



## RETAIL DIESEL FUEL OUTLOOK

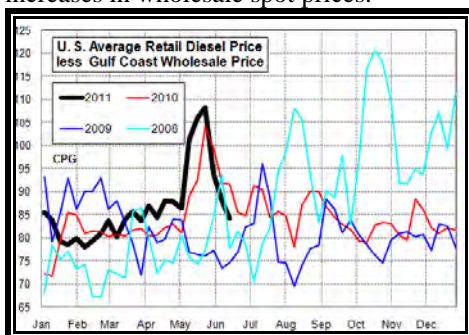
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Monday, June 13, 2011

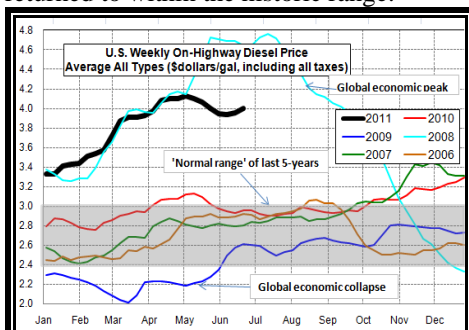
Region	Actual Price 1/			Forecast 2/	Change from week ago
	30May11	06Jun11	13Jun11	20Jun11	
U.S.	3.948	3.940	3.954	3.996	0.042
East Coast	3.962	3.955	3.968	4.028	0.060
New England	4.121	4.105	4.087	4.155	0.068
Central Atlantic	4.082	4.074	4.088	4.150	0.062
Lower Atlantic	3.897	3.891	3.905	3.966	0.061
Midwest	3.896	3.889	3.905	3.961	0.056
Gulf Coast	3.884	3.877	3.896	3.945	0.049
Rocky Mountain	4.020	4.015	3.988	4.032	0.044
West Coast	4.161	4.146	4.163	4.142	-0.021
California	4.227	4.223	4.245	4.235	-0.010

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

**Diesel Fuel Price Trends** U.S. retail diesel prices increased +1.4 cpg for the week ending 13June11. The increase was less than expected based on earlier increases in wholesale spot prices.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price narrowed -4 cpg last week due to rising wholesale prices. The spread has returned to within the historic range.



The national average price ended the week \$0.74/gal below the high set in 2008 for this time of year, but +\$1.03/gallon above a year ago.

Prices increased +2.2 cpg in California and +1.9 cpg in the Gulf Coast Region. Prices decreased -2.7 cpg in the Rocky Mountains and -1.8 cpg in the New England Region.

Gulf Coast wholesale distillate prices

increased +106 cpg for the week ending 13Jun11 versus 06Jun11. Gulf wholesale prices ended the week at a level back above the 1-month, 3-month and 6-month moving averages. Gulf wholesale spot prices have rebounded +26 cpg from the lows in mid May.

U.S. average retail prices have declined -10 cpg during the same period. The spread between retail and wholesale spot prices has returned to near the historic average.



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

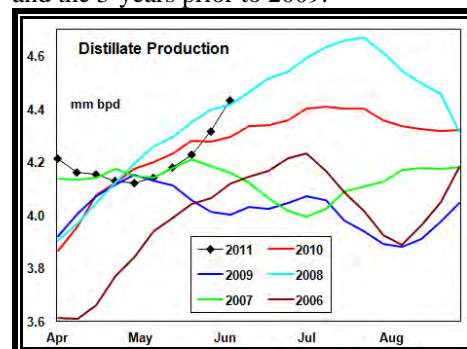
**Supply - Demand Fundamental Trends** U.S. weekly distillate demand decreased -44,000 bpd last week on lower exports and domestic use.

Demand during the latest 4-wk period was -4.9% below a year ago, extending the recent year-on-year decline. This trend points to a slowing in U.S. economic growth and the rate of exports.

U.S. refinery production jumped +179,000 bpd on the week as crude oil runs continue to increase following the later than normal spring maintenance season. Distillate production now matches 5-year highs for this time of year.

Distillate stocks increased +0.8 million barrels last week, the first build since mid January 2011. High production and a seasonal decline in demand led to the start of summer stock builds. Stock levels are -14 million barrels below a year ago; midway between levels of the last 2-years

and the 3-years prior to 2009.



Expect distillate production to witness further increases over the next 60-days with continued seasonal builds.

### 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. 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. A significant increase in distillate production during the summer quarter, and a return to seasonal stock building on lackluster U.S. distillate demand,
2. Sovereign debt crisis in southern European countries,
3. Slow economic recovery in Japan since earthquake driven by disruption to export infrastructure and limited electric power for plants,
4. Continued evidence of slow U.S. economic growth, and
5. Risk of a burst in the China housing bubble.

**Diesel Price Outlook** U.S. average retail prices are projected to increase +4.2 cpg this week, in response to the increase in wholesale spot prices over the last 2-wks. Based on the current differential between retail and wholesale prices, look for retail prices to increase at nearly the rate of wholesale spot prices.

Slower global economic growth, during the 2nd half of 2011 will likely lead to a pull back in retail diesel prices.

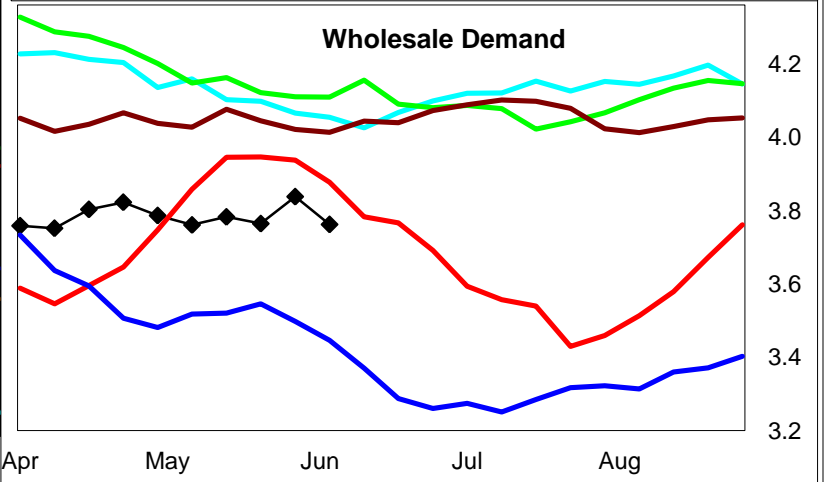
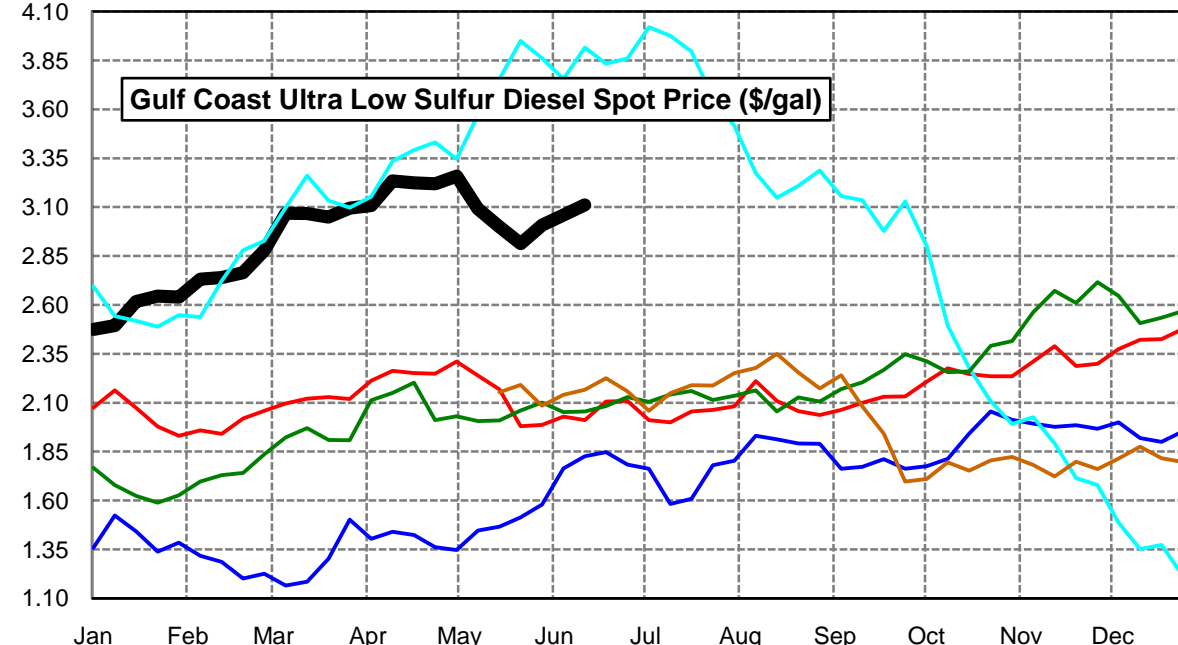
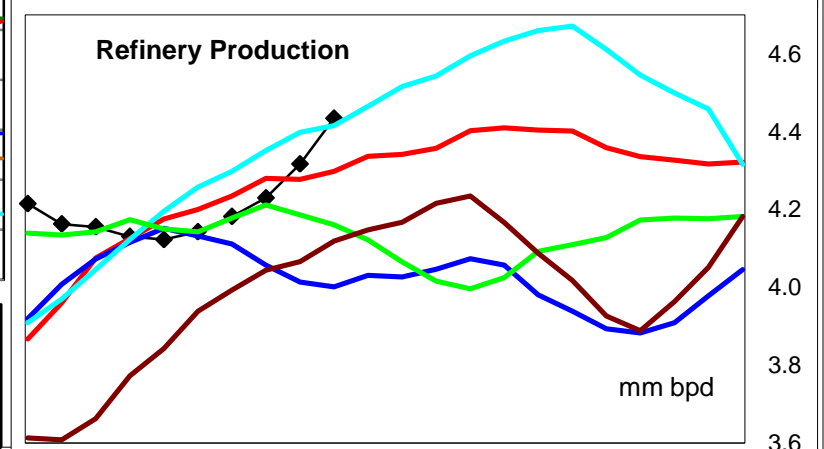
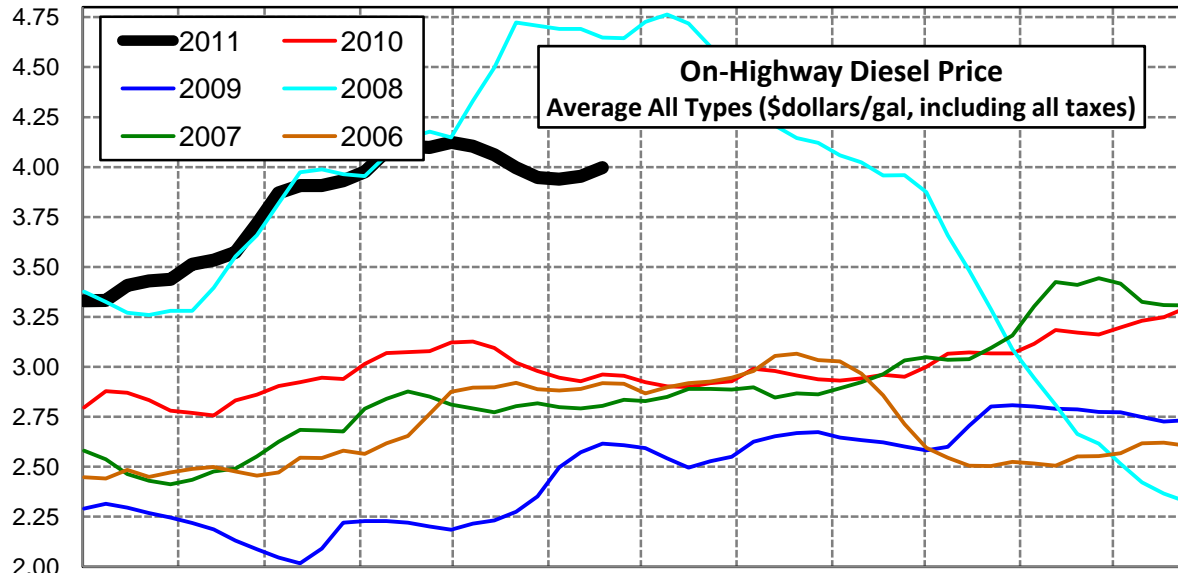
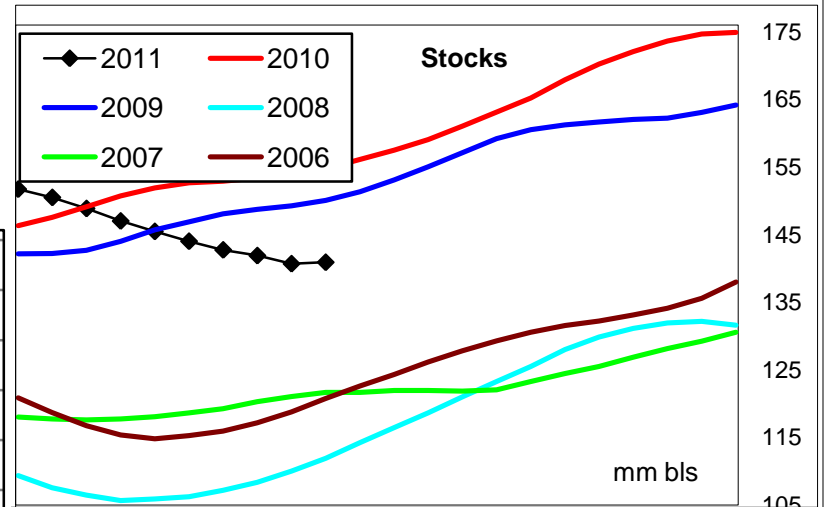
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Click [Blue Icon](#) on Map to view Regional Price & Fundamental Trends



