

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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Most bunker benchmarks in European and African ports have moved in a tight range, and HSFO supply has improved in Gibraltar.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$26/mt) and Rotterdam (\$1/mt), and down in Gibraltar (\$2/mt)**
- **LSMGO prices up in Gibraltar (\$5/mt) and Rotterdam (\$4/mt), and down in Durban (\$1/mt)**
- **HSFO prices up in Rotterdam (\$1/mt), and unchanged in Gibraltar**

Regional bunker benchmarks have mostly moved in a narrow range in the past day. But Durban's VLSFO price has risen steeper than other ports for a second consecutive day. A higher-priced indication has supported the benchmark's upward thrust.

Rotterdam's HSFO price has gained by \$19/mt over the past week, while Gibraltar's HSFO price has increased by a modest \$9/mt. The price moves have narrowed Rotterdam's HSFO discount to Gibraltar from last week's \$41/mt to \$31/mt.

Gibraltar's HSFO price gains have been capped, partly because of improved supply of the grade. Lead times for the grade have dropped from last week's seven days to five days now, a source says. VLSFO and LSMGO availability is also normal there, with unchanged lead times of 3-5 days.

Bunkering is progressing normally in Algoa Bay today. Two vessels are currently receiving bunkers at the anchorage, while one vessel is held up waiting, according to Rennies Ships Agency. But strong gale-force wind gusts of up to 40 knots are forecast to hit the bay in periods between Sunday and Monday, which could delay operations or trigger suspension there.

Minimum congestion has been reported in Gibraltar and Algeciras today, according to port agent MH Bland.

Bunkering is going ahead as usual in Ceuta, where nine vessels are scheduled to arrive for bunkers today, according to shipping agent Jose Salama & Co.

## **Brent**

The front-month ICE Brent contract has gained \$0.38/bbl on the day, to \$83.60/bbl at 09.00 GMT.

### **Upward pressure:**

Brent futures continued to move up as tight supply in oil markets and hopes of a stronger Chinese demand outweighed concerns about a downfall in the global economy.

Oil investors are now focusing on the Organization of the Petroleum Exporting Countries (OPEC) and its allies' monthly joint ministerial monitoring committee meeting next week. The outcomes of the meeting will reveal if the group of oil producers decides to extend voluntary crude oil production cuts into September as well.

Additionally, China's recent pledge to accelerate economic growth in ten different sectors has spurred hopes in the oil market, with the expectation to see demand growth in the world's largest crude oil importer.

"The market is more optimistic following China's Politburo meeting, where there were promises for more support measures for the domestic economy," said Warren Patterson, ING's head of commodities research.

### **Downward pressure:**

Brent felt some downward pressure after the US Federal Reserve's (Fed) Open Market Committee (FOMC) raised interest rates by 0.25 percentage points to 5.25-5.5%.

According to several market analysts, there is still room for another hike. "Minimal changes were made to the post-meeting statement," said SPI Asset Management's analyst Stephen Innes. "The statement did not signal a slower pace for rate hikes at future meetings," he further added.

Monetary tightening measures taken by the US Fed in the recent past have strengthened the US dollar, making it expensive for non-dollar currency holders to buy dollar-denominated commodities such as oil. Further rate hikes could have a negative effect on global oil demand, putting downward pressure on Brent.

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