ENGINE: Americas Bunker Fuel Market Update

04/05/23

Prices have moved in mixed directions across major American ports, and deliveries are expected to be suspended in GOLA again due to rough weather.

Changes on the day to 08.00 CDT (13.00 GMT) today:

- **VLSFO prices up in New York ($2/mt), and down in Balboa ($29/mt), Los Angeles ($21/mt), Zona Comun ($16/mt) and Houston ($4/mt)**
- **LSMGO prices up in New York ($24/mt) and Houston ($4/mt), and down in Balboa ($23/mt), Los Angeles ($17/mt) and Zona Comun ($10/mt)**
- **HSFO prices up in Balboa ($6/mt), and down in Houston ($5/mt)**

Balboa’s LSMGO price has declined the most in the past day. One lower-priced 150-500 mt stem with prompt delivery has been fixed today and contributed to drag the port's benchmark lower. The price move has brought Balboa’s price to parity levels with Los Angeles’.

Balboa’s VLSFO has also fallen amid downward price pressure from a lower-priced stem today, while the HSFO price in the port has gone up. Balboa’s Hi5 spread has narrowed to $102/mt, which is roughly the same as in Los Angeles and Houston, and slightly narrower than New York's $121/mt.

Currently, bunkering is proceeding normally in the Galveston Offshore Lightering Area (GOLA). Wind gusts of up to 41 knots are forecast from Saturday onwards and could trigger a suspension.

Bunker operations are likely to be disrupted in Argentina’s Zona Comun tomorrow evening, when strong winds of up to 30 knots are forecast. Harsh weather conditions could keep bunker operations suspended until Saturday, a source says.

Brent

Front-month ICE Brent has slipped by $0.34/bbl lower on the day, to $72.55/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Analysts remain hopeful about the Brent price recovery due to the possibility of OPEC+'s intervention if the price drops sharply.

ING's Warren Peterson sees $70/bbl as a firm a support level for the Brent price. "…it is around these levels that we could possibly see the US administration starting to refill its strategic petroleum reserves," he says. "And finally, breaking below $70/bbl would be a concern for OPEC+, and so talk of additional cuts would likely grow if we trade down towards this level."

OANDA's senior market analyst Ed Moya echoes this sentiment, saying that if OPEC+ wants to stabilise prices "they need to deliver on previously announced production cuts and signal that more are coming."

Meanwhile, a tight crude oil market remains a concern due to the drawdown in US crude stocks coupled with rapid depletion of emergency reserves. Commercial US crude inventories have dropped to their lowest level in 12 weeks, with 1.28 million barrels drawn in the week ended 28 April. The Energy Information Administration also reports that US strategic petroleum reserves (SPR) are at 364.9 million bbls, almost 200 million bbls below last year's level.

Downward pressure:

Growing concerns over a looming global economic slowdown has made investors cautious and put downward pressure on Brent.

US policymakers are worried about the nation's economic activity, says Ed Moya. "If the [US Federal Reserve] Fed is worried, that is bad news for the economy and the crude demand outlook."

There are numerous indicators that point towards an impending recession in the US. As per latest releases, US Job openings have declined, manufacturing activity has contracted, and consumer confidence has fallen to nine-month lows. These macroeconomic data point towards an economic slowdown.

The oil market is pricing in a very deep recession in the US that could push Brent to levels close to $60/bbl in the near term, Amrita Sen, co-founder of Energy Aspects has told CNBC.

Sen says that investors' sentiment appears bearish at the moment due to a large number of short positions in the oil market. She adds that the current macroeconomic outlook is not positive enough to trigger short coverings.

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