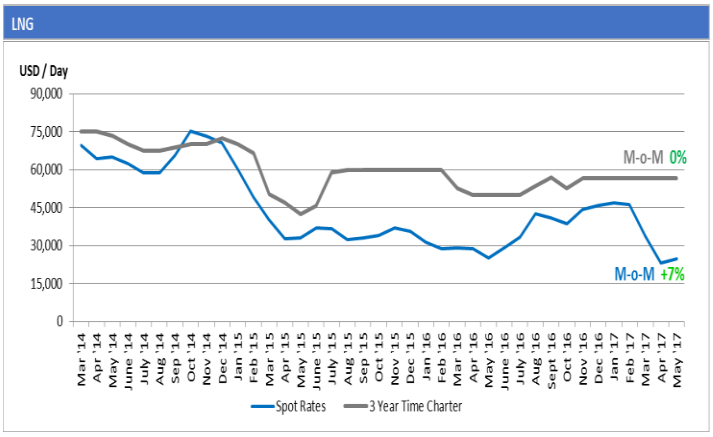
MISC Monthly

June 2017

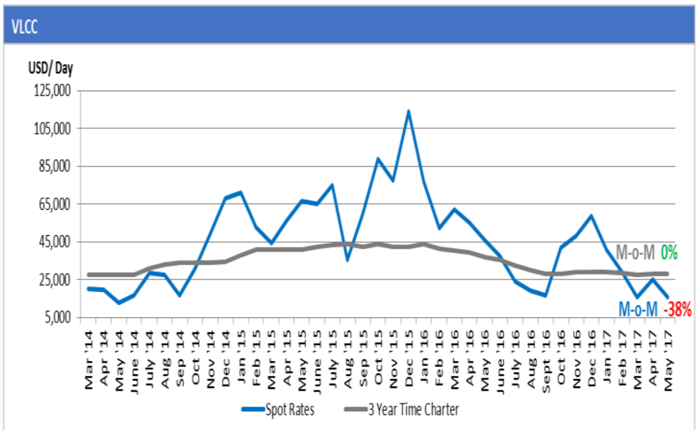
moving energy to build a better world

MISC Financial Calendar	
2Q FY2017 Quarterly Results	Wednesday, 9 August 2017
3Q FY2017 Quarterly Results	Friday, 3 November 2017
MISC Announcements	
First Interim Dividend Of 7 Sen Per Ordinary Share	
Integration of MISC Fleet Management Services & AET Shipmanagement - Incorporation of Eaglestar Marine (S) Pte. Ltd.	

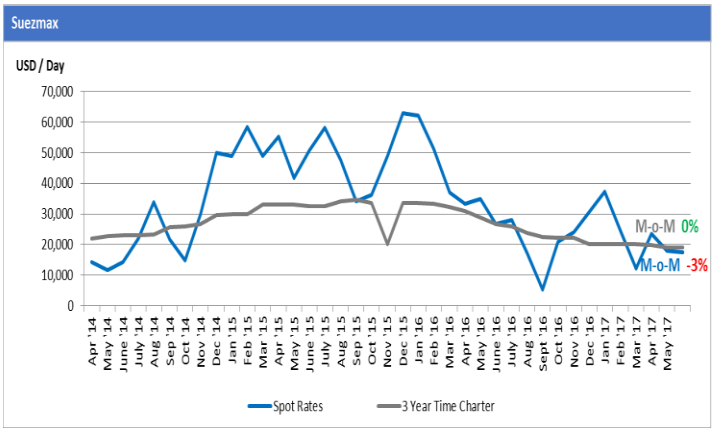
FREIGHT MARKET



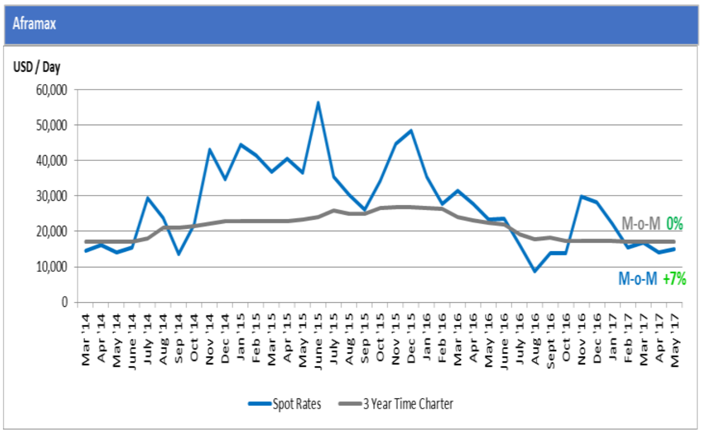
- The gain in momentum in the market has resulted in the tightening of tonnage across all regions and a marginal improvement in spot rates.
- The lack of cross-basin arbitrage persists as the spread of gas prices between Europe and the Far East remains thin.



