ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved down, and several Chinese ports are grappling with tight availability of VLSFO and LSMGO.

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

- **VLSFO prices down in Zhoushan ($12/mt), and Singapore and Fujairah ($8/mt)**
- **LSMGO prices down in Singapore ($22/mt), Zhoushan ($19/mt) and Fujairah ($16/mt)**
- **HSFO prices down in Zhoushan ($9/mt), Singapore ($8/mt) and Fujairah ($6/mt)**

Bunker benchmarks in East of Suez ports have followed Brent's downward trend. Zhoushan's VLSFO price has dropped by $12/mt, outpacing the drops at the other two ports. Despite this drop, Zhoushan still prices its VLSFO at premiums over Fujairah and Singapore, maintaining a $5/mt and $3/mt premium, respectively.

Post the Chinese Lunar New Year holidays, bunker suppliers in Zhoushan are operating normally. Most suppliers can now deliver all grades with lead times of 5-7 days.

In contrast, China's Dalian and Tianjin face tight supply of VLSFO and LSMGO, while southern Chinese ports like Shanghai, Yangpu and Guangzhou encounter tight availability across both grades. HSFO remains under pressure in Shanghai.

LSMGO prices in major Asian bunker ports have declined steeply, with Singapore showing the most significant decrease. Singapore's LSMGO discounts to Fujairah and Zhoushan are $81/mt and $24/mt, respectively.

In Singapore, LSMGO remains readily available with short lead times of 2-6 days. On the other hand, prompt availability of VLSFO is tight, with four suppliers struggling to meet delivery schedules, recommending lead times of 5-9 days. HSFO supply is also under pressure, with lead times ranging between 5-10 days.

Brent

The front-month ICE Brent contract moved $1.55/bbl lower on the day, to trade at $81.73/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Measures by the Chinese government to revive the economy have lent support to Brent prices.

The People's Bank of China (PBoC) slashed its five-year loan prime rate (LPR) yesterday by 25-basis points, Reuters reported. The lending rate cut will allow Chinese banks to offer mortgage loans at affordable rates, which could potentially revive the country's real estate market.

Oil market analysts expect robust oil demand growth in China due to these economic relief measures, potentially supporting Brent's upward move.

Brent futures also gained some because of escalating tensions in the Middle East. Israel's latest ground offensive in the Gaza Strip has put the only functional hospital in southern Rafah completely out of service, the Guardian reported. This may further trigger the Houthi militia to scale up its attacks on vessels in the Red Sea.

Downward pressure:

Brent futures shed this week's gains after weak demand growth projections weighed on the oil market's sentiment.

The hotter-than-expected US inflation data released last week has sparked concerns that the US Federal Reserve (Fed) could delay interest rate cuts for this year, subsequently capping demand growth for crude oil.

The US Consumer Price Index (CPI) rose 0.3% month-on-month in January, higher than the 0.2% expectation by analysts. Inflation at the US Fed's preferred level continues to be above the 2% target, Reuters reported. The Fed is expected to release the minutes from the January meeting today. The minutes could provide insights about the Fed's stance on monetary policies.

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

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