

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Gibraltar's Hi5 spread has shrunk to just \$13/mt, and prompt LSMGO availability has tightened in the ARA hub.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$24/mt), and down in Rotterdam (\$11/mt) and Gibraltar (\$7/mt)**
- **LSMGO prices up in Durban (\$22/mt) and Gibraltar (\$18/mt), and unchanged in Rotterdam**
- **HSFO prices up in Gibraltar (\$21/mt), and down in Rotterdam (\$4/mt)**

Gibraltar's HSFO price has shot up by \$21/mt in the past day, while the grade's price in Rotterdam edged lower. The diverging price moves have doubled Rotterdam's HSFO discount to Gibraltar from \$25/mt yesterday, to \$50/mt now.

Unlike Gibraltar's HSFO price gain, the port's VLSFO price has decreased some in the past day. As a result, the port's Hi5 spread has shrunk to a record low of \$13/mt, much narrower than the spread of \$56/mt in Rotterdam.

HSFO availability has improved a bit in Rotterdam and in the wider ARA hub. However, securing the grade for very prompt delivery dates (0-2 days) can still be difficult. Lead times of 5-6 days are recommended for the grade, slightly down from 5-7 days last week, a source says.

Meanwhile, prompt LSMGO availability has tightened in the ARA hub, two sources say. Some suppliers are hesitant to offer the grade for very prompt delivery dates, while those offering are quoting high premiums, a trader says.

Tight supply of LSMGO in Rotterdam has contributed to erase its discount to front-month ICE gasoil futures and flipped it to a rare premium of \$14/mt now. The port's LSMGO discount to ICE gasoil recently peaked at \$27/mt last week, but these discounts have eroded since.

Brent

The front-month ICE Brent has gained by \$1.05/bbl on the day, to trade at \$85.87/bbl at 09.00 GMT.

Upward pressure:

Money managers, such as energy-focussed hedge fund investors have 274,260 long positions in Brent futures, compared to 52,573 short positions as of 22 August, according to Commitments of Traders data released by the Commodity Futures Trading Commission. More long positions than short positions indicate that money managers expect Brent futures to rise in the near future.

American Petroleum Institute (API) estimates indicate that US commercial crude inventories have plunged by 11.49 million bbls in the week that ended 25 August, according to Trading Economics. The decline has far exceeded the 3.3 million-bbl draw estimated by analysts polled by Reuters.

“We expect to see another substantial drawdown in the Cushing, OK delivery point, and we will see those supplies fall below 30 million barrels this week,” said Phil Flynn, analyst at the Price Futures Group.

Additionally, Hurricane Idalia is forecast to make landfall as a Category 4 hurricane on Florida's west coast. The hurricane's potential to disrupt oil production and supply in the US has further supported oil prices.

Downward pressure:

Meanwhile, OPEC's “fragile five” members [the nations which struggled with supply disruptions] – Iran, Iraq, Libya, Nigeria, and Venezuela - will now add more oil supply to the global market while demand remains modest, Ed Morse, global head of commodities strategy at Citi has told CNBC. Morse

Morse has predicted that Iran, Iraq, Libya, Nigeria and Venezuela could add around 900,000 b/d of crude oil this year in the market. “Even the US is going to be adding to the supply in the next five months,” he added.

By Nithin Chandran and Konica Bhatt

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