

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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Most prices in East of Suez ports have moved down, and availability across all grades has improved in Hong Kong.

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

- **VLSFO prices down in Zhoushan (\$22/mt), Singapore (\$18/mt) and Fujairah (\$16/mt)**
- **LSMGO prices down in Zhoushan (\$28/mt), Fujairah (\$25/mt) and Singapore (\$20/mt)**
- **HSFO prices up in Fujairah (\$3/mt), and down in Singapore (\$12/mt) and Zhoushan (\$4/mt)**

In the East of Suez ports, VLSFO benchmarks have mirrored Brent's recent decline and fell sharply in the past day. VLSFO prices in key Asian bunker hubs have seen declines, ranging between \$16-22/mt. Of which, Zhoushan's VLSFO price dropped the most amid downward pressure from two lower-priced VLSFO stems fixed in a range of \$4/mt in the past day. Despite this decline, Zhoushan maintains VLSFO premiums over Fujairah and Singapore at \$44/mt and \$8/mt, respectively.

Availability is tight across all grades in Zhoushan, as some suppliers are running low on stocks. Tighter supply has increased lead times for VLSFO and LSMGO from 3-5 days to 5-8 days. HSFO requires a longer lead time of 7-8 days.

Meanwhile, availability has slightly improved in Hong Kong, where lead times of 10 days are now recommended, down from 14 days. Supply has also improved in Malaysia's Port Klang port, with prompt supply available now. Several suppliers were recommending lead times of around two weeks for VLSFO and LSMGO in the earlier part of this week.

Meanwhile, Singapore and Zhoushan's HSFO prices have dipped some in the past day, but Fujairah's has remained broadly steady. Despite Fujairah maintaining steady HSFO prices, it continues to price its HSFO lower than Zhoushan and Singapore's HSFO prices.

Prompt availability remains tight in Fujairah, despite a drop in demand due to the ongoing Red Sea crisis. Recommended lead times are about 7-10 days, almost unchanged from the previous week.

Brent

Front-month ICE Brent slips \$1.65/bbl lower on the day, to \$80.82/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

China's upcoming Spring Festival is expected to spur higher outbound travel from China, which will drive some oil demand in the country. The Chinese transport ministry has estimated that nearly 9 billion trips will be taken over the seven-day festival, "including on railways, roads, waterways and air travel."

Commercial ships passing through the Red Sea continue to be attacked by the Houthis, now in the third month of conflict. Brent faces further upside risk if the conflict escalates or if disruptions occur in the Strait of Hormuz, a key conduit for global oil trade.

The oil market is seeing some signs of disruption as more tankers avoid the Suez Canal transits and reroute via the Cape of Good Hope. January saw an average of 15 tankers/day passing through the Suez Canal, compared to 22/day in December. A record low of 8-9/day was seen between 26-27 January, according to IMF's PortWatch data.

Downward pressure:

Commercial US crude inventories rose by 1.23 million bbls on the week, to 421.91 million bbls on 26 January, according to the US Energy Information Administration. The weekly stock build ran counter to the American Petroleum Institute's (API) projection of 2.5 million bbls draw.

Spring Festival may bring temporary respite to China's oil demand prospects, but underlying issues surrounding the country's real estate debt crisis remain a concern for its overall economic backdrop.

Saudi Arabia's decision to halt its capacity expansion raises doubts about the kingdom's long-term expectations for global oil demand and could signal changes in the global oil dynamics, says Stephen Innes, managing partner at SPI Asset Management. "Factors such as evolving energy transition policies, growing renewable energy investments, and climate change concerns could influence Saudi Arabia's strategic decisions regarding oil production capacity," he adds.

The US Federal Reserve (Fed) has left its key interest rate unchanged, and Fed Chair Jerome Powell has hinted that a rate cut in March may not be likely. Fed's unchanged interest rates could exert downward pressure on Brent's price, as it can make borrowing less attractive and decrease investor confidence, which can result in decreased oil demand.

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