



RETAIL DIESEL FUEL OUTLOOK

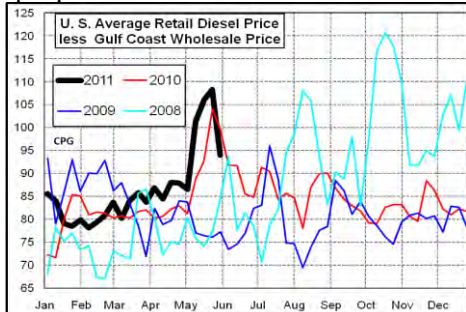
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, June 01,

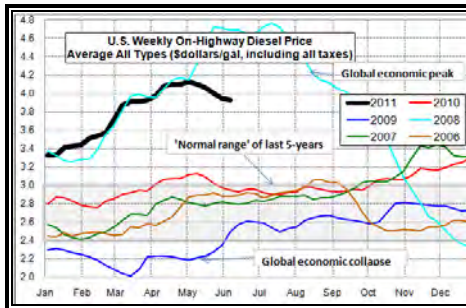
Region	Actual Price 1/			Forecast 2/	Change from week ago
	16May11	23May11	30May11	06Jun11	
U.S.	4.061	3.997	3.948	3.926	-0.022
East Coast	4.075	4.011	3.962	3.921	-0.041
New England	4.207	4.161	4.121	4.029	-0.092
Central Atlantic	4.210	4.138	4.082	4.040	-0.042
Lower Atlantic	4.005	3.943	3.897	3.868	-0.029
Midwest	4.015	3.942	3.896	3.867	-0.029
Gulf Coast	3.996	3.935	3.884	3.842	-0.042
Rocky Mountain	4.134	4.101	4.020	3.948	-0.072
West Coast	4.248	4.201	4.161	4.103	-0.058
California	4.371	4.287	4.227	4.198	-0.029

1/ Source: U.S. Energy Information Administration
2/ Source: Fundamental Petroleum Trends Reports

Diesel Fuel Price Trends U.S. retail diesel prices decreased -4.9 cpg for the week ending 30May11. The decline extended the recent downtrend that followed the earlier collapse in wholesale spot prices.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price narrowed -15 cpg last week due to rising wholesale prices and declining retail prices. The spread remains unusually wide and should narrow further during the next month.



The national average price ended the week \$0.76/gal below the high set in 2008 for this time of year, but +\$0.90/gallon above a year ago.

Prices decreased -8.1 cpg in the Rocky Mountains and -6 cpg in California last week. The smallest declines occurred in New England, -4 cpg and the Midwest, -4.6 cpg.

Gulf Coast wholesale distillate prices increased +13 cpg for the week ending 31May11 versus 24May11. Gulf wholesale prices ended the week at a level back above the 6-month and 1-month moving averages. Gulf wholesale prices have rebounded +19 cpg from the lows in mid May.

U.S. average retail prices have declined -18 cpg from the peak in early May. As noted above, retail prices relative to the wholesale market, remain +15 cpg above the average differential.



Retail price changes lag the wholesale market and the industry exhibits 'stickiness' as individual retailers delay reducing prices until competitors pressure the market lower.

Supply - Demand Fundamental Trends

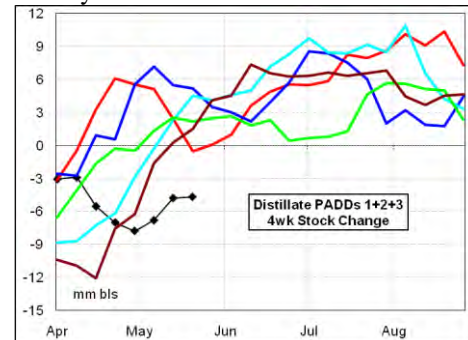
U.S. weekly distillate demand surged +364,000 bpd last week as the downstream supply chain began restocking after the earlier price collapse and agriculture demand peaked in the Midwest.

Demand during the latest 4-wk period was -3.9% below a year ago, extending the recent year-on-year decline. This trend points to a considerable slowing in U.S. economic growth.

U.S. refinery production increased +247,000 bpd as plants returned from late season maintenance. However, crude oil runs remain -500,000 bpd below the historic average, constraining distillate output.

As a result of low crude oil runs, distillate production has been limited,

which has led to a record stock draw of -4.7 million barrels during the last 4-wks in markets East of the Rockies. Stock levels have dropped to levels below each of the last 2-years.



Expect refiners to increase crude oil runs, increasing distillate output during the next 30-day, leading to seasonal stock building.

Global Trends Driving Diesel Prices

The rebound in wholesale distillate prices since mid May was caused by:

1. Expectations of robust, though at lower levels, economic growth in developing countries,
2. The downstream distillate supply chain rebuilding stocks following the earlier price collapse,
3. and investors ongoing concern about inflation that caused a return to investment in commodities, and
4. Relatively tight global crude oil supply.

Risk to the downside remain including:

1. Sovereign debt crisis in southern European countries,
2. Slow economic recovery in Japan since earthquake driven by disruption to export infrastructure and limited electric power for plants,
3. Continued evidence of slow U.S. economic growth, and
4. End to the Federal Reserve QE2 stimulus.

Diesel Price Outlook U.S. average retail prices are projected to decrease -2.2 cpg this week, because of the unusually wide spread between retail and wholesale prices; even though wholesale prices have rebounded. Based on current wholesale price levels, look for retail prices to decline another -15 cpg. Given 'stickiness' at the retail level, the full decline may take up to 30-days.

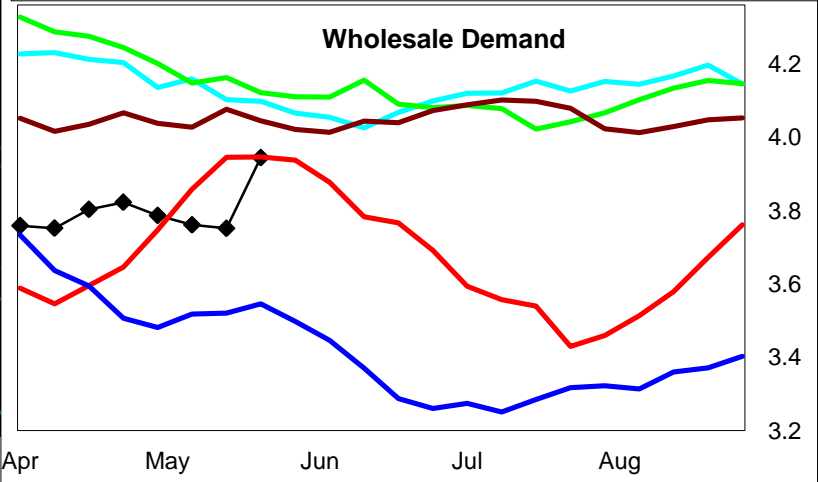
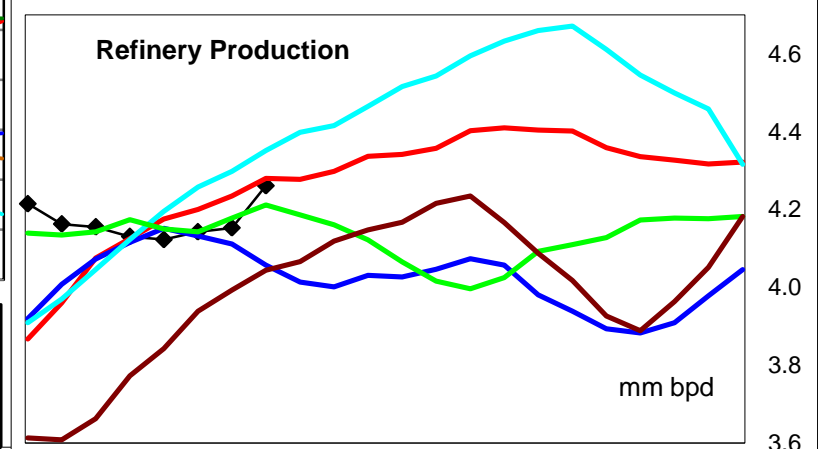
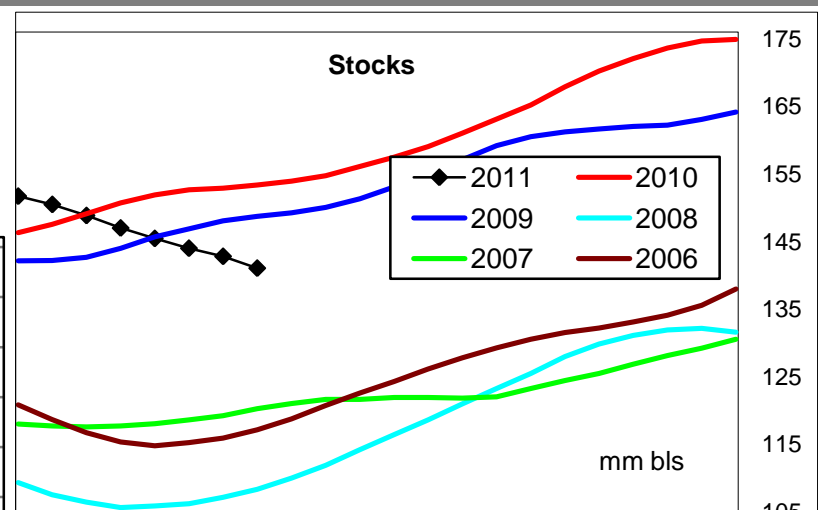
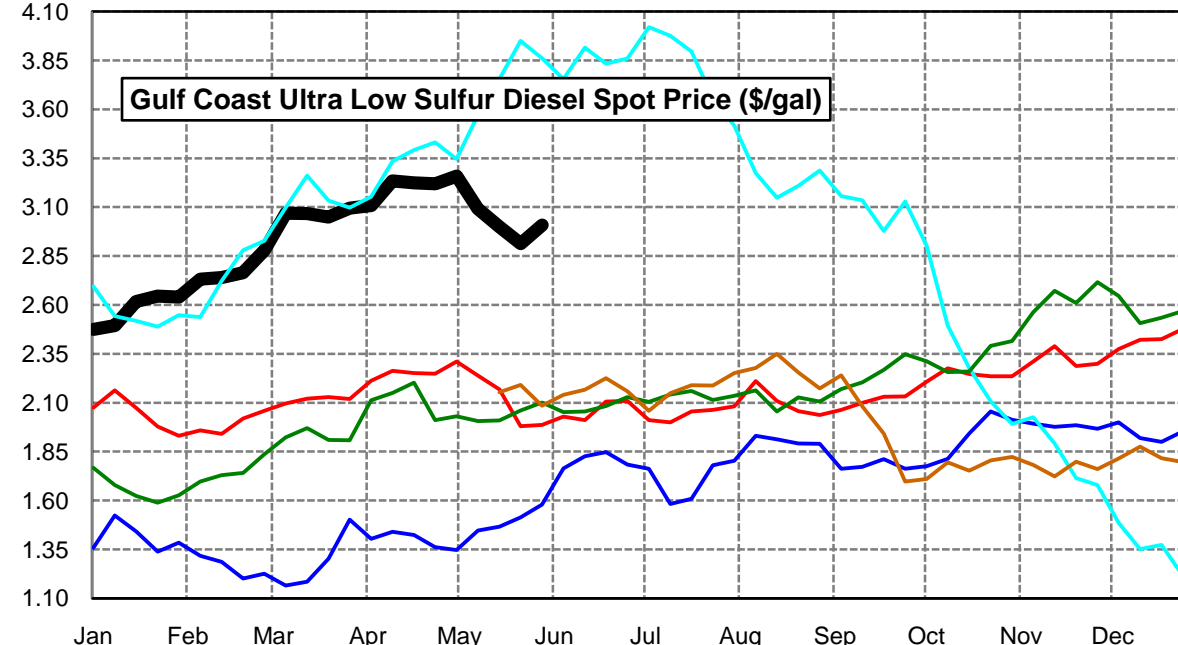
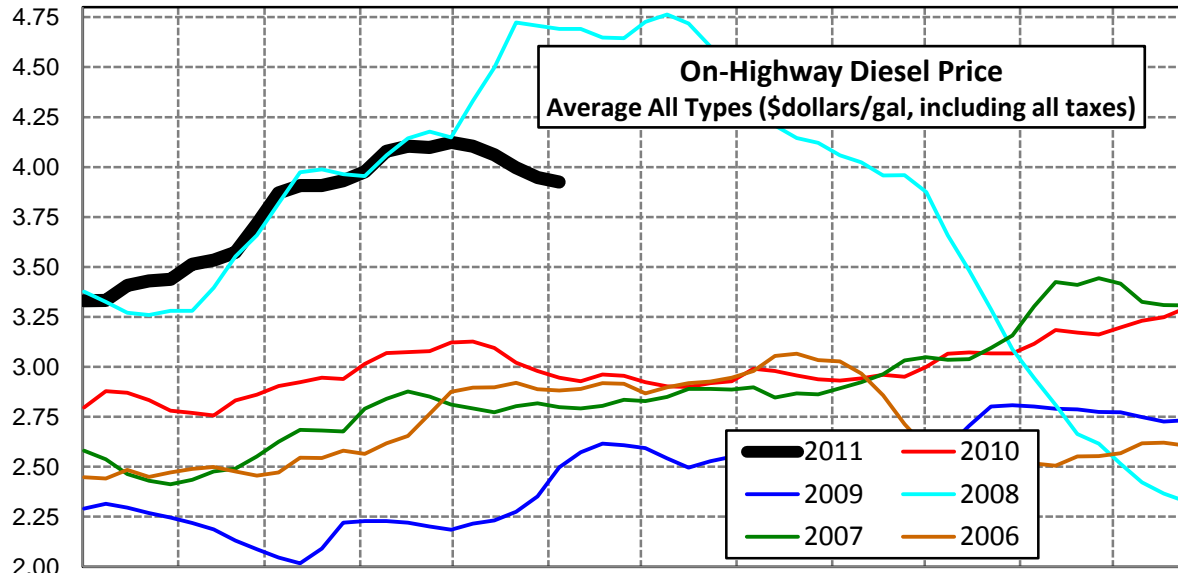
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Click [Blue Icon](#) on Map to view Regional Price & Fundamental Trends



