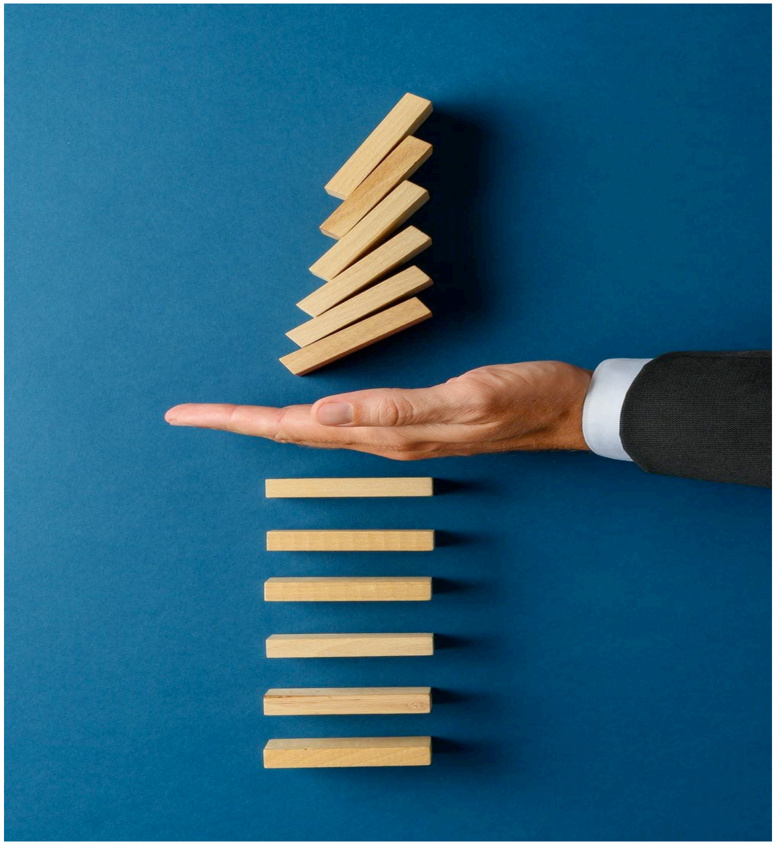

Dry bulks outlook: setting the scene

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Five key themes for the year ahead

- ➔ **Modest recovery** but global GDP growth will struggle to get above historic trend (2.9% post 1980)
- ➔ **US-China deal** – trade diversion likely
- ➔ **China** – stimulus or not stimulus?
- ➔ Steady demand for **iron ore** as inventories need to be replenished
- ➔ **Coal** – "Asia pivot" to continue

