

MARKET UPDATE EAST OF SUEZ

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ENGINE: East of Suez Physical Bunker Market Update

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Prices moved in mixed directions across the East of Suez ports and bunkering at Zhoushan's OPL has been suspended today.

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

VLSFO prices up in Fujairah (\$5/mt), and down in Zhoushan (\$10/mt) and Singapore (\$2/mt)

LSMGO prices down in Singapore (\$39/mt), Fujairah and Zhoushan (\$3/mt)

HSFO380 prices up in Singapore (\$1/mt), steady in Zhoushan, and down in Fujairah (\$7/mt)

OPL bunkering at Zhoushan's outer port limits (OPL) area has been suspended today due to rough weather, according to White Whale Shipping Agency.

The port is currently experiencing near gale-force winds between 28-34 knots and waves more than a metre. The weather is forecast to worsen through the week before calming over the weekend.

The number of vessels waiting to bunker at Zhoushan has come down significantly from 19 to 10 in the past day. Six vessels are waiting to bunker at the Xiazhimen anchorage and four at Tiaozhoumen, White Whale Shipping agency says.

Bunkering may resume on Sunday when calmer weather is forecast.

Zhoushan's VLSFO price has shed \$10/mt in the past day - the steepest among the major Asian hubs. The Chinese bunkering hub's VLSFO premium over Fujairah has flipped to a discount of \$11/mt, while the port's VLSFO discount to Singapore has widened to \$18/mt.

Fujairah's VLSFO price has gained \$5/mt in the past day, halving the port's discount to Singapore, to \$7/mt now.

Nine VLSFO stems were fixed in Singapore in the past day in a wide range of \$36/mt, with a stem at the lower end of the range contributing to pulling down the port's benchmark index.

Availability of VLSFO remains tight in Singapore with lead times of 10-12 days recommended, compared to shorter lead times of around eight days in Fujairah. Recommended lead times are much shorter for the grade in Zhoushan at four days, but deliveries may be delayed due to bad weather. Bad weather has been forecast in Zhoushan until 25 December, a source says.

Meanwhile, recommended lead times for VLSFO in South Korean ports now stretch to early January, up from seven days previously. One supplier can offer the grade with a shorter lead time of four days, a source says.

VLSFO availability remains good across the Indian ports of Mumbai, Mundra, Kandla, Cochin, Chennai and Haldia, with short lead times of 2-3 days.

Brent

Front-month ICE Brent sees a slight increase of \$0.37/bbl on the day, to \$80.16/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Going by an American Petroleum Institute (API) estimate, US crude inventories were drawn by 3.07 million bbls in the week ended 16 December. Official Energy Information Administration (EIA) figures are due to come out at 15.30 GMT today.

In spite of a gloomy global outlook, investment banks remain sanguine about Brent rising next year. Bank of America expects Brent to average \$100/bbl next year. Based on a tight supply and recovered demand, Morgan Stanley predicts a higher \$110/bbl by mid-2023.

Reuters reports that Goldman Sachs expects Brent to average \$98/bbl in 2023 due to a "market surplus." While this is lower than its earlier forecast of \$110/bbl, it still represents an upside from current levels.

According to the World Bank blog, "Oil prices are forecast to average \$92/bbl in 2023 and \$80/bbl in 2024, down from a projected \$100/bbl in 2022. However, prices will remain well above their recent five-year average of \$60/bbl."

Downward pressure:

China's business confidence is at its lowest level in almost a decade, according to a sales managers' survey by the global economic analyst firm World Economics. China's business confidence is at an all-time low in the service sector, while it is at a 3-year low in the manufacturing sector.

"The survey suggests strongly that the growth rate of the Chinese economy has slowed quite dramatically, and may be heading for recession in 2023," warns World Economics. In the midst of warnings about a looming recession in the US and Europe, this warning could pose an even bigger downside risk for oil markets.

"Energy traders might be stuck in wait-and-see mode as there might not be a clear catalyst for the next major move with crude prices," says Edward Moya, senior market analyst at OANDA. "The oil demand outlook will be key for how high crude prices can go and that might struggle for clarity as we see mixed signals with China's reopening," he adds.

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