

General Comments

The Christmas and New year period brought no surprises this year. The market came to a standstill on all sectors with cape the most affected by the quietness – Transpacific RV fell to a low of USD 7,000 from the high of 30,000 some days earlier. Spot cape average is now 15,125. So far people have been very slow to give out their ships and positions here in January, but If the FFA market and sentiment is a barometer of things to come, the outlook remains firm and bullish.

Recently released Chinese Steel Production figures appear on the face of it very positive for the freight market. Not only do they show a 4.7% rise in output to a record 845mt but with steel exports falling from 109mt in 2016 to 76mt last year, Chinese demand for steel effectively increased by 72mt (+10%) y-o-y. Buoyed by significant internal infrastructure and domestic housing projects steel prices also rose by around 25% and even though government initiatives to reduce emissions in certain industrial cities will undoubtedly have weighed on the reduced November/December 2017 monthly production, they are almost identical to 2016 output figures. But amid all this optimism stockpiles of often poorer quality ore now top 150mt and will have to be absorbed at some point; whilst a breakdown of Chinese steel production figures last year reveals blast furnace output only increasing by 20mt (+3% yoy) to 715mt whilst electric arc steel production using recycled steel almost matched that figure rising by 18mt (+16%) to 130mt. If China's Ministry of Industry and Information Technology's recent announcement that it will target the removal of 150mt of older inefficient steel making capacity becomes a reality, blast furnace's share of steel production will undoubtedly shrink.

Trade Flow Update

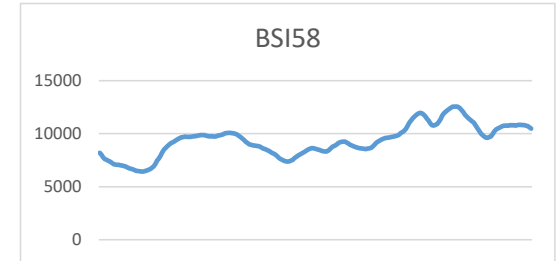
Iron Ore - Australia said it expects iron ore prices to average \$51.50 a tonne this year, down 20 percent from 2017, because of rising global supply and moderating demand from top importer China as its steel sector shrinks. The government projection is out of step with some private forecasts, with UBS and Citi calling for iron ore prices to average around \$64 a tonne in 2018 - flat on 2017's \$64.30 - with the market proving surprisingly resilient. Spot iron ore, currently around \$75 a tonne, last traded below \$52 in June 2017. The world's top three mining companies, BHP and Vale rely heavily on iron ore sales for the bulk of their revenue despite efforts to diversify more into other industrial raw materials, such as copper, aluminium and coal. Brazil-based Vale is planning to lift iron ore exports 7 percent in 2018 to 390 million tonnes. In Australia, Rio Tinto and BHP, along with Fortescue Metals Group aim to add about 170 million tonnes of new capacity over the next several years. The forecast price decline will continue into 2019, when the steelmaking raw material will average only \$49 a tonne, the department said in its latest commodities outlook paper.

Grain - Brazil continues to benefit from increased Chinese demand for its soybeans with exports to China up from 38.5mt in 2016 to 53.7mt in 2017 representing 79% of last years total soybean export. At present China seems to favour Brazilian over USA soybeans with 53% of its imports in 2017 sourced from Brazil compared to 46% in 2016 with USA falling back from 40% to 34% in the corresponding period; Q4 2017 export figures certainly illustrate this trend with Brazil's shipments to China up 5mt y-o-y whilst USA dropped back 4.5mt. Clearly Real weakness against the Dollar has made Brazilian product more competitive but other factors such as freight differential (at around \$42-43 US Gulf freight is \$10-12 more expensive than cargo shipped from South Brazil) and a higher protein content may be other reasons why Brazilian soybeans are currently favoured by Chinese buyers.

Coal – India's coal import increased by 12.4 per cent to 18.49 million tonnes (MT) in January, against 16.44 MT in the same month of the previous fiscal. On a month-on-month basis, however, there was a flat growth in non-coking coal, however met coal imports were up both on a yearly and monthly basis, thanks to the downtrend in January prices and the recent growth spurt in the Indian steel sector. Coal import (all type of coals) in January 2018 stood at 18.49 MT (provisional), higher than 16.44 MT recorded for January 2017

Oil - The North Sea oil industry is often seen as living on borrowed time, yet in the face of setbacks, including a pipeline outage in December and looming problems around Brexit, companies continue to talk up prospects for this strategic oil-producing region. The three-week shutdown of the Forties pipeline at the end of 2017 due to a hairline crack, after it was bought by a relative newcomer, Ineos, from legacy owner BP, prompted a brief spike in Brent oil prices that underlined both the North Sea's fragility, and its role as a price reference point for the global industry.

