

## RETAIL DIESEL FUEL OUTLOOK

### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Tuesday, July 17, 2012

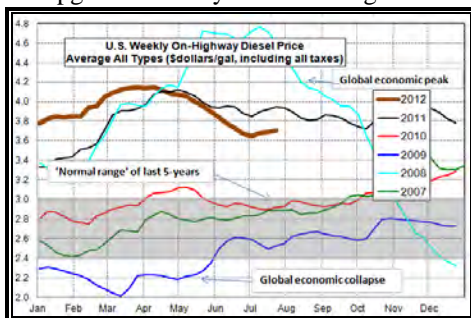
#### Weekly Retail On-Highway Diesel Prices

Region	Actual Price 1/			Forecast 2/	Change from week ago
	02Jul12	09Jul12	16Jul12	23Jul12	
U.S.	3.648	3.683	3.695	3.709	0.014
East Coast	3.702	3.731	3.741	3.760	0.019
New England	3.843	3.840	3.848	3.866	0.018
Central Atlantic	3.793	3.818	3.838	3.864	0.026
Lower Atlantic	3.607	3.646	3.648	3.683	0.035
Midwest	3.580	3.638	3.659	3.690	0.031
Gulf Coast	3.568	3.605	3.617	3.652	0.035
Rocky Mountain	3.705	3.680	3.672	3.732	0.060
West Coast	3.787	3.798	3.803	3.786	-0.017
California	3.876	3.882	3.886	3.930	0.044

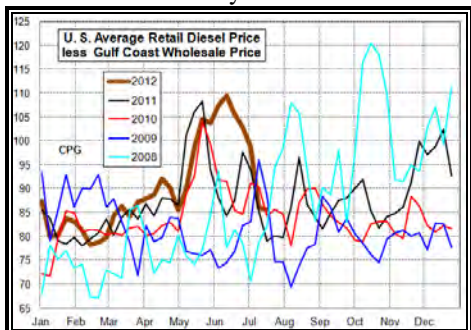
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamental Petroleum Trends Reports

**Diesel Fuel Price Trends** U. S. retail diesel prices increased +1.2 cpg for the week ending 16Jul12. Prices increased +1.1 cpg in the Midwest while declining -0.8 cpg in the Rocky Mountain region.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price decreased -1/2 cpg week-on-week. The spread ended the week at the average level for this time of year.



The national average on-highway price ended the week -20 cpg below last year.

The Midwest again reported the largest price increase as extreme heat/drought lifted agriculture demand and limited refinery operating efficiency. Excess supply in the Rockies led to further declines last week while other regions all reported price increases.

\$3.66/gal.

Gulf Coast wholesale distillate prices increased +10 cpg last week, to a level +29 cpg above the 25Jun12 low.

U.S. average retail prices are now -2 cpg below the lows set in early October 2011. The spread between retail and wholesale spot prices traded at the historic average for this time of year.



The spread between Gulf wholesale and U.S. average retail prices decreased to +85 cpg last week, equal to the average for the summer quarter. Look for retail prices to closely track wholesale prices over the next 30-days.

#### Supply - Demand Fundamental Trends

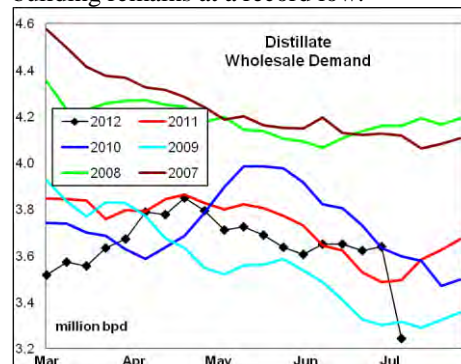
Distillate wholesale demand collapsed -0.6 million bpd last week, a level below the last 3-years. The 4th holiday week underlie the sharp drop. The latest 4-wk average demand was +97,000 bpd above last year. The recent extreme heat/drought has increased demand for irrigation, early small grain harvest and reduced operating efficiency of the transport fleet.

Supply was nearly unchanged on the week, while production remained at a 5-year season high. High production and the drop in demand led to a +3.1 million barrel stock build. Stocks are now -24 million

California prices remain the highest in the country, \$3.89/gal last week while the Gulf Coast at \$3.62/gal was the lowest. The Midwest and Lower Atlantic regions were nearly as low as the Gulf at

barrels below a year ago and at a 5-year low.

The latest 4-wk stock build in markets East of the Rockies was +0.1 million barrels, compared to an average build of +5.7 million barrels. Seasonal stock building remains at a record low.



#### Global Trends Driving Diesel Prices

Political uncertainty related to the Iran oil sanctions underlies the recent price rebound.

The banking and sovereign debt crisis in Europe continues to drive energy price volatility. A European recession, slower growth in Asian countries and the U.S., and high OPEC crude oil production should lead to lower energy prices during the second half of the year.

Potential exists for a pull back in energy prices during the 2nd half of the year.

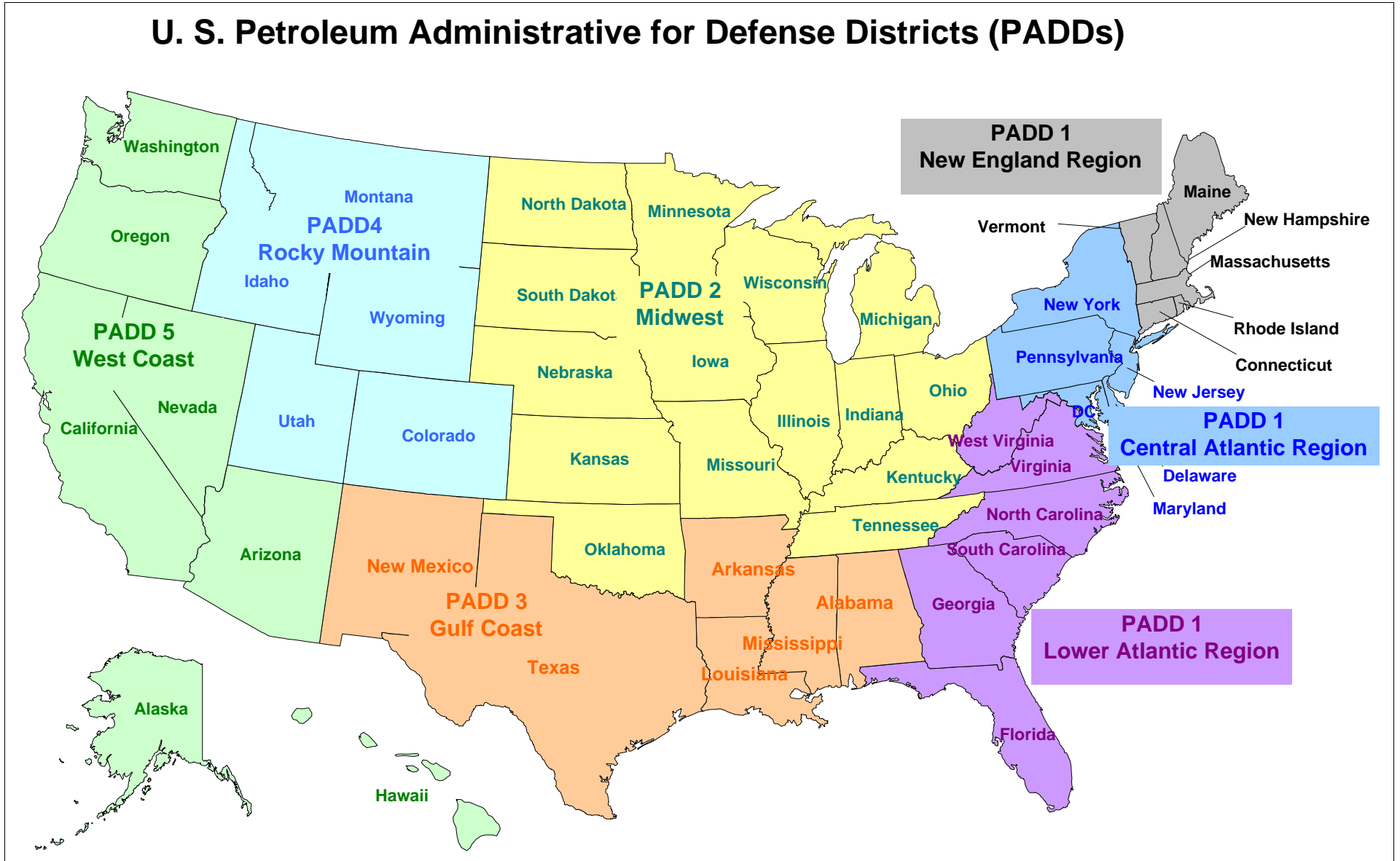
Upside risk do remain on the potential of an Israel attack against Iran nuclear sites, and central bank monetization of debt in the U.S. and Europe.

**Diesel Price Outlook** U. S. retail prices increased last week for the 2nd consecutive week in over 3-months. Prices remain near the lowest level in 18-months. The differential between wholesale and retail prices has collapsed from record highs to the historic average, following the rebound in the wholesale market.

Look for increases in retail prices over the next 30-days as they closely follow the wholesale market. Extremely high distillate production in the Rockies and West Coast should constrain increases in these regions.

