

FUNDAMENTAL PETROLEUM TRENDS

WEEKLY DISTILLATE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, March 26, 2009

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, including exports, increased +207,000 bpd on the week. The

latest four week average demand was - 429,000 bpd below a year ago. Recent below normal heating degree days has been offset by strong exports; yet demand remains weak.

Production has declined -530,000 bpd during the last two weeks; equal to -12.6% of production. This sharp decline resulted from refinery maintenance in PADDs 1 and 2, and output cuts on the Gulf and West Coast that were likely due to low distillate refining margins.

Imports increased +346,000 bpd last week, offsetting lost production in PADD 1 due to maintenance; lifting stocks in that region to new records for the period.

U.S. stocks decreased -1.6 million barrels, but remain extremely high.

As refiners cut output, distillate refining margins, regional cash basis and the forward price curve all strengthened.

Low demand in the 2nd quarter, high stock levels in Europe, and increased production as refiners complete maintenance and raise output on improved refining margins may sustain the over supplied situation.

Heating Oil

New York Harbor cash basis to strengthen on extremely sharp drop in production.

Gulf Coast basis to strengthen on sharp cut in East Coast production.

Diesel

New York Harbor cash to trend higher on reduced production and export demand.

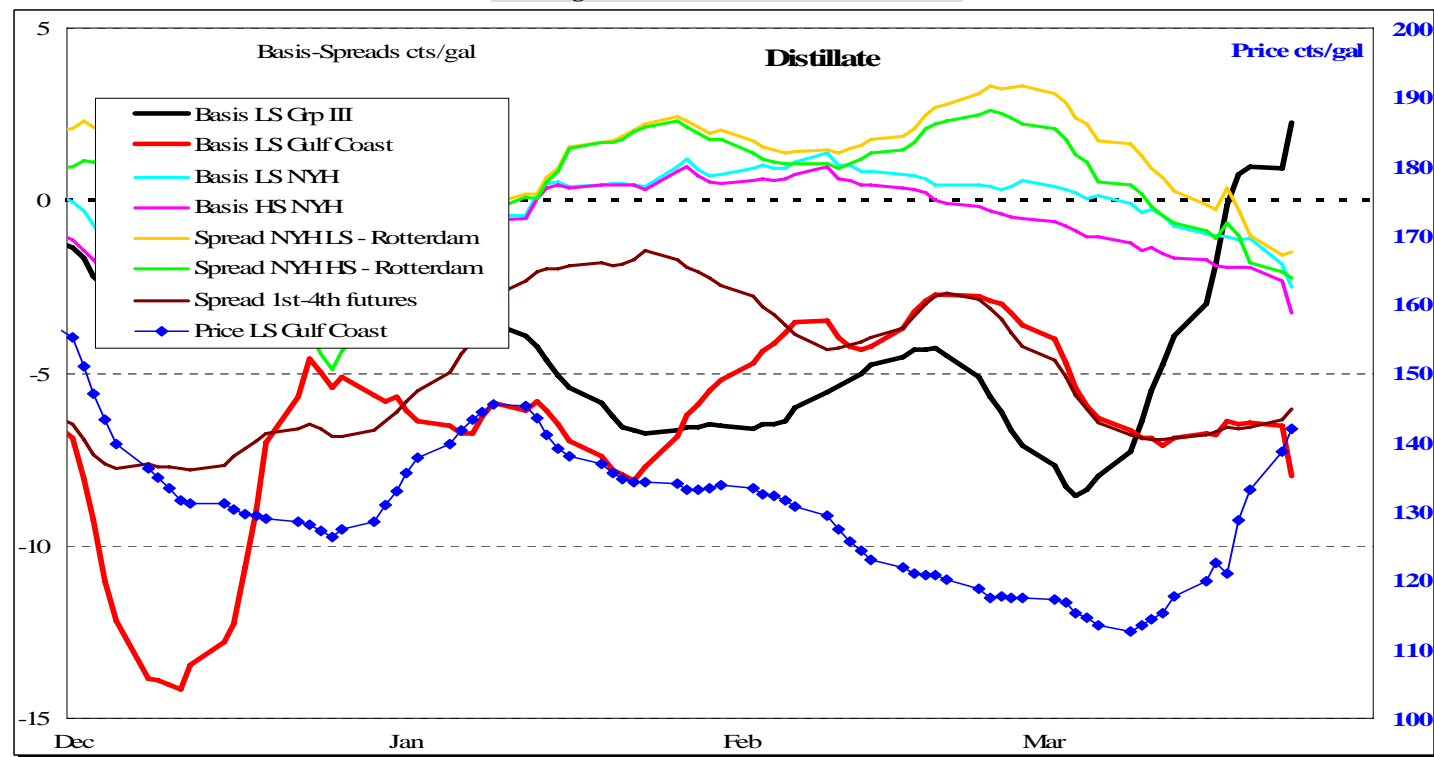
Gulf Coast basis to trend higher in near term on reduced production and exports, then sideways on higher production.

