ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices have moved up in major Asian bunker hubs, and availability of VLSFO has tightened in Zhoushan.

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

- **VLSFO prices up in Fujairah ($12/mt), and Singapore and Zhoushan ($1/mt)**
- **LSMGO prices down in Singapore ($19/mt), Zhoushan ($16/mt) and Fujairah ($10/mt)**
- **HSFO prices up in Zhoushan ($3/mt), and down in Fujairah ($11/mt) and Singapore ($2/mt)**

VLSFO benchmarks in East of Suez ports have moved counter to Brent's downturn and gained over the weekend. Fujairah's VLSFO prices have risen $12/mt – steepest among three major Asian bunker hubs. One higher-priced VLSFO stem fixed today has supported the benchmark's resistance against Brent's downward pull.

Fujairah's steep VLSFO price rise has erased its VLSFO discounts to Singapore and Zhoushan, and flipped to marginal premiums of $6/mt and $3/mt, respectively.

Prompt availability of all bunker fuel grades remain tight in Fujairah as it has been in recent weeks, with most suppliers recommending lead times of 5-7 days. Some suppliers can still do prompt stems across all grades, a source says.

VLSFO availability in Zhoushan has come under pressure because some suppliers are running low on stocks and arrival of replenishment cargoes have been delayed. Most suppliers are advising lead times of 5-7 days – up from 3-5 days last week.

HSFO also remains tight in the Chinese bunkering hub, with unchanged lead times of 5-7 days. LSMGO remains more readily available, with prompt dates available.

The northern Chinese port of Dalian has good availability of VLSFO and LSMGO. On the other hand, all three bunker fuel grades remain under pressure in the another northern Chinese port of Qingdao.

Meanwhile, the eastern Chinese ports of Shanghai and Xiamen have tight availability of VLSFO and LSMGO. HSFO deliveries also remain subject to enquiry in Shanghai.

Brent

The front-month ICE Brent contract has lost $1.17/bbl on the day from Friday, to trade at $86.00/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained support after OPEC+ top oil producers Saudi Arabia and Russia decided to extend voluntary crude output and export cuts until the end of this year.

Russia's Deputy Prime Minister Alexander Novak said on Sunday that the country will continue additional voluntary oil export cuts of 300,000 b/d until December 2023, state-owned media agency TASS reported.

According to Novak, the country will analyse the global oil market in December to "make a decision on deepening the reduction or increasing the production of petroleum products," TASS added.

OPEC's de facto leader Saudi Arabia has also confirmed that it will continue to cut crude oil output by 1 million b/d in December, Reuters reported citing a source from the kingdom's energy ministry.

"The confirmation from these producers that they would continue with cuts shouldn't come as too much of a surprise," said two analysts from ING Bank. "However, what the market will be more interested in is if they extend these cuts into early 2024," they added.

Downward pressure:

Brent futures erased last week's gains due to easing of supply concerns in the Middle East. Despite the growing geopolitical risks from the ongoing Israel-Hamas conflict, direct physical supply remained stable.

"The Israel-Hamas conflict tells you one thing: there's no discernible supply curtailment from a contained conflict that does not bring oil-producing regional actors into the fray," said SPI Asset Management's managing partner Stephen Innes. "Oil prices have yet to react significantly to this conflict, at least not yet."

Meanwhile, oil investors are looking for fresh demand cues from China. Brent futures felt some downward pressure last week after China reported a decline in its purchasing managers' index (PMI) in October.

"Demand concerns will also put renewed downward pressure on the market, particularly after the weaker -than-expected Chinese PMI data released last week," analysts from ING Bank said in a client note.

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