ENGINE: East of Suez Physical Bunker Market Update

15/09/23

Most prices have moved up in major Asian bunker hubs, and VLSFO and LSMGO remain readily available in several Indian ports.

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

- **VLSFO prices up in Singapore and Fujairah ($15/mt), and Zhoushan ($9/mt)**
- **LSMGO prices up in Singapore ($21/mt) and Zhoushan ($18/mt), and unchanged in Fujairah**
- **HSFO prices up in Zhoushan ($10/mt), and Fujairah and Singapore ($7/mt)**

Most bunker benchmarks in East of Suez ports have gained in the past day, tracking Brent's upward movement. Singapore and Fujairah's VLSFO prices have both risen by $15/mt – higher than the other major regional bunkering hub of Zhoushan. Three higher-priced VLSFO stems fixed in Singapore and two stem fixed in Fujairah, have supported the benchmarks' upthrust.

Singapore's LSMGO price has also gained $21/mt – steepest among three major Asian bunker hubs. Three VLSFO stems fixed in a wide range of $24/mt aided the benchmark's rise.

Despite Singapore's steep LSMGO price rise, its LSMGO discounts to Zhoushan and Fujairah stand at $23/mt and $5/mt, respectively.

Availability remains tight for VLSFO and HSFO in Singapore, as it has been in recent weeks. Some suppliers are recommending lead times of 9-12 days and 8-9 days, respectively. LSMGO remains readily available in the port, with prompt dates available.

A source says low bunker demand has somewhat kept tightness in check in Zhoushan, with most suppliers advising lead times of 3-5 days across all grades -slightly down from 4-7 days last week.

Several Indian ports, including Kandla on the northwest coast and Cochin and Chennai on the southern coast, have good availability of VLSFO and LSMGO, with short lead times of 2-3 days.

Rough weather conditions are forecast in the Indian ports of Kandla, Sikka and Mumbai over the weekend, which could impact bunker deliveries at these ports.

Brent

The front-month ICE Brent contract has gained $1.50/bbl on the day, to trade at $94.05/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Recent economic data from China has supported Brent futures.

The oil market turned positive about China's economic health after the country's National Bureau of Statistics reported a better-than-expected retail sales growth and industrial output in August, reported Reuters.

Any sign of economic rebound in China would suggest strong demand growth in the world's largest crude oil importing nation, thereby helping oil prices to move up.

"China's August figures revealed that retail sales and factory output exceeded forecasts, painting a positive economic picture," said SPI Asset Management's managing partner Stephen Innes.

Moreover, the collective 1.3 million b/d output reduction pledged by Saudi Arabia and Russia earlier this month also kept Brent futures above the $90/bbl mark.

"Currently, there are clear indications of short-term strength in the market," said Innes. "This significant increase [in oil prices] is attributed to the intentional output reductions by major oil-producing countries such as Saudi Arabia and Russia," he added.

Downward pressure:

Meanwhile, the broader OPEC+ output cuts are creating distortions within the oil market, especially with a deficit in medium sour crude grade, argued ING's head of commodities strategy Warren Patterson.

"The recent price strength might give the Saudis the confidence to start unwinding these cuts – too aggressively and it could put renewed pressure back on the market," he added.

After the recent surge in oil prices, oil traders are expected to trade cautiously as "[Brent] futures are approaching overbought territory," said Innes.

By Tuhin Roy and Aparupa Mazumder