"Business, more than any other occupation, is a continual dealing with the future; it is a continual calculation, an instinctive exercise in foresight." Henry R. Luce

Our Key Performance Indicators: The Results reviewed by EY Office Limited, show you the latest financial position of the Company. The net loss for Q2 2019 was USD 4.48 million. The average time charter equivalent, per day per ship during the quarter, was USD 9,002, 16% lower than that in Q2 2018. The average operating expenses (including depreciation/amortisation of the Drydocking/Special Survey expenses), per day per ship, was USD 4,934 in Q2 2019 which is higher than our target of USD 4,750 and higher than the actual of Q2 2018. The EBITDA was USD 8.46 million during the quarter. The loss per share (eps) in Thai Baht stood at Baht 0.09 for this quarter. To keep our results in perspective, please see the Q2 2019 average of the BDI (index 995), BSI (index 754, TC rate USD 8,192) and BHSI (index 407, TC rate USD 6,077) as compared to Q2 2018 average BDI (index 1,260), BSI (index 1,056, TC rate USD 11,031) and BHSI (index 601, TC rate USD 8,777).

The Hard Facts	Q2, 2019	Q2, 2018
Highest Earnings per day per ship in USD	17,668	16,517
Average Earnings per day per ship in USD	9,002	10,767
Average Earnings per day per Handysize ship in USD	8,717	10,232
Average Earnings per day per Supramax ship in USD	9,071	10,672
Average Earnings per day per Ultramax ship in USD	9,600	12,142
Operating cost per day per ship in USD	4,934	4,519
EBITDA in million USD	8.46	16.37
Net Profit/(Loss) in million USD (excluding Exchange loss and Non-recurring items)	(4.39)	2.93
Net Profit/(Loss) in million USD	(4.48)	2.85
Earnings (Loss) Per Share in Thai Baht (excluding Exchange loss and Non-recurring items)	(0.09)	0.06
Earnings (Loss) Per Share in Thai Baht	(0.09)	0.06

Market Segmentation: During Q2, the Baltic Handy Size Index (BHSI) averaged 407 points derived from the average Time Charter (TC) rate of USD 6,077. Compared to that, **our Handies earned USD 8,717 and beat the BHSI TC rate by 43.44%.** During Q2, the Baltic Supramax Index (BSI) averaged 754 points derived from the average TC rate of USD 8,192. Compared to that, **our Supramaxes earned USD 9,071 and beat the BSI TC rate by 10.73%. Our Ultramaxes earned USD 9,600 and beat the BSI TC rate by 17.19%** (as there is no special index for the Ultras, we have compared them with the BSI). Our target has been to outperform both the indices.

The next SET Opportunity Day will be held at the SET building at 15:20 hours on the 14th August where we will be presenting and discussing our Q2 results. For those of you who cannot attend physically, the SET webcasts the Opportunity Day presentation live, giving you a chance to be present via the web.

Long Term Charters: As can be seen, our current and forward four year (2019 to 2023) rolling book is at the **16.1% level with a visible revenue stream of USD 148.5 million**.

Year	2019	2020	2021	2022	2023
Total Available Days	13,140	13,176	13,140	13,140	13,140
Fixed T/C Days*	2,409	2,196	2,190	1,992	1,825
%age Fixed T/C Days	18%	17%	17%	15%	14%
Av. T/C Rate/Day in USD	13,585	13,875	13,875	14,211	14,550
Contracted revenues (mn USD)	32.7	30.5	30.4	28.3	26.6

**Only vessels fixed on T/C for a period of more than one year are considered for this analysis*

Once the BDI moves in a sustained upward direction we will start fixing our ships on longer term charters.

BDI Developments and our read of the market:

The Baltic Dry Index averaged 798 points in Q1; 995 points in Q2; and **ended June at 1,354; and at 2,170 points on 19 July 2019 – a 66 months high! This record-breaking performance has been despite net increase in supply for the FH of 2019 at 10.14 MDWT a shade over two thirds of the entire net supply increase of 14.58 MDWT in all of 2018.** Recycling has removed 4.74 MDWT of dry bulk ships in the FH of this year compared to FH of last year's 2.77 MDWT. New orders, however, are not significant due to freight market falling sharply during the FH of the year; higher cost of new builds; higher steel prices; lower availability of skilled ship yard workers; constant threat of new regulations (around the corner that would require almost immediate and expensive retrofits); refund guarantors for the yards insisting that ship build contracts must be profitable; and financial pressure either on the buyers or at the shipyard level. This has helped reduce the pressure from the Supply side in the forward position with the **order-book hovering at just 11.1% (94.72 MDWT to be delivered up to and including 2022), of the existing supply at the end of Q2. However, with BDI skyrocketing towards the end of June and continuing its gravity defying ride, negative sentiment has dissipated resulting in ship-owners refusing to recycle their older ships**. This has allowed an overall net fleet growth of 1.7% in the FH of this year. **If recycling doesn't accelerate then the BDI will continue to fluctuate sharply solely dependent on** what **the demand side** does. In other words, ship-owners are not helping their cause by not recycling ships **making the recovery in 2019 to 2022 event dependent; extremely volatile; and completely beholden on demand continuing to outperform.**

The recent rally in the Dry Bulk market started in the middle of June with the Capesize sector. As Cape rates dropped towards USD 3,000 per day in Q1, owners did two things to bring supply/demand back in to balance. They **recycled more capes in the first half of 2019 than in the whole of last year**. Secondly, the **Capes slowed down their sailing speeds. These two actions reduced the supply side of Capes significantly**. As a result, capes are today (22 July 2019) trading around USD 32,700 per day!! The fact that **Vale has been able to get the Brucutu mine operational again has helped with an annual output of about 30 MMT of iron ore**. **This roller coaster ride of the BDI proves that demand/supply balance is in very close proximity. All it needed was some short-term negatives affecting demand (Vale mining disaster and bad weather in Australia) in Q1 and part of Q2 to bring the BDI to its knees. Once these demand negative factors reversed at the same time that the supply side contracted through recycling and slow steaming, the market went up like a rocket**! **Due to the Capes rallying, all other sectors have also rallied**. Prevailing drought conditions have made Australia import wheat, for the first time in recent memory, instead of exporting wheat. Asia, a large wheat importer from Australia, is having to source cargoes from further afield like Ukraine/Russia increasing the ton-mile equation significantly. **How long will this rally last?** Till ship owners continue to exert pressure on the supply side by recycling ships and slow steaming; till owners keep drydocking their ships to fit Ballast Water Management systems or