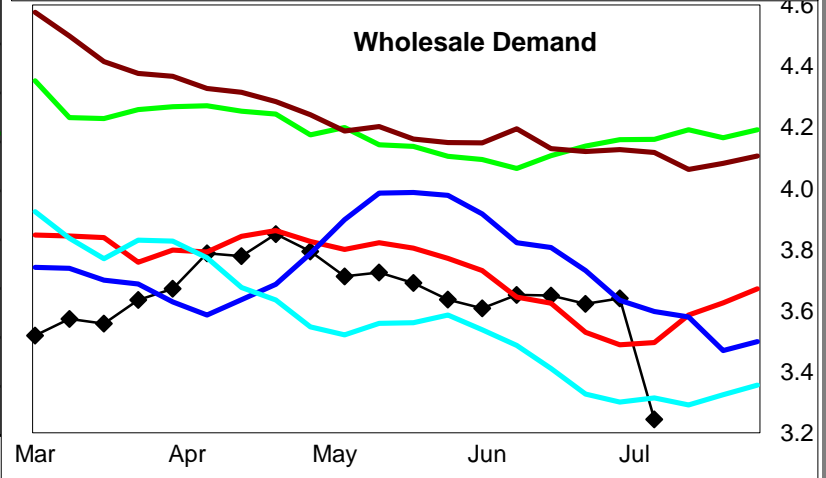
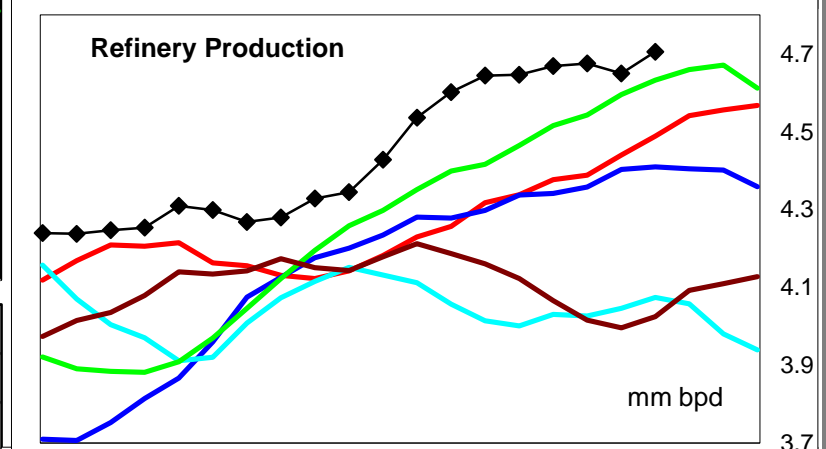
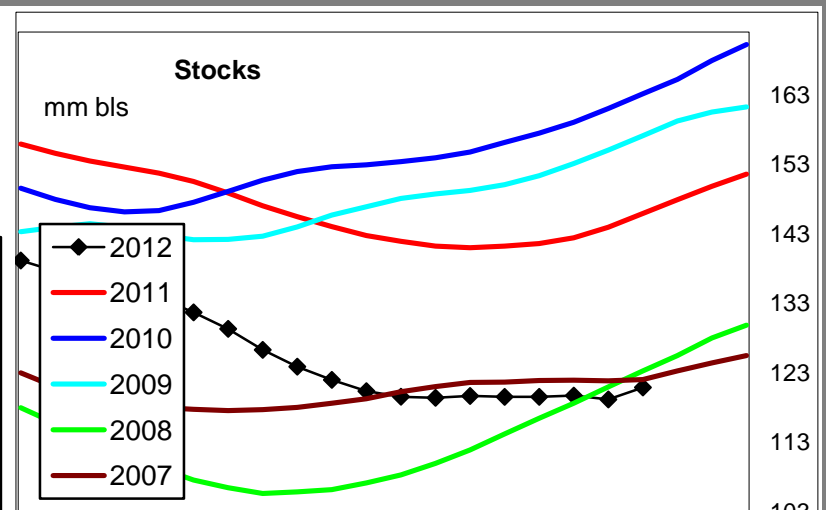
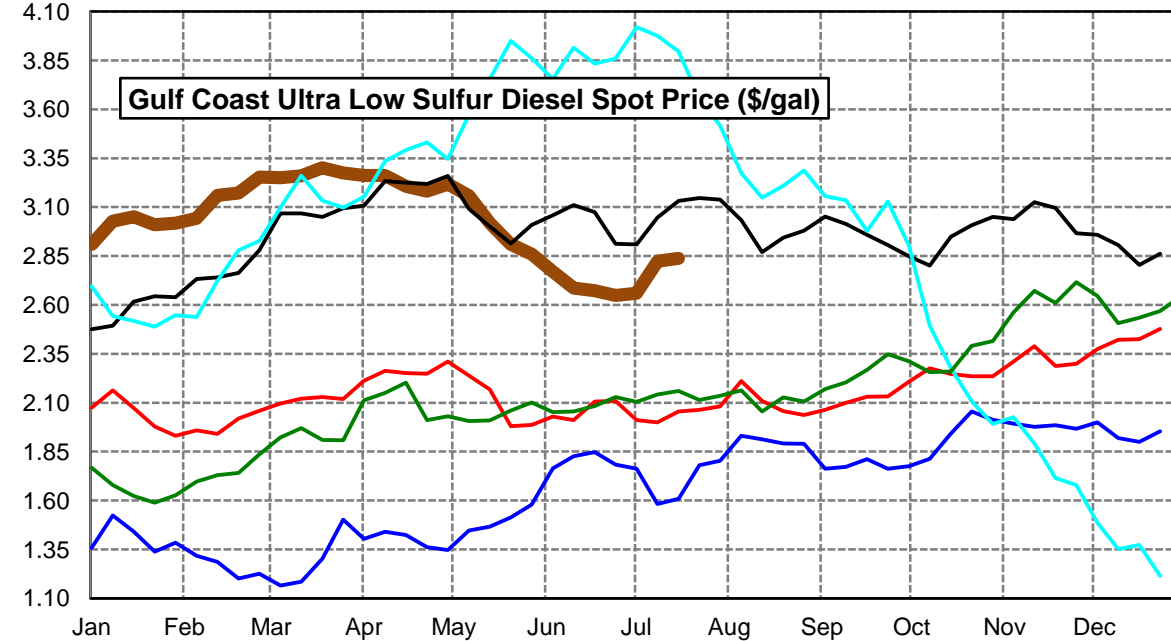
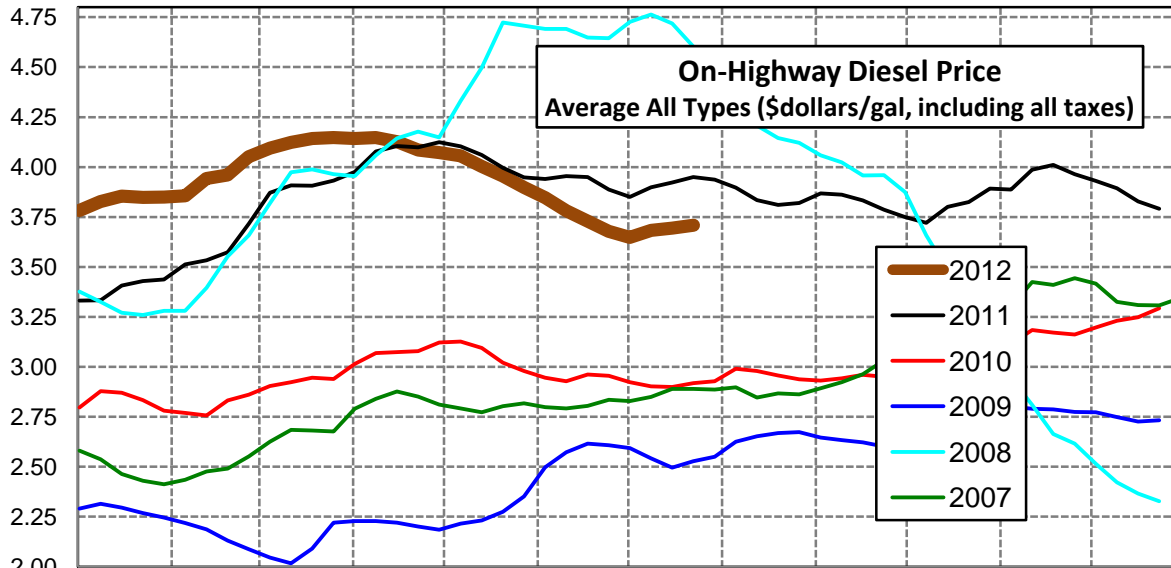
Slower global economic growth should limit energy price increases in the 2nd half of the year.

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



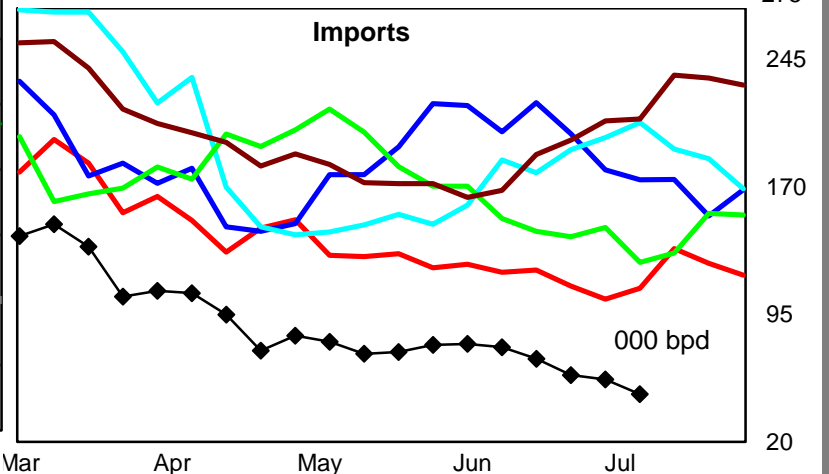
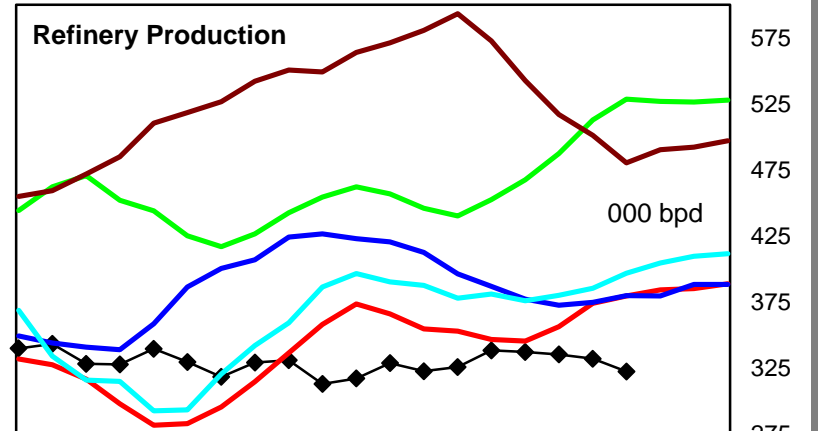
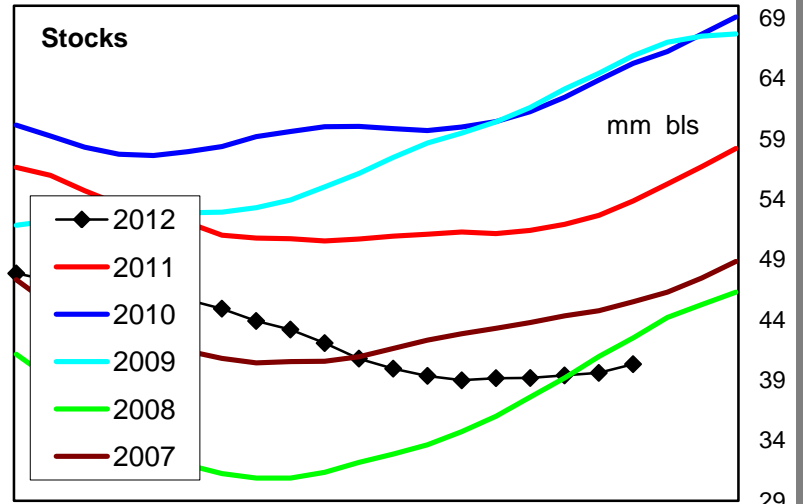
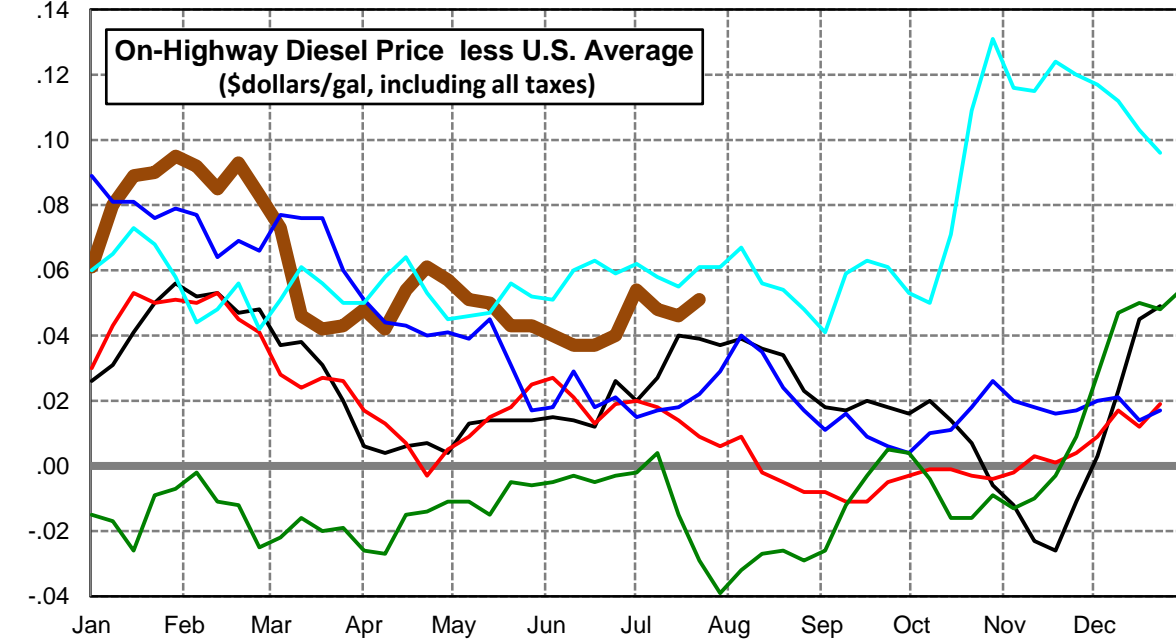
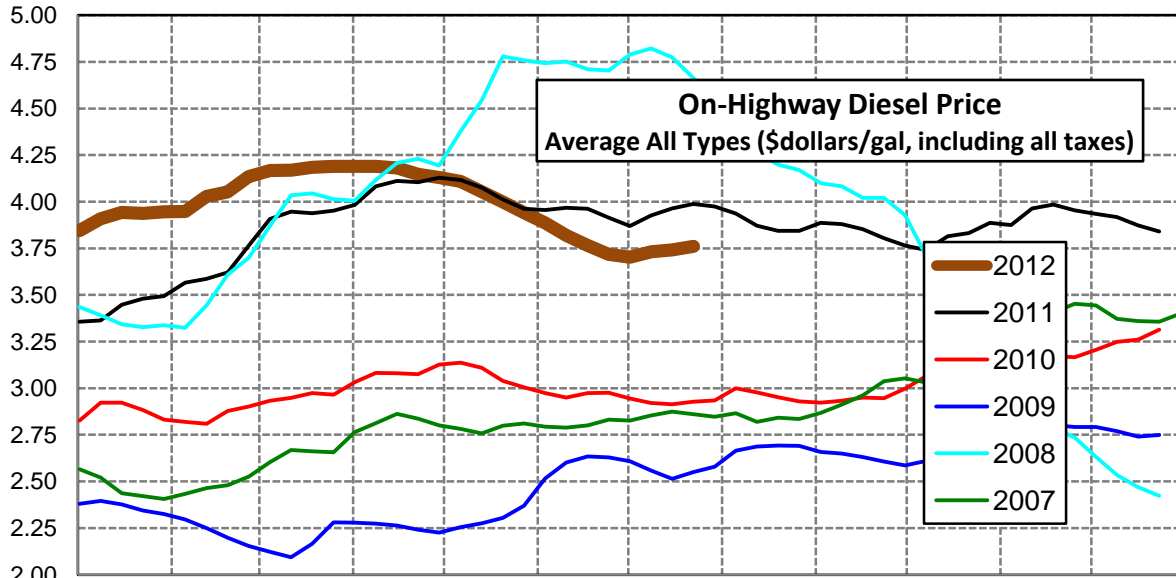
## U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>United States Avg</b>	\$3.648	\$3.683	\$3.695	<b>\$3.709</b>	\$0.014
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



