

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

18/07/23

Prices have moved in mixed directions in major Asian hubs, and bunkering remains suspended by bad weather at Zhoushan's OPL area since 9 July.

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

- **VLSFO prices up in Fujairah (\$2/mt) and Zhoushan (\$1/mt), and unchanged in Singapore**
- **LSMGO prices up in Singapore (\$4/mt), unchanged in Fujairah, and down in Zhoushan (\$4/mt)**
- **HSFO prices up in Zhoushan (\$12/mt), and down in Singapore (\$3/mt) and Fujairah (\$1/mt)**

VLSFO benchmarks in Fujairah and Zhoushan have resisted Brent's downward pull and gained some in the past day. Some higher-priced VLSFO indications in Fujairah and Zhoushan have kept their benchmarks elevated.

Zhoushan continues to price its VLSFO at higher levels than Fujairah and Singapore. The Chinese bunkering hub's VLSFO premiums over Fujairah and Singapore stand at \$17/mt and \$5/mt, respectively.

All grades remain readily available in Zhoushan, with short lead times of 2-5 days – virtually unchanged from last week. However, bunker deliveries are still subject to weather conditions.

Bunkering remains suspended by bad weather at the port's outer Tiaozhoumen and Xiashimen anchorages since 9 July. Bunker operations are likely to resume at these anchorages later today, when calmer weather is forecast, a source says.

Strong wind gusts of 21-27 knots and waves of more than two metres are predicted to hit the Sri Lankan port of Colombo between today and Thursday, which could hamper bunker deliveries. A source says VLSFO and LSMGO availability remains good in the Sri Lankan ports of Colombo and Trincomalee.

Brent

The front-month ICE Brent contract has shed \$0.05/bbl on the day, to \$78.56/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained some upward momentum amid concerns about a potential crude supply shortage in the US.

Baker Hughes on Monday reported a decline in active oil rigs in the US last week. The energy company in its latest report said that the number of active oil rigs in the US fell by three units to 537 last week, which is the lowest since April last year.

The oil market is now waiting for more cues from the Energy Information Administration's (EIA) weekly US crude stocks data.

On the demand side, market analysts said that oil demand in China was strong in June.

“Drilling deeper into the numbers suggests oil demand in China over June was fairly strong with implied demand growing almost 14% year-on-year,” said ING's head of commodities research Warren Patterson.

Downward pressure:

Brent pulled back from last week's highs and dropped below the \$80/bbl mark after China reported weaker-than-expected gross domestic product (GDP) figures.

Additionally, multiple sources have confirmed that Libya has resumed oil production from El-Sharara and El-Feel oilfields. Production from these oilfields was stopped last week following protests that erupted after a former government official was abducted.

“Crude prices are lower as China's economic recovery stalled and as Libya resumed production at key oil fields,” said OANDA's market analyst Ed Moya.

“Oil won't catch a bid unless China finally unleashes meaningful stimulus that propels large parts of the economy,” he added in a note.

By Tuhin Roy and Aparupa Mazumder

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