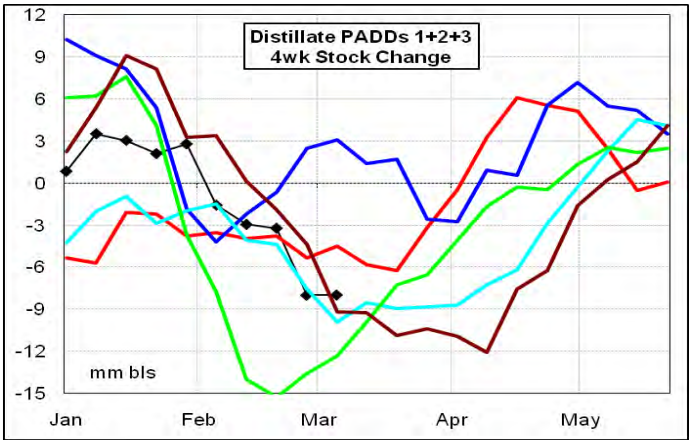
WEEKLY DIESEL PRICE - FUNDAMENTAL TRENDS

A Fundamental Petroleum Trends Weekly Report

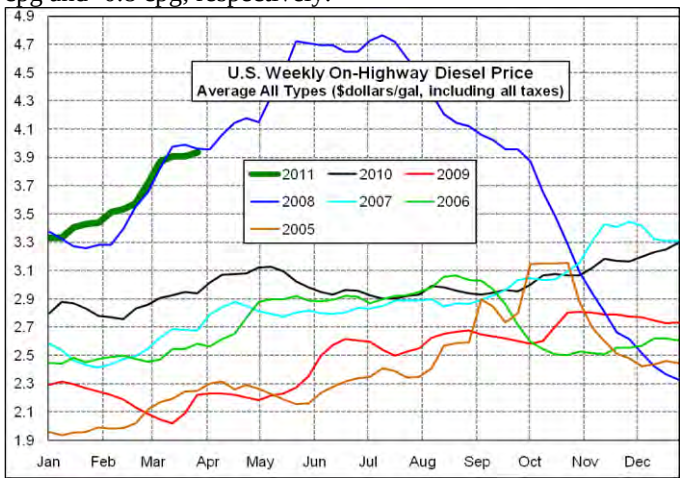
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Monday, March 21, 2011

Weekly Retail On-Highway Diesel Prices

Region	Actual Price 1/			Forecast 2/	Change from
	07Mar11	14Mar11	21Mar11	28Mar11	week ago
U.S.	3.871	3.908	3.907	3.936	0.029
East Coast	3.908	3.946	3.938	3.948	0.010
New England	4.046	4.081	4.087	4.078	-0.009
Central Atlantic	4.014	4.061	4.046	4.069	0.023
Lower Atlantic	3.850	3.885	3.878	3.876	-0.002
Midwest	3.823	3.859	3.855	3.897	0.042
Gulf Coast	3.812	3.842	3.841	3.832	-0.009
Rocky Mountain	3.845	3.888	3.925	3.949	0.024
West Coast	4.046	4.091	4.104	4.166	0.062
California	4.122	4.170	4.199	4.237	0.038
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					



Diesel Fuel Price Trends U.S. retail diesel prices decreased -0.10 cpg for the week ending 21Mar11 versus 14Mar11. The national average price continues to track the five year high for this time of year. Prices increased +3.7 cpg in the Rocky Mountains and +2.9 cpg in California last week. The Central Atlantic and Lower Atlantic Regions of the East Coast saw declines of -1.5 cpg and -0.8 cpg; respectively.



Gulf Coast ULSD spot distillate prices increased +1 cpg for the week ending 18Mar11 versus 11Mar11. Spot prices remain below the peak of $3.13/gal reached in the first week of March, a level reached before the earthquake in Japan.

Strength in the Midwest and Rock Mountain markets reflects refinery maintenance in these regions.

Supply - Demand Fundamental Trends U.S. distillate demand has increased to a level above the last 2-years on robust exports and increased domestic use. Demand during the latest 4-wk period was +4% above a year ago, modest growth in terms of an economic recovery.

Distillate production during the latest 4-wk period was +350,000 bpd (+10%) above year ago levels and marginally above the prior 5-year high for this time of year. Higher output was partially offset by a -84,000 bpd (-31%) drop in imports.

Stock levels remain 4.5 million barrels (+3%) above the previous record high for this time of year. Stock draws for the last month were at the historic mid range. These fundamental trends point to a well supplied domestic market.

