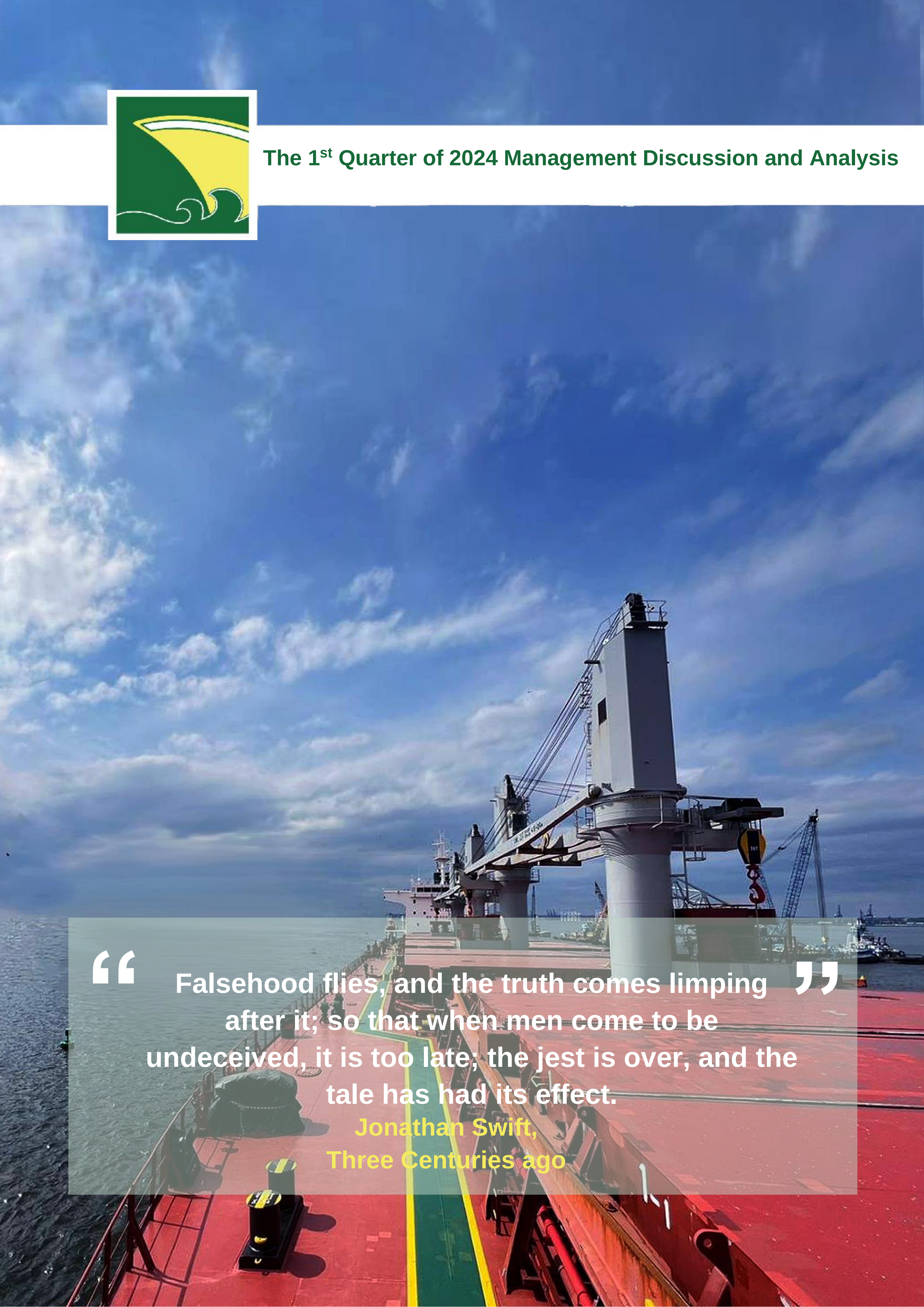
The 1st Quarter of 2024 Management Discussion and Analysis



"Falsehood flies, and the truth comes limping after it; so that when men come to be undeceived, it is too late; the jest is over, and the tale has had its effect."

Jonathan Swift,
Three Centuries ago

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Our Key Performance Indicators

1st Quarter 2024 Financial Performance (US Dollars)

The results, reviewed by EY Office Ltd., show you the latest financial position of Precious Shipping Public Company Limited and its subsidiaries ("the Company"). The average earnings per day per ship during the first quarter came in at USD 12,433. Please look at the Market Segmentation report that shows you the relative performance of the PSL fleet's earnings per day per ship compared to the Index ships. Our daily operating costs per ship of USD 5,379 was higher than our target of USD 5,200 for the year and higher than the actual daily operating costs per ship of USD 5,231 during the same period last year. We achieved an EBITDA of USD 20.18 million and a net profit of USD 11.39 million, while our earnings per share were Baht 0.26.

THE HARD FACTS	Q1 2023	Q1 2024
Highest earnings per day per ship in USD	25,411	27,210
Average earnings per day per ship in USD	10,022	12,433
Av. earnings per day per Handysize ship in USD	9,852	11,322
Av. earnings per day per Supramax ship in USD	9,842	13,417
Av. earnings per day per Ultramax ship in USD	10,671	14,218
Av. earnings per day per Supramax/Ultramax ship in USD	10,232	13,794
Operating cost per day per ship in USD	5,231	5,379
EBITDA in million USD	12.47	20.18
Net Profit (Loss) in million USD excluding exchange gain (loss) and non-recurring items	1.59	9.10
Net Profit (Loss) in million USD	2.31	11.39
Earnings (Loss) Per Share in Thai Baht excluding exchange gain (loss) and non-recurring items	0.03	0.21
Earnings (Loss) Per Share in Thai Baht	0.05	0.26

Consolidated Financial Performance (Thai Baht Terms)

For the quarter ended 31 March 2024, the Company earned a net profit of Baht 409.48 million as compared to a net profit of Baht 78.69 million in Q1'2023. The main reasons for the changes are as follows:

- The Net Vessel Operating Income (Vessel Operating Income net of voyage disbursements and bunker consumption) in Q1'2024 is 32% higher than the Net Vessel Operating Income in Q1'2023. The average earnings per day per Vessel increased from USD 10,022 in Q1'2023 to USD 12,433 in Q1'2024. The fleet size as of 31 March 2024 was 37 vessels.

- Vessel running expenses in Q1'2024 are 7% higher than the figure in Q1'2023 mainly due to higher dry-docking and special survey expenses together with the depreciation of Thai Baht to US Dollar. When measured in US Dollars, the average Vessel operating expenses (Opex) per day per Vessel (including depreciation/amortization of Drydocking/Special Survey expenses) increased from USD 5,231 for Q1'2023 to USD 5,379 for Q1'2024.

- Finance costs for Q1’2024 were Baht 16.37 million higher than the figure in Q1’2023, due to an increase in SOFR benchmark rate.

- Exchange gain for Q1’2024 of Baht 20.56 million, was mainly on account of changes in the US Dollar equivalent figure of our Thai Baht liabilities.
- In Q1’2024, the Company had a gain of Baht 51.15 million from the sale of one vessel.

Update on the Chayanee Naree drug smuggling incident:

The trial against the Vessel and the 10 crew members commenced in the Federal High Court of Nigeria in July 2022. The prosecution concluded their case in July 2023, after which we filed our no-case submissions. The Court hearing took place on 4 December 2023 for oral arguments on our no-case submissions. On 20 February 2024, the Court rejected our no-case submissions, ruling that there is a case to answer due to drugs being found on board the vessel. Consequently, the defendants are required to file their defense and proceed to a full trial. The next hearing is scheduled for May 2024. In March 2024, the Company’s legal team in Nigeria filed an appeal against the ruling on our no-case submissions, which will be considered by a panel of three different judges. The Company continues to work closely with its insurance company and legal counsel to ensure that the case is fully resolved as early as possible.

Market Segmentation:

During Q1, The Baltic Handy Size Index (BHSI) averaged 666 points, derived from an average Time Charter (TC) rate of USD 11,986 per day. In comparison, our Handy size fleet earned USD 11,322 and underperformed the BHSI TC rate by 5.54%. The Baltic Supramax Index (BSI) averaged 1,178 points, derived from an average TC rate of USD 12,961 per day. In comparison, our Supra/Ultra fleet average earnings were USD 13,794 per day and outperformed the BSI TC rate by 6.43%. Please keep in mind that our Handy ships are 25%, and our Supras are 10%, below the standard index ships.

The next SET Opportunity Day will be virtually held at 15:15 hours on the 8th of May 2024 via the SET live web casts*.* We hope that many of you will attend this event electronically where the Company will get a chance to thoroughly discuss Q1 results. The number of online participants attending PSL’s live presentation for Q4 2023 results on 21st of February 2024 were 235 on the SET website/YouTube views and 28 on Facebook, for a grand total of 263.

Long Term versus short term Charters:

The long-term charters, about 1 year or longer, are shown in the chart below. Our forward four-year rolling book is at 21% with a visible revenue stream of USD 161.74 million.

Year	2024	2025	2026	2027
Total Available Days	13,623	13,505	13,505	13,505
Fixed T/C Days*	5,494	2,051	1,825	1,765
% age Fixed T/C Days	40%	15%	14%	13%
Av. T/C Rate/Day in USD**	14,431	14,684	14,550	14,611
Contract value in million USD	79.28	30.12	26.55	25.79

**This comprises charters on 5 ships on fixed rate charter and 15 ships on variable rate charters*

***Average T/C Rate/Day for the variable rate charters is estimated based on actual earnings until Q1 2024 and an estimated rate based on rates prevailing in April 2024 for the period thereafter.*

****Rattana Naree and Wikanda Naree were excluded from the fleet on 15 March 2024 and 16 April 2024, and Hansa Naree has been included since 11 April 2024.*

It is our intention to continue to charter out our ships on long term period time charters whenever practical and economically viable.

