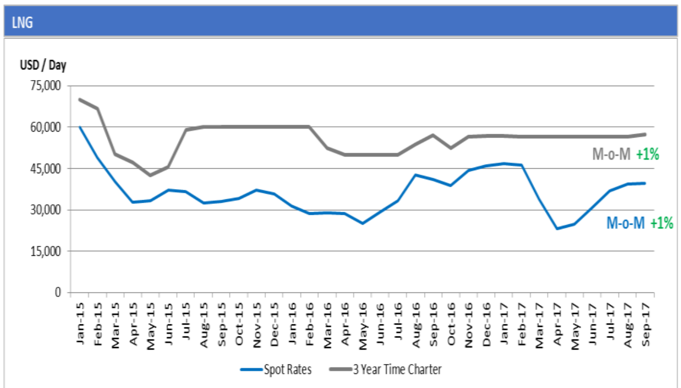
MISC Monthly

October 2017

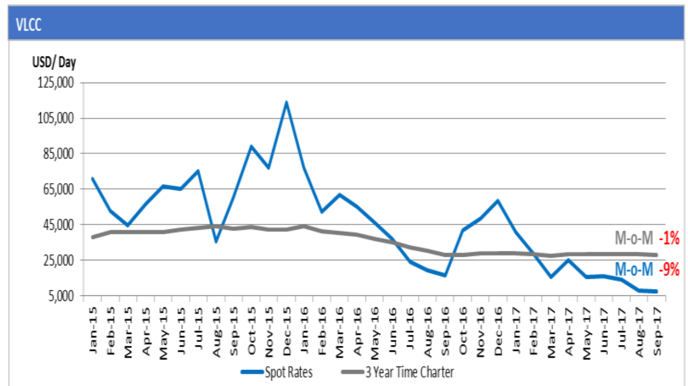
moving energy to build a better world

MISC Financial Calendar	
3Q FY2017 Quarterly Results	Friday, 3 November 2017
MISC Announcements	
Disposal by MISC of 45% equity interest in Centralised Terminals Sdn. Bhd. to Dialog Group Berhad.	

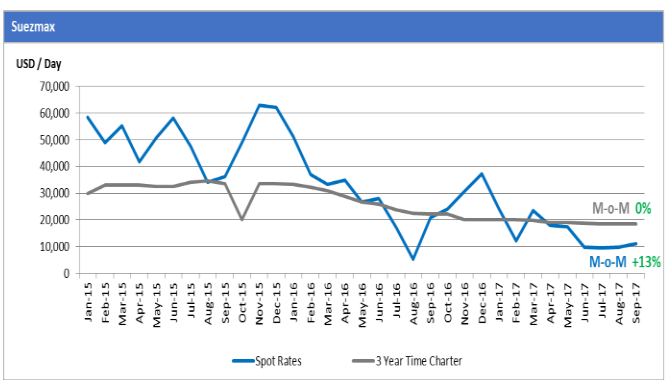
FREIGHT MARKET



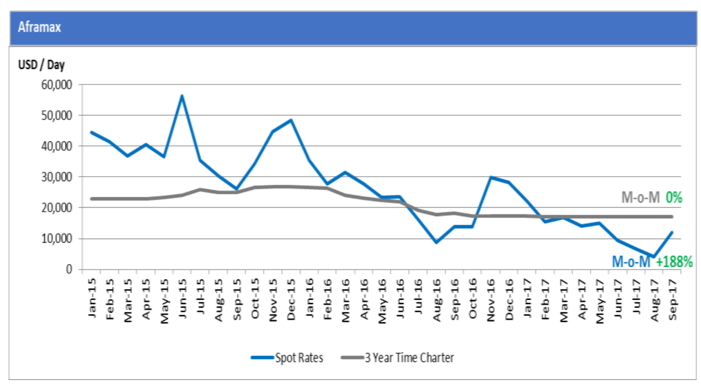
- Spot rates improved further in September on the back of healthy vessel demand as the seasonal stock piling period continues to pick up steam.
- Shipping activity has also improved with the widening of arbitrage opportunity for LNG between the regions.



- Spot rates remains suppressed driven by ample tonnage and low cargo volume out of the Middle East.
- Pace of scrapping was steady at two vessels were scrapped this month as compared to August. To date, nine vessels have been scrapped in 2017.
- Fleet size grew by three new deliveries in the month, making it 41 vessels for the first nine months of the year.