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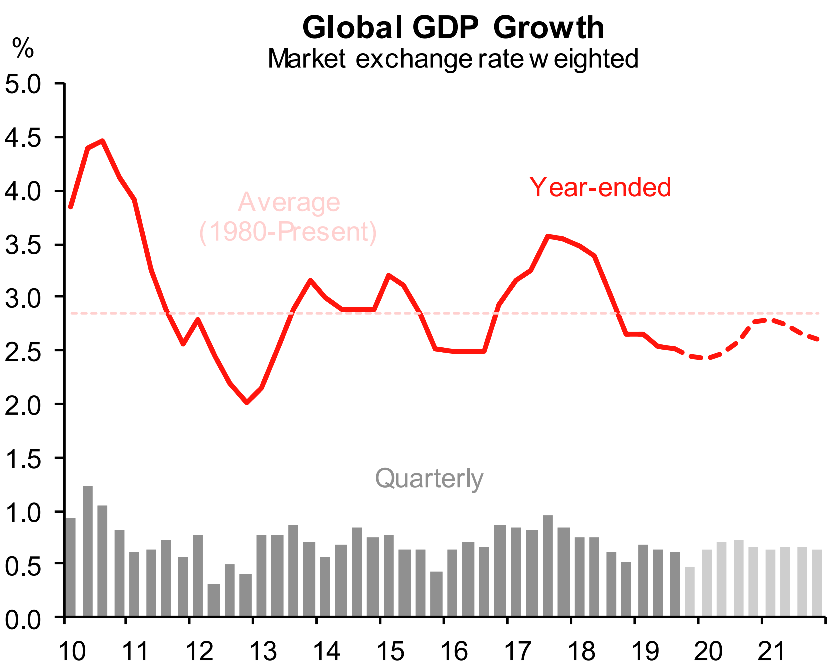
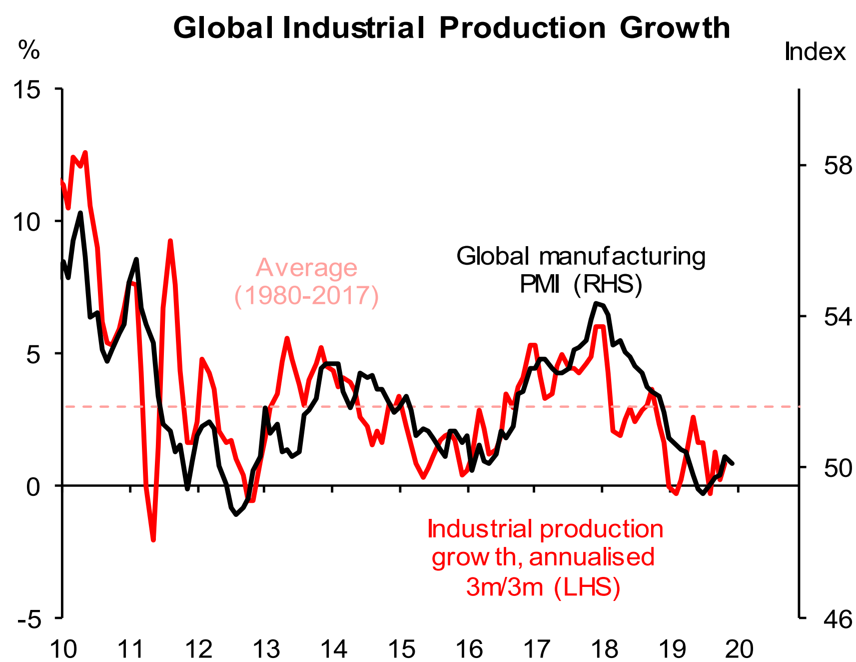
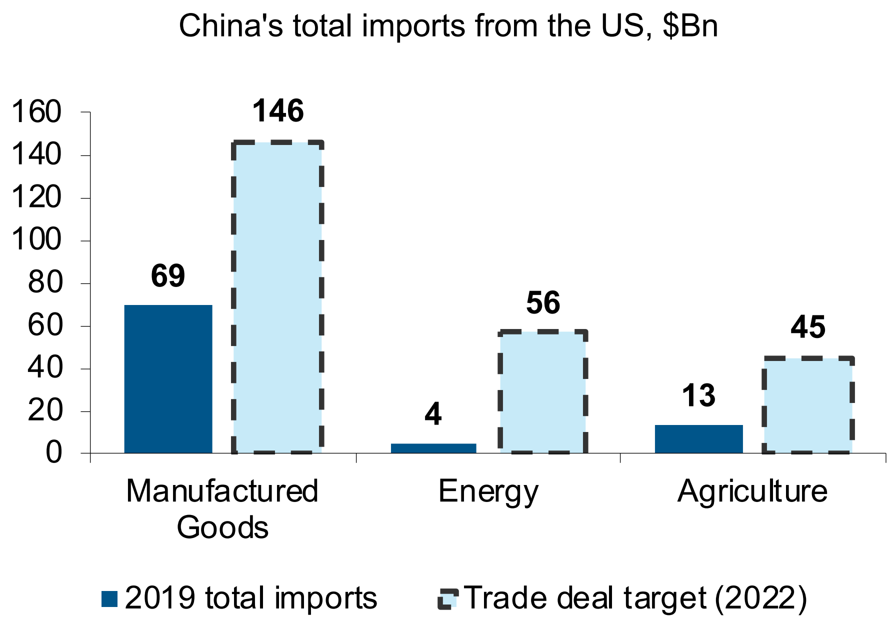
Global growth to accelerate, but modestly so





