

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

11/01/24

Most prices in major Asian bunker hubs have traded rangebound, and availability of all grades has tightened in Hong Kong.

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

- **VLSFO prices down in Singapore (\$10/mt), Fujairah (\$5/mt) and Zhoushan (\$4/mt)**
- **LSMGO prices unchanged in Singapore, and down in Zhoushan (\$6/mt) and Fujairah (\$4/mt)**
- **HSFO prices down in Fujairah and Zhoushan (\$5/mt), and Singapore (\$4/mt)**

Bunker benchmarks in the East of Suez ports have shown overall stability in the past day, with no major deviations, except Singapore's VLSFO price decline.

Singapore witnessed a \$10/mt decline in its VLSFO price, primarily influenced by two lower-priced VLSFO stems fixed within a narrow \$7/mt range. The dip has shifted Singapore's VLSFO pricing from yesterday's parity levels with Fujairah to a marginal discount of \$5/mt, while the VLSFO discount to Zhoushan stands at \$20/mt.

VLSFO availability remains tight in Singapore, with several suppliers grappling with tight delivery schedules and recommending lead times of 9-14 days. Lead times of 8-12 days are advised for HSFO. Supply of LSMGO remains normal, with shorter lead times of 3-7 days.

Moving eastward, Zhoushan faces pressure on the prompt availability of VLSFO, causing delivery dates to be extended to at least a week. Additionally, some suppliers are experiencing a dip in LSMGO stocks, but subdued demand has prevented a significant tightening. HSFO remains readily available in Zhoushan, with prompt dates accessible. On the other hand, Hong Kong is witnessing a broad tightening of fuel grades, leading to a doubling of recommended lead times from seven days to 14 days across all grades now.

## **Brent**

The front-month ICE Brent contract shed \$0.16/bbl on the day, to trade at \$77.29/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

The escalating agitations in the Middle East have supported Brent's prices this week. On Tuesday, Iran-aligned Houthi militants launched one of its largest drone and missile attacks on commercial vessels in the Red Sea.

Following the strikes, the naval ships deployed in the region by the US and UK jointly took down 21 missiles and drones launched by the Yemeni militant group, US Central Command (CENTCOM) said.

The UK's defence secretary Grant Shapps highlighted that the latest Houthi attack marked the most extensive assault in the Red Sea thus far, as the ongoing Israel-Hamas conflict extended its impact outside the Gaza Strip, Reuters reported.

The timing of the recent attack by Houthis, just days after the US and 12 other nations issued a warning to the group to cease their attacks in the Red Sea, underscores the escalating tensions in the region.

"Concerns regarding a broader escalation in the Middle East are expected to support the oil market," SPI Asset Management's managing partner Stephen Innes said.

### **Downward pressure:**

Brent futures slightly declined after the US Energy Information Administration (EIA) reported a surprise build in US crude oil stocks. According to the EIA data, commercial US crude inventories rose by 1.34 million bbls on the week, to 432.40 million bbls on 5 January.

The consecutive increase in the US distillate stocks, which include diesel and gasoil, for the seventh week, along with the second straight week gain in gasoline stocks, signals weaker demand in the world's largest oil-consuming country.

Brent futures faced a "notable selling pressure as the Energy Information Administration (EIA) reported substantial builds in U.S. crude and refined fuel stockpiles during the first week of 2024," Innes added.

This weekly crude stock build ran counter to the American Petroleum Institute's (API) American Petroleum Institute's (API) projection of a 5.2 million-bbl draw.

*By Tuhin Roy and Aparupa Mazumder*

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