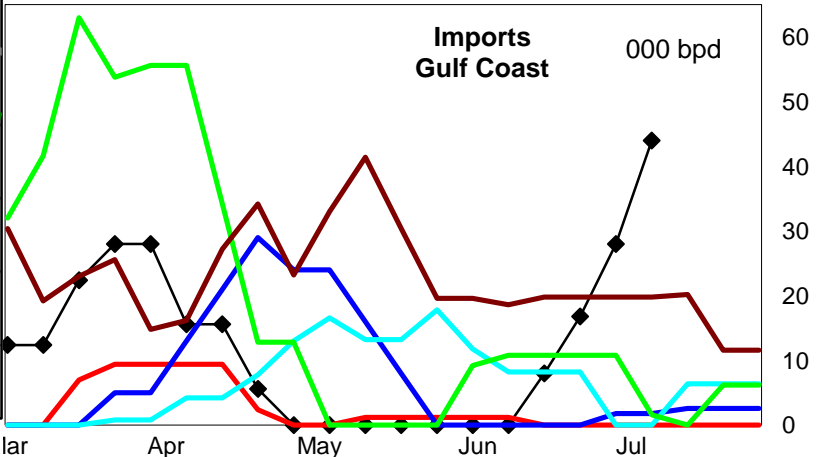
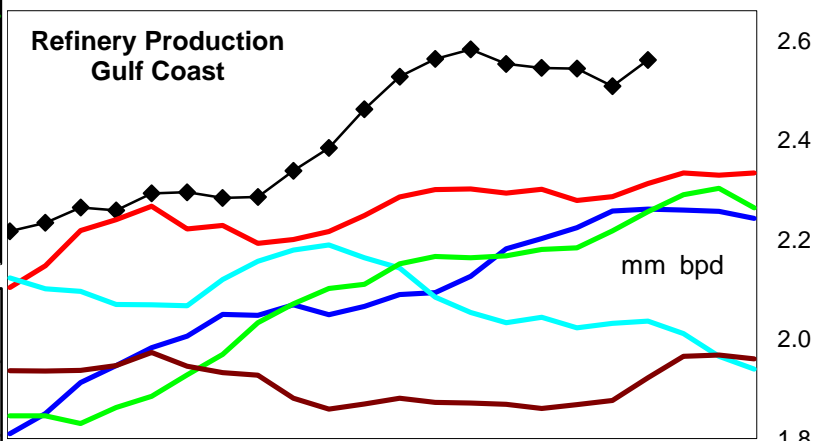
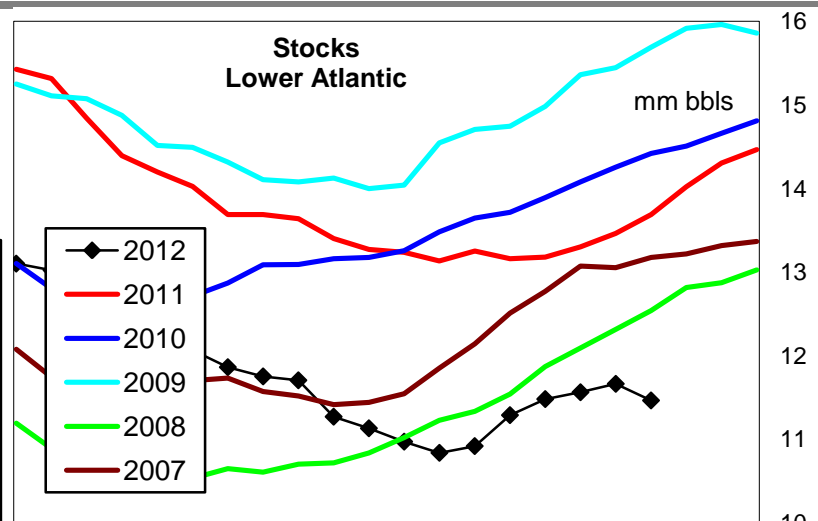
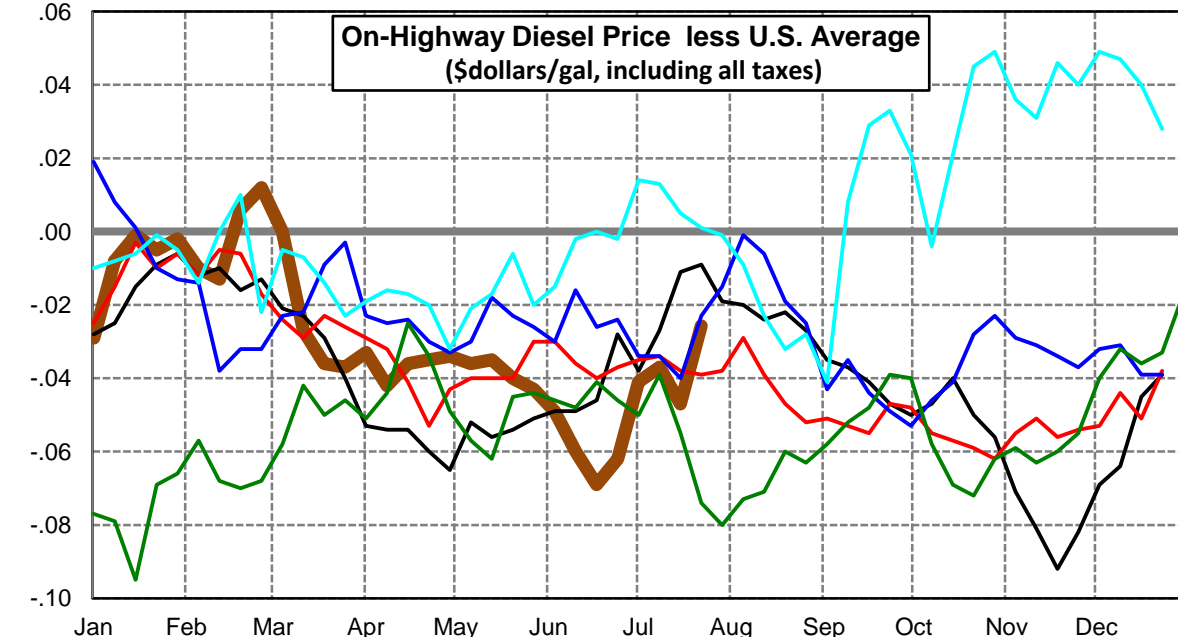
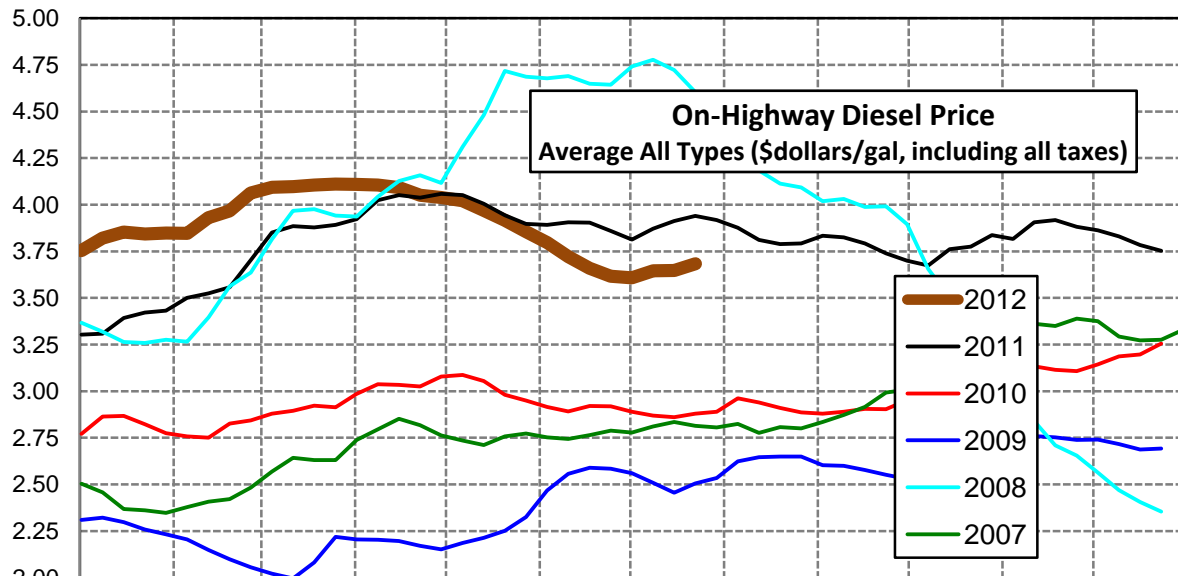
### East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>East Coast</b>	\$3.702	\$3.731	\$3.741	<b>\$3.760</b>	\$0.019
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