Scrubbers; till the time Vale is able to start production and exports from all its South Brazilian mines; till drought/other temporary factors keep increasing ton-mile demand. **The one wild card that could have a significant positive impact on the BDI would be the successful settlement of the ongoing trade war between USA and China**. Due to all these reasons this upturn seems different from the short-lived past upturns in 2013/14. But **a word of caution - owners are their own worst enemies. They are most adept at snatching defeat from the jaws of victory by over ordering ships once the BDI improves!**

BDI Developments and others' read of the market:

Supramax/handymax charter rates remain soft with spot vessels trading Atlantic rounds at $8,500/day levels ($12,000/day fronthaul vs. $5,000/day backhaul) compared with "maybe" $10,000/day for 12 months. **Handysize bulkers (37-38,000 DWT size) are really feeling the pain** and $6-7,000/day may be the fixing levels depending on location/trade route. (Compass Maritime – 10 May 19)

10-year data shows a China PMI/Baltic Dry Index (BDI) R^2 of 0.9, and both **China PMI and the Baltic Dry Index peaked in June/July 2018 and bottomed out in January 2019. China PMI was 50.1 in April 2019 (51.5 in June 2018) while the Baltic Dry Index is down ~30% to 1,011** and the Capesize rate from USD17k/day to USD12k/day. **We calculate the Vale dam incident has led to a ~6% annualised drop in utilisation, compared to a 14% positive impact from Capesize slow steaming**, explaining why Capesize rates are back to their pre-Vale dam incident level. (DNB Markets – 14 May 19)

2018 was a reasonably positive year for the dry bulk sector, with the Baltic Capesize, Panamax, Supramax and Handysize TC indices averaging respectively 16,536, 11,648, 11,487 and 8,700 USD/day. However, **the first 4 months of 2019 were disappointing**, with the Baltic Capesize, Panamax, Supramax and Handysize TC indices averaging respectively 8,137, 7,429, 7,967 and 6,012 USD/day, decreasing respectively by 35.7%, 34.3%, 26.9% and 30.6% y-o-y from Jan-Apr 2018. **Deliveries in 2019 are expected to increase to around 40.0 MDWT, from a low of just 27.3 MDWT in 2018**. We forecast **demolition activity to increase in 2019 to about 14.5 MDWT, from a low of just 4.0 MDWT in 2018, due to more modest market expectations this year, and the impact from the implementation of the ballast water and Sulphur regulations**. We estimate **net fleet growth to remain flat at about 3% y-o-y in 2019, like the growth in 2018. Contracting activity has been modest.** The supply-demand balance continues to slowly improve thanks to higher demolition activity, whilst trade growth generally continues at decent levels. **We expect dry bulk demand to expand by at least 3% in 2019**. However, persisting disruption to Brazilian iron ore exports and restrictions on Chinese coal imports could keep trade volumes more bearish in the near term, whilst we still expect strong coal import demand from India and South East Asia. The US-China trade war and the African swine fever epidemic in China are still having a disruptive impact on the soybean trade, whilst positive trends are seen in other trades like nickel ore, where Indonesia is increasing export volumes once again, and sugar with rising volumes from India and Thailand, and **forecasts are currently quite positive for grain trades** as well. (Banchero Costa – 17 May 19)

Vale today announced a court ruling in favour of the company that will allow the restart of remaining capacity at its Brucutu mine within 72 hours. Dry bulk utilisation is down 2% on our numbers due to lower iron ore volumes out of Brazil, but rates are back above pre-Vale dam incident levels as **Capesize speed is down 6% since New Year leading to a 4% utilisation increase. Hence, any return of Vale volumes should be a near-term catalyst for further upswing in dry bulk rates**. We calculated that Brazilian iron ore exports was initially down c90 MMT (full year run-rate) and we understand that 10mtpa of Brucutu's 30 MMTpa capacity is already up and running, so another 20 MMT are expected back near-term. **Vale guided at the Q1 conference call that another 30 MMT (on top of Brucutu) would come back in 6-12 months' time,**

hence one should have a positive drive in rates next 3-6 months (before any potential speed increase could slow the upside). (DNB Markets – 19 Jun 19)

In the first 6 months of 2019, the Baltic Supramax TC index averaged 8,229 USD/day, down 26% y-o-y, whilst the Baltic Handysize TC index averaged 6,061 USD/day, down 30% y-o-y. Benchmark new building prices in June were estimated at about USD 27m for a Supramax, up 2% y-o-y, and about USD 24m for a Handy, down 2% y-o-y. Indicative 5-year old secondhand prices in June were estimated at about USD 17.5m for a Supramax, down 5% y-o-y, and about USD 16.8m for a Handy, up 8% y-o-y. **Indicative 1-year time charter rates in June were estimated at about USD 9,750/day for a Supramax, down 20% y-o-y, and about USD 8,250/day for a Handy, down 15% y-o-y.** Deliveries in 2019 are expected to increase to around 200 units of 20,000-64,999 DWT, for a total of 10.3 MDWT, up from 7.2 MDWT in 2018. **In the first 6 months of 2019, we recorded the delivery of 83 units, for a total of 4.1 MDWT, down 3% y-o-y in DWT terms**. This included 41 units of 60,000-64,999 DWT (2.6 MDWT) and 39 units of 30,000-39,999 DWT (1.5 MDWT). **Demolition activity in 2019 is expected to remain modest, with just about 18 units of 20,000-64,999 DWT, for a total 0.7 MDWT, roughly at par with 2018**, despite disappointing market conditions and the impact of the implementation of the ballast water and sulphur regulations. In the first 6 months of 2019, we recorded the demolition of just 5 units, for a total of 0.2 MDWT, 60% down from the 13 units in the same period last year. **Net fleet growth for bulk carriers of 20,000-64,999 DWT is expected to accelerate to about 4% y-o-y in 2019, up from 3% in 2018**. Contracting activity has been modest so far this year. **In the first 6 months of 2019, only 27 units of 20,000-64,999 DWT were reported contracted, for a total of 1.5 MDWT (excluding back-dated Tier 2 contracts).** (Banchero Costa – 24 Jul 19)

