ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have mostly gained, and slow demand has been reported in the ARA.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($16/mt), Gibraltar ($10/mt) and Rotterdam ($9/mt)
LSMGO prices up in Durban ($24/mt), Gibraltar ($14/mt) and Rotterdam ($11/mt)
HSFO prices up in Rotterdam ($5/mt), and down in Gibraltar ($7/mt)

Most bunker benchmarks in European and African ports have gained in the past day. But Gibraltar’s HSFO price moved counter to the general market direction by dropping on the day. HSFO has been indicated in a $21/mt range in the past day, with indications at the lower end of that range weighing down the benchmark.

The price moves have narrowed Gibraltar’s HSFO premium over Rotterdam’s, from the past day’s $40/mt to $28/mt now.

Demand has been slow in the ARA hub so far this week, a source says, while securing stems for very prompt dates (0-2 days) can still be difficult. Recommended lead times for VLSFO and LSMGO are about 4-7 days. Some can supply with even shorter lead times, but these deliveries depend on stem sizes, a source says.

Barge availability has improved off Skaw after being tight last week, a source says. Availability of VLSFO and LSMGO is normal for delivery off Skaw. HSFO supply is comparatively tighter. Recommended lead times for all grades range between 7-10 days.

Bunkering is progressing normally in South Africa’s Algoa Bay. Four vessels are currently receiving bunkers at anchorage, while two are held up waiting, according to Rennies Ships Agency. However, strong wind gusts are forecast to hit the bay on Friday, which could delay bunker operations.

Brent

The front-month ICE Brent contract has gone up by $1.63/bbl on the day, to $76.40/bbl at 09.00 GMT.

Upward pressure:

Brent futures have gained momentum after China released its official trade data for May. Crude oil imports into the world's largest oil-consuming country rose by 16% from April to 51 million mt in May, according to market intelligence firm JLC, which cited little cargo unloading activity in April and some delayed cargoes.

Saudi Arabia's decision at the latest OPEC+ meeting to make a voluntary output cut by 1 million b/d from July has lent some support to Brent this week.

This cut should provide some "limited immediate upside" for the market as the macro-outlook continues to drive oil prices more than the fundamentals, said ING's head of commodity strategy Warren Patterson. "It should also reinforce Saudi Arabia's commitment to try to put a floor under the market," he added.

Global oil inventories are forecast to fall slightly in each of the coming five financial quarters, the US Energy Information Administration (EIA) said in its short-term energy outlook report released yesterday. The EIA estimates the Brent crude oil spot price to average $79/bbl in the second half of 2023, and then $84/bbl in 2024.

Moreover, the EIA forecasts global oil demand to rise by 1.6 million b/d over the remainder of 2023, and by an additional 1.7 million b/d in 2024.

Downward pressure:

The EIA said on Tuesday that crude oil production in the US is forecasted to rise in the second half of 2023 to meet more of the expected demand hike.

"Oil is also getting hit on whisper numbers that could suggest a surprise crude oil supply increase," commented Phil Flynn of the Price Futures Group.

Diesel demand in the US is expected to drop through 2024, despite some growth in economic activity, the EIA further noted.

Priyanka Sachdeva, an analyst at Phillip Nova said in a note, "The fears of recession, as more and more sombre economic readings point towards a slowdown, have kept a lid on oil prices, eroding all OPEC+'s efforts to keep prices afloat."

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