ENGINE: Americas Bunker Fuel Market Update

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Most Americas bunker benchmarks have declined with Brent values, and fixing prompt HSFO and VLSFO stems can be difficult in Houston.

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

- **LSMGO prices down in New York ($26/mt), Zona Comun ($22/mt), Los Angeles ($21/mt), Balboa ($18/mt) and Houston ($9/mt)**

- **VLSFO prices up in Houston ($4/mt) and Zona Comun ($1/mt), and down in Balboa ($15/mt), New York ($12/mt) and Los Angeles ($10/mt)**

HSFO prices up in Balboa ($10/mt), and down in Houston ($17/mt), New York ($14/mt) and Los Angeles ($10/mt)
Balboa's HSFO price has moved against the wider market direction by rising over the weekend. New York's HSFO has come down with Brent and flipped from a $21/mt premium over Balboa on Friday, to a $3/mt discount now.

Similarly, Houston's VLSFO price has also countered Brent's downward movement by gaining slightly over the weekend. Two higher-priced 50-150 mt VLSFO stems have contributed to keeping the port's benchmark elevated.

This has narrowed Houston's VLSFO discounts to New York and Los Angeles from $23/mt and $66/mt, to $7/mt and $52/mt respectively.

Prompt availability of VLSFO is tight in Houston. Most suppliers can deliver the fuel grade in the first and second weeks of June. HSFO availability has been tighter in Houston, with a limited number of suppliers offering the fuel grade.

Bunkering has been running smoothly in the Galveston Offshore Lightering Area (GOLA) amid calmer weather conditions and suppliers are able to accommodate VLSFO and LSMGO stems with 3-4 days of lead time.

Availability of HSFO is tight for prompt delivery dates in GOLA. However, one supplier is willing to offer large quantity stems at discounted rates for prompt dates.

Brent

The front-month ICE Brent contract has dropped by $1.69/bbl on the day from Friday, to $75.70/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Wildfires in Canada's oil-rich province of Alberta, and Turkey's refusal to restart Kurdish crude exports from the Ceyhan terminal, have kept substantial quantities of crude oil off the market.

Supply concerns have been further magnified by a Baker Hughes report, which shows a slowdown in US drilling activity despite the Biden administration's plans to replenish its strategic petroleum reserves. The oilfield services provider says the US oil rig count fell by 11 in the latest week to 575 - the lowest since June 2022.

Meanwhile, the International Energy Agency (IEA) has estimated that global crude demand – led by China and India – will surpass production by almost 2 million b/d this year, resulting in a supply deficit in the second half of 2023.

Downward pressure:

Sentiment in the oil market has been clouded by the ongoing US debt-ceiling saga that has yet to produce a positive result. The US Secretary of the Treasury, Janet Yellen, has warned of a 1 June deadline for raising the debt ceiling, and White House economists have forecast crippling effects should the nation default on its debt obligations.

On the other hand, while there have been a few moments of optimism about a demand surge in both China and India and a resultant tightening of supply, the scenario has not materialised as expected.

Recent positioning data indicates that traders are "bearish" on the oil market, ING's head of commodity strategy Warren Patterson has written in a note.

"… speculators remain negative towards the market with the net speculative long in ICE Brent falling by 6,020 lots over the last reporting week to 106,722 lots as of last Tuesday. This is the smallest position that speculators have held this year," Patterson added.

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