The 3rd Quarter of 2020 Management Discussion and Analysis (MD&A)

Our Key Performance Indicators:

3rd Quarter 2020 Financial Performance (US Dollar Terms):

The results, reviewed by EY Office Ltd., show you the latest financial position of the Company. The net loss for Q3 2020 was USD 0.71 million compared to a net loss of USD 0.96 million in Q3 2019 and a net loss of USD 37.32 million in Q2 2020. The earnings per day per ship during Q3 2020 came in at USD 8,786, lower than the USD 9,617 of Q3 2019 although a significant improvement over the USD 6,099 figure for Q2 2020. Daily operating costs of USD 4,617 were lower than our target of USD 4,650 although above the USD 4,576 figure recorded in Q3 2019 and USD 4,531 figure recorded in Q2 2020. EBITDA came in at USD 11.12 million, a marginal drop from the USD 12.08 million figure recorded in Q3 2019 although much above the USD 2.63 million figure recorded in Q2 2020. The loss per share stood at Thai Baht 0.01 for this quarter.

THE HARD FACTS	Q3 2019	Q2 2020	Q3 2020
Highest earnings per day per ship in USD	26,812	15,065	15,013
Average earnings per day per ship in USD	9,617	6,099	8,786
Av. earnings per day per Handy size ship in USD	9,464	6,035	8,826
Av. earnings per day per Supramax ship in USD	8,947	3,607	8,435
Av. earnings per day per Ultramax ship in USD	10,735	9,053	9,085
Operating cost per day per ship in USD	4,576	4,531	4,617
EBITDA in million USD	12.08	2.63	11.12
Net profit/(loss) in million USD excluding extraordinary gain/(loss)	(0.98)	(9.79)	(1.10)
Net profit/(loss) in million USD	(0.96)	(37.32)	(0.71)
Profit/(loss) per share in Thai Baht excluding extraordinary gain/(loss)	(0.02)	(0.20)	(0.02)
Profit/(loss) per share in Thai Baht	(0.02)	(0.76)	(0.01)

3rd Quarter 2020 Consolidated Financial Performance (Thai Baht Terms):

For the three-month period ending 30 September 2020, the Company incurred a consolidated net loss of Baht 22.11 million as compared to a net loss of Baht 29.42 million in Q3 2019. The main reasons for the changes are as follows:

1. Net Vessel Operating Income (Vessel Operating Income net of voyage disbursements and bunker consumption) in Q3 2020 is 7 percent lower than the Net Vessel Operating Income figure of Q3 2019. This is mainly due to a decrease in the average earnings per Vessel per day which declined from USD 9,617 in Q3 2019 to USD 8,786 in Q3 2020, as the impact of Covid-19 weakened Dry Bulk vessel freight rates. The fleet size as on 30 September 2020 was 36 vessels.
2. Vessel running expenses in Q3 2020 are 3 percent higher than the figure in Q3 2019, mainly due to higher stores / spares expenses. The average operating expenses (Opex) per day per Vessel (including depreciation/amortization of Drydocking/Special Survey expenses) increased from USD 4,576 in Q3 2019 to USD 4,617 in Q3 2020.
3. Administrative expenses (including management remuneration) for Q3 2020 came in Baht 54.92 million lower than the figure in Q3 2019, mainly due to a decrease in legal expenses.
4. Exchange gain was Baht 11.74 million higher than the figure in Q3 2019, due to a decline in the value of the THB against the US Dollar and a corresponding decline in the value of Baht denominated liabilities.
5. Finance cost in Q3 2020 was Baht 38.30 million lower than the figure in Q3 2019 due to a reduction in aggregate debt.

For the nine-month period ending 30 September 2020, the Company incurred a consolidated net loss of Baht 1,322.28 million as compared to a net loss of Baht 254.63 million during the same period last year. The main reasons for changes to the nine-month financial results are as follows:

1. Net vessel operating income (vessel operating income net of voyage disbursements and bunker consumption) during the first nine-months of 2020 was 15 percent lower than the figure during the same period last year. This is mainly due to a decrease in the average earnings per ship per day from USD 9,283 to USD 7,765 as COVID-19 resulted in an erosion of Dry Bulk shipping demand.
2. Vessel running expenses per day per ship for the first nine-months of 2020 came in at USD 4,584, which is 4 percent lower than the USD 4,775 figure during the same period last year. This is mainly due to lower crew and store / spares expenses.
3. Administrative expenses (including management remuneration) for the first nine-months of 2020 came in Baht 110.31 million lower than the same period last year, mainly due to a decrease in personnel expenses and legal expenses.
4. Exchange gain of Baht 15.51 million due to a decline in the value of the THB against the US Dollar and a corresponding decline in the value of Baht denominated liabilities.
5. Loss of Baht 868.72 million after signing a settlement agreement with Sainty Shipyard in Q2 2020.
6. Gain of Baht 17.55 million from the settlement of a cross currency swap contract in Q2 2020.
7. Finance costs during the nine-month period of 2020 were Baht 78.32 million lower than the same period last year due to a reduction in overall debt.

Market Segmentation (Q3 2020): The Baltic Handy Size Index (BHSI) averaged 508 points, as derived from an average Time Charter (TC) rate of USD 9,136 per day. In comparison, **our Handy size fleet earned USD 8,826 and underperformed the BHSI TC rate by 3.39%.** The Baltic Supramax Index (BSI) averaged 903 points, as derived from an average TC rate of USD 9,931 per day. In comparison, **our Supramax fleet average earnings were USD 8,435 per day and underperformed the BSI TC rate by 15.06%. Our Ultramax fleet average earnings were USD 9,085 per day and underperformed the BSI TC rate**

by 8.52% (as there is no special index for the Ultras, we have compared them with the BSI). Our target is to outperform both the indices.

The SET Opportunity Day will be virtually held at 15:20 hours on the 18th November 2020 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 Q3 results. Number of online participants during PSL's presentation of Q2 results on 10th September 2020 virtually via the SET website had 62 views, YouTube 75 Views, Facebook 25 Views, for a grand total of 162 views.

Long Term versus short term Charters: The long-term charters, over 1 year, already booked as of 30th September 2020 are shown in the chart below. As can be seen, our forward four-year rolling book is currently at the 15% level with a visible revenue stream of USD 141.1 million.

Year	2020	2021	2022	2023	2024
Total Available Days	13,176	13,140	13,140	13,140	13,176
Fixed T/C Days	2,196	2,190	1,992	1,825	1,830
%age Fixed T/C Days	17%	17%	15%	14%	14%
Av. T/C Rate/Day in USD	13,737	13,577	14,062	14,550	14,550
Contract value in million USD	30.2	29.7	28.0	26.6	26.6

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

Ship recycling has progressed smoothly with 11.16 MDWT of ships being recycled up to and including Q3 (despite the lockdowns experienced in the Indian subcontinent between the 3rd week of March and the end of May) across all sectors of the dry bulk market as compared to 5.15 MDWT in the same period of 2019. The existing **age profile at the end of Q3 2020 of 58.91 MDWT** (32.21 MDWT in the geared segment and 26.7 MDWT in the gearless segment) or **6.53%** (10.06% in the geared segment and 4.59% in the gearless segment) **of the world fleet being 20 years or older at the end of Q3 2020**, together **with low levels of the order book to fleet ratio of 6.46%** (order book up to end 2023 compared to net supply end of Q3 2020), should result in the world dry bulk fleet growing at a much slower pace. **Healthier recycling is expected during the balance of 2020/2021** due to the number of 20+ year old ships in the world fleet, poor state of the freight markets, and regulatory pressures from BWTS, Special Survey costs and IMO2020 on these ships.

Thinking Outside the Box, Another Historic First for PSL!

We took steps to reduce our overall cost of capital through an innovative transaction with one of our key customers. An out of the box solution and a historic first for PSL!

1. PSL managed to get prepayment of 1-year worth of charter hire on 5 ships on long-term period charter on 1st October 2020.
2. The gross advance of hire equates to USD 26.55 million.
3. PSL was able to accomplish this due to an extremely close relationship with the client.
4. This is a historic first within the shipping industry and has never been done before!
5. Considering the state of capital markets, banks unwillingness to lend and the global pandemic-hit economy, this was the equivalent of pulling a rabbit out of a hat!

6. PSL prepaid one year of outstanding principal on these ships to their respective mortgagee banks amounting to USD 4.85 million.
7. A large portion (USD 19.71 million equivalent to Baht 627.2 million) was used to partly redeem our bond PSL206A (see below).
8. The remaining proceeds will be used for general corporate purposes.

Early redemptions of our two bonds, PSL206A & PSL211A:

On 19th May and 30th July 2020, we managed to successfully restructure both the above bonds.

1. PSL206A was partly redeemed by Baht 392 million on 9th June 2020 and Baht 627.2 million on 22nd October 2020. The outstanding is Baht 940.8 million with final maturity on 9th December 2021.
2. PSL211A was partly redeemed by Baht 359 million on 22nd October 2020, and after another partial redemption of Baht 359 million scheduled for 16th November 2020, the outstanding shall be Baht 2,872 million with final maturity on 22nd July 2022.

Our intention is to continue to redeem the balance outstanding amounts on both these bonds before their respective maturity dates.

BDI Developments and our read of the market:

- Please read the article titled: Not so choppy: How covid-19 put wind in shipping companies' sails by The Economist, by clicking on the embedded link. This will be a great way to start reading the rest of this section.
- As always, the dry bulk market will have the same macro issues of supply/demand balance dominating the narrative. **As supply and demand balance had been very close prior Covid-19, the secular recovery would be characterized by extreme volatility** as any small change in demand or supply would have a disproportionate impact on the BDI and profitability.
- As if to emphasize the above, **Capes** have gone from a **low of USD 1,992 per day on 14 May to a high of USD 34,896 per day on 6th Oct** and are currently trading at **USD 14,421 per day on 6th Nov 2020.**
- The current **orderbook to fleet (end Q3) ratio is at 6.46%** (for the **geared sector 4.72%** and for the **gearless sector 7.41%)** or the **lowest quarterly reading for over 25 years!**
- Data shows that **secondhand transactions,** despite the restrictions from Covid-19, **have increased dramatically.** This shows **faith in the market is very strong** and that **new building prices are too high and regulatory fear** has paralyzed investing in new ships.
- **Covid-19 continues to pose a threat** to individual countries as well as to the world economy. If this threat dissipates by the end of 2020 and does not pose a significant threat in 2021 then **shipping companies would be back to normal by the SH of 2021**.
- **Capital markets continue to remain frozen in 2020**. We do not expect a rapid reopening of debt/equity capital markets any time soon.
- **Any bonds that are coming due will have to be repaid, restructured, or refinanced**.
- **Recycling has gone from 5.15 MDWT in 1st 3Qs of 2019 to 11.16 MDWT in 2020 despite the Covid-19 lockdowns disrupting recycling**. On an annualized basis, this equates to 14.92 MDWT of recycling.
- **Owners continue to reduce the speed of their ships** to assist in tightening supply.
- The **BDI** averaged **592 in Q1**, **783 in Q2** and **1,522 in Q3** having started the year at 976 points. The BDI is at 1,196 points as of 06 November 2020.

