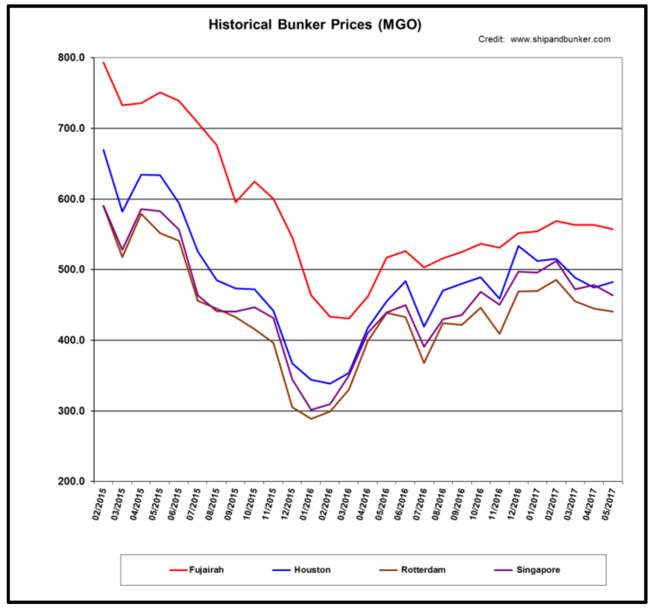
Marcon International, Inc.

Vessels and Barges for Sale or Charter Worldwide

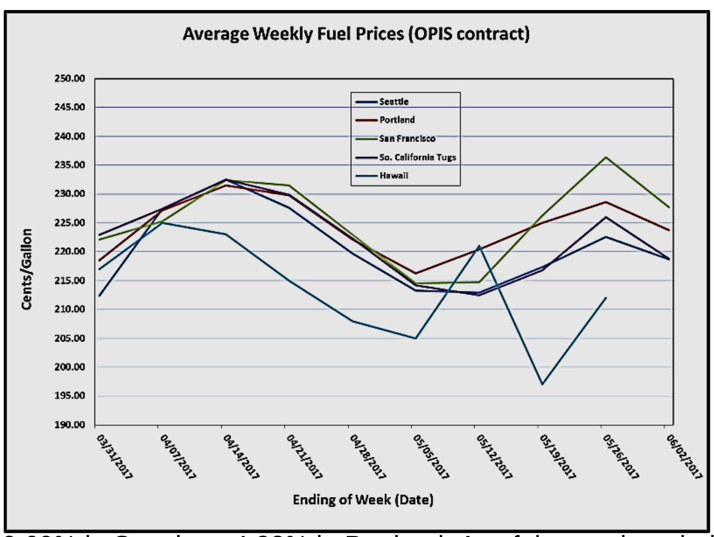
P.O. Box 1170, 9 NW Front Street, Suite 201
Coupeville, WA 98239 U.S.A.
Telephone (360) 678 8880
Fax (360) 678-8890
E Mail: info@marcon.com
http://www.marcon.com

14 June 2017

Bunker Price History – May 2017



May 2017's month-end prices were fairly stable compared to April's, with year-over-year prices only 0.34% to 7.83% higher than 2016. Fujairah posted a slight decrease of 1.06% end May, closing at US$ 557.5/mt from April's US$ 563.5/mt. May 2016 closed at US$ 563.5/mt, so Fujairah is ahead of last year by 7.83%. In the US, Houston was the only region tracked to increase, which is did by 1.69% from April's US$ 474.5/mt, closing at US$ 482.5/mt, which is 6.04% above last year's US$ 455.0/mt. Rotterdam decreased over April closing down 1.01% at US$ 440.5/mt from US$ 445.0/mt, but is up a very slight 0.34% from May 2016's US$ 439.0/mt. Rounding out the regions we regularly monitor is Singapore, which saw the largest change over April, a 3.13% decrease, closing at US$ 463.5/mt from US$ 478.5/mt, but is higher by 5.46% or US$ 24.0/mt over May 2016. Since the end of May, MGO prices have decreased ranging from -3.78% in Singapore to a moderate loss of 6.74% in Houston, with Fujairah, which moves at its own pace, up a very slight 0.27%. As to be discussed in other areas of this report, while OPEC countries did agree on May 25th to extend production cuts, Russia is the only non-OPEC country to agree to also continue cuts. Production increases are still being seen in Libya, Nigeria and the U.S. With these conflicting movements by countries in terms of production, price stabilization, much less the movement of prices to a more profitable level, remains elusive for the foreseeable future.



