AFFINITY DRY WEEKLY

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The Cape market softened

…while smaller sizes have followed the Cape market

The Capesize markets out of the Pacific and Atlantic regions began the week once again on a soft note in both the physical and paper segments. Freight rates dropped from the week before despite a healthy amount of cargo volumes being observed early in the week. As the week progressed, Capesize markets witnessed bearish sentiment out of both major basins for each day as freight rates continued to trend lower, while the tonnage list also continued to grow longer. The freight rate for a Capesize vessel to move iron ore from Port Headland to Qingdao was assessed at USD 6.90/mt, down 40 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 17.90/mt, down 30 cents from the beginning of the week.

The Asia Pacific Panamax market had a steady start to the week as market participants held out as the market lacked any clear direction. Panamax freight rates fell across all major Asia Pacific routes for each day of the first half of the week, but then on Thursday jumped to higher levels on the back of the US-China Phase One deal. The freight rate to move 75,000mt of thermal coal from Banjarmasin to Krishnapatnam was assessed at USD 7.25/mt, up 5 cents from the beginning of the week and to Mundra at USD 8.30/mt, down 10 cents over the same period. Out of Australia, the rate to move 75,000mt of metallurgical coal from Hay Point to Paradip was assessed at USD 13.80/mt, up 70 cents from the beginning of the week and to Qingdao at USD 12.35/mt, up 45 cents over the same period.

Supramax and Handysize markets also had a steady start to the week as market participants for both of the smaller sized vessels preferred to observe the market from the sidelines. Market players predicted early in the week that it was unlikely the market would improve for the week ahead as the tonnage list remained lengthy in the Pacific and Indian Ocean, and it turns out they had predicted right. But not even the impact of the US-China phase one deal could help rebound the weakening markets for Supras and Handys. The freight rate to move 55,000 mt of coal cargo from South Kalimantan to Paradip was assessed at USD 7.45/mt, down 70 cents from the start of the week and to Navlakhi at USD 9/mt, down 45 cents over the same period. The freight rate for a Handysize vessel to move 30,000 mt of alumina from Gladstone to Lianyungang was assessed at USD 20.90/mt, down USD 1.05 from the beginning of the week and from Bunbury/Kwinana to Lianyungang was assessed at USD 19.75/mt, down 30 cents over the same period.

As expected, activity has been slow this week on the TC side, despite there being some copper concentrate parcels for January dates. However, most of them have been fixed as completion cargoes and it didn't drive up the demand of vessels. Moreover, salt to USEC is still on hold due to the mild winter in the US. There is still a significant amount of tonnage for January dates, with some of them spot. Even though ECSA is not an attractive ballast option, we have seen vessels from Peru/Chile heading down to Recalada. The combination of above parameters are forcing market levels slowly down for all destinations. On the parceling side, there has been some pretty high activity for both January and February dates. Unfortunately for the owners, the activity was not enough to raise levels. Due to the low spot levels, it has been difficult to justify parceling up spot shipment from scratch, so most of the material is still taken by COA holders.

This week has been similar to last with moderate activity on the fixture side, while new opportunities entered the market. End of January cargoes/requirements are slowly being cleared out but, unfortunately, spot/prompt tonnage remains persistent. The lack of activity in USEC has pushed some ballasters to find their way to the USG, however, it is generating more oversupply of tonnage in the area. If the opportunity appears, operators would rather use their own vessel instead of taking one that is in the market. Market levels have decreased significantly, especially on smaller Handysizes, and contrary with preliminary thoughts at the beginning of the week, we now tend to believe that the market has yet to bottom. The sentiment is negative, with expectations of further decreasing market levels.

The Asia Pacifc and NOPAC experienced another week of very sluggish levels, with an oversupply of ships in the Pacific that are spot.Owners prefer to wait rather than fix their ships at the current levels. Most don't expect any uptick in the market until after the Chinese New Year.

