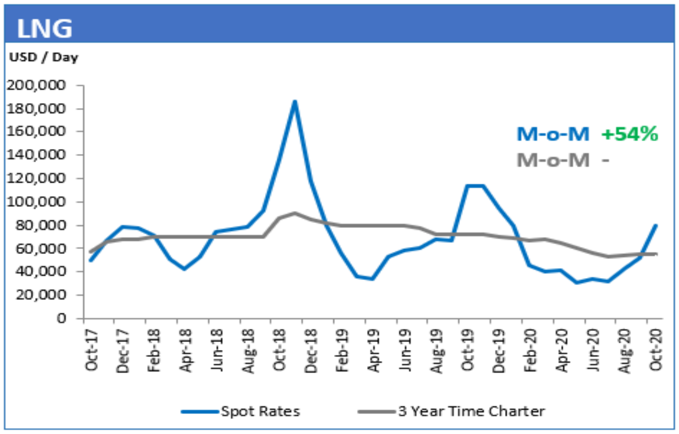
MISC Monthly

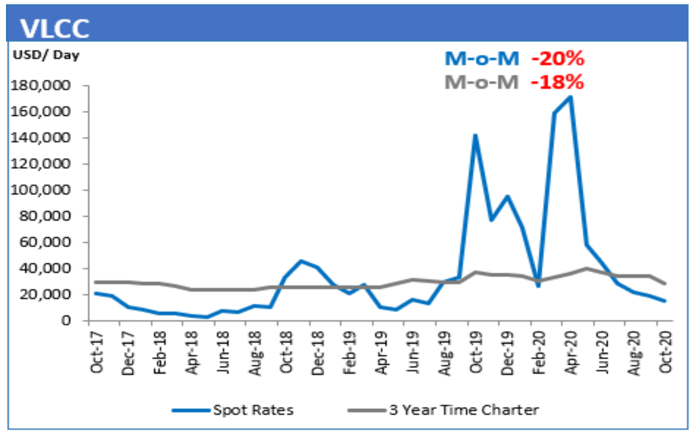
November 2020

moving energy to build a better world

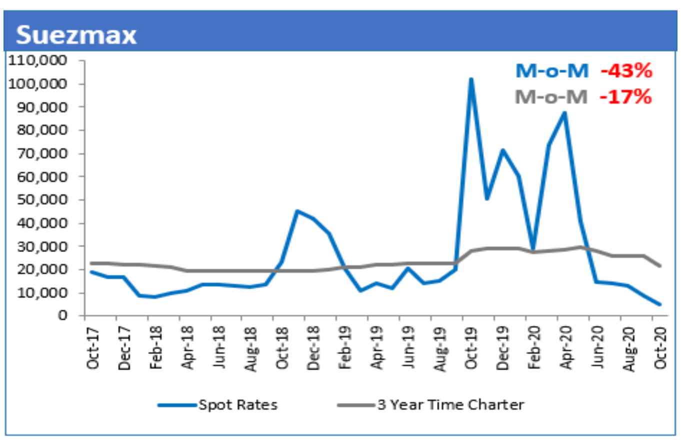
MISC Financial Calendar	
4Q 2020 Quarterly Results	To be confirmed
MISC Announcements	
nil	



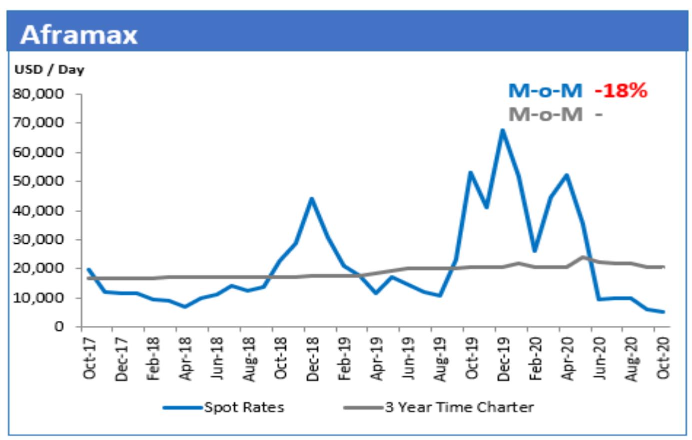
- LNG freight spot rates continue to strengthen in October in anticipation of the seasonal winter demand.
- The widening spread between benchmark LNG prices in the Far East and Europe has increased demand for longer haul arbitrage trade. This coupled with congestion at the Panama Canal, supported the stronger spot freight rates.



