

MARKET UPDATE EAST OF SUEZ



ENGINE: East of Suez Physical Bunker Market Update

28/07/23

VLSFO and HSFO prices have moved up in East of Suez ports, and bunkering has been suspended by rough weather across all anchorages in Zhoushan since yesterday.

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

- **VLSFO prices up in Zhoushan (\$10/mt) and Singapore (\$5/mt), and unchanged in Fujairah**
- **LSMGO prices up in Zhoushan (17/mt) and Singapore (\$15/mt), and down in Fujairah (\$5/mt)**
- **HSFO prices up in Fujairah (\$6/mt), Zhoushan (\$4/mt) and Singapore (\$3/mt)**

VLSFO benchmarks in most regional ports have tracked Brent's upward movement and gained for the fifth consecutive day.

Zhoushan's VLSFO price has risen by \$10/mt in the past day – steepest among major Asian bunker hubs. Some higher-priced VLSFO indications in the past day lent support to the Chinese bunkering hub's benchmark.

Zhoushan's VLSFO price rise has meant that its VLSFO premiums over Fujairah and Singapore have widened to \$13/mt and \$8/mt, respectively.

Prompt availability of all bunker fuel grades is said to be normal in Zhoushan. However, delivery of stems is subject to weather conditions.

Bunker deliveries have been suspended by rough weather at Zhoushan's inner anchorage of Mazhi since last evening, a source says. Meanwhile, bunkering resumed at the port's slightly more sheltered Xiushandong anchorage for a short duration yesterday morning, before being halted again in the afternoon. All four anchorages in the Chinese bunkering hub are now suspended.

Adverse weather conditions have been caused by the influence of typhoon Doksuri. Meanwhile, tropical storm Khanun is likely to intensify into another typhoon over the weekend, which might result in another spell of bad weather conditions, according to the Philippine meteorological agency PAGASA.

Rough weather conditions are likely to persist till the beginning of August, which could keep bunkering disrupted. The source says its "difficult to tell" as to when bunkering can resume fully.

After lashing the coastline of northern Philippines on Wednesday, typhoon Doksuri made landfall in China's southeastern Fujian province this morning, Chinese state broadcaster CCTV said. Ports in the coastal provinces of Fujian and Zhejiang in China are likely to bear the brunt of the typhoon.

Meanwhile, Taiwanese meteorological agency Central Weather Bureau has issued wind and rain alerts for the southern and eastern parts of Taiwan, which includes the port city of Kaoshiung.

Brent

The front-month ICE Brent contract has moved up by \$0.45/bbl on the day, to \$84.05/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Strong economic data from the US and supply cuts in the crude oil market have helped Brent to continue its upward movement this week.

The US gross domestic product (GDP) in second quarter grew at 2.4%, Reuters reported on Thursday, citing the US Commerce Department.

On the supply side, Saudi Arabia is expected to extend supply cuts into September, said Price Futures Group's analyst Phil Flynn.

"The speculation that Saudi Arabia is going to extend the lollipop production cut until the end of the year and more signs that Russia is acting to rein in production is going to solidify a floor for oil prices," he added in a note.

Downward pressure:

Brent has been under some pressure after the US Federal Reserve (Fed) hiked interest rates by another 0.25 basis point earlier this week.

The European Central Bank (ECB) also hiked interest rates after the Fed's announcement on Wednesday. Recent hikes in interest rates from central banks all over the world have been affecting the global demand outlook.

Additionally, oil market analysts have raised concerns about how and when China will roll out new policies to support its economic growth. China recently promised to boost growth in ten domestic sectors.

"We still need to wait for actual policies - the risk is that these policies fall short of expectations," ING's head of commodities strategy Warren Patterson said, referring to China's recent pledge.

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