MEDI SUPRA POOL
Management Limited

May Market Report

12-06-2017

General Comments

In a small section in Tradewinds earlier this month there was an article about a small Greek owner "Sea Pioneer" who resold a Fukuyama built Japanese Kamsarmax with delivery Aug 2018 for USD 29 Million to an unknown buyer. Unfortunately the Owner refused to comment about the sale, but if true, this would cap a remarkable recovery in new build prices and dwarfs most of the other news in the paper!

The spot bulk sector unfortunately not taking any notice of such high S&P numbers and has reduced considerably in all sectors in May.

This month I would like to highlight the importance of Rightship in the shipping enviroment today and the urgency of following up every Port state control whether its relates to deficiencies or detention. We are facing tougher and tougher vetting requirements in the market from our Charterers, which will require all of us to work together not to lose business and avoid having vessels appear 2 stars in Rightship, when the reality is different.

In the last month we have lost subs on 3 vessels view their Rightship status of 2 stars, which could have been avoided had the owner and master followed up with Rightship and completed the route analysis required, after the PSC inspection. As a Pool manager we can understand both owners and charterers point of view, but the fact remains Rightship is here to stay and in a falling oversupplied market we need to make sure that we do not give the Charterers an excuse to NOT fix the pool vessels. Should you have any questions or queries please dont hesistate to ask and we will always try and assist you best possible.

Trade Flow Update

Iron Ore - China's iron ore imports rose 5.5 percent in May from a year earlier, recovering from a six-month low in April, as mills in the top steelmaking nation scooped up more raw material as they posted strong profits.
Imports of iron ore last month reached 91.52 million tonnes, according to data from the General Administration of Customs on Thursday, up from 86.75 million tonnes a year ago and April's 82.23 million tonnes, the lowest since October 2016. Stockpiles of imported iron ore at China's major ports remain close to 13-year highs.

Grain - Monthly soybean exports from Brazil in April at 10.4mt hit a new high with total exports at 23.8mt for the first four months, running ahead of last year. At 19.2mt China was the destination for 81% of all shipments. Though USDA forecasts predict a very strong 61mt for the October 16 – September 17 crop year, there is evidence of slowing sales to China due to negative domestic crushing margins, a reluctance of Brazilian producers to accept current prices and, significantly, China's decision to lower the import tax on agricultural products from 13% to 11% planned from July. The reduction in import duties, once affected, should be positive for grain imports into China in the future.

Coal – Coal output in China continued to recover in May, pushing down prices as demand remained weak, the Xinhua News Agency reported Saturday, citing data from the National Bureau of Statistics (NBS). Production of the fuel rose 12.1 percent year-on-year to 300 million tons last month, NBS data showed.
The growth rate was 2.2 percentage points higher than in April, and it was the third straight month of increase.
In the first five months of the year, combined coal output expanded 4.3 percent year-on-year to 1.4 billion tons. Coal imports continued to climb, rising 16.6 percent year-on-year to 22.2 million tons in May.

Steel - China property sales dropped significantly across several tier cities over the past month. In some cases, more than 40% y/y. The reason for highlighting is Two primary reasons. Firstly, property sales lead steel-intensive construction by 6 months. Secondly, Chinese steel prices tend to lead Americas steel prices by 1-2 months. Which indicates that we will continue to see a slowdown in steel and property.

Oil - China's crude oil imports rebounded to the second highest on record in May, making China the world's top buyer for the month amid concerns over tightening crude supply to Asia and an extension of producer cuts to March next year. China imported 37.2 million tonnes or 8.76 million barrels per day of crude oil last month, up 15 percent from a year earlier and nearly 8 percent from April, data from the General Administration of Customs showed. Imports compared with average shipments to the United States in May of 8.12 million bpd, according to Reuters calculations based on EIA weekly data.

FFA	Current	Last report
Short Period (Pac)	8000	9500
1 Year Period (Pac)	8000	9000
Q3 FFA	8650	8350
Q4 FFA	9300	8750
Cal' 18 FFA	8500	8600

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$308/ton	US$316/ton
Fuel Oil (Sing 380)	US$305/ton	US$321/ton
Coal (Newcastle)	US$75/ton	US$84/ton
Iron Ore (London)	US$54/ton	US$70/ton

Pool Performance	Pool	Index
Jan-17	8871	6823
Feb-17	7157	6917
Mar-17	6708	9173
Apr-17	8872	9025
May-17	9020	8267
Jun-17		
Jul-17		

Note all the above figures are net and the Pool result is based on a BSI vessel (Tess 58).

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Detailed Supramax Analysis

In May, the Pacific market started to detoriate significantly. Aussie grain started to quiet down, and when a cargo is available generally the Charterers are getting away with murder and the subsequent owner being forced to pay USD 1,000-1,500 above a normal Aussie round. Steel exports have continued to remain low both to SEAsia and to the Atlantic. Coastal coal has continued to ease which is releasing the ships back into the international markets putting rates under pressure. The steel Bhaul market has remained very quiet and the Backhaul rates are around USD 3,000- 3,500 per day. SE Asia Coal slowed down a lot in May which was expected. The market is USD 8,000-8,500 dop Singapore. The India market is still commanding a premium of USD 1,500-1,750 to the SEAsia market. The NOPAC grain market has also started to ease and TC rates are now at USD 7,500 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 and the COA's are up for grabs but at rates eqv to USD 5500 ex Hong Kong for loading out of Vietnam which is very cheap and with a few days of bad weather looking very miserable. 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 slowing down as we are approaching monsoon season in May, Rbay is still moving along. Rates ex India finished the month at USD 8,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA has towards the end of the month started to show a lot of weakness and rates are now around USD 6,000 - 7,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 12,500 + 250K BB APS. The US Gulf continues to stay healthy and the dips we see are short term. Rates are now at USD 18,000-20,000 fhaul market and the TA at USD 13,500-14,500. 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 11,500-12,000 for redelivery wwide basis 4-6 months and USD 10,500 for redelivery Atlantic.

The Med has started to come off both in EMed and WMed for trips within Atlantic and Fhauls have also eased ex Black Sea fetching USD 13,000-14,000 ex canakkale and trips out of the Med and USD 7,000 to USA Dop with 1 or 2 days ballast and USD 10,000 to WAfrica.

The Continent has dwindled a little but supply remains short. 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 May we have had 18.44 days off hire. 5.84days were on the MEDI LISBON which was dus to a windlass problem at discharge port. The remaining days were on the MEDI HAKATA which struck a sandbank on the way to discharge port in China and will need to stay in dry dock for some 35-45 days.

We are balanced when looking at the two basins, the Pacific Ocean (6) and Atlantic (5) vessels and we have fixed 14 out on short/medium period. However we will receive 2/3 vessels back towards the end of June/July which we will focus on repostioning into the USGulfQ4 grain harvest.

The period market in May slowly eased and we saw Ultramax fetching USD 9750 - 10,250 for 9-12 months towards the end of the month. The Atlantic basin is still comanding a premium of USD 1,500 for 8-13months period deals rates are around USD 9,000-10,000 in the Pacific, provided you can grant the wide optionality that the Charterers require.
In May we did not take any more vessels for period and we are presently waiting for the summer lul which we expect in June/July, where 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 unless they are niche trades..

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

Some cargoes booked in May:
42010MT of bulk cement from Med to USEC.
42010MT of Clinker from Japan to WAfrica.

Tonnage fixed in for more than 2 legs in May: N/A.

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