ENGINE: East of Suez Physical Bunker Market Update

22/11/23

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

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

- **VLSFO prices up in Singapore ($11/mt), Fujairah ($10/mt) and Zhoushan ($6/mt)**
- **LSMGO prices up in Singapore ($15/mt) and Zhoushan ($7/mt), and down in Fujairah ($11/mt)**
- **HSFO prices up in Singapore ($10/mt) and Zhoushan ($6/mt), and unchanged in Fujairah**

VLSFO benchmarks in East of Suez ports have mirrored Brent's upward movement and gained in the past day. Singapore's VLSFO price has risen the most by $11/mt among three major Asian bunker hubs. Two higher-priced VLSFO stems fixed in Singapore in a wide range of $19/mt in the past day supported the benchmark's rise.

Despite a steep rise in Singapore's VLSFO price, the port's discount to Zhoushan stands at just $1/mt. On the other hand, the Southeast Asian bunker hub's VLSFO premium over Fujairah stands at $9/mt.

A trader says product loading delays at oil terminals have kept VLSFO availability persistently tight in Singapore. Lead times of around 11-13 days are advised for the grade – virtually unchanged from the end of last week.

HSFO availability also remains under pressure there, with lead times going up from 11-13 days to more than a fortnight now. LSMGO remains in good supply, with prompt dates available.

Meanwhile, availability of VLSFO and LSMGO remains good in South Korean ports, with several suppliers recommending unchanged lead times of around four days for both grades. HSFO availability has improved in the country amid weak demand for the grade, with recommended lead times of around four days. Lead times for HSFO varied widely between 5-13 days last week.

Adverse weather conditions are forecast to hit the South Korean ports of Ulsan, Onsan, Busan, Yeosu, Daesan and Taean intermittently between 23-27 November, which might disrupt bunker deliveries at these ports.

Brent

The front-month ICE Brent contract has gained by $0.78/bbl on the day, to $82.36/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Market speculation is rife that OPEC+ will impose additional production cuts while extending its existing voluntary output cuts. A significant reduction in output, based on volume, can dramatically hit already tight oil supply in the global market and push Brent higher.

Meanwhile, the threat of dwindling global oil inventories is yet another catalyst that could boost Brent prices in the near term.

“Modest upward oil price pressures in the coming months reflect a slight decline in global oil inventories in the first half of 2024 as risks of supply disruptions remain high,” the Energy Information Administration (EIA) said in its monthly oil report.

Energy-focused hedge fund investor Eric Nuttall holds a similar view. “Even assuming recession in the US and Europe, no further cuts from OPEC+, the end of HRH's [Saudi oil minister Abdulaziz bin Salman Al Saud] generous lollipop cut in Q2, and non-OPEC supply growth of 0.9MM Bbl/d [900,000 b/d], we still see inventories falling, from already multi-year lows, despite the absorption of ~288MM Bbls [288 million bbls] from the SPR,” Nuttall wrote in a social media post.

Downward pressure:

US commercial crude inventories jumped by a whopping 9.05 million bbls in the week ended 17 November, Trading Economics reported citing American Petroleum Institute (API) estimates. This could offset speculations about potential OPEC+ output cuts at the joint ministerial meeting on Sunday, capping Brent's price gains.

EIA's official data on US crude oil stockpiles is scheduled to be released later today.

OPEC member UAE “is set to boost its production by 135kb/d [135,000 b/d] to 3.075mb/d [3.075 million b/d] in 2024,” ANZ senior commodity strategist Daniel Hynes said in a note.

Iran also plans to ramp up oil production to reach 3.6 million b/d by March next year, its state-owned media agency IRNA reported citing Iranian oil minister Javad Owji. Iran could theoretically supply more oil to the global market by increasing its output. However, lingering US sanctions could dent those prospects.

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