Group III and Chicago basis to trend higher on reduced production due to maintenance, rising seasonal demand and excess supply in the Northeast.

West Coast (Los Angeles) basis to trend higher on reduced production, seasonal decline in stocks and an over supplied Northeast Coast market.

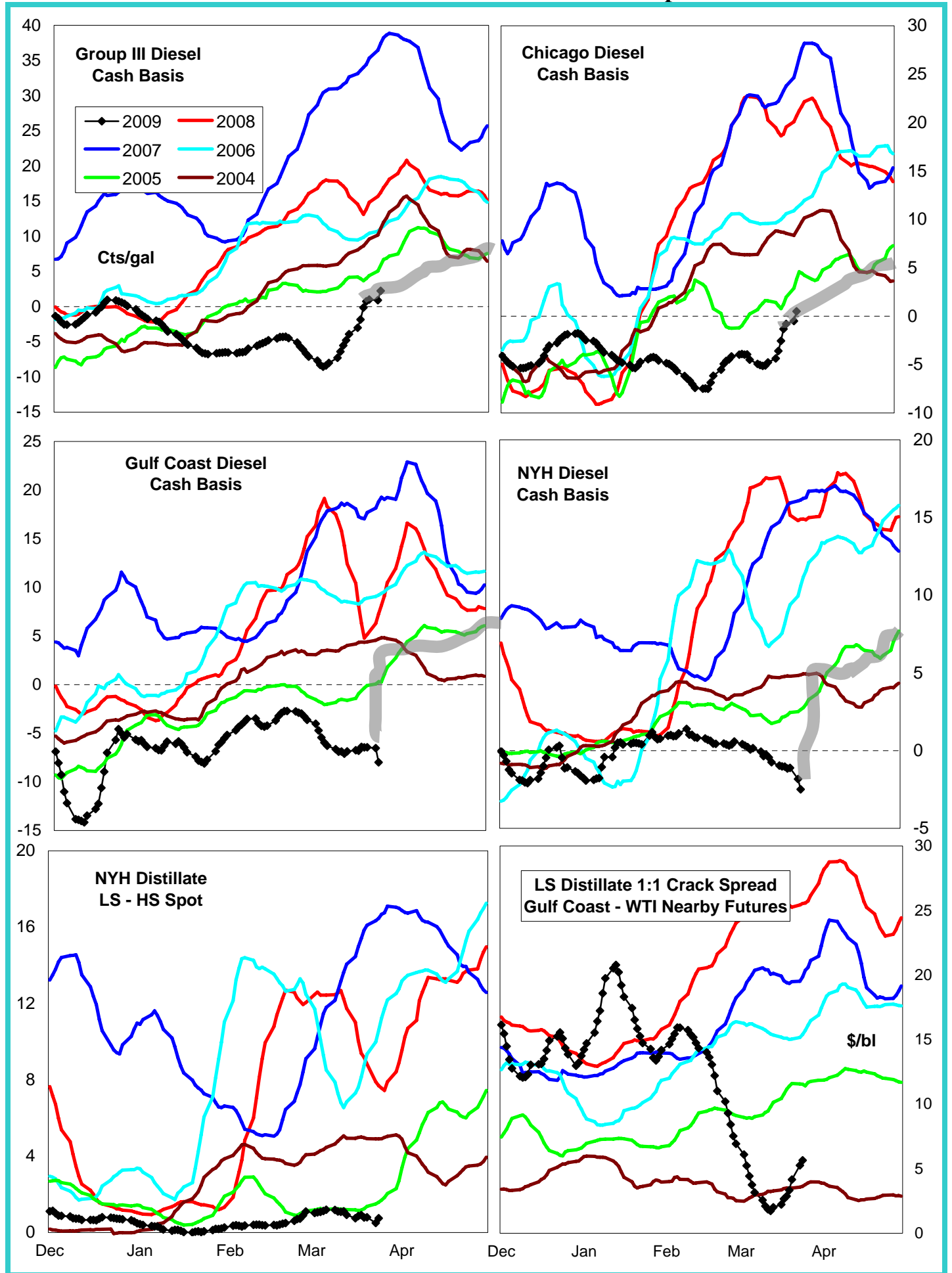
Gulf Coast Price

Expect near term price strength on lower production, then weakness as refiners complete maintenance and higher margins cause a return to high production.

