

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Most prices in East of Suez ports have moved down, and VLSFO availability remains tight in Zhoushan.

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

- **VLSFO prices down in Fujairah (\$39/mt), and Singapore and Zhoushan (\$12/mt)**
- **LSMGO prices down in Fujairah (\$38/mt), Zhoushan (\$20/mt) and Singapore (\$4/mt)**
- **HSFO prices down in Zhoushan (\$18/mt), Fujairah (\$15/mt) and Singapore (\$13/mt)**

In the East of Suez ports, bunker benchmarks have mirrored Brent's downward trajectory over the weekend. Fujairah's VLSFO price fell significantly by \$39/mt, with support from three lower-priced VLSFO stems fixed in a narrow range of \$6/mt. As a result, Fujairah's VLSFO premium over Singapore has been erased and now swung a marginal discount of \$6/mt. Its VLSFO price has moved down from Friday's parity levels with Zhoushan, to a discount of \$27/mt now.

Fujairah continues to face supply challenges in prompt availability, with recommended lead times persisting at 7-10 days. Moving to East Asia, Zhoushan is grappling with low VLSFO stocks amid delays in the arrival of replenishment cargoes. This has caused a VLSFO supply crunch in the Chinese bunkering hub, leading to extended delivery dates of up to seven days. However, LSMGO and HSFO remain more readily available in Zhoushan, with shorter lead times of 3-5 days.

In Japan, sluggish bunker demand prevails due to cold weather conditions. Lead times vary across Japanese ports, with lead times of 7-8 days recommended in Tokyo and Chiba, 7-8 days in Osaka and Kobe, and longer 10-11 days in Oita.

Brent

The front-month ICE Brent contract moved \$1.18/bbl lower on the day from Friday, to trade at \$78.05/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Supply disruption concerns in the oil market pushed Brent's prices up after the US and the UK military jointly conducted a series of airstrikes on Iran-aligned Houthi bases in Yemen last week.

"The US and UK attacked Houthi rebel strongholds in Yemen in response to Red Sea attacks causing oil prices to break out of their wedge," said Price Futures Group's senior market analyst Phil Flynn.

Several oil tanker firms rerouted their vessels over the weekend to avoid the southern part of the Red Sea following the US-led strikes in Yemen, causing delays in oil deliveries, Reuters reported.

"The attacks are already impacting oil transport as Shipping Data reports that at least four oil tankers have already diverted course from the Red Sea following US/UK strikes in Yemen," Flynn added.

Downward pressure:

The subdued oil demand in major global consumers, including China, has capped Brent's price gains. Chinese gasoline and diesel consumption fell in December 2023 as driving activity slowed due to falling temperatures, market intelligence provider JLC reported.

Brent futures lost some previous gains as concerns about disruptions in the Strait of Hormuz eased. The recent seizure of an oil tanker by Iran in the Gulf of Oman sparked fears of more frequent vessel seizures and potential impacts on crude flows in the region. However, these concerns eased over the weekend, SPI Asset Management's managing partner Stephen Innes.

"Market enthusiasm waned, given neither production nor flows through the Strait of Hormuz were impacted, and the market quickly pivoted back to the weaker demand signal," he added.

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