We follow the Pacific OPIS contract average weekly prices of ultra-low sulphur diesel as these prices directly impact vessel operators on the West Coast. End of May prices for all West Coast locations tracked were higher than the end of April. For the week ending 26th May 2017 compared to the week ending 28th April 2017, Seattle increased the least of the locations or 1.32%, to US$ 2.2257 per gallon from US$ 2.1966/gal. Portland, OR experienced a modest increase of 2.90% to US$ 2.2859 /gal (US$ 2.2214/gal). San Francisco reported the largest gain at 6.02% to US$ 2.3634/gal from US$ 2.2292/gal. *"So. California Tugs"*, comprised of Los Angeles / Long Beach, rose 1.65% to US$ 2.2600/gal from US$ 2.2233/gal. In May, Hawaii increased 1.92% to end at US$ 2.12/gal from US$ 2.08/gal. Compared to one year ago, end of May 2017 prices are higher by 0.60% in Seattle to 4.88% in Portland. As of the week ended 2nd June 2017, prices in all regions dropped in the range of -1.73% in Seattle to -3.64% in San Francisco. Hawaii did not report a price for this date. It is interesting to note that Hawaii did experience the most volatility in May, reaching a high of $2.21 May 12th then a low of $1.97 May 19th before closing at $2.12 a week later, 26th May.

Marcon International, Inc.

Vessels and Barges for Sale or Charter Worldwide

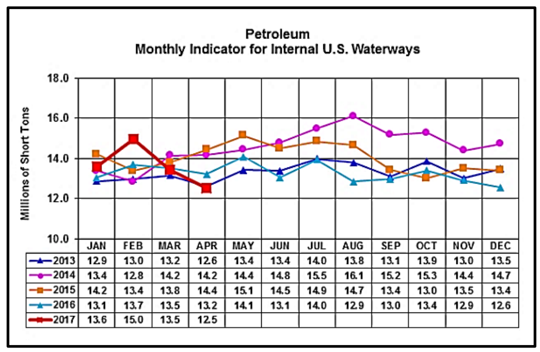
P.O. Box 1170, 9 NW Front Street, Suite 201
Coupeville, WA 98239 U.S.A.
Telephone (360) 678 8880
Fax (360) 678-8890
E Mail: info@marcon.com
http://www.marcon.com

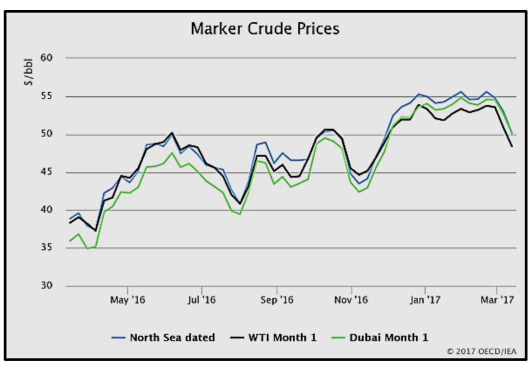
Bunker Price History – May 2017
Continued

Kirby Corp. provides a good snapshot of both fuel prices and movement of petroleum cargoes in the U.S. inland river market. Their first quarter 2017 data shows that their average 235 towboats operating 864 inland tank barges paid an average of US$ 1.78/gal, compared to $1.64/gal the prior quarter and $1.27/gal during same quarter 2016. Demand for inland tank barge transportation of petrochemicals, refined petroleum products, and agricultural chemicals was stable, while black oil and pressure barge demand was higher sequentially. Kirby's inland tank barge utilization was in the high 80% to low 90% range during the quarter. Both term and spot contract pricing were at lower levels relative to the first quarter of 2016, although spot pricing remained stable compared to the 2016 fourth quarter. Operating conditions during the quarter were seasonally normal, including periodic wind and fog which increased delay days and, consequently, reduced Kirby's efficiency on work performed under affreightment contracts.

