ENGINE: East of Suez Physical Bunker Market Update

30/12/22

Bunker benchmarks have gained across East of Suez ports, and Singapore's fuel oil stocks have declined by 8% this year.

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

- **VLSFO prices up in Singapore ($25/mt), Zhoushan ($24/mt) and Fujairah ($16/mt)**
- **LSMGO prices up in Fujairah ($54/mt), Zhoushan ($42/mt) and Singapore ($21/mt)**

- **LSMGO prices up in Fujairah ($54/mt), Zhoushan ($43/mt) and Singapore ($31/mt)**

HSFO380 prices up in Fujairah ($22/mt), Zhoushan ($21/mt) and Singapore ($17/mt)

Bunker benchmarks have gained across East of Suez ports, mainly driven by rising Brent values. Fujairah's LSMGO benchmark has made the sharpest gains among major hubs. High-priced indications in the past day have contributed to push its benchmark higher.

Singapore has witnessed a notable rise in bunker demand in recent weeks. Some buyers are looking to book bunkers for prompt dates which can be trickier to find, a trader says. Most suppliers are almost fully booked for the first week of January, the trader adds.

VLSFO and HSFO grades remain tight for prompt dates in Singapore. Lead times of 11-13 days is generally recommended to ensure full coverage from all suppliers. LSMGO is more readily available for prompt dates.

ENGINE has recorded 34 stems in Singapore since Monday, slightly lower than the 42 stems recorded last week. This week's fixtures may have been capped by muted trading during the Boxing Day holiday. The majority of the stems have been for VLSFO, followed by LSMGO.

Singapore's residual fuel oil stocks have averaged 20.92 million bbls this year, about 8% lower than last year's 22.48 million bbls. The port's middle distillate stocks averaged a whopping 36% lower this year, at 7.59 million bbls, which is down from last year's 11.85 million bbls.

Suppliers in Zhoushan work to clear backlogs from previous weather disruptions. A total of 19 vessels are waiting to bunker across Zhoushan's anchorages today. 11 vessels are in line to the bunker at Xiazhimen, five at Tiaozhoumen and three at Xiushandong, White Whale Shipping Agency says.

Multiple weather disruptions in recent weeks have dented bunker demand in Zhoushan.

Brent

Front-month ICE Brent has climbed up by $2.33/bbl on the day, to $83.78/bbl at 17.00 SGT (09.00 GMT). The futures contract has gained nearly 6% this year.

Upward pressure:

Comments and predictions on Brent for 2023 will be relevant to watch on the last trading day of the year. Energy experts have predicted that tight supply due to increased Chinese demand and reduced Russian production will push Brent above $100/bbl next year.

OPEC and the International Energy Agency (IEA) have forecast increased global oil demand next year, led by a potential upside from China. According to analysts at S&P Global, oil demand from the world's top importer will reach 15.7 million b/d in 2023, a 700,000-bbl increase from 2022.

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 as China fully reopening will generate a lot of demand, while UBS commodity analyst Giovanni Staunovo has predicted a price of +$100/bbl in 2023.

The Energy Information Administration (EIA) has forecast Brent to average at $92/bbl next year as global oil inventory declines. Although this is lower than other forecasts, it still indicates a potential upside.

Downward pressure:

Commercial US crude oil stocks increased by 718,000 bbls to 418.95 million bbls in the week ending 23 December, according to the official EIA data. The stock build ran counter to the American Petroleum Institute's (API) earlier projection of a 1.3 million-bbl draw.

The unexpected rise in US crude oil inventories coupled with the reports of refineries in Texas restarting operations after winter storms caused disruptions is likely to cap oil price gains.

Given China's extreme spike in Covid-19 cases after it backtracked on its zero-Covid policy, reopening its international borders has met with lukewarm reactions across the globe. Despite expectations that China's oil demand will rise next year, tightened global restrictions on Chinese travellers and fears of a Covid-19 re-emergence can dampen this optimism.

"The lack of clarity over the virus situation in China has prompted some new travel rules from various countries, which could serve as some dampener for previous optimism," said Jun Rong Yeap, market strategist at IG.

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