

MARKET UPDATE EAST OF SUEZ

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ENGINE: East of Suez Physical Bunker Market Update

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Brent crude oil's gains have contributed to boost bunker fuel prices across most East of Suez ports.

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

VLSFO prices up in Zhoushan (30/mt), Singapore Fujairah (\$4/mt)

LSMGO prices up in Fujairah (\$18/mt) and Zhoushan (\$8/mt), and down in Singapore (\$12/mt)

HSFO prices up in Zhoushan (\$16/mt) and Singapore (\$9/mt), and down in Fujairah (\$1/mt)

Zhoushan's VLSFO price has shot up on the back of a higher-priced 150-500 mt stem, and moved to a \$42/mt premium over Singapore.

Bad weather at Zhoushan's outer port limit (OPL) and the inner anchorages is forecast to hit bunker operations later today, says a source. Prompt product is still possible and lead times for all grades hover between 3-4 days.

Demand in Singapore is improving, a second source says. In the past day, Singapore's VLSFO price has made a more modest move up in tandem with Fujairah's and remains at unusually steep \$17/mt premium over the UAE port.

In the Middle East, availability is "super tight" for very prompt dates in Fujairah and Khorfakkan, where lead times stand at 4-5 days, a third source says. However, some suppliers can execute prompt stems depending on quality.

Meanwhile, operators at the Fujairah anchorage are working to clear backlogs following weather-induced disruptions on Monday, according to a fourth source.

The weather could still play spoil sport in the coming days. A fog warning is in place for the South Korean port of Ulsan. Southern South Korean ports could stare at bunker disruptions towards the end of this week. Rough seas are also forecast for New Zealand's Tauranga port from 18-22 May.

Brent

The front-month ICE Brent contract has gained by \$1.20/bbl on the day, to \$75.35/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

“Crude oil gained as ongoing supply side issues helped spark a relief rally after heavy selling last week,” according to ANZ commodity strategist Daniel Hynes.

Threats of disruptions to Canadian oil supply due to ongoing wildfires and a Turkish refusal to restart Kurdish crude exports, from the Ceyhan port, have kept Brent in the green.

Meanwhile, the US Department of Energy (DoE) has announced it will buy up to 3 million bbls of sour crude in August to refill its strategic petroleum reserves. The sour variant, usually sourced from OPEC countries, typically sells at a discount to sweet crude because sour crude must be treated with hydrogen to lower the sulphur content.

When the DoE buys up large quantities of oil, it increases the demand for the product, which in turn bolsters prices. But the DoE's purchases lowers stockpiles, thus driving the price up even further.

Downward pressure:

Concerns over macroeconomic uncertainty in the US and a muted economic recovery in China can dent Brent rates.

“Speculators reduced their net long positions in ICE Brent by 25,094 lots over the last reporting week to 112,742 lots as of last Tuesday - the smallest net long since December,” ING's Warren Patterson said in a report published on Monday.

“The move was predominantly driven by fresh shorts with the gross short position now just over 100k lots, the highest level since July 2021. This relatively large short does leave some positioning risk for the market. Any convincing move higher in the market could lead to a short-covering rally,” Patterson explains.

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