

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

29/11/23

Regional bunker benchmarks have mostly gained, and product loading delays persist in Singapore.

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

- **VLSFO prices up in Zhoushan (\$4/mt) and Singapore (\$3/mt), and down in Fujairah (\$2/mt)**
- **LSMGO prices up in Singapore (\$12/mt), Fujairah and Zhoushan (\$5/mt)**
- **HSFO prices up in Singapore (\$12/mt), Fujairah and Zhoushan (\$3/mt)**

Most bunker benchmarks in major East of Suez ports have gained, tracking Brent's upward thrust.

Singapore's HSFO price gain has outpaced that of Fujairah's. This has widened its premium over Fujairah's HSFO from \$28/mt yesterday to \$37/mt.

Prompt VLSFO availability has been very tight in Singapore. Recommended lead times for the grade range up to 15-18 days. Some suppliers can deliver the grade with shorter lead times, but these offers are limited and often priced higher, a source says.

Product loading delays in oil terminals, which have held up bunker delivery vessels from loading, are creating supply pressure in Singapore. The situation has been exacerbated by terminals being congested with tankers loading and discharging cargoes. While some argue that loading delays have slightly eased, the jammed conditions for near dates continue to pose loading challenges for bunker delivery vessels.

Fujairah's VLSFO has moved counter to the general market direction by declining slightly in the past day. This has widened its VLSFO discount to Singapore by another \$5/mt to \$27/mt now.

Availability of all grades is normal in the Japanese port of Tokyo. Lead times of seven days are recommended for deliveries there.

## **Brent**

The front-month ICE Brent contract has moved \$1.49/bbl higher on the day, to trade at \$82.18/bbl at 09.00 GMT.

### **Upward pressure:**

Brent's price found some support ahead of the OPEC+ joint ministerial meeting to discuss crucial output policy for 2024. Oil analysts expect top oil producers Saudi Arabia and Russia to continue individual cuts at least through the first quarter of 2024.

Besides, there are speculations that an "additional modest backstop cut" could be discussed in the OPEC+ meeting on Thursday, said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, a short-term supply disruption caused by a sudden storm in the Black Sea has also lifted Brent futures. Earlier this week, a severe storm in the Black Sea region suspended around 2 million b/d of oil exports from Kazakhstan and Russia, Reuters reported citing port agent data. Kazakhstan's largest oilfields (Tengiz, Kashagan, and Karachaganak) have cut combined daily oil output by 56%, according to its energy ministry.

Additionally, a drop in weekly US commercial crude inventories also provided some support to Brent. US commercial crude inventories fell by 820,000 bbls in the week ended 24 November, according to the American Petroleum Institute (API) data cited by Trading Economics.

### **Downward pressure:**

Meanwhile, Brent futures felt some downward pressure this week as OPEC+ postponed its meeting. Reduced compliance among some OPEC members including Angola and Nigeria who are "not happy" with their lowered output targets might have caused this delay, according to oil market analysts.

An oversupply in the market will likely cause Brent to move downwards, hence maintaining current production cuts and adhering to the set targets will be the key topic of OPEC+ meeting.

"Sentiment in the oil market remains negative despite the growing noise of potentially deeper OPEC+ cuts," said two analysts from ING Bank. "If they [OPEC+] fail to come to a preliminary deal, we cannot rule out the risk that the meeting is further delayed, which would likely put some downward pressure on oil prices," they further added.

*By Nithin Chandran and Aparupa Mazumder*

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