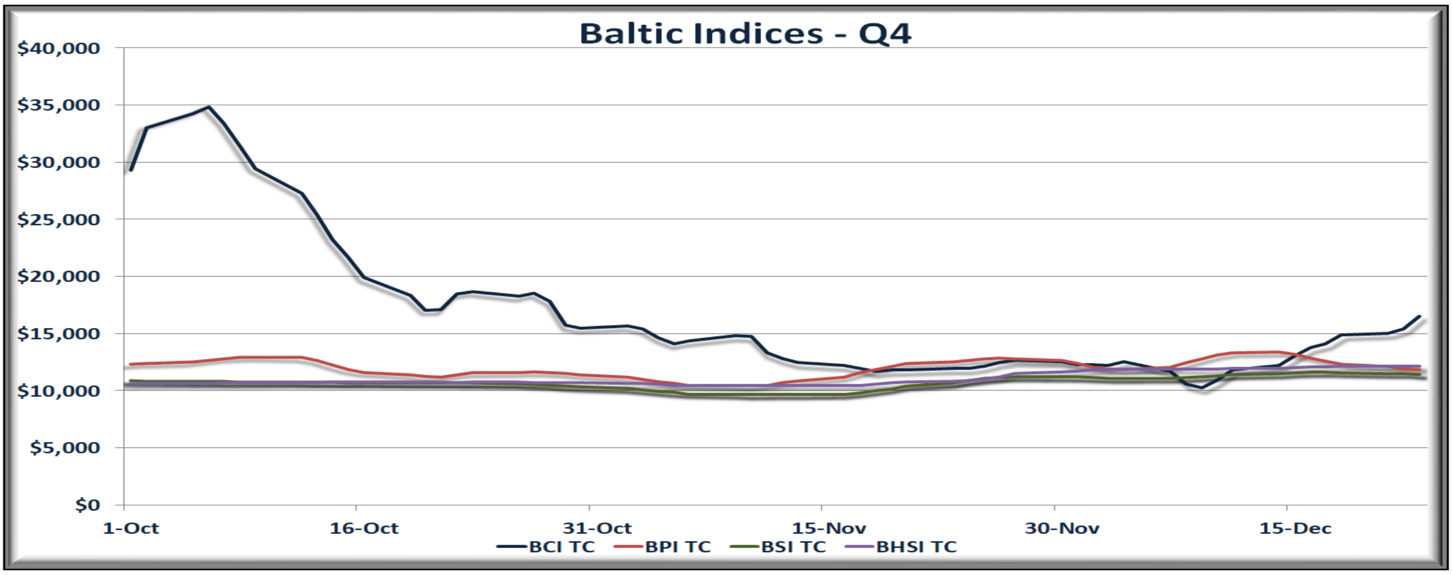
Whilst the spike in imported iron ore prices threatens the profitability of steel plants, China's iron ore imports fell for the second straight month in November, dropping 8.1 per cent from a month earlier. In particular, the world's top steelmaker imported 98.15 million tonnes of the key steelmaking ingredient last month, down from 106.74 million tonnes in October, according to data released by the General Administration of Customs. In the first 11 months of the year, imports of the mineral increased 10.9 per cent year on year to 1.07 billion tonnes – beating full-year imports of 1.06 billion tonnes in 2019 –, with Australia supplying more than 60 per cent.

In accord, Beijing's coal imports were just 11.67 million tonnes in November, down 15 per cent from October and 20.8 per cent from November last year. Chinese customs cleared 264.8 million tonnes of coal and lignite over January-November this year, lower by some 10.8 per cent from the first eleven months of last year, according to data from the country's General Administration of Customs. The January-November result widened from the 8.3 per cent decline seen over the first ten months, due to a variety of political and trade issues. In fact, China has restricted imports from top suppliers Indonesia and Australia, most likely as part of efforts to protect the domestic mining industry and as part of Beijing's ongoing dispute with Canberra. However, with domestic coal prices remaining at historical highs, Chinese utilities have been allocated up to 20 million mt of import quotas for seaborne thermal coal for the remainder of 2020 by authorities, much of which has already being shipped. In this light, Baltic Dry Index continued low-flying.

