ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have again tracked declining Brent values, and Gibraltar's LSMGO premium over Rotterdam has widened even further.

Changes on the day from Friday, to 09.00 GMT today:

- **VLSFO prices down in Durban ($15/mt), Rotterdam ($7/mt) and Gibraltar ($3/mt)**
- **LSMGO prices up in Gibraltar ($1/mt), and down in Durban ($40/mt) and Rotterdam ($11/mt)**
- **HSFO prices down in Gibraltar ($13/mt) and Rotterdam ($5/mt)**

Bunker benchmarks have mostly declined over the weekend. But Gibraltar's LSMGO price has moved counter to Brent's downward slide and inched $1/mt higher over the weekend. A higher-priced LSMGO stem fixed today has supported Gibraltar's LSMGO benchmark's resistance to a downward pull.

The price moves have widened Gibraltar's LSMGO premium over Rotterdam's from $58/mt on Friday to $70/mt now.

Minimum congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland.

Durban's LSMGO price has slumped by $40/mt over the weekend – the steepest drop among the region's ports. A lower-priced indication for the grade has contributed to drag the port's benchmark lower since Friday. Product availability is said to be normal in Durban, but lead times of at least seven days are recommended for deliveries.

Bunkering is progressing normally in Algoa Bay by Port Elizabeth. One vessel is currently receiving bunkers at the anchorage, while two are held up waiting, according to Rennies Ships Agency. However, strong wind gusts and heavy swells are forecast to hit Algoa Bay from later day, which could delay bunker operations until Wednesday.

Brent

The front-month ICE Brent contract has plunged $3.15/bbl lower on the day from Friday, to $73.10/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained some upward momentum a week ago, when Saudi Arabia-led oil-producing countries and allies, known as OPEC+, pledged to continue output cuts into 2024. The announcement was made at the OPEC+ meeting on 4 June.

OPEC+ nations have begun tightening production. Their combined crude oil output fell by 670,000 b/d in May after voluntary cuts announced in April came into force, a survey by S&P Global showed.

Crude output from the core OPEC group fell by 440,000 b/d on the month to 28.16 million b/d in May, the survey further showed. This could have helped Brent to pare some losses.

Downward pressure:

Brent futures have come off sharply over the weekend as the market awaits an interest rate decision from the US Federal Reserve (Fed), and as concerns over China's fuel demand continue. Chinese data for May showed a year-on-year decline in manufacturing activity and an 8% drop in exports of all goods.

The Fed's two-day monetary policy meeting is scheduled to start from 14 June and has the global oil market's focus fixated on the further possibility of rate hikes.

"Oil prices are caught in a clash between two opposing forces, bearish asset allocators who point to monetary contraction and bullish oil speculators expecting lower inventories in 2H23," Bank of America's Francisco Blanch said in a note.

The Fed is expected to deliver a "hawkish skip," OANDA's analyst Ed Moya says. "If inflation ends up being too hot, the Fed could opt to deliver a rate hike," he further adds.

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