Maersk Line reported a loss of US $66m (profit of US $37m) and a negative ROIC of 1.3% (positive 0.7%). The underlying result was a loss of US $80m (profit of US $32m). Market fundamentals continued to improve in Q1 and demand outgrew nominal supply for the second consecutive quarter. Transported volumes increased by 10% partly because of improved demand but also reflecting an increased market share, maintained from the second half of 2016. Freight rates increased by 4.4%, which did not fully compensate for the 80% increase in bunker price.

Under U.S. Law, vessel operators must report domestic waterborne commercial movements to the **U.S. Army Corps of Engineers**. 2016 was generally a slower year for internal waterborne petroleum movements. Year-to-date April 2017, 54.6 short tons of petroleum have been carried on internal U.S. Waterways versus 53.5 short tons last year at this time. January and February 2017 movements were higher than same time 2016 and March was same as last year. However, April at 12.5 short tons moved, is the lowest month for petroleum movements since March 2014's 12.4 short tons moved.





According to the Paris-based, **International Energy Agency's *"Oil Market Report"***, recent weaknesses in demand growth are likely to prove transitory, particularly in post currency-reform India. Although global growth was only 0.9 mb/d in 1Q17, it accelerates in 2H17 and for the year as a whole IEA's outlook remains unchanged at 1.3 mb/d. In 2018, growth increases modestly to 1.4 mb/d as demand reaches a record 99.3 mb/d. Global oil supply rose by 585 kb/d in May to 96.69 mb/d as both OPEC and non-OPEC countries produced more. Output stood 1.25 mb/d above a year ago, the highest annual increase since February 2016. Gains were dominated by non-OPEC, particularly the US. OPEC crude output rose by 290 kb/d in May to 32.08 mb/d, the highest level so far this year, after comebacks in Libya and Nigeria, which are exempt from supply cuts. Output from members bound by the production deal edged lower, which kept year-to-date compliance strong at 96%. OECD commercial stocks rose in April by 18.6 mb (620 kb/d) on higher refinery output and imports. They stand 292 mb above the five-year average and are higher than when OPEC decided to cut output. For May, preliminary data suggests stocks falling in Fujairah, Japan, Europe, Singapore and in vessels offshore, but rising in the US and China. Benchmark crude oil prices fell after 23 May, reflecting lower expectations about the pace of global market rebalancing. At publication time, crude prices are close to the levels when the OPEC output deal was announced. Fuel oil prices and cracks were boosted as stocks fell to their lowest level in two years due to tight supplies of sour crudes. Gasoline and naphtha prices fell. Record high US refinery throughput in April and May led to upward revisions to IEA's 2Q17 and 3Q17 forecasts. Global refinery intake is projected to reach 80 mb/d in 2Q17 and 81.3 mb/d in 3Q17, up by about 1.1 mb/d y-o-y in each quarter. In 3Q17, throughput growth is driven by the US and China in the East.

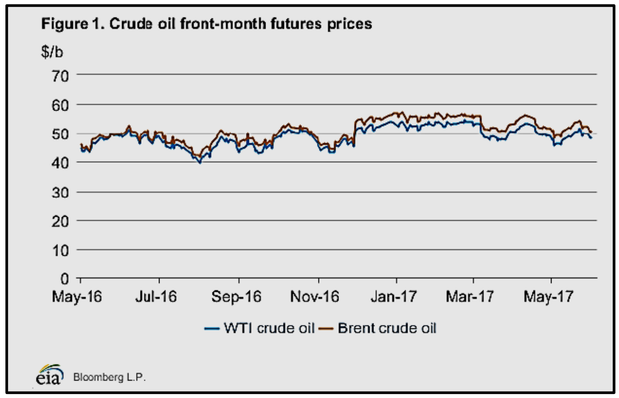
Marcon International, Inc.

