

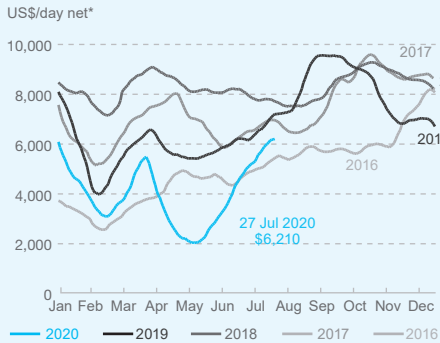
# Market Review

## Freight Market Summary

**US\$4,920 net** ↓ 26%

BHSI 38k (tonnage adjusted) Handysize  
1H20 average market spot rate

### Handysize Market Spot Rates in 2016–2020

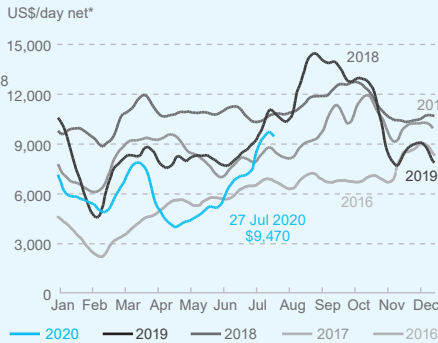


BHSI 28,000 dwt for all years for consistency  
\* excludes 5% commission  
Source: Baltic Exchange, data as at 27 July 2020

**US\$5,730 net** ↓ 26%

BSI 58k Supramax  
1H20 average market spot rate

### Supramax Market Spot Rates in 2016–2020



BSI 58,000 dwt

Seasonal Chinese New Year weakness early in the year was compounded by measures to contain the Covid-19 outbreak in China. Following a partial recovery in March as Chinese activity gradually returned, the market weakened again from late March until early May as the coronavirus spread and severely impacted activity around other parts of the world.

Overall, average Handysize<sup>1</sup> and Supramax spot market rates declined 26% year on year to US\$4,920 and US\$5,730 per day net respectively in the first half of 2020.

With Chinese activity significantly recovered and more countries partly reopening their economies, freight earnings have improved since May and are currently over US\$7,000 per day net for Handysize<sup>1</sup> and US\$9,000 per day net for Supramax.

<sup>1</sup> BHSI 38k tonnage adjusted

## Market Activity more Resilient than Demand Estimates seem to Indicate

### DEMAND DRIVERS

Despite estimates of a significant reduction in demand in the first half of the year, we have observed increasing levels of trade and enquiries in recent months, with a few exceptions.

Strong grain exports from South America and the Black Sea (especially to Pacific destinations) drove a year-on-year increase in overall grain volumes.

Other positive developments included increasing Japanese steel exports and global demand for bauxite and wood pellets out of North America.

However, some minor bulk segments were negatively affected in the period, with log volumes out of New Zealand being particularly hard hit by the country's earlier ports lockdown. Nickel ore volumes also reduced sharply after Indonesia's ban on nickel ore exports took effect in January, and steel exports from China reduced due to strong domestic demand.

Iron ore provided valuable support to the dry bulk market overall. Based on cargo movement data, global iron ore loadings in the first six months of 2020 appear to have increased slightly compared to the same period last year due to strong Chinese demand growth outweighing reduced imports to Japan and Korea. Chinese imports of coal increased 12% while global coal trade volumes fell about 10% overall as lockdown measures impacted energy consumption.

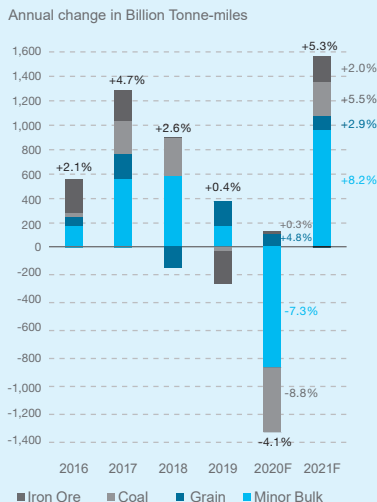
Clarksons Research is forecasting significant reductions in dry bulk and minor bulk tonne-mile demand in 2020 which we consider too bearish in view of the increasing levels of trade and enquiries we have been observing.

### 1H20 Chinese Import Volumes

Iron Ore	↑ 9%
Coal	↑ 12%
Soybean	↑ 17%
Minor Bulks*	↓ -7%

\* Chinese imports of 6 minor bulks including logs, fertiliser, bauxite, nickel, copper concentrates & steel  
Source: Bloomberg, data as at July 2020

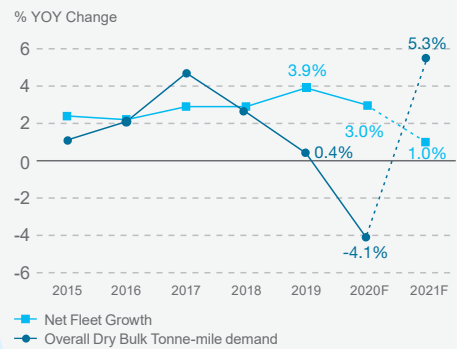
### Annual Change in Global Dry Bulk Tonne-mile Demand



