

MARKET UPDATE EAST OF SUEZ

ENGINE



ENGINE: East of Suez Physical Bunker Market Update

16/02/24

Most prices in East of Suez ports have moved up, and several Indian ports are grappling with supply shortages for VLSFO and LSMGO.

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

- **VLSFO prices up in Zhoushan (\$12/mt) and Singapore (\$8/mt), and down in Fujairah (\$3/mt)**
- **LSMGO prices up in Fujairah (\$16/mt), Zhoushan (\$11/mt) and Singapore (\$3/mt)**
- **HSFO prices up in Zhoushan (\$11/mt), Fujairah (\$6/mt) and Singapore (\$3/mt)**

VLSFO prices in Zhoushan and Singapore have rebounded in the past day, tracking Brent's gain. However, Fujairah's VLSFO price experienced a slight dip. Five VLSFO stems have been fixed in Fujairah in a wide range of \$24/mt, with some stems at the lower end of the range contributing to pull the benchmark lower. Consequently, Fujairah's VLSFO discounts to Zhoushan and Singapore are at \$33/mt and \$25/mt, respectively.

Meanwhile, Fujairah's LSMGO price gains have surpassed those of both Zhoushan and Singapore, with its premiums standing at \$54/mt and \$20/mt, respectively.

Recent weather-related disruptions in Fujairah have caused severe bunker backlogs and delivery delays, putting pressure on prompt delivery across all grades. In Singapore, the availability of VLSFO continues to be constrained, as four suppliers are facing challenges in meeting delivery schedules. This has led to varied lead times ranging between 4-11 days for VLSFO deliveries. HSFO prompt supply is also tight, with lead times of 4-12 days. On the other hand, LSMGO supply is relatively better, with shorter lead times of 2-6 days.

Kandla port on India's northwest coast currently has abundant VLSFO and LSMGO availability. Conversely, ports like Cochin, Chennai, Visakhapatnam, Paradip, and Haldia are grappling with shortages for both grades. In Mumbai, some suppliers are running low on VLSFO and LSMGO stocks. Adverse weather forecasts for Kandla and Sikka ports on 19 and 21 February could potentially impact bunker deliveries.

Brent

The front-month ICE Brent contract gained \$0.82/bbl on the day, to trade at \$82.38/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures extended gains this week on the back of global supply concerns and escalation of the Israel-Hamas conflict, which has turned into a broader global threat now.

Iran-aligned militant group Hezbollah launched several airstrikes at a town in northern Israel after 10 civilians in southern Lebanon were killed in cross-border hostilities between the two countries, Reuters reported.

Meanwhile, Brent's price gained after the Israel Defense Forces (IDF) launched a ground assault in Gaza's biggest hospital on Thursday, Reuters reported.

Hopes of a ceasefire between Israel and Hamas for now "does not appear imminent," said two analysts from ING Bank.

Oil market analysts expect Brent futures to rise further as crude supply is likely to take a hit with the onset of oil-producer group OPEC's additional voluntary cuts in the first quarter of this year.

Downward pressure:

Brent's price gains were capped partially after Paris-based International Energy Agency (IEA) cut global oil demand growth forecast in its latest oil market report, diverging significantly from OPEC's demand growth projections.

The IEA expects global oil demand to grow by 1.22 million b/d this year, slightly lower than its previous estimate. "Today the IEA is again predicting that oil demand growth will slow while OPEC believes the opposite," Price Futures Group's senior market analyst commented.

The latest US Consumer Price Index (CPI) has also disappointed the oil market that now expects the US Federal Reserve (Fed) to delay interest rate cuts this year.

Higher US interest rates can reduce global demand for oil as it makes buying costlier for non-dollar currency holders.

By Tuhin Roy and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com