

# MARKET UPDATE EUROPE & AFRICA



## ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have gained over the weekend, and offshore bunkering remains suspended in Algoa Bay.

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

- **VLSFO prices up in Rotterdam (\$30/mt), Durban (\$28/mt) and Gibraltar (\$27/mt)**
- **LSMGO prices up in Durban (\$60/mt), Gibraltar (\$32/mt) and Rotterdam (\$16/mt)**
- **HSFO prices up in Gibraltar (\$30/mt) and Rotterdam (\$23/mt)**

Bunker benchmarks in key European and African ports have gained over the weekend, tracking Brent's rise.

Durban's LSMGO price has jumped the most, with support from a higher-priced indication. Availability of VLSFO and LSMGO grades is normal in the South African ports of Durban and Richards Bay. One non-prompt 150-500 mt VLSFO stem was fixed at \$711/mt in Durban on Friday. Lead times of up to seven days are recommended for both grades in Durban and Richards Bay.

However, some traders argue that availability has become tighter than usual in South African ports due to the ongoing bunkering crisis in Algoa Bay.

Offshore bunkering remains suspended in Algoa Bay after the authorities detained bunker barges last month, a port agent says. Meanwhile, onshore deliveries have partially resumed in Algoa Bay, the port agent claims.

Gibraltar's HSFO price gain has outpaced that of Rotterdam. The price moves have widened its premium over Rotterdam's HSFO from \$82/mt on Friday, to \$89/mt now. Prompt HSFO availability is tight in Gibraltar, where one supplier has limited supply available.

One supplier is experiencing delays of 3-6 hours in Gibraltar, according to port agent MH Bland

No backlogs have been reported in Ceuta, where five vessels are scheduled to arrive for bunkers today, according to shipping agent Jose Salama & Co.

## **Brent**

The front-month ICE Brent contract has gained \$2.77/bbl on the day from Friday, to trade at \$86.97/bbl at 09.00 GMT.

### **Upward pressure:**

Brent prices recovered last week's losses as clashes between Israel and Palestinian militant group Hamas triggered volatility in oil markets. Hamas launched terror attacks on Israel over the weekend, re-fuelling long-term conflicts between Israel and Palestine and killing hundreds of Israeli soldiers and civilians. As retaliation, Israel launched air strikes on Gaza, killing over 400 people. The clashes have raised fears of geopolitical tension spreading to other parts of the Middle East.

"Historical analysis suggests that oil prices tend to experience sustained gains after the Middle East crises," commented SPI Asset Management's managing partner Stephen Innes.

The rising tension between Israel and Palestine and the risk of this conflict spreading could prompt oil traders to remain nervous, "until there is a clear de-escalation," said ING Bank's head of commodities strategy Warren Patterson.

Oil market analysts expect these clashes to affect oil supply from the Middle East as there are reports that Iran helped the Palestinian militant group to execute the attacks. "If this is proven to be true, we could see the US, an ally of Israel, taking a tougher stance against Iran, which could ultimately lead to a reduction in oil supply," said Patterson.

Oil investors will "wait and see" if there were other governments involved in this attack, said Innes. "Particularly Tehran, which could all but guarantee a broader conflagration," he further added.

### **Downward pressure:**

Meanwhile, Brent futures continued to face some downward pressure from interest rate hike fears.

"Concerns about a potential rates-driven recession in 2024 led to a shift in the crude futures curve," Innes said. "Investors began to worry about the impact of rising interest rates on economic growth and oil demand," he further added.

Brent price is expected to decline if the US Federal Reserve (Fed) decides to hike interest rates again in 2023. Higher interest rates can curb consumer spending on dollar-denominated commodities like oil, ultimately affecting demand.

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