RETAIL DIESEL FUEL OUTLOOK

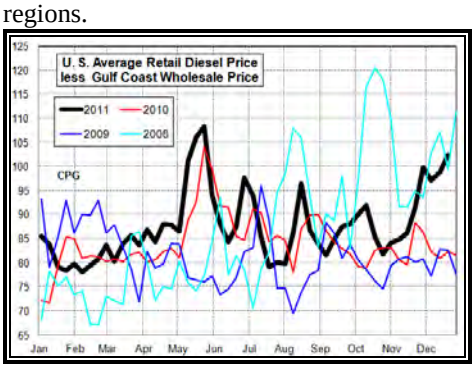
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, December 20, 2011

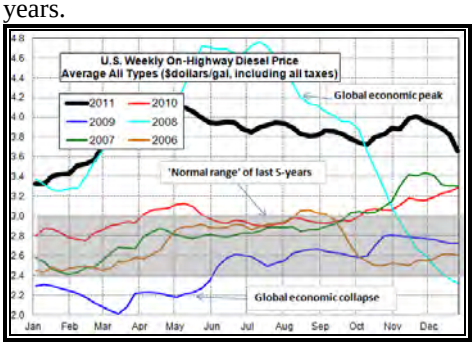
Weekly Retail On-Highway Diesel Prices

Region	Actual Price 1/			Forecast 2/	Change from
	05Dec11	12Dec11	19Dec11	26Dec11	week ago
U.S.	3.931	3.894	3.828	3.658	-0.170
East Coast	3.934	3.917	3.873	3.729	-0.144
New England	4.036	4.032	3.995	3.814	-0.181
Central Atlantic	4.018	4.003	3.963	3.841	-0.122
Lower Atlantic	3.862	3.830	3.783	3.637	-0.146
Midwest	3.907	3.848	3.765	3.572	-0.193
Gulf Coast	3.828	3.794	3.727	3.614	-0.113
Rocky Mountain	4.035	3.991	3.913	3.690	-0.223
West Coast	4.105	4.061	3.992	3.793	-0.199
California	4.172	4.122	4.047	3.866	-0.181
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					

Diesel Fuel Price Trends U. S. retail diesel prices declined -6.6 cpg for the week ending 19Dec11. Prices decreased -8.3 cpg in the Midwest and -7.8 cpg in the Rocky Mountains. Prices saw week-on-week declines of nearly -4 cpg in all regions.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price increased +3.5 cpg last week as retail prices decreased less than wholesale prices. The spread ended the week +21 cpg higher than the average of the last 2-years.



The national average on-highway price ended the week $0.52/gal ***above*** the high, for this time of year, set in 2007, and +$0.58/gal above last year.

The larger than average price declines in the Midwest and Rocky Mountains reflect rapid stock building and high stock levels. New England had the lowest declined of just -3.7 cpg as the winter heating season supported distillate prices in the area. The Gulf Coast reported the lowest average price at $3.73/gal. The highest price was reported in California at $4.05/gal.

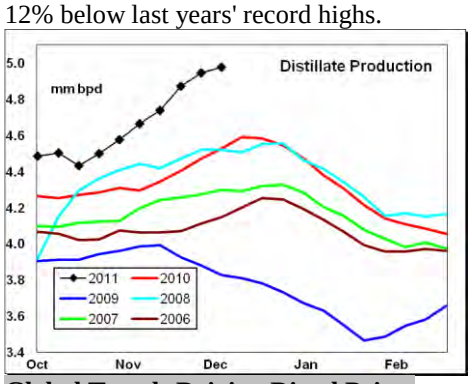
Gulf Coast wholesale distillate prices declined -6 cpg last week ending 19Dec11. Gulf wholesale prices ended the week at a level comparable to lows of the last 9-months.

U.S. average retail prices have increased +11 cpg from the lows set in early October 2011. The spread between retail and wholesale spot prices increased last week, to a level +21 cpg above the average of the last 2-years.

With the spread between wholesale and retail prices well above the average for this time of year, expect retail prices to decrease relative to wholesale prices over the next few weeks.

Supply - Demand Fundamental Trends Wholesale demand increased +33,000 bpd last week, to a level above the last 2-years. Demand for the latest 4-wk average saw an increase of +69,000 bpd over last year, a much lower year-on-year increase than during the 3rd quarter.

Distillate supplies declined -136,000 bpd last week, although the level remains nearly +0.45 million bpd above the previous 5-year high. The rate of stock builds continued at a record for this time of year in markets East of the Rockies as a result of slower demand growth and very high production. Stock levels are still -12% below last years' record highs.



Global Trends Driving Diesel Prices Below normal heating degree days continue in the U.S. Northeast and Western Europe; sharply limiting demand for heating oil. Refiners have reached season high production after completing fall maintenance in U.S., Europe and Asian markets. Forecast for mild temperatures in the Northeast continue to limit heating demand.

Europe faces a recession in 2012 as a result of austerity cuts in government spending and tighter bank lending. Economic data point to a slowdown in growth in Asia as a result of the recession in Europe.

These fundamental trends point to an improving distillate supply balance in both the U.S. and global markets during the next quarter.

Diesel Price Outlook U.S. average retail prices are projected to decreased by as much as -17 cpg for the week ending 26Dec11, due to the earlier sharp decline in wholesale prices and lower transport demand during the Christmas week.

The largest declines are forecast for the Rocky Mountains and West Coast Regions; the result of improved supplies following above average fall refinery maintenance and seasonal declines in agriculture use. Given 'stickiness' of retail prices, the forecast declines may not be fully realized until mid January.

Political uncertainty in the Middle East, including sanctions being proposed for Iran, provide an upside price risk.

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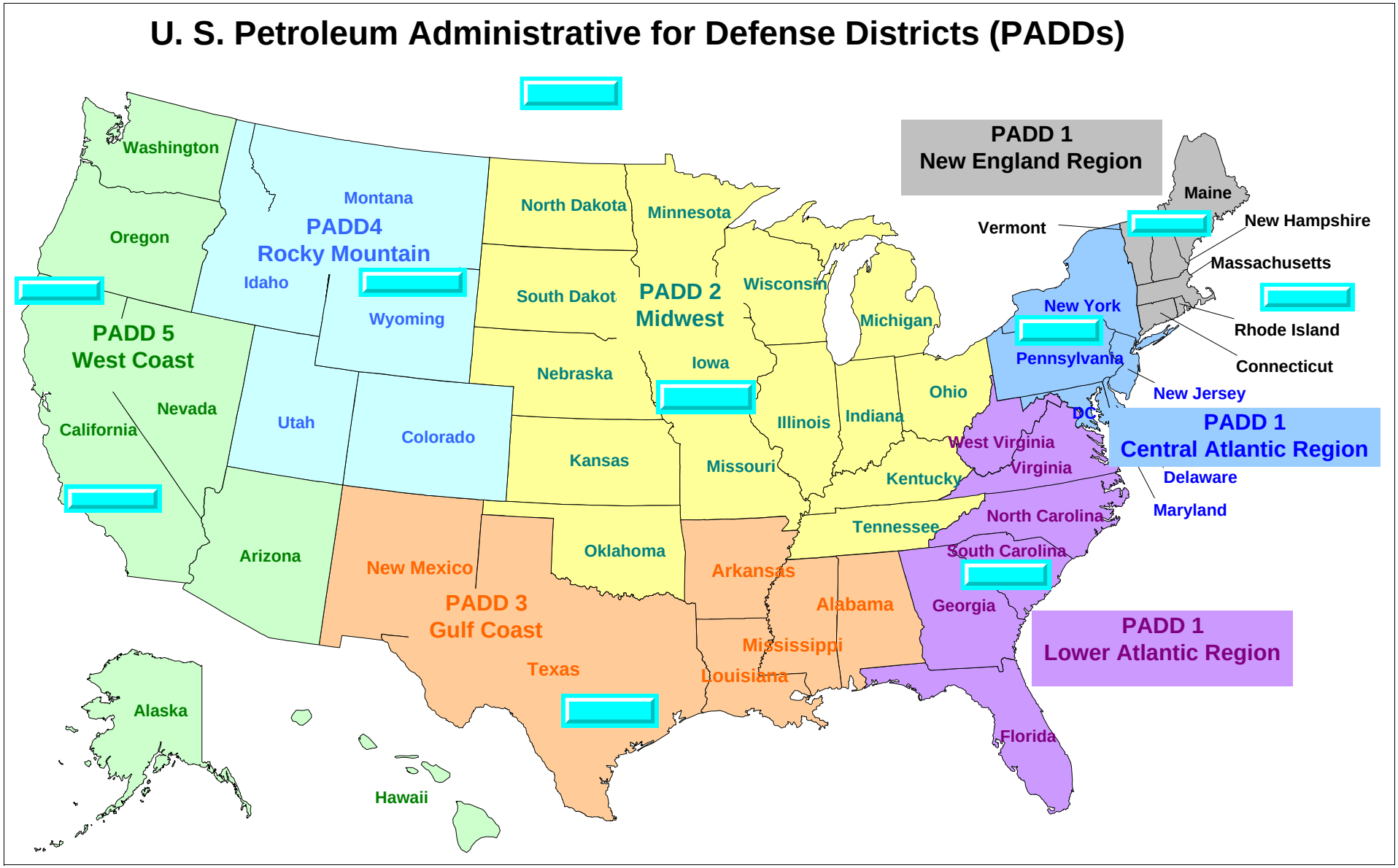
Click Blue Icon on Map to view Regional Price & Fundamental Trends