Affinity Dry Cargo Indices (7 Jan 2016 = 100)

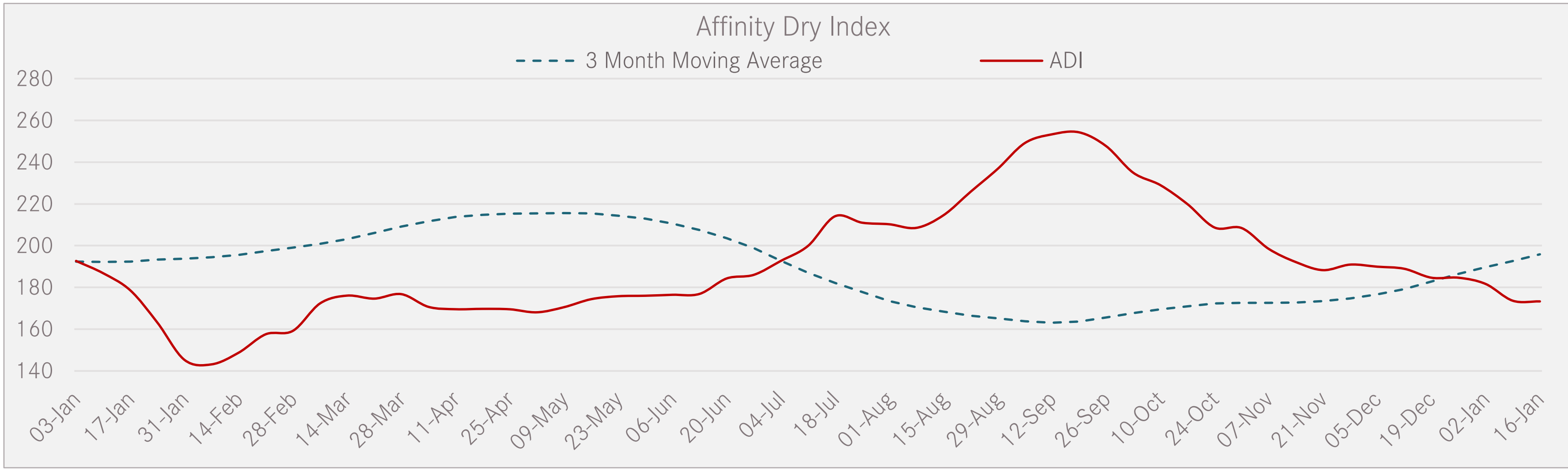
	Value	Change
Affinity Dry Index	173.2	-0.3
Affinity Capesize Index	265.0	-12.0
Affinity Kamsarmax Index	107.1	-10.0
Affinity Ultramax Index	161.0	-2.2
Affinity Handysize Index	159.2	3.8

Bunker Prices

	USD/Tonne	% Change
Fujairah IFO 380	310	-1.59%
Houston IFO 380	342	-2.84%
Rotterdam IFO 380	285	-8.65%
Singapore IFO 380	352	-11.34%
Fujairah MGO	748	-7.08%
Houston MGO	632	-5.67%
Rotterdam MGO	555	-7.50%
Singapore MGO	662	-9.93%

Commodity Prices

	USD	Change	% Change
Iron Ore 62% (Tonne)	94.55	0.98	1.05%
Thermal Coal (Tonne)	81.83	1.91	2.39%
CBOT Wheat (Bsh.)	565.00	9.25	1.66%
CBOT Corn (Bsh.)	375.00	-10.50	-2.72%
ICE Sugar 11 (Lbs)	0.1440	0.0090	6.67%
LME Copper (Tonne)	6300.00	145.00	2.36%
LME Lead (Tonne)	2026.00	126.00	6.63%
LME Zinc (Tonne)	2437.00	20.00	0.83%



