

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

24/07/23

Regional bunker benchmarks have gained over the weekend, and Rotterdam's VLSFO discount to Gibraltar has narrowed.

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

- **VLSFO prices up in Rotterdam (\$13/mt), Durban (\$10/mt) and Gibraltar (\$3/mt)**
- **LSMGO prices up in Durban (\$35/mt), Rotterdam (\$24/mt) and Gibraltar (\$19/mt)**
- **HSFO prices up in Rotterdam (\$6/mt) and Gibraltar (\$2/mt)**

Bunker benchmarks in European and African ports have gained over the weekend, tracking Brent's upward thrust. But LSMGO gains have been greater compared to other grades, partly supported by gains in the ICE low-sulphur gasoil futures.

The front-month ICE low-sulphur gasoil contract has also gained by nearly \$20/mt over the weekend.

Rotterdam's VLSFO price rise has outpaced that in Gibraltar. This has nearly halved Rotterdam's VLSFO price discount to Gibraltar from Friday's \$25/mt to \$15/mt now. One higher-priced indication has supported the benchmark's steep gain.

Rotterdam's Hi5 spread has also widened by \$7/mt to \$66/mt now. At \$66/mt, the port's Hi5 spread is wider than the spreads of \$40/mt in Gibraltar and \$57/mt in Singapore, but still far off Fujairah's \$116/mt.

VLSFO and LSMGO availability is said to be normal in Gibraltar. Minimal congestion has been reported in Gibraltar, Algeciras and Ceuta today, according to port agent MH Bland.

## **Brent**

The front-month ICE Brent contract has increased by \$0.91/bbl on the day from Friday, to \$81.10/bbl at 09.00 GMT.

### **Upward pressure:**

Brent futures continued to gain upward momentum amid hopes for a Chinese stimulus after the country's highest economic planner pledged to roll out policies to stabilise growth in ten sectors.

Additionally, OPEC+ supply cuts announced in June have kept the oil market tight, helping Brent break the \$80/bbl mark last week. "Oil prices are rising on optimism that the outlooks for China and India should keep the global crude demand outlook intact, while OPEC+ will make sure the market remains tight," said OANDA's market analyst Ed Moya.

Moreover, the International Energy Agency's (IEA) executive director Fatih Birol said on Saturday that oil markets are expected to tighten in the second half of this year. He further stated that the IEA's global oil demand growth projection would depend on China's economic growth in 2023.

Global oil demand is "very much dependent on the growth of many countries in the second half, but mainly Chinese growth prospects," Birol said at a meeting of Group of 20 energy ministers in India, Reuters reports.

### **Downward pressure:**

Concerns about more hikes in interest rates to tame inflationary pressure has put some downward pressure on Brent.

The oil market is awaiting fresh cues on interest rate hikes this week from the US Federal Reserve (Fed) chairman Jerome Powell and the European Central Bank (ECB) president Christine Lagarde.

Rise in interest rates often hamper demand-side dynamics as dollar-denominated goods become costlier for holders of non-dollar currencies.

Separately, the UAE Energy Minister Suhail al-Mazrouei told Reuters that the actions by OPEC+ to support supply-demand dynamics in the oil market are "sufficient for now".

"Another bearish piece of news worth considering is the UAE's view that the existing OPEC+ cuts are adequate to balance the market," said Mukesh Sahdev, head of downstream and oil trading at Rystad Energy.

*By Nithin Chandran and Aparupa Mazumder*

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