

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have declined, and HSFO availability is tight off Malta.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban (\$11/mt), Gibraltar (\$5/mt) and Rotterdam (\$4/mt)**
- **LSMGO prices down in Rotterdam (\$21/mt), Durban (\$19/mt) and Gibraltar (\$13/mt)**
- **HSFO prices down in Gibraltar (\$11/mt) and Rotterdam (\$5/mt)**

Bunker benchmarks in European and African ports have declined in the past day. But Rotterdam's LSMGO price drop has been much greater compared to other regional ports, partly supported by lower-priced stems fixed in the past day. This has widened the port's LSMGO price discount to Gibraltar by \$8/mt, to \$71/mt now.

Gibraltar's HSFO price drop has outpaced that of Rotterdam. The price move has contributed to almost erase its premium over Rotterdam's HSFO from yesterday's \$8/mt to near parity levels now.

Meanwhile, the port's VLSFO price has declined by a modest \$5/mt in the past day. This has widened its Hi5 spread by \$6/mt to \$48/mt now. However, this is much narrower than Hi5 levels of \$80/mt seen in the port last week.

Prompt HSFO availability remains tight off Malta, partly because fewer suppliers offer the grade, a source says. Supply of VLSFO and LSMGO is relatively better there. One supplier can supply both grades for very prompt dates (0-2 days).

Brent

The front-month ICE Brent contract lost \$1.36/bbl on the day, to trade at \$84.82/bbl at 09.00 GMT.

Upward pressure:

The American Petroleum Institute (API) data cited by Trading Economics showed a decline of about 6.20 million bbls in US crude oil stocks in the week that ended 11 August, helping Brent futures to gain some upward support.

The Price Futures Group's market analyst Phil Flynn expected a decline of 3 million bbls, he said in a note. Oil investors are now waiting for the broadly followed US government data on crude oil stockpiles from the US Energy Information Administration (EIA).

Additionally, the US Strategic Petroleum Reserves (SPR) plunged below 350 million bbls in the week to 4 August, according to EIA. This is the lowest level since August 1983. Travel during the summer season in the US is expected to drive oil demand in the world's largest consumer, the EIA said.

Downward pressure:

Brent futures came under pressure due to concerns about a slow pace of economic recovery in China against the backdrop of consecutive COVID-19 outbreaks.

"China concerns and a stronger USD ensured some downward pressure not just for oil, but the broader commodities complex," said ING's head of commodities strategy Warren Patterson.

Moreover, oil traders are anxious about more aggressive monetary tightening by the US Federal Reserve (Fed) when they convene for the next policy meeting in September. "The [Chinese] concerns were exacerbated by resurfacing anxieties about a more aggressive stance from the US Federal Reserve, causing a wholesale lack of interest in high-risk assets [commodities like crude oil]," said SPI Asset Management's analyst Stephen Innes.

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