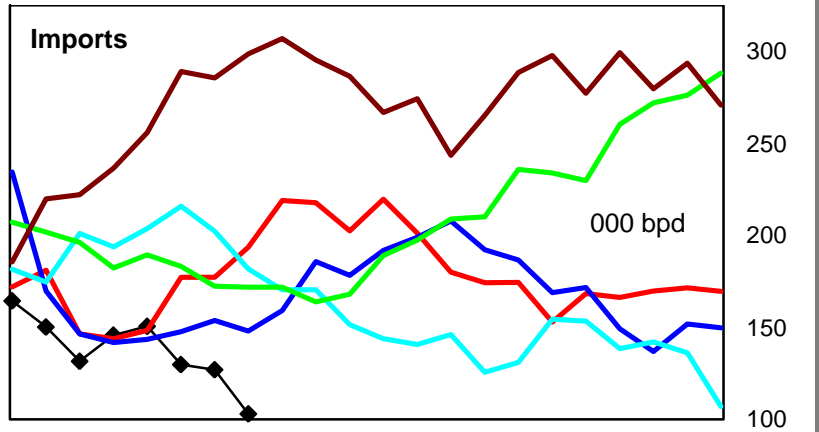
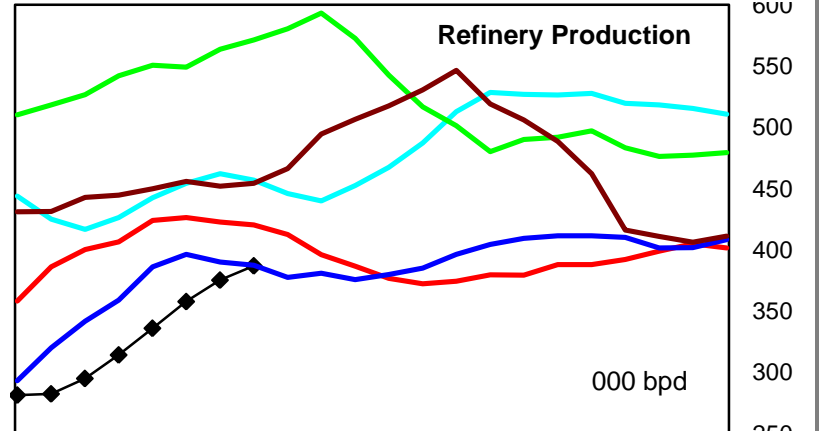
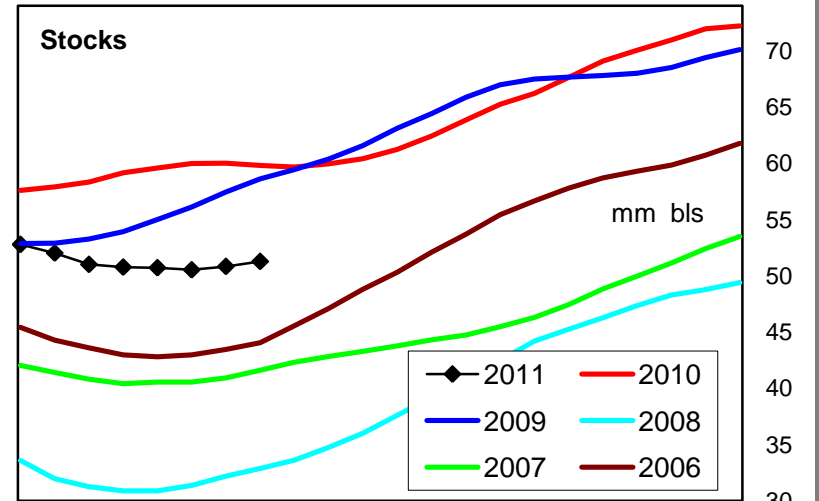
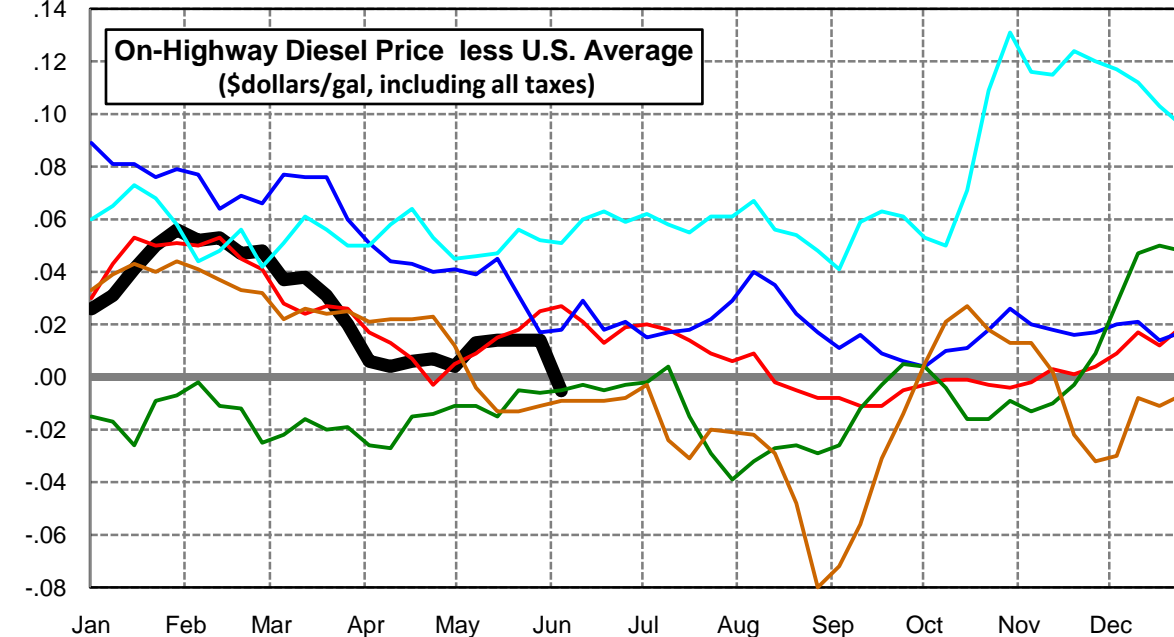
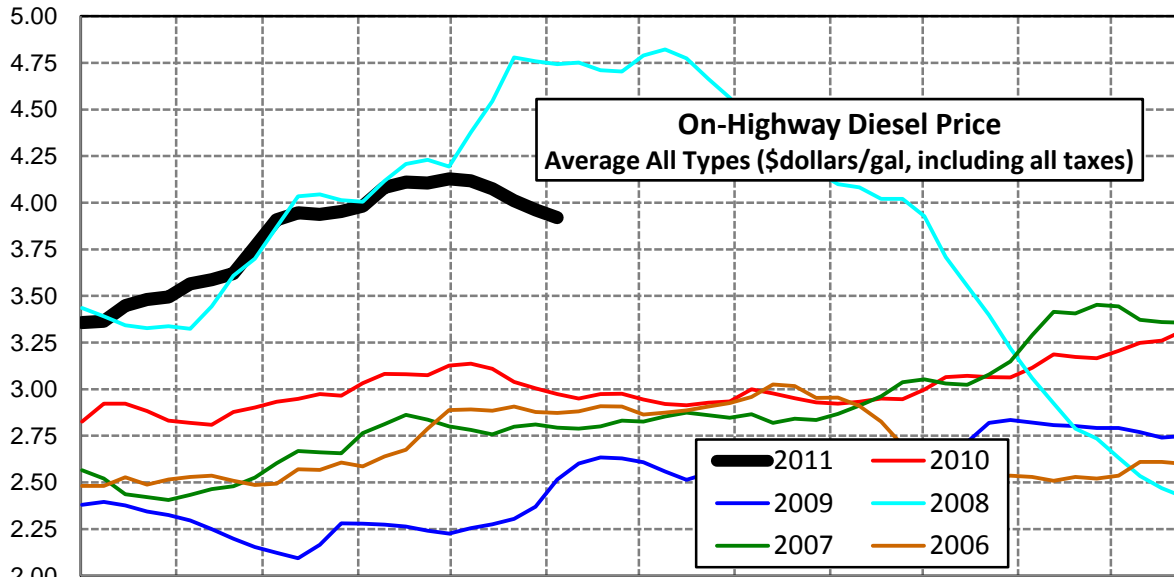
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
United States Avg	\$4.061	\$3.997	\$3.948	\$3.926	-\$0.022
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



