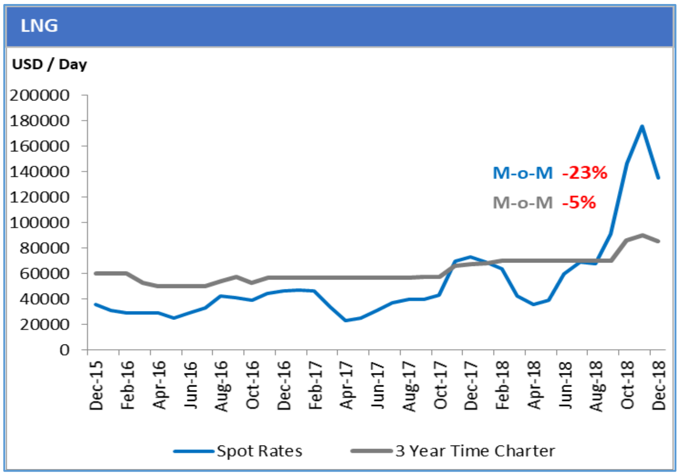
MISC Monthly

January 2019

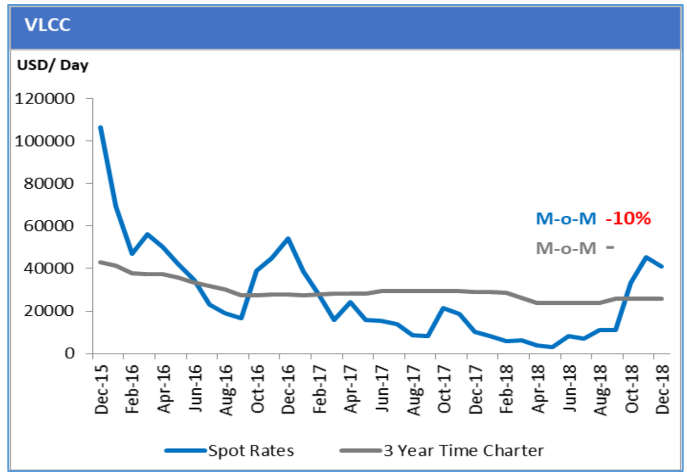
moving energy to build a better world

MISC Financial Calendar	
4Q 2018 Quarterly Results	Friday, 22nd February 2019
MISC Announcements	
Incorporation of New Subsidiaries: MISC has incorporated two (2) new subsidiaries, namely Portovenere and Lerici (Labuan) Private Limited ("PLL") and Portovenere and Lerici (Singapore) Pte. Ltd. ("PLS") for purposes of investment holding, owning, chartering and operating of vessels.	

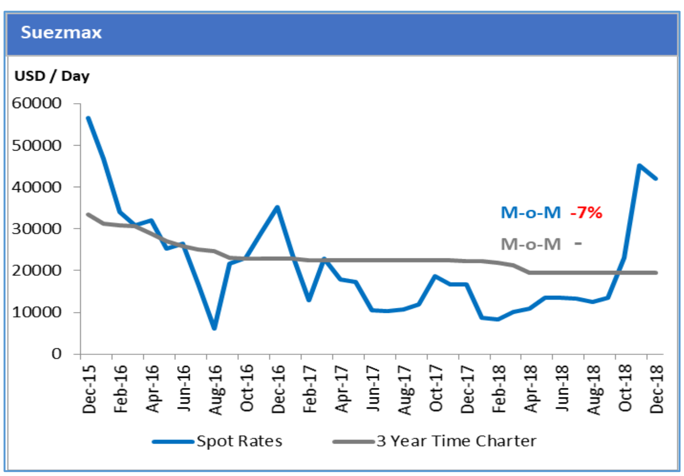
FREIGHT MARKET



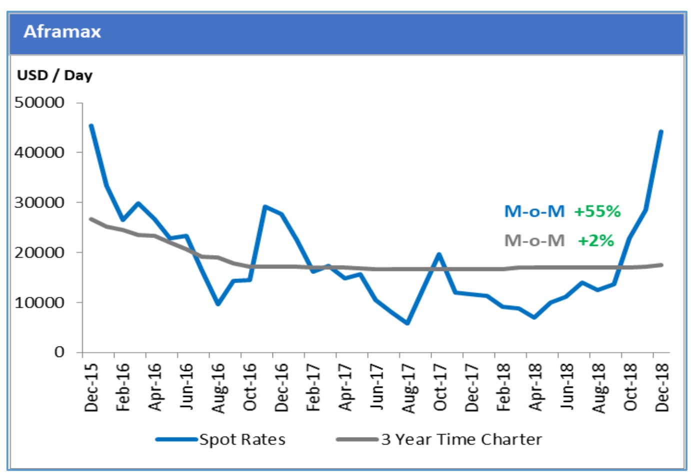
- **LNG spot rates softened during the month with weaker Asian demand due to a combination of warm weather and less coal-switching in China.**
- **Tonnage availability has increased worldwide, predominantly in the Far East, contributing to the downward pressure on the spot rates. However, spot rates remain well above the 3-year time charter rates.**



