

General Comments

The world continues to be in a state of indecisiveness as Mr. Trump continues his Trade wars with Turkey and China, luckily however it seems Europe and the US have reached a consensus. Looking closer to home at the Dry Bulk market, things aren't so shabby. The Cape's continue to trade at the mid 20 level and despite a decline in activity we are seeing a reasonably stable Pmax market together with a similar picture on the Smax and Umax market.

Trade Flow Update

Iron Ore - China bought 89.96 million tonnes of the steel making raw material last month, according to the General Administration of Customs, up from June's 83.24 million tonnes and 88.66 million tonnes in July last year. Shipments for the first seven months of this year fell 0.7 percent from a year ago to 620.65 million tonnes, the customs data showed. China, the world's leading steelmaker, churned out a record 80.2 million tonnes of crude steel last month, just shy of the 81.6 million tonnes the United States produced in whole of 2017.

Profit margins at Chinese steel mills have reached near-record levels around 1,100 yuan (\$161.24) a ton, supported by ongoing capacity cutting and environmental crackdowns. Demand from traders for iron ore was still strong, especially given an escalating U.S.-China trade row and a weakening yuan, said Cao Ying, chief steel analyst at SDIC Essence Futures. "Uncertainties from the external trade situation, especially changes in currency exchange rates amid the trade row between Beijing and Washington, may stimulate demand to replenish supplies before the yuan devalues further," she said, adding that traders had been scrambling to buy imported ore in recent days. However, stricter environmental controls have cut restocking demand by mills for iron ore fines, which need to go through a high-polluting sintering process before being used in iron-making blast furnaces. Weekly utilization rates at steel mills' blast furnaces across the country slipped last week to the lowest since mid-April, according to the Mysteel consultancy. Several steelmaking cities in Hebei province have also enacted summer production restrictions to curb pollution, while Beijing last week unveiled a draft plan for 28 northern cities in winter, asking steel mills to cut capacity by as much as 50 percent.

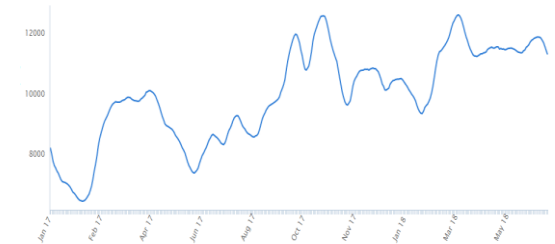
Grain - Russia's grain exports have started to show the first signs of a slowdown since quality concerns over this year's crop pushed prices to five-year highs, data from the agriculture ministry showed Monday. Weekly grain exports dropped from over 1.4 million mt last week to 914,000 mt in the week to August 13, according to agriculture ministry data. While the quick pace of exports at the start of the marketing year has meant volumes remain 55% higher than where they were 12 months ago, the gap with previous years continues to narrow. Total grain exports now stand at 5.65 million mt. Total wheat exports now stand at 4.63 million mt, which is 92% higher than at the same stage last year.

Coal - China's coal imports in July hit a record high in four and a half years as demand for coal-fired electricity increased during the summer, official data showed. China imported 29 million tonnes of coal in July, up 49 percent year on year, the highest monthly volume since January 2014, according to data from the General Administration of Customs. The value of imports surged 63 percent year on year to 17.9 billion yuan (abt 2.6 billion USD) in July, the data showed. China is promoting the use of clean energy to reduce its dependence on coal, but the latter still accounted for 60.4 percent of the country's energy consumption in 2017. The share narrowed by 1.6 percentage points from the previous year. Increased imports and port inventories kept a lid on coal prices. The Bohai-Rim Steam-Coal Price Index, the country's benchmark power coal price, stood at 567 yuan per tonne for the week between Aug. 1 and Aug. 7.

Oil - Despite its pledge to boost crude oil supply to offset supply disruptions, Saudi Arabia's oil production in July slipped by 52,800 bpd from June to average 10.387 million bpd last month, according to OPEC's monthly report published on Monday. The Saudis themselves reported an even lower production number, at 10.288 million bpd, Saudi Arabia self-reported to OPEC that its crude oil production dropped by 200,500 bpd from the production it had reported for June. Over the past two weeks, there were contradicting numbers about Saudi oil production, with many polls predicting that OPEC's biggest producer had likely pumped at near record-high levels, while Saudi and OPEC sources claimed that production actually dropped and was nowhere close to records.

