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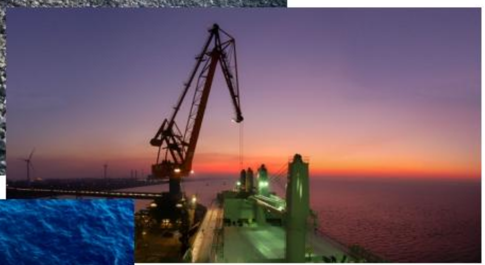
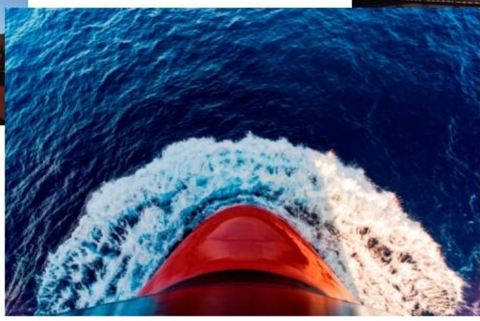


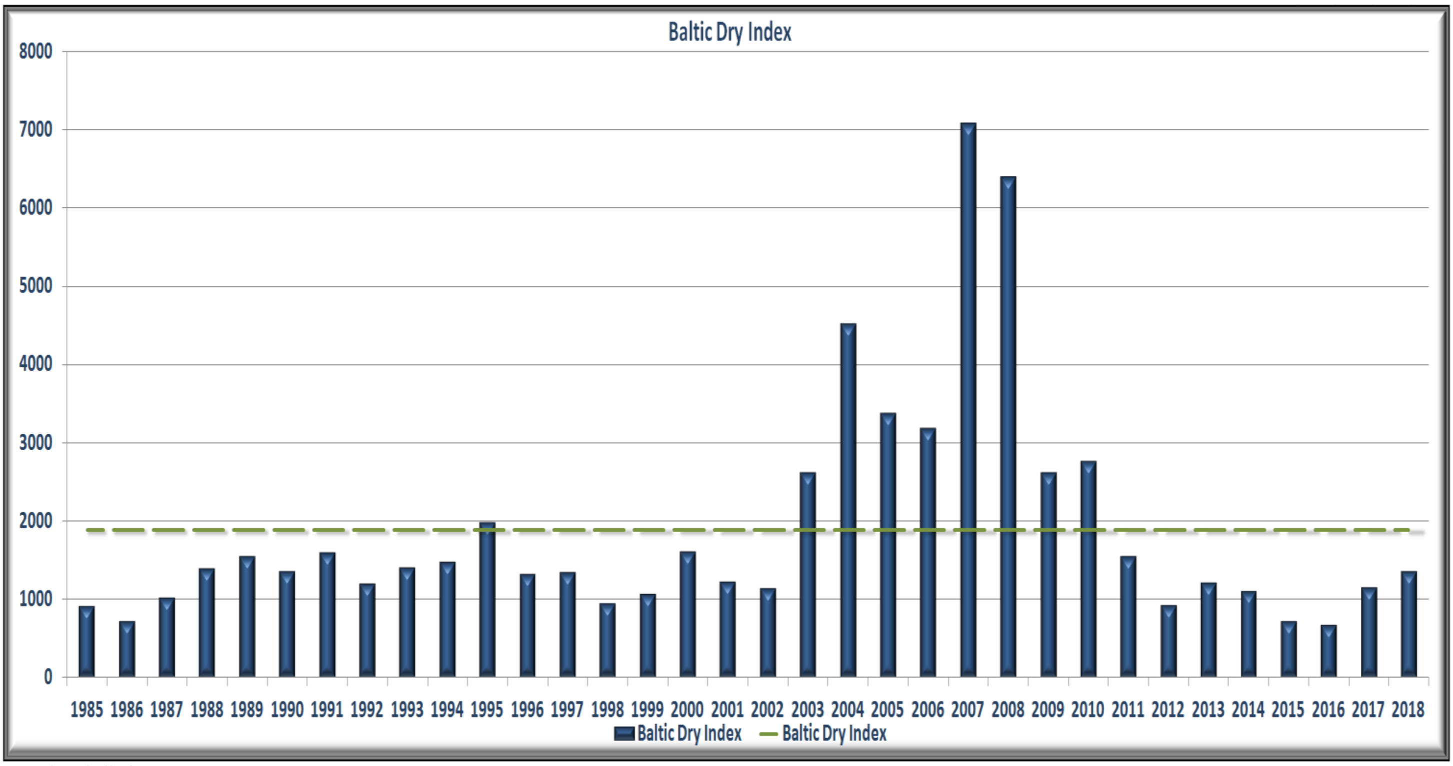


REVIEW 2018

DORIC
SHIPBROKERS S.A.

Amuse-Bouche

Fuelled by the quite healthy activity levels of the previous trading year, 2018 embarked on its trip for the unknown, filled with confidence that it will be a “long one, full of adventure and full of discovery.” Dry bulk shipping, being in the center of world economy and distributing its product around the globe, felt the upswing of the global economy testified by the increased annual averages of freight rates in all of its submarkets in 2017. The revival of global growth and principally the trading activity expansion levitated the freight rates and the sector sentiment altogether. In fact, the Baltic Dry Index balanced at 1230 points on the first trading day of the year, circa 29.1% higher than this day a year back, injecting further optimism in the market. In this context, “cautiously optimistic” was the phrase that we heard the most from our clients and friends during our annual sentiment survey that took place in the first two weeks of 2018, with the exact meaning, however, being quite different on each separate case. Interestingly, although the same two words described their feeling for the market six months earlier, in early January 2018, there were many among them that left the ‘cautious’ part of their description behind. In particular, 63% of the participants (see appendix A) insisted that this answer is what best described their outlook for the year to come, whilst 35% of the responses belonged to even more optimistic beliefs.



Source: Doric Research, Baltic Exchange

Ranging from 673 points to 7070 points, Baltic Dry Index annual averages ebbed and flowed during the last thirty-four years, averaging at 108 points below the 2,000-point mark. However, indicative of the skewness of the distribution is the fact that just eight out of the thirty-four years managed to stand higher than these levels. From the remaining, twenty years had averages within the 1,000-2,000 boundaries whilst the remaining six averaged below the psychological trap of 1,000 points. Given this, 2018 was a rather moderate trading year in terms of performance, as the 1353 points it averaged are placing it right next to the median of 1354 points. In spite of its strong performance, 2018 remained below the average of the thirty-four year horizon. In any case, it was the underlying sense that the BDI 2017 attempt to move out of the 2016 bear trap would not be halted that make 2018 so special!

As it transpired, the path of 2018 was slightly different from the vast majority of the previous trading years. Although the seasonal sluggish start made its appearance during the first quarter of 2018 as well, the fourth quarter diverged from the typical flight plan, heading southern than it was initially thought to. Thus, the shipping menu was changed to some extent for the current year, serving us a four-course dinner. Although it remains to be seen if the Michelin Guide is going to award a “star” to this menu, 2018 deserves at least a few red "forks and spoons".

First Course : Citrus Salad with Orange Dijon Vinaigrette

The first quarter of the year started on the right foot with the Baltic TCAs hovering well above OPEX in all segments, as the BCI-5TCA laying at $15,125, BPI-TCA 10,748, BSI-TCA at $10,312 and the BHSI-TCA at $8,924. Being enough to cover not only OPEX but also depreciation, the after depreciation Returns-On-Capital-Employed (ROCEs) (see appendix H) of both geared and gearless segments balanced at around 3% - 4%. On the S&P front, five-year-old Capesizes changed hands for circa USD 33m whilst same-aged Panamaxes at USD 18.5m, or 19.4% and 28.6% lower than their ten-year-averages. In harmony, a typical five-year-old Supramax was sold for circa USD 17.5m and a modern 32,000dwt Handy at three point five millions less, or -24.2% and -26% from their ten-year-averages respectively. In the paper market, all forward curves were quite flat, albeit with backwardation parts on the front end due to seasonal factors.

Dry bulk segments winging their way south in wrinkled V-shaped flocks is perhaps the most common sight in the dawn of every trading year. “BDI migration” is the regular seasonal movement, typically north and south along a flyway, between December northlands and February southlands. Although there were years with pretty warm market conditions where freight rates stayed on latitudes above the tropic of cancer, the cold winter conditions during the two thirds of the last thirty-three years steered the Batlic Dry Index towards the equator. Similarly, the first trading days of 2018 confirmed this pattern, as the BDI lost more than six hundred points from its mid December highs. Whilst all dry bulk segments headed south, Capesizes shepherd the flock. However, this downward movement is widely expected from the shipping community, so it didn’t have any significant effect on market psychology.

Additionally, early news on the macroeconomic front was quite positive, injecting optimism in the market. The pickup in growth during 2017 was broad based, with notable upside surprises in Europe and Asia. Indicative of the widespread positivity is that 120 economies, or three quarters of world GDP, saw acceleration in growth on year-on-year terms in 2017, the broadest synchronized global growth upsurge during this decade. In this economic context, IMF’s growth projections for 2018 and 2019 were revised up for advanced economies, reflecting stronger growth in advanced Asian economies. Aggregate growth estimates for the emerging markets and developing economies for 2018 and 2019 remained unchanged from previously reported estimations, yet higher than those of 2017.

With the second strongest January in the last five years and the sentiment compasses pointing north, the seasonal freight market downtrend didn’t seem capable of injecting negativity in the shipping circles. However, since late January, a tug-of-war scenery had been set across the Pacific Ocean. In particular, President Trump legislated tariffs of up to 50 percent on imported washing machines for the next three years and up to 30 percent on solar cells and modules for the next four years. Furthermore, the U.S. Commerce Department launched anti-dumping and countervailing duty investigations against imports of large-diameter welded pipes from several countries, including China. Just weeks after President Trump's administration announced its latest tariffs on Chinese goods, Beijing launched an anti-dumping investigation into sorghum imports from the United States, spurring worries of a looming tit-for-tat trade war between the world’s top two economies. China is the US's largest buyer of crops such as sorghum and soybeans, hence tariffs on their import would hurt American farmers. The US exported 4.8 million tonnes of sorghum to China last year, valued at almost $1 billion, according to China's customs data. Behind all that was the question of who would ultimately control global trade patterns of steels and soybeans.

While the Chinese were travelling on bullet trains from the tier I coastal cities of the southeast to their homelands to participate in the new lunar year festivities, shipping markets were drifting lower, with the BDI bottoming at 1084 points a couple of days after Valentine’s day. On February 16, BCI-5TC laid at $12,396, BPI-TCA 10,216, BSI-TCA at $9,514 and the BHSI-TCA at $7,530. During this month, China’s manufacturing sector grew at its slowest pace since July 2016, as tougher pollution rules and the week-long Lunar New Year holiday disrupted business and curtailed factory output. In particular, the official Purchasing Managers’ Index (PMI*) fell to 50.3 in February, from 51.3 in January. In spite of this one point drop, it managed to stay marginally above the 50-point mark that separates growth from contraction for 19 consecutive months.

With March dawning, the Chinese left behind the festivities and returned to business bringing a small relief to the market. In early March, China set its GDP growth target at around 6.5 percent for 2018, unchanged from that for 2017. In reference to the topic of the month due to the much discussed US steel tariffs, China promised to cut ineffective steel capacity of 30 million tonnes during 2018 on top of the 50 million tonnes that had already been slashed last year. Undoubtedly, the reforms in the Chinese steel industry had a negative bearing in the commodity exports as in the first two months of the year just 9.5million tonnes of steels has been exported from Chinese ports, or 39% less than the same period last year. Meanwhile, Beijing committed to remove 150 million tonnes from the country's coal capacity in 2018, adding to 250 million tonnes of last year's reductions. This policy supported the coal trades during the seasonal downturn of the dry bulk market, as the combined coal imports during the first two months of the current trading year aggregated to 48.7 million tonnes, up 6.12 million tonnes Y-o-Y.

