

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have moved in mixed directions, and VLSFO supply has improved in Ceuta.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban (\$23/mt) and Rotterdam (\$4/mt), and down in Gibraltar (\$2/mt)

LSMGO prices up in Durban (\$25/mt) and Rotterdam (\$1/mt), and down in Gibraltar (\$5/mt)

HSFO prices up in Gibraltar (\$7/mt) and Rotterdam (\$5/mt)

Gibraltar's HSFO price has gained by \$7/mt in the past day, while its VLSFO price declined by \$2/mt. The diverging price moves have narrowed the port's Hi5 spread from yesterday's \$90/mt, to \$81/mt now. This is in line with Rotterdam's Hi5 spread of \$79/mt, and far off Singapore and Fujairah's wider Hi5 spreads of nearly \$140/mt.

HSFO availability is said to be tight for prompt delivery dates in the ARA hub in recent weeks, a trader says. Recommended lead times for HSFO range between 5-7 days.

VLSFO supply has improved in Ceuta with the arrival of a replenishment cargo, a source says. Supply was "super tight" last week as a supplier was running low on stocks. A lead time of up to five days is now recommended for deliveries.

Bunkering in Algoa Bay has been partially suspended due to adverse weather conditions, according to Rennies Ships Agency. Strong wind gusts and swells of more than four meters have hit Algoa Bay today. Some suppliers are currently waiting for calmer weather conditions to resume deliveries at anchorage, where one vessel is held up waiting.

It is forecast that swells of five meters will hit tomorrow as well, causing further delays and disruptions. Another five vessels are scheduled to arrive at Algoa Bay for bunkers between today and tomorrow.

Brent

The front-month ICE Brent contract has inched lower by a slight \$0.26/bbl on the day, to \$72.84/bbl at 09.00 GMT.

Upward pressure:

China's official trade data released earlier this month showed that crude oil imports into the world's largest oil-consuming nation rose by 16% from April to 51 million mt in May, and lent Brent some support.

Azerbaijan's crude production dropped to a three-year low of 500,000 b/d in May, which was below the monthly target set by OPEC+. The country's monthly output has been falling since November 2022.

The OPEC+ output cuts announced a week ago have contributed to put a floor under Brent. Saudi Arabia will slash its output by 1 million b/d to 9 million b/d from next month, while the UAE will produce 200,000 b/d more. The OPEC+ also committed to an additional 1.4 million b/d in output cuts from January next year.

The oil market also awaits demand outlooks from OPEC due later today, and from the International Energy Agency (IEA) tomorrow.

Downward pressure:

Brent has added to Monday's decline as investors remain cautious before the US Federal Reserve's (Fed) monetary policy meeting scheduled for 14-15 June. Markets also await US inflation data that will be released later today.

Previous monetary tightening measures taken by the Fed have bolstered the value of the US dollar, resulting in higher costs for non-dollar currencies when purchasing commodities denominated in dollars, which has added downward pressure on Brent.

Goldman Sachs has lowered its oil price forecast, now expecting Brent to reach \$86/bbl by December, down from \$95/bbl in its previous forecast. The bank cited higher Russian and Iranian supply to drive prices lower despite Saudi Arabia's July output cut.

"Bulls, like ourselves, find comfort in the fact that end-use demand across the commodity complex has not shown recessionary signs and investment in supply remains elusive," Goldman's analysts said in a note that was reported by Bloomberg.

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