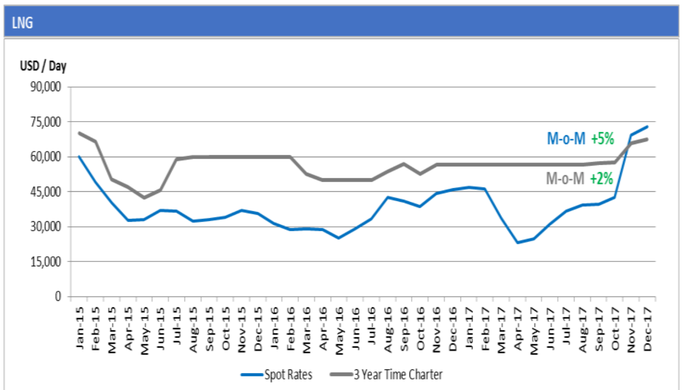
MISC Monthly

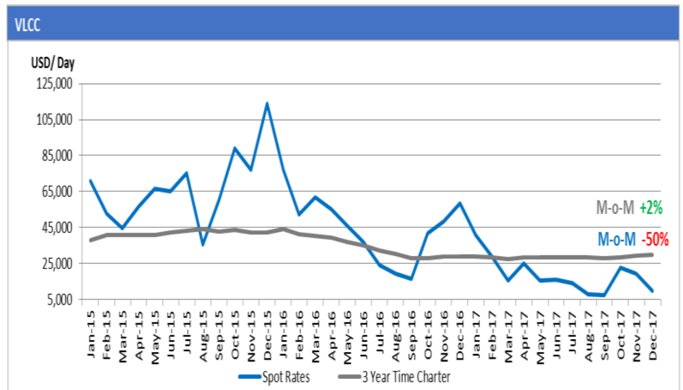
January 2018

moving energy to build a better world

MISC Financial Calendar	
4Q 2017 Quarterly Results	Tuesday,13th February 2018
MISC Announcements	
-	

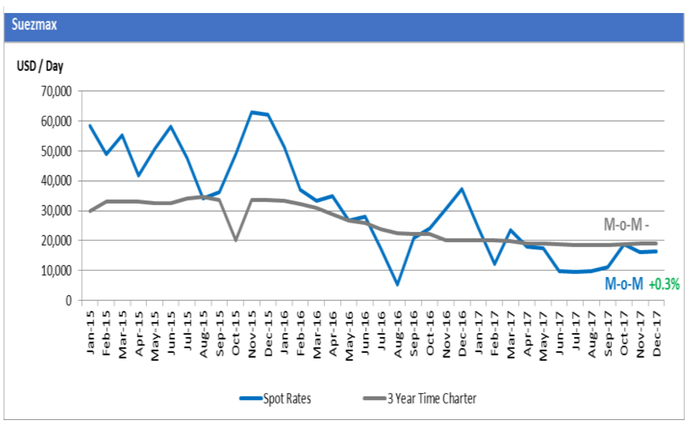
FREIGHT MARKET

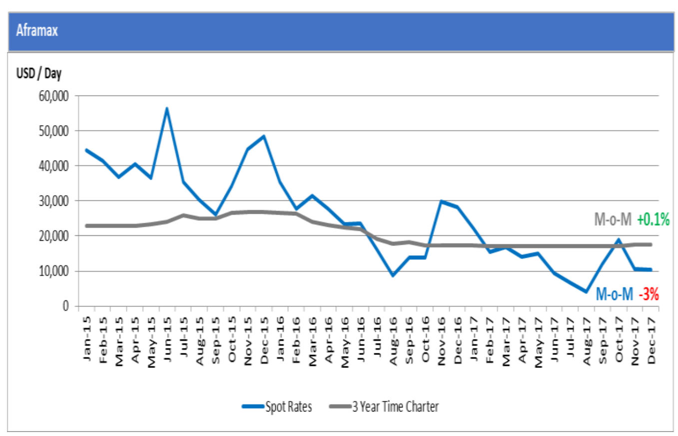




- Strong winter seasonal demand from Asian and European countries kept spot rate on its upward trend.
- With Atlantic Basin volumes flowing to the Far East to meet winter demand, tanker availability has been dramatically reduced because of the longer voyage distances.
- China's policy to cut back on coal-fired power generation in order to curb pollution has resulted in gas shortages this winter; Chinese LNG imports for December have increased 34%yoy.

- In the Middle East market, low cargo volumes and surplus tonnage of approx. 22 units at the end of the month translated into weaker freight rates.
- The VLCC fleet grew by one new delivery taking the count to 50 newbuilds for the year.





