MISC Monthly

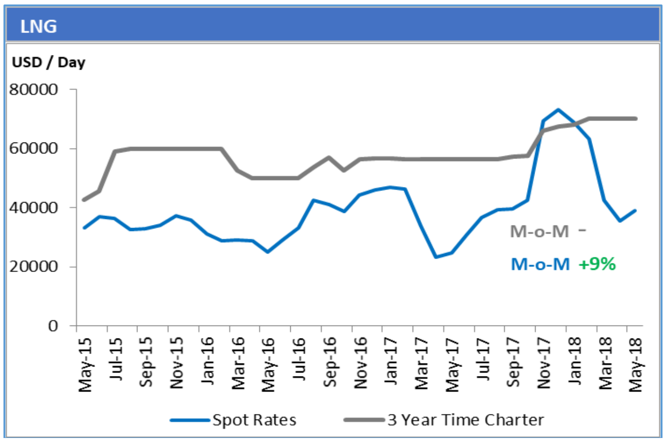
June 2018

moving energy to build a better world

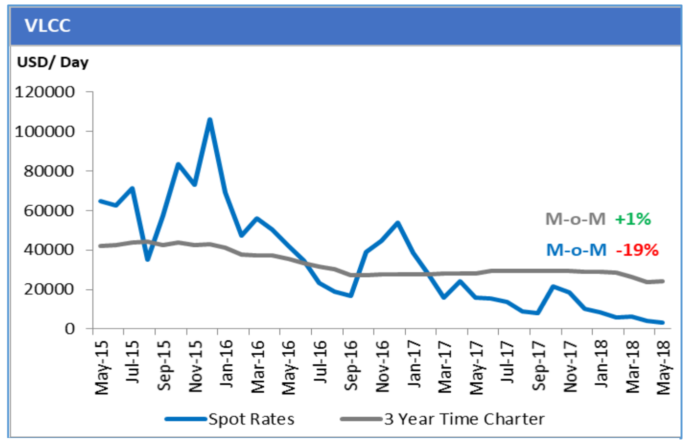
MISC Financial Calendar	
2Q 2018 Quarterly Results	Tuesday, 07th August 2018
3Q 2018 Quarterly Results	Monday, 19th November 2018

MISC Announcements
Award of Contract - AET Tanker Holdings Sdn Bhd, has been awarded long-term charter contract(s) to own and operate four (4) specialist DP2 Suezmax size Shuttle Tankers from Petrobras.

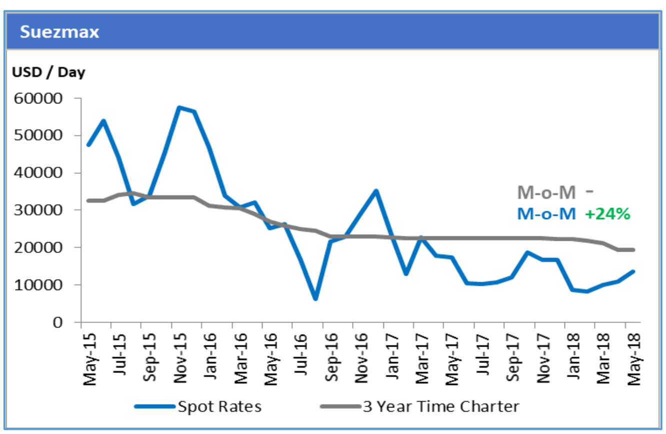
FREIGHT MARKET



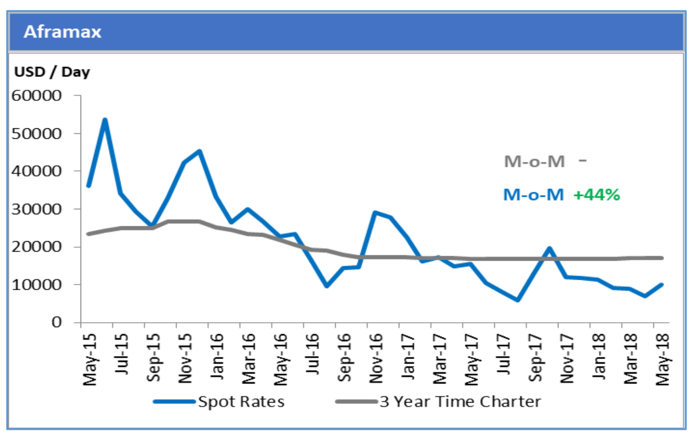
- A distinct increase in LNG spot activities coupled with tightening vessel availability has translated into firmer LNG spot rates during the month.
- Additionally, there has been an increase in demand for multi-month and multi-year short term charters ahead of expected new LNG supplies from the Atlantic in 2H18.



- Rates has been volatile in May due to the recent US sanction onto Iran affecting the tanker market. Since then the VLCC market has commanded further gains on sustained elevated demand in the Middle East market and a strengthening of demand in the West Africa market.
- There were deliveries of five VLCC newbuilds in May bringing the YTD deliveries to 18 for the year.



