RESEARCH PROJECT

Jan 2024

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Freight News

FREIGHT NEWS

Container shipping rates spike as Red Sea crisis draws first blood:

Maersk, the world's second-largest ocean carrier, gambled that a U.S.-led military force, Operation Prosperity Guardian, would allow safe passage through the Red Sea. That gamble has failed.

On Tuesday, Maersk said it will suspend Red Sea transits indefinitely and reroute ships around Africa's Cape of Good Hope. The decision followed attacks on the container ship Maersk Hangzhou, which was struck by a Houthi rebel missile on Saturday and threatened by four Houthi boats on Sunday.

Armed guards on the Maersk Hangzhou exchanged fire with the Houthis, whose boats approached within 70 feet of the container ship before U.S. military helicopters intervened. After the Houthis fired on U.S. forces, the helicopters took out three of the four boats, killing 10 Houthi rebels.

The attacks in the Red Sea continue. U.S. Central Command confirmed that the Houthis fired two anti-ballistic missiles on Tuesday that landed in the vicinity of passing commercial ships. The Houthi spokesperson confirmed Wednesday that the missiles were targeting the container ship CMA CGM Tage.

As supply chain issues mount and missile launches persist, there is an increasing likelihood of ground strikes in Yemen by the U.S.-led coalition.

On Wednesday, the coalition gave a final warning to the Houthis: "Let our message now be clear: We call for the immediate end of these illegal attacks and release of unlawfully detained vessels and crews. The Houthis will bear the responsibility of the consequences should they continue to threaten lives, the global economy, and free flow of commerce in the region's critical waterways."

Intensified military action in the Red Sea is causing container shipping spot rates and some container shipping stocks to surge.

For cargo importers, the outlook is now clear: higher freight costs and longer delays. For liner profits, sentiment is increasingly bullish — but there are uncertainties.

Spot rates and surcharges are rising fast, but liner costs are also increasing due to much higher fuel consumption from longer voyages, as well as other expenses (offset by savings on canal tolls). Meanwhile, quarterly liner cargo volumes could be hard-hit in the near term as ships are tied up in diversions.

Maersk had 38 vessels scheduled to transit the Red Sea en route to Europe and the U.S. East Coast prior to Tuesday's announcement, plus another 25 ships with routes labeled "to be determined." These vessels will now presumably take the longer route.

FREIGHT NEWS

Spot rate indexes spike

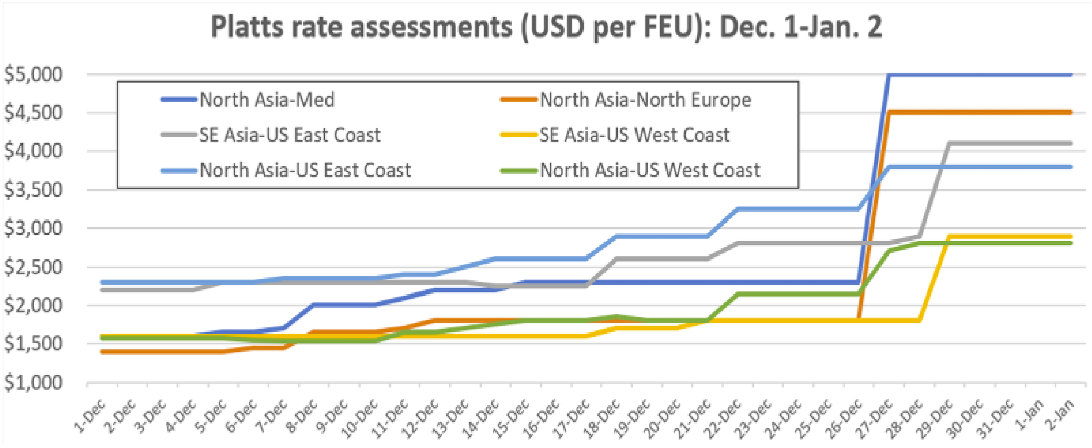
Different spot rate indexes use different methodologies and come up with different rate assessments, but they all point to the same steep upward trend.

The Shanghai Containerized Freight Index (SCFI) spiked 40% in the week ending Friday, to 1,760 points, its highest level since October 2022. The SCFI has more than doubled since this October.

Linerlytica said Monday that the latest week marked only the fourth time since 2009 that the SCFI increased 40% or more in a single week.

“All long-haul routes recorded strong rate gains, led by Asia-Europe trades, with the elevated rates expected to hold through January and February as capacity will remain tight in the next six weeks,” said Linerlytica, which noted that 12% of global capacity is already being diverted and those numbers “will continue to rise after the latest Houthi attack.”
Platts, a division of S&P Global (NYSE: SPGI), put Tuesday’s spot rates on the North Asia-Mediterranean route at $5,000 per forty-foot equivalent unit, more than double rates of $2,300 per FEU on Dec. 26 and more than triple rates of $1,600 at the beginning of December.

Platts assessed North Asia-North Europe rates at $4,500 per day on Tuesday, up 150% from Dec. 26 and 221% from Dec. 1.



(Chart: FreightWaves based on data from Platts)

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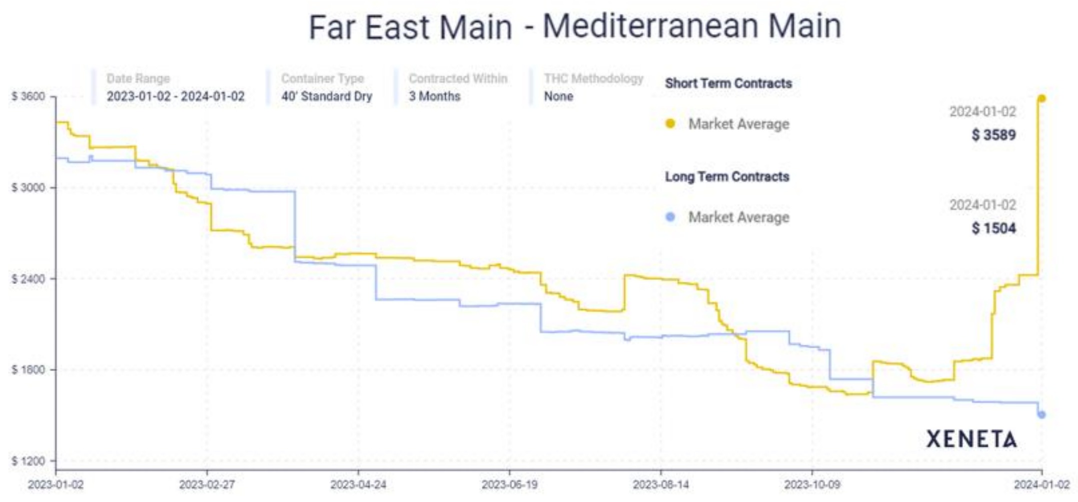
FREIGHT NEWS

Most Asia-U.S. East Coast services rerouted from the Panama Canal to the Suez Canal due to Panama’s drought, meaning that Red Sea attacks are affecting rates in this lane as well. And even though Asia-West Coast services are not directly affected, they too are feeling a knock-on effect, according to Platts’ data.

