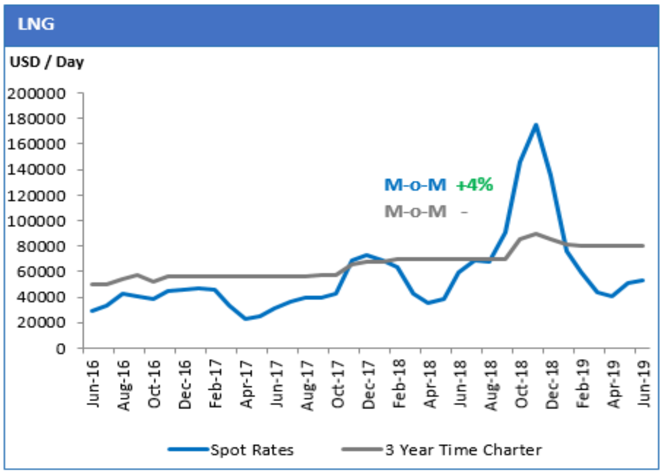
MISC Monthly

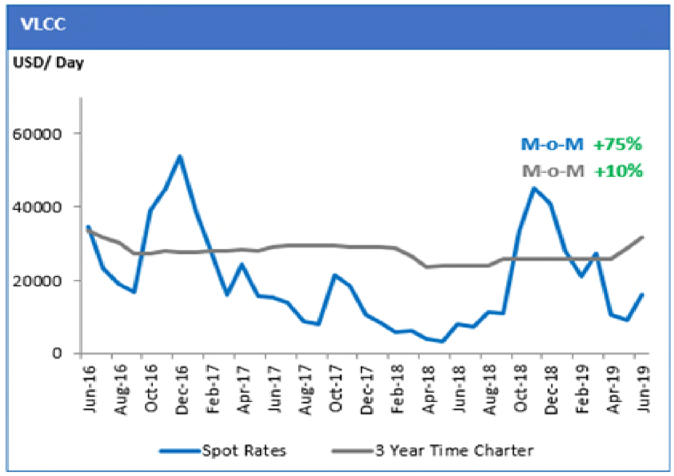
July 2019

moving energy to build a better world

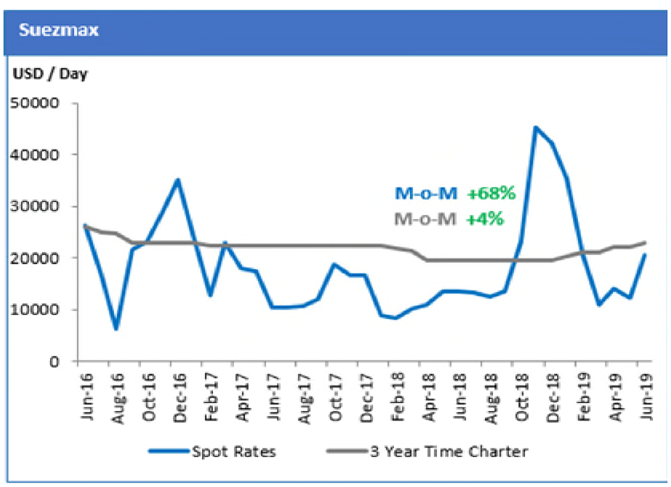
MISC Financial Calendar	
1Q 2019 Quarterly Results	Friday, 24th May 2019
2Q 2019 Quarterly Results	Wednesday, 14th August 2019
3Q 2019 Quarterly Results	Wednesday, 13th November 2019
MISC Announcements	
N/A	



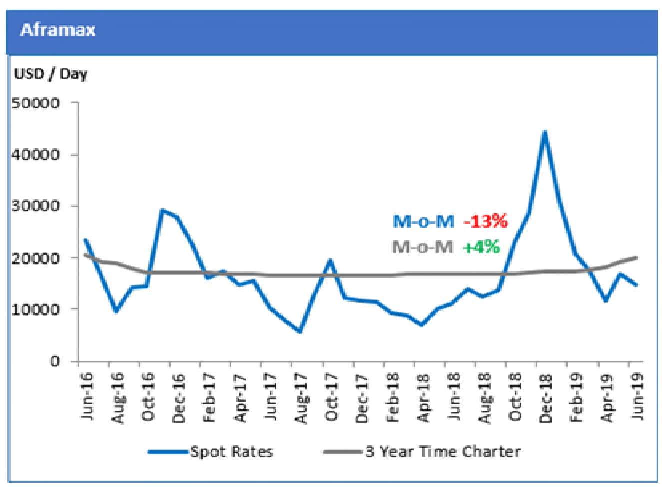
- LNG spot rates held firm during the month supported by a modest increase in demand
- Overall sentiment remained steady in the market with anticipation of shipping requirements slowly building up for autumn and winter.