- The VLCC market remained under pressure this month as surplus tonnage in the Middle East soared to a three year high.
- VLCC fleet grew by six new deliveries during the month making it 25 vessels for the first five months of the year.



- West Africa - Europe bound voyages have trended higher since late April as refiners prepare for summer runs.
- Despite increasing number of voyage, the rates remain unchanged as they have been since the start of the month as the supply demand position continue to favour charterers.
- Additional seven vessels were delivered within the month, making it 28 vessels year to date.



- Falling trade in the Baltic and UKC limited the pace of freight rate gain. This decline came on the back of likely continued crude inventory destocking in Europe and falling North Sea and Russian oil output.
- Three newbuild deliveries in May, bringing the total of 27 vessels delivered to date.

FREIGHT MARKET

USD/Day	Apr 2017 Avg	May 2017 Avg	1-Month +/-%	YTD 2017	2016 Avg	2015 Avg
LNG						
Spot Rates	23,250	24,813	7%	34,988	34,796	38,430
1 Year Time Charter	32,750	29,938	-9%	35,288	32,639	36,119
3 Year Time Charter	56,500	56,500	-	56,550	54,079	56,750
PETROLEUM						
VLCC						
Spot Rates	25,100	15,536	-38%	25,230	44,900	67,279
1 Year Time Charter	27,938	27,750	-1%	28,790	38,367	45,805
3 Year Time Charter	28,313	28,250	-0%	28,353	34,496	41,869
Suezmax						
Spot Rates	17,979	17,393	-3%	19,098	28,897	50,411
1 Year Time Charter	18,500	18,500	-	20,120	27,381	35,024
3 Year Time Charter	19,000	19,000	-	19,690	25,785	31,956
Aframax						
Spot Rates	14,019	14,949	7%	16,722	23,368	39,614
1 Year Time Charter	16,000	15,688	-2%	16,638	22,335	26,577
3 Year Time Charter	17,000	17,000	-	17,075	20,957	24,619
MR2						
1 Year Time Charter	13,649	13,281	-1%	12,935	15,078	17,754
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	108	108	-	107	107	105
Rotterdam-Taiwan	78	79	1%	79	80	85
Gulf-Far East	37	35	-4%	35	38	46
Singapore-Rotterdam	77	77	-0%	75	76	91
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,500	13,500	-	13,500	15,513	15,233
1 Year Time Charter 37,000 dwt	11,063	11,250	2%	11,275	13,995	15,877

ASSET VALUE

USD 'Million	Apr 2017 Avg	May 2017 Avg	1-Month +/-%	YTD 2017	2016 Avg	2015 Avg
LNG						
Newbuild (DFDE, Atlantic Max)	183	182	-1%	186	196	200
PETROLEUM						
VLCC						
Newbuild	78	78	-	80	89	96
5-Year	60	60	-	60	66	81
Suezmax						
Newbuild	53	53	-	54	57	64
5-Year	40	40	1%	40	47	60
Aframax						
Newbuild	43	43	-	44	46	53
5-Year	29	29	1%	29	35	46

CHEMICAL	Apr 2017 Avg		May 2017 Avg		1-Month +/-%		YTD 2017		2016 Avg		2015 Avg	
IMO II 37,000 dwt	S/S	Coated	S/S	Coated	S/S	Coated	S/S	Coated	S/S	Coated	S/S	Coated
Newbuild Prices	48	29	48	29	-	-	48	29	49	30	59	31
Secondhand Prices - 10 years	34	15	34	15	-	-	34	15	36	17	37	16

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2017	2018	2019+	2020+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	439	44	41	23	5	113	26%
PETROLEUM							
VLCC	671	23	42	15	0	80	12%
Suezmax	499	37	22	0	0	59	12%
Aframax	677	28	41	11	4	84	12%

INDUSTRY HEADLINES

PETROLEUM: Ship owner expects soft tanker market to be the norm during 2017

Tanker owners are in for rough seas over the course of 2017, as rates aren't bound for a recovery anytime soon, at least according to one of them. Teekay Tankers noted in its analysis and outlook of the tanker market, that "altough we recorded stronger average spot tanker rates for its Aframax and LR2 Product tanker fleets and rates similar for its Suezmax tanker in the first quarter of 2017, compared with rates for the fourth quarter 2016, the tanker market experienced downward pressure over the course of the first quarter due to heavy refinery maintenance, OPEC supply cuts and higher tanker fleet growth. However, changing trade patterns due to OPEC production cuts have provided support for mid-sized spot tanker rates, as a decline in Middle Eastern oil exports resulted in an increase in ton-mile intensive Atlantic Basin to Asia oil movements".