The jitters returned in February with another shutdown of the route, which delivers around 45% of UK oil output, although this time the problem turned out to be not the pipeline, but a processing plant at its terminus near the Scottish capital at Kinneil. The jury is out on whether this signals more problems ahead for the North Sea's 1970s-vintage infrastructure. Other headaches for the industry include how Brexit might hamper the flow of personnel and engineering parts, but also crude exports to Asia; a surge in oil exports from the UK to Asia, particularly China, was kick-started by an EU-South Korea trade agreement in 2015.



| FFA | Current | Last report |
|---------------------|---------|-------------|
| Short Period (Pac) | 12000 | 10500 |
| 1 Year Period (Pac) | 11500 | 11000 |
| Q2 FFA | 12050 | 11700 |
| Q3 FFA | 11450 | 10500 |
| Cal' 18 FFA | 11800 | 11200 |

| Commodities | Current | Last Report |
|---------------------|-------------|-------------|
| Soybean Meal (CBOT) | US\$376/ton | US\$342/ton |
| Fuel Oil (Sing 380) | US\$374/ton | US\$389/ton |
| Coal (Newcastle) | US\$106/ton | US\$102/ton |
| Iron Ore (London) | US\$76/ton | US\$76/ton |

| Pool Performance | Pool | Index |
|------------------|------|-------|
| Jan-18 | 8795 | 9786 |
| Feb-18 | | |
| Mar-18 | | |
| Apr-18 | | |
| May-18 | | |
| Jun-18 | | |
| Jul-18 | | |
| Aug-18 | | |
| Sep-18 | | |
| Oct-18 | | |
| Nov-18 | | |
| Dec-18 | | |

**Note all the above figures are net.
(2017 Pool 8749, Index 8892)**

Detailed Supramax Analysis

In January, we have seen a more quiet Pacific market, the main drivers continue to be the Nickel ore and coal. The CNY is fast approaching and being the 2nd week of February thus not unsurprising we are off to a quiet start on the spot. The Nopac grain is active but not to the extent that we were expecting. Aussie grain is active and we are starting to see operators getting stuck, 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. 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 limited and we are now in a position where we are seeing owners chase the bhaul but very limited cargo being available. The levels have increase to around USD 4,000-4,500 per day. SE Asia Coal remains strong and we have seen a continued strong activity in China and India. The market is USD 10,000-11,000 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 active, TC rates are still at USD 8,000-8,500 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 very quiet and we should see this get more active in Q1, this remains a low paying cargo that is quick and positional.

India iron ore exports are still moving thus keeping the WC & EC busy. Rbay is also busy and market is sliding a touch. Rates ex India are at USD8,500 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for January has eased and rates are now around USD 9,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 13,000 + 300K 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 19,000-20,000. 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 16,000-17,000 for redelivery wwide basis 4-6 months and USD 15,500 for redelivery Atlantic.

The Med has been flat and slightly negative, the rates ex Black Sea fetching USD 16,000-17,000 ex canakkale for front hauls and for trips out of the Med USD 6,000 to USA dop with 1 or 2 days ballast and USD 9,000 to WAfrica.

The Continent has been busy and supply remains extremely tight. Scrap is paying USD 16,000 for trips into the Med and Fhauls although very limited at USD 23,000. The Baltic RV is USD 11,500 but extremely limited.

Pool View Strategy and Positioning

In the month of January we have had 5.68 days off hire for the pool, this was relation to the DACC EGEO.

We are slightly unbalanced when looking at the two basins, the Pacific Ocean (14) and Atlantic (3) vessels and we have fixed 8 out on short/medium period. However we will receive a handfull of vessels back towards the end of Q1 2018.

The period market in January has been off to a busy start, Ultramax are 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 10,750 in the Pacific(Tess58), provided you are flexible on the terms and optionality.

In January 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. Similarly 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. I woud also add that we remain bullish on the market and as such Tonnage is the word of the day not cargo at the moment.

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

Some cargoes booked in January: 40010 cement Med to USA.

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

Tonnage fixed out for more than 2 legs in January: MEDI PORTLAND 5/7 months USD 11500.