

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

16/01/24

Prices in major Asian bunkering hubs have moved up, and LSMGO remains readily available in the Omani ports.

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

- **VLSFO prices up in Zhoushan (\$21/mt), Fujairah (\$17/mt) and Singapore (\$12/mt)**
- **LSMGO prices up in Zhoushan (\$31/mt), Fujairah (\$22/mt) and Singapore (\$18/mt)**
- **HSFO prices up in Zhoushan (\$16/mt), and Singapore and Fujairah (\$7/mt)**

In the East of Suez ports, bunker benchmarks have mirrored Brent's recent upswing, with Zhoushan's VLSFO prices surging by \$21/mt in the past day. The rise can be attributed to some higher-priced VLSFO indications in Zhoushan, supporting the benchmark's upward trajectory. However, the Chinese bunkering hub faces a VLSFO supply crunch due to low stocks and delays in arrivals of the resupply cargoes, resulting in extended delivery dates of up to seven days. The other two grades - LSMGO and HSFO - remain more readily available with shorter lead times of 3-5 days.

Persist attacks on commercial ships in the Red Sea have prompted several shipping companies to reroute vessels via the southern tip of Africa rather than the shorter Suez Canal route. Despite concerns in the Red Sea, Fujairah continues to witness an uptick in demand.

This has kept prompt availability tight for all grades in Fujairah. Most suppliers are still recommending lead times of 7-10 days. Meanwhile, LSMGO remains readily available for prompt supply in the nearby Omani ports, including Sohar, Salalah, Duqm and Muscat.

Brent

The front-month ICE Brent contract gained \$0.48/bbl on the day, to trade at \$78.53/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Growing conflict in the Middle East has continued to put upward pressure on Brent futures.

The Iran-aligned Houthi militants fired an anti-ship ballistic missile yesterday, hitting a US-operated dry bulk carrier, US Central Command (CENTCOM) said. The Yemeni militant group continue to target commercial vessels in the Red Sea, despite the recent US-led coalition retaliatory airstrikes in Houthi targets in Yemen.

The US and British military forces last week conducted a series of airstrikes on Houthi bases in Yemen.

“The military advises ships to avoid Bab El-Mandeb straight,” said Price Futures Group’s senior market analyst Phil Flynn.

Downward pressure:

Some downward pressures acting on Brent’s price this week come from weak oil demand projections in China.

Oil demand in China has been weak due to less travel activity during the winter season. The country’s gasoline and diesel consumption declined in December 2023 as driving activity slowed due to falling temperatures.

The slowdown in construction and industrial activities in December, caused by cold weather conditions, also resulted in reduced diesel consumption in China last month, market intelligence provider JLC reported.

By Tuhin Roy and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association (“NFA”). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com