

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in Rotterdam and Gibraltar have gained, and suppliers in Algoa Bay brace for upcoming bad weather.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar (\$7/mt) and Rotterdam (\$6/mt), and down in Durban (\$13/mt)**
- **LSMGO prices up in Rotterdam (\$14/mt) and Gibraltar (\$3/mt), and down in Durban (\$7/mt)**
- **HSFO prices up in Rotterdam (\$13/mt) and Gibraltar (\$6/mt)**

Rotterdam's HSFO price rise has outpaced that of Gibraltar, to narrow its price discount to Gibraltar's HSFO by \$7/mt to \$24/mt. These discounts peaked to nearly \$50/mt mid-July but have diminished since then, partly because HSFO supply has improved in Gibraltar.

The front-month ICE low-sulphur gasoil futures has gained by \$35/mt in the past day, a much steeper gain than that of LSMGO benchmark in Rotterdam and Gibraltar. The steep rise has meant that its premium over Rotterdam's LSMGO has nearly tripled from yesterday's \$13/mt, to \$34/mt now.

Meanwhile, Durban's LSMGO and VLSFO prices have moved counter to the general market direction. Some lower-priced indications for both grades have contributed to drag the port's benchmarks lower.

Currently bunkering is progressing normally in Algoa Bay, where one vessel is receiving bunkers, and another is held up waiting, according to Rennies Ships Agency. However, strong wind gusts of up to 40 knots and heavy swells are forecast to hit the bay in periods between Sunday and Monday, which could delay operations or trigger suspension there.

Around nine vessels are scheduled to arrive for bunkers between Sunday and Monday, Rennies says.

## **Brent**

The front-month ICE Brent contract has moved up by \$0.45/bbl on the day, to \$84.05/bbl at 09.00 GMT.

### **Upward pressure:**

Strong economic data from the US and supply cuts in the crude oil market have helped Brent to continue its upward movement this week.

The US gross domestic product (GDP) in second quarter grew at 2.4%, Reuters reported on Thursday, citing the US Commerce Department.

On the supply side, Saudi Arabia is expected to extend supply cuts into September, said Price Futures Group's analyst Phil Flynn.

"The speculation that Saudi Arabia is going to extend the lollipop production cut until the end of the year and more signs that Russia is acting to rein in production is going to solidify a floor for oil prices," he added in a note.

### **Downward pressure:**

Brent has been under some pressure after the US Federal Reserve (Fed) hiked interest rates by another 0.25 basis point earlier this week.

The European Central Bank (ECB) also hiked interest rates after the Fed's announcement on Wednesday. Recent hikes in interest rates from central banks all over the world have been affecting the global demand outlook.

Additionally, oil market analysts have raised concerns about how and when China will roll out new policies to support its economic growth. China recently promised to boost growth in ten domestic sectors.

"We still need to wait for actual policies - the risk is that these policies fall short of expectations," ING's head of commodities strategy Warren Patterson said, referring to China's recent pledge.

*By Nithin Chandran and Aparupa Mazumder*

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