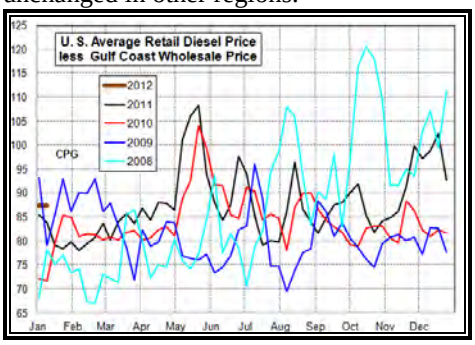
RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

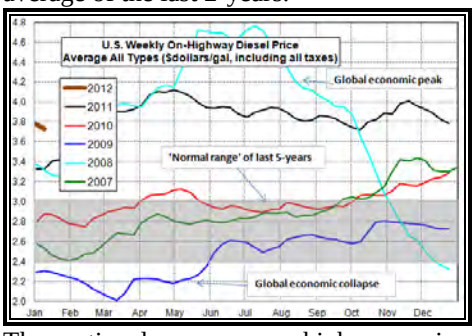
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, December 20, 2011

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price 1/			Forecast 2/	Change from
	19Dec11	26Dec11	02Jan12	09Jan12	week ago
U.S.	3.828	3.791	3.783	3.732	-0.051
East Coast	3.873	3.840	3.844	3.798	-0.046
New England	3.995	3.973	3.973	3.880	-0.093
Central Atlantic	3.963	3.925	3.932	3.910	-0.022
Lower Atlantic	3.783	3.752	3.754	3.747	-0.007
Midwest	3.765	3.706	3.683	3.598	-0.085
Gulf Coast	3.727	3.708	3.709	3.724	0.015
Rocky Mountain	3.913	3.861	3.836	3.765	-0.071
West Coast	3.992	3.978	3.979	3.911	-0.068
California	4.047	4.039	4.046	3.989	-0.057
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					

Diesel Fuel Price Trends U. S. retail diesel prices declined -0.8 cpg for the week ending 02Jan12. Prices decreased -2.3 cpg in the Midwest and -2.5 cpg in the Rocky Mountains. Prices were nearly unchanged in other regions.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price declined -5.5 cpg last week as retail prices declined while wholesale prices increased week-on-week. The spread ended the week +8 cpg higher than the average of the last 2-years.

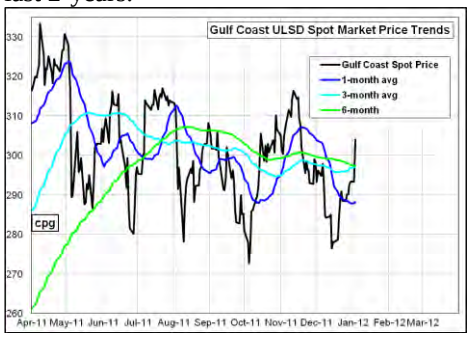


The national average on-highway price ended the week $0.47/gal ***above*** the high, for this time of year, set in 2011.

The larger than average price declines in the Midwest and Rocky Mountains reflect rapid stock building and high levels of production. The Central Atlantic region saw an increase of +0.7 cpg on relatively tight supplies. The Midwest reported the lowest average price at $3.68/gal. The highest price was reported in California at $4.05/gal.

Gulf Coast wholesale distillate prices increased +15 cpg last week ending 03Jan12. Gulf wholesale prices ended the week at a level above the mid range of the last quarter.

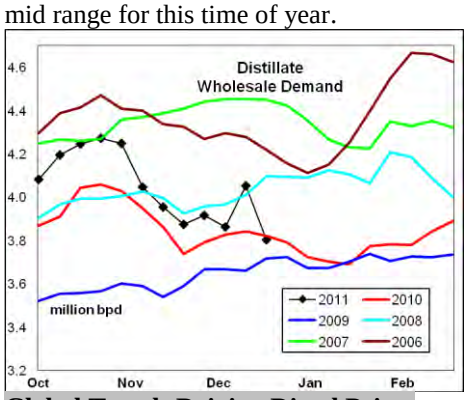
U.S. average retail prices are now +6 cpg above the lows set in early October 2011. The spread between retail and wholesale spot prices declined last week, to a level +8 cpg above the average of the last 2-years.



With the spread between wholesale and retail prices above the average for this time of year, expect retail prices to increase less than wholesale prices over the next few weeks.

Supply - Demand Fundamental Trends Wholesale demand plunged -0.6 million bpd last week on lower exports and less transport demand during the holiday week. Demand for the latest 4-wk average saw an increase of +151,000 bpd over last year.

Distillate supplies declined -88,000 bpd last week, +300,000 bpd above the prior record high. Lower demand led to a +1.2 million barrel stock build for the week. The latest 4-wk stock build in markets East of the Rockies matched the mid range for this time of year.



Global Trends Driving Diesel Prices U.S./European confrontation with Iran over banking sanctions has led to increased risk of Middle East supply disruption, and a spike in wholesale prices this week.

Unusually warm temperatures in the Northeast continue to depress demand for heating oil.

Risk of recession in Europe and slower economic growth in China during 2012 should reduce global energy demand during 2012.

Middle East political risk is currently driving global oil prices.

Diesel Price Outlook U.S. average retail prices are projected to decreased -5 cpg for the week ending 09Jan12,.

Warm temperatures in the Central Atlantic Region, excess production in the Midwest and Rocky Mountains should weigh on retail prices in these regions. Given 'stickiness' of retail prices, the forecast declines may not be fully realized until after mid January.

A spike in wholesale prices on 03Jan12 will limit retail price decreases in the very near term.

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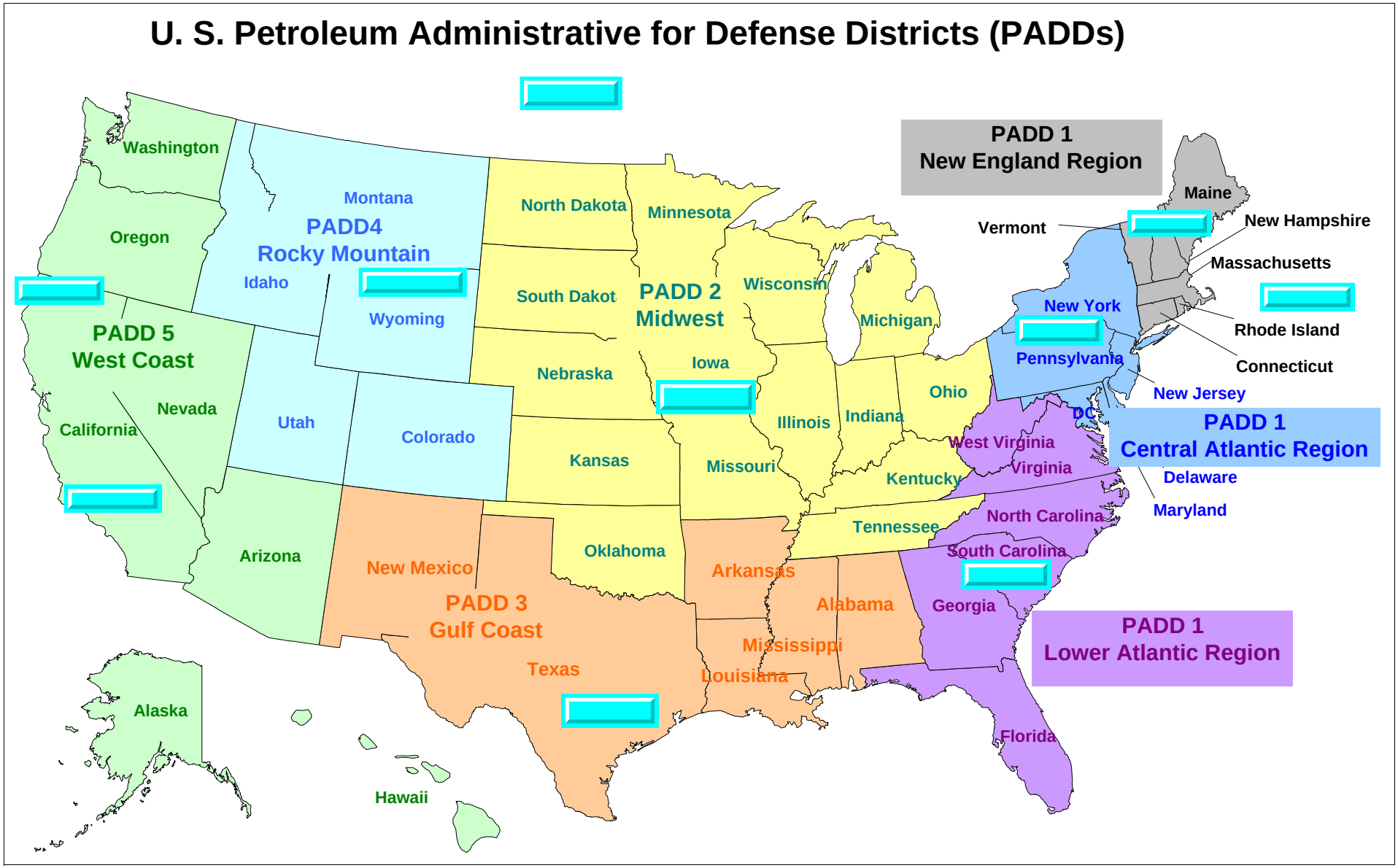
Click Blue Icon on Map to view Regional Price & Fundamental Trends

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



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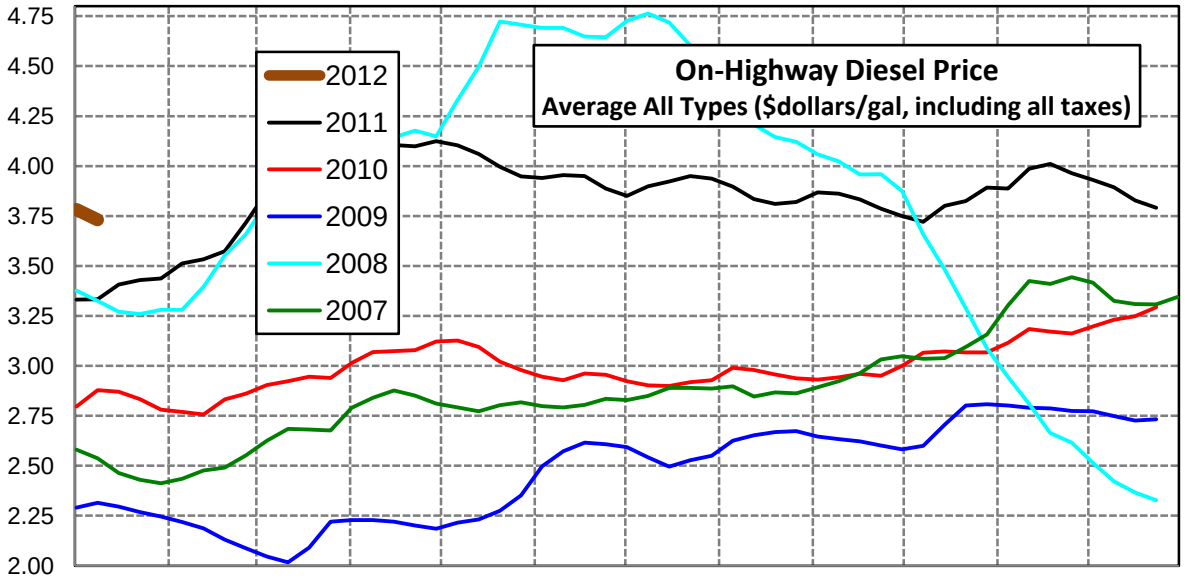
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

