



RETAIL DIESEL FUEL OUTLOOK

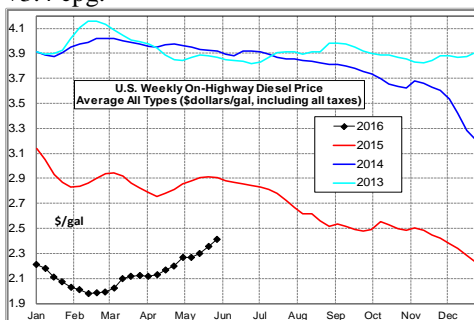
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, May 24, 2016

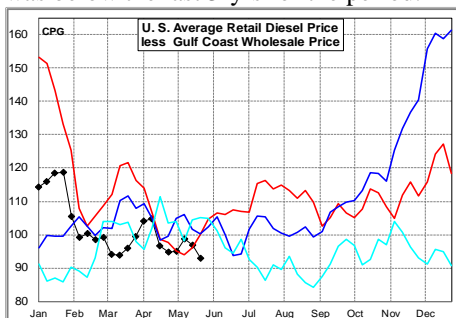
Weekly Retail On-Highway Diesel Prices					
Region	Actual Price 1/			Forecast 2/	Change from week ago
	09May16	16May16	23May16	30May16	
U.S.	2.271	2.297	2.357	2.412	0.055
East Coast	2.309	2.321	2.379	2.434	0.055
New England	2.339	2.348	2.411	2.461	0.050
Central Atlantic	2.402	2.410	2.464	2.516	0.052
Lower Atlantic	2.232	2.248	2.308	2.359	0.051
Midwest	2.241	2.271	2.325	2.367	0.042
Gulf Coast	2.131	2.157	2.233	2.272	0.039
Rocky Mountain	2.277	2.324	2.358	2.426	0.068
West Coast	2.493	2.530	2.597	2.657	0.060
California	2.594	2.615	2.673	2.739	0.066

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

Diesel Fuel Price Trends U. S. retail diesel prices increased +6 cpg last week, driven the continued uptrend in global energy prices. Prices were higher in all regions, led by a +7.6 cpg increase in the Gulf Coast. Prices in the Rockies climbed +3.4 cpg.



The U.S. average retail diesel price compared to the Gulf Coast wholesale market decreased -4.1 cpg on the week. The spread ended the week at a level that was below the last 3-yrs for the period.

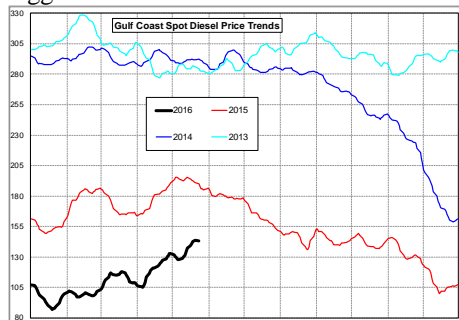


The national average on-highway price ended the week -56 cpg below a year ago. The highest retail prices were in California

at \$2.67/gal and the Central Atlantic at \$2.46/gal. The lowest prices were in the Gulf at \$2.23/gal.

The region average retail price compared to the U.S. average was well below the last 3-yrs in New England; driven by extremely high stock levels in this region. The region average retail price compared to the U.S. average traded near 3-yr highs in the Rockies and West Coast regions on above average refinery maintenance.

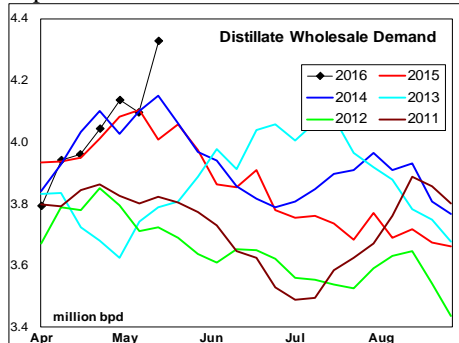
Gulf spot prices increased +3.7 cpg last week. Gulf Spot prices ended the week at the highest level since November 2015. The spread between the Gulf wholesale price and the U.S. average retail price decreased -4.1 cpg on the week, as retail prices lagged the rise in wholesale cost.



Look for the retail to wholesale price differential to increase as retail prices 'catch up' to higher wholesale prices.

Supply - Demand Fundamental Trends

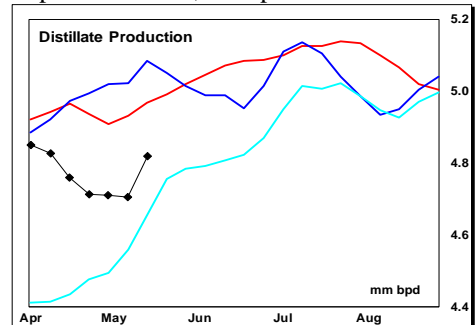
Distillate wholesale demand increased +0.3 million bpd last week, to a level well above the last 5-yrs, driven by increased exports.



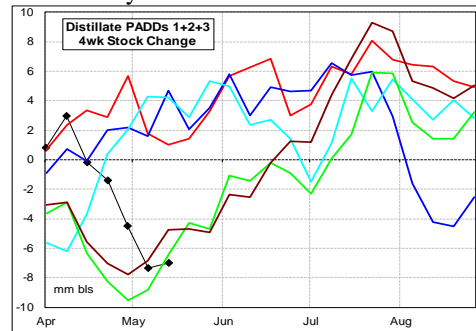
The latest 4-wk average wholesale demand

compared to a year ago decreased -37,000 bpd.

Supply increased +94,000 bpd last week, on higher production. During the latest 4-wk period, production was -230,000 bpd below a year ago while imports were -66,000 bpd lower.



Distillate stocks fell -3.2 million barrels last week, to a level +24 million barrels above last year.



The latest 4-wk stock change East of the Rockies was a -7 million barrel draw compared to an average build of +3 million barrels during the past 3-yrs.

Global Trends Driving Diesel Prices

A sharp decrease in distillate production and imports underlies a record counter seasonal stock draw East of the Rockies during the last month (1 -10 million barrel variance to the average of the last 3-yrs).

Global disruptions in crude oil supply underlies the recent rise in energy prices. Look for the tightening to continue into the peak summer driving season; supporting distillate prices.

