

“May your choices reflect your hopes, not your fears” Nelson Mandela

Our Key Performance Indicators:

THE RESULTS reviewed by EY Office Limited, show you the latest financial position of the Company. The net loss for Q3 was USD 5.23 million from an average of 36 ships in the quarter. The earnings per day per ship during Q3 came in at USD 9,399, 35% higher than that in Q3 2016. In this quarter, average daily operating costs per ship were USD 4,435, which is lower than our target of USD 4,500 and also lower than the actual of Q3 2016. The EBITDA was USD 11.93 million during the quarter which is 89% higher than that of Q3 2016. The loss per share (eps) in Thai Baht stood at Baht 0.11 for this quarter.

| The Hard Facts | Q3, 2017 | Q3, 2016 |
|--|-----------------|-----------------|
| Highest Earnings per day per ship in USD | 15,000 | 15,000 |
| Average Earnings per day per ship in USD | 9,399 | 6,955 |
| Average Earnings per day per ship in USD (Handysize) | 9,767 | 7,325 |
| Average Earnings per day per ship in USD (Supramax) | 8,698 | 6,636 |
| Average Earnings per day per ship in USD (Ultramax) | 9,322 | 5,922 |
| Operating cost per day per ship in USD | 4,435 | 4,455 |
| EBITDA in million USD | 11.93 | 6.30 |
| Net Profit/(Loss) in million USD (excluding Exchange gain (loss) and Non-recurring items) | (2.05) | (7.16) |
| Net Profit/(Loss) in million USD | (5.23) | (24.75) |
| Earnings(Loss) Per Share in Thai Baht (excluding Exchange gain (loss) and Non-recurring items) | (0.04) | (0.16) |
| Earnings (Loss) Per Share in Thai Baht | (0.11) | (0.55) |

Update on disputes with Sanfu Shipyard: The arbitration process with Sanfu on the excessive fuel consumption issue has been completed with the Tribunal’s ruling going against us. As a result, we will have to repay the USD 32 million unsecured corporate loans that Sanfu had given us. We have time till the 4th October 2018 in which to make this repayment plus simple interest at 6% per annum from the date of receiving the loan until the date of repayment. We would also be responsible for their legal fees capped at a maximum amount of USD 750,000. The Financial Impact is that after the loans are repaid and when the interest and Legal Fees are also paid, the Bank balances in the Balance Sheet will reduce by the aggregate amount of all payments. However, the P & L account will only be impacted with interest and legal fees paid.

Market Segmentation: During Q3, the Baltic Handy Size Index (BHSI) averaged 502 points derived from the average Time Charter (TC) rate of USD 7,364. Compared to that, **our Handies earned USD 9,767 and beat the BHSI TC rate by 32.63%**. During Q3, the Baltic Supramax Index (BSI) averaged 843 points derived from the average TC rate of USD 9,231. Compared to that, **our Supramaxes earned USD 8,698 and underperformed the BSI TC rate by 5.77%**. **Our Ultramax earned USD 9,322 and outperformed the BSI TC rate by 0.99%** (as there is no special index for the Ultras, we have compared them with the BSI). Our target has been to outperform both the indexes.

The next SET Opportunity Day will be held at the SET building at 10.10 hours on the 7th November 2017 where we will be presenting and discussing our Q3 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 versus short term Charters: The long term charters already booked as of 30th September 2017 are shown in the chart below. As can be seen, our current and forward four year rolling book is currently at the 17.4% level with a visible revenue stream of USD 157.3 million.

| Year | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------------|--------|--------|--------|--------|--------|
| Total Available Days | 13,147 | 13,140 | 13,140 | 13,176 | 13,140 |
| Fixed T/C Days | 2,555 | 2,240 | 2,190 | 2,196 | 2,190 |
| %age Fixed T/C Days | 19% | 17% | 17% | 17% | 17% |
| Av. T/C Rate/Day in USD | 13,713 | 13,849 | 13,875 | 13,875 | 13,875 |
| Contract value in million USD | 35.04 | 31.02 | 30.39 | 30.47 | 30.39 |

It is our intention to continue to charter out our ships on long term period contracts whenever practical and economically viable.

