ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in most European and African ports have come down, and bunkering has been suspended in Algoa Bay since yesterday.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($1/mt), and down in Rotterdam ($15/mt) and Gibraltar ($9/mt)**
- **LSMGO prices down in Gibraltar ($15/mt), Durban ($13/mt) and Rotterdam ($11/mt)**
- **HSFO prices down in Rotterdam ($9/mt) and Gibraltar ($8/mt)**

Bunker benchmarks in European and African ports have mostly declined in the past day. Rotterdam's VLSFO price has come down by $15/mt, partly because of a lower-priced stem fixed in the past day. Availability of the grade is said to be normal in the port and in the wider ARA hub, with recommended lead times of around four days. Rotterdam's VLSFO price drop has outpaced that of Gibraltar. This has widened the port's VLSFO price discount to Gibraltar by $6/mt, to $21/mt now.

HSFO prices have declined in both Rotterdam and Gibraltar in the past day. Prompt supply of the grade is said to be tight in Rotterdam, while it is relatively better in Gibraltar. Lead times of 4-6 days are advised to ensure full coverage from suppliers in Gibraltar, a source says. Steady supply in Gibraltar has contributed to the recent fall in the grade's price there. This has almost erased its premium over Rotterdam's HSFO to near parity levels now.

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

In South Africa's Durban, the LSMGO price has come down in the past day, and availability of the grade is said to be normal there.

Meanwhile, bunkering has been suspended in Algoa Bay since yesterday due to bad weather conditions, according to Rennies Ships Agency. Three vessels are currently waiting to receive bunkers at the anchorage there, and one more vessel is scheduled to arrive later today.

Brent

The front-month ICE Brent contract has lost $1.24/bbl on the day, to trade at $83.58/bbl at 09.00 GMT.

Upward pressure:

Crude oil supply cuts pledged by oil giants like Saudi Arabia and Russia have provided some support to Brent futures in recent weeks.

Saudi Arabia's crude oil export dropped to a three-year low of 6.80 million b/d in June, reported the Joint Organisations Data Initiative (JODI) on Wednesday. Saudi crude output was also at a three-year low, after it fell by 300,000 b/d on the month to 9.96 million b/d.

Saudi Arabia and the broader OPEC+' group's primary goal is to put a floor under oil prices and bring a "balance in the market" with these supply reductions that came into effect from May.

Downward pressure:

Fresh fears of yet another US interest rate hike have weighed down on Brent futures. At a Federal Open Market Committee (FOMC) meeting in July, a US Federal Reserve (Fed) officials said the central bank's priority is to "battle inflation".

"Oil traders are getting that sinking feeling as pressure builds against the backdrop of the Fed that may have little alternative to turn up the Fed Funds screws to throw a wet blanket over the red-hot US economy," commented SPI Asset Management's analyst Stephen Innes.

Ongoing concerns about China's slower-than-expected economic recovery have put a lid on Brent price gains.

"Crude prices are going to struggle here as we have bearish sentiment in the world's two largest economies," said Ed Moya, OANDA's senior market analyst."The Chinese economy can best be described as a high-speed bullet train wreck colliding with an economic dumpster fire," Stephen Innes said.

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