



RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

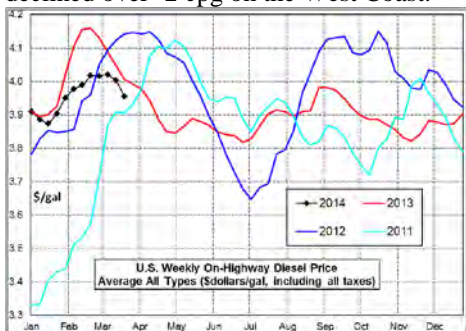
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, March 18, 2014

Weekly Retail On-Highway Diesel Prices

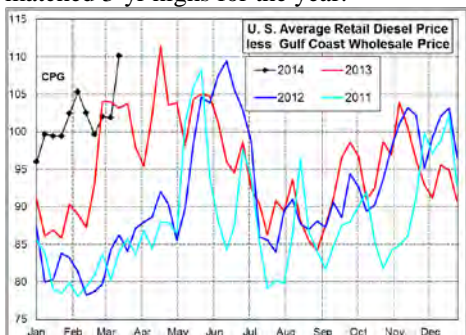
| Region | Actual Price 1/ | | | Forecast 2/ | Change from week ago |
|------------------|-----------------|---------|---------|-------------|----------------------|
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| U.S. | 4.016 | 4.021 | 4.003 | 3.954 | -0.049 |
| East Coast | 4.155 | 4.158 | 4.138 | 4.078 | -0.060 |
| New England | 4.389 | 4.362 | 4.313 | 4.249 | -0.064 |
| Central Atlantic | 4.354 | 4.353 | 4.314 | 4.244 | -0.070 |
| Lower Atlantic | 3.962 | 3.974 | 3.973 | 3.917 | -0.056 |
| Midwest | 4.019 | 4.013 | 3.994 | 3.958 | -0.036 |
| Gulf Coast | 3.793 | 3.814 | 3.803 | 3.746 | -0.057 |
| Rocky Mountain | 3.983 | 4.000 | 3.991 | 3.927 | -0.064 |
| West Coast | 4.038 | 4.042 | 4.020 | 3.984 | -0.036 |
| California | 4.119 | 4.112 | 4.087 | 4.059 | -0.028 |

1/ Source: U.S. Energy Information Administration
2/ Source: Fundamental Petroleum Trends Reports

Diesel Fuel Price Trends U. S. retail diesel prices declined -1.8 cpg for the week ending 10Mar14. Prices decreased -4 cpg in New England and Central Atlantic regions as supplies improved. Prices also declined over -2 cpg on the West Coast.



The U.S. average retail diesel price compared to Gulf Coast wholesale market jumped +8.3 cpg on the week, driven by the sharp collapse of wholesale prices. The spread ended the week at a level that matched 3-yr highs for the year.



The national average on-highway price ended the week -5 cpg below a year ago. The highest retail prices were in New England and Central Atlantic regions at \$4.31/gal. The lowest prices were in the Gulf at \$3.80/gal and the Lower Atlantic at \$3.97/gal. Prices in the Gulf and Lower Atlantic are driven by a recent slow down

in exports that has led to over supply in these regions.

The spread between the U.S. average price and prices in New England, Central Atlantic and the Midwest regions remain well above the historic range on tight supplies.

The spread between the U.S. average price and regional prices in the Gulf and West Coast remain below the 5-yr range on excess supplies compared to the East Coast and Midwest.

Gulf spot average prices decreased -8 cpg last week, and -20 cpg during the last 2-wks. The price level is now at lows of the last 4-months.



The spread between the Gulf wholesale price and the U.S. average retail price jumped +8.3 cpg to 110 cpg last week. This differential matches the 3-yr record for the entire year.

Supply - Demand Fundamental Trends

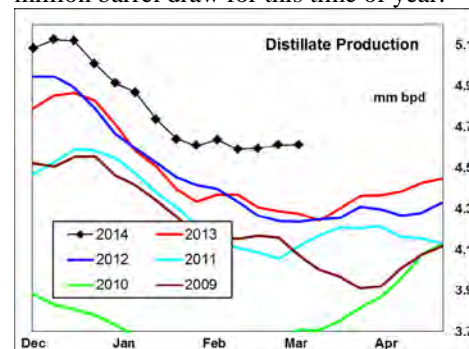
Distillate wholesale demand increased +151,000 bpd on the week, at a level comparable to the 3-yr average. Demand for the latest 4-wk period was -8,000 bpd below a year ago. Inclement weather east of the Rockies has depressed transport use, and earlier high prices limited exports.

Supply fell -127,000 bpd on the week, driven by sharply lower imports.

During the latest 4-wk period, production was +300,000 bpd above last year while imports were +126,000 bpd higher.

Stocks decreased -0.5 million barrels last week, concentrated in the Gulf region.

Stock levels ended the week -6.5 million barrels below a year ago, and below the 5-yr range. The latest 4-wk stock change East of the Rockies was a -0.2 million barrel draw, compared to an average -6 million barrel draw for this time of year.



Global Trends Driving Diesel Prices

The wind down in winter heating demand, slower economic growth reported for China, weak distillate exports from the U.S. and excess supplies of crude oil during winter refinery maintenance underlie the pull back in distillate prices.

The supply squeeze in the Northeast has improved significantly on the earlier surge in imports, a drop off in exports due to high U.S. prices, and seasonal decline in heating degree days.

Look for an increase in exports on lower U.S. prices compared to importing countries, a rebound in U.S. transport demand for distillate as weather conditions improve East of the Rockies, and rising spring gasoline demand to support distillate prices after the current seasonal decline.

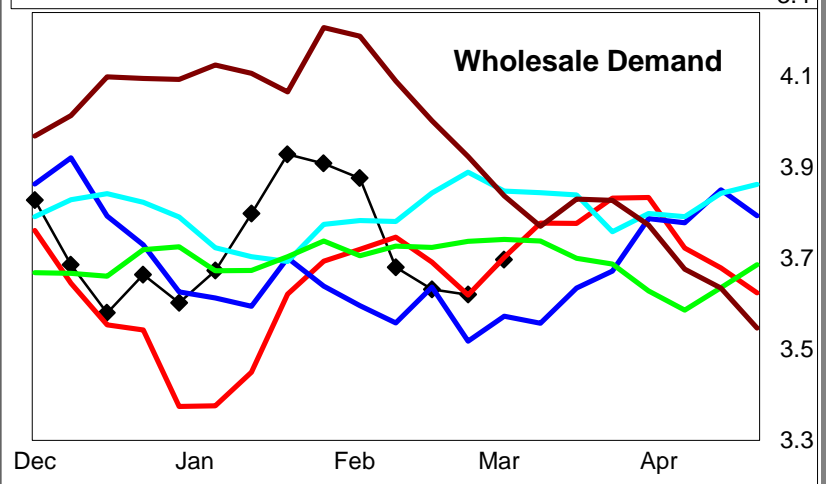
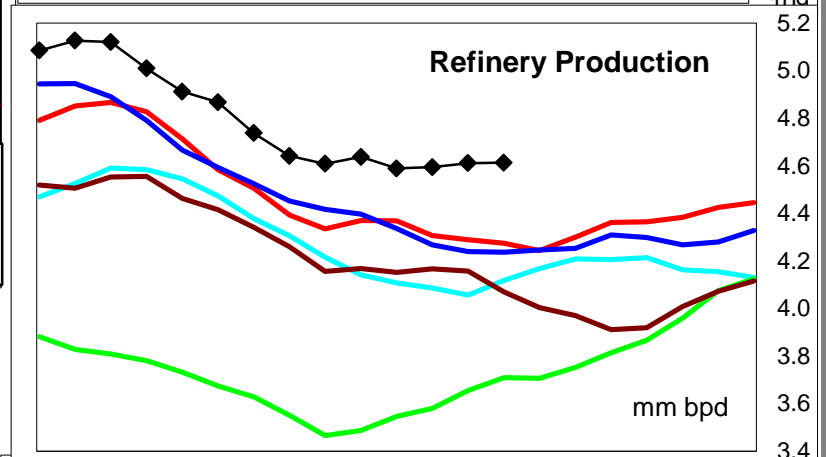
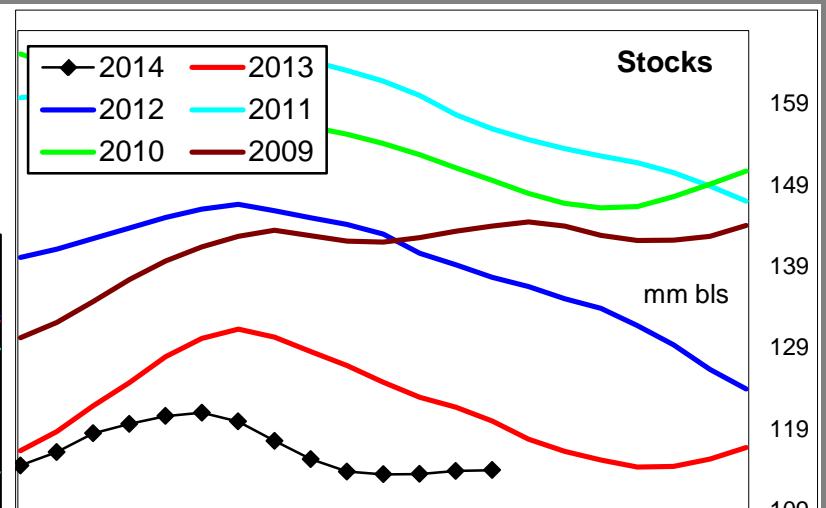
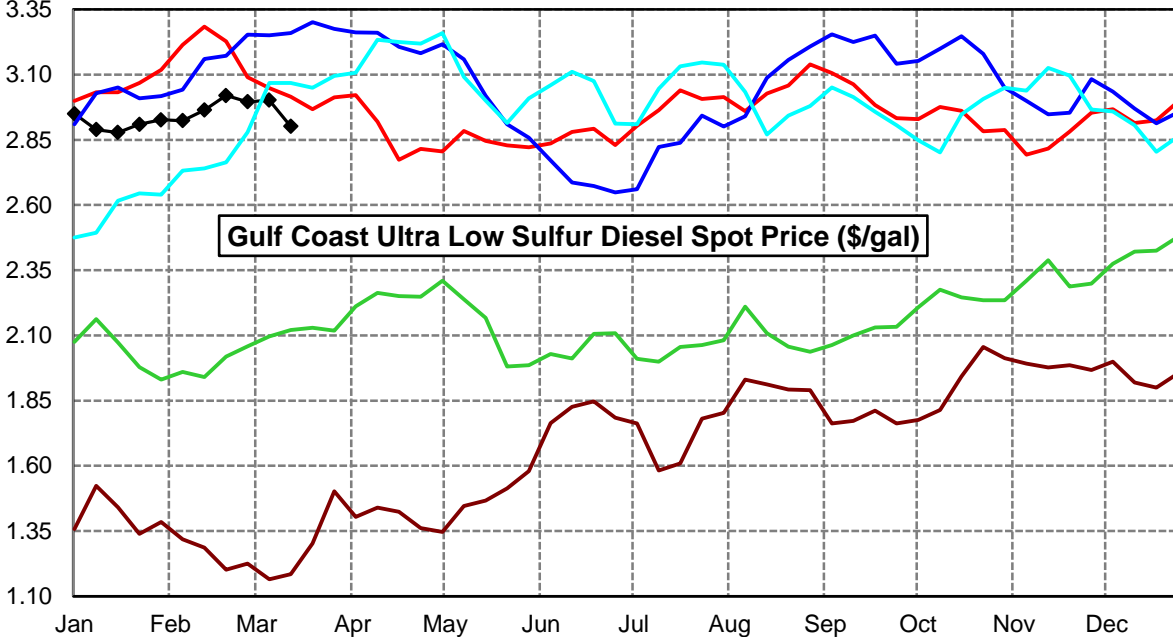
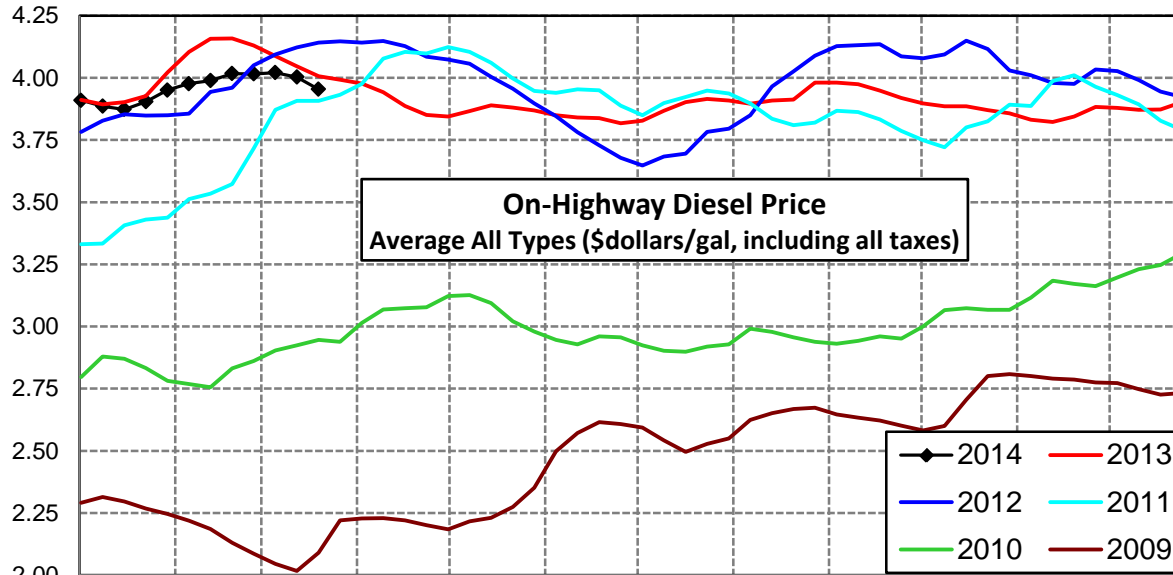
Diesel Price Outlook Retail prices are forecast to trend sharply lower in the near term as a result of the -20 cpg decline in wholesale spot prices, and record wide spread between Gulf wholesale prices and retail prices. Look for above average price declines in the Northeast on improved supplies. Southeast, Gulf, and West Coast markets remain very well supplied, which should lead to continued price weakness compared to the U.S. average.

