MEDI SUPRA POOL
Management Limited

March Market Report

06-04-2017

General Comments

March was an exciting month, we saw USD 10,000 fixed on an Ultra and USD 11,500 fixed on a Kamasarmax for 1 year respectively so its fair to say that things are looking better on the spot. Although we start this report of on a positive note, the fact remains that there are still a lot of negatives out there which need to be considered carefully. The market has come from a very low level and yes the market is firm, commodity prices are strong and demand is strong. However sentiment has played its part and the fact remains that in March we have had a lot of inefficiencies happen simultaneously which to top up it off this has co-incided with financial Year ending in Asia, a strong aussie grain and an earlier than expected start of the SAmerica grain season. We still remain optimistic but we do feel there will come a correction and could imagine the Pacific market settling around USD 8,000-9,000 for the Supramax/Ultramax.

Strong Dry Cargo deliveries in March saw 54 vessels comprising 2 VLOC, 9 Capesize, 5 Post Panamax, 11 Kamsarmax, 19 Supra/Ultramax and 8 Handysize hit the water. So far this year deliveries are only marginally less than in Q1 2016 whilst scrapping is only a fraction of last year's figures with total demolition
For Q1 standing at 67 vessels (2 VLOC, 9 Capesize, 1 Post Panamax, 14 Panamax, 18 Supramax and 21 Handysize). Deliveries look set to taper off in the second half of the year.

Trade Flow Update

Iron Ore - Iron ore prices are looking weaker on the back of cocnerns that Chian is producing too much steel.

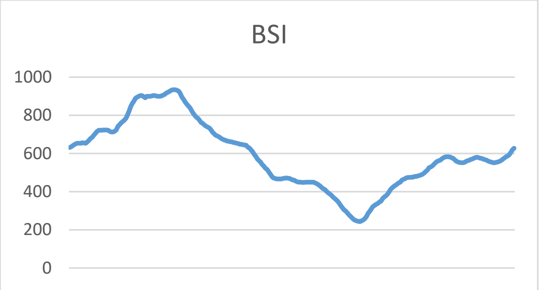
Grain - U.S. farmers plan to seed a record amount of soybean acreage this spring, even with supplies trending near all-time highs, but wheat seedings will fall to the lowest on record, the government said on Friday. Growers will dial back their corn seedings this spring despite signs of firm demand as record stocks have cast a bearish tone over the futures and cash markets this year, threatening profitability for farmers. The U.S. Agriculture Department said in its prospective plantings report that U.S. soybean plantings were expected at 89.482 million acres. If realized, that would top last year's soybean acreage of 83.433 million, which is the biggest to date. Corn plantings were seen falling 4.3 percent to 89.996 million acres.

After plentiful rains and favourable growing conditions Australia has recorded a bumper wheat harvest, expected to be around 35mt. Exports are also likely to hit record highs of 25mt up nearly 9mt on last year's figure. The Far East and South East Asia will take the lion's share of this additional wheat (last year's proportion was 70%); though imports to the Middle East are also set to rise from the 3mt in 2016. There is evidence of more wheat moving to East and West Africa whilst certain grades are destined for the Continent. Global wheat production is set to hit a record high of 751mt in the 2016/17 growing season with world consumption estimated at 741mt.

Coal –Port disruptions in Indonesia and a cyclone hitting mines in Australia have tightened Asia's coal markets in March, while demand in China and other key import markets remains strong, lifting prices. Thermal coal cargo prices for export from Australia's Newcastle port have risen by more than 11 percent since March 10, partly reversing a steep decline since last November. The price jump has been driven mainly by an Indonesian government graft probe at ports in its East Kalimantan province, which had lead to a rise in congestion. The delays come as demand remains strong in China, by far the world's biggest coal consumer, after a crackdown on mining led to a 1.7 percent year-on-year drop in domestic output in the first two months of the year.

Steel - The North-eastern Chinese province of Liaoning has promised to close more than 10 million tonnes of low-grade steel capacity by the end of June this year as part of its efforts to clean up the sector, the official Liaoning Daily reported on Tuesday. That is 20% of total volume which china promised to cut off.
HOWEVER Chinese Steel Production figures for January-February 2017 are up 7.7mt y-o-y which on the face of it looks positive but they still lag 2014-15 levels and provide more evidence that Chinese Steel Production is flattening out at around current levels.

Oil - Kuwait has followed the likes of Iran and Azerbaijan by confirming yesterday they also would back an extension of the OPEC production cuts into the second half of the year. The country's oil minister, Essam al-Marzouq, told the state-run news agency KUNA yesterday that Kuwait was among several nations that are supporting the extension, which will leave the market feeling more optimistic that an extension will be agreed upon by OPEC in May. A Saudi Arabian energy official said, March exports from the Kingdom to the US would fall by around 300,000bpd from February levels, and hold there for a few months in efforts to draw down US inventories. Saudi Arabia has been the biggest contributor to OPEC's production cuts, keeping the compliance level high for the organisation. On Sunday, a statement was released by OPEC to confirm that a joint committee of ministers from OPEC and non-OPEC producers will meet to review whether the cut should be extended by a further 6 months. A review is expected to take place in April, and no decision will be made until after that.



