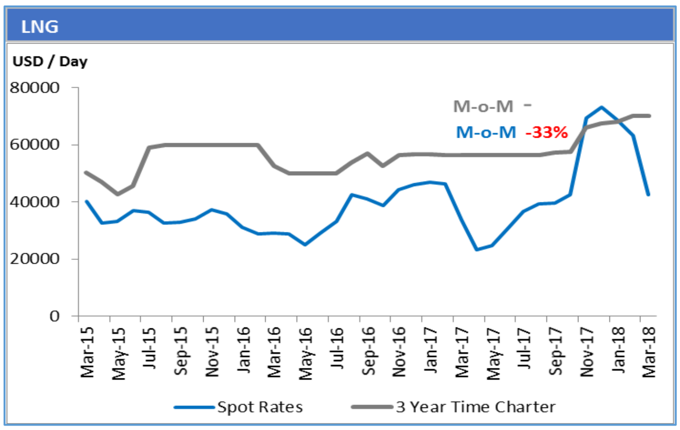
MISC Monthly

April 2018

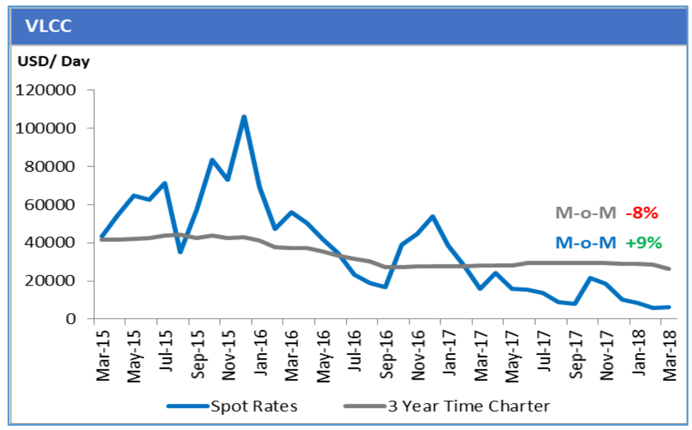
moving energy to build a better world

MISC Financial Calendar	
1Q 2018 Quarterly Results	Friday,11th May 2018
2Q 2018 Quarterly Results	Tuesday, 07th August 2018
3Q 2018 Quarterly Results	Tuesday, 20th November 2018
MISC Announcements	
Media statement by MISC Berhad - Recent reports regarding the investigation by the MACC on the Company related to alleged bribery	
Proposed renewal of authority for MISC to purchase own shares of up to 10% of its prevailing total number of issued shares	
Proposed adoption of new constitution of MISC Berhad	

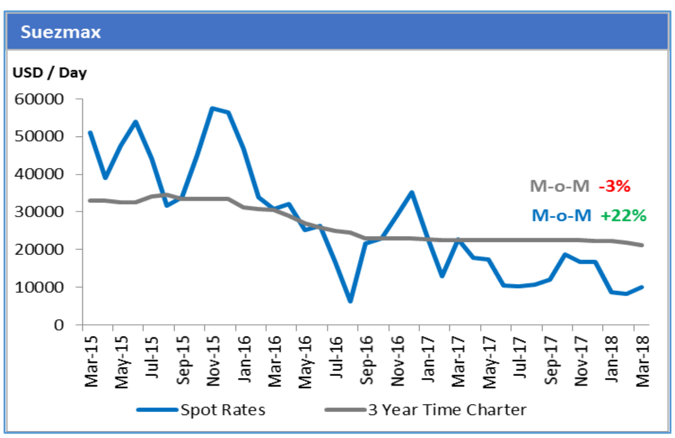
FREIGHT MARKET



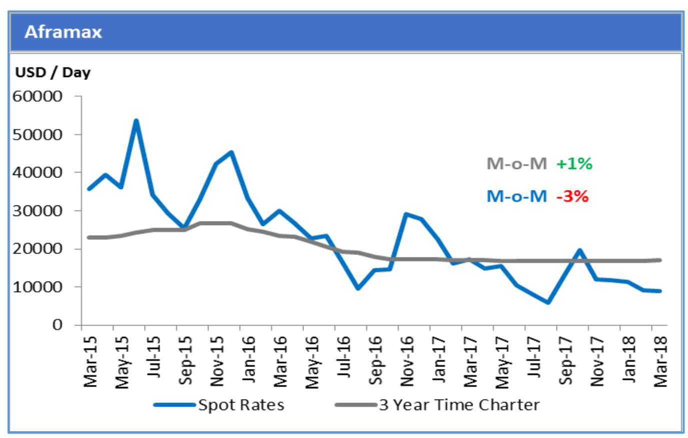
- Steep decline in spot rates due to diminishing winter demand and high tonnage supply.
- Temporary shutdown of the PNG LNG terminal due to the recent earthquake has also contributed to idle vessel tonnage.



