



RETAIL DIESEL FUEL OUTLOOK

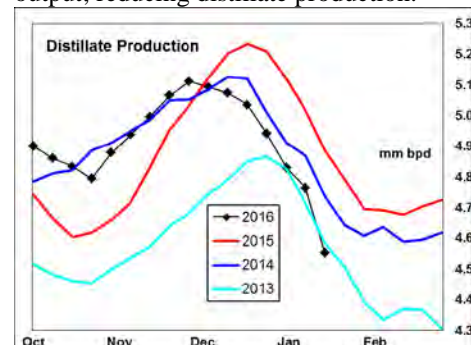
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, January 26, 2016

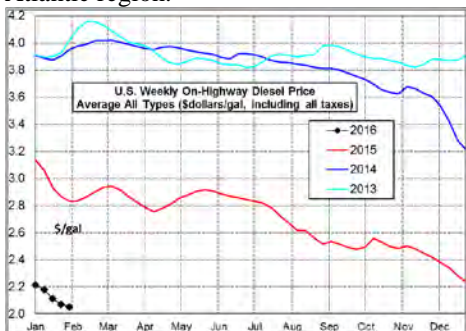
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price 1/			Forecast 2/	Change from week ago
	11Jan16	18Jan16	25Jan16	01Feb16	
U.S.	2.177	2.112	2.071	2.051	-0.020
East Coast	2.229	2.174	2.140	2.116	-0.024
New England	2.335	2.277	2.240	2.213	-0.027
Central Atlantic	2.350	2.305	2.264	2.239	-0.025
Lower Atlantic	2.116	2.054	2.025	2.013	-0.012
Midwest	2.096	2.023	1.987	1.967	-0.020
Gulf Coast	2.080	2.014	1.957	1.936	-0.021
Rocky Mountain	2.134	2.078	2.015	1.991	-0.024
West Coast	2.426	2.359	2.325	2.291	-0.034
California	2.562	2.489	2.459	2.427	-0.032
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					

average was +15 cpg above the historic range on the West Coast where refinery maintenance has supported local prices compared to other regions. The retail price compared to the U.S. average was below the historic range in the Midwest region, driven by significant over

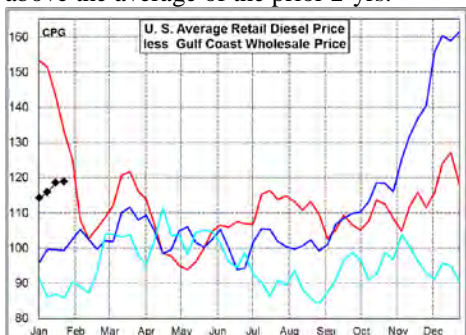
The extreme over supply of distillates has depressed crack spreads for distillate, leading refiners to maximize gasoline output; reducing distillate production.



Diesel Fuel Price Trends U. S. retail diesel prices fell -4.1 cpg last week, to new record lows. Prices fell in all regions. Prices decreased nearly -6 cpg in the Rockies and Gulf regions. Prices were declined less than -3 cpg in the Lower Atlantic region.



The U.S. average retail diesel price compared to the Gulf Coast wholesale market was nearly unchanged on the week. The spread ended the week at a level -10 cpg below last year, but also +25 cpg above the average of the prior 2-yrs.

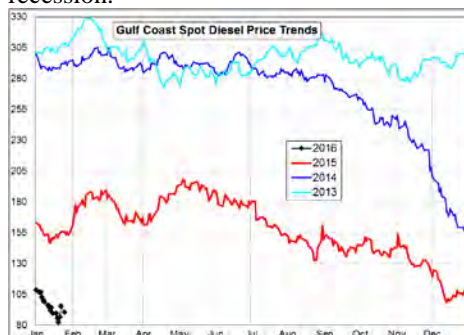


The national average on-highway price ended the week -80 cpg below a year ago. The highest retail prices were in California at \$2.46/gal and the Central Atlantic at \$2.26/gal. The lowest prices were in the Gulf at \$1.96/gal.

The retail price compared to the U.S.

supply.

Gulf spot prices increased +1 cpg last week. Gulf Coast spot distillate prices ended the week at price levels below that seen during the depths of the 2009 recession.



The spread between the Gulf wholesale price and the U.S. average retail price was unchanged last week, ending at a level midway between a year ago and the prior 2-yrs.

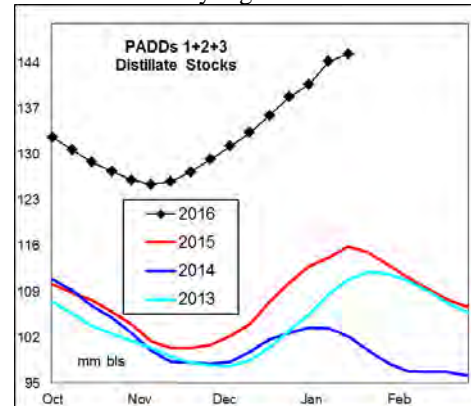
Look for the retail to wholesale price differential to trend lower as 'sticky' retail prices catch up to the sharp drop in wholesale prices.

Supply - Demand Fundamental Trends

Distillate wholesale demand surged +0.8 million bpd last week, reversing earlier declines. However, warmer than normal temperatures in heating markets, ongoing substitution of natural gas for heating oil in the Northeast and slowing transport use underlies the latest 4-wk average demand which was -0.6 million bpd below last year.

Supply decreased -177,000 bpd last week, on lower production. During the latest 4-wk period, production was -287,000 bpd below last year while imports were -68,000 bpd lower.

Distillate stocks decreased -1 million barrels last week, although the level remains extremely high.



Global Trends Driving Diesel Prices

Stocks of distillate and gasoline have increased a combined +35 million barrels during the last 3-wks; a record build driven by low wholesale demand and delayed start to winter refinery maintenance on the Gulf Coast.

Look for Gulf refiners to expand winter maintenance during the next 30-days, reducing output of distillates and leading to seasonal stock draws.

Global over supply of both distillates and crude oil continue.

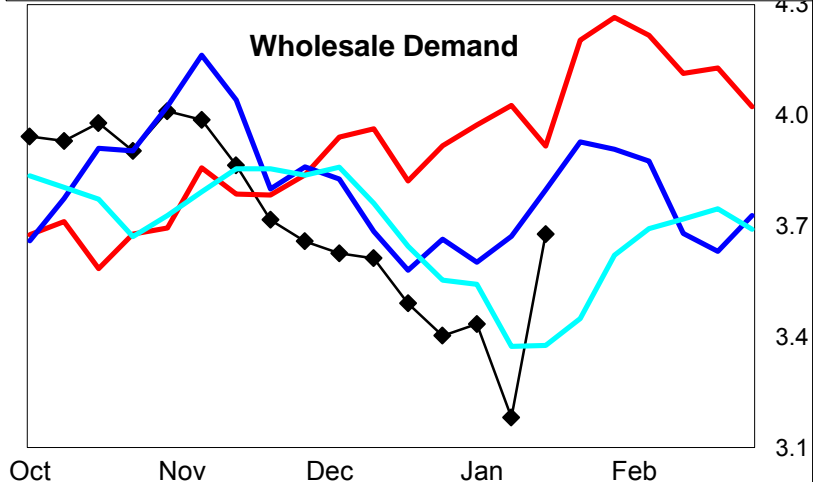
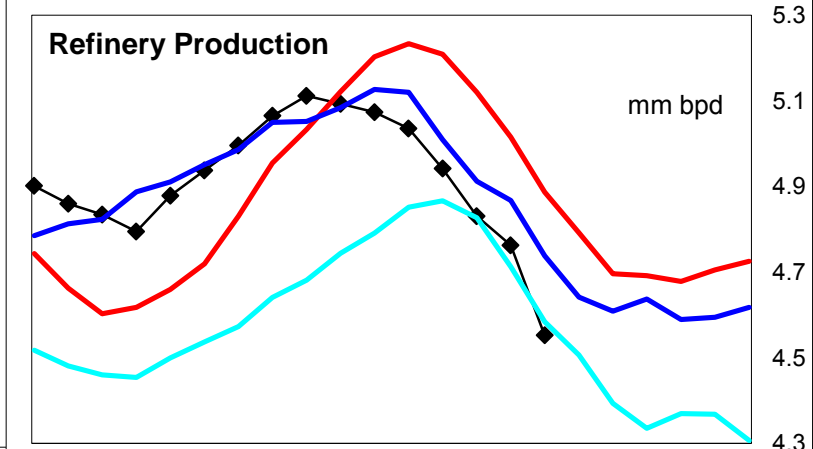
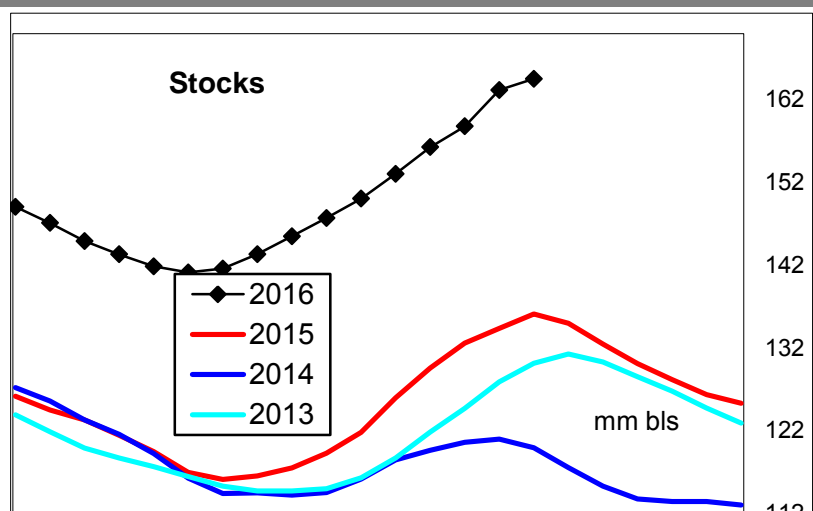
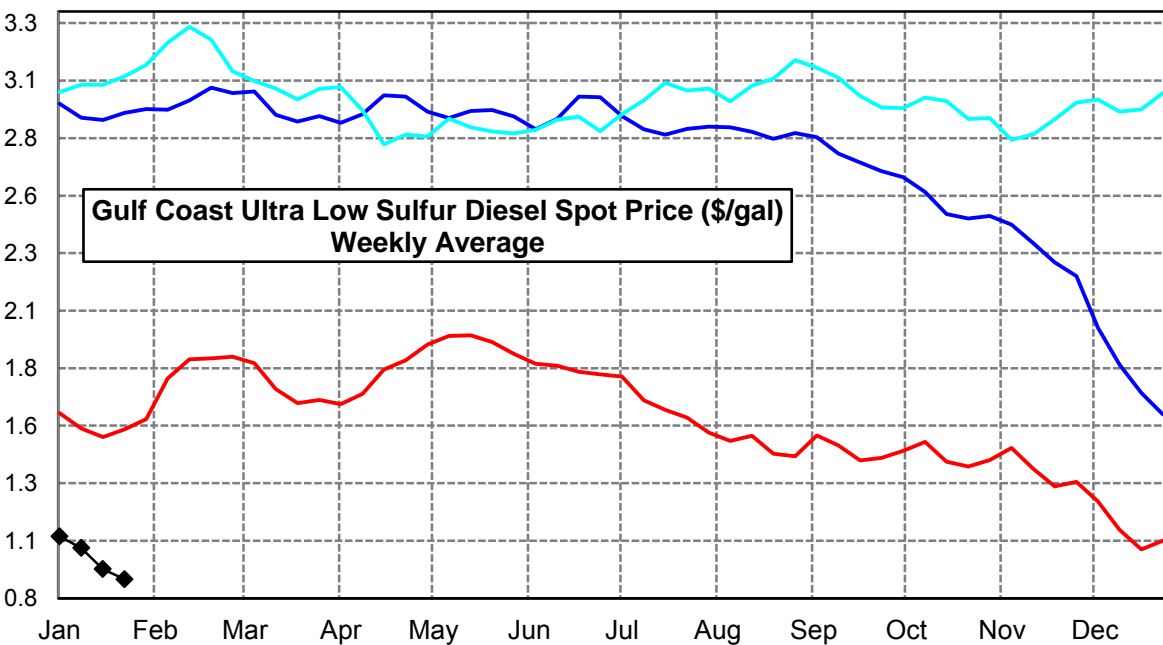
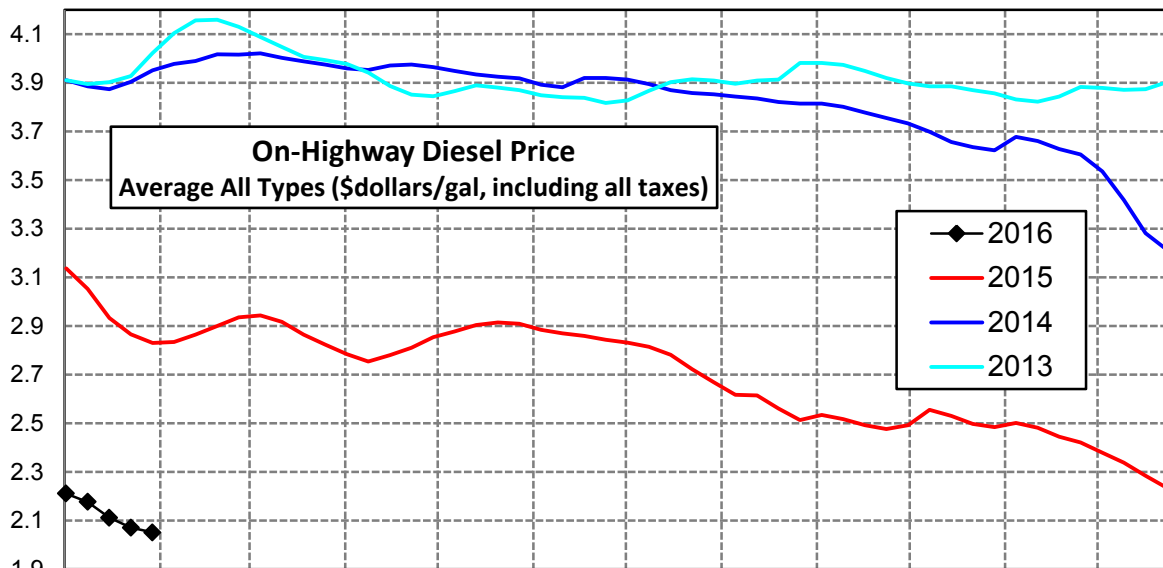
Diesel Price Outlook: The wholesale to retail price spread should trend lower as sticky retail prices catch up with the drop in wholesale prices. Significant declines on the West Coast should occur as refiner's complete maintenance in the region. The global distillate and crude oil markets remain extremely over supplied.

