ENGINE: East of Suez Physical Bunker Market Update

31/08/23

VLSFO and LSMGO prices have moved in mixed directions in major Asian bunker hubs, and VLSFO availability has tightened in Singapore.

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

- **VLSFO prices up in Fujairah ($11/mt) and Zhoushan ($1/mt), and down in Singapore ($2/mt)**
- **LSMGO prices up in Zhoushan ($1/mt), and down in Singapore and Fujairah ($6/mt)**
- **HSFO prices down in Zhoushan ($18/mt), Fujairah ($3/mt) and Singapore ($2/mt)**

Singapore's VLSFO price has moved counter to Brent's upward movement and edged lower in the past day. Two lower-priced VLSFO stems fixed in Singapore in a narrow range of $4/mt have contributed to weigh the benchmark down.

Singapore's VLSFO price decline has meant that its VLSFO premium over Fujairah has been erased and flipped to a discount of $6/mt. The Southeast Asian bunker hub's VLSFO discount to Zhoushan has widened to $19/mt.

Availability of VLSFO has been getting tighter in Singapore, with most suppliers recommending lead times of 11-13 days, up from 7-11 days last week. Lead times of HSFO remain virtually unchanged from last week at 6-9 days. LSMGO remains readily available, with shorter lead times of 2-4 days advised.

Meanwhile, good bunker demand has kept prompt availability under pressure in Fujairah, a source says. Lead times of 5-7 days are recommended for all grades in the Middle Eastern bunker hub, while some can offer prompt dates, but these deliveries are subject to stem sizes.

Availability across all grades remains good in the other UAE port of Khor Fakkan, with lead times of 5-7 days advised – almost unchanged from last week.

Brent

The front-month ICE Brent has inched higher by $0.24/bbl on the day, to trade at $86.11/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Commercial US crude inventories fell by 10.58 million bbls in the week ended 25 August, according to the US Energy Information Administration (EIA). While the weekly stock draw fell short of the 11.49 million-bbls drop estimated by the American Petroleum Institute, US crude stocks have plunged to 422.92 million bbls for the first time since December last year.

Meanwhile, ING's head of commodities strategy Warren Patterson expects Saudi Arabia to extend its voluntary output cut of 1 million b/d into October.

A potential extension of Saudi Arabia's production cut combined with a rapid decline in US crude oil inventories could lead to a significant tightening of supply in the global oil market.

News reports about a military coup in West Africa's Gabon have exacerbated supply concerns. OPEC member Gabon produced 210,000 b/d of oil in July, according to the International Energy Agency. “While the volumes [from Gabon] are relatively small, clearly any disruption in what is already a tight market does not help,” ING's Patterson said.

Downward pressure:

On the flip side, a sharp rise in Brent futures could be capped by a possible increase in supply from Iran, Iraq, and Venezuela.

Iran is expected to increase its oil output to around 3.4 million b/d by the end of summer. This will bring Iran's oil production near pre-sanction levels of 3.8 million b/d, Patterson noted. “This comes against the backdrop of apparently greater willingness between the US and Iran to improve diplomacy, evident with a recent deal for a prisoner swap and the release of frozen Iranian funds.”

Meanwhile, demand jitters amid China's economic concerns remain a metaphorical thorn in Brent's side.

“Tenacious economic apprehensions concerning China persist” despite optimism over additional policy measures, Stephen Innes, managing partner at SPI Asset Management said.

“The current perspective on China's growth trajectory has become increasingly fixated on the pivotal policy choices that Chinese authorities must navigate,” he added.

By Tuhin Roy and Konica Bhatt