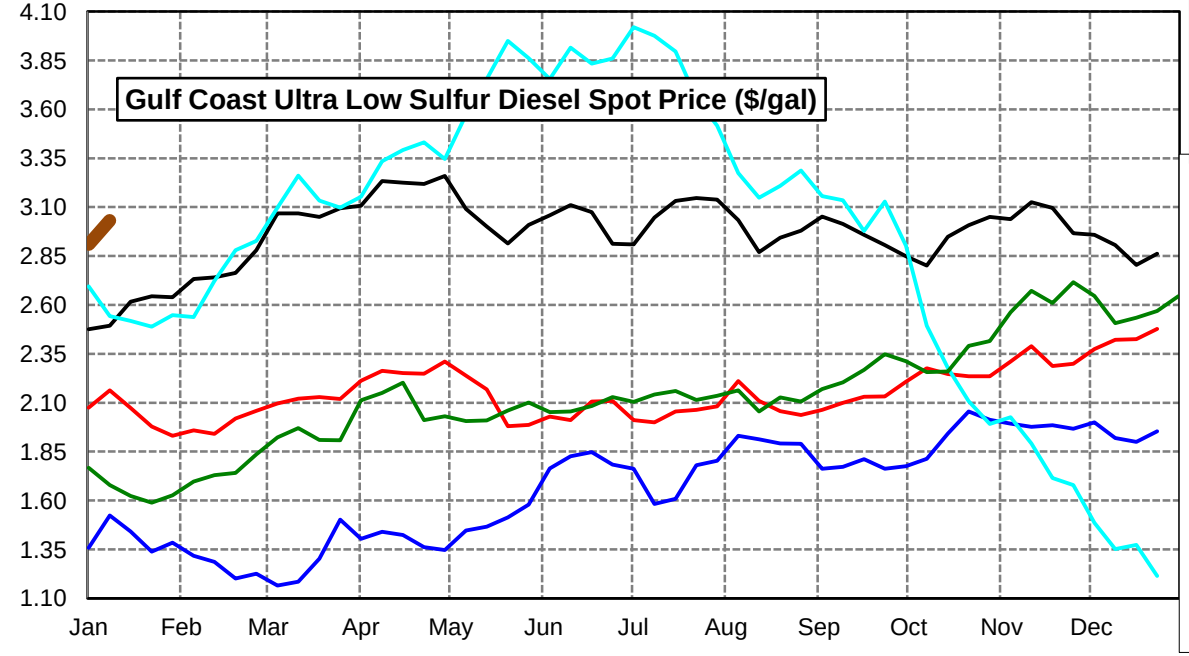
Weekly Retail On-Highway Diesel Prices

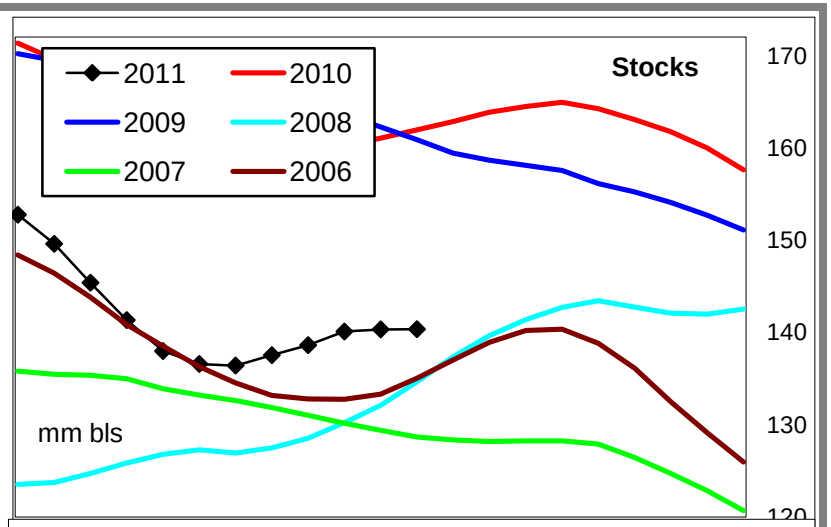
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
United States Avg	$3.828	$3.791	$3.783	**$3.732**	-$0.051

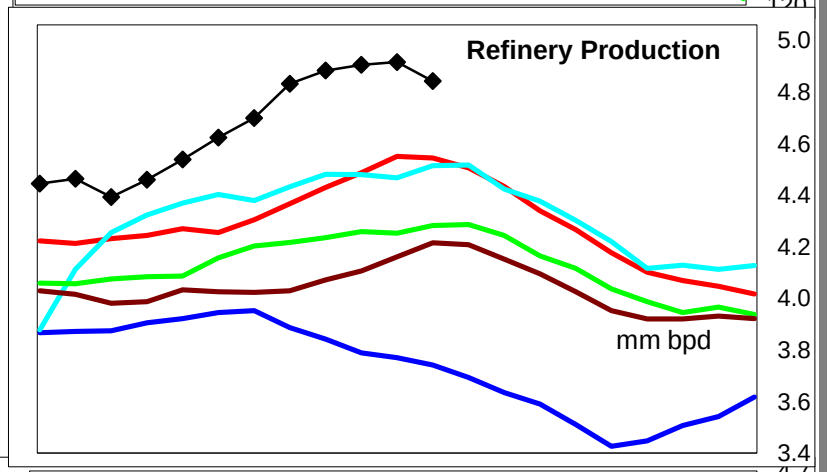
1/ Source: U.S. Energy Information Administration

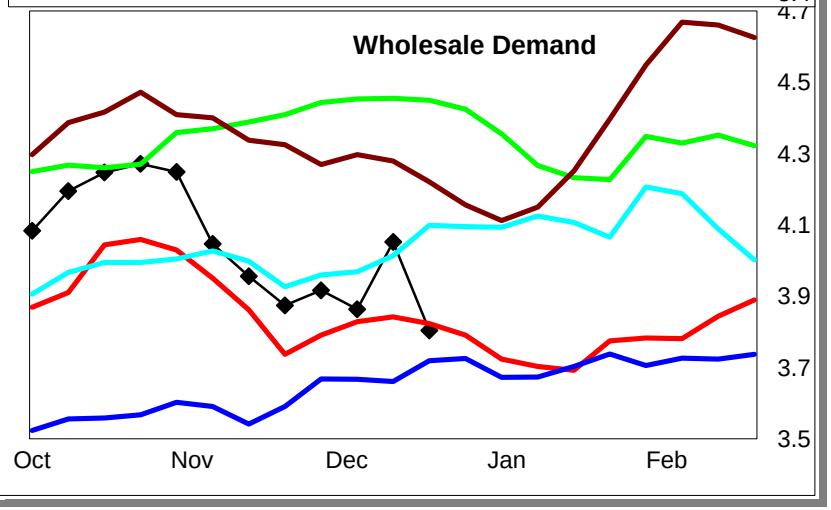
2/ Source: Fundamenal Petroleum Trends Reports











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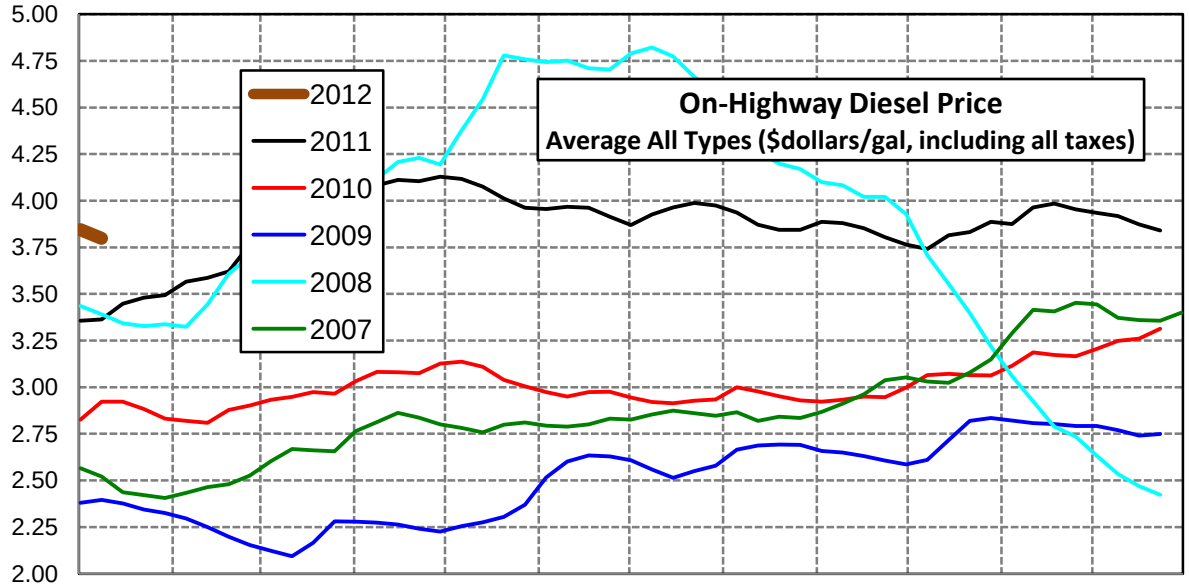
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