BDI Developments and our read of the market:

The Baltic Dry Index averaged 945 points in Q1; 1,006 points in Q2; and 1,137 points in Q3; ending at 1,356 points on the 29th September 2017. Though demand has grown, as can be seen from the cargo numbers for China, net increase in supply has exceeded our most pessimistic expectations at 21.64 MDWT easily surpassing the entire net supply increase of 18.51 MDWT in all of 2016! Only 12.80 MDWT of dry bulk ships have been scrapped up to the end of Q3 this year compared to last year's 25.98 MDWT. New orders to end of Q3 at 11.94 MDWT, however, are near historically low levels due to financial pressure either on the buyers or at the ship yard level. This has helped reduce the pressure from the Supply side of the equation in the forward position with the **order-book hovering at just 7.8% (63.27 MDWT to be delivered up to and including end of 2020) of the existing fleet at the end of Q3. Negative sentiment has started to dissipate from the market unfortunately, resulting in ship-owners refusing to scrap their older ships.** This has allowed an overall net fleet growth of 2.7% in the 9M of this year. **If scrapping doesn't accelerate, 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 scrapping ships, **making the recovery in 2018 to 2020 slower, extremely volatile, and totally dependent on demand continuing to outperform.**

Others' reading of the market:

Handysize and Supramax bulkcarriers have enjoyed strong popularity in recent years, due to their flexibility and favourable employment prospects. These are geared vessels, which can operate efficiently in trades where shore cargo-handling facilities are either unavailable or

inadequate. Coupled with dimensions and draft acceptable in an extensive range of ports, their employment pattern is extremely varied. After assuming delivery slippages, 2017 deliveries are expected to come in at a lower 15-16 MDWT, compared to 17 MDWT in 2016. At the same time, 84 units between 20,000-64,999 dwt were sold for scrap, totaling 3.3 MDWT. This is down 32% in dwt terms compared to the same period in 2016. Demolition activity is expected to fall slightly in 2017 on improved market sentiment, although the ballast water and sulphur regulations are expected to encourage more scrapping in following years. The total handy & supra fleet is now expected to grow by a net 4% and 0% in 2017 and 2018 respectively, after assuming delivery slippages and slightly lower scrapping in 2017. Fortunately, there has been a significant slowdown in new orders. Just 15 units between 20,000-64,999 dwt were ordered in 2016, for a total of 0.82 MDWT. While demolitions have been slowing down greatly, **the supply-demand balance is still improving** with deliveries remaining relatively stable at lower levels, and trade growth generally continuing at decent levels. This **puts the Supramax and Handysize markets on the right track to rebalance in the medium term.** (Banchemo Costa)

Drybulk demand and share price momentum remain firm into what is expected to be the strongest second half to the year since 2012. We remain optimistic in the near term, with the Chinese steel industry enjoying booming margins and coal inventories remaining at low levels. Longer term, the growth pace will at some point come down, and ironically this could coincide with higher fleet growth again as a surge in Q4 rates and “attractive new-build prices” will result in increased ordering activity. As long as focus remains on the next 12-18 months – where we expect strong markets though - we believe values and share prices will continue to move up, and reiterate BUY on the sector. (Pareto)

4Q strong season would still come: The clear seasonality of dry bulk shipping does not come randomly. China's iron ore imports from Brazil typically reach a peak during Nov-Dec. This route largely drives the BDIY's movement, due to its longer distance (3x that of Australia to China). In addition, China's coal imports have historically also tended to hit the peak during Nov-Dec on winter seasonality (+20% higher vs. monthly average over Jan-Oct). Based on 22 MMT monthly average coal imports YTD, China's coal imports over the coming Nov-Dec are likely to hit 26 MMT, adding 4 MMT additional volume. Net-net, China's total iron ore and coal imports, which combined account for c.25% of global dry bulk shipping demand, will drop by a mere 4 MMT per month over Nov-Dec (i.e. 8-4). This would reduce overall global dry bulk shipping demand by only 0.8ppt over Nov-Dec ($4 / (96+26) * 25\% = 0.8\%$). Alongside falling supply, we think the 4Q strong season will still come through, more or less. (Deutsche Bank)

We find **attractive risk reward in dry bulk** with 2018-2019e supply growth < 0.5%, well below demand growth at ~2.5%, and we forecast utilization to increase from 89% in 2017e to 93% by 2019e resulting in our Capesize spot rate forecast of USD11k/day for 2017e (seems conservative with YTD at USD10k/day), increasing to USD17k/day in 2018e and USD20k/day in 2019e. New ordering is still at historically low levels with YTD run-rate of 2.0%, although we saw a pick-up in Q2 to 3.6% along with the recovery in the freight markets. The current order book to fleet ratio stands at 7.5% (only been lower in 2002). Scrapping has slowed since 2016, but still at 1.9% run-rate for 2017, in line with Q2 at 1.8%. (DNB Markets)

