



RETAIL DIESEL FUEL OUTLOOK

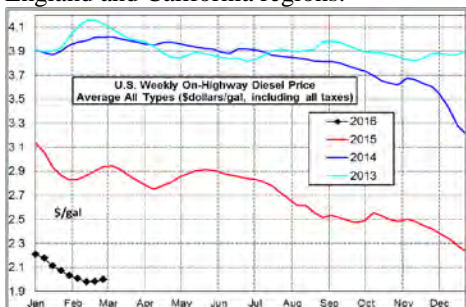
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Monday, February 22, 2016

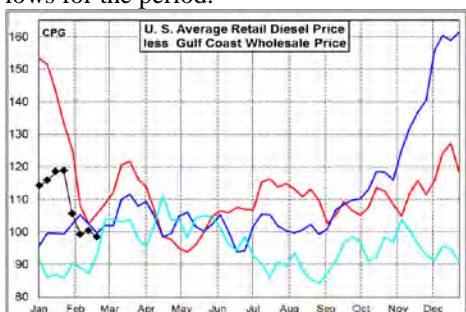
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price 1/		Forecast 2/		Change from week ago
	08Feb16	15Feb16	22Feb16	29Feb16	
U.S.	2.008	1.980	1.983	1.999	0.016
East Coast	2.087	2.069	2.059	2.078	0.019
New England	2.201	2.183	2.160	2.184	0.024
Central Atlantic	2.224	2.197	2.184	2.207	0.023
Lower Atlantic	1.959	1.947	1.944	1.959	0.015
Midwest	1.929	1.908	1.921	1.936	0.015
Gulf Coast	1.896	1.858	1.873	1.889	0.016
Rocky Mountain	1.914	1.866	1.861	1.882	0.021
West Coast	2.236	2.194	2.181	2.209	0.028
California	2.369	2.316	2.288	2.321	0.033

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

Diesel Fuel Price Trends U. S. retail diesel prices increased +0.3 cpg last week, nearly equal to prior week record lows. Prices were lower across all regions except the Midwest and Gulf regions. Prices decreased nearly -2.5 cpg in the New England and California regions.



The U.S. average retail diesel price compared to the Gulf Coast wholesale market decreased -2 cpg on the week. The spread ended the week at a level near 3-yr lows for the period.



The national average on-highway price ended the week -92 cpg below a year ago. The highest retail prices were in California at \$2.29/gal and the Central Atlantic at \$2.18/gal. The lowest prices were in the Rocky Mountains at \$1.86/gal.

The retail price compared to the U.S. average spread matched historic lows in New England on below normal heating

demand and extremely high stock levels. The retail price compared to the U.S. average was above the historic range in the West region, driven by refinery maintenance in the Northwest.

Gulf spot prices decreased -2 cpg last week. Gulf Coast spot distillate prices ended

the week at a price level below that seen during the depths of the 2009 recession.

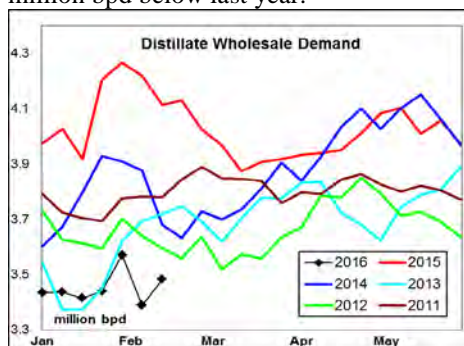


The spread between the Gulf wholesale price and the U.S. average retail price decreased -2 cpg last week, ending at a level near 3-yr lows for the period.

Look for the retail to wholesale price differential to fall below the 3-yr range on over supplied wholesale markets and weak retail demand.

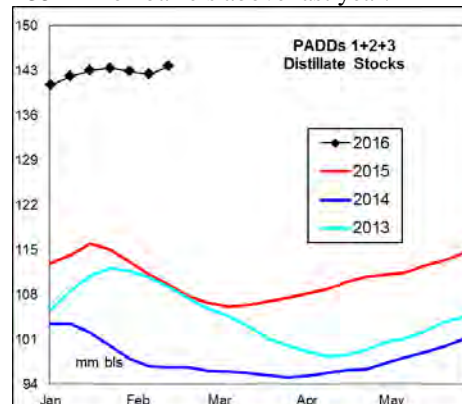
Supply - Demand Fundamental Trends

Distillate wholesale demand increased +0.3 million bpd last week, although the level remains below the 5-yr range. Substitution of natural gas for heating oil in the Northeast, moderate winter temperatures compared to last year, and slowing transport use underlies the latest 4-wk average demand which was -0.7 million bpd below last year.



Supply jumped +337,000 bpd last week, on sharply higher production. During the latest 4-wk period, production was -202,000 bpd below last year while imports were -132,000 bpd lower.

Distillate stocks increased +1.4 million barrels last week, with the level +35 million barrels above last year.



Stocks in all markets except the Rockies are unusually high for this time of year. Very weak transport demand in the Rockies underlies the weak retail prices in that region; the lowest among all regions.

Global Trends Driving Diesel Prices

Wholesale distillate demand remains very weak; due in part to a comparison to last year when heating demand was a record. However wholesale demand has been below each of the last 3-yrs on above average temperatures in the Northeast compared to last year and a slowdown in commercial transport fuel use (rail and trucking) and lackluster exports.

Distillate production rebounded +233,000 bpd last week in the Gulf region as refiners returned from winter maintenance.

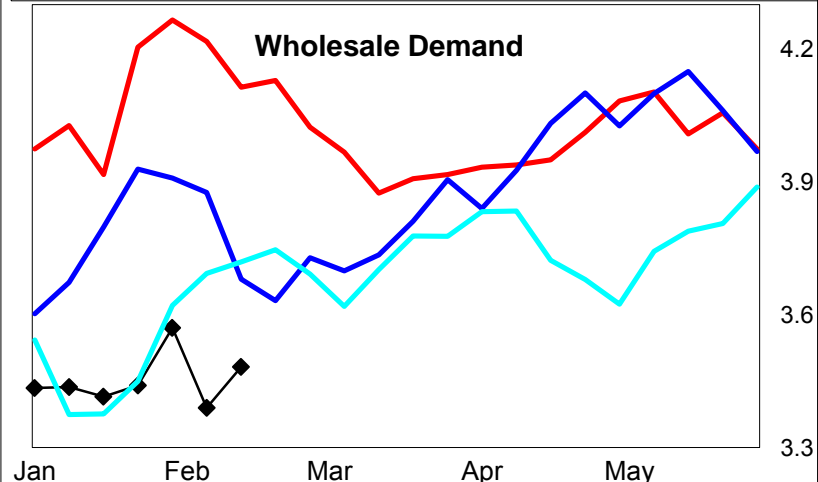
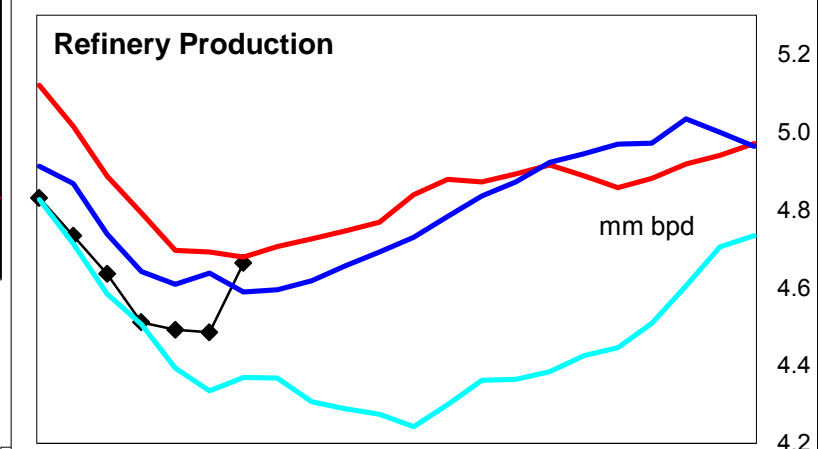
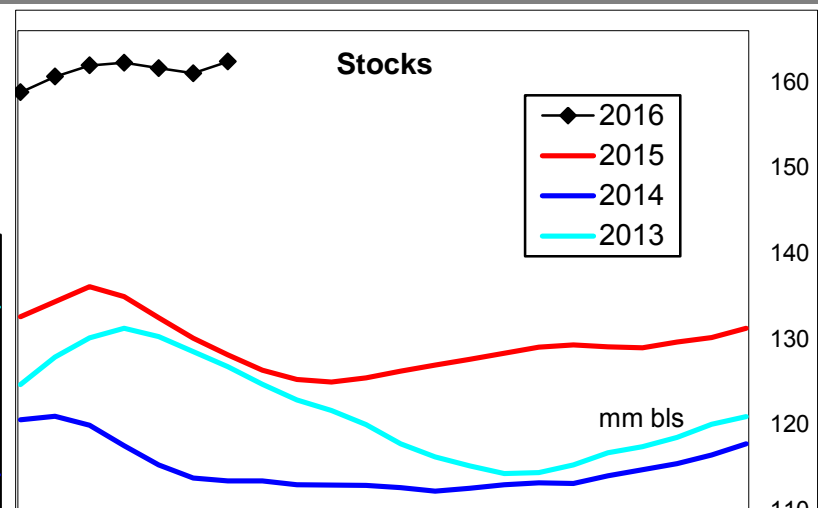
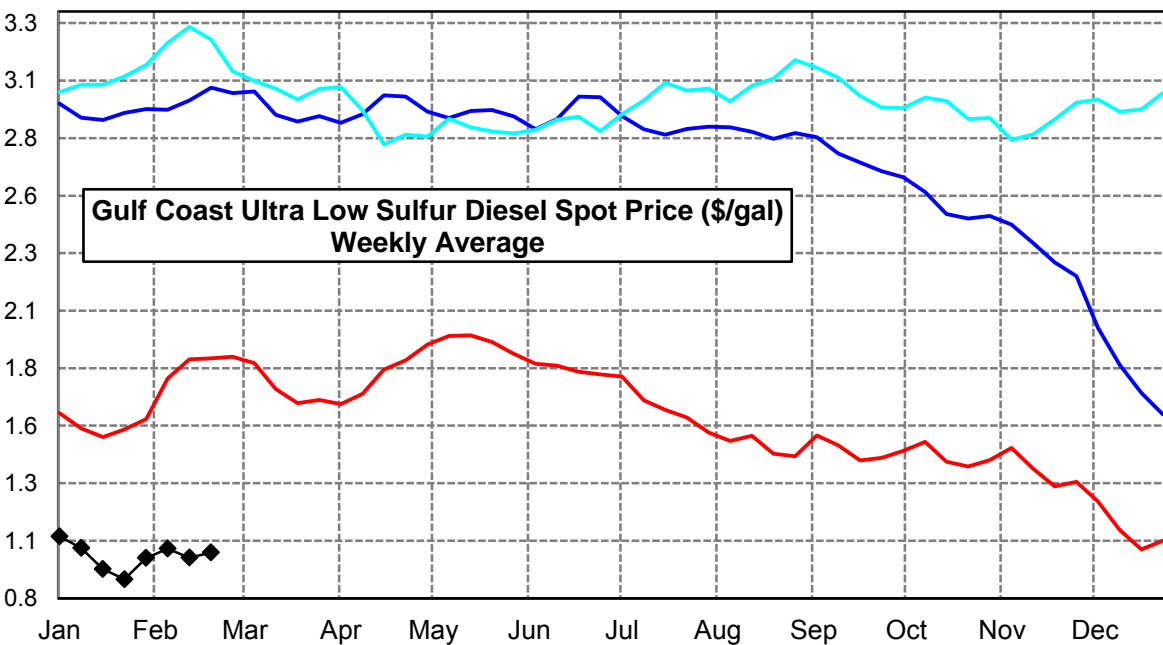
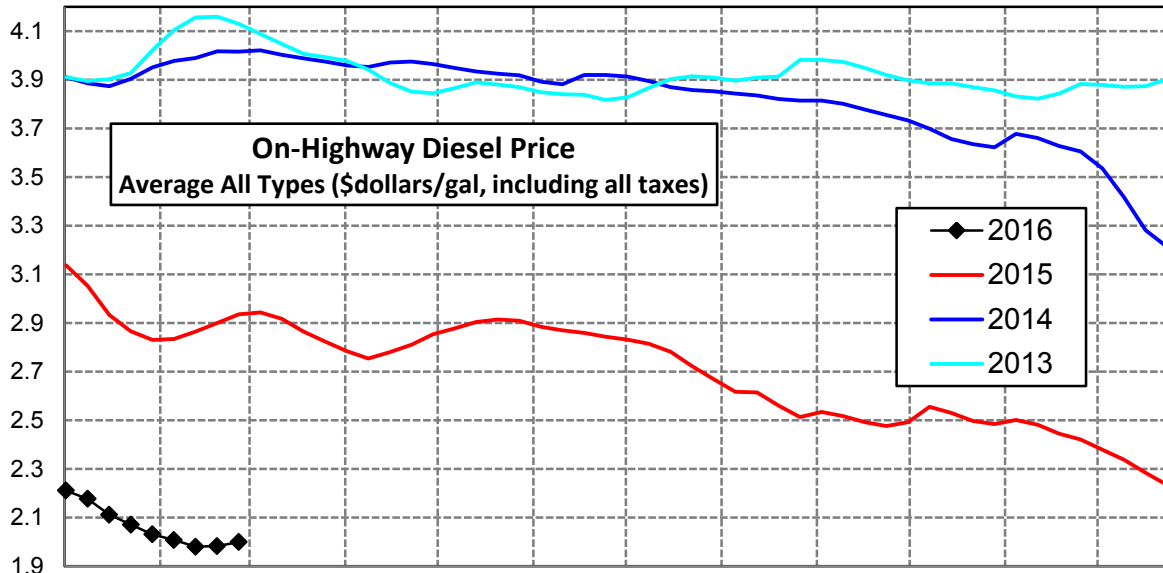
Diesel Price Outlook: The wholesale to retail price spread should fall below the 3-yr range on over supplied wholesale markets and weak retail demand. Significant declines on the West Coast should occur as refiner's complete maintenance in the Northwest. Look for near term price weakness to continue in the Rockies. The global distillate and crude oil markets remain extremely over supplied.