Diesel Price Outlook:

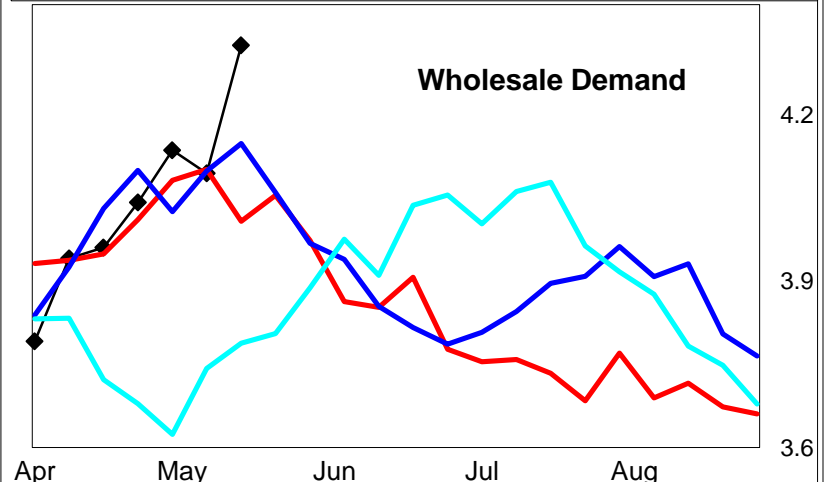
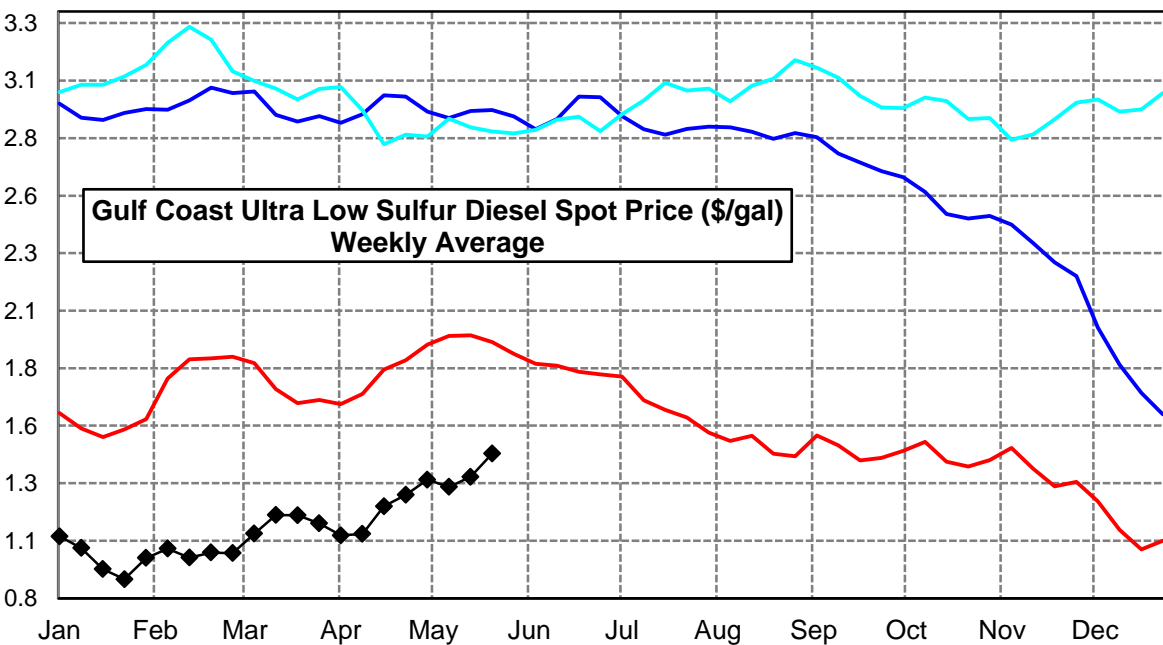
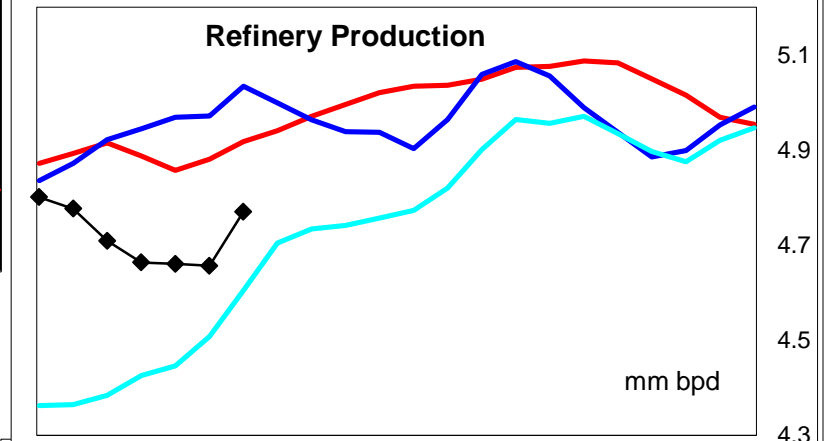
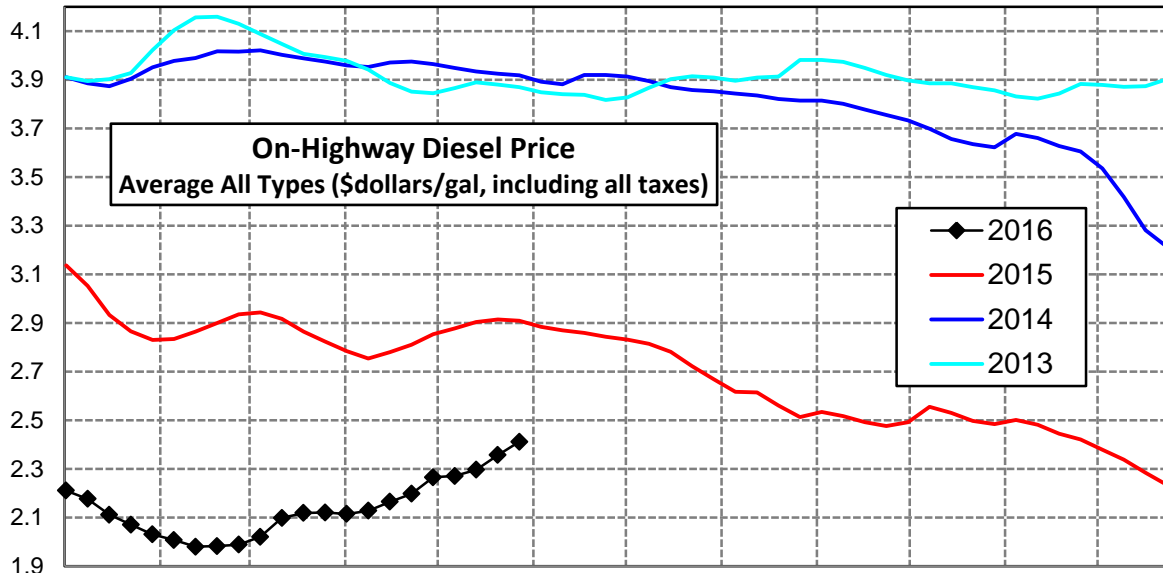