- Security incidences involving oil tankers in and around the Strait of Hormuz caused VLCC rates to rise significantly as owners demanded higher rates to cover war risk premiums. Rates in the Atlantic also rose on the back of an improving U.S. market.



- Suezmax rates were higher due to increased levels of enquiry and demand mainly in the West Africa coast, the Black Sea and the Mediterranean.



- Aframax rates declined this month mainly due to quieter Baltic and UK - Continental Europe markets. The Mediterranean and Black Sea markets provided slight relief but insufficient to prevent average monthly rates from declining.

MISC Monthly

July 2019

FREIGHT MARKET

USD/Day	May 2019 Avg	Jun 2019 Avg	1-Month +/-%	2019 Avg	2018 Avg	2017 Avg
LNG						
Modern Tonnage						
Spot Rates	51,500	53,500	4%	54,094	82,728	42,222
1 Year Time Charter	80,750	81,500	1%	80,792	80,333	38,824
3 Year Time Charter	80,000	80,000	-	80,208	74,056	58,369
Steam Engine						
Spot Rates	38,625	33,750	-13%	36,894	48,665	27,735
1 Year Time Charter	55,000	52,000	-5%	56,583	45,427	26,381
3 Year Time Charter	52,500	50,000	-5%	53,958	40,104	32,631
PETROLEUM						
VLCC						
Spot Rates	9,058	15,851	75%	18,623	15,381	18,242
1 Year Time Charter	31,625	34,500	9%	30,581	22,965	27,143
3 Year Time Charter	28,750	31,625	10%	27,229	25,575	28,786
Suezmax						
Spot Rates	12,279	20,675	68%	18,975	17,886	15,856
1 Year Time Charter	22,900	23,750	4%	23,383	17,477	18,534
3 Year Time Charter	22,200	23,000	4%	21,608	20,077	22,507
Aframax						
Spot Rates	16,911	14,729	-13%	18,771	16,109	13,933
1 Year Time Charter	21,350	21,625	1%	20,131	14,923	15,511
3 Year Time Charter	19,300	20,000	4%	18,375	17,017	16,865
MR2						
1 Year Time Charter	14,125	14,125	-	13,885	13,131	13,219
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	117	117	-	116	115	105
Rotterdam-Taiwan	79	76	-3%	82	88	83
Gulf-Far East	40	40	-	41	42	37
Singapore-Rotterdam	73	72	-2%	73	80	76
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,000	13,250	2%	13,042	12,875	13,146
1 Year Time Charter 37,000 dwt	13,000	13,000	-	12,767	11,585	11,438

MISC Monthly

July 2019

ASSET VALUE

USD 'Million	May 2019 Avg		Jun 2019 Avg		1-Month +/-%		2019 Avg		2018 Avg		2017 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	188		188		-		187		185		183	
VLCC												
Newbuild	93		93		-		93		88		80	
5-Year	71		71		-		70		59		61	
Suezmax												
Newbuild	62		62		-		62		59		54	
5-Year	49		49		-		49		40		41	
Aframax												
Newbuild	49		49		-		49		47		44	
5-Year	37		38		3%		36		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	50	N/A	50	N/A	-	-	50	N/A	47	29	49	30
Secondhand Prices - 10 years	34	N/A	34	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
LNG							
LNG Carriers	518	21	36	45	12	114	22%
PETROLEUM							
VLCC	770	28	41	12	0	81	11%
Suezmax	584	12	30	9	0	51	9%
Aframax	662	17	24	27	4	72	11%

