



RLA Weekly Report – Friday, 20 October 2023

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Australia's August LPG Exports Soar to 2-Year High

Economy

- The U.S. Federal Reserve is poised to hold its key interest rate on 01 November, extending the delay in expected rate cuts, as the central bank's commitment to the "higher-for-longer" approach gains favour. While most analysts still project a rate cut before mid-2024, a substantial 45% now envision no reduction until the latter part of the following year, supported by recent surprising inflation trends and robust job growth. Some economists even consider the possibility of another rate hike, despite tightening financial conditions marked by higher long-term Treasury yields.
- India's economic outlook appears positive as growth is expected to strengthen in the coming months, while inflation is showing signs of moderation, thanks in part to increased festival spending. Retail inflation in September dipped to a three-month low of 5.02%, although it remained slightly above the RBI's target of 4%. Moreover, India's modest current account deficit is well-supported by foreign exchange reserves, offering a strong shield against global economic fluctuations and a slowdown in external demand, contributing to the country's economic stability.

Oil and Tankers

- As focus shifts to the Middle East and potential market effects of conflict there, VLCCs are driving the increase in crude tanker rates. The weighted average for the largest tankers increased 11.6% on 16 October 2023 to reach \$49,200/day, doubling over the previous week and rising by nearly 137% over the previous month, according to the most recent data. There was a single VLCC fixture on 16 October 2023, the 318,000-dwt DHT Mustang (built 2018) chartered to S-Oil to carry crude from the Red Sea to South Korea in early November for \$58,393/day.
- Shipowners are getting lured away from South Korea and Japan due to highly competitive pricing and early delivery slots. China has seized this opportunity as China's shipyards are making ever-deeper inroads into technically advanced vessels and tanker newbuilding's that have traditionally been dominated by shipbuilders in South Korea and Japan. China is now sitting on the biggest tanker orderbook worldwide with 351 newbuilding's of 6.7m cgt, while South Korea has 106 tanker newbuilding's of 2.7m cgt booked at its shipyards.

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
13/10/2023	WS 188.89	WS 155.50	WS 121.67	WS 55.60	\$ 4131250	WS 31.56	WS 58.17	WS 99.40	WS 201.88	WS 292.50	WS 116.14
16/10/2023	188.89	152.50	116.79	55.38	4199375	34.22	62.00	115.95	205.00	293.50	118.64
17/10/2023	190.00	149.75	103.57	55.38	4437500	34.61	63.04	129.65	205.00	294.50	118.41
18/10/2023	187.22	147.25	98.57	55.71	4462500	34.28	62.13	134.50	230.63	294.50	121.59
19/10/2023	188.06	142.50	99.29	56.04	4475000	32.00	55.54	135.05	243.44	295.50	119.55

Source: Baltic Exchange

LPG

- Australian LPG exports rose to highest in more than two years at 292,500 tonnes this August. Propane and Butane outflows climbed by 71% and 43% respectively to 142,200 tonnes and 150,300 tonnes. Japan witnessed increased inflows from Australia by 23% amounting to 131,500 tonnes. Shipments to China nearly doubled to 86,130 tonnes. Thailand and Kenya received 45,000 tonnes and 44,000 tonnes respectively.
- The US propane inventory forecast was reduced by EIA to 81.9 million bbls by the year end from 82.2 million bbls last month. The said reduction corresponds to increased exports and domestic use in the coming winter. The net exports for the third quarter reached 1.48 million b/d versus 1.44 million b/d forecasted previously. The net export projection for 2023 is forecasted to reach 1.44 million b/d. Despite warmer weather, US propane demand is set to rise by 4% this year.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
13/10/2023	114	115	210
16/10/2023	110	112	204
17/10/2023	96	100	179
18/10/2023	97	100	181
19/10/2023	113	102	186

Source: Baltic Exchange

LNG

- The average natural gas deliveries to US LNG export terminals increased by 12.2% week over week. Natural gas deliveries to terminals in South Louisiana increased by 4.1%, while deliveries to terminals in South Texas surged by 11%. Natural gas deliveries outside the gulf coast rose to 101 Bcf/d after the Cove Point LNG terminal in Maryland returned to service post maintenance.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
03/10/2023	168416	150657	171988
06/10/2023	163608	140635	170035
10/10/2023	143717	135697	164100
13/10/2023	129508	131341	159055
17/10/2023	123648	125680	154980

Source: Baltic Exchange



Chemicals

- In September, the freight rates for 40,000 tonnes of soybean oil from Argentina and Brazil to West Coast India were priced in the range of \$61 to \$63/ tonnes. These rates saw an increase of \$4-5 USD/tonnes due to the impact of a stronger Clean Petroleum Products (CPP) market. However, it's worth noting that these rates may lose their upward momentum if the CPP market weakens further. The improved water levels in Argentina have also allowed for deeper vessels, enabling them to load larger quantities (just over 30,000 tonnes) before heading to Brazil to optimize loading capacity and reach the target of 40,000 tonnes.
- Saudi Aramco, a major energy player, is actively expanding its reach in China's downstream sector. Recently, it entered an agreement with Shandong Yulong Petrochemical to acquire a 10% stake in the company, which is nearing the completion of a substantial 400,000 b/d refinery and petrochemical complex in Shandong province. Earlier, Saudi Aramco also signed agreements with Shandong Energy Group for a project in Longkou, Yantai City, aimed at producing various petrochemical products. Additionally, Saudi Aramco expressed interest in a 10% stake in China's Jiangsu Shenghong Petrochemical Industry Group. These moves come on the heels of their \$3.4 billion investment in Rongsheng Petrochemical, which holds a significant share in ZPC, a complex with substantial crude processing and ethylene production capacity.