ENGINE: East of Suez Physical Bunker Market Update

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Bunker benchmarks in East of Suez ports have gained, and VLSFO and HSFO availability has improved in Singapore.

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

- **VLSFO prices up in Zhoushan ($20/mt), Fujairah ($19/mt) and Singapore ($17/mt)**
- **LSMGO prices up in Zhoushan ($24/mt), Fujairah ($23/mt) and Singapore ($20/mt)**
- **HSFO380 prices up in Singapore ($14/mt), Fujairah ($13/mt) and Zhoushan ($7/mt)**

Bunker benchmarks in major Asian bunker hubs have tracked Brent's upthrust and gained in the past day. Zhoushan's VLSFO and LSMGO prices have surged by $20/mt and $24/mt, respectively – steepest among East of Suez ports. A higher-priced VLSFO indication in the Chinese bunkering hub in the past day has supported the benchmark's upward movement.

Despite Zhoushan's steep VLSFO price, the port's VLSFO discounts to Singapore and Fujairah stand at $9/mt and $3/mt, respectively. Meanwhile, the Chinese bunkering hub's LSMGO premiums over Singapore and Fujairah stand at $28/mt and $5/mt, respectively.

All bunker grades remain in ample supply in Zhoushan, with several suppliers offering prompt dates.

Singapore's HSFO price has also risen by $14/mt in the past day – the most among major Asian bunker hubs. A higher-priced HSFO indication in Singapore aided the benchmark's upward push. A source says bunker demand for HSFO remains high in the spot market, which added to contribute to the upward pressure.

Singapore's HSFO price rise has meant that its HSFO discount to Zhoushan has been erased and now stands at a marginal premium of $2/mt. Singapore's HSFO premium over Fujairah stands at $30/mt.

Availability of VLSFO and HSFO has improved in Singapore, with most suppliers offering both grades at lead times of 8-9 days – sharply down from two weeks last week. Recommended lead times of LSMGO have also nearly halved from 4-7 days last week to 2-4 days now.

Availability of all grades remains good in Hong Kong, with lead times of seven days advised – virtually unchanged from last week.

Brent

The front-month ICE Brent contract has gained $2.19/bbl on the day, to $86.60/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained upward momentum after the US Energy Information Agency (EIA) stated that tight global oil supply could drive the Brent price higher through the end of 2023 and the first half of 2024.

In its August short-term energy outlook report, the EIA has forecast the Brent spot price to average $83/bbl in 2023 and $86/bbl in 2024. This indicates an upward revision of $2/bbl for both 2023 and 2024 from its July outlook.

The voluntary production cuts by OPEC+ since the beginning of July this year have helped Brent futures to move upward in recent days, with supply crunch being felt globally. Last week, Saudi Arabia announced the extension of its 1 million b/d output cut to include September, and Russia pledged to reduce its oil exports by 300,000 b/d starting September.

"We expect these factors will continue to reduce global oil inventories and put upward pressure on oil prices in the coming months," the EIA said.

Downward pressure:

Some downward pressure acting on Brent include recent data from the American Petroleum Institute (API) that showed an unexpected build of 4.07 million bbls in US crude oil stocks in the week that ended 4 August, as reported by Trading Economics.

Additionally, China's crude oil imports declined in July, after a surge in June, market intelligence provider JLC reported, citing data released by China's General Administration of Customs (GACC).

Concerns about sluggish demand growth in the world's largest crude importer have weighed down on Brent futures.

China's total crude oil imports in July were about 43.69 million mt, with daily imports averaging about 1.40 million mt, reported JLC.

Chinese trade data was broadly on the soft side for July, reflecting a slowdown in demand for commodities such as oil, said ING's head of commodities research Warren Patterson. "China's crude oil, copper, and iron ore imports softened as economic and industrial activity slowed," he further added.

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