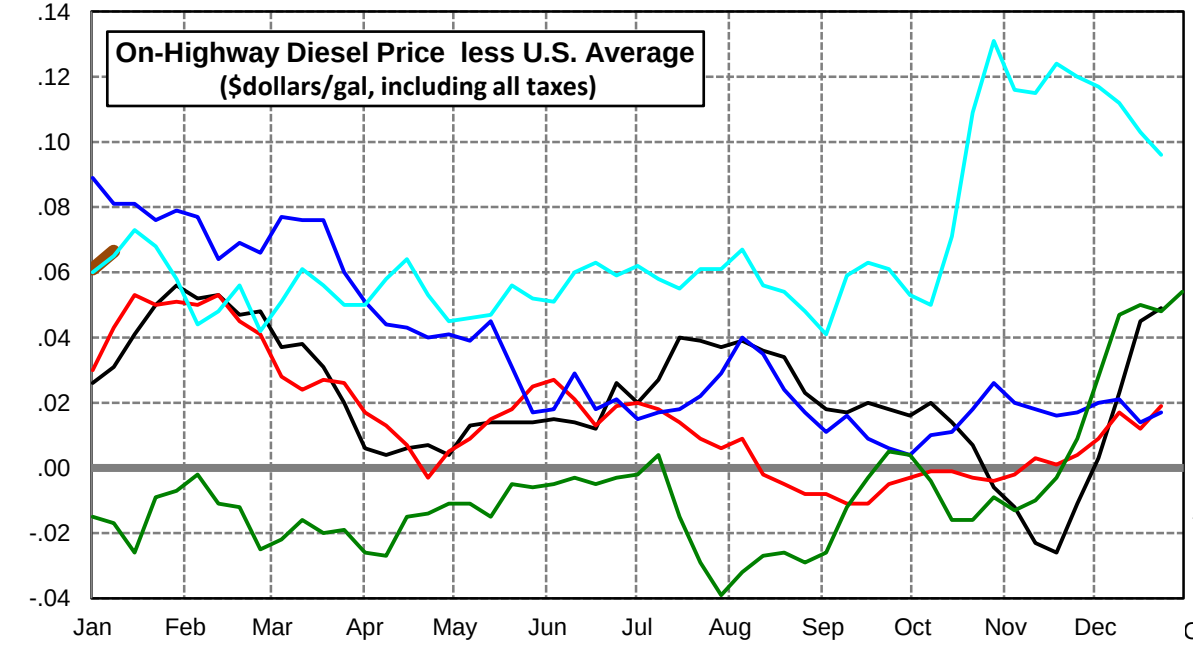
Weekly Retail On-Highway Diesel Prices

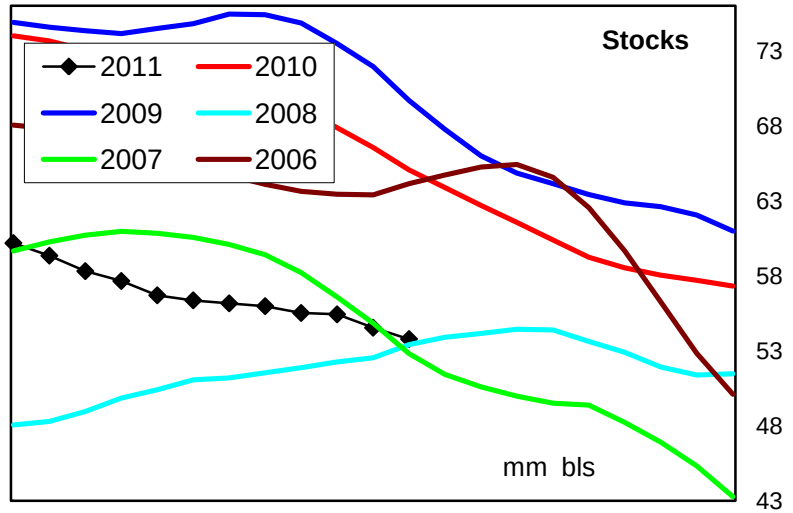
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
East Coast	$3.873	$3.840	$3.844	**$3.798**	-$0.046

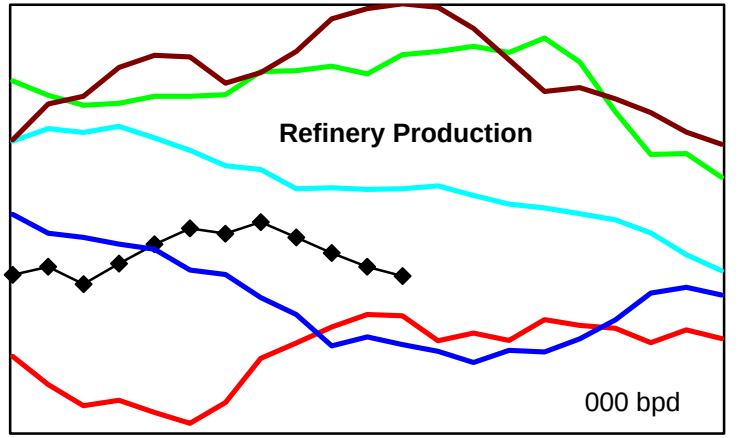
1/ Source: U.S. Energy Information Administration

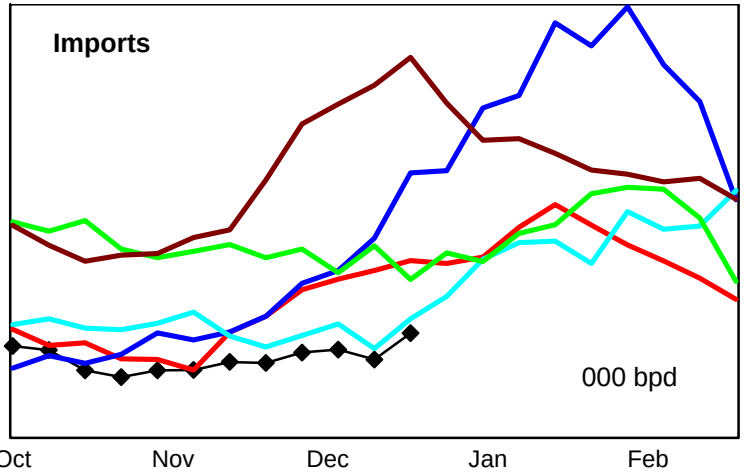
2/ Source: Fundamenal Petroleum Trends Reports











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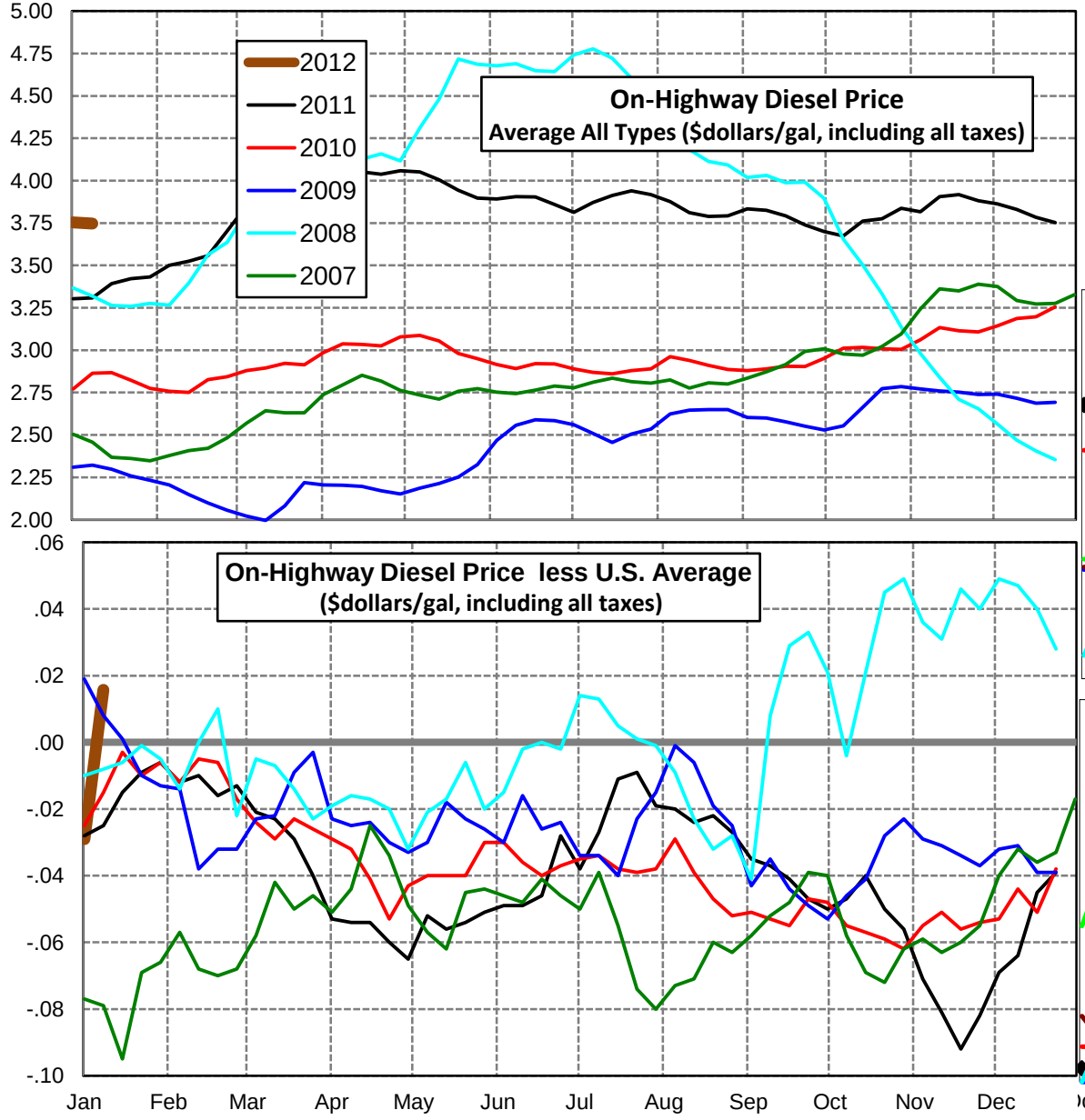
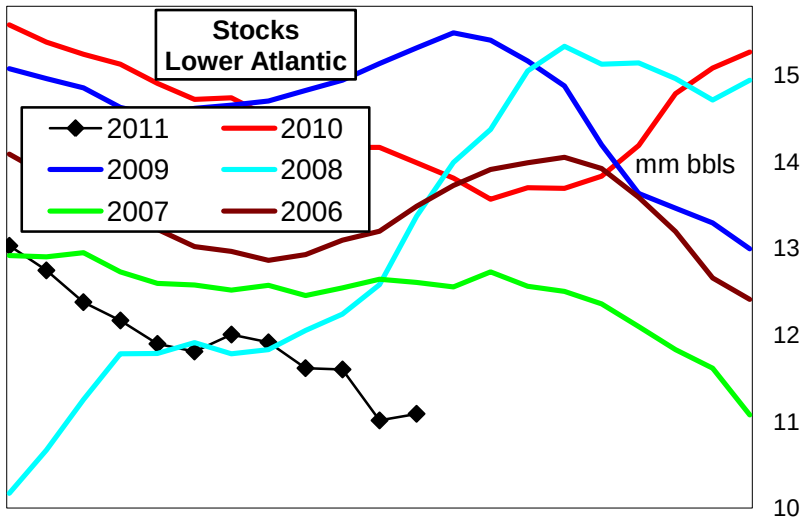
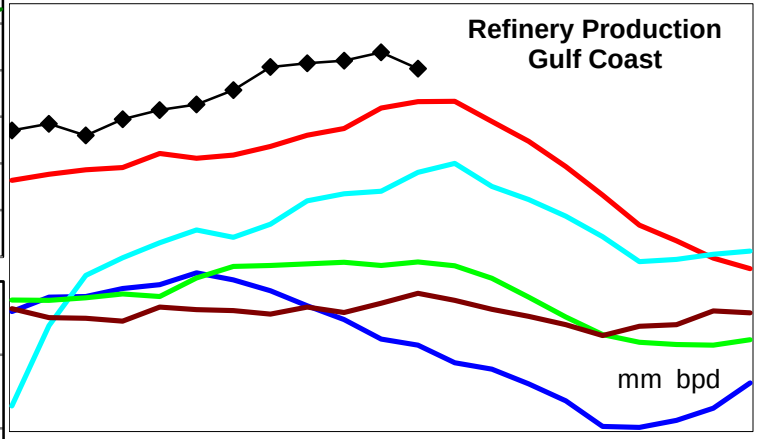
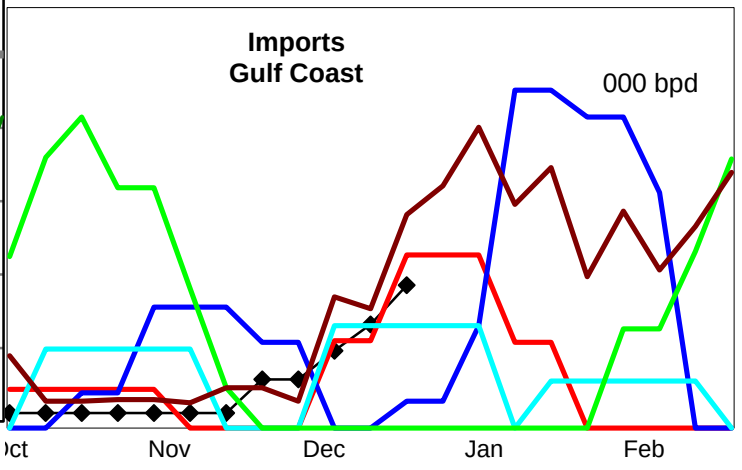
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
Lower Atlantic	$3.783	$3.752	$3.754	**$3.747**	-$0.007
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					









