ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have increased with Brent's gains, and HSFO availability tightens in Gibraltar.

Changes on the day to 09.00 GMT today:

- **VLSFO prices up in Durban ($17/mt), Gibraltar ($5/mt), and Rotterdam ($4/mt)**
- **LSMGO prices up in Gibraltar ($13/mt) and Rotterdam ($6/mt), and down in Durban ($12/mt)**
- **HSFO prices up in Gibraltar ($12/mt) and Rotterdam ($4/mt)**

Gibraltar's HSFO price has gained sharply in the past day, outpacing Rotterdam's price rise for the high sulphur grade. HSFO supply has tightened in Gibraltar, a trader said. Lead times of 6-8 days are recommended for HSFO, 5-6 days for VLSFO, and shorter 4-6 days for LSMGO.

In Las Palmas, HSFO availability is very tight, according to a trader. One supplier can offer the grade for deliveries by 2 February, while another supplier can supply for 7 February.

Rotterdam's Hi5 spread has remained broadly steady at $134/mt. Lead times of 5-7 days are recommended for HSFO and VLSFO deliveries in Rotterdam and in the wider ARA hub. LSMGO is more readily available, with shorter lead times of 2-4 days.

Meanwhile, LSMGO in Durban has moved counter to the wider market direction and shed $12/mt in the past day. The grade is currently very tight in Durban and Richards Bay, according to a trader. Lead times of over ten days are recommended.

Brent

Front-month ICE Brent has gained $1.23/bbl on the day, to $81.97/bbl at 09.00 GMT. The futures contract is on track for a 4% increase over its settlement level last week, as stronger US economic growth eases concerns about a recession.

Upward pressure:

Brent prices gained after the US reported an economic growth rate of 3.3% in the fourth quarter of 2023. This was much greater than a Reuters poll estimate of 2% growth. The stronger-than-expected growth in the US economy has eased some concerns about a recession and raised expectations of interest cuts from the US Federal Reserve (Fed).

The Fed is likely to wait until the second quarter of this year before deciding whether to cut interest rates, according to the majority of economists polled by Reuters. They think the Fed is likely to cut interest rates by June.

Lower interest rates typically boost economic activity, leading to stronger demand for oil.

The latest weekly figures from the Energy Information Administration (EIA), showed that US refineries processed less crude oil last week. US crude oil refinery input averaged 15.3 million b/d during the week ending 19 January, down by 1.4 million b/d compared to the previous week's average.

An Arctic storm has hindered refinery utilisation and curbed production at US refineries. Some argue that the harsh winter could further curtail production. This may lead to a supply crunch at a time when heating demand is high.

Downward pressure:

The Chinese government is urging Iran to assist in stopping the attacks in the Red Sea, Reuters reported citing sources from Iran. China has a strong relationship with Iran, which allegedly supports the Houthi militia that has constantly attacked vessels in the Red Sea.

If China persuades Iran to ease tensions in the Red Sea, it could reduce concerns about potential oil flow disruptions and exert downward pressure on Brent. US and British naval vessels are deployed in the Red Sea, but they have been unable to prevent all attacks on vessels in the area.

While major shipping firms avoid using the Red Sea, Saudi Arabia’s oil producer Aramco has continued to send loaded tankers through the southern part of the Red Sea, Bloomberg reported.

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