

**FUNDAMENTAL
PETROLEUM
TRENDS**

WEEKLY DISTILLATE FUNDAMENTAL-PRICE-BASIS OUTLOOK
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, February 02, 2011

Cash Basis Outlook			
Product	Market	Weeks Forward	
		1 - 2	3 - 6
Heating Oil	NYH	➔	➔
	Gulf	➔	➔
Diesel	NYH	➔	➔
	Gulf	➔	➔
	Grp III	➔	➔
	Chicago	➔	➔
	W Coast	➔	➔
Gulf Coast Price Outlook		➔	➔

Wholesale demand increased +181,000 last week, on sharply higher heating demand. The latest 4-wk average demand was -

10,000 bpd below last year; indicating continued lackluster transport demand.

Supply declined -25,000 bpd on the week, lower production offset by higher imports. The latest 4-wk average supply was +552,000 bpd above last year.

Stocks decreased -1.6 million barrels on the week. The latest 4-wk stock change in markets East of the Rockies was a build of +2.1 million barrels, a level below the 5-year mid range.

Cash basis traded flat to lower in all major markets last week.

Basis levels in the Gulf and Chicago markets ended the week near historic lows. NYH and the Group III remain above the last 2-eyars. West Coast basis levels remain weak on extremely high stocks.

Expect basis to trend broadly higher over the next 60-days as winter heating season ends and spring refinery maintenance continues.

Heating Oil

New York Harbor cash basis to trade higher on peak seasonal demand.

Gulf Coast cash basis to trend higher on peak seasonal heating demand.

Diesel

New York Harbor cash basis should trend higher on a seasonal stock decline and refinery maintenance in the Gulf.

Gulf Coast basis should trade sideways in the near term, then higher on winter maintenance.

Group III & Chicago basis to trade lower in the near term on very high stock levels and low demand, due to inclement weather, then seasonally higher on a wind down of winter heating in PADD 1 and start of spring maintenance/agriculture season across the midwest.

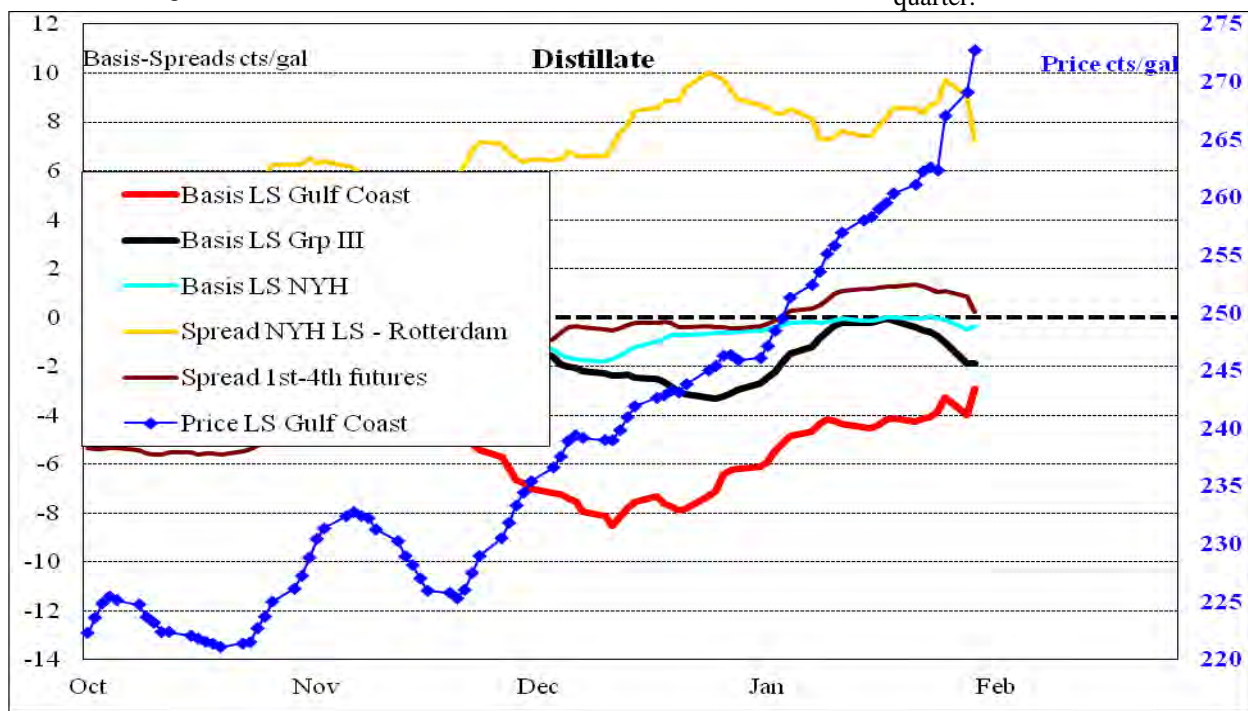
West Coast (Los Angeles) basis should trade sideways in the near term on excess stock levels, then seasonally higher.

