AFFINITY DRY WEEKLY

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The Cape market is plunging again

…while the Supramax and Handysize segments remain flat

The Capesize markets out of both the Atlantic and Pacific regions began the new trading week on a soft note in both the paper and physical markets as the holiday mood had started to set in for market participants. A market source had noted early in the week that there is a sizable chance the Capesize market could be quite volatile for the first quarter of 2020, mainly due to the uncertainty of scrubber-fitted ships along with bunker availability and bunker specification issues. As the week closed out, freight rates fell for each day of the week as market activity remained thin across both basins as market players are preparing for end of year holidays. The freight rate for a Capesize vessel to move iron ore from Port Headland to Qingdao was assessed at USD 7.10/mt, down 90 cents from the beginning of the week. Out of the Atlantic, the freight rate for a Capesize vessel to move iron ore from Tubarao to Qingdao was assessed at USD 18.45/mt, down 25 cents from the beginning of the week.

The Panamax market out of Asia Pacific also had a steady start to the week as freight rates trended lower from the end of the week before. The market source had observed mid-week that there are plenty of vessels available but not enough cargoes around. The lack of fresh cargoes and the opening of vessels before the Christmas break further weakened the Asia Pacific Panamax market late in the week. The freight rate to move 75,000mt of thermal coal from Banjarmasin to Krishnapatnam was assessed at USD 8.30/mt and to Mundra at USD 9.50/mt, both routes down 45 cents from the beginning of the week. Out of Australia, the rate to move 75,000mt of metallurgical coal from Hay Point to Paradip was assessed at USD 14.45/mt, down 30 cents from the beginning of the week and to Qingdao at USD 13.55/mt, down 45 cents over the same period.

Activity in the Asia Pacific Supramax market was muted early in the week while the freight rates remained flat amid bearish sentiment, whereas Handysize markets in the Pacific continued to see an increase in vessel supply but suitable spot cargoes were next to nonexistent. The lack of cargoes and oversupply in tonnage affected both smaller-sized markets this week, resulting in Owners offering significantly lower offers. The freight rate to move 55,000 mt of coal cargo from South Kalimantan to Paradip was assessed at USD 9/mt and to Navlakhi at USD 10.20/mt, both routes down 30 cents from the start of the week. The freight rate for a Handysize vessel to move 30,000 mt of alumina from Gladstone to Lianyungang was assessed at USD 20.80/mt and from Bunbury/Kwinana to Lianyungang was assessed at USD 19/mt, both routes remaining flat from the beginning of the week.

There is another sense of déjà vu in WCSA, where levels have remained as flat as last week, except for slight decrease in Handysizes to the Far East. Charterers are fully covered for 2019 and the only chance of seeing additional December fixtures is to have vessels missing laycans. Several salt orders entered the market but not enough to drive up levels due to low activity on the copper concentrate side, combined with an oversupply of tonnage. The same goes for the parceling side, remaining at flat levels with few reported fixtures. It seems like the holiday spirit has been all around the market, and all of December's business has been taken care of.

This week, only a few fixtures have been done in USG, considering that participants wanted to be covered before Christmas holidays start, however, activity was not quite close to last week's. Throughout the first half of the week, rates dropped by a couple of hundred dollars, especially on the smaller Handysizes, as the bigger sizes continue to be fixed relatively fast, leaving the remaining ones asking for premium. For now, most of the operators are focusing on rating forward cargoes for the first quarter of 2020, given the activity on the time charter side is quite low.

Rates in the Asia Pacific & Nopac have slid further due to the lack of general activity and a very bearish sentiment. Most don't expect any improvement until after the Holiday and Chinese New Year. Handysize levels for front haul are more or less the same as the, which is not very exciting. In the Supramax segment, there is an oversupply of tonnage and weak demand.