Platts put Southeast Asia-U.S. East Coast rates at $4,100 per FEU, up 86% since the beginning of December, and Southeast Asia-U.S. West Coast rates at $2,900 per FEU, up 81%.
It assessed North Asia-U.S. East Coast rates at $3,800 per FEU, up 65% versus the beginning of December, and North Asia-U.S. West Coast rates at $2,800 per FEU, up 78%.

Xeneta tracks both short-term (spot) and long-term (contract) rates. According to its data, average short-term rates on the Far East-Mediterranean route had skyrocketed to $3,589 per FEU as of Tuesday, spiking 48% in just the past few days.

The short-term average in this lane is now more than twice the average long-term rates signed in the past three months of $1,504 per FEU.



(Chart: Xeneta)

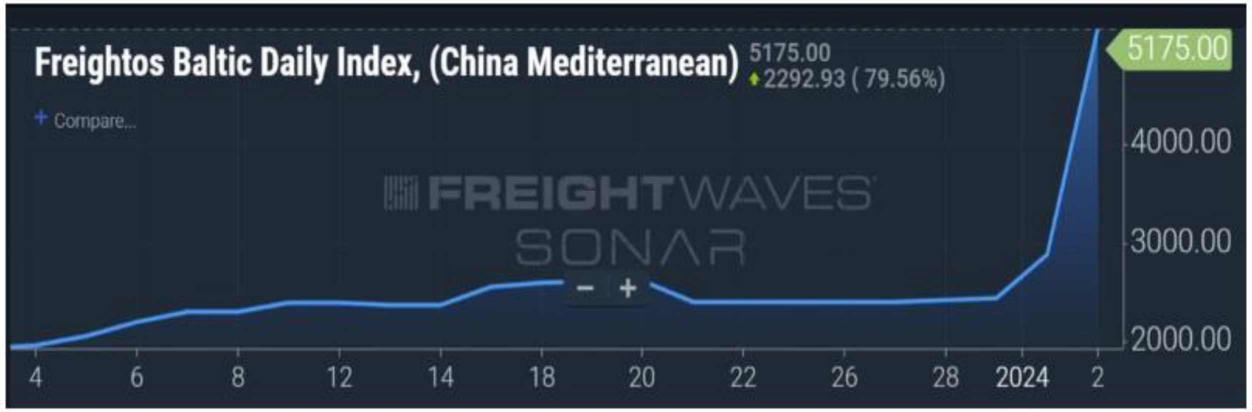
FREIGHT NEWS

The Freightos Baltic Daily Index (FBX) also shows the extreme impact of Red Sea disruptions. As of Tuesday, the FBX China-Mediterranean rate was at $5,175 per FEU, up 80% from the day before and 2.6 times higher than rates at the beginning of December.

Zim stock roller coaster continues
Trading shares of Zim (NYSE: ZIM) is the most popular way for stock pickers to bet on how spot shipping rates will affect future container liner earnings.
The Zim stock roller-coaster ride continued on Tuesday and Wednesday.
Between Dec. 1 and Dec. 22, Zim's stock surged 60% as a result of sectorwide diversions around the Cape of Good Hope, a positive for spot rates. (Diversions reduce effective transport supply, pushing the balance of transport supply versus cargo demand in favor of liners.)

On Dec. 24, Maersk announced it would resume Red Sea transits under the protection of Operation Prosperity Guardian. When stock markets reopened after the Christmas holiday break on Dec. 26, Zim's stock plunged as much as 18% in midday trading on more than quadruple average volume, on the assumption that fewer diversions would be negative for spot rates.

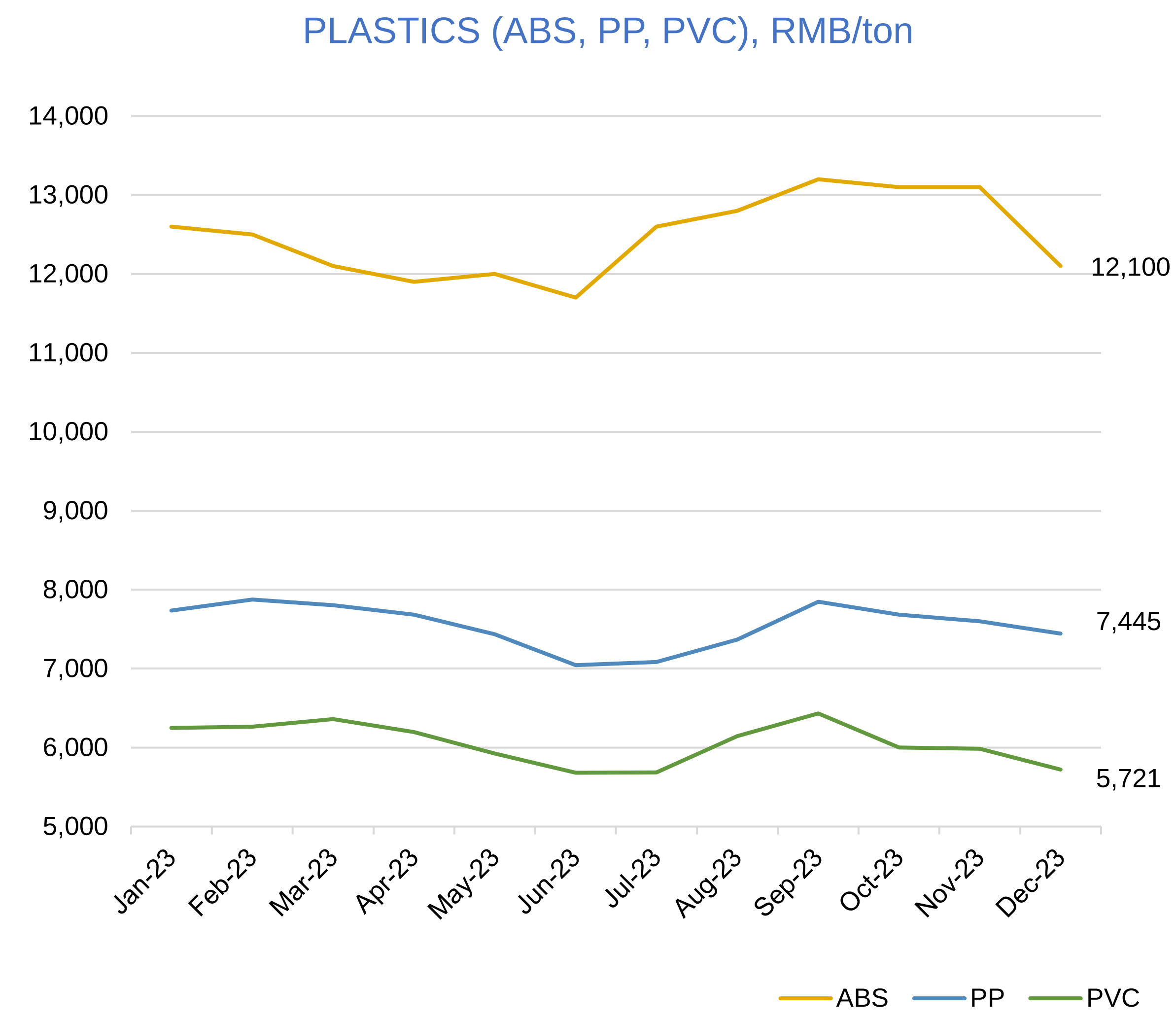
When markets reopened after the New Year's holiday break this Tuesday, Zim's stock jumped 13% on more than double average volume as a result of the deadly military action over the weekend and Maersk's decision to not transit the Red Sea, after all. Zim's stock gained a further 10% on Wednesday on more than triple average volume.



