



RLA Weekly Report – Friday, 05 July 2024

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US Crude Exports to Europe Hit Two-Year Low as Cheaper West African Oil Gains Favor

Economy

- German industrial orders declined significantly in May for the fifth month in a row, signalling that Europe's largest economy's manufacturing sector will continue to suffer. Excluding large-scale orders, the reduction was 2.2%. Orders fell 6.2% between March and May compared to the previous three months, owing in part to the impact of a large-scale order. The June PMI figures continued to show a decline in manufacturing, which accounts for around 20% of the German economy. Orders are only anticipated to steady as global commerce improves and demand for industrial goods rises. However, tough conditions in global sectors, particularly in U.S and China, do not appear to be improving anytime soon, implying that German economic development will stay slow.

Oil & Tanker

- US crude oil shipments to Europe fell to a two-year low in June as European consumers preferred cheaper regional and West African oil. Exports to Europe fell to 1.45 million b/d, a 14% reduction m-o-m and a 27% drop y-o-y. This fall was fueled by a decreasing price differential between the US benchmark WTI oil and the European benchmark Brent crude, as Brent prices fell faster than WTI, making shipping US petroleum to Europe less economical. West African crude grades fell in price in May due to oversupply, mainly from Nigeria. This surplus resulted in reduced bids, making West African oil more desirable to European purchasers than US crude. The lower WTI-Brent gap made it more cost effective for European buyers to import regional and West African oil on shorter journeys rather than transporting US Crude.

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
27-06-2024	182.50	182.19	238.57	74.62	5887500	49.70	120.85	174.38	299.17	109.83
28-06-2024	188.89	182.50	230.00	74.73	5850000	49.55	120.65	172.19	298.33	109.83
01-07-2024	190.00	181.88	225.00	74.83	5925000	49.65	121.00	170.31	298.33	108.72
02-07-2024	190.00	174.38	209.29	75.27	5912500	49.25	121.15	167.81	295.42	102.06
03-07-2024	188.89	173.44	192.14	75.27	5850000	48.95	121.10	168.75	293.33	100.56

Source: Baltic Exchange



LPG

- The preceding quarter saw a significant increase in China's LPG intake as ethylene crackers and propane dehydrogenation (PDH) plants increased their operating rates in response to increased downstream demand. After falling as low as 55% in April, polypropylene (PP) prices and margins increased in May, contributing to the recovery of PDH run rates above 70%. In May, PP futures on the Dalian Commodity Exchange reached an eight-month high of \$1,092/tonne following Beijing's announcement of a comprehensive rescue plan for the collapsing real estate market, which lifted investor confidence. China's emphasis on export-led development to increase economic activity and counteract low domestic demand has also resulted in PP shipments to other countries rising sharply this year, supporting prices.

LNG

- India's growing LNG imports are expected to decline as monsoon rains reduces energy consumption and expansions in hydropower crowd out costly gas-fired facilities. Electricity consumption will not be as strong as it was in May and June, which was the primary cause of increased LNG imports. Last month, the South Asian nation purchased almost 2.6 million tonnes of LNG. This followed on the heels of low spot prices in the \$11-\$12/million Btu area, as gas-fired power facilities ramped up capacity to meet strong demand. The exports were triggered by an emergency order to run gas-fired units, the majority of which are generally underutilized due to their high generating costs. This resulted in a 63% rise in unit output for the three months ending in June.

Chemicals

- In the spot market from the US Gulf to Asia, EDC and MEG were the two most common cargo types. Large volume parcels of these things could fit on the usual carriers' pallets, and they bid against one another for them. They put the line pretty near to last month's level, but they were prepared to slightly lower the prices to get the business. A few MRs belonging to the chemical class were also present here, albeit their focus was on cargoes including ethanol and methanol. From the Mississippi River to Kaohsiung, 15,000 tonne of EDC were set at a rate of \$88/tonne. A limited number of lesser shipments were noted to be headed for Asia, but among them were 3,000 tonne of chemicals from Boston to China, which were paid about \$140/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

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