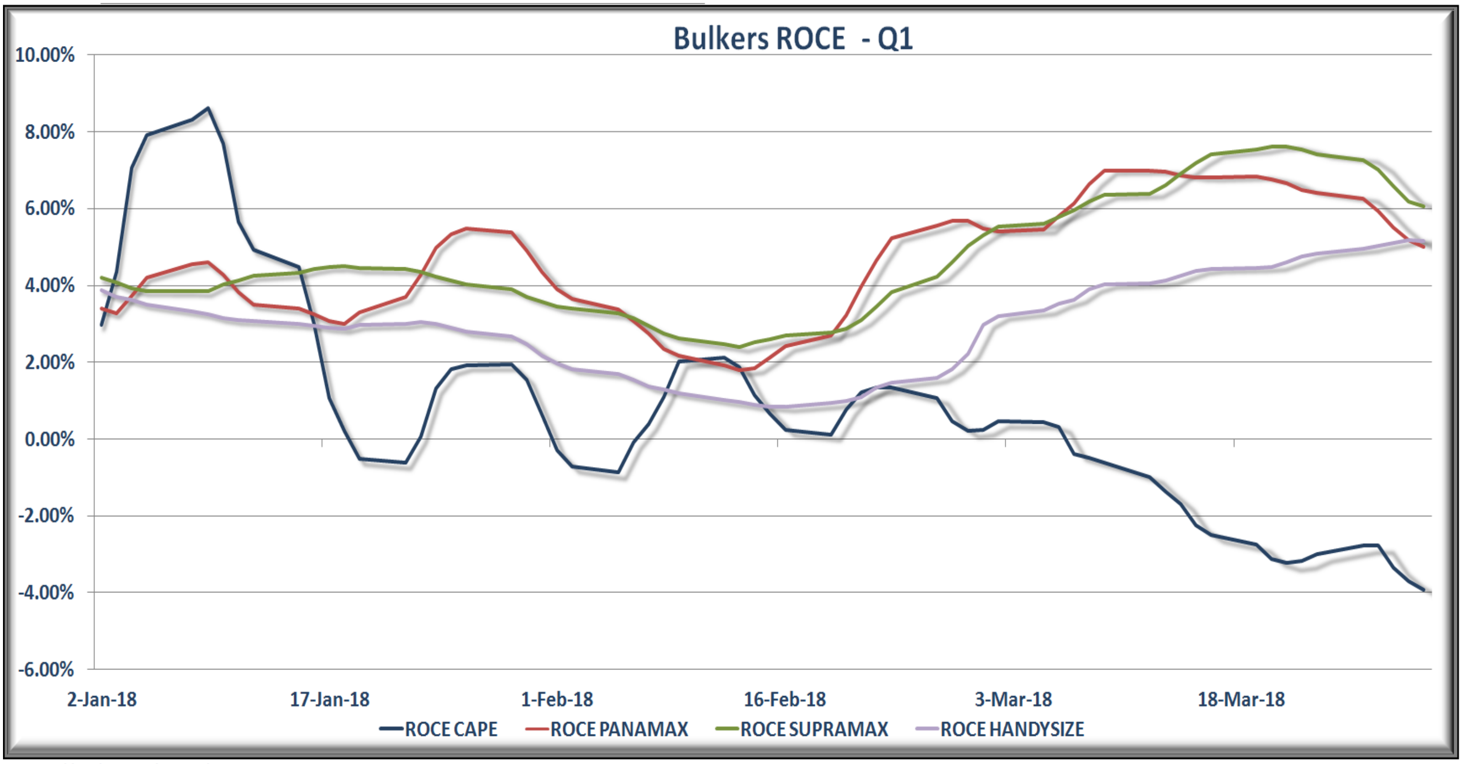
With soybean harvest season in the major farming regions just around the corner, weather patterns, value of the US dollar and demand dynamics were, as every March, under the microscope. This time, however, one extra factor came to disturb the already fragile balance of the grain trades, Trump's decision to impose the highly controversial steel and aluminum duties. Many trade associations and industry bodies expressed their concern about these policy measures. Among them, the response of the American Soybean Association (ASA) was of a particular interest as any possible Beijing retaliation might have the agricultural industry as its main target. Being on a steady rise during the last years, Chinese Soybean imports topped 95.5 million mt in 2017, up 14% Y-o-Y. With its South American counterparts seeking to increase their market share in the booming Chinese imports, US farmers had very specific reasons to be against any policy shift that could trigger a tit-for-tat response by Beijing.

In particular, John Heisdorffer, ASA President, highlighted the importance of the Chinese marketplace to American soybeans. "In the last ten years, China has become by far the largest customer for U.S. soybeans. In 2017, China imported 1.4 billion bushels from the U.S., 61% of our total exports and nearly one out of every three rows of soybean production," he said. Additionally, Heisdorffer rejected the incorrect assumption that whatever market share the U.S. loses to South American competitors can be made up with sales to other markets. "In the case of soybeans, this argument fails to recognize that our largest competitor, Brazil, is continuing to expand soybean production on new lands," Heisdorffer said.

In this context, the first quarter of a year of high expectations for the dry bulk market ended on a softer tone, with Baltic indices balancing below intra-quarter highs but above their respective five-year averages. In particular, the capricious Capesizes had an average of $12,962/day for the first quarter of 2018, up 42.8% from the average of the first quarters of the last five years. On the Panamax front, the BPI TCA experienced a solid first quarter average of $11,529/day, more than 50% above that of the last five years and 7.4% higher than the respective of the last ten years. The more stable geared segments saw considerably improved rates on the first quarter of 2018 as well. With three-month average for Supramaxes at $10,625/day and for Handies at $8,492/day, the freight market lay 30.7% and 25.5% higher than the previous five-year averages respectively.

In the S&P market, in spite of the fact that the year of "shipping irrational exuberance", i.e. 2008, was no longer included in the ten-year averages, the indicative first quarter prices of the secondhand tonnage remained well below that of the decade. In comparison to the first quarter averages of the last five years though, the asset prices gained considerable ground. Having an average price for the first quarter of 2018 of USD 34m, the five-year-old Capes were at the market at USD 1m above their five-year average during the first three months of the year. Touching their average levels of the last five years, Panamax indicative prices hovered at USD 18.8m during the Q1 of 2018. The market for five-year-old Supramaxes and same-aged Handies was on average at USD 17.5m and USD 14.5m respectively. These levels were just 1.5% and 2.5% below of what were the average prices on the Q1s between 2009 and 2018.

Given the aforementioned, the first course of the 2018 shipping menu was a quite mouthwatering "Citrus Salad". Without impressing, it was a good start – whetting the appetite for the courses to come. After all, a salad is rarely the main reason of choosing a particular restaurant.



Source: Baltic Exchange, Doric Research

Course II : Chestnut velouté garnished with aromatic thyme cream

After a quite fruitful first quarter of the year with the Baltic Dry Index reporting one of its strongest performances of late, the second one embarked on a slightly softer tone. Following a period of 165 trading days with BDI lingering at four-digit levels, the barometer of the dry bulk sector drifted below the 1,000-point mark on April 4 for the first time since early August 2017. This soft April start can be largely attributed to the lethargic tone of the largest bulkers, the Capesizes, which have punched way below their weight. Being negatively influenced by infrastructure issues in Brazil, weather disruptions in Australia and decreasing Chinese steel mills' profit margins, iron ore trading volumes fell back on a Y-o-Y basis in March. Indicative of this is that whilst the geared segments, the Supramaxes and Handysizes, were laying just 9.7% and 3.7% below their 2018 maxima, the corresponding metric of the 180k bulkers stood at about a 63% below the height that it was three months before.

However, sentiment in the S&P market remained robust with the latest deals being concluded at multi-month highs. As testimony, five and ten-year-old Capesizes were on the market for circa $34m and $23.5m respectively, or up 43% and 88% since around that time in 2016. At the same time, following a notable rebound in global trade, global growth was expected to tick up to 3.9 percent during the next couple of years, according to the latest update of IMF World Economic Outlook (WEO)(See appendix B). Having avoided major negative economic shocks since the collapse of commodity prices in 2014 and 2015 and being supported by accommodative policies, the cyclical upswing in economic activity was expected to continue strong for the next quarters, generating demand for shipping services and support BDI on its attempt to steam for northern latitudes. With positive news arriving in the shipping offices around the globe, the Baltic Dry Index returned into the four-digit territory on April 13.

Following IMF's positive note, the World Trade Organization anticipated merchandise trade volume growth of 4.4% in 2018, slightly below the 4.7% increase recorded for 2017. No single factor could have explained the revival of world trade, but several contributed to it. Increased investment spending, which is highly correlated with trade, and higher commodity prices, which raise income in commodity-exporting economies, had a positive bearing. Both the forward freight and physical period markets seemed to agree with WTO indicators towards where we were heading off, with the spot lagging one-step behind.

Fuelled by the second best performance of the freight market in the last seven years, the Baltic dry index had an average of 1164 points during the first four months of the current trading year. As widely expected the January to April average levels of this index surpassed not only the notoriously low respective period of 2016, but the preceding ones since 2012, save for 2014. Interestingly, while the sentiment in the freight market remained robust, the Orderbook/Fleet ratio saw only a marginal increase of two percentage points to 10% in the last nine months. At a time when the global economy was gathering pace, reporting a notable rebound in global trade, it was encouraging for the freight market that investors in the dry bulk sector relied mostly on the secondhand market.

In harmony with the freight market, Brent, the international benchmark for oil price, surged to a multi- month high of more than $77 a barrel, following Washington's decision to withdraw from the 2015 Iran nuclear agreement. Ignoring the advice of his European allies, President Trump planed to impose new sanctions against Iran, which produces around 4 percent of global oil supplies. In an already tightening oil market, his intention to scrap the 2015 Joint Comprehensive Plan of Action (JCPOA) and the uncertainty surrounding this unilateral decision pushed oil prices to levels last seen in late 2014. Oddly, crude and US dollar were heading towards the same direction, in one of their rarest moments in recent history. Due to shale oil revolution, the impact of expensive oil on US GDP growth appeared to be limited this time.

In a period where oil was stealing the show in the commodity space with its impressive price increase and geopolitics affecting its trade, coal made a stronger mark in bulk shipping. The "least loved" major commodity found unexpectedly strong support from China and India, increasing its trading volume to unprecedented levels. For the first four months of the current year, the rebound in China's coal consumption propped up the BDI. Indicatively, for the period of January to April 2018, China imported 97.7 million tonnes of coal, or 9.2% higher than a year ago (see appendix E). However, this pace fell in April, with imports being well below last year's levels. In particular, Chinese customs cleared just 22.3 million tonnes in April 2018, or -11.2% Y-o-Y, with a bearing on the freight market, especially the Ultramax and Panamax segments. Since early May, however, coal-hungry Asia, led by China and India, increased its activity in coal trades, with the major coal-sensitive Baltic indices pointing up. The seasonal uptick in Chinese demand due to warmer-than-usual spring temperatures in combination with limited hydropower output as an effect of low reservoir levels rose the demand of the world's biggest consumer of coal. Additionally, India's usual infrastructure issues, low inventories and the talk of a ban on petcoke consumption further improved the prospects of seaborne coal for the following months.

In spite of the positive signals from the macro and commodity environment, the Baltic Dry Index turned red, concluding at 1077 points on May 25, or -26.8% on a biweekly basis. Undoubtedly, the main reason behind this steep fall was the pace in the Capesize sub-market. Panamaxes also came in softer, ending the week some 430 points below their 2018 record levels. Whilst the geared segments were in a mood of moving higher, that was not enough to counterbalance the downward pressure of the largest sizes in the BDI.

Following the latest updates of the IMF and OECD economic reports, the World Bank confirmed consensus forecasts for 2018 and 2019 to reflect optimism. "The current state of the global economy resembles that of a sailor whose boat is freed by the rising tide after been caught on a sandbar. The sailor is naturally relieved to be able to set sail however should be tempered by the urgency to pilot toward deeper seas before the receding waters beach the ship again", according to the vivid and picturesque description of Shantayanan Devarajan, senior director of the World Bank. By riding this wave, the Baltic Dry index registered a first five-month average of 1190 points – the second largest in the last seven years. Improved trading activity and the ensuing freight levels pushed after depreciation returns of capital employed higher into positive territory. In parallel with the freight market, indicative asset prices headed north in reference to both secondhand and to newbuilding ones. In that spirit, "Posidonia 2018" had a different mood to the previous exhibition.

