MEDI SUPRA POOL
Management Limited

# October Market Report

12-11-2017

## General Comments

October was no let down in terms of volume and ratewise it has been an active month. Looking forward we are still optimistic and feel that 2018 will be a strong year. However during the next two months we do expect some volatiltiy, this is due to a number of reasons, coal demand in China is waning as Hydro is strong and the weather warmer than usual. The Chinese government is trying to restrict coal usage in the winter period to reduce pollution and seem to be acheiving this through their quota system. Fresh grain demand is also slow to materialize as well as the silos are quite full and prices high.
Grain houses and Broking houses have been very confident on the Cape market hitting high 20's and that we wil see a push November again on the grain, but now we see they are not so sure and the November market is starting to falter. Anyway the cargo count is very good across the board, we have recently seen more cargoes quoted than at any point in the last three months. The issue is ships – there are too many getting open at the same time and too many in general for the demand.

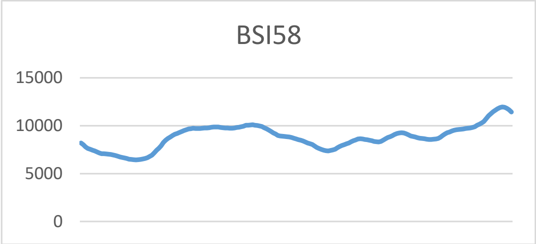
## Trade Flow Update

Iron Ore - Iranian exports of iron ore in the first seven months of the Iranian year (April-October) were 11.8% higher year on year at 11.09 million mt, mines and metals state holding company Imidro said. The exports had a value of $612 million, up 60.6%. Iran imported 193,000 mt of metallurgical coal and coke in the period, 27% higher. Imports of met coal were expected to increase further following a fatal explosion in one of the country's main coal mines in May, which shut the operation. Iron ore exports will reach 20 million mt or more in the current Iranian year (to March 2018).
Most of the exports are from large state miners and private mines do not play a significant role in the export business. China is the main target market for Iranian iron ore, taking more than 90% of the country's iron ore export shipments.

Grain - Over the past 2 years, global soybean exports have risen 20 million tons, supplied exclusively from Brazil and the United States. This pattern of export growth reflects the dominance of both countries in production and trade as well as the buying patterns in China which accounts for nearly two-thirds of global soybean trade. The share of export growth captured by Brazil and the United States varies from year to year depending on relative prices and the quantity of exportable supplies. Over the past 5 years, Brazil has captured a greater share of global export growth, 49 percent versus 40 percent for the United States. This trend reflects Brazil's larger production growth and smaller domestic market for soybean products. On the demand side, China remains the driver in soybean trade based entirely on the magnitude of its consumption. With that said, growth in demand in markets outside China and the EU have also been strong on a percentage basis. Increased supplies of rapeseed, sunflowerseed, and grains in the EU have slowed the demand for imported soybeans in recent years. Over the next year, forecast calls for global soybean demand to Continue expanding, with imports rising 5 million tons to nearly 149 million tons. While emerging markets such as Egypt, Pakistan, and Vietnam are forecast to have strong growth in their imports, China is still forecast to account for more than half of the increase in demand, albeit at a slower growth rate. Given the recent trend in exports, it is likely that this increase in global demand will be split between the United States and Brazil, with export shares dependent upon relative availability of supplies in each country.

Coal – Over a quarter of the 1,675 companies that owned or developed coal-fired power capacity since 2010 have entirely left the coal power business, according to new research from CoalSwarm and Greenpeace. This represents nearly 370 large coal-fired power plants – enough to power around six United Kingdoms – and equivalent to nearly half a trillion US dollars in assets retired or not developed.
While many generating companies go through this rapid makeover, the research also shows that a total of 23 countries, states and cities will have either phased out coal-fired power plants or set a timeline to do so by 2030.

Oil - Asian oil importers, who have enjoyed a few years of low crude prices and used the opportunity to introduce drastic policy reforms, are starting to brace for sleepless nights as rising prices have started to push up inflation, although the climb so far is not steep enough to make a dent on oil demand. Analysts and market participants are of the view that if crude oil, which has recently hit two-and-a-half-year highs, rises further, countries like India and China might need to rethink if some key fiscal reforms undertaken in recent years would have to be tweaked -- for instance, consumption taxes -- in an effort to soften the impact of rising global oil prices. "We are already seeing a rise in energy prices boosting headline -- although not core -- inflation in some Asian economies," said Vishrut Rana, Asia Pacific Economist at S&P Global."But oil prices have not yet risen to that extent where they will start to affect Asian economies in a measurable way. There is unlikely to be any demand destruction at current price levels. But if oil prices rise further, current accounts will begin to come under pressure."