- According to Clarksons, **dry bulk ton-mile dropped by 3.52%** till end of Q3 2020.
- According to Howe Robinson, **Grain shipments will rise by 4% in SH 2020**.
- USA has **already shipped 4 MMT Soybeans with another 17.5 MMT by year end** destined for China.
- In week 35, **China had booked 251K tons of US wheat, the second-largest purchase!**
- China imported **868.7 MMT of iron ore up 10.78%** in 1st 3Qs of 2020 y-o-y 2019.
- China imported **239.6 MMT of coal down 3.9%** in 1st 3Qs of 2020 y-o-y 2019.
- China imported **74.5 MMT of Soybean up 15.5%** in 1st 3Qs of 2020 y-o-y 2019.
- China produced **784.1 MMT of Steel up 5%** in 1st 3Qs of 2020 y-o-y 2019.
- China exported **40.4 MMT of Steel down 18%** in 1st 3Qs of 2020 y-o-y 2019.
- China imported **15.1 MMT of Steel up 71.6%** in 1st 3Qs of 2020 y-o-y 2019.
- According to **the Phase-1 deal of the trade war resolution China should be** importing more raw materials from the US (soybeans, oil/gas, and coal), and **ton mile demand should increase during SH 2020 and 2021. But with Trump trying to deflect blame onto China for his mishandling of Covid-19, could lead to lower purchases from US.**
- **China's imports and exports rose 13.2% and 9.9%** in Sep 2020 compared to Sep 2019.
- **China's PMI index was 51.2 in Jun, 52.8 in Jul, and 53 in Sep** due to various measures of support taken by the Chinese government.
- **China's GDP for Q1 was -6.8%, Q2 was +3.2% and Q3 was +4.9% or +0.7% YTD.** The Chinese government have certainly stimulated economic activity and increased demand for dry bulk commodities. The **IMF expects +8.2% GDP growth for China for 2021**.
- **UK GDP fell a staggering 20.4% in Q2.**
- **Japan's Q2 GDP contracted by 7.8%.**
- **India's GDP shrank nearly 24% in Q2 of 2020** compared to last year.
- **Singapore's GDP shrank 13.2% for Q2** compared with Q2 last year.
- **US GDP grew at 33.1% in Q3!**
- In October, **IMF revised upward world GDP forecast for 2020 to -4.4%.** In October, **IMF revised 2021 world GDP down to +5.2%.** The October IMF forecast for 2020 GDP growth rates was Australia -4.2%, Canada -7.1%, China +1.9%, Denmark -4.5%, France -9.8%, Germany -6%, Greece -9.5%, India -10.3%, Indonesia -1.5%, Italy -10.6%, Japan -5.3%, Netherlands -5.4%, New Zealand -6.1%, Norway -2.8%, Saudi Arabia -5.4%, South Korea -1.9%, Spain -12.8%, Sweden -4.7%, Switzerland -5.3%, Taiwan +0.1%, Thailand -7.1%, United Arab Emirates -6.6%, United Kingdom -9.8% and United States -4.3%.
- **India's rice exports may rise by 42% from a year ago to 14 MMT in 2020**.
- Central Banks had **pumped USD 8.4t monetary stimulus** into the economy by mid-Aug!
- **Scrubbers** fitted onto 3,000 ships **have 'wasted' USD6b** or more of funds **that could have been much better spent on real problems like decarbonization**.
- **PSL's exposure to the smaller geared segments** means that it will be exposed to **lower growth in net supply of 2.77%**.
- **Ships 20 years or older,** comprising about **58.91 MDWT or 6.53%** of the existing fleet (32.21 MDWT of geared ships or 10.06% and 26.7 MDWT of the gearless fleet or 4.59%) at the start of Q4 of 2020 **would be ideal candidates for recycling** as they would have to invest in ballast water treatments systems, IMO2020, and expensive special surveys.
- One way or the other **in 2020/2021, you are going to have a supply side dividend either through slow steaming of the entire fleet or a combination of recycling some of the older ships and slow steaming by the balance.**
- Another way to look at **future prospects** of the market would be to **compare the current forward orderbook of 58.25 MDWT (till end of 2023) at end of Q3 as a percentage**

(6.46%) of the existing fleet at the end of Q3 and see when was it as low as this number, that would be in the mid 1980's!

- Our read of the **growth in supply,** based on Clarksons data**, has a net fleet growth rate of 3.79% (873.43 MDWT to 907.46 MDWT) by end of 2020 and 1.72% (907.46 MDWT to 923.07 MDWT) by end of 2021, assuming recycling of 16 MDWT/year and slippage of 15% per year in 2020 and 2021.**
- **If our reading of supply at +1.72% pans out, then 2021 should be a reasonable year considering the growth rate of 5.2% in world GDP indicated by the IMF**.
- **If the supply side gets a dividend by the recycling of the very old ships**, slow steaming by the rest of the owners who are using LSFO, and forced down time in dry docks for those owners passing special surveys on 20+ year older ships, then **the market would further benefit from this tightening of available ships on the supply side**.

Others' reading of the market:

While Covid-19's effect on global steel production has been like that of the GFC, some key differences have emerged. The scale of capacity reductions has been similar, but the pandemic seems to have triggered losses more quickly. We have already seen countries make gradual steps towards recovery and the worst appears to be over. This in contrast to the months following the GFC, where losses steadily built up, before any meaningful recovery was achieved. Going forward, we expect output to continue to edge back up. (Braemar ACM – 27 Aug 2020)

In the week to Aug 27, China booked 250,800 tons of US wheat, the second-largest volume purchased in the current marketing season that started June 1. The latest purchase took China's total commitments for US wheat to 1.47 MMT in 2020-21, inching to a five-year high, according to USDA data. (Platts – 3 Sep 2020)

The recovery in China's swine and poultry production growth is expected to push up soybean demand in 2019-20 and 2020-21. China's soybean imports in the 2019-20 and 2020-21 marketing years (October-September) are forecast to touch 98 and 99 MMT, significantly higher than 82.5 MMT bought in 2018-19. (Platts – 7 Sep 2020)

World GDP will return to its pre-pandemic level by mid-2021 after a stronger-than-expected economic bounce in recent months, Deutsche Bank said. (Reuters – 21 Sep 2020)

Trade volumes have been very disappointing this year. In the first 8 months of 2020, global iron ore loadings increased by +0.3% y-o-y to 1,000.5 MMT. Iron ore loadings from Australia increased by 4.4% y-o-y, but from Brazil declined by 6.7% y-o-y. In the first 8 months of 2020, global coal loadings declined by 10.7% y-o-y to 762.5 MMT. Coal loadings from Australia declined by 8% y-o-y, and from Indonesia declined by 16.1% y-o-y. (Banchero Costa – 23 Sep 2020)

In 2020 coal imports to China remained surprisingly resilient despite global demand for coal crashing. Q3 of 2020 proved to be disappointing compared to the rosy FH of the year. In Jan-Sep China imported 197.8 MMT of coal, a decline of 2.5% y-o-y compared to the 202.8 MMT imported in the same period of 2019, but still higher than the 181.1 MMT imported in Jan-Sep 2018, and the 178.3 MMT in Jan-Sep 2017. China routinely restricts imports of coal to help domestic miners through a wider effort to reduce the fuel dependency of the country. For a nation that consumes and produces half of the world's coal, the strength of China's import curbs may vary based on the competing priorities to protect domestic miners and power plants. Indonesia had been the main beneficiary in 2019 and exported 124.4 MMT of coal, up 15.1% y-o-y. Imports from Indonesia declined by 16.4% y-o-y to 80.2 MMT in Jan-Sep of 2020. (Banchero Costa – 6 Oct 2020)

With the Covid-19 pandemic largely under control in China, the Golden Week holiday is putting on display the country's confidence in its economic rebound and its public health measures. Through the first four days of the week-long holiday that started Oct 1, some 425 million people traveled domestically, nearly 80% of last year's throngs. The surge of activity stands in stark contrast to the rest of the world — the global tourism industry is expected to lose at least $1.2 trillion in 2020 — and underscores the relative strength of China's economic recovery. As of September, the OECD forecast a 1.8% expansion this year, putting China alone among the Group of 20 on pace to expand. Hotel prices have shot up, ride-hailing apps have crashed, tickets to the Great Wall sold out, and flight bookings are up 11% compared to 2019. (Bloomberg – 6 Oct 2020)

India's rice exports in 2020 may rise by nearly 42% from a year ago to 14 MMT in 2020, up from last year's 9.9 MMT. (Reuters – 7 Oct 2020)

With vessel supply set to tighten, the continued underinvestment in most shipping segments leads us to believe that the 2020s could be one of the best decades for shipping in a long time, according to Cleaves Securities. (TradeWinds – 13 Oct 2020)

A bulker arrived at Port Hedland on 12th Oct with multiple infected crew, the second such case in two weeks. There are reports that Western Australia's Chamber of Minerals and Energy, and several mining companies are considering banning vessels with Manila-based crew on board. As crew changes became difficult earlier in the year, the Philippines emerged as a convenient place for Capes to change personnel. Since the start of the year over 420 Capes made detours to the Philippines, the majority to facilitate crew changes. In the past couple of weeks, all visits have been on vessels ballasting towards load ports. For now, it seems unlikely that any vessel which has made changes in Manila will be prevented from calling Australia, given the sheer number of ships which have done so. The weekly numbers of Capes calling the Philippines peaked a couple of months ago, the total figure still represents 84.5 MDWT, or 23% of the trading fleet. Banning the use of these ships would be costly, as vessels freshly crewed with seafarers from other regions would be extremely scarce, as a result the paper market has had a muted reaction to the news. October Capes FFA contracts are trading at $26,000/day at the time of writing, around $500 higher than at the end of last week. (Braemar ACM – 13 Oct 2020)

Spot charter rates were very poor for Bulkers in FH 2020 but are recovering in 3Q 2020. In Sep 2020 the Baltic Capesize TC index averaged 18,015 USD/day (-44.6% y o y), the Panamax (82k) index 12,421 USD/day (-25.2% y o y), the Supramax index 10,472 USD/day (-28.9% y o y), the Handy (38k) index 10,235 USD/day (-21.2% y o y). (Banchero Costa – 14 Oct 2020)