Gulf Coast Price

Global strength in demand for distillate, unusually high heating demand, and a tightening in global crude oil supplies continues to support distillate prices.

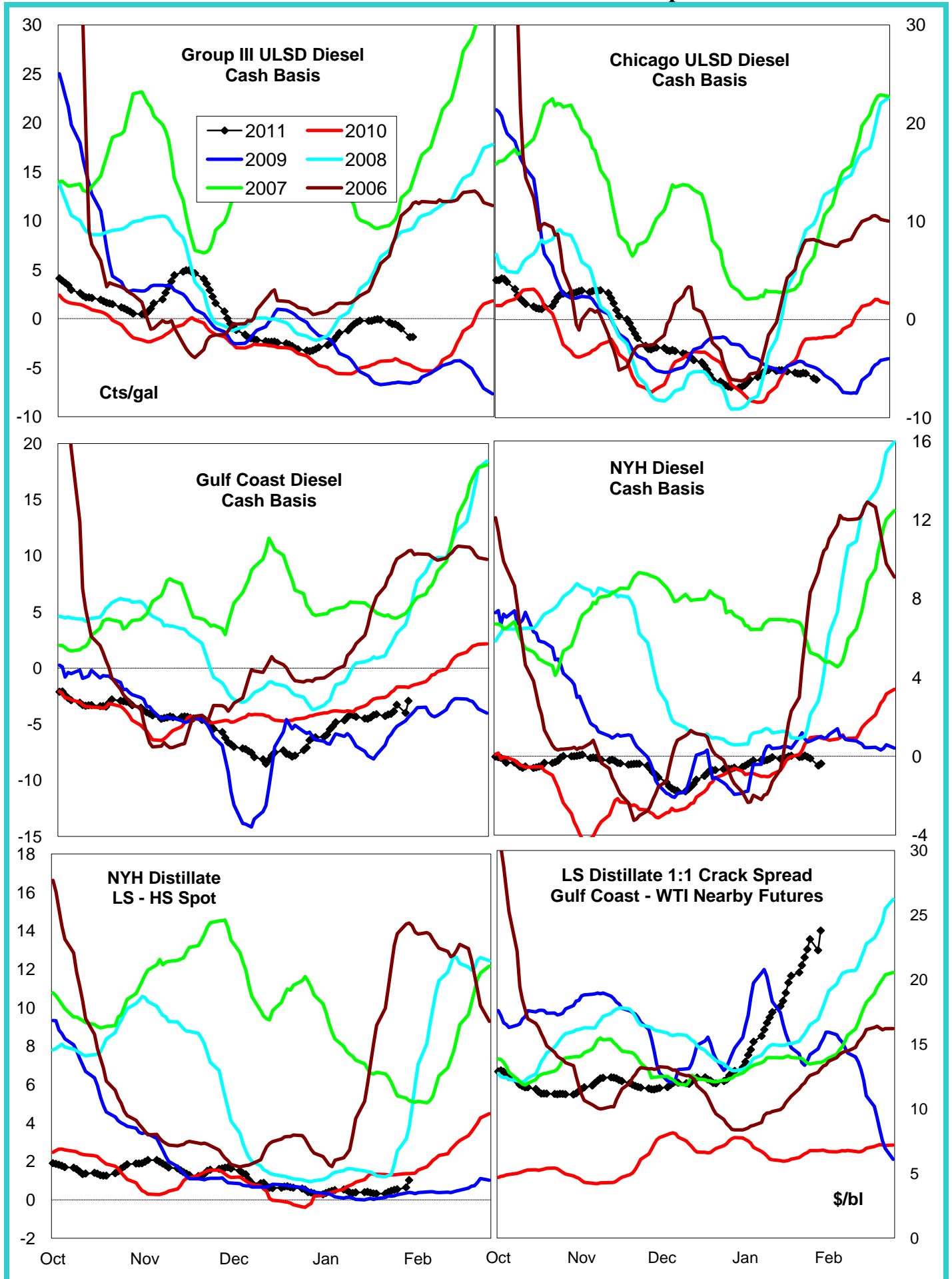
Seasonal refinery maintenance and a rebound in transport demand should provide support to domestic markets during the balance of the 1st quarter.

