



RLA Weekly Report – Friday, 14 June 2024

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U.S. Consumer Prices Hold Steady in May, Fed Likely to Delay Rate Cuts Amid Inflation

Economy

- Consumer prices in the United States were surprisingly stable in May thanks to lower gasoline costs, but inflation remains high, preventing the Federal Reserve from lowering interest rates until September despite a robust labour market. The Consumer Price Index remained unchanged from April's 0.3% increase, maintaining its downward trend from February and March. Major stores are lowering prices to entice price-conscious customers. Annually, the CPI increased 3.3%, slightly lower than 3.4% in April but still over the Fed's 2% objective. In May, job growth and earnings grew, despite unemployment reaching 4%. The Fed is expected to keep interest rates between 5.25% to 5.50%, with market expectations of a rate cut in September fading and moving toward December.

Oil & Tanker

- The crude tanker market is expecting higher rates this summer due to factors such as OPEC+ extending production cuts, despite a decline in crude prices. However, the anticipated easing of these cuts from October is likely to boost demand for VLCCs, particularly for transporting oil to East Asia in the fourth quarter. Increased non-OPEC production from the US, Canada, and Guyana, along with rising Chinese oil demand and post-refinery maintenance and new trade routes from West African refinery activity, especially in Nigeria establishing new trade routes, are also contributing to a potential rise in VLCC demand and freight rates later in 2024.

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
07-Jun-2024	212.78	141.25	210.71	70.88	6093750	53.45	122.70	231.88	290.42	108.72
10-Jun-2024	211.11	142.19	198.93	70.88	5887500	52.95	122.55	236.25	291.25	109.56
11-Jun-2024	206.67	149.06	167.14	69.34	5743750	52.60	123.55	240.31	292.50	112.89
12-Jun-2024	187.78	155.94	150.71	68.02	5743750	51.45	124.00	241.88	292.50	115.39
13-Jun-2024	178.89	163.44	136.43	67.91	5925000	51.10	123.40	238.75	292.50	113.72

Source: Baltic Exchange



LPG

- Rising US LPG exports, strong Chinese demand, and a slowing VLGC newbuild orderbook are expected to support higher VLGC rates through 2025. US LPG exports via VLGCs are projected to grow by 7.5% in 2024 and 8.7% in 2025, following a rise to 57 million tonnes and 62 million tonnes, respectively, compared to 53 million tonnes in 2023. This growth is driven by increased US propane production and exports, which have risen by 8% and 14% respectively. New terminal capacity opening from 2025-26 will further bolster exports. Despite recent spikes in Panama Canal transit fees, ongoing congestion is expected, with the decision to pay a premium for canal transit versus a longer journey around the Cape of Good Hope being negotiated on a case-by-case basis with charterers, complicating the outlook.

LNG

- Canada's West Coast is positioned to support multiple LNG export projects to meet global energy demands, especially from Japan and South Korea. Asian countries view Canada as a reliable ally for energy supplies, particularly in light of the geopolitical tensions. Canadian LNG avoids transit challenges like the Panama Canal and the Strait of Hormuz, enhancing its appeal. The LNG Canada project, a joint venture among Shell, Petronas, PetroChina, Mitsubishi Corp and Korea Gas Corp which plans to start exporting by mid-2025. Additional projects in British Columbia aim to commence by 2030, bolstering Canada's role in global energy security and providing low-carbon LNG options to Asian buyers.

Chemicals

- In the US Gulf to East Coast South America trade, rates dipped slightly in but quickly rebounded. Large volume single grade caustic soda and ethanol cargoes from the US Gulf to Brazil were shipped on product carriers, while styrene and EDC were transported by regular parcel carriers. Specific fixtures included 5,000 tonne of EDC from Point Comfort to Aratu at \$105/tonne, 5,000 tonne of multi-grade lube oils from Houston to Rio de Janeiro at \$125/tonne, and two 3,000 tonne shipments of MEG and mixed chemicals from Houston to Santos/Aratu at around \$150/tonne each. Additionally, 2,000 tonne of specialty chemicals were shipped from Houston to Aratu at \$138/tonne.



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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