On 23 July, the Baltic Panamax Index (BPI) peaked at USD 17,742, **surpassing the previous highest level since 2011** (USD 17,112 in March 2011); on the same day the **BPI 82 Index reached USD 18,634**. What is more remarkable is that **a month beforehand on 24 June BPI stood at a mere USD 8,914 (BPI 82 – USD 10,405)**. There is **no one reason for this meteoric rise**, **but a very strong Capesize market over the past two months (BCI hitting USD 32,863 on 22nd July) has clearly influenced Panamax trade** and **led to some splitting of Capesize cargoes**. With Panamax tonnage availability already tight especially in the Atlantic, Cape splits prompted **rates in the Atlantic during July to rise by several hundred dollar a day for the past 3 weeks**. Thus the **trans-Atlantic route 1A soared 115 % in July to peak at USD 21,430 whist the outbound rate has also gained over USD 10,000 during the same period to peak at USD 29,073.** In the **Pacific Indonesian coal trade was up 26 MMT in the first six months to 236 MMT** with much of this incremental growth heading to India. **Chinese coal imports on Panamax's have been especially strong in the second half of Q2 into July** (benefiting in particular from Cape splits ex Newcastle) with traders also taking advantage of much cheaper international coal and securing shipments now ahead of possible government import restrictions in the months ahead. **Increased Chinese coastal coal (up 22 MMT in first half 2019) has seen more Chinese flag vessels returning to domestic trade which to some extent has ameliorated the influx of 66 new Kamsarmax in the first half of the year**. Potential stockpiling of raw materials ahead of anticipated disruption in Q4 with the new fuel regulations may also be a factor for the upturn but even if July may come to be regarded as a month when a combination of positive events all at one time led to inflated rates, **the fact that we have had such a sharp upturn is indicative of a market where supply and demand is now relatively finely balanced**. (Howe Robinson Research - 26 Jul 19)

Our read of Trade Sanctions/Tariffs:

The consensus in the mainstream media **on trade sanctions and tariffs**, dominated with heated rhetoric, **is that China's export dependent economy will suffer the most. That would have been true a decade ago but no longer holds good**. (Please see the news from CNBC below.)

Trade sanctions/tariffs, in and of themselves, **cannot destroy demand so long as the sanctioned commodity is either available from some other supplier/country or is substitutable by a similar priced commodity with similar/identical attributes. All sanctions/tariffs** do is to make shipping of such commodities more inefficient. If this change in supplier/country **results in congestion; slower loading of ships** (compared to the original supplier/country); and **an increase in ton-mile,** then that is **best for the dry bulk markets.**

Others' read of Trade Sanctions/Tariffs:

After nine months of a hot trade war between the US and Turkey, both sides have backed down and that is good news for coal. Turkey announced it was rolling back tariffs on 22 products the country imports from the US and coal was included. Instead of the 13.7% tariff that has been in place on both metallurgical (met) and thermal coal since August 2018, tariffs on both will now be 5%. The tariffs were put in place after the US doubled the tariff on imported Turkish steel and aluminum. The move comes a week after Donald Trump announced he was reducing the tariffs on Turkish steel from 50% to 25%, the level the tariffs were before August of last year. **After the tariff was raised steel imports from Turkey dropped by 48%.** While the impact on US thermal coal exports is expected to be minimal in the short-term because of low international prices, met coal will see a much quicker response in the market. US suppliers shipped 2.29 MMT of coking coal to Turkey in 2018, according to data from shipping agent T. Parker Host. Through the first three months of this year, however, shipments were an anemic 0.23 MMT, annualizing to 0.90 MMT and a year-on-year reduction of 1.39 MMT. (McCloskey – 24 May 19)

China is likely to carry on depending on imports of Brazilian soybeans so long as Uncle Sam and the Middle Kingdom fail to resolve their trade dispute. Imports of soybeans from Brazil surged last year when the US initiated a trade war with China, and China responded by imposing a 25% tariff on US soybeans. As a result, Brazil, who was already China's largest supplier of the oil bean, saw a surge in exports. This year, Brazil's soybean harvest has finished early and yielded around 114 MMT of the crop, the second largest on record. Brazil exported a total of 27.6 MMT of soybeans in the first four months of the year, down 13% from last year when exports rallied due to the trade war. However, Brazil is currently at its peak exporting season and, as there is no resolution on the trade war in sight, soybean exports are likely to increase in the coming weeks. (Maersk Brokers –24 May 19)

The ongoing US-China trade war has taken a pause, perhaps calming months of uncertainty and pessimism throughout maritime shipping. Shipping analysts were positive on cease fire amid long held concerns around how an escalating trade war would have impacted the world economy. US president **Donald Trump on Saturday said negotiations with China are "right back on track" after meeting with president Xi Jinping at the G20 summit in Japan**, the Guardian reported. Trump said both sides will "continue to negotiate" and he will not add more tariffs after other world leaders at the meeting warned that they could threaten the world's economy. (TradeWinds – 29 Jun 19)

So, the G-20 is over and presidents Donald Trump and Xi Jinping have shaken hands on a trade truce. Now what? While neither side has given much guidance on the path forward, there are a few milestones worth keeping an eye on. The first is talks. Trump has said that American and Chinese negotiators have already restarted discussions by phone, ending a six-week stalemate. **How quickly that leads to US Trade Representative Robert Lighthizer, Treasury Secretary Steven Mnuchin and Chinese Vice Premier Liu He sitting down face-to-face will be one barometer of progress. Soybeans will be another.** Trump has described a Chinese pledge to buy "tremendous" amounts of U.S. agricultural products as one of the agreements reached in Osaka. China, however, has only publicly said that during the meeting Trump expressed a desire for China to import more from the US. **A substantial increase in Chinese purchases could augur well for the negotiations**. Then there's Huawei. Trump agreed to allow some sales of American technology to the Chinese company, but the move is not a "general amnesty." And while US suppliers have lobbied the Trump administration to allow them to sell to Huawei, there are also many American lawmakers opposed to any loosening of restrictions. **Ultimately, what the G-20 meeting achieved was a ceasefire and the interruption of any additional escalation. It has not changed the dynamics of the confrontation nor has it brought Beijing and Washington substantively closer to a deal. There's a lot more of this trade war still ahead of us.** (Bloomberg – 4 Jul 19)