- Improvements in the spot rates are largely reflective of tighter tonnage list in both West Africa and Middle East.
- Scrapping pace slowed in the month with just one vessel, bringing the total number of vessels scrapped till date to nine.
- The fleet grew by five making it 49 vessels for the first nine months of the year.



- The aftermath of Hurricane Harvey and Irma on the tanker market meant more itinerary delays and port closures, impacting the Caribbean Aframax tanker market positively.
- Scrapping activity slowed with just three demolitions this month as compared to six in August. Total scrapping for 2017 stands at 20 vessels so far.
- There were five Aframax deliveries in September 2017, raising the year to date deliveries to 55 vessels.

FREIGHT MARKET

USD/Day	Aug 2017 Avg	Sep 2017 Avg	1-Month +/-%	YTD 2017	2016 Avg	2015 Avg
LNG						
Spot Rates	39,375	39,700	1%	35,740	34,796	38,430
1 Year Time Charter	37,500	39,200	5%	35,251	32,639	36,119
3 Year Time Charter	56,500	57,300	1%	56,617	54,079	56,750
PETROLEUM						
VLCC						
Spot Rates	8,116	7,397	-9%	19,068	44,900	67,279
1 Year Time Charter	25,625	24,600	-4%	27,533	38,367	45,805
3 Year Time Charter	28,250	28,000	-1%	28,335	34,496	41,869
Suezmax						
Spot Rates	9,894	11,218	13%	15,096	28,897	50,411
1 Year Time Charter	17,188	17,000	-1%	18,939	27,381	35,024
3 Year Time Charter	18,500	18,500	-	19,189	25,785	31,956
Aframax						
Spot Rates	4,132	11,886	188%	12,846	23,368	39,614
1 Year Time Charter	14,813	14,600	-1%	15,844	22,335	26,577
3 Year Time Charter	17,000	17,000	-	17,042	20,957	24,619
MR2						
1 Year Time Charter	13,125	13,125	-	13,050	15,078	17,754
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	109	109	-	107	107	105
Rotterdam-Taiwan	86	85	-2%	82	80	85
Gulf-Far East	34	35	5%	35	38	46
Singapore-Rotterdam	75	77	3%	75	76	91
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	13,278	15,513	15,233
1 Year Time Charter 37,000 dwt	10,750	10,750	-	11,091	13,995	15,877

ASSET VALUE

USD 'Million	Aug 2017 Avg		Sep 2017 Avg		1-Month +/-%		YTD 2017		2016 Avg		2015 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	183		182		-1%		183		196		200	
PETROLEUM												
VLCC												
Newbuild	81		81		-		80		89		96	
5-Year	62		62		-		61		66		81	
Suezmax												
Newbuild	54		54		-		53		57		64	
5-Year	41		41		-		41		47		60	
Aframax												
Newbuild	43		43		-		43		46		53	
5-Year	30		30		-		29		35		46	
CHEMICAL												
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	47	29	47	29	-	-	48	29	49	30	59	31
Secondhand Prices - 10 years	34	14	34	14	-	-	34	14	36	17	37	16

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2017	2018	2019+	2020+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	451	24	40	35	8	107	24%
PETROLEUM							
VLCC	682	9	39	29	2	79	12%
Suezmax	511	11	31	8	-	50	10%
Aframax	674	14	47	19	8	88	13%

INDUSTRY HEADLINES

SHIPPING: Ships' demolition market: cash buyers recent purchases deemed speculative

Tanker tonnage being sold for scrap has been the dominant force behind the ships' demolition market for the past few months. However, things are starting to slow down again, as recent purchases of tanker tonnage were speculative and prices have retreated again. Nevertheless, deals were still being concluded left and right, with more ship types entering the fray. In its latest weekly report, GMS, the world's leading cash buyers of ships said that it was "another busy week of sales and speculative offerings seemed to convey a sector with a booming demand and buoyant pricing, as the recent rally in local steel plate prices showed few signs of abating. The markets also witnessed another VLCC fixture for the week, as sales in the tanker sector continue at pace and keen owners exploit some of the excellent prices well above USD 400/LDT".

Source: Hellenic Shipping News Worldwide

SHIPPING: Looming 2020 low sulphur regulation raises concerns over costs, ship design

The looming IMO regulation to restrict bunker fuel sulphur content to a maximum of 0.5% from 2020 may result in higher ocean transportation costs and profound changes in ship design, industry players have warned. With the low sulphur regulation less than three years away, shipowners have to decide on their compliance choice, including retrofitting exhaust gas cleaning systems or scrubbers, turning to low sulphur fuel or distillates, or using clean gas LNG. "The upcoming IMO legislation has major implications for vessel design with both dual-fuelled engines and 'scrubber-ready' designs under discussion," said Derek Langston, senior director of SSY Consultancy & Research. "This raises a key question: will the widening spreads in vessel earnings between modern 'eco' designs and older units shorten trading lives for less fuel-efficient vessels?" Langston questioned.

