

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have moved in mixed directions, and bunkering in Algoa Bay has been suspended since Wednesday.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$11/mt) and Rotterdam (\$4/mt), and down in Gibraltar (\$3/mt)**
- **LSMGO prices up in Durban (\$70/mt), Rotterdam (\$36/mt) and Gibraltar (\$5/mt)**
- **HSFO prices down in Rotterdam and Gibraltar (\$5/mt)**

Rotterdam's LSMGO price has increased by \$36/mt in the past day, a higher-priced stem fixed in the past day has supported the port's benchmark. Prompt supply of the grade is said to be normal in Rotterdam and in the wider ARA hub, with recommended lead times of 2-4 days.

Durban's LSMGO price has also increased significantly in the past day. Availability is normal and lead times of up to seven days are still recommended for deliveries across Durban, Cape Town and Algoa Bay, a source says.

HSFO prices have decreased some in Gibraltar and Rotterdam in the past day. Availability of the grade is said to be tight in Rotterdam, while it is relatively better in Gibraltar. The grade's price in Gibraltar has come down by \$24/mt so far this week amid steady supply there. The price move has erased its premium over Rotterdam's HSFO, and they are at a rare parity level now.

Minimal congestion has been reported in Gibraltar today, with three vessels currently waiting to receive bunkers there, according to port agent MH Bland. No bunker backlog has been reported in Ceuta, where seven vessels are scheduled to arrive today, Jose Salama & Co. says.

Bunker operations in Algoa Bay have been suspended since Wednesday due to bad weather conditions, according to Rennie's Ships Agency. Swells ranging more than 3.6 metres have hit the bay this morning. Three vessels are currently waiting to receive bunkers at the anchorage there, while one vessel is held up waiting in Port Elizabeth, Rennie's says.

## **Brent**

The front-month ICE Brent contract has gained \$0.58/bbl on the day, to trade at \$84.16/bbl at 09.00 GMT.

### **Upward pressure:**

Concerns over tight supply have resurfaced today and helped Brent futures to gain upward momentum.

“[Crude oil] supplies are tight and are getting tighter,” said Price Futures Group’s market analyst Phil Flynn. “If you look at US crude oil inventories, they are about 1% below the five-year average for this time of year,” Flynn said in a note.

Earlier this month, Saudi Arabia and Russia pledged to extend their supply cuts into September. The move has provided support to Brent futures in recent weeks.

Moreover, the People’s Bank of China (PBoC) cut key policy rates for the second time in three months on Tuesday to support the country's economic recovery, Reuters reported. Oil traders gained some confidence after the central bank in the world’s largest crude importing nation decided to hold back monetary tightening, to drive demand growth.

“Investors find comfort in the PBoC’s demonstrated willingness to leverage its comprehensive policy toolkit to steer the situation in a positive direction,” said SPI Asset Management’s analyst Stephen Innes.

### **Downward pressure:**

Brent felt some downward pressure amid growing fears of more interest rate hikes by the US Federal Reserve (Fed). At a Federal Open Market Committee (FOMC) meeting in July, Fed officials indicated that further rate hikes are possible to combat inflation. The next FOMC meeting is scheduled to take place on 19 and 20 September.

A higher interest rate could reduce consumer spending and drive oil demand down.

Additionally, Chinese oil data has also weighed down on Brent this week. China’s total crude oil imports in July were about 43.69 million mt, down 18.8% from June, JLC reported.

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