



RLA Weekly Report – Monday, 11 July 2022

No.4

Economy

- According to S&P Global, India's adjusted services PMI surged to 59.2 in June from 58.9 in May – the highest in eleven years.
- Inflation in the US was estimated at 8.6% in May and the latest preliminary estimates stand close to 9%. Similarly, the estimate for the European Union is around 8.6%.
- Factory-gate inflation in China eased in June to the lowest in last 15 months owing to the strict anti-COVID measures. The Producer Price Index (PPI) marked an increase of 6.1% year-on-year in June following a 6.4% increase in May. The Consumer Price Index (CPI) rose by 2.5% last month.

Oil and Tankers

- Oil prices started the week ending July 8 with a gain of 2% as concerns over supply tightness in the market increased after reports of production outages in Libya and potentially Norway came through on Monday. However, the market witnessed a huge correction of around 10% on Tuesday as recession fears gripped traders. Consequently, oil prices traded below \$100/bbl on Tuesday and Wednesday. Once again, market sentiment wavered towards the persistent concerns around the supply deficit, thus leading to a daily gain with WTI climbing back to over \$102/bbl on Thursday. Finally, oil prices ended the week with a weekly decline of 3.4% on Friday as recession fears overshadowed supply concerns. This came despite the daily gains of 2.3% and 2% in Brent and WTI prices to average \$107.2/bbl and \$104.79/bbl respectively on Friday.
- Global crude oil floating storage eased from the 2022 highs as more Iranian crude exits storage. Also, according to S&P Global, despite the sanctions imposed by the west, there is no Russian crude on floating storage currently.
- Russia was reportedly the biggest supplier of crude to the EU in the first half of 2022. Over the last six months, the EU imported 223 million tonnes of seaborne crude from Russia – around 15.3% higher in comparison with the same time last year.
- Reports suggest, China's waterborne crude flows from Russia soared by 1.4% in May taking the country's total to 42.6 million tonnes for the year. The May average is 8.7% higher than April and 13% more than the same time last year. Out of the 42.6 million tonnes, Russia accounted for 13% in May up from 9% earlier in the year. Consequently, imports from Kuwait, Saudi Arabia and Brazil declined in May versus April.



- According to the latest reports, markets might be overestimating the spare capacity that exists with the OPEC members. Reports out of the G7 submit indicates that the UAE is already producing at its' maximum and Saudi Arabia could only increase production by another 150,000 b/d.
- Reports suggest, the strike by the Norwegian workers is expected to cut gas output by 25% and oil output by 15%.

Tanker Freight Rates on Key Routes

Route No.	TC2_37	TC9	TC14	TD1	TD6	TD17	TD18	TD20	TD3C	TD24
		22k mt CPP/UNL								100k mt
Description	37k mt Cont to USAC	m/distillate Baltic to UK/Cont.	38k mt USG to Cont	280k mt ME Gulf to US Gulf	135k mt Black Sea / Med	100k mt Baltic to UK Cont	30k mt Baltic to UK Cont	130k mt W Afr to Cont	270k mt Ras Tanura to China	Crude, Kozmino to Ningbo
Size mt	37000	22000	38000	280000	135000	100000	30000	130000	270000	100000
Route	Rott - NY	Baltic - UKC	USG - Cont	Ras - LOOP	Novo - Augusta	Baltic - UKC	Baltic - UKC	Offshore Bonny to Rotterdam	Ras Tanura to Ningbo	Pacific Russia to China
	WS	WS	WS	WS	WS	WS	WS	WS	WS	\$
30/06/2022	330.00	511.43	275.00	33.00	128.72	186.56	341.67	119.55	54.73	1,666,667
01/07/2022	329.44	510.71	270.00	33.06	130.50	188.13	341.67	118.91	55.50	1,666,667
04/07/2022	330.00	509.29	-	33.16	129.50	188.75	342.92	119.06	55.45	1,658,333
05/07/2022	326.67	510.71	252.50	33.06	127.61	191.25	343.33	116.93	55.55	1,654,167
06/07/2022	320.00	510.71	244.17	33.28	126.61	193.75	342.50	115.00	56.14	1,654,167
07/07/2022	315.00	510.71	240.00	33.11	126.06	197.81	341.67	114.09	56.64	1,654,167
08/07/2022	312.50	510.00	235.00	33.17	125.61	216.88	341.25	114.77	56.91	1,662,500

