MEDI SUPRA POOL
Management Limited

February Market Report

14-03-2018

General Comments

Getting stronger but tensions are rising was the title of the OECD's interim economic out look and this is somewhat comparable to the dry bulk market. February which is historically a low month in terms of rates held up very well and upon the return from CNY brought with it a substantial push in the rates on all sectors, fueling optimisim in the market.

Back to the OECD outlook - Their GDP growth projections for most of the 20 largest economic regions were revised upwards for both 2018 and 2019. Only Russia's was revised downwards for 2018. Overall YoY world growth is expected to accelerate from 3.7% in 2017 to 3.9% during the next two ye ars, with the US, Brazil, S. Africa and India showing the greatest increases. Low wage and price inflation, despite rising employment rates, have enabled most central banks to sustain a low interest regime, while the G7 economies (especially the US and Germany) have increasingly been loosening their fiscal constraints on budget deficits. From the Dry Cargo perspective the recovery of investment demand for (steel/energy intensive) plant and machinery over the last nine quarters is particularly encouraging as is the recovery in international trade, which grew by 5.2% in 2017 after five lean years. Looking forwards, the progressive rise in consumer and business confidence throughout the OECD and BRIIC economies since 2016 also bodes well for the short term outlook.

Trade Flow Update

Iron Ore - The relentless climb in China's port inventories of iron ore may not be as worrying to the market as they appear, more a refl ection of a change in dynamics than anything else. Port stockpiles stood at 158.6 million tonnes of the steelmaking ingredient as of the end of last week, dose to the prior week's record of 159.1 million, according to data from consultancy SteelHome. That's up from 148 million tonnes at the end of last year, and almost double the 79 million-tonne starting point of the climb in June 2016. Reuters has described the inventories as enough to build Australia's Harbour Bridge almost 1,900 times. There's nothing inherently wrong with using such comparisons as they give readers an idea of how much iron ore is piled up at Chinese ports. But just because something is big doesn't necessarily mean it is creating a proportionately sized problem. This may well be the case with China's iron ore inventories. Probably more important than the overall size of the stockpile, however, is the composition of the iron ore grades contained within it. China's iron ore market is becoming increasingly bifurcated, with stronger demand for higher grades and weaker demand for the lower grades. This is a logical function of Beijing's push to lower air pollution, as higher-grade ores require less coking coal in the blast furnace, and also don't require the pre-blast furnace upgrading needed if a steel mill is using lower grade ore. There isn't a b reakdown of the quality of iron ore in the port inventory data, but the market view is that much of the rapid growth in stockpiles over the past year has been in lower grades, such as ore with 58 percent iron content or less. The build-up of lower grade iron ore at Chinese ports obviously has an impact on miners supplying these grades, but it has less of an impact on import volumes.

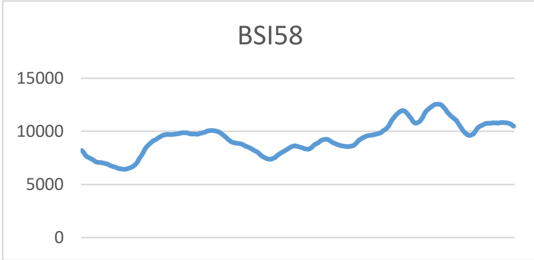
Grain - Newly signed tariffs from the Trump administration may see affected countries targeting US soybeans due to their prominence in the agriculture industry, the American Soybean Association (ASA) said in a statement. "These tariffs may lead to retaliation by one or more of our valuable trading partners, which in turn will kneecap demand for soybeans in a time when the farm economy is struggling," ASA said. President Trump announced in February the implementation of import tariffs on aluminium and steel tariffs as part of his so-called "America First" policy which will go into effect in just over two weeks, but exempt Canada and Mexico as they are part of ongoing NAFTA negotiations. "We have heard directly from the Chinese that US soybeans are prime targets for retaliation," ASA added, highlighting competition from Brazil and Argentina on the global trade front. China imports about $14 billion worth of US soybeans a year.