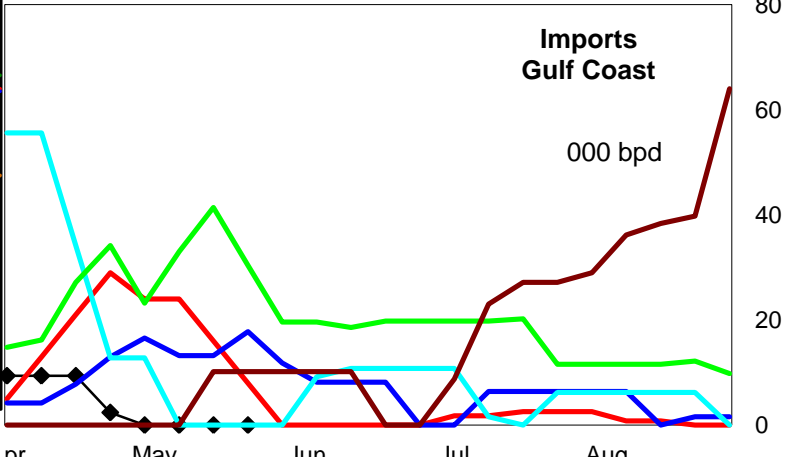
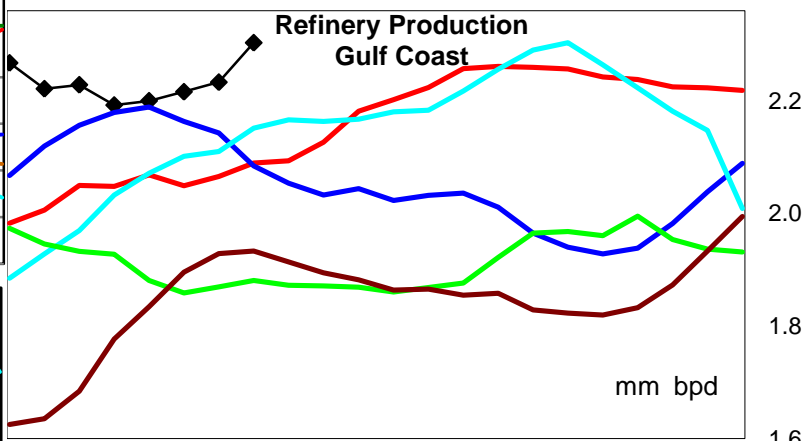
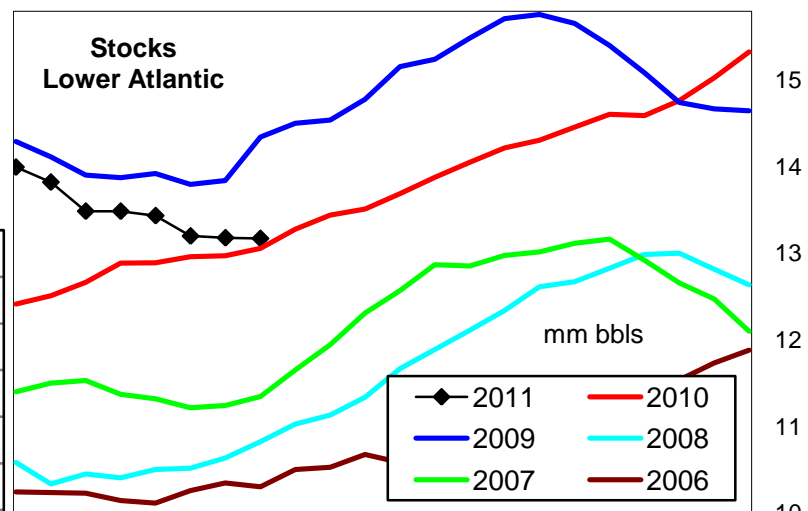
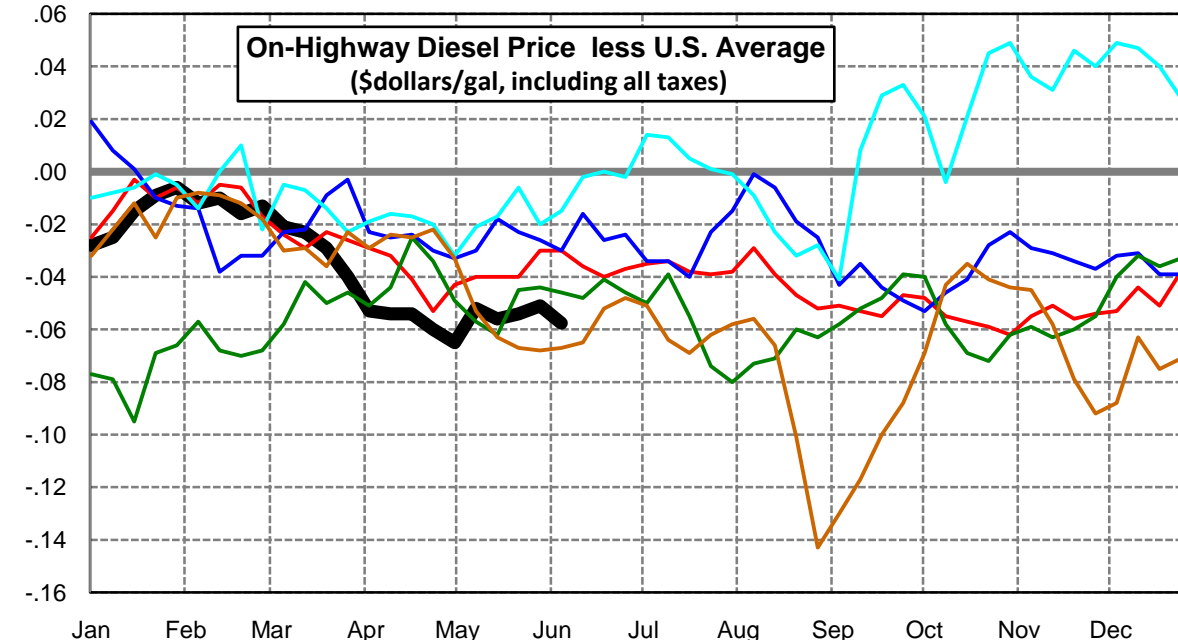
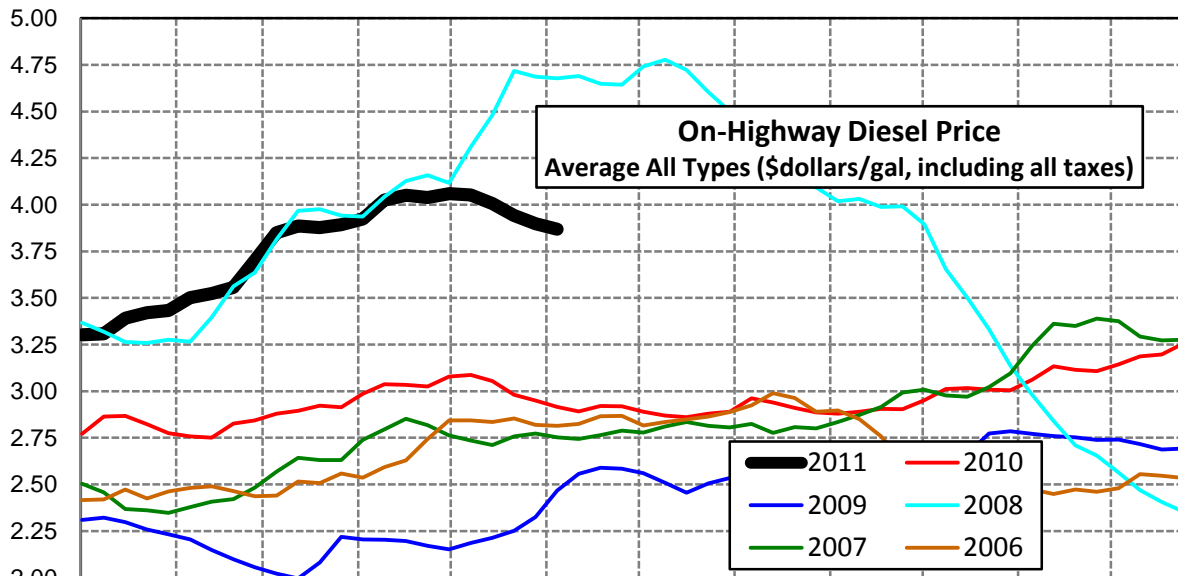
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
East Coast	\$4.075	\$4.011	\$3.962	\$3.921	-\$0.041
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



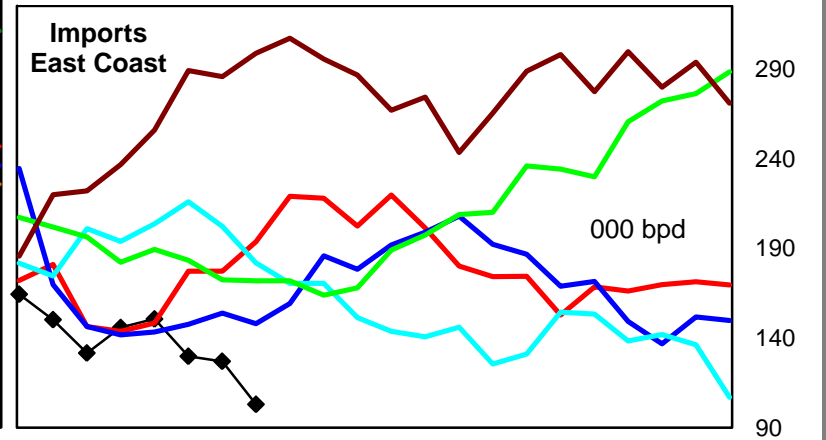
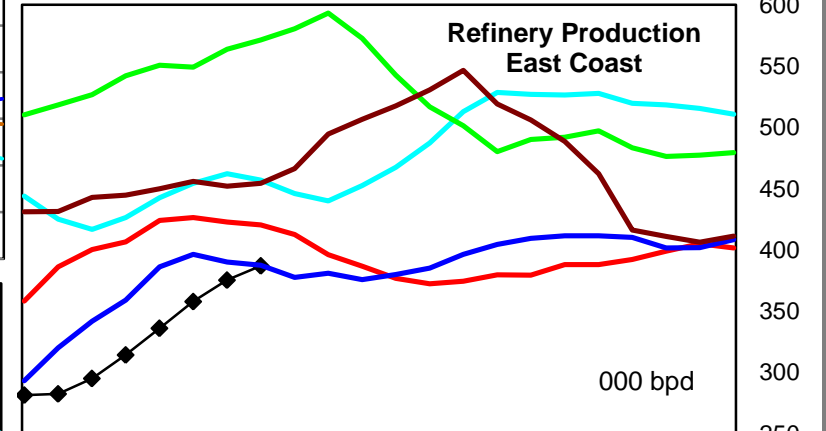
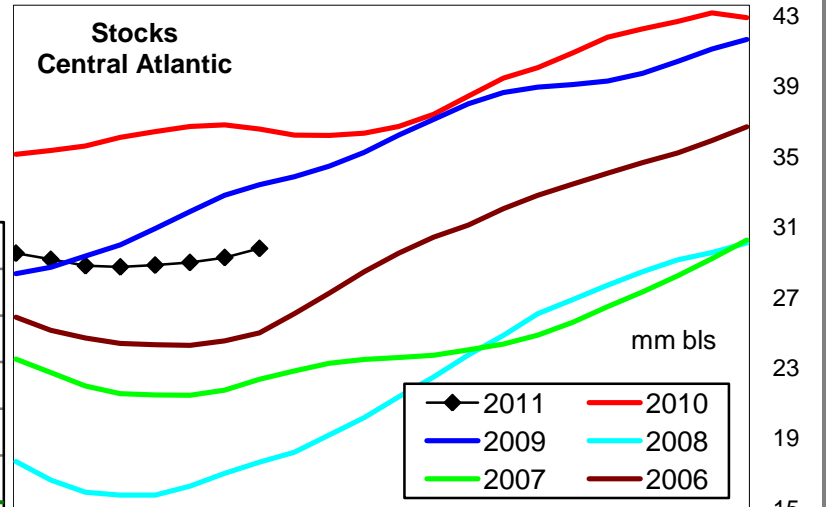
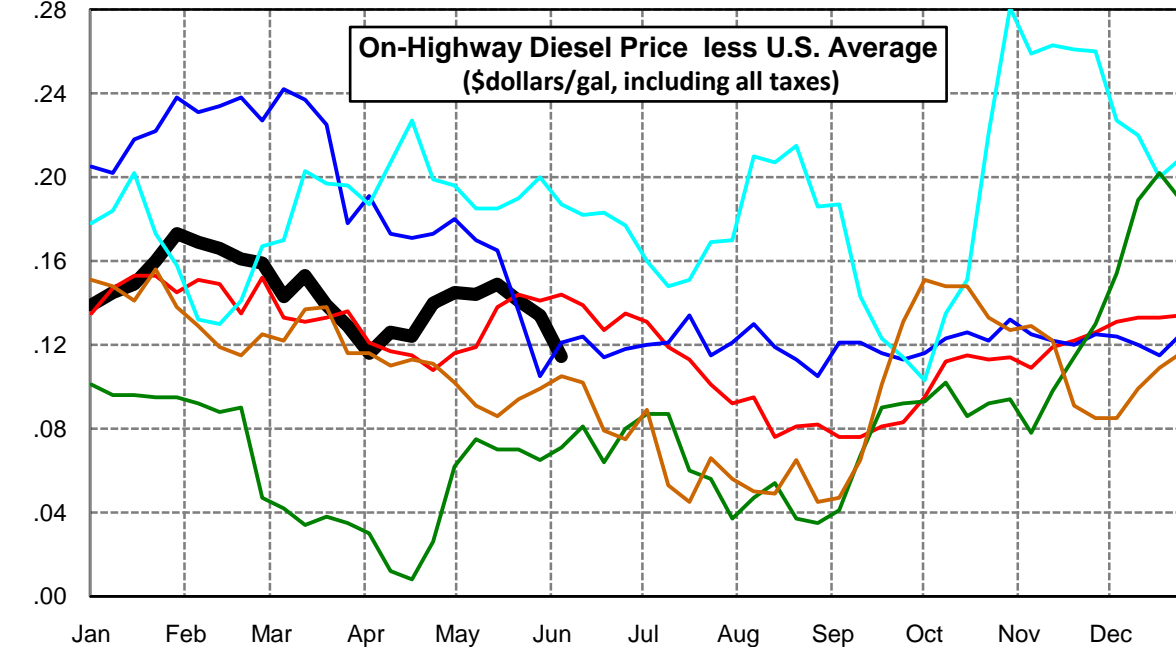
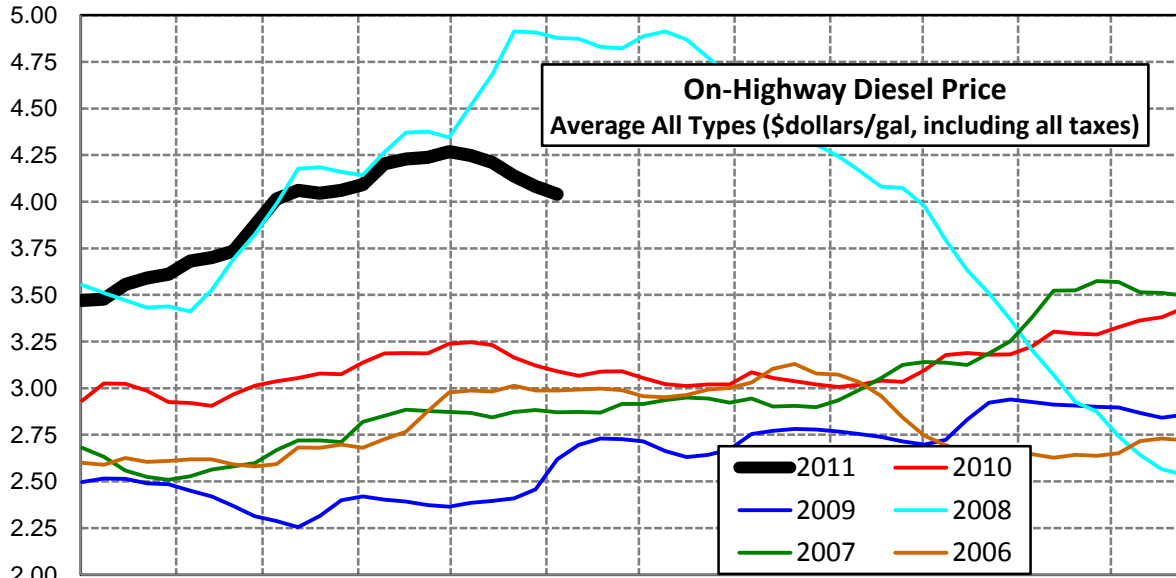
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
Lower Atlantic	\$4.005	\$3.943	\$3.897	\$3.868	-\$0.029
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



