

Weekly Market Report







October 8, 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	13	4
Demand			

The Asian low sulfur fuel oil market is expected to remain pressured from Oct. 7-11 due to abundant cargo supply and increased arbitrage flows.

The Asian HSFO market is expecting increased arrivals of arbitrage cargoes in Singapore in early October to ease the tight high sulfur fuel oil supply and improve availability for spot bunker deliveries.

The Asian ultra-low sulfur diesel market is expected to stay strong until October 11, with tighter supply from refinery cuts in South Korea, limited Chinese exports and strong demand from the autumn harvest and holidays in China and India.

ARA







	VLSFO	HSFO	MGO
Availability			
Days of notice	5	8	5
Demand			

HSFO is extremely tight as only a few cargoes arrive, while most refineries are down for maintenance. The result is that most suppliers are fulfilling their contractual agreements, leaving only little availability for the spot market.

VLSFO is in a similar but somewhat better situation. Demand, however, has been low, so suppliers have more products on hand.

MGO is getting tighter and tighter, with discounts only around -\$40, compared to as low as -\$60 a few weeks ago. Here, too, refinery maintenance results in poor terminal availability.







Fujairah

	VLSFO	HSFO	MGO
Availability			
Days of notice	6	7	3
Demand			

A quiet week in the region, with tepid demand as eyes focussed on higher prices due to the ongoing issues in the Middle East, along with rumours of a potential Strait of Hormuz closure, which would have unprecedented effects on the market should it happen.







Barge avails are minimal, with plenty of local products along with availability across all grades.

New York

	VLSFO	HSFO	MGO
Availability			
Days of notice	4	7	1
Demand			

The strike ended after 4 days. The short strike will have implications for weeks on cargo terminals, bunker barges, and fuel cargo terminals. HSFO demand from liners remains strong. Spot demand is weak in all grades.







Houston

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

Prices continue to rise sharply in response to the escalating conflict between Iran and Israel.







HSFO avails are tight due to limited resupply barrels. Recommending extra lead time for new HSFO inquiries

Gibraltar

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

Demand is still low making, creating a very competitive market and putting downward pressure on prices. Suppliers are trying to offset the pressure.







Malta

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







Seeing tighter avails on VLSFO.

As one supplier is still without a barge, other suppliers have become busier as they take in the volume.







Port Louis

	VLSFO	HSFO	MGO
Availability			
Days of notice	3	5	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			

Forget about OPEC - now It's all about geopolitics

Our economist is at the SIBCON conference in Singapore, so the editorial deadline for the text is Sunday, October 6. Note that there will be no market comment next week.

In our latest report from September 27, we discussed three key developments that would drive the oil price in the short term. We argued that Saudi Arabia is flirting with a volume strategy, that Libyan oil will return to the market, and that China has taken out a "small bazooka" to support its economy.

The OPEC+ meeting last week essentially confirmed that OPEC+ still plans to add more oil on December 1, signalling a shift towards a volume strategy. However, the cartel is putting considerable effort into improving quota adherence from the quota busters: Iraq, Kazakhstan, and Russia.

Libya also confirmed that oil production will be restarted following the election of a new central bank governor. Hence, two bearish pieces of news. In terms of China's monetary and fiscal easing, China has celebrated Golden Week, and we are waiting to see if consumer confidence and spending have improved in light of the easing measures.

But to be honest, last week all focus has once again turned on geopolitics and for a change, not on OPEC or the Chinese growth outlook.

We are writing this report on Sunday afternoon, and the market is facing a lot of uncertainty ahead the next couple of days. Many Middle East experts now foresee an Israeli retaliatory attack being imminent. It seems that Iranian oil installations might be targeted.

Below, we discuss the geopolitical situation and outline some scenarios for Brent oil prices.

What If Israel targets Iranian oil Installations?

1. Speculations mount that an Israeli attack on Iranian oil installations is imminent

Speculation about an imminent Israeli retaliatory strike on Iran set the agenda in the oil market last week. On Wednesday, the first media reports emerged that Israel is considering targeting the Iranian oil industry.

The speculation gained further momentum on Thursday when President Biden responded, "we are discussing it" when asked whether the USA would support a possible attack on Iranian oil installations. His response was more open compared to previous denials of support for attacks on Iran's nuclear programme.

The Pentagon later confirmed that discussions with Israel are ongoing about how a retaliatory strike might look, but emphasised that it is more about understanding "how an attack could look." The market interprets this as a signal that Israel has been given free rein.

Thus, there are strong indications that an Israeli attack is imminent. This points to a very nervous oil market the coming week. There are reportedly still many short speculative positions in the market. If these are closed, it could push the oil price even higher.