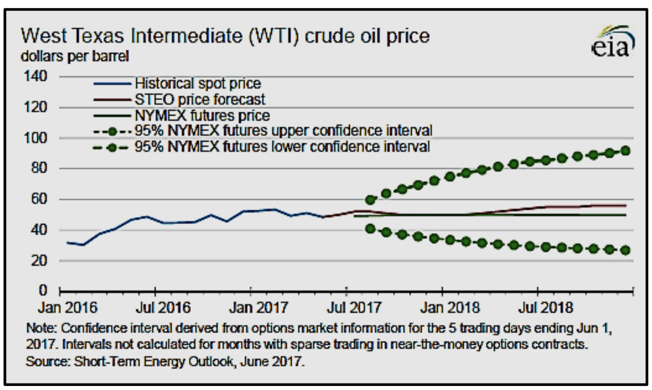
Vessels and Barges for Sale or Charter Worldwide

P.O. Box 1170, 9 NW Front Street, Suite 201
Coupeville, WA 98239 U.S.A.
Telephone (360) 678 8880
Fax (360) 678-8890
E Mail: info@marcon.com
http://www.marcon.com

Bunker Price History – May 2017 Continued

Per the latest **U.S. Energy Information Administration's *"Short-Term Energy Outlook"***, Brent front-month crude oil prices declined by 89 cents per barrel (b) since May 1, settling at $50.63/b on June 1. The West Texas Intermediate (WTI) front-month crude oil price declined by 48 cents/b during the same period, settling at $48.36/b on June 1 **(Figure 1)**. May Brent and WTI monthly average spot prices were $1.98/b and $2.54/b lower, respectively, than the April averages. The Organization of the Petroleum Exporting Countries (OPEC) met on May 25 and announced an extension to voluntary production cuts that were originally set to end this month. The agreed-upon OPEC crude oil production target will remain at 32.5 million barrels per day (b/d) through the end of the first quarter of 2018. The non-OPEC countries that participated in the original six-month agreement met with OPEC ministers on the same day, with Russia being the only non-OPEC member that has formally agreed to remain a party to the extended cuts. The expectations of oil market participants regarding the OPEC announcement were likely already settled in the weeks leading up to the meeting, as various OPEC ministers made public comments about extending the cuts. Although front-month crude oil prices declined by almost 5% on the day of the announcement, suggesting many participants were expecting a larger or longer cut, prices continued trading within a range established over the past 6-8 months around the $50/b level. Concerns regarding the high level of global liquid fuels inventories relative to their five-year average level appeared to be a significant consideration in OPEC's decision to extend production cuts through March 2018. Commercial liquid fuels inventories in countries in the Organization of Economic Cooperation and Development (OECD) remain 257 million barrels higher than the five-year average, based on estimates in the current STEO, a 79-million-barrel reduction in the excess relative to the five-year average since January 2017. However, voluntary production cuts from OPEC and non-OPEC countries are being partially offset by production growth in other countries, moderating the pace of global liquid fuels inventory draws in 2017.





