

MARKET UPDATE EAST OF SUEZ



ENGINE: East of Suez Physical Bunker Market Update

21/12/23

VLSFO prices in major Asian bunker hubs have remained broadly steady, and VLSFO availability in Singapore has come under pressure.

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

- **VLSFO prices unchanged in Fujairah, and down in Singapore (\$4/mt) and Zhoushan (\$1/mt)**
- **LSMGO prices down in Fujairah (\$25/mt), Singapore (\$4/mt) and Zhoushan (\$2/mt)**
- **HSFO prices up in Singapore (\$3/mt), and down in Fujairah (\$43/mt) and Zhoushan (\$3/mt)**

VLSFO benchmarks in East of Suez ports have been broadly steady in the past day. Zhoushan continues to price its VLSFO at elevated levels to other major ports. The Chinese bunkering hub's VLSFO premiums over Singapore and Fujairah now stand at \$42/mt and \$38/mt, respectively.

Meanwhile, Fujairah's LSMGO price has declined by a steep \$25/mt in the past day, while Singapore and Zhoushan's prices remained roughly steady. Two lower-priced LSMGO stems fixed in Fujairah in a wide range of 21/mt contributed to drag the benchmark down. Despite the Middle Eastern bunkering hub's steep LSMGO decline, its LSMGO premiums over Singapore and Zhoushan stand at \$119/mt and \$61/mt, respectively.

The Middle Eastern bunker market continues to remain unaffected by the Red Sea crisis, a trader says. But with several shipping companies either rerouting vessels around Africa or making their vessels wait in safe locations to avoid Yemen-based Houthi attacks, the situation might change in the coming days.

For the time being, the Red Sea-facing Middle Eastern ports of Jeddah, Yanbu and Port Suez are operating normally, another source reiterates.

Prompt availability of all grades remains tight in Fujairah, with lead times of around seven days recommended.

Meanwhile, availability of VLSFO has tightened in Singapore, with lead times going up from 7-9 days earlier in the week to 8-13 days now. A source says at least seven suppliers are grappling with tight delivery schedules in the port.

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

Brent

The front-month ICE Brent contract has gained \$0.28/bbl on the day, to trade at \$80.10/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Drone attacks by Iran-aligned Houthi militants in the Red Sea have caused substantial delays to commercial shipping voyages, including those of oil tankers, this week. It has also supported Brent's price.

"For the oil trade, it is a wake-up call," commented Price Futures Group's senior market analyst Phil Flynn.

Sustained Houthi attacks on vessels sailing in the Red Sea, and rising war-risk premiums, have put upward pressure on Brent futures, analysts said.

"War premium is a real cost. Because we are seeing shipments being delayed, taking longer routes is a real cost," Flynn added.

Downward pressure:

Brent gains have been capped by a bigger-than-expected US crude stock build reported by the US Energy Information Administration (EIA). This could signal weaker demand growth in the world's largest oil-consuming country.

Commercial US crude inventories increased by 2.90 million bbls on the week, to 443.68 million bbls on 15 December, according to the EIA.

The weekly stock build was bigger than the American Petroleum Institute's (API) projection of a 939,000 bbl build a day earlier.

Meanwhile, Brent futures felt additional downward pressure after domestic US oil production hit a record high, said SPI Asset Management's managing partner Stephen Innes.

"A noteworthy milestone accompanied this surge [in US crude stocks], as domestic US oil production reached a new record high of 13.3 million barrels per day [b/d]," Innes said.

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