

MARKET UPDATE EAST OF SUEZ

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ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed directions across East of Suez ports, and prompt availability for all grades has tightened in Fujairah and Zhoushan.

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

- **VLSFO prices up in Fujairah (\$2/mt), and down in Singapore and Zhoushan (\$8/mt)**
- **LSMGO prices down in Zhoushan (\$27/mt), Singapore (\$10/mt) and Fujairah (\$4/mt)**
- **HSFO prices up in Fujairah (\$14/mt) and Singapore (\$2/mt), and down in Zhoushan (\$17/mt)**

Fujairah's VLSFO price has moved opposite to the general market direction and gained \$2/mt in the past day. Some higher-priced VLSFO indications in the port have aided the benchmark's resistance against Brent's downward pull. The Middle Eastern hub's HSFO price has also risen by \$14/mt – the steepest among major Asian bunker hubs.

Fujairah's VLSFO price rise has meant that its VLSFO premiums over Singapore and Zhoushan have widened to \$15/mt and \$12/mt, respectively. Meanwhile, despite the port's HSFO steep price rise, Fujairah's HSFO discounts to Singapore and Zhoushan stand at \$30/mt and \$16/mt, respectively.

Prompt availability across all grades remains tight in Fujairah amid strong bunker demand, with several suppliers recommending lead times of 5-7 days – unchanged from last week. However, some can supply prompt dates for all grades depending on stem size, a source says.

"A lot of backlogs" as a result of persistent weather-related disruptions have put prompt availability of all grades under pressure in Zhoushan, with lead times going up from 2-5 days in the earlier part of the week to around six days now.

Bunkering across all anchorages in Zhoushan has been suspended by bad weather because of Typhoon Khanun. Bunker operations are likely to resume fully at all anchorages from 8-9 August, a second source says.

Typhoon Khanun is forecast to approach the southern tip of the Chinese coastal province of Zhejiang by tomorrow morning and then move eastward to Japan, Chinese meteorological agency China's National Meteorological Centre (NMC) says.

If the weather conditions worsen, then some Chinese ports that are now open could be forced to shut down, local media reported.

Adverse weather conditions are also forecast in the Philippine port of Subic Bay between 3-7 August, in the Thai ports of Koh Sichang and Leam Chabang between 6-7 August and in the Vietnamese port of Ho Chi Minh between 3-10 August, which might disrupt bunkering operations.

Brent

The front-month ICE Brent contract has lost \$2.55/bbl on the day, to \$82.96/bbl at 17.00 SGT (09.00 GMT).

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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