

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

05/01/24

Most bunker prices in the East of Suez ports have moved down, and VLSFO and HSFO remain tight in Singapore.

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

- **VLSFO prices down in Zhoushan (\$16/mt), Singapore (\$14/mt) and Fujairah (\$12/mt)**
- **LSMGO prices down in Zhoushan (\$21/mt), Fujairah (\$19/mt) and Singapore (\$10/mt)**
- **HSFO prices up in Singapore (\$4/mt), and down in Zhoushan (\$6/mt) and Fujairah (\$3/mt)**

Most bunker benchmarks in East of Suez ports have mirrored Brent's downward trend and declined in the past day. VLSFO benchmarks in three major Asian bunker hubs have fallen in a range of \$12-16/mt, with Zhoushan declining the steepest. Despite Zhoushan's steep VLSFO decline, it maintains VLSFO premiums over Singapore and Fujairah. The Chinese bunkering hub's VLSFO premiums over Singapore and Fujairah stand at \$46/mt and \$33/mt, respectively.

Unlike HSFO price drops in Zhoushan and Fujairah, the grade's price in Singapore inched slightly higher in the past day. A higher-priced HSFO stem fixed in the Southeast Asian bunker hub supported the benchmark's resistance against Brent's downward pull. Singapore's HSFO price rise has meant that its HSFO price has moved up from yesterday's parity levels to Zhoushan, to a premium of \$10/mt now. Singapore's HSFO premium over Fujairah stands at \$52/mt.

VLSFO and HSFO availability continues to remain under pressure in Singapore, with lead times of around 7-12 days recommended for the grades. Lead times of LSMGO have gone up from last week's 3-5 days to 5-8 days now.

In the Middle East, lead times of around seven days are recommended for all grades in Fujairah. According to a source, some suppliers in Fujairah can still offer prompt dates for all grades, a source says.

## **Brent**

The front-month ICE Brent contract lost \$1.06/bbl on the day, to trade at \$78.12/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

Brent futures felt upward pressure this week driven by growing concerns of supply disruption in the Middle East.

On Thursday, Israel's defence minister Yoav Gallant announced the country's latest strategy for the upcoming phase of its ground assault in the Gaza Strip, Reuters reported. The new strategy involves advancing towards the northern part of Gaza, alongside its ongoing efforts to weaken Iran-aligned Hamas militants in the southern part of Gaza.

Meanwhile, two explosives planted by the Islamic State (IS) near Iranian leader Qassem Soleimani's tomb left about 100 civilians dead, Reuters reported. This event has further heightened the already escalating geopolitical tensions in the region.

"Iran is vowing revenge because of the bombing at the memorial service for General Soleimani that killed many people," commented Price Futures Group's senior market analyst Phil Flynn.

### **Downward pressure:**

Brent futures shed the previous day's gains following the huge build of gasoline and distillate stocks in the US.

The US Energy Information Administration (EIA) reported that US gasoline stocks jumped by 10.90 million bbls on the week, to 237 million bbls on 29 December, the highest since March 2023.

Similarly, distillate stocks, which include diesel and gasoil increased by 10.09 million bbls to 126 million bbls, the highest since January 2022. The rise in gasoline and distillate stocks indicates that demand for these fuels declined in the US last week.

"The [EIA] report was overwhelmingly bearish for refined products, indicating outsized builds across all three product categories due to exceptional demand weakness," said SPI Asset Management's managing partner Stephen Innes.

The gasoline stock build has raised concerns about a disparity between the market's "Goldilocks narrative" and actual demand, "especially when considering gasoline demand as a forward indicator of economic activity," he added.

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