ENGINE: East of Suez Physical Bunker Market Update

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Most prices in East of Suez ports have moved up, and prompt supply of all grades remain tight in the UAE ports of Fujairah and Khor Fakkan.

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

- **VLSFO prices up in Fujairah ($16/mt), Zhoushan ($14/mt) and Singapore ($11/mt)**
- **LSMGO prices up in Zhoushan ($32/mt), Fujairah ($23/mt) and Singapore ($11/mt)**
- **HSFO prices up in Zhoushan ($14/mt) and Fujairah ($2/mt), and unchanged in Singapore**

Bunker benchmarks in East of Suez ports have mirrored Brent's upward movement, with noticeable gains observed in some grades in the past day. Fujairah's VLSFO price surged by $16/mt, surpassing gains in both Zhoushan and Singapore's VLSFO prices. In Fujairah, two VLSFO stems were fixed in a wide range of $24/mt, with one stem positioned at the higher end. The higher-priced stem pushed the benchmark higher.

Despite a significant rise in Fujairah's VLSFO price, the grade still maintains an $8/mt discount to Singapore and remains near parity levels with Zhoushan. This surge in price comes amidst tight availability of all grades in Fujairah, attributable to backlogs stemming from weather-induced disruptions over the weekend. Suppliers are advising lead times of 7-10 days, though some can still accommodate prompt deliveries.

Similar supply constraints are observed in the UAE port of Khor Fakkan, where most suppliers recommend lead times of 7-10 days. However, the situation differs in the Saudi Arabian port of Jeddah, where the availability of both VLSFO and LSMGO remains satisfactory. Conversely, some suppliers in Djibouti are running low on VLSFO stocks but still have LSMGO available.

Meanwhile, the Omani ports of Sohar, Salalah, Muscat, and Duqm boast ample supply of LSMGO, with prompt dates readily available.

Brent

The front-month ICE Brent contract gained $1.27/bbl on the day, to trade at $82.47/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Escalation of the crisis in the Middle East and a spillover in the Red Sea have driven Brent futures higher so far this week.

The Houthis have continued striking commercial vessels and oil tankers with ballistic missiles, causing jitters in the oil market, analysts said.

“Tension in the Middle East remains elevated, with the US and its allies striking several targets in Houthi controlled Yemen in response to increased attacks on commercial shipping in the Red Sea,” ANZ Bank’s senior commodity strategist Daniel Hynes said.

Moreover, Goldman Sachs has raised its summer 2024 peak price forecast for the front-month ICE Brent contract by $2/bbl to $87/bbl due to the ongoing hostilities in the Red Sea that would contribute to larger-than-expected draws in commercial crude stocks in the OECD nations, Reuters reported.

Downward pressure:

In the US, oil production has remained at elevated levels in recent weeks, signaling the ongoing expansion in production capacity. This has added some downward pressure to Brent’s price.

The number of rigs drilling for crude oil and natural gas in the US increased by five to 626 units last week, reaching an 11-week high, according to US-based energy firm Baker Hughes.

“The bullish impact of OPEC+ cuts is tempered by sustained production growth outside the coalition,” said SPI Asset Management’s managing partner Stephen Innes.

Meanwhile, Kansas City Federal Reserve Bank president Jeffrey Schmid said that he, like most of his other colleagues, is in no hurry to cut US interest rates in the upcoming months, Reuters reported.

Higher interest rates in the US typically dampen global demand for commodities like oil, as it increases purchasing costs for non-dollar holders.

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