



## RLA Weekly Report – Friday, 12 July 2024

No. 97

### Fed's Inflation Fight Nears End as Prices Decline, Rate Cuts Likely

#### Economy

- The Federal Reserve's inflation battle may be nearing its final stage as consumer prices declined in June, largely due to a long-awaited reduction in shelter costs. The Consumer Price Index (CPI) decreased by 0.1% in June, the weakest since May 2020, with a y-o-y rise of 3%, the lowest in a year. Over the past three months, consumer prices have risen at an annual rate of just 1%. This led traders to increase the odds of a September rate cut to 90%, with additional cuts expected in December and potentially by year-end. Fed officials are considering rate cuts as inflation eases and unemployment rises modestly, particularly noting the 0.2% rise in shelter inflation, the lowest since August 2021. The upcoming reports on the Personal Consumption Expenditures Price Index and second-quarter economic growth will be significant for the Fed's upcoming decisions.

#### Oil & Tanker

- The tanker freight market has experienced a decline due to several factors in early July as rising oil prices, with Brent crude & WTI hitting high which have been driven by increased refinery activity for the summer and concerns about Middle Eastern tensions. The American Automobile Association anticipates a 5.2% rise in holiday travel and a 4.8% increase in car travel this summer, further boosting US gasoline demand. However, OPEC+ countries have reduced exports due to higher crude burn for power amid a heatwave. Russia's seaborne crude oil exports rose in June despite production cut pledges and European sanctions. The combined effects of OPEC+ production cuts and higher-than-usual stockpiles have led to reduced tanker demand, with rates for VLCCs, Suezmaxes, and Aframaxes dropping significantly. The product tanker market has also seen declines. Despite the downturn, sale and purchase activity for tankers remains robust, with only a slight dip in transactions from the first to the second quarter of 2024.

#### 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 Tanur a 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	3E+05	135000	70000	30000	1E+05
Route	Skikda to Lavera	Rdam to New	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanur a to	Novo to Augusta	Covenas - Corpus Christi	Baltic to UKC	Offsho re Bonny
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS
05-07-2024	185.00	189.69	178.57	75.49	5912500	48.23	119.75	170.00	286.25	98.61
08-07-2024	189.44	192.50	155.00	75.82	5843750	47.50	119.30	172.19	257.50	99.28
09-07-2024	190.56	190.94	149.29	75.82	5825000	47.18	118.45	172.81	245.00	99.00
10-07-2024	211.11	187.50	148.57	79.89	5825000	46.78	118.15	176.88	238.33	99.00
11-07-2024	235.00	178.44	156.79	80.99	5768750	46.53	118.55	184.69	235.83	99.28

Source: Baltic Exchange



## LPG

- US LPG shipments surpassed Asia-Pacific import demand in the first half of the year, but Asian market prices surprisingly rose during the summer off-season. This growth is mostly due to high demand from China's petrochemical sector. US LPG sales to Asia-Pacific totaled 3.17 million tonnes in June, down slightly from 3.23 million tonnes in May, while overall US exports nearly reached a new high of just under 5.5 million tonnes. Despite stormy circumstances delayed loadings on the US Gulf coast since late May, demand in northeast Asia has increased. This pricing strength is underpinned by higher imports to China and South Korea's petrochemical sectors, which jumped by 12% y-o-y to 16.8 million tonnes and 4.4 million tonnes, respectively.

## LNG

- Japanese companies, anticipating a surplus in LNG stocks due to declining domestic demand, are investing in regional markets to sell excess gas. The resurgence of nuclear power and the growth of renewable energy have led to Japan's LNG imports dropping to their lowest in over a decade. Companies are now looking to Asian markets to offload supplies contracted during past market shocks, such as Russia's 2022 invasion of Ukraine. Despite the uncertain future of domestic LNG demand, Japan aims to maintain a significant presence in the LNG market and keep volumes at 100 million tonnes by fostering gas demand in Asia. To ensure long-term energy security and manage the potential surplus, Japan is developing its trading capabilities and promoting an Asia-wide gas market.

## Chemicals

- There was a lot of commercial activity between the US Gulf and the East Coast of South America, but there were few genuine fixtures. Contract quantities were consistent and around average. The going rate for 5,000 tonnes of commodity chemicals (such as MEG) from Houston to Brazil was around \$115/tonne. There was 33,000 tonnes of Caustic Soda fixed between Lake Charles and Vila do Conde, but the rate was not stated. 4,000 tonnes of lubricating oil were transported from Port Athur to Santos at a cost of around \$140/tonne. The cost of transporting 17,000 tonnes of ethanol from Texas City to Suape was allegedly \$75/tonne. 17,500 tonnes of methanol were fixed from Jose to Paranagua.



### 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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