ENGINE: Americas Bunker Fuel Market Update

08/08/23

Bunker benchmarks in Americas have taken mixed directions again, and HSFO supply is limited in Callao.

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

- **VLSFO prices up in Los Angeles ($16/mt) and New York ($2/mt), and down in Balboa ($9/mt) and Houston ($7/mt)**
- **LSMGO prices up in Los Angeles ($27/mt), and down in Balboa ($18/mt), New York ($17/mt) and Houston ($14/mt)**
- **HSFO prices up in New York ($3/mt), and down in Balboa ($11/mt) and Houston ($10/mt)**

Los Angeles' LSMGO price has defied Brent's downward movement by gaining in the past day. Houston's LSMGO, on the other hand, has dropped in the past day, to widen the port's LSMGO discount to Los Angeles from yesterday's $110/mt, to $151/mt now.

Los Angeles' LSMGO premiums over New York and Balboa stand at $93/mt and $119/mt, respectively.

HSFO availability is limited in Peru's Callao, partly because one supplier is unable to offer HSFO stems there for prompt dates as well for dates further out. Prompt VLSFO and LSMGO are readily available in Callao, a source says.

Bunker fuel availability is normal at Argentina's Zona Comun anchorage. One supplier can deliver LSMGO stems for very prompt dates (0-3 days) if the weather permits. In the past week, rough weather conditions have disrupted bunker operations in Zona Comun. High winds are forecast again from Friday onwards and could push back bunker operations.

Low water levels in Gatun Lake have led to a series of operational restrictions in recent weeks that are causing delays in transit through the Panama Canal. Ships that are booked to make port calls in Balboa and Cristobal are facing challenges due to long wait times of around 17 days for transit, a source says.

Brent

The front-month ICE Brent contract has declined by $1.91/bbl on the day, to $83.85/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Upward pressures acting on Brent futures this week include a recent announcement from Saudi Aramco. The state-owned oil company has raised the official selling price (OSP) for its Arab light crude grade for exports to Asia in September.

“The Saudis are raising prices across most of Asia and Europe, with the Arab light crude only being boosted by 30 cents, which was less than the 50-cent rise expected by traders,” said OANDA’s analyst Ed Moya.

Moreover, the Russia-Ukraine war has put some upward pressure on Brent, after a Russian ship was attacked by a Ukrainian drone near the Novorossiysk port.

“Ukraine drone attack on a port is increasing the insurance cost for grains and for oil coming out of the region,” said the Price Futures Group’s senior market analyst Phil Flynn. “It’s another supportive factor that will keep oil prices from falling too far,” he added in a note.

Downward pressure:

Poland-based pipeline operator PERN said that it has restored "full functionality of the damaged [Druzhba] pipeline line on Monday evening." Oil flow through the pipeline was temporarily halted over the weekend due to a suspected leak in a section of the Druzhba pipeline.

Resumption of the pipeline, which supplies oil to Europe, has eased supply concerns.

Additionally, China reported a major drop in oil imports in July, raising concerns about demand growth in the world’s largest oil-importing nation, Reuters reported citing data from China’s General Administration of Customs. The country's crude oil imports were 10.29 million b/d in July, down 19% from the previous month.

Meanwhile, China’s highest state planner, the Communist Party Politburo pledged to accelerate growth in consumption in ten economic sectors that have been affected by continuous COVID-19 outbreaks. However, Chinese authorities have not yet announced any concrete measures in this regard.

“Oil prices could feel a bit of the broader commodity downdraft as traders try to determine the actual economic impacts and the increased demand for oil products these policies would generate,” said SPI Asset Management’s analyst Stephen Innes.

By Debarati Bhattacharjee and Aparupa Mazumder