Chinese Iron ore import for September was the second highest monthly number on record with 109 MMT, up 8% on August imports, and up 9% on September 2019. Import levels for 2020 are up 11% YOY compared to the first three quarters of 2019. Volumes from Brazil are down 5% YOY, while volumes from Australia are up 5% YOY (as of August). Coal imports in September was 19 MMT, considerably lower than the 30 MMT last year. Coal import YTD is at 239 MMT, which is down 4% YOY, after being up as much as 33% for the first two months of 2020 (while up 13% for H1 this year). In fact, the September import volumes are the lowest since February 2016 as China reigns in imports to meet its targets after the strong start of the year. However, as quotas are rolled to 2021 towards the end of the year, we believe a pick-up in activity could provide support for dry bulk freight rates. (DNB Markets – 14 Oct 2020)

US soybean farmers have already shipped over 4.5 MMT of beans to China in 2020-21, up 4% on the five-year average, with another 17.5 MMT of oilseed set to sail in coming months to China. (Platts – 16 Oct 2020)

Demand overall is expected to grow by 3% on average over the next five years. That compares with flat demand in 2020 versus 2019. (Lloyd's List – 20 Oct 2020)

Seaborne grain movement is expected to rise by 4% this year which has been a positive for the sub Cape market in second half 2020. (Howe Robinson Research – 23 Oct 2020)

Iron ore shipments from Brazil in October are on track to settle around 6% lower MoM at 31.7 MMT as volumes continue to slide from August's highs. The pace of exports has slowed by around 11% since September to around 1 MMT per day. This is also around 17% lower than August's 1.2 MMT per day. Volumes out of Tubarao have suffered, on trend to hit about 4 MMT in October, down 21% MoM and 43% YoY. Cape rates have also weakened, following a rally at the start of October. We assessed the TCE of a C3 voyage at $17,868/day yesterday, down 41% from a high of $30,312/day at the start of the month. Over the next few weeks, we expect some increase in monthly liftings, given local iron ore producers' production targets for the year, though volumes will likely remain weak relative to 2018 levels. (Braemar ACM – 27 Oct 2020)

While the pandemic has had a catastrophic effect on most markets, dry bulk demand seems to have fared relatively well with price of key dry bulk commodities outperforming other goods. This is in part down to supply disruptions (particularly in the case of iron ore) but is also due to sustained demand for raw materials and 'essential' goods, such as grains. China's steel market has outperformed. The economy has recovered swiftly since Q1, following containment of the pandemic, and a round of stimulus spending earlier in the year has helped to buoy construction and manufacturing activity. Speculative interest in China's the steel market has increased steel producers' margins, as investors bet on a V-shape recovery. Crude steel output in China over the first nine months of the year totaled 783.3 MMT, a 4.7% YoY increase. In the short term, we expect to see output cool, as weaker construction activity and winter pollution controls come into force. Chinese iron ore demand however should not fall to the same extent, as restocking continues into the final weeks of the year. China's steel demand will slow, and electric arc furnaces will play a greater role in the production mix. The next five-year economic plan in China will mandate greater use of scrap steel and stricter pollution controls. This will drive a plateau in Chinese iron ore imports, though the strength in steel output this year has raised the baseline from which demand will soften. Elsewhere in the world, steel industries are still suffering hefty losses in output, but we have upgraded our forecast for their recovery to growth. The hit to global steel output this year was sharp, but not as long-lasting as that following the GFC. In the 2020's recession it is the services industry, rather than manufacturing and construction, that has been hit the hardest. In the dry bulk world, coal has been the commodity that has seen the greatest level of demand destruction this year. The main drivers of the Asian coal market, China, and India, have seen significantly weaker coal imports over the past few months. India, following severe lockdowns, saw sharp contractions in both power demand and steel production which slashed imports. China, which has generated relatively strong coal demand so far this year, has ratcheted up protectionist quotas on coal imports to support domestic coal producers. These have in turn throttled imports of coal. Covid-19 has exacerbated a trend of falling European coal imports, accelerating the switch from coal-fired power to cheap natural gas. The losses in steel capacity and thus coking coal demand will also take time to recover. Global seaborne coal trade will contract by nearly 8% over 2020, followed by a 2% recovery in 2021. Growing demand in South

East Asia will not be enough to offset the declines elsewhere. We remain positive on the grain trades and have upgraded our expectations. We forecast soybean shipments from the major exporters to grow by 13% YoY over 2020, and to almost 19% in 1H 2021. This is driven by growth in harvests in Brazil, Argentina, and the US. Demand is underpinned by China's enormous appetite, which seems to have fully recovered from the ASF outbreaks. Chinese imports from the US are set to improve over the coming months, following healthy purchases. Wheat and coarse grain trade growth will continue, backed by healthy volumes from the US and greater production in the Black Sea. (Braemar ACM – 29 Oct 2020)

With record quarterly corn imports in Q3 and another 1 MMT on the water, China looks set to breach the annual foreign import quota this year set at 7.2 MMT. To date China has imported 6.9 MMT (up 3 MMT y-o-y) due to increased consumption and that this year's domestic harvest has been negatively affected by an earlier drought, localized typhoon is prior to harvest and increased pest damage. Chinese corn production is usually around 250 MMT but demand has increased due to increased poultry numbers and the government decision to ban the feeding of swill to pigs. Corn stocks have been significantly drawn down over the last 3 years and a possible shortage of supply is evidenced by domestic corn prices reaching a record high on the Dalian Commodity Exchange last week. Ukraine has provided the majority of China's corn imports. Last year's record shipments of 4.1 MMT have already been eclipsed with 4.9 MMT landed in China by the end of Q3. Return of consistent shipments from USA since June with Chinese imports rising to 1.5 MMT by the end of Q3 are already five times greater than the sum of last year's total figure. An analysis of USDA data reveals half of the 1.2 MMT shipped in September from US Gulf is unlikely to have reached discharge as yet whilst another 0.7 MMT corn has been shipped during October from US Gulf. As most corn shipments to China are carried by Panamax-Kamsarmax tonnage these incremental volumes and longer ton-miles would be a major boost going forward. (Howe Robinson Research – 30 Oct 2020)

Slowing dry bulk supply growth combined with a new China stimulus package are set to provide added impetus to vessel earnings. The orderbook is "substantially smaller today" when compared to the beginning of the previous stimulus cycles in China, says Arrow Shipbroking. "The orderbook was 80% of the fleet in November 2008 when the Chinese government introduced its stimulus package to counter the effects of the global financial crisis," it said. Today, we are at the beginning of another stimulus cycle and the orderbook-to-fleet ratio is only 6.9%. Arrow said it expects dry bulk seaborne trade to shrink for the first time since 2009, but the drop in volumes are likely to be "smaller than previously expected". However, the shipbroker said shipments are set to "rebound strongly" in 2021 as demand outside of China catches up. (TradeWinds – 2 Nov 2020)

Key Supply Side Developments:

We started 2020 with 873.43 MDWT and have increased to 902.18 MDWT at the end of Q3 2020. A further 1.38% (12.45 MDWT) is scheduled for delivery in the rest of 2020. If we were to apply a slippage factor of 15% (it was actually 10.07% to end Q3 2020) to these scheduled deliveries and further assume that scrapping reaches 16 MDWT (it was actually 11.16 MDWT to end Q3 2020) we would be left with **a fleet growth of 3.79%** (873.43 MDWT to 907.46 MDWT of which 313.39 MDWT to 321.76 MDWT geared sector, 560.93 MDWT to 585.69 MDWT gearless sector) **by end of 2020 and 1.72% by end of 2021** (907.46 MDWT to 923.07 MDWT of which, 321.76 MDWT to 326.92 MDWT geared sector, 585.69 MDWT to 596.15 MDWT gearless sector), **assuming similar recycling and slippage levels as in 2020. Congestion, ballasting ships, slowing speeds** are other factors that will assist supply side tightening.

What others' say about Supply Side Developments:

Indian ship-recyclers are being forced to close or reduce their operations due to a lack of oxygen supply during the coronavirus pandemic. (TradeWinds – 15 Sep 2020)

The dry bulk fleet has grown by almost 25 MDWT, an increase of nearly 3% since the start of the year. Capes have received 9.6 MDWT of Newcastlemax, though fleet growth has been kept at bay by removals of the old-converted units earlier in the year. In the Panamax sector, supply has grown by 5% so far with 125 vessels joining the fleet and just 7 ships removed. In the Supras there has been heavy Ultra additions. Earlier this year the Ultras surpassed 1,000 ships, growing by 11% YTD but further out there is a very limited orderbook. In DWT terms, the current orderbook represents just 7% of the trading fleet, the lowest level since the late 80s. 2020 is set to see the lowest orders placed since 2016, and the second lowest since 2001 with just 138 vessels ordered to date. The Capes have the largest orderbook in absolute DWT terms and as a percentage of today's fleet. With 32 MDWT slated to deliver over the early 2020s, the orderbook amounts to around 9% of today's capacity. But this is still the lowest fraction on order since 1997. For the Panamaxes, we have 16 MDWT on order, or 7% of today's fleet, but a third are scheduled to deliver later this year. In the Supras, there is 11.4 MDWT of capacity on the books, or 6% of current capacity, the lowest since 1993. The Handy fleet is the one sector that has a very low forward orderbook and has seen limited additions this year. The 10-40k dwt sector has grown by just 1.2% DWT this year. And the orderbook stands at 4% of today's capacity. Of the limited number of vessels that have been contracted this year, a few features have stood out. Capes ordering has continued to focus on Newcastlemax including several LNG dual fueled ships. The Panamax has favored Kamsarmax and Post-Panamax sizes. The Supras have 53 vessels contracted. Ultras have seen sustained interest, but we are also seeing elevated orders for smaller vessels within our broader Supra category. 11 ships have been ordered in the 40-42k dwt band, a size which is proving increasingly popular given that many of these vessels have the same draft as a typical Large Handy, with a wider beam allowing for greater cargo intake. Handy ordering has been skewed to the smaller sizes. So, with the orderbook this depressed, is another wave of ordering activity around the corner? This is what we saw in 2013 and 2017 when the percentage on the fleet on order was trending down in a similar fashion, but there are some key differences. Firstly, environmental scrutiny and uncertainty over regulation are at the forefront of investors' minds. IMO 2030, IMO 2050, and more recent EU carbon emission rules pose serious questions over fuel choice and vessel design. This is a key issue holding shipowners back when considering fleet renewal and, in the absence of clarity on the best way to comply with these regulations, we expect it to keep a lid on the orderbook. For some investors, the current prices seem out of step with freight market expectations, given high levels of oversupply in some sectors. And the Covid-19 pandemic has added another layer of uncertainty, with volatility taking a step increase. Just in the last few months we have seen Cape earnings hover at Opex levels, before setting the record for the greatest daily change in rates, and this has filtered through into the smaller sizes. We expect ordering activity to remain at these low levels, which should help to ease oversupply in the coming months. However, there is always the risk of another ordering spree if newbuilding prices ease significantly. Though we view this as unlikely, it does represent a downside risk. (Braemar ACM – 24 Sep 2020)

Capes waiting to discharge in Chinese ports have eased over the past few days, following record levels of congestion in Q3. Currently 10.7 MDWT of laden Capes are queuing, down by 22% MoM, but still 4 MDWT higher than the historical 5-year average. This translates to 3.0% of today's trading Cape capacity, although the 'excess' congestion of 4 MDWT amounts to 1.1% of the fleet.

