

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

30/08/23

Prices have moved up in major Asian bunker hubs, and several East Asian ports brace for possible weather-related disruptions due to Typhoon Saola and Tropical Storm Haikui.

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

- **VLSFO prices up in Zhoushan (\$4/mt), Singapore and Fujairah (\$2/mt)**
- **LSMGO prices up in Zhoushan (\$4/mt), Fujairah (\$2/mt) and Singapore (\$1/mt)**
- **HSFO prices up in Zhoushan (\$6/mt), Singapore (\$5/mt) and Fujairah (\$2/mt)**

All bunker benchmarks in three major ports have gained, with the steepest increases noted in Zhoushan.

Zhoushan's VLSFO price rise has meant that its VLSFO premiums over Fujairah and Singapore stand at \$23/mt and \$16/mt, respectively. The Chinese bunkering hub's LSMGO premiums over Singapore and Fujairah stand at \$23/mt and \$6/mt, respectively, while the port's HSFO premiums over Fujairah and Singapore at \$52/mt and \$39/mt, respectively.

Some suppliers have almost run out of VLSFO stocks in Zhoushan, but sluggish bunker demand has somewhat kept a lid on tightness for the grade, a source says. Lead times of 3-5 days are recommended for the grade – virtually unchanged from last week. Availability of LSMGO and HSFO, on the other hand, remains good, with shorter lead times of 2-4 days.

Bad weather is forecast in Zhoushan from tomorrow due to Typhoon Saola, which could disrupt bunkering until next Tuesday, a second source says. According to Taiwan's Central Weather Bureau (CWB), Typhoon Saola is moving across the Pacific and is headed for China's southern coast.

China's meteorological agency has issued a typhoon alert in its coastal provinces of Fujian and Guangdong provinces, which might disrupt port operations in these regions.

Hong Kong's weather agency has also issued a typhoon alert due to Typhoon Saola. A source says typhoon-induced rough weather is forecast in Hong Kong between 1-2 September, which might affect bunkering operations.

Meanwhile, Tropical Storm Haikui is expected to impact the southwestern part of South Korea through the week, which might impact bunker deliveries in these regions, a source says.

Japanese weather bureau Japan Meteorological Agency (JMA) has also issued warnings in the Okinawa prefecture due to Tropical Storm Haikui.

Brent

The front-month ICE Brent has gained by \$1.05/bbl on the day, to trade at \$85.87/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Money managers, such as energy-focused hedge fund investors have 274,260 long positions in Brent futures, compared to 52,573 short positions as of 22 August, according to Commitments of Traders data released by the Commodity Futures Trading Commission. More long positions than short positions indicate that money managers expect Brent futures to rise in the near future.

American Petroleum Institute (API) estimates indicate that US commercial crude inventories have plunged by 11.49 million bbls in the week that ended 25 August, according to Trading Economics. The decline has far exceeded the 3.3 million-bbl draw estimated by analysts polled by Reuters.

“We expect to see another substantial drawdown in the Cushing, OK delivery point, and we will see those supplies fall below 30 million barrels this week,” said Phil Flynn, analyst at the Price Futures Group.

Additionally, Hurricane Idalia is forecast to make landfall as a Category 4 hurricane on Florida's west coast. The hurricane's potential to disrupt oil production and supply in the US has further supported oil prices.

Downward pressure:

Meanwhile, OPEC's “fragile five” members [the nations which struggled with supply disruptions] – Iran, Iraq, Libya, Nigeria, and Venezuela - will now add more oil supply to the global market while demand remains modest, Ed Morse, global head of commodities strategy at Citi has told CNBC. Morse

Morse has predicted that Iran, Iraq, Libya, Nigeria and Venezuela could add around 900,000 b/d of crude oil this year in the market. “Even the US is going to be adding to the supply in the next five months,” he added.

By Tuhin Roy and Konica Bhatt

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