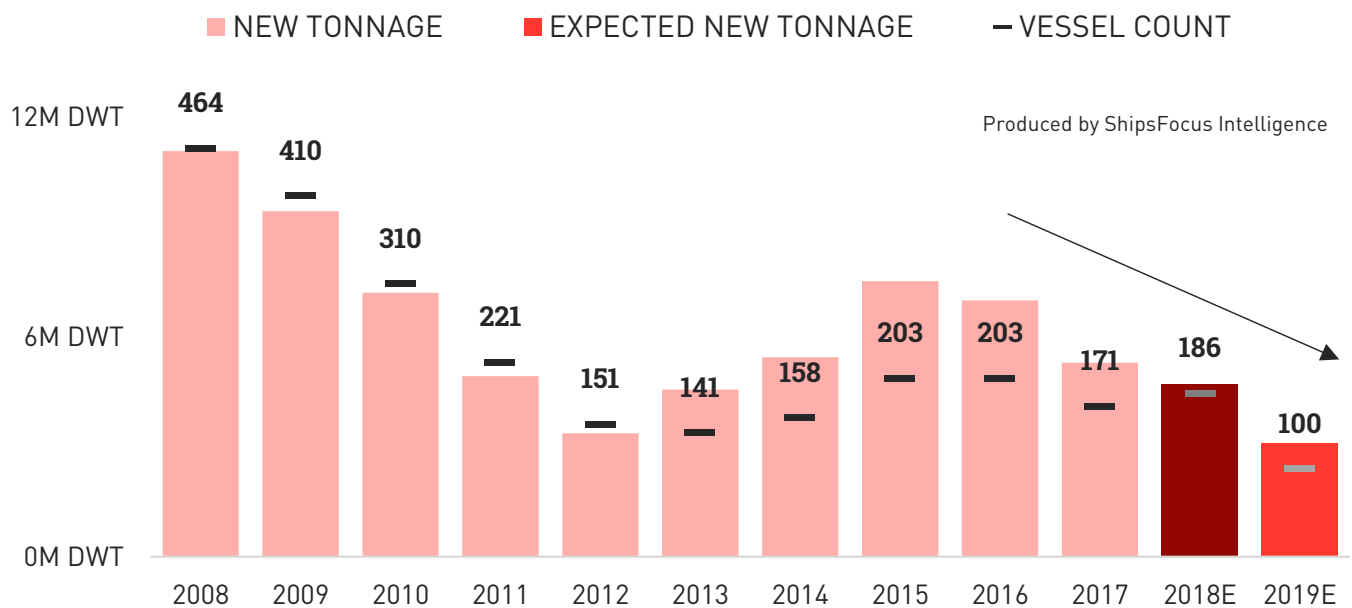




# HAPPY 2019 FOR CHEMICAL TANKER OPERATORS

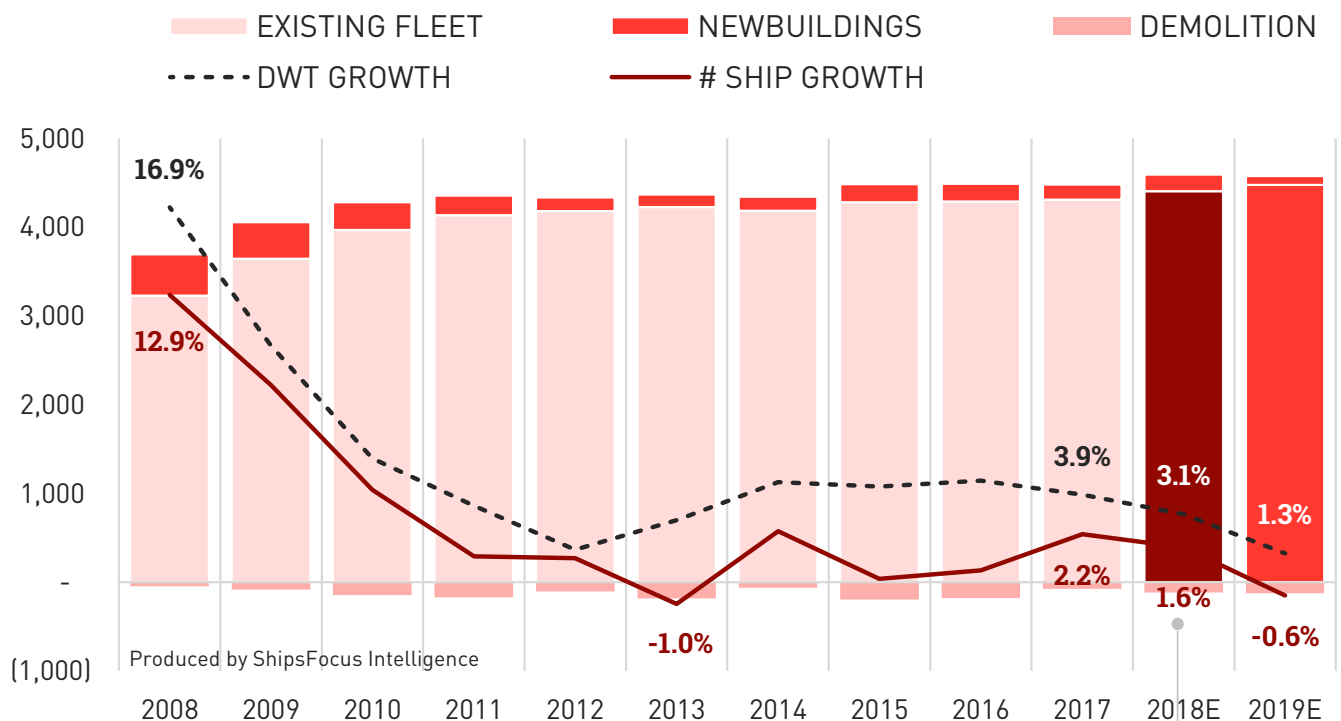
DECEMBER 2018

Continued slowdown in new-ship growth holds promises for chemical carriers. Chemical tanker operators have a fairly high chance of a good year in 2019 with bunker price averaging around current level. While chemical seaborne volume may stay flat, increase in long haul vegoils shipments, and lower new deliveries will all contribute to higher freight and operating margin. 'Smart' operators, especially small ones, who explore tech offerings may find digital-enabled cost competitive advantage over the long run.