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



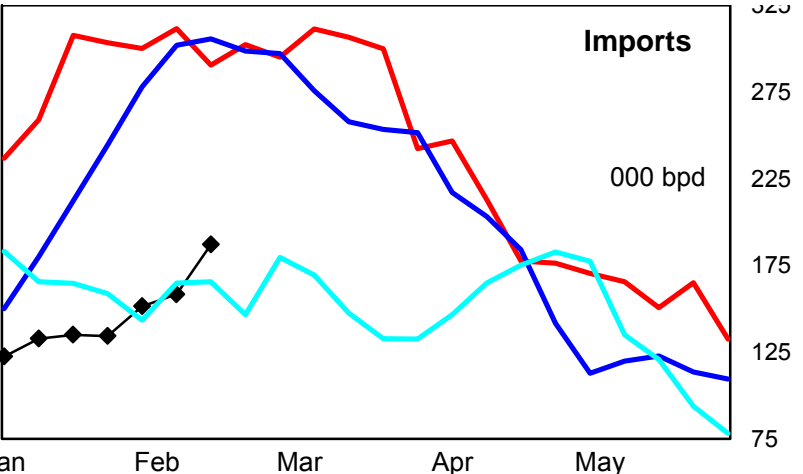
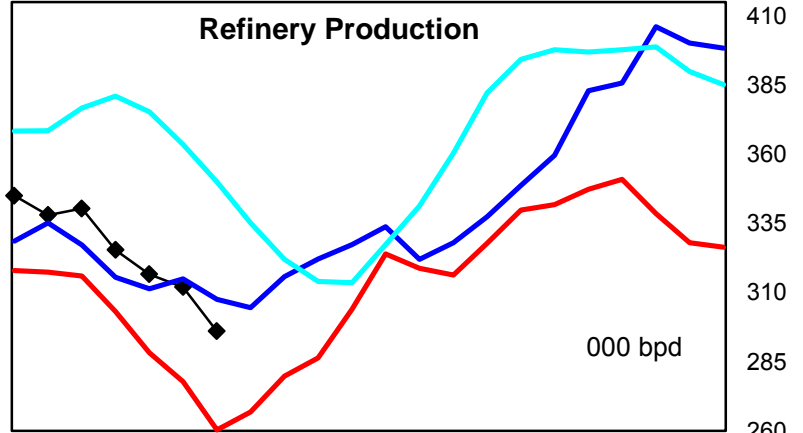
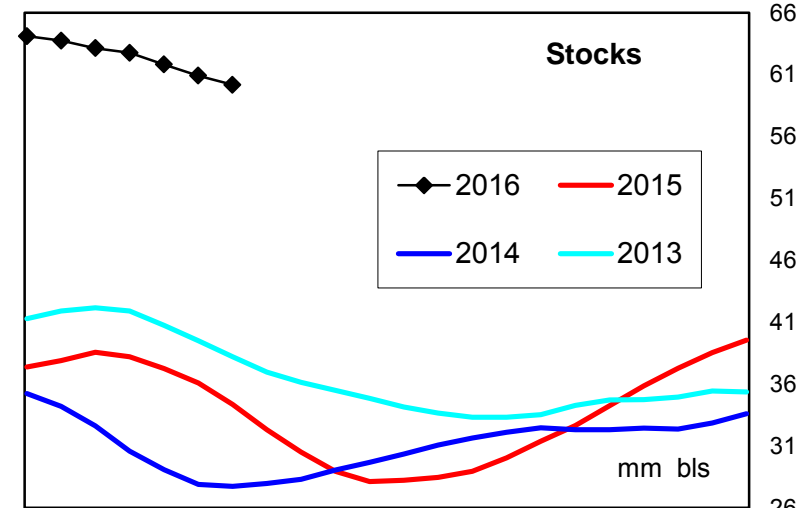
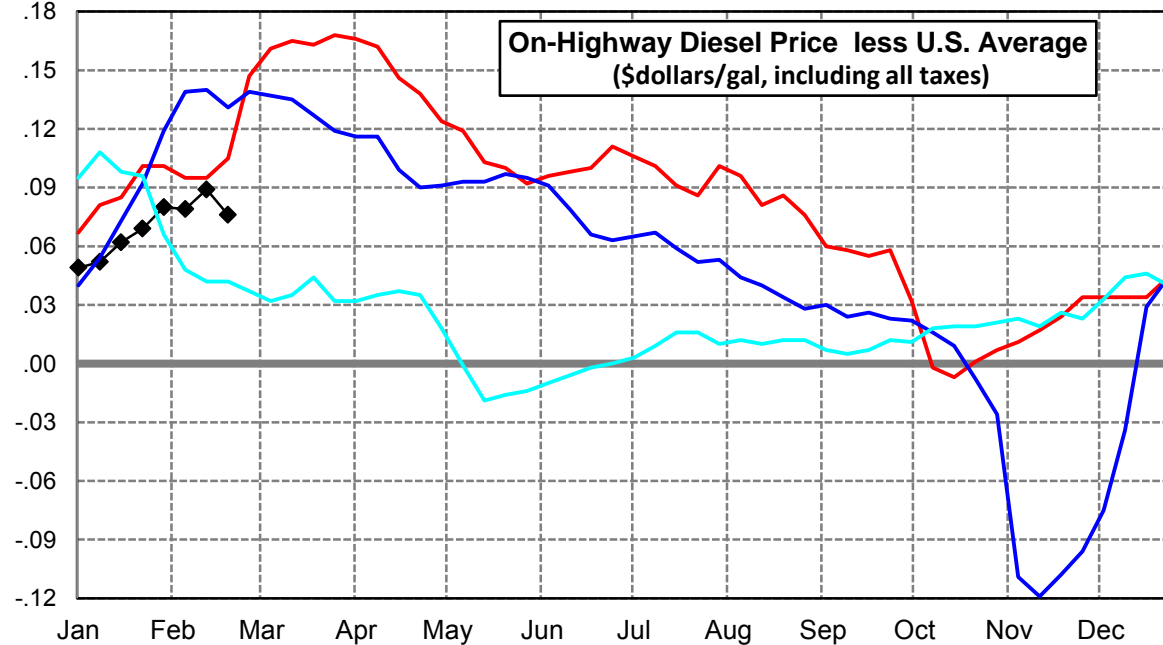
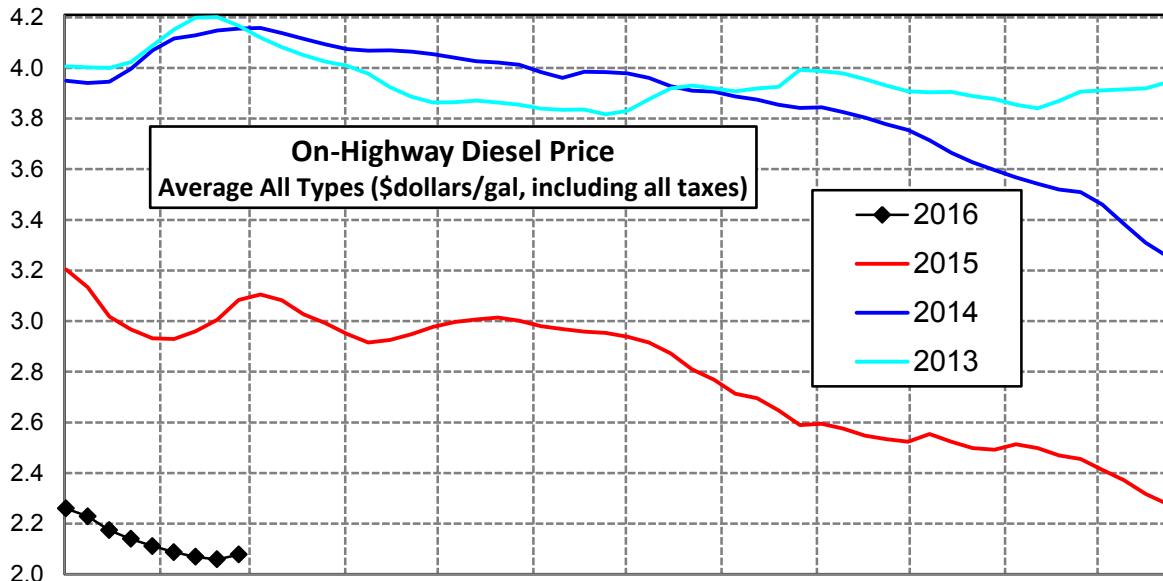
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
United States Avg	\$2.008	\$1.980	\$1.983	\$1.999	\$0.016
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



