

MARKET UPDATE AMERICAS



ENGINE: Americas Bunker Fuel Market Update

06/10/23

Americas bunker prices have mostly dropped with Brent, especially LSMGO prices, which slumped significantly in certain ports.

Changes on the day, to 07.00 CST (13.00 GMT) today:

- **VLSFO prices up in New York (\$6/mt) and Houston (\$4/mt), unchanged in Balboa, and down in Los Angeles (\$14/mt) and Zona Comun (\$2/mt)**
- **LSMGO prices down in Los Angeles (\$88/mt), Zona Comun (\$30/mt), Houston (\$18/mt), Balboa (\$11/mt) and New York (\$7/mt)**
- **HSFO prices up in Houston (\$19/mt), Los Angeles (\$13/mt) and New York (\$12/mt), and down in Balboa (\$3/mt)**

Houston has seen a jump in stems fixed so far this week, following a period of muted demand in the previous week. Nine stems have been recorded by ENGINE since Monday. Out of the nine stems, six stems have been for LSMGO and three for VLSFO.

Houston's HSFO benchmark has increased steeper than the port's VLSFO price in the past day, narrowing its Hi5 spread from \$90/mt, to \$75/mt now.

Los Angeles' LSMGO price has come down sharply in the past day. A lower-priced indication has dragged its benchmark lower. Meanwhile, the grade's price in Zona Comun has made a smaller drop, to flip its \$47/mt price discount to Los Angeles, to a premium of \$11/mt now.

Smooth bunkering operations have been observed in the Galveston Offshore Lightering Area (GOLA) due to calmer weather conditions in recent weeks. However, high wind gusts of up to 37 knots are forecast to hit GOLA later today, which could disrupt bunkering again.

Brent

The front-month ICE Brent contract has inched lower by \$0.72/bbl on the day, to trade at \$84.20/bbl at 07.00 CST (13.00 GMT) today.

Upward pressure:

Brent futures gained some support after OPEC+ producers announced they will continue output cuts until the end of this year. The group's top producers Saudi Arabia and Russia reaffirmed their pledges this week to extend voluntary supply cuts.

“A tight [oil] market for the rest of the year suggests that prices should remain well-supported for the remainder of 2023,” said ING bank’s head of commodities strategy Warren Patterson. The bank has kept its forecast for Brent price unchanged and expects it to average at \$92/bbl in the fourth quarter of the year.

Downward pressure:

Concerns about global oil demand growth have capped Brent's rally this week. Oil market analysts believe that inflationary pressures could prompt the US Federal Reserve (Fed) to raise interest rates later this year. Fed officials are expected to discuss ways to curb inflation at the next Federal Open Market Committee (FOMC) meeting in November.

With more rate hike cycles seen in the future, demand for dollar-denominated commodities like oil is expected to take a hit, analysts said.

Moreover, Russia has partially lifted its ban on diesel exports. The country has permitted diesel exports through seaport pipelines for producers that “supply at least half of fuel they produce” to the domestic market, reported TASS.

Moreover, the supply deficit caused by OPEC+ production cuts has faced some retaliations. Earlier this week, India’s oil minister Hardeep Singh Puri urged OPEC to be sensitive towards consuming countries like India as crude oil prices exceeded \$95/bbl in September.

“OPEC+ will likely come under increased political pressure to bring more supply back into the market if prices move much higher,” Patterson said. “There are elections in two key oil-consuming nations next year – the US and India – and these governments will likely want to minimise any potential inflationary pressures,” he further added.

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