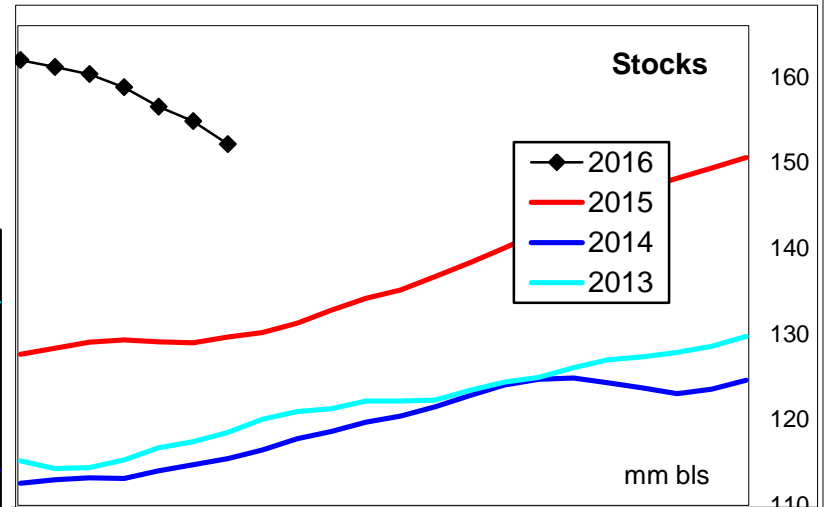
Rockies and West Coast markets should continue to report relatively high retail prices compared to the U.S. average (due to oversupply east of the Rockies).

