Dry Bulk Shipping

July 17, 2018

Breakwave Dry Futures Index: 1,710	Baltic Dry Index (spot): 1,695	Short-term Indicators:
↑ *30D: 11.4%*	↑ *30D: 17.3%*	*Momentum: **Positive***
↑ *YTD: 39.8%*	↑ *YTD: 24.1%*	*Sentiment: **Negative***
↑ *YOY: 53.3%*	↑ *YOY: 88.3%*	*Fundamentals: **Negative***

Bi-weekly Report

- **Dry bulk rates break out of recent ranges -** Capesize rates have reached 25,000/d, clearly breaking out of the recent 16,000/d-19,000/d range. Panamax rates have also moved higher and just above the recent range, now exceeding 12,000/day for the first time since March.

- **Atlantic Capesize cargo flow peaking for now –** We believe the recent strong activity of cargo flow out of Brazil is coming to an end for the time being. We expect some moderation over the next few weeks, as this indicator has been highly cyclical, with cycles running about 4-5 weeks, on average.

- **August is historically the turning point –** Historically, the second half of August has seen considerable volatility, usually with dry bulk rates moving higher in most years. Although front freight futures currently trade below spot, we expect seasonality to once again play its role in pushing rates higher.

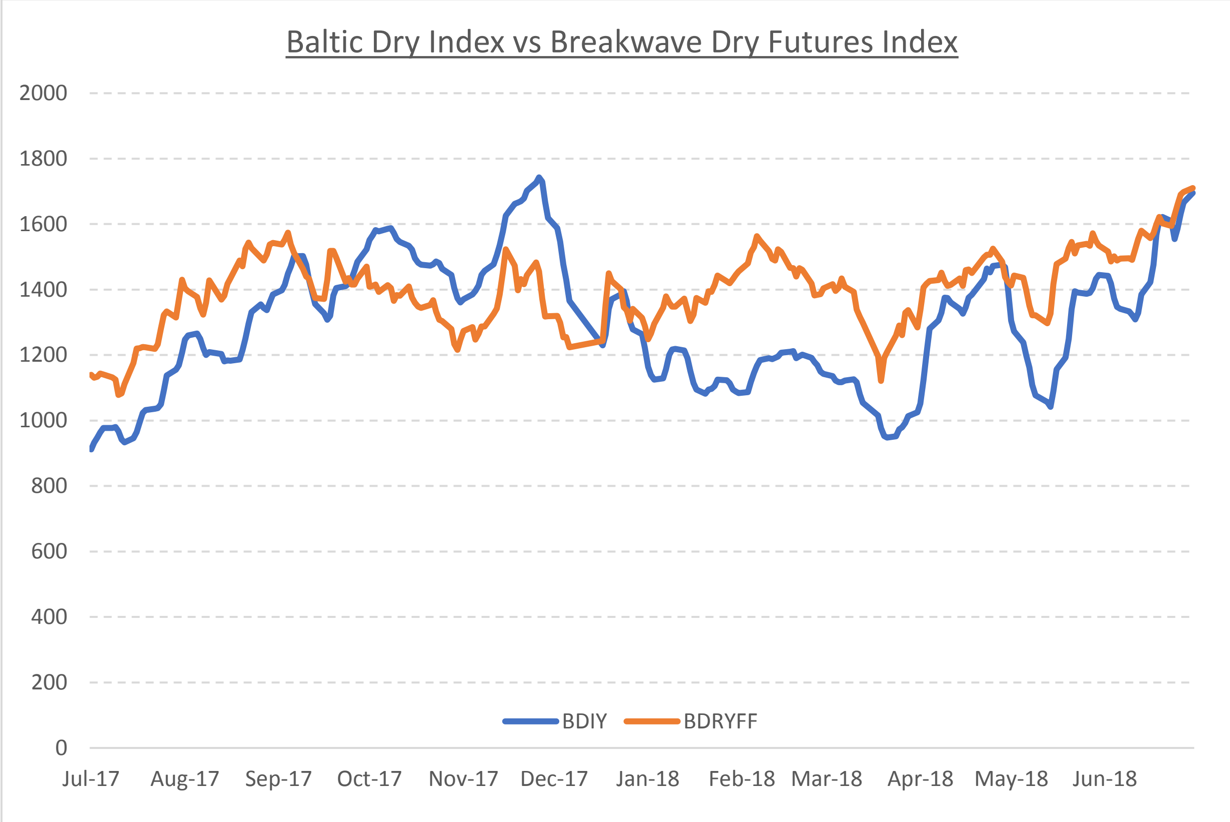
- **Futures curve now flattish to spot across all segments -** The Freight Futures market is now trading relatively flat to the spot market (see BDRYFF vs. BDI), as optimism that prevailed earlier in the year has eased, with recent risks relating to global growth (i.e. trade wars) starting to negatively affect sentiment.

- **Fleet growth for the year now tracks at ~2% -** With extremely low scrapping and deliveries in line with expectations, the dry bulk fleet is on track to increase about 2%. On the demand site, with Brazil iron ore exports remaining relatively flat ytd, the risk is increasing that demand will barely exceed supply for all of 2018.

- **Short term outlook cautious –** We expect a pause in the recent rally, as strong fixing in July should lead to more moderate activity. However, we look for rates to resume their accent, as we head into the seasonally strong August-December period. The depth of a potential correction should be shallow, given the overall high volumes due to seasonality.

- **Long term outlook neutral –** Although the fundamental drivers for dry bulk look promising, the macro environment present several risks that could derail a strong recovery. We remain constructive medium term but more cautious longer term and looking for signs of resumption in the global trade leading indicators.

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



Dry Bulk Fundamentals

Demand	YTD	YOY
China Steel Production	451mt	6.0%
China Steel Inventories	4.4mt	18.5%
China Iron Ore Imports	531mt	(1.6%)
China Iron Ore Inventories	156mt	11.8%
Brazil Iron Ore Exports	149mt	0.2%
Australia Iron Ore Exports	349mt	4.8%
China Coal Imports	48mt	4.8%

Supply

Dry Bulk Fleet	831dwt	1.7%

Freight Rates

Baltic Dry Index, Average	1,247	29.1%
Capesize Spot Rates, Average	14,687	30.3%
Panamax Spot Rates, Average	11,056	29.3%

Note: All numbers as of latest available; Sources: Bloomberg and Breakwave Advisors

Contact:
Breakwave Advisors LLC
25 Broadway, 9th floor
New York, NY 10280
Tel: +(1) 646 775 2898
Email: research@breakwaveadvisors.com