

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Bunker benchmarks in East of Suez ports have gained with Brent, and VLSFO supply is tight in Ulsan port.

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

VLSFO prices up in Singapore (17/mt), up in Fujairah (\$12/mt), down in Zhoushan (\$14/mt)

LSMGO prices up in Singapore (\$23/mt), Fujairah (\$7/mt) and Zhoushan (\$5/mt)

HSFO prices up in Fujairah (\$12/mt), Singapore (\$6/mt) and Zhoushan (\$5/mt)

In East Asia, bad weather has halted bunker supplies at Zhoushan's outer port limit (OPL) but deliveries at Xiu Shandong anchorage are possible, said a source.

Lead times for HSFO and VLSFO hover between 4-7 days, while for LSMGO requires about 3-5 days of lead time.

VLSFO availability is tight in South Korea's Ulsan port. Two suppliers have held back VLSFO offers for the next 2-3 weeks due to low inventory levels, a source says. The earliest delivery date for VLSFO with another supplier is from 24 May. LSMGO, meanwhile, is readily available for prompt dates in Ulsan.

However, rough weather conditions are forecast in South Korea from today and could impact bunkering until Sunday. Another forecast says New Zealand's Tauranga port could experience rough seas between today and next Tuesday.

Brent

The front-month ICE Brent contract has climbed higher by \$1.62/bbl on the day, to \$76.51/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

The International Energy Agency (IEA) has raised its global oil demand forecast for 2023 and now expects demand to exceed supply by almost 2 million b/d this year. This could lead to supply tightening in the second half of the year.

US President Joe Biden has hinted that Congress is likely to raise the federal government's \$31.4 trillion debt ceiling soon. "I'm confident that we'll get the agreement on the budget, that America will not default," Biden has said.

Positive commentary and optimism around both the US debt negotiations and a demand uptick have lifted Brent's spirits for now.

Downward pressure:

However, Biden has also clarified that ongoing "negotiation[s]" are "about the outlines of what the budget will look like, [but] not about whether or not we're going to, in fact, pay our debts".

It is likely that investors will become wary of the obscurity surrounding the US debt talks. In the long run, it is likely to limit crude's price gains and mount downward pressure on rates.

Commercial US crude inventories have seen a build of 5.04 million bbls in the week that ended on 12 May, according to official data by the Energy Information Administration (EIA). This is greater than the American Petroleum Institute (API) estimate of a build of 3.7 million bbls.

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