



RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, October 12,

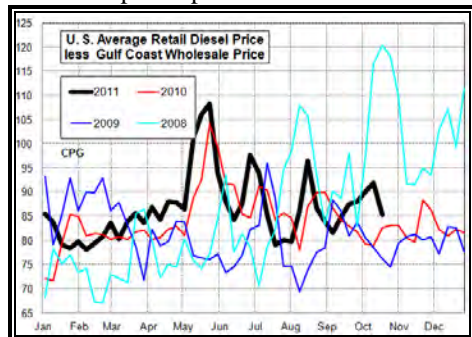
Weekly Retail On-Highway Diesel Prices

Region	Actual Price 1/			Forecast 2/	Change from week ago
	03Oct11	10Oct11	17Oct11	24Oct11	
U.S.	3.749	3.721	3.801	3.828	0.027
East Coast	3.765	3.741	3.815	3.850	0.035
New England	3.941	3.912	3.907	3.945	0.038
Central Atlantic	3.881	3.860	3.922	3.964	0.042
Lower Atlantic	3.699	3.674	3.761	3.785	0.024
Midwest	3.699	3.671	3.754	3.772	0.018
Gulf Coast	3.693	3.651	3.726	3.763	0.037
Rocky Mountain	3.846	3.828	3.885	3.847	-0.038
West Coast	3.927	3.910	4.010	4.022	0.012
California	4.007	3.977	4.053	4.105	0.052

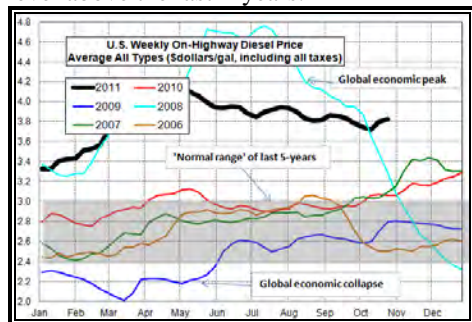
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamental Petroleum Trends Reports

Diesel Fuel Price Trends U. S. retail diesel prices jumped +8 cpg for the week ending 17Oct11. The increase reflected last weeks' rise in wholesale prices, partially offset by a decrease in the retail to wholesale price spread.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price fell -6.3 cpg last week as retail prices increased less than the wholesale market. The spread ended the week at a level above the last 2-years.

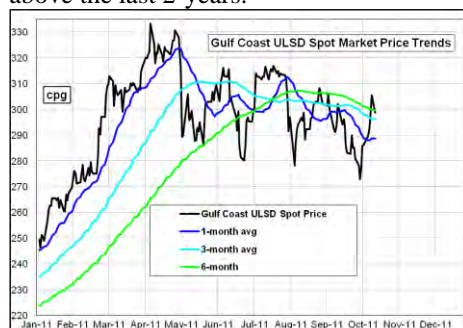


The national average on-highway price ended the week \$0.32/gal **above** the high, for this time of year, set in 2008, and +\$0.73/gal above last year ago.

Prices climbed +10 on the West Coast and +8.7 cpg in he Lower Atlantic Region. Prices decreased -.5 cpg in New England and increased just +5.7 cpg in the Rocky

Mountain region. Gulf wholesale prices ended the week near the highs of the last 60-says.

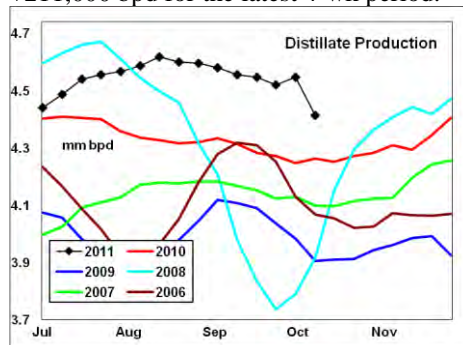
U.S. average retail prices have declined -32 cpg from highs reached in mid May. The spread between retail and wholesale spot prices decreased to levels above the last 2-years.



With the spread between wholesale and retail prices slightly above the average for this time of year, expect retail prices to increase less than the wholesale price.

Supply - Demand Fundamental Trends

U.S. weekly wholesale distillate demand decreased -32,000 bpd last week, although the rate of seasonal increase and year-on-year growth were each above average. Year-on-year demand growth was +211,000 bpd for the latest 4-wk period.



Distillate supply fell -344,000 bpd last week, on the start of fall refinery

maintenance. Stocks decreased -2.9 million barrels on the week, a result of the sharp drop in supply and robust demand.

The Gulf Coast reported the lowest average price at \$3.73/gal. The highest price was reported in California at \$4.11/gal.

Gulf Coast wholesale distillate prices jumped +10 cpg last week ending

Global Trends Driving Diesel Prices

Distillate supplies continue to tighten in global markets due to unplanned refinery maintenance in Asia (shell Singapore 500K plant) and Europe (fires shut down two refineries). Seasonal maintenance in the U.S. has began and should reduce production another -500,000 bpd during the next 45-days.

The recent price uptrend was also due to indications that the European Union would prevent a near term default by Greece and support for European banks.

Evidence of slower growth in China due to a housing bubble, local / private government debt and a slowdown in exports point to slower global economic growth in 2012.

These economic trends indicate a pull back in global energy prices is likely during the next several months.

Diesel Price Outlook U.S. average retail prices are projected to increase +2.7 cpg for the week ending 24Oct11, due to the recent increase in wholesale prices.

Regional prices are forecast to decrease in the Rocky Mountain Region - 3.8 cpg, which has recently experienced a supply squeeze due to a high level of refinery maintenance. Above average rate of price increase is forecast for California and the Central Atlantic Region; markets where a high level of refinery maintenance has sharply reduced supply.

Look for the recent jump in wholesale prices to lead to further increases at the retail level during the 2nd half of October.

Expect a return to the longer term downtrend during the 2nd half of the 4th quarter of 2011.

Political uncertainty in the Middle East has been heightened by emerging conflicts between Israel and neighboring countries, providing an upside risk to prices.

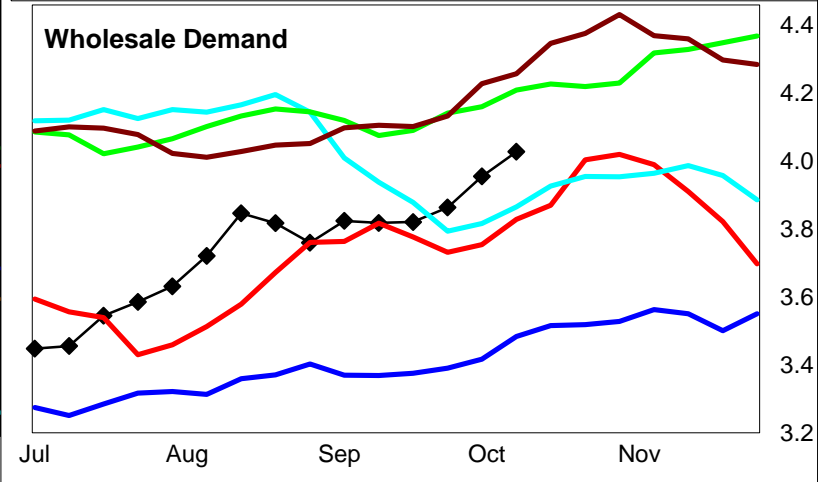
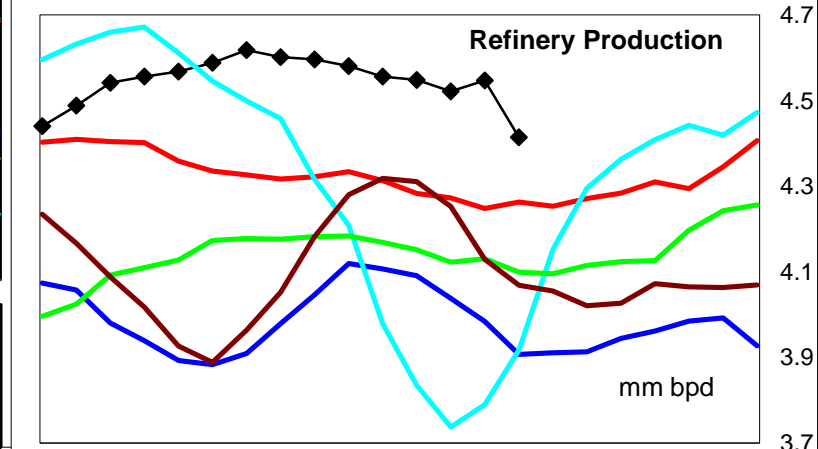
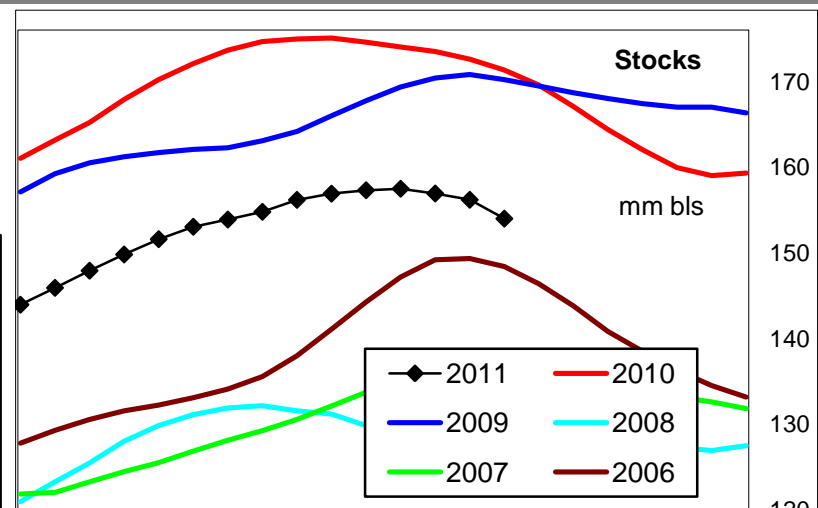
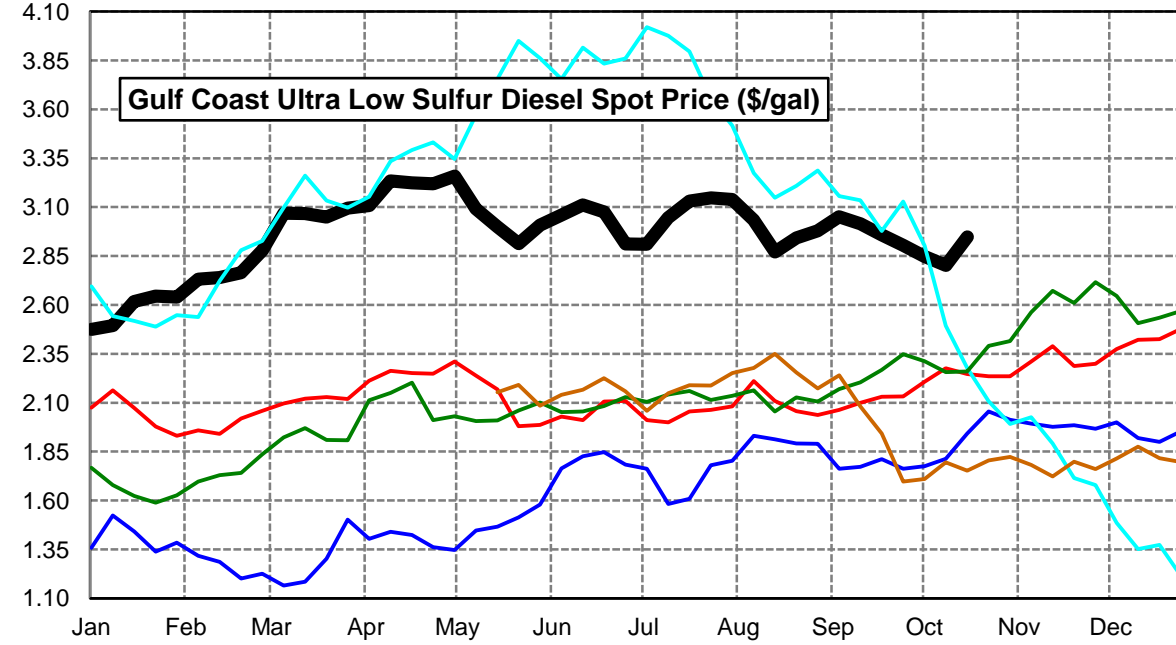
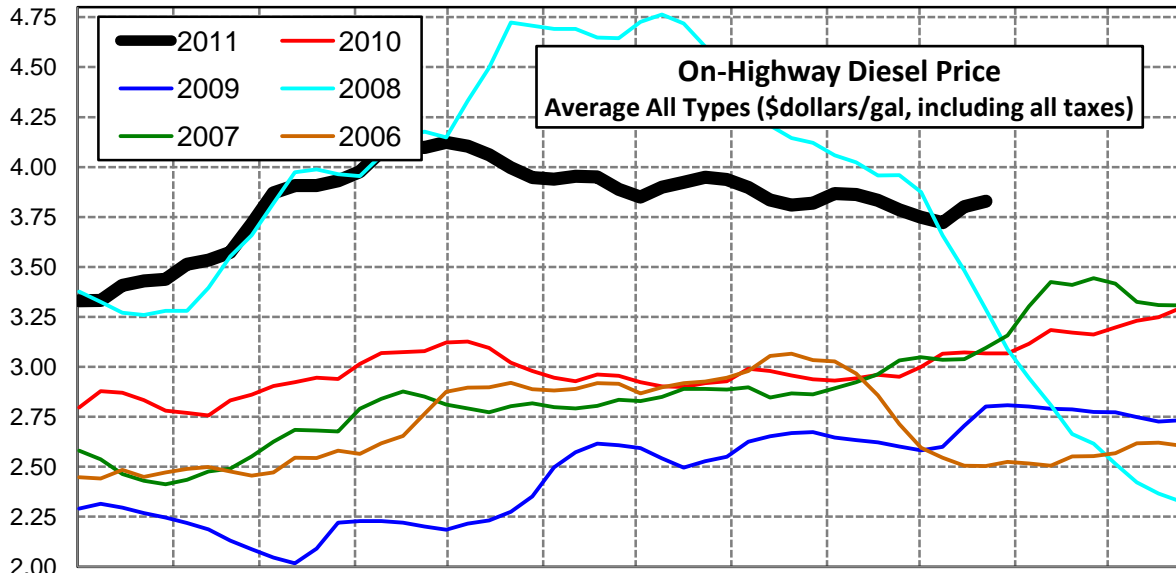
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Click [Blue Icon](#) on Map to view Regional Price & Fundamental Trends



