ENGINE: East of Suez Physical Bunker Market Update

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East of Suez Market Update

VLSFO and HSFO benchmarks have moved south across East of Suez ports, and demand has been picking up in Fujairah this week.

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

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- **VLSFO prices down in Fujairah (11/mt), Singapore ($9/mt) and Zhoushan ($7/mt)**
- **LSMGO prices unchanged in Zhoushan, and down in Fujairah ($21/mt) and Singapore ($4/mt)**
- **HSFO prices down in Zhoushan ($19/mt), Fujairah ($9/mt) and Singapore ($7/mt)**

VLSFO benchmarks across East of Suez ports have tracked decline in Brent futures. The grade's price in all three major Asian hubs have come down in the past day.

Fujairah's VLSFO price has fallen by $11/mt – the steepest among the three major Asian hubs. A lower priced VLSFO stem fixed in the past day in the UAE port weighed down the benchmark.

The sharp decline in Fujairah's VLSFO price has widened the port's VLSFO discounts to Zhoushan and Singapore, which now stand at $39/mt and $16/mt, respectively.

Demand has been picking up this week in Fujairah, a source says. VLSFO and LSMGO stems require lead times of 5-6 days in the port, and HSFO stems need slightly longer lead times of around nine days.

Availability of VLSFO and LSMGO is currently tight in Singapore, where stems of both grades require lead times of 9-11 days and 5-11 days, respectively. Availability of LSMGO is good, with shorter lead times of 4-7 days – almost same as Fujairah.

Meanwhile, prompt availability has been getting tighter across South Korean ports. Lead times of 6-11 days are recommended across all bunker fuel grades in southern South Korean ports, while slightly shorter lead times of 5-7 days are advised for all grades in western ports of the country.

Brent

The front-month ICE Brent contract has declined by $1.54/bbl on the day, to $81.26/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

There have been growing concerns about oil supply shortages due to the ongoing Iraqi supply crunch, and the forthcoming OPEC+ and Russian production cuts. This comes amid an anticipated demand surge in China, where the upcoming five-day Golden Week holiday is expected to boost travel and fuel demand.

Two crude tankers, the Neverland and Amax Anthem, were waiting for almost a month to load Kurdish oil, and have now left the Turkish Ceyhan port without any cargo, Bloomberg's ship tracking and port agent reported. Three other tankers still await loading. This suggests the Kurdish supply of 450,000 b/d is unlikely to resume soon.

US crude inventories were drawn by 6.1 million bbls in the week that ended 21 April, according to an American Petroleum Institute (API) estimate. Official US Energy Information Administration's (EIA) weekly data is scheduled for release later today.

Downward pressure:

Brent has slipped over the past day amid concerns about a resurgence of the banking crisis and economic weakness in the US, one of the world's largest oil consumers.

There are fears that First Republic Bank may become the third American lender to collapse, after Silicon Valley Bank (SVB) and Signature Bank, following a $100 billion decline in deposits in the first quarter.

Meanwhile, oil traders have "sniffed out" a freight recession in the US, a month after diesel rates began to drop, said SPI Asset Management's managing partner Stephen Innes. A freight recession occurs when shipping demand declines dramatically and results in a decrease in freight transportation.

Significantly lower domestic volumes reported by US freight operator UPS in the first-quarter of 2023 confirmed these fears, sending crude prices "reeling overnight on the prospect of fewer trucks delivering goods across the country," Innes noted.

An average Singapore refinery's margin from a bbl of Dubai crude dropped to its lowest level in nearly six months, at $2.53/bbl last Monday, according to Reuters. “A slump in oil refining margins is also weighing on sentiment," according to Daniel Hynes, commodity strategist at ANZ. "This could lead to lower processing rates at refineries, particularly in Asia.”

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