ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved up, and availability of all grades remains good in Hong Kong.

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

- **VLSFO prices up in Fujairah ($17/mt), Singapore ($16/mt) and Zhoushan ($15/mt)**
- **LSMGO prices up in Fujairah ($22/mt), Zhoushan ($20/mt) and Singapore ($12/mt)**
- **HSFO prices up in Zhoushan ($12/mt), Fujairah ($10/mt) and Singapore ($7/mt)**

In the East of Suez ports, bunker prices have followed Brent's upward trend, with VLSFO prices in major Asian hubs experiencing a notable increase of $15-17/mt. Among these ports, Fujairah has seen the most significant rise, partly driven by higher-priced VLSFO indications. Despite this increase, Fujairah's VLSFO prices remain cheaper compared to Zhoushan and Singapore, at $41/mt and $21/mt, respectively.

Despite a slight decline in bunker demand caused by the ongoing Red Sea crisis, prompt availability for all grades in Fujairah remains constrained. Lead times of 7-10 days are recommended, though some suppliers can still offer prompt stems.

In Singapore, VLSFO availability remains tight, with some suppliers facing challenges in meeting delivery schedules and recommending lead times of nearly 12 days. Similar constraints are observed for HSFO supply, with lead times ranging from 9-12 days. However, LSMGO supply remains normal, with shorter lead times of 4-8 days.

Due to congestion and tight schedules in Singapore, some vessels have opted to bunker at alternative ports such as Hong Kong and Malaysia’s Port Klang. Availability of all grades has improved in Hong Kong even after a spike in demand, with lead times coming down from 10 days last week to around seven days now.

Meanwhile, the availability of VLSFO and LSMGO has improved in Port Klang as well, with prompt supply available. Last week, several suppliers recommended lead times of almost 14 days. However, HSFO continues to remain under pressure in the port.

Brent

Front-month ICE Brent has surged by $2.28/bbl on the day, to $81.58/bbl at 17.00 SGT (09.00 GMT). The futures contract is on track for a 5% gain over its settlement level last week.

Upward pressure:

Brent levels have moved higher this week after Israel rejected Gaza's ceasefire offer. Israeli Prime Minister Benjamin Netanyahu called the offer "delusional" and vowed to fight until "absolute victory" over Hamas has been achieved. Since then, Israeli military operations in Gaza have intensified, with reports of bombings in Rafah yesterday, Reuters reported.

Oil market was hoping for a ceasefire agreement following multiple peace talks facilitated by Qatar and Egypt. The Israeli rejection has prompted market participants to increase their long positions in Brent futures, pushing crude spot prices higher, ANZ commodities strategist Daniel Hynes says.

It coincides with a worsening shipping situation in the Red Sea, Hynes points out. Escalating tensions have raised concerns about how the Houthi militia will respond, especially given its history of targeting vessels in the Red Sea in response to Israeli actions in Gaza.

Downward pressure:

Ukrainian drone attacks on several Russian oil infrastructure locations have dented the country's refining capability, forcing Russia to export more unfinished crude oil to clear a growing crude stockpile, Reuters reported citing analysts. This could impact its pledge to curb crude oil exports under the OPEC+ deal.

Last year, Russia pledged to reduce its crude oil exports by 500,000 b/d during the first quarter of this year. Analysts suggest that Russia may find it difficult to adhere to this strategy because unrefined crude stocks have piled up and because its refining capacity has now become more constrained.

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