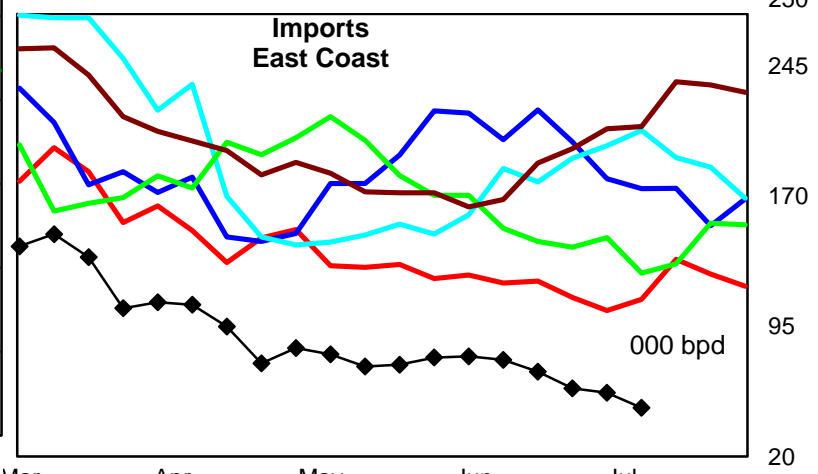
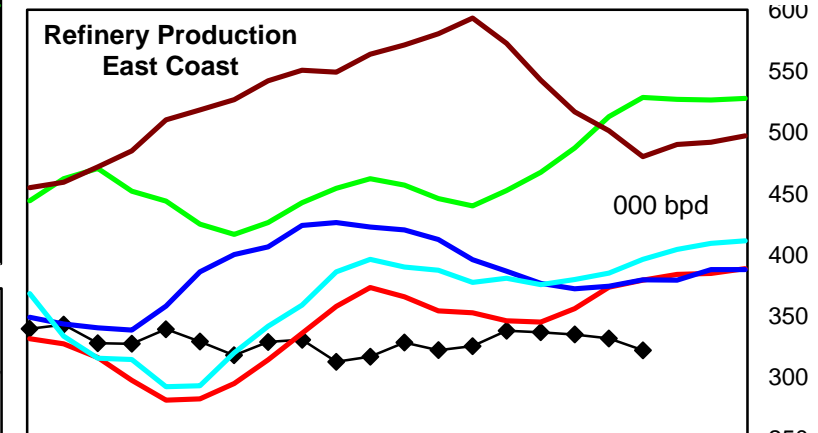
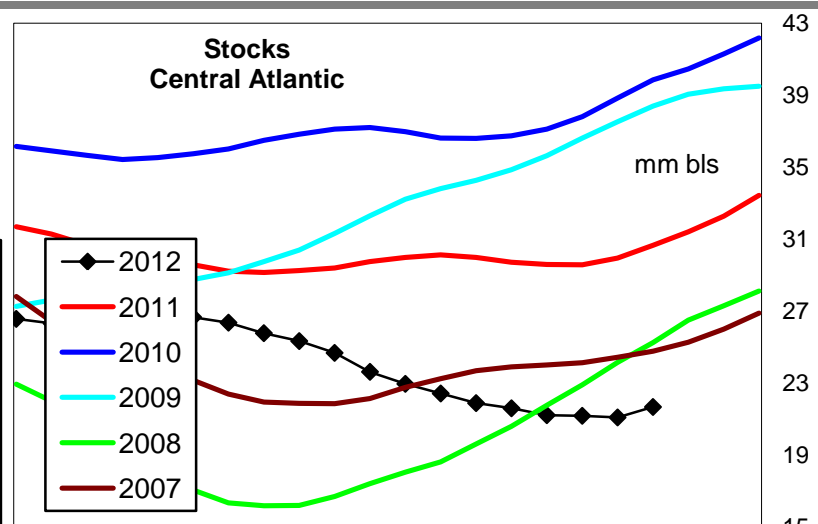
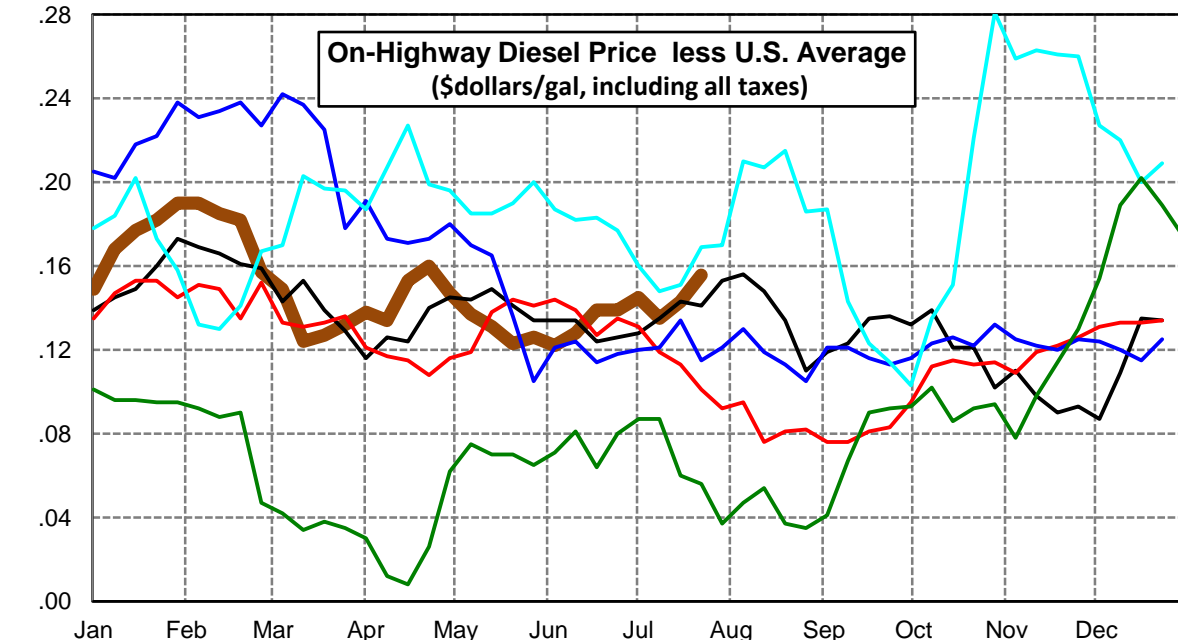
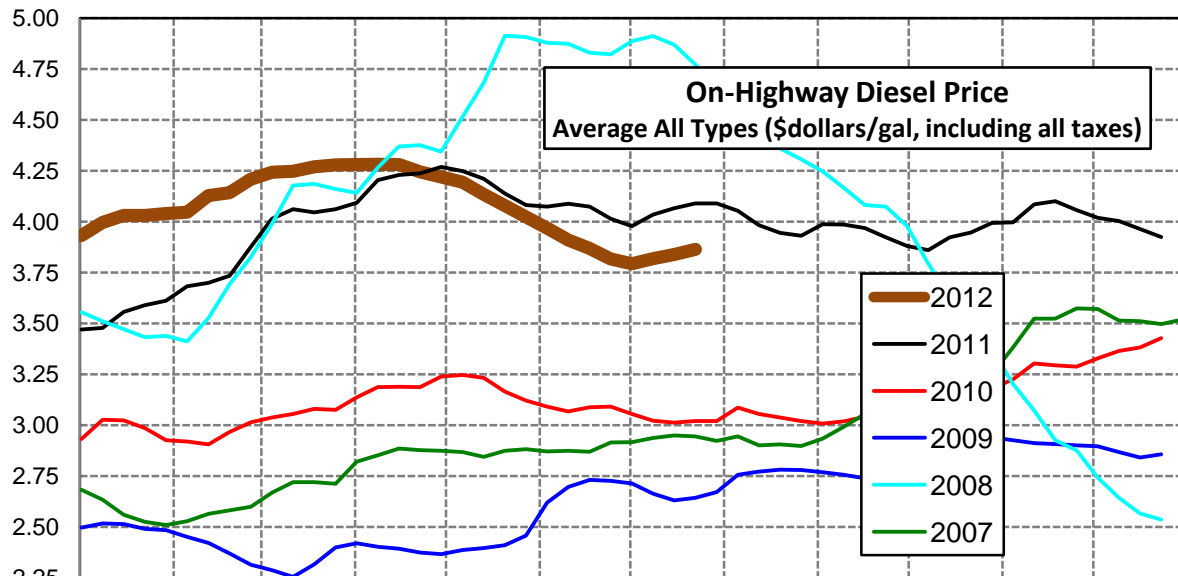
### Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>Lower Atlantic</b>	\$3.607	\$3.646	\$3.648	<b>\$3.683</b>	\$0.035
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



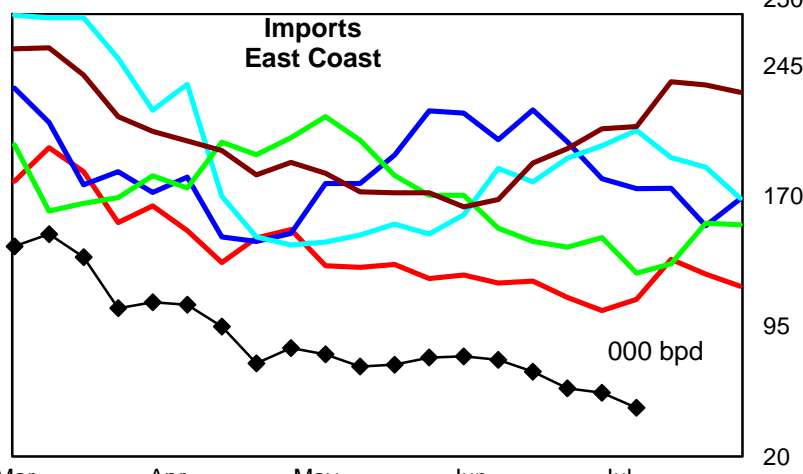
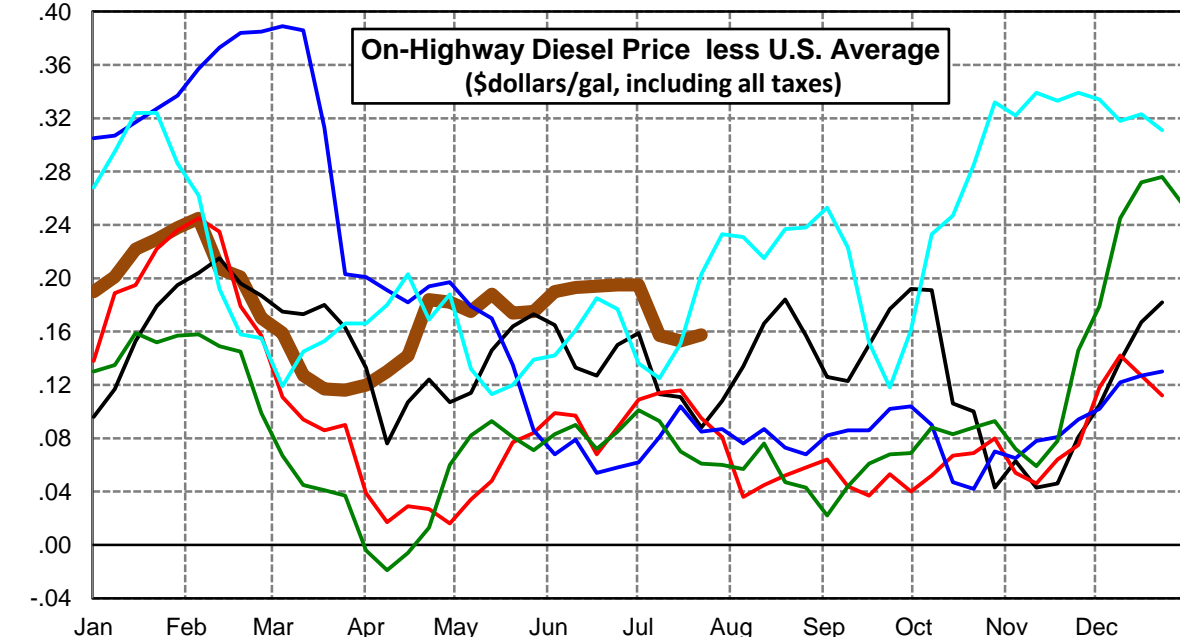
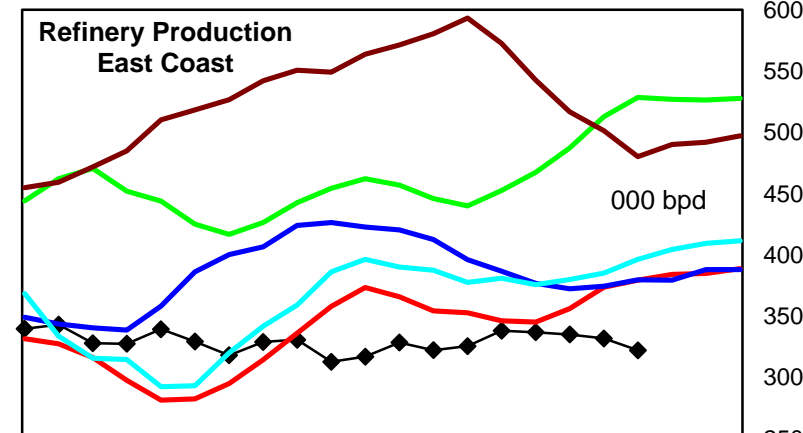
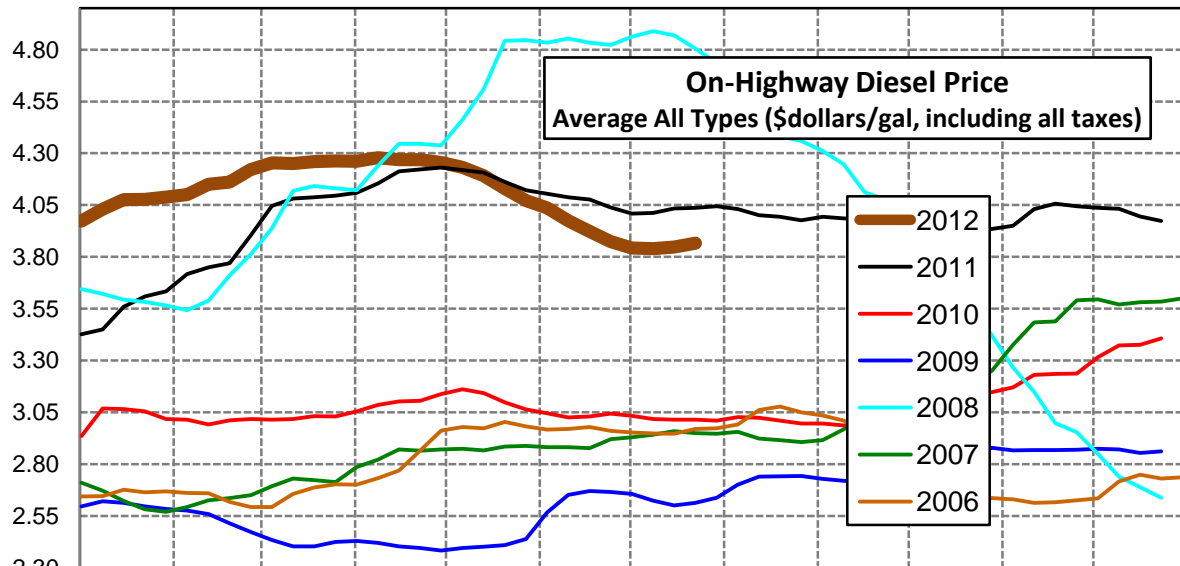
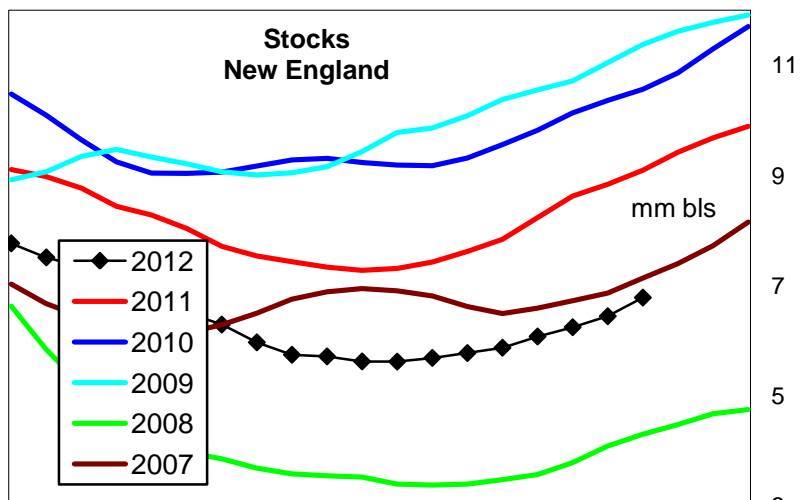
### Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>Central Atlantic</b>	\$3.793	\$3.818	\$3.838	<b>\$3.864</b>	\$0.026
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