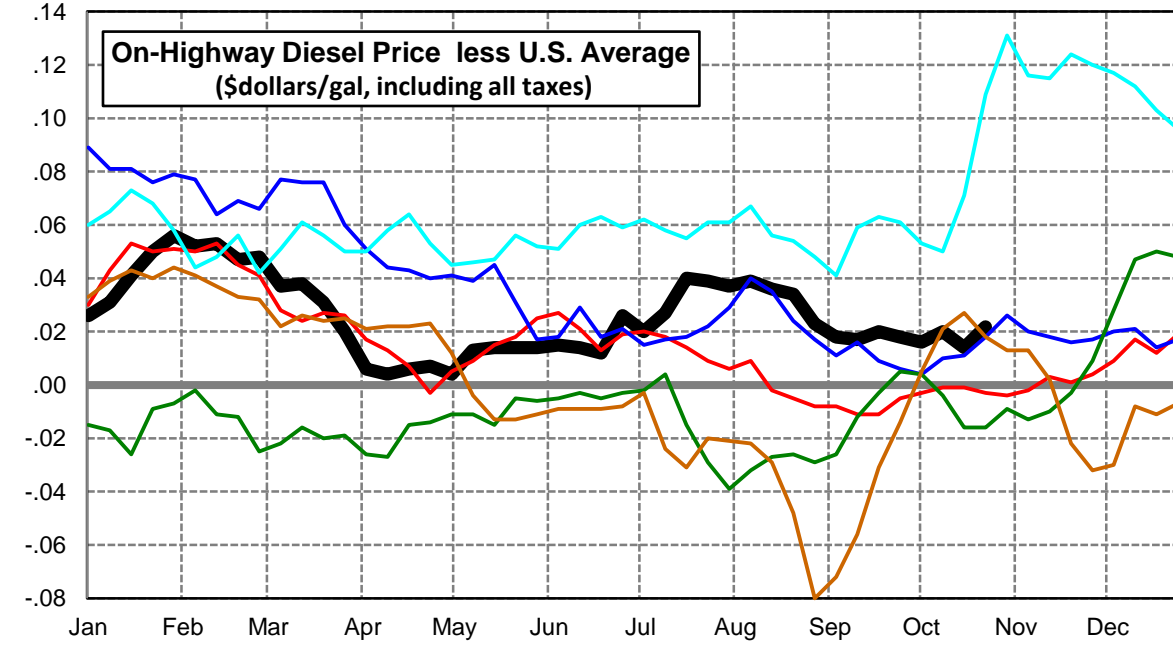
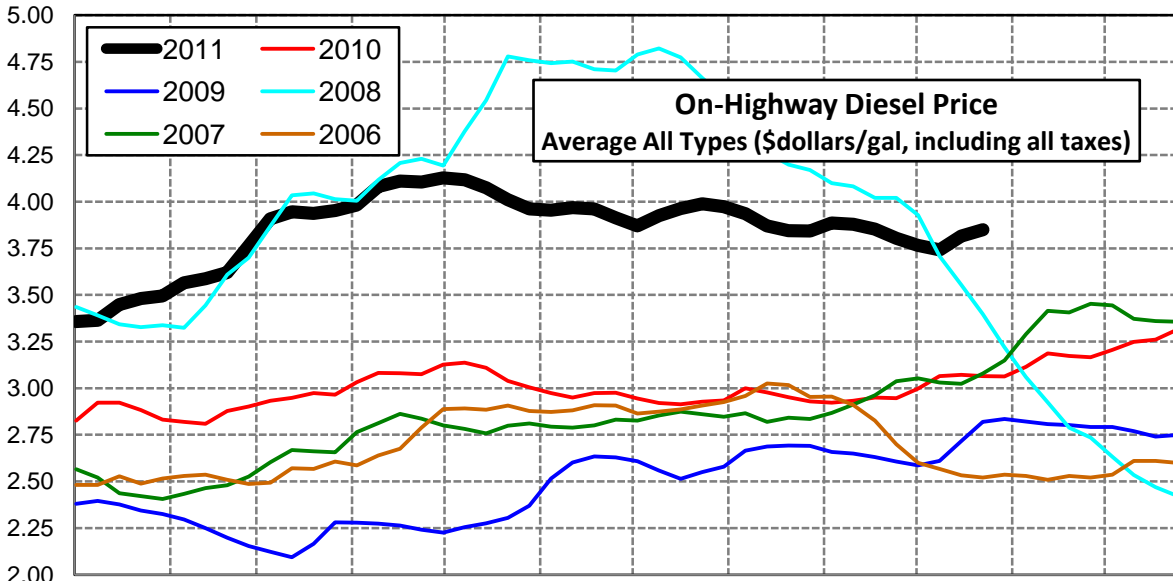
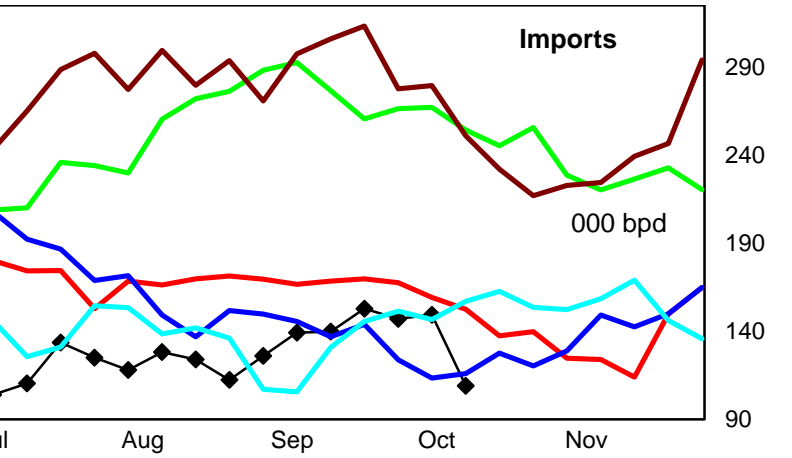
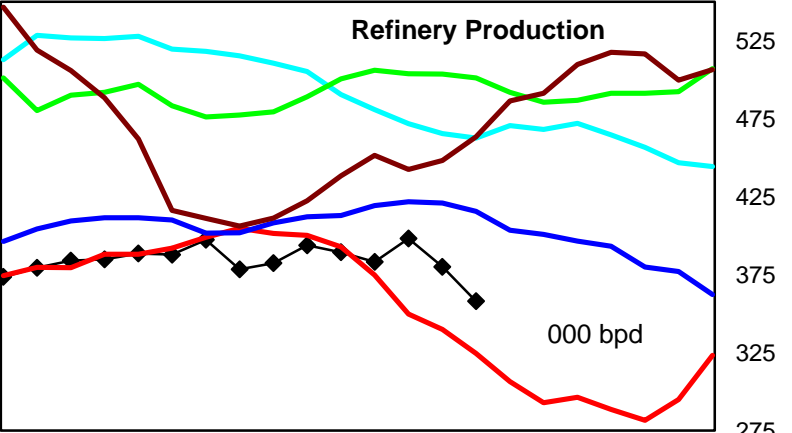
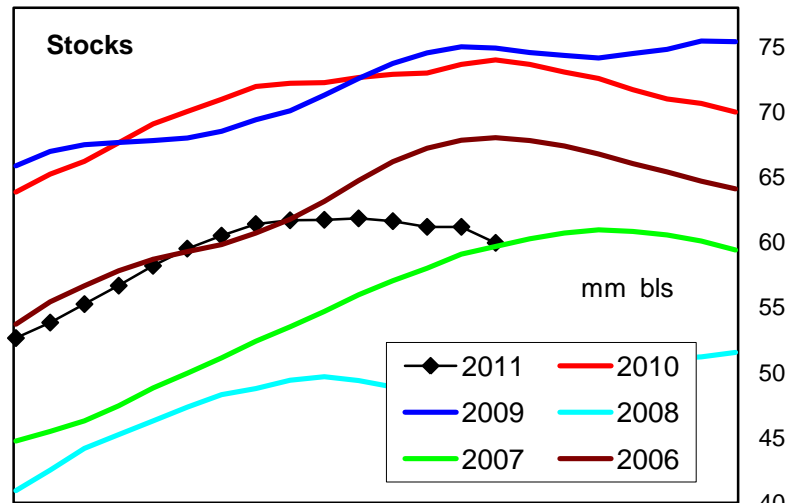
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
United States Avg	\$3.749	\$3.721	\$3.801	\$3.828	\$0.027
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



