ENGINE: East of Suez Physical Bunker Market Update

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LSMGO prices in major Asian hubs have moved up, and bunkering has been suspended by bad weather in Zhoushan's OPL area this morning.

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

- **VLSFO prices up in Fujairah ($4/mt), unchanged in Singapore, and down in Zhoushan ($4/mt)**
- **LSMGO prices up in Fujairah ($5/mt), Singapore and Zhoushan ($4/mt)**
- **HSFO prices up in Fujairah ($3/mt) and Zhoushan ($2/mt), and down in Singapore ($1/mt)**

VLSFO prices in East of Suez ports have been mostly rangebound in the past day. Fujairah's VLSFO price has recovered some value in the past day and gained by a marginal $4/mt. Two VLSFO stems were fixed in a range of $7/mt in Fujairah in the past day. One stem at the higher end of the range has supported the benchmark's upward movement.

Fujairah's VLSFO price rise has erased its discount to Singapore, and narrowed its discount to Zhoushan to just $2/mt.

A source says good bunker demand has kept prompt availability of all grades under pressure in Fujairah. Lead time of 5-7 days for all grades has been widely recommended by several suppliers, while some are still open to supply prompt.

Bunker availability remains good in Zhoushan amid weak demand and weather-related disruptions. Lead times of 2-5 days are recommended for all grades in the Chinese bunkering hub, but the delivery of stems is subject to weather conditions.

Bunker deliveries have been suspended by bad weather in Zhoushan's OPL area this morning, a source says. Adverse weather conditions are forecast to persist till 27 July, which might keep bunker operations disrupted.

Rough weather conditions are also forecast in Hong Kong on 28 July, the Philippine port of Subic Bay between 25-26 July, the Thai ports of Koh Sichang and Leam Chabang between 25-28 July, the Vietnamese port of Ho Chi Minh between 25-28 July, and the Kiwi port of Tauranga on 22 July and 26 July, which might disrupt bunker operations.

Brent

The front-month ICE Brent contract has gained $0.39/bbl on the day, to $80.19/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent broke above the $80/bbl mark earlier today as the oil market focused on production cuts from major producers, such as Saudi Arabia and Russia. Additionally, China's recent pledge to support the country's economy by driving consumption has boosted Brent.

On Wednesday, China's highest economic planner, National Development and Reform Commission (NDRC), pledged to roll out policies to "stabilise growth in 10 sectors" and "increase support for private firms" in the world's biggest oil-importing nation, according to a Reuters report.

Moreover, Russia has pledged to reduce its oil exports by 2.1 million mt in the third quarter, in line with its planned voluntary cuts of 500,000 b/d in August.

Voluntary supply reduction has been the primary reason for the recent "mini-bull" run, said SPI Asset Management's analyst Stephen Innes. "With demand uncertainty still lingering, supply will likely drive higher prices vs. demand," he added in a note.

Downward pressure:

Brent felt some downward pressure as market analysts have raised doubts about Russia's compliance with oil exports. There are questions whether Russia will follow the export cuts it has announced for August, ING's head of commodities strategy Warren Patterson argued.

Lack of Russia's compliance with oil export cuts could limit the upside in Brent futures, said OANDA's market analyst Ed Moya.

He further noted that a few cuts in interest rates and support for the property market in China will not be sufficient to boost the country's economy. "If China doesn't appear strong the global growth outlook will get slashed and that could keep oil prices heavy a while longer," he added.

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