ENGINE: Americas Bunker Fuel Market Update

18/08/23

Bunker benchmarks in Americas ports have taken mixed directions, and Hurricane Hilary is posing a threat to vessels around Southern California.

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

- **VLSFO prices up in New York ($6/mt), and down in Balboa ($7/mt), Zona Comun ($4/mt), Los Angeles ($3/mt) and Houston ($2/mt)**
- **LSMGO prices up in Balboa ($15/mt) and New York ($10/mt), and down in Los Angeles ($8/mt), Zona Comun ($6/mt) and Houston ($4/mt)**
- **HSFO prices up in Houston ($4/mt) and New York ($1/mt), and down in Balboa ($10/mt) and Los Angeles ($3/mt)**

New York's LSMGO price has again countered Brent's movement by gaining, with support from a higher-priced LSMGO stem fixed in the past day. Los Angeles' LSMGO price has dropped for the third consecutive day. This has narrowed Los Angeles' LSMGO price premium over New York from $82/mt, to $64/mt now.

Houston's HSFO price has also defied Brent's downward movement and gained marginally in the past day, to trade at a premium over other Americas ports.

Meanwhile, Houston's VLSFO price has dropped, to narrow its Hi5 spread further from $58/mt, to $52/mt now. HSFO is tight and only offered by a few suppliers, which has contributed to narrow the port's Hi5 spread.

Hurricane Hilary is projected to strengthen and hit Southern California over the weekend. The hurricane is posing a risk of flooding from heavy rainfall, strong winds and dangerous storm surges and waves, according to the US National Hurricane Center (NHC). Suppliers in San Diego, Los Angeles, Long Beach and San Francisco have been warned of possible delays.

Brent

The front-month ICE Brent contract has shed $0.79/bbl on the day, to trade at $83.49/bbl at 08.00 CDT (13.00 GMT) today.

Upward pressure:

Concerns over tight supply have resurfaced today and helped Brent futures to gain upward momentum.

“[Crude oil] supplies are tight and are getting tighter,” said Price Futures Group’s market analyst Phil Flynn. “If you look at US crude oil inventories, they are about 1% below the five-year average for this time of year,” Flynn said in a note.

Earlier this month, Saudi Arabia and Russia pledged to extend their supply cuts into September. The move has provided support to Brent futures in recent weeks.

Moreover, the People’s Bank of China (PBoC) cut key policy rates for the second time in three months on Tuesday to support the country's economic recovery, Reuters reported. Oil traders gained some confidence after the central bank in the world’s largest crude importing nation decided to hold back monetary tightening, to drive demand growth.

“Investors find comfort in the PBoC's demonstrated willingness to leverage its comprehensive policy toolkit to steer the situation in a positive direction,” said SPI Asset Management’s analyst Stephen Innes.

Downward pressure:

Brent felt some downward pressure amid growing fears of more interest rate hikes by the US Federal Reserve (Fed). At a Federal Open Market Committee (FOMC) meeting in July, Fed officials indicated that further rate hikes are possible to combat inflation. The next FOMC meeting is scheduled to take place on 19 and 20 September.

A higher interest rate could reduce consumer spending and drive oil demand down.

Additionally, Chinese oil data has also weighed down on Brent this week. China’s total crude oil imports in July were about 43.69 million mt, down 18.8% from June, JLC reported.

By Debarati Bhattacharjee and Aparupa Mazumder