MEDI SUPRA POOL
Management Limited

September Market Report

12-10-2017

General Comments

September was a very active month with a general push across all segments and with some of the broking houses talking about USD 30,000 Cape in Q4, their is an air of promise. Q4 is generally a strong quarter and owners/operators can look forward to good results provided they are on the right side of the market. Coal remains a big positive with increased imports to China and India and that coupled with congestion starting to increase at the Australian load ports and reduced nuclear in both taiwan and Japan, it is safe to say coal is back in a big way for now.

The future looks more positive, however we still have some challenges ahead to overcome such as IFRS16, BWTS, SOx 2020 and the increased volatility from shorter spikes in the market. It is without a doubt that things will remain interesting.

We are presently in the midst of changing to a new software system (IMOS). Imos is a new operations, chartering and pooling system which as a pool will increase our risk management, operations effectiveness. In the future you will be receiving a slightly ammended format of the pool distribution report, however we will of course be providing an explanation and as usual will be available to anwser any questions you may have.

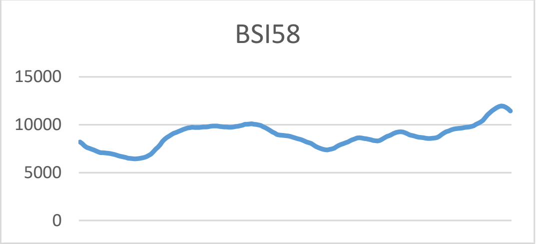
Trade Flow Update

Iron Ore - On Monday, the iron ore price made another leap higher despite a new report from the the World Steel Association predicting a slowdown in global demand going into 2018. The Steel Index benchmark price for Northern China 62% Fe ore gained 4% to trade at $62.40 a tonne on Monday. Year-to-date iron ore has averaged just shy of $72 a tonne compared to $56.50 over the course of 2016. China's iron ore imports constitute more than 70% of the global seaborne trade and customs data released last week show September cargoes arriving at the country's ports jumped to 103m tonnes, up 11% compared to a year earlier. September imports rose by 14.3m tonnes from August. The previous record of 96.5m tonnes was set in March this year.

Grain - Global trade in 2017/18 is forecast at a record, having grown by nearly 60 percent over the last decade. Growing import demand in Southeast Asia, Sub-Saharan Africa, and the Middle East accounts for the majority of the growth in global trade. In Southeast Asia, import demand has climbed with rising populations and a change in consumer preference from rice to wheat-based products. Additionally, wheat is commonly used in feed rations, especially for aquaculture. In Sub-Saharan Africa and the Middle East, consumer demand for wheat-based products is expanding based on rapidly growing urban populations. Given agronomic and climatic conditions in those regions, production has not kept pace with consumption growth and imports have filled the gap. Larger production in exporting countries has also contributed to the rising tide of wheat trade. Among major exporters, the European Union, Russia, and Ukraine have seen the most significant growth in production, spurred by both larger planted areas and higher yields. Consumption in those countries has grown at a much slower rate, leaving substantially larger exportable supplies. Further, these suppliers benefit from freight and logistical advantages in reaching many growth markets in Africa and the Middle East. With competitive prices, Ukraine has greatly expanded shipments to Asia as well. The combined market share for these three suppliers has nearly doubled during this period, with the European Union and Russia forecast to surpass the United States in total export volume this year.

Coal – China's state planner encouraged utilities to sign long-term purchase contracts with coal producers for next year as early as they can to secure enough supplies for this winter as coal power plants ramps up inventory for peak demand season. The National Development and Reform Commission (NDRC) – in a statement on Monday citing an internal meeting – also repeated a pledge to secure supplies for power plants in six northern regions including Heilongjiang, Liaoning and Jilin provinces, and the industrial sector made up of capital Beijing, Tianjin port and Hebei province. The NDRC statement came as rallying coal prices, increasing safety checks and robust imports spurred more concerns of tight winter supplies. China's top coal-producing province, Shanxi, said on Saturday that it planned to close nine more coal mines by the end of this year, equivalent to 5.25 million tonnes of annual production capacity.

