Dan-Bunkering
Ride the Next Wave

Weekly Market Report

October 29, 2024

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

Bunker Port Brief

Singapore

	VLSFO	HSFO	MGO
Availability			
Days of notice	10	12	6
Demand			

The Asian low sulfur fuel oil complex is expected to remain supported in the trading week of Oct. 2 - Nov. 1 amid healthy demand in the downstream market, while the overall East-West arbitrage margins have also been narrower in October compared to September when the supply situation was relatively tighter in Singapore.

In the first half of November, the Singapore hub will likely remain well-stocked with LSFO amid arrivals of replenishment cargoes reportedly from neighbouring Indonesia and Brazil, possibly limiting overall stock draws for the near term.

On the high-sulfur fuel oil front, the cargo availabilities of non-sanctioned barrels have been capped as some were previously directed to Europe to alleviate the persistently tight supply conditions. However, stockpiles of barrels from other origins were seen very ample around the Singapore and Malaysia regions, thus also limiting traders' bullish sentiments on upstream valuations.

The LSFO bunker market is expected to be supported by steady bunker demand in the week beginning Oct. 28. Supply for prompt delivery dates is still available but at a higher price.

Around the Singapore hub, supply in the spot HSFO delivered market was limited to prompt delivery dates due to barge schedule tightness.

Tight supply in the East is expected to support the Asian ultra-low sulfur diesel complex during the week, even as the region receives swing barrels from India and the Middle East amid a narrowing exchange of futures for swaps spread.

ARA

	VLSFO	HSFO	MGO
Availability			
Days of notice	4,5	4,5	3,5
Demand			

General tightness across the entire market, gasoil at tightest level this year, and hence discounts not as strong. Expect this to stay into following month.

Fujairah

	VLSFO	HSFO	MGO
Availability			
Days of notice	4	3	2
Demand			

There are plenty of VLSFO and HSFO cargoes in Fujairah tanks with 2-3 VLSFO cargoes from the KPC Al Zour refinery due to land in Fujairah in the coming weeks. The barge avails across all grades are good with the earliest slots trading appx. 3 days out.

Demand for VLSFO has been subdued versus strong HSFO demand.

Pricing remains range-bound and expected to continue this trend moving into Nov, this translates to:

VLSFO MOPS 0.5 plus 8 to 12usd pmt

HSFO MOPS 380 plus 10 to 15usd pmt

New York

	VLSFO	HSFO	MGO
Availability			
Days of notice	5	7	1
Demand			

Heavy demand for HSFO from liners, and VLSFO demand I'd say ticking up. MGO demand is static and well supplied, the premium on disty increasing into the winter season.

Houston

	VLSFO	HSFO	MGO
Availability			
Days of notice	6	8,5	4
Demand			

UET Marine is ceasing operations offshore the US Gulf as of November 1st. Some tightness on HSFO still as resupply barrels remain tight, recommending 7-10 days advanced notice for new inquiries. Minerva has begun quoting for the Houston area since acquiring Bominflot.

Gibraltar

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

Malta

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

Oryx still has no barges available.

Port Louis

	VLSFO	HSFO	MGO
Availability			
Days of notice	3	3	3
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			

US election and lower geopolitical premium

In today's issue, we look closer at the impact of the US election on the oil market, interest rates and the US Dollar. We also take a closer look at the geopolitical premium in the oil market after the Israeli retaliation attack over the weekend.

We should not overstate the short-term to medium-term impact on the oil market of the US election. The impact on the gas market, the US dollar, interest and the green transition might potentially be more pronounced. Importantly, we see a Harris win as a "business as usual" scenario. Hence, the uncertainty relates primarily to a Trump win.

The election result seems too close to call, but polls, prediction markets, and bookmaker odds increasingly suggest a Trump win. In the financial market, we also see that the so-called Trump-trade is powering ahead. The US dollar is strengthening, Fed rate cut expectations are scaled back, bank stocks and crypto-currencies are performing, and green stocks are suffering.