Affinity Dry Cargo Indices (7 Jan 2016 = 100)

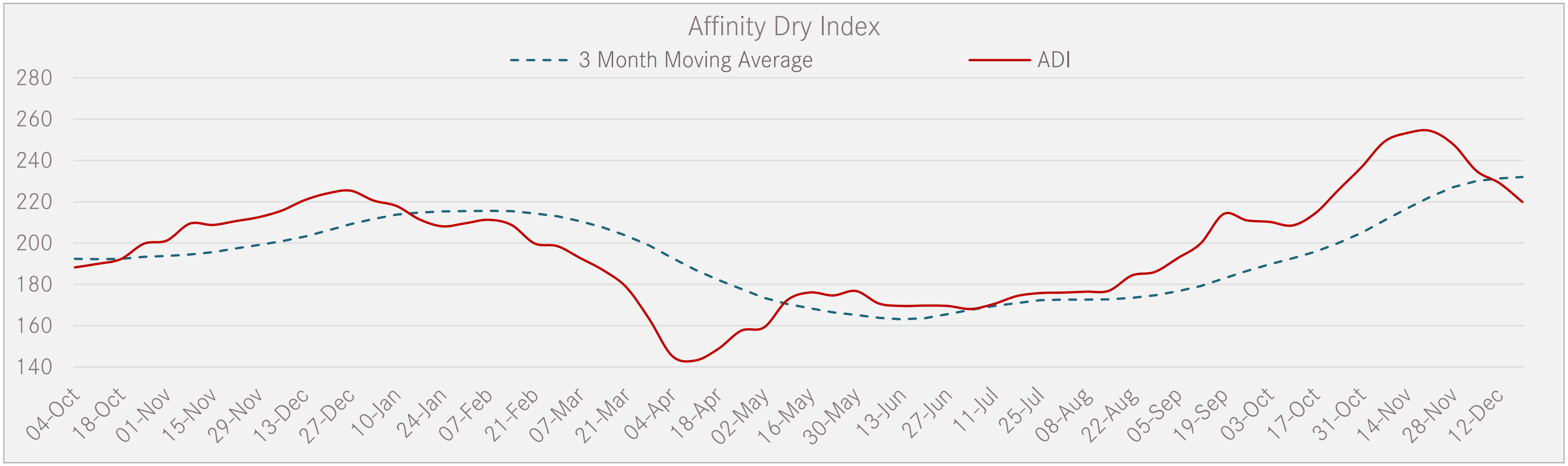
	Value	Change
Affinity Dry Index	184.6	-4.3
Affinity Capesize Index	281.3	-19.7
Affinity Kamsarmax Index	188.2	-6.1
Affinity Ultramax Index	175.5	-1.8
Affinity Handysize Index	156.6	-2.5

Bunker Prices

	USD/Tonne	% Change
Fujairah IFO 380	295	8.46%
Houston IFO 380	351	-0.57%
Rotterdam IFO 380	270	8.43%
Singapore IFO 380	332	0.61%
Fujairah MGO	713	1.86%
Houston MGO	644	6.80%
Rotterdam MGO	588	5.00%
Singapore MGO	637	6.70%

Commodity Prices

	USD	Change	% Change
Iron Ore 62% (Tonne)	91.99	-0.06	-0.07%
Thermal Coal (Tonne)	78.18	-0.02	-0.03%
CBOT Wheat (Bsh.)	551.00	17.25	3.23%
CBOT Corn (Bsh.)	388.75	25.75	7.09%
ICE Sugar 11 (Lbs)	0.1330	-0.0020	-1.48%
LME Copper (Tonne)	6126.00	43.50	0.72%
LME Lead (Tonne)	1874.00	-28.00	-1.47%
LME Zinc (Tonne)	2306.00	85.00	3.83%