The Federal Open Markets Committee (FOMC) ended this unparalleled year much as it was widely expected, with interest rates just above zero and no plan to raise them anytime soon. Mid-December meeting was in fact the last for the Trump administration. Replacing Janet Yellen as Fed Chair three year ago, Jay Powell reversed the upward trend of Fed rates as early as in 2019. Furthermore and as a response to the Covid-19 pandemic, the open committee quickly lowered the target range for the federal funds rate. During two unscheduled meetings on March 3 and March 15, the FOMC voted to reduce the target range for the federal funds rate by a total of 1.5 percentage points, dropping it to near zero. Additionally, starting with its March 15 statement, the FOMC had indicated that it expected to keep the policy rate at that level until the economy has weathered recent events. In addition, the Federal Reserve will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward the Committee's maximum employment and price stability goals. With short-term outlook deteriorating and the outlook for 2021 improving, the Fed Chairman deferred a boost to the central bank's asset purchases, but introduced guidance that will keep them in place for a longer.

In sync, Reserve Bank of Australia noted that global economic activity had bounced back faster than anticipated in the September quarter, but the tightening in containment measures in the December quarter had resulted in a loss of economic momentum. In particular, infections had risen notably in a number of large advanced economies since September whilst many governments had responded by tightening containment measures. In this context, minutes of the RBA's December policy meeting showed its Board feared a prolonged period of unemployment lay ahead. Additionally, RBA stressed that any further easing would come through an expansion of its bond buying programme, which currently had a target of A$100 billion. As far as country-specific risks go, the imposition by Chinese authorities of import bans and other obstacles to imports of some Australian products, particularly agricultural products and, more recently, coal, had also had an effect. However, it was also noted that Chinese demand for Australian iron ore exports remained firm.

Surprisingly enough for this period of year, Baltic Dry Index found welcome support on the aforementioned Chinese demand for iron ore during the last few days of the year, with industry aspiring to carry on throughout the following year.



Curtain falls on 2020

In early December, OECD Chief Economist Laurence Boone stressed that the road ahead is brighter but challenging. In particular, the global economy is expected to gain momentum over the coming two years, with global GDP at pre-pandemic levels by the end of 2021. After a sharp decline this year, global GDP is projected to revert to pre-pandemic levels by the end of the following year, increasing by 4.25 per cent. A further 3.75 per cent expansion is projected for the 2022. Thanks to unprecedented government and central bank action, global activity has rapidly recovered in many sectors, though some service activities remain impaired by physical distancing. Additionally, progress with vaccines has lifted expectations and uncertainty has receded. The worst has been avoided, most of the economic fabric has been preserved and could revive quickly, but the situation remains precarious for many vulnerable people, firms and countries But, performance would differ markedly across the main economies.

In reference to the aforementioned global economic outlook, there are both upside and downside risks to these projections, according to OECD. Pent-up demand and accumulated savings may reinforce a rebound if vaccines become available faster and more widely, boosting global growth to around 5 per cent in 2021. But confidence may be hit if problems arise with the distribution or unexpected secondary effects of the vaccines. In this scenario, global growth in 2021 would be lowered by 2.75 percentage points.

For dry bulk shipping in particular, 2021 is expected to be a “tale of two cities”. Front-loaded orderbook and Covid-19 backwash could have a negative bearing on Baltic index performance during the seasonal weakest period of the year. However, the second part of the following year has the potential to be more fruitful. Even though global economy is not expected to be completely out of the woods, demand is anticipated to be more vivid, ceteris paribus. Additionally, the lowest orderbook-to-fleet ratio in 20 years could add further steam to Baltic indices, supporting their aspiration to propel away from 2020 rough seas.

We hope the amalgamation of the above factors to contribute to a seaborne trade year full of activity…

May your sails have good winds in 2021!

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