ENGINE: East of Suez Physical Bunker Market Update

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Most prices in major Asian hubs have moved up, and bunkering has resumed at Zhoushan's OPL area after being suspended by bad weather since Saturday.

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

- **VLSFO prices up in Zhoushan ($12/mt), Singapore ($4/mt) and Fujairah ($1/mt)**
- **LSMGO prices up in Zhoushan ($18/mt) and Fujairah ($15/mt), and down in Singapore ($1/mt)**
- **HSFO prices up in Singapore and Fujairah ($2/mt), and Zhoushan ($3/mt)**

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Most bunker benchmarks in East of Suez ports have mirrored Brent’s rise. Zhoushan’s VLSFO price has recovered some value in the past day after declining in the prior session. The port’s VLSFO price has gained $12/mt – the steepest among major Asian hubs. Two higher-priced VLSFO stems fixed in the past day have supported the benchmark’s upward movement.

Zhoushan’s steep VLSFO price rise has meant that its VLSFO discount to Fujairah has flipped to a premium of $5/mt. The Chinese bunkering hub’s VLSFO discount to Singapore has also narrowed to $6/mt now.

Prompt availability of large VLSFO stems has tightened in Zhoushan owing to delays in custom formalities, but small stems can still be secured with shorter lead times of 3-5 days, a source says.

LSMGO and HSFO availability remains good in the Chinese bunkering hub, with most suppliers recommending lead times of 2-5 days.

Bunker operations have resumed at Zhoushan’s OPL this morning after being suspended by rough weather since Saturday, a source says. However, strong wind gusts of 23-29 knots and waves of close to a metre are forecast from the evening again, which might hamper bunker deliveries again.

Bad weather conditions are also forecast intermittently between today and 2 July in the South Korean ports of Ulsan, Onsan, Busan, Daesan, Taean and Yeosu, which may disrupt bunker operations.

Meanwhile, VLSFO availability has improved in South Korea. Lead times of around six days are recommended for the grade in western South Korean ports, while around three days are advised for the country's southern ports. The grade was subject to enquiry last week.

Availability of LSMGO and HSFO has also improved in southern South Korean ports, with lead times coming down from 4-7 days last week to around two days and four days, respectively. On the other hand, lead times for both grades are around six days in western South Korean ports – almost unchanged from last week.

The Sri Lankan port of Colombo has good availability across all bunker fuel grades.

Brent

The front-month ICE Brent contract has gained $0.62/bbl on the day, to $74.46/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures drew support after a dispute in Russia prompted oil markets to worry about a potential supply crunch.

Hostilities between Russia's private mercenary group Wagner and Moscow grew over the weekend. A clash between the two entities was avoided on Saturday after the mercenaries halted their advance towards Moscow under a deal with the government, Reuters reports. However, the dispute has raised concerns about political instability in Russia.

Analysts at ANZ said in a note that this attempt of a coup by Wagner is "likely to lead to a risk premium being applied to the oil price amid the risk of further civil unrest."

On the demand side, the summer driving season is expected to drive demand growth in the US. This could push oil prices further up.

Downward pressure:

On the flip side, concerns about China's economic recovery have dented sentiments of oil investors.

"China's economic growth has been a nightmare for commodity markets, particularly in oil and industrial metals," CMC Markets analyst Tina Teng said in a note.

Oil prices came under pressure after the US Federal Reserve's chairman hinted at another interest rate hike by the end of the year.

The oil market has been "very confident" that despite strong growth in demand and a supply crunch due to OPEC+ production cuts, global central banks would be able to slow down the economy, said Phil Flynn, Price Futures Group's senior market analyst. This could allow "the market to ignore the possibility of a looming supply deficit."

By Tuhin Roy and Aparupa Mazumder