ENGINE: East of Suez Physical Bunker Market Update

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Prices in major Asian bunker hubs have moved up, and availability of VLSFO remains tight in Zhoushan.

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

- **VLSFO prices up in Fujairah ($42/mt), Zhoushan ($30/mt) and Singapore ($22/mt)**
- **LSMGO prices up in Zhoushan ($51/mt), Fujairah ($50/mt) and Singapore ($35/mt)**
- **HSFO prices up in Zhoushan ($38/mt), Singapore ($30/mt) and Fujairah ($27/mt)**

All bunker benchmarks in East of Suez ports have surged, tracking Brent's upward trend.

Fujairah's VLSFO price has climbed by a significant $42/mt in the past day. This surge can be attributed to two higher-priced VLSFO stems fixed in Fujairah, which traded within a narrow range of $4/mt, thereby contributing to the benchmark's ascent. Consequently, Fujairah's VLSFO price now holds a premium of $11/mt over Singapore, erasing its previous discount. Meanwhile, the Middle Eastern bunker hub's VLSFO discount to Zhoushan stands at $37/mt.

LSMGO price gains in three major bunker hubs have been greater than gains of HSFO and VLSFO. Fujairah continues to maintain elevated pricing for LSMGO compared to both Singapore and Zhoushan. Fujairah's LSMGO premium over Singapore stands at $134/mt, and $80/mt over Zhoushan. Prompt availability remains under pressure in Fujairah, with lead times of seven days recommended for all grades.

In Zhoushan, VLSFO supply remains constrained, with the earliest delivery dates extending to around mid-January. In contrast, LSMGO and HSFO supplies in the Chinese bunker port are abundant, with short lead times of 3-5 days recommended. South Korean ports, on the other hand, are advising lead times of 8-13 days for all grades. Potential bunkering disruptions loom as bad weather is predicted intermittently through the week in the South Korean ports of Ulsan, Onsan, Busan, Daesan, Taean and Yeosu

Brent

The front-month ICE Brent contract moved $3.87/bbl higher on the day, to trade at $79.18/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained due to persistent concerns about supply disruptions amid growing tensions in the Middle East.

A senior Hamas official was reportedly killed by a recent Israeli drone strike in the Lebanese capital city of Beirut, Reuters reported. This news comes amid regular terror attacks between the Israel Defence Forces (IDF) and Lebanon-based militants Hezbollah. “The terrorist attack has the potential to heighten instability in the already volatile region,” said SPI Asset Management’s managing partner Stephen Innes.

The ongoing Israel-Hamas conflict and Houthi attacks in the Red Sea have raised concerns about potential impacts on crude flow in the region.

Separately, local protests in Libya compelled the country’s largest oil field el-Sharara to fully shut operations yesterday, Reuters reported. The el-Sharara oilfield produces about 300,000 b/d of crude and has been subjected to both local and political protests in the past. “This surge [in Brent’s price] was attributed to a combination of factors, including a supply disruption at Libya's largest oil field, El Sharara, following a series of anti-government protests,” Innes added.

The Brent rally has been further supported by the American Petroleum Institute's estimate of a significant 7.4 million bbls decline in US crude inventories in the week ended 29 December.

Downward pressure:

Some downward pressure on Brent futures this week can be attributed to weak economic data from China and the US.

The US Manufacturing Purchasing Managers Index (PMI) grew from 46.7 in November to 47.4 in December, Reuters reported citing Institute for Supply Management (ISM) data. Despite a slight improvement in manufacturing data, the PMI has remained below 50 for more than a year now, indicating a contraction in manufacturing.

Contraction in manufacturing refers to a period when the manufacturing sector experiences a decline in activity. A PMI reading below 50 typically indicates a contraction.

Moreover, China’s Manufacturing PMI declined from 49.4 in November to 49 in December 2023, as Bloomberg cited data from China’s National Bureau of Statistics (NBS).

“Global economic news proved bearish for energy demand,” Innes further added.

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