ENGINE: Americas Bunker Fuel Market Update

30/01/24

Regional bunker benchmarks have moved in mixed directions, and New York's VLSFO discount to Houston has widened further.

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

- **VLSFO prices up in Zona Comun ($2/mt), and down in New York ($21/mt), Balboa ($10/mt), Los Angeles ($3/mt) and Houston ($1/mt)**
- **LSMGO prices up in Los Angeles ($3/mt), unchanged in Balboa, and down in New York ($10/mt) and Houston ($8/mt)**
- **HSFO prices down in New York ($21/mt), Houston ($10/mt), Balboa ($6/mt) and Los Angeles ($1/mt)**

New York's VLSFO has come down by a sharp $21/mt in the past day, while Houston's VLSFO has remained broadly steady. As a result, New York's VLSFO discount has more than doubled from yesterday's $19/mt to $39/mt now.

Prompt VLSFO availability has been tight in Houston and several other locations in the US Gulf Coast. Rough weather conditions in the area have impacted barge loadings at oil terminals in Houston. This has led to the tightness and subsequently pushed the grade's price higher.

Houston's HSFO price has shed more than its VLSFO, to widen its Hi5 spread from yesterday's $165/mt to $174/mt now.

One supplier in Bolivar Roads near Galveston is working to clear backlogs from recent fog-triggered disruptions. The supplier can deliver both grades with lead times of 7-8 days, while another can deliver with shorter lead times of 4-5 days.

Santos' VLSFO has declined by $32/mt in the past day. The steep drop has taken Santos' price from parity with Zona Comun's VLSFO yesterday, to a discount of $32/mt. Santos has mostly priced VLSFO lower than Zona Comun this month, but has occasionally flipped to a premium.

Some argue that Brazilian bunker price volatility in recent weeks can be attributed to a recent change in Petrobras' pricing mechanism. The integrated Brazilian petroleum firm and bunker supplier stopped publishing daily bunker price indications from 2 January onwards, and now only shares prices for firm enquiries.

Brent

The front-month ICE Brent contract has plunged $1.59/bbl lower on the day, to trade at $81.85/bbl at 07.00 CST (13.00 GMT) today.

Upward pressure:

Concerns about supply disruptions in the oil market amidst the Middle East conflict and ongoing Houthi attacks on commercial ships in the Red Sea have contributed to Brent's recent price rise.

Brent could see potential upside if Middle East tensions escalate and impact oil production in the region, ING’s head of commodity strategy, Warren Patterson writes in a report. He adds that oil prices could also rise if there is a disruption in the Strait of Hormuz, which sees 20 million b/d pass through.

Downward pressure:

The US National Security Council’s coordinator for strategic communications, John Kirby said that the US does not wish to exacerbate the Middle East crisis. “We are not looking for a war with Iran. We are not looking to escalate the tensions any more than they already have been escalating.,” Kirby told reporters at a White House briefing.

A Hong Kong court has ordered Chinese property giant Evergrande to liquidate, deepening China's property crisis. It is possible that Brent's upside gains could be limited by the real estate debt crisis weighing on China's economy and reducing its appetite for crude oil in the coming months.

Data from OPEC+ members show oil exports from members that pledged to cut output are "broadly steady", Bloomberg reported citing Kpler data. Russia, Kazakhstan and Iraq have reduced their output only marginally, the report added.

By Nithin Chandran and Konica Bhatt