ENGINE: Europe & Africa Bunker Fuel Market Update

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Rotterdam’s HSFO price has surged to an 11-month high, and strike action at the port of Nantes-Saint-Nazaire today is unlikely to impact bunkering.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar ($13/mt) and Rotterdam ($7/mt), and down in Durban ($23/mt)**
- **LSMGO prices up in Rotterdam ($28/mt), Gibraltar ($18/mt) and Durban ($4/mt)**
- **HSFO prices up in Rotterdam ($11/mt), and down in Gibraltar ($3/mt)**

Most bunker benchmarks in European and African ports have gained in the past day. But Gibraltar's HSFO and Durban’s VLSFO have moved counter to the general market direction by dropping in the past day. Lower-priced indications in both ports have contributed to drag their prices lower in the past day.

Rotterdam’s HSFO price has surged to an 11-month high. The port’s benchmark has crossed $500/mt, the first time since September last year. Some argue that the tightness of the product in the ARA has largely contributed to push the port’s benchmark higher. HSFO supply has been very tight in the ARA hub, with some suppliers facing product shortages, a trader says.

LSMGO price gains in Rotterdam and Gibraltar have outpaced that in ICE low-sulphur gasoil. The front-month ICE-low -sulphur gasoil contract has gained by just $3/mt in the past day. A modest price rise has contributed to erase its price premium over Rotterdam’s LSMGO from yesterday’s $24/mt to rare parity levels now.

Dock workers at the port of Nantes-Saint-Nazaire in western France are holding a strike action between 11.00-15.00 local time (9.00-13.00 GMT) today. The four-hour brief strike action is unlikely to have any major impact on bunkering in the port, a trader says. Operations at the Elengy terminal and Total Energies’ Donges refinery are least likely to be impacted by the strike, GAC Hot Port News states.

In recent months, the country has witnessed widespread strikes against the controversial pension reform.

Brent

The front-month ICE Brent contract has gained $1.47/bbl on the day, to $82.57/bbl at 09.00 GMT.

Upward pressure:

Crude oil supply cuts from the Organization of Petroleum Exporting Countries (OPEC), led by Saudi Arabia and its allies including Russia have supported Brent's upward thrust.

"Crude prices are tentatively breaking out as expectations remain for the oil market to remain tight despite all global weakness that is emerging," said Ed Moya, OANDA's market analyst.

The oil market has also taken support from the Chinese Communist Party Politburo meeting, where the Chinese government decided to provide further support to ten sectors, ING's head of commodities research Warren Patterson said.

"China is key for global oil demand growth this year and the market has been getting increasingly concerned over the weaker-than-expected economic recovery, so any support measures will be helpful in easing some of these concerns," Patterson added in a note.

Downward pressure:

Weak economic activity around the world has made the oil market wary about global crude oil demand growth in 2023, putting some downward pressure on Brent.

Economic growth in Europe and the US is "looking very weak" right now, commented Moya. "China's Politburo isn't expected to unveil major stimulus this week," he added.

Oil traders are now looking for fresh cues on interest rate hikes from the US Federal Reserve (Fed) and the European Central Bank (ECB).

"The market's instability is further fueled by the ongoing tug-of-war between fears of demand control by Western economies and the supply-control strategies employed by OPEC, which impacts the oil market's delicate balance," said Rystad Energy's analyst Mukesh Sahdev.

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