

RLA Weekly Report – Friday, 06 October 2023

No.63

Geopolitical Tensions Trigger Oil Price Surge and Market Volatility

Economy

- Oil prices surged and stock markets, along with the Israeli currency, fell as tensions in the oil-rich Middle East due to the conflict with Israel concerned investors, despite Israel not being a major oil producer.
- US oil prices dropped from around \$95 to just above \$80 due to factors such as inflation, fear of a global economic downturn, and price corrections, but recently they surged by 3% above \$85 a barrel, possibly driven by traders' quick reactions to Middle East geopolitical tensions, a trend observed in historical analysis of oil prices during such crises.

Oil and Tankers

- The VLCC industry frequently experiences a downturn in September and early October as planned refinery shutdowns reduce demand for crude cargoes. Nevertheless, it seemed that refineries were emerging from their seasonal maintenance worldwide. VLCC spot rates are plummeting to levels that are close to the lows of the summer lull, threatening to give back all their gains from September.
- Additionally, the oil prices plunged down in the first week of October, settling below \$85/bbl following the biggest daily decline over the last year, after a very strong month of September which is likely to push the VLCC demand along with the reducing rates. The TCE rate, an average of spot earnings on two crucial Middle Eastern routes, is currently at -\$3,808/day, which is the lowest level since 19 September.

Tanker Freight Rates on Key Routes

Route No.	TC6	TC2_37	TC14	TC8	TC20	TD1	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	280 kt MEG to USG	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	280000	270000	135000	70000	30000	130000
Route	Skikda to Lavera	Rdam to New York	USG to Cont	Jubail to Rdam	Jubail to Rdam	Ras Tanura to LOOP	Ras Tanura to Ningbo	Novo to Augusta	Covenas Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
28/09/2023	204.44	184.25	122.50	52.86	3825000	26.33	50.71	72.10	80.88	226.50	67.50
29/09/2023	200.56	188.50	115.83	52.97	3825000	26.33	49.67	71.90	81.81	236.50	67.50
02/10/2023	198.33	190.50	112.50	52.75	3806250	25.83	49.46	72.03	83.38	246.00	67.73
03/10/2023	192.22	191.25	109.17	52.80	3843750	24.61	43.75	72.48	88.13	250.00	69.32
04/10/2023	180.83	188.75	135.83	52.42	3875000	23.72	40.58	72.38	98.44	252.00	70.45

Source: Baltic Exchange

LPG

- US exports of propane firmed by 1.8% in August 2023 totalling to 3.41 million tonnes. Due to low domestic demand, US propane inventories stood at 8.2 million tonnes as reported on 22 September 2023. The butane exports from US for July eased by 6.1% to 1.1 million tonnes m-o-m. while the exports increased by 18% y-o-y.
- Canadian exports for July totalled 588,000 tonnes surging remarkably by 36% after a drop by 26.8% in June. LPG exports to Japan stood at 246,000 tonnes and 4000 tonnes to Mexico in exports.

VLGC Spot Freight Rates

\$/tonne	BLPG1	BLPG2	BLPG3
Route No.	AG-East	USG-Cont	USG-Japan
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
28/09/2023	159	134	235
29/09/2023	156	130	232
02/10/2023	122	123	221
03/10/2023	113	111	201
04/10/2023	112	111	201

Source: Baltic Exchange

LNG

- Qatar has officially initiated the commencement of its extensive North Field expansion endeavour, which is being heralded as the largest project in the history of the global gas industry. This initiative aims to augment the global LNG supply by an impressive 48 million tonnes annually within a span of three years. The expansion will elevate Qatar's LNG production capacity from 77 million tonne/year to 126 million tonne/year by 2026. It is noteworthy that this project stands as a groundbreaking achievement, boasting the lowest carbon footprint ever recorded in the gas industry worldwide.

LNG Spot Freight Rates

\$/day	BLNG1g	BLNG2g	BLNG3g
Route No.	Aus-Japan	USG-Cont	USG-Japan
Description	Aus-Japan	USG-Cont	USG-Japan
19/09/2023	189519	188904	220844
22/09/2023	192523	196442	224834
26/09/2023	191473	191882	222162
29/09/2023	186069	170509	195791
03/10/2023	168416	150657	171988

Source: Baltic Exchange



Chemicals

- The significant event in the chemical carrier market last month was MOL's purchase of Fairfield Chemical Tankers, which came with a reported price tag of \$400 million. MOL, boasting 85 chemical tankers, stands as one of the three largest chemical tanker owners, while Fairfield, with its fleet of 36 vessels, falls within the mid-size category of owners. This strategic move aligns with the current industry trend, where growth is achieved primarily through mergers and acquisitions, rather than placing significant orders for new vessels with shipyards.
- In September, the chemical tanker market on the Transatlantic east route exhibited a slow but stable performance, with rates holding firm and experiencing modest increases. The spot freight rates for easy chemicals (parcel size 3000 tonnes) saw a 7.8% rise compared to the previous month, reaching \$83/tonne, while for specialty chemicals (parcel size 1000 tonnes), there was a 4.5% increase at \$115/tonne. Notably, some vessels took advantage of opportunities to head Eastbound, transporting Crude Tall Oil into the Baltic, along with larger volumes of palm oil and molasses. Additionally, there were cargo arrangements made toward the Mediterranean, including MEG and Caustic Soda shipments.