ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved in mixed directions across East of Suez ports, and HSFO tightness in Zhoushan has eased with the arrival of replenishment cargo volumes.

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

- **VLSFO prices steady in Zhoushan, and down in Singapore and Fujairah ($7/mt)**
- **LSMGO prices up in Singapore ($25/mt), and down in Fujairah ($35/mt) and Zhoushan ($6/mt)**

HSFO380 prices up in Zhoushan ($3/mt), and down in Fujairah ($19/mt), Singapore ($11/mt)

Zhoushan's VLSFO price has held steady, while Fujairah's has dropped with Brent in the past day. This has narrowed Zhoushan's VLSFO discount to Fujairah to $10/mt. Three VLSFO stems have been fixed in Zhoushan in a range of $16/mt in the past day, with a stem at the higher end of the range supporting its resistance against Brent's southbound pull.

Higher demand coupled with loading delays has tightened availability in Fujairah's bunker market. The UAE port continues to price the grade at elevated levels to Singapore. The port's VLSFO premium over Singapore has held steady at $14/mt.

Singapore's VLSFO price has declined by $7/mt in the past day, after logging gains for two consecutive days. The port's VLSFO premium over Zhoushan has flipped to a marginal discount of $4/mt.

Singapore's VLSFO demand remains okay. A total of six VLSFO stems have been fixed in a range of $12/mt in the past two days. Availability of the grade remains tight in Singapore, with recommended lead times stretching to 12-14 days.

Lead times of 9-12 days are recommended for VLSFO in Fujairah, compared to very short lead times of 2-3 days in Zhoushan.

Meanwhile, recommended lead times for VLSFO in the South Korean ports are around 13 days, but one supplier can provide the grade at a much shorter lead time of eight days, a source says.

The arrival of replenishment cargo has eased the tightness for HSFO in Zhoushan, and availability of the grade no longer subject to enquiry. Another replenishment cargo is due for arrival in the second week of January, which is likely to alleviate the situation even further, a source says.

Lead times of 5-7 days are recommended for HSFO in the Chinese bunkering hub now, much shorter than lead times of 9-12 days in Fujairah. Singapore's lead times for the grade are spread out over a wide range of 6-10 days.

Zhoushan's HSFO premiums over Fujairah and Singapore stand at $46/mt and $20/mt, respectively.

Brent

Front-month ICE Brent has inched lower by $0.58/bbl on the day, to $83.50/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

The winter storm sweeping across the US has knocked temperatures below freezing and disrupted operations at major oil refineries in Texas, US, which continues to support Brent. Affected plants process about 3.58 million b/d, according to Reuters estimates.

Some outages may last into January, Reuters cites insider company sources saying. Refineries owned by Marathon Petroleum and Valero Energy are only set to restart in the first or second week of January.

Crude oil demand is expected to surge after China opens its borders and lifts mandatory quarantine requirements for foreign tourists starting 8 January. S&P Global analysts have predicted oil demand from the world's top importer to reach 15.7 million b/d in 2023, a 700,000-bbl increase from 2022.

Russian President Vladimir Putin has signed an executive order to address the price cap imposed on Russian seaborne crude oil by G7 nations and Australia. In accordance with Putin's earlier warning, Russia has prohibited the sale of oil and oil products to any nation that gets behind the price cap. Starting on 1 February next year, the restrictions will last until at least 1 July.

Several energy experts have predicted that tight supply caused by an increase in Chinese demand and Russia's reduced production will push Brent past $100/bbl next year. Bank of America expects Brent to average $100/bbl next year, while Morgan Stanley predicts $110/bbl by mid-2023.

S&P Global vice chairman Dan Yergin has told CNBC that Brent could reach $121/bbl next year when China fully reopens because it will "add a lot of demand," while UBS commodity analyst Giovanni Staunovo has predicted a price of +$100/bbl in 2023.

Downward pressure:

On the flip side, Yergin has told CNBC that Brent could fall to $70/bbl in case of a recession, according to CNBC.

Citi's global commodities head Ed Morse has predicted Brent will average a significantly lower $76/bbl next year, as supply outstrips global demand.

“We have an underlying view that we will see an imbalance between supply and demand across 2023, with significantly more supply coming into the market than demand, leading to inventory builds, which should weigh on prices so that we see prices ending the year on average lower than the beginning,” Morse has told Insider.

US regulators have approved TC Energy's plan to restart the closed segment of the Keystone Pipeline, according to Reuters. The segment stretches from Steele City near the Nebraska-Kansas border to Cushing, Oklahoma. TC Energy expects service to be restored after several days of testing.

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