Source: Seatrade Maritime

SHIPPING: LISW17: Zero emission ships to 'significantly' penetrate market by 2030

The shipping industry must and can play a significant role in addressing global warming by reducing its GHG emissions. That's the finding of a 4-year research effort 'Shipping in Changing Climates', supported by over 30 partners from industry and academia including Lloyds Register, Rolls Royce, BMT, Shell and MSI. The research concludes international shipping must cut GHG emissions at least 50% by 2050. Rising trade and demand means this will require substantial efficiency improvements in the average ship, which will have to reduce in carbon intensity some 60-90% by mid-century. Under a more ambitious 1.5C warming limit supported by over 50 climate vulnerable nations it must achieve carbon neutrality by 2050 at the latest. Switching to LNG or improving energy efficiency of ships alone is not sufficient, greater reductions in GHG will only be enabled through a shift away from fossil fuels to renewable energy and low carbon fuels/energy. Zero emission ships, already becoming part of the global fleet on certain niche routes, will increasingly become the mainstream technology with significant penetration into the market from approximately 2030.

Source: Global Strategic Communications Council

PETROLEUM: A good winter ahead for product tankers

Product tanker markets are poised for a seasonal rebound this coming winter, with demand for fuels such as gasoline and diesel already appearing stronger than usual so far this year. A combination of strong demand, higher fuel production and declining fuel inventories is bullish for clean product tankers, including both the medium range and long range segments because demand for seaborne transportation will increase significantly. "The long and painful wait for a recovery in refined product tanker rates may finally be coming to a close," Stifel said in report. It said MR product tanker rates were bullish overall recently and earnings in the Pacific have been materially higher than those in the Atlantic, although following Hurricane Harvey there was also a short-lived rally in the Atlantic market. The strength in fuel markets has been unexpected and is one of the key supports that helped oil prices cross the $55 per barrel mark in September. It has also resulted in fuel stockpiles coming down counter seasonally, barrels now percolating through the system and making their effect felt on economies, according to senior executives at an oil conference in Singapore.

Source: Lloyd's List

INDUSTRY HEADLINES

PETROLEUM: Aframax freight rates get a boost on Asia and Europe oil routes

Aframax crude tanker markets, which were already buoyed by the hurricanes in the US, have continued to firm up with further support from strong demand in Asia and northern Europe. The benchmark aframax time charter equivalent on the Baltic Exchange rose 13% to $10,178 per day on Tuesday's close from $9,039 per day a week earlier. Spot rates on the TD9 route from the Caribbean to the US Gulf, which have been elevated since Hurricane Harvey shut oil refineries and marine terminals on the US Gulf Coast, have eased marginally but remain high at $15,110 per day on Tuesday's close. That is around 7% higher than the week-ago level, and remains significantly above a low of around $1,220 per day in early August. It had risen as high as $19,600 per day when the US Gulf was hit by tropical storms.

Source: Lloyd's List

PETROLEUM: Suezmax rates rebound as Nigerian oil production ticks higher

Spot rates for suezmax tankers have rebounded from multi-month lows on the back of stronger demand in both the West African and Middle East markets. The benchmark suezmax time charter equivalent on the Baltic Exchange rose 18% to $8,897 per day on Tuesday's close from $7,517 per day a week earlier. Shipbrokers said market sentiment remained supported as cargoes in West Africa were appearing against a thinner tonnage list, the US Gulf and Caribbean markets were still absorbing tonnage due to port delays and the Middle East saw fresh fixtures emerge this week. Earlier on Wednesday, oil prices were under pressure after reports that Nigerian exports may increase again as a force majeure on exports of Bonny Light crude may be lifted very soon, adding cargo volumes of around 161,000 barrels per day.

