



ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices in major Asian hubs have moved down, and Zhoushan could face possible bunker disruptions between 24-25 June.

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

- VLSFO prices down in Fujairah (\$13/mt), Zhoushan (\$9/mt) and Singapore (\$6/mt)
- LSMGO prices down in Singapore (\$22/mt), Zhoushan (\$10/mt) and Fujairah (\$10/mt)

- **LSMGO prices down in Singapore (\$25/mt), Zhoushan (\$19/mt) and Fujairah (\$10/mt)**
- **HSFO prices up in Fujairah (\$3/mt) and Zhoushan (\$1/mt), and down in Singapore (\$4/mt)**

VLSFO and LSMGO benchmarks in East of Suez ports have mirrored Brent's downturn and declined in the past day.

Fujairah's VLSFO price has slumped by \$13/mt – the steepest among major Asian hubs. Three lower-priced VLSFO stems fixed in a range of \$10/mt in the past day have weighed down on the port's benchmark.

Weak demand and competition among suppliers have also contributed to bring down Fujairah's VLSFO price to discounts to regional hubs including Singapore and Zhoushan. Moreover, the entry of additional players in the port's bunker market has intensified the competition and incentivised several suppliers to offer the grade at discounts, a source says.

The UAE port's VLSFO discounts to Singapore and Zhoushan have widened in the past day and now stand at \$16/mt and \$6/mt, respectively.

Lead times of 5-7 days are recommended for all grades in the UAE port – virtually unchanged from last week. However, some suppliers can offer the grades on prompt dates subject to quantity, the source adds.

Availability of VLSFO and HSFO remains tight in Singapore as it has been in recent weeks. Lead times for both grades are almost unchanged from last week, at 8-10 days and 8-13 days, respectively. On the other hand, availability of LSMGO remains good, with much shorter lead times of 4-5 days advised.

Weak demand has somewhat kept a lid on product tightness in Zhoushan, with most suppliers offering all bunker fuel grades at prompt dates. However, lead times for big stems of VLSFO have increased from 2-5 days in the earlier part of the week to around seven days now. Small stems of the grade can still be secured within 2-5 days.

Lead times of 2-5 days are recommended for LSMGO and HSFO.

But adverse weather conditions are forecast in Zhoushan between 24-25 June, which might disrupt bunkering operations.

Brent

The front-month ICE Brent contract has shed \$0.66/bbl on the day, to \$75.98/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent has drawn some support from the OPEC+ production cuts that have come into effect since May, and from recent data from the Joint Organizations Data Initiative (JODI) indicating Saudi Arabia's crude exports were at a five-month low in April.

“Oil received support from reports by JODI that Saudi oil exports hit a five-month low against reports of reductions in exports from the UAE as well,” said Price Futures Group’s senior analyst Phil Flynn.

The oil market now awaits potentially hawkish comments from the US Federal Reserve (Fed) later today to balance out worries about China’s post-Covid economic recovery and global oil demand growth.

Two Fed policymakers told Reuters on Tuesday that they are only focusing on bringing down inflationary pressure. The Fed’s efforts to tame high inflation could help the US to revive its economy and boost oil demand in the largest economy in the world.

Downward pressure:

Brent has seen some downward pressure from below-expectation cuts in China’s key lending rates, said OANDA’s market analyst Ed Moya.

“Oil seems locked in on anything and everything that has to do with China. Last week, oil was supported by improving Chinese refiner quotas. This week, energy traders are seeing oil weakness emerge on disappointing stimulus efforts,” he added.

In an attempt to improve China’s post-Covid economic recovery, the country has cut its benchmark loan prime rates (LPR) for the first time in 10 months.

“The only reason why I think prices (oil) are not climbing (steadily) yet is because the data from China is still unclear,” commented Rystad's energy research director Claudio Galimberti.

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