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



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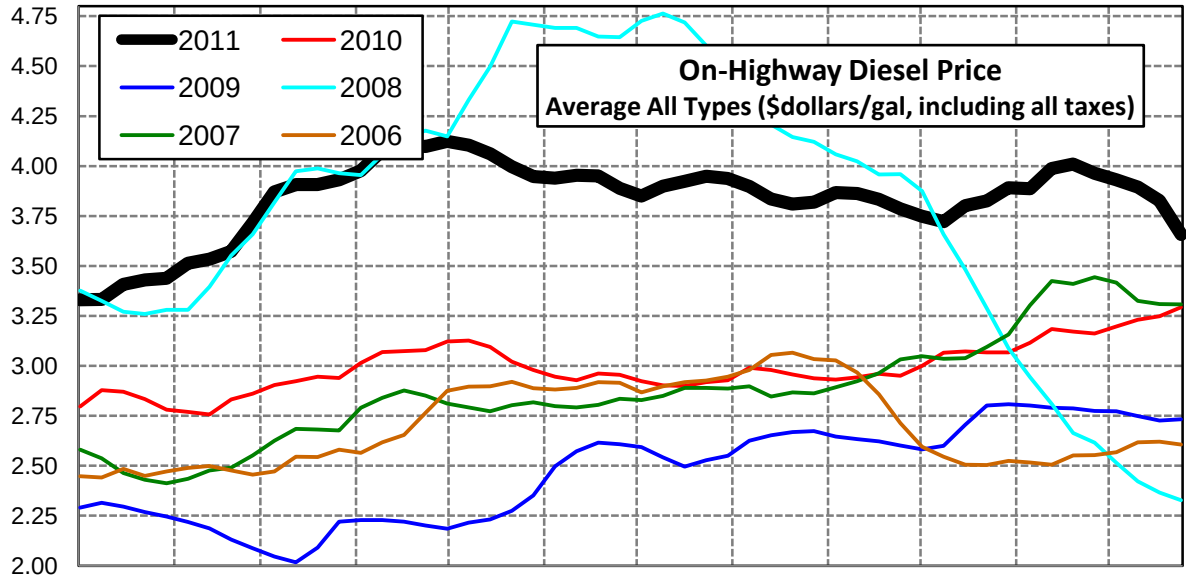
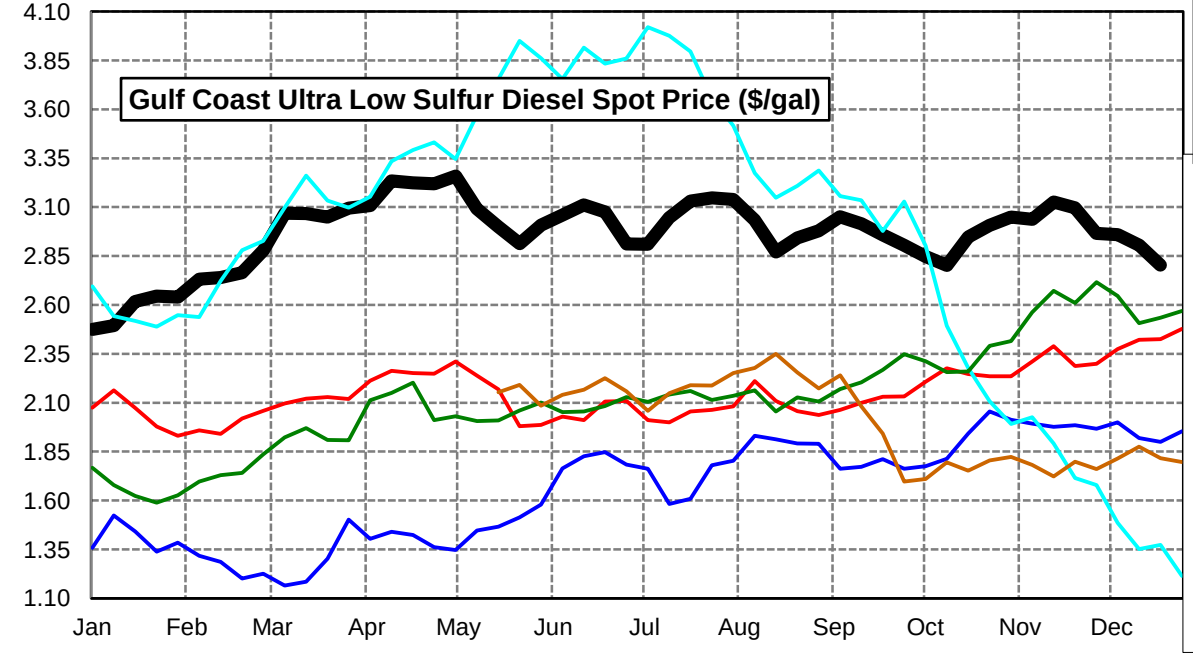
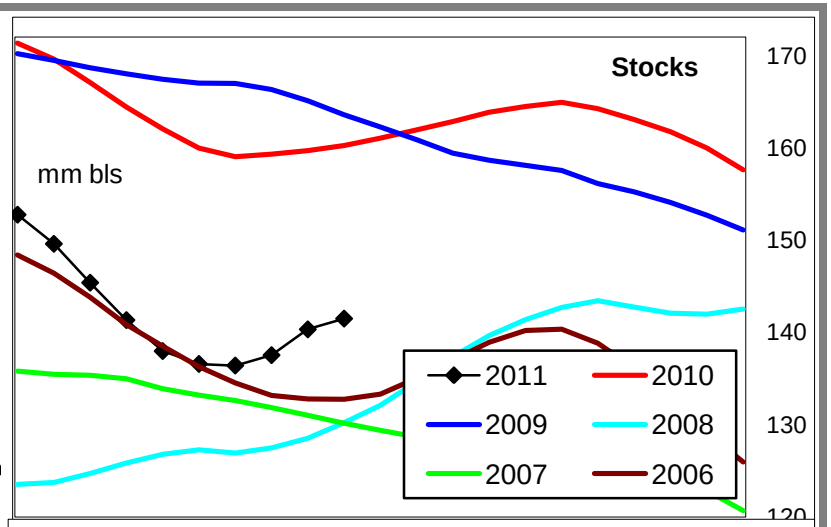
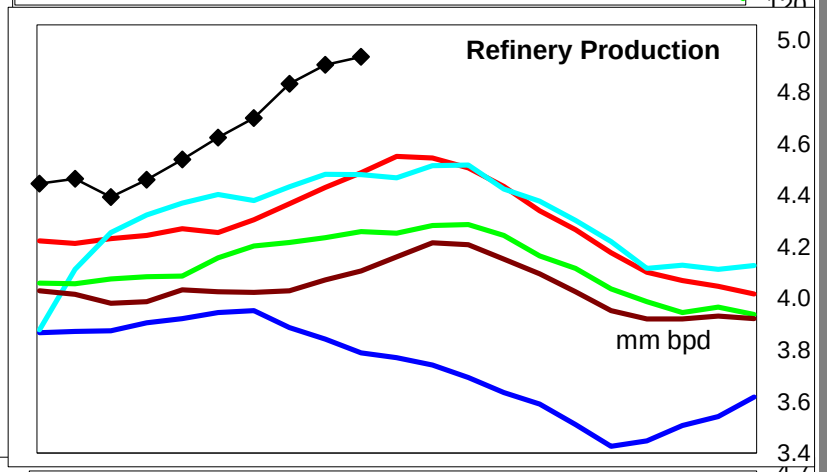
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

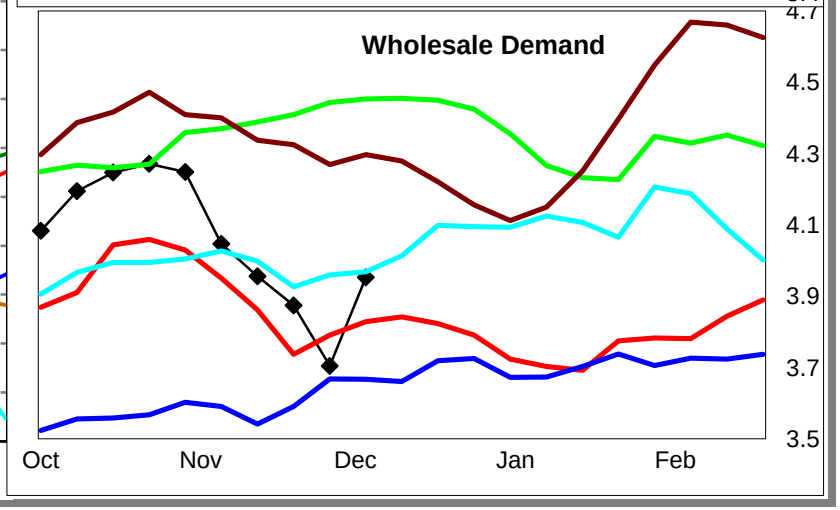
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
United States Avg	$3.931	$3.894	$3.828	**$3.658**	-$0.170
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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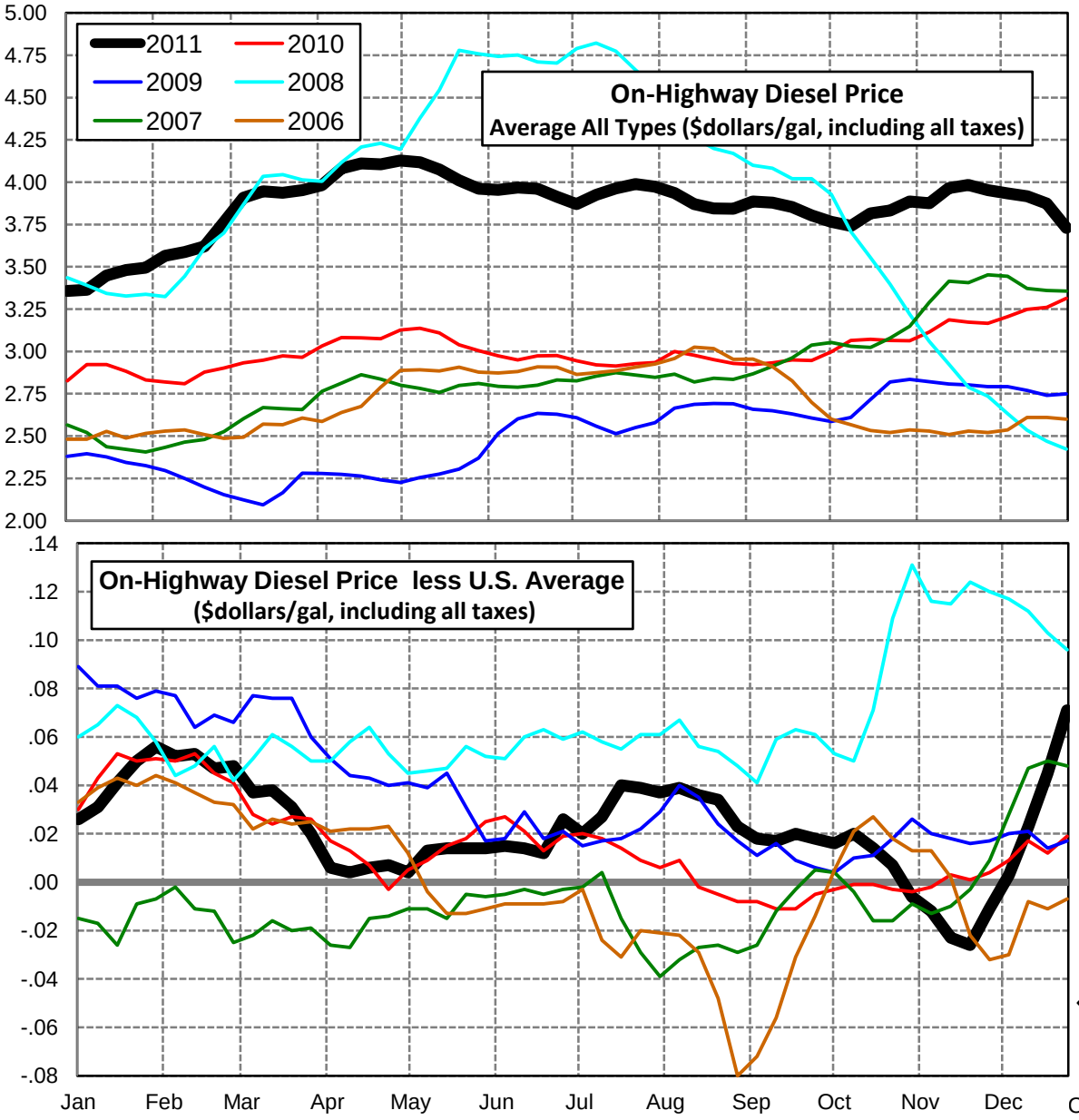
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

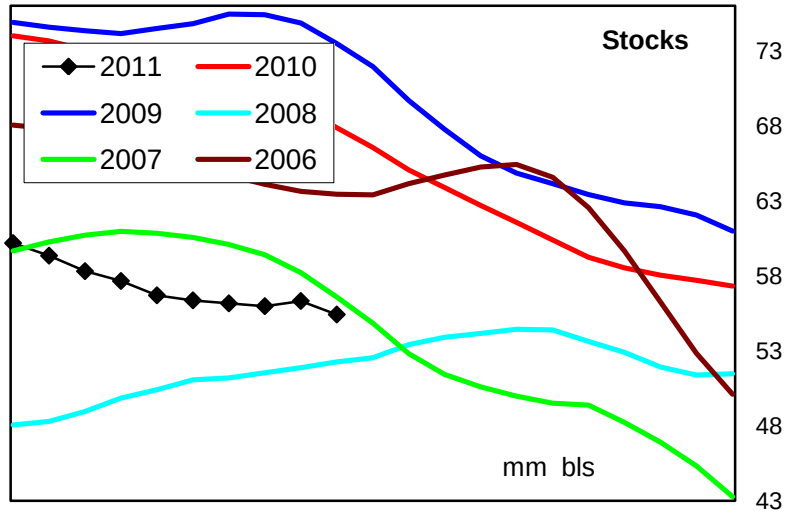
Weekly Retail On-Highway Diesel Prices

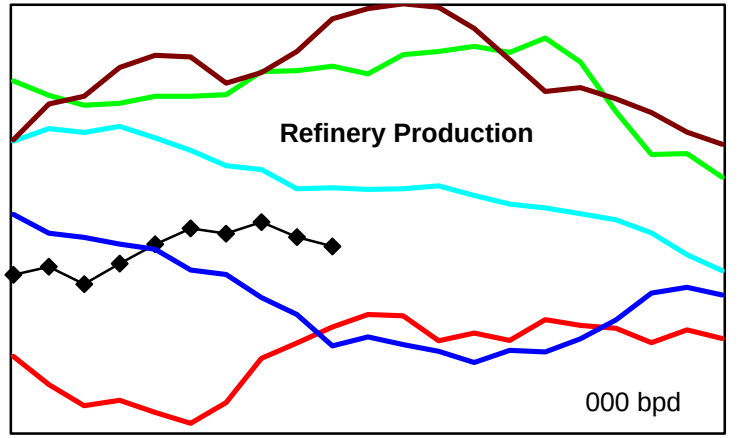
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
East Coast	$3.934	$3.917	$3.873	**$3.729**	-$0.144

