

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

13/07/23

Prices have moved in mixed directions in the past day, and Singapore's Hi5 spread has narrowed below the \$100/mt mark.

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

- **VLSFO prices up in Zhoushan (\$7/mt) and Fujairah (\$4/mt), and down in Singapore (\$1/mt)**
- **LSMGO prices up in Singapore (\$8/mt), Zhoushan and Fujairah (\$2/mt)**
- **HSFO prices up in Zhoushan (\$7/mt), and down in Fujairah (\$9/mt) and Singapore (\$2/mt)**

Singapore's VLSFO price has resisted Brent's upward movement and held broadly steady in the past day. Three VLSFO stems were fixed in the East Asian hub in a range of \$5/mt in the past day. All three stems were priced at lower levels than where the port's benchmark stood in the previous session and contributed to weigh down on it.

By contrast, VLSFO prices have gained some in Fujairah and Zhoushan. This has narrowed Singapore's VLSFO premium over Fujairah to \$4/mt, while its discount to Zhoushan has nearly doubled to \$17/mt now.

Robust demand for HSFO has tightened availability of the grade further in Singapore, with lead times of 8-12 days recommended – almost unchanged from last week. On the other hand, demand for VLSFO remains "depressed," which has somewhat prevented tightening of the grade. Some suppliers can offer the grade with lead times of 5-8 days – almost unchanged from last week.

This has contributed to weaken VLSFO premiums, and resulted in Singapore's Hi5 spread narrowing to \$88/mt.

LSMGO remains readily available in the port, with short lead times of 2-4 days.

LSMGO availability remains good in the Omani ports of Duqm, Sohar, Salalah and Muscat, with prompt dates available.

Brent

The front-month ICE Brent contract has moved up by \$0.47/bbl on the day, to \$80.17/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have continued to gain upward momentum after a key US consumer price inflation (CPI) report showed both headline rates and core rates (excluding food and energy) rose by 0.2% month-on-month in June. The report came from the US Labor Department.

The CPI increase undershot an expected rise of 0.3%, said ING's market analyst James Knightley. "This means the annual rate of inflation [in the US] slows," he added in a note.

A slowdown in the annual rate of inflation might stop the US Federal Reserve (Fed) from hiking interest rates further, which could boost the economy and subsequently oil demand.

"Brent has finally broken out of the range it has spent almost two months trading in," said ING's market analyst Warren Patterson. "The key catalyst for the move was the US CPI data coming in below consensus," he further added.

Downward pressure:

Brent felt some downward pressure after the US Energy Information Administration (EIA) reported a big crude inventory build in the US. Commercial US crude oil inventories increased by 5.95 million bbls in the week that ended 7 July, which was much higher than the 3 million-bbl figure reported by the American Petroleum Institute on Tuesday.

Lower exports of US crude oil have led to this unexpected build, commented Warren Patterson. "The report was on the bearish side, given the large builds and weaker implied demand. However, clearly the market was more focused on US CPI data yesterday," he further added.

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