ENGINE: Europe & Africa Bunker Fuel Market Update

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Gibraltar’s Hi5 spread has slipped into rare negative territory, and offshore bunkering remains on hold in Algoa Bay.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($21/mt), Gibraltar ($16/mt) and Rotterdam ($10/mt)**
- **LSMGO prices down in Durban ($63/mt), Gibraltar ($28/mt) and Rotterdam ($12/mt)**
- **HSFO prices up in Gibraltar ($5/mt) and Rotterdam ($4/mt)**

VLSFO and LSMGO benchmarks in major European and African ports have dropped in the past day, tracking Brent’s decline.

HSFO benchmarks in Gibraltar and Rotterdam have moved counter to the general market direction by gaining slightly. Some higher-priced indications for the grade in both ports have supported the benchmarks’ upward movement.

Gibraltar's HSFO price has moved to a highly unusual premium over VLSFO, after diverging price moves.

Hi5 spreads in other Mediterranean ports such as Las Palmas ($16/mt) and Malta ($31/mt) have also narrowed in recent weeks, but they are still positive unlike Gibraltar's.

HSFO availability remains tight in Gibraltar, where two suppliers are running low on stocks.

Offshore bunkering in Algoa Bay has been on hold after the South African Revenue Service (SARS) detained bunker barges earlier this month due to a customs duty disagreement with bunker suppliers in the bay.

Meanwhile, bunkering is progressing normally in Durban, where average waiting times for bunker-only calls have increased, a source says.

Durban's LSMGO price has plunged lower in the past day and come off by more than in other ports.

Brent

The front-month ICE Brent contract has lost $1.58/bbl on the day, to trade at $92.28/bbl at 09.00 GMT.

Upward pressure:

Brent futures have seen some support after energy company Baker Hughes on Monday reported a decline in the overall active rigs in the US last week, indicating a possible crude supply crunch in the country.

The number of active rigs extracting crude oil and natural gas in the US fell by 11 to 630 last week - its lowest level since February 2022, Baker Hughes said.

The falling number of active oil and shale rigs in the US is a testament to why top oil producers including Saudi Arabia and Russia "feel confident" in continuing to cut supply through to the end of the year, commented Price Futures Group's senior market analyst Phil Flynn.

"They [Saudi Arabi and Russia] know that the US won't respond to market conditions because of a dysfunctional regulatory environment," he added.

Downward pressure:

Brent lost previous gains after fears of a slowdown in China's economy resurfaced in the market, "rather than showing signs of improvement," said SPI Asset Management's managing partner Stephen Innes.

On Monday, China's second-largest property developer Evergrande Group's mainland subsidiary Hengda said it failed to repay an onshore bond, reported Reuters.

This news has casted a "new shadow of risk over China's economic recovery efforts" and "reignited concerns that the country's housing sector is still deteriorating," added Innes.

After a "hawkish" rate hike pause, the US Federal Reserve's (Fed) might raise interest rates in the coming days as it continues to battle inflation.

"The Federal Open Market Committee (FOMC) in the United States [US] surprised markets with a hawkish stance, setting higher expectations for rate increases in the coming year," said Innes. Higher interest rates can trigger concerns about demand for dollar-denominated commodities like oil.

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