ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in European and African ports have gained, and Gibraltar's VLSFO premium over Rotterdam has narrowed.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($8/mt) and Rotterdam ($4/mt), and down in Gibraltar ($5/mt)**
- **LSMGO prices up in Rotterdam ($14/mt) and Durban ($7/mt), and unchanged in Gibraltar**
- **HSFO prices up in Rotterdam ($5/mt) and Gibraltar ($4/mt)**

Most bunker benchmarks in European and African ports have gained some in the past day. But Gibraltar's VLSFO price has run counter to the general market direction by inching lower in the past day. A lower-priced 500-1,500 mt VLSFO stem fixed in Gibraltar has supported the benchmark's resistance.

On the other hand, Rotterdam's VLSFO price has tracked Brent's upward thrust and increased slightly. The price moves have narrowed Gibraltar's VLSFO premium over Rotterdam from yesterday's $22/mt to $13/mt now.

Availability of VLSFO and LSMGO remains normal in Gibraltar, a source says. Recommended lead times for both grades are about 3-5 days in the port. LSMGO availability is good in Ceuta, where a supplier is able to deliver stems with five days of lead time. In Algeciras, VLSFO and LSMGO availability is normal for prompt delivery dates.

Minimum congestion has been reported in Gibraltar, where two vessels are waiting for bunkers today, according to port agent MH Bland. Two suppliers are currently experiencing delays of 2-4 hours there.

Brent

The front-month ICE Brent contract has been broadly rangebound and gained $0.39/bbl on the day, to $75.76/bbl at 09.00 GMT.

Upward pressure:

Brent futures got some upward momentum after Saudi Arabia announced an extension of its voluntary production cut of 1 million b/d by another month to include August. The step was "to reinforce the precautionary efforts made by OPEC+ countries with the aim of supporting the stability and balance of oil markets," state news agency SPA reported, citing an energy ministry source.

OPEC's allies Russia and Algeria also announced new voluntary output cuts for August. Both countries will now lower production and export levels in August by another 500,000 b/d and 20,000 b/d, respectively.

On the demand side, the oil market now awaits US crude inventories data from the American Petroleum Institute (API) later today and government data on Thursday. The releases of both datasets have been delayed this week due to a public holiday in the US on 4 July.

Downward pressure:

Lingering concerns about a global economic slowdown have averted a sharp rise in Brent futures.

After China lifted all of its Covid-related restrictions, its economic recovery has been significantly slower than expected, while Chinese oil demand has been strong, said Commerzbank analyst Carsten Fritsch. He said the recent spike in China's oil demand was a "catch-up" effect after Covid-restrictions were eased.

Moreover, leading central banks around the world have hiked interest rates to tame inflation. The US Federal Reserve's (Fed) chairman Jerome Powell warned about two more rate hikes by the end of 2023.

Higher interest rates often lead to less spending on commodities like oil, which in turn affects demand.

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