Monthly Gas Report - June 2020

Lorentzen & Stemoco

Market Comments

The LPG Product Market

The month of June continued the tendency of the previous month with US Gulf prices on the high side to stimulate spot shipments to Europe and Far East. This is the consequence of two factors, relatively high prices in the US due to weak production of NGLs and soft prices in importing countries due to demand destruction. However, the petchem sector should now start to consume more LPG as the price of propane relative to naphtha, the alternative feedstock, has become much more attractive. At the time of writing the discount in NW Europe of propane relative to naphtha is exceeding US$100 per ton, which is well below the level that induce feedstock switching.

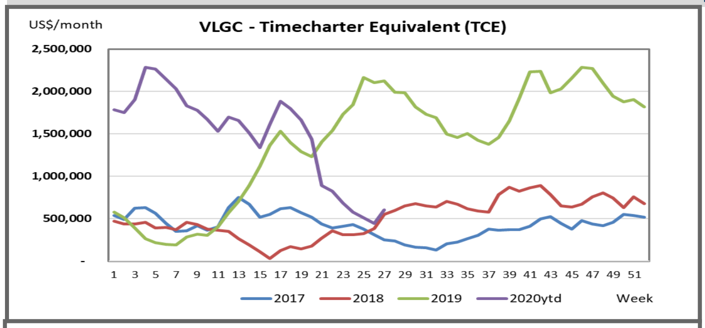
In the US, NLGs production has been declining due to weak prices of crude and natural gas and slower than normal refinery operating rates. US production of propane and propylene for the week ending June 26 stood at 2.23 mbd and showing some signs of recovery since the low point of just under 2mbd a month ago. US propane inventories are in the process of being replenished although the process started a month late. The Saudi CP for July was set at US$ 360 for propane and 340 for butane up US$ 10 for both grades relative to June levels, signaling tight availability amidst sharp crude production cuts.

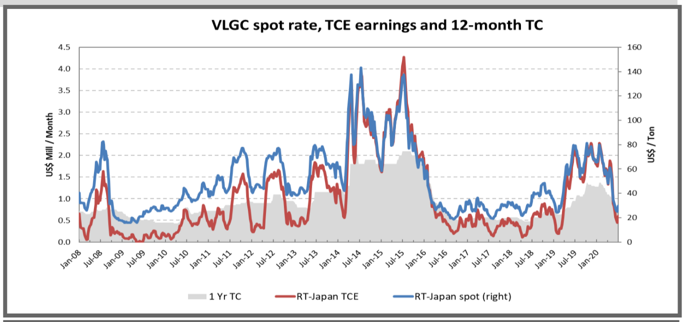
The LPG Shipping Market

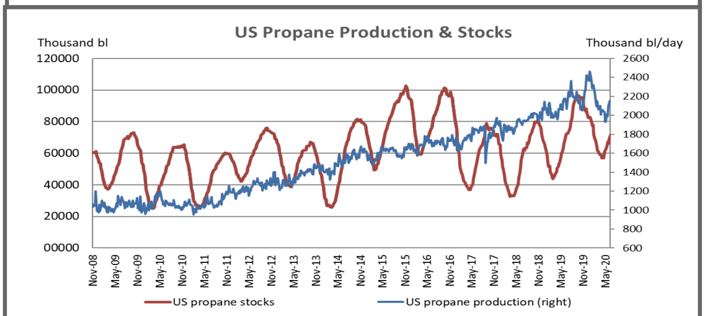
The VLGC Market weekend significantly in June as the full effect of OPEC production cuts took its toll and US exports were low. The Baltic Index slid to a low of US$ 23.86 per ton giving owners returns that barely cover vessels OPEX levels. Some relief came at the end of the month with a sudden pick up in activity in the West which led to owners ballasting into the Atlantic Basin for these cargoes. This in turn led to a strengthening of rates out of the Middle East Gulf as tonnage supply tightened. With LPG supply out of the US not hit as hard as was first thought and with surprisingly positive production figures we expect to see some volatility going forward and a stronger sentiment for the VLGCs.

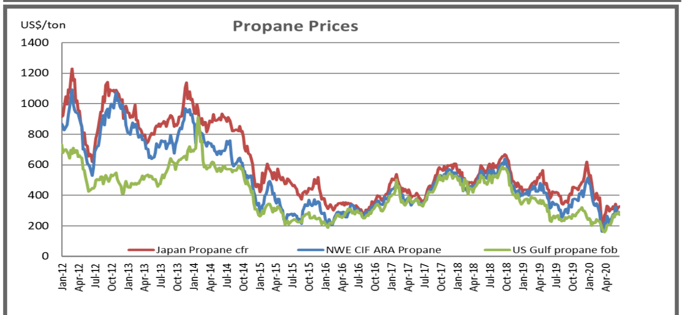
The Midsize and Handy segments have seen some good activity with the MGC in particular seeing a stronger market particularly in the West. The Coaster market hasn't faired well and remains subdued and rates have fallen significantly since the pandemic broke out. The largest falls have been recorded in the West.

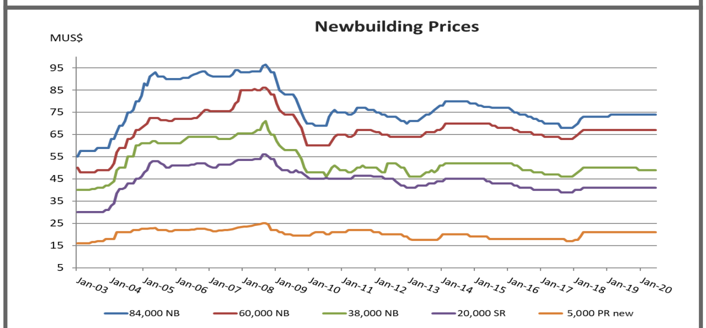
Graphs

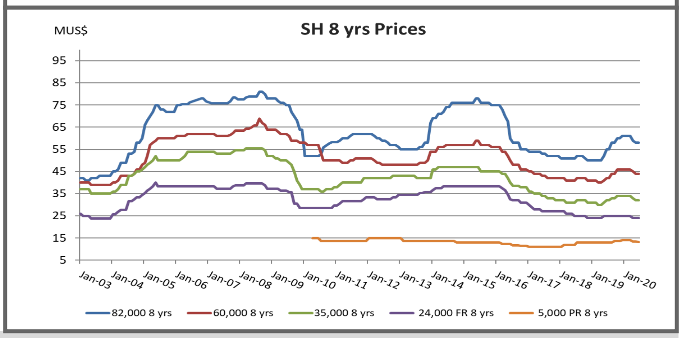












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