Key global fundamental trends driving distillate prices higher include a tightening of the crude oil supply balance on strong economic growth in developing countries, and the loss of distillate exports from Japan, to be replaced by imports in the short term.

Global financial trends that underlie the upward trend in commodities, including energy, include quantitative easing of the money supply by the U.S. Federal Reserve, and a decline in relative value of the $dollar.

Political uncertainty in the Middle East, including attacks on Libya and protests in Bahrain continue to support an oil price premium.

Downside fundamental risks to prices include slower economic growth in China, the U.S. and other developed countries as higher energy prices place an effective tax on consumers and industrial firms.

Diesel Price Outlook U.S. average retail prices are forecast to increase +2.9 cpg this week, in response to the previous week rise in wholesale markets. Markets in the Southeast and Gulf Coast should see modest declines while the Rocky Mountains and West Coast increase +2.4 cpg to +6 cpg.

Expect prices to be volatile during the next quarter in response to political unrest in the Middle East, inflationary actions of the U.S. Federal Reserve and uncertainty about the rate of economic growth. On balance prices should extend the current uptrend.

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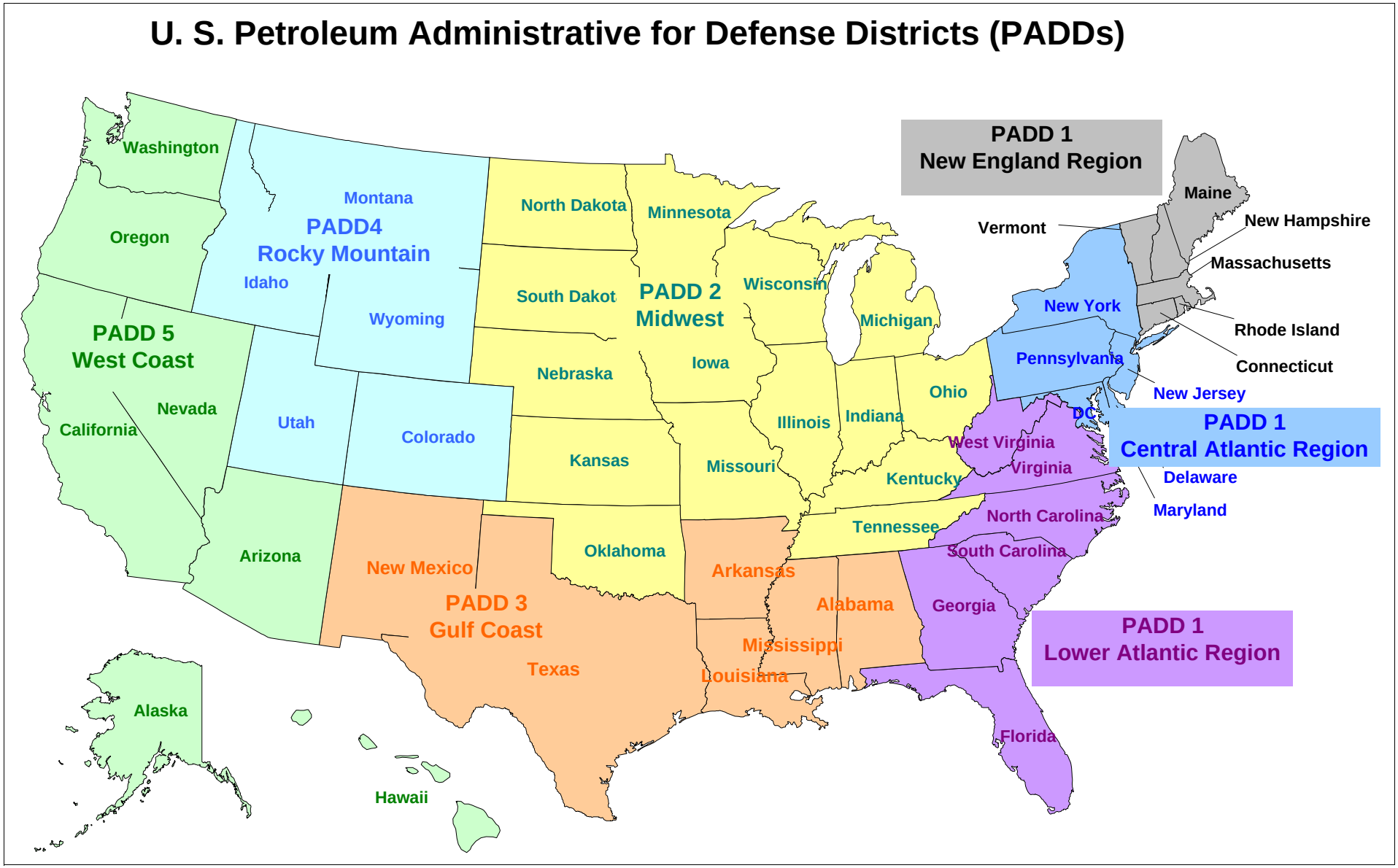
U. S. Petroleum Administrative for Defense Districts (PADDs)



