Marcon International, Inc.

Vessels and Barges for Sale or Charter Worldwide

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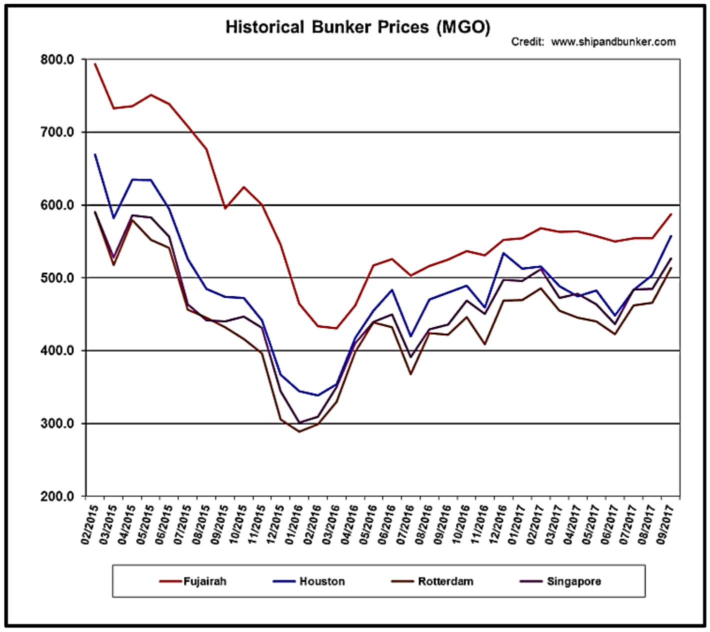
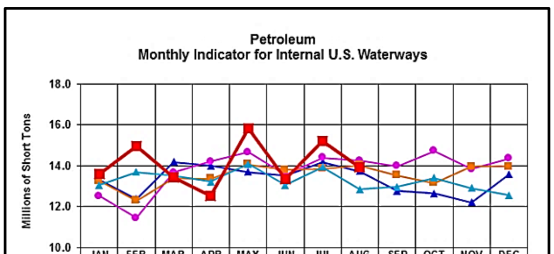
16 October 2017

Bunker Price History – September 2017



September 2017's month-end prices ended well above August's, with year-over-year prices within 11.90% to 21.56% higher compared to September 2016. Fujairah increased 6.05%, which was the smallest increase of the regions covered, by end September, closing at US$ 587.5/mt from August's US$ 554.0/mt. Year-over-year increase is 11.90%. In the US, the Gulf Coast was affected by Hurricanes Harvey and Irma which impacted production, transportation and retail sales. This impact translated to Houston ending September at US$ 557.0, up 10.52% from August's US$ 504.0/mt, which is 16.04% above last year's US$ 480.0/mt. Rotterdam increased from August closing up 10.20% to US$ 513.0/mt from US$ 465.5/mt, and is above last September's US$ 422.0/mt by 21.56%. Rounding out the regions we regularly monitor is Singapore which had a 8.56% increase from August, closing at US$ 526.5/mt from US$ 485.0/mt, and is up by 20.76% or US$ 90.5/mt from September 2016.

Since the end of September, MGO prices have trended up in all locations tracked but, as of today, October 16th, are down from 0.60% in Fujairah to 3.14% in Houston. Despite this slight decline, oil prices are expected to climb once again due to several factors. In the U.S., Baker Hughes reported that in the week of October 9th, eight U.S. rigs were idled, including five oil rigs. Yesterday, October 15th, an oil rig in Lake Pontchartrain, Louisiana exploded, which will affect production and supply for that region. Along with the most recent rig shutdowns, U.S. oil inventories had already declined for three straight weeks. Another factor is that China, which is the world's second-biggest oil market, is reporting record level crude imports and demand is forecast to continue to increase. OPEC and allied countries are also fulfilling self-imposed supply limits. According to the chief of the International Energy Agency, worldwide supply is expected to soon be in line with demand. In the Middle East region, we are seeing prices rising due to increased tensions between the Iraqi central government and the Kurdish region. Therefore, with all of these forces on supply and demand, we expect to see MGO prices stabilize and increase moderately.



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2013	13.3	12.4	14.2	14.0	13.7	13.5	14.2	13.8	12.8	12.7	12.2	13.6
2014	12.5	11.4	13.7	14.2	14.7	13.6	14.4	14.3	14.0	14.7	13.8	14.4
2015	13.3	12.3	13.4	13.4	14.1	13.8	13.9	14.0	13.5	13.2	14.0	14.0
2016	13.1	13.7	13.5	13.2	14.1	13.1	14.0	12.9	13.0	13.4	12.9	12.6
2017	13.6	15.0	13.5	12.5	15.8	13.3	15.2	13.9				

For the Internal U.S. Waterway Monthly Indicators, estimates for the most recent month are based on lock performance management data. The estimates will be superseded by actual data as it becomes available.

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. In August 2017, 13.9 short tons of petroleum were carried on internal U.S. Waterways versus 12.9 short tons same month last year. Year-to-date 2017 has seen a total of 112.8 short tons moved compared to 107.6 short tons moved during this same time period in 2016.

