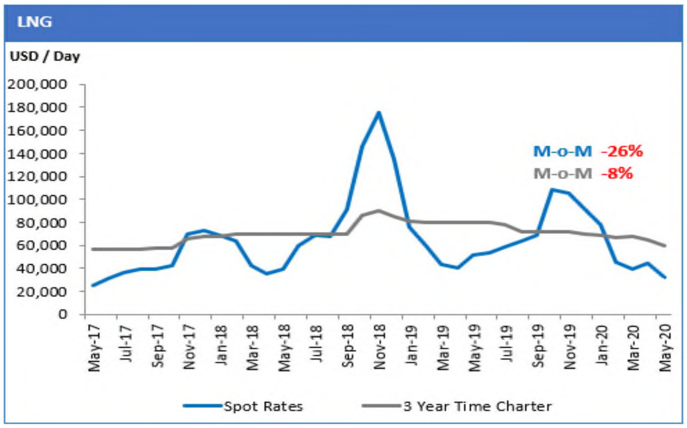
MISC Monthly

June 2020

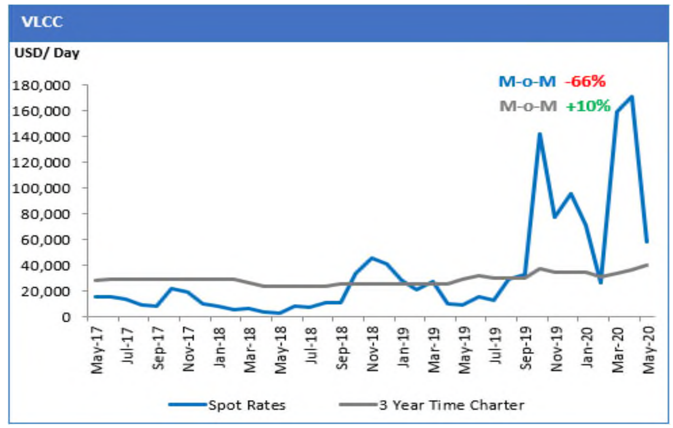
moving energy to build a better world

MISC Financial Calendar	
2Q 2020 Quarterly Results	13 August 2020
3Q 2020 Quarterly Results	17 November 2020

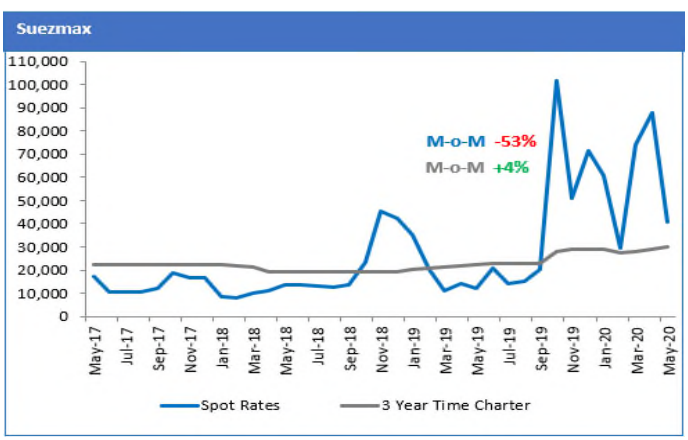
MISC Announcements
MISC Berhad - Notification to shareholders of the fully virtual 51st Annual General Meeting of MISC Berhad on 26 June 2020



