



## The Cape market is plunging again

### ...while Supramax and Handysize segment remain flat

Having already lost ground, the Capesize market on Thursday continued a reversal of gains made in the previous week, slipping by a total 420 points to sit at 3,167 per the Baltic Exchange's Capesize index. Illustrating this, a major Australian miner was heard fixing a vessel for a Dampier to Qingdao voyage, loading 27-29 December, at USD 9.45 per tonne on Wednesday, whereas that same Charterer concluded similar fixtures around the USD 10.20 per tonne mark in the first half of the week. Anxious sentiment was seen being compounded by the upcoming Christmas breaks – a major catalyst alongside this was December stems drying up, as only a few cargoes held by the majors remained on the table. With less to cover in the coming two weeks, Owners began considering what 2020 laycans will hold. In the Atlantic, Bearish sentiment was echoed by assessments – 170,000-MT of iron ore from Tubarao to Qingdao was positioned at USD 19.75 per tonne on Wednesday, falling USD 1.25 per tonne since Monday.

The effect of a pessimistic Capesize market flowed into Panamax vessels this week, as it was heard Capesize coal cargoes from east coast Australia were being broken up onto smaller sizes. Many believed however this hasn't correlated to an increase in freight rates, with muted activity in the Asia-Pacific region failing to rally sentiment - analysts suspected fixtures were being done off-market. Assessments for Indonesian coal cargoes were slightly up on Tuesday on the back of few fresh Australian coal stems coming to market, with 75,000-MT of thermal coal from South Kalimantan to east coast India rising 30 cents to USD 8.80 per tonne (or USD 19.00 per tonne for the west coast, itself a 40-cent increase). Time charter rates for a Panamax vessel from east coast Australia to India were positioned around USD 10,000 – 10,500 per day, according to indications heard circulating. Sentiment overall is that the sector was slowly firming, stabilising towards Thursday & Friday.

Participants saw the Supramax market as having been flat recently, softer than previous weeks. Despite coal stems from Indonesia & Australia's east coast slowing down, a number were heard in the market fixing at or around previous levels – 55,000-MT of coal from East Kalimantan to Vietnam, on a 27-30 December laycan, was heard concluded at sub-USD 8.00 per tonne levels, whereas another coal cargo of 55,000-MT from Tarahan in South Sumatra to Campha was heard fixed at USD 8.00 per tonne, also loading end-December. By Thursday, as holidays drew even closer, a build-up of tonnage levels further depressed rates seen in the Asia-Pacific. On a side, come Wednesday, assessments placed 50,000-MT of limestone from Mina Saqr to Paradip at USD 9.15 per tonne, unchanged day on day, and a urea cargo of 40,000-MT was heard fixed at USD 8.37 per tonne from

Sur to Mundra, loading 14-16 December.

Generally softer this week, the Handysize sector didn't see a lot of activity. Sentiment was the market would weaken again closer to Christmas. A Singapore-based operator was heard with a time-charter order for coastal Australian grains, loading Kwinana/Esperance on a 5-10 January laycan and an Australian miner was heard with a 30,000-MT alumina cargo from Bunbury to Tianjin, loading forward dates of January 25-February 5 – assessments for such a voyage, basis a 2019 laycan, to Lianyungang were positioned at USD 19.05 per tonne on Thursday, a decline from the USD 19.90 per tonne levels seen on Monday.

This week has been similar to last week in terms of levels. Several fresh copper parcels have entered the market, and owners got the feeling that the market would push up, whereas rates have remained stable. This is mainly due to the big amount of tonnage that has prevented the market from recovering. Very few requirements are left for December, compared to a long list of vessels, especially Handysizes. The remaining December ships will most probably have to wait for January cargoes or ballast to ECSA where the sentiment is the most positive. On the parceling side, December is almost entirely out of the way, and charterers are starting to cover their January program. Activity appears to have increased, with all parties eager to trade as much as possible before the holiday period, but like the TC market, levels remain mostly unchanged from last week.