Source: Hellenic Shipping News Worldwide

PETROLEUM: Aframax earnings at eight-month low on Caribbean weakness

Benchmark aframax rates have sunk to an eight-month low, dragged down by a sharp decline in the Caribbean market last week, which came on the back of equally sharp declines in the Baltic Sea market two weeks ago. Both the Caribbean and the Baltic Sea markets are suffering from excess tonnage and constrained demand, and while the TD9 route from the Caribbean to US Gulf has been volatile all year, the TD17 route from Baltic to northwest Europe is trending at nearly a nine-month low. The benchmark aframax timecharter equivalent on the Baltic Exchange lost 28% in the past week to $7,375 per day at Tuesday's close, the lowest since last September. The TD9 route from the Caribbean to US Gulf lost three-quarters of its value, to $3,536 per day from more than $13,400 per day a week earlier. It had previously dropped below $1,500 per day in April. The route has been largely volatile in the past as tonnage shifts rapidly from the east coast of Mexico to the Caribbean. The TD17 rate, however, saw a more sustained drop between late April and early May, to $4,000 per day from nearly $15,000 per day, and closed at $4,063 per day on Tuesday. Shipbrokers said the decline was exacerbated by low chartering activity between the Easter and May Day holidays, but volumes of Russian crude have also dropped from the Ust-Luga loading terminal due to maintenance, while North Sea fixtures have also been minimal. Oil traders said they expect Russian crude oil flows to the Baltic Sea ports of both Primorsk and Ust-Luga to be affected in May, with loadings from the Baltic likely to drop to their lowest level this year.

Source: Lloyd's List

PETROLEUM: New VLCC orders already more than double 2016 total

Owners are ordering new very large crude carriers, tempted by low prices. So far this year around 30 VLCC orders have been confirmed, compared with just 13 in the whole of 2016, according to shipbroker Gibson. Struggling shipyards, hit by global economic weakness, are being forced to lower their prices. A new VLCC is valued at $80m, down from $82m at the start of the year and $86m in August last year, according to Clarksons. Tanker newbuilding values have reached their lowest levels since late 2003-early 2004, according to Gibson. Owners such as Euronav have expressed concern over the level of newbuilding ordering this year. Gibson argued, however, that owners ordering now would have the flexibility to have their tonnage prepared in a most efficient and practical way for key legislation, such as Ballast Water Treatment Management, which comes into force in September this year, and the global sulphur cap for marine fuels, effective January 2020.

Source: Lloyd's List

PETROLEUM: Suezmax earnings outlook still strong despite recent correction

Suezmax tanker rates took a break from recent gains due to the long Labour Day weekend, but spot chartering activity is likely to rise further as West African demand resumes and the tonnage list thins out, shipbrokers said. The benchmark suezmax timecharter equivalent on the Baltic Exchange peaked at around $20,100 per day towards the end of April, after nearly doubling during the month, from a low of over $10,000 per day. The suezmax TCE has now slipped 10% on-week to $18,500 per day but brokers said the full tranche of May 20-31 cargoes from West Africa are yet to hit the market, and will help boost rates in coming weeks. Additionally, suezmax demand in the Mediterranean and the Baltic Sea region is also keeping pace and this will reduce ballasters from heading to West Africa and keep a floor on spot markets. This trade is supported by crude market fundamentals as the prices of Brent crudes in Europe and Dubai crudes in the Middle East have converged, making it cheap for Asian buyers to ship European crudes to Asia.

Source: Lloyd's List

INDUSTRY HEADLINES

CHEMICAL: Chemical tankers: edible oil markets on a downward path, no support expected

Ship owners active in the edible oil sea transportation will have little to look forward to over the summer months, as news from various geographical fronts are less than ideal for the support of freight rates. In a recent weekly note, shipbroker Intermodal noted that "the overall performance of each sector within the edible oil markets has remained poor for the past weeks. Apart from the veg oil exports from S. America, which has provided owners with firm rates on the back of a busy CPP market until mid-April, there is not any other positive market sign to report. Once again the palm oil markets remains very weak with further decreases on rates both in both regional and long-haul shipments. According to the shipbroker, "the palm oil markets could be described as extremely poor. As far as the long-haul runs are concerned, there is very limited new business quoted for May. A long list of FOSFA MR tonnage combined with a very soft Intra-Asia CPP market for similar units, currently earns below USD 10,000/d and should inevitably lead to weaker rates. The going rate for FOSFA MR TC trips to MED-Europe-Continent is about 13,500$/d for tonnage with edible cargo history".