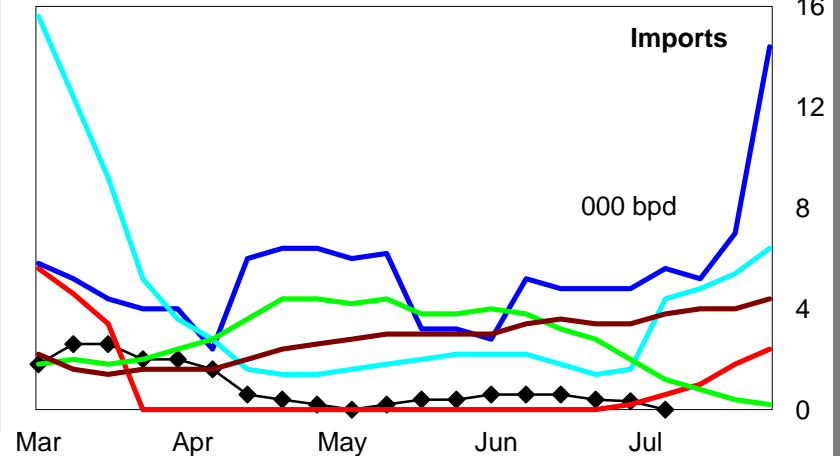
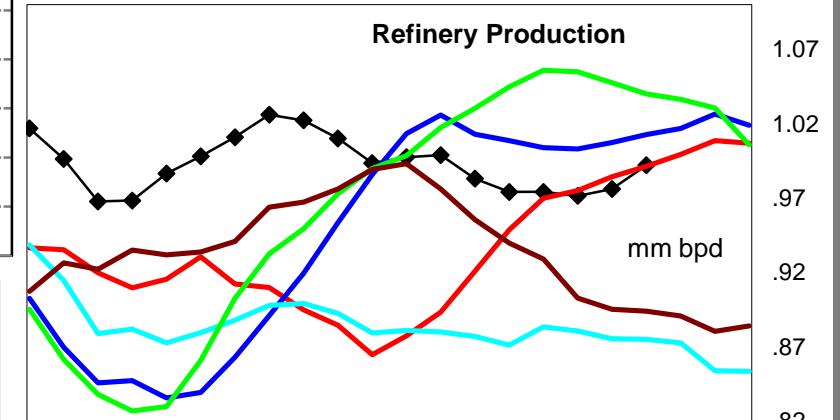
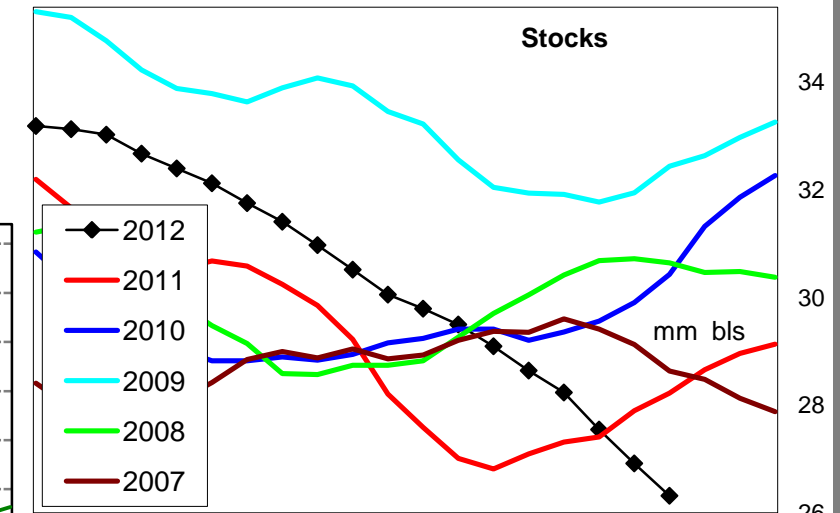
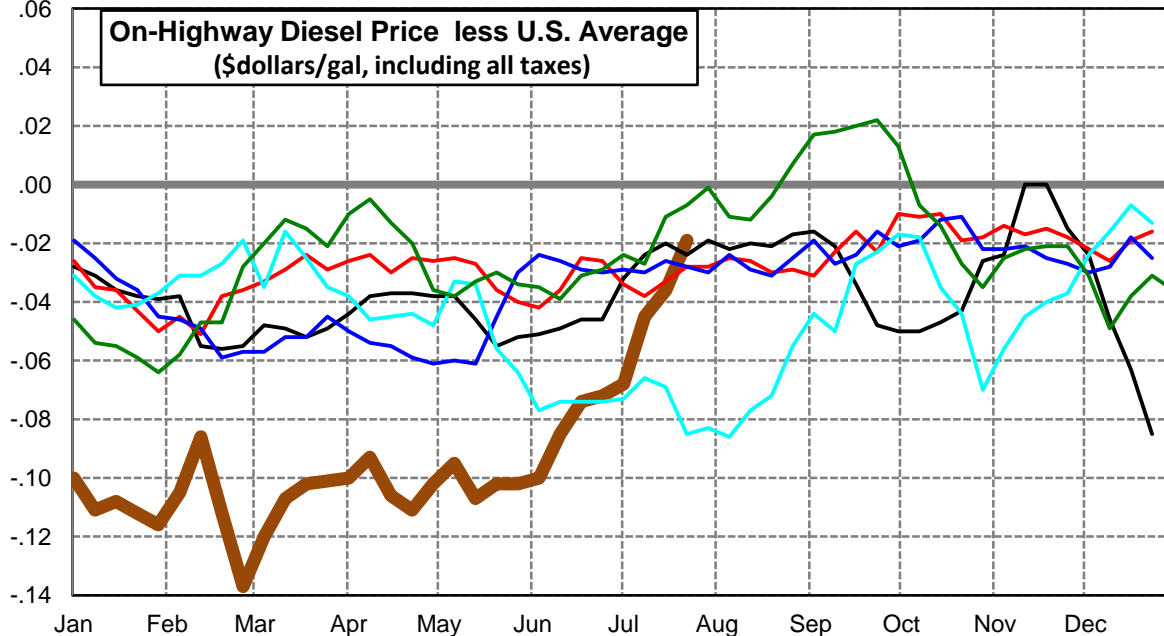
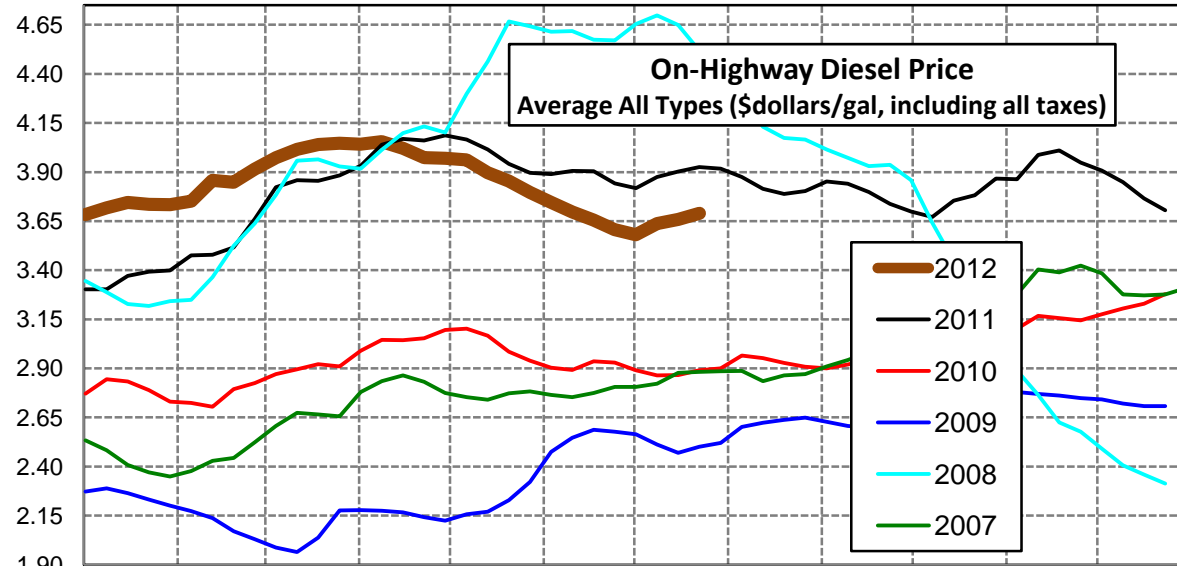
### New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>New England</b>	\$3.843	\$3.840	\$3.848	<b>\$3.866</b>	\$0.018
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



