



The Cape market eased before the Chinese New Year

...while smaller sizes have also been slipping down

The Capesize markets opened the last trading week before Chinese New Year with a weak tone, in both the paper and physical markets. The holiday mood seemed to kick in a bit early for both Atlantic and Pacific Capesize markets, as low activity levels were observed in both the shipping and commodity business throughout the week. Freight across both basins trended lower for each day of the week. The freight rate for a Capesize vessel to move iron ore from Port Headland to Qingdao was assessed at USD 6.15/mt, down 55 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 15.90/mt, down USD 1.60 from the beginning of the week.

Freight rates steadied in the Asia Pacific Panamax market early in the week due to the continued support from east coast South America. As the week progressed, Panamax markets slumped in activity due to the upcoming Chinese New Year holidays. Freight rates also dropped as the week closed out. The freight rate to move 75,000mt of thermal coal from Banjarmasin to Krishnapatnam was assessed at US\$6.50/mt, down 75 cents from the beginning of the week and to Mundra at US\$7.50/mt, down 80 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 US\$13/mt, down 25 cents from the beginning of the week and to Qingdao at US\$11.80/mt, down 30 cents over the same period.

Much like their big sisters, Supramax and Handysize markets out of the Asia Pacific had a soft and steady start to the week. Market participants early in the week expected that freight rates would remain floored due to the upcoming Chinese New Year, and that there was a lack of momentum to help force them back up. As the week ended, minimal market movement was observed for both smaller sized vessels. The freight rate to move 55,000 mt of coal cargo from South Kalimantan to Paradip was assessed at USD 7.65/mt and to Navlakhi at USD 8.95/mt, both routes down 15 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 19.95/mt and from Bunbury/Kwinana to Lianyungang was assessed at USD 18.80/mt on Wednesday, both routes up 15 cents from the week before.

Once again, it has been a slow week and activity is dropping gradually now that the Chinese New Year Holiday is imminent. In the meantime, market levels are also falling, and vessels are ballasting away from the West Coast to find employment elsewhere. This decreasing trend is expected to last until the end of the Chinese New Year, and until we get into mid-February dates. The parceling side is as quiet as the TC market, with the upcoming Chinese New Year affecting the market. In addition, the slowdown can also be attributed to some port closures in Chile and Peru earlier this month that have pushed some January shipments into February. As such, February's activity is expected to remain low, as ports will need some time to catch up.

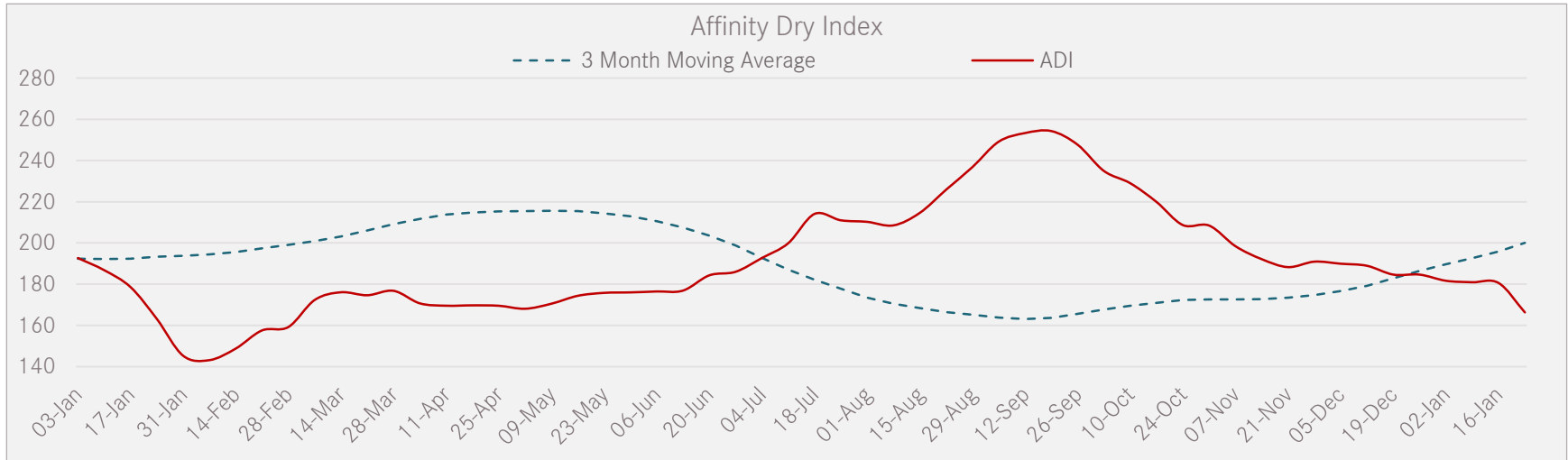
Monday's federal holiday in the US caused the week to start on a slow note. The activity picked up on Tuesday, but unfortunately, it has slowly faded over the days. We are still witnessing a downward trajectory in market levels in most directions. Owners are driving down the levels by being very sharp in order to ensure employment in an area where there is a persistent lack of enquiry. Although the Chinese New Year shouldn't affect the Handysize segment too much in the USG, it brings a dull general sentiment all over the market for the upcoming week.