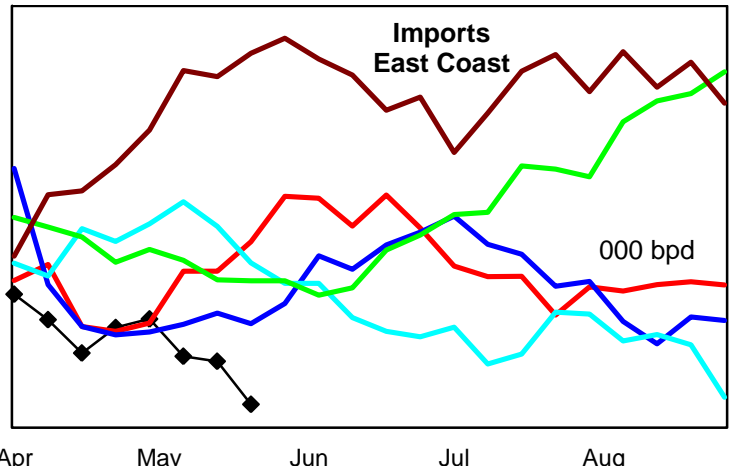
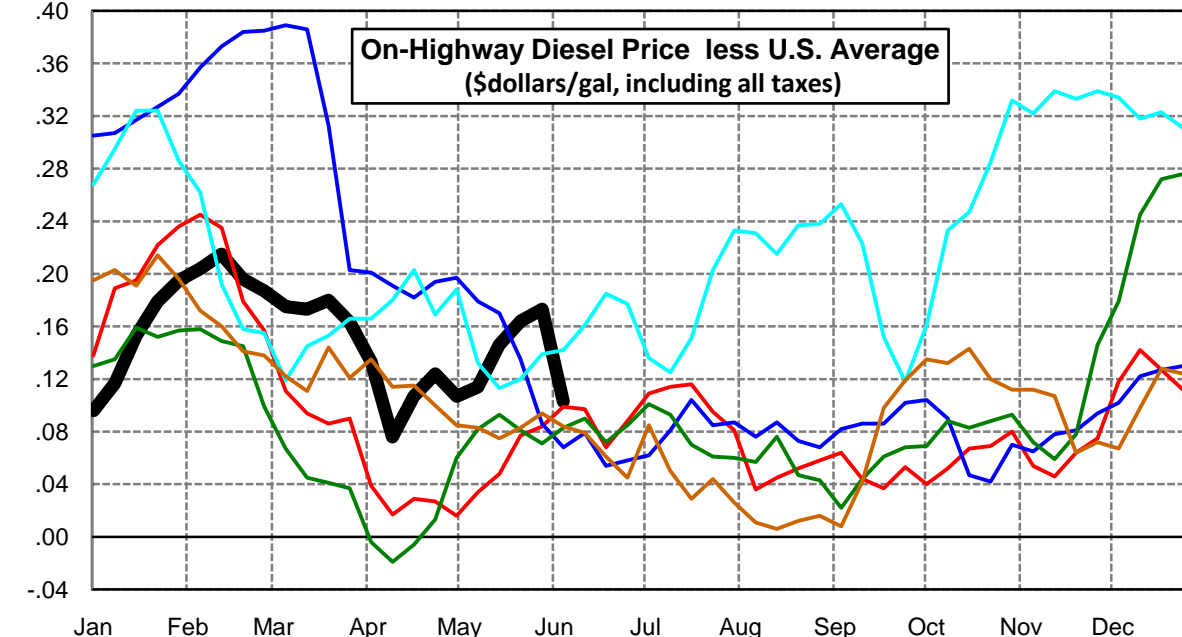
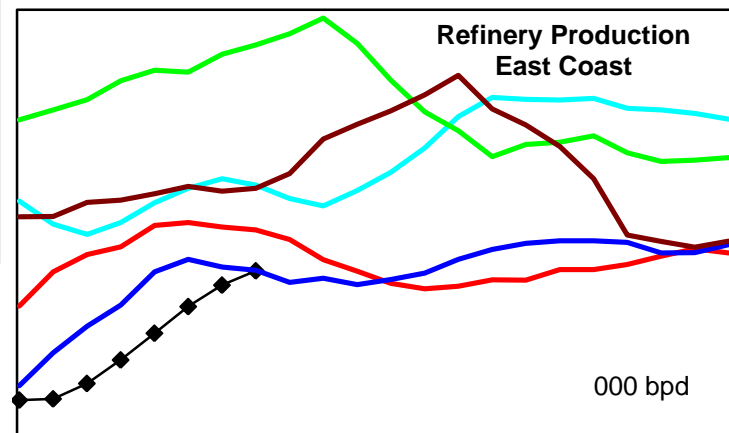
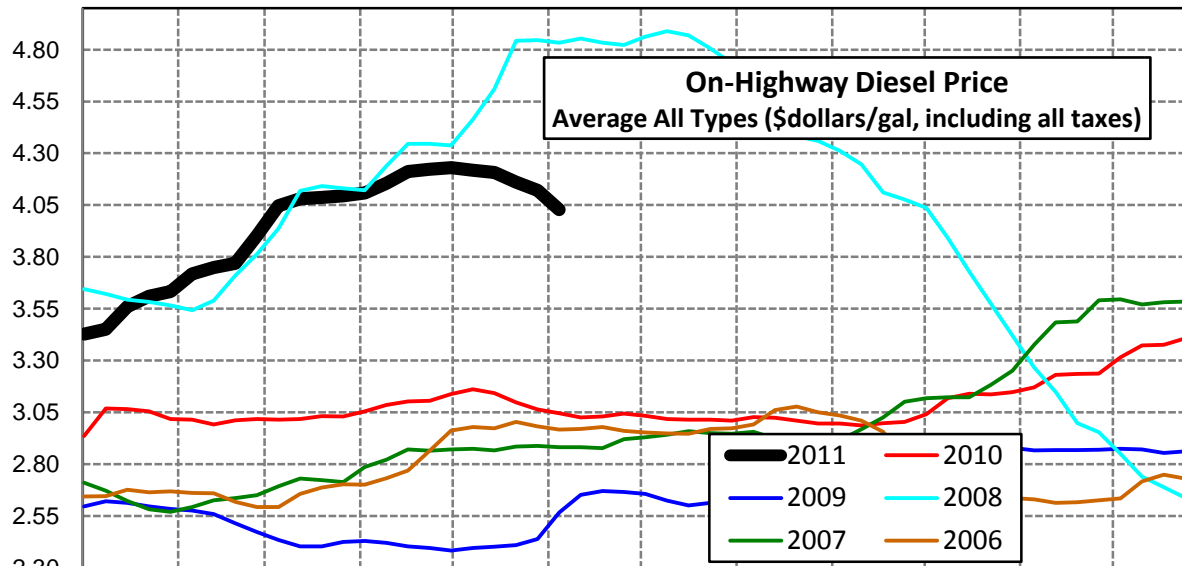
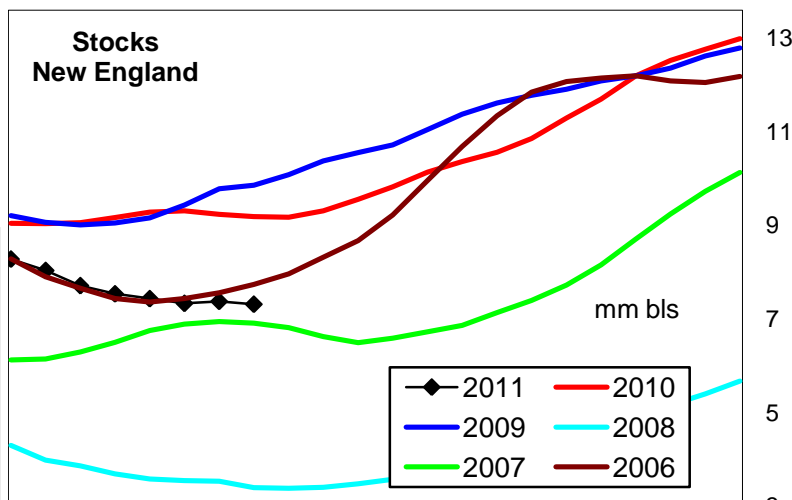
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
Central Atlantic	\$4.210	\$4.138	\$4.082	\$4.040	-\$0.042
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



