



RLA Weekly Report – Friday, 19 January 2024

No. 73

The Bank of England rate cut has sparked a global shift in investor sentiment, indicating a potential improvement in UK inflation.

Economy

- The Red Sea crisis continues for a second month and is expected to affect the global supply chain and world trade. An economic uncertainty and geopolitical risks in Ukraine, Russia, Israel, and the Middle East are still intense in 2024. Tensions in the Red Sea have caused shipowners to avoid the Suez Canal, decreasing daily transits by 14% since mid-December 2023. Now, there are around 50 transits per day, which is 17% lower than last year. Shipping companies will reroute all vessels away from Red Sea routes due to the recent attack. Instead, they will navigate around Africa's Cape of Good Hope, increasing the distance significantly. For example, a trip from Shanghai to Piraeus via Suez is 7,844 nautical miles, whereas via Cape of Good Hope it is 14,253 nautical miles. Extra miles increase time and cost, which affects vessel availability. The Red Sea crisis boosts rates on the cape of good hope, the Suezmax TD23 route pays \$30,958/day. LR2 TC15 and TC20 rates have risen from \$ 8,129/day and \$ 20,988/day on 04 December to \$ 25,996/day and \$ 57,422/day. LR1 TC8 route pays \$ 49,143/day, compared to \$ 21,055/day one month ago.
- The Bank of England rate cut has sparked a global shift in investor sentiment, indicating a potential improvement in UK inflation. The CPI release for December may be too early to confirm this, with a slight decrease to 3.8%. The downtrend in CPI is attributed to lower natural gas prices, from \$157 in November 2023 to \$87 in January 2024, which have halved since the Bank of England November Monetary Policy Report. Natural gas is a key component of inflation, with most components contributing less to overall inflation by spring. Food inflation remains high at 9% y-o-y, but it has been running at an annualized pace of 2-3% over the past three months, suggesting a sharp fall in food inflation's contribution to inflation. Consumer goods inflation has slowed since the pandemic-induced supply shortages and demand surge, but there is still more to come. At the start of 2024, prices for household goods and vehicles are expected to increase less aggressively, with core goods contributing close to a percentage point less in May than they were in November.

Oil

- Saudi Arabia's recent reduction in official crude oil prices to Asia, reflecting weakened supply and demand fundamentals, has sparked concerns about regional and global demand. On 07 January, the kingdom lowered the official selling price (OSP) of its flagship Arab Light crude to Asia to the lowest level in 27 months, causing a 3% drop in Brent crude futures on 08 January. This adjustment aims to align Saudi prices with other global grades and is seen as a response to a softer oil market rather than signaling a shift in OPEC+ policy or a market share battle. The cut followed five consecutive monthly increases until November 2023, highlighting Saudi Arabia's adaptive approach to market changes and competitiveness.



- Increased crude output from non-OPEC countries, such as Brazil and the United States, has counteracted the impact of production cuts by Saudi Arabia and OPEC allies. The evolving dynamics, including rising exports from the United Arab Emirates, Nigeria, the U.S., Brazil, and Angola, along with boosted shipments from exempted Iran, contribute to the complexities influencing Saudi Arabia's pricing strategy.

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
12/01/2024	WS 196.67	WS 120.50	WS 172.14	WS 61.04	\$ 4550000	WS 69.79	WS 145.35	WS 328.13	WS 345.20	WS 141.77
15/01/2024	195.33	125.83	171.07	60.33	4568750	70.38	145.08	371.88	347.50	140.55
16/01/2024	194.78	134.44	156.43	61.21	4568750	69.46	147.73	400.63	350.00	142.82
17/01/2024	203.06	148.06	155.36	62.31	4631250	67.58	147.63	402.50	351.00	144.45
18/01/2024	205.06	190.89	166.79	67.36	5087500	66.29	145.78	367.81	349.50	143.41