- **The strong start to the seasonal winter peak was encouraging and owners were expecting a strong run up to the Christmas break. However, spot rates failed to match the peak of winter 2016, although still much better than winter 2017. Charterers appeared to have gained the upper hand by releasing available cargoes in stages.**
- **Nonetheless the winter gains were a positive indication that a recovery in rates may be under way.**



- **Rates eased somewhat after a strong run in October and November which brought the market to levels not seen in more than two years.**
- **Most of December was quieter with less activity on the Black Sea and Mediterranean. A rush for fixtures ahead of the Christmas break firmed rates notably on the West Africa to Mediterranean route but failed to lift the market overall.**



- **Rates continued to surge in the first half of December pushing rates to more than two year highs.**
- **High levels of activity in the North Sea / Baltic and Black Sea to Mediterranean provided the support to drive up demand and rates.**

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FREIGHT MARKET

USD/Day	November 2018 Avg	December 2018 Avg	1-Month +/-%	2018 Avg	2017 Avg	2016 Avg
LNG						
Modern Tonnage						
Spot Rates	175,600	135,000	-23%	82,728	42,222	34,796
1 Year Time Charter	107,000	115,000	7%	80,333	38,824	32,639
3 Year Time Charter	89,800	85,000	-5%	74,056	58,369	54,079
Steam Engine						
Spot Rates	95,000	80,000	-16%	48,665	27,735	26,465
1 Year Time Charter	65,000	75,000	15%	45,427	26,381	20,194
3 Year Time Charter	57,200	60,000	5%	40,104	32,631	29,771
PETROLEUM						
VLCC						
Spot Rates	45,317	40,938	-10%	15,381	18,242	41,363
1 Year Time Charter	29,500	33,000	12%	22,965	27,143	36,554
3 Year Time Charter	25,750	25,750	-	25,575	28,786	33,002
Suezmax						
Spot Rates	45,123	42,109	-7%	17,886	15,856	27,260
1 Year Time Charter	21,450	24,000	12%	17,477	18,534	27,299
3 Year Time Charter	19,500	19,500	-	20,077	22,507	26,296
Aframax						
Spot Rates	28,608	44,283	55%	16,109	13,933	22,885
1 Year Time Charter	17,850	18,750	5%	14,923	15,511	21,491
3 Year Time Charter	17,200	17,500	2%	17,017	16,865	20,603
MR2						
1 Year Time Charter	12,725	13,906	9%	13,131	13,219	15,078
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	112	109	-3%	115	105	107
Rotterdam-Taiwan	82	81	-1%	88	83	80
Gulf-Far East	41	45	10%	42	37	38
Singapore-Rotterdam	80.4	80	-0.5%	80	76	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	12,750	12,750	-	12,875	13,146	15,513
1 Year Time Charter 37,000 dwt	11,250	12,500	11%	11,585	11,438	13,995

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ASSET VALUE

USD 'Million	November 2018 Avg	December 2018 Avg	1-Month +/-%	2018 Avg	2017 Avg	2016 Avg
LNG						
Newbuild (DFDE, Atlantic Max)	185	185	-	185	183	196
PETROLEUM						
VLCC						
Newbuild	91	91	-	88	80	89
5-Year	66	66	-	59	61	66
Suezmax						
Newbuild	61	60	-0.8%	59	54	57
5-Year	45	45	-	40	41	47
Aframax						
Newbuild	48	48	-	47	44	46
5-Year	31	33	6%	29	30	35

CHEMICAL	November 2018 Avg		December 2018 Avg		1-Month +/-%		2018 Avg		2017 Avg		2016 Avg	
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	49	33	49	33	-	-	47	31	47	29	49	30
Secondhand Prices - 10 years	34	14	34	14	-	-	33	13	33	14	36	17

*S/S= Stainless Steel

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2019	2020	2021	2022+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers	501	42	33	27	0	102	20%
PETROLEUM							
VLCC	739	64	32	4	0	100	14%
Suezmax	567	31	27	5	0	63	11%
Aframax	642	65	25	17	2	109	17%

