ENGINE: East of Suez Physical Bunker Market Update

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Prices across major Asian hubs have moved down, and bunkering has been suspended by bad weather in Zhoushan's OPL today.

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

VLSFO prices down in Singapore ($24/mt), Fujairah ($13/mt) and Zhoushan ($10/mt)
LSMGO prices down in Fujairah ($61/mt), Singapore ($40/mt) and Zhoushan ($38/mt)
HSFO prices down in Zhoushan ($31/mt), Singapore ($18/mt) and Fujairah ($7/mt)

Benchmarks across East of Suez ports have slumped with Brent in the past day.

Singapore's VLSFO price has declined by $24/mt in the past day – the steepest drop among major Asian hubs. The port's VLSFO price drop has meant that its VLSFO premium over Fujairah has swung to a discount of $7/mt, and its VLSFO discount to Zhoushan has widened further to $33/mt.

Singapore's LSMGO price has declined for a third consecutive day and is languishing at 17-month lows.

VLSFO availability has gotten very tight in Singapore, with lead times stretching to almost two weeks out. HSFO stems require 6-11 days ahead, while LSMGO needs 5-8 days.

Availability across all three bunker fuel grades is slightly better in Zhoushan. VLSFO and LSMGO stems require around six days of lead time now. Recommended lead times for HSFO are 6-8 days in the Chinese bunkering hub – down from 10-12 days at the end of last week.

However, bunkering in Zhoushan's outer port limit (OPL) area has been suspended today due to rough weather, a source says.

Meanwhile, bunker operations are running smoothly at Zhoushan's sheltered Xiushandong anchorage and at the port's inner anchorage of Mazhi. But delivery of stems might be halted at both anchorages if conditions worsen. Bunker operations are likely to resume fully on 5 May, when calmer weather is forecast.

Adverse weather conditions are also forecast in the Kiwi port of Tauranga between 3-8 May, which might disrupt bunker deliveries.

Brent

The front-month ICE Brent contract has plunged lower by $5.36/bbl on the day, to $73.96/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Oil market analysts are concerned that OPEC and its allies may reduce production further to stabilise prices if they fall steadily, if there is a severe recession in the US and if China's economic recovery fails to accelerate.

According to the International Energy Agency (IEA), 19 countries of the OPEC+ bloc failed to meet their March production targets by a total of 2.16 million b/d. Meanwhile, several major OPEC+ producers including Saudi Arabia and Russia have cut output by 3.66 million b/d from May through 2023. A further decline in oil production will dent global oil supplies.

Commercial US crude inventories were drawn by 3.93 million bbls in the week that ended 28 April, according to an American Petroleum Institute (API) estimate. Official weekly data from the Energy Information Administration (EIA) is scheduled for release later today.

Downward pressure:

Brent has slumped to its lowest level in five weeks amid fears of further interest rate hikes by the US Federal Reserve and the European Central Bank and a possible recession in the US will hurt global oil demand.

Data from the US Bureau of Labor Statistics showed that there were 9.6 million job openings in March, down from 9.9 million in February. This indicates that businesses are less confident about near-term growth prospects.

A decline in US job openings, coupled with a slowdown in Chinese manufacturing, has raised concerns about the state of the economies of the world's two largest oil consumers, says OANDA's Ed Moya. He warns that if macroeconomic conditions worsen further, Brent may drop below $70/bbl.

Iran's oil production has exceeded 3 million b/d this month, according to Iranian oil minister Javad Owji. The IEA reported Iran's supply at 2.65 million b/d in March. With increased output, Iran will at least theoretically be able to push out more oil to global markets – although lingering sanctions will dent those prospects.

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