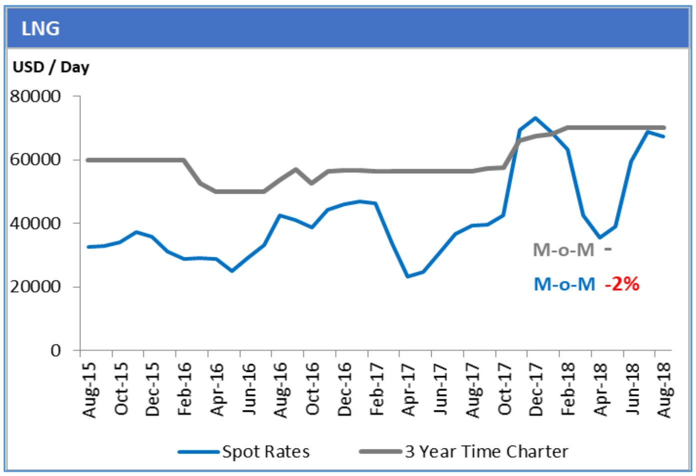
MISC Monthly

September 2018

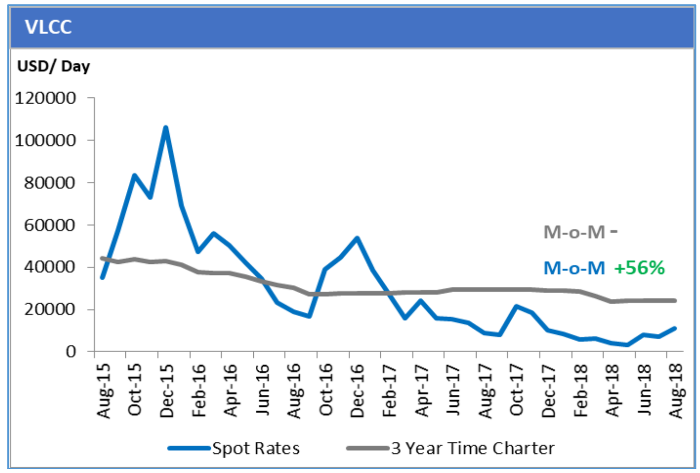
moving energy to build a better world

MISC Financial Calendar	
3Q 2018 Quarterly Results	Monday, 19th November 2018
MISC Announcements	
Appointment of new Independent Director, Dato' Rozalila Binti Abdul Rahman.	

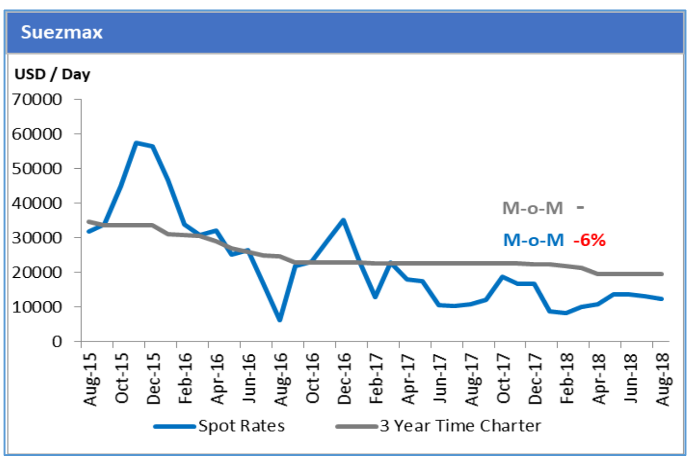
FREIGHT MARKET



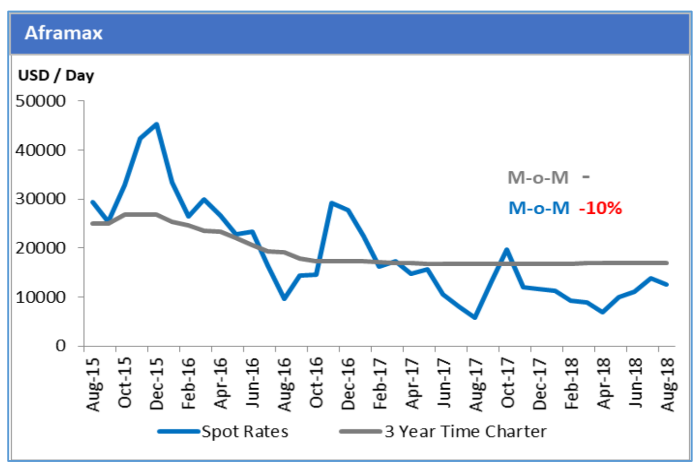
- LNG spot rates softened slightly from subdued chartering activities at the start of August but remained stable throughout the month as anticipation for the seasonal winter demand gradually comes into play.
- Market sentiment remains optimistic as the LNG market draws closer into the winter months.