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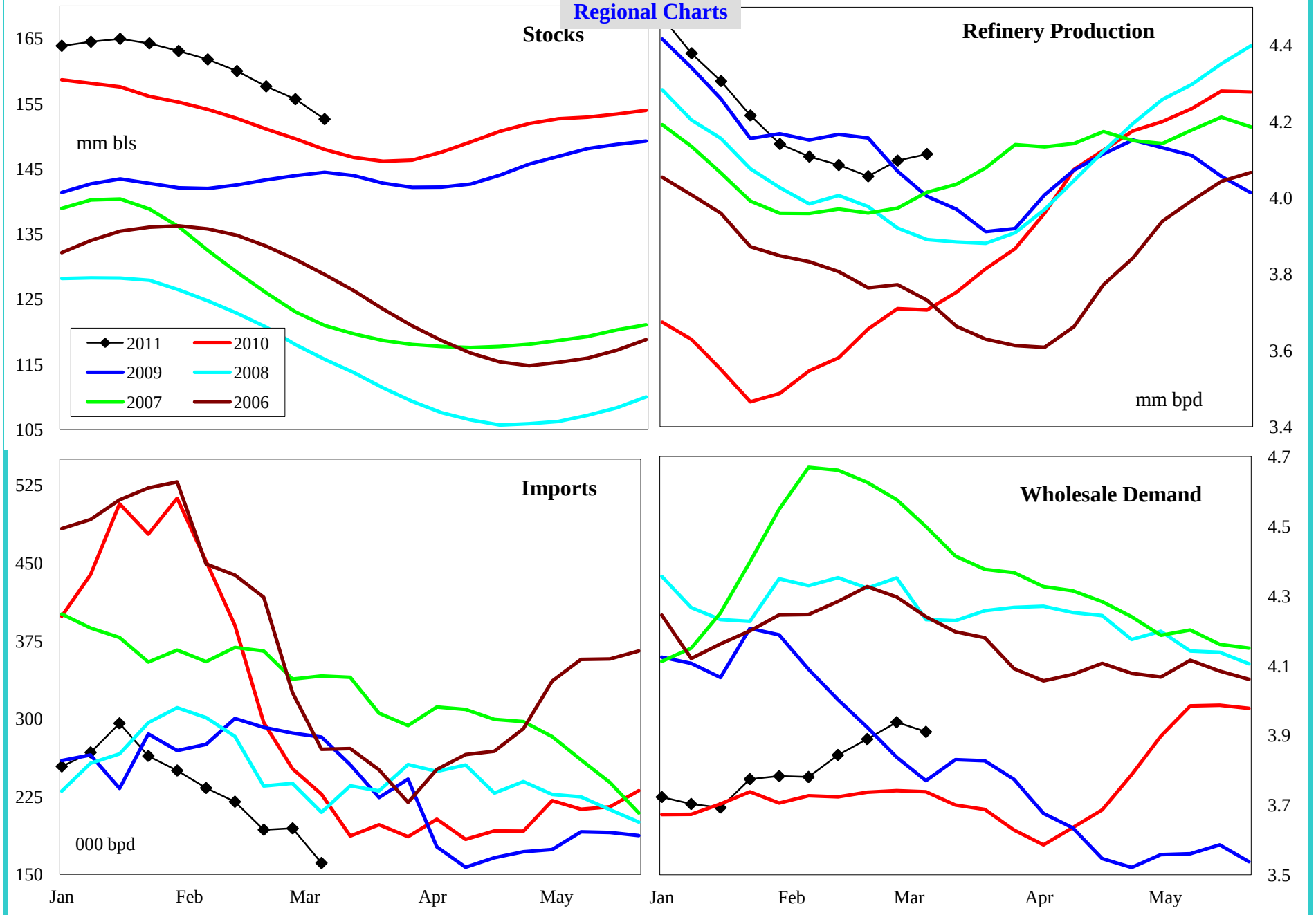
United States Distillate Supply and Demand Balance

