ENGINE: East of Suez Physical Bunker Market Update

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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.

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