| FFA | Current | Last report |
|---|---|---|
| Short Period (Pac) | 9500 | 12000 |
| 1 Year Period (Pac) | 9500 | 10500 |
| Q4 FFA | 10500 | 11500 |
| Q1 FFA | 9400 | 9600 |
| Cal' 18 FFA | 9700 | 9550 |

| Commodities | Current | Last Report |
|---|---|---|
| SoybeanMeal (CBOT) | US$320/ton | US$322/ton |
| Fuel Oil (Sing 380) | US$365/ton | US$345/ton |
| Coal (Newcastle) | US$100/ton | US$97/ton |
| Iron Ore (London) | US$62/ton | US$63/ton |

| Pool Performance | Pool | Index |
|---|---|---|
| Jan-17 | 8871 | 6823 |
| Feb-17 | 7157 | 6917 |
| Mar-17 | 6708 | 9173 |
| Apr-17 | 8872 | 9400 |
| May-17 | 9266 | 8267 |
| Jun-17 | 7754 | 7557 |
| Jul-17 | 7947 | 8349 |
| Aug-17 | 8778 | 8556 |
| Sep-17 | 9728 | 10334 |
| Oct-17 | 10060 | 11206 |

**Note all the above figures are net.**

### Detailed Supramax Analysis

In October, we have seen an extremely active Pacific market, the main drivers continue to be the Nickel ore and coal. The Nopac grain is now fully present in the market and being active but not to the extent that we were expecting. Aussie grain has started to show slowly but we do not forsee this to be in full swing until Jan onwards, however the cargoes there are still commanding USD 1,000-1,500 above a normal Aussie round view the cleanliness required. Steel exports remain stable however the majority being bhaul to the USGulf and with an increase of export from Korea as China is consuming more and more steel. China Coastal coal freight rate has increased and remains high, which in turn has been keeping the Chinese flagged vessels of the international market. The Bhaul market is having to pay up for vessels to leave the Pacfic, as owners are preferring to stay in the Pacific view the high rates, this has meant the levels have increase to around USD 5,750-6,750 per day. SE Asia Coal reamins strong and we have seen a continued strong activity in China and India. The market is USD 14,000-15,000 dop Singapore. The India market is still commanding a premium of USD 1,500-1,750 to the SEAsia market. The NOPAC grain market is getting more and more busy, TC rates are still at USD 10-11,000 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 unchanged and remains a low paying cargo that is quick and positional.

India iron ore exports are stong and keeping the WC & EC busy. Rbay is also busy and market is firm. Rates ex India are at USD13,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for Octoder has styaed strong and rates are now around USD 12,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 14,500 + 450K BB APS. The US Gulf continues to stay volatile and the dips we see are short term. Rates are now at USD 23,000 fhaul market and the TA at USD 17,500-18,500. 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 14,500-15,000 for redelivery wwide basis 4-6 months and USD 14,000 for redelivery Atlantic.

The Med has stayed strong both in EMed and WMed for trips within Atlantic, and Fhauls have also started to increase with rates ex Black Sea fetching USD 19,000-20,000 ex canakkale and trips out of the Med and USD7,500 to USA dop with 1 or 2 days ballast and USD 13,000 to WAfrica.

The Continent has stayed strong and supply remains extremely tight. Scrap is paying USD 15 ,000 for trips into the Med and Fhauls altough very limited at USD 19,000. The Baltic RV is USD 10,000 but extremely limited.

### Pool View Strategy and Positioning

In the month of October we have had 0.33 days off hire for the pool vessels however there is nothing major to report and the time lost was due to two crane issues on two vessels. In respect of the POSEIDON SW which we mentioned in the August and September report the vessel was offhire for a total of 37.61days and there were no financial implications for the pool in connection with this.

We are relatively balanced when looking at the two basins, the Pacific Ocean (11) and Atlantic (5) vessels and we have fixed 11 out on short/medium period. However we will receive 1/2 vessels back towards the end of Q4 which we will focus on short period to get us through Q1.

The period market in October has firmed again month on month and we have seen Ultramax fetching USD 11,500 - 12,000 for 9-12 months, the Atlantic basin is still comanding a premium of USD 1,500 for 8-13months. Period rates are around USD 10,250 - 10,500 in the Pacific(Tess58), provided you are flexible on the terms and optionality.
In October we have not taken any vessels for 2/3 llegs. 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 2018 and are happy with the position and will continue to take coverage when we see the right opportunities.

In respect of cargo we continue to focus on the nearby and at present only see merit in taking cargo unless they are niche trade or Bhaul trades. Similarily to a year ago the COA's offered for next year are going at heavily discouted rates and as such we have not taken any new COA for next year.

In October we have not hedged any bunkers nor sold or bought any FFA.

Some cargoes booked in October: 45000MT of bulk cement from Turkey to Houston, shipment FH Nov 17.

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

Tonnage fixed out for more than 2 legs in October: MEDI ROMA dely ex yard, 30 Nov 2017 at USD 12,000.