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



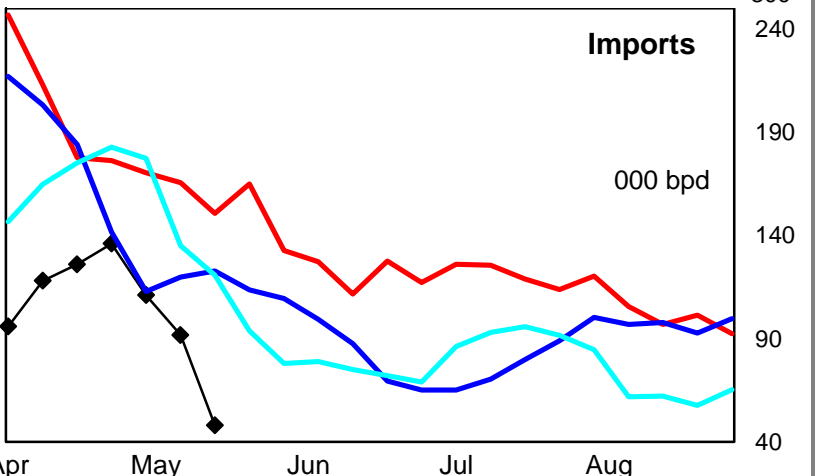
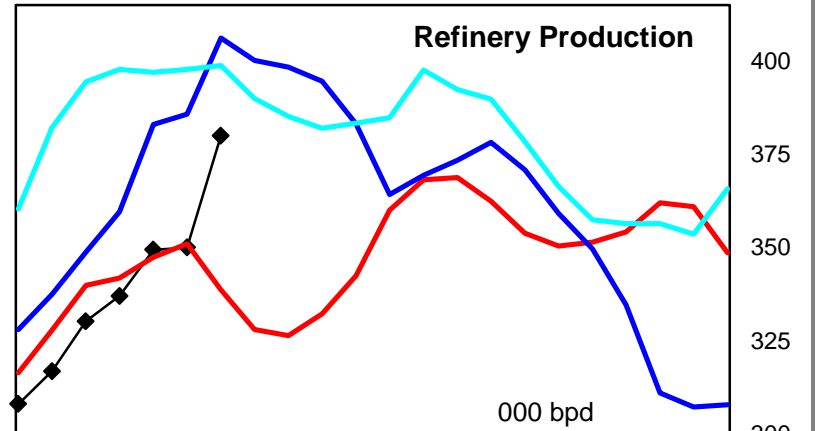
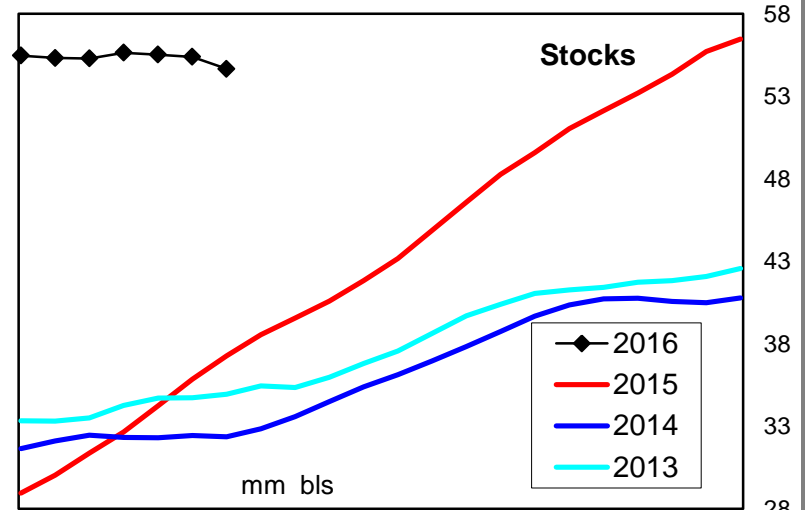
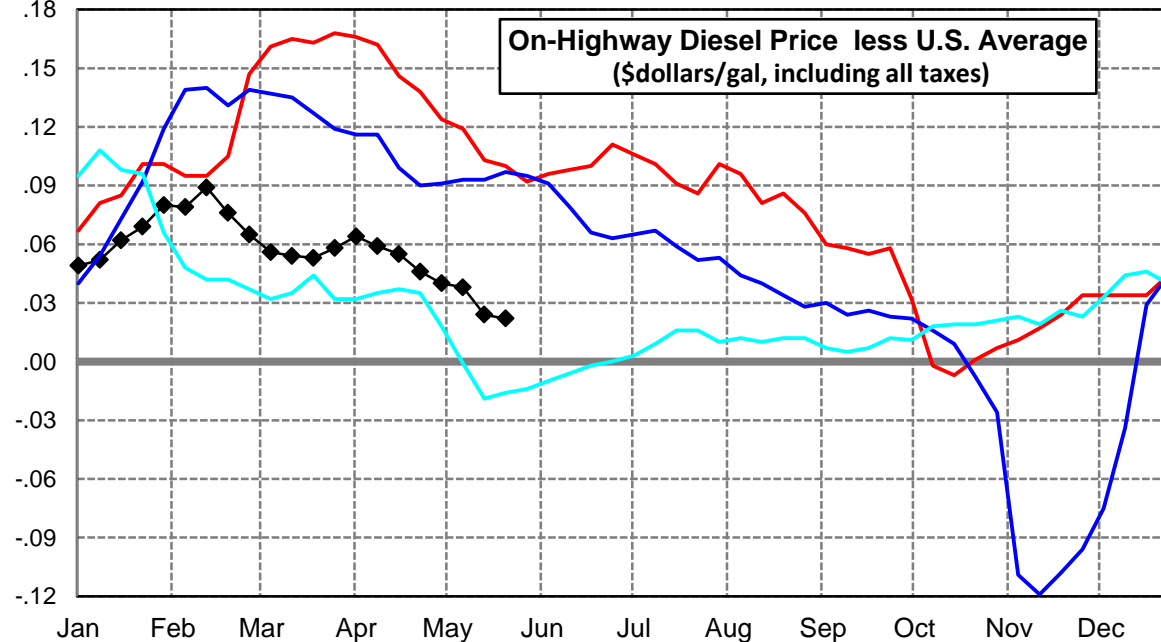
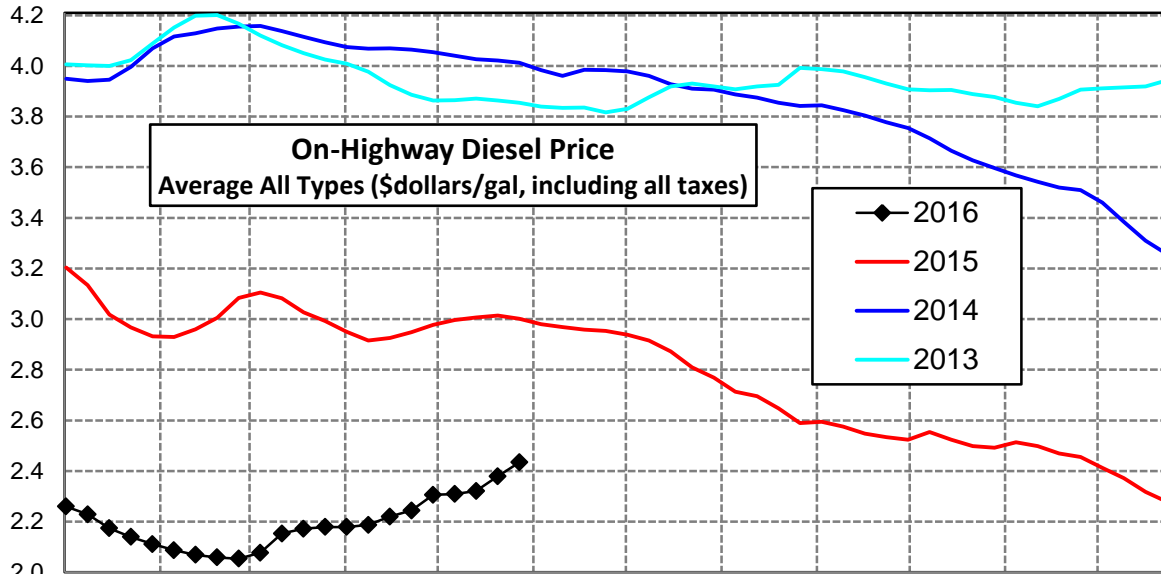
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
United States Avg	\$2.271	\$2.297	\$2.357	\$2.412	\$0.055
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



