ENGINE: East of Suez Physical Bunker Market Update

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Bunker prices in East of Suez ports have moved up, and VLSFO and LSMGO availability remains tight in several Indian ports.

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

- **VLSFO prices up in Singapore ($11/mt), Fujairah ($8/mt) and Zhoushan ($5/mt)**
- **LSMGO prices up in Singapore ($19/mt), Fujairah ($8/mt) and Zhoushan ($7/mt)**
- **HSFO prices up in Singapore ($10/mt), Fujairah ($9/mt) and Zhoushan ($1/mt)**

Bunker benchmarks in three major Asian bunker hubs have tracked Brent's upthrust and gained for the second consecutive day. Singapore's VLSFO, LSMGO and HSFO have risen by $11/mt, $19/mt and $10/mt, respectively – steepest among three major East of Suez ports.

A total of three VLSFO stems were fixed in Singapore in a wide range of $31/mt, with a couple of stems at the higher end of the range supporting the benchmark's rise. Singapore's steep VLSFO price rise has meant that its VLSFO discount to Fujairah has been erased and now stands at parity levels with the Middle Eastern bunker hub. Singapore's VLSFO discount to Zhoushan stands at $20/mt.

VLSFO supply has improved in Singapore, with several suppliers now recommending lead times of 7-9 days, significantly down from 12-16 days last week. But prompt availability of VLSFO continues to remain tight as several suppliers are still grappling with tight delivery schedules, a source says.

HSFO availability has also improved in the port, with lead times coming down from more than 14 days last week to 6-10 days now. LSMGO remains readily available, with short lead times of 2-4 days.

Meanwhile, Kandla on India's northwest coast has good availability of VLSFO and LSMGO, with short lead times of 2-3 days. On the other hand, both grades remain in tight availability in several other Indian ports including Mumbai, Chennai, Cochin, Visakhapatnam, Paradip and Haldia, with deliveries mostly subject to availability in these ports.

Bad weather is forecast to hit the Indian ports of Kandla and Sikka on 18 December, which may disrupt bunker deliveries at these ports.

Brent

The front-month ICE Brent contract gained $1.80/bbl on the day, to trade at $77.07/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained upward momentum after the International Energy Agency (IEA) forecasted global oil demand to grow in 2024.

The Paris-headquartered agency expects global oil consumption to grow by 1.1 million b/d in 2024, up by 130,000 b/d from last month's forecast due to improving oil demand scenarios in growing economies.

Moreover, the US Federal Reserve (Fed) indicated rate cuts in 2024, at its latest monetary policy meeting. The anticipation of lower interest rates had added upward price pressure on Brent, analysts said.

"Recent key economic data and events supported the current gain in oil prices seen in the last two days," said OANDA's market analyst Kelvin Wong.

"Oil [Brent] prices have seen a bit of a "demand pull" factor due to the improved liquidity conditions after the US Federal Reserve's dovish pivot on Wednesday," he further added.

Downward pressure:

Global oil supply is expected to increase in 2024 due to a rise in non-OPEC production, which may put downward pressure on Brent prices, analysts said.

The IEA expects crude oil production to grow in the US, Brazil, and Guyana, contributing to a rise in global output in the coming year. If an oil surplus occurs, it could potentially drag Brent prices lower.

"Non-OPEC+ production is expected to drive gains in 2024, with the United States [US] leading the expansion," SPI Asset Management's managing partner Stephen Innes said. "OPEC+ is projected to decline in market share in 2023, reaching its lowest level since 2016," he further added.

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