DELIVERIES & DEMOLITIONS

Deliveries	May-19	Jun-19	YTD	Demolitions	May-19	Jun-19	YTD
PETROLEUM							
VLCC	7	5	37	VLCC	0	1	4
Suezmax	1	0	23	Suezmax	2	0	3
Aframax	2	1	32	Aframax	0	0	0

MISC Monthly

July 2019

INDUSTRY HEADLINES

LNG: Spot rates to improve in July

In June, even though spot rates in East of Suez improved marginally over the previous month and averaged $49,800pd, they are more than 20% less than rates noted in the same period last year due to high stock inventories, strong vessel availability and low LNG demand in Asia. Drewry expects spot rates of tri-fuel diesel electric (TFDE) carriers to improve marginally in July and average $60,000- 65,000pd due to peak summer demand in Asia and Europe. Spot rates will continue to trade higher in Europe than in Asia because of tight tonnage availability in the Atlantic and strong US-Europe LNG trade. Short-term rates or multi-year rates of TFDE carriers will continue their upward trajectory and average $90,000-95,000pd as LNG trading companies are aggressively fixing vessels on contracts of 1-2 years fearing their short supply in the last quarter of 2019.

Source: Drewry

LNG: 2019 to be a record year for LNG project sanctioning

Rystad Energy forecasts shows that LNG greenfield investment in 2019 will reach almost $103 billion – the biggest investment year for the burgeoning industry to date. A total of 33 million tpa of liquefaction capacity and $29 billion of Capex has been sanctioned so far this year, from Golden Pass LNG (US), Cheniere's Sabine Pass T6 (US) and Anadarko's Area 1 in Mozambique. Over 70 million tpa of capacity and $70 billion of Capex is waiting to be sanctioned in the second half of 2019.

Source: Hellenic Shipping News

LNG: LNG supply may outstrip demand by 2025

A supply glut may develop from 2025 onwards with the massive pipeline of new liquefaction capacities of natural gas waiting to be sanctioned set to outstrip incremental demand. With about 90m tonnes per annum of liquefaction capacities already under construction, a Wells Fargo report this week estimated that incremental demand over the next five years would be met by just another 35-60 mtpa in new capacities seeking final investment decisions. The bank's senior analyst Michael Webber noted that the projection was based on an annual growth rate of 4.9% in global LNG demand equating to an incremental demand of 100-120 mtpa through to 2025.

Source: Lloyd's List

PETROLEUM: Tanker rates flat during June

Average dirty tanker spot freight rates were broadly flat in June, with ample tonnage availability dampening the impact of increased activity as refineries returned from maintenance. In June, Very Large Crude Carriers (VLCCs) edged higher, benefiting from the ramp-up in refinery capacity in China. The Suezmax spot freight rates firmed in June, reversing the losses seen the month before, supported by gains on the West Africa-to-US East Coast (USEC) route. Meanwhile, spot freight rates in the Aframax sector reversed direction with declines on most routes.

Source: OPEC

PETROLEUM: The latest estimates on crude oil production and trade could spell good news for ship owners

After weeks of speculation, in early July, OPEC+ announced the extension of their production cuts for another nine months until the end of the 1st quarter of 2020. On its own and keeping everything else equal, OPEC output cuts are bad news for the crude tanker market, most notably for VLCCs. However, the latest IEA monthly report indicates that global refining runs could rise by over 3 million b/d in the 3rd quarter of this year versus the previous quarter, with Europe and Asia alone needing an extra 0.8 million b/d each. With production cuts in place, where will this crude come from? Although global trade is complex, the obvious place to fill the net deficit is the US. The EIA expects US production to increase by 0.47 million b/d by September from June levels and by another 0.26 million b/d by December. Plenty of new pipeline capacity to the US Gulf is also expected to come online in the 2nd half of the year, enabling further growth in exports. Incremental volumes are likely to flow to Europe and long haul to Asia, more than offsetting ongoing restraint out of the Middle East. If that is the case, then OPEC+ production cuts could actually be good for business.

