

# MARKET UPDATE AMERICAS



## ENGINE: Americas Bunker Fuel Market Update

03/07/23

### ENGINE: Americas Bunker Fuel Market Update

Bunker benchmarks in Americas ports have taken mixed directions over the weekend, and Los Angeles' LSMGO priced at premiums over most regional ports.

Changes on the day from Friday to 08.00 CDT (13.00 GMT) today:

- **VLSFO prices up in Houston (\$11/mt), Balboa (\$7/mt) and Zona Comun (\$3/mt), unchanged in Los Angeles, and down in New York (\$5/mt)**
- **LSMGO prices up in Zona Comun (\$26/mt), Los Angeles (\$11/mt) and Houston (\$3/mt), and down in Balboa (\$9/mt) and New York (\$8/mt)**
- **HSFO prices up in Balboa (\$1/mt), unchanged in Houston, and down in New York (\$3/mt)**

Houston's VLSFO price has gained the most, with support from a higher-priced stem with prompt delivery fixed over the weekend. New York's VLSFO price has defied Brent's movement by falling over the weekend, narrowing its VLSFO price premium over Houston from \$27/mt on Friday, to \$11/mt now.

Los Angeles' LSMGO price has gained \$11/mt over the weekend, and the grade is currently trading at a premium over most American ports, and at a rare premium over Fujairah's LSMGO benchmark.

Securing prompt delivery of LSMGO can be difficult in Los Angeles. Tight availability of the product has pushed Los Angeles' price higher, a source says. The grade's price has shot up by \$80/mt in the past month.

Strong wind gusts of up to 36 knots are forecast to hit off Trinidad later today, which could likely disrupt bunkering there. Rough weather conditions are expected to persist throughout this week. Similarly, strong wind gusts are forecast to hit Argentina's Zona Comun from tomorrow and could disrupt bunkering until Thursday.

## **Brent**

The front-month ICE Brent contract has increased by \$1.13/bbl on the day from Friday, to \$76.05/bbl at 08.00 CDT (13.00 GMT) today.

### **Upward pressure:**

Brent futures were supported by the onset of one million b/d output cut, pledged by Saudi Arabia along with a broader OPEC+ commitment to reduce supply into 2024, earlier in June.

Oil prices gained more after Saudi Arabia announced an extension of its voluntary production cut by one month to include August. The country is estimated to produce 9 million b/d of crude oil in August, Saudi Press Agency reports.

Moreover, a sharp fall in US oil inventories and signs of strengthening of the US economy lent more support to Brent futures. The US Energy Information Administration (EIA) reported that crude inventories in the US dropped by 9.6 million bbls last week.

### **Downward pressure:**

The ongoing interest rate hiking cycles by major central banks around the world have dented global oil demand.

Recently, the US Federal Reserve's chairman Jerome Powell hinted at two more rate hikes by the end of this year. "The Fed has been a major hurdle as the historic rate hiking cycle has lowered oil demand expectations and has kept a lid on prices," said the Price Futures Group's senior analyst Phil Flynn.

The peak summer driving season in the US is supposed to boost demand but travel plans are getting impacted as more than a third of the US population are under air quality alerts, Phil Flynn further noted. "The Canadian wildfire smoke is having the biggest impact from the Midwest to the East Coast," the analyst added in the note.

*By Debarati Bhattacharjee and Aparupa Mazumder*

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [freightinvestorservices.com](https://freightinvestorservices.com)