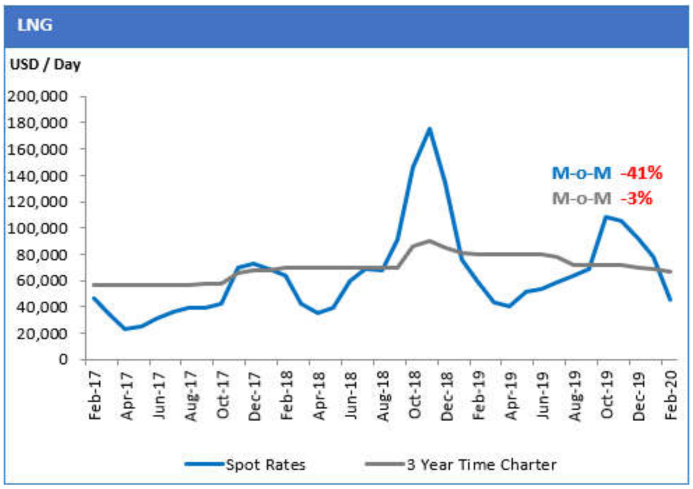
MISC Monthly

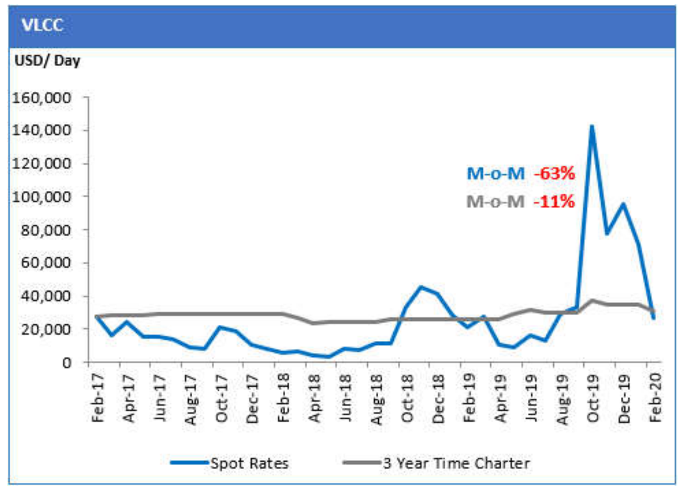
March 2020

moving energy to build a better world

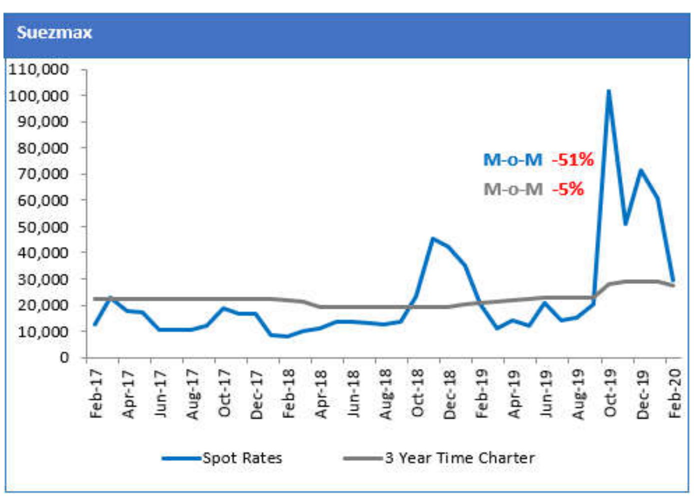
MISC Financial Calendar	
1Q 2020 Quarterly Results	8 May 2020
2Q 2020 Quarterly Results	13 August 2020
3Q 2020 Quarterly Results	17 November 2020
MISC Announcements	
-	



