

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

05/07/23

Prices have moved in mixed directions in major Asian hubs, and VLSFO availability has been improving in Singapore.

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

**VLSFO prices unchanged in Fujairah, and down in Zhoushan (\$19/mt) and Singapore (\$2/mt)**

**LSMGO prices up in Zhoushan (\$30/mt) and Singapore (\$7/mt), and down in Fujairah (\$3/mt)**

**HSFO prices up in Singapore (\$11/mt), Fujairah (\$5/mt) and Zhoushan (\$1/mt)**

HSFO benchmarks in East of Suez ports have tracked Brent's upward movement. On the other hand, VLSFO benchmarks in Zhoushan and Singapore have run counter to general market direction and have declined.

Meanwhile, Fujairah's VLSFO price has remained steady in the past day. As a result, Fujairah's VLSFO discounts to Zhoushan and Singapore have narrowed to \$18/mt and \$16/mt, respectively, in the past day.

All grades remain in tight availability in Fujairah amid good demand. Lead times of 5-7 days are advised across all bunker fuel grades in the port – virtually unchanged from last week. But some suppliers can offer all bunker fuel grades for prompt delivery dates, but these deliveries depend on stem sizes, a source says.

Another source says that overall demand has been "slow" in Singapore so far this week, however, buying interest for HSFO grade remains strong. Robust demand for the grade has kept HSFO supply under pressure there, with almost unchanged lead times of 10-12 days from last week.

On the other hand, VLSFO availability has improved in Singapore, with lead times dropping from last week's 9-12 days to 6-8 days now. LSMGO remains readily available, with prompt dates available.

Adverse weather conditions are forecast intermittently between 5-12 July in the Vietnamese port of Hai Phong, and 5-11 July in the Kiwi port of Tauranga, which may disrupt bunker deliveries.

## **Brent**

The front-month ICE Brent contract has been broadly rangebound and gained \$0.39/bbl on the day, to \$75.76/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Brent futures got some upward momentum after Saudi Arabia announced an extension of its voluntary production cut of 1 million b/d by another month to include August. The step was "to reinforce the precautionary efforts made by OPEC+ countries with the aim of supporting the stability and balance of oil markets," state news agency SPA reported, citing an energy ministry source.

OPEC's allies Russia and Algeria also announced new voluntary output cuts for August. Both countries will now lower production and export levels in August by another 500,000 b/d and 20,000 b/d, respectively.

On the demand side, the oil market now awaits US crude inventories data from the American Petroleum Institute (API) later today and government data on Thursday. The releases of both datasets have been delayed this week due to a public holiday in the US on 4 July.

### **Downward pressure:**

Lingering concerns about a global economic slowdown have averted a sharp rise in Brent futures.

After China lifted all of its Covid-related restrictions, its economic recovery has been significantly slower than expected, while Chinese oil demand has been strong, said Commerzbank analyst Carsten Fritsch. He said the recent spike in China's oil demand was a "catch-up" effect after Covid-restrictions were eased.

Moreover, leading central banks around the world have hiked interest rates to tame inflation. The US Federal Reserve's (Fed) chairman Jerome Powell warned about two more rate hikes by the end of 2023.

Higher interest rates often lead to less spending on commodities like oil, which in turn affects demand.

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