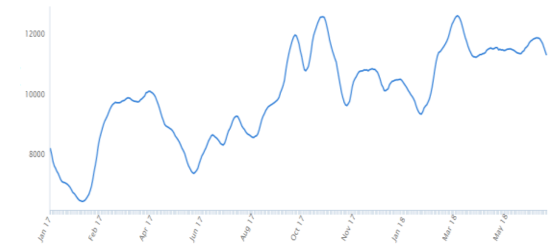
MEDI SUPRA POOL
Management Limited

December Market Report
11-01-2019

General Comments
Firstly Happy New Year and welcome to 2019. Our markets continue to decline week on week, with the tonnage count much longer than cargoes offered. Charterers are observed to be hiding cargoes and it is playing to their favour, with rates coming off by the day and allowing them to pick the cheapest vessel. The unseasonal lack of grain volumes out of the US, along with weak mineral demand in the Pacific, continue to take its toll on owners.
On a more positive note, US Commerce Secretary Wilbur Ross said yesterday the U.S. and China are eager to end their trade war, but the outcome will depend on China being willing to deepen economic reforms and further open up its markets. Ross said negotiators are making progress on “easier” issues like how much of certain American products the Chinese will agree to buy, such as soybeans and liquefied natural gas. A positive resolution could result in a quick push of grain volumes out of US, as US volumes will have to now compete with new crop ECSA volumes. The extent of market support will of course depend on the magnitude of deals and pace of exports. Besides soybeans, other grains and other dry bulk commodities are expected to be in the discussion as well.



Trade Flow Update
Iron Ore - World’s largest miner BHP is facing accusations by the state of Western Australia of having underpaid iron ore royalties on shipments sold via its Singapore marketing hub, stretching back over more than a decade. The alleged discrepancy was discovered during an audit, the WA Government said in a statement, adding it was as negotiating with BHP to resolve the matter in the best interests of the state. State claims BHP used its wholly-owned Singapore marketing hub subsidiary to understate the price of iron ore sold Japan and China buyers.Treasurer Ben Wyatt said the underpayments amounted to between A$200 million and A$300 million ($143m -$215m), dating back to the period between 2004 and 2016. In November, BHP settled a dispute with the Australian Taxarion office over its Singapore marketing hub, paying A$529 million and agreeing to change the hub's ownership structure. The Tax Office had initially claimed the company owed $1 billion.

FFA	Current	Last report
Short Period (Pac)	10750	12500
1 Year Period (Pac)	11000	12500
Q4 FFA	11200	11500
Q1 FFA	10800	11000
Cal’ 19 FFA	11400	11900

Grain - Russian wheat prices have risen to levels not seen in four years amid concerns of possible export curbs by Moscow and dwindling sales from Ukraine.
Grain producers in the Black Sea region, led by Russia, are key exporters of wheat, especially to the Middle East and North Africa. Russia overtook the US as the largest wheat exporter in the 2015-16 crop year and exported 41m tonnes of the grain in the 2017-18 crop year, almost double that of the US. But dry weather has led to lower yields this year while Russian exports have remained strong, prompting worries among traders that overseas sales will start eating into domestic supplies, leading to a clampdown in exports. In Ukraine, meanwhile, a cap is in place for wheat exports in 2018-19, split equally between feed and milling. As of January 18, more than 80 per cent of the agreed volume of milling wheat had been exported, said analysts at AHDB Market Intelligence.
Russian wheat prices hit $246.25 a tonne at the start of the week, the highest since February 2015, according to S&P Global Platts. Rabobank, a leading lender to agricultural businesses, said that the higher Russian prices could help US sales to less traditional importers — South East Asia and Latin America — although it said that, with the lack of agricultural data due to the US government shutdown, the impact was difficult to quantify.

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$310/ton	US$309/ton
Fuel Oil (Sing 380)	US$343/ton	US$456/ton
Coal (Newcastle)	US$101/ton	US$108/ton
Iron Ore (London)	US$69/ton	US$75/ton

Coal – The Federal Opposition’s national hydrogen strategy is a positive development for Australia’s future energy policy. Hydrogen offers an exciting new option as part of a diverse future global energy mix. Only last month, the COAG Energy Council endorsed the National Hydrogen Roadmap and established the Hydrogen Working Group. Australia and other major advanced economies such as Japan are already making large investments in this energy source.
Given Australia’s significant coal resources, the country is well-placed to become a global producer of hydrogen in the future. Converting Australian coal into hydrogen offers one of the best ways to provide a steady and reliable energy source that is not dependent on the weather. A zero-emission hydrogen solution could be delivered with advanced carbon capture and return technologies. Australia is already leading the way. One of the world’s largest hydrogen projects, now underway in the Latrobe Valley in Victoria, has attracted AUS$500 million in investment, including from a consortium of leading Japanese companies along with the Victorian, Australian and Japanese governments. This major project in Victoria will use Latrobe Valley brown coal and carbon capture and return technology and has the potential to make Victoria and Australia a leading global producer of hydrogen.