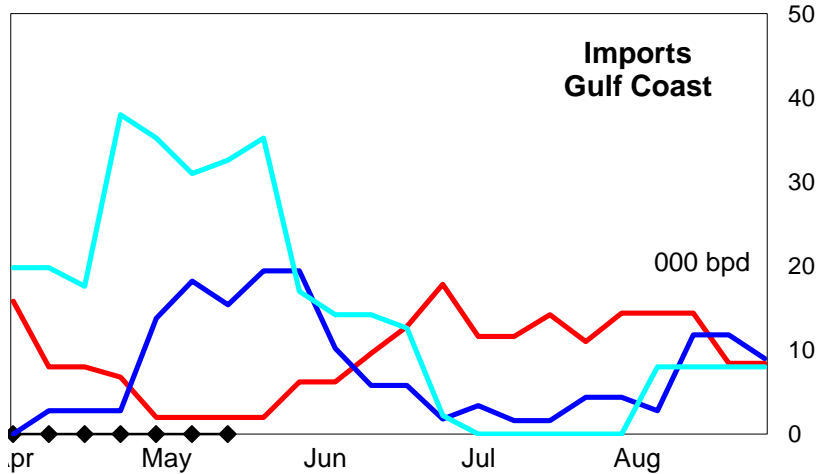
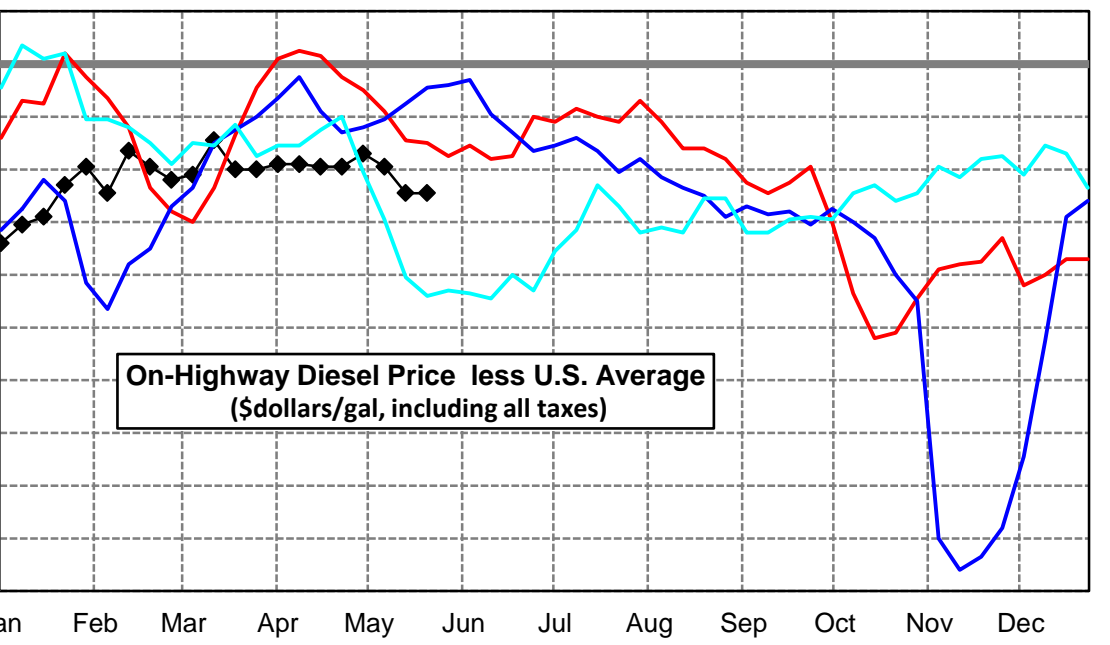
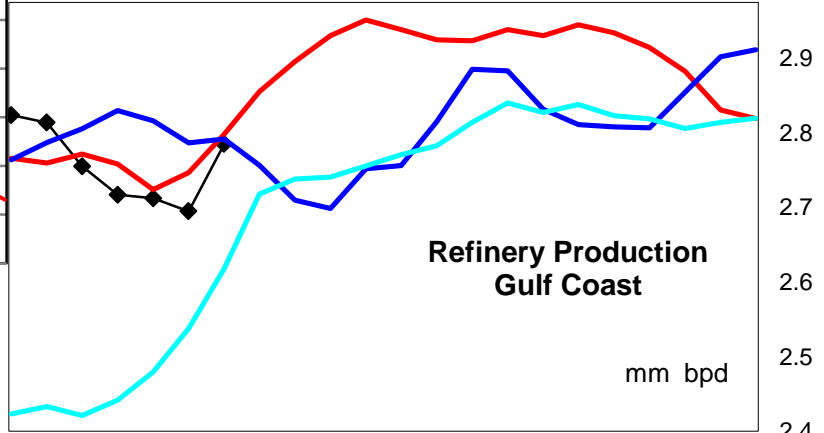
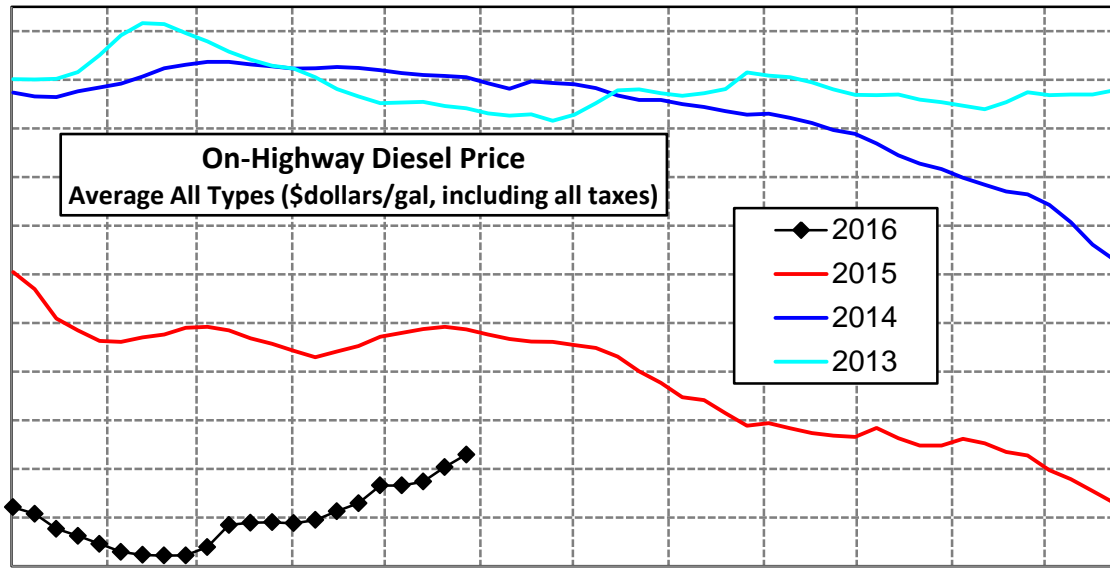
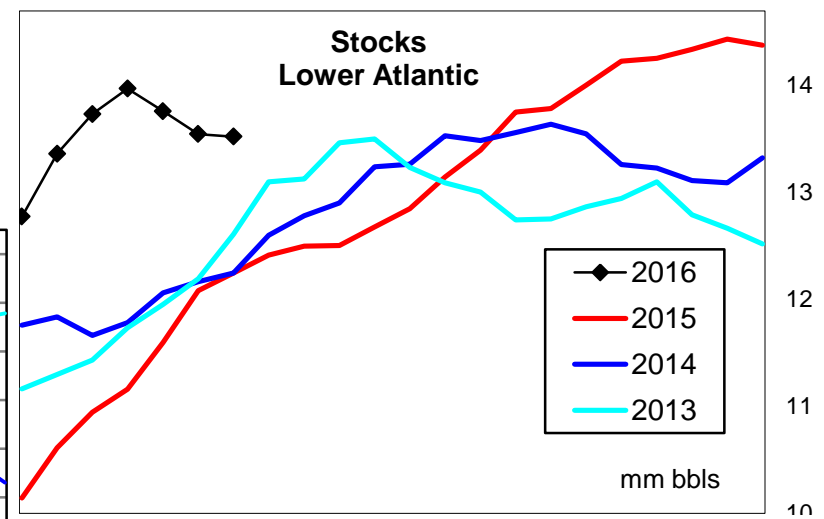
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
East Coast	\$2.309	\$2.321	\$2.379	\$2.434	\$0.055
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



