ENGINE: East of Suez Physical Bunker Market Update

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Brent crude oil's lower rates hit most fuel prices across East of Suez ports. Bunker operations could face disruptions at several regional ports later this week, owing to inclement weather.

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

VLSFO prices up in Singapore (1/mt), and down in Zhoushan ($17/mt) and Fujairah ($2/mt)
LSMGO prices up in Singapore ($9/mt) and Zhoushan ($6/mt), and down in Zhoushan ($4/mt)
HSFO prices up in Fujairah ($2/mt), and down in Zhoushan ($3/mt) and Singapore ($2/mt)

In East Asia, Zhoushan's outer port limit (OPL) and the inner anchorages are reporting "weak demand", said a source. Bunker operations could be halted by rough seas from 17 May, he added.

Lead times for VLSFO deliveries at the Chinese hub remain at between 5-7 days, while those for HSFO and LSMGO are relatively prompt, at 3-5 days.

A second source says demand is "rebounding" in Singapore. Lead times for HSFO and VLSFO supply hover between 9-13 days.

Lead times for LSMGO deliveries at the Southeast Asian hub are 4-7 days, she added.

A fog warning is in place for some ports in South Korea today. Ports there could face refuelling disruptions later in the week. Elsewhere, bad weather is forecast the New Zealand's Tauranga port from 19-20 May.

Brent

The front-month ICE Brent contract has inched lower by $0.43/bbl on the day from Friday, to $74.15/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Global oil demand projections remain positive despite macroeconomic concerns. Market watchers such as OPEC and the US Energy Information Administration believe that crude demand will be largely driven by China and India.

Oil supply is likely to tighten in the second half of this year, pushing prices higher, ING commodity strategist Warren Patterson has written in a note. “While the oil market has been well supplied so far in 2023, it is expected to tighten significantly over the second half of the year.”

Meanwhile, the Iraqi government has informed Turkish authorities to resume exporting 450,000 b/d from Ceyhan Port. However, it is unlikely that Turkey will accept Baghdad's request and resume oil exports, according to Bloomberg's latest report citing Turkish official sources.

Downward pressure:

“The sell-off in the market has been unrelenting over recent weeks,” ING’s Patterson has stated, “with negative sentiment rising following concerns over the macro environment and what it could eventually mean for oil demand.”

Weaker refinery margins have also raised doubts over the strength of oil demand, according to Patterson.

ING has made a downward revision to its Brent price forecast for this year, by $5/bbl from $101/bbl, to $96/bbl, as Patterson expects “slightly weaker” global demand and “sticky Russian supply” to limit the price gains.

“Impressive resilience given all of the challenges thrown at the market as concerns about the debt ceiling, rates, banking stress, the long-term inflation outlook and China's deflationary funk have recessionary fears boiling over again as the laundry list of worries builds,” SPI Asset Management managing partner Stephen Innes has stated.

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