ENGINE: East of Suez Physical Bunker Market Update

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Bunker prices are down across the board for a second day in a row, but Singapore's VLSFO price looks to have been propped up by loading delays and tight availability.

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

- **VLSFO prices down in Fujairah ($13/mt), Zhoushan ($11/mt) and Singapore ($2/mt)**
- **LSMGO prices down in Fujairah ($27/mt), Singapore ($20/mt) and Zhoushan ($11/mt)**
- **HSFO prices down in Fujairah ($21/mt), Singapore ($20/mt) and Zhoushan ($7/mt)**

Singapore's VLSFO price has been whipsawed by countering pressures from tight availability and five higher-priced stems on the one hand, and declining Brent crude values and a lower-priced stem on the other. Unlike in other major regional ports, Singapore's VLSFO benchmark has been broadly steady on the day.

Availability has tightened in Singapore as a result of loading delays at a terminal, especially for VLSFO, a trader says. This, combined with more attractive pricing, has added upward pressure on the VLSFO benchmark, which has flipped to a $3/mt premium over Fujairah's and seen its discount to Zhoushan narrow to just $3/mt.

A prompt 150-500 mt stem has been fixed in Fujairah below its benchmark yesterday and made sure its benchmark recorded the biggest loss on the day among major ports. In Zhoushan, by comparison, several prompt and non-prompt stems have been fixed at $10-20/mt higher levels than in Singapore.

Brent

The front-month ICE Brent contract has lost $2.20/bbl on the day, to trade at $90.06/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Oil investors are still concerned about a potential oil supply outage due to the intensifying Israel-Hamas conflict. Analysts worry that tensions in the Middle East can grow out of the borders of Israel and Palestine and cause disruption in surrounding oil-producing countries.

Geopolitical angst will “likely keep the [oil] market volatility elevated in the coming weeks,” said OANDA’s senior market analyst Ed Moya.

Moreover, speculations about an Israeli ground assault in the Gaza Strip have kept oil analysts and investors teetering. These tensions are adding high risk to global oil supply at a time when global inventories are very low due to voluntary production cuts pledged by top OPEC+ oil producers.

Israel continued its bombing of the Gaza Strip yesterday after air strikes over southern Lebanon, Reuters reported.

“The oil market is worried about the timing and the fall-out of Israel’s expected ground offensive into Gaza in response to the Hamas terror attack,” said Price Futures Group’s senior market analyst Phil Flynn.

Downward pressure:

Geopolitical tensions have led to “divergent moments” in the oil market, commented SPI Asset Management’s managing partner Stephen Innes.

Despite speculations about a tight supply scenario in the oil market in 2024 amid Israel-Hamas war, no physical oil supply disruptions have taken place in the Middle East so far.

This has limited Brent's move towards $95/bbl and taken “some of the heat out of the [oil] rally,” added Innes.

“Oil bulls are living life vicariously on the geopolitical risk premium,” he further added.

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