

Market Comments

The LPG Product Market

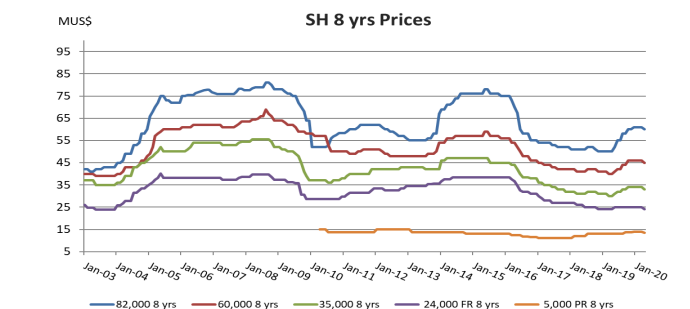
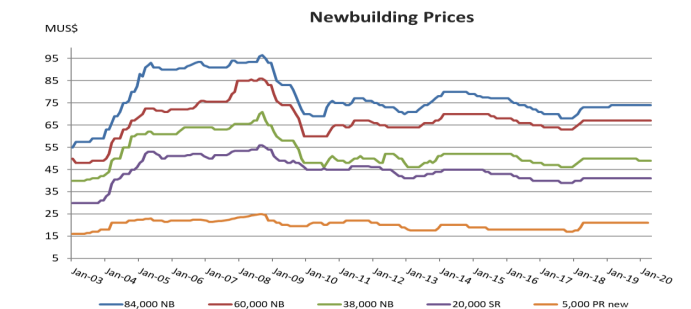
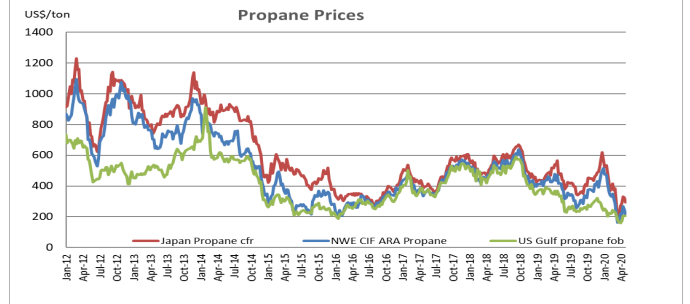
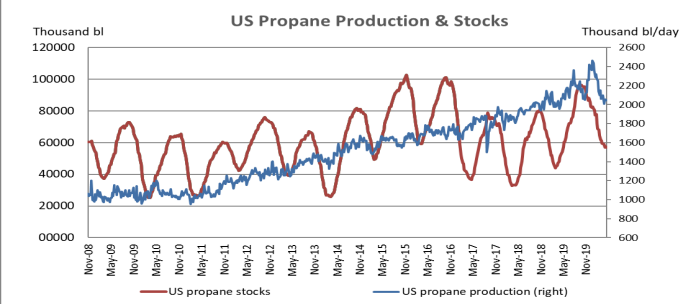
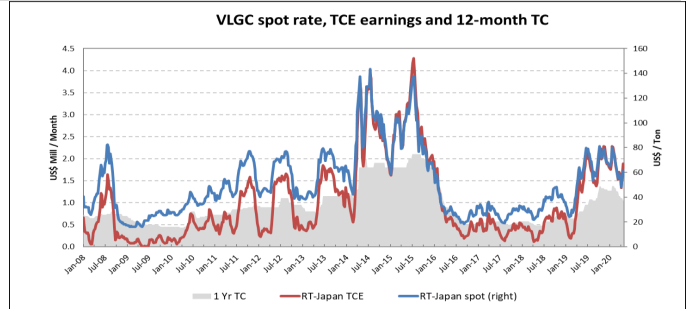
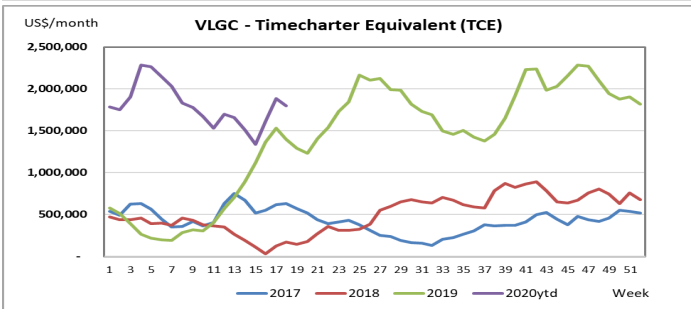
The LPG market has been surprisingly resilient with limited impact seen so far from the Covid-19 pandemic. This was expected as household sector demand is a function of requirements for cooking and heating. Industrial demand is another story with petchem demand for LPG plummeting as naphtha has tumbled along with crude values to the extent that the naphtha reached a 3-digit discount to LPG. Global LPG shipments in March were 8.9 million tons, while April volumes could top 10 million tons (Waterborne LPG) and establish a new monthly record. US exports have continued to ramp up and April volumes could top 4 million tons. However, the outlook is now becoming more uncertain as US crude and NGL's production is falling, lagging a tumbling rig count. US LPG production has fallen by 0.4 mb/d so far this year, while large export volumes will reduce inventories and support US prices making the arbitrage more difficult. Exports from the Middle East Gulf through April were slightly higher than the volumes recorded in 2019. The outlook following the recent OPEC agreement to cut crude production is a lot more uncertain with LPG exports volumes likely to drop. An indication of tighter supplies is the Saudi CP for May at US\$340 for both propane and butane, a hike of 110 and 100 respectively.

The LPG Shipping Market

First half of April saw a steady flow of cargoes from the ME Gulf, but the Baltic Index perhaps driven by uncertainty continued to fall. However, by mid-month trader relets started to disappear and the tonnage situation tightened. The US Gulf to Far East route traded at a premium and there also emerged some cargoes from W. Africa which led to owners ballasting vessels out of the ME Gulf loading area. Inevitably rates recovered momentum and the Baltic started to climb again finishing the month at US\$ 57.36 per ton, which returned a TCE of US\$ 1.8 million per month. The VLGC market is fairing the best compared to other LPG / Petchem segments.

Midsize and Handy markets had a relatively quiet month and relets started to re appear onto the open position list. Activity East of Suez was very slow. Petrochemical vessels saw a lacklustre month and a marked downturn in activity due to the Covid-19 and its drastic effect on oil price. This is having a negative effect on a segment which is fundamentally over supplied and owners are experiencing heavy waiting time in addition to lower rates. The small LPG Coaster market has seen reasonable activity considering the circumstances, but the sentiment is muted going forward.

Graphs



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