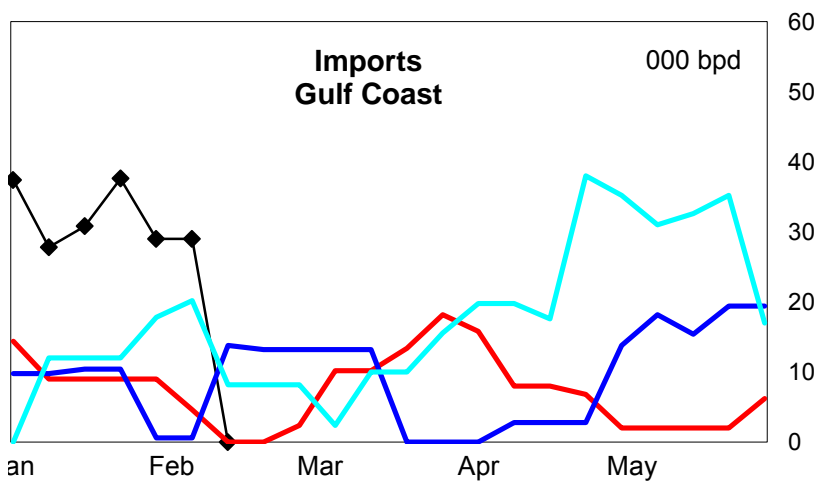
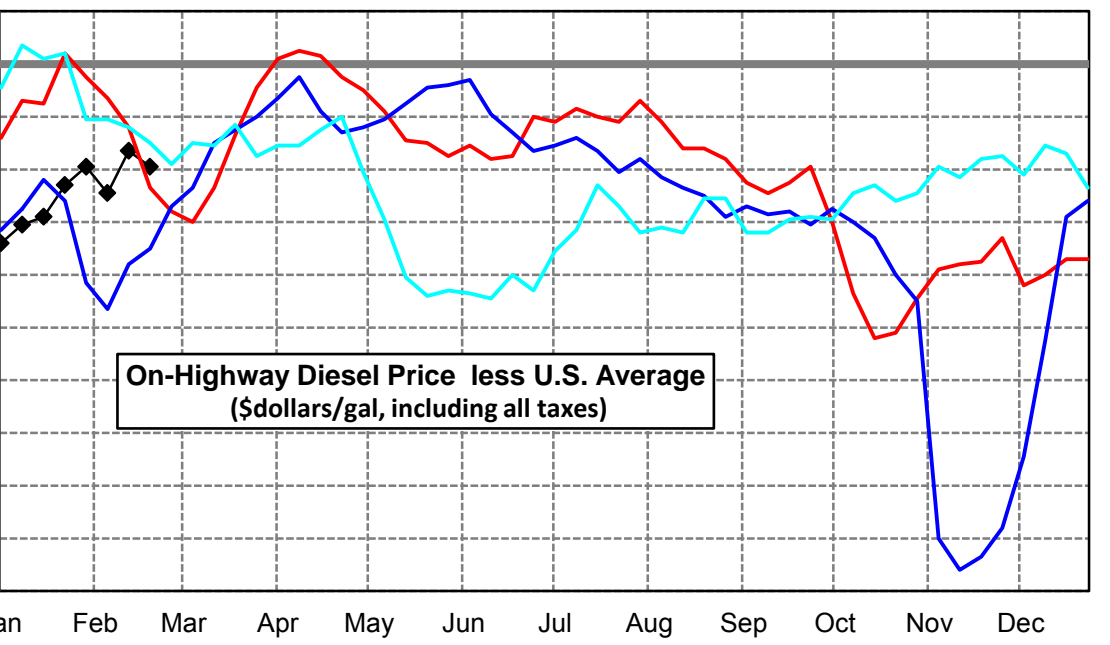
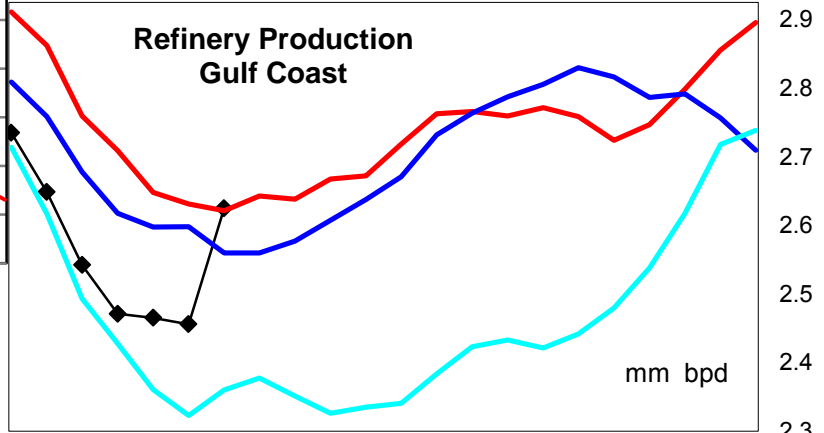
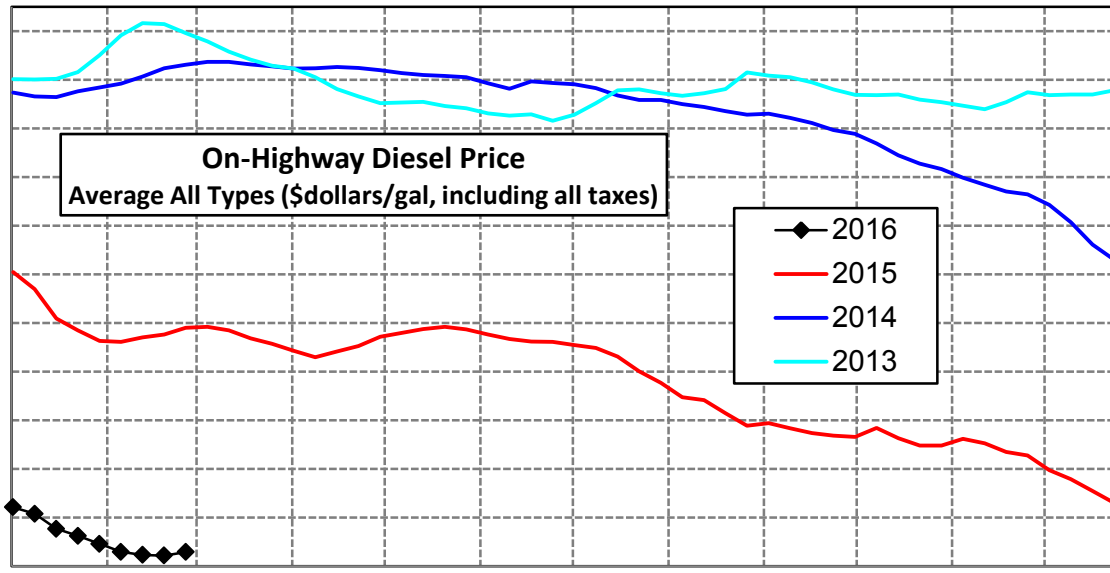
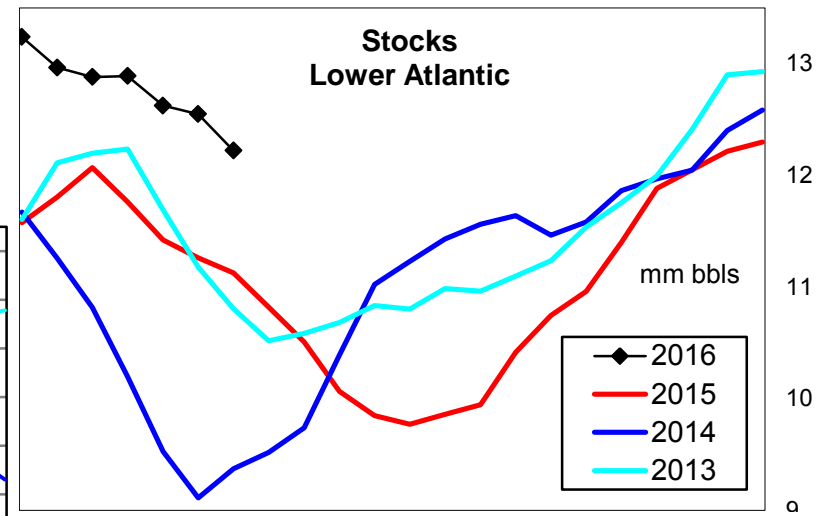
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
East Coast	\$2.087	\$2.069	\$2.059	\$2.078	\$0.019
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