DELIVERIES & DEMOLITIONS

Deliveries	Nov-18	Dec-18	YTD	Demolitions	Nov-18	Dec-18	YTD
PETROLEUM							
VLCC	2	1	39	VLCC	0	0	34
Suezmax	0	0	32	Suezmax	1	0	20
Aframax	5	0	50	Aframax	5	3	50

INDUSTRY HEADLINES

LNG: Rising ship supply helps ease LNG charter rates

Inflated spot charter rates for liquefied natural gas (LNG) tankers are easing as more ships becoming available, which could help increase LNG trade if Asian demand rises in coming months. LNG charter rates are a key component of spot LNG trade, dictating the way the super-cooled gas is transported. Charter rates usually follow the price of LNG, which has fallen since September due to sluggish demand from Asian buyers. Rates have remained high for most of this year, hitting around $195,000 in November. Not many spot Atlantic cargoes have travelled east in recent months due to inflated shipping rates, with some companies having to arrange cargo swaps to reduce costs.

Source: Reuters

LNG: Growing LNG marketplace to drive spot shipping rates in 2019

The global LNG shipping spot market is expected to remain strong in 2019 on the back of higher spot LNG demand and trading volume growth outpacing LNG vessel supply, according to analysts and ship brokers. The Asia Pacific Day Rate averaged $80,771/day in 2018 compared with $39,800/day in 2017, according to S&P Global Platts assessments. Market participants expect average spot charter rates in 2019 to remain strong, but said that exceeding the record November 2018 high levels of $190,000/day is dependent on short-term trading strategies and market fundamentals that are not always sustainable. The global LNG fleet posted a record growth of 12% during 2018, according to shipbroker Banchero Costa. However, LNG fleet growth is expected to slow considerably in the years to come with 2019 and 2020 posting an increase of 6% and 7%, respectively. At the same time, market expectations are for higher average spot LNG trades in 2019 than in 2018, as more liquefaction capacity comes online, mainly from the US, as well as continued growth in market liquidity.

Source: S&P Global Platts

LNG: Europe forecast to take in surplus LNG from Asia

More liquefied natural gas cargoes may head to Europe this year as the growth in supply outpaces demand in Asia, according to a projection from energy and commodity research agency Wood Mackenzie. Its research director, Giles Farrer, predicted that "northwest Europe will have to absorb the surplus, especially during summer". WoodMac forecasted that with supply outstripping demand in Asia, spot prices for the super-chilled fuel in Asia may fall to an average of $8.50 per million British thermal unit for 2019, down from $10.30 per million Btu the previous year. But this forecast assumes "normal weather patterns" and in the event of a milder than expected winter season in Asia, prices may fall even further, sending more cargoes to Europe, Mr Giles added. WoodMac tipped 2019 as the record year for sanctioning of LNG projects, with in excess of 60m tonnes per annum of capacity expected to see final investment decisions, tripling some 21m tonnes per annum sanctioned in 2018.

Source: Lloyd's List

LNG: North America to lead next wave of global LNG projects

North America will lead the next wave of global LNG project sanctions in 2019, with three US Gulf Coast developments – Sabine Pass Train 6, Golden Pass and Calcasieu Pass – expected to reach final investment decision (FID) in the first half of 2019, according to Wood Mackenzie's latest quarterly North America LNG projects update. Alex Munton, principal analyst, Americas LNG, at Wood Mackenzie, said: "With FID imminent on three US Gulf Coast LNG projects, North America is set to lead an expected record year for LNG project sanctions. With at least two other Gulf Coast projects – Freeport Train 4 and possibly Driftwood LNG – also not far behind, the first half of 2019 will be an especially busy one for the US."

Source: Wood Mackenzie

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INDUSTRY HEADLINES

PETROLEUM: Crude exporters opt for VLCCs over traditional Aframax for USGC-UKC route

High rates in the Americas for Aframax vessels, which typically carry crude cargoes from the US Gulf Coast to Europe, have charterers looking toward larger ship classes — VLCCs and Suezmaxes — to move cargoes across the Atlantic as the cost of taking a VLCC is currently 52.2%-63.9% of the cost of an Aframax. There have been at least six Suezmaxes and three VLCCs placed on subjects to carry crude from the US to Europe since the market returned from the long holiday weekend January 2, compared with only four for Aframax vessels, according to S&P Global Platts fixture logs. European refiners typically prefer the 500,000 barrels carried on Aframax vessels, with Suezmaxes becoming increasingly more popular — dependent on rate economics. There were 146 Aframaxes and 52 Suezmaxes booked for the USGC-UK Continent or Mediterranean route in 2018.

