ENGINE: East of Suez Physical Bunker Market Update

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Prices in major Asian bunker hubs have moved up, and prompt availability of VLSFO has been tight in Fujairah.

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

- **VLSFO prices up in Fujairah ($16/mt), Singapore ($14/mt) and Zhoushan ($8/mt)**
- **LSMGO prices up in Zhoushan (36/mt), Singapore ($17/mt) and Fujairah ($9/mt)**
- **HSFO prices up in Fujairah and Zhoushan ($12/mt) and Singapore ($10/mt)**

Bunker benchmarks in East of Suez ports have gained for second consecutive day. Fujairah's VLSFO price has risen by $16/mt in the past day – the steepest among major Asian hubs. Five VLSFO stems have been fixed in Fujairah in a wide range of $17/mt. All the stems were priced higher than Fujairah's VLSFO price in the previous session and contributed to the benchmark's upswing.

The UAE port's steep VLSFO price rise has meant that its VLSFO discount to Singapore has been erased. Fujairah's VLSFO discount to Zhoushan has narrowed to $12/mt.

Prompt availability of VLSFO remains under pressure in Fujairah, with one supplier recommending lead times of 5-8 days – almost unchanged from last week. Lead times for LSMGO and HSFO have also remain unchanged at 5-7 days in Fujairah.

Meanwhile, availability of all grades has tightened in South Korean ports. Some suppliers, who were offering all bunker fuel grades at lead times of around 2-6 days, are now offering the grades at longer lead times of 5-8 days.

Bad weather conditions are forecast in the South Korean ports of Ulsan, Onsan and Busan between 26-30 July, in Daesan and Taean between 29-30 July, and in Yeosu between 28-30 July, all of which might disrupt bunker operations.

Brent

The front-month ICE Brent contract has gained $1.47/bbl on the day, to $82.57/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Crude oil supply cuts from the Organization of Petroleum Exporting Countries (OPEC), led by Saudi Arabia and its allies including Russia have supported Brent’s upward thrust.

“Crude prices are tentatively breaking out as expectations remain for the oil market to remain tight despite all global weakness that is emerging,” said Ed Moya, OANDA’s market analyst.

The oil market has also taken support from the Chinese Communist Party Politburo meeting, where the Chinese government decided to provide further support to ten sectors, ING’s head of commodities research Warren Patterson said.

“China is key for global oil demand growth this year and the market has been getting increasingly concerned over the weaker-than-expected economic recovery, so any support measures will be helpful in easing some of these concerns,” Patterson added in a note.

Downward pressure:

Weak economic activity around the world has made the oil market wary about global crude oil demand growth in 2023, putting some downward pressure on Brent.

Economic growth in Europe and the US is “looking very weak” right now, commented Moya. “China’s Politburo isn’t expected to unveil major stimulus this week,” he added.

Oil traders are now looking for fresh cues on interest rate hikes from the US Federal Reserve (Fed) and the European Central Bank (ECB).

“The market's instability is further fueled by the ongoing tug-of-war between fears of demand control by Western economies and the supply-control strategies employed by OPEC, which impacts the oil market's delicate balance,” said Rystad Energy’s analyst Mukesh Sahdev.

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