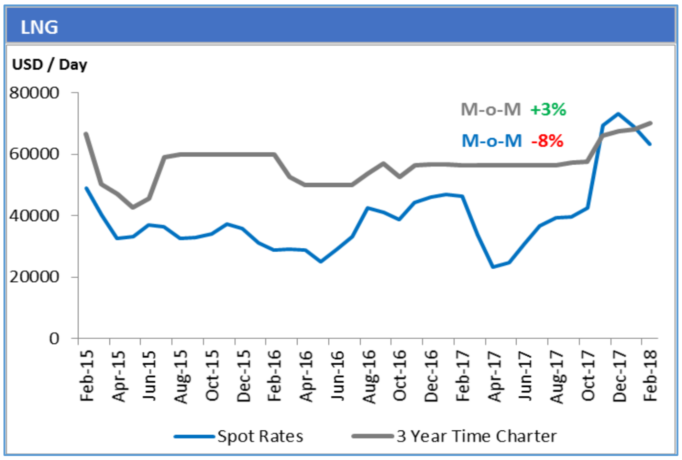
MISC Monthly

March 2018

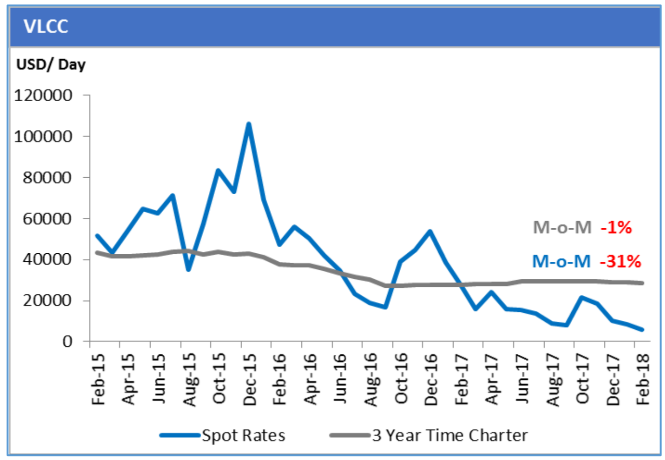
moving energy to build a better world

MISC Financial Calendar	
1Q 2018 Quarterly Results	Friday,11th May 2018
2Q 2018 Quarterly Results	Tuesday, 07th August 2018
3Q 2018 Quarterly Results	Monday,19th November 2018
MISC Announcements	
Delivery of new Liquefied Natural Gas (LNG) Carrier - Seri Camar	
Proposed renewal of authority for MISC to purchase own shares of up to 10% of its prevailing total number of issued shares	

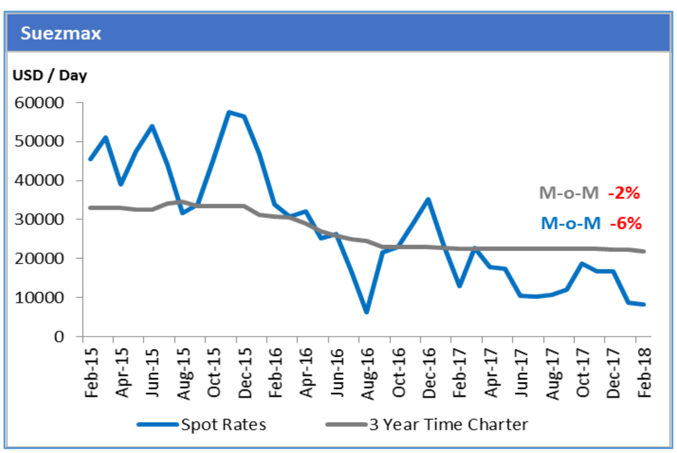
FREIGHT MARKET



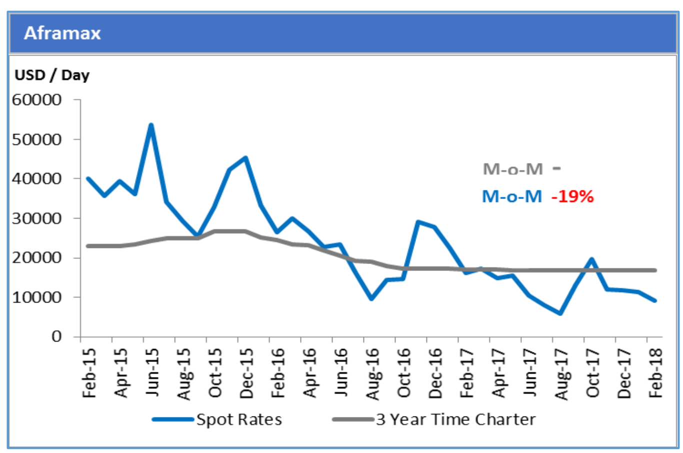
- Weaker cargo demand due to waning seasonal winter demand in Asian countries. February saw lower spot cargoes and lower LNG imports globally, particularly in China and Europe.
- Slight decline in spot rates on account of higher tonnage availability during the month.



