

July 2018

**moving energy** to build a better world

## MISC Financial Calendar

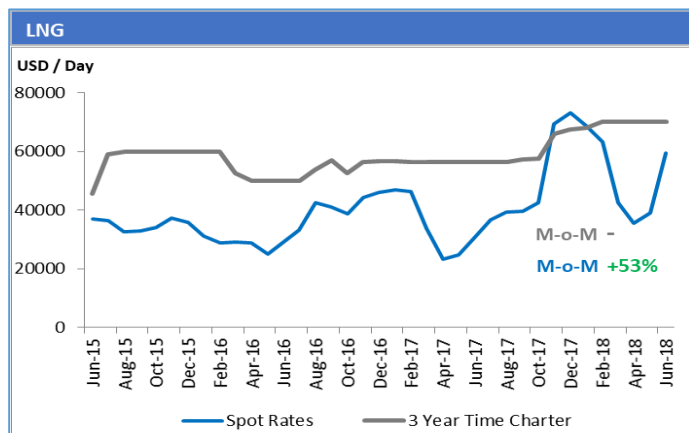
2Q 2018 Quarterly Results Tuesday, 07<sup>th</sup> August 2018

3Q 2018 Quarterly Results Monday, 19<sup>th</sup> November 2018

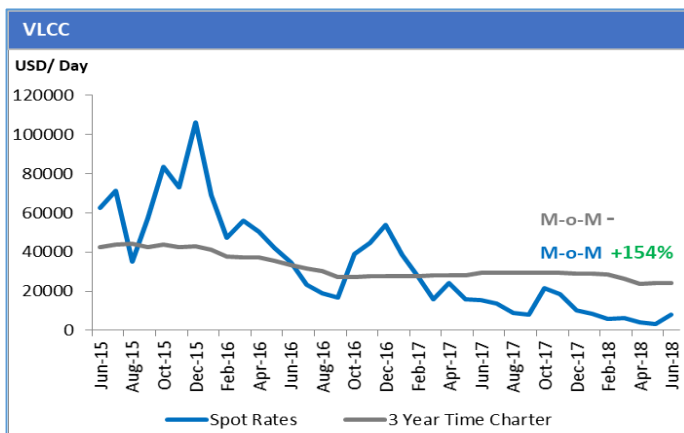
## MISC Announcements

Award of Contract - AET Tanker Holdings Sdn Bhd, has been awarded long-term charter contract(s) to own and operate four (4) specialist DP2 Shuttle Tankers from Petrobras, with estimated contract value of USD 645 million.

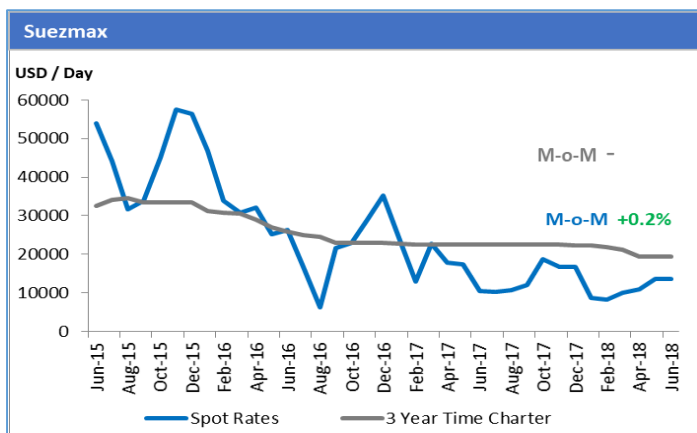
## FREIGHT MARKET



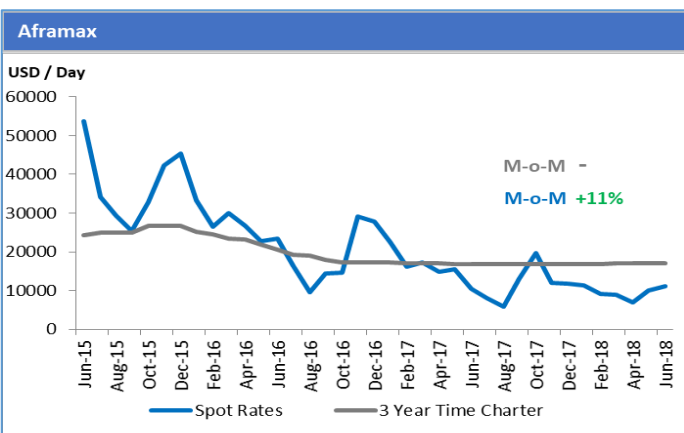
- The LNG spot rates continue to strengthen throughout the month of June, supported by tightening tonnage availability and strong chartering activities.
- The market is also seeing continuing strong vessel demand to cover the upcoming winter, leading to a shortage of vessels in the spot market. Higher-than-normal temperatures across Asia are expected to boost LNG prices further.



- VLCC rates rallied strongly in June based on improved demand post Eid holiday. The surge on demand appears to draw on Middle East positions to service West Africa demand, making the market more positive.
- There were deliveries of two VLCC newbuilds in June bringing the YTD deliveries to 21 for the year.



