

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved in mixed directions, and prompt availability of HSFO has come under pressure in Zhoushan.

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

- **VLSFO prices unchanged in Zhoushan, and down in Fujairah (\$6/mt) and Singapore (\$2/mt)**
- **LSMGO prices up in Fujairah (\$8/mt) and Singapore (\$3/mt), and down in Zhoushan (\$4/mt)**
- **HSFO prices up in Singapore (\$2/mt), and down in Fujairah (\$5/mt) and Zhoushan (\$4/mt)**

Zhoushan's VLSFO price has remained steady over the weekend, while Fujairah and Singapore's VLSFO prices have declined slightly. A total of eight VLSFO stems were fixed in Zhoushan in a wide range of \$21/mt over the weekend, with some stems at the higher end of the range supporting the benchmark's resistance against Brent's downward pull.

Zhoushan's VLSFO discounts to Fujairah and Singapore stand at \$12/mt and \$3/mt, respectively.

A source says several suppliers have sold out their HSFO stocks in the Chinese bunkering hub and are unable to provide a timeline for when they expect replenishment cargoes to arrive. The lack of HSFO supply has put pressure on prompt availability in Zhoushan, with lead times going up from 3-5 days last week to 5-7 days now.

Availability of VLSFO and LSMGO remains good in Zhoushan, with short lead times of 3-5 days recommended.

Meanwhile, product loading delays at oil terminals have tightened the availability of VLSFO in Singapore, with most suppliers advising lead times of 9-11 days. HSFO availability also remains tight in the Southeast Asian hub, with lead times of 10-13 days recommended. LSMGO remains in ample supply, with prompt supply available.

Availability of all grades remains good in Hong Kong, with lead times of 5-7 days advised.

Brent

The front-month ICE Brent contract has shed \$0.85/bbl on the day from Friday, to trade at \$88.95/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures remained well supported amid growing supply concerns due to the ongoing Israel-Hamas war.

Israel's Prime Minister Benjamin Netanyahu has warned of a "long and difficult war" after the country commenced the "second stage" of the combat with a ground invasion in northern Gaza on Saturday. The country aims to take full control of the base camps that are run by Hamas militants in Northern Gaza.

This conflict can "potentially morph into one of the most sinister calamities in decades," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, Israel's ground assault on the Gaza Strip has been fiercely condemned by the neighbouring Arab nations including Iran and Lebanon. This has again raised the question about Iran's involvement in the Middle Eastern conflict, analysts said.

Last week, Iran's foreign minister Hossein Amirabdollahian warned at an emergency special session at the United Nations (UN) that if Israel continues this conflict against Hamas, then the "US will not be spared from this fire," Reuters reported.

"With the increased likelihood of a direct confrontation involving Iran or Hezbollah [militant group based in Lebanon], one could argue that crude oil prices should be substantially higher," Innes added.

Downward pressure:

Oil analysts are awaiting the outcomes of the US Federal Reserve (Fed) policy meeting this week, which could give cues about the interest rate cycles.

Even though the oil market analysts expect the US Fed to keep interest rates unchanged, Brent futures stand a chance to lose further if Fed officials decide to hike the interest rate later this year.

Higher interest rates make the greenback stronger, which in turn could reduce demand for dollar-denominated commodities such as crude oil.

Meanwhile, Israel's counter strike on Gaza has prompted world leaders to encourage an immediate ceasefire. Brent futures also felt some downward pressure as no direct supply outage due to the war has occurred yet.

"The notion that as long as the conflict remains confined to Gaza, there isn't an immediate and visible threat to the oil supply have restrained prices," added Innes.

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