ENGINE: East of Suez Physical Bunker Market Update

11/09/23

VLSFO prices have moved up in East of Suez ports, and VLSFO and HSFO availability remains tight in Singapore.

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

- **VLSFO prices up in Singapore ($11/mt), Zhoushan ($4/mt) and Fujairah ($1/mt)**
- **LSMGO prices up in Zhoushan ($11/mt) and Singapore ($10/mt), and down in Fujairah ($4/mt)**
- **HSFO prices up in Singapore and Fujairah ($11/mt), and down in Zhoushan ($1/mt)**

VLSFO benchmarks in East of Suez ports have tracked Brent's upward movement and gained over the weekend. Singapore's VLSFO price rose by $11/mt – steepest among major Asian bunker hubs. A total of seven VLSFO stems were fixed in a wide range of $26/mt over the weekend in Singapore. Some stems at the higher end of the range aided the benchmark's rise.

Singapore's steep VLSFO price rise has meant that its VLSFO discount to Zhoushan has been erased and now stands at a marginal premium of $3/mt. Singapore's VLSFO premium over Fujairah has widened significantly by $10/mt to $17/mt.

Securing VLSFO and HSFO stems can be difficult in Singapore, with some suppliers advising lead times of 10-13 days and 9-12 days, respectively. On the other hand, the availability of LSMGO remains good, with prompt supply available.

Despite low bunker demand, there is still supply pressure in Zhoushan because of tight barge availability, a source says. Several suppliers are recommending lead times of 4-7 days for all grades, almost unchanged from last week.

In Fujairah, prompt availability remains "super tight" for all bunker fuel grades amid good demand. Lead times for all grades remain unchanged at 5-7 days, but some suppliers can offer prompt supply depending on stem sizes, a source says.

Brent

The front-month ICE Brent contract has gained $0.51/bbl on the day from Friday, to trade at $90.25/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Supply cut extensions announced by Saudi Arabia and Russia continued to support oil prices. Earlier this month, both countries pledged to extend voluntary supply cuts till the end of 2023.

“OPEC+ is leveraging its robust pricing power, stemming from its substantial market share through its alliance with Russia,” said SPI Asset Management’s managing partner Stephen Innes.

Oil investors will now wait for fresh cues from demand growth projections by the International Energy Agency (IEA) and OPEC due later this week.

Moreover, concerns about halt in oil supply from Libya provided additional support to Brent futures. The country was hit by Hurricane Daniel over the weekend. Operations at four major oil ports in Libya, including Ras Lanuf, Zueitina, Brega and Es Sidra have been closed since Saturday evening, Reuters reported.

Downward pressure:

Downward pressures acting on Brent this week include growing strength in the US dollar against other currencies amid fear of another interest rate hike by the US Federal Reserve.

A higher interest rate makes the US dollar stronger, which in turn could drive down demand for dollar-denominated commodities like oil.

“The continued strength in the USD [US dollar] will likely provide some headwinds, not just to oil, but to the broader commodities complex,” said ING’s head of commodities strategy Warren Patterson.

By Tuhin Roy and Aparupa Mazumder