

## FREIGHT MARKET

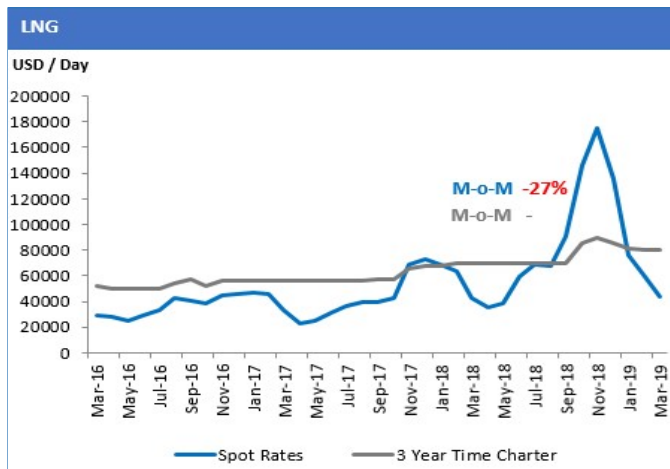
### MISC Financial Calendar

|                           |   |
|---------------------------|---|
| 1Q 2019 Quarterly Results | Friday, 24 <sup>th</sup> May 2019         |
| 2Q 2019 Quarterly Results | Wednesday, 14 <sup>th</sup> August 2019   |
| 3Q 2019 Quarterly Results | Wednesday, 13 <sup>th</sup> November 2019 |

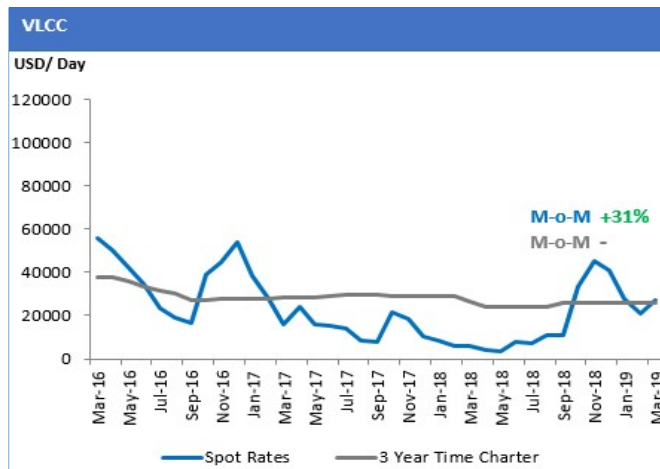
### MISC Announcements

MISC Berhad – Notice of 50<sup>th</sup> Annual General Meeting

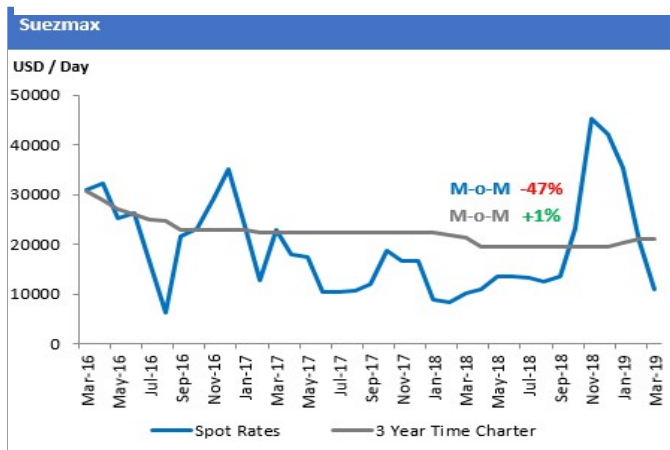
Proposed renewal of authority for MISC to purchase own shares of up to 10% of its prevailing total number of issued shares