## SLOWDOWN IN SUPPLY CONTINUES (NEXT 2 YEARS)

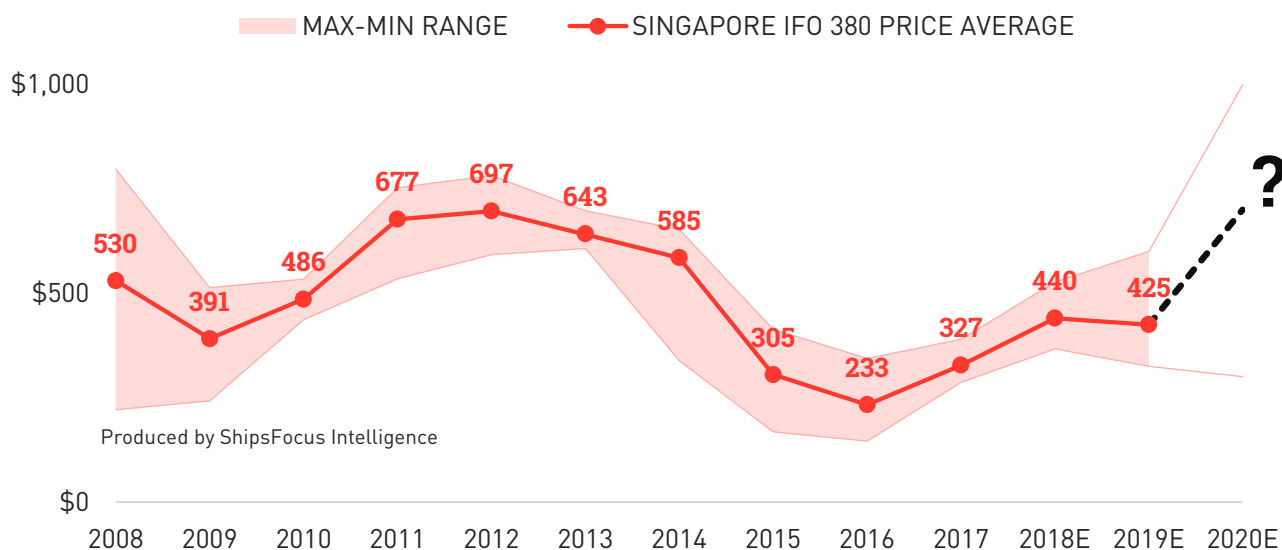
Recent supply growth deceleration continues well into 2018, despite an increase in number of ships mainly due to renewal of smaller sized fleet. The slowdown is interesting as it is expected to reach a net negative growth next year. This was something that occurred in 2013, which unfortunately motivated a premature but persistent new ship build-up that depressed chemical freight. But supply is only one part of the chemical operators' story.