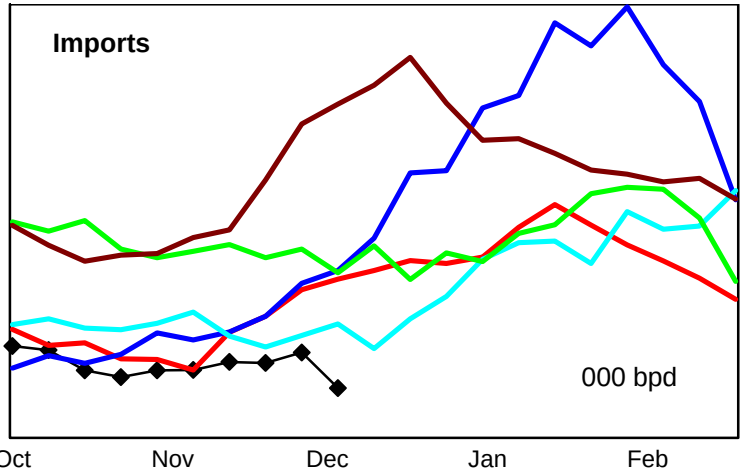
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports









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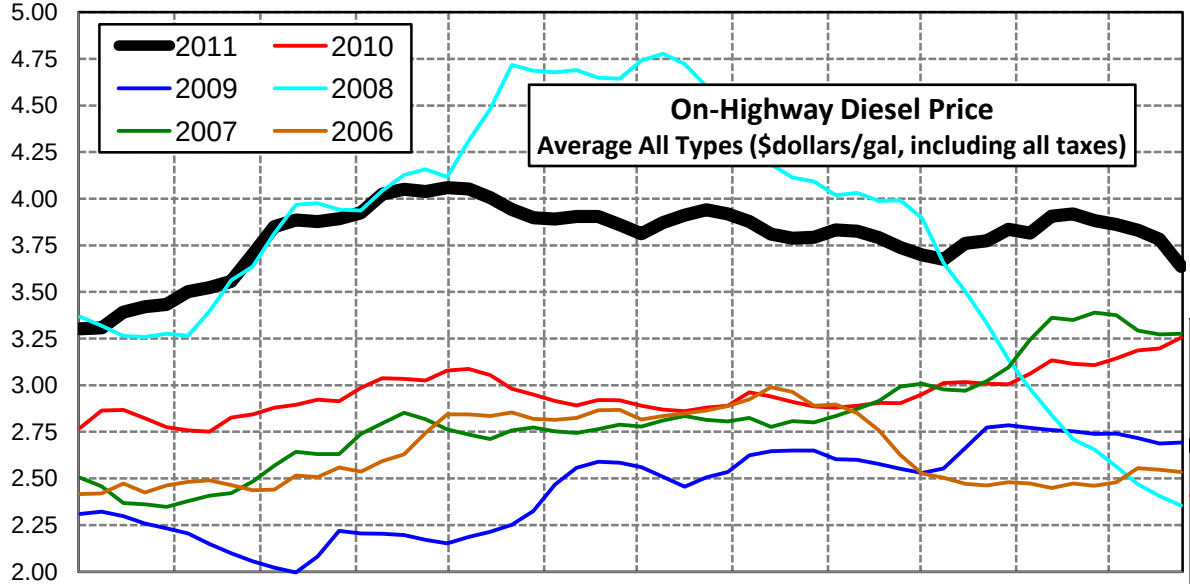
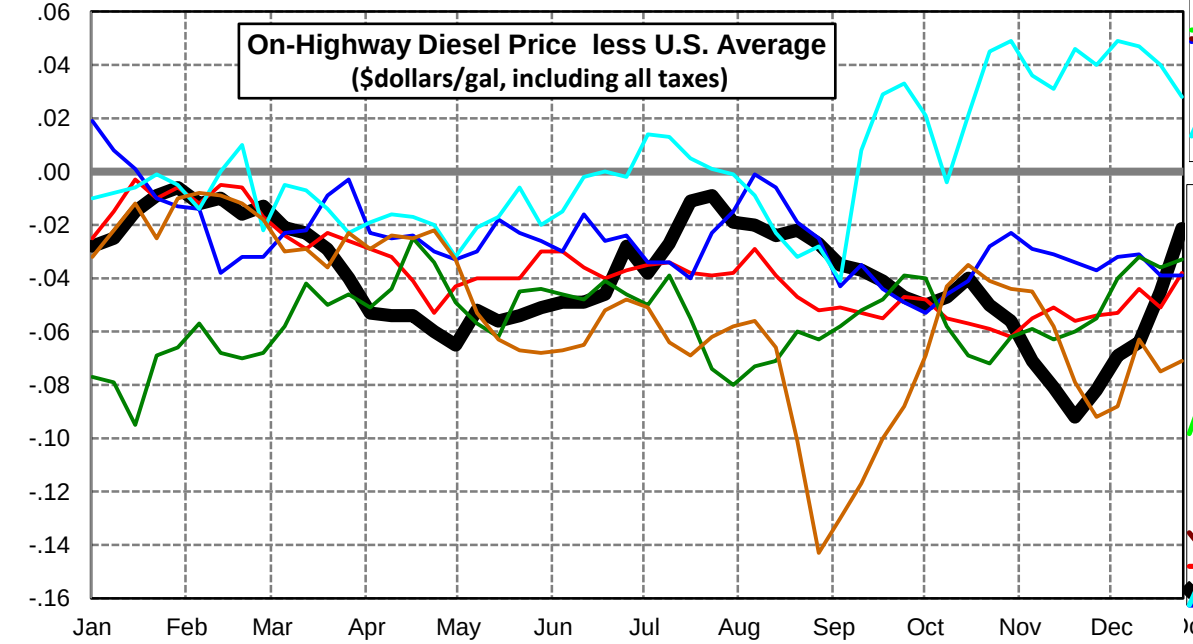
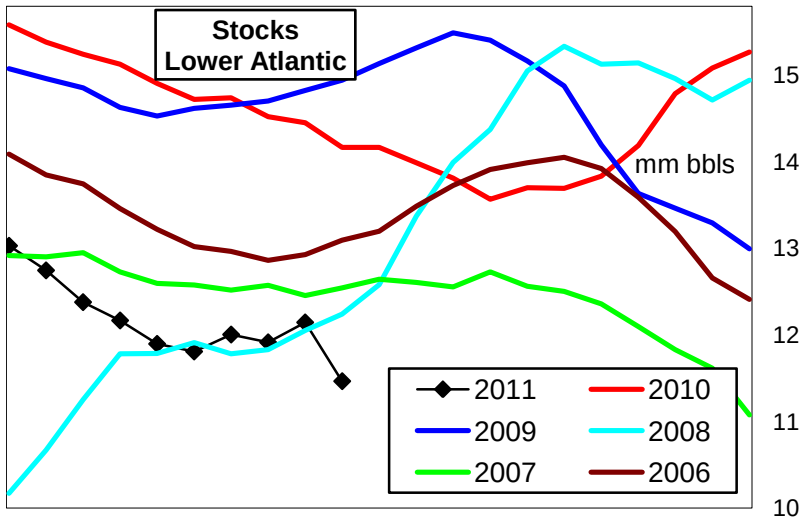
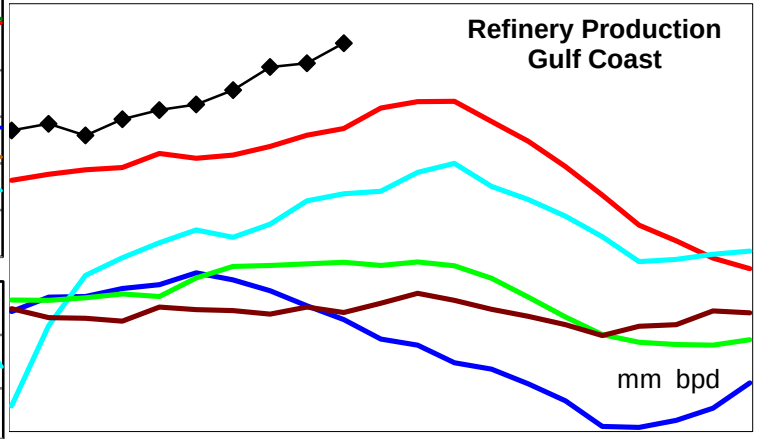
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