An influx of iron ore purchases, and Covid-19 protocols have strained receivers, while coal import quotas have prevented Capes from discharging material. The 14-day minimum ballast requirement imposed by some Chinese ports is holding up vessels which may have made crew changes on the way to discharge in China. Congestion will remain low relative to Q3, though a few risks do remain. Coal import restrictions are likely to remain to some degree, and the recent spike in iron ore shipments from both Brazil and Australia will translate to a jump in arrivals in China in a few weeks' time. (Braemar ACM – 6 Oct 2020)

Deliveries in 2020 will increase to 46.2 MDWT from 39.9 MDWT in 2019. In the first 9 months 38.88 MDWT delivered, +34% y o y compared to 2019. Demolition in 2020 is expected to remain modest at 11.1 MDWT, despite disappointing markets, the impact of the ballast water and sulphur regulations, as well as scheduled fleet replacement. In the first 9 months 9.7 MDWT were demolished, +77% y o y. Net fleet growth for all bulkers over 20K DWT will be +4% y o y in 2020 and then slow down to +2% in 2021 based on the orderbook, slippage and demolition. The fleet expanded by a net +4% y o y in 2019. Contracting activity was modest with the orderbook to trading ratio now just 6.6% in DWT terms. (Banchero Costa – 14 Oct 2020)

In dwt terms, the Panamax fleet has grown by 5% since the start of this year, currently standing at 227.4 MDWT. So far in 2020 we have recorded 140 ships in this size group deliver while just 9 older units have been removed. (Braemar ACM – 27 Oct 2020)

Bulkers saw impacts from scrubber retrofits in 2H 2019, a peak of 2.2% was under retrofit at start 2020, with the 'active' fleet growth indicator at 1.9% in Jan, compared to underlying fleet growth of 4.0%. By October, lower levels of scrubber retrofitting had led the 'active' fleet growth indicator to pick up to 4.7%, above total fleet growth of 4.1% y-o-y. (Clarksons – 30 Oct 2020)

The huge number of second-hand bulk carrier sales for the past few months continue to dominate S&P market headlines and multiple buyers are bidding for 20-year-old Supras with outright offers waiving inspections. There have been several deals reported including Oman Shipping's purchase of an additional 4 modern Ultras and Tiger Group (Greathorse International) of Hong Kong's sale of 4 of their modern Cape bulkers. (Compass Maritime – 30 Oct 2020)

In our future supply changes, the most significant revision is to scrapping. We had expected greater levels of Panamax and Supramax removals, but a combination of lockdowns at breaking yards earlier in the year and a relatively strong market over the past few months has limited the number of ships heading to the beaches. For the Panamaxes in particular, scrap-age units tend to find employment in Chinese coal cabotage trades, which have been lucrative as import restrictions have forced coastal utilities to buy from local suppliers. We have cut our forecast for removals this year, but we still expect this pool of scrap candidates to leave the fleet over the next year. In the longer term, we remain positive on the limited orderbook, which should keep supply growth in check. This is a function of heightened uncertainty over emissions regulations, poor recent returns in the freight market and lack of access to financing. We have increased our forecasts for future orders, as we expect some degree of price-driven speculative ordering. While we don't see any solutions appearing imminently to comply with upcoming greenhouse gas reduction rules, we do expect newbuilding prices to soften, which will likely trigger ordering activity. In real terms, newbuilding prices are already at historically low levels, and further decreases will likely entice some interest in fleet renewal. (Braemar ACM – 29 Oct 2020)

Over the past four weeks, total Capes ballasting West past Singapore hit 41.7 MDWT, the highest since July. Following the surge in rates at the start of October, there was a spike in Capes heading to the Atlantic. 47 ships ballasted past Singapore in the first week of October, the highest weekly figure all year, translating to 8.7 MDWT. The flow of dedicated ore carriers heading back towards Brazil has also been strong. Over the past four weeks 16.6 MDWT crossed this waypoint, up by 20% on the previous four-week period. Iron ore volumes from Brazil have recovered from supply disruptions earlier in the year and the rainy season is coming to an end in West Africa, allowing bauxite liftings to resume. This should help absorb tonnage flowing into this basin, but the market will remain well supplied over the coming weeks. (Braemar ACM – 4 Nov 2020)

Regulatory Developments:

With collapsing spreads between HSFO and LSFO the economic argument made for Scrubbers, as a solution for what was essentially a regulatory requirement to reduce our SOX footprint, has fallen flat on its ill-conceived face.

It is such a pity that the USD 6.0b wasted on installing Scrubbers on some 3,000 ships has not been more wisely spent on funding a proper solution for decarbonization of shipping which is the real regulatory problem that we all face in the near future.

The Global Maritime Forum (GMF) held a webinar where the conclusions were for the industry to support regional carbon taxes for GHG reductions rather than work with the IMO for a global resolution to this issue. Considering that our industry is global, it would be best if any GHG reduction regulation is promulgated at the IMO and enforced via Port State Control inspections and local legislation that adopt the IMO regulations into local law.

My question to the panelists at the GMF, that remains unanswered, was: “Covid-19, the Mother of all Black Swans, has pulverized the dry bulk markets. Today ship owners are more concerned with short term survival goals rather than overarching decarbonization goals that would cost upward of USD 1 trillion. That is the reality. Can this situation be resolved by the Regulators (IMO) simply forcing all NEW Building ships to only be Zero Emission ships starting today?? This regulation, if enacted and enforced, will allow existing ships/owners to survive the current crisis including the inability of owners to sign on/off seafarers and other issues facing them. This will give the shipyards enough time to get commercially viable zero emission vessels on the water quickly to meet the GHG emission targets set by the IMO. A win-win for all concerned.”

While LNG/LPG could be short term fixes along with Biodiesel/Methanol, the long-term decarbonizing fuels are finding favor in Fuel Cells/Batteries and Hydrogen via Ammonia.

All the half a dozen or so experimental ships currently under construction are using either Electric power via batteries/fuel cells or H2 via Ammonia to become the very first Zero Emission Vessels.

What others’ say about Regulatory Developments:

Saudi Arabia has joined the list of countries to ban the use of open loop scrubbers at the country’s ports. Currently there are 13 countries and regions that have banned the use of open loop scrubbers in their territorial waters. (Splash247.com – 20 Aug 2020)

Doubts on the functionality of materials used to build scrubbers are casting a shadow on the process. There have been various instances of scrubber failure related either to control systems failure or mechanical issues. In the case of the latter, the most common problem is pipe corrosion, thanks to the highly acidic wash water. In fact, it transpires that if proper materials and coatings are not used, pipes can corrode in a matter of months. (IHS Markit – 4 Sep 2020)

The cost-effectiveness of installing scrubbers has centered on the price spread between HSFO and LSFO. But as this spread continues to erode, the added costs associated with ships being detained and fined due to the discharge of scrubber wash water could make a critical difference in the debate. At least 22 countries prohibit or restrict the discharge of exhaust wash water from open-loop scrubbers, including IMO 2020-aproved countries. (TradeWinds – 10 Sep 2020)

The WTO undercut the main justification for President Donald Trump's trade war against China, saying that American tariffs imposed in 2018 on Chinese goods violate international rules. (Bloomberg – 15 Sep 2020)

A virtual meeting of the Global Maritime Forum heard proposals from a working group of prominent stakeholders that would "actively support efforts to introduce regional carbon taxes", with an initial focus on the controversial European Union plans to add shipping to its Emissions Trading System. The proposal, which has the backing of Maersk Tankers and Torvald Klaveness, marks a significant break from the thinking within shipping on decarbonization. Encouragement for unilateral or regional legislation has long been considered virtually taboo for potentially undercutting the role of the IMO and threatening to heap regulatory chaos on an already highly regulated industry. (Lloyd's List – 20 Oct 2020)

Despite criticism of the outcome of last week's IMO meetings on reducing carbon emissions from shipping leading tanker owners Odfjell and BW Group believe that working with the UN body globally is the right way forward for the industry. While individual regulations might move faster the industry would not get as far in the long run. However, reaching consensus among 200 countries requires a lot of lobbying and time. The great power and beauty of the IMO, and we are the only industry in the world that can do this with global regulation, is we move the whole industry together and we go far because we go together. (Seatrade – 28 Oct 2020)

The conditions inside a scrubber are very harsh, with a combination of acids, elevated temperatures, and a high chloride content in the wash water. To ensure the desired 20-year service life, high-alloyed stainless steels and nickel base alloys are required. It can be devastating to select a material with insufficient corrosion resistance. Yet the safest choice is seldom the most economic one. (International Shipping News – 4 Nov 2020)

Our read of the Novel Coronavirus or Covid-19:

Covid-19 is an amoral virus disproportionately attacking the poor, the dispossessed, the weak, people of color while almost giving a free pass to the rich, the well-heeled, those who ignore all social distancing/mask rules, and those who can afford experimental treatments either due to their position, a la Trump, or their economic might.

Covid-19 has increased food insecurity amongst the economically challenged so dramatically this year that it has influenced the **Nobel Committee to award the Peace Prize to the World Food Program, a United Nation entity that provides food aid to people/countries in desperate need**.

Covid-19 has challenged owners in many ways, demand has been curtailed due to lockdowns; Q2 was lost to recycling of ships at the worst possible time due to lockdowns in the Indian subcontinent; crew repatriations were made impossible due to travel restrictions and lockdowns in different parts of the world; capital markets froze; banks were no longer willing to lend to ship-owners; bullet-portions of loans that became due were not being refinanced. Owners had to take drastic action to help themselves. Maersk, the doyen of Container Carriers, is to make redundant 2,000 employees, despite declaring very strong results, as an extreme example.

