ENGINE: Europe & Africa Bunker Fuel Market Update

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Europe & Africa Market Update

Bunker prices in most European and African ports have increased with Brent, and prompt availability of HSFO remains tight in the ARA hub.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($5/mt) and Gibraltar ($3/mt), and down in Rotterdam ($11/mt)**
- **LSMGO prices up in Rotterdam ($10/mt) and Gibraltar ($4/mt), and down in Durban ($5/mt)**
- **HSFO prices up in Gibraltar ($6/mt) and Rotterdam ($1/mt)**

Rotterdam's HSFO price has moved slightly up in the past day, and fixing prompt delivery of the product can still be difficult there. Supply of HSFO is under pressure in Gibraltar as well. This has contributed to push the port's benchmark up by $6/mt in the past day, and narrowed its HSFO price discount to Rotterdam by $5/mt to $1/mt.

Singapore and Fujairah, which typically price HSFO at parity or higher than Rotterdam, now price the grade at wide discounts of $42/mt and $58/mt, respectively.

Lead times of minimum 5-7 days are now recommended for HSFO bunker deliveries in the ARA, a source says. Suppliers are not offering stems for prompt dates there as several are running low on stocks, the source adds.

Multiple factors have contributed to the recent HSFO tightness in the ARA, according to various sources, including a lack of access to banned imports of Russian fuel oil and medium-sour crude oil, which has rendered the ARA less resilient to supply shocks.

Minimal congestion has been reported in Gibraltar today, while three suppliers are running behind schedule in Algeciras, port agent MH Bland says.

Bunkering has been kept on standby in Algoa Bay since Monday amid bad weather conditions, according to Rennies Ships Agency.

Meanwhile, bunker operations are running normally in Mozambique's Nacala and Maputo ports. Bunker supply is said to be normal in both locations, a source says.

Brent

The front-month ICE Brent contract has moved higher by $0.61/bbl on the day, to $76.59/bbl at 09.00 GMT.

Upward pressure:

Brent futures have recovered some lost ground after the oil market turned optimistic on Chinese crude demand.

"China's economic rebound is still the focus of oil traders. More stimulus measures by the Chinese government could improve the oil demand outlook," said Tina Teng, markets analyst at CMC.

Brent has also been boosted by a weaker dollar and optimism that the global economy will remain strong throughout the summer, commented OANDA's market analyst Edward Moya. "Oil could continue rebounding if the headlines for China remain upbeat," he added in a note.

The market now awaits new catalysts that could drive oil prices further upwards, like the latest US inventory data from the Energy Information Administration (EIA) due later today. The EIA's data has been delayed by a day because of the US Juneteenth public holiday.

Downward pressure:

Brent has seen some headwind from comments by the US Federal Reserve's (Fed) chair Jerome Powell, who has indicated that further interest rate hikes are on the table to tame the stubborn inflation. Powell said that the central bank's primary goal is to bring inflationary pressure under control and that two additional 25-basis point rate hikes this year is "a pretty good guess."

A high-interest rate will increase borrowing costs for consumers and could ultimately result in weaker global oil demand.

Earlier this week, two European Central Bank (ECB) policymakers argued in a speech that more rate hikes were required to avoid higher inflation.

"Downside risks to global growth remain a key overhang for the oil demand outlook...risk sentiments are on hold ahead of a series of hawkish Fedspeak lined up on the calendar," said Jun Rong Yeap, a market strategist at IG Group.

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