The 'Dali' Accident at Baltimore:

- On the 26th of March, the 9,962 TEU containership "Dali" collided with a key support of the Francis Scott Key Bridge in Baltimore, Maryland at 01:28 EDT.
- The bridge quickly collapsed and whilst the crew of the "Dali" were reportedly unharmed, at least seven vehicles fell into the water. Two people were recovered from the river and at least six people are believed to be missing/dead.
- The vessel was hired on a time charter basis by Maersk, the second-largest containership operator, and primary reference company of the "Dali" is Grace Ocean, a subsidiary of Mitsui & Co., and the vessel was managed by Synergy Marine Pte Ltd. The "Dali" was built at Hyundai HI (Ulsan) in 2015, classed by NKK, and registered under the Singapore flag. The vessel has a LOA of 299.9m, a beam of 48.2m, and a draught of 14.5m.
- The Governor of Maryland has declared a State of Emergency in response to the disaster. The wreckage of the bridge has blocked the entrance to the main part of the Port of Baltimore and the impact of the collapse on seaborne trade is uncertain.
- Basis international trade, Baltimore is the US's 9th largest port by trade volumes with around ~50mt of international bilateral trade last year, 3% of total US trade and 0.4% of global volumes.
- Baltimore is the No.1 US car import port (15% of US total and 4% of global total)
- Baltimore is the No.2 US coal export port (25mt, 30% of the US 2023 total and 2% of global total)
- Baltimore is also significant for container trade (handling ~2% of US throughput) and chemical trade (~2% of US imports)

(Clarksons Research - 26 Mar 24)

Commercial Implications for Dry Bulk Markets:

Baltimore exports some 25 MMT of coal of which about 74% goes to Asia with India being the single largest importer at 50%. These cargoes mainly travel in Capes. In the short-term sentiment in Capes will turn negative. The other coal exporting ports on the east coast, Norfolk, and Hampton Roads complex, are already operating at peak levels and have no spare capacity. The few ships that we have loaded on the east coast with coal during 2023 have all suffered between 30- and 60-day delays due to congestion. Adding more cargoes to other east coast ports will lead to even more congestion. However, India and the other Asian countries will need coal that is no longer available from Baltimore and will look to Indonesia, Australia, Canada, Colombia, and other coal exporters to make up the shortfall. Both Indonesia and Australia are operating at capacity, so the coal needed by Asia will have to come from even further away adding to ton-mile demand. You can see my interview on Bloomberg on this topic *here*. Please also read the Arrow Research paper, written soon after the incident, at Annexure 1.

Questions to Answer on This Incident:

Why did the bridge collapse in 10 seconds?
Who will pay to replace the bridge, and how long will it take?
Are there enough tugboats to accompany ships past the Key bridge?
Why did the safety barriers around the base of the supports not absorb the impact from the Dali?
When was the last time a brand-new port opened in America?
Is the existing equipment in American ports up to scratch?

US Government's Response:

Bloomberg had this snippet on 26th March: Biden said on Tuesday that the Army Corps of Engineers will lead the effort to clear the channel port of Baltimore following the collapse of the Francis Scott Key bridge. A container ship that apparently lost power *hit the structure* overnight in an incident officials have so far *deemed an accident*. The bridge allows commercial ships to enter the Port of Baltimore, one of the top ports in the US in terms of volume and *value of cargoes*. "It's my intention that federal government will pay for the entire cost of reconstructing that bridge," Biden said in a news conference. "I expect the Congress to *support my effort*."

Impact on PSL:

PSL's handysize vessel, Phatra Naree, was discharging cargo at a berth that was a mere 900 meters distance from the point where the container vessel Dali suffered an allision with the Francis Scott Key bridge. The vessel had arrived in Baltimore on March 18 to discharge 31,500 metric tons of alumina loaded at São Luís, Brazil. The Dali accident resulted in the vessel having to wait until 25 April before she was able to sail out of Baltimore harbor. This accident has had no commercial impact on PSL, as the vessel is on time charter to a European customer until at least June 2024.

BDI Developments and our read of the market:

- As usual, it will be supply and demand factors that will determine the strength of the freight markets. The developed world has not been doing as well as it could have been if it had not been embroiled in two hot wars (Russia-Ukraine and Israel-Hamas), one cold war (USA-

China), fastest increase in interest rates to combat inflation by the central bankers in the developed world, except for Japan, with the UK and the EU in a technical recession. These factors have caused uncertainty and have been holding demand back, therefore, even the tightening of the supply side due to the Panama Canal outages, weather delays, and the Red Sea disruptions, have not been able to compensate for the drop in demand due to the uncertainty created by the above factors. Seasonality can only play its part when large economies in the developed world are functioning smoothly. That has not been the case for the last 12 to 18 months. These are the reasons that have been holding back demand to such an extent that markets are where they are, with most owners making a loss or a very slim profit up to and including Q3 2023. As the USA got out of the hard/soft/no-landing economic debate and got its economy to work, as it did in Q3 2023, time charter rates got better very quickly. Asset values are rising towards 2008 levels i.e., almost the highest they have ever been for new-build ships. The reason is shipyard capacity has shrunk by 35-40% from the peak reached in 2010/2011, with every segment of shipping booming at the same time except for dry bulk, even tankers have joined the maritime party, leading to an over ordering of ships in each respective sector, and crowding out the dry bulk owners from committing the same mistake as all the other segments have done so far or are currently doing. Besides, from a shipyard's perspective, dry bulk is the category that makes them either the smallest profit in boom times or the maximum loss in bad times, so it is the least preferred category of ships that they want to build. That is why the 20+ year ships as a %age of the existing fleet at 8.48% is higher than the forward order book as a ratio of the existing fleet of 8.33% at the start of 2024. At the start of Q2 2024 these figures had marginally grew to 8.70% (20+ year old fleet) and 8.66% (forward order book.) Presently a 5-year-old Ultra is as expensive as prevailing new build prices of $34m with delivery in 2026/2027, while a brand-new resale is at $41.5-42.0m, which is at the high end of historical averages. Therefore, it does not make sense to buy ships at the end of Q1 2024 as asset values are sky high, but earnings are closer to the ground. This aberration means that either earnings must rise sharply, or asset values must fall to a level where both these factors are at parity. Such aberrations are generally short lived, but right now are favoring a rise in daily rates. And rates have risen. Look at the Cape size rates for maximum effect. During 2023, from a low level of USD 2,246 per day on 17 February 2023, rates skyrocketed to USD 54,584 at the high on 4 December 2023. In Q1 they have risen from a low point of $14,375 on 17 January 2024, to a high of $35,780 on 11 March 2024! This explains 'when balance is almost perfect' between demand-supply, then you have such sharp, volatile movements in time charter rates, either up or down, when very small movements in reduction of supply or increase in demand tend to have a disproportionate impact on time charter rates. Research reports that come across our desk seem concerned about economic headwinds in the ROW's economy, barring China, India, and the USA, but are calmed by the low orderbook to fleet ratio in dry bulk; worried that the collapse of the Container sector could result in ever more cargoes moving into boxes but are calmed by fleet inefficiencies (Red Sea no-go area for container ships) releasing more cargoes from containers to dry bulk, that have helped rates to become ever more volatile than they have been thus far.

- The geopolitically driven Israel-Hamas conflict has impacted commercial shipping with the capture of Israeli owned Ray Shipping's car carrier 'Galaxy Leader' by Houthi forces on 19 November 2023, that is presently at Hodeidah port. There are 25 innocent crew members onboard the Galaxy Leader, none of them Israeli (Ukrainians, Bulgarians, Filipinos and Mexicans.) Since then, more than 80 ships have been attacked by the Houthis, some escaping unscathed while others have been damaged, some more than others, with loss of innocent seafarers lives on one of the last few attacks. This has ensured fewer ships are braving the gauntlet in the Red Sea instead favoring the much longer route via the Cape of Good Hope, absorbing supply of ships and raising rates for all categories of ships. The Somali pirates have got into the act, using the confusion created by the Houthis, and have taken advantage of it. They have successfully collected ransom from the Bangladesh owned bulker ‘Abdullah’ but lost out when they misused the Bulgarian owned ‘Ruen’ as a mother ship ending up in the safe release of the ship and her crew due to the commendable intervention by the Indian Naval forces patrolling that area, with the Somalian pirates facing a long stint in Indian jails.

- The geared sector, Supras and Handy sizes, had lower volatility in rates compared to the gearless sector, Capes and Panamaxes, due to the reasons expressed here but also because they had a slower net growth rate in DWT in supply of ships in 2021-2022 combined at 19.8 MDWT (geared ships), versus 40.2 MDWT (gearless ships), according to Clarksons March 2024 DBTO.
- China still needs affordable housing in a big way but not the type of luxury houses being built by Evergrande and their compatriots in which everyone invests, makes paper profits, but no one lives in them. By letting the big real estate developers suffer, China tried to control this sector and push them to focus on affordable housing that the common man needs, would love to own, and live in, via policy means like the lowered reserve requirement ratio for banks, the interest rate cuts, and lowered mortgage lending benchmark interest rates. It may take some more time, but if the real estate developers start building affordable housing in a big way, it will likely push up steel requirements to the levels prior to the Evergrande debacle. That would be a big win for the dry bulk sector especially now that China has four other large commercial buyers and users of steel i.e., infrastructure, steel exports, shipyards, and EV manufacturers.
- Fleet inefficiencies came back into play due to bad weather at sea and in ports, low water at the Panama Canal, the Suez Canal being impacted by the Houthis in the Red Sea, and supply of Brazilian iron ore increasing due to drier weather. Drier weather in the Mississippi and in the Amazon made barges bring smaller lots of grain to export points resulting in congestion at New Orleans, USA and Southern Brazilian grain exporting ports.
- As we keep emphasizing in our newsletters, disruptions are good for shipping. The question really is, how long will the Red Sea disruption last beyond its already 6+ months? If it lasts, and wars as we have always seen seem to have a mind and a lifespan of their own volition, and not what we estimate it to be, it will have lasting repercussions. And then, there will be the rebuilding required of the obliterated Gaza strip that will require lots of steel, cement and wood, all minor bulk cargoes carried predominantly by geared ships, that PSL owns.
- Containerships ordered in 2023 at 1.6 M-TEU took the total orderbook to 6.9 M-TEU at the start of 2024. The orderbook to fleet ratio for Containerships at the start of 2024 was 25% compared to the start of 2023 figure at 28%. And at the start of Q2 24 was -23% as compared to the start of Q2 23. (Clarksons April 2023 and April 2024 CIM).
- Container demand in 2024 was set to grow by 6.5%. But the Red Sea challenge has resulted in rerouting of ships. If the rerouting via the COGH lasts for six months, TEU-mile goes up to 12% and to 16% if it lasts all year. With TEU-mile spiking in this fashion, cargoes that had returned to containers have moved back to small Handy ships.
- Agricensus stated, ‘Wheat harvest estimates for Russia now exceed the current year's figure of 92.8 MMT rising to 93.6 MMT, which would be the second-largest harvest in history after 2022, when 105 MMT were harvested.’
- Bloomberg stated (1) ‘Chinese travel and spending during the Lunar New Year holiday *exceeded levels from before the pandemic*, adding to signs that consumption is improving.

