

**RLA Weekly Report – Friday, 29 September 2023**

**No.62**

**VLCC Market on the rise with new October cargoes**

**Economy**

- The world's top economic policymakers, the US Federal Reserve, and the European Central Bank, have over the recent days reiterated their commitment to fight inflation, signalling that tight policy may persist longer than previously anticipated. Higher interest rates slow economic growth, which curbs oil demand.
- Based on the latest available data, it appears that German inflation is currently at its lowest point since the beginning of the conflict in Ukraine. Based on market expectations, the headline inflation rate for September will be around 4.5%, down from 6.1% in August compared to August 2022. In Germany and several other European countries, inflation data is currently subject to more statistical fluctuations than usual. This complicates the European Central Bank's ability to interpret and rely on this data without further scrutiny.

**Oil and Tankers**

- The VLCC market could be on the turn amid increased activity in the Middle East and US Gulf. There was an exceptionally strong week in the VLCC market for 15 September, with earnings on the Ras Tanura to Chiba route edging further upwards to a near-record \$139,587/day. The spot market has also rebounded with the introduction of October cargoes, leading to higher rates. The Middle East Gulf to China route, assessed by the Baltic Exchange, surged by 93% to \$18,600/day.
- Russian product exports have deviated from Europe, which used to be a major market. The exports are now directed towards Turkey, which increased Russian exports significantly, and Brazil has now become a significant buyer. But the scenario changed in the last week of September as we saw an export ban on diesel and gasoline by Russia, which could bring uncertainty to the already pressurised supply scenario. Looking forward, we anticipate a detrimental impact on the CPP market due to the declining MR trade.

**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
22/09/2023	298.89	192.50	101.67	52.25	3859375	27.06	50.69	72.65	80.25	195.00	67.05
25/09/2023	293.33	187.50	123.33	52.91	3856250	27.14	51.46	72.80	80.56	202.00	67.27
26/09/2023	271.67	182.50	162.50	52.97	3818750	27.11	51.42	72.03	80.56	209.00	67.73
27/09/2023	227.22	184.00	144.17	52.75	3831250	26.67	51.00	72.15	80.56	217.50	67.50
28/09/2023	204.44	184.25	122.50	52.86	3825000	26.33	50.71	72.10	80.88	226.50	67.50

Source: Baltic Exchange

## LPG

- Domestic demand for LPG has waned in China as people switch to piped natural gas following a recent price rally in LPG prices along with restrictions on LPG truck deliveries. Wholesale LPG prices in South China rose above Yn 5000/tonnes (\$685/tonnes). Chinese refineries in Huizhou and Shanghai increased their LPG outputs by 20,000t and 10,000t respectively, this month, consuming natural gas as fuel and naphtha as feedstock at their integrated ethylene steam crackers. Around 418,000 LPG consumers in Shenzhen City switched to natural gas as per Shenzhen Gas during the first half of this year.
- Panama Canal congestion has caused the benchmark Ras Tanura-Chiba VLGC rates to witness a surge in prices to the levels of \$155/t between 01 September and 15 September. As the vessels take longer routes from the US to Asia, their availability in the canal has reduced significantly. South Chinese buyers for October cargoes were offered premiums at \$120/t for October CP paper, and the freight rates from Ras Tanura to South China were tracked at \$100/t. Higher LPG prices have weakened domestic demand, adding to the weak margins for Chinese importers. As winter approaches, the demand from PDH plants will make Chinese buyers decide whether to move forward with higher freight rates.

### VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
22/09/2023	183	137	254
25/09/2023	182	147	251
26/09/2023	176	146	249
27/09/2023	169	141	243
28/09/2023	159	134	235

Source: Baltic Exchange

## LNG

- QatarEnergy, a major Middle East player, has secured 17 pre-reserved LNG vessel slots valued at \$3.9 billion from Hyundai Heavy Industries, initiating Phase 2 of its expansion project. Together with 60 vessels contracted earlier, this brings the total to 77 LNG vessels for QatarEnergy. These additions support their growing production capacity and fleet replacement needs driven by projects like the North Field LNG expansion and Golden Pass LNG exports.

### LNG Spot Freight Rates

\$/dav			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
12/09/2023	176439	169118	212145
15/09/2023	185884	182969	219219
19/09/2023	189519	188904	220844
22/09/2023	192523	196442	224834
26/09/2023	191473	191882	222162

Source: Baltic Exchange



## Chemicals

- The European September paraxylene (PX) contract reference price has surged by €50/tonne compared to the previous month, driven by higher feedstock expenses and stronger PX values in the influential Asian market. Concurrently, feedstock mixed xylenes (MX) costs rose in August and September, bolstered by robust gasoline prices. However, tepid demand from the PTA and PET sectors during the peak summer season may have limited the price increase.
- In Southeast Asia, despite the influx of more deep-sea Brazilian glycerin, local producers are maintaining their pricing strategies to offset dwindling margins in the fatty acid sector. The increase in glycerin supply stems not only from Brazilian competition but also from a rise in biodiesel production. Glycerin, a by-product of fatty acids and biodiesel, is seeing suppliers hold out for higher prices, anticipating heightened demand in the fourth quarter and a recovery in the upstream crude palm oil (CPO) market by year-end.