We see **downside risks to rates**, as we expect pull back in activities when the current round of restocking in China ends, in light of tightening environmental protection, stricter stance towards PPP (Public Private Partnerships) and housing curbs. China's Ministry of Environmental Protection is rolling out strict restrictions targeting steel production and various polluting industries located in Beijing, Tianjin & 26 surrounding cities ("2+26"). Further, PPP project approvals are witnessing a slowdown since 2Q17 leading to a notable drop in project starts and construction activity since July; in the property sector, 7 cities announced further tightening measures, all pointing to impending moderation in dry bulk shipping demand and freight rates. We expect global demand growth to moderate to c3% y/y in 2018E (from c3.7% in 2017E) and c2.6% in 2019E. (JP Morgan)

Overall, despite challenging market conditions, **the dry bulk market is in better shape than it was in 2016 and there is reason for optimism**. In the first half of 2017, the prices of iron ore and coal stabilised, hinting that a stronger dry bulk market may be looming just ahead. Despite the slowdown in the Chinese economy seen earlier this year, the country's policymakers remain confident of economic growth of 6.5% in 2017 and have further approved an infrastructural stimulus plan in line with this goal. Meanwhile, India's ramping-up of its steel production with the resultant increase in the import of steelmaking materials bodes well for the dry bulk market. (The Standard Club)

Key Supply Side Developments:

Supply Side developments in the world bulker fleet **show a rather pessimistic situation**. We started 2017 with 790.41 MDWT and have increased to 812.05 MDWT by the end of Q3 for a 2.74% net fleet growth. A further 1.47% (11.94 MDWT) is scheduled for delivery in the balance of 2017 and another 3.19% (25.91 MDWT) scheduled for delivery in 2018. **If we were to apply a slippage factor of 20.44%** (actual slippage to end of Q3, 2017) to these scheduled deliveries **and further assume that scrapping reaches 17.11 MDWT** (annualized from the 12.80 MDWT scrapped to end Q3, 2017) we would be left with **a net fleet growth of 3.39% (817.24 MDWT) in 2017, net fleet growth of 0.67% (822.68 MDWT) in 2018 and net fleet growth of 0.37% in 2019**.

What others say about Supply Side Developments:

In Aug 2017, only 11 vessels equivalent to 0.5 MDWT were scrapped – the lowest monthly volume since Oct 2010. Even when summing up **scrapping volumes** in the first 8 months of 2017, demolitions **were also at their lowest** for the period since 2010, with only 146 units amounting to 9.9 MDWT scrapped so far this year. This compares to 313 vessels equivalent to 24.8 MDWT scrapped during the same period in 2016. In comparison, while **deliveries are down 8.3% year-on-year** in capacity terms, it remains largely **on track to reach a full year delivery volume of around 41 MDWT**, basis our current assumption of 35% delivery slippage. 365 units totaling 31.5 MDWT have already been delivered in the first 8 months of 2017, contributing to a net fleet growth of 2.6% in deadweight terms. Demolition activity has slowed largely due to the improvement of the BDI, which has averaged between 800 to 1,300 each month in 2017 (and leaning over 1,000 since Aug 2017). As a result of the slower scrapping volume, **fleet growth this year is expected to come in at above 3%**, a marked increase compared to 2.3% fleet growth in 2016. **Nevertheless, the dry bulk sector is still in the midst of a recovery**

as fleet growth is expected to stay almost flat in 2018-19, and the commodity trade including Chinese import demand remains strong. (Banchemo Costa)

The pace of ordering of new buildings in the sub-Cape sector has picked up in Q3 having been very subdued for the past 18 months. So far this year there have been 61 newly placed orders consisting of 3 Post Panamax, 26 Kamsarmax, 17 Supramax and 15 Handysize. There are other unconfirmed orders particularly in the Kamsarmax sector so the order book will continue to swell. The Kamsarmax order book has in fact grown to 112 vessels (there are 918 vessels already in service) with the addition of some 31 previously unreported orders and options declared from 2015. (Howe Robinson Research)