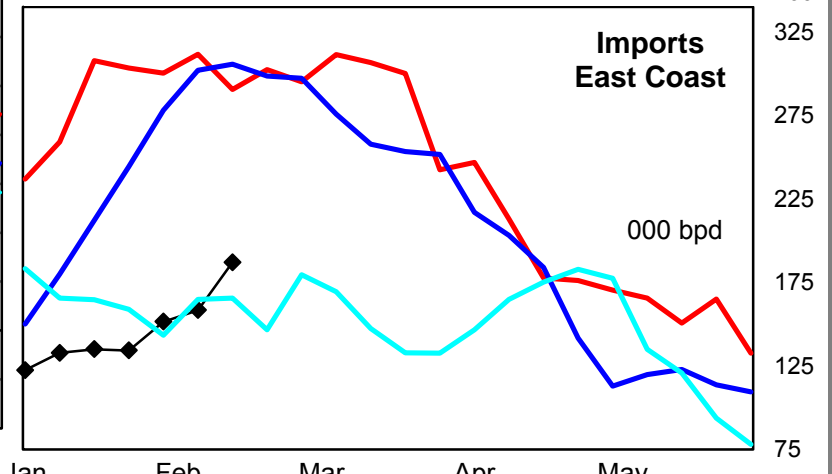
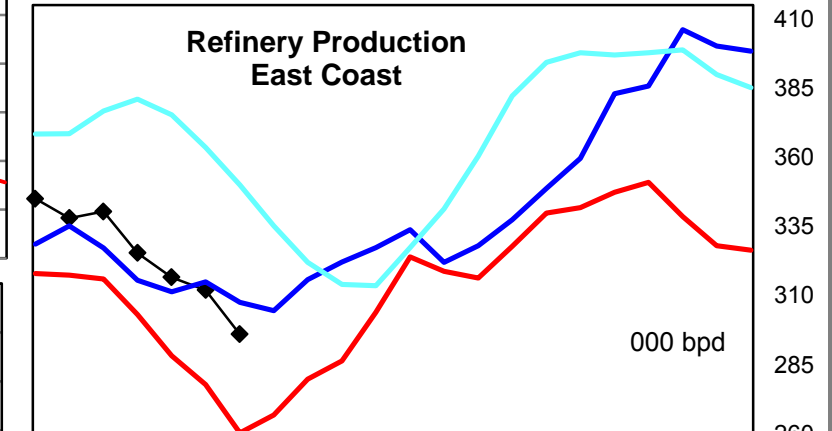
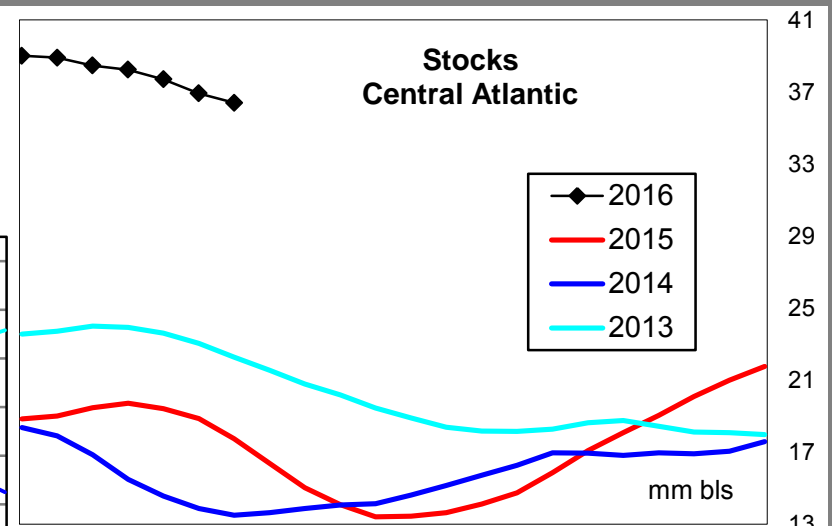
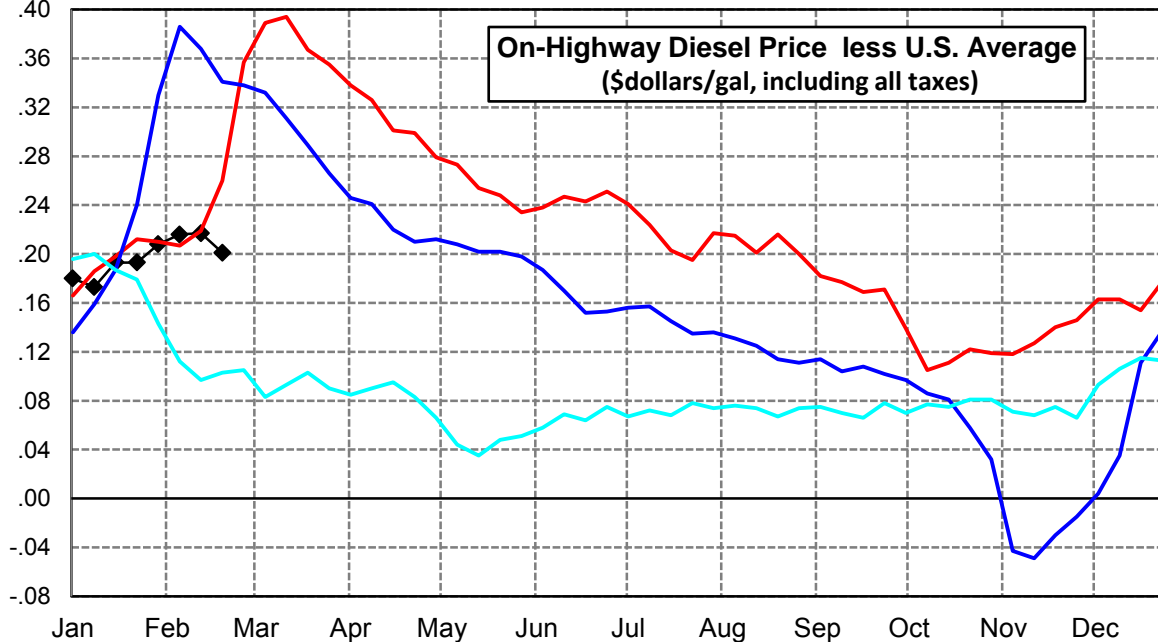
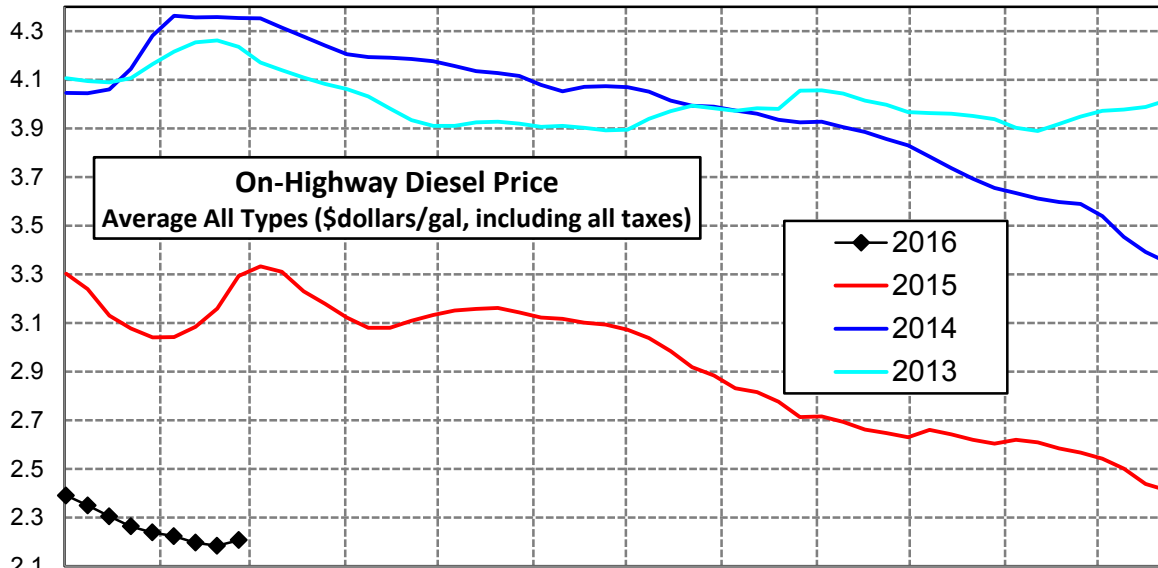
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
Lower Atlantic	\$1.959	\$1.947	\$1.944	\$1.959	\$0.015
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



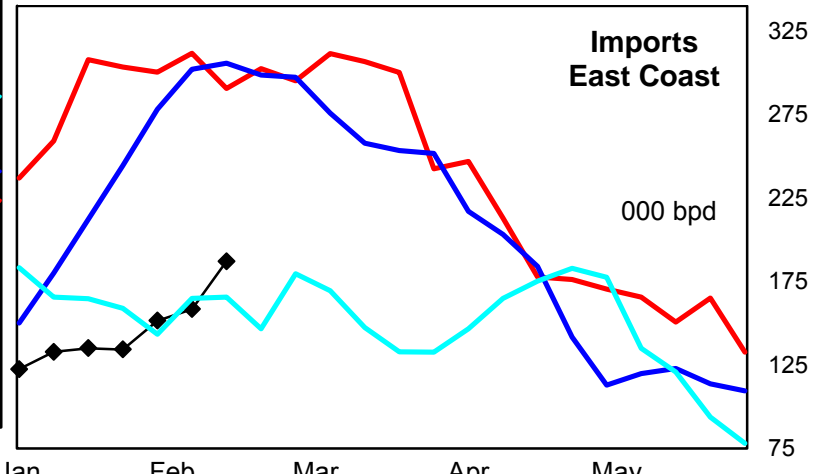
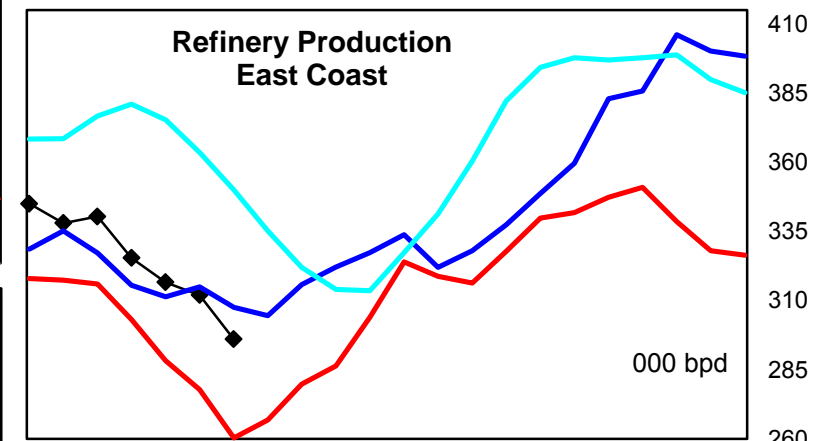
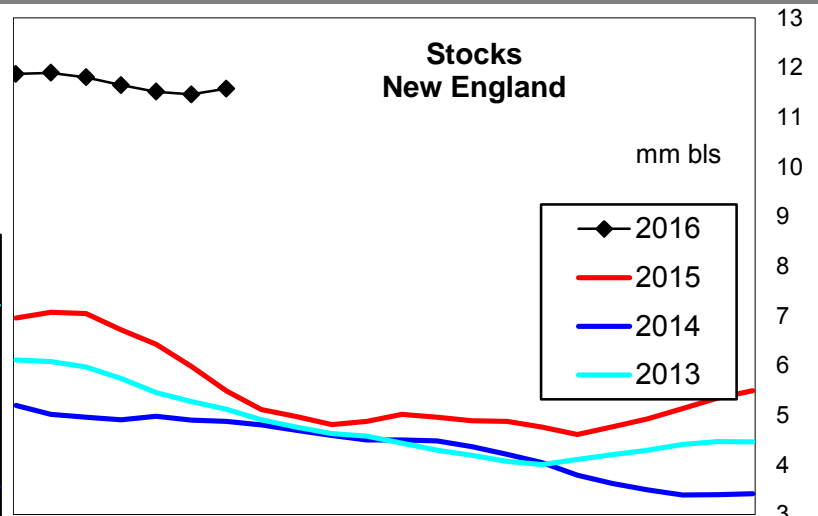
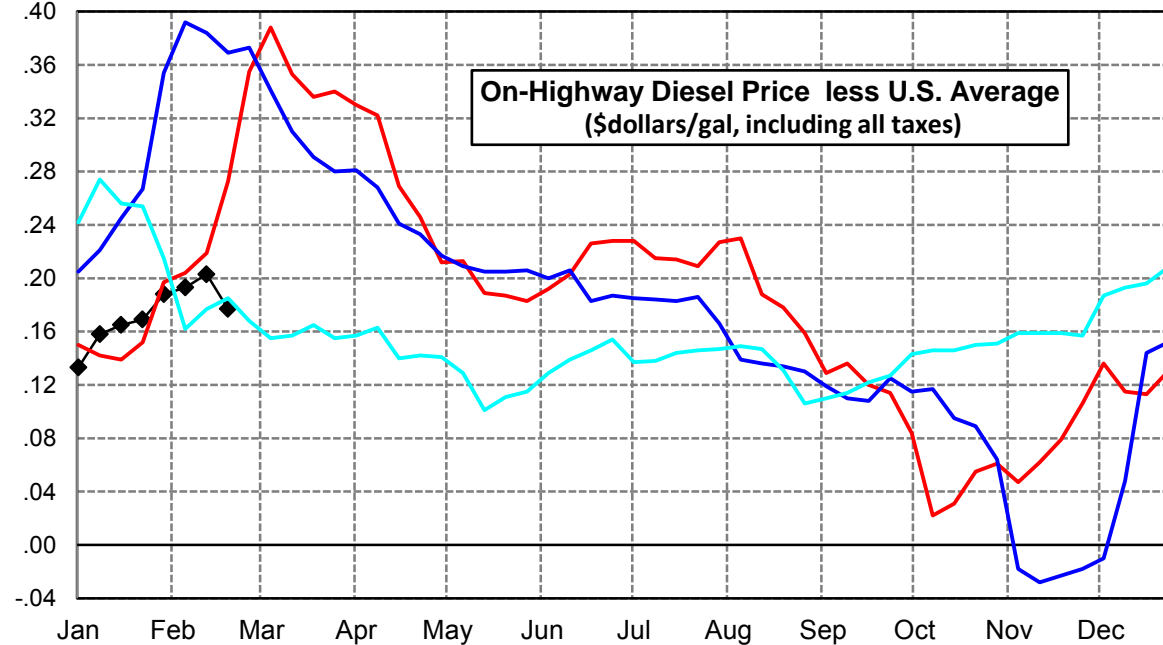
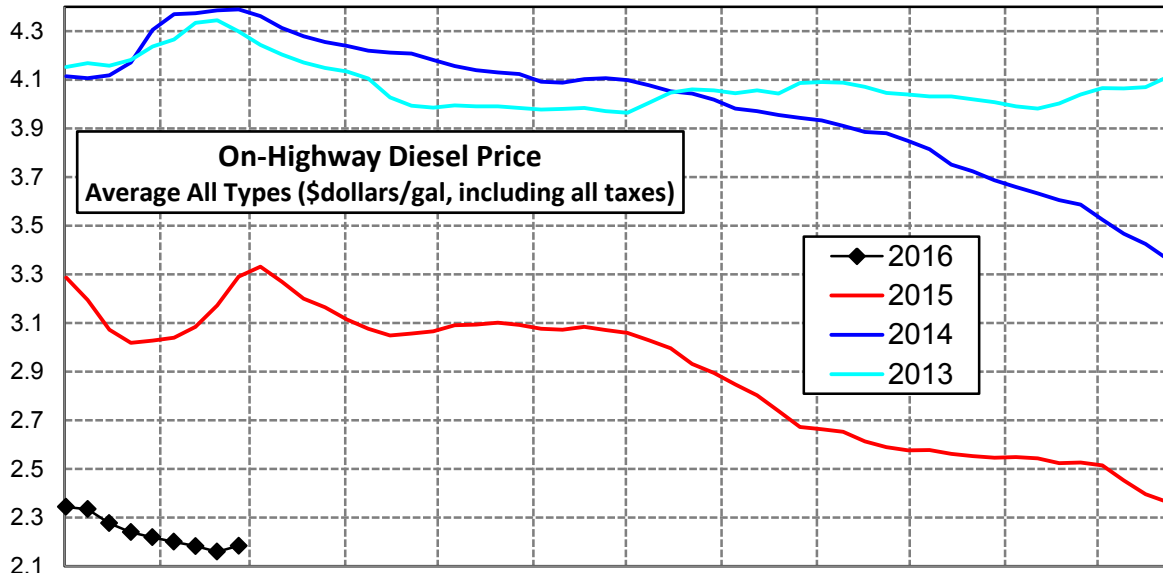
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
Central Atlantic	\$2.224	\$2.197	\$2.184	\$2.207	\$0.023
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



