

Positive Developments in India and Brazil

For the dry bulk market, India and Brazil still remain two of the most significant dry bulk-centric nations with very large coronavirus outbreaks. In India, the outbreak in recent months has primarily had an impact on the demand-side, with India's partial lockdown putting pressure on the overall economy including electricity production and coal consumption. India's electricity production was finally able to achieve year-on-year growth last month, though, and India's coal-derived electricity production also finally came close to normalizing. Also noteworthy is that last week marked the first time in months where India's new daily coronavirus cases did not set a record. Any further improvement in India's coronavirus outbreak and a normalization in Indian coal consumption would be helpful for the dry bulk market.

As we have also continued to stress in our Weekly Dry Bulk Reports this week, Brazil's commodity production and logistics in recent months have been able to remain relatively unscathed despite Brazil's own coronavirus outbreak. It remains vital for the dry bulk market that this continues, and so far there is no reason to believe that the status quo will change. Helpful is that new daily cases in Brazil also declined last week. Going forward, we remain most bullish for capesize prospects for the final five months of this year due in large part by ongoing strength in the Chinese steel market and robust expectations for Vale's iron ore production. We continue to expect that Vale's production during the second half of the year will increase by anywhere from 35.6 to 55.6 million tons from production seen in the first half of the year, and China's iron ore import demand also continues to show no signs of abating. Most recently, total Brazilian

iron ore exports climbed to 34 million tons in July. This has marked the largest export volume seen all year but is actually down year-on-year by 300,000 tons (-1%). As the year progresses, we anticipate that several months will see Brazil's iron ore exports come in well above 34 million tons. We also believe exports will finally exceed the 40 million ton level in at least one of those months (which would mark an all-time high).

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