

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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European and African bunker benchmarks have mostly gained over the weekend, and VLSFO supply remains tight in Ceuta.

Changes on the day from Friday, to 09.00 GMT today:

- **VLSFO up in Gibraltar (\$7/mt), Rotterdam (\$6/mt) and Durban (\$2/mt)**
- **LSMGO prices up in Gibraltar (\$25/mt), Durban (\$15/mt) and Rotterdam (\$12/mt)**
- **HSFO prices up in Gibraltar (\$12/mt), and unchanged in Rotterdam**

Gibraltar's bunker benchmarks have risen more than other regional ports over the weekend. The steep rise in the port's HSFO price has meant that its premium over Rotterdam's HSFO has widened from Friday's \$40/mt to \$52/mt.

Meanwhile, Rotterdam's HSFO price remained steady over the weekend. Several lower-priced indications of the grade on Friday have supported the benchmark's resistance against the general market movement.

Securing LSMGO stems for very prompt days (0-2 days) can be slightly difficult in Amsterdam. Two suppliers have held back offers amid tight schedules, while one supplier can supply them for very prompt dates.

VLSFO supply is tight in Ceuta. One supplier in Ceuta expects VLSFO replenishment cargo to arrive later today, which could ease some supply pressure there. The supplier expects to resume normal deliveries from 14 July onwards.

Minimum congestion has been reported in Gibraltar today, with one supplier experiencing delays of 6-8 hours, port agent MH Bland says.

Brent

The front-month ICE Brent contract has increased by \$1.27/bbl on the day from Friday, to \$77.74/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained upward support as the latest report from the US Energy Information Administration (EIA) showed an increase in the country's oil demand.

According to the EIA data, US oil demand averaged 20.7 million b/d in the four-week period ending 30 June, up by 3.5% from the same period last year.

"It appears that the mood is shifting as the pessimism about demand is starting to meet with reality that it continues to grow," said Price Futures Group's senior market analyst Phil Flynn.

"The market is starting to realize that even after the most aggressive rate cycle increase ever that the impact on oil demand is not as pronounced as some have predicted," Flynn said in a note.

This week, oil markets will focus on demand forecasts by the International Energy Agency (IEA) and OPEC. Both are due to release their oil market reports later this week.

Downward pressure:

Brent has felt some downward pressure in recent weeks due to weaker-than-expected economic growth in China, after the country lifted all COVID-related restrictions

The oil market is now waiting for fresh cues from the world's top oil consumers the US and China.

"Big macro release this week will be US CPI numbers on Wednesday, which will likely further shape market expectations on how much more monetary tightening we could see from the US Federal Reserve in the months ahead," said ING's market analyst Warren Patterson.

Last month, the US Federal Reserve's (Fed) chairman Jerome Powell said that further rate hikes in the US by the end of 2023 is a "pretty good guess".

Higher interest rates can escalate borrowing costs for consumers and have a negative impact on the economy, ultimately affecting global oil demand growth.

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