ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and HSFO prices in East of Suez ports have moved in mixed directions, and all grades remain in good availability in Hong Kong.

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

- **VLSFO prices up in Fujairah ($9/mt) and Zhoushan ($4/mt), and down in Singapore ($4/mt)**
- **LSMGO prices up in Zhoushan ($16/mt), Singapore ($9/mt) and Fujairah ($6/mt)**
- **HSFO prices up in Singapore ($7/mt), unchanged in Fujairah, and down in Zhoushan ($5/mt)**

Singapore's VLSFO price has declined over the weekend, while Zhoushan and Singapore's VLSFO prices gained. One lower-priced VLSFO stem fixed in Singapore over the weekend has contributed to drag the benchmark down.

Singapore's VLSFO price decline has meant that its VLSFO discounts to Fujairah and Zhoushan have widened by $13/mt and $8/mt, respectively, to $20/mt now.

VLSFO availability in Singapore remains persistently tight, with lead times of 7-14 days recommended. At least seven bunker suppliers are currently grappling with tight delivery schedules, a source claims.

HSFO supply also continues to remain under pressure in the Southeast Asian bunker hub, with several suppliers advising 10-12 days for the grade. Lead times for LSMGO have gone up from around five days last week to 4-8 days now.

VLSFO availability has shown signs of improvement in Zhoushan, with most suppliers now recommending lead times of 5-7 days. This comes after the grade was subject to enquiry last week. Despite the improvement in supply, the demand for the grade remains low because of the high premiums quoted by some suppliers, making it unattractive for buyers to bunker them.

LSMGO and HSFO supply remain good in the Chinese bunker hub, with short lead times of 2-5 days advised.

All grades remain in ample supply in Hong Kong, with unchanged lead times of 5-7 days recommended. Bad weather is forecast in Hong Kong on Wednesday and Saturday, which might disrupt bunker deliveries at the port.

Meanwhile, availability of all grades has improved in Japan's Tokyo as well, with lead times coming down from 10-12 days last week to 7-10 days now.

Most suppliers in Japan will accept new bunker orders till 20 December, before the Christmas and New Year holidays, the source adds.

Brent

The front-month ICE Brent contract inched $0.11/bbl up on the day from Friday, to trade at $75.99/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures extended the previous week's gains after the oil market grew confident about a recovering global demand for crude oil.

Brent's price found support after the US government on Friday announced that it will purchase up to 3 million bbls of crude oil for its Strategic Petroleum Reserve (SPR) scheduled to be delivered in March 2024, Reuters reported. In the first week of December, the nation's SPR stood at 351.9 million bbls, down from 387 million bbls a year ago, according to Energy Information Administration (EIA) data.

Meanwhile, China said it will continue to implement fiscal and monetary policies to "spur domestic demand" to support the country's economic recovery in the coming year, Reuters quoted China's Politburo as saying. The country said it will enforce policies that will be "flexible, moderate, precise, and effective," the Politburo was further quoted as saying.

Any improvement in China's economic conditions with new monetary policies will help drive oil demand growth in the world's second-largest oil importer, analysts said.

Downward pressure:

Brent futures felt some downward pressure due to market speculation about actual supply reductions in the physical oil market.

Even though the Organization of the Petroleum Exporting Countries and allies (OPEC+) pledged a reduction of 2.2 million b/d of crude in the first quarter of 2024, non-OPEC output growth is set to counter the oil-producer group of nation's bid to bring a "balance" in the oil market with supply cuts, analysts said.

"The recent production cuts by OPEC+ have raised concerns in the oil market about the cartel's ability to control supply in the long term effectively," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, OPEC+'s new member, Brazil, which is set to join the group in January 2024 said that it will not participate in the ongoing supply reductions.

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