ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed direction across East of Suez ports, and bunkering has been halted in Zhoushan for the most part since Sunday.

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

VLSFO prices up in Singapore ($15/mt), unchanged in Zhoushan and down in Fujairah ($6/mt)

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LSMGO prices up in Singapore ($7/mt) and Zhoushan ($3/mt), and down in Fujairah ($51/mt)

HSFO prices up in Zhoushan ($11/mt) and Singapore ($6/mt), and down in Fujairah ($9/mt)

Bunker deliveries have been suspended by rough weather in Zhoushan for the most part since Sunday, a source says.

The Chinese bunkering hub is currently experiencing strong wind gusts of 23-49 knots and swells of more than a metre. Adverse weather conditions are forecast to persist through tomorrow as well. Bunkering operations are likely to resume fully on 6 April, when calmer weather is forecast.

Prompt availability of VLSFO remains tight in Zhoushan, with recommended lead times of 5-8 days – almost same as last week. HSFO stems need around seven days of lead time, while LSMGO is readily available.

Supply is even tighter across all three bunker fuel grades in Fujairah as several suppliers are working to clear backlogs caused by bad weather last week. Recommended lead times are around nine days for VLSFO and LSMGO deliveries there, and almost 12 days for HSFO. But some suppliers can offer prompt stems across all grades depending on the quantity, a source says.

Fujairah’s VLSFO price has moved counter to Brent’s upward movement and declined by $6/mt. A lower priced VLSFO stem fixed in the past day has contributed to drag the port's benchmark down. Fujairah’s VLSFO price drop has meant that its VLSFO premium over Singapore has flipped to a discount of $9/mt.

Meanwhile, all grades have got tighter in southern South Korean ports, with lead times varying widely between 3-12 days. Lead times across western South Korean ports are better with lead times of around four days across all grades – virtually unchanged from last week.

Rough weather is forecast intermittently between today and 9 April in the South Korean ports of Ulsan, Onsan, Daesan, Taean and Yeosu, which might hamper bunkering.

Brent

Front-month ICE Brent has increased by $0.97/bbl on the day, to $85.22/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent price movement is currently dominated by unexpected output cuts announced by OPEC+, led by Saudi Arabia. The latest OPEC+ oil production cuts totalling 1.16 million b/d through 2023 are in addition to the 2 million b/d output cuts announced last October.

China's reopening has raised concerns over tightening oil supplies. ANZ commodity strategist Daniel Hynes believes that OPEC+ output cut could threaten "to push the market into deficit quickly." "This move sends a strong message to the market, with OPEC drawing a line in the sand regarding oil prices," he adds.

Brent futures are also drawing support from a steep fall in US emergency reserves, which have fallen to their lowest levels since 1983. This might keep the Biden administration away from releasing more oil to lower rising oil prices.

The number of rigs extracting crude oil and natural gas in the US fell by three to 755 last week, after rising for two consecutive weeks, Baker Hughes reported. This is the first quarterly drop in the US rig count since 2020.

Downward pressure:

Lingering concerns about the pace of China's economic recovery post-lockdown has limited Brent's price increase. OANDA's senior market analyst Edward Moya has noted that OPEC's production cut signals that oil producers are "not confident with the demand outlook."

Both the European Central Bank and the US Federal Reserve are expected to raise interest rates by 25-basis-point in their upcoming policy meetings. This could weigh on Brent prices amid growing concerns about a recession in the US and Europe.

By Tuhin Roy and Konica Bhatt

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