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



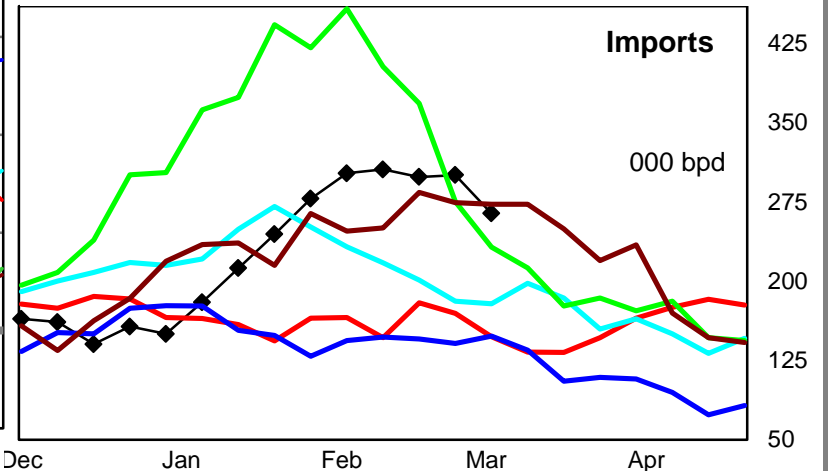
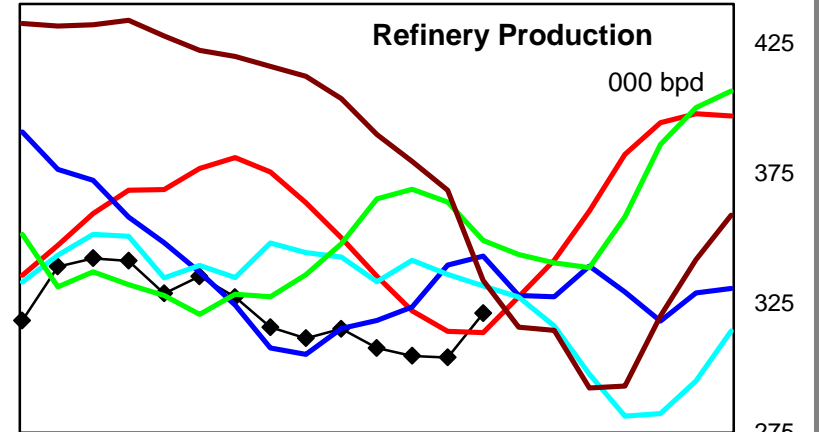
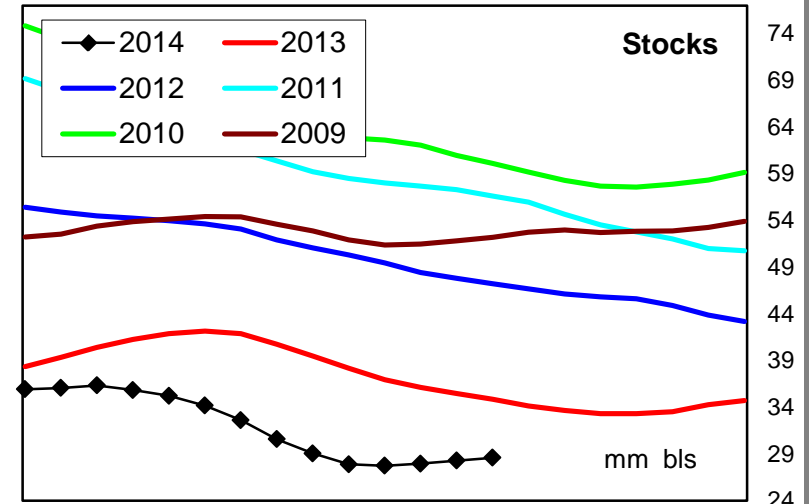
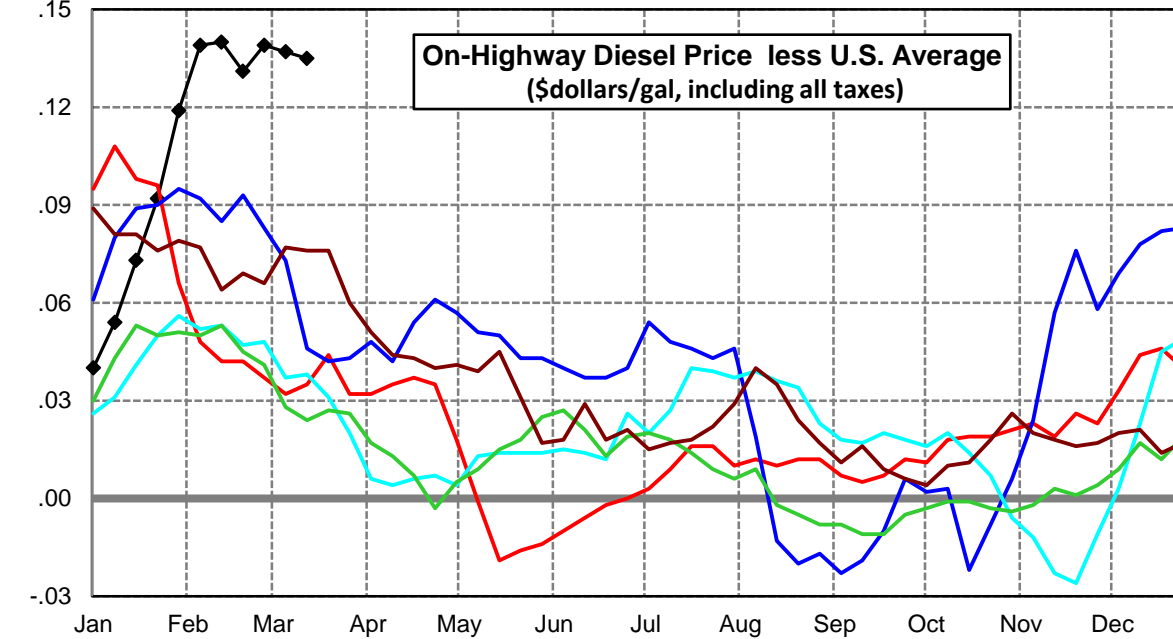
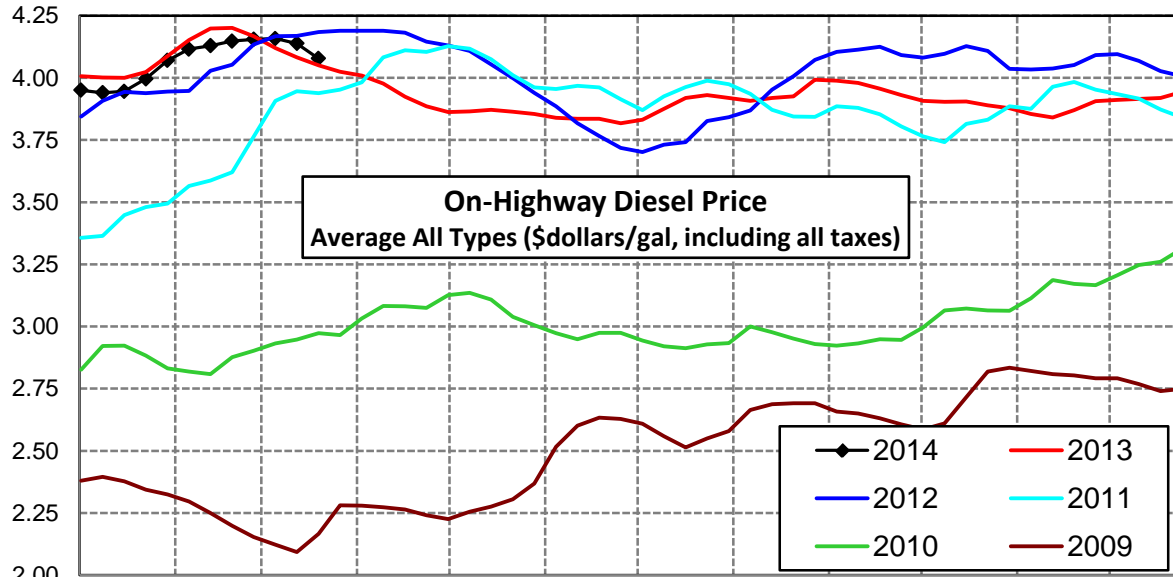
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| United States Avg | \$4.016 | \$4.021 | \$4.003 | \$3.954 | -\$0.049 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



