

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

27/11/23

Prices have moved down in major Asian bunker hubs, and VLSFO availability continues to remain tight in Zhoushan.

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

- **VLSFO prices down in Zhoushan (\$24/mt), Singapore (\$19/mt) and Fujairah (\$4/mt)**
- **LSMGO prices down in Singapore (\$16/mt), Zhoushan (\$14/mt) and Fujairah (\$4/mt)**
- **HSFO prices down in Zhoushan (\$16/mt), Singapore (\$13/mt) and Fujairah (\$4/mt)**

Bunker benchmarks in East of Suez ports have mirrored Brent's downturn and declined in the past day. Zhoushan's VLSFO price has fallen \$24/mt – the steepest among three major Asian bunker hubs. Some lower-priced VLSFO indications in Zhoushan over the weekend have contributed to drag the benchmark down.

Zhoushan's steep VLSFO price decline has meant that its VLSFO premium over Singapore has slipped to a discount a marginal discount of \$4/mt. The Chinese bunkering hub's VLSFO premium over Fujairah has narrowed by \$20/mt to \$5/mt now.

A trader says VLSFO availability continues to remain tight in Zhoushan as several suppliers are running low on stocks. Most suppliers have refrained from providing lead times and deliveries of the grade remain subject to enquiry. HSFO availability, on the other hand, has improved in the port, with lead times halving from 5-7 days last week to 3-5 days now. LSMGO remains in good supply, with prompt dates available.

All grades remain under pressure in Fujairah. The supply pressure is due to product loading delays at oil terminals, compounded by bunker backlogs caused by weather disruption over the weekend, a source explains. Strong bunker demand has further contributed to the tightness.

Lead times of around 7-10 days are recommended for all grades in the Middle Eastern bunker hub – virtually unchanged from last week. Meanwhile, lead times of around five days are recommended for all grades at nearby Khor Fakkan port.

## **Brent**

The front-month ICE Brent contract has moved \$1.38/bbl lower on the day from Friday, to trade at \$80.19/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

The upcoming OPEC+ meeting has lent support to declining Brent prices. The remote meeting is scheduled to take place this Thursday.

The oil market expects OPEC's key producer and de facto leader Saudi Arabia to roll over its current additional voluntary output cut of 1 million b/d into the first quarter of 2024. Additionally, the group's top ally Russia is expected to extend export bans as well.

"We believe that the Saudis will roll over this cut and there is a growing possibility that we see a deeper cut from the broader group," said two commodities market analysts at ING Bank. "In doing this, the group would provide good support to the market going into 2024," they added.

Meanwhile, several reports suggested that the oil-producer group has made progress "in coming to a deal with Angola and Nigeria," said ING's head of commodities strategy Warren Patterson.

Angola and Nigeria agreeing to follow lowered production targets for 2024, backed by an additional 1 million b/d cut by Saudi Arabia, could cause a further supply shortage and push oil prices higher.

### **Downward pressure:**

The delay in holding the joint ministerial meeting by OPEC+ producers has continued to add downward pressure on Brent's price. Speculations about a dispute over production quotas for 2024 between Saudi Arabia and other OPEC+ producers including Angola and Nigeria have emerged as analysts said the two countries were "not happy with their lower 2024 production targets."

Meanwhile, the International Energy Agency (IEA) projects a "slight" surplus in oil supply in 2024, even if OPEC+ producers continue to decrease supply next year, IEA's head of oil markets and industry division Toril Bosoni told Reuters last week.

Crude analysts said that if Angola and Nigeria fail to reach a deal with OPEC+, oil will face further downward pressure due to the expected surplus in the market. "Clearly, if we do not see this [production quota agreement], it would put further downward pressure on the market, given the surplus over 1Q24 [first quarter 2024]," ING Bank's analysts added.

*By Tuhin Roy and Aparupa Mazumder*

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [freightinvestorservices.com](https://freightinvestorservices.com)