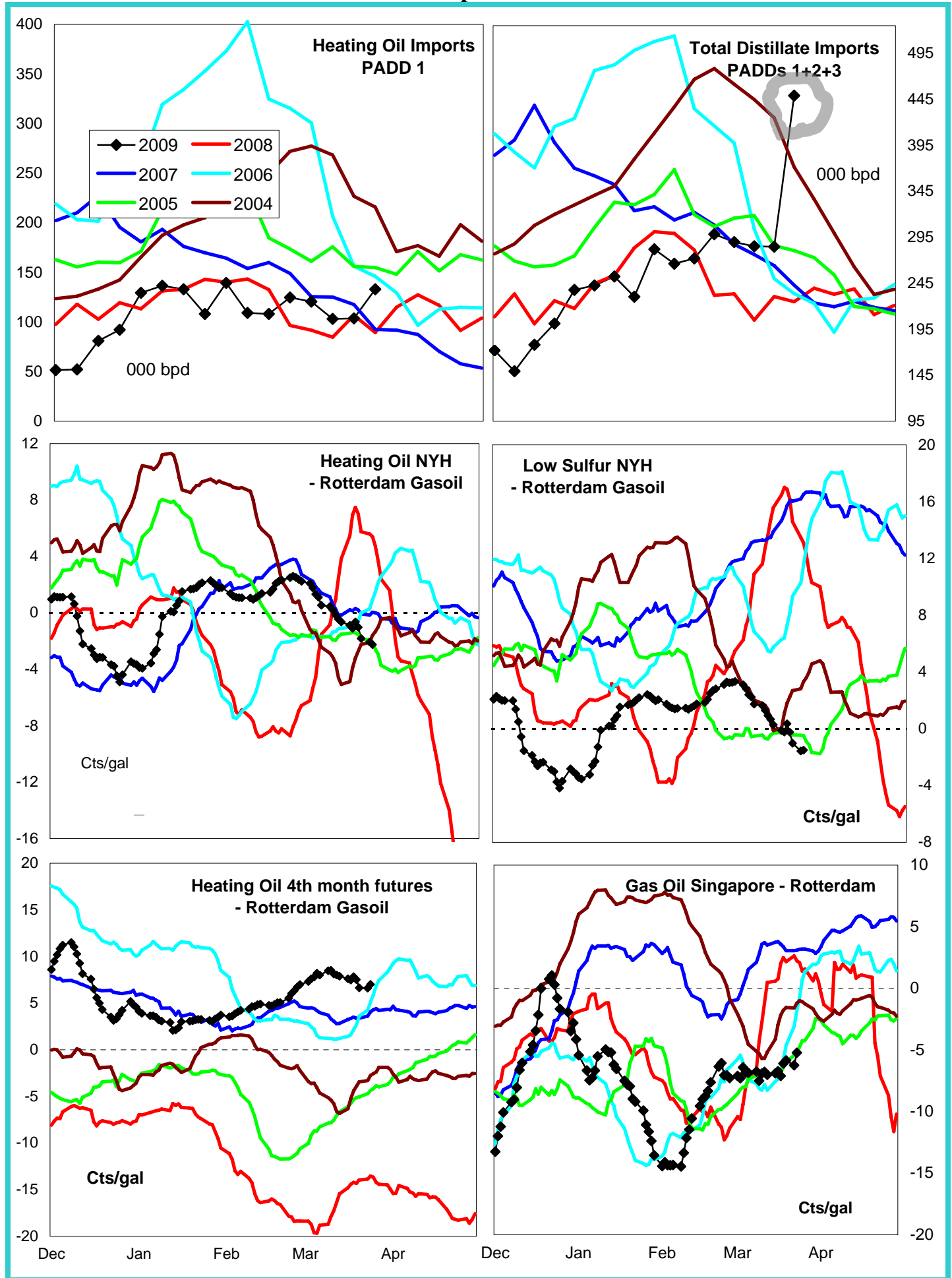


Disclaimer - The information contained on this website and in all its reports reflects the opinion of Fundamental Petroleum Trends. Futures and commodities trading involve significant risk and may not be