

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have increased, and bunker demand has been low at several Japanese ports.

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

- **VLSFO prices up in Zhoushan (\$21/mt), Singapore and Fujairah (\$3/mt)**
- **LSMGO prices up in Fujairah (\$30/mt), Zhoushan (\$6/mt) and Singapore (\$4/mt)**
- **HSFO prices up in Singapore (\$7/mt), Fujairah (\$3/mt) and Zhoushan (\$2/mt)**

In the past day, Singapore and Zhoushan's VLSFO prices remained largely stable, except for Zhoushan, which increased by \$21/mt. A higher-priced VLSFO indication has supported the benchmark's steep gain. As a result, Zhoushan's VLSFO price discount to Singapore's VLSFO has now flipped to a premium of \$12/mt. Its VLSFO premium over Fujairah also widened by \$18/mt to a notable \$50/mt.

Zhoushan faces tightened availability across all grades due to low stocks among suppliers. Recent weather disruptions have added to the supply tightness, causing bunker backlogs and longer lead times. Lead times for VLSFO and LSMGO have increased from 3-5 days to 5-8 days. HSFO now requires a lead time of 7-8 days.

In Japan, sluggish bunker demand persists due to elevated prices, limited cargo availability, and winter-induced adverse weather. Tokyo currently holds a VLSFO premium of \$14/mt over Singapore, and \$2/mt over Zhoushan. Varied lead times are recommended across key Japanese ports, ranging from six days in Tokyo, Chiba, Osaka, and Kobe, to longer periods of 11-13 days in Mizushima and Oita.

Meanwhile, Zhoushan and Singapore's LSMGO prices remained rangebound, while Fujairah's rose by \$30/mt. Fujairah's LSMGO premiums over Singapore and Zhoushan now stand at \$101/mt and \$73/mt, respectively.

Despite a decline in demand due to the ongoing Red Sea crisis, prompt availability remains tight for all grades in Fujairah. Lead times of 7-10 days are recommended for all grades - almost unchanged from the previous week.

Brent

Front-month ICE Brent has inched \$0.13/bbl higher on the day, to \$82.47/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Market watchers are bracing for an escalation in the Middle East crisis and a potential supply disruption in the oil market. Despite the US' repeated assurance that it is "not looking for a war with Iran," the situation remains tense.

Joe Biden told a CNN reporter that he has decided his response to the attacks on US troops in Jordan. Iran's UN representative, Amir Saeid Iravani replied by saying that any attack on the country will be met with a decisive response, Iranian state-run news agency IRNA reports.

"Not only is the market bracing for a response from the Biden administration on the drone attack in Jordan that was executed by an Iranian-backed group, but also if Biden makes good on the threat to reimpose sanctions on Venezuela and the Maduro regime," Phil Flynn, commodity analyst at The PRICE Futures Group writes. "This, along with the increasing risk from geopolitical events, could cause a quick run for the exits by hedge funds that continue to favor the short side of the market," he adds.

US crude oil stocks are estimated to drop another 2.5 million bbls in the week ended 26 January, after a massive 9.2-million-bbl decline in the previous week, according to Trading Economics citing American Petroleum Institute (API) estimates.

Downward pressure:

Brent's upside gains remain threatened by China's growing real estate debt crisis. If the situation worsens, it could hinder China's economic growth and harm its oil demand prospects.

Saudi Arabia has directed state-owned Aramco to maintain production capacity at 12 million b/d, which is lower than its planned target of 13 million b/d for 2027. This decision could raise concerns around global demand uncertainty and act as a downward pressure on Brent's price.

It also remains unclear whether other OPEC producers will follow Saudi Arabia to call off production expansion plans. The UAE has set a target to expand production capacity to 5 million b/d by 2027. Its production capacity was around 4.23 million b/d as of December, according to the International Energy Agency.

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