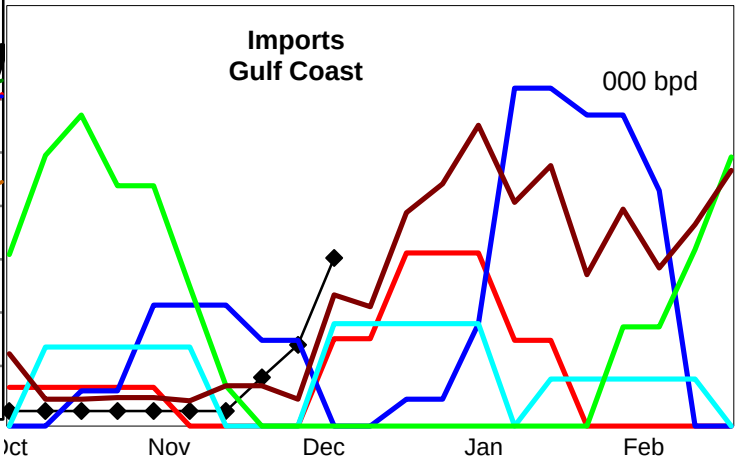
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
Lower Atlantic	$3.862	$3.830	$3.783	**$3.637**	-$0.146
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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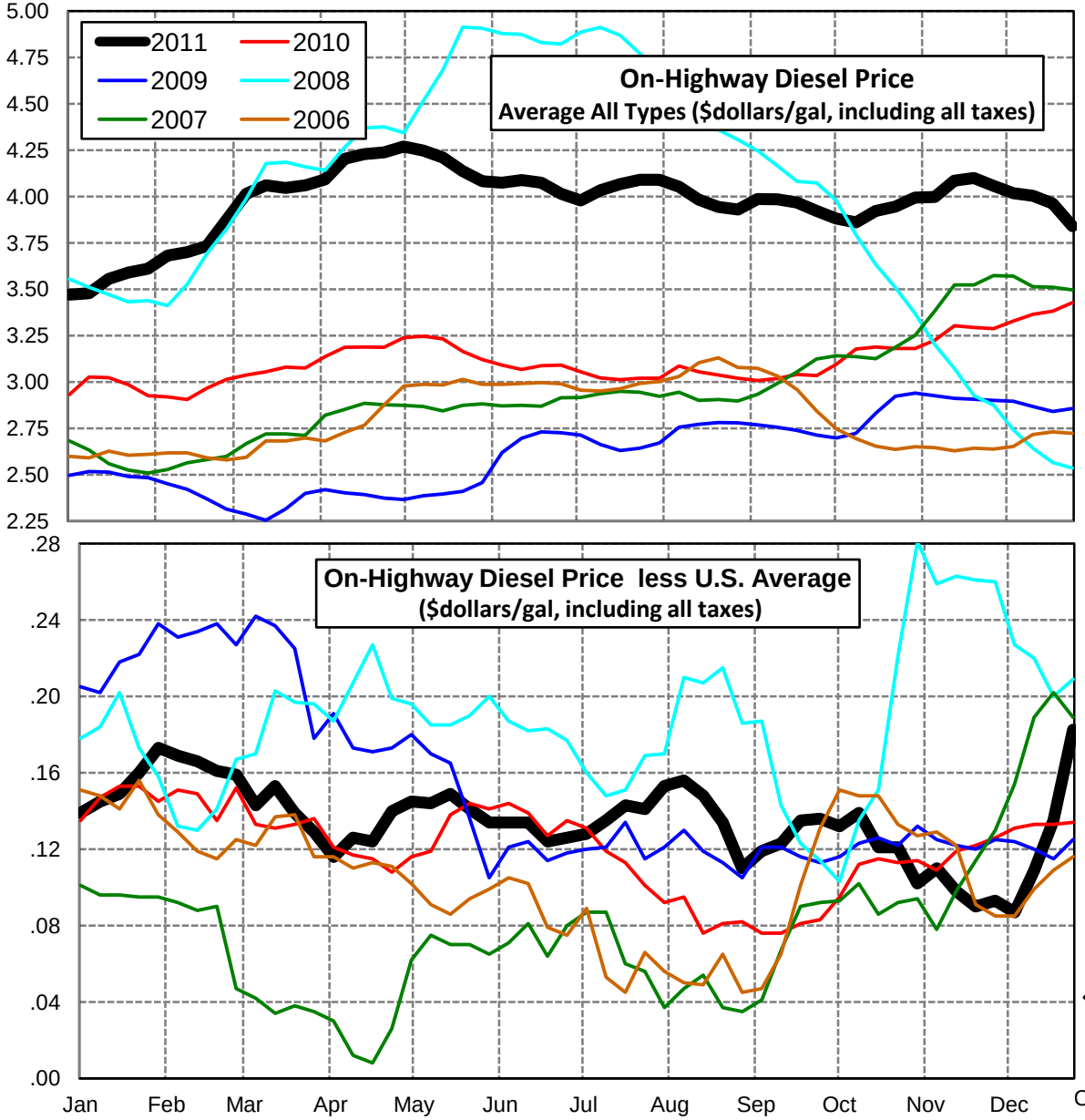
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

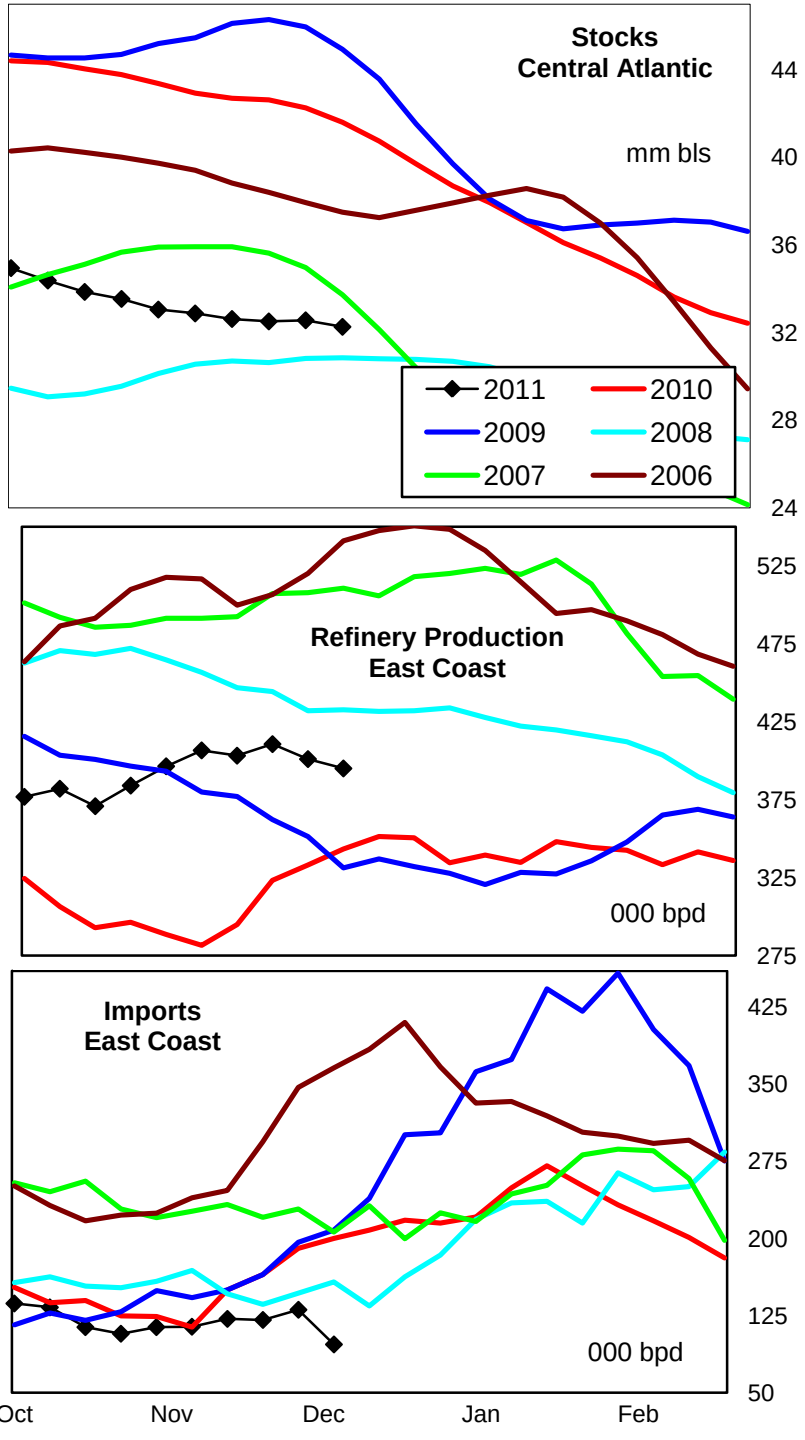
Weekly Retail On-Highway Diesel Prices

Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
Central Atlantic	$4.018	$4.003	$3.963	**$3.841**	-$0.122

1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports





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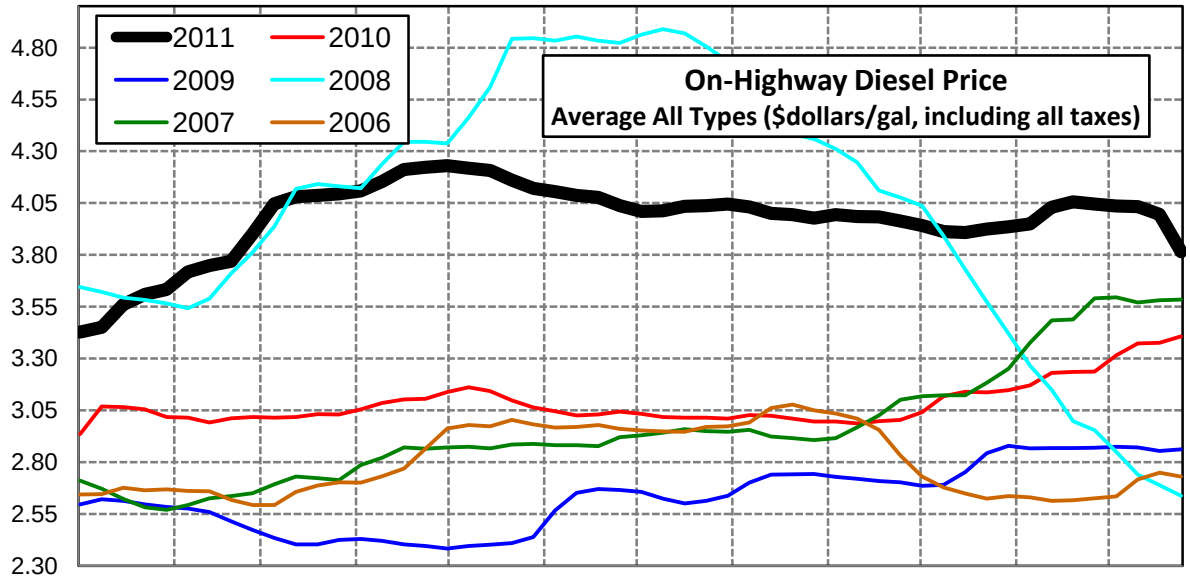
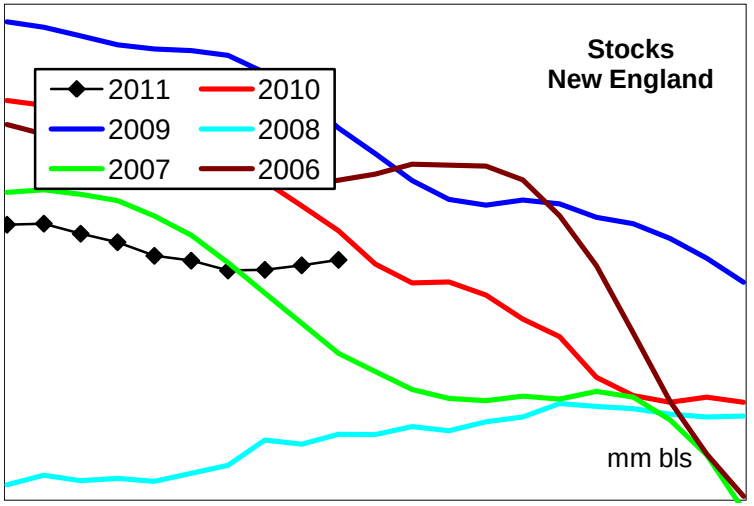
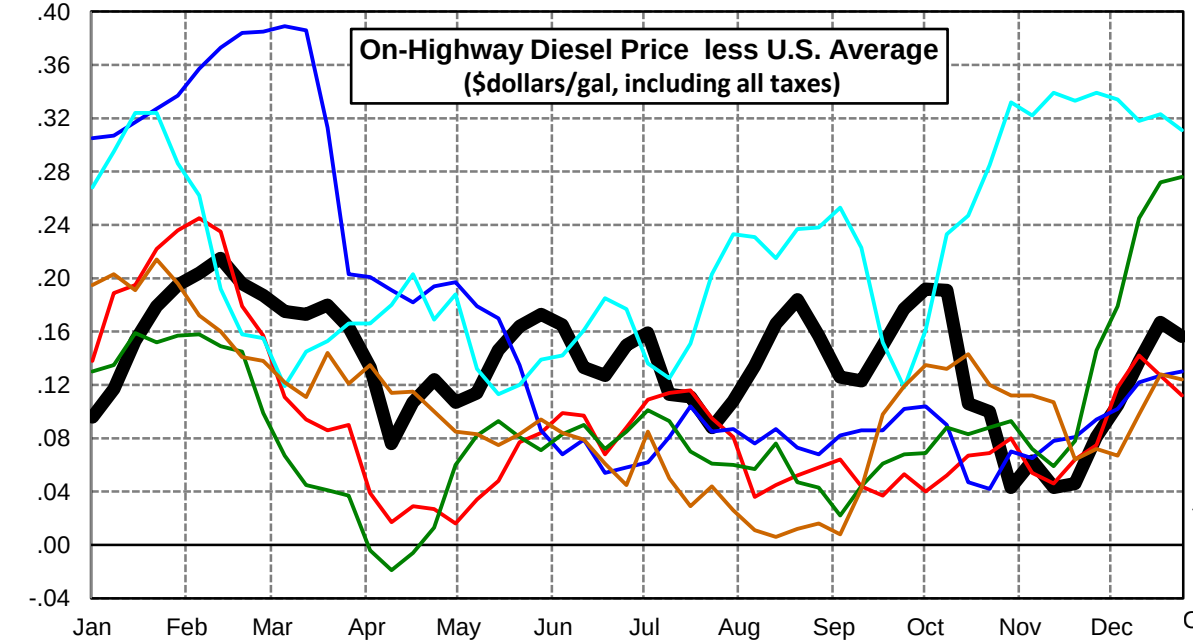
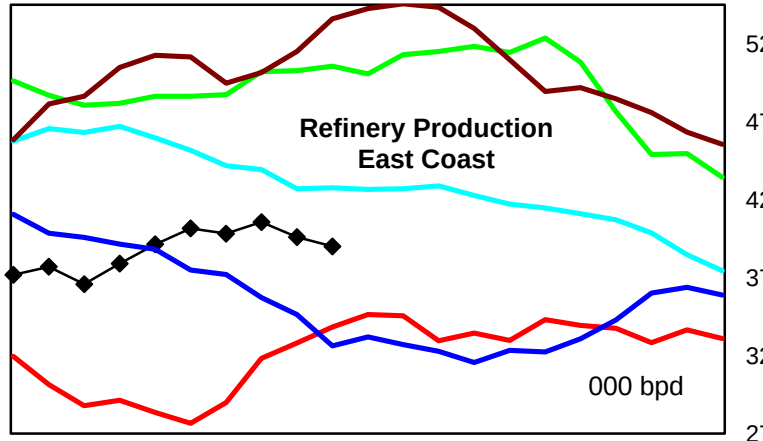
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