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



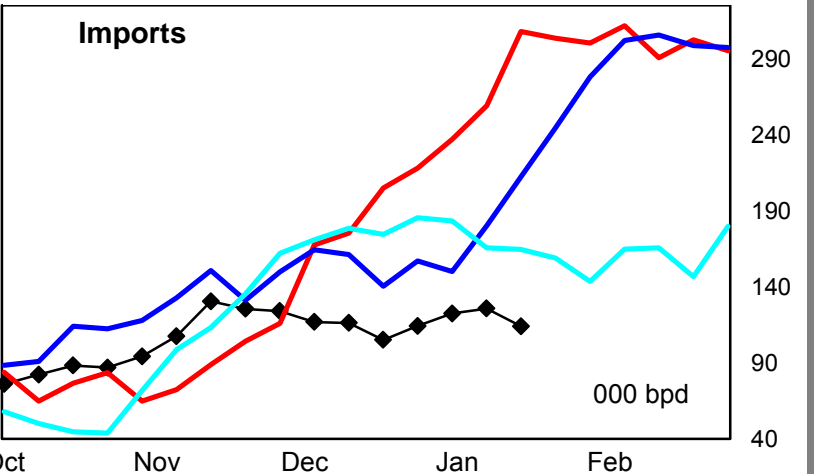
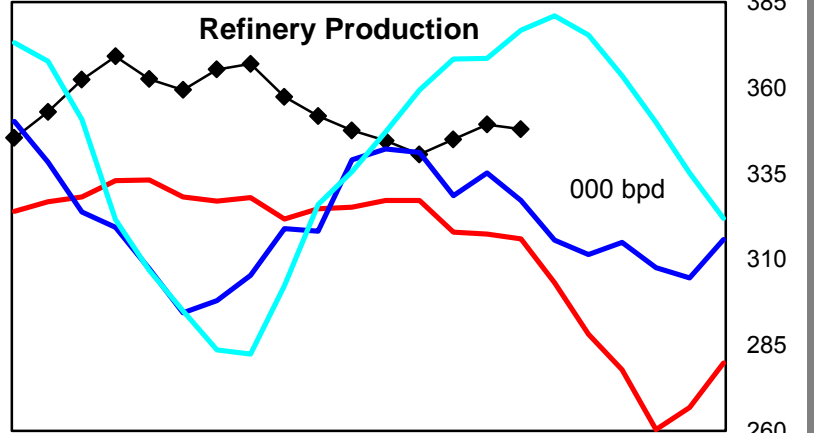
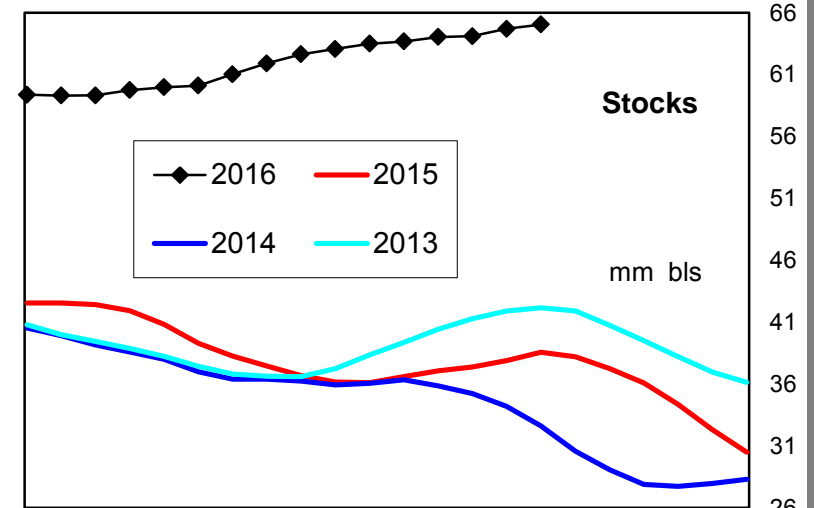
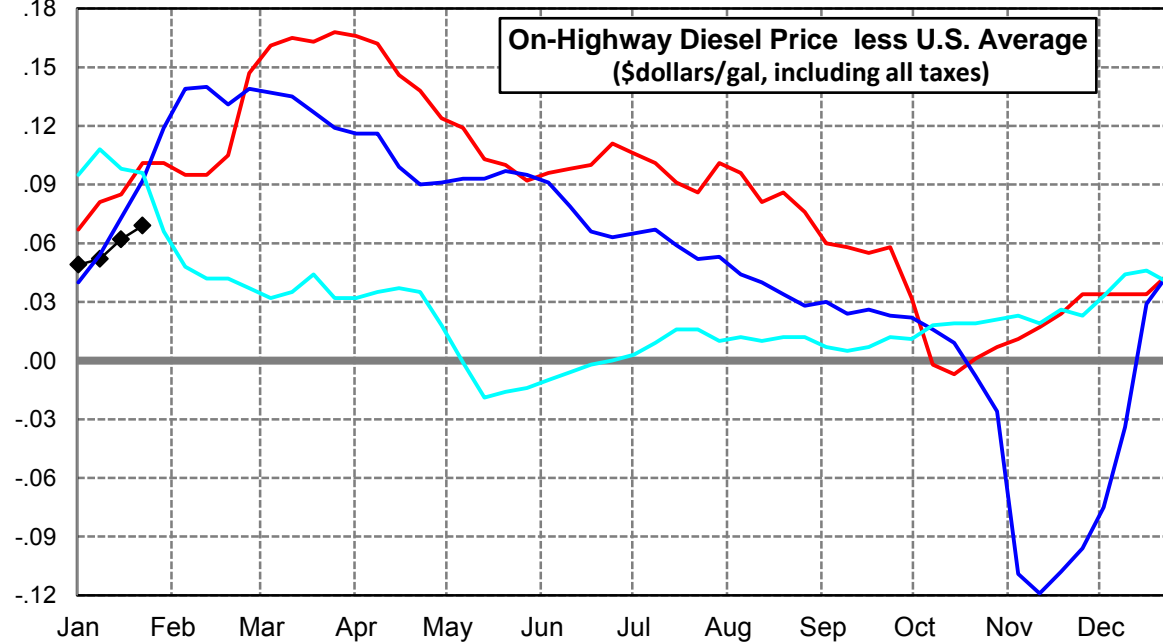
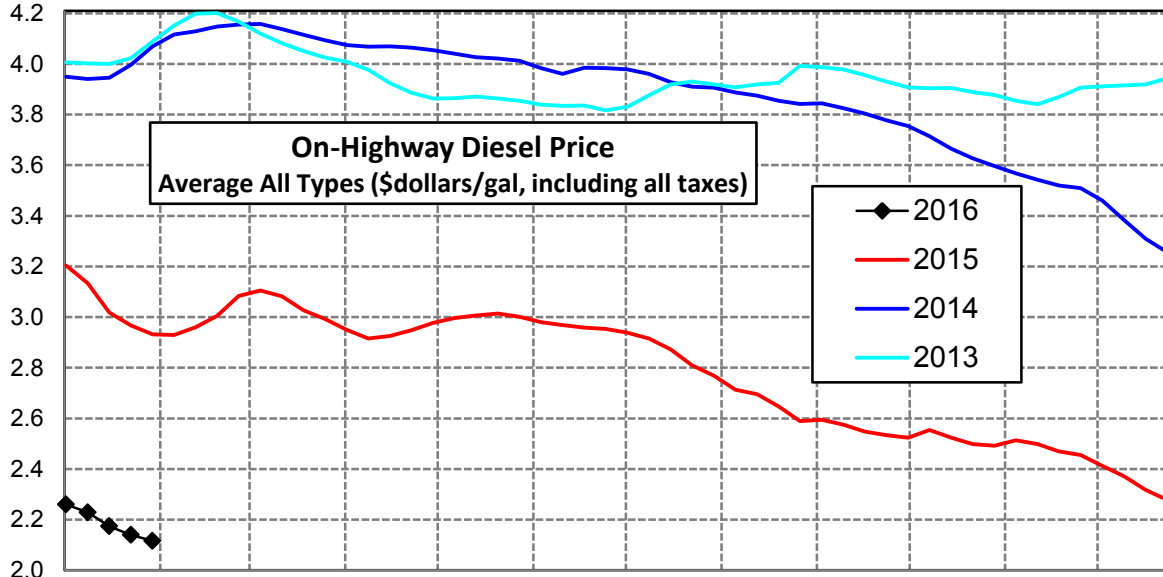
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
United States Avg	\$2.177	\$2.112	\$2.071	\$2.051	-\$0.020
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



