ENGINE: Europe & Africa Bunker Fuel Market Update

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Most benchmarks in European and African ports have increased some with Brent, and prompt supply of VLSFO and HSFO remains tight in the ARA.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam ($5/mt), Gibraltar and Durban ($1/mt)**
- **LSMGO prices up in Gibraltar ($4/mt), Durban ($3/mt) and Rotterdam ($2/mt)**

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

Bunker prices across all grades have increased some in Rotterdam in the past day, while fixing prompt stems for VLSFO and HSFO deliveries can be difficult there and in the wider ARA hub. Supply of LSMGO is normal, sources say.

Prompt supply of VLSFO and HSFO is still tight in the ARA, partly because of product shortages at refineries, a source says. Shell’s Pernis refinery near Rotterdam is undergoing a scheduled three-month maintenance, which is set to be completed by the end of this month.

Meanwhile, Gibraltar’s HSFO price has come down slightly in the past day. This has contributed to narrow Gibraltar’s HSFO premium over Rotterdam by $10/mt to $46/mt now.

Supply of VLSFO and LSMGO is said to be normal in Gibraltar. The port’s VLSFO price is at $4-5/mt discounts to Ceuta and Algeciras, and at a bigger $16/mt discount to offshore Malta.

Minimal congestion has been reported in Gibraltar and Algeciras today. One supplier in Gibraltar and three in Algeciras are running behind schedule, port agent MH Bland says.

Bunkering is going ahead as usual off Malta. Eight vessels are due to arrive for bunkers in port and off Malta today, Seatrans Shipping agency says.

Bunkering is progressing normally in Las Palmas as well amid conducive weather conditions, MH Bland says.

Brent

The front-month ICE Brent contract has moved up by $0.70/bbl on the day, to $79.15/bbl at 09.00 GMT.

Upward pressure:

Brent has extended its gains as concerns over tightening global supply have overshadowed uncertainty about US macroeconomic conditions.

OPEC+'s voluntary output cuts of 1.16 million b/d went into effect on Monday and will last through 2023. The alliance previously announced a 2 million b/d cut in output last October, bringing its total output reduction to 3.66 million b/d this year.

A "significant recession" in the US could cause OPEC to intervene again, said SPI Asset Management's managing partner Stephen Innes, adding that "traders are likely reluctant to aggressively short the market, especially with US data holding up for now."

Downward pressure:

The market has been watching China's economic growth closely after it came out of Covid-19 lockdowns, particularly after it reported a drop in its April manufacturing activity. This has stifled further Brent price gains.

Investor sentiment has also been dampened by a rising interest rate environment in the US, following the collapse of First Republic Bank last week. In the past two months, three big US banks have failed, highlighting the impact of higher interest rates on the banking industry. These closures were bigger than the 25 banks that folded in 2008, reported The New York Times.

The US Federal Reserve (Fed) is expected to further raise its benchmark interest rate by 25 basis points at this week's policy meeting, despite growing concerns about a US recession. Traders will closely monitor the central bank's remarks on the state of the US economy and will look for clues on the future direction of interest rates.

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