

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Most bunker benchmarks in key European and African ports have gained, and prompt HSFO supply remains tight in Gibraltar.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban (\$13/mt), Gibraltar (\$10/mt) and Rotterdam (\$6/mt)**
- **LSMGO prices up in Durban (\$4/mt), and down in Rotterdam (\$11/mt) and Gibraltar (\$10/mt)**
- **HSFO prices up in Gibraltar (\$29/mt) and Rotterdam (\$1/mt)**

Gibraltar's HSFO price has increased substantially in the past day, outpacing a modest rise in the grade's price in Rotterdam. Prompt supply of the fuel grade is currently tight in Gibraltar, a trader says.

Moreover, Gibraltar's HSFO price premium over Rotterdam has widened by \$28/mt to \$60/mt now. The port's Hi5 spread has narrowed from \$92/mt yesterday to \$73/mt now.

Meanwhile, VLSFO and LSMGO supplies are tightening in Rotterdam, a source says. Rotterdam's VLSFO price has increased some in the past day, recovering losses made in the previous session. A lead time of 5-7 days is recommended for the grade's delivery in Rotterdam, a trader says.

Congestion has been reported in Gibraltar today, with seven vessels currently waiting to receive bunkers there. One supplier is experiencing 6-8 hours of delay in Gibraltar, port agent MH Bland says.

Besides, slight congestion has been reported at the inner anchorage in Algeciras, where one supplier is running 24-hours behind schedule, MH Bland adds.

Bunkering is progressing normally in Ceuta, where 18 vessels are due to arrive today, according to shipping agent Jose Salama.

Brent

The front-month ICE Brent contract has inched up \$0.28/bbl on the day, to trade at \$80.61/bbl at 09.00 GMT.

Upward pressure:

Escalating fears of a much bigger supply deficit in the global oil market in the coming months have provided some upward thrust to Brent futures this week.

With more Arab countries joining the Israel-Hamas conflict to support Palestine, concerns over supply disruptions in key oil-producing regions are also growing, analysts said. Israel's military confirmed on Thursday that a Syria-based organisation launched a drone attack on the southern Israeli city of Eilat, Reuters reported.

Earlier this week, Yemen-based Houthi militants also allegedly launched ballistic missiles at Israel that pose 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.

Downward pressure:

Brent futures felt some downward pressure after the US Federal Reserve's (Fed) chairman Jerome Powell said that he is "not yet confident" with the central bank's approach to tame inflation. Powell's comment hinted that the Fed could consider more interest rate hikes.

While speaking at an International Monetary Fund (IMF) research conference on Thursday, Powell clarified that tackling stubborn inflationary pressures remains the central bank's focal point.

The Fed will continue to "address both the risk of being misled by a few good months of data and the risk of overtightening," Powell said. The central bank kept its interest rates steady at 5.25%-5.5% at its latest Federal Open Market Committee (FOMC) meeting.

The Fed is "committed to achieving a stance of monetary policy that is sufficiently restrictive to bring inflation down to 2% over time," Powell said. "We are not confident that we have achieved such a stance. If it becomes appropriate to tighten policy further, we will not hesitate to do so."

"[Oil] Investors are facing steady declines after Jerome Powell's warning that interest rates might need to climb further," said SPI Asset Management's managing partner Stephen Innes.

Higher interest rates make the greenback stronger and cause a general lag in demand for dollar-denominated commodities like oil.

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