

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have moved in mixed directions, and securing prompt VLSFO and HSFO stems can be difficult in Rotterdam.

Changes on the day to 09.00 GMT today:

VLSFO prices down in Gibraltar (\$3/mt), Rotterdam (\$2/mt) and Durban (\$1/mt)

LSMGO prices up in Gibraltar (\$1/mt), steady in Durban, and down in Rotterdam (\$6/mt)

HSFO prices up in Gibraltar (\$5/mt), and down in Rotterdam (\$8/mt)

All bunker benchmarks in Rotterdam have decreased in the past day. A steeper fall in the port's HSFO price has contributed to widen its Hi5 spread from \$75/mt to \$81/mt now. Fixing prompt stems for VLSFO and HSFO can be difficult in Rotterdam, partly because of product shortages at refineries, sources say. Furthermore, some suppliers are fully booked for prompt dates.

Meanwhile, Gibraltar's HSFO price has increased some in the past day. The diverging price moves have contributed to widen Rotterdam's HSFO discount to Gibraltar's by \$13/mt to \$61/mt. Supply of HSFO is said to be slightly tight in Gibraltar, while other grades remain readily available, a source says.

A bit of congestion has built up in Gibraltar and Algeciras today. One supplier in Gibraltar and three in Algeciras are running behind schedule, port agent MH Bland says.

Bunkering is progressing normally in Ceuta, where six vessels are due to arrive to receive bunkers today, according to shipping agent Jose Salama & Co.

In Durban, VLSFO price has come down slightly in the past day, while its LSMGO price held steady. The supply of both products is said to be normal.

Brent

The front-month ICE Brent contract crept lower by \$0.09/bbl on the day, to \$77.90/bbl at 09.04 GMT.

Upward pressure:

Brent is being held back from declining further by a potential increase in Chinese oil consumption during the upcoming Golden Week holidays, when travel surges nationwide.

The Chinese Civil Aviation Administration has confirmed that the number of flights booked during the Golden Week has already exceeded six million, state-owned media agency Xinhua reports. That puts bookings at about the same level as those recorded in 2019, before the outbreak of COVID-19.

Chinese officials expect nine million air passenger trips during the holiday period in May, the report adds. Meanwhile, data from the tourism ministry shows that nearly 1.22 billion domestic tourist trips were made in the first quarter of 2023, a 46.5% increase on the year.

Brent is also drawing support from looming OPEC+ output cuts.

In the US, as of the third week of April, EIA data indicates the nation's Strategic Petroleum Reserve (SPR) stands at 366.9 million bbls, down from nearly 556 million bbls a year ago.

The near 200-million-bbl "gargantuan" difference from last year is bound to make the market uncomfortable, says Phil Flynn, senior account executive at The Price Futures Group.

"The reality is that [US SPR] supplies are extremely tight and the potential for a price spike is real, especially if we see major producers have a disruption in production."

Downward pressure:

Fears of a recession, stemming from a slowing US economy, have suppressed Brent prices.

America's gross domestic product (GDP) growth rate dipped to 1.1% in the first quarter of 2023 compared with 2.6% in the fourth quarter of 2022, according to the Bureau of Economic Analysis's (BEA) advanced estimates.

"Compared to the fourth quarter, the deceleration in [US] real GDP in the first quarter primarily reflected a downturn in private inventory investment and a slowdown in nonresidential fixed investment," the BEA noted.

Brent futures are under pressure also because "oil markets have been in surplus for three straight quarters", thanks to robust Russian export volumes, according to Stephen Innes, managing partner of SPI Asset Management. This is despite the strong demand growth in Asia, and the US facing its summer driving season, he added.

By Shilpa Sharma and Konica Bhatt

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