

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Most benchmarks have moved down over the weekend, and several Indian ports brace for cyclone Biparjoy impact.

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

VLSFO prices up in Fujairah (\$1/mt), and down in Zhoushan (\$17/mt) and Singapore (\$12/mt)

LSMGO prices down in Fujairah (\$21/mt), Singapore (\$4/mt) and Zhoushan (\$1/mt)

HSFO prices down in Singapore (\$16/mt), Fujairah (\$9/mt) and Zhoushan (\$4/mt)

Most bunker benchmarks in East of Suez ports have tracked Brent's decline. But Fujairah's VLSFO price has moved counter to the general market direction. Two higher-priced VLSFO stems fixed on Friday in a range of \$30/mt in the UAE port have supported the benchmark's resistance to Brent's downward pull.

The modest price gain over the weekend has meant that Fujairah's VLSFO discounts to Zhoushan and Singapore have narrowed to \$23/mt and \$15/mt, respectively.

The UAE port has been witnessing good demand, a source says. Lead times across all grades are 5-7 days – virtually unchanged from last week. Some suppliers can still supply all grades at prompt dates but these deliveries depend on stem sizes, the source adds.

Prompt VLSFO availability remains tight in southern South Korean ports as most suppliers are running low on stocks. A lead time of 7-9 days is recommended in southern ports. On the other hand, availability remains good for the grade in western South Korean ports, with lead times of 3-4 days – almost unchanged from last week.

A source says that HSFO is more readily available in South Korean ports, with short lead times of 3-4 days, while most suppliers can offer LSMGO at prompt dates across the country.

Rough weather conditions are forecast in South Korean ports of Yeosu and Busan between 15-17 June and on 17 June, respectively, which might hamper bunker deliveries.

Meanwhile, Cyclone Biparjoy - a severe cyclonic storm over the Arabian Sea - is forecast to make landfall between the Kutch district of Gujarat on India's west coast and Karachi in Pakistan on 15 June, according to India Meteorological Department (IMD). This has put several Indian ports on the west coast on high alert, including Hazira, Dahej, Navlakhi, Kandla, Pipavav, Mundra and Sikka.

Bunker operations in these ports are likely to be impacted due to cyclone Biparjoy.

Brent

The front-month ICE Brent contract has plunged \$3.15/bbl lower on the day from Friday, to \$73.10/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained some upward momentum a week ago, when Saudi Arabia-led oil-producing countries and allies, known as OPEC+, pledged to continue output cuts into 2024. The announcement was made at the OPEC+ meeting on 4 June.

OPEC+ nations have begun tightening production. Their combined crude oil output fell by 670,000 b/d in May after voluntary cuts announced in April came into force, a survey by S&P Global showed.

Crude output from the core OPEC group fell by 440,000 b/d on the month to 28.16 million b/d in May, the survey further showed. This could have helped Brent to pare some losses.

Downward pressure:

Brent futures have come off sharply over the weekend as the market awaits an interest rate decision from the US Federal Reserve (Fed), and as concerns over China's fuel demand continue. Chinese data for May showed a year-on-year decline in manufacturing activity and an 8% drop in exports of all goods.

The Fed's two-day monetary policy meeting is scheduled to start from 14 June and has the global oil market's focus fixated on the further possibility of rate hikes.

"Oil prices are caught in a clash between two opposing forces, bearish asset allocators who point to monetary contraction and bullish oil speculators expecting lower inventories in 2H23," Bank of America's Francisco Blanch said in a note.

The Fed is expected to deliver a "hawkish skip," OANDA's analyst Ed Moya says. "If inflation ends up being too hot, the Fed could opt to deliver a rate hike," he further adds.

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