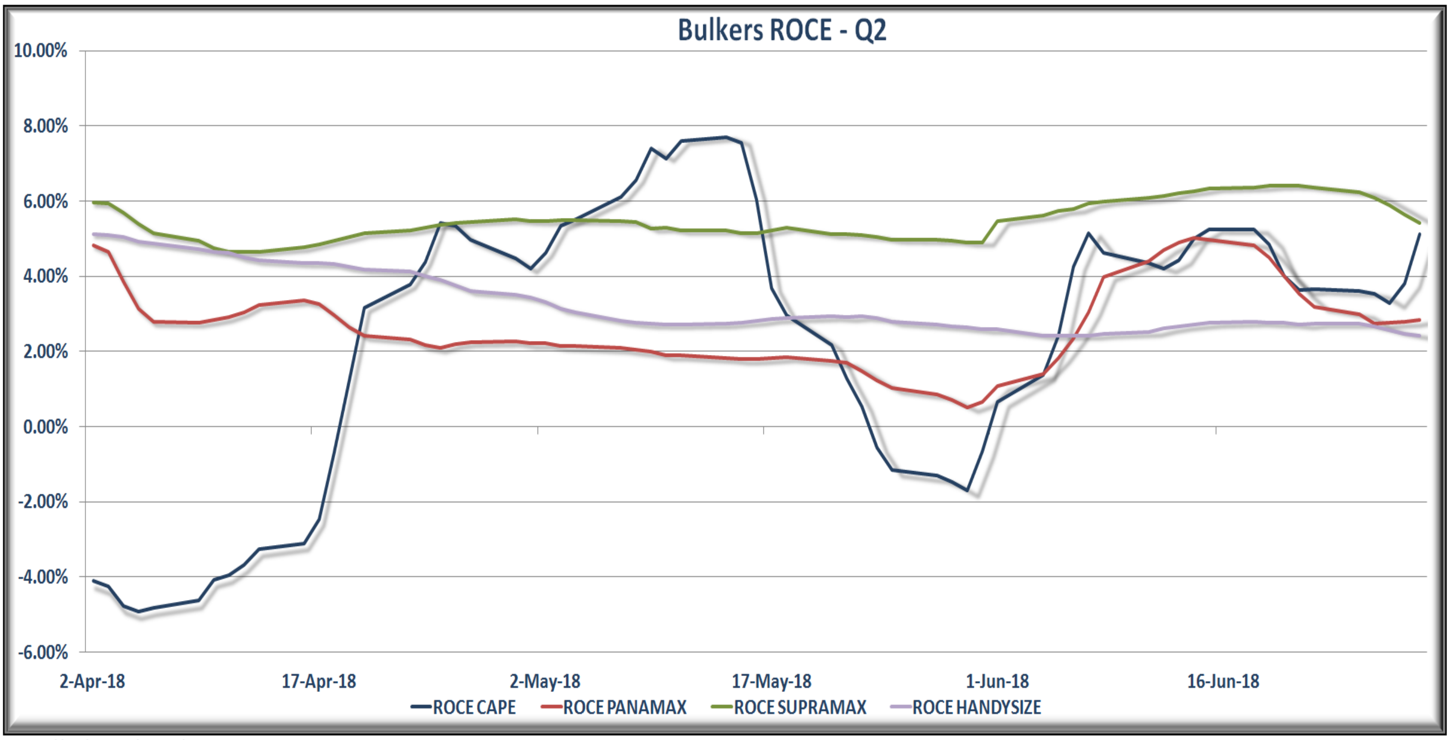
"Posidonia 2018" passed the baton to Central bank summits in the second week of June. Fuelled by the positive outlook for US growth, the Fed raised interest rates, in a move that was widely expected. This rate hike was the seventh in this cycle and marked a shift to a neutral stance in which the policy rate matches inflation at just under 2 percent. Across the pond, the ECB declared an end to its three-year stimulus programme, announcing it will discontinue the scheme at the end of the year. However, its signal of unchanged interest rates had a rather dovish tone and thus it sent the Euro one -percentage point lower against the greenback.

While forecasts remain positive for the short-term prospects of the sector and many market participants took long positions in the period market, spot market seemed directionless. Indicative of a rather calm period for the notoriously volatile dry bulk spectrum, is the fact that all segments had seen their H1 2018 peaks and troughs being less than $4,000 apart, with the Capesize exception of course.

However, whilst shipping was under way for its seasonally strongest period, Wall Street and “Dr. Copper” turned their attention to trade war scenarios once again. Copper price tumbled to its lowest close in nearly three months at $2.992/lb., or circa 10% lower than its peak earlier this month. Furthermore, concerns about escalating trade tensions between the US and China had again a negative bearing in financial markets, with China’s Yuan sliding to a six-month low and the S&P 500 Index falling to its lowest level since May. On a diametrically different tone though, World Steel Association confirmed that global steel production remained robust. China increased its production to 81.1 Mt in May, pushing the global output higher to record levels of 154.9 Mt. Coupled with the decreasing from their multi-year highs iron ore inventories in Chinese ports, increased steel production had what it takes to push freight rates higher.

As one of the strongest first year halves of this decade approached to its end, sentiment of the dry bulk sector remained strong. With BCI 5TC averaging at $11,708, BPI-TCA at $10,614, BSI 58-TCA at $11,409 and BSHI-TCA at $9,202, April’s mean levels injected optimism in the market. However, the average earnings of the gearless segments fell behind last year’s performance in the same month whilst the geared segments reported circa $1,000 gains on a Y-o-Y basis. The next two months saw Capesizes moving strongly to a two-month average of $16,538 daily, whilst all other submarkets trended sideways. Panamaxes had an average of $10,480 during this period, with a soft May average drifting to four-digit numbers. Similarly, BSI 58-TCA and BSHI-TCA remained stable at $11,548 and $8,575 respectively. Compared with previous first half returns, all segments managed to significantly surpass by 30%-50% the average of the same period of the last five years. As for asset prices, following a period of dramatic rise in secondhand prices, the first half of 2018 appeared to be more stable, yet maintaining a milder upward trend.

In that regard, the second course of the spring shipping menu was a rather flat “Chestnut velouté”. With Capesize volatility being the only ingredient adding a special character to this course, the second quarter of the 2018 didn’t offer great excitement.



Source: Baltic Exchange, Doric Research

Course III : 45 Day Old Fillet of Ruby Red Beef Cooked Over Coals

Having left the second quarter of the year behind, the freight market was heading to its seasonal strongest period. Capesizes got going with an impressive 42.2% weekly increase during the first five trading days of the third quarter, pulling the general index higher along with them. Following closely, Panamaxes rode the wave reporting gains for the first time after a short period of downward pressure. However, the geared bulkers did not follow suit and slid marginally in this time.

On the commodity front, following a period of upward trending copper prices, trade tensions casted shadows in the market of the red-brown metal. After touching four-year highs in early June, "Dr. Copper" headed south, balancing at multimonth lows of $6,182/Mt on July the 11th. Furthermore, there were rumours in the market that Washington was considering releasing some of its emergency oil reserves ahead of the November midterm to counteract the higher prices that Americans have been seeing at the pumps. In this connection, after touching a three-year high in early July, Brent – the international oil benchmark – dropped to low $70s per barrel. On a very similar tone, iron ore producers ramped up their production. In its full-year operational review, BHP said it produced 275.1 Mt for the year – above its April guidance – after rising to 72 Mt during the June quarter. In sync, Vale achieved a new record quarterly production of 96.8 Mt of iron ore, despite the nationwide truck drivers' strike in May. Rio Tinto expected iron ore shipments for the year to be at the upper end of its range of 330 Mt to 340 Mt, driven by productivity improvements and fewer weather-related disruptions. Under these circumstances, iron ore price drifted lower to mid $60s pmt. Oddly, whilst miners and oil producers saw a window of opportunity to increase their production levels for enhancing their revenues, investors in the dry bulk sector managed, in the most, to stay away from the yards.

In reference to the trading activity of the spot market, although grain exports from the East Coast South America appeared to be on a rise, those from the US Gulf were muted. Of course, grain harvest season had not started in the northern hemisphere, but in any case, prospects did not seem very rosy. Setting aside the grain trades, the bigger concern of the shipping market participants was the effect that an escalating trade war could have on the Chinese economy – the locomotive of global growth. With the latest data from Beijing indicating a rather softer tone in Chinese growth, it was the first time during 2018 that market sentiment appeared to have some cracks. In any case, the Baltic Dry Index reached 1774 points on July 24. Although all sub-markets of the sector were in a good shape, it was the "prima donnas", i.e. Capesizes dominating the central stage of the dry bulk shipping with their impressive performances.

In early August, the Baltic indices kept hovering at multi-month maxima. In particular, the steady upward drift of dry bulk trading activity managed to raise the barometer of the dry bulk market, the BDI, to 75.8% of its historical average. Lagging 650 points from its thirty-three-year average and being weeks away from its seasonally strongest period, the general Baltic index seemed capable of further shortening the distance with its mid-cycle levels.

Setting aside the euphoric period of the spot market, the narrowing gap between yields on two-year and ten-year Treasuries was one of the hottest subjects on Wall Street. Having preceded every economic downturn of the past fifty years, an inversion of the yield curve serves as a warning sign for recession. Thus, every time the yields on bonds with a shorter duration are higher than those of longer, investors become alarmed. Although the reliability of an inverted yield curve as an indicator of recession was called into question by former Fed chair Ben Bernanke, it cannot be easily discarded. In harmony, the front ends of the shipping forward curves were standing substantially higher than the back ends, questioning the durability of the spot market heights.

In one of the best trading period of the last decade, the Baltic Dry Index reported a monthly average of 1716 points in August. With Panamaxes being in a good form and Capesizes balancing above 3000 points for the 19 out of 22 August trading days, the average levels of the freight market stood higher than the respective ones of the last eight years. However, the last month of the summer left a tart aftertaste as the general Baltic index concluded at 1579 points on the last Friday of this summer, moderating the positive sentiment of the previous period. On the S&P front, market activity was rather limited, with few reported deals very close to previous month price levels. Exception to this general trend was the newbuilding sub-market, where indicative prices kept firming up. In spite of the restricted number of new orders, yards' price ideas remained consistent on an upward trajectory.

September dawned with the managing director of IMF, Christine Lagarde, brought back one of the defining events of our time - Lehman Brothers filing for bankruptcy 10 years ago. Lehman earthquake and its seismic waves that moved through and around the whole financial system pushed the S&P 500 down, with the latter reporting 56-percentage-point losses in just few months (see Appendix C). Furthermore, the collapse of the bank triggered a broader run leading to systemic financial crisis. All told, twenty-four countries fell victim to the ensuing banking crises, and activity had not yet returned to trend in most of them. Being at the epicenter of the global economy, the shipping industry couldn't have remained unaffected from the tsunami generated by this financial shock. In particular, the Baltic Dry Index fell off the cliff, having a firsthand experience of what a "Wile E Coyote moment" means. It took BDI less than 150 trading days to plunge from 11,793 points to just 663 points, or -94% (see Appendix D). To put this into perspective, when shipping community left the office for a summer break, the Baltic Capesizes 4TC hovered at circa $150,000 daily, whilst a few months later it plunged to $3,500 daily.

Although sentiment and analysts' projections remained bullish for the rest of the trading year, the BDI decided to ruin the party moving further south, balancing below 1400 points during the second week of September, for the first time since end June. The best performer of the summer period, the Capesize segment, started off the fall/winter season on a wrong foot, holding back somehow dry bulk market's workhorses. In reference to the latter, Panamaxes and the geared segments remained on track, lagging just a few percentage points from their respective year highs.

