

# MARKET UPDATE AMERICAS



## ENGINE: Americas Bunker Fuel Market Update

31/08/23

Americas bunker prices have mostly gained with Brent, and Tropical Storm Idalia continues to pose a threat to the vessels around Carolinas.

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

- **VLSFO prices up in Balboa (\$9/mt), Zona Comun (\$8/mt) and Houston (\$7/mt)**
- **LSMGO prices up in New York, Los Angeles and Zona Comun (\$13/mt) and Houston (\$12/mt), and down in Balboa (\$10/mt)**
- **HSFO prices up in Houston and Balboa (\$3/mt)**

Los Angeles' LSMGO price has gained with Brent in the past day and continues to be priced at a premium over other ports in the Americas. Priced at \$1,151/mt, Los Angeles' LSMGO price is trading at premiums of \$55/mt, \$73/mt and \$111/mt over Zona Comun, Balboa and New York, respectively.

Demand for LSMGO in Los Angeles has been very strong in the past week, which could have supported gains in the port's benchmark. Despite high demand, most of the suppliers in Los Angeles are able to deliver the grade for prompt delivery dates.

Bunker deliveries have remained suspended in the Bahamas' Freeport since yesterday due to strong wind gusts of up to 33 knots. Weather conditions are forecast to improve later today.

Hurricane Idalia made landfall in Florida's west coast Big Bend region yesterday and moved on across southeastern Georgia and South Carolina. Port operations and bunkering have resumed in a few Floridian ports, but remain suspended in the Port of Tampa, SeaPort Manatee and Port St. Pete. These ports are expected to reopen today after the US Coast Guard's approval.

The hurricane weakened into a tropical storm as it moved across North Carolina, where the Port of Morehead City and Port Wilmington remain closed.

## **Brent**

The front-month ICE Brent has increased by \$0.97/bbl on the day, to trade at \$86.69/bbl at 08.00 CDT (13.00 GMT) today.

### **Upward pressure:**

Commercial US crude inventories fell by 10.58 million bbls in the week ended 25 August, according to the US Energy Information Administration (EIA). While the weekly stock draw fell short of the 11.49 million-bbls drop estimated by the American Petroleum Institute, US crude stocks have plunged to 422.92 million bbls for the first time since December last year.

Meanwhile, ING's head of commodities strategy Warren Patterson expects Saudi Arabia to extend its voluntary output cut of 1 million b/d into October.

A potential extension of Saudi Arabia's production cut combined with a rapid decline in US crude oil inventories could lead to a significant tightening of supply in the global oil market.

News reports about a military coup in West Africa's Gabon have exacerbated supply concerns. OPEC member Gabon produced 210,000 b/d of oil in July, according to the International Energy Agency. "While the volumes [from Gabon] are relatively small, clearly any disruption in what is already a tight market does not help," ING's Patterson said

### **Downward pressure:**

On the flip side, a sharp rise in Brent futures could be capped by a possible increase in supply from Iran, Iraq, and Venezuela.

Iran is expected to increase its oil output to around 3.4 million b/d by the end of summer. This will bring Iran's oil production near pre-sanction levels of 3.8 million b/d, Patterson noted. "This comes against the backdrop of apparently greater willingness between the US and Iran to improve diplomacy, evident with a recent deal for a prisoner swap and the release of frozen Iranian funds."

Meanwhile, demand jitters amid China's economic concerns remain a metaphorical thorn in Brent's side.

"Tenacious economic apprehensions concerning China persist" despite optimism over additional policy measures, Stephen Innes, managing partner at SPI Asset Management said.

"The current perspective on China's growth trajectory has become increasingly fixated on the pivotal policy choices that Chinese authorities must navigate," he added.

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