After a few quiet weeks, the USG is active again. Charterers and Owners are looking to cover themselves before the upcoming holidays. There has been a lack of spot requirements and, if any come out, they will be covered quickly, which leaves the area with a few pending spot vessels. Most of the requirements and cargoes that are being fixed now are for end of December and early January dates. Because of the shortage in tonnage, larger Handysize are getting premiums when compared to smaller ones. Market levels have firmed up by a few hundred dollars. Some fixtures were above or below the current market levels due to whether a vessel was running late, or owners and charterers were overplaying their hand, creating a situation where one has to give up a vessel for a lower price or the other has to pay even more. Regardless of the current figures, the USG market has improved. Next week, the activity is expected to soften as participants will try to cover their business with what is left before Christmas holidays.

Still very limited activity out of Asia Pacific & NOPAC, from the Panamaxes down to the Handysizes. There were a few India-bound cargoes ex-Indo this week, but not enough for the market to move. The sentiment is very sluggish with the holidays approaching.

### Affinity Dry Cargo Indices (7 Jan 2016 = 100)

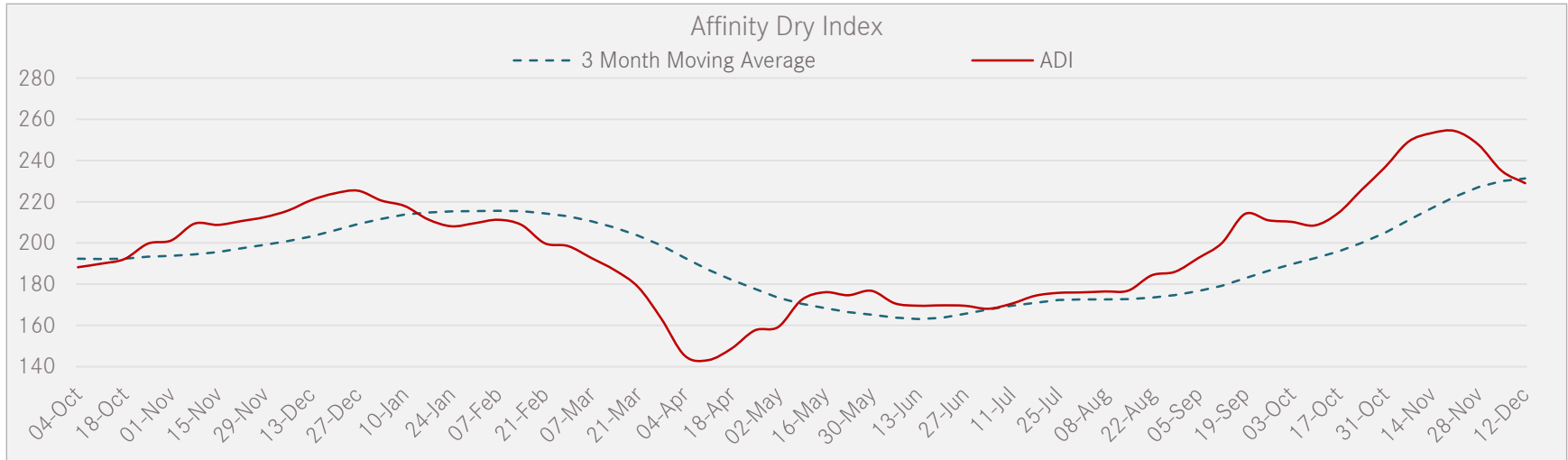
	Value	Change
Affinity Dry Index	188.9	-1.0
Affinity Capesize Index	301.0	-41.3
Affinity Kamsarmax Index	194.3	13.0
Affinity Ultramax Index	177.3	4.3
Affinity Handysize Index	159.1	0.4

### Bunker Prices

	USD/Tonne	% Change
Fujairah IFO 380	290	9.85%
Houston IFO 380	337	-5.07%
Rotterdam IFO 380	253	7.66%
Singapore IFO 380	343	10.65%
Fujairah MGO	702	2.03%
Houston MGO	618	1.31%
Rotterdam MGO	559	0.36%
Singapore MGO	587	1.21%

