

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have declined with Brent values, and Rotterdam's Hi5 spread has narrowed to record-low levels again.

Changes on the day to 09.00 GMT today:

- **VLSFO prices unchanged in Gibraltar, and down in Rotterdam (\$2/mt) and Durban (\$1/mt)**
- **LSMGO prices down in Gibraltar (\$5/mt), Rotterdam and Durban (\$1/mt)**
- **HSFO prices up in Rotterdam (\$12/mt), and down in Gibraltar (\$1/mt)**

Bunker benchmarks in major European and African ports have mostly declined in the past day. But Rotterdam's HSFO price has moved counter to the general market direction and gained. A higher-priced HSFO indication has supported the benchmark's rise.

Meanwhile, Gibraltar's HSFO price has edged slightly lower in the past day. The price moves have narrowed Rotterdam's HSFO discount to Gibraltar from \$50/mt yesterday to \$37/mt now.

HSFO availability has improved a bit in Rotterdam and in the wider ARA hub, but it remains tighter than VLSFO and LSMGO grades, a source says. Some suppliers are quoting HSFO above \$600/mt, which has contributed to narrow the port's Hi5 spread to record-low levels of \$22/mt, down from \$36/mt yesterday.

The narrowing of the Hi5 spread has diminished fuel cost savings against VLSFO for scrubber-fitted vessels that bunker in the ARA hub.

Minimum congestion has been reported in Gibraltar, Algeciras and Ceuta today, port agent MH Bland says.

Brent

The front-month ICE Brent contract has shed \$0.62/bbl on the day, to trade at \$89.74/bbl at 09.00 GMT.

Upward pressure

Supply cut extensions announced by top oil producers Saudi Arabia and Russia have helped Brent futures to rise this week. Both countries announced on Tuesday that they will extend their supply cuts to the end of this year.

Brent drew additional support from the US Energy Information Administration's (EIA) latest data that showed a dramatic fall of 6.31 million bbls in commercial US crude inventories in the week that ended 1 September.

The current US crude stocks stand at 416.64 million bbls, which is the lowest level since June last year, according to EIA. The weekly stock draw was bigger than the 5.52 million bbl-draw estimated by the American Petroleum Institute (API) earlier this week.

This large draw in US crude oil inventories was "driven by strong crude oil exports," said ING's head of commodities strategy, Warren Patterson. "EIA weekly inventory data, which was delayed by a day due to a public holiday earlier in the week in the US, was fairly constructive," he further added.

Downward pressure:

Meanwhile, Brent futures felt some downward pressure amid concerns about a slow pace of economic recovery in China.

"Evident structural challenges have caused the Chinese economy to teeter toward outright deflation," said SPI Asset Management's managing partner Stephen Innes.

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