ENGINE: East of Suez Physical Bunker Market Update

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Prices have declined in major Asian hubs over the weekend, and bunkering has resumed at Zhoushan's slightly more sheltered Xiushandong anchorage today after being suspended by bad weather since 9 June.

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

- **VLSFO prices down in Fujairah ($25/mt), Zhoushan ($23/mt) and Singapore ($13/mt)**
- **LSMGO prices down in Zhoushan ($35/mt), Fujairah ($29/mt) and Singapore ($28/mt)**
- **HSFO prices down in Zhoushan ($12/mt), Singapore ($10/mt) and Fujairah ($6/mt)**

Bunker benchmarks in East of Suez ports have tracked Brent’s downward movement and declined over the weekend.

Zhoushan’s LSMGO and HSFO prices have fallen by $35/mt and $12/mt, respectively – steepest among major Asian hubs. The port’s LSMGO benchmark has come under pressure from some lower-priced indications over the weekend.

Meanwhile, despite the port’s VLSFO price drop, its VLSFO premiums over Fujairah and Singapore remain intact and stand at $18/mt and $4/mt, respectively.

Weak demand and weather-related disruptions have kept supply tightness in check in Zhoushan, a source says. Most suppliers can offer all grades with short lead times of 2-5 days, but deliveries remain subject to weather conditions.

Bunker deliveries have resumed at Zhoushan's slightly more sheltered Xiushandong anchorage today after being suspended by bad weather since 9 June, a source says. Bunkering is likely to resume fully tomorrow when calmer weather is forecast.

Meanwhile, prompt availability for all bunker fuel grades remains tight in Fujairah, with recommended lead times of 5-7 days – unchanged from last week.

Brent

The front-month ICE Brent contract has come off by $2.56/bbl on the day from Friday, to $78.61/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures traded upwards after supply disruptions in Libya and Nigeria last week put further pressure on global supply dynamics, following voluntary output cuts by Saudi Arabia and Russia that will extend into August.

Brent also drew some support from Chinese trade figures released by market intelligence provider JLC that showed oil imports in China hit recorded its second-highest ever monthly figure, with 52.06 million mt (12.72 million b/d) imported in June.

Moreover, a peak summer travel season in the US is putting upward pressure on Brent as demand growth is boosting oil market's sentiments.

"The fundamentals for higher prices in the coming months appear more encouraging," said SPI Asset Management's analyst Stephen Innes, referring to a decline in supply and the likelihood of rising demand.

Downward pressure:

Brent reversed last week's gains and fell below the $80/bbl mark after China reported weaker-than-expected gross domestic product (GDP) data, sparking concerns about slowing demand growth from the world's second-largest oil consumer.

According to a Reuter's report citing data released by the National Bureau of Statistics, China's GDP grew by a slight 0.8% from the first quarter to the the second quarter. The GDP numbers were adjusted for seasonality.

"The weaker than expected GDP numbers are likely to continue to cause concern for markets," said ING's head of commodities research Warren Patterson. Domestic Chinese oil demand grew at a strong pace in June, he said, but the market seems focused on weak headline GDP numbers.

Brent has also felt downward pressure after two of three previously shut Libyan oil fields resumed production over the weekend. Oil production was halted during protests that erupted after a former government official was abducted.

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