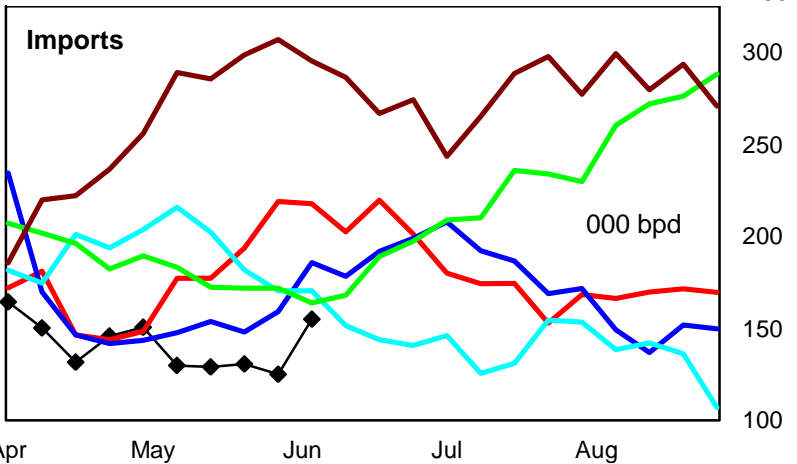
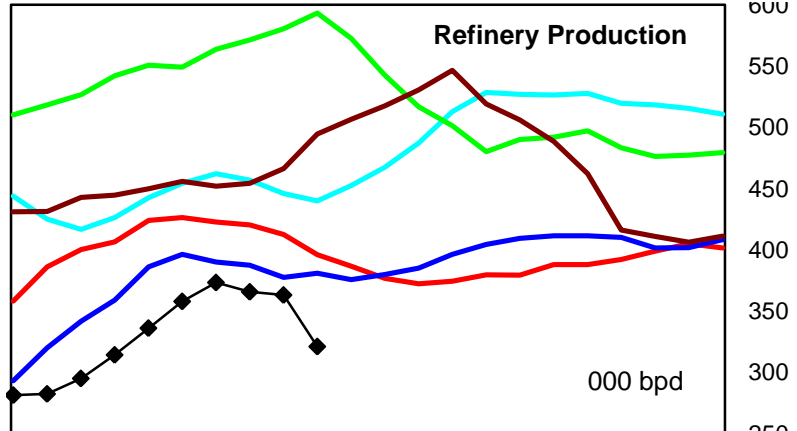
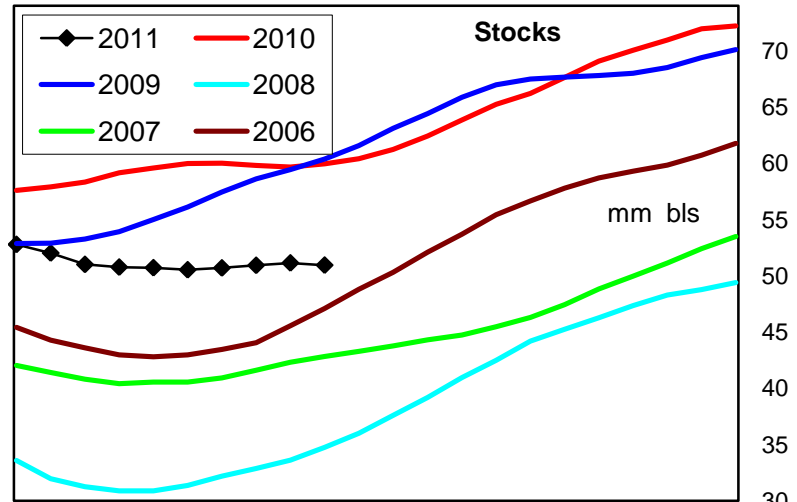
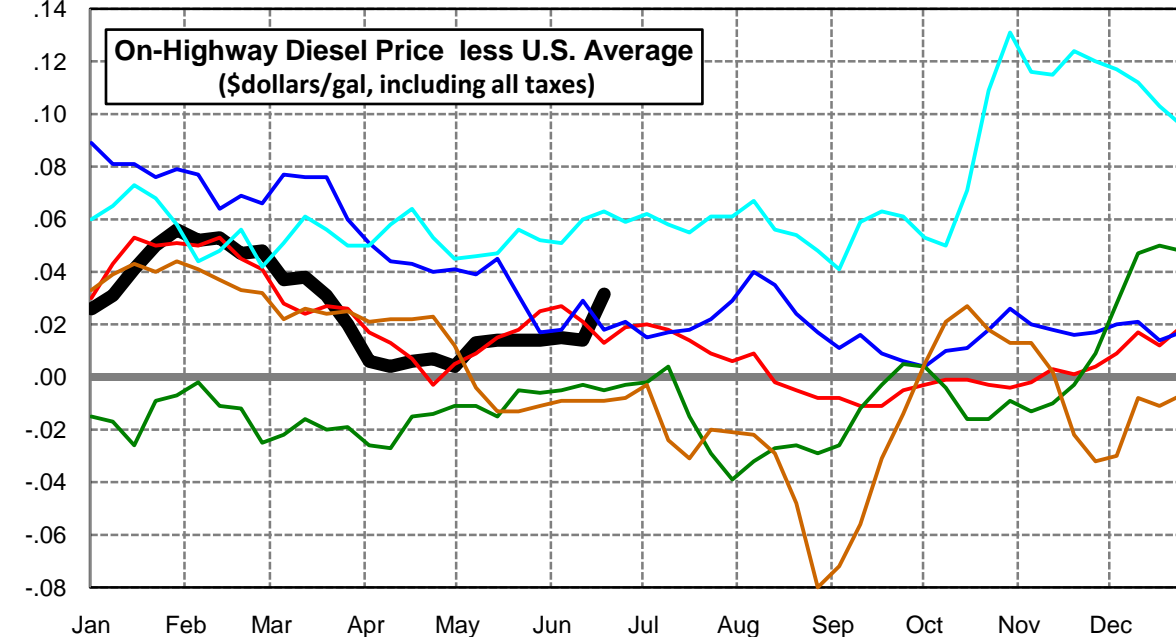
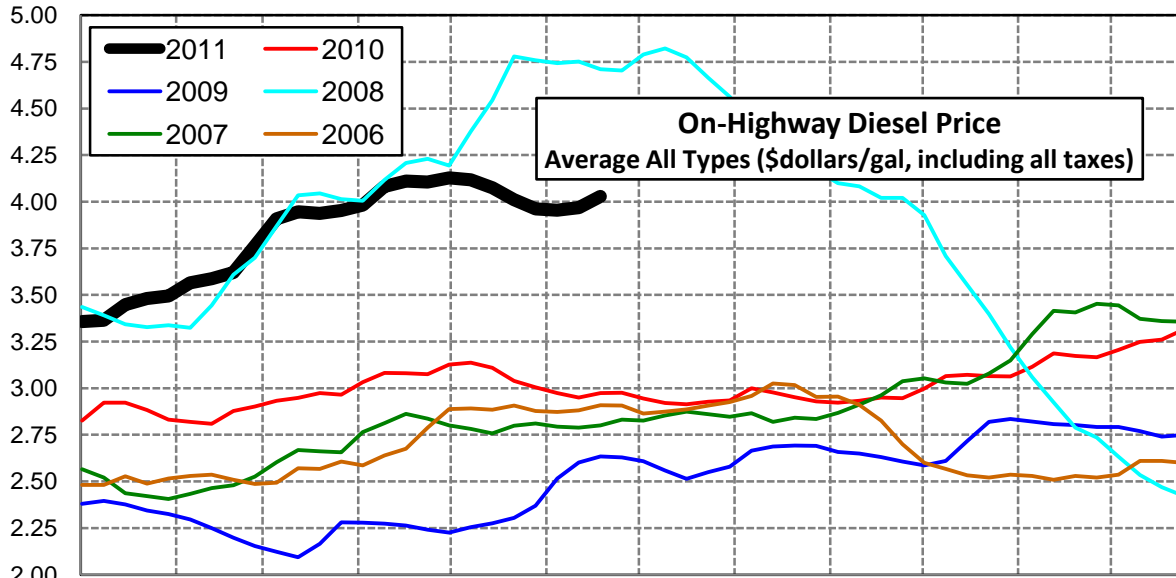
## U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>United States Avg</b>	\$3.948	\$3.940	\$3.954	<b>\$3.996</b>	\$0.042
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