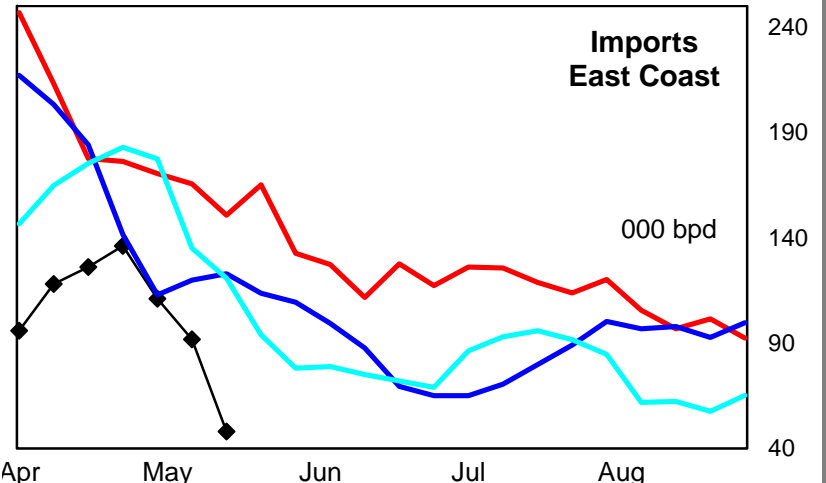
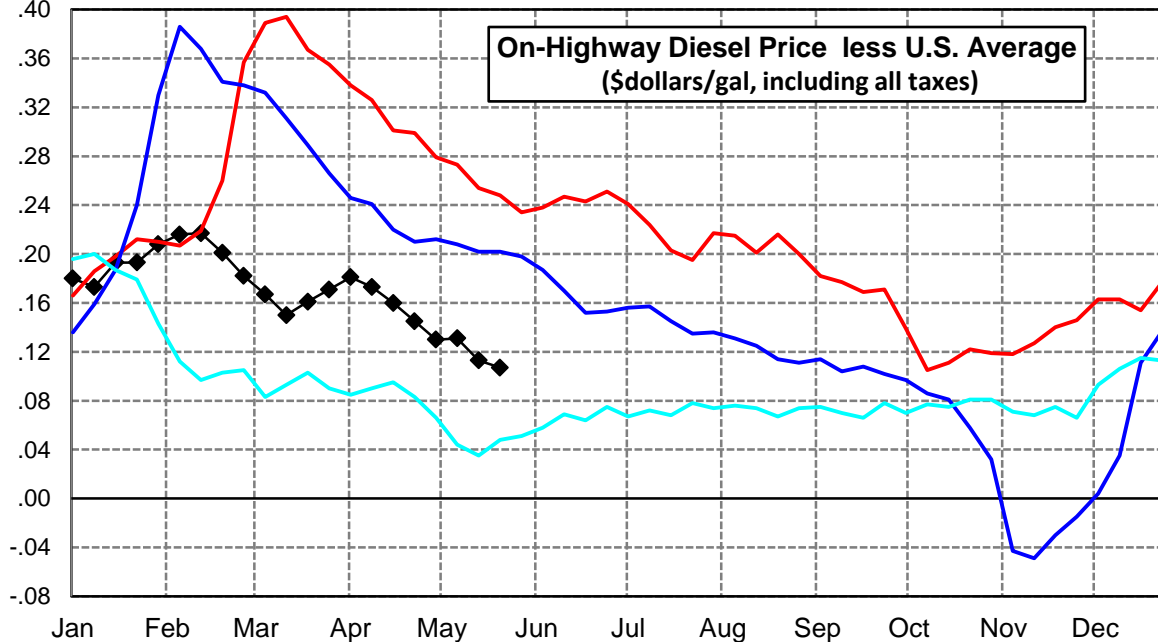
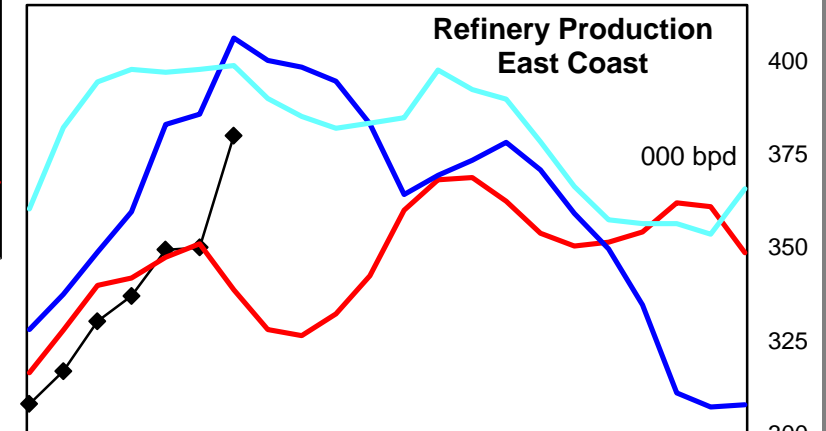
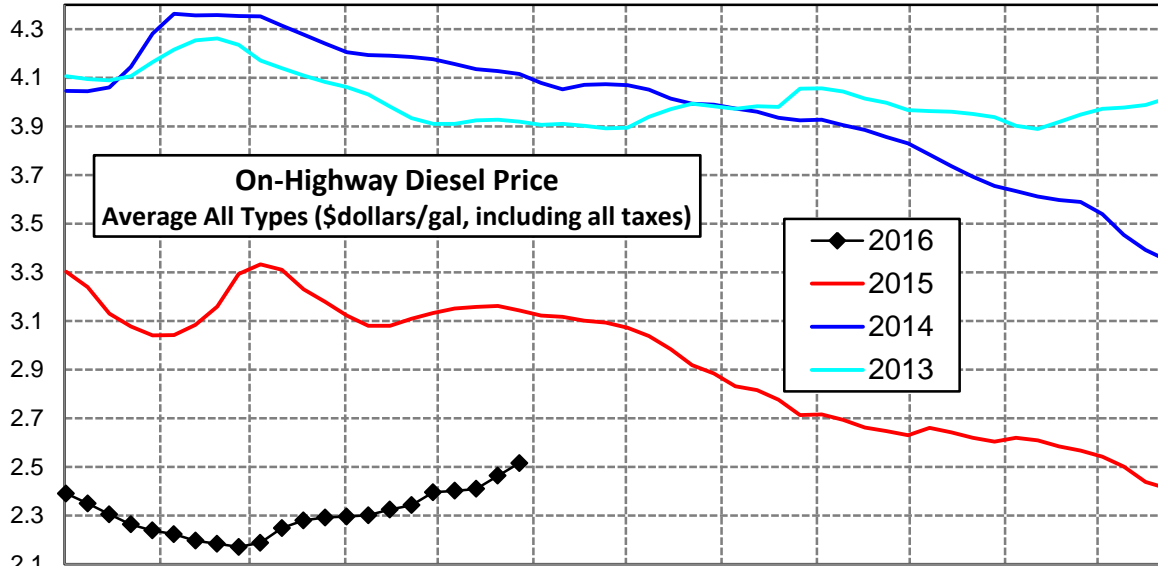
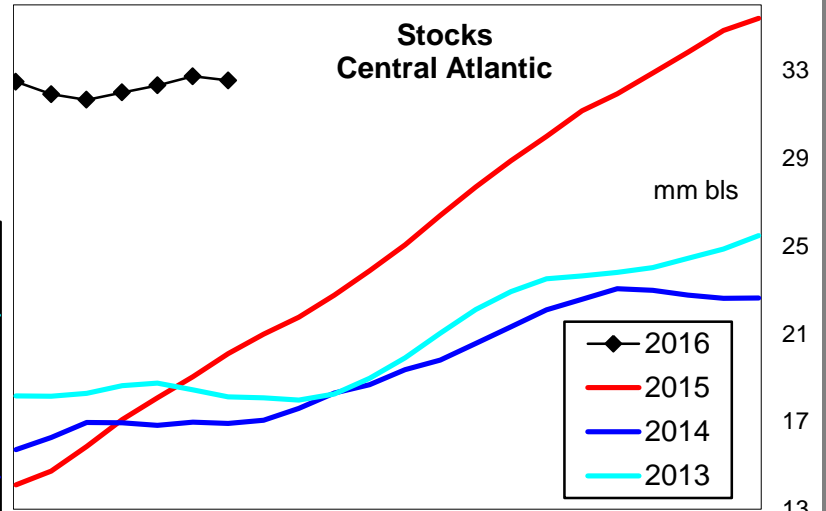
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
Lower Atlantic	\$2.232	\$2.248	\$2.308	\$2.359	\$0.051
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



