ENGINE: East of Suez Physical Bunker Market Update

24/07/23

Prices have moved up in major Asian bunker hubs over the weekend, and bunkering remains suspended by bad weather since Friday in Zhoushan's OPL area.

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

- **VLSFO prices up in Zhoushan ($19/mt), Singapore ($3/mt) and Fujairah ($1/mt)**
- **LSMGO prices up in Zhoushan (21/mt), Singapore ($19/mt) and Fujairah ($11/mt)**
- **HSFO prices up in Zhoushan ($17/mt), Fujairah ($16/mt) and Singapore ($9/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's upswing and gained over the weekend. All fuel grades in Zhoushan have gained steeper over the weekend. Higher-priced indications and stems have supported the benchmarks' gains.

The Chinese bunkering hub's steep VLSFO price rise has meant that its VLSFO premiums over Fujairah and Singapore have widened significantly by $16-18/mt to $20/mt and $18/mt, respectively.

Weak demand coupled with recent weather-related disruptions has ensured a steady supply for all grades in Zhoushan. But bunker deliveries are still subject to weather conditions, a source says.

Bunker deliveries have been suspended by bad weather since Friday in Zhoushan's OPL area, a source says. Adverse weather conditions are forecast to persist till the end of July, which could keep bunkering halted. The source asserts that it is "hard to tell" when bunkering will resume fully in the Chinese bunkering hub.

Meanwhile, the availability of HSFO has been getting tighter in Singapore amid strong bunker demand for the grade and some suppliers running low on stocks, a source says. Lead times of almost two weeks are recommended for the grade now.

VLSFO availability also remains tight in Singapore, with lead times of 9-12 days advised. LSMGO is more readily available, with shorter lead times of 5-8 days.

Brent

The front-month ICE Brent contract has increased by $0.91/bbl on the day from Friday, to $81.10/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures continued to gain upward momentum amid hopes for a Chinese stimulus after the country's highest economic planner pledged to roll out policies to stabilise growth in ten sectors.

Additionally, OPEC+ supply cuts announced in June have kept the oil market tight, helping Brent break the $80/bbl mark last week. "Oil prices are rising on optimism that the outlooks for China and India should keep the global crude demand outlook intact, while OPEC+ will make sure the market remains tight," said OANDA's market analyst Ed Moya.

Moreover, the International Energy Agency's (IEA) executive director Fatih Birol said on Saturday that oil markets are expected to tighten in the second half of this year. He further stated that the IEA's global oil demand growth projection would depend on China's economic growth in 2023.

Global oil demand is "very much dependent on the growth of many countries in the second half, but mainly Chinese growth prospects," Birol said at a meeting of Group of 20 energy ministers in India, Reuters reports.

Downward pressure:

Concerns about more hikes in interest rates to tame inflationary pressure has put some downward pressure on Brent.

The oil market is awaiting fresh cues on interest rate hikes this week from the US Federal Reserve (Fed) chairman Jerome Powell and the European Central Bank (ECB) president Christine Lagarde.

Rise in interest rates often hamper demand-side dynamics as dollar-denominated goods become costlier for holders of non-dollar currencies.

Separately, the UAE Energy Minister Suhail al-Mazrouei told Reuters that the actions by OPEC+ to support supply-demand dynamics in the oil market are "sufficient for now".

"Another bearish piece of news worth considering is the UAE's view that the existing OPEC+ cuts are adequate to balance the market," said Mukesh Sahdev, head of downstream and oil trading at Rystad Energy.

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