

MARKET UPDATE EAST OF SUEZ

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ENGINE: East of Suez Physical Bunker Market Update

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Prices have moved up in East of Suez ports, and availability across all grades remains good in Zhoushan.

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

- **VLSFO prices up in Fujairah (\$29/mt), Singapore (\$22/mt) and Zhoushan (\$12/mt)**
- **LSMGO prices up in Fujairah (\$46/mt), Singapore (\$16/mt) and Zhoushan (\$7/mt)**
- **HSFO prices up in Zhoushan (\$20/mt), Singapore (\$14/mt) and Fujairah (\$7/mt)**

Bunker benchmarks in East of Suez ports have tracked Brent's upward movement and gained over the weekend. Fujairah's VLSFO has risen \$29/mt – the steepest among three major Asian bunker hubs. A higher-priced VLSFO stem fixed in the Middle Eastern bunker hub over the weekend supported the benchmark's rise.

Fujairah's VLSFO discounts to Zhoushan and Singapore stand at \$28/mt and \$20/mt, respectively.

Fujairah's LSMGO price has also surged \$46/mt over the weekend. The port's LSMGO premiums over Singapore and Zhoushan have widened to \$98/mt and \$64/mt, respectively.

Good bunker availability has kept prompt availability of all grades under pressure in Fujairah, with most suppliers recommending lead times of 5-7 days. Some suppliers can still do prompt dates subject to stem size, a source says.

Meanwhile, Zhoushan continues to witness low bunker demand after a period of muted bunkering activity due to the Mid-Autumn Festival and National Day holidays in the country.

All grades remain in ample availability in the Chinese bunkering hub, with several suppliers advising short lead times of 3-5 days

Brent

The front-month ICE Brent contract has gained \$2.77/bbl on the day from Friday, to trade at \$86.97/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent prices recovered last week's losses as clashes between Israel and Palestinian militant group Hamas triggered volatility in oil markets. Hamas launched terror attacks on Israel over the weekend, re-fuelling long-term conflicts between Israel and Palestine and killing hundreds of Israeli soldiers and civilians. As retaliation, Israel launched air strikes on Gaza, killing over 400 people. The clashes have raised fears of geopolitical tension spreading to other parts of the Middle East.

"Historical analysis suggests that oil prices tend to experience sustained gains after the Middle East crises," commented SPI Asset Management's managing partner Stephen Innes.

The rising tension between Israel and Palestine and the risk of this conflict spreading could prompt oil traders to remain nervous, "until there is a clear de-escalation," said ING Bank's head of commodities strategy Warren Patterson.

Oil market analysts expect these clashes to affect oil supply from the Middle East as there are reports that Iran helped the Palestinian militant group to execute the attacks. "If this is proven to be true, we could see the US, an ally of Israel, taking a tougher stance against Iran, which could ultimately lead to a reduction in oil supply," said Patterson.

Oil investors will "wait and see" if there were other governments involved in this attack, said Innes. "Particularly Tehran, which could all but guarantee a broader conflagration," he further added.

Downward pressure:

Meanwhile, Brent futures continued to face some downward pressure from interest rate hike fears.

"Concerns about a potential rates-driven recession in 2024 led to a shift in the crude futures curve," Innes said. "Investors began to worry about the impact of rising interest rates on economic growth and oil demand," he further added.

Brent price is expected to decline if the US Federal Reserve (Fed) decides to hike interest rates again in 2023. Higher interest rates can curb consumer spending on dollar-denominated commodities like oil, ultimately affecting demand

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