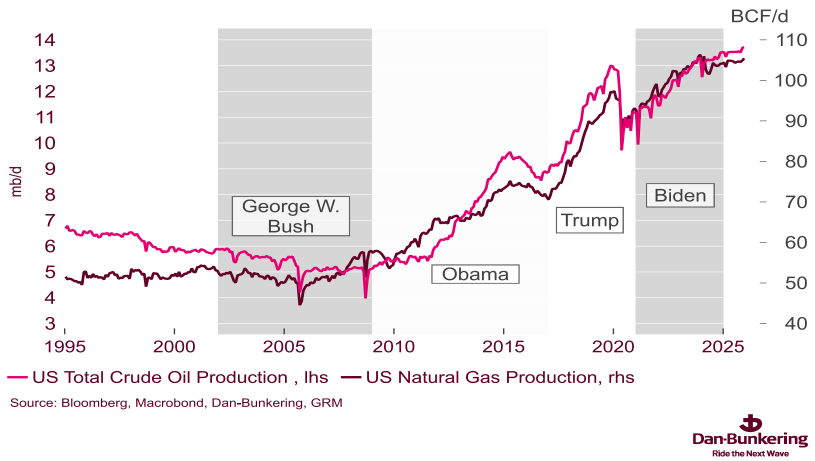
In the short term, we expect the market to evaluate the geopolitical premium after the Iranian retaliation attack on Iran over the weekend. Furthermore, the market awaits the US election on November 5, the Fed Meeting on November 7, and possible confirmation from OPEC + at the beginning of November that oil production will rise on December 1.

Impact on oil prices from the US election might be overstated

1. Harris is business as usual

If Harris wins, there won't be significant policy changes. The Inflation Reduction Act will continue to boost the green transition, but there will still be room for fossil fuel development. Harris, once opposed to "fracking," no longer opposes it. It's also worth noting that US oil production has increased as much under Biden and Obama as it did under Trump.

US oil and gas production booming both under the Biden, Trump and Obama presidency



Macrobond, Bloomberg, GRM

2. Trump: Drill baby, drill

Trump is known for "Drill baby, drill," but increasing oil production isn't as straightforward as he suggests. The president controls only "federal land," not "private land." Trump could remove regulations, streamline permits, improve infrastructure, and offer tax incentives for fossil fuel development, making capital more accessible.

However, the key factor for oil production remains the oil price, along with interest rates, access to capital, productivity, and new technology such as AI, which has reduced costs by 10-20%. These factors are far more important than who the president is.

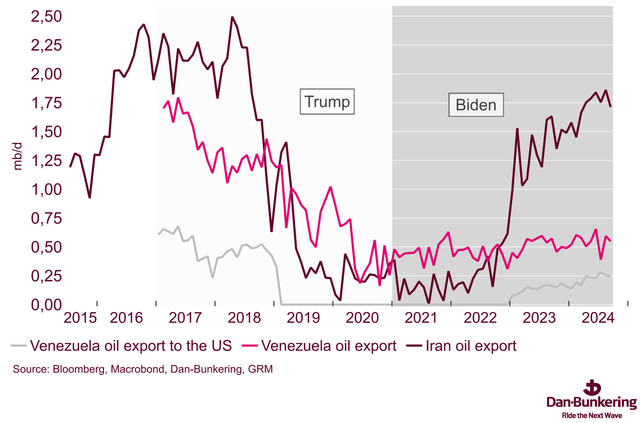
3. Sanctions are key

However, it will be important how the next president handles sanctions. Under Biden, Iran's exports have risen, and the administration may have turned a blind eye to this development. Harris might even resume nuclear talks with Iran if tensions ease in the Middle East.

Trump, however, is likely to tighten sanctions on Iran, indirectly targeting China, the prominent buyer of sanctioned Iranian oil, although this could prove difficult as Iran is also using a shadow fleet like Russia.

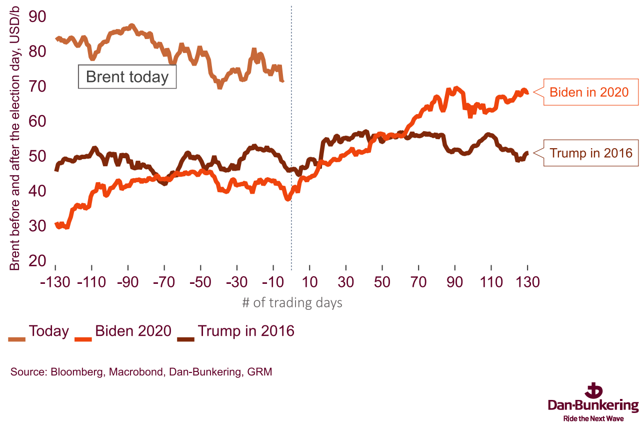
Trump may relax sanctions on Russia, but OPEC+ membership has already limited Russian oil production. He could also tighten sanctions on Venezuela, but this would affect the US oil major Chevron, which operates in Venezuela. Even if Trump marginally increases US oil production compared to Harris, it is unlikely to significantly lower oil prices, particularly if sanctions against Iran are tightened simultaneously.

