

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have mostly gained, and Gibraltar's HSFO premium over Rotterdam has widened further.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$10/mt), Rotterdam and Gibraltar (\$6/mt)**
- **LSMGO prices up in Gibraltar (\$25/mt) and Rotterdam (\$18/mt), and down in Durban (\$27/mt)**
- **HSFO prices up in Gibraltar (\$8/mt) and Rotterdam (\$2/mt)**

Most bunker benchmarks in major European and African ports have gained in the past day. But LSMGO gains in Gibraltar and Rotterdam have been more pronounced than other grades, partly supported by gains in the front-month ICE Low Sulphur Gasoil futures contract, which has gained by around \$36/mt in the past day.

ICE Gasoil price soared after Russia announced a temporary ban on its diesel and gasoil exports yesterday.

Durban's LSMGO price has moved counter to general market direction by dropping in the past day. The grade was indicated in a wide \$58/mt range yesterday, with indications at the lower end of the range weighing down the benchmark.

Gibraltar's HSFO price gain has outpaced that of Rotterdam. The price moves have widened Gibraltar's HSFO premium over Rotterdam from \$36/mt yesterday, to \$42/mt now. HSFO availability is very tight in Gibraltar, where two suppliers are running low on stocks, a source says.

Two vessels are currently waiting to receive bunkers at Gibraltar today, according to port agent MH Bland. One supplier is experiencing delays of 8-10 hours there.

Brent

The front-month ICE Brent contract has gained \$1.21/bbl on the day, to trade at \$93.68/bbl at 09.00 GMT.

Upward pressure:

Brent futures gained upward thrust as concerns about tight global supply exacerbated after Russia announced a temporary ban on its gasoil and diesel exports.

The Russian government on Thursday implemented temporary restrictions on exports of gasoil and diesel to stabilise the supply in the domestic market, reported Russian state media agency TASS.

“The heating oil crack spread is rallying on reports that Russia is going to temporarily limit fuel and diesel,” said Price Futures Group’s senior market analyst Phil Flynn.

“With diesel supplies tight and with Saudi Arabia and Russia using their energy dominance to respond to consuming nations using their reserves to try to control prices, it is now starting to take its toll as global oil inventories tighten,” Flynn added.

Downward pressure:

The US Federal Reserve (Fed) decided to pause its rate hike cycle for September, at its latest Federal Open Market Committee (FOMC) meeting. However, oil analysts have deemed the outcomes of the meeting ‘hawkish’ as the Fed might start increasing interest rates later this year.

“The Fed can’t produce oil but can try to slow the economy to reduce the growing supply versus demand deficit,” Flynn said.

Higher interest rates typically increase the buying cost for non-dollar holders while purchasing dollar-denominated commodities like oil.

“Higher for longer was the key message from yesterday's [Wednesday’s] FOMC meeting, which has weighed on risk assets, including oil,” commented analysts from ING.

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