

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have come down, and availability of all grades remains under pressure in Japanese ports.

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

- **VLSFO prices down in Fujairah (\$34/mt), Zhoushan (\$24/mt) and Singapore (\$19/mt)**
- **LSMGO prices down in Fujairah (\$41/mt), Singapore (\$33/mt) and Zhoushan (\$26/mt)**
- **HSFO prices down in Zhoushan (\$26/mt), Singapore (\$7/mt) and Fujairah (\$4/mt)**

All bunker benchmarks in the East of Suez ports have mirrored Brent's decline. Fujairah's VLSFO price drop has been greater than Zhoushan and Singapore. One 150-500 mt VLSFO stem fixed at \$610/mt yesterday has dragged Fujairah's VLSFO benchmark lower.

The sharp drop has erased its price premium over Singapore's VLSFO, and flipped to a discount of \$9/mt. Some suppliers in Fujairah continue to see healthy demand despite ongoing concerns in the nearby Red Sea. Lead times of around seven days are recommended for all grades in the UAE port.

Bunker fuel availability is tight for all grades in Japanese ports. Lead times of 7-8 days are recommended in Nagoya and Yokkaichi, and longer 9-10 days in Tokyo, Osaka and Mizushima.

Hong Kong, on the other hand, has better availability for all bunker grades. Several suppliers can supply stems with lead times of 5-7 days. However, rough weather conditions forecast over the weekend could impact bunkering in the port.

Brent

The front-month ICE Brent contract plunged by \$3.11/bbl on the day, to trade at \$75.31/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Supply disruption concerns in the Middle East have supported Brent's upward move this week.

The recent attacks on the Maersk Hangzhou by the Houthis in the Red Sea have again raised concerns about maritime security in the region. The vessel was attacked twice over the weekend, first by an aerial attack and then by four Houthi boats. The incident prompted the Danish shipping firm A.P. Moller-Maersk to suspend all operations in the Red Sea and the Gulf of Aden until further notice.

This, combined with the Israel-Hamas conflict extending into the Red Sea, has sparked a debate about a larger regional feud involving other countries like Iran and the US, which could potentially impact crude flows in the region.

"There has been growing pressure on the US to respond to these [Red Sea] attacks and now they have," said Price Futures Group's senior market analyst Phil Flynn.

"Iran is responding by sending its warship called the Alborz destroyer through the strategic Bab al-Mandeb Strait and the Houthis are warning of repercussions," he further added.

Downward pressure:

Brent's gains have been curtailed by signs that China's economic growth is lagging, which can cause China's oil demand to decline.

The decline in China's Manufacturing Purchasing Managers Index (PMI) from 49.4 in November to 49 in December 2023, as reported by Bloomberg citing data from China's National Bureau of Statistics (NBS), indicates a slowdown in the country's manufacturing sector.

Weak economic data from China and Europe at the start of 2024 are "diminishing optimism about U.S. rate cuts," and exerting downward pressure on oil, SPI Asset Management's managing partner Stephen Innes said.

"Coupled with a strengthening U.S. dollar, it [China's economic data] contributed to the negative trajectory of oil prices as traders remained on headline watch," he added.

By Tuhin Roy and Aparupa Mazumder

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