The Asia Pacific & NOPAC markets continue to be subdued this week. There is still a decent amount of spot tonnage around and we have even seen a few enquiries for Supramaxes ex WCSA business from vessels being open in the Far East. Even the US-China trade deal at the end of last week didn't trigger any increase in activity, however we might see the impact of this later. With the Chinese New Year about to start, there is no expectation of market improving until after the Holiday.

Affinity Dry Cargo Indices (7 Jan 2016 = 100)		
	Value	Change
Affinity Dry Index	166.2	-14.3
Affinity Capesize Index	237.2	-27.9
Affinity Kamsarmax Index	112.0	-85.6
Affinity Ultramax Index	154.3	-6.7
Affinity Handysize Index	154.1	-5.1

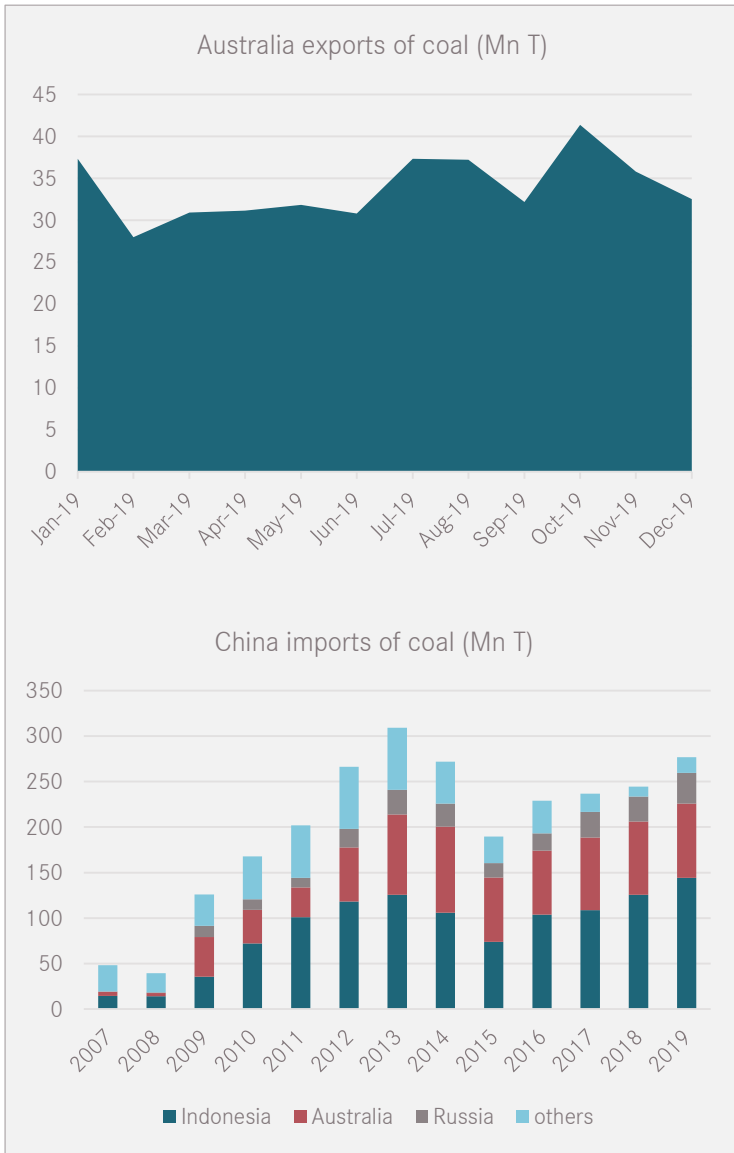
Bunker Prices		
	USD/Tonne	% Change
Fujairah IFO 380	312	0.65%
Houston IFO 380	350	2.34%
Rotterdam IFO 380	296	3.86%
Singapore IFO 380	367	4.26%
Fujairah MGO	740	-1.07%
Houston MGO	622	-1.58%
Rotterdam MGO	550	-0.90%
Singapore MGO	653	-1.36%

