ENGINE: East of Suez Physical Bunker Market Update

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Brent crude's largely unchanged rates resulted in mixed bunker price movements in East of Suez ports.

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

- **VLSFO prices up in Zhoushan ($2/mt), flat in Fujairah, and down in Singapore ($3/mt)**
- **LSMGO prices up in Singapore and Zhoushan ($2/mt), and down in Fujairah ($18/mt)**

HSFO prices up in Fujairah ($5/mt), Singapore and Zhoushan ($1/mt)

Fujairah's LSMGO price has come sharply down under pressure from a lower-priced 50-150 mt stem fixed for delivery in 3-7 days. Fujairah's LSMGO benchmark is down relative to Singapore, but still more than $200/mt above it.

Demand has been low in Zhoushan, where lead times for VLSFO deliveries hover between 5-7 days. Lead times for HSFO and LSMGO are slightly shorter, at 3-5 days.

Singapore is witnessing a “quiet” day for bunker demand today and long lead times needed for bunker fuels, a second source says.

Brent

The front-month ICE Brent contract was almost unchanged on the day, rising by $0.03/bbl, to $76.27/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Canadian supply disruptions are keeping Brent afloat. Several major oil and gas producers have halted operations in Alberta following raging wildfires in the province. Reuters estimates the state has so far shut down 319,000 b/d of oil equivalent, or 3.7% of the nation's production.

Elsewhere, the Russian Energy Ministry says its crude-production cuts have almost reached targeted levels in April, per a Bloomberg news report.

These reports have helped support oil prices, according to Ed Moya, senior market analyst at OANDA.

“Energy traders know that Saudi Arabia would do what is necessary to keep oil prices supported, the doubts are with Russia and some other countries like the UAE. If Russia is delivering on these production cut promises, it might be safe to expect they will deliver again if more cuts are needed,” Moya explains.

Meanwhile, in the US, “it appears as though" the "administration is still keen to refill the strategic petroleum refills later this year, once maintenance at storage sites is complete,” ING’s senior commodity strategist Warren Patterson says in a report. This is also supporting Brent prices, he added.

Refilling US emergency reserves would result in a significant increase in the demand for crude oil.

Furthermore, OPEC and its allies have agreed to continue to cut production, which will reduce stockpiles in the market, tightening supply. This can drive prices higher in the short-term.

Downward pressure:

The US Energy Information Administration (EIA) has dramatically reduced its Brent spot price forecast for 2023, by 7.5% from its April outlook. The EIA now expects the benchmark to average at $79/bbl this year compared to last month's $85/bbl prediction.

The EIA anticipates “consistent global oil inventory builds” starting from the second quarter of 2024. This, it believes, will outpace global crude demand and apply downward pressure on Brent rates.

Traders are also tracking the ongoing debt ceiling negotiations in the US, among the world's biggest fuel consumers. President Joe Biden has stated that “defaulting on the debt is off the table” and that his administration will do everything in its power to avoid a debt default.

Earlier, in April, China's crude oil imports declined 16% on the month. This signals that its domestic demand remains weaker-than-expected, calling into question the economic recovery of the world's largest oil consumer.

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