Don't believe the hype: Supply side setting a strong base for recovery, not threatening one...yet. Large newbuild orders have been few and far between this year, yet some have been drawn to the headline orders and the fact that ordering has recovered from the lows of 2016. It is a fact that newbuild orders have increased from last year, but it must be recognized that the comp bar is incredibly low and the pace of ordering is still down 42% from 2015 and 74% from 2014. Deliveries continue to outpace orders, leading to an ongoing decline in the total orderbook, and while scrapping has slowed from a record pace it has not disappeared entirely. All told, we forecast net fleet growth of only 1.1% in 2018, the lowest level since 1999, and barring a global economic recession or China meltdown it is hard to envision a demand environment that cannot easily exceed this pace of capacity expansion. As such, we look for continued double-digit rate increases next year, with an associated return to asset value appreciation. (Evercore ISI)

In the last two years bulker shipbuilding has seen both a **further decline in contracting, and a focus on larger vessels.** For many yards the situation remains difficult, although some yards have benefitted from a limited number of high capacity orders. However, market sentiment appears to be picking up and **ordering has at least increased in 2017, showing that bulker contracting may not be out for the count just yet.** (Clarksons)

Key Regulatory Developments:

Vessels calling at ports in countries that have ratified the **Ballast Water Management Convention (BWMC)** are under extra scrutiny by port state control inspectors now that the convention has entered into force as of 8 September 2017. Countries that are parties to the BWM Convention under the International Maritime Organization (IMO) must now impose the requirements of the convention on all vessels, whether those vessels are flagged by countries that have ratified the convention or not. Port state control can check to make sure a ship has a valid BWM Convention certificate issued by the vessel's flag administration. They can also inspect the ship's Ballast Water Record Book, and/or sample the ship's ballast water. (IHS Maritime)

On August 16, the **U.S. Coast Guard fined the newly built bulker ANSAC Moon Bear a penalty of \$5,000 for discharging untreated ballast water** into the Willamette River in Portland, Oregon. The shipowner was given the option of paying the \$5,000 fine prior to departure or guaranteeing a bond of \$38,175, the maximum penalty amount. The Coast Guard has repeatedly warned vessel operators that **American ballast water regulations differ from IMO requirements, and that they are already entering into effect.** (Maritime Executive)

Key Demand Developments:

PROSPECTS over the next 12 months can be better understood if one were to examine the macro environment. We have given you a selection of such information from various publicly available sources.

China

The China Factor continues to have a disproportionate impact on the dry bulk markets. **China's GDP growth numbers have been rock steady at 6.9%** in the first 9 months of 2017, with Q3 coming in at 6.8%, higher than the official government target of around 6.5%.

China's iron ore imports the first 9 months of 2017 at 817.2 MMT, climbed 7.1% from year-ago levels. (Banchemo Costa)

Chinese steel production in the first 9 months of 2017 was 639.4 MMT, up 5.7% y-o-y. (Banchemo Costa)

China's steel export in the first 9 months of 2017 slowed significantly and was down 30.2% year-on-year to 59.6 MMT. (Banchemo Costa)

China boosted coal imports in the first 9 months of 2017 **by 13.8% to 205.1 MMT** over the previous year. (Banchemo Costa)

China, in the first 9 months of 2017, mined 3.0 BMT of crude coal, up 5.7% year on year, data from the National Bureau of Statistics showed. (Platts)

China pumps out machinery, mobile phones and smog, but it **runs on coal**. It is by far the largest burner of the black stuff. Chinese real estate investment, the biggest driver of global materials demand, including coal, grew at its slowest pace in over a year in July, and infrastructure investment ticked lower. Industrial output weakened across the board. Two other bearish factors for coal and electricity demand are about to kick in. First, it has started raining again in southwest China. Dry weather has pushed hydropower utilisation down the most since 2012 and coal power plants' run rates sharply higher. That dynamic is now moving into reverse as hydropower ramps up again. Furthermore, plans to close more energy-intensive steel and aluminium plants in northern winter during the peak pollution season — on top of steel capacity cuts already enacted — could deal another blow to power demand. Metal smelting alone accounts for about 20% of power consumption in China. (Wall Street Journal)

