ENGINE: East of Suez Physical Bunker Market Update

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Prices in East of Suez ports have moved down, and availability has improved across all grades in Zhoushan.

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

- **VLSFO prices down in Zhoushan ($20/mt), Fujairah ($10/mt) and Singapore ($7/mt)**
- **LSMGO prices down in Zhoushan ($16/mt), Singapore ($7/mt) and Fujairah ($4/mt)**
- **HSFO prices down in Zhoushan ($10/mt), and Singapore and Fujairah ($5/mt)**

Bunker prices in East of Suez ports have declined over the weekend, mirroring Brent's downward trajectory. Notably, Zhoushan saw the most significant drop, with VLSFO prices dropping by $20/mt, surpassing drops in the other two ports. Six VLSFO stems were fixed in Zhoushan, in a wide range of $13/mt, with some lower-priced stems contributing to the overall decline in the benchmark.

Consequently, Zhoushan's marginal VLSFO premium over Singapore has vanished and is now at a $12/mt discount. Similarly, its premium over Fujairah has narrowed by $10/mt to a mere $1/mt.

Zhoushan witnessed an improvement in grade availability amid subdued demand, prompting several suppliers to recommend shorter lead times of 2-4 days for VLSFO and LSMGO, and 4-6 days for HSFO, much shorter compared to lead times of 5-7 days seen last week.

Meanwhile, in Hong Kong, bunker fuel availability remained stable, with lead times hovering around seven days, consistent with the previous week.

In Japan, sluggish bunker demand persisted due to elevated prices, limited cargo availability caused by local refineries redirecting more fuel oil to other sectors such as power and bitumen. These factors, along with adverse weather conditions, have dented bunker demand. Lead times across key Japanese ports have varied, ranging from 5-8 days in Tokyo, Chiba, Osaka, and Kobe, approximately 11 days in Nagoya and Yokkaichi, to longer periods of 13-15 days in Mizushima and Oita.

Brent

The front-month ICE Brent contract lost $1.71/bbl on the day from Friday, to trade at $81.20/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

The global oil market is experiencing uncertainty regarding crude supply due to OPEC+ voluntary cuts and ongoing geopolitical conflicts.

Brent's price found some support after another US-flagged and -owned oil tanker M/V Torm Thor came under two subsequent drone attacks by the Houthis on Saturday, the US Central Command (CENTCOM) confirmed.

"Unsurprisingly, Crude oil [Brent] prices have ground upwards since the start of the year, primarily due to the daily Houthi attacks in the Red Sea shipping lanes," SPI Asset Management's managing partner Stephen Innes said.

The Israel-Hamas conflict does not seem to come to an end anytime soon, mainly after Israeli Prime Minister Benjamin Netanyahu said that no sides have yet struck a ceasefire deal, Reuters reported.

"The uptick in the geopolitical risk premium from a thickening Israel-Hamas conflict has likely added a few dollars to current [Brent] prices," Innes added.

Downward pressure:

Growing US crude inventories have raised alarm bells about lackluster oil demand in the world's largest crude oil consuming nation and capped Brent's price gains.

US commercial crude oil stocks increased by 4 million bbls last week to reach 442.96 million bbls, according to the US Energy Information Administration (EIA).

Meanwhile, various other factors including "sluggish economic conditions and increasing electric vehicle (E.V.) sales in China, which remains a significant driver of new incremental demand," have also weighed on oil demand and put downward pressure on Brent futures, Innes said.

The International Energy Agency (IEA) suggests that global oil demand will increase by 1.2 million b/d to reach 103 million b/d in 2024. This growth rate is much lower than the 2.2 million b/d projection observed by OPEC.

"OPEC's forecast of a 2.2 mb/d increase appears overly optimistic even if the Fed and ECB cut rates sooner than expected," Innes added.

By Tuhin Roy and Aparupa Mazumder