Some 474 million tourist trips were made around the country during the festival, which began Feb 10 and concluded Feb 17, up 19% from the comparable period in 2019, while tourism spending for the holiday climbed nearly 8% from that year.' (2) China ramped up support for the troubled property sector with *its biggest-ever cut to a key mortgage reference rate*, raising expectations for more aggressive measures to support the economy in the months to come. Chinese lenders slashed their five-year loan prime rate by 25 basis points to 3.95%, the People's Bank of China announced Tuesday. It was the first cut since June and the largest reduction since a revamp of the rate was rolled out in 2019. Lowering that rate will allow more cities in China to reduce minimum mortgage rates for homebuyers, which can stimulate sluggish demand for apartments as prices fall. The move shows an intensifying focus on measures to combat the property crisis, which has been a major drag on the world's second-largest economy and threatens its path toward sustainable growth. (3) China snapped up *more than 20 cargoes of feed grain* on the international market in the past two weeks as the world's biggest importer took advantage of a decline in prices to the lowest level in more than three years. The country secured shipments of corn, sorghum and barley from suppliers including Ukraine and the US, according to people familiar with the transactions. The purchases amount to over 1.2 MMT of grain based on each cargo being 60,000 tons. (4) The Federal Reserve is *getting close* to having the confidence it needs to start lowering interest rates, Chair Jerome Powell told lawmakers Wednesday as he appeared for a second day of testimony on Capitol Hill. (5) For those out there waiting for a dip in financing costs, this week offered hope on both sides of the Atlantic. The European Central Bank said it *could begin* lowering interest rates in June, projecting that inflation will fall back to its 2% target next year. In the US, Federal Reserve Chair Jerome Powell also said his central bank is getting *close to the confidence level* needed to start lowering rates. (6) From Zurich to London to Washington, *the great inflation scare* that gripped the world economy after the Covid pandemic is suddenly no longer keeping central bankers up at night as the prospect of rate cuts become real. The Swiss National Bank *unexpectedly slashed* its key interest rate by 25 basis points, moving months ahead of global peers. The SNB's move foreshadows possible easing later this year by the Federal Reserve and European Central Bank. *Mexico's central bank* also cut interest rates in a split decision on Thursday. (7) Fed Chair Jerome Powell said it will be *appropriate to start* slowing the Fed's quantitative tightening program "fairly soon." An important complement to rate hikes in tighter monetary policy, QT is currently removing liquidity from the US financial system to the tune of up to $95 billion a month. Officials are determined to stop it before it causes the kind of financial disruptions experienced before the last round ended *some five years ago*. (8) Chinese Premier Li Qiang *downplayed investor concerns* of challenges facing the economy, saying Beijing is stepping up policy support to spur growth and systemic risks are being addressed. In a speech on Sunday, Li acknowledged that many are concerned about risks in China's property sector and local government debt but said "some difficulties and problems are not as serious as people think." Officials have vowed to boost foreign investment this year, while the government is planning several measures to boost domestic demand, Li said. (9) Gas prices in the US have turned negative and now trade at -$2 pm/Btu in West Texas even as WTI crude sells at over $85 a barrel, near to a 6-month high. The gas is a byproduct of oil drilling and storage space is running out as pipelines are jammed and gas stocks are 40% above the 5-year average. (10) Red Sea diversions create a new climate problem. Ships seeking to avoid ongoing attacks by Houthi rebels over the past four months have ***burned additional fuel*** leading to approximately an extra 13.6 million tons of CO_2 emissions — equivalent to the pollution of about 9 million cars.

- Reuters stated: (1) Chinese importers bought 126,000 metric tons of US sorghum in the first purchase of this size in more than three years, the *USDA said in a daily sales announcement* on Thursday. China is the top export market for US sorghum, which can be used to feed livestock, produce ethanol, or make Baiju liquor. (2) In stark contrast to the ongoing weakness in China's key manufacturing index, the *imports of key commodities* by the world's second-biggest economy are roaring ahead. China's import of crude oil, LNG, coal, and iron ore were all stronger in the first two months of 2024 than for the same period last year, according to data from commodity analysts Kpler and LSEG Oil Research. (3) China's export and import growth in the January-February period *beat forecasts*, suggesting global trade is turning a corner in an encouraging signal for policymakers as they try to shore up a stuttering economic recovery. China's improved export data joins those of South Korea, Germany, and Taiwan.
- Goldman Sachs *raised its outlook* for China's economic growth this year as factory activity accelerated more than expected. China's economy likely *expanded at a 7.5% annualized pace* in the first quarter from the prior three months, Goldman economists said, higher than their 5.6% prior estimate. The bank now sees 2024 growth of 5%, in line with Chinese policymakers' target, versus 4.8% previously.
- According to Commodore Research & Consultancy, 'The USDA recently released their latest grain export forecast and is now predicting global coarse grain, wheat, soybean, and soymeal exports in 2023/24 will collectively total 698.9 MMT. This would mark a y-o-y rise of 19.2 MMT (3%). The forecast for global grain exports has now been raised for the last 5 months in a row.'
- FT reported, 'China's factory activity has expanded for the first time in six months in a positive sign for Beijing as the world's second-largest economy grapples with a deep property slowdown and weak investor confidence. The National Bureau of Statistics on Sunday said the manufacturing purchasing managers' index was 50.8 points in March, up from 49.1 in February and the highest in a year, supported by rising export orders. *China's economy* has shown signs of stabilization in recent weeks after mixed signals last year, when Beijing said gross domestic product grew 5.2% despite weak export revenue and property sales.'
- Financial Review reported, '*The end of peak China* story attracts a mix of ideologically motivated doomsayers who for decades have predicted the demise of China's model, deeply believing it has been a house of cards all along. A paper in *Foreign Affairs by veteran American analyst of the Chinese economy, Nicholas Lardy*, effectively puts the sword to all of this. Lardy shows how misreading the data on relative inflation, and interest and exchange rates, leads to the erroneous conclusion that China's growth is falling behind that of the US.'
- Clarksons reported: 'Some easing of restrictions at the Panama Canal was seen as the daily limit increased to 24 from mid-Jan, and 27 from mid-Mar. This still represents a sizeable reduction on 'normal' levels. Total transits averaged 23 a day in Q1, down 32% on the Jan-Oct 2023 average. Bulkers, which account for 20% of all transits, have fallen by 72%, amid a lack of priority in the booking system and significant competition for non-prebooked slots available via auction. US dry bulk exports to Asia have been especially impacted, with the share travelling via Panama recently standing at <5% (early 2023: ~30%). With major disruption in the Red Sea ongoing (total transits there are down 70% on normal levels), impacts on shipping markets are being 'amplified' as distances elongate (a voyage from the USG to North China is 40% longer when routing via Suez than via Panama, and 50% longer when routing via the Cape of Good Hope). In Panama, rainfall and climate trends will shape further easing of restrictions. For shipping, monitoring disruptions at key locations remains in focus.'

- China imported 18.6 MMT of soybean down 12.4% in Q1 24 compared to Q1 23.
- China imported 2.6 MMT of corn down 44.7% in Q1 24 compared to Q1 23 (preliminary figures from Drewry).
- China imported 5.5 MMT of wheat up 41.0% in Q1 24 compared to Q1 23 (preliminary figures from Drewry).
- China imported 310.2 MMT of iron ore up 5.4% in Q1 24 compared to Q1 23.
- China imported 115.9 MMT of coal up 13.9% in Q1 24 compared to Q1 23.
- China exported 25.8 MMT of steel up 28.5% in Q1 24 compared to Q1 23.
- China's average PMI index was 49.7 during Q1 24.
- China's GDP growth was 5.3% during Q1 24.
- According to Clarksons (report dated 31 March 2024) ton-mile demand growth was up by 4.37%, net supply growth was at +3.1%, yet rates in 2023 were significantly below that in 2022. The reason was a substantial unwinding of congestion. However, rates in Q4 2023 and Q1 2024 were much higher than expected due to weather disruptions with low water in ports in North/South America, and in the Panama Canal, with Houthi led disruptions in the Red Sea reducing transits via the shorter Suez Canal in favor of much longer ton-mile distances via the Cape of Good Hope, that all helped rates stay higher than expected.
- The section 'Differences between 2003-2009, 2010-2020, 2021-2022, 2023 and beyond' gives a comprehensive explanation of the dynamics driving the dry bulk freight markets.
- The section 'The Inverted Yield Curve' explains why there will be no recession in the USA by Harvey Campbell, the person who discovered this relationship.
- In Q1 2024, the Capesize TC index averaged $ 24,286/day (+166% y-o-y), started the quarter at $28,896, reached a trough of $14,375 on 17 January, a peak of $35,780 on 11 March, and then closed out the quarter at $21,866. The Panamax (82k) index in Q1 averaged $15,447/day (+36% y-o-y), started the quarter at $16,851, reached a trough of $12,693 on 12 January, a peak of $20,757 on 19 March, and then closed the quarter at $16,913. The Supramax index in Q1 averaged $12,961/day (+27% y-o-y), started the quarter at $14,392, reached a trough of $11,301 on 22 January, a peak of $15,248 on 25 March, and then closed the quarter at $14,638. The Handysize index in Q1 averaged $11,986/day (+24% y-o-y), started the quarter with a peak of $14,537, reached a trough of $10,197 on 14 February, and then closed the quarter at $ 13,898. Please keep in mind that Capes spend 74% of their time on iron ore and 18% of their time on coal. When you have that much of concentration risk of the type of cargoes carried, and with a single dominant customer China, accounting for over 60% of all iron ore imports, you are setting yourself up for volatility.
- When 4 times as much DWT is delivered (2012, 2016, and 2020) as is ordered in any year, then the BDI has increased in the subsequent year (+31% in 2013, +70% in 2017, and +176% in 2021). In 2021 37.62 MDWT was delivered, while 37.65 MDWT was ordered, so the 4X rule should not apply, and the BDI in 2022 was -34% less than 2021 average. In 2022 31.64 MDWT was delivered, while 36.13 MDWT was ordered, so the 4X rule again did not apply, and the BDI in 2023 was 29% less than the BDI average in 2022. In Q1 24, 10.79 MDWT was delivered, while 5.62 MDWT was ordered, so the 4X rule should not apply, but the BDI averaged 80% higher than the average BDI in Q1 2023. We can but wonder what the full year ratios will show.
- The uncertainty from the Russian-Ukraine war is still with us as is the Covid-19 pandemic, while facing sticky inflation levels above Central Bank targets in the USA where interest rates likely will remain higher for longer. The missing cargoes from Russia and Ukraine will, to the extent possible, be substituted from further away sources and thereby increase ton-mile

demand. The fear is that the ROW will fall into a recession with QE taper combined with much higher interest rates strangling economic growth. That outcome needs to be avoided.

