ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved up, and prompt availability of VLSFO has come under pressure in Zhoushan.

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

VLSFO prices up in Fujairah ($22/mt), Singapore ($10/mt) and Zhoushan ($9/mt)
LSMGO prices up in Fujairah ($22/mt), Zhoushan ($19/mt) and Singapore ($8/mt)
HSFO prices up in Zhoushan ($16/mt), Singapore ($10/mt) and Fujairah ($2/mt)

Bunker benchmarks in East of Suez ports have tracked Brent's rise and gained in the past day. Fujairah's VLSFO price has moved up by $22/mt – the steepest among major Asian bunker hubs. A higher-priced VLSFO stem fixed in Fujairah has supported the benchmark's upward movement.

Fujairah's steep VLSFO price rise has meant that its VLSFO discounts to Zhoushan and Singapore have narrowed by $13/mt and $12/mt, respectively, to $6/mt and $4/mt.

Good demand has kept prompt availability under pressure across all grades in Fujairah, with several suppliers recommending lead times of 5-7 days. But some can still offer prompt dates for all grades subject to stem sizes.

A source says several suppliers are running low on VLSFO stocks in Zhoushan, with recommended lead times for big stems stretching to early November. Some suppliers can still offer small stems of the grade (less than 500 mt) with lead times of 3-5 days.

Availability of LSMGO and HSFO remains good in the Chinese bunkering hub, with lead times of 3-5 days recommended – virtually unchanged from last week.

Meanwhile, the northern Chinese port of Dalian has ample availability of VLSFO and LSMGO. The nearby port of Tianjin has good availability of VLSFO, but LSMGO and HSFO remain under pressure and are subject to enquiry. HSFO also remains subject to enquiry in Qingdao, and prompt availability of VLSFO and LSMGO grades are tight in the port.

Prompt supply of VLSFO and LSMGO is tight in the eastern Chinese ports of Shanghai and Xiamen. HSFO deliveries remain subject to enquiry in Shanghai as it has been recent weeks.

The southeastern port of Fuzhou has tight availability of VLSFO and LSMGO, with deliveries subject to enquiry. On the other hand, both grades remain in good supply in the Chinese ports of Guangzhou and Yangpu.

Brent

The front-month ICE Brent contract has gained $1.54/bbl on the day, to trade at $89.79/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have shed previous losses amid renewed worries over supply disruptions from geopolitical tensions in the Middle East. The war between Israel and Hamas could exert additional pressure on global oil supply if other oil-producing countries like Iran and Saudi Arabia get involved, analysts said.

“The ongoing conflict could weigh even further on the global oil supply over time by potentially reducing the probability of Saudi-Israeli normalization and posing downside risks to Iranian oil production, leading to a further surge in oil prices,” said SPI Asset Management’s managing partner Stephen Innes.

Moreover, China’s recent announcement of supporting the country’s infrastructure with an additional RMB 1 trillion ($137 billion) central government bond (CGB) quota has helped Brent futures recover from the previous session’s losses.

Oil market analysts expect China’s new economic stimulus to drive demand in the country and push oil prices higher.

“China’s newfound greater tolerance for leverage at the central government amid more focus on growth than some had thought cannot be bad for [oil] markets,” Innes added.

Downward pressure:

Brent futures felt some downward pressure after the US Energy Information Agency (EIA) reported a surprise build of 1.37 million bbls in commercial US crude stockpiles in the week that ended 20 October.

The current US crude inventory level stands at 421.12 million bbls, the EIA said.

The weekly stockbuild ran counter to the American Petroleum Institute's (API) projection of a 2.67 million-bbl draw a day earlier.

Meanwhile, rising crude oil production in Canada has also added some downward pressure on Brent futures today, two analysts from ING Bank said.

“After major supply disruptions [in Canada] over the second quarter of the year due to wildfires, crude oil production has been recovering steadily, increasing the availability of crude oil for shipments which, in turn, weighed on prices,” they added in a client note.

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