ENGINE: Europe & Africa Bunker Fuel Market Update

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European and African bunker benchmarks have declined over the weekend, and Amsterdam's HSFO premium over Rotterdam has widened.

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

- **VLSFO prices down in Durban ($19/mt), Rotterdam and Gibraltar ($16/mt)**
- **LSMGO prices down in Durban ($51/mt), Gibraltar ($29/mt) and Rotterdam ($26/mt)**
- **HSFO prices down in Rotterdam ($18/mt) and Gibraltar ($14/mt)**

Bunker benchmarks in European and African ports have declined sharply over the weekend, reversing gains made in the last few sessions. Durban's LSMGO has plunged by $51/mt – the steepest among major ports. LSMGO was indicated in a wide $80/mt range on Friday, with indications at the lower end of the range weighing down the benchmark.

HSFO prompt supply has been tight across the ARA hub. Securing large stem sizes of HSFO can be even more challenging in the bunker hub. Bunker buyers looking to lift HSFO stems in the ARA should consider a longer lead time, a trader says.

In Antwerp, at least four suppliers have held back prompt offers amid tight supply. One of these suppliers can supply HSFO stems for delivery dates from 22 July.

Supply has also been tight in Amsterdam and Rotterdam. Only two suppliers in Amsterdam were able to offer HSFO stems for prompt dates on Friday, a source says.

Amsterdam's HSFO premium over Rotterdam has widened from near parity levels on Friday, to $20/mt now.

Minimal congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland. Bunkering is going ahead as usual in Ceuta, where six vessels are scheduled to arrive today, according to shipping agent Jose Salama & Co.

Brent

The front-month ICE Brent contract has come off by $2.56/bbl on the day from Friday, to $78.61/bbl at 09.00 GMT.

Upward pressure:

Brent futures traded upwards after supply disruptions in Libya and Nigeria last week put further pressure on global supply dynamics, following voluntary output cuts by Saudi Arabia and Russia that will extend into August.

Brent also drew some support from Chinese trade figures released by market intelligence provider JLC that showed oil imports in China hit recorded its second-highest ever monthly figure, with 52.06 million mt (12.72 million b/d) imported in June.

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

"The fundamentals for higher prices in the coming months appear more encouraging," said SPI Asset Management's analyst Stephen Innes, referring to a decline in supply and the likelihood of rising demand.

Downward pressure:

Brent reversed last week's gains and fell below the $80/bbl mark after China reported weaker-than-expected gross domestic product (GDP) data, sparking concerns about slowing demand growth from the world's second-largest oil consumer.

According to a Reuter's report citing data released by the National Bureau of Statistics, China's GDP grew by a slight 0.8% from the first quarter to the the second quarter. The GDP numbers were adjusted for seasonality.

"The weaker than expected GDP numbers are likely to continue to cause concern for markets," said ING's head of commodities research Warren Patterson. Domestic Chinese oil demand grew at a strong pace in June, he said, but the market seems focused on weak headline GDP numbers.

Brent has also felt downward pressure after two of three previously shut Libyan oil fields resumed production over the weekend. Oil production was halted during protests that erupted after a former government official was abducted.

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