- The Middle East market saw a more positive freight rates due to a sudden increase in demand especially from the Asian markets.
- There was a delivery of one VLCC newbuild in March with seven total YTD this year.



- Rates on routes out of the Black Sea/Med firmed on the back of a tightening position list and a firm market in West Africa.
- Fleet grew with two new deliveries.



- Rates were generally weaker except for the Caribbean – US gulf route which saw a slight improvement due to loosening of weather related delays.
- The fleet grew with three new build deliveries bringing total YTD to fourteen.

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FREIGHT MARKET

USD/Day	Feb 2018 Avg	Mar 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	63,313	42,500	-33%	58,188	42,222	34,796
1 Year Time Charter	65,000	60,000	-8%	61,667	38,824	32,639
3 Year Time Charter	70,000	70,000	-	69,375	58,369	54,079
Steam Engine						
Spot Rates	33,750	30,000	-11%	33,583	27,735	26,465
1 Year Time Charter	36,000	35,400	-2%	35,800	26,381	20,194
3 Year Time Charter	34,500	34,500	-	34,500	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	5,716	6,224	9%	6,741	18,242	41,363
1 Year Time Charter	22,563	20,500	-9%	22,521	27,143	36,554
3 Year Time Charter	28,750	26,400	-8%	28,050	28,786	33,002
Suezmax						
Spot Rates	8,250	10,088	22%	9,039	15,856	27,260
1 Year Time Charter	17,000	16,700	-2%	16,942	18,534	27,299
3 Year Time Charter	21,875	21,300	-3%	21,808	22,507	26,296
Aframax						
Spot Rates	9,207	8,899	-3%	9,816	13,933	22,885
1 Year Time Charter	15,000	13,975	-7%	14,700	15,511	21,491
3 Year Time Charter	16,750	17,000	1%	16,833	16,865	20,603
MR2						
1 Year Time Charter	13,875	13,700	-1%	13,838	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	119	121	2%	118	105	107
Rotterdam-Taiwan	91	92	1%	90	83	80
Gulf-Far East	41	40	-1%	42	37	38
Singapore-Rotterdam	78	78	-0.3%	78	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	12,917	13,146	15,513
1 Year Time Charter 37,000 dwt	12,125	11,500	-5%	12,042	11,438	13,995

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ASSET VALUE

USD ‘Million	Feb 2018 Avg		Mar 2018 Avg		1-Month +/-%		YTD 2018		2017 Avg		2016 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	180		180		-		180		183		196	
PETROLEUM												
VLCC												
Newbuild	83		85		2%		84		80		89	
5-Year	62		63		2%		62		61		66	
Suezmax												
Newbuild	56		58		3%		57		54		57	
5-Year	40		42		5%		41		41		47	
Aframax												
Newbuild	45		45		0.4%		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	31	-	9%	47	29	47	29	49	30
Secondhand Prices - 10 years	33	13	33	14	-	8%	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	471	42	31	16	1	90	19%
PETROLEUM							
VLCC	724	39	46	19	2	106	15%
Suezmax	567	25	19	7	1	52	9%
Aframax	648	53	41	48	14	156	24%

INDUSTRY HEADLINES

SHIPPING: Shippers urge caution over trade war threats

Responding to new tariff announcements from the US and counter-measures proposed by the European Union and China, the Global Shippers' Alliance which represents major shippers' organisations from Asia, Europe and the US said it was "by dialogue that countries and regions should solve problems among themselves". It added that by collaborating, international trade "can continue and even increase its ability to generate welfare for the populations". During its general assembly in Hong Kong this week, the GSA highlighted its concerns to EU trade commissioner Cecilia Malmström and assured her of the organisation's "strong support for her efforts to reduce the negative impact of a trade war between the US and EU". It said the consequences of such a trade war would certainly spread to other countries and regions in the world. "Presently 40% of GDP depends on cross-border flows; this was 53% in 2007," the GSA said. "This so-called de-globalisation is at least partly the result of protectionist measures." Additional costs as a result of higher duties, quotas or non-tariff measures reduce the volume of trade among countries and therefore will have a negative effect on welfare, the organisation noted.

