ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved in mixed directions, and availability of all grades remains good in Hong Kong.

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

- **VLSFO prices up in Zhoushan ($13/mt), and down in Fujairah ($10/mt) and Singapore ($7/mt)**
- **LSMGO prices up in Fujairah ($4/mt), and down in Zhoushan ($11/mt) and Singapore ($8/mt)**
- **HSFO prices down in Zhoushan ($17/mt), Fujairah ($11/mt) and Singapore ($7/mt)**

Zhoushan's VLSFO has moved counter to Brent's decline and gained $13/mt in the past day. Several higher-priced VLSFO indications in the past day have supported the benchmark's resistance against Brent's downward pull.

On the other hand, Fujairah and Singapore's VLSFO prices have fallen for the second consecutive day. The diverging price moves have widened Zhoushan's VLSFO premiums over Fujairah and Singapore by $23/mt and $20/mt, respectively, to $45/mt and $30/mt.

Bunkering activity remains muted in Zhoushan due to the Mid-Autumn Festival and National Day holidays in the country. Most suppliers will resume bunker deliveries from Monday after the holiday period, a source says.

All grades remain in ample supply in Hong Kong, with lead times of 5-7 days recommended. Strong wind gusts of 22-31 knots and waves of more than two metres are forecast to hit the port between today and Monday, which could hamper bunker deliveries.

Rough weather is also predicted in South Korean ports of Ulsan and Onsan between 7-11 October, in Busan between 8-11 October, in Daesan and Taean between 8-10 October, and in Yeosu on 8 October, which might impact bunkering at these ports.

Most suppliers in South Korean ports are advising lead times of 5-11 days for all bunker fuel grades – almost unchanged from last week.

Brent

The front-month ICE Brent contract has inched lower by $0.72/bbl on the day, to trade at $84.20/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained some support after OPEC+ producers announced they will continue output cuts until the end of this year. The group's top producers Saudi Arabia and Russia reaffirmed their pledges this week to extend voluntary supply cuts.

“A tight [oil] market for the rest of the year suggests that prices should remain well-supported for the remainder of 2023,” said ING bank’s head of commodities strategy Warren Patterson. The bank has kept its forecast for Brent price unchanged and expects it to average at $92/bbl in the fourth quarter of the year.

Downward pressure:

Concerns about global oil demand growth have capped Brent's rally this week. Oil market analysts believe that inflationary pressures could prompt the US Federal Reserve (Fed) to raise interest rates later this year. Fed officials are expected to discuss ways to curb inflation at the next Federal Open Market Committee (FOMC) meeting in November.

With more rate hike cycles seen in the future, demand for dollar-denominated commodities like oil is expected to take a hit, analysts said.

Moreover, Russia has partially lifted its ban on diesel exports. The country has permitted diesel exports through seaport pipelines for producers that “supply at least half of fuel they produce” to the domestic market, reported TASS.

Moreover, the supply deficit caused by OPEC+ production cuts has faced some retaliations. Earlier this week, India’s oil minister Hardeep Singh Puri urged OPEC to be sensitive towards consuming countries like India as crude oil prices exceeded $95/bbl in September.

“OPEC+ will likely come under increased political pressure to bring more supply back into the market if prices move much higher,” Patterson said. “There are elections in two key oil-consuming nations next year – the US and India – and these governments will likely want to minimise any potential inflationary pressures,” he further added.

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