Balancing these upside risks is a seasonal decline in global crude oil, which may lead to a price pull back in the next quarter.

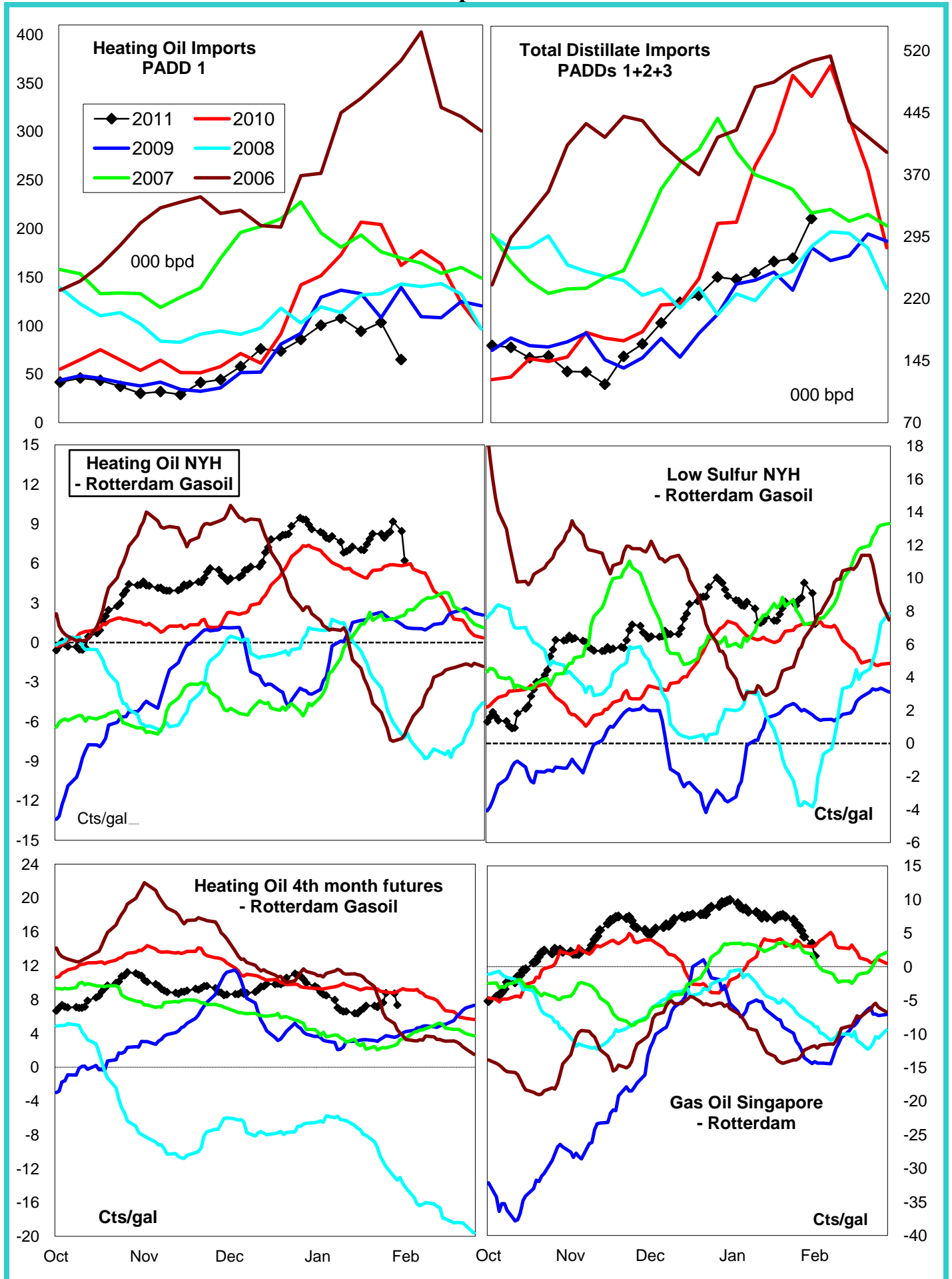


Disclaimer - The information contained on this website and in all its reports reflects the opinion of Fundamental Petroleum Trends. Futures and commodities trading involve significant risk and may not be suitable for every investor. Information contained herein is strictly the opinion of its author and is intended for informational purposes and is not to be