2. How important is Iran for the global oil and product market?

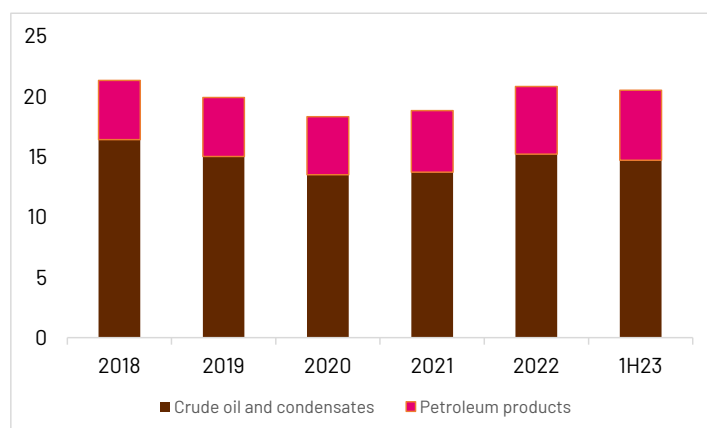
Iran is OPEC's third-largest oil producer after Saudi Arabia and Iraq, with approximately 3.3 mb/d of crude oil produced and exports of around 1.2 mb/d. Iran has a substantial refinery sector with a capacity of 2.4 mb/d but uses almost all of its products domestically.

If Israel chooses to target the refinery sector, it could force Iran to import products like diesel. If Iran's oil infrastructure is attacked, it could have significant consequences for crude oil prices and product prices. However, Saudi Arabia and the UAE are expected to ramp up production to counteract the effects.

However, the primary concern in the oil market is that Iran might choose to close the Strait of Hormuz. It could affect up to 20% of the global oil market.

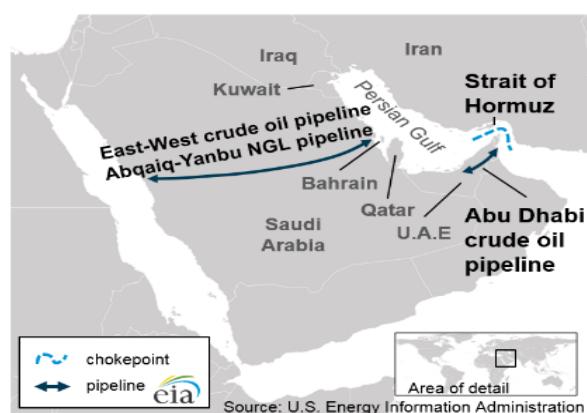
Note that closing the Strait of Hormuz is not our central scenario.

Crude oil, condensates and petroleum products transported through the Strait of Hormuz, mb/d



Source: IEA

The Strait of Hormuz is vital to global energy markets



Source: IEA

3. What are the scenarios for Brent prices?

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 at the back of the publication.

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 and significantly diminished. 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.

This week's geopolitical events imply that for the first time in this Middle East conflict, actual oil production and refinery capacity could be impacted.

The escalation scenario:

Suppose we see an attack on Iranian refineries and oil export facilities in the coming days that removes 75% of Iranian crude oil exports. In that case, we expect an imminent price jump of USD 5-10, as a risk premium already exists. In this scenario, we expect Brent to trade in the mid-80s in Q4.

Remember, some 0.5 mb/d of Libyan production has been offline over the past few weeks without the market spiking. We also expect the UAE and Saudi Arabia will try adding more oil to the market. The market will likely maintain an elevated risk premium in oil prices due to the heightened risk of further escalation, including the possibility of the Strait of Hormuz being fully or partially closed. An attack impacting refinery capacity could support global cracks, particularly distillate cracks, as Iran might be forced to import oil products. Smuggling from Iran into neighbouring countries could also drop, adding more "official" product demand.

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

The latter is not our central scenario, but a risk that must be considered in the risk management discussion.

The de-escalation scenario:

If Israel abstains from retaliation or conducts a more modest symbolic attack, similar to the one in April, and underscores that it has no intention of going to war with Iran, market nervousness will decrease significantly.

We assume that Brent will temporarily drop back to the low 70s or even lower, and the market will refocus on fundamentals. Oil could see support from improved risk appetite in global markets. After a few weeks, we would likely be back at our central scenario.

Oil volatility is expected to drop significantly.

We recommend using a scenario like this to hedge Q4 and 2025 exposure. The conflict is unpredictable, and a return to a risk scenario should be ruled out later in the year.

The calendar this week: All eyes on Geopolitics

The Middle East remains at the top of the energy market agenda.

China will also remain in the spotlight, with markets closely watching for any news on fiscal easing measures and how consumers have spent during Golden Week.

The key US data release is the inflation data on Thursday.

On Wednesday's Department of Energy (DOE) will release US inventory and implied demand data. US crude oil inventories have dropped in eleven of the last fourteen weeks, but with the arrival of autumn, the pace of inventory drawdowns has started to slow.

In the fuel oil market, there is a lot of focus on the tight HSFO market. See our report from two weeks ago, where we discuss the tight HSFO oil market.

