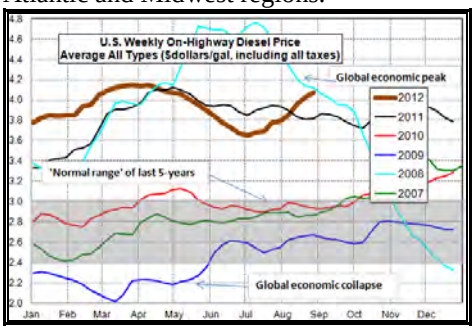
RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

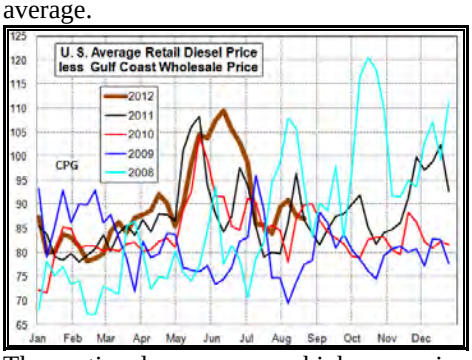
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, August 21, 2012

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price 1/			Forecast 2/	Change from
	06Aug12	13Aug12	20Aug12	27Aug12	week ago
U.S.	3.850	3.965	4.026	4.076	0.050
East Coast	3.869	3.952	4.006	4.088	0.082
New England	3.946	4.011	4.087	4.203	0.116
Central Atlantic	3.934	4.004	4.069	4.186	0.117
Lower Atlantic	3.806	3.901	3.944	4.006	0.062
Midwest	3.851	3.968	4.015	4.064	0.049
Gulf Coast	3.752	3.856	3.911	3.966	0.055
Rocky Mountain	3.813	3.958	4.062	4.084	0.022
West Coast	3.959	4.152	4.254	4.266	0.012
California	4.023	4.215	4.313	4.352	0.039
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					

Diesel Fuel Price Trends U. S. retail diesel prices increased +6.1 cpg for the week ending 20Aug12. The Rocky Mountain and West Coast regions each increased over +10 cpg. Increases of less than +5 cpg occurred in the Lower Atlantic and Midwest regions.



The U.S. average retail diesel price compared to the Gulf Coast wholesale price decreased -1 cpg week-on-week. The spread ended the week at the 4-year average.



The national average on-highway price ended the week +19 cpg *above* last year.

West Coast prices are significantly above other regional markets because of the Chevron refinery fire, which may limit supply for the next quarter.

California prices were the highest in the country, $4.31/gal last week while the Gulf region reported the lowest price at $3.91/gal.

Gulf Coast wholesale distillate prices ended the week +58 cpg above the 25Jun12 low.

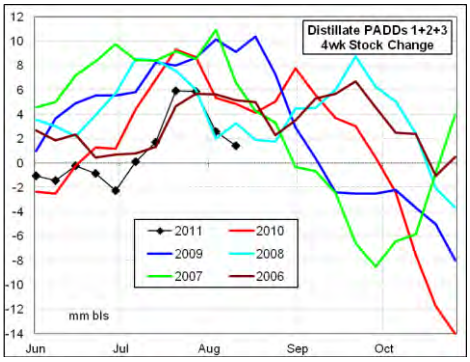
U.S. average retail prices are now +31 cpg above 12-month lows set in October 2011. The spread between retail and wholesale spot prices traded at the average of the last 4-years.

The spread between Gulf wholesale and U.S. average retail prices decreased to +86 cpg last week. Look for retail prices to increase compared to wholesale prices over the next 30-days.

Supply - Demand Fundamental Trends Distillate wholesale demand declined -221,000 bpd last week, a level below the last 2-years. The latest 4-wk average demand was -92,000 bpd below last year. Relatively weak demand has been offset by record exports.

Supply was unchanged on the week, with lower production offset by higher imports. Stocks increased +0.7 million barrels on the week, although stock levels remain at 5-year lows.

The latest 4-wk stock build in markets East of the Rockies was +1.4 million barrels, compared to an average build of +5 million barrels. A record low rate of stock building, combined with a stock level below the historic range points to a very tight supply balance for this time of year.



Global Trends Driving Diesel Prices Slower economic growth in Asia, Europe and the U.S. is being offset by expectations that the Central Banks of developed countries will conduct quantitative easing (printing money) programs to address the debt crisis. Tension continues in the Middle East with the war in Syria and risk of Israel attack on Iran nuclear facilities.

Distillate stock levels in the Atlantic Basin are extremely tight, which should support prices for distillate compared to other energy products during the next quarter. U.S. exports of distillate remain at record levels, leading to the lack of meaningful seasonal stock builds in key markets.

Middle East tension in Syria and Iran sanctions are an upside risk to global energy prices.

Diesel Price Outlook U. S. retail prices continued to trend sharply higher last week on tight supplies in most markets and the Chevron refinery fire on the West Coast. Prices are forecast to increase again this week.

The tight Atlantic Basin market, driven by refinery closures in Europe and the U.S. East Coast over the last 2-years risk a supply squeeze during the 4th quarter of 2012. Such a squeeze would drive distillate prices higher compared to crude oil and gasoline markets.

Look for retail prices to strengthen compared to wholesale markets on relatively tight supplies in many regional markets.

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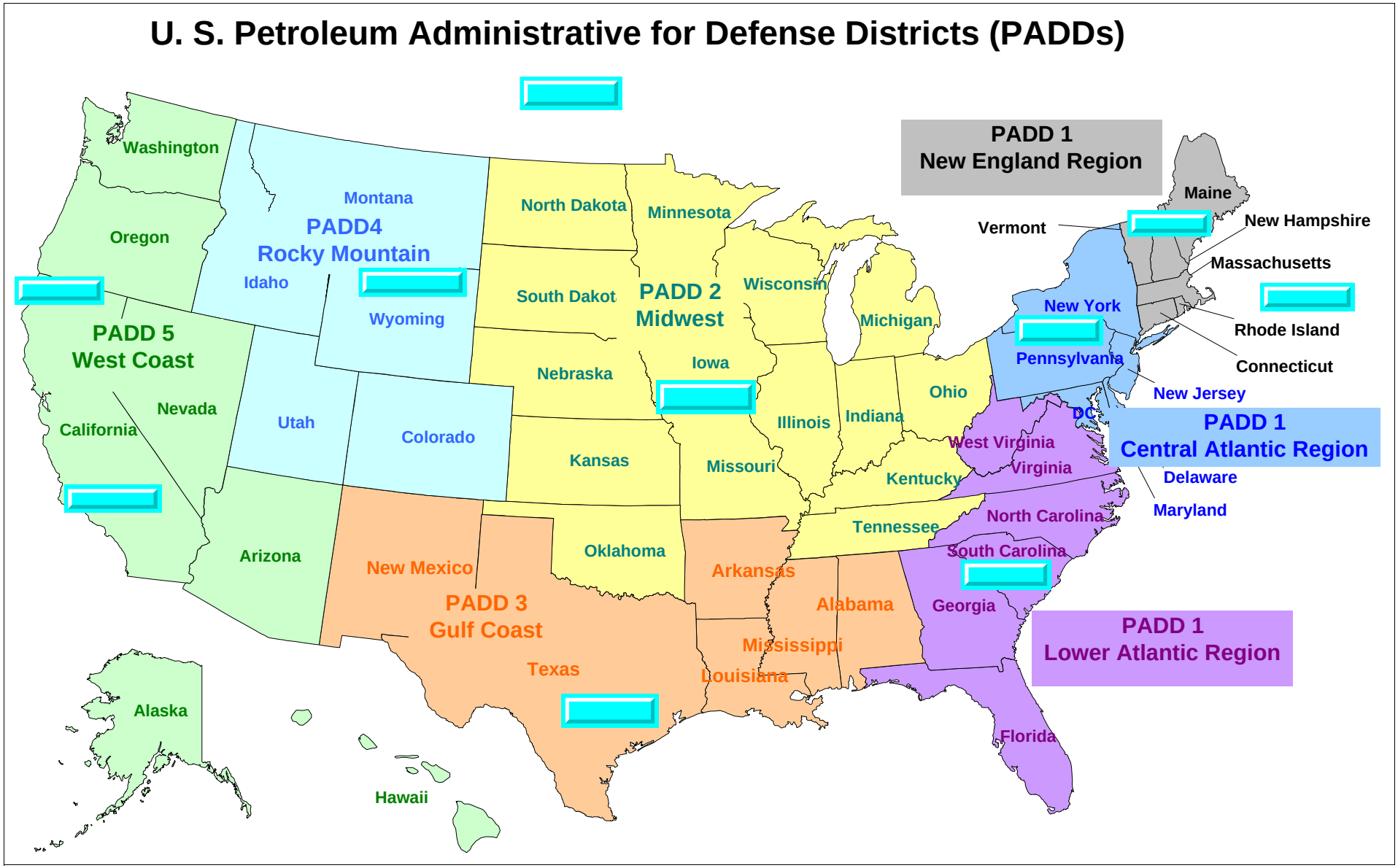
Click Blue Icon on Map to view Regional Price & Fundamental Trends

