

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

08/06/23

Prices have moved in mixed directions in East of Suez ports, and VLSFO and HSFO availability remains tight in Hong Kong.

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

VLSFO prices down in Fujairah (\$8/mt), Singapore (\$2/mt) and Zhoushan (\$1/mt)

LSMGO prices unchanged in Zhoushan and Singapore, and down in Fujairah (\$8/mt)

HSFO prices up in Singapore (\$7/mt), and down in Zhoushan (\$10/mt) and Fujairah (\$1/mt)

VLSFO benchmarks in East of Suez ports have moved counter to Brent's upward movement and have declined.

Zhoushan's VLSFO price has inched \$1/mt lower in the past day – the lowest among major Asian hubs. A higher-priced stem fixed in the past day supported the port's resistance to general market direction.

The Chinese bunkering hub's modest VLSFO price decline has meant that its VLSFO premiums over Fujairah and Singapore have widened to \$36/mt and \$26/mt, respectively.

Prompt availability of VLSFO remains under pressure in Zhoushan, as some suppliers are still running low on stocks. Lead times of 5-7 days are recommended for the grade now. On the other hand, LSMGO and HSFO availability has remained good so far this week, with shorter lead times of 3-5 days.

Securing VLSFO and HSFO in Hong Kong can be difficult, as both grades are under pressure owing to tight barge availability, a source says. A spike in demand has resulted in tightening barge availability in the port. Recommended lead times for both grades are 7-10 days. LSMGO remains more readily available, with shorter lead times of 3-5 days.

Adverse weather conditions are forecast in the Sri Lankan port of Colombo between 10-11 June, the Philippine port of Subic Bay on 13 June, the Thai ports of Koh Sichang and Leam Chabang between 13-15 June, and the Kiwi port of Tauranga on 9 June, which might disrupt bunkering services.

Brent

The front-month ICE Brent contract has inched \$0.12/bbl higher on the day, to \$76.52/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent's upward price trend continues to be driven by Saudi Arabia's commitment to cut production by 1 million b/d from July, outweighing concerns about increasing gasoline stocks in the US and disappointing Chinese export figures, which continue to impact demand dynamics.

US gasoline stocks increased by 2.75 on the week, to 218.82 million bbls on 2 June, according to US Energy Information Administration (EIA) data released yesterday. The weekly stock build-up comes despite the expectation of stronger travel demand during the Memorial Day weekend.

Brent drew further support after EIA's recent short-term energy outlook, which indicated strong travel demand in the US during the summer season. The EIA also raised its forecast outlook for global oil demand by 1.6 million b/d for this year and projects additional 1.7 million b/d demand in 2024.

Downward pressure:

The EIA's short-term energy outlook forecasts a rise in crude oil production in the US in the second half of this year as refineries ramp up production to meet rising demand and offset production cuts announced by OPEC and its allies.

Diesel demand in the US is forecasted to decline through 2024, EIA added in the report.

"With global bond yields rising sharply today, that might drive concerns that the market has mistimed the end of tightening, and that might lead to a weaker crude demand outlook," said OANDA'S analyst Ed Moya in a note.

By Tuhin Roy and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com