

MARKET UPDATE AMERICAS

 ENGINE



ENGINE: Americas Bunker Fuel Market Update

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Benchmarks have moved up across Americas ports in the past day, and Los Angeles' Hi5 spread has widened above \$100/mt.

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

- **VLSFO prices up in Los Angeles (\$33/mt), Balboa (\$11/mt), Houston and New York (\$9/mt) and Zona Comun (\$7/mt)**
- **LSMGO prices up in Zona Comun (\$13/mt), Houston (\$8/mt), Balboa (\$6/mt) and Los Angeles (\$2/mt), and down in New York (\$5/mt)**
- **HSFO prices up in Houston (\$10/mt), Los Angeles (\$7/mt) and New York (\$1/mt), and down in Balboa (\$1/mt)**

Balboa HSFO price has run counter to the general market direction by falling marginally in the past day. One lower-priced 500-1500 mt stem has been fixed at a lower price than where the port's price stood yesterday.

Meanwhile, the port's VLSFO price has gained steeply with Brent, widening its Hi5 spread above the \$100/mt mark. At \$108/mt, Balboa's Hi5 spread is wider than spreads of \$86/mt in Houston and \$82/mt in New York, but narrower than Los Angeles' spread of \$117/mt.

Los Angeles' Hi5 spread has widened by \$98/mt since 15 May, when the spread narrowed to its lowest level in more than a year. HSFO prices in Los Angeles were elevated amid one supplier supplying the grade in May. But the port's HSFO price has stabilised now partly due to three more suppliers offering the grade.

Bunker operations have resumed in Zona Comun today, after being suspended since Wednesday due to bad weather conditions. Suppliers are now working to clear backlogs. However, bad weather is again forecast tomorrow morning, which could lead to another suspension.

Brent

The front-month ICE Brent contract has moved up by \$1.29/bbl on the day, to \$81.27/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Brent futures continued to move upward after supply disruptions occurred in Nigeria and Libya.

In Libya, production at El Feel and Sharara oil fields has been stopped since yesterday amid protests by a local tribe against the abduction of a former government official.

Meanwhile, in Nigeria, oil major Shell has suspended operations at Forcados oil terminal because of a potential leak in the facility. Both these disruptions are significant and will impact the global oil market, which is already seeing tight supply, commented ING's market analyst Warren Patterson.

"Crude prices are getting a boost from expectations that the oil market will get very tight as Libya and Nigeria deal with disruptions, also while Russian crude exports finally decline," said OANDA's analyst Ed Moya.

Brent felt additional upward pressure after both the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) released their monthly oil market reports yesterday.

IEA has raised its forecast for oil demand in 2024 by 1.1 million b/d, while OPEC has projected demand to grow by 2.25 million b/d in 2024. "This is quite aggressive when considering the uncertain macro-outlook," said Patterson.

The oil market is now hoping to see a strong oil demand in the US after a recent report by the US Labor Department suggested a slowdown in inflation.

Downward pressure:

Brent felt some downward pressure from growing uncertainties around China's economic recovery after recurring COVID-19 outbreaks. More hawkish moves from the US Federal Reserve (Fed) can also weigh down on Brent.

Further monetary tightening measures by the US Fed could strengthen the US dollar and increase borrowing costs for non-dollar currency holders. This could have a negative impact on oil demand growth.

By Debarati Bhattacharjee and Aparupa Mazumder

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