Commodity Prices			
	USD	Change	% Change
Iron Ore 62% (Tonne)	94.80	0.21	0.22%
Thermal Coal (Tonne)	80.96	0.11	0.14%
CBOT Wheat (Bsh.)	568.00	-1.00	-0.18%
CBOT Corn (Bsh.)	389.25	4.00	1.04%
ICE Sugar 11 (Lbs)	0.1460	0.0010	0.69%
LME Copper (Tonne)	6158.00	-73.00	-1.17%
LME Lead (Tonne)	1951.00	-8.00	-0.41%
LME Zinc (Tonne)	2450.00	62.00	2.60%



Freight Rates			
	Route	USD/MT	Change
Handysize	H1	19.75	0.00
	H2	23.50	-1.60
	H3 TC	7,500	-1,000
	H4	34.00	-2.00
	H5	37.00	1.00
Supramax	AS2 TC	16,500	-1,000
	AS2 TC	9,000	-250
Ultramax	U3 TC	10,500	0
	U4 TC	6,700	-100
Kamsarmax	K2	13.95	0.61
Capesize	AC1	16.07	-1.95
	AC2	6.16	-0.76
	AC3	19.75	0.00

TC Rates (USD/Day)							
	1YR	Change	3YR	Change	5YR	Change	Trend
Capesize 170/185k Dwt	13,500	-1000	13,000	0	13,000	-1500	Softer
Kamsarmax 80/85k Dwt	11,650	-350	11,000	-250	10,750	-250	Softer
Ultramax 60/65k Dwt	10,500	0	10,250	50	10,250	0	Steady
Supramax 52/57k Dwt	9,650	0	9,250	50	9,250	0	Steady
Handysize 28/32k Dwt	9,100	-200	9,000	-500	9,000	-500	Softer
Representative Fixtures							
Vessel Name	Built Year	Dwt	Laycan	Delivery	Period	Rate (USD/Daily)	Charterer
LACTA	2010	58,713	26-29 Jan	SINGAPORE	2-4 months	5,500	CNR
ISMENE	2013	77,901	15-25 Jan	QINGDAO	13 months	10,800	Phaeton



Coal slide

The coal market is suffocating in Australia

Australia has been hitting by persistent bushfire over the current summer season and the situation is not quite close to come to an end. New South Wales’ authorities declared an “extreme fire danger” with the view of upcoming high temperatures and expected strong winds. In addition of being a tragedy for the air quality in the country and environment, the Australian bushfires also affects the profitable industry that is national coal production.

The biggest mining companies such as BHP are expected production to fall as operations will be even more disturbed by the smoke and dust, leading to a poor air quality in coal mines and reduce visibility. The staff level has also decreased given that some employees have been taking leave to fight fire and protect their property. The giant mining company is seeing the operation being limited throughout the second half of the year if the situation doesn’t show any improvement soon.

