MEDI SUPRA POOL
Management Limited

January Market Report

14-02-2019

General Comments

January has been a rollercoaster of epic proportion with the Supramax index starting out at 11,100 and ending the month at USD 5,500. Looking toward the Newbuilding market, 304 dry bulk vessels of 28.4m deadweight delivered in 2018 comprising 26 VLOC, 23 Capesize, 15 Post Panamax, 56 Kamsarmax, 88 Supra/Ultramax and 96 Handysize. In all sectors except VLOC (where at 26 vessels this was double the number in 2017) deliveries were the lowest yearly total all decade. The picture for 2019 looks somewhat different with 541 vessels totalling 49.7m deadweight on the nominal orderbook consisting of 24 VLOC, 62 Capesize, 28 Post Panamax, 149 Panamax/Kamsarmax, 163 Supra/Ultramax and 115 Handysize; however, as the orderbook is reasonably spread over 2019 we do not expect a sginficantvnumber of vessels to deliver in January as in the past.

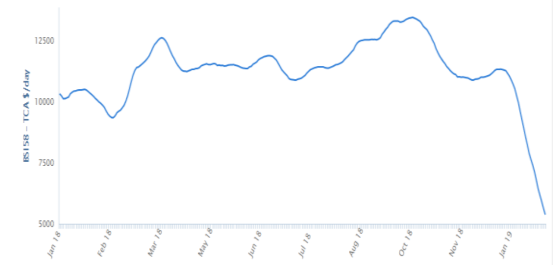
Trade Flow Update

Iron Ore - With all the Vale news lets look at the Brazil Iron Ore exports, February 2019 saw an estimated 25.1 million tons exported, which around 21% lower MoM (-6.6MT) and 5% lower YoY (-1.5MT). Looking in detail into Vale's exports in the month after the incident, we observe that total exports from GIT and CPBS (which exports Southern System products which saw 40MT of Iron Ore fines production cuts) have decreased by 1.9MT MoM (-39% MoM) and decreased 1.4MT YoY (-32% YoY). Tubarao, which exports Southeastern System products (which saw a 30MT Iron Ore fines production cuts) saw export volumes decreased by 41% MoM (-3.4MT) and decreased 26% YoY (-1.7MT). PDM was the bright spot, with exports up 9% YoY (+1.0MT) on the back of higher expected production for 2019. All in all, Vale's exports still came in slightly higher YTD 2019 (+0.3% YoY) and overall YTD 2019 Brazil Iron Ore export volumes is also higher as well (+3% YoY) on the back of higher exports from CSN and Minas Rio. These numbers lend support to our analysis earlier that exports from PDM, as well as the ramp up in exports from Minas Rio could help negate a good part of the projected decrease in seaborne Iron Ore exports in both the short and medium term.

Grain - China's soybean imports fell 13% in January from the same month a year earlier, customs data showed on Thursday, as a hefty duty imposed on shipments from the United States, its second-largest supplier, curbed purchases. China brought in 7.38 million tonnes of soybeans in January, down from 8.48 million tonnes a year earlier, preliminary data from the General Administration of Customs showed. January's imports were up 29 percent from 5.72 million tonnes in December. China, the world's top soybean buyer, typically imports the majority of its oilseeds from the United States in the period October-January after the U.S. harvest comes to market. However, purchases of American soybeans plummeted through 2018 as buyers avoided U.S. cargoes amid tariffs and a trade war between Beijing and Washington. The customs department does not disclose the origin of imports in its preliminary data. Imports of the oilseed are expected to rise in coming months as the new harvest from Brazil enters the market and as more U.S. shipments clear customs, analysts have said. China's national weekly soybeans stocks were at 6.19 million tonnes by Jan. 29, down from a record high in October, but still above January levels in previous years. Still, demand for the oilseed usually weakens after Chinese New Year holiday, while a fast-spreading outbreak of African swine fever might also dampen consumption.

