Dan-Bunkering
Ride the Next Wave

Weekly Market Report

October 22, 2024

Latitude
N 55°30'23.8458"
Longitude
E 9°43'44.7468"

Bunker Port Brief

Singapore

	VLSFO	HSFO	MGO
Availability			
Days of notice	12	14	10
Demand			

The Asian LSFO market is expected to be supported by strong demand in the week of Oct. 21, but supply for prompt deliveries remains tight, with most suppliers needing at least a week's lead time.

The Asian HSFO market has strengthened over the past week, recovering from an early October dip, with supply likely to improve as Middle Eastern cargo arrives.

The Asian LSMGO market is set to strengthen driven by reduced South Korean exports and rising. demand.

ARA

	VLSFO	HSFO	MGO
Availability			
Days of notice	4,5	5,5	2,5
Demand			

MGO seeing some tightness with Shell refinery under maintenance (hence no offers from their side), and some loading delays at both BP and Exxon also causing some slow-down. Demand remains stable on this grade, but days of notice need to be considered, especially for bigger quantities.

VLSFO and HSFO have similar picture, they are still on a tight level generally and some suppliers reportedly queuing at terminals longer than expected.

Fujairah

	VLSFO	HSFO	MGO
Availability			
Days of notice	4	8	3
Demand			

A relatively muted market in Fujairah this last week; as demand remained stagnant as buyers waited on the bearish market to continue. Suppliers are hungry for the demand as and when it is seen.

New York

	VLSFO	HSFO	MGO
Availability	■■■□□	■■■□□	■■■■■
Days of notice	4	6	1
Demand	■■■□□	■■■■■	■■□□□

Demand for HSFO is still strong from liner segment terminals clearing cargo from short strike. VLSFO demand is muted.

Houston

	VLSFO	HSFO	MGO
Availability	■■■■□	■■□□□	■■■■■
Days of notice	6	8-5	4
Demand	■■■□□	■■■□□	■■■□□

HSFO remains a bit tight. Recommending extra lead time for new inquiries of 7-10 days where possible.

As of this week, Minerva has begun quoting bunkers in the Houston area since purchasing Bominflot.

Gibraltar

	VLSFO	HSFO	MGO
Availability	■■■□□	■■■□□	■■■□□
Days of notice	4-5	4-5	6
Demand	■■■□□	■■□□□	■■■■□

Currently seeing EDD for Repsol 26th-27th and Cepsa 24th-25th.

Malta

	VLSFO	HSFO	MGO
Availability	■■■■□	■■■■□	■■■■□
Days of notice	3-5	3-5	3-5
Demand	■■■□□	■■■□□	■■■□□

Orim does not have any barges available.

Port Louis

	VLSFO	HSFO	MGO
Availability	■■■■■	■■■□□	■■■■■
Days of notice	5	5	5
Demand	■■■■■	■■■□□	■■■■□

Durban

	VLSFO	HSFO	MGO
Availability			
Days of notice	3	3	3
Demand			

Walvis Bay

	VLSFO	HSFO	MGO
Availability			
Days of notice	5	5	5
Demand			

Dan·Bunkering
Ride the Next Wave

The market has become too complacent about geopolitics

In today's issue, we discuss some of the factors that have weighed oil prices over the last week. We discuss how the geopolitical premium has dropped, how we have seen renewed concerns about oil demand and how stretched positioning likely triggered stop-losses. Brent fell USD 5 last week.

This week, we have so far seen range trading, which we expect will extend into next week. Hence, we see Brent stabilising after a tough week. However, we also argue that the oil market has become too complacent about geopolitics.

Three factors that weighed on oil prices this week

1. Lower geopolitical risk premium

The oil price came under pressure last week, among other things, due to a lower geopolitical risk premium. The Washington Post reported on Monday that Netanyahu had informed the US that Israel was willing to target military objectives in Iran but not oil and nuclear installations.

Some analysts also see a connection between new American anti-ballistic systems (THAAD) placed in Israel and Netanyahu's softer tone. That said, Bloomberg reported on Tuesday that Netanyahu had said Israel was listening to the USA but that the final decision was based on Israel's national interests. However, this might be a statement aimed at internal hardliners.

