ENGINE: East of Suez Physical Bunker Market Update

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Prices have tracked Brent gains over the weekend, and bunkering has been suspended by bad weather across three of Zhoushan's anchorages since noon yesterday.

Changes on the day from Friday, to 17.00 SGT (09.00 GMT) today:

VLSFO prices up in Zhoushan ($48/mt), Fujairah ($31/mt) and Singapore ($26/mt)

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LSMGO prices up in Fujairah ($75/mt), Singapore ($33/mt) and Zhoushan ($22/mt)

HSFO prices up in Fujairah ($44/mt), Zhoushan ($38/mt) and Singapore ($28/mt)

Bunker deliveries have been suspended by bad weather at Zhoushan’s Tiaozhoumen, Xiazhimen and Xiushandong anchorages, a source says. Meanwhile, bunkering is running smoothly at Zhoushan's inner anchorage of Mazhi. But delivery of stems might be halted at Mazhi if conditions worsen. Bunkering operations are likely to resume fully on 6 April, when calmer weather is forecast.

VLSFO stems require lead times of around eight days in Zhoushan as most suppliers are running low on stocks. HSFO needs around seven days of lead time, while LSMGO remains available for prompt dates - as it was last week.

Zhoushan’s VLSFO price has jumped $48/mt higher - the steepest among major Asian hubs. A total of three VLSFO stems have been fixed in a narrow range of $2/mt. All the stems were fixed at a higher level than the port’s VLSFO price on Friday and have propped up the benchmark.

Zhoushan’s steep VLSFO price rise has meant that its VLSFO discount to Fujairah has flipped to a premium of $16/mt, while its VLSFO premium over Singapore has widened to $28/mt.

A source says that availability remains tight for all fuel grades in Fujairah amid good demand. Suppliers have been working to clear backlogs caused by bad weather last week. Lead times of 7-10 days are recommended across all bunker fuel grades – slightly shorter than the 10-13 days last week.

Meanwhile, the UAE port of Khorfakkan has good availability across all grades, with recommended lead times of 5-7 days.

Brent

Front-month ICE Brent has shot up by $5.90/bbl on the day from Friday, to $84.25/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Several major OPEC+ members have pledged oil production cuts totalling 1.16 million b/d through 2023. These cuts are in addition to the 2 million b/d output cuts announced by the group last October. This brings the group's total reductions to 3.36 million b/d this year. The sudden and unexpected cuts have raised concerns about tightening oil supplies amid expectations that China's oil demand will grow this year. OPEC+ produced 38.38 million b/d in February, which was 1.72 million b/d below its target.

Kurdish officials and Iraqi officials have reached an initial agreement about resuming oil supply from Kurdistan-owned oil fields in northern Iraq, but the agreement must be finalised before supply can resume.

Meanwhile, several oil producers, including Norway's DNO, Gulf Keystone Petroleum and HKN Energy, have already started the process of shutting down wells in the semi-autonomous Raqi Kurdistan region following the impasse between the two regions last week. The companies have not yet confirmed when they will resume production fully.

Downward pressure:

Core inflation in Europe has hit a record high at 5.7%, says Craig Erlam, senior market analyst at OANDA. European Central Bank (ECB) policymakers will be vigilant about this issue, he has said, and they will "ensure the [monetary] tightening cycle will continue in May."

"Markets are pricing a 25-basis-point [interest rate] hike [from ECB] as a near-certainty and we could see expectations for 50 creep higher between now and then if the data doesn't improve," according to Erlam.

OPEC member Nigeria's oil demand has been capped by the strikes at French refineries, limiting Brent's upward movement. Kpler cargo tracking data, cited by Reuters, shows that France has imported 30,000 b/d of crude oil from Nigeria so far this month, which is less than half the 200,000 b/d it imported in January-February.

By Tuhin Roy and Konica Bhatt

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