Freight Rates

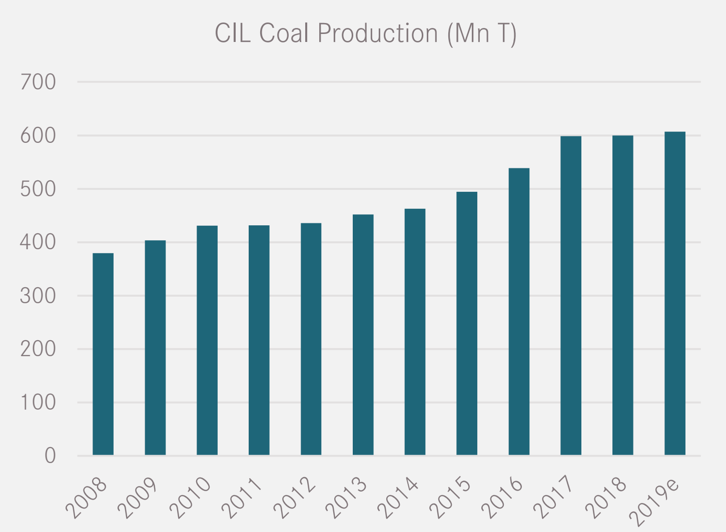
	Route	USD/MT	Change
Handysize	H1	19.00	-0.05
	H2	25.30	0.30
	H3 TC	10,000	-500
	H4	35.00	-0.50
	H5	33.00	-1.00
Supramax	AS2 TC	17,500	0
	AS2 TC	11,500	0
Ultramax	U3 TC	11,200	-300
	U4 TC	9,950	-850
Kamsarmax	K1	10.94	-0.97
	K2	12.49	0.21
Capesize	AC1	8.89	-0.29
	AC2	18.70	-0.61
	AC3	7.14	-1.54

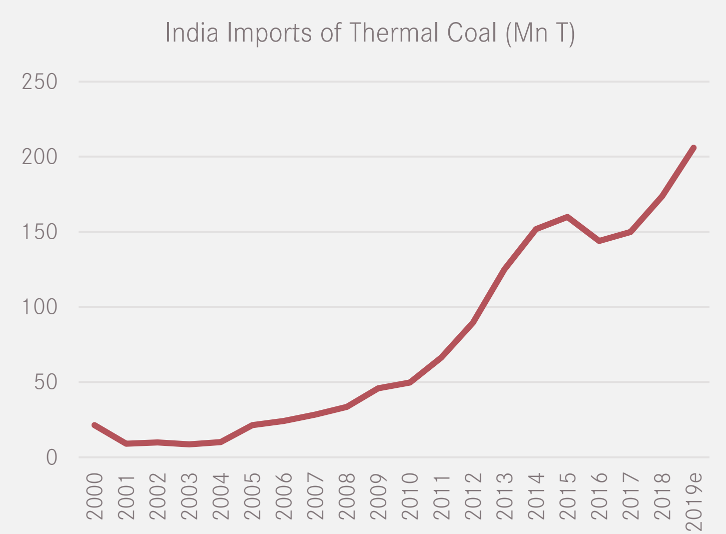
TC Rates (USD/Day)

	1YR	Change	3YR	Change	5YR	Change	Trend
Capesize 170/185k Dwt	16,500	-1250	15,500	0	15,500	-500	Softer
Kamsarmax 80/85k Dwt	11,250	0	11,500	250	11,250	0	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	8,750	-250	8,000	0	8,000	0	Softer

Representative Fixtures

Vessel Name	Built Year	Dwt	Laycan	Delivery	Period	Rate (USD/Daily)	Charterer
PEAK PROTEUS	2013	82,158	02-05 Dec	MIZUSHIMA	5-7 months	11,400	Oldendorff Carriers
JOSCO DEZHOU	2014	81,788	05-08 Dec	LUOYUAN	7-9 months	10,500	CNR





India's coal slide

Production has been declining: does this open the door for imports?

Coal India Limited (CIL), the state-owned company and biggest producer of thermal coal in India, has witnessed its supplies and production falling throughout the year. Over the past five months, CIL's output has continued to drop, dragging production down to 330 Mn T over the first eight months of the 2019-20 marketing year, which started in April. However, the company expects an increase in pace from December as, so far, this figure represents a year-on-year decline of 7.8 per cent. CIL represents 80 per cent of national demand, but unfortunately supplies have followed the same trend.