Regional Charts



4 wk avg variance to prior year	Stocks	Production	Imports	Demand=>	4wk avg	Feb	Jan	Dec
000 bpd (000 bls stks)	4,495	356	-84		142	18	39	26
% change	3.0	9.6	-30.9		3.8	0.5	1.1	0.7

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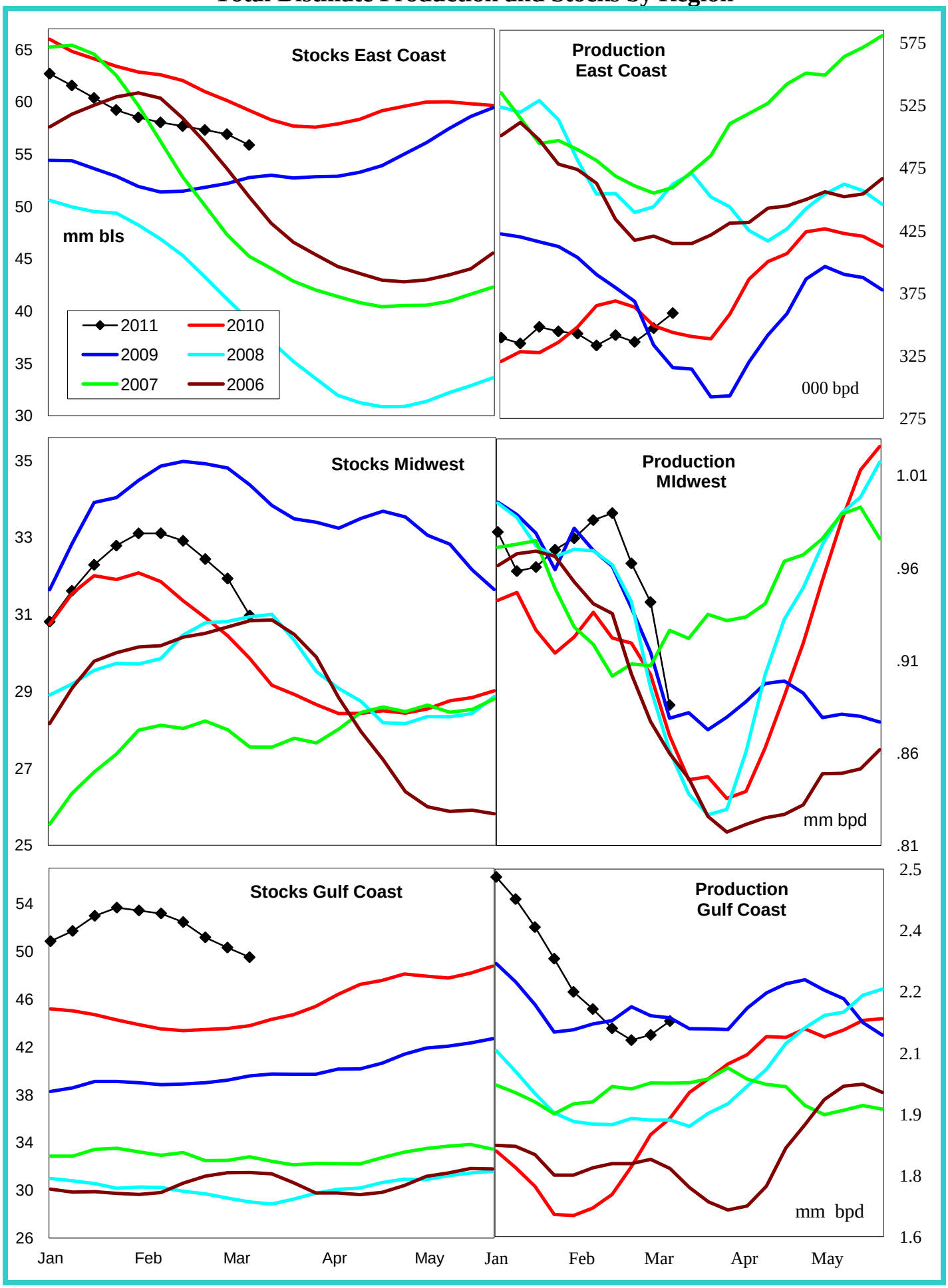
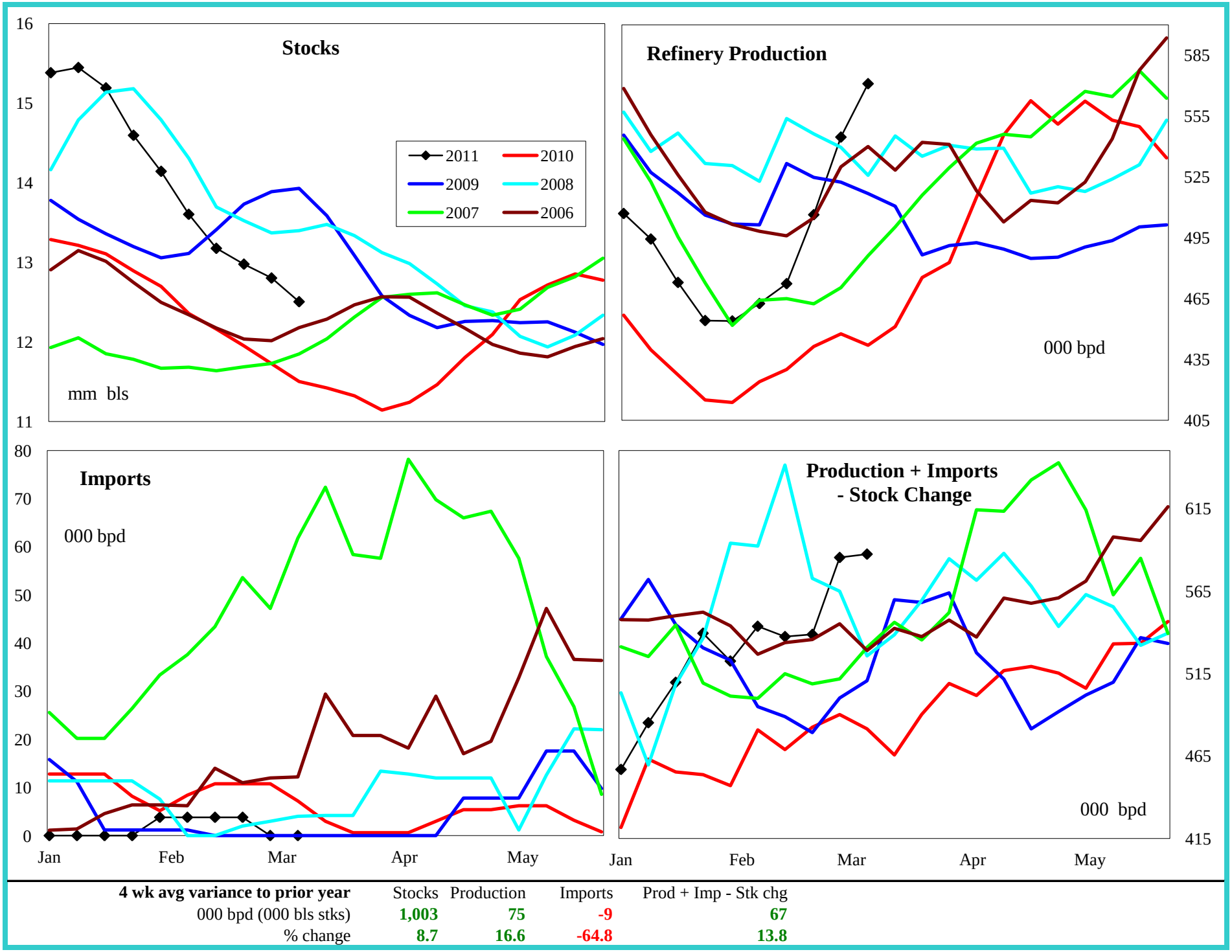
Total Distillate Production and Stocks by Region



