

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

13/10/23

Prices have moved up in East of Suez ports, 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 Fujairah (\$19/mt), Zhoushan (\$16/mt) and Singapore (\$13/mt)**
- **LSMGO prices up in Zhoushan (\$26/mt), Singapore (\$15/mt) and Fujairah (\$8/mt)**
- **HSFO prices up in Fujairah (\$9/mt), Singapore (\$8/mt) and Zhoushan (\$3/mt)**

Bunker benchmarks in East of Suez ports have tracked Brent's upthrust and gained in the past day.

Fujairah's VLSFO price has gained \$19/mt – steepest among three major Asian bunker hubs. A higher-priced VLSFO stem fixed in the UAE port has supported the benchmark's rise.

Fujairah's steep VLSFO price rise has meant that its VLSFO discounts to Zhoushan and Singapore have narrowed to \$10/mt and \$5/mt, respectively.

Prompt availability across all grades remains tight in Fujairah, with most suppliers recommending lead times of around 5-7 days. Some can still offer prompt dates depending on stem sizes, a source says.

Meanwhile, Zhoushan's LSMGO price has risen by \$26/mt – most among the three hubs. A higher-priced LSMGO stem fixed in the Chinese bunker hub has contributed to push the benchmark up. Despite Zhoushan's LSMGO steep price rise, its price remains at a discount of \$33/mt to Fujairah. The Chinese port's LSMGO premium over Singapore stands at \$18/mt.

All grades remain readily available in Zhoushan, with lead times of 3-5 days recommended.

Availability of all grades remains good in Hong Kong as well, with most suppliers advising lead times of 5-7 days – virtually unchanged from last week.

Strong wind gusts of 20-26 knots and waves of close to two metres are forecast to hit Hong Kong between 15-19 October, which may disrupt bunker deliveries.

Brent

The front-month ICE Brent contract has climbed up \$1.61/bbl on the day, to trade at \$88.29/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Geopolitical unrest in the Middle East combined with fears of further oil market tightening has bolstered the Brent price over the past week. Brent December futures have gained 4.39% so far this week.

The Commodity Futures Trading Commission's Commitments of Traders data shows money managers, such as hedge fund investors, slightly reduced their long positions in Brent futures from 289,265 on 26 September, to 275,030 on 3 October. However, the long positions were higher than the short positions at 57,782 on 3 October, indicating an overall bullish market sentiment

The US has imposed sanctions on UAE-based Lumber Marine and Turkey-based Ice Pearl Navigation and their vessels for transporting Russian crude above the G7's price cap, according to the US treasury department. This could lead to tighter crude supplies in an already tight market.

“Sentiment was also boosted after OPEC said it expects crude stockpiles to slump by 3mb/d [3 million b/d] this quarter,” said ANZ commodity strategist Daniel Hynes.

Downward pressure:

Commercial US crude inventories grew by a massive 10.18 million bbls on the week, to 424.24 million bbls on 06 October, according to official weekly figures from the US Energy Information Administration (EIA).

The core 13 OPEC member countries produced 27.75 million b/d of crude oil in September, an increase of 273,000 b/d from the previous month, according to OPEC's October oil market report. This could ease some concerns about tight global supply.

Extended supply cuts from Russia and Saudi Arabia have led to an increase in oil production from other OPEC+ members, including Iran, Libya and Venezuela. Citi's global head of commodities strategy, Ed Morse, predicted in August that OPEC+ producers Iran, Iraq, Libya, Nigeria and Venezuela would fill the supply gap left by the group's de facto leaders, Russia and Saudi Arabia.

The International Energy Agency (IEA) reported Iran's oil production at 3.14 million b/d in September, up 600,000 b/d from the same period a year ago. The agency also reported Libya's September oil production at 1.15 million b/d and Venezuela's September oil output at 1.31 million b/d.

By Tuhin Roy and Konica Bhatt

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