

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

29/06/23

ENGINE: Europe & Africa Bunker Fuel Market Update

Regional bunker prices have gained with Brent, and Gibraltar's LSMGO premium over Rotterdam has narrowed.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$23/mt), Gibraltar (\$22/mt) and Rotterdam (\$21/mt)**
- **LSMGO prices up in Gibraltar (\$29/mt), Durban (\$28/mt) and Rotterdam (\$19/mt)**
- **HSFO prices up in Gibraltar (\$23/mt) and Rotterdam (\$16/mt)**

Gibraltar's LSMGO price has declined by \$23/mt over the past week, while Rotterdam's benchmark has made a modest price drop of \$5/mt. The price moves have narrowed Gibraltar's LSMGO premium over Rotterdam from last week's \$69/mt to \$51/mt now.

Rotterdam's HSFO price has fallen by \$7/mt against that in Gibraltar in the past day, but Rotterdam is still at a highly unusual premium of \$6/mt now. HSFO availability remains tight for prompt delivery dates in Rotterdam and other ARA ports.

Tight availability of the grade has pushed its prices higher in recent weeks, thereby erasing its typical price discounts to Gibraltar's HSFO. Singapore and Fujairah, which also typically price HSFO at parity or higher than Rotterdam, now price the grade at wide discounts of \$40/mt and \$80/mt, respectively.

VLSFO and LSMGO availability remains normal in Gibraltar and Algeciras, with lead times unchanged at 3-4 days. Securing prompt HSFO stems in Gibraltar Strait ports can be difficult, with lead times of 5-7 days recommended.

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

Brent

The front-month ICE Brent contract has gained \$2.48/bbl on the day, to \$74.30/bbl at 09.00 GMT.

Upward pressure:

Brent has pared some previous losses after the US Energy Information Administration (EIA) figures released on Wednesday showed that US crude oil inventories dropped by 9.60 million bbls in the week that ended 23 June.

"Energy traders turned bullish quickly after the EIA energy report showed a 9.6 million b/d draw and robust demand signs everywhere," said OANDA's market analyst Ed Moya.

Additionally, Saudi Arabia's 1 million b/d output cuts pledged in early June will come into force from July and is expected to add some upward pressure to Brent.

"An additional 1 million b/d unilateral cut by Saudi Arabia, set to take effect in July, coupled with seasonally stronger demand, should help to physically tighten the market in Q3," said analysts at BMI Research in a client note.

Downward pressure:

Concerns over further interest rate hikes that can potentially reduce global economic growth - with a knock-on effect on oil demand - have weighed on Brent this week

"The market turned around on renewed worries about further rate hikes in the US and Europe, which will reduce global oil demand," said Hiroyuki Kikukawa, president of NS Trading, a unit of Nissan Securities.

Several central banks have hiked interest rates in recent days to control persistently high inflation, and have said that further monetary policy tightening will be required. The US Federal Reserve's (Fed) chairman Jerome Powell has said that two additional US interest rate hikes this year is a "pretty good guess".

Higher interest rates can cool off economies and have a negative impact on economic growth, which can have a direct effect on global oil demand.

By Nithin Chandran and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com