According to the Financial Times, one reason for the lower production in July was that Saudi Arabia didn't see demand for its crude oil as high as it had expected earlier. In the middle of July, Saudi Arabia's OPEC governor Adeb Al-Aama said that the Kingdom would see its July exports drop by around 100,000 bpd as it was unwilling to push the market into oversupply beyond the customers' needs. In today's report, OPEC revised down demand for the cartel's crude oil for next year, and revised slightly down its estimates for global oil demand growth compared to the previous month's report.

Demand for OPEC-15 crude for 2019 was revised down by 100,000 bpd from the previous MOMR to stand at around 32.0 million bpd, which would be 800,000 bpd lower than the 2018 level. Oil demand growth for this year is now seen at 1.64 million bpd, or 20,000 bpd lower than last month's projections, mainly due to weaker-than-expected oil demand data from Latin America and the Middle East in Q2. For 2019, global oil demand is forecast to grow by 1.43 million bpd, also around 20,000 bpd lower than last month's forecast. Non-OPEC oil supply in 2018, on the other hand, was revised up by 73,000 bpd from the previous MOMR to average 59.62 million bpd, representing an increase of 2.08 million bpd year on



Detailed Supramax Analysis

In July, we have seen the Pacific remain quiet and continue a soft and slow decline. As in previous months the main drivers continue to be the Nickel ore, coal, Nopac grain and period. Similar to last month the demand for period is consistent but rates have come off some USD 750-1,000. The Nopac grain has been less prevalent and rates are USD 10-11,000 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 remained flat with an improvement seen towards the back end of the month. The Bhaul market is stable and we are in a bit of limbo as the Pacific has eased this month. The levels are presently around USD 6,500-7,000 per day for trips into WAfrica, while the trips to the USGulf are around USD 4,500-5,500. SE Asia Coal is at present quiet and we have seen a decline in the activity into China and India. The market is USD 8,500-9,500 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 presently facing sourcing difficulties which is keeping this a scarce run for the time being, however we have started to see new sand reclamation projects surfacing into Brunei and Male. The little cargo that hits the market remains a low paying cargo that is quick and positional.

India iron ore exports have slowed down substantially view the Monsoon season and we have seen vessels struggling on EC/WC India. However we are starting to see the WC market turn around slightly. Rbay is trundling along, there is still strong demand from India and Pakistan however with the iron ore being quiet rates are off. Rates ex India are at USD 9,500 - 10,500 dop for trips to China or SAfrica back to India or China.

In the Atlantic, ECSA for July has been following the pmax market with a 2 week delay. Ultras have been the primary mover, rates are now around USD 11,500 DOP WAfrica for trips within the Atlantic and for trips to Far East USD 14,750 + 475K BB APS. The US Gulf has again started to show signs of push in the rates coming. Rates are now at USD 23,000 fhaul market and the TA at USD 18,000. 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 15,000 for redelivery Atlantic.

The Med has shown its full hand with a strong push out of Blacksea. The rates ex Black Sea pushed up to USD 20,000-21,000 ex canakkale for front hauls and for trips out of the Med USD 9,000 to USA dop with 1 or 2 days ballast and USD 13,000 to WAfrica. We expect the market in the Blacksea to continue to be strong August and September.

The Continent has seen the Pmax market pick up considerably on the coal front and unfortunately we have not seen this spill into the Ultra/Smax segment. Scrap is paying USD 13-14,000 for trips into the Med and Fhauls although very limited at USD 19,000. The Baltic RV has picked up the market is USD 11/13,000 but limited.

Pool View Strategy and Positioning

In the month of July we have had 0.17 days of off hire for the pool and nothing major to report.

As ever we are working on rebalancing two basins presently and looking at the fleet distribution, the Pacific Ocean (13) and Atlantic (3) vessels and we have fixed 10 out on short/medium period, as strategic hedging. However we will receive 6 vessels back in Q3 2018.

The period market in July softened, Ultramax are now fetching USD 13,000-13,100 for 9-12 months, the Atlantic basin is still commanding a small premium of USD 500 - 1,000 for 8-13 months. Period rates are around USD 11,750-12,000 in the Pacific (Tess58), provided you are flexible on the terms and optionality.

In July we have taken no 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. Similarly 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. Similarly 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.

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

Some cargoes booked in July : 40010 Cement inter Feast.

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

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