suitable for every investor. Information contained herein is strictly the opinion of its author and 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.

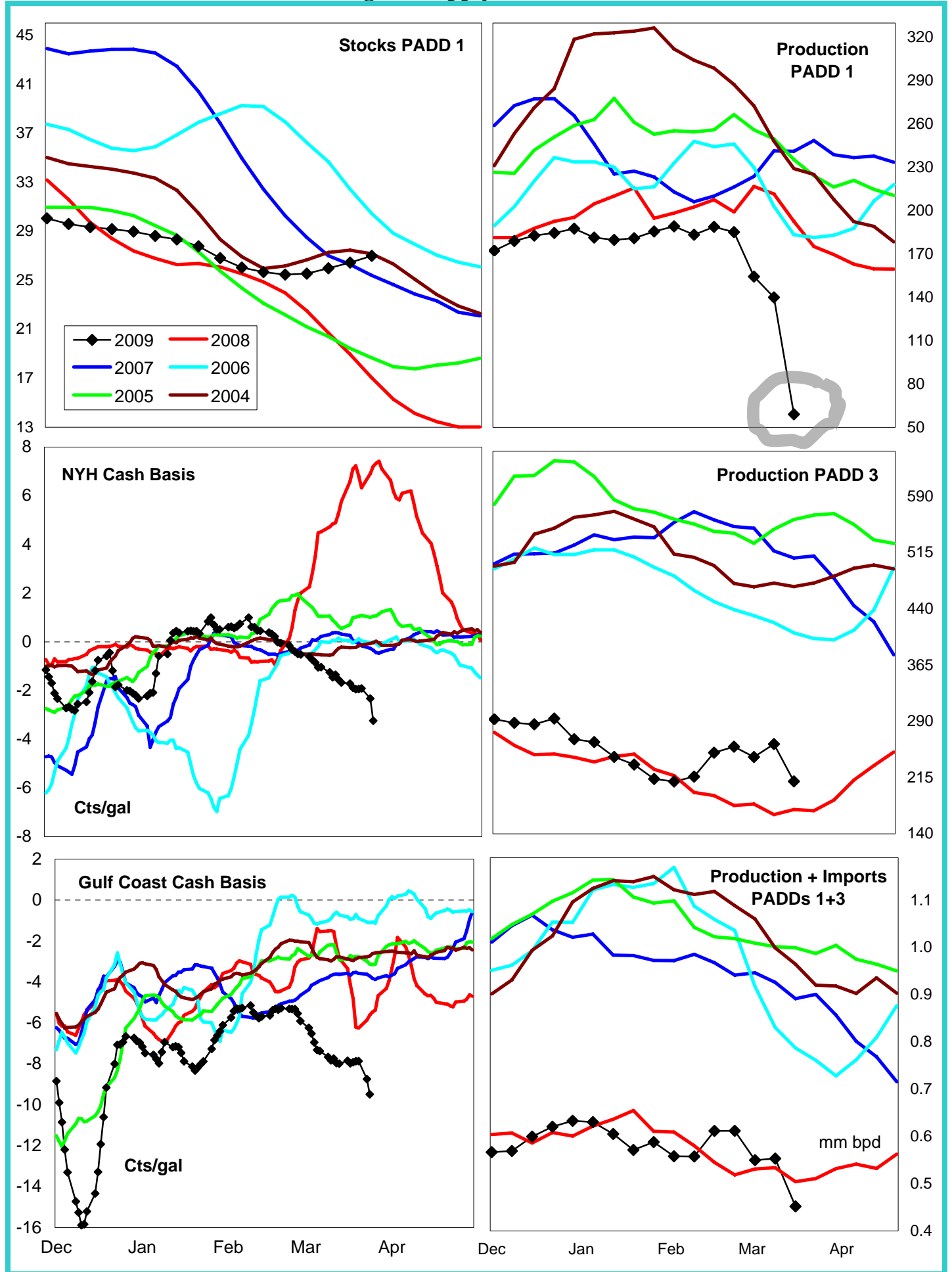
Diesel Cash Basis and Gulf Coast Crack Spread



