



Market Comments

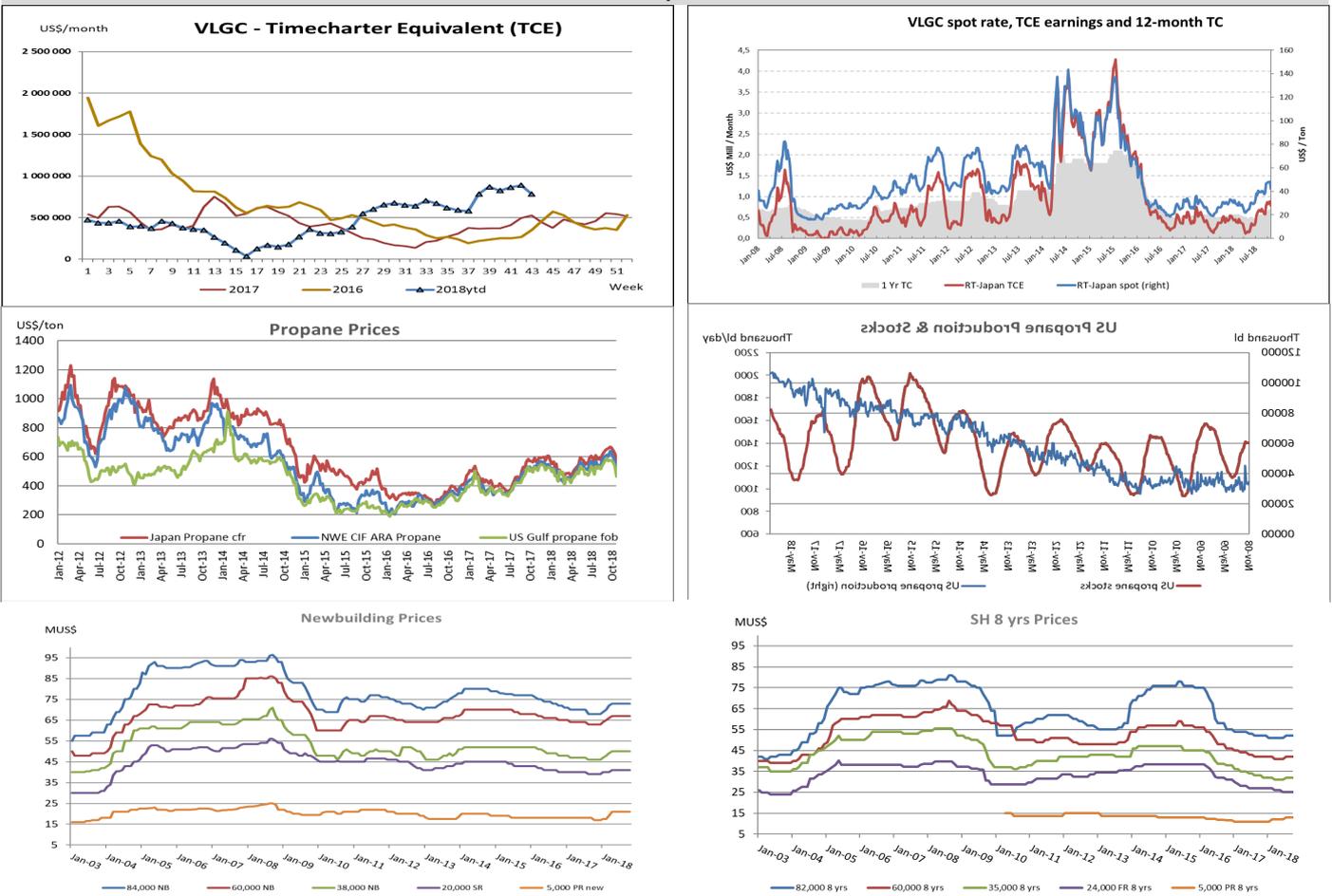
The LPG Product Market

LPG prices came under strong pressure in October on the back on sharp falls in crude and naphtha. Compared to the peak in late September prices are off by US\$ 100 per ton. Tumbling prices and high volatility have been challenging for market players. Price differentials between the US and Europe contracted with 6 large cargoes shipped instead of 2-3 typical in a month. US propane stocks climbed steadily to 82 mn bl by mid-month but showed a modest draw for the week ending October 19. A stock draw is normal for this time of year as heating demand is picking up as well as LPG consumption for crop heating. US production appears to have steadied above 2 mn bl per day, yet further short-term gains are being questioned due to bottlenecks in the pipeline and fractionation system. It has also been announced that the Mariner East 2 pipeline expansion to Marcus hook will be delayed to Q3-19 with the 20" pipeline not scheduled for completion until Q4-20. Most US spot cargoes are currently going to Asia as the arbitrage is still wide-opened with strong demand both from crackers and propane dehydrogenation plants producing propylene. The Saudi CP will be out later this week. We expect sharply lower numbers reflecting the fall in crude and naphtha, yet with some support seen from contracting Iranian output.

The LPG Shipping Market

The VLGC market softened in the second half of October with vessels available in all loading areas. The Baltic was at its highest for the year at the start of October but has weakened throughout the month ending near US\$ 41. There has been fewer cargoes and an ever present availability of trader relets which have weighed on sentiment. The sharp increases in rates during September however served as a reminder to charterers that they are vulnerable to volatility and encouraged several charters to fix for 1-3 years. The supply VLGC vessels is so far balanced for 2018 with 7 vessels scrapped and 8 new deliveries and 1 more delivery remaining. For 2019, the number of vessels due to be delivered into the fleet is 19. The Midsize market remains in the doldrums with much idle time and little or no interest from charterers for longer period business. The Handy segment has seen more activity across the board this month with increased enquiry in both LPG and petchems. Owners have consequently been more bullish than for a while. The Coaster market has had a slightly slower month but not enough to make any real impact on freight rates which remain steady. Latsis ordered 2 x 80,000cbm Panamax VLGC from HHI for delivery Q3 2020.

Graphs



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