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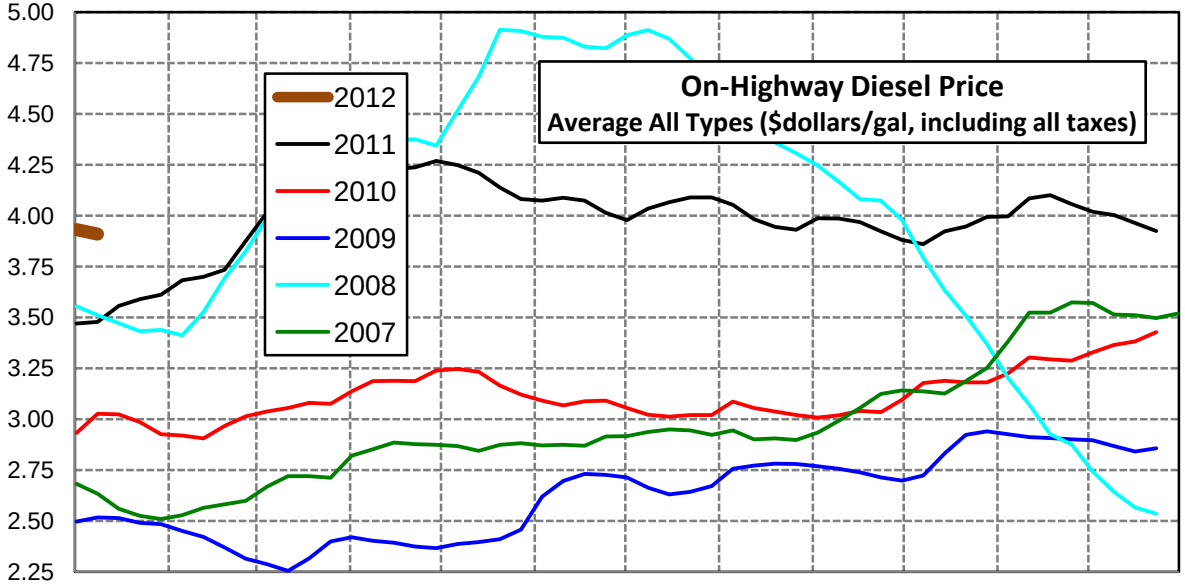
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

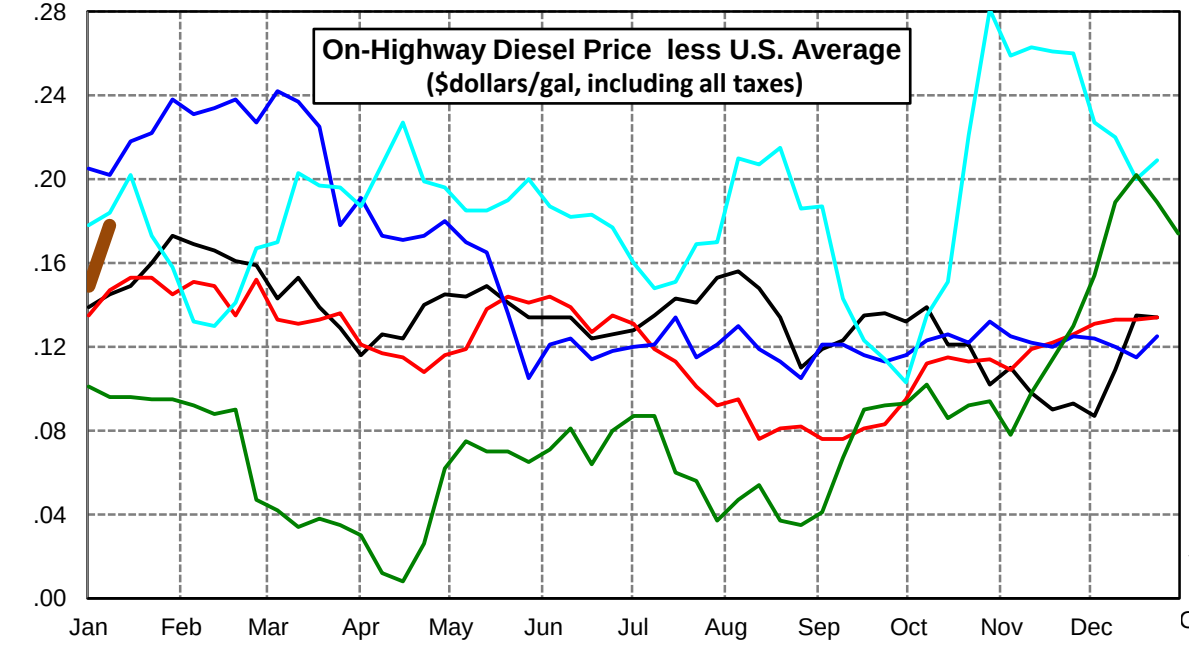
Weekly Retail On-Highway Diesel Prices

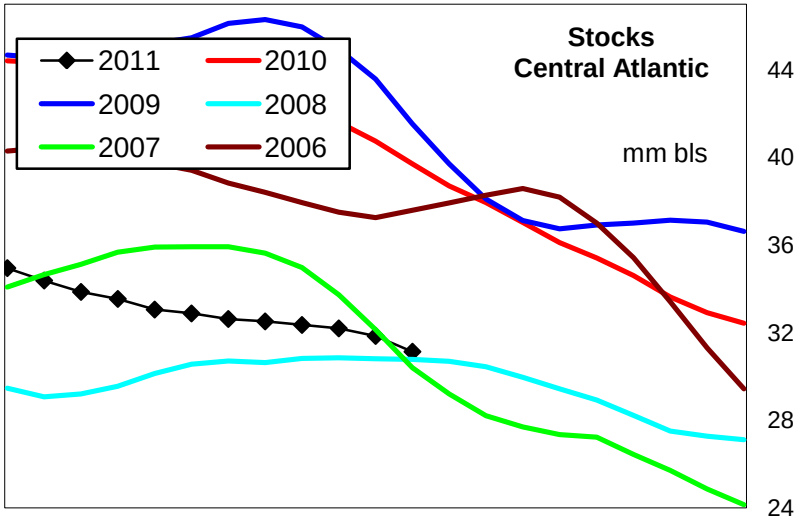
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
Central Atlantic	$3.963	$3.925	$3.932	**$3.910**	-$0.022

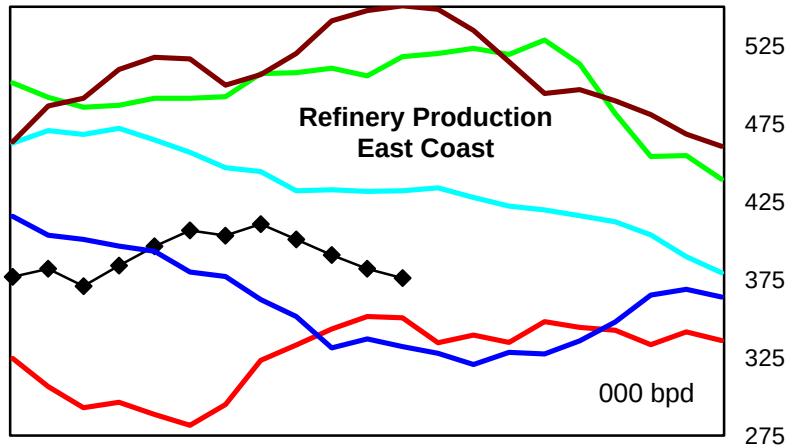
1/ Source: U.S. Energy Information Administration

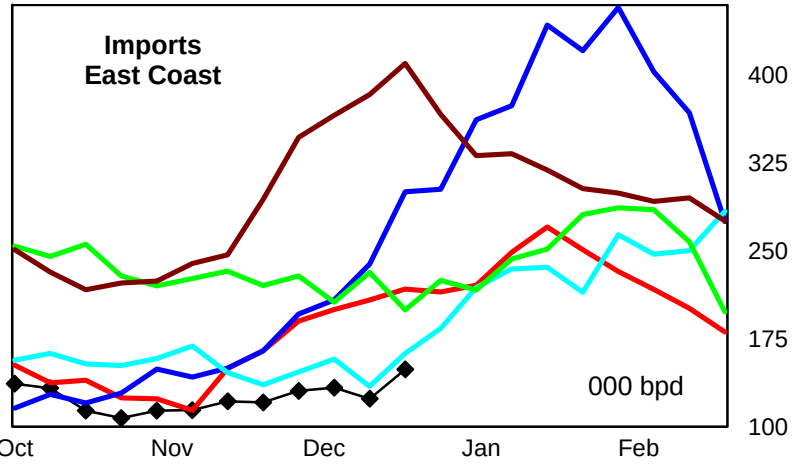
2/ Source: Fundamenal Petroleum Trends Reports