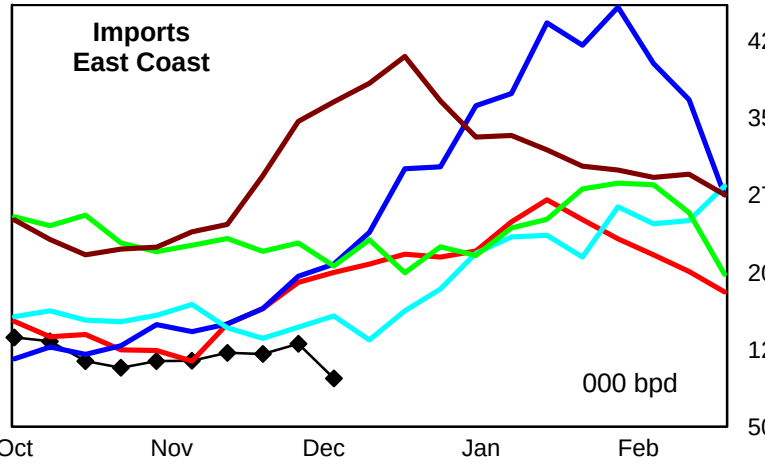
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
New England	$4.036	$4.032	$3.995	**$3.814**	-$0.181
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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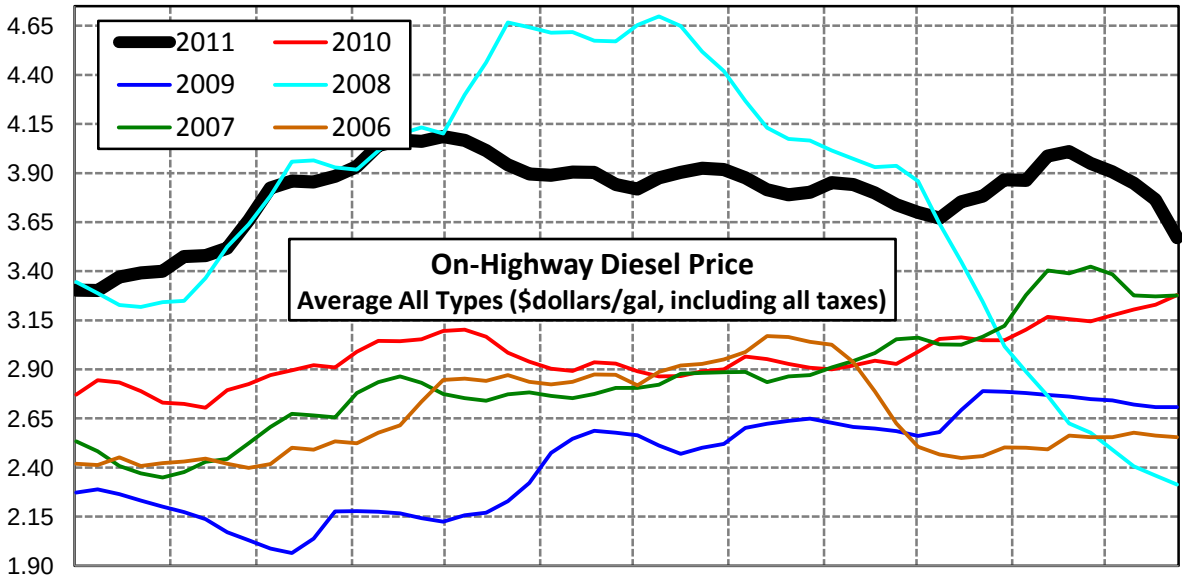
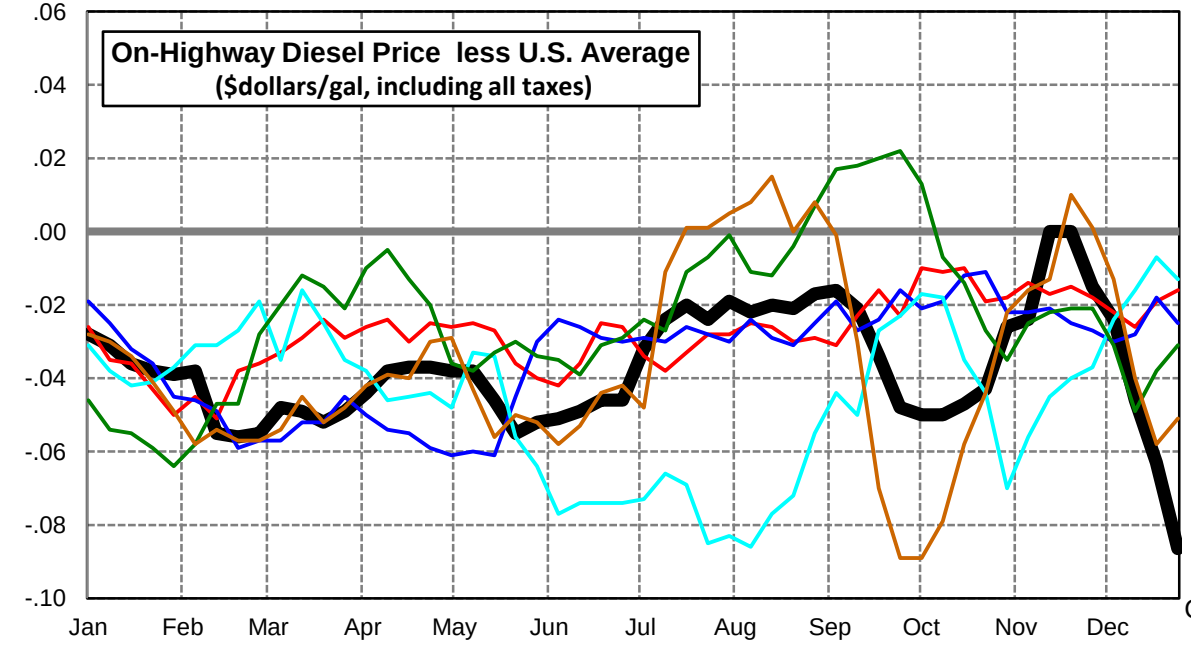
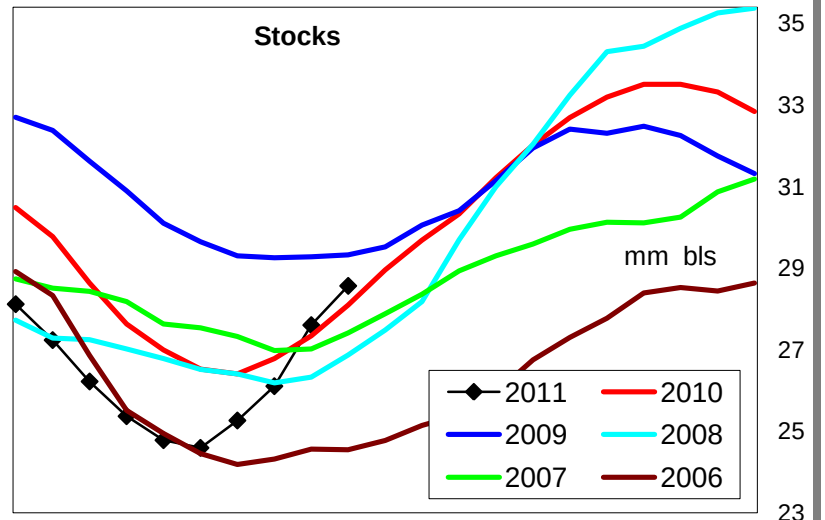
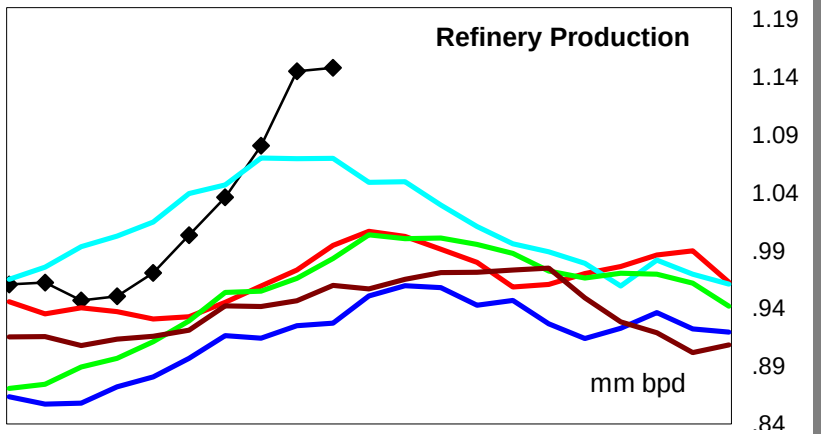
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

