

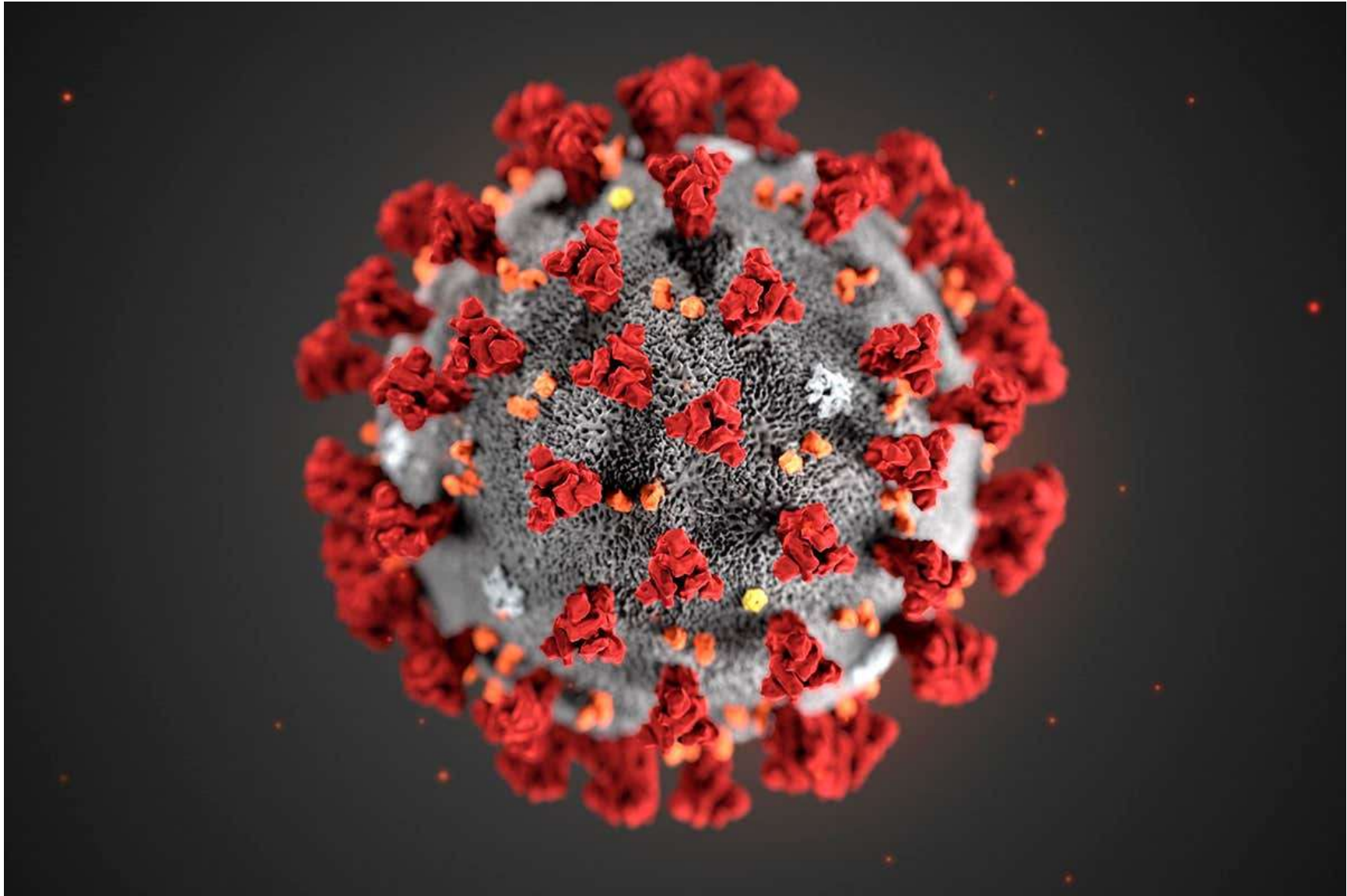
DRY BULK FREIGHT MARKET

2020 REVIEW & 2021/22 OUTLOOK

Assemblea Assocarboni - Milano 15/4/2021



Thurlestone Shipping



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COVID IMPACT ON DRY BULK

- Index 2020/2021 - review and comparison
- Main consequences on supply and demand
- What we can expect for the next two years
- What will be the likely market behavior in the years to come



Index 2020/2021 - review and comparison

BALTIC PANAMAX INDEX (US\$ / DAY)

Period	2020	2021	21 vs 20 in %
Q 1	5,714	16,953	+ 297
Q 2	5,977	20,167	+ 337
Q 3	11,829	20,300	+ 172
Q 4	10,731	16,800	+ 157
TOTAL	8,563	18,555	+ 217

* Q 2/3/4 2021 as per FFA curve at closing April 14th



Main consequences in supply and demand

- Covid has killed Chinese Import of all commodities during Q 1 - 2020
- Offer was also affected. Shipyard closed (not only in China), and we had heavy delays in deliveries
- Vessel value dropped, and expensive new buildings have been cancelled. Several shipyards were forced to close
- When China started to recover, rest of the world was entering in Lock-down
- We are just about to start recovery with the use of vaccine
- China to the contrary, in Q2 re-started, and quickly went to full blast
- Consequences on yearly volumes have been impressive all across the board
- Chinese steel production was up about 6 % in 2020
- Rest of the world was down from -10 % to -18 %
- Fleet growth was down from 4.0 % in 2019 to 3.8 % in 2020
- The biggest drop in fleet supply will be much bigger in 2021 and 2022



What we can expect for the next 1 or 2 years

- Substantial drop in fleet growth. Expected +2.6 % in 2021 and + 1.1 % in 2022. New environmental rules and "vintage" vessels
- Container vessels are much more fashionable than Bulk Carriers
- The world GDP is expected to recover quickly, although a few years will be needed to get back to pre-Covid levels
- At the same time we shall have a quick increase of demand and a very slow growth of fleet size
- Main driver will remain the grain trade, on which, for the last few years, market managed to survive, thanks to the very poor fleet utilization
- Steel industry as well will play a key role, with investments in infrastructure and real estate, thanks to Government programs
- Steam coal is likely to suffer in the western world due to switch on alternative sources. India will be the bright spot.
- Overall then, a very healthy market is expected for the next couple of years
- Now more than ever is very difficult to make predictions, mainly as we are not 100 % sure of how quickly we shall get rid of Covid



Main market characteristics in the years to come

- Extreme short term market volatility, mainly driven by FFA market
- Baltic index has become less significant than in the past
- Political tensions worldwide will cause sudden changes
- Covid might regain strength, mainly in countries with less efficient health infrastructure
- Other viruses might soon appear, like the recent swine flu in China
- China is more and more the unique force driving market fundamentals
- A minimum change in Chinese policies has monumental effects on world trade
- Climate changes are causing more and more disruptions
- Overall then, a market analysis based on offer/demand is less and less significant
- It is a market for speculation, which further increases volatility
- Small players cannot survive with thinner margins and high volatility
- Shipping is now a commodity, traded like currencies or stocks, and the physical component tends to be disregarded



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