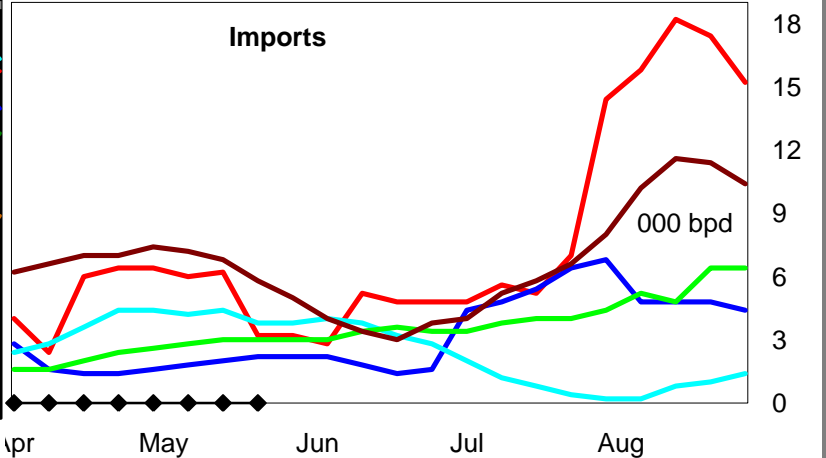
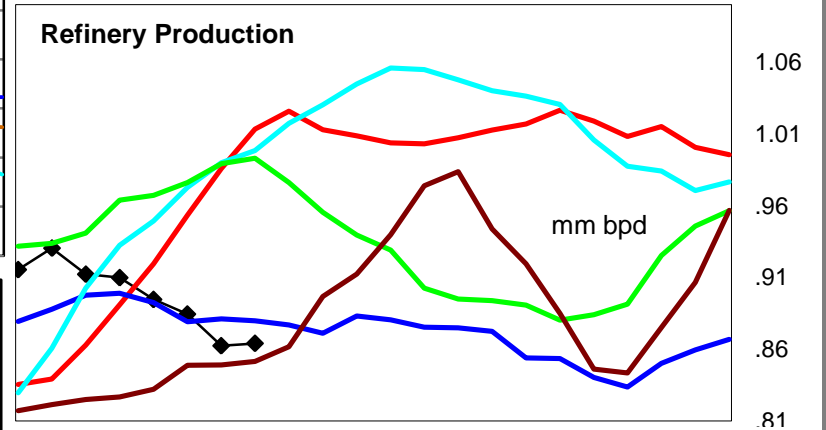
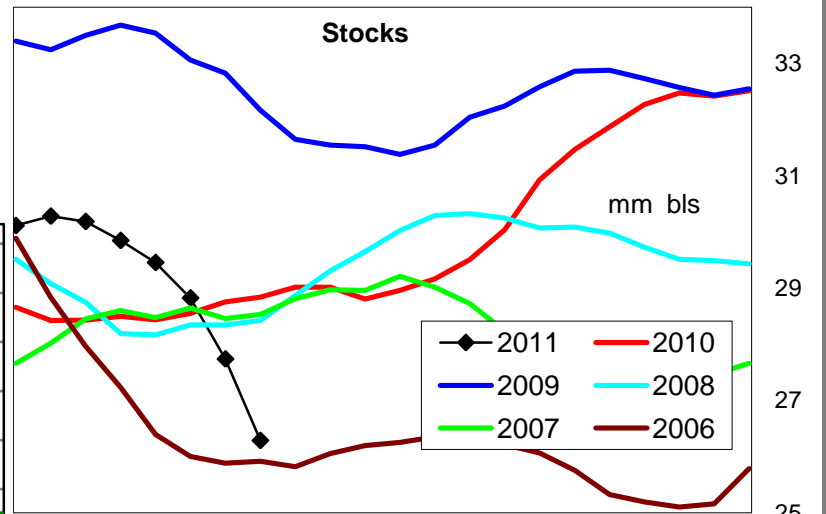
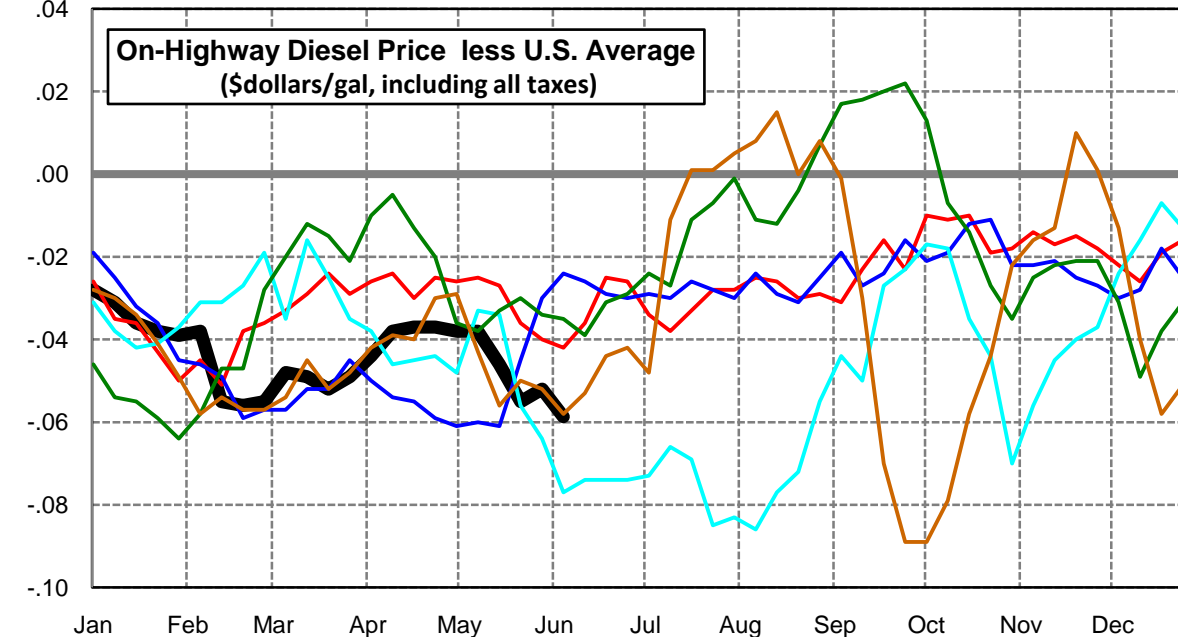
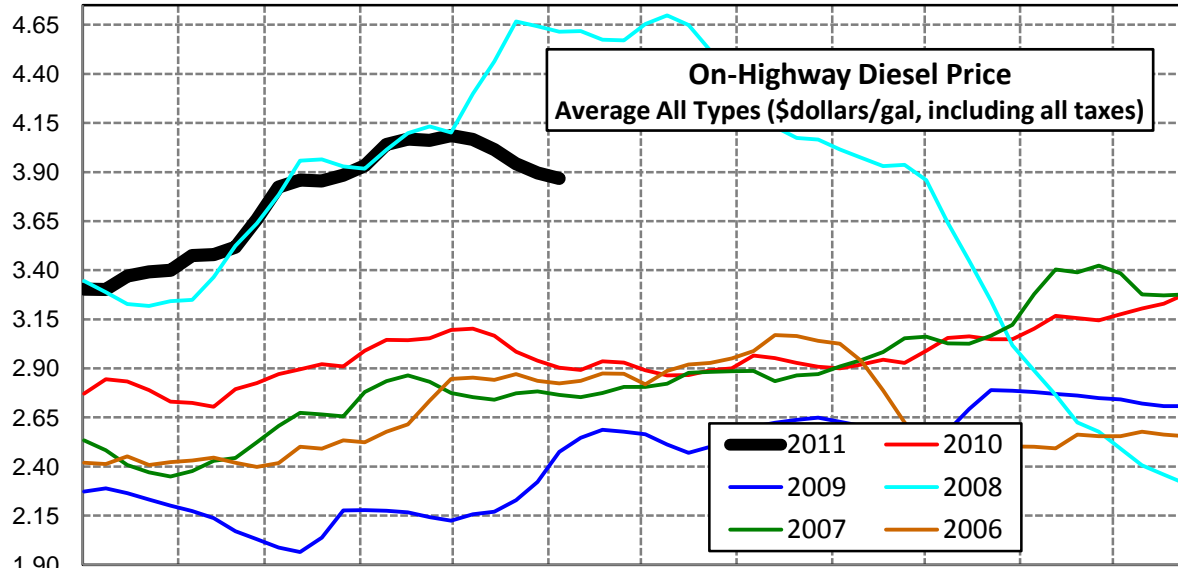
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
New England	\$4.207	\$4.161	\$4.121	\$4.029	-\$0.092
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