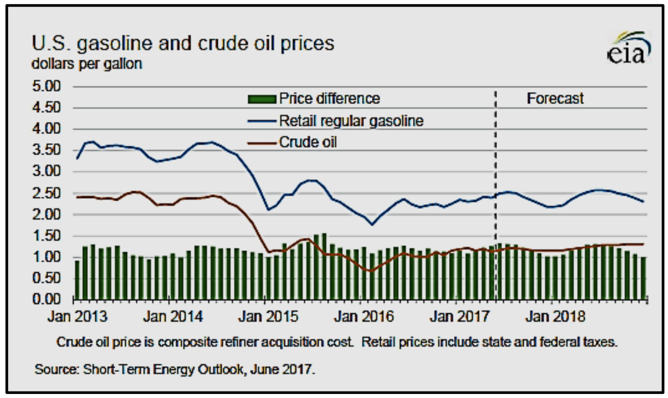
EIA now forecasts OPEC crude oil production to average 32.3 million b/d in 2017 and 32.8 million b/d in 2018, about 0.2 million b/d and 0.4 million b/d, respectively, lower than previously forecast. With lower forecast OPEC production, EIA expects global oil inventories to decline by an average of almost 0.2 million b/d in 2017. The largest draws are expected during the third quarter of 2017, when global oil inventories are forecast to fall by an average of 0.4 million b/d. If inventory draws of this magnitude materialize in the coming months and gross U.S. refinery runs remain above 17 million b/d, the possibility exists for some upward pressure on crude oil prices. EIA expects Brent spot prices to average $54/b in the third quarter of 2017, up from an average of $50/b in May. However, because U.S. tight oil production is relatively responsive to changes in oil price, and given an estimated six-month lag between a change in oil prices and realized production, higher crude oil prices in mid-2017 have the potential to raise U.S. production in 2018.

The expectation of supply growth in 2018 could contribute to oil price weakness in late 2017 and early 2018. The current forecast assumes OPEC's cuts are extended beyond next March, but that non-compliance, which begins to grow in late-2017, increases somewhat in the second half of 2018. Without a further extension of the OPEC agreement, EIA would expect larger inventory builds in 2018 than are included in this forecast.

P.O. Box 1170, 9 NW Front Street, Suite 201
Coupeville, WA 98239 U.S.A.
Telephone (360) 678 8880
Fax (360) 678-8890
E Mail: info@marcon.com
http://www.marcon.com

Bunker Price History – May 2017
Continued

Per the EIA, front-month futures price of reformulated blendstock for oxygenate blending (RBOB, the petroleum component of gasoline used in many parts of the country) rose by 7 cents per gallon (gal) since May 1, settling at $1.60/gal on June 1. The RBOBBrent crack spread (the difference between the price of RBOB and the price of Brent crude oil) rose by 10 cents/gal, settling at 40 cents/gal on June 1. The average gasoline crack spread in May was 9 cents/gal lower compared with the same time last year, continuing a trend seen for much of 2017. The lower gasoline crack spread may be reflecting both smaller declines in gasoline stocks this year, as well as lowered expectations of U.S. gasoline consumption growth this summer compared with the strong growth in consumption seen in 2015 and 2016. Despite lower growth projections for gasoline consumption this year, EIA still forecasts gasoline consumption to reach a record high this summer. Gasoline stocks in the Petroleum Administration of Defense District (PADD) 1B, which includes the New York Harbor delivery point of the RBOB futures contract, declined by 0.3 million barrels from April 28 to May 26, according to EIA's *Weekly Petroleum Status Report (WPSR).* Over the past five years, however, gasoline stocks in PADD 1B have declined an average of 1.7 million barrels during that period, according to EIA's *Petroleum Supply Monthly (PSM)*. Initial estimates from the WPSR show that U.S. gasoline consumption in May was 9.6 million b/d, which was 0.16 million b/d higher than gasoline consumption in May 2016, as shown in the PSM. As the traditional U.S. peak driving season begins, the degree to which gasoline consumption increases compared with last year will affect the gasoline crack spread this summer. U.S. gasoline consumption from June to August is forecast to be 0.4% higher than the same months in 2016.



For the 2017 summer driving season (April–September), U.S. regular gasoline retail prices are forecast to average $2.46/gallon (gal), compared with $2.23/gal last summer. The higher forecast gasoline price is primarily the result of a higher forecast crude oil price. The forecast annual average price for regular gasoline in 2017 is $2.38/gal.