Source: IMF, Markit, Macrobond, Bloomberg, Macquarie Strategy, January 2020

China-US deal: tough targets, trade diversion likely



TOTAL $200Bb in additional imports

Source: IMF,IHS,, Macrobond, Bloomberg, Macquarie Strategy, January 2020

- Low hanging fruits include an increase in oil and LNG imports from US given the ramp up of new projects. Regional arbs need to open and wet freight rates will probably rise as longer voyages tighten up the tankers market
- Increase in **soybeans** and **met coal** also likely
- Main **manufactured exports** to China include machinery and vehicles but limited spare capacity makes it hard to see how the target can be met without a net reduction in US exports to other countries

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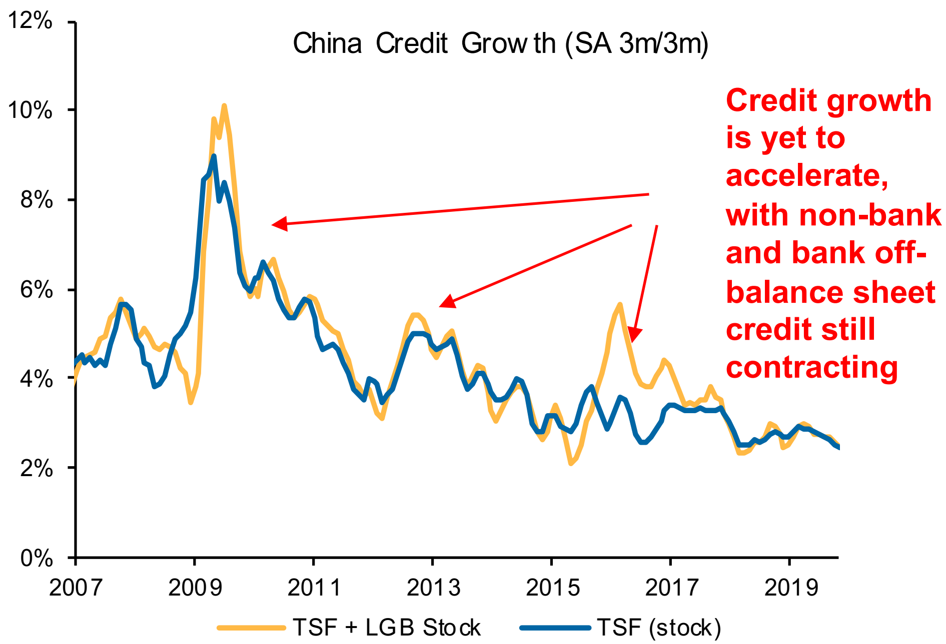
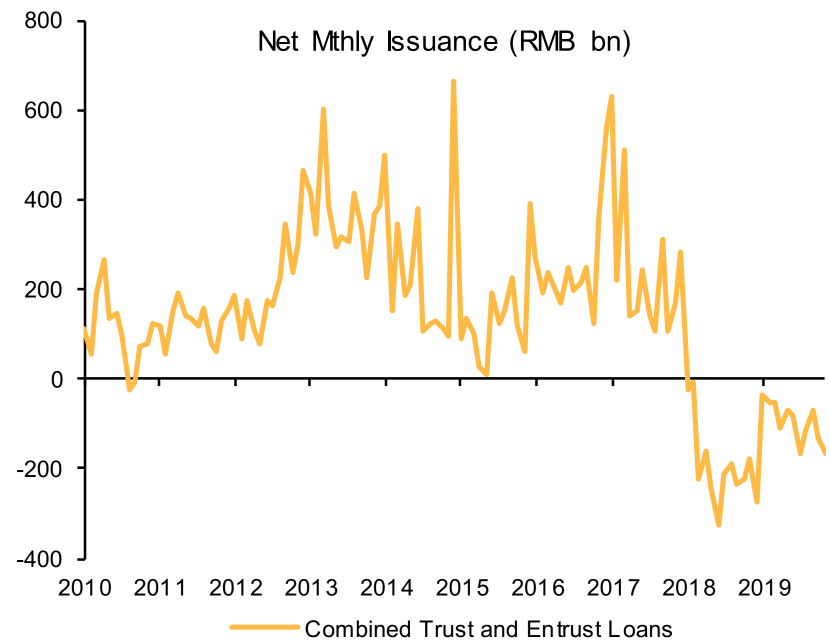
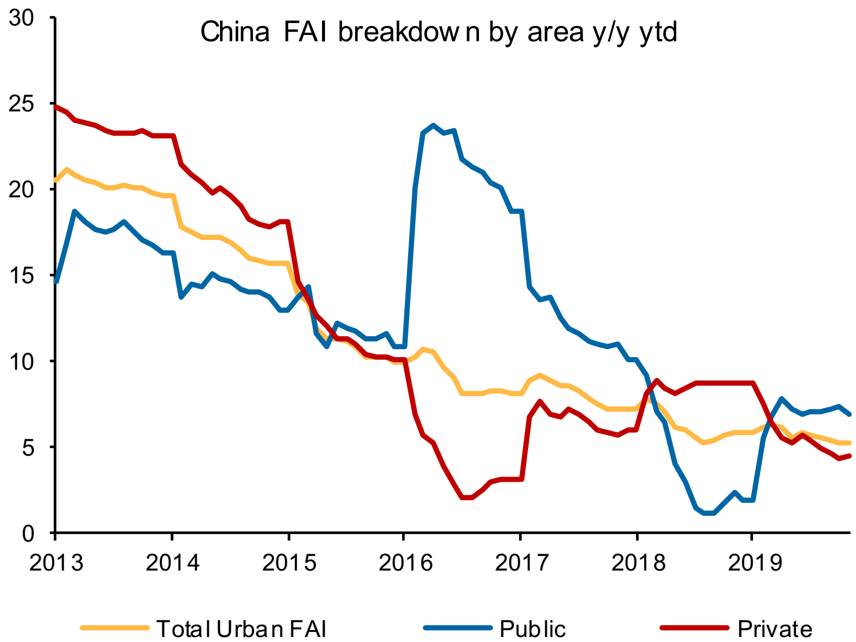
No signs of large scale stimulus in China