Source: Baltic Exchange

LPG

- China's 17 propane dehydrogenation plants operated at an average 75% capacity in May with start-up of the newly built Shandong Xin Tai Petrochemical facility. These 17 plants have a combined propylene production capacity of 10.87 million tonnes/year requiring up to 13.04 million tonnes/year of propane feedstock at full capacity.
- Ukraine LPG imports have been on a rising trajectory over the past two months. Imports in June ranged somewhere between 73,000-74,000 tonnes, up from 47,000 tonnes in May and 18,000 tonnes in April. Consequently, LPG prices in the country declined giving some relief to citizens. LPG import prices from Poland, Romania and other European countries have also decreased and are expected to fall further this month.
- Russian LPG exports in May totalled 223,800 tonnes, down by 25% from April on a daily average basis. The May figure also represented a 38% fall compared to the first quarter average. LPG supplies by rail through Poland's Braniewo-Mamonovo border crossing with Russia's Kaliningrad region slumped by 77% on the month to just 4,700 tonnes in May, partly because of rail hub maintenance on the Polish side.

- VLGC spot freight rates for vessels trading on all three benchmark routes rose marginally over the last week.

VLGC Spot Freight Rates

Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
			\$/tonne
30/06/2022	69.00	63.00	104.71
01/07/2022	68.36	63.70	105.93
04/07/2022	67.86	63.80	106.79
05/07/2022	67.64	64.00	107.21
06/07/2022	67.43	64.20	108.07
07/07/2022	68.07	63.90	108.50
08/07/2022	70.29	64.00	108.43

Source: Baltic Exchange

LNG

- Nord Stream 1, that carries Russian gas to Germany will remain closed for 10 days for annual maintenance starting today. Keeping in view the sanctions imposed on Russia, the country might retaliate by extending the scheduled maintenance to restrict European gas supplies, frustrating Europe's plans to fill storage for winters.
- Asian spot LNG prices soared this week owing to possible Russian supply disruptions to Japan (as Russia seized full control of Sakhalin-2), increasing demand due to a heatwave and concerns on the Nord Stream 1 mentioned above. The average LNG price for August delivery into northeast Asia LNG-AS was estimated at \$41 per million British thermal units (mmBTU), the highest level seen in four months when prices spiked following Russia's invasion of Ukraine.
- Italian LNG terminal and gas grip operator SNAM has agreed to acquire 100% of the share capital of a floating storage and regasification unit (FSRU) from BW LNG of Singapore. The unit has a maximum storage capacity of about 170,000 cubic meters of LNG and a nominal continuous regasification capacity of about 5 billion cubic meters per year. In the last two months this is the second acquisition made by the company. SNAM's CEO Stefano Venier claims that this move will make a decisive contribution to the Italy's energy security and diversification.

Chemicals

- The European Parliament on Thursday voted to rule out the use of controversial feedstocks to meet the EU's ReFuelEU sustainable aviation fuel targets after concerted pressure this week from airlines and green lobbyists. Earlier, Parliament had adopted a position on ReFuelEU increasing SAF (Sustainable Aviation Fuels) targets substantially from the Commission's proposal, which could prove more costly for the airline industry regardless of the feedstocks used but widened the definition of SAF to allow greater supply. While palm oil by-products, including palm fatty acid distillate (PFAD), were



ruled out, additional animal fats would be allowed to make SAF as per the parliament's position, which would lead to a substitution for palm oil in other sectors instead.

- According to Clarksons Research, “Nearly half of the world’s chemical tanker capacity is stuck in ports due to congestion, terminal congestion remains “notably elevated” for these ships. About 22.9m dwt of chemical carriers were in port at the start of July, equivalent to 46.7% of the global fleet, with the figure having averaged 47% across June”. We do not think the notion 22.9 million dwt of ‘chemical carriers’ were in ports can be correct. We estimate the total world chemical carrier fleet trading habitually in bulk liquid chemicals and natural products stands at just 26.1m dwt. We think it is likely that the 22.9 m dwt of ‘chemical carriers’ that are stuck in ports, also include MR chemical/products tankers that are not continually operating in the chemicals sector but seeing the rise in earnings in chemical trade have picked up spot chemicals cargoes on an opportunistic basis. Adding on to this notion, if we look at spot fixtures of vessels trading in chemicals, the percentage of clean petroleum products tankers (‘swing tonnage’) in the chemicals business has been on the rise since 2020, reaching 48% of total trade in spot fixtures in March 2022, excluding natural products.