

# MARKET UPDATE EAST OF SUEZ

ENGINE



## ENGINE: East of Suez Physical Bunker Market Update

13/02/24

Prices have moved in mixed directions in the East of Suez ports, and prompt availability across all grades remains tight in Fujairah.

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

- **VLSFO prices up in Fujairah (\$15/mt) and Singapore (\$7/mt), and down in Zhoushan (\$12/mt)**
- **LSMGO prices up in Singapore (\$13/mt) and Fujairah (\$2/mt), and unchanged in Zhoushan**
- **HSFO prices up in Singapore (\$9/mt) and Fujairah (\$1/mt), and down in Zhoushan (\$2/mt)**

Fujairah and Singapore's VLSFO prices have gained in the past day, while Zhoushan's VLSFO prices declined. The VLSFO price decline in the Chinese bunkering hub has meant that its VLSFO premium over Singapore's VLSFO has slipped to a marginal premium of \$5/mt and \$10/mt over Fujairah's.

Bunkering activities in Zhoushan have slowed down due to the Chinese Lunar New Year holidays. Most suppliers are anticipated to resume activities post-holiday, potentially by Monday. Meanwhile, some suppliers in Zhoushan have extended their delivery dates, stretching as far as 20 February. This extension is primarily due to the closure of customs authorities during the holidays.

Moving to the Middle East, prompt availability remains exceptionally constrained for all grades in Fujairah. Adverse weather conditions since Sunday have prompted several suppliers in Fujairah to halt bunker operations, although some can still deliver based on prevailing weather conditions.

Fujairah is currently experiencing swells up to a meter, impacting operations. Calmer weather conditions starting tomorrow are expected to normalise bunker operations and help to clear backlogs. Recent weather-related disruptions have caused severe bunker backlogs and delivery delays. Lead times of 7-10 days are recommended for all grades in Fujairah. Similarly, prompt availability is tight in the UAE port of Khor Fakkan, where similar lead times are advised for all grades.

Port operations at the UAE port of Jebel Ali resumed last night after a brief suspension yesterday, as reported by GAC Hot Port News.

## **Brent**

The front-month ICE Brent contract gained \$0.32/bbl on the day, to trade at \$82.07/bbl at 17.00 SGT (09.00 GMT).

### **Upward pressure:**

The Israel and Hamas conflict, which has gradually evolved into a broader geopolitical issue, has supported Brent's upward trajectory.

Brent prices moved higher after Yemen's Houthis launched two airstrikes yesterday at a Marshall Islands-flagged cargo vessel, M/V Star Iris, transiting the Red Sea. The ship was carrying corn from Brazil and was en route to Iran, the US Central Command (CENTCOM) said.

Oil market analysts have indicated that potential actions by the US to escalate oil sanctions against Iran in response to its support for Houthis could lead to further price increases.

"Geopolitical incidents also provided support to crude prices despite the building inventory in the United States and low refinery utilization," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, Iraq's oil minister Hayan Abdel-Ghani, reiterated on Monday that the country is committed to OPEC's decisions on voluntary output cuts, Reuters reported. Iraq currently exports about 3.35–3.40 million b/d of oil, he said.

### **Downward pressure:**

Speculations about potential interest rate cuts by the US Federal Reserve (Fed) this year have partially capped Brent's gains.

The Fed, in its January survey of consumer expectations, indicated that inflation forecasts for one year and five years ahead remained steady at 3% and 2.5%, respectively, Reuters reported. The surveyors are expecting a relatively stable inflation outlook, although both projections remain above the Fed's 2% target.

A higher-than-expected inflation rate could stop the Fed from cutting interest rates in its upcoming sessions and, in turn, dampen global oil demand. Data on US inflation will be out today, and the Euro Zone's Gross Domestic Product (GDP) data is scheduled for Wednesday.

*By Tuhin Roy and Aparupa Mazumder*

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