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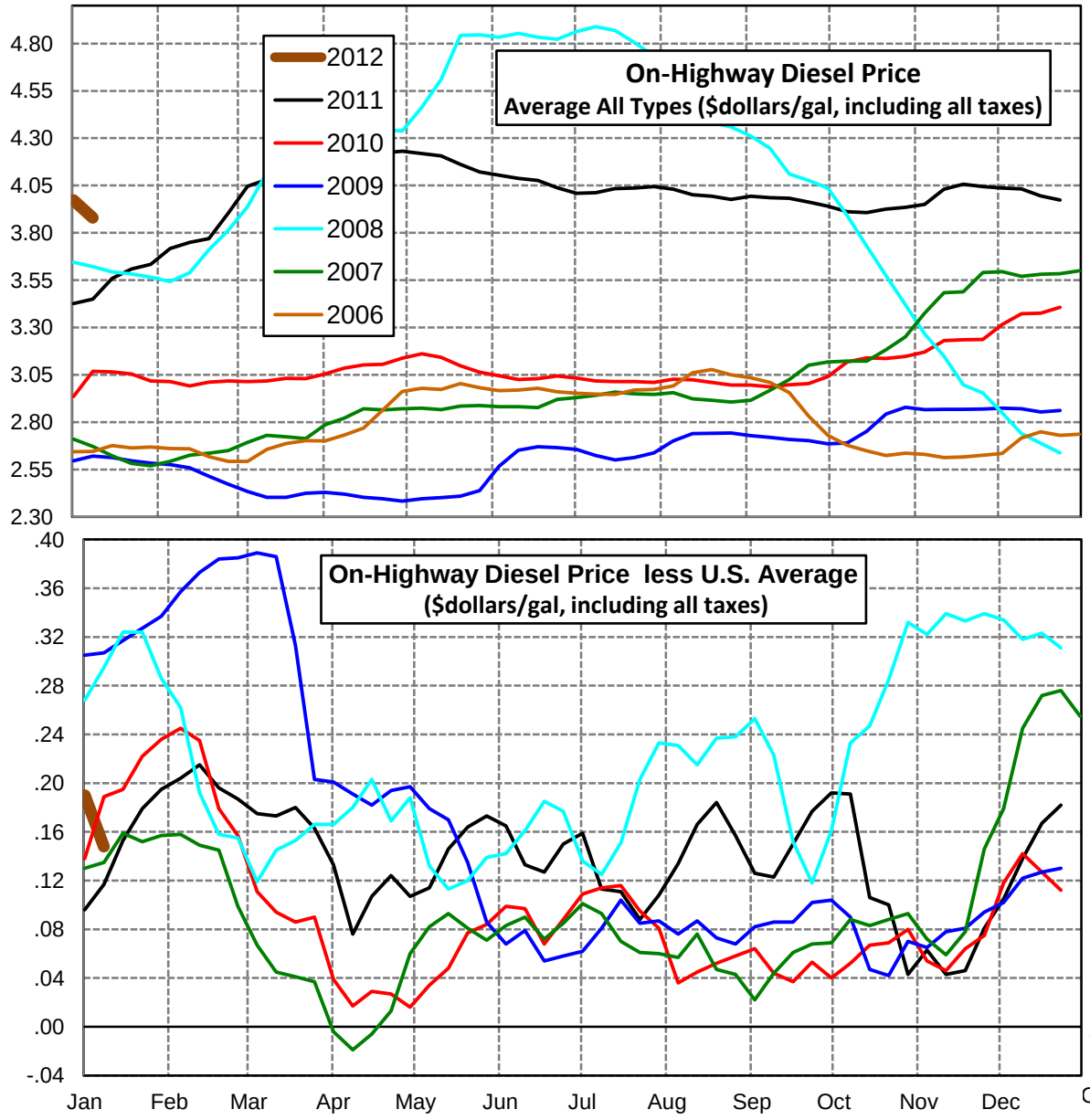
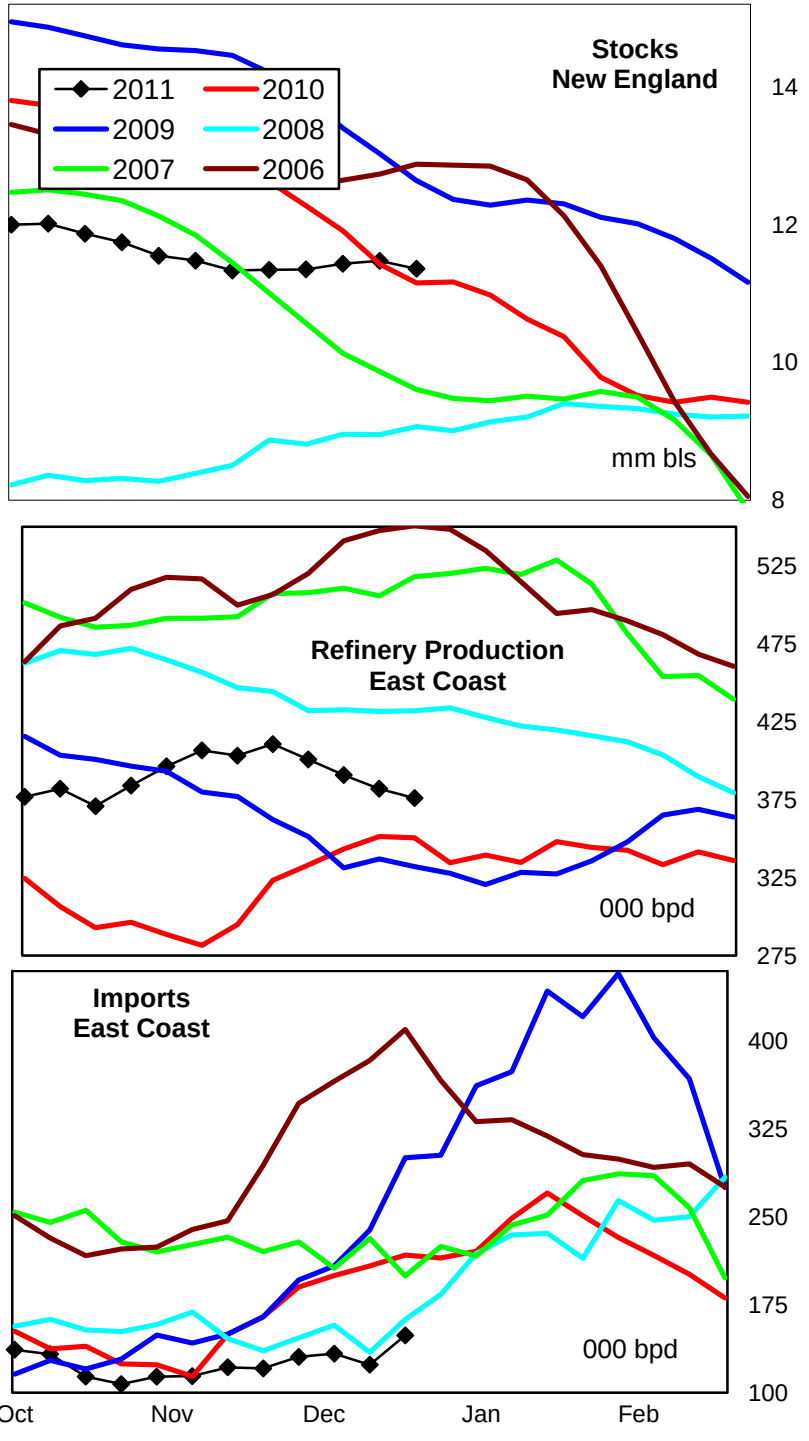
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
New England	$3.995	$3.973	$3.973	**$3.880**	-$0.093
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					





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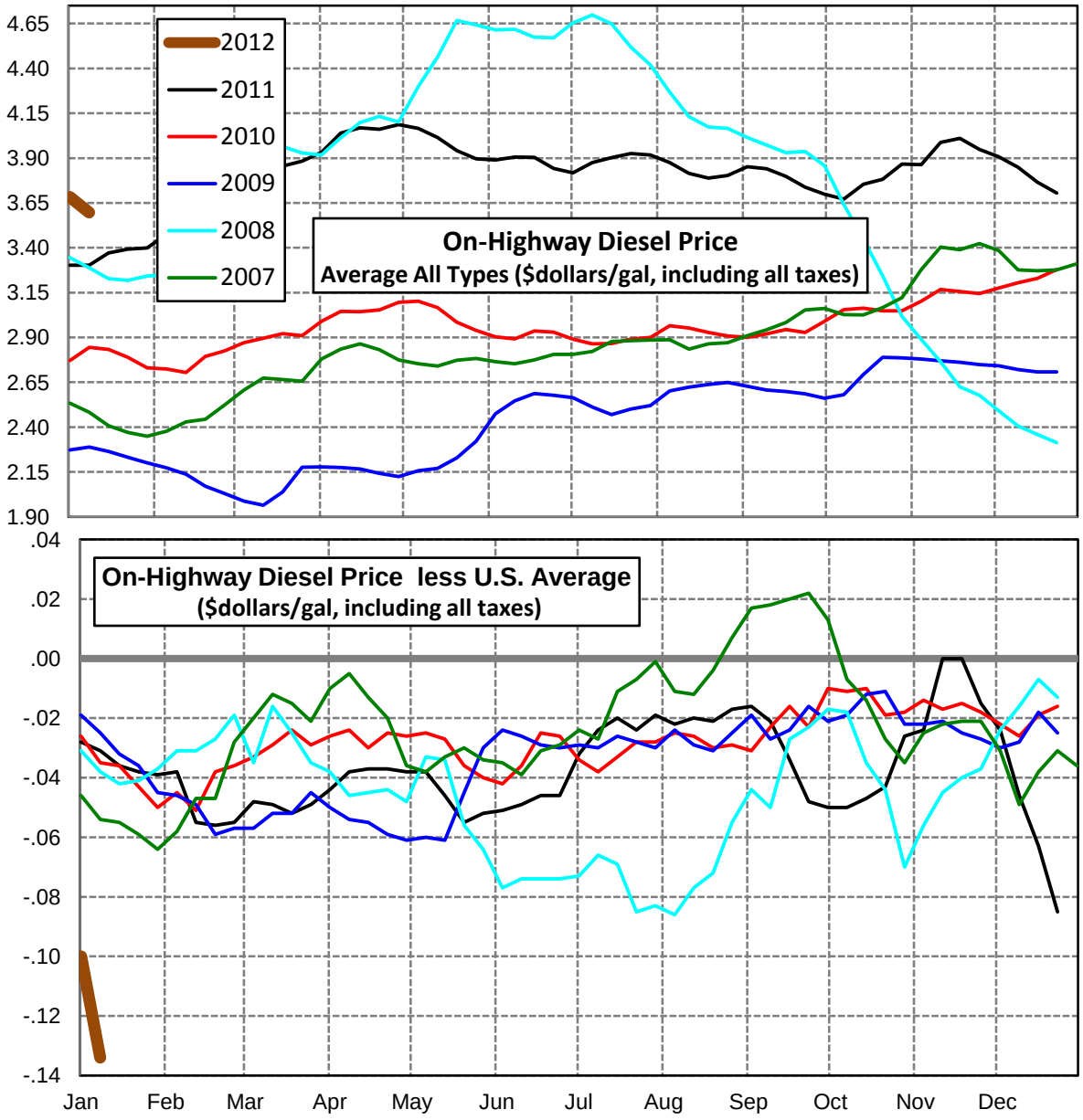
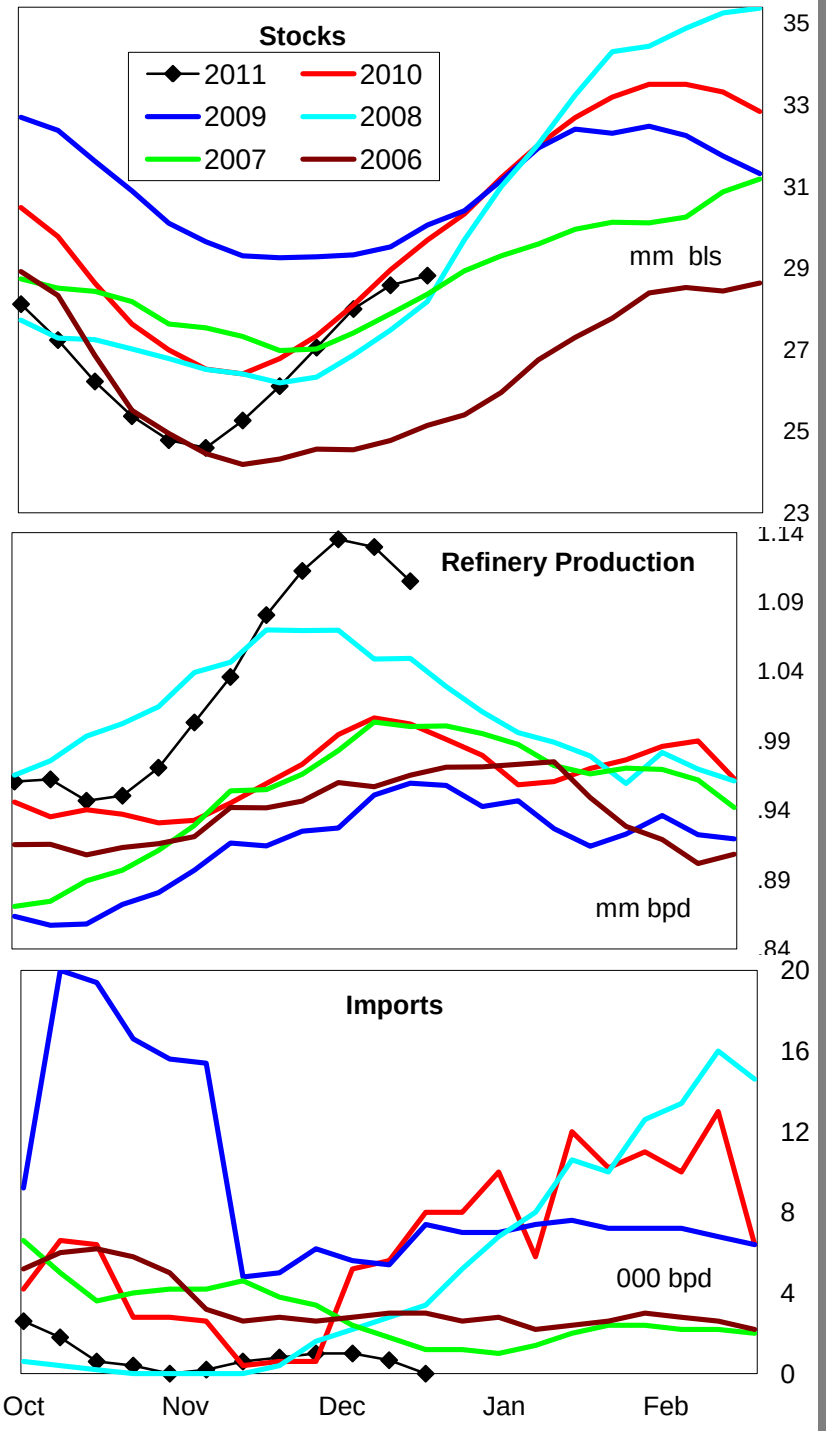
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
Midwest	$3.765	$3.706	$3.683	**$3.598**	-$0.085
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					