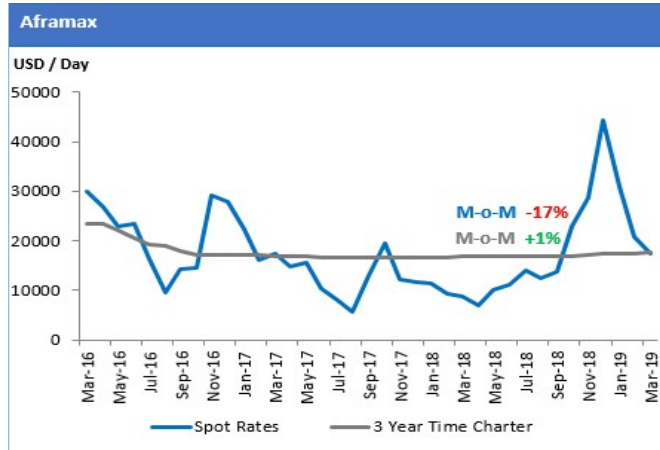
- LNG spot rates continue to remain under pressure with high vessel availability and low seasonal demand, making it a charterer's market.
- Nevertheless, there is an increase in activity for short term multi-month/year charters and the market sentiment is gradually picking up as we move into Q2 2019.



- Shorter tonnage list in the Middle East and stronger demand from the West Africa coast during the first half of the month helped increase the monthly average spot rates.



- Suezmax monthly average spot rates declined due to a quieter market and long available tonnage list. West Africa was particularly weak while the stronger Mediterranean Aframax market provided some support for Suezmax rates.



- Aframax monthly average spot rates declined by 17%. Weaker demand in the key Baltic to UK and continental Europe routes push rates lower while stronger demand in the Mediterranean provided some support.

April 2019

## FREIGHT MARKET

| USD/Day                           | February<br>2019 Avg | March<br>2019 Avg | 1-Month<br>+/-% | 2019 Avg | 2018 Avg | 2017 Avg |
|-----------------------------------|----------------------|-------------------|-----------------|----------|----------|----------|
| <b>LNG</b>                        |                      |                   |                 |          |          |          |
| <b>Modern Tonnage</b>             |                      |                   |                 |          |          |          |
| Spot Rates                        | 59,563               | 43,500            | -27%            | 59,688   | 82,728   | 42,222   |
| 1 Year Time Charter               | 75,000               | 75,000            | -               | 80,833   | 80,333   | 38,824   |
| 3 Year Time Charter               | 80,000               | 80,000            | -               | 80,417   | 74,056   | 58,369   |
| <b>Steam Engine</b>               |                      |                   |                 |          |          |          |
| Spot Rates                        | 36,813               | 29,300            | -20%            | 40,163   | 48,665   | 27,735   |
| 1 Year Time Charter               | 55,000               | 55,000            | -               | 59,167   | 45,427   | 26,381   |
| 3 Year Time Charter               | 55,000               | 55,000            | -               | 55,417   | 40,104   | 32,631   |
| <b>PETROLEUM</b>                  |                      |                   |                 |          |          |          |
| <b>VLCC</b>                       |                      |                   |                 |          |          |          |
| Spot Rates                        | 20,902               | 27,449            | 31%             | 25,472   | 15,381   | 18,242   |
| 1 Year Time Charter               | 26,000               | 29,800            | 15%             | 28,975   | 22,965   | 27,143   |
| 3 Year Time Charter               | 25,750               | 25,750            | -               | 25,750   | 25,575   | 28,786   |
| <b>Suezmax</b>                    |                      |                   |                 |          |          |          |
| Spot Rates                        | 20,498               | 10,922            | -47%            | 22,263   | 17,886   | 15,856   |
| 1 Year Time Charter               | 23,750               | 23,150            | -3%             | 23,571   | 17,477   | 18,534   |
| 3 Year Time Charter               | 21,000               | 21,200            | 1%              | 20,817   | 20,077   | 22,507   |
| <b>Aframax</b>                    |                      |                   |                 |          |          |          |
| Spot Rates                        | 20,909               | 17,447            | -17%            | 23,096   | 16,109   | 13,933   |
| 1 Year Time Charter               | 18,813               | 19,500            | 4%              | 19,104   | 14,923   | 15,511   |
| 3 Year Time Charter               | 17,500               | 17,700            | 1%              | 17,567   | 17,017   | 16,865   |
| <b>MR2</b>                        |                      |                   |                 |          |          |          |
| 1 Year Time Charter               | 13,531               | 13,875            | 3%              | 13,656   | 13,131   | 13,219   |
| <b>CHEMICAL</b>                   |                      |                   |                 |          |          |          |
| <b>Spot Rates<br/>(USD/Tonne)</b> |                      |                   |                 |          |          |          |
| Rotterdam - Far East              | 113                  | 119               | 6%              | 114      | 115      | 105      |
| Rotterdam-Taiwan                  | 82                   | 86                | 5%              | 83       | 88       | 83       |
| Gulf-Far East                     | 42                   | 42                | -               | 43       | 42       | 37       |
| Singapore-Rotterdam               | 75                   | 71                | -6%             | 75       | 80       | 76       |
| <b>Time Charter<br/>(USD/Day)</b> |                      |                   |                 |          |          |          |
| 1 Year Time Charter<br>19,000 dwt | 13,000               | 13,000            | -               | 13,000   | 12,875   | 13,146   |
| 1 Year Time Charter<br>37,000 dwt | 12,500               | 12,600            | 1%              | 12,533   | 11,585   | 11,438   |

