ENGINE: East of Suez Physical Bunker Market Update

31/10/23

Prices have moved down in East of Suez ports, and prompt availability of all grades remains tight in Fujairah.

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

- **VLSFO prices down in Fujairah and Zhoushan ($8/mt), and Singapore ($7/mt)**
- **LSMGO prices down in Fujairah ($26/mt), and Singapore and Zhoushan ($23/mt)**
- **HSFO prices down in Zhoushan ($9/mt), Singapore ($8/mt) and Fujairah ($2/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent’s dip and declined in the past day. VLSFO prices in major Asian bunker hubs have fallen in a range of $7-8/mt. Meanwhile, LSMGO prices have come off sharply in the range of $23-26/mt.

Zhoushan continues to price its VLSFO at elevated levels to Fujairah and Singapore. The Chinese bunkering hub’s VLSFO premiums over Fujairah and Singapore stand at $12/mt and $2/mt, respectively.

Fujairah’s LSMGO price has slumped $26/mt – steepest among the three major hubs. One lower-priced LSMGO stem fixed in the past day contributed to drag the benchmark down. Despite Fujairah’s steep LSMGO price drop, its LSMGO premiums over Singapore and Zhoushan stand at $90/mt and $49/mt, respectively.

Prompt availability of all grades remains tight in Fujairah amid good demand, as it has been in recent weeks. Most suppliers are recommending lead times of 5-7 days for all grades. Some can still offer prompt dates for all grades, a source says.

All grades remain in ample supply in the other UAE port of Khor Fakkan, with unchanged lead times of 5-7 days.

Brent

The front-month ICE Brent contract has shed $0.68/bbl on the day, to trade at $88.27/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Global supply concerns have taken center stage again after the conflict between Israel and Hamas worsened. Israel's Prime Minister Benjamin Netanyahu has refused the international appeals for a ceasefire in the Gaza Strip.

"Israel will not agree to a cessation of hostilities with Hamas after the horrific attacks of October 7," Netanyahu said at a press conference.

Oil traders have reacted to this news vigilantly, analysts said. "Cautious trading is seen as the market tries to gauge the risk of contagion after Israel began a so far cautious ground offensive into the Gaza Strip," said analysts from Saxo Bank.

Moreover, Iran's foreign minister Hossein Amirabdollahian at a recently held United Nations (UN) emergency session warned that the US will have to face retaliation if Israel continues this conflict against Hamas. The repercussions of losing Iranian oil will be "far-reaching", commented Price Futures Group's senior market analyst Phil Flynn.

"Disruptions to Iranian oil flows remain the most obvious risk to the market," said two analysts from ING Bank.

Downward pressure:

Oil market participants are on the edge, ahead of the US Federal Reserve's (Fed) interest rate policy meeting scheduled for tomorrow.

"The consensus in the market is that the Federal Reserve will maintain its current interest rate stance this week," said SPI Asset Management's managing partner Stephen Innes. However, "it would be a remarkable surprise if the Fed announced another rate hike at the November meeting," he further added.

Meanwhile, China's manufacturing purchasing managers' index (PMI) decreased to 49.5 in October from 50.2 in the previous month, Reuters cited data from China's National Bureau of Statistics (NBS). Signs of deteriorating manufacturing activity hints at a lagging oil demand growth.

Moreover, immediate supply disruptions due to the ongoing conflict in the Middle East have not been felt physically yet. Brent futures are expected to fall further if there is no actual damage happening to the physical crude oil supply, analysts said.

"Without an immediate disruption in global supplies and signs that Asian oil demand may be easing just a bit allowing the market to sell off," Flynn added.

By Tuhin Roy and Aparupa Mazumder