ENGINE: East of Suez Physical Bunker Market Update

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Benchmarks across East of Suez ports have tracked Brent’s decline, and LSMGO availability is tight in Singapore.

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

VLSFO prices down in Zhoushan ($12/mt), Fujairah ($10/mt) and Singapore ($2/mt)
LSMGO prices down in Fujairah ($52/mt), Singapore ($11/mt) and Zhoushan ($10/mt)
HSFO prices down in Fujairah ($9/mt), Zhoushan ($6/mt) and Singapore ($5/mt)

Fujairah’s LSMGO price declined by $52/mt in the past day – the steepest among major Asian hubs. A lower-priced 150-500 mt LSMGO stem fixed in the past day contributed to drag the port’s benchmark lower.

Despite the significant price drop, Fujairah's LSMGO premiums over Singapore and Zhoushan stands at $120/mt and $69/mt, respectively. Bunker demand has picked up in Fujairah this week, resulting in tight product availability in the port.

Some suppliers, who were supplying stems for prompt dates at the beginning of the week are now recommending lead times of 7-8 days. But a few suppliers can still offer deliveries for prompt dates depending on stem size, a source says.

Singapore has been seeing “average” demand this week, a source says. Availability has tightened across all grades in the port. Lead times for VLSFO and HSFO deliveries hover around 7-12 days, up from 5-11 days recommended at the start of this week.

Meanwhile, LSMGO lead times have nearly doubled from 5-7 days to 8-10 days now.

All grades remain readily available in Zhoushan amid weak demand, a source says. VLSFO and LSMGO require shorter lead times of 3-5 days. Lead times are slightly longer at 4-7 days for HSFO in the Chinese bunkering hub.

Brent

The front-month ICE Brent contract has plummeted by $1.1/bbl on the day, to $76.4/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Russian Deputy Prime Minister Alexander Novak's comments have lent some support to Brent futures. Novak expects Brent to climb above $80/bbl by the end of this year aided by a potential increase in oil demand in the summer, Russia's state-owned news agency TASS has reported.

Meanwhile, Novak has also backtracked on his comments refuting any production cuts in June, following investors' concerns that the Saudi-Russian dispute could break up OPEC+, says Ed Moya, senior market analyst at OANDA.

"Russia and OPEC+ will make a decision on what is best for oil market, adding that OPEC+ can make a decision at the June meeting, if necessary," says Moya quoting Novak.

On the other hand, US crude oil inventory weekly decline by 12.46 million bbls coupled with the decline in weekly US oil rig count has raised concerns about a supply shortage amidst expected oil demand growth in summer.

Downward pressure:

Concerns about a stronger US dollar and approaching deadline for the US debt ceiling have put downward pressure on Brent. A US debt default could cripple the US economy and have a negative impact on other global economies.

US lawmakers continued talks about extending the US debt ceiling as they struggle to find a middle ground. "Fitch Ratings has placed the country's AAA credit rating on watch, a sign of growing unease about the nation's ability to avoid a default," says ANZ commodity strategist Daniel Hynes.

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