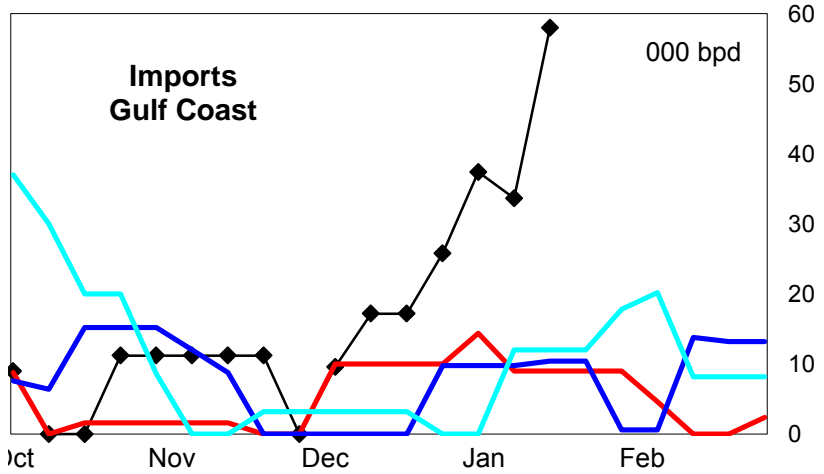
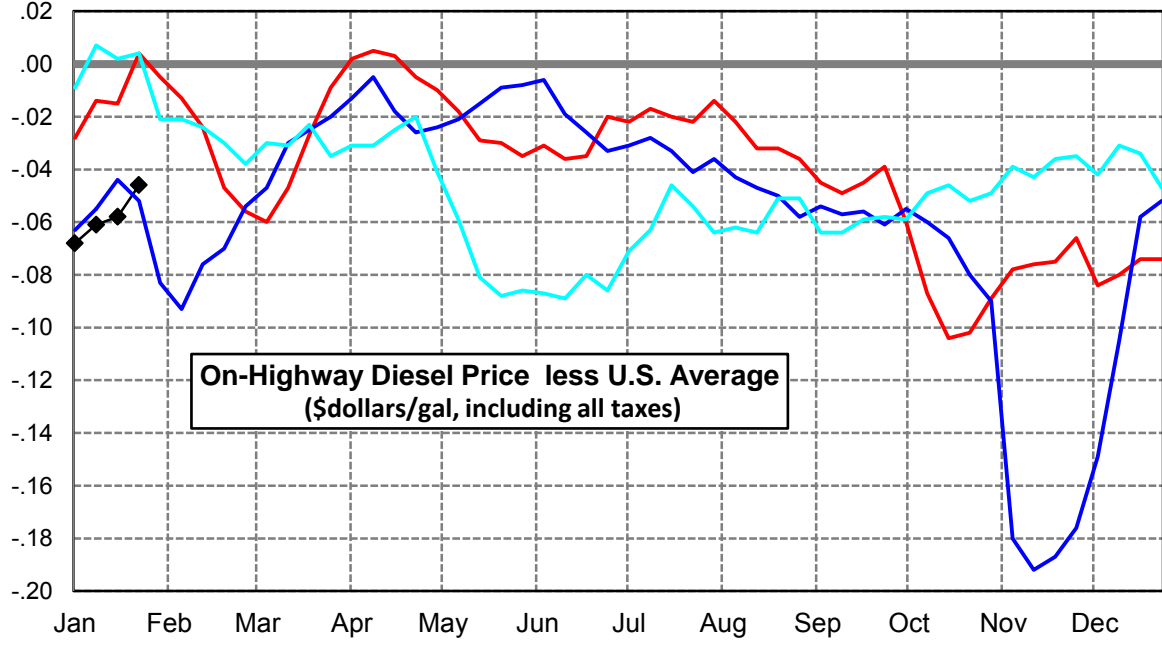
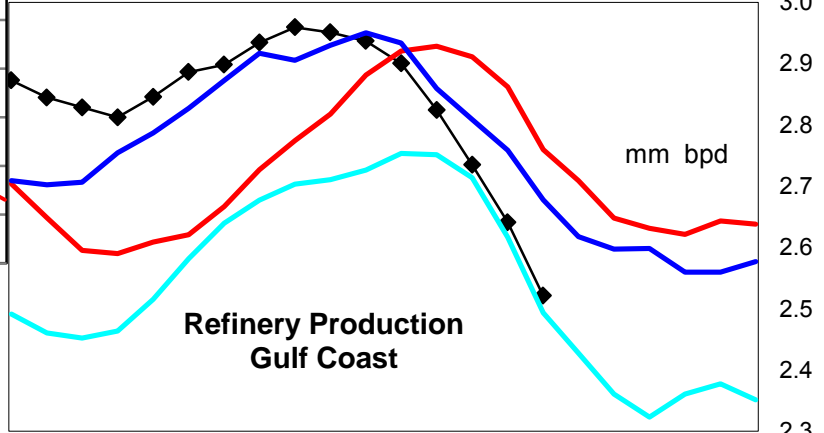
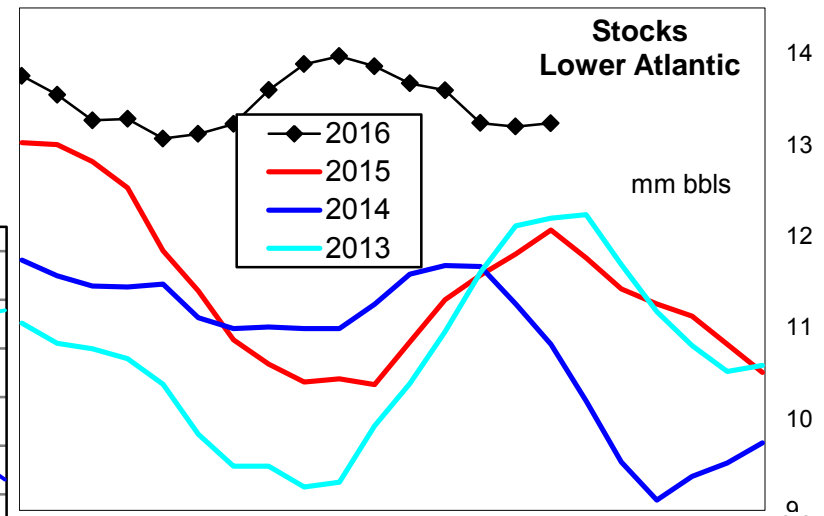
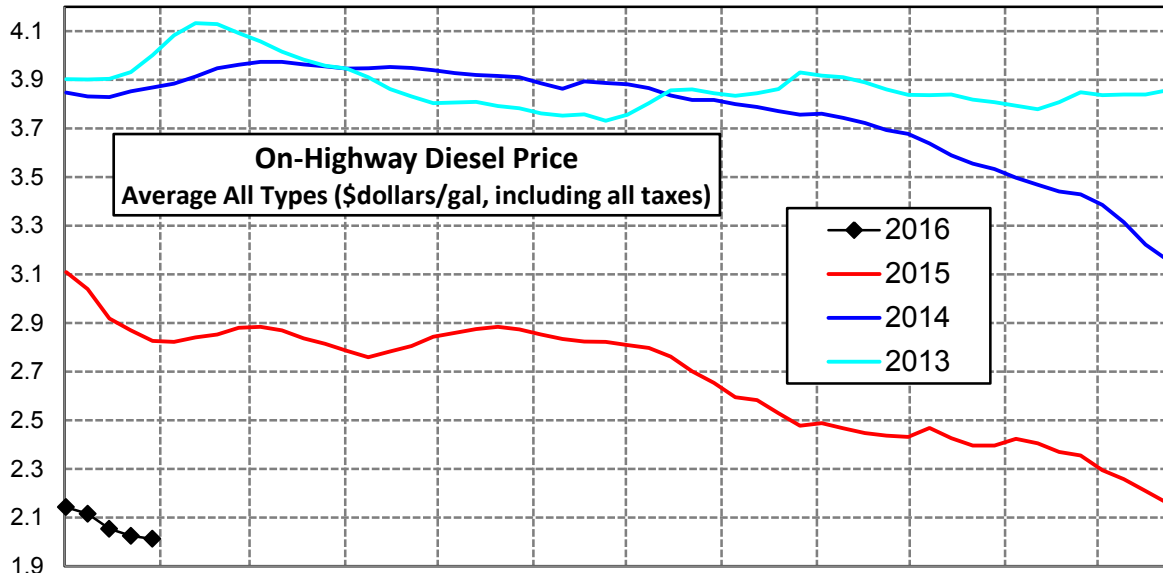
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
East Coast	\$2.229	\$2.174	\$2.140	\$2.116	-\$0.024
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