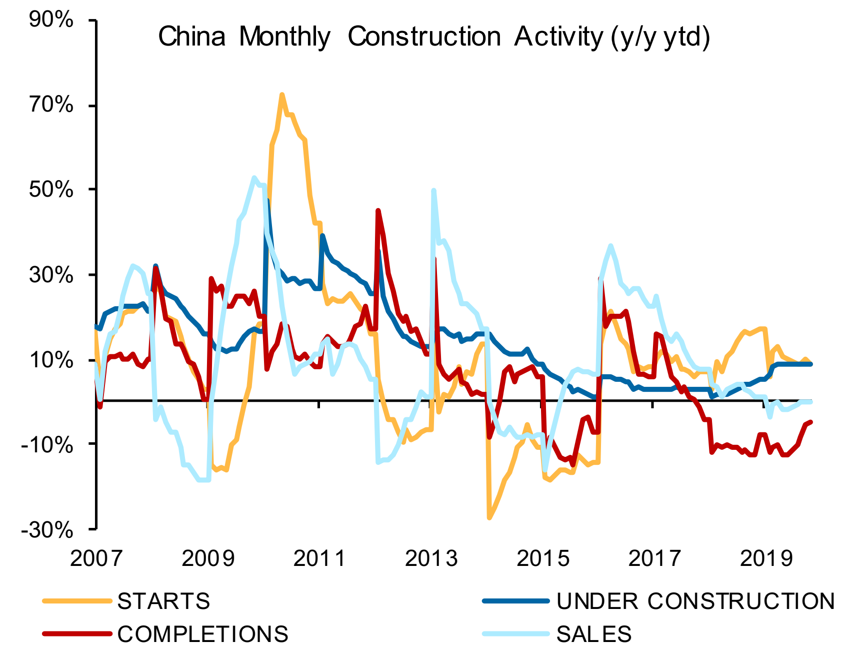




Source: China NBS, PBoC, Macrobond, Bloomberg, Macquarie Strategy, January 2020

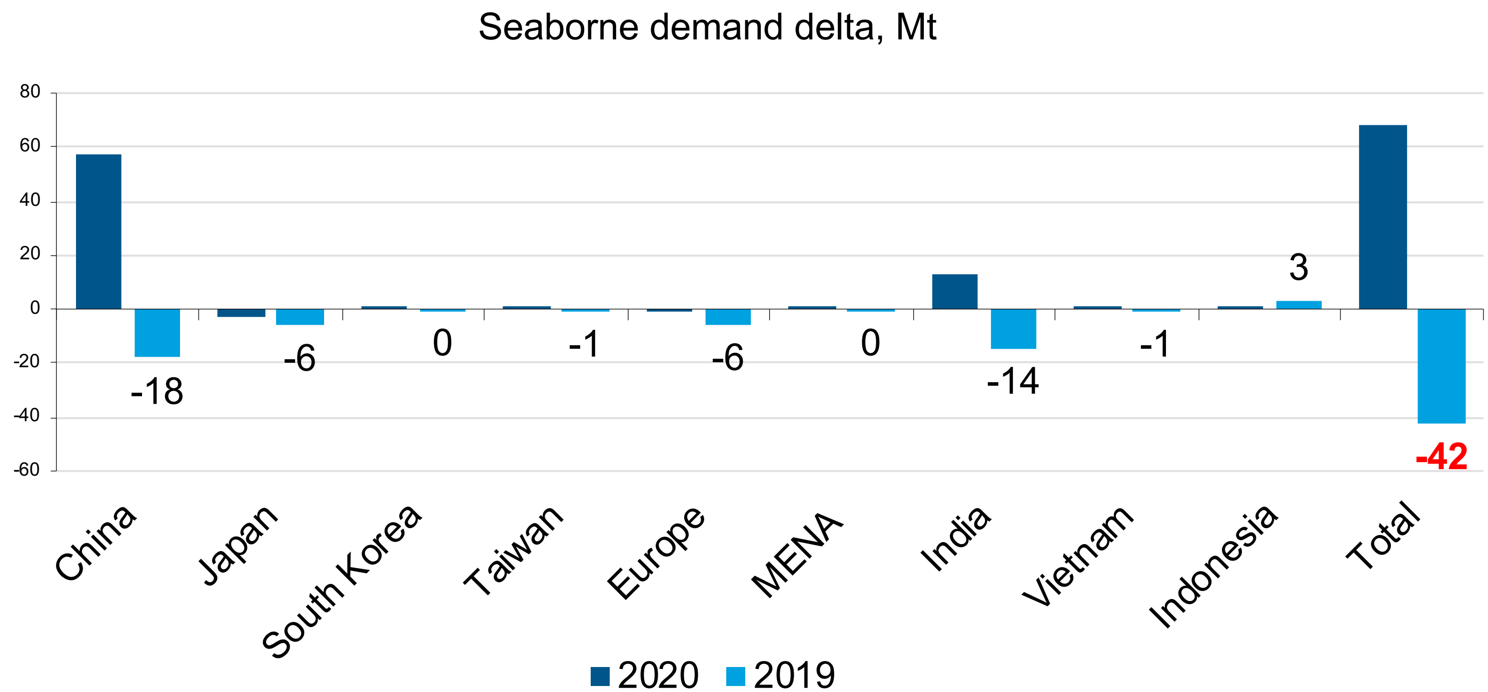
But stronger infra and housing completions to support steel demand this year