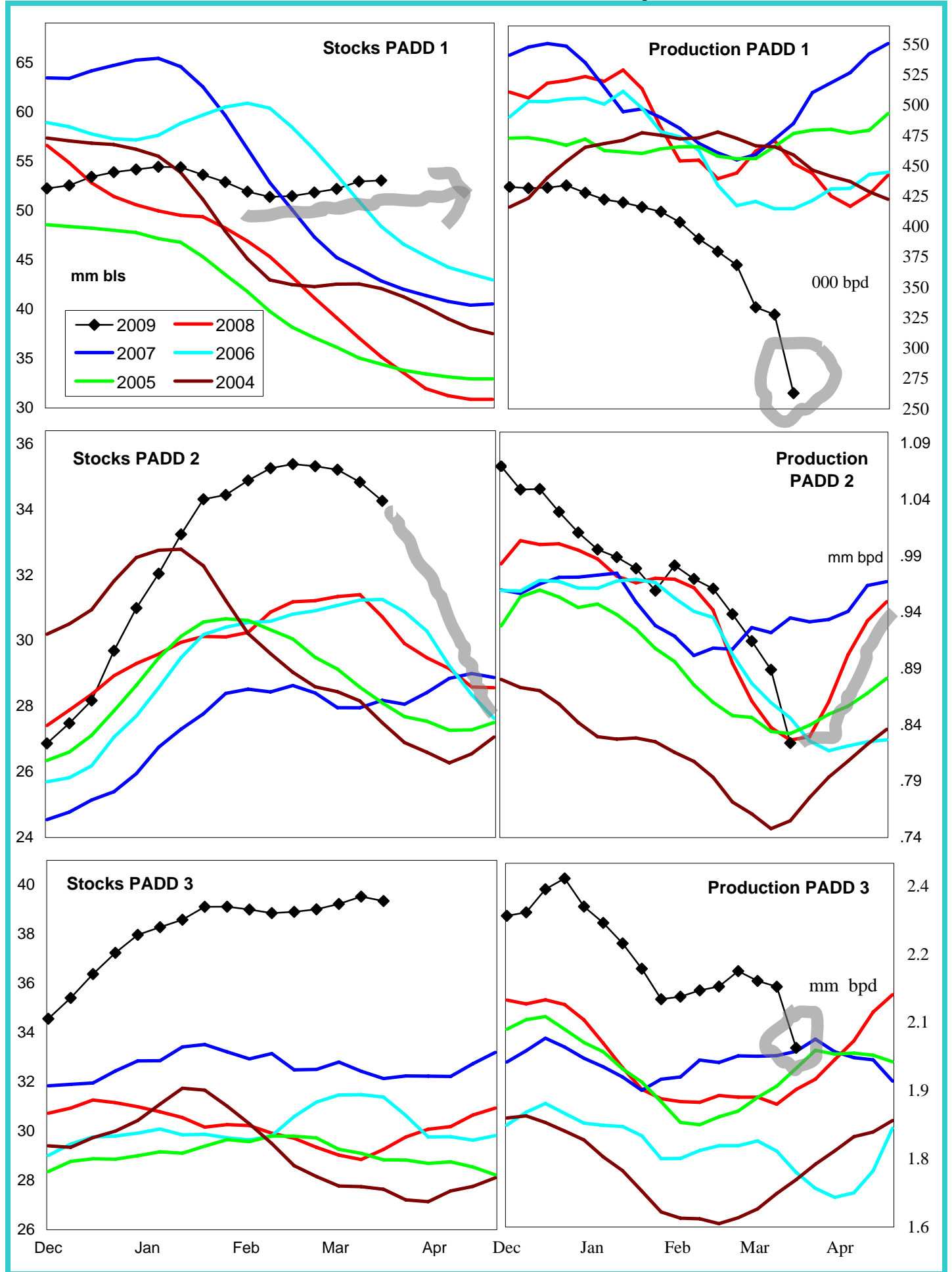
Distillate Import Economics



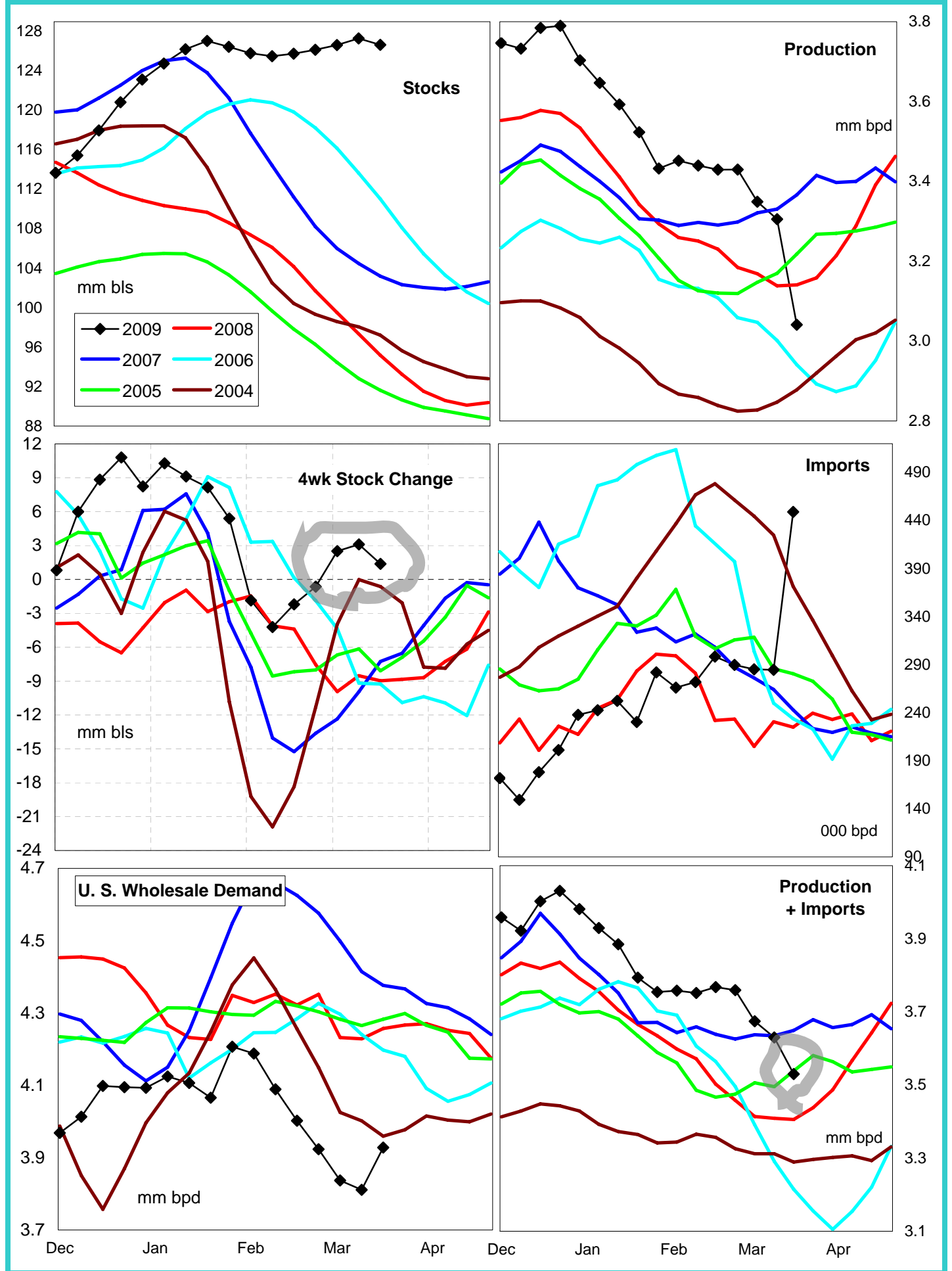
Heating Oil Supply and Cash Basis



Total Distillate Production and Stocks by PADD



Total Distillate Supply - Demand PADDs 1 + 2 + 3



PADD 5 Diesel Supply

