

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

10/10/23

Prices in East of Suez ports have moved in mixed directions, and availability across all grades has improved in South Korean ports.

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

- **VLSFO prices up in Singapore (\$4/mt), and down in Zhoushan (\$9/mt) and Fujairah (\$4/mt)**
- **LSMGO prices up in Zhoushan (\$6/mt), and down in Singapore (\$6/mt) and Fujairah (\$1/mt)**
- **HSFO prices up in Zhoushan (\$15/mt) and Singapore (\$8/mt), and unchanged in Fujairah**

Zhoushan and Fujairah's VLSFO prices have moved counter to Brent's upward movement and declined in the past day. Three VLSFO stems were fixed in Fujairah in a range of \$18/mt, with some stems at the lower end of the range contributing to drag down the port's benchmark.

Meanwhile, two lower-priced VLSFO stems fixed in Zhoushan have contributed to weigh the benchmark down in the Chinese bunkering hub.

Singapore's VLSFO price, on the other hand, gained \$4/mt. The diverging price moves have doubled Singapore's VLSFO premium over Fujairah to \$16/mt, and its discount to Zhoushan's VLSFO has narrowed by \$13/mt to \$7/mt now.

The Southeast Asian hub has been witnessing "very muted" demand, a source says. Lead times of VLSFO have come down from 8-11 days last week to 7-10 days now. Prompt availability of HSFO remains under pressure, with almost unchanged lead times of 7-9 days. Several suppliers are advising lead times of 4-7 days for LSMGO – up from 3-5 days last week.

A source says availability of all grades has improved in South Korean ports amid low demand. Most suppliers that were recommending lead times of 3-9 days for all grades last week, are now offering the grades at lead times of 4-6 days.

High waves are forecast to hit the southern South Korean ports of Busan, Ulsan, Onsan and Yeosu from Friday, which may impact bunker operations until Sunday.

Adverse weather conditions are also forecast in Hong Kong on 17 October, and in the Kiwi port of Tauranga between 10-14 October, which might impact bunkering in these ports.

## **Brent**

The front-month ICE Brent contract has gained \$1.26/bbl on the day, to trade at \$88.23/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Oil investors are concerned about potential supply disruptions due to the ongoing conflict between Israel and Palestinian militant group Hamas. The clashes between Israel and Hamas have sparked fears about the geopolitical tension spreading to other parts of the Middle East.

Oil traders are worried about supply tightness in the global oil market due to high chances of shutting oil fields amid military clashes in the region. Israel has suspended production at the Tamar gas field off its southern coast and has shut operations at Ashkelon port, Reuters reported citing Israel's energy ministry.

"The key question for markets now is whether the conflict [between Israel and Hamas] remains contained or contagion leaks into oil-producing regions," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, Brent's upward move was supported by OPEC's world oil demand projection in its flagship report.

The Vienna-headquartered oil-producer group sees world oil demand to reach 110.2 million b/d in 2028 as the global population will grow and economies will expand. It further expects global oil demand to reach 116 million b/d by 2045, around 6 million b/d higher than its last year's estimate.

### **Downward pressure:**

Some analysts argue that clashes between Israel and Hamas may not have an immediate impact on oil supplies.

"The reality, however, is that in a historical context, it is a very muted reaction for a Sunday/Monday oil market opening and oil traders may defer to a wait-and-see mode," Innes said.

Meanwhile, Brent futures might shed some gains due to potential exemption of US sanctions on Venezuelan oil. The US and Venezuela have reportedly made significant progress in talks towards easing oil sanctions on Caracas, Reuters reported citing sources.

*By Tuhin Roy and Aparupa Mazumder*

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