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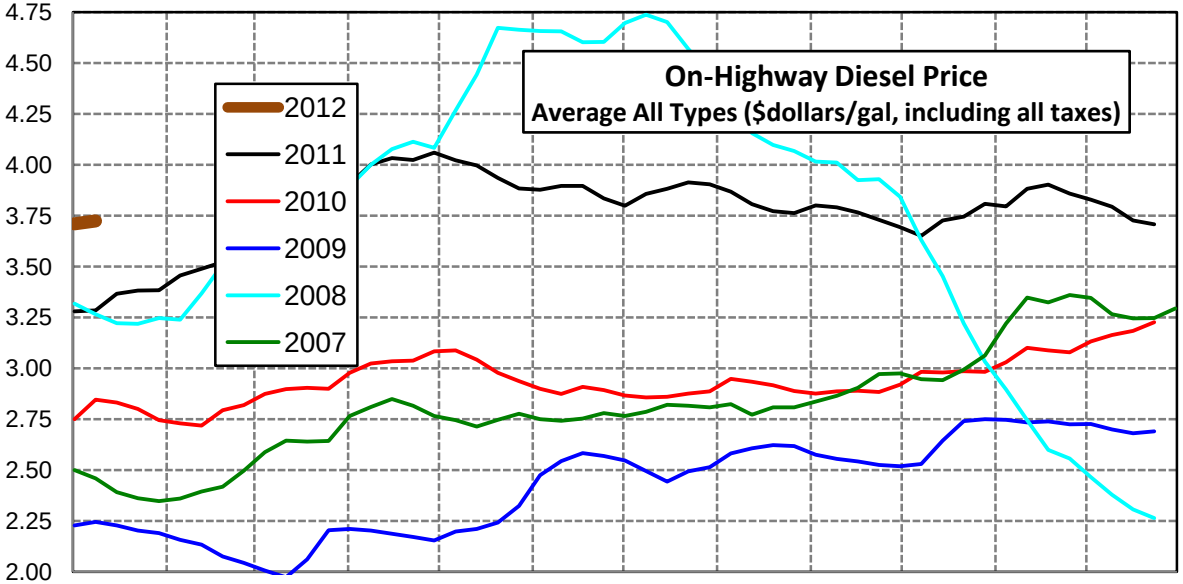
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

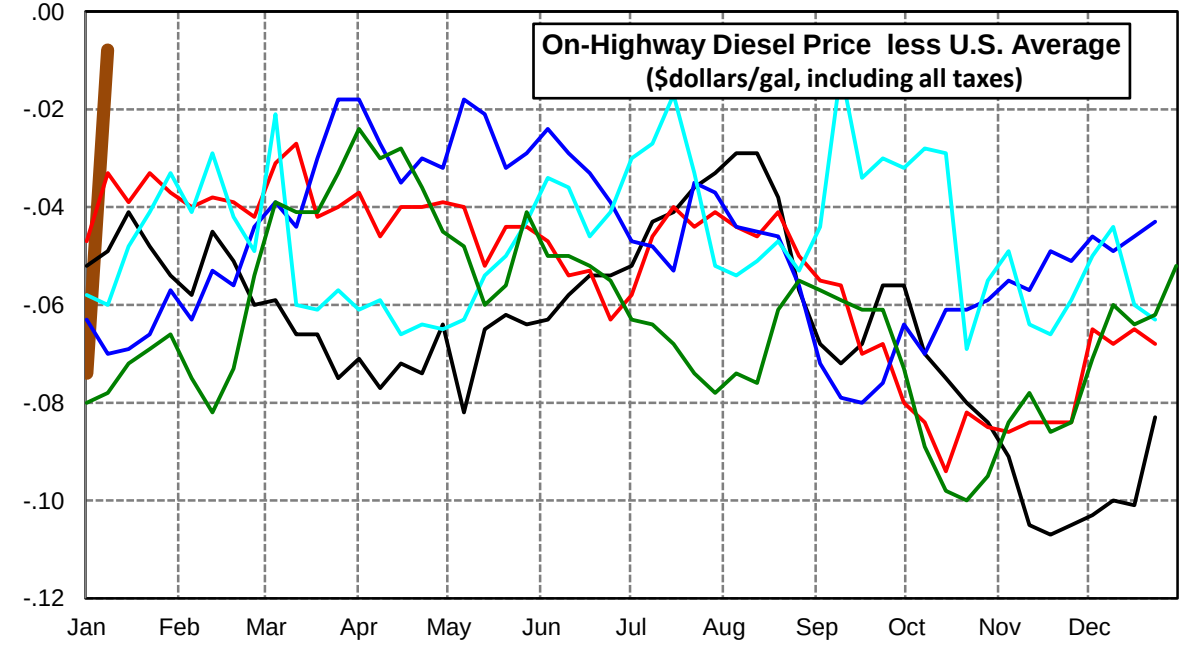
Weekly Retail On-Highway Diesel Prices

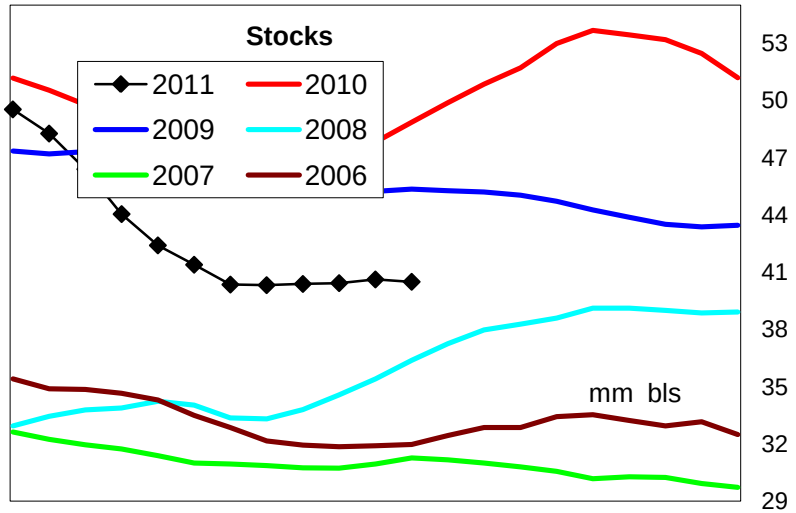
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
Gulf Coast	$3.727	$3.708	$3.709	**$3.724**	$0.015

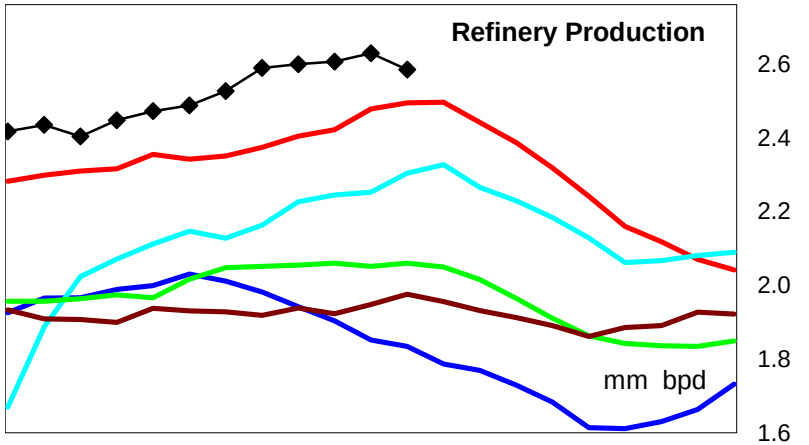
1/ Source: U.S. Energy Information Administration

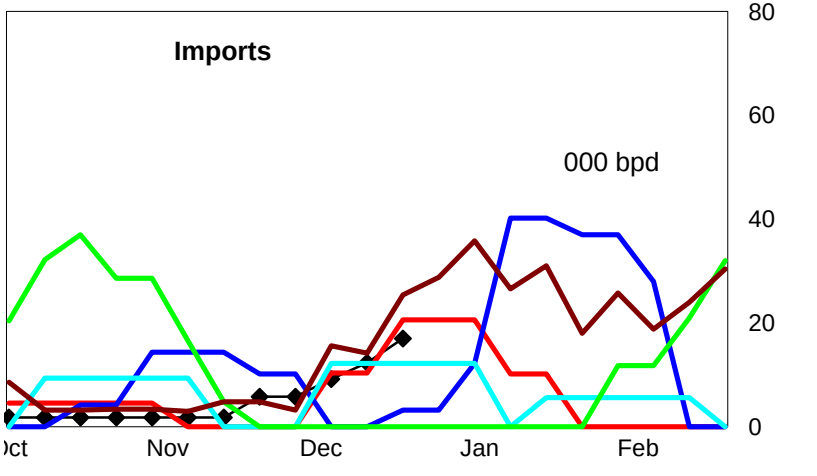
2/ Source: Fundamenal Petroleum Trends Reports











