ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices have moved down in the East of Suez ports, and HSFO availability has tightened further in Singapore.

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

- **VLSFO prices down in Zhoushan ($12mt), Singapore ($8/mt) and Fujairah ($4/mt)**
- **LSMGO prices down in Fujairah ($12/mt), Zhoushan ($2/mt) and Singapore ($1/mt)**
- **HSFO prices up in Singapore ($4/mt) and Zhoushan ($1/mt), and down in Fujairah ($1/mt)**

VLSFO and LSMGO prices in major Asian bunker hubs have declined in the past day, tracking Brent's downward movement.

Zhoushan's VLSFO price has shed more than others, under pressure from lower-priced indications. The steeper price drop has narrowed its VLSFO premiums over Fujairah and Singapore to $7/mt and $6/mt, respectively.

All bunker fuel grades are in ample supply in Zhoushan amid weak demand. Several suppliers are able to supply all grades with lead times of 2-5 days, a source says.

Meanwhile, Singapore's HSFO price has moved counter to market direction and gained in the past day. Some higher-priced indications have supported the benchmark's resistance. "Stronger-than-expected demand" for HSFO coupled with some suppliers running low on stocks have contributed to tighten the grade further in Singapore. Some suppliers are recommending lead times of almost two weeks now – up from 9-13 days last week.

VLSFO also remains tight in the East Asian bunker hub, with lead times of 7-10 days advised. LSMGO is more readily available with shorter lead times of 5-7 days.

Availability remains good across all grades in Hong Kong, with lead times of around seven days recommended – almost unchanged from last week.

Brent

The front-month ICE Brent contract has decreased by $0.46/bbl on the day, to $79.80/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures received some upward thrust amid anticipation of tight supply.

Russia will reduce its oil exports by 2.1 million mt in the third quarter, in line with the planned voluntary cuts of 500,000 b/d in August, Reuters reported citing the country's energy ministry.

"Given the tightening that we expect in the oil market as we move through the second half of this year, we believe it is only a matter of time before Brent moves above $80/bbl," said ING's head of commodities strategy Warren Patterson.

Brent also gained some support from the decline in Russian seaborne crude flows, commented SPI Asset Management's analyst Stephen Innes. "Moscow is finally appearing to make good on its pledge to cut supply to international markets," he added in a note

Downward pressure:

Brent shed yesterday's gains as the US Energy Information Administration (EIA) report posted disappointing demand figures and a lower-than-expected drop in crude inventories, said OANDA's market analyst Ed Moya.

The EIA said that production cuts from OPEC members and increase in petroleum consumption will lead to an average inventory drawdown of 400,000 b/d between now and the end of next year.

"Some renewed strength in the USD weighed on oil prices yesterday, whilst US inventory data was not the most constructive," said Warren Patterson. "The EIA's weekly inventory report was also not the most constructive, with crude and gasoline draws coming in lower than expected," he added.

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