

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

13/12/23

Prices in East of Suez ports have moved down, and LSMGO supply remains good in several Omani ports.

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

- **VLSFO prices down in Zhoushan (\$40/mt), Fujairah (\$34/mt) and Singapore (\$27/mt)**
- **LSMGO prices down in Zhoushan (\$59/mt), Fujairah (\$50/mt) and Singapore (\$37/mt)**
- **HSFO prices down in Singapore (\$27/mt), Fujairah (\$22/mt) and Zhoushan (\$21/mt)**

Bunker benchmarks in major Asian bunker hubs have tracked Brent's downfall and declined sharply in the past day. Zhoushan's VLSFO and LSMGO prices have fallen \$40/mt and \$59/mt, respectively – steepest among three major East of Suez ports. A lower-priced VLSFO and LSMGO stem each fixed in the Chinese bunkering hub contributed to drag the respective benchmarks down.

Zhoushan's steep VLSFO price decline has meant that its VLSFO premium over Singapore has been erased and now stands at parity levels with the Southeast Asian bunker hub. Zhoushan's VLSFO premium over Fujairah stands at a marginal \$3/mt.

On the other hand, the Chinese bunkering hub's LSMGO discount to Fujairah stands at \$114/mt. Its LSMGO premium over Singapore stands at \$42/mt.

VLSFO availability has improved in Zhoushan, with most suppliers advising lead times of 5-7 days. The grade was mostly subject to enquiry last week. LSMGO and HSFO remain in good supply at the port, with short lead times of 2-5 days.

Availability of all bunker grades has tightened in Japan, with several suppliers struggling to offer bunkers for delivery dates this month. The earliest delivery dates for bunkers with some suppliers stretch out to 4 January, a source says.

Meanwhile, the availability of LSMGO remains good in the Omani ports of Duqm, Sohar, Salalah and Muscat, with prompt supply available.

## **Brent**

The front-month ICE Brent contract lost \$3.63/bbl on the day, to trade at \$72.61/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Brent futures gained some support after the American Petroleum Institute (API) reported a 2.35 million bbls decline in US commercial crude oil inventories in the week ended 8 December.

Recent missile strikes and drone attacks on vessels bound for Israel have increased the risk of shipping oil tankers through the Red Sea. Brent's price found some support amid concerns about shipping oil around the region.

Earlier this week, the Houthi rebel group in Yemen warned they would attack ships heading to Israeli ports in retaliation for the country's actions in Gaza

### **Downward pressure:**

Brent futures fell sharply after the US Consumer Price Index (CPI) report disappointed global markets, wiping out the previous day's gains. The oil market faces challenges due to higher-than-expected US inflation numbers in November, reported Reuters.

The latest US CPI figures reinforced speculations that the US Federal Reserve (Fed) could increase interest rates to control inflation, after it concludes the two-day Federal Open Market Committee (FOMC) meeting today, analysts said.

The US CPI report "indicated that inflation remained persistent in November despite a widespread decrease in gasoline and energy prices," said SPI Asset Management's managing partner Stephen Innes. "This development diminishes the outlook for the Federal Reserve [Fed] to initiate interest rate cuts as aggressively as market pricing, which raises the odds of a Fed-induced recession," he further added.

Higher interest rates potentially impact consumer spending, especially on commodities like oil, which in turn could lower demand growth.

*By Tuhin Roy and Aparupa Mazumder*

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [freightinvestorservices.com](http://freightinvestorservices.com)