We have compiled some of the questions raised during the lecture, and please find the answers that David Jordan has very kindly provided.

1. I have a question on general supply side. Do you feel that, with a clear roadmap of IMO 2030 and then 2050 with regard to emissions, most owners are unsure of what the future fuel will be like and that will be a strong deterrent to order new ships till we get some clarity on this issue, given that the life of a ship is well over 20-25 years?

A: Newbuilding activity has been low in a number of shipping sectors over the last year or so and - though there have been many reasons for this, not least periods of weak earnings - it has been notable that the issue of climate change has been moving centre stage over the same period. Impending IMO regulations on C02 emissions have been cited as a reason for the flurry of orders for LNG-fueled ships by cargo interests and liner companies last year. Though LNG does not offer a long-term solution to C02 reduction (barring the widespread availability of bio-methane), it is likely to allow owners to meet requirements to 2030 and a little beyond.

The impact of the COVID-19 pandemic and the potential ensuing recession will seriously suppress newbuilding activity over the next year or so, which will give many ship owners some breathing space to assess the feasibility of a number of fuels and we are aware that this process is underway in earnest in a number of quarters. Moreover, those promoting alternative fuels are likely to step up their efforts to get their solutions into the ship owners' consciousness in readiness for the next wave of serious newbuilding which we believe is likely to emerge after 2025.

2. What main changes in the trade patterns and ton-miles are you seeing, both positive and negative?

A: This is potentially a quite wide-ranging question, so we have focused our answers on the dry bulk trades. Further information on this, including specific historical and forecast figures for tonne-mile developments by commodity type in the dry bulk space are available through our online platform, MSI Horizon. I'd be happy to discuss further:

Iron Ore Trade: For the moment, seaborne iron ore trade is holding up relatively well. It is positive that economic output in the world's largest importer of ore, China, is starting to recover, and that supply from the world's largest provider, Australia, has been broadly unaffected. It is not all positive though, with production shutdowns at mines in Canada and South Africa, and concerns are mounting over Brazilian supply this year, which would certainly dampen shipping demand when taking into account distances.

Grains Trade: This is another positive story at the moment, with shipping playing a key role in ensuring the supply of food across the world despite economic inactivity. Production of the key trading grains is heavily mechanised and broadly continuing uninterrupted. The Achilles heel for grains trade is likely to be inland transport networks and port throughput – if these are badly affected for major exporters then trade will suffer.

Coal Trade: As I said during the presentation, this is the major concern, with demand impacted heavily in key regions like India and also Europe. There are pockets of strength, in some other Asian nations is promising – Vietnam should import more this year – but China will be the swing factor, ultimately. Depending on the balances of consumption and production cuts around the world we may see China importing more coal.

Minor Bulks Trade: Another area of concern, particularly construction-related material like steel products and cement.

3. We are seeing signs of warm layups of the dry bulkers. How severe do you think, this will become, with indices trending downwards for weeks (CAPE 2893; PMX 5806, SUPRA 4775, much below the Opex).

A: We are absolutely anticipating that the number of bulk carriers in lay-up will continue to rise; not just warm but also cold. With no scrapping at the moment, some owners may be forced into this step as an interim measure before the vessel can be solder to breakers. In our MSI Horizon market model, we currently forecast that the dry bulk fleet employment rate will drop below 80% for the first time in over 30 years in 2020, and this is on the back of a relatively mild fall in trade, so there are downside risks. One element that may have been overlooked is that 63 Mn Dwt of ships were scheduled to be delivered this year and this is suppressing market balances despite heavy slippage earlier in the year. We forecast a jump in scrapping to 17 Mn Dwt, assuming the scrapyard get back to activity in the second half of this year.

4. What's your view on the current situation in Brazil and how would it impact on the iron ore export?

A: As I mentioned in the presentation, Vale recently slashed their production guidance by 30-40 MnT for 2020 largely due to the virus. However, in terms of the current spike of new COVID-19 cases, it is really too early for us to give an definite opinion on the extent to which a shutdown in Para will disrupt the supply of ore. The Brazilian national and Para state governments have decreed mining, processing, commercialisation, and shipping "essential operations", so they will continue if there is a lockdown. Nevertheless, the impact of a lockdown could be heavy vis-à-vis levels during “business as usual”. Question marks also remain over the duration of any disruption. We are currently liaising with our industry partners and will be able to provide more guidance in a couple of weeks when we release the new edition of our dry bulk market report. Please feel free to reach out then to discuss further.

5 . If I heard correctly you currently forecast supply growth of 4.8% for the dry bulk fleet, you go on to mention that after 2021 the dry bulk market will see subdued demand, except for the handysize market - could you expand a bit on that ? (especially as you talked about the correlation between vessel sizes)

A: There are a number of reasons why demand for larger bulk carrier will slow sharply in the medium- to longer-term based on the dynamics of iron ore and coal trade. For iron ore, China’s imports will slow based on a number of factors: (a) no more leveraging of trade as the share of imports in consumption reaches saturation; (b) an increasing use of recycled steel; and (c) they are arguably approaching peak steel consumption. Coal dynamics are uncertain, but notwithstanding changes after the COVID-19 outbreak, overall the negatives outweigh the positives: (a) governments moving away from fossil fuels to meet environmental targets/goals; (b) ower costs for renewable energy; and (c) increasing efficiency in energy consumption. We don’t expect the seaborne trade in coal to peak soon, but it will slow.

Meanwhile, the dynamics of trade for smaller vessels in the medium- to longer-term are more positive: the grains trade will expand along with the growing global population and changing diets. The geographical structure of the growing Asian economy means more trade has to travel by sea, both domestically and internationally, which will support trade in steel products, forestry, etc. in smaller parcels. Advances in materials engineering, design and alloys means that the pace of growth in minor ores and minerals will be robust, and likely in smaller parcels for the most part.

5. I would certainly be interested in the ammonia slides if they are available. Thanks

A: I have included an additional slide with this information in the slide pack that we will circulate.

6. Do you see vlsfo-hsfo spread going up post Covid -19?

A: I have included a slide with this information in the slide pack that we will circulate.

7. The trend to make voyages round the Cape has started. Bypassing the Suez How long do you think it will continue?

A: I have answered this question in the context of the containership market. Broadly speaking, I think there are two important issues at play here. The first is the severely depressed demand for containerized goods at present, which is creating a situation of severe tonnage oversupply in the liner industry. The second is the low bunker prices. The trend in making voyages around the Cape, bypassing Suez is likely to continue while these two factors are still an issue. As discussed in the presentation: (a) we anticipate containerized trade levels improving gradually in H2 2020, before rebounding in 2021; and (b) we expect oil prices to tick up in H2 2020, but not dramatically. Therefore this trend of voyages around the Cape is likely to be a feature for the rest of the year and into 2021, but will gradually recede as we hopefully return to “business-as-usual” or more likely, the new norm. Again, it is important to emphasize that there are a lot of uncertainties / moving parts in the markets at the moment and that our outlooks, including the time frames of developments, are constantly in flux.