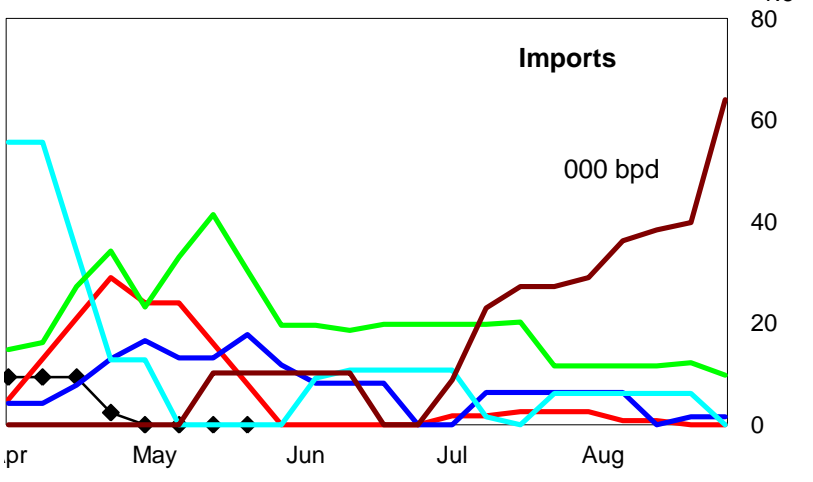
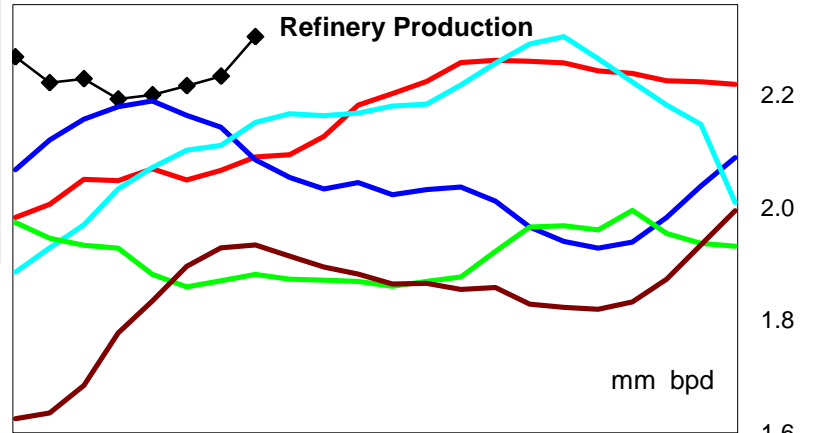
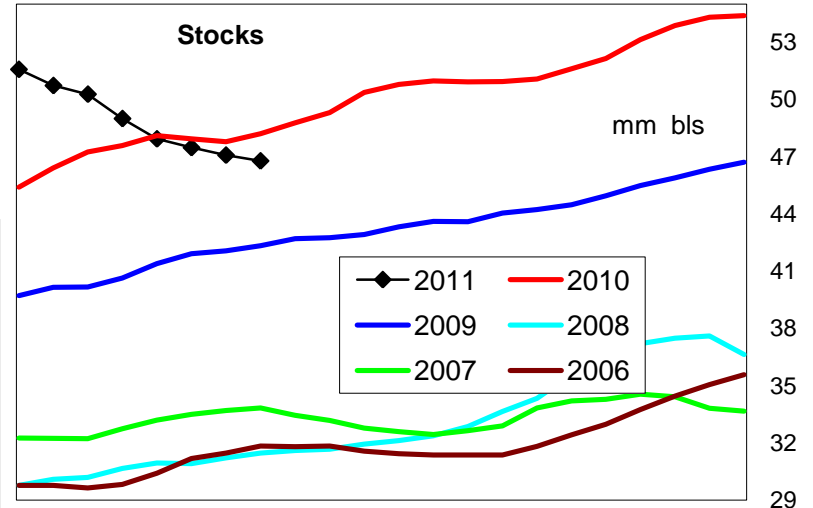
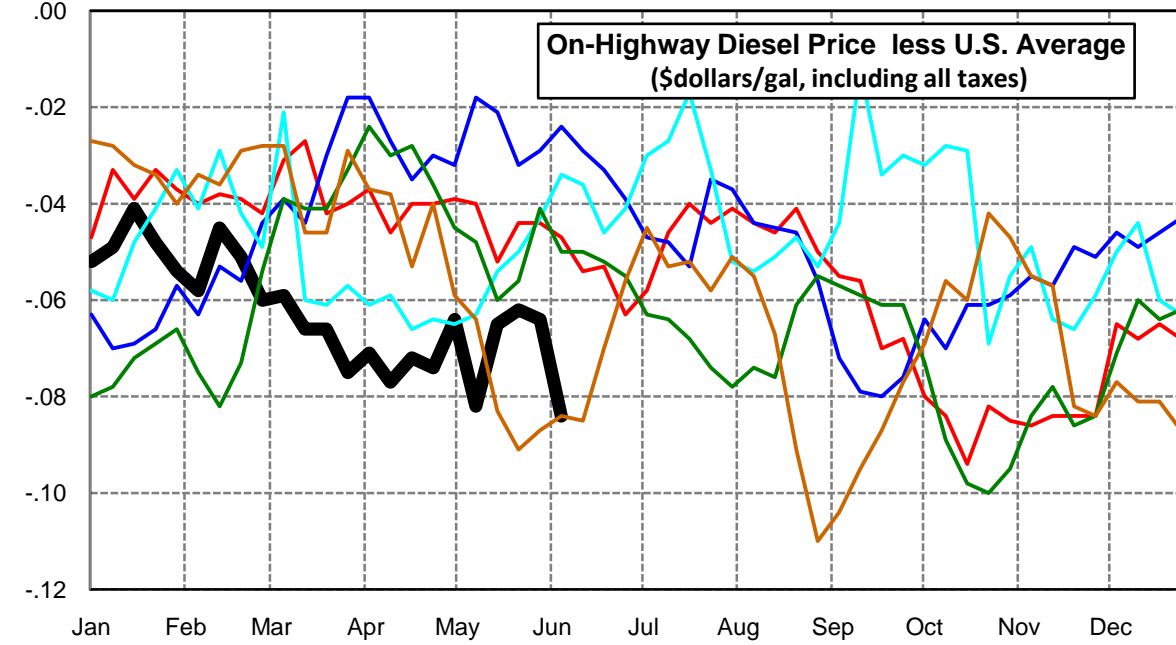
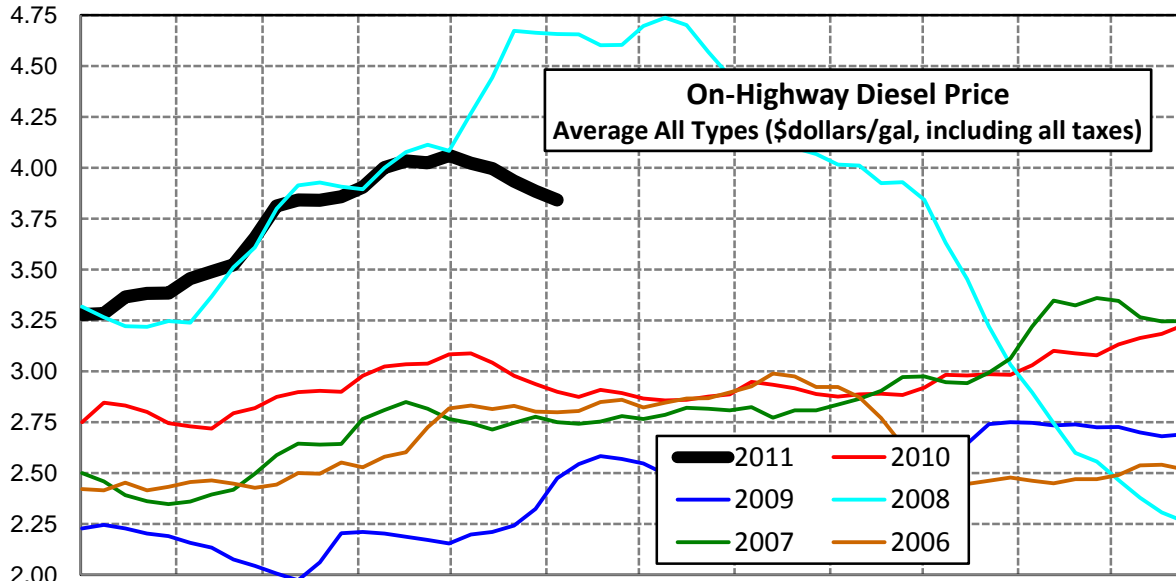
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
Midwest	\$4.015	\$3.942	\$3.896	\$3.867	-\$0.029
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



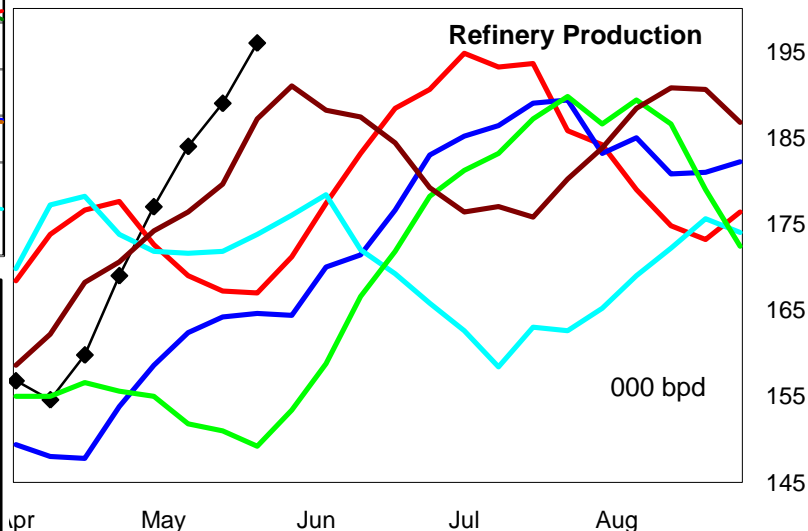
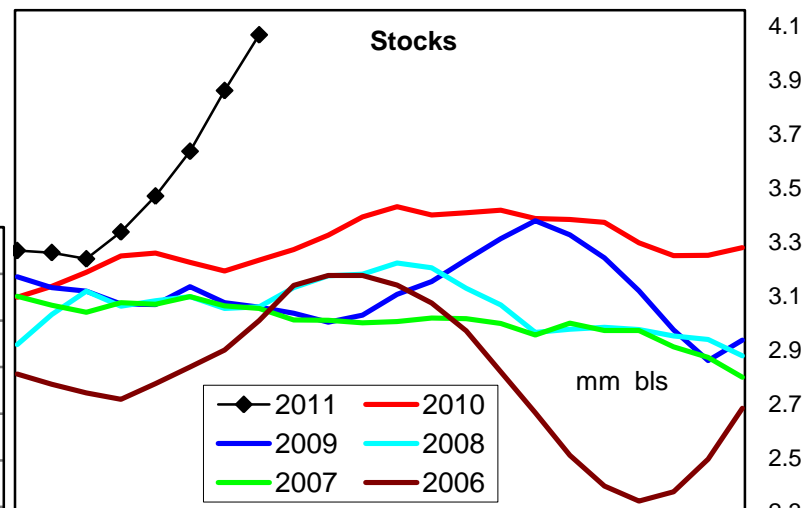
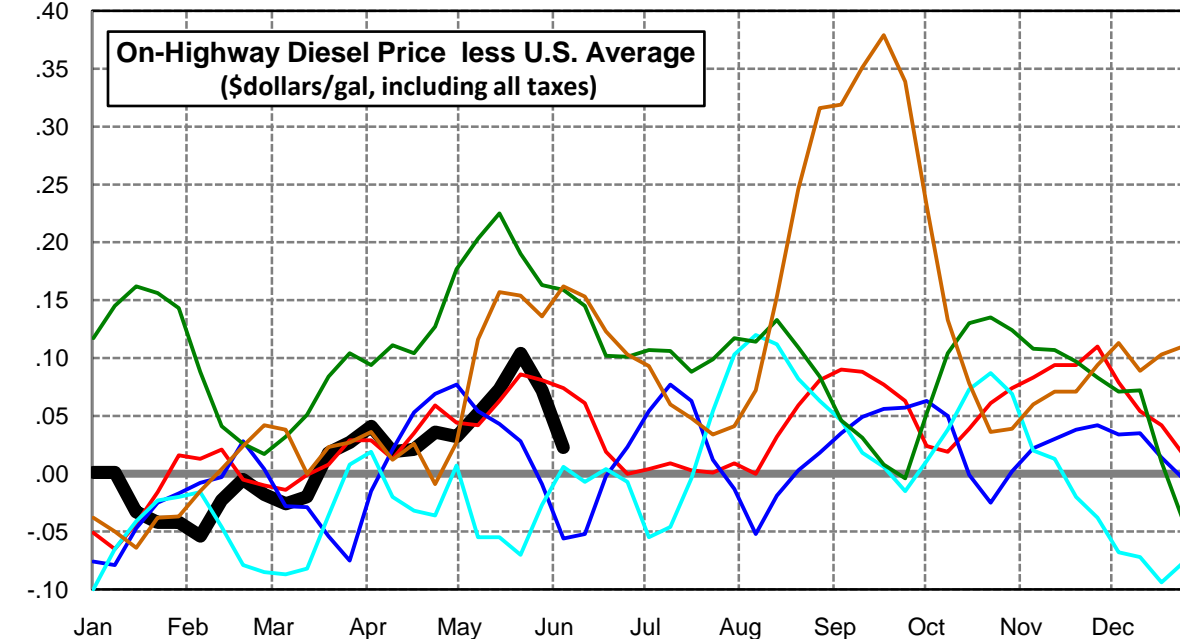
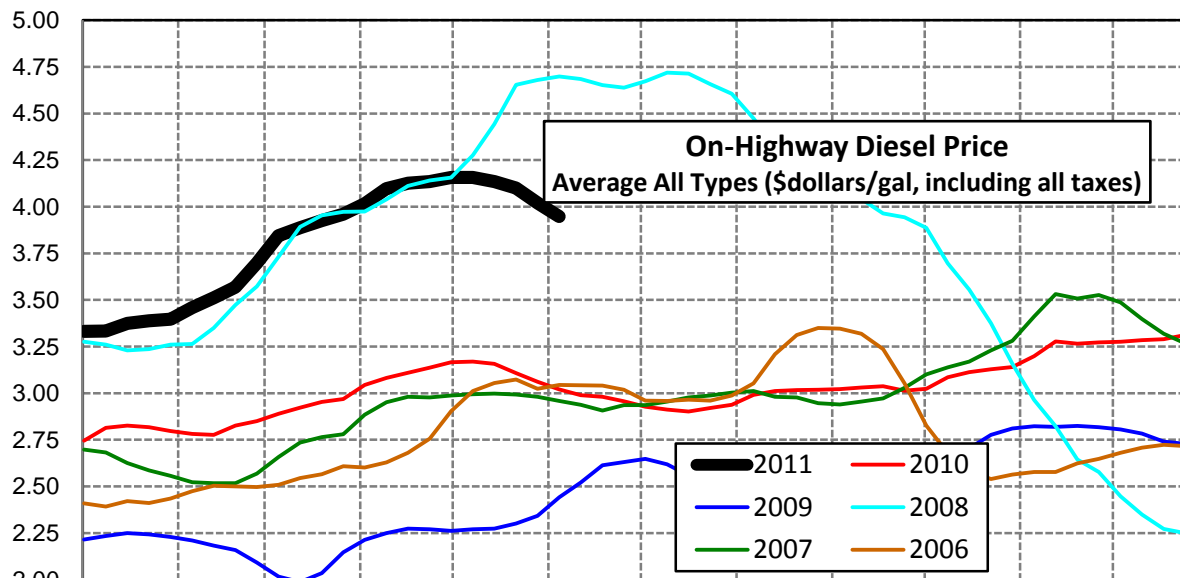
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
Gulf Coast	\$3.996	\$3.935	\$3.884	\$3.842	-\$0.042
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