Oil - Oil posted its biggest quarterly gain in more than a year on forecasts for rising demand and Turkey's threat to halt Kurdish crude exports.
Futures jumped 9.4 percent in September and settled above $50 a barrel on Friday for the eighth straight session. OPEC and the International Energy Agency this month boosted demand forecasts, signaling the surplus that has weighed on prices may shrink further. Iraq said Thursday that Turkey agreed to deal exclusively with the central government in Baghdad over exports of Kurdish crude, a step that could disrupt supplies. Oil this week returned to a bull market on signs the persistent crude surplus was finally starting to shrink, while Trafigura Group and Citigroup Inc. warned of a further supply squeeze in the next two years. The Organization of Petroleum Exporting Countries and Russia have hailed the success of their agreement to curb supplies and urged allies to stay the course. The effects of Hurricane Harvey, which shut down a large number of refineries on the U.S. Gulf Coast, have begun to fade.



FFA	Current	Last report
Short Period (Pac)	12000	11000
1 Year Period (Pac)	10500	10000
Q4 FFA	11500	10800
Q1 FFA	9600	8800
Cal' 18 FFA	9550	9450

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$322/ton	US$313/ton
Fuel Oil (Sing 380)	US$345/ton	US$330/ton
Coal (Newcastle)	US$97/ton	US$87/ton
Iron Ore (London)	US$63/ton	US$74/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

Note all the above figures are net.

Detailed Supramax Analysis

In September, we once again saw a push in the Pacific market, the main drivers continue to be the Nickel ore and coal, with the Nopac grain waiting in the wings. 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 view the cleanliness required. Steel exports remain stable however the majority being bhaul to the USGulf. China Coastal coal freight rate has also remained stable from August which in turn has been keeping the Chinese flagged vessels of the international market. The Bhaul market in general has shot up as owners are preferring to stay in the Pacific view the increase in rates, this has meant the levels have gone to around USD 5,000-6,500 per day. SE Asia Coal has increased considerably and we have seen a lot of activity in China and India. The market is USD 13,500-14,500 dop Singapore. The India market is still commanding a premium of USD 1,500-1,750 to the SEAsia market. The NOPAC grain market is getting more and more busy and we can see the push its creating on the bigger sizes, TC rates are now at USD 10,000 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 have started up again and with the iron ore price in mind we expect things to keep busy. Rbay is firm and levels are increasing steadily. Rates ex India finished the month at USD13,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for September has continued its push and rates are now around USD 12,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 14,000 + 400K BB APS. The US Gulf continues to stay volatile and the dips we see are short term. Rates are now at USD 22,000 fhaul market and the TA at USD 15,500-16,500. 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 14,000-15,000 for redelivery wwide basis 4-6 months and USD 13,500 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 18,000-19,000 ex canakkale and trips out of the Med and USD 9,000 to USA dop with 1 or 2 days ballast and USD 13,000 to WAfrica.

The Continent has turned around and supply remains extremely tight. Scrap is paying USD 14 ,000 for trips into the Med and Fhauls altough very limited at USD 18,000. The Baltic RV is USD 10,000 but extremely limited.

Pool View Strategy and Positioning

In the month of September we have had 9.64 days off hire for the pool vessels however these were related to the MV MEDI PAESTUMS DRY DOCK. In continuation to last month and the off hire and delay of the third party vessel named the POSEIDON SW, she was off hire in Kaohsiung until 25 September for main engine repairs, after which she got under way to her discharge port in Shuaiba.

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 Q4 which we will focus on short period to get us through Q1.

The period market in September ha firmed again month on month and we have seen Ultramax fetching USD 11,250 - 11,500 for 9-12 months, the Atlantic basin is still comanding a premium of USD 1,500 for 8-13months. Period rates are around USD 10,250 - 10,500 in the Pacific(Tess58), provided you are flexible on the terms as dont forget we remain in an overtonnaged market.
In September we tried to ride the wave and take some ships for 2/3 llegs redel pacific but with the market running we were ufly not able too and the levels we were offered we deemed to slim. 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 continue to take coverage when we see fit, especially now we are heading into Q4.

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. Which as such has meant the activity has been very limited.

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

Some cargoes booked in September: N/A

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

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