Chinese coal imports have been volatile in recent years, with a range of factors (Chinese coal production increasing 6% y-o-y in 1H 2017; supportive Governmental policies; improved coal price environment; thermal power generation rising 7% y-o-y in 1H 2017; rising industrial output; favourable steam coal prices; lower hydropower generation; limited domestic coal supply) impacting volumes. While there have been clear examples in recent months of positive short-term drivers, there remain a number of risks to the outlook for China's coal imports both in the rest of 2017 and further ahead. While a gradual move towards cleaner fuels could undermine import demand in the long-term, **it wouldn't be a surprise to see Chinese coal imports continue to run hot and cold.** (Clarksons)

Coal the energy source of last resort in China. Based on our 2017–2019 forecast of 4.4% growth for Chinese electricity production and assuming trend growth in hydro, solar, wind and nuclear, we expect Chinese thermal coal consumption to be flat in 2018–2019. China thermal coal production is down by 18% from 2012 to 2016 and based on our forecast of ~1.5% yearly declines in production from 2017 through 2019e, **we forecast China thermal coal imports to rise 10% on average** over the same period. (DNB Markets)

China has hit the halfway point towards meeting its target of cutting coal mining capacity by 800 MMT a year by the end of 2020, the state planner, the National Development and Reform Commission, said. Now, with coal mining capacity cuts of 111 MMT in the first half of 2017, the total reductions for the period have been brought to 400 MMT. China produced 3.64 BMT of coal in 2016, down 9% from the previous year, according to the National Bureau of Statistics. (Reuters)

China's steel output is expected to grow 3% to 5% in 2017 compared with last year despite the closure of small outdated mills as surging prices prompted larger players to turn out more metal. The world's largest steel producer will make about 840 MMT of crude steel this year, said Qu Xiuli, vice president at China Iron and Steel Association (CISA). Last year, the country produced 808 MMT of steel. (Reuters)

China's premier Li Keqiang has promised to **maintain a “relentless” focus on shutdowns of induction furnace-based, scrap-fed steel plants**, lifting the country's steel and iron ore markets. China claims to have eliminated 120 MMT/year of induction furnace-based, scrap-fed steelmaking capacity as of 30 June 2017. These mills produced sub-standard products and emitted more pollution than blast furnace-based mills. (Argus Media Ltd)

Chinese crude steel production for the first eight months rose 5.8% y-o-y to 567.7 MMT with August's figure 74.6 MMT representing a new monthly high. Such strong output has particularly benefited the Capesize market as Chinese iron ore imports are up 43 MMT for the first seven months to stand at 626 MMT (+7.5% y-o-y). Chinese steel exports have, on the other hand, dropped nearly 20 MMT (-29% y-o-y) during the same period. (Howe Robinson Research)

It has been reported that **China will cancel roughly one third of its iron ore mining licenses**. We view this as a very logical decision where iron ore procurement and environmental regulations are concerned. We have remained of the view that Chinese iron ore import volume has been poised to stay strong even with the recently announced steel production cuts (that have been enacted due to environmental concerns). It remains our view that the usage of domestic iron ore (which is of much lower quality than iron ore imports) has been set to come under pressure rather than the consumption of iron ore imports. Securing high quality iron ore is now more important than ever in China, even with temporary steel production cuts looming, and **we have remained bullish for iron ore import volume prospects**. The decision by the central government to cancel a third of iron ore mining rights has strengthened our conviction even further. (Commodore Research)

China iron ore import growth driven by continued production decline successively since 2011 and even based on our forecast of a slower production decline to 5% on average from 2017–2019e (up from -7% in 2016 and -9% in 2015), we forecast that Chinese iron ore imports **would increase by 8% in 2017, 1% in 2018 and by 3% in 2019 based on China steel consumption.** (DNB Markets)

China is the largest soybean importer in the world, expected to account for 63% of global imports in 2017/18. Global imports are forecast to rise 4% in 2017/18 to 148 MMT, supported by a 3.3% increase in China to 94 MMT, as well as increases in other Asia and the Middle East. While China's soybean imports in the first 7 months of 2017 have risen by a strong 18.5% year-on-year to total 54.9 MMT, crushing margins have fallen as alternative vegetable oil imports and reserve rape seed oil auctions fed into an edible oil supply glut. Soy meal demand has also weakened, as poultry farms lose money and hog restocking slows due to falling profits. Some crushers have even suspended operations temporarily to curb losses, which could cap import upside from the U.S. in the coming months. Brazil and the U.S. are the largest exporters of soybean to China, accounting for 46% and 40% respectively of China's soybean imports in 2016. (Banchemo Costa)