- The Middle East market experienced a depressed decline in freight rates due to low cargo volumes and tonnage oversupply.
- There was delivery of one VLCC newbuild in February, with three in total this year.



- Rates in the West Africa market were moderately softer backed by incremental demand for Suezmax cargo availability due to a decline in VLCC coverage.
- There were four newbuild deliveries in the month, bringing the total YTD to twelve.



- Rates in the Caribbean Aframax market remained stable as weather related delays in the USG region continued to keep tonnage availability tight.
- Fleet grew with four new deliveries.

FREIGHT MARKET

USD/Day	Jan 2018 Avg	Feb 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	68,750	63,313	-8%	66,031	42,222	34,796
1 Year Time Charter	60,000	65,000	8%	62,500	38,824	32,639
3 Year Time Charter	68,125	70,000	3%	69,063	58,369	54,079
Steam Engine						
Spot Rates	37,000	33,750	-9%	35,375	27,735	26,465
1 Year Time Charter	36,000	36,000	-	36,000	26,381	20,194
3 Year Time Charter	34,500	34,500	-	34,500	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	8,282	5,716	-31%	6,999	18,242	41,363
1 Year Time Charter	24,500	22,563	-8%	23,531	27,143	36,554
3 Year Time Charter	29,000	28,750	-1%	28,875	28,786	33,002
Suezmax						
Spot Rates	8,780	8,250	-6%	8,515	15,856	27,260
1 Year Time Charter	17,125	17,000	-1%	17,063	18,534	27,299
3 Year Time Charter	22,250	21,875	-2%	22,063	22,507	26,296
Aframax						
Spot Rates	11,342	9,207	-19%	10,274	13,933	22,885
1 Year Time Charter	15,125	15,000	-1%	15,063	15,511	21,491
3 Year Time Charter	16,750	16,750	-	16,750	16,865	20,603
MR2						
1 Year Time Charter	13,938	13,875	-0.4%	13,906	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	114	119	4%	116	105	107
Rotterdam-Taiwan	88	91	4%	89	83	80
Gulf-Far East	45	41	-10%	43	37	38
Singapore-Rotterdam	79	78	-1%	79	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	12,750	13,000	2%	12,875	13,146	15,513
1 Year Time Charter 37,000 dwt	12,500	12,125	-3%	12,313	11,438	13,995

MISC Monthly

March 2018

ASSET VALUE

USD 'Million	Dec 2017 Avg		Jan 2018 Avg		1-Month +/-%		YTD 2018		2017 Avg		2016 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	181		180		-1%		181		183		196	
PETROLEUM												
VLCC												
Newbuild	83		83		1%		83		80		89	
5-Year	62		62		-		62		61		66	
Suezmax												
Newbuild	56		56		0.4%		56		54		57	
5-Year	40		40		-		40		41		47	
Aframax												
Newbuild	45		45		-		45		44		46	
5-Year	30		30		-		30		30		35	
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	47	29	49	30
Secondhand Prices - 10 years	33	13	33	13	-	-4%	33	13	33	14	36	17

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2018	2019	2020	2021+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	455	55	33	5	0	93	20%
PETROLEUM							
VLCC	733	44	41	13	2	100	14%
Suezmax	563	28	19	7	1	55	10%
Aframax	651	59	41	11	14	125	19%

INDUSTRY HEADLINES

SHIPPING: The 2020 0.5% sulphur cap - scrubbers vs LNG debate rages on

With it looking almost certain that the IMO's 0.5% global sulphur cap will be enforced from 1 January 2020 the question of whether to fit scrubbers, switch to LNG, or simply use low sulphur fuel remains a complex one. Industry officials warn that anyone hoping for the IMO to delay implementation of the 0.5% sulphur cap as happened with the Ballast Water Management (BWM) Convention is highly likely to be disappointed. “2020 – I think we know that is going to happen. There is no turning back,” Mario Moretti, Area Manager SE Asia for RINA told Mare Forum Singapore 2018 on Thursday. Korean Register executive director Kim Yeon-Tae delivered a similar message in a statement on Wednesday: “If the implementation of sulphur cap 2020 is postponed once again after the BWM Conventionn, IMO will lose public confidence and face a significant obstacle to the smooth implementation of any future conventions. In reality, the chances of postponing the sulphur cap 2020, are very, very small.”

