



Market Comment

Capes firming up while smaller segments remain soft.

There was a very strong rally in the Capesize market this week. Strong FFA figures have been helping with the sentiment however it is unknown how long this will last for given that there does not seem to be major fundamentals at play. Extra demand it seems has not been cited. Western Australia shippers are now looking at late August / Early September dates and are fixing in the USD 7.25 range. In the Atlantic there was various operator cargoes that have appeared and are these are most likely losing money fast as a result of rising carriage rates. The freight rates for C3 vessels is currently around USD 16.70 which is very high going on the basis of any voyage rates seen in recent memory. As touched on it will be interesting to see how long these healthy rates remain in place.

The Panamax market has been strong again this week, likely linking in with the Capesize rally but also idiosyncratic factors as well. Panamax FFA has been strong and charterer demand has been steady which has all lead to rising freight increases. Indonesian freight rates to India are around USD 7.00 with a 60 cent premium to West Coast ports, which is a 50 cent increase on last week. To South Chinese coal ports freight has been around USD 5.90 with an inflated premium of around 80 cents to Northern ports. Out of Australia to China rates were around USD 10.45 and to India around USD 11.85 which are 60-80 cent jumps on last week.

The smaller size markets have not immediately reaped in the larger returns that the Panamax and

Capes have, however, reports of higher fixing levels are increasing in frequency. Supramax vessels have been heard to have been fixed basis DOP SE Asia redelivery China for around USD 9,000 / day with 1-2,000 premium for Ultra vessels. APS USG Supramax vessels have been seen obtaining around USD 14,000 / day for continent trips and 20,000 / day for trips to FEAST and WCSA. With strong levels in USG vessels ballasting in from WCCA and north WCSA is to be expected.

Handysize ships have probably experienced the least amount of good news this week with movements minimal week-on-week, however, with Supramax vessels moving upwards usually there is flow on effects to the Handy markets which can be expected to follow, albeit at a slower pace.

Headline News

17/08/2017

Australian wheat outlook improving

Improved weather conditions have eased pressure on this years Australian Premium White wheat harvest, spurring a week-on-week price drop of USD 5-10 per tonne FOB from Kwinana port on Tuesday.

The dry weather conditions seen up until recent rainfall calmed nerves caused a significant premium on wheat cargoes over May to July, as farmers retained their old crops as a hedge against the new yield.

Wheat volumes out of Australia should therefore be more normal than expected earlier in the year.

Affinity Dry Cargo Indices (7 Jan 2016 = 100)

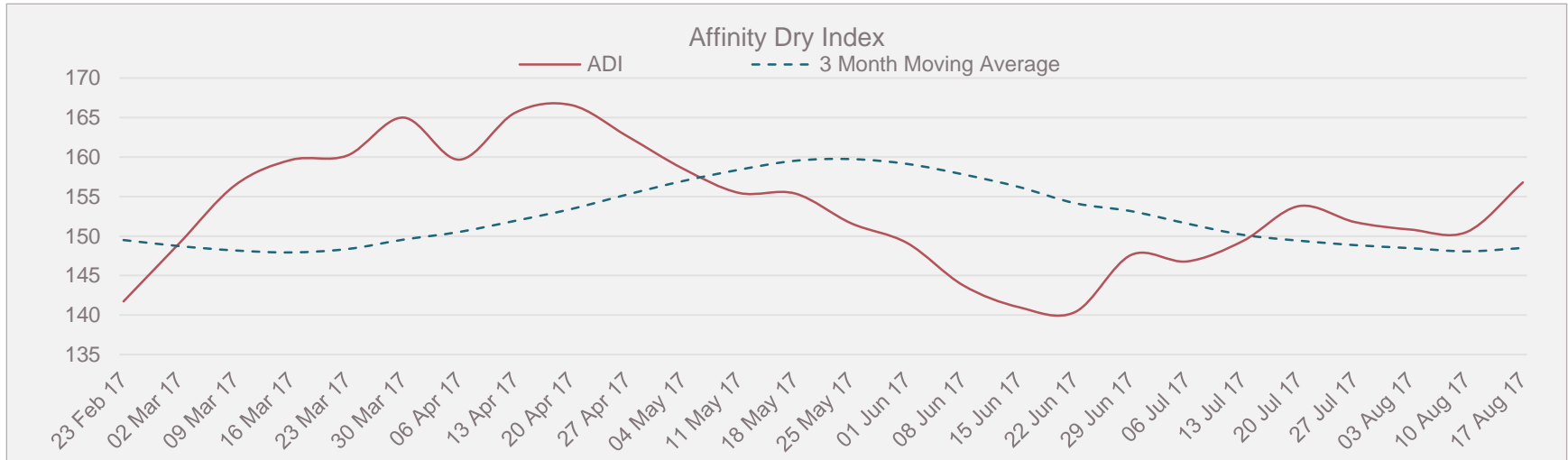
	Value	Change
Affinity Dry Index	156.8	6.3
Affinity Capesize Index	260.1	41.1
Affinity Kamsarmax Index	186.5	8.8
Affinity Ultramax Index	146.7	2.2
Affinity Handysize Index	129.0	1.8

