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ECB Cuts Interest Rates for First Time in Five Years Amid Global Inflation

Economy

- The European Central Bank (ECB) cut interest rates for the first time in five years, reducing the deposit rate by 25 basis points to 3.75%. This move aligns with similar actions by the central banks of Canada, Sweden, and Switzerland to reverse the steep rate hikes implemented to control post-pandemic inflation. Despite this, the ECB remains cautious about future rate cuts due to persistent inflation and wage pressures. The bank will adopt a data-dependent approach for future decisions, considering economic data and inflation trends. The ECB's caution is also influenced by the U.S. Federal Reserve's delay in easing policies, which could impact the euro and imported inflation.

Oil & Tanker

- Crude tanker freight rates may be bolstered by increased non-OPEC+ production during the summer and the gradual easing of OPEC+ cuts starting in October. Despite Saudi Arabia and other countries extending 2.2 million b/d cuts through September, crude prices have declined, suggesting higher crude tanker demand. VLCC demand is expected to rise, particularly in Q4, driven by increased long-haul exports from non-OPEC producers like the US to Asia, especially China, which saw a significant uptick in VLCC loadings in April and May. However, a more substantial release of OPEC+ cuts will be needed to significantly impact the segment by 2025.

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	Novo to Augusta	Covenas - Corpus Christi	Baltic to UKC	Offshore Bonny to Rdam
	WS	WS	WS	WS	\$	WS	WS	WS	WS	WS
31-05-2024	277.78	195.31	268.57	75.39	6637500	57.55	123.80	161.88	277.50	115.67
03-06-2024	243.33	187.19	266.07	73.41	6512500	57.15	123.55	163.75	279.17	115.67
04-06-2024	222.78	177.50	256.43	72.20	6425000	56.40	122.05	171.88	285.00	114.28
05-06-2024	221.11	166.56	238.57	71.32	6356250	55.40	121.45	194.38	287.08	112.06
06-06-2024	218.33	154.69	225.71	70.55	6200000	53.75	121.95	201.25	289.58	109.56

Source: Baltic Exchange



LPG

- Increased demand and rising transit rates at the Panama Canal, along with a significant rise in Chinese PDH rates, drove up propane import prices in northeast Asia to levels not seen since February 2023. Early May saw intense competition at the Panama Canal, pushing auctioned Neopanamax transit slot costs up to nearly \$2 million. This forced some charterers to reroute cargoes around the Cape of Good Hope, delaying June deliveries by almost two weeks. Consequently, US LPG exports through the Panama Canal fell to 57% in May from 81% in April. With Neopanamax transit fees expected to reach extremely high due to drought conditions, traders are likely to reroute shipments more frequently. China's PDH utilisation rate increased from 55% in April to 75% by mid-May.

LNG

- In May, the Netherlands was the top destination for US LNG, even as Europe's market share of US LNG shipments fell below 50% due to high EU storage levels and reduced demand, with 47 out of 97 cargoes going to Europe and Turkey. The drop in deliveries was partly due to maintenance work at US terminals. High storage levels in the EU, rising demand in Asia, driven by hot weather, led to over a third of US shipments heading there, with most avoiding the Panama Canal due to drought and opting for the route around Africa. This resulted in a record number of cargoes taking the longer route to Asia.

Chemicals

- Freight levels on the trans-Atlantic eastbound trade have gradually softened. Contract volumes were steady to soft, with a fair number of spot cargoes available. Regular carriers had ample space, but an influx of tramp vessels, including chemical tankers and Medium Range (MR) tankers, began competing for cargoes. This was partly due to a modest weakening in the MR market, which might change quickly. Large volumes of Methanol and Ethanol cargoes were fixed on MRs, with 20,000 tonnes of Ethanol from the Mississippi River to Rotterdam fixed at \$60/tonne and 30,000 tonnes of Methanol at \$57/tonne. Additionally, spot styrene to Europe was fixed at \$82.50/tonne for 5,000 tonnes from Houston to Antwerp.



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

An annual consultancy service currently providing Clients with an Annual Fundamentals Report, a Forecast Update, two quarterly Market Monitors, Monthly Commodity Trade Bulletins for key countries, an annual presentation on the market outlook and access to RLA's consultant's and analysts to discuss issues arising from these reports.



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