BDRY

BREAKWAVE ADVISORS

Dry Bulk Shipping

December 10, 2024

Breakwave Dry Futures Index: 1,053	Baltic Dry Index (spot): 1,168	Short-term Indicators:
↓ *30D: -29.4%*	↓ *30D: -21.9%*	*Momentum:* **Negative**
↓ *YTD: -29.7%*	↓ *YTD: -44.2%*	*Sentiment:* **Negative**
↓ *YOY: -29.8%*	↓ *YOY: -53.0%*	*Fundamentals:* **Neutral**

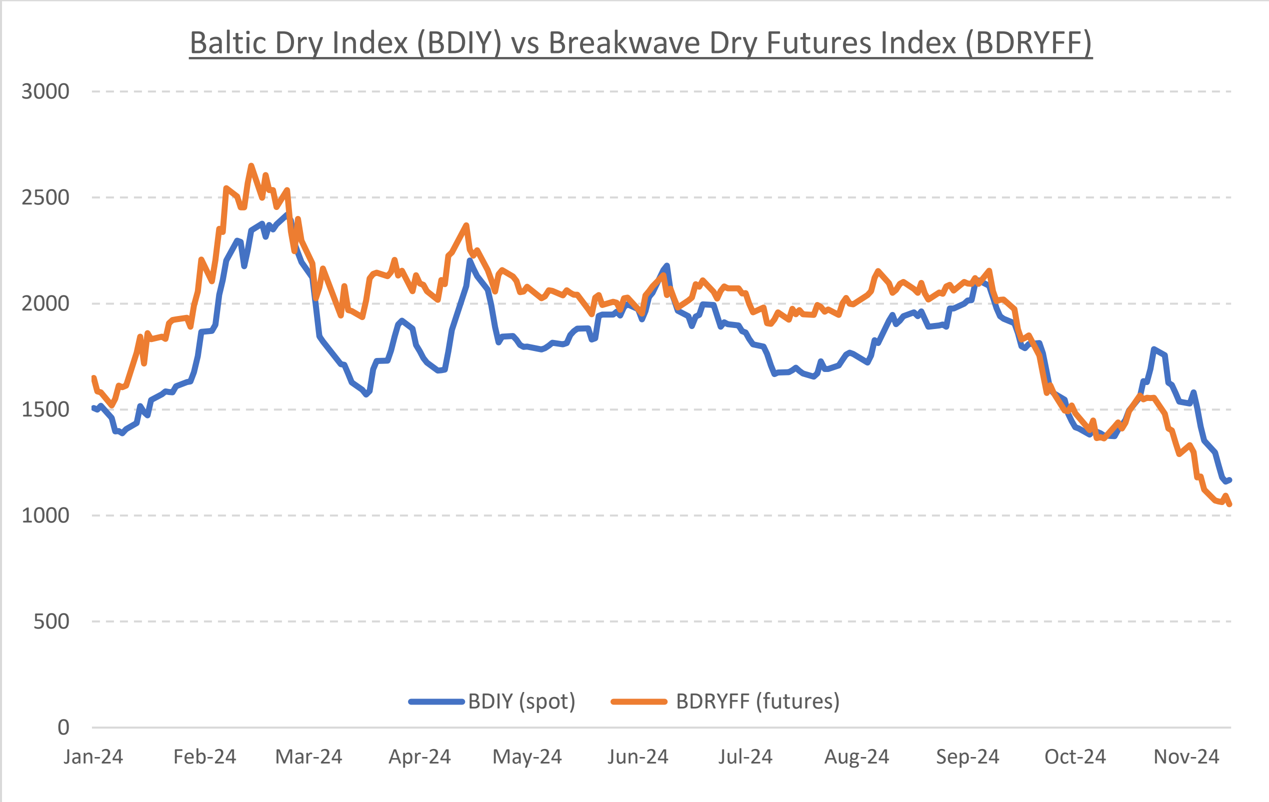
Bi-Weekly Report

- **A December to Remember for Dry Bulk, as Capesize Rates Collapse** – The anticipated **strong finish** to the year now feels like a **distant memory**, as Capesize spot rates have fallen to their lowest levels for this period in many years, barring the COVID-19 anomaly. This **surprising decline**, which even exceeded our conservative forecast of relative stability, contrasts sharply with signs of **recovery in Panamax** spot rates, albeit from historically low levels. A meaningful Capesize recovery before year-end appears now unlikely, with **both basins oversupplied** in tonnage and demand remaining steady. Capesize rates have performed strongly for much of the year, a notable divergence from Panamax rates, which have steadily declined since peaking in March. Looking ahead, **expectations for 2025** have **tempered** significantly, with Capesize futures comfortably **below $18,000**—on par with levels seen this time last year. However, the outlook is not entirely bleak. The **recent Chinese government's commitment** to bolstering economic support next year could provide a **much-needed boost** to steel markets, potentially driving increased iron ore activity. Although iron ore inventories remain unusually high for this time of year, any **improvement in sentiment** could positively **impact freight** rates. While sustained strength in the market may be difficult to envision, a **tradable rally** fueled by a broader **commodity boom** cycle resulting from higher **Chinese activity** remains a real possibility.

- **Scent Of Real Stimulus from China as Trade Wars Loom –** The December **Politburo** meeting stood out as more significant than the usual monthly sessions, as it **introduced stronger language** regarding economic support. While the meeting lacked detailed specifics, it marked the **first time in recent memory** that the Chinese government signaled a willingness to further **ease monetary policy and adopt more proactive fiscal stance** to bolster consumption. This represents a **meaningful step** toward a potential stimulus package aimed at boosting investment in the coming year. However, details remain