ENGINE: Americas Bunker Fuel Market Update

06/11/23

Regional bunker benchmarks have mostly declined, and Zona Comun's VLSFO price has been trading competitively in the region.

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

- **VLSFO prices down in New York ($25/mt), Houston ($23/mt), Zona Comun and Balboa ($14/mt) and Los Angeles ($9/mt)**
- **LSMGO prices up in Los Angeles ($15/mt), and down in New York ($65/mt), Zona Comun ($16/mt), Houston ($2/mt) and Balboa ($1/mt)**
- **HSFO prices up in Balboa ($16/mt), and down in New York ($8/mt), Houston ($5/mt) and Los Angeles ($4/mt)**

Houston's VLSFO price drop has outpaced that of its HSFO. The price moves have narrowed the port's Hi5 spread from $111/mt on Friday, to $93/mt now. A prompt 500-1,500 mt VLSFO stem fixed at $591/mt in the past trading day has added downward price pressure.

A moderate risk of fog and reduced visibility is forecast around Corpus Christi and through the Houston Ship Channel on Friday. Thick fog and reduced visibility could delay vessel traffic around the channel, Norton Lilly says.

The fog season in the US Gulf Coast typically runs until March, but the channel usually experiences closures more often between December and January.

Several Brazilian ports have good bunker fuel availability. One supplier can supply VLSFO stems in Itaqui and Salvador from tomorrow, and with two days of lead time in Rio Grande.

Zona Comun continues to price its VLSFO competitively. It is mostly at discounts to several Brazilian ports, including Rio Grande, Itaqui, Salvador and Santos. A slowdown in grain exports due to a recent drought in Argentina has had a knock-on effect on exports and bunker demand. Some suppliers in Zona Comun have lowered their offer prices in order to clear stocks, a source said last week.

Brent

The front-month ICE Brent contract has come off by $1.19/bbl on the day from Friday, to trade at $85.85/bbl at 07.00 CST (13.00 GMT).

Upward pressure:

Brent futures gained support after OPEC+ top oil producers Saudi Arabia and Russia decided to extend voluntary crude output and export cuts until the end of this year.

Russia's Deputy Prime Minister Alexander Novak said on Sunday that the country will continue additional voluntary oil export cuts of 300,000 b/d until December 2023, state-owned media agency TASS reported.

According to Novak, the country will analyse the global oil market in December to "make a decision on deepening the reduction or increasing the production of petroleum products," TASS added.

OPEC's de facto leader Saudi Arabia has also confirmed that it will continue to cut crude oil output by 1 million b/d in December, Reuters reported citing a source from the kingdom's energy ministry.

"The confirmation from these producers that they would continue with cuts shouldn't come as too much of a surprise," said two analysts from ING Bank. "However, what the market will be more interested in is if they extend these cuts into early 2024," they added.

Downward pressure:

Brent futures erased last week's gains due to easing of supply concerns in the Middle East. Despite the growing geopolitical risks from the ongoing Israel-Hamas conflict, direct physical supply remained stable.

"The Israel-Hamas conflict tells you one thing: there's no discernible supply curtailment from a contained conflict that does not bring oil-producing regional actors into the fray," said SPI Asset Management's managing partner Stephen Innes. "Oil prices have yet to react significantly to this conflict, at least not yet."

Meanwhile, oil investors are looking for fresh demand cues from China. Brent futures felt some downward pressure last week after China reported a decline in its purchasing managers' index (PMI) in October.

"Demand concerns will also put renewed downward pressure on the market, particularly after the weaker-than-expected Chinese PMI data released last week," analysts from ING Bank said in a client note.

By Nithin Chandran and Aparupa Mazumder