ENGINE: Europe & Africa Bunker Fuel Market Update

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Brent's dip has hit bunker prices at European and African ports, and Gibraltar's LSMGO has made the steepest fall.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban ($18/mt), Gibraltar ($16/mt) and Rotterdam ($13/mt)**
- **LSMGO prices down in Gibraltar ($36/mt), Rotterdam ($25/mt) and Durban ($23/mt)**
- **HSFO prices down in Gibraltar ($12/mt) and Rotterdam ($11/mt)**

Gibraltar’s LSMGO price has fallen sharply over the past day, outpacing drops in other European and African ports. Despite this, Gibraltar’s LSMGO premium over Rotterdam has narrowed by $11/mt to $77/mt now.

In Gibraltar, a lower-priced prompt 500-1,500 mt VLSFO stem was fixed at $614/mt and has dragged the port's VLSFO benchmark down. Gibraltar’s Hi5 spread has narrowed to $91/mt today.

There are currently three vessels waiting in Gibraltar, with one supplier reporting around 4-6 hours of delay, according to port agent MH Bland.

Meanwhile, two lower-priced stems fixed in Rotterdam in the past day have contributed to pull its VLSFO and LSMGO benchmarks down. One 500-1,500 mt VLSFO stem was fixed at $562/mt for prompt delivery. Another prompt 50-150 mt LSMGO stem was fixed at $801/mt.

Algeciras' inner anchorage has been slightly congested, but bunker operations are going ahead smoothly, said MH Bland. Strong wind gusts of up to 30 knots are forecast for Friday.

Weather disruptions continue in Las Palmas, with strong swells increasing to 3 metres, said MH Bland. Bunker operations are currently suspended at the port’s outer anchorages. The inner anchorage is open to one vessel at a time, said MH Bland.

Brent

The front-month ICE Brent contract has come off by $1.89/bbl on the day, to trade at $81.71/bbl at 09.00 GMT.

Upward pressure:

A global supply deficit in the oil market has taken the centre stage this week. Brent futures gained some support after top oil-producer nations Saudi Arabia and Russia reaffirmed their output reductions and export cuts until December 2023.

“It is increasingly likely that they [Saudi Arabia and Russia] will extend this into the new year if this downward pressure continues,” said two analysts from ING Bank. “The Saudis would like to keep Brent above $80/bbl, as this is roughly where their fiscal breakeven price is,” they further added.

Moreover, geopolitical angles have also played a crucial role in pushing Brent up this week. The US House of Representatives imposed stricter sanctions on Iranian oil after the country allegedly provided funds and ammunition to Hamas militants to support their attack on Israel.

“Not only is there the ongoing war between Russia and Ukraine but the war between Israel and Hamas could very easily spread,” said Price Futures Group’s senior market analyst Phil Flynn. “At the same time, there should be growing pressure to crack down on Iran,” he added.

Downward pressure:

Demand worries from the two biggest oil consumers of the world – the US and China – have marred upward moves for Brent futures this week.

Brent came under downward pressure after an estimate was released of commercial US crude inventories surging by 11.9 million bbls in the week ending 3 November, according to the American Petroleum Institute (API) data cited by Trading Economics.

Oil market analysts expected Brent to continue to decline after the massive spike in weekly US crude builds reported overnight. “It was the biggest weekly rise since the first week of 2023,” Trading Economics reported.

Meanwhile, weak export data from China also stirred speculations of shrinking oil demand growth. China’s exports have fallen by 6.4% compared to 2022, Reuters reported, citing customs data.

“China's trade data was a negative double whammy for oil prices, and it got the price ball rolling downhill,” said SPI Asset Management’s managing partner Stephen Innes. “Deteriorating shipments primarily drove this export drop to significant trading partners in Europe and North America,” he further said.

China’s economy is heavily dependent on exports, especially on manufactured products. This persistent decline in trade volumes has capped economic growth in the country. This is also creating “uncertainty over the demand outlook for oil markets in the upcoming winter months,” Innes argued.

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