Market Comments

The LPG Product Market

Product prices in the Western hemisphere were fairly stable most of January at levels slightly below the previous month. However, the month ended with strong price gains following firm demand in Europe and the Mediterranean and reports of another larger than expected draw in US propane inventories. The price curve is in backwardation, reflecting some front end tightness and higher seasonal demand. Propane remains the preferred feedstock among European petchem producers valued at 88-89% of naphtha. The latest week showed a draw in US propane stocks (EIA) of 3.6 mb or 5.7% to 60.2 mb versus 53.06 mb one year ago. The draw reflected lower propane production, seasonally strong domestic demand and firm demand for export. Production dropped slightly below the 2 mb/d mark in part due to downtime at two US Gulf fractionators. US seaborne exports remained at 2.9 million tons similar to November levels. We expect to see another strong draw in US inventories as the polar vertex hitting the US with severely cold weather boosts domestic demand and reduces production.

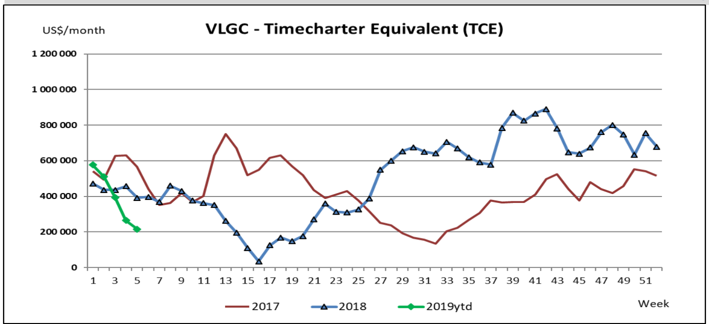
The Saudi CP for February was set at US$ 440 and 470 for propane and butane respectively. These levels reflected spikes seen in US prices as well as Chinese buyer's preference for non-US cargoes.

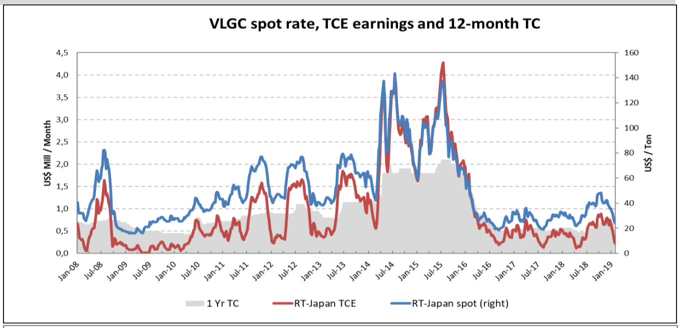
The LPG Shipping Market

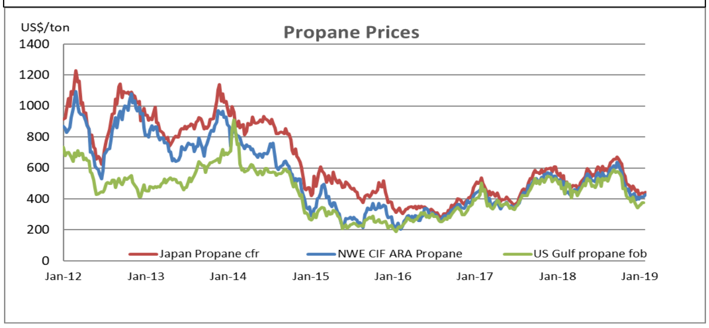
January saw a sharp downturn for VLGCs with the Baltic Index plummeting to new lows. A severe over tonnage situation especially East of Suez drove rates downwards with the month ending on US$ 24,18 and a time charter equivalent of US$ 206,500 pcm. It is difficult to see that rates will sink much lower as owners are reluctant to fix below OPEX. The premium for cargoes loading out of the West has nearly disappeared as the pressure on freight in the Middle East prompted owners to ballast West and the number of vessels now available for loading West is ample. The year has started with good activity on the second hand market with 3-4 older vessels being sold or negotiated for sale to Chinese and Vietnamese owners and the competition has kept prices well above scrap levels. However, keeping these older ships trading instead of going to the breakers is doing nothing to alleviate the over supply situation.

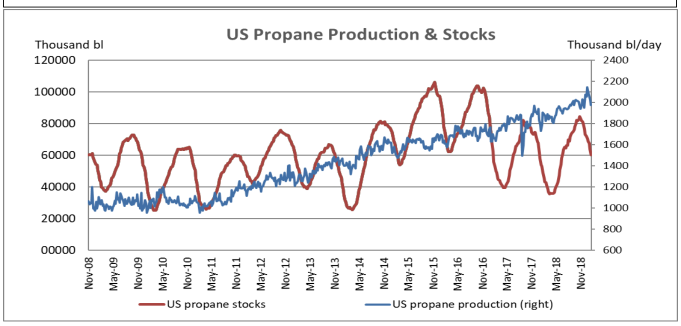
The Midsize market came under pressure again with lack of activity building numbers of prompt vessels. The Handy market is not much better with prompt vessel availability in all loading areas. The Coaster market is the most stable of all the sectors. Activity is more muted but employment and with it rates have been seen as fairly steady.

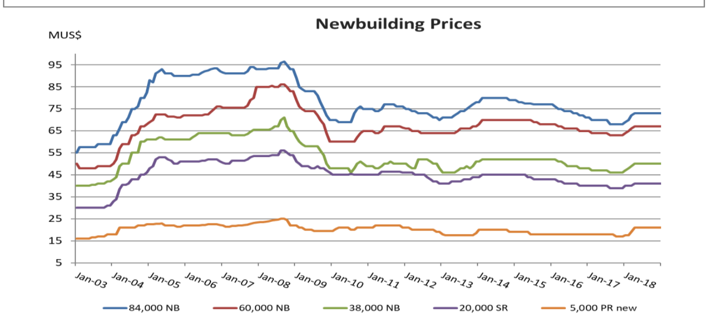
Graphs

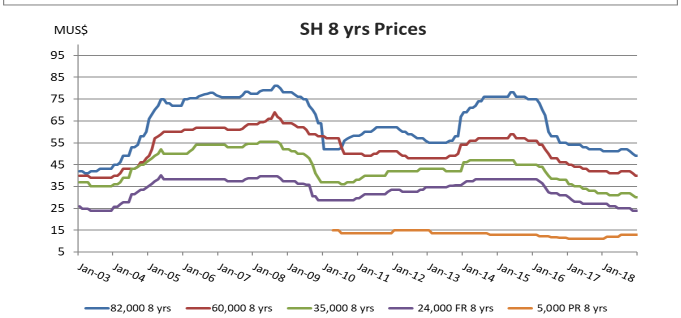












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