

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

09/01/24

LSMGO and HSFO prices in the East of Suez ports have moved in mixed directions, and VLSFO and LSMGO availability remains good in Sri Lankan ports.

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

- **VLSFO prices down in Fujairah (\$12/mt), Singapore (\$6/mt) and Zhoushan (\$1/mt)**
- **LSMGO prices up in Zhoushan (\$6/mt) and Singapore (\$1/mt), and down in Fujairah (\$10/mt)**
- **HSFO prices up in Zhoushan (\$3/mt), and down in Fujairah (\$9/mt) and Singapore (\$8/mt)**

VLSFO prices in Fujairah and Singapore have declined for the second consecutive day, while Zhoushan's remained broadly steady. Fujairah's VLSFO price declined \$12/mt in the past day – the steepest among three major Asian bunker hubs. Two lower-priced 500-1500 mt VLSFO stems fixed in Fujairah in a narrow range of \$2/mt weighed the benchmark lower.

Fujairah's steep VLSFO price drop has meant that the port's VLSFO premium over Singapore has been erased and now stands at a marginal discount of \$3/mt. Fujairah's VLSFO discount to Zhoushan stands at \$27/mt.

Some suppliers say Fujairah has been seeing healthy demand despite the Red Sea crisis. The situation in the Red Sea has compelled several shipping companies to reroute their vessels via the southern tip of Africa instead of the shorter Suez Canal route.

Prompt availability of all grades remains tight in Fujairah, with lead times of 7-10 days recommended for all grades. Some suppliers can still do prompt stems for all grades, a source claims. Bunkering also continues to run smoothly in the other UAE port of Khor Fakkan, with several suppliers advising lead times of 7-10 days for all grades.

In South Asia, the Sri Lankan ports of Colombo and Trincomalee have a good supply of both VLSFO and LSMGO, a source says.

## **Brent**

The front-month ICE Brent contract moved \$1.25/bbl lower on the day, to trade at \$76.84/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

The Israel-Hamas conflict might continue through 2024, as stated by the country's officials. This has led to discussions about a broader regional dispute that could threaten the global oil supply.

The situation in the Middle East remains tense as Israel stands firm on its commitment to a ground offensive in Gaza, despite Iran's warning of joining the conflict if attacks escalate.

Meanwhile, Lebanon-based militant group Hezbollah struck an air traffic control base in the northern part of Israel on Sunday and warned of "another war", the Associated Press reported citing the Israeli military.

"The increase in fighting across the border with Lebanon as Israel battles Hamas militants in Gaza gave new urgency to U.S. diplomatic efforts as Secretary of State Antony Blinken prepared to visit Israel on his latest Mideast tour," said Price Futures Group's senior market analyst Phil Flynn.

### **Downward pressure:**

The Brent futures' upward movement so far this week has been capped by indications of reduced global oil demand

China's state-owned refineries Sinopec and PetroChina reduced their refinery run rates in December 2023, on account of muted domestic fuel demand, market intelligence provider JLC reported.

China's role as a major player in the oil market means that any indication of weakened demand in the country directly impacts Brent's price.

Meanwhile, the decision by Saudi Aramco to reduce the official selling price (OSP) of its flagship Arab Light crude to Asia in February reflects the impact of weakened demand in the oil market

"Weak demand fundamentals influenced this [Aramco] decision in the global physical oil market," said SPI Asset Management's managing partner Stephen Innes. "While the price cuts were widely anticipated, they turned out to be larger than analysts had forecasted," he further added.

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