ENGINE: East of Suez Physical Bunker Market Update

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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.

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