MARKET UPDATE

EAST OF SUEZ

ENGINE

ENGINE: East of Suez Physical Bunker Market Update

08/11/23

Prices have moved down in East of Suez ports, and availability of all bunker fuel grades has improved in South Korean ports, with lead times coming down sharply.

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

- **VLSFO prices down in Zhoushan ($10/mt), and Singapore and Fujairah ($9/mt)**
- **LSMGO prices down in Fujairah ($19/mt), and Singapore and Zhoushan ($14/mt)**
- **HSFO prices down in Fujairah ($10/mt), Zhoushan ($6/mt) and Singapore ($5/mt)**

Bunker benchmarks in major Asian bunker hubs have mirrored Brent's downfall and declined in the past day. VLSFO prices in East of Suez ports have fallen by $9-10/mt. Meanwhile, LSMGO prices have come off more sharply in a range of $14-19/mt, with Fujairah's price declining the steepest.

Despite Fujairah's steep LSMGO price decline, it continues to price its LSMGO at elevated levels to both Singapore and Zhoushan. The Middle Eastern bunkering hub's LSMGO premiums over Singapore and Zhoushan are $98/mt and $53/mt, respectively.

Availability of all grades has improved in South Korean ports amid low demand. Lead times of VLSFO and LSMGO have come down sharply from 6-12 days last week to 5-8 days now. Meanwhile, HSFO requires around four days of lead time, significantly down from 6-12 last week.

Adverse weather conditions are predicted intermittently in the South Korean ports of Ulsan, Onsan, Busan, Daesan, Taean and Yeosu till Sunday, which may affect bunker operations at these ports.

A source says some suppliers are running low on stocks and the arrival of replenishment cargoes has been delayed in Zhoushan, which has put pressure on VLSFO and HSFO availability in the port. Several suppliers are recommending lead times of 5-7 days in the Chinese bunkering hub - up from 3-5 days last week. LSMGO remains in good supply in the port, with short lead times of 3-5 days.

Strong wind gusts of 21-29 knots and swells close to a metre are forecast to hit Zhoushan between Friday and Saturday, which might disrupt bunker deliveries.

Brent

The front-month ICE Brent contract has come off by $1.89/bbl on the day, to trade at $81.71/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

A global supply deficit in the oil market has taken the centre stage this week. Brent futures gained some support after top oil-producer nations Saudi Arabia and Russia reaffirmed their output reductions and export cuts until December 2023.

"It is increasingly likely that they [Saudi Arabia and Russia] will extend this into the new year if this downward pressure continues," said two analysts from ING Bank. "The Saudis would like to keep Brent above $80/bbl, as this is roughly where their fiscal breakeven price is," they further added.

Moreover, geopolitical angles have also played a crucial role in pushing Brent up this week. The US House of Representatives imposed stricter sanctions on Iranian oil after the country allegedly provided funds and ammunition to Hamas militants to support their attack on Israel.

"Not only is there the ongoing war between Russia and Ukraine but the war between Israel and Hamas could very easily spread," said Price Futures Group's senior market analyst Phil Flynn. "At the same time, there should be growing pressure to crack down on Iran," he added.

Downward pressure:

Demand worries from the two biggest oil consumers of the world – the US and China – have marred upward moves for Brent futures this week.

Brent came under downward pressure after an estimate was released of commercial US crude inventories surging by 11.9 million bbls in the week ending 3 November, according to the American Petroleum Institute (API) data cited by Trading Economics.

Oil market analysts expected Brent to continue to decline after the massive spike in weekly US crude builds reported overnight. "It was the biggest weekly rise since the first week of 2023," Trading Economics reported.

Meanwhile, weak export data from China also stirred speculations of shrinking oil demand growth. China's exports have fallen by 6.4% compared to 2022, Reuters reported, citing customs data.

"China's trade data was a negative double whammy for oil prices, and it got the price ball rolling downhill," said SPI Asset Management's managing partner Stephen Innes. "Deteriorating shipments primarily drove this export drop to significant trading partners in Europe and North America," he further said.

China's economy is heavily dependent on exports, especially on manufactured products. This persistent decline in trade volumes has capped economic growth in the country. This is also creating "uncertainty over the demand outlook for oil markets in the upcoming winter months," Innes argued.

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