- Rates for Suezmaxes from West Africa remained steady backed demand for the region's crude where cash discounts to Brent has widened.
- The pace of fleet growth reduced with just two new deliveries taking the count to 57 newbuilds for the year.

- The Caribbean Aframax market remained firm on the back of ongoing delays on Mexico's east coast along with stable rates for alternative Suezmax tonnage.
- The fleet grew by one new delivery bringing the total newbuild deliveries to 64 for the year.

FREIGHT MARKET

USD/Day	Nov 2017 Avg	Dec 2017 Avg	1-Month +/-%	YTD 2017	2016 Avg	2015 Avg
LNG						
Modern Tonnage						
Spot Rates	69,313	73,063	5%	42,222	34,796	38,430
1 Year Time Charter	52,500	56,125	7%	38,824	32,639	36,119
3 Year Time Charter	65,875	67,500	2%	58,369	54,079	56,750
Steam Engine						
Spot Rates	40,625	42,500	5%	27,735	26,465	28,327
1 Year Time Charter	34,875	36,000	3%	26,381	20,194	25,979
3 Year Time Charter	34,500	34,500	-	32,631	29,771	32,656
PETROLEUM						
VLCC						
Spot Rates	19,337	9,700	-50%	18,608	44,900	67,279
1 Year Time Charter	27,125	27,083	-0.2%	27,365	38,367	45,805
3 Year Time Charter	29,500	30,000	2%	28,584	34,496	41,869
Suezmax						
Spot Rates	16,283	16,335	0.3%	15,601	28,897	50,411
1 Year Time Charter	17,875	17,583	-2%	18,612	27,381	35,024
3 Year Time Charter	19,000	19,000	-	19,116	25,785	31,956
Aframax						
Spot Rates	10,625	10,263	-3%	12,960	23,368	39,614
1 Year Time Charter	15,625	16,000	2%	15,779	22,335	26,577
3 Year Time Charter	17,563	17,583	0.1%	17,137	20,957	24,619
MR2						
1 Year Time Charter	13,750	13,900	1%	13,219	15,171	17,754
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	104	110	5%	107	107	105
Rotterdam-Taiwan	82	84	3%	82	80	85
Gulf-Far East	40	46	16%	37	38	46
Singapore-Rotterdam	81	80	-1%	76	76	91
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	12,750	12,750	-	13,146	15,513	15,233
1 Year Time Charter 37,000 dwt	12,500	12,500	-	11,438	13,995	15,877

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ASSET VALUE

USD 'Million	Nov 2017 Avg		Dec 2017 Avg		1-Month +/- %		YTD 2017		2016 Avg		2015 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	182		182		-		183		196		200	
PETROLEUM												
VLCC												
Newbuild	81		81		-		80		89		96	
5-Year	62		64		3%		61		66		81	
Suezmax												
Newbuild	55		55		-		54		57		64	
5-Year	40		42		5%		41		47		60	
Aframax												
Newbuild	45		45		-		44		46		53	
5-Year	30		31		3%		30		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	-	-	47	29	49	30	59	31
Secondhand Prices - 10 years	33	14	33	13	-	-4%	33	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	455	6	54	36	9	105	23%
PETROLEUM							
VLCC	686	1	42	34	7	84	12%
Suezmax	514	1	37	14	3	55	11%
Aframax	665	3	57	20	13	93	14%

INDUSTRY HEADLINES

SHIPPING: Foreship predicts 30% of ships will use scrubbers by 2030

As the debate over future fuel choices rages on naval architect and marine engineering firm Foreship believes owners will turn back to high sulphur heavy fuel oil by 2030 with 30% of owners opting for scrubbers. While LNG is gaining traction as alternative fuel Foreship noted there were only 100 LNG powered vessels in service today and the number would likely be significantly below 500 when the 0.5% sulphur cap comes into force in 2020. In terms of scrubbers shipyard capacity would allow a maximum 3,000 – 4,000 vessels fitted with such equipment by 2020. This would leave most owners in 2020 opting for 0.5% sulphur content heavy fuel oil, but over time Foreship sees more owners choosing scrubbers. However with low sulphur HFO blended from HSHFO and distillates, HSHFO will remain available as a marine fuel for use with scrubbers and could also be a substitute fuel in gas powerplants in former Soviet countries, or a coal substitute. Foreship head of machinery department, Olli Somerkallio said that this would change the pricing dynamic of HSHFO: to compete with coal, prices would have to be relatively low, resulting a return to favour of HSHFO as a marine fuel. “This will have a significant impact on the ROI of scrubbers in the future,” said Somerkallio.

