ENGINE: East of Suez Physical Bunker Market Update

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Prices have declined across the East of Suez ports, and Zhoushan bunker operations have been suspended since Sunday due to bad weather.

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

VLSFO prices down in Singapore ($9/mt), Zhoushan ($7/mt) and Fujairah ($6/mt)
LSMGO prices down in Fujairah and Zhoushan ($13/mt), and Singapore ($2/mt)
HSFO prices down in Fujairah ($26/mt), Zhoushan ($10/mt) and Singapore ($3/mt)

Benchmarks across all bunker grades in major Asian hubs have mirrored Brent's decline.

VLSFO prices in Singapore, Zhoushan and Fujairah have made modest declines of $6-9/mt. On the other hand, HSFO benchmarks in Fujairah and Zhoushan saw steeper declines of $26/mt and $10/mt, respectively. Some lower-priced HSFO indications in both ports contributed to dragging their HSFO benchmarks lower.

Most suppliers in Zhoushan are running low on VLSFO due to tightness in domestic supply, a source says. "But the tightness of barges continues, and the tightness of barges is particularly serious, especially in Shandong ports and Zhoushan," adds independent bunker broker Phoebe Li and Manifold Times.

Also, the yearly decline in Chinese iron ore production in April has resulted in fewer iron core carriers calling in Chinese ports. This has dented bunker demand in Chinese ports including Zhoushan. The low bunker demand coupled with persistent weather disruptions has somewhat kept a lid on tightness in the port.

Recommended lead times for VLSFO and LSMGO in Zhoushan stand at 3-5 days - unchanged from last week. HSFO requires slightly longer lead times of 4-7 days.

However, bunker operations across all anchorages in Zhoushan have been suspended since Sunday due to bad weather conditions, a source says. Bunker deliveries are likely to resume fully on 4 June, when calmer weather is forecast.

Product availability is much tighter in Singapore, with VLSFO requiring lead times of 9-11 days, HSFO needing 7-12 days and LSMGO requiring 6-9 days now.

Brent

The front-month ICE Brent contract has shed $1.61/bbl on the day, to $75.59/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Conflicting statements from oil producers before the OPEC+ meeting on 4 June have created uncertainty regarding potential supply cuts.

"The voluntary production cuts in April caught the market off guard. This time, investors are extremely cautious before the final decision is announced," said analysts from Haitong Futures in a note.

Downward pressure:

Brent futures have come down after concerns about the tentative US debt ceiling pact created risk-on sentiment in the market.

Investors are also waiting for Chinese manufacturing and services data to be released this week to examine the chances of a fuel oil demand recovery in the world's largest oil-importing country.

"Chinese equities have been pretty disappointing, as is true of most cyclical exposures, notably oil," said SPI Asset Management's Stephen Innes.

On the other hand, OPEC will welcome Iran's complete return to the oil market after sanctions are lifted, said OPEC Secretary General Haitham Al Ghais said according to the Iranian Oil Ministry's website SHANA. Iran can bring on significant production volumes in short periods, added the Secretary General.

"We believe that Iran is a responsible player amongst its family members, the countries in the OPEC group. I'm sure there will be good work together, in synchronization, to ensure that the market will remain balanced as OPEC has continued to do over the past many years," SHANA's English-language website cited him saying.

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