April 2019

## ASSET VALUE

| USD 'Million                  | February 2019 Avg |        | March 2019 Avg |        | 1-Month +/-% |        | 2019 Avg |        | 2018 Avg |        | 2017 Avg |        |
|-------------------------------|-------------------|--------|----------------|--------|--------------|--------|----------|--------|----------|--------|----------|--------|
| LNG                           |                   |        |                |        |              |        |          |        |          |        |          |        |
| Newbuild (DFDE, Atlantic Max) | 187               |        | 187            |        | -            |        | 186      |        | 185      |        | 183      |        |
| PETROLEUM                     |                   |        |                |        |              |        |          |        |          |        |          |        |
| VLCC                          |                   |        |                |        |              |        |          |        |          |        |          |        |
| Newbuild                      | 93                |        | 93             |        | -            |        | 93       |        | 88       |        | 80       |        |
| 5-Year                        | 69                |        | 69             |        | -            |        | 69       |        | 59       |        | 61       |        |
| Suezmax                       |                   |        |                |        |              |        |          |        |          |        |          |        |
| Newbuild                      | 62                |        | 62             |        | -            |        | 62       |        | 59       |        | 54       |        |
| 5-Year                        | 50                |        | 50             |        | -            |        | 49       |        | 40       |        | 41       |        |
| Aframax                       |                   |        |                |        |              |        |          |        |          |        |          |        |
| Newbuild                      | 49                |        | 49             |        | -            |        | 49       |        | 47       |        | 44       |        |
| 5-Year                        | 35                |        | 35             |        | -            |        | 35       |        | 29       |        | 30       |        |
| 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               | 49                | N/A    | 50             | N/A    | 2%           | N/A    | 49       | N/A    | 47       | 29     | 49       | 30     |
| Secondhand Prices - 10 years  | 34                | N/A    | 34             | N/A    | -            | N/A    | 34       | N/A    | 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 |
|------------------|---------------|------|------|------|-------|-----------------|-------------------------|
| <b>LNG</b>       |               |      |      |      |       |                 |                         |
| LNG Carriers     | 512           | 28   | 33   | 46   | 4     | 111             | 22%                     |
| <b>PETROLEUM</b> |               |      |      |      |       |                 |                         |
| VLCC             | 758           | 46   | 41   | 11   | 0     | 98              | 13%                     |
| Suezmax          | 580           | 17   | 30   | 4    | 0     | 51              | 9%                      |
| Aframax          | 656           | 35   | 23   | 16   | 2     | 76              | 12%                     |

