

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Rotterdam (\$14/mt), Gibraltar (\$6/mt) and Durban (\$5/mt)**
- **LSMGO prices up in Gibraltar (\$1/mt), and down in Durban (\$9/mt) and Rotterdam (\$6/mt)**
- **HSFO prices up in Gibraltar (\$1/mt), and down in Rotterdam (\$7/mt)**

Most bunker benchmarks in major European and African ports have declined with Brent values. But Rotterdam's VLSFO price drop has outpaced that of Gibraltar for a second consecutive day. The price moves have widened Rotterdam's VLSFO discount to Gibraltar by \$8/mt, to \$32/mt now. Its discounts narrowed to nearly \$10/mt last week, but these discounts have widened since.

Rotterdam's HSFO price has come off by \$7/mt in the past day, while the grade's price in Gibraltar has increased some. The diverging price moves have widened Gibraltar's HSFO premium over Rotterdam from \$12/mt in the past day, to \$20/mt now.

HSFO availability in Rotterdam and in the wider ARA hub has shown signs of improvement, a source claims. Some suppliers, who were hesitant to supply the grade for prompt delivery dates until last week are now keen to offer the product, the source adds.

However, some traders still argue that securing prompt HSFO stems in the ARA hub can be difficult. Lead times of 5-7 days are still recommended for the grade there, unchanged from last week, another source says. On the other hand, VLSFO and LSMGO availability remains good in Rotterdam.

## **Brent**

The front-month ICE Brent contract has lost \$0.61/bbl on the day, to trade at \$83.59/bbl at 09.00 GMT.

### **Upward pressure:**

Recent US crude stock figures from the American Petroleum Institute (API) provided some support to Brent futures. The industry body reported a decline of about 2.42 million bbls in US crude oil inventories in the week that ended 18 August.

Oil traders are now waiting for more cues from the US Energy Information Administration's (EIA) weekly oil inventory report, which is due to release later today.

News reports that the US government has added 500,000 bbls to its strategic petroleum reserve (SPR) provided more support to Brent futures, said Price Futures Group's market analyst Phil Flynn. "The Biden administration added 500,000 bbls to the SPR putting supply at 348.9 million bbls with a long road ahead before they replenish it," he added in a note.

The US government is refilling its SPR to cater to potential rise in the country's oil demand during the summer travel season, analysts said.

### **Downward pressure:**

Oil prices remained under pressure amid speculations that the US Federal Reserve (Fed) and policymakers from the European Central Bank and the Bank of Japan (BoJ) would continue to hike interest rates in the coming months.

Policy makers from various central banks are expected to discuss inflation and interest rate hikes when they meet at the annual Jackson Hole symposium later this week.

Moreover, the Chinese government has not yet announced any concrete steps to boost consumption and demand in the country.

"China's macro issues, along with a growing expectation that maybe the US Fed is not done with its tightening cycle have weighed on oil more recently," said ING's head of commodities strategy Warren Patterson.

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