- VLCC spot rates declined further in October, falling on average by 20% m-o-m, instead of the typical upward trajectory seen this time of the year for the winter season.
- COVID-19 restrictions continue to dampen oil and tanker demand. Meanwhile, the unwinding of floating oil storage adds to oil inventory at demand centres, further reducing demand for tankers while at the same time releasing tonnage into the market, further depressing the VLCC market.



- Suezmax rates also declined further in October as the market remained rather stagnant, with average spot freight rates dropping 43% m-o-m on average.
- The oversupply of tonnage has contributed to the soft market sentiment and lower rates. The fourth quarter is typically a period when activity picks up due to seasonal factors but this has yet to materialise.



- Average Aframax spot rates declined by 18% m-o-m in October as overall market activity remained sluggish, weighing down on rates amid ample tonnage availability.

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FREIGHT MARKET

USD/Day	Sep 2020 Avg	Oct 2020 Avg	1-Month +/-%	2020 Avg	2019 Avg	2018 Avg
LNG						
Modern Tonnage (155k - 165k cbm, DF/TF diesel engine)						
Spot Rates	51,500	79,400	54%	47,520	69,498	87,963
1 Year Time Charter	56,500	54,400	-4%	56,825	80,674	80,333
3 Year Time Charter	55,000	55,000	-	60,143	76,446	74,056
Steam Engine (145k – 155k cbm, steam turbine)						
Spot Rates	36,625	54,700	49%	32,750	47,688	51,754
1 Year Time Charter	34,500	31,600	-8%	36,473	53,720	45,427
3 Year Time Charter	32,000	30,200	-6%	36,808	50,719	40,104
PETROLEUM						
VLCC						
Spot Rates	19,058	15,181	-20%	61,641	41,827	15,381
1 Year Time Charter	30,938	25,900	-16%	42,654	36,388	22,965
3 Year Time Charter	34,500	28,200	-18%	34,374	30,094	25,575
Suezmax						
Spot Rates	8,577	4,866	-43%	34,747	32,326	17,886
1 Year Time Charter	23,000	19,050	-17%	29,815	26,692	17,477
3 Year Time Charter	26,000	21,500	-17%	27,073	23,664	20,077
Aframax						
Spot Rates	6,116	4,986	-18%	25,032	26,619	16,109
1 Year Time Charter	19,000	17,500	-8%	23,409	22,104	14,923
3 Year Time Charter	20,500	20,500	-	21,430	19,370	17,017
MR2						
1 Year Time Charter	14,000	13,550	-3%	14,932	14,682	13,131
CHEMICAL						
Spot Rates (USD/Tonne)						
Rotterdam - Far East	110	112	2%	112	115	115
Rotterdam-Taiwan	85	85	-	87	80	88
Gulf-Far East	39	38	-3%	46	43	42
Singapore-Rotterdam	67	65	-3%	74	74	80
Time Charter (USD/Day)						
1 Year Time Charter 19,000 dwt	13,250	13,250	-	13,475	13,229	12,875
1 Year Time Charter 37,000 dwt	12,250	11,250	-8%	13,300	13,422	11,585

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ASSET VALUE

USD 'Million	Sep 2020 Avg	Oct 2020 Avg	1-Month +/-%	2020 Avg	2019 Avg	2018 Avg
LNG						
Newbuild (174k cbm, MEGI)	186	186	-	186	185	181
VLCC						
Newbuild	86	85	-1%	89	93	88
5-Year	65	65	-	71	71	64
Suezmax						
Newbuild	56	56	-	59	62	59
5-Year	45	45	-	50	50	44
Aframax						
Newbuild	47	46	-2%	48	49	47
5-Year	35	33	-6%	39	38	31

