

MARKET UPDATE EUROPE & AFRICA



ENGINE: Europe & Africa Bunker Fuel Market Update

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Regional bunker benchmarks have shed with Brent's values, and VLSFO availability has been tight in Durban.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Durban (\$29/mt), Gibraltar (\$14/mt) and Rotterdam (\$7/mt)**
- **LSMGO prices down in Gibraltar (\$21/mt) and Rotterdam (\$19/mt)**
- **HSFO prices down in Rotterdam (\$17/mt) and Gibraltar (\$6/mt)**

Bunker benchmarks in key European and African ports have declined in the past day.

Rotterdam's HSFO price drop has outpaced that of its VLSFO. One higher-priced VLSFO stem booked for non-prompt delivery has prevented further declines in Rotterdam's VLSFO price. As a result, the port's Hi5 has widened by \$10/mt, to \$139/mt now.

Gibraltar's VLSFO price has declined by \$14/mt, while its HSFO price fell by \$6/mt. The price moves have narrowed the port's Hi5 spread by \$8/mt to nearly \$100/mt now. Five vessels are waiting for bunkers in Gibraltar today, down from eight yesterday, port agent MH Bland says. Wind gusts of 20 knots are forecast in Gibraltar today, which could impact bunkering.

Durban's VLSFO price has declined steeply compared to the other two ports. VLSFO and LSMGO availability is very tight in the South African ports of Richards Bay and Durban. Currently, lead times for VLSFO stretch up to two weeks, while LSMGO requires over ten days of lead times, as advised by a trader.

Brent

Front-month ICE Brent slips \$1.65/bbl lower on the day, to \$80.82/bbl at 09.00 GMT.

Upward pressure:

China's upcoming Spring Festival is expected to spur higher outbound travel from China, which will drive some oil demand in the country. The Chinese transport ministry has estimated that nearly 9 billion trips will be taken over the seven-day festival, "including on railways, roads, waterways and air travel."

Commercial ships passing through the Red Sea continue to be attacked by the Houthis, now in the third month of conflict. Brent faces further upside risk if the conflict escalates or if disruptions occur in the Strait of Hormuz, a key conduit for global oil trade.

The oil market is seeing some signs of disruption as more tankers avoid the Suez Canal transits and reroute via the Cape of Good Hope. January saw an average of 15 tankers/day passing through the Suez Canal, compared to 22/day in December. A record low of 8-9/day was seen between 26-27 January, according to IMF's PortWatch data.

Downward pressure:

Commercial US crude inventories rose by 1.23 million bbls on the week, to 421.91 million bbls on 26 January, according to the US Energy Information Administration. The weekly stock build ran counter to the American Petroleum Institute's (API) projection of 2.5 million bbls draw.

Spring Festival may bring temporary respite to China's oil demand prospects, but underlying issues surrounding the country's real estate debt crisis remain a concern for its overall economic backdrop.

Saudi Arabia's decision to halt its capacity expansion raises doubts about the kingdom's long-term expectations for global oil demand and could signal changes in the global oil dynamics, says Stephen Innes, managing partner at SPI Asset Management. "Factors such as evolving energy transition policies, growing renewable energy investments, and climate change concerns could influence Saudi Arabia's strategic decisions regarding oil production capacity," he adds.

The US Federal Reserve (Fed) has left its key interest rate unchanged, and Fed Chair Jerome Powell has hinted that a rate cut in March may not be likely. Fed's unchanged interest rates could exert downward pressure on Brent's price, as it can make borrowing less attractive and decrease investor confidence, which can result in decreased oil demand.

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