The world has become more economically exposed to China at a time when the Asian giant is increasingly relying on its own consumers to boost growth, according to a July report by consultancy McKinsey and Company. The findings by McKinsey come as China is locked in a year-long tariff fight with the US that has spilled into areas such as technology and security. **Economists generally predicted that the Chinese economy — instead of the US — will experience a larger hit from elevated tariffs partly due to the Asian country's relatively heavier reliance on exports. But the report by McKinsey found that consumption contributed to more than 60% of China's growth during 11 out of 16 quarters — from January 2015 to December 2018. That means China's economy has been reducing its reliance on trade as a source of growth**. In fact, the study found that China's net trade — the value of total exports minus that of imports — "actually made a negative contribution" to growth last year. (CNBC – 15 Jul 19)

Our read on Regulatory Pressures:

International Maritime Organization's (IMO) 2020 Low Sulphur Fuel Oil (LSFO) is occupying everyone's time and effort. **Anecdotal evidence suggests that shore oil tanks in Singapore are being cleaned of HSFO and being readied to store compliant LSFO. The unintended consequence has been a lack of availability and a sharp spike in the cost of HSFO in Singapore. We are seeing similar non availability of HSFO in other major bunkering ports in the US Gulf too.** Up to the end of June 2019, the total number of Dry Bulk ships that had fitted, or were planning to fit, **LNG engines or scrubbers was 694 ships or 6%** of the 11,617 ships that must comply with this regulation on and after 1st January 2020. Most **Ship owners will achieve full compliance by burning LSFO.** The LSFO choice, of course, has a few issues, primarily, adequate availability of LSFO. Most oil majors have already confirmed that LSFO would be available at all the major bunkering ports in the world. Hopefully **the 'flood' of LSFO that will ensue from Q4'19 onwards will ensure that the differential between HSFO and LSFO is not materially significant**. This is one of the main reasons why LNG engines or scrubbers are not the number one choice of owners. Other factors that would come into play would be **compatibility issues** between different blends of LSFO; **excess production of sludge** due to mixing of LSFO blends; **capability of older ships** to manage to keep different LSFO blends separate; and of **older engines being able to 'burn' such LSFO blends without breaking down/damaging their engines/purifiers**. Finally, **older ships not capable of using LSFO will be recycled and all other ships will be slowed down** enough to burn the least amount of LSFO to make every voyage as economical as possible. **This will result in a tightening of the supply of ships and would result in the market reacting strongly in favour of ship owners**.

Others' read on Regulatory Pressures:

Live coral cover on reefs has nearly halved in the past 150 years, the decline dramatically accelerating over the past 2-3 decades due to increased water temperature and ocean acidification interacting with and further exacerbating other drivers of loss. (UN Report: Nature's Dangerous Decline 'Unprecedented' – 6 May 19)

Scrubbers have been referred to as "emissions cheat" systems and for good reason. These systems effectively turn an air pollution problem into a water pollution and toxic waste problem. Considering the new information published by a US federal judge in April 2019, **these systems also cannot be relied upon to deliver the air pollution reductions for which they are designed.** Carnival Corporation & plc, the largest actor in the global cruise sector, is currently on probation in the US for seven felony violations, to which it pleaded guilty in December 2016. The terms of its probation include an Environmental Compliance Program (ECP), with independent oversight from a Third-Party Auditor and a Court Appointed Monitor (CAM). In April 2019, the US federal judge overseeing the Carnival criminal case chose to publish the previously confidential First Annual Report of the CAM. "**The CAM Team identified over thirty reported incidents on Carnival Corporation Vessels related to EGCS [failures] during ECP Year One. Many of these incidents relate to unexpected EGCS shutdowns resulting in violations of air emission requirements.** For example, the Carnival Ecstasy experienced multiple EGCS shutdowns in May, July, and October 2017 due to equipment malfunctions." **These violations resulted from software failures, equipment malfunctions, human errors, failures to act on alarms for extended periods of time, and multiple failures in voyage planning.** Fortunately, a simple solution to avoid both the failures and the resulting negative impacts would be to **remove EGCS as an alternative compliance mechanism.** (10 Environmental groups' letter to IMO Secretary General on Scrubbers – 14 May 19)

The Norwegian Maritime Authority has fined Greek cruise ship operator Global Cruise Lines Ltd. a total of $80,000 for using 0.17 percent sulfur fuel in a 0.10 percent sulfur ECA zone. (Maritime Executive – 16 May 19)

The Maritime and Port Authority (MPA) of Singapore has ruled that exhaust gas cleaning residues generated by ships have been classified as *toxic industrial waste* and as such the residues must be collected and managed by licensed toxic industrial waste collectors. The MPA has made its stance on scrubbers clear, becoming one of the most high-profile port bodies to ban the discharge of wash water from open-loop exhaust gas scrubbers in local waters. (Splash247.com – 20 May 19)

Despite the controversy over wash-water from open loop scrubbers such systems form the majority ordered by shipowners. According to DNV GL some 2,625 out of 3,266 scrubber systems being installed, or **80.3%, are of the open-loop variety**. Hybrid systems account for 540 scrubber installations, 65 closed-loop and for 36 systems it was unclear what type was being fitted. (Seatrade – 24 May 19)

Carnival Corp has been ordered to pay a $20m fine for violating a five-year probation tied to environmental wrongdoing over several years. The world's largest cruise company reached the tentative agreement today with federal prosecutors as punishment for polluting the ocean for years after vowing to stop, Associated Press reports. **Carnival has served two years of the five-year probation as part of a $40m settlement for illegally dumping oil into the ocean from its Princess Cruises ships for eight years and lying about it to US authorities**. (TradeWinds – 3 Jun 19)

