



ENGINE: East of Suez Physical Bunker Market Update

08/09/23

Prices have moved in mixed directions in East of Suez ports, and VLSFO and LSMGO availability has tightened in Singapore.

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

- **VLSFO prices up in Singapore (\$2/mt), and down in Zhoushan (\$6/mt) and Fujairah (\$1/mt)**
- **LSMGO prices up in Fujairah (\$9/mt), and down in Zhoushan (\$30/mt) and Singapore (\$4/mt)**

- **HSFO prices up in Fujairah (\$21/mt), and down in Singapore (\$6/mt) and Zhoushan (\$5/mt)**

Singapore's VLSFO price has gained \$2/mt in the past day, while the grade's prices in Zhoushan and Fujairah have declined some. Two higher-priced VLSFO stems fixed in a narrow range of \$2/mt in the port have supported the benchmark's rise.

The Southeast Asian bunker hub's VLSFO price rise has meant that its VLSFO premium over Fujairah has widened to \$7/mt. On the other hand, Singapore's VLSFO discount to Zhoushan stands at \$4/mt.

Availability of VLSFO has been tightening in Singapore, with lead times going up from 8-10 days last week, to 10-13 days now. HSFO lead times have also risen from 6-10 days last week, to 9-12 days. On the other hand, LSMGO remains readily available, with short lead times of 2-4 days.

A source says all bunker grades have come under pressure amid tight barge availability in Zhoushan, with most suppliers recommending lead times of 4-7 days – up from 3-5 days last week.

Meanwhile, VLSFO and LSMGO availability has improved in South Korean ports amid average demand, with lead times coming down from around 15 days last week to 7-13 days now. On the other hand, lead times of 7-13 days are advised for HSFO – slightly up from 10-11 days last week.

Rough weather is forecast in the South Korean ports of Busan and Yeosu between 11-13 September and in Daesan and Taean between 12-13 September, which might impact bunker operations at these ports.

Adverse weather conditions are also predicted in Hong Kong between 13-15 September, in the Thai ports of Koh Sichang and Leam Chabang between 11-13 September, in the Vietnamese port of Ho Chi Minh on 10 September and in the Kiwi port of Tau-ranga between 12-13 September, which might disrupt bunker deliveries.

Brent

The front-month ICE Brent contract has shed \$0.62/bbl on the day, to trade at \$89.74/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Supply cut extensions announced by top oil producers Saudi Arabia and Russia have helped Brent futures to rise this week. Both countries announced on Tuesday that they will extend their supply cuts to the end of this year.

Brent drew additional support from the US Energy Information Administration's (EIA) latest data that showed a dramatic fall of 6.31 million bbls in commercial US crude inventories in the week that ended 1 September.

The current US crude stocks stand at 416.64 million bbls, which is the lowest level since June last year, according to EIA. The weekly stock draw was bigger than the 5.52 million bbl-draw estimated by the American Petroleum Institute (API) earlier this week.

This large draw in US crude oil inventories was "driven by strong crude oil exports," said ING's head of commodities strategy, Warren Patterson. "EIA weekly inventory data, which was delayed by a day due to a public holiday earlier in the week in the US, was fairly constructive," he further added.

Downward pressure:

Meanwhile, Brent futures felt some downward pressure amid concerns about a slow pace of economic recovery in China.

"Evident structural challenges have caused the Chinese economy to teeter toward outright deflation," said SPI Asset Management's managing partner Stephen Innes.

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