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



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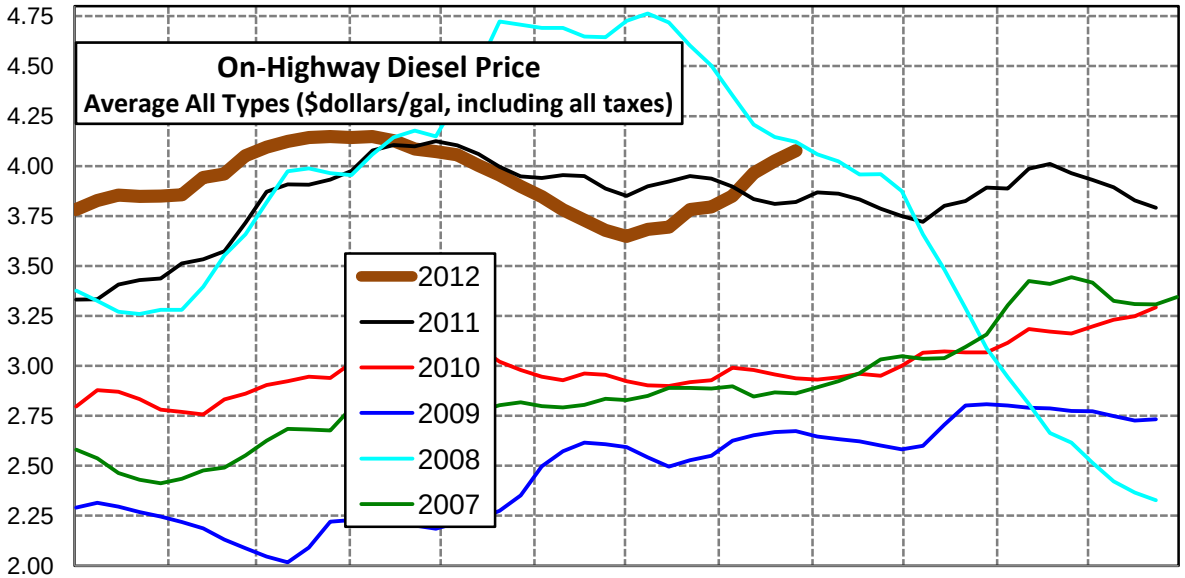
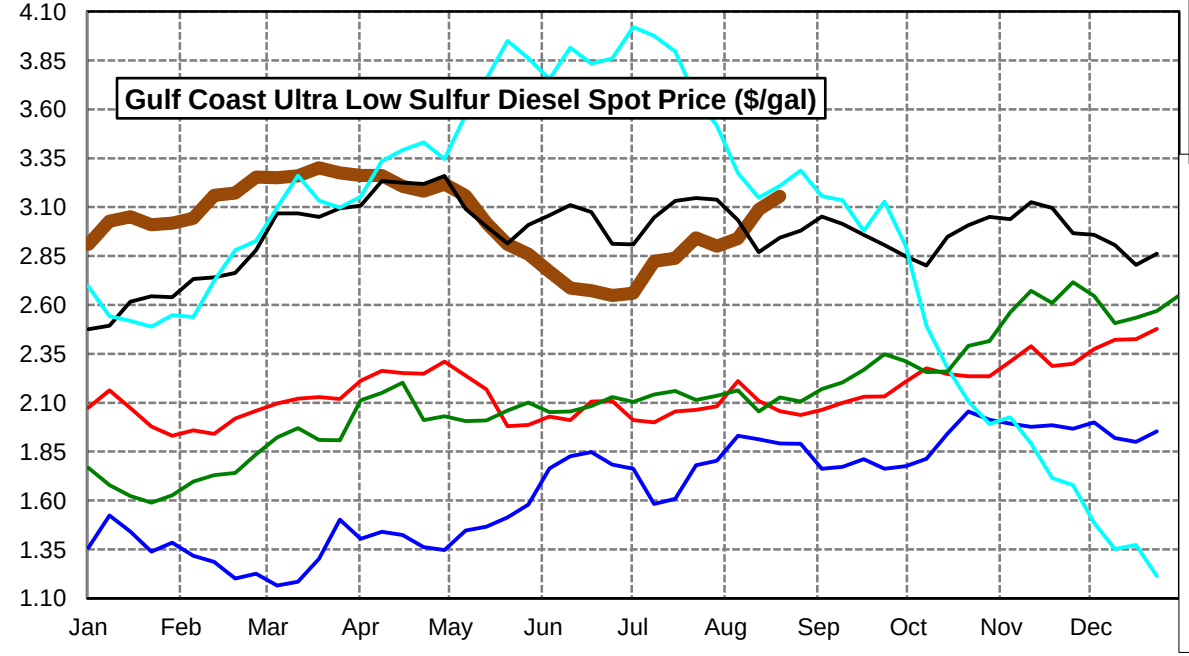
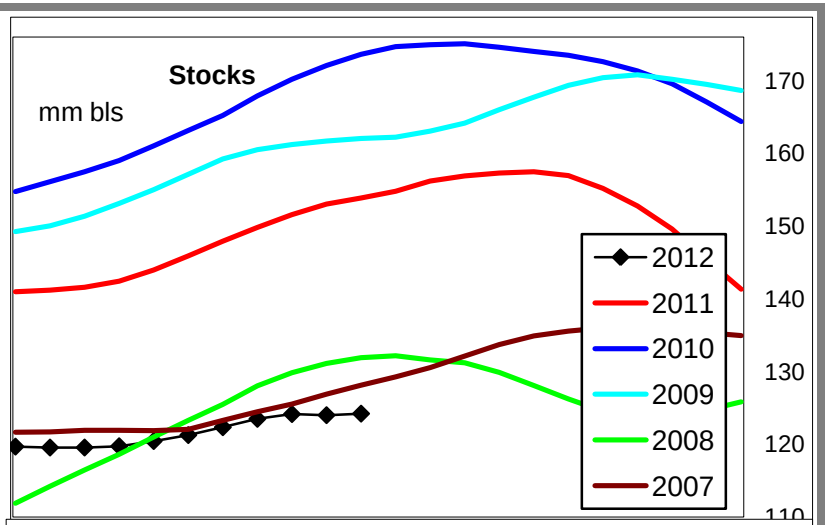
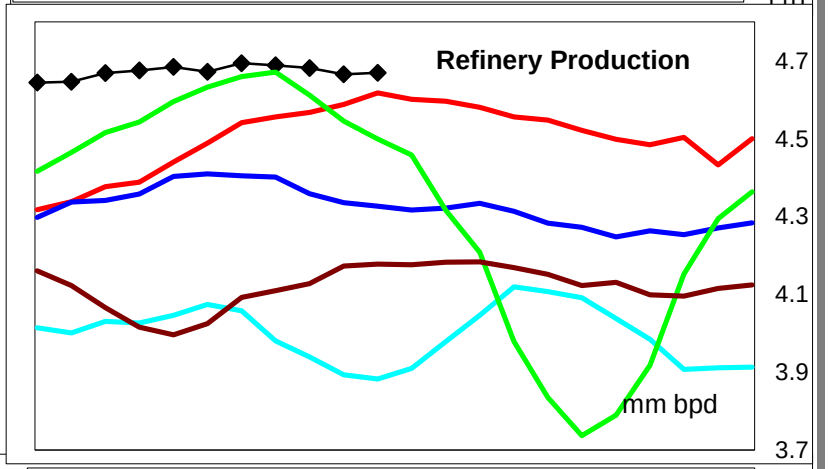
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

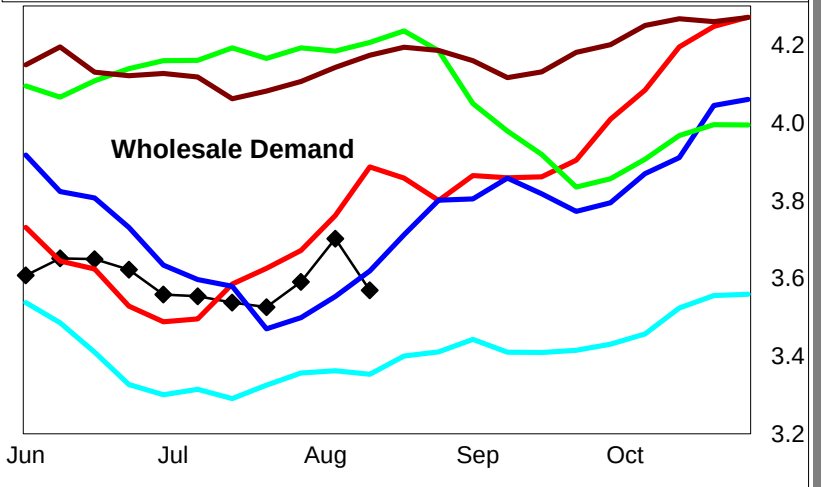
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
United States Avg	$3.850	$3.965	$4.026	**$4.076**	$0.050
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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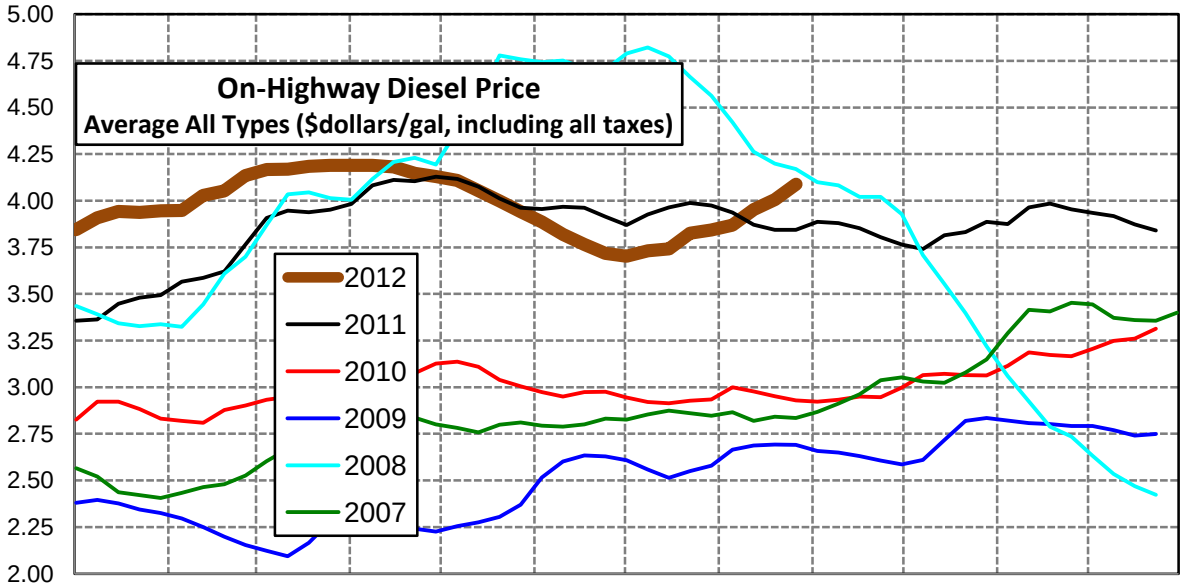
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

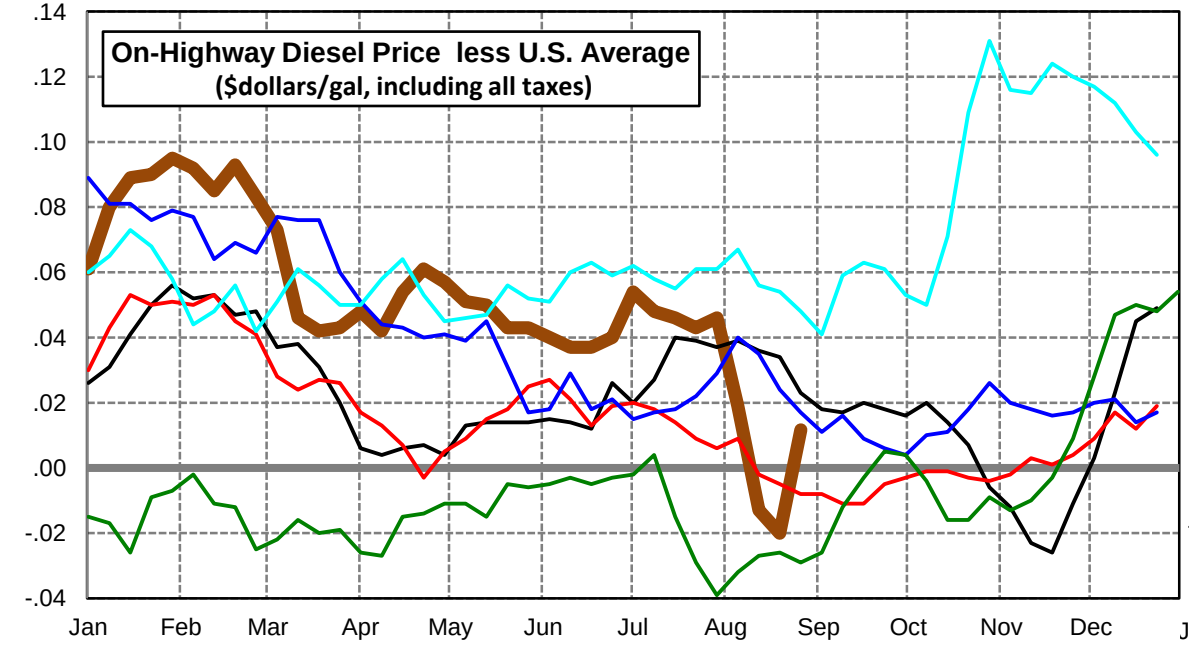
Weekly Retail On-Highway Diesel Prices

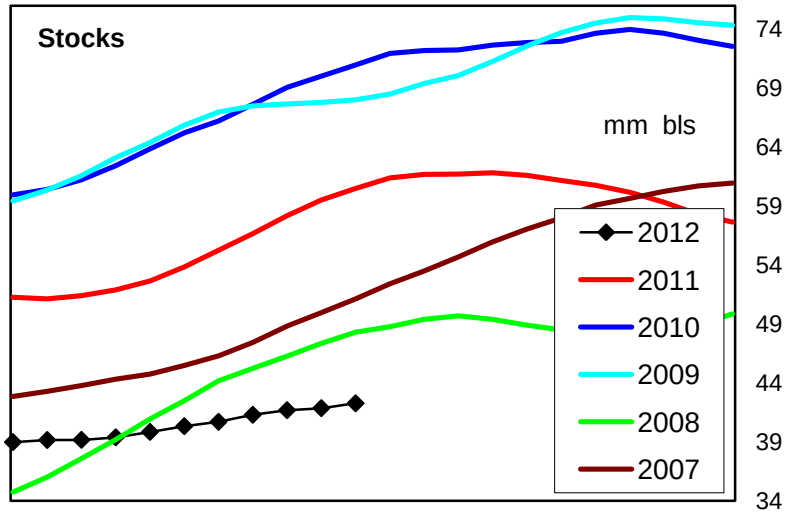
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
East Coast	$3.869	$3.952	$4.006	**$4.088**	$0.082