Source: Lloyd's List

PETROLEUM: Scrapping is necessary for a VLCC recovery, says DNB

Very large crude carrier spot rates had another week of dismal earnings, triggering more interest in ship recycling markets in which rising demolition rates are closing the gap between vintage tonnage and scrap values. The benchmark VLCC time charter equivalent on the Baltic Exchange slipped further to $706 per day on Friday's close, down from $966 per day a week earlier. Spot TCE from the Middle East to Japan had fallen as low as $8,245 per day on August 31 before edging up slightly to $8,498 per day, still down 4.9% on week. Spot VLCC freight rates have fallen so far below operating cost that market participants are looking at the uptick in demolition rates with interest. In the first six months of 2017, only eight tankers, accounting for about 1.2m dwt, were scrapped, out of which only one vessel was a VLCC, according to Bancosta Research. But this could change, with scrapping rates becoming more attractive. Demolition rates for tankers have risen to the highest in the past year at about $400-$415 per ldt, according to shipbrokers. For now, VLCC owners are on the cusp of having to decide whether to prolong the life of older vessels or send them to the junkyard.

Source: Lloyd's List

LNG: Trade up by 13% during first half of 2017

New LNG production coming online is bound to help alleviate the oversupply of tonnage in the LNG shipping market, however it still won't be enough to cater for all the newbuildings expected to hit the water during the next few months and as such, some of them are bound to be delayed. In its outlook for the LNG shipping market, ship owner AWILCO LNG said that "after a weak first half of 2017, the market firmed both in terms of rates and activity during the summer months on the back of increasing LNG production and fewer available vessels. The volatility and seasonality is expected to continue, but as additional LNG production comes on stream the current tonnage overcapacity is expected to gradually be absorbed, resulting in an improvement in the market going forward. The long-term outlook for LNG shipping remains promising on the back of scheduled LNG production capacity coming on stream over the next couple of years". Most of the cargoes are going to South America while South Korea, China, Japan and India are importing spot cargoes, significantly supporting increased ton-mile. Furthermore, the 4.5 MTPA Sabine Pass T4 commenced production in early August, and by the end of the year it is forecasted that export from Sabine Pass will more than double from last year. In total, more than 27 MTPA of new LNG capacity is scheduled for start-up in 2017", the ship owner said.

Source: Hellenic Shipping News Worldwide

INDUSTRY HEADLINES

LNG: LNG market faces shortage of carriers

The liquefied natural gas carrier market will be hit by a shortage of vessels by the end of the decade, given the volume of product coming on stream, a briefing at Capital Link heard during London International Shipping Week. The panellists, which included owners and operators, agreed that 100m tonnes of LNG is due to hit the water in the next three years but since there would not be enough capacity to carry the commodity, rates may well go up from current levels. The market will be short of 30 to 40 vessels it was claimed. Up to 30% of production from most projects will be placed on the spot market, which will lead to higher rates, said Cool Pool LNG manager Morten Nielsen. Flex LNG chief executive Jonathan Cook, said: "If you look at all the projects, newbuildings will not meet demand as they would only be ready by the end of 2019, so charterers will have to draw on the existing fleet." However, if the FSRUs' market is flooded with new entrants, that will put pressure on rates, he said. He added: "FSRUs are not a shipping project; they are an infrastructure project." Head of Hoegh LNG Partners, Richard Tyrrell, said that his company would opt for newbuilding FSRUs, as older platforms have a capacity of 120,000 cu m which do not fit today's 160,000 cu m LNG carriers. Last year, the total volume of LNG that went to FSRUs was 30m tonnes, mainly in Egypt, Brazil, Lithuania and Latin America, he said, the same amount that was shipped to India and China.

Source: Lloyd's List

HEAVY ENGINEERING: Newbuilding orders keep coming as buying appetite continues to be firm

Ship owners are still mostly bullish when it comes to committing future capital for newbuilding investments. In its latest weekly report, Allied Shipbroking said that "we are still seeing a fair amount of activity emerge on the dry bulk side, as buying appetite continues to be firm with most looking to tie up any still available TIER II slots before the window of opportunity is closed shut. In this regard it is already proving difficult with only a hand full of yards still able to offer TIER II designs. At the same time, the rally that has been noted in the secondhand market has also helped boost appetite amongst ship owners, with the price gap between a modern vessel and a newbuilding closing fast and given that newbuilding prices are likely to climb over the next couple of months, many may well be placing these orders on speculation of an opportunity to flip them as resales at a later date and net the positive difference that they feel will be at hand. At the same time, shipbuilders have come out to market with a more aggressive marketing run, now looking to entice any potential buyers, while sentiment is high. This however is still mainly limited to Chinese shipbuilders, with S. Korean yards still out of play due to their requirements for higher prices and Japanese yards seemingly well occupied up until early 2020", Allied said.

Source: Hellenic Shipping News Worldwide