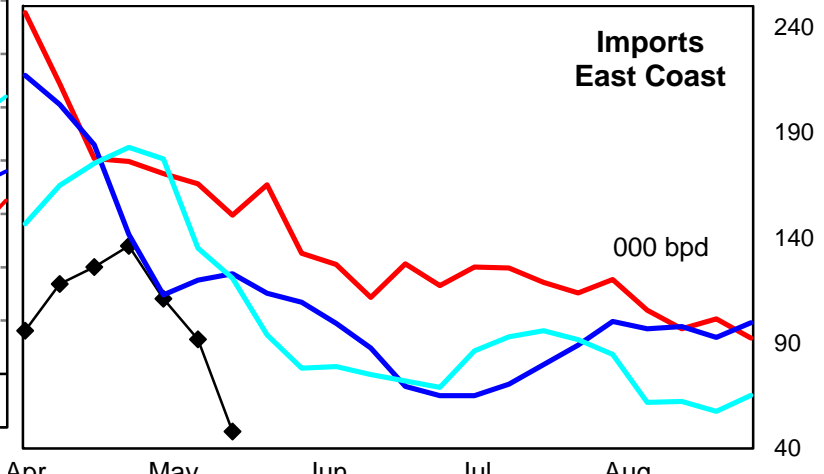
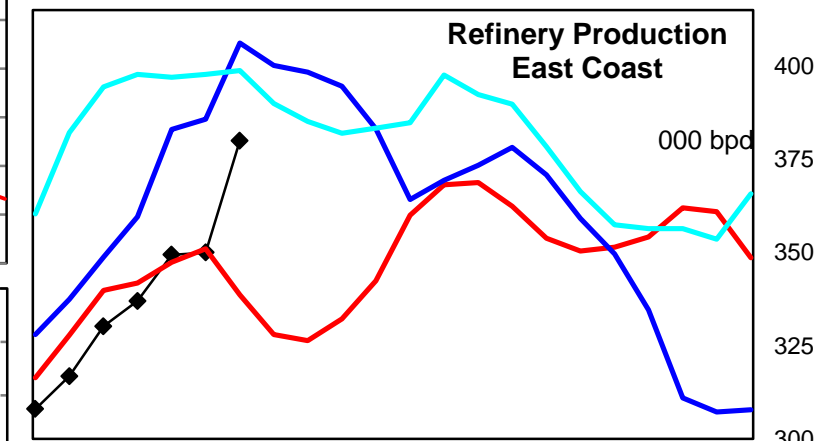
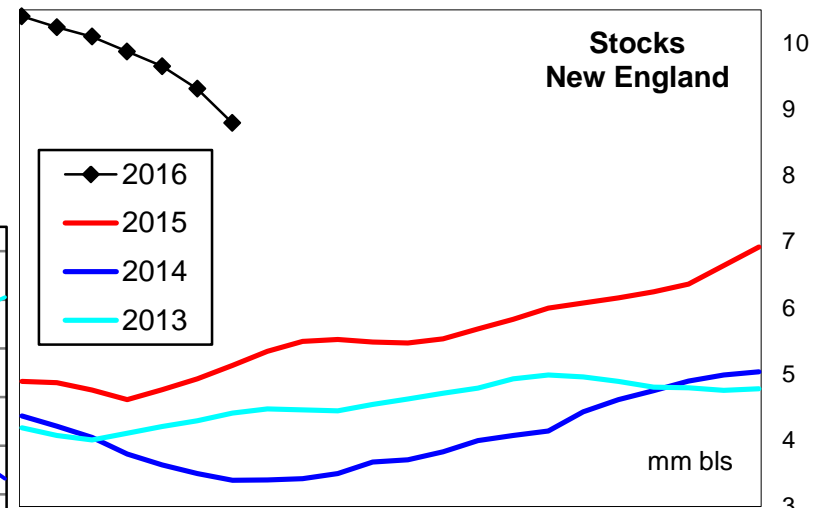
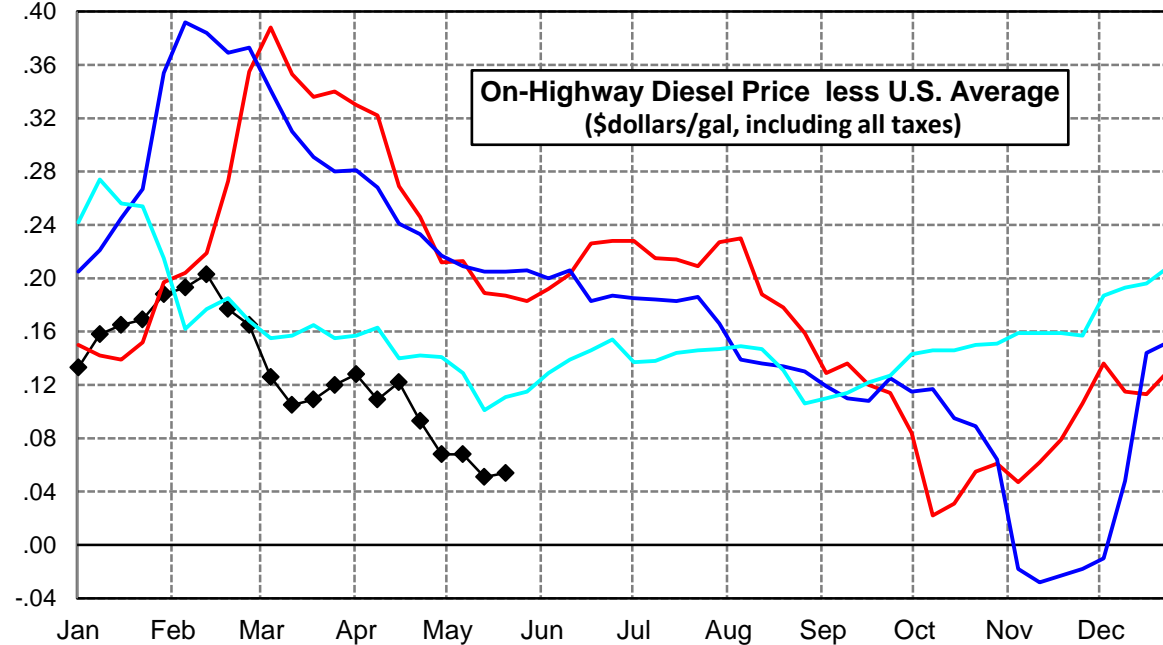
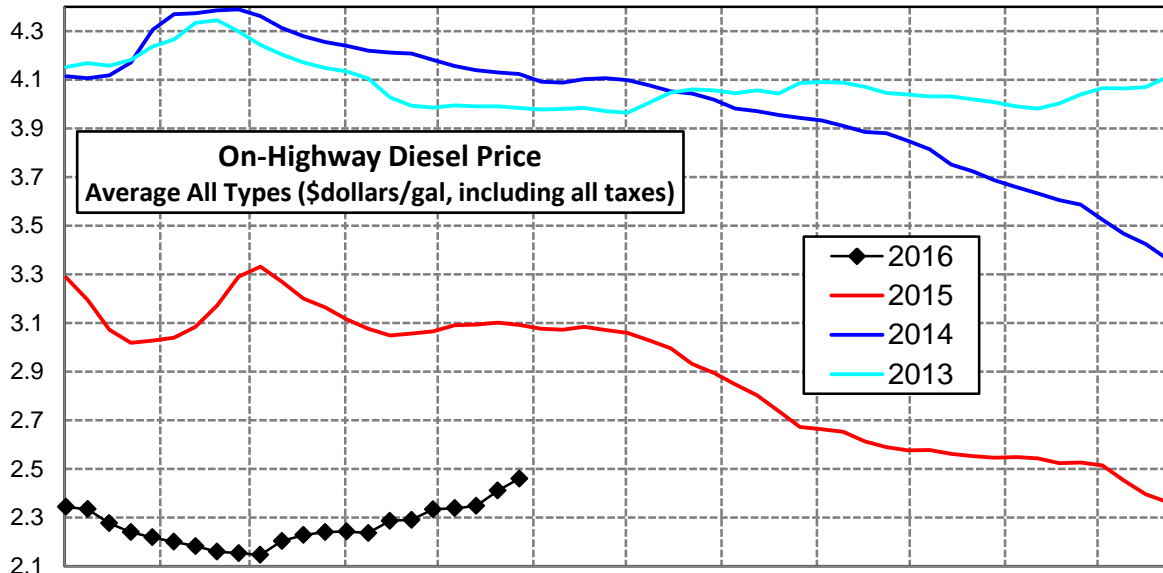
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
Central Atlantic	\$2.402	\$2.410	\$2.464	\$2.516	\$0.052
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