At PSL we have not let this pandemic go to waste, by thinking outside the box, to help ourselves. We have not laid off any staff at office or at sea despite suffering losses; we have not reduced compensation for anyone; we have diverted ships, at our sole cost, to complete crew changes incurring the ire, instead of the support, of charterers; we brought the Sainty arbitration to an amicable end, received net cash of USD 40.5m on 29th July besides saving annual legal costs of about USD 3m; we amended the terms of both our outstanding bonds by extending the final maturities by 18 months, paying 20% principal up front, increasing the coupon by 150 bps, and getting the option to redeem part or all the outstanding bonds at any time prior final maturities; we have given discounts to close clients where ships on charter have been idled due to lockdowns; we have been assisted by our clients who have gone out of their way to advance us one year gross charter hire of USD 26.55m in advance, a historic first in shipping!

Others' read of the Novel Coronavirus or Covid-19:

Novel Coronavirus, the disease:

Researchers have added the muscle-weakening disease myasthenia gravis to the list of neurological problems linked to severe Covid-19. (Reuters – 13 Aug 2020)

The increasingly common D614G mutation of the novel coronavirus found in Europe, North America and parts of Asia may be more infectious but appears less deadly, according to Paul Tambyah, senior consultant at the National University of Singapore and president-elect of the International Society of Infectious Diseases. "It is in the virus' interest to infect more people but not to kill them because a virus depends on the host for food and for shelter," he said. Scientists discovered the mutation as early as February, the WHO said. (Reuters – 18 Aug 2020)

The spread of the coronavirus is being increasingly driven by people aged in their 20s, 30s and 40s and many are not aware that they have been infected, the WHO's regional director for the Western Pacific Takeshi Kasai said. "This increases the risk of spillovers to the more vulnerable: the elderly, the sick people in long-term care, people who live in densely populated areas and underserved areas." (Reuters – 18 Aug 2020)

US students are returning to school in person and online in the middle of a pandemic, and the stakes for educators and families are rising in the face of emerging research that shows children could be a risk for spreading the new coronavirus. Recent studies are starting to show how contagious infected children, even those with no symptoms, might be. (Reuters - 20 Aug 2020)

A man was infected after recovering from an initial bout of Covid-19 in April in what was the first case showing re-infection may occur within a few months. (Bloomberg – 25 Aug 2020)

The international meeting of Biogen leaders held in February at Boston's Marriott Long Wharf hotel led to roughly 20,000 cases of Covid-19 by early May, far more than the 99 previously identified, according to a new study, indicating that the conference may have played a far greater role in spreading Covid-19 than previously thought. (Boston Globe - 25 Aug 2020)

Two European patients were confirmed to have been re-infected with Covid-19, according to regional public broadcasters, raising concerns about immunity. The news follows a report this week by researchers in Hong Kong about a man there who had been re-infected four and a half months after recovering. (Reuters – 25 Aug 2020)

A coronavirus-carrying woman visited a Starbucks in South Korea this month and infected 27 customers, but none of the outlet's four mask-wearing employees. Now the incident is being closely studied. Infectious diseases expert Ma Sang Hyuk: "Masks may not provide 100% protection, but there's nothing out there that's as effective." (Fortune – 25 Aug 2020)

A high proportion of Covid-19 infections among US healthcare personnel appear to go undetected, according to a report on Monday in the Morbidity and Mortality Weekly Report of the US Centers for Disease Control and Prevention. Between April and June, among more than 3,000 frontline workers in 12 states, roughly 1 in 20 had antibody evidence of a previous Covid-19 infection, but 69% of those infections had never been diagnosed. (Reuters - 1 Sep 2020)

In recording roughly 90,000 new cases per day this week, India is now averaging more Covid-19 infections everyday than China has recorded altogether since the outbreak of the pandemic. (Fortune – 9 Sep 2020)

A nightmare is unfolding across India: the coronavirus is arriving with a vengeance in the country's vast hinterland, where most citizens live. Earlier this week, India became the world's second-biggest outbreak, and it seems like only a matter of time until it overtakes the US to have the most cases globally. (Bloomberg – 10 Sep 2020)

A new study that analyzed the coronavirus outbreak in Brazil has found a link between the spread of the virus and past outbreaks of dengue fever that suggests exposure to the mosquito-transmitted illness may provide some level of immunity against Covid-19. (Reuters - 22 Sep 2020)

Even bone marrow may not be a safe harbor from the ravages of Covid-19, according to a study that found previously unrecognized changes in newly produced immune cells, called monocytes, released into the blood from bone marrow. (Reuters - 22 Sep 2020)

Dogs trained to detect coronavirus began sniffing passenger samples at Finland's Helsinki-Vantaa airport this week, in a pilot project running alongside more usual testing at the hub. In the canine test, a passenger swipes their neck with a gauze, places it in a can which is then handed over to another room for a dog to sniff and to deliver an immediate result. (Reuters – 24 Sep 2020)

Covid-19 patients who experience even the mildest illness risk suffering symptoms 60 days or more after falling ill. (Bloomberg – 7 Oct 2020)

Worldwide coronavirus cases crossed 40 million on Monday. Experts believe the true numbers of both cases and deaths are likely to be much higher, given deficiencies in testing and potential under-reporting by some countries. The Reuters data shows the pace of the pandemic picking up. It took just 32 days to go from 30 to 40 million, compared with the 38 days it took to get from 20 to 30 million and the 44 days between 10 and 20 million cases. (Reuters – 19 Oct 2020)

Flu vaccines may help the body defend itself against Covid-19, according to a Dutch study that found hospital workers who got a flu shot last winter were less likely to become infected with the new coronavirus. (Reuters - 20 Oct 2020)

Spain (population: 47 million) is the first Western European country to top 1 million Covid-19 cases. France and the U.K. are fast approaching that number as Europe's second wave intensifies. (Fortune – 22 Oct 2020)

The WFP won this year's Nobel Peace Prize, but executive director David Beasley sees the award as both an honor and a tragedy. He writes: "My colleagues and I understand we are receiving this award only because hundreds of millions of people are at the brink of starvation, and we are striving to keep them alive. This will not change until we commit to finding political solutions to conflicts so people can rebuild their lives and livelihoods." (Fortune – 26 Oct 2020)

Researchers may be beginning to understand the long-term Covid-19 effects some people suffer for months after contracting the virus, even if their initial infections were not very serious - effects like heavy fatigue, memory lapses, dizziness and gastrointestinal issues. The main theory is that this is all down to inflammation. (Wall Street Journal – 2 Nov 2020)

Covid-19's economic impact:

UK GDP fell a staggering 20.4% in Q2, the worst performance of any G7 economy so far. (Fortune – 12 Aug 2020)

So far in 2020, central banks around the world have issued 167 rate cuts and have pumped $8.4 trillion in monetary support into the global economy. (Fortune – 12 Aug 2020)

Japan's Q2 GDP contracted by 7.8%, one of the better showings among G7 economies. (Fortune – 17 Aug 2020)

The world is hurtling toward an unprecedented hunger crisis. As many as 132 million more people than previously projected could go hungry in 2020. The pandemic is upending food supply chains, crippling economies and eroding consumer purchasing power. Some projections show that by the end of the year, Covid-19 will cause more people to die each day from hunger than from virus infections. (Bloomberg - 31 Aug 2020)

India's GDP shrank nearly 24% in Q2 of 2020 compared to Q2 2019, the country revealed. (Fortune – 1 Sep 2020)

In only half a year, the coronavirus pandemic has wiped out decades of global development in everything from health to the economy. (Politico - 14 Sep 2020)

Goldman Sachs is planning to eliminate 1% of its workforce. Adding that to disclosures this week by other banks would take the total number of job eliminations announced this year to 67,844. (Bloomberg – 1 Oct 2020)

Disney decided to lay off 28,000 workers at its theme parks. (The Economist – 1 Oct 2020)

The coronavirus pandemic could trigger a debt crisis in some countries, so investors must be ready to grant some form of relief that could also include debt cancellation, World Bank President David Malpass was quoted as saying. (Al Jazeera – 5 Oct 2020)

The US oil, gas, and chemical industry, between March and August, lost 107,000 jobs of which 70% may not return by the end of 2021. (Fortune – 5 Oct 2020)

For all the talk of moving manufacturing away from China, the unusual events of 2020 seem to have so far solidified the country's role as the "factory of the world." As the coronavirus outbreak intensified in March, China was able to ramp up its own domestic manufacturing to produce the medical supplies and PPE needed in the US, Europe, and Asia. (Bloomberg – 11 Oct 2020)

Former US Treasury Secretary Lawrence Summers and fellow Harvard University economist David Cutler say the full impact of Covid-19 will cost the United States $16 trillion, or four times the damage done by the 2008 GFC. Why so high? They consider the toll from premature deaths and health losses as well as the economic toll of the shutdowns. (Fortune - 13 Oct 2020)

The US has its first confirmed case of a person getting infected by the coronavirus more than once. The unidentified 25-year-old man, in the state of Nevada, is only the fifth worldwide to display the phenomenon. Although he has since recovered, the second infection was apparently worse than the first. And no, it was not the same infection bouncing back—the two viruses were genetically distinct. (CNBC – 13 Oct 2020)

Hedge fund king Ray Dalio, points to China’s methodical handling of the coronavirus, its steady monetary policy, and the excitement over Chinese IPOs as reasons why investors see big potential in the world’s No. 2 economy. (Fortune – 13 Oct 2020)

The IMF expected Asia's pandemic-related economic contraction this year to be around 1.6%, but now it has updated that figure to a likely 2.2%. The IMF notes particularly sharp contractions in India, the Philippines and Malaysia—its forecast holds that India's economy will be decimated in the year ending March 31, 2021, with a contraction of 10.3%. (CNBC – 22 Oct 2020)

French President Emmanuel Macron imposed a new nationwide lockdown for the next month, clamping down on movement as the rapid spread of the coronavirus overwhelms health services. Boris Johnson may be forced to do the same thing in the UK. German Chancellor Angela Merkel is contemplating a partial shutdown. (Bloomberg – 28 Oct 2020)

US GDP grew at a 33.1% annual rate in Q3, the fastest on record. (Al Jazeera – 29 Oct 2020)

Covid-19’s impact on airlines:

Cathay Pacific reported a HK$9.87 billion ($1.27 billion) first-half loss. (Reuters – 12 Aug 2020)

Qantas posts $1.9b annual loss and will not make money next year. (Bloomberg – 19 Aug 2020)

United Airlines revenues plunged by 87% in Q2 compared to last year, resulting in a net loss of $1.6bn. United had an average daily cash burn of $40m, though it expects that to ease in Q3. (The Economist – 3 Sep 2020)

American Airlines and United will tentatively move ahead with plans to shed a whopping 32,000 jobs in total, due to lawmakers' inability to agree to a broad coronavirus relief package. (Wall Street Journal – 1 Oct 2020)

