

RLA Weekly Report – Friday, 24 November 2023

No.69

Oil prices contract amid delays in OPEC+ meeting: disagreements over production levels

Economy

- The Eurozone’s economy is expected to shrink in the Q4 due to cuts in domestic spending. The downturn in the economy eased in the month of November this year; however, more downside is expected in the coming months, with the ongoing weakness hinting towards a recession. The German economy, however, displayed a little firmness, with manufacturing and service activity decline relatively slowly compared to past months this year. Business activities in France contracted again this month after showing a little improvement. The preliminary PMI figure for the Eurozone rose to 48.2 in November from 47.8 in October 2023. Demand was seen lagging for the fifth straight month.
- A weaker domestic demand weighing on capital spending and consumer expenditure caused the Japanese government to slash its view on the economy for the month of November. The waning demand caused the economy to shrink in the period from July to September this year. Though the corporate sector witnessed signs of improvement in earnings, wages and investments’ condition did not improve. Corporate investment and consumer spending covering the overall domestic demand lacked strength.

Oil and Tankers

- As of November 23, oil prices were observed to be on the lower side, with WTI trading at \$76.60/bbl and Brent at \$81.36/bbl. The fall in prices is mainly due to market sentiment concerning the unexpected delay in the OPEC+ meeting due to a disagreement over production levels, which came as a surprise. Additionally, the downward trend is reinforced by recent data indicating a notable rise in crude oil inventories in the US this week.
- The shipping industry is on the move for substantial structural reforms as it prepares for the implementation of the European Union Emission Trading System (EU ETS) in 2024. This initiative is anticipated to bring about significant changes in industry standards. The EU ETS plans to introduce approximately 80 million Emission Unit Allowances (EUAs) into the market, reflecting a crucial move towards stringent carbon regulation with the goal of reducing emissions by 55% by 2030. This impending transformation is expected to reshape the maritime industry.

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 to Christi	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS	WS
17/11/2023	285.00	186.50	216.43	45.49	3425000	38.50	74.00	136.60	227.50	332.60	97.95
20/11/2023	328.33	180.50	223.21	46.15	3468750	38.31	73.38	135.70	226.25	333.50	98.64
21/11/2023	331.11	180.50	244.29	45.28	3506250	37.13	69.63	133.30	190.94	333.00	100.91
22/11/2023	309.44	176.50	245.00	45.06	3656250	35.81	66.29	133.05	187.19	332.00	100.00
23/11/2023	295.56	180.94	245.00	44.84	3618750	36.00	65.91	134.35	187.19	331.00	99.72

Source: Baltic Exchange

LPG

- India witnessed increased LPG imports by 3% M-o-M to 1.8 million tonnes and 25% Y-o-Y in October this year. The said rise in imports corresponded to increased consumption ahead of the festive season in India, which lasted several days starting in early October. However, this surge in imports was capped by higher imports and cylinder prices. Qatar was seen to have the lion's share of imports, rising by 9% M-o-M to 570,500 tonnes in the month of October. The shipments from the UAE and Saudi Arabia also increased by 4% and 12% to 493,100 tonnes and 397,500 tonnes, respectively, on account of proximity and the India-UAE trade agreement.

VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
17/11/2023	153	134	241
20/11/2023	153	135	242
21/11/2023	153	134	240
22/11/2023	153	134	238
23/11/2023	153	134	238

Source: Baltic Exchange

LNG

- The overall LNG delivered to Europe equalled 7.39 million tonnes in the month of November. This suggests a climb of 2.7 million tonnes W-o-W, marking the highest monthly total since May. The colder temperature is expected to heighten demand in the coming few days, but the current temperature has remained quite mild. The gas storage at EU has remained ample, at 99% full, as reported recently by aggregated gas storage inventory data. 1.66 million tonnes of LNG were shipped to France, 1.04 million tonnes to Spain, and 970,000 tonnes to the United Kingdom. The Netherlands received 890,000 tonnes of shipments of LNG, while Belgium, Sweden, Poland, and Germany received 640,000 tonnes, 400,000 tonnes, 380,000 tonnes and 210,000 tonnes respectively.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
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

Source: Baltic Exchange



Chemicals

- In the South American trade lane, contract volumes were reported to be high, with quite limited space available for spot cargoes on the regular carriers. A relatively higher rate was quoted for spot cargoes compared to the previous month. There were two smaller tramp vessels carrying base cargo of 8,500 tonnes of styrene and 13,000 tonnes of caustic. The balance space of these vessels also attracted a lot of buyers, and they were sold immediately. For November, the contract volumes look similar so far; hence, the rates would rely largely on the type of tramp vessels that emerge on this trade route. A contract for 19,000 tonnes of chemicals was reported from the Mississippi River to Santos, priced below \$70. Another contract for Styrene was fixed at \$80 on the route from Houston to Santos.