Soybean imports into China have increased tenfold over the past 15 years and the growth story shows no sign of slowing with imports this year likely to be in the region 93/94 MMT. With world soybean exports (excluding soya meal) estimated to rise from 134 MMT in 2016 to 143/144 MMT China represents almost all of the growth. Brazil has so far this year provided China with 37 MMT of soybeans, up from a mere 1.5 MMT in 2002 and now provides China with nearly 60% of all its soybeans. By comparison USA has so far shipped 20 MMT to China, though this figure will rise sharply in Q4 when the principal export season gets underway. (Howe Robinson Research)

Chinese bauxite imports surge. China imported 6.9 MMT of bauxite in June, up 22% from May and up 90% year-on-year, while exports from Australia rose to a new record. Plans by the central government to reign in output in 28 cities has pushed refineries to increase aluminium production ahead of the cuts. Strength in the construction sector is further underpinning the demand for aluminium, and ultimately imports of bauxite and alumina. (Maersk Brokers)

China data points continue to promote confidence, not fear. Although the macroeconomic environment plays a large role in the prospects for global trade, it is important to remember that (for better or for worse) the dry bulk trade is incredibly China-centric, and the near-term outlook for commodity demand in that market remains robust. Evercore ISI's China strategist, Don Straszheim, has consistently said to "be confident, not fearful, of China in 2017-18" and his thesis has proved correct thus far. Indeed, although official data has yet to be released, vessel tracking and port data point to China iron ore imports of nearly 89 million tons in August, which would represent the highest monthly total of this year (during a traditionally softer period and while port inventories, though off all-time highs, are still elevated). With China steel margins remaining robust and a focus on cleaner imported ore squeezing out domestically produced product, the near-term prospects for this important commodity remain strong just as the grain season in the northern hemisphere is set to kickoff. **We look for dry bulk rate momentum to continue to trend favorably,** bringing the equities along for the ride. (Evercore ISI)

China's economic indicators point at robust steel demand. Government led investments in infrastructure projects is supporting the local construction industry, and with it steel demand. The PMI reading on the construction sector showed a solid pickup to 62.5 in July from 61.4 in June. Meanwhile the country's steel industry PMI rose from 54.1 in June, to 54.9 last month. With national steel capacity reducing and steel margins remaining high, mills will keep on maximizing production and they need high-quality seaborne iron ore to do this. (Maersk Brokers)

Standard & Poor's cut China's long-term sovereign credit rating to A+ from AA-, fretting about an explosion in credit over the last 10 years that has increased financial and economic risks for the country. S&P said credit will continue to grow strongly for the next couple of years, further raising those risks. Ironically, two of the most closely watched metrics—corporate credit and Total Social Financing (the broadest measure tracked by Beijing), both improved in August. The Bank for International Settlements had said earlier this week that the gap between credit growth and GDP growth continued to be wider in China than anywhere else in the world. (Reuters)

Americas

Hurricane Harvey: The damage to agriculture is still difficult to assess as the effects of the flooding is not limited to local un-harvested crops, but extend to those products shipped, and stored, in the area from other parts of the country awaiting to be exported. In any case grains tend to be exported from the Mississippi River, further East, which seems to have not been affected as much. Ports in the US Gulf tend instead to handle a large amount of wheat exports, around 24% of the whole US exports. (Banchemo Costa)

Chief financial officers across USA have turned bearish both about the economy's prospects and prospects for their own companies, according to a new survey from Deloitte. **Political concerns, both at home and abroad, were cited as the biggest external factors**, while talent shortages were named as the biggest internal risk. Some 83% of CFOs also thought that U.S. equities were overvalued, the highest response Deloitte has had to that question. (Deloitte)

The Federal Reserve confirmed it will start reducing its balance sheet shortly. It also indicated **it remains inclined to raise interest rates one more time this year**, probably in December. In doing so, it expressed confidence in the economy and looked past a string of weak inflation and earnings data. Chairwoman Janet Yellen said that the economy was on "a strong track" and that slack in the labor market had largely disappeared. (Financial Times)

US seaborne coal exports have risen 57% year-on-year by total volume and 61% in tonne-miles over the first half of 2017, indicating that average sailing distance has increased at a higher rate than total volume, and highlights the trend of the US exporting more coal to further destinations, mainly in East Asia. (Lloyd's List)