Coal – One of China's biggest ports has banned imports of Australian coal and will cap overall coal imports for 2019 through its harbours at 12m tonnes, an official at Dalian Port Group has said. The indefinite ban on imports from Australia, which is China's top coal supplier, comes as major ports elsewhere in China prolong clearing times for Australian coal to at least 40 days. Coal is Australia's biggest export earner and the Australian dollar tumbled more than 1% to as low as US70.86 on the news. The Australian trade minister, Simon Birmingham, has acknowledged the "unconfirmed and unsourced" reports and said the government had asked its ambassador in Beijing "to urgently clarify their veracity" Five harbours overseen by Dalian customs – Dalian, Bayuquan, Panjin, Dandong and Beiliang – will not allow Australian coal to clear through customs, the official told Reuters. Coal imports from Russia and Indonesia will not be affected. The ports handled about 14m tonnes of coal last year. Beijing has also been trying to restrict imports of coal more generally to support domestic prices. Spot Australian coking coal at northern Chinese port Jingtang is 200 yuan ($29.85) cheaper per tonne than domestic prices. Prices of thermal coal are approximately the same. Dalian handles both thermal and coking coal imports but the clampdown is expected to have a bigger impact on coking coal.

Oil - Russian oil output stood at 11.34 million barrels per day (bbl/d) in February, down some 75,000 barrels per day from the October level, the baseline for a global deal, but still missing the accord target, Energy Ministry data showed on March 2. This was also down from 11.38 million bbl/d in January. In tonnes, oil output reached 43.303 million vs. 48.113 million in January. All the Russian majors reduced their output. Russia's largest oil producer Rosneft and Luk oil, cut their output by 0.6% and 0.5% month-on-month, respectively. Russian oil pipeline exports in February stood at 4.480 million bbl/d, up from 4.313 million bbl/d in January. OPEC and other large oil producers led by Russia agreed to cut their combined oil output by 1.2 million bbl/d starting from Jan. 1 to evenly balance the market and prop up weak oil prices. Of that, Russia undertook to cut 228,000 bbl/d from October 2018, the baseline for the agreement. Russian Energy Minister Alexander Novak said on March 1 that Russia cut its oil output by 97,000 bbl/d in February from October. He has said Russia would reach its reduction target during the first quarter.



FFA	Current	Last report
Short Period (Pac)	10750	10750
1 Year Period (Pac)	11000	11000
Q2 FFA	10350	0
Q3+Q4 FFA	11000	0
Cal 20	9700	0

Commodities	Current	Last Report
SoybeanMeal (CBOT)	US$310/ton	US$310/ton
Fuel Oil (Sing 380)	US$410/ton	US$343/ton
Coal (Newcastle)	US$101/ton	US$101/ton
Iron Ore (London)	US$69/ton	US$69/ton

Pool Performance	Pool	Index
Jan-19	10438	8003
Feb-19		
Mar-19		
Apr-19		
May-19		
Jun-19		
Jul-19		
Aug-19		
Sep-19		
Oct-19		
Nov-19		
Dec-19		

Note all the above figures are net.

2018 Results	**11040**	**10593**

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Detailed Supramax Analysis

In January, we have witnessed a negative spiral in the Pacific of epic proportion. Once again we have seen 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 APS USD 7,500-8,500 + 150 BB . 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 remains flat 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 2,000-3,000 per day for trips into WAfrica, while the trips to the USGulf are around USD1,500-2,000. SE Asia Coal has slowed down considerably. The market is USD 6,000 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 January has similar to the Pacific market collapsed. Ultras continue to be the primary mover, rates are now around USD 4,000 DOP WAfrica for trips within the Atlantic and for trips to Fareast USD 10,000 + 100K BB APS. The US Gulf has also started to falter. Rates are now at USD 15,000 fhaul market and the TA at USD 10,000. 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 11,000-13,000 for redelivery wwide basis 3-5 months and USD 11,000 for redelivery Atlantic.

The Med has also mirrored the other markets and is not looking good. The rates ex Black Sea are now around USD 14,000-15,000 ex canakkale for front hauls and for trips out of the Med USD 4,000 to USA dop with 1 or 2 days ballast and USD 8,000-9,000 to WAfrica.

The Continent has remained uneventfull and the lack of demand from Turkey for scrap is weighing its toll. Scrap is paying USD 8-9,000 for trips into the Med and Fhauls altough very limited at USD 14,000. The Baltic RV is once again flat and is USD 6/7,000 but limited.

Pool View Strategy and Positioning

In the month of January we had 14days of off hire and the majority of this is related the MEDI BANGKOK dry docking.

We continue to be interested in period, however the market in January has come off substaintially, Ultramax are now fetching USD11,000-11,500 for 9-12 months, the Atlantic basin is still comanding a small premium of USD 250 - 500 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 we 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 January we have not hedged any bunkers and we have not taken any FFA.

Some cargoes booked in January: 50010MT coal Indo to China, 55010MT of Nickel ore.
Tonnage fixed in for more than 2 legs in January: N/A.
Tonnage fixed out for more than 2 legs in January: N/A.