



Bunker prices, beyond OPEC+ cuts

By Miguel E. Andujar

After the OPEC+ announcement, where voluntary cuts totaling 2.2 million barrels per day (bpd) for Q1 2024 were revealed, the market response was more focused on the manner of communication than the cuts themselves. Despite the cuts appearing to be already factored into market expectations, the separate and uncoordinated announcements from various OPEC+ members created a disunited message.

On Friday, Brent and WTI futures experienced declines of \$1.98 to \$78.88 and \$1.86 to \$74.07, respectively. However, VLSFO prices at key ports displayed a mixed trend. In Singapore, prices rose by \$4/mt to \$670.50/mt, while Rotterdam gained \$2/mt to \$588.50/mt. In contrast, Houston saw a decline of \$12.50/mt to \$577/mt.

Looking ahead, bunker fuel prices for the remainder of the year, barring unexpected developments, will be influenced by two primary factors. Firstly, China is expected to experience tighter-than-anticipated supply of low sulfur fuel oil (LSFO). Reports suggest a doubling of LSFO imports in November cargoes from Singapore, bound for China with an anticipated arrival in December.

Secondly, the Panama Canal is facing challenges due to the new restrictions, causing delays in transit. According to data from the American Power Association (ACP), the average wait time for ships without a reservation for Southbound (Atlantic-Pacific) routes increased from 2.1 days in November to 11.4 days last week. These prolonged delays are likely to prompt shipping companies to opt for longer routes through the Suez Canal, resulting in higher bunker fuel costs.

Considering these factors, the current scenario is expected to provide bullish support for the VLSFO-Brent Crack Spread in the coming weeks.

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 authorized 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 www.freightinvestorservices.com