

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

20/12/23

Prices in East of Suez ports have moved up, and the Middle Eastern bunker market remains largely unaffected by the Red Sea crisis.

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

- **VLSFO prices up in Zhoushan (\$24/mt), Fujairah (\$18/mt) and Singapore (\$16/mt)**
- **LSMGO prices up in Zhoushan (\$26/mt), Fujairah (\$21/mt) and Singapore (\$16/mt)**
- **HSFO prices up in Singapore (\$12/mt), Zhoushan (\$9/mt) and Fujairah (\$8/mt)**

Bunker prices in East of Suez ports have tracked Brent's upswing in the past day. Zhoushan's VLSFO price has risen by \$24/mt – the steepest among three major Asian bunker hubs. Three higher-priced VLSFO stems have been fixed in the Chinese bunker and supported the benchmark. They were priced in a wide range of \$24/mt.

Zhoushan's VLSFO premium over both Singapore and Fujairah stands at a steep \$39/mt. VLSFO availability has tightened in Zhoushan, as most suppliers are running very low on stocks. Most of them are refraining from providing any indicative delivery dates and will only respond to firm enquiries, a source says. This has contributed to push the grade's price upwards.

Lead times for VLSFO and HSFO in Zhoushan have gone up slightly from 2-5 days last week to 3-7 days now.

Meanwhile, relentless attacks on commercial ships by the Yemen-based Houthi militia have impacted vessel traffic in the Red Sea, with several shipping companies deciding to reroute their vessels or temporarily suspend operations in this region.

This has persuaded the US to pull together with a multinational force, but the Houthis have vowed to continue the assaults, according to several media reports.

Although this has led to increased traffic towards the Cape of Good Hope, most vessels are still using the Red Sea route. A trader says that the Middle Eastern ports of Fujairah, Port Suez, Yanbu and Jeddah have remained unaffected by the crisis so far, and that it is "business as usual."

In fact, Fujairah has been seeing a spike in demand due to the upcoming holiday season. This has put pressure on prompt availability and lead times of around seven days are recommended for all grades.

Ports in Yemen's neighbouring country Oman have not been much affected by the crisis either. The Omani ports of Muscat, Salalah, Sohar and Duqm have LSMGO readily available.

Though the Middle Eastern bunker market remains largely unaffected by the Red Sea attacks, it remains to be seen whether it will stay this way if the crisis worsens.

## **Brent**

The front-month ICE Brent contract has moved \$1.72/bbl up on the day, to trade at \$79.82/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Brent futures have risen further after drone attacks and airstrikes by Iran-aligned Houthi militants raised crude oil supply concerns and disruption in global trade routes.

The Houthis have targeted commercial vessels in the Red Sea's key Bab al-Mandab shipping lane, blocking access to the Suez Canal. These vessels are headed towards Israel, the Yemen-based militant group has said, without providing any proof of this.

"That [Bab al-Mandab] route accounts for 12% of global seaborne trade," said Price Futures Group's senior market analyst Phil Flynn. Several oil majors and shipping companies have had to reroute their ships to avoid becoming a target in the Israel-Hamas conflict.

Opting for alternative routes to circumvent the Bab al-Mandab Strait is contributing to prolong voyages and delay shipments, which could increase the costs of various goods, Flynn commented.

### **Downward pressure:**

Brent futures felt some downward pressure after the American Petroleum Institute (API) reported a 939,000 bbls rise in commercial US crude inventories in the week ended 15 December.

Oil market analysts expected the US crude inventories to drop by 2.23 million bbls in the week. However, weak demand indications from the world's leading oil consumer have capped Brent's price gains in recent days.

The broadly followed US government data on crude oil stockpiles from the US Energy Information Administration (EIA) is due later today.

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