Cathay Pacific is laying off 24% of its total workforce. Cathay's cull follows Singapore Airlines' September announcement that it was cutting 20% of its workforce. (Bloomberg – 22 Oct 2020)

The IAG-owned airlines BA, Iberia and Vueling revealed losses of over €1 billion ($1.2 billion) last quarter. (FT – 22 Oct 2020)

American Airlines reported a third straight quarterly cash burn rate of about $44 million per day, compared with about $58 million a day in the second quarter. (Reuters – 22 Oct 2020)

Covid-19’s impact on Shipping:

India’s first dedicated cruise line announced that it is discontinuing operations. Jalesh Cruises’ operations were suspended on March 12, and days later the ship was ordered arrested by India’s Admiralty Court with approximately $4 million in debt mostly for fuel and supplies. (Maritime Executive – 9 Oct 2020)

Royal Caribbean Group owner of 62 cruise ships posted a $1.64bn loss for Q2. (TradeWinds – 10 Aug 2020)

Carnival posted a $2.9bn loss for the three-month ending 31 August as the Covid-19 pandemic has forced cruise fleets worldwide into layup. Carnival's most recent quarter was an improvement over the $4.4bn loss it posted in the quarter ending 31 May. (TradeWinds – 15 Sep 2020)

Governmental actions to stem Covid-19:

The British government plans to introduce regular mass testing for Covid-19. Health Secretary Matt Hancock said various new, fast tests were being trialed, and the rollout would take place towards the end of the year. (Reuters - 19 Aug 2020)

Federal Reserve officials held interest rates near zero and signaled they would stay there for at least three years, vowing to delay tightening until the US gets back to maximum employment and 2% inflation. (Bloomberg – 16 Sep 2020)

China built its relatively quick Covid-19 recovery through several measures, including stringent lockdown and population tracking policies. The government also set aside hundreds of billions of dollars for major infrastructure projects and offered cash incentives to stimulate spending among its populace. The payoff has been evident, as tourism and spending rebounded during last week's busy Golden Week holiday period. (CNN – 11 Oct 2020)

China is open to taking on more debt if that is what it takes to support the economy. (CNBC – 15 Oct 2020)

Government scientists in India said the country may be able to contain the world's second-largest coronavirus outbreak by February. (Bloomberg – 19 Oct 2020)

China continues to take extreme steps to fight Covid-19. The city of Qingdao tested 10m people in 4 days after discovering 13 infections earlier this month. (Bloomberg – 22 Oct 2020)

Tests, Vaccines and Cures for Covid-19:

"It would be sad if the rich are given priority for the Covid-19 vaccine. It would be sad if the vaccine becomes property of this or that nation, if it is not universal and for everyone" **Pope Francis,** 19 August 2020

Russia has conditionally registered a vaccine for Covid-19 before clinical trials are complete, a move medical experts warn could put its recipients at risk. Less than 100 people had officially received the unproven inoculation by early August and its widespread use could be dangerous, the Association of Clinical Trials Organizations said. (Bloomberg – 11 Aug 2020)

A Covid-19 vaccine developed by China National Pharmaceutical Group, Sinopharm, appeared to be safe and triggered antibody-based immune responses in early and mid-stage trials, researchers said. The vaccine is one of a handful being tested on several thousand people to see if they are effective enough to win regulatory approval. (Reuters – 14 Aug 2020)

Yale School of Public Health has been granted FDA emergency authorization for a type of saliva-based Covid-19 test called SalivaDirect. This non-invasive diagnostic simply requires a spit sample that can be collected in a sterile container and results can be delivered in just hours. (Fortune – 18 Aug 2020)

Italy kicked off human trials of a Covid-19 vaccine. Rome's Lazzaro Spallanzani institute, a hospital specializing in infectious diseases will conduct trials on 90 volunteers, with the hope a vaccine may be available by spring of next year. (Reuters – 24 Aug 2020)

One of the world's fastest-moving joint efforts to develop a Covid-19 vaccine is falling behind rivals, stymied by political tension between China and Canada. CanSino Biologics started the world's first human tests on a vaccine back in March but has yet to kick off critical final-stage trials. (Bloomberg - 1 Sep 2020)

The University of Oxford and AstraZeneca Plc have restarted a UK trial of a Covid-19 vaccine after it was halted over concerns about a participant who fell ill. (Fortune – 14 Sep 2020)

There are more than 240 vaccine candidates worldwide in various stages of development as of Sep 21, according to the Vaccine Centre at the London School of Hygiene and Tropical Medicine. Around 40 or so have advanced to clinical trials, a stage where the vaccines are tested on people – and where most vaccines wash out. (Reuters – 21 Sep 2020)

Russia is so confident in its Covid-19 vaccine that it will shoulder some of the legal liability should anything go wrong, rather than requiring buyers to take on the full risk, the head of the state fund bankrolling the project told Reuters. (Reuters – 22 Sep 2020)

A coronavirus vaccine developed by Johnson & Johnson and Beth Israel Deaconess Medical Center will start undergoing testing on 23 Sep on volunteers in a large study, the fourth vaccine candidate to reach that milestone but the first that would offer protection after one shot instead of two. (Boston Globe – 23 Sep 2020)

Pfizer has been working with German BioNTech to create a vaccine. Pfizer may be the first one to know whether its Covid-19 vaccine works, according to Bloomberg. Moderna began its phase 3 clinical trials in late July. CEO Stephane Bancel told CNBC last week that it expects to have enough data to know whether the vaccine is effective by November. Johnson & Johnson entered phase 3 trials on 23rd Sep. J&J's vaccine is a single dose, rather than multi-dose like the Pfizer and Moderna candidates. And the trial is massive in scope and will encompass 60,000 participants across eight countries including the US, South Africa, and Brazil. (Fortune – 24 Sep 2020)

Results from an early safety study of Moderna's coronavirus vaccine in older adults showed that it produced virus-neutralizing antibodies at levels like those seen in younger adults, with side effects roughly on par with high-dose flu shots. The findings are reassuring because immunity tends to weaken with age. (Reuters – 30 Sep 2020)

Germany's CureVac said it has started a mid-stage study testing its vaccine and plans to begin a decisive global trial with 30,000 volunteers in Q4. (Reuters – 30 Sep 2020)

Biotechnology company Regeneron released some early results of tests using its antibody cocktail in coronavirus patients Tuesday, and said it seemed to reduce levels of the virus and improve symptoms in patients. (CNN – 30 Sep 2020)

A major non-profit health emergencies group has set up a global laboratory network to assess data from potential Covid-19 vaccines, allowing scientists and drug makers to compare them and speed up selection of the most effective shots. (Reuters – 1 Oct 2020)

A Chinese coronavirus vaccine being developed by the Institute of Medical Biology under the Chinese Academy of Medical Sciences was shown to be safe in an early stage clinical trial, researchers said. (Reuters – 7 Oct 2020)

Eli Lilly said enrollment of participants in a clinical trial of its antibody treatment for Covid-19 has been paused due to a potential safety concern. (Bloomberg – 13 Oct 2020)

Johnson & Johnson said it had temporarily paused its Covid-19 vaccine candidate clinical trials due to an unexplained illness in a study participant, delaying one of the highest profile efforts to contain the pandemic. The participant's illness is being reviewed and evaluated by an independent data and safety monitoring board as well as the company's clinical and safety physicians. (Reuters – 13 Oct 2020)

University of Oxford scientists have developed a rapid Covid-19 test able to identify the coronavirus in less than five minutes. The university said it hoped to start product development in early 2021 and have an approved device available in six months. (Reuters – 15 Oct 2020)

Researchers in Singapore at the National University of Singapore start-up Breathonix, have developed a breath test to detect Covid-19 within a minute with more than 90% accuracy. (CNA – 20 Oct 2020)

Some 60,000 people in China have now taken an experimental Covid-19 vaccine, and so far, none have reported any adverse side effects. The country is allowing citizens to take the drug even though it is still in the trial phase. (Fortune – 21 Oct 2020)

Brazilian officials say CoronaVac, the experimental vaccine from China's Sinovac, is the safest thus far of all the candidates that have been tested in the country. (Fortune – 21 Oct 2020)

AstraZeneca's Oxford Covid-19 vaccine accurately follows the genetic instructions programmed into it by its developers to successfully provoke a strong immune response, according to a detailed analysis carried out by independent scientists. (Reuters – 22 Oct 2020) AstraZeneca-Oxford University Covid-19 vaccine has produced "a robust immune response" in the elderly. (FT – 26 Oct 2020)

CanSino Biologics co-founder Yu Xuefeng reiterated the Chinese vaccine company is on schedule to conclude its single-dose Phase III Covid-19 vaccine trials in January 2022. He made the remarks Tuesday at the Fortune Global Forum. (Fortune – 27 Oct 2020) Fosun Group chair Guo Guangchang reckons the Chinese firm's Covid-19 vaccine with Pfizer and BioNTech will bear fruit as early as December. "Once the vaccine is proved to be safe and effective [after trial results in November], the vaccine will be in the market by December [2020] or January next year," Guo said at the Fortune Global Forum. (Fortune – 27 Oct 2020)

Italy has green-lit trials of a generic osteoporosis drug for the potential treatment of Covid-19. Researchers hope raloxifene could reduce symptoms and infectiousness, based on simulations they have conducted on a supercomputer platform. (Reuters – 27 Oct 2020)

CureVac's Covid-19 vaccine triggered an immune response in humans, it said on Monday, putting the German biotech company on track to start mass testing this year as the race to end the pandemic heats up. (Reuters – 2 Nov 2020)

Key Demand Developments:

China

China and India continue to be the key drivers of the coal market, and government policy in both countries has put domestic coal mining industries ahead of imports. Though China's coal imports got off to a strong start in Q1, they have sharply fallen due to monthly quotas on imports. Despite relatively high local coal prices causing grumblings from power utilities, Chinese authorities seem for now unwilling to grant additional allowances. New hydro power capacity is scheduled to be brought online soon and existing hydro output is being buoyed by the recent heavy rainfall (though flooding has hampered power distribution in some regions). With these factors in mind, we expect Chinese seaborne coal demand to remain subdued for the rest of the year. We forecast 2H 2020 coal imports to come in around 25% lower YoY. In India, imports have also tracked at depressed levels this year. Coal receipts at the 12 leading ports were reportedly down by around one third YoY in Q2. Initially lockdowns slashed demand for coal, but seaborne imports have also been hampered by Covid-19 restrictions on vessel discharge and onward distribution of material. Authorities have also been urging utilities to switch from using blends of domestic and imported coal to domestic coal only. We expect global thermal coal trade to fall by around 10 MMT in 2020, but this figure would be far greater if not for some developing countries such as Vietnam, where we see imports growing by 47% YoY in 2020. (Braemar ACM – 13 Aug 2020)