- Rates surged in the VLCC market with more positive demand for fixtures driven by a rise in Middle East crude, with West Africa and Atlantic America also strengthening their trade flows.
- There was one delivery of a newbuild VLCC in August bringing the YTD deliveries to 25 for the year.



- Market remains soft similar to July due to VLCC demand gaining coverage in the West African segment resulting in lower fixtures for Suezmax. However, this was slightly offset by increased in demand for Suezmaxes in the Americas as a result of strengthening of Aframax rates.
- There were three new deliveries in August totaling the YTD count to 29 newbuilds.



- The Aframax segment remains soft due to tonnage oversupply and low demand as seen across the Mediterranean, Caribbean and North Sea Market but slight rates improvement was seen in the Americas with sentiments derived from the news on renegotiation of NAFTA (North Americans Free Trade Agreement).
- Fleet grew with the delivery of four newbuilds

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FREIGHT MARKET

USD/Day	July 2018 Avg	August 2018 Avg	1-Month +/-%	YTD 2018	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	68,625	67,400	-2%	55,595	42,222	34,796
1 Year Time Charter	85,000	85,000	-	68,375	38,824	32,639
3 Year Time Charter	70,000	70,000	-	69,766	58,369	54,079
Steam Engine						
Spot Rates	41,500	40,900	-1%	34,544	27,735	26,465
1 Year Time Charter	35,000	39,600	13%	35,875	26,381	20,194
3 Year Time Charter	34,500	35,300	2%	34,600	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	7,183	11,228	56%	6,730	18,242	41,363
1 Year Time Charter	19,000	19,200	1%	20,495	27,143	36,554
3 Year Time Charter	24,000	24,000	-	25,488	28,786	33,002
Suezmax						
Spot Rates	13,239	12,465	-6%	11,347	15,856	27,260
1 Year Time Charter	16,000	16,600	4%	16,253	18,534	27,299
3 Year Time Charter	19,500	19,500	-	20,366	22,507	26,296
Aframax						
Spot Rates	13,929	12,536	-10%	10,493	13,933	22,885
1 Year Time Charter	14,000	14,200	1%	14,126	15,511	21,491
3 Year Time Charter	17,000	17,000	-	16,938	16,865	20,603
MR2						
1 Year Time Charter	12,813	12,525	-2%	13,270	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	114	117	3%	116	105	107
Rotterdam-Taiwan	89	91	2%	90	83	80
Gulf-Far East	42	42	0.4%	42	37	38
Singapore-Rotterdam	84	80	-5%	80	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	12,750	-2%	12,938	13,146	15,513
1 Year Time Charter 37,000 dwt	11,250	11,250	-	11,597	11,438	13,995

ASSET VALUE

USD 'Million	July 2018 Avg		August 2018 Avg		1-Month +/-%		YTD 2018		2017 Avg		2016 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	185		185		-		185		183		196	
PETROLEUM												
VLCC												
Newbuild	89		90		1%		87		80		89	
5-Year	64		64		-		63		61		66	
Suezmax												
Newbuild	59		59		0.3%		58		54		57	
5-Year	44		44		-		43		41		47	
Aframax												
Newbuild	47		48		1%		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	31	47	29	49	30
Secondhand Prices - 10 years	32.5	14	33	14	2%	-	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	485	22	34	22	5	83	17%
PETROLEUM							
VLCC	728	21	58	30	2	111	15%
Suezmax	568	13	20	16	2	51	9%
Aframax	647	22	56	19	16	113	17%

INDUSTRY HEADLINES

SHIPPING: Shipping faces up to trade wars

The US-China trade war has continued to heat up along with summer temperatures. While freight earnings have yet to be hit much, shipowners may be ignoring the possibly historical trade tension at their own peril. Taking the latest round of extra tariffs imposed in end-August into consideration, the total values of affected goods in US-China trade have topped $100bn. Granted, those account for only a small portion of global seaborne trade volume-wise, but some sectors have more exposure to the trade friction than others. According to Clarksons Research based on 2017 data, the tariffs in force have hit 48m tonnes of US-China trade, which accounts for less than 0.5% of the world's total. When the proposed barriers and any ancillary trade wars between the world's two largest economies and other countries are included, 15% of global vehicle trades, 4.8% of container trade, 4% of liquefied petroleum gas, 1.8% of dry bulk and 1.1% of chemicals would be hit. The highest tariff rates that the two countries are imposing have been 25%, which, in many cases, could kill the longhaul trades when overall logistics costs are taken into account.

