

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices have gained in East of Suez ports, and availability has tightened across all grades in Hong Kong.

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

- VLSFO prices up in Singapore (\$6/mt), Zhoushan (\$5/mt) and Fujairah (\$3/mt)
- LSMGO prices up in Zhoushan (\$16/mt), Singapore and Fujairah (\$10/mt)
- HSFO prices up in Zhoushan (\$7/mt) and Fujairah (\$5/mt), and down in Singapore (\$7/mt)

VLSFO and LSMGO benchmarks in East of Suez ports have gained with Brent values. Singapore's VLSFO price has gained by \$6/mt - the steepest among major Asian bunker hubs. Despite Singapore's VLSFO price rise, the port's VLSFO discount to Zhoushan stands almost steady at \$5/mt. Singapore's VLSFO premium over Fujairah stands at \$9/mt.

Meanwhile, Zhoushan's LSMGO price has risen by \$16/mt, with support from several higher-priced indications in the past day. Its LSMGO premiums over Singapore and Fujairah stand at \$28/mt and \$2/mt, respectively.

Despite a slight recovery in bunker demand in Zhoushan this week, all grades remain in ample supply, a source says. Most suppliers are recommending unchanged lead times of 3-5 days for all grades.

On the other hand, strong bunker demand coupled with some suppliers running low on stocks has put pressure on the availability of bunker fuel grades in Hong Kong. Recommended lead times have doubled, from one week to two weeks now.

Brent

The front-month ICE Brent has gained by \$1.04/bbl on the day, to trade at \$84.38/bbl at 17.00 SGT (09.00 GMT). However, the futures contract has declined by 0.5% over the past week.

Upward pressure:

Commercial US crude inventories were drawn by 6.13 million bbls on the week, to 433.52 million bbls on 18 August, according to the US Energy Information Administration's (EIA) latest data. This is the lowest stock level since December last year.

The oil market awaits US Federal Reserve (Fed) chairman Jerome Powell's speech at the Fed's annual summit in Jackson Hole, Wyoming. Meanwhile, Philadelphia Fed president Patrick Harker has suggested that the Fed could pause its current rate-hiking cycle.

"I'm in the camp of, let the restrictive stance work for a while, let's just let this play out for a while, and that should bring inflation down," Harker told CNBC. Harker is a voting member of the Fed's Open Market Committee, which decides Fed's key interest rates.

Downward pressure:

On the flip side, Powell could adopt a hawkish stance to combat the elevated level of inflation in the US. The prospect that Powell will signal additional hikes in the Fed's key interest rate has kept a lid on Brent's gains.

Reuters analyst John Kemp has reported that India's oil demand growth is slowing down at a time when oil consumption in China, the US and Europe remains relatively tepid. As production in non-OPEC countries continues to grow, this slowdown in demand may impede the market's ability to absorb surplus oil and weigh on Brent's price, Kemp said.

The Iranian oil minister has forecast a 100,000 b/d increase in crude oil production in September, from the current output level of 3.3 million b/d, according to Iran's state news agency IRNA. Iran will theoretically be able to export more oil to global markets with increased output, but lingering sanctions will make that unlikely.

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