

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

07/11/23

Prices have moved down in East of Suez ports, and availability of all grades remains good in Hong Kong.

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

- **VLSFO prices down in Fujairah (\$29/mt), Zhoushan (\$19/mt) and Singapore (\$15/mt)**
- **LSMGO prices down in Fujairah and Zhoushan (\$31/mt), and Singapore (\$11/mt)**
- **HSFO prices down in Singapore (\$16/mt), Fujairah (\$12/mt) and Zhoushan (\$9/mt)**

VLSFO benchmarks in East of Suez ports have tracked Brent's downward movement and declined in the past day. Fujairah's VLSFO price has fallen \$29/mt – steepest among three major Asian bunker hubs. A lower-priced VLSFO stem fixed in Fujairah contributed to drag the benchmark lower.

The Middle Eastern bunker hub's steep VLSFO price decline has meant that its premiums over Singapore and Zhoushan have slipped to marginal discounts of \$8/mt and \$7/mt, respectively.

A source says that strong demand for bunkers has put pressure on the prompt availability of all grades in Fujairah, with most suppliers recommending lead times of 5-7 days. However, some suppliers can still offer prompt stems for all grades.

Meanwhile, product loading delays at oil terminals have kept the availability of VLSFO tight in Singapore, with most suppliers advising lead times of 10-12 days – almost unchanged from last week. Similarly, HSFO supply also remains under pressure in the port, with lead times of 10-12 days. LSMGO remains readily available, with prompt dates available.

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

Strong wind gusts of 21-23 knots and waves of more than a metre are forecast to hit Hong Kong between today and tomorrow, and on Saturday, which might impact bunker operations.

Adverse weather conditions are also predicted to hit the Philippine port of Subic Bay on Wednesday, which may disrupt bunker deliveries at the port.

Brent

The front-month ICE Brent contract has lost \$2.40/bbl on the day, to trade at \$83.60/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained some upward thrust after global oil producers Saudi Arabia and Russia reaffirmed their crude oil production cuts until year-end.

This move by the top OPEC+ producers was largely expected, analysts said. The oil market is now keenly watching out for Saudi's next move, to see if the kingdom decides to roll in further supply cuts in 2024 on the back of a global supply deficit that is already being felt in the oil market.

"The risk to global supply is higher than it's been in probably 50 years," said Price Futures Group's senior market analyst Phil Flynn.

Meanwhile, Brent futures also gained some support after the US House of Representatives passed a bipartisan bill to impose additional sanctions on Iranian oil and petroleum products.

The oil market has been speculating about Iran's involvement in funding Hamas terrorists who launched an unprecedented attack on Israel on 7 October. Oil analysts have previously stated that if Iran's involvement in the Middle Eastern conflict is proven, the US would not hold back from bolstering sanctions on Iranian oil.

"[Oil] markets remain on edge with the US seeing an elevated risk of regional spillover from the [Israel-Hamas] war and will keep responding to any attacks on its troops by Iranian proxies," said analysts from Saxo Bank.

Downward pressure:

Weak oil demand growth projections for China has put a lid on upward Brent futures' moves this week.

A recent report by market intelligence provider JLC stated that China's state-owned refineries' run rates dropped in October, "due to sluggish fuel demand and a tight export quota," in the second-largest crude importer of the world.

"China demand concerns as well as concerns surrounding a slowing economy in Europe are weighing on market sentiment," Flynn added.

State-owned refinery crude distillation units (CDU) operated at an average capacity of 86.26% in October, "a drop of 2.89 percentage points from the record high in September," JLC said. This comes as more units underwent maintenance work in October.

"If the Chinese economy is experiencing difficulties and consumers are cutting back, elevated oil prices could exacerbate the issue by reducing demand," said SPI Asset Management's managing partner Stephen Innes.

By Tuhin Roy and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com