

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly declined, and Gibraltar's HSFO price has flipped to a discount to Rotterdam.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$8/mt), and down in Gibraltar (\$14/mt) and Rotterdam (\$11/mt)**
- **LSMGO prices up in Durban (\$52/mt), and down in Gibraltar (\$45/mt) and Rotterdam (\$29/mt)**
- **HSFO prices down in Gibraltar (\$35/mt) and Rotterdam (\$11/mt)**

Bunker benchmarks in European and African ports have mostly declined in the past day. But VLSFO and LSMGO benchmarks in Durban have moved counter to general market direction for the second consecutive day.

Durban's LSMGO price has surged above \$1,000/mt amid upward pressure from a higher-priced indication.

Gibraltar's HSFO price drop has outpaced that of Rotterdam's in the past day. A lower-priced HSFO stem fixed in the past day has contributed to drag the port's benchmark down. A steep fall in Gibraltar's HSFO price has also erased its premium over Rotterdam's benchmark and flipped it to a rare discount of \$17/mt now. Gibraltar's HSFO price premium over Rotterdam peaked to nearly \$50/mt last month.

Prompt HSFO availability remains tight in Rotterdam and in the wider ARA hub. Meanwhile, the grade's supply has been relatively better in Gibraltar. Tight supply of HSFO in Rotterdam has largely contributed to keep the port's Hi5 spread close to \$50/mt since June. At \$50/mt, the port's Hi5 spread is much narrower than the spread of \$80/mt in Gibraltar.

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

Brent

The front-month ICE Brent contract has declined by \$1.21/bbl on the day, to \$84.41/bbl at 09.00 GMT.

Upward pressure:

Upward pressures acting on Brent futures this week include a recent announcement from Saudi Aramco. The state-owned oil company has raised the official selling price (OSP) for its Arab light crude grade for exports to Asia in September.

“The Saudis are raising prices across most of Asia and Europe, with the Arab light crude only being boosted by 30 cents, which was less than the 50-cent rise expected by traders,” said OANDA’s analyst Ed Moya.

Moreover, the Russia-Ukraine war has put some upward pressure on Brent, after a Russian ship was attacked by a Ukrainian drone near the Novorossiysk port.

“Ukraine drone attack on a port is increasing the insurance cost for grains and for oil coming out of the region,” said the Price Futures Group’s senior market analyst Phil Flynn. “It’s another supportive factor that will keep oil prices from falling too far,” he added in a note.

Downward pressure:

Poland-based pipeline operator PERN said that it has restored "full functionality of the damaged [Druzhba] pipeline line on Monday evening." Oil flow through the pipeline was temporarily halted over the weekend due to a suspected leak in a section of the Druzhba pipeline.

Resumption of the pipeline, which supplies oil to Europe, has eased supply concerns.

Additionally, China reported a major drop in oil imports in July, raising concerns about demand growth in the world’s largest oil-importing nation, Reuters reported citing data from China’s General Administration of Customs. The country's crude oil imports were 10.29 million b/d in July, down 19% from the previous month.

Meanwhile, China’s highest state planner, the Communist Party Politburo pledged to accelerate growth in consumption in ten economic sectors that have been affected by continuous COVID-19 outbreaks. However, Chinese authorities have not yet announced any concrete measures in this regard.

“Oil prices could feel a bit of the broader commodity downdraft as traders try to determine the actual economic impacts and the increased demand for oil products these policies would generate,” said SPI Asset Management’s analyst Stephen Innes.

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