ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have gained, and Gibraltar's HSFO price is near one-year highs.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar ($12/mt), Rotterdam ($8/mt) and Durban ($6/mt)**
- **LSMGO prices up in Rotterdam ($17/mt), Gibraltar ($15/mt) and Durban ($4/mt)**
- **HSFO prices up in Rotterdam ($11/mt) and Gibraltar ($10/mt)**

Bunker benchmarks in European and African ports have gained with Brent values. Gibraltar's VLSFO price gain has outpaced that of Rotterdam's VLSFO in the past day. The price moves have widened Rotterdam's VLSFO discount to Gibraltar by $4/mt, to $17/mt now.

Rotterdam's Hi5 spread currently stands at $34/mt, slightly narrower than $37/mt yesterday. At $34/mt, the port's Hi5 spread is still much wider than the spread of $12/mt in Gibraltar. HSFO availability is tight in both the ARA hub and Gibraltar, a trader says.

Gibraltar's HSFO price is currently trading around $620/mt. This is the first time since October last year that the port's benchmark has surpassed the $600/mt mark. It fell to a low of nearly $450/mt in June, but has gained steadily since. Supply cuts from OPEC, especially Saudi Arabia have largely contributed to tightening of HSFO supply in European markets.

Meanwhile, Rotterdam's HSFO price has surged from levels of $550/mt seen at the beginning of this month, to nearly $590/mt now.

The grade's price premiums in the ARA and Gibraltar have become stronger, after Saudi Arabia and Russia recently announced the extension of production cuts, a source says. On the other hand, availability of VLSFO and LSMGO remains normal in both the ARA hub and Gibraltar Strait ports.

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

Brent

The front-month ICE Brent contract has gained $1.44/bbl on the day, to trade at $92.60/bbl at 09.00 GMT.

Upward pressure:

Oil prices remained supported amid growing concerns about supply tightening in the global market. These concerns have exacerbated after Saudi Arabia and Russia decided to extend production cuts through the end of 2023.

Brent futures gained more support after Libya's state-owned National Oil Corporation (NOC) advised its affiliated oil companies to halt operations due to heavy flooding caused by Hurricane Daniel. Four of Libya's eastern oil export terminals were closed due to the hurricane, Reuters reported.

Additionally, the Organization of the Petroleum Exporting Countries (OPEC) has projected total world oil demand to average 102.1 million b/d in 2023 and increase to average 104.3 million b/d in 2024.

"The OPEC report gave [oil] prices an extra boost," said OANDA's market analyst Criag Erlam.

Downward pressure:

Meanwhile, the American Petroleum Institute (API) has reported a 1.17 million bbls-rise in US crude inventories in the week ended 8 September

Oil investors are now waiting for the US Consumer Price Index (CPI) data due later today to get fresh cues about inflationary pressures. A softer inflation data could avert an immediate hike in the interest rate by the US Federal Reserve (Fed), which in turn could drive demand for dollar-denominated commodities.

However, the current surge in Brent's price might prompt the Fed to hike interest rates later this year, commented SPI Asset Management's managing partner Stephen Innes.

"While the current surge might not tip the scales to a September hike, oil prices at + $90 per barrel do fit the Fed criteria that would justify another rate increase in either November or December," he added in a note.

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