







# Weekly Market Report

September 24, 2023

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

## Bunker Port Brief

### Singapore

	VLSFO	HSFO	MGO
Availability			
Days of notice	10	7	7
Demand			

The Asian low sulfur fuel oil market is likely to garner strength over Sept. 23-27 on firmer demand, especially after China released lesser than expected export quotas in its third batch for 2024.

Despite higher volumes of Western arbitrage supplies coming into Singapore, the Asian LSFO market will remain buoyed by firmer Chinese demand, while a drop in supplies from Nigeria's Dangote refinery so far in September was also providing some support, trade sources said.







Meanwhile, tighter availability of non-sanctioned supplies continues to boost the Asian high sulfur fuel oil market amid stable bunker demand, according to trade sources.

With the release of China's export quotas being much lower than anticipated, local traders postulated that bunker premiums would remain supported in the trading week beginning Sept. 23, as market participants are expected to buy more LSFO in anticipation of supply tightening.

In Singapore, bunkering premiums of HSFO is expected to continue been buoyed by limited stockpiles as upstream replenishments of the grade are only expected to arrive in the port mid-October. Some major term players have fully committed most of their inventories, having little available for the spot market in the near-term.

The Asian gasoil market is expected to hold steady Sept. 23-27, with trade participants emphasizing that China's third batch of export quota, though lower on the year, is unlikely to result in a tightening of regional supply as demand lags.







### ARA

	VLSFO	HSFO	MGO
Availability			
Days of notice	3-4	4-5	2-3
Demand			

MGO remains well supplied. Not as much availability as we have seen in prior weeks, but still solid.

Some delays on HSFO and VLSFO loadings - not as much prompt product.







## Fujairah

	VLSFO	HSFO	MGO
Availability			
Days of notice	5-8	7-9	3-4
Demand			

As the recent issues experienced in the port of Fujairah normalise, demand hunger remains steady. The last two weeks of tight product avails and barge loadings at terminals appears to be normalising. Noted that supply remains ample at loading areas.



Flat price sellers are sitting on cargoes, creating an aggressive demand scenario, suiting the buyer wanting sharp levels.

## New York

	VLSFO	HSFO	MGO
Availability			
Days of notice	4	8	1
Demand			

Heavy demand from liners for HSFO and seeing steady demand for VLSFO.





## Houston

	VLSFO	HSFO	MGO
Availability			
Days of notice	5-7	7	3-5
Demand			

Demand remains light. Prices and premiums have come down. Prices are getting some support from cuts to blending on the bulk side in response to the low retail demand.

Weather in the US Gulf is likely to become an issue later this week. There is tropical storm activity in the west Caribbean expected to strengthen and move into the US Gulf later this week. There to be delays Offshore starting on the 26th if things remain on the predicted course.

## Port Louis

	VLSFO	HSFO	MGO
Availability			
Days of notice	3	3	2
Demand			







Avails remain tight. Replenishment dates for most suppliers are around 25/09.

### Durban

	VLSFO	HSFO	MGO
Availability			
Days of notice	3	3	3
Demand			

Note that D50 ex truck has been stopped in Durban. Any vessel below 70m can now only take duty paid ex truck.

### Walvis Bay

	VLSFO	HSFO	MGO
Availability			
Days of notice	5	5	5
Demand			

## Four reasons why oil has moved higher and strong bunker/fuel oil market

In this issue of our weekly report, we discuss the recent stabilization in the oil market and look at the drivers that have pushed Brent oil up close to USD 6 to around USD 75 since the low two weeks ago. We also look closer at the recent strength of fuel oil/bunker cracks in major ports and the paper market.

### Four reasons why optimism has returned to the crude oil market

#### 1. The "Powell put" as a safeguard against a US recession:

The Federal Reserve delivered a significant 50 basis point rate cut last week. Most economists, however, had only expected a 0.25 percentage point cut. Equally important, Powell emphasized that "the US economy is in a good place, and our decision today is designed to keep it there." Powell also pointed out that there is now "greater confidence" that inflation is under control.

Although Powell also stressed that rate cuts of this magnitude should not be expected to become the new "pace", and expressed concerns about the labour market, the market now views Powell as a safeguard against a US recession. He has essentially established a "Powell put," reducing fears of a US recession that could have potentially pushed oil prices significantly lower.

The market enjoyed the "Powell put" and the S&P500 hit a new all-time high last week; copper jumped to a two-month high, and oil is up roughly USD 2 since the announcement.