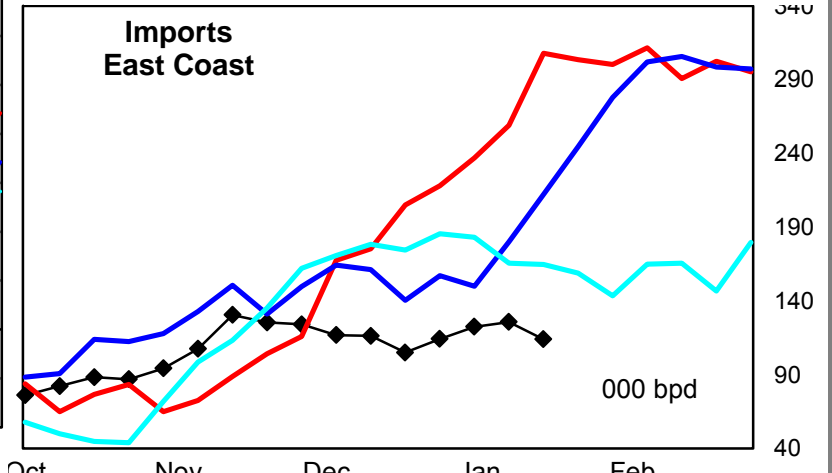
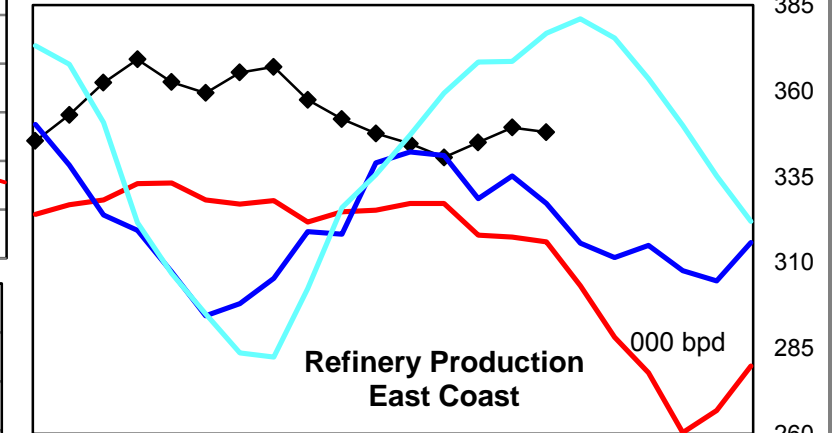
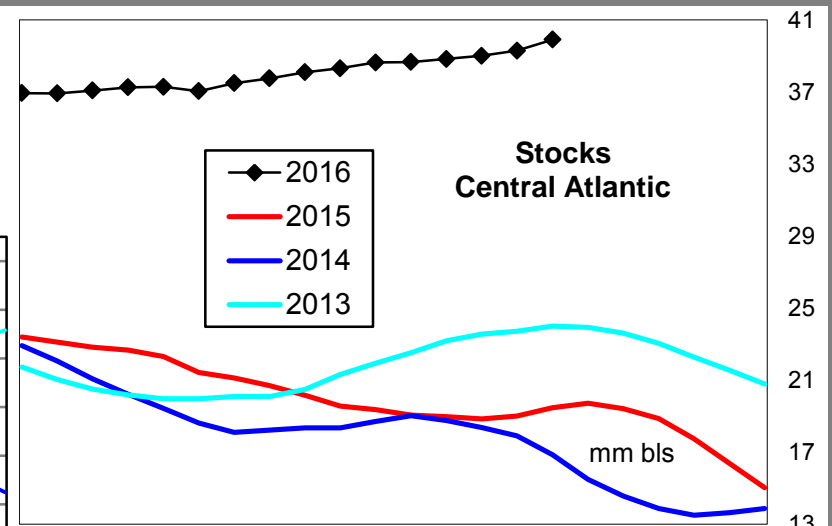
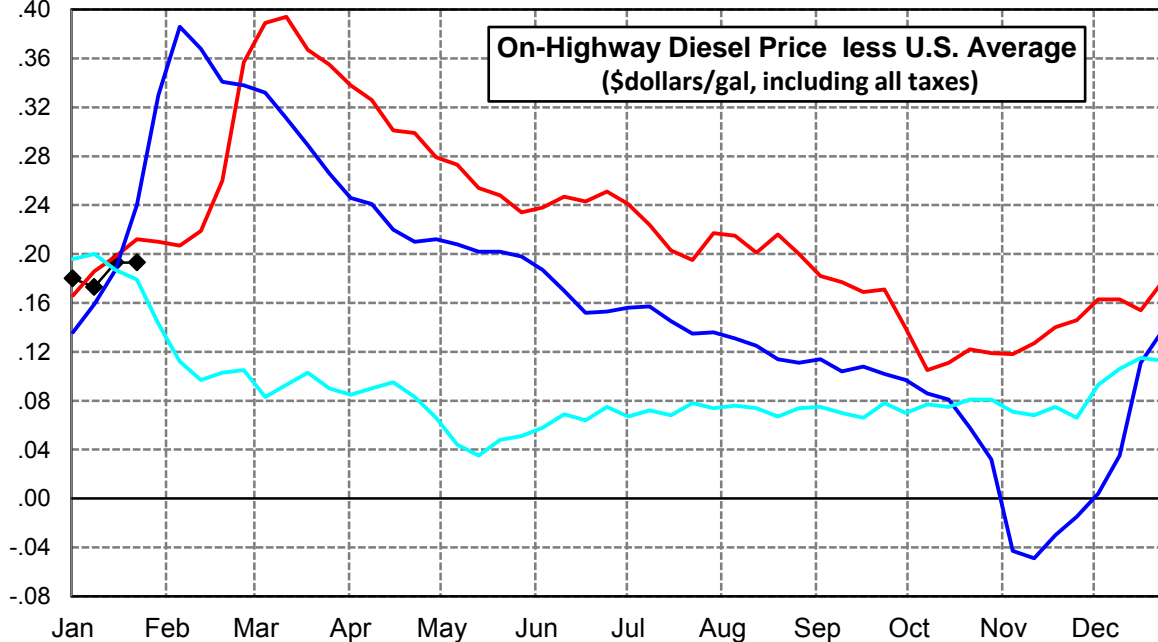
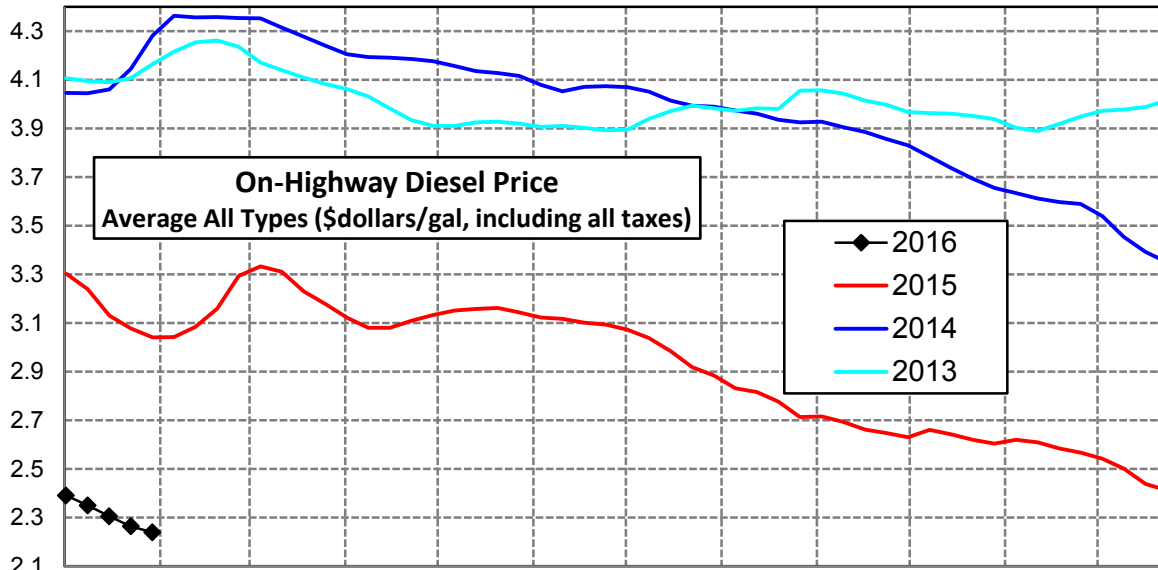
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
Lower Atlantic	\$2.116	\$2.054	\$2.025	\$2.013	-\$0.012
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



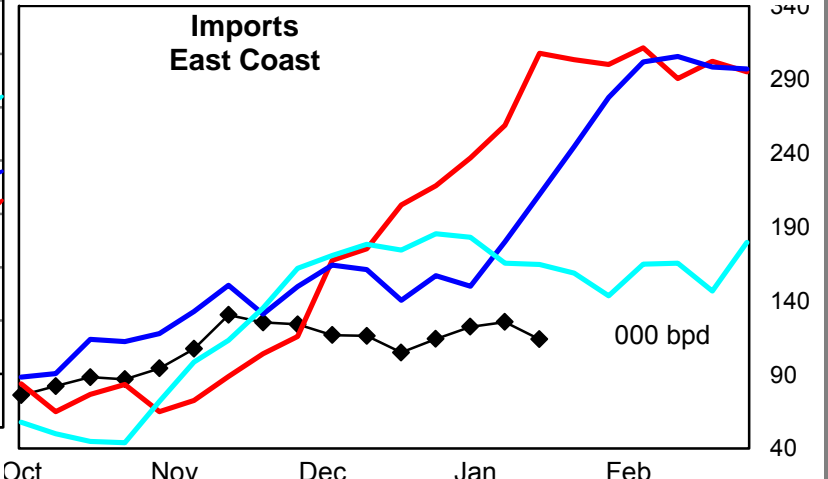
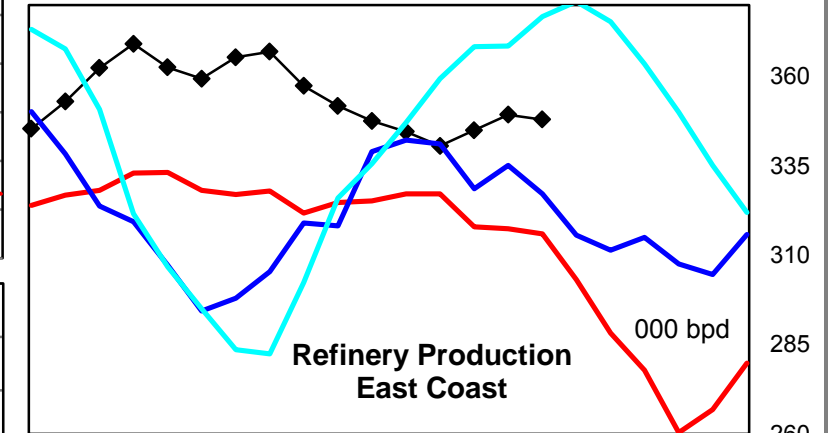
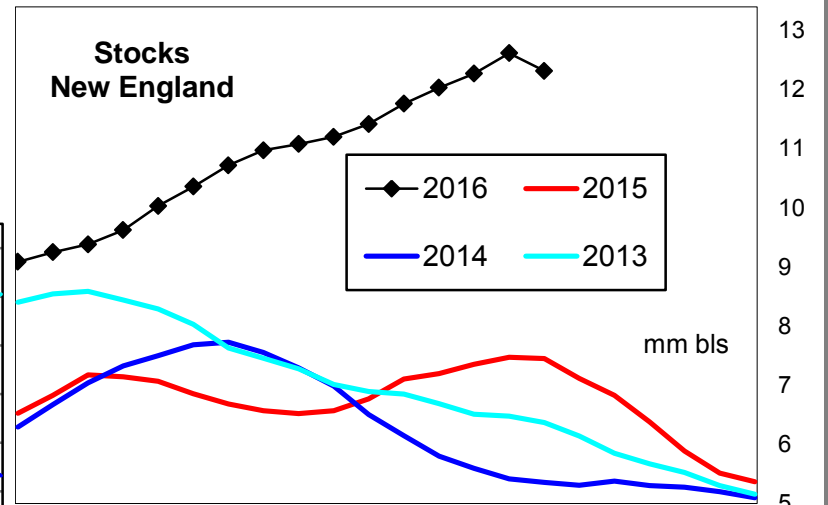
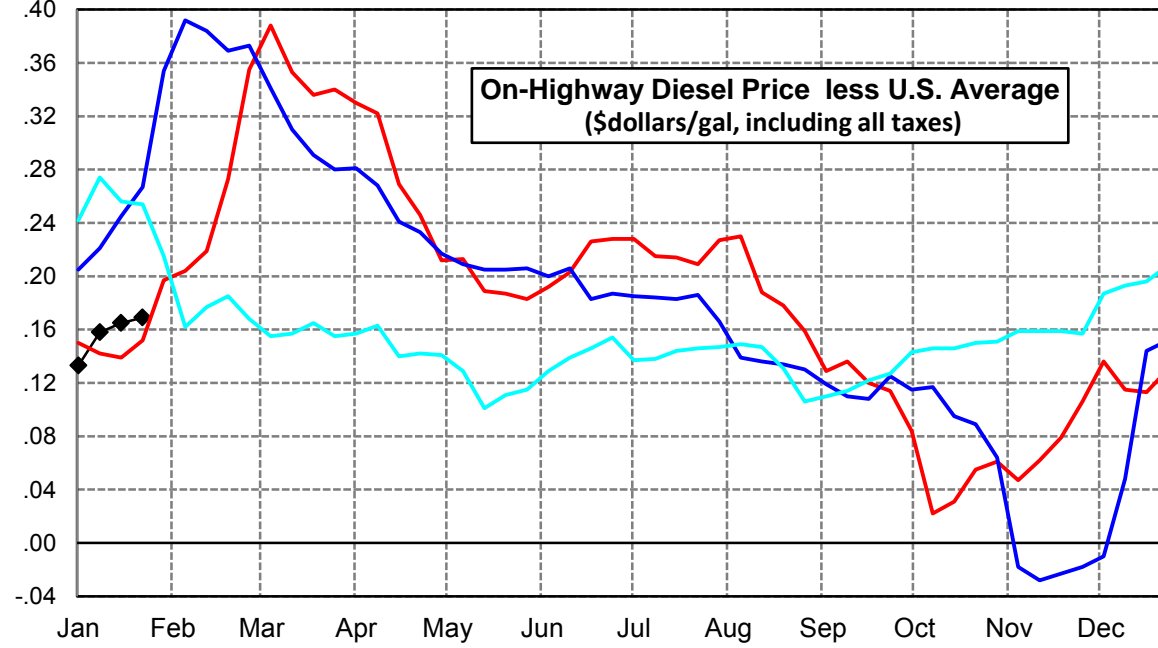
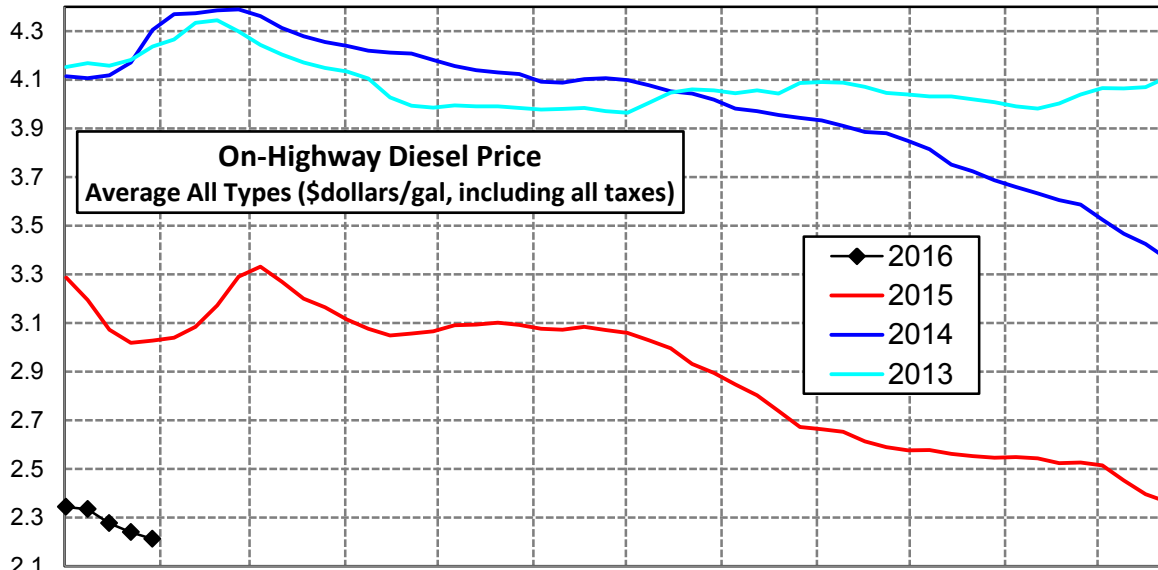
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
Central Atlantic	\$2.350	\$2.305	\$2.264	\$2.239	-\$0.025
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



