ENGINE: Europe & Africa Bunker Fuel Market Update

15/09/23

Regional bunker benchmarks have gained with Brent values, and Rotterdam's LSMGO price is near one-year highs.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar ($17/mt), Durban ($14/mt) and Rotterdam ($6/mt)**
- **LSMGO prices up in Durban ($32/mt), Rotterdam ($24/mt) and Gibraltar ($18/mt)**
- **HSFO prices up in Gibraltar ($17/mt) and Rotterdam ($12/mt)**

Rotterdam's LSMGO price has been indicated in a wide $974-1,020/mt range in the past day, with one 150-500 mt stem fixed at $990/mt. This is the first time since October last year that the port's benchmark has surpassed the $1,000/mt mark.

LSMGO benchmarks in all three ports have largely mirrored the front-month ICE Low Sulphur Gasoil contract, which has increased by $26/mt to $1,009/mt this morning. Its premium over Rotterdam's LSMGO stands at $9/mt, flipping from a $10/mt discount in the past week.

Rotterdam's HSFO price gain has outpaced that of its VLSFO, to narrow the port's Hi5 spread from $28/mt yesterday, to $22/mt now. HSFO availability has been tight in Rotterdam and in the wider ARA hub. The high-sulphur grade has been indicated around $600/mt today.

LSMGO availability is said to be normal in Las Palmas, where two suppliers can supply the grade for very prompt delivery dates (0 -2 days), a source says. Similarly, the grade's availability has been good at nearby ports of Gibraltar and Ceuta. Meanwhile, HSFO supply is very tight in Gibraltar.

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

Brent

The front-month ICE Brent contract has gained $1.50/bbl on the day, to trade at $94.05/bbl at 09.00 GMT.

Upward pressure:

Recent economic data from China has supported Brent futures.

The oil market turned positive about China's economic health after the country's National Bureau of Statistics reported a better-than-expected retail sales growth and industrial output in August, reported Reuters.

Any sign of economic rebound in China would suggest strong demand growth in the world's largest crude oil importing nation, thereby helping oil prices to move up.

"China's August figures revealed that retail sales and factory output exceeded forecasts, painting a positive economic picture," said SPI Asset Management's managing partner Stephen Innes.

Moreover, the collective 1.3 million b/d output reduction pledged by Saudi Arabia and Russia earlier this month also kept Brent futures above the $90/bbl mark.

"Currently, there are clear indications of short-term strength in the market," said Innes. "This significant increase [in oil prices] is attributed to the intentional output reductions by major oil-producing countries such as Saudi Arabia and Russia," he added

Downward pressure:

Meanwhile, the broader OPEC+ output cuts are creating distortions within the oil market, especially with a deficit in medium sour crude grade, argued ING's head of commodities strategy Warren Patterson.

"The recent price strength might give the Saudis the confidence to start unwinding these cuts – too aggressively and it could put renewed pressure back on the market," he added.

After the recent surge in oil prices, oil traders are expected to trade cautiously as "[Brent] futures are approaching overbought territory," said Innes.-year highs.

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