
# ENGINE: East of Suez Physical Bunker Market Update

## 14/07/23

Regional bunker benchmarks have moved in mixed directions, and several South Asian ports brace for possible weather disruptions.

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

- **VLSFO prices up in Fujairah ($2/mt), unchanged in Singapore and down in Zhoushan ($3/mt)**
- **LSMGO prices up in Fujairah ($12/mt), Singapore ($10/mt) and Zhoushan ($9/mt)**
- **HSFO prices up in Fujairah ($12/mt) and Singapore ($4/mt), and down in Zhoushan ($10/mt)**

VLSFO benchmarks have moved in mixed directions. Zhoushan’s VLSFO price moved counter to Brent’s upward thrust and dipped by $3/mt. One 500-1500 mt lower-priced VLSFO stem fixed in the past day has contributed to pull the benchmark down.

Zhoushan's HSFO price has also come down in the past day due to downward pressure from two lower-priced stems.

Availability across all grades remains good in Zhoushan. Most suppliers can offer deliveries with lead times of 2-5 days. However, smooth bunker deliveries are subject to weather conditions there. Bunker operations have been suspended by rough weather at three of Zhoushan’s anchorages since Monday. Bunkering is likely to resume fully on 18 July, when calmer weather is forecast.

Strong wind gusts of 18-31 knots and waves of more than four metres are forecast to hit Hong Kong intermittently between 18-21 July, which might disrupt bunker operations.

Bunker supply is said to be normal in Hong Kong amid sluggish demand. Lead times of around seven days are advised for all grades - virtually unchanged from last week.

Adverse weather conditions are also predicted in the Philippine port of Subic Bay between 15-17 July, the Thai ports of Koh Sichang and Leam Chabang between 16-21 July, the Vietnamese port of Ho Chi Minh between 15-21 July, and the Kiwi port of Tauranga between 16-17 July, which could disrupt bunker deliveries.

**Brent**

The front-month ICE Brent contract has moved up by $1.00/bbl on the day, to $81.17/bbl at 17.00 SGT (09.00 GMT).

**Upward pressure:**

Brent futures continued to move upward after supply disruptions occurred in Nigeria and Libya.

In Libya, production at El Feel and Sharara oil fields has been stopped since yesterday amid protests by a local tribe against the abduction of a former government official.

Meanwhile, in Nigeria, oil major Shell has suspended operations at Forcados oil terminal because of a potential leak in the facility. Both these disruptions are significant and will impact the global oil market, which is already seeing tight supply, commented ING's market analyst Warren Patterson.

"Crude prices are getting a boost from expectations that the oil market will get very tight as Libya and Nigeria deal with disruptions, also while Russian crude exports finally decline," said OANDA's analyst Ed Moya.

Brent felt additional upward pressure after both the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) released their monthly oil market reports yesterday.

IEA has raised its forecast for oil demand in 2024 by 1.1 million b/d, while OPEC has projected demand to grow by 2.25 million b/d in 2024. "This is quite aggressive when considering the uncertain macro-outlook," said Patterson.

The oil market is now hoping to see a strong oil demand in the US after a recent report by the US Labor Department suggested a slowdown in inflation.

**Downward pressure:**

Brent felt some downward pressure from growing uncertainties around China's economic recovery after recurring COVID-19 outbreaks. More hawkish moves from the US Federal Reserve (Fed) can also weigh down on Brent.

Further monetary tightening measures by the US Fed could strengthen the US dollar and increase borrowing costs for non-dollar currency holders. This could have a negative impact on oil demand growth.

*By Tuhin Roy and Aparupa Mazumder*