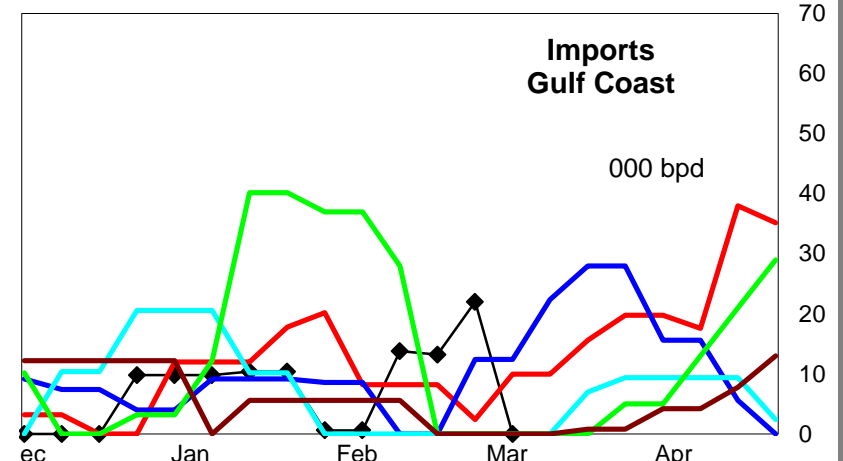
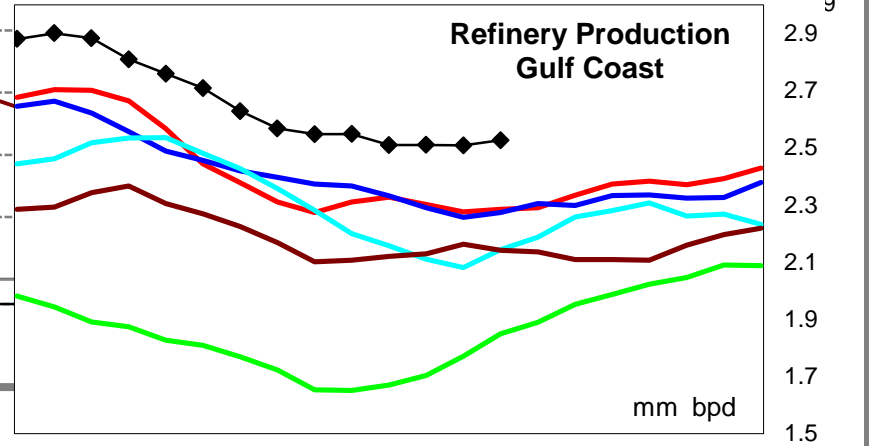
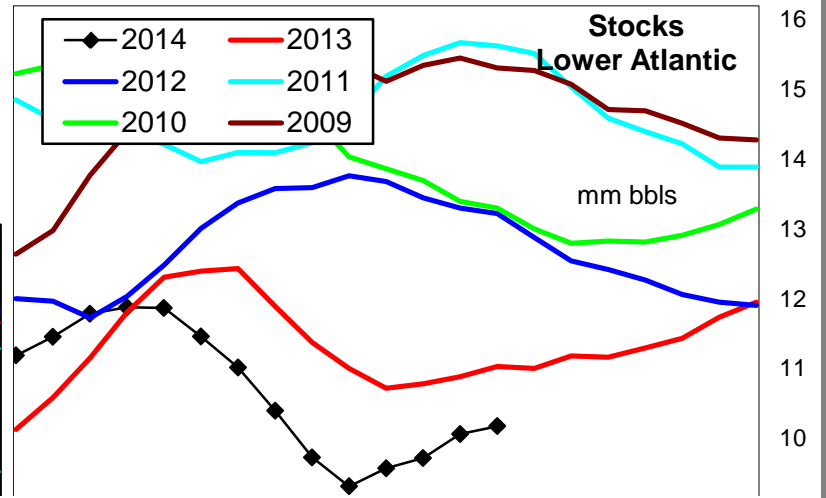
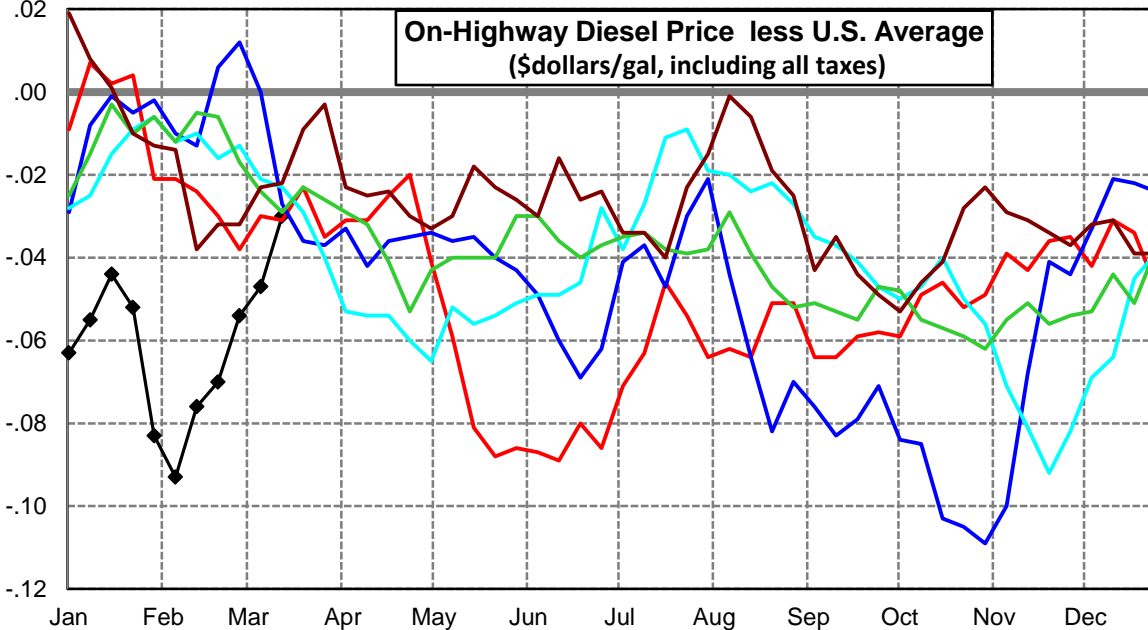
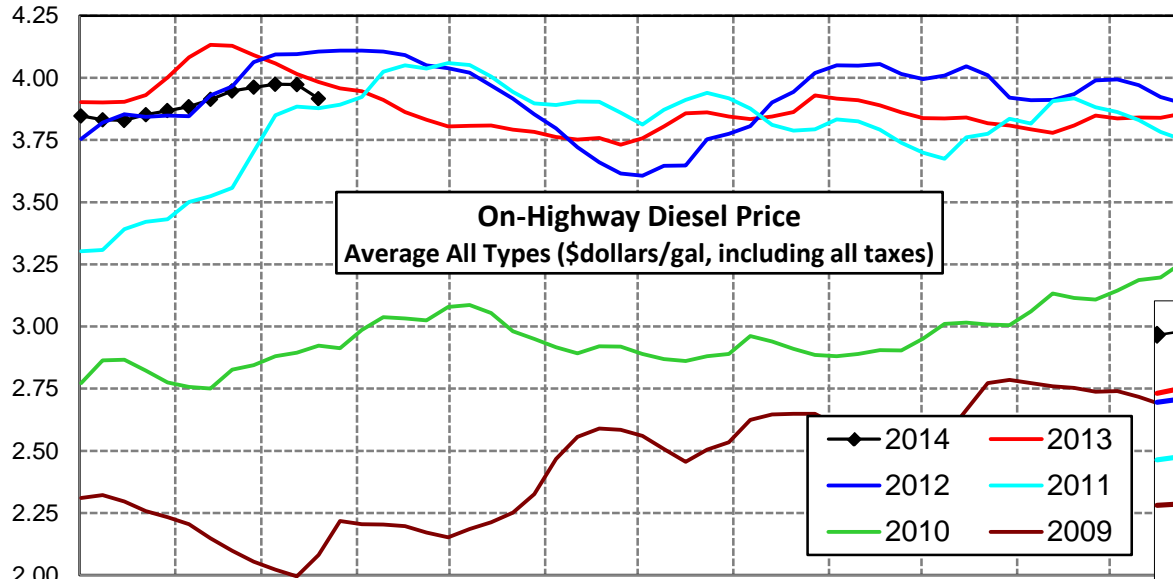
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| East Coast | \$4.155 | \$4.158 | \$4.138 | \$4.078 | -\$0.060 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



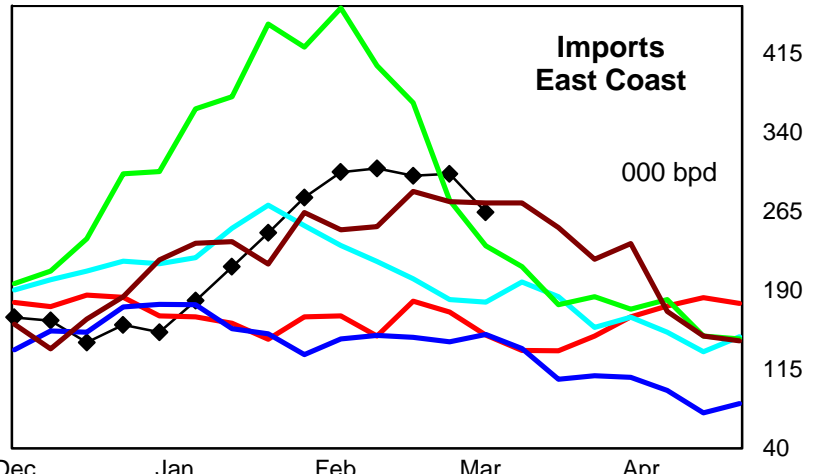
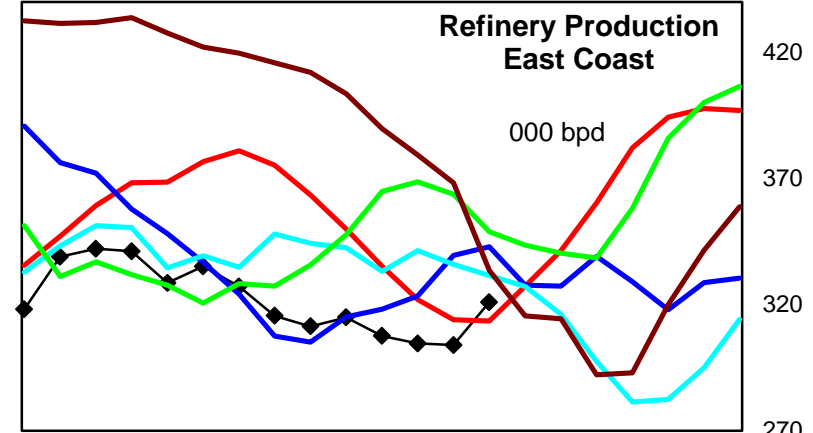
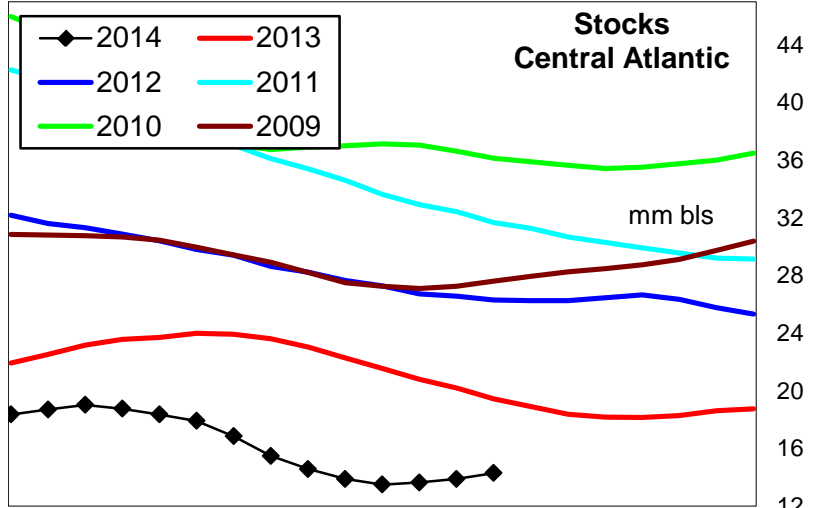
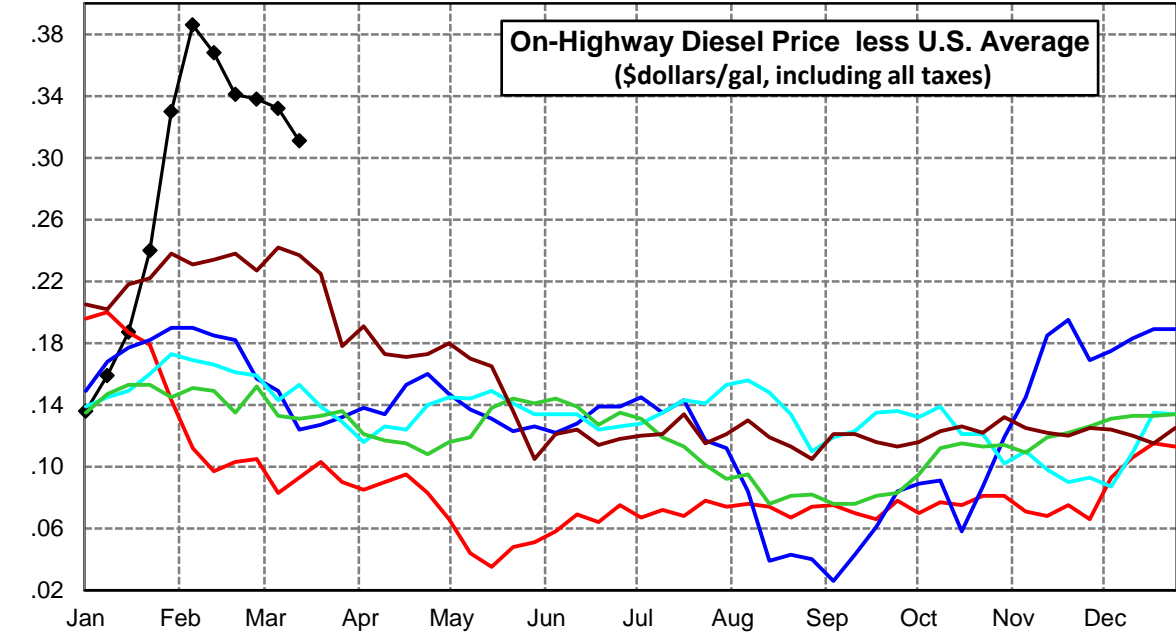
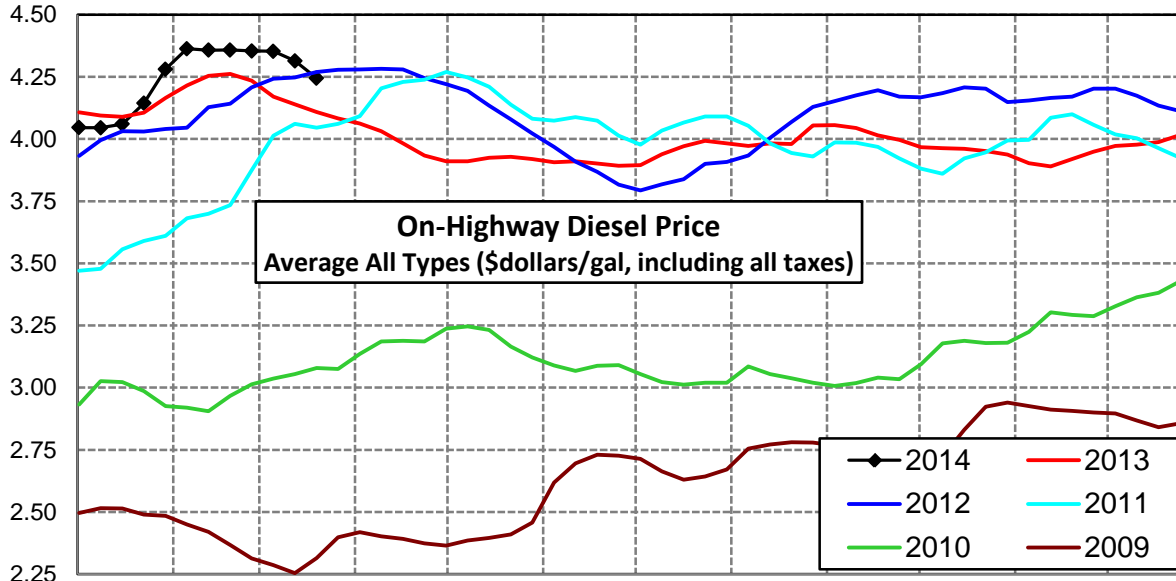
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| Lower Atlantic | \$3.962 | \$3.974 | \$3.973 | \$3.917 | -\$0.056 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



