ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved down in East of Suez ports, and bunkering has resumed at Zhoushan's OPL area this morning after being suspended by typhoon-induced bad weather since Thursday.

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

- **VLSFO prices down in Zhoushan ($32/mt), Fujairah ($24/mt) and Singapore ($12/mt)**
- **LSMGO prices down in Fujairah ($37/mt), Singapore ($21/mt) and Zhoushan ($16/mt)**
- **HSFO prices down in Singapore ($8/mt), and Fujairah and Zhoushan ($4/mt**)

Bunker benchmarks in major Asian bunker hubs have declined in the past day. Zhoushan's VLSFO price has slumped by $32/mt in the past day, the steepest among three major bunker hubs. One lower-priced 500-1500 mt VLSFO stem fixed in Zhoushan contributed to drag the benchmark down

Despite Zhoushan's steep VLSFO price decline, its VLSFO premiums over Fujairah and Singapore stand at $17/mt and $10/mt, respectively.

Lead times of 4-6 days are recommended for VLSFO and HSFO in Zhoushan – marginally up from 3-5 days last week. Availability of HSFO remains good in the port, with almost unchanged lead times of 3-5 days.

Bunker deliveries have resumed at Zhoushan's outer port limits (OPL) area this morning after being suspended by Typhoon Saola-induced bad weather since Thursday. All four anchorages in the Chinese bunkering hub are operational now, a source says.

Meanwhile, availability of VLSFO and LSMGO has improved in South Korean ports amid average bunker demand, a source says. Most suppliers are advising lead times of 7-13 days for both grades now, compared to lead times of up to 15 days recommended last week. On the other hand, lead times of HSFO have risen from 10-11 days last week, to 7-13 days now.

Rough weather is forecast in the South Korean ports of Ulsan, Onsan, Busan and Yeosu between 5-10 September, which might disrupt bunker operations at these ports.

Brent

The front-month ICE Brent contract has inched down $0.01/bbl on the day, to trade at $88.45/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

The recent surge in Brent futures has been primarily driven by expectations of more supply cuts in the coming days. Oil analysts expect both Saudi Arabia and Russia to extend voluntary output cuts into October to avoid the risk of a sell-off in the oil market.

“Sentiment in the oil market remains constructive. [Brent’s] Price direction in the immediate term will be dictated by what Saudi Arabia and Russia decide to do with their supply cuts,” two analysts from ING said in a note.

“Given market expectations, it is unlikely that the two producers would stray away from an extension,” they further added.

Downward pressures acting on Brent futures this week include concerns about the slow pace of economic recovery in China. Market analysts think that the world’s second-largest economy has shown a disappointing recovery from the pandemic.

Growth in demand for commodities like oil has been bleak in China, despite the country pledging to roll out economic stimulus to drive consumption in ten different sectors. Moreover, a recent private-sector survey in China showed that the country’s services activity in August grew at the slowest pace in eight months, Reuters reported.

“Oil prices may be sputtering on Chinese economic slowdown concerns,” said Price Futures Group’s market analyst Phil Flynn.

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