CIL supplied utilities with about 39 Mn T in November, a decline of 10 per cent on the year, but this is nothing compared to October, which recorded a sharp drop of 19.4 per cent year-on-year. This gives rise to a very pessimistic sentiment for the rest of the marketing year, considering that supplies for the first eight months of India's fiscal year have only recorded 291 Mn T, a decrease of 9 per cent when compared to the same period last year.

The same goes for smaller state-owned companies such as Sinfareni Colleries (SCCL) which supplied 4.2 Mn T in October and 4.6 Mn T in November, down by 12 per cent and 5.6 per cent on the year respectively. The fall is relatively moderate when compared to CIL, as SCCL's output reached 34.4 Mn T between April and November, a year-on-year decline of 1.7 per cent.

Even though India is a producing state, the country also imports thermal coal to meet domestic power demand. Imports reached 13.3 Mn T in November, slightly up from 13 Mn T a year ago. The government is trying to improve production in order to reduce import levels, however, if the biggest producer maintains the current downward trajectory, imports will much likely increase further.

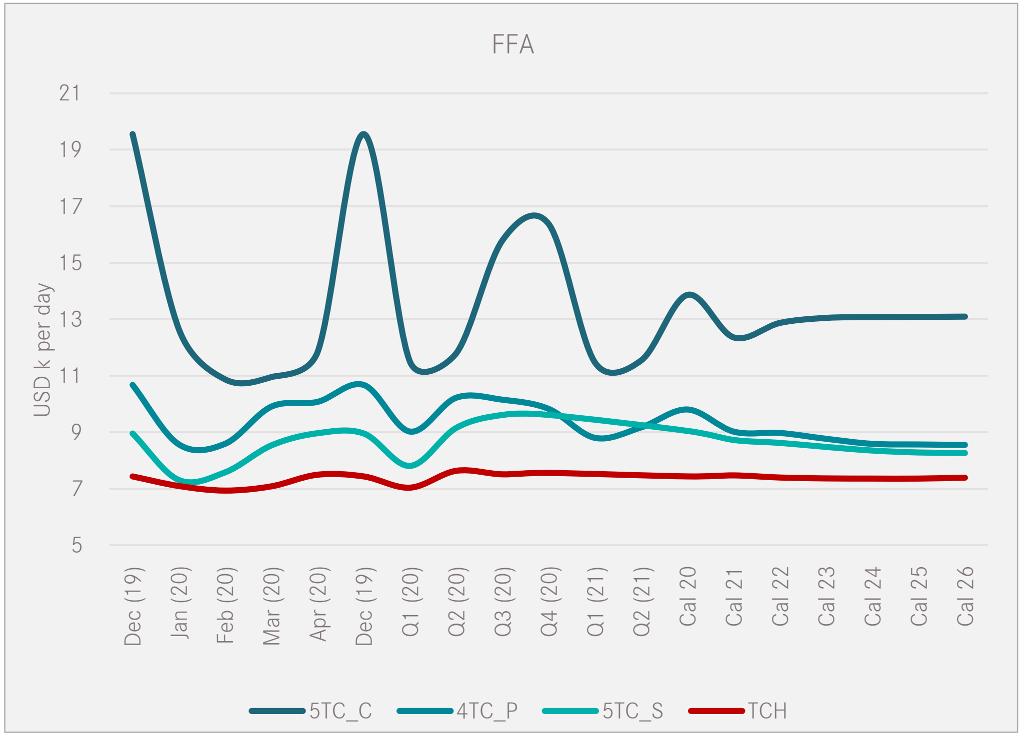
This is in line with the International Energy Agency's latest report, which expects coal demand to be stable during the next five years because of the rising electricity demand in developing countries. The IEA is picturing a positive future for the coal market in Southeast Asia, especially considering that India's population is expected to grow by 4.6 per cent per year until 2024.

