

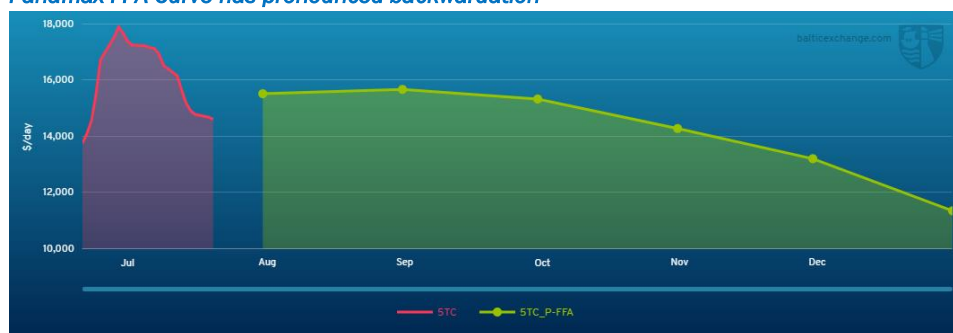
Baltic Dry Bulk Investor Indices 2Q25

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Dry Bulk: The Market Not Supportive of Asset Values

The Baltic Dry Indices have had a good mid-summer, yet the FFA market indicates rates will fall over the second half of 2025. While fleet supply growth remains modest, deflation in China appears to be suppressing demand growth. Should these conditions persist, asset values may fall over 2H25.

Panamax FFA Curve has pronounced backwardation



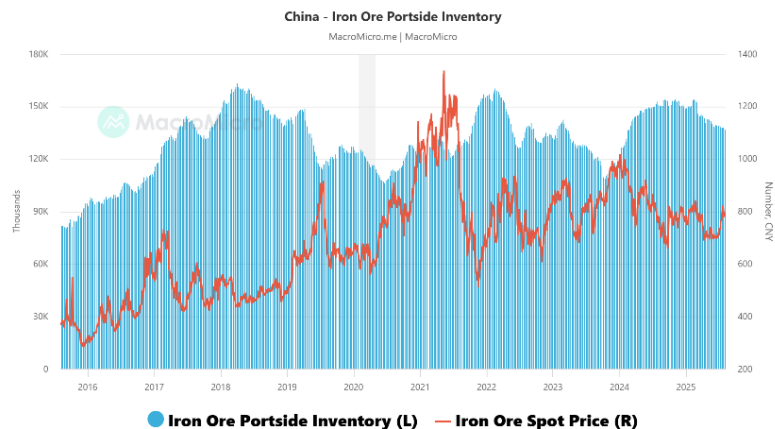
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Deflation in China Is Not Good

The Chinese real estate market has been challenged since 2021. According to Goldman Sachs, approximately 70% of Chinese household wealth is stored in real estate and home prices are set to decline 5% over 2025.¹ Further, according to Intermodal's Head of Research, both commercial and residential Chinese residential real estate development are down nearly 10% year-on-year with commercial floor space under construction falling over 9%, new residential starts down 21% year-on-year, and residential inventories continuing to rise. While the large cities such as Shanghai have seen solid demand from affluent investors, lower tier Chinese real estate markets have seen significant price declines.² This negatively impacts Chinese iron ore import demand at a time that portside supply is moderately high. This condition is not only bad for dry bulk demand, but also for the global economy.

¹ Investing.com: 29th June 2025: "China's housing pain could extend to 2027 without more stimulus - Goldman Sachs"

² Hellenic Shipping News 22nd July 2025: "Dry Bulk Market: China's Property Market Woes to Hurt Demand for Dry Bulk Carriers"



Also, China has been experiencing declines in consumer prices, oversupplies of certain items due to mismatches of central planning growth targets, and a domestic consumer base that historically saves over consumption (especially since COVID), enhancing deflationary attributes. Beijing's efforts to stimulate the economy over the last 10 quarters have had limited success, while US tariffs and trade deals elsewhere (such as India, Europe, and Indonesia) have put further pressure on the Chinese export driven economy, potentially pushing Beijing to stimulate the Chinese economy

China deflationary worries persist



further.

