ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have tracked declining Brent values, and prompt LSMGO availability is tight in the ARA hub.

Changes on the day to 09.00 GMT today:

VLSFO prices down in Durban ($10/mt), Rotterdam ($6/mt) and Gibraltar ($1/mt)
LSMGO prices down in Durban ($27/mt), Gibraltar ($7/mt) and Rotterdam ($3/mt)
HSFO prices down in Rotterdam ($11/mt) and Gibraltar ($9/mt)

Gibraltar's HSFO price has declined by $9/mt in the past day, while its VLSFO fell by a modest $1/mt. The price moves have widened Gibraltar's Hi5 spread from $72/mt in the past day to $80/mt now. This is somewhat similar to Rotterdam's Hi5 spread of $82/mt, but far off than Singapore's $146/mt.

LSMGO price in South Africa's Durban port has made the steepest drop amid downward pressure from lower-priced indications in the past day. VLSFO and LSMGO availability is normal in Durban, where lead times of up to seven days are recommended.

Securing LSMGO stems for prompt delivery dates can be difficult in the ARA hub, a source says. One supplier is able to supply the grade for delivery dates from 15 June. Meanwhile, the grade is readily available for prompt dates in Gibraltar.

Minimal congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland. Two suppliers in Gibraltar and three in Algeciras are behind schedule today.

Bunkering is progressing normally in South Africa's Algoa Bay. One vessel is currently receiving bunkers at anchorage, while three are held up waiting, according to Rennies Ships Agency. However, strong wind gusts and heavy swells are forecast to hit the bay later day, which could delay bunker operations.

Brent

The front-month ICE Brent contract has inched lower by $0.27/bbl on the day, to $76.25/bbl at 09.00 GMT.

Upward pressure:

Brent price drew strong support earlier this week after Saudi-led oil exporters, known as OPEC+, committed to extend production cuts into 2024.

Saudi Arabia pledged a voluntary output cut of 1 million/bbl from July, and certain OPEC+ nations including Russia were provided with lowered output targets at the OPEC+ meeting on 4 June.

A "rapidly tightened" oil supply is expected in the coming weeks, says Phil Flynn, senior account executive of The Price Futures Group. "Signs that global oil demand refuses to crater and talk that Saudi Arabia won't stop until it makes $80.00 a barrel a floor and not a ceiling," are raising such expectations, the analyst said in a note.

Downward pressure:

A slowdown in demand from China has been a big concern for the global oil market. Weak figures on manufacturing activity for May were followed by a 7.5% decline in its May exports numbers.

"Crude prices didn't get any favours from China as their economic recovery has disappointed," OANDA's analyst Edward Moya says.

Oil prices came under pressure amid speculations about the US and Iran reaching a nuclear deal. Prices dropped on Thursday after the UK-based news agency Middle East Eye reported that the US and Iran were negotiating a deal, as per which Tehran would limit uranium enrichment on the condition that the US would ease some sanctions on Iranian crude exports.

However, both countries have denied any such development, according to a Reuters report. This has helped Brent to pare some losses.

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