Steel Prices

	Value	Change	% Change
North American HRC (USD/T)	560.50	-2.50	-0.4%
LME Steel Rebar Month 1 (USD/T)	445.50	-1.50	-0.3%

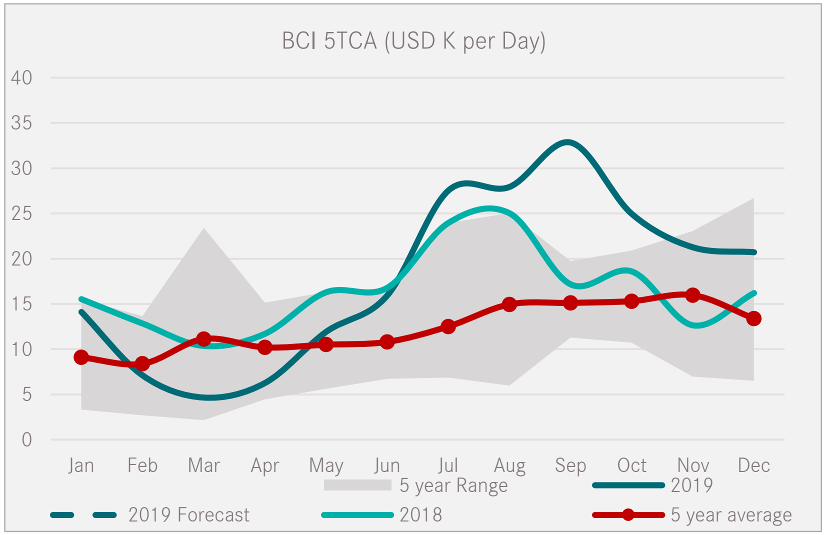
Asset Values (Mn USD)

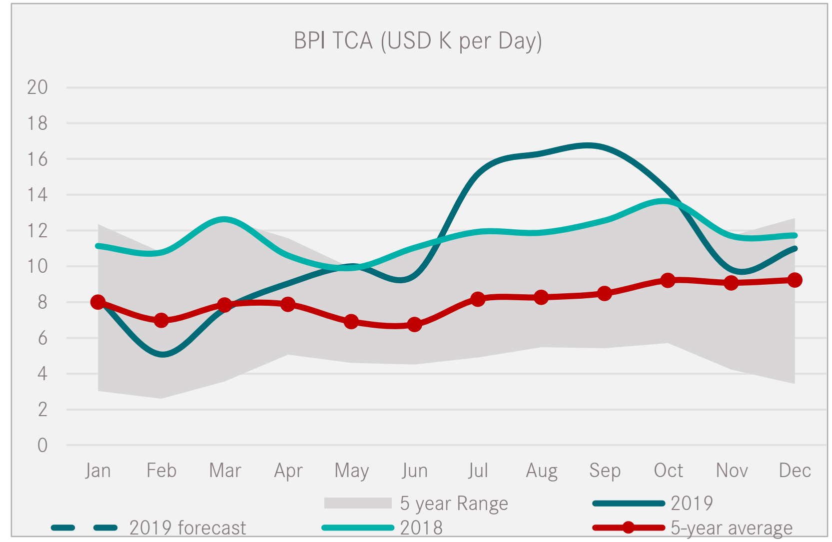
	NB	Resale	5 Years old	10 Years old
Capesize 180k Dwt	48.50	51.00	34.00	21.00
Kamsarmax 83k Dwt	26.50	30.00	23.00	14.75
Supramax 55/58k Dwt	24.50	26.00	15.50	12.50
Handysize 28/32k Dwt	23.50	24.00	15.75	8.50