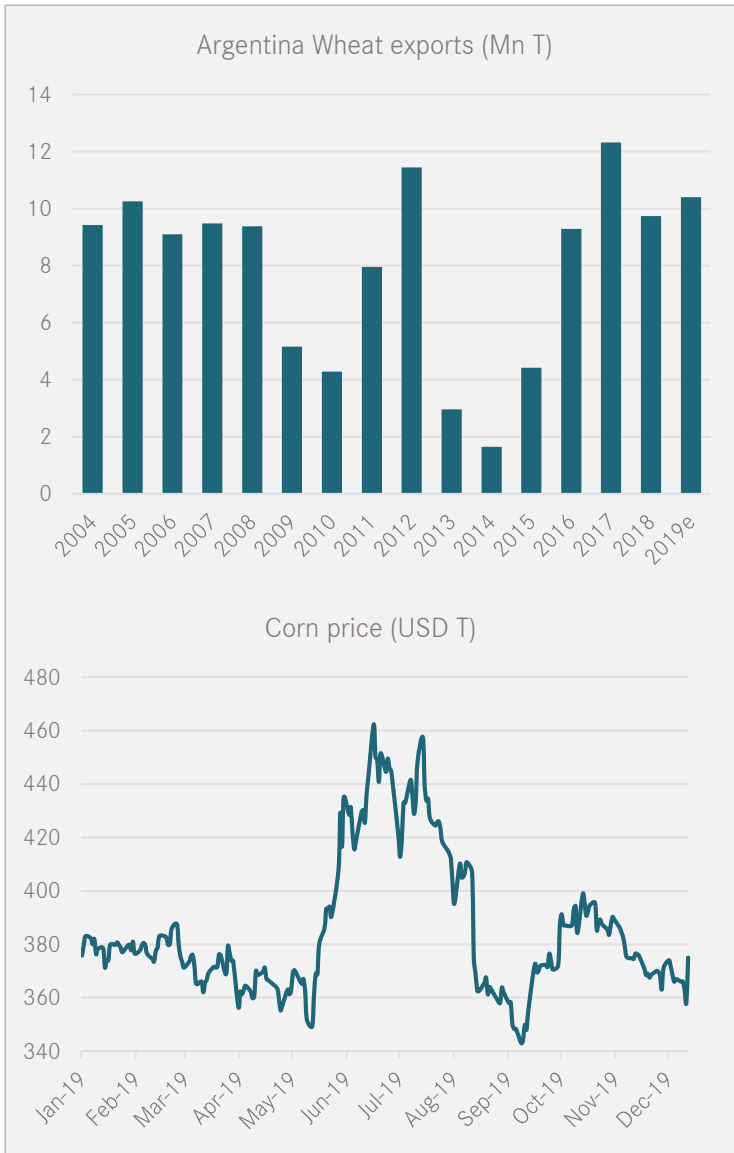
### Commodity Prices

	USD	Change	% Change
Iron Ore 62% (Tonne)	92.04	3.70	4.19%
Thermal Coal (Tonne)	78.14	-0.22	-0.28%
CBOT Wheat (Bsh.)	529.00	-3.00	-0.56%
CBOT Corn (Bsh.)	358.00	-8.00	-2.19%
ICE Sugar 11 (Lbs)	0.1340	0.0030	2.29%
LME Copper (Tonne)	6095.00	241.00	4.12%
LME Lead (Tonne)	1918.00	27.00	1.43%
LME Zinc (Tonne)	2228.00	-22.00	-0.98%



Freight Rates			
	Route	USD/MT	Change
Handysize	H1	19.05	-1.70
	H2	25.00	0.50
	H3 TC	10,500	1,250
	H4	35.50	-0.50
	H5	34.00	0.00
Supramax	AS2 TC	17,500	0
	AS2 TC	11,500	1,250
Ultramax	U3 TC	11,500	-300
	U4 TC	10,800	0
Kamsarmax	K1	11.91	0.91
	K2	12.28	0.71
Capesize	AC1	9.18	-0.68
	AC2	19.31	-2.75
	AC3	8.68	-1.67

