ENGINE: East of Suez Physical Bunker Market Update

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Prices in the East of Suez ports have moved up, and VLSFO remains tight in Singapore and Zhoushan.

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

- **VLSFO prices up in Singapore ($16/mt), and Fujairah and Zhoushan ($9/mt)**
- **LSMGO prices up in Singapore ($16/mt), Fujairah ($15/mt) and Zhoushan ($13/mt)**
- **HSFO prices up in Fujairah ($11/mt), Singapore ($10/mt) and Zhoushan ($8/mt)**

In the East of Suez ports, bunker benchmarks have mirrored the upward trajectory of Brent prices. Singapore's VLSFO price has gained by $16/mt, with support from four-higher priced stems fixed in a wide range of $16/mt.

This has meant Singapore's VLSFO prices have moved up to a premium of $7/mt over Fujairah from yesterday's parity levels. Singapore's VLSFO discount to Zhoushan stands at $24/mt. However, supply challenges have emerged in Singapore due to tight VLSFO availability and heightened demand, resulting in lead times stretching from 9-13 days to 8-17 days.

The cold weather has dampened bunker demand in Japan, with lead times varying across ports. Suppliers in several Japanese ports, including Tokyo, Chiba, Osaka and Kobe recommend lead times of 7-8 days, and longer lead times of 10-11 days in Oita.

The harsh winter has also prompted Japanese refineries to prioritise their supply for domestic heating needs, leading to a decrease in the availability of bunker fuels in multiple Japanese ports.

Prompt VLSFO availability remains tight in Zhoushan. Lead times of up to seven days are recommended for the grade, while shorter lead times of 3-5 days for LSMGO and HSFO. Zhoushan faces potential bunkering suspensions due to rough weather conditions, which could further push VLSFO lead times in the port.

Moving to the Middle East, persistent 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. As a result, prompt availability is tight for all grades. Lead times of 7-10 days are recommended for all grades in Fujairah.

Brent

The front-month ICE Brent contract gained $0.93/bbl on the day, to trade at $78/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained some following OPEC's projection of robust oil demand growth in 2024 and 2025.

OPEC's latest oil market report forecasts a 1.85 million b/d increase in global oil demand by 2025, reaching 106.2 million b/d. The coalition kept this year's oil demand forecast at 2.2 million b/d, consistent with the previous month's projection.

Concerns about potential oil supply disruptions resurfaced after the US Navy launched another round of airstrikes at Houthi bases in Yemen, in response to their attacks in the Red Sea.

“It remains unclear how the Houthis will respond to these attacks,” said two analysts from ING Bank. “But clearly, escalation raises both the risk of disruptions to flows and the likelihood that more shippers will reroute around Southern Africa,” they added.

Downward pressure:

Brent futures felt some downward pressure after the American Petroleum Institute (API) reported a modest rise in US crude stocks.

Commercial US crude inventories increased by 483,000 bbls in the week ended 12 January, according to API data. This increase contrasts with analysts' expectations of a 2.4 million bbls decline.

Brent’s price gains were also capped by the strengthening US dollar, after comments from US Federal Reserve (Fed) officials dampened market expectations of interest rate cuts in the first quarter of 2024.

A stronger US dollar could make commodities such as oil costlier for non-dollar buyers and dampen demand growth.

“Comments from a Fed official and a surge in the USD [US dollar] yesterday held large parts of the commodity complex back,” ING’s analysts said.

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