Source: Seatrade Maritime

PETROLEUM: VLCCs' on slowdown mode, as tonnage surplus in Middle East almost three times higher than 2015 average

The VLCC tanker market has a long way to go, before it manages any sort of meaningful recovery. In its latest weekly report, shipbroker and tanker market specialist, Charles R. Weber said that “the VLCC market's depressed state of affairs remained the defining characteristic of the market this week. Fresh demand in the Middle East declined modestly as the February program came to a conclusion – with the fewest spot cargoes since February 2016 – and charterers progressed slowly into the February program. Meanwhile, demand in the West Africa market remained muted, pushing the region's four-week average of fixtures to a nine-month low – and demand on the other side of the Atlantic was minimal”.

Source: Hellenic Shipping News Worldwide

PETROLEUM: Suezmax rates stay flat despite fixing activity

Suezmax period charter rates remain muted amid ample tonnage and slight demand growth, but some market sources see another year or more of struggles. Oslo-based broker Fearnleys puts a one-year rate for suezmaxes at $16,000 per day. Earlier this year, the rate was calculated at $16,750 per day. Allseas Marine secured only $16,000 per day for the 159,800-dwt RS Aurora (built 2018). Navig8 is reported to be taking the suezmax for one year, with profit share options. Separately, Euronav chartered out the 150,000-dwt Filikon (built 2002) on a fixture, potentially lasting between two and four months. Despite increased activity, some brokers remain pessimistic on much fundamental improvement this year. Spot rates on one of the key transatlantic suezmax routes remain mired at multi-year lows. Owners and operators are most keen on getting some of the cargoes heading out of the US Gulf, with expectations for stronger activity in March and April as turnaround season for refinery maintenance boosts exports. But suezmaxes remain in oversupply with one market source not seeing a recovery until 2021. By then, the IMO's 2020 deadline for shipowners to lower their sulphur emissions will favour modern eco-tonnage and more older ships will be trading in the East, limiting supply in the Atlantic Basin.

Source: TradeWinds

PETROLEUM: Giant oil ships from the U.S. to cut time, money and traders

Big oil tankers sailing from the U.S. are set to bring along some benefits for refiners in Asia while allowing them to sidestep traders serving the world's top crude-buying region. The new option to load oil into very large crude carriers (VLCCs) at the U.S. Gulf Coast terminal operated by the Louisiana Offshore Oil Port, or LOOP, will reduce costs and waiting time for Asian buyers of American supplies, according to shipbroking firm Braemar ACM. It also reduces the need to rely on traders to manage complicated tanker logistics that sometimes involve multiple smaller vessels transferring crude into a bigger boat. The first fully laden supertanker sailed from America earlier this month, leaving for China from LOOP's deep-water facility — the only one in the U.S. capable of filling some of the industry's biggest tankers. In the wake of an end to a four decade-ban on exports and as OPEC curbed output to clear a glut, a stream of shipments from the Gulf Coast headed east as major buyers such as India and South Korea looked farther for supplies.

Source: Bloomberg

INDUSTRY HEADLINES

PETROLEUM: Tanker demolitions take center stage in scrapyards

As the freight rate market is reeling under the tonnage pressure, more and more ship owners are electing to scrap their older tankers. In its latest weekly report, shipbroker Clarkson Platou Hellas said that "with a further supply of larger tanker units again engaging Buyers once again previous week, some considerably strong levels have been witnessed, compared to recent weeks' pessimistic views, with some cash buyers starting to gamble on those tankers giving later delivery windows in the hope that Pakistan re-opens for tankers. This continual flow of larger units is set to continue considering the amount of such tonnage being talked in the market and unless we see Pakistan finally open its doors, the yards with resources to take on such a large process of buying a VLCC/Suezmax tanker will reduce by the week. As evidenced by the sales collated below, some Owners are now starting to act on disposing of their vintage larger tanker units with the assumption that each week could see price levels drop because of the sheer volume that are expected to be sold.

