

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

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LSMGO and HSFO prices in East of Suez ports have moved down, and bunker operations have remained suspended in Zhoushan since Saturday due to rough weather conditions.

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

- **VLSFO prices up in Singapore (\$9/mt), unchanged in Fujairah, and down in Zhoushan (\$21/mt)**
- **LSMGO prices down in Zhoushan (\$21/mt), Fujairah (\$13/mt) and Singapore (\$12/mt)**
- **HSFO prices down in Fujairah (\$26/mt), Singapore (\$10/mt) and Zhoushan (\$7/mt)**

In the East of Suez ports, VLSFO benchmarks have displayed varying trends. Singapore's VLSFO prices rose, to erase its discount to Zhoushan and flip it to a marginal premium of \$4/mt. Additionally, Singapore's VLSFO premium over Fujairah has widened to \$19/mt.

Meanwhile, LSMGO prices in major Asian bunker hubs, particularly Zhoushan, experienced a sharp decline.

VLSFO availability remains tight in Singapore, with several suppliers struggling to meet delivery schedules, leading to extended lead times of two weeks. HSFO availability has also tightened, with lead times now approaching two weeks. In contrast, LSMGO remains readily available, with short lead times of 3-5 days.

VLSFO availability in Zhoushan has improved. Lead times for the grade have come down from seven days, to 3-5 days now. However, bunker operations in Zhoushan are temporarily suspended due to adverse weather conditions. Operations are expected to resume fully on Thursday, when calmer weather is forecast.

Meanwhile, Hong Kong grapples with supply shortages, resulting in nearly two-week lead times. In the Malaysian Port Klang, both VLSFO and LSMGO availability is tight. Most suppliers are recommending lead times of around 13 days for deliveries there.

## **Brent**

The front-month ICE Brent contract moved \$1.48/bbl lower on the day from Friday, to trade at \$77.95/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

The escalation of the Israel-Hamas conflict into a broader geopolitical confrontation has raised concerns about potential oil supply disruptions in the Middle East.

On Saturday, the US Navy took down another Houthi-controlled anti-ship ballistic missile, which was about to be launched towards the Gulf of Aden, US Central Command (CENTCOM) said.

Oil supply disruption concerns also resurfaced after an alleged Ukrainian airstrike caused a fire at a Russian fuel export terminal in the Baltic Sea. Russian energy company Novatek said on Sunday that it has suspended some operations at the terminal due to the fire.

### **Downward pressure:**

The International Energy Agency's (IEA) projection of a slowdown in oil demand growth has reversed Brent futures previous gains. According to IEA, global oil demand is set to grow by just 1.2 million b/d this year, compared to the 2.3 million b/d growth in 2023, which has raised bearish sentiment in the market.

The Paris-headquartered energy agency attributes the drop in demand to a sluggish post-COVID recovery. "The IEA latest monthly oil market report was somewhat bearish," ING Bank's analysts said.

Meanwhile, the IEA expects global oil supply to grow by 1.5 million b/d this year, driven by non-OPEC+ production growth.

"The IEA sees a substantial surplus in the oil market if OPEC+ unwind their current voluntary cuts in 2Q24 [second quarter of 2024]," the analysts added.

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