At 46.5 MMT for the first seven months, **USA coal exports** are nearly 18 MMT higher than this time last year. Coal prices throughout the world have rebounded this year with US East Coast FOB averaging US\$81 in 2017 compared to a meagre US\$43.50 by comparison in 2016, thus giving coal exporters much more incentive to export; so though USA coal production continues

to fall, estimated to be around 620 MMT in 2017 (compared to 660 MMT in 2016), exports look set to rise to over 10% of production for the first time since 2013 when USA exported 107 MMT from a total production 920 MMT. Strong Asian demand has accounted for much of the rise with shipments to Korea up a massive 3 MMT to 4.8 MMT, Japan up 2.2 MMT to 4.2 MMT and China at 1.7 MMT after virtually no USA imports in 2016. Exports to Europe are modestly ahead and Netherlands remains the largest importer at 5.1 MMT though Italy has almost doubled its imports to 1.7 MMT this year. Export markets may become increasingly important to USA coal mining companies as domestic consumption continues to shrink, estimated to be around 560 MMT in 2017, down from over 1 BMT ten years ago! (Howe Robinson Research)

The opening of the Chinese market to **US rice exports** will potentially increase the demand for supramax and handysize vessels, adding greatly to the tonne-mile demand for those segments. US rice exports will begin following the completion of an audit of US rice facilities by China's General Administration of Quality Supervision, Inspection and Quarantine, and fumigation measures approved by Beijing, the Chinese government said, without specifying a timeline. **China is the world's largest producer and importer of rice.** Chinese imports reached nearly 5 MMT in 2016. This could present a huge opportunity for shipowners to trade on longhaul routes. (Lloyd's List)

Latin American corn exports surge. AIS data shows a record 9.1 MMT of corn cargoes sailed from Argentina and Brazil in August, a 24% increase on July, and a 35% increase y/y. Exports of the South American grain show no sign of abatement with already over 5 MMT of corn already shipped out in September. According to the same data, 34.7 MMT of corn have been shipped out so far this year. Should USDA predictions prove correct, there should be a further 21.3 MMT of the grain to be exported by the end of this marketing year, which ends in February. (Maersk Brokers)

Asia

India's thermal coal imports are currently projected to fall to 134 MMT in 2017, the lowest level in five years. However, the outlook remains unclear, with imports over the coming years likely to depend on the balance between growth in domestic coal production and power demand going forward. With uncertainty surrounding both of these elements, it remains to be seen whether Indian coal imports really are running out of steam. (Clarksons)

Coal inventories at Indian power plants fall to their lowest level in three years despite increased local production. Stockpiles at Indian coal power plants fell to 8.0 MMT, the lowest level since October three years ago. That level of inventories is sufficient for just six days' generation and sets current stockpiles 14 MMT lower than a year ago. This came as coal shipments handled by major Indian ports in August fell over 14% from a year earlier to 9.3 MMT. Thankfully for the Indian power grid, Coal India, a state-owned firm, produced 38.8 MMT of coal last month, up by around 10% on the year. Despite the local mine's increase in coal production, these statistics shows **it will be years before India becomes self-sustainable in coal.** (Maersk Broker)

Rest of the World

The world economy looks well on its way to a year of faster, firmer growth after rising at its most rapid pace in 2 1/2 years in the second quarter, according to an article in Bloomberg. The expansion is broad based **as long-time laggards Japan and the Euro area perk up**. Even more encouraging: The **gains look sustainable** because they're not generating much in the way of inflation or other excesses that frequently presage a downturn, economists said. For the investors the scenario called "Goldilocks", with the economic recovery solid enough to generate higher corporate profits but not so fast as to lead to a rapid pickup in inflation and interest rates. The MSCI ACWI Index of stocks from emerging and advanced economies has risen in the past five quarters, its longest stretch of gains since the 2007-08 financial crisis. **Global gross domestic product is projected to increase by 3.4 percent in 2017 and 3.5 percent in 2018**, according to the median forecast surveyed by Bloomberg. While that would be a come down from an estimated 4% plus pace in the second quarter, it would still represent a clear acceleration from last year's 3.1 percent advance. World trade growth has also picked up, with volumes projected to grow faster than global output in the next two years. The pick-up has been paced by budding rebounds in Europe and Japan, two economies that until now had been seen as drags on the global economy. After years of lacklustre growth, the euro-area economy is starting to build momentum. The expansion accelerated to 0.6% in the second quarter, and it's more evenly spread across the 19-nation region than in the past. The Netherlands posted the strongest data in a decade and Italy, long a slouch in the region, may see the best performance since 2010 this year. While the unexpected strength in Europe and Japan is providing fuel for the global upswing, the expansion's fate ultimately rests on the performance of the world's two biggest economies, the U.S. and China. And there the omens are favourable. JPMorgan Chase & Co. this week raised its forecast for U.S. growth in the third quarter to an annualized 2.25% from 1.75%. The move followed news of an unexpectedly strong rise in retail sales in July. GDP rose 2.6 percent in the second quarter. (Arctic Shipping)

