ENGINE: East of Suez Physical Bunker Market Update

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Bunker benchmarks have mostly declined across East of Suez ports, and Zhoushan's VLSFO price is at discounts to Singapore and Fujairah.

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

- **VLSFO prices up in Fujairah ($1/mt), and down in Zhoushan ($7/mt) and Singapore ($6/mt)**
- **LSMGO prices down in Singapore ($14/mt), Zhoushan ($11/mt) and Fujairah ($6/mt)**
- **HSFO380 prices down in Zhoushan ($11/mt), Singapore ($8/mt) and Fujairah ($4/mt)**

Most bunker benchmarks in major East of Suez ports have declined in the past day, tracking Brent's downward pull. But Fujairah's VLSFO price has moved counter to the general market direction by gaining slightly in the past day. A higher-priced 150-500 mt VLSFO stem fixed yesterday has supported the benchmark's resistance against Brent's downward pull.

Unlike Fujairah's slight price rise, VLSFO prices in Zhoushan and Singapore have declined. This has flipped Fujairah's VLSFO price from a $3/mt discount to Zhoushan in the past day, to a premium of $5/mt now. The Chinese bunker hub's VLSFO discount to Singapore stands at $12/mt.

Fujairah has seen a notable increase in fixtures so far this week. Since Monday, around 11 stems have been recorded by ENGINE, higher than five stems recorded in the same period last week. Majority of these stems have been for HSFO and LSMGO.

Since the beginning of this week, its HSFO discount to Singapore has widened significantly from just $5/mt on Monday to $25/mt now. Some argue that a few suppliers in Fujairah are pricing HSFO more competitively than others, this has contributed to drag the port's benchmark lower and widen its discount to Singapore.

Brent

The front-month ICE Brent contract has lost $1.24/bbl on the day, to trade at $83.58/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Crude oil supply cuts pledged by oil giants like Saudi Arabia and Russia have provided some support to Brent futures in recent weeks.

Saudi Arabia’s crude oil export dropped to a three-year low of 6.80 million b/d in June, reported the Joint Organisations Data Initiative (JODI) on Wednesday. Saudi crude output was also at a three-year low, after it fell by 300,000 b/d on the month to 9.96 million b/d.

Saudi Arabia and the broader OPEC+’ group's primary goal is to put a floor under oil prices and bring a “balance in the market” with these supply reductions that came into effect from May.

Downward pressure:

Fresh fears of yet another US interest rate hike have weighed down on Brent futures. At a Federal Open Market Committee (FOMC) meeting in July, a US Federal Reserve (Fed) officials said the central bank's priority is to “battle inflation”.

“Oil traders are getting that sinking feeling as pressure builds against the backdrop of the Fed that may have little alternative to turn up the Fed Funds screws to throw a wet blanket over the red-hot US economy,” commented SPI Asset Management’s analyst Stephen Innes.

Ongoing concerns about China’s slower-than-expected economic recovery have put a lid on Brent price gains.

"Crude prices are going to struggle here as we have bearish sentiment in the world's two largest economies," said Ed Moya, OANDA’s senior market analyst.

“The Chinese economy can best be described as a high-speed bullet train wreck colliding with an economic dumpster fire,” Stephen Innes said.

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