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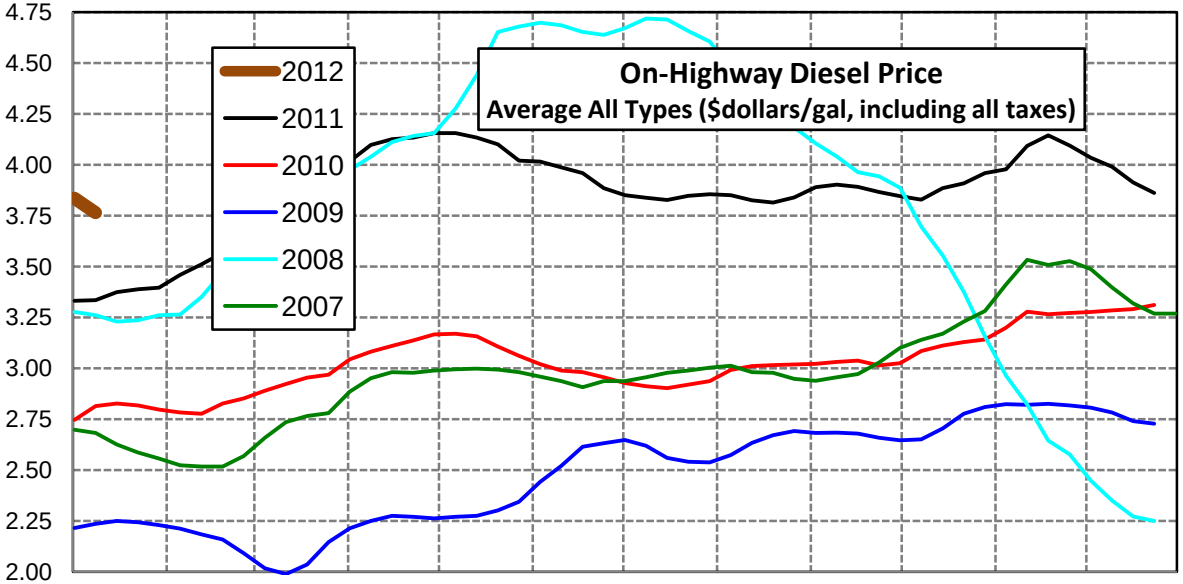
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

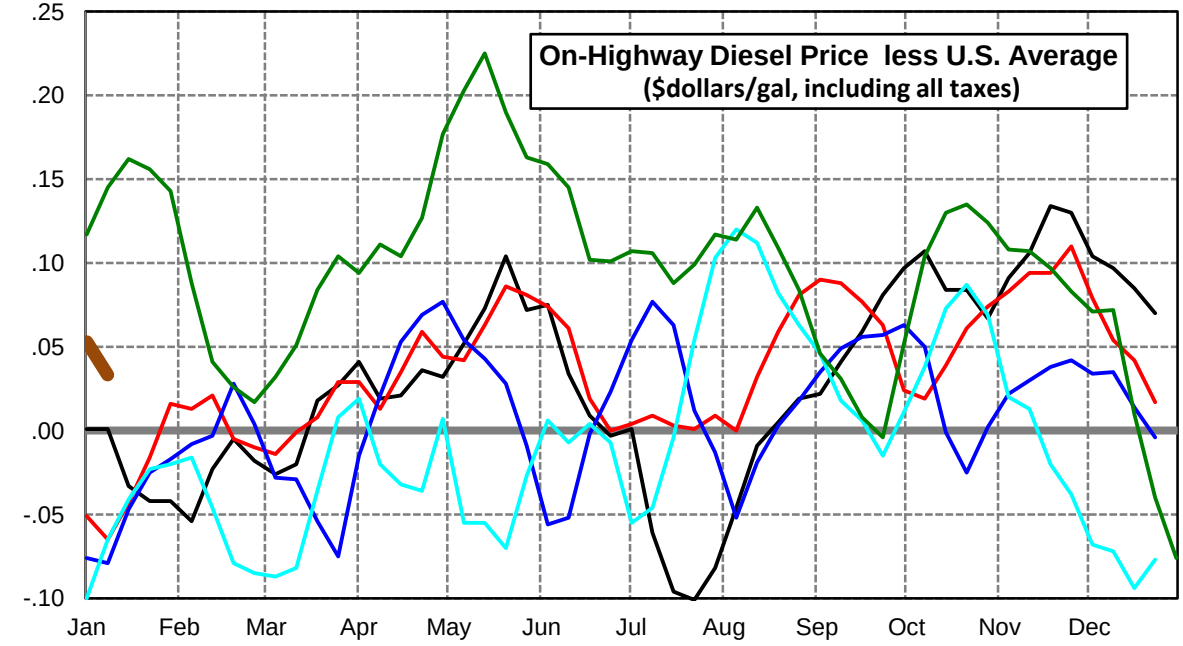
Weekly Retail On-Highway Diesel Prices

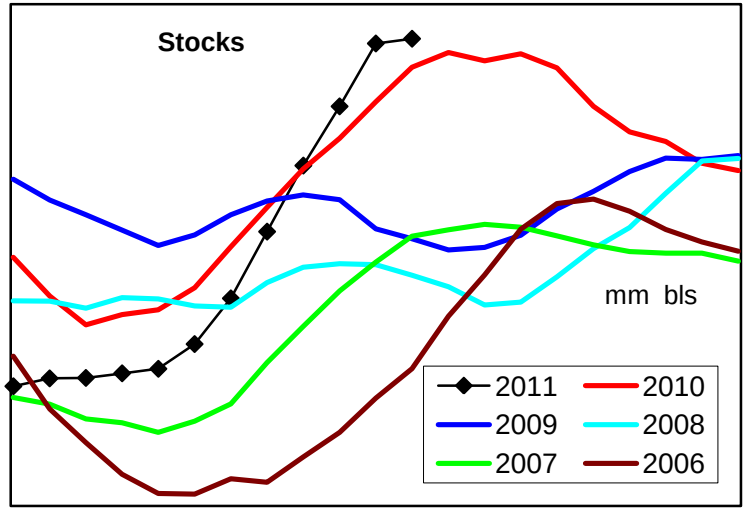
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
Rocky Mountain	$3.913	$3.861	$3.836	**$3.765**	-$0.071

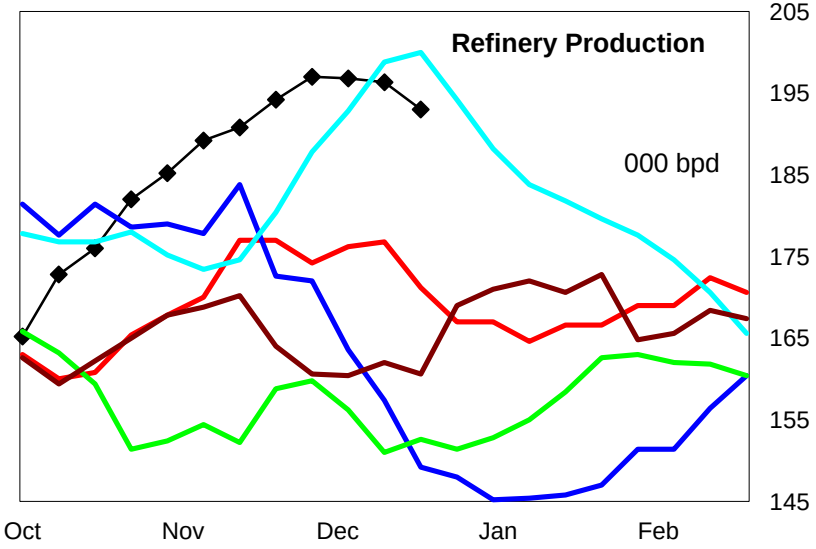
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports









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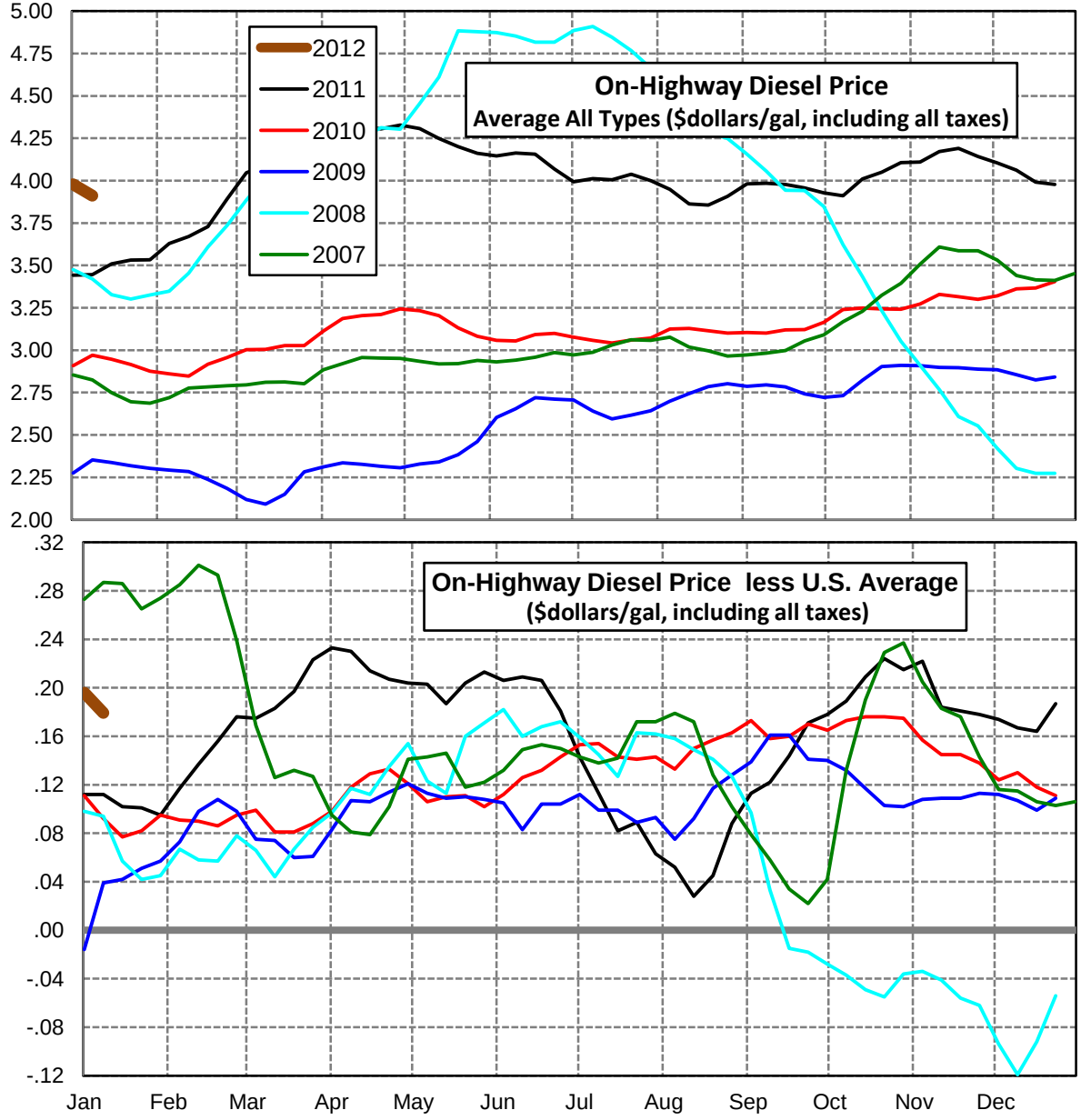
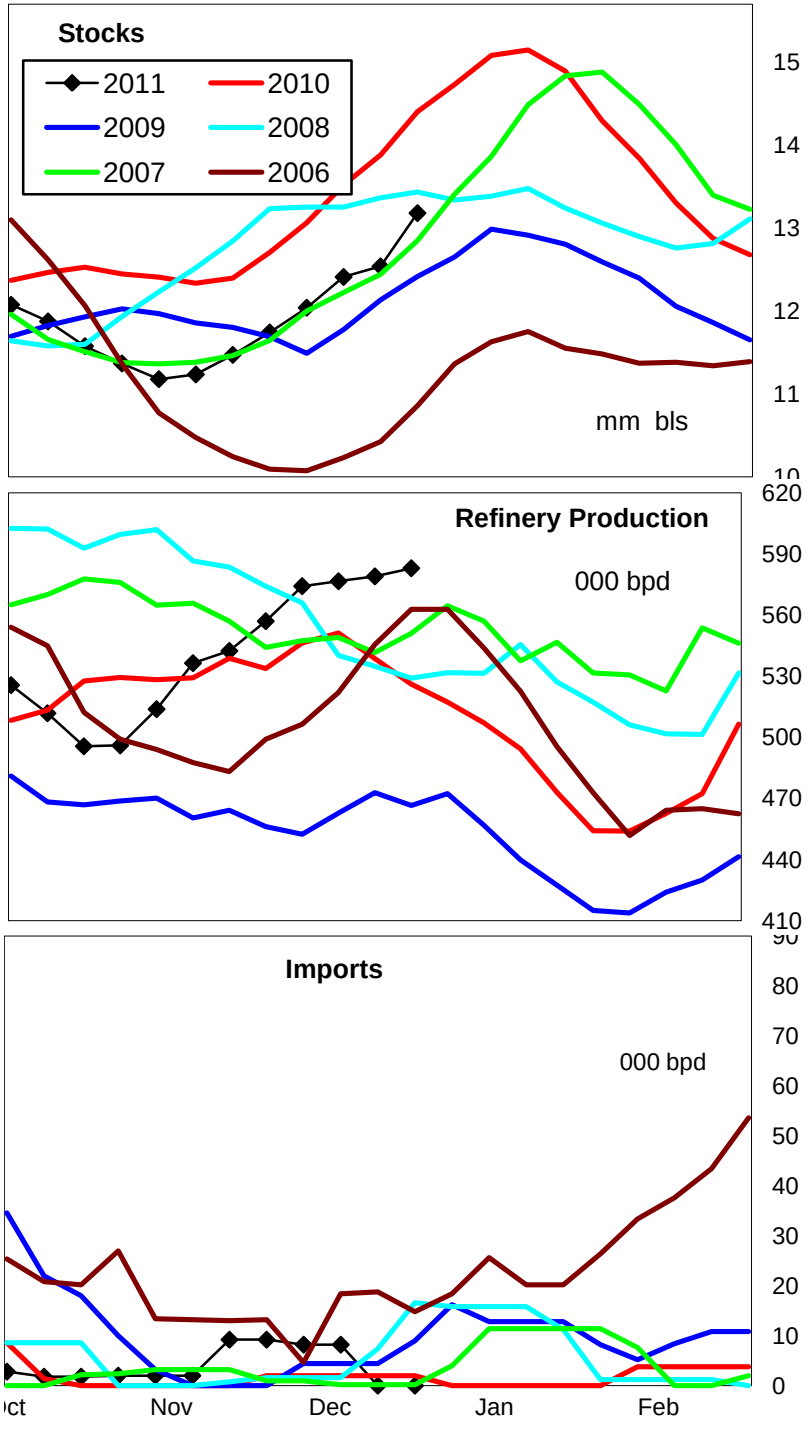
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
West Coast	$3.992	$3.978	$3.979	**$3.911**	-$0.068
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					





