

RLA Weekly Report – Friday, 01 December 2023

No.70

OPEC+ extends its voluntary cuts with an additional 700,000 b/d

Economy

- The global economy, which has proved surprisingly resilient this year, is expected to falter next year under the strain of wars, still-elevated inflation, and continued high interest rates. The question of whether the US will fall into a recession remains open as the tension between growth and inflation continues to challenge the Federal Reserve. The US 10-year minus 2-year Treasury yield spread has been inverted since July 2022, which is typically indicative of a recession within 12 months, though that spread has been tightening.
- The revised estimate which was published on 29 November showed growth for the July–September quarter, confirming that the economy sharply accelerated from its 2.1% rate from April through June. It showed that the U.S. gross domestic product—the total output of goods and services—grew at its fastest quarterly rate in nearly two years.

Oil and Tankers

- OPEC+ oil producers on Thursday agreed to voluntary output cuts totalling about 2.2 million bbls/day for early next year, led by Saudi Arabia rolling over its current voluntary cut, in their 36th OPEC and non-OPEC ministerial meeting. The cuts are extended until the first quarter of the next year and are then said to come to an end in the second quarter of 2024. Russian export cuts also saw an addition, now standing at 500,000 million b/d, where 300,000 million b/d will be of crude oil and the remaining will consist of refined products. The total voluntary production cuts now stand at 2.2 million b/d.
- The Benchmark global oil prices settled down around 2%, in part because the reductions were voluntary and because of investor expectations ahead of the meeting that additional supply cuts might be deeper. Brent crude futures for January settled at 27 cents, or 0.3%, lower to expire at \$82.83/bbl, and a 5.2% loss for the month. The February contract, which begins trading as the front month on Friday, fell \$2.00, or 2.4%, to \$80.86/bbl.

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
24/11/2023	281.67	182.50	245.00	44.83	3556250	36.29	66.45	138.80	185.18	329.00	98.89
27/11/2023	263.89	188.75	264.29	44.12	3531250	36.63	66.96	139.30	180.63	325.00	98.41
28/11/2023	263.89	205.50	275.36	43.57	3443750	36.31	67.58	138.65	176.25	319.00	97.82
29/11/2023	263.89	218.20	280.71	43.13	3281250	36.00	67.33	138.50	173.13	304.00	99.09
30/11/2023	262.78	216.00	267.86	42.75	3193750	35.81	66.88	137.35	170.63	300.50	98.77

Source: Baltic Exchange

LPG

- Indian gas distributor Gail has signed an agreement for 15 years with state-controlled BPCL (Bharat Petroleum) regarding the purchase of propane to be utilized as a feedstock for its 500,000-tonnes propane dehydrogenation (PDH) plant coming up in the Usar district of Maharashtra. Gail is planning to purchase 600,000 million tonnes/year of propane from BPCL's LPG import facility. This is one of the very first PDH facilities in the nation. BPCL's terminal at Uran is usually seen to handle 1 million tonne/year of LPG; however, BPCL plans to expand its capacity to 3 million tonnes/year.

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
24/11/2023	154	134	239
27/11/2023	153	134	239
28/11/2023	150	132	234
29/11/2023	149	128	229
30/11/2023	148	126	224

Source: Baltic Exchange

LNG

- The overall number of LNG carriers at the Panama Canal has drastically reduced, signalling potential tightening of the market in this shipping sector. The number has fallen from one vessel per day to four to five vessels per month. The alternate routes through the Seuz Canal and Cape of Good Hope add about 50% to the sailing time. The congestion at the canal will cause the LNG carrier rates to rise substantially.

LNG Spot Freight Rates

\$/day	BLNG1g	BLNG2g	BLNG3g
Route No.	Aus-Japan	USG-Cont	USG-Japan
Description	Aus-Japan	USG-Cont	USG-Japan
10/11/2023	146642	160254	174540
14/11/2023	146649	153385	166846
17/11/2023	146657	155434	166864
21/11/2023	148636	156392	167823
24/11/2023	145767	156849	166868
28/11/2023	143791	155391	164807

Source: Baltic Exchange



Chemicals

- In the oncoming year 2024, India is expected to remain a big driving force in Asia for petrochemical demand pertaining to its strong economic growth and resilient industrial production. While domestic Indian demand is set to rise, the price expectation is not very robust as the market struggles to find the right balance amid the new production capacities coming on stream in the country and in the rest of Asia, changing trade flows, weak global demand, and volatile upstream prices. As the global export markets are facing demand pressures caused by geopolitical situations, domestic consumption and demand remain largely intact.