

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved up in major Asian bunker hubs, and availability across all grades remain good in China's Zhoushan.

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

- **VLSFO prices up in Zhoushan (\$13/mt), Singapore (\$9/mt) and Fujairah (\$4/mt)**
- **LSMGO prices up in Fujairah and Zhoushan (\$20/mt), and Singapore (\$17/mt)**
- **HSFO prices up in Zhoushan (\$13/mt), Fujairah (\$9/mt) and Singapore (\$8/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's upward movement and regained some values in the past day. Zhoushan's VLSFO price has risen by \$13/mt – steepest among three major Asian bunker hubs. Two VLSFO stems were fixed in the Chinese bunkering hub in a wide range \$21, with one stem at the higher end of the range supporting the benchmark's upswing.

Zhoushan's steep price rise has meant that its VLSFO premiums over Fujairah and Singapore have widened to \$20/mt and \$5/mt, respectively.

The Chinese bunkering hub's HSFO price has gained \$13 in the past day – most among the three Asian hubs. Two higher-priced HSFO stems fixed in a range of \$13/mt contributed to the benchmark's rise. Zhoushan's HSFO premiums over Fujairah and Singapore stand at \$36/mt and \$17/mt, respectively.

All fuel grades remain in ample supply in Zhoushan amid sluggish demand, with most suppliers recommending lead times of 3-5 days – almost unchanged from last week.

Availability of VLSFO and LSMGO is good in northern Chinese port of Dalian. VLSFO availability remains good in nearby Tianjin, but LSMGO and HSFO supply remains under pressure and deliveries for both grades are subject to enquiry. Another northern Chinese port of Qingdao has good supply of VLSFO and LSMGO. However, HSFO supply remains subject to enquiry there.

Meanwhile, prompt dates are available for VLSFO and LSMGO in Shanghai in southern China, but HSFO supply remains under pressure.

Brent

The front-month ICE Brent contract has gained \$1.21/bbl on the day, to trade at \$93.68/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained upward thrust as concerns about tight global supply exacerbated after Russia announced a temporary ban on its gasoil and diesel exports.

The Russian government on Thursday implemented temporary restrictions on exports of gasoil and diesel to stabilise the supply in the domestic market, reported Russian state media agency TASS.

“The heating oil crack spread is rallying on reports that Russia is going to temporarily limit fuel and diesel,” said Price Futures Group’s senior market analyst Phil Flynn.

“With diesel supplies tight and with Saudi Arabia and Russia using their energy dominance to respond to consuming nations using their reserves to try to control prices, it is now starting to take its toll as global oil inventories tighten,” Flynn added.

Downward pressure:

The US Federal Reserve (Fed) decided to pause its rate hike cycle for September, at its latest Federal Open Market Committee (FOMC) meeting. However, oil analysts have deemed the outcomes of the meeting ‘hawkish’ as the Fed might start increasing interest rates later this year.

“The Fed can’t produce oil but can try to slow the economy to reduce the growing supply versus demand deficit,” Flynn said.

Higher interest rates typically increase the buying cost for non-dollar holders while purchasing dollar-denominated commodities like oil.

“Higher for longer was the key message from yesterday's [Wednesday’s] FOMC meeting, which has weighed on risk assets, including oil,” commented analysts from ING.

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