ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved up in East of Suez ports, and bunker deliveries have resumed in Zhoushan's OPL area this morning after being suspended by bad weather last week.

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

- **VLSFO prices up in Singapore ($18/mt), Zhoushan ($16/mt) and Fujairah ($8/mt)**
- **LSMGO prices up in Fujairah ($21/mt), Singapore ($20/mt) and Zhoushan ($19/mt)**
- **HSFO prices up in Singapore and Zhoushan ($12/mt), and Fujairah ($10/mt)**

Bunker benchmarks in East of Suez ports have tracked Brent's rise and gained in the past day. Singapore's VLSFO price has increased by $18/mt – the steepest among three major Asian bunker hubs. The Southeast Asian bunker hub's VLSFO premiums over Fujairah and Zhoushan stand at $19/mt and $8/mt, respectively.

Fujairah's LSMGO prices have risen by $21/mt in the past day. A higher-priced LSMGO indication in the past day supported the benchmark's rise. The Middle Eastern hub continues to price its LSMGO at premiums over both Singapore and Zhoushan. The port's LSMGO premiums over Singapore and Zhoushan stand at $175/mt and $92/mt, respectively.

Availability of all grades has tightened in Fujairah amid strong bunker demand, with lead times going up from 5-7 days to 7-10 days now.

Weather-induced disruptions and delayed replenishment of cargoes have kept prompt availability of all grades under pressure in Zhoushan. Meanwhile, demand has shown signs of improvement in the Chinese bunkering hub, a trader says. This has contributed to further tighten bunker fuel availability in the port.

Most suppliers in Zhoushan are recommending lead times of 5-7 days for VLSFO and HSFO – almost unchanged from last week. LSMGO lead times have gone up from 3-5 days to 4-7 days now.

Bunker deliveries have resumed at Zhoushan's Tiaozhoumen and Xiazhimen outer anchorages this morning after being suspended by bad weather last week. Four anchorages in the Chinese bunkering hub are operational now, a source says.

Brent

The front-month ICE Brent contract has moved up $1.67/bbl on the day, to trade at $82.72/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent's price got a boost after the Organization of the Petroleum Exporting Countries (OPEC) in its November monthly flagship report projected an upward revision for its global oil demand growth in 2023 to 2.46 million b/d, a slight increase of 20,000 b/d from its October estimates.

"These [OPEC] numbers indicate that OPEC believes that the oil market will remain tight for the remainder of this year and much of 2024," said two analysts from ING Bank.

The oil-producers group kept its demand projections for 2024 unchanged from the previous forecast, at 2.25 million b/d.

Earlier this month, OPEC's de-facto leader Saudi Arabia, and its top ally Russia (OPEC+) reaffirmed their voluntary production cuts and export ban pledges until year-end, suggesting an onset of supply tightness in the first quarter of 2024 as well.

"Oil prices had been grinding higher as traders anticipated that OPEC would revise its global demand outlook for the fourth quarter of 2023, and they didn't disappoint the bulls," said SPI Asset Management's managing partner Stephen Innes.

Downward pressure:

Brent futures came under downward pressure as growing demand woes from the world's top crude oil consumers China and the US mounted last week. "Oil and products continue to get hit on the perception that the Chinese economy has hit a brick wall, raising the risk of a global recession," Price Futures Group's senior market analyst Phil Flynn said.

Oil traders will be focusing on key US consumer price inflation (CPI) numbers that will be out later today. Oil market analysts expect headline US inflation to fall from 3.7% in September to 3.3% in October.

A potential hike in inflationary pressures in the US could lead to a 'higher-for-longer' narrative when it comes to interest rates, oil analysts project. "Any surprises to the upside would likely put some pressure on risk assets, including commodities," analysts from ING Bank added.

Meanwhile, Brent futures came under some pressure as oil market analysts continued to scrutinise actual supply cuts of Russian crude and oil products in the physical oil market. "Whether Russia actually sticks to its announced cuts is another story, given that their seaborne crude oil exports have been edging higher in recent months," analysts from ING bank further noted.

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