ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker prices have mostly declined, and Gibraltar's HSFO premium over Rotterdam has widened to one-month high.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Rotterdam ($9/mt), Durban ($7/mt) and Gibraltar ($2/mt)**
- **LSMGO prices down in Durban ($11/mt), Rotterdam ($5/mt) and Gibraltar ($2/mt)**
- **HSFO prices up in Gibraltar ($4/mt), and down in Rotterdam ($5/mt)**

Most bunker benchmarks in European and African ports have tracked Brent's decline. But Gibraltar's HSFO price has moved counter to the general market direction by gaining in the past day. The port's HSFO price has resisted Brent's decline for a second consecutive session amid upward price pressure from higher-priced indications.

The price move has further widened Gibraltar's HSFO premium over Rotterdam from yesterday's $31/mt to a monthly high of $40/mt now.

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

HSFO supply remains tight in Las Palmas. One supplier is fully booked for prompt dates and has held back offers. Another supplier expects replenishment cargo to arrive next week to resume deliveries from 14 July onwards, a source says.

Brent

The front-month ICE Brent contract has shed $0.49/bbl on the day, to $76.47/bbl at 09.00 GMT.

Upward pressure:

US oil demand was stronger than previously expected in April. The US Energy Information Administration (EIA) has revised its demand estimate for April up by 750,000 b/d to 20.42 million b/d.

“That revision means that oil demand in April was at a record high, above both April 2022 and April 2019,” said Price Futures Group’s senior market analyst Phil Flynn.

Moreover, a peak summer travel season in the US is putting upward pressure on Brent as expectations of fuel demand growth is boosting oil market sentiments.

"The crude demand outlook is starting to look better as we enter peak summer travel in the U.S." said OANDA market analyst Ed Moya.

Downward pressure:

Brent has seen some headwind from growing expectations of yet another interest rate hike by the US Federal Reserve (Fed).

Higher interest rates can lead to sluggish economic growth, which can then weigh heavily on consumer activity and put a cap on global oil demand.

The oil market is leaning towards believing there will be another hawkish hike by the Fed at its 25-26 July meeting, after the central bank kept its key interest rate unchanged in June.

“A more hawkish Federal Reserve, robust Russian supply and rising Iranian supply all suggest that the market will not trade as high as initially expected,” said ING’s senior analyst Warren Patterson.

“It doesn’t appear as though Russia has stuck to a previous cut of 500Mbbls/d when you consider that Russian seaborne crude oil exports have been strong for most of the year,” added Patterson.

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