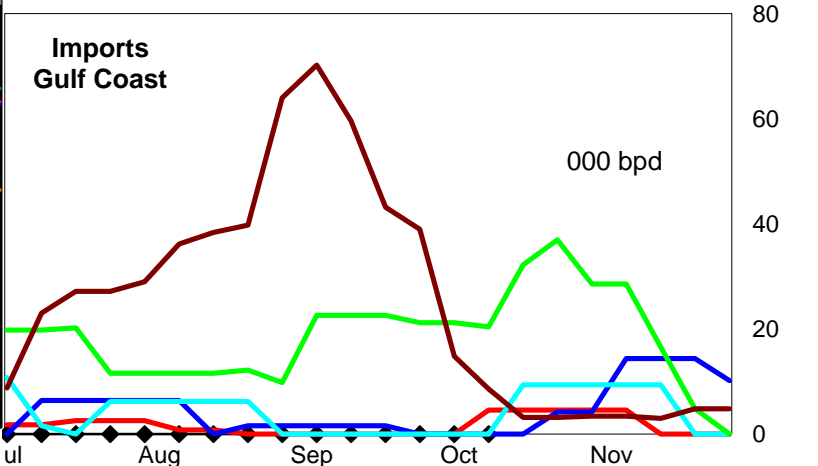
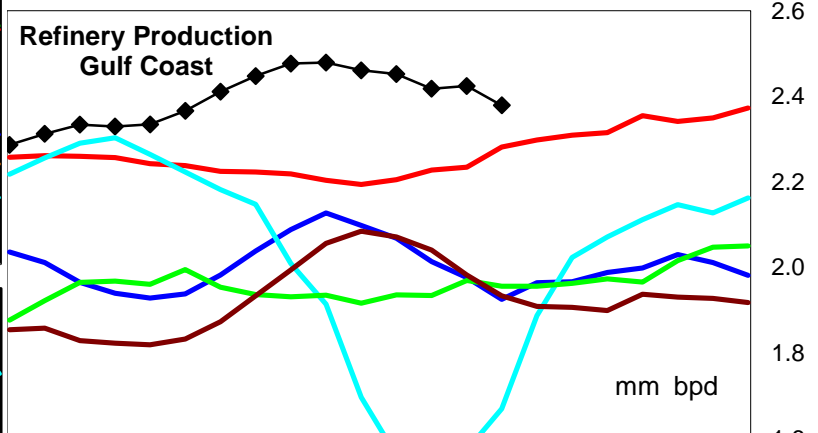
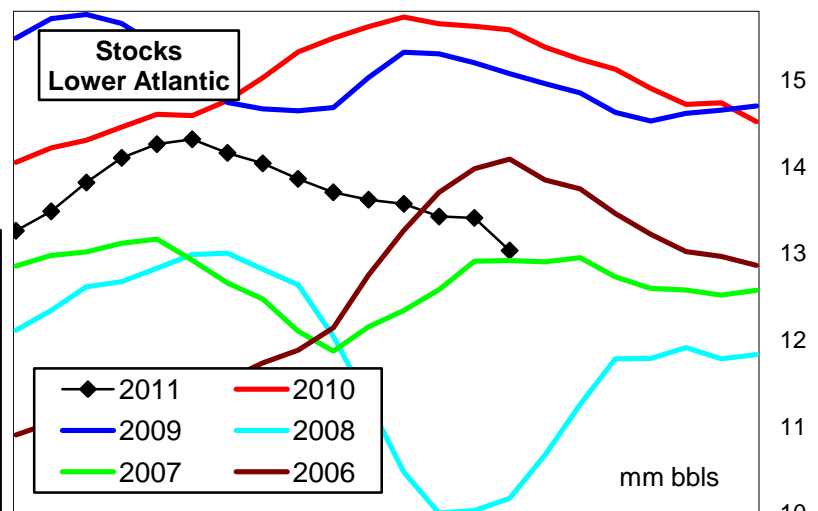
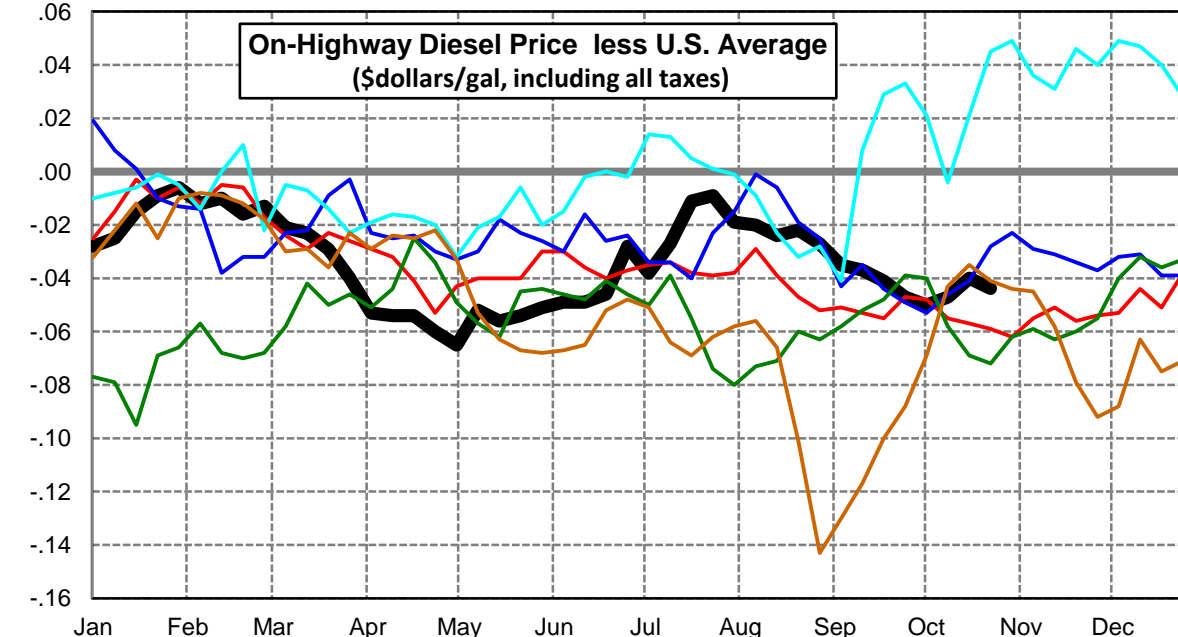
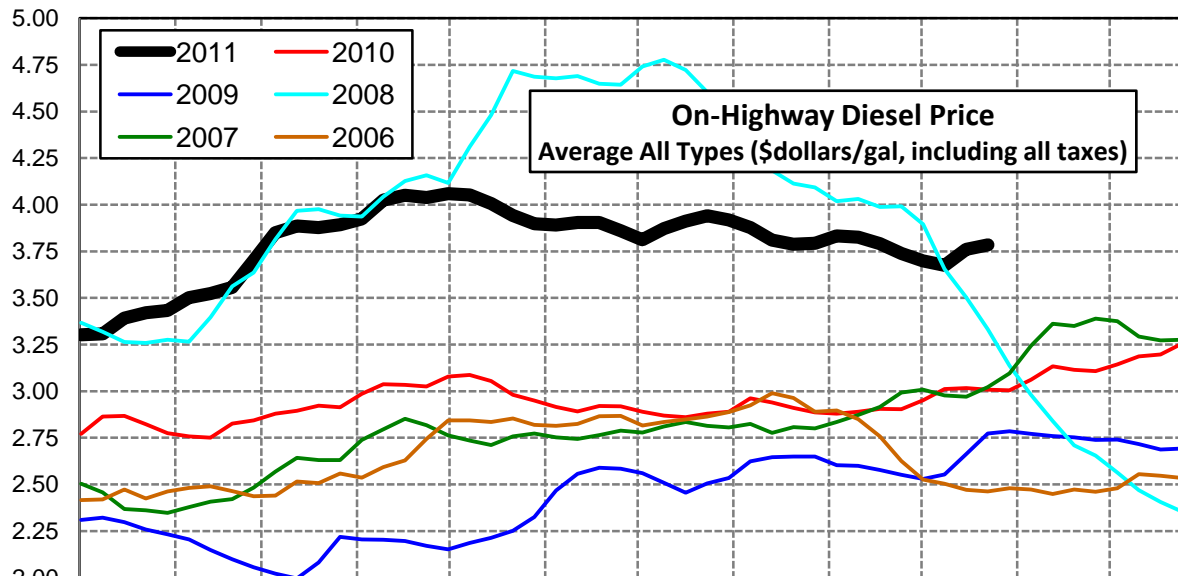
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
East Coast	\$3.765	\$3.741	\$3.815	\$3.850	\$0.035
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