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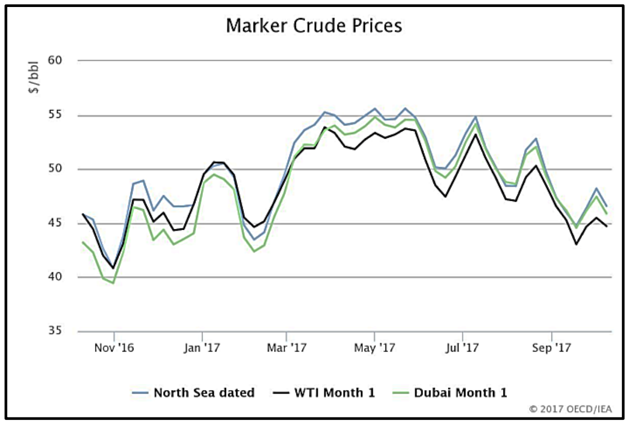
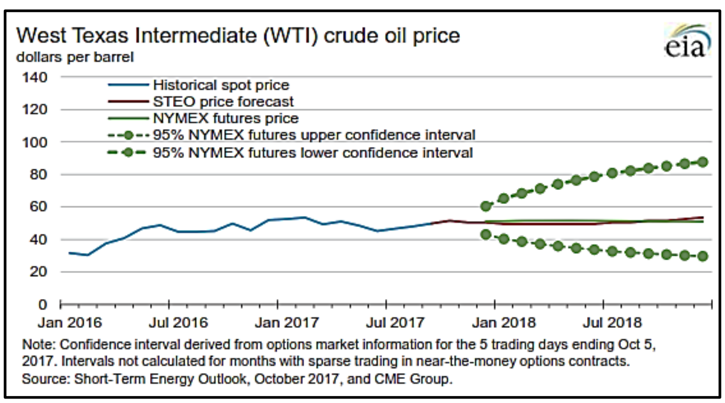


According to the Paris-based, **International Energy Agency's *"Oil Market Report"***, following very strong year-on-year demand growth of 2.2 mb/d in 2Q17, the pace slowed to 1.2 mb/d in 3Q17, reflecting relatively weak July and August data and the impact of hurricanes in September. IEA's forecast of global demand growth remains unchanged at 1.6 mb/d in 2017 (or 1.6%) and 1.4 mb/d in 2018 (or 1.4%). Global oil supply rose 90 kb/d in September to 97.5 mb/d as non-OPEC output edged higher. Output stands 620 kb/d higher than last year. In 2017, non-OPEC supplies are expected to grow by 0.7 mb/d, followed by a 1.5 mb/d increase in 2018. OPEC crude output was virtually unchanged in September as slightly higher flows from Libya and Iraq offset lower supply from Venezuela. Output of 32.65 mb/d was down 400 kb/d on a year ago. Compliance with supply cuts for the year-to-date is 86%. OECD commercial stocks fell 14.2 mb in August from an upwardly revised July. The surplus over the five-year average fell to 170 mb. Global stocks are likely to have drawn in 3Q17 as reductions in floating storage and the OECD outweighed net builds in China. Benchmark crude prices rose by $2-4/bbl in September versus August, marking the third straight month of gains. Middle distillate prices increased almost twice as fast as crude, reflecting lower refinery throughputs and higher demand. For 4Q17, our refinery throughput forecast edges up to 80.9 mb/d, up 0.1 mb/d quarter-on-quarter. IEA's first forecast for January 2018 implies 1.2 mb/d year-on-year growth, although runs decline by 0.4 mb/d from December to just under 82 mb/d. IEA's global crude and product balances show inventories drawing in 2017 by 0.1 mb/d and 0.2 mb/d, respectively. For next year, the crude and product markets look broadly balanced, assuming OPEC holds output steady at around current levels.



Per the latest **U.S. Energy Information Administration's *"Short-Term Energy Outlook"***, the Brent crude oil front-month futures price increased by $4.25 per barrel (b) from September 1 to settle at $57.00/b on October 5, 2017. West Texas Intermediate (WTI) crude oil prices increased by $3.50/b during the same period, settling at $50.79/b (Figure 1). September Brent and WTI monthly average spot prices were $4.45/b and $1.71/b higher, respectively, than the August average spot prices. The oil industry on the U.S. Gulf Coast began to resume normal operations throughout September after refineries and ports were shut down in late August because of Hurricane Harvey. U.S. Gulf Coast refinery utilization reached 86% for the week ending September 29, 10 percentage points below the week ending August 25, but only 5 percentage points below five- year average utilization for this time of year. Hurricane Irma, which made landfall in Florida on September 10, did not significantly affect U.S. crude oil supply or refining operations, but because of increased evacuation-related demand, tanker truck limitations, and power outages, many retail gasoline stations were out of service. Higher crude oil prices over the past month reflect declining global oil inventories, increasing expectations for global economic and oil demand growth, and geopolitical events. EIA estimates that global oil inventories fell by 0.5 million barrels per day (b/d) in the third quarter of 2017. This draw marked the third consecutive quarterly draw, the longest such stretch since 2013–14.