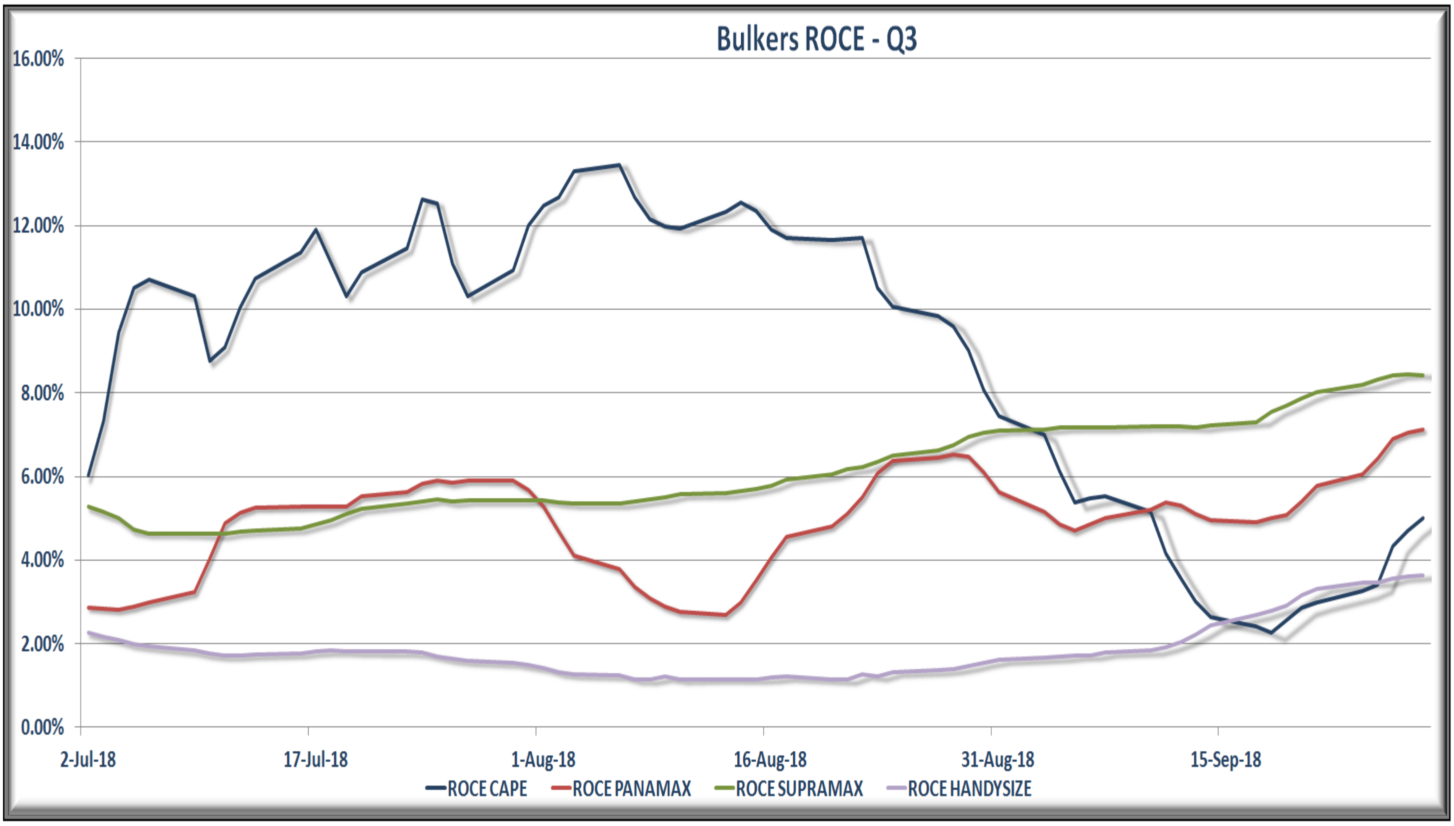
On the iron ore front, for the first eight months of the year, shipments to the world's top importer fell 0.6 percent year-on-year to 710 million tonnes, according to Chinese Customs data (see Appendix E). More upbeat was the course of coal, the second largest hauler of bulkers. In particular, Chinese customs reported two consecutive months with coal imports of more than 28 million tonnes. With July and August imports at 29 and 28.8 million tonnes respectively, China's custom cleared 203.29 million tonnes of brownish-black sedimentary rocks year to date at the end of August (see Appendix G). Being 14.2% higher than the respective period of the previous year, Chinese coal imports proved supportive to the freight market, pushing particularly Supramax and Panamax rates higher.

In reference to the oil industry, U.S. futures reported further increases during the last trading days of the third quarter, supported by a fifth weekly crude inventory drawdown and strong domestic gasoline demand. Amid ongoing supply concerns over U.S. sanctions on Iran and signs that OPEC would not be prepared to raise its production, market sentiment inflated even more. Additionally, Hurricane Florence threatening America's east coast gasoline markets caused an increase in fuel purchases as well. Within this framework, benchmark oil prices touched three-and-a-half year highs, being above their short-term trends.

We have to go many years back in order to see such a healthy Q3 in the freight market of the dry bulk sector. With BCI 5TC averaging at $22,268, BPI-TCA at $12,094, BSI 58-TCA at $11,830 and BSHI-TCA at $8,240 daily, all segments reported multi-year highs. In particular, Capesizes with their July-August performance surpassed the previous seven years, whilst Panamaxes returned to the solid 2011 heights. On the same wavelength, geared segments moved materially higher, hovering at seven-year maxima.

As for the asset market, following a period of meteoric rise in secondhand prices, the third quarter of 2018 appeared to be stable (see appendix F). With the Capesize exception, all other segments saw their indicative prices remaining at late May levels. With an average price of USD 37m for Q3, five-year old Capes stood two millions higher than their five-year average. Panamax average prices came in at USD 19m, surpassing by USD 500K their five-year average of the respective period. The market for five-year-old Supramaxes and same-aged Handies was on average at USD 18m and USD 15.5m respectively. These levels were 3.6% and 9.3% above their average prices on the Q3s of the last five years. However, if we look further back, whilst freight rates had already reverted to their ten-year averages, asset prices were still lagging those.

Being unaffected –at large– from the whole rhetoric of trade tension, freight market has been remained consistent on its upward for the tenth quarter in a row during the third quarter of 2018. Serving us a perfectly grilled 45-Day-Old Fillet as a main course, an overall lovely quarter ended at BDI levels of 1540 points, or 118 points above from where it had started. With the BCI 5TC hovering for 45 days in a row above the $20,000 mark, the freight rate environment fulfilled market's great expectations, particularly as far as the largest bulkers are concerned.



Source: Baltic Exchange, Doric Research

Course IV : Lemon meringue pie with pine nut ice cream

Amidst rising trade tensions and surging oil prices to four-year highs, the US unemployment rate fell to its lowest levels since 1969, according to the Bureau of Labor Statistics. With the US economy being on track for a 3 per cent growth and the local job market further tightening, Fed's decisions for further interest rate increases seemed to have become easier. In light of this, emerging markets' and European stocks moved south during the first week of the fourth quarter, with equity markets most probably reacting to a hawkish scenario in reference to the US interest rate hikes.

Setting aside the rosy picture of the US economy, the IMF appeared to be more cautious. On the occasion of the ten years from the Lehman bankruptcy, the median general government debt-GDP ratio stood at 52 percent, up from 36 percent before the crisis. Additionally, central bank balance sheets, particularly in advanced economies, were several multiples of the size they had been before the crisis. In sync, the latest update of the Composite Leading Indicators (CLI) from OECD pointed an easing in the OECD growth momentum as a whole. Among major non-European OECD economies, the CLIs indicated a stable momentum in the United States and Japan. In the emerging economies spectrum, the CLIs for China and India pointed to growth gaining momentum, while growth was expected to ease in Brazil and Russia.

In a change of tone from April's "World Economic Outlook" (WEO), the International Monetary Fund cut its global economic growth forecasts for 2018 and 2019 on its October update, with risks being skewed to the downside in a context of elevated political uncertainty and escalating trade tension. In particular, global economic growth, which bottomed at 3.2 percent in 2016, was projected to rise to 3.7 percent in both 2018 and 2019, albeit 0.2-percentage points lower for both years than forecast in April. Global financial conditions were expected to tighten as monetary policy normalizes and the trade measures implemented since April were projected to weigh on activity in 2019 and beyond.

Trying to deal with two opposing forces, market sentiment has been treading a tight rope during the last few trading days of October. On the one end, seasonal patterns indicated that the Baltic Indices had some extra miles to steam before embarking for their annual north to south ordinary movement. Whilst on the opposite end, the general economic growth momentum seemed to have bereaved some of its vitality.

In reference to the former, November monthly averages of both Capesizes and Panamaxes are typically the highest of the year, surpassing on average those of October by 7.0% and 3.3% during the last eighteen years respectively. Conversely, shipping industry cannot be explained without the general economic junctions, with the latter sending some not-so-heartening signals. In particular, US and European stock markets made a cautious start during the last week of October. As the week progressed, Global stock markets came under further pressure after a dramatic Wall Street sell-off with investors rattled by a slew of weaker-than-expected US earnings results and heightened geopolitical uncertainty. In sync, European stock markets fell heavily, after a tumble in Asian bourses that put many of the region's indices on track for their worst month since the global financial crisis. In this juncture, the Baltic Dry Index finished October at 1490 points, marginally lower than the end of September.

During the first week of November, in the majority of the financial markets, investors' sentiment resembled perfectly to a roller-coaster ride with many fluctuations. Rumours, tweets and hard data blended together, resulted in a pretty volatile week for most of the markets around the globe. The effect reverberated on stocks and commodity prices, with oil and soybean trades making headlines. In reference to the former, data from China's customs showed that Beijing's September crude oil imports from Iran plummeted, indicating that China had curbed its purchases from the Islamic republic ahead of Washington's sanctions on Tehran's oil sector. Before the market even started to digest this news, Bloomberg reported on Friday November 2, that the U.S. government had allegedly agreed to allow eight countries to keep buying Iranian oil after the full re imposing of sanctions on Tehran. On the soybean front, Chinese customs cleared 70.05 Mt of the protein-rich beans during the first nine months of 2018, or -1.96% Y-o-Y. As a tactical move in the geopolitical chessboard, China imposed a retaliatory 25-percent import duty on U.S. soybeans in July. However, as the majority of the Chinese imports during Q2 and Q3 comes from the Brazil, the effect of this trade barrier did not have an effect in the trade data of the first three quarters.

On the other side of the globe, the US trade data painted a different picture. As the September and October US exports to China were indicating, the US marketing year for soybeans, beginning on the 1st of September, didn't start on the right foot. During the first eight weeks of the current marketing year, US sent circa 200K tonnes of soybean to China, or 97% less than the 8.5M tonnes of the respective period of the previous year.

Having a little bit of everything except trading activity, the 45th week of the year was full of bold headlines, but it was not so fruitful in terms of trading volume. The plunge of the Capesize sub-market was the focal point of the freight market, with all Baltic Indices reporting double-digit losses. Indicatively, the concertmasters of the Pacific and Atlantic basin – i.e. C5 and C3 – balanced at $15.909 pmt. and $6.786 pmt. respectively, or circa -27% lower than their two-month highs in both cases. Apparently, the triggering event for this steep drop was the derailment of a train loaded with iron ore in one of the most valuable railroads of the world. The mixed signals from BHP Billiton on whether there was enough quantity of the rich in iron oxides rocks at Port Hedland were enough to send the Capesize market lingering to its six-month lows. However, markets tend to have an emotional response to new information if they are in anxiety. Amid a broad slide in industrial metals due to worries about higher U.S. interest rates and slowing Chinese economic growth, falling copper and oil prices stressed the freight market, making it vulnerable to overreactions.

Shortly before it collided with the 1000-point wall, Baltic Dry Index managed to hit the brakes, avoiding the crash on the last moment. Whilst the "major threes" of the dry bulk spectrum, i.e. iron ore, coal and grains headed towards the right direction during the first nine and a half months of the year, they made a swerve on late October, avoiding more dangerous obstacles for the moment but destabilizing the demand curve of the dry bulk sector.

However, signs of coal oversupply emerged during mid November, with Chinese steam coal prices falling in the previous weeks and stockpiles at northern load ports being on the rise. In this context, Chinese authorities were to impose stricter import coal curbs after relevant meetings in three major import channels of Jiangsu, Guangdong and Fujian on November 14, 15 and 16. Thus, although the least loved commodity fueled the recovery of the freight market until then, the short-term prospects of this trade didn't look very promising. In the meantime, China's soybean stocks hit a record-high of 9 million tonnes in mid-October. Imposed tariffs as well as political pressure in China against importing US soybeans lengthened the ECSA marketing year, pushing in parallel the relevant Baltic indices higher. However, as the harvesting season from the southern hemisphere migrated to the northern, grain trades would need some positive news from the upcoming G20 summit in order to further generate demand for shipping services.