On Thursday, the Hamas leader Yahya Sinwar was killed in Gaza following an Israeli strike. This briefly pressured the oil price, raising hopes of de-escalation in the region and even prompting speculation about possible ceasefire negotiations and hostage exchanges. Prices quickly recovered, however, after Netanyahu declared that Israel would continue its military operations in Gaza. On Saturday a drone from Hezbollah landed next to the summer cottage of Netanyahu in Israel.

The geopolitical risk premium's size depends on the oil market's ability to absorb any supply shortfalls. In that respect, the IEA was eager to highlight during last week that the large strategic reserves can be released in a crisis and that OPEC+'s spare capacity is historically high. We agree to the IEA view and assume that in the case of an attack on Iranian oil installations both the UAE and Saudi Arabia will turn on the taps. If we see a closure of the Strait of Hormuz, which is not our central case, the situation is much more severe.

Overall, we assess that the market no longer expects an attack on Iranian oil installations and that a significant part of the risk premium has been priced out.

However, note that uncertainty remains high. This is evident, among other things, in the options market, where both the "traded" and "realised" volatility (price fluctuations) remain elevated close to levels last seen when Hamas attacked Israel on October 6 2023.

2. Renewed concerns about oil demand

Last week, there was a renewed focus on the demand side. The OPEC and the IEA oil market reports depicted a weakening demand outlook.

The IEA discussed a potentially large surplus next year due to weak demand growth and increasing supply. The IEA has once again revised oil demand for 2024, this time by 41,000 b/pd to 903,000 b/pd. However, it raises the estimate for 2025 by 44,000 b/pd to 954,000.

The IEA pointed to fragile demand in China, with a decline of 0.5 mb/d in August compared to the same month in 2023. The IEA sees a global surplus of 1 mb/d in 2025.

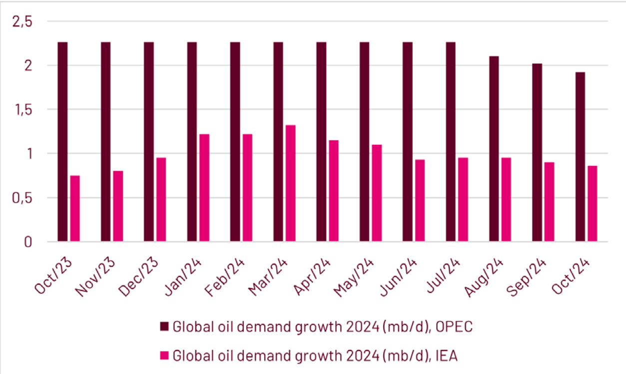
On the other hand, the OPEC monthly oil market report remained upbeat on demand growth for this year and next. But even OPEC had to revise its overly optimistic demand forecasts lower. The demand forecast for 2024 and 2025 were lowered by 0.1 mb/d and 0.16 mb/d, respectively, to 1.93 mb/d and 1.58 mb/d. However, it is still way above the IEA forecast of 0.8 mb/d and 1.0 mb/d demand growth forecast for 2024 and 2025.

The chart below to the left shows the 2024 oil demand growth forecasts from IEA and OPEC in various reports throughout the last twelve months.

The chart to the right shows the so-called call on OPEC+: the amount of oil OPEC+ can produce to keep inventories unchanged, given their forecasts for non-OPEC+ supply and global demand.

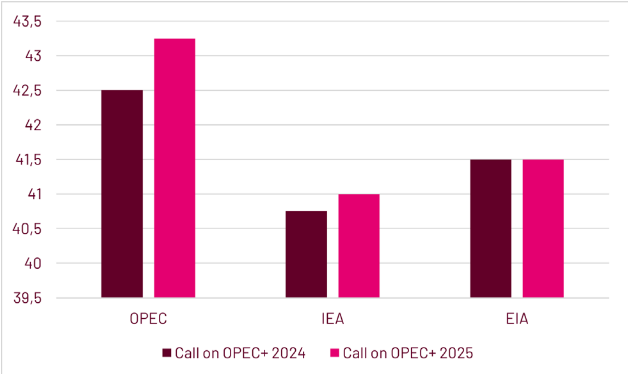
The IEA and the EIA numbers indicate that the OPEC+ plan of adding up to 2.5 mb/d of extra oil end-2025, even considering compensation cuts, is unrealistic. We stick to the view that OPEC+ will delay the plan of adding more oil in Q1 next year.

