ENGINE: East of Suez Physical Bunker Market Update

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Prices across East of Suez ports have moved in mixed directions, and bunkering has been suspended by bad weather since yesterday at Zhoushan's OPL area.

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

VLSFO prices up in Zhoushan ($6/mt) and Fujairah ($2/mt), and down in Singapore ($1/mt)
LSMGO prices up in Fujairah ($21/mt) and Zhoushan ($4/mt), and down in Singapore ($6/mt)
HSFO prices up in Singapore ($6/mt) and Fujairah ($2/mt), and down in Zhoushan ($5/mt)

Zhoushan and Fujairah's VLSFO benchmarks have moved counter to Brent's decline and gained some value in the past day. Some higher-priced indications have supported the benchmarks' resistance to Brent's downward pull in both ports.

Singapore's VLSFO price has dipped for the second consecutive day. This has meant that the port's VLSFO premium over Fujairah has narrowed to $12/mt, and its VLSFO discount to Zhoushan has widened to $27/mt.

VLSFO and HSFO availability has improved in Singapore, with lead times coming down sharply from last week's nearly two weeks to 7-10 days now. LSMGO availability remains steady, with unchanged lead times of 2-4 days.

A slowdown in demand has boosted the availability of all grades in Fujairah, a source says. Lead times of VLSFO and LSMGO are around three days now – down from 5-7 days last week. HSFO availability is also good, with slightly longer lead times of around five days advised.

Bunker demand remains weak in Zhoushan as it has been in recent weeks, a source says. VLSFO availability has improved in the Chinese bunkering hub, with lead times of 3-5 days – down from 5-7 days last week. Recommended lead times of VLSFO and HSFO are 3-5 days – virtually unchanged from last week.

However, bunker operations have been suspended by bad weather at Zhoushan's Tiaozhoumen and Xiazhimen anchorages since yesterday, a source says. Bunkering is likely to fully resume from tomorrow morning, when calmer weather is forecast.

Brent

The front-month ICE Brent contract has inched lower by a slight $0.26/bbl on the day, to $72.84/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

China's official trade data released earlier this month showed that crude oil imports into the world's largest oil-consuming nation rose by 16% from April to 51 million mt in May, and lent Brent some support.

Azerbaijan's crude production dropped to a three-year low of 500,000 b/d in May, which was below the monthly target set by OPEC+. The country's monthly output has been falling since November 2022.

The OPEC+ output cuts announced a week ago have contributed to put a floor under Brent. Saudi Arabia will slash its output by 1 million b/d to 9 million b/d from next month, while the UAE will produce 200,000 b/d more. The OPEC+ also committed to an additional 1.4 million b/d in output cuts from January next year.

The oil market also awaits demand outlooks from OPEC due later today, and from the International Energy Agency (IEA) tomorrow.

Downward pressure:

Brent has added to Monday's decline as investors remain cautious before the US Federal Reserve's (Fed) monetary policy meeting scheduled for 14-15 June. Markets also await US inflation data that will be released later today.

Previous monetary tightening measures taken by the Fed have bolstered the value of the US dollar, resulting in higher costs for non-dollar currencies when purchasing commodities denominated in dollars, which has added downward pressure on Brent.

Goldman Sachs has lowered its oil price forecast, now expecting Brent to reach $86/bbl by December, down from $95/bbl in its previous forecast. The bank cited higher Russian and Iranian supply to drive prices lower despite Saudi Arabia's July output cut.

"Bulls, like ourselves, find comfort in the fact that end-use demand across the commodity complex has not shown recessionary signs and investment in supply remains elusive," Goldman's analysts said in a note that was reported by Bloomberg.

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