Spot rate in USD per FEU. (Chart: FreightWaves SONAR)

Raw Materials

RAW MATERIALS: PLASTIC



Date	ABS RMB/ton	PP RMB/ton	PVC RMB/ton
Jan-23	12,600	7,735	6,248
Feb-23	12,500	7,877	6,264
Mar-23	12,100	7,802	6,360
Apr-23	11,900	7,684	6,197
May-23	12,000	7,434	5,923
Jun-23	11,700	7,043	5,679
Jul-23	12,600	7,084	5,683
Aug-23	12,800	7,369	6,145
Sep-23	13,200	7,847	6,431
Oct-23	13,100	7,683	6,002
Nov-23	13,100	7,599	5,983
Dec-23	12,100	7,445	5,721
YoY%	**-4.0%**	**-3.8%**	**-8.4%**

Source: ABS - http://www.buyplas.com | PP,PVC - http://www.stats.gov.cn

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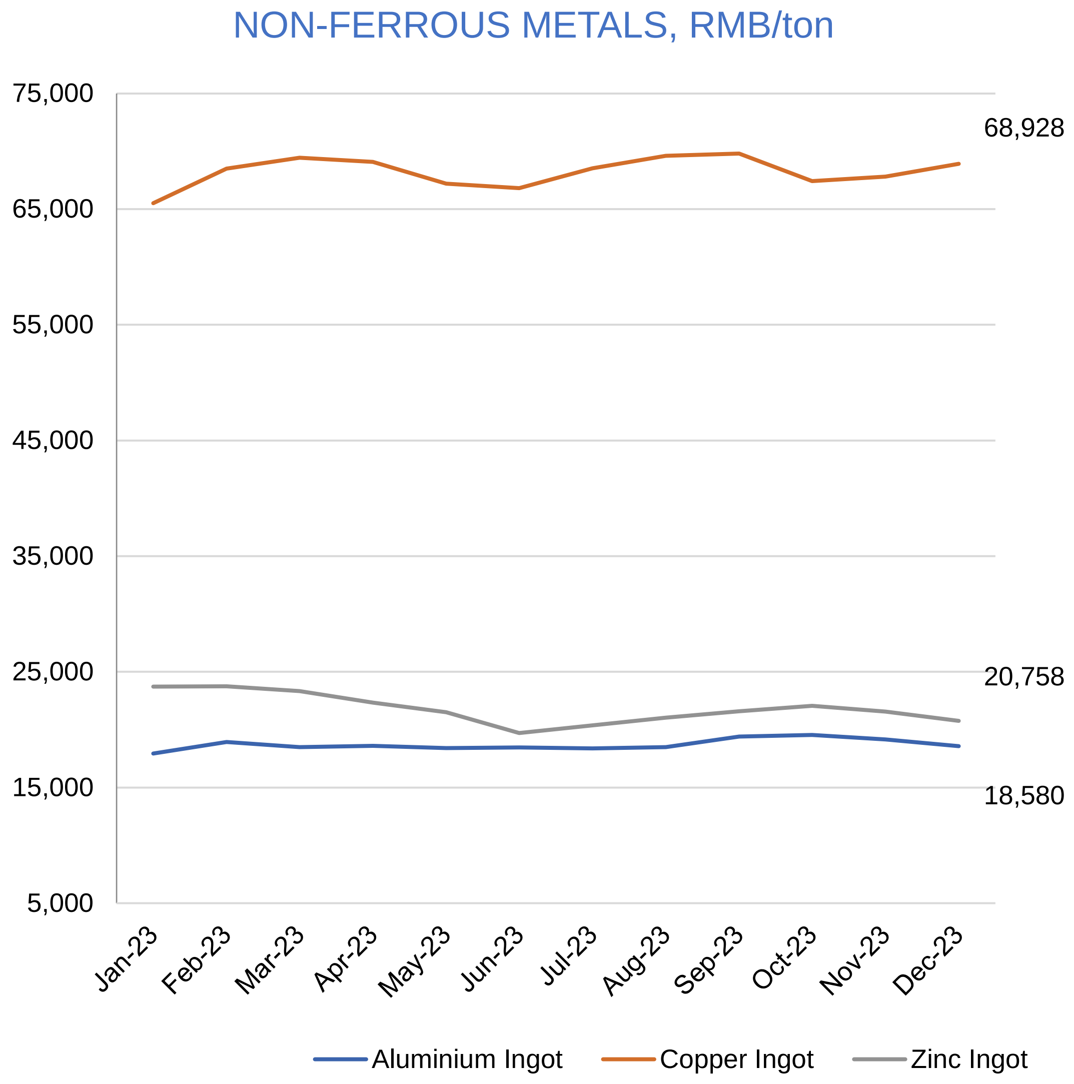
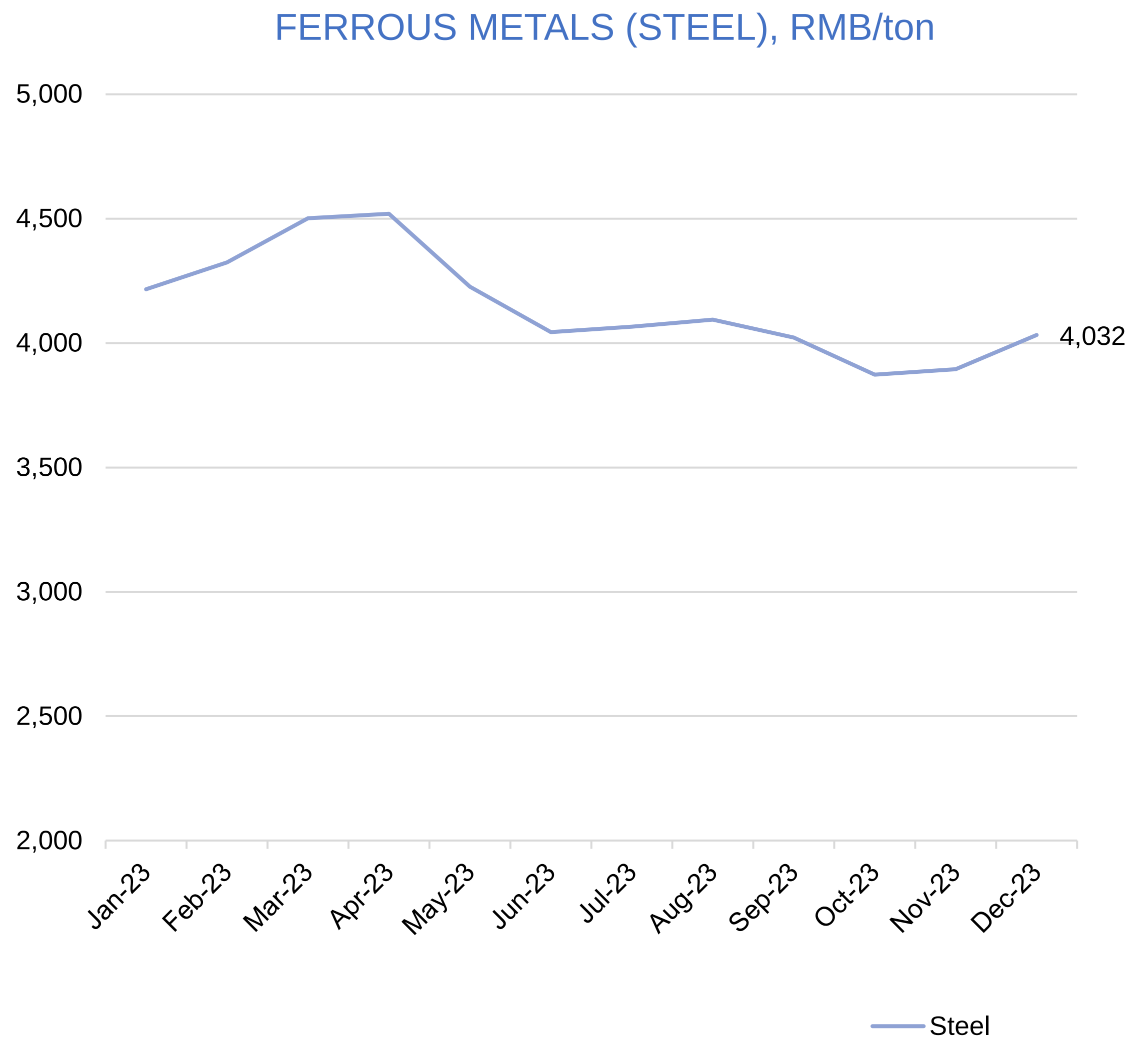
RAW MATERIALS: NON-FERROUS METALS



