ENGINE: East of Suez Physical Bunker Market Update

01/05/23

Prices have moved in mixed directions across East of Suez ports, and VLSFO availability has gotten tighter across both Zhoushan and Singapore.

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

VLSFO prices up in Fujairah ($10/mt) and Singapore ($1/mt), and down in Zhoushan ($6/mt)
LSMGO prices up in Singapore ($1/mt), and down in Zhoushan ($21/mt) and Fujairah ($2/mt)
HSFO prices up in Zhoushan ($8/mt), Fujairah ($5/mt) and Singapore ($2/mt)

Zhoushan's VLSFO price has moved counter to Brent's upward thrust and declined by $6/mt over the weekend. Several lower-priced indications for VLSFO over the weekend have contributed to drag the port's benchmark down.

Despite Zhoushan's VLSFO price drop, the port maintains its VLSFO premiums over Fujairah and Singapore, which stand at $24/mt and $11/mt, respectively.

Availability of VLSFO remains tight in the Chinese bunkering hub, as several suppliers are running low on stocks. Bunkering activity remains further muted due to Labour Day holidays in China from 29 April to 3 May. Lead times for VLSFO vary widely between 7-17 days – virtually the same as at the end of last week.

LSMGO and HSFO availability also remains tight in Zhoushan albeit with slightly shorter lead times of 10-12 days.

Prompt availability of VLSFO has gotten tighter in Singapore as well. Lead times of VLSFO now stretch to almost two weeks out – up from 9-11 days last week. Lead times for HSFO vary widely across 3-10 days. Meanwhile, LSMGO is more readily available, with shorter lead times of 4-6 days.

Availability of LSMGO is good in Hong Kong as well, with prompt deliveries available. VLSFO and HSFO stems require around seven days in the port.

Brent

The front-month ICE Brent contract has gained by $0.72/bbl on the day from Friday, to $78.62/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

OPEC+ production cuts of 1.16 million b/d takes effect from today. Last month, the group announced production cuts of 1.16 million b/d through 2023. These cuts are in addition to the 2 million b/d output cuts announced by the group last October, taking the total OPEC+ production reduction to 3.66 million b/d this year.

As OPEC+ members cut down production and Chinese oil demand recovers, the crude price is expected to gradually rise to nearly $90/bbl this year, a Reuters poll shows. The survey predicts that crude will average $87.12/bbl this year, up from the previous forecast of $86.49/bbl.

Downward pressure:

China's official manufacturing purchasing managers index (PMI) declined to 49.2 in April from 51.9 in March, beating Reuters analyst prediction of 51.4 for the month. An unexpected drop in Chinese manufacturing data has raised concerns about China's post-Covid 19 economic recovery. This has capped Brent gains.

The US Federal Reserve will hold a two-day Federal Open Market Committee (FOMC) meeting this week. Several market participants expect the central bank to increase interest rates by 25 basis points. Since March last year, the Fed has increased its interest rates by 475 basis points, moving from a near-zero level to the current 4.75-5% range, Reuters said.

Interest rate hikes typically push the US dollar up against other global currencies, rendering Brent and other commodities priced in dollars more expensive to some buyers.

By Tuhin Roy and Nithin Chandran

Please get in touch with comments or additional info to news@engine.online