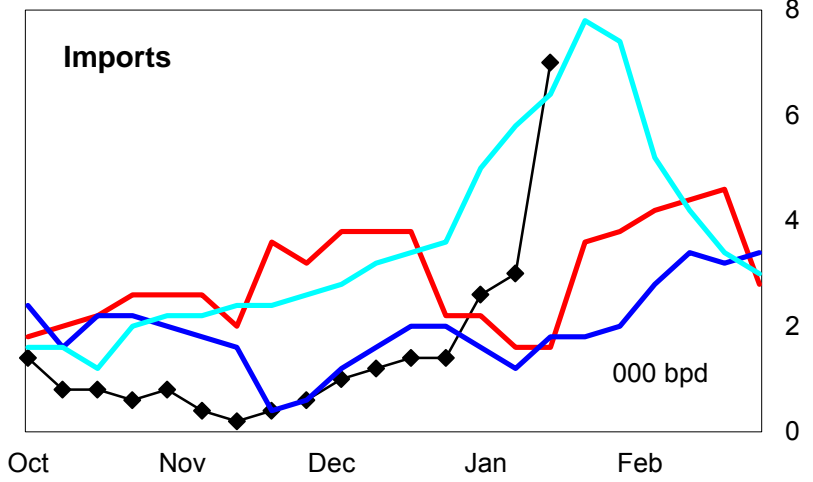
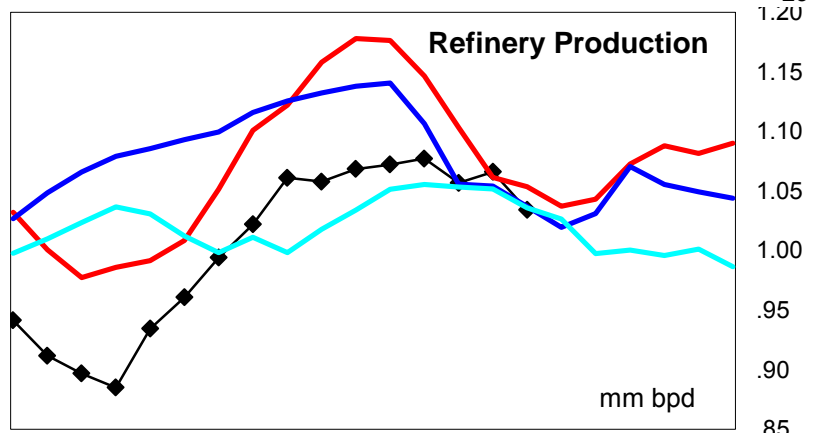
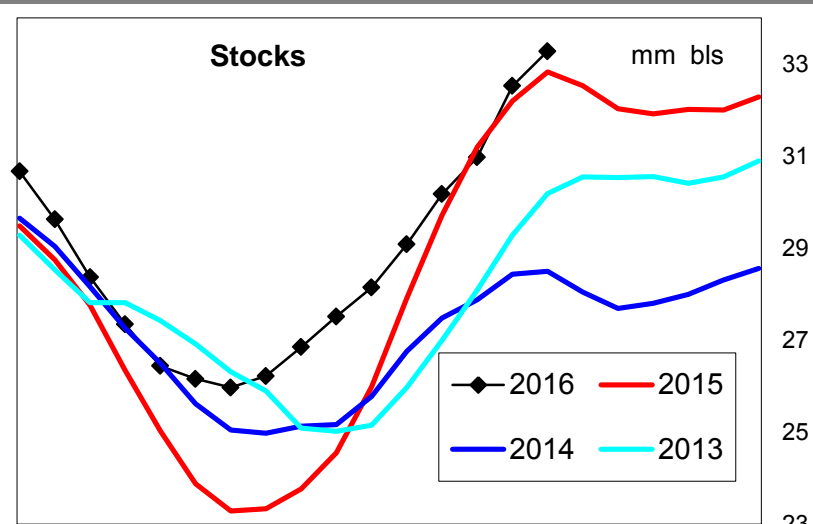
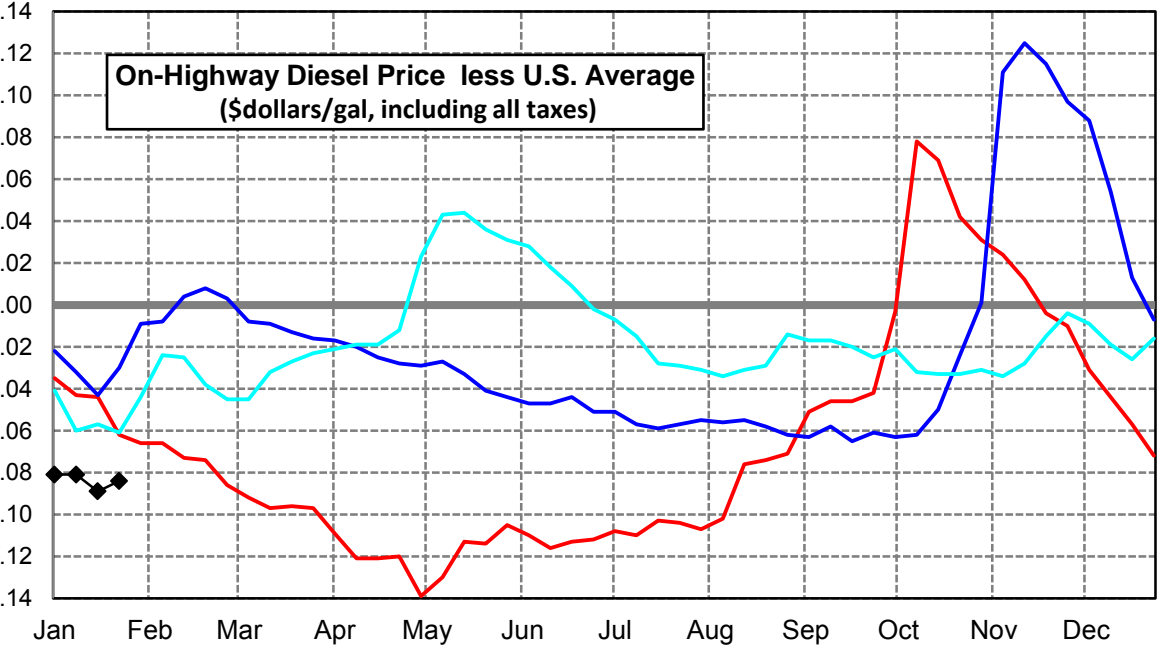
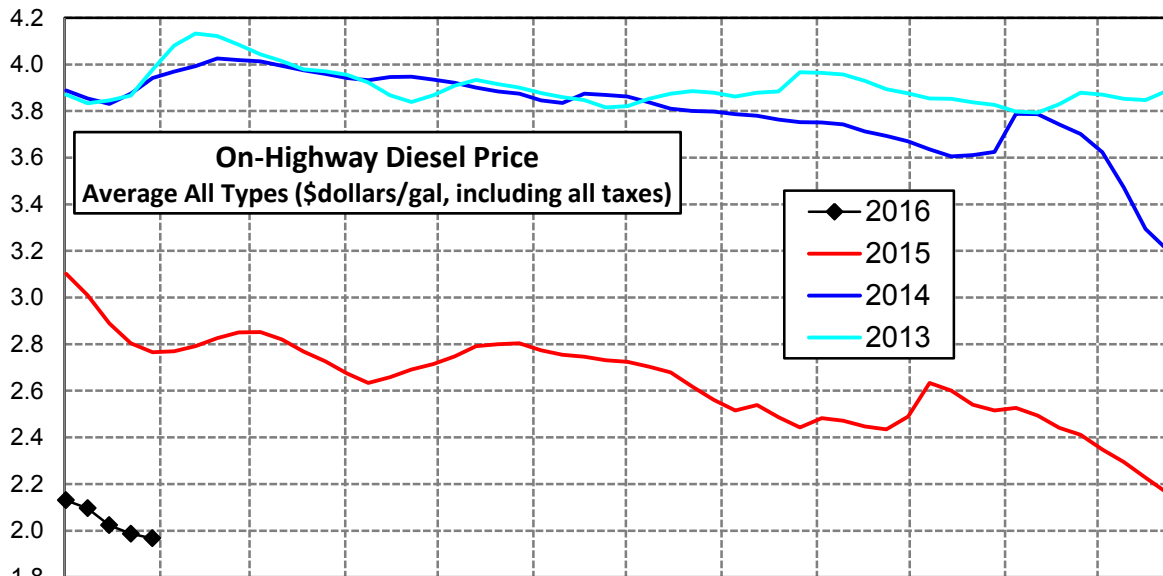
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
New England	\$2.335	\$2.277	\$2.240	\$2.213	-\$0.027
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



