ENGINE: Europe & Africa Bunker Fuel Market Update

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Rotterdam's LSMGO discount to Gibraltar has narrowed, and HSFO availability remains tight in Gibraltar.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Rotterdam ($11/mt) and Durban ($7/mt), and down in Gibraltar ($3/mt)
LSMGO prices up in Rotterdam ($42/mt) and Gibraltar ($31/mt), and down in Durban ($12/mt)
HSFO prices up in Rotterdam ($9/mt), and down in Gibraltar ($6/mt)

Bunker benchmarks in major European and African ports have moved in mixed directions.

Rotterdam's LSMGO price has gained the most in the region, to narrow its discount to Gibraltar's LSMGO by $11/mt to $54/mt now. It is trading at near parity levels with the front-month ICE Gasoil contract.

Rotterdam's HSFO price has gained by $9/mt in the past day, while Gibraltar's HSFO price shed $6/mt. The diverging price moves have narrowed Gibraltar's HSFO premium over Rotterdam from $60/mt yesterday, to $45/mt now.

HSFO price in Las Palmas, meanwhile, is priced $28/mt higher than in Gibraltar.

HSFO availability is tight in Gibraltar. One supplier can supply the grade from 14 October, a source says. VLSFO and LSMGO supply is relatively better there. Slight congestion has been reported in Gibraltar, where five vessels are awaiting bunkers, port agent MH Bland says. One supplier is experiencing delays of 12-16 hours there, it adds.

Both onshore and offshore bunkering remain suspended in Algoa Bay, a port agent says. This follows detention of bunker barges by the South African Revenue Service (SARS) over import duty disputes last month.

Meanwhile, some bunker buyers are still booking stems for deliveries in Algoa Bay in late October. They anticipate that bunkering could resume by that time.

Brent

The front-month ICE Brent contract has lost $2.02/bbl on the day, to trade at $90.71/bbl at 09.00 GMT.

Upward pressure

Oil investors are waiting for fresh cues from the Organization of the Petroleum Exporting Countries along with Russia and other allies (OPEC+), who will convene a Joint Ministerial Monitoring Committee (JMMC) meeting tomorrow, to further discuss their output cut pledges.

Investors expect OPEC+ producers to maintain crude oil production cuts to keep supplies tight in the global market.

“The market will be eager to see if there are any signs of a change in the group’s output policy, given the recent strength in the market," said analysts at ING. “We do not believe that the group will change its output policy,” they further added.

Additionally, OPEC’s de-facto leader Saudi Arabia is expected to raise the price of its flagship Arab Light crude in Asia for the fifth consecutive month to include November, Reuters reported.

Downward pressure:

Brent futures declined sharply after the US dollar rose to a 10-month high on Monday, against other currencies, reported Reuters.

This comes amid growing expectations of yet another hike in interest rates by the US Federal Reserve (Fed) later this year. Global demand for dollar-denominated commodities such as oil could decline due to further interest rate hikes coupled with a strong US dollar.

“The crude oil market faced increased selling pressure due to a stronger US dollar,” said SPI Asset Management’s managing partner Stephen Innes. A stronger US dollar is bad for risk assets like oil amid the "spectre of a possible Q4 [fourth quarter 2023] Fed hike,” he further added.

Moreover, Turkey could start crude oil production this week after its energy minister Alparslan Bayraktar confirmed that the country will resume operations of the 470,000 b/d Ceyhan oil pipeline from Iraq.

Oil futures erased earlier gains due to “a stronger US dollar and the potential resumption of oil flows from Kurdistan,” Innes said.

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