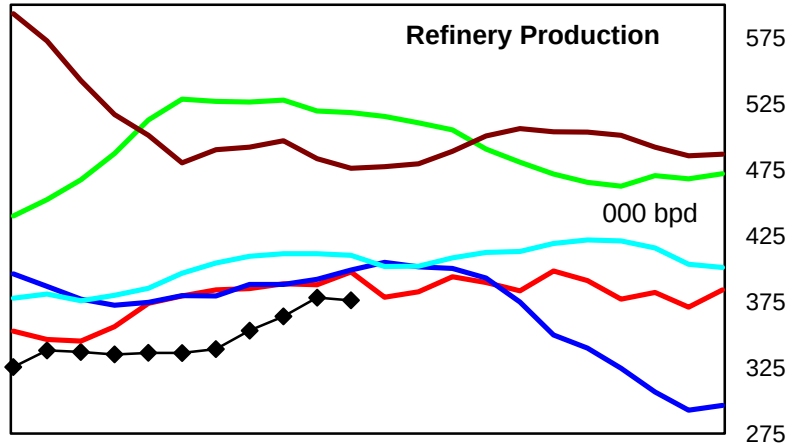
1/ Source: U.S. Energy Information Administration

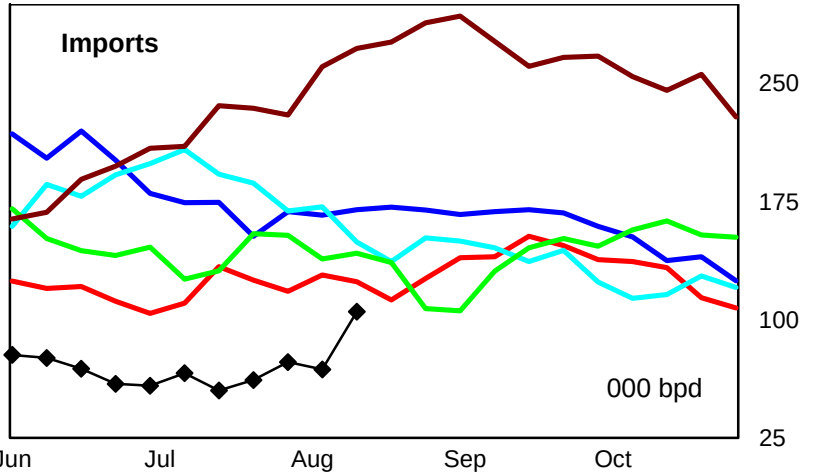
2/ Source: Fundamenal Petroleum Trends Reports











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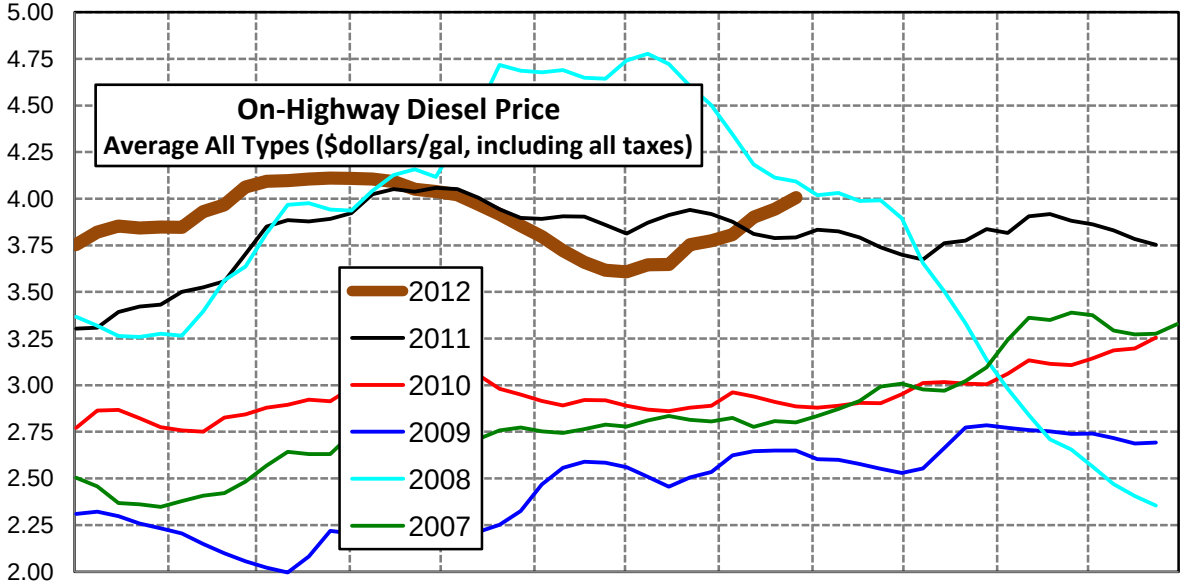
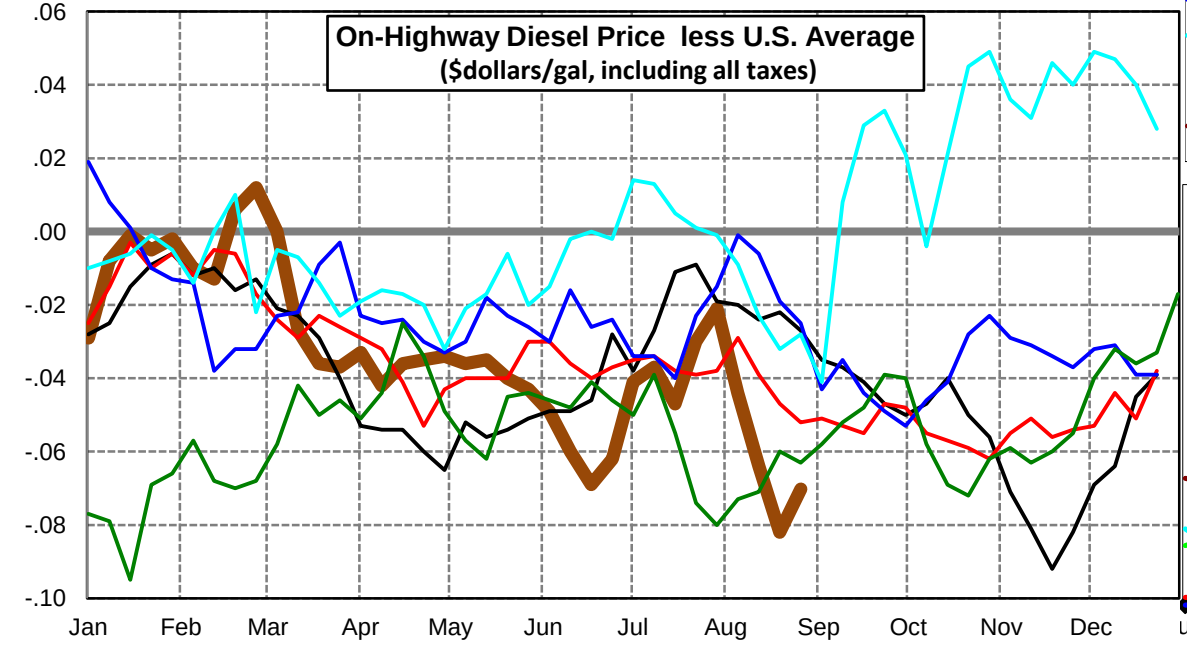
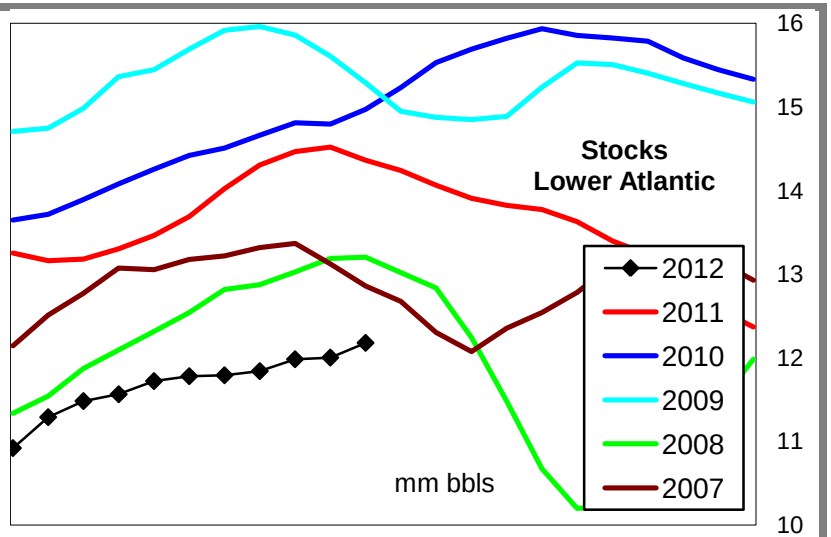
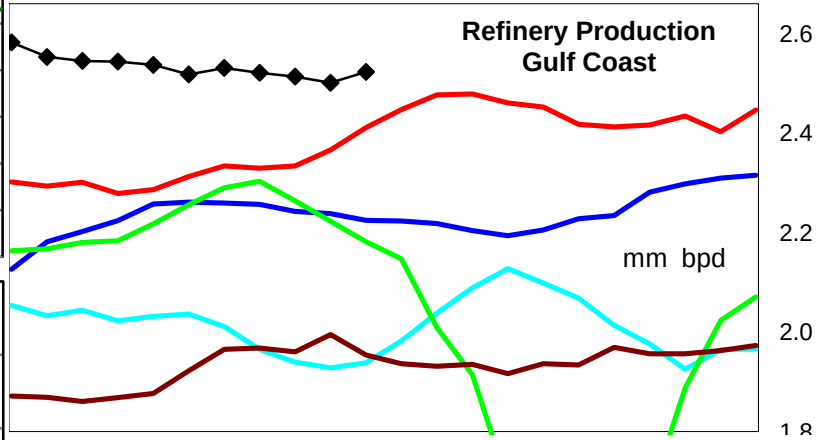
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

