ENGINE: Americas Bunker Fuel Market Update

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Bunker prices in Americas ports have mostly dropped with Brent, and Houston's Hi5 spread has narrowed.

Changes on the day to 08.00 CDT (13.00 GMT) today:

- **VLSFO prices up in Balboa ($10/mt), and down in Los Angeles and New York ($15/mt), Houston ($13/mt) and Zona Comun ($8/mt)**
- **LSMGO prices up in Los Angeles and Zona Comun ($25/mt), Houston ($23/mt), New York ($15/mt) and Balboa ($13/mt)**
- **HSFO prices up in Balboa ($2/mt), and down in Los Angeles ($14/mt) and Houston and New York ($6/mt)**

Houston's VLSFO price has fallen more than the port's HSFO price in the past day. This has narrowed Houston's Hi5 spread from $75/mt yesterday, to $68/mt now. Similarly, New York and Los Angeles' Hi5 spreads have also narrowed to $72/mt and $77/mt, from yesterday's $81/mt and $78/mt, respectively.

Los Angeles and Zona Comun's LSMGO prices have each dropped by $25/mt in the past day. Zona Comun's grade continues to trade at a premium of $38/mt over Los Angeles.

But Los Angeles' LSMGO benchmark is still priced at massive premiums of $106/mt over Houston's LSMGO, and $89/mt over New York's.

Bunker operations have been running smoothly at Zona Comun anchorage in Argentina. Calmer weather is forecast through the weekend. However, strong winds of up to 28 knots are again expected to hit the region from Monday onwards, which could delay bunkering or trigger a suspension there.

Brent

The front-month ICE Brent contract has dropped by $0.85/bbl on the day, to $84.43/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Brent futures continued to draw support from the supply cuts announced by Saudi Arabia-led oil-producer group OPEC+ and output disruptions in Nigeria. Oil and gas company Shell suspended operations at its Forcados oil terminal in Nigeria last month because of a possible leak.

Meanwhile, OPEC and its allies' total oil output dropped by around 900,000 b/d in July due to production cuts from Saudi Arabia and Nigeria, commented Warren Patterson, ING's head of commodities strategy.

Moreover, recent inventory figures from the Energy Information Administration (EIA) also supported Brent's upward thrust. The EIA reported a 17 million bbl draw in the US crude inventories, for the week ended 28 July, surpassing the 15.4 million bbls decline reported by the American Petroleum Institute (API) on Tuesday.

Market analysts have said that this drop in the US oil inventories can boost demand during the summer season in the world's largest oil consumer.

"The oil market just got even tighter as inventories are at the lowest levels since 1985, said OANDA's market analyst Ed Moya. "The API report posted a hefty, so many energy traders expected a big drop with stockpiles and solid demand stats," he further added.

Downward pressure:

Brent shed earlier gains after ratings agency Fitch downgraded the main US credit rating to 'AA+' from 'AAA'. The 'AAA' rating holds a higher value than 'AA+'.

The downgrade in the credit rating was due to the US government's current debt burden situation, Fitch said. "The repeated debt-limit political standoffs and last-minute resolutions have eroded confidence in fiscal management," the rating agency said in its report.

Additional downward pressure acting on Brent is due to market anticipation of further interest rate hikes by the US Federal Reserve (Fed) in the coming days. This could strengthen the US dollar and make commodities such as oil costlier for non-dollar buyers.

"Since oil had a steady rise over the past month, it was ripe for a pullback. A strong dollar is getting in oil's way," Ed Moya wrote.

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