ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices across major European and African ports have declined with Brent, and Gibraltar's HSFO premium over Rotterdam has narrowed.

Changes on the day to 09.00 GMT today:

VLSFO prices down in Gibraltar, Durban ($17/mt) and Rotterdam ($16/mt)
LSMGO prices down in Durban ($62/mt), Gibraltar ($25/mt) and Rotterdam ($22/mt)
HSFO prices down in Gibraltar ($23/mt) and Rotterdam ($12/mt)

HSFO prices have come down in Gibraltar and Rotterdam in the past day. But a steeper fall in Gibraltar's benchmark has narrowed its premium over Rotterdam by $11/mt to $51/mt now. The grade's availability is still tight in Gibraltar, while it is relatively better in Rotterdam and in the wider ARA hub. Lead times of 5-7 days are advised for HSFO deliveries in Rotterdam to ensure full coverage from suppliers, a source says.

In Gibraltar, recommended lead times for HSFO have increased to 7-12 days from 4-6 days last week, sources say. Availability of the grade is said to be tight in the wider Mediterranean region. Gibraltar's HSFO price is trading at a $9/mt discount to Las Palmas, while it is at a $18/mt premium over Malta.

Slight congestion has been reported in Gibraltar, where one supplier is experiencing delays, port agent MH Bland says.

Rotterdam's VLSFO price has come down in the past day. A lower-priced stem fixed in the port contributed to drag the port's benchmark lower. VLSFO supply is said to be normal there.

In Durban, LSMGO price has come down in the past day, erasing sharp gains made in the previous session. Supply of the grade is said to be normal there, but supply is anticipated to become tight in the coming days because of bunkering disruption in Algoa Bay, a source says.

Brent

The front-month ICE Brent contract has lost $1.65/bbl on the day, to trade at $95.11/bbl at 08.57 GMT.

Upward pressure:

Tight crude oil supply in the global market amid output reductions and export cuts by the top OPEC+ producers Saudi Arabia and Russia have pushed Brent futures higher this week.

Russia’s energy minister Nikolai Shulginov said on Thursday that the country will not lift its ban on fuel exports until the domestic fuel supply and prices stabilise, Reuters reported citing TASS.

Even though the Russian government made some amendments to its temporary export ban last week by lifting restrictions on bunker fuel sales, Shulginov reaffirmed that “expectations of a quick lifting of the fuel export ban are futile,” TASS reported.

Oil traders are now waiting for fresh cues from the OPEC+ producers’ joint ministerial meeting scheduled on 4 October. The member countries are expected to discuss further supply reduction plans in the meeting.

Downward pressure:

Meanwhile, Brent's recent upward rally has triggered concerns about more inflationary pressures, which could prompt the US Federal Reserve (Fed) and other central banks to hike interest rates later this year.

“Lingering in the back of traders’ minds are concerns that higher oil prices will help keep inflation elevated and lead to additional interest-rate hikes later this year,” said SPI Asset Management’s managing partner Stephen Innes.

Moreover, Brent futures shed yesterday's gains as the oil market is in “overbought territory”, commented analysts at ING.

“Brent struggled to hold onto gains made in the early part of the trading session. There is likely reluctance amongst participants to push too much higher right now with the market clearly in overbought territory," they added.

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