ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices have moved up in major Asian bunker hubs, and prompt availability remains tight across all grades in Fujairah.

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

- **VLSFO prices up in Fujairah ($8/mt), Zhoushan ($7/mt) and Singapore ($1/mt)**

- **LSMGO prices up in Singapore ($16/mt) and Zhoushan ($12/mt), and down in Fujairah ($29/mt)**

- **HSFO prices up in Zhoushan ($7/mt), unchanged in Singapore, and down in Fujairah ($32/mt)**

VLSFO benchmarks in East of Suez ports have gained for the second consecutive day, tracking Brent's upward movement. Fujairah's VLSFO price rose by $8/mt – steepest among major Asian bunker hubs.

Fujairah's VLSFO price rise has erased its VLSFO discount to Singapore. On the other hand, the Middle Eastern bunkering hub's VLSFO discount to Zhoushan stands at $16/mt.

Fujairah's LSMGO price has slumped by $29/mt in the past day, while the grade's prices have increased in Singapore and Zhoushan. Four lower-priced LSMGO stems fixed in the port weighed the benchmark down. This steep LSMGO price drop has meant that Fujairah's LSMGO premium over Zhoushan has slipped to a discount of $30/mt.

The Middle Eastern bunkering hub's HSFO prices also plunged $32/mt in the past day. A lower-priced HSFO indication has contributed to drag the benchmark down. Fujairah's HSFO discounts to Zhoushan and Singapore stand at $65/mt and $30/mt, respectively.

A source says securing prompt stems across all grades can be difficult in Fujairah, with most suppliers recommending lead times of 5-7 days. Some can still supply prompt dates, but these deliveries depend on stem sizes.

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

Brent

The front-month ICE Brent contract has gained $0.83/bbl on the day, to trade at $89.28/bbl at 17.00 SGT (09.00 GMT)

Upward pressure:

Brent futures broke above $90/bbl for the first time since November 2022, after leading oil producers Saudi Arabia and Russia announced the extension of voluntary oil supply cuts through the end of the year.

The Organization of the Petroleum Exporting Countries' (OPEC) de facto leader Saudi Arabia said it will implement a voluntary output cut of 1 million b/d through the end of 2023, state news agency SPA reported on Tuesday, citing a ministry official.

The announcement was followed by a statement from Russian Deputy Prime Minister Alexander Novak, who announced an extension of Russia's export cuts by 300,000 b/d through the end of this year

Oil market analysts were expecting the oil-producer duo to extend production cuts into October, rather than an extension till the end of 2023

"This move [extension of production cuts] underscores their [Saudi Arabia and Russia] heightened pricing influence within the OPEC+ alliance," commented SPI Asset Management's managing partner Stephen Innes. "The market's anticipation of this development led to a notable 2-3% surge in Brent crude oil prices, reaching $91 per barrel," he further added in a note.

Downward pressure:

The surge in Brent futures amid extension of voluntary output cuts could "prove challenging for central banks and financial markets, which were embellishing the current lower inflation groove," said Innes

Higher oil prices could lead to another round of interest rate hike by the US Federal Reserve (Fed) in an effort to battle inflationary pressure.

A higher interest rate could reduce consumer spending and drive oil demand down.

"Rising oil prices are officially the new inflation stoker. Everyone notices that this rally feels different, suggesting that "Oil," The Great Inflationary Dragon, is not yet slain," Innes further added.

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