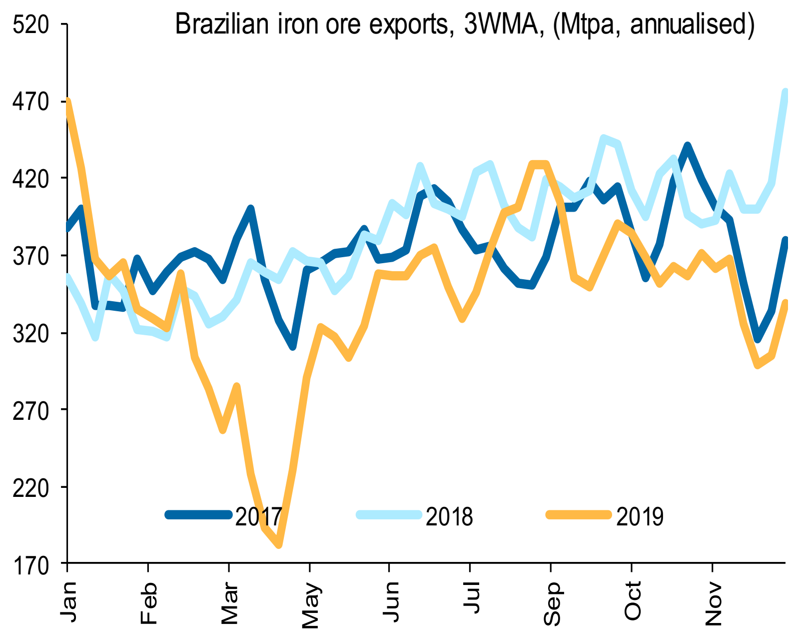
Source: China NBS, Macrobond, Bloomberg, Macquarie Strategy, January 2020

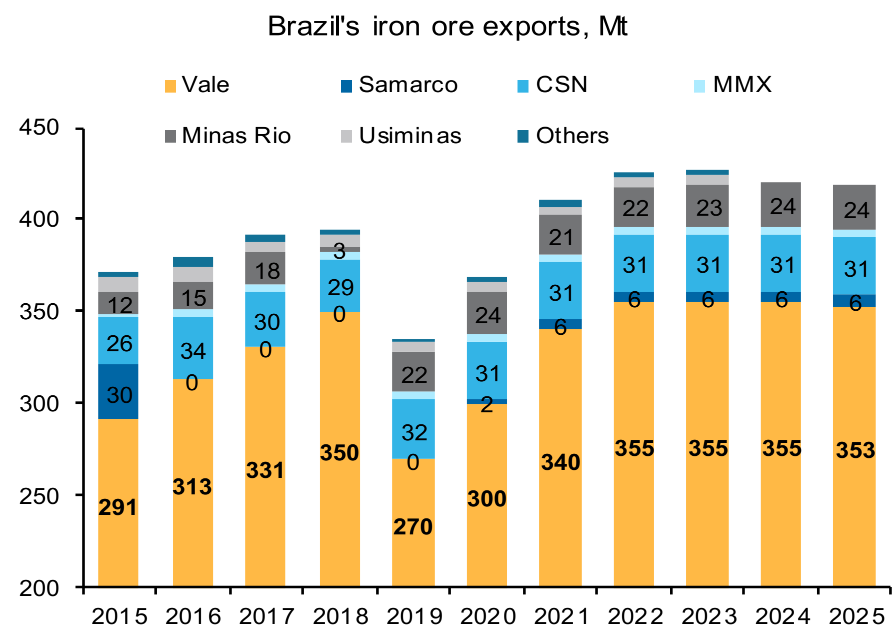
Iron Ore: a tight market with low inventories