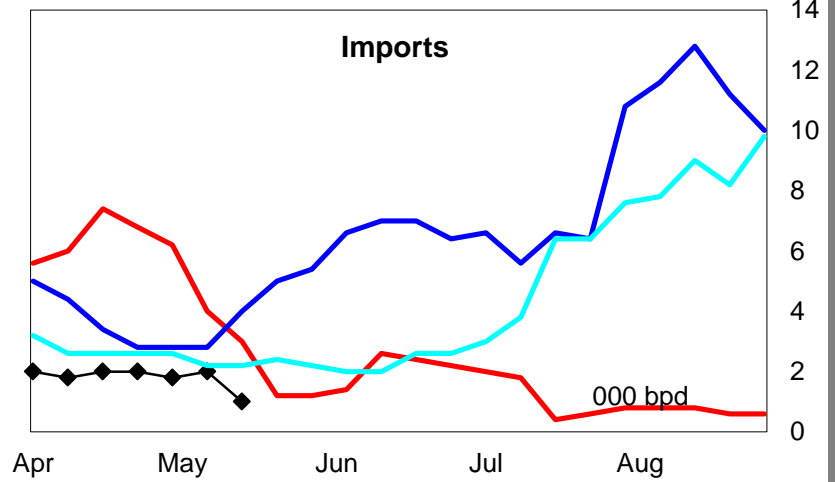
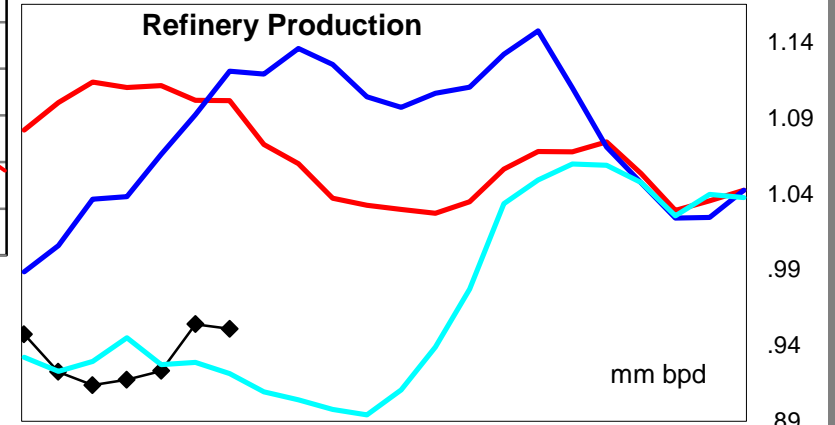
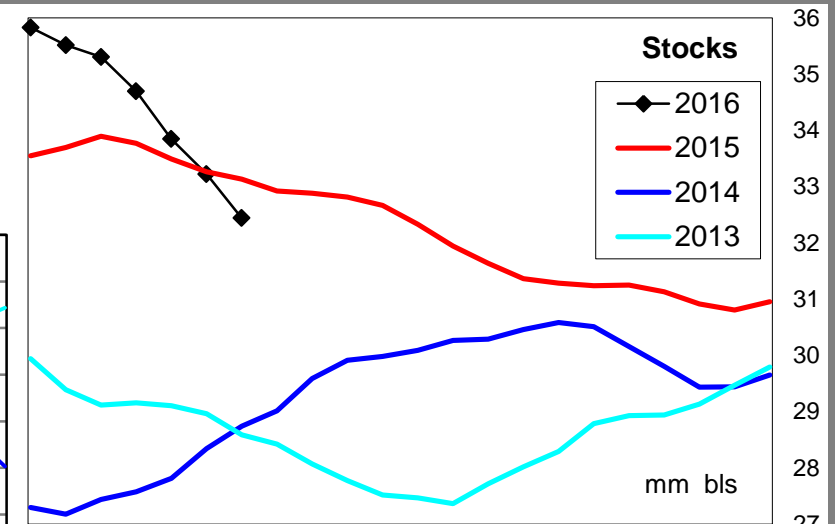
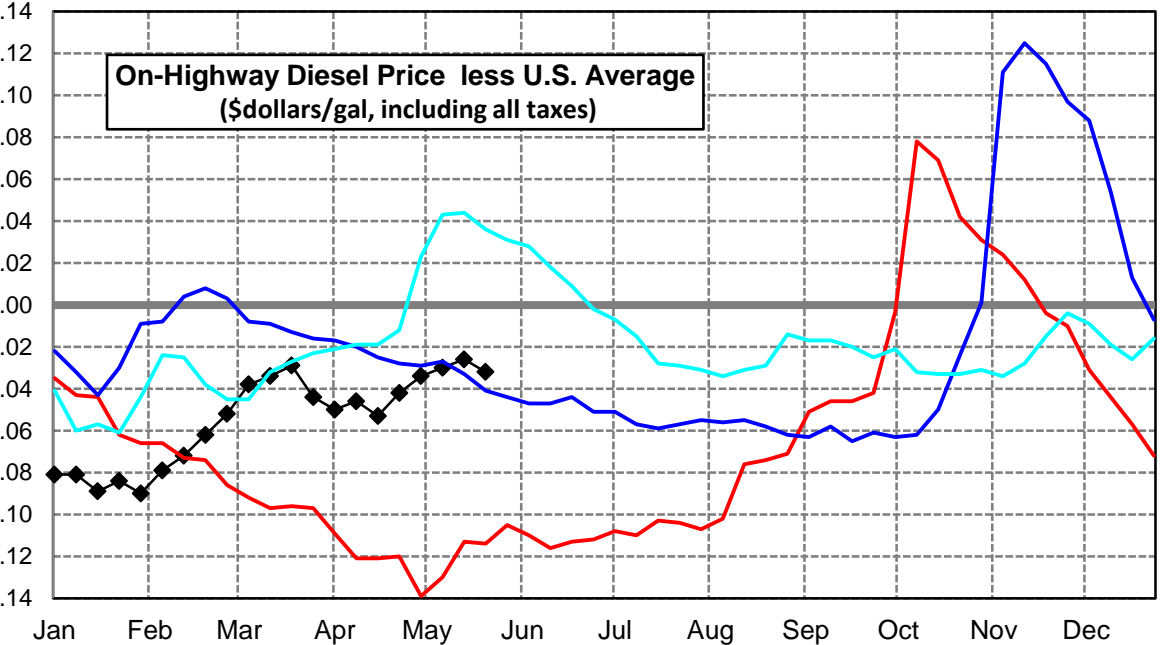
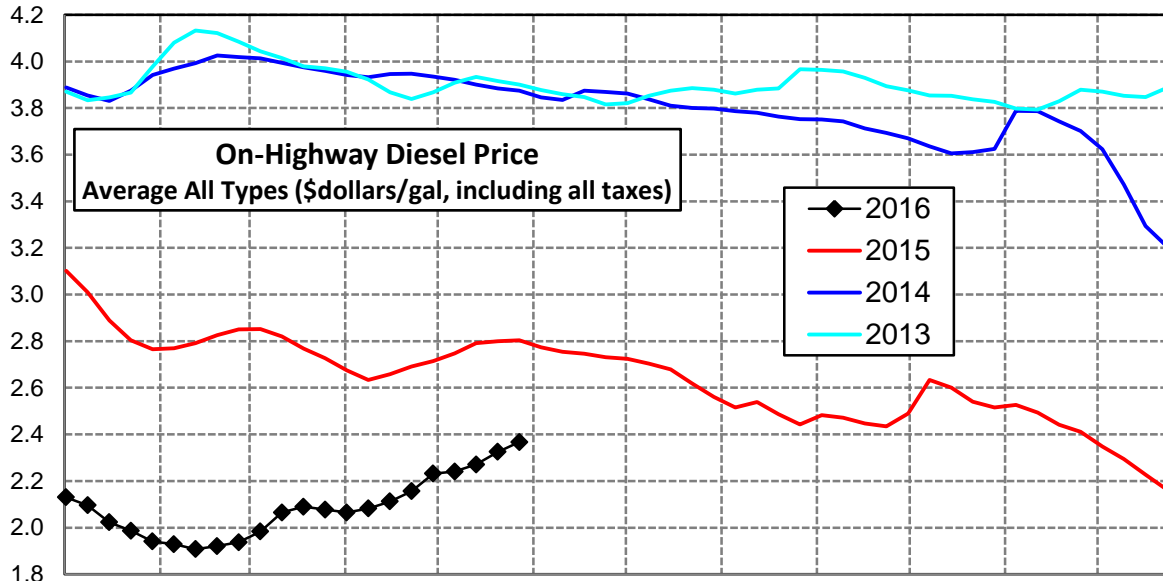
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
New England	\$2.339	\$2.348	\$2.411	\$2.461	\$0.050
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