## DELIVERIES & DEMOLITIONS

| Deliveries       | Feb-19 | Mar-19 | YTD | Demolitions | Feb-19 | Mar-19 | YTD |
|------------------|--------|--------|-----|-------------|--------|--------|-----|
| <b>PETROLEUM</b> |        |        |     |             |        |        |     |
| VLCC             | 2      | 4      | 18  | VLCC        | 1      | 0      | 1   |
| Suezmax          | 5      | 2      | 14  | Suezmax     | 0      | 0      | 1   |
| Aframax          | 4      | 2      | 14  | Aframax     | 0      | 0      | 0   |

### INDUSTRY HEADLINES

#### **LNG: Short-term LNG tanker rates declined**

Short-term LNG tanker charter rates have declined to low levels as the cross-basin LNG trade dries up. Short-term rates for a TFDE tanker are now \$37,000/day, while those for a steam tanker are a meager \$25,000/day. With Northeast Asian and Northwest European spot LNG prices currently quoted at \$4.25/MMBtu and \$4.45/MMBtu respectively for May deliveries, more and more Atlantic Basin volumes are remaining in the Atlantic. Fewer cross-basin trades have resulted in longer idle periods for ships between loadings, taking a toll on short-term charter rates.

*Source: IHS Markit*

#### **LNG: Reactor restarts to cut Japan LNG imports by 10% in 2019**

Japan, the world's largest importer of LNG, could see imports fall by up to 10% in 2019 as it restarts more nuclear reactors. Last year, Japan restarted five nuclear reactors that were shut down after the 2011 Fukushima accident, according to the US Energy Information Administration (EIA). As those reactors return to full operation, the resulting increase in nuclear generation is likely to displace generation from fossil sources, in particular natural gas. In 2019, their first full year of operation, EIA estimates that the restarted nuclear reactors will further displace Japan's LNG imports by about 5mt per year, or 0.7bn- cubic feet per day (Bcf/d) of LNG.

*Source: TradeWinds*

#### **LNG: South Korea slashes LNG taxes for power producers by 75%, boosting LNG potential**

The South Korean government gave its final approval to lower taxes on LNG used for power production by 75%, and raise those on thermal coal by 28% from April 1, in a move likely to boost downstream gas consumption. The decision is likely to boost LNG demand from the world's third-largest LNG importer. South Korea imported 42.7 million mt of LNG in 2018, up 15% from a year earlier, according to S&P Global Platts Analytics. The decision is driven by the government's efforts to reduce the country's heavy reliance on coal and increase the use of natural gas and renewables amid growing air pollution concerns.

*Source: Platts*

#### **PETROLEUM: Tanker Market in March: Declines the Norm**

Average dirty tanker spot freight rates declined further in March 2019, continuing the negative trend seen so far in the first quarter of 2019. Lower rates were seen in most reported dirty classes. This was mainly attributed to high vessel supply, while market activities remained thin in general. Clean tanker spot freight rates showed some improvement in the West, supported mainly by higher rates in Northwest Europe on the back of balanced tonnage availability and occasional shortages in prompt vessel supply. In the East, a lack of activity dominated different classes, resulting in a drop in rates across several routes.

*Source: OPEC*

#### **PETROLEUM: VLCCs reshape crude flows as US Gulf becomes net exporter**

The US Gulf region is poised to mark its first ever quarter as a net exporter of crude, signalling a rapid and earlier-than-anticipated reshaping of global very large crude carrier trading patterns for shipowners and operators over the remainder of 2019. One VLCC loaded and sailed from the US Gulf Coast every six days in 2017, with that figure soaring to nearly 4 VLCCs a week by 2018, Lloyd's List Intelligence data shows. So far, more than 53 VLCCs have loaded over the first 11 weeks of 2019. Greater volumes loaded on the largest crude tankers boosted exports from the US oil and petrochemical hub to fresh records during February and March.