Source: Hellenic Shipping News Worldwide

LNG: Gorgon Train 1 grinds to a halt again

US supermajor Chevron has again been forced to shutdown the first train at its Gorgon liquefied natural gas project in Western Australia. A spokesperson for Chevron confirmed with Upstream output from Train 1 was halted on 12 May due to the failure of a flow measurement device. "Train 1 is expected to be down approximately one month for this replacement and will take this opportunity to perform other routine maintenance," the spokesperson said. "Trains 2 and 3 are running normally and we are continuing to ship cargoes." It comes after Train 2 at the LNG project was shutdown in March to address an issue with a mechanical device. In an earnings call last month president of Chevron Asia Pacific Exploration & Production, Stephen W Green said the device was part of the flow measurement apparatus that the company had previously dealt with at Train 1. The Chevron spokesperson did not elaborate in their initial comments to Upstream on Tuesday if the latest failure of the flow measurement device at Train 1 was related to earlier shutdowns or if it was expected to affect the other trains.

Source: Upstream

LNG: LNG carrier spot market rates rebound to $35,000 per day

LNG carrier spot market charter rates rebounded to $35,000 per day this week, after dropping to a year-to-date low of $32,000 per day in April, as new gas projects hit the market in Asia Pacific, shipbrokers said. Current spot LNG carrier rates were also roughly $10,000 per day higher than the same time in 2016, highlighting the average increase in spot rates helped by rising volumes of spot LNG cargoes in Australia and the US. Shipbrokers said the ramp-up of US LNG exports from Sabine Pass had spread out the positioning of LNG carriers across several locations, allowing for more trading opportunities and also helping thin out tonnage in conventional loading regions such as the Middle East, Southeast Asia and Australia. LNG prices delivered to North Asia were at $5.8 per million British thermal units this week, and around $5.2 per mmBtu in northwest Europe, which means that traders had incremental margins of $2.47 to export US LNG to Asia and $1.92 to Europe.

Source: Lloyd's List

LNG: Cheniere sees 'significant' role for FRSUs

Nearly a quarter of liquefied natural gas cargoes from Cheniere's Sabine Pass facility in Louisiana have been delivered to floating regasification and storage units (FSRUs) since the plant started up last year. Cheniere has delivered to FRSUs in eight countries, the company said in its first quarter financial report. The FRSU deliveries account for 24% of total shipments since the plant began exporting in February 2016. "That is a significant rate considering that total FSRU capacity is just over 10% of the global regas capacity in its entirety," Cheniere chief commercial officer Anatol Feygin said on an investor call. "So, it certainly appears that floating regasification is playing a significant role for us in broadening the range of markets our LNG accesses." The company booked $1.2 billion in revenues in the first quarter of 2017 compared to $69 million in the prior-year quarter, when it began exporting cargoes. In addition, Cheniere reported net profit of $172 million compared to a loss of $349 million a year ago.

Source: Upstream

INDUSTRY HEADLINES

HEAVY ENGINEERING: Singapore yard orders plunged 83% in 2016

Singapore shipyards saw new orders drop 83% last year in the continuing shipping slump. Shipbuilders inked deals worth SGD 820m ($592.6m), compared to SGD 4.9bn in 2015, the Association of Singapore Marine Industries (ASMI) said. President Chua San Lye said new contracts were mainly for non-drilling projects, according to the Business Times. "The reduced exploration and production and drilling activities have resulted in a dearth of new orders for drilling rigs given the weak utilisation of existing operating rig fleets, coupled with the supply overhang of newbuilds still under construction," he added in a report. "Major shipyards had received requests for deferred delivery of projects or experienced customers undergoing major restructuring." The total orderbook was SGD 8bn at year end, down 58%. ASMI believes a recovery is some way off yet.

Source: Tradewinds

OFFSHORE: Deepwater spend forecast to grow at 3% over next three years

In its most recent update, the oilfield services research team at Douglas-Westwood projects that global deepwater expenditure will grow at a 3% CAGR over the 2017-2021 period, with expenditure totalling $125.4 billion. This update highlighted more than 115 potential projects that are expected to drive offshore drilling and installation activities over the forecast period. The firm said that the latest deepwater data for 2Q 2017 represented a 4% expenditure increase from 1Q 2017 data, as operators adopted development plans based on value and simplified technology.

Source: Offshore Magazine

OFFSHORE: Slumping oilfield services sector bets on new offshore technology

The oil industry's top equipment and services suppliers this week are hawking vastly cheaper ways of designing and equipping subsea wells, aiming to slash the cost of offshore projects to compete with the faster-moving shale industry. At the Offshore Technology Conference, the industry's annual gathering of floating rig and subsea well suppliers, sales pitches this year are all about cost savings and faster time to first production. With U.S. crude priced under $50 a barrel, offshore projects with their typically high costs and long-lead times are now borrowing from leaner shale in the competition for oil company investment. Low oil prices have soured new exploration in the U.S. Gulf of Mexico, for instance, but production volumes there have remained strong due to the long lead times of these projects. Gulf of Mexico producers are expected to add 190,000 barrels per day this year to output now running about 1.76 million bpd. Tool and services companies are offering new technologies that can do several jobs, taking the place of multiple devices or highly-paid consultants.

Source: Reuters