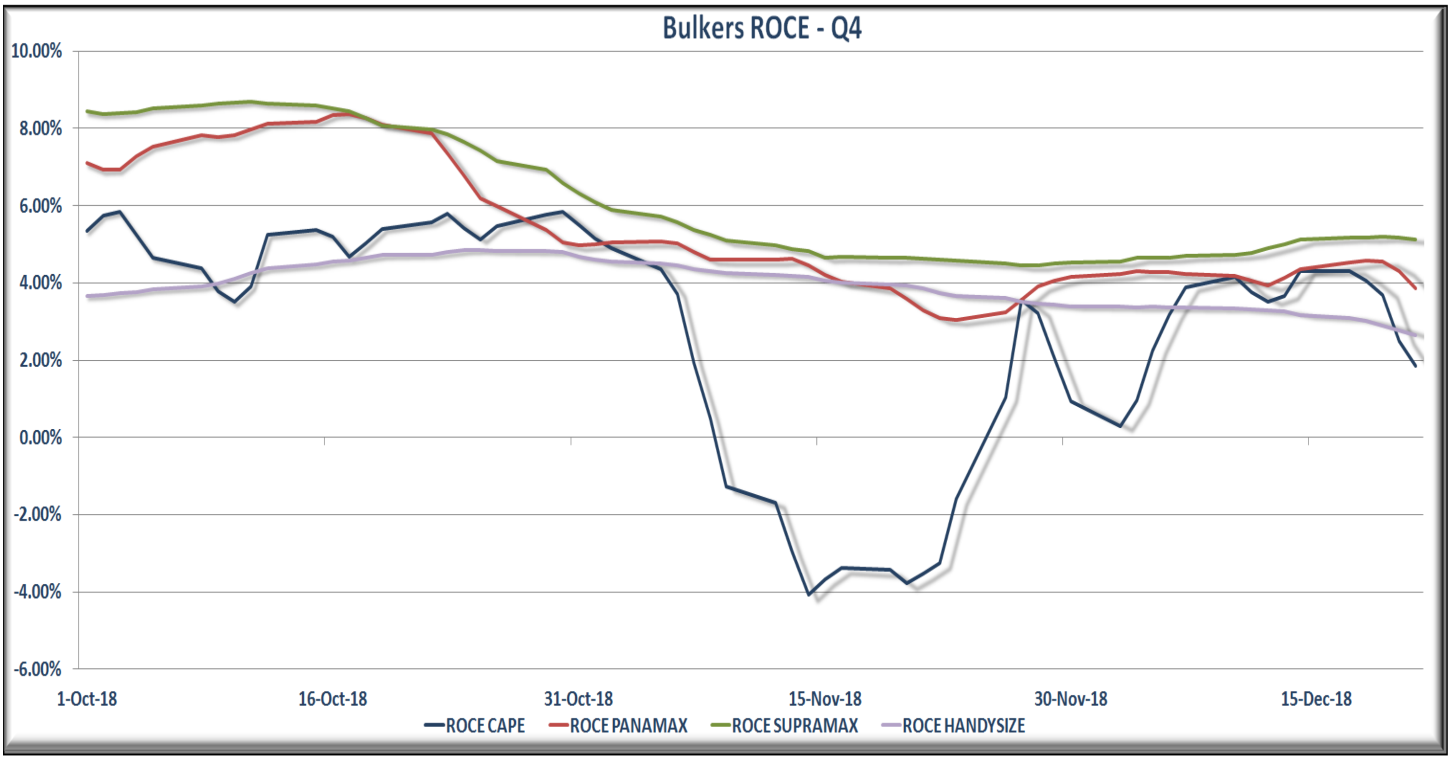
Whilst Baltic indices attempted to move higher in late November, the outlook for the year to come painted a shade less rosy by the OECD Secretary-General Angel Gurría. In reference to the locomotive of dry bulk sector, i. e. China, growth has softened over the course of the current trading year, echoing in the trading activity of the spot market in all shipping segments. A more rigorous approval process for local government investment and the latest US tariffs on Chinese imports trimmed a bit the effect of the Beijing's stimulus measures. On the antipode, forecasts for the United States in 2018 and 2019 remained unchanged at 2.9% and 2.7% respectively. However, as the impact of tax cuts is going to wane and higher tariffs shall add to business costs, projecting growth of the world's biggest economy would slow to 2.0% in 2020. As for the euro area, growth is projected to slip from 2.0% this year to 1.6% in 2020, slightly below the previous OECD's outlook.

December dawned without a single cloud in the sky. Getting the latest news from the Buenos Aires, a euphoric sense of trade truce was spread out across the globe. The White House said that China agreed to purchase a "very substantial" amount of agricultural, energy, industrial and other products. Focusing on the reduction of the trade gap, Washington urged China to begin buying products from US farmers "immediately". In fact, just a few days after the summit, the US Department of Commerce said that the gap between US imports and exports grew 1.7 per cent month-over-month to $55.5bn, the most since October 2008. In spite of the fading optimism in the other markets, U.S. soybean futures firmed for the fifth time in six sessions this Friday, as the market waited for signs that China may soon resume purchases from the United States. However, in the spot market, expectations have not fulfilled yet. In particular, total US soybean exports over July-November stood at 7 mt, or an earsplitting 70% lower year-on-year.

In a weird turn of events, while the US Soybean exporting activity was rather limited, the US exported more petroleum than it imported for the first time in decades during the last week. According to the Energy Information Administration, the US imported 7.2m bbl/day of crude oil and 1.6m bbl/day of refined products. Furthermore, it exported a record 3.2m bbl/day of crude and more than 5.8m bbl/day of products. The combination of the import and export data resulted in a major shift of the trade patterns. Ironically, in a week that OPEC and Russia –"OPEC +" – agreed to slash production by a combined 1.2m bbl/day from 2019, the "world's largest oil importer" has become net oil exporter. In any case, "black gold" jumped as much as 5% before the closing of the markets.

Just before the set of 2018 and with the macro environment sending mixed signals, the Baltic Dry Index hovered at 1279 points on Friday 21 December. After an impressive Q3 performance, the gauge of the global economic activity, i.e. BDI, steamed south during the last quarter of the year, not fulfilling market's great expectations. However, by taking a closer look, the downward tendency of the index was due to the anemic tone of the Capesize sub-market, with the other segments being in a better shape. Indicatively, during the last three months, Panamaxes, Supramaxes and Handies remained consistent on this trend, reporting quarterly averages –as of 21 December– of BPI-TCA $12,465, BSI 58-TCA $11,878 and BSHI-TCA $9,316 daily respectively. Increased coal seaborne trade volumes and the Chinese dependence on the long-haul ECSA grains led the freights of the mid-size segments further higher. Conversely, Capesizes didn't have the necessary steam, seeing their Q4 average rates–as of 21 December– balancing at $12,465 daily, or circa -30% Q-o-Q. In this freight rate environment, asset prices stayed very close to "last dones" in all the segments, except Capes. In reference to the latter, modern 180K bulkers lost some 7.6% of their values since end September.

Therefore, the last course of the shipping menu was a "Lemon meringue pie with pine nut ice cream". This lemon sour cream pie had quite a balance of acidity from the fresh lemon juice and the sweetness from the sugar. However, to be completely frank, its aftertaste seems to be closer towards the sour taste rather than to the sweet.



Source: Baltic Exchange, Doric Research

Digestif Liqueur

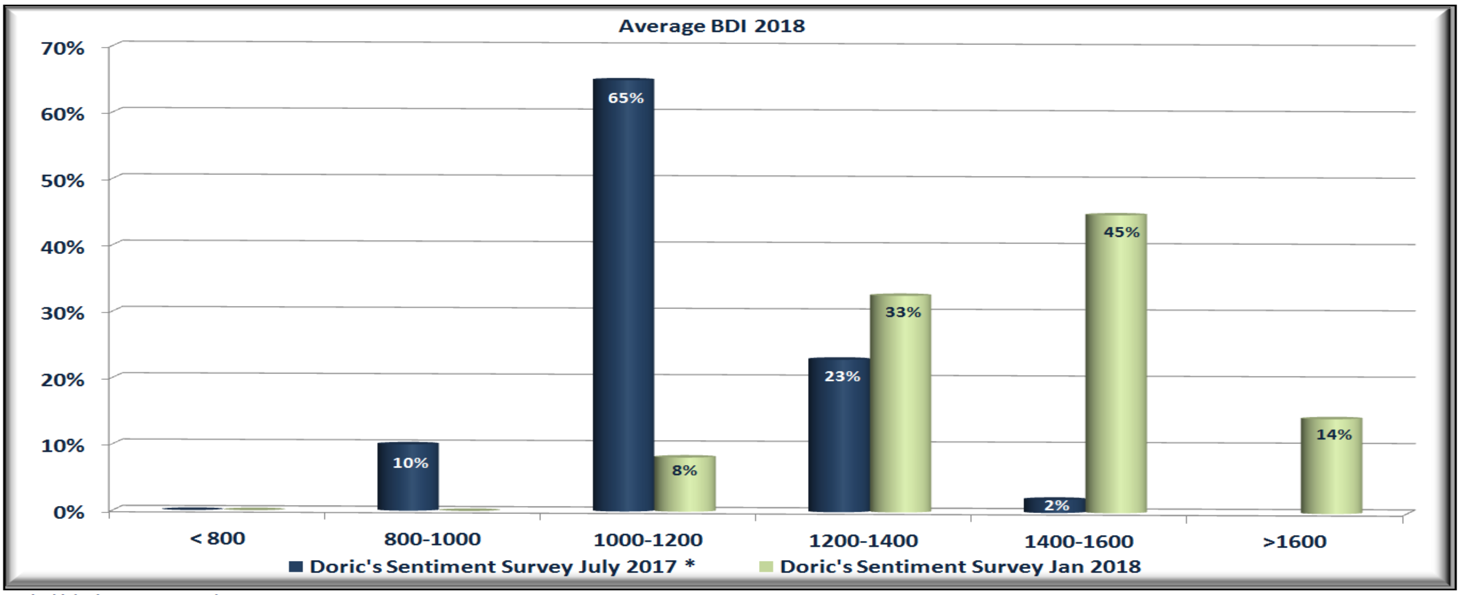
For much of the past year, "global upswing" was a compelling way to describe the economic picture. Supported by a solid global economic growth, the freight market concluded the most generous year of the last seven, instilling optimism but also cautiousness for what lies ahead. In fact, the 2018 shipping menu offered us some creative, luscious courses. Undoubtedly, as taste preferences vary among individuals, you can sometimes solve the balance problems by letting the diners adjust the taste themselves. In any case though, a palatable dinner is always a palatable dinner. Nevertheless, as we leave 2018 behind, new challenges and opportunities are laying behind the horizon.

Ten years after the Lehman crash, the global economy found its post-crisis footing in 2018, with most major developed and emerging economies surprising on the upside. However, there are strong indications that global economic growth has passed its recent peak and is now facing escalating risks including rising trade tensions and tightening financial conditions. Over the course of 2018, growth in China has eased amid tighter rules on “shadow banking”, a more rigorous approval process for the local government investment and new US tariffs on Chinese imports. Stimuli and easier financial conditions may have helped to bolster slowing growth, but aggravated risks to financial instability on the other hand. In the US, concerns have been expressed lately that the Federal Reserve adopted a more hawkish than necessary approach. In this framework, the mood across global markets remained fragile at the end of the 2018, dominated by worries about slowing global growth, a flattening US yield curve and the potential impact of the trade dispute between Washington and Beijing. Thus, following a period with a quite supportive demand side of the market, the global macro environment doesn’t look as vivid as it did a year ago.

As a side effect, the uncertainties related to the course of the global economy after the era of unconventional monetary policies, the escalating trade tensions between the two largest economies of the globe and the causing confusion new shipping regulations seem to have a bearing in investors’ decision to stay away from the Far Eastern yards. As a matter of fact, the limited newbulding activity of the last three trading years (see appendix G) may be ‘appetizing’ enough for another full four course dinner for next year.

May your sails have good winds in 2019!

