ENGINE: East of Suez Physical Bunker Market Update

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Prices in major Asian bunker hubs have moved down, and availability of all grades remains tight in Hong Kong.

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

- **VLSFO prices down in Singapore ($13/mt) and Fujairah and Zhoushan ($12/mt)**
- **LSMGO prices down in Zhoushan ($24/mt), Singapore ($21/mt) and Fujairah ($16/mt)**
- **HSFO prices down in Singapore ($16/mt), Zhoushan ($12/mt) and Fujairah ($8/mt)**

In the East of Suez ports, the downward trend of Brent futures has influenced bunker benchmarks, causing a decline in VLSFO prices across major Asian bunkering hubs. Notably, Singapore's VLSFO, which previously held a marginal premium over Fujairah, has now reached parity levels, while its discount to Zhoushan stands at $31/mt.

Tight availability of VLSFO in Singapore, coupled with strong demand, has led to delivery challenges for at least eight suppliers, resulting in increased lead times from 9-13 days to 8-17 days. In contrast, HSFO maintains lead times of 7-10 days, while LSMGO requires a shorter 3-8 days lead time.

Meanwhile, Zhoushan has experienced a significant $24/mt drop in its LSMGO price in the past day, driven by a lower-priced stem. Despite this, Zhoushan's LSMGO maintains a $38/mt premium over Singapore, while its discount to Fujairah is notable at $82/mt.

VLSFO availability in Zhoushan faces constraints due to limited product supply and delays in resupply cargoes, extending lead times to seven days for this grade. In contrast, LSMGO and HSFO remain more readily available in Zhoushan, with shorter lead times ranging from 3-5 days.

Hong Kong is grappling with a shortage of stocks amid high demand, resulting in lead times approaching two weeks.

Brent

The front-month ICE Brent contract has moved $1.46/bbl lower on the day, to trade at $77.07/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have gained this week due to heightened geopolitical tensions in the Red Sea.

“Given the [Red Sea] uncertainty and the risk of a spillover, oil prices are likely to remain relatively well supported,” said two analysts from ING Bank.

British oil major Shell has suspended all oil shipments through the Bab al-Mandeb Strait and rerouted its tankers via the longer Cape of Good Hope route because of growing airstrikes by Iran-aligned Houthi militants, the Wall Street Journal (WSJ) reported.

This longer voyage time has increased 5-10% in overall cost of delivered goods, Shell’s chief executive officer Wael Sawan told WSJ. “We’ll have to see whether this becomes a longer-standing issue,” he added.

Downward pressure:

Brent futures pared the previous day’s gains due to weak demand projections from major global oil consumers, China and the US.

China's gross domestic product (GDP) grew by 5.2% in the fourth quarter of 2023 compared to the same period a year ago, Reuters cited data from the National Bureau of Statistics (NBS). The GDP growth fell short of Reuters analyst poll estimate of 5.3%.

“The journey to this [China’s GDP] growth has been marked by challenges, including tepid domestic demand, producer prices in deflation, and three consecutive months of consumer price declines,” SPI Asset Management’s managing partner Stephen Innes said.

The US dollar remained close to a one-month high, as comments from US Federal Reserve officials dampened market expectations of interest rate cuts in March, Reuters reported.

The strengthening of the US dollar could make commodities such as oil costlier for non-dollar buyers.

“[Downward] pressure [on Brent futures] intensified due to a strengthening U.S. dollar as investors re-calibrated their expectations for near-term rate cuts from the Federal Reserve,” Innes added.

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