ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved up in the past day, and VLSFO and HSFO availability remains tight in Singapore.

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

- **VLSFO prices up in Singapore ($9/mt) and Fujairah and Zhoushan ($6/mt)**
- **LSMGO prices up in Fujairah ($17/mt), Zhoushan (10/mt) and Singapore ($3/mt)**
- **HSFO prices up in Fujairah ($8/mt) and Singapore and Zhoushan ($6/mt)**

Bunker benchmarks in major Asian bunker hubs have tracked Brent's upswing in the past day and have gained for the third consecutive day.

Singapore's VLSFO price rose by $9/mt in the past day – steepest among major East of Suez ports. Two VLSFO stems have been fixed in a wide range of $20/mt in the East Asian hub. Both stems were priced higher than Singapore's VLSFO price in the previous session and supported the benchmark's upward movement.

Singapore's VLSFO price rise has meant that its VLSFO discount to Zhoushan has narrowed marginally to $9/mt. Meanwhile, its VLSFO price has moved up from yesterday's parity levels to Fujairah, to a slight premium of $3/mt.

A source says that weak demand for VLSFO coupled with higher imports of the grade have contributed to weaken VLSFO's price premiums in Singapore in recent weeks. While there seems to be an ample supply of VLSFO, prompt availability remains under pressure and lead times of 9-12 are still recommended for bunker deliveries in the East Asian bunker hub – slightly up from last week.

Securing HSFO stems can be difficult in Singapore, with most suppliers advising lead times of almost two weeks for the grade. LSMGO remains more readily available, with shorter lead times of 5-8 days.

Brent

The front-month ICE Brent contract has increased by $0.65/bbl on the day, to $83.22/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent drew upward support from recent government data on Saudi Arabia's oil exports, which showed a 40% decline in May, according to a Reuters report.

Oil investors are now waiting to see if Saudi Arabia and Russia will extend voluntary production cuts into September. Brent futures gained upward momentum and surpassed the $80/bbl mark after Saudi Arabia and Russia announced reductions in oil exports, earlier this month.

OPEC+ oil producers "will need to manage expectations and be careful on how they go about unwinding this cut," ING'S head of commodities strategies Warren Patterson said.

Additionally, Brent futures drew support from the International Monetary Fund's (IMF) report released on Tuesday. The IMF raised its world gross domestic product (GDP) forecast from 2.8% to 3% for 2023 and 2024.

"The outlook for global growth is the key for the crude demand outlook and right now it seems that might only get better as we get more stimulus out of China and as soft-landing hopes grow for the US," said OANDA'S market analyst Ed Moya.

Downward pressure:

Brent felt some downward pressure after data released by the American Petroleum Institute (API) showed a build in US crude inventories, Reuters reports. The US crude stocks rose by about 1.32 million bbls last week, the report said citing API figures.

Moreover, oil investors are expecting a 25 basis-point interest rate hike by the US Federal Reserve (Fed) later today. This could be the last hike cycle, commented SPI Asset Management's analyst Stephen Innes.

"However, any signal from the Fed that they have more to do will likely put some downward pressure on risk assets, including oil," he added.

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