ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices have moved up in major Asian bunker hubs, and prompt availability of all grades has come under pressure in Fujairah.

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

- **VLSFO prices up in Zhoushan ($18/mt), Singapore ($15/mt) and Fujairah ($7/mt)**
- **LSMGO prices up in Singapore ($1/mt), and down in Zhoushan ($13/mt) and Fujairah ($9/mt)**
- **HSFO prices up in Zhoushan ($7/mt) and Fujairah ($2/mt), and down in Singapore ($4/mt)**

VLSFO benchmarks in East of Suez ports have mirrored Brent’s upward movement and gained in the past day. Zhoushan and Singapore’s VLSFO prices have risen by $18/mt and $15/mt, respectively, more than double the $7/mt gain in Fujairah.

A total of four higher-priced VLSFO stems were fixed in Singapore in a range of $10/mt in the past day, which supported the benchmark’s upward push. This has erased the southeast Asian bunker hub’s discount to Fujairah, which has now flipped to a marginal premium of $2/mt. Singapore's VLSFO discount to Zhoushan has held roughly steady at $31/mt.

Average bunker demand and growing fuel oil inventories in Singapore this month have somewhat aided in improving VLSFO availability in Singapore. Lead times of 7-9 days are now recommended, down from 12-16 days two weeks ago. However, prompt demand continues to remain tight as at least seven suppliers are still grappling with tight delivery schedules, a source says.

Lead times of 6-10 days are advised for HSFO in Singapore – virtually unchanged from last week. LSMGO remains in good supply, with prompt dates available.

Meanwhile, prompt availability of all grades is under pressure in Fujairah as there has been an uptick in bunker demand due to the approaching holiday season. Lead times of around seven days are recommended for all grades in the UAE port of Fujairah, another source says.

Most suppliers in Japan are running low on stocks and have pushed back delivery times to the beginning of January. Reduced production in refineries, which have been prioritising domestic demand, are the primary reasons for tighter bunker fuel supply, a trader explains.

Brent

The front-month ICE Brent contract gained $1.13/bbl on the day, to trade at $78.10/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have moved up after the Israel-Hamas conflict intensified tensions in the Red Sea and forced maritime traders and shipping companies to reroute their vessels and avoid the East-West trade route through the Suez Canal.

Airstrikes and drone attacks on commercial ships by the Yemen-based militant group Houthi have brought back supply disruption concerns in the oil market, helping Brent's price gains today.

Oil major BP said it had temporarily paused all shipping operations in the Red Sea because of these attacks. Meanwhile, analysts speculate that these attacks are backed by Iran, and come in retaliation to Israel refusing to a ceasefire in Gaza.

"Not only has the [oil] market had to adjust to the Russian-Ukraine war but now because of Iranian support of Hamas and the Houthi rebels, there is a new level of risk," said Price Futures Group's senior market analyst Phil Flynn.

Downward pressure:

Some downward pressures acting on Brent today come from weak oil demand projections from China.

A recent report by market intelligence provider JLC stated that China's refinery run rates dropped in November as fuel demand in the second-largest crude importer of the world weakened and Chinese refiners "faced the constraint of quota on fuel exports and bad export margins."

China processed about 59.53 million mt of crude in November, a month-on-month decline of about 3.8%, JLC reported citing data released by China's National Bureau of Statistics (NBS).

"Muted Chinese demand amid a jump in Asia-bound cargoes is giving cause for a prompt rethink on the bullish reflationary impulse," said SPI Asset Management's managing partner Stephen Innes.

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