- A much busier West Africa Suezmax market supported earnings in the region, while rates in the Mediterranean remained under pressure.
- Fleet grew with three new deliveries.



- Aframax rates in the Caribbean market remained strong amid sustained regional demand driven by higher oil prices, rising US crude exports and apparent waning level of adherence to the earlier OPEC/non- OPEC supply curbs.
- There was two Aframax deliveries in May bringing the fleet numbers to 23 YTD.

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FREIGHT MARKET

USD/Day	Apr 2018 Avg	May 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	35,625	39,000	9%	49,838	42,222	34,796
1 Year Time Charter	60,000	60,000	-	61,000	38,824	32,639
3 Year Time Charter	70,000	70,000	-	69,625	58,369	54,079
Steam Engine						
Spot Rates	24,375	28,625	17%	30,750	27,735	26,465
1 Year Time Charter	35,000	35,000	-	35,480	26,381	20,194
3 Year Time Charter	34,500	34,500	-	34,500	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	3,932	3,185	-19%	5,468	18,242	41,363
1 Year Time Charter	19,594	19,375	-1%	21,306	27,143	36,554
3 Year Time Charter	23,750	24,000	1%	26,380	28,786	33,002
Suezmax						
Spot Rates	10,914	13,508	24%	10,308	15,856	27,260
1 Year Time Charter	15,500	15,500	-	16,365	18,534	27,299
3 Year Time Charter	19,500	19,500	-	20,885	22,507	26,296
Aframax						
Spot Rates	6,928	10,005	44%	9,276	13,933	22,885
1 Year Time Charter	13,344	13,563	2%	14,201	15,511	21,491
3 Year Time Charter	17,000	17,000	-	16,900	16,865	20,603
MR2						
1 Year Time Charter	13,281	13,031	-2%	13,565	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	120	117	-3%	118	105	107
Rotterdam-Taiwan	90	93	3%	91	83	80
Gulf-Far East	41	41	-	42	37	38
Singapore-Rotterdam	78	81	4%	79	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	12,950	13,146	15,513
1 Year Time Charter 37,000 dwt	11,250	11,250	-	11,785	11,438	13,995

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ASSET VALUE

USD 'Million	Apr 2018 Avg		May 2018 Avg		1-Month +/-%		YTD 2018		2017 Avg		2016 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	180		180		-		180		183		196	
PETROLEUM												
VLCC												
Newbuild	88		88		-		85		80		89	
5-Year	64		64		-		63		61		66	
Suezmax												
Newbuild	59		59		-		57		54		57	
5-Year	44		44		-		42		41		47	
Aframax												
Newbuild	46		46		-		45		44		46	
5-Year	32		32		-		31		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	31	47	32	-	2%	47	30	47	29	49	30
Secondhand Prices - 10 years	33	14	33	14	-	-	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	727	28	51	25	2	106	15%
Suezmax	574	19	19	11	1	50	9%
Aframax	645	42	49	16	16	123	19%

INDUSTRY HEADLINES

SHIPPING: LNG bunkering vital conduit for South Korea to comply with IMO 2020 rule

South Korea's shipping sector is set to give a boost to LNG bunkering, with the country preparing to order its first LNG-fueled vessels to comply with upcoming global emissions rules, a senior official at the Ministry of Ocean and Fisheries said. Local companies are considering buying two LNG-fuelled 200,000 mt bulk carriers for the South Korea-Australia route, Song Young-Dal, head of the marine policy department at MOF, said. "It would be South Korea's first order for LNG-fuelled vessels," Song said. The government on May 17 finalized measures to promote LNG-powered vessels as part of its preparation for the International Maritime Organization's 2020 global sulfur limit rule for marine fuels, Song said.

Source: Platts

PETROLEUM: Tanker Shipping: Added uncertainty is not helpful to the struggling tankers

Just when you thought it could not get any worse for the tanker shipping industry, the US is re-imposing sanctions on Iran coming into force after a six months wind-down period ending on 4 November 2018. The immediate effects are less tangible but sure to add more uncertainty to the whole shipping industry that has plenty of uncertainty to deal with already. At the same time, freight rates for both crude oil tankers and oil product tankers are mostly in loss making territory. Hardest hit are the larger crude oil tankers. On 25 May, average earnings for VLCC, Suezmax and Aframax stood at USD 4,238; 18,073 and 17,930 per day respectively.