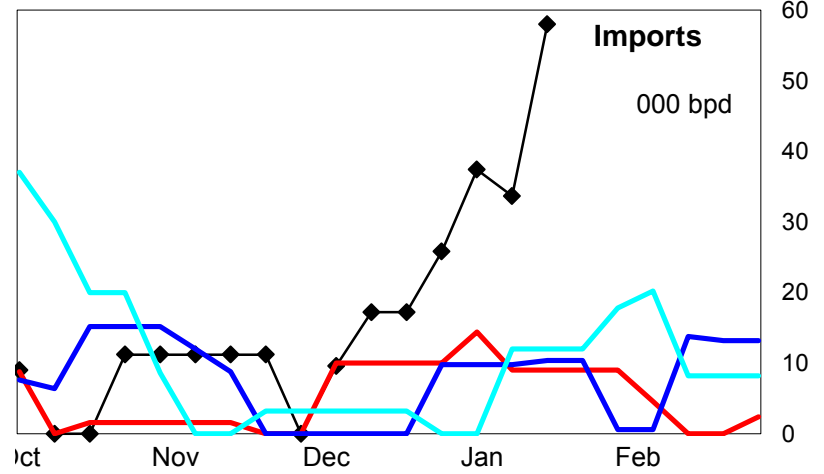
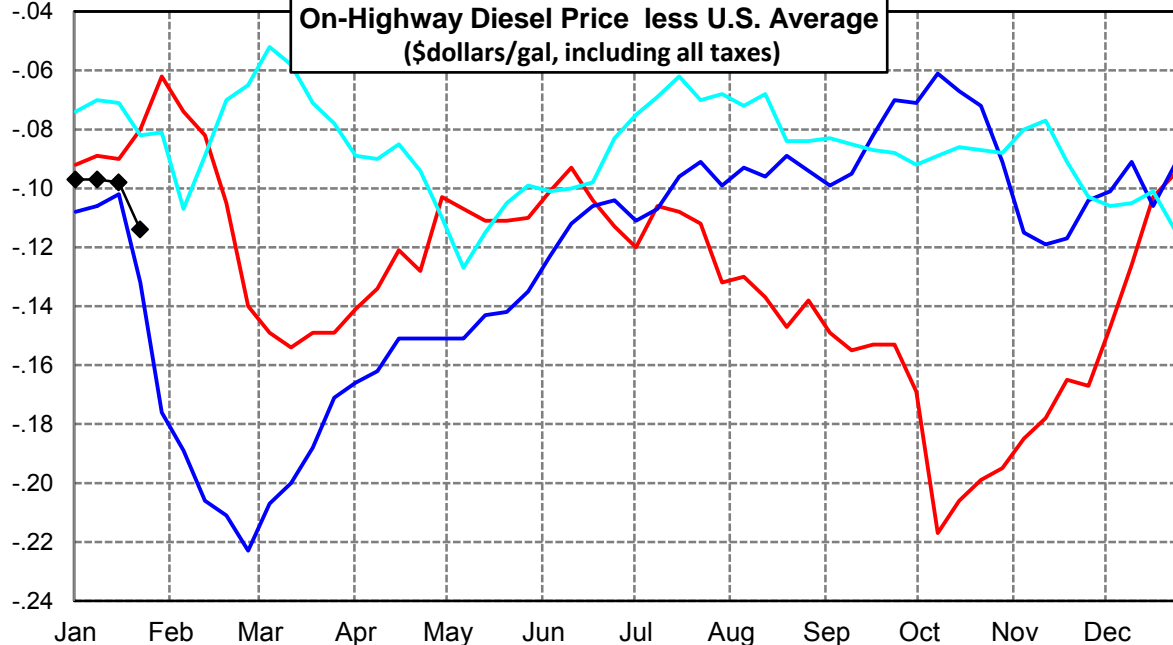
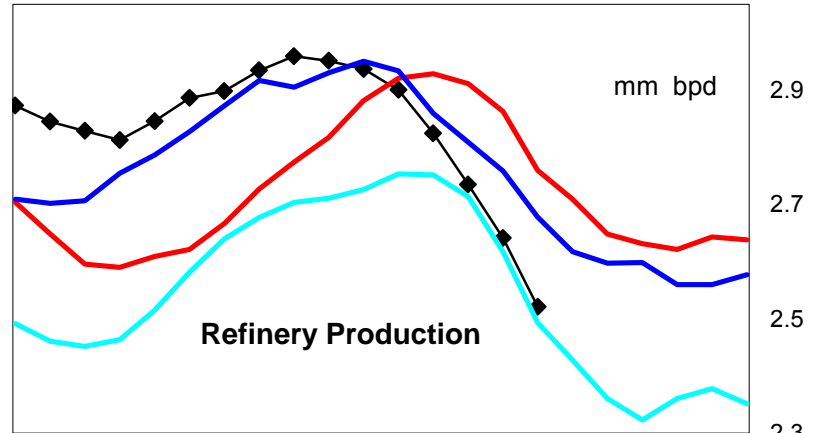
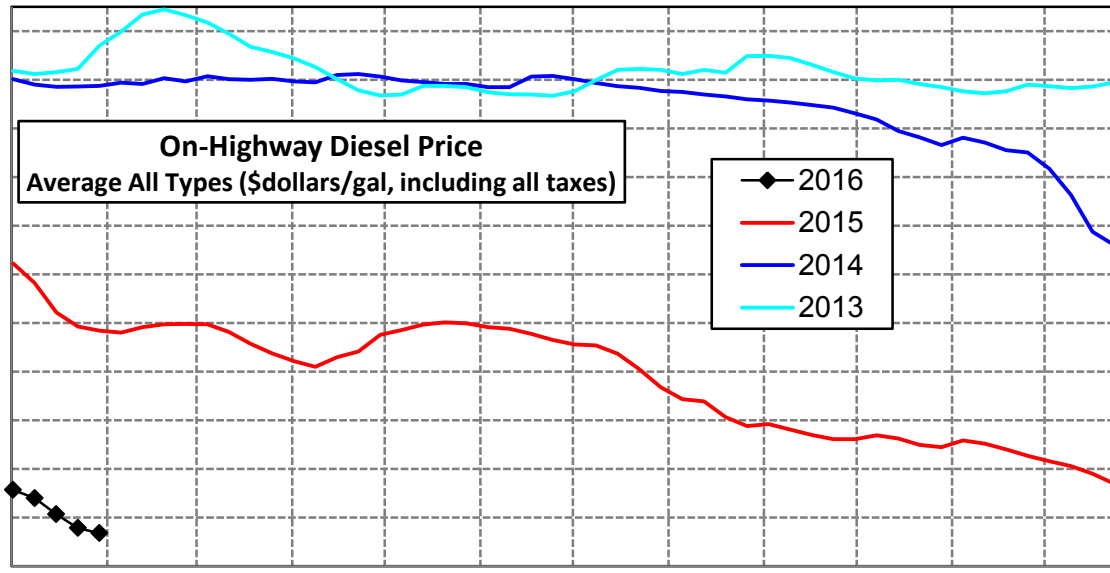
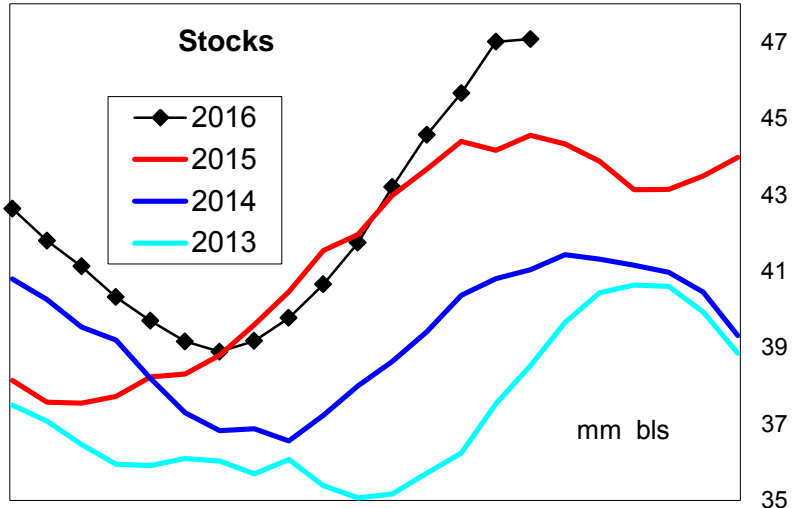
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
Midwest	\$2.096	\$2.023	\$1.987	\$1.967	-\$0.020
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



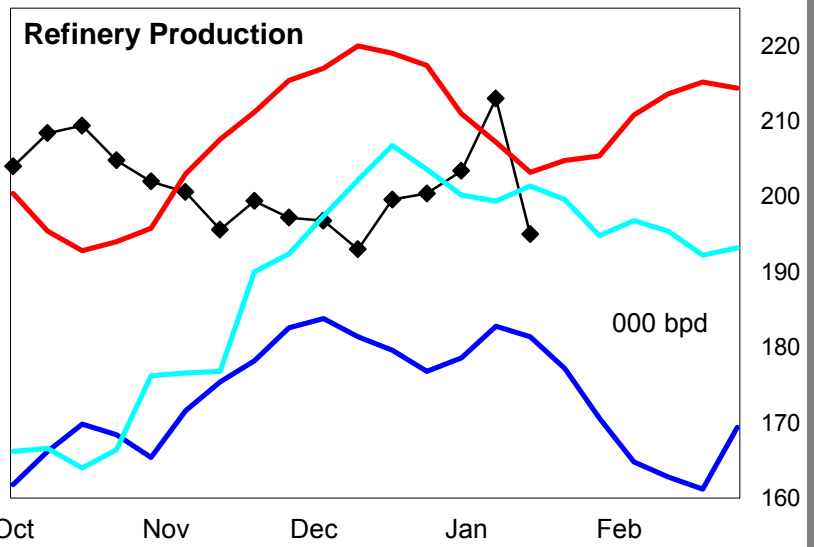
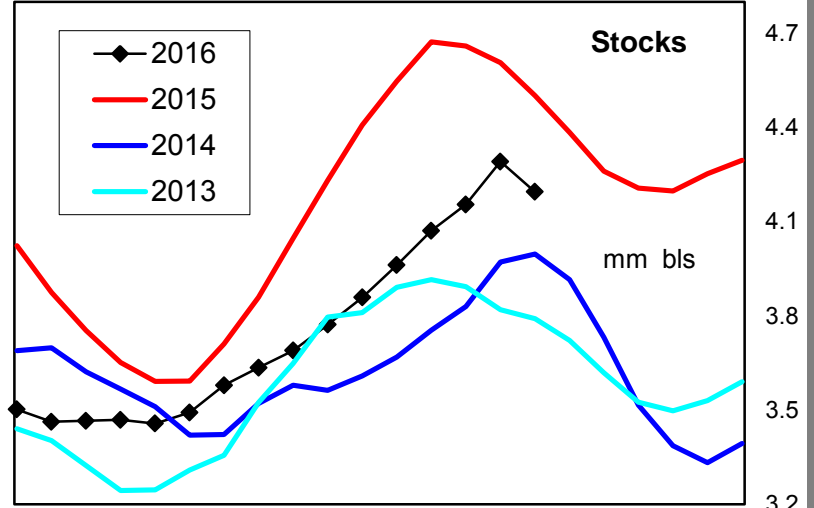
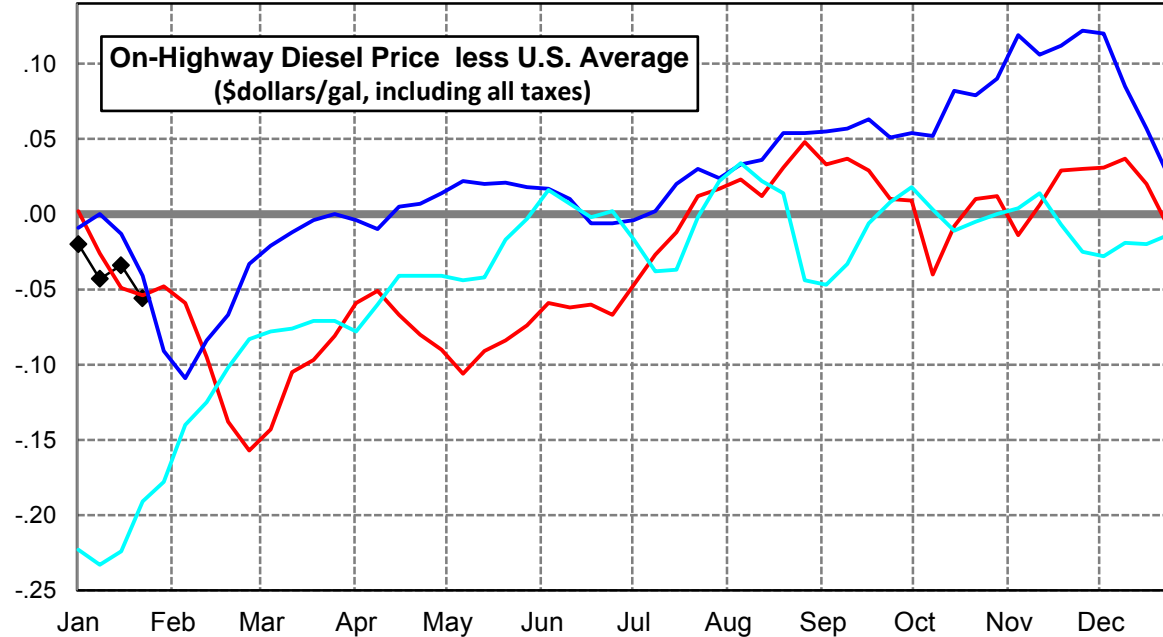
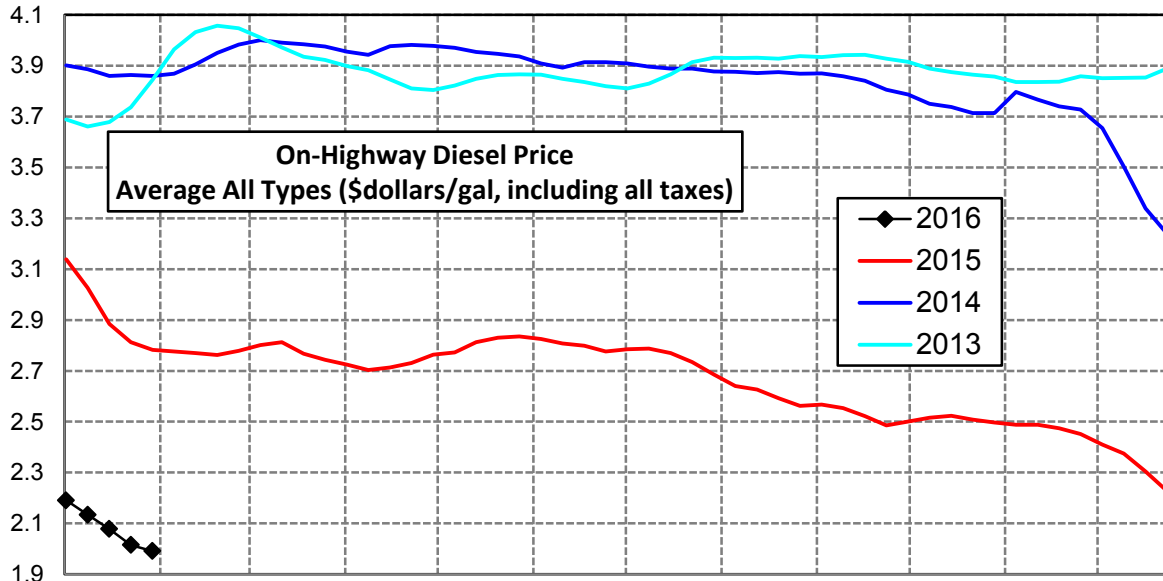
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
Gulf Coast	\$2.080	\$2.014	\$1.957	\$1.936	-\$0.021
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



