ENGINE: East of Suez Physical Bunker Market Update

26/09/23

Prices have moved down in East of Suez ports, and prompt availability remains tight across all grades in Fujairah.

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

- **VLSFO prices down in Fujairah ($19/mt), Singapore ($15/mt) and Zhoushan ($2/mt)**
- **LSMGO prices down in Fujairah ($28/mt), Singapore ($10/mt) and Zhoushan ($7/mt)**
- **HSFO prices down in Singapore ($17/mt), Fujairah and Zhoushan ($5/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's downfall and declined in the past day. Fujairah's VLSFO price has fallen $19/mt – steepest among three major Asian bunker hubs. A lower-priced VLSFO stem fixed in Fujairah in the past day has contributed to weigh down the benchmark.

The Middle Eastern bunkering hub's steep VLSFO price decline has meant that its marginal premium over Zhoushan has been erased, and now stands at a discount of $16/mt. Fujairah's VLSFO discount to Singapore has widened to $10/mt.

A source says good bunker demand has kept prompt availability under pressure in Fujairah, with most suppliers recommending lead times of 5-7 days – almost unchanged from last week. But some suppliers can still offer prompt dates across all grades depending on stem sizes.

Availability across all bunker fuel grades remains in good supply in the other UAE port of Khor Fakkan, with unchanged lead times of 5-7 days recommended.

Meanwhile, LSMGO remains readily available in the Omani ports of Muscat, Duqm, Salalah and Sohar, with prompt dates available.

Brent

The front-month ICE Brent contract has lost $1.58/bbl on the day, to trade at $92.28/bbl at 17.00 SGT (09.00 GMT)

Upward pressure:

Brent futures have seen some support after energy company Baker Hughes on Monday reported a decline in the overall active rigs in the US last week, indicating a possible crude supply crunch in the country.

The number of active rigs extracting crude oil and natural gas in the US fell by 11 to 630 last week - its lowest level since February 2022, Baker Hughes said.

The falling number of active oil and shale rigs in the US is a testament to why top oil producers including Saudi Arabia and Russia “feel confident” in continuing to cut supply through to the end of the year, commented Price Futures Group’s senior market analyst Phil Flynn.

“They [Saudi Arabi and Russia] know that the US won’t respond to market conditions because of a dysfunctional regulatory environment,” he added.

Downward pressure:

Brent lost previous gains after fears of a slowdown in China’s economy resurfaced in the market, “rather than showing signs of improvement,” said SPI Asset Management’s managing partner Stephen Innes.

On Monday, China’s second-largest property developer Evergrande Group’s mainland subsidiary Hengda said it failed to repay an onshore bond, reported Reuters.

This news has casted a “new shadow of risk over China’s economic recovery efforts” and “reignited concerns that the country’s housing sector is still deteriorating,” added Innes.

After a "hawkish" rate hike pause, the US Federal Reserve’s (Fed) might raise interest rates in the coming days as it continues to battle inflation.

“The Federal Open Market Committee (FOMC) in the United States [US] surprised markets with a hawkish stance, setting higher expectations for rate increases in the coming year,” said Innes. Higher interest rates can trigger concerns about demand for dollar-denominated commodities like oil.

By Tuhin Roy and Aparupa Mazumder