ENGINE: East of Suez Physical Bunker Market Update

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Weak demand in Fujairah continues to add downward pressure on price levels and keep its VLSFO grade at sustained discounts to a more active Singapore market.

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

- **VLSFO prices steady in Zhoushan, and down in Singapore ($3/mt) and Fujairah ($1/mt)**
- **LSMGO prices up in Singapore ($6/mt), and down in Fujairah ($26/mt) and Zhoushan ($7/mt)**

HSFO prices down in Zhoushan ($12/mt), Singapore ($9/mt) and Fujairah ($3/mt)
Fujairah's LSMGO price has shed the most in the past day, while Singapore's countered the general market direction by gaining some on the back of several higher-priced 0-50 mt, 150-500 mt and 500-1,500 mt stems fixed in the past day. Bunker demand has picked up this week in Singapore, after muted buying activity last week, a trader says.

Despite Singapore's LSMGO premium over Fujairah narrowing by $32/mt in the past day, the fuel grade is still priced $190/mt lower in Singapore.

Fujairah has seen a period of weak demand. A trader attributes this to low freight rates for bulk carriers and container ships and a knock-on dent to fuel consumption and bunker demand from these vessel segments. A crowded field of suppliers in the UAE port have been pricing VLSFO at sustained discounts to Singapore, which is now at a $14/mt premium over Fujairah.

Prompt availability of all fuel grades is ample in Fujairah, with lead times of 4-5 days advised.

Tight VLSFO supply among several suppliers in Zhoushan has added upward pressure to prices there. The port's VLSFO benchmark has moved up to premiums of $42/mt above Singapore and $56/mt above Fujairah. The earliest delivery dates with most suppliers in Zhoushan are eight days out for quantities around 500-1,500 mt.

Brent

The front-month ICE Brent contract has inched lower by $0.46/bbl on the day, to $74.89/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Chinese oil demand is projected to surpass previous expectations and this has prompted the International Energy Agency (IEA) to raise its global oil demand forecast by 200,000 b/d for 2023. The IEA now expects global oil demand to rise by 2.2 million b/d this year and average 102 million b/d.

Meanwhile, global oil demand is expected to exceed supply by almost 2 million b/d this year, which could tighten the market in the second half of the year, according to the IEA.

Commercial US crude inventories were drawn by 3.7 million bbls in the week that ended 12 May, according to an American Petroleum Institute (API) estimate. Official weekly data from the Energy Information Administration (EIA) is scheduled for release later today.

Downward pressure:

A gloomy global macroeconomic outlook, says senior analyst at OANDA Ed Moya, pointing weaker economic data released from the US and China as a near-term concern.

"Crude prices remain heavy as energy traders just can't shake off global demand concerns. It doesn't matter how upbeat everyone is for China's second half of the year, the current situation is too disappointing," he has said.

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