After an excellent harvest **Russia looks set to be the world's largest exporter of wheat** in the crop year July17/June18: estimates for their wheat harvest range from 72-74 MMT and they look set to take advantage of expected sharp falls in the USA (down 15 MMT to 48 MMT) and Australia (down 11 MMT to 24 MMT) on the back of drought conditions in their respective wheat growing areas. At an expected export figure of 30.5 MMT in 2017-18 Russia will jump ahead of both the EU (30 MMT) and USA (26 MMT) with Australia expected to ship around 22 MMT and Argentina steady at 17 MMT being the 5 major exporters. Data to May this year has Russian wheat exports at 10.1 MMT well ahead of the same period last year (8.3 MMT) reflecting increased retained stocks, which may well double in the current year. About a third of all shipments are destined for Egypt with Africa and the Middle East making up the majority of the balance. Competitive prices and a weak ruble have no doubt made Russian wheat more attractive to prospective buyers in recent weeks and chartering activity ex Black Sea is already busier than this time last year especially as India appears to need to replenish its depleted wheat stocks. Grain exports ex Black Sea usually peak in September/October so reports of tonnage already being fixed by Charterers from east of Suez to carry Black Sea grain suggests a positive outlook for the freight market in this area over the next couple of months. (Howe Robinson Research)

Coarse grains shipment from the Black Sea seems to be over. A mere 2.1 MMT of grain and barley was shipped from the basin in August, according to AIS data, compared with 3.1 MMT a month prior. Observations in the first half of September are pointing at a further contraction this month. The adverse weather conditions in the region this summer have significantly hampered the corn crop in Russia and the barley harvest in Ukraine. USDA projections would suggest a further 6.2 MMT of corn and barley are expected to be shipped from the Black Sea by the end of the year, compared with an average of 3.2 MMT per month on average between September and December last year. (Maersk Brokers)

A symptom of the above challenges is that companies are currently struggling. Just to name a few that have been in the shipping press recently:

Owners and their woes:

- **Western Bulk Chartering**, the Norwegian dry bulk shipping company, made a net loss in the latest review period of 1H 2017 of USD2.1 million. (IHS Maritime)
- Singapore-listed **Mercator Lines** has filed to wind up, 2 years after it applied to the High Court of Singapore to be placed under judicial management in September 2015. (IHS Maritime)
- Beleaguered **Noble Group** expects to report a massive loss of between \$1.7bn and \$1.8bn for the second quarter of this year. Excluding exceptional items, the heavily indebted commodities trader said its second quarter loss would be \$450m to \$500m. (Lloyd's List)
- Creditors of **Hanjin Shipping**, which went bankrupt last year, stand little chance of recovering any of their money, with debts of about \$10.5bn. The debtor's estate has recovered only around \$220m since Hanjin collapsed at the end of last August. (Lloyd's List)
- **Yang Ming Marine Transport** has reported a net loss of \$14m in the second quarter of 2017. (Lloyd's List)
- New York-listed **Diana** announced a second-quarter 2017 loss of \$25.3m. (TradeWinds)
- New York-listed **Star Bulk** saw its bottom line come in at a loss of \$10.2m for Q2 2017. (TradeWinds)
- New York-listed **Eagle Bulk** reported a loss of \$5.9m for the second quarter of 2017. (TradeWinds)
- **Pioneer Marine** the Singapore-based shipowner has lost \$1.9m in the three months to 30 June 2017. (TradeWinds)
- **J Lauritzen** booked a loss of \$8.4m in the three months to 30 June 2017. For the full year, Lauritzen is forecasting a core operating loss of between \$40m and \$10m. (TradeWinds)
- **Scorpio Bulk**, the US-listed dry bulk owner, cut its net loss in the third quarter to \$10.7m (Lloyd's List)

Sincerely,

Khalid Hashim