ENGINE: East of Suez Physical Bunker Market Update

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Regional bunker benchmarks have come down sharply, and VLSFO supply is mostly subject to enquiry in Zhoushan.

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

- **VLSFO prices down in Fujairah ($18/mt), Zhoushan ($13/mt) and Singapore ($9/mt)**
- **LSMGO prices down in Fujairah ($44/mt), Singapore ($31/mt) and Zhoushan ($16/mt)**
- **HSFO prices down in Fujairah ($19/mt), Zhoushan ($14/mt) and Singapore ($5/mt)**

All bunker benchmarks in key East of Suez ports have dropped over the weekend. LSMGO prices in Fujairah have declined steeper than those in Singapore and Zhoushan. Three lower-priced LSMGO stems fixed around $890/mt on Friday coupled with downward price pressure from descending Brent values have largely contributed to drag the Fujairah's benchmark lower.

Its steep price decline has narrowed the port's LSMGO premium over Singapore from Friday's $129/mt to $116/mt.

VLSFO availability remains tight for both prompt and non-prompt delivery dates in Zhoushan. Lack of inflows of VLSFO replenishment cargoes has resulted in the tightness for the grade, a source says. Several suppliers are running low on stocks and have refrained from providing lead times. Deliveries of the grade remain subject to enquiry.

In contrast, HSFO and LSMGO availability is normal in the Chinese bunker hub. Lead times of 3-5 days are recommended for HSFO, and 2-4 days for LSMGO.

VLSFO supply is also very tight in Singapore, where lead times can go up to 15-16 days. Singapore's VLSFO is priced just $4/mt lower than Zhoushan.

Brent

The front-month ICE Brent contract has declined $2.66/bbl on the day from Friday, to trade at $77.84/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

The ongoing conflict in the Middle East has once again taken the centre-stage. Brent futures found some support from recent developments in the Hamas-Israel war, which has rekindled supply concerns in the region.

The Israel Defense Forces (IDF) have claimed that Palestine-based Hamas militants failed to oblige the cease-fire agreement that was agreed upon last week in exchange for the hostages on both sides.

Meanwhile, the US military said on Sunday that Yemen-based militant group Houthi launched drone attacks on multiple commercial vessels in the southern part of the Red Sea, reported Reuters.

Oil market analysts are anticipating supply disruptions because of this intense conflict.

Downward pressure:

Demand woes have curbed Brent futures' gains this week after energy service company Baker Hughes reported a rise in active oil rigs in the US on Friday. The latest Baker Hughes report indicates a potential crude supply surplus as well as an oil demand shortage in the country.

US oil rigs rose by five to 505 in the week ended 1 December, Baker Hughes reported.

Meanwhile, oil market analysts are concerned about whether OPEC+ producers will adhere to the recently announced production cuts for 2024.

"The lack of an official announcement, with details gradually appearing from individual member states indicated there's no firm commitment to the 2.2 million b/d cut," said OANDA's senior market analyst Craig Erlam.

Oil traders and analysts are worried if the producers will fully commit to these cuts. "It seems traders either aren't buying that members will be compliant or don't view it as being sufficient," Erlam added.

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