Oil export from sanctioned countries has picked up under Biden, mb/d



Source: Macrobond, Bloomberg, GRM

Oil price developments before and after the election of Trump in 2015 and Biden in 2019, USD/bbl



Source: Macrobond, Bloomberg, GRM

4. The election is not that important

No matter who wins, the oil market will soon forget the election. We will quickly return to focusing on the usual supply and demand factors, such as OPEC+ production policy, Chinese growth, geopolitics, etc.

The US dollar and Interest rates to see support from a Trump win

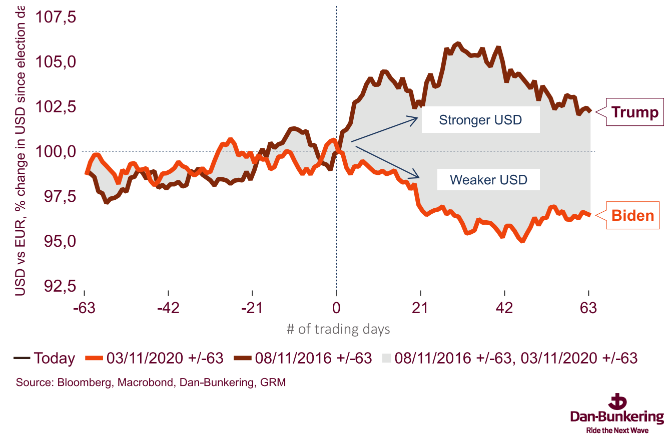
We have seen two distinct developments as the polls increasingly point towards a Trump win. The US dollar has appreciated, and the US interest rate cut expectations have eased. The market has moved from pricing in the Fed Funds as low as 2.80% at the end of 2025 to expecting it close to 3.5% today.

We would expect the US dollar to appreciate further in case of a Trump win, but also if Harris wins, but to a slightly lesser degree. As the chart below illustrates, the US dollar appreciated close to 5% compared to the EUR after the Trump victory in 2015 and weakened close to 5% after the Biden win in 2019.

Interest rate differentials remain the most significant driver for the US dollar, notably EUR/USD. The US economy seems, on most parameters, stronger than the Eurozone economy. We believe the ECB will make more rate cuts than the Fed in 2025. In the case of a Trump win, we would expect even fewer US rate cuts.

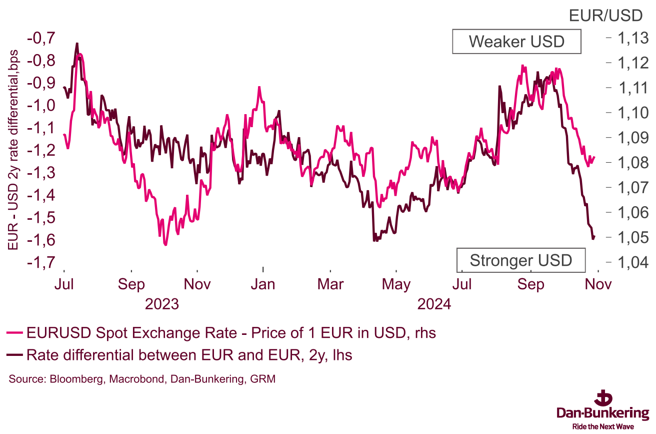
Importantly, also, in the case of a Harris win, we would expect a stronger US dollar vs. EUR in 2025, given the weak outlook for the Eurozone economy.

EUR/USD developments after the election of Biden in 2019 and Trump in 2015, % change



Source: Macrobond, Bloomberg, GRM

Relative rates speak in favour of a strong US dollar



Source: Macrobond, Bloomberg, GRM

If Trump win the election the US dollar could not just see support from fewer Fed rats cuts. Trump is also seen as more "pro business". Trump has promised to cut corporate taxes and pursue deregulation. It could at least in the short-term lead to higher growth in the US. Tariffs could have the same effect. Trump's focus on energy independence could reduce US reliance on foreign energy and also support the US dollar.

Oil price Outlook: We see Brent moving towards USD 80 In 2025

We have not changed our central forecast for Brent. We still expect it to trade in the mid to low-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

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.

