ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in European and African ports have mostly gained, and VLSFO availability has tightened in Ceuta.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($16/mt), Gibraltar ($9/mt) and Rotterdam ($5/mt)**
- **LSMGO prices up in Durban ($19/mt), Gibraltar ($17/mt) and Rotterdam ($12/mt)**
- **HSFO prices up in Gibraltar ($8/mt), and down in Rotterdam ($1/mt)**

Most bunker benchmarks in European and African ports have tracked Brent’s upward thrust. But Rotterdam’s HSFO has moved counter to the general market direction and inched lower amid downward price pressure from a lower-priced indication.

The price move has further widened Rotterdam’s HSFO discount to Gibraltar from yesterday’s $22/mt to $31/mt now. Gibraltar’s HSFO benchmark traded at rare discounts to Rotterdam of nearly $22/mt in the past week, but these discounts have been erased since.

VLSFO availability has tightened in Ceuta. One supplier is running low on stocks and anticipates replenishment cargo to arrive around 10 July. The arrival of new cargo is expected to ease some supply pressure there.

Bunker operations remain suspended in Algoa Bay since yesterday due to adverse weather conditions, according to Rennies Ships Agency. Swells of more than three metres have hit the bay this morning, keeping deliveries disrupted there. Bad weather is forecast throughout this week, which could lead to a congestion build-up.

Five vessels are currently waiting to receive bunkers at anchorage, and another seven vessels are due to arrive between today and Sunday, Rennies says.

Brent

The front-month ICE Brent contract has moved up by $1.20/bbl on the day, to $76.96/bbl at 09.00 GMT.

Upward pressure:

Brent futures extended gains amid concerns about tight crude oil supply. OPEC's allies Russia and Algeria announced a fresh round of supply reduction for August. Both countries will now lower output and export levels in August by another 500,000 b/d and 20,000 b/d, respectively.

Additionally, OPEC's de facto leader Saudi Arabia also extended its existing 1 million b/d output cut by another month to include August.

"Oil is predictably finding price support due to voluntary supply cuts from Saudi Arabia and Russia," said SPI Asset Management's managing partner Stephen Innes.

Downward pressure:

The oil market has been speculating further interest rate hikes by central banks, to limit inflation levels. As a result, Brent has felt some downward pressure in recent days.

Minutes from the US Federal Reserve (Fed) June 13-14 meeting indicated that a further hike in interest rate is possible. However, it is likely to happen by the end of this year.

Higher interest rates could slow down demand growth, especially for commodities.

"The oil balance will likely tighten and so will financial conditions, judging by the Fed minutes released last night," said PVM's analyst Tamas Varga. "Persistent recession worries will probably encumber, but not prevent, oil from marching higher," he further added.

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