- According to Clarksons end Mar report, ton-mile demand will increase from earlier projection of 1.49% to 2.37% in 2024 and of 1.52% to 1.14% in 2025 compared to net supply growth of 2.9% and 2.3%, respectively. While EEXI and CII will reduce bulker fleet supply by 1.5-2.0% per annum from 2024 onwards, through slower speeds and retrofit time.
- China's exports have surged in March, confirming that their expansionary policies are working, and more importantly, the ROW is not in recession and needs Chinese goods.
- China imported 310.2 MMT of iron ore in Q1 24, a new all-time high, 5% above the previous record in Q1 23, and about 9% higher than the last 5-year average.
- China imported 115.9 MMT of coal in Q1 24, 14% above Q1 23, a new all-time high, 21% above the prior record in Q1 20, and about 34% higher than the last 5-year average.
- China's Q1 24 GDP growth was 5.3%. The Chinese government have taken several measures to stimulate their economy and we should see demand pickup for dry bulk.
- 25% of Chinese iron ore imports came from Brazil (77.7 MMT) up +32.6% and 69% from Australia (214.6 MMT) up +15.4% in Q1 24 (according to Drewry). As longer ton-mile from Brazil replaced shorter ton-mile from Australia, it positively affected the Capes in Q1 24.
- World steel production reached 469.1 MMT in Q1 24, up 0.5% from Q1 23.
- China's PMI index was 49.7 during Q1 24.
- China's GDP growth rate for 2024 will decrease to 4.6%, which remains unchanged from the last update from the IMF.
- *China licensed 106 GW of coal fired power plants* in 2022 (6 times more than the ROW), 54 of which are already under construction. In 2023, 114 GW of coal fired power plants were approved, 70 of which are under construction. China is importing coal from Australia. The 4-week moving average of coal imports in tonne-miles is up 90% YOY (3-month moving average: +50%).
- The geopolitical spat between China and Australia has disappeared, and coal has started to be shipped to China. However, Australia continues to ship coal to EU and other destinations resulting in increased ton-mile demand.
- In March 2024 Brazilian iron ore exports were down 2% y-o-y at 27 MMT and soybean exports down 16% y-o-y at 13 MMT.
- India's coal production was up 10% between Apr-Mar 2023-24 to 773.6 MMT.
- India is expected to be the next China in economic powerhouse terms. Much as we would like that to happen (it would have a huge positive boost in demand for dry bulk), we need to *temper our expectations based on the actual size of India's economy* ($3.9t) compared to that of China's economy ($18.5t).
- The orderbook to fleet ratio at the start of Q2 24 for the dry-bulk sector was 8.66%, the highest since 2021.
- During Q1 24 1.40 MDWT of ships were recycled across the dry bulk fleet compared to 1.66 MDWT (down by 15.66%) in Q1 23. The existing age profile at the start of Q2 24 of 87.52 MDWT or 8.70% of the world fleet being 20 years or older, together with low levels of the order book to fleet ratio of 8.66% (order book up to end 2027 compared to net supply at the start of Q2 24), should result in the world dry bulk fleet growing at a reasonable pace.
- PSL's exposure to the smaller geared segments means that we will be exposed to growth in net supply of 4.2% in 2024, with minor bulks growing at 4.52%, according to Clarksons.
- Ships 20 years or older, comprising 87.52 MDWT or 8.70% of the existing fleet at the start of Q2 24 would be ideal candidates for recycling in 2024/2027.

- If net supply growth is affected by inefficiencies and slow speed, then 2024 and onwards should be good years as world GDP growth rates of 3.2% in both 2024 and 2025 are projected by the IMF.
- Healthier recycling is expected during 2024 due to the large number of 20+ year old ships in the world fleet, pressures from BWTS, Special Survey costs on these older ships, and additional regulatory pressure from adoption of EEXI & CII regulations on 1st January 2023, that will force some of them to early recycling.
- As expected, the Fed held interest rates without any reductions and said that they would keep rates at current levels for longer. US stock markets reacted poorly to rate reductions being pushed towards the end of 2024.

Differences between 2003-2009, 2010-2020, 2021-2022, 2023 and the future:

Differences in 2003-2009, 2010-2020, 2021-2022, 2023 and the future

Daily average Time Charter rate	2003 – 2009	2010 – 2020	2021-2022	2023	Q1 2024
Capesize	67,101*	14,924***	24,807**	16,389**	24,286**
Panamax	32,793*	10,965***	23,836**	12,854**	15,447**
Supramax	28,013^^	10,765***	24,475**	11,240**	12,961**
Handysize	18,753^^	8,789***	23,533**	10,420**	11,986**
Annual Average Demand Billion Ton-miles	+5.4%	+4.3%	+1.19%	+4.83%	+2.37%
Average Speed (knots)	13.5^^^	11.5^^^	11.3	11.0	10.9
Chinese Stimulus	China enters WTO 2001	$ 578 bn (2009)	$667 bn (2021) $2.3 trillion (2022)^	$1.8 trillion^	$417 bn^
Orderbook/Fleet Ratio per Year (start of each year)	+25.88%	+32.21%	+6.48%	+7.16%	+8.33%
Annual Average % of 20-year-old (start of each year)	+16.84%	+12.67%	+6.76%	+8.07%	+8.48%
Annual Average Net Supply Growth	+6.8%	+6.4%	+3.3%	+3.1%	+2.9%

The Future

At the start of 2022, for the first time this century, the 20+ year old fleet was larger than the forward order book, and at the start of Apr 2024 it was still 8.70% versus 8.66%, respectively.

*Note: *BCI 172K (4TC), BPI 74K (4TC), BSI 52K (6TC), BHSI 28K (6TC).*
***BCI 180K (5TC), BPI 82K (5TC), BSI 58K (10TC), BHSI 38K (7TC)*
****Combine of above two classification*
^Bloomberg calculated Chinese stimulus at $ 5.3 trillion in 2022!, Bloomberg reported $1.8 trillion of construction stimulus in Apr 2023, CNBC reported a plan of 2 trillion Yuan stimulus package
^^1 Yr. TC 32K, 1 Yr. TC 52K used for years where there was no BHSI (2003-2006) or no BSI (2003-2005).
^^^Average speed in 2008-2009 and average speed in 2012-2020

Source: Clarksons Index Timeseries, Clarksons Speed Timeseries, and Clarksons World Fleet Register as on 31 Mar 2024
Supply Growth from Clarksons Mar 2024 DBTO and Demand Growth from Clarksons World Seaborne Trade Time Series as on 31 Mar 2024

Precious Shipping PCL 17

If you look at the time charter rates for the period 2003-2009 it was the highest for the Capes compared to all the other periods. For Panamax and Supras, during 2003-2009, rates were almost 3X higher than in the 2010-2020 period but marginally higher than rates in 2021-2022. For the Handy size, 2021-2022 was almost 3X higher than in 2010-2020 and almost 1.5X higher than in 2003-2009. However, demand growth rate in ton-miles had a clear declining trend with the lowest rate in 2021-2022 before soaring in 2023. What was different, of course, was the average orderbook to fleet ratio being highest in 2010-2020 dropping by 80% in 2021-2022, and by 78% in 2023. The other significant difference was that the orderbook to fleet ratio was 1.5X the 20-year-old fleet in 2003-2009, 2.5X in 2010-2020, 1.0X in 2021-2022, 0.89X in 2023, but rising slightly to 0.98X at the start of 2024 and to 0.99X at the start of Q2 2024. This indicates weak supply growth in the future and indicates good markets could continue for a few years.

Rates started out in 2021 at a low level and then accelerated to a peak on 7th October with the BDI hitting a 13 year high at 5,650 points, and since then, has fallen till February 2022 before rising once again. Why did rates oscillate in this fashion rising, falling, and rising once again, so quickly? The answer is simple: supply-demand, by the middle of 2021, was in perfect balance, and as ton-mile demand calculated by Clarksons grew at 3.54% slightly below net fleet growth at 3.6%, yet rates skyrocketed! But when China decided to reign in their out-of-control real estate sector by letting Evergrande and its brethren collapse, imposed strict anti-pollution controls on coal fired power plants post COP26 in November 2021, curtailed steel production, and insisted on blue skies during the winter Olympics during February 2022, ton-mile demand of necessity, took a hit and rates fell for the opposite reasons that they skyrocketed to a peak on 7th October 2021. This was not helped by the central bankers of the ROW tapering QE and hiking interest rates starting in March 2022 and continuing in 2023, to combat inflation. With supply-demand being in balance, volatility increased as China continued with their Covid-zero policy locking down large industrial swathes of the country for months at a time in 2022. The combined result of Covid-zero in China and interest rate hikes and QE tapering in the ROW, was predictable. Demand started to ease and rates in 2022 slowed marginally compared to 2021. The start of 2023 was when China was not in lockdown from Covid-zero policies but instead was struggling to cope with a complete abandonment of that same policy. People did not know which way to turn, but by the end of 2023, China was one of two major economies that was growing strongly with GDP growth rate of 5.2%. The other strongly growing economy is India with a GDP growth rate predicted at 6.8% in 2024.

The geared sector, Supras and Handy sizes, had much lower volatility in rates due to the reasons expressed above but also because they had the slowest net growth rate in DWT in supply of ships in 2023 at +3.06 MDWT (Handy), +8.57 MDWT (Supras) versus +10.62 MDWT (Capes), and 8.30 MDWT (Panamax), according to Clarksons World Fleet Register dated 31 March 2024. In Q1 2024 these figures were +0.64 MDWT (Handy), +3.09 MDWT (Supras) versus +2.86 MDWT (Capes), and +2.81 MDWT (Panamax).

Key Supply Side Developments:

We started 2024 with 996.58 MDWT and have increased to 1005.98 MDWT (+0.94%) at the start of Q2 2024. If we were to apply slippage of 5% (it was actually 13.86% for Q1 24) to the scheduled deliveries in the balance of 2024 and 2025 and assume scrapping reaches 10 MDWT (it was actually 1.40 MDWT during Q1 2024) we would be left with a net fleet growth of 2.51% (996.58 MDWT to 1021.63 MDWT of which 352.36 MDWT to 366.19 MDWT for the geared sector +3.92%, 644.22 MDWT to 655.44 MDWT for the gearless sector +1.74%) by end of 2024 and 2.10% by end of 2025 (1021.63 MDWT to 1,043.11 MDWT of which 366.19 MDWT to 377.85 MDWT for the geared sector +3.18%, 655.44 MDWT to 665.25 MDWT for the gearless sector +1.50%.) Congestion, ballasting ships, slowing speeds, especially due to EEXI/CII regulations (Clarksons estimates minus 1.5-2.0% over 2024-2025), will further assist in supply side tightening.