West Coast Distillate Supply



4 wk avg variance to prior year	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	1,003	75	-9	67
% change	8.7	16.6	-64.8	13.8

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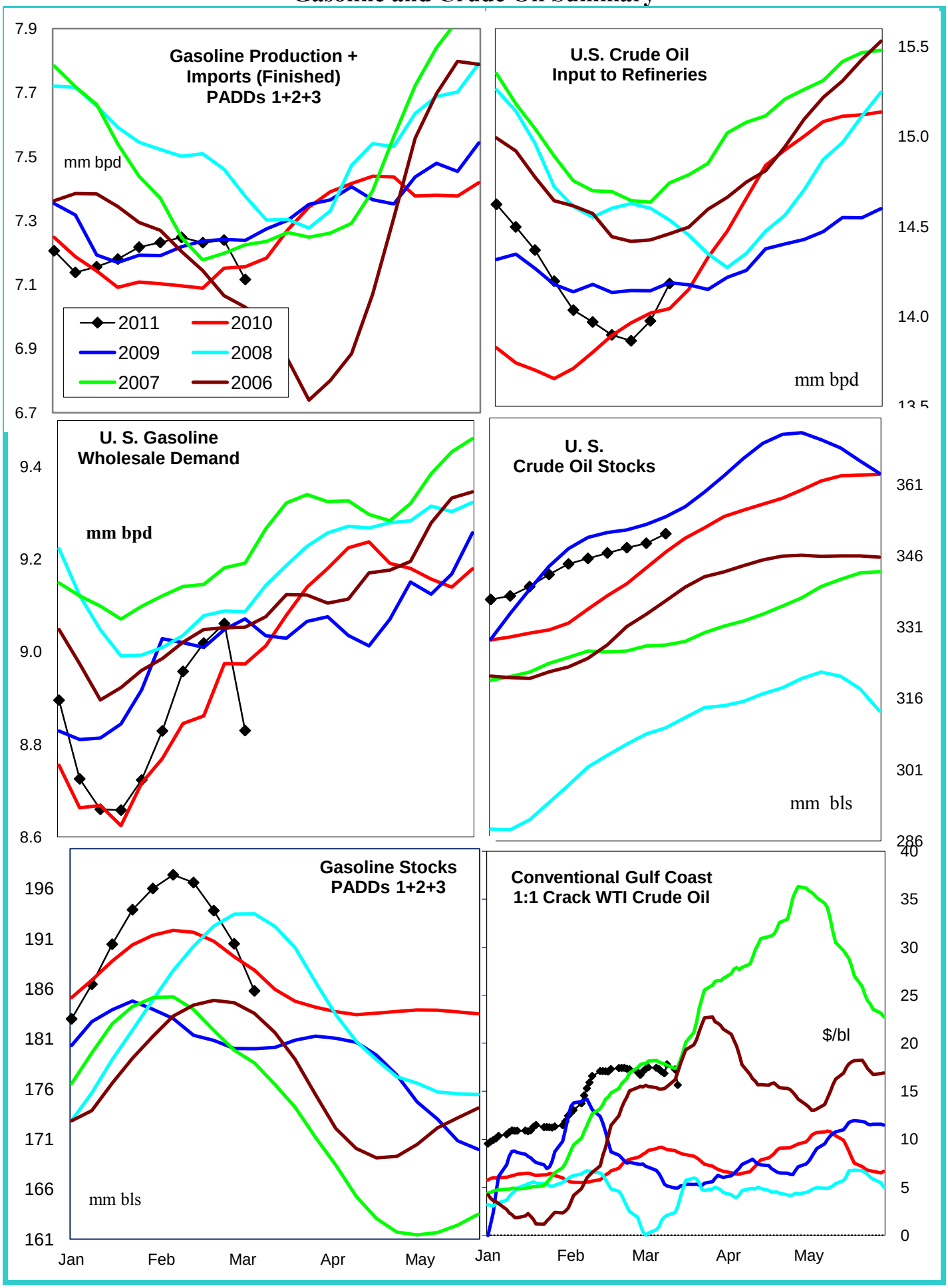
Gasoline and Crude Oil Summary