- The Suezmax segment were modestly softer on the back of a modest West Africa market coupled with a quiet Mediterranean month.
- There were no new deliveries in June maintaining fleet numbers to 25 YTD.



- The Caribbean Aframax market remained strong for the month on sustained demand and low availability replenishment, in line with a long list of VLCCs fixed to load US crude exports on the USG making spot units for Aframax lightering activities active.
- Fleet grew with 2 new deliveries.

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## FREIGHT MARKET

USD/Day	May 2018 Avg	June 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
<b>LNG</b>						
<b>Modern Tonnage</b>						
Spot Rates	39,000	59,550	53%	51,456	42,222	34,796
1 Year Time Charter	60,000	72,000	20%	62,833	38,824	32,639
3 Year Time Charter	70,000	70,000	-	69,688	58,369	54,079
<b>Steam Engine</b>						
Spot Rates	28,625	40,200	40%	32,325	27,735	26,465
1 Year Time Charter	35,000	35,000	-	35,400	26,381	20,194
3 Year Time Charter	34,500	34,500	-	34,500	32,631	29,771
<b>PETROLEUM</b>						
<b>VLCC</b>						
Spot Rates	3,185	8,089	154%	5,905	18,242	41,363
1 Year Time Charter	19,375	19,225	-1%	20,959	27,143	36,554
3 Year Time Charter	24,000	24,000	-	25,983	28,786	33,002
<b>Suezmax</b>						
Spot Rates	13,508	13,535	0.2%	10,846	15,856	27,260
1 Year Time Charter	15,500	15,600	1%	16,238	18,534	27,299
3 Year Time Charter	19,500	19,500	-	20,654	22,507	26,296
<b>Aframax</b>						
Spot Rates	10,005	11,096	11%	9,579	13,933	22,885
1 Year Time Charter	13,563	13,800	2%	14,134	15,511	21,491
3 Year Time Charter	17,000	17,000	-	16,917	16,865	20,603
<b>MR2</b>						
1 Year Time Charter	13,031	13,000	-0.2%	13,471	13,219	15,078
<b>CHEMICAL</b>						
<b>Spot Rates (USD/Tonne)</b>						
Rotterdam - Far East	117	110	-6%	117	105	107
Rotterdam-Taiwan	93	90	-3%	90	83	80
Gulf-Far East	41	42	1%	42	37	38
Singapore-Rotterdam	81	83	3%	79	76	76
<b>Time Charter (USD/Day)</b>						
1 Year Time Charter 19,000 dwt	13,000	13,000	-	12,958	13,146	15,513
1 Year Time Charter 37,000 dwt	11,250	11,250	-	11,696	11,438	13,995

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## ASSET VALUE

USD 'Million	May 2018 Avg		June 2018 Avg		1-Month +/-%		YTD 2018		2017 Avg		2016 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	180		180		-		180		183		196	
PETROLEUM												
VLCC												
Newbuild	88		89		1%		86		80		89	
5-Year	64		64		-		63		61		66	
Suezmax												
Newbuild	59		59		-		58		54		57	
5-Year	44		44		-		42		41		47	
Aframax												
Newbuild	46		47		2%		46		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	32	47	32	-	-	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
<b>LNG</b>							
LNG Carriers	482	25	34	23	4	86	18%
<b>PETROLEUM</b>							
VLCC	726	27	56	25	2	110	15%
Suezmax	568	19	19	11	1	50	9%
Aframax	643	37	52	19	16	124	19%

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## INDUSTRY HEADLINES

### SHIPPING: IMO 2020 poses 'big risks'

The 0.5% sulphur content mandate may take up to \$2tn out of global economy, according to consultants. The pending IMO 2020 mandate curbing ship exhaust's sulphur content to 0.5% may pose negative consequences for the maritime industry and global economy, marine fuel experts say. EnSys Energy and Navigistics Consultants list several "major impacts and big risks" in an update to their IMO 2020 Sulphur Rule in Full Update to 2016 Study. "As 2020 gets closer the picture is becoming clearer and it does not look good for the global economy," the two consultancies say in a joint news release. They said there may be a "scramble" period in which less complex refineries will bid up low sulphur crude prices to make more low-sulphur distillate and less residual fuel.

*Source: TradeWinds*

### PETROLEUM: Bad news for tankers is in the past, says DNB Markets

Analysts count up the positive drivers for depressed market, suggesting investor interest will rise. DNB Markets expects tanker stocks to enjoy a better period in the next two and a half years given the belief "all bad news has happened". Analysts led by Nicolay Dyvik note inventory drawdowns, OPEC cuts, low scrapping and reduced floating storage have all taken place in this cycle. "We argue there are several positive catalysts over the next 2.5 years," Dyvik and colleagues Jorgen Lian and Mats Bye wrote in a report, suggesting this will fuel buying interest in tanker stocks. They count 27 VLCCs scrapped so far this year, which has eaten into the oversupply the bank put at around 55 of the tankers at the start of this year.

