ENGINE: Americas Bunker Fuel Market Update

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Bunker benchmarks have taken mixed direction in the Americas again, and bunker demand in Houston improved this week.

VLSFO prices down in Zona Comun ($31/mt), Los Angeles ($19/mt), New York ($9/mt), Balboa ($8/mt) and Houston ($5/mt)

LSMGO prices down in Zona Comun ($39/mt), Houston ($7/mt), Balboa ($6/mt) and New York ($2/mt)

HSFO prices up in Balboa ($27/mt) and Houston ($2/mt), and down in New York ($3/mt)

Bunker demand is said to have slightly improved in Houston this week. Some buyers were rushing to book their bunkers ahead of the upcoming holidays, a source says. But some argue that overall demand this week was still lower than it had been at the beginning of the month.

The number of stems recorded by ENGINE also reflects the slight rise in Houston's bunker demand. Eight stems have been recorded by ENGINE since Monday, almost a double from last week. The majority of stems this week have been for LSMGO, followed by VLSFO.

Bunker suppliers in Houston and off the Gulf Coast have also cautioned buyers about potential disruption and delays over the coming days due to the ongoing fog season. The fog season in the US Gulf Coast typically runs until March. However, the Houston Ship Channel usually experiences closures around January and towards the end of the season, which leads to a significant rise in congestion and delays, a source says.

Some suppliers in Houston are still accepting bunker orders for prompt dates, while others remain hesitant to book them as they wary about possible weather disruption and related delays, a source says.

Balboa's HSFO price gained by $27/mt in the past day amid upward pressure from higher stem, while its VLSFO price declined by $8/mt. The diverging price moves have narrowed the port's Hi5 spread from $176/mt in the past day, to $141/mt now.

All grades remain tight for prompt dates in Balboa. Some suppliers are booked for the remaining days of the month. Lead times of 7-9 days are generally recommended to ensure full coverage from all suppliers.

Brent

Front-month ICE Brent has declined by $0.58/bbl on the day, to $82.76/bbl at 07.00 CST (13.00 GMT), but the futures are poised to gain over 4% on the week. The trading volume for Brent futures is expected to be muted next week as traders head out for the holidays.

Upward pressure:

Reuters has reported that "Russia may cut oil output by 5-7% in early 2023 as it responds to price caps on its crude and oil products by halting sales to the countries that support them," citing Russia's Deputy Prime Minister Alexander Novak.

Novak estimates the cut at 500,000-700,000 b/d, according to Reuters. In the first quarter of next year, the Dutch financier ING expects Russian oil supplies to fall by around 1.6-1.8 million b/d.

Meanwhile, Russian state news agency TASS has reported that Russia's President Vladimir Putin will sign a decree halting supplies to G7 price cap participants next week as part of "precautionary measures."

"A combination of lower Russian oil supply and OPEC+ supply cuts means that the global oil market is expected to tighten [oil market] over 2023," writes ING as it forecasts Brent to average $104/bbl next year.

Winter storm warnings, coupled with a drawdown in US crude stockpiles and the closure of the Keystone Pipeline, have also supported Brent prices. CMC analyst Leon Li tells Reuters that heating oil demand is expected to skyrocket. This is because winter storms in the US will result in cold temperatures extending into Texas, Florida, and eastern states.

Downward pressure:

Fitch Ratings' global economic outlook says that monetary tightening will have a broader impact on demand over time, though the effects on the economy are already visible.

"Recessions are anticipated in the eurozone and the UK starting in late 2022, and in the US in the second and third quarter of next year," it adds.

In addition, a spike in Covid cases in China and reports of a new variant have once again placed China's demand concerns at the forefront of oil markets.

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