#### 2. A geopolitical premium has returned to the oil price

The spectacular explosion of pagers and walkie-talkies in Lebanon and the subsequent Israeli strikes on positions in Lebanon have brought a geopolitical risk premium back into the oil price.

The situation escalated further over the weekend, with Hezbollah rockets fired into Israel and Israeli bombings of Hezbollah positions in Lebanon, as well as strikes in Beirut. There are reports that several top Hezbollah officials have been killed, raising fears of a large-scale regional war.

For now, however, there is no indication that Iran is directly involved, which has always been the oil market's worst-case scenario, as it could impact actual oil production.

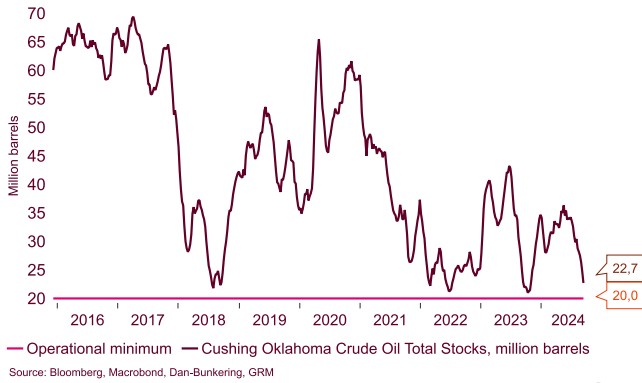
That said, geopolitical risk premiums are often fluid, and the lesson learned this year is that geopolitical premiums have evaporated relatively fast.

#### 3. Still a tight physical market

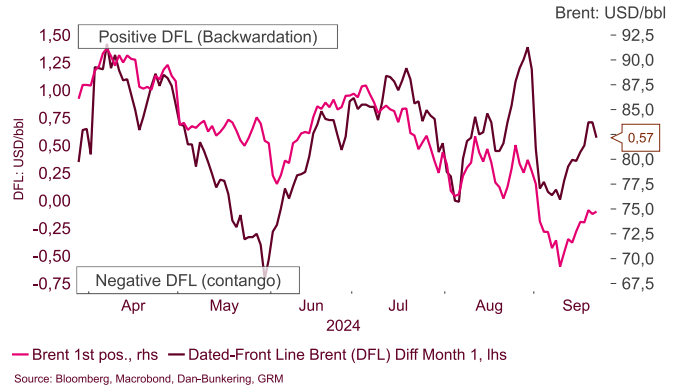
US crude oil inventories fell by 1.6 million barrels last week; notably, stocks at Cushing, Oklahoma, dropped to 22.7 million barrels, close to the absolute operational minimum, which most experts estimate at around 20 million barrels.

This paints a picture of a tight market, which is further reflected in the backwardation seen in the positive DFL and the prompt spread in the ICE Brent futures curve. Given the flat price, we would typically expect a flatter or a curve in contango at the front end of the curve.

### Crude oil inventories at Cushing Oklahoma close to "operational minimum"



### Positive DFL points to a tight physical market

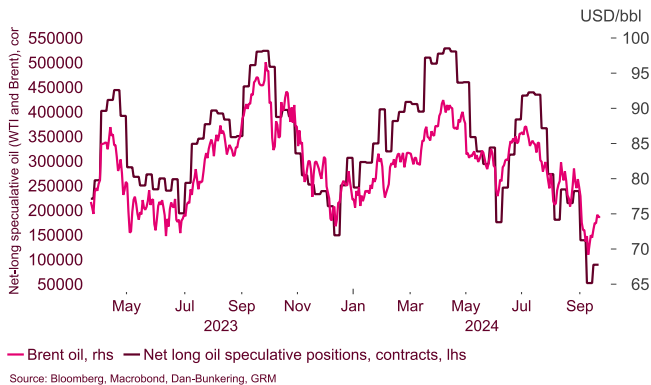


## 4. The market caught short, which triggered short-covering

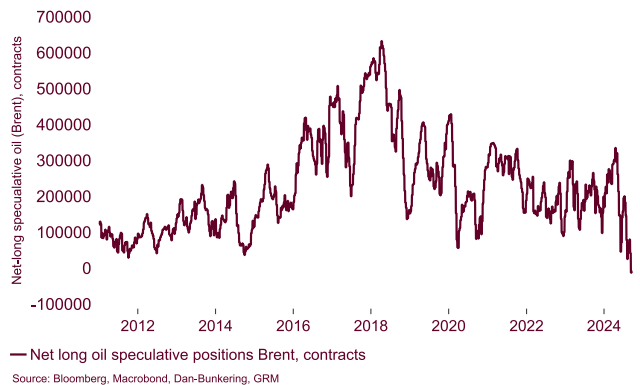
Lower interest rates, increased geopolitical risk premiums, and lower inventories have emerged at a time when the speculative part of the market is heavily positioned for lower oil prices. The market has never been so speculatively short on Brent as it is now.