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	10723	10603
Dec-18	10896	10593

Note all the above figures are net.

Oil - The oil market is gradually returning to balance as OPEC reins in output and the U.S. shale boom slows, according to executives gathered at Davos. Yet the risk of stalling growth in China continues to cloud the outlook. Crude has got off to its best start to a year since 2001 on hopes that the Organization of Petroleum Exporting Countries and its allies will cut enough output to eliminate a glut. However, forecasts for slower economic growth -- particularly in China -- are threatening that rally, with demand concerns overshadowing tighter supply. Burgeoning shale output has pushed U.S. oil production to a record 11.9 million barrels a day. Yet the number of rigs drilling for crude has recently dropped, and the Energy Information Administration predicts shale growth is set to slow. That outlook is one of the main drivers of the oil market, according to IHS Markit Vice Chairman Daniel Yergin, who said the other is China. The International Monetary Fund has cut its world growth forecast while China said its economy last year expanded at the weakest annual rate since 1990. Faltering manufacturing and slumping exports have stirred doubts over the country’s expansion, while a trade battle with the U.S. continues to weigh on markets.

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Detailed Supramax Analysis

In December, we have seen the Pacific market ease overall, however towards the mid of the month there was a slight push on the rates.. Simlariy to November the demand for period has along with the two main pacific drivers diminished and the hunger from the operators has eased and now the bid is with a discount for the 1st 30/40 days. The Nopac grain remains inactive and rates are USD 7,500-8,500 ex China. Aussie grain is still present but slow and the underlying premium of USD 1,000 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 3.50-4.00pmt. 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 3,000-4,000 per day for trips into WAfrica, while the trips to the USGulf are around USD1,500-2,500. SE Asia Coal has slowed down considerably, both China and India ha dissapeared for the holidays. The market is USD 7,000 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 there but quiet. Rbay has started to show signes of weakenss and is seriously over tonnaged, despite a healthy flow of cargo into India and Pakistan. Rates ex India are at USD 6,500 - 7,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA in December has similar to the Pacific market started to show some cracks and market is looking weaker. Ultras continue to be the primary mover, rates are now around USD 9,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 13,500 + 350K BB APS. The US Gulf is for now looking quite active. Rates are now at USD 20,000 fhaul market and the TA at USD 15,000. 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 14,000-14,500 for redelivery wwide basis 3-5 months and USD 13,500 for redelivery Atlantic.

The Med has also started to falter as Blacksea nears the end of the grain season. The rates ex Black Sea are now around USD 16,000-17,000 ex canakkale for front hauls and for trips out of the Med USD 8,500 to USA dop with 1 or 2 days ballast and USD 12,000 to WAfrica.

The Continent has remained uneventfull and the lack of demand from Turkey for scrap is weighing its toll. Scrap is paying USD 10-11,000 for trips into the Med and Fhauls altough very limited at USD 14,000. The Baltic RV has picked up the market is USD 7/8,000 but limited.

Pool View Strategy and Positioning

In the month of December we had 21.05days of off hire and the majority of this is related the TOPAZ HALO dry docking..

We continue to be interested in period, however the market in December has come off substaintially, Ultramax are now fetching USD11,500-11,750 for 9-12 months, the Atlantic basin is still comanding a small premium of USD 500 - 750 for 8-13months. Period rates are around USD 10,000-10,500 in the Pacific(Tess58), provided you are flexible on the terms and optionality.
In December we did not take 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 2019 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 Cal 19 are undervalued and below paper levels and as such we have not taken any new COA. Similarily to last month we expect a downturn in Q1 but generally remain bullish on Q2+Q3 and as such the focus is on Tonnage and not cargo at the moment, this could of course change subject to geopolitical trends. We would highlight that there continues to be a hold of from the charterers view the 2020 regulations and how to price.

In December we have not hedged any bunkers and we have not taken any FFA.

Some cargoes booked in December: N/A.
Tonnage fixed in for more than 2 legs in December: N/A.
Tonnage fixed out for more than 2 legs in December: N/A.