ENGINE: East of Suez Physical Bunker Market Update

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Most benchmarks in East of Suez ports have tracked declining Brent values, and bunker demand remains sluggish in Zhoushan.

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

- **VLSFO prices up in Fujairah ($3/mt), and down in Zhoushan ($15/mt) and Singapore ($10/mt)**

- **VLSFO prices up in Fujairah ($2/mt), and down in Zhoushan ($15/mt) and Singapore ($10/mt)**
- **LSMGO prices down in Zhoushan ($28/mt), Fujairah ($20/mt) and Singapore ($18/mt)**

HSFO380 prices down in Singapore ($15/mt), Fujairah ($2/mt) and Zhoushan ($1/mt)
Bunker demand in the Chinese bunker hub of Zhoushan remains sluggish. Some suppliers are offering VLSFO at lower prices in order to clear stock before replenishment cargo arrives, and this has contributed to keep their prices lower, sources say.

Demand remains muted in Zhoushan despite suppliers in the port offering VLSFO at competitive levels to other regional ports. Enquiries have almost dried up this week, a trader says. Zhoushan's VLSFO price has plunged relative to others amid ample supply in recent weeks. Its $26/mt premium over Singapore in mid-December has now been erased.

Recent weather disruptions in Zhoushan have probably influenced bunker buyers to look out for bunkers elsewhere, a source says. Weather disruptions could continue to trouble Zhoushan over the coming weeks, as the weather is typically harsher during winter.

Meanwhile, China's rising Covid-19 cases have had little to no effect on port operations and bunkering in Chinese ports. Suppliers in Zhoushan and Shanghai continue to deliver stems as long as the weather permits. "Most of them fear of weather disruptions rather than Covid-19 restrictions," a source says.

Overall bunker demand increased in Fujairah in December. The spike in demand has kept the port's VLSFO price elevated in the region. It has moved up from near parity levels to Singapore at the beginning of the month, to a premium of $26/mt now.

Securing VLSFO and LSMGO for prompt dates can be tricky in South Korean ports. A lead time of at least 8-10 days is generally recommended to ensure full coverage from suppliers.

Brent

Front-month ICE Brent has declined by $2.05/bbl on the day, to $81.45/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Going by an American Petroleum Institute (API) estimate, US crude inventories were drawn by 1.3 million bbls in the week ended 23 December. Official Energy Information Administration (EIA) figures are due to come out at 15.30 GMT today.

The US is likely to face a supply crunch this winter as energy demand has risen and oil production has slowed due to refinery outages on the back of below-freezing temperatures in Texas and North Dakota. Reuters has learned that some refinery outages may continue into 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 banning the sale of oil and oil products to any nation that gets behind the G7 price cap. Russian Deputy Prime Minister Alexander Novak has also estimated the nation to cut production by 500,000-700,000 b/d early next year.

Downward pressure:

Tailwinds from blizzard-induced US refinery closures are fading, Reuters reports. TotalEnergies has already restarted its 238,000 b/d nameplate production Port Arthur plant, while ExxonMobil is close to operating its 366,000 b/d Beaumont refinery at full capacity.

Marathon Petroleum’s 593,000 b/d nameplate capacity Galveston Bay refinery near Texas City will also resume production in a couple of days, sources have told Reuters.

In an interview with CNBC, S&P Global vice chairman Dan Yergin has predicted that Brent is likely to fall to $70/bbl in the event of a recession. Citi’s Ed Morse also expects a significant drop from the current levels and expects Brent to average $76/bbl next year.

year.

According to FXStreet, Credit Suisse strategists predict crude has "not reached the end of its decline." The report cites Credit Suisse as saying that "... with declining momentum and global growth concerns looming, we think further weakness will follow" as it predicts Brent to slump to $63/bbl.

As China reopens its borders to international travel, nations around the world are tightening restrictions on Chinese travellers as they fear Covid-19 infections. Although China's oil demand is expected to recover next year, tightened global restrictions and fears of a Covid-19 re-emergence can dampen this sentiment against a backdrop of a potential global recession.

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