

General Comments

In the first quarter of 2018 we have seen only 8.6 Mill DWT delivered which is less than half the first quarter of 2017 - which was 18.1 Mill DWT. Scrapping was also half that of 2017 but this is logical to expect with the decent market.

Despite the fleet growing about 5 % since the beginning of 2016, when the BDI hit is all time low of 290, the market today remains good and spot levels are higher than replacement cost of new ships. This shows that fleet utilization is becoming very balanced. The good news is that fleet growth in the next two years is expected to be half the previous two and demand growth in 2018 is expected to be better than we had in 2017, regardless of the Soybeans issue. If you add the regulatory pressures bearing down upon us and the expected acceleration in scrapping that will occur if rates do not increase, then we for sure to have a very good outlook heading into the next decade. Lastly high fuel prices mean slow steaming will be the norm for some time to come.

Trade Flow Update

Iron Ore - China's iron ore futures recouped some losses after hitting a 10-month low, this week. Sentiment was lifted by upbeat steel output data for March despite smog restrictions imposed by Beijing. The world's biggest steel maker last month churned out a total of 73.98 million tonnes of steel, up 4.5 percent from a year ago, data from the National Bureau of Statistics showed. Average daily steel output in March reached 2.39 million tonnes, the highest level since September and up 2.8 percent from combined January-February data and also year-on-year.

Tangshan has ordered steel mills to cut 50 percent of sintering capacity over and above the existing output restrictions in place until November as a bout of foul air was expected to blanket the country's top steelmaking city and the surrounding Beijing-Tianjin-Hebei region from Monday. Emergency measures in Tangshan are effective from April 15. It has not set a date for the measures to be lifted.

Grain - At the very moment when Argentina may have been able to take advantage of USA-Chinese trade tensions, it has been struck by a severe drought with the USDA recently reducing this year's soybean crop forecast by a massive 14mt to 40mt, whilst Argentina's own Rosario grains exchange slashed its forecast further to 37mt. Indeed such is the paucity of current supply that Argentina has recently purchased two contracts of 120,000mt soybeans from USA! China does not buy any Argentinian soymeal which accounts for the greatest volume of exports (28mt in 2017, with Vietnam at 4mt and Indonesia at 3mt being the largest receivers of meal) but it did account for 90% of Argentina's 7.4mt exports of soybeans last year. However, Argentina does have significant silo facilities with farmers sitting on product as insurance against currency fluctuations which has seen the peso weaken by over 30% in the past year. These stocks are estimated to be about 13mt.

Coal - China's coal production in March fell to its lowest since October, data showed on Tuesday, as miners in the world's top consumer of the fuel scaled back operations amid falling prices. The country's coal output came in at 290 million tonnes in March, according to data from the National Statistics Bureau, although that marked a 1.3-percent rise from the same month last year. The monthly decline came as local coal prices were down about 20 percent from records hit in January, with warmer weather crimping demand from utilities. The data showed Chinese coal output for the January-March period grew to 804.5 million tonnes, up 3.9 percent from the same time last year. Adding to worries of potential oversupply, China has approved five large-scale new coal mines since January. Traders and analysts said new supply from these mines could put further downward pressure on prices.

China's largest coal producer China Shenhua Energy lowered its sales and production forecasts recently. Shenhua aims to produce 290 million tonnes of coal in 2018, down 1.8 percent from a year ago, Shenhua said in its annual earnings report on March 23, while sales are likely to decline 3 percent from 2017 to 430 million tonnes

Oil - The global oil stocks surplus is close to evaporating, according to OPEC, citing healthy energy demand and its own supply cuts. U.S. shale oil output has been booming over the past year since OPEC reduced its own production in tandem with Russia to prop up global oil prices.

But as oil production collapsed in OPEC member Venezuela and is still facing hiccups in countries such as Libya and Angola, the oil exporters' group is still producing below its targets meaning the world needs to use stocks to meet rising demand. The Organization of the Petroleum Exporting Countries said in its monthly report oil stocks in the developed world reversed a rise in January to fall by 17.4 million barrels in February to 2.854 billion barrels, around 43 million barrels above the latest five-year average.

OPEC claims to have achieved over 150 percent conformity level to the mandatory cuts. The glut has effectively shrunk by nine-tenths since the start of 2017. OPEC have seen an accelerated shrinkage of stocks in storage from unparalleled highs of about 400 million barrels to about 43 million above the five-year average. Stock levels are now 207 million barrels below their level in February 2017, with crude stocks in a surplus of 55 million barrels and product stocks in a deficit of 12 million.



FFA	Current	Last report
Short Period (Pac)	13000	12000
1 Year Period (Pac)	13000	12500
Q3 FFA	11600	12000
Q4 FFA	12200	12550
Cal' 19 FFA	11100	11700

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US\$386/ton	US\$373/ton
Fuel Oil (Sing 380)	US\$390/ton	US\$367/ton
Coal (Newcastle)	US\$96/ton	US\$102/ton
Iron Ore (London)	US\$64/ton	US\$77/ton

Pool Performance	Pool	Index
Jan-18	8795	9786
Feb-18	10879	9423
Mar-18	11941	11400
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 March, we have seen the an active Pacific market, the main drivers continue to be the Nickel ore and coal and period. Similarly to February, March remains no exception and the demand for period tonnage continues to be the main driver of the market. Despite the looming Tradewars the Nopac grain has been very active and paying well, some USD 12-13,000 ex China. Aussie grain has stayed active and we have seen operators stuck being forced to take period or pay up substantially, 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 trips to SEAsia. China Coastal coal freight rate has regained some momentum and remains busy, keeping the Chinese flagged vessels of the international market. The Bhaul market remains stable to February and we continue to see charterers 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 increased to around USD 7,500-8,500 per day for trips into WAfrica, while the trips to the USGulf have slightly improved to some USD 3,500-4,500. SE Asia Coal remains strong and we have seen a continued strong activity into China and India. The market is USD 14,000-15,000 dop Singapore. The India market is still commanding a premium of USD 1,500-1,750 to the SEAsia market.

Sand into Singapore is very quiet and Singapore is presently facing sourcing difficulties which is keeping this a scarce run for the time being, however the little there is 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 USD11,000 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for March has stayed strong on all sizes, rates are now around USD 11,000 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 21,000 fhaul market and the TA at USD 17,000. 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 15,000-16,000 for redelivery wwide basis 4-6 months and USD 14,500 for redelivery Atlantic. The Med has been flat and unchanged from February. The rates ex Black Sea fetching USD 18,000-19,000 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 11,000 to WAfrica.

The Continent has been busy and supply remains extremely tight. Scrap is paying USD 15,000 for trips into the Med and Fhauls although very limited at USD 23,000. The Baltic RV is USD 9,500 but extremely limited.

Pool View Strategy and Positioning

In the month of March we have had 4.41 days of off hire for the pool, this was spread over a couple of vessels and nothing major to report.

We are working on rebalancing two basins presently and looking at the fleet distribution, the Pacific Ocean (11) and Atlantic (4) vessels and we have fixed 12 out on short/medium period, as strategic hedging. However we will receive 2 vessels back towards the end of Q2 2018.

The period market in March has stayed strong, Ultramax are fetching USD 13,000-13,500 for 9-12 months, the Atlantic basin is still commanding a premium of USD 1,500 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 March we have not taken any 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. Similarly to a year ago the COA's offered for next year and this year are going at heavily discounted rates and as such we have not taken any new COA. I would 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 no.

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

Some cargoes booked in March: N/A

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

Tonnage fixed out for more than 2 legs in March: MEDI HAKATA, delivery feast 13000 upto Dec 2018.