ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly declined, and bunkering remains suspended at Gibraltar's Western anchorage since Tuesday.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($8/mt), and down in Gibraltar ($12/mt) and Rotterdam ($8/mt)**
- **LSMGO prices up in Rotterdam ($9/mt), and down in Gibraltar ($12/mt) and Rotterdam ($8/mt)**
- **HSFO prices down in Rotterdam ($17/mt) and Gibraltar ($12/mt)**

Most bunker benchmarks in European and African ports have declined in the past day, tracking Brent's downturn. But Rotterdam’s LSMGO and Durban’s VLSFO prices have moved counter to the general market direction by gaining slightly in the past day.

Meanwhile, Gibraltar’s LSMGO price has declined in the past day. This has contributed to halve its premium over Rotterdam’s LSMGO from $65/mt yesterday, to $35/mt now.

Rotterdam’s HSFO price drop has outpaced that of its VLSFO, to widen its Hi5 spread by $9/mt, to $67/mt now.

Port operations have partially resumed at Gibraltar’s Western anchorage, while bunkering has been suspended there since the oil spill incident was reported in the bay on Tuesday, according to port agent MH Bland.

It's still unclear by when the port authority will allow bunkering to resume at the anchorage, port agent MH Bland tells ENGINE. Currently, 10 vessels are awaiting bunkers at Gibraltar, slightly lower than 12 yesterday, it adds.

Brent

The front-month ICE Brent contract has lost $2.55/bbl on the day, to $82.96/bbl at 09.00 GMT.

Upward pressure:

Brent futures continued to draw support from the supply cuts announced by Saudi Arabia-led oil-producer group OPEC+ and output disruptions in Nigeria. Oil and gas company Shell suspended operations at its Forcados oil terminal in Nigeria last month because of a possible leak.

Meanwhile, OPEC and its allies' total oil output dropped by around 900,000 b/d in July due to production cuts from Saudi Arabia and Nigeria, commented Warren Patterson, ING's head of commodities strategy.

Moreover, recent inventory figures from the Energy Information Administration (EIA) also supported Brent's upward thrust. The EIA reported a 17 million bbl draw in the US crude inventories, for the week ended 28 July, surpassing the 15.4 million bbls decline reported by the American Petroleum Institute (API) on Tuesday.

Market analysts have said that this drop in the US oil inventories can boost demand during the summer season in the world's largest oil consumer.

"The oil market just got even tighter as inventories are at the lowest levels since 1985," said OANDA's market analyst Ed Moya. "The API report posted a hefty, so many energy traders expected a big drop with stockpiles and solid demand stats," he further added.

Downward pressure:

Brent shed earlier gains after rating agency Fitch downgraded the main US credit rating to 'AA+' from 'AAA'. The 'AAA' rating holds a higher value than 'AA+'.

The downgrade in the credit rating was due to the US government's current debt burden situation, Fitch said. "The repeated debt-limit political standoffs and last-minute resolutions have eroded confidence in fiscal management," the rating agency said in its report.

Additional downward pressure acting on Brent is due to market anticipation of further interest rate hikes by the US Federal Reserve (Fed) in the coming days. This could strengthen the US dollar and make commodities such as oil costlier for non-dollar buyers.

"Since oil had a steady rise over the past month, it was ripe for a pullback. A strong dollar is getting in oil's way," Ed Moya wrote.

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