ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have increased with Brent, and bunkering at Gibraltar's Western anchorage is expected to resume later today.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($40/mt), Gibraltar ($30/mt) and Rotterdam ($27/mt)**
- **LSMGO prices up in Gibraltar ($50/mt), Rotterdam ($32/mt) and Durban ($30/mt)**
- **HSFO prices up in Rotterdam ($48/mt) and Gibraltar ($37/mt)**

Bunker prices across all grades have increased in Rotterdam, Gibraltar, Durban and several other regional ports in the past day. Rotterdam's HSFO price rise has outpaced that of Gibraltar's, to narrow its discount from $18/mt yesterday, to $7/mt now. Prompt supply of HSFO is said to be tight in the ARA hub. Several suppliers have limited product availability, with recommended lead times of around seven days.

Meanwhile, VLSFO and LSMGO availability is said to be normal in Rotterdam and in the wider ARA hub. A lead time of 5-7 days is recommended for VLSFO deliveries in the region, and 2-4 days for LSMGO.

Rotterdam's HSFO price rise has also outpaced that of its VLSFO, to narrow the port's Hi5 spread by $21/mt, to just $46/mt now.

Bunkering at Gibraltar's Western anchorage is expected to resume by today afternoon, port agent MH Bland said, citing information received from the port office. However, the resumption of bunker operations at the anchorage will depend on the progress of clean-up operations in the bay, MH Bland added.

Bunkering has been suspended at Gibraltar's Western anchorage since an oil spill incident was reported in the bay on Tuesday. Meanwhile, port operations at the anchorage partially resumed on Wednesday, while bunkering is still suspended there.

Currently, eight vessels are awaiting bunkers at Gibraltar, slightly lower than 10 yesterday, it adds.

Brent

The front-month ICE Brent contract has gained $2.48/bbl on the day, to $85.44/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained after the world's two major crude oil producers, Saudi Arabia and Russia, announced further supply cuts into September, according to their state media agencies.

Saudi Arabia will be extending its voluntary output cut of 1 million b/d into September, its state media agency Saudi Press Agency (SPA) said on Thursday, citing an official source from the kingdom's Ministry of Energy. Saudi Arabia's production in September will be about 9 million b/d, SPA reported, citing the official source.

Additionally, Russian Deputy Prime Minister Alexander Novak said that Russia will continue output cuts for another month, including September as well. Russia's state media agency TASS reported that the country will reduce oil output by 300,000 b/d in September to "balance the market".

"The amount by which Russia reduces its oil production as promised will significantly impact the size of deficits in the upcoming months and where prices will settle," said SPI Asset Management's market analyst Stephen Innes.

The market is now waiting for minutes from the oil-producer countries' joint ministerial monitoring committee meeting scheduled later today.

Downward pressure:

Brent felt some downward pressure this week after the ratings agency Fitch downgraded the main US credit rating to 'AA+' from 'AAA'. Fitch said that the downgrade was due to the US government's "repeated debt limit and political standoffs".

Anticipation of further interest rate hikes by the US Federal Reserve (Fed) also added to the downward pressure on Brent. Higher interest rates can lead to sluggish economic growth and affect US and global oil demand.

"A strong dollar has weighed on crude prices and everyone wants to know if a hot labor market will force the Fed to tighten policy even further," said Ed Moya, OANDA's market analyst.

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