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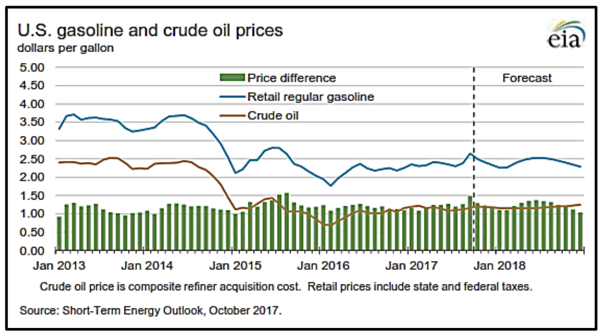
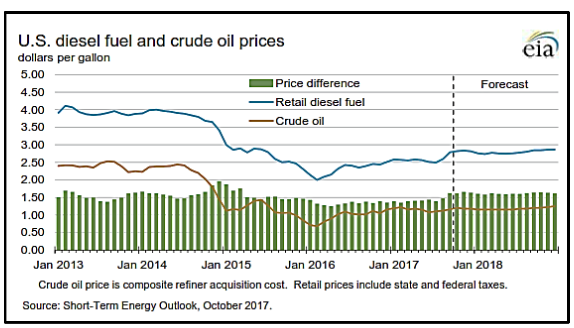
Falling production from OPEC has contributed to global oil inventory withdrawals in 2017. EIA estimates that OPEC crude oil production averaged 32.9 million b/d in the third quarter of 2017, down from an average of 33.4m b/d in November 2016 (before the group's voluntary production reductions). Libya, which is exempt from any production reductions, increased crude oil output in September, but a shutdown at one of its largest oil fields at the beginning of October presents uncertainty about the country's longer-term production potential. Total OPEC crude oil production in the fourth quarter of 2017 is forecast to decline from the third quarter, averaging 32.7m b/d. Although unplanned OPEC supply outages remain low, crude oil prices may have increased based on a referendum in the Kurdistan Region of Iraq on Sept. 25, where the majority of people voted for independence. Turkey sided with Iraq's central government in opposing the vote. Turkey threatened to disrupt pipeline flows of approximately 0.5m b/d of crude oil produced in the Kurdistan Region that is exported from the Turkish port of Ceyhan.

U.S. crude oil production is estimated to have averaged 9.3m b/d in September, an increase of about 250,000 b/d from the August average. Crude oil production in the Gulf of Mexico is estimated to have increased to a monthly average of 1.7m b/d in September, following Hurricane Harvey, an increase of 70,000 b/d from the August level. EIA forecasts total U.S. crude oil production to average 9.2m b/d in 2017 and 9.9m b/d in 2018, which would mark the highest annual average production in U.S. history, surpassing the previous record of 9.6m b/d in 1970.



After reaching a two-year high of $2.69 per gallon on September 11, U.S. regular gasoline retail prices fell to an average of $2.57/gal as of October 2, as U.S. refinery capacity and gasoline production gradually came back online following Hurricane Harvey. EIA forecasts the U.S. regular gasoline retail price will average $2.49/gal in October and fall to an average of $2.33/gal in December. As the effects from Hurricane Harvey on gasoline production and transportation began to subside in September, gasoline prices and crack spreads declined. Only one refinery on the U.S. Gulf Coast remained offline as of October 4. No refineries were affected by Hurricane Irma, but because of increased evacuation-related demand, tanker truck limitations, and power outages, many retail gasoline stations were out of service. Following the hurricanes, the RBOB-Brent crack spread returned to seasonally lower levels, which typically occurs because winter-grade gasoline is cheaper for refineries to produce. Both U.S. consumption and exports of gasoline in the four weeks ending September 29 were close to their respective levels in September 2016, according to the Petroleum Supply Monthly (PSM).



The ultra-low sulfur diesel (ULSD) futures price increased by 4 cents/gal from September 1 to settle at $1.79/gal on October 5. On September 25, ULSD prices rose to the highest point since mid-2015. The ULSD-Brent crack spread (the difference between the price of ULSD and the price of Brent crude oil) declined by 6 cents/gal over the same period and settled at 43 cents/gal. Despite the decline in the ULSD crack spread, which reflected a return to more normal petroleum market operations following Hurricane Harvey, the average ULSD crack spread in September was 47 cents/gal, the highest for that month since 2008. According to the PSM, U.S. distillate exports set their third consecutive monthly record in July at 1.7 million b/d and U.S. distillate consumption in 2017 has generally remained close to or higher than 2016 levels. Increased consumption and exports of distillate indicates increased global economic growth, because distillate is primarily used to power large trucks and rail and is also used in industrial applications. Broad-based expansion in manufacturing PMIs in most countries, along with increased world trade momentum, is likely contributing to increased distillate demand.