

MARKET UPDATE EAST OF SUEZ



ENGINE: East of Suez Physical Bunker Market Update

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Most bunker benchmarks in East of Suez ports have moved up, and VLSFO availability is likely to improve in Zhoushan by mid-January.

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

- **VLSFO prices up in Singapore (\$22/mt), Fujairah (\$13/mt) and Zhoushan (\$1/mt)**
- **LSMGO prices up in Fujairah (\$15/mt), Singapore (\$10/mt) and Zhoushan (\$9/mt)**
- **HSFO prices up in Fujairah (\$15/mt), Singapore (\$10/mt) and Zhoushan (\$9/mt)**

VLSFO prices in Singapore and Fujairah have increased in the past day, with Singapore experiencing a notable spike of \$22/mt. This surge is attributed, in part, to a higher-priced VLSFO stem fixed within the port. Despite this rise, Singapore's VLSFO maintains a discount of \$45/mt to Zhoushan and \$6/mt to Fujairah. The tight availability of VLSFO in Singapore persists, with recommended lead times of 10-15 days. At least seven suppliers are facing challenges in meeting delivery schedules in Singapore.

Meanwhile, Zhoushan's VLSFO prices have remained relatively steady, but the situation is expected to improve with China's allocation of the first batch of VLSFO export quotas, easing supply constraints by mid-January. In contrast, HSFO and LSMGO supply remains robust, with short lead times of 3-5 days.

Despite relative stability of the Middle Eastern ports including major bunker hub Fujairah, the Red Sea region remains tense, as Maersk's 48-hour transit halt concludes. Ongoing uncertainty regarding potential attacks keep several shipping companies cautious about navigating the area.

Brent

The front-month ICE Brent contract has inched \$0.71/bbl higher on the day from Friday, to trade at \$78.42/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have shed previous losses due to concerns about disruptions in Middle Eastern crude oil supplies.

On Sunday, US naval ships intercepted a Houthi attempt to capture one of A.P. Moller-Maersk's vessels in the Red Sea, US Central Command (CENTCOM) said. CENTCOM has claimed that US naval ships destroyed three Houthi-controlled ships and killed at least 10 militants in the skirmish.

This incident has heightened fears that the Israel-Hamas conflict could escalate into broader regional turmoil.

"The upside risks [for oil] remain both from a geo-political risk side as well as old-fashioned supply not keeping up with demand," said Price Futures Group's senior market analyst Phil Flynn.

Downward pressure:

On the flip side, Brent's upside gains have been limited by signs that Chinese economic growth may be lagging, which in turn will weaken China's oil demand.

According to a Bloomberg report citing China's National Bureau of Statistics, China's China Manufacturing Purchasing Managers Index (PMI) has slightly declined from 49.4 in November to 49 in December 2023. This implies that the manufacturing sector in China is experiencing slight contraction, which is a negative sign for the overall economy.

The PMI figures "indicate a slowdown in China's economic recovery in the last months of the year [2023]," said SPI Asset Management's managing partner Stephen Innes.

China is one of the largest oil consumers in the world and "speculation about weakening Chinese demand caused oil and product prices to plunge," Flynn added.

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