ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices in East of Suez ports have moved down, while VLSFO availability continues to remain tight in Zhoushan.

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

- **VLSFO prices down in Zhoushan ($10/mt), Fujairah ($8/mt) and Singapore ($1/mt)**
- **LSMGO prices up in Fujairah ($13/mt), and down in Zhoushan ($11/mt) and Singapore ($6/mt)**
- **HSFO prices up in Singapore ($5/mt) and Fujairah ($2/mt), and down in Zhoushan ($5/mt)**

VLSFO benchmarks in East of Suez ports have tracked Brent's downward movement and declined in a range of $1-10/mt in the past day. Zhoushan's VLSFO price has dropped the most among the three major Asian bunker hubs. A lower-priced VLSFO indication in Zhoushan contributed to drag the benchmark down.

A steep decline in Zhoushan's VLSFO price has meant that its marginal premium over Singapore has now swung to a discount of $8/mt. The Chinese bunkering hub's VLSFO premium over Fujairah stands at $8/mt.

A trader says some suppliers have sold out their VLSFO stocks and are unable to provide a timeline for when they expect replenishment cargoes to arrive. The lack of VLSFO supply has kept the grade's availability under pressure in Zhoushan, with several suppliers refraining from providing lead times. Suppliers are responding to enquiries on a case-by-case basis there.

HSFO availability remains normal with lead times of 5-7 days recommended – down from 5-10 days last week. LSMGO requires a shorter lead time of 3-5 days.

Meanwhile, Fujairah's LSMGO price has regained some value in the past day after declining in the previous session. The Middle Eastern hub's LSMGO price has risen by $13/mt in the past day, while both Singapore and Zhoushan's LSMGO prices have declined. Some higher-priced LSMGO indications in Fujairah have supported the benchmark's resistance against the general market direction.

Fujairah continues to price its LSMGO at elevated levels to Singapore and Zhoushan. The port's LSMGO premiums over Singapore and Zhoushan stand at $148/mt and $91/mt, respectively.

Good bunker demand has kept availability of all grades under pressure in Fujairah, with lead times of 7-10 days recommended – virtually unchanged from last week.

Lead times of around five days are advised for all grades in the nearby UAE port of Khor Fakkan.

Brent

The front-month ICE Brent contract has dropped $0.98/bbl lower on the day, to $81.38/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

“Will oil prices continue to rise? In short, most probably,” Christyan Malek, global head of energy strategy at JP Morgan said in a research note from 2 November. Against a backdrop of global oil demand growth, Malek has attributed “diminishing” spare capacity and low commercial US crude inventories among the factors that could lead to a 1.1 million-bbl supply deficit in 2025. This could propel Brent to $150/bbl in the short to medium term, he added.

JP Morgan’s report stresses a bullish medium-term outlook, while other investment banks are bullish about the near term.

UBS has bet on a $90-100/bbl range for Brent “over the coming months” over possible weakness in the US dollar. Goldman Sachs has forecast Brent to reach $92/bbl in six months and to average $93/bbl within a year due to supply constraints and robust demand.

Downward pressure:

OPEC+'s meeting was rescheduled to 30 November from 25-26 November. This was allegedly due to an impasse between the coalition’s de facto leader Saudi Arabia and other producers over production levels and targets. Most market observers believe OPEC+'s differences over 2024 output policy will have a ripple effect on Brent's price in the near future. Without a clear path forward, Brent is likely to remain volatile in the short term.

“Saudi will want other countries to cut as well. It’s going to be a negotiation, where Saudi will probably use that lollipop cut as a potential stick if the other countries don’t cut more,” energy-focused hedge fund trader Pierre Andurand told Bloomberg.

Concerns over potential oversupply in the global oil market have also inhibited price increases.

After Iran committed to raise its oil production to reach 3.6 million b/d by March next year, Reuters has now reported that Venezuela is also looking to add some supply to the global market. It is currently producing some 850,000 b/d of crude oil, Reuters reported citing Venezuelan deputy oil minister, Erick Perez, and expects to reach its 1 million b/d capacity soon.

In addition, commercial US crude inventories increased for the third consecutive week by adding 8.70 million bbls in the week that ended 17 November, according to the US Energy Information Administration (EIA). This followed a 17 million-bbl build in the previous two weeks.

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