ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices in East of Suez ports have inched up, and VLSFO and HSFO availability remains tight in Singapore.

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

- **VLSFO prices up in Singapore ($2/mt), Fujairah and Zhoushan ($1/mt)**
- **LSMGO prices up in Fujairah ($11/mt), unchanged in Singapore, and down in Zhoushan ($3/mt)**
- **HSFO prices up in Zhoushan ($1/mt), and down in Singapore ($13/mt) and Fujairah ($2/mt)**

VLSFO prices in East of Suez ports have gained marginally in the range of $1-2/mt in the past day. Meanwhile, LSMGO and HSFO prices have moved in mixed directions. Singapore's HSFO price has come off by $13/mt – steepest among the three major Asian hubs. A lower-priced HSFO indication today has contributed to drag the Southeast Asian hub's benchmark down.

A steep decline in Singapore's HSFO price has meant that its premium over Fujairah's HSFO has slipped to a slight discount of $4/mt. Singapore's HSFO price discount to Zhoushan stands at $25/mt now.

VLSFO availability has come under pressure in Singapore due to product loading delays at oil terminals, compelling some suppliers to push back delivery lead times. Lead times of around 9-11 days are recommended for the grade – up from 8-10 days last week.

HSFO availability is also tight in Singapore, with most suppliers recommending unchanged lead times of 10-12 days. However, LSMGO is more readily available, with shorter lead times of 3-5 days.

Meanwhile, availability of all grades remains good in Hong Kong, with recommended lead times of 5-7 days – virtually unchanged from last week.

Availability of all grades has tightened in South Korean ports, with lead times going up from 3-12 days last week, to 8-13 days now.

Rough weather conditions are forecast to hit the South Korean ports of Ulsan and Onsan between 27-28 October and 1 November, Busan and Yeosu between 30 October and 1 November, and Daesan and Taean between 31 October and 1 November, which might disrupt bunker deliveries at these ports.

Adverse weather conditions are also predicted in the Philippine port of Subic Bay on 31 October, and in the Kiwi port of Tauranga between 29-31 October, which could impact bunkering operations there.

Brent

The front-month ICE Brent contract has gained $0.01/bbl on the day, to trade at $89.80/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures remained well supported this week as tension between Israel and Hamas militants grew. Mounting fears of supply disruptions in the Middle East if the conflict escalates have helped oil prices to remain at elevated levels.

Last week, Israel's Prime Minister Benjamin Netanyahu said in a TV interview that the country was preparing for a "ground invasion" of the Gaza Strip for an upfront combat with Hamas militants. Oil prices surged on this news amid speculations that Israel's move could trigger supply disruptions in the Middle East.

Meanwhile, leaders from the neighbouring Arab countries including Iran, Jordan, Egypt, and Lebanon have criticized Israel's retaliation to the attack that took place on 7 October and have blamed Jerusalem for causing "genocides" in Gaza.

Brent has been boosted by growing fears in the oil market that Iran's involvement in the conflict can further prompt the US to roll out stricter sanctions on Iranian oil.

"In a supply 'downside' scenario where there are additional supply disruptions, such as increased Western [US] scrutiny of Iran's oil exports, Brent oil prices are expected to increase by $5/bbl in 2024Q1, reaching $100/bbl," said SPI Asset Management's managing partner Stephen Innes. "By December 2024, the increase could reach $10/bbl," he further added.

Downward pressure:

Brent's rally has started fading amid expectations that Israel would postpone its plan of a ground invasion of the Gaza Strip. This comes after the US and other Western allies urged Israel to hold off the ground attack on Gaza.

"The situation in Gaza and Israel which has previously triggered a surge in oil prices and is now being unwound due to the perception that the risks of a wider conflict are falling," said OANDA's commodities market analyst Craig Erlam.

Meanwhile, the US Energy Information Administration (EIA) reported an unexpected 1.37 million bbls-build in commercial US crude inventories in the week ended 20 October. The EIA figures ran counter to the American Petroleum Institute's (API) estimates that showed a fall in US crude inventories during the same week.

"The [oil] market did not seem to like the fact that the Energy Information Administration report was not nearly as bullish as the American Petroleum Institute report the day before," said Price Futures Group's senior market analyst Phil Flynn.

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