ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices in major Asian hubs have tracked Brent gains, and availability across all grades remains good in Colombo.

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

VLSFO prices up in Fujairah ($15/mt), Singapore ($14/mt) and Zhoushan ($13/mt)
LSMGO prices up in Fujairah ($26/mt), Zhoushan ($18/mt) and Singapore ($7/mt)
HSFO prices up in Zhoushan ($14/mt) and Fujairah ($13/mt), and down in Singapore ($1/mt)

VLSFO and LSMGO benchmarks in the East of Suez have increased in the past day, recovering losses made in the previous session.

Fujairah's VLSFO and LSMGO have seen steeper price gains of $15/mt and $26/mt, respectively, gaining some on the back of higher-priced indications. Despite the price rise, Fujairah's VLSFO discounts to Zhoushan and Singapore stand at $29/mt and $20/mt, respectively. But the port's LSMGO premiums over Singapore and Zhoushan remain at significantly high levels of $129/mt and $94/mt, respectively.

Fujairah has been witnessing good demand, a source says. Some suppliers can offer all three grades at lead times of 5-7 days – virtually unchanged from last week.

Availability of VLSFO and HSFO remains tighter in Singapore, with lead times stretching to almost two weeks. LSMGO is more readily available, with shorter lead times of 2-4 days – down from 6-8 days last week.

Availability is normal for all grades in the Sri Lankan port of Colombo, with prompt deliveries available. However, strong wind gusts of 19-22 knots and waves of up to two metres are forecast to hit Colombo on Friday and Saturday, which could disrupt bunkering.

Brent

The front-month ICE Brent contract has gone up by $1.63/bbl on the day, to $76.40/bbl at 17.00 SGT (09.00 GMT).

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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