Freight Rates

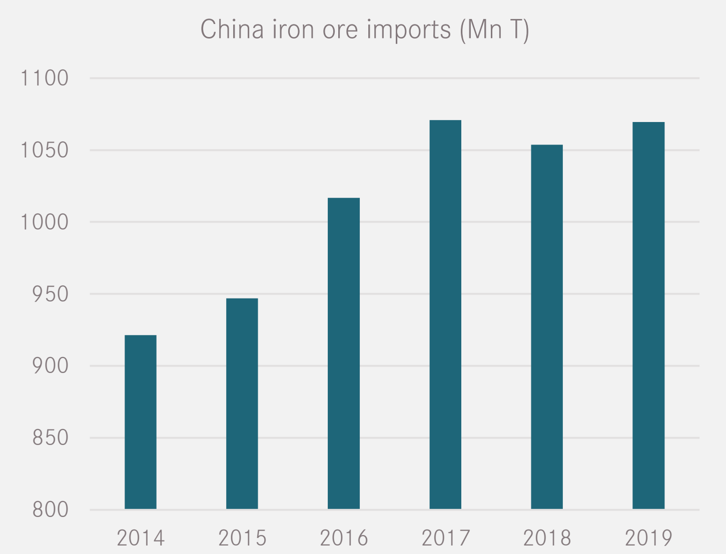
	Route	USD/MT	Change
Handysize	H1	19.75	-0.35
	H2	25.10	-1.00
	H3 TC	8,500	0
	H4	36.00	2.00
	H5	36.00	2.50
Supramax	AS2 TC	17,500	-500
	AS2 TC	9,250	-250
Ultramax	U3 TC	10,500	400
	U4 TC	6,800	600
Kamsarmax			
	K2	13.34	-1.25
Capesize	AC1	7.79	-0.58
	AC2	18.02	-0.58
	AC3	6.92	-0.32

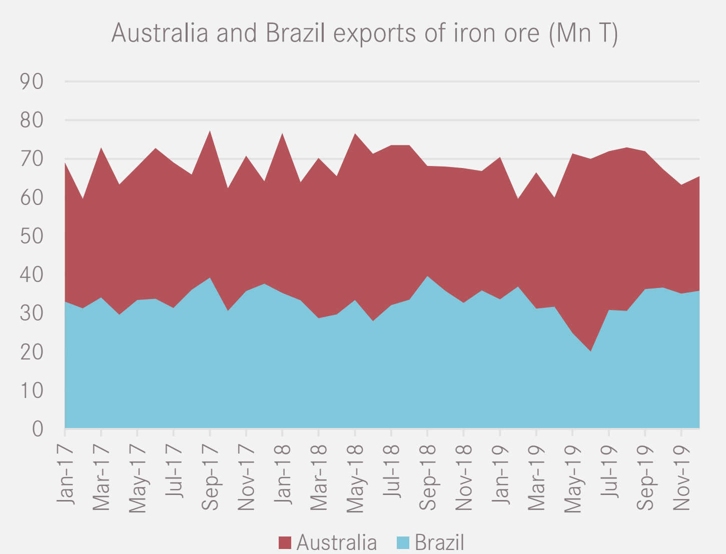
TC Rates (USD/Day)

	1YR	Change	3YR	Change	5YR	Change	Trend
Capesize 170/185k Dwt	14,500	-1000	13,000	-1000	14,500	-1000	Softer
Kamsarmax 80/85k Dwt	12,000	1750	11,250	750	11,000	-250	Firmer
Ultramax 60/65k Dwt	10,500	1000	10,200	1200	10,250	500	Firmer
Supramax 52/57k Dwt	9,650	400	9,200	-550	9,250	0	Firmer
Handysize 28/32k Dwt	9,300	300	9,500	500	9,500	1500	Firmer

Representative Fixtures

Vessel Name	Built Year	Dwt	Laycan	Delivery	Period	Rate (USD/Daily)	Charterer
OCEAN AMBITIOUS	2016	63,577	23Jan-02Feb	KOBE	4-6 months	9,500	CNR
OCEAN THYME	2014	82,306	20-31 Jan	MAUBAN	11 months	5,000	Norden





Another billion recorded

Will Chinese imports of iron ore be sustained?

