

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

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### East of Suez Market Update

VLSFO and HSFO prices have moved up across major Asian hubs, and bunkering has been suspended in Zhoushan due to rough weather since yesterday.

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

**VLSFO prices up in Zhoushan (\$32/mt), Singapore (\$10/mt) and Fujairah (\$3/mt)**

**LSMGO prices up in Zhoushan (\$42/mt) and Fujairah (\$16/mt), and down in Singapore (\$2/mt)**

**HSFO prices up in Zhoushan (\$7/mt), Singapore (\$3/mt) and Fujairah (\$2/mt)**

VLSFO and HSFO benchmarks across East of Suez ports have run counter to Brent's downward pull in the past day.

VLSFO benchmarks across all three major Asian hubs have recovered some value after declining in the previous session. Zhoushan's VLSFO price has risen by \$32/mt – steepest among the three. This has meant that the Chinese bunkering hub's VLSFO premiums over both Singapore and Fujairah have widened further to \$55/mt now.

Availability of VLSFO has gotten tighter amid booming demand in Zhoushan as several suppliers have already sold out their stocks. Some suppliers can offer the grade with lead times of 4-6 days, but delivery remains subject to enquiry, a source says. Lead times of around five days are recommended for HSFO – down from 6-8 days in the early part of the week. LSMGO availability is good in the port, with prompt dates available.

Meanwhile, bunker deliveries have been suspended in Zhoushan due to rough weather since yesterday, a source says. Bunker operations are likely to resume fully on 6 May, when calmer weather is forecast.

Prompt availability remains tight across all bunker fuel grades amid good demand in Fujairah, with recommended lead times of 5-7 days – virtually unchanged from last week. Some suppliers can offer all grades for prompt dates depending on the quantity, a source says.

Lead times of 5-7 days are advised for all grades in the UAE port of Khorfakkan as well.

Availability of VLSFO and HSFO remains tight in Singapore, with recommended lead times of almost two weeks and 7-12 days, respectively – almost the same as earlier in the week. LSMGO availability remains good, with shorter lead times of 5-7 days.

Singapore's LSMGO price has dropped for a fourth consecutive day and hit fresh 17-month lows. The port's LSMGO price has declined by \$2/mt in the past day. A total of seven LSMGO stems have been fixed in a wide range of \$28/mt in the past day in Singapore. Stems booked at the lower end of that range weighed down the benchmark.

## **Brent**

The front-month ICE Brent has slipped lower by \$0.65/bbl on the day, to \$73.31/bbl at 17.00 SGT (09.00 GMT). Brent futures contract has plummeted more than 10% on the week so far.

### **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 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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*Please get in touch with comments or additional info to [news@engine.online](mailto:news@engine.online)*

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