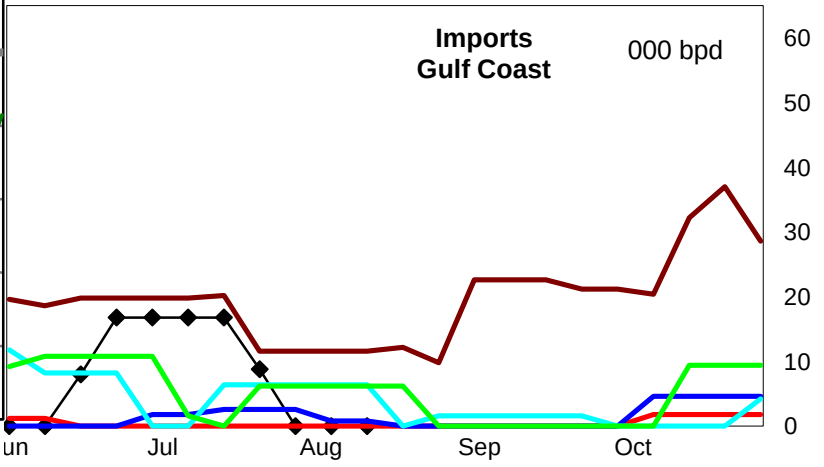
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
Lower Atlantic	$3.806	$3.901	$3.944	**$4.006**	$0.062
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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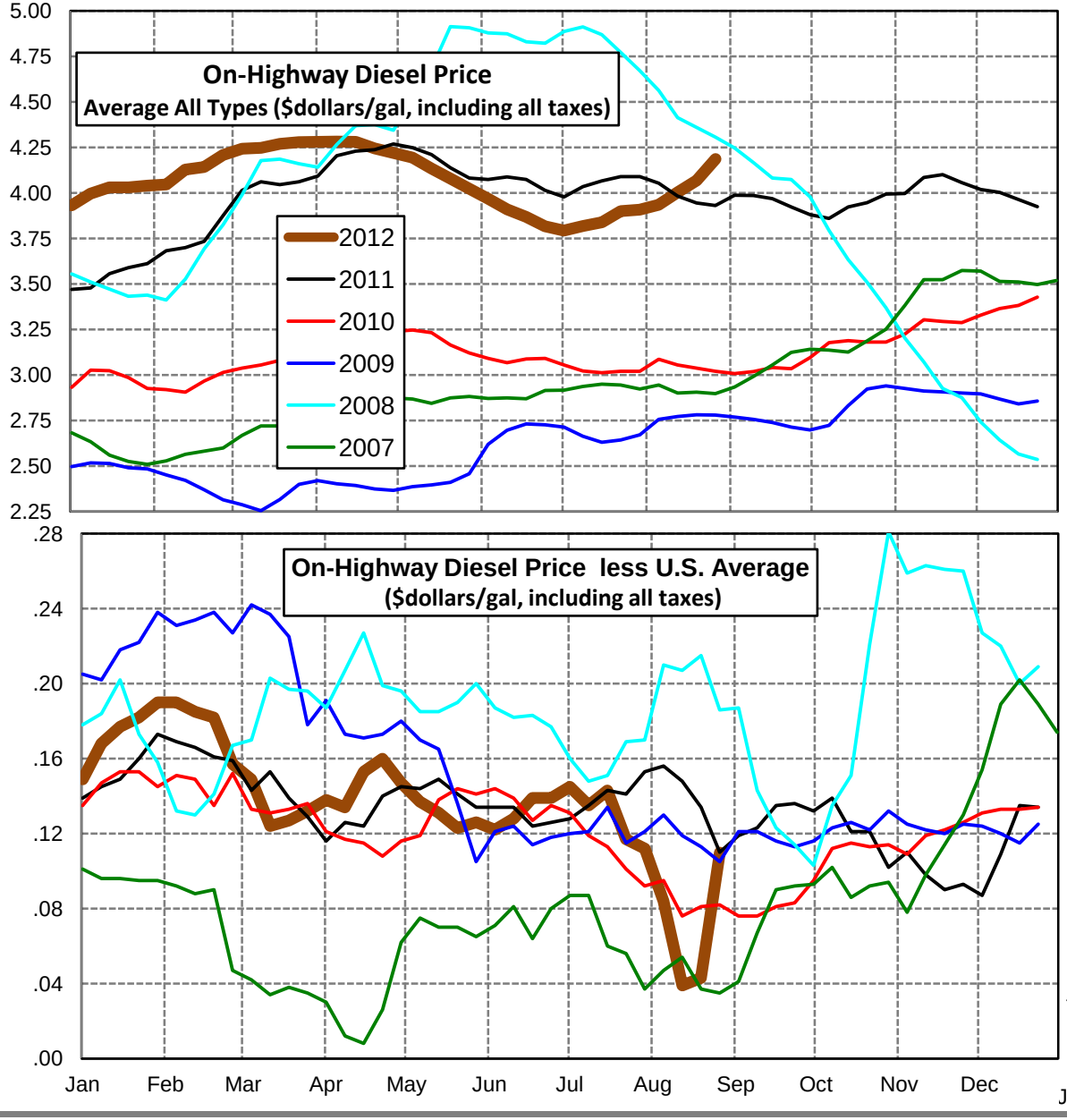
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

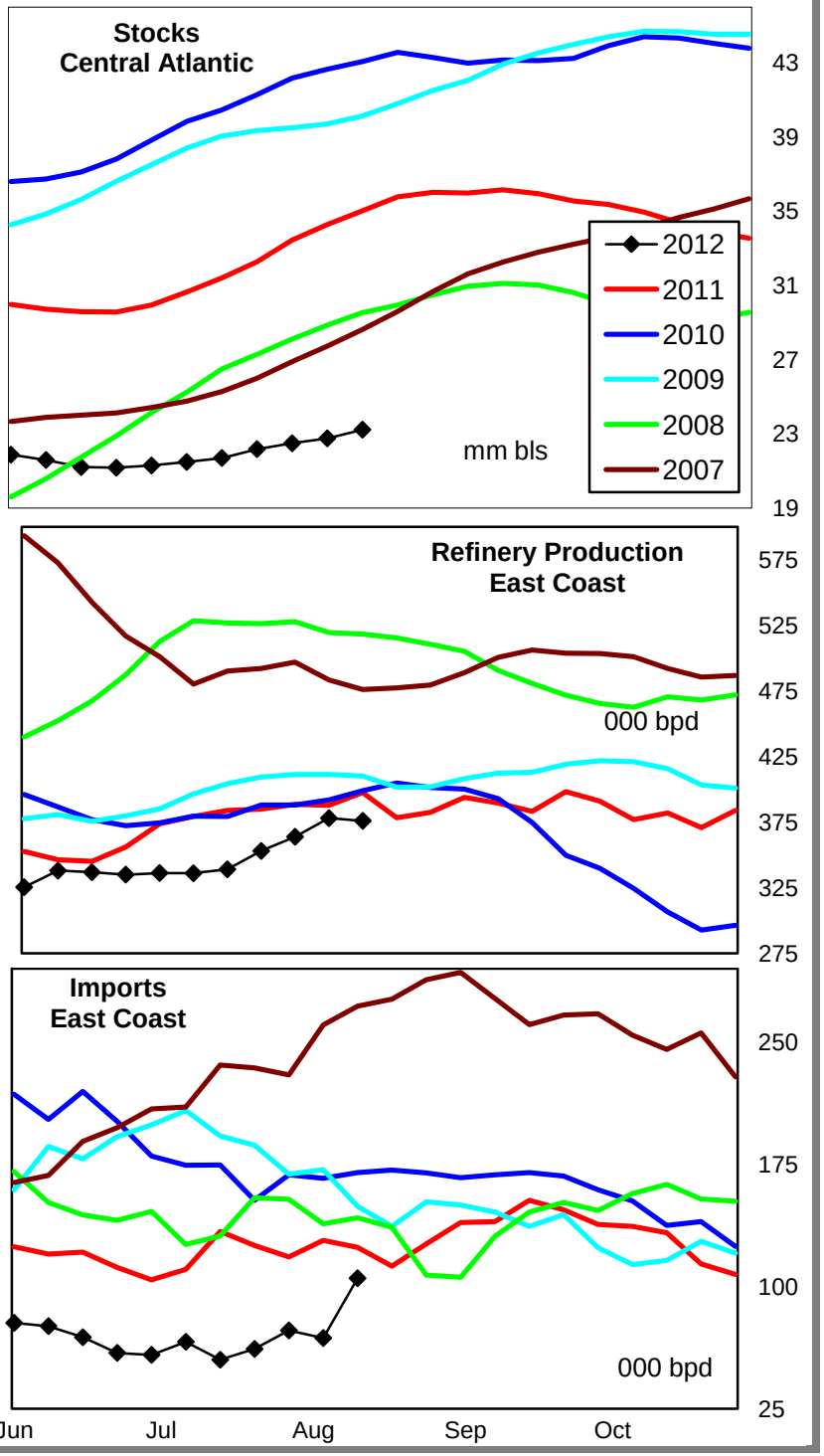
Weekly Retail On-Highway Diesel Prices

Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
Central Atlantic	$3.934	$4.004	$4.069	**$4.186**	$0.117