Regulations and the IMO:

‘Fools rush in where Angels fear to tread’ could easily describe owners rushing in to order dual fueled ships today. For dry bulk, we will be the last sector in shipping that will build brand new ships that are ready for fuels of the future. And the reason is that shipyards do not want to build dry bulk ships if they can land higher value container ships, tankers, gas, car carriers, offshore vessels, for their available slots. And within dry bulk the geared sectors will be the last to go green as the various ports that we call are so off the beaten track that green fuel availability will be an issue. Then we have the charterers, our clients, who do not want to pay extra for any such green ships, nor are they willing to sign long-term charters of more than 5 years. Without a commercially viable case, how on earth are dry bulk geared ships supposed to go green? The only way would be if the IMO were to place deadlines and a universal carbon tax. In the meantime, those that ordered LNG engine ships must deal with expensive methane slip abatement efforts, those with Methanol engine ships belatedly realize that the cost of green methanol will be multiple times higher than the cost for green ammonia. Being the first seems to be a curse when selecting the fuel for your future ships.

The EU ETS covering shipping comes into effect at the start of 2024 and is estimated to cost $3.6b in 2024. The most efficient ships will therefore trade to the EU, pay the price of the ETS, charge it to their customers, and those ships that are less efficient will continue to trade elsewhere. The total CO2 generated will not have gone down an iota due to this tax, yet the EU would have collected $3.6b via their ETS, which the common EU person would end up paying for. However, if the IMO would impose a universal global CO2 tax, then every ship would be paying for it no matter where they were trading, overall CO2 would come down, and the inefficient ships would be forced to end up at the scrapyards where they belong. A win-win solution, but commercial understanding seems to escape the regulators.

Recently Denmark became the latest country to ban open-loop scrubbers from discharging their pollutants into their pristine waters. As we have repeatedly stated, Scrubbers is an economic tool that allows ships to transfer pollution from the sky into the seas while making a profit in between. Most countries do not allow open-loop scrubber water to be discharged into their ports as they realize it is contaminated.

DNB Markets reported, ‘On 6 February, the EU presented its 2040 interim climate targets. The glaring omission was Agriculture. A key sticking point ahead of the launch was the Agriculture-and-Food sectors, where the EU initially wanted a 30% emissions cut in 2040 versus 2015. As agriculture is responsible for more than half of the EU’s methane emissions, we have seen a growing push for requirements for this sector. Such cuts could have had real sectoral impact, but due to recent farmers protests, the agricultural sector remained untouched.’

Bloomberg reported: The fight over just how much LNG contributes to global warming was rekindled in part by *a study with explosive findings*. Compiled by *Robert Warren Howarth*, a professor at Cornell University, the analysis, which was released in October but remains in peer review, uses leak and emissions data from an array of sources. It shows that total greenhouse gas emissions from US LNG in the best-case scenario are comparable to coal. In the worst case, emissions could be more than two-fold greater.

A summary of the Marine Environment Protection Committee (MEPC 81) meeting, held from 18 to 22 March 2024, follows.

A) Greenhouse Gases (GHG): Measures already in force such as the Data Collection System for fuel oil consumption of ships (IMO DCS), Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) regulations were reviewed with discussions on mid-term measures and lifecycle assessments of marine fuels with an aim to achieve the reinforced levels of ambition.

i. Review of Data Collection System for fuel oil consumption of ships: The IMO DCS, under which operational data such as fuel oil consumption has been collected and reported since 2019, has been under review since 2022 to improve the reports and the granularity of reported data. The amendments to Appendix IX of MARPOL Annex VI were adopted, including amendments and additions to items required to be reported in the DCS. These amendments will entry into force on 1st August 2025.

1. Total fuel oil consumption per combustion systems (main engines, auxiliary engines/generators, and oil-fired boilers).
2. Total fuel oil consumption while the ship is not under way.
3. Laden distance traveled (on a voluntary basis).
4. Transport work calculated based on the actual cargo carried during a voyage (i.e., actual tonne-mile, TEU-mile and /or passenger-mile data).
5. Total amount of onshore power supplied.
6. Category of Innovative energy efficiency technologies.

The committee kept open the possibility for implementation of the above from 1st January 2025. Amendments to the 2022 SEEMP guidelines and 2022 guidelines for administration verification of the ship fuel oil consumption data and operational carbon intensity have been adopted. Moreover, pending future policy decisions concerning the application of the LCA guidelines, biofuel should be reported in DCS with a user defined name and CF factor under the “other” fuels category.

ii. Power Limitation in EEXI regulations: A measure to facilitate the compliance with the EEXI regulations which started from 2023, the Guidelines on the Shaft/Engine Power Limitation System to Comply with the EEXI Requirements and Use of Power Reserve was reviewed. A clarification in the guidelines was made to allow for pre-emptive un-limiting of the Shaft Power Limitation (SHaPoLi) or Engine Power Limitation (EPL) system under scenarios which may endanger the safe navigation of the ship and new functional requirements were added for SHaPoLi systems, the control of which is independent from the engine automation.

iii. Mid-term measures for reduction of GHG: As a mid-term measure to achieve GHG reduction targets, a basket of measures, comprising a technical and an economic element, is being developed as set out in the 2023 IMO GHG Strategy. Various measures have been proposed: Technical element, a goal-based marine fuel standard regulating the phased reduction of GHG intensity (GHG Fuel Standard); Economic element, imposing a levy on GHG emissions (Universal Mandatory GHG Levy), and a combination of imposing a fee on ships operating on fossil fuels and rebating amounts to ships operating on zero-emission fuels (feebate), etc. The work plan has been agreed for developing mid-term measures, aiming for entry into force by 2027. Progress of a comprehensive impact assessment (CIA) was reported by the leading organizations of the tasks such as UNTAD, where final reports will be expected by this July.

iv. Operationalization of the Guidelines on Life Cycle GHG Intensity of Marine fuels (LCA Guidelines): For low/zero-carbon fuels, such as hydrogen, ammonia, and biomass-based fuels, it has been recognized that GHG emissions during manufacturing and distribution processes of these fuels should be considered. It is also recognized that GHG other than CO2, such as methane (CH4) and nitrous oxide (N2O), may cause significant impact on global warming. At this session, based on the draft amendments proposed by the Correspondence Group, well-to-wake was adopted as the 2024 LCA Guidelines.

v. Onboard Carbon Capture Systems: The committee agreed to develop a regulatory framework for the use of onboard carbon capture (OCC) technologies for reducing GHG emissions by segregating and capturing CO2 from exhaust gases on ships. The Correspondence Group (CG) was established on OCC and to measure and verify non-CO2 GHG emissions (i.e., methane and nitrous oxide emission factors and Cslip value for energy converters).

B) Ballast Water Management (BWM) Convention: The CG endorsed the list identifying items that need to be amended within the BWM convention, BWMS code and relevant guidelines and guidance. The list comprises sampling and analysis of ballast water to confirm the treatment capacity and discharge concentration of active substances during intermediate and renewal surveys. In addition to commissioning tests, to ensure appropriate installation and effective operation etc. The revised regulations A-1 and B-2 of the BWM convention were introduced to provide a definition of electronic record book, approval requirements of electronic record book and a verification requirement by the ship’s master. These requirements will enter into force on 1st October 2025. Difficulties in continuous operation of ballast water treatment systems (BWMS) at ports with challenging water quality (CWQ), have been discussed to develop a guide for operations in such places. This session adopted guidance to determine CWQ, bypass procedures for ballasting operations at ports with CWQ, and decontaminating of ballast tanks after the bypassed ballasting operation. The Guidance (BWM.2/Circ.82) includes a procedure in case of temporary storage of Treated Sewage (TS)/Grey Water (GW) in BW tanks is to be used as an option in specific ports and areas which restrict the discharge of TS/GW, and if the ship does not have dedicated tanks with adequate storage capacity for TS/GW. The procedure describes the steps to be followed:

(i) The discharge of BW should comply with the BWM Convention.

(ii) The discharge of TS should comply with MARPOL Annex VI and any local requirements.

(iii) The hull strength and stability of the ship should not be compromised.

(iv) In case a ship stores TS/GW temporarily in BW tanks, the ship should make periodic inspections for those BW tanks coatings and take measures to prevent impacts.

(v) The ship-specific change-over procedure, from BW storage to TS/GW storage and back to BW storage, including pump and piping associated with the dual-purpose BW tanks, with specific details on how the flushing is conducted, should be included in the Ballast Water Management Plan (BWMP).

(vi) The BW tanks to be used for temporary storage of TS/GW should be identified in BWMP.

(vii) The BW Record Book should have an entry made under the appropriate code related to additional operational procedures and general remarks.

(C) Air pollution prevention: The amendments to MARPOL Annex VI concerns:

i. Nitrous Oxides (NOx): While Selective Catalytic Reduction (SCR) or Exhaust Gas Recirculation (EGR) systems are solutions for complying with NOx regulations, the effectiveness of such systems when ships operate under low loads in ECA, where exhaust gas temperatures fall or auxiliary control device (ACD) get activated, the system is prevented from functioning properly. It was proposed to examine how to improve the effectiveness of the NOx regulations and its application for ships operating in ECA based on the date keel was laid. Shortcomings of the current NOx regulations were identified, and it was agreed to continue the discussion at MEPC 82.

ii. SOx sampling point requirements: These do not apply to low-flashpoint fuel or gas fuel. Amendments are included in the IAPP certificate. The 107th session of the Maritime Safety Committee (MSC 107) held in June 2023 requested MEPC to approve the draft joint MSC-MEPC guidelines for taking fuel oil samples based on existing guidelines to establish a unified sampling regime under SOLAS and MARPOL Conventions. The amended draft joint guidelines were approved. The draft revised guidelines will be tabled at the next MSC session and will be published as an MSC-MEPC Circular once approved.

iii. Bunker Delivery Note (BDN) requirements of low-flash point fuel and gas fuels: The amendments to MARPOL Annex VI were adopted for storage and minimum information of BDN for low-flash point fuels and gas fuels. This amendment will enter into force on 1st August 2025.

iv. Designation of NOx and SOx Emission Control Areas (ECA):
Designation of ECA in the Canadian Arctic waters: The committee agreed to MARPOL Annex VI regulations 13 and 14 and appendix VII (ECA) to designate Canadian Arctic waters as an ECA for control of nitrogen oxides (NOx), Sulphur oxides (SOx) and particulate matter (PM), and to adopt these at MEPC 82. It would be in force on 1-3- 2026.
Designation of ECA in the Norwegian Sea: The committee agreed to the amendments to MARPOL Annex VI, regulations 13 and 14, and appendix VII (ECA) for designation of the Norwegian Sea as an ECA for nitrogen oxides (NOx) and Sulphur oxides (SOx). It will be discussed at MEPC 82, and if adopted, will come into force on 1-3-2026.

