

# MARKET UPDATE AMERICAS



## ENGINE: Americas Bunker Fuel Market Update

10/11/23

Regional bunker benchmarks have gained with Brent values, and high winds could disrupt bunkering in Zona Comun.

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

- **VLSFO prices up in Balboa (\$19/mt), Zona Comun (\$11/mt) and Los Angeles (\$6/mt), and down in Houston (\$1/mt)**
- **LSMGO prices up in Balboa (\$26/mt), New York (\$10/mt) and Houston (\$9/mt)**
- **HSFO prices up in Balboa (\$6/mt) and Houston (\$2/mt)**

Balboa's LSMGO has gained sharply on the day, to reverse some of the losses made in the previous session. One non-prompt LSMGO stem fixed at \$895/mt earlier today has pushed its benchmark higher. It is now priced \$46/mt higher than Houston's LSMGO.

Houston's VLSFO price has moved slightly down against the wider market direction. Its discount to Balboa's VLSFO has widened from \$34/mt yesterday, to \$54/mt now. Between Monday and so far today, around eight stems have been recorded from Houston by ENGINE, slightly up from seven stems fixed over the same period last week. The majority of these stems have been for LSMGO (5) and VLSFO (3).

Bunkering was progressing normally at the Zona Comun anchorage yesterday, with 2-3 vessels waiting to bunker, Antares Ship Agents said. Rough weather conditions are forecast to hit today and over the weekend, which could pose problems to deliveries in the region. One refinery will resume operations next week, after completion of periodic maintenance.

Availability of VLSFO and LSMGO is normal for prompt dates at Zona Comun. Most suppliers can deliver stems within five days of lead time, but rough weather could push lead times further ahead.

## **Brent**

The front-month ICE Brent contract has gained \$0.67/bbl on the day, to trade at \$80.23/bbl at 07.00 CST (13.00 GMT).

### **Upward pressure:**

Escalating fears of a much bigger supply deficit in the global oil market in the coming months have provided some upward thrust to Brent futures this week.

With more Arab countries joining the Israel-Hamas conflict to support Palestine, concerns over supply disruptions in key oil-producing regions are also growing, analysts said. Israel's military confirmed on Thursday that a Syria-based organisation launched a drone attack on the southern Israeli city of Eilat, Reuters reported.

Earlier this week, Yemen-based Houthi militants also allegedly launched ballistic missiles at Israel that pose a direct threat to leading global oil producer Saudi Arabia. The shortest flight route for any drone or missile launched from Yemen to Israel crosses over the western part of Saudi Arabia which is closer to the Red Sea.

### **Downward pressure:**

Brent futures felt some downward pressure after the US Federal Reserve's (Fed) chairman Jerome Powell said that he is "not yet confident" with the central bank's approach to tame inflation. Powell's comment hinted that the Fed could consider more interest rate hikes.

While speaking at an International Monetary Fund (IMF) research conference on Thursday, Powell clarified that tackling stubborn inflationary pressures remains the central bank's focal point.

The Fed will continue to "address both the risk of being misled by a few good months of data and the risk of overtightening," Powell said. The central bank kept its interest rates steady at 5.25%-5.5% at its latest Federal Open Market Committee (FOMC) meeting.

The Fed is "committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation down to 2% over time," Powell said. "We are not confident that we have achieved such a stance. If it becomes appropriate to tighten policy further, we will not hesitate to do so."

"[Oil] Investors are facing steady declines after Jerome Powell's warning that interest rates might need to climb further," said SPI Asset Management's managing partner Stephen Innes.

Higher interest rates make the greenback stronger and cause a general lag in demand for dollar-denominated commodities like oil.

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