Bunker Prices

	USD/Tonne	% Change
Fujairah IFO 380	308.0	0.00%
Houston IFO 380	285.0	0.00%
Rotterdam IFO 380	293.0	-2.33%
Singapore IFO 380	307.0	-1.60%
Fujairah MGO	550.0	0.92%
Houston MGO	480.0	-1.03%
Rotterdam MGO	453.0	-2.16%
Singapore MGO	471.0	-2.08%

Commodity Prices

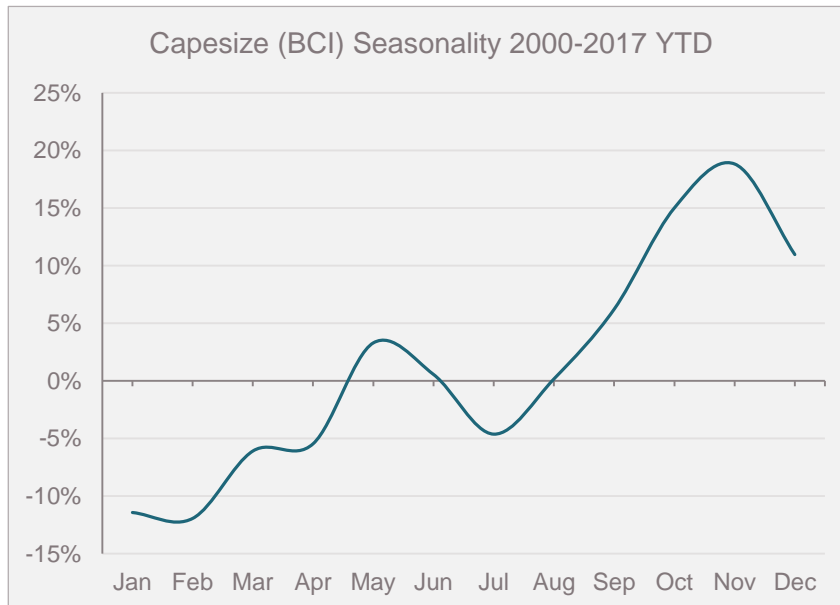
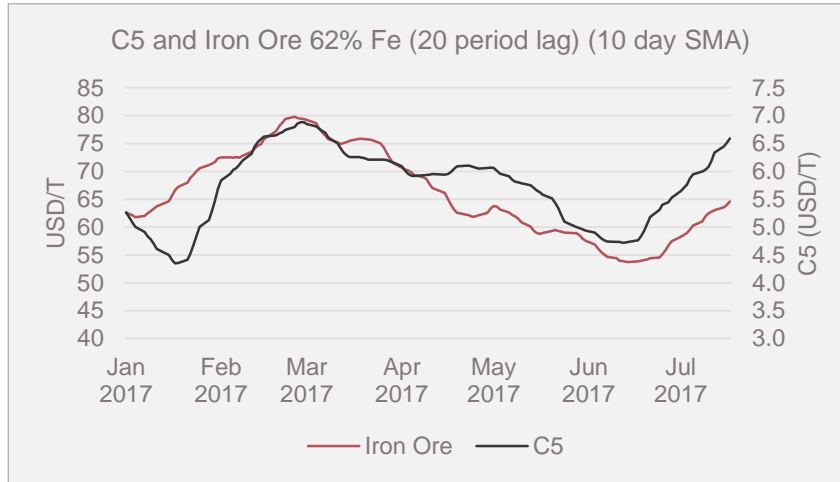
	USD	Change	% Change
Iron Ore 62% (Tonne)	73.36	-1.44	-1.93%
Thermal Coal (Tonne)	91.93	-0.25	-0.27%
CBOT Wheat (Bsh.)	455.50	-28.50	-5.89%
CBOT Corn (Bsh.)	368.25	-15.00	-3.91%
ICE Sugar 11 (Lbs)	0.1295	-0.0069	-5.06%
LME Copper (Tonne)	6,432.50	-30.50	-0.47%
LME Lead (Tonne)	2,394.00	27.00	1.14%
LME Zinc (Tonne)	3,009.00	62.50	2.12%



