ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices have moved down in most major Asian hubs, and bunkering has resumed in Zhoushan's OPL after being halted by rough weather since Sunday.

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

- **VLSFO prices up in Zhoushan ($6/mt), and down in Fujairah ($13/mt) and Singapore ($11/mt)**
- **LSMGO prices down in Zhoushan ($31/mt), Singapore ($17/mt) and Fujairah ($16/mt)**
- **HSFO prices up in Singapore ($6/mt) and Fujairah ($4/mt), and down in Zhoushan ($13/mt)**

Most VLSFO and LSMGO benchmarks in East of Suez ports have tracked Brent's downturn. But Zhoushan's VLSFO price has run counter to the general market direction and rose by $6/mt. A higher-priced VLSFO stem fixed in the past day has contributed to the benchmark's resistance against Brent's downward pull.

This VLSFO price increase has meant that Zhoushan's VLSFO premiums over Fujairah and Singapore have widened to $37/mt and $19/mt, respectively.

Sluggish demand and weather-related disruptions have kept a lid on tightness across all grades in Zhoushan, a source says. Lead times of 2-5 days are recommended for all bunker fuel grades in the Chinese bunkering hub.

Bunkering resumed at Zhoushan's OPL area today evening after remaining suspended by bad weather conditions since Sunday. All four anchorages in the Chinese bunkering hub are operational now.

Availability of all bunker fuel grades remains good in the UAE port of Khor Fakkan, with unchanged lead times of 5-7 days from last week.

LSMGO remains readily available in the Omani ports of Duqm, Sohar, Salalah and Muscat.

Brent

The front-month ICE Brent contract has shed $0.68/bbl on the day, to $75.37/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent drew some upward support after voluntary supply cuts pledged by OPEC+ oil-producing countries, including Saudi Arabia and Russia, came into force this month.

Saudi Arabia also announced that it would extend its voluntary output cut of 1 million b/d to August, along with Russia and Algeria, who are to reduce oil output and export levels for August by an additional 500,000 b/d and 20,000 b/d, respectively.

OPEC's de facto leader Saudi Arabia's announcement signifies an extension of the previously announced output reduction pledge. However, Russia's announcement suggests a new reduction in exports.

"As part of the effort to ensure the oil market remains balanced, in August, Russia will voluntarily reduce its oil supply by 500,000 barrels per day, by cutting its exports to global markets by that amount," Russian deputy prime minister Alexander Novak said in a statement yesterday.

Downward pressure:

Fears of further interest rate hikes by major central banks have kept a lid on Brent prices in recent days.

"Despite the announcements of two fresh rounds of cuts from OPEC+/Saudi Arabia, crude prices have largely remained below $80/bbl as the market has been driven less by fundamentals and more by macroeconomic concerns," analysts at HSBC said in a note.

The crude demand outlook has too much "doom and gloom" priced in as the US and China outlooks should remain upbeat, OANDA's market analyst Ed Moya said.

"China might be buying cheaper discounted Russian crude, but soon they will require more and those purchases could broaden as they slowly deliver more economic stimulus," he said.

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