TC Rates (USD/Day)							
	1YR	Change	3YR	Change	5YR	Change	Trend
Capesize 170/185k Dwt	17,750	-250	15,500	-1500	16,000	0	Softer
Kamsarmax 80/85k Dwt	11,250	0	11,250	250	11,250	250	Steady
Ultramax 60/65k Dwt	10,500	0	10,000	0	9,750	0	Steady
Supramax 52/57k Dwt	10,250	0	9,750	0	9,250	0	Steady
Handysize 28/32k Dwt	9,000	0	8,000	0	8,000	0	Steady
Representative Fixtures							
Vessel Name	Built Year	Dwt	Laycan	Delivery	Period	Rate (USD/Daily)	Charterer
KATAGALAN WIDSOM	2012	98,697	20-30 Dec	CHINA	12 months	13,000	CNR
TAHO AUSTRALIA	2019	81,788	05-08 Dec	TAIWAN	7-9 months	13,000	Crystal Sea



## New president, good or bad news?

### Argentinian farmers fear potential new grain policy

A new president always come with a lot of promises and new policies. The new Argentinian President, Alberto Fernandez, took over his functions on 10 December, alongside his Vice President Cristina Fernandez, president between 2007 and 2015 and successor of Nestor Kirchner, her husband. The incoming Vice President caused a wave of concerns in the Argentinian agricultural sectors as, during her mandate, she implemented high taxes on grains exports.

Grains exports, corn and wheat, accounts for 10.7 per cent of total export revenue in the country, and changes on taxes have historically and significantly affected the market. High taxes on exports reduce profitability and so farmers lower production and exports. From 2002 and lasting many years, grain exports have been taxed, with corn and wheat incurring 20 per cent and 23 per cent tariffs, respectively. According to the US department of Agriculture (USDA), at the end of Cristina Fernandez’s mandate in 2015-16, wheat output dropped by 34 per cent when compared to 2007-08, while exports recorded a fall of 14 per cent over the same period.

The now-ex-President, Maricio Macri, reduced the taxes on wheat and corn

exports to 6.7 per cent and production and exports skyrocketed. Throughout the 2018-19 crop, corn production increased by 21.4 per cent in comparison to 2015-16’s crop, while exports rose by 36.3 per cent. The same goes for wheat production and exports, which recorded a jump of 73 per cent and 35.4 per cent respectively over the same years.

Before the elections, a few farmer unions met President Fernandez to discuss about the agricultural policies but, apparently, without unearthing a final plan.

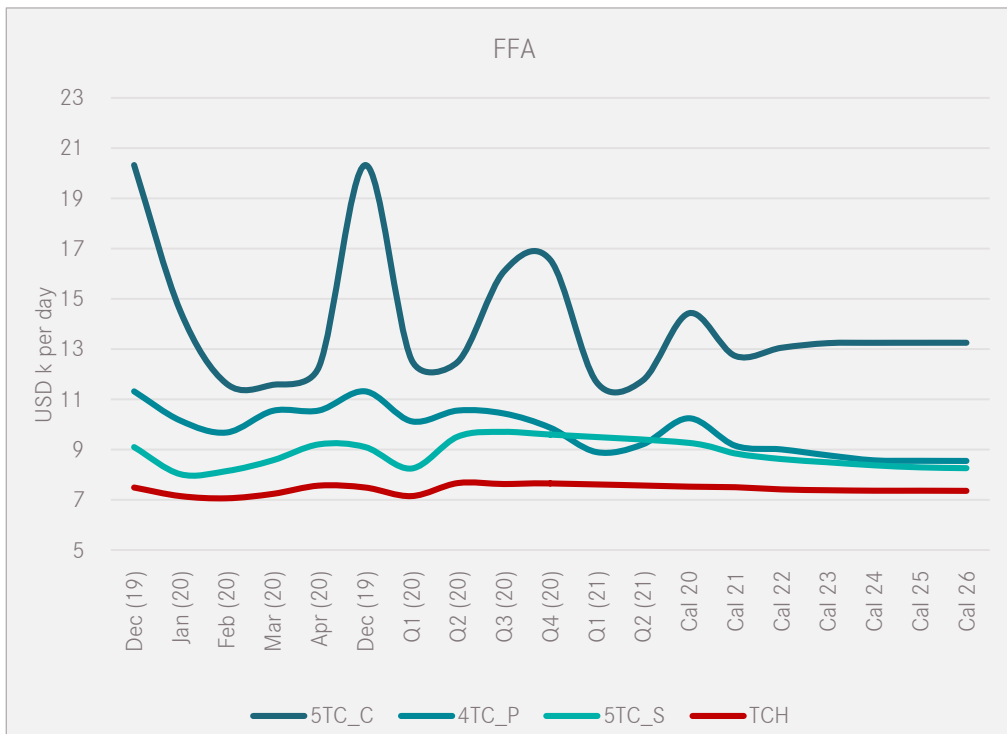
Markets tend to react to changes way before they happen, and the Argentinian grain market is no exception to the rule. The probability of increasing taxes pushed participants in the market to increase grain sales pace to a higher rhythm. 2 Mn T of wheat have been sold throughout the two last weeks of November, which is more than four times the 2018 results. Corn farmers, for their part, sold 3.4 Mn T, five times the numbers registered over the same period a year earlier.