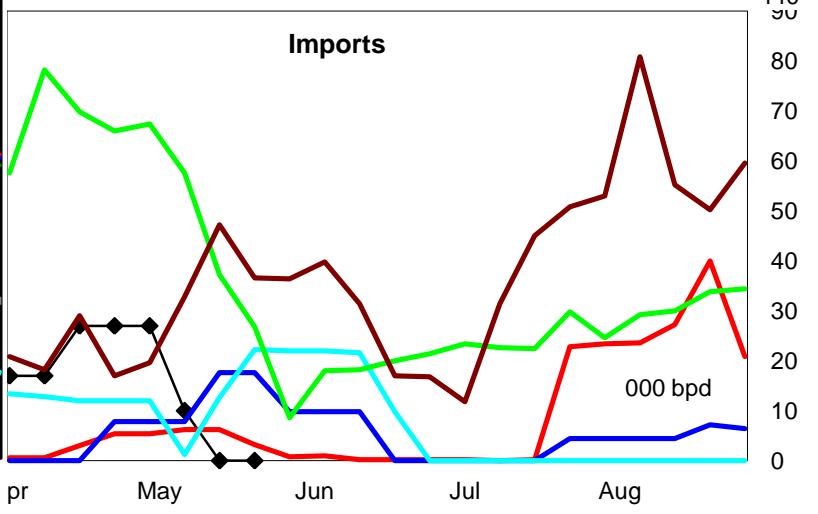
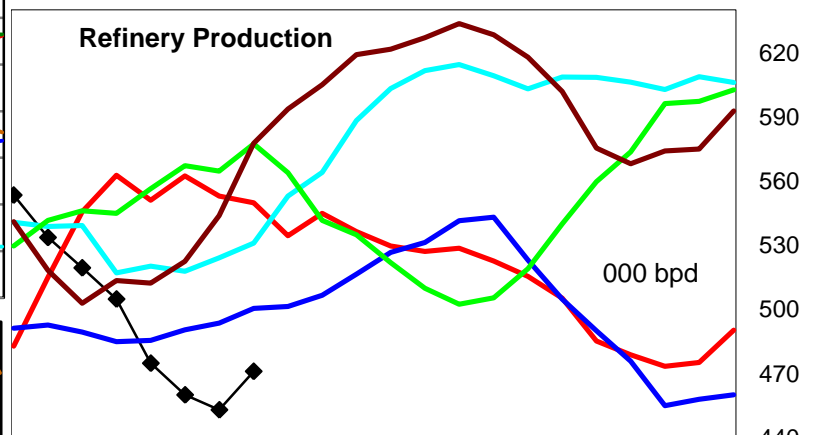
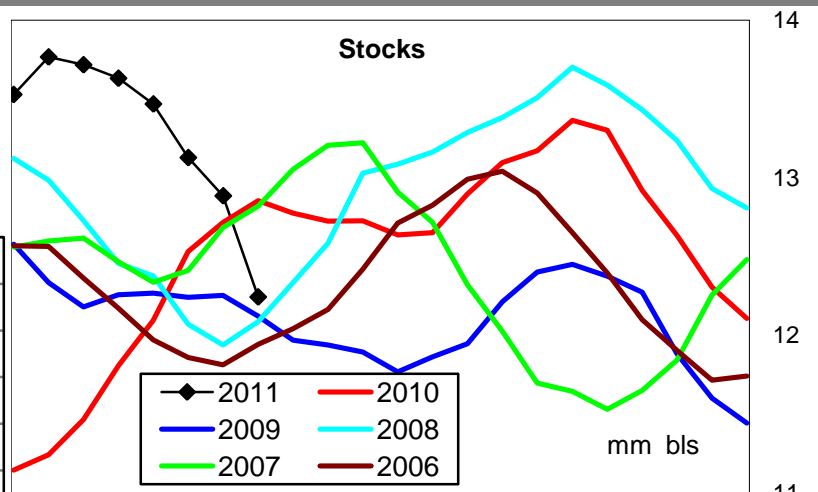
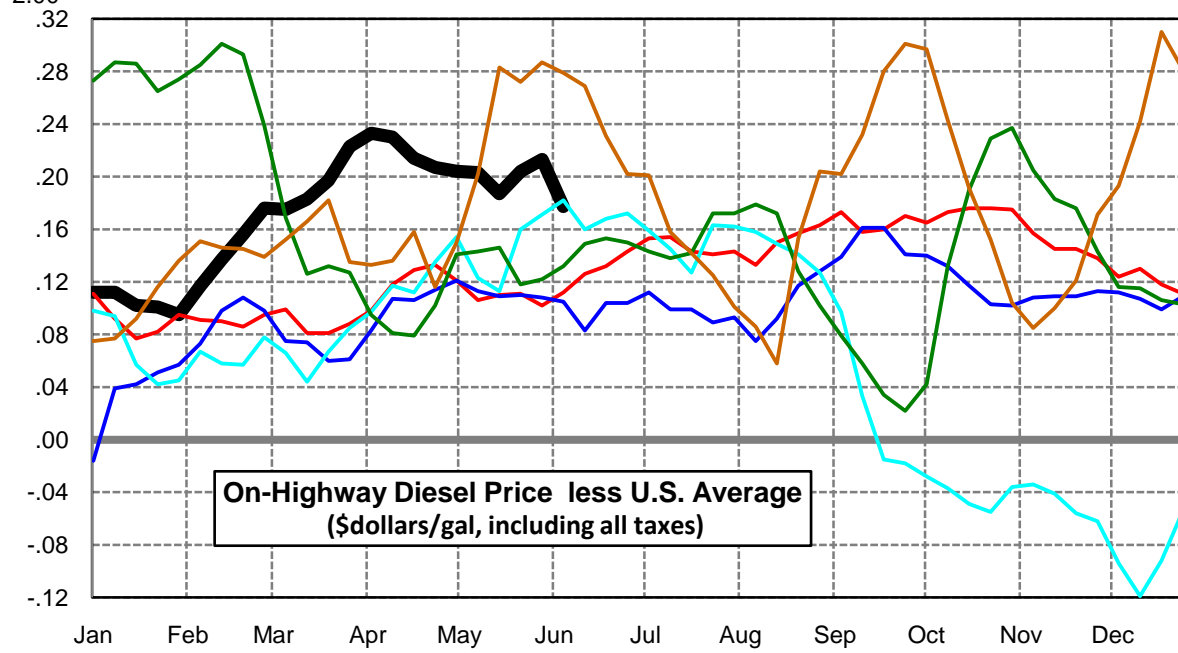
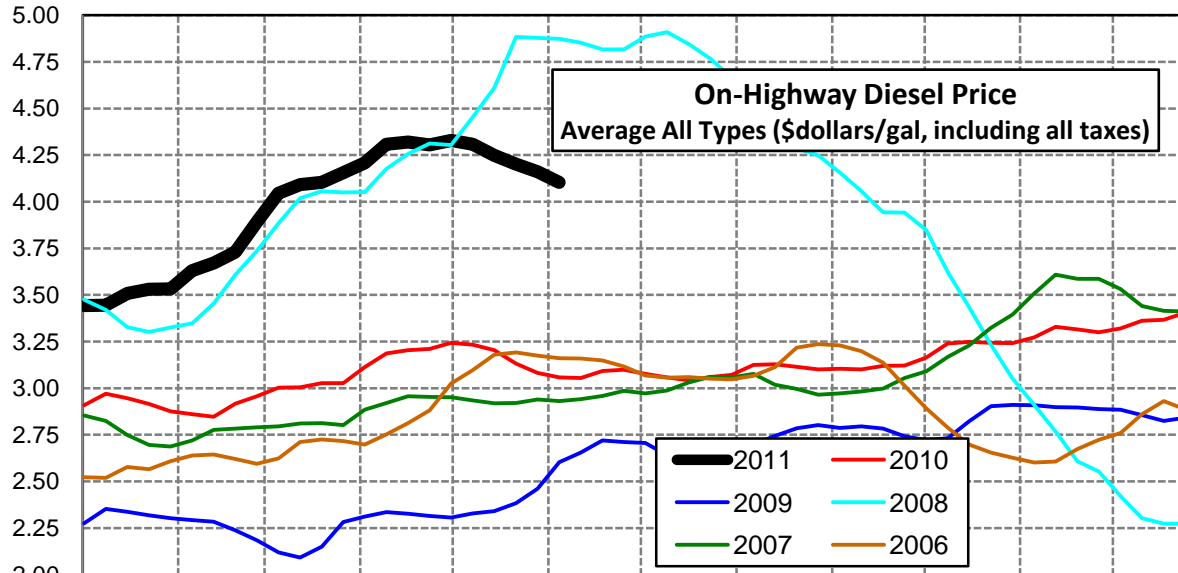
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
Rocky Mountain	\$4.134	\$4.101	\$4.020	\$3.948	-\$0.072
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



