



RLA Weekly Report – Friday, 09 February 2024

No. 76

Geopolitical tensions in the Middle East Gulf kept the Asia-Pacific LPG market subdued.

Economy

- The U.S. trade deficit expanded marginally in December but saw its most significant contraction in 14 years in 2023 due to declining imports and rising exports. With the U.S. solidifying its position among major global oil producer, petroleum exports hit a record high in December. Trade contributed positively to GDP growth last year and is expected to continue supporting the economy in 2024, despite potential risks from Red Sea shipping disruptions. Disruptions in global shipping could lead to higher prices and longer lead times for goods, affecting inventory management and import outlooks. Despite December's deficit aligning with expectations, trade added 0.43 percentage points to the economy's 3.3% growth in the October-December quarter, contributing to a significant narrowing of the trade gap by 18.7% in 2023 to \$773.4 billion, representing 2.8% of GDP, down from 3.7% in 2022, and contributing over half a percentage point to the economy's 2.5% growth in 2023.

Oil & Tankers

- VLCC earnings surged to \$50,000/day on 06 January 2024 due to improved Middle East rates, with a 12.8% increase in rates to China after weeks of decline. The rise was attributed to a shrinking tonnage list in the region. While US Gulf rates remained stable, they may rise with market strengthening. Moreover, with Chinese New Year approaching, active market days are expected before the holiday slowdown. Starting at \$30,000/day, VLCC rates peaked at over \$53,000/day in mid-January but have since declined. China's role as the largest oil importer significantly influences the sector's prospects. VLCCs could benefit from increased business due to suezmaxes routing OPEC+ barrels via the Cape of Good Hope. The VLCC fleet, with a high proportion of eco-ships, may see increased utilization in February, potentially surpassing last year's levels.

Tanker Freight Rates on Key Routes

Route No.	TC6	TC2_37	TC14	TC8	TC20	TD3C	TD6	TD9	TD18	TD20
Description	30 kt Clean Algeria to Euro Med	37 kt Cont to USAC	38 kt USG to Cont	65 kt Clean MEG to UKC	90 kt MEG to UKC	270 kt Ras Tanura to China	135 kt BSea to Med	70kt Caribs to US Gulf	30 kt Baltic to UKC	130 kt WAF to Cont
Size mt	30000	37000	38000	65000	90000	270000	135000	70000	30000	130000
Route	Skikda to Lavera	Rdam to New	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanura to	Novo to Augusta	Covenas - Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS
02/02/2024	245.00	150.28	163.93	109.56	8262500	58.21	129.40	201.56	349.00	105.64
05/02/2024	245.89	160.50	161.43	102.42	7787500	58.25	129.15	199.38	348.50	104.41
06/02/2024	248.33	166.11	162.50	96.92	7275000	62.00	127.90	190.31	348.50	102.05
07/02/2024	255.83	173.89	167.14	93.74	7175000	64.29	127.95	191.88	348.00	102.14
08/02/2024	270.06	186.72	170.36	90.11	7006250	65.91	127.30	195.94	349.00	103.27

Source: Baltic Exchange



LPG

- The Asia-Pacific LPG market remained subdued as geopolitical tensions in the Middle East Gulf continued to weigh on exports from the region, as well as disruptions to shipments by-passing the Suez Canal in January amid a relatively low winter demand. The imports to Japan, however, saw a spike in January mainly due to increasing technical problems at Japanese refineries making them unable to supply propane as a feedstock to the petrochemical plants. The petrochemical plant operators were seen buying LPG cargoes from the spot market. The refinery output dropped by 2.5 million tonnes/month in 2023 as compared to 2022 due to unexpected shutdowns leading to a poor refinery utilisation rate.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
02/02/2024	32	37	72
05/02/2024	32	35	72
06/02/2024	40	45	92
07/02/2024	48	47	92
08/02/2024	49	47	92

Source: Baltic Exchange

LNG

- In January, prices for spot LNG saw a decline, driven by steady global production and moderate demand due to mild weather conditions and restrained economic activities in China. Strategic purchases by various LNG processing companies around the world were seen as the prices dropped which helped in keeping the LNG prices somewhat stabilized. The fall in prices also led some suppliers to sell their cargoes to secure sales before potential further decrease in the prices.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
23/01/2024	40435	37580	41083
26/01/2024	37177	38639	40087
30/01/2024	36853	39158	40311
02/02/2024	35390	39118	39131
06/02/2024	33597	39533	40169

Source: Baltic Exchange



Chemicals

- Post holidays, the market started slow. The initial of January was relatively quiet. Followed by a large number of contract nominations taking most of the space on the transatlantic eastbound trade. The third week saw styrene and lube oil entering the market in 5,000-10,000 tonnes lots, although these cargoes have yet to be fixed. Charterers are willing to consider February dates for these cargoes. A couple of 20,000 to 40,000 tonnes of Methanol were fixed from the US Gulf or Caribbean to Europe. The 40,000-tonne coming off the Mississippi River to Rotterdam paid in the \$50's. Similar cargoes had been paying \$75 pmt in December due to the year-end date requirement. For smaller parcels, the year-end rates held through January and even increased slightly at the end of the month. 6,000 tonnes of cyclohexane were priced at approximately \$100/pmt from port Neches to the port of Antwerp, while 3,000 tonnes of MEG from US Gulf to Antwerp was priced at approximately \$115/tonne. Likely to sustain tight space and high freight rates in the near future. The CPP market stayed robust in January, experiencing a growth of about 30%.



SHORT TERM OUTLOOK – OIL TANKER MARKET

A monthly report covering the next four months and including trends in oil supply, demand and trade, tanker demand and supply, spot, and time charter rates for MRs up to VLCCs, comparisons with FFAs plus the latest news on developments impacting the oil and tanker sectors.

MEDIUM TERM OUTLOOK – OIL TANKER MARKET

Concise analyses of topical issues, consistent market data series and views on future trends in tanker charter rates. The report covers Oil Prices; Economic Developments; Oil Demand and Supply; Trade; Tanker Demand, Supply and Rates. Sent to clients around January, April, July and October each year

SHORT TERM OUTLOOK – VLGC MARKET

A monthly report looking four months ahead at likely trends in the VLGC Spot Market with the latest on key LPG carrier trades, benchmark LPG prices, arbitrage developments, a comparison with FFAs and recent news

MEDIUM TERM OUTLOOK – LPG CARRIER MARKET

A quarterly series of regular reviews, analyses and forecasts of the LPG Carrier Market. The report covers Economic Developments; LPG production, consumption and pricing; LPG, chemical gases and ammonia trade, LPG Carrier Demand, Supply and Rates for Fully Ref, Semi-Ref and Pressurised Ships. Reports sent to clients around January, April, July and October each year.

CHEMICAL CARRIER WORLD SERVICE

An annual consultancy service currently providing Clients with an Annual Fundamentals Report, a Forecast Update, two quarterly Market Monitors, Monthly Commodity Trade Bulletins for key countries, an annual presentation on the market outlook and access to RLA's consultant's and analysts to discuss issues arising from these reports.



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