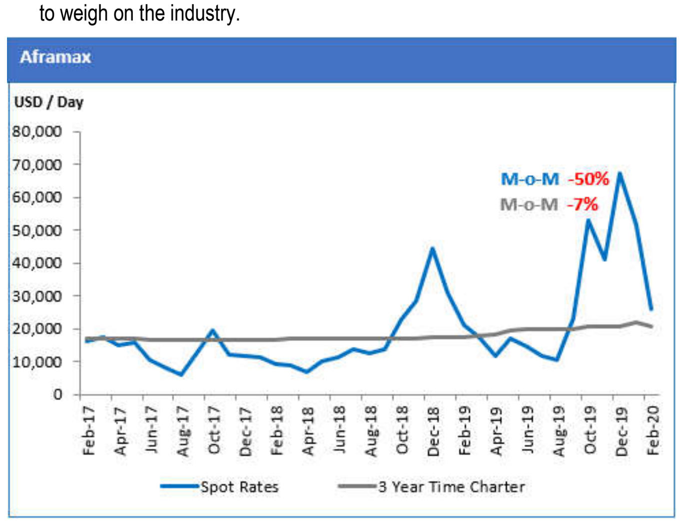
- LNG spot rates declined significantly in February 2020.
- Drewry expects Asian LNG demand to deteriorate in coming months due to weak demand from the top 3 LNG importers – Japan, China and South Korea. The slowdown comes amid the coronavirus (Covid-19) outbreak, mild winter and high inventories.



- VLCC spot freight rates reduced the most between all 3 segments in February, with rates suffering from the twin impact of the lifting of US sanctions on a COSCO subsidiary, which boosted availability, while disruptions caused by Covid-19 led to a weakening in tonnage demand.
- Slow demand from China was the biggest factor behind the weakening market sentiment.
- The slowing activity due to the uncertainties surrounding Covid-19 continues to weigh on the industry.



- Suezmax average spot freight rate declines mirrored those seen in the VLCC segment, falling by more than 50% in February compared to January.
- Lacklustre demand saw little activity in this segment with charterers pushing down rates.



- After a strong start to the year, Aframax rates lost around 50%, mirroring losses in other classes.
- Mid-month saw a slight demand for tonnage before fog along the US Gulf coast delayed the majority of ships that were due to be free of cargo, leading to additional tonnage within the region.

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FREIGHT MARKET

USD/Day	Jan 2020 Avg	Feb 2020 Avg	1-Month +/-%	2020 Avg	2019 Avg	2018 Avg
LNG						
Modern Tonnage						
Spot Rates	77,850	45,750	-41%	61,800	68,595	82,728
1 Year Time Charter	72,000	59,375	-18%	65,688	80,674	80,333
3 Year Time Charter	68,800	66,500	-3%	67,650	76,446	74,056
Steam Engine						
Spot Rates	52,650	30,938	-41%	41,794	46,831	48,665
1 Year Time Charter	46,500	41,000	-12%	43,750	53,720	45,427
3 Year Time Charter	43,000	42,000	-2%	42,500	50,719	40,104
PETROLEUM						
VLCC						
Spot Rates	71,215	26,525	-63%	48,870	41,827	15,381
1 Year Time Charter	48,650	35,000	-28%	41,825	36,388	22,965
3 Year Time Charter	34,800	30,813	-11%	32,806	30,094	25,575
Suezmax						
Spot Rates	60,491	29,369	-51%	44,930	32,326	17,886
1 Year Time Charter	34,500	30,750	-11%	32,625	26,692	17,477
3 Year Time Charter	29,000	27,500	-5%	28,250	23,664	20,077
Aframax						
Spot Rates	51,663	25,960	-50%	38,812	26,619	16,109
1 Year Time Charter	28,300	22,000	-22%	25,150	22,104	14,923
3 Year Time Charter	21,950	20,500	-7%	21,225	19,370	17,017
MR2						
1 Year Time Charter	16,600	15,563	-6%	16,081	14,682	13,131
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	119	124	4%	122	115	115
Rotterdam-Taiwan	94	99	5%	97	80	88
Gulf-Far East	54	50	-7%	52	43	42
Singapore-Rotterdam	84	79	-6%	82	74	80
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	14,000	14,000	-	14,000	13,229	12,875
1 Year Time Charter 37,000 dwt	14,750	13,750	-7%	14,250	13,422	11,585

