

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

18/09/23

Regional bunker benchmarks have mostly gained over the weekend, and Rotterdam's Hi5 spread has narrowed again.

Changes on the day from Friday, to 09.00 GMT today:

- **VLSFO prices up in Durban (\$4/mt) and Rotterdam (\$1/mt), and down in Gibraltar (\$3/mt)**
- **LSMGO prices up in Durban (\$23/mt) and Gibraltar (\$2/mt), and down in Rotterdam (\$4/mt)**
- **HSFO prices up in Rotterdam (\$8/mt), and unchanged in Gibraltar**

Most bunker benchmarks in major European and African ports have increased over the weekend.

Rotterdam's HSFO was indicated in a wide price range of \$610-629/mt on Friday, with one 500-1,500 mt stem fixed at \$609/mt. Upward price pressure on HSFO has squeezed the port's Hi5 spread to a record low of \$15/mt.

Unlike Rotterdam's HSFO price rise, the grade's price in Gibraltar has held steady over the weekend. The price moves have narrowed Gibraltar's HSFO premium over Rotterdam's from \$40/mt on Friday, to \$32/mt now.

HSFO availability has been tight in both Gibraltar and the ARA hub in recent weeks. At \$15/mt, Rotterdam's Hi5 spread is slightly wider than a spread of \$12/mt in Gibraltar, but still far off than spreads of \$124/mt in Singapore and \$137/mt in Fujairah.

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

Brent

The front-month ICE Brent contract has lost \$0.06/bbl on the day from Friday, to trade at \$93.99/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained support after market intelligence provider JLC reported that China's crude refining run rate hit a record high in August amid strong demand.

China processed 64.69 million mt of crude in August with a daily throughput of 15.23 million b/d, an increase of 19.6% from August 2022, JLC reported citing data released by China's National Bureau of Statistics (NBS).

Energy analysts expect that signs of improvement in China's economy will help boost demand growth in the country. "The short-term crude demand outlook gets a boost from improving Chinese economic data," said OANDA's senior market analyst Ed Moya.

Downward pressure:

The upcoming decision by the US Federal Reserve (Fed) on interest rate hike is a "significant focal point" for oil investors, said SPI Asset Management's managing partner Stephen Innes. US Fed officials are scheduled to meet at the Federal Open Market Committee (FOMC) meeting on 19-20 September

The recent surge in oil prices can add further inflationary pressure and prompt the Fed to continue raising interest rates, Innes said.

"The Fed may continue its efforts to combat inflation and gradually normalize monetary policy as it monitors economic conditions and inflationary pressures," added Innes.

Higher interest rates discourage borrowing and spending, which leads to a decline in economic activity and fuel demand.

By Nithin Chandran and Aparupa Mazumder

The information contained in this document is provided in agreement with Integr8 Fuels and the Engine platform. This is reference only and should not be used for any other purposes. It should not be reproduced or used in any way without the consent of Engine. The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com