Source: BIMCO

PETROLEUM: Hints of higher Russian oil production could boost aframaxes

Russian crude oil exports are a critical piece of ton mile demand for the Aframax markets, and also contribute to Suezmax utilisation. The overall trend was for higher ton mile demand through the middle of 2017, but these numbers have fallen from their peaks, and the export volumes have fallen in the first quarter of 2018. Most of the cuts have come from the Russian export locations in the Baltic. Only smaller ports in the Tartary Strait have seen an uptick in the first quarter of 2018, but even Pacific Basin exports are down as a whole when the lower Kozmino exports are considered. The current agreement between OPEC and Russia is to keep production levels low through the end of 2018. The recent rise in oil prices, combined with expected output drops from Venezuela and Iran may tempt market participants though. If Russia boosts its exports, it would be a much needed lifeline for Aframax utilisation.

Source: VesselsValue

PETROLEUM: Overwhelming Tanker orderbook is pushing some owners to retire ships well below 20 years of age

In its latest weekly report, shipbroker Allied Shipbroking said that "one thing that can be said with certainty is that 2018 is all but what can be described as a stellar year for the tanker market, given the turmoil it has faced during these past five months and the repeated inability to show an ability to sustain itself on a stable track. Given that VLCCs are often considered as the flagship size segment for the crude oil market, it is notable to point out that they their TCE earnings eased back to – $5,449 per day during the latter part of the previous month, a figure not repeated since the last trough point back in 2014. For year so far their TCE levels haven't been much more impressive, having stayed mostly in the negative territory, while the average figure for the past five months is closing in on – $2,100 per day. This is a level well below what we were seeing last year, which was in the region of $ 10,200 per day."

Source: Hellenic Shipping News Worldwide

PETROLEUM: VLCC newbuild contracting up as speculators arrive

Despite record levels of tanker recycling in the early months of the year, tanker analysts and brokers are increasingly concerned about continuing tonnage oversupply, particularly in the VLCC sector where a series of new contracts have been placed recently with more to follow. At first sight, these new orders are puzzling. Crude tanker rates so far this year have suffered a disastrous spell and, although slightly firmer in recent days, are still at heavy loss-making levels. OPEC output limits have been extended, US shale production is up again, cutting tonne-mile demand, and a tense geopolitical backdrop adds to owners' uncertainties.

Source: Seatrade Maritime

INDUSTRY HEADLINES

LNG: Spot LNG shows strong gains for June

Spot LNG markers for June-delivery cargoes gained 10% on the month and 40% on the previous year as the market trended upwards during the four weeks from mid-April to mid-May. The global appetite for LNG remained healthy, with Argentina tendering for its winter supplies, Europe looking to use its summer to fill up depleted storage facilities, and east Asian countries starting to look towards summer peak air-conditioning demands as the market moves on from the April/May shoulder period between seasons. Despite talk in recent years that the market could face a wave of surplus LNG supplies on the back of new projects entering service in Australia and the US, East Asia Index (EAX) spot prices were in fact at their highest level for the time of year since 2015.

Source: ICIS

LNG: Middle East crude exports face losing out in US-China trade tension thaw

China's imports of crude oil and LNG are poised to grow amid growing domestic demand and diversifying import sources is likely to lead to more competitive prices for the buyer. Crude exports from the Middle East and future liquefied natural gas volumes from Southeast Asia are expected to suffer if China moves to accept more imports from the US to ease trade tensions. China has been heavily reliant on the Middle East for crude supplies in the past, but rising prices in recent years makes it more willing to diversify its sources. About a quarter of the country's refining capacity are independent refineries that lack sufficient desulphurisation capacity, requiring lighter and sweeter feedstock such as those from the US to run efficiently.

Source: Lloyds List

LNG: Singapore the preferred location of future Asian LNG trading hub – Deloitte

Singapore has carved out a wide lead over other nations as the preferred location of a future Asian liquefied natural gas (LNG) trading hub. In a Deloitte survey of over 80 senior energy industry leaders from across the Asia-Pacific region, some 74 per cent of respondents said Singapore would attain the position by 2023, with 10 per cent of respondents each selecting China and Japan as other potential hub locations. Deloitte's oil and gas Asia-Pacific regional leader Mike Lynn said Singapore "fits all the criteria of an ideal trading hub". Singapore "has a world-class trading infrastructure already in place, excellent institutions, offers low geopolitical risk whilst situated in an ideal geographic location with deep and liquid financial and capital markets, in addition to an attractive tax and regulatory regime", Mr Lynn noted.

Source: The Straits Times

LNG: New dangers ahead for LNG sector as short-termism takes over

The opening day of KNect365 Energy's Gas Shipping Americas conference in Houston, and already the disconnect between LNG supply, demand, and shipping is a clear and present danger. This is unusual for a sector that used to be so synchronised, opined Jason Feer, Global Head of Business Intelligence at Poten & Partners. And there are worrying signs of stress ahead. Contracts that were extended for 20 years to support massive and costly infrastructure projects will be terminated within 10 years; replacements will not need to run for so long, so vessel operators should brace themselves for contracts of five or even as little as two years' duration. Moreover, new entrants into the LNG market including West African states, Malta, Pakistan, and Poland have limited demand for liquefied gas compared with the established majors such as Japan and South Korea.

Source: Lloyd's List