ENGINE: East of Suez Physical Bunker Market Update

15/06/23

Prices have moved down across East of Suez ports, and availability remains normal across all grades in Hong Kong.

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

VLSFO prices down in Fujairah ($19/mt), Zhoushan ($15/mt) and Singapore ($14/mt)
LSMGO prices down in Fujairah ($37/mt), Zhoushan ($21/mt) and Singapore ($19/mt)
HSFO prices down in Singapore ($14/mt), Fujairah ($12/mt) and Zhoushan ($6/mt)

Benchmarks in major Asian hubs have declined in the past day tracking Brent's downward movement.

Weak demand in Zhoushan has kept a lid on tightness across all grades in the port, a source says. Lead times of 3-5 days are recommended across all bunker fuel grades in the Chinese bunkering hub – virtually unchanged so far this week.

Securing prompt stems of VLSFO and HSFO in Singapore can be difficult, with lead times of 7-9 days and 5-9 days, respectively, recommended. LSMGO remains more readily available, with prompt dates available.

Meanwhile, availability across all grades remains normal in Hong Kong, with lead times of around seven days advised.

Brent

The front-month ICE Brent contract has gone down by $1.87/bbl on the day, to $73.28/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent has found some support after OPEC's de facto leader Saudi Arabia announced a voluntary production cut of 1 million b/d from July, bringing its production to 9 million b/d - the biggest cut in years. The bigger OPEC+ group pledged to reduce its combined crude oil output from 2024.

The core OPEC group expects global oil demand growth of 2.35 million b/d this year. The International Energy Agency (IEA) forecasts a similar 2.4 million b/d of growth this year, to 102.3 million b/d, and cited a better-than-expected Chinese demand recovery.

"The last few days have shown how fragile sentiment is in the oil market," said Giovanni Staunovo, strategist at UBS. "Prices are being driven more by supply news and demand growth concerns," he added.

Downward pressure:

Brent futures reversed yesterday's gains after the US Federal Reserve said it expects more rate hikes this year. The central bank, however, kept its interest rates unchanged for this month.

Additionally, weak Chinese export data has weighed on crude oil prices, commented Priyanka Sachdeva, market analyst at Philip Nova.

"China's post-COVID recovery has been bumpy and the mellowed first quarter economic standing has completely swept away any forecast of China's revival pushing the global demand for oil to record highs," she added.

Moreover, Brent futures felt more downward pressure after Goldman Sachs analysts cut its oil price and demand estimates, citing an influx of supply and a fall in demand.

"Higher oil production from the US, Iran and Venezuela have amplified concerns around excess oil supply," said UBS' strategist Giovanni Staunovo.

By Tuhin Roy and Aparupa Mazumder