ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks have mostly gained, and Rotterdam's Hi5 spread has narrowed.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Rotterdam ($5/mt) and Gibraltar ($2/mt), and down in Durban ($6/mt)**
- **LSMGO prices up in Gibraltar ($24/mt), Rotterdam ($15/mt) and Durban ($14/mt)**
- **HSFO prices up in Rotterdam ($15/mt) and Gibraltar ($12/mt)**

Most bunker benchmarks in major European and African ports have gained for a second consecutive day. Rotterdam's HSFO price gain has outpaced that of its VLSFO in the past day. The price moves have narrowed the port's Hi5 spread by $10/mt, to $36/mt.

Rotterdam's HSFO discount to Gibraltar stands steady at $50/mt, as Gibraltar's HSFO price rise has been almost similar to that of Rotterdam in the past day.

LSMGO prices have gained in all three ports, while the ICE Gasoil contract declined by $8/mt in the past day. The diverging price moves have substantially narrowed Rotterdam's LSMGO discount to the front-month ICE Low-Sulphur Gasoil contract from $35/mt yesterday, to $12/mt now.

Durban's VLSFO price has moved counter to the general market direction and edged lower. One lower-priced indication in the past day has supported the benchmark's resistance against Brent's upward push.

No backlog has been reported in Ceuta, where six vessels are scheduled to arrive for bunkers today, down from eight yesterday, according to shipping agent Jose Salama & Co.

Bunkering is progressing normally in Algoa Bay. Two vessels are currently receiving bunkers at the anchorage, while one is held up waiting, according to Rennies Ships Agency. However, rough weather conditions are forecast on Sunday and Monday, which could delay bunker operations or trigger suspension there.

Brent

The front-month ICE Brent contract has gained $1.08/bbl on the day, to trade at $90.36/bbl at 09.00 GMT.

Upward pressure:

Brent futures extended gains, after the top two exporters from the Organization of the Petroleum Exporting Countries and its allies' group (OPEC+) announced the extension of voluntary oil supply cuts through the end of this year.

Earlier this week, Saudi Arabia and Russia decided to extend output cuts till December to stabilize the oil market.

“This decision [extension of voluntary cuts] reflects a strategic approach by OPEC+, which is in no hurry to ramp up production, considering that commercial stocks and time spreads remain moderately below or above their historical averages,” said SPI Asset Management’s managing partner Stephen Innes.

Brent futures drew additional support after the American Petroleum Institute (API) reported a 5.52 million bbls-draw in US crude oil inventories in the week that ended 1 September.

The broadly followed US government data on crude oil stockpiles from the US Energy Information Administration (EIA) is due later today.

Downward pressure:

Downward pressures acting on Brent futures this week trail back to the persistent fear about bleak economic recovery in China. Demand growth in the world’s second-largest economy has been under serious pressure due to recurring COVID-19 outbreaks in the country.

“Oil prices are pulling back on concerns allegedly that China’s economy is tanking,” said Price Futures Group’s senior market analyst Phil Flynn.

Even with China’s pledge to revamp consumption in ten different economic sectors, market analysts fear that Brent’s gains will be capped if the country fails to combat the current economic downturn.

By Nithin Chandran and Aparupa Mazumder