

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

03/10/23

VLSFO prices in East of Suez ports have moved counter to Brent's downward pull, and several Chinese ports have good availability of VLSFO and LSMGO.

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

- **VLSFO prices up in Zhoushan (\$22/mt), Fujairah (\$16/mt) and Singapore (\$4/mt)**
- **LSMGO prices up in Fujairah (\$20/mt) and Singapore (\$12/mt), and down in Zhoushan (\$22/mt)**
- **HSFO prices down in Singapore (\$26/mt), Fujairah and Zhoushan (\$16/mt)**

VLSFO benchmarks in East of Suez ports have defied Brent's downturn and gained in the past day. Zhoushan's VLSFO price gained \$22/mt in the past day – steepest among three major Asian bunker hubs. The Chinese bunkering hub's steep VLSFO price rise has meant that its VLSFO premiums over Fujairah and Singapore have widened to \$27/mt and \$22/mt, respectively.

Bunkering remains muted in the Chinese port due to the Mid-Autumn Festival and National Day holidays observed from 29 September to 8 October in the country.

A source says most suppliers will resume bunker deliveries starting from Monday after the holiday period. Lead times of up to 14 days were recommended in the past week for all grades.

Meanwhile, the northern Chinese port of Dalian has a good supply of VLSFO and HSFO. The nearby port of Tianjin also has good availability of VLSFO, but LSMGO and HSFO remain under pressure, with deliveries subject to enquiry. HSFO is subject to enquiry in another northern Chinese port of Qingdao, but has ample supply of VLSFO and LSMGO.

Availability of both grades remains good in the southern Chinese ports of Shanghai and Xiamen as well. HSFO supply remains tight in Shanghai. Meanwhile, the prompt availability of VLSFO and LSMGO remains under pressure in Yangpu.

Supply of both grades remain subject to enquiry in the Chinese ports of Fuzhou and Guangzhou.

## **Brent**

The front-month ICE Brent contract has lost \$2.02/bbl on the day, to trade at \$90.71/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Oil investors are waiting for fresh cues from the Organization of the Petroleum Exporting Countries along with Russia and other allies (OPEC+), who will convene a Joint Ministerial Monitoring Committee (JMMC) meeting tomorrow, to further discuss their output cut pledges.

Investors expect OPEC+ producers to maintain crude oil production cuts to keep supplies tight in the global market.

“The market will be eager to see if there are any signs of a change in the group’s output policy, given the recent strength in the market,” said analysts at ING. “We do not believe that the group will change its output policy,” they further added.

Additionally, OPEC’s de-facto leader Saudi Arabia is expected to raise the price of its flagship Arab Light crude in Asia for the fifth consecutive month to include November, Reuters reported.

### **Downward pressure:**

Brent futures declined sharply after the US dollar rose to a 10-month high on Monday, against other currencies, reported Reuters.

This comes amid growing expectations of yet another hike in interest rates by the US Federal Reserve (Fed) later this year. Global demand for dollar-denominated commodities such as oil could decline due to further interest rate hikes coupled with a strong US dollar.

“The crude oil market faced increased selling pressure due to a stronger US dollar,” said SPI Asset Management’s managing partner Stephen Innes. A stronger US dollar is bad for risk assets like oil amid the “spectre of a possible Q4 [fourth quarter 2023] Fed hike,” he further added.

Moreover, Turkey could start crude oil production this week after its energy minister Alparslan Bayraktar confirmed that the country will resume operations of the 470,000 b/d Ceyhan oil pipeline from Iraq.

Oil futures erased earlier gains due to “a stronger US dollar and the potential resumption of oil flows from Kurdistan,” Innes said.

*By Tuhin Roy and Aparupa Mazumder*

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association (“NFA”). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [freightinvestorservices.com](https://freightinvestorservices.com)