Source: Lloyd's List

SHIPPING: SEB analyst fires 2020 fuel price warning

A sudden and dramatic shift in demand from high sulphur heavy fuel oil (HSFO) to marine gas oil (MGO) in 2020 is set to widen the price spread between the two products to more than $450 per tonne according to Bjarne Schieldrop chief commodities analyst at Nordic Bank SEB. In his extensive report IMO2020 released today, Schieldrop suggests the reluctance of shipowners to comply with the IMO's requirement for 0.5% sulphur content fuel by fitting scrubbers will mean a massive shift in demand to MGO and ultra low sulphur fuel oil (ULSFO) causing the price spike in 2020. Ships with scrubbers burn HSFO and extract the sulphur from the exhaust gas but Schieldrop estimates that less than 2000 ships will have taken this option by 2020. "As demand for HSFO almost evaporates in 2020 and instead shifts to ULSFO 0.5% or gasoil, we forecast global refinery upgrading capacity utilization will be stretched to its maximum.

Source: TradeWinds

PETROLEUM: VLCC demolition hitting a peak

Frantic demolition activity involving VLCCs may have finally plateaued, cash buyer GMS says. It follows what analysts describe as a spectacular start to 2018 for the scrapping of older tankers in a weak market. With Pakistan still closed, demolition prices falling a touch and fewer end buyers GMS says the market has "finally hit a peak of sorts". With cash buyers also taking responsibility for gas free for hot works cleaning on VLCCs already sold for scrap, less funds are available for further buys, GMS adds in its weekly report. As TradeWinds reported, 17 VLCCs have sold for scrap this year, while rock bottom newbuilding prices have led to new orders for 15 of the tankers. Analysts at JP Morgan count 16 VLCCs scrapped in 2018. It said the figure pointed to a "pretty spectacular" annualized scrap rate of 8.3% in the first quarter of the year.

Source: TradeWinds

PETROLEUM: Strong demand of VLCC Tankers in the Middle East and Atlantic Americas reported

Ship owners of the largest tankers, VLCCs have been witnessing some harsh market conditions, which have appeared to ease off, during the course of the past week. In its latest weekly report, shipbroker CR Weber said that "VLCC rates experienced upward pressure this week as owners' confidence was boosted by strong demand in the Middle East and Atlantic Americas regions. The demand gains in these regions built on strong draws on Middle East tonnage to service West Africa demand over the past two weeks to moderate the extent of surplus Middle East tonnage". According to CR Weber, "a strong run in recent demolition sales activity also saw a number of units positioned between Singapore and Fujairah drop off position lists. Additionally, as charterers progressed into early April Middle East cargoes at the start of the week, about half of the units available to cover these were disadvantaged. As a result, those requirements that could not work disadvantaged units lent support to rates for competitive units; the gains did not extend to disadvantaged units and instead created a wider spread between the two tiers of tonnage.

Source: Hellenic Shipping News Worldwide

INDUSTRY HEADLINES

PETROLEUM: Five things to watch: Crude tankers

After a disappointing winter in terms of freight earnings, market sentiment for crude carriers have turned bearish. With the OPEC cut constraining Middle Eastern exports, bulls are hoping scrapping volume will stay high for the rest of 2018 so oversupply can be curbed. Most market players hold a dim view over earnings prospects this year even as rising scrapping volume could pave way to recovery. According to Lloyd's List's survey of analysts on forecast earnings, now running quarterly, spot time-charter equivalent rates of very large crude carriers will average $20,324 per day this year, down from $26,240 in the previous prediction. Forecast suezmax TCE rates dropped to $15,918 per day from $19,012, while those for aframaxes fell to $14,266 from $15,648. The main reason behind those downbeat forecasts remains oversupply. The number of newbuilding deliveries remains high, and some orders are emerging; the pick-up in scrapping volume has triggered optimism in some quarters, but the volume is still too small to aid the rate environment. There is little good news on the vessel demand side, either.

Source: Lloyds List

PETROLEUM: Cheaper US crude loading logistics likely to lure more Asian buyers

Apart from competitive spot price indications, lower cost of oil transportation from the US Gulf Coast to the Far East could provide Asian refiners with more reason to shop for US crude oil going forward, as a few loading terminals in the USGC expect to handle large dirty tankers in the coming years. The successful VLCC crude loading operation at the Louisiana Offshore Oil Port last month would further boost Asian end-users' interest in US crude as logistics costs could be cut significantly, industry sources said. Shell was responsible for the recent VLCC loading of crude at the LOOP terminal and the new logistics option will set the tone for US-Asia crude flows to become the "new normal," Mark Quartermain, vice president of crude trading and supply at the oil major said at the S&P Global Platts Asian Refining Summit in Singapore