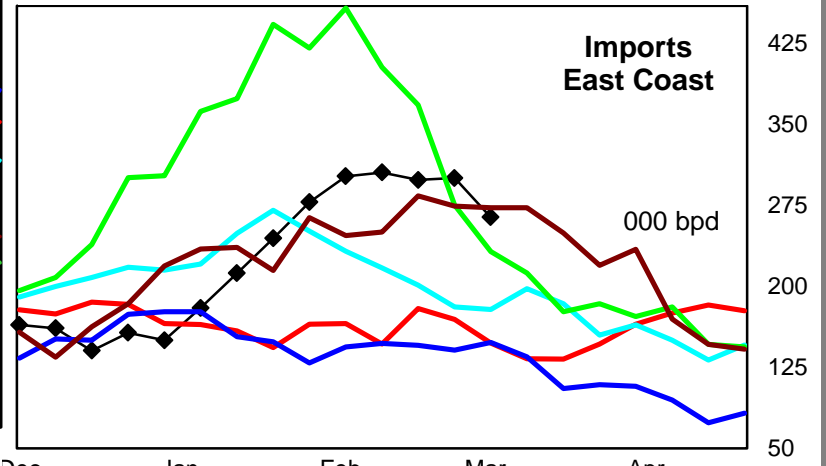
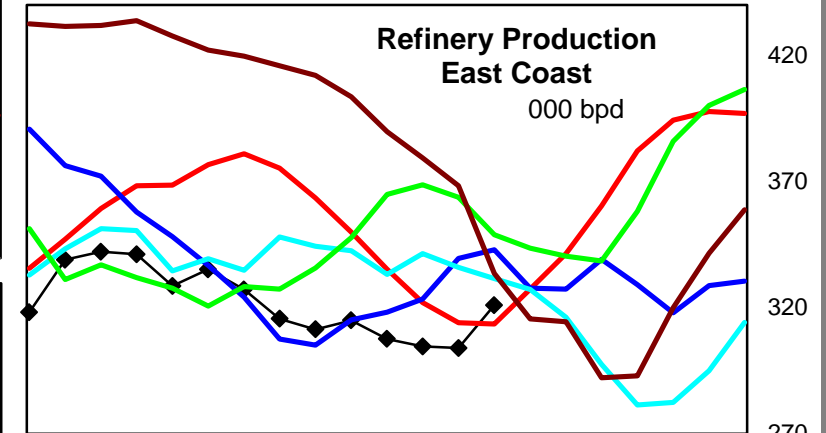
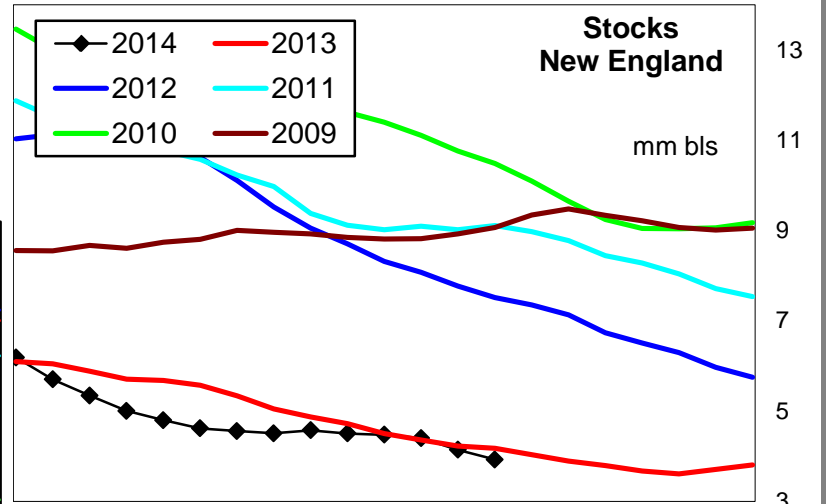
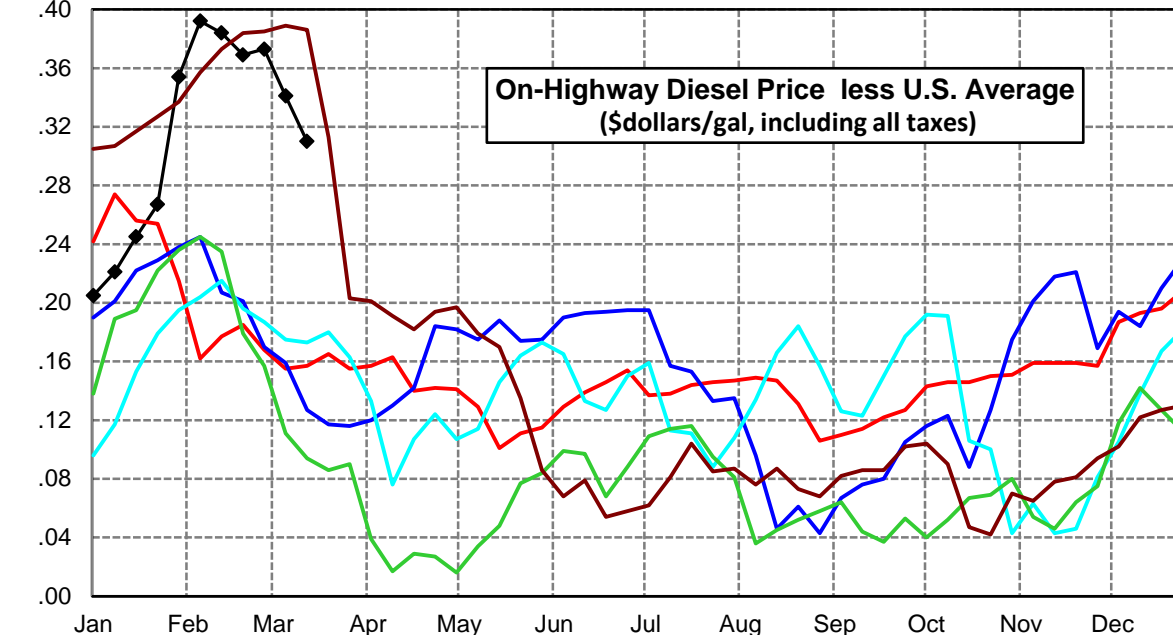
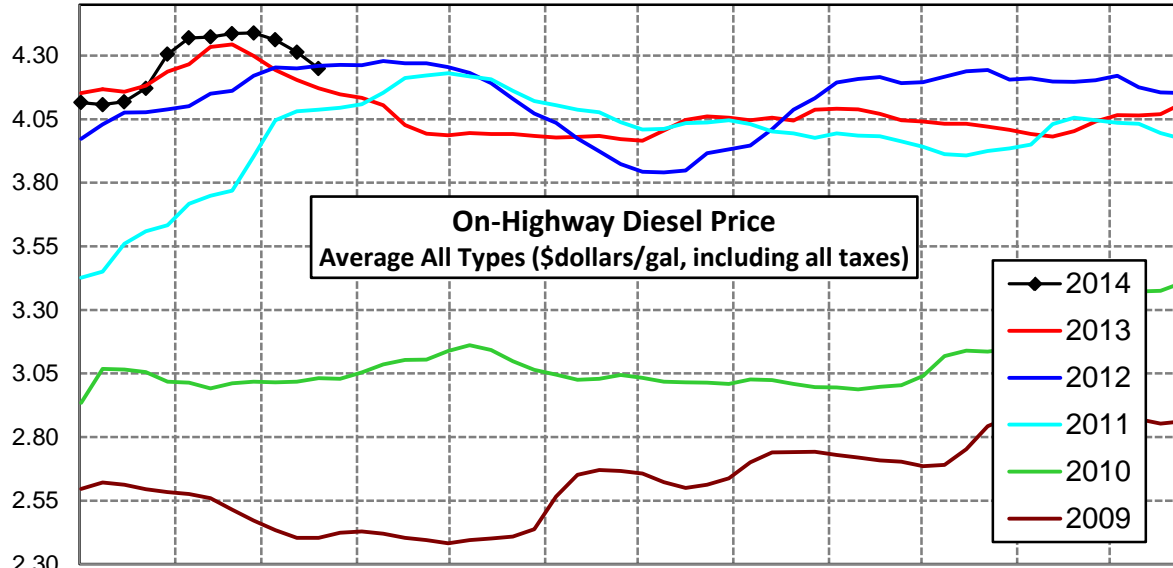
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| Central Atlantic | \$4.354 | \$4.353 | \$4.314 | \$4.244 | -\$0.070 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