Date	Copper Ingot RMB/ton	Aluminium Ingot RMB/ton	Zinc Ingot RMB/ton
Jan-23	65,523	17,935	23,723
Feb-23	68,491	18,927	23,751
Mar-23	69,456	18,493	23,350
Apr-23	69,082	18,608	22,348
May-23	67,208	18,414	21,500
Jun-23	66,816	18,454	19,706
Jul-23	68,542	18,370	20,382
Aug-23	69,619	18,507	21,039
Sep-23	69,814	19,405	21,582
Oct-23	67,420	19,540	22,065
Nov-23	67,816	19,160	21,570
Dec-23	68,928	18,580	20,758
YoY%	**5.2%**	**3.6%**	**-12.5%**

Source: http://www.stats.gov.cn

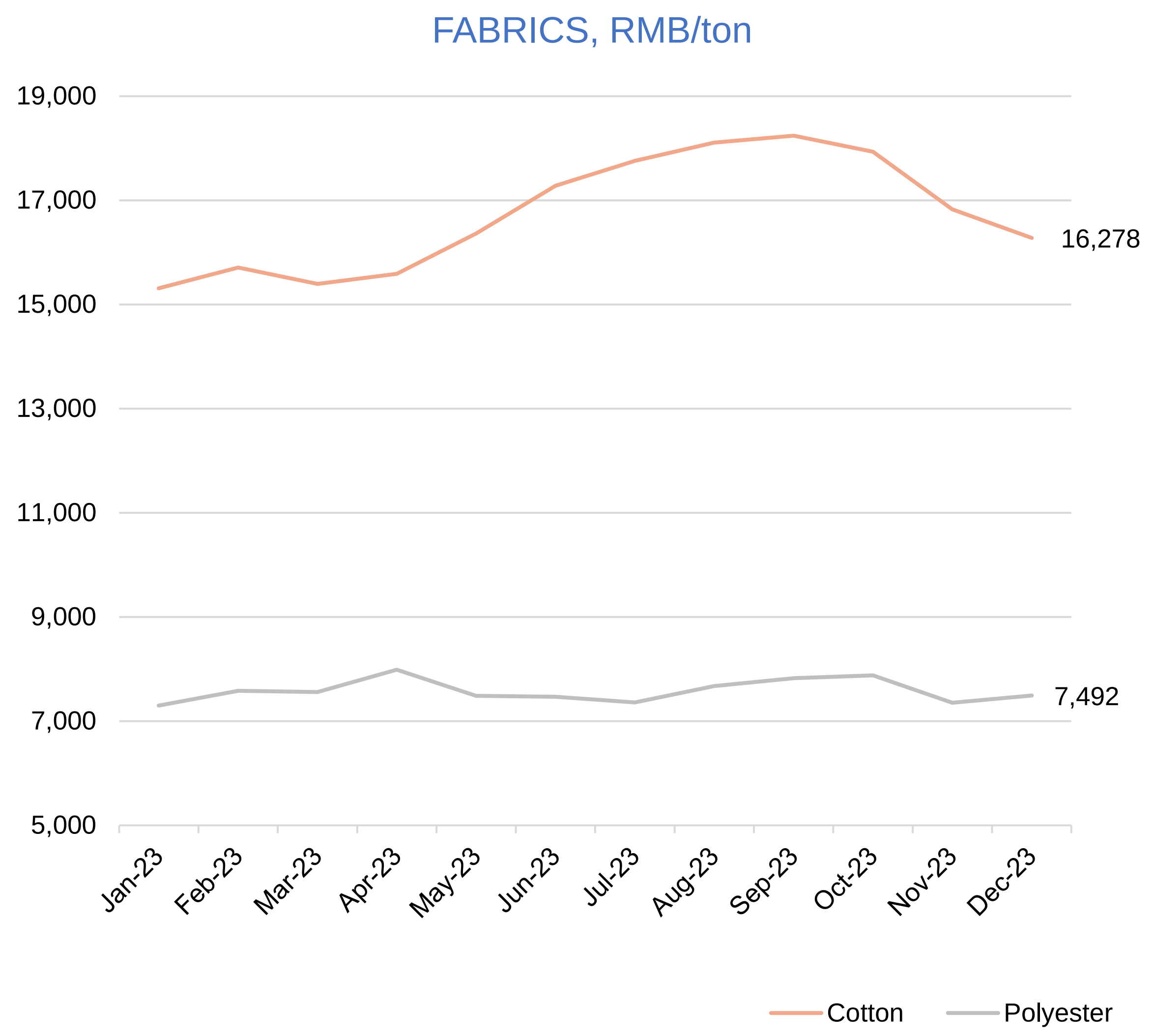
RAW MATERIALS: FERROUS METALS



Date	Steel, RMB/ton
Jan-23	4,216
Feb-23	4,324
Mar-23	4,502
Apr-23	4,519
May-23	4,226
Jun-23	4,044
Jul-23	4,066
Aug-23	4,094
Sep-23	4,022
Oct-23	3,873
Nov-23	3,895
Dec-23	4,032
YoY%	**-4.4%**

