ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved up, and prompt availability of all grades remains tight in Fujairah.

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

- **VLSFO prices up in Zhoushan ($14/mt), Singapore ($12/mt) and Fujairah ($9/mt)**
- **LSMGO prices up in Fujairah ($16/mt), Zhoushan ($10/mt) and Singapore ($3/mt)**
- **HSFO prices up in Fujairah ($13/mt), Zhoushan ($6/mt) and Singapore ($5/mt)**

Bunker benchmarks in East of Suez ports have gained for the second consecutive day. VLSFO prices have increased in a range between $9-14/mt, with Zhoushan gaining the most. This rise is supported by a higher-priced VLSFO stem fixed in Zhoushan. The port's VLSFO price continues to remain at elevated levels compared to Fujairah and Singapore. Its VLSFO premiums over Fujairah and Singapore stand at $36/mt and $26/mt, respectively.

Prompt VLSFO availability remains under pressure in Zhoushan. Lead times of up to seven days are recommended for the grade. On the contrary, shorter lead times of 3-5 days are recommended for LSMGO and HSFO. Zhoushan faces potential bunkering suspensions over the weekend and early next week due to rough weather conditions. The potential suspensions could further push VLSFO delivery lead times in the port.

Moving to the Middle East, despite ongoing concerns in the nearby Red Sea, Fujairah is witnessing an increase in demand. The rise in demand has tightened prompt supply for all grades in Fujairah. Lead times of 7-10 days are recommended for all grades.

A similar scenario is observed in the UAE port of Khor Fakkan, where lead times of 7-10 days are recommended for all grades. Meanwhile, LSMGO remains readily available for prompt supply in nearby Omani ports, including Sohar, Salalah, Duqm, and Muscat.

Brent

The front-month ICE Brent contract gained $1.43/bbl on the day, to trade at $79.43/bb at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained this week due to the global oil demand growth projections by IEA and OPEC for this year.

The International Energy Agency (IEA) expects oil demand to grow by 1.2 million b/d in 2024, an increase of 100,000 b/d from its previous monthly Oil Market Report (OMR).

The Paris-based energy agency expects China to lead oil demand growth in 2024, “with its expanding petrochemical sector gaining an ever-larger share.”

Brent futures also moved up after the US Energy Information Administration (EIA) recorded a surprise drop in US crude stocks. Commercial US crude inventories dropped by 2.49 million bbls on the week, to 429.91 million bbls on 12 January – the lowest level in the past 12 weeks, according to the EIA data.

“Optimistic demand forecasts from the International Energy Agency and a larger-than-expected reduction in domestic crude oil inventories,” supported Brent’s price today, SPI Asset Management’s managing partner Stephen Innes said.

Downward pressure:

Brent futures felt some downward pressure as the oil market speculated about the US Federal Reserve's interest rate cut policy for 2024, market analysts said.

“Uncertainty over the path the Fed takes this year with monetary policy continues to weigh on risk assets, including commodities,” said two analysts from ING Bank.

Earlier this week, comments from Fed officials weighed down on market expectations of interest rate cuts in the first quarter of 2024.

Higher interest rates potentially impact consumer spending, especially on commodities including oil, which in turn dampens demand growth.

Brent’s gain was also capped as the Red Sea conflict so far has not impacted any physical oil flows in the region. “For now, price action in oil suggests that the market is assuming we do not see an escalation in the situation,” ING’s analysts added.

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