New South Wales Energy Coal (NSWEC) division of BHP revealed production fell by 13 per cent on a year over the last quarter of 2019 to hit 4 Mn T, due to the fires and the willingness to produce more higher

quality of coal to meet China demand. However, BHP unchanged full-year forecast for NSWEC division, and expect output to reach 14-17Mn T by the end of the year.

On the demand side, despite months of restrictions in order to reduce imports levels and support national production, China recorded a yearly increase in coal imports by the end of 2019. In December, imports of coal totaled 2.27Mn T, bringing the full year results at 299.7Mn T in 2019, a year-on-year increase of 6.3 per cent. This is the highest yearly results since 2013 which had recorded 327.2Mn T.

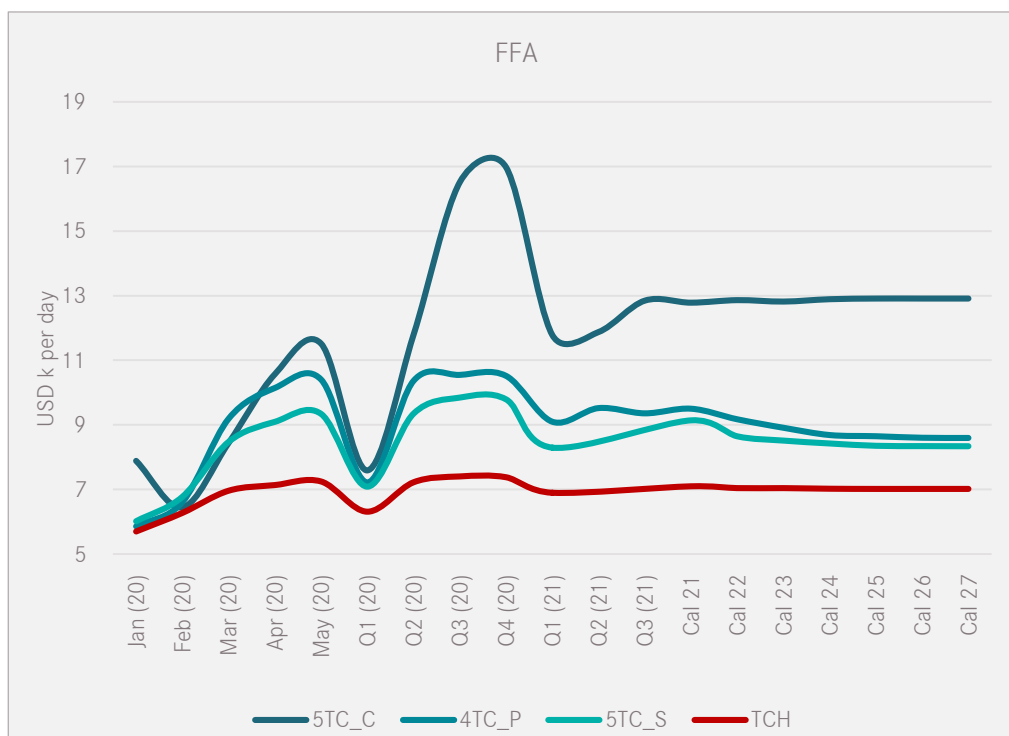
According to customs and vessel-tracking data, January is seen bouncing back from December levels. Although China imported only 2.27Mn T of coal in December, it only represents products that have been cleared by customs. About 20.2Mn T of coal were shipped to China in December while seaborne arrivals recorded 13.5Mn T for the nineteen first days of January, suggesting January imports would potentially increase on a month.

However, it doesn’t guarantee 2020 year-on-year increase given the national output have been increasing as of late, alongside China’s commitment to use more renewable energy in order to reduce pollution.