In other words, the market was caught entirely off guard last week. Price-positive news can significantly affect the market when caught on the wrong foot, as it triggers short-covering or forced closure of short positions.

### Short-covering might have added to upside for Brent



### Market has never been this net-short Brent since 2011



### Wider fuel oil cracks as fuel oil/bunker markets are tight

In the fuel oil market, the big story in September has been the sudden widening of crack spreads in both HSF0 (3.5%) and VLSF0 (0.5%). HSF0, for example, has roughly become USD 5 more expensive than Brent over the last three weeks in the paper market in Rotterdam.

The strengthening of the HSF0 market has surprised many traders, as we are now exiting the summer peak demand season for power generation using fuel oil in the Middle East.

However, the market is being supported by high port premiums in Singapore, and as the refinery maintenance season is approaching, less fuel oil will be supplied to the market.

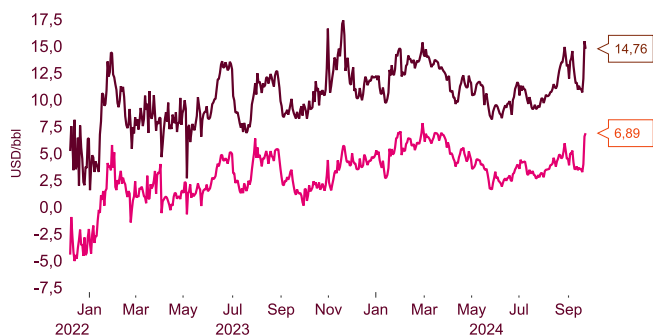
Fuel oil inventories have also fallen over the last couple of months, particularly in Rotterdam (ARA) and Singapore, highlighting the tightness in the fuel oil market.

On Friday, China released new export quotas for clean products and LSFO. The third batch of 2024 LSFO exports was 1 million metric tonnes (MMT), bringing the total LSFO export quota allocation to 13 MMT for 2024, compared to 14 MMT in 2023. The smaller-than-expected allocation has further tightened the VLSF0 market.

We expect the fuel oil market tightness to persist for a while. However, as we move beyond the refinery maintenance season, we anticipate the tightness will ease, particularly for HSF0. Growing supply from the new Al-Zour and Dangote refineries should also alleviate VLSF0 tightness.

We note that the forward curves for both VLSF0 and HSF0 reflect this outlook. The market is pricing in a lower VLSF0 and HSF0 crack spread (backwardation), implying that consumers can lock in a cheaper crack, e.g., hedging that the tightness will extend into next year.

**VLSF0 0.5% crack spread (vs Brent)**



— Rotterdam 0.5% FO crack (Brent) 1M — Singapore 0.5% FO crack (Brent) 1M  
 Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



**HSF0 (0.5%) crack (vs Brent)**



— Singapore 380cst crack (Brent) M1 — Rotterdam 3.5% FO Barges crack (Brent) M1  
 Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



## Thin calendar this week

The calendar will be relatively empty this week. We had September PMIs from the US and the Euro area yesterday. Unsurprisingly, they showed a fragile European manufacturing sector and a weakening service sector.

All eyes will be on the Middle East. However, as highlighted above, if "nothing new happens," the geopolitical premium evaporates relatively quickly.

After last week's Fed meeting, the market will also scrutinize any Fed comments to know if we can expect a new 50bp rate cut at the next Fed meeting.

US inventory and implied demand data remain critical, with Wednesday's Department of Energy (DOE) data taking centre stage. US crude oil inventories have dropped ten out of the last twelve weeks, but we have moved into the autumn, where the inventory draw will likely slow.

We will also monitor speculative oil data on Friday after the recent volatility in oil markets.

