MEDI SUPRA POOL
Management Limited

October Market Report

04-11-2018

General Comments

2018 continues to be unpredictable with October being no exception. We have witnessed the stock markets take a beating in October and it remains clear that the ongoing U.S.-China trade war, rising interest rates, and lingering worries about overevaluation, are weighing on the markets. Looking forward, it remains clear that we need to install some positive sentiment in the markets to stop the sell off.

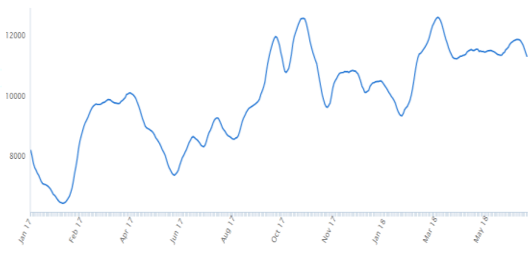
Trade Flow Update

Iron Ore -Japan's top steelmaker Nippon Steel & Sumitomo Metal Corp is bracing for a weaker steel market in Asia because the escalating Sino-U.S. trade war may crimp steel demand in top buyer China and in Southeast Asia. Nippon Steel expect steel prices in Asia to weaken in the second half (October to March) from the first half (April to September) , though they expect the Japanese market will likely stay solid on strong demand. Chinese futures prices for steel rebar used in construction have slipped 4 percent since the end of September to their lowest since July amid increasing uncertainties about global trade and concerns of slowing demand in China. Japanese steelmakers are enjoying solid domestic demand from automakers and machinery manufacturers as well as the construction sector, which is busy with projects for the 2020 Tokyo Olympics. But natural disasters and glitches at their ageing facilities have prevented them from producing as much steel as they had planned. Nippon Steel trimmed its annual crude steel output forecast to 42.1 million tonnes this month from its August prediction of 43.3 million tonnes, blaming heavy rains and system troubles.

Grain - The USDA attache in Beijing has slashed its estimate of Chinese imports of soybeans this year 9.5% to 85 million mt – bringing it more in line with Chinese estimates and front-running the Washington DC office's new projection to be published on Thursday. The attache said that Chinese efforts to slash soybean use for feed due to trade tensions, as well as an outbreak of African Swine Fever, would mean that China would import 9 million mt fewer soybeans this year than previously thought. The trade situation has ignited efforts by China to reduce US soybean imports and slash soybean feed use, through reductions in the feed protein ratio and the use of substitute protein meals, the Beijing attache said in a report released this weekend. In addition to the trade situation, an African Swine Fever outbreak in China that began in August continues to spread through the country. While the disease is not expected to impact pork production in the short term, it is likely to lead to reduced herds over the longer term, it said. As a result, the soybean crush is expected to fall from 93.5 million mt to 85 million mt, bringing down overall domestic consumption by 9.2 million mt to 101.4 million mt. Soymeal demand for feed use is set to fall 2.6 million mt to 66.6 million mt this year, with rapemeal, sunmeal and fishmeal recording increases. Taken together, the reduction in soymeal feed use and slight increases in other protein meals feed use will result in an overall soymeal-equivalent use for feed of 85.9 million mt in 2018/19, a decrease of 1.7 million mt compared to the previous year.

Coal – Next year bodes well for the Australian coal sector. This applies to both thermal coal (used in electricity production) and metallurgical coal (used in steel production). Demand for thermal coal in Asia is steadily increasing. A report commissioned this year by the Minerals Council of Australia sees an increase in such demand of around 50% between now and 2030. This is based on the expectation that demand will increase strongly in India and Southeast Asia and remain more-or-less stable in China, Japan, South Korea and Taiwan. Glencore Australia, the largest exporter of thermal coal, shares this optimism. Because of the high quality of our coal and proximity to much of Asia, Australia is well placed to remain the top supplier from outside the region.Australia's position is strengthened by the likely fall of exports from Indonesia, the world's largest exporter of thermal coal. Indonesia is increasingly using its own coal domestically; in addition, expansion of production faces bureaucratic and technical restraints. Regarding metallurgical coal, strong prices (they have doubled since mid-2016) reflect continuing growth in the global steel industry. This is the case, not only in China (the world's largest producer), also in other major steel-producing countries. The recent strength of the steel industry is also reflected in iron-prices, currently at US$75 per tonne. This is an increase from about US$60 per tonne a year ago and in defiance of widespread forecasts in 2017 that prices would drop below US$50 per tonne.

Oil - OPEC and its allies will work to stabilize the oil market and reverse the slump in prices when they meet in Vienna in two weeks, Iraq's deputy oil minister said Wednesday. OPEC and 10 non-OPEC partners, led by Russia, will meet December 6-7 to decide on output policy, with some members, notably Saudi Arabia, suggesting that the coalition may need to cut up to 1.4 million b/d in 2019 to prevent a supply glut. Prices faltered over recent weeks, however, leading to speculation that the coalition may have to cut deeper, though political pressure from US President Donald Trump, who has tweeted that he wants Saudi Arabia to help keep oil prices low, could complicate the talks. Iraq has pushed back against having to curtail its operations, citing its recent fight against the Islamic State group and the preceding decades of wars and sanctions that have led to billions of dollars of reconstruction needs. It has, however, been party to all OPEC production agreements and is likely to continue to do so. Iraq, OPEC's second-largest producer, pumped 4.62 million b/d in October, according to the latest S&P Global Platts OPEC production survey. But it has self-reported to OPEC an October production figure of 4.46 million b/d.



