ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved down, and prompt availability remains tight in the UAE ports of Fujairah and Khor Fakkan.

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

- **VLSFO prices down in Zhoushan ($22/mt), Fujairah ($13/mt) and Singapore ($12/mt)**
- **LSMGO prices down in Zhoushan ($18/mt), Singapore ($17/mt) and Fujairah ($13/mt)**
- **HSFO prices down in Zhoushan ($15/mt), Fujairah ($4/mt) and Singapore ($2/mt)**

In the East of Suez ports, bunker benchmarks have mirrored Brent's downward trend and declined in the past day. VLSFO benchmarks in key Asian bunker hubs have dropped in the range of $12-22/mt, with Zhoushan prices dropping the most. Despite this sharp decrease, Zhoushan maintains VLSFO premiums of $18/mt and $4/mt over Fujairah and Singapore, respectively.

Bunkering activities have slowed in Zhoushan because of the Chinese Lunar New Year holidays. Most suppliers are expected to resume operations after the holiday period, potentially by Monday. However, some suppliers in Zhoushan are only able to supply stems for dates after 20 February due to customs authorities being closed during the holiday period.

The ongoing attacks on commercial ships in the Red Sea have prompted shipping companies to reroute their vessels around Africa instead of utilising the shorter Suez Canal route. Consequently, this change in shipping routes has gradually affected bunker demand in Middle Eastern ports, including Jeddah in Saudi Arabia and Fujairah in the UAE. Despite a decline in bunker demand in Jeddah, it continues to price its VLSFO at premiums of $42/mt and $35/mt over Fujairah and Khor Fakkan, respectively. Meanwhile, the availability of VLSFO and LSMGO remains good in Jeddah.

In Fujairah, adverse weather conditions persist and could impact deliveries for the remaining days of this week. These weather-related disruptions have led to severe bunker backlogs and delivery delays, with several suppliers recommending lead times of 7-10 days for all grades. Similarly, prompt availability is tight in the UAE port of Khor Fakkan, where similar lead times are advised for all grades. However, LSMGO remains readily available in the Omani ports of Salalah, Duqm, Sohar, and Muscat.

Brent

The front-month ICE Brent contract moved $1.22/bbl lower on the day, to trade at $81.56/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Strong oil demand projections from OPEC have exerted upward pressure on Brent prices. In its latest market report, the Organisation of the Petroleum Exporting Countries (OPEC) left its global oil demand forecast for this year unchanged at 2.2 million b/d.

“OPEC is quite aggressive with its demand growth forecasts,” said two analysts from ING Bank. The oil-producer group's demand growth projections for 2024 notably exceed the International Energy Agency's (IEA) forecast of 1.2 million b/d growth for the same period.

Meanwhile, OPEC reported that total crude oil output among its 12 core members declined by 350,000 b/d month-on-month to 26.3 million b/d. “Lower output was expected, given the additional voluntary cuts from a handful of members,” the analysts added.

OPEC members Kazakhstan and Iraq have announced plans to review their current output levels and compensate for any overproduction in January within the next four months. This initiative aims to honour the commitments made to the coalition, Reuters reported.

Downward pressure:

Brent shed the previous day’s gains after the US Energy Information Administration (EIA) reported a massive build in US crude stockpiles, bringing back worries about a lagging demand from one of the world's largest crude consumers.

Commercial crude oil inventories in the US increased by 12 million bbls to reach 439.45 million bbls on 9 February, according to the EIA. The weekly stock build was much bigger than the American Petroleum Institute's (API) projection of 8.52 million bbls build a day earlier.

“Oil prices reversed course due to a larger-than-anticipated increase in commercial stockpiles, while products registered accelerated losses due to a decline in demand,” said SPI Asset Management’s managing partner Stephen Innes.

The stock build was primarily because of a decline in refining activity in the US, “which recorded a fourth consecutive weekly decline through February 9th,” Innes added.

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