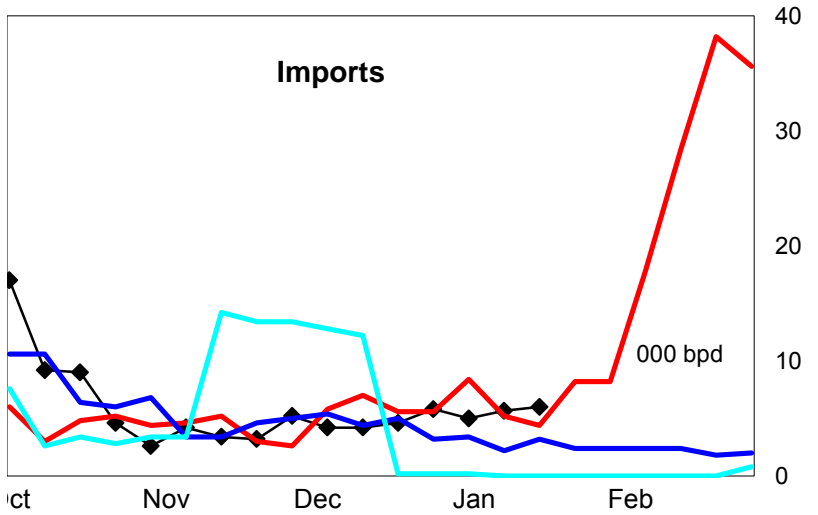
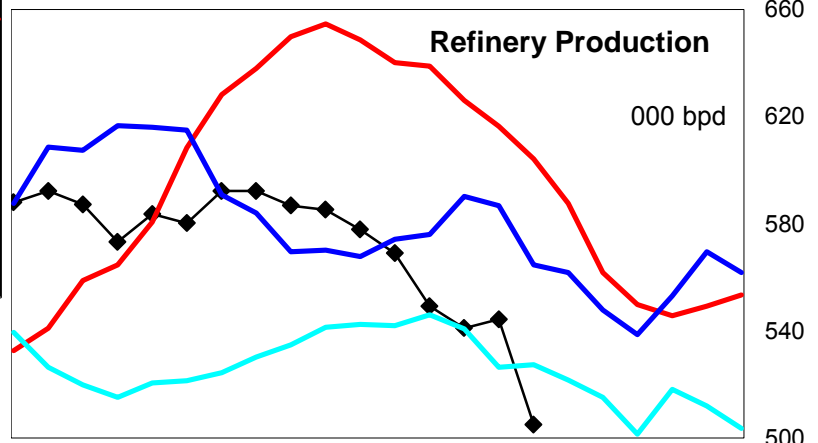
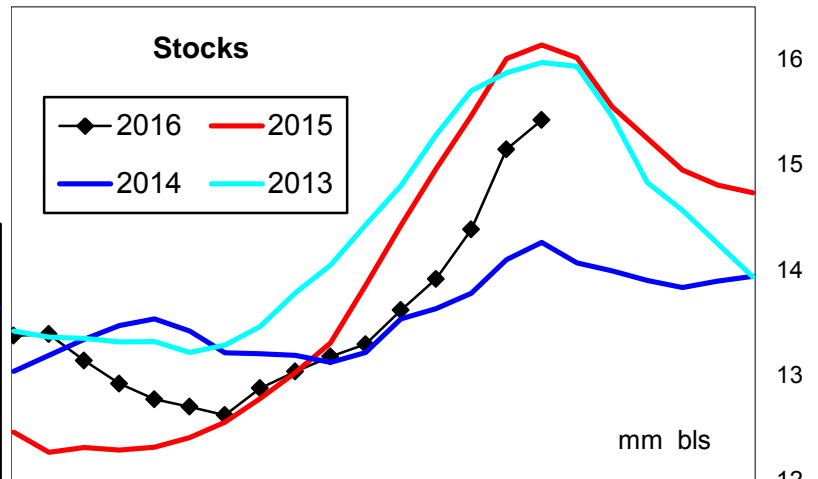
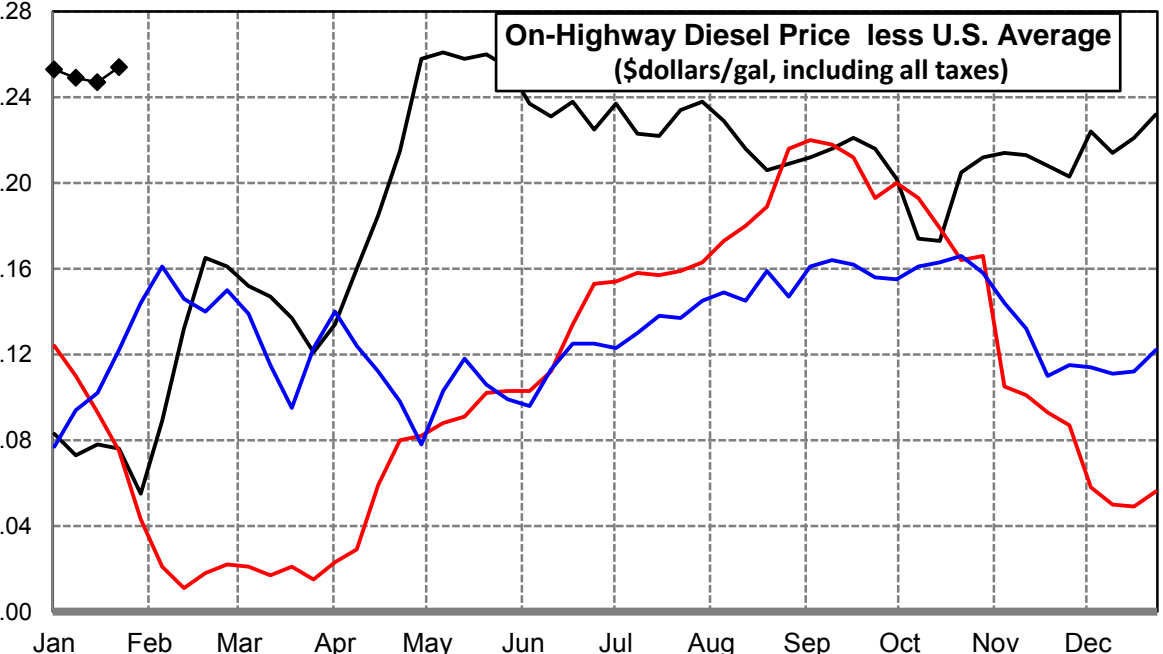
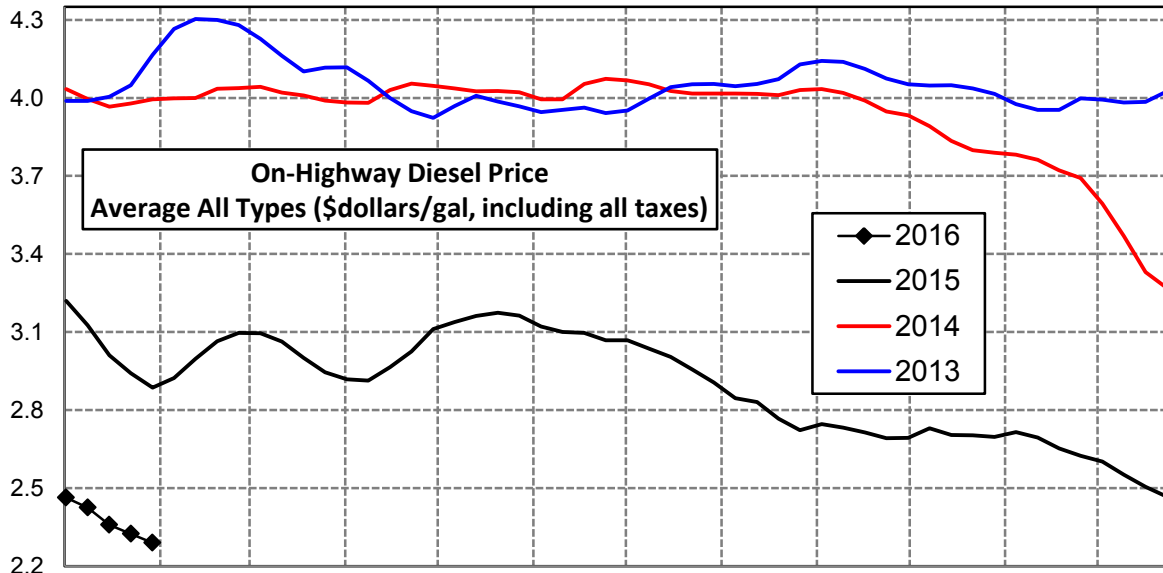
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
Rocky Mountain	\$2.134	\$2.078	\$2.015	\$1.991	-\$0.024
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