Source: Hellenic Shipping News

MISC Monthly

July 2019

INDUSTRY HEADLINES

PETROLEUM: Daily VLCC earnings to rise sharply in 4Q

Daily VLCC earnings in the spot market are expected to rise sharply in the fourth quarter to $69,000, as larger crude volumes will get shipped, more tankers taken for floating storage or fitting scrubbers and delivery of new ones is put off, according to Fearnleys. Crude supply from OPEC is expected to increase in the coming months, as the group as a whole is currently cutting back to a larger degree than what was officially announced. If OPEC brings back this compliance level for output cuts back to 100%, it will result in around 700,000-800,000 b/d of additional supply to the market. On top of this, installation of scrubbers can pull a supertanker out of the market for up to 40 days, including days needed to go into and come out of the shipyard until loading of the next cargo, potentially reducing supply. Finally, towards the end of each year, owners prefer to postpone delivery of their ships to the following year, in order to get a younger age profile, which has a bearing on freight earned in later years.

Source: Hellenic Shipping News

PETROLEUM: VLCC resale prices to pass $100m in up-cycle

Tanker owners are set to see market headwinds turn to tailwinds with the value of steel on the water forecast to spike as the up-cycle unfolds. Fearnleys analysts said asset values could climb by up to one fifth as rates head into a stronger period with the support of multiple factors, including IMO 2020. With rates expected to head north, the analysts believe VLCC newbuilding prices will not pass the last peak of $95m to $100m. “With record low orderbooks the yards simply don’t have the kind of pricing power as in other cycles. We do however see 10-20% upside on secondhand prices as the market starts to price in above-market rates for the next two to three years”. With VLCC rates of $60,000 per day the cost of a resale could exceed $100m.

Source: *TradeWinds*

OFFSHORE and HEAVY ENGINEERING: Oil & Gas Discoveries Rise In High-Risk Oil Frontiers

Global discoveries of conventional oil and gas continue to show promising growth, with new finds totalling 6.7 billion barrels of oil equivalent (boe) in the first half of 2019, according to the mid-year assessment by Rystad Energy. The 1,123 million boe average monthly discovered volumes year-to-date reflect an approximate 35% uplift compared to the 827 million boe seen in 2018. So far, 2019 has been a year of gas discoveries, which hold a majority (63%) share compared to liquids, a phenomenon not seen since 2016. Offshore discoveries in Russia, Guyana, Cyprus, South Africa and Malaysia are propelling what is already a very successful year for international E&P companies. With deepwater finds contributing half of the discovered volumes, it can be inferred that high-risk frontier plays in the deepwater are back on the map for explorers.

Source: Rystad Energy

SHIPPING: Demolition market needs to pick up for rates’ rise to be sustainable

A usual trend has been emerging of late in the demolition market, with more ship owners hesitating to sell their older carriers for demolition, after the recent rise in dry bulk rates. However, even before this, 2019 has been a lackluster year for ship recycling activity. Recycling prices have overall declined by about USD 50/LDT from the peaks seen earlier this year and a far quieter summer / monsoon period is subsequently expected across Bangladesh and Pakistan.

Source: Hellenic Shipping News

SHIPPING: Trade growth a concern as shipping rates inch above post-crisis average

Earnings across global shipping markets have this year moved above average levels seen since the financial crisis with gas vessels and tankers leading the way, according to Clarksons. The latest post-crash recovery is developing with key emissions legislation arriving at the same time as fleet growth will slip to 20-year lows, but global trade growth is slowing amid geopolitical tensions. Despite progress, it still seems shipping has a way to go before it becomes a ‘straight A’ student. Overall shipping rates were up 8% year-on-year in the first half of 2019. Tanker rates saw a notable 80% spike from the same period in 2018. However, with newbuilding deliveries heavy and refinery maintenance earlier than usual this year earnings were a little-below the average of the past decade.

Source: TradeWinds

MISC Monthly

July 2019

INDUSTRY HEADLINES

SHIPPING: Insurance rates have 'increased 10-fold' after attacks in the Strait of Hormuz, shipping CEO says

Insurance rates for tankers transiting through the world's most important oil choke point have skyrocketed in recent weeks. Six oil tankers and a U.S. spy drone have been attacked since May either in, or near, the Strait of Hormuz — a strategically important waterway which separates Iran, Oman and the United Arab Emirates. Every ship needs various forms of insurance, including annual war-risk cover as well as an additional 'breach' premium when entering high-risk areas. At the moment, it is business as usual but insurance to transit the Strait of Hormuz has actually increased 10-fold in the last two months as a consequence of the attacks.

Source: Source: Hellenic Shipping News