The OPEC forecast for oil demand in 2024 looks more and more unrealistic, mb/d



Source: IEA, OPEC and GRM

Call on OPEC+ according to OPEC, IEA and EIA, mb/d



Source: IEA, OPEC and GRM

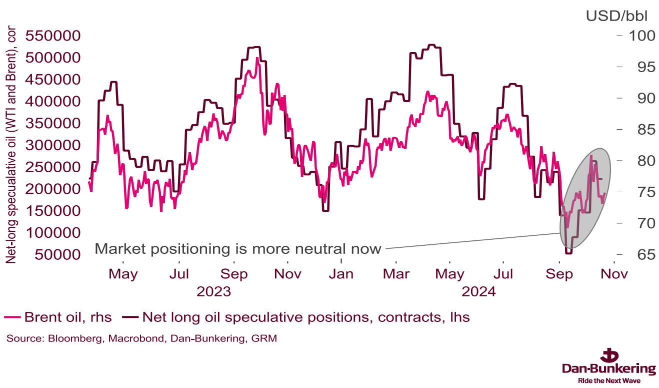
3. Positioning likely triggered stop-losses. Volatility remains high

Friday's data for speculative positions showed that many of the short speculative positions in the market have now been closed. So, instead of the market being supported by closing short positions when the price rose (buying oil), there has likely been stop-loss selling this week. We will have new positioning data tonight.

Hence, the price drop has been exacerbated by speculative long positions being stopped out (selling) as the price began falling.

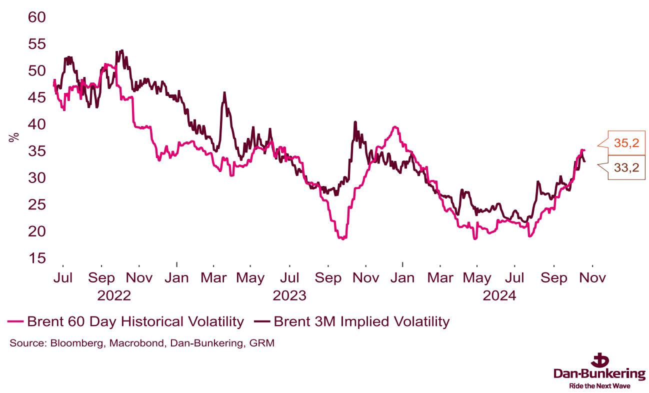
In general, the traded volatility in the oil market remains elevated. The chart below to the right shows the realised (historical) volatility and traded (implied) volatility from the option market for Brent.

Oil market was likely caught long last week



Source: Macrobond, Bloomberg

Both realised and implied volatility remain high in the oil amrket, %



Source: Macrobond

Outlook: We are in the "de-escalation" scenario. But the market might be too complacent about geopolitical risks

We have not changed our main forecast for Brent. We still expect it to trade in the mid-70s in Q4, edging towards USD 80 in 2025. See our forecast table below.

Our central forecast is based on an improving global economy supported by monetary easing globally and, notably, the expectation that the energy-intensive Chinese economy will receive a boost from the latest easing measures.

We see China growing around 5% next year, with the risks tilted to the upside.

We expect OPEC+ to add more oil on December 1, but we believe the plan for more oil in 2025 will be delayed already in Q1 2025.

We also assume that Saudi Arabia will be putting a lot of pressure on quota busters like Iraq, Kazakhstan, and Russia to improve quota adherence and that quota compliance will improve.

Two weeks ago, we presented two alternative scenarios for oil prices: The escalation and the de-escalation scenario.

Over the last week, the market has moved towards what we labelled" the de-escalation scenario", where we see prices moving towards the low 70s or even lower.

However, it almost seems the market has become too complacent about geopolitical risks. We can certainly not rule out that Israel decides to hit Iranian oil and nuclear installations.

Israel might also wait with any retaliation strike until after the US election, hoping for more US support, especially if Trump becomes President.