Freight Rates			
	Route	USD/MT	Change
Handysize	H1	15.35	-0.05
	H2	20.75	0.60
	H3	15.90	0.00
	H4	26.00	0.50
	H5	23.00	0.50
Supramax	AS1	14.27	0.77
Ultramax	U1	25.60	-0.35
	U2	35.06	1.16
	U3	6.60	0.00
	U4	7.40	0.20
Kamsarmax	K1	11.00	0.50
	K2	11.85	0.60
Capesize	AC1	7.80	1.40
	AC2	16.70	2.50
	AC3	7.25	1.05

TC Rates (USD/Day)								
	1YR	Change	3YR	Change	5YR	Change	Trend	
Capesize 170/185k Dwt	14,500	500	14,250	500	15,500	500	Firmer	
Kamsarmax 80/85k Dwt	10,250	0	11,000	500	11,000	0	Steady	
Ultramax 60/65k Dwt	10,000	0	10,000	0	10,000	0	Steady	
Supramax 52/57k Dwt	9,500	0	9,750	0	10,000	0	Steady	
Handysize 28/32k Dwt	8,250	0	9,000	250	9,000	0	Steady	

Representative Fixtures							
Vessel Name	Built Year	Dwt	Laycan	Delivery	Period	Rate (USD/Daily)	Charterer
Spring Progress	2016	82,055	14/17 Aug	Qingdao	11-14	10,750	Hudson



Trigger happy optimists beware Some insight into the current Capesize rally.

179 per cent. That is the increase in the Baltic Capesize Index at the time of writing month-on-month. It's a development that has sparked a flurry of optimism in various media, with owners citing the positive effect increased rates will have on asset values going forward. Yet as mentioned in this week's Market Comment section, the fundamentals driving this apparent demand for tonnage is not immediately apparent, and is something that is worth looking into.

One clue is to be found, as it so often is, in China. The prices for iron ore and coal rallied on Thursday on the Dalian Commodity Exchange (DCE) ahead of new data on housing prices from major cities across the country. This is the latest link in a series of sentiment boosting data regarding the outlook for the construction sector in China. While the relationship between iron ore prices and Capesize rates is far from perfect, the broad trend in freight rates has so far this year lagged quite accurately behind key developments in the iron ore market. While it shouldn't be mistaken for causation, the 20 period lagged relationship as highlighted in the graph to the left suggests that it drives sentiment, if not necessarily actual demand.

Secondly, a look at seasonal patterns for the Capesize market going back to 2000 shows that rates have historically picked up at the end of July, before firming up in Q4. This suggests that at least part of the current rally is driven by seasonal factors.

The third and arguably most important element of the current boost in sentiment is the state of the current Capesize fleet and orderbook. With the overall dry bulk orderbook registering at a modest 6 per cent of the existing fleet, a figure skewed by quick growth in the VLOC and Ultramax segments, the future of the supply side is looking brighter than it has in a long time. The low ordering activity gives fairly good visibility into fleet growth for the next couple of years, a fact that when taken together with the iron ore price rally and the seasonal effect appears to have amplified sentiment.