scarce. While **commodity** markets **responded mostly positively**, the specifics—critical to understanding the implications—are unlikely to emerge before early next year. China's **steel markets** remain under **pressure**, with profit margins in negative territory, iron ore inventories near record highs for this time of year, and steel production trailing below recent peaks on a 12-month basis. Speculating on the nature of any potential stimulus remains challenging. Recent announcements have focused on refinancing and balance sheet restructuring rather than direct economic stimulus. Nonetheless, **we anticipate** a shift toward **consumption-focused policies** in the coming year. Without such measures, another slowdown in economic growth seems likely, as current activity appears driven more by local government debt recycling than by genuine economic expansion.

- **Our Long-term View –** The last few years have been characterized by increased geopolitical uncertainty. Going forward, we expect such events to continue to affect global trade and have a meaningful impact on effective vessel supply. Combined with the potential for a multi-year cyclical rebound in China's economic activity following the recent economic turmoil, dry bulk shipping should experience higher volatility on top of a secular tightness driven by stable bulk commodity demand and a slower fleet growth owing to a relatively low orderbook.

The Baltic Dry Index (BDI) measures the average spot rates for dry bulk freight with a sector weighting of 40% Capesize, 30% Panamax and 30% Supramax. The Breakwave Dry Futures Index (BDRYFF) is designed to track freight futures contracts with a sector weighting of 50% Capesize, 40% Panamax and 10% Supramax and a weighted average maturity of approximately 50-70 days.



Dry Bulk Fundamentals

Demand	YTD	YOY
China Steel Production	851mt	-2.7%
China Steel Inventories	3.1mt	-11.4%
China Iron Ore Inventories	146mt	28.9%
China Iron Ore Imports	1024mt	4.8%
China Coal Imports	435mt	13.5%
China Soybean Imports	90mt	7.1%
Brazil Iron Ore Exports	325mt	5.7%
Australia Iron Ore Exports	755mt	1.1%

Supply

Dry Bulk Fleet	1033dwt	3.1%

Freight Rates

Baltic Dry Index, Average	1,787	33.5%
Capesize Spot Rates, Average	23,153	47.5%
Panamax Spot rates, Average	12,998	14.8%

Note: All numbers as of latest available; Imports/Exports/Production are YTD sums as of latest reported; Inventories/Fleet are weekly totals
Sources: Bloomberg and Breakwave Advisors

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