Congestion:

In Q1 2024, the average number of ships at worldwide ports reached almost 1,018,889 vessels, 29,721 more than Q1 2023. The figure peaked on 19 March with 11,689 vessels, but the figure almost reached 10,366 when the BDI peaked at 5,650 points on 7 October 2021. The figure as of the 21 April 2024 is 12,130 ships.

Geopolitics, Wars, Inflation:

Geopolitics is causing the maximum worry and headache for CEOs around the globe. Our focus, therefore, is to see how geopolitics impact the dry bulk business. Red Sea disruptions by the Houthis involve 325 MMT or 7% of all dry bulk cargoes (equal to 12% when measured by ton-mile demand) that goes through the Red Sea/Suez Canal, with 40% carried on Supras/Ultras, and another 17% on Handy sizes, with the balance on gearless ships. If Israel’s war on Hamas lasts any length of time it will increase the risks for ships transiting via the Suez Canal to the West and back, and that will increase ton-mile demand significantly.

As we have repeatedly stated, there are no winners in war, only losers. The biggest losers are those lacking a moral compass, who apply the 'might is right' rule of the jungle, misjudge world opinion, and end up on the wrong side of history. The biggest losses, however, will be most deeply felt by the parents, spouses, partners, brothers, sisters, and siblings, of those led to the slaughter by their uncaring leaders, whose children are never put at risk of losing their lives.

The link between elections, and how they could harm or assist the global economy, depending on who is the victor, are important, and impact shipping, therefore it behooves us to follow the many elections that are taking place in the world during 2024, the most important of which is the USA Presidential elections. Wars are the worst things to be involved in by any country. Countries at war, or supporting their friends to fight in wars, devote all their free capital to arms manufacturing and/or procurement to the virtual exclusion of all other issues. As a result, their economies get neglected leading to lower demand for cargoes and, therefore, a lower demand for shipping capacity. Inflation is another enemy of growth as central bankers raise interest rates to fight inflation and bring it under control. Corporates struggle with higher interest rates and are unlikely to go in for major projects involving capital expenses and/or increasing their labor work force. Without capital expenses and increase in the labor work force, economies will not expand and will shrink the demand for cargoes needed, and ergo shipping demand will dry out on the poisonous vine of inflation and higher interest rates. Many populist leaders are promoting deglobalization, near-shoring, friend-shoring, and other market distorting policies. If such leaders get elected, they could have a significant negative impact on shipping demand.

Nouriel Roubini, writes in Project Syndicate, what a second terms under Trump would look like. 'The biggest geopolitical risk to growth and markets is the US election. The biggest way a second Trump administration would affect markets is through its economic policies. There is no doubt that US protectionist policies would become more severe. Trump has already said he would impose a 10% tariff on all imports coming to the US (the average tariff rate is currently about 2%), and presumably even higher tariffs on imports from China. This would spark new trade wars, not only with strategic rivals like China, but also with America's allies in Europe and Asia, such as Japan and South Korea. A global trade war would reduce growth and increase inflation, making it the largest geopolitical risk that markets should consider in the months ahead. In this scenario, deglobalization, decoupling, fragmentation, protectionism, the balkanization of global supply chains, and de-dollarization would become even greater risks to economic growth and financial markets.'

'American Sinophobia' written by Stephen S. Roach supports the above article, and states, 'Sinophobia feeds on itself, fear starts to take on the aura of fact, and the dangers of accidental conflict with China intensify. By acting on these anxieties, America risks inciting the very outcome it wants to deter. Fears over Chinese aggression in Taiwan are a case in point. In his first inaugural address in 1933, US President Franklin Roosevelt underscored the ultimate risk of this dangerous pathology with the memorable line, "The only thing we have to fear is fear itself." Amid today's Sinophobic frenzy, that message is well worth remembering.'

During March, Bloomberg had the following snippets on the war on Gaza. (1)The UN has said that a majority of Gaza's 2.2 million residents have been displaced by the five-month conflict, while the WHO is warning of malnutrition and starvation. (2)Israel will invade the crowded southern Gaza city of Rafah "even if the entire world turns on Israel, including the United States," said Ron Dermer, the nation's strategic affairs minister and a confidante of Prime Minister Benjamin Netanyahu. Still, Dermer and other Israeli officials will travel to the US to hear the Biden administration's concerns, including what the UN has warned is a looming famine in northern Gaza. (3)Protests against Israel's military campaign in Gaza and demands that US universities divest from companies that make weapons used against Palestinians continued to spread this week, testing the bounds of campus tolerance and legal protections for free speech. (4)The International Criminal Court is said to be *weighing arrest warrants* targeting both senior Israeli officials as well as the leadership of Hamas over the two sides' conduct of the war in Gaza. The New York Times previously reported Israeli Prime Minister Benjamin Netanyahu could be among those singled out.

Reuters, on the same war. (1)This week, the UN Security Council adopted a resolution demanding an immediate ceasefire between Israel and Palestinian militants Hamas. UN Secretary-General Antonio Guterres urged Israel on Monday to lift all obstacles to aid into Gaza and allow convoys of UNRWA into the north of the coastal enclave. Famine is imminent and likely to occur by May in northern Gaza and could spread across the enclave by July. The EU's foreign policy chief alleged Israel was using starvation as a "weapon of war." And aid agency officials say Israeli red tape is slowing the flow of trucks carrying food supplies. (2)Israeli forces have withdrawn from Al Shifa Hospital in Gaza City after a two-week operation, the Israeli military said, leaving behind a wasteland of destroyed buildings and Palestinian bodies scattered in the dirt of the complex. (3) Citizens from Australia, Britain and Poland were among seven people working for celebrity chef Jose Andres' World Central Kitchen who were killed in an Israeli airstrike in central Gaza, the NGO said. (4)India began voting in the second phase of the world's biggest election, as Prime Minister Narendra Modi and his rivals raise the pitch of the campaign by focusing on hot-button issues such as religious discrimination, affirmative action and taxes. Rahul Gandhi, the face of the opposition Congress party, was among the 1,200 candidates in the fray. Follow our live coverage here. (5)Treasury Secretary Janet Yellen told Reuters that US economic growth was likely stronger than suggested by weaker-than-expected data on first-quarter output and said the Biden administration was keeping all options open to respond to threats from China's excess industrial capacity. (6)The Bank of Japan kept interest rates around zero and highlighted a growing conviction that inflation was on track to durably hit 2% in coming years, signaling its readiness to hike borrowing costs later this year. (7)An Egyptian delegation met Israeli counterparts to seek a way to restart talks to end the Gaza war and release Israeli hostages, the U.N. closed one case and suspended three more in its investigation of reports that UNRWA staff took part in the Oct. 7 Hamas attacks, and Prime Minister Benjamin Netanyahu said any decisions the World Court makes will not stop its Gaza assault. (6)French Foreign Minister Stephane Sejourne said *talks on a ceasefire in Gaza* were progressing as he joined US Secretary of State Antony Blinken in Saudi Arabia on a diplomatic push to ease the *war between Israel and Hamas.*

While Al Jazeera reported, 'Pope Francis has renewed calls for an immediate ceasefire in Gaza and the release of all Israeli captives in a peace-focused address marking Easter Sunday, the most important day on the Christian calendar.

Bloomberg chimes in with this gem on inflation. (1) Pharmaceutical behemoth Novo Nordisk A/S charges almost $1,000 a month in the US for its blockbuster weight-loss medicine Ozempic (it charges much less elsewhere). The drug industry often defends such sky-high prices by saying they make possible the research and development that leads to breakthroughs. Now, a new study has revived questions about the cost of top-selling treatments for diabetes and obesity. It says that Novo can make a month's supply of Ozempic for as little as 89 cents. (2)A broad gauge of US labor costs closely watched by the Fed accelerated in the first quarter. It's another addition to a growing pile of indicators showing that inflation has no intention of *leaving the party just yet*. The employment cost index, which measures wages and benefits, increased 1.2%, the most in a year, after rising 0.9% at the end of 2023.

The Inverted Yield Curve:

Since 1969, the inverted yield curve has reliably predicted each ensuing recession. But Campbell Harvey, the discoverer of this economic 'law' says that the current yield curve inversion may be flashing a false positive for three reasons. Firstly, the employment situation is very different with unemployment at 40-year lows of just 3.5%. Secondly, the housing market, after rising like a rocket, has started to fall. This should be a warning sign of impending bad news, but as homeowners have much lower leverage today, it isn't. And finally, this yield curve inversion has been in the news for so long, almost a year, that corporates have acted by reducing capex, reducing leverage, and keeping their man-power resources lean and mean. The one caveat to avoiding a recession is the Fed. If they do not stop raising interest rates, you will have a recession. If they pause and then reverse direction the yield curve will change its signal from an impending recession to 'business as usual'. *This podcast* gives you the details in Campbell Harvey's own words.

Inequality:

One of the SDGs of the UN is to lift people out of poverty. That has happened in China to a very large extent and the consumption of meat there has skyrocketed. Dry bulk ships carry the animal feed ingredients where volumes have shot up to cater to this meat-eating orientation achieved in China. Poorer people eat vegetables but as they get into the middle class their diet becomes meat-rich, and when they become superrich i.e., part of the 1% elite of the world, they go back to an organic, whole plant-based, vegetarian diet. Luckily for dry bulk there are many billions more people that are in the middleclass, or those that will soon reach that status, and start to consume a more meat-rich diet, thereby increasing the demand for animal feed ingredients, compared to the much, much smaller numbers that will graduate into the 1% elite. White meat needs 2.5 kilos of grain per kilo of live weight conversion, and red meats need upwards of 6 kilos of grain to make one kilo of live weight. The connection between inequality and dry bulk demand is, therefore, quite apparent. The lower the inequality, the greater the demand for meat-rich diets ergo more demand for animal feed ingredients, and hence, demand for dry bulk ships. Bloomberg had this interesting snippet: 'My carnivorous predilections made it *particularly awkward to report a story* I published this week on the climate impact of meal swaps, a learning exercise that hammered home just how bad red meat is for the planet.'

Bloomberg reported: (1) Goldman Sachs boosted Chief Executive Officer David Solomon's compensation 24% to $31 million in a year when earnings slumped at the Wall Street giant. (2) Bank of America disclosed pay increases of more than 10% for two of its highest-ranking executives. Chief Financial Officer Alastair Borthwick's total compensation climbed 14% to $12 million last year, while Jim DeMare, head of the bank's global-markets division, saw his pay rise 11% to $21 million. (3) India's soaring income inequality is among the highest in the world, Andy Mukherjee writes in Bloomberg Opinion. So why would 1 billion voters prefer to make the rich even richer when they start voting next month? Mukherjee says that a new study explains how the current "Billionaire Raj" is more unequal than the British Raj. With Narendra Modi seeking a third term, Mukherjee writes that researchers have corroborated something that's been evident to economists for some time: Modi's reign has spawned a tiny class of super-rich. (4) Climate scientists are sounding the alarm on meat. Reducing the production and consumption of meat, dairy and other livestock products *can make significant contributions in the fight to limit global warming*, according to a study led by Harvard University.

