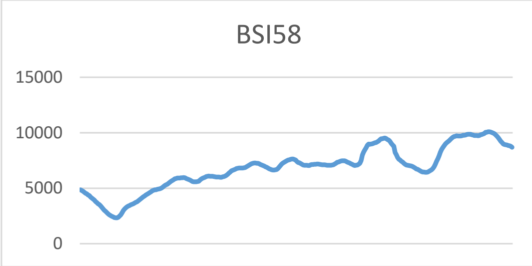
MEDI SUPRA POOL
Management Limited

June Market Report

12-07-2017



FFA	Current	Last report
Short Period (Pac)	9000	8000
1 Year Period (Pac)	9250	8000
Q3 FFA	9100	8650
Q4 FFA	9450	9300
Cal’ 18 FFA	8750	8500

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$330/ton	US$308/ton
Fuel Oil (Sing 380)	US$304/ton	US$305/ton
Coal (Newcastle)	US$81/ton	US$75/ton
Iron Ore (London)	US$66/ton	US$54/ton

Pool Performance	Pool	Index
Jan-17	8871	6823
Feb-17	7157	6917
Mar-17	6708	9173
Apr-17	8872	9400
May-17	9020	8267
Jun-17	7697	7557
Jul-17		

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

General Comments

Never a dull moment trying to read the freight market. The Capesize 5TC spot has fallen to USD 7,746 but the Panamax has climbed back from low 6,000’s to 9,114 in 10 days.

Steel prices in China are climbing while iron ore prices are falling - apparently only the 2nd time in the last 5 years this phenomenon is happening. Why ? Steel production in China is actually reducing a little due to the continued government enforcement of ceasing poor quality steel production, while domestic demand stays steady to firm and exports start climbing again. On top of this there is an estimated oversupply of 100 Mill MT of iron ore and stockpiles in China are at a record of over 140 Mill MT. The iron ore prices is hovering in the low 50’s PMT which unfortunately means much of the marginal mines are out of the money again and this has a negative effect on the smaller ships.

Just over 4 mln mt deadweight delivered during June representing 51 vessels (3 VLOC 4 Capesize 1 Post Panamax 11 Kamsarmax 22 Supra-Ultramax and 10 Handysize). By contrast demolition figures were less than 1mt deadweight as only 20 vessels headed for scrap - 1 Capesize , 3 Panamax , 8 Supramax and 8 Handysize. Net fleet growth for this year now stands at 19mt, nearly 14mt ahead of the half year point in 2016.

In the month of June we have started to distribute earnings every 15days, this is something we will be testing in the coming months. The reasoning behind this is we realize how important cash flow is in todays market and as a pool the objective for us is to maximise earnings and distribute as much cash as possible to the participants. If you have any comments and or questions to this please contact the Pool Manager.

Trade Flow Update

Iron Ore - Citi bank has been very vocal in June about iron ore and has cut its spot price forecast for 2018 to $US50 a tonne, but noted in the next six to eight months it could well be mired in the low $US40 range. Citi's supply balance sheet reflects a 100-million-tonne surplus in China this year, on top a 60-million-tonne surplus last year. There is a substantial tail-wind in supply with big expansion projects from Brazil's Vale and Gina Rinehart's Roy Hill hitting their straps. Citi argues only a price collapse will arrest the flood of iron ore hitting China's already over-burdened ports and a price below $US45 a tonne is needed to bring the market back into balance.

Grain - The price of grain surges as farmers in Australia and North America battle dry conditions and are forced to delay sowing.

Coal – The world's biggest coal users China, the United States and India have boosted coal mining in 2017, in an abrupt departure from last year's record global decline for the heavily polluting fuel and a setback to efforts to rein in climate change emissions.
Mining data shows that production through May is up by at least 121 million tons, or 6 percent, for the three countries compared to the same period last year. The change is most dramatic in the U.S., where coal mining rose 19 percent in the first five months of the year, according to U.S. Department of Energy data.

Steel - China's steel output rose 5.7 percent in June to a record 73.23 million tonnes, data showed on Monday, as mills in the world's top producer ramp up production due to fat profits from rallying prices. The numbers come amid a trade dispute with the United States, which says China has flooded international markets with cheap aluminum and steel. June's total surpassed April's monthly record of 72.78 million tonnes, fuelling worries of a growing glut.
In the first half of this year, steel output totaled 419.75 million tonnes, up 4.6 percent from the same period in 2016, data from the National Statistics Bureau showed.

Oil - Last month, the Organization of the Petroleum Exporting Countries and other producers extended the output cut deal for nine months. But the global crude glut has persisted, with output rising in Libya and Nigeria, OPEC members exempt from the cuts. In the United States, heavy oversupply in gasoline stocks has caused demand on the Colonial pipeline to hit a six-year low. Crude output is still increasing in the United States, where some shale producers can profit even if oil prices drop below $40 a barrel. Oil stocks in Europe's Amsterdam-Rotterdam-Antwerp hub hit 64.2 million barrels in the week to June 16, the highest in a year, according to data from industry monitor Genscape.

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Detailed Supramax Analysis

In June, the Pacific market continued to ease which was shown clearly through the index this month. Aussie grain was quiet and not much activity on that front, however the cargoes there are still commanding 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 b ack into the international markets contniuing to put rates under pressure. The steel Bhaul market has remained very quiet and the Backhaul rates are around USD 2,000- 3,000 per day. SE Asia Coal reamins quiet although towards the end of the June activity started to increase. 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 USD 1,000 under the spot market.
Sand into Singapore is moving and the COA's have been fixed 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 quiet but have started to look a little better towards the end of the month. However monsoon is still previaling and we will need ot wait 1-2 months until activity increases. Rbay is still moving along and cargoes are moving. Rates ex India finished the month at USD 7,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for FH june was dismal the rates are around USD 5,000 - 6,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 12,000 + 200K 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 12,500-13,500. 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 flat from May 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 5,000 to USA Dop with 1 or 2 days ballast and USD 8,000 to WAfrica.

The Continent has eased a tad more but supply still remains tight. Scrap is paying USD 10,000 for trips into the Med and Fhauls altough very limited at USD 12,000. The Baltic RV is USD 7,000 but extremely limited.

Pool View Strategy and Positioning

In the month of June we have had 60.56 days off hire. The majority of this is in relation to the dry dock for the MV MEDI MANILA and MEDI HAKATA.

We are relatively balanced when looking at the two basins, the Pacific Ocean (11) and Atlantic (4) vessels and we have fixed 10 out on short/medium period. However we will receive 2/3 vessels back towards the end of July which we will focus on repostioning into the USGulfQ4 grain harvest.

The period market in June has slowly eased and we saw Ultramax fetching USD 9,250 - 9,500 for 9-12 months, the Atlantic basin is still comanding a premium of USD 1,500 for 8-13months. Period rates are around USD 8,000-8,500 in the Pacific(Tess58), provided you can grant the wide optionality that the Charterers require.
In June we took two vessels for period and we will continue to monitor the market and look for opportunities, we are still 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 June we have hedged 900MT of IFO for the two cement cargoes at USD 265 basis Rotterdam. Otherwise we have not sold or bought any FFA.

Some cargoes booked in June:N/A.

Tonnage fixed in for more than 2 legs in June:
POSEIDON SW dely China, for abt 4 to abt 8 months.
IMPERIAL FORTUNE dely Paradip, for abt 7 to abt 10 months .

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