CHEMICAL	Sep 2020 Avg		Oct 2020 Avg		1-Month +/-%		2020 Avg		2019 Avg		2018 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	48	32	48	32	-	-	48	32	50	33	47	31
Secondhand Prices - 10 years	33	15	33	0	-2%	-100%	33	13	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	554	16	50	29	25	120	22%
PETROLEUM							
VLCC	828	9	31	22	-	62	7%
Suezmax	607	5	26	28	-	59	10%
Aframax	671	7	57	28	10	102	15%

DELIVERIES & DEMOLITIONS

Deliveries	Sep-20	Oct-20	YTD
LNG			
LNG Carriers*	5	5	29
PETROLEUM			
VLCC	2	0	29
Suezmax	6	2	27
Aframax	0	0	15

**Updated as of 3 Nov 2020.*

Demolitions	Sep-20	Oct-20	YTD
LNG Carriers	0	0	3
VLCC	0	0	0
Suezmax	0	0	2
Aframax	2	1	7

INDUSTRY HEADLINES

LNG: Sentiment on the rise as LNG carrier spot rates climb

Spot charter rates for LNG carriers have strengthened ahead of the traditionally busy winter trading season but players are cautious about how high they will go. Brokers said there has been a rise in the number of spot charters concluded, with Asian buyers taking on tonnage to cover shipments, on the back of COVID-19 demand recovery and as buyers stock up for the colder months. Available tonnage is particularly thin in the Atlantic basin, prompting market talk that vessels may be repositioned from the East to cover expected November and December cargoes. But market watchers are cautious about how the season will play out due to supply challenges and uncertainties over COVID-19 demand recovery in Europe, set against newbuilding deliveries and the potential for relet vessels to emerge. Oleg Vukmanovic, head for Europe and Africa in Poten & Partners' business intelligence unit, said that while LNG demand from Asia has increased, European imports remain weak. But he said "economics and arbitrages for exports out of the US are looking very attractive".

Source: TradeWinds

LNG: Panama Canal congestion adds to LNG tonnage crunch

Congestion in the Panama Canal has held up transits of liquefied natural gas carriers, contributing to tightness in shipping tonnage amid the winter demand surge for the super-cooled fossil fuel. About a dozen LNG carriers spent two days or longer in and around this busy channel in October, Lloyd's List Intelligence vessel tracking data showed. Most of these affected tankers were en route to load cargoes at liquefaction plants in the US. Evercore ISI analysts pointed to such delays as extending some voyages and bolstering global fleet utilisation, adding to the seasonal tonnage squeeze in the shipping market. Long-haul gas shipment arbitrage had opened up as the spread between regional benchmarks widened in favour of sending cargoes to northeast Asia vis-à-vis Europe. Still, analysts have warned of weakness in the commodity and shipping markets that may hold back this year's winter surge.

Source: Lloyd's List

PETROLEUM: Weakness prevails in the tanker market during October

The tanker market remained weak in October, with dirty tanker rates depressed by ample tonnage availability, while tanker demand remained low as COVID-19 disruptions weighed on trade. High inventory and unwinding floating storage also negatively impacted dirty tanker rates. After a brief pick-up in the Mediterranean last month, clean tanker rates in October turned lower West of Suez. East of Suez rates managed an increase on gains on the Singapore-to-East route.

Source: OPEC

PETROLEUM: Tanker recovery on hold as pandemic worsens

The resurgence of coronavirus is seen as lengthening any global recovery in crude and product tanker rates for at least seven months as analysis points to contracting oil demand growth. Amid volatile markets, demand for tankers has fallen 14.5% this year, with global fleet utilisation at 80%, Cleaves Securities said in its quarterly outlook for the shipping sector. The Norwegian investment bank is among the most cautious of shipping analysts on 2021, citing the size of the overhang of inventories of crude and refined products that has built since economies went into lockdown in March. Based on figures from the US Energy Administration, the pace of inventories' drawdown means "the oil tanker market will experience the negative effects of net destocking until mid-2021", the outlook said. Daily tanker rates for smaller suezmax, aframax and medium range tankers have hovered around rates equivalent to operating expenses since mid-September. Very large crude carrier rates are also lower, defying the normal fourth-quarter boost in earnings that typically reflects additional crude needed to refine gasoil and kerosene, middle distillates used for heating oil over the colder northern hemisphere winter.