1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports





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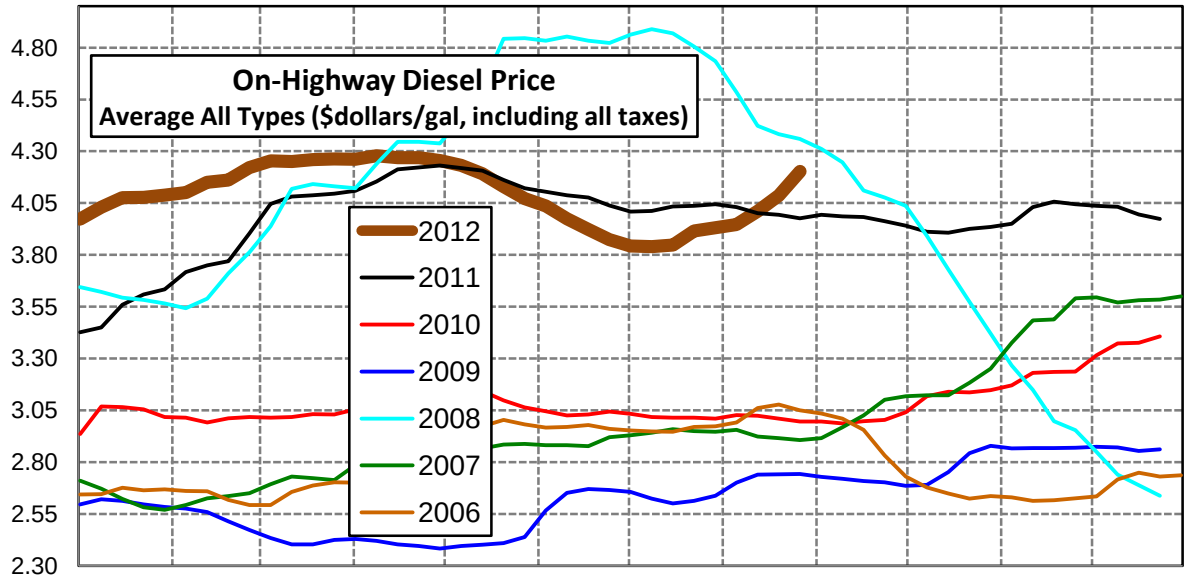
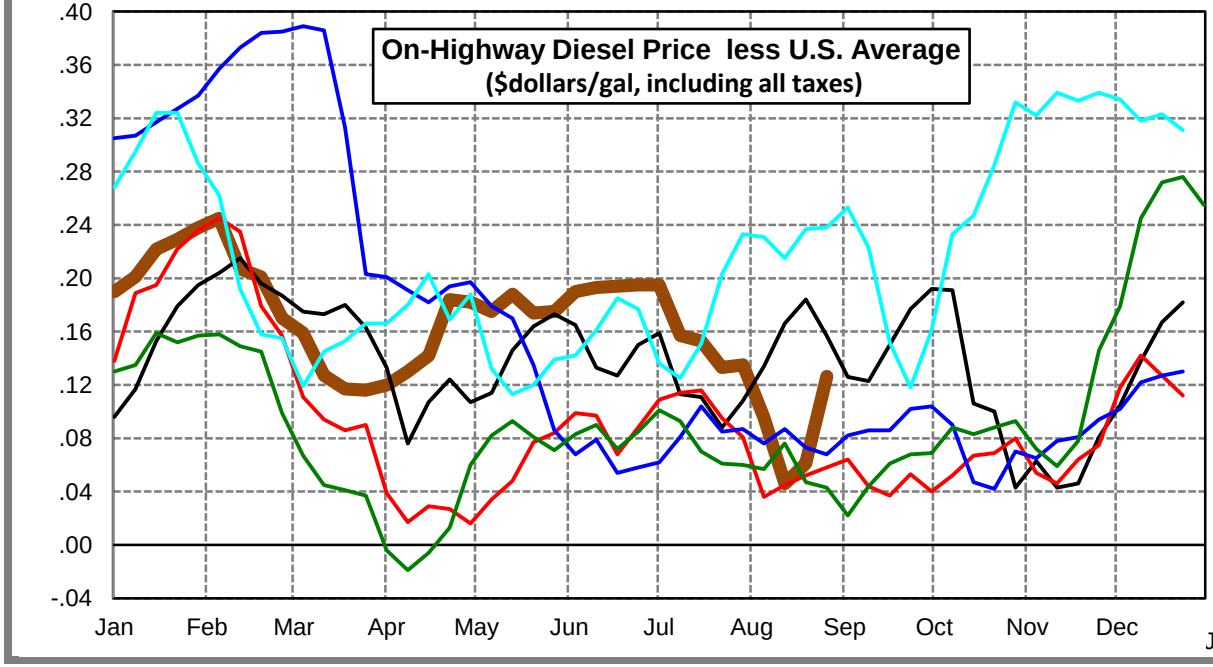
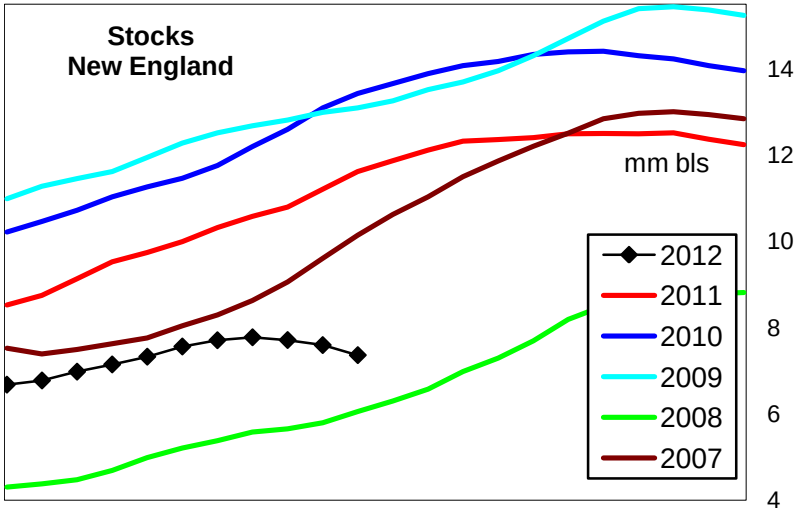
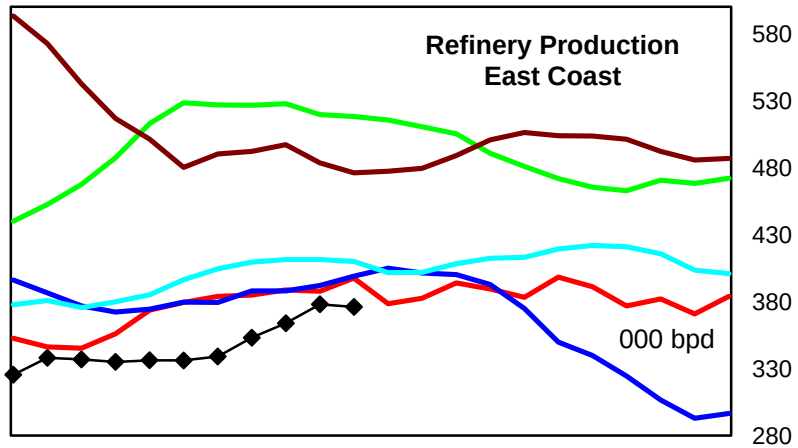
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

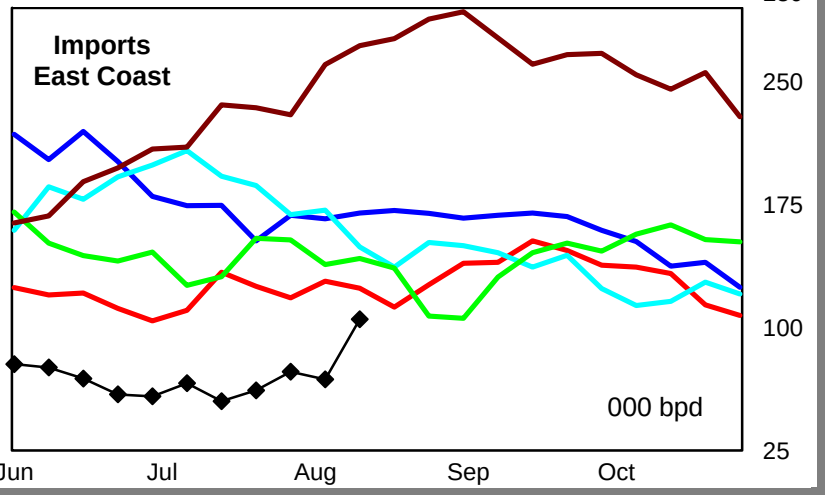
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
New England	$3.946	$4.011	$4.087	**$4.203**	$0.116
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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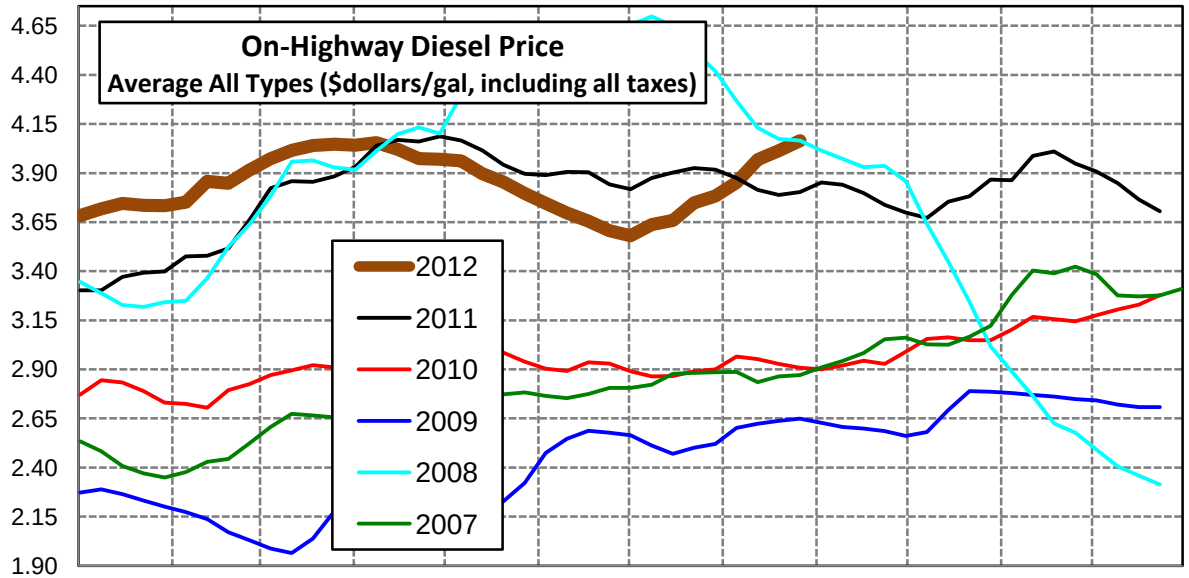
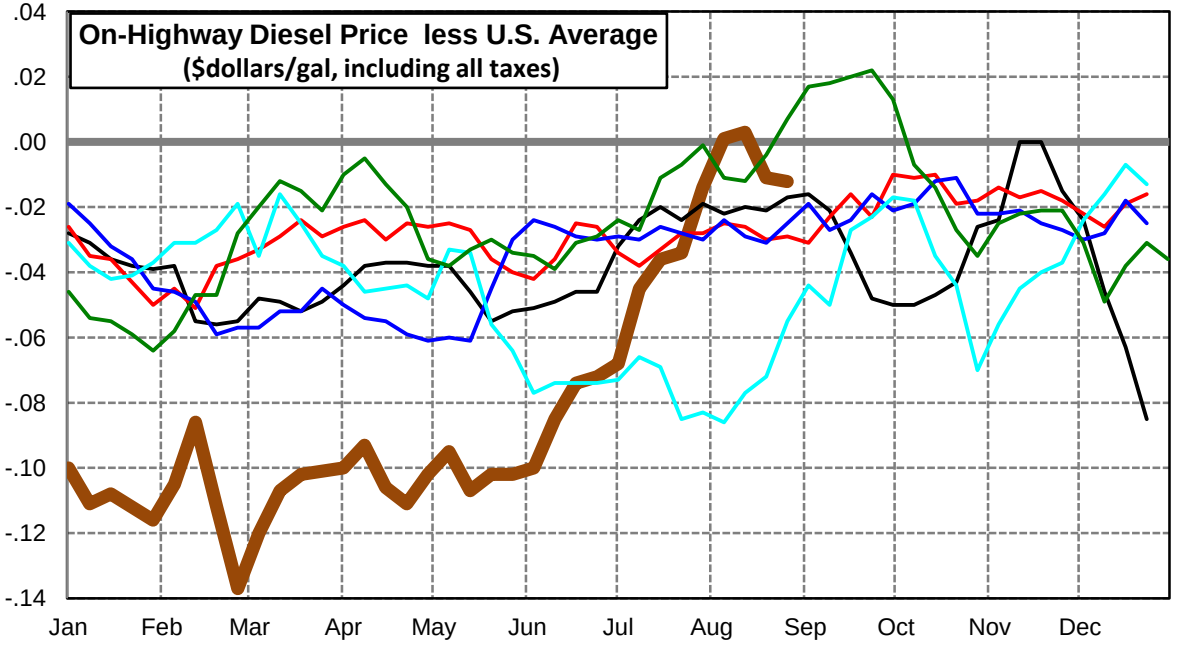
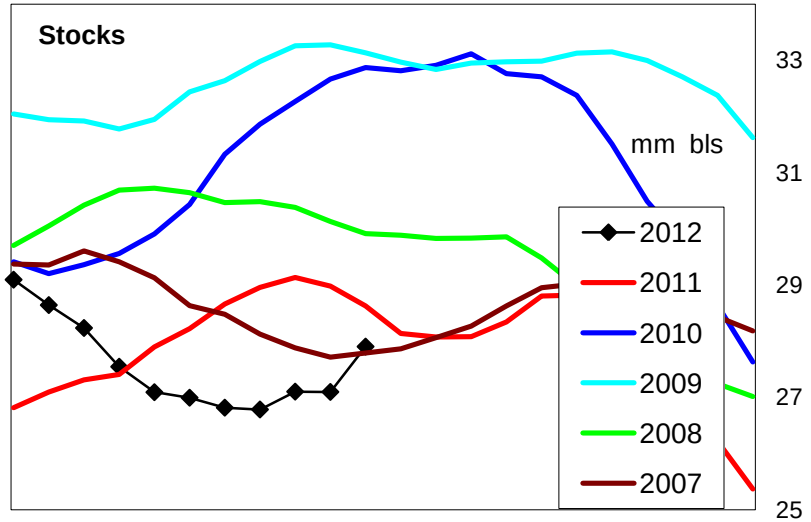
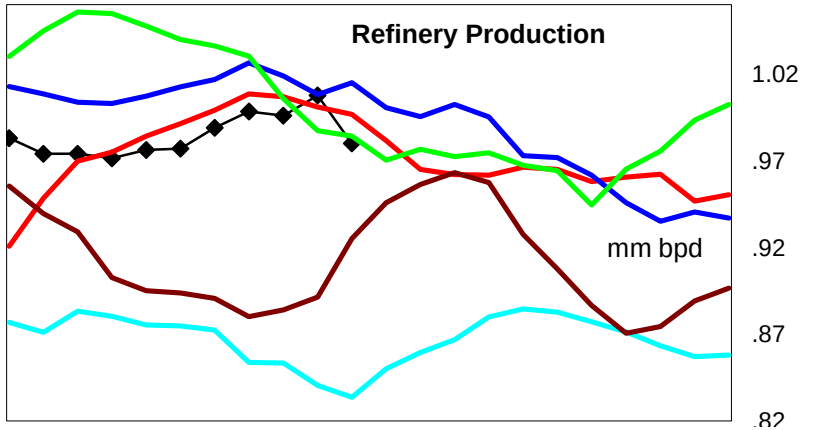
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

