ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly declined, and Gibraltar's HSFO premium over Rotterdam has narrowed.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar ($2/mt), and down in Durban ($7/mt) and Rotterdam ($5/mt)**
- **LSMGO prices down in Gibraltar ($33/mt), Durban ($31/mt) and Rotterdam ($8/mt)**
- **HSFO prices up in Rotterdam ($2/mt), and down in Gibraltar ($20/mt)**

Most bunker benchmarks in major European and African ports have declined in the past day. Gibraltar's HSFO price has made a sizeable decline, helped by some lower-priced indications in the past day.

Meanwhile, Rotterdam's HSFO price has edged higher in the past day. The diverging price moves have significantly narrowed Gibraltar's HSFO premium over Rotterdam from $50/mt yesterday, to $28/mt now. But a few suppliers in Gibraltar were quoting the grade near parity levels to Rotterdam's HSFO price in the past day, a source says.

HSFO availability is said to be normal in Gibraltar. The port's Hi5 spread has widened from a record-low level of $13/mt yesterday, to $35/mt now. Minimum congestion has been reported in Gibraltar and Algeciras today, port agent MH Bland says.

Prompt LSMGO availability has tightened a bit in the ARA hub, two sources say. Tight supply of LSMGO in Rotterdam has flipped its price to a rare premium of $31/mt over the ICE Low-Sulphur Gasoil contract. The front-month ICE Low-Sulphur Gasoil price was around $900/mt this morning.

Brent

The front-month ICE Brent has inched higher by $0.24/bbl on the day, to trade at $86.11/bbl at 09.03 GMT.

Upward pressure:

Commercial US crude inventories fell by 10.58 million bbls in the week ended 25 August, according to the US Energy Information Administration (EIA). While the weekly stock draw fell short of the 11.49 million-bbls drop estimated by the American Petroleum Institute, US crude stocks have plunged to 422.92 million-bbls for the first time since December last year.

Meanwhile, ING's head of commodities strategy Warren Patterson expects Saudi Arabia to extend its voluntary output cut of 1 million b/d into October.

A potential extension of Saudi Arabia's production cut combined with a rapid decline in US crude oil inventories could lead to a significant tightening of supply in the global oil market.

News reports about a military coup in West Africa's Gabon have exacerbated supply concerns. OPEC member Gabon produced 210,000 b/d of oil in July, according to the International Energy Agency. "While the volumes [from Gabon] are relatively small, clearly any disruption in what is already a tight market does not help," ING's Patterson said.

Downward pressure:

On the flip side, a sharp rise in Brent futures could be capped by a possible increase in supply from Iran, Iraq and Venezuela.

Iran is expected to increase its oil output to around 3.4 million b/d by the end of summer. This will bring Iran's oil production near pre-sanction levels of 3.8 million b/d, Patterson noted. "This comes against the backdrop of apparently greater willingness between the US and Iran to improve diplomacy, evident with a recent deal for a prisoner swap and the release of frozen Iranian funds."

Meanwhile, demand jitters amid China's economic concerns remain a metaphorical thorn in Brent's side.

"Tenacious economic apprehensions concerning China persist" despite optimism over additional policy measures, Stephen Innes, managing partner at SPI Asset Management said.

"The current perspective on China's growth trajectory has become increasingly fixated on the pivotal policy choices that Chinese authorities must navigate," he added.

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