A timely, if not slightly terrifying reminder from the OECD's International Transport Forum this week reminded those burdened by the bureaucracy of **decarbonization in shipping that, left unchecked, shipping's carbon emissions would increase 160% by 2050**. (Lloyd's List – 4 Jun 19)

"**Ports take their environmental responsibilities seriously and with International Maritime Organization targets, ships will have some tough decisions. However, we must have a grown-up conversation about the implications of the use of open-loop scrubbers in ports," British Ports Association head Martin Lawlor said. Such systems could lead to the build-up of contaminated sediments over time could, representing a real issue for port development.** (Lloyd's List – 6 Jun 19)

A Bahamian environmentalist and three Alaskans —including two retired commercial fishermen — are **appealing a federal judge's decision to fine Carnival Corp $20m for violating probation stemming from environmental wrongdoing**. "Harvest numbers and species-health studies are proof that my cohort of commercial fishermen and I have been economically harmed by cruise ship pollution," Forrer said. The court has 72 hours to respond to the appeal and reconsider the dismissal of the victims. "**They're using dirty fuel and 'scrubbing' the waste from this lousy fuel to save a few bucks and then dumping the sludge in our oceans.**" The four "victims" on 31 May filed an emergency motion in Miami federal court to intervene in the court proceedings ahead of a scheduled June 3 hearing. (TradeWinds – 17 Jun 19)

Hudson Shipping Lines ("Hudson") today announced as part of its ongoing 'green' initiatives, that following the implementation of the IMO2020 sulphur cap on January 1, 2020, **it will not employ vessels with scrubbers installed for the purpose of meeting the new IMO standards.** Company President Avi Eilon stated, "**We have thoroughly investigated the use and operation of exhaust gas scrubbers and have found that they simply transfer the pollution produced by vessels from the air to the ocean."** Mr. Eilon also noted that the use of these scrubbers to allow vessels to continue to burn the dirtiest forms of fuel, high-sulphur fuel oils, violates the spirit and intention of the IMO's new fuel regulations. (Hudson Shipping - 17 Jun 19)

The debate on the effect of open-loop scrubbers on water quality continues. But the more specific debate on the impact on sediments in port areas — particularly ports with enclosed systems — has barely begun. Our concern is that **the contaminants being removed from ships' exhaust emissions in ports could build up in sediments, perhaps over many years, making future dredging campaigns more problematic**. Clearly it is in the port industry's best interests that its customers can continue to call regularly, but we have seen **some ports around the globe ban the use of open-loop scrubbers and that has not gone unnoticed here. We are not taking an interest in this because it is fashionable but because it is wholly necessary.** We are keen to have a sensible conversation with shipping industry, scrubber manufacturers and regulators. It's not a bandwagon or fad but **a genuine concern around a potential risk to the future viability of port operations. Dredging is not cheap and disposing of contaminated sediments increases costs ten-fold. It also makes the process of obtaining consents for disposing of spoil much more time-consuming, difficult and on certain occasions almost impossible. Berths and navigational channels are key infrastructure for harbours and any potential risk to their viability is treated as a top priority for ports.** (Lloyd's List – 20 Jun 19)

All new ships for UK waters ordered from 2025 should be designed with zero-emission capable technologies, according to ambitious plans set out today by maritime minister Nusrat Ghani to cut pollution from the country's maritime sector. The commitment is set out in the Clean Maritime Plan published today. **The government is also looking at ways to incentivize the transition to zero-emission shipping** and will consult on this next year. (Splash247.com – 11 Jul 19)

Wärtsilä Corp has downgraded the demand outlook for its marine business as scrubber orders slow and on concerns about overall newbuilding demand. "**Uncertainty regarding fuel price development has slowed scrubber orders**, which, in combination with concerns related to lower overall vessel contracting volumes, has prompted us to lower our marine demand outlook for the coming twelve months." (SeaTrade – 18 Jul 19)

Chinese maritime authorities have spotted a Panama-flagged liquefied petroleum carrier that violated the country's sulphur emission rules when passing through the waters off Shanghai. The vessel was found "emitting black smoke from its stern" by a surveillance ship of the Shanghai Maritime Safety Administration on July 15, the government body said in a release. **The surveillance ship used its onboard sniffer sensor and dispatched a drone equipped with an exhaust gas detector to inspect the liquid petroleum gas carrier and found it was burning high sulphur fuel oil.** (Lloyd's List – 22 Jul 19)

Observant Spanish locals last week spotted a boxship belching out more smoke than normal, leading to a swift EUR20,000 ($22,435) fine for Maersk, the world's largest container shipping company. The 2007-built, 6,478 teu Maersk Sembawang was caught as it came into the port of Algericas, its excessive emissions blamed on a faulty main engine. **Nearby residents saw the huge plumes of black smoke coming from the ship and got in touch with a local environmental body who then alerted the port authorities.** (Splash247.com – 22 Jul 19)

China will extend a ban on discharging the wastewater from open-loop scrubbers, China's maritime authority said this week according to Reuters. **The ban follows a restriction effective in Jan 2019 on discharges from open-loop scrubbers in key emission control regions**. The Maritime Safety Administration (MSA) said in the draft on 22 July that **it plans to extend the ban to all coastal regions within 12 nautical miles (22.22 km) from the baseline of China's territorial sea and regions near the southern island province of Hainan.** (Arctic Shipping – 25 Jul 19)

With around 4 months to go to IMO 2020, **Friday 26 July spread at some of the prominent bunker ports were:** (i) **Rotterdam** was around **$177.5/MT** (HFO: $370.5, VLSFO: $548); (ii) **Singapore** was around **$115.5/MT** (HFO: $452.5, VLSFO: $568); and (iii) **Fujairah** was around **$103/MT** (HFO: $422, VLSFO: $525). (Bancosta – 29 Jul 19)

Our read of Key Supply Developments:

