



ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved up across major Asian hubs, and bunkering has been halted by rough weather since last evening at Zhoushan's OPL area.

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

- VLSFO prices up in Singapore (\$23/mt), Zhoushan (\$21/mt) and Fujairah (\$20/mt)

- **LSMGO prices up in Zhoushan (\$28/mt), Singapore (\$22/mt) and Fujairah (\$15/mt)**
- **HSFO prices up in Zhoushan (\$28/mt), Singapore (\$22/mt) and Fujairah (\$15/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's upturn and recovered some values in the past day after declining the previous session.

VLSFO prices across major Asian hubs have risen in a range of \$20-23/mt. Singapore's VLSFO price has surged by \$23/mt – the most among the three ports. Two higher-priced VLSFO stems fixed in the East Asian hub have supported the benchmark's upward movement.

The narrow range of VLSFO price rises across the three bunkering hubs has erased Singapore's narrow VLSFO discount to Zhoushan. On the other hand, Singapore's VLSFO premium over Fujairah remains steady at \$17/mt.

Securing VLSFO and HSFO stems remains difficult in Singapore, as it has been in recent weeks. Lead times of 9-12 days are recommended for both grades in the port – virtually unchanged from last week. Availability of LSMGO remains good, with shorter lead times of 5-7 days.

Some suppliers can offer all bunker fuel grades in Hong Kong at unchanged lead times of around 7-10 days.

Wind gusts of 19-21 knots and waves of more than a metre are forecast to hit Hong Kong on 5 July, which might disrupt bunker operations.

Meanwhile, bunker deliveries have been suspended by bad weather at Zhoushan's Tiaozhoumen and Xiazhimen anchorages since last evening, a source says. Bunkering is likely to fully resume from Saturday when calmer weather is forecast.

A source says that the prompt availability of large stems of VLSFO has tightened in the Chinese bunkering hub due to delays in customs formalities. But some suppliers can offer smaller stems of the grade with short 3-5 days lead times.

LSMGO and HSFO remain more readily available in Zhoushan, with most suppliers advising short lead times of 2-5 days.

Brent

The front-month ICE Brent contract has gained \$2.48/bbl on the day, to \$74.30/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent has pared some previous losses after the US Energy Information Administration (EIA) figures released on Wednesday showed that US crude oil inventories dropped by 9.60 million bbls in the week that ended 23 June.

"Energy traders turned bullish quickly after the EIA energy report showed a 9.6 million b/d draw and robust demand signs everywhere," said OANDA's market analyst Ed Moya.

Additionally, Saudi Arabia's 1 million b/d output cuts pledged in early June will come into force from July and is expected to add some upward pressure to Brent.

"An additional 1 million b/d unilateral cut by Saudi Arabia, set to take effect in July, coupled with seasonally stronger demand, should help to physically tighten the market in Q3," said analysts at BMI Research in a client note.

Downward pressure:

Concerns over further interest rate hikes that can potentially reduce global economic growth - with a knock-on effect on oil demand - have weighed on Brent this week.

"The market turned around on renewed worries about further rate hikes in the US and Europe, which will reduce global oil demand," said Hiroyuki Kikukawa, president of NS Trading, a unit of Nissan Securities.

Several central banks have hiked interest rates in recent days to control persistently high inflation, and have said that further monetary policy tightening will be required. The US Federal Reserve's (Fed) chairman Jerome Powell has said that two additional US interest rate hikes this year is a "pretty good guess".

Higher interest rates can cool off economies and have a negative impact on economic growth, which can have a direct effect on global oil demand.

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