ENGINE: East of Suez Physical Bunker Market Update

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Zhoushan continues to grapple with rough weather and partly suspended bunkering, while cargo issues have crunched both VLSFO and HSFO supplies in Singapore.

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

- **VLSFO prices down in Zhoushan ($15/mt), Singapore ($7/mt) and Fujairah ($6/mt)**
- **LSMGO prices down in Singapore ($12/mt), Fujairah ($10/mt) and Zhoushan ($9/mt)**
- **HSFO prices down in Fujairah ($7/mt), Singapore ($5/mt) and Zhoushan ($4/mt)**

Bunkering has resumed at two of Zhoushan's five anchorages after being suspended last week. The Mazhi anchorage is now operational, and the more sheltered Xiushandong anchorage only saw bunkering resume in the afternoon today, a trader says.

Zhoushan's VLSFO price has come off by more than Singapore and Fujairah's over the weekend, to bring it within $3/mt of Fujairah's level. Singapore still prices the grade at premiums over the other two. It is now $6/mt above Zhoushan's and $9/mt over Fujairah's.

VLSFO availability continues to be tight in the Chinese bunker hub. Delayed replenishment cargoes have contributed to the tightness. Several suppliers' earliest delivery dates are now a week out. A few can offer deliveries in five days, but for smaller quantities only, a source says.

VLSFO is also persistently tight in Singapore. Terminal loadings have been jammed, a source explains, as there are many tankers loading and discharging cargo lots. This has bumped bunker barges down on the priority list and added sustained price pressure in the port.

HSFO is also tight as a supplier is experiencing cargo issues in Singapore. This has caused a huge backlog and made the market "quite crazy," a source says. Lead times of more than 10 days are common and earlier delivery slots are subject to enquiry.

Singapore's HSFO price has gone up a substantial $29/mt premium over Fujairah's.

Brent

The front-month ICE Brent contract has declined by $0.44/bbl on the day from Friday, to trade at $81.05/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent's price is finding a little solace in the prospect of an oil supply shortage next year.

“We expect ongoing [crude output] cuts from OPEC+ to contribute to inventory draws and upward oil price pressure in the early part of 2024,” the US Energy Information Administration (EIA) has said in its short-term energy outlook report.

Saudi Arabia will continue its voluntary crude oil reduction of 1 million b/d for December as well, an official source from Saudi Arabia's Ministry of Energy told Saudi Press Agency. In addition, Russia has announced additional voluntary oil export cuts of 300,000 b/d until December, according to state-owned media agency TASS.

Saudi Arabia’s energy minister Abdulaziz bin Salman Al Saud has said global oil demand is “not weak," according to Bloomberg. The recent Brent sell-off is merely a “ploy” by market speculators despite robust demand, Abdulaziz argued.

Downward pressure:

Price pressure has been mounting as demand concerns have started to surpass fears of a supply shortage. Weak export data from China has stirred speculations of shrinking oil demand growth. China’s exports have fallen by 6.4% compared to 2022, Reuters reported, citing customs data.

An unexpected 11.9 million-bbl build in commercial US crude inventories reported by the American Petroleum Institute (API) last week sparked concerns about a decline in oil demand. Official data from the US Energy Information Administration has been delayed and will be released later today.

Oil traders' attention has shifted from “tight supply supported by Saudi production cuts” and the Israel-Hamas conflict to a “weakening demand outlook” in Europe, the US and China, according to Ole Hansen, head of commodity strategy at Saxo Bank.

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