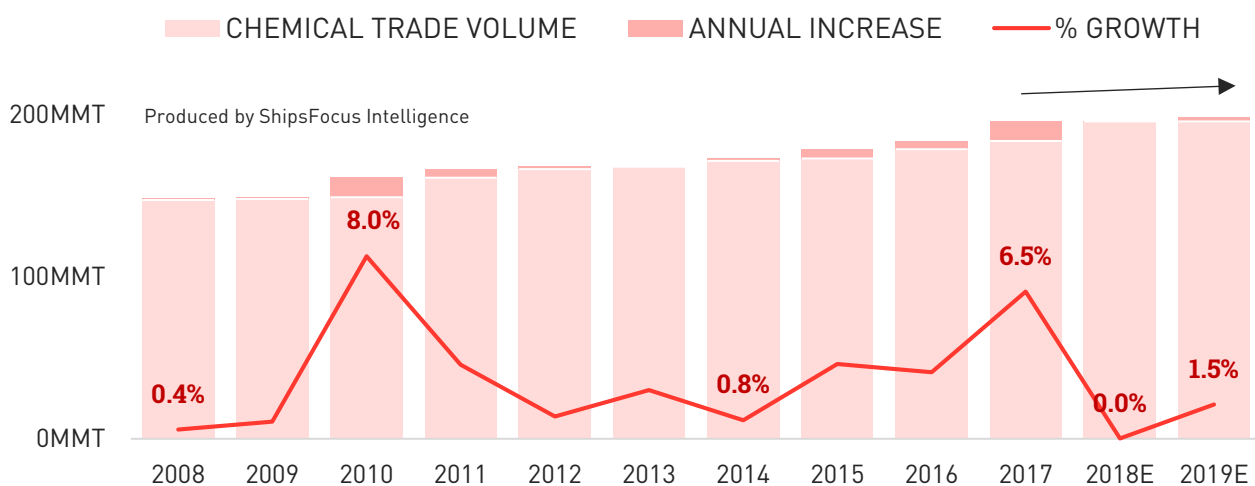
2018 Fleet: **4,477 SHIPS ( 110MIL DWT )**

## BUNKER PRICES HOLD OPERATORS BY THEIR BALLS

Despite freight recovery this year, operators' earnings are sliced further as bunker price (which could make up half of operating cost) averaged another 34% higher than last year's. We forecast a largely stable average price for next year. But as we know of bunker price, it depends on crude. We do expect price fluctuations to range bigger due to uncertainty and volatility impacting crude, and earlier responses to Sulphur2020.



Here is the story: While chemical tanker owners might have themselves to blame for over building, 2014 crude collapse which caused bunker prices to slide did not just save them. No credits to the owners but it gave many chemical tanker operators their best performances since the 2008 financial crisis in 2015 when fuel oil price averaged around \$300 per ton compared to above \$600 in the previous years. Some continued to enjoy positive time-charter earnings into 2016 even with weakening freight due to high ship supply relative to the demand for it. But through no faults of the operators, bunker price played havoc and shot up over 40% on average for 2017, killing operators' earlier joy completely. Without an effective bunker price hedging operation, operators earnings remain at bunker price's mercy.