According to the USDA data, Argentina is the sixth-ranked biggest wheat exporter and is the third largest corn exporter.

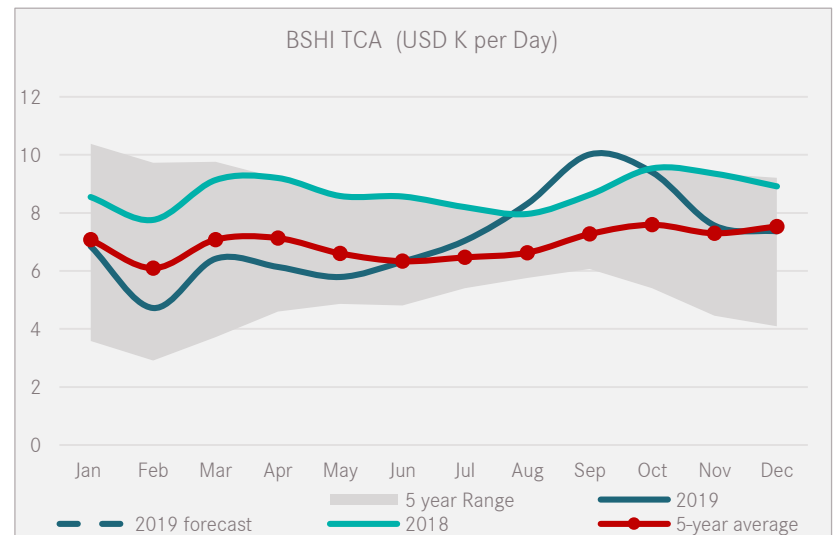
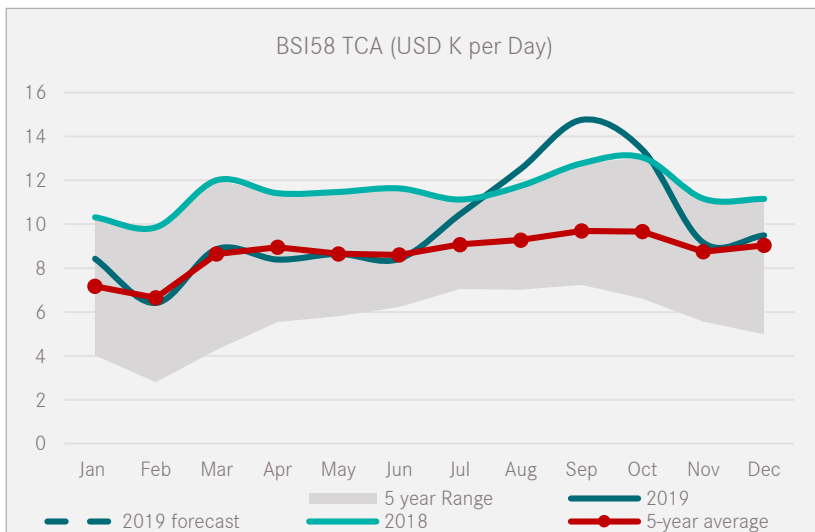
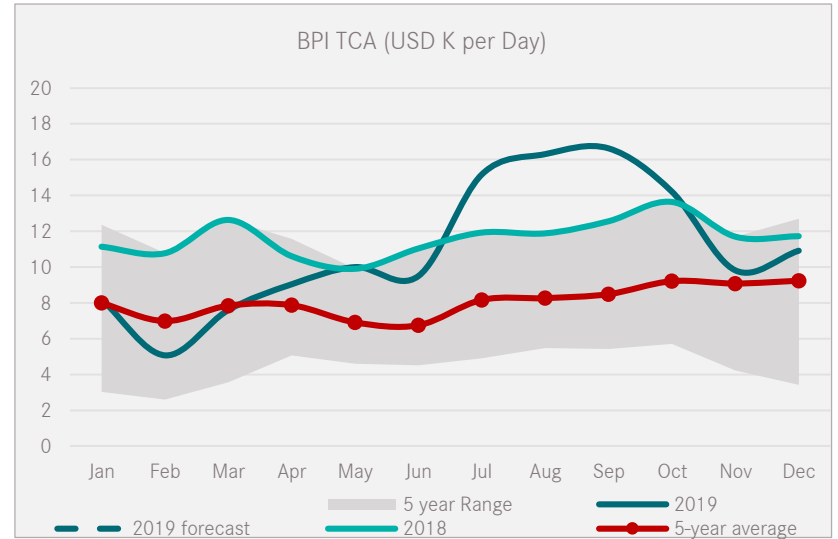
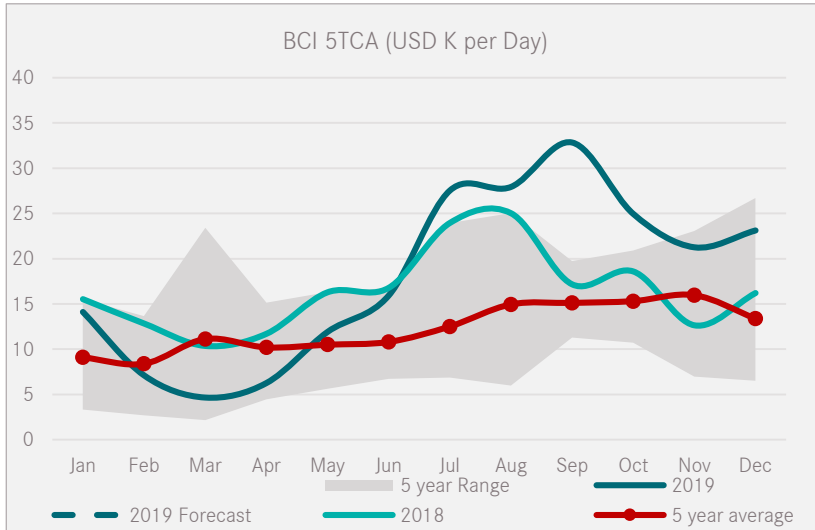


Steel Prices			
	Value	Change	% Change
North American HRC (USD/T)	563.00	0.80	0.1%
LME Steel Rebar Month 1 (USD/T)	447.25	11.85	2.7%

Asset Values (Mn USD)				
	NB	Resale	5 Years old	10 Years old
Capesize 180k Dwt	48.50	51.00	34.00	22.00
Kamsarmax 83k Dwt	26.50	30.00	23.00	14.75
Supramax 55/58k Dwt	24.50	26.00	16.50	12.50
Handysize 28/32k Dwt	23.50	24.00	15.75	8.50