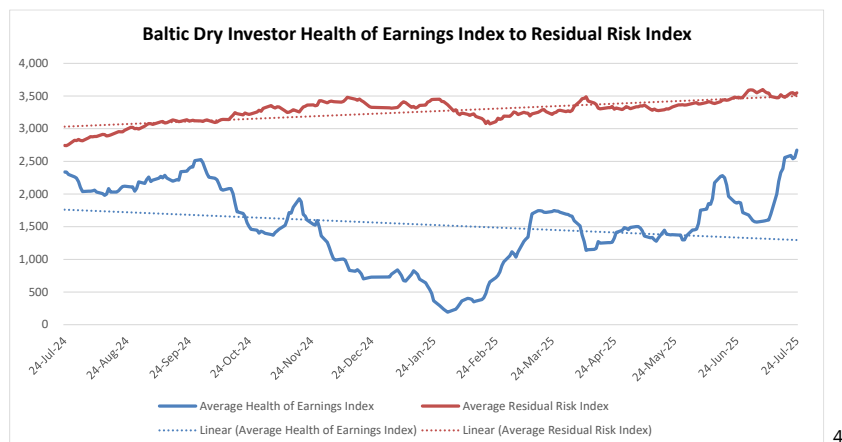
Source: National Bureau of Statistics, LSEG

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³ CNBC, China National Bureau of Labor Statistics, LSEG: "China consumer prices slump again, deepening deflation worries as demand stays weak" June 9th 2025

Dry Bulk Asset Values May Continue to be Pressured

The Baltic Investor Health of Earnings Index and the Residual Risk Index have had a divergent trend for the last 12 months.



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While freight rates have had a modestly firm second half of the summer, they have weakened as of late, and the FFA market anticipates further weakness over the coming periods. There are bullish elements to fleet supply growth: According to Clarksons Research, ~30% of the dry bulk fleet will be 20 years of age or older, from 10% today while the fleet on order is 10.8% of capacity. However, given fleet deliveries for 2026 and a soft demand outlook, the fleet supply growth is expected to exceed demand growth over 2025-2026 according to ING.⁵

We regularly look at cash breakeven/day which is debt service plus OPEX and G&A. If one assumes the purchase of a 5-year-old bulker today⁶, the FFA market indicates that the next twelve months will be cashflow challenged, as shown below. We assume the purchase of 5-year-old bulker levered at 65% leverage, a margin of 3% over SOFR and a 17-year loan profile. (While these terms are generic and a lower margin at similar leverage is available to solid credits on cross-collateralised deals with corporate guarantees, the assumed 17-year loan amortisation profile and 3% margin for a “stand-alone” (no cross default, no corporate guarantee) is fair in our experience). Of the major ship types, looking at this analysis, the Capesize and Panamax sectors face the most asset value pressure today, in our view.

⁴ The average health of earnings of Cape(CDHEI), Panamax (PDHEI) and Supramx (SDHEI), does not include Handysize bulkers. Health of earnings is an index representing the ratio of earnings against running cost. A negative number indicates that earnings are below operating costs.

The average residual risk of Cape (CDRRI), Panamax (PDRRI), and Supramax (SDRRI) vessels utilized, does not include Handysize bulkers. Residual risk is ratio of the residual value of the vessel against the recycling value. If the Residual value is lower than the recycling value the index will be negative, indicating a lower risk of the investment.

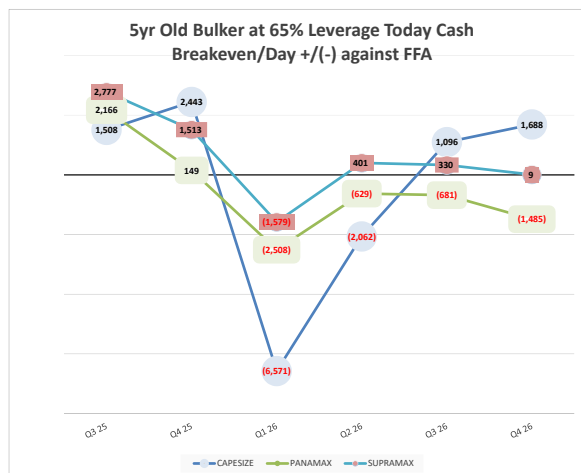
⁵ ING: “*Bulker shipping faces tough year as China’s manufacturing sector weakens*”, 3rd March 2025

⁶ First year breakeven average per day assumed. Asset values and OPEX are per the published Baltic Investor Indices. Capesize asset value utilized is \$61.4M, Panamax is \$31.1M and Supramax is \$30.4M.

