ENGINE: East of Suez Physical Bunker Market Update

02/08/23

Bunker benchmarks in major Asian bunker hubs have moved up, and the availability has tightened in Zhoushan due to bunker backlogs caused by recent weather-related disruptions.

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

- **VLSFO prices down in Fujairah ($22/mt), Singapore ($3/mt) and Zhoushan ($2/mt)**
- **LSMGO prices up in Singapore ($35/mt), Fujairah ($10/mt) and Zhoushan ($3/mt)**
- **HSFO prices up in Singapore ($9/mt), Fujairah ($5/mt) and Zhoushan ($3/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's upswing and gained in the past day. Fujairah's VLSFO price has risen by $22/mt – the steepest among major Asian bunker hubs. One higher-priced 1500 mt VLSFO stem fixed in the past day has lent support to the benchmark's upward push.

This has meant that Fujairah's VLSFO discounts to Singapore and Zhoushan have flipped to premiums of $5/mt and $2/mt, respectively.

Good demand has kept prompt availability of all grades under pressure in Fujairah, with most suppliers recommending lead times of 5-7 days. But some can supply prompt dates, but these deliveries depend on stem sizes, a source says.

Meanwhile, Singapore's LSMGO and HSFO prices have gained by $35/mt and $9/mt, respectively – most among major Asian hubs. Singapore's steep LSMGO price rise has meant that its LSMGO discounts to Zhoushan and Fujairah have again reversed to premiums of $18/mt and $16/mt, respectively.

Securing VLSFO and HSFO stems can be difficult in Singapore, with several suppliers advising lead times of 12-14 days and 11-13 days, respectively – virtually unchanged from last week. LSMGO is more readily available, with shorter lead times of 4-7 days.

A source says that availability across all grades in Zhoushan has come under pressure due to "a lot of backlogs" amid persistent weather-related disruptions. Several suppliers are now quoting lead times of around six days – up from 2-5 days in the earlier part of the week.

Brent

The front-month ICE Brent contract has gained $0.27/bbl on the day, to $85.51/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent gained upward momentum after the US oil inventory data by the American Petroleum Institute (API) showed a drop of 15.4 million bbls in the week ended 28 July, Reuters reported citing market sources.

The fall in US oil stocks has raised hopes of strong demand growth during the summer season in the world's largest oil consumer.

"Oil was the biggest gainer in July, wiping out all its cumulative losses from H1 to go flat on the year," said SPI Asset Management's analyst Stephen Innes.

Separately, the US government has offered to buy 6 million bbls of oil for the US Strategic Petroleum Reserve (SPR), a spokesperson from the US Energy Department told Reuters.

Oil investors are now waiting for more cues from the OPEC+ meeting later this week. They expect Saudi Arabia to announce an extension of its voluntary output cuts into September.

Downward pressure:

Brent futures felt some downward pressure amid growing concerns about China's economic recovery.

Market analysts argue that actual improvement in demand in the world's second-largest oil importer can only be seen if China discloses the strategies it has adopted to tackle COVID-19 outbreaks.

Additionally, further interest rate hikes by the US Federal Reserve (Fed) can also weigh down on Brent as a strong greenback makes commodities such as oil costlier for non-dollar buyers. The US Fed hiked interest rates by 25 basis points last week.

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