

# 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 VLSFO and HSFO availability remains tight in Singapore.

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

- **VLSFO prices down in Singapore (\$18/mt), Zhoushan (\$16/mt) and Fujairah (\$14/mt)**
- **LSMGO prices down in Fujairah (\$8/mt), Singapore (\$6/mt) and Zhoushan (\$4/mt)**
- **HSFO prices up in Fujairah (\$2/mt), and down in Singapore (\$25/mt) and Zhoushan (\$10/mt)**

VLSFO prices have declined for the second consecutive day in the East of Suez ports. Singapore's VLSFO price drop has been greater than the other two ports. A total of four VLSFO stems were fixed in Singapore in a wide range of \$35/mt, with one stem at the lower end of the range contributing to drag the benchmark down. Singapore's VLSFO premium over Fujairah remains at \$32/mt, and its discount to Zhoushan is \$10/mt.

Despite average demand this week, Singapore grapples with tight VLSFO availability. As a result, recommended lead times are now approaching almost two weeks. At least four suppliers are facing challenges in meeting delivery schedules, a source says. HSFO lead times vary widely between 5-11 days - unchanged from the previous week. Meanwhile, lead times for LSMGO vary widely between 3-12 days.

In South Korean ports, lead times for all grades fluctuate between 5-10 days despite low bunker demand. There are concerns regarding potential bunker supply disruptions due to anticipated high winds and waves in the South Korean ports of Ulsan, Onsan, Busan, Daesan, Taean, and Yeosu in the earlier part of the next week. Meanwhile, Sri Lanka's Colombo maintains abundant availability for all three bunker fuel grades.

## **Brent**

Front-month ICE Brent has plunged by \$2.16/bbl on the day, to \$78.66/bbl at 17.00 SGT (09.00 GMT). The futures contract is on track for over 5% loss over its settlement level last week.

### **Upward pressure:**

Brent dropped sharply after reports citing Qatari officials claimed that Israel had agreed to a Gaza ceasefire proposal. The benchmark, however, found some support as the reports were later quashed by Reuters citing Qatari officials.

Reuters reported that Hamas received the proposal but had yet to respond, citing a Qatari official and Taher Al-Nono, media adviser to Hamas chief Ismail Haniyeh. A Palestinian official told Reuters that "Hamas was unlikely to reject the proposal outright, but would demand guarantees that fighting would not resume, something Israel has not agreed to."

The upcoming Spring Festival in China is expected to boost some oil demand in the country. China's transport ministry predicts nearly 9 billion trips over the seven-day festival - across rail, road, water, and air.

### **Downward pressure:**

The ghosts of the 2023 banking crisis in the US have resurfaced after New York Community Bancorp (NYCB) announced a staggering \$260 million quarterly loss for the fourth quarter. The share price of NYCB - touted as the saviour of last year's casualty Signature Bank - plunged 46% in the aftermath of the results, further alarming oil investors.

"The overbought oil market took its eyes off the fundamentals as those old banking stability concerns crept back in. Oil historically performs miserably when bank solvency issues arise and while petroleum mostly shook off the liquidation of China's massively in-debt real estate developer Evergrande, when the issue hit closer to home, the hedge funds took notice," Phil Flynn, senior analyst at The PRICE Futures Group says.

The number of oil rigs extracting crude oil in the US rose by two units to 499 last week, Baker Hughes has reported. Rising oil production in the US has "frustrated efforts by Saudi Arabia and its allies in OPEC+ to drain global oil inventories and boost prices," Reuters analyst, John Kemp has written in a column.

Brent's upside gains have been capped by concerns over China's economic growth in the near term and tensions surrounding its real estate debt crisis. "China has been taking supportive measures to help the faltering economy. However, there are still no clear indications of a strong demand revival," ING's head of commodity strategy, Warren Patterson says.

*By Tuhin Roy and Konica Bhatt*

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