Source: Seatrade Maritime

PETROLEUM: Tanker Market in 2017: Oversupply of tonnage, demand bumps and new policies hurt freight rates

In its latest weekly report, shipbroker Gibson said that “the tanker market remained challenging with freight rates under pressure from a constant barrage of tanker supply, while the demand side was impacted by OPEC’s crude decision to implement production cuts which also impacted in a lack of arbitrage opportunities. One of the few exceptions to the bearish picture was the spike in rates witnessed as a result the surge in demand on Continent-USAC (TC2) route following the outage of US refining capability in the wake of Hurricane Harvey. This spike was short lived and quickly reverted to previous levels. Since June, the Brent oil price has risen by around $20/barrel which has had more of an impact on owner’s earnings. However, unfortunately the supply and demand balance is still some way off particularly given the wave of newbuilding added to the existing orderbook”, Gibson noted.

Source: Hellenic Shipping News Worldwide

PETROLEUM: OPEC cuts drag Middle East VLCC fixtures to five-year low

Credit Suisse sums help explain why winter market has failed to fire. VLCC loading in the Middle East Gulf has slumped to the lowest level in half a decade in the face of OPEC production cuts. This year has seen 1,407 VLCC fixtures out of the region, down from 1,555 in 2016, according to Credit Suisse. “Twenty-seventeen was a tough year for AG VLCC spot loadings as OPEC production cuts pushed March through December VLCC loadings at or near five year lows,” according to analyst Greg Lewis. “With OPEC extending the cuts through 2018 we expect AG VLCC spot loadings to continue to bounce along the bottom.” According to Howe Robinson Partners spot rates for modern eco VLCCs sit at $20,278 per day globally, below the $27,992 per day average in the year-to-date. Lewis says December is scheduled to see 123 VLCC fixtures out of the Middle East, down 5% from November but flat on a year-on-year basis. VLCC rates for December this year have averaged $15,000 per day, down 75% year-on-year.

Source: TradeWinds

PETROLEUM: Some Christmas cheer for the Asian Aframax market

Asian Aframax rates recovered from recent lows as charterers rushed to book year-end cargoes before the Christmas holidays, leading a flurry of activity especially in the Indonesia/Singapore region. Rates for the key Indo/Japan route basis 80 kt jumped by w13 points w-o-w to w110 as of today while rates for the key AG/East route grew by w8.5 points on the week to w112.5. Potential weather delays in the Far East as well as higher bunker prices contributed to more bullish owner sentiment. In the Indonesia/Singapore region, firm owner resistance regarding longhaul trips to Australia forced charterers to pay a premium to cover such cargoes. The subsequent pick-up in fixing activity helped to clear out most prompt tonnage and shorten the position list. As such, market participants began to cover cargoes privately with ships disappearing from the position list without much details.

Source: OFE Insights

INDUSTRY HEADLINES

PETROLEUM: Nigeria leads suezmax tanker rally as OPEC exemption nears end

Suezmax tanker earnings have rallied on healthy exports from Nigeria, the Organization of Petroleum Exporting Countries member that keeps pumping out oil before its exemption from the supply reduction deal ends. Based on the latest supply agreement reached at the end of November, the West African country will cap next year's production at 2017's level, joining OPEC and some Russia-led producers' efforts to cut output by 1.8m barrels per day until the end of 2018. With stable production of 1.7m-1.8m bpd since July, based on OPEC oil output data from secondary sources, Nigeria has managed to maintain robust overseas sales and offer support to tanker demand. Clarksons predicts a yearly average export volume of 1.7m bpd from Nigeria this year. The TD20 West Africa-northwest Europe suezmax rate was assessed at Worldscale 91.14 per day or timecharter rate of $14,745, up from $7,964 on November 14, according to the Baltic Exchange.

Source: Lloyd's List

PETROLEUM: Tanker vessel scrapping to rise further in 2018

Scrapping of tanker vessels across the world is expected to rise significantly in 2018 as earnings for shipowners per tanker vessel might decline amid rising crude oil prices, drop in China's crude stocking activity and also ahead of the International Maritime Organization (IMO) regulations coming into effect in 2019-2020. "Scrapping of tanker vessels globally is expected to go up further in 2018 and may even be more than the quantum of 2016 and 2017 put together. This will bring in a sharp demand-supply correction in the tanker market," Ranjit Singh, executive director and chief executive officer, Essar Shipping, told Business Standard. Panamax, Aframax, Suezmax and Very Large Crude Carriers (VLCCs) are among the different types of tanker vessels in the market. With crude oil prices continuously on the rise, experts said storage as well as trade demand for the commodity might not remain strong. This would lead to scrapping of vessels.