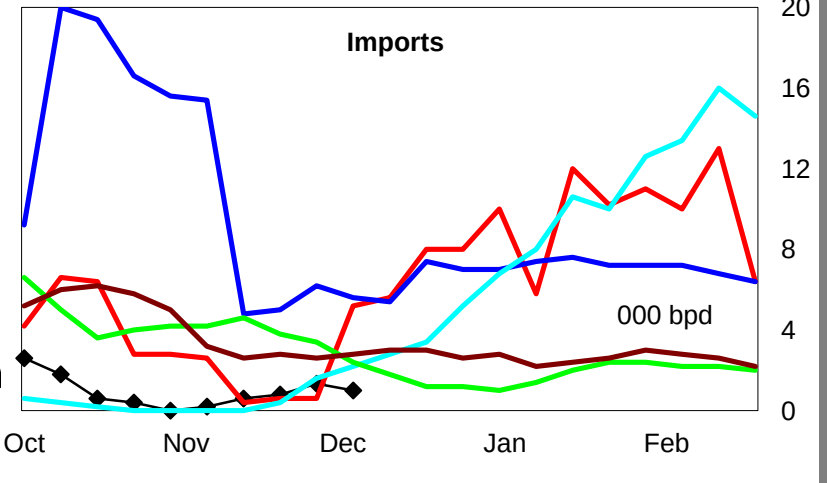
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
Midwest	$3.907	$3.848	$3.765	**$3.572**	-$0.193
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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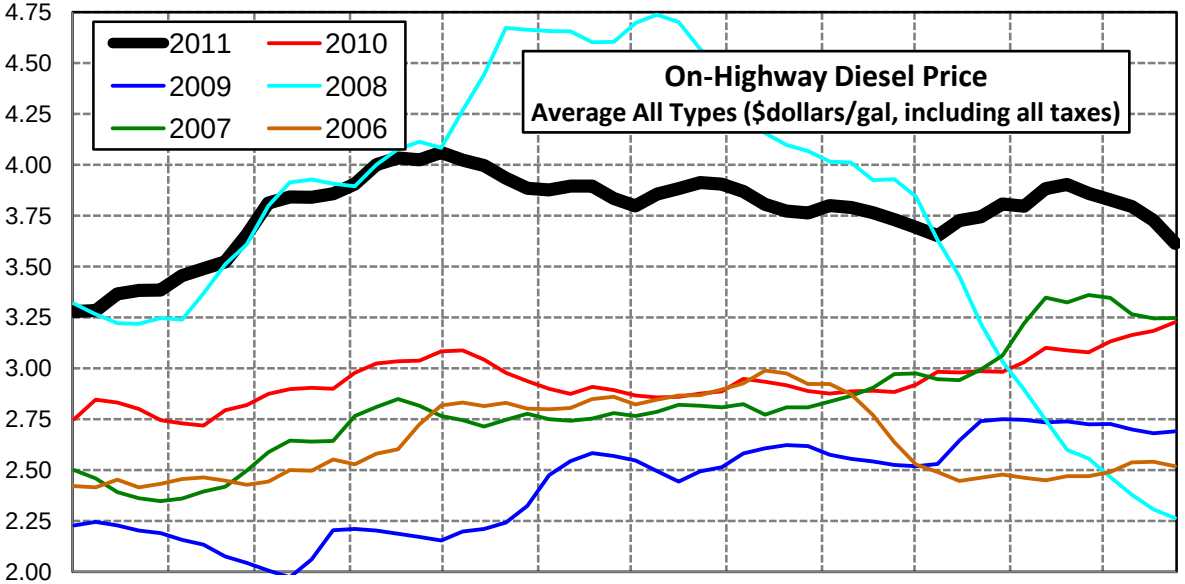
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

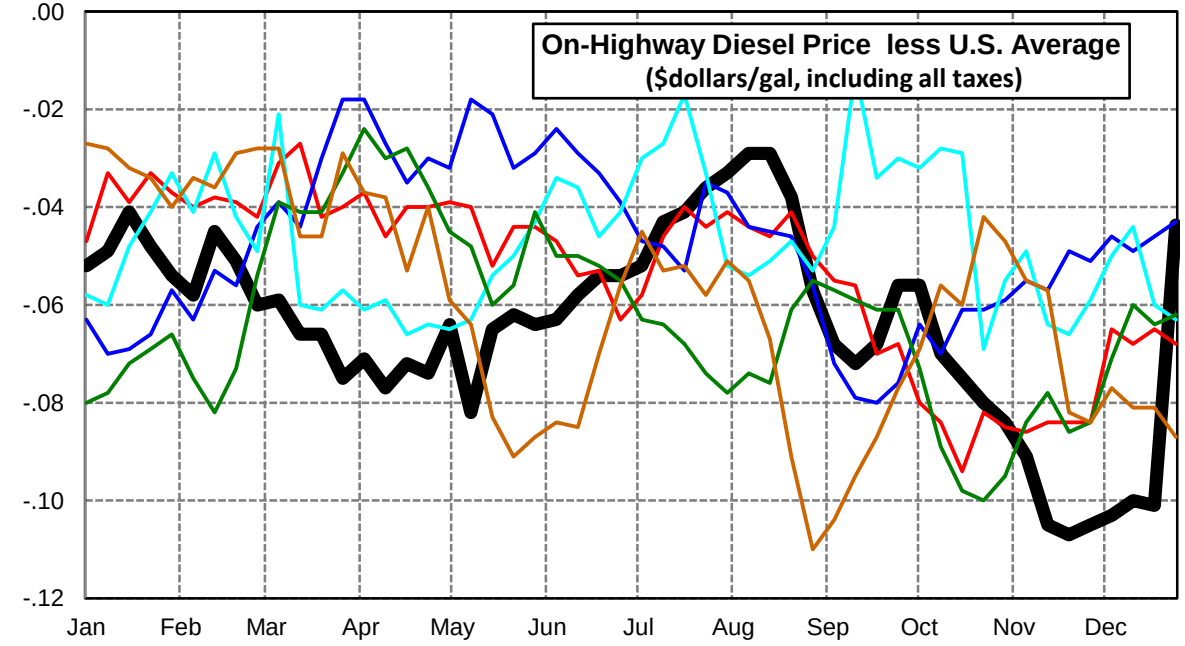
Weekly Retail On-Highway Diesel Prices

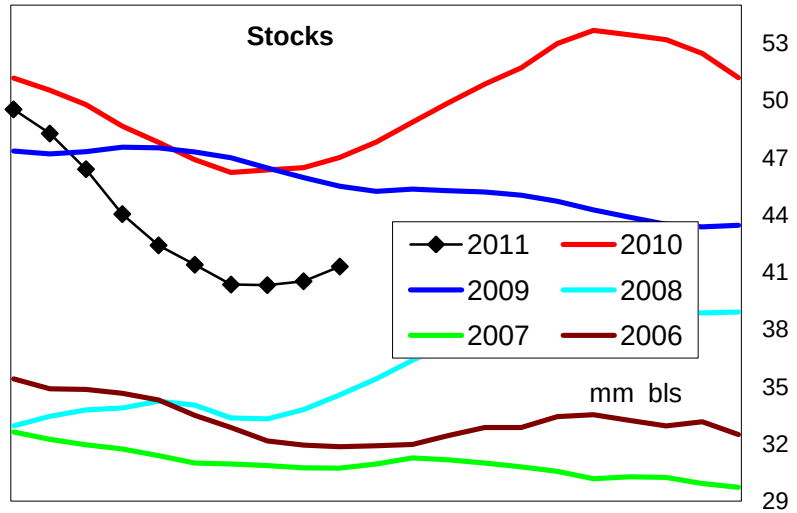
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
Gulf Coast	$3.828	$3.794	$3.727	**$3.614**	-$0.113

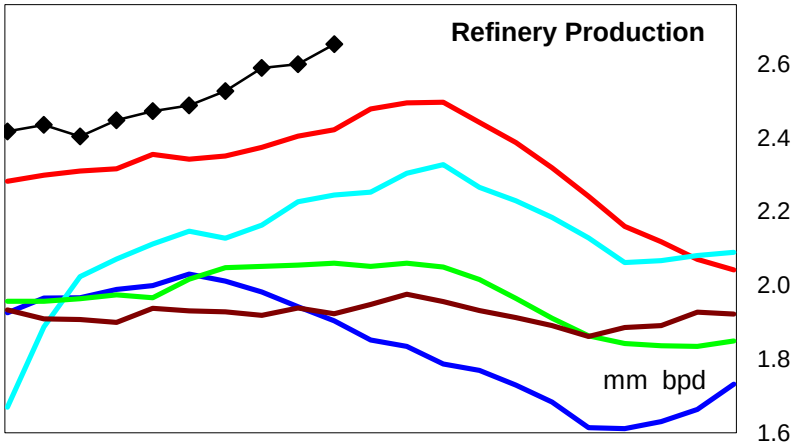
1/ Source: U.S. Energy Information Administration

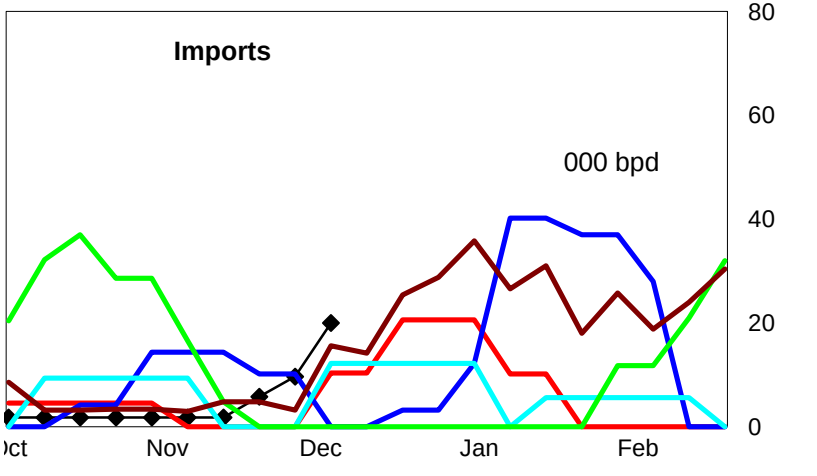
2/ Source: Fundamenal Petroleum Trends Reports











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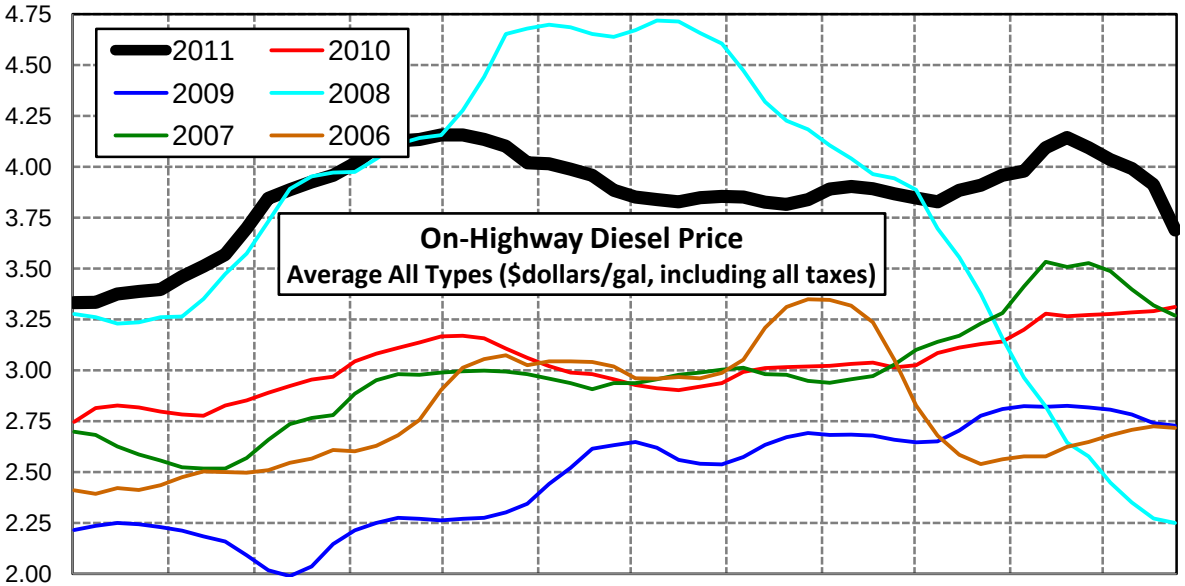
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