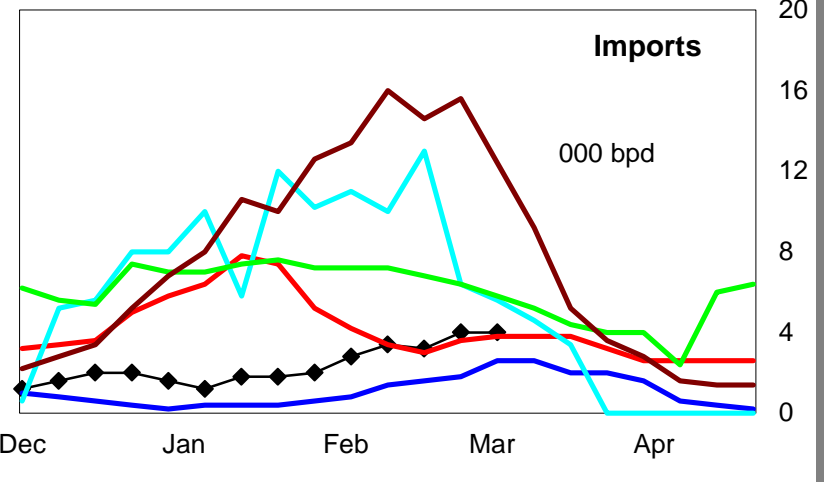
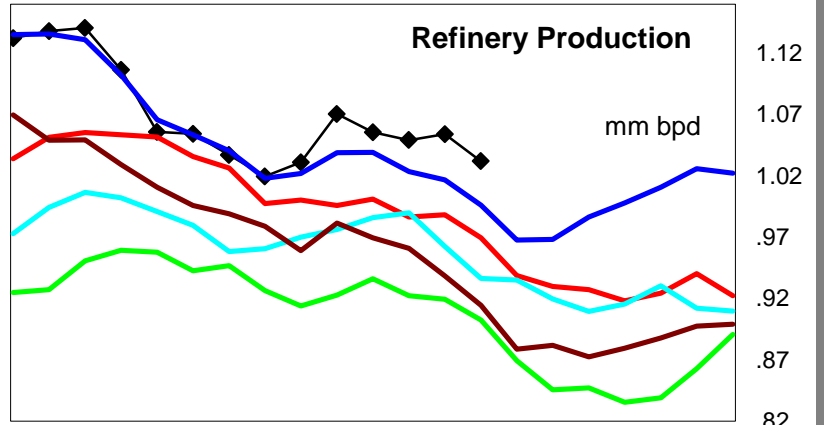
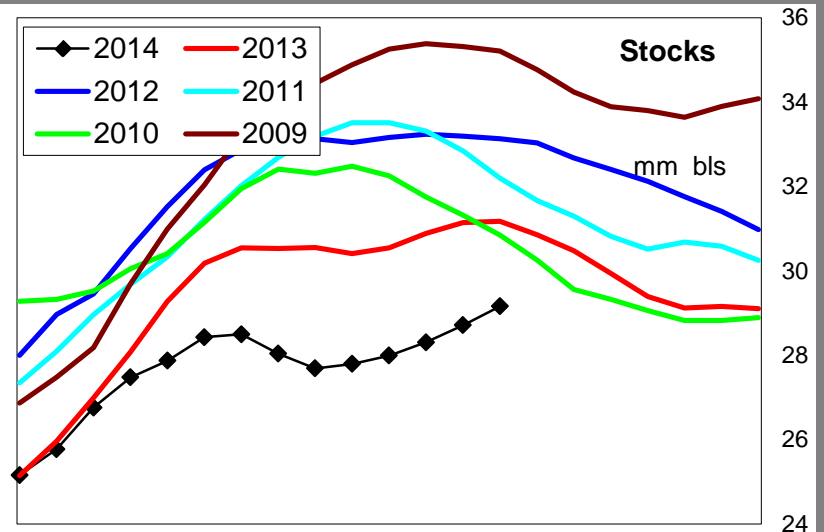
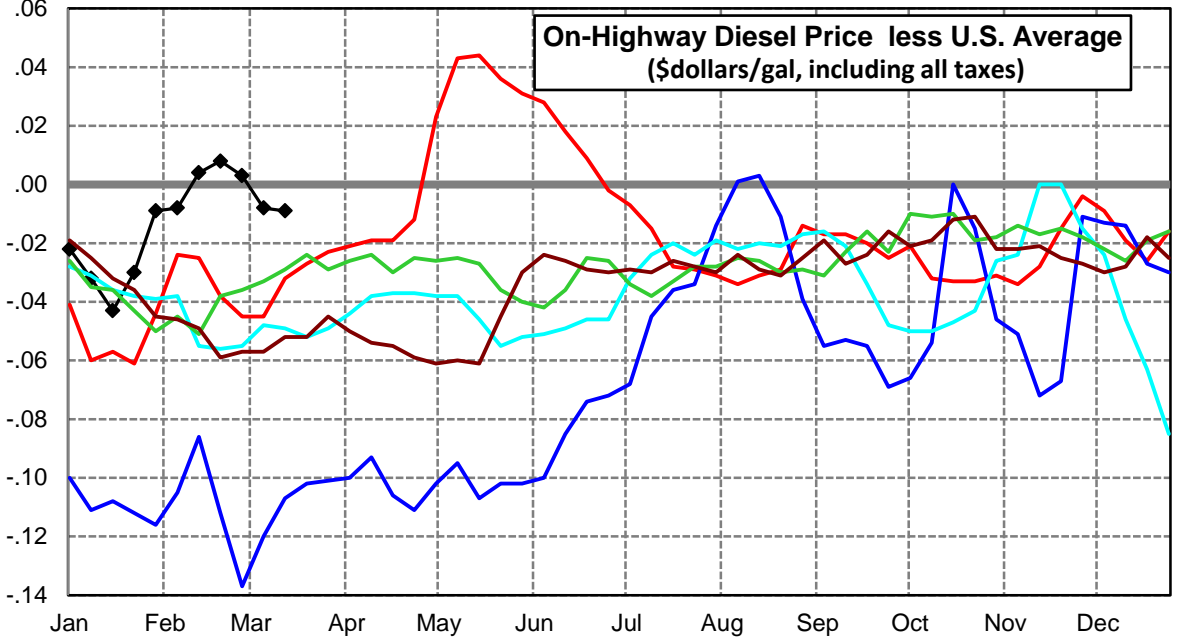
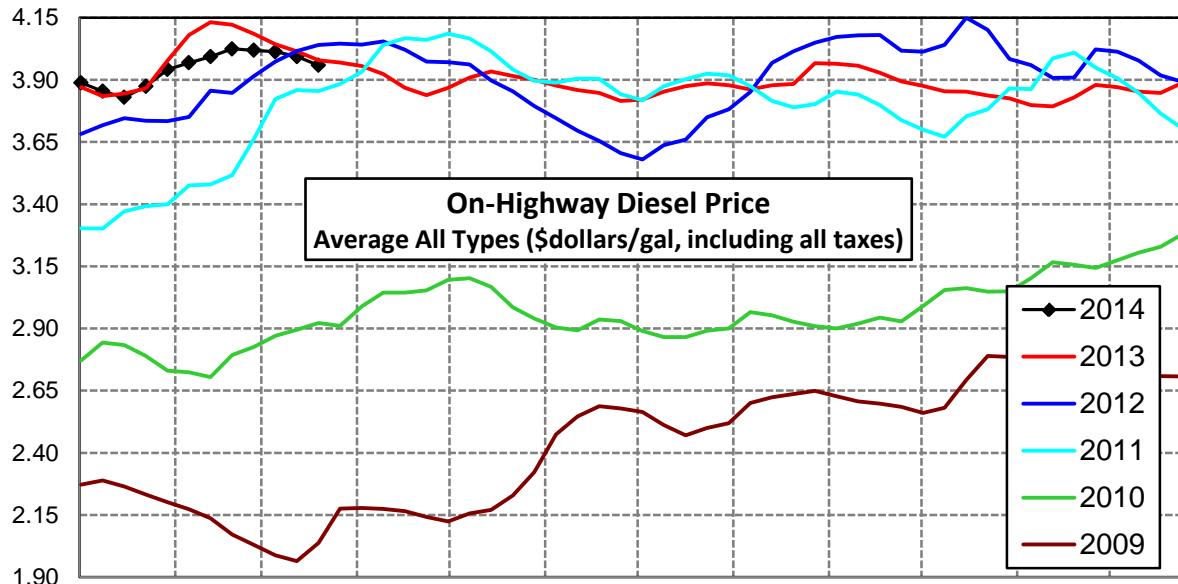
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| New England | \$4.389 | \$4.362 | \$4.313 | \$4.249 | -\$0.064 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



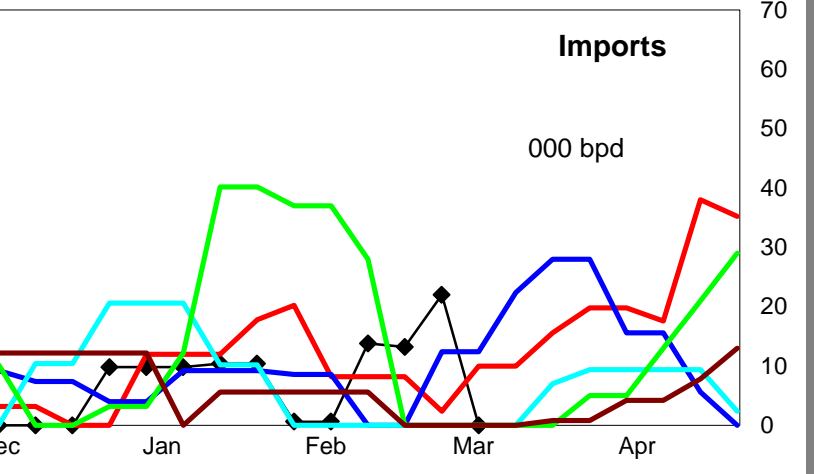
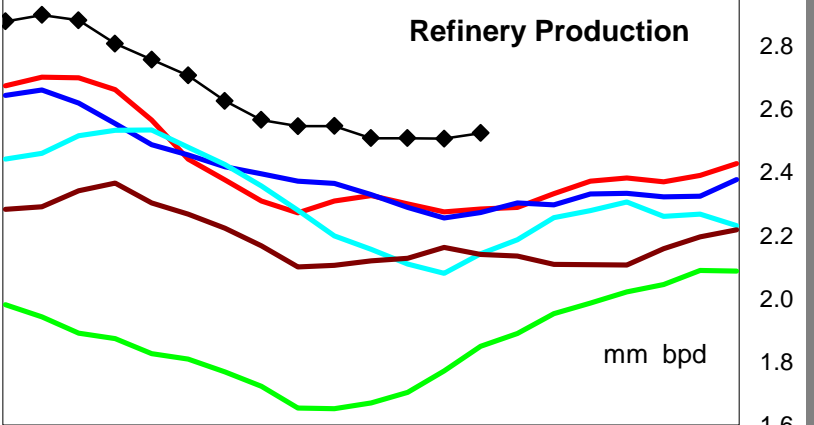
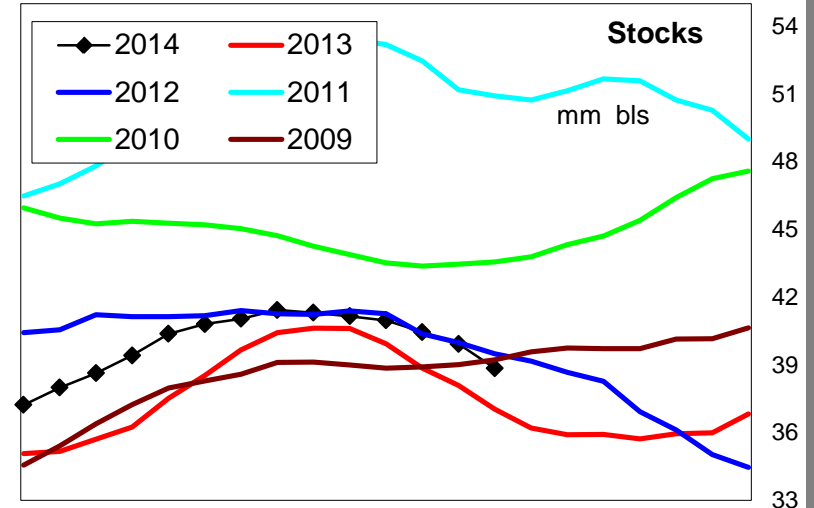
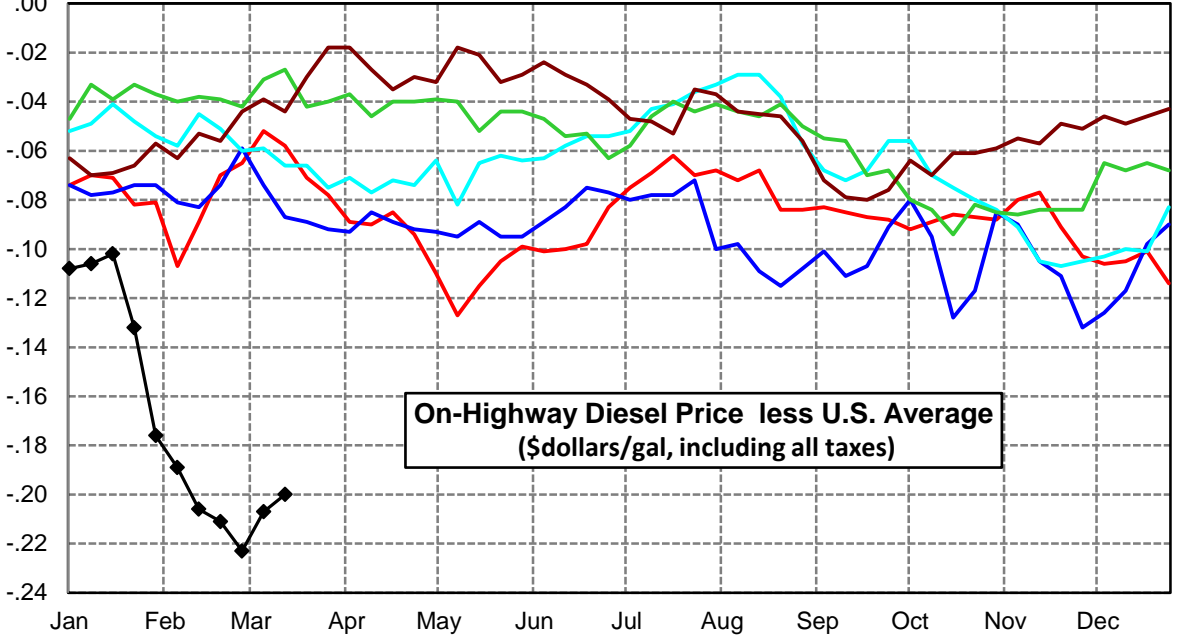
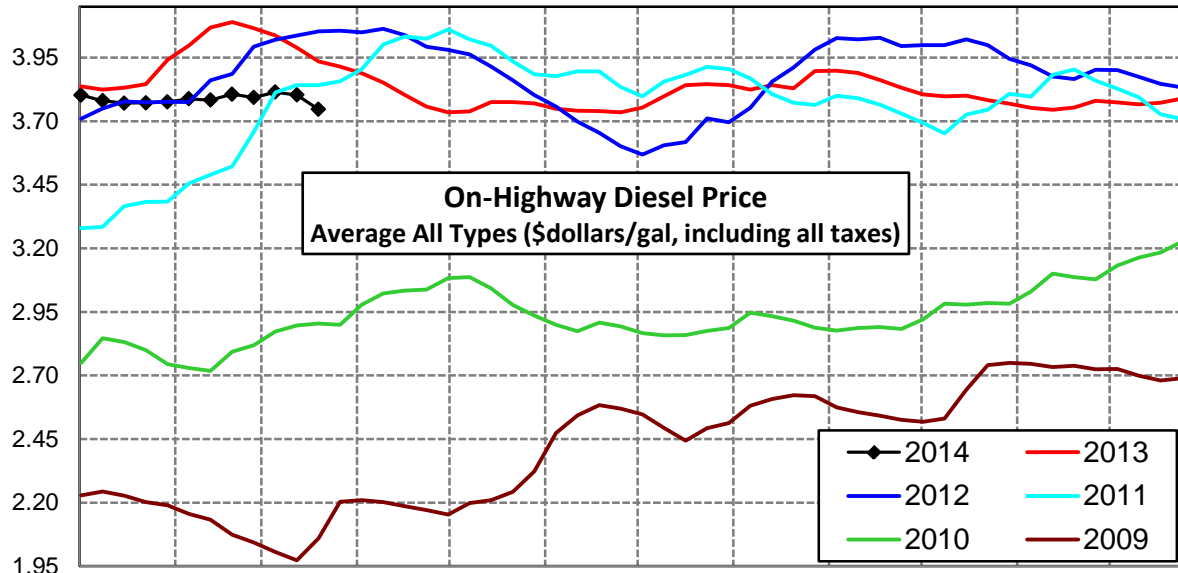
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| Midwest | \$4.019 | \$4.013 | \$3.994 | \$3.958 | -\$0.036 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



