ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed directions across East of Suez ports, and availability for all grades has tightened in Hong Kong.

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

- **VLSFO prices up in Zhoushan ($10/mt) and Fujairah ($4/mt), and down in Singapore ($4/mt)**
- **LSMGO prices up in Fujairah ($20/mt), and Zhoushan and Singapore ($13/mt)**
- **HSFO prices up in Singapore and Zhoushan ($3/mt), and down in Fujairah ($10/mt)**

Zhoushan and Fujairah’s VLSFO benchmarks have gained for the second consecutive day. Some higher-priced VLSFO indications in both ports in the past day have lent support to the benchmarks’ upward movement. Singapore’s VLSFO, on the other hand, has moved opposite the general market direction and declined $4/mt. Four lower-priced VLSFO stems were fixed in Singapore, which contributed to weigh the benchmark down.

Zhoushan’s VLSFO steep price rise has meant that its VLSFO premiums over Fujairah and Singapore stand at $21/mt and $14/mt, respectively.

A source says some suppliers have almost run out of VLSFO supply. But weak bunker demand for the grade has somewhat kept a check on tightness, with some suppliers recommending unchanged lead times of 3-5 days for the grade. Meanwhile, LSMGO and HSFO remain in ample supply in Zhoushan, with short lead times of 2-4 days advised.

Bad weather conditions are forecast in Zhoushan from tomorrow onwards, which might disrupt bunker operations at the port, the source adds.

Adverse weather conditions are also predicted to hit Hong Kong between 1-4 September, which could impact bunker deliveries.

Meanwhile, availability of all grades in Hong Kong is under pressure due to high bunker demand and low stocks available with several suppliers, a source says. Lead times for all grades have almost doubled from last week's seven days to around two weeks now.

Brent

The front-month ICE Brent has gained by $0.11/bbl on the day, to trade at $84.82/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Energy-focused investment research firm HFI Research has projected higher oil prices in the near future.

“The oil market deficit is here. Storage draws over the coming weeks will be profoundly eye-opening,” HFI Research has explained, and “Iran is already back on the market leaving no supply-side surprise.” In addition, “global oil demand, while not as strong as we would like, continues to improve and has not disappointed to the downside.”

Oil market sentiment could be bolstered by rising jet fuel demand in China, according to ANZ commodity strategist Daniel Hynes.

“China’s weekly flights have surged 13% above pre-COVID levels in the week ending 20 August. International travel is picking up, with bookings for overseas group tours during National Day holiday in October more than tripled a month ago,” Hynes has written in a social media post.

Downward pressure:

A sharp rise in Brent futures has been restricted by the possibility of additional crude oil supplies from Venezuela, Iran, and Iraq.

“Recent shifts in the supply landscape underscore a less optimistic perspective on the trajectory of crude oil prices. Despite certain positive aspects, significant challenges and uncertainties persist,” said Stephen Innes, managing partner at SPI Asset Management.

Brent is also facing headwinds due to concerns about economic uncertainty in China and recent statements from the US and European central bankers, who supported higher borrowing rates to tackle inflation.

Investment bank Nomura has lowered its projection for China’s GDP growth and inflation amid growing risk of a “double dip” in the country's economy, and “Beijing’s tepid response to date,” Nomura’s chief China economist, Ting Lu wrote in a research note.

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