Source: Baltic Exchange

LPG

- The US is expected to experience further LPG supply growth this year, despite dampened import demand due to weak petrochemical sector performance and warm winter weather. This could lead to a bearish 2024 global LNG market. However, disruptions to long-haul LPG trade and rising Middle Eastern tensions could override early assumptions. The US will continue to ramp up its natural gas liquids (NGL) production, despite expected slowdowns in shale growth due to increasing fractionation capacity. A spike in winter heating demand domestically or overseas or a significant improvement in petrochemical sector demand could mitigate US oversupply. Long-range weather forecasts indicate an atypically warm winter in core heating markets, while a recovery in global propylene and ethylene markets remains uncertain.
- China's propane dehydrogenation (PDH) sector continues to expand, despite an oversupplied propylene market, negative production margins, and a depressed run rate. The country plans to increase its PDH capacity by 4.8 million tonnes per/year from seven new units in 2024 after adding eight plants in 2023 with the same combined capacity, requiring around 5.5 million tonnes/year of propane. However, PDH utilisation was only 67 percent at the start of this year, and negative margins are expected to lead to project delays or cancellations.



VLGC Spot Freight Rates

\$/tonne			
Route No.	BLPG1	BLPG2	BLPG3
Description	AG-East	USG-Cont	USG-Japan
Size mt	44000	44000	44000
12/01/2024	83	80	126
15/01/2024	81	74	122
16/01/2024	77	68	112
17/01/2024	59	63	105
18/01/2024	58	60	103

Source: Baltic Exchange

LNG

- Russia exported 32.3 million tonnes of LNG in 2023, compared to 32.9 million tonnes in 2022. Maintenance at Novatek's Yamal LNG and Gazprom's Sakhalin 2 reduced production by about 2.4 million tonnes of LNG, which was produced last year, compared to 2022. Portovaya LNG began operating in September 2022 and almost reached its capacity of 1.5 million tonnes of which LNG was exported to European ports in 2023. As a result, Russian LNG exports to the EU hit a record 15.55 million tonnes, up from 15.34 million tonnes in 2022. Spain imported over 5 million tonnes of Russian LNG, making it Europe's largest importer and the third largest globally. Belgium, not a major Russian gas consumer, imported over 4.9 million tonnes of Russian LNG via Novatek's facilities in Zeebrugge. Some of it was reloaded onto other carriers or entered the European gas network. France imported 3.6 million tonnes of Russian LNG, making it Europe's third-largest importer. Russian LNG exports to China totaled 6.8 million tonnes last year, surpassing all other gas customers. In comparison, shipments to India were only 430,000 tonnes. China and India are the top buyers of Russian oil, with China purchasing between 45% and 50% of Russian oil and oil products. India had approximately 40% of Russian oil and products.

LNG Spot Freight Rates

\$/day			
Route No.	BLNG1g	BLNG2g	BLNG3g
Description	Aus-Japan	USG-Cont	USG-Japan
02/01/2024	68712	91186	97117
05/01/2024	64221	89000	93000
09/01/2024	54480	70299	68247
12/01/2024	47551	63380	66323
16/01/2024	44880	52711	56180

Source: Baltic Exchange



Chemicals

- Space on Transatlantic east bound market was limited among regular carriers with healthy contract volumes. Despite some sporadic availability, freight rates rose steadily throughout the month. While favourable for owners, it fell short of the year-end rally experienced in the past. At the start of the month, 5,000 tonnes of Styrene were fixed from Houston to Antwerp for \$83 pmt. The rate for a similar shipment would increase by at least \$10–12 by month-end. Large volumes of Methanol and Caustic Soda were also shipped. 44,000 tonnes of Methanol from Beaumont to Rotterdam cost \$75 pmt. The US Gulf-Mediterranean trade was very active, with high volumes of methanol, styrene, and MEG. 22,000 tonnes of MEG from the US Gulf to Turkey were done at \$82 pmt.



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

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