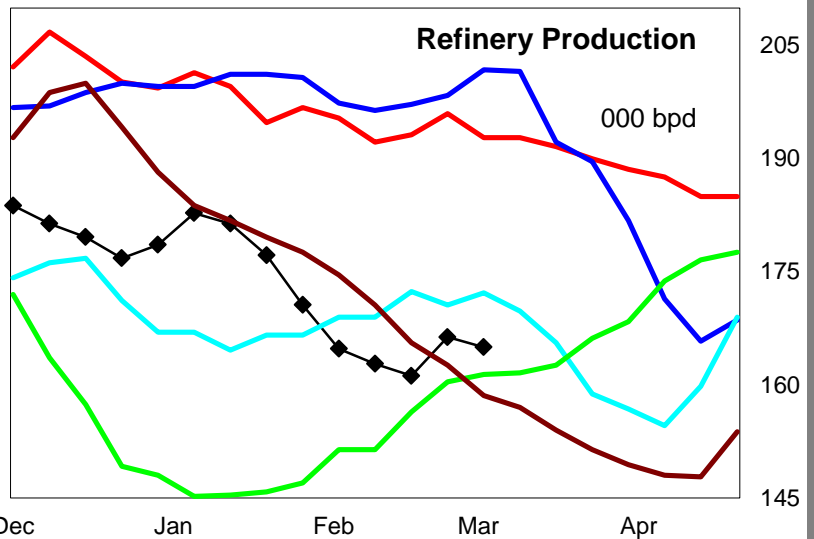
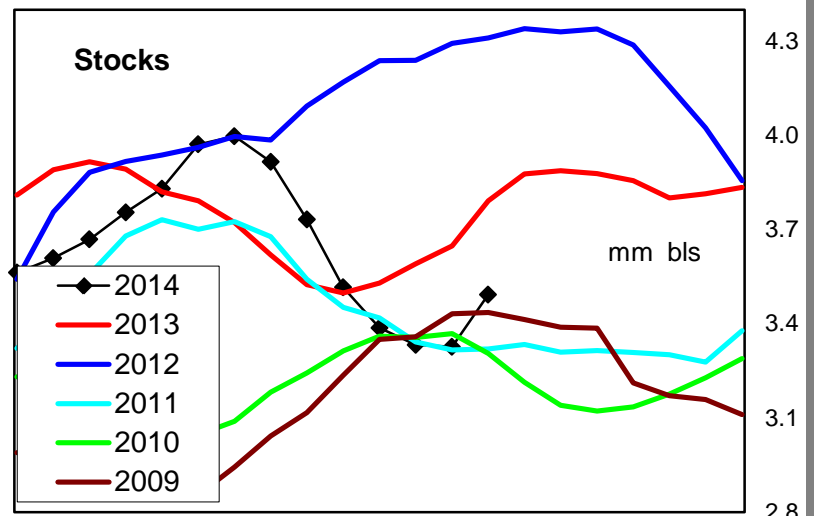
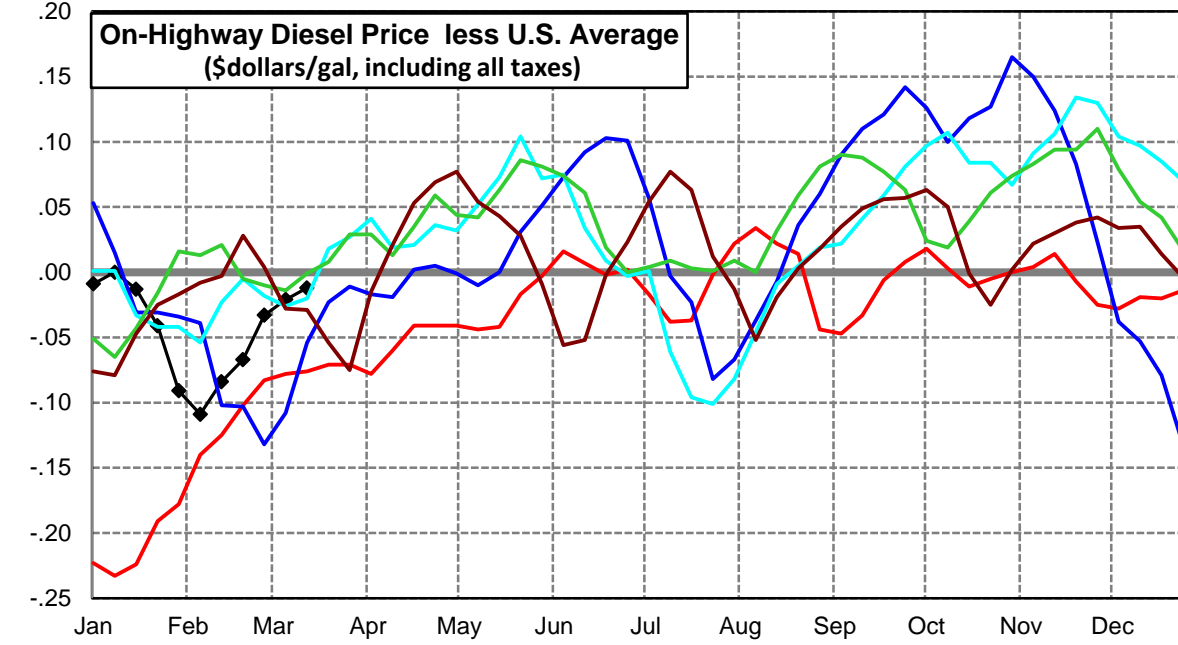
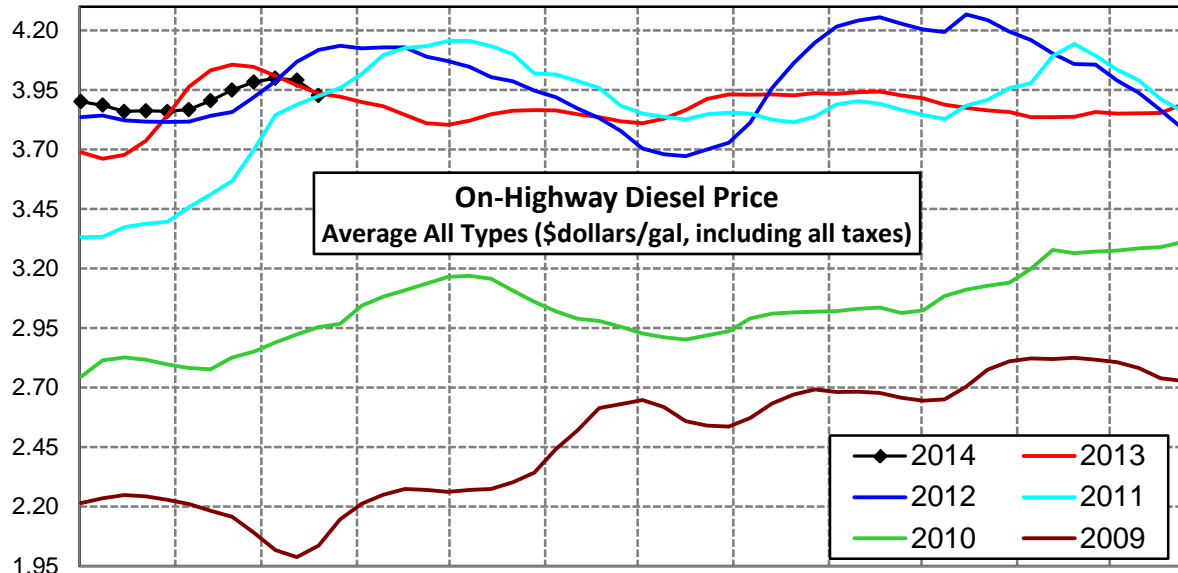
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| Gulf Coast | \$3.793 | \$3.814 | \$3.803 | \$3.746 | -\$0.057 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