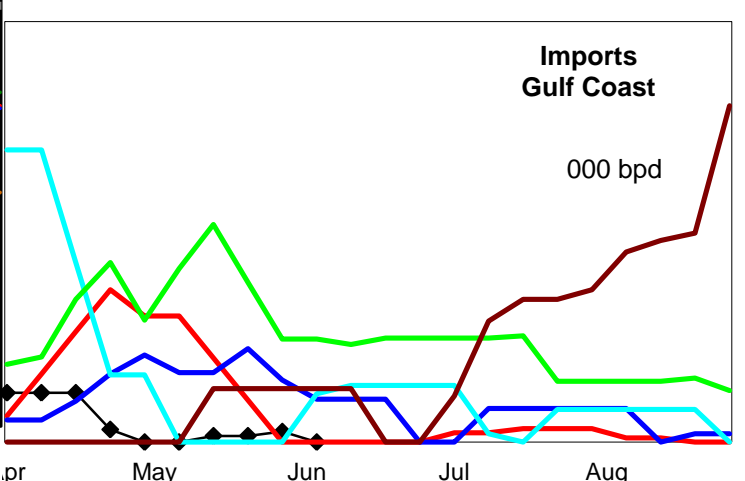
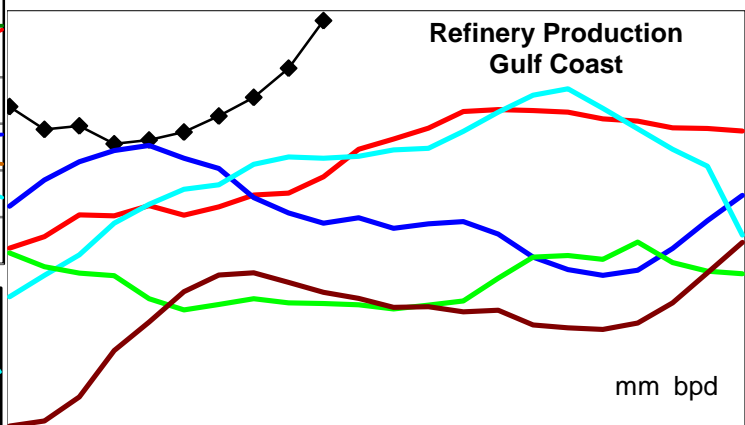
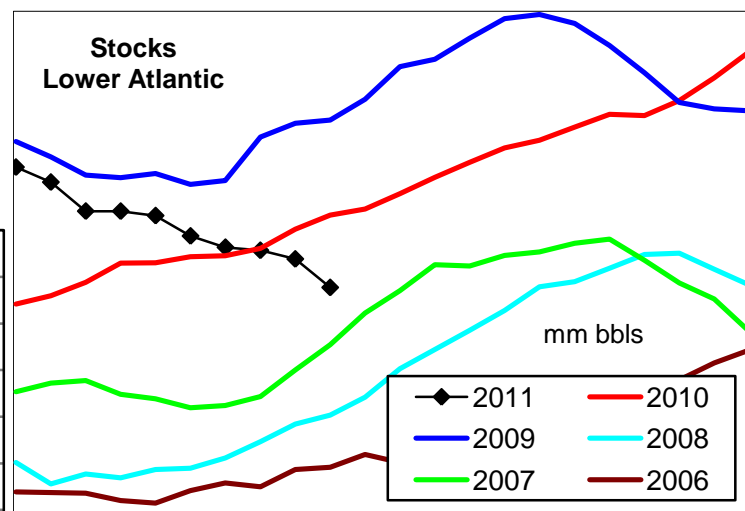
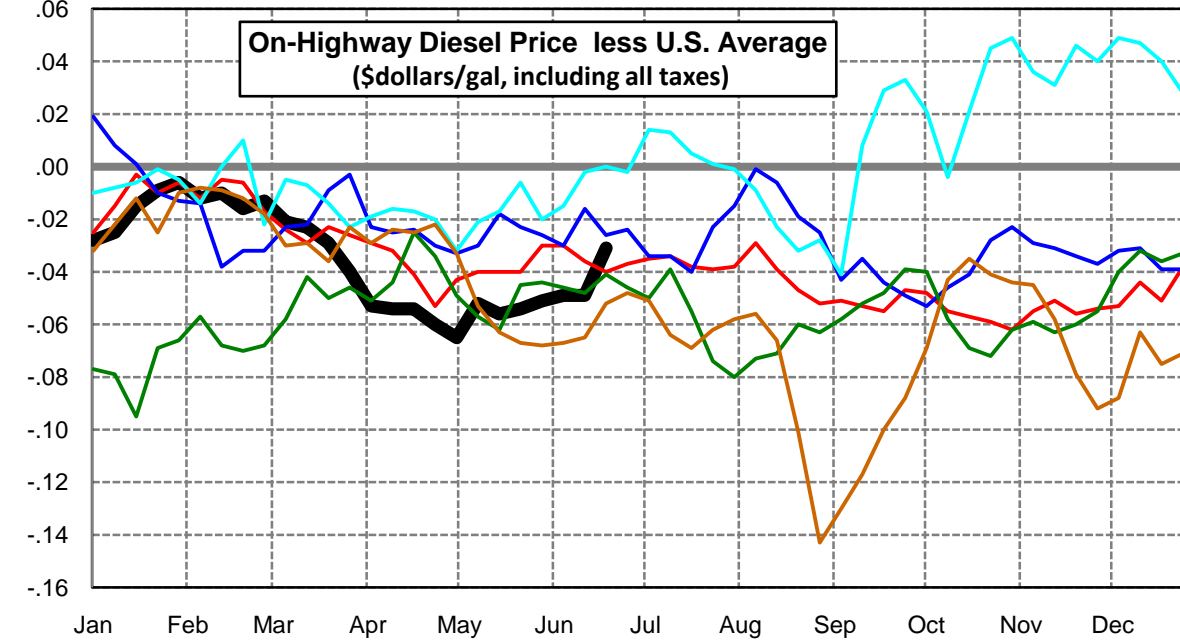
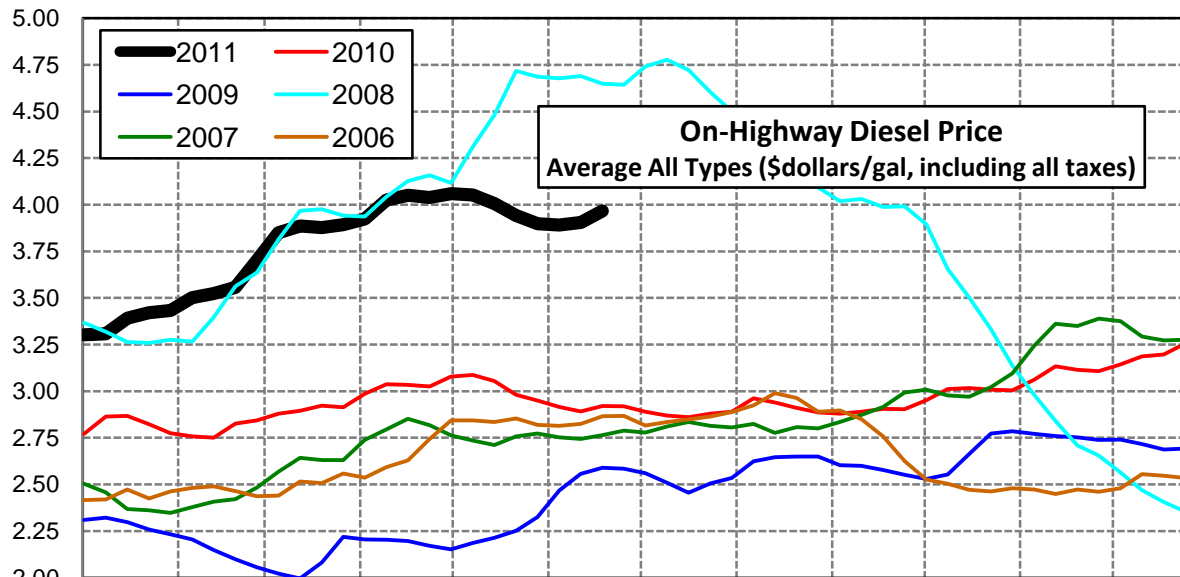
### East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>East Coast</b>	\$3.962	\$3.955	\$3.968	<b>\$4.028</b>	\$0.060
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