Coal – Combined coal stocks held by China's six key coal-fired power generators in southern and eastern China totaled 14.03 million mt on March 15, up 5.5% from 13.30 million mt on March 8, according to figures released by port operator Qinhuangdao Port on Thursday. The six key power generators are: Zhejiang Power, Shanghai Power, Guodian, Datang, Huaneng and Guangdong Power, also known as Yudean. Based on the current coal consumption rate, the stocks are able to cover 20.52 days of consumption at the six power plants, down from 20.75 days on March 8, figures showed.Average coal consumption at the six power generators stood at 661,000 mt/day on March 15, up 3.1% from 641,000 mt/day on March 8, figures from the port operator showed.

The rise in the consumption rate has resulted in a small drop in the number of coverage days. However, the stocks have yet to drop at the power plants.

Oil - An expected, aggressive turn in US foreign policy led by incoming Secretary of State Mike Pompeo could trigger a loss of up to 1.4 million b/d in global crude supply by the end of 2018 as the Trump administration ramps up sanctions on Venezuela and Iran, analysts said.

Pompeo, the CIA director whom President Trump picked Tuesday to replace Rex Tillerson as secretary of state, is expected to push for the US to exit the Iran Nuclear deal and for new sanctions on Venezuela's struggling oil sector. But while analysts agree that Pompeo's policy will be far more hawkish than Tillerson's, they differ widely on just how much this will impact future supply.



FFA	Current	Last report
Short Period (Pac)	12000	12000
1 Year Period (Pac)	12500	11500
Q2 FFA	12800	12050
Q3 FFA	12000	11450
Cal' 19 FFA	11700	11700

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$373/ton	US$376/ton
Fuel Oil (Sing 380)	US$367/ton	US$374/ton
Coal (Newcastle)	US$102/ton	US$106/ton
Iron Ore (London)	US$77/ton	US$76/ton

Pool Performance	Pool	Index
Jan-18	8795	9786
Feb-18	10879	9423
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 February, we have seen a softer but active Pacific market, the main drivers continue to be the Nickel ore and coal and period. In february the main driver of the market has been the period market which has remained astonishingly strong. The Nopac grain has started to become active as there has been a switch from SAmerica back to the US for corn. Aussie grain is active and we are starting to see operators getting stuck, the cargoes there are still commanding USD 1,500-2,500 above a normal Aussie round view the cleanliness required. Steel exports remain stable and the majority being tirps to SEAsia. China Coastal coal freight rate has dropped fromt he previous months high but remains busy, keeping the Chinese flagged vessels of the international market. The Bhaul market reamains limited and we are now in a position where we are seeing charterers starting to have to pay up for vessels. The reason is most owners prefer to take the period rates rather than a spot TC. The levels have increase to around USD 5,000-5,500 per day for trips into WAfrica, while the trips to the USGulf remain around USD 2,000-3,000. SE Asia Coal reamins strong and we have seen a continued strong activity into China and India. The market is USD 12,000-13,000 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 9,000-10,000 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 very quiet and we should see this get more active in March, 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 firming again with increased enquiry from India and Pakistan. Rates ex India are at USD9,500 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for February has started to pick up especially on the panamax size which is slowly filtering down to the supra's, 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 25,000 fhaul market and the TA at USD 20,000-21,000. 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, but positive tones form the Blacksea are staring to take hold. The rates ex Black Sea fetching USD 19,000-20,000 ex canakkale for front hauls and for trips out of the Med USD 7,000 to USA dop with 1 or 2 days ballast and USD 11,000 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 altough 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 5.77 days of off hire for the pool, this was relation to the DACC EGEO and dry docking.

We are slightly unbalanced when looking at the two basins, the Pacific Ocean (17) and Atlantic (3) vessels and we have fixed 7 out on short/medium period. However we will receive a 1 vessel back towards the end of Q1 2018.

The period market in January has been off to a busy start, Ultramax are fetching USD 12,000-12,500 for 9-12 months, the Atlantic basin is still comanding a premium of USD 1,500 for 8-13months. Period rates are around USD 11,000-11,500 in the Pacific(Tess58), provided you are flexible on the terms and optionality.
In February we have taken 2 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 next year and this year are going at heavily discouted rates and as such we have not taken any new COA. 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, this could of course change, but at the moment not.

In February 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 February:VER RELIANCE & COREFORTUNE OL.
Tonnage fixed out for more than 2 legs in January: MEDI ASTORIA in direct continuation USD 12150.