*Source: TradeWinds*

### PETROLEUM: OPEC move spurs tanker stocks, sentiment and rates

OPEC's decision to turn up the taps is a welcome shot in the arm for tanker owners, with the move already being felt by public companies. Tanker stocks shot up by 15% last week, beating a fall in the S&P 500, according to Morgan Stanley. At the same time, VLCC rates climbed by 50% and the extra oil on the water will assist rates during the second half of the year, analysts say. Led by Saudi Arabia, OPEC will raise output by around one million barrels per day in the second half of 2018, it was confirmed on Friday. Magnus Fyhr, an analyst at Seaport Global, said: "Shipping equities were up across the board last week on positive sentiment building in the crude and product tanker markets as OPEC agreed to raise output starting in July."

*Source: TradeWinds*

### PETROLEUM: The VLCC market "Roars" back in anger

Long have tanker owners wished for a week like the one which we've just put behind us. In its latest weekly report, tanker market specialist, Charles R. Weber commented that "VLCC rates rallied strongly this week on a strong concentration of demand at the start of the week that coincided with the return of some participants to the market following the Eid holiday. This burst of demand coincided with strong draws on Middle East positions to service West Africa demand, making the market appear even more robust. Moreover, though the overall availability profile remained widely in excess of demand, the number of competitive units became markedly tighter, leading to a wider rate spread between competitive and disadvantaged units.

*Source: Hellenic Shipping News Worldwide*

### PETROLEUM: Tanker markets find no respite in June

Similarly to other dirty tanker developments, Aframax spot freight rates rose in June, compared to one month before. They reached a higher level than seen in other classes, showing an average increase of 11% m-o-m. Aframax had a slow start in the beginning of the month, with rates showing no significant changes from April, mainly in the North Sea and the Baltics. The situation varied across different markets at that point, while in the Black Sea and the Mediterranean, the tonnage list was balanced. The increase in spot freight rates was needed substantially to compensate the higher operational costs.

*Source: Hellenic Shipping News Worldwide*

## INDUSTRY HEADLINES

### LNG: Global LNG markets move from oversupply to rebalancing

Fears of an oversupplied liquefied natural gas (LNG) market are beginning to ease as indications point towards a more modest rebalancing. Much of last year's oversupply was absorbed by record demand from China. But can the market, particularly in Europe, absorb future LNG supply? Our analysis shows that global LNG markets will remain tight during 2018, despite supply being set to increase throughout the winter. High seasonal LNG demand in Asia will keep the pressure for supply on. Over the course of this year LNG supply growth will slow a little before accelerating again in 2019. LNG prices in north Asia will trade again at oil parity, equivalent to US\$12 per million British thermal unit (Btu).

*Source: Wood Mackenzie*

### LNG: Fearnleys forecasts tonnage shortfall of over 60 LNG ships

Increasing LNG production is likely to leave a shortfall of over 60 LNG carriers in the period to 2022, according to shipbroker Fearnleys. Presenting Fearnleys' LNG figures to a London forum, shipbroker Michael Newman said that 2018 orders to date are still not sufficient to cover the new liquefaction capacity coming online by 2020. He said that while the brokerage was not advocating that owners rush out and order more vessels, Fearnleys' model estimates another 62 LNG carriers will be required from 2018 to 2022. Newman said LNG carrier spot rates are starting to recover and the brokerage has recently increased its rate estimates. "The appetite for owners to fix out at levels below break-even now seems to have completely disappeared," he said.

*Source: TradeWinds*

### LNG: US LNG and crude exports escape China tariffs

US exports of LNG and crude look to have escaped China's initial retaliatory moves against tariffs imposed by US president Donald Trump. However, tariffs on energy imports were reportedly mooted by the Chinese as part of their response to the US tariffs on \$50bn worth of imports. "The exclusion of LNG is not surprising for two key reasons. Firstly, LNG demand is growing rapidly in China. Secondly, the US will be the key source of incremental supply growth in 2018 and 2019," says Nicholas Browne, Wood Mackenzie's head of Asia-Pacific gas and LNG. "The success of China's coal to gas switching policy in 2017 led to a very tight winter gas market and gas shortages in northern China. "LNG played a key role in limiting the extent of shortages and LNG demand grew by a record 12mt in 2017 to reach 38mt. US LNG met 1.6mt or 4% of China's LNG demand in 2017."

*Source: TradeWinds*

### SHIPYARD: VLCCs aside, tanker ordering not bad: Gibson

The orderbook for the largest oil tankers is growing larger, Gibson Shipbrokers warns. But the bright spot is that smaller tankers are seeing ever smaller orderbooks. Gibson noted that the current VLCC orderbook, which saw an additional two ships being ordered at DSME by Guggenheim Capital, currently stands at 16% of the total fleet. The brokerage noted the "risk of over-ordering if investment in VLCCs continues at such a relentless pace." But the number of VLCC newbuild orders is overshadowing that smaller tankers are seeing much fewer newbuilding orders. The panamax/long-range 1 (LR1) asset class is seeing one of the lowest replacement levels with just four ships ordered year-to-date. The panamax/LR1 segment's orderbook stands at just 7% of the current fleet. Some of that low orderbook reflects poor earnings in the segment as panamax/LR1 vessels are losing cargoes to both smaller and larger ships.

*Source: TradeWinds*

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