
# ENGINE: East of Suez Physical Bunker Market Update

## 06/07/23

Prices have moved up in major Asian hubs, and availability remains good across all grades in Zhoushan.

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

- **VLSFO prices up in Fujairah ($16/mt), Singapore ($6/mt) and Zhoushan ($2/mt)**
- **LSMGO prices up in Fujairah ($15/mt), Singapore ($9/mt) and Zhoushan ($3/mt)**
- **HSFO prices up in Fujairah ($16/mt), Zhoushan ($7/mt) and Singapore ($1/mt)**

Bunker benchmarks in East of Suez ports have tracked Brent’s upward thrust and gained in the past day. Bunker prices across all grades in Fujairah have made sharper gains in the past day and outpaced most major Asian hubs.

Fujairah’s steep VLSFO price rise has meant that its VLSFO discounts to Singapore and Zhoushan have narrowed significantly by $10/mt and $14/mt, respectively, to $6/mt and $4/mt. The UAE port’s LSMGO price rise has further widened its LSMGO premiums over Singapore to $78/mt and $41/mt, respectively.

On the other hand, Fujairah's HSFO price remains at discounts of $37/mt and $27/mt to Zhoushan and Singapore, respectively, despite the price increase.

Securing prompt stems across all grades can be difficult in Fujairah, with most suppliers recommending lead times of 5-7 days. But some suppliers can supply prompt, but these deliveries depend on stem size, a source says.

Meanwhile, weak demand and weather-induced disruptions have somewhat prevented tightness in Zhoushan. Lead times of around 2-5 days are advised across all bunker fuel grades in the Chinese bunkering hub.

Lead times of around seven days are advised across all grades in Hong Kong – slightly down from 7-10 days last week.

**Brent**

The front-month ICE Brent contract has moved up by $1.20/bbl on the day, to $76.96/bbl at 17.00 SGT (09.00 GMT).

**Upward pressure:**

Brent futures extended gains amid concerns about tight crude oil supply. OPEC's allies Russia and Algeria announced a fresh round of supply reduction for August. Both countries will now lower output and export levels in August by another 500,000 b/d and 20,000 b/d, respectively.

Additionally, OPEC's de facto leader Saudi Arabia also extended its existing 1 million b/d output cut by another month to include August.

"Oil is predictably finding price support due to voluntary supply cuts from Saudi Arabia and Russia," said SPI Asset Management's managing partner Stephen Innes.

**Downward pressure:**

The oil market has been speculating further interest rate hikes by central banks, to limit inflation levels. As a result, Brent has felt some downward pressure in recent days.

Minutes from the US Federal Reserve (Fed) June 13-14 meeting indicated that a further hike in interest rate is possible. However, it is likely to happen by the end of this year.

Higher interest rates could slow down demand growth, especially for commodities.

"The oil balance will likely tighten and so will financial conditions, judging by the Fed minutes released last night," said PVM's analyst Tamas Varga. "Persistent recession worries will probably encumber, but not prevent, oil from marching higher," he further added.

*By Tuhin Roy and Aparupa Mazumder*