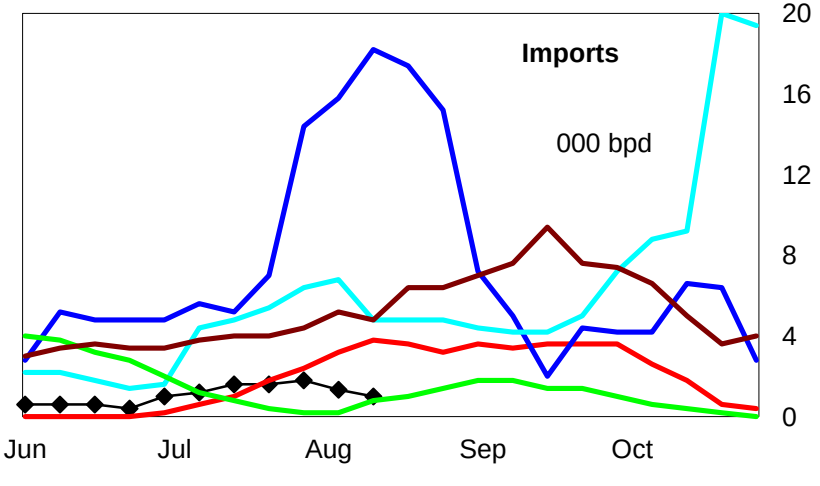
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
Midwest	$3.851	$3.968	$4.015	**$4.064**	$0.049
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					











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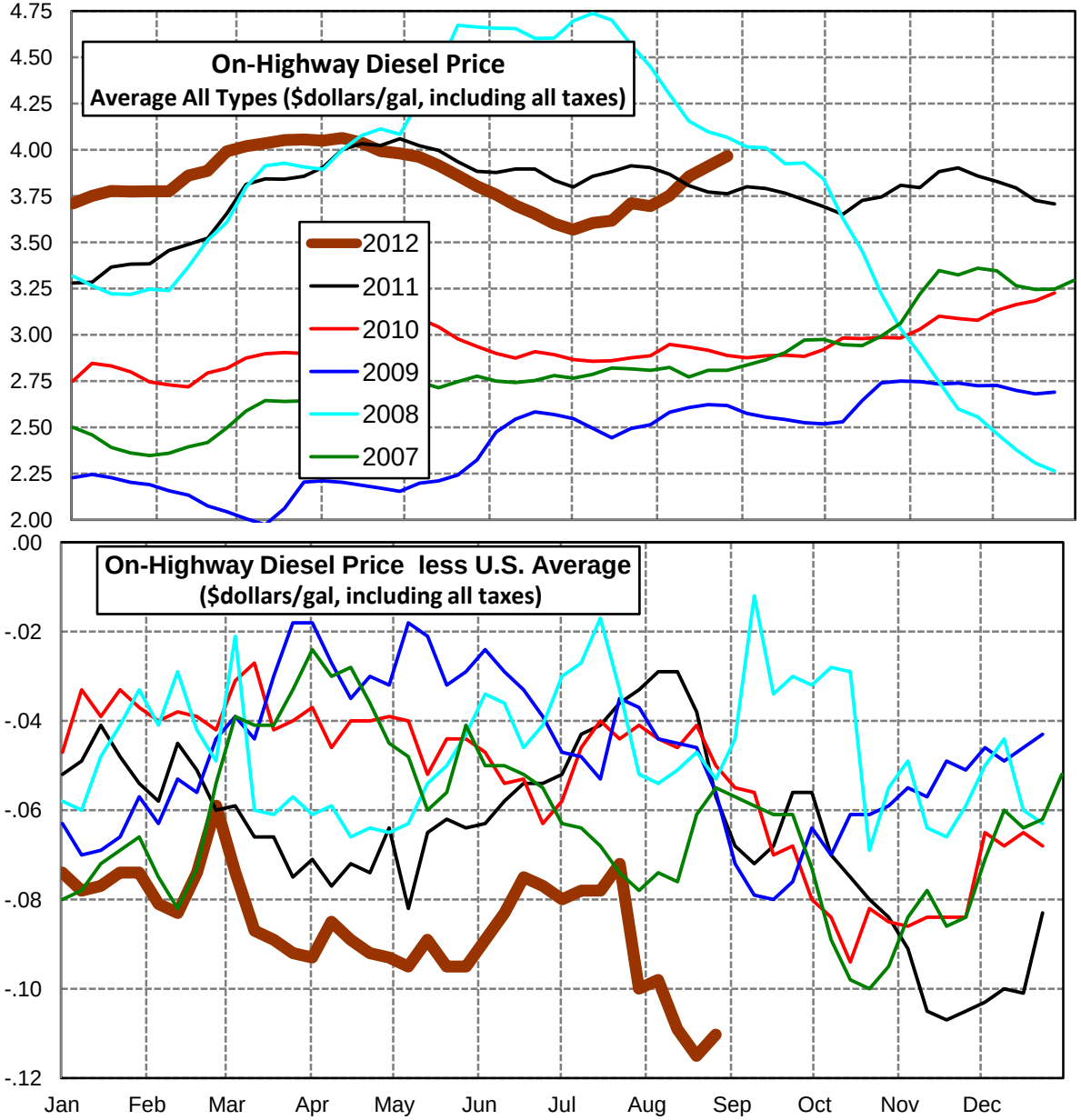
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

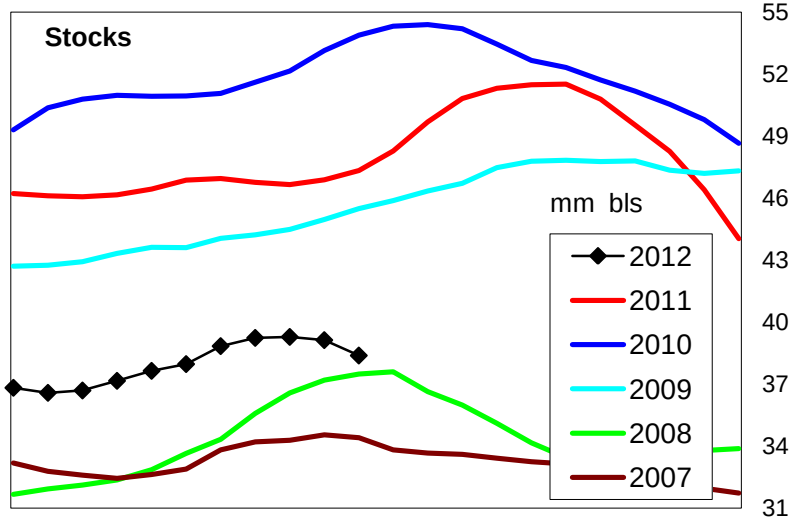
Weekly Retail On-Highway Diesel Prices

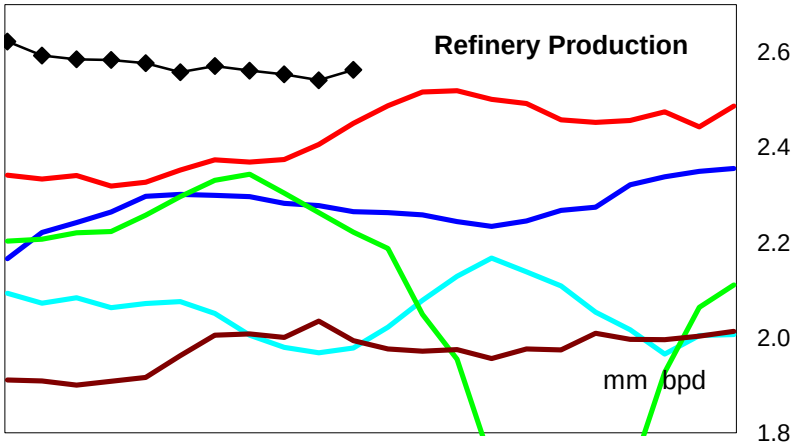
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
Gulf Coast	$3.752	$3.856	$3.911	**$3.966**	$0.055

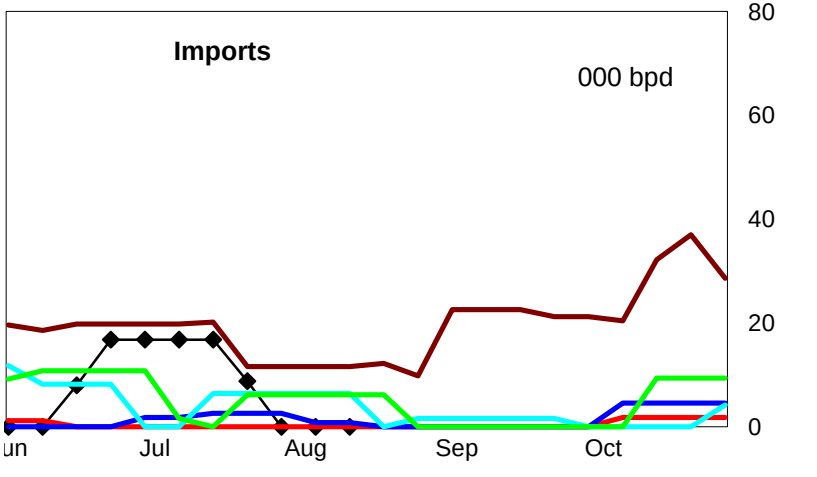
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports









