

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

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Benchmarks have moved up across East of Suez ports, and bunkering has resumed at Zhoushan's Xiushandong anchorage after being suspended by bad weather since Sunday.

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

**VLSFO prices up in Singapore and Zhoushan (\$15/mt), and Fujairah (\$12/mt)**

**LSMGO prices up in Fujairah (\$32/mt), Zhoushan (\$24/mt) and Singapore (\$21/mt)**

**HSFO prices up in Fujairah (\$14/mt), Singapore (\$13/mt) and Zhoushan (\$9/mt)**

Bunker benchmarks across East of Suez ports have tracked Brent's upward movement and gained for the second consecutive day.

Fujairah's LSMGO and HSFO prices have risen by \$32/mt and \$14/mt, respectively – steepest among major Asian hubs. Some higher-priced indications for both grades lent support to the port's benchmarks.

Despite the price increase, the HSFO price in Fujairah remains lower than that in Zhoushan and Singapore. The port's HSFO discounts to Zhoushan and Singapore stand at \$39/mt and \$18/mt, respectively. On the other hand, Fujairah's LSMGO premiums over Singapore and Zhoushan have widened to \$126/mt and \$79/mt, respectively.

Availability has tightened across all grades in Fujairah. Some suppliers, who were supplying VLSFO and HSFO with lead times of 5-7 days, have now stretched their lead times to 9-11 days. LSMGO has slightly shorter lead times of around seven days.

All grades are readily available in Zhoushan amid weak demand, a source says. VLSFO and LSMGO require lead times of 3-5 days, and HSFO needs 4-7 days. Bunkering has resumed at Zhoushan's slightly more sheltered Xiushandong anchorage this morning after being suspended by bad weather since Sunday, a source says.

Since Wednesday noon, bunker operations at the inner anchorage of the port, Mazhi, are also running smoothly. But remain suspended at the outer Tiaozhoumen and Xiazhimen anchorages of the port. Bunkering operations are likely to resume fully tomorrow, when calmer weather is forecast.

## **Brent**

The front-month ICE Brent contract has gained by \$2.69/bbl on the day, to \$75.51/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Brent futures gained to reverse earlier losses after US Federal Reserve governor Philip Jefferson said the central bank is considering keeping its key interest rate steady at its upcoming meeting. Indications of an interest rate freeze have boosted optimism in the crude oil market and other commodity futures that rely on consumer demand.

Brent was further supported after the \$31.4 trillion US debt ceiling bill was passed in Washington with majority support from both Democrats and Republicans to avoid an unprecedented default.

Crude oil investors are now focused on the outcome of the OPEC+ meeting on 4 June as speculations about another round of output cuts continue.

### **Downward pressure:**

Commercial US crude inventories gained by 4.49 million bbls on the week, the EIA's latest figures showed yesterday. The EIA crude stock build fell short of the 5.2 million-bbl build estimated for the week ending 26 May by the API. And both builds ran counter to market analyst projections of a 1.2 million-bbl draw, according to Trading Economics.

China released weaker-than-expected manufacturing and services data for May on Wednesday, provoking the market to worry about a lag in oil demand.

Chinese economic rebound has stalled, and global manufacturing activity is struggling, said OANDA's market analyst Craig Erlam. "Germany is in recession and the US may be headed for one. The questions now are will OPEC+ see it that way and could Russia be convinced to cut again? If not, Brent crude may well test those recent lows more forcefully," he added.

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