

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

31/07/23

Regional bunker benchmarks have gained over the weekend, and bunkering has been suspended in Algoa Bay amid bad weather.

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

- **VLSFO prices up in Durban (\$16/mt), Rotterdam (\$13/mt) and Gibraltar (\$12/mt)**
- **LSMGO prices up in Gibraltar (\$24/mt), Rotterdam (\$23/mt) and Durban (\$22/mt)**
- **HSFO prices up in Gibraltar (\$14/mt) and Rotterdam (\$13/mt)**

Bunker benchmarks in European and African ports have gained over the weekend. But LSMGO gains have been much greater compared to other grades, partly supported by higher-priced indications.

The front-month ICE low-sulphur gasoil futures has risen by a modest \$12/mt over the weekend, thereby narrowing its premium over Rotterdam's LSMGO from \$34/mt on Friday, to \$23/mt now. These premiums peaked to nearly \$50/mt levels on 21 July but have diminished since then.

Rotterdam's Hi5 spread stands unchanged at \$59/mt, slightly wider than Gibraltar's Hi5 spread of \$53/mt. HSFO availability remains tight in Rotterdam and in the wider ARA hub. Tight availability of the grade has largely contributed to narrow the port's Hi5 spread.

Bunkering has been suspended in Algoa Bay today amid bad weather conditions, according to Rennies Ships Agency. Four vessels are currently waiting to bunker at the anchorage, Rennies says.

Strong wind gusts of up to 35 knots and waves of more than five meters have hit the bay this morning. Bunkering could resume tomorrow afternoon, when improved weather conditions are forecast.

Brent

The front-month ICE Brent contract has gained \$0.94/bbl on the day from Friday, to \$84.99/bbl at 09.00 GMT.

Upward pressure:

Brent has extended gains from last week following comments from several market analysts, who emphasised on tightening of the global oil supply amid strong demand.

“Oil and product prices are starting to come to grips with a looming supply shortage,” said the Price Futures Group’s senior market analyst Phil Flynn.

Additionally, market analysts have said that any sign of improvement in China’s economy after the country’s pledge to support different financial sectors will drive demand growth for commodities such as oil.

“China’s demand is now surpassing expectations, helping the likelihood of a price overshoot,” said SPI Asset Management’s analyst Stephen Innes.

Downward pressure:

Meanwhile, there are concerns in oil markets about the announcement of supportive policies by the Chinese government to spur growth in its economic sectors. These concerns have put some downward pressure on Brent futures.

“Up until now, there haven’t appeared to be any actual policies that have been announced,” said ING’s head of commodities research Warren Patterson.

China is key for global oil demand growth, Patterson further commented. “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,” he added in a note.

By Nithin Chandran and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association (“NFA”). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com