ENGINE: East of Suez Physical Bunker Market Update

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Most benchmarks in East of Suez ports have moved down, and suppliers in South Korean ports brace for upcoming bad weather.

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

- **VLSFO prices unchanged in Zhoushan, and down in Fujairah ($5/mt) and Singapore ($3/mt)**
- **LSMGO prices down in Fujairah ($19/mt), and Singapore and Zhoushan ($7/mt)**
- **HSFO prices down in Zhoushan ($21/mt), Singapore ($13/mt) and Fujairah ($9/mt)**

Most bunker benchmarks in major Asian hubs have mirrored Brent’s decline. But Zhoushan’s VLSFO price remained steady in the past day. A higher-priced VLSFO stem fixed in the past day contributed to keep the benchmark steady.

The Chinese bunkering hub's VLSFO price still remains at premium levels over Fujairah and Singapore, and have widened to $41/mt and $13/mt, respectively, in the past day.

Securing VLSFO stems for prompt dates can be difficult in Zhoushan, with lead times of 5-7 days recommended. LSMGO and HSFO availability continues to remain good, with shorter lead times of 3-5 days recommended.

LSMGO and HSFO availability has remained good in South Korean ports through this week, with lead times of around four days recommended for both grades across both southern and western ports.

Meanwhile, VLSFO availability has significantly improved across western South Korean ports, with lead times coming down sharply from almost two weeks at the beginning of the week to around four days now. But VLSFO availability has remained tight in southern South Korean ports, with unchanged lead times of two weeks out.

Rough weather conditions are forecast in the South Korean ports of Busan and Yeosu between 12-14 June, Deasan and Taean on 10 June, which might hamper bunker deliveries.

Brent

The front-month ICE Brent contract has inched lower by $0.27/bbl on the day, to $76.25/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent price drew strong support earlier this week after Saudi-led oil exporters, known as OPEC+, committed to extend production cuts into 2024.

Saudi Arabia pledged a voluntary output cut of 1 million/bbl from July, and certain OPEC+ nations including Russia were provided with lowered output targets at the OPEC+ meeting on 4 June.

A “rapidly tightened” oil supply is expected in the coming weeks, says Phil Flynn, senior account executive of The Price Futures Group. “Signs that global oil demand refuses to crater and talk that Saudi Arabia won’t stop until it makes $80.00 a barrel a floor and not a ceiling,” are raising such expectations, the analyst said in a note.

Downward pressure:

A slowdown in demand from China has been a big concern for the global oil market. Weak figures on manufacturing activity for May were followed by a 7.5% decline in its May exports numbers.

“Crude prices didn't get any favours from China as their economic recovery has disappointed,” OANDA's analyst Edward Moya says.

Oil prices came under pressure amid speculations about the US and Iran reaching a nuclear deal. Prices dropped on Thursday after the UK-based news agency Middle East Eye reported that the US and Iran were negotiating a deal, as per which Tehran would limit uranium enrichment on the condition that the US would ease some sanctions on Iranian crude exports.

However, both countries later denied any such development. This helped Brent to pare some losses.

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