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

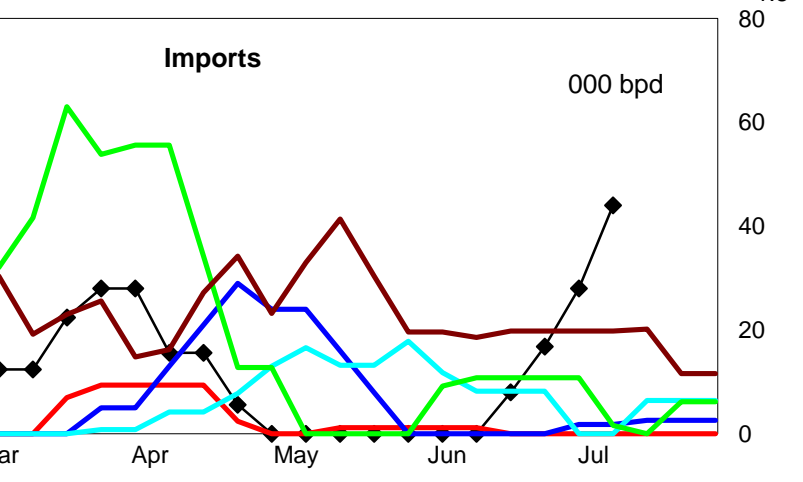
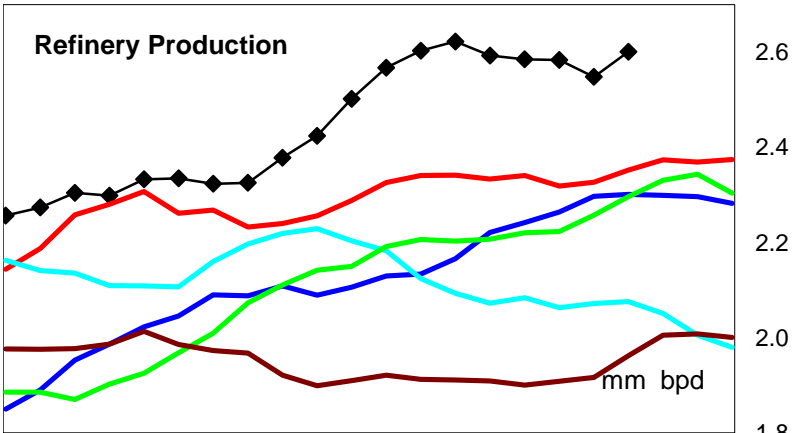
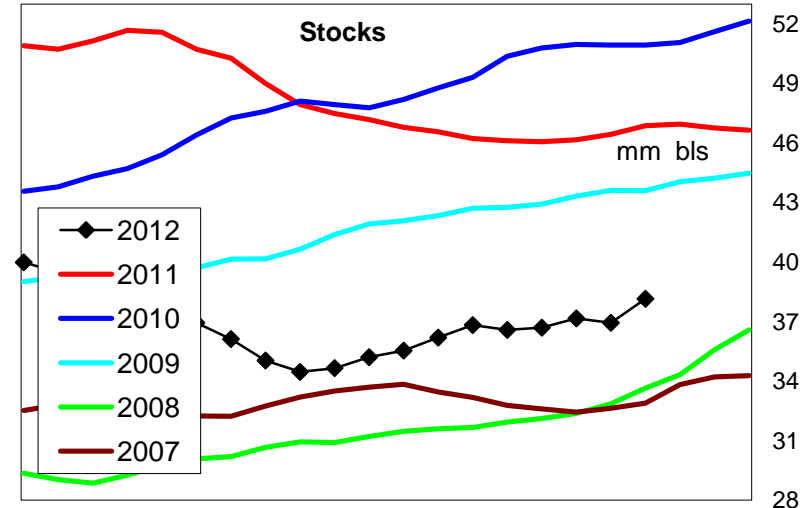
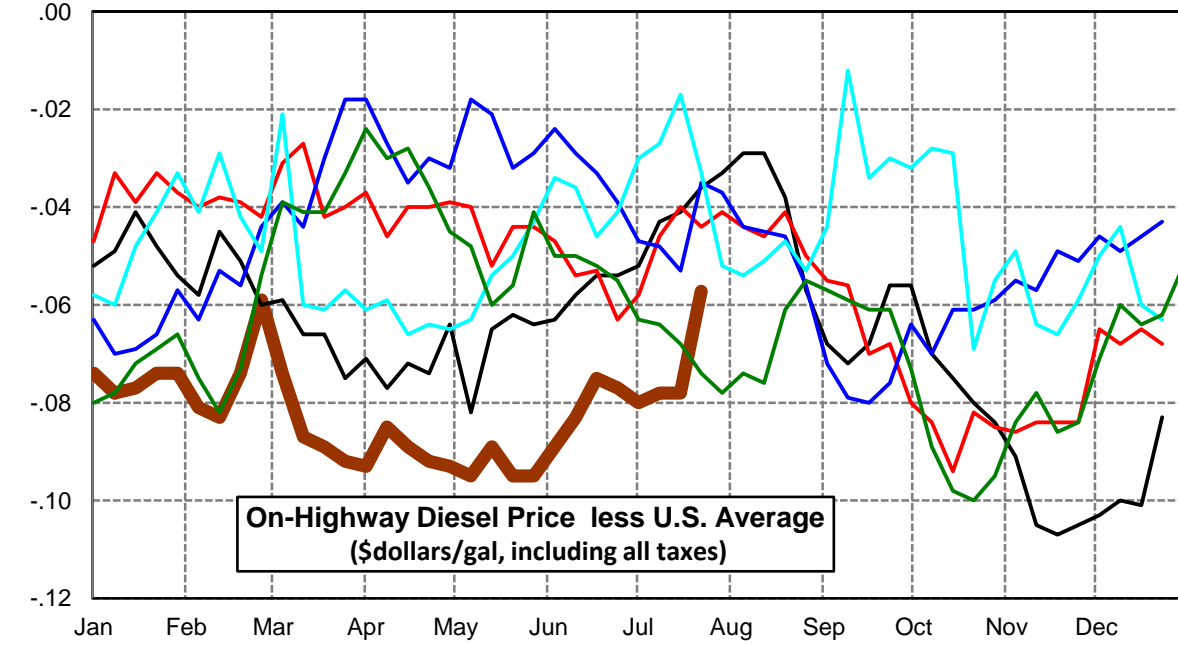
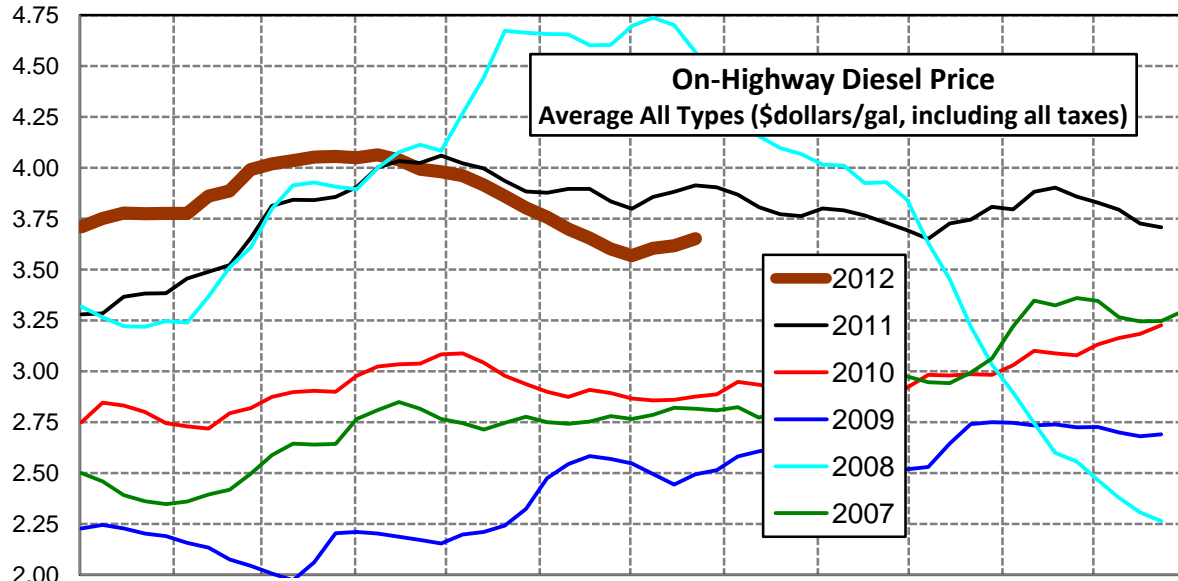
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>Midwest</b>	\$3.580	\$3.638	\$3.659	<b>\$3.690</b>	\$0.031
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					





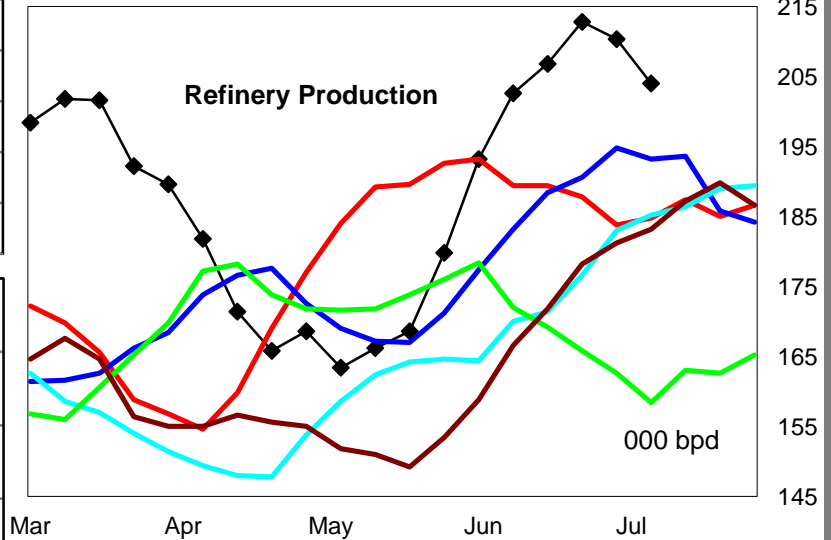
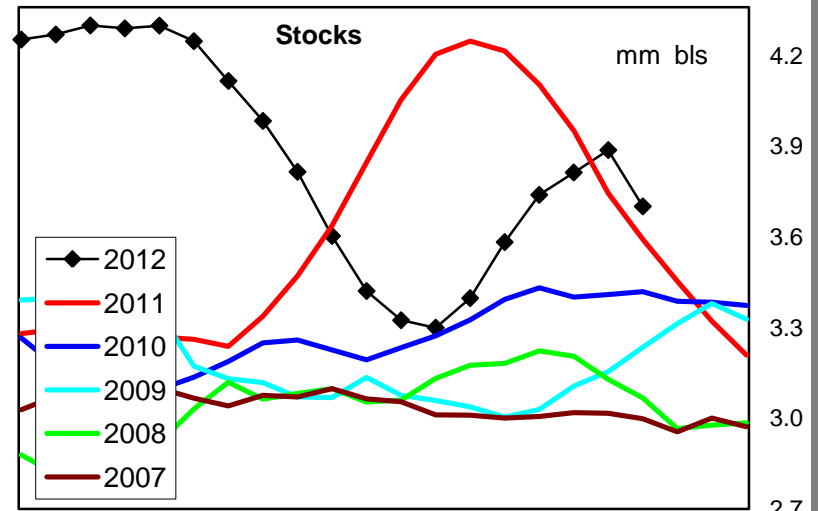
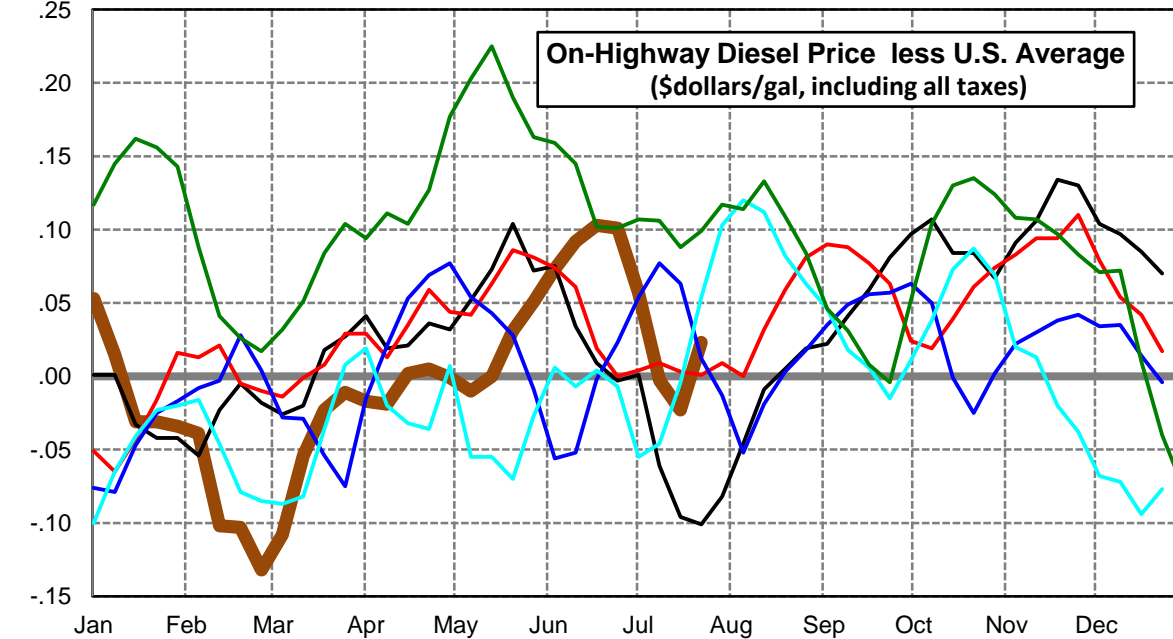
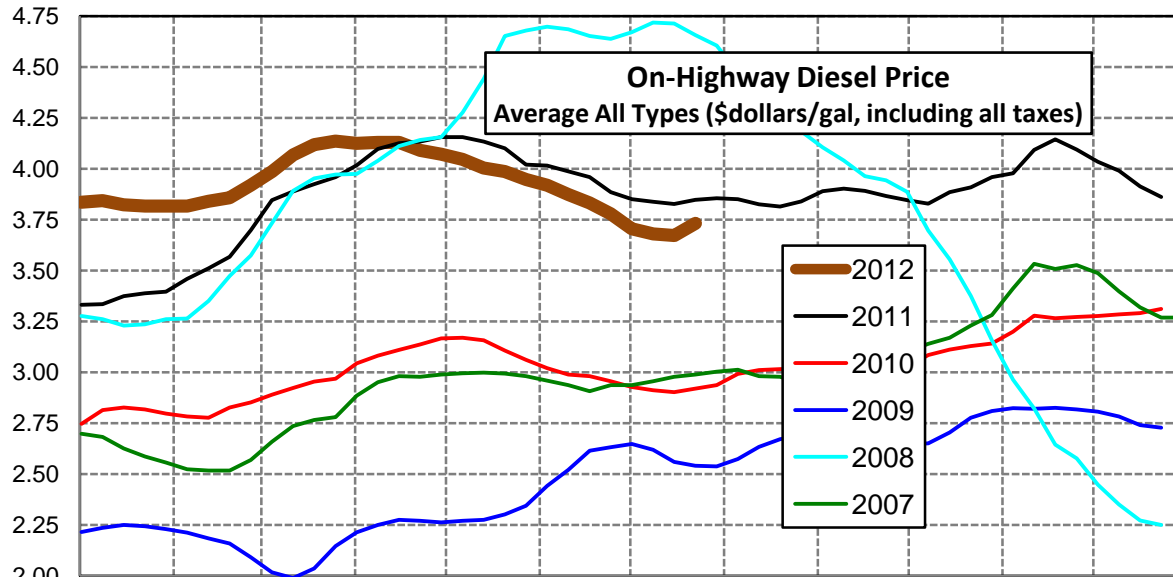
### Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>Gulf Coast</b>	\$3.568	\$3.605	\$3.617	<b>\$3.652</b>	\$0.035
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



