

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have moved in mixed directions, and prompt supply of HSFO is still tight in Rotterdam.

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

- **VLSFO prices up in Gibraltar (\$9/mt), down in Durban (\$45/mt) and Rotterdam (\$1/mt)**
- **LSMGO prices up in Rotterdam (\$15/mt), Gibraltar (\$5/mt) and down in Durban (\$23/mt)**
- **HSFO prices up in Rotterdam (\$10/mt) and down in Gibraltar (\$1/mt)**

Rotterdam's LSMGO price has gained over the weekend, backed by a higher-priced stem fixed in the port late last week. Supply of the grade is said to be normal in Rotterdam and in the wider ARA hub.

Rotterdam's LSMGO price rise has outpaced that of Gibraltar's to narrow the port's discount to Gibraltar by \$10/mt to \$58/mt.

Rotterdam's HSFO price has increased by \$10/mt over the weekend, while its VLSFO price edged lower. The diverging price moves have contributed to narrow the port's Hi5 spread from \$78/mt on Friday, to \$67/mt now.

Meanwhile, availability of all bunker fuel grades is said to be normal in Gibraltar.

Slight congestion has been reported in Gibraltar and Algeciras today, according to port agent MH Bland. Two suppliers in Gibraltar and three in Algeciras are running behind schedule.

In Ceuta, bunker operations are running normally, according to shipping agent Jose Salama & Co. Ten vessels are due to arrive for bunkers today, up from seven on Sunday.

Brent

The front-month ICE Brent contract has shed \$0.85/bbl on the day from Friday, to trade at \$88.95/bbl at 09.00 GMT.

Upward pressure:

Brent futures remained well supported amid growing supply concerns due to the ongoing Israel-Hamas war.

Israel's Prime Minister Benjamin Netanyahu has warned of a "long and difficult war" after the country commenced the "second stage" of the combat with a ground invasion in northern Gaza on Saturday. The country aims to take full control of the base camps that are run by Hamas militants in Northern Gaza.

This conflict can "potentially morph into one of the most sinister calamities in decades," said SPI Asset Management's managing partner Stephen Innes.

Meanwhile, Israel's ground assault on the Gaza Strip has been fiercely condemned by the neighbouring Arab nations including Iran and Lebanon. This has again raised the question about Iran's involvement in the Middle Eastern conflict, analysts said.

Last week, Iran's foreign minister Hossein Amirabdollahian warned at an emergency special session at the United Nations (UN) that if Israel continues this conflict against Hamas, then the "US will not be spared from this fire," Reuters reported.

"With the increased likelihood of a direct confrontation involving Iran or Hezbollah [militant group based in Lebanon], one could argue that crude oil prices should be substantially higher," Innes added

Downward pressure:

Oil analysts are awaiting the outcomes of the US Federal Reserve (Fed) policy meeting this week, which could give cues about the interest rate cycles.

Even though the oil market analysts expect the US Fed to keep interest rates unchanged, Brent futures stand a chance to lose further if Fed officials decide to hike the interest rate later this year.

Higher interest rates make the greenback stronger, which in turn could reduce demand for dollar-denominated commodities such as crude oil.

Meanwhile, Israel's counter strike on Gaza has prompted world leaders to encourage an immediate ceasefire. Brent futures also felt some downward pressure as no direct supply outage due to the war has occurred yet.

"The notion that as long as the conflict remains confined to Gaza, there isn't an immediate and visible threat to the oil supply have restrained prices," added Innes.

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