ENGINE: Europe & Africa Bunker Fuel Market Update

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European and African bunker prices have moved in mixed directions, and bunkering is on hold in Algoa Bay.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($21/mt) and Gibraltar ($1/mt), and down in Rotterdam ($4/mt)
LSMGO prices up in Durban ($20/mt), and down in Rotterdam ($6/mt) and Gibraltar ($2/mt)
HSFO prices up in Rotterdam and Gibraltar ($1/mt)

Bunker prices across all grades have moved in a narrow range in Rotterdam and Gibraltar in the past day, after falling sharply in the preceding session.

Availability of LSMGO is said to normal in Rotterdam, while HSFO and VLSFO supplies are still tight. Two non-prompt LSMGO stems have been fixed in a wide range of $47/mt in Rotterdam in the past day. The stem booked at the lower end of that range has added downward pressure to the port's benchmark.

Prompt supply of LSMGO and VLSFO is normal in Gibraltar, while lead times of up to seven days are advised for HSFO delivery there. Two non-prompt stems for LSMGO and VLSFO each have been booked in Gibraltar in the past day.

Slight congestion has been reported in Gibraltar today, according to port agent MH Bland.

In Las Palmas, bad weather conditions are forecast in periods between 7-12 May and this has raised concerns about smooth bunker deliveries at the port's outer anchorage, MH Bland says. Swells of up to more than 2 metres are forecast to hit the port on Sunday evening.

In South Africa's Durban, VLSFO and LSMGO prices have increased in the past day, recovering losses made in the previous session. Supply of the two grades is said to be normal there and in Algoa Bay.

Bunkering has been kept on standby in Algoa Bay today as vessels are waiting for bunker barge, according to Rennies Ships Agency. Two vessels are currently waiting to receive bunkers at anchorage, and two more vessels are due to arrive today, Rennies says.

Brent

The front-month ICE Brent has slipped lower by $0.65/bbl on the day, to $73.31/bbl at 09.00 GMT. Brent has plummeted by more than 10% on the week so far.

Upward pressure:

Analysts remain hopeful about the Brent price recovery due to the possibility of OPEC+'s intervention if the price drops sharply.

ING's Warren Peterson sees $70/bbl as a firm a support level for the Brent price. "…it is around these levels that we could possibly see the US administration starting to refill its strategic petroleum reserves," he says. "And finally, breaking below $70/bbl would be a concern for OPEC+, and so talk of additional cuts would likely grow if we trade down towards this level."

OANDA's senior market analyst Ed Moya echoes this sentiment, saying that if OPEC+ wants to stabilise prices "they need to deliver on previously announced production cuts and signal that more are coming."

Meanwhile, a tight crude oil market remains a concern due to the drawdown in US crude stocks coupled with rapid depletion of emergency reserves. Commercial US crude inventories have dropped to their lowest level in 12 weeks, with 1.28 million barrels drawn in the week ended 28 April. The Energy Information Administration also reports that US strategic petroleum reserves (SPR) are at 364.9 million bbls, almost 200 million bbls below last year's level.

Downward pressure:

Growing concerns over a looming global economic slowdown has made investors cautious and put downward pressure on Brent.

US policymakers are worried about the nation's economic activity, says Ed Moya. "If the [US Federal Reserve] Fed is worried, that is bad news for the economy and the crude demand outlook."

There are numerous indicators that point towards an impending recession in the US. As per latest releases, US Job openings have declined, manufacturing activity has contracted, and consumer confidence has fallen to nine-month lows. These macroeconomic data point towards an economic slowdown.

The oil market is pricing in a very deep recession in the US that could push Brent to levels close to $60/bbl in the near term, Amrita Sen, co-founder of Energy Aspects has told CNBC.

Sen says that investors' sentiment appears bearish at the moment due to a large number of short positions in the oil market. She adds that the current macroeconomic outlook is not positive enough to trigger short coverings.

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