FFA	Current	Last report
Short Period (Pac)	12500	13000
1 Year Period (Pac)	12500	13000
Q4 FFA	11500	12650
Q1 FFA	11000	11250
Cal' 19 FFA	11900	12000

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$309/ton	US$313/ton
Fuel Oil (Sing 380)	US$456/ton	US$506/ton
Coal (Newcastle)	US$108/ton	US$110/ton
Iron Ore (London)	US$74/ton	US$72/ton

Pool Performance	Pool	Index
Jan-18	8752	9786
Feb-18	10856	9423
Mar-18	11989	11400
Apr-18	10699	10838
May-18	10830	10893
Jun-18	11662	11047
Jul-18	11341	10564
Aug-18	11994	11159
Sep-18	11163	12135
Oct-18	11586	12300
Nov-18		
Dec-18		

Note all the above figures are net.

Medi Supra Pool Management **Company Reg. No.** 559002**Address** The Anchorage 1. 7-19 Sir John Rogerson's Quay, Dublin, Ireland **Contacts** P +353 1 674 0100 F +353 1 677 0212

Detailed Supramax Analysis

In October, we have seen the Pacific remain firm and rates continue to stay at last done. As in previous months the main drivers continue to be the Nickel ore, coal, Nopac grain and period. The demand for period has been strong again in October and we have continued to see a strong appetite from operators with Bhaul cargoes. The Nopac grain remains inactive and rates are USD 11,500-12,500 ex China. Aussie grain is still present but slow and the underlying premium of USD 1,500-2,000 above a normal Aussie round view the cleanliness remains. Steel exports are slow and the majority being trips to SEAsia. China Coastal coal freight rate has eased slightly and is hovering usd 6.75-7pmt. The Bhaul market is stable and the activity is consistent, as we continue to see very little cement and steel leave asia-pacific. The levels are presently around USD 8,000-9,000 per day for trips into WAfrica, while the trips to the USGulf are around USD 5,000-6,000. SE Asia Coal has picked up and is busy, China and India continue to remain active. The market is USD 14,000 dop Singapore. The India market is still commanding a premium of USD 1,000 to the SEAsia market.

Sand into Singapore is very quiet and Singapore is presetly facing sourcing difficulties which is keeping this a scarce run for the timebeing, however we have started to see new sand reclamaition projects surfacing into Brunei, Male and Hong Kong. The little cargo that hits the market remains a low paying cargo that is quick and positional.

India iron ore exports are back and market is moving. Rbay is firm and there is strong demand from India and Pakistan and Rbay will remain tight. Rates ex India are at USD 12,000 - 13,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA in October has remained steady and we have seen strong demand for Ultra's. Ultras continue to be the primary mover, rates are now around USD 14,500 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 16,500 + 650K BB APS. The US Gulf remains strong. Rates are now at USD 25,000 fhaul market and the TA at USD 19,000. The USGulf period market has remained sporadic at best and the main takers going for 3/5 months and the main takers continue to be operators with cargo on the books being squeezed to take numbers between USD 16,500-17,000 for redelivery wwide basis 3-5 months and USD 15,500 for redelivery Atlantic. The Med has continues to stay busy and Blacksea remains strong. The rates ex Black Sea are now around USD 22,000-23,000 ex canakkale for front hauls and for trips out of the Med USD 10,500 to USA dop with 1 or 2 days ballast and USD 15,000 to WAfrica. We expect the market in the Blacksea to continue to be strong into January.

The Continent has remained uneventfull and the lack of demand from Turkey for scrap is weighing its toll. Scrap is paying USD 12-12,500 for trips into the Med and Fhauls altough very limited at USD 18,000. The Baltic RV has picked up the market is USD 10/11,000 but limited.

Pool View Strategy and Positioning

In the month of October we have had 9.70 days of off hire for the pool. The bulk of this is related to a bunker issue on the MV MEDI YOKOHAMA.

As ever we are working on reblancing two basins presently and looking at the fleet distribution, the Pacific Ocean (12) and Atlantic (4) vessels and we have fixed 14 out on short/medium period, as strategic hedging. However we will receive 2 vessels back in Q4 2018.

The period market in October continued its firmer tones, Ultramax are now fetching USD13,750-14,000 for 9-12 months, the Atlantic basin is still comanding a small premium of USD 500 - 1,000 for 8-13months. Period rates are around USD 12,500-13,000 in the Pacific(Tess58), provided you are flexible on the terms and optionality.
In October we have taken two new vessels for period. 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 Q4 and Cal 19 are undervalued and below paper levels and as such we have not taken any new COA. Similarily to last month we remain bullish on the market and as such the focus is on Tonnage and not cargo at the moment, this could of course change subject to geopolitical trends.

In October we have hedged 1000mt of IFO for lifting end October early November, we have not taken any FFA in Ocotber.

Some cargoes booked in October: 2x 50010MT coal Indo to China.
Tonnage fixed in for more than 2 legs in October: Smax at USD 10600, Umax at USD 13000.
Tonnage fixed out for more than 2 legs in October: Umax at USD 14250, 2xTess 58 at USD 13000, Mes 56 at USD 12000.