Appendix A



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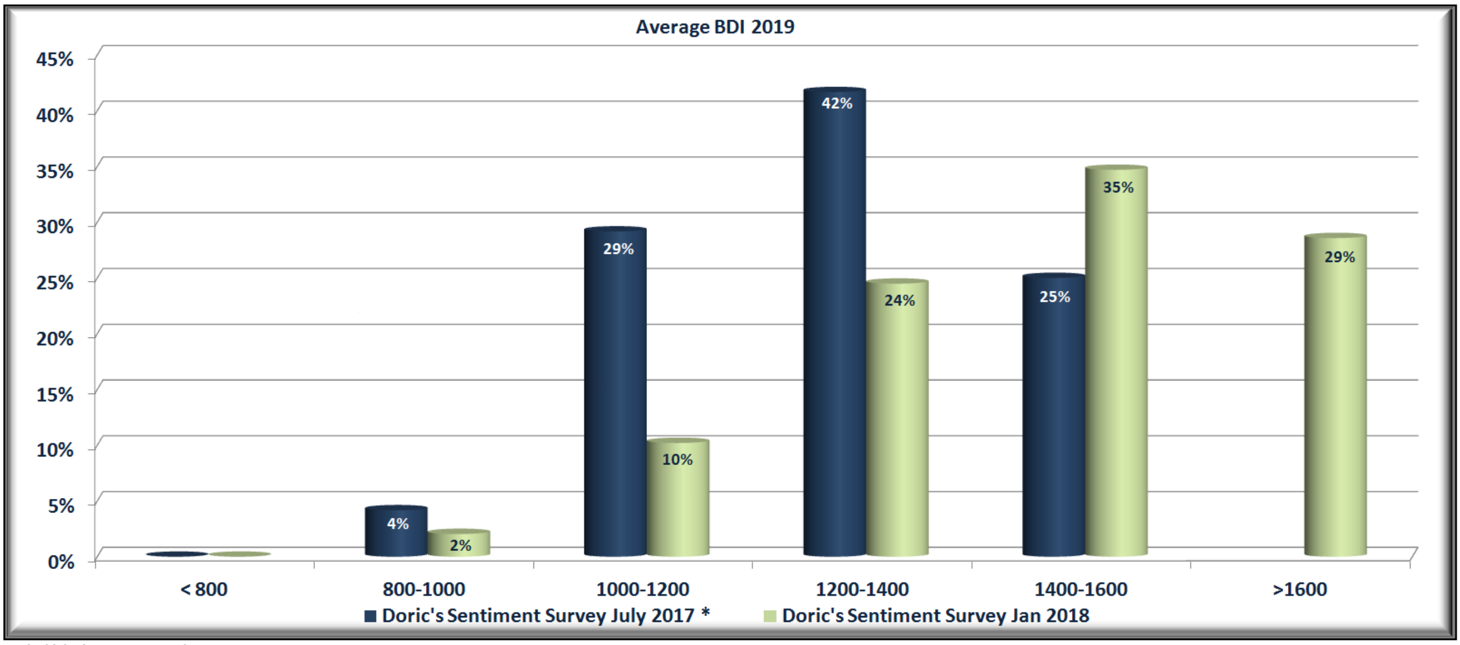

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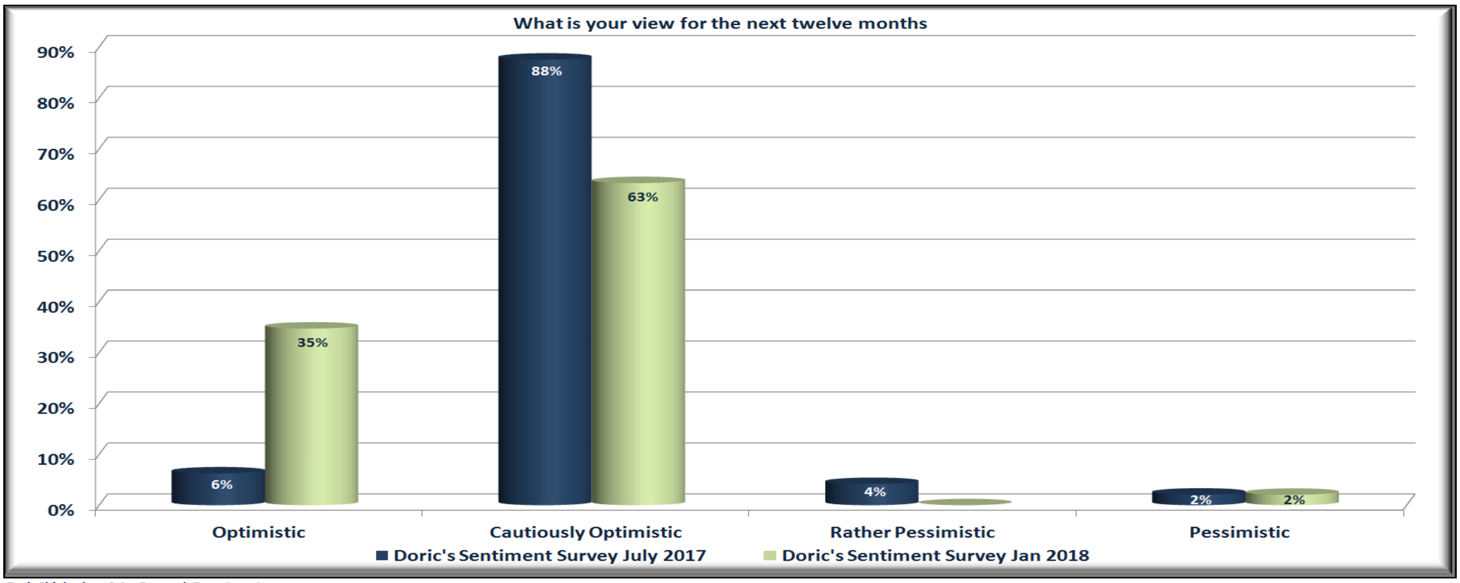

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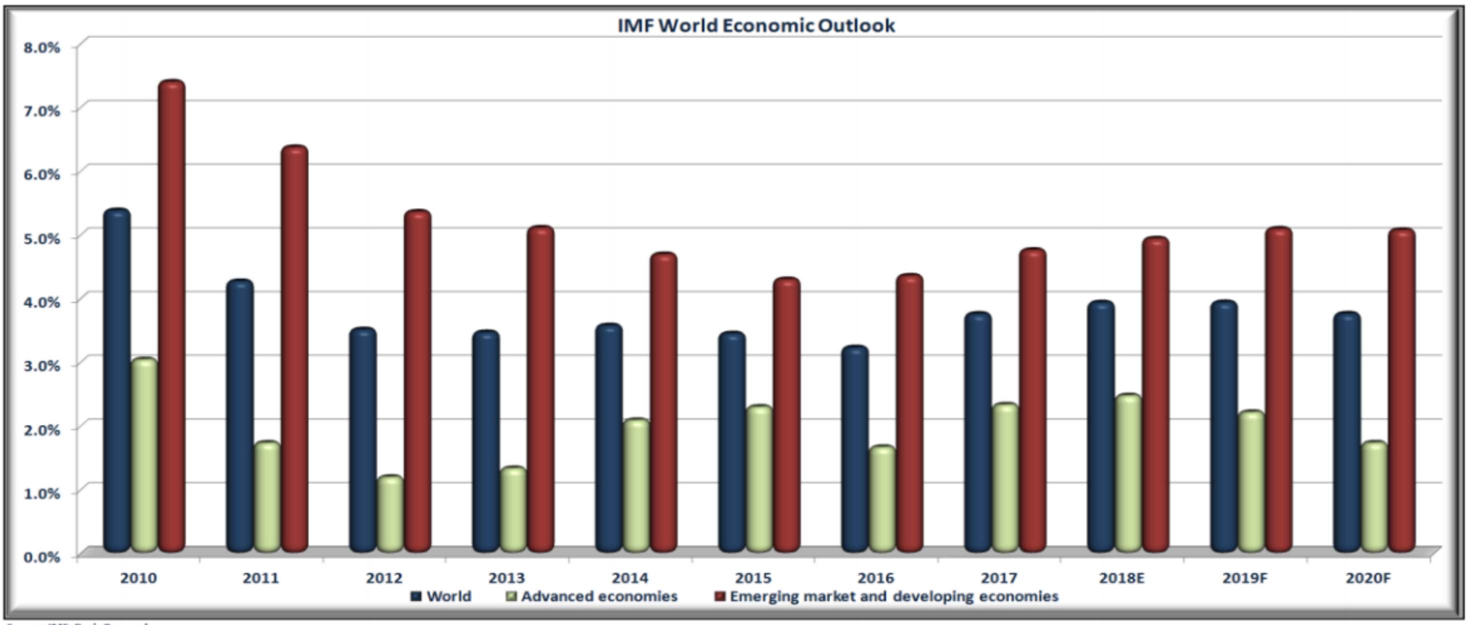
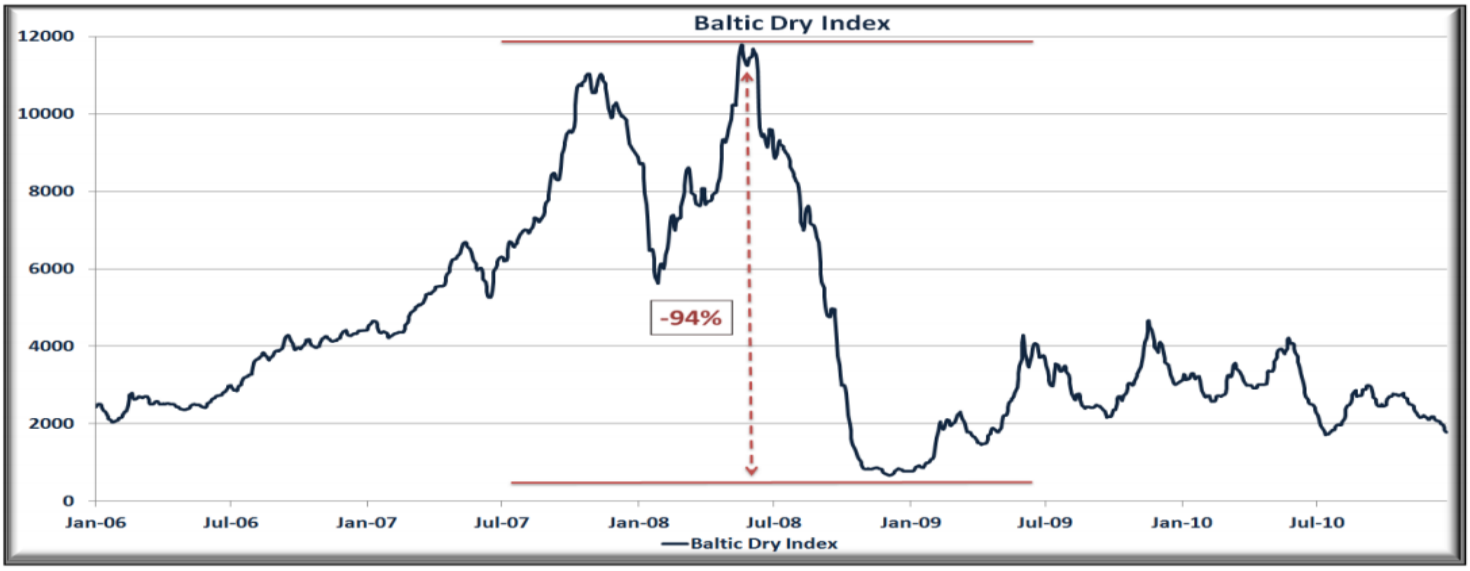
Appendix B