We started 2019 with 836.46 MDWT and have increased to 851.04 MDWT by the end of H1 for a 1.74% net fleet growth. A further 3.24% (27.55 MDWT) is scheduled for delivery in the SH of 2019 and another 5.61% (47.71 MDWT) scheduled for delivery in 2020. If we were to **apply a slippage factor of 30%** (actual was 38.5% in FH 2019) to these scheduled deliveries **and** further **assume that scrapping reaches 12 MDWT** (actual is 4.74 MDWT scrapped in H1 2019) we would be left with **a net fleet growth of 3.13% (862.67 MDWT) in 2019 and net fleet growth of 3.15% (889.86 MDWT) in 2020.**

Others' read of Key Supply Developments:

With a dire Capesize market in Q1 most of this year's deletions have come in the VLOC/Capesize sector with 4 VLOCs (0 in 2018) and 18 (12 in 2018) Capesizes heading for the breakers. At 4.1 MDWT this accounts for almost all effective scrapping though only one Cape headed for the breakers in June. **Net fleet growth in the VLOC/Capesize sector to date stands at 3.4 MDWT, Post-Panamax/Kamsarmax at 5.1 MDWT, Supramax 3.2 MDWT and Handysize at 1.3 MDWT. With the pace of deliveries due to**

increase in second half of 2019 net fleet-growth is likely to pick up if the current positive freight market conditions continue. (Howe Robinson Research – 14 Jul 19)

Our read of Key Demand Developments:

All the short-term negatives on the Demand side, like the Vale mining dam disaster; bad weather in Australia affecting iron ore shipments; Capes earning falling to a low point of USD 3,400 per day killing market sentiment for all ship sizes, **turned around by the middle of June**. By the 22nd of July Capes were earning USD 32,700.00 per day! As a result, **market sentiment changed with every sector moving upwards**. However, the Asian Swine Flu epidemic in China remains and will have a negative impact on the quantity of Soybeans that China will import this year.

Others' read of Key Demand Developments:

Coal is the most dynamic and fastest growing major commodity in 2019, and the Subcontinent and SE Asian countries are the largest source of this growth. Vietnam's imports according to custom data, has grown 128% in the period January/April compared to the same period in 2018. **Vietnam became a net coal importer in 2015, in 2017 imports grew 9% y-o-y and in 2018, 58% to 22.9 MMT. As stated, imports in the period January/April this year are up 128% reaching 13.3 MMT already**. With a population of 97 million people and an annual GDP growth rate of around 7% the country forecast that **power generation will need to rise from the current 47 gigawatts to 60 in 2020 and to almost 130 by 2030**. The country's current Power Development Plan **forecast coal power generation to grow its share in the energy mix from the current 33% to 56% in 2030.** Vietnam already has more than 20 coal-fired power plants that are expected to increase to 32 by 2020 and to 51 **in 2030 when imports are forecast to reach 80 MMT** according to some estimations; that would give a compound annual growth rate of 11%. **Vietnam imports are currently sourced primarily from Indonesia and Australia which together account for 72% of the imports**, followed by Russia (around 16%) and South Africa (around 7%). From around 200 fixtures analysed since the beginning of the year we found that **over 60% of the imports are shipped in Supras and another 30% is quite equally divided between Post-Panamax, Panamax and Handysize. Given the expected growth rate of imports and the draft limitations, Vietnam coal trade could prove to be quite a driver for smaller vessels**. (Banchero Costa – 31 May 19)

The World Bank cut its 2019 global growth forecast, citing a slowdown in trade growth to the weakest since the financial crisis a decade ago and a drop in global investment. **The bank forecast that the world economy will expand 2.6% this year, compared with a projection of 2.9% it made in January and easing from an estimated 3% last year, the bank said in its twice-yearly Global Economic Prospects report released Tuesday. The pace will pick up to 2.7% next year**. (Bloomberg – 5 Jun 19)

Late last week, BP released their annual "Statistical Review of World Energy". The headline number is that **global primary energy consumption grew by 2.9% in 2018** – the fastest growth seen since 2010. In terms of the impact on bulk carriers, it obviously changes patterns of coal consumption and trade that matter the most. And having fallen for three straight years into 2016, when BP commented that "the fortunes of coal appear to have taken a decisive break from the past" **coal consumption has risen again in the past two years, with 2018's consumption up by 1.4% YoY, double its average growth rate over the past 10 years.** Given we have also just seen the approval of Adani's new mine in Queensland, **was all the previous talk of the end of coal a bit premature? Coal's position in electricity production in China and India stands out; at a 67% and 75% share of generation respectively**, coal plays a far bigger role than in other major consumers such as the USA (28%), Europe (21%) or Japan (33%). **This dependence on coal makes these**

two countries the leading importers of thermal coal, despite their positions as the biggest and fourth biggest coal producers respectively. (Braemar ACM – 21 Jun 19)

The IMF cut its global growth outlook again and suggested that policy "missteps" on trade and Brexit could derail a projected rebound. The world economy will expand 3.2% this year and 3.5% in 2020, both down 0.1 percentage point from April projections. A rate of 3.3% or lower would be the weakest since 2009. China was predicted to expand 6.2% this year and 6% next year, both also down 0.1 percentage point. The U.S. forecast was to 2.6% and 1.9% respectively. (Bloomberg – 24 Jul 19)

China

The China Factor continues to have a disproportionate impact on the dry bulk markets. **China's GDP growth numbers have advanced 6.2% year-on-year in the second quarter of 2019**.

China the world's biggest iron ore consumer, in the first half of the year, brought 499.09 MMT of iron ore, down 5.9% from the same period a year ago, the customs data showed. (Reuters – 12 Jul 19)

China, the world's top coal producers output over the first half of 2019 reached 1.76 BMT, up 2.6% from the same period last year. (Reuters – 15 Jul 19)

Steel mills in China produced 492.17 MMT of crude steel in the January-June period, up 9.9% from a year earlier. (National Bureau of Statistics of China – 15 Jul 19).

