

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

25/08/23

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

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam (\$8/mt) and Gibraltar (\$4/mt), and down in Durban (\$1/mt)**
- **LSMGO prices up in Durban (\$42/mt), Gibraltar (\$24/mt) and Rotterdam (\$14/mt)**
- **HSFO prices up in Gibraltar (\$9/mt) and Rotterdam (\$4/mt)**

Bunker benchmarks in major European and African ports have mostly gained for a second consecutive day. Durban's LSMGO price has seen a substantial rise, with support from some higher-priced indications in the past day.

HSFO availability has improved a bit in the ARA hub, two sources say. As a result, the grade's price has now swung back to wide regional discounts. Rotterdam's HSFO price has shed \$8/mt over the past week, while Gibraltar's benchmark has increased by \$12/mt. This has widened its slim \$3/mt discount to Gibraltar's HSFO last week, to \$23/mt now.

Rotterdam's Hi5 spread has widened significantly, from a record-low of \$23/mt seen last week to \$45/mt now. The widening of the spread could be because of improved HSFO supply in the port. It's in line with Gibraltar's Hi5 spread of \$46/mt, but far off Singapore and Fujairah's wider Hi5 spreads of \$95/mt and \$101/mt, respectively.

In Ceuta, bunkering is taking place as usual despite moderate easterly winds, according to shipping agent Jose Salama & Co. One vessel is currently waiting to receive bunkers at berth, and one at anchorage. Another 11 vessels are scheduled to arrive for bunkers there today.

## **Brent**

The front-month ICE Brent has gained by \$1.04/bbl on the day, to trade at \$84.38/bbl at 09.00 GMT. However, the futures contract has declined by 0.5% over the past week.

### **Upward pressure:**

Commercial US crude inventories were drawn by 6.13 million bbls on the week, to 433.52 million bbls on 18 August, according to the US Energy Information Administration's (EIA) latest data. This is the lowest stock level since December last year.

The oil market awaits US Federal Reserve (Fed) chairman Jerome Powell's speech at the Fed's annual summit in Jackson Hole, Wyoming. Meanwhile, Philadelphia Fed president Patrick Harker has suggested that the Fed could pause its current rate-hiking cycle.

"I'm in the camp of, let the restrictive stance work for a while, let's just let this play out for a while, and that should bring inflation down," Harker told CNBC. Harker is a voting member of the Fed's Open Market Committee, which decides Fed's key interest rates.

### **Downward pressure:**

On the flip side, Powell could adopt a hawkish stance to combat the elevated level of inflation in the US. The prospect that Powell will signal additional hikes in the Fed's key interest rate has kept a lid on Brent's gains.

Reuters analyst John Kemp has reported that India's oil demand growth is slowing down at a time when oil consumption in China, the US and Europe remains relatively tepid. As production in non-OPEC countries continues to grow, this slowdown in demand may impede the market's ability to absorb surplus oil and weigh on Brent's price, Kemp said.

The Iranian oil minister has forecast a 100,000 b/d increase in crude oil production in September, from the current output level of 3.3 million b/d, according to Iran's state news agency IRNA. Iran will theoretically be able to export more oil to global markets with increased output, but lingering sanctions will make that unlikely.

*By Nithin Chandran and Konica Bhatt*

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