Driven by an unexpectedly high production of steel in China throughout 2019, yearly iron ore imports increased and broke the billion-mark for another year. For the entire year of 2019, China imported 1.069 Bn T of iron ore, slightly up by 0.5 per cent from 2018 and slightly down from 1.075 Bn T in 2017, the highest the nation ever registered.

The slight improvement is despite the major disruption in supply the market has faced during the year. A tropical cyclone hit Australia, leading to several days of closure at major ports, while a Vale mine in Brazil collapsed, entailing the halt of several other mines. Because of the deadly accident, Vale reduced its production capacity by 70 Mn T throughout the year.

However, this is not the end of the story for the giant mining company, indeed, Vale forecasted 2020 output at 340-355 Mn T, an increase of 40 Mn T when compared to the year before. Although some participants doubt Vale's ability to achieve this objective, if the company actually achieves these numbers, the market will likely cope with the oversupply. According to JPMorgan, it will put the iron ore market in surplus, with supply exceeding demand by 28 Mn T.

China, the world's largest consumer of iron ore, saw its imports increase in 2019, with December jumping by 12 per cent on the month to hit the highest monthly result in more than a year, and global demand is expected to slow down this year. December's increase is typical ahead of the Chinese New Year, as most steel mills replenish their stocks.

Because of steel mills restocking before the holidays, imports should soften in January. A year-on-year drop is expected for the first month of 2020, especially considering that the level of supply from Australia and Brazil has eased the past month.

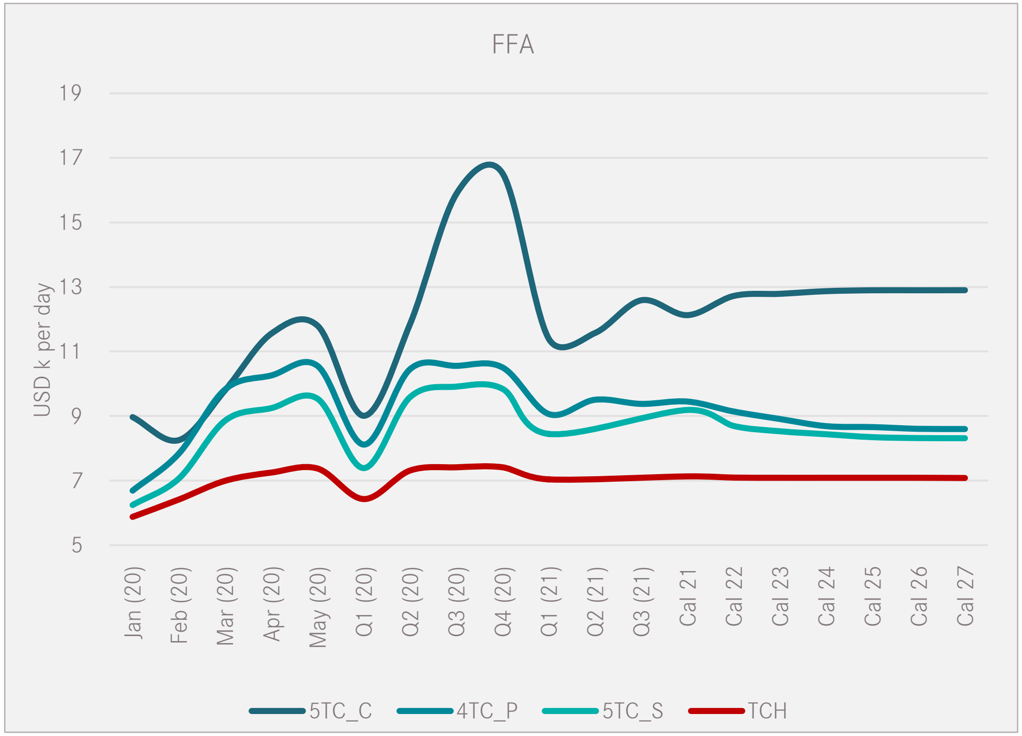
Iron ore prices reached multi-year highs in 2019 after the two major events that hit the market and disturbed supply. Prices stabilised throughout the last quarter of 2019 and averaged USD 88.5 per T. The restocking in January has made the price jump to USD 94 per T for the first half of the month. However, Chinese imports are expected to decrease this year, and if Vale achieves its objectives, prices will most probably drop further.