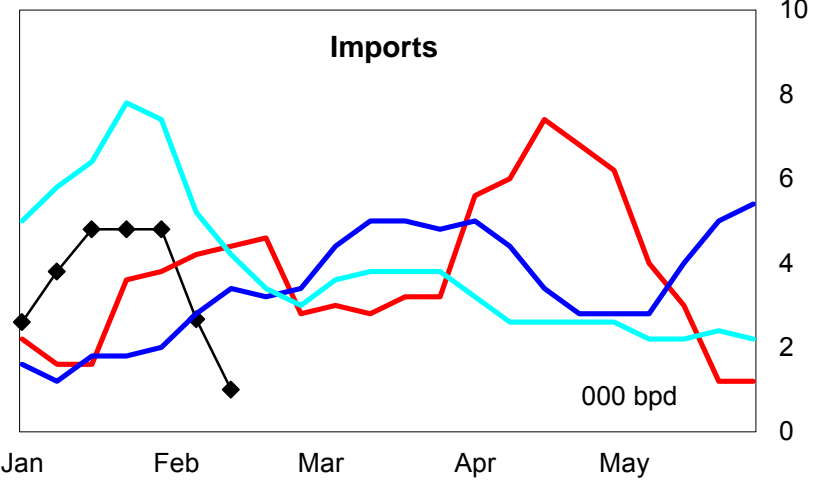
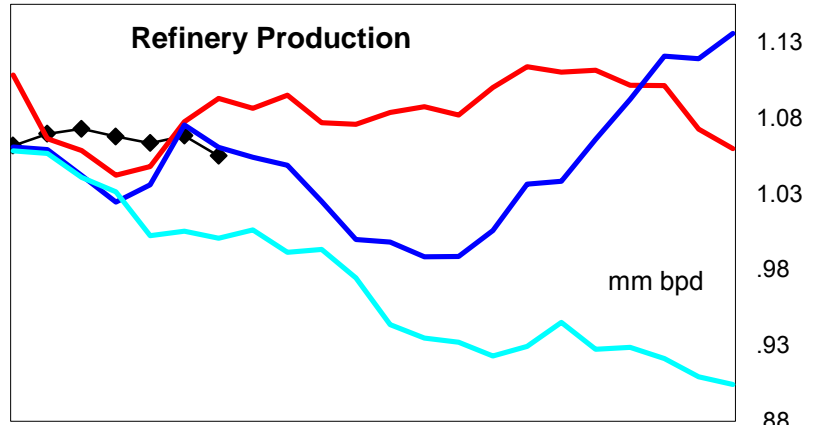
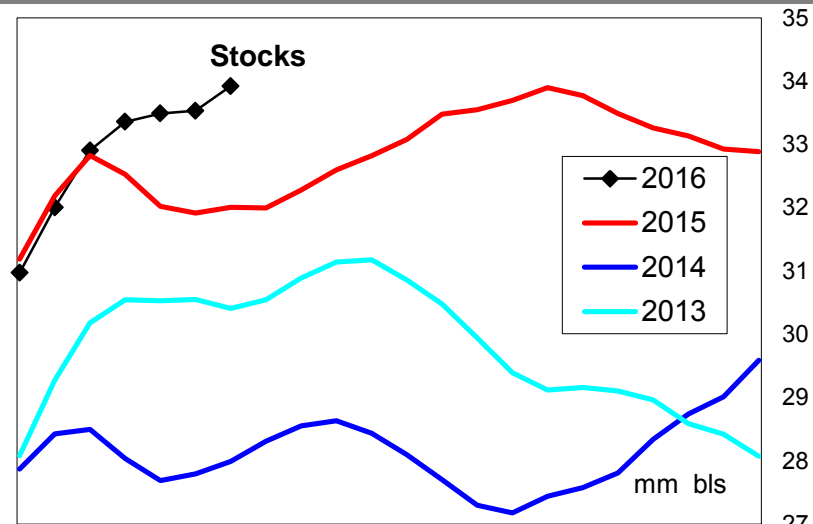
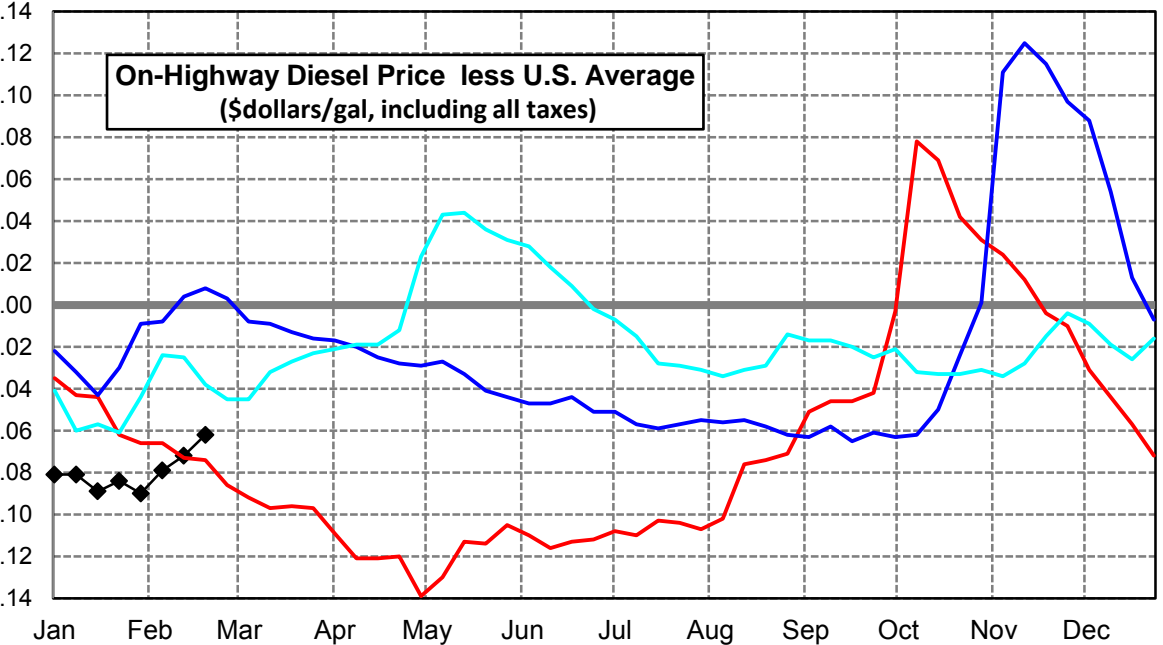
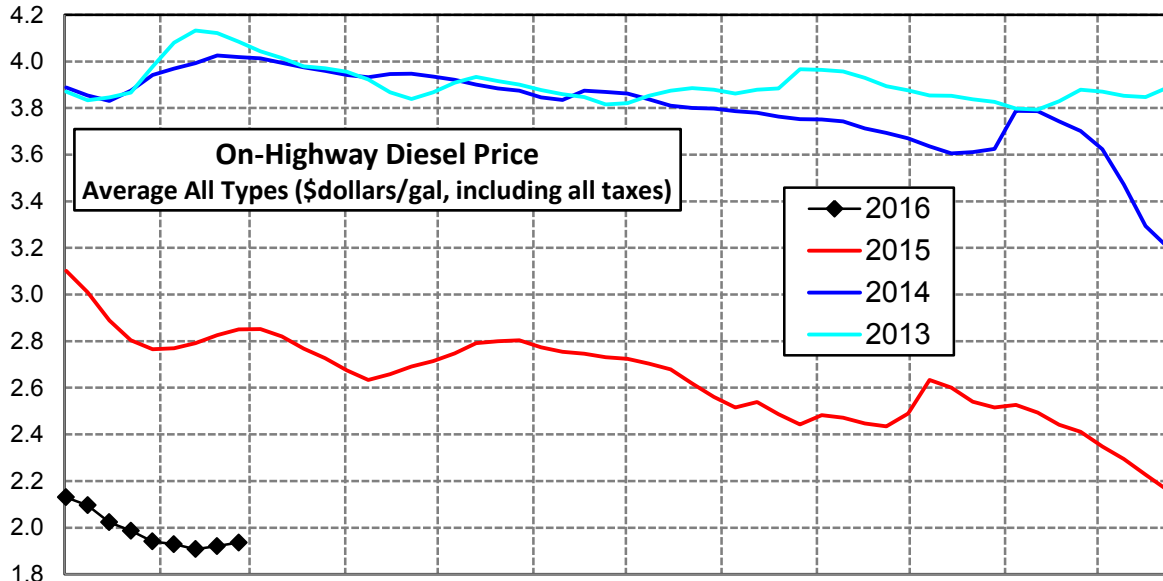
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
New England	\$2.201	\$2.183	\$2.160	\$2.184	\$0.024
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