Source: http://www.stats.gov.cn

RAW MATERIALS: FABRICS



	Cotton, RMB/ton	Polyester, RMB/ton
Jan-23	15,311	7,296
Feb-23	15,711	7,582
Mar-23	15,396	7,557
Apr-23	15,588	7,985
May-23	16,364	7,483
Jun-23	17,280	7,464
Jul-23	17,757	7,358
Aug-23	18,108	7,675
Sep-23	18,240	7,825
Oct-23	17,930	7,875
Nov-23	16,825	7,353
Dec-23	16,278	7,492
YoY%	**6.3%**	**2.7%**

Source: Cotton - http://www.china-cotton.org | Polyester - http://www.stats.gov.cn

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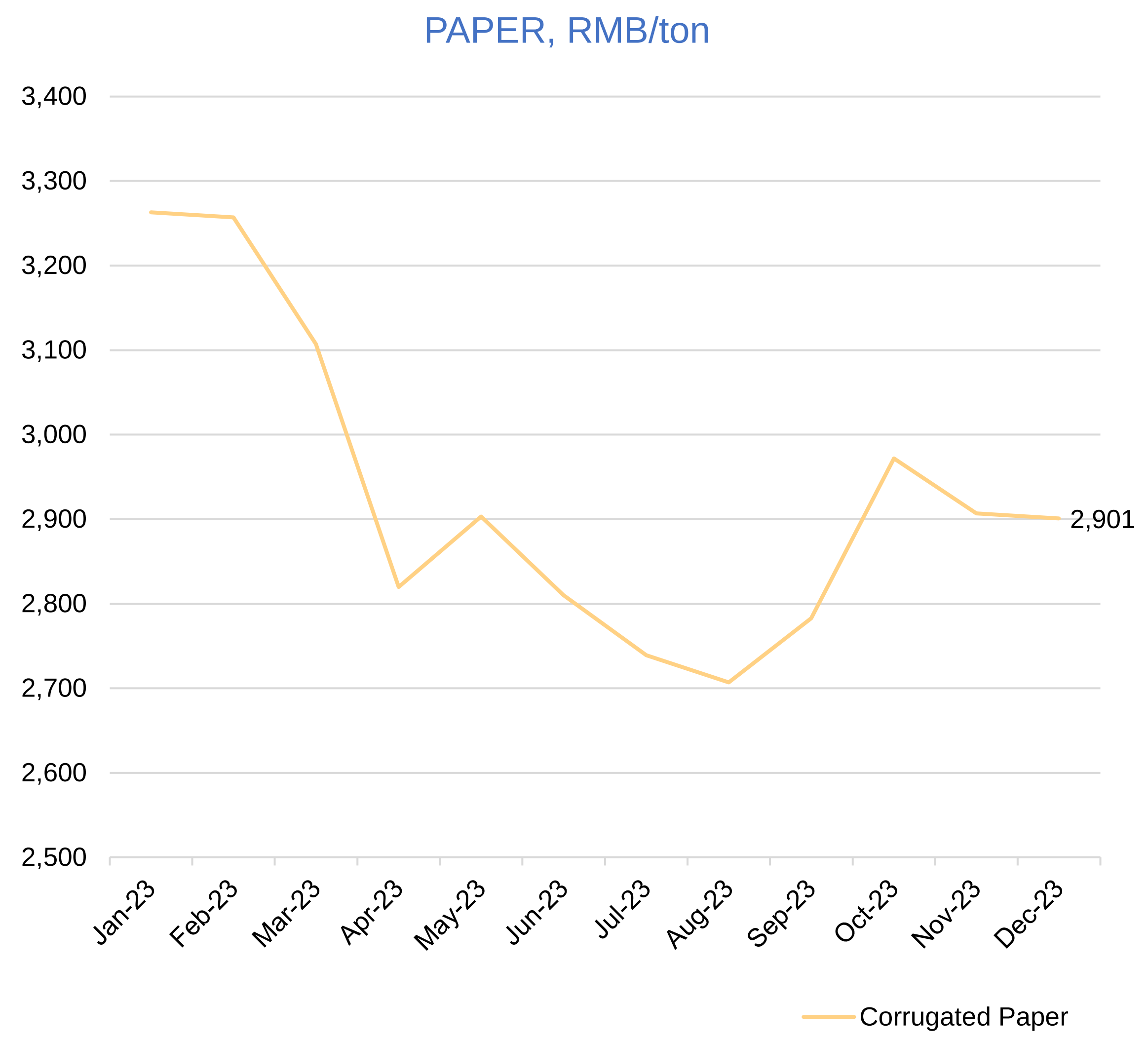
RAW MATERIALS: PAPER



Date	Corrugated Paper, RMB/ton
Jan-23	3,263
Feb-23	3,257
Mar-23	3,107
Apr-23	2,820
May-23	2,903
Jun-23	2,810
Jul-23	2,739
Aug-23	2,707
Sep-23	2,783
Oct-23	2,972
Nov-23	2,907
Dec-23	2,901
YoY%	**-11.1%**

