ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved up, and prompt availability for all grades has come under pressure in Zhoushan.

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

- **VLSFO prices up in Singapore and Zhoushan ($17/mt), and Fujairah ($4/mt)**
- **LSMGO prices up in Fujairah ($15/mt), Zhoushan ($12/mt) and Singapore ($9/mt)**
- **HSFO prices up in Fujairah ($9/mt), Zhoushan ($7/mt) and Singapore ($6/mt)**

VLSFO benchmarks have gained for a second consecutive day in the East of Suez ports. Singapore and Zhoushan witnessed a $17/mt increase in VLSFO prices, while Fujairah saw a more modest rise of $4/mt.

Three higher-priced VLSFO stems fixed in Singapore in a price range of $13/mt have resulted to push the grade's price higher. In Zhoushan, two VLSFO stems were fixed in a price range of $16/mt, with one stem at the higher end, pushing the benchmark higher. Zhoushan's VLSFO premium over Fujairah is $29/mt, while its VLSFO is at parity with Singapore.

Meanwhile, LSMGO and HSFO prices in major Asian bunker hubs have risen in the past day. Zhoushan maintains elevated HSFO prices compared to Fujairah and Singapore, with HSFO premiums at $50/mt and $8/mt, respectively.

Recent weather-related disruptions in Zhoushan have triggered bunker backlogs and delivery delays, with some suppliers advising lead times of 4-7 days. In Dalian, VLSFO and LSMGO supply tightness persists, while the Southern Chinese ports of Shanghai, Xiamen, and Guangzhou face tight availability for VLSFO and LSMGO. Shanghai is also grappling with HSFO supply shortages.

In Omani ports, including Sohar, Salalah, Duqm and Muscat, have prompt LSMGO available.

Brent

Front-month ICE Brent has gained $1.23/bbl on the day, to $81.97/bbl at 17.00 SGT (09.00 GMT). The futures contract is on track for a 4% increase over its settlement level last week, as stronger US economic growth eases concerns about a recession.

Upward pressure:

Brent prices gained after the US reported an economic growth rate of 3.3% in the fourth quarter of 2023. This was much greater than a Reuters poll estimate of 2% growth. The stronger-than-expected growth in the US economy has eased some concerns about a recession and raised expectations of interest cuts from the US Federal Reserve (Fed).

The Fed is likely to wait until the second quarter of this year before deciding whether to cut interest rates, according to the majority of economists polled by Reuters. They think the Fed is likely to cut interest rates by June.

Lower interest rates typically boost economic activity, leading to stronger demand for oil.

The latest weekly figures from the Energy Information Administration (EIA), showed that US refineries processed less crude oil last week. US crude oil refinery input averaged 15.3 million b/d during the week ending 19 January, down by 1.4 million b/d compared to the previous week's average.

An Arctic storm has hindered refinery utilisation and curbed production at US refineries. Some argue that the harsh winter could further curtail production. This may lead to a supply crunch at a time when heating demand is high.

Downward pressure:

The Chinese government is urging Iran to assist in stopping the attacks in the Red Sea, Reuters reported citing sources from Iran. China has a strong relationship with Iran, which allegedly supports the Houthi militia that has constantly attacked vessels in the Red Sea.

If China persuades Iran to ease tensions in the Red Sea, it could reduce concerns about potential oil flow disruptions and exert downward pressure on Brent. US and British naval vessels are deployed in the Red Sea, but they have been unable to prevent all attacks on vessels in the area.

While major shipping firms avoid using the Red Sea, Saudi Arabia’s oil producer Aramco has continued to send loaded tankers through the southern part of the Red Sea, Bloomberg reported.

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