

MARKET UPDATE EAST OF SUEZ

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ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved up, and availability across all grades has tightened in Zhoushan.

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

- **VLSFO prices up in Zhoushan (\$14/mt), Singapore (\$10/mt) and Fujairah (\$5/mt)**
- **LSMGO prices up in Zhoushan (\$23/mt), Singapore (\$5/mt) and Fujairah (\$2/mt)**
- **HSFO prices up in Fujairah (\$11/mt), Zhoushan (\$9/mt) and Singapore (\$3/mt)**

Bunker benchmarks in the East of Suez ports have closely mirrored Brent's upward trajectory, with Zhoushan's VLSFO price rising by a notable \$14/mt over the weekend. This steep rise has led to premiums of \$38/mt and \$33/mt over Fujairah and Singapore, respectively.

Zhoushan faces tightened availability across all grades due to low stocks among several suppliers. Additionally, recent weather disruptions have made the situation worse, causing bunker backlogs and longer lead times. Lead time for VLSFO and LSMGO has increased from 3-5 days to 5-8 days. HSFO, on the other hand, now requires a lead time of 7-8 days.

Singapore also grapples with tight VLSFO availability, resulting in almost two weeks of lead time for the grade. Lead times for HSFO are approaching two weeks, while LSMGO lead times have increased from 3-5 days to 4-7 days. Meanwhile, Port Klang in Malaysia faces constrained availability for VLSFO and LSMGO, with lead times of around 18 days recommended. Some suppliers are also nearing the depletion of HSFO stocks.

Additionally, adverse weather forecasts for Subic Bay in the Philippines, Ho Chi Minh in Vietnam, and Tauranga in New Zealand between late January and early February raise concerns about potential disruptions to bunkering operations in these ports.

Brent

Front-month ICE Brent has climbed \$1.51/bbl higher on the day from Friday, to \$83.48/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have surged amid expectations that tensions between the US and the Middle East will further escalate following yesterday's aerial attack on US forces near the Syrian border.

US President Joe Biden attributed the aerial attacks to "radical Iran-backed militant groups operating in Syria and Iraq" and announced that the US will "hold all those responsible to account at a time and in a manner our choosing", in an official statement.

Concerns of oil supply disruptions have heightened after a Trafigura-operated tanker was struck by a Houthi missile in the Gulf of Aden on Saturday. The US retaliated by launching airstrikes in Houthi-controlled areas in Yemen, confirmed the US Central Command.

"It still does not threaten the quantum of oil flows out of the Middle East but may prompt a full switch away for oil shipments from the Red Sea to travel the much longer route via the Cape of Good Hope," oil analyst and chief executive of Vanda Insights, Vandana Hari said regarding the Trafigura tanker attack.

Tighter US crude oil inventories have also supported Brent's recent gains. Commercial US crude inventories fell by 9.2 million bbls on the week, to 420.68 million bbls on 19 January, according to the Energy Information Administration.

Downward pressure:

Speculations about a global economic slowdown this year could undermine Brent's upside potential.

Nearly 56% of global chief economists expect the overall global economy to "weaken" in 2024, a World Economic Forum (WEF) survey finds. Seven out of 10 respondents estimate that the "pace of geoeconomic fragmentation will accelerate" in 2024, the WEF report has said.

Around 31% of respondents expect weak economic growth in China as "weak consumption, lower industrial production and property market concerns weigh on the prospects of a stronger rebound," according to the WEF report. Weak economic growth is also seen in the US and Europe.

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