

# MARKET UPDATE AMERICAS



## ENGINE: Americas Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained, and bunker demand has been strong in Zona Comun.

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

- **VLSFO prices up in Los Angeles (\$7/mt), Houston and New York (\$6/mt), and Balboa (\$5/mt)**
- **LSMGO prices up in Houston (\$11/mt), New York, Balboa (\$8/mt) and Los Angeles (\$3/mt)**
- **HSFO prices up in Houston (\$9/mt), Balboa (\$5/mt) and New York (\$1/mt), and down in Los Angeles (\$3/mt)**

Bunker benchmarks in Americas ports have gained in the past day. But, Los Angeles' HSFO price has moved counter to the wider market direction and dropped some amid downward pressure from a lower-priced indication. The price drop has flipped Los Angeles' HSFO price to a marginal discount of \$5/mt to Houston's.

Zona Comun's VLSFO price has gained by \$29/mt over the past week, and about \$61/mt since the beginning of this month. These gains have been partly driven by rises in underlying crude values, but some sources assert that the increase in demand has also contributed to the VLSFO price gains.

Bunker demand has been robust in Argentina's Zona Comun anchorage due to the surge in wheat shipments around the ports in that area. The increase in wheat exports has contributed to the rise in bunker demand, as more cargo ships call Argentinian ports, a source says.

Prompt availability is very tight in San Francisco. One supplier is unable to offer HSFO and LSMGO for prompt dates due to busy delivery schedules, a source says. The earliest delivery date is as far away as 15 February.

## **Brent**

The front-month ICE Brent contract has inched \$0.12/bbl higher on the day, to trade at \$81.97/bbl at 07.00 CST (13.00 GMT).

### **Upward pressure:**

Market watchers are bracing for an escalation in the Middle East crisis and a potential supply disruption in the oil market. Despite the US' repeated assurance that it is "not looking for a war with Iran," the situation remains tense.

Joe Biden told a CNN reporter that he has decided his response to the attacks on US troops in Jordan. Iran's UN representative, Amir Saeid Iravani replied by saying that any attack on the country will be met with a decisive response, Iranian state-run news agency IRNA reports.

"Not only is the market bracing for a response from the Biden administration on the drone attack in Jordan that was executed by an Iranian-backed group, but also if Biden makes good on the threat to reimpose sanctions on Venezuela and the Maduro regime," Phil Flynn, commodity analyst at The PRICE Futures Group writes. "This, along with the increasing risk from geopolitical events, could cause a quick run for the exits by hedge funds that continue to favour the short side of the market," he adds.

US crude oil stocks are estimated to drop another 2.5 million bbls in the week ended 26 January, after a massive 9.2 -million-bbl decline in the previous week, according to Trading Economics citing American Petroleum Institute (API) estimates.

### **Downward pressure:**

Brent's upside gains remain threatened by China's growing real estate debt crisis. If the situation worsens, it could hinder China's economic growth and harm its oil demand prospects.

Saudi Arabia has directed state-owned Aramco to maintain production capacity at 12 million b/d, which is lower than its planned target of 13 million b/d for 2027. This decision could raise concerns around global demand uncertainty and act as a downward pressure on Brent's price.

It also remains unclear whether other OPEC producers will follow Saudi Arabia to call off production expansion plans. The UAE has set a target to expand production capacity to 5 million b/d by 2027. Its production capacity was around 4.23 million b/d in December, according to the International Energy Agency.

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