

MARKET UPDATE EAST OF SUEZ



ENGINE: East of Suez Physical Bunker Market Update

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Bunker benchmarks have gained across East of Suez ports, and VLSFO and HSFO availability remains tight in Singapore.

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

- **VLSFO prices up in Singapore and Zhoushan (\$23/mt), and Fujairah (\$13/mt)**
- **LSMGO prices up in Zhoushan (\$75/mt), Singapore (\$34/mt) and Fujairah (\$30/mt)**
- **HSFO380 prices up in Zhoushan (\$33/mt), Singapore (\$26/mt) and Fujairah (\$23/mt)**

All bunker benchmarks in East of Suez ports have gained in the past day, tracking Brent's upward thrust. But Zhoushan's LSMGO price gain has been steeper than that of other ports. Some higher-priced indications have contributed to push the port's benchmark higher in the past day.

The Chinese bunker hub's \$35/mt discount to Singapore's LSMGO price has been erased now because of the steep price rise.

Meanwhile, Singapore's VLSFO price gain has outpaced that of Fujairah, to narrow its discount to Fujairah's VLSFO from \$15/mt yesterday, to just \$5/mt now.

HSFO and VLSFO availability is tight in Singapore, with lead times of nearly two weeks recommended for both grades, a source says. LSMGO is more readily available with a shorter lead time of 4-7 days recommended for the grade.

Brent

The front-month ICE Brent contract has gained \$2.48/bbl on the day, to \$85.44/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained after the world's two major crude oil producers, Saudi Arabia and Russia, announced further supply cuts into September, according to their state media agencies.

Saudi Arabia will be extending its voluntary output cut of 1 million b/d into September, its state media agency Saudi Press Agency (SPA) said on Thursday, citing an official source from the kingdom's Ministry of Energy. Saudi Arabia's production in September will be about 9 million b/d, SPA reported, citing the official source.

Additionally, Russian Deputy Prime Minister Alexander Novak said that Russia will continue output cuts for another month, including September as well. Russia's state media agency TASS reported that the country will reduce oil output by 300,000 b/d in September to "balance the market".

"The amount by which Russia reduces its oil production as promised will significantly impact the size of deficits in the upcoming months and where prices will settle," said SPI Asset Management's market analyst Stephen Innes.

The market is now waiting for minutes from the oil-producer countries' joint ministerial monitoring committee meeting scheduled later today.

Downward pressure:

Brent felt some downward pressure this week after the ratings agency Fitch downgraded the main US credit rating to 'AA+' from 'AAA'. Fitch said that the downgrade was due to the US government's "repeated debt limit and political standoffs".

Anticipation of further interest rate hikes by the US Federal Reserve (Fed) also added to the downward pressure on Brent. Higher interest rates can lead to sluggish economic growth and affect US and global oil demand.

"A strong dollar has weighed on crude prices and everyone wants to know if a hot labor market will force the Fed to tighten policy even further," said Ed Moya, OANDA's market analyst.

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