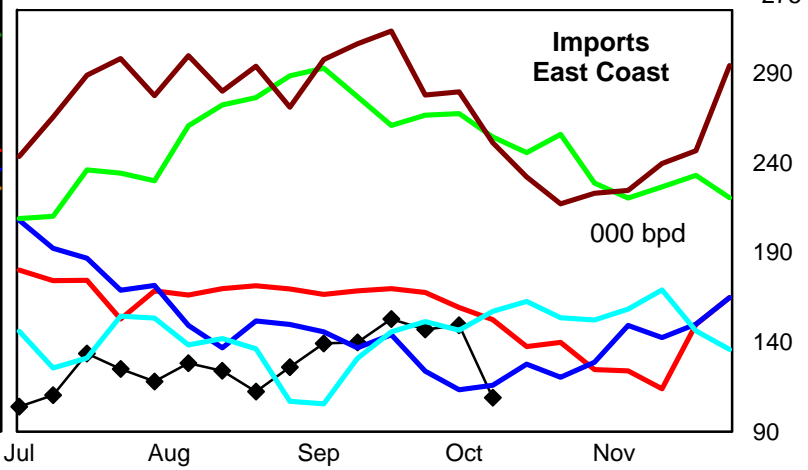
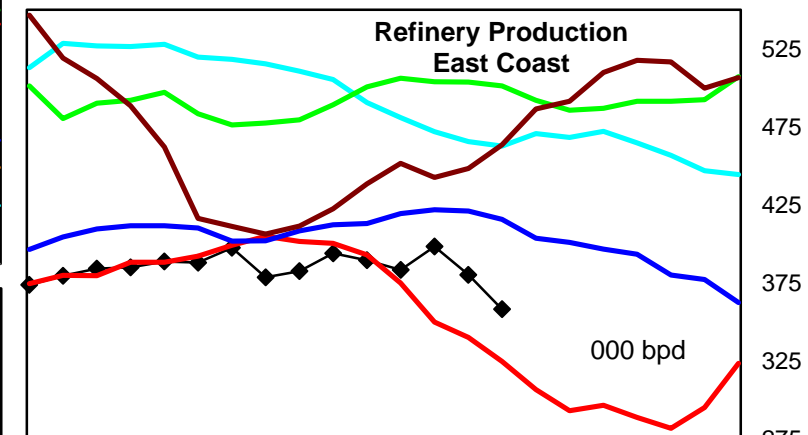
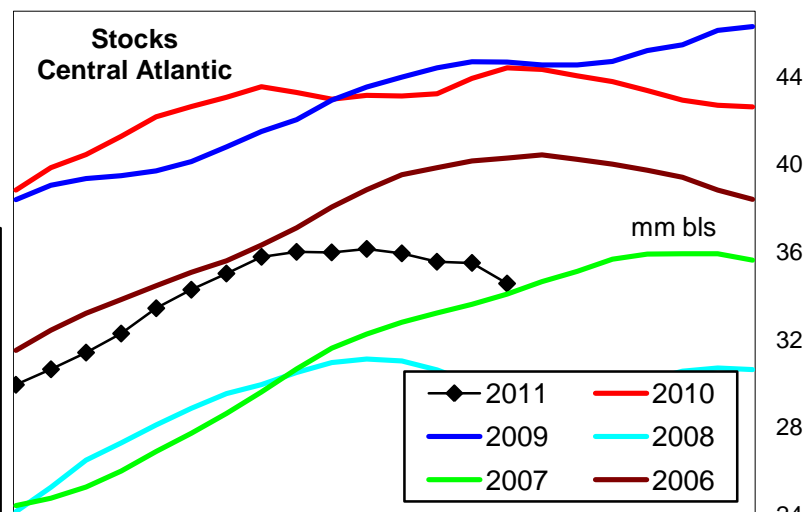
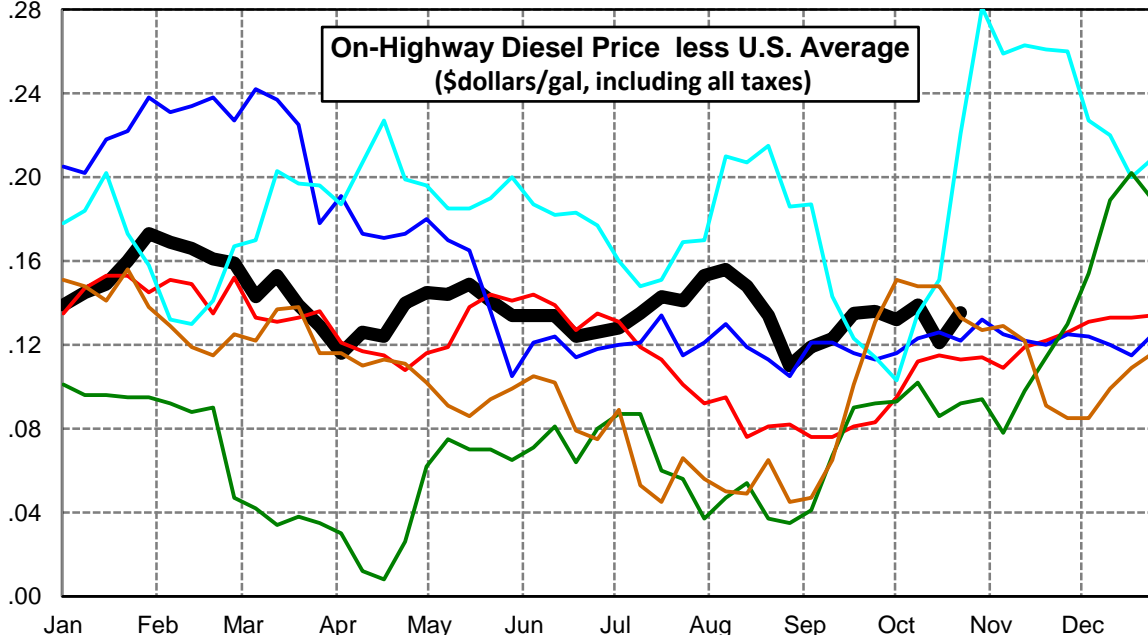
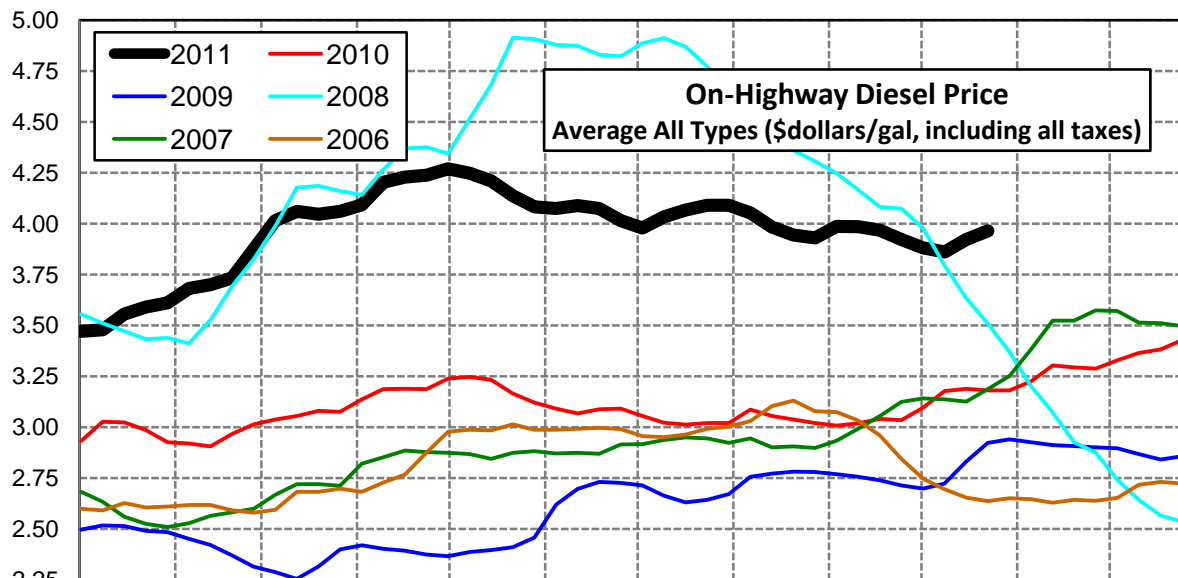
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
Lower Atlantic	\$3.699	\$3.674	\$3.761	\$3.785	\$0.024
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



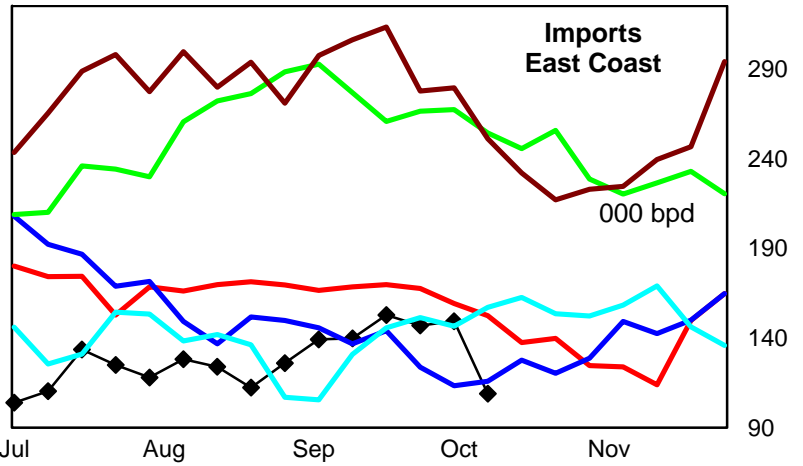
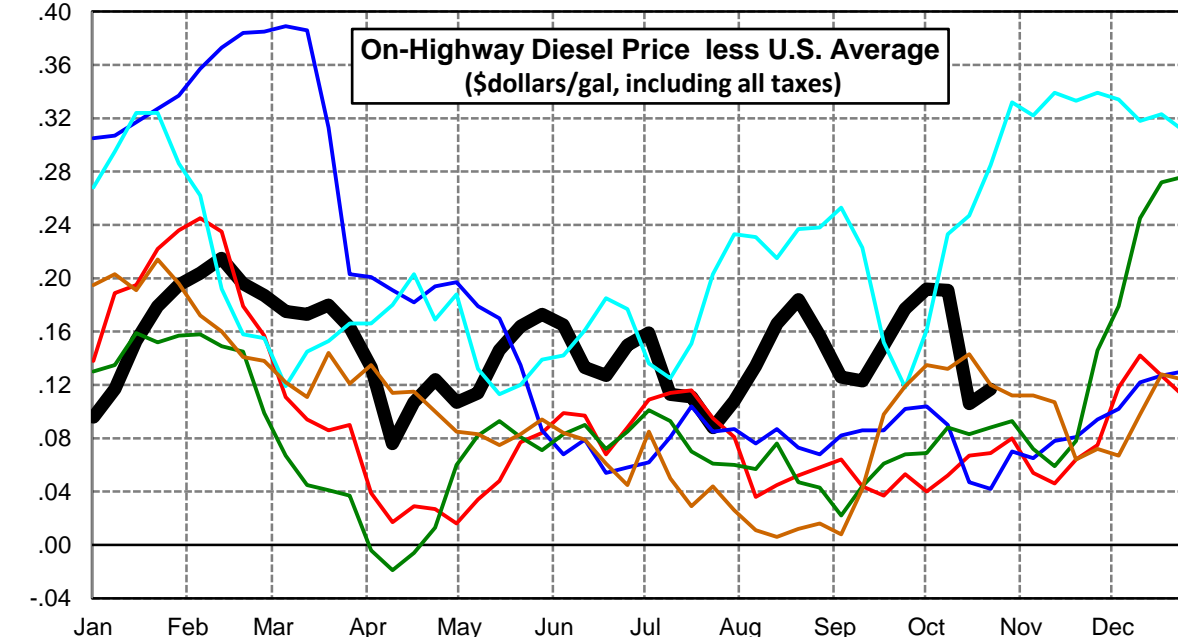
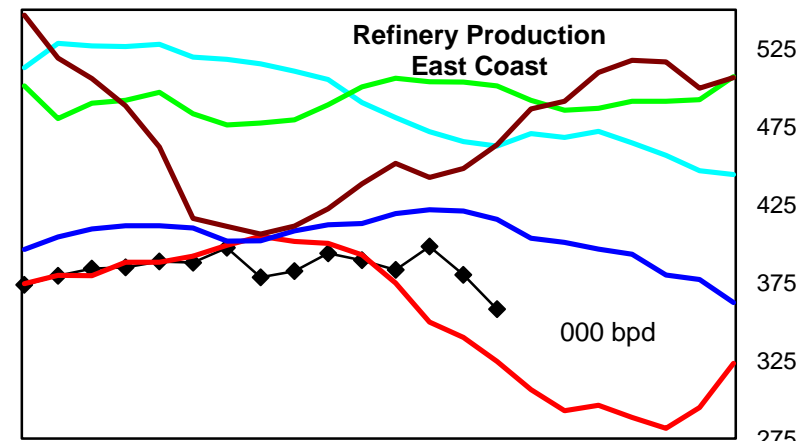
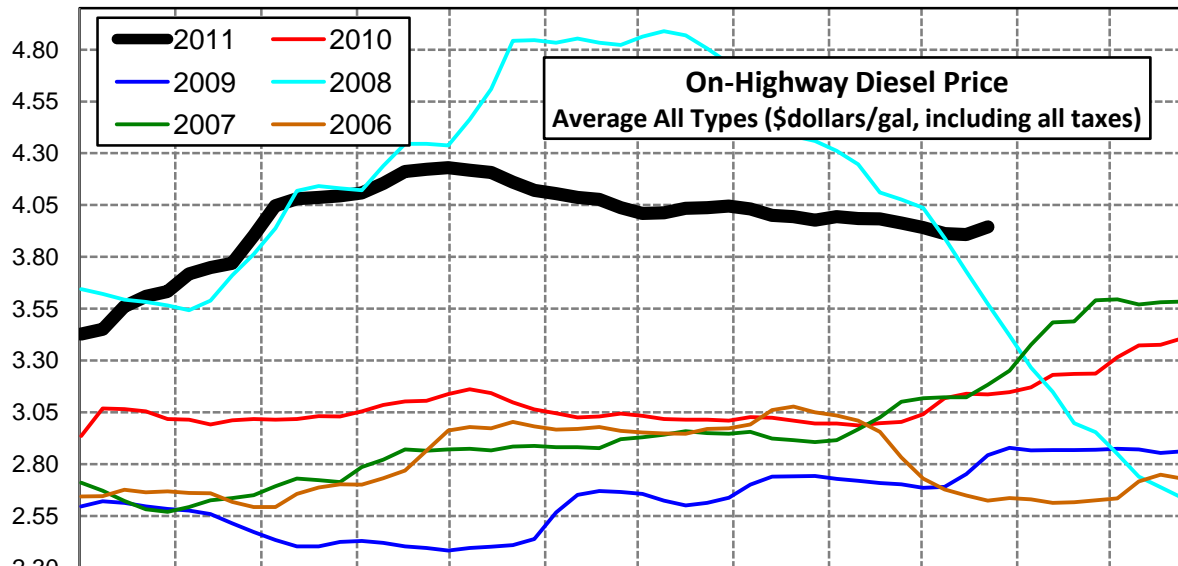
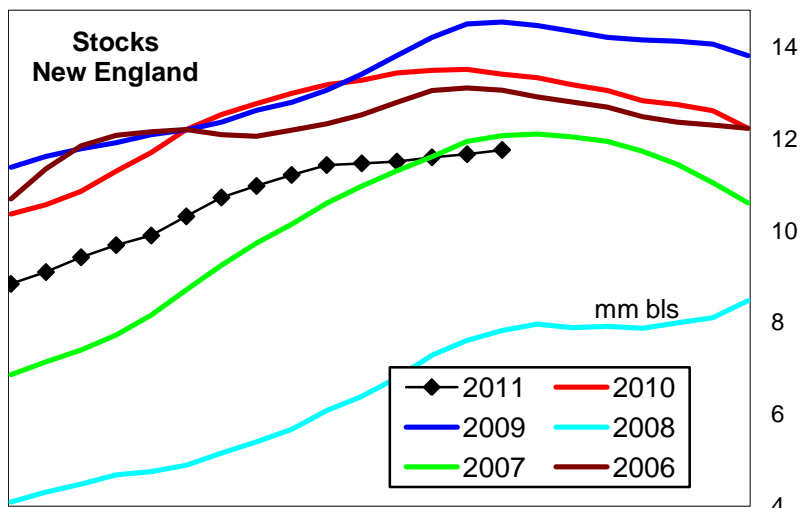
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
Central Atlantic	\$3.881	\$3.860	\$3.922	\$3.964	\$0.042
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



