

# MARKET UPDATE AMERICAS



## ENGINE: Americas Bunker Fuel Market Update

04/12/23

Regional bunker benchmarks have moved in mixed directions, and Houston's Hi5 spread has narrowed.

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

- **VLSFO prices up in Balboa (\$28/mt), and down in Zona Comun and Los Angeles (\$19/mt), New York (\$17/mt) and Houston (\$7/mt)**
- **LSMGO prices down in Zona Comun (\$36/mt), New York and Los Angeles (\$26/mt), Houston (\$7/mt) and Balboa (\$2/mt)**
- **HSFO prices up in Balboa (\$29/mt) and Houston (\$27/mt), and down in New York (\$16/mt) and Los Angeles (\$14/mt)**

Houston's HSFO price has gained by \$27/mt, while its VLSFO price fell by \$7/mt over the weekend. The diverging price moves have narrowed the port's Hi5 spread from \$105/mt on Friday to \$71/mt now.

At \$71/mt, Houston's Hi5 spread is much narrower than spreads of \$185/mt in Los Angeles and \$94/mt in New York.

VLSFO availability is normal in Houston. The grade has been offered in Houston today with a \$13/mt price difference between the highest- and lowest-priced suppliers. At least three bunker suppliers can supply the grade with lead times of five days.

Balboa's VLSFO price has gained significantly, while VLSFO prices in other regional bunker ports have declined amid downward price pressure from descending Brent values. Balboa's VLSFO price has been indicated in a wide price range of \$28/mt today, with some-higher priced indications supporting the benchmark's steep gain.

VLSFO and LSMGO availability is normal in Balboa. One supplier is able to supply both grades with shorter lead times of three days, a source says.

## **Brent**

The front-month ICE Brent contract has declined by \$2.36/bbl on the day from Friday, to trade at \$78.23/bbl at 07.00 CST (13.00 GMT).

### **Upward pressure:**

The ongoing conflict in the Middle East has once again taken the centre-stage. Brent futures found some support from recent developments in the Hamas-Israel war, which has rekindled supply concerns in the region.

The Israel Defense Forces (IDF) have claimed that Palestine-based Hamas militants failed to oblige the cease-fire agreement that was agreed upon last week in exchange for the hostages on both sides.

Meanwhile, the US military said on Sunday that Yemen-based militant group Houthi launched drone attacks on multiple commercial vessels in the southern part of the Red Sea, reported Reuters.

Oil market analysts are anticipating supply disruptions because of this intense conflict.

### **Downward pressure:**

Demand woes have curbed Brent futures' gains this week after energy service company Baker Hughes reported a rise in active oil rigs in the US on Friday. The latest Baker Hughes report indicates a potential crude supply surplus as well as an oil demand shortage in the country.

US oil rigs rose by five to 505 in the week ended 1 December, Baker Hughes reported.

Meanwhile, oil market analysts are concerned about whether OPEC+ producers will adhere to the recently announced production cuts for 2024.

"The lack of an official announcement, with details gradually appearing from individual member states indicated there's no firm commitment to the 2.2 million b/d cut," said OANDA's senior market analyst Craig Erlam.

Oil traders and analysts are worried if the producers will fully commit to these cuts. "It seems traders either aren't buying that members will be compliant or don't view it as being sufficient," Erlam added.

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