ENGINE: Americas Bunker Fuel Market Update

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Bunker prices in the Americas continue to track rising Brent values, and Houston's Hi5 spread has narrowed again.

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

VLSFO prices up in Los Angeles ($26/mt), Balboa ($19/mt), Houston ($15/mt), New York ($14/mt) and Zona Comun ($13/mt)

LSMGO prices up in New York ($69/mt), Zona Comun ($29/mt), Houston ($20/mt) and Balboa ($10/mt)

HSFO prices up in New York ($23/mt) and Houston ($14/mt), and down in Balboa ($40/mt)

Most benchmarks have again tracked rising Brent values, with some of them leaping higher. But Balboa's HSFO benchmark has run counter to the wider market direction by dropping on the day. One lower-priced 500-1,500 mt HSFO stem fixed today has contributed to pull the port's benchmark lower.

VLSFO has been offered in Balboa with a $34/mt price difference between the highest- and lowest-priced suppliers, and LSMGO in a $16/mt range.

All grades remain tight for prompt dates in Balboa and Cristobal. Some suppliers are fully booked for the remaining days of the month. A longer lead time of at least 8-13 days is generally recommended to ensure full coverage from all suppliers. One supplier can deliver VLSFO and LSMGO stems from 4 January onwards.

Houston's VLSFO price has shed $18/mt in the past week, while its HSFO price gained about $8/mt. The diverging price moves have narrowed Houston's Hi5 spread from $172/mt in the past week, to about $146/mt now. The port's Hi5 spread has also narrowed from nearly $260/mt in October.

When comparing global bunker hubs, Houston's Hi5 spread is far narrower than Singapore's $230/mt, but close to Rotterdam's $180/mt.

Suppliers in Argentina's Zona Comun anchorage have struggled to deliver stems amid rough weather conditions. One supplier is already re-scheduling deliveries and has cautioned against further delays. Some suppliers are working to deliver stems during calmer weather windows, while others are facing difficulties in replenishing stocks, a source says.

Brent

Front-month ICE Brent has increased by $1.68/bbl on the day, to $81.77/bbl at 07.00 CST (13.00 GMT).

Upward pressure:

Going by an American Petroleum Institute (API) estimate, US crude inventories were drawn by 3.07 million bbls in the week ended 16 December. Official Energy Information Administration (EIA) figures are due to come out at 15.30 GMT today.

In spite of a gloomy global outlook, investment banks remain sanguine about Brent rising next year. Bank of America expects Brent to average $100/bbl next year. Based on a tight supply and recovered demand, Morgan Stanley predicts a higher $110/bbl by mid-2023.

Reuters reports that Goldman Sachs expects Brent to average $98/bbl in 2023 due to a "market surplus." While this is lower than its earlier forecast of $110/bbl, it still represents an upside from current levels.

According to the World Bank blog, "Oil prices are forecast to average $92/bbl in 2023 and $80/bbl in 2024, down from a projected $100/bbl in 2022. However, prices will remain well above their recent five-year average of $60/bbl."

Downward pressure:

China's business confidence is at its lowest level in almost a decade, according to a sales managers' survey by the global economic analyst firm World Economics. China's business confidence is at an all-time low in the service sector, while it is at a 3-year low in the manufacturing sector.

"The survey suggests strongly that the growth rate of the Chinese economy has slowed quite dramatically, and may be heading for recession in 2023," warns World Economics. In the midst of warnings about a looming recession in the US and Europe, this warning could pose an even bigger downside risk for oil markets.

"Energy traders might be stuck in wait-and-see mode as there might not be a clear catalyst for the next major move with crude prices," says Edward Moya, senior market analyst at OANDA. "The oil demand outlook will be key for how high crude prices can go and that might struggle for clarity as we see mixed signals with China's reopening," he adds.

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