



The Baltic Dry Index (BDI) is an index of dry bulk shipping rates and it is a leading economic indicator. It is often used by stock analysts, fund managers and economists to make predictions in stock prices and economic growth.

What is dry bulk?

Dry bulk includes commodities such as iron ore, grain and coal. Such commodities are the primary inputs for manufactured goods and therefore the demand for bulk shipping serve to give an early indicator of economic conditions to come.

Why not track the demand for commodities directly?

Commodities are a very diverse basket of products with many individual buyers and sellers. They are prone to speculations and supply problems, which can distort prices in the short to medium term. The true demand for commodities is thus very difficult to determine.

Why is the BDI such a good indicator of commodity demand?

The BDI is a relatively stable index, as it is an index of actual shipping rates for physical commodities and it is thus much less prone to market speculation. Furthermore, since it takes two years or more for a ship to be constructed, the supply of bulk carriers is more or less fixed in the short term and does little to affect spot rates for bulk shipping.

What stocks benefit from a rising BDI?

A rising BDI is directly favourable to bulk shipping companies (such as STX Pan Ocean and Mercator). It is indirectly favourable to container shipping companies and shipbuilding companies (such as COSCO Corp and Yangzijiang). Correspondingly, the stock prices of such companies can be expected to rise in conjunction with a sustained increase in the BDI. In the broader sense, a sustained increase in the BDI suggests that the world economy is expanding.