Source: Platts

PETROLEUM: Crude tanker earnings fall amid OPEC worries and oversupply

Freight earnings of crude tankers are expected to languish in the doldrums for the immediate future, weighed down by lower Iranian and Canadian exports and persistent oversupply of tonnage. While healthy fuel demand during a cold winter and before the Lunar new year holidays often triggers a spike in vessel requirements, crude tankers' average earnings have softened as compared with the beginning of 2019. The benchmark VLCC time charter equivalent on the Baltic Exchange fell by 29.3% to $17,815 per day on 7th January 2019, from $25,194 per day on the last trading in December 2018. By comparison, TCEs for the smaller Aframax and Suezmax dropped by 30.7% and 19.9% respectively.

Source: Lloyd's List

PETROLEUM: Tanker spike keeps S&P at near record levels

A sharp rise in tanker business kept sale-and-purchase activity at close to record levels in 2018, Clarksons says. Data from the shipbroker shows a 17% year-on-year jump in terms of tanker capacity changing hands. It came as owners looked to take advantage of counter-cyclical opportunities in a difficult year for the freight market. Steve Gordon, Managing Director of Clarksons Research, said: "It was a pretty miserable year for tankers until Q4 provided some very welcome relief and improved sentiment for the coming years. "In fact, our average tanker earnings index reached the lowest level since the early 1990s." Data from the world's largest shipbroker shows 32.6 million dwt of tankers changed hands in the second hand market in 2018, up from the 27.8m dwt seen in the previous year.

Source: Hellenic Shipping News Worldwide

PETROLEUM: Aggressive Tanker Scrapping during 2018

Tanker scrapping started in 2018 with a bang, as a combination of low freight rates, high scrap prices, an aging tanker fleet, and the impact of upcoming vessel regulations combined to create a feasible environment for scrapping. Companies around the world have scrapped a record number of large crude tankers in 2018. A prolonged bear market for crude oil tankers have resulted in the deletion of triple the number of ships sold for scrap, compared to last year. About 100 vessels of the industry's main crude carriers have been sent to India and Bangladesh for demolition, according to data from Clarkson Research Services Ltd., the statistical and research service arm of the world's largest shipbroker.

Source: Sea News

SHIPPING: Shipping braced for a year of disruption

Shipping faces a year of uncertainty in 2019, underpinned by political, technological and regulatory disruption. That was the view of an expert industry panel addressing the Lloyd's List 2019 Outlook Forum, who were tasked with the difficult job of gauging maritime's fortunes over the next 12 months. The biggest macro risk the industry faced was political, as globalisation took a back seat in an era of bilateralism and transactionalism, Shipping Strategy managing director Mark Williams said. The US-Sino trade war could yet prove disadvantageous for shipping, despite renewed talks during a 90-day truce between the transpacific sparring partners, he said.

Source: Lloyd's List

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INDUSTRY HEADLINES

SHIPPING: Asia bunker markets set for changes as IMO 2020 sulfur cap looms

Bunker fuel markets in Asia are speeding up for a wave of changes in 2019, as the industry accelerates towards the International Maritime Organization's global sulfur cap rule starting January 1, 2020. While supply and demand dynamics remain uncertain ahead of 2020, market participants will be riding on a myriad of strategies geared towards the use of cleaner fuels. Singapore, the world's largest bunkering port, will brace itself for tightening environmental rules by enhancing its strategies for distillate bunkering. A key development to watch will be the mandate of mass flow meters for distillate delivery, scheduled for implementation by the Maritime and Port Authority of Singapore starting July 1.

Source: Platts

SHIPYARD: Late flurry lifts 2018 newbuild haul past 1,000 ships

Newbuilding orders in 2018 snuck above 1,000 ships following a late rush of activity, according to data from Clarksons. It counts 1,017 new ships contracted by the close of last year, down from the 1,155 vessels put in the book in 2017 but well up on the 687 newbuildings added in 2016. There was a mixed performance across the various segments, with the number of new tanker and bulker orders down, but boxship and LNG contracting on the rise. Last year saw 169 oil tankers ordered, down from 262 in 2017, with the number of specialised tankers inked falling from 72 to 35 on a year-on-year basis, Clarksons said. However, with IMO 2020 on the horizon, big tankers are seeing the largest concentration of scrubber orders. Petter Haugen, of Kepler Cheuvreux in Norway, citing Clarksons data, noted that 69% of the VLCC orderbook will be installed with a scrubber.

Source: TradeWinds