

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices have moved up in major Asian bunker hubs, and bunkering has remained suspended in Zhoushan since yesterday due to Typhoon Saola-induced bad weather.

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

**VLSFO prices up in Zhoushan (\$7/mt), Fujairah (\$5/mt) and Singapore (\$1/mt)**

**LSMGO prices up in Fujairah (\$13/mt) and Zhoushan (\$10/mt), and down in Singapore (\$2/mt)**

**HSFO prices up in Fujairah (\$4/mt), unchanged in Zhoushan, and down in Singapore (\$4/mt)**

VLSFO benchmarks in major East of Suez ports have tracked Brent's upward movement and gained in the past day. Zhoushan's VLSFO price has risen by \$7/mt – the steepest among three major Asian bunker hubs. A higher-priced VLSFO indication in the Chinese bunkering hub in the past day has supported the benchmark's upthrust.

Zhoushan's VLSFO price rise has meant that its VLSFO premiums over Singapore and Fujairah have widened to \$25/mt and \$15/mt, respectively.

A source says weak bunker demand has kept tightness in check in Zhoushan. Some suppliers are recommending lead times of around 3-5 days for VLSFO in Zhoushan – almost unchanged from last week. HSFO and LSMGO are readily available at the port, with shorter lead times of 2-4 days advised.

Bunker deliveries have been suspended in Zhoushan since yesterday due to Typhoon Saola-induced bad weather. Bunkering is likely to resume fully at the port on 5 September, when calmer weather is forecast, the source adds.

Typhoon Saola is predicted to come close to Hong Kong and China's Guangdong province tonight, but the center of the storm is expected to remain offshore, the US-based Joint Typhoon Warning Center said.

China's National Meteorological Centre and Hong Kong's meteorological agency have both issued typhoon alerts for Typhoon Saola, with the highest alert level being issued from China.

Typhoon-induced rough weather is forecasted in Hong Kong from 1-3 September, which may disrupt bunker deliveries at the port, another source says. Availability for all bunker grades remains tight, with most suppliers advising lead times of around 10 days, up from seven days last week.

## **Brent**

The front-month ICE Brent has climbed upwards by \$1.19/bbl on the day, to trade at \$87.30/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Brent futures have gained around 4% over the past week, reaching nearly a 4-week high above \$87/bbl. The price surge has been driven primarily by concerns about tightening oil supply.

Russia's deputy prime minister Alexander Novak confirmed that the Kremlin agreed to reduce its oil supplies to foreign markets at a meeting held by Russian President Vladimir Putin, reported Russian state agency TASS.

Russia could extend its 500,000 b/d voluntary production cut into October. Saudi Arabia is also expected to extend its 1 million b/d output cut to include October. Output cut extensions by Russia and Saudi Arabia will further squeeze oil supplies and drive Brent futures higher.

Meanwhile, US commercial crude inventories have plunged by 34 million bbls since July, according to Reuters analyst John Kemp. The country has less than 400 million bbls of oil in its emergency reserves, which could impede its ability to release more oil into the market to offset tight supply.

### **Downward pressure:**

China's manufacturing activity slightly improved in August but remained in the contraction territory for the fifth straight month, Caixin Global reported citing China's official data.

China's data "continues to paint the picture of a sluggish economy that's showing few signs of bouncing back stronger," OANDA's senior market analyst, Craig Erlam has said.

Brent may weaken if oil output from Iran, Iraq and Venezuela rises and offsets some of the supply shortage in the global market. "Iran's oil exports are well over 2 million barrels a day, currently close to 2.2 million barrels a day," Phil Flynn, analyst at the Price Futures Group has written in a note.

"Iran, that was forced to stockpile crude oil and condensates into floating storage, saw those supplies go over 100 million barrels. Now those supplies have fallen to under 30 million barrels as the Biden team turned a blind eye to enforcement," he added.

*By Tuhin Roy and Konica Bhatt*

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