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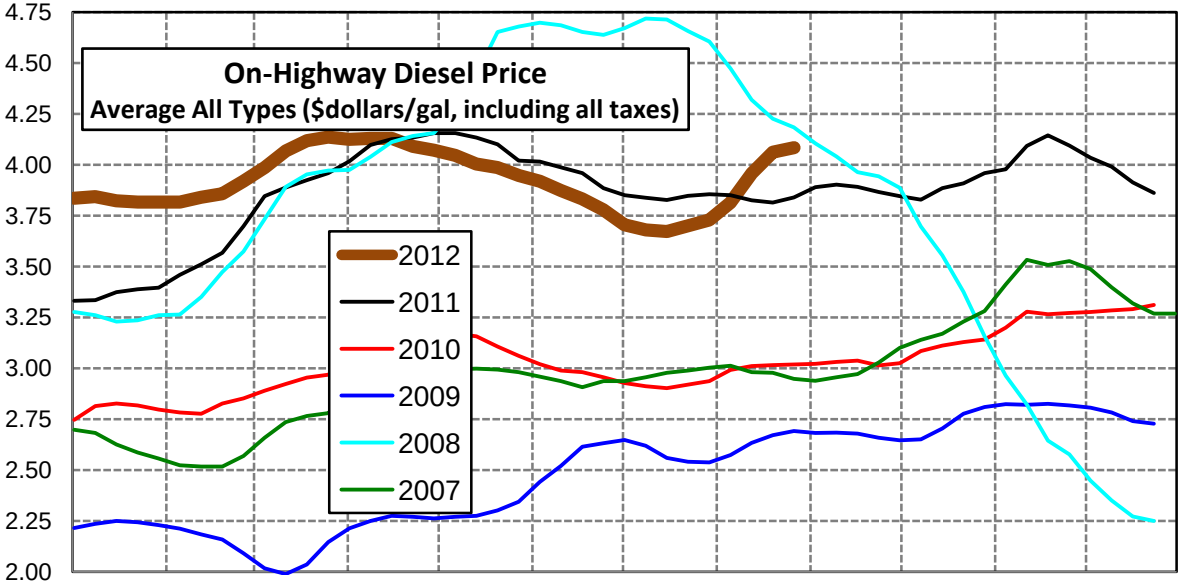
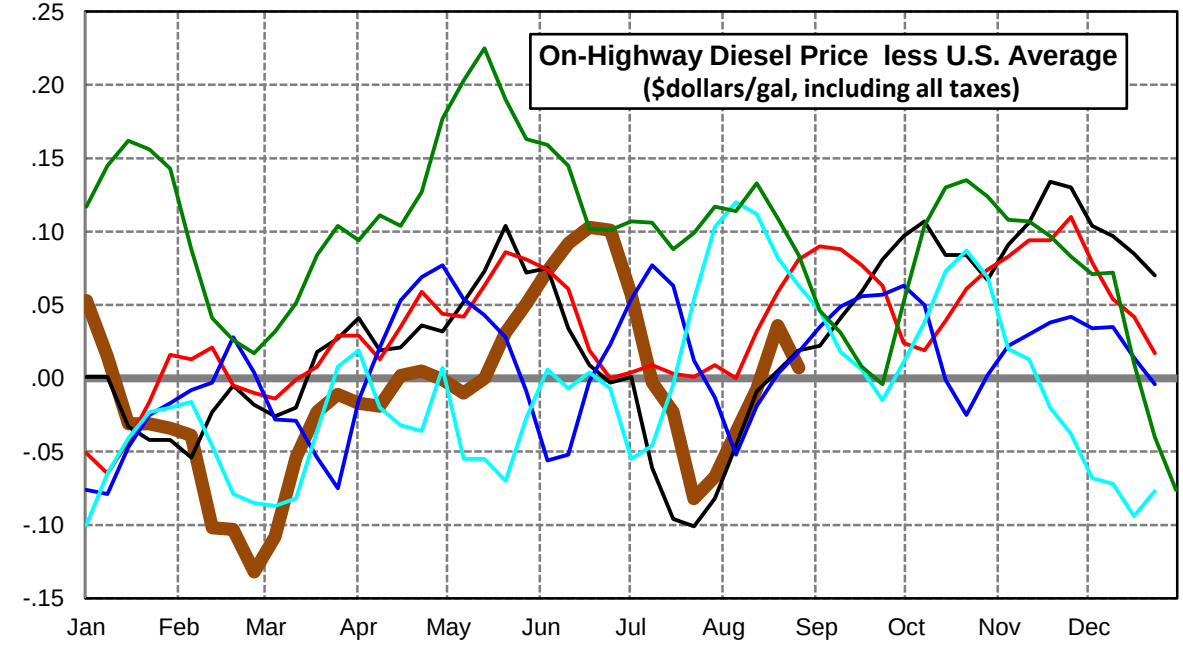
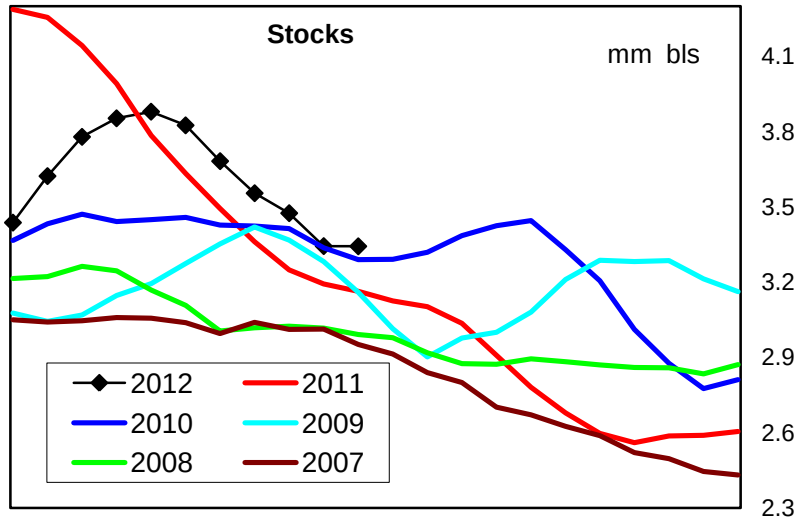
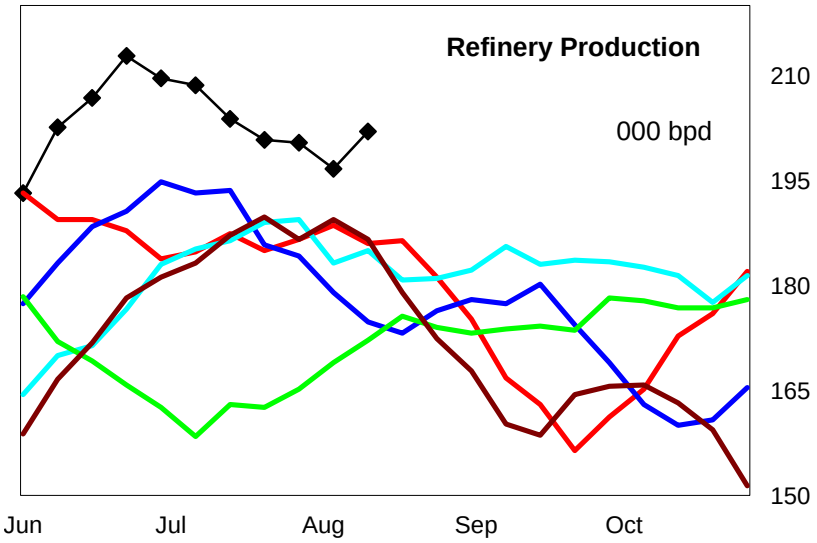
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
Rocky Mountain	$3.813	$3.958	$4.062	**$4.084**	$0.022
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamenal Petroleum Trends Reports					









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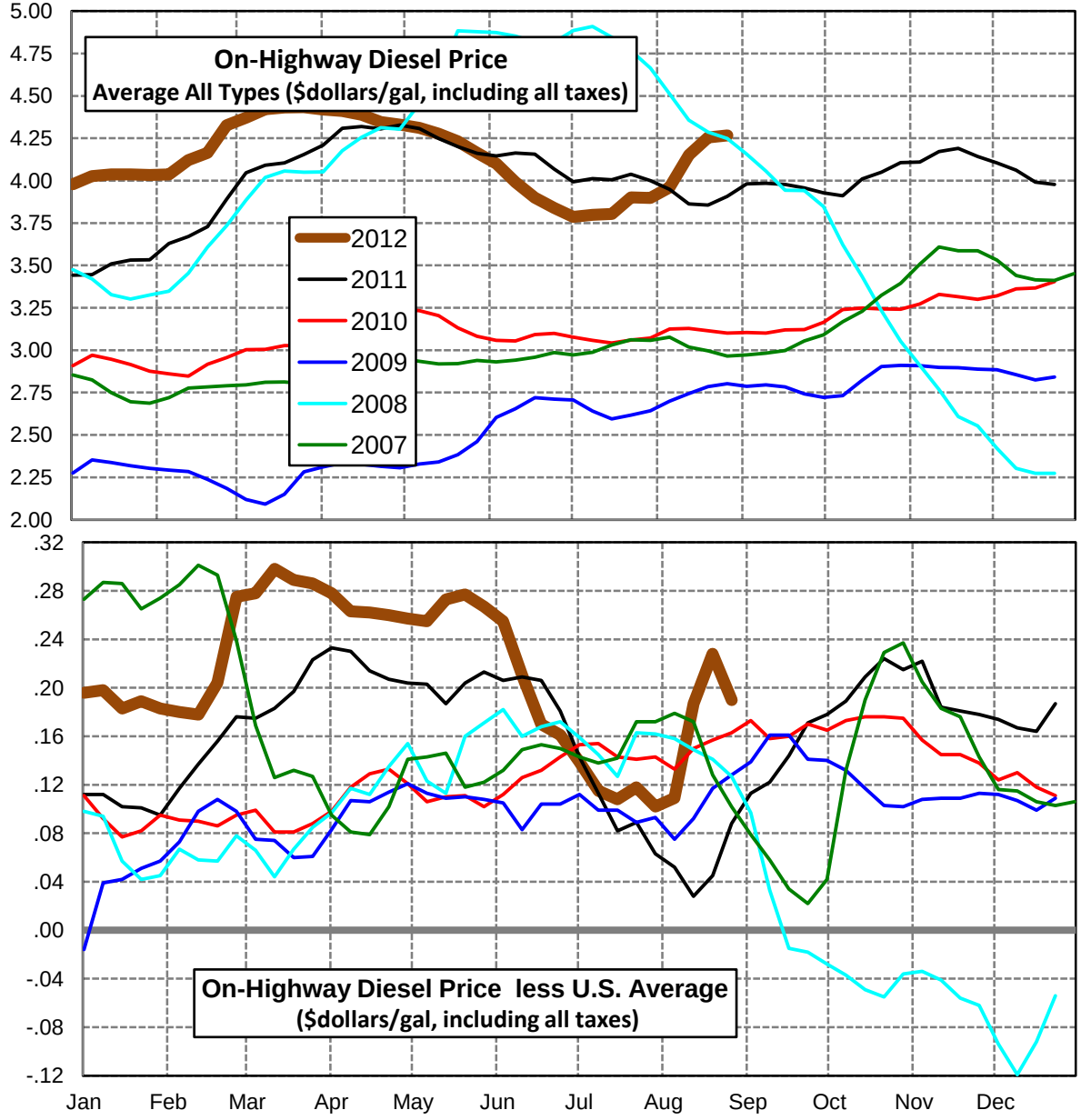
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