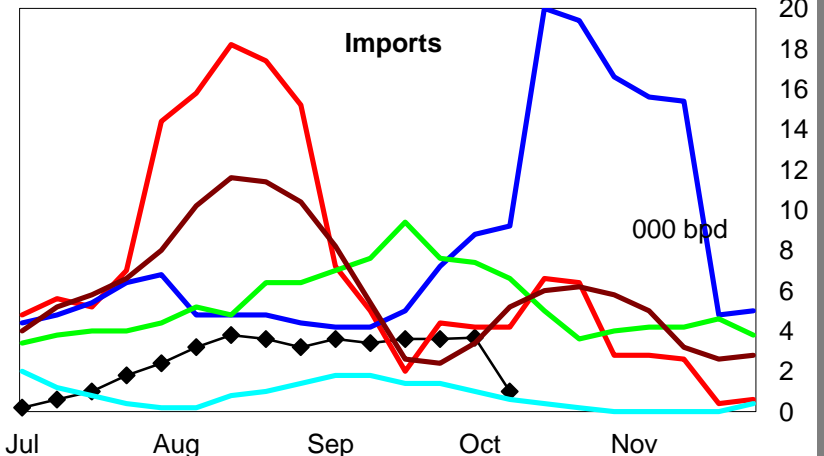
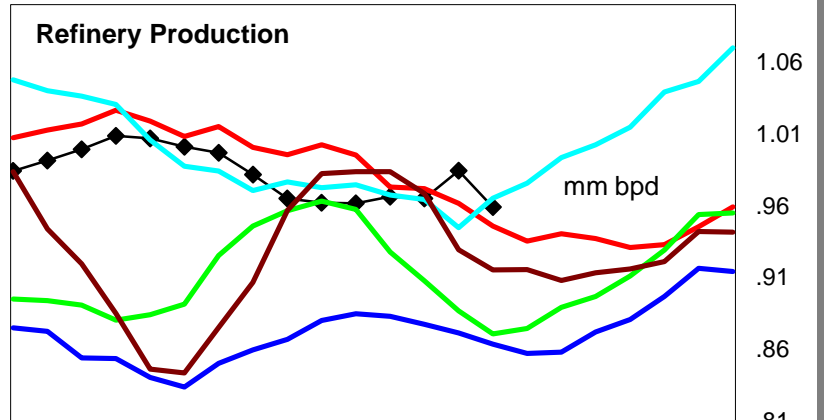
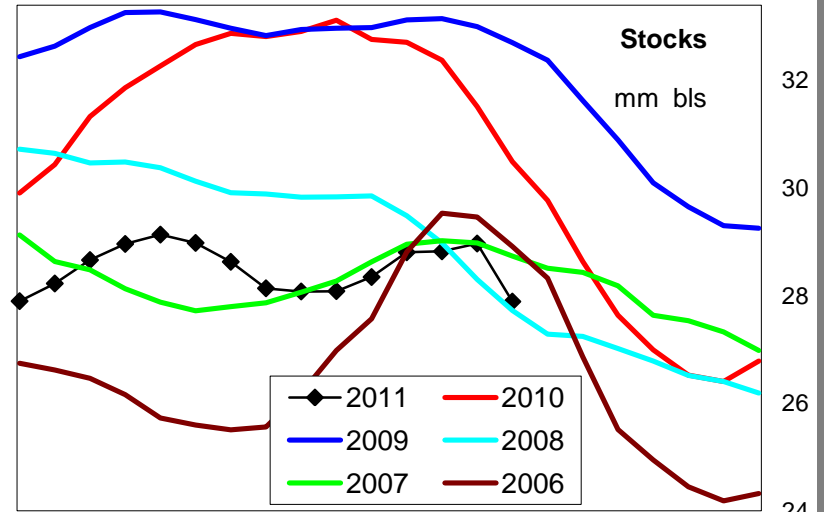
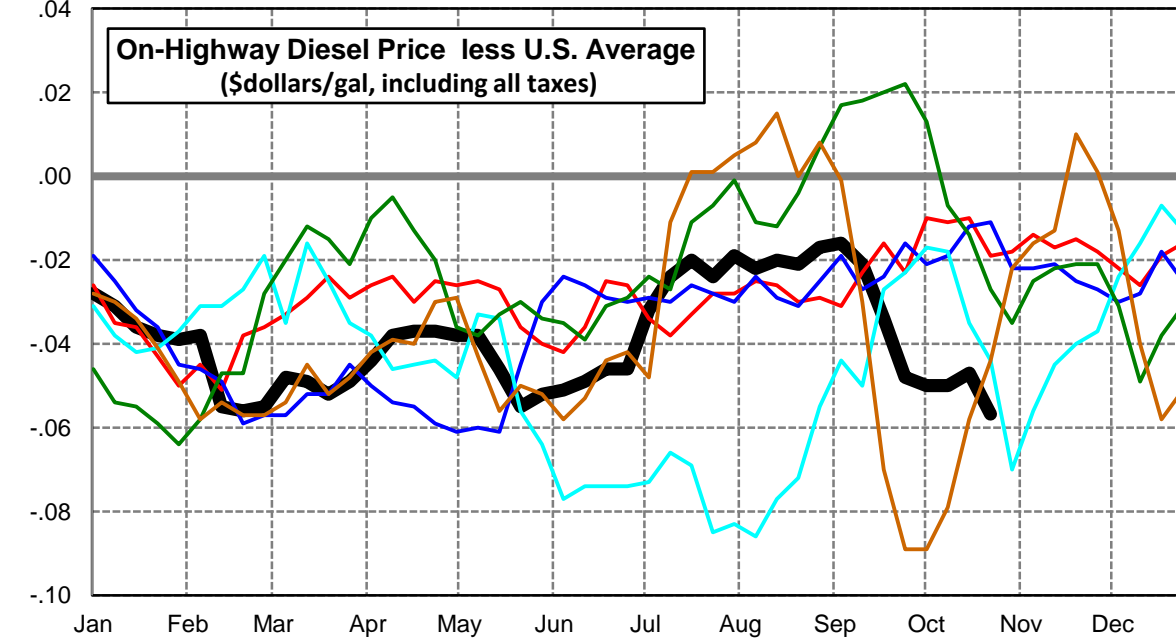
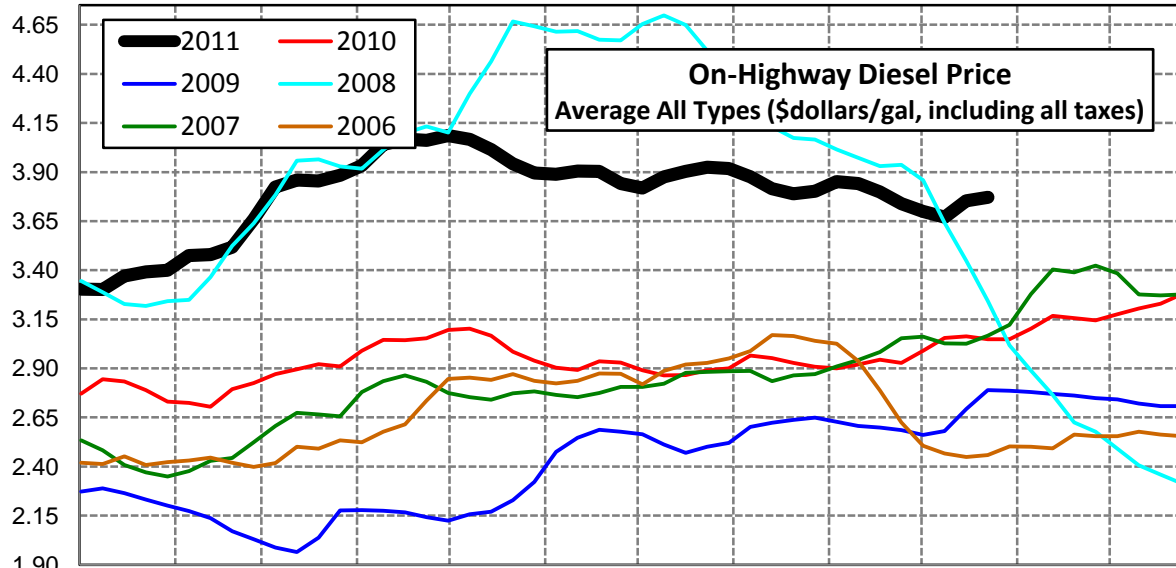
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
New England	\$3.941	\$3.912	\$3.907	\$3.945	\$0.038
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