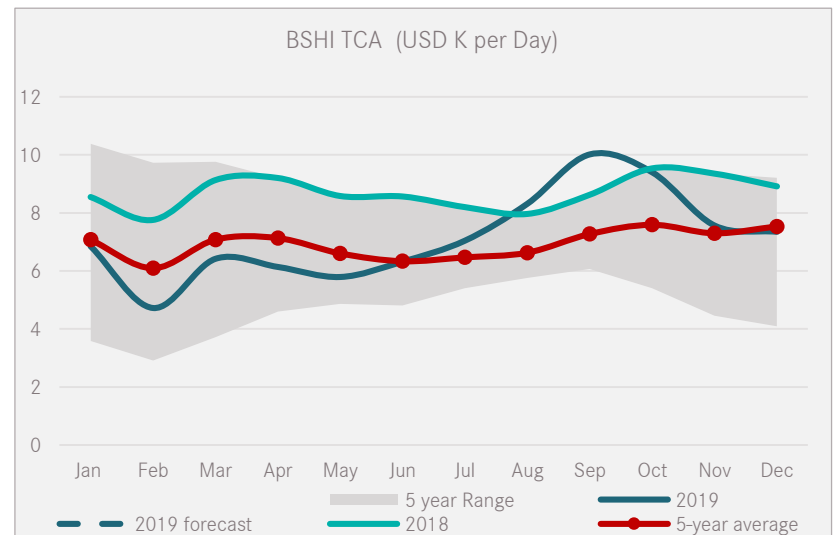
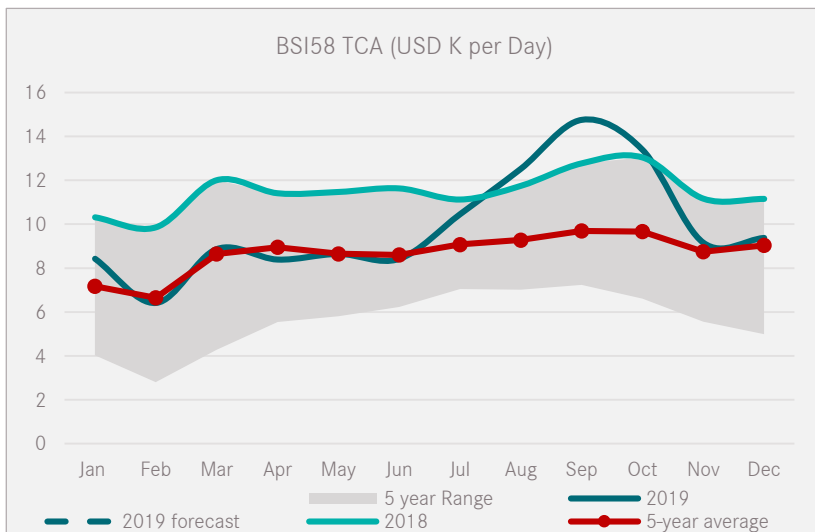
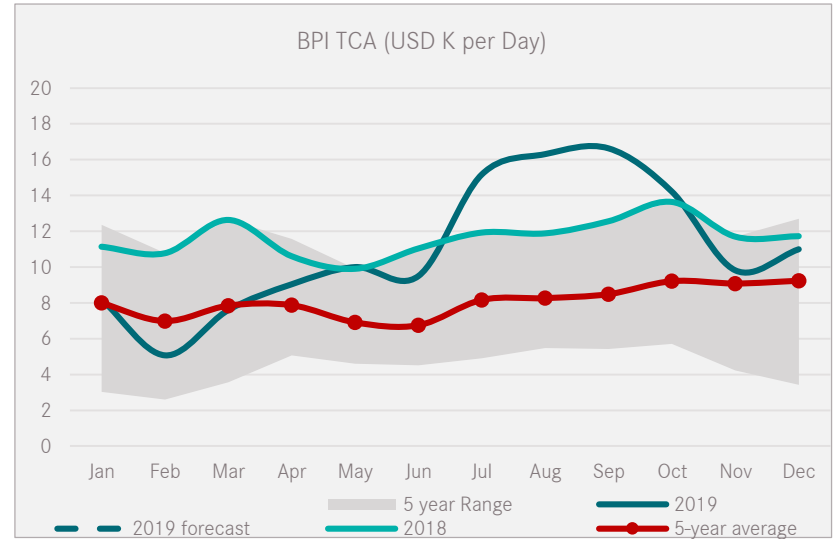
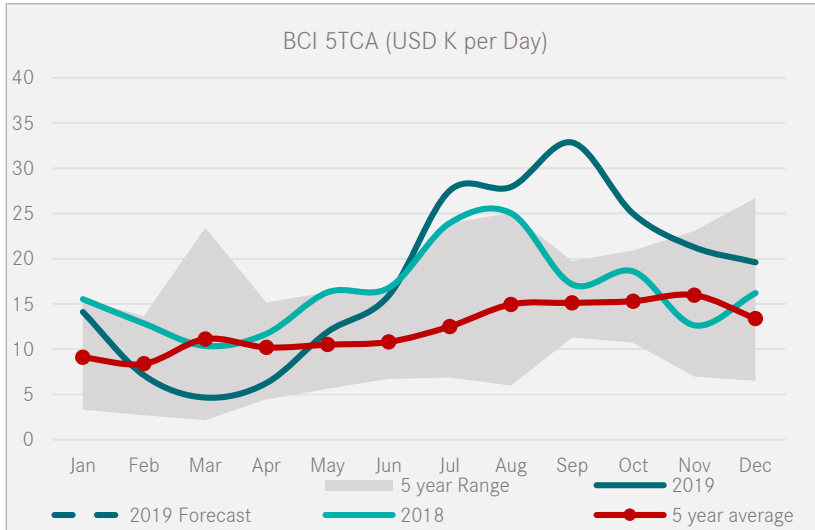