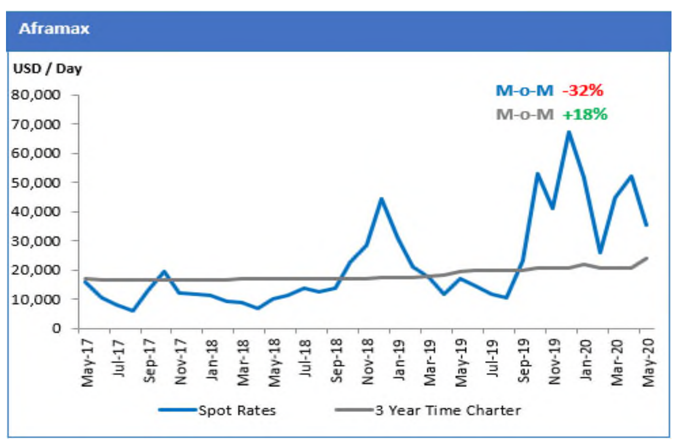
- Global LNG demand continued to be weak due to the lockdowns and disruptions to economic activity to slow the spread of COVID-19 pandemic.
- Weak demand coupled with high storage levels led to numerous spot cargo cancellations and a further decline in spot rates at a time of year when rates usually rise in anticipation of peak Asian summer demand.



- VLCC rates fell dramatically in May due to fewer fixtures in the VLCC market. Storage enquiries are drying up after OPEC+ cuts kicked in and crude prices started to recover.
- With continued cuts ahead, calmer periods are expected to stay.



- With little enquiry and plenty of available tonnage, Suezmax rates only look set to soften further. Charterers look set to remain in the driving seat.
- The Mediterranean market remained quiet and the market East of Suez has taken a tumble. Rates in the West Africa and the Middle East remain under downward pressure.



- The Aframax market was very quiet globally, with rates continually being pushed down as enquiry levels remained low and sentiment weakened significantly.
- The UKC/Baltic and Med/Black Sea market continued to look weaker as cargo opportunities appeared to dry up.
- Rates also fell in the Middle East and Asian markets, amidst ample tonnage availability, although earnings in the East were still higher than in the Mediterranean.

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June 2020

FREIGHT MARKET

USD/Day	Apr 2020 Avg	May 2020 Avg	1-Month +/-%	2020 Avg	2019 Avg	2018 Avg
LNG						
Modern Tonnage						
Spot Rates	44,125	32,625	-26%	48,033	68,595	82,728
1 Year Time Charter	58,750	51,250	-13%	59,075	80,674	80,333
3 Year Time Charter	65,000	60,000	-8%	65,660	76,446	74,056
Steam Engine						
Spot Rates	30,375	23,375	-23%	32,693	46,831	48,665
1 Year Time Charter	37,625	34,750	-8%	39,825	53,720	45,427
3 Year Time Charter	42,000	39,250	-7%	41,650	50,719	40,104
PETROLEUM						
VLCC						
Spot Rates	171,127	58,046	-66%	97,236	41,827	15,381
1 Year Time Charter	69,375	56,100	-19%	50,825	36,388	22,965
3 Year Time Charter	36,250	39,800	10%	35,008	30,094	25,575
Suezmax						
Spot Rates	87,575	40,881	-53%	58,417	32,326	17,886
1 Year Time Charter	43,500	39,000	-10%	36,588	26,692	17,477
3 Year Time Charter	28,750	29,850	4%	28,645	23,664	20,077
Aframax						
Spot Rates	52,211	35,378	-32%	41,981	26,619	16,109
1 Year Time Charter	31,250	30,050	-4%	27,158	22,104	14,923
3 Year Time Charter	20,500	24,100	18%	21,510	19,370	17,017
MR2						
1 Year Time Charter	15,844	16,925	7%	16,149	14,682	13,131
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	107	108	1%	114	115	115
Rotterdam-Taiwan	82	83	1%	89	80	88
Gulf-Far East	45	62	40%	51	43	42
Singapore-Rotterdam	74	78	5%	78	74	80
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,500	13,500	-	13,700	13,229	12,875
1 Year Time Charter 37,000 dwt	14,000	15,250	9%	14,300	13,422	11,585