Source: Business Standard

LNG: Analyst forecasts an LNG carrier shortfall for 2020

More than 40 new LNG carriers will be required in the next three years to meet the needs of the shipping market, according to Wells Fargo Securities. In a report entitled "Bottoms up LNG", senior analyst Michael Webber and associate analyst Hillary Cacanando say growing inefficiencies in the LNG market are driving more tonne-mile growth than expected. In this environment, Wells Fargo says LNG carrier spot rates are experiencing "strong momentum", up 76% year on year and at a three-year high. "Forward demand exceeds the current orderbook, implying [a] potential shortfall of over 40 vessels by 2020," the company says. According to Wells Fargo, the incremental demand for LNG carriers by 2020 will be 173 vessels. With an orderbook of 120 ships, plus five carriers open spot, the analysts calculate a shortfall of 48 ships. They expect demand for floating storage and regasification units and floating LNG (FLNG) production will grow, offering potentially higher returns on investment than LNG carriers. Focusing on floating regas and the gas-to-power sector, the analysts cite the huge growth in Chinese imports as the "biggest seasonal and intermediate-term demand driver".

Source: TradeWinds

LNG: Sea change: LNG tankers divert to China as winter gas shortage bites

Liquefied natural gas (LNG) is being re-exported to China from Japan and tankers are being diverted from as far away as Brazil, with traders rushing to find cargoes in the face of a supply crunch in the world's No.2 economy as winter bites. Following an unprecedented drive to switch millions of households to natural gas from coal for heating, China's imports of LNG have surged as utilities struggle to meet soaring demand as winter gets off to a colder start than usual. Chinese imports now include cargoes from Japan, itself by far the world's biggest consumer of LNG, and which is also entering winter. This Chinese demand has pushed up spot LNG prices LNG-AS by more than 80 percent from their 2017 lows to above $10 per million British thermal units (mmBtu), a January 2015 high. That puts LNG spot prices significantly above prices linked to the price of Brent crude oil, which are trading around $8 per mmBtu. "If you usually import under long-term deals linked to oil markets and have available cargoes, this is the time you'd want to sell," said an LNG trader. The urgent need for spot cargoes has also boosted rates for LNG tankers. The daily rate for a 160,000 cm LNG tanker has shot up to $80,000 this month from a 2017 low of $30,000 in April, according to data from ship broker Clarkson and Fearnley.

Source: Reuters

INDUSTRY HEADLINES

OFFSHORE: EMA: 'Floaters back in fashion'

Firm sees increasing orders trend in coming years as spending this year hits $15bn on higher field sanctioning activity. A gradual recovery is under way in the market for floating production systems with contracts totalling more than $15 billion inked over the past year, according to a fresh analysis from Energy Maritime Associates. The uptick in orders has resulted in the highest level of spending in this market since 2014 when a slump in oil prices hit demand for floaters due to field development cutbacks, with renewed field sanctions due to lower costs and more stable oil prices driving fresh floater activity. The Singapore-based firm said 10 floating production, storage and offloading vessels have been awarded since the fourth quarter of 2016, further incentivised by lower yard prices. EMA predicted market demand for 124 floating production systems (FPS) - including FPSOs, FLNGs, FSRUs, tension-leg platforms, spars, semi-submersibles and floating storage units - with spending of $94 billion over the next five years, based on a mid-case forecast out of between 80 and 173 units. FPSOs will account for around 40% of this demand and two-thirds of capital expenditure, with Brazil's state-owned Petrobras expected to account for quarter of FPSO awards over at least the next five years as it resumes ordering activity after a two-year hiatus, according to the firm.

Source: Upstream Online

SHIPYARD: 2017 an improvement for the newbuilding market in terms of ordering activity

After a subdued 2016 in terms of newbuilding orders, 2017 proved to be a totally different story, as owners took advantage of the aggressive pricing from shipyards. In its latest report, shipbroker Allied Shipbroking noted that "the newbuilding market remained overall subdued this year in terms of volume, although overall we did see considerably more activity than what we were noting back in 2016. The freight market rallies noted in the Dry Bulk Sector, helped feed a slightly more speculative attitude in the market, although this was relatively minimal when compared to previous years. In the Tanker market, despite the deteriorating conditions in terms of earnings, we witnessed a renewed interest in new orders, with most likely looking at the market with an opportunistic eye, taking advantage of the lower prices on offer by most shipbuilders. An important fact to point out is that both these sectors have seen their orderbooks decreased in all main size segments. This improved orderbook ratio can be of major importance moving forward, allowing many to take on the option for further ordering in the new year without considerable fear that it would put excessive supply weight on the markets".

Source: Hellenic Shipping News Worldwide