construed as a recommendation to sell or buy, or trade in any commodity mentioned herein. Information is obtained from sources believed reliable, but is in no way guaranteed. Opinions, market data and recommendations are subject to change at any time. Past results are not indicative of future results. Charts are developed by Fundamental Petroleum Trends from EIA, NWS, other public data and proprietary models unless otherwise noted and credited.

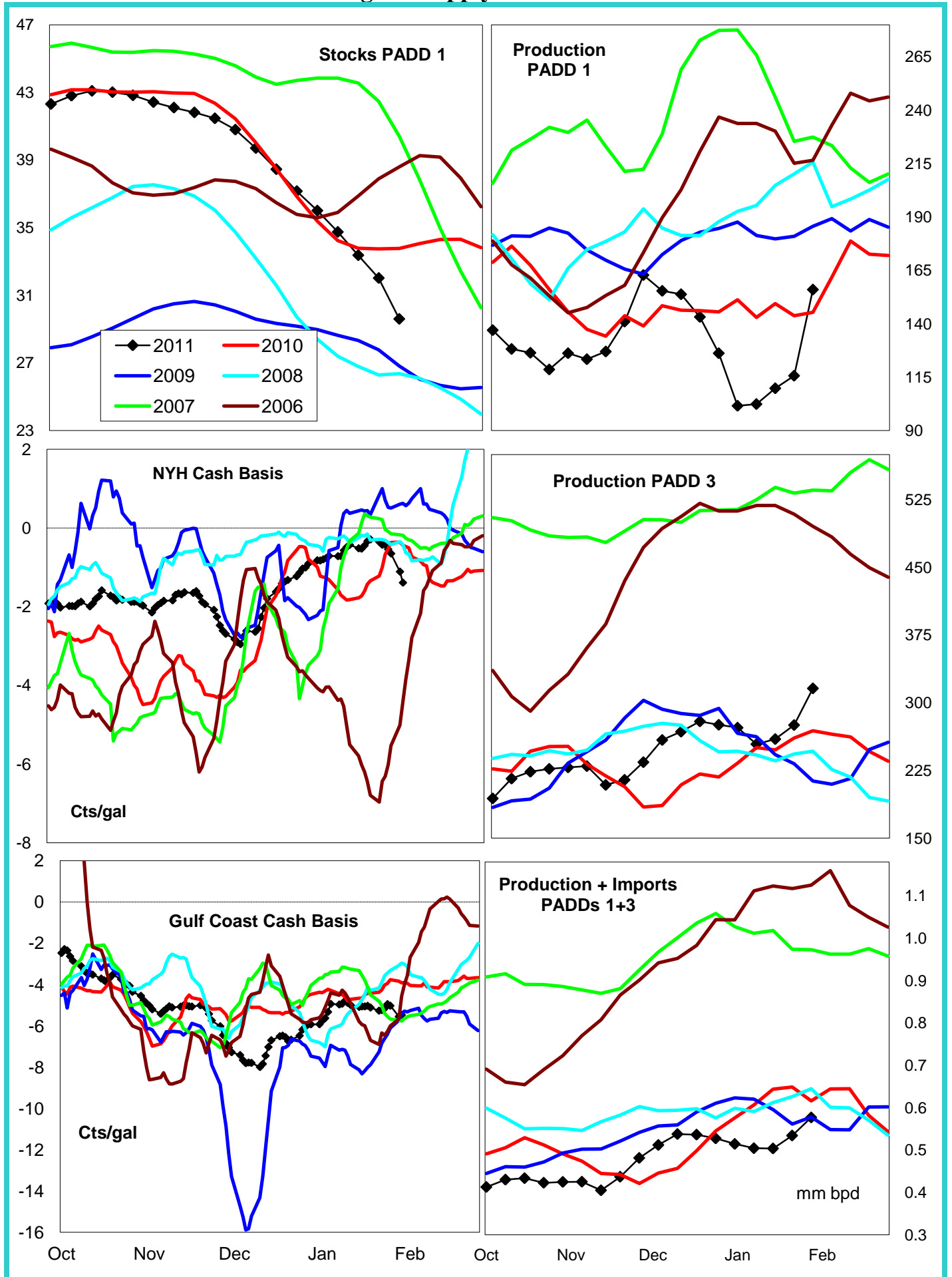
Diesel Cash Basis and Gulf Coast Crack Spread