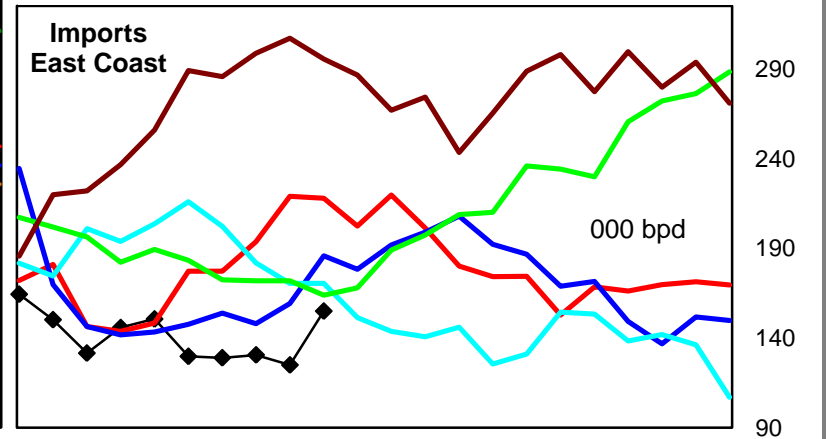
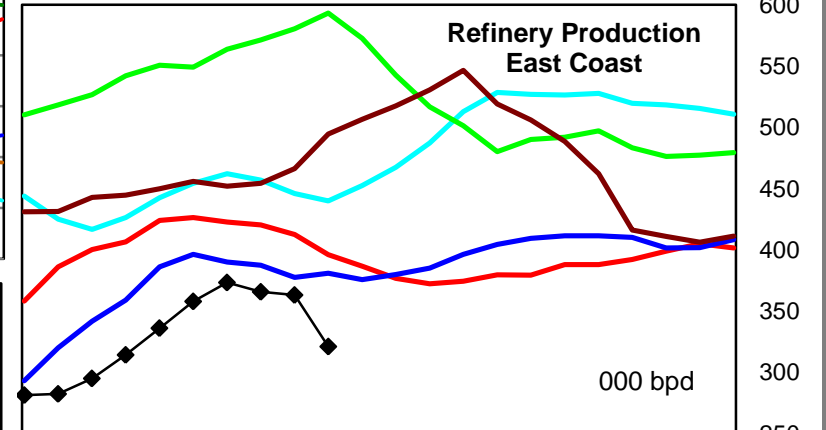
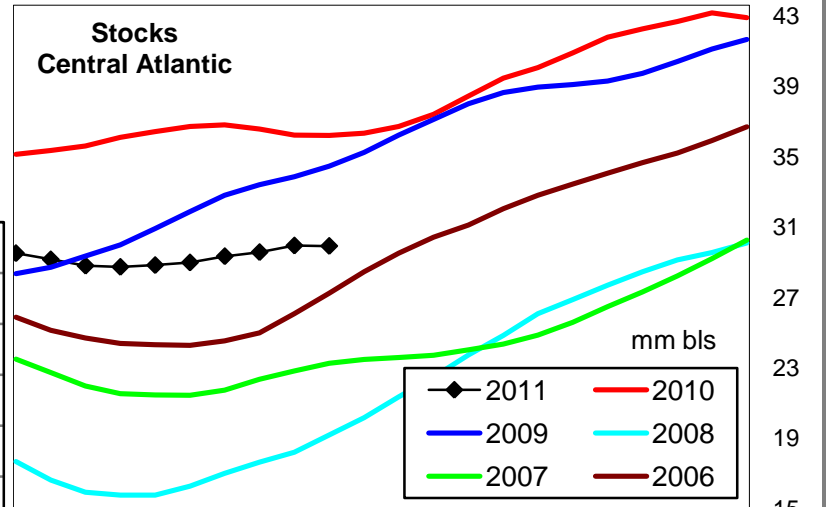
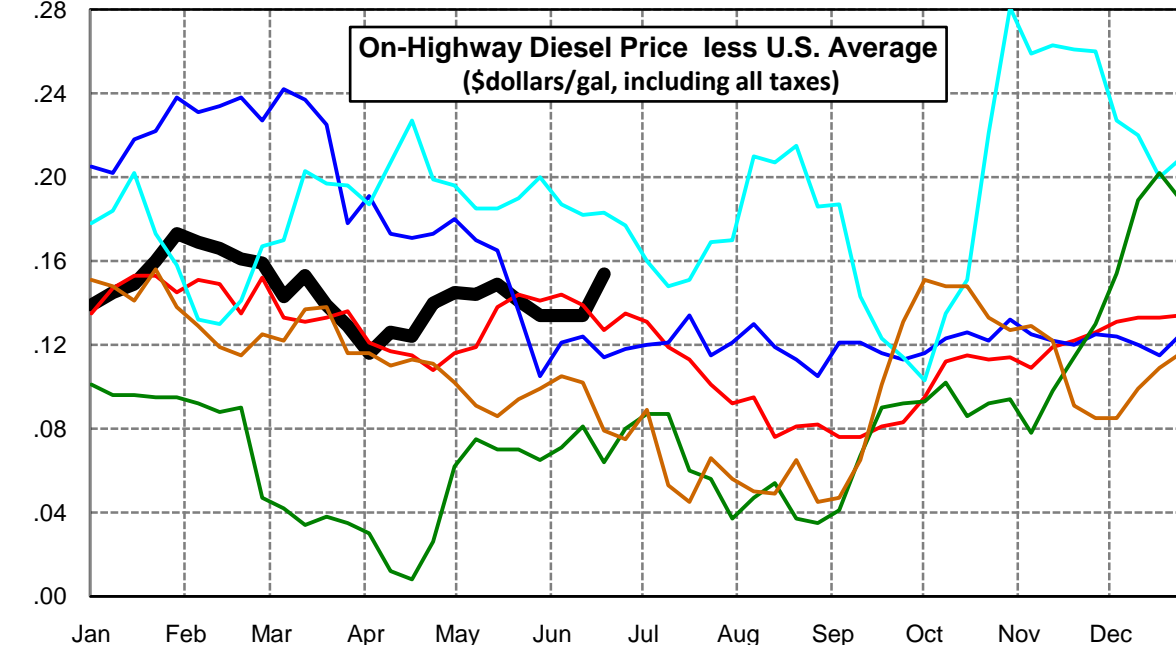
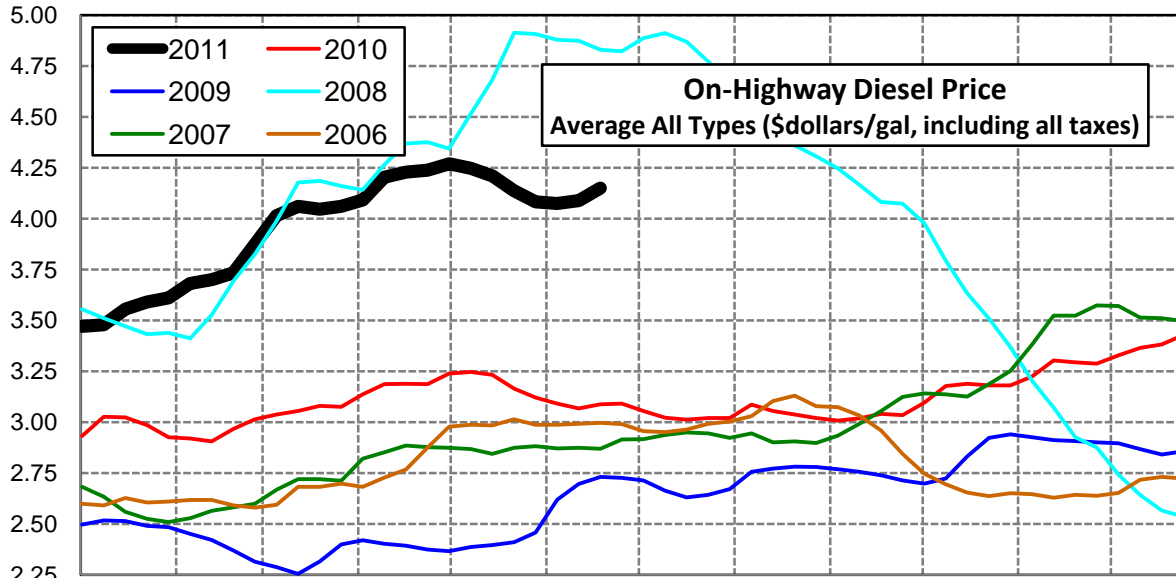
### Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/		Forecast 2/	Change from week	
	30May11	06Jun11	20Jun11		
<b>Lower Atlantic</b>	\$3.897	\$3.891	\$3.905	<b>\$3.966</b>	\$0.061
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



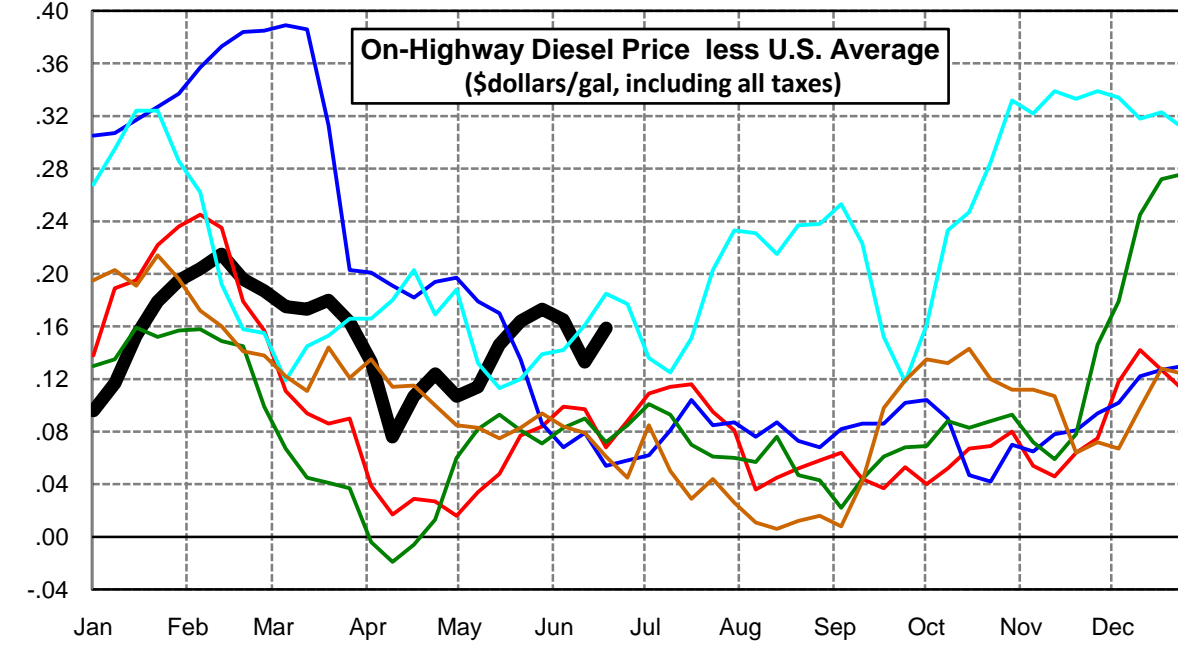
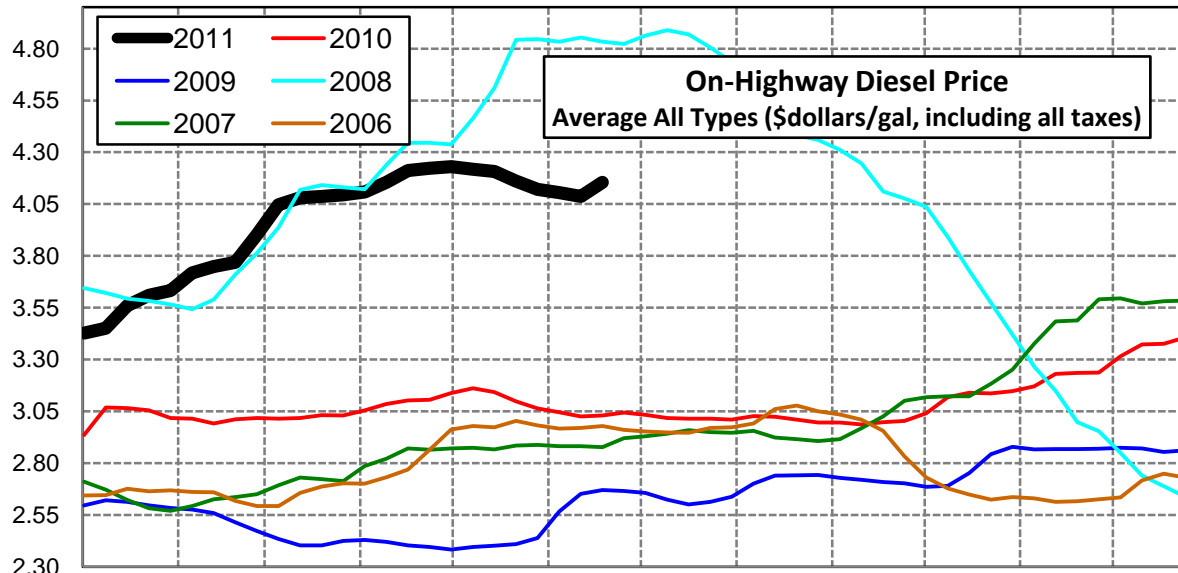
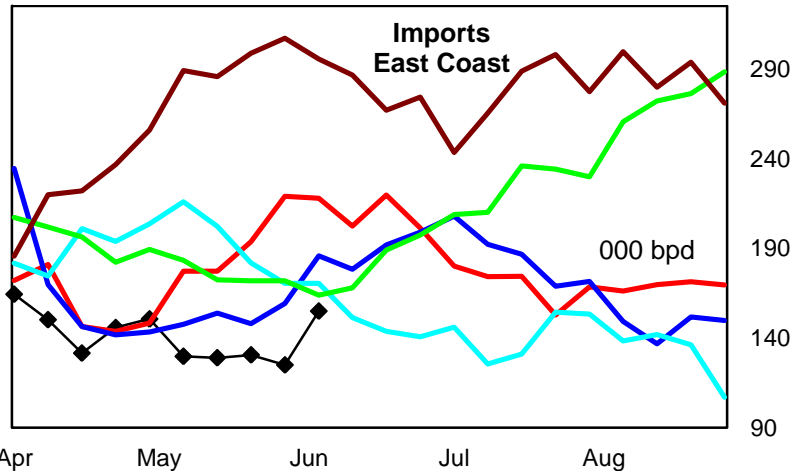
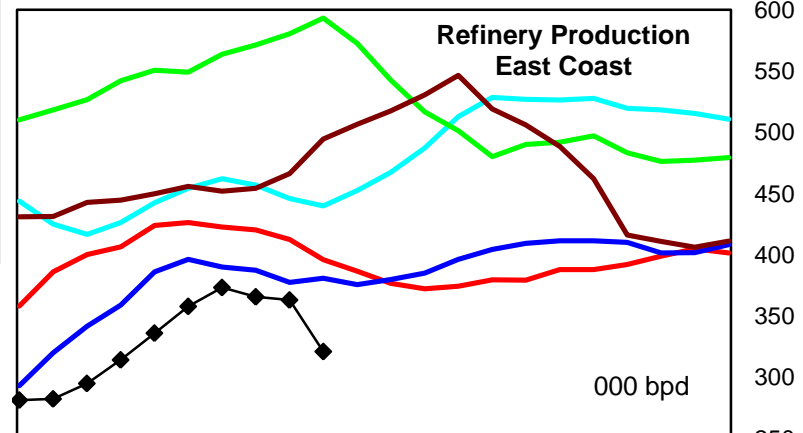
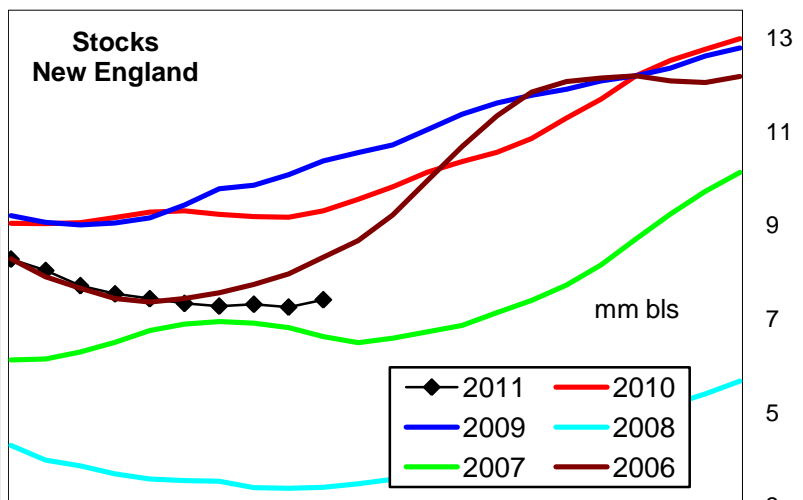
### Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>Central Atlantic</b>	\$4.082	\$4.074	\$4.088	<b>\$4.150</b>	\$0.062
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



