ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed directions across East of Suez ports, and bunkering has resumed in Zhoushan's Xiushandong and Mazhi anchorages today after being suspended by bad weather since Wednesday.

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

- **VLSFO prices up in Singapore ($9/mt) and Fujairah ($1/mt), and down in Zhoushan ($23/mt)**
- **LSMGO prices up in Fujairah ($35/mt) and Singapore ($4/mt), and down in Zhoushan ($8/mt)**
- **HSFO prices up in Fujairah ($10/mt) and Zhoushan ($6/mt), and down in Singapore ($7/mt)**

Bunker operations have resumed at Zhoushan's slightly more sheltered Xiushandong anchorage and at the port's inner anchorage of Mazhi today evening after being suspended by rough weather since Wednesday, a source says. Meanwhile, bunkering is still suspended at the port's Tiaozhoumen and Xiazhimen anchorages.

Bunker operations are likely to fully resume from tomorrow morning, when calmer weather is forecast.

Zhoushan's VLSFO price has moved counter to Brent's upward movement and declined steeply by $23/mt in the past day. Two VLSFO stems were fixed in Zhoushan in the past day in a wide range of $57/mt. The stem booked at the lower end of that range contributed to drag the port's benchmark down.

VLSFO availability is currently very tight in Zhoushan as several suppliers have sold out their stocks. Some suppliers can offer the grade with lead times of 4-6 days, but delivery remains subject to enquiry. HSFO stems require around five days, while LSMGO stems can be procured promptly.

Availability across all three bunker fuel grades remain tight for prompt dates in Fujairah. Lead times of 5-7 days are recommended for all grades in the UAE port. Some suppliers can offer prompt deliveries across all grades depending on quantity, a source says.

Adverse weather conditions are forecast in the Thai ports of Koh Sichang and Leam Chabang between 10-12 May, and in the Kiwi port of Tauranga intermittently between 6-11 May, which could disrupt bunker operations.

Brent

The front-month ICE Brent contract has inched $0.48/bbl higher on the day, to $73.79/bbl at 17.00 SGT (09.00 GMT). However, futures are set for a near 10% weekly decline.

Upward pressure:

The oil market remains hopeful, despite a worrying global macroeconomic scenario, owing to solid underlying factors surrounding Brent.

“While sentiment is negative at the moment, the market is in oversold territory and our balance sheet still shows that the market will be in deficit over 2H23 [second half of 2023], which should drive prices higher,” says ING’s head of commodity strategy Warren Patterson.

OPEC+ will hold its next in-person meeting in June. Crude market experts anticipate that the producers' coalition will announce further output cuts if Brent's price drops further against a weak macroeconomic backdrop.

A spokesperson for the Iraqi regime, Basim al-Awadi, has informed Bloomberg News that the delay in resuming crude exports from Ceyhan is because of technical issues claimed by Turkey and the readiness of the pipeline, rather than a lack of agreement between Iraqi and Kurdish authorities.

Downward pressure:

Saudi Arabia has lowered the official selling price (OSP) for all grades of crude oil imported into Asia for June. According to a Bloomberg report, the kingdom has cut the OSP for its flagship Arab Light crude by $0.25/bbl from June to $2.55/bbl premium over Oman/Dubai quotes.

While the OSP cut is lower than the $0.45/bbl reduction estimated by traders and refiners polled by Bloomberg, it indicates that the world’s biggest oil supplier expects demand to wane in the coming months.

In the US, White House economic advisors have issued an ominous warning that American debt payments may default, causing a recession akin to the 2008 "great recession."

The US, one of the world's biggest oil consumers, is already under pressure from the banking crisis and rising interest rates. A crippling recession is likely to further undermine demand and spell bad news for the Brent price, which is heavily influenced by global fundamentals.

“If equities continue to plunge here, oil might struggle finding support around the mid-$60s," says OANDA’s senior market analyst Ed Moya. "The outlook for the economy is getting uglier by the day and that is making it easier for energy traders to jump on the momentum selling that is hitting WTI [and Brent] crude.”

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