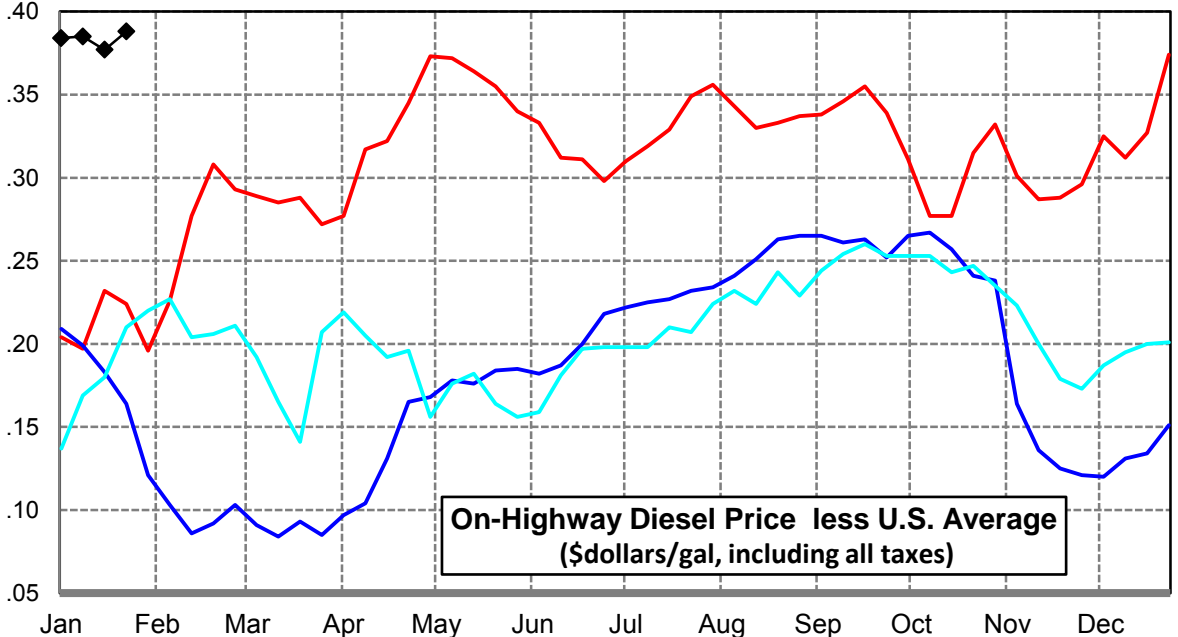
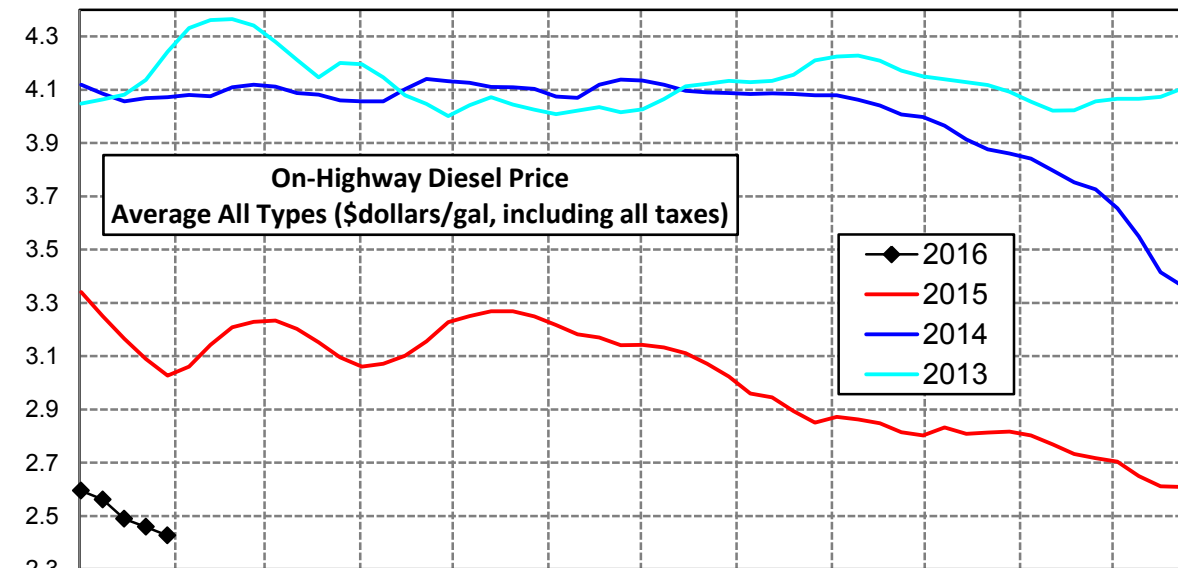
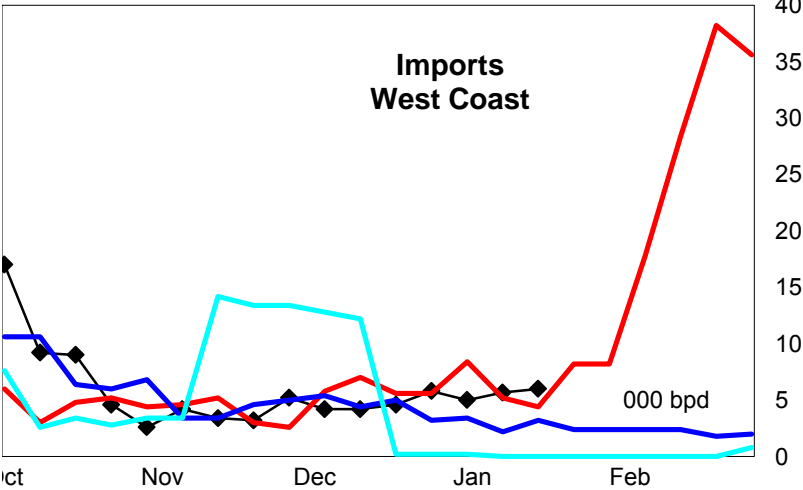
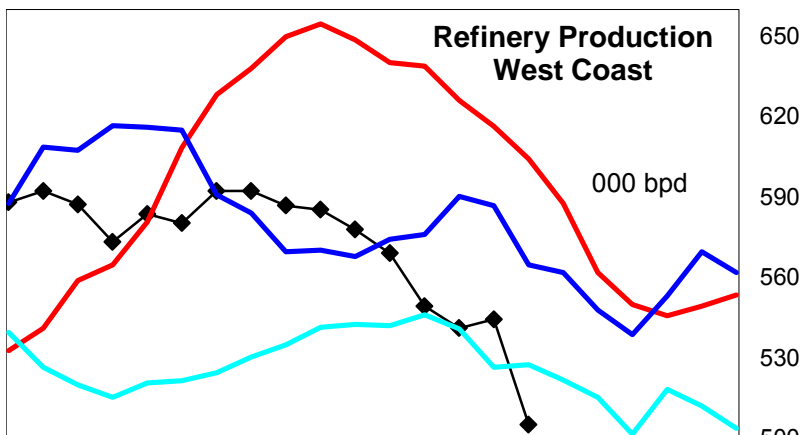
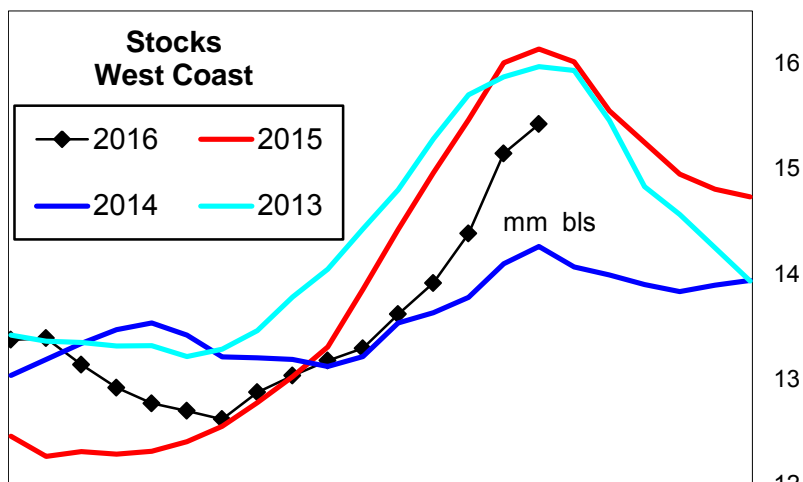
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	11Jan16	18Jan16	25Jan16	01Feb16	
West Coast	\$2.426	\$2.359	\$2.325	\$2.291	-\$0.034
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
	11Jan16	18Jan16	25Jan16	01Feb16	
California	\$2.562	\$2.489	\$2.459	\$2.427	-\$0.032
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-04-May-15	2.854	2.978	3.066	3.133	2.844	2.715	2.751	2.764	3.112	3.227
Mon-11-May-15	2.878	2.997	3.091	3.151	2.860	2.748	2.771	2.772	3.139	3.250
Mon-18-May-15	2.904	3.007	3.093	3.158	2.875	2.791	2.793	2.813	3.162	3.268
Mon-25-May-15	2.914	3.014	3.101	3.162	2.884	2.800	2.803	2.830	3.174	3.269
Mon-01-Jun-15	2.909	3.001	3.092	3.143	2.874	2.804	2.799	2.835	3.163	3.249
Mon-08-Jun-15	2.884	2.980	3.076	3.122	2.853	2.774	2.783	2.825	3.121	3.217
Mon-15-Jun-15	2.870	2.968	3.073	3.117	2.834	2.754	2.777	2.808	3.101	3.182
Mon-22-Jun-15	2.859	2.959	3.085	3.102	2.824	2.746	2.755	2.799	3.097	3.170
Mon-29-Jun-15	2.843	2.954	3.071	3.094	2.823	2.731	2.730	2.776	3.068	3.141
Mon-06-Jul-15	2.832	2.938	3.060	3.073	2.810	2.724	2.712	2.785	3.069	3.142
Mon-13-Jul-15	2.814	2.915	3.029	3.038	2.797	2.704	2.708	2.787	3.037	3.133
Mon-20-Jul-15	2.782	2.873	2.996	2.985	2.762	2.679	2.674	2.770	3.004	3.111
Mon-27-Jul-15	2.723	2.809	2.932	2.918	2.701	2.619	2.611	2.735	2.957	3.072
Mon-03-Aug-15	2.668	2.769	2.895	2.885	2.654	2.561	2.536	2.685	2.906	3.024
Mon-10-Aug-15	2.617	2.713	2.847	2.832	2.595	2.515	2.487	2.640	2.846	2.960
Mon-17-Aug-15	2.615	2.696	2.803	2.816	2.583	2.539	2.478	2.627	2.831	2.945
Mon-24-Aug-15	2.561	2.647	2.739	2.777	2.529	2.487	2.414	2.592	2.767	2.894
Mon-31-Aug-15	2.514	2.590	2.673	2.714	2.478	2.443	2.376	2.562	2.723	2.851
Mon-07-Sep-15	2.534	2.594	2.663	2.716	2.489	2.483	2.385	2.567	2.746	2.872
Mon-14-Sep-15	2.517	2.575	2.653	2.694	2.468	2.471	2.362	2.554	2.733	2.863
Mon-21-Sep-15	2.493	2.548	2.613	2.662	2.448	2.447	2.340	2.522	2.714	2.848
Mon-28-Sep-15	2.476	2.534	2.590	2.647	2.437	2.434	2.323	2.486	2.692	2.815
Mon-05-Oct-15	2.492	2.524	2.576	2.631	2.432	2.489	2.323	2.501	2.694	2.803
Mon-12-Oct-15	2.556	2.554	2.578	2.661	2.469	2.634	2.339	2.516	2.730	2.833
Mon-19-Oct-15	2.531	2.524	2.562	2.642	2.427	2.600	2.325	2.523	2.704	2.808
Mon-26-Oct-15	2.498	2.499	2.553	2.620	2.396	2.540	2.299	2.508	2.703	2.813
Mon-02-Nov-15	2.485	2.492	2.546	2.604	2.396	2.516	2.290	2.497	2.697	2.817
Mon-09-Nov-15	2.502	2.513	2.549	2.620	2.424	2.526	2.317	2.488	2.716	2.803
Mon-16-Nov-15	2.482	2.499	2.544	2.609	2.406	2.494	2.304	2.488	2.695	2.769
Mon-23-Nov-15	2.445	2.469	2.524	2.585	2.370	2.441	2.280	2.474	2.653	2.733
Mon-30-Nov-15	2.421	2.455	2.527	2.567	2.355	2.411	2.254	2.451	2.624	2.717
Mon-07-Dec-15	2.379	2.413	2.515	2.542	2.295	2.348	2.232	2.410	2.603	2.704
Mon-14-Dec-15	2.338	2.372	2.453	2.501	2.258	2.294	2.212	2.375	2.552	2.650
Mon-21-Dec-15	2.284	2.318	2.397	2.438	2.210	2.227	2.181	2.304	2.505	2.611
Mon-28-Dec-15	2.235	2.279	2.365	2.412	2.161	2.163	2.140	2.227	2.467	2.609
Mon-04-Jan-16	2.211	2.260	2.344	2.391	2.143	2.130	2.114	2.191	2.464	2.595
Mon-11-Jan-16	2.177	2.229	2.335	2.350	2.116	2.096	2.080	2.134	2.426	2.562
Mon-18-Jan-16	2.112	2.174	2.277	2.305	2.054	2.023	2.014	2.078	2.359	2.489
Mon-25-Jan-16	2.071	2.140	2.240	2.264	2.025	1.987	1.957	2.015	2.325	2.459
Mon-01-Feb-16	2.051	2.116	2.213	2.239	2.013	1.967	1.936	1.991	2.291	2.427
Mon-08-Feb-16										
Mon-15-Feb-16										
Mon-22-Feb-16										
Mon-29-Feb-16										
Mon-07-Mar-16										
Mon-14-Mar-16										
Mon-21-Mar-16										
Mon-28-Mar-16										

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.