ENGINE: East of Suez Physical Bunker Market Update

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Some Singapore suppliers have grappled with terminal loading delays, but the port's bunker prices are still the region's most competitive.

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

- VLSFO prices down in Singapore ($37/mt), Zhoushan ($24/mt) and Fujairah ($14/mt)
- LSMGO prices down in Singapore ($27/mt), Fujairah ($18/mt) and Zhoushan ($16/mt)
- HSFO prices down in Singapore ($16/mt), Fujairah and Zhoushan ($11/mt)

Singapore's VLSFO and LSMGO prices have slid sharply down. Four lower-priced VLSFO stems fixed in the past trading session have pulled the port's benchmark lower. A stem was fixed more than $50/mt lower today than on Friday. Singapore's VLSFO benchmark has flipped from narrow premiums over Fujairah and Zhoushan last week, to $8-12/mt discounts now.

While Singapore's price has become more attractive, loading delays at terminals keep holding back bunker deliveries, a source says. At least four suppliers have tight delivery schedules, another source says. VLSFO and HSFO continue to be tight for prompt and non-prompt delivery dates in the port and require around 7-11 days of lead time to ensure broad coverage from suppliers.

This compares to a much shorter 3-5 days for LSMGO, which has also come off sharply in price over the weekend. Three lower-priced LSMGO stems have contributed to widen Singapore's discounts to Fujairah and Zhoushan to $76/mt and $29/mt, respectively.

Singapore's stocks of both middle distillates and residual fuel oil have been drawn this month and average significantly below their five-year average position for the year. A boost in net fuel oil imports – to 5 million bbls – has helped stock levels yet. And it has not translated to improved bunker availability as the current holdup is at the terminal loading level, a trader says.

Brent

The front-month ICE Brent contract has lost $1.40/bbl on the day from Friday, to trade at $92.26/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures remained above the $90/bbl mark as concerns about tight supply in 2024 continued to keep the oil investors nervous.

Brent prices have been supported in the past couple of weeks due to growing tension in the Middle East. Currently, concerns about a direct Israel-Hamas conflict due to Israel's potential ground operation in Gaza have the oil markets' attention, analysts said.

"Markets remain nervous about developments in the Middle East," said ING Bank's senior commodities analyst Ewa Mathews. "Clearly, price direction in the short term will be largely influenced by how the situation in the region evolves," she further added.

The oil market will also closely follow comments from world leaders who have visited Israel in recent weeks. US President Joe Biden, Italy's Prime Minister Giorgia Meloni, and UK Prime Minister Rishi Sunak have already met Israel's Prime Minister Benjamin Netanyahu last week. Leaders from France and the Netherlands will visit Israel later this week.

Downward pressure:

Brent futures came under pressure after the US government lifted some sanctions on Venezuelan oil last week. The US granted partial relief to Venezuela after the country's government and opposition agreed to settle political feuds and host a fair presidential election next year.

Besides, geopolitical ties between international allies and diplomatic moves to contain the Israel-Hamas conflict have prevented OPEC from imposing an oil embargo on Israel.

Iran's government blamed Israel for bombing a hospital in Central Gaza and urged Arab countries to put an oil embargo on Israel.

Meanwhile, Israel has denied the charges and blamed Hamas militants for the blast instead.

By Erik Hoffmann and Aparupa Mazumder