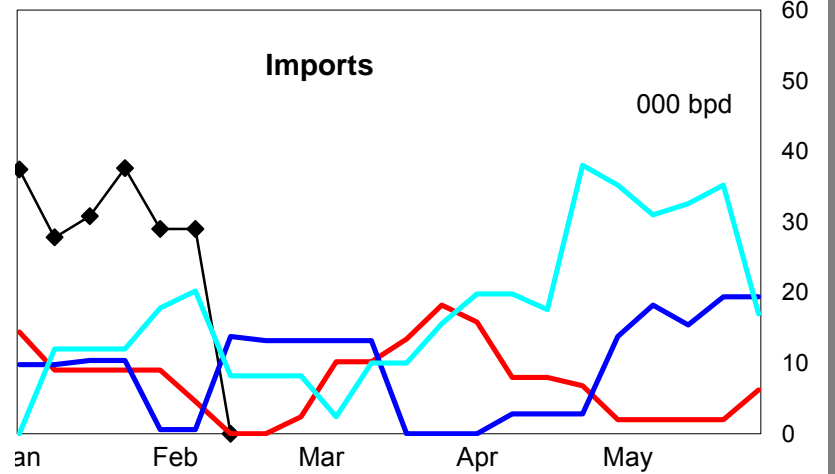
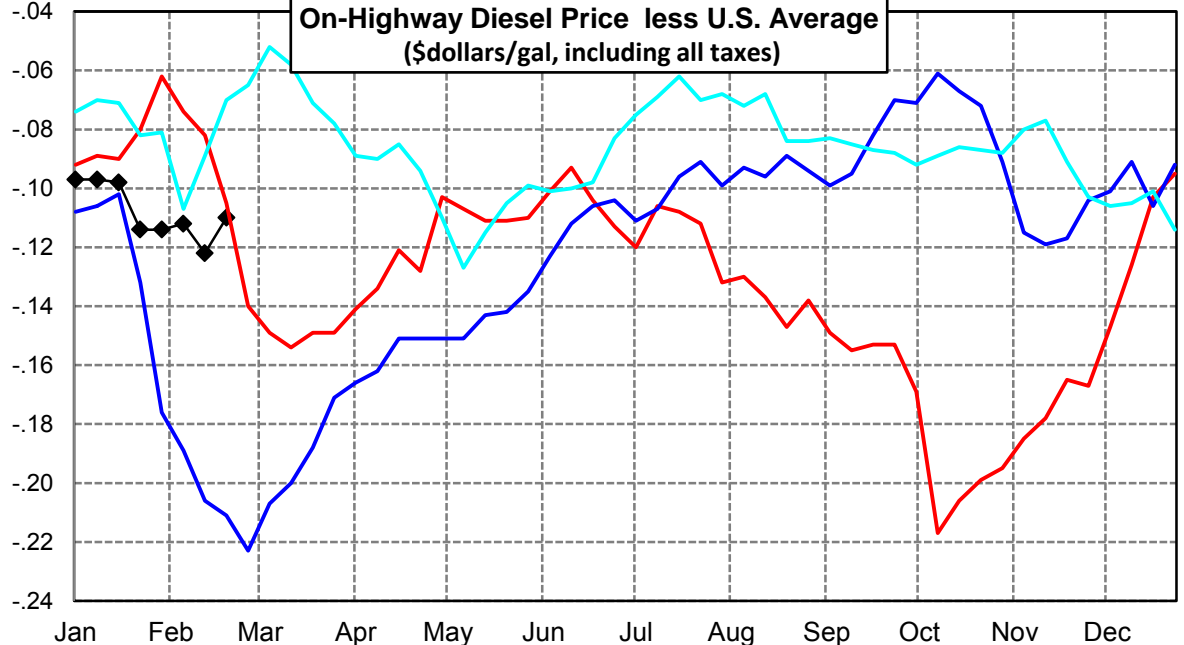
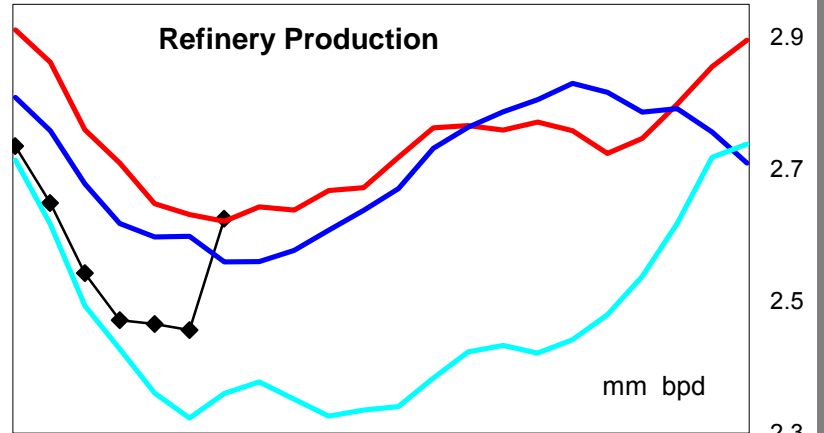
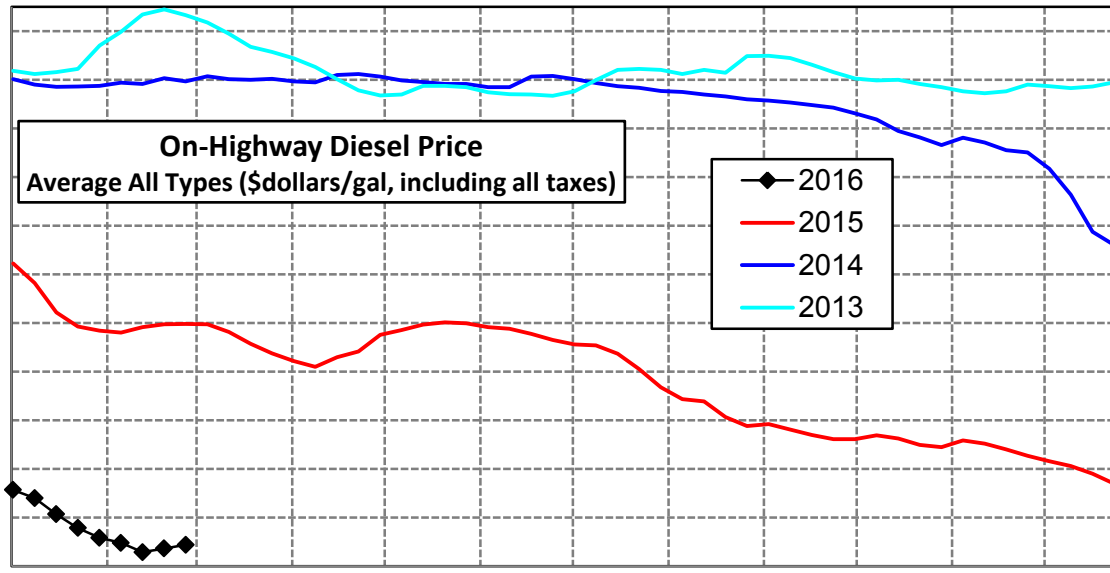
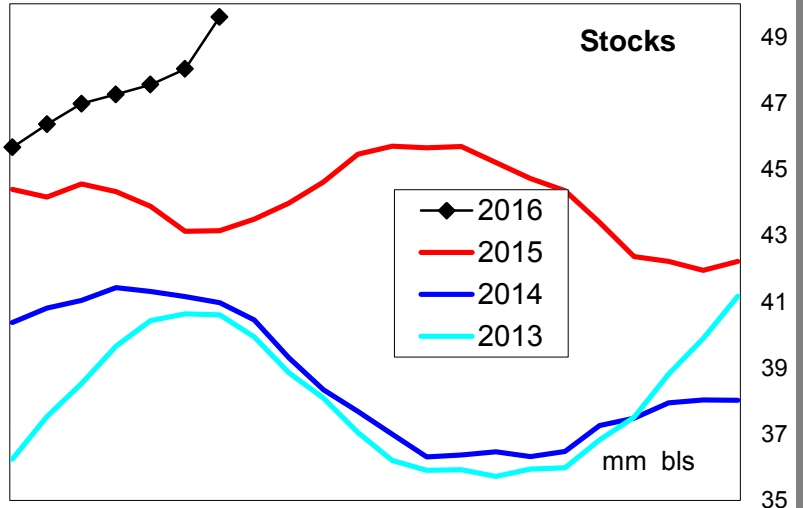
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
Midwest	\$1.929	\$1.908	\$1.921	\$1.936	\$0.015
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