In China 6,177 medium to large pig farms were built and 10,788 existing pig farms began to restock over the FH of 2020. At the end of June, hog live-stocks totaled around 340m pigs, up 30m from the end of last year. In the first 7 months of 2020, China imported 51.3 MMT of soybeans by sea. This represents a net increase of 22.8% y-o-y, compared to the 41.8 MMT imported in Jan-Jul 2019, but is essentially flat compared to the 51.0 MMT imported in Jan-Jul 2018. Soybean imports to China are predominantly sourced from Brazil which accounted for 76.2% this year. (Banchero Costa – 21 Aug 2020)

China's nickel ore imports have seen a dramatic decline this year. From Jan to Jul, China imported only 17.3 MMT of nickel ore, a 30% y-o-y reduction on last year's imports of 26.1 MMT. The substantial drop in imports is due to Indonesia's decision to impose an export ban on nickel ore which went into effect in Jan. The Indonesian economy remains overly reliant upon ore exports as a source of revenue, however, for the time being, nickel ore exports remain banned. Since the ban was enforced in Jan, China has imported a mere 2.2 MMT of nickel ore from Indonesia compared to 10.7 MMT last year. China will not be able to depend on the Philippines to fill this supply vacuum. Philippines' annual nickel ore exports to China have seldom varied far from around 30 MMT since 2012. Although Philippine officials expect shipments to increase by 2.5% in 2020, this will fall far short of satisfying the demand from China. The only other exporter of any note is New Caledonia which shipped just over 1.7 MMT to China last year. The Pacific Supramax market has been the most immediate casualty of Indonesia 's export ban. However, unlike China's reliance on Indonesia for its supply of nickel ore, the Supramax market's highly diversified trade profile helped to buffer Supras from the disruption in nickel ore exports. The loss of around 300 nickel ore shipments have been largely recovered by increased exports of Indonesian bauxite and a resurgent Indian iron ore export trade with China. (Howe Robinson Research – 4 Sep 2020)

Coal imports into China have been squeezed by quotas of seaborne shipments, to support domestic coal prices. Despite widening arbitrage between seaborne and domestic prices, these quotas have not been eased, creating a slump in receipts and hefty waiting times with some ships reportedly waiting to discharge for as long as 90 days. (Braemar ACM – 8 Sep 2020)

Bauxite has displayed an enviable level of resilience during Covid-19. China's import of the ore that is essential in the production of aluminium expanded by 11% in the first seven months of 2020, growing from 62.7 to 69.3 MMT. Although Guinea retains its spot as the largest source for Chinese imports, export growth has been a subdued 3% rise y-o-y. Bauxite import growth is due to a resurgent Indonesia that exported 12 MMT from Jan to Jul, a 51% rise y-o-y, as Chinese buyers make hay before Indonesia's planned ban on exports starts in January 2022. The 4 MMT increase in Indonesian bauxite shipments helps alleviate the pain for Supras from Indo's ban on nickel ore exports. With Chinese annual imports increasing over 20% since 2015, market sources project that China will become increasingly reliant upon imports, supplying up to 80% of total bauxite demand within five years. (Howe Robinson Research – 11 Sep 2020)

Chinese iron ore imports recently exploded; 102 MMT in June, monthly record 112 MMT in July, and 100 MMT in August. Shipments in these three months were an extraordinary 53 MMT ahead of 2019. This is almost the same amount (54 MMT) as the fall in iron ore being shipped to the rest of the world. China imported 1.07 BMT in 2019 and is likely to increase by 100 MMT in 2020, equating to 75% of all seaborne iron ore trade forecast at 1.615 BMT in 2020. Half this year's increase in China's iron ore imports has been sourced from Australia (up 9% YOY at 475 MMT); Brazil at 138 MMT marginally ahead of last year though shipments are gathering momentum and at 23 MMT in August were double those of May (11.5 MMT); South Africa up 3 MMT YOY at 32 MMT; India up 15 MMT YOY at 29.5 MMT; Ukraine up 9 MMT YOY at 9 MMT; Canada up 4 MMT at 10.5 MMT; Russia up 5 MMT to 9 MMT. As 92% of all iron ore shipments to China are carried in Capes, the larger vessels have gained most from this boom. As recently as mid-May the average of the Baltic Capesize Time Charter Index stood at just $1,992: today it is at shade over $33,000. Iron ore from Brazil, due to longer sea miles has the maximum effect on the market, has seen freight from Tubarao/Qingdao rise from a low $6.70 in Feb to $23.38 today. To date there has been very little splitting of stems into smaller Panamax on the back of these high freight rates, though the Supras have received a timely boost from Q2 due to all (26.5 MMT) of India 's shipments being transported on Supras. (Howe Robinson Research – 2 Oct 2020)

China is producing more than 3 MMT of steel a day, for the past 69 days. (Mining – 8 Oct 2020)

China's imports and exports rose 13.2% and 9.9%, respectively, in September compared to the same month in 2019. The numbers signal a remarkable resilience in China's economy amid a global, pandemic-inflicted, economic slowdown. A surge in American soybean and pork imports has helped drive China's boost in imports as China attempts to meet the terms of January's phase I trade deal. Even with the uptick, China remains far behind its targets. (Fortune – 15 Oct 2020)

China's National Bureau of Statistics says the country's GDP was up 4.9% from a year ago. Local economists expected 5.2% growth. Nonetheless, the pace of China's recovery is clearly picking up, and retail sales are doing well. (Fortune – 19 Oct 2020)

Chinese crude steel output over September reached 92.6 MMT. This marks a 2% decline from August's record levels, though is still up by 12% YoY. Iron ore imports meanwhile grew by 8.2% MoM to 108.5 MMT. Following the boost in production earlier this year, China's steel sector is now cooling down, as inventories remain high and pollution control measures are enforced. This tapering off will continue over the rest of the year. (Braemar ACM – 20 Oct 2020)

China's government is discussing permits for millions of tons of additional corn imports over the next year, three industry sources told Reuters, amid a surge in animal feed demand and after storms and drought damage tightened domestic supplies. Analysts have estimated it may need 30 MMT, in the 2020-2021 October to September crop year. (Reuters – 23 Oct 2020)

The USDA has projected a banner performance over the next year for domestic corn and soybean exports, and so far, sales have been living up to the hype. Those bookings have translated to a record shipment pace for soybeans, but corn has yet to turn out the drastically larger export volumes. USDA predicts US corn exports in 2020-21 to reach 59.1 MMT, up 31% from last year's slump. Soybean exports are forecast at 59.9 MMT, also up 31% on the year largely due to China's return to the US market. (Reuters – 23 Oct 2020)

Americas

Our outlook remains positive for grains. We expect wheat volumes from the major exporting countries to grow by 7% YoY, aided by strong volumes out of the Black Sea. Coarse grain trade is expected to remain flat on last year's levels, dipping by just 0.2% YoY before returning to growth next year. Brazilian exports of Soybeans over 1H 2020 totaled 63 MMT, a 44% YoY jump. Shipments from the US and Argentina have provided a steady source of demand for Panamaxes and geared ships. The 'truce' in the US-China trade war has seen a modest pickup in US soybean shipments, but Brazil is still the first choice for Chinese buyers. China will increase its intake of American soy this year, once Brazilian supply is depleted, but this is of course subject to revision if tensions elevate again. We have revised our forecast for soybean trade growth in 2020 to +9%. We also see oil-meal trade growing by 2% YoY. (Braemar ACM – 13 Aug 2020)

In the face of a global pandemic, grain shipping has fared extremely well. Soybean trade has been particularly impressive driven by a surge in volumes from Brazil. The first eight months of the year saw Brazilian sales surge by 36% YoY, surpassing 76 MMT. Almost three quarters of this volume headed to China. A recovery from 2018's Swine Flu outbreak have primed China to hoover up soybeans from South America. Surging feed demand brought soybean crush margins to multi-year highs. China's soy demand remains insatiable and crush margins have maintained healthy levels despite soaring raw material prices. But Brazil's supplies are quickly being depleted. 95% of the crop there has reportedly been sold and shipments are seasonally tapering off, so China will turn to other suppliers. A 'Phase One' agreement between US-China requires China to expand purchases of US agricultural goods. The conditions seem favourable and the US has gained a competitive edge as prices have not risen to the same extent as those in Brazil. The US dollar has also been steadily depreciating relative to the Chinese Yuan since June, making the US crop even more attractive. Food inflation has jumped to decade highs in China, with pork prices up by 38% YoY. A desire to keep a lid on these increases and boost household consumption is likely to support demand for US soybeans. We expect a surge in US soy exports later this year. We forecast shipments over Q4 to surpass 26 MMT, growing by around 42% YoY and around 6% versus Q4 2017. Greater US exports to China will come from the Pacific North-West, which is a Panamax loading region. But stronger exports will also benefit volumes from the US Gulf, which provides employment for the smaller ships and we are already seeing activity begin to ramp up in this basin. (Braemar ACM – 3 Sep 2020)

Brazilian iron ore exports increased 18.5% in Sep, its highest level since 2015, compared to last year, to 37.86 MMT, after Vale increased the pace of production. Compared with August, there was a 21% increase in Brazilian iron ore shipments in Sep. Brazil exported 76 MMT, 8% above the total registered in Q1 2020, but 3% lower than Q2 2019. (Mining – 2 Oct 2020)

Vale expects to reach an iron ore capacity of 400 MMT per year by increasing output. The company currently has the capacity to produce 318 MMT a year. In 2018, before the Brumadinho dam collapse, Vale produced 385 MMT. (Mining – 8 Oct 2020)

Argentina's corn farmers have benefited from peso weakness (down 30% against the dollar since Jan) to post record exports to Aug 2020. Indeed, better margins on overseas sales has led to a sharp drawdown on stocks which are estimated to have fallen to 2 MMT, the lowest level since 2016. Argentina's largest customer is Vietnam up 1.1 MMT y-o-y at 6.3 MMT, a remarkable increase considering Vietnam imported just 0.3 MMT as recently as 2014. Malaysia up 0.9 MMT at 2.3 MMT has seen the largest y-o-y rise of 62%. Shipments to Egypt are up 0.9 MMT (+36% y-o-y) at 3.3 MMT overtaking Algeria flat at 2.6 MMT. Exports to Peru are up 0.6 MMT at 2.1 MMT whilst Chile up 0.5 MMT at 1.8 MMT registered 38% y-o-y growth. Most of Argentina's gains seem to be at the expense of Brazil (down 8 MMT or 29% y-o-y at 20 MMT to the end of September). Increased market share to Vietnam, Malaysia and Saudi Arabia (up 0.35 MMT y-o-y at 1.8 MMT) is responsible for the greater share of Argentinian corn being carried to longer haul destinations in Panamaxes; shipments to North Africa (Algeria, Morocco and Egypt) remain largely in Supras/Ultras; short haul cargo to Chile and Peru are carried in Handy vessels. Rising drafts in the River Plate have contributed to shipments exceeding 4 MMT for 3 consecutive months (June-August) for the first time. (Howe Robinson Research – 9 Oct 2020)