Steel Prices

	Value	Change	% Change
North American HRC (USD/T)	585.00	-1.20	-0.2%
LME Steel Rebar Month 1 (USD/T)	443.00	0.50	0.1%

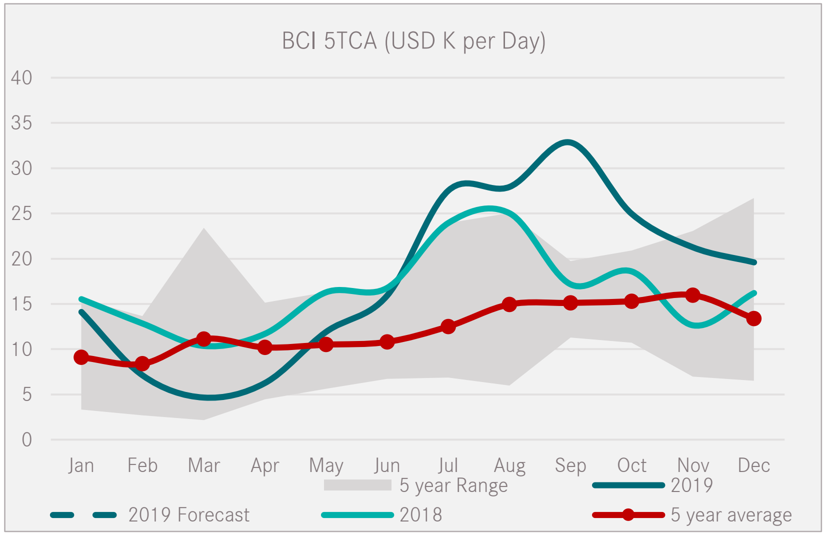
Asset Values (Mn USD)

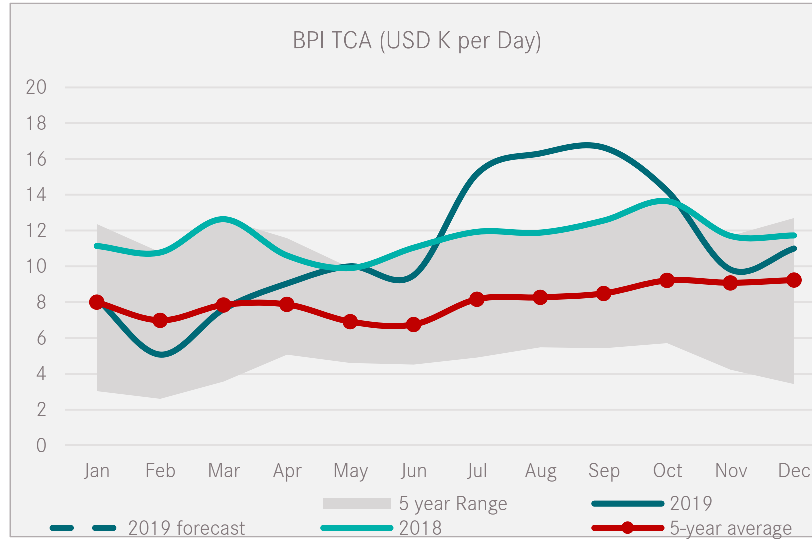
	NB	Resale	5 Years old	10 Years old
Capesize 180k Dwt	48.50	51.00	34.00	21.00
Kamsarmax 83k Dwt	26.50	30.00	23.00	15.00
Supramax 55/58k Dwt	24.50	26.00	15.50	12.50
Handysize 28/32k Dwt	23.50	24.00	16.00	8.50