Steel Prices			
	Value	Change	% Change
North American HRC (USD/T)	585.00	-0.60	-0.1%
LME Steel Rebar Month 1 (USD/T)	435.00	-6.20	-1.4%

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)	7,884	5,856	6,021	5,700
Feb (20)	6,444	6,606	6,775	6,275
Mar (20)	8,438	9,188	8,475	6,963
Apr (20)	10,566	10,141	9,093	7,138
May (20)	11,513	10,403	9,339	7,250
Q1 (20)	7,588	7,217	7,090	6,313
Q2 (20)	11,788	10,363	9,346	7,225
Q3 (20)	16,509	10,547	9,843	7,406
Q4 (20)	16,975	10,516	9,789	7,381
Q1 (21)	11,781	9,097	8,296	6,900
Q2 (21)	11,872	9,519	-	-
Q3 (21)	12,844	9,356	-	-
Cal 21	12,781	9,500	9,139	7,100
Cal 22	12,859	9,172	8,646	7,044
Cal 23	12,816	8,909	8,514	7,044
Cal 24	12,888	8,684	8,425	7,025
Cal 25	12,909	8,647	8,353	7,019
Cal 26	12,909	8,600	8,343	7,019
Cal 27	12,909	8,594	8,339	7,019





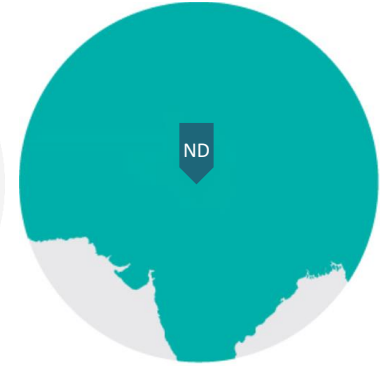
Route Descriptions						
	Affinity Code	Load Port	Disch Port	Cargo Size (MT)	Variance	Cargo
Handysize	H1	WAUS	North China (1 Main Port)	30,000	5%	Alumina
	H2	NZ	North China (1 Main Port)	30,000	5% (JAS)	Logs
	H3 TC	USG	ARA	30,000	10%	Grain
	H4	Matarani	Japan + North China (2 Ports)	22,000	3% (Molchopt)	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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