NOTOS NEWS | DRY BULK

Dry bulk had a rough start into 2019, and currently it looks like the bad news do not end. Large vessels are recovering at the moment, but the next clouds are on the horizon especially for panamax and supramax vessels. The African Swine Fever is raging in China and the fear is that negative effects may be even higher than the ongoing US-Sino trade conflict.

DISRUPTION IN GLOBAL IRON ORE PRODUCTION

After the Vale dam disaster at the end of January, a lot of uncertainty shook up the market. Vale lowered its sales and production outlook for the rest of the year by almost 25% or 90m tons. Still, there is some degree of uncertainty due to the ongoing legal proceedings which continue to interrupt production and export activities. For example, the operations at the important Bructu facility were suspended a second time by court order last week.

Australian iron ore production has suffered from bad weather, also reducing production output. Although only temporarily, the impact on the iron ore market has been noticeable. As shown in below graph, the iron ore price has climbed rapidly from USD 76/t before the dam incident to meanwhile USD 95/t, further dampening the already subdued Chinese appetite for imported iron ore.

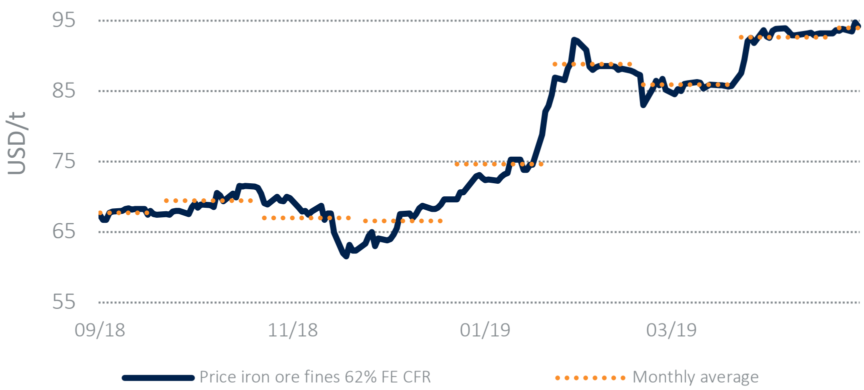
Especially capesize vessels have suffered in Q1/2019 with charter rates well below break-even and even below OPEX.

US SANCTIONS HURT IRANIAN IRON ORE EXPORTS TO CHINA

About 90% of the Iranian iron ore output (12.5m tons in 2018) is exported to China. The latest US sanctions on Iran may further cut global iron ore supply and drive prices above the USD 100/t-mark. As a result, 2019 may well be the second year in a row with declining overall iron ore imports into China.

For more information please contact:
CHRISTOPH NADOLNY
newsletter@notos-group.com
+49 40 6094 550 - 20

IRON ORE PRICES AT FIVE YEAR HIGH AND STILL CLIMBING

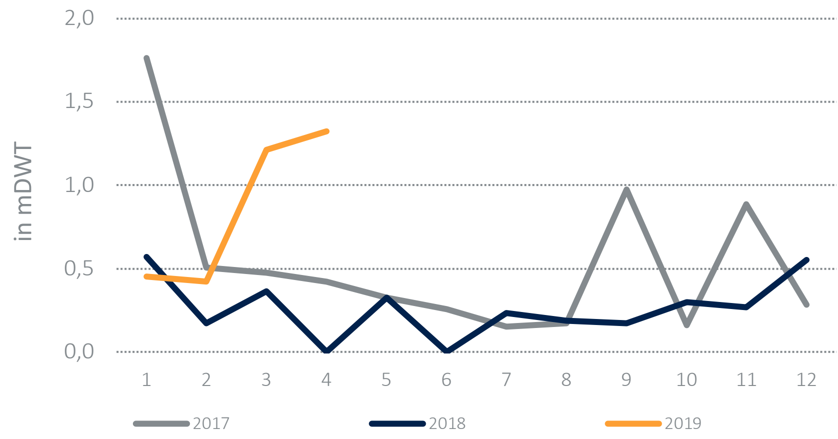


Source: Clarksons, Notos 05/2019

SCRAPPING IS PICKING UP

One positive effect of the disastrous first quarter is the uptick of scrapping activity, also helped by scrap prices comfortably around USD 430/ldt on the Indian sub-continent. Furthermore, demolitions increase due to the IMO 2020 regulations coming into effect beginning of next year. This long-awaited reduction in capacity should support the market. However, the capesize orderbook currently standing at 15.6% of the operating fleet is still substantial given the modest demand outlook.

AFTER SLOW START CAPESIZE DEMOLITIONS ARE INCREASING



Source: Clarksons, Notos 05/2019

AFRICAN SWINE FEVER WITH WORSE IMPACT THAN ONGOING TRADE WAR?

The African swine fever is raging in China, putting the world's largest pig population at risk. An analyst told Financial Times that up to 130m animals or 33% of the livestock may be lost to the disease.

The prospect of a sharp drop in China's pig population has sent shockwaves through the world food industry. Hog futures have jumped up in Chicago and US pork sales to China recently hit a record high - despite a 62% tariff imposed in connection to the trade conflict between the two countries.

This will undoubtedly have a negative impact on the so far good grain season in South America, with a huge portion of the harvested products like soy beans traditionally being shipped to China. So far, the year has not been exhilarating for the smaller panamax and supramax tonnage with charter rates just above USD 8,500/d on average in the first quarter of this year. Now, the expected drop in Chinese demand is apt to hurt earnings on these trades as well.

DISCLAIMER

This document has been prepared and approved by Notos Consult GmbH and is for informational purpose only. The information presented in this report is intended for the recipient to whom it was delivered. Reproduction or distribution of this document in whole or in part is not permitted without the express written consent of Notos Consult GmbH.

This document contains forward-looking statements. We caution the reader that forward-looking statements are not guarantees of future performance. Past returns are no indication of future returns. The development of the industry, markets and companies described in this document, may differ materially from the forward-looking statement contained herein.

Information and opinions contained in this document have been compiled from sources believed to be reliable. Unless otherwise stated, any statements herein are based on our own estimates at the time of publication. Notos Consult GmbH makes no representation as to the accuracy or completeness of any of the information contained herein and accepts no liability for loss arising from the use of the information provided.

This document is not an offer of any kind. This report has been prepared separately from any proposed offering of any security and as such information herein must not be relied upon as having been authorized or approved by the issuer of such security.

PUBLISHER

NOTOS CONSULT GMBH
PELZERSTRASSE 5
20095 HAMBURG
GERMANY

CONTACT

T +49 40 6094 550 – 0
F +49 40 6094 550 – 92
INFO@NOTOS-GROUP.COM

REGISTERED OFFICE: HAMBURG
REGISTRATION COURT:
AMTSGERICHT HAMBURG | HRB 120813

MANAGING DIRECTORS:

DR. JENS ROHWEDER
DR. CHRISTINA STAHN