ENGINE: East of Suez Physical Bunker Market Update

07/08/23

VLSFO prices have moved in mixed directions over the weekend, and bunkering has resumed in Zhoushan's Mazhi and Xiushandong anchorages after being halted by bad weather for almost a week.

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

- **VLSFO prices up in Singapore ($13/mt), unchanged in Zhoushan and down in Fujairah ($10/mt)**
- **LSMGO prices up in Fujairah ($9/mt), and Singapore and Zhoushan ($2/mt)**
- **HSFO prices up in Fujairah ($4/mt) and Zhoushan ($3/mt), and down in Singapore ($4/mt)**

VLSFO benchmarks in East of Suez ports have moved in mixed directions over the weekend. Singapore's VLSFO price has moved up, while the grade's price has remained unchanged in Zhoushan.

Meanwhile, Fujairah's VLSFO price has moved counter to Brent's slight gain and declined over the weekend. A lower-priced 500-1500 mt VLSFO stem fixed in Fujairah over the weekend contributed to weigh down the benchmark. This has meant that Fujairah's VLSFO premiums over Singapore and Zhoushan have been erased and are now at discounts of $18/mt and $8/mt, respectively.

Decent bunker demand has kept prompt availability of all grades "super tight" in Fujairah, with most suppliers recommending lead times of 5-7 days – almost unchanged from last week. But some can still supply prompt dates, but these deliveries depend on stem sizes, a source says.

Availability remains normal in the other UAE port of Khor Fakkan, with lead times of 5-7 days advised.

Meanwhile, weak demand and weather-related disruptions have somewhat kept a lid on tightness across all bunker fuel grades in Zhoushan, with most suppliers offering prompt dates, a source says.

Bunkering has resumed at Zhoushan's inner anchorage of Mazhi and at the port's less sheltered Xiushandong anchorage this afternoon after being suspended by bad weather for almost a week. Bunker deliveries are likely to resume fully at all anchorages later today, as the outer anchorages might "reopen late tonight," a second source adds.

Brent

The front-month ICE Brent contract has gained $0.18/bbl on the day from Friday, to $85.62/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent gained upward momentum as extended crude oil production cuts announced by Saudi Arabia and Russia last week raised concerns about tight supply in oil markets.

Russia's crude seaborne exports in July saw a "significant drop", commented SPI Asset Management's analyst Stephen Innes. "A particularly sizable slide in Russian exports to India [in July], hint's that OPEC+ coordination likely drives much of Russia's increased compliance, in tandem with the extra 1 million b/d Saudi cut in July," he added in a note.

Brent also drew support from the US Federal Reserve chairman Jerome Powell's recent comments. Powell said that a probable "soft landing" in the US economy could be achieved soon, hinting at a pause in interest rate hikes and easing worries about a sluggish oil demand growth in the world's largest crude importer.

Downward pressure:

Concerns about a slow pace of economic growth in China amid recurring COVID-19 outbreaks has been weighing down on Brent futures. Oil investors are waiting for some concrete steps to boost demand growth in China after the Communist Party Politburo pledged to accelerate growth in the country's 10 economic sectors that are currently struggling with COVID-19 outbreaks.

"Indeed, this [China's steps to boost growth] is crucial for the outlook, as China is the main engine of oil demand growth, making up 60% of this year's expected global increment," Innes said.

By Tuhin Roy and Aparupa Mazumder