Reuters reported: Argentina's poverty rate topped 57% at the start of the year, one recent study showed, with millions battling triple-digit inflation and smarting from a sharp devaluation of the peso in December that sapped the real value of people's money. That pain in the poor barrios looms large over new libertarian President Javier Milei's aggressive austerity drive.

Yahoo Finance reported: A study found that 35 major US companies paid their top five executives more than they paid in federal income taxes between 2018 and 2022, the Guardian reports. Tesla earned $4.4 billion during 2018-2022 and gave its executives $2.5 billion. Despite that, Tesla not only didn't pay any federal taxes, but it received $1 million in refunds from the government.

WSJ reported: Broadcom CEO Hock Tan stands to earn $1.3 billion in compensation, putting him among the world's highest-paid CEOs. Part of Tan's compensation includes a $161 million stock grant; those underlying shares are now worth significantly more thanks to a surge in Broadcom's share price.

CNBC reported: The wealth of the top 1% hit a record $44.6 trillion at the end of, as an end-of-year 2023 stock rally lifted their portfolios, according to data from the Fed. The total net worth of the top 1%, defined by the Fed as those with wealth over $11 million, increased by $2 trillion in the fourth quarter. All the gains came from their stock holdings. The value of equities and mutual fund shares held by the top 1% surged to $19.7 trillion from $17.65 trillion the previous quarter.

The Economist reported: For many of us, the pandemic is a speck in the rearview mirror. But looking at living standards across the world, the pandemic's impact, compounded by conflict and worsening climate change, has been detrimental. The UN's Human Development Index fell for the first time in 2020. The poorest countries have been hit the hardest. The difference between those with the highest and those with the lowest living standards has grown, upending a decades-long trend. People living in rich parts of Asia, Europe, and North America not only live longer and enjoy more years of schooling, but they also live in cities that are far easier and more pleasant to live in (even if some are more expensive). It will take a large effort and a long time for the rich and poor worlds to get back onto a path of convergence.

Climate Change:

In 2023, the five sisters, Exxon, Chevron, Shell, Total, and BP, made record returns to shareholders of $113.8b via dividends and share repurchases.

Argus reported: Reduced nuclear availability and firm electricity demand is lifting the potential for increased consumption of thermal power generation fuels this summer. The Japan Meteorological Agency forecasts a 50-70% probability of temperatures during Jun-Aug 2024 rising above the 30-year average in all of Japan.

Reuters reported: (1)China approved 114 gigawatts (GW) of coal power capacity in 2023, up 10% from a year earlier, with the world's top carbon polluter now at risk of falling short on climate targets after sanctioning dozens of new plants, research showed. (2)Three scientists told Reuters that February is on track to have the highest global average temperature ever recorded for that month, thanks to climate change and the warming in the Eastern Pacific Ocean known as El Nino. The data has not been finalized, but spring-like conditions caused flowers to bloom early from Japan to Mexico, left ski slopes bald of snow in Europe and pushed temperatures to 38 C in Texas. (3)India may have committed to eventually starting to phase down consumption of coal on its road to net-zero emissions by a targeted 2070, but for the coming decade the industry sees a ramp up. (4)February was the ninth consecutive month to register as the warmest on record, while sea surface readings indicate ocean temperatures hit an all-time high. (5)Just last month, the European Union's climate change monitoring service said that the world registered its first 12-month period with an average temperature over 1.5 degrees Celsius above pre-industrial levels. Ocean temperatures hit a record high in February, with the average global sea surface temperature at 21.06 degrees Celsius. Marine scientists warned this week that a fourth global mass coral bleaching event is likely unfolding in the Southern Hemisphere, driven by warming waters, and could be the worst in the planet's history. (6)Countries across Europe should prepare for "catastrophic" risks, ranging from floods to deadly heatwaves, as worsening climate change hits every part of their economies and societies this century, the EU Environment Agency said. (7)The EU, Canada, Japan, and climate-vulnerable Pacific Island states are among 47 countries rallying support for a charge on the international shipping sector's greenhouse gas emissions, documents reviewed by Reuters showed. (8)The world just experienced its warmest March, capping a 10-month streak in which every month set a new temperature record, the EU's climate change monitoring service said. The 12 months ending with March also ranked as the planet's hottest ever recorded 12-month period. (9)This week begins with a timely and essential question. Does government inaction on climate change violate human rights? It ruled in favor of a group of Swiss women who had argued that their government's inadequate efforts to combat climate change put them at risk of dying during heat waves. (10)Every major global climate record was broken last year and 2024 could be worse, the World Meteorological Organization said, with its chief voicing particular concern about ocean heat and shrinking sea ice. (11)Worsening extreme weather has added to farmers' woes in recent years. EU olive oil production plunged to a record low in the 12 months ending June 2023 as drought hit Europe's major producers. Spain's core crops, among them wheat, barley, and rice, are having their lowest production levels in over a decade. The EU expects its overall cereal production to be 4.3% below the 5-year average in the 2024 season, mostly because of bad weather. (12)The world likely notched its warmest February on record, as spring-like conditions caused flowers to bloom early from Japan to Mexico, left ski slopes bald of snow in Europe and pushed temperatures to 100 degrees Fahrenheit in Texas. (13)Kenya's military was deployed on Thursday to rescue victims of heavy rains that have killed dozens of people across East Africa over the past month. At least 45 people have died in the floods in Kenya since March, including 10 since Monday, the Kenya Red Cross said. Large parts of the capital Nairobi and other major towns are underwater, forcing thousands of residents to leave their homes. (14)Floods swamped cities in southern China's densely populated Pearl River Delta following record-breaking rains, sparking worries about the region's defenses against bigger deluges induced by extreme weather events. (15)The climate phenomena known as El Nino and La Nina, which bring waves of heat, cold, rain, or drought, will be more frequent and extreme in coming years after South America suffered the most intense El Nino in decades, weather experts said on 25 April. (16)About 44 million Americans live in cities or counties that received a failing grade for air quality, which has deteriorated to its worst in 25 years across a swath of the US, in part because of wildfires, according to a recent report. Among the places with the highest quality air are Bangor, Maine along with Honolulu, Hawaii, and Wilmington, North Carolina, where ocean breezes tend to disperse pollutants, the report's author Katherine Pruitt, a senior director with the association, said in an interview. (17) At least 42 people have been killed in *floods in central Kenya's* Mai Mahiu area and police warned the number of deaths could rise after a dam burst, Citizen Television reported.

NBC News reported: Australia's Great Barrier Reef is experiencing yet another mass coral bleaching event due to heat, the country's government confirmed Friday. Scientists with the Australian Institute of Marine Science said this is the fifth mass bleaching event to hit the Great Barrier Reef since 2016.

ICN reported: MethaneSAT is an 800-pound satellite that will monitor methane emissions from oil and gas fields worldwide and make the information publicly available in near real-time. The $88 million project, which its developers say is the world's most advanced methane-detecting satellite, was funded by the Environmental Defense Fund and is the first satellite owned by an environmental non-profit.

Bloomberg reported: (1) Climate change is making flooding more common and destructive globally. An AI model now operational in 80 countries, provides more accurate predictions of river flooding than the previous dominant system, according to a paper published Wednesday in Nature. (2) Records keep breaking. Hong Kong's temperature on Sunday (24 March) reached the highest recorded level during the month of March in 140 years, according to the city's observatory. (3) Almost 50% of a person's carbon footprint for the day can be cut by swapping out beef for a single meal. (4)The 2003 heat wave in Europe killed more than 72,000 people, according to UN figures; in France alone, the excess mortality rates for women were 75% higher than for men. At the time, temperatures topping 41C (106F) in Switzerland and France were seen as extreme. Now the mercury regularly climbs into the low 40s in European hotspots. Last summer, temperatures hit 48.8C in Sicily, shattering records. (5) A new $200 million plant from LanzaJet aims to produce 9 million gallons of sustainable aviation fuel per year. But it would take 100 such plants to fulfill just 1% of commercial air carriers' needs. (6) Of all the climate moonshots, direct air capture (DAC) is perhaps the biggest reach. Efforts to suck carbon dioxide out of the ambient air are still fledgling, with the *biggest DAC plant in the world* currently removing just 4,000 tons annually.

Bulk Shipping News:

In 2023, the Baltic Supramax TC Index averaged 11,334 USD/day, -48.7% y-o-y, whilst the Baltic Handysize TC Index averaged 10,557 USD/day, -50.4% y-o-y. Benchmark newbuilding prices in Dec 2023 for a Supramax were estimated at about USD 37.5m, and for a Handysize at about USD 32.5m. Indicative 5-year old secondhand prices in Dec 2023 for a Supramax were estimated at about USD 25.5m, and for a Handysize at about USD 24.8m. Deliveries of Handy and Supra bulkers are expected to increase in 2024 to a total of 13.83 MDWT. In 2023, deliveries totaled 10.62 MDWT, +17.1% y-o-y. This included Ultras 5.96 MDWT, Supras 0.94 MDWT, Handymaxes 0.6 MDWT, Large Handies 2.85 MDWT, and Small Handies 0.27 MDWT. Demolition activity in 2024 is expected to decline to 1.6 MDWT. In 2023, demolitions totaled 1.64 MDWT, +352.5% y-o-y. Net fleet growth for bulkers in the 20-67,999 DWT range will continue at +4.2% y-o-y in 2024, and at +3.3% in 2025, based on the orderbook and expected slippage and demolition. The fleet expanded by a net +3.1% y-o-y in 2023. The Ultramax fleet will expand by a net +16.2% y-o-y in 2024, after growing +12.6% y-o-y in 2023. The Supramax fleet will expand by +0.4% y-o-y in 2024, after growing by +0.9% y-o-y in 2023. The Handymax fleet will shrink by -1.8% y-o-y in 2024, after shrinking -1.1% in 2023. The Large Handy fleet will expand by +8.0% y-o-y in 2024, after growing +5.5% in 2023. The Small

Handy fleet will shrink by -0.2% y-o-y in 2024, after remaining flat in 2023. Contracting activity has slowed down somewhat during 2023 after a strong 2022. The orderbook-to-trading ratio is 10.4% in DWT. (Bancosta – 6 Feb 24)

