ENGINE: East of Suez Physical Bunker Market Update

31/07/23

Most bunker prices have moved up over the weekend, and bunkering has resumed in Zhoushan's inner anchorage of Mazhi after being suspended by bad weather since Friday.

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

- **VLSFO prices up in Zhoushan ($13/mt) and Singapore ($11/mt), and unchanged in Fujairah**
- **LSMGO prices up in Zhoushan ($27/mt), Singapore ($13/mt) and Fujairah ($9/mt)**
- **HSFO prices up in Singapore ($25/mt) and Fujairah ($6/mt), and unchanged in Zhoushan**

Most bunker benchmarks have tracked Brent's upward movement and gained over the weekend. Zhoushan's VLSFO and LSMGO price gains have been much greater than other ports, while its HSFO price has been steady.

Zhoushan's VLSFO price rise has meant its VLSFO premiums over Fujairah and Singapore have widened to $26/mt and $10/mt, respectively. Meanwhile, the Chinese bunkering hub's unchanged HSFO price has erased its premium over Singapore, and flipped to a discount of $10/mt now.

In recent weeks, availability across all grades has remained good in Zhoushan. Several suppliers are recommending lead times of 2-5 days – almost unchanged from last week. However, prompt deliveries are subject to weather conditions.

Bunker operations have resumed at Zhoushan's inner anchorage of Mazhi from yesterday morning after being suspended for two days due to bad weather, a source says. Adverse weather conditions have been triggered by Typhoon Khanun, which is expected to enter the East China Sea on Wednesday evening, Chinese state-run news agency CGTN reported.

Bunker deliveries are likely to resume fully at all of these anchorages from 4 August or "even later," the source adds. Japanese meteorological agency Japan Meteorological Agency (JMA) has also issued typhoon alerts for the island of Okinawa due to typhoon Khanun.

Brent

The front-month ICE Brent contract has gained $0.94/bbl on the day from Friday, to $84.99/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent has extended gains from last week following comments from several market analysts, who emphasized on tightening of the global oil supply amid strong demand.

"Oil and product prices are starting to come to grips with a looming supply shortage," said the Price Futures Group's senior market analyst Phil Flynn.

Additionally, market analysts have said that any sign of improvement in China's economy after the country's pledge to support different financial sectors will drive demand growth for commodities such as oil.

"China's demand is now surpassing expectations, helping the likelihood of a price overshoot," said SPI Asset Management's analyst Stephen Innes.

Downward pressure:

Meanwhile, there are concerns in oil markets about the announcement of supportive policies by the Chinese government to spur growth in its economic sectors. These concerns have put some downward pressure on Brent futures.

"Up until now, there haven't appeared to be any actual policies that have been announced," said ING's head of commodities research Warren Patterson.

China is key for global oil demand growth, Patterson further commented. "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," he added in a note.

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