While undeniably positive, it is important to note how relatively fragile the current market balance is, and it is questionable whether an influx of speculative activity at this stage would prove sustainable in the medium term. One can hope that the fact that current fundamentals are largely the same as the market that gave us TC rates in the low 6000's about a month ago will inform decision making going forward.



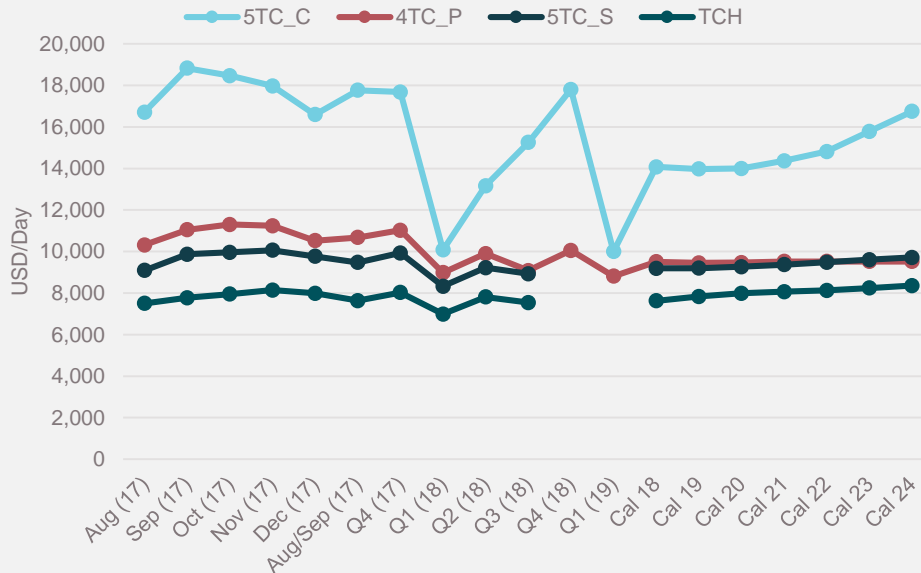
Steel Prices

	Value	Change	% Change
Shipbuilding Steel Plate 20mm Shanghai (USD/T)	600.68	3.44	0.6%
North American HRC (USD/T)	621.00	2.00	0.3%
LME Steel Rebar Month 1 (USD/T)	521.33	-2.67	-0.5%

Asset Values (Mn USD)

	NB	Resale	5 Years old	10 Years old
Capesize 180k Dwt	44.00	43.00	31.00	19.00
Kamsarmax 83k Dwt	25.00	28.00	20.70	13.50
Supramax 55/58k Dwt	22.50	23.00	16.00	11.50
Handysize 28/32k Dwt	21.50	19.00	12.50	8.75

FFA



Forward Freight Agreements

FFA Description	5TC_C	4TC_P	5TC_S	TCH
Aug (17)	16,705	10,315	9,090	7,500
Sep (17)	18,825	11,045	9,865	7,769
Oct (17)	18,465	11,300	9,960	7,950
Nov (17)	17,970	11,240	10,060	8,144
Dec (17)	16,590	10,520	9,770	7,988
Aug/Sep (17)	17,765	10,680	9,478	7,635
Q4 (17)	17,675	11,020	9,930	8,027
Q1 (18)	10,075	8,985	8,330	6,988
Q2 (18)	13,165	9,900	9,220	7,813
Q3 (18)	15,255	9,080	8,930	7,538
Q4 (18)	17,805	10,050		
Q1 (19)	9,995	8,814		
Cal 18	14,075	9,504	9,190	7,625
Cal 19	13,975	9,455	9,200	7,838
Cal 20	14,000	9,470	9,270	7,988
Cal 21	14,365	9,520	9,370	8,063
Cal 22	14,815	9,520	9,480	8,125
Cal 23	15,780	9,520	9,605	8,244
Cal 24	16,750	9,520	9,715	8,356



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	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	AS1	USG	ARA	50,000	10%	Grain
Ultramax	U1	ECSA	North China (1 Main Port)	60,000	10%	HSS
	U2	USG	North China (1 Main Port)	55,000	10%	HSS
	U3	Indonesia (1SA)	South China (1 Main Port)	55,000	10%	Coal
	U4	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.

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