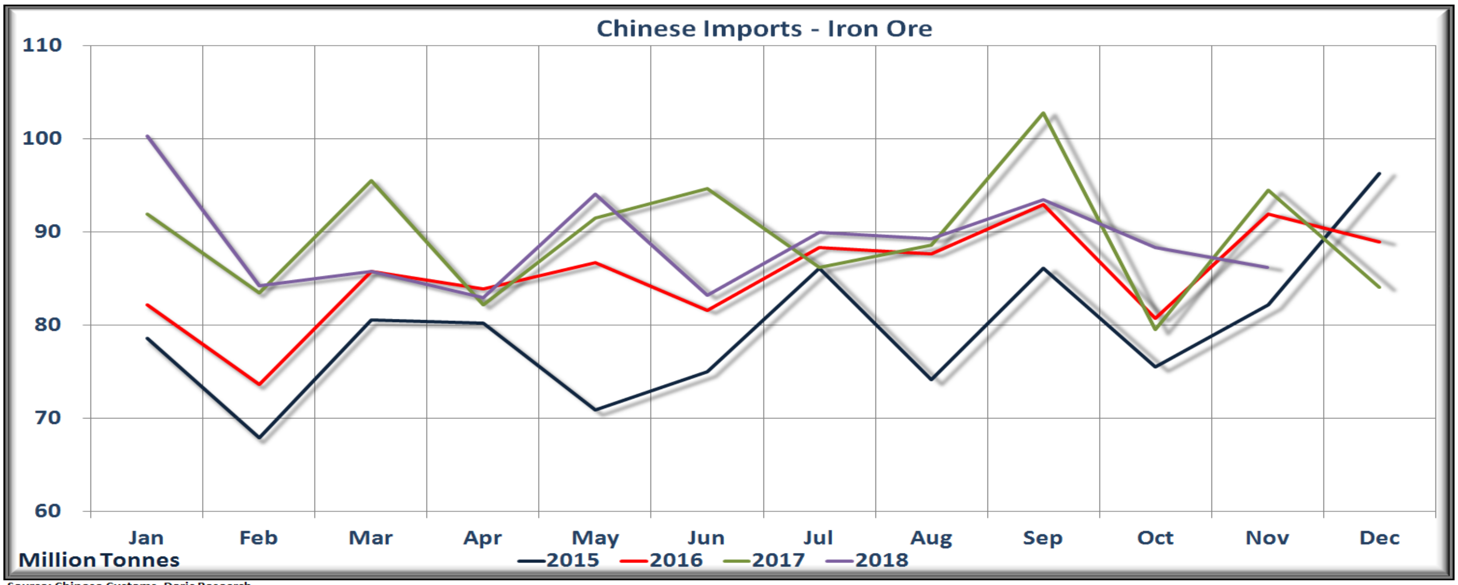
Source: IMF, Doric Research

Appendix C

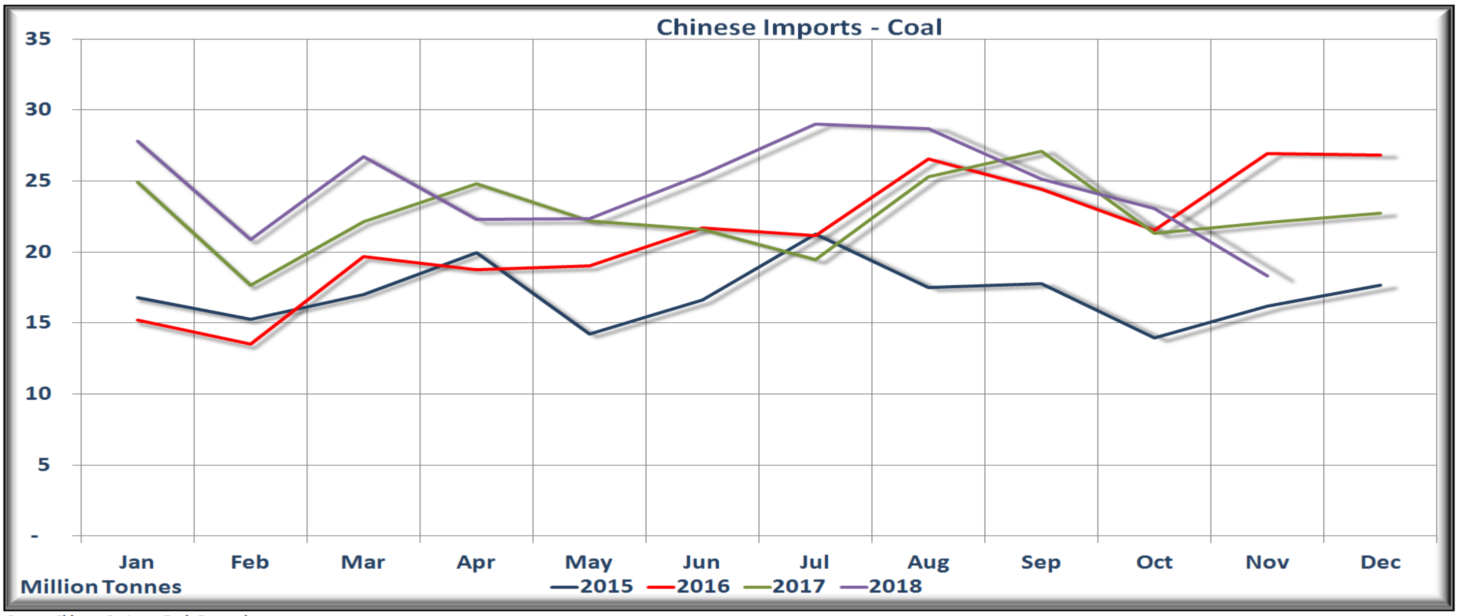
Appendix D



Appendix E

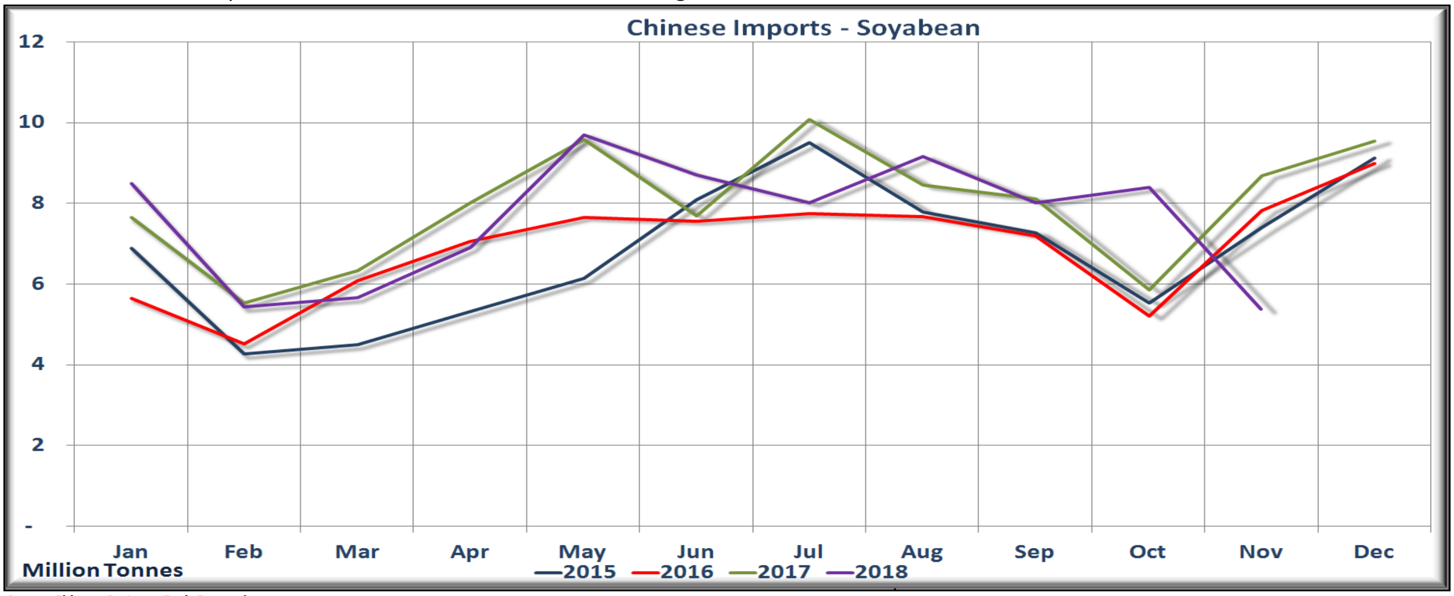


Source: Chinese Customs, Doric Research

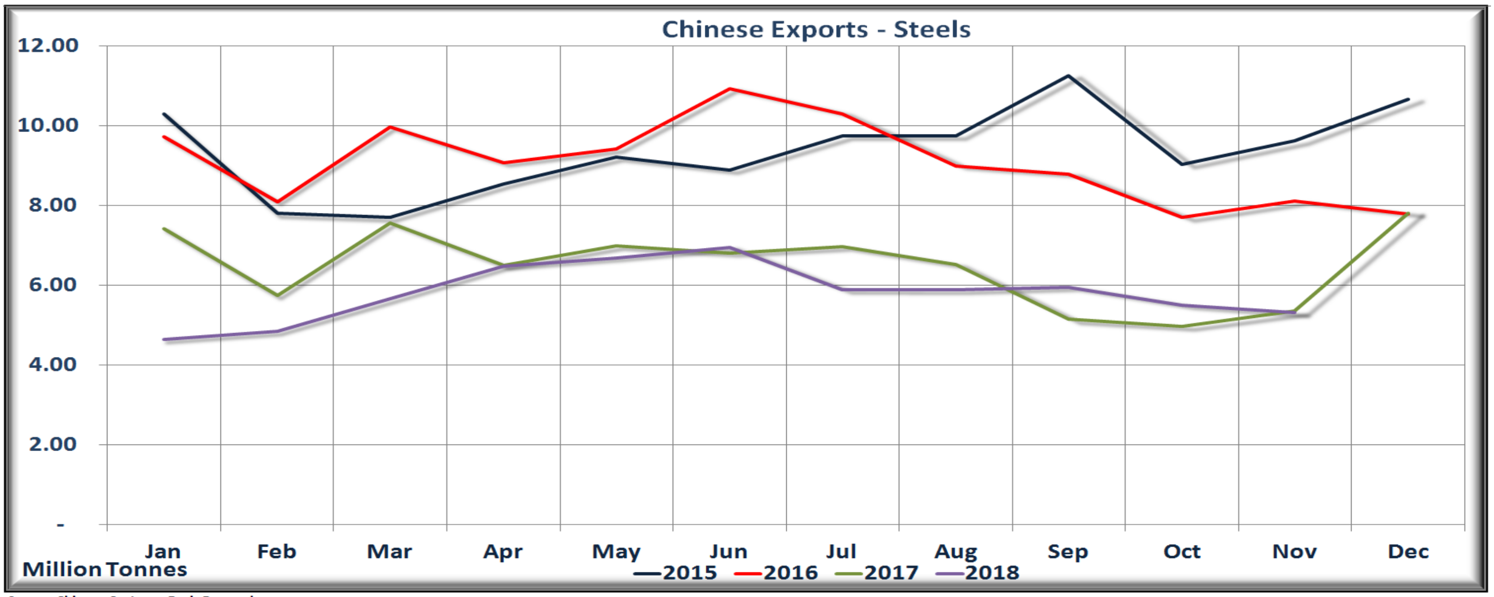


Source: Chinese Customs, Doric Research

*November coal imports are based on Reuters vessel-tracking data.

