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If a Tree Falls in the Woods

If a tree fall in the woods, does it make a sound? If China's steel and electricity output continue to surge, should those facts find their way into the China slowdown narrative? The latter question is much easier to answer than the tree-in-the-woods paradox. Overall, we must continue to stress that any coverage of a China slowdown (which we find very exaggerated) should at least recognize that China's steel and electricity output continue to surge. For the dry bulk market, China's economy has not been slowing by any significant amount, and we remain of our view that China is not getting an appropriate amount of positive coverage.

Data released by the Chinese government last week showed that China produced a record 81.2 million tons of crude steel last month, which marked year-on-year growth of 10%. So far this year, crude steel output has risen year-on-year by 8%. In comparison, during all of 2017 it grew year-on-year by 5%. Also of note is that China produced a record 640 billion kilowatt hours of electricity last month, which marked year-on-year growth of 6%. As with steel output, China's electricity production has so far grown this year by 8%. In comparison, during all of 2017 it grew year-on-year by 6%. China's economic growth continues to moderate, but it has nevertheless stayed very strong this year. Steel and electricity production growth have remained particularly strong and continue to positively impact the drive bulk market.

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