ENGINE: East of Suez Physical Bunker Market Update

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East of Suez Market Update

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

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

- **VLSFO prices down in Fujairah ($23/mt), Singapore ($20/mt) and Zhoushan ($12/mt)**
- **LSMGO prices down in Fujairah ($26/mt), Zhoushan ($14/mt) and Singapore ($2/mt)**

- **HSFO prices down in Zhoushan ($25/mt), Singapore ($14/mt) and Fujairah ($13/mt)**

Bunker benchmarks in major Asian hubs have tracked Brent's downturn and declined in the past day.

Fujairah's VLSFO and LSMGO benchmarks have slumped by $23/mt and $26/mt, respectively – most among major East of Suez ports. Two lower-priced VLSFO stems fixed since yesterday have contributed to weigh down the port's VLSFO benchmark. Meanwhile, some lower-priced LSMGO indications in the past day have dragged the UAE port's LSMGO benchmark lower.

Fujairah's steep VLSFO price decline has widened its VLSFO discounts to Zhoushan and Singapore to $16/mt and $14/mt, respectively. But despite the port's LSMGO price decline, Fujairah's LSMGO premiums over Singapore and Zhoushan stand at $83/mt and $60/mt, respectively.

Securing prompt dates can be difficult across all grades in Fujairah, as several suppliers are working through backlogs owing to recent weather-related delays. Lead times of 5-7 days are recommended across all grades in the UAE port – virtually unchanged from last week.

Availability of VLSFO and HSFO remains very tight in Singapore, with lead times of 9-12 days advised – almost unchanged from last week. LSMGO remains more readily available, with shorter lead times of 5-7 days.

All grades remain available in Hong Kong amid decent demand, a source says. Some suppliers can offer all grades with lead times of 7-10 days.

Brent

The front-month ICE Brent contract has dropped by $2.64/bbl on the day, to $71.82/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures drew some support after American Petroleum Institute (API) data showed a larger-than-expected drawdown in US oil inventories last week, indicating demand growth, Reuters reports.

Strong demand from the world's biggest oil consumers during the summer driving season is expected to keep Brent price stable.

Besides, Saudi Arabia's pledge to cut oil output by another 1 million b/d will come into force from July. This could add to the global supply crunch and support oil prices.

"We continue to expect the market to tighten in second-half 2023 on the back of Saudi supply cuts effective from July with upside risk to prices from current levels," said analysts at the National Australia Bank commodity research team.

Downward pressure:

Brent shed previous gains as private mercenary group Wagner retreated from a potential coup in Russia on Saturday. The domestic mutiny had raised concerns about political instability in Russia.

The aversion of coup has shifted oil investors' focus on "gloomy economic forecast and global central bankers that still want a recession," said Phil Flynn, Price Futures Group's senior market analyst.

Interest rate hikes in several countries have put a downward pressure on Brent. Nations like the UK, Switzerland, and Norway imposed another hike in interest rates last week, and US Federal Reserve's (Fed) chairman Jerome Powell signaled yet another rate hike this year.

"Inflation is stubbornly high in Europe that could trigger a lot more rate hikes and a harsher recession," OANDA's market analyst Ed Moya said in a note.

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