ENGINE: East of Suez Physical Bunker Market Update

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LSMGO and HSFO prices have increased in key East of Suez bunker ports, and VLSFO availability remains tight in Singapore and Zhoushan.

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

VLSFO prices up in Fujairah ($10/mt), and down in Zhoushan ($6/mt) and Singapore ($3/mt)
LSMGO prices up in Fujairah ($13/mt), Singapore ($11/mt) and Zhoushan ($1/mt)
HSFO prices up in Fujairah ($22/mt), Singapore ($9/mt) and Zhoushan ($5/mt)

VLSFO prices in Zhoushan and Singapore have resisted Brent's upward thrust and declined some in the past day. Some lower-priced stems fixed in the past trading day in both ports have contributed to drag the benchmarks' prices lower.

Seven VLSFO stems have been fixed in a wide price range of $45/mt in Singapore, with some stems fixed in the lower price bracket (around $650/mt) adding downward price pressure. VLSFO availability is very tight in Singapore. Recommended lead times for the grade range up to 15-18 days.

VLSFO is also persistently tight in Zhoushan. Several suppliers in the Chinese port are running low on stocks, thereby making it difficult to secure the grade for both prompt delivery dates and dates further out. Delayed replenishment of cargoes has contributed to the tightness. Zhoushan's VLSFO premiums over Singapore and Fujairah stand at $9/mt and $23/mt, respectively.

LSMGO and HSFO availability is relatively better in Zhoushan. Overall, bunker demand in the port has been low, a source says.

Fujairah's HSFO price has gained the most, and drawn support from one higher-priced non-prompt stem fixed at $450/mt in the past trading day. Its steep price gain has narrowed the port's HSFO discount to Singapore from $37/mt yesterday to $24/mt now.

Brent

The front-month ICE Brent contract has gained $1.21/bbl on the day, to trade at $83.39/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures remained supported as the oil market has shifted its focus from weak demand indicators to the upcoming OPEC+ meeting. The group is scheduled to hold a virtual meeting later today to discuss crude oil production quotas for 2024.

OPEC+ delayed its joint ministerial meeting by four days from 26 November after an alleged disagreement over output targets for next year.

The coalition is widely expected to continue output cuts until it achieves a “balance” in the oil market. These cuts are expected to be in addition to the voluntary supply reduction pledges from Saudi Arabia and Russia.

“All eyes are on OPEC+,” said two analysts from ING Bank. “The group will want to avoid disappointing the market given high expectations,” they added.

Downward pressure:

Brent's price felt some downward pressure after the US Energy Information Administration (EIA) reported a surprise build in US crude stocks. Commercial US crude inventories grew by 1.61 million bbls to 449.66 million bbls in the week ended 24 November, according to the EIA.

The weekly stock build ran counter to the American Petroleum Institute's (API) projection of an 820,000 bbls draw. “The [US crude stock] build comes despite US net exports of crude and products hitting an all-time high of 4.45MMbbls/d [4.45 million b/d] last week,” ING Bank’s head of commodities strategy Warren Patterson said.

Meanwhile, disputes within the OPEC+ group over reduced output targets for 2024 are still adding uncertainty to the oil market, analysts said. “It is still not clear if the group has been able to resolve a disagreement over Angolan and Nigerian production targets for next year,” Patterson added.

The oil market will come under further pressure if OPEC fails to reach a consensus on output targets for 2024. “Clearly, this growing expectation leaves downside risk for the market if OPEC+ disappoint later today,” ING Bank’s analysts added.

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