



ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices have fallen across the East of Suez ports, and Fujairah has been witnessing robust demand of late.

Changes on the day to 17.00 SGT (09.00 GMT) today:

changes since July 15 2022 (USD/MT) (USD/MT)

VLSFO prices down in Zhoushan (\$19/mt), Singapore (\$12/mt) and Fujairah (\$2/mt)

LSMGO prices down in Zhoushan (\$56/mt), Fujairah (\$26/mt) and Singapore (\$14/mt)

HSFO380 prices up in Fujairah (\$21/mt), and down in Zhoushan (\$8/mt) and Singapore (\$2/mt)

Fujairah's VLSFO price has held up better against Brent's downward movement, compared to Zhoushan and Singapore.

The UAE port's VLSFO has shed \$2/mt in the past day, with one higher-priced VLSFO stem fixed in the past day supporting the port's benchmark index. Fujairah's VLSFO discount to Singapore has flipped to a premium of \$7/mt, while the port's VLSFO premium over Zhoushan has widened significantly to \$24/mt.

Fujairah has been experiencing strong demand for the past few weeks, a source says. Zhoushan, on the other hand, has been plagued with weak demand. OPL bunkering at the port remains suspended since Wednesday amid bad weather, a source says. At Zhoushan, bunkering is likely to resume on Sunday when calmer weather is forecast.

The Chinese bunkering hub's VLSFO discount to Singapore has widened to \$17/mt. Meanwhile, demand remains steady in Singapore, a source says. Availability remains tight for VLSFO in Singapore as most suppliers cannot offer prompt dates and are fully booked for the month. Recommended lead times for the grade have increased to 15-16 days from 10-13 days previously.

Lead times for VLSFO in Fujairah have risen from 8-9 days to 10-12 days now, compared to much shorter lead times of 3-4 days in Zhoushan. However, weather-triggered disruptions might delay deliveries in Zhoushan until 25 December, a source says.

Recommended lead times for VLSFO in the South Korean ports now extend to early January, however one supplier can offer the grade with shorter lead times of around five days.

Fujairah's HSFO has gained \$21/mt in the past day, in stark contrast to declines logged by Zhoushan and Singapore. Robust demand for the grade coupled with very tight availability due to loading delays owing to terminal congestion has supported the northbound movement. Recommended lead times for HSFO in Fujairah are around 11 days, but some suppliers can offer prompt dates.

Zhoushan continues to price HSFO at elevated levels to Fujairah and Singapore as most suppliers are sold out and the replenishment cargo has been delayed until January. Zhoushan's HSFO premium over both Fujairah and Singapore stands at \$20/mt. Availability of HSFO is subject to enquiry in Zhoushan. Lead times for HSFO in Singapore vary in the range of 7-11 days.

For HSFO across South Korean ports, lead times of around 11 days are recommended.

Brent

Front-month ICE Brent has declined by \$0.93/bbl on the day, to \$81.91/bbl at 17.00 SGT (09.00 GMT), but Brent futures are on track to gain over 3% on the week. The trading volume for Brent futures is expected to be muted next week as traders head out for the holidays.

Upward pressure:

Reuters has reported that "Russia may cut oil output by 5-7% in early 2023 as it responds to price caps on its crude and oil products by halting sales to the countries that support them," citing Russia's Deputy Prime Minister Alexander Novak.

Novak estimates the cut at 500,000-700,000 b/d, according to Reuters. In the first quarter of next year, the Dutch financier ING expects Russian oil supplies to fall by around 1.6-1.8 million b/d.

Meanwhile, Russian state news agency TASS has reported that Russia's President Vladimir Putin will sign a decree halting supplies to G7 price cap participants next week as part of "precautionary measures."

"A combination of lower Russian oil supply and OPEC+ supply cuts means that the global oil market is expected to tighten [oil market] over 2023," writes ING as it forecasts Brent to average \$104/bbl next year.

Winter storm warnings, coupled with a drawdown in US crude stockpiles and the closure of the Keystone Pipeline, have also supported Brent prices. CMC analyst Leon Li tells Reuters that heating oil demand is expected to skyrocket. This is because

winter storms in the US will result in cold temperatures extending into Texas, Florida, and eastern states.

Downward pressure:

Fitch Ratings' global economic outlook says that monetary tightening will have a broader impact on demand over time, though the effects on the economy are already visible.

“Recessions are anticipated in the eurozone and the UK starting in late 2022, and in the US in the second and third quarter of next year,” it adds.

In addition, a spike in Covid cases in China and reports of a new variant have once again placed China’s demand concerns at the forefront of oil markets.

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