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ASSET VALUE

USD 'Million	Jan 2020 Avg		Feb 2020 Avg		1-Month +/-%		2020 Avg		2019 Avg		2018 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	188		188		-		188		190		185	
VLCC												
Newbuild	92		92		-		92		93		88	
5-Year	77		76		-1%		77		71		64	
Suezmax												
Newbuild	62		62		-		62		62		59	
5-Year	53		53		-		53		50		44	
Aframax												
Newbuild	49		49		-		49		49		47	
5-Year	41		43		4%		42		38		31	
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	33	49	32	-	-2%	49	32	50	33	47	31
Secondhand Prices - 10 years	34	15	34	15	-	-	34	15	34	15	33	13

**S/S = Stainless Steel*

FLEET DEVELOPMENT

No. of Vessels	Current Fleet	2020	2021	2022	2023+	Total Orderbook	Orderbook as % of Fleet
LNG							
LNG Carriers*	536	37	51	32	3	123	23%
PETROLEUM							
VLCC	813	30	27	3	-	60	7%
Suezmax	585	28	23	15	-	66	11%
Aframax	672	20	51	15	-	86	13%

DELIVERIES & DEMOLITIONS

Deliveries	Jan-20	Feb-20	YTD
LNG			
LNG Carriers*	1	3	4
PETROLEUM			
VLCC	9	2	11
Suezmax	2	2	4
Aframax	3	0	3

**Updated up to 5 March 2020.*

Demolitions	Jan-20	Feb-20	YTD
LNG			
LNG Carriers	1	0	1
PETROLEUM			
VLCC	0	0	0
Suezmax	1	0	1
Aframax	1	1	2

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INDUSTRY HEADLINES

LNG: Covid-19 sparks friction between LNG producers and buyers

As fears over the coronavirus outbreak have affected an already weakened liquefied natural gas market, importers are calling for new long-term pricing arrangements, while some producers face the growing risk of output shut-ins. China's all-out efforts this year to contain the Covid-19 virus have curbed its industrial production and travel within the country, reducing domestic natural gas demand. Analysts at Redburn said: "A chain reaction where the virus causes a fall in Chinese LNG demand — which pushes LNG to India and Europe at falling prices and US LNG starts to get shut in — is already under way."

Source: Upstream Online

LNG: LNG shipping faces coronavirus negative impact

LNG shipping hasn't been able to avoid the negative impact from the drop in gas demand, as a result of the Coronavirus outbreak. In a recent market commentary, LNG ship owner, AWILCO LNG said that "the story of LNG in 2019 has been one of massive supply growth and muted demand, leading to global gas prices falling to their lowest in 10 years. At the same time final investment decisions on new LNG liquefaction capacity in 2019 hit an all-time high of 71 MTPA. Total LNG trade in 2019 ended at 361 MT according to Fearnleys LNG, a growth of 11% on 2018 volumes and a doubling in 10 years. Muted demand from key LNG importers Japan and South Korea, both down 8% on 2018 imports due to mild weather and higher nuclear power generation, were partially offset by larger imports to China and India which grew by 16% and 5% respectively". In terms of the market's outlook, the shipowner noted that "Although increasing LNG volumes are expected to continue to drive tonnage demand, it may be challenging for shipowners to secure utilisation and capture higher charter rates in the near term due to the current muted end-user demand as exacerbated by the outbreak of Covid-19".

Source: Hellenic Shipping News

LNG: Asia to absorb LNG supply growth from mid-2020 — Shell

Asia will be able to absorb most of the growth in LNG supply from the second half of 2020, with Europe ceasing to be a balancing market, Royal Dutch Shell said in February. Excess cargoes have been sent to Europe in the past year as global LNG supply has been soaring, in particular from projects in the United States and Australia. Mild weather and the 2019 novel coronavirus (Covid-19) outbreak in China helped reduce LNG demand in Asia this winter. "But as you look forward from 2020, particularly from the middle of 2020, you see a material reduction in the growth of supply and you see Europe no longer being called upon to provide the role as the balancing markets, and Asia absorbing most of the supply growth going forward." In its 2020 LNG outlook, Shell said Asia is expected to be the key growth region for LNG in the next 20 years, with South and Southeast Asia generating more than half of the increased demand.