Brazil's iron ore exports have been steadily recovering. In the first 3Q of 2020, Brazil exported 238.7 MMT of iron ore for a decline of -4.9% y-o-y compared to the 250.9 MMT in the same period of 2019 and is also -15.9% lower than the 283.8 MMT in Jan-Sep 2018. In Q1 Brazil exported 65.0 MMT of iron ore, a decline of -17.2% on the same period last year. In Q2 ore exports increased to 77.9 MMT which was +19.9% more than Q1, and up +1.4% y-o-y but only due to the low base of Q2 last year heavily impacted by the Brumadinho dam disaster. In Q3 Brazil exported 95.9 MMT of iron ore, up +23.1% on Q2, and +0.2% more than in Q3 2019. Volumes to China increased by +3.9% y-o-y in Q3 2020 to 159.6 MMT. (Banchero Costa – 11 Oct 2020)

Vale announced a total Q3/20 iron ore production of 88.7 MMT, which represents an increase of 21.1 MMT (+32%) compared to Q2/20. Vale reports a new record in the Northern System of 56.9 MMT, and the Southern and South-eastern systems overall improved performance across all operating units. For Vale to reach its previously communicated guidance of ~310mt for the full year, the company would have to produce 94 MMT for Q4, which is in line with the current daily production. Vale produced 59.6 MMT in Q1 and 67.6 MMT in Q2 this year and should it reach its production guidance of 310mt for the full year, that would imply an increase of 44% in H2 vs H1 and an increase of 6% in Q4 vs Q3. (Arctic Shipping – 20 Oct 2020)

Asia

In the first 8 months, Indonesia exported 217.4 MMT of coal (excluding Lignite) representing a decline of 16.1% y-o-y, compared to the 259.1 MMT exported in 2019. Shipments to China have declined to 72.2 MMT, down 14.2% y-o-y from last year. As China aims to improve the output of coal, imports will most likely be curbed in the months to come. Restrictions on regulating the spread of Covid-19 hit Indian industrial activity and demand for power hard in Q2 2020. Shipments to India decreased by 25.2% y-o-y to 44.2 MMT. (Banchero Costa – 4 Sep 2020)

Across all dry bulk commodities, South East Asia's imports grew by more than 15% YoY during the first eight months of this year. Receipts of coal and iron ore have seen impressive levels of growth. Coal volumes into this region rose by 27% YoY over the same period to over 117 MMT. Iron ore imports grew by 47% to more than 21 MMT. Agribulk shipments increased by 5%, while cement imports have grown by 28% YoY. Many of these economies have not been hit by Covid-19 as hard as developed nations and had already been on steep economic growth paths before the outbreak. According to the IMF, South East Asia is the only region that is expected to see positive economic growth this year. Vietnam has stood out as the biggest star in terms of dry bulk trade growth. Vietnam's coal imports have almost doubled at 36 MMT for Jan-Aug. This figure is also five times higher than imports over the same period in 2018 and is driven by the rapid expansion of its coal power capacity. To power high levels of economic growth and a growing population, coal has been the easiest and cheapest solution for many emerging economies. Vietnam has almost 30 GW of coal-fired capacity in the pipeline, ranking 5th globally in terms of planned capacity additions. Assuming all projects go ahead, this translates to a 140% increase on today's capacity by the end of the decade. Shipments on Panamaxes have been 60% higher, and on Ultras and Supras surged by 90% YoY during this period, as the country becomes a key source of demand. Power generation is not the only thing pushing up coal demand in Vietnam. An expanding steel industry is driving the need for high quality coking coal, which is reflected in greater numbers of cargoes being bought from Australia and Russia. Vietnam's steel output took only a minor hit earlier this year and is now back to registering double-digit growth figures. Steel output reached a record 2.1 MMT in July, 20% higher YoY as fiscal stimulus boosts demand from construction and manufacturing. External demand from China has also been strong and has lifted iron ore imports. Vietnam's iron ore imports totaled 8 MMT over Jan-Aug, 182% higher YoY and almost 5 times higher than the same period in 2018. While Vietnam serves as a good example of a country that is in the prime phase of economic growth for raw material demand, other nearby economies are also on the same track. In the Philippines, expanding power demand is also driving greater investment in coal power plants. The Philippines has over 12 GW of additional capacity planned, which amounts to 120% of current operating capacity. Filipino coal imports reached a record 2.9 MMT in August. We expect to see continued growth in demand from this part of the world. We believe that further expansion will continue to boost coal trade in the Pacific. We see South East Asian coal imports reaching 175 MMT by 2024, for a 40% increase on 2019. And as these countries continue to develop, we also see their steel consumption rising, drawing in more seaborne iron ore, along with all of the minor bulks that underpin this step of economic growth such as cement, steels, minor ores and project cargoes. We expect these to continue to create opportunities for all bulker sizes. (Braemar ACM – 17 Sep 2020)

In Jan-Aug of 2020, total Australia iron ore exports amounted to 585.5 MMT representing an increase of 4.4% y-o-y compared to the 561.0 MMT in 2019. Volumes to China increased by 7.9% y-o-y to 488.2 MMT. China remains the top destination at 83.4% of Australia's iron ore exports but shipments to the rest of the world remained weak, reflecting the sharp differences in the pace of recovery in major economies from Covid-19. The outlook for the steel market for the approaching peak season in September and October remains firm. China is the world's largest consumer and is heavily dependent on Australian iron ore and there is no alternative source to replace Australia. (Banchero Costa – 18 Sep 2020)

India has been one country worst affected by the ongoing pandemic. It has also seen some of the strictest measures imposed to control the virus, which have had a devastating effect on industrial activity. In absolute volumes, coal has been the most affected dry bulk good this year. Over Q2, coal imports plunged to 38.2 MMT, marking a drop of 37% q-o-q and 43% YoY. Electricity requirements from industry and offices, which account for roughly half of India's electricity consumption, were slashed during lockdowns. Over April, India's total electricity output fell below 92 TW, a 24% decline versus April 2019 and the lowest figure in five years. As such, we saw a sharp decline in thermal coal imported volumes. The Indian government has also stepped up efforts to reduce seaborne coal imports and support domestic coal. This has added pressure to imported volumes. Coal demand was also squeezed by weaker steel production and thus coking coal use. Indian crude steel output fell by a staggering 64% YoY in April to 3.3 MMT as demand from industry and construction dried up. This is the greatest loss in output out of the major steelmaking nations. Since April, steel production has shown signs of recovery, though YTD is down by 19% YoY. Over the past couple of months coal receipts have however been edging back up as economic activity starts to recover. Imports over September rose to 16.2 MMT, 6% lower YoY. Imports on Capes were the worst affected in Q2, and in September Cape discharges remained 13% lower YoY at 5.5 MMT. Meanwhile Panamax volumes over September were flat on last year's levels at 6.6 MMT, with Australian volumes holding firm. And Handy imports increased by 10% YoY, albeit on much lower volumes. Weak construction activity has resulted in lower aggregates trade into India. Imports of commodities such as limestone and sand fell by 39% YoY to 3.7 MMT in Q2. After taking a hit in Q2, seaborne imports of fertilizers reached new highs last month, surpassing 2.8 MMT, for a 36% YoY increase. YTD, fertilizer receipts are up by 9% YoY. This has translated to a 61% bump in Supramax imports over September. There was also a 30% YoY jump in longer haul fertilizer imports from Canada, which mostly consist of Panamax cargoes of potash. Canadian potash discharges reached 360k tons last month, versus just 82k tons last year. Urea imports have also performed very well, with YTD volumes growing by 13% YoY to almost 3.3 MMT. Nearly all this increase comes from a boost in Supramax cargoes from Ukraine. Bauxite imports so far in 2020 have grown by 64% YoY to 2.6 MMT, underpinned by a surge in Cape shipments from Guinea. Meanwhile, China's steel sector was firing on all cylinders over Q2-Q3, hoovering up iron ore supplies and surplus steel capacity in other countries. India's iron ore exports shot up by 63% YoY over Jan-Sep this year, totaling just under 36 MMT. Trade almost exclusively headed to China, with Supras enjoying the boost in volume. Our West Coast India to Far East Supra route (BS13) hit a year-high of $18,000/day in June, outperforming a Pacific round by as much as $10,000/day, as charterers scrambled to find nearby vessels. This effect also pushed up short-term period rates in the Pacific, as operators sought to take on ships and trade them in the lucrative Indian Ocean market. (Braemar ACM – 8 Oct 2020)

Though India and Japan have been on different steel making trajectory paths during the past decade, they have both suffered an equal percentage (-19% YoY) hit in 2020; India is down 14.2 MMT YoY at 61.1 MMT whilst Japan is off 12.9 MMT YoY at 54 MMT in the first eight months. Domestic demand for steel in both countries has fallen sharply though conversely Indian steel exports in the first seven months are up sharply, notably to China, by 6.4 MMT (+75% YoY) at 11.2 MMT whilst Japan which usually exports about a third of production has maintained YoY exports at around 21-22 MMT in the year to August. This sharp reduction in steel production has also had a knock on effect on iron ore consumption in both countries with differing outcomes; Japanese iron ore imports to July have fallen 13 MMT YoY to 50 MMT up to July whilst India has exported significant quantities of surplus domestic iron ore (up 15 MMT +107% YoY) at 29.5 MMT almost all this ore heading to China in Supramax tonnage. Rates of decline for the world's second and third largest steel producers now seem to have stabilized and certainly for India there is some optimism of a return to modest growth in Q4. (Howe Robinson Research – 16 Oct 2020)

Rest of the World

Grain shipments from Russia and Ukraine shot up in August, as the wheat export season kicked off. Liftings of corn, wheat and barley jumped to 10.4 MMT, up by 56% on July's volume. This figure is almost identical to volumes shipped during August 2019. Liftings from Ukraine were down by around 6% YoY, while those from Russia were up by 9% YoY. Black Sea shipments on Handies, Supras and Ultras fell by 11% YoY to 5.4 MMT, which has been reflected in weaker rates in the region relative to last year. Liftings on Panamaxes, Kamsarmaxes and Post-Panamaxes rose by 29% YoY to 3.4 MMT. We see demand for all segments in the region picking up once the corn exporting season in this region begins to ramp up in October. (Braemar ACM – 22 Sep 2020)