

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker prices in key European and African ports have declined with Brent, and Rotterdam's Hi5 spread has widened.

Changes on the day to 09.00 GMT today:

VLSFO prices down in Gibraltar (\$17/mt), Rotterdam (\$15/mt) and Durban (\$1/mt)

LSMGO prices up in Durban (\$118/mt), and down in Rotterdam (\$36/mt) and Gibraltar (\$23/mt)

HSFO prices down in Rotterdam (\$29/mt) and Gibraltar (\$5/mt)

HSFO price has declined further in Rotterdam. The fuel grade has witnessed a price drop of \$29/mt in the past day, while VLSFO price in the port has come down by \$15/mt. A steeper fall in the port's HSFO price has widened its Hi5 spread from \$68/mt yesterday, to \$82/mt now. A lower-priced non-prompt HSFO stem fixed at \$495/mt for 500-1500 mt contributed to pull the grade's price down.

Rotterdam's LSMGO price has also come down sharply in the past day as four lower-priced stems dragged the benchmark down. The stems were booked in the \$816-832/mt price range. Of these, two stems were fixed for non-prompt deliveries.

Supply of VLSFO and LSMGO grades is normal in Rotterdam and in the wider ARA hub, with recommended lead times of 4-5 days for VLSFO and around four days for LSMGO, sources said.

Gibraltar also witnessed a drop in prices across all fuel grades.

Congestion has been reported in Gibraltar today, port agent MH Bland says. Six vessels are currently waiting to receive bunkers in Gibraltar today.

In Ceuta, bunker operations are running normally, according to shipping agent Jose Salama & Co. 13 vessels are scheduled to arrive for bunkers in Ceuta today.

VLSFO supply is said to be normal in Durban, with lead times of up to seven days. However, LSMGO is mostly tight across South African ports, a source said.

Brent

The front-month ICE Brent contract has lost \$2.64/bbl on the day, to trade at \$85.63/bbl at 09.00 GMT.

Upward pressure:

Tension between Israel and Hamas has taken a new turn overnight after Yemen-based militant group Houthi joined the conflict to back Palestine.

The group launched missile and drone attacks from Sanaa on Tuesday at Israel as an act of retaliation to Israel's refusal for a ceasefire in Gaza, Reuters reported citing Houthi spokesperson Yahya Saree in a televised statement.

This news has rekindled supply concerns in the oil market because Houthi's attack poses a direct threat to leading global oil producer Saudi Arabia. The shortest flight route for any drone or missile launched from Yemen to Israel crosses over the western part of Saudi Arabia which is closer to the Red Sea.

"Geopolitical risks remain and that seems to be offsetting some of the record production levels that are coming from the US," said OANDA's senior market analyst Ed Moya.

Downward pressure:

Weak demand projections have put a lid on Brent futures' gains this week. China's underwhelming purchasing managers' index (PMI) figures in October sparked concerns about a lack of demand in the world's second-largest crude oil consumer.

"Disappointing manufacturing activity in China and US consumer confidence dropping to a five-month low in October raised worries about the prospects for fuel consumption," said SPI Asset Management's managing partner Stephen Innes.

Moreover, Brent prices came under pressure after US commercial crude inventories gained 1.35 million bbls in the week ended 27 October, according to the American Petroleum Institute (API) data cited by Trading Economics.

Meanwhile, oil investors will closely follow the US Federal Reserve's (Fed) Federal Open Market Committee (FOMC) meeting that will conclude today. Investors are waiting for fresh cues on the US interest rate hike cycle.

Higher interest rates lead to a stronger US dollar against other currencies. This can potentially curtail demand for dollar-denominated commodities such as oil.

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