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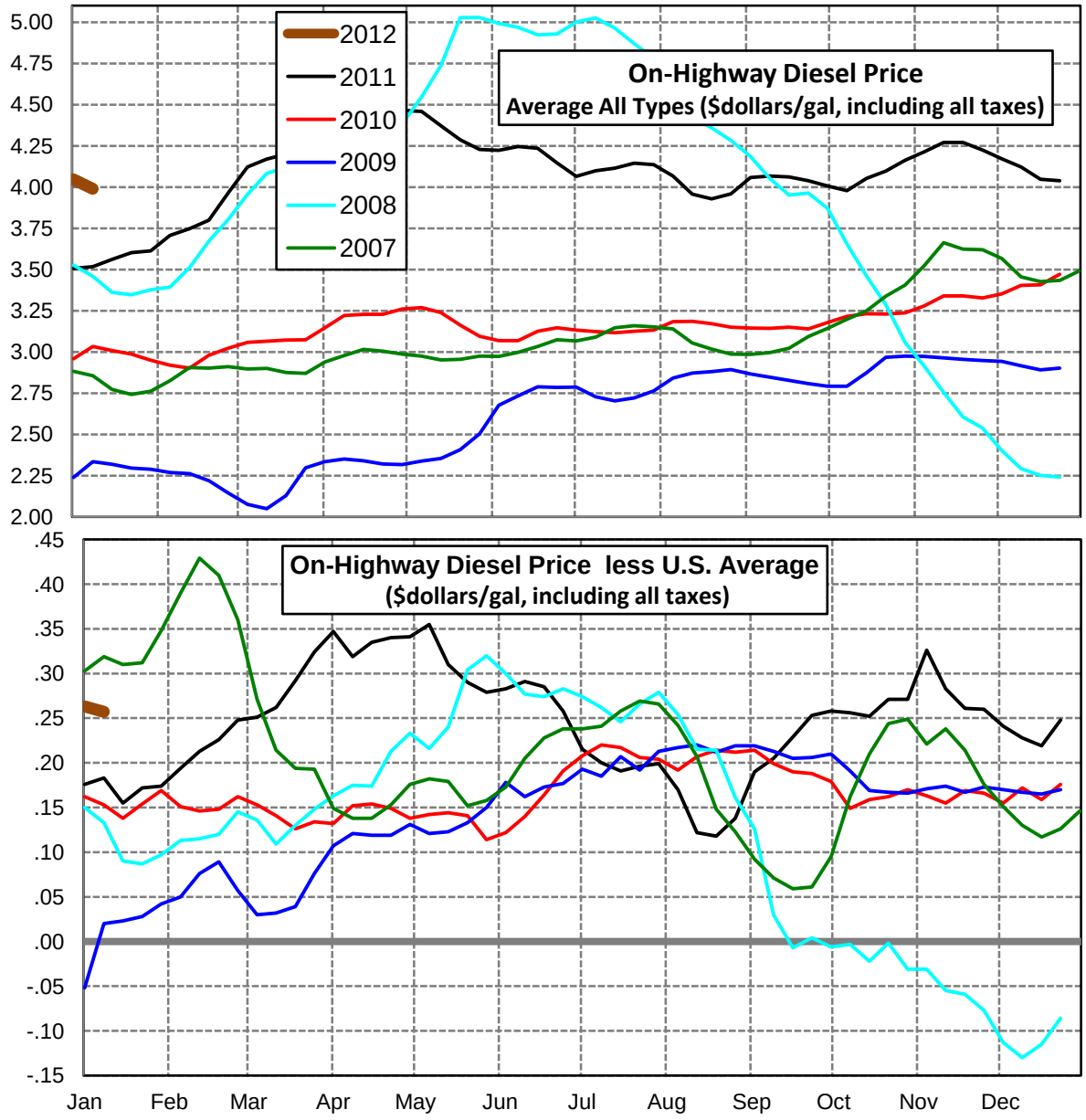
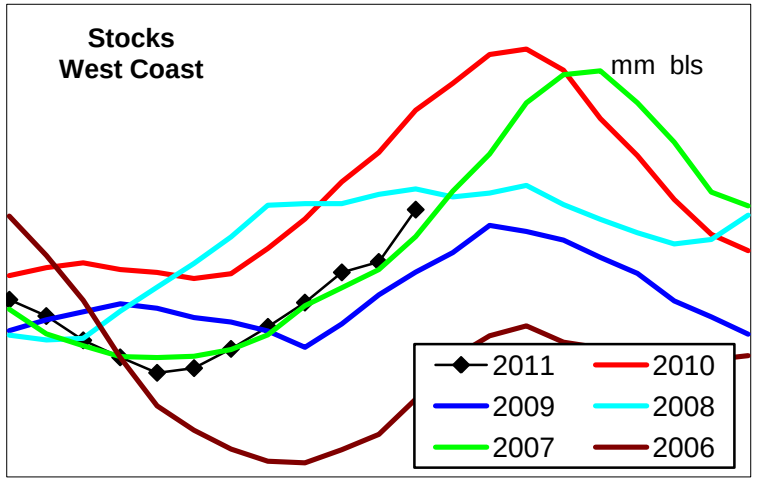
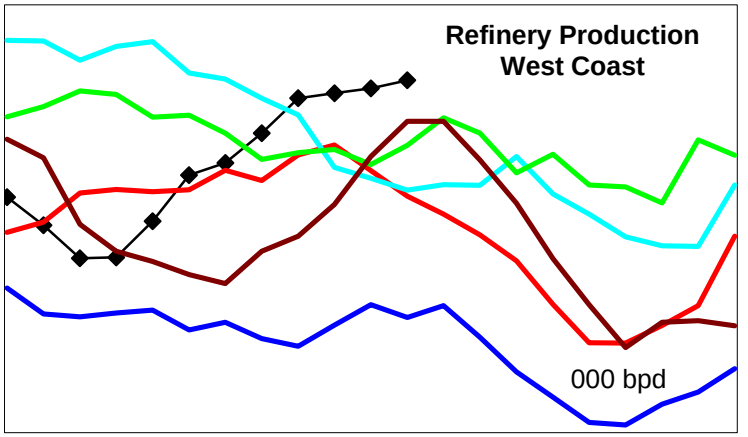
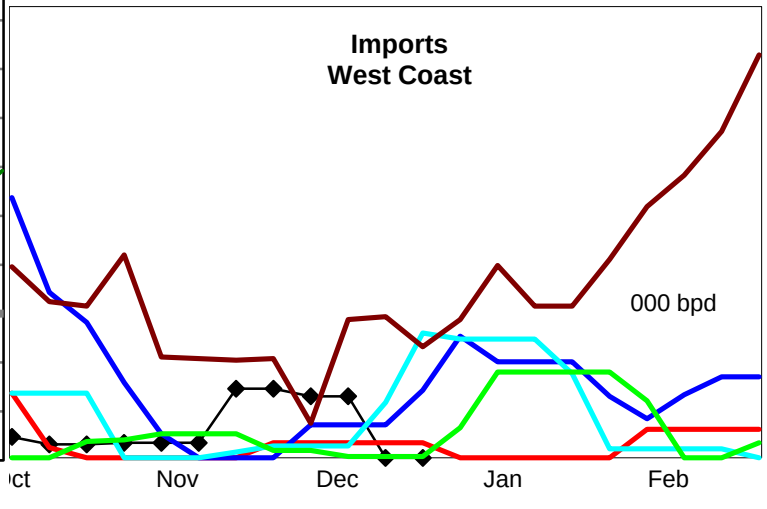
California Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	19Dec11	26Dec11	02Jan12	09Jan12	from week
California	$4.047	$4.039	$4.046	**$3.989**	-$0.057
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					









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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-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	3.791	3.840	3.973	3.925	3.752	3.706	3.708	3.861	3.978	4.039
Mon-02-Jan-12	3.783	3.844	3.973	3.932	3.754	3.683	3.709	3.836	3.979	4.046
Mon-09-Jan-12	3.732	3.798	3.880	3.910	3.747	3.598	3.724	3.765	3.911	3.989
Mon-16-Jan-12										
Mon-23-Jan-12										
Mon-30-Jan-12										

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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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