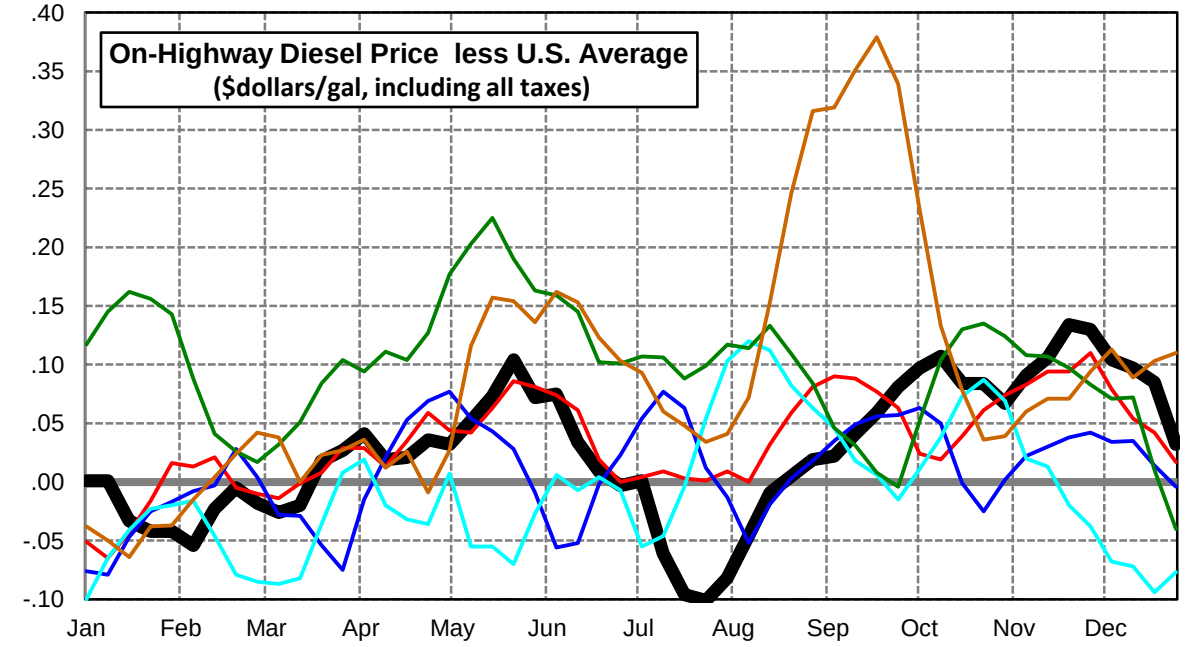
Weekly Retail On-Highway Diesel Prices

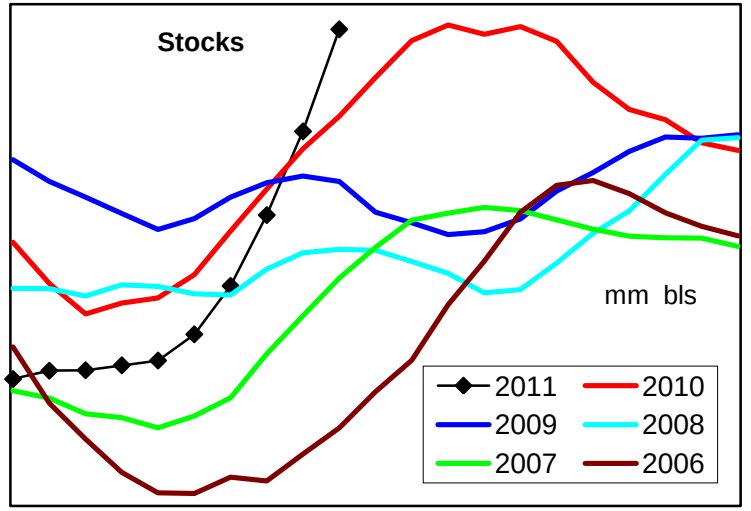
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
Rocky Mountain	$4.035	$3.991	$3.913	**$3.690**	-$0.223

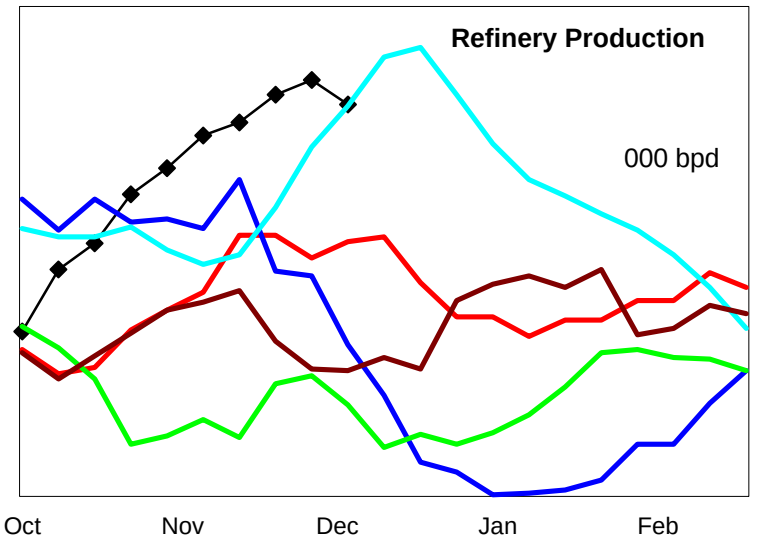
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports









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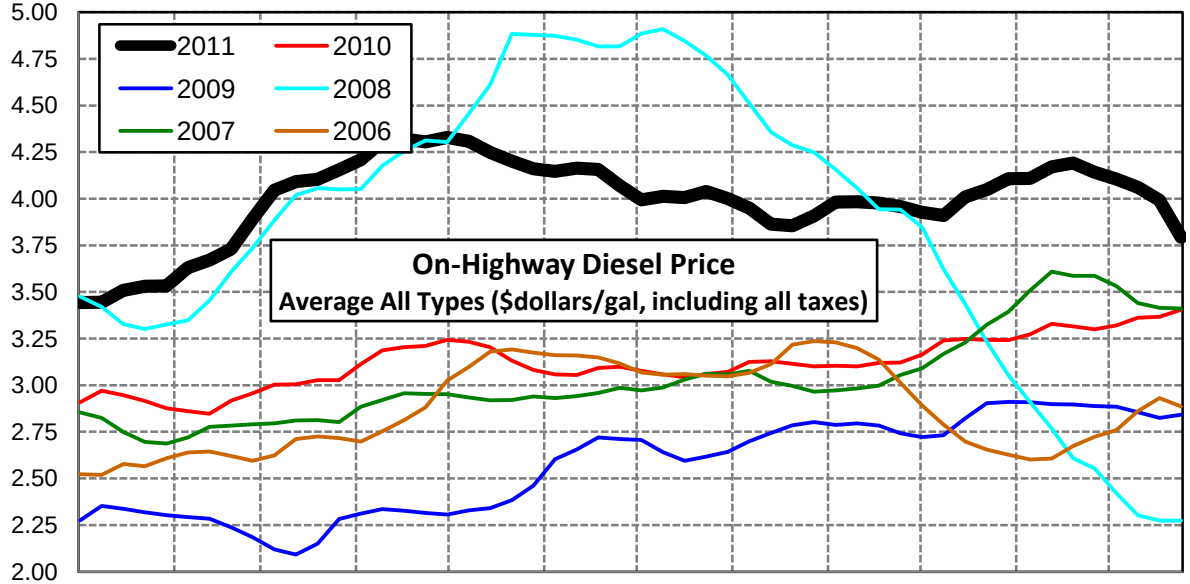
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

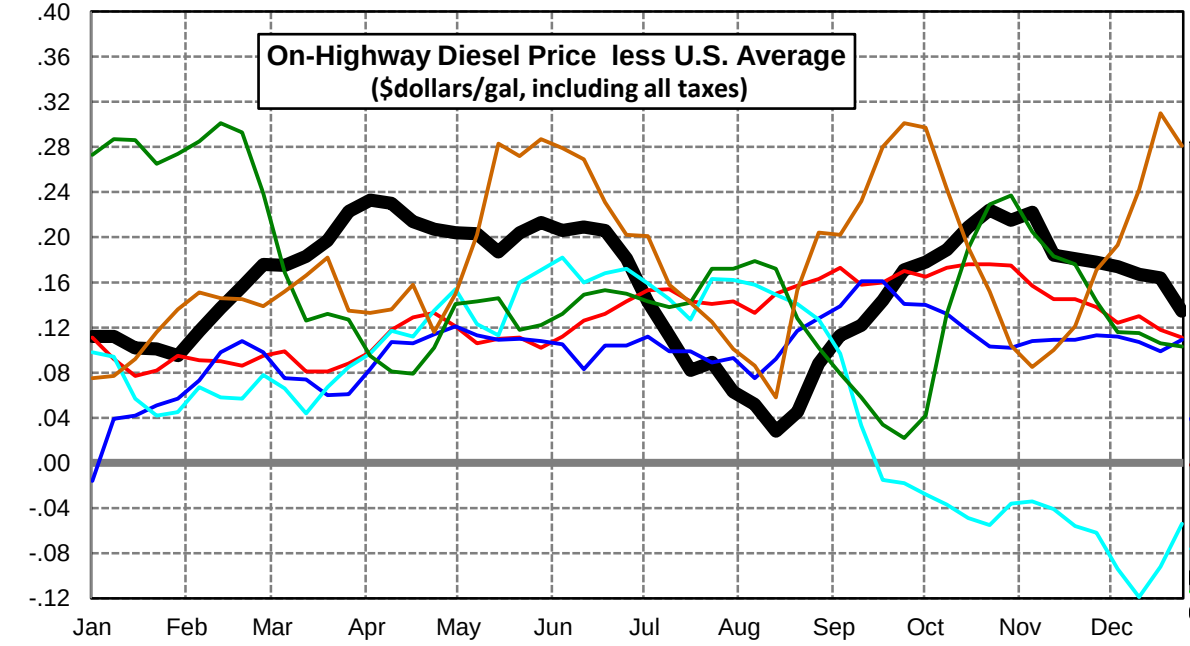
Weekly Retail On-Highway Diesel Prices

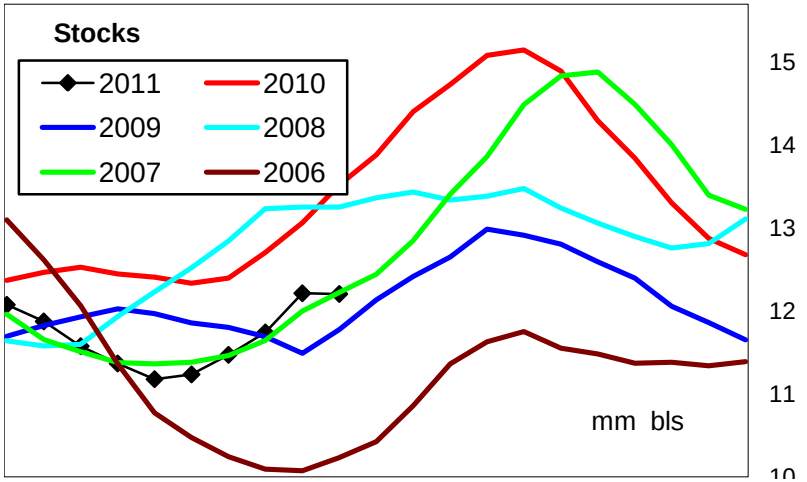
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
West Coast	$4.105	$4.061	$3.992	**$3.793**	-$0.199

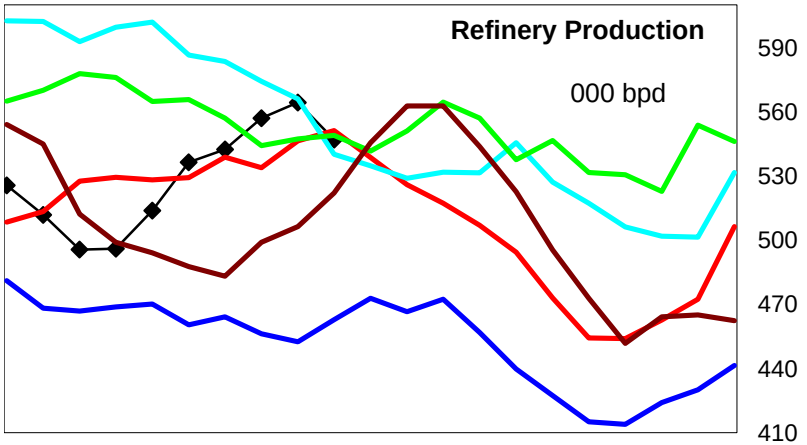
1/ Source: U.S. Energy Information Administration