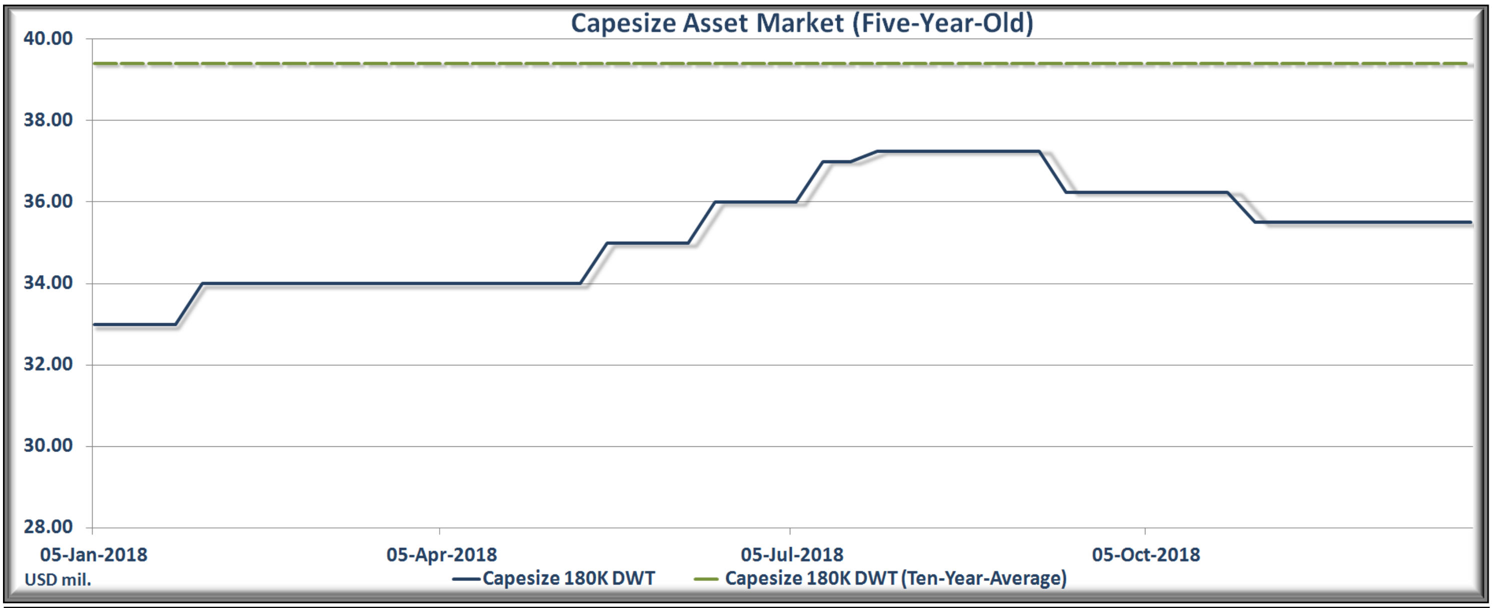


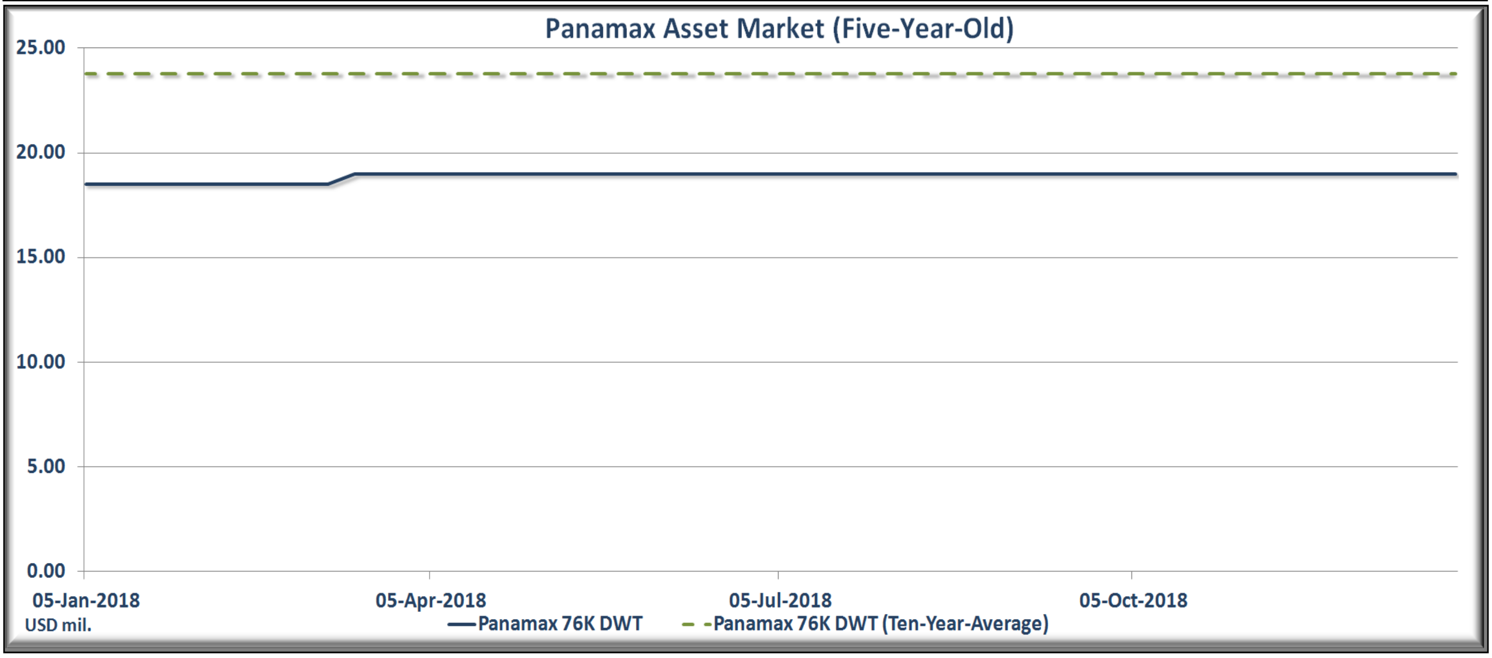
Source: Chinese Customs, Doric Research

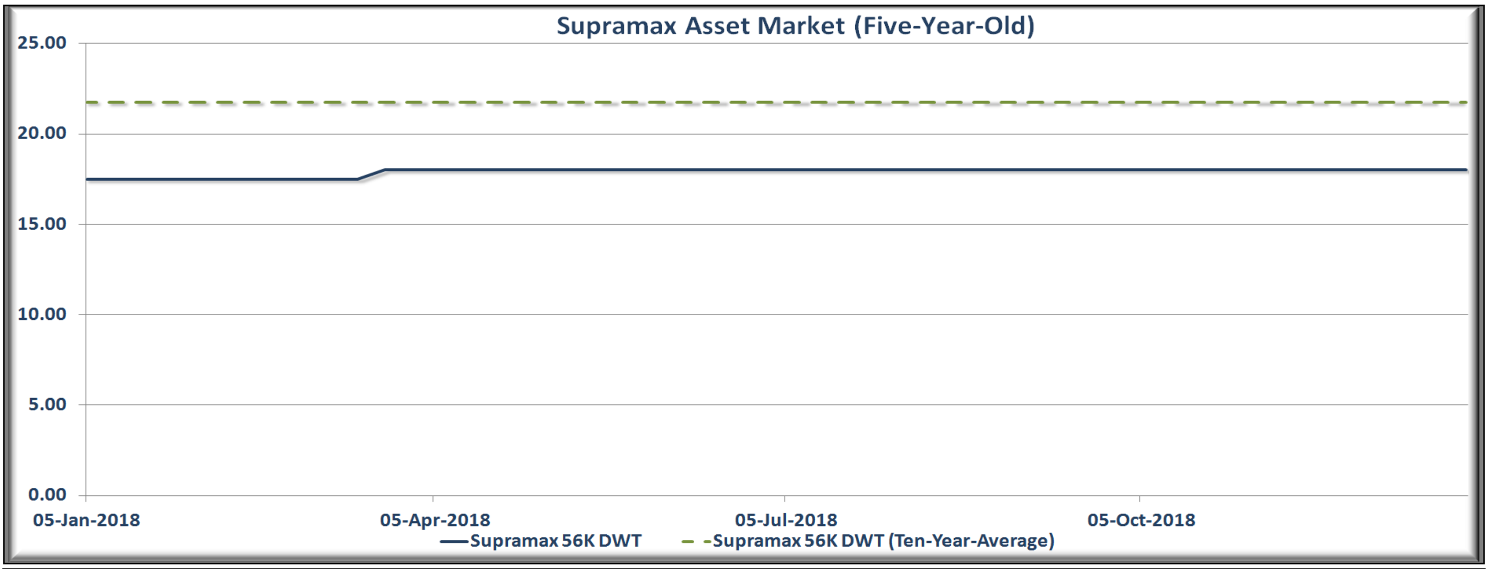


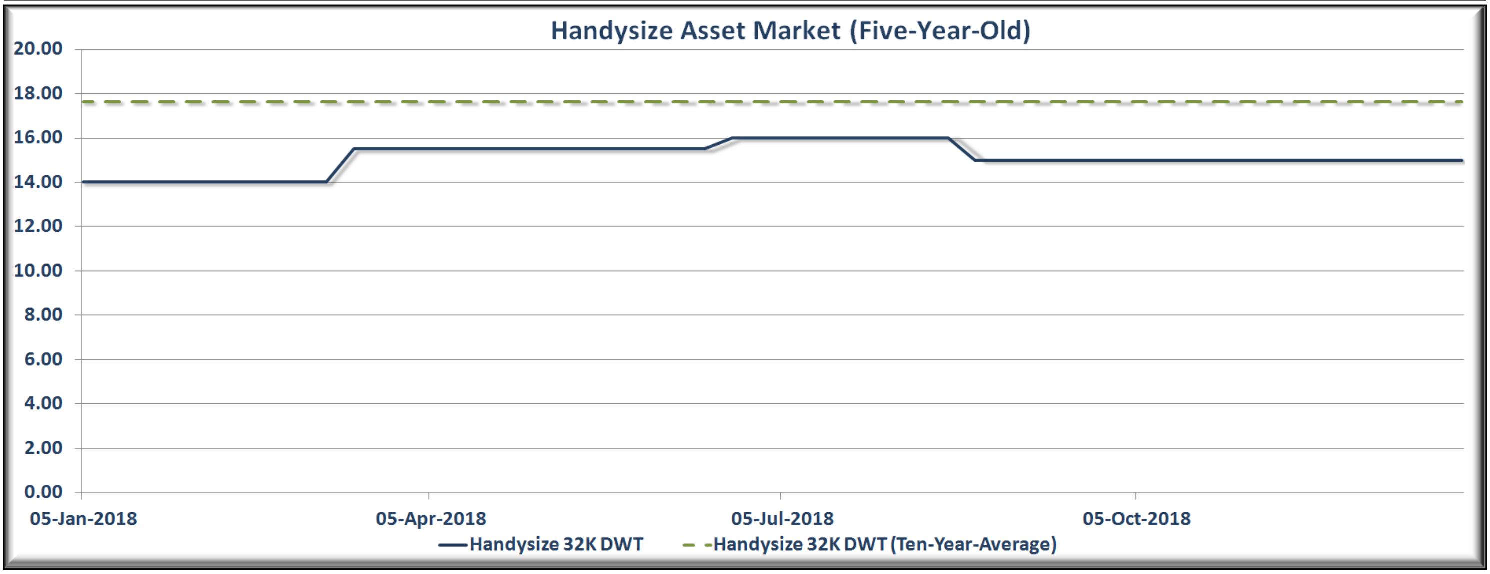
Source: Chinese Customs, Doric Research

Appendix F

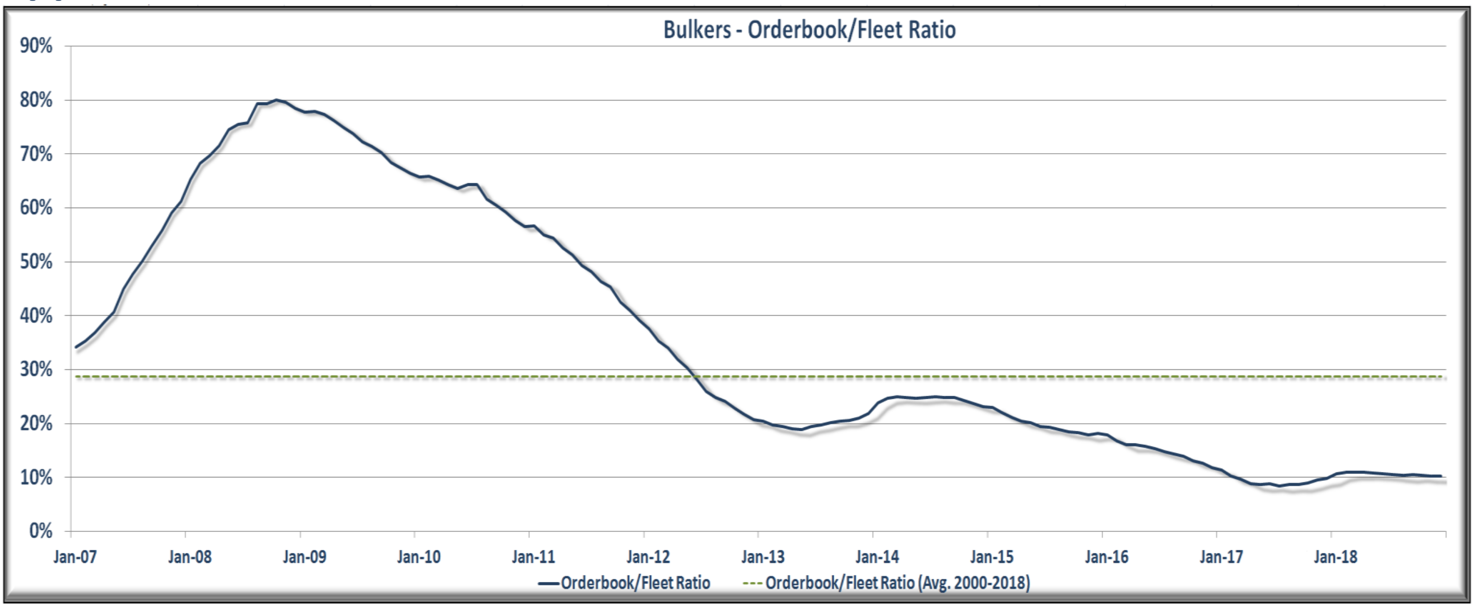








Appendix G



Appendix H

***Return on Capital Employed (ROCE)** is the ratio of net operating profit of an investment to its capital employed. It measures the profitability of an investment by expressing its operating profit as a percentage of its capital employed. In other words, ROCE assesses how much profit an investment earns on every dollar employed.