ENGINE: East of Suez Physical Bunker Market Update

15/11/23

Most prices have moved down in major Asian bunker hubs, and availability of all grades remains good in Hong Kong.

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

- **VLSFO prices unchanged in Zhoushan, and down in Singapore ($7/mt) and Fujairah ($1/mt)**
- **LSMGO prices down in Fujairah ($28/mt), Zhoushan ($20/mt) and Singapore ($5/mt)**
- **HSFO prices down in Singapore ($20/mt), Zhoushan ($3/mt) and Fujairah ($1/mt)**

Most bunker benchmarks in East of Suez ports have declined in the past day. Zhoushan's VLSFO price has held steady, while Singapore and Fujairah's VLSFO prices have fallen. One-higher priced VLSFO indication in Zhoushan has supported the benchmark's resistance to Brent's downward pull. This has kept its VLSFO discount to Singapore at a marginal $1/mt.

Meanwhile, the Chinese bunkering hub's VLSFO premium over Fujairah stands at $12/mt.

Prompt availability of all grades is under pressure in Zhoushan due to recent weather-induced disruptions and delayed replenishment of cargoes. A source says that bunker demand has shown signs of improvement in Zhoushan. This has contributed to further tighten bunker fuel availability in the port.

Several suppliers are recommending lead times of 5-7 days for all grades in Zhoushan.

The northern Chinese port of Dalian has a good supply of VLSFO and LSMGO. Availability of VLSFO remains good in the nearby port of Tianjin as well, but LSMGO and HSFO remain under pressure, and deliveries are subject to enquiry. Meanwhile, prompt supply of both VLSFO and LSMGO remains tight in the southern Chinese ports of Shanghai and Xiamen. HSFO continues to remain under pressure in Shanghai, as it has been in recent weeks.

Several suppliers in Hong Kong are advising lead times of 5-7 days for all bunker fuel grades – virtually unchanged from last week. Rough weather conditions are forecast in Hong Kong between Thursday and Friday, which might disrupt bunker deliveries.

Brent

The front-month ICE Brent contract has inched lower by $0.33/bbl on the day, to trade at $82.39/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures has shown strong support after the International Energy Agency (IEA) projected global oil demand to grow by 2.40 million b/d to 102 million b/d this year.

Brent's price is expected to remain elevated for the rest of this year as leading oil-consuming nations - the US and China - will drive global oil demand higher, the Paris-based body said. Oil demand is set to reach a record annual high of 102.90 million b/d in 2024 due to strong consumption in the US, China, India, and Brazil, the agency further noted.

Meanwhile, the oil market also gained confidence following positive industrial production and retail data from China earlier today. The country's October industrial output grew 4.6% and retail sales rose 7.6% from October last year, Reuters reported citing data from China's National Bureau of Statistics (NBS).

"Crude oil [Brent] futures experienced an uptick following positive industrial production and retail numbers from China, which contributed to improved market sentiment," SPI Asset Management's managing partner Stephen Innes said. "Worries about China demand have been a major point of concern for oil traders and the relatively upbeat economic prints should alleviate some of those concerns," he further added.

Downward pressure:

Brent futures came under pressure after the American Petroleum Institute (API) reported a 1.34 million bbls rise in US commercial crude inventories in the week ended 10 November, according to data cited by Trading Economics.

The broadly followed US government data on crude oil stockpiles from the US Energy Information Administration (EIA) is due later today.

The recent market report from IEA suggested that the oil market may not be as constrained as initially anticipated in the fourth quarter of this year. Higher production from non-OPEC+ producers will offset some of the supply cuts from OPEC+ producers, the IEA stated.

"The softened outlook for the physical oil market aligns with recent declines in oil prices over the past three weeks, leading to Brent crude, the global benchmark, reaching its lowest trade in over three months last week," Innes further noted.

By Tuhin Roy and Aparupa Mazumder