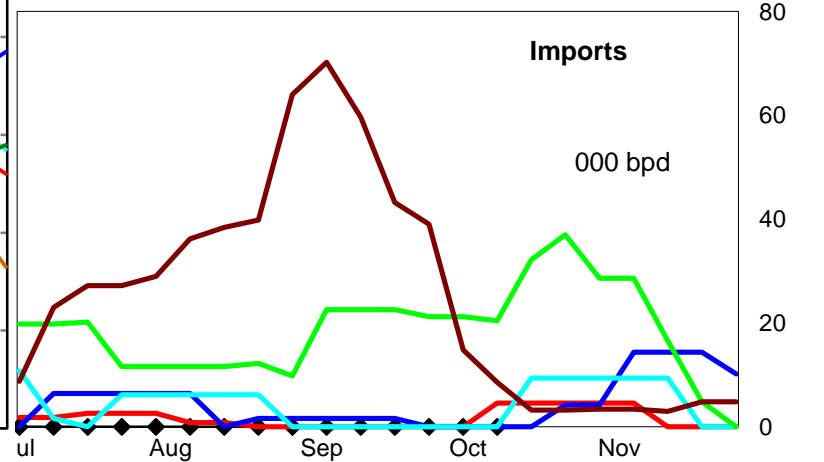
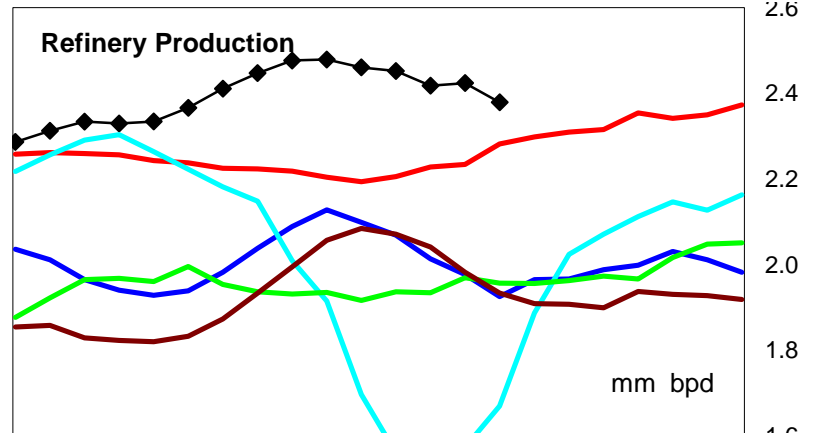
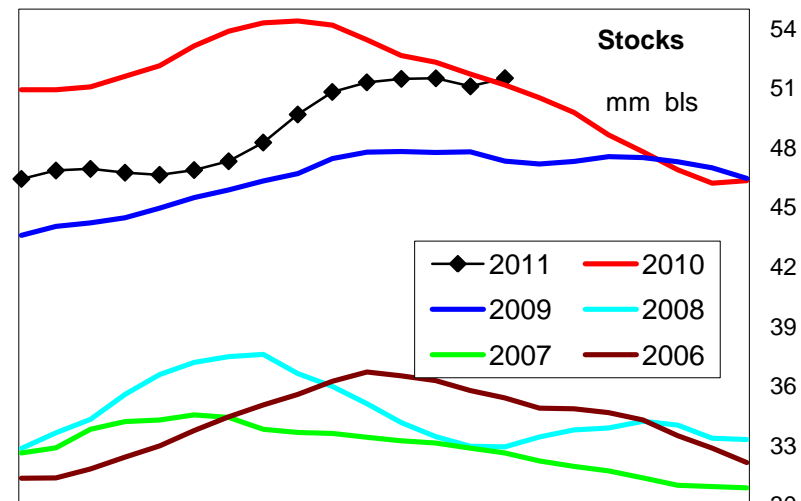
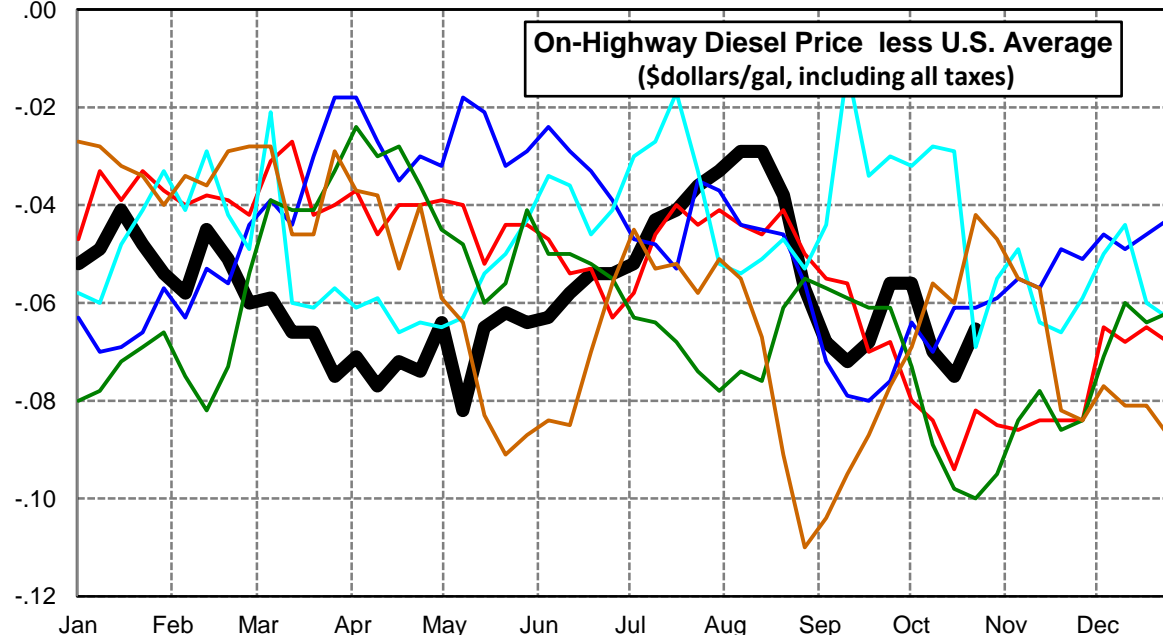
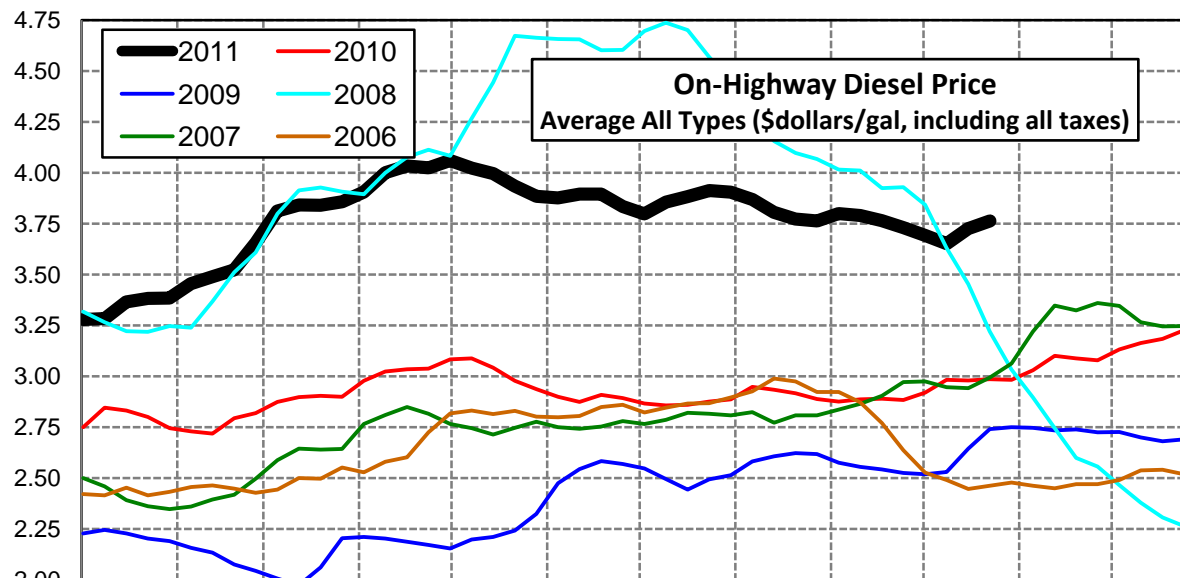
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
Midwest	\$3.699	\$3.671	\$3.754	\$3.772	\$0.018
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



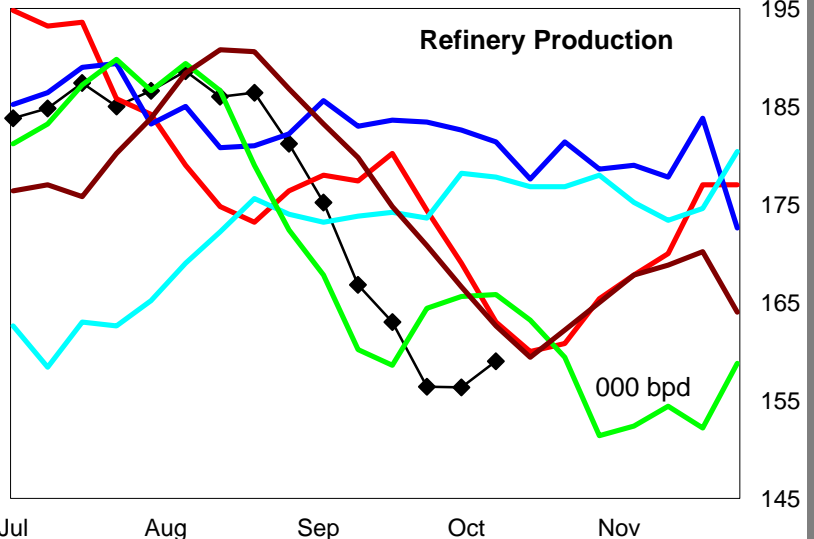
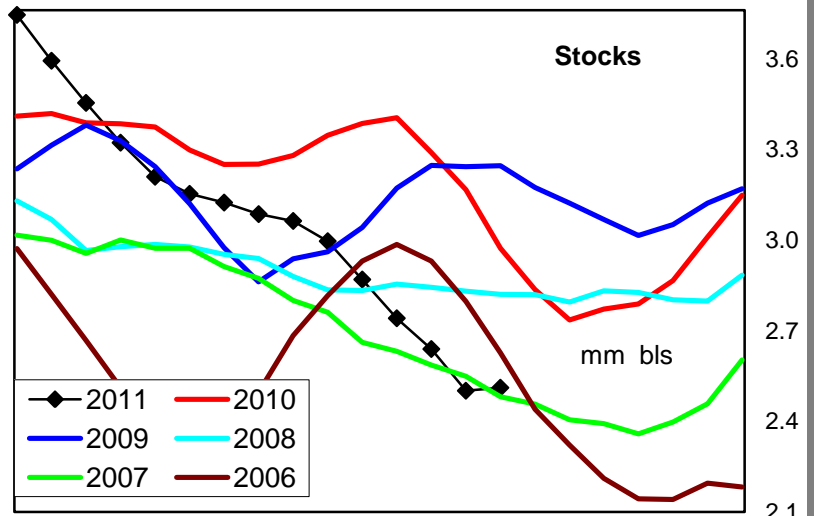
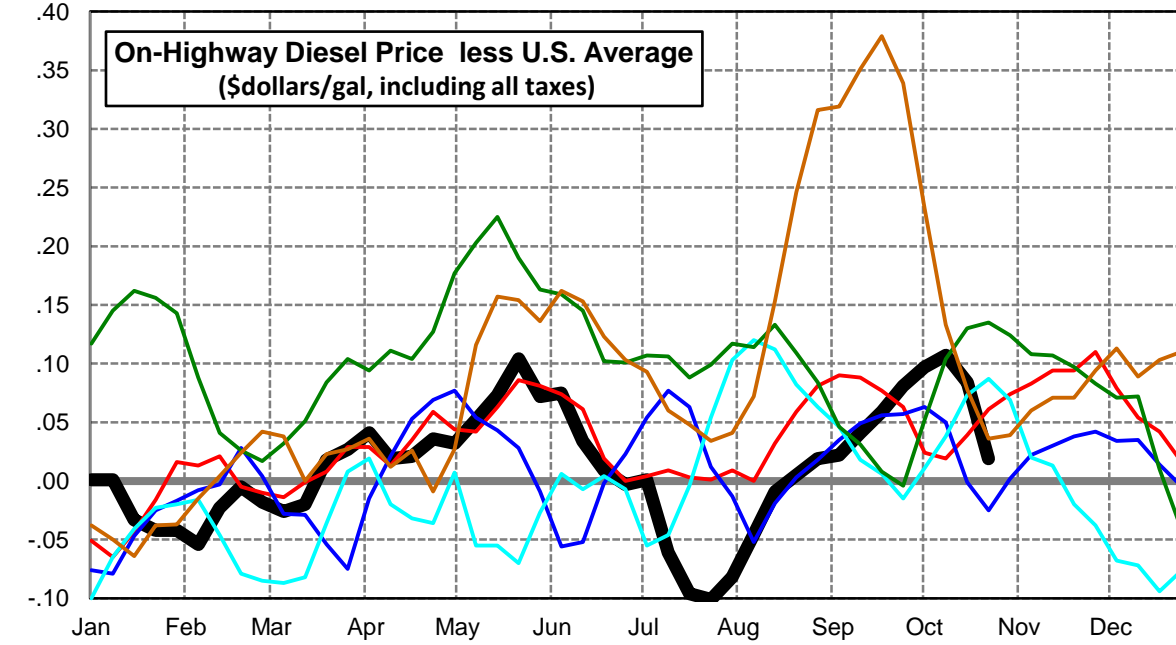
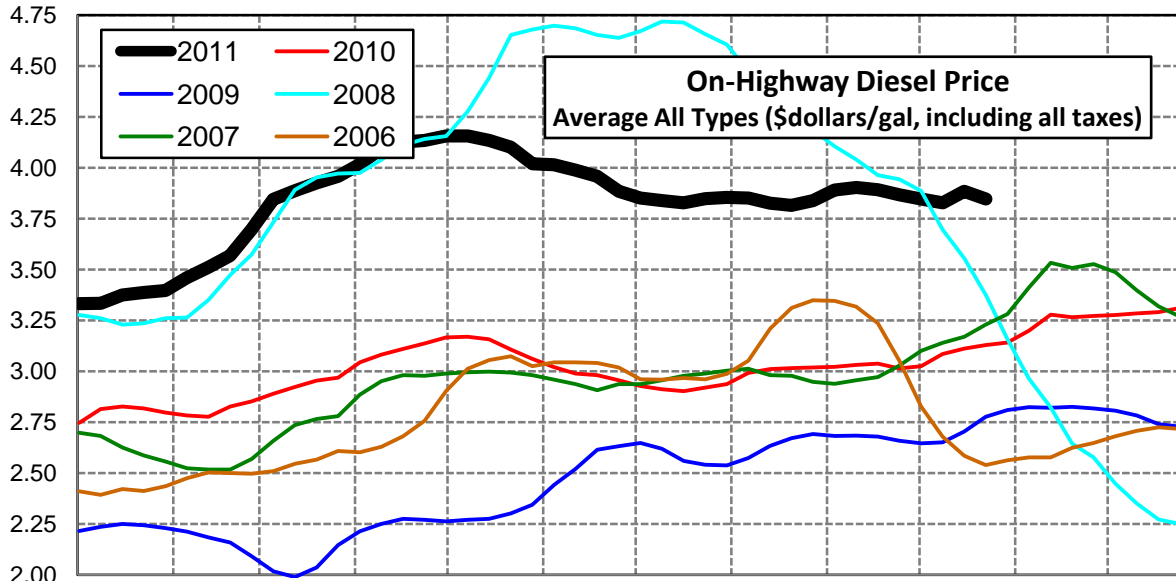
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
Gulf Coast	\$3.693	\$3.651	\$3.726	\$3.763	\$0.037
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



