ENGINE: East of Suez Physical Bunker Market Update

22/06/23

East of Suez Market Update

Most prices have moved up in major Asian hubs, and bunker fuel oil availability has tightened in Singapore this week.

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

- **VLSFO prices up in Zhoushan ($9/mt), Singapore ($6/mt) and Fujairah ($5/mt)**

- **LSMGO prices up in Fujairah ($8/mt) and Singapore ($7/mt), and down in Zhoushan ($4/mt)**

- **HSFO prices up in Singapore ($6/mt) and Zhoushan ($4/mt), and down in Fujairah ($2/mt)**

VLSFO benchmarks in East of Suez ports have tracked Brent and recovered some value in the past day.

Prices for all grades – VLSFO, LSMGO and HSFO – have risen in Singapore in the past day, unlike other major Asian hubs which have seen their prices for at least one grade decline.

Singapore's VLSFO premiums over Fujairah and Zhoushan stand at $17/mt and $7/mt, respectively, now.

Securing VLSFO and HSFO stems can be difficult in Singapore, with lead times of 8-10 days and 8-13 days recommended – up from 7-9 days last week. LSMGO remains more readily available, with much shorter lead times of 4-5 days.

Hong Kong has been witnessing "average" demand so far this week, a source says. Lead times of 7-10 are advised for all bunker fuel grades in the port – slightly up from around seven days last week.

Availability of all grades is good in the Sri Lankan port of Colombo, with short lead times of around four days.

However, wind gusts of 19-20 knots and swells of more than a metre are forecast to hit Colombo on 24 June and 29 June, which might disrupt bunker operations.

Adverse weather conditions are also forecast in the Vietnamese port of Hai Phong on 29 June, the Kiwi port of Tauranga between 22-25 June, and the Indian ports of Kandla and Sikka between 25-27 June, which could hamper bunker deliveries.

Brent

The front-month ICE Brent contract has moved higher by $0.61/bbl on the day, to $76.59/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have recovered some lost ground after the oil market turned optimistic on Chinese crude demand.

"China's economic rebound is still the focus of oil traders. More stimulus measures by the Chinese government could improve the oil demand outlook," said Tina Teng, markets analyst at CMC.

Brent has also been boosted by a weaker dollar and optimism that the global economy will remain strong throughout the summer, commented OANDA's market analyst Edward Moya. “Oil could continue rebounding if the headlines for China remain upbeat,” he added in a note.

The market now awaits new catalysts that could drive oil prices further upwards, like the latest US inventory data from the Energy Information Administration (EIA) due later today. The EIA's data has been delayed by a day because of the US Juneteenth public holiday.

Downward pressure:

Brent has seen some headwind from comments by the US Federal Reserve's (Fed) chair Jerome Powell, who has indicated that further interest rate hikes are on the table to tame the stubborn inflation. Powell said that the central bank's primary goal is to bring inflationary pressure under control and that two additional 25-basis point rate hikes can be expected this year.

A high-interest rate will increase borrowing costs for consumers and could ultimately result in weaker global oil demand.

Earlier this week, two European Central Bank (ECB) policymakers argued in a speech that more rate hikes were required to avoid higher inflation.

“Downside risks to global growth remain a key overhang for the oil demand outlook...risk sentiments are on hold ahead of a series of hawkish Fedspeak lined up on the calendar,” said Jun Rong Yeap, a market strategist at IG Group.

By Tuhin Roy and Aparupa Mazumder