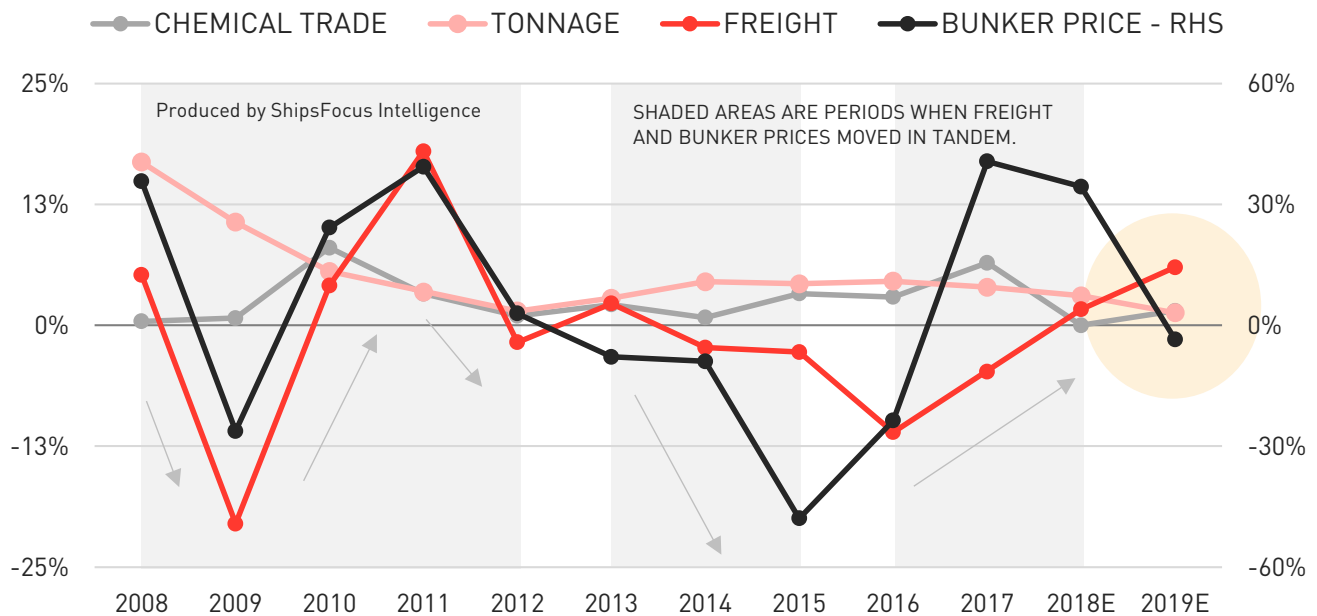


## GOOD TIMES IN CHEMICAL MARKETS MAY BE OVER?

Surprising to many, 2017 turned out to be an exceptional year in terms of chemical volume shipped, more than our forecast of almost 4% annual growth and grew at about 7%. Part of it was due to a strong revival in European production and volume. But this is not repeated for 2018, which is expected to stay flat in terms of growth. As we see now, we are more likely to experience slow growth if any for the next couple of years. Hopefully, our colleagues from the chemical industry can tell us otherwise?

## YOU CAN MAKE GOOD MONEY, BUT DO THE RIGHT THINGS

With all stars aligned, we see owners and operators as having a fairly high chance of a good year in 2019, provided they do the right things: stop (if you haven't) spending crazy money on the frivolous; stay out of thinking of building new ships; look at cost issues more seriously; spend more time with your customers and drive your brokers for more information. If you want to consider a longer term competitiveness, explore tech offerings, improve your chartering and operations processes to drive for better outcomes. There are quite some cool tools and solutions now out there to help.



**TAKING THIS CHANCE, MAY WE WISH YOU A TRULY HAPPY 2019!**

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