

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

10/11/23

VLSFO prices have moved up in major Asian bunker hubs, and VLSFO and HSFO availability remains tight in Zhoushan.

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

- **VLSFO prices up in Zhoushan (\$20/mt), Singapore (\$7/mt) and Fujairah (\$5/mt)**
- **LSMGO prices up in Fujairah (\$45/mt), and down in Singapore (\$7/mt) and Zhoushan (\$1/mt)**
- **HSFO prices up in Zhoushan (\$14/mt) and Fujairah (\$9/mt), and unchanged in Singapore**

VLSFO benchmarks in East of Suez ports have gained in the past day. Zhoushan's VLSFO prices have surged by \$20/mt – the steepest among three major Asian bunker hubs. A higher-priced VLSFO stem fixed in Zhoushan has contributed to the benchmark's upward movement.

Zhoushan's steep VLSFO price rise has meant that its VLSFO premiums over Fujairah and Singapore have now widened by \$15/mt and \$13/mt, respectively. The Chinese bunkering hub continues to price its HSFO at elevated levels to both Fujairah and Singapore. The port's HSFO premiums over Fujairah and Singapore stand at \$51/mt and \$27/mt, respectively.

A source says some suppliers running low on stocks and delayed replenishment of cargoes have put pressure on the availability of VLSFO and HSFO grades in Zhoushan, with some suppliers recommending lead times of 5-7 days. This has contributed to drive the prices for both grades higher. LSMGO availability remains good in the port, with prompt dates available.

Rough weather has kept bunkering suspended across all anchorages in Zhoushan since yesterday. Bunker deliveries will likely resume on 14 November, when calmer weather is forecast.

Adverse weather conditions are also expected to hit Hong Kong tomorrow, which might disrupt bunkering. All grades remain in good supply in Hong Kong, with recommended lead times of 5-7 days.

Meanwhile, Fujairah's LSMGO price has risen sharply by \$45/mt in the past day, while both Singapore and Zhoushan's LSMGO prices fell. A higher-priced LSMGO stem fixed in the Fujairah has supported the benchmark's rise.

The Middle Eastern bunker hub's LSMGO premiums over Singapore and Zhoushan stand at \$159/mt and \$88/mt, respectively. Prompt availability of LSMGO remains tight in Fujairah, with lead times of 5-7 days recommended.

Brent

The front-month ICE Brent contract has inched up \$0.28/bbl on the day, to trade at \$80.61/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Escalating fears of a much bigger supply deficit in the global oil market in the coming months have provided some upward thrust to Brent futures this week.

With more Arab countries joining the Israel-Hamas conflict to support Palestine, concerns over supply disruptions in key oil-producing regions are also growing, analysts said. Israel's military confirmed on Thursday that a Syria-based organisation launched a drone attack on the southern Israeli city of Eilat, Reuters reported.

Earlier this week, Yemen-based Houthi militants also allegedly launched ballistic missiles at Israel that pose a direct threat to leading global oil producer Saudi Arabia. The shortest flight route for any drone or missile launched from Yemen to Israel crosses over the western part of Saudi Arabia which is closer to the Red Sea.

Downward pressure:

Brent futures felt some downward pressure after the US Federal Reserve's (Fed) chairman Jerome Powell said that he is "not yet confident" with the central bank's approach to tame inflation. Powell's comment hinted that the Fed could consider more interest rate hikes.

While speaking at an International Monetary Fund (IMF) research conference on Thursday, Powell clarified that tackling stubborn inflationary pressures remains the central bank's focal point.

The Fed will continue to "address both the risk of being misled by a few good months of data and the risk of overtightening," Powell said. The central bank kept its interest rates steady at 5.25%-5.5% at its latest Federal Open Market Committee (FOMC) meeting.

The Fed is "committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation down to 2% over time," Powell said. "We are not confident that we have achieved such a stance. If it becomes appropriate to tighten policy further, we will not hesitate to do so."

"[Oil] Investors are facing steady declines after Jerome Powell's warning that interest rates might need to climb further," said SPI Asset Management's managing partner Stephen Innes.

Higher interest rates make the greenback stronger and cause a general lag in demand for dollar-denominated commodities like oil.

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