ENGINE: East of Suez Physical Bunker Market Update

14/02/24

Regional bunker benchmarks have taken mixed directions, and bunker demand has slowed in Japanese ports.

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

- **VLSFO prices up in Zhoushan ($22/mt), Fujairah ($5/mt) and Singapore ($3/mt)**
- **LSMGO prices up in Singapore ($12/mt), and down in Fujairah ($22/mt)**
- **HSFO prices down in Fujairah ($11/mt) and Singapore ($5/mt)**

Fujairah's HSFO price drop has outpaced that of Singapore. One lower-priced 1,500 mt stem fixed at $419/mt yesterday has dragged Fujairah's HSFO price lower. The port's HSFO discount to Singapore has widened from $18/mt yesterday, to $24/mt now.

Securing grades for very prompt dates is difficult in the Japanese port of Tokyo. One major supplier has limited supply available, which has added pressure on others' supply. Lead times of up to five days are generally recommended for all three bunker grades.

Overall, bunker demand has been sluggish in Tokyo and other Japanese ports. Some attribute this to both high bunker prices and adverse weather conditions. Tokyo's VLSFO price has increased by $22/mt over the past week, surpassing Singapore and Busan's gains of $13/mt during the same period.

Currently, Tokyo's VLSFO price is $32/mt higher than both Zhoushan and Busan's VLSFO prices, a significant shift from parity levels seen in early January.

VLSFO and LSMGO grades are very tight in Djibouti. Bunkering is going ahead as normal in the port despite the ongoing conflict in the Red Sea. Ships passing through the area typically find it safer to lift bunkers in Djibouti because of the strong naval presence there, a trader claims. However, bunkering of naval ships is often prioritised over commercial ships, causing bunker delays for commercial ships, another source says.

Brent

The front-month ICE Brent contract has gained $0.71/bbl on the day, to trade at $82.78/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures moved higher due to strong global oil demand growth projections from market analysts.

“The market is heading into refinery maintenance season.., but ultimately the demand globally for oil will continue to be strong,” Price Futures Group’s senior market analyst Phil Flynn said.

The Organisation of the Petroleum Exporting Countries (OPEC) Secretary General Haitham Al Ghais sees global oil demand for 2024 to be robust, despite Saudi Arabia’s decision to delay oil capacity expansion plans, Reuters reported.

"First of all I want to be clear I cannot comment on a Saudi decision ... but this is in no way to be misconstrued as a view that [oil] demand is falling," Haitham Al Ghais told Reuters at the World Governments Summit.

In its latest oil market report, OPEC stated that it anticipates global oil demand growth for 2024 to remain at 2.2 million b/d, consistent with the assessment from the previous month.

Downward pressure:

Downward pressures acting on Brent’s price today include a massive build-up in commercial US crude stocks.

The US crude inventories soared by a massive 8.52 million bbls in the week ended 9 February, according to the American Petroleum Institute (API). In contrast, oil market analysts anticipate a more modest increase of 2.6 million bbls in crude stocks.

Meanwhile, Brent gains were also capped by hotter-than-anticipated US inflation data released yesterday. The US Consumer Price Index (CPI) rose 0.3% month-on-month in January, surpassing analysts' expectations of 0.2%, Reuters reported.

Oil market analysts are now predicting that the US Federal Reserve (Fed) will delay interest rate cuts this year, subsequently reducing oil demand growth. Higher interest rates can put further downward pressure on Brent as it affects consumer spending and fuel demand.

“You can forget about a March rate cut; there's no chance of that now,” said SPI Asset Management’s managing partner Stephen Innes. “It's unlikely that the Federal Reserve will cut interest rates in May,” he added.

By Nithin Chandran and Aparupa Mazumder