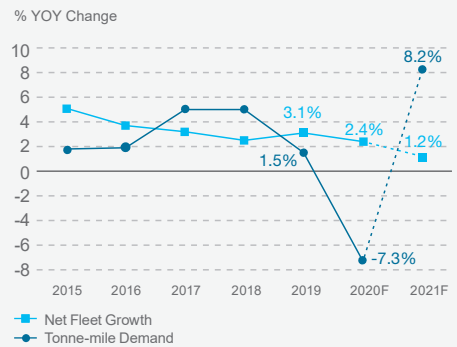
Source: Clarksons Research, data as at July 2020

## Estimated Demand and Supply Balance

### Overall Dry Bulk



### Minor Bulk

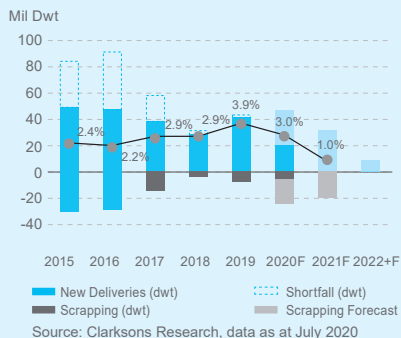


Source: Clarksons Research, supply data as at July 2020

## Net Fleet Growth is Expected to Reduce Going Forward

**+2.2%** **0.6% YOY**

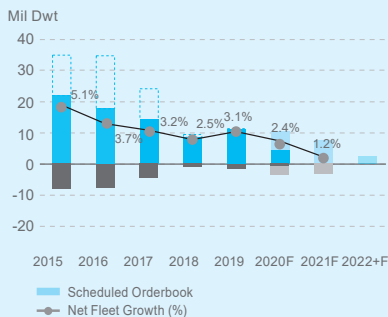
Overall dry bulk capacity 1H20



Source: Clarksons Research, data as at July 2020

**+1.8%** **0.3% YOY**

Global Handy/Supra capacity 1H20



## Ship Values are Bottoming Out

**US\$14.5m** **-15%**

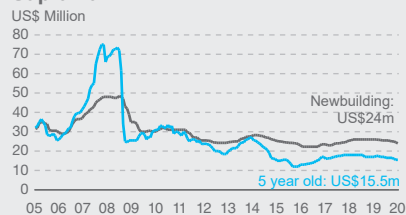
Secondhand Handysize YTD

Vessel values weakened in the first half but recent transactions show values bottoming out, supported by strengthening freight rates. Clarksons Research currently values a benchmark five-year old Handysize at US\$14.5 million, down 15% since the start of the year.

### Handysize



### Supramax



Source: Clarksons Research, data as at 24 July 2020

SUPPLY DRIVERS

The global dry bulk fleet grew 2.2% net during the half year compared to 1.6% a year ago, mainly due to significant Panamax and Capesize newbuilding deliveries and very little scrapping.

Scrapping crept up to 0.9% of existing dry bulk capacity but is still very low, partly due to lockdowns on the Indian sub-continent, and was concentrated in the much larger Capesize and ore carrier segments. Handysize and Supramax scrapping was very limited.

The global fleet of Handysize (25,000-41,999 dwt) and Supramax (42,000-64,999 dwt) ships in which we specialise grew at 1.8% net, pointing to relatively healthier supply fundamentals compared to the large vessel sizes.

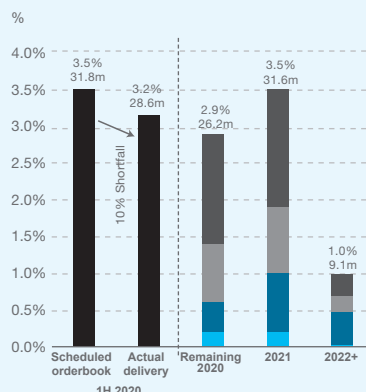
Global dry bulk fleet growth is expected to reduce going forward.

## Dry Bulk Orderbook Nears All-Time Low

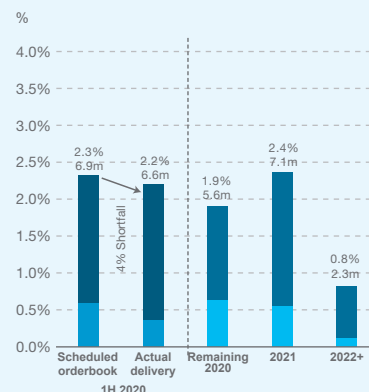
New ship ordering in the first half of 2020 was significantly lower than a year ago and remained concentrated in the Panamax and Capesize segments, while orders for Handysize and Supramax vessels remained more limited. The combined Handysize and Supramax orderbook now stands at 5.1%, which is the lowest since the 1990s. The overall dry bulk orderbook is expected to reach an all-time low later this year.

New ship ordering is expected to remain restrained, discouraged by the continued gap between newbuilding and secondhand prices as well as uncertainty over future environmental regulations to meet IMO's ambitious greenhouse gas reduction targets and their impact on future vessel designs.

### Overall Dry Bulk



### Handysize/Supramax



Source: Clarksons Research, data as at 1 July 2020

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H20 SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000–41,999 dwt)	4.2%	11	11%	0.6%
Supramax (42,000–64,999 dwt)	5.4%	10	8%	0.5%
Panamax & Post-Panamax (65,000–119,999 dwt)	7.1%	10	9%	0.2%
Capesize (incl. VLOC) (120,000+ dwt)	10.0%	9	3%	4.1%
<b>Total Dry Bulk &gt;10,000 dwt</b>	<b>7.4%</b>	<b>10</b>	<b>7%</b>	<b>1.8%</b>

## VALUES & OUTLOOK IMPACT NEW SHIP ORDERING