

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have moved in mixed directions, and HSFO supply remains tight in Rotterdam.

Changes on the day to 09.00 GMT today:

VLSFO prices up in Gibraltar (\$1/mt), and steady in Rotterdam and Durban

LSMGO prices steady in Durban, and down in Rotterdam (\$5/mt) and Gibraltar (\$2/mt)

HSFO prices down in Rotterdam (\$9/mt) and Gibraltar (\$6/mt)

Gibraltar's VLSFO price has increased some in the past day, while its HSFO price has dropped by \$6/mt. The diverging price moves have widened the port's Hi5 spread from \$52/mt, to \$59/mt now. Meanwhile, availability of all bunker fuel grades is said to be normal there.

Rotterdam's HSFO price has come down by \$9/mt in the past day, while supply of the grade is still tight there and in the wider ARA hub. Lead times of 7-9 days are generally recommended to ensure full coverage from suppliers.

Drop in Rotterdam's HSFO price has increased its discount to Gibraltar by \$3/mt to \$55/mt now.

In Flushing, two VLSFO stems have been fixed in a price range of \$598-602/mt for 500-1500 mt, while two LSMGO stems have been fixed in a \$861-865/mt range for 150-500 mt in the past day. Recommended lead times are 4-6 days for VLSFO and four days for LSMGO depending on stem size, sources say.

Algeciras has good availability for VLSFO and LSMGO grades, with recommended lead times of over seven days. The port experienced severe congestion over the past few days at its inner anchorage. According to port agent M H Bland, the inner anchorage remained open on Friday with slight congestion. Wind gusts are expected to go up to 28 knots on Friday.

Brent

The front-month ICE Brent contract has gained \$0.01/bbl on the day, to trade at \$89.80/bbl at 09.00 GMT.

Upward pressure:

Brent futures remained well supported this week as tension between Israel and Hamas militants grew. Mounting fears of supply disruptions in the Middle East if the conflict escalates have helped oil prices to remain at elevated levels.

Last week, Israel's Prime Minister Benjamin Netanyahu said in a TV interview that the country was preparing for a "ground invasion" of the Gaza Strip for an upfront combat with Hamas militants. Oil prices surged on this news amid speculations that Israel's move could trigger supply disruptions in the Middle East.

Meanwhile, leaders from the neighbouring Arab countries including Iran, Jordan, Egypt, and Lebanon have criticized Israel's retaliation to the attack that took place on 7 October and have blamed Jerusalem for causing "genocides" in Gaza.

Brent has been boosted by growing fears in the oil market that Iran's involvement in the conflict can further prompt the US to roll out stricter sanctions on Iranian oil.

"In a supply 'downside' scenario where there are additional supply disruptions, such as increased Western [US] scrutiny of Iran's oil exports, Brent oil prices are expected to increase by \$5/bbl in 2024Q1, reaching \$100/bbl," said SPI Asset Management's managing partner Stephen Innes. "By December 2024, the increase could reach \$10/bbl," he further added.

Downward pressure:

Brent's rally has started fading amid expectations that Israel would postpone its plan of a ground invasion of the Gaza Strip. This comes after the US and other Western allies urged Israel to hold off the ground attack on Gaza.

"The situation in Gaza and Israel which has previously triggered a surge in oil prices and is now being unwound due to the perception that the risks of a wider conflict are falling," said OANDA's commodities market analyst Craig Erlam.

Meanwhile, the US Energy Information Administration (EIA) reported an unexpected 1.37 million bbls-build in commercial US crude inventories in the week ended 20 October. The EIA figures ran counter to the American Petroleum Institute's (API) estimates that showed a fall in US crude inventories during the same week.

"The [oil] market did not seem to like the fact that the Energy Information Administration report was not nearly as bullish as the American Petroleum Institute report the day before," said Price Futures Group's senior market analyst Phil Flynn.

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