In the first half of this year, China imported 154.49 MMT of coal, up 5.8% from a year earlier, customs data showed. (Reuters – 17 Jul 19)

Chinese steel production in May came in at an all-time high of 89.9 MMT and was up 11.2% on last year with YTD production now up 9.5% YOY. The strong statistics come at a time when consensus seems to share a dire outlook on the US-China trade war. Potential for **Chinese stimulus to infrastructure projects can be the saviour to keep up Chinese GDP growth, and the numbers indicate need for steel raw materials are developing strongly**. At the same time, iron ore prices have shot up following the Vale disaster (from USD72/tonne to USD104/tonne) on increasing risks for supply shortfall. All else equal, rising commodity prices should be a positive for dry bulk freight rates, but the question remains where additional iron ore supply will come from as Brazilian exports are likely to remain constrained in our view and Australia has limited capacity for growth near-term. **Chinese iron ore stocks at port have drawn sharply since early April and are now down 25% YOY (now at 119mt down another 2.4% WOW and down 9.9% MOM),** which has led domestic iron ore production to expand by 11% YOY for March-April after a massive 38% contraction last year. We believe run-rate production at Vale's Brazilian mines currently is down 80 MMT pa (leaving export capacity at 330 MMT pa). According to the company another 20 MMT pa is likely to come back online shortly (within weeks), and another 30 MMT pa of dry processing capacity should be available within a 6-12 month time frame. **Any increased volumes out of Brazil are a marginal positive to dry bulk, and we expect improving rates for H2 2019** when combined with potential IMO disruptions. However, the final 30 MMT pa of outages are set to be out for 2-3 years, which means that considerable growth from 2018 Brazil exports (388 MMT) is unlikely to happen before 2021-2022. (DNB Markets – 14 Jun 19)

China's GDP grew at 6.2% in 2Q19, the slowest quarterly growth rate since 1992 and down from 6.4% in the previous quarter. In an effort to increase growth amid a slowing economy and the ongoing US trade war, China unveiled more stimulus measures and a reduction in its reserve requirement ratio (RRR). Much of this stimulus has fed into new infrastructure and construction projects in an effort to support its slowing economy. **China's fixed-asset investment (FAI) project approval for 1H19 increased 81% by value to 471.5 billion Yuan in comparison to 1H18**. Beijing's effort to ramp up FAI directly increases steel production. This is because Chinese construction and infrastructure accounts for around 60% of domestic apparent steel demand. **Chinese steel production totalled 87.53 MMT in June and a record high of 89.09 MMT in May.** YTD China has also produced the most crude steel on record too at 492 MMT (up 9.5% YTD). **Like crude steel, pig iron and finished steel production are also at all-time highs.** 72.2 MMT of pig iron was produced in May (up 3.4% MoM and 7.9% YoY) and 107.4 MMT of finished steel (up 5.2% MoM and 14% YoY). (Braemar ACM - 31 Jul 19)

Asia

Coal imports by Indian coal utilities during the first half of 2019 rose 53.4% from a year earlier to 35.47 MMT, data provided by India's Central Electricity Authority (CEA) showed. **Demand for seaborne coal imports in India has risen because of a fast-rising population and the unavailability of alternative fuels such as natural gas.** (Reuters – 19 Jul 19)

In the newly released Q2 production numbers from **Australia's largest iron ore miners Rio Tinto and BHP, both companies expect output to improve in the second half of 2019**. The two miners' operations in Western Australia were hit by two cyclones in March, which temporarily shut ports, and damaged equipment. The damage cause by the cyclones along with a fire at the beginning of the year have led Rio Tinto to lower its export forecast for 2019 multiple times. However, in the Q2 report, **Rio Tinto has maintained its current forecast of 320-330 MMT shipped in 2019. With only 154.5 MMT shipped in H1 2019, it would mean a considerable improvement in H2 shipments**. In Brazil, the supply of iron ore has also improved following the reopening of Brucutu, the second largest mine in Brazil. The mine was ordered to halt operations in early February, following the Brumadinho dam burst in late January. As a result of the disturbances in supply, iron ore prices have been on a steady climb since the beginning of the year. Iron ore with 62% iron content currently trades at USD 121.5 per tonne, up 67% since the beginning of the year. **China, who imports around 66% of global iron ore, has been reluctant to buy with prices at a five-year high, and have been running down their port inventories. However, the sharp decline in inventories appear to have stopped and levels have now been stable around 115 mill tonnes for the last three weeks.** (Maersk Brokers – 21 Jul 19)

Americas

Brazil soybean exports of about 36 MMT in the first five months of the year are broadly similar to the same period in 2018 as is the split between Asian destinations (30 MMT) and Europe and other Mediterranean destinations (6 MMT). **The only significant change is a reduction in exports to China (down 1.5 MMT yoy to 26 MMT) probably as a consequence of reduced demand from the current African Swine Flu epidemic**, though the Brazilian crop is expected to be down 5 MMT yoy to 117 MMT for the harvest season to September 2019. However, what is significant is the trend towards more Kamsarmaxes being employed to both Atlantic and Pacific destinations at the expense of the traditional 75-77,000 deadweight Panamaxes whilst Ultramaxes are squeezing Supramaxes out of some of the traditional Brazilian Trans-Atlantic Handymax trades. There may be some element of increased stem sizes in both cases (as for instance the standard Brazilian export stem to China is now generally quoted as 66,000 tonnes with a 10 per cent margin rather than 60,000 tonnes) but it is clear that **with rising bunker prices there is an increased emphasis on "fuel efficiency".** This is illustrated by the fact that Charterers are also favouring the more modern fuel-efficient vessels even within the Kamsarmax and Ultramax sectors. It also appears that non-economic Post-Panamaxes despite their large grain cubics are also becoming less popular in both Trans-Atlantic and outbound trades. (Howe Robinson Research - 14 Jun 19)