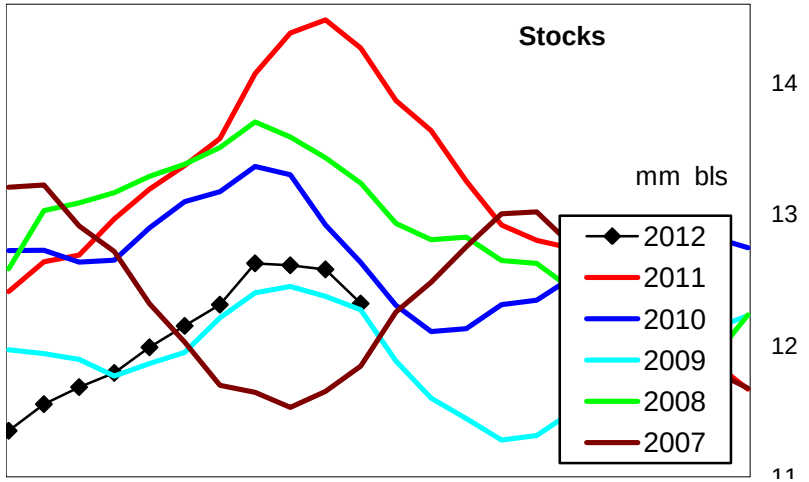
Weekly Retail On-Highway Diesel Prices

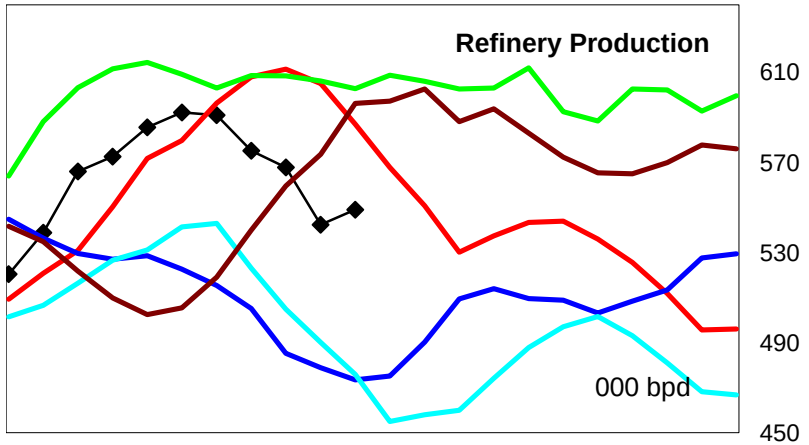
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
West Coast	$3.959	$4.152	$4.254	**$4.266**	$0.012

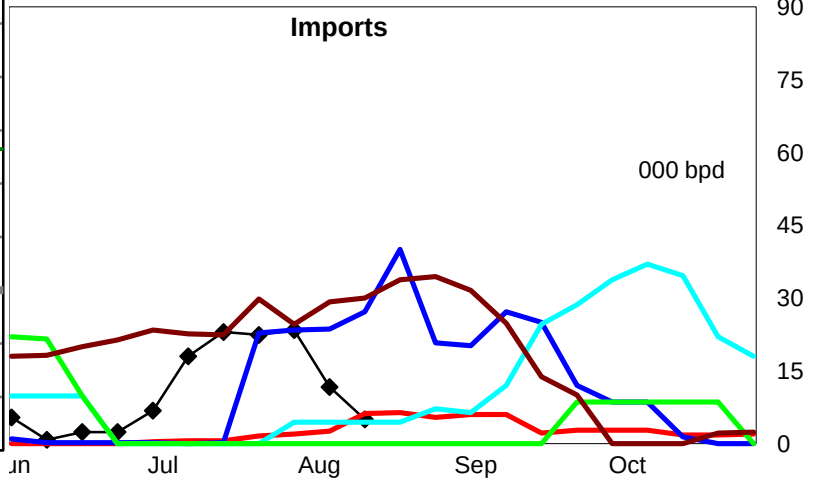
1/ Source: U.S. Energy Information Administration

2/ Source: Fundamenal Petroleum Trends Reports









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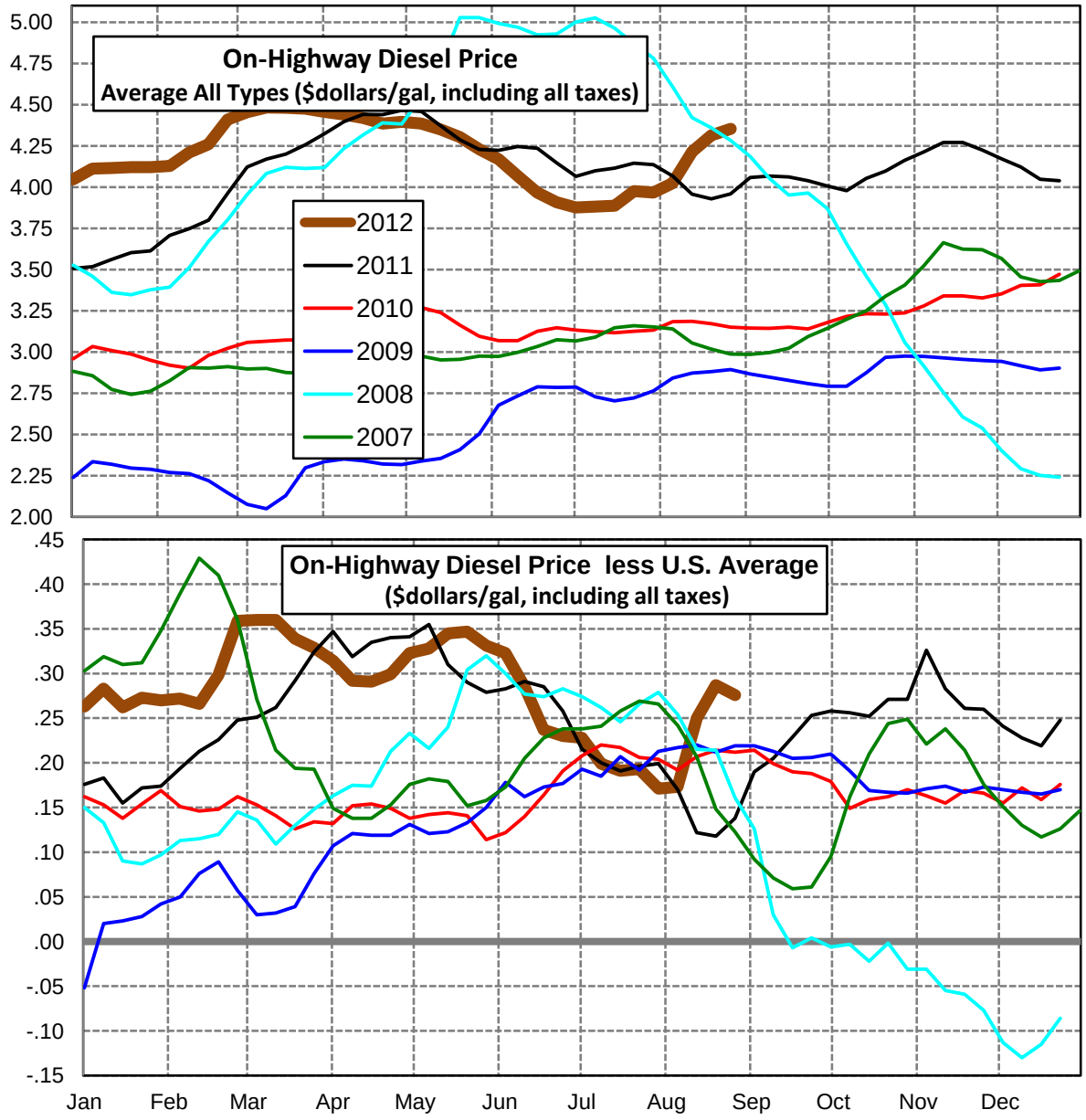
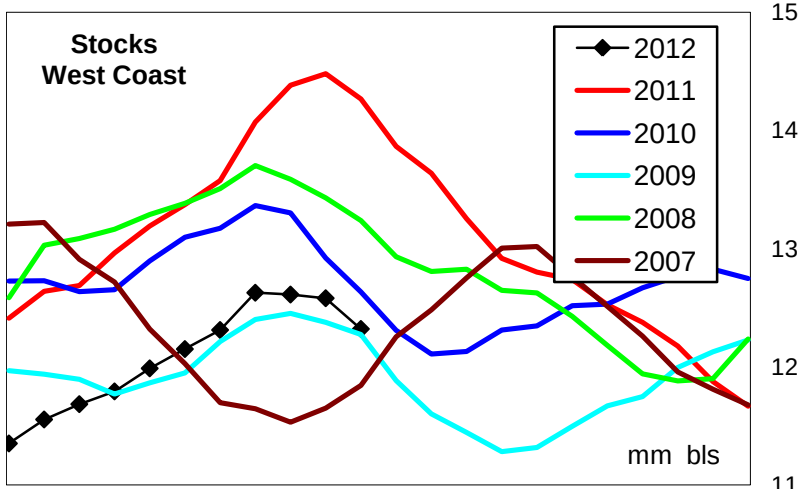
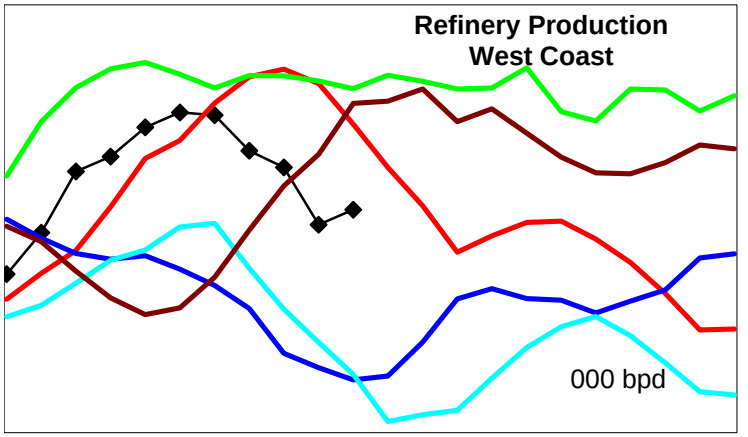
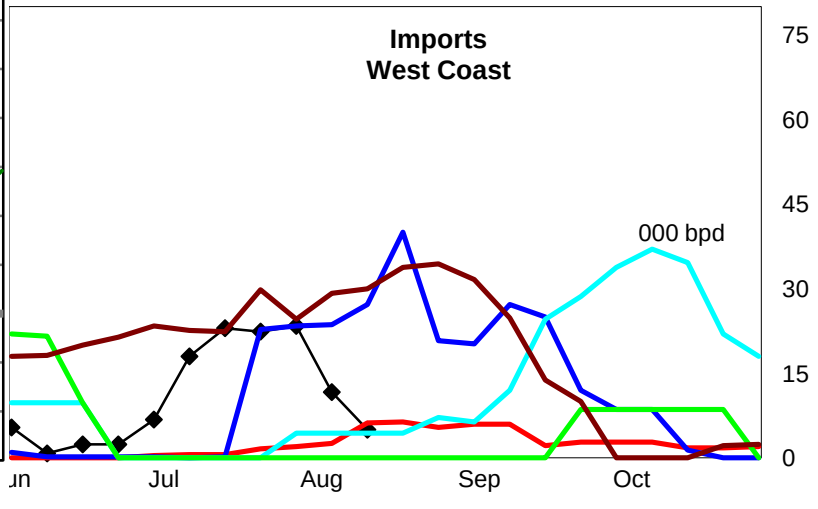
California Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change
	06Aug12	13Aug12	20Aug12	27Aug12	from week
California	$4.023	$4.215	$4.313	**$4.352**	$0.039
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-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	3.783	3.826	3.916	3.900	3.753	3.749	3.711	3.701	3.901	3.976
Mon-30-Jul-12	3.796	3.842	3.931	3.908	3.775	3.782	3.696	3.729	3.898	3.967
Mon-06-Aug-12	3.850	3.869	3.946	3.934	3.806	3.851	3.752	3.813	3.959	4.023
Mon-13-Aug-12	3.965	3.952	4.011	4.004	3.901	3.968	3.856	3.958	4.152	4.215
Mon-20-Aug-12	4.026	4.006	4.087	4.069	3.944	4.015	3.911	4.062	4.254	4.313
Mon-27-Aug-12	4.076	4.088	4.203	4.186	4.006	4.064	3.966	4.084	4.266	4.352
Mon-03-Sep-12										
Mon-10-Sep-12										
Mon-17-Sep-12										
Mon-24-Sep-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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