Source: Lloyd's List

OFFSHORE: $83 billion: Global floater investment set to balloon in next five years

Addressing delegates at the 7th FPSO & FLNG & FSRU Global Summit in Shanghai, Xu Yun, senior analyst of Energy Maritime Associates (EMA) said that Brazil will lead the way in floating production, storage and offloading (FPSO) vessels spending, with capital investment reaching $34 billion by 2025, followed by Africa with $16 billion, mostly for FPSOs and floating liquefied natural gas (FLNG) vessels. ExxonMobil's latest oil discoveries on its operated Stabroek block off Guyana will boost demand for FPSOs with capital investment pegged at $8 billion, Xu said. In Southeast Asia, Floating Production System (FPS) investments will hit $5.35 billion, mostly for FPSOs and floating storage and offloading (FSO) vessels, over the next five years. China will need to invest $1 billion in FPSOs. In the Gulf of Mexico, the capital requirement for semi-submersible production platforms will reach $1.125 billion by 2025, Xu said. The FPS sector in the forecast includes FPSOs, FSOs, semi-submersibles, spars, tension-leg platforms, FLNG vessels and floating storage and re-gasification units (FSRU). Based on the mid-case oil price scenario of $50 to $70 per barrel, there will be 109 FPS orders in the next five years, including 50 FPSOs, 25 FSOs, 20 FSRUs, four FLNG vessels and eight semi-subs, EMA figures show. Of the total, FPSOs will account for 50% of new orders and 75% of capital investment. Xu said that 2020 has already seen six FPSs awarded — three FPSOs and three FSRUs — mostly in the first quarter before the coronavirus pandemic gathered pace.

Source: Upstream Online

SHIPPING: Ship owners shun away from the demolition market

Despite enough potential supply of tonnage primed for demolition, it seems that the conclusion of deals has been elusive over the course of the past few weeks. Ship owners appear to be shying away from doing more deals with scrapyards. According to shipbroker Clarkson Platou, "most units that may be workable are from the Offshore and Cruise sector where they remain the only two real depressed trading markets at this current time, but with the VLCC freight market starting to decline, the real possibility is that we could see this type of unit enter the market place during the remainder of this year.

Source: Hellenic Shipping News

SHIPPING: First movers urged to assemble consortia in decarbonisation quest

Shipping's first movers will need to collaborate to break the main barriers for the development of zero-emissions fuels and markets, according to a new report. Getting to Zero Coalition, a global initiative launched last year with the aim of commercialising zero-emissions vessels by 2030, calls for creation of a new green value chain with the support of a first wave of commercial scale zero-emission shipping projects to test new technologies and business models. Over the next three to four years companies should join forces to fast-track technology trials and regulatory approvals, co-invest in "critical equipment" such as bunkering assets and vessels, and form consortia with other actors in the value chains to establish voluntary offtake agreements and allocate the cost across the value chain to the end-consumer.

Source: Lloyd's List

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INDUSTRY HEADLINES

SHIPYARD: China's shipbuilding industry bounces back from coronavirus — and comes out on top

China's shipbuilding industry was threatened to be derailed by the outbreak of COVID-19 earlier this year. Chinese shipyards were hit by labour and equipment shortages due to travel restrictions and the extension of the Chinese New Year holiday. But by April, Chinese shipbuilding companies were back in business when restrictions lifted. They carried out aggressive marketing, trying to make up for the lockdown shortfall. Data from Maritime Strategies International (MSI) shows China received around 11 million gross tons (gt) of newbuilding orders in the first nine months of this year, although the volume is down one-fifth over the same period last year. "China has been a clear winner this year, while South Korea is having a very bad year so far, with just under 5 million gt during January to September, down 60% year on year," MSI director Stuart Nicoll said. "In contrast, in aggregate during the period 2016 to 2019, they were neck-and-neck, where both countries received around 10 million compensated gt per year."

Source: TradeWinds