Argentina's combined soybean and meal exports jumped to 3.7 MMT in May as much improved yields from the new season crop have started to be shipped. If exports are maintained as expected by USDA at current levels for the next six months this should have a positive influence on tonne:mile demand for the Kamsarmax sector as in the first five months of the year 50% of all outbound cargo has been carried by this class of vessel as compared to 37% in the same period last year. As ever with Argentina you can never be certain that the farmers will actually sell all of their crop as soon as it is harvested; physical product is often left in silos as a hedge against a weak and volatile peso, recently reduced prices for soybeans to around $220 per ton today compared to $232 in May could impact on the timing of future sales whilst this year's increased export tax equivalent to around 27% due to strict financial constraints imposed by the IMF, might also be a negative factor. Soybean meal exports dominate shipments (7 MMT in the year to May) with Vietnam and Indonesia usually the principal buyers; so far this year cargo destined for Vietnam is up a strong 0.6 MMT to 1.7 MMT whilst Indonesia is slightly lower by 0.2 MMT yoy at 0.8 MMT. Algeria is the third largest buyer of meal at 0.64 MMT whilst in Europe strong gains to Spain (nearly doubling to just under 0.6 MMT) have been counter-balanced by reduced exports to Poland (down 0.4 MMT at 0.2 MMT) and UK (reduced by 0.2 MMT to 0.3 MMT). Significantly cargo to Iran has nearly tripled to 0.5 MMT in the first 5 months of the year. Predictably China dominates Argentina's soybean export market with shipments to May up 1.1 MMT yoy to 1.7 MMT though eye-catchingly Egypt has switched to buying Argentinian beans this year (0.45 MMT from zero in 2018) rather than meal. (Howe Robinson Research – 8 Jul 19)

Brazil's Department of Rural Economy (Deral), has lowered its estimated 2019 wheat production figures for Paraná by 16%, to 2.7 MMT. Paraná is one of the key wheat producing regions in Brazil, accounting for about half of the country's output. **The sharp reduction in the forecast output is a result of frost, which has damaged fields in the region**. Frost also affected the region last year, though farmers still managed to produce 2.8 MMT of wheat. Harvesting will begin at the end of August and according to Deral imports are expected to grow at the same pace as the crop failure. **Brazil is the world's fifth largest wheat importer with 6.8 MMT imported in 2018**, 87% of which was supplied by neighbouring Argentina. Before the frost, government estimates saw imports increase to 7.2 MMT this year, but that number is now likely to be revised upwards. (Maersk Broker - 28 Jul 19)

Vale's iron ore fines production totalled 64.1 MMT in Q2'19, **12.1%** and **33.8% lower** than **Q1'19** and **Q2'18**, respectively, **mainly as a result of the impacts following the Brumadinho dam rupture and the April weather-related conditions in the Northern System**. Vale's **pellet production totalled 9.1 MMT**, **25.5%** and **29.3% lower** than in **Q1'19** and **Q2'18**, respectively, mainly **due to reasons stated above but also maintenance carried out and at the Tubarão plants**. Iron ore fines and pellet sales volume was 70.8 MMT in Q2'19, 4.5% higher than in Q1'19 and 18.2% lower than Q2'18. **Although the production volumes decreased q-o-q, sales volumes increased 3.2 MMT due to the consumption of offshore inventories**. **Demurrage times at Vale's Ponta da Madeira are also now back to normal.** After Brumadinho, a shortage of products to be loaded in Vale's Southern Systems arose and many scheduled vessels were redirected to Ponta da Madeira in Vale's Northern System. However, **widespread rains in March and April greatly impacted port productivity and loading operations, in turn causing high demurrage costs for Vale. The São Luís port stay of ships went from 6 days in January to the peak level of 32 days in May.** Port stay days **have since normalised to 7 days for July.** (Breamar AMC - 29 Jul 19)

Rest of the World:

In a Reuters poll of 19 grain market representatives, results showed that **Ukraine, Kazakhstan and Russia are expected to increase wheat exports to 63.2 MMT in the 2019/20 marketing year**. The heatwave that struck the region in June led the world's largest wheat exporter Russia to reduce its crop estimates. But Kazakh and Ukrainian crops were not adversely affected by the heat and their wheat harvest are expected to be significantly higher than last year, and of a higher quality. Overall, **the wheat harvest for the region is expected to increase 8.5% to 120.4 MMT. Most of the Black Sea wheat is exported to Africa and the Middle East, who are also significant buyers of EU wheat**. The higher quality of Ukrainian wheat this year will further increase the regions competitive edge against EU wheat. (Braemar ACM – 11 Jul 19)

Based on drought in major winter wheat growing areas, Russia's 2019/20 wheat production forecast was reduced this month by 3.8 MMT, although still up from last year and would be the second largest on record. Total supplies, however, are projected down from a year ago based on reduced carrying. (For reference, 2018/19 beginning stocks were unusually high following the record 2017/18 crop.) Considering this month's production cut, **Russia exports are lowered by 2.5 MMT to 34.5 MMT. This represents a year-to-year reduction of 1.5 MMT**, which is attributable to tighter overall supplies. Even with its exports down slightly, **Russia is still forecast to be the world's leading exporter for the third straight year.** The next largest supplier, the European Union, is expected to benefit from reduced Russian competition and will likely garner greater market share in North Africa, Sub Saharan Africa, and the Middle East. **The European Union is projected to export 27.0 MMT, up slightly from last month and up 3.0 MMT from the previous year**. Despite a production cut this month, EU wheat supplies are still projected up significantly from last year, which will support both greater exports and additional feed use. **The United States is also expected to benefit from reduced Russian competition as US wheat exports (July-June trade year) are raised by 2.0 MMT this month to 25.5 MMT**. (USDA – 14 Jul 19)

The following information has been extracted from publicly available news sources.

Owners and shipbuilders:

- Star Bulk Carriers, the New York-listed owner, reported an adjusted net loss of $8.5m for Q1 of this year, mostly due to heftier expenses from a larger fleet, down days for exhaust gas scrubber installations and unrealised losses on forward freight agreements and bunker swaps. (TradeWinds – 22 May 19)
- Japanese shipping giant Kawasaki Kisen Kaisha, also known as K Line, declared a ¥111.2bn ($1bn) loss for 2018. (Lloyd's List – 23 May 19)
- Golden Ocean, the John Fredriksen Norwegian dry bulk owner, posted a net loss of $7.5m in Q1 of this year. (Lloyd's List – 23 May 19)
- Eagle Bulk Shipping, the Gary Vogel-led bulker owner, posted a $6m loss for the second quarter of 2019 versus a $3.45m profit a year ago. (TradeWinds - 29 Jul 19)

Sincerely,

Khalid Hashim