



RLA Weekly Report – Friday, 28 June 2024

No. 95

Dynamic Shifts in Tanker Markets: LR Volatility and Emerging Trends in Crude Tanker Utilization

Economy

- The Bank of England maintained its main interest rate at a 16-year high of 5.25%, despite inflation returning to 2% in May. The decision hinges on awaiting further evidence of moderated wage growth and other persistent inflationary pressures. The BoE highlighted the resilience of UK borrowers to higher rates, noting that a third of mortgage holders are still paying rates below 3%. However, the number of households struggling with mortgage payments is projected to remain much lower than post-2008 financial crisis levels, thanks to stricter lending rules. Conversely, renters are increasingly struggling, with 16.5% behind on rent in the first quarter of this year, up from 15.7% the previous year, as landlords pass on higher mortgage costs.

Oil & Tanker

- The product tanker market has diverged from crude tankers amid high volatility. LR tankers, particularly LR2 and LR1, have seen earnings fluctuate dramatically, exceeding \$100,000/day and \$60,000/day respectively, influenced by Red Sea shipping attacks. Most international owners now use the Cape of Good Hope route for delivering clean petroleum products to Europe. Meanwhile, Middle East shipping volumes (excluding West Coast Saudi Arabia) have risen steadily by about 400,000 b/d from January to May due to increased refining capacity. Amid the booming LR tanker market, a new trend has emerged where larger crude tankers are increasingly cleaning up and entering this market. This trend gained momentum with two more Suezmaxes in April and an additional two in May. This month, the trend has further escalated, with five additional Suezmaxes and one VLCC also adopting this strategy and loading products in the region.

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 York	USG to Cont	Jubail to Rdam	Jubail to Rdam	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
21-06-2024	145.00	152.19	201.43	70.99	6075000	49.55	121.85	215.00	297.50	111.78
24-06-2024	145.00	150.00	204.29	70.22	5956250	49.30	121.78	201.88	300.83	112.33
25-06-2024	150.56	164.69	222.86	72.42	5875000	49.65	121.28	193.75	300.83	111.78
26-06-2024	159.44	174.69	234.29	74.18	5818750	49.85	121.35	189.06	300.83	111.78
27-06-2024	182.50	182.19	238.57	74.62	5887500	49.70	120.85	174.38	299.17	109.83

Source: Baltic Exchange



LPG

- VLGC spot rates have stabilized after a minor correction due to inefficiencies keeping earnings healthy. Around 20 VLGCs returning from Southeast Asia to the US Gulf took the longer route around South Africa, avoiding high Panama Canal fees. In mid-May, neopanamax lock auction prices peaked at \$1.9 million, but less competition has since reduced them to \$100,000. Higher water levels at Gatun Lake have eased canal restrictions, expected to increase traffic and competition for slots. Despite longer voyages, low propane demand kept some VLGCs available in the region. Freight rates for VLGCs from Houston to Chiba dropped by 17% to \$120/tonne in mid-June. In May, only 52% of ballast voyages to the US used the Panama Canal, down from 81% in 2022.

LNG

- Dutch and British wholesale gas prices rose slightly due to strong competition from Asia for LNG cargos and concerns over potential supply disruptions. The Dutch TTF hub's front-month contract increased by \$10.98/MMBtu. The rising temperatures and increased need have raised demand for LNG from Asia, necessitating an increase in European LNG pricing to attract cargos. In the first five months of 2024, cumulative Asian gas imports increased by 10% y-o-y. This growth has been fuelled mostly by China, the return of price-sensitive shoppers, and hot weather in areas of Asia, which has increased demand. EU's recent sanctions on Russian LNG transshipments had little market impact, as they don't directly affect European supplies.

Chemicals

- On the US Gulf to East Coast South America trade, rates dipped slightly in mid-May but quickly recovered. Difficulty in assembling large volume combinations led to less interest from MRs. However, large caustic soda and ethanol cargoes from the US Gulf to Brazil were transported by product carriers. Regular parcel carriers handled styrene and EDC shipments. Specific deals included 5,000 tonne of EDC from Point Comfort to Aratu at \$105/tonne and 5,000 tonne of multi-grade lube oils from Houston to Rio de Janeiro at \$125/tonne. Additionally, two 3,000-tonne fixtures, including MEG and chemical grades, from Houston to Santos/Aratu were set at \$150/tonne, and 2,000 tonnes of specialty chemicals were fixed from Houston to Aratu at \$138/tonne.



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.



SINGAPORE OFFICE

10 Anson Road
#10-11 International Plaza
SINGAPORE 079903
T: +65-6950 7561

LONDON OFFICE

Terminal House
52 Grosvenor Gardens
London, UK SW1W 0AU
T: +44-20-3386 9413

INDIA OFFICE

SCO 10, First Floor
Sector - 79, Mohali,
Punjab, INDIA 140308
T: +91-172-4105887