FFA	Current	Last report
Short Period (Pac)	9500	8000
1 Year Period (Pac)	9000	8000
Q2 FFA	9500	9200
Q3 FFA	9500	8500
Cal' 18 FFA	9250	8900

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$317/ton	US$328/ton
Fuel Oil (Sing 380)	US$315/ton	US$295/ton
Coal (Newcastle)	US$84/ton	US$82/ton
Iron Ore (London)	US$68/ton	US$89/ton

Pool Performance	Pool	Index
Sep-16	5034	6769
Oct-16	4887	6852
Nov-16	4706	7761
Dec-16	6369	9374
Jan-17	8206	7347
Feb-17	6616	7136
Mar-17	6150	8685

Note all the above figures are net and the Pool result is based on a BSI vessel (Tess 52).

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Detailed Supramax Analysis

In March, the Pacific market was hot and we were in one of these rare circumstances were the Pacific market was on pair with the Atlantic. Aussie grain continued to be strong and despite the strict cleanliness requirements at load ports, on voyage it dosent pay the justified premium, but on TC generally pays USD 1,000-1,500 above a normal Aussie round. Steel exports have continued to remain low to Seasia and to the Atlantic, Polution continues to remains a relevant/present issue in China. The steel Bhaul market has been very quiet and the Backhaul rates are around USD 1,000-1,500 per day. SE Asia Coal has been quiet the front end of the month but things have started to improve drastically and rates are on the up. The market is USD 8,000-9,000 dop Singapore. The India market is still commanding a premium of USD 1,500-1,750 to the SEAsia market and has started to show signs of life. The NOPAC grain market has rebounded and TC rates are now at USD 8,500 ex Shanghai and similar to last month if you wish to book voyage you must discount 1.50pmt under the spot market.

Sand into Singapore is moving although not at the volume we were expecting but this should come in the next month or two. Level-wise this is still being fixed at a small discount to the spot SEAsia market, as it remains quick and positional.

India iron ore exports are increasing coupled with rising congestion in Rbay and strong coal demand, rates ex India finished the month at USD 8,500 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA has strengthened and rates are now around USD 8,000 - 9,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 12,750 + 275K BB APS. The US Gulf has also started pick up with increasing grain stems pushing the market. Rates are now at USD 18,500-19,500 fhaul market and the TA at USD 15,500-16,500. The USGulf period market has remained flat and the main driver continues to be operators with cargo on the books being squeezed to take numbers between USD 13,000-14,000 for redelivery wwide basis 4-6 months and USD 12,000 for redelivery Atlantic.

The Med has improved both in EMed and WMed for trips within Atlantic and Fhauls remain flat ex Black Sea fetching USD 12,000-12,500 ex canakkale and trips out of the Med and USD 7,000 to USA Dop with 1 or 2 days ballast and USD 9,000 to WAfrica.

The Continent has also firmed slightly. Scrap is paying USD 11,500 for trips into the Med and Fhauls altough very limited at USD 12,000. The Baltic RV is USD 8,000 but extremely limited.

Pool View Strategy and Positioning

In the month of March we have had 17.16 days off hire which are mainly view to the Dry docking of the MV MEDI MANILA.

We continue to remain imbalanced between the two basins, the Pacific Ocean (11) and Atlantic (4) vessels and we have fixed 6 out on short/medium period.

The period market in March has shown a lot of improvement and market has moved from 8,500/10,000 on an Ultramax towards the end of the month. The Atlantic basin is still comanding a premium of USD 1,250 for 8-13months period deals rates are around USD 9,000 in the Pacific and provided you can grant the wide optionality that the Charterers require.
In March we took one vessel for period and we will continue to see where we can pick up good deals and even though we are long we are keen to lengthen a little more provided we get big spreads and flexibility on the cargo/trading. We are still overall long for 2017 and are happy with the position and will take coverage when we see fit.

In respect of cargo we continue to focus on the nearby and at present only see merit in taking cargo that are Bhaul oriented within the specific basin or cross basin.

In March we have not hedged any Bunkers, nor sold or bought any FFA.

Some cargoes booked in March: N/A

Tonnage fixed in for more than 2 legs in March:
POSEIDON SW 56KDWT open Chittagong at USD 8,500 abt 3 to abt 6 months.
DARYA PADME 60KDWT open Chittagong at USD 9,500 4 to abt 7 months.

Tonnage fixed out for more than 2 legs in March:
MEDI ASTORIA, 60KDWT fixed out for 9-12 months at USD 10,000.
MEDI AERO, 58KDWT fixed out for 9-12 months at USD 9,800.
IMPERIAL FORTUNE 53dwt fixed out for balance of period at USD 11,500.