ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices have moved up in East of Suez ports, and ample availability for all grades in Zhoushan.

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

- **VLSFO prices up in Fujairah ($15/mt), Singapore ($12/mt) and Zhoushan ($6/mt)**
- **LSMGO prices up in Fujairah ($14/mt) and Singapore ($3/mt), and down in Zhoushan (1/mt)**
- **HSFO prices up in Zhoushan ($6/mt), and down in Fujairah ($5/mt) and Singapore ($4/mt)**

VLSFO benchmarks in East of Suez ports have moved up for the fourth straight day. Fujairah’s VLSFO price gained by $15/mt – steepest among major Asian hubs. Some higher-priced VLSFO indications in the past day along with a higher-priced 500-1500 mt VLSFO stem fixed today have supported the benchmark’s upswing.

Fujairah’s steep VLSFO price rise has meant that its VLSFO discount to Singapore has been erased, and its discount to Zhoushan has narrowed to just $3/mt.

Securing prompt stems of VLSFO remain difficult in the Middle Eastern bunker hub, with some suppliers recommending 5-8 days lead time – almost unchanged from last week. Lead times of 5-7 days are advised for LSMGO and HSFO in the port.

Meanwhile, availability across all bunker fuel grades remains good in Zhoushan, with prompt supply available. But prompt deliveries are still subject to weather conditions, a source says.

While bunkering at the port's slightly more sheltered inner Xiushandong anchorage has resumed this morning, it remains suspended at the outer Tiaozhoumen and Xiazhimen anchorages since last Friday amid rough weather conditions.

But operations at the Xiushandong anchorage could be suspended again if weather conditions deteriorate further. The source adds that it is “hard to tell” when bunkering will resume fully in the Chinese bunkering hub.

Brent

The front-month ICE Brent contract has gained $0.38/bbl on the day, to $83.60/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures continued to move up as tight supply in oil markets and hopes of a stronger Chinese demand outweighed concerns about a downfall in the global economy.

Oil investors are now focusing on the Organization of the Petroleum Exporting Countries (OPEC) and its allies' monthly joint ministerial monitoring committee meeting next week. The outcomes of the meeting will reveal if the group of oil producers decides to extend voluntary crude oil production cuts into September as well.

Additionally, China's recent pledge to accelerate economic growth in ten different sectors has spurred hopes in the oil market, with the expectation to see demand growth in the world's largest crude oil importer.

"The market is more optimistic following China's Politburo meeting, where there were promises for more support measures for the domestic economy," said Warren Patterson, ING's head of commodities research.

Downward pressure:

Brent felt some downward pressure after the US Federal Reserve's (Fed) Open Market Committee (FOMC) raised interest rates by 0.25 percentage points to 5.25-5.5%.

According to several market analysts, there is still room for another hike. "Minimal changes were made to the post-meeting statement," said SPI Asset Management's analyst Stephen Innes. "The statement did not signal a slower pace for rate hikes at future meetings," he further added.

Monetary tightening measures taken by the US Fed in the recent past have strengthened the US dollar, making it expensive for non-dollar currency holders to buy dollar-denominated commodities such as oil. Further rate hikes could have a negative effect on global oil demand, putting downward pressure on Brent.

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