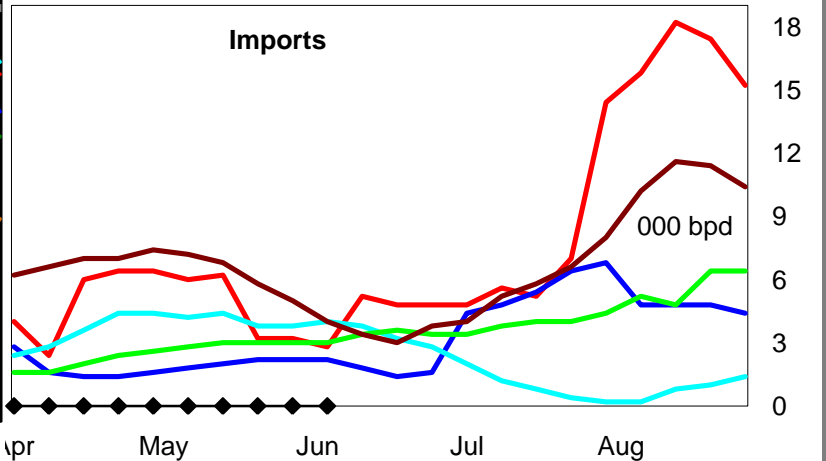
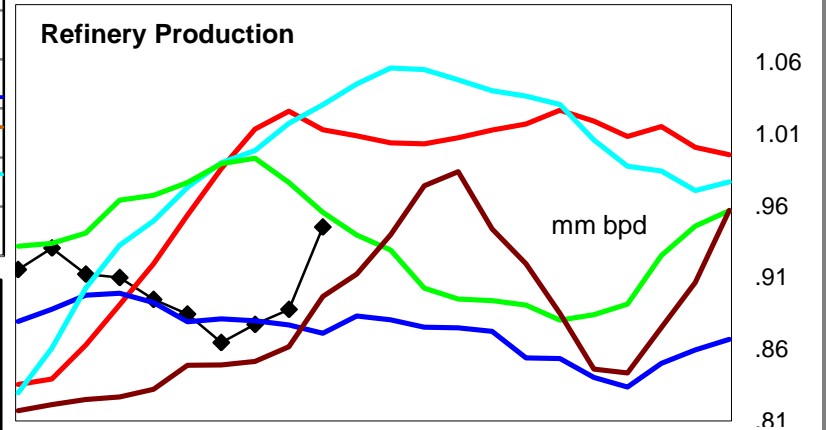
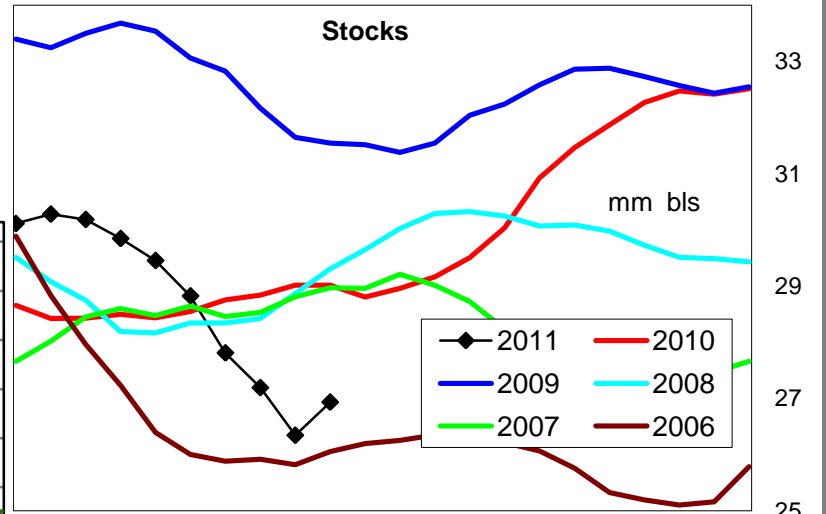
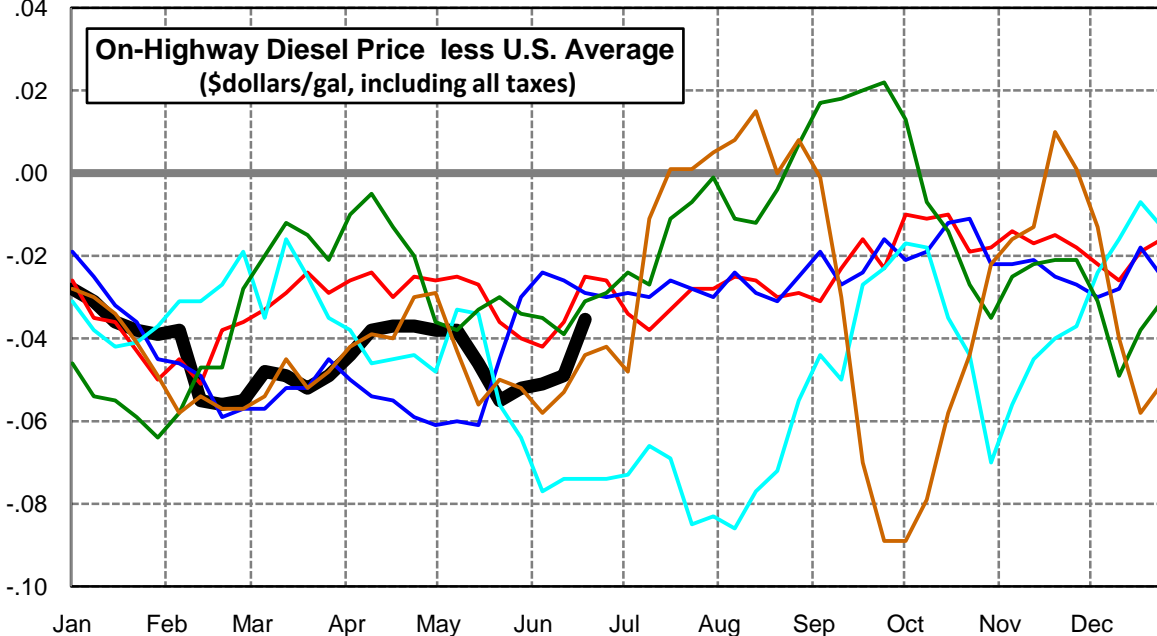
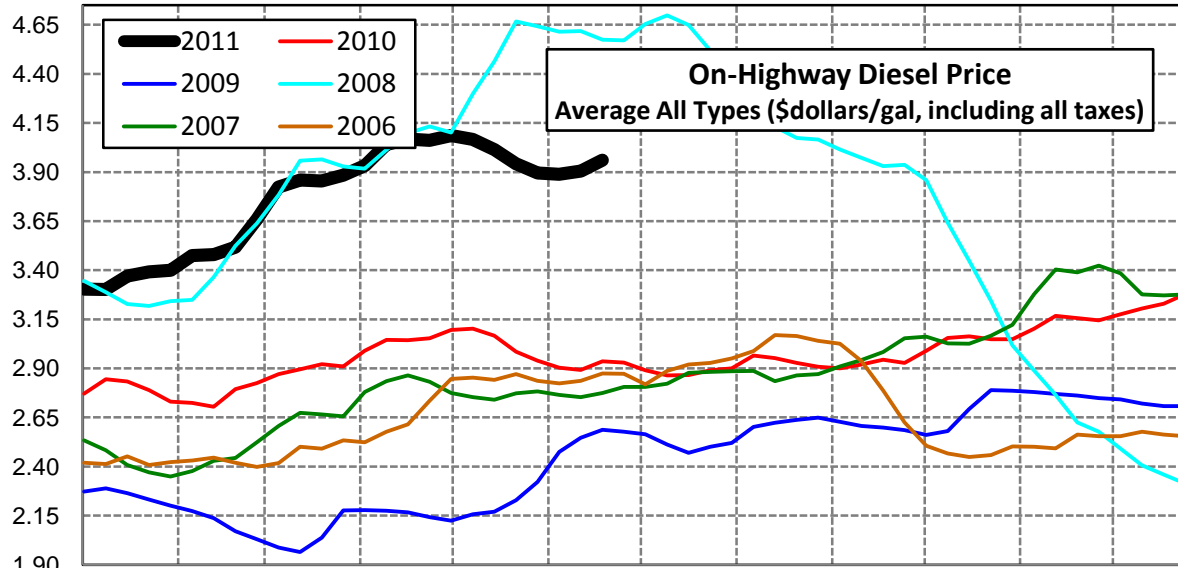
### New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>New England</b>	\$4.121	\$4.105	\$4.087	<b>\$4.155</b>	\$0.068
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



