

MARKET UPDATE EAST OF SUEZ

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ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed directions across major Asian hubs, and availability has gotten tighter across all grades in Zhoushan.

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

VLSFO prices up in Fujairah (\$1/mt), and down in Zhoushan (\$6/mt) and Singapore (\$1/mt)

LSMGO prices up in Fujairah (\$12/mt), and down in Zhoushan (\$6/mt) and Singapore (\$3/mt)

HSFO prices up in Fujairah and Zhoushan (\$1/mt), and down in Singapore (\$5/mt)

VLSFO and LSMGO benchmarks have tracked Brent's decline across most East of Suez ports.

Fujairah's VLSFO and LSMGO prices have run counter to Brent's downward pull and gained by \$1/mt and \$12/mt, respectively. Several higher-priced indications for both grades in the past day have supported the benchmarks' upward swing.

Availability of all bunker fuel grades remain tight for prompt dates in Fujairah. Lead times of 5-7 days are recommended across all grades. While lead times remain virtually unchanged for VLSFO and LSMGO, lead times for HSFO have improved marginally from around nine days previously to 5-7 days now. Meanwhile, some suppliers can offer prompt stems across all grades subject to quantity, a source says.

VLSFO availability has gotten tighter in Zhoushan as several suppliers are running low on stocks. Muted bunkering activity has been observed in the port ahead of Labour Day holidays in China from 29 April to 3 May. Lead times for VLSFO vary widely between 7-17 days – significantly up from 3-5 days in earlier part of the week.

Recommended lead times for LSMGO and HSFO have also gone up steeply in Zhoushan from 3-5 days and 5-7 days, respectively, to 10-12 days.

Strong wind gusts of 27-39 knots and waves of more than a metre are forecast in the Chinese bunkering hub between 2-4 May, which could disrupt bunkering operations further.

Meanwhile, lead times of 5-7 days are advised across all grades in the UAE port of Khorfakkan.

Brent

The front-month ICE Brent contract crept lower by \$0.09/bbl on the day, to \$77.90/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent is being held back from declining further by a potential increase in Chinese oil consumption during the upcoming Golden Week holidays, when travel surges nationwide.

The Chinese Civil Aviation Administration has confirmed that the number of flights booked during the Golden Week has already exceeded six million, state-owned media agency Xinhua reports. That puts bookings at about the same level as those recorded in 2019, before the outbreak of COVID-19.

Chinese officials expect nine million air passenger trips during the holiday period in May, the report adds.

Meanwhile, data from the tourism ministry shows that nearly 1.22 billion domestic tourist trips were made in the first quarter of 2023, a 46.5% increase on the year.

Brent is also drawing support from looming OPEC+ output cuts.

In the US, as of the third week of April, EIA data indicates the nation's Strategic Petroleum Reserve (SPR) stands at 366.9 million bbls, down from nearly 556 million bbls a year ago.

The near 200-million-bbl "gargantuan" difference from last year is bound to make the market uncomfortable, says Phil Flynn, senior account executive at The Price Futures Group.

"The reality is that [US SPR] supplies are extremely tight and the potential for a price spike is real, especially if we see major producers have a disruption in production."

Downward pressure:

Fears of a recession, stemming from a slowing US economy, have suppressed Brent prices.

America's gross domestic product (GDP) growth rate dipped to 1.1% in the first quarter of 2023 compared with 2.6% in the fourth quarter of 2022, according to the Bureau of Economic Analysis's (BEA) advanced estimates.

"Compared to the fourth quarter, the deceleration in [US] real GDP in the first quarter primarily reflected a downturn in private inventory investment and a slowdown in nonresidential fixed investment," the BEA noted.

Brent futures are under pressure also because "oil markets have been in surplus for three straight quarters", thanks to robust Russian export volumes, according to Stephen Innes, managing partner of SPI Asset Management. This is despite the strong demand growth in Asia, and the US facing its summer driving season, he added.

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