

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

28/08/23

Most bunker benchmarks in East of Suez ports have moved up over the weekend, and VLSFO and HSFO availability remains tight in Singapore.

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

- **VLSFO prices up in Singapore (\$9/mt), Zhoushan (\$4/mt) and Fujairah (\$3/mt)**
- **LSMGO prices up in Singapore (\$13/mt) and Zhoushan (\$5/mt), and down in Fujairah (\$4/mt)**
- **HSFO prices up in Fujairah (\$6/mt) and Zhoushan (\$4/mt), and down in Singapore (\$12/mt)**

VLSFO benchmarks have gained in East of Suez ports over the weekend, tracking Brent's upward movement. Singapore's VLSFO prices have risen by \$9/mt – the steepest among major Asian bunker hubs. A total of five VLSFO stems were fixed in Singapore in a wide range of \$16/mt over the weekend. Several VLSFO stems at the higher end of the range supported the benchmark's upward thrust.

Singapore's VLSFO steep price rise has meant that its VLSFO discount to Zhoushan has been erased. The Southeast Asian hub's VLSFO premium over Fujairah has widened to \$15/mt now.

Meanwhile, Singapore's HSFO price has moved counter to the general market direction and declined by \$12/mt. Two lower-priced HSFO stems fixed over the weekend contributed to drag the benchmark down. Singapore's HSFO discounts to Zhoushan and Fujairah stand at \$38/mt and \$3/mt, respectively.

Prompt availability of VLSFO remains tight in Singapore, with most suppliers recommending lead times of 8-10 days – almost unchanged from last week. Lead times for HSFO have increased slightly from 6-8 days last week to 6-11 days now. LSMGO, on the other hand, is readily available for prompt delivery dates.

A source says that some suppliers in Zhoushan have almost run out of VLSFO supply. However, the low demand for the grade has somewhat helped to mitigate the tightness in supply. Lead times of 3-5 days are recommended for the grade.

Availability of LSMGO and HSFO remains good in the Chinese bunkering hub, with shorter lead times of 2-4 days recommended. Bad weather is forecast in Zhoushan from 30 August onwards, which could disrupt bunker operations at the port, the source adds.

## **Brent**

The front-month ICE Brent has gained by \$0.33/bbl on the day from Friday, to trade at \$84.71/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Eric Nuttall, oil market investor and partner at Ninepoint Partners, has said that the US is turning a blind eye towards enforcement of sanctions on Iran to lower oil prices before the next election. However, global crude oil inventories are still expected to end 2023 at an “8+ year low, supportive of a HIGHER oil price,” he wrote in a recent social media post.

Turkish and Iraqi officials are reportedly discussing resuming oil supply from Iraq's Kurdistan-operated northern oil fields. However, neither side has provided an update on the negotiations, and they appear to be stalled.

### **Downward pressure:**

US Federal Reserve (Fed) chair Jerome Powell and European Central Bank (ECB) president Christine Lagarde held hawkish views at the Jackson Hole summit in Wyoming that left little room for debate. They pledged to keep interest rates as high as possible for as long as it takes to keep inflation below the 2% target in the US and in the Eurozone.

Higher interest rates discourage borrowing and spending, which leads to a decline in economic activity and fuel demand.

Prospects of easing supply constraints could cap Brent's gains.

White House officials are drafting a proposal to relax sanctions on Venezuela's oil sector, according to Reuters. The easing of sanctions would make it easier for foreign buyers to access Venezuelan oil and flood the market with excess supply. Venezuela produced around 844,000 b/d of oil in July and 2.9 million b/d during its peak production in 2015.

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