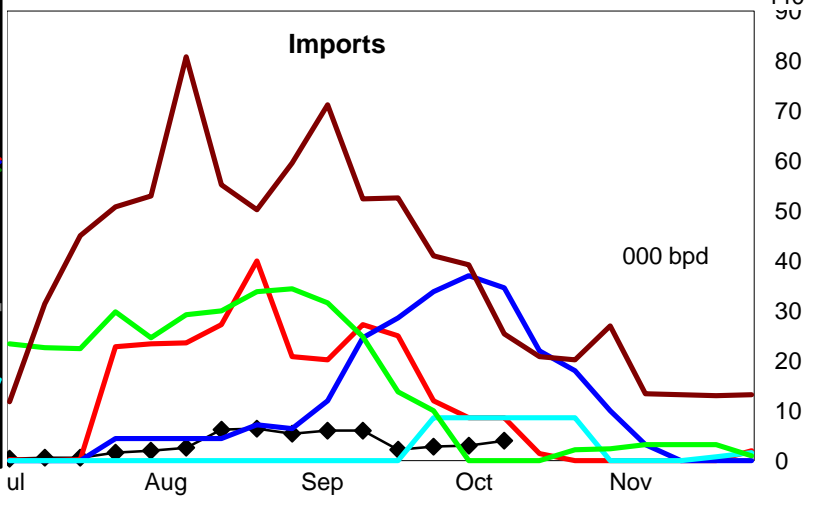
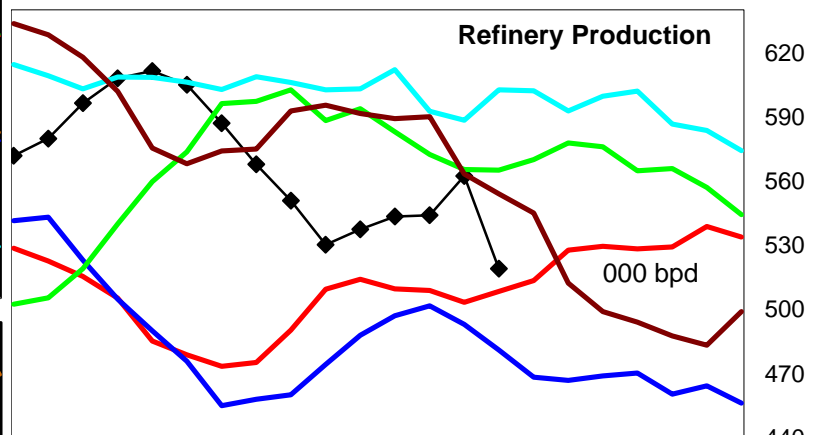
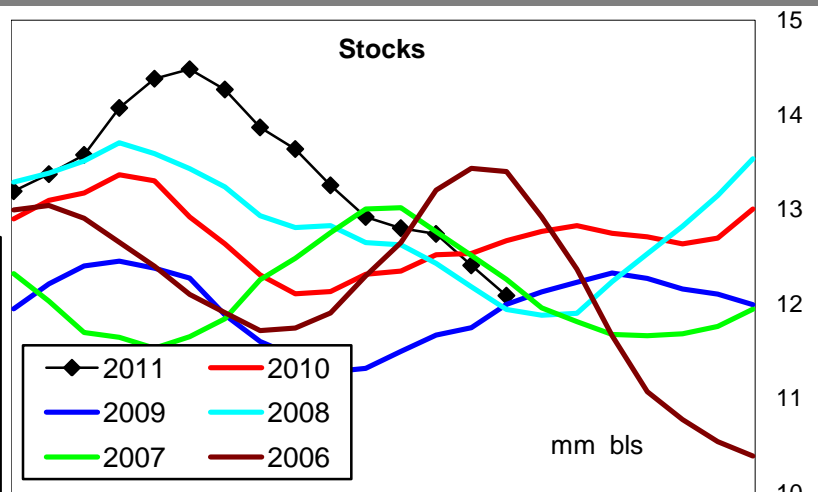
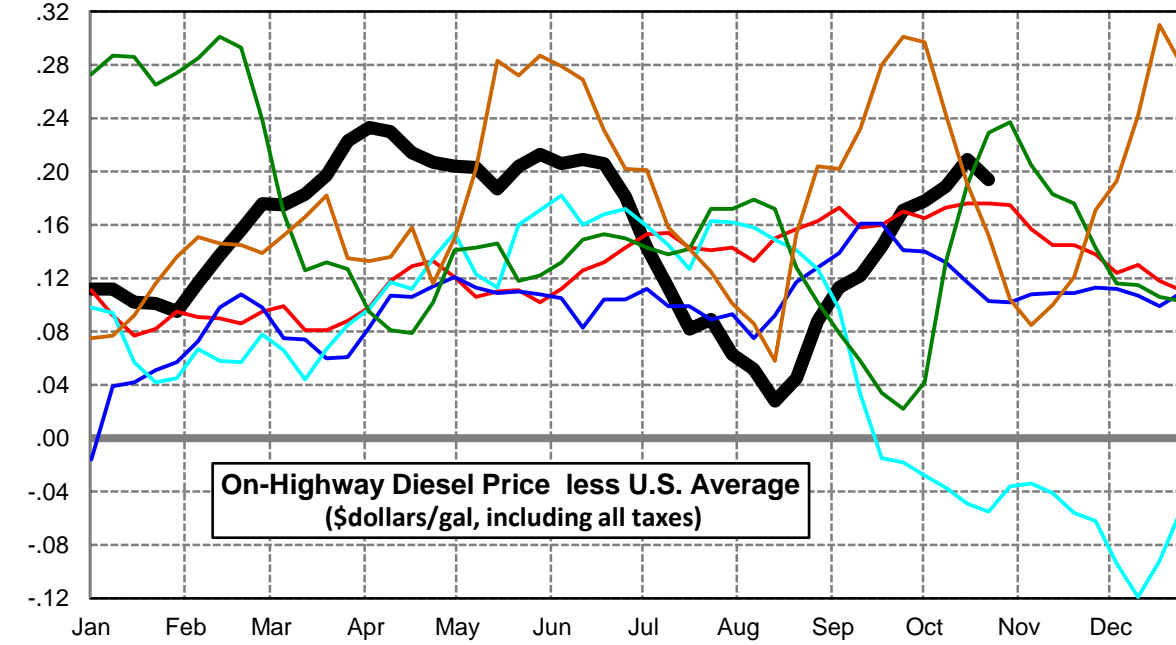
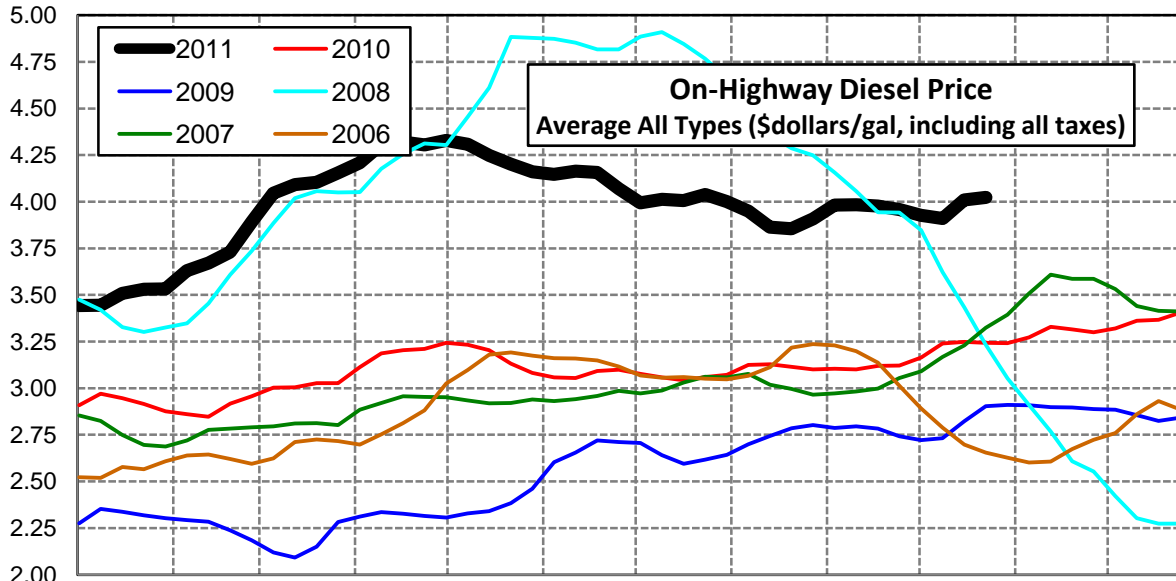
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
Rocky Mountain	\$3.846	\$3.828	\$3.885	\$3.847	-\$0.038
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



