ENGINE: Europe & Africa Bunker Fuel Market Update

21/02/24

Regional bunker benchmarks have tracked Brent's downward movement, and a cyclone warning has been issued in Port Louis, Mauritius.

Changes on the day to 09.00 GMT today:

- **VLSFO prices down in Gibraltar ($8/mt), Rotterdam and Durban ($4/mt)**
- **LSMGO prices down in Gibraltar ($33/mt) and Rotterdam ($21/mt)**
- **HSFO prices down in Gibraltar ($33/mt) and Rotterdam ($5/mt)**

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

HSFO and LSMGO price drops in Gibraltar have been greater than Rotterdam's. Lower-priced stems booked for both grades in the port have largely contributed to the declines. The sharp decline in Gibraltar's HSFO price has narrowed its premium over Rotterdam by $28/mt to $43/mt now.

In the Gibraltar Straits, LSMGO is available with lead times of 2-4 days, while longer lead times of 6-8 days are recommended for HSFO, and 5-6 days for VLSFO. Strong wind gusts of 25-28 knots are forecast to hit the Gibraltar Strait on Thursday and Friday. High winds could impact bunkering in the ports there.

Rotterdam's LSMGO grade has also come down by $21/mt in the past day. Two lower-priced prompt delivery LSMGO stems were booked in Rotterdam yesterday, adding downward price pressure. In the wider ARA hub, most suppliers can deliver LSMGO for prompt delivery dates of 2-4 days. In contrast, HSFO is available within 4-6 days, while 5-7 days are advised for VLSFO.

A cyclone warning is in place in Port Louis in Mauritius, according to port agent MH Bland. Bunker operations in the anchorage area were suspended today. The port is not expected to resume work before 24 February, which may cause bunker congestion, MH Bland says.

Brent

The front-month ICE Brent contract moved $1.55/bbl lower on the day, to trade at $81.73/bbl at 09.00 GMT.

Upward pressure:

Measures by the Chinese government to revive the economy have lent support to Brent prices.

The People's Bank of China (PBoC) slashed its five-year loan prime rate (LPR) yesterday by 25-basis points, Reuters reported. The lending rate cut will allow Chinese banks to offer mortgage loans at affordable rates, which could potentially revive the country's real estate market.

Oil market analysts expect robust oil demand growth in China due to these economic relief measures, potentially supporting Brent's upward move.

Brent futures also gained some because of escalating tensions in the Middle East. Israel's latest ground offensive in the Gaza Strip has put the only functional hospital in southern Rafah completely out of service, the Guardian reported. This may further trigger the Houthi militia to scale up its attacks on vessels in the Red Sea.

Downward pressure:

Brent futures shed this week's gains after weak demand growth projections weighed on the oil market's sentiment.

The hotter-than-expected US inflation data released last week has sparked concerns that the US Federal Reserve (Fed) could delay interest rate cuts for this year, subsequently capping demand growth for crude oil.

The US Consumer Price Index (CPI) rose 0.3% month-on-month in January, higher than the 0.2% expectation by analysts. Inflation at the US Fed's preferred level continues to be above the 2% target, Reuters reported. The Fed is expected to release the minutes from the January meeting today. The minutes could provide insights about the Fed's stance on monetary policies.

Higher US interest rates can reduce global demand for oil as it makes buying costlier for non-dollar currency holders.

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