ENGINE: Americas Bunker Fuel Market Update

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Bunker prices have gone in both directions in Americas ports, and Balboa's HSFO price remains competitive with Houston's despite tight availability.

Changes on the day to 07.00 CST (13.00 GMT) today:

- **VLSFO prices up in Los Angeles ($24/mt) and Houston ($8/mt), and down in Zona Comun ($13/mt) and Balboa ($3/mt)**
- **LSMGO prices up in Houston ($8/mt), and down in New York ($34/mt) and Balboa ($10/mt)**
- **HSFO prices down in Houston ($3/mt) and Balboa ($2/mt)**

Los Angeles' VLSFO price is sharply up on the day. A non-prompt 150-500 mt VLSFO stem fixed last night has pushed its benchmark higher. It is now only $5/mt lower than San Francisco's.

HSFO is tight for prompt delivery dates in Panama. A supplier is unable to deliver the grade in Cristobal either prompt or non-prompt. Two other suppliers can deliver it in Balboa with 5-8 days and at least eight days of lead time, while a third supplier cannot commit to non-prompt deliveries in Balboa either.

Balboa's HSFO price, meanwhile, is only at a $4/mt premium over Houston's, after dipping slightly in the past day.

Rough weather disrupted bunkering at the Zona Comun anchorage yesterday, with 5-6 vessels waiting to bunker, Antares Ship Agents said. Improved weather conditions later in the day allowed suppliers to start catching up with backlogs, and all bunker barges were in operation.

There are no fuel supply issues in Zona Comun. All refineries and oil terminals are operating as normal, but bunker availability has nonetheless been tight amid robust demand. Another bout of high winds is forecast at the anchorage today and could pose more problems to deliveries.

Several Brazilian ports have good bunker availability. One supplier can do same-day VLSFO deliveries in Itaqui and Salvador, and with three days of lead time in Rio Grande.

Brent

The front-month ICE Brent contract has fallen again, shedding $0.75/bbl on the day and recording $92.62/bbl at 07.00 CST (13.00 GMT).

Upward pressure:

Brent futures have seen some support after energy company Baker Hughes on Monday reported a decline in the overall active rigs in the US last week, indicating a possible crude supply crunch in the country.

The number of active rigs extracting crude oil and natural gas in the US fell by 11 to 630 last week - its lowest level since February 2022, Baker Hughes said.

The falling number of active oil and shale rigs in the US is a testament to why top oil producers including Saudi Arabia and Russia “feel confident” in continuing to cut supply through to the end of the year, commented Price Futures Group’s senior market analyst Phil Flynn.

“They [Saudi Arabi and Russia] know that the US won’t respond to market conditions because of a dysfunctional regulatory environment,” he added.

Downward pressure:

Brent has lost previous gains after fears of a slowdown in China’s economy resurfaced in the market, “rather than showing signs of improvement,” said SPI Asset Management’s managing partner Stephen Innes.

On Monday, China’s second-largest property developer Evergrande Group’s mainland subsidiary Hengda said it failed to repay an onshore bond, reported Reuters.

This news has casted a “new shadow of risk over China’s economic recovery efforts” and “reignited concerns that the country’s housing sector is still deteriorating,” added Innes.

After a "hawkish" rate hike pause, the US Federal Reserve’s (Fed) might raise interest rates in the coming days as it continues to battle inflation.

“The Federal Open Market Committee (FOMC) in the United States [US] surprised markets with a hawkish stance, setting higher expectations for rate increases in the coming year,” said Innes. Higher interest rates can trigger concerns about demand for dollar-denominated commodities like oil.

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