Source: IHS, Macrobond, Bloomberg, Macquarie Strategy, January 2020

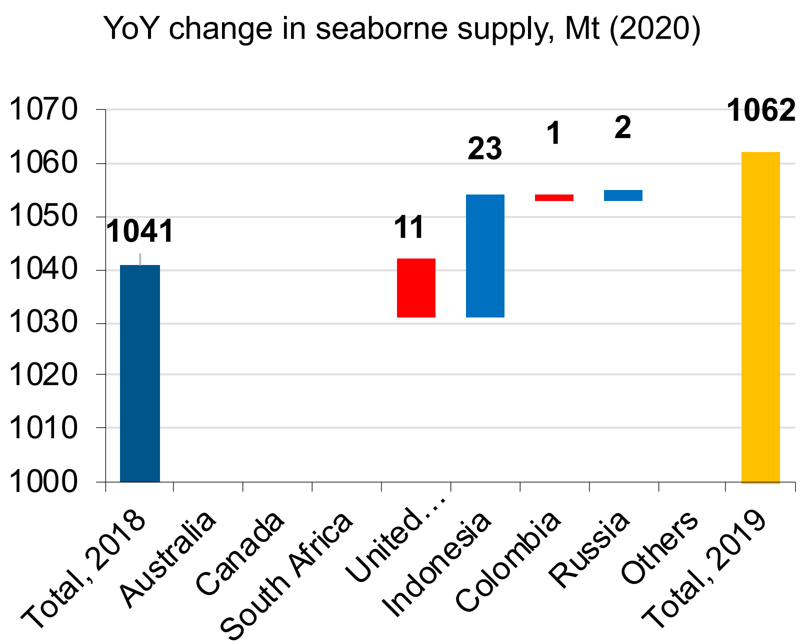
Main risk for Capes is another weak year for Brazilian iron ore exports

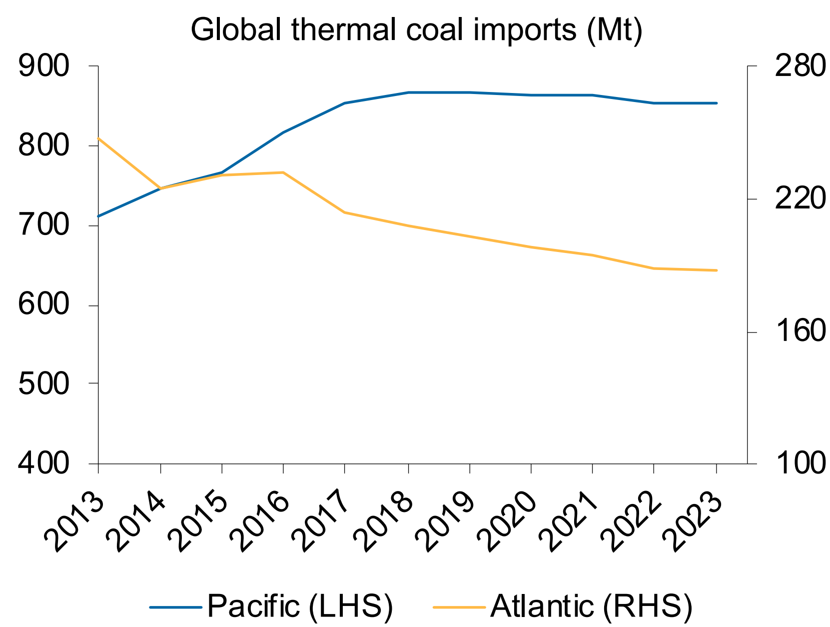




Source: Thurlestone, IHS, Macquarie Strategy, January 2020

Coal: Asia's pivot opens up "new" trade flows





Source: IHS, Thurelstone, Macquarie Strategy, January 2020