ENGINE: Europe & Africa Bunker Fuel Market Update

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Bunker benchmarks in European and African ports have mostly tracked Brent's gain, and Gibraltar's LSMGO premium over Rotterdam has widened.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Gibraltar ($13/mt) and Durban ($10/mt), and down in Rotterdam ($6/mt)**
- **LSMGO prices up in Gibraltar ($16/mt) and Rotterdam ($6/mt), and unchanged in Durban**
- **HSFO prices up in Gibraltar ($15/mt) and Rotterdam ($7/mt)**

LSMGO availability in the wider ARA hub is good for prompt delivery. Lead times for the bunker fuel grade are recommended at 4-5 days, a trader says. For HSFO and VLSFO bunker grades, the trader recommends lead times of 5-7 days.

Rotterdam's VLSFO price has dropped in the past day, while the port's HSFO prices gained. The diverging price moves have narrowed the port's Hi5 spread by $13/mt to $113/mt now.

Meanwhile, all three bunker benchmarks in Gibraltar have gained steeper compared to the other two ports. Its LSMGO premium over Rotterdam has widened by $10/mt to $95/mt now.

Lead times of 4-6 days are recommended for HSFO and LSMGO, and 5-6 days for VLSFO in Gibraltar. Minimal congestion has been reported in Gibraltar today, where one vessel is waiting for bunkers, port agent MH Bland says.

However, adverse weather conditions are likely to hit Gibraltar on Friday, which could impact bunkering in the port.

Brent

The front-month ICE Brent contract has inched $0.71/bbl higher on the day from Friday, to trade at $78.42/bbl at 09.00 GMT.

Upward pressure:

Brent futures have shed previous losses due to concerns about disruptions in Middle Eastern crude oil supplies.

On Sunday, US naval ships intercepted a Houthi attempt to capture one of A.P. Moller-Maersk's vessels in the Red Sea, US Central Command (CENTCOM) said. CENTCOM has claimed that US naval ships destroyed three Houthi-controlled ships and killed at least 10 militants in the skirmish.

This incident has heightened fears that the Israel-Hamas conflict could escalate into broader regional turmoil.

"The upside risks [for oil] remain both from a geo-political risk side as well as old-fashioned supply not keeping up with demand," said Price Futures Group's senior market analyst Phil Flynn.

Downward pressure:

On the flip side, Brent's upside gains have been limited by signs that Chinese economic growth may be lagging, which in turn will weaken China's oil demand.

According to a Bloomberg report citing China's National Bureau of Statistics, China's China Manufacturing Purchasing Managers Index (PMI) has slightly declined from 49.4 in November to 49 in December 2023. This implies that the manufacturing sector in China is experiencing slight contraction, which is a negative sign for the overall economy.

The PMI figures "indicate a slowdown in China's economic recovery in the last months of the year [2023]," said SPI Asset Management's managing partner Stephen Innes.

China is one of the largest oil consumers in the world and "speculation about weakening Chinese demand caused oil and product prices to plunge," Flynn added.

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