Source: Lloyd's List

SHIPPING: The dilemma of fitting scrubbers

The uncertainty about what will happen to bunker prices after 2020 is creating something of a dilemma for tanker owners. We explore whether they should opt for scrubbers or not. As shipowners are normally able to pass on the additional cost of bunkers to charterers the actual price of fuel is often not their main concern. The expectation is that the price of High Sulphur Fuel Oil (HSFO) will decline after the implementation of IMO regulations, as most existing demand will shift to Low Sulphur Fuel Oil (LSFO). At the same time, the tight availability of LSFO will ensure high premiums for LSFO and MGO. The dilemma for tanker owners is therefore about the price differential between LSFO and HSFO, as it will decide the attractiveness of fitting a scrubber to comply with forthcoming IMO regulations which limits the amount of sulphur in bunkers.

Source: Drewry Maritime Research

PETROLEUM: VLCC fixtures in the middle east pick up

Cargo supply for VLCC tonnage in the Middle East picked up considerably during the course of the past week. In its latest weekly report, shipbroker Charles R. Weber said that "rates in the VLCC market extended gains this week on sustained demand strength, which continues to moderate the extent of oversupply, allowing owners to command incrementally stronger rates. Lower coverage of cargo demand under COAs in the Middle East market implied a net gain in demand for spot units on a w/w basis even as total cargoes eased". Demand in the West Africa market eased to five fixtures this week, though this came on the back of two consecutive weeks of very strong fixture activity. The Atlantic Americas saw demand ease after the recent regional demand surge; a total of five fixtures were reported, off four w/w. Surplus capacity has continued to ease as charterers progress in the August Middle East program and the month could potentially conclude with the lowest number of surplus units in 16 months.

Source: Hellenic Shipping News Worldwide

PETROLEUM: Feature: Newbuild VLCCs moving ULSD from Far East-Europe pressure USGC market

A stream of newbuild VLCCs carrying ultra-low sulfur diesel from the Far East into Northwest Europe is depressing US markets and helping to drive Gulf Coast prices and shipping rates to notable lows, market sources said Wednesday. The premium of EN590, the French Winter specification of diesel, over Platts Colonial Pipeline assessment hit a record low Wednesday. S&P Global Platts assessed the export market premium at 1.50 cents/gal over the pipeline assessment Wednesday, down 35 points/gal day on day and the weakest since Platts began publishing the premium on December 19 last year. The premium, which captures the higher quality specification, waterborne loading costs and market demand, averaged 2.25 cents/gal over March-May. One Gulf Coast source Wednesday said the EN590 premium had even been talked at less than 1 cent/gal. "Prices everywhere are depressed," the source said. "Honestly, at the moment, no one has a real handle on where it is." Market sources described the USGC EN590 and shipping prices as collateral damage from the maiden voyage vessels — VLCCs, which can carry about 2 million barrels of crude oil, can carry refined products on their maiden voyage rather than crude.

Source: Platts

INDUSTRY HEADLINES

PETROLEUM: China's slowing crude demand more worrying than trade spat

China's slowing demand for crude oil should be more of a concern to the tanker market than any fallout between it and the US over trade tariffs, a prominent shipbroker has said. "For nearly two decades' spectacular growth in Chinese crude imports has been the key driver behind rising crude tanker demand. However, the dynamics could be changing," says Gibson Shipbrokers. "Even in recent years' shipments continued to increase at a very impressive rate, despite slowing economic growth, up on average by 850,000 b/d per annum in 2016/17. "Robust trade was supported by strong demand from the independent refiners, stockpiling into commercial and strategic inventories as well as the decline in domestic crude production." However, total crude imports increased year-on-year by 500,000 b/d between January and July 2018, down notably from growth rates seen over the previous two years, according to China's General Administration of Customs. The gains in seaborne trade have been even smaller due to more crude being imported from Russia via the spur from the ESPO pipeline into China's mainland, says Gibson.

Source: TradeWinds

LNG: What is driving the summer rally of LNG spot charter rates?

No Fukushima like disasters, demolitions have only been a handful and deliveries have remained strong, yet, LNG spot charter rates have touched the highest mark since the summer of 2012. In this piece, we investigate what is driving the rally of the LNG spot charter market this summer. Despite growing availability of LNG carriers and traditionally low seasonal demand, LNG charter rates have remained firm throughout the summer of 2018. Spot charter rates strengthened throughout the second quarter of 2018 and are at their peak since 2012. Shipowners with modern DFDE vessels chartered out their vessels at $60,000pd in 2Q18, which is about 50% higher than the rates seen in the third quarter of 2017. At the end of June 2018, some vessels were reportedly fixed at $85,000pd – the level usually seen in the peak of winter, when LNG vessels are in high demand.

