

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

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VLSFO prices in the East of Suez ports have come down, and prompt availability remains tight in Fujairah.

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

- **VLSFO prices down in Fujairah (\$9/mt), Zhoushan (\$3/mt) and Singapore (\$1/mt)**
- **LSMGO prices up in Singapore (\$11/mt) and Zhoushan (\$1/mt), and down in Fujairah (\$4/mt)**
- **HSFO prices up in Singapore (\$2/mt), unchanged in Fujairah, and down in Zhoushan (\$14/mt)**

In the East of Suez ports, VLSFO benchmarks have shown a contrasting trend to Brent's upward movement, with prices dipping in the past day. Fujairah's VLSFO price saw the steepest decline, partly because of three lower-priced VLSFO stems fixed in the port in a wide range of \$17/mt. Currently, Fujairah's VLSFO discounts to Zhoushan and Singapore have widened by \$6/mt and \$8/mt, respectively, to \$48/mt and \$27/mt.

Fujairah's LSMGO price has also dipped marginally, while Singapore and Zhoushan's increased in the past day. Despite Fujairah's LSMGO price decline, it maintains its LSMGO premiums of \$93/mt and \$48/mt over Singapore and Zhoushan, respectively. Meanwhile, HSFO prices across all three major Asian ports have moved in mixed directions.

Prompt availability remains tight across all grades in Fujairah, despite lower demand due to the ongoing Red Sea crisis. However, some suppliers can still provide prompt stems.

Meanwhile, adverse weather conditions in South Korean ports have impacted bunker demand and extended lead times for deliveries. Lead times for HSFO have increased from 5-10 days last week to 8-11 days now, while VLSFO and LSMGO lead times vary widely between 3-10 days. Several South Korean ports, including Ulsan, Onsan, Busan, Daesan, Taean, and Yeosu, may face intermittent disruptions over the weekend due to anticipated high waves, impacting bunkering.

Additionally, adverse weather conditions are predicted in Singapore, Hong Kong, the Thai ports of Koh Sichang and Leam Chabang, the Vietnamese port of Ho Chi Minh, and the Kiwi port of Tauranga over the weekend, posing potential challenges for bunker deliveries.

Brent

The front-month ICE Brent contract gained \$1.12/bbl on the day, to trade at \$79.02/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures gained some after the American Petroleum Institute (API) and oil market analysts projected a rise in US crude inventories.

The API has reported a modest rise of 674,000 bbls in US crude inventories in the week ending 2 February, which is much lower than the increase of 2.13 million bbls projected by oil market analysts.

Brent prices gained further after the US Energy Information Administration (EIA) stated in its latest oil market report that it anticipates OPEC+ output cuts in the first quarter of 2024 will lead to a global inventory draw.

“The recent session saw oil [Brent] futures closing higher following the U.S. Energy Information Administration's (EIA) announcement regarding OPEC+ production cuts,” said SPI Asset Management’s managing partner Stephen Innes.

In December, the Organisation of the Petroleum Exporting Countries and its allies (OPEC+) decided to deepen voluntary production cuts to 2.2 million b/d from January to March.

Downward pressure:

Diplomats from the US, Qatar, and Egypt are proactively urging for an immediate ceasefire in the Gaza Strip. This could bring back peace in global shipping lanes, including the Suez Canal and the Bab al-Mandeb Strait, while capping Brent’s upward gains.

The visit of US Secretary of State Anthony Blinken to Israel on Tuesday, after engaging with mediators from Qatar and Egypt to deliberate on a ceasefire plan for the Israel-Hamas conflict, as reported by Reuters, has heightened speculations about an imminent ceasefire agreement.

Iran-backed Hamas militants have also put forward a proposal to halt the conflict and release all hostages to Israel on the condition that Israel withdraws its defence forces from Gaza, Reuters reported, citing a draft document.

According to the document, Hamas has proposed a three-phase plan for the ceasefire, with each phase spanning 45 days and ultimately resulting in a truce.

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