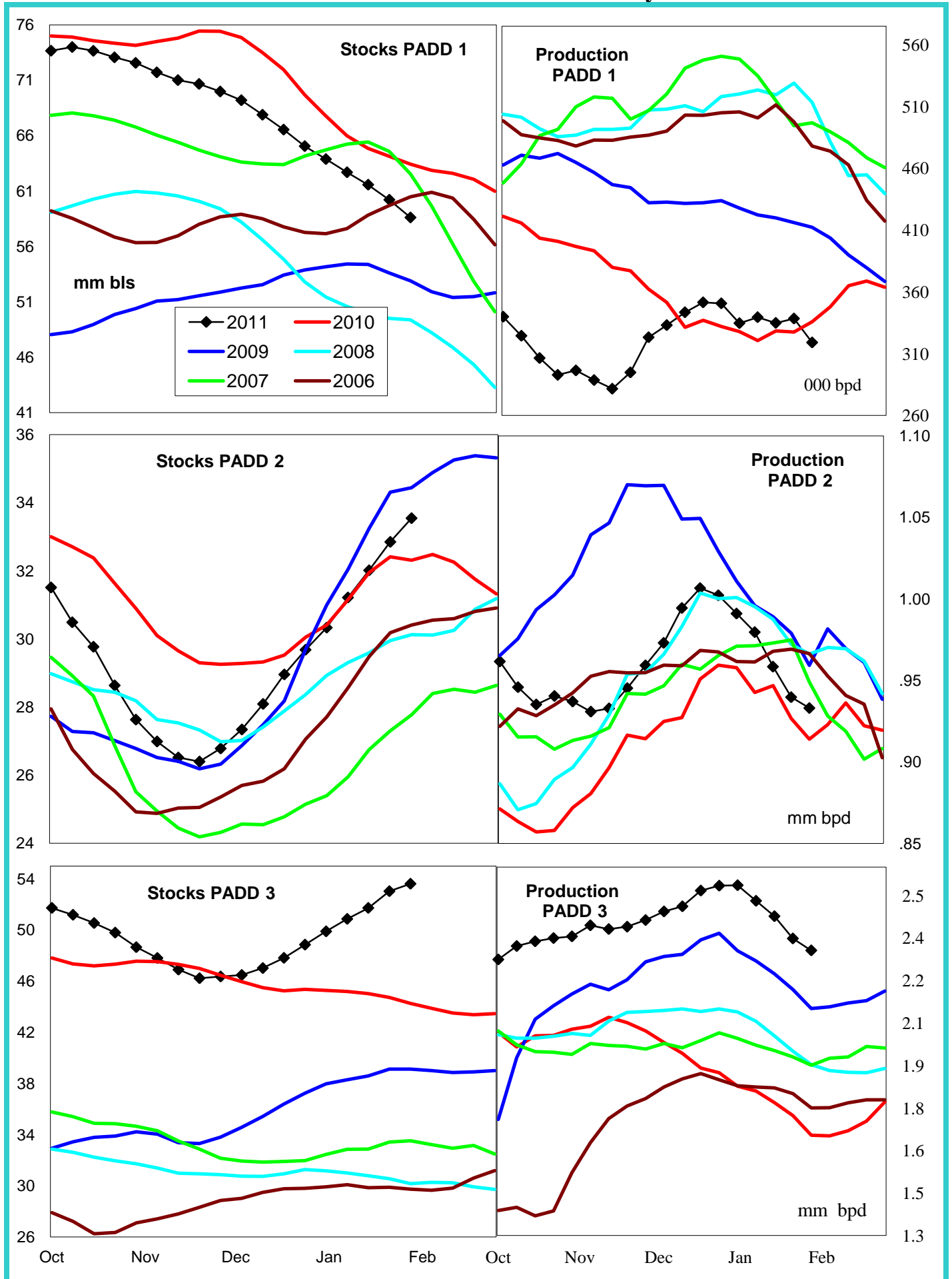
Distillate Import Economics



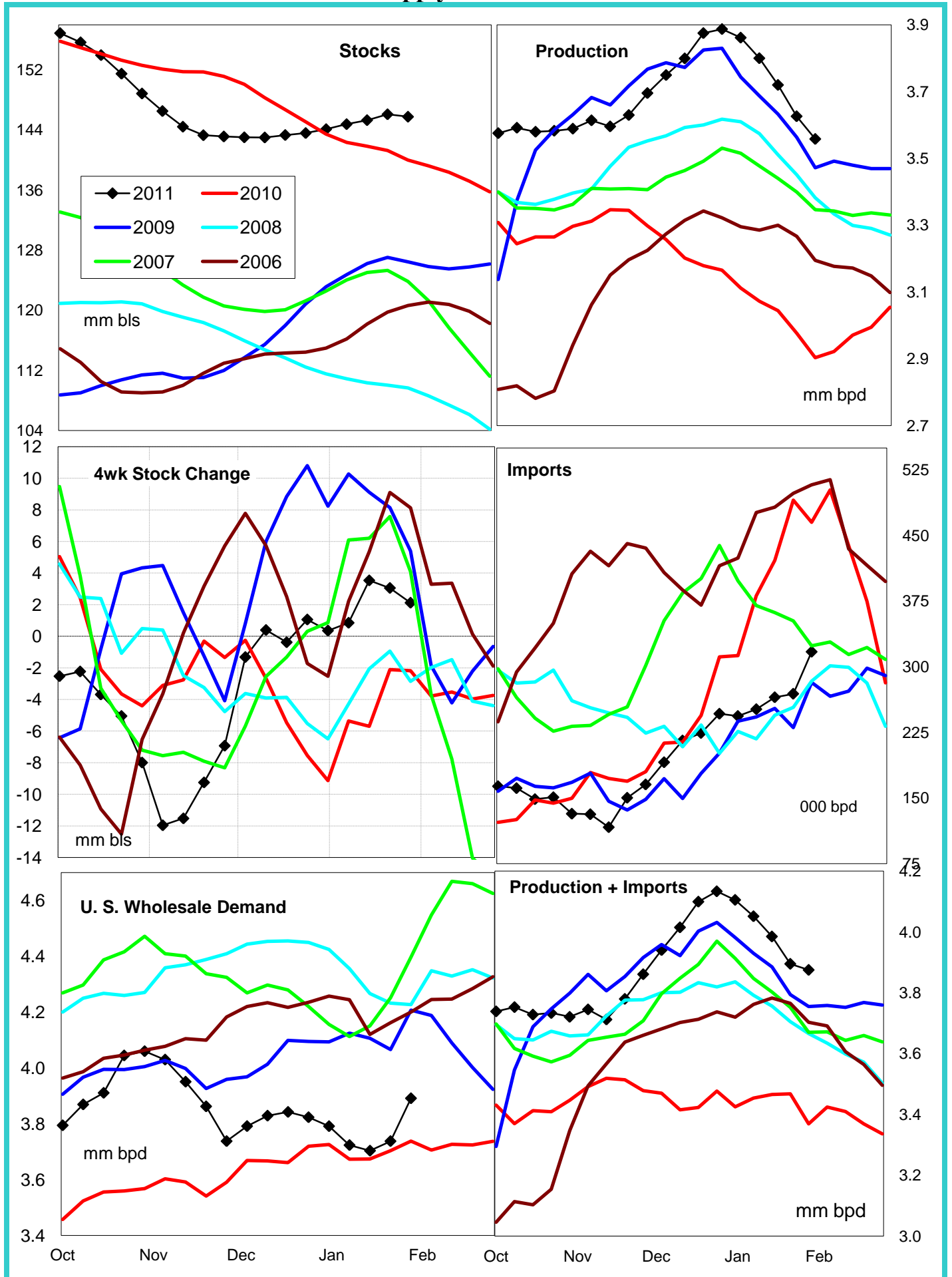
Heating Oil Supply and Cash Basis



Total Distillate Production and Stocks by PADD



Total Distillate Supply - Demand PADDs 1 + 2 + 3



PADD 5 Diesel Supply