Forward Freight Agreements				
FFA Description	5TC_C	4TC_P	5TC_S	TCH
Dec (19)	20,322	11,316	9,100	7,488
Jan (20)	14,509	10,153	8,021	7,150
Feb (20)	11,619	9,678	8,146	7,063
Mar (20)	11,575	10,541	8,575	7,238
Apr (20)	12,300	10,556	9,211	7,563
Dec (19)	20,322	11,316	9,100	7,488
Q1 (20)	12,568	10,124	8,248	7,150
Q2 (20)	12,491	10,553	9,518	7,663
Q3 (20)	16,091	10,434	9,707	7,625
Q4 (20)	16,547	9,869	9,600	7,650
Q1 (21)	11,684	8,900	-	-
Q2 (21)	11,750	9,206	-	-
Cal 20	14,424	10,245	9,268	7,522
Cal 21	12,725	9,153	8,846	7,500
Cal 22	13,050	9,006	8,625	7,413
Cal 23	13,234	8,772	8,496	7,381
Cal 24	13,247	8,572	8,375	7,363
Cal 25	13,250	8,553	8,293	7,363
Cal 26	13,250	8,547	8,261	7,356





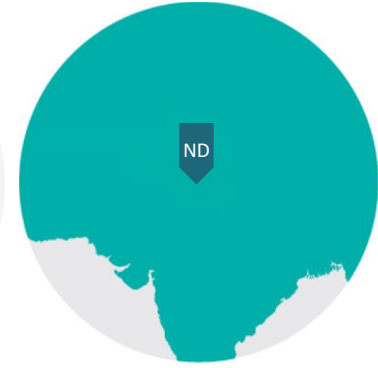
Route Descriptions						
	Affinity Code	Load Port	Disch Port	Cargo Size (MT)	Variance	Cargo
Handysize	H1	WAUS	North China (1 Main Port)	30,000	5%	Alumina
	H2	NZ	North China (1 Main Port)	30,000	5% (JAS)	Logs
	H3 TC	USG	ARA	30,000	10%	Grain
	H4	Matarani	Japan + North China (2 Ports)	22,000	3% (Molchopt)	Copper Concentrates
	H5	North Chile	Continent (2 Ports)	22,000	3% (Molchopt)	Copper Concentrates
Supramax	AS2 TC	Chile/Peru	Singapore/Japan	55,000	10%	Copper Concentrates
	AS3 TC	WCSA	Continent	55,000	10%	Copper Concentrates
Ultramax	U3 TC	Indonesia (1SA)	South China (1 Main Port)	55,000	10%	Coal
	U4 TC	Indonesia (1SA)	Paradip	55,000	10%	Coal
Kamsarmax	K1	Newcastle	Qingdao	75,000	10%	Coal
	K2	DBCT	Paradip	75,000	5%	Coal
Capesize	AC1	Tubarao	Rotterdam	160,000	10%	Iron Ore
	AC2	Tubarao	Qingdao	170,000	10%	Iron Ore
	AC3	Port Hedland/Dampier	Qingdao	170,000	10%	Iron Ore

The Affinity Dry Index (ADI) is calculated based on our freight rate estimates of the routes found in the route descriptions. Based on 7 January 2016, each Affinity index uses the average of freight rates for each segment compared to base rate as of the index start date (note that the Supramax rate is included in the Affinity Ultramax Index calculation).

Please note:

- As of 21 January 2016, the Affinity Dry Indices have been rebased to 7 Jan 2016, from their original starting point on 20 Aug 2015.
- As of 14 July 2016 routes H4 and H5 have been added to the Affinity Dry Index and the Affinity Handysize Index calculation, causing small negative changes in each index not reflecting actual market movements.
- As of 15 December 2017 the U1, U2, AS1 and H3 routes were switched from USD / MT to TC.
- As of 9 February 2018 the U3 and U4 routes were switched from USD / MT to TC.
- As of 03 Aug 2018 the U1, U2 and AS1 route was discontinued, to be replaced with the AS2 and AS3 routes. Efforts have been made to adjust for the changes but a slight increase in the ADI was inevitable.

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