ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved up in major Asian hubs, and bunkering has resumed at Zhoushan's OPL area after being suspended since Monday amid bad weather.

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

VLSFO prices up in Fujairah ($25/mt), Singapore ($18/mt) and Zhoushan ($14/mt)
LSMGO prices up in Fujairah ($42/mt), Singapore ($23/mt) and Zhoushan ($14/mt)
HSFO prices up in Zhoushan ($20/mt), Singapore ($17/mt) and Fujairah ($15/mt)

Bunker benchmarks across East of Suez ports have increased in the past day mirroring Brent's upward thrust.

VLSFO and LSMGO prices in Fujairah have surged by $25/mt and $42/mt, respectively – steepest among major Asian hubs. Several higher-priced indications across both grades have supported the benchmarks' upward thrust.

Fujairah's VLSFO steeper price rise has meant that its VLSFO discounts to Zhoushan and Singapore have narrowed to $16/mt and $5/mt, respectively. On the other hand, the port's LSMGO premiums over Singapore and Zhoushan have widened sharply to $138/mt and $99/mt, respectively.

All bunker fuel grades remain readily available in Fujairah amid a slump in demand. Lead times of around three days are recommended for VLSFO and LSMGO, while slightly longer lead times of around five days are advised for HSFO.

Availability across all grades remains good in Zhoushan as well, with lead times of 3-5 days recommended.

Bunker deliveries have resumed t Zhoushan's Tiaozhoumen and Xiazhimen anchorages this morning after being suspended by bad weather since Monday, a source says. All four anchorages in the East Asian bunkering hub are now operational.

However, bad weather is forecast for later today, which might disrupt bunker deliveries at Zhoushan's OPL area again, the source adds.

Brent

The front-month ICE Brent contract has gained by $2.31/bbl on the day, to $75.15/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

China's central bank has reduced its short-term lending rates to stimulate economic activity, Reuters reports. This could by extension boost Chinese fuel demand as the country is making a tentative economic recovery. Weak May data on Chinese manufacturing activity and services demand has disappointed the market.

“Crude prices got a boost after China prepared a broad package of stimulus,” said OANDA’s senior market analyst Ed Moya.

The Chinese Ministry of Commerce has issued a third batch of non-state crude import quotas for this year, according to JLC. The market intelligence firm says a quota of 62.28 million mt has been issued and that the total quota for this year amounts to 194.10 million mt - a near 9% rise on the total for 2022. China was still pursuing a zero-Covid policy for several months last year, which muted fuel demand.

The market now awaits the result of the US Federal Reserve’s Federal Open Market Committee (FOMC) meeting due later today on potential further interest rate hikes. Market analysts, including ANZ, have said a rate pause is on the cards, which could give the US economy some breathing space.

Downward pressure:

Brent futures have seen a slight downward pull after American Petroleum Institute (API) data cited by Trading Economics showed a 1.02 million-bbl build in US crude stocks in the week that ended 9 June.

“Oil also was under pressure as talk began to circulate of a big crude oil increase this week as imports were thought to be up and exports thought to be down,” commented Phil Flynn, market analyst of the Price Futures Group. The US government’s official crude oil stockpile data is due later today

Nigeria’s crude oil production rose 19% month-on-month in May, to 1.18 million b/d. However, the country is still producing at levels below its agreed OPEC+ production quota.

By Tuhin Roy and Aparupa Mazumder