ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices in European and African ports have mostly gained, and prompt HSFO supply tight in ARA and Gibraltar Strait ports.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Rotterdam ($20/mt) and Gibraltar ($18/mt), and down in Durban ($5/mt)
LSMGO prices up in Durban ($44/mt), Rotterdam ($24/mt) and Gibraltar ($21/mt)
HSFO prices up in Rotterdam ($17/mt) and Gibraltar ($11/mt)

Rotterdam's HSFO price has made sharp gains in the past day. The grade has been priced in a $12/mt range, with indications in the higher end of the range pushing up the benchmark. The price gain has narrowed Rotterdam's HSFO discount to Gibraltar from $23/mt in the past day, to $17/mt now.

Availability of HSFO has been tight for prompt delivery dates in the ARA ports in recent weeks, a source says. Loading delays at oil terminals have contributed to tighten supply.

VLSFO and LSMGO availability remains in normal availability in Gibraltar and Algeciras. Lead times of 3-5 days are generally recommended in both locations. But prompt HSFO supply has been harder to secure across Gibraltar Strait ports, with lead times of 5-7 days recommended for the grade.

Some argue that the availability of the grade has tightened as a refinery in Gibraltar is operating at reduced rates.

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

Bunker fuel availability of all grades is tight for very prompt delivery dates off Malta. Some suppliers require at least three days of lead times for VLSFO and LSMGO deliveries there, a source says.

Brent

The front-month ICE Brent contract has gained by $2.31/bbl on the day, to $75.15/bbl at 09.00 GMT.

Upward pressure:

China's central bank has reduced its short-term lending rates to stimulate economic activity, Reuters reports. This could by extension boost Chinese fuel demand as the country is making a tentative economic recovery. Weak May data on Chinese manufacturing activity and services demand has disappointed the market.

“Crude prices got a boost after China prepared a broad package of stimulus,” said OANDA’s senior market analyst Ed Moya.

The Chinese Ministry of Commerce has issued a third batch of non-state crude import quotas for this year, according to JLC. The market intelligence firm says a quota of 62.28 million mt has been issued and that the total quota for this year amounts to 194.10 million mt - a near 9% rise on the total for 2022. China was still pursuing a zero-Covid policy for several months last year, which muted fuel demand.

The market now awaits the result of the US Federal Reserve’s Federal Open Market Committee (FOMC) meeting due later today on potential further interest rate hikes. Market analysts, including ANZ, have said a rate pause is on the cards, which could give the US economy some breathing space.

Downward pressure:

Brent futures have seen a slight downward pull after American Petroleum Institute (API) data cited by Trading Economics showed a 1.02 million-bbl build in US crude stocks in the week that ended 9 June.

“Oil also was under pressure as talk began to circulate of a big crude oil increase this week as imports were thought to be up and exports thought to be down,” commented Phil Flynn, market analyst of the Price Futures Group. The US government’s official crude oil stockpile data is due later today.

Nigeria’s crude oil production rose 19% month-on-month in May, to 1.18 million b/d. However, the country is still producing at levels below its agreed OPEC+ production quota.

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