Source: http://www.stats.gov.cn

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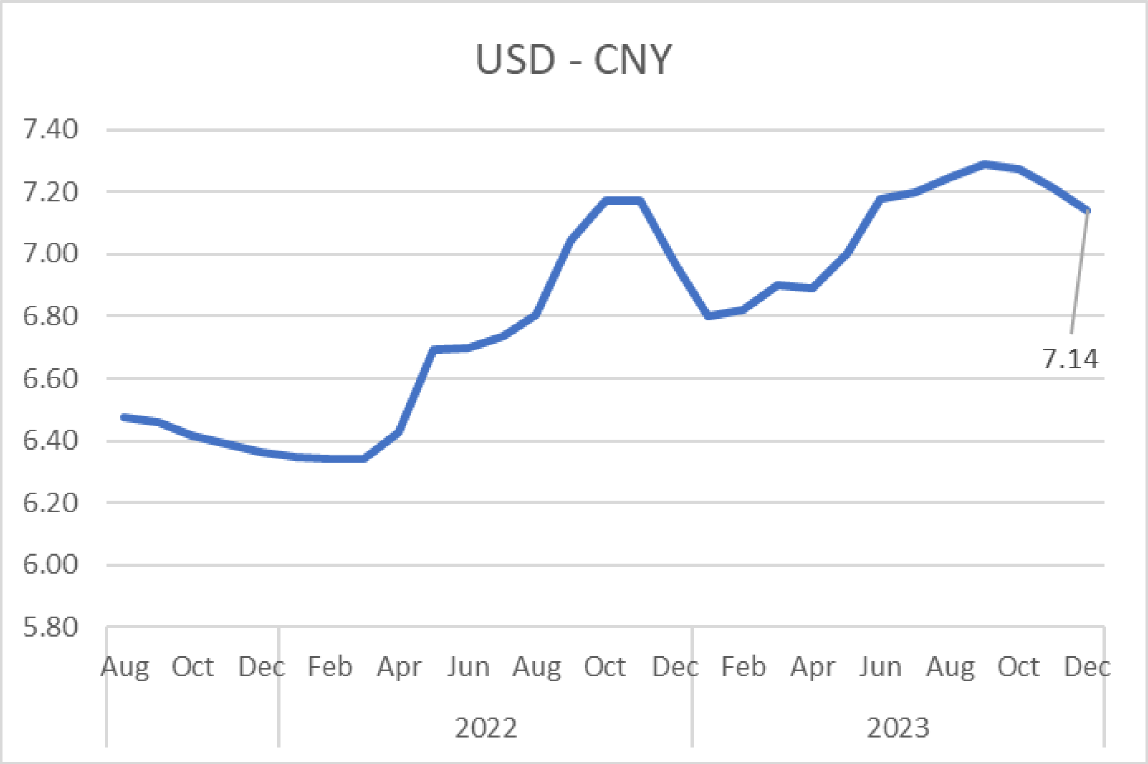
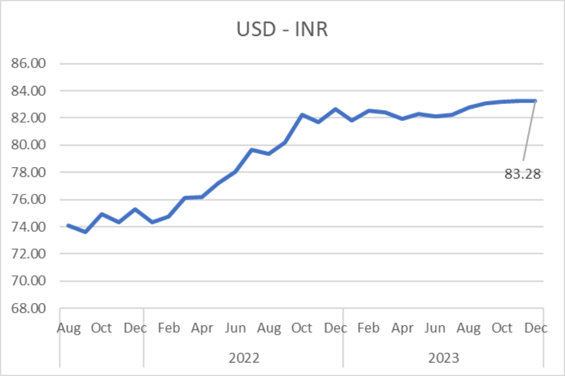
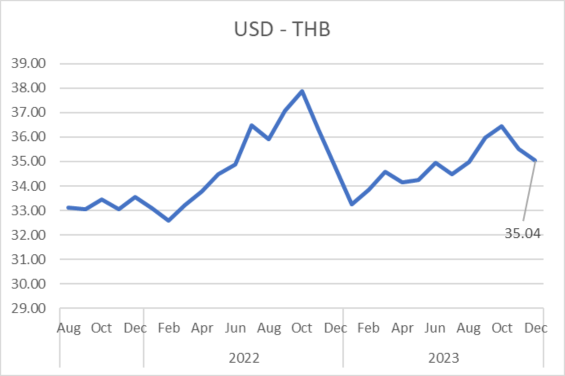
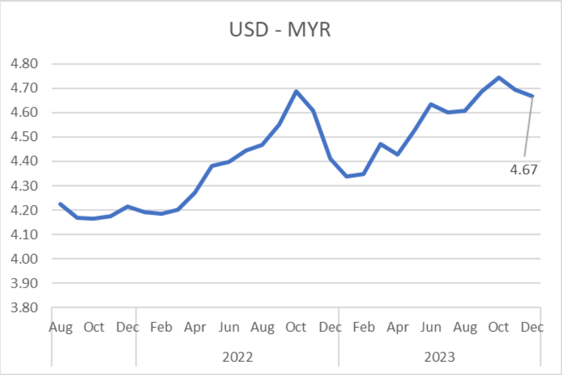
FX Rate

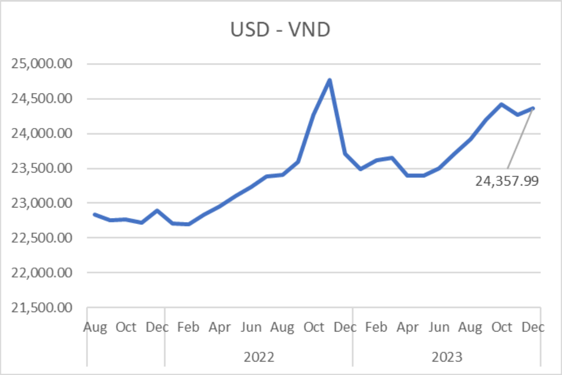
FX Rate

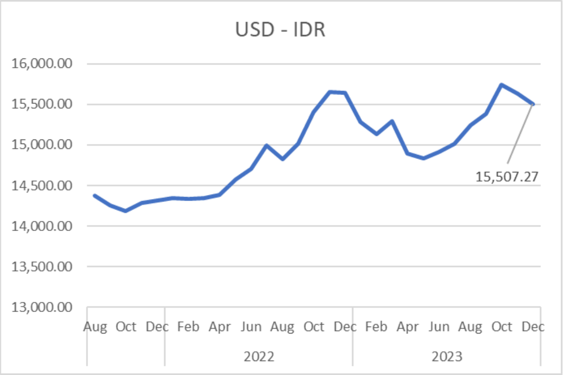

USD - CNY
7.40
7.20
7.00
6.80
6.60
6.40
6.20
6.00
5.80
7.14
Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec
2022
2023