Forecast

	Spot	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	avg. 2025
Brent, USD/bbl	72,3	76,0	77,0	80,0	81,0	80,0	79,5
ICE Gasoil, USD/MT	646	685	700	730	738	730	725
HSFO (1M 3.5% Rotterdam Barge), USD/MT	433	451	438	457	457	451	451
VLSFO (1M 0.5% Rotterdam Barge), USD/MT	485	514	514	527	533	527	525

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

Special update: Lower geopolitical risk premium

The key event this weekend was, of course, Israel's retaliatory attack on Iran.

Importantly, the attack was measured and targeted military installations, not oil and nuclear facilities. Together with Iran's lilmited response in the after math it suggests there will be no Iranian retaliation. Israel has destroyed parts of Iran's air defence, further deterring Iran from a counter-attack.

The expected restrained response has also created optimism that a ceasefire in Gaza may be achievable, further reducing the geopolitical premium.

We also note that the market was speculatively short oil in mid-September. Over the past six weeks, however, new long positions have emerged, driven primarily by expectations of China's economic stimulus and geopolitical concerns. This might have amplied the price drop the last two days. We see strong support at USD 70 for Brent.

All in all, we may see further short-term downward pressure as the geopolitical premium is priced out. However, we see strong support around USD 70, and with price drop the last two days, most of the geopolitical premium is likely already priced out.

The calendar this week: Waiting for the election

The Middle East remains at the top of all energy markets' agendas, and that will not change this week.

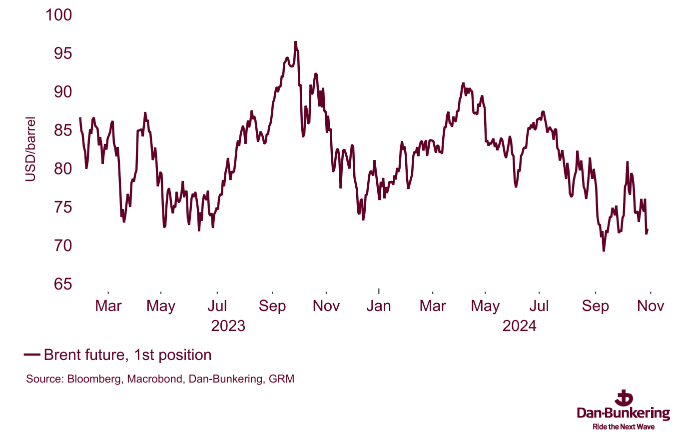
China will also remain in the spotlight. The commodity markets will closely scrutinise any news on the impact of the fiscal easing.

However, the calendar is also full of important economic events. Notably, the US non-farm payrolls report on Friday will be followed closely. In the Euro zone we will see Q3 GDP data.

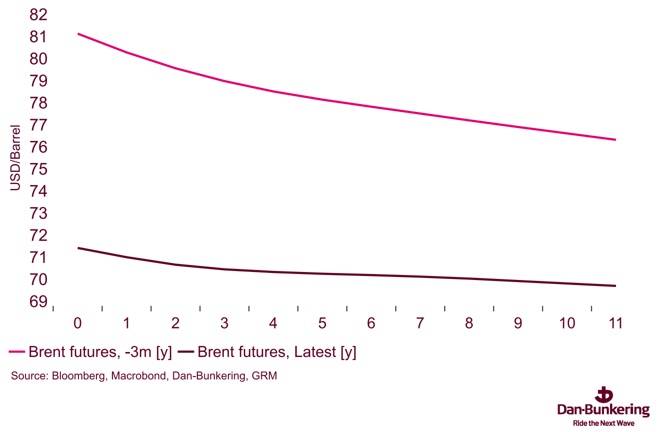
Finally, the oil market will follow any announcement or media comments from OPEC in respect of the planned increase in oil production December 1. We expect a firm confirmation this week or next.

Overview Charts:

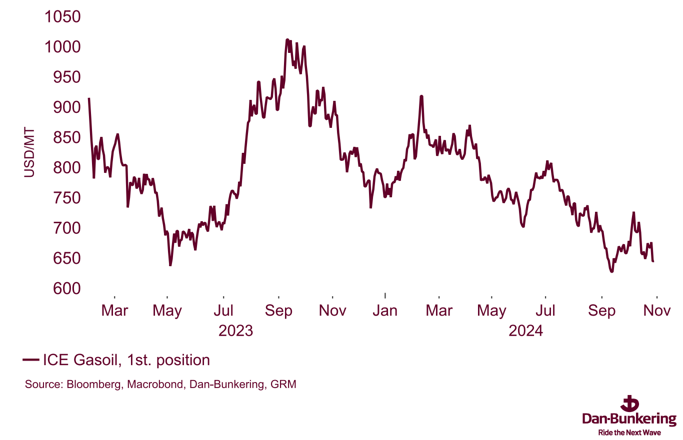
Brent oil



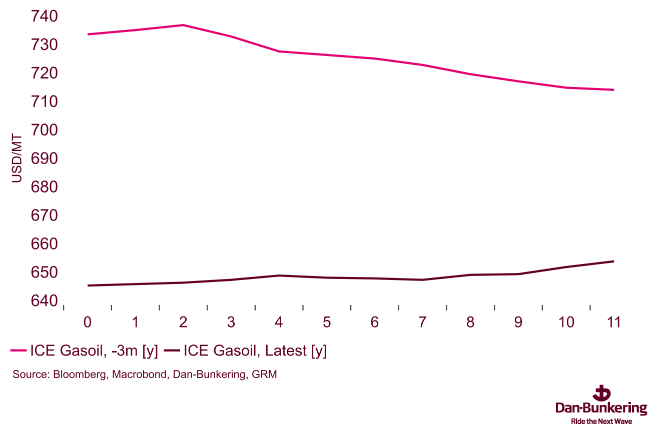
Brent forward curve, indicative prices



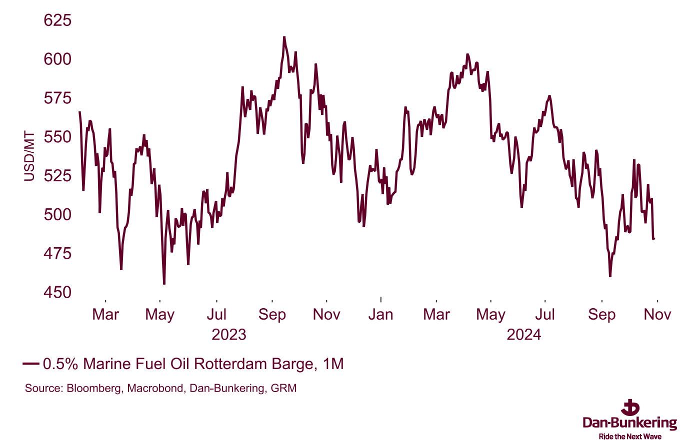
ICE Gasoil



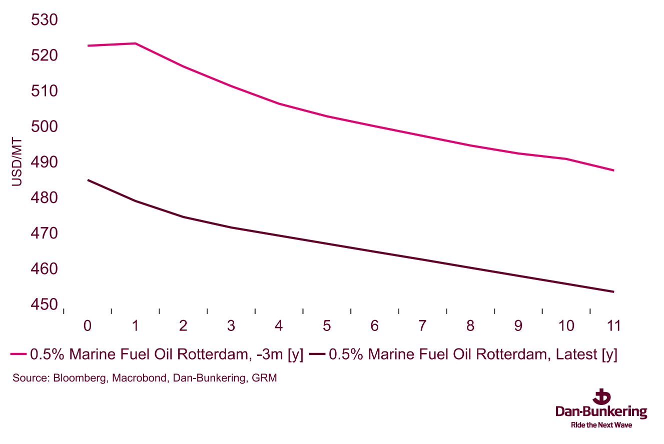
ICE Gasoil forward curve, indicative prices



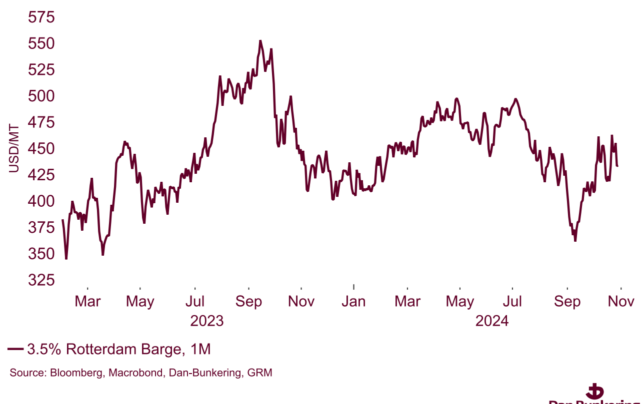
0.5% Marine Fuel Oil Rotterdam Barge, M1



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



Rotterdam 3.5% Barge



Rotterdam 3.5% Barge forward curve, indicative prices