Source: The Edge Markets

PETROLEUM: Tanker market facing considerable uncertainties

Dirty tanker spot freight rates were buffeted by unexpected developments in February, undermining the optimistic outlook that began the year. Disruptions caused by measures to stem the accelerating outbreak of the Covid-19 in China led to a sharp drop in economic activity, including refinery runs, which weighed on crude import demand and freight rates. At the same time, tanker availability further increased by the unexpected lifting of sanctions on a subsidiary of China's COSCO at the end of January, which dampened dirty tanker spot rates, particularly for VLCCs. The market appeared to be looking for a bottom by the end of February, but considerable uncertainties remain for March, given the widening disruption brought about by the ongoing spread of the Covid-19. At the same time, the announced increases in crude flows by major exporters in March is likely to support the tanker market in the near term. In the first ten days of March dirty tankers spot freight rates rose by 7%.

Source: OPEC report

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PETROLEUM: Crude floating storage on VLCCs rises as China demand falls

The sharp slump in global crude demand, from China in particular, due to the coronavirus outbreak has compelled several trading companies and cargo-holders to resort to floating storage, mainly on VLCCs, for up to six months in Singapore and elsewhere, according to market participants. The US Energy Information Administration in March lowered its forecast for average global petroleum and liquid fuels demand for the first quarter of 2020 by 0.9 million b/d, which is a potential demand destruction equivalent to 15 VLCCs a month.

Source: Hellenic Shipping News

PETROLEUM: OPEC+ oil-deal failure may lead to $30 oil

An effort by OPEC+ to stabilize the oil market ended in failure on Friday, 6 March, with Russia rejecting a plan for additional output cuts and sending prices for the commodity plummeting to their lowest levels in roughly three years. Analysts said Russia may be betting that the lower prices will cause US shale producers to slow output, but without OPEC+'s help to steady the market, US benchmark prices could fall toward $30 a barrel as COVID-19 feeds a decline in demand for oil.

Source: Hellenic Shipping News

PETROLEUM: How will an oil price war impact shipping?

The Paris-based International Energy Agency forecasted on 10 March that global oil demand would contract for the first time since 2009 just as Saudi Arabia and Russia — the two largest exporters — began a race to the bottom for market share. While the oversupply is seen as bad for the overall health of the global economy, and stock markets, the abundance of oil could be bullish for freight rates, some analysts argue, at least in the near term. Physical and paper crude tanker rates did indeed surge subsequently for routes to Asia amid expectations that the cheap crude prices will boost demand from Chinese refineries and lead to ships chartered for floating storage. Tanker owners are clearly betting on the above scenario as a means to offset the contracting oil demand, while plunging marine fuel prices, down by around a quarter, helps to maintain earnings potential as operating costs are reduced. But while there are short-term positive signs for freight rates, brokers argue that a low oil price for an extended period will take a toll on US oil exports. In turn, this will reduce tonne-mile demand for tanker shipping in the longer run as trade flows for the commodity switch to lower-priced producers. Moves by Saudi Arabia to flood the market with cheap crude oil are designed to hurt the debt-fuelled US shale oil industry, which has filled the gap left by OPEC-plus production cuts over the past three years, eroding the cartel's market share even as oil prices stabilised. However, the shale oil industry is only profitable at around $50 per barrel and the lower prices seen in the past few days will certainly see purchases shift to other markets.

Source: Lloyd's List

SHIPYARD: Coronavirus disrupts scrubber retrofits

Shipowners with scrubber installation commitments have been scrambling to secure yard slots outside China for the required retrofits following the coronavirus outbreak. This is despite a collapse in the scrubber earnings premium that may have compromised new investments in the abatement technology. The coronavirus outbreak in China is expected to hold back scrubber retrofits for many months. Citing market data, S&P Global Platts noted that globally about 200 commercial ships are believed to be waiting at yards for scrubber retrofits. Roughly 140 to 150 are said to be in China. Shipyards in China have been reportedly running with a workforce of 50% or less since late January as a result of the coronavirus outbreak. Despite the Chinese government taking steps to ramp up industrial activity including at shipyards, this approach does not seem to have assuaged fears because many shipowners have sought to divert repair and retrofit work. Meanwhile, scrubber earnings premium — defined as term charter earnings differential between ships with and without scrubbers — have tumbled as the price spread between compliant and noncompliant fuel oil narrowed. A narrower price spread between the compliant and non-compliant fuel oil, or VLSFO and HSFO, would lengthen the payback period on scrubber investments.

Source: Lloyd's List