MISC Monthly

June 2020

ASSET VALUE

USD 'Million	Apr 2020 Avg		May 2020 Avg		1-Month +/-%		2020 Avg		2019 Avg		2018 Avg	
LNG												
Newbuild (DFDE, Atlantic Max)	186		184		-1%		187		188		185	
VLCC												
Newbuild	91		89		-2%		91		93		88	
5-Year	76		72		-5%		76		71		64	
Suezmax												
Newbuild	61		60		-2%		61		62		59	
5-Year	53		50		-6%		52		50		44	
Aframax												
Newbuild	49		49		-		49		49		47	
5-Year	43		39		-8%		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	48	31	48	31	-	-	49	32	50	33	47	31
Secondhand Prices - 10 years	34	15	33	14	-1%	-2%	34	14	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	538	34	51	27	7	119	22%
PETROLEUM							
VLCC	818	24	27	11	-	62	8%
Suezmax	591	23	25	17	-	65	11%
Aframax	673	14	52	24	6	96	14%

DELIVERIES & DEMOLITIONS

Deliveries	Apr-20	May-20	YTD
LNG			
LNG Carriers*	2	5	11
PETROLEUM			
VLCC	2	2	18
Suezmax	1	2	10
Aframax	0	0	4

**Updated to 12 June 2020.*

Demolitions	Apr-20	May-20	YTD
LNG Carriers	2	0	3
VLCC	0	0	0
Suezmax	0	0	1
Aframax	0	0	2

MISC Monthly

June 2020

INDUSTRY HEADLINES

LNG: Over 80 US LNG cargoes cancelled to end-July, Poten says

Over 80 US-produced LNG cargoes look set to be cancelled in the period through until the end of July, according to figures given out by US broker and consultant Poten & Partners. In a panel session entitled “Swimming against the tide”, Poten's head of business intelligence for Europe, Africa and the Atlantic Oleg Vukmanovic, said May saw a greater reduction in US supply than expected with feedgas flows into plants and loadings showing 10-20 cargoes were cancelled for the month.

Source: TradeWinds

LNG: Global LNG market to decelerate sharply in 2020 amid supply and demand cuts

Global LNG market growth is set to decelerate sharply in 2020 on the back of supply cuts and pandemic-driven demand destruction, with most analysts slashing their forecast for the year and some predicting an outright year-on-year contraction in LNG trade. This is likely to be the sharpest growth deceleration the LNG market has seen in many years and contrary to the expectation that 2020 would have been one of strongest growth years for LNG with the addition of US liquefaction, which is expected be worst hit. Global LNG trade in 2019 amounted to 354.73 million mt, which was an increase of 13% from 2018. Poten & Partners expects LNG demand in 2020 to fall below the 2019 levels by 6.7 million mt. Meanwhile, Wood Mackenzie cut its 2020 growth estimates and expects a net LNG market size of 356.8 million mt this year, and S&P Global Platts Analytics has also pared its 2020 LNG market growth estimate from the previous forecast of 18 million mt/year, but still expects the market to grow by around 9 million mt/year above 2019 levels.

Source: S&P Global Platts

LNG: LNG sails for an unprofitable summer

Liquefied natural gas shipping rates are heading for record lows during the next six months as cargo cancellations, falling gas prices and uncertain demand edges spot earnings below daily operating costs. Daily rates on round-voyage routes to northwest Europe and Tokyo from the US Gulf have collapsed by 98% since November to average just above $15,500, according to the Baltic Exchange’s weekly assessment on May 29.

Source: Lloyd’s List

PETROLEUM: The tanker market came back down to earth in May, after reaching strong levels in March

Dirty tanker rates in May fell from the high levels seen since mid-March. The upward trend in VLCC spot rates that began in March ran its course in May, with VLCC rates falling the most among the vessel classes. Suezmax spot rates were also impacted, while Aframax rates mirrored declines seen across all classes, although to a lesser extent. Production adjustments by OPEC and participating non-OPEC countries, as well as other major producers have eased the pressure seen on demand for VLCCs. A decline in product exports amid COVID-19 lockdowns have also kept clean tanker rates subdued, with both reduced refinery runs and weak product demand limiting cargoes. Floating storage has provided some support to both dirty and clean rates, however, levels are seen to be unwinding faster-than-expected.

