ENGINE: Europe & Africa Bunker Fuel Market Update

27/06/23

ENGINE: Europe & Africa Bunker Fuel Market Update

Regional bunker prices have moved in mixed directions, and Gibraltar's HSFO discount to Rotterdam has widened.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($10/mt) and Gibraltar ($2/mt), and down in Rotterdam ($1/mt)**
- **LSMGO prices up in Rotterdam ($3/mt), and down in Durban ($21/mt) and Gibraltar ($1/mt)**
- **HSFO prices up in Rotterdam ($8/mt), and down in Gibraltar ($12/mt)**

Gibraltar's HSFO price has resisted Brent's upward thrust and declined by $12/mt in the past day, while Rotterdam's HSFO price has gained by $8/mt. A lower-priced 500-1,500 mt HSFO stem fixed in Gibraltar in the past day has supported the benchmark's resistance.

The price moves have further widened Rotterdam's HSFO premium over Gibraltar from $2/mt in the past day, to $22/mt now. Rotterdam, which typically prices HSFO at discount to Gibraltar, now prices the grade at a rare $22/mt premium. The port's HSFO discount to Gibraltar recently peaked to $75/mt on 10 May but these discounts have erased since then.

HSFO availability remains tight for prompt dates in ARA ports. One supplier is fully booked for the remaining days of this month and can mostly offer HSFO for delivery dates in the first week of July.

Bunker operations have been suspended in Algoa Bay since last week due to adverse weather conditions, according to Rennies Ships Agency. Swells of more than 3 meters have hit the bay this morning, keeping deliveries disrupted. there. The weather is expected to improve tomorrow, which could enable bunker operations to resume.

Congestion has been reported in Algoa Bay. Eight vessels are currently waiting to receive bunkers at anchorage, and one more vessel is due to arrive today, Rennies says.

Bad weather is again forecast to hit Algoa Bay on Friday, which could disrupt bunkering and lead to a further increase in vessel congestion.

Brent

The front-month ICE Brent contract has gained by $0.62/bbl on the day, to $74.46/bbl at 09.00 GMT.

Upward pressure:

Brent futures drew support after a dispute in Russia prompted oil markets to worry about a potential supply crunch.

Hostilities between Russia's private mercenary group Wagner and Moscow grew over the weekend. A clash between the two entities was avoided on Saturday after the mercenaries halted their advance towards Moscow under a deal with the government, Reuters reports. However, the dispute has raised concerns about political instability in Russia.

Analysts at ANZ said in a note that this attempt of a coup by Wagner is "likely to lead to a risk premium being applied to the oil price amid the risk of further civil unrest."

On the demand side, the summer driving season is expected to drive demand growth in the US. This could push oil prices further up.

Downward pressure:

On the flip side, concerns about China's economic recovery have dented sentiments of oil investors.

"China's economic growth has been a nightmare for commodity markets, particularly in oil and industrial metals," CMC Markets analyst Tina Teng said in a note.

Oil prices came under pressure after the US Federal Reserve's chairman hinted at another interest rate hike by the end of the year.

The oil market has been "very confident" that despite strong growth in demand and a supply crunch due to OPEC+ production cuts, global central banks would be able to slow down the economy, said Phil Flynn, Price Futures Group's senior market analyst. This could allow "the market to ignore the possibility of a looming supply deficit."

By Nithin Chandran and Aparupa Mazumder