ENGINE: East of Suez Physical Bunker Market Update

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Most prices in East of Suez have been rangebound, and bad weather disrupts bunker operations in Fujairah and Sohar.

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

- **VLSFO prices up in Singapore ($1/mt), and down in Zhoushan ($5/mt) and Fujairah ($1/mt)**
- **LSMGO prices up in Singapore ($3/mt) and Fujairah ($1/mt), and down in Zhoushan ($13/mt)**
- **HSFO prices up in Singapore ($1/mt), unchanged in Fujairah, and down in Zhoushan ($6/mt)**

VLSFO benchmarks in the East of Suez have largely remained stable over the weekend. In Zhoushan, VLSFO prices have remained higher compared to both Fujairah and Singapore. The port's VLSFO premiums over Fujairah and Singapore stand at $37/mt and $14/mt, respectively.

Several suppliers in Fujairah have suspended bunker operations because of adverse weather conditions. Meanwhile, some suppliers can still deliver bunker stems, but these deliveries depend on weather conditions. The port is currently experiencing wind gusts of 17-18 knots and swells exceeding one meter. Calmer weather by Wednesday may allow bunker operations to normalise in Fujairah.

Lead times of 7-10 days are recommended for all grades in the UAE port.

Similarly, in the Omani port of Sohar, rough weather has compelled some suppliers to suspend bunker operations. But some are still delivering stems by trucks, subject to weather conditions.

Zhoushan's LSMGO price has decreased by $13/mt, while Singapore and Fujairah's prices have largely remained unchanged. Despite Zhoushan's LSMGO experiencing a notable decline, it still holds a premium over Singapore at $31/mt, while its discount to Fujairah stands at $51/mt.

A trader says bunkering activities in Zhoushan have been subdued due to the Chinese Lunar New Year holidays. Most suppliers expect to resume operations next Monday after the holiday period. The earliest delivery dates with some suppliers in Zhoushan extend to 20 February because customs authorities are closed during the holidays.

Brent

The front-month ICE Brent contract moved $0.17/bbl higher on the day from Friday, to trade at $81.75/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures have remained above the $80/bbl mark, driven by increased oil supply concerns due to ongoing attacks on ships in the Red Sea.

The Organisation of the Petroleum Exporting Countries (OPEC) and its allies have continued rolling out their voluntary oil supply cuts through the first quarter of this year. "This comes as the oil industry warns of what we have been talking about for years, a coming energy shortage," said Price Futures Group's senior market analyst Phil Flynn.

Oil market will face a shortage in oil supply by the end of 2025 because the world is failing to replenish crude reserves fast enough, US-based oil exploration company Occidental's chief executive Vicki Hollub said in an interview with CNBC.

Meanwhile, OPEC expects total global oil demand to average 104.4 million b/d in 2024, "bolstered by strong air travel demand and healthy road mobility, including on-road diesel and trucking," it said in its latest report.

Downward pressure:

Brent's gains were partially capped by reports of Israel concluding its ground offensive in southern Gaza. About 1.5 million people are sheltering in that part of the city, according to the BBC.

The Israel Defense Forces (IDF) said it ceased a "series of strikes" south of the Gaza Strip, Reuters reported. This news comes days after the country's Prime Minister Benjamin Netanyahu refused any talks of a ceasefire.

Brent futures faced some downward pressure last week due to talks of a ceasefire between Israel and Iran-backed Hamas militants. Prices have since rebounded after Israel turned down the ceasefire proposal.

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