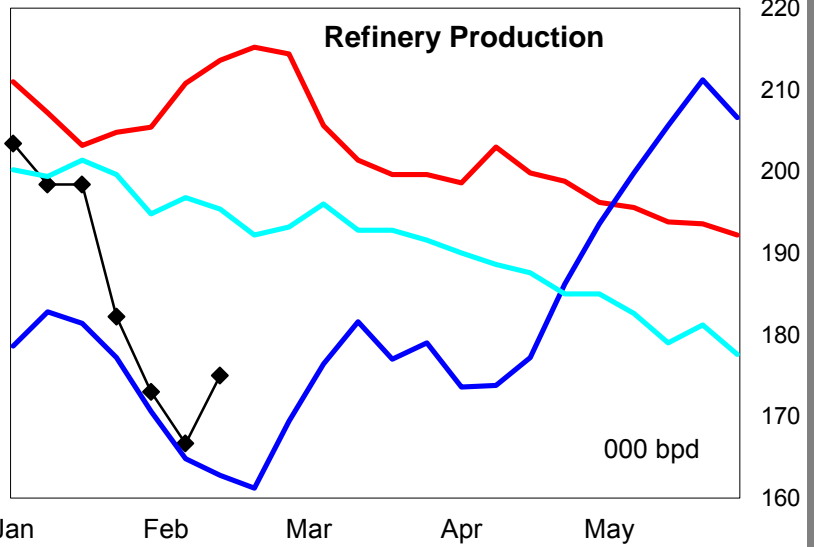
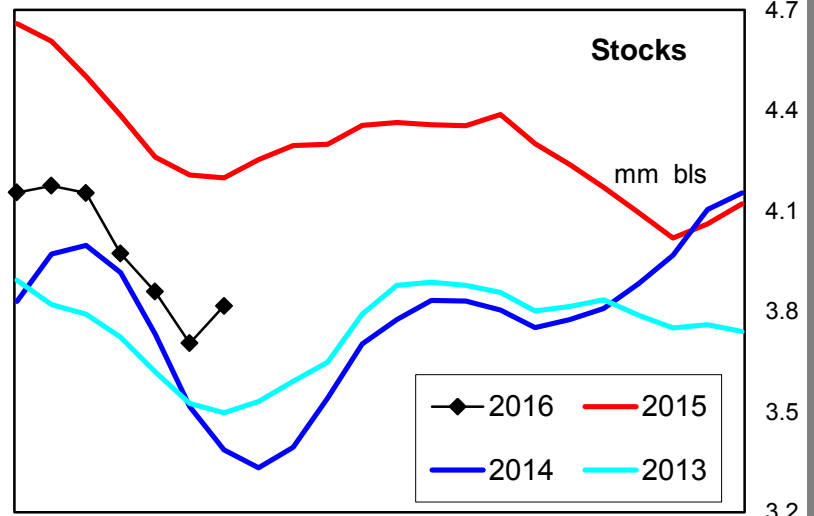
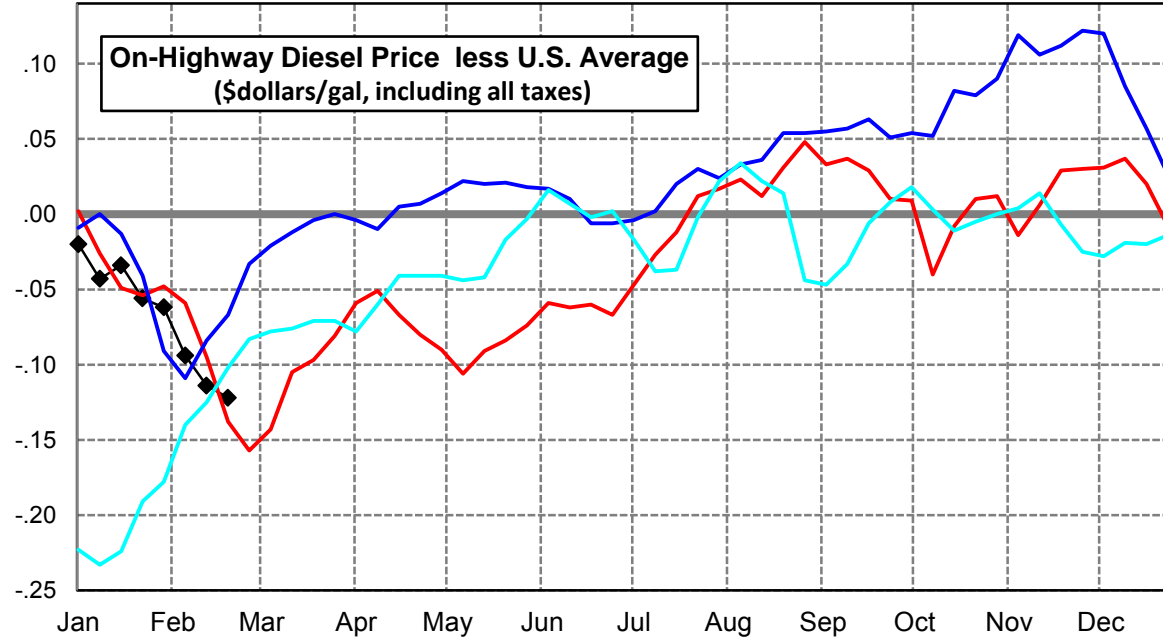
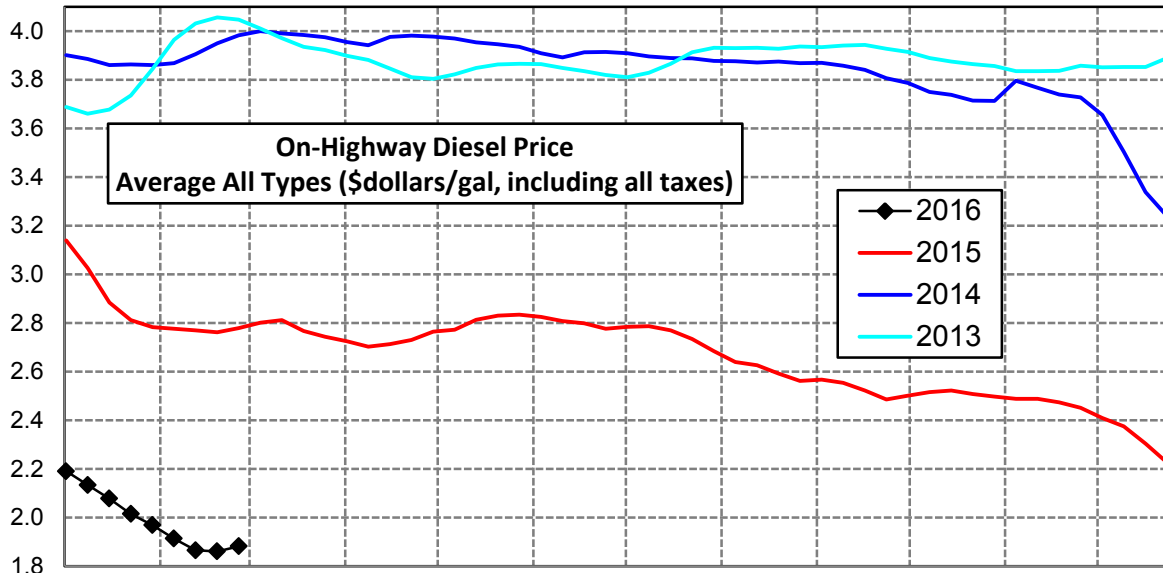
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
Gulf Coast	\$1.896	\$1.858	\$1.873	\$1.889	\$0.016
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



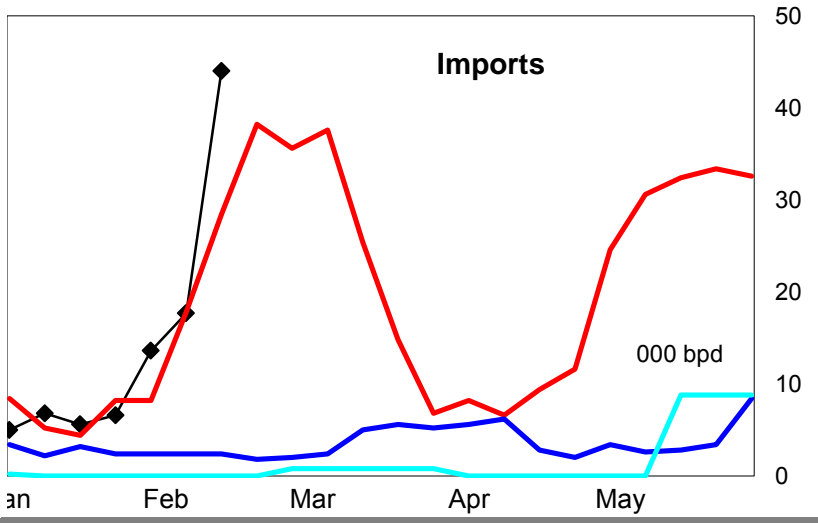
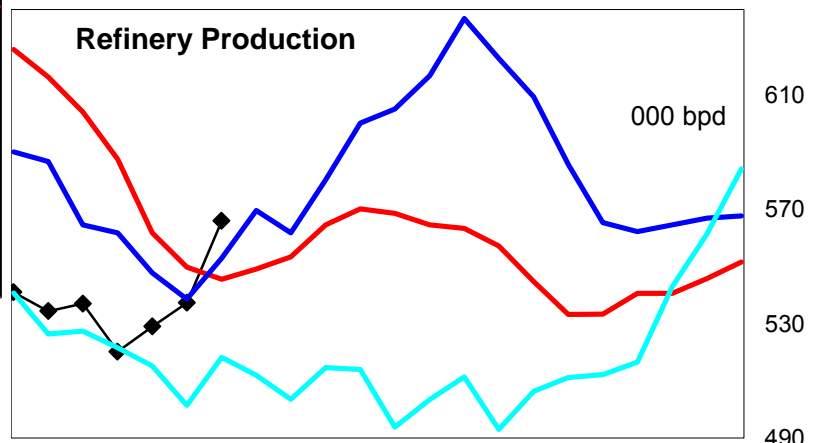
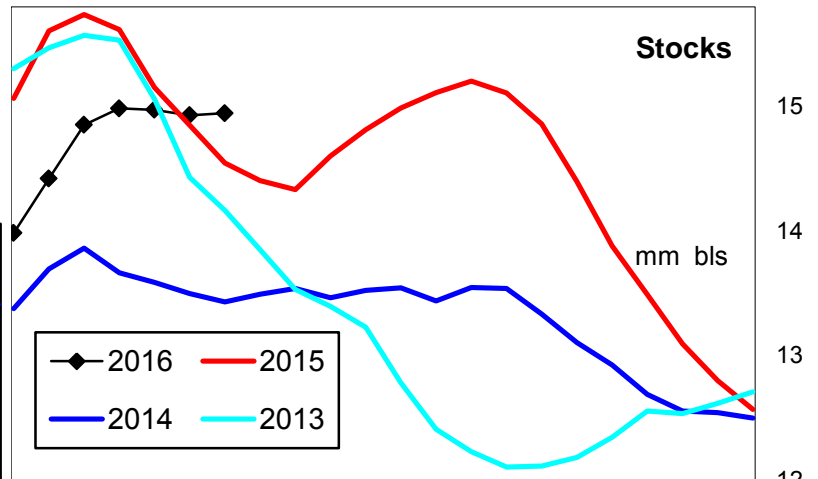
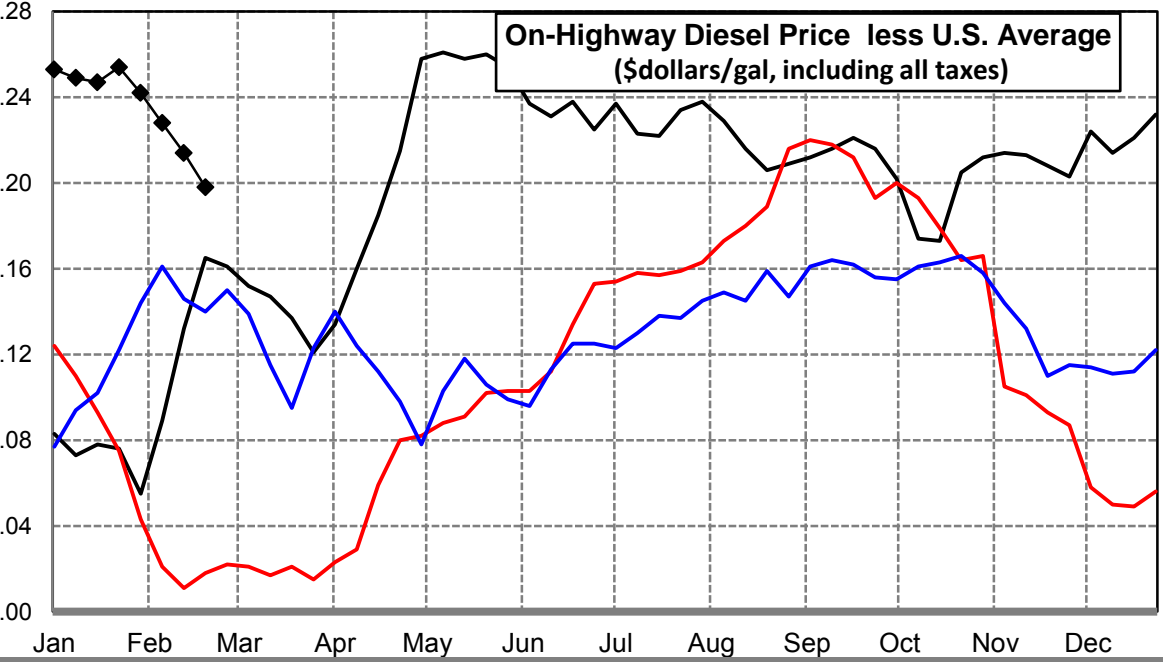
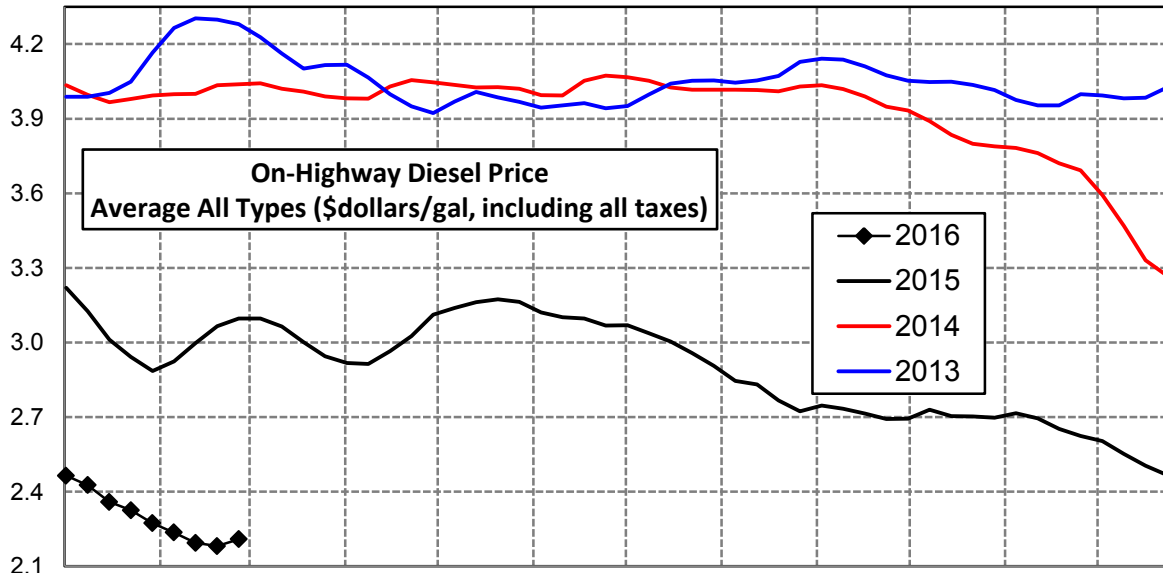
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
Rocky Mountain	\$1.914	\$1.866	\$1.861	\$1.882	\$0.021
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