Source: Platts

LNG: U.S. liquefied natural gas exports quadrupled in 2017

U.S. exports of liquefied natural gas (LNG) reached 1.94 billion cubic feet per day (Bcf/d) in 2017, up from 0.5 Bcf/d in 2016. As LNG exports increased, shipments went to more destinations. U.S. LNG exports in 2017, all of which originated from Louisiana's Sabine Pass liquefaction terminal, reached 25 countries. More than half (53%) of U.S. LNG exports in 2017 were shipped to three countries: Mexico, South Korea, and China. Mexico received the largest amount of U.S. LNG exports, at 20% of the 2017 total. Growing natural gas demand in Mexico, particularly from the power generation sector, and delays in the construction of domestic pipelines connecting to U.S. export pipelines led Mexico to rely on LNG imports to supplement imports of natural gas by pipeline. In Asia, the widening difference between the Henry Hub natural gas price—to which U.S. LNG contract prices are indexed—and crude oil—to which LNG prices are benchmarked in Asia—helped to drive increases in LNG imports from the United States.

Source: EIA

LNG: Singapore could still thrive as regional LNG trading hub

Singapore's success as an evolving Asian LNG trading hub will likely rely on the growth of the small-scale LNG market in southeast Asia over the medium term. The market size for southeast Asia is forecast to grow by around 71mtpa by 2035 in an annual LNG outlook that Anglo-Dutch energy major Shell published in March 2018. Southeast Asia will become a net LNG importer by 2035, with Indonesia – the largest economy in the region – alone requiring 30mtpa by that year, Shell said at an industry event on 8 March. Many companies see the region as key to creating new LNG demand. Small LNG vessels are needed to deliver to the remote areas not linked to a gas grid. An ideally placed receiving terminal that can break conventional-sized cargoes into smaller volumes to supply those areas is at an advantage. The Singapore LNG (SLNG) terminal is being heavily promoted as that connection point for southeast Asia. Singapore is already providing break-bulk, bunkering and reloading services.

Source: ICIS

INDUSTRY HEADLINES

LNG: Orders forecast to reach 50 in 2018

The number of LNG carrier newbuildings placed this year is forecast to hit the half century mark, according to one South Korean analyst. "We raise our 2018 global LNG order forecast from 40 to 50 vessels," said NH Investment & Securities analyst John Yu. "Thanks to the growing dependence of China on LNG spot markets, short-term charter rates should remain strong through 2020, a positive for the LNG carrier market." Yu said China over took South Korea in 2017 to become the world's second largest LNG importer behind Japan. It imports rose 44% year-on-year to 38mt, or 15% of the global market. "In 2017, China's spot LNG imports spiked 400% year-on-year, due mainly to the fact that while China's energy policy focus has rapidly shifted towards natural gas, the country still lacks key infrastructure, such as LNG storage facilities," says Yu. He says that if China possessed sufficient storage facilities, its LNG imports would stabilize through long-term contracts, including during the low summer season.

Source: TradeWinds

LNG: Market more inclined towards smaller-scale projects

The liquefied natural gas (LNG) business is leaning towards smaller-scale projects with lesser volumes amid soft and challenging market sentiment for the energy sector. Petroliam Nasional Bhd (PETRONAS) VP of LNG Assets, upstream, Adnan Zainal Abidin said there was a big fundamental shift in the LNG market with buyers now seeking more flexibility in contracts — comprising smaller parcels and volumes with shorter contract tenure in a paradigm of abundance in supply. "The days of having huge long- term contracts are getting more difficult. The buyers want to wait-and-see how the market pans out," he said at a panel session during the Offshore Technology Conference Asia — special session on floating LNG (FLNG) in Kuala Lumpur yesterday. "I think the smaller FLNG trains of around two million tonnes would be perfect in this current market scenario because we would not be seeing any 20-year contract tenure anymore in the immediate future," he added. Adnan said buyers are looking for three- to five-year supply contract period.

Source: The Malaysian Reserve

SHIPYARD: Sink or sail? – Shipbuilders face critical point for survival

The nation's shipbuilding industry officials are maintaining a cautious outlook, despite growing expectations about recovery following an increase in the number of orders that shipbuilders have obtained this year. Although global market conditions seemingly support the optimism, they have mentioned government support, global environmental regulations and steel plate prices as significant factors which will determine the destiny of domestic shipbuilders. According to industry officials, Sunday, the nation's top three shipbuilders have won 53 contracts worth $5 billion this year, 25 percent of the total value of orders last year. The big three shipbuilders have been proving their competitiveness in the global LNG carrier market. Also, the outlook for the global shipbuilding market is bright, according to Clarkson Research. The U.K.-based institute specializing in analysis of the shipping and shipbuilding businesses expects orders for 1,134 ships will be made this year and 1,444 ships next year, up from 993 last year.

Source: Korea Times