ENGINE: East of Suez Physical Bunker Market Update

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VLSFO and LSMGO prices in East of Suez ports have moved in mixed directions, and prompt VLSFO availability remains under pressure in Singapore.

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

- **VLSFO prices up in Zhoushan ($8/mt) and Singapore ($6/mt), and down in Fujairah ($1/mt)**
- **LSMGO prices up in Singapore ($22/mt), and down in Zhoushan ($4/mt) and Fujairah ($3/mt)**
- **HSFO prices up in Singapore ($8/mt), Zhoushan ($4/mt) and Fujairah ($3/mt)**

Zhoushan and Singapore's VLSFO prices have run counter to Brent's direction by ticking up in the past day. Conversely, Fujairah's VLSFO price has remained stable to maintain a slight discount of $6/mt to Singapore's VLSFO. Its VLSFO is at near parity with Zhoushan's VLSFO.

Despite sluggish bunker demand, prompt VLSFO supply in Singapore has remained under pressure, with lead times between 6-8 days. HSFO prompt supply is also strained, with lead times ranging from 6-12 days, slightly up from the previous week. Lead times for LSMGO vary between 2-9 days, almost consistent with the last week.

LSMGO prices have moved in mixed directions, with Singapore's LSMGO gaining the most. South Korean ports are experiencing increased LSMGO demand because prices have been lower compared to nearby Chinese ports. Busan's LSMGO price remains at a discount of $28/mt to Zhoushan's. This has caused availability constraints and longer lead times of around nine days for LSMGO in South Korean ports. Some suppliers can still offer stems for prompt delivery, but these are typically priced higher, a source says.

On the other hand, VLSFO and HSFO availability have improved in South Korean ports. Lead times for VLSFO and HSFO have decreased from 8-14 days last week to 4-8 days and around two days, respectively. However, there is a concern about potential disruption to bunker deliveries throughout this week due to anticipated high winds and waves in the South Korean ports of Ulsan, Onsan, Busan, Daesan, Taean and Yeosu.

Bunkering has been suspended in Zhoushan this afternoon due to rough weather conditions. Bunker deliveries are likely to resume fully on Thursday, when calmer weather is forecast. Availability of all bunker fuel grades remains good in Zhoushan, with suppliers recommending lead times of 3-5 days, similar to the previous week.

Brent

The front-month ICE Brent contract lost $1.08/bbl on the day, to trade at $82.70/bbl at 17.00 SGT (09.00 GMT).

Upward pressure:

Brent futures moved higher in recent weeks on the back of several supply-side concerns.

On Sunday, several members of the Organization of the Petroleum Exporting Countries and its allies (OPEC+) announced the extension of voluntary output cuts until June-end.

“Rising spot prices indicate the physical market has begun to tighten amid a host of other supply side disruptions,” said ANZ Bank’s senior commodity strategist Daniel Hynes.

Brent’s price gained more support after the ongoing conflict in the Red Sea saw further escalation. Iran-backed Houthis launched two ballistic anti-ship missiles at M/V MSC SKY II, a Liberian-flagged and Swiss-owned container vessel yesterday, the US Central Command (CENTCOM) said.

One missile caused some damage to the vessel, US CENTCOM confirmed.

“While tensions in the Middle East have yet to directly impact supply, the Red Sea disruptions have increased the time oil is unavailable to the market,” Hynes added.

Downward pressure:

Brent’s price shed the previous day’s gains as weak demand growth projections weighed on market sentiments.

Oil market analysts are not fully convinced with China’s economic reform pledges that are expected to boost oil demand in the Asian country.

“Oil prices retreated despite initial gains, highlighting concerns about demand that overshadowed OPEC+'s widely anticipated decision to extend output cuts,” said SPI Asset Management’s managing partner Stephen Innes.

Chinese Premier Li Qiang pledged to transform the country's economic development model and control industrial overcapacity in 2024. He has set an economic growth target of 5% for China this year, Reuters reported.

“The downward trend in oil prices signals unease among traders regarding global economic growth, with potential complications arising from China beyond current expectations,” Innes added.

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