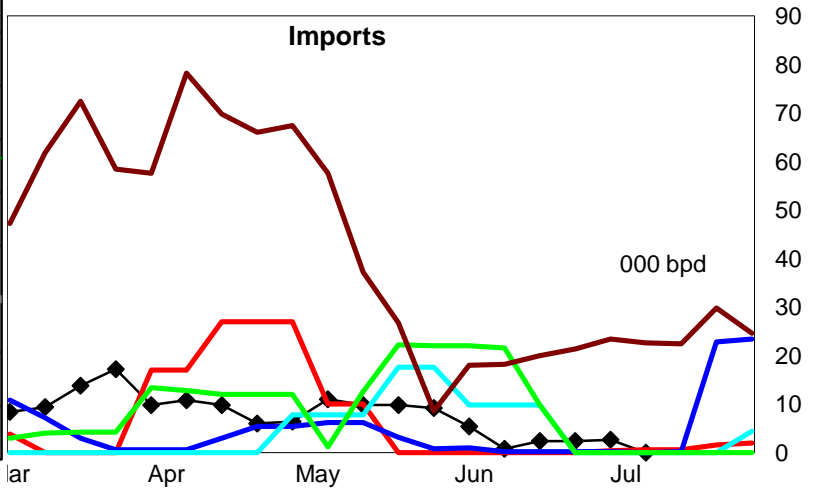
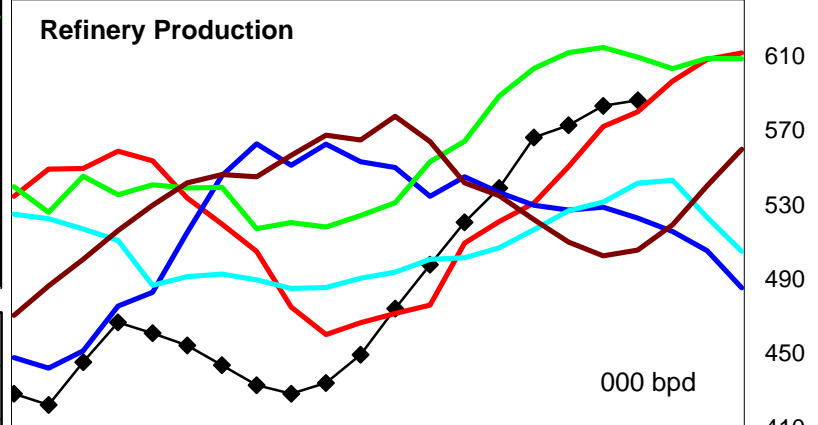
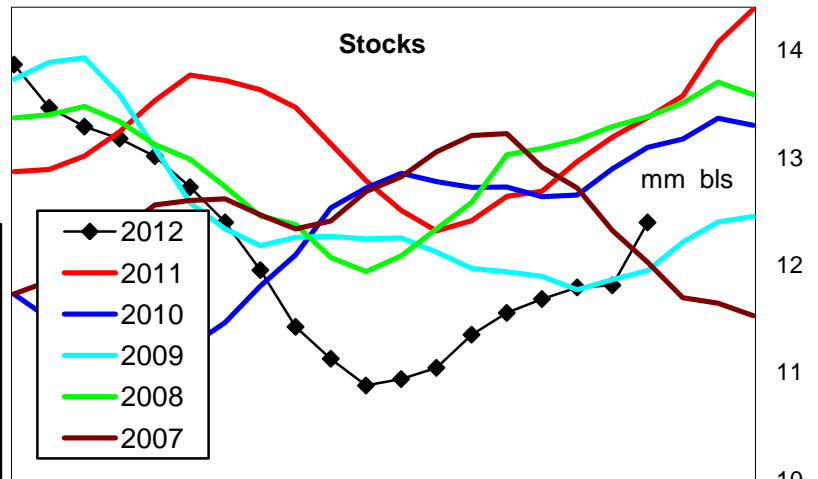
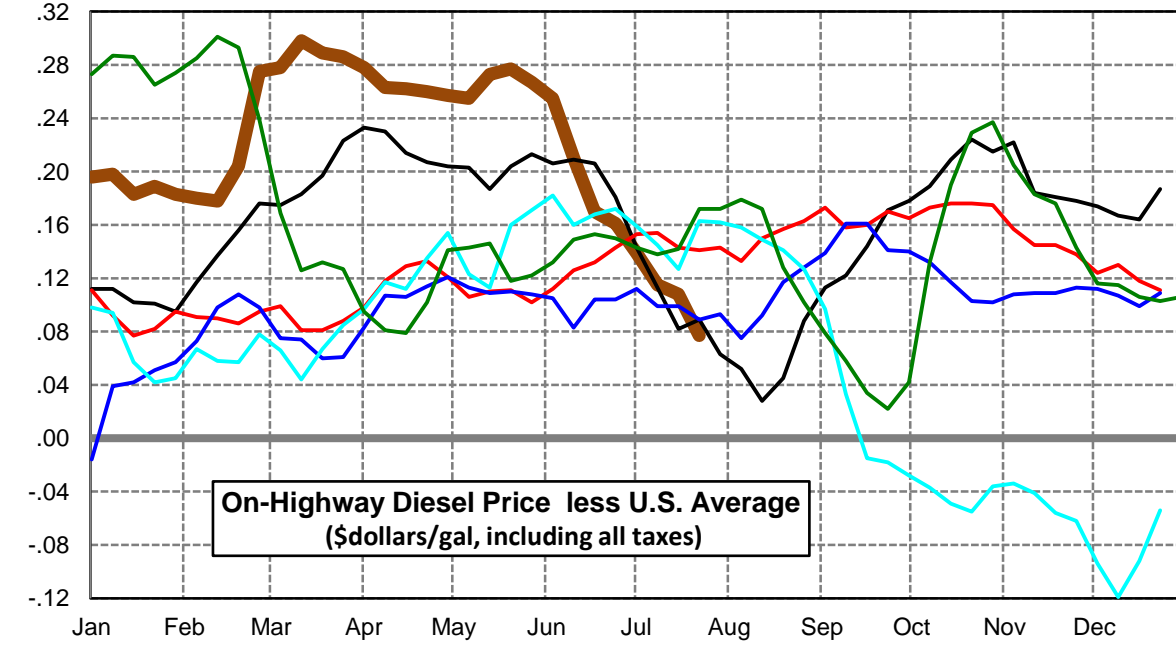
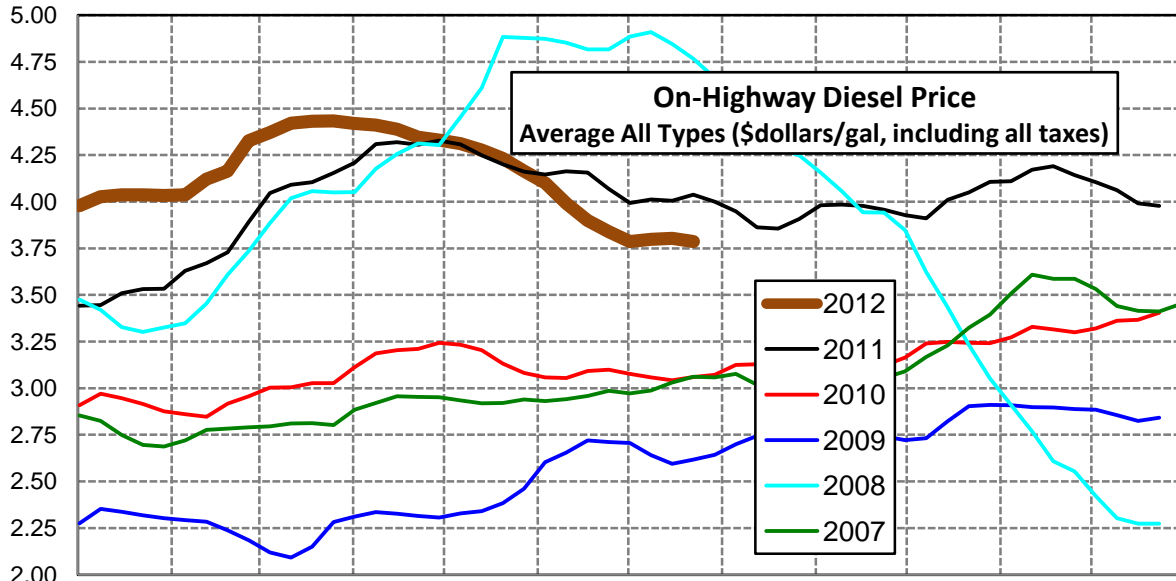
### Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>Rocky Mountain</b>	\$3.705	\$3.680	\$3.672	<b>\$3.732</b>	\$0.060
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



