ENGINE: East of Suez Physical Bunker Market Update

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

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

- **VLSFO prices up in Singapore ($48/mt), Zhoushan ($40/mt) and Fujairah ($33/mt)**
- **LSMGO prices up in Zhoushan ($43/mt), Fujairah ($37/mt), and Singapore ($27/mt)**
- **HSFO prices up in Zhoushan ($25/mt), Fujairah ($23/mt), and Singapore ($8/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's rise and gained over the weekend. VLSFO and LSMGO prices have jumped sharply in the time frame. Singapore's VLSFO price has surged by $48/mt – steepest among the three major Asian bunker hubs. A total of five higher-priced VLSFO stems were fixed in the port in a wide range of $41/mt, which contributed to push the benchmark higher.

The Southeast Asian bunker hub's steep VLSFO price gain has meant that its VLSFO premiums over Fujairah and Zhoushan have widened by $15/mt and $8/mt to $26/mt and $9/mt, respectively, now.

VLSFO supply remains tight in Singapore. Lead times of around two weeks are recommended now – slightly up from 11-13 days at the end of last week. HSFO also remains in tight supply, with the grade's lead times going up from 11-13 days last week to almost two weeks now. On the other hand, LSMGO availability is good there, with recommended lead times of 3-5 days.

LSMGO is in ample supply in Zhoushan as well, with prompt dates available. But a trader says VLSFO availability has tightened in the Chinese bunkering hub as several suppliers are running low on stocks. Most suppliers have refrained from providing lead times and will only respond to enquiries on a "case by case" basis. Lead times of 5-10 days were advised for the grade last week.

Meanwhile, HSFO supply in Zhoushan has improved, with lead times coming down from 5-10 days last week to 5-7 days now.

Availability of all grades remain good in Hong Kong, with unchanged lead times of 5-7 days. Adverse weather conditions are forecast to hit the port between Friday and Saturday, which might disrupt bunker deliveries.

Brent

The front-month ICE Brent contract has leaped $3.04/bbl higher on the day from Friday, to $80.94/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent has climbed back above $80/bbl as market participants predict Saudi Arabia and Russia will extend their production cuts into 2024. An announcement is expected at OPEC+'s joint ministerial meeting on 26 November.

It is rumored that the US will impose tighter sanctions on Iran, ANZ's senior commodity strategist Daniel Hynes writes in a recent report. "Ship tracking data suggests [Iranian exports] are not far off levels seen before the US pulled out of the Iran nuclear deal. Tighter sanctions could result in between 0.5-1.5mb/d [million b/d] of oil being pulled from the market," he adds.

Goldman Sachs estimates that Brent will soar even higher in 2024 due to a "combination of supply constraints and steady demand growth". In its latest macro-outlook report, the investment bank forecasts Brent to reach $88/bbl in three months, $92/bbl in six months and average at $93/bbl within a year.

Downward pressure:

Concerns over global supply shortages are slowly dissipating as non-OPEC producers gradually increase production, limiting Brent's price gain.

Global oil supply is "firmly on an upward trajectory," said the International Energy Agency (IEA) in its November oil market report. This will be led by non-OPEC producers, IEA added. The IEA projects the US, Canada, Brazil and Guyana to produce a combined 1.7 million b/d more than they did this year in 2024.

Meanwhile, the IEA has also forecast global demand growth to slow down sharply to 930,000 b/d in 2024, from 2.4 million b/d this year.

The prospect of rising non-OPEC oil supply combined with a potential slowdown in demand has led hedge fund traders and money managers to reduce their long positions in Brent to the lowest level since late May. The Commitments of Traders report from the Commodity Futures Trading Commission shows that money managers reduced their long positions in Brent futures from 227,000 on 7 November to 223,000 on 14 November.

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