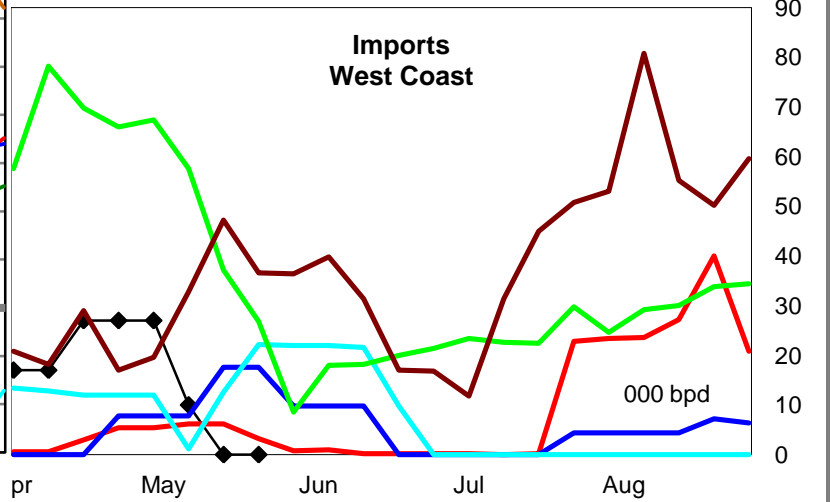
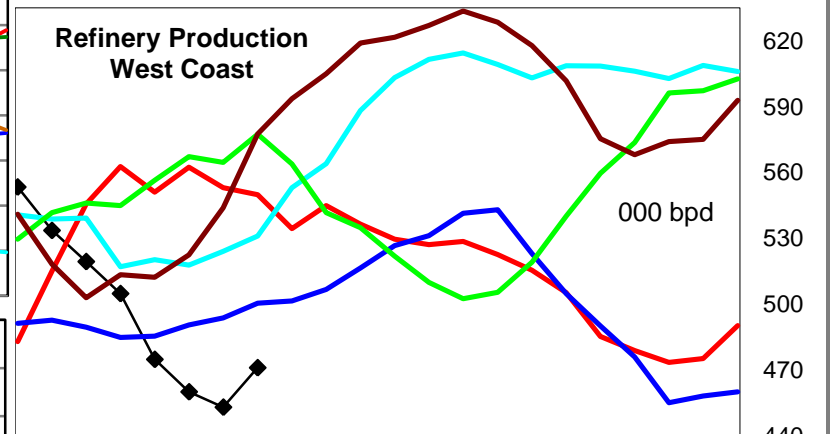
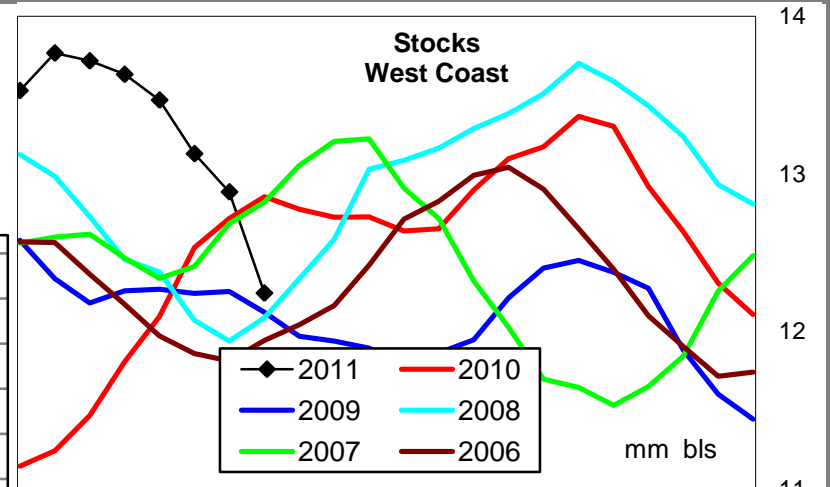
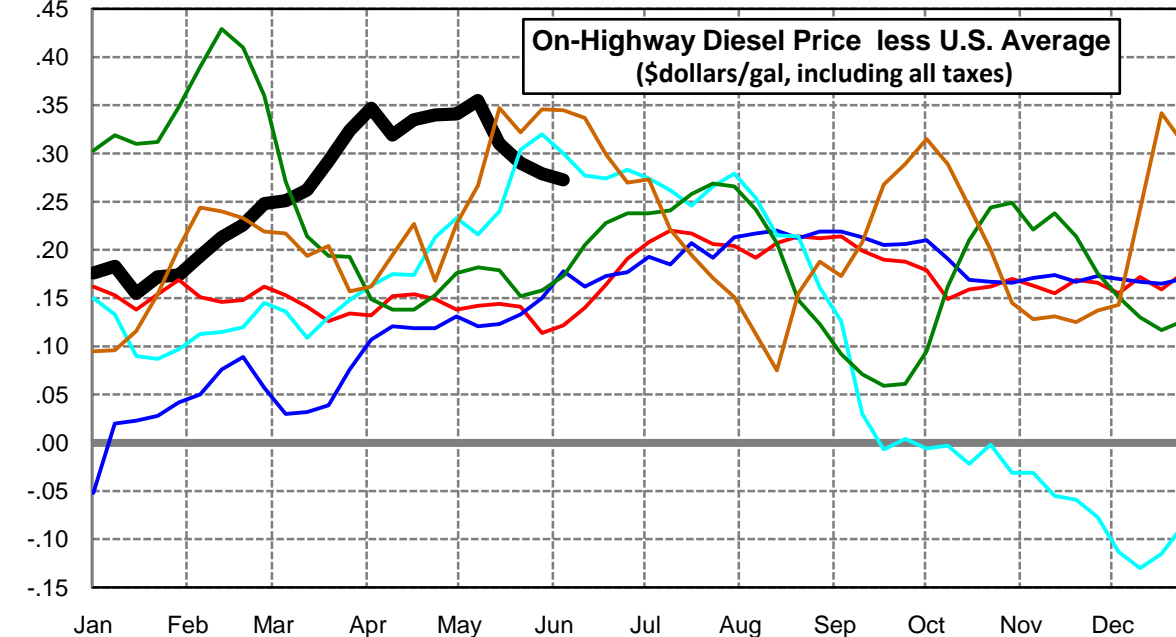
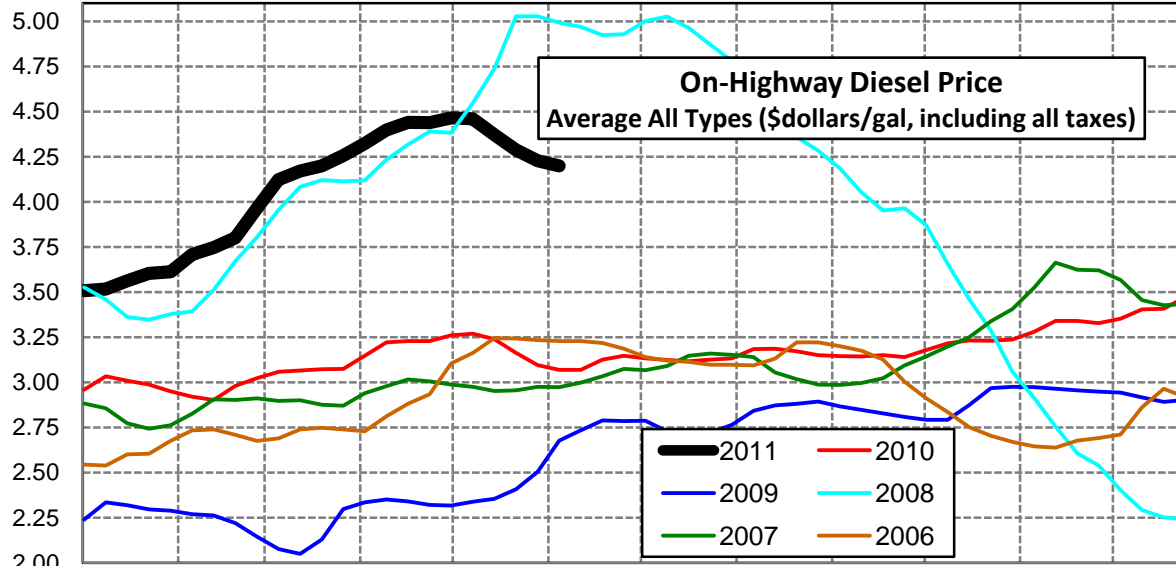
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
West Coast	\$4.248	\$4.201	\$4.161	\$4.103	-\$0.058
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



California Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	16May11	23May11	30May11	06Jun11	
California	\$4.371	\$4.287	\$4.227	\$4.198	-\$0.029
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



Week ending	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-01-Nov-10	3.067	3.063	3.147	3.181	3.005	3.049	2.982	3.141	3.242	3.237
Mon-08-Nov-10	3.116	3.114	3.170	3.225	3.061	3.102	3.030	3.199	3.273	3.279
Mon-15-Nov-10	3.184	3.187	3.230	3.303	3.133	3.167	3.100	3.278	3.329	3.339
Mon-22-Nov-10	3.171	3.172	3.235	3.293	3.115	3.156	3.087	3.265	3.316	3.340
Mon-29-Nov-10	3.162	3.166	3.237	3.288	3.108	3.144	3.078	3.272	3.300	3.328
Mon-06-Dec-10	3.197	3.206	3.315	3.328	3.144	3.175	3.132	3.276	3.321	3.352
Mon-13-Dec-10	3.231	3.248	3.373	3.364	3.187	3.205	3.163	3.285	3.361	3.403
Mon-20-Dec-10	3.248	3.260	3.375	3.381	3.197	3.229	3.183	3.290	3.366	3.407
Mon-27-Dec-10	3.294	3.313	3.406	3.428	3.256	3.278	3.226	3.311	3.405	3.470
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	3.932	3.952	4.095	4.061	3.892	3.883	3.857	3.959	4.155	4.256
Mon-04-Apr-11	3.976	3.982	4.109	4.092	3.923	3.932	3.905	4.017	4.209	4.323
Mon-11-Apr-11	4.078	4.082	4.154	4.204	4.024	4.040	4.001	4.097	4.308	4.397
Mon-18-Apr-11	4.105	4.111	4.212	4.229	4.051	4.068	4.033	4.126	4.319	4.440
Mon-25-Apr-11	4.098	4.105	4.222	4.238	4.038	4.061	4.024	4.134	4.305	4.438
Mon-02-May-11	4.124	4.128	4.231	4.269	4.059	4.086	4.060	4.156	4.328	4.465
Mon-09-May-11	4.104	4.117	4.218	4.248	4.052	4.066	4.022	4.156	4.307	4.459
Mon-16-May-11	4.061	4.075	4.207	4.210	4.005	4.015	3.996	4.134	4.248	4.371
Mon-23-May-11	3.997	4.011	4.161	4.138	3.943	3.942	3.935	4.101	4.201	4.287
Mon-30-May-11	3.948	3.962	4.121	4.082	3.897	3.896	3.884	4.020	4.161	4.227
Mon-06-Jun-11	3.926	3.921	4.029	4.040	3.868	3.867	3.842	3.948	4.103	4.198
Mon-13-Jun-11										
Mon-20-Jun-11										
Mon-27-Jun-11										

Glossary and Definitions - Weekly Diesel Price - Fundamental Trends Report

U.S. Energy Information Administration: Source of weekly supply - demand diesel (distillate) fundamental data gathered through weekly survey of refiners, blenders, marketers, distributors.

Weekly Retail On-Highway Diesel Prices: Prepared by the EIA through a weekly survey of retail diesel marketers conducted each Monday. Many transportation firms use this data source to set fuel surcharge rates.

Gulf Coast ULSD (ultra low sulfur distillate) Spot Market Prices: Daily price data provided to the EIA by Thomson Reuters. Weekly data is an un weighted average of the daily prices.

Regional Markets: The EIA has defined five regions called PADD's for Petroleum Administration for Defense Districts which are used to aggregate weekly supply - demand fundamental statistics as well as retail On-Highway diesel prices. Those regions are illustrated on the U.S. Map, Page 2 of this report. In addition the EIA provides prices for the state of California, and three sub regions of PADD 1; New England, Central Atlantic and Lower Atlantic.

On-Highway Diesel Price less U.S. Average: This is the difference between the specific regional market and the U.S. Average price. The variance reflects differences in refining cost, wholesale distribution cost, product grade specifications, taxes, and market power by marketers to set prices.

Temporary variations also reflect the relative supply - demand balance; for example during periods that Eastern Canadian refiners are down for maintenance diesel supplies in the New England Region may become very tight, thus driving up the premium that New England prices have over the U.S. average price.

This difference also reflects the '**basis risk**' which a transport firm operating in a specific region experiences if using the U.S. Average price to hedge fuel cost or set fuel surcharge rates.

Week ahead On-Highway Retail Diesel Price Forecast: Prepared by Fundamental Petroleum Trends Reports using spot and futures market prices as reported by the EIA, and seasonal indices in proprietary statistical models.