### Midwest Diesel Supply Fundamentals and On-Highway Price Trends

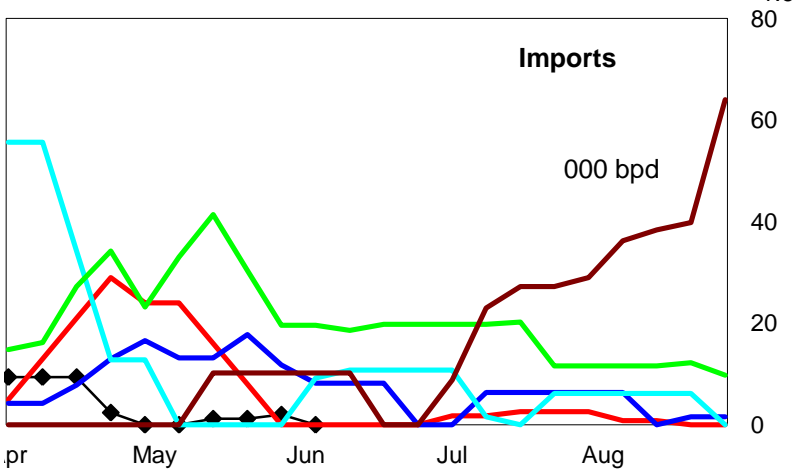
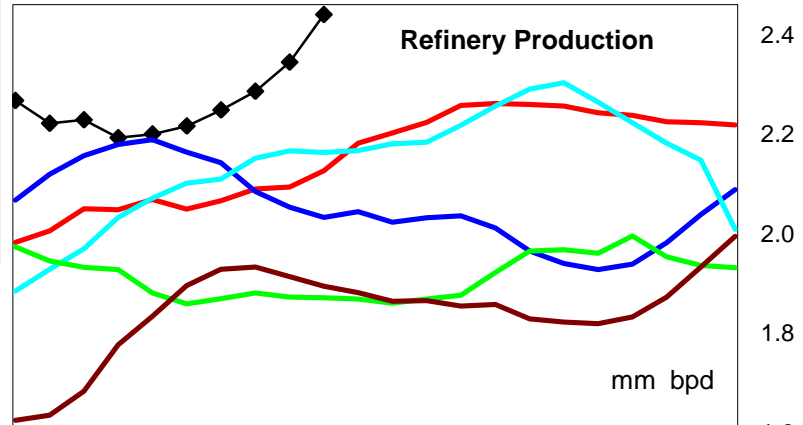
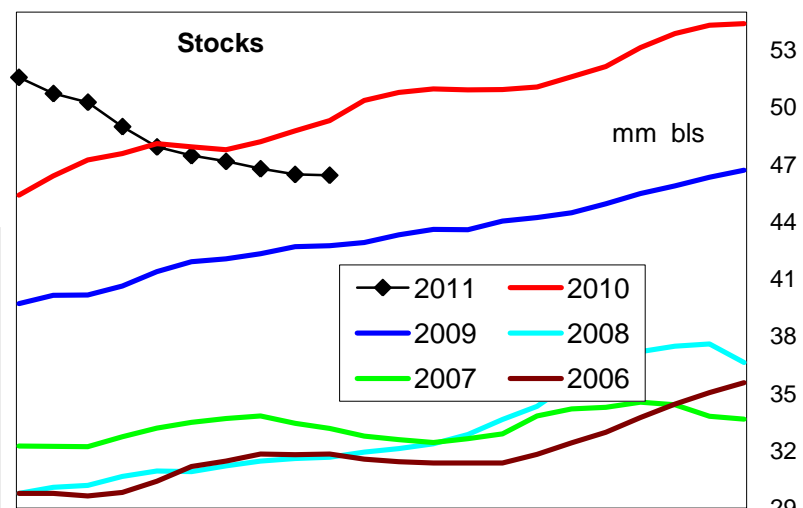
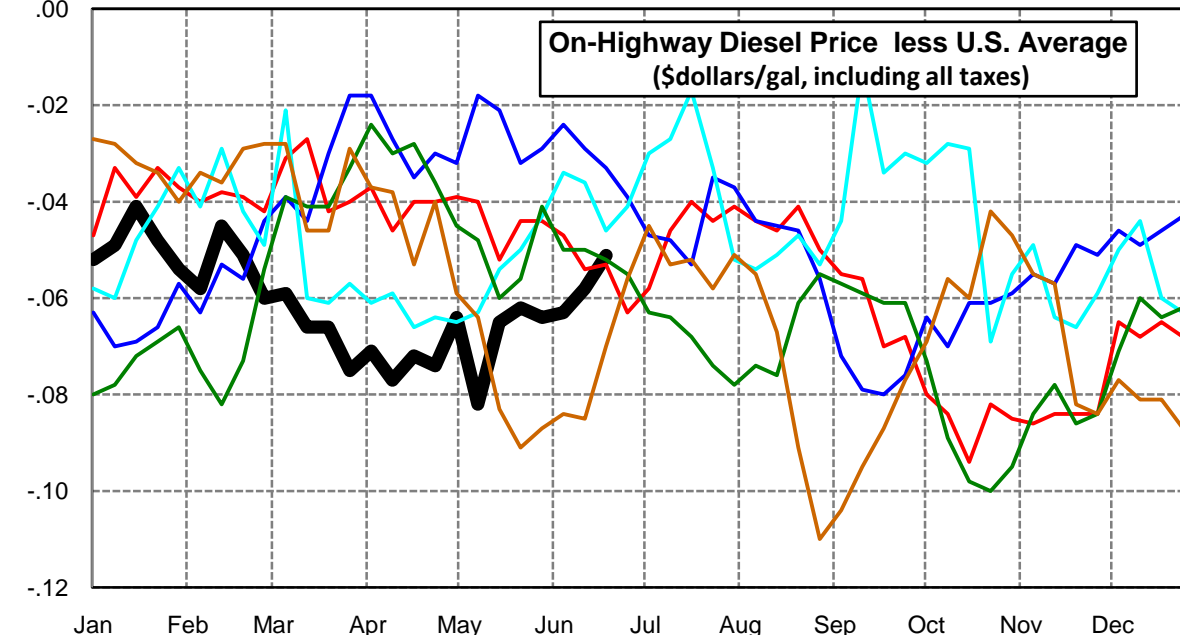
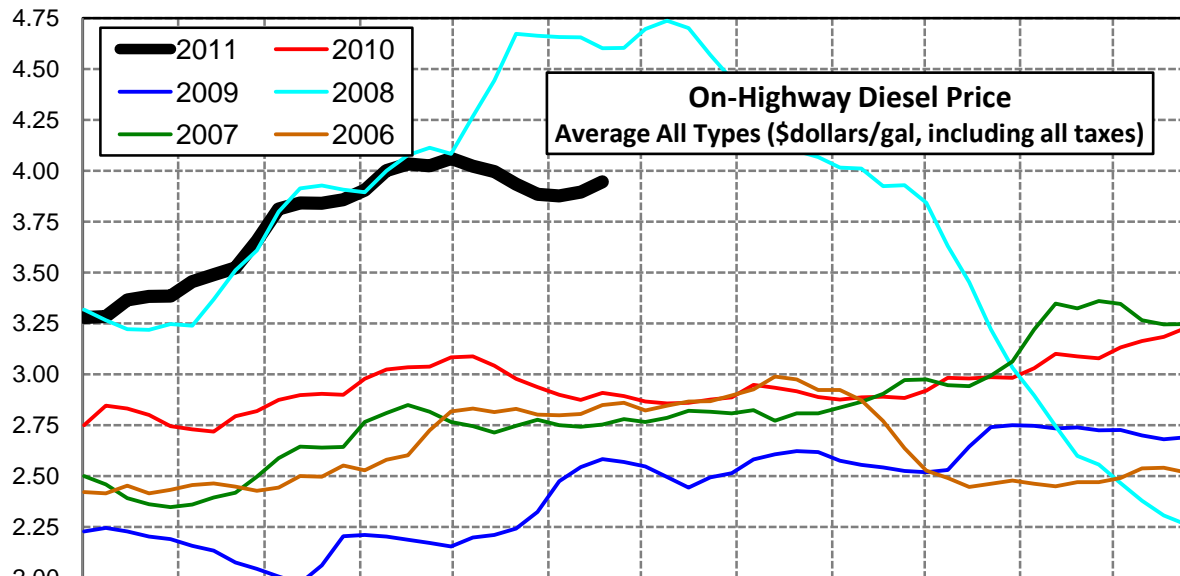
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>Midwest</b>	\$3.896	\$3.889	\$3.905	<b>\$3.961</b>	\$0.056
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





