

Argus Singapore Marine Fuels Assessments

- Delivered bunkers



What is Argus doing in the Singapore marine fuels market?

Argus has worked with shipowners and the bunker industry to create price benchmarks for fuel oil and marine gasoil (MGO) that accurately reflect the physical spot market for delivered bunker fuels in Singapore, based on a Volume Weighted Average (VWA) of reported trade data.

Why is this in the interest of shipowners?

Shipowners like to track their fuel procurement costs and compare these with the wider industry, so contributing their own trade information into the assessment process and reviewing the results has value. For shipowners buying on a term basis, referring to the Argus Delivered Bunker (ADB) assessments as the floating price reference ensures they are paying a fair market price that is comparable to their peers that chose to buy fixed-price spot supplies. The floating price reference cannot dislocate from the real spot value of bunkers.

Why is this in the interest of suppliers?

Suppliers are enthusiastic about these benchmarks because their margins are tight and dislocations between cargo markets and delivered spot prices introduce a volatility that they cannot easily manage. Having robust and trusted benchmarks benefits the entire industry and there is an acknowledgment of a shared responsibility to contribute the data to make this possible. Mathematically, having their own trade data as part of the process increases the probability that the assessment will be similar to the levels they have traded at. Also, suppliers need to offer competitive pricing and attractive terms to their customers to win business, so when a shipowner asks for a term deal referencing ADB the supplier needs to have access to the assessments and be familiar with Argus to win the contract.

Why is this in the interest of traders?

The introduction of trusted and robust benchmarks for delivered bunkers and the development of an ADB paper market is complementary to the cargoes market and is likely to increase overall liquidity, by enabling spread trades between the two and providing yet another tool for traders to express a view on market direction.

Why is this in the interest of brokers?

Similar to traders, brokers will benefit from the expansion of the paper market ecosystem following the introduction of a trusted and robust settlement price for delivered bunkers. Furthermore, the Argus assessment process does not compete with brokers.

Argus Delivered Bunkers assessments – Frequently Asked Questions

What is the assessment methodology?

At 7pm each day Argus takes the reported trades for each grade and discards those outside of the standard specifications (delivery 4-12 days from the trade date and quantity of 500-3,000t for 380cst high-sulphur fuel oil (HSFO) and 50-500t for MGO and low-sulphur MGO). Price outliers are then discarded (currently defined as being more than \$2 from the mean). The Volume Weighted Average for each grade is then calculated.

How would Argus assess the market if no trade information within the standard specification is submitted?

For major grades that is unlikely, but Argus has a back-up assessment process that considers reported bids and offers, reported trades that are outside the standard specifications, indications of fair value and prevailing spreads between related markets.

How can companies submit trade information?

Argus encourages fuel oil and marine gasoil trade information to be submitted via email to singaporebunkers@argusmedia.com but phone, instant messenger or other methods can also be used.

Is it possible for the assessment to be manipulated?

That would be extremely difficult as the assessment process uses a large quantity of high-quality data provided by multiple market participants. If a market participant tried to distort the assessment by submitting trade information that was not correct, it would likely be discarded by the process of removing outliers, before the VWA is calculated. If any company is found not to be submitting trade data in good faith, they will not be permitted to submit data for a period of three months.

What makes the Argus Delivered Bunkers assessments better than other alternatives?

The Argus assessments consider a large high-quality data set of trades that have taken place during companies' normal business. The alternative considers a small amount of data on a single platform at a single time, which does not produce assessments reflective of real market activity.

The Argus methodology aligns with how bunker procurement managers like to be measured, against the trades done by their peers.

Any market participant can submit trade data, there is no pre-approval process and no requirement to be an Argus subscriber to fully participate in the price assessment process. Those with poor credit or special terms that impact the price would likely have those trades discarded as price outliers.

Is the submitted trade information published?

Submitted trade information is treated as confidential. Only the total quantity submitted and the assessed price for each grade will be published each day. Information on how many firms are contributing information will also be available on an ad hoc basis to demonstrate the robustness of the process.

Why is Argus doing this now and why hasn't it been done before?

Before the introduction of Mass Flow Meters in 2017, different customer service levels affected the price offered, making the value difficult to assess. Now there are consistent standards of measuring quantity and quality, bunker prices can be assessed accurately, and can be used as benchmarks.

The Argus team is enjoying helping the marine fuels industry develop these benchmarks and the market ecosystem around them, which is creating efficiencies and opportunities for all stakeholders.

Argus Singapore Marine Fuels assessments are offered in the daily **Argus Marine Fuels report**. To subscribe, contact us at **Singapore@argusmedia.com**

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