ENGINE: Americas Bunker Fuel Market Update

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Houston Ship Channel remains shut due to thick fog and reduced visibility, and Houston's LSMGO discount to Balboa has narrowed.

Changes on the day to 07.00 CST (13.00 GMT) today:

- **VLSFO prices down in Los Angeles and Balboa ($27/mt), New York ($25/mt), Houston and Zona Comun ($3/mt)**
- **LSMGO prices down in Los Angeles ($38/mt), Balboa ($22/mt), Houston ($18/mt), Zona Comun ($14/mt) and New York ($2/mt)**

HSFO prices down in Balboa ($12/mt), Houston and New York ($8/mt)

Houston's LSMGO price has made a sharp $63/mt gain over the past week, while New York and Balboa's have made smaller gains of $38/mt and $5/mt, respectively. This has halved Houston's LSMGO discount to Balboa from $110/mt a week ago, to about $52/mt now.

Thick fog and reduced visibility have disrupted vessel traffic through the Houston Ship Channel since last night. There are currently 13 vessels waiting to enter the channel inbound and six outbound, Norton Lilly says.

Outbound vessel traffic through the channel is expected to resume soon, a source says. More disruptions could follow from tomorrow onwards, with thick fog and reduced visibility forecast to continue. This would in turn hold back vessels from entering ports in the Houston area and take bunkers.

Some suppliers in Houston have held back offers for prompt dates amid upcoming possible fog disruptions.

LSMGO availability is very tight offshore Trinidad. Supply dates can be unpredictable as some suppliers await resupply cargo. One supplier has pulled back all offers for both prompt and dates further out. It expects to resume offers after a resupply cargo arrives next week.

Brent

Front-month ICE Brent has declined by $1.52/bbl on the day, to $82.35/bbl at 07.00 CST (13.00 GMT).

Upward pressure:

The US is likely to face a supply crunch this winter as energy demand has risen and oil production has slowed due to refinery outages on the back of below-freezing temperatures in Texas and North Dakota. Reuters has learned that some refinery outages may continue into January.

Crude oil demand is expected to surge after China opens its borders and lifts mandatory quarantine requirements for foreign tourists starting 8 January. S&P Global analysts have predicted oil demand from the world's top importer to reach 15.7 million b/d in 2023, a 700,000-bbl increase from 2022.

Russian President Vladimir Putin has signed an executive order banning the sale of oil and oil products to any nation that gets behind the G7 price cap. Russian Deputy Prime Minister Alexander Novak has also estimated the nation to cut production by 500,000-700,000 b/d early next year.

Downward pressure:

Commercial US crude oil stocks increased by 718,000 bbls in the week ending 23 December, Energy Information Administration (EIA) data showed today. The stock build contradicts the American Petroleum Institute's (API) earlier estimate of a 1.3 million-bbl draw.

Tailwinds from blizzard-induced US refinery closures are fading, Reuters reports. TotalEnergies has already restarted its 238,000 b/d nameplate production Port Arthur plant, while ExxonMobil is close to operating its 366,000 b/d Beaumont refinery at full capacity.

Marathon Petroleum's 593,000 b/d nameplate capacity Galveston Bay refinery near Texas City will also resume production in a couple of days, sources have told Reuters.

In an interview with CNBC, S&P Global vice chairman Dan Yergin has predicted that Brent is likely to fall to $70/bbl in the event of a recession. Citi's Ed Morse also expects a significant drop from the current levels and expects Brent to average $76/bbl next year.

According to FXStreet, Credit Suisse strategists predict crude has "not reached the end of its decline." The report cites Credit Suisse as saying that "... with declining momentum and global growth concerns looming, we think further weakness will follow" as it predicts Brent to slump to $63/bbl.

As China reopens its borders to international travel, nations around the world are tightening restrictions on Chinese travellers as they fear Covid-19 infections. Although China's oil demand is expected to recover next year, tightened global restrictions and fears of a Covid-19 re-emergence can dampen this sentiment against a backdrop of a potential global recession.

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