Source: Drewry Maritime Research

LNG: LNG bunkering facilities around the world

Rising concerns about the impact of traditional fuels, such as diesel, on the environment are leading more and more companies to switch to liquefied natural gas (LNG) as their preferred fuel. An increase in demand for this sustainable fuel has encouraged ports around the world to develop LNG bunkering facilities. The shipping industry is gradually turning to liquefied natural gas (LNG) as a fuel for ships and tankers amid concerns about the impact that traditional fuels, such as diesel, could have on the environment. A report by Deloitte published earlier in June revealed that LNG is slowly but surely becoming the preferred solution among ship owners and operators. The search for sustainable alternatives to traditional fuels has recently ramped up in response to the International Maritime Organization's (IMO) new emissions standards for marine bunker fuels, which aim to cut the shipping sector's overall carbon emissions by 50% by 2020. Some 120 LNG-powered ships currently exist around the world, while another 130 are on order. Yet, as numerous organisations such as the International Association of Port and Harbours (IPAH) continue to encourage ports around the world to develop LNG bunkering facilities, it is clear that more has to be done to cut down CO_2 outputs in the industry.

Source: Ship Technology

LNG: Middle East LNG chokepoints face heightened threats

Shipping routes in the Bab el-Mandeb and Hormuz straits are coming under pressure as tensions rise in the Middle East. Saudi Arabia suspended oil shipments through Bab el-Mandeb strait last week after it said two of the kingdom's oil tankers were attacked in the Red Sea by Yemen-based Houthi militants. Meanwhile, shipping routes through the Arabian/Persian Gulf via the Strait of Hormuz may be under threat after Iran said in early July that it might block the waterway. Both developments have raised concerns that LNG flows could be disrupted. Houthi militants targeted the ships in a bid to hit Saudi interests, but non-Saudi vessels may also be at risk because of the inaccuracy of the weaponry used, Nick Childs, senior fellow for naval forces and maritime security at the International Institute for Strategic Studies, told Interfax Natural Gas Daily.

Source: Interfax Global Energy

INDUSTRY HEADLINES

LNG: LNG ship orders pour in: Is it too little too late, or too much too soon?

33 new LNG ships have been ordered so far this year, compared to 19 in the whole of 2017 and just six in 2016. Owners have been tempted by higher spot/short-term charter rates, still-low newbuilding prices and rapidly growing LNG trade. New LNG supply is being absorbed far more easily than many expected by booming demand in Asia. A new wave of FIDs on new supply projects is expected to create even more demand for shipping. But owners need to be careful they don't over order. There is still a huge number of ships ordered in the 2011-2014 LNG newbuilding boom to be delivered to the fleet and there is a long history of new ships arriving before new supply. LNG shipping is benefiting from an unprecedented wave of new LNG supply projects coming on stream in a relatively short period. Between 2015 and 2020 LNG production is forecast to increase by over 150 mmtpa; in comparison, supply rose by just 20 mmtpa in the five year prior to 2016. For LNG shipping this supply boom is particularly beneficial, as much of it is coming from the US Gulf which is a long way from the largest LNG markets in Northeast Asia.

Source: Wood Mackenzie

OFFSHORE: Floater contracts ready for surge – report

Dozens of potential orders worth a total of $25 billion may be seen by end of decade, with Brazil and West Africa key, Clarksons report shows. A total of 33 more contracts for floating production, storage and offloading vessels and floating liquefied natural gas units could be awarded between now and the end of the decade, with Brazil and West Africa continuing to dominate the market, according to a report. The total value of FPSO orders - including FLNG units - that could potentially come by the end of 2020 is $25 billion as higher oil prices, cost deflation and increased standardisation leads a charge in the sector, the report from London-headquartered analysis company Clarksons Research said. Of the 33, six more are seen being awarded this year, with 13 in 2019 and 14 in 2020, Clarksons said. There is also scope for an additional five contracts for semi-submersibles and six contracts for jack-up production units, the report read. The potential boon comes off the back of a rebound in the floater market, where eight awards totalling $6.5 billion were made last year, following zero awards in 2016 - the first barren year since 1985, Clarksons' latest report on mobile offshore production units showed.

Source: Upstream Online

SHIPYARD: Global newbuilding orderbook reaches 14-year low

The global newbuilding orderbook had sunk to a 14-year low at the start of August, the latest analysis by Clarksons shows. "As of the start of August 2018, the orderbook stood at 3,000 vessels of 76m compensated gross tonnage (CGT), its lowest level in CGT terms since April 2004," the shipbroker said. "This represented a 38% decline in the size of the global orderbook in CGT terms since March 2014, which marked the end of a year-long expansion. Elsewhere, firm VLCC and LNG carrier ordering have helped the orderbook at South Korean yards increase 10% year-on-year in CGT terms. Clarksons says the country has again become the second largest globally, comprising 418 units of 18.4m CGT as of start this month. "This followed a rapid 54% decline in CGT terms from March 2014 to August 2017, with the size of the orderbook at Korean yards falling below that of Japanese yards throughout 2017," it said. Clarksons said the orderbook at Japanese shipyards increased 39% in CGT terms from March 2014 to January 2016.

Source: Nikkei