ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed directions across East of Suez ports, and bunkering has been halted by bad weather at three of Zhoushan's anchorages.

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

- **VLSFO prices up in Zhoushan ($3/mt), and down in Singapore ($10/mt) and Fujairah ($5/mt)**
- **LSMGO prices up in Singapore and Fujairah ($9/mt), and down in Zhoushan ($19/mt)**
- **HSFO prices up in Singapore ($18/mt) and Fujairah ($4/mt), and down in Zhoushan ($6/mt)**

VLSFO benchmarks in Singapore and Fujairah have moved opposite to Brent's upward thrust. Singapore's VLSFO price has declined by $10/mt over the weekend – steeper than Fujairah's VLSFO price dip. A total of seven lower-priced VLSFO stems fixed in Singapore over the weekend have contributed to drag the benchmark down.

A steeper fall in Singapore's VLSFO price has meant that its premium over Fujairah has flipped to a marginal discount of $1/mt. The East Asian hub's VLSFO discount to Zhoushan has nearly doubled to $15/mt now.

Securing HSFO stems in Singapore can be difficult, with recommended lead times of 11-13 days – almost unchanged from last week. VLSFO availability has also tightened in the port. Some suppliers, who were offering the grade at lead times of 6-8 days last week, are now offering it at lead times of 7-11 days. LSMGO remains readily available, with relatively shorter lead times of 3-5 days.

Availability across all grades remains good in Zhoushan, with lead times of 3-5 days. However, delivery of stems is subject to weather conditions there, a source says.

Bunker operations have been suspended by rough weather at three of Zhoushan's anchorages this afternoon. Meanwhile, bunker operations are running smoothly at the port's inner anchorage of Mazhi, a source says.

Bunkering is likely to resume fully on 17 July, when calmer weather is forecast.

Brent

The front-month ICE Brent contract has increased by $1.27/bbl on the day from Friday, to $77.74/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained upward support as the latest report from the US Energy Information Administration (EIA) showed an increase in the country's oil demand.

According to the EIA data, US oil demand averaged 20.7 million b/d in the four-week period ending 30 June, up by 3.5% from the same period last year.

“It appears that the mood is shifting as the pessimism about demand is starting to meet with reality that it continues to grow,” said Price Futures Group’s senior market analyst Phil Flynn.

“The market is starting to realize that even after the most aggressive rate cycle increase ever that the impact on oil demand is not as pronounced as some have predicted,” Flynn said in a note.

This week, oil markets will focus on demand forecasts by the International Energy Agency (IEA) and OPEC. Both are due to release their oil market reports later this week.

Downward pressure:

Brent has felt some downward pressure in recent weeks due to weaker-than-expected economic growth in China, after the country lifted all COVID-related restrictions.

The oil market is now waiting for fresh cues from the world's top oil consumers the US and China.

“Big macro release this week will be US CPI numbers on Wednesday, which will likely further shape market expectations on how much more monetary tightening we could see from the US Federal Reserve in the months ahead,” said ING’s market analyst Warren Patterson.

Last month, the US Federal Reserve's (Fed) chairman Jerome Powell said that further rate hikes in the US by the end of 2023 is a “pretty good guess”.

Higher interest rates can escalate borrowing costs for consumers and have a negative impact on the economy, ultimately affecting global oil demand growth.

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