*Source: Lloyd's List*

#### **PETROLEUM: Port of Corpus Christi to load Aframaxes, Suezmaxes for export by October 2020**

The Port of Corpus Christi should be able to load Aframaxes, Suezmaxes and partially loaded VLCCs to export US crude to international markets by October 2020, an investor in the port's expansion, said. "We expect to be operational in October 2020 at 54 feet," Ferris Hussein, managing director at The Carlyle Group, said on a panel at CERAWEEK by IHS Markit. Dredging the Corpus Christi port to 54 feet will allow Aframaxes, Suezmaxes and partially loaded VLCCs to export crude, he said. Hussein said the port would be dredged to 75 feet a year and a half later, which would imply that VLCCs would be able to fully load crude by April 2022.

*Source: Platts*

## INDUSTRY HEADLINES

### **PETROLEUM: Venezuela reports collapse in oil supply, tightening global market**

Venezuela's oil output sank to a new long-term low last month due to U.S. sanctions and blackouts, the country told OPEC, deepening the impact of a global production curb and further tightening supplies. Supply cuts by OPEC and partners led by Russia, plus involuntary reductions in Venezuela and Iran, have helped drive a 32 percent rally in crude prices this year, prompting pressure from U.S. President Donald Trump for the group to ease its market-supporting efforts. In a monthly report released recently, the Organization of the Petroleum Exporting Countries said Venezuela told the group that it pumped 960,000 barrels per day (bpd) in March, a drop of almost 500,000 bpd from February. The figures could add to a debate within the so-called OPEC+ group of producers on whether to maintain oil supply cuts beyond June. A Russian official indicated this week Moscow wanted to pump more, although OPEC has been saying the curbs must remain.

*Source: Reuters*

### **OFFSHORE: O&G experts believe sector have better prospect this year**

Oil and gas (O&G) experts believe the sector evokes much optimism for the services industry, which is in-line with higher Petroliaam Nasional Bhd (PETRONAS) capital expenditure expectation of more than RM50 billion for 2019, compared to RM47 billion in 2018. According to PETRONAS Activity Outlook report for 2019-2021, upstream activities will receive a higher allocation of about RM30 billion than downstream activities. "We maintain our US\$65 per barrel average oil price forecast for 2019.

*Source: New Straits Times*

### **OFFSHORE: On top of the world for building FPSOs**

All 12 floater orders placed last year went to Chinese yards - but owners are not popping the champagne corks just yet. China has emerged as the world's top fabricator of floating production, storage and offloading vessels, with the 12 orders placed last year — for full construction or hulls only — all going to Chinese yards. "Think of building FPSOs, think of China," says an official with a major floater contracting company in Singapore. However, it is not clear if China will remain content with the current business model of serving as the subcontractor for leading FPSO players such as Japan's Modec and SBM Offshore of the Netherlands, which run their own FPSO fleet and lease the units to oil and gas companies for operation in international waters.

*Source: Upstream Online*

### **SHIPPING: IMO 2020 tanker storage business starts to take shape in Asian waters**

Traders are now holding a handful of ships in Asia with an eye on the new emissions rules. Three to four VLCCs are stationed off Malaysia and Singapore storing low sulphur fuel oil components, Platt's reported this week. "There should be some middle distillates and low sulfur crude oil," one trader said. The new emissions rules were always expected to trigger additional storage business for larger tankers, and scrubber sceptic Euronav is known to be using its two ULCCs to stockpile fuel. Rising storage activity along with scrubber retrofitting, scrapping and delivery delays have been cited by major owners as a reason the 2019 VLCC orderbook is seen as manageable.

*Source: Tradewinds*

### **SHIPPING: Ship owners worry about clean fuel bill as ports ban 'scrubbers'**

More ports around the world are banning ships from using a fuel cleaning system that pumps waste water into the sea, one of the cheapest options for meeting new environmental shipping rules. Singapore, China and Fujairah in the United Arab Emirates have already banned the use of the cleaning systems, called open loop scrubbers, from the start of next year when the new IMO rules come into force. Reuters has learned that individual ports in Finland, Lithuania, Ireland and Russia, have all banned or restricted such equipment.

*Source: Reuters*

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