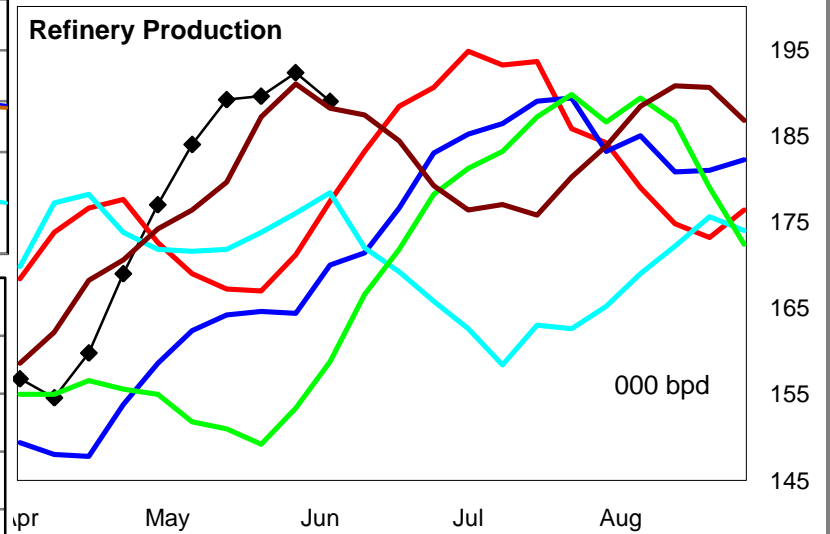
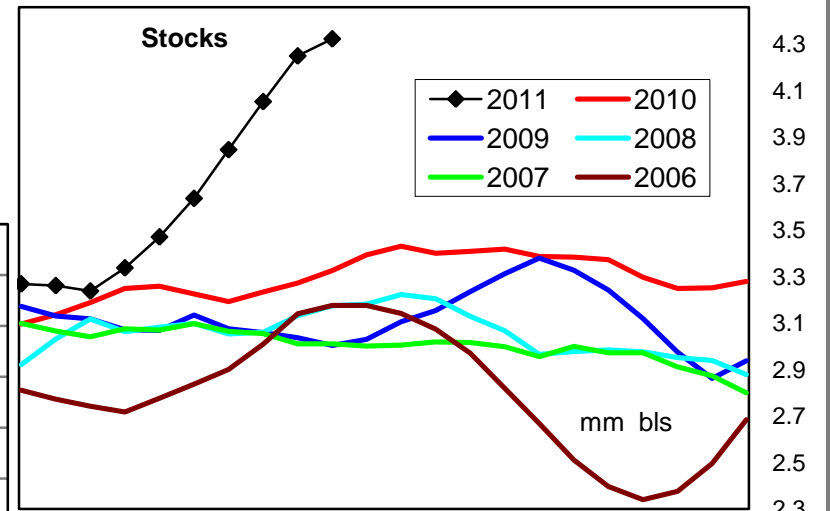
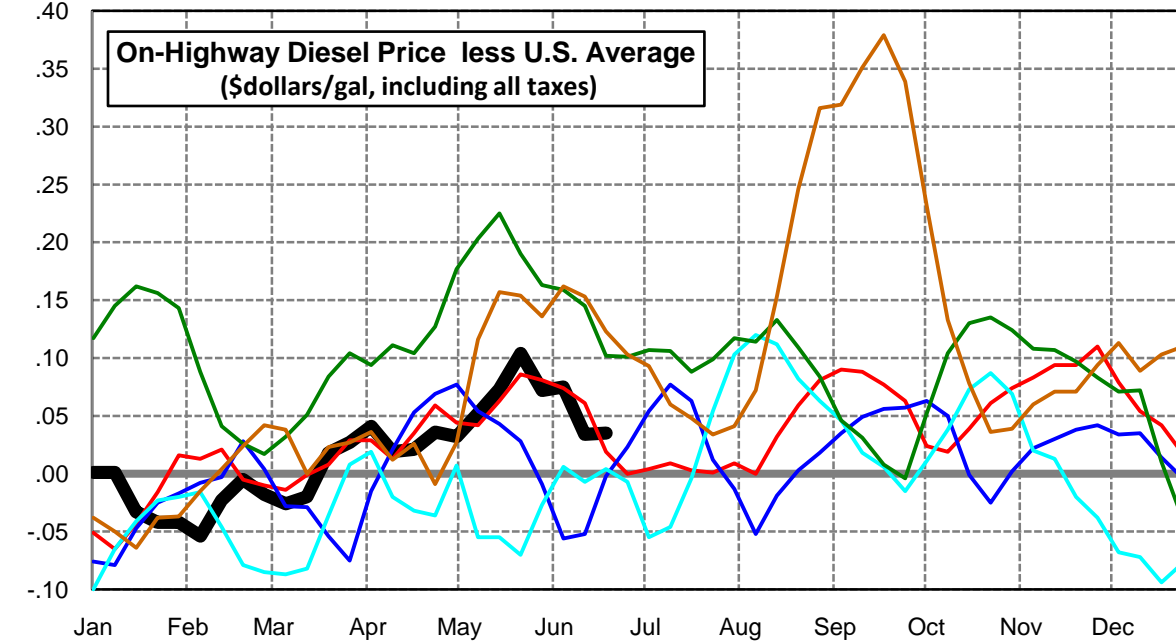
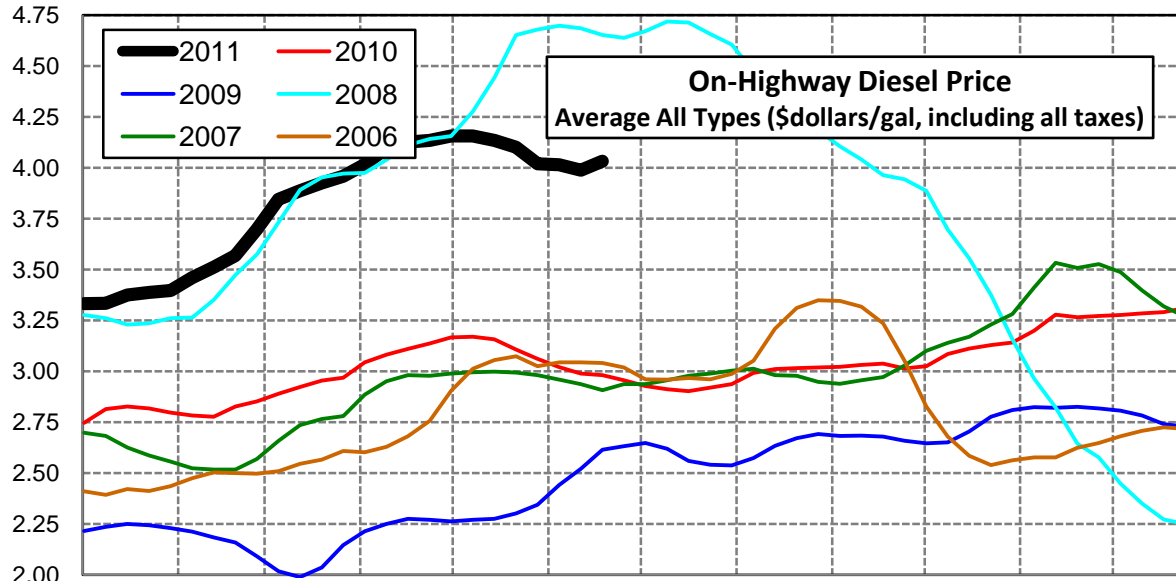
### Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>Gulf Coast</b>	\$3.884	\$3.877	\$3.896	<b>\$3.945</b>	\$0.049
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



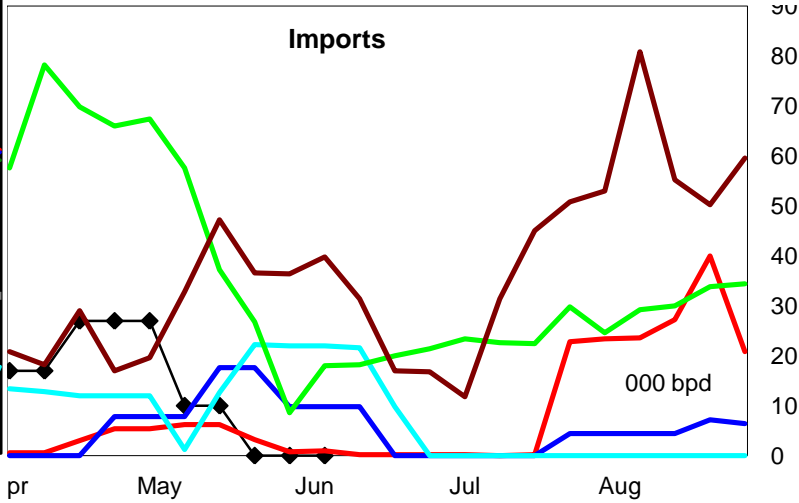
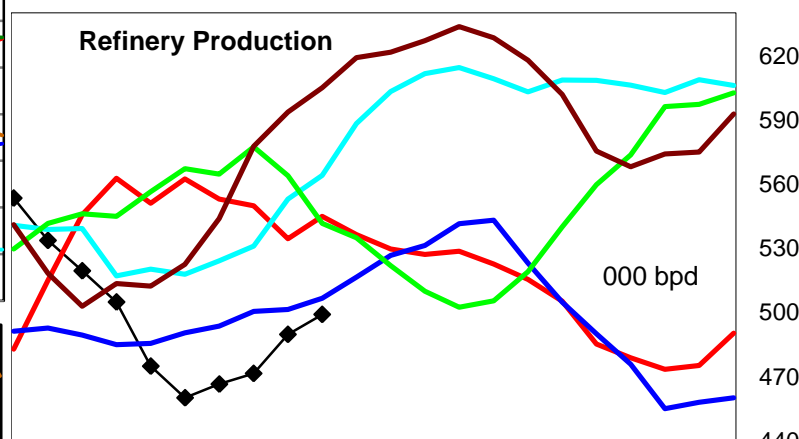
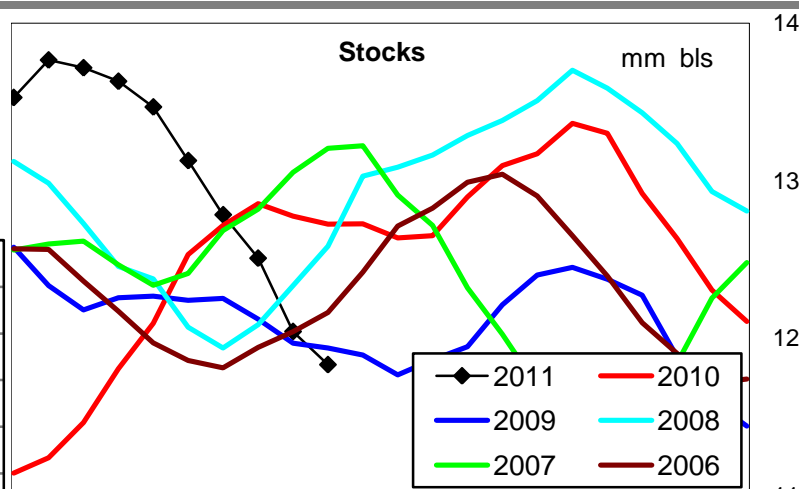
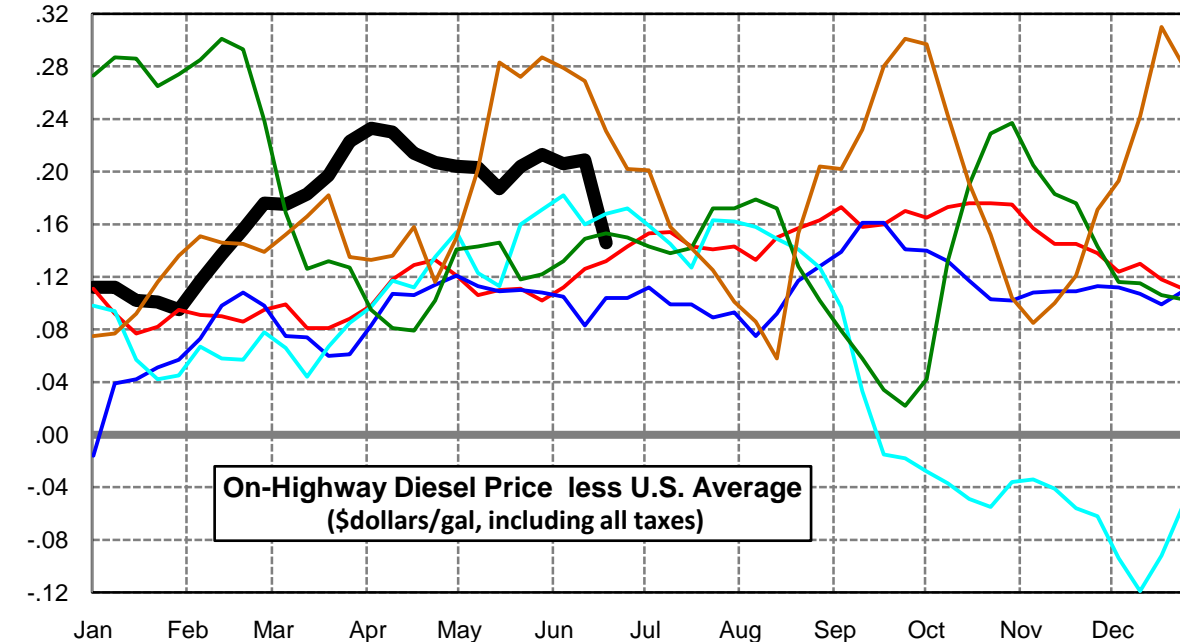
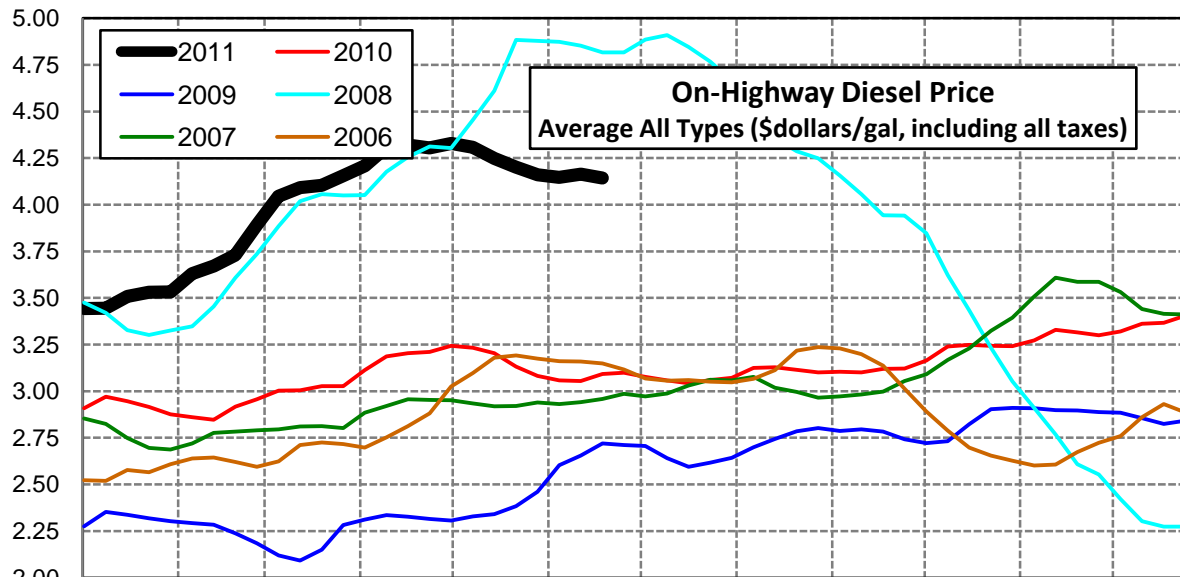
## Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>Rocky Mountain</b>	\$4.020	\$4.015	\$3.988	<b>\$4.032</b>	\$0.044
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