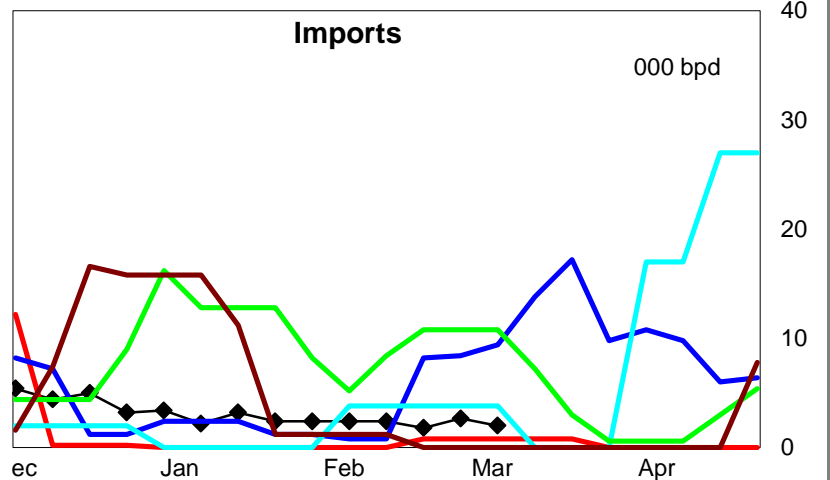
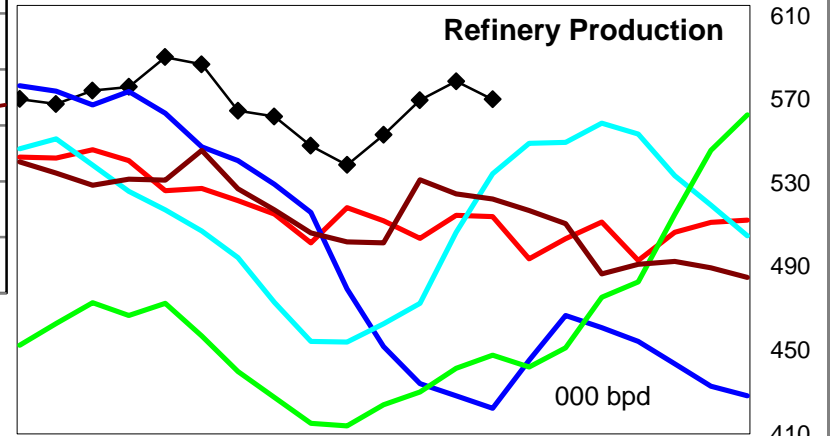
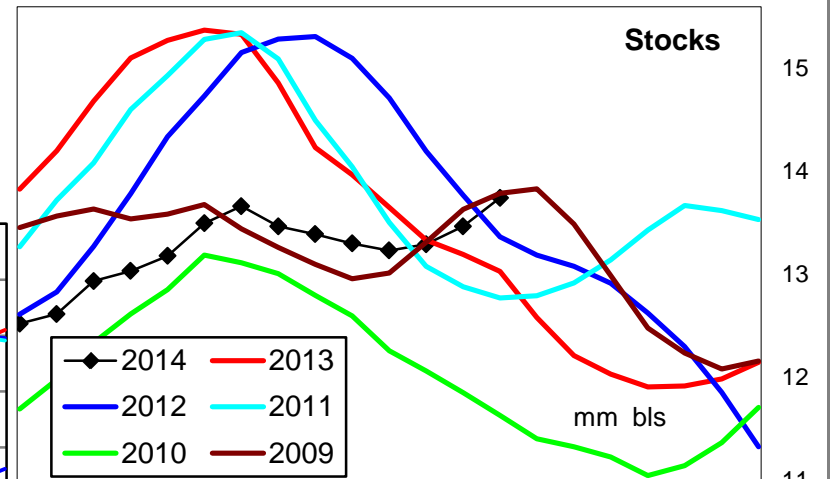
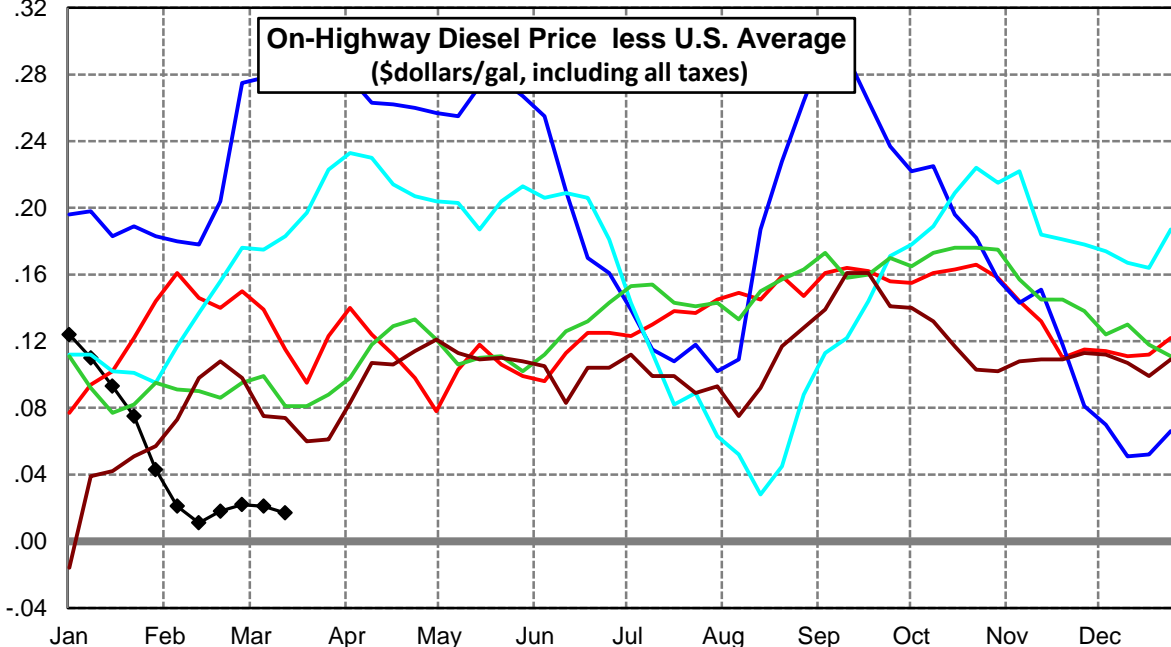
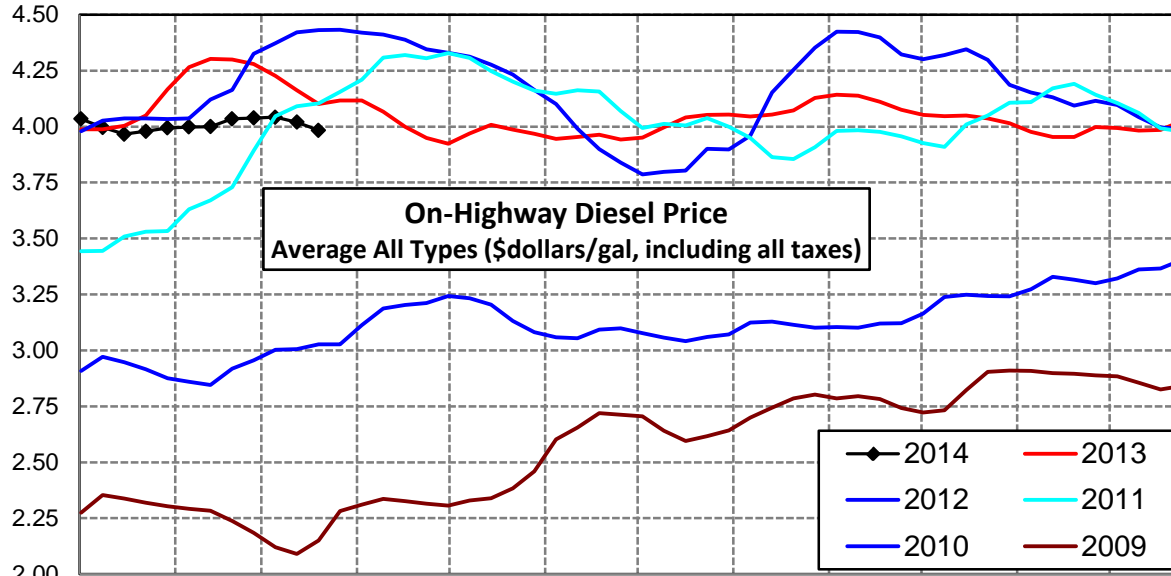
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| Rocky Mountain | \$3.983 | \$4.000 | \$3.991 | \$3.927 | -\$0.064 |
| 1/ Source: U.S. Energy Information Administration | | | | | |
| 2/ Source: Fundamental Petroleum Trends Reports | | | | | |



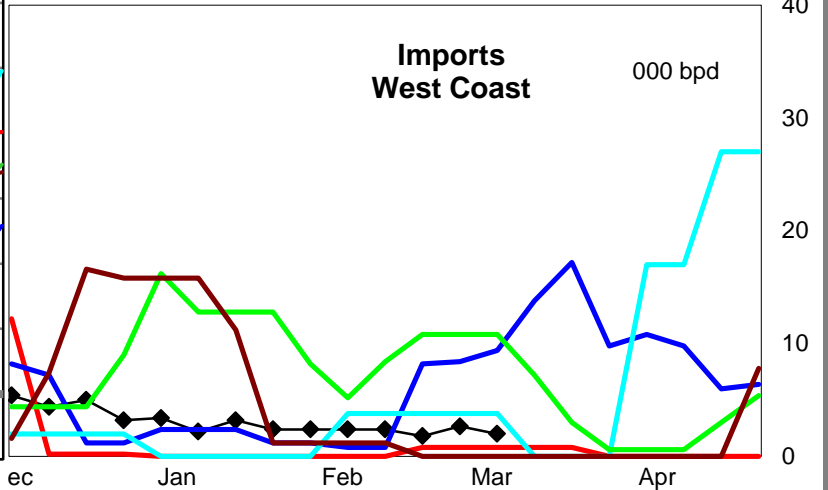
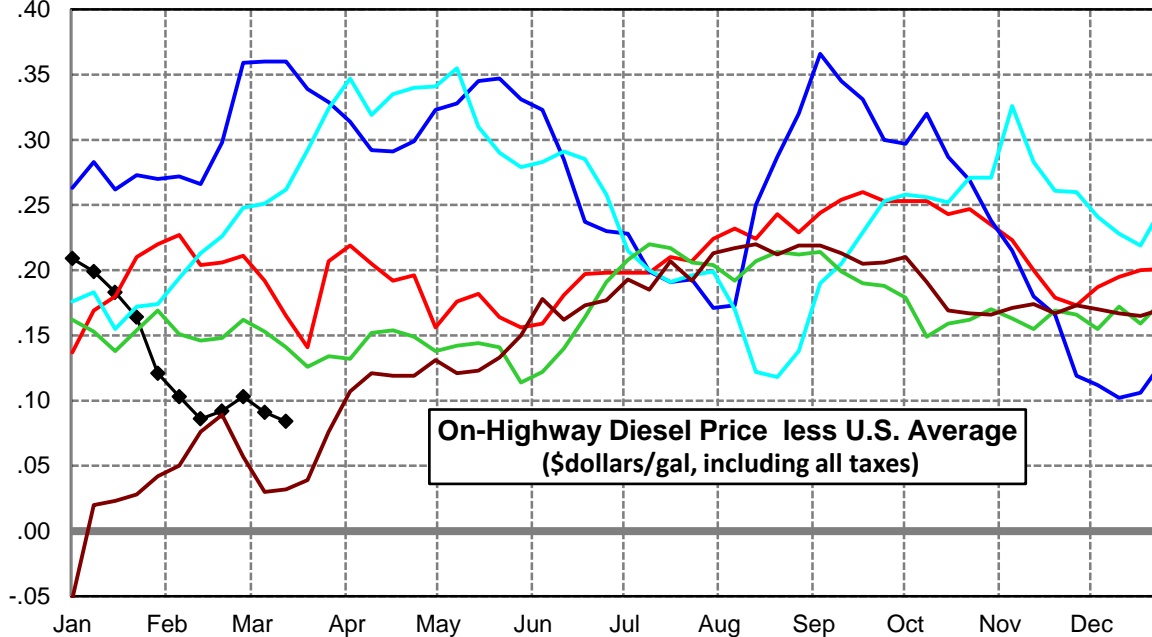
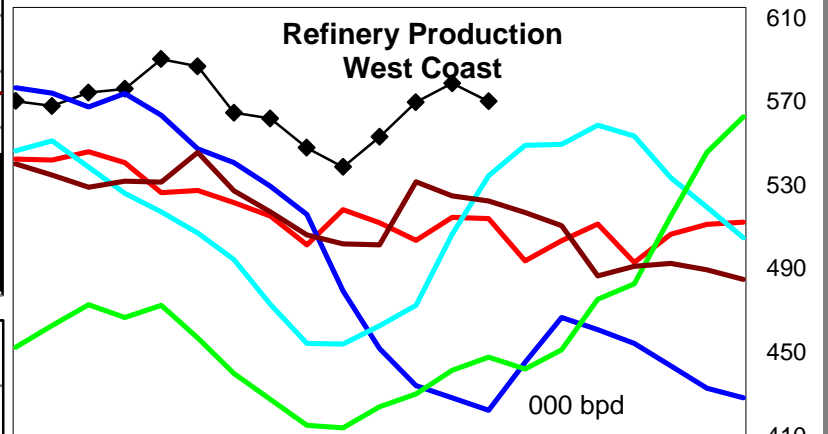
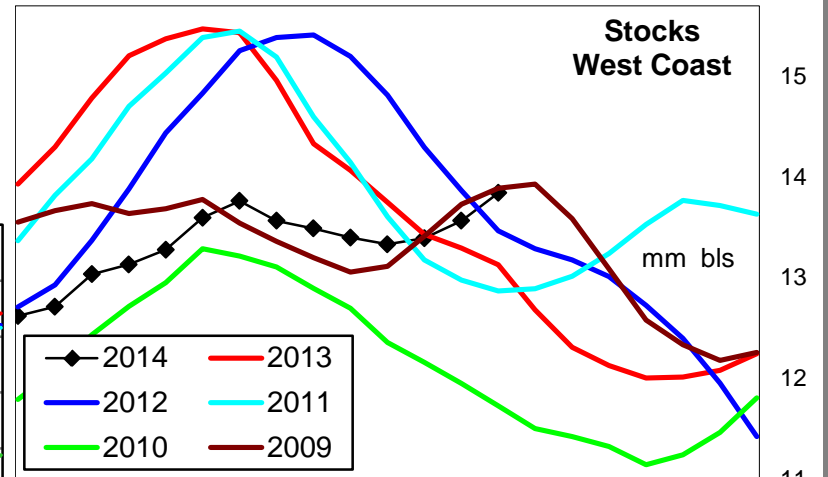
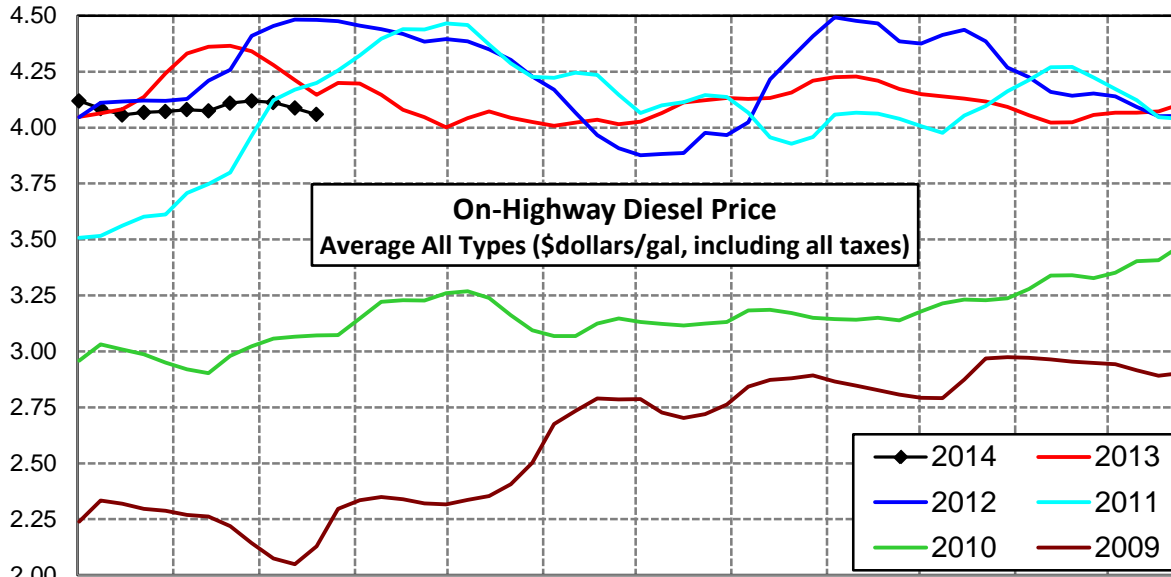
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