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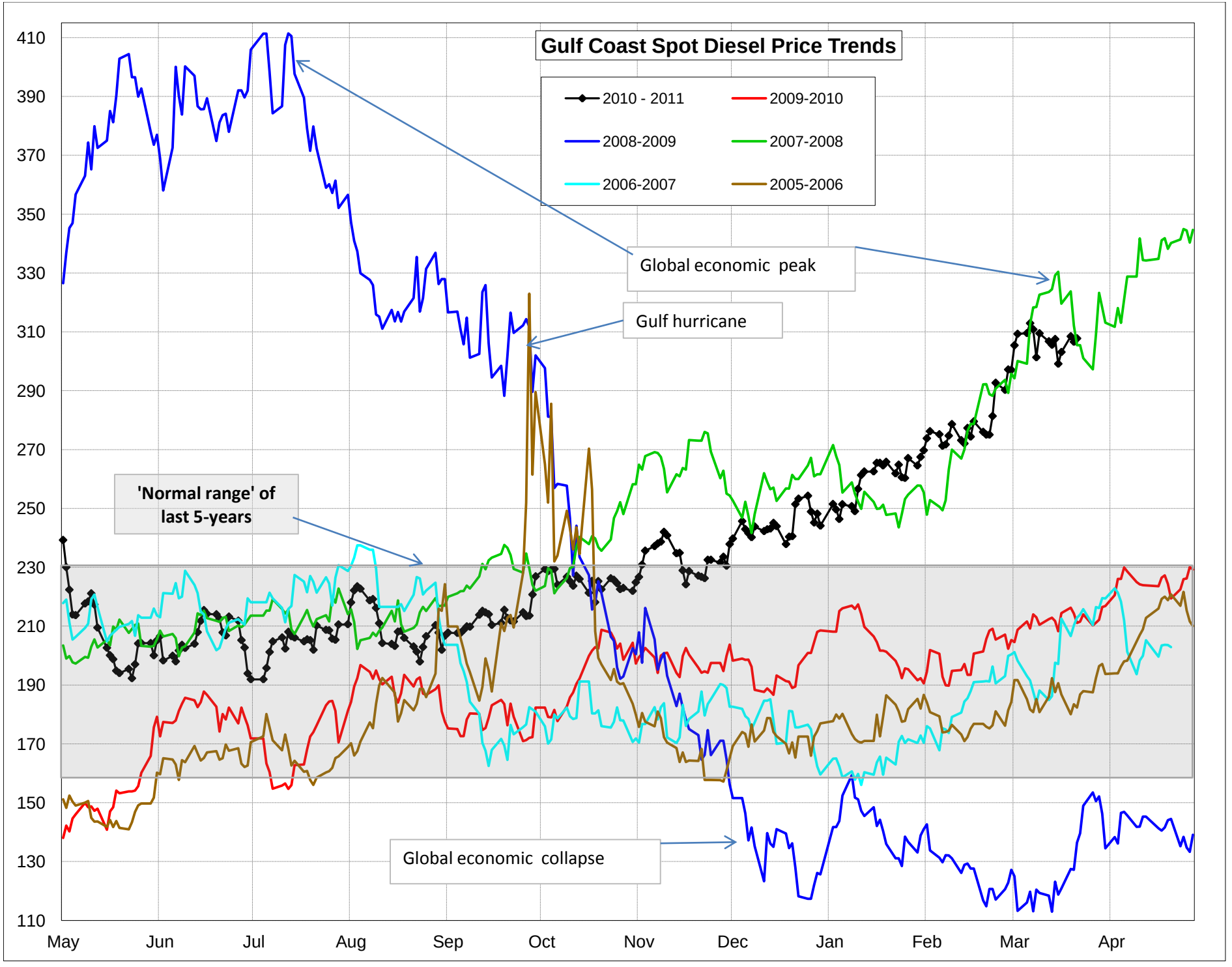