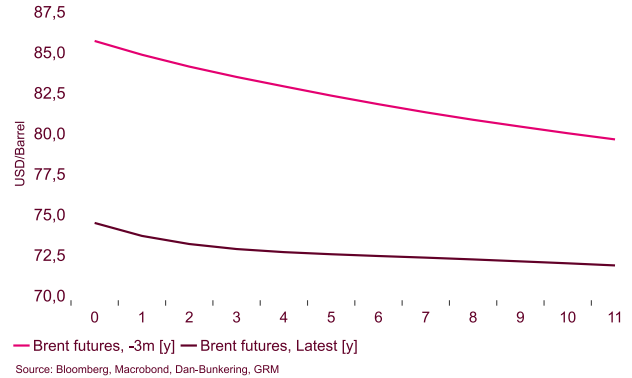


## Overview Charts:

**Brent oil**



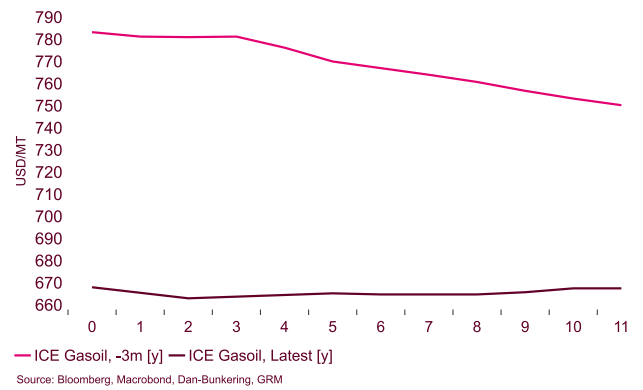
**Brent forward curve, indicative prices**



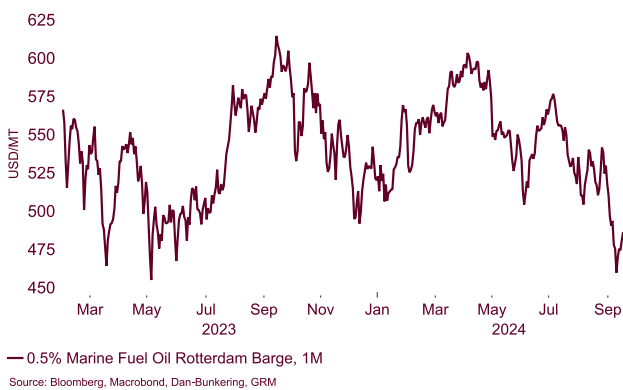
**ICE Gasoil**



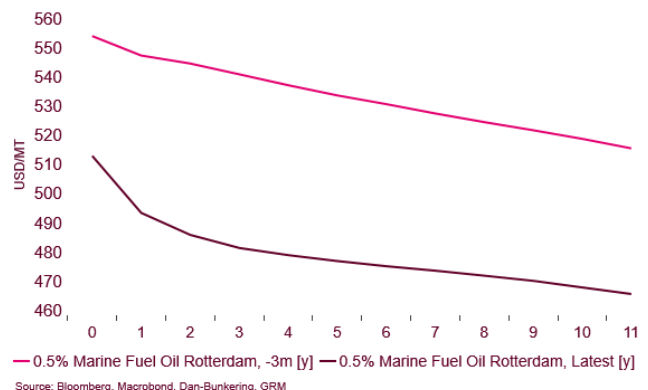
**ICE Gasoil, forward curve, indicative prices**



**0.5% Marine Fuel Oil Rotterdam Barge, M1**



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



### Rotterdam 3.5% Barge

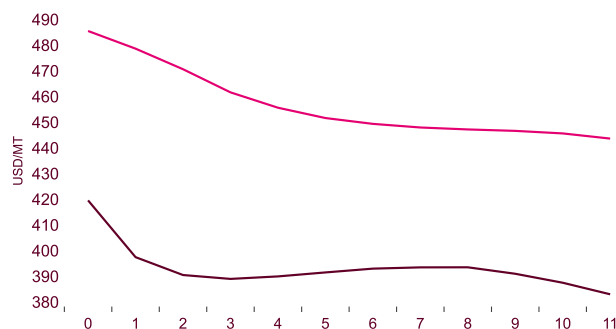


— 3.5% Rotterdam Barge, 1M

Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



### Rotterdam 3.5% Barge forward curve, indicative prices



— 3.5% Rotterdam, -3m [y] — 3.5% Rotterdam, Latest [y]

Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



	Spot	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	avg. 2025
<b>Brent, USD/bbl</b>	74,8	74,7	77,0	80,0	81,0	80,0	79,5
<b>ICE Gasoil, USD/MT</b>	668	675	700	730	738	730	725
<b>HSFO (1M 3.5% Rotterdam Barge), USD/MT</b>	420	411	425	451	457	451	446
<b>VLSFO (1M 0.5% Rotterdam Barge), USD/MT</b>	513	500	508	527	533	527	524

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