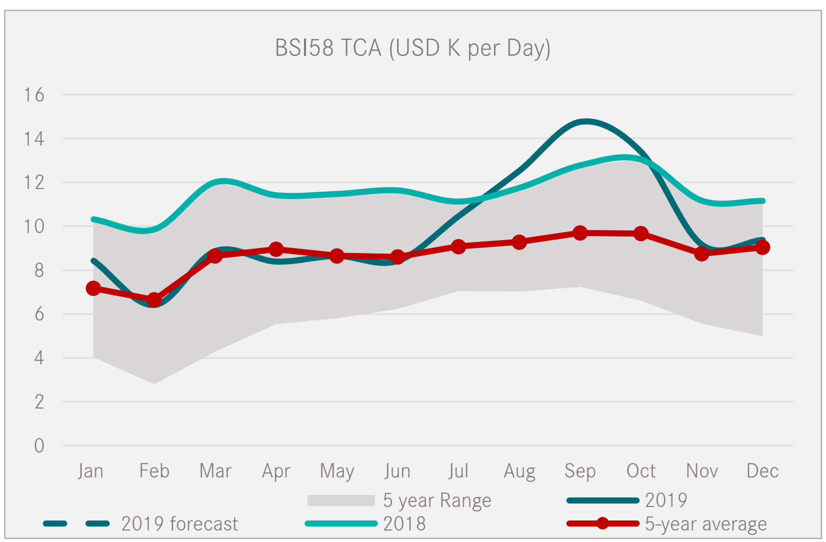


Forward Freight Agreements

FFA Description	5TC_C	4TC_P	5TC_S	TCH
Dec (19)	19,550	10,669	8,953	7,438
Jan (20)	12,650	8,569	7,307	7,100
Feb (20)	10,875	8,591	7,578	6,938
Mar (20)	10,956	9,903	8,532	7,088
Apr (20)	11,841	10,072	8,964	7,500
Dec (19)	19,550	10,669	8,953	7,438
Q1 (20)	11,494	9,021	7,806	7,042
Q2 (20)	11,800	10,219	9,153	7,638
Q3 (20)	15,797	10,147	9,611	7,513
Q4 (20)	16,366	9,822	9,611	7,563
Q1 (21)	11,469	8,800	-	-
Q2 (21)	11,547	9,172	-	-
Cal 20	13,864	9,802	9,045	7,439
Cal 21	12,359	9,019	8,725	7,475
Cal 22	12,872	8,972	8,621	7,400
Cal 23	13,050	8,766	8,478	7,369
Cal 24	13,075	8,588	8,350	7,363
Cal 25	13,084	8,566	8,282	7,363
Cal 26	13,094	8,550	8,264	7,394


BCI 5TCA (USD K per Day)
40
35
30
25
20
15
10
5
0
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
5 year Range
2019
2019 Forecast
2018
5 year average


BPI TCA (USD K per Day)
20
18
16
14
12
10
8
6
4
2
0
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
5 year Range
2019
2019 forecast
2018
5-year average


BSI58 TCA (USD K per Day)
16
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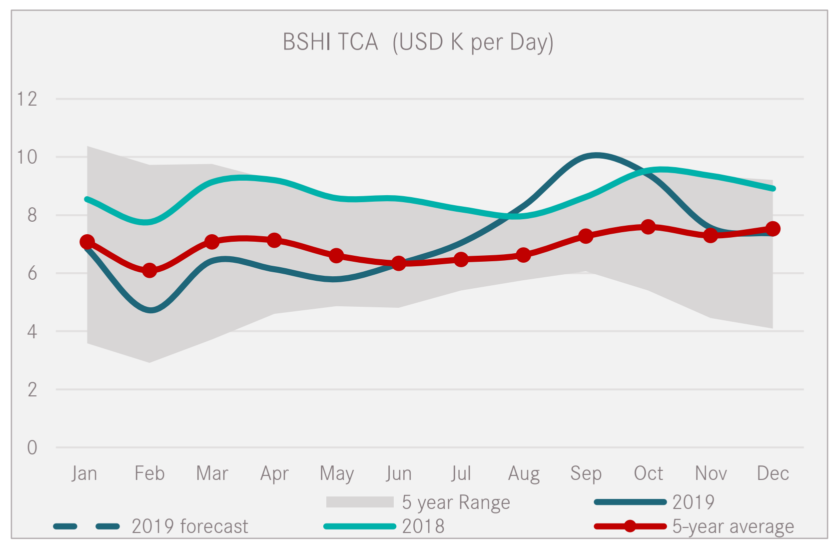
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
5 year Range
2019
2019 forecast
2018
5-year average


BSHI TCA (USD K per Day)
12
10
8
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4
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0
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
5 year Range
2019
2019 forecast
2018
5-year average

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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