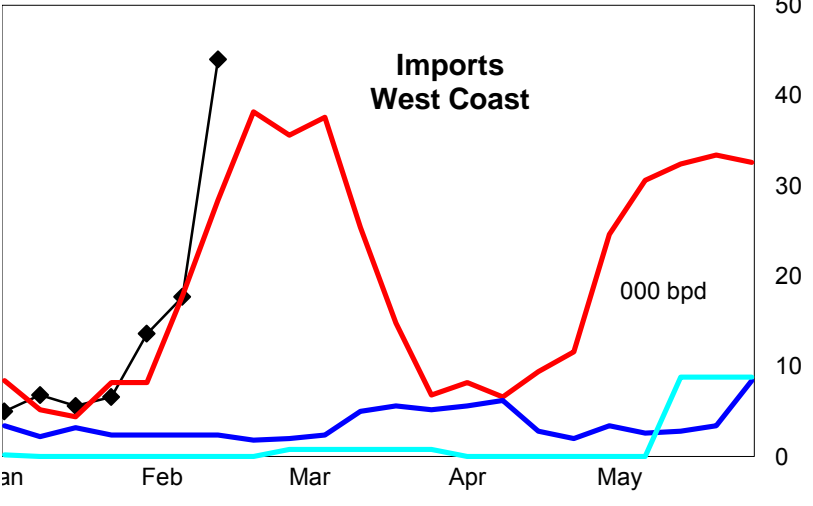
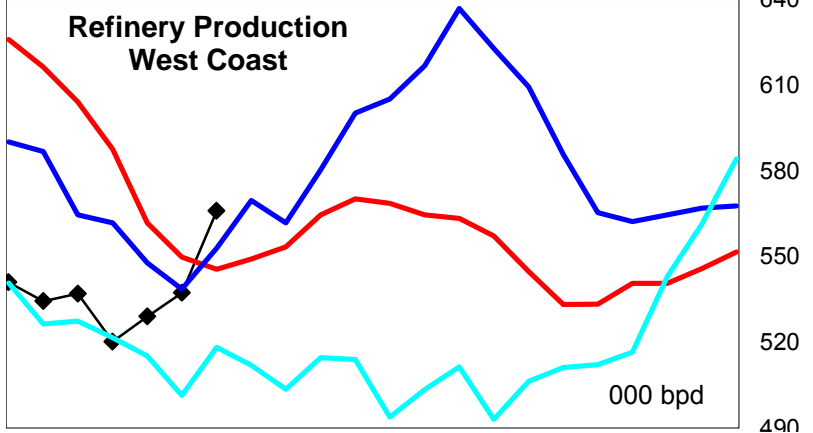
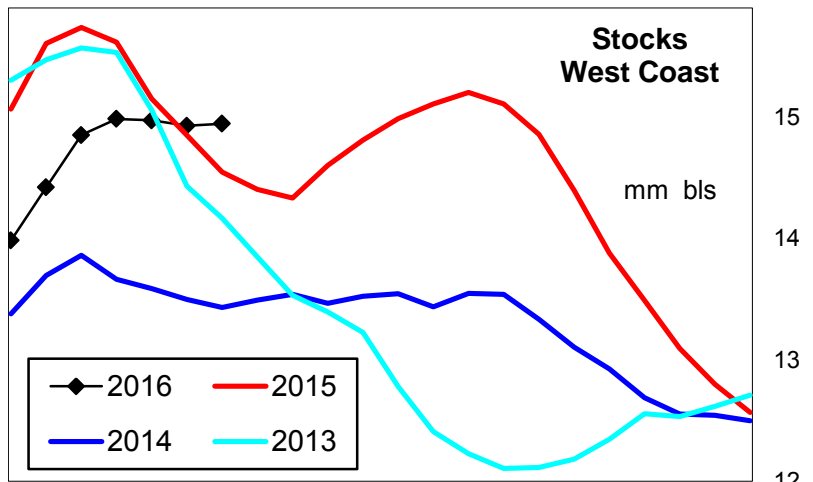
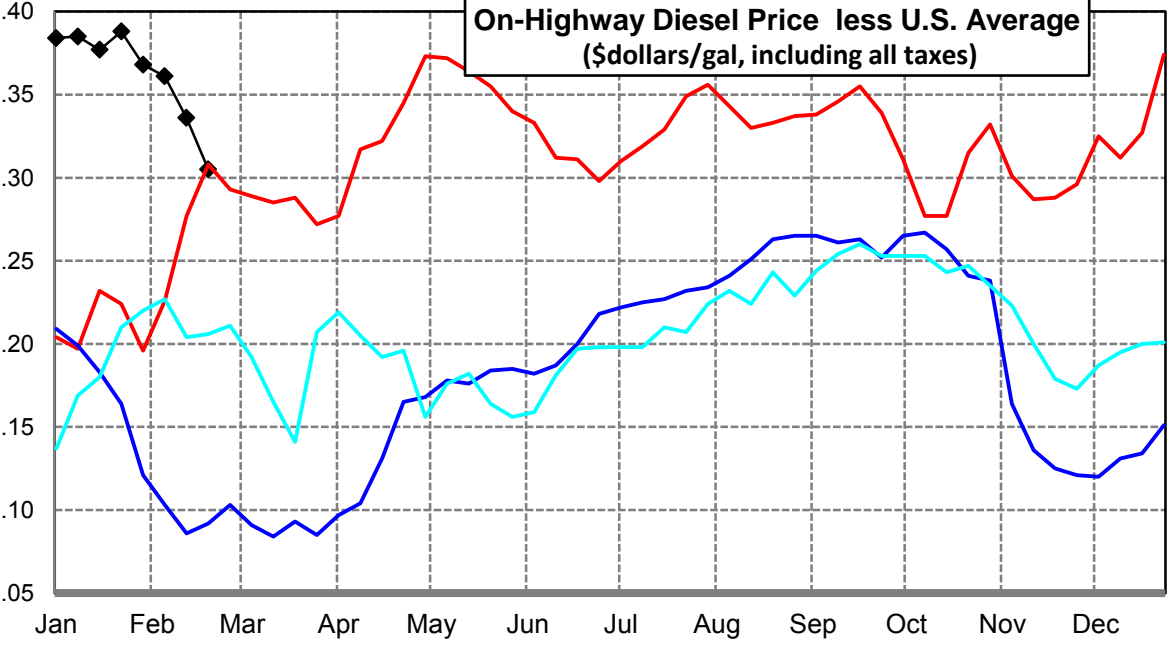
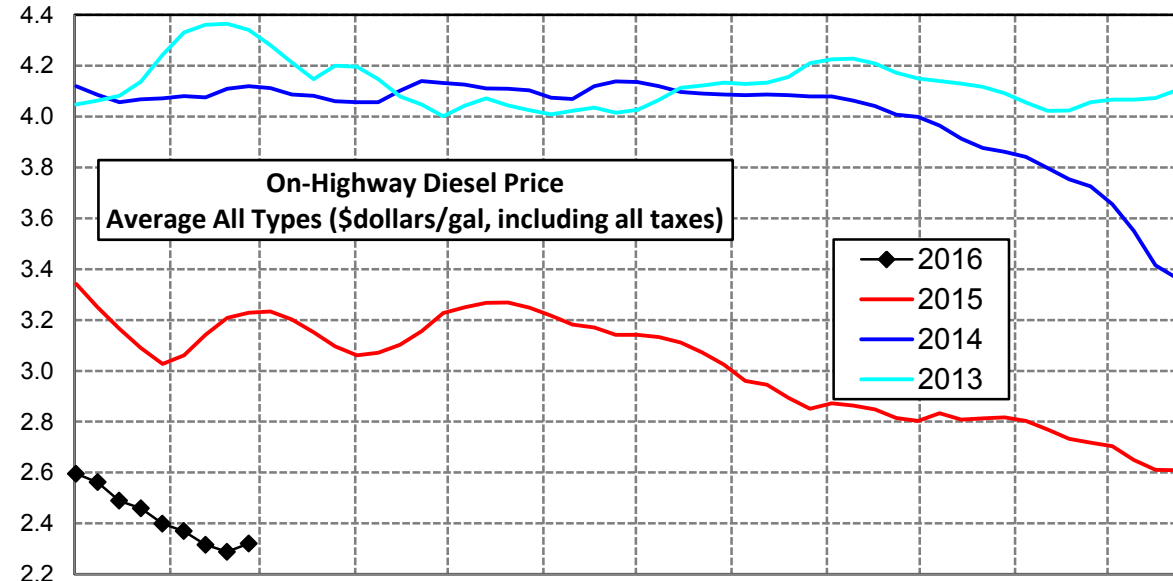
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	08Feb16	15Feb16	22Feb16	29Feb16	
West Coast	\$2.236	\$2.194	\$2.181	\$2.209	\$0.028
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
	08Feb16	15Feb16	22Feb16	29Feb16	
California	\$2.369	\$2.316	\$2.288	\$2.321	\$0.033
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	2.031	2.111	2.219	2.239	1.992	1.941	1.917	1.969	2.273	2.399
Mon-08-Feb-16	2.008	2.087	2.201	2.224	1.959	1.929	1.896	1.914	2.236	2.369
Mon-15-Feb-16	1.980	2.069	2.183	2.197	1.947	1.908	1.858	1.866	2.194	2.316
Mon-22-Feb-16	1.983	2.059	2.160	2.184	1.944	1.921	1.873	1.861	2.181	2.288
Mon-29-Feb-16	1.999	2.078	2.184	2.207	1.959	1.936	1.889	1.882	2.209	2.321
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.