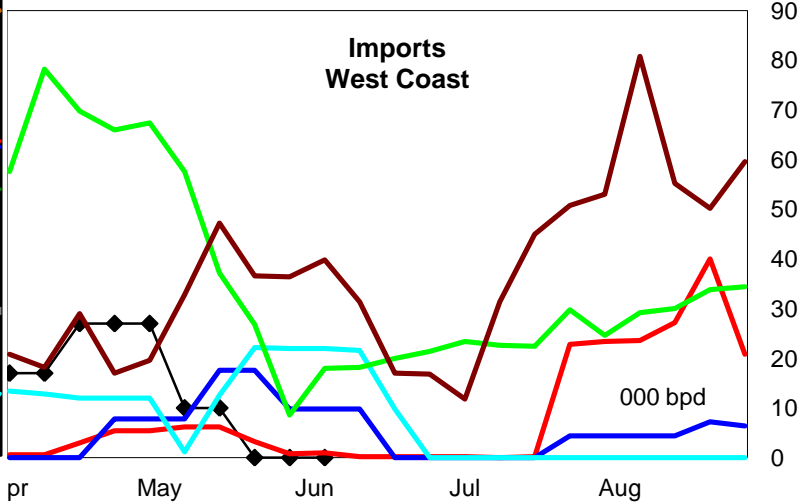
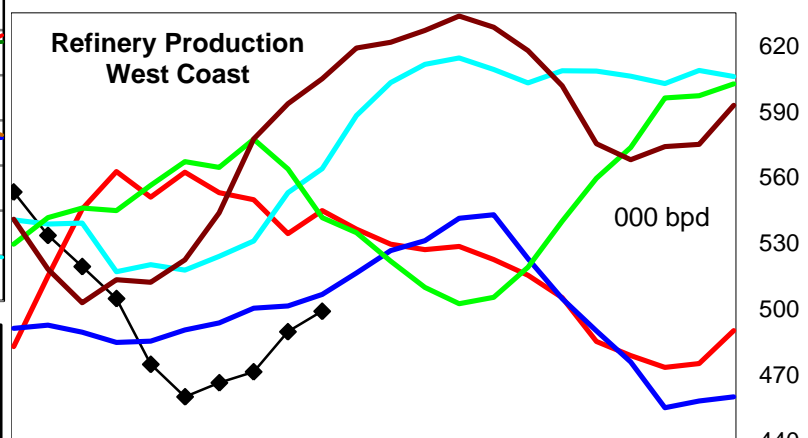
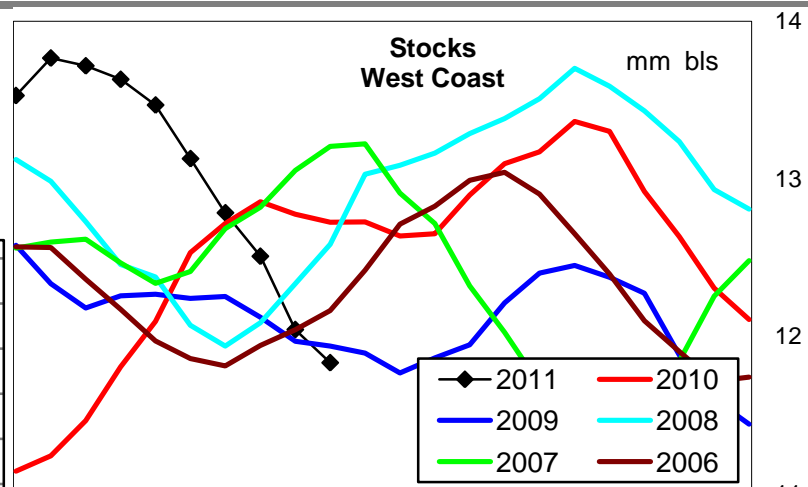
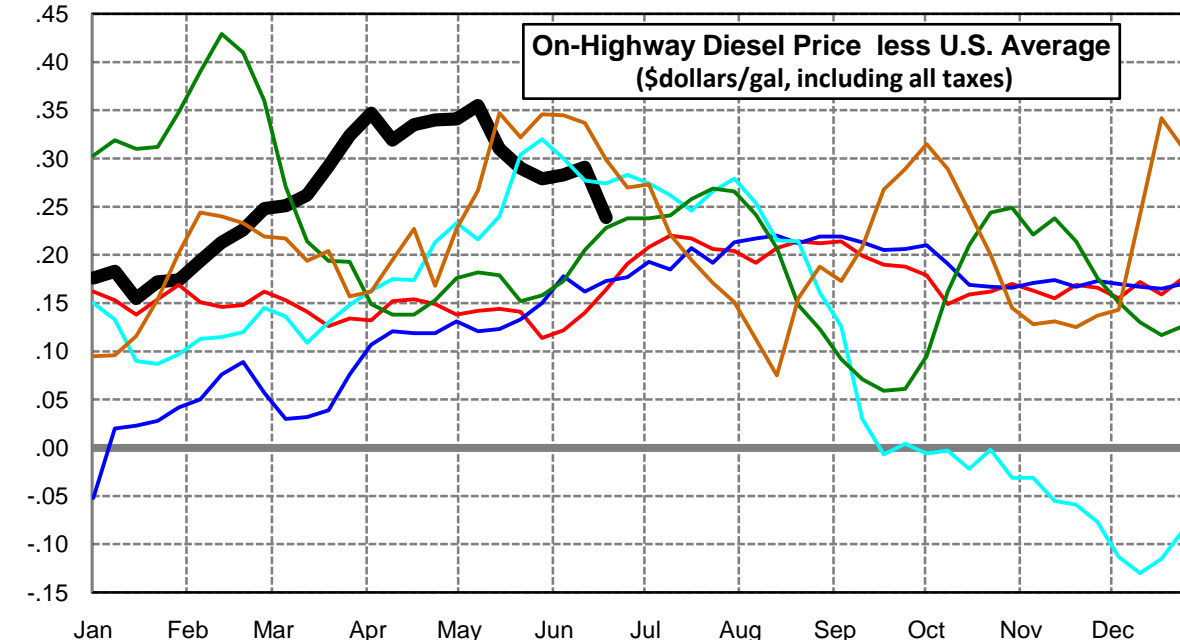
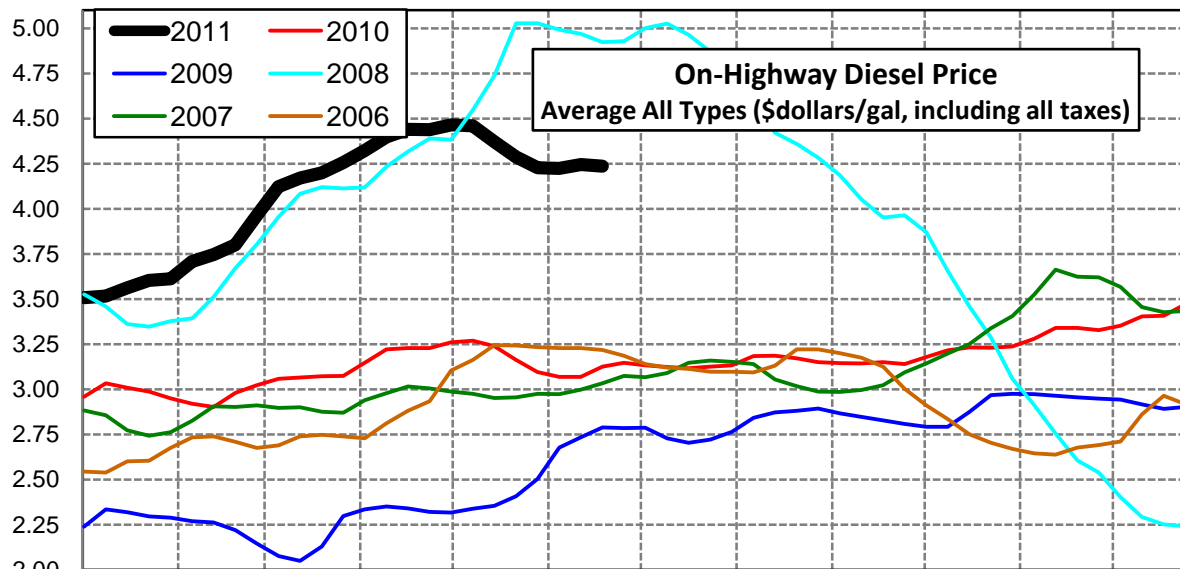
### West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	30May11	06Jun11	13Jun11	20Jun11	
<b>West Coast</b>	\$4.161	\$4.146	\$4.163	<b>\$4.142</b>	-\$0.021
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
	30May11	06Jun11	13Jun11	20Jun11	
<b>California</b>	\$4.227	\$4.223	\$4.245	<b>\$4.235</b>	-\$0.010
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	3.940	3.955	4.105	4.074	3.891	3.889	3.877	4.015	4.146	4.223
Mon-13-Jun-11	3.954	3.968	4.087	4.088	3.905	3.905	3.896	3.988	4.163	4.245
Mon-20-Jun-11	3.996	4.028	4.155	4.150	3.966	3.961	3.945	4.032	4.142	4.235
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.