Finally, we will have the monthly Short-term Energy Outlook from the IEA on October 8. Our focus will be on the forecast for US oil production, which has not been growing for several months.

Speculative oil data on Friday will also be monitored closely following recent volatility in oil markets.

Forecast

	Spot	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	avg. 2025
Brent, USD/bbl	78,1	74,3	77,0	80,0	81,0	80,0	79,5
ICE Gasoil, USD/MT	713	673	700	730	738	730	725
HSFO (1M 3.5% Rotterdam Barge), USD/MT	439	415	425	457	457	451	448
VLSFO (1M 0.5% Rotterdam Barge), USD/MT	517	504	514	527	533	527	525

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

Overview Charts:

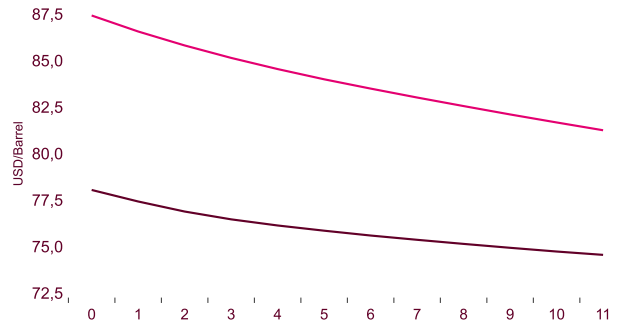
Brent oil



— Brent future, 1st position
Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



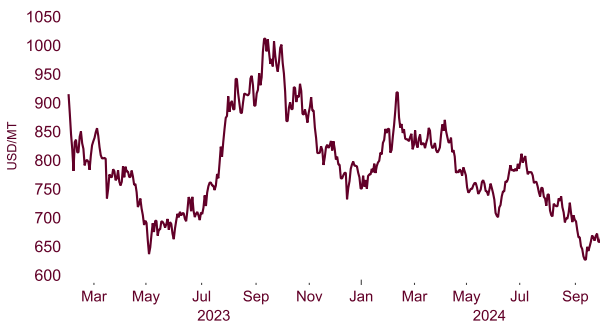
Brent forward curve, indicative prices



— Brent futures, -3m [y] — Brent futures, Latest [y]
Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



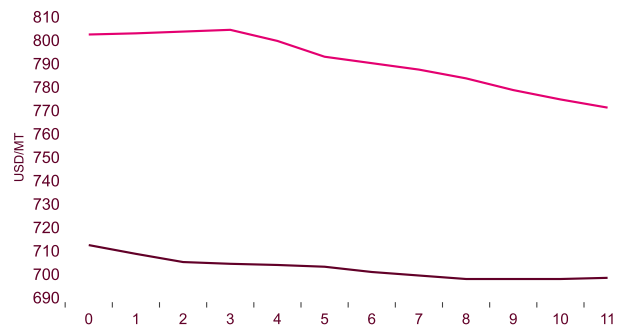
ICE Gasoil



— ICE Gasoil, 1st. position
Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



ICE Gasoil forward curve, indicative prices



— ICE Gasoil, -3m [y] — ICE Gasoil, Latest [y]
Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



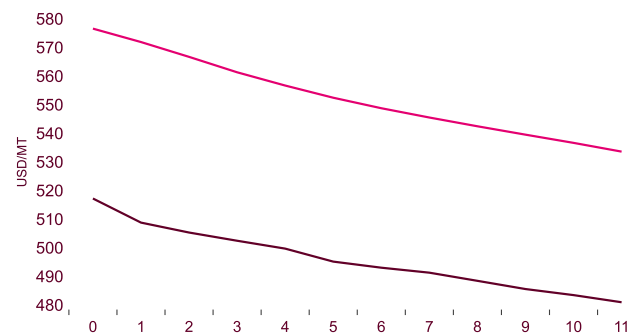
0.5% Marine Fuel Oil Rotterdam Barge, M1



— 0.5% Marine Fuel Oil Rotterdam Barge, 1M
Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



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



— 0.5% Marine Fuel Oil Rotterdam, -3m [y] — 0.5% Marine Fuel Oil Rotterdam, Latest [y]
Source: Bloomberg, Macrobond, Dan-Bunkering, GRM



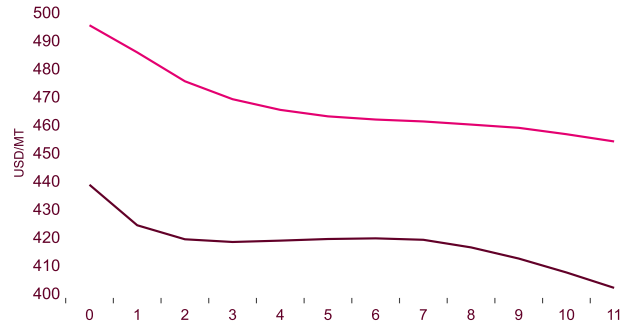
Rotterdam 3.5% Barge



— 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