If Iran decides to close the Strait of Hormuz, we should expect a spike in Brent well above USD 100.

Forecast

	Spot	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	avg. 2025
Brent, USD/bbl	74,9	76,0	77,0	80,0	81,0	80,0	79,5
ICE Gasoil, USD/MT	666	685	700	730	738	730	725
HSFO (1M 3.5% Rotterdam Barge), USD/MT	437	425	425	457	457	451	448
VLSFO (1M 0.5% Rotterdam Barge), USD/MT	502	514	514	527	533	527	525

Source: Dan-Bunkering, indicative spot-prices based on Bloomberg 1M fair-value

The calendar this week: Wait-and-see week

The Middle East remains at the top of all energy markets' agendas. That will not change next week.

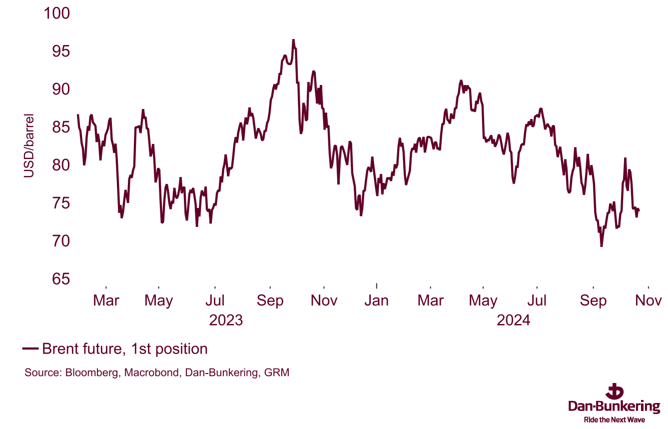
China will also remain in the spotlight. The commodity markets will closely scrutinise any news on the impact of the fiscal easing.

Otherwise, the calendar is relatively thin next week, ahead of the week after, when we have US presidential elections, non-farm payrolls, Fed meetings and likely confirmation from OPEC+ that oil production will rise on December 1.

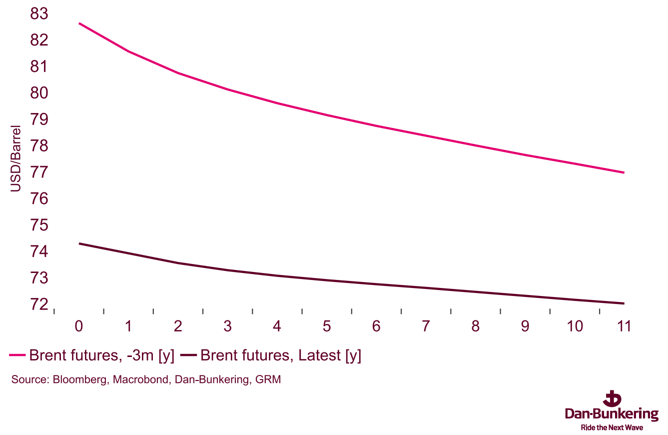
Hence, next week might very well be a "wait-and-see", assuming no drastic developments in the Middle East.

Overview Charts:

