ENGINE: East of Suez Physical Bunker Market Update

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East of Suez Market Update

Prices have moved down in major Asian hubs, and VLSFO availability has been getting very tight in South Korean ports.

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

- **VLSFO prices down in Zhoushan ($30/mt), Singapore ($29/mt) and Fujairah ($27/mt)**
- **LSMGO prices down in Zhoushan ($52/mt), Fujairah ($40/mt) and Singapore ($24/mt)**

- **HSFO prices down in Fujairah ($22/mt), and Singapore and Zhoushan ($16/mt)**

Bunker benchmarks in East of Suez ports have tracked Brent and plunged in the past day.

Zhoushan's VLSFO and LSMGO prices have declined by $30/mt and $52/mt, respectively – the steepest among major Asian hubs. While a lower-priced VLSFO indication has contributed to weigh down on the Chinese bunkering hub's VLSFO benchmark, a lower-priced LSMGO stem has dragged its LSMGO benchmark down.

Despite Zhoushan's steep VLSFO price drop, its VLSFO discount to Singapore remains almost steady at $8/mt, as Singapore's VLSFO price has declined sharply, too.

On the other hand, Zhoushan's VLSFO premium over Fujairah has narrowed slightly to $7/mt.

Availability across all grades remains normal in Zhoushan amid weak demand, a source says. Lead times of around seven days are advised for big stems of VLSFO. Small stems of the grade can still be secured with 2-5 days of lead time. LSMGO and HSFO require lead times of 2-5 days now.

VLSFO and HSFO availability remains tight in Singapore as it has been in recent weeks, with lead times of 7-11 days and 8-12 days, respectively. This is virtually unchanged from last week. LSMGO is more readily available, with much shorter lead times of 2-4 days.

Meanwhile, VLSFO availability has gotten tighter in South Korean ports as most suppliers are running low on stocks. Availability of the grade is subject to enquiry across South Korean ports.

Lead times of 4-7 days are recommended for LSMGO and HSFO in the country.

Adverse weather conditions are forecast between 25-28 June in the South Korean ports of Ulsan, Onsan, Busan, Daesan, Taean and Yeosu, which might hamper bunker operations.

Brent

The front-month ICE Brent contract has plunged by $3.60/bbl on the day, to $72.99/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent was supported modestly after the Energy Information Administration's (EIA) latest weekly report suggested a surprise draw in commercial US crude stocks. Crude inventories were reduced by 3.8 million bbls to 463.3 million bbls in the week that ended on 16 June.

"A rebound in crude exports, dip in imports, and ongoing strength in refining activity have encouraged a draw to crude inventories," said Matt Smith, an analyst at Kpler.

The US rig count has also been reduced, OANDA analyst Ed Moya points out. "This supports the idea that production won't be going up much further from the current level," he writes in a note.

Downward pressure:

Brent futures reversed course, shedding previous gains after the Bank of England raised its interest rate by half a percentage point. Central banks in Switzerland and Norway followed with interest rate hikes of their own.

A rise in interest rates can increase borrowing costs for consumers and trigger speculations of a weakening global economy, ultimately affecting oil demand.

Moreover, hawkish signals from the US Federal Reserve's (Fed) chairman Jerome Powell for further US interest rate hikes have put downward pressure on Brent. In a congressional testimony, the Fed's chairman said this week that two more 25-basis point rate hikes by the end of 2023 was "a pretty good guess."

"Oil prices are going to remain heavy as central bank tightening will kill the global growth outlook," comments Ed Moya.

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