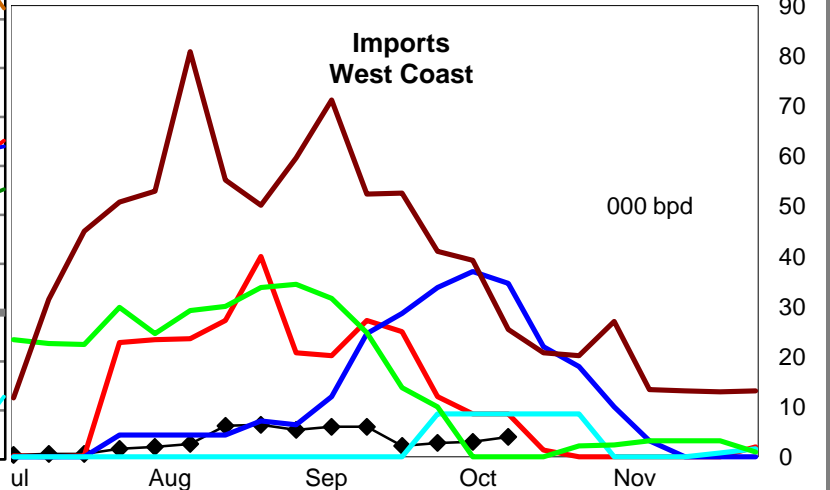
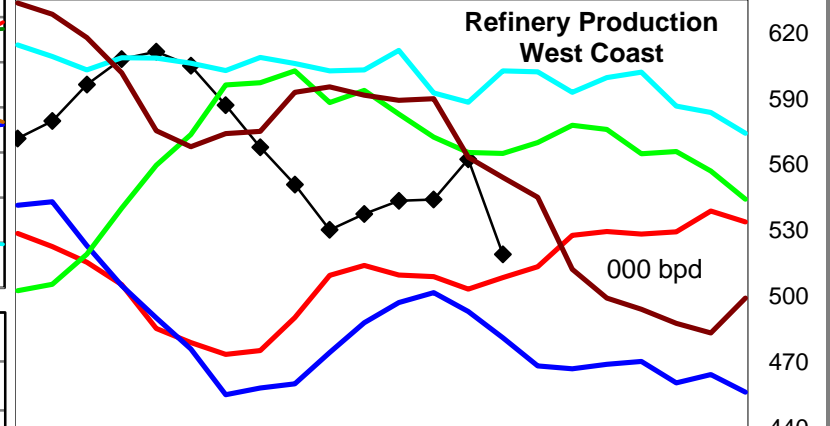
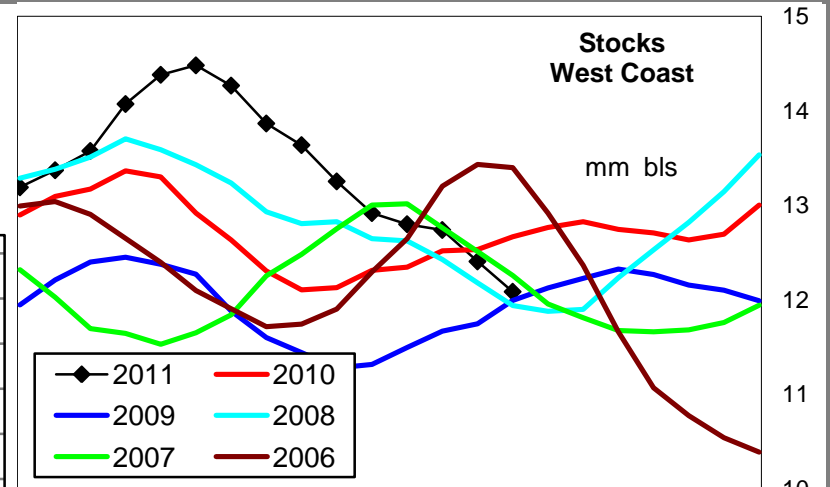
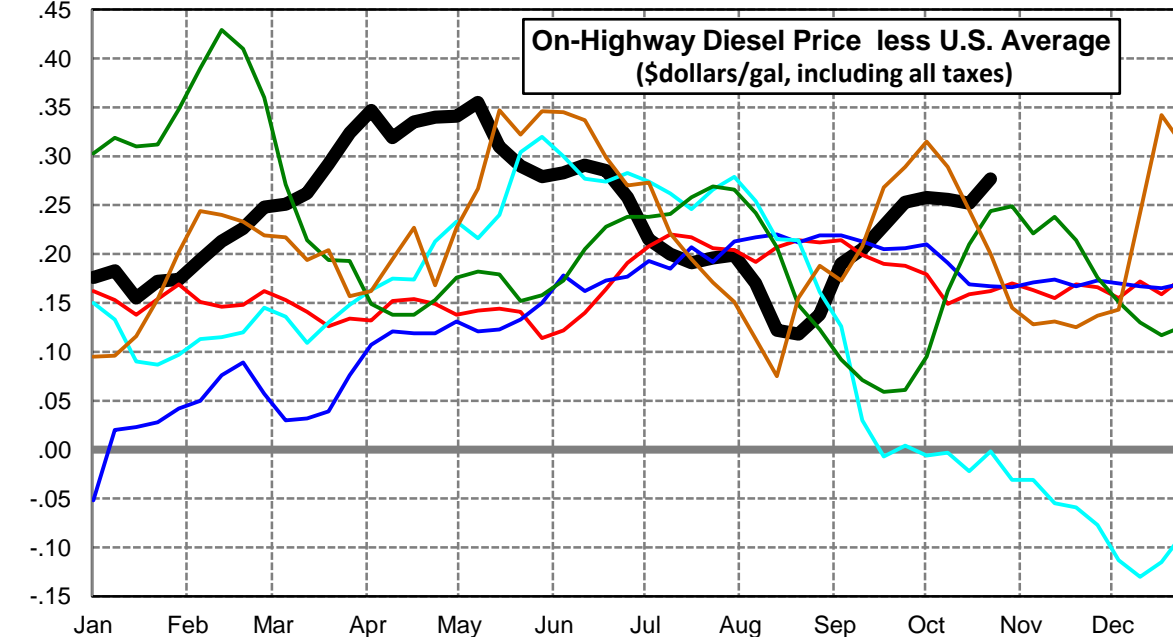
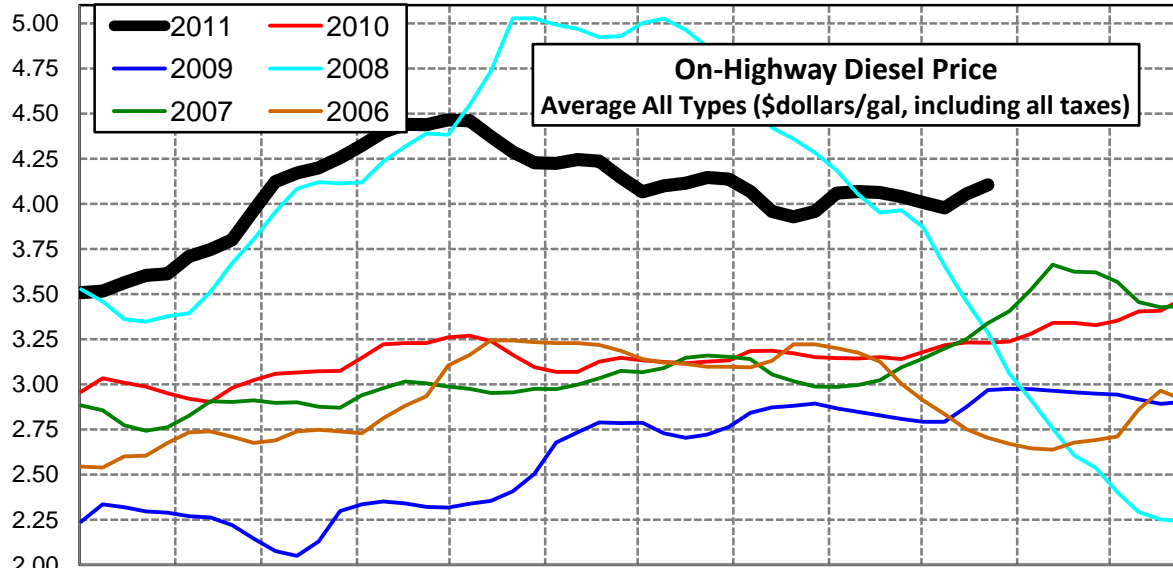
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	03Oct11	10Oct11	17Oct11	24Oct11	
West Coast	\$3.927	\$3.910	\$4.010	\$4.022	\$0.012
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
	03Oct11	10Oct11	17Oct11	24Oct11	
California	\$4.007	\$3.977	\$4.053	\$4.105	\$0.052
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)									
	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	3.932	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	3.950	3.962	4.077	4.074	3.904	3.904	3.896	3.959	4.156	4.235
Mon-27-Jun-11	3.888	3.914	4.038	4.014	3.860	3.842	3.834	3.885	4.069	4.146
Mon-04-Jul-11	3.850	3.870	4.009	3.978	3.812	3.818	3.798	3.851	3.993	4.065
Mon-11-Jul-11	3.899	3.926	4.012	4.034	3.872	3.875	3.856	3.838	4.012	4.099
Mon-18-Jul-11	3.923	3.963	4.034	4.066	3.912	3.903	3.882	3.827	4.005	4.114
Mon-25-Jul-11	3.949	3.988	4.037	4.090	3.940	3.925	3.913	3.848	4.038	4.145
Mon-01-Aug-11	3.937	3.974	4.045	4.090	3.918	3.918	3.904	3.855	4.000	4.136
Mon-08-Aug-11	3.897	3.936	4.031	4.053	3.877	3.875	3.868	3.851	3.949	4.067
Mon-15-Aug-11	3.835	3.871	4.001	3.983	3.811	3.815	3.806	3.826	3.863	3.957
Mon-22-Aug-11	3.810	3.844	3.994	3.944	3.788	3.789	3.772	3.815	3.855	3.928
Mon-29-Aug-11	3.820	3.843	3.977	3.930	3.793	3.803	3.763	3.839	3.908	3.958
Mon-05-Sep-11	3.868	3.886	3.994	3.987	3.833	3.852	3.800	3.890	3.981	4.058
Mon-12-Sep-11	3.862	3.879	3.985	3.985	3.825	3.841	3.790	3.903	3.984	4.067
Mon-19-Sep-11	3.833	3.853	3.983	3.968	3.792	3.799	3.765	3.892	3.977	4.062
Mon-26-Sep-11	3.786	3.804	3.963	3.922	3.739	3.738	3.730	3.867	3.957	4.039
Mon-03-Oct-11	3.749	3.765	3.941	3.881	3.699	3.699	3.693	3.846	3.927	4.007
Mon-10-Oct-11	3.721	3.741	3.912	3.860	3.674	3.671	3.651	3.828	3.910	3.977
Mon-17-Oct-11	3.801	3.815	3.907	3.922	3.761	3.754	3.726	3.885	4.01	4.053
Mon-24-Oct-11	3.828	3.850	3.945	3.964	3.785	3.772	3.763	3.847	4.022	4.105
Mon-31-Oct-11										
Mon-07-Nov-11										
Mon-14-Nov-11										
Mon-21-Nov-11										
Mon-28-Nov-11										
Mon-05-Dec-11										
Mon-12-Dec-11										
Mon-19-Dec-11										
Mon-26-Dec-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.