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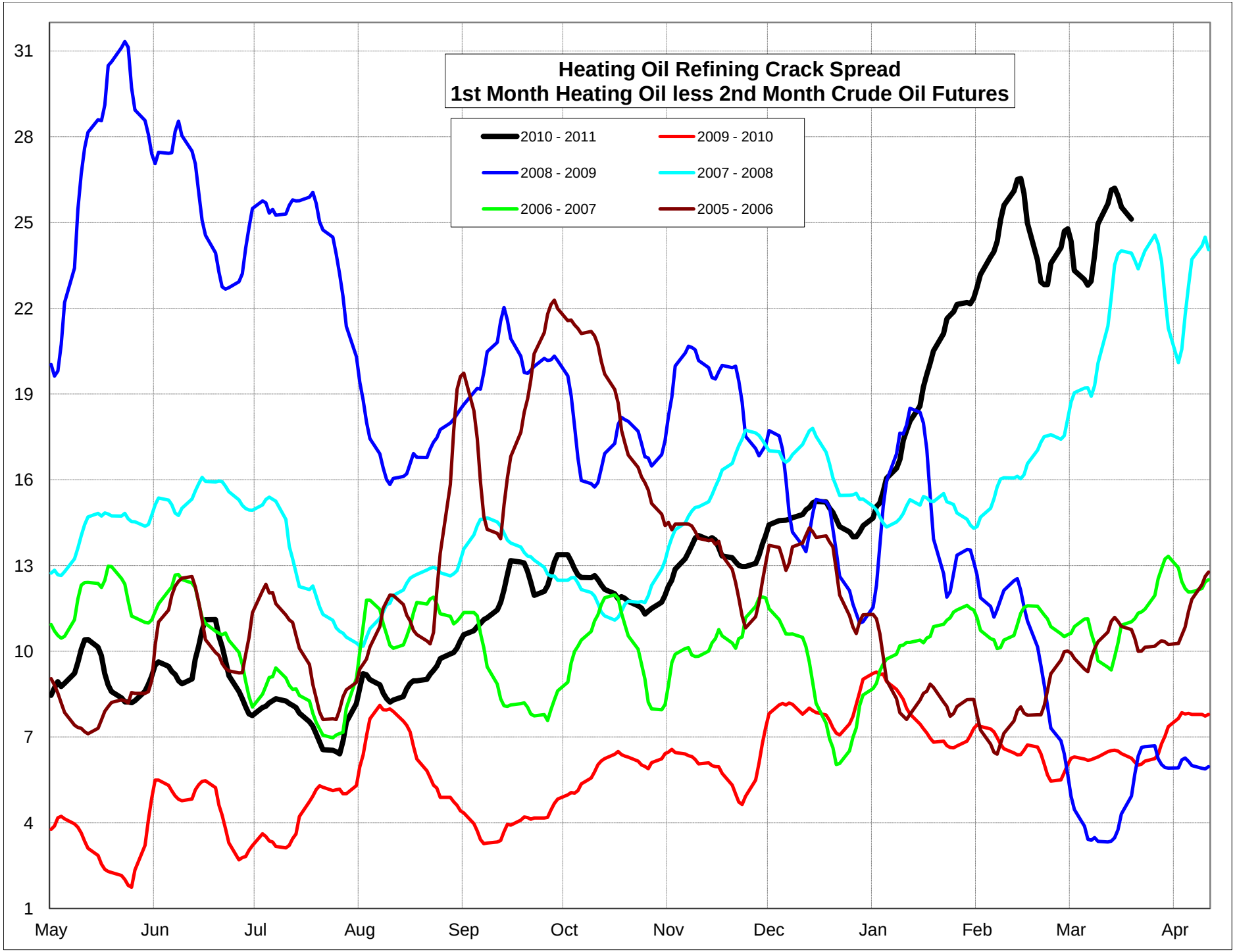

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	Weekly On-Highway Diesel Prices									
	Average All Types ($dollars/gal, including all taxes)									
Week ending	**United States**	**East Coast**	**New England**	**Central Atlantic**	**Lower Atlantic**	**Mid West**	**Gulf Coast**	**Rocky Mtn**	**West Coast**	**California**
Mon-03-Jan-11	3.331	3.357	3.427	3.470	3.303	3.303	3.279	3.332	3.443	3.507
Mon-10-Jan-11	3.333	3.364	3.450	3.478	3.308	3.302	3.284	3.334	3.445	3.516
Mon-17-Jan-11	3.407	3.448	3.560	3.556	3.392	3.371	3.366	3.374	3.509	3.562
Mon-24-Jan-11	3.430	3.480	3.609	3.590	3.421	3.392	3.382	3.388	3.531	3.602
Mon-31-Jan-11	3.438	3.494	3.633	3.611	3.432	3.399	3.384	3.396	3.533	3.612
Mon-07-Feb-11	3.513	3.565	3.717	3.682	3.501	3.475	3.455	3.459	3.630	3.707
Mon-14-Feb-11	3.534	3.587	3.749	3.700	3.524	3.479	3.489	3.511	3.671	3.747
Mon-21-Feb-11	3.573	3.620	3.769	3.734	3.557	3.517	3.522	3.568	3.729	3.799
Mon-28-Feb-11	3.716	3.764	3.903	3.875	3.703	3.661	3.656	3.698	3.892	3.964
Mon-07-Mar-11	3.871	3.908	4.046	4.014	3.850	3.823	3.812	3.845	4.046	4.122
Mon-14-Mar-11	3.908	3.946	4.081	4.061	3.885	3.859	3.842	3.888	4.091	4.170
Mon-21-Mar-11	3.907	3.938	4.087	4.046	3.878	3.855	3.841	3.925	4.104	4.199
Mon-28-Mar-11	3.936	3.948	4.078	4.069	3.876	3.897	3.832	3.949	4.166	4.237
Mon-04-Apr-11										
Mon-11-Apr-11										
Mon-18-Apr-11										
Mon-25-Apr-11										
Mon-02-May-11										
Mon-09-May-11										
Mon-16-May-11										
Mon-23-May-11										
Mon-30-May-11										
Mon-06-Jun-11										
Mon-13-Jun-11										
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