Source: OPEC

PETROLEUM: Tide is turning in tanker markets with growing oil demand recovery

Tanker markets are sailing into choppy waters in the coming months. In the second quarter, charter rates of crude and product tankers were boosted by a record level of floating storage amid collapse in oil demand due to COVID-19 lockdown measures. But most analysts agree that fortunes are starting to change, with oil consumption slowly recovering as major economies relax their lockdown measures in phases. The large tonnage required to store oil will likely arrest the slide in tanker earnings in the near term, with a fragile oil recovery not yet triggering a full-on destocking, according to some analysts. But compared with crude tankers during the destocking cycle, product tankers could enjoy better earnings prospects when short-term imbalances of clean petroleum products emerge.

Source: TradeWinds

MISC Monthly

June 2020

INDUSTRY HEADLINES

PETROLEUM: Storage tankers could be drained in second half as contango curve flattens, analysts say

According to consultants Energy Aspects, crude oil stored on tankers worldwide could be discharged by October as demand improves, putting further downward pressure on already weaker rates and sending a flotilla of anchored vessels back into the spot market. About 5.5m barrels per day (bpd) or five and a half Suezmax cargoes could be unloaded in the second half. But Fearnley Securities said for the draw to happen, forward prices must move into backwardation, where spot prices are higher than those in the future. “Presently the curve is still in contango, but considerably flatter than a few weeks ago”.

Source: TradeWinds

OFFSHORE: Petrobras targets huge new floaters at giant Brazilian pre-salt field

Petrobras plans to set the contracting market alight next quarter with new tenders for at least three giant floating production, storage and offloading vessels for the ultra-productive Buzios field in Brazil’s Santos basin. The tenders will likely use a mix of contracting models, with at least one of them based on the turnkey concept, where Petrobras will supply basic engineering and will finance the construction of its own unit. In addition to this turnkey contract for engineering, procurement and construction, current scenarios point to one or more of the floaters being ordered under the build-own-operate-transfer (BOOT) contractual model or, alternatively, the lease-and-operate charter model, which has been the modus operandi for Petrobras in recent years. Petrobras may have been slashing capital expenditure and operating costs as ruthlessly as any of its industry peers, but when it comes to the best pre-salt projects, with their higher returns, the state-controlled company has been taking advantage of the downturn by engaging the market in an aggressive push for new contracts. The operator is expected to sign a letter of intent with Malaysia's MISC for the Mero-3 FPSO in August and is due to receive bids in August under ongoing tenders for the Mero-4 and Itapu units.

Source: Upstream Online

SHIPPING: China to build major LNG bunkering facility for international vessels

China has rolled out a plan to build a major liquefied natural gas bunkering facility for international vessels in Shenzhen city in southern China’s Guangdong province — the first of its kind in China. The contract will commit the port authorities in Shenzhen to contributing port facilities, PetroChina to supplying LNG and local town gas distributor Shenzhen Gas to managing the marketing. The trio will set up a joint venture to invest in, build and operate the LNG bunkering terminal, which will accommodate LNG bunkering needs for international LNG-powered vessels and help cut greenhouse gas emissions.

Source: Upstream Online

SHIPYARD: South Korea unveils massive shipbuilding stimulus package

South Korea has unveiled a massive stimulus package for its shipbuilding industry, in a move that will raise the hackles of competition authorities in Europe and Japan. The Export-Import Bank of Korea (Kexim) will reportedly inject KRW5.2tn ($4.2bn) into the sector to help it overcome the problems caused by COVID-19. Nomura shipbuilding analyst Jaehyung Choi said the funds could help mitigate the financial risk that small to medium-size shipbuilders are facing. He added that it could also support shipbuilders’ corporate bonds and shipping finance refund guarantee issuance.

Source: TradeWinds

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