ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices have moved up across East of Suez ports, and bunkering has resumed at Zhoushan's Mazhi and Xiushandong anchorages this morning after being suspended by bad weather since Thursday.

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

- **VLSFO prices up in Zhoushan ($12/mt), Singapore ($7/mt) and Fujairah ($2/mt)**
- **LSMGO prices up in Fujairah ($31/mt), and down in Zhoushan ($11/mt) and Singapore ($1/mt)**
- **HSFO prices up in Singapore ($6/mt) and Fujairah ($5/mt), and down in Zhoushan ($2/mt)**

VLSFO benchmarks in East of Suez ports have gained over the weekend, tracking Brent's upward movement. Zhoushan's VLSFO price has risen by $12/mt – the steepest among major Asian bunker hubs. Two VLSFO stems were fixed in the Chinese bunkering hub in a wide range of $33/mt over the weekend. Of which, one VLSFO stem at the higher end of the range lent support to the benchmark's rise.

Zhoushan's steep VLSFO price rise has meant that its VLSFO premiums over Singapore and Fujairah have widened to $30/mt and $25/mt, respectively.

A source says bunker demand remains muted in Zhoushan. Some suppliers are offering VLSFO and LSMGO at lead times of 4-6 days – slightly up from 3-5 days last week. Lead times of 3-5 days are advised for HSFO.

Bunker deliveries have resumed at Zhoushan's inner anchorage of Mazhi and at the port's less sheltered Xiushandong anchorage this morning after being suspended by Typhoon Saola-induced bad weather since Thursday. Bunker is likely to resume fully in Zhoushan "later today or tomorrow morning", a source says.

Fujairah's LSMGO price has jumped by $31/mt over the weekend, while the grade's prices in Singapore and Zhoushan have declined some. A higher-priced LSMGO stem fixed in the Middle Eastern bunker hub propped up the benchmark.

Fujairah's steep LSMGO price rise has erased its LSMGO discount to Zhoushan and currently stands at a premium of $32/mt. Its LSMGO premium over Singapore has doubled to $64/mt.

Prompt availability remains "super tight" in Fujairah, with most suppliers recommending lead times of 5-7 days across all grades. However, some can offer prompt dates for all grades, but these deliveries depend on stem sizes.

Brent

The front-month ICE Brent contract has gained $1.16/bbl on the day from Friday, to trade at $88.46/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures extended last week's gaining streak as expectations grew that the leaders of Organisation of the Petroleum Exporting Countries and its allies (OPEC+) would continue to tighten oil supply.

Last week, Russia's deputy prime minister Alexander Novak stated that the Kremlin agreed with the OPEC members on parameters to extend production cuts. More details about the output cuts are expected this week.

Meanwhile, oil analysts expect OPEC's leader Saudi Arabia to also extend its voluntary 1 million b/d output cut into October.

"Speculation is now growing that Riyadh may extend these supply restrictions into October, further constraining global oil supply and prompting reductions in oil inventories," said SPI Asset Management's managing partner Stephen Innes.

Another round of production cut by Saudi Arabia could help Brent break above $90/bbl level, commented ING's head of commodities strategy, Warren Patterson.

Downward pressure:

Meanwhile, Brent futures face some downward pressure as oil production in some OPEC member nations have increased in recent days, analysts said.

This comes as OPEC members including Iran, Libya, Nigeria and Venezuela remain exempted from the group's production cuts, said Patterson.

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 said in a note.

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