ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices have moved down in East of Suez ports, and prompt availability remains tight for all grades in Fujairah.

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

VLSFO prices down in Fujairah ($17/mt), and Singapore and Zhoushan ($4/mt)
LSMGO prices down in Fujairah ($21/mt), Singapore ($12/mt) and Zhoushan ($10/mt)
HSFO prices up in Fujairah ($6/mt), and down in Zhoushan ($14/mt) and Singapore ($11/mt)

VLSFO prices in East of Suez ports have tracked Brent's downward movement and declined for the third consecutive day. Fujairah's VLSFO price has fallen $17/mt – steepest among major Asian bunker hubs. Two VLSFO stems were fixed in Fujairah in a narrow range of $10/mt in the past day, with one stem at the lower end of the range contributing to drag the benchmark down.

Fujairah's steep VLSFO price decline has meant that its VLSFO discounts to Zhoushan and Singapore have both widened by another $13/mt.

A source says good bunker demand has kept prompt availability of all grades under pressure in Fujairah. Most suppliers recommend lead times of 5-7 days. Some suppliers can still offer prompt dates, but these deliveries are subject to stem sizes.

VLSFO and LSMGO availability remains good in Kandla on the northwest coast of India, and Cochin on the southern coast. A shorter lead time of 2-3 days is recommended in both ports. On the other hand, availability of both grades remains tight in the Indian ports of Paradip and Haldia on the eastern coast.

Brent

The front-month ICE Brent contract has declined by $1.81/bbl on the day, to trade at $88.25/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures drew some support after China's top legislators issued an additional quota of government bonds worth RMB 1 trillion ($137 billion) to support the country's infrastructure. "This decision suggests a commitment to supporting economic growth and addressing fiscal challenges at various levels of government," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, US commercial crude inventories declined by 2.67 million bbls in the week ended 20 October, according to the American Petroleum Institute (API) data cited by Trading Economics. Market analysts expected a drop of 1.55 million bbls.

The API figures suggested that "strong exports were again influencing inventories and could provide some support," Innes added.

The broadly followed US government data on crude oil stockpiles from the US Energy Information Administration (EIA) is due later today.

Downward pressure:

Despite growing tensions in the Middle East amid the ongoing Israel-Hamas conflict, the flow of oil supply in the region has remained uninterrupted.

Israel has held off its ground invasion of the Gaza Strip to retrieve hostages being held by Hamas. This has put off the "imminent risk to oil supply," commented Price Futures Group's senior market analyst Phil Flynn.

"Israel might be rethinking the scope of a ground invasion in the Gaza Strip, but the crux of the matter is that there has been no interruption in the Middle East's oil supply," Innes added.

Meanwhile, the International Energy Agency (IEA) has reiterated its stance that global fossil fuels demand will peak by 2030 as the world turns towards cleaner energy.

With oil demand trading lower and key energy agencies projecting a demand peak by 2030, Brent futures' rally towards $95/bbl will be in peril, analysts said.

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