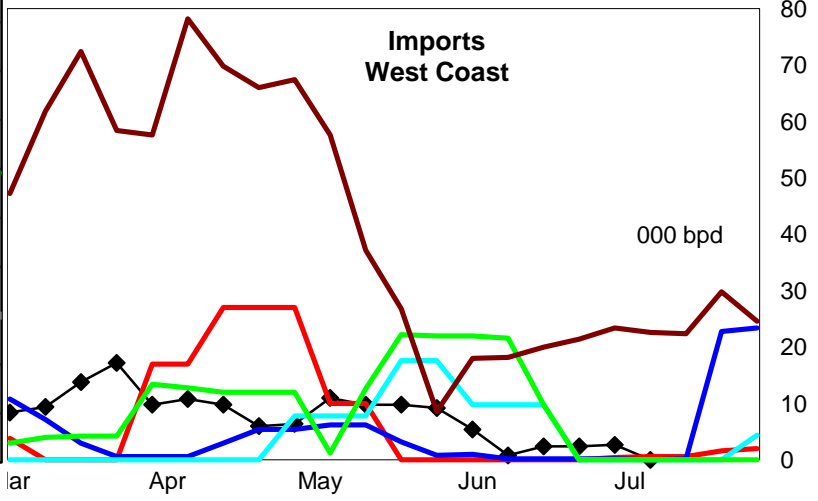
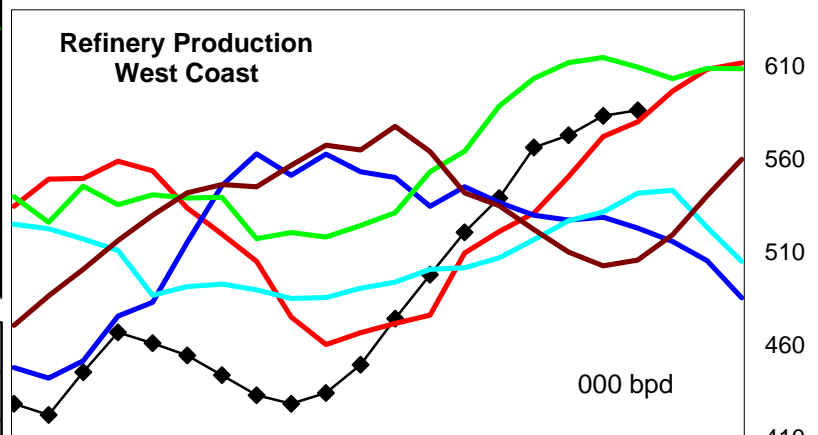
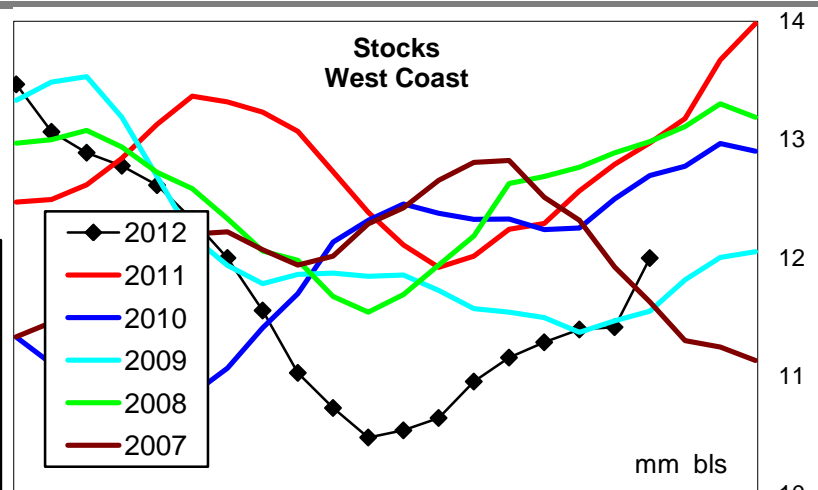
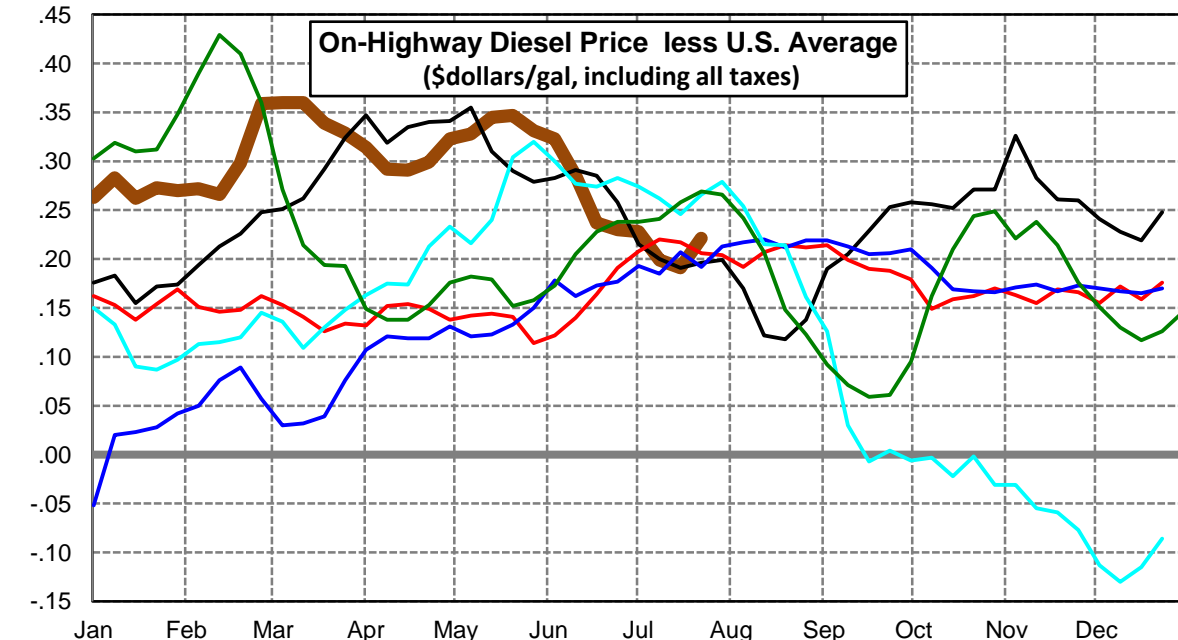
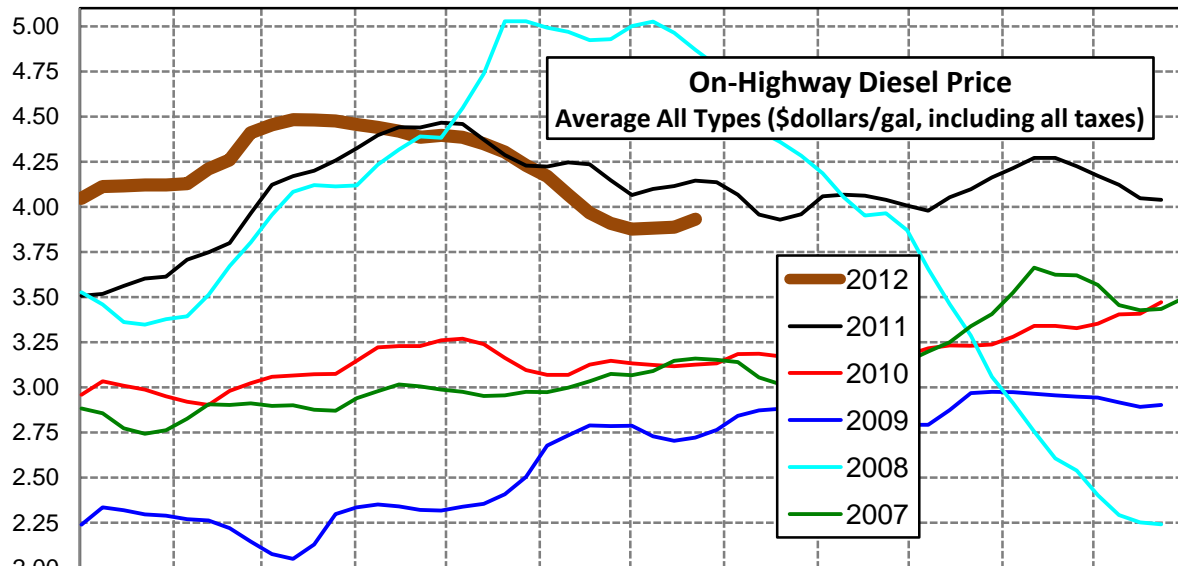
### West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>West Coast</b>	\$3.787	\$3.798	\$3.803	<b>\$3.786</b>	-\$0.017
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
	02Jul12	09Jul12	16Jul12	23Jul12	
<b>California</b>	\$3.876	\$3.882	\$3.886	<b>\$3.930</b>	\$0.044
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-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	3.828	3.908	4.029	3.996	3.820	3.717	3.750	3.843	4.026	4.111
Mon-16-Jan-12	3.854	3.943	4.076	4.031	3.853	3.746	3.777	3.823	4.037	4.116
Mon-23-Jan-12	3.848	3.938	4.077	4.030	3.843	3.736	3.774	3.817	4.037	4.121
Mon-30-Jan-12	3.850	3.945	4.088	4.040	3.848	3.734	3.776	3.816	4.033	4.120
Mon-06-Feb-12	3.856	3.948	4.101	4.046	3.846	3.751	3.775	3.817	4.036	4.128
Mon-13-Feb-12	3.943	4.028	4.150	4.128	3.930	3.857	3.860	3.841	4.121	4.209
Mon-20-Feb-12	3.960	4.053	4.161	4.142	3.966	3.848	3.886	3.857	4.164	4.258
Mon-27-Feb-12	4.051	4.134	4.221	4.208	4.063	3.914	3.992	3.919	4.326	4.410
Mon-05-Mar-12	4.094	4.167	4.253	4.243	4.094	3.974	4.020	3.986	4.372	4.454
Mon-12-Mar-12	4.123	4.169	4.250	4.247	4.096	4.016	4.036	4.069	4.421	4.483
Mon-19-Mar-12	4.142	4.184	4.259	4.269	4.106	4.040	4.053	4.119	4.431	4.481
Mon-26-Mar-12	4.147	4.190	4.263	4.279	4.110	4.046	4.055	4.136	4.433	4.476
Mon-02-Apr-12	4.142	4.190	4.262	4.280	4.109	4.042	4.049	4.125	4.420	4.456
Mon-09-Apr-12	4.148	4.190	4.278	4.282	4.106	4.055	4.063	4.129	4.411	4.440
Mon-16-Apr-12	4.127	4.181	4.269	4.280	4.091	4.021	4.038	4.129	4.389	4.418
Mon-23-Apr-12	4.085	4.146	4.269	4.245	4.050	3.974	3.993	4.090	4.345	4.384
Mon-30-Apr-12	4.073	4.130	4.255	4.220	4.039	3.971	3.980	4.072	4.330	4.396
Mon-07-May-12	4.057	4.108	4.232	4.194	4.021	3.962	3.962	4.047	4.312	4.385
Mon-14-May-12	4.004	4.054	4.192	4.135	3.969	3.897	3.915	4.004	4.277	4.349
Mon-21-May-12	3.956	3.999	4.130	4.079	3.916	3.854	3.861	3.987	4.233	4.303
Mon-28-May-12	3.897	3.940	4.072	4.023	3.854	3.795	3.802	3.948	4.164	4.228
Mon-04-Jun-12	3.846	3.886	4.036	3.968	3.797	3.746	3.757	3.919	4.101	4.169
Mon-11-Jun-12	3.781	3.818	3.974	3.909	3.721	3.696	3.698	3.873	3.991	4.066
Mon-18-Jun-12	3.729	3.766	3.923	3.868	3.660	3.655	3.654	3.832	3.899	3.966
Mon-25-Jun-12	3.678	3.718	3.873	3.817	3.616	3.606	3.601	3.779	3.839	3.908
Mon-02-Jul-12	3.648	3.702	3.843	3.793	3.607	3.580	3.568	3.705	3.787	3.876
Mon-09-Jul-12	3.683	3.731	3.840	3.818	3.646	3.638	3.605	3.680	3.798	3.882
Mon-16-Jul-12	3.695	3.741	3.848	3.838	3.648	3.659	3.617	3.672	3.803	3.886
Mon-23-Jul-12	3.709	3.760	3.866	3.864	3.683	3.690	3.652	3.732	3.786	3.930
Mon-30-Jul-12										

## 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.