| Weekly Retail On-Highway Diesel Prices | | | | | |
|---|-----------------------------|---------|---------|----------------|------------------|
| Region | Actual Price week ending 1/ | | | Forecast 2/ | Change from week |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| West Coast | \$4.038 | \$4.042 | \$4.020 | \$3.984 | -\$0.036 |
| 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 |
| | 03Mar14 | 10Mar14 | 17Mar14 | 24Mar14 | |
| California | \$4.119 | \$4.112 | \$4.087 | \$4.059 | -\$0.028 |
| 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) | | | | | | | | | |
| Week ending | United States | East Coast | New England | Central Atlantic | Lower Atlantic | Mid West | Gulf Coast | Rocky Mtn | West Coast | California |
| Mon-06-May-13 | 3.845 | 3.863 | 3.986 | 3.911 | 3.804 | 3.868 | 3.735 | 3.804 | 3.923 | 4.001 |
| Mon-13-May-13 | 3.866 | 3.865 | 3.995 | 3.910 | 3.807 | 3.909 | 3.739 | 3.822 | 3.969 | 4.042 |
| Mon-20-May-13 | 3.890 | 3.871 | 3.991 | 3.925 | 3.809 | 3.934 | 3.775 | 3.848 | 4.008 | 4.072 |
| Mon-27-May-13 | 3.880 | 3.864 | 3.991 | 3.928 | 3.792 | 3.916 | 3.775 | 3.863 | 3.986 | 4.044 |
| Mon-03-Jun-13 | 3.869 | 3.855 | 3.984 | 3.920 | 3.783 | 3.900 | 3.770 | 3.866 | 3.968 | 4.025 |
| Mon-10-Jun-13 | 3.849 | 3.839 | 3.978 | 3.907 | 3.762 | 3.877 | 3.748 | 3.865 | 3.945 | 4.008 |
| Mon-17-Jun-13 | 3.841 | 3.835 | 3.980 | 3.910 | 3.752 | 3.859 | 3.741 | 3.848 | 3.954 | 4.022 |
| Mon-24-Jun-13 | 3.838 | 3.836 | 3.984 | 3.902 | 3.758 | 3.847 | 3.740 | 3.836 | 3.963 | 4.035 |
| Mon-01-Jul-13 | 3.817 | 3.817 | 3.971 | 3.892 | 3.731 | 3.815 | 3.734 | 3.819 | 3.942 | 4.015 |
| Mon-08-Jul-13 | 3.828 | 3.831 | 3.965 | 3.895 | 3.757 | 3.821 | 3.753 | 3.811 | 3.951 | 4.026 |
| Mon-15-Jul-13 | 3.867 | 3.876 | 4.005 | 3.939 | 3.804 | 3.852 | 3.798 | 3.829 | 3.997 | 4.065 |
| Mon-22-Jul-13 | 3.903 | 3.919 | 4.047 | 3.971 | 3.857 | 3.875 | 3.841 | 3.866 | 4.041 | 4.113 |
| Mon-29-Jul-13 | 3.915 | 3.931 | 4.061 | 3.993 | 3.861 | 3.886 | 3.845 | 3.913 | 4.052 | 4.122 |
| Mon-05-Aug-13 | 3.909 | 3.919 | 4.056 | 3.983 | 3.845 | 3.878 | 3.841 | 3.931 | 4.054 | 4.133 |
| Mon-12-Aug-13 | 3.896 | 3.908 | 4.045 | 3.972 | 3.834 | 3.862 | 3.824 | 3.930 | 4.045 | 4.128 |
| Mon-19-Aug-13 | 3.909 | 3.919 | 4.056 | 3.983 | 3.845 | 3.878 | 3.841 | 3.931 | 4.054 | 4.133 |
| Mon-26-Aug-13 | 3.913 | 3.925 | 4.044 | 3.980 | 3.862 | 3.884 | 3.829 | 3.927 | 4.072 | 4.156 |
| Mon-02-Sep-13 | 3.981 | 3.993 | 4.087 | 4.055 | 3.930 | 3.967 | 3.897 | 3.937 | 4.128 | 4.210 |
| Mon-09-Sep-13 | 3.981 | 3.988 | 4.091 | 4.056 | 3.917 | 3.964 | 3.898 | 3.934 | 4.142 | 4.225 |
| Mon-16-Sep-13 | 3.974 | 3.979 | 4.088 | 4.044 | 3.910 | 3.957 | 3.889 | 3.941 | 4.138 | 4.228 |
| Mon-23-Sep-13 | 3.949 | 3.956 | 4.071 | 4.015 | 3.890 | 3.929 | 3.862 | 3.943 | 4.111 | 4.209 |
| Mon-30-Sep-13 | 3.919 | 3.931 | 4.046 | 3.997 | 3.861 | 3.894 | 3.831 | 3.927 | 4.075 | 4.172 |
| Mon-07-Oct-13 | 3.897 | 3.908 | 4.040 | 3.967 | 3.838 | 3.876 | 3.805 | 3.915 | 4.052 | 4.150 |
| Mon-14-Oct-13 | 3.886 | 3.904 | 4.032 | 3.963 | 3.837 | 3.854 | 3.797 | 3.889 | 4.047 | 4.139 |
| Mon-21-Oct-13 | 3.886 | 3.905 | 4.032 | 3.961 | 3.840 | 3.853 | 3.800 | 3.875 | 4.049 | 4.129 |
| Mon-28-Oct-13 | 3.870 | 3.889 | 4.020 | 3.951 | 3.818 | 3.837 | 3.783 | 3.865 | 4.036 | 4.117 |
| Mon-04-Nov-13 | 3.857 | 3.878 | 4.008 | 3.938 | 3.808 | 3.826 | 3.769 | 3.857 | 4.015 | 4.092 |
| Mon-11-Nov-13 | 3.832 | 3.855 | 3.991 | 3.903 | 3.793 | 3.798 | 3.752 | 3.836 | 3.976 | 4.055 |
| Mon-18-Nov-13 | 3.822 | 3.841 | 3.981 | 3.890 | 3.779 | 3.794 | 3.745 | 3.836 | 3.954 | 4.022 |
| Mon-25-Nov-13 | 3.844 | 3.870 | 4.003 | 3.919 | 3.808 | 3.829 | 3.753 | 3.837 | 3.954 | 4.023 |
| Mon-02-Dec-13 | 3.883 | 3.906 | 4.040 | 3.949 | 3.848 | 3.879 | 3.780 | 3.858 | 3.998 | 4.056 |
| Mon-09-Dec-13 | 3.879 | 3.912 | 4.066 | 3.972 | 3.837 | 3.870 | 3.773 | 3.851 | 3.993 | 4.066 |
| Mon-16-Dec-13 | 3.871 | 3.915 | 4.064 | 3.977 | 3.840 | 3.852 | 3.766 | 3.852 | 3.982 | 4.066 |
| Mon-23-Dec-13 | 3.873 | 3.919 | 4.069 | 3.988 | 3.839 | 3.847 | 3.772 | 3.853 | 3.985 | 4.073 |
| Mon-30-Dec-13 | 3.903 | 3.943 | 4.111 | 4.016 | 3.856 | 3.887 | 3.789 | 3.889 | 4.025 | 4.104 |
| Mon-06-Jan-14 | 3.910 | 3.950 | 4.115 | 4.046 | 3.847 | 3.888 | 3.802 | 3.901 | 4.034 | 4.119 |
| Mon-13-Jan-14 | 3.886 | 3.940 | 4.107 | 4.045 | 3.831 | 3.854 | 3.780 | 3.886 | 3.996 | 4.085 |
| Mon-20-Jan-14 | 3.873 | 3.946 | 4.118 | 4.060 | 3.829 | 3.830 | 3.771 | 3.860 | 3.966 | 4.056 |
| Mon-27-Jan-14 | 3.904 | 3.996 | 4.171 | 4.144 | 3.852 | 3.874 | 3.772 | 3.863 | 3.979 | 4.068 |
| Mon-03-Feb-14 | 3.951 | 4.070 | 4.305 | 4.281 | 3.868 | 3.942 | 3.775 | 3.860 | 3.994 | 4.072 |
| Mon-10-Feb-14 | 3.977 | 4.116 | 4.369 | 4.363 | 3.884 | 3.969 | 3.788 | 3.868 | 3.998 | 4.080 |
| Mon-17-Feb-14 | 3.989 | 4.129 | 4.373 | 4.357 | 3.913 | 3.993 | 3.783 | 3.905 | 4.000 | 4.075 |
| Mon-24-Feb-14 | 4.017 | 4.148 | 4.386 | 4.358 | 3.947 | 4.025 | 3.806 | 3.950 | 4.035 | 4.109 |
| Mon-03-Mar-14 | 4.016 | 4.155 | 4.389 | 4.354 | 3.962 | 4.019 | 3.793 | 3.983 | 4.038 | 4.119 |
| Mon-10-Mar-14 | 4.021 | 4.158 | 4.362 | 4.353 | 3.974 | 4.013 | 3.814 | 4.000 | 4.042 | 4.112 |
| Mon-17-Mar-14 | 4.003 | 4.138 | 4.313 | 4.314 | 3.973 | 3.994 | 3.803 | 3.991 | 4.020 | 4.087 |
| Mon-24-Mar-14 | 3.954 | 4.078 | 4.249 | 4.244 | 3.917 | 3.958 | 3.746 | 3.927 | 3.984 | 4.059 |
| Mon-31-Mar-14 | | | | | | | | | | |
| Mon-07-Apr-14 | | | | | | | | | | |
| Mon-14-Apr-14 | | | | | | | | | | |
| Mon-21-Apr-14 | | | | | | | | | | |
| Mon-28-Apr-14 | | | | | | | | | | |

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.