ENGINE: Americas Bunker Fuel Market Update

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Prices across major American ports have gained slightly with Brent, with the notable exception of Balboa's VLSFO benchmark.

Changes on the day to 08.00 CDT (13.00 GMT) today:

VLSFO prices up in Houston, Los Angeles and Zona Comun ($2/mt) and New York ($1/mt), and down in Balboa ($15/mt)
LSMGO prices up in Houston ($7/mt), Balboa and Zona Comun ($4/mt), Los Angeles ($3/mt) and New York ($2/mt)
HSFO prices up in New York, Los Angeles and Balboa ($2/mt) and Houston ($1/mt)

Balboa's VLSFO price has defied Brent's upward push by declining in the past day. One lower-priced 500-1,500 mt VLSFO stem with very prompt delivery, fixed in the past day has contributed to drag the port's benchmark lower.

This has flipped Balboa's VLSFO premiums over New York and Los Angeles from yesterday's $12/mt and $8/mt, respectively, to $4/mt and $9/mt discounts now.

Balboa's HSFO price has gained marginally with Brent. The diverging price moves have narrowed the port's Hi5 spread from $141/mt in the past day, to $124/mt now. This is still wider than Houston's $109/mt, New York's $115/mt and Los Angeles' $82/mt.

Availability of VLSFO and LSMGO is normal for prompt delivery dates in Argentina's Zona Comun anchorage. Some suppliers are able to deliver stems with a lead time of 5-6 days. But strong wind gusts are forecast to hit the anchorage from tomorrow and could disrupt bunkering until Sunday.

Brent

The front-month ICE Brent contract has inched $0.30/bbl higher on the day, to $77.27/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Brent futures have gained momentum after China released its official trade data for May. Crude oil imports into the world's largest oil-consuming country rose by 16% from April to 51 million mt in May, according to market intelligence firm JLC, which cited little cargo unloading activity in April and some delayed cargoes.

Saudi Arabia's decision at the latest OPEC+ meeting to make a voluntary output cut by 1 million b/d from July has lent some support to Brent this week.

This cut should provide some "limited immediate upside" for the market as the macro-outlook continues to drive oil prices more than the fundamentals, said ING's head of commodity strategy Warren Patterson. "It should also reinforce Saudi Arabia's commitment to try to put a floor under the market," he added.

Global oil inventories are forecast to fall slightly in each of the coming five financial quarters, the US Energy Information Administration (EIA) said in its short-term energy outlook report released yesterday. The EIA estimates the Brent crude oil spot price to average $79/bbl in the second half of 2023, and then $84/bbl in 2024.

Moreover, the EIA forecasts global oil demand to rise by 1.6 million b/d over the remainder of 2023, and by an additional 1.7 million b/d in 2024.

Downward pressure:

The EIA said on Tuesday that crude oil production in the US is forecasted to rise in the second half of 2023 to meet more of the expected demand hike.

"Oil is also getting hit on whisper numbers that could suggest a surprise crude oil supply increase," commented Phil Flynn of the Price Futures Group.

Diesel demand in the US is expected to drop through 2024, despite some growth in economic activity, the EIA further noted.

Priyanka Sachdeva, an analyst at Phillip Nova said in a note, "The fears of recession, as more and more sombre economic readings point towards a slowdown, have kept a lid on oil prices, eroding all OPEC+'s efforts to keep prices afloat."

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