USD - INR
86.00
84.00
82.00
80.00
78.00
76.00
74.00
72.00
70.00
68.00
83.28
Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec
2022
2023


USD - THB
39.00
38.00
37.00
36.00
35.00
34.00
33.00
32.00
31.00
30.00
29.00
35.04
Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec
2022
2023


USD - MYR
4.80
4.70
4.60
4.50
4.40
4.30
4.20
4.10
4.00
3.90
3.80
4.67
Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec
2022
2023


USD - VND
25,000.00
24,500.00
24,000.00
23,500.00
23,000.00
22,500.00
22,000.00
21,500.00
24,357.99
Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec
2022
2023


USD - IDR
16,000.00
15,500.00
15,000.00
14,500.00
14,000.00
13,500.00
13,000.00
15,507.27
Aug Oct Dec Feb Apr Jun Aug Oct Dec Feb Apr Jun Aug Oct Dec
2022
2023

FX Rate

Date	USD - CNY	USD - VND	USD – THB	USD - IDR	USD – INR	USD - MYR
Jan-2023	6.80	23483	33.25	15281	81.82	4.34
Feb-2023	6.82	23615	33.85	15132	82.54	4.35
Mar-2023	6.90	23651	34.58	15291	82.40	4.47
Apr-2023	6.89	23399	34.16	14896	81.95	4.43
May-2023	7.00	23396	34.25	14838	82.31	4.53
Jun-2023	7.18	23498	34.96	14916	82.14	4.63
Jul-2023	7.20	23711	34.48	15011	82.22	4.60
Aug-2023	7.25	23923	34.97	15246	82.77	4.61
Sep-2023	7.29	24196	35.97	15386	83.06	4.69
Oct-2023	7.27	24420	36.46	15743	83.19	4.74
Nov-2023	7.22	24269	35.50	15636	83.25	4.70
Dec-2023	7.14	24358	35.04	15507	83.28	4.67
YoY, %	5.0%	3.7%	5.4%	1.5%	1.8%	7.6%

Source: https://www.bloomberg.com

Hot Topic in Retail Industry

China's consumer prices fall fastest in 3 years, factory-gate deflation deepens

News released on Dec 2023
Source: REUTERS

BEIJING, Dec 9 (Reuters) - China's consumer prices fell the fastest in three years in November while factory-gate deflation deepened, indicating rising deflationary pressures as weak domestic demand casts doubt over the economic recovery.

The consumer price index (CPI) dropped 0.5% both from a year earlier and compared with October, data from the National Bureau of Statistics (NBS) showed on Saturday.

That was deeper than the median forecasts in a Reuters poll of 0.1% declines both year-on-year and month-on-month. The year-on-year CPI decline was the steepest since November 2020.

The numbers add to recent mixed trade data and manufacturing surveys that have kept alive calls for further policy support to shore up growth.
Xu Tianchen, senior economist at the Economist Intelligence Unit, said the data would be alarming for policymakers and cited three main factors behind it: falling global energy prices, the fading of the winter travel boom and a chronic supply glut.
"Downward pressure will continue to rise in 2024 as developers and local governments continue to deleverage and as global growth is expected to slow," Xu said.
Year-on-year core inflation, excluding food and fuel prices, was 0.6%, the same as October.
Bruce Pang, chief economist at Jones Lang Lasalle, said the weak core CPI reading was a warning about persistently sluggish demand, which should be a policy priority for China if it is to deliver more sustainable and balanced growth.

Although consumer prices in the world's second-biggest economy have been teetering on the edge of deflation in recent months, China's central bank Governor Pan Gongsheng said last week inflation was expected to be "going upwards".
The producer price index (PPI) fell 3.0% year-on-year against a 2.6% drop in October, marking the 14th straight month of decline and the quickest since August.
Economists had predicted a 2.8% fall in November.

China's consumer prices fall fastest in 3 years, factory-gate deflation deepens

News released on Dec 2023
Source: REUTERS

(..cont..)

China's economy has grappled with multiple headwinds this year, including mounting local government debt, an ailing housing market and tepid demand at home and abroad. Chinese consumers especially have been tightening their purse strings, wary of uncertainties in the elusive economic recovery.
Moody's on Tuesday issued a downgrade warning on China's credit rating, saying costs to bail out local governments and state firms and to control the property crisis would weigh on the economy.

China's finance ministry called the decision disappointing, saying the economy would rebound and risks were controllable.
The authorities will spur domestic demand and enhance economic recovery in 2024, the Politburo, a top decision-making body of the ruling Communist Party, was quoted by state media as saying on Friday.

Markets are awaiting more government stimulus at the annual agenda-setting "Central Economic Work Conference" later this month.

Summary

- Nov CPI -0.5% y/y vs -0.2% in Oct
- Nov CPI -0.5% m/m vs -0.1% in Oct
- Nov PPI -3.0% y/y vs -2.6% in Oct

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China's Caixin Manufacturing PMI edges higher to 50.8 in December vs. 50.4 expected

News released on Jan 2024
Source: FXSTREET

China's Caixin Manufacturing Purchasing Managers' Index (PMI) increased slightly to 50.8 in December, compared with November's expansion of 50.7, according to the latest data released on Tuesday.

The data beat the market expectations of a 50.4 print.

"Output and new orders both increase at quicker rates...

...but firms maintain a cautious approach to employment."

"Inflationary pressures remain soft."

	USD	EUR	GBP	CAD	AUD	JPY	NZD	CHF
USD		-0.01%	0.02%	-0.07%	-0.08%	0.20%	0.06%	0.05%
EUR	0.02%		0.04%	-0.05%	-0.06%	0.22%	0.08%	0.07%
GBP	-0.02%	-0.04%		-0.09%	-0.13%	0.19%	0.04%	0.01%
CAD	0.07%	0.05%	0.08%		-0.01%	0.27%	0.13%	0.12%
AUD	0.08%	0.06%	0.10%	-0.01%		0.28%	0.13%	0.13%
JPY	-0.21%	-0.22%	-0.18%	-0.28%	-0.26%		-0.13%	-0.14%
NZD	-0.06%	-0.07%	-0.03%	-0.14%	-0.16%	0.16%		-0.07%
CHF	-0.05%	-0.04%	0.00%	-0.10%	-0.13%	0.18%	0.03%	

"Both supply and demand expanded as the market continued its upward trend, boosting production and sales. The subindexes for output and total new orders reached new highs since May and February, respectively, with particularly strong demand for consumer goods," said Wang Zhe, an economist at Caixin Insight Group.

"But overseas purchasing power remained limited, with the gauge for new export orders in contraction for the sixth consecutive month, despite a softer rate of contraction," Wang added.