Source: Hellenic Shipping News Worldwide

PETROLEUM: Tanker market blues can be rosy for futures

The big guns of the tanker industry have been debating how to attract fresh liquidity into the forward freight agreement (FFA) market. Promoted by the Baltic Exchange and hosted by the FFA Brokers' Association, the Tanker Freight Derivatives Forum in London attracted major companies including oil giants Shell and BP and traders Trafigura and Vitol. The general view was that with the tanker market on its knees, now is a good time to promote FFAs. A new weekly FFA contract was introduced at the start of this year to try to attract wider interest into the market; it has had some success, with indications that FFA trades are increasing this year. Trading in crude FFAs rose last year by 13% to 122,834 tonnes but is still a fraction of the volumes seen in the dry bulk market. Trafigura chief economist Saad Rahim and senior Fearnley analyst Dag Kilen outlined the economic and market uncertainties that might prompt owners and operators to use derivatives as a hedging tool to protect earnings. Rahim's view was that rising interest rates could be a factor in slowing world economic growth, while the emergence of electric cars could disturb global oil trade patterns and volumes. Kilen pointed to the volatile nature of the tanker market, suggesting that it could run from the current recession to boom by 2020 and back to bust again by 2022.

Source: TradeWinds

PETROLEUM: Malaysia Pengerang refinery to boost demand for tankers: experts

Malaysia's Pengerang Integrated Petroleum Complex is likely to boost the demand for oil tankers in the region as more crude is delivered for refining and some of the oil and petrochemical products are exported after processing, experts at the Institute of Southeast Asian Studies said late last week. "Of course, there will be more demand for tankers once the project is complete and operationalized," Javier Revilla Diez, a professor for economic geography at the University of Cologne and a visiting fellow at ISEAS, told S&P Global Platts on the sidelines of a seminar organized in Singapore. PETRONAS, is setting up a refinery in Johor's Pengerang with a refining capacity of 300,000 b/d, which is equivalent to over four VLCCs of crude a month, or one every week. The 300,000 b/d refinery project is likely to be completed next year. Close to 70% of the crude for processing in Pengerang will be supplied by Saudi Aramco, which overall plans to invest around $7 billion in the entire complex.

Source: Platts

LNG: Gulf Coast LNG exports soon expected to dominate global market

The U.S. is soon expected to become a dominant player in the global market for liquefied natural gas as Gulf Coast companies build massive terminals to serve overseas markets and the federal government considers looser regulations for small-scale exports closer to home. Officials, executives and consultants at the S&P Global Platts annual LNG conference in Houston agreed that the ongoing production boom in West Texas and other shale basins across throughout the country has already begun to transform LNG into a global commodity by shifting trade patterns and longstanding business models elsewhere in the world. They said the U.S. will need to ramp up exports in the coming years as increasingly efficient drilling methods create a domestic supply glut.

Source: Chron

INDUSTRY HEADLINES

LNG: Asia's soaring gas demand opens window for new LNG projects

Soaring gas demand from China, India and Southeast Asia is sucking up an LNG supply glut previously expected to last for years, opening opportunity for new production from East Africa to North America that had been deemed part of the overhang. Trade flows in Eikon show global liquefied natural gas (LNG) imports have risen 40 percent since 2015, to almost 40 billion cubic meters (bcm) a month. Growth accelerated in 2017, with imports up by a fifth, largely due to China, but also South Korea and Japan. Asia's LNG market has been glutted since 2015, following massive development that began in the early 2000s. But a gasification program in China last year and strong economic growth across Asia pushed up demand, contributing – along with a cold winter – to a doubling of LNG spot prices from mid-2017. The market is expected to remain relatively tight for the remainder of 2018, with China's gas program continuing and delays at several export projects. "The tight market is going to continue simply because demand is growing and expected projects have been delayed," said Jun Nishizawa, senior vice president at the energy division of Japan's Mitsubishi Corp's.

Source: Reuters

SHIPYARD: Talk of multi-ship order for LNG carriers goes round market

South Korean shipyard Hyundai Heavy Industries is being linked to plans for a potentially large LNG carrier order backed by US shale gas interests. LNG industry sources were alive with talk this week that discussions are in play for berths that would place nine LNG ships at HHI and a further trio at sister facility Hyundai Samho Heavy Industries. Those watching the business closely say hull numbers have been pencilled in for vessels, and talks held with key equipment suppliers. They indicate that if this enquiry is firmed up into signed orders it could be done quite quickly, possibly in the next two months. Several versions of a company name are being linked to the order chatter but newbuilding brokers and LNG specialists say they are unclear who are the project backers. However, several have indicated that the business relates to US shale gas exports.

Source: TradeWinds