ENGINE: East of Suez Physical Bunker Market Update

22/05/23

Most prices have moved down across East of Suez ports, mirroring Brent's decline. Bad weather has suspended bunkering at Zhoushan's OPL.

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

VLSFO prices up in Singapore (2/mt), and down in Zhoushan ($11/mt) and Fujairah ($2/mt)
LSMGO prices unchanged in Singapore, and down in Fujairah ($24/mt) and Zhoushan ($2/mt)
HSFO prices unchanged in Singapore, and down in Zhoushan ($15/mt) and Fujairah ($9/mt)

Singapore's VLSFO rate has moved counter to Brent's downward slide and rose by $2/mt over the weekend. A total of seven VLSFO stems were fixed on Saturday and Sunday in a wide range of $22/mt. Stems at the higher end of the range supported Singapore's VLSFO benchmark's resistance.

That movement suggests the Singaporean VLSFO premium over Fujairah's has widened to $23/mt.

The availability of all fuel grades remains tight in the Southeast Asian hub, according to a source. VLSFO and HSFO deliveries require lead times of 8-12 days – almost the same as the end of last week. LSMGO remains more readily available, with lead times of 5-8 days.

Elsewhere, all bunker fuel grades are more readily available in Fujairah amid "really low" demand, says a second source. While VLSFO and HSFO will need lead times of some three days and six days, respectively, prompt dates are available for LSMGO.

Lead times of 5-7 days are recommended across all grades in the UAE port of Khor Fakkan.

In East Asia, VLSFO and LSMGO availability remains good in Zhoushan, with lead times of 3-5 days, says a third source. HSFO stems will require slightly longer lead times of 4-7 days.

Bunker deliveries have been halted by rough weather at Zhoushan's Tiaozhoumen and Xiazhimen anchorages since yesterday, the source added.

But fuel supplies are running smoothly at Zhoushan's slightly more sheltered Xiushandong anchorage and at the port's inner anchorage of Mazhi. Bunkering could resume fully tomorrow morning, when calmer weather is forecast.

Brent

The front-month ICE Brent contract has declined by $0.72/bbl on the day from Friday, to $75.55/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Wildfires in Canada's oil-rich province of Alberta, and Turkey's refusal to restart Kurdish crude exports from the Ceyhan terminal, have kept substantial quantities of crude oil off the market.

Supply concerns have been further magnified by a Baker Hughes report, which shows a slowdown in US drilling activity despite the Biden administration's plans to replenish its strategic petroleum reserves. The oilfield services provider says the US oil rig count fell by 11 in the latest week to 575 - the lowest since June 2022.

Meanwhile, the International Energy Agency (IEA) has estimated that global crude demand – led by China and India – will surpass production by almost 2 million b/d this year, resulting in a supply deficit in the second half of 2023.

Downward pressure:

Sentiment in the oil market has been clouded by the ongoing US debt-ceiling saga that has yet to produce a positive result. The US Secretary of the Treasury, Janet Yellen, has warned of a 1 June deadline for raising the debt ceiling, and White House economists have forecast crippling effects should the nation default on its debt obligations.

On the other hand, while there have been a few moments of optimism about a demand surge in both China and India and a resultant tightening of supply, the scenario has not materialised as expected.

Recent positioning data indicates that traders are "bearish" on the oil market, ING's head of commodity strategy Warren Patterson has written in a note.

"… speculators remain negative towards the market with the net speculative long in ICE Brent falling by 6,020 lots over the last reporting week to 106,722 lots as of last Tuesday. This is the smallest position that speculators have held this year," Patterson added.

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