On Sunday, China's National Bureau of Statistics (NBS) released the country's official Manufacturing Purchasing Managers' Index (PMI), which eased further to 49.0 as against the 49.4 contraction reported in November. The market consensus was for a 49.5 readout.

AUD/USD reaction to China's PMI data
The upside surprise in the Chinese Manufacturing PMI lends support to the Aussie Dollar, with AUD/USD bouncing off session lows of 0.6806 to now trade at 0.6817, up 0.08% on the day.

Australian Dollar price today
The table below shows the percentage change of Australian Dollar (AUD) against listed major currencies today. Australian Dollar was the strongest against the Japanese Yen.

Aluminium slides on easing supply fears and revised rate expectations

News released on Jan 2024
Source: Business Recorder

LONDON: Aluminium prices slumped on Thursday as raw material supply concerns eased and investor optimism over early interest rate cuts waned.

Three-month aluminium on the London Metal Exchange (LME) shed 1.5% to $2,279 per metric ton by 1125 GMT, heading for a third consecutive session of losses.

Aluminium prices hit their highest in eight months last week, partly owing to worries that shipments of bauxite, the raw material needed to make aluminium, would be delayed after an explosion in major producer Guinea.

The rally was fuelled by speculative Commodity Trading Advisor (CTA) funds, which are often driven by computer programmes, said Alastair Munro, strategist at broker Marex.

Munro said that CTAs drove aluminium higher last week, spurring short-covering in the market, but that he has been told there have been no bauxite shipment problems after the Guinea blast.

Copper, Aluminium retreat on profit-taking

The closure of the arbitrage window between the LME and China also contributed to weak prices, Munro added.

Also weighing on the metals market was uncertainty about when U.S. interest rates would be cut after minutes of the Federal Reserve’s last meeting provided few clues.

“As those bets on early rate cuts are being rejigged, metals are correcting. There’s a world of pain and uncertainty out there,” Munro said.

Helping to cap losses was a slight drop in the dollar index. A weaker dollar makes commodities priced in the U.S. currency less expensive for buyers using other currencies.

LME copper fell by 0.5% to $8,474 a ton.

The Yangshan copper premium dropped to $65.50 a ton, down 42% in only a month, indicating low demand for refined copper imports into China as domestic output grew.

LME nickel eased 0.8% to $16,280 a ton, zinc shed 1.3% to $2,553, tin was down 0.4% at $25,195 and lead was little changed at $2,046.50.

Oil Prices Projected to Remain Below $80 in 2024

News released on Dec 2023
Source: Oil Price

- ***The Reuters poll revised the average price forecast for WTI Crude to $78.84 per barrel, down from the previous $80.50 estimate.***
- ***Brent Crude prices are also expected to average lower at $82.56 per barrel, compared to the earlier forecast of $84.43.***
- ***Geopolitical factors may add volatility to oil prices, but overall demand growth is anticipated to be weaker in 2024.***

Expected weak global economic growth would slow oil demand growth next year, keeping the average U.S. benchmark oil price at below $80 per barrel, according to the monthly Reuters poll in which analysts revised down their forecasts for 2024 from last month’s projections.

The price of the U.S. benchmark, WTI Crude, is expected to average $78.84 per barrel in 2024, the Reuters poll of 34 analysts and economists showed on Friday. This month’s consensus price forecast is revised down from November’s poll, in which the experts expected West Texas Intermediate to average $80.50 a barrel next year.
Brent Crude prices are now expected to average $82.56 per barrel next year, down from the $84.43 consensus forecast in last month’s poll.

In the December survey, only one of 34 contributors said they expected the average Brent Crude prices to be above $90 per barrel in 2024.

This year, the price of Brent Crude has averaged $82.17 per barrel.

Early on Friday, the front-month Brent Crude contract was trading slightly higher on the day on the last trading day of the year. Brent is set to end 2023 below the $80 per barrel mark, falling by around 10% this year compared to 2022—the first annual decline in oil prices since 2020, when the pandemic crushed oil demand.

This year, concerns about economies and oil demand combined with higher-than-expected non-OPEC+ supply growth to depress oil prices, which have largely shrugged off the OPEC+ supply cuts and the Hamas-Israel war.
But next year, geopolitical flare-ups could provide support to oil prices with the potential of increased volatility, according to the respondents in the Reuters poll this month.

But demand growth may be weaker, some of them said.

“From the demand side we do not expect much impetus in the months to come,” Thomas Wybierek, an analyst at NORD Landbk, told Reuters.

UK Executives Urge BOE to Cut Rates After Confidence Sinks Lower

News released on Jan 2024
Source: Bloomberg

British company executives urged the Bank of England to slash interest rates soon to prop up the flagging economy after “depressed” confidence sank to a four-month low.

Mounting recession fears helped drive the Institute of Directors’ Economic Confidence Index down to minus 28 in December from minus 21 the previous month, hitting the lowest level since August and close to 2023’s low. The survey measures directors’ optimism about the UK economy for the next 12 months.

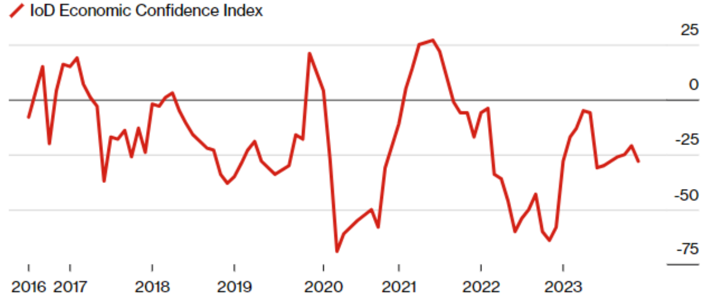
There’s growing speculation that the BOE will be forced to cut rates as soon as May as policymakers switch their focus from high inflation to a stagnant economy.

Investors are increasingly betting on an early cut, a sharp contrast with the central bank’s message that borrowing costs need to stay higher for longer to curtail inflation that’s still almost double its target. Markets now expect as many as six quarter-point cuts by the end of 2024.

A small contraction in the third quarter of 2023 and a drop in GDP in October leaves the UK needing to catch up in November and December to avoid suffering a technical recession — two consecutive quarters of falling output. A recession would hand opponents of Conservative Prime Minister Rishi Sunak a key attack line ahead of an election this year with his party well behind the opposition Labour Party in the polls.

“With inflationary pressures abating, business is in dire need of a boost if it is help drive meaningful economic growth in 2024,” Barker said. “Although aspects of the business environment have improved in the last couple of months, particularly with regard to inflation, this is not yet exerting a meaningful impact on business decision-making.”
While directors’ confidence in the economy slipped in December, their confidence in their own business grew, the survey showed.

Sinking UK Business Confidence Spurs Interest Rate Cut Calls



Source: Institute of Directors

Thank You!