ENGINE: East of Suez Physical Bunker Market Update

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East of Suez Market Update

VLSFO and LSMGO prices have come down across East of Suez ports, and bunker operations have resumed at two of Zhoushan's anchorages – Xiushandong and Mazhi - after being suspended for the most part since Sunday.

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

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- **VLSFO prices down in Zhoushan ($13/mt), and Fujairah and Singapore ($9/mt)**
- **LSMGO prices down in Singapore ($13/mt), Fujairah ($4/mt) and Zhoushan ($2/mt)**
- **HSFO prices up in Singapore ($4/mt), and down in Fujairah ($7/mt) and Zhoushan ($2/mt)**

Bunkering at Zhoushan's slightly more sheltered Xiushandong anchorage and at the port's inner anchorage of Mazhi has resumed today after being suspended by bad weather for the most part since Sunday, a source says.

Meanwhile, bunker deliveries remain halted at its Tiaozhoumen and Xiazhimen anchorages. Bunkering operations are likely to resume fully tomorrow morning, when calmer weather is forecast.

VLSFO stems in Zhoushan require lead times of 5-8 days, HSFO needs around seven days, while LSMGO is available for prompt dates – almost unchanged from last week.

Zhoushan's VLSFO price has declined by $13/mt in the past day – steepest among East of Suez ports. Despite the significant price drop, the Chinese bunkering hub's VLSFO premiums over Fujairah and Singapore stand at $18/mt and $9/mt, respectively.

Availability across all three grades is even tighter in Singapore. Lead times of 9-11 days are recommended for VLSFO, and 6-9 days for HSFO. LSMGO delivery in the port requires 3-6 days.

Meanwhile, availability of LSMGO is very good in the Omani ports of Muscat, Salalah, Sohar and Duqm, with prompt dates available.

Brent

Front-month ICE Brent has declined by $0.46/bbl on the day, to $84.76/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Markets are still skewed to the upside due to unexpected production cuts by major OPEC oil producers and Russia through 2023. OPEC+'s production cuts come amid a projected increase in China's oil consumption to raise concerns about a global supply shortage.

“On the back of the OPEC cut, OECD inventories should move back into deficits much quicker than expected. And with the anticipated upward bounce in seasonal demand, oil prices look set to move even higher,” SPI Asset Management’s managing partner Stephen Innes has said in a blog.

He says that although recession headwinds have not "magically disappeared," oil bulls should remain encouraged unless the US Federal Reserve “pulls James Bullard's hawkish playbook off the shelf” and takes drastic measures to curb inflation.

Downward pressure:

According to the latest US Job Openings and Labour Turnover Survey, there were 9.9 million job openings in February, down from 10.5 million in January. This is the lowest number in two years, and it has rekindled fears of a recession in the US, CMC's market analyst Tina Teng has said.

During a recession, more consumers are typically forced to cut back on non-essential spending, which can include travel and transportation, and dent oil demand. Also, an uncertain economic picture can make investors more cautious about investing in riskier assets like crude oil futures.

“The crude rally hit a brick wall as market pessimism grows that the US economy is headed towards a recession,” says OANDA’s senior market analyst Edward Moya.

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