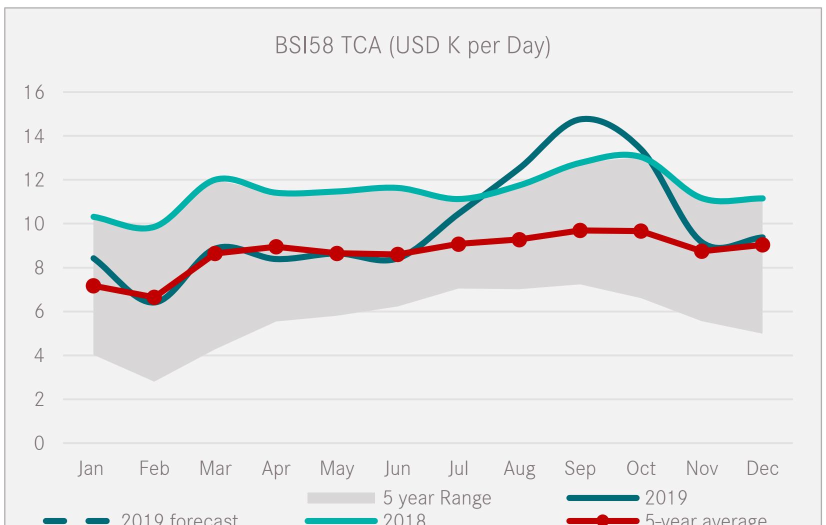


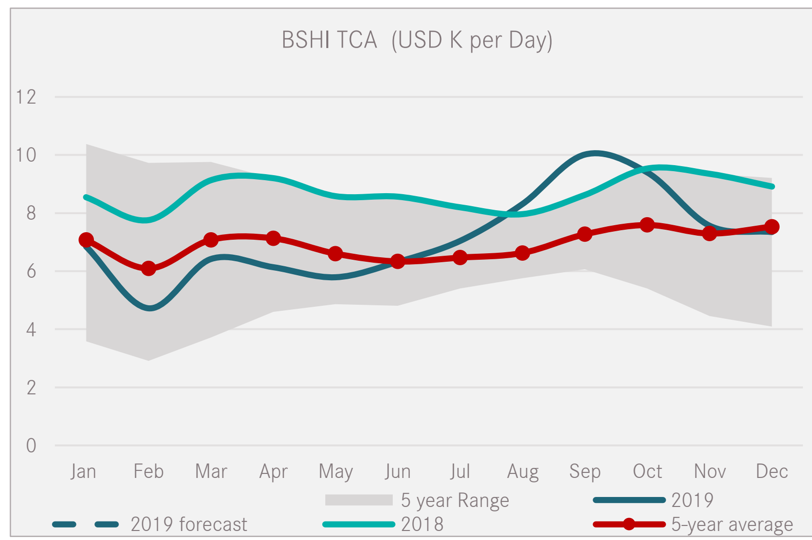
Forward Freight Agreements

FFA Description	5TC_C	4TC_P	5TC_S	TCH
Jan (20)	8,972	6,691	6,243	5,875
Feb (20)	8,259	7,838	7,064	6,413
Mar (20)	9,803	9,825	8,857	6,994
Apr (20)	11,556	10,259	9,246	7,250
May (20)	11,800	10,553	9,536	7,375
Q1 (20)	9,012	8,118	7,388	6,427
Q2 (20)	11,853	10,453	9,586	7,313
Q3 (20)	15,875	10,556	9,911	7,413
Q4 (20)	16,516	10,506	9,843	7,413
Q1 (21)	11,397	9,063	8,446	7,038
Q2 (21)	11,575	9,506	-	-
Q3 (21)	12,588	9,378	-	-
Cal 21	12,128	9,450	9,189	7,131
Cal 22	12,722	9,141	8,693	7,094
Cal 23	12,788	8,909	8,528	7,088
Cal 24	12,869	8,688	8,436	7,088
Cal 25	12,897	8,659	8,346	7,088
Cal 26	12,897	8,606	8,318	7,088
Cal 27	12,900	8,600	8,314	7,081


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
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


BSHI TCA (USD K per Day)
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

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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