CAPESIZE BREAKEVEN SENSITIVITY TO SOFR AND CURRENT FFA RATES								
+ / (-) Cash Breakeven/Day		SOFR						
		4.75%	4.33%	4.00%	3.50%	3.00%	2.50%	
FFA	Q3 25	22,987	1,063	1,508	1,859	2,389	2,919	3,450
	Q4 25	23,922	1,998	2,443	2,794	3,324	3,854	4,385
	Q1 26	14,908	(7,016)	(6,571)	(6,220)	(5,690)	(5,160)	(4,629)
	Q2 26	19,417	(2,507)	(2,062)	(1,711)	(1,181)	(651)	(120)
	Q3 26	22,575	651	1,096	1,447	1,977	2,507	3,038
	Q4 26	23,167	1,243	1,688	2,039	2,569	3,099	3,630

PANAMAX BREAKEVEN SENSITIVITY TO SOFR AND CURRENT FFA RATES								
+ / (-) Cash Breakeven/Day		SOFR						
		4.75%	4.33%	4.00%	3.50%	3.00%	2.50%	
FFA	Q3 25	15,712	1,941	2,166	2,344	2,612	2,881	3,150
	Q4 25	13,695	(76)	149	327	595	864	1,133
	Q1 26	11,038	(2,733)	(2,508)	(2,330)	(2,062)	(1,793)	(1,524)
	Q2 26	12,917	(854)	(629)	(451)	(183)	86	355
	Q3 26	12,865	(906)	(681)	(503)	(235)	34	303
	Q4 26	12,061	(1,710)	(1,485)	(1,307)	(1,039)	(770)	(501)

SUPRAMAX BREAKEVEN SENSITIVITY TO SOFR AND CURRENT FFA RATES								
+ / (-) Cash Breakeven/Day		SOFR						
		4.75%	4.33%	4.00%	3.50%	3.00%	2.50%	
FFA	Q3 25	16,123	2,556	2,777	2,950	3,213	3,476	3,739
	Q4 25	14,859	1,292	1,513	1,686	1,949	2,212	2,475
	Q1 26	11,767	(1,800)	(1,579)	(1,406)	(1,143)	(880)	(617)
	Q2 26	13,747	180	401	574	837	1,100	1,363
	Q3 26	13,676	109	330	503	766	1,029	1,292
	Q4 26	13,355	(212)	9	182	445	708	971



We understand that the analysis above is generic: There are many ways to make investment decisions in dry bulk shipping, inclusive of vessel age, yard, specifications, charter cover, leverage and debt terms. Simply, the above illustrates that the more speculative buyer who wants more leverage is currently priced near the edge of the profitable market. Without such buyers, asset values should have some downward pressure over 2H25.

There is Hope, Both Empirical and Ethereal

There are empirical supports to dry bulk demand. The Simandou iron ore project in Guinea coming on-line over the second half of 2025 could be rather supportive of freight rates. The project has an anticipated production of 120 million tonnes per annum, which is equivalent to approximately 650 Capesize loads per year, extending tonne-mile demand to China substantially. According to *Splash* 24/7 West Africa now represents 14% of all Capesize liftings, up 31% year-on-year, most heading long-haul to China with significant movements of bauxite/alumina supporting the demand growth on top of iron ore.⁷ Also, while no end appears in sight, an end to the war in Ukraine could lead to large infrastructure rebuilding projects.

Finally, here is our very speculative take on the macro economy. There may be a “silver-lining” to US trade policy and shifts in global production, transport and consumption: On 29 July, the International Monetary Fund modestly upgraded their 2025 global trade outlook to 3%, from 2.8% in April, and increased its global 2026 forecast growth rate from 3.0% to 3.1%. In short, the IMF points to US tariff and trade negotiation impacts being less disruptive than initially feared, so far. The IMF also points out that US tariffs are now markedly higher (in the general range of 15-17% from 1-3%) and with US

⁷ Splash 24/7: “West Africa now drives one in seven cape cargoes”, Sam Chambers, 25th July 2025

budget spending still high, inflation remains a concern⁸. This makes it harder for China to export to the US, further exacerbating deflationary pressures China. However, while extremely speculative, a rebalancing of trade and tariff regimes could mean, over time, new trade patterns between new regions of production and consumption expanding opportunities for the transportation of dry bulk goods. Unfortunately, this speculation is little solace for near term dry bulk demand or asset values.

⁸ *Financial Times 29th July 2025; "IMF Upgrades Global Forecast as Weaker Dollar Aids World Economy"*