ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have moved in mixed directions, and Rotterdam's Hi5 spread has narrowed to nearly $50/mt.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar ($3/mt), and down in Rotterdam and Durban ($6/mt)**
- **LSMGO prices up in Durban ($9/mt), Gibraltar ($5/mt) and Rotterdam ($2/mt)**
- **HSFO prices up in Rotterdam ($5/mt) and Gibraltar ($3/mt)**

Most bunker benchmarks in European and African ports have gained in the past day. But VLSFO benchmarks in Rotterdam and Durban have moved counter to the general market direction by dropping amid downward price pressure from lower-priced stems and indications.

HSFO availability remains tight in Rotterdam and in the wider ARA hub. Over the past month, the port's HSFO price has gained by a steep $51/mt amid tight availability, while its VLSFO made a more modest price rise of $24/mt.

The price moves have narrowed the port Hi5 from last month's $79/mt to $52/mt. This is close to Gibraltar's Hi5 spread of $46/mt, and these are both far lower than Fujairah's Hi5 spread of $125/mt and Singapore's $88/mt.

Sources argue that factors such as the Russian import ban, a sweetening of EU refineries' crude slates, and the Kurdish export suspension have contributed to tighten of HSFO supply in the ARA hub.

Recent maintenance across European refineries has contributed to regional tightness, another source says. According to Wood Mackenzie data, a major chunk of European refineries including some in France, the Netherlands, Spain and Germany undertook maintenances in March and April, impacting about 2.28 million b/d of crude distillation capacity.

VLSFO and LSMGO availability is said to be relatively better in the ARA hub, a trader says.

Brent

The front-month ICE Brent contract has inched up by $0.47/bbl on the day, to $80.17/bbl at 09.00 GMT.

Upward pressure:

Brent futures have continued to gain upward momentum after a key US consumer price inflation (CPI) report showed both headline rates and core rates (excluding food and energy) rose by 0.2% month-on-month in June. The report came from the US Labor Department.

The CPI increase undershot an expected rise of 0.3%, said ING's market analyst James Knightley. "This means the annual rate of inflation [in the US] slows," he added in a note.

A slowdown in the annual rate of inflation might stop the US Federal Reserve (Fed) from hiking interest rates further, which could boost the economy and subsequently oil demand.

"Brent has finally broken out of the range it has spent almost two months trading in," said ING's market analyst Warren Patterson. "The key catalyst for the move was the US CPI data coming in below consensus," he further added.

Downward pressure:

Brent felt some downward pressure after the US Energy Information Administration (EIA) reported a big crude inventory build in the US. Commercial US crude oil inventories increased by 5.95 million bbls in the week that ended 7 July, which was much higher than the 3 million-bbl figure reported by the American Petroleum Institute on Tuesday.

Lower exports of US crude oil have led to this unexpected build, commented Warren Patterson. "The report was on the bearish side, given the large builds and weaker implied demand. However, clearly the market was more focused on US CPI data yesterday," he further added.

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