Market Comments

The LPG Product Market

LPG price differentials widened substantially in September with Japan minus US Gulf propane widening to US$ 130 per ton before terminal fee and freight. A series of favorable statistics and news caused this shift in sentiment. Sharp crude gains filtered through to naphtha in overseas markets, spilling over into LPG whilst in the US inventory and production data came in above expectations keeping prices on the low side. Inventory of propane for the last week published totaled 76.4 million, only 2 ml bl below year early levels, marking a convincing rebuild in spite of robust export volumes. Propane production for the last three week show an average of 2 million b/d and the volume should continue increasing with the Mariner East pipelines completions finalizing. Enterprise Product Partners announced an expansion of existing export capacity in the US Gulf area of 5 million tons per year to become operational in Q2-19. This should take US export capacity above the 40 million tons per year mark. Saudi Aramco just released the CP for September at US$ 655 for both grades, up US$ 55 and 20 for propane and butane respectively, reflecting surging crude and product prices and tighter Middle East LPG availability as Iranian production levels are more uncertain. This makes US LPG more competitive even as freight rates are showing a strong recovery.

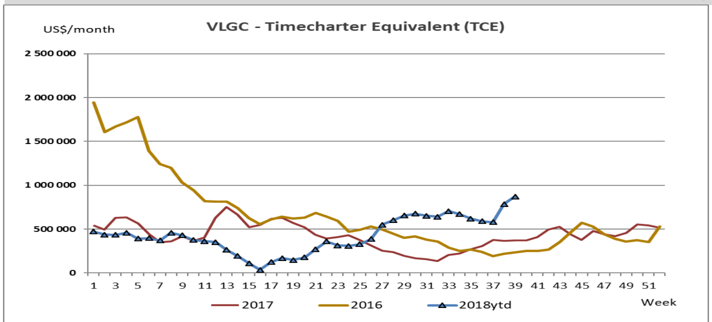
The LPG Shipping Market

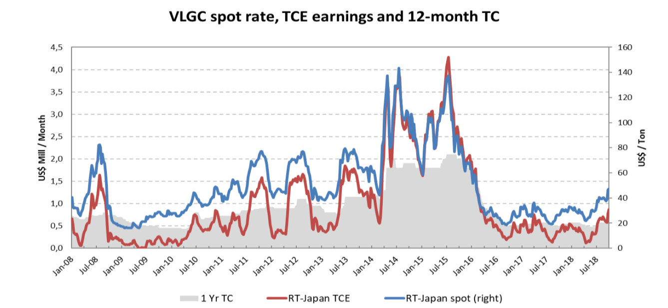
During the first half of September, the Baltic crept up little by little creating a real sentiment that the market had turned. There was good activity and vessels were absorbed and availability tightened so that by the middle of the month the Baltic VLGC Index jumped dramatically moving up close to US$ 10 in just a few days. As the month came to a close, the Baltic Index stood at US$ 47,2 returning a time charter equivalent of about US$ 900,000 per calendar month for the most efficient vessels. This is the highest earnings levels seen since March 2016. Vessel availability for loading from the West in October is very tight or sold out and the market in the East is also looking very tight. Owners are becoming more bullish and freight levels are expected to continue to rise for November loadings as we move further into the peak of the shipping season ahead of winter heating demand.

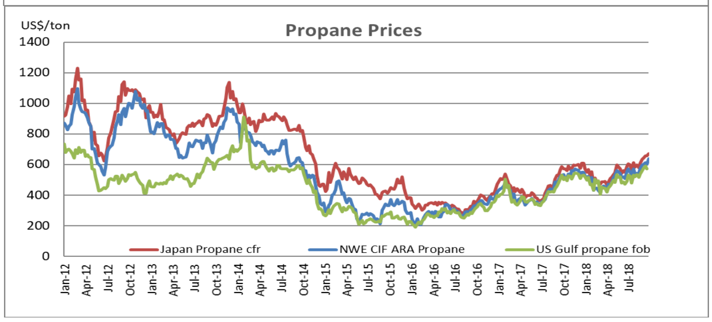
The Midsize and Handy markets have remained lacklustre, but with the stronger VLGC market coupled with a brighter outlook on ammonia and petchems, we expect availability to tighten and freight rates to increase.

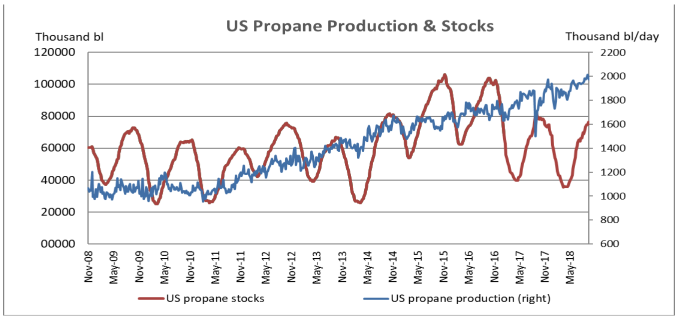
The Coaster market has been busy all month and spot rates especially for the smallest sizes have remained firm.

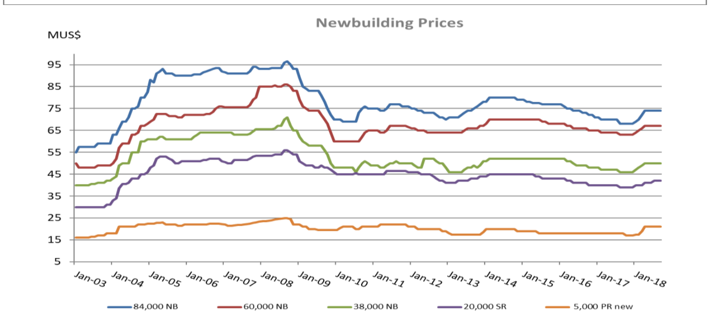
Graphs

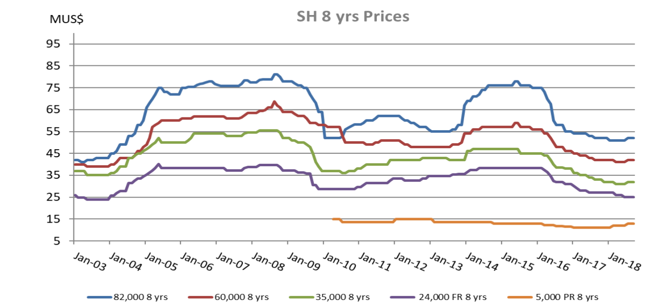












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Sources: IEA, EIA, Opis, Lorentzen & Stemoco