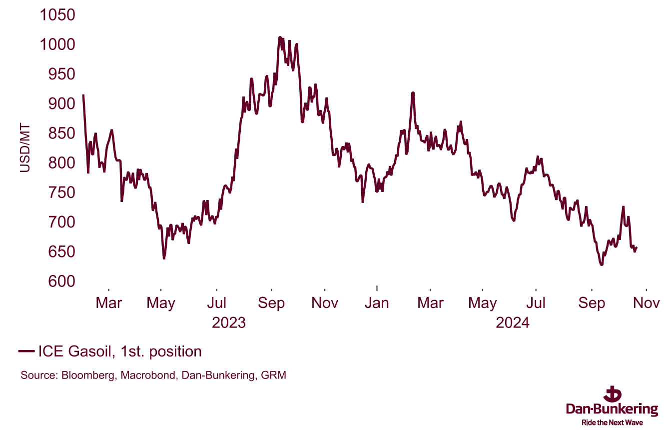
Brent oil



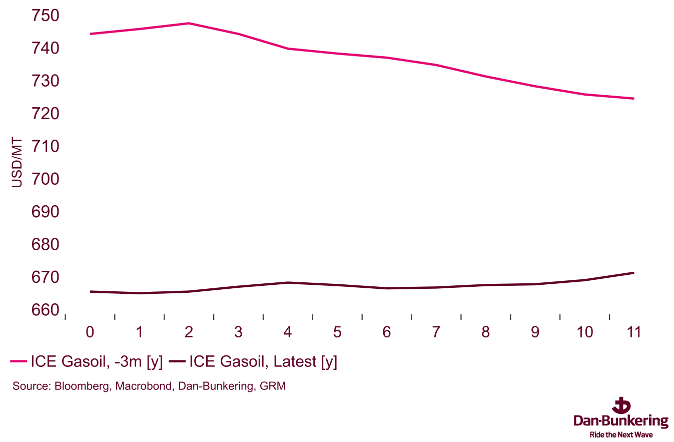
Brent forward curve, indicative prices



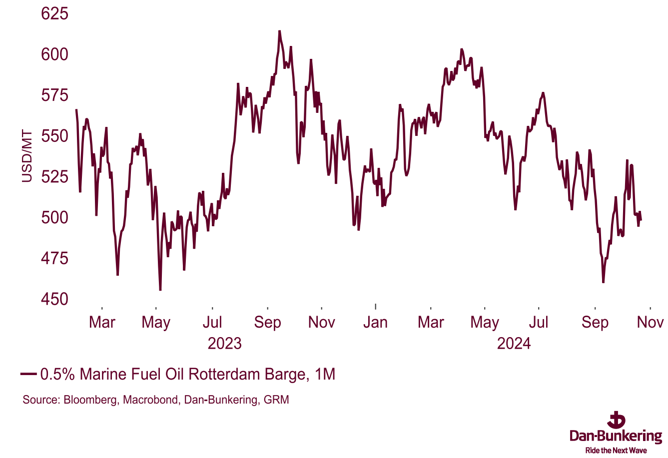
ICE Gasoil



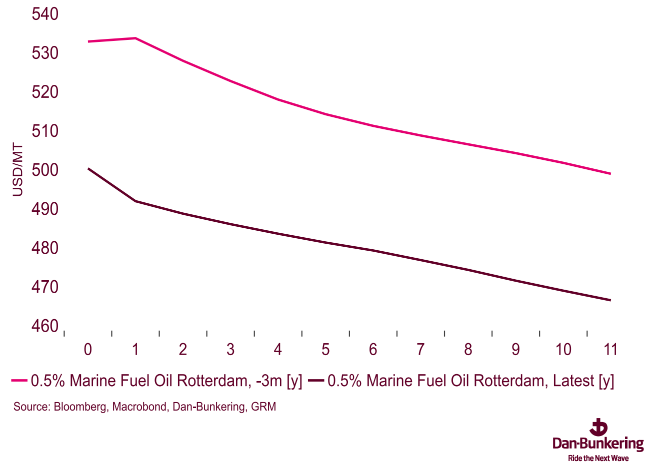
ICE Gasoil forward curve, indicative prices



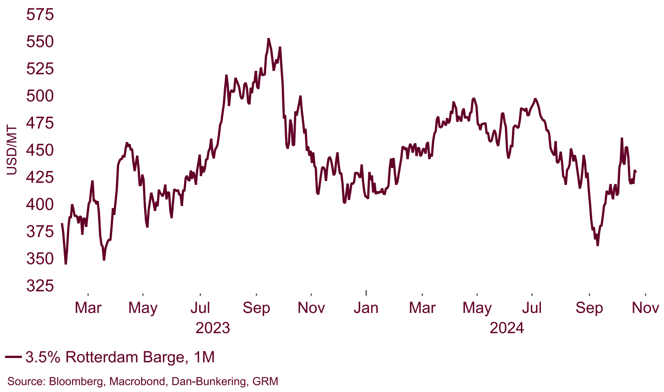
0.5% Marine Fuel Oil Rotterdam Barge, M1



0.5% Marine Fuel Oil Rotterdam Barge Forward Curve, indicative prices



Rotterdam 3.5% Barge



Rotterdam 3.5% Barge forward curve, indicative prices