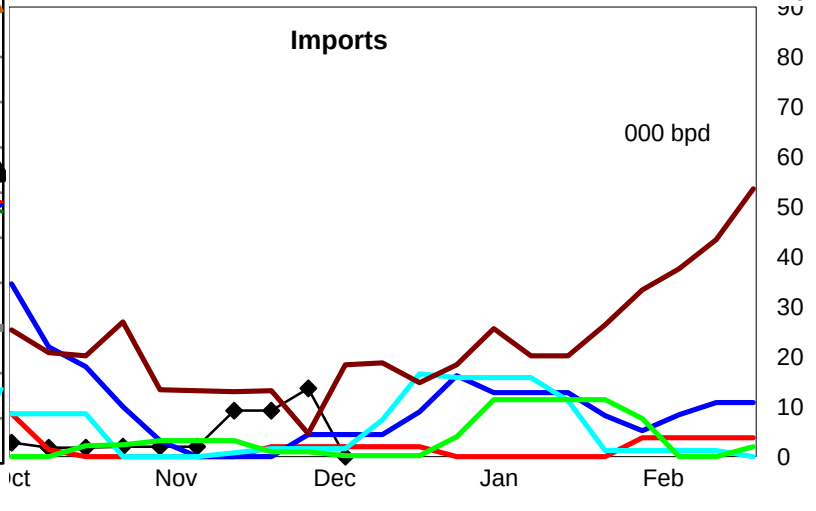
2/ Source: Fundamenal Petroleum Trends Reports











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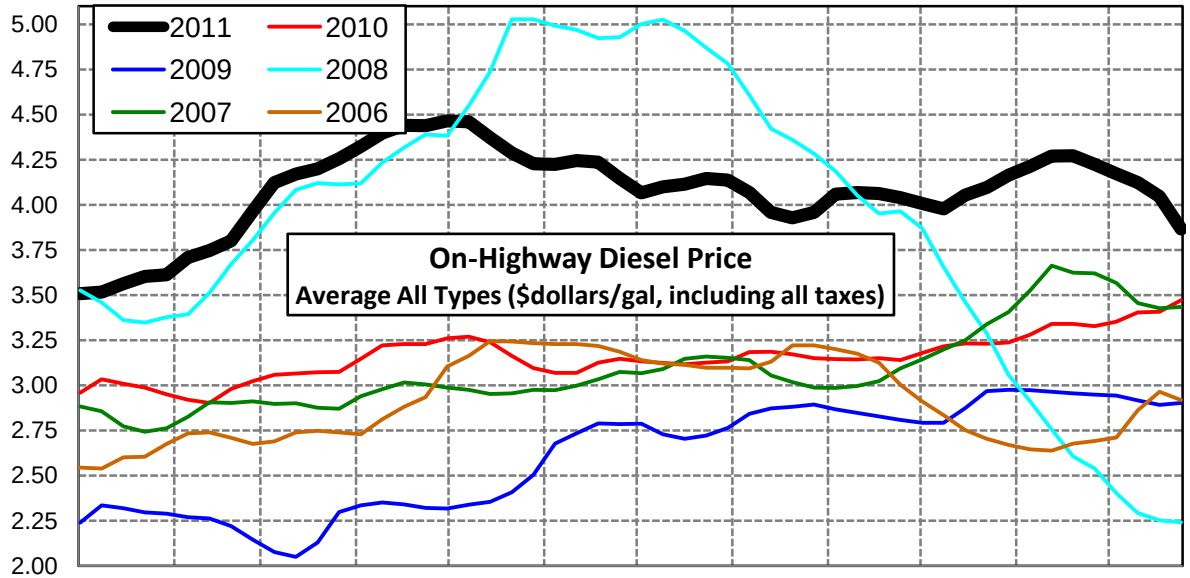
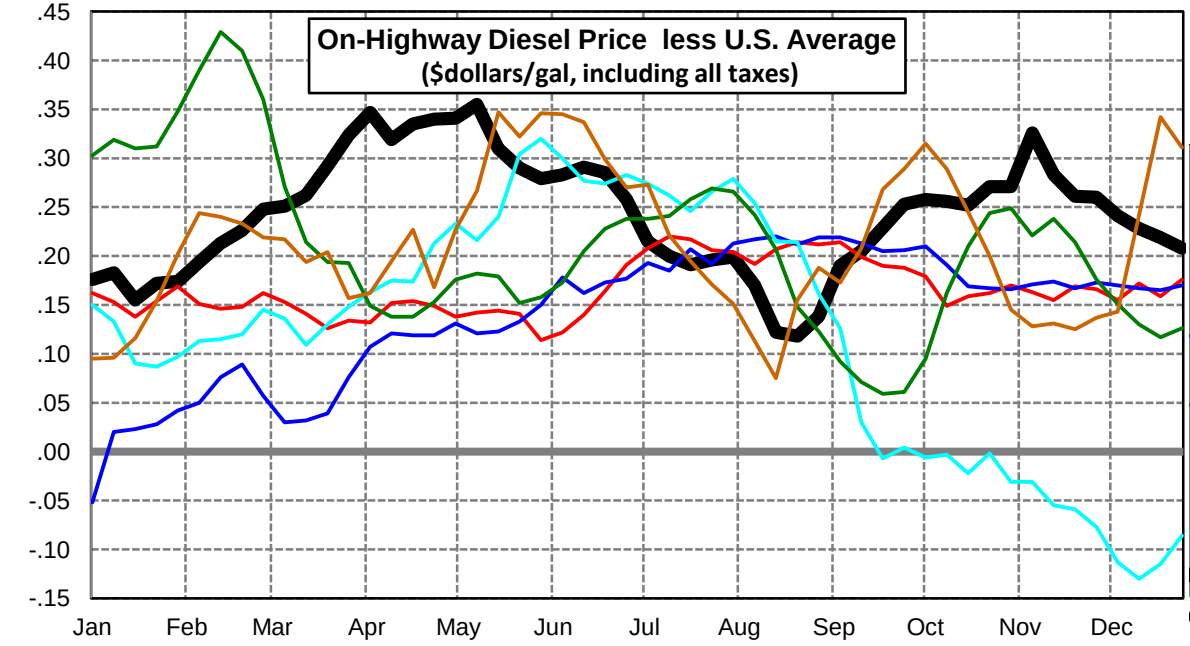
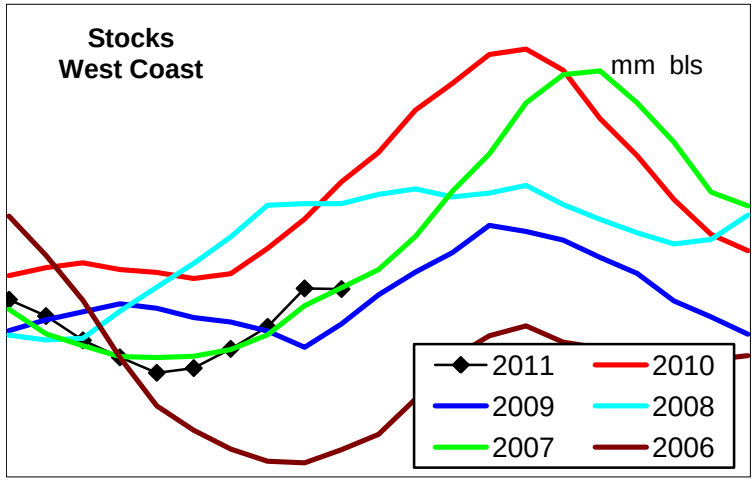
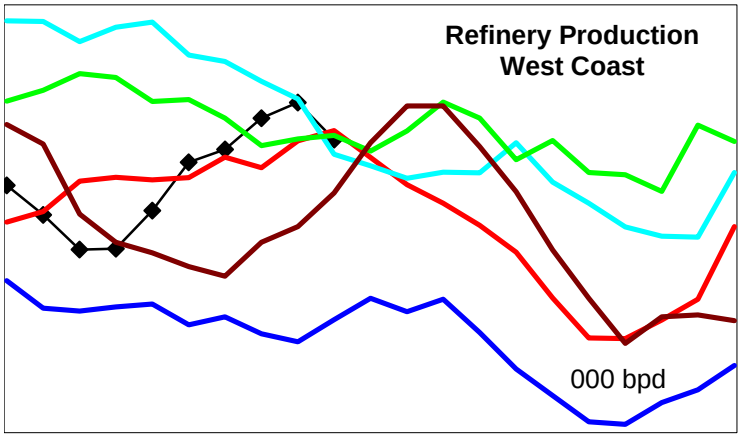
California Diesel Supply Fundamentals and On-Highway Price Trends

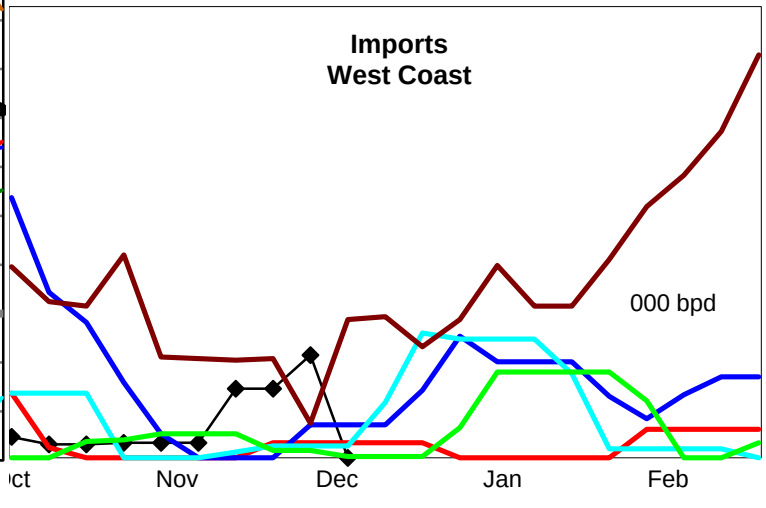
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	05Dec11	12Dec11	19Dec11	26Dec11	from week
California	$4.172	$4.122	$4.047	**$3.866**	-$0.181
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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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	3.932	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	3.825	3.832	3.925	3.946	3.775	3.782	3.745	3.909	4.049	4.096
Mon-31-Oct-11	3.892	3.886	3.935	3.994	3.836	3.866	3.808	3.959	4.107	4.163
Mon-07-Nov-11	3.887	3.875	3.950	3.997	3.816	3.863	3.796	3.978	4.109	4.213
Mon-14-Nov-11	3.987	3.964	4.030	4.085	3.906	3.987	3.882	4.093	4.171	4.270
Mon-21-Nov-11	4.010	3.984	4.056	4.100	3.918	4.010	3.903	4.144	4.191	4.271
Mon-28-Nov-11	3.964	3.953	4.045	4.057	3.882	3.949	3.859	4.094	4.142	4.224
Mon-05-Dec-11	3.931	3.934	4.036	4.018	3.862	3.907	3.828	4.035	4.105	4.172
Mon-12-Dec-11	3.894	3.917	4.032	4.003	3.830	3.848	3.794	3.991	4.061	4.122
Mon-19-Dec-11	3.828	3.873	3.995	3.963	3.783	3.765	3.727	3.913	3.992	4.047
Mon-26-Dec-11	3.658	3.729	3.814	3.841	3.637	3.572	3.614	3.690	3.793	3.866

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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.

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