ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices in most European and African ports have gained, and Rotterdam's Hi5 spread has narrowed further.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Durban ($10/mt), and down in Rotterdam ($4/mt) and Gibraltar ($1/mt)
LSMGO prices up in Rotterdam and Gibraltar ($4/mt), and steady in Durban
HSFO prices up in Gibraltar ($14/mt) and Rotterdam ($9/mt)

Securing prompt deliveries of HSFO in Rotterdam and in the wider ARA hub can be difficult. Availability of the high-sulphur grade has tightened there because of loading delays and congestion at oil terminals, sources say. Lead times of 5-7 days are generally recommended for full coverage from suppliers. Meanwhile, supply of VLSFO and LSMGO is relatively better than HSFO in the ARA hub.

Rotterdam's VLSFO price has decreased some in the past day, while its HSFO price has increased by $9/mt. The diverging price moves have narrowed the port's Hi5 spread from $82/mt yesterday, to $69/mt now. One lower-priced 500-1,500 mt VLSFO stem fixed in the port has contributed to drag Rotterdam's benchmark lower.

Gibraltar's HSFO price has also increased in the past day, while availability of the grade is said to be normal there. HSFO supply has improved in Gibraltar over the past two weeks, sources say. Recommended lead times for HSFO deliveries in Gibraltar are around 4-6 days. But some suppliers can supply the grade with a shorter lead time of two days, a source says.

Minimal congestion has been reported in Gibraltar today, while three suppliers are running behind schedule in the adjacent Algeciras port, port agent MH Bland says. In Ceuta, no backlog has been reported. 17 vessels are scheduled to arrive for bunkers today, sharply up from seven yesterday, according to shipping agent Jose Salama & Co.

Brent

The front-month ICE Brent contract has gained $1.54/bbl on the day, to trade at $89.79/bbl at 09.00 GMT.

Upward pressure:

Brent futures have shed previous losses amid renewed worries over supply disruptions from geopolitical tensions in the Middle East. The war between Israel and Hamas could exert additional pressure on global oil supply if other oil-producing countries like Iran and Saudi Arabia get involved, analysts said.

“The ongoing conflict could weigh even further on the global oil supply over time by potentially reducing the probability of Saudi-Israeli normalization and posing downside risks to Iranian oil production, leading to a further surge in oil prices,” said SPI Asset Management’s managing partner Stephen Innes.

Moreover, China’s recent announcement of supporting the country’s infrastructure with an additional RMB 1 trillion ($137 billion) central government bond (CGB) quota has helped Brent futures recover from the previous session’s losses.

Oil market analysts expect China’s new economic stimulus to drive demand in the country and push oil prices higher.

“China’s newfound greater tolerance for leverage at the central government amid more focus on growth than some had thought cannot be bad for [oil] markets,” Innes added.

Downward pressure:

Brent futures felt some downward pressure after the US Energy Information Agency (EIA) reported a surprise build of 1.37 million bbls in commercial US crude stockpiles in the week that ended 20 October.

The current US crude inventory level stands at 421.12 million bbls, the EIA said.

The weekly stockbuild ran counter to the American Petroleum Institute's (API) projection of a 2.67 million-bbl draw a day earlier.

Meanwhile, rising crude oil production in Canada has also added some downward pressure on Brent futures today, two analysts from ING Bank said.

“After major supply disruptions [in Canada] over the second quarter of the year due to wildfires, crude oil production has been recovering steadily, increasing the availability of crude oil for shipments which, in turn, weighed on prices,” they added in a client note.

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