In 2023, global seaborne coal increased by +5.8% y-o-y to 1,339.5 MMT (excluding cabotage). This was well above the 1,265.5 MMT in 2022, the 1,254.2 MMT in 2021, and the 1,196.5 MMT in 2020. It was a little above the 1,309.8 MMT loaded in 2019. In 2023, exports from Indonesia increased by +10.2% y-o-y to 494.6 MMT, from Australia up +4.6% y-o-y to 344.1 MMT, from Russia down by -2.1% y-o-y to 184.6 MMT, from USA up +16.7% y-o-y to 86.6 MMT, from South Africa up +0.4% y-o-y to 60.8 MMT, from Colombia up +1.9% y-o-y to 56.4 MMT, from Canada up +9.6% y-o-y to 49.9 MMT, and from Mozambique surged by +15.1% y-o-y to a record 23.8 MMT. Imports to Japan down by -10.3% y-o-y to 160.5 MMT, to South Korea -4.4% y-o-y to 117.4 MMT, to Taiwan -4.3% y-o-y to 58.3 MMT, to India up +6.9% y-o-y to 240.8 MMT, and to Vietnam +54.2% y-o-y to 47.4 MMT. Mainland China is currently the world's largest importer of coal (including both thermal and coking), accounting for 27.5% of the global seaborne market in 2023. It is ahead of India, which accounts for 18.0% of coal trade, and Japan with a 12.0% market share. Total coal imports into China in 2023 reached 368.4 MMT, up +48.6% y-o-y from 248.0 MMT, up +23.5% from 298.2 MMT in 2021, up +50.7% from 244.5 MMT in 2020. Almost half of coal volumes into China (45.0%) are loaded on Panamaxes, with 29.5% on Supras and Ultras, 7.2% on Post-Panamaxes, and 14.4% on Capes. Indonesia is still by far the top supplier of coal to China at 55.8% of imports up by +24.7% y-o-y to 205.7 MMT in 2023 compared to 164.9 MMT in 2022 and exceeded the record 193.0 MMT in 2021. The second largest supplier is Russia, at 20.6% up by +31.8% y-o-y to 75.8 MMT 57.5 MMT in 2022, and 49.6 MMT in 2021. Russian shipments are sourced from the Far East at 48.7 MMT and have surged over the last two years as EU stopped buying due to the war in Ukraine. Australia is the third largest supplier of coal to China at 14.2% to 52.3 MMT up from 0.2 MMT in 2022 when the boycott against Australian coal was being enforced, but below the 70.6 MMT in 2020. (Bancosta – 13 Feb 24)

Dry bulk trade was the 'unsung hero' of 2023's seaborne trade rebound. Seaborne dry bulk trade grew by an estimated 4% or ~200mt in 2023, accounting for ~60% of last year's total seaborne trade volume rebound. Dry bulk accounted for ~50% of total additional ton-miles last year. In large part this robust growth reflected China's record appetite for raw materials (iron ore and coal imports alone rose 200 MMT y-o-y) but other trade flows from grains to minor bulks also drove some notable growth. The bulker market is also kicking off 2024 with notable optimism after improved supply-demand 'fundamentals' through 2023 (~5% ton-mile growth vs. 3% fleet growth) and amid some support from Panama/Suez disruption. Average bulker earnings were up 75% y-o-y in the first seven weeks of 2024 at ~$14,000/day, bettered only in the last decade (for the time of year) by the strong markets seen in early 2021/22. Capesize spot earnings recently chalked up their firmest February week since 2010, while FFA markets show strong sentiment and period rates (180k 1yr TC now >$25,000/day) are firm. S&P activity remains elevated too; Q4 2023 was the third busiest quarter on record (16.5 mdwt) and 2024 has kicked off on a firm note, with our Bulker Secondhand Price Index now standing 50% above the 10-year trend. So, while other sectors may have grabbed a greater share of the headlines in recent years, the bulker sector is not without interesting trends of its own. Clearly there is still plenty to keep an eye on in shipping's biggest sector. (Clarksons – 23 Feb 24)

After a soft 2023, bulkers (particularly Capesizes) are seeing a strong start to the year, amid firm cargo volumes, and a limited newbuild orderbook. Recycling has been limited while the S&P markets have been very active: the run rate in 2024 to date is up 25% on the firm 2023 total. In both bulkers and tankers, pricing is up ~25% on start-23 and is now at a ~15 year high. In extending the EU ETS to shipping in 2024, there is a price on carbon in maritime for the first time (we estimate a $6bn bill p.a. by 2026). We also estimate that last year 65% of the deep-sea cargo fleet was A-C rated under CII (35% D-E). We expect impacts ahead on speed trends, EST retrofits and 'tiering' of markets while the upcoming MEPC meetings at IMO will set the next phase of vital regulation. Shipping markets are today positive with strong cashflow. Geopolitics and global economic risks need close monitoring, while some supply-side constraints and potential impacts from emission policies are supportive, as the industry navigates managing disruption and going green. (Clarksons – 22 Mar 24)

Other Shipping News:

Disruption in the Red Sea has clearly continued to impact container markets amid diversions away from the Red Sea; Suez Canal transits were sharply down in Jan from 1H Dec (78%) while Gulf of Aden Arrivals were down 92% vs. 1H Dec. Our new COGH series shows the capacity of vessels passing the COGH was up sharply in Jan (>4x 1H Dec) and remains elevated through Feb while our series on Containership Red Sea Diversions show that ~620 vessels of a combined 8.5m TEU (30% of total boxship fleet capacity) are currently rerouting as of 18th Feb. A significant TEU-mile demand 'boost' (~11% uplift) has been caused by Red Sea disruption leading to elevated freight rates (SCFI at ~2,200 points, +114% vs. start-Dec). However, despite significant disruption from Red Sea diversions, current market impacts are not as severe as during Covid-related disruption in 2021-22 which saw major impacts across global supply chains and logistics and had an even more significant impact on boxship supply-demand and markets (SCFI reached 5,110 points in Jan-22). Indeed, while shipper costs have increased significantly amid current disruption, they remain well below those during the pandemic; for example, the estimated cost of shipping a pair of shoes from Asia to Europe has increased from $0.21 at start-Dec to $0.78 by mid-Jan but remains below the Jan-22 peak of $1.95. (Clarksons – 23 Feb 24)

The WCI Composite Container Freight Benchmark Rate, which tracks the weighted average freight cost of a 40-foot container on major East-West trade routes, came down 3% WoW to USD2,836/FEU. This marks the tenth consecutive negative weekly development, while still being up significantly from the November-December 2023 average of USD1.4-1.6k/FEU. Rates are now up ~65% YoY, but down ~28% since its 2024 peak in January, and we see potential for rates to continue to slide on a further rebalancing of networks following the immediate effects of the Red Sea disruptions. For reference, the index averaged USD1,397/FEU from 2015 to 2019, and hit an all-time high of USD10,377/FEU in September 2021. The Asia to Europe route is now approximately 2.1x the rate as of 14 December, while Asia to US rates is approximately 1.8x. (DNB Markets – 4 Apr 24)

Economic News:

Britain's economy fell into a recession in the second half of 2023, a tough backdrop for Prime Minister Rishi Sunak who has promised to boost growth ahead of an election expected later this year. The GDP contracted by a worse-than-expected 0.3% in the three months to December, official data showed. Japan also slipped into a recession at the end of last year, losing its title as the world's third-biggest economy to Germany and raising doubts about when the central bank would begin to exit its ultra-loose monetary policy. The GDP fell an annualized 0.4% in the October-December period. (Reuters – 15 Feb 24)

Annexure 1: Arrow Research paper

Arrow Flashnote

Baltimore Bridge Collapse Impact On Dry Bulk

Arrow Research – 26 March 2024
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Last night Baltimore's Francis Scott Key Bridge collapsed, causing several casualties and blocking the harbour. In this short note we assess the impact on the dry bulk market.

First and foremost, our thoughts are with those who have lost their lives in this tragedy.

In a press conference today, the Governor repeatedly avoided questions about a timeline to resume shipping, instead stating that the focus of authorities at this time is exclusively on search and rescue operations.

At this stage it's not possible to know what the reopening timeline may look like. Given the importance to automobile imports, the container trade, cruise ships and coal exports, we suspect there will be a concerted effort to reopen the port as quickly as possible. The impact on the local economy will begin immediately, consequently, resuming operations will likely become a priority.

How important for dry bulk?

So far this year Baltimore has accounted for around 0.8% of total dry bulk tonne-mile demand. The breakdown by vessel class is below.

Baltimore exports by segment (million tonnes, 2024 is year-to-date)

	Capesize	Panamax	Supramax	Handysize
2015	6.5	4.3	0.3	0.1
2016	6.3	4.2	0.4	0.2
2017	9.3	6.2	1.6	0.3
2018	9.7	5.6	1.9	0.4
2019	6.8	7.4	2.2	0.5
2020	5.3	6.6	1.1	0.4
2021	10.4	5.9	1.5	0.4
2022	9.4	4.6	2.0	0.5
2023	13.9	8.0	3.0	0.5
2024	3.1	2.0	0.5	0.1

Last year, Baltimore's Capesize cargoes sailed on average 10,800 miles – this is compared to just 3,600 miles for the average Port Hedland cargo last year. So, whilst 14 million tonnes last year represent just 0.7% of total Capesize tonnes, Baltimore accounted for 1.5% of Capesize tonne-mile demand.

Baltimore's % share of total tonne-mile demand by segment (2024 is year-to-date)

	Capesize	Panamax	Supramax	Handysize
2015	0.95	0.48	0.02	0.02
2016	0.74	0.50	0.02	0.02
2017	1.18	0.61	0.15	0.06
2018	1.14	0.70	0.19	0.06
2019	0.92	0.80	0.21	0.10
2020	0.66	0.71	0.12	0.08
2021	1.18	0.56	0.13	0.07
2022	0.95	0.47	0.15	0.11
2023	1.50	0.84	0.30	0.09
2024	1.36	0.94	0.18	0.08

The Capesize segment appears to be the most affected. Additionally, Baltimore accounts for over a quarter of Capesize cargoes in the East Coast North America region.

In 2022 a damaged conveyor belt at a Baltimore pier halted coal exports from Curtis Bay (within the region currently blocked off), cargoes were reportedly rerouted down to the Hampton Roads region, as reported by Platts. Given operations at Baltimore are unlikely to resume for quite some time, we expect some coal will be railed south for export where this is logistically possible – yet it's not possible at this stage to quantify this.

A port official has told Bloomberg TV that coal exports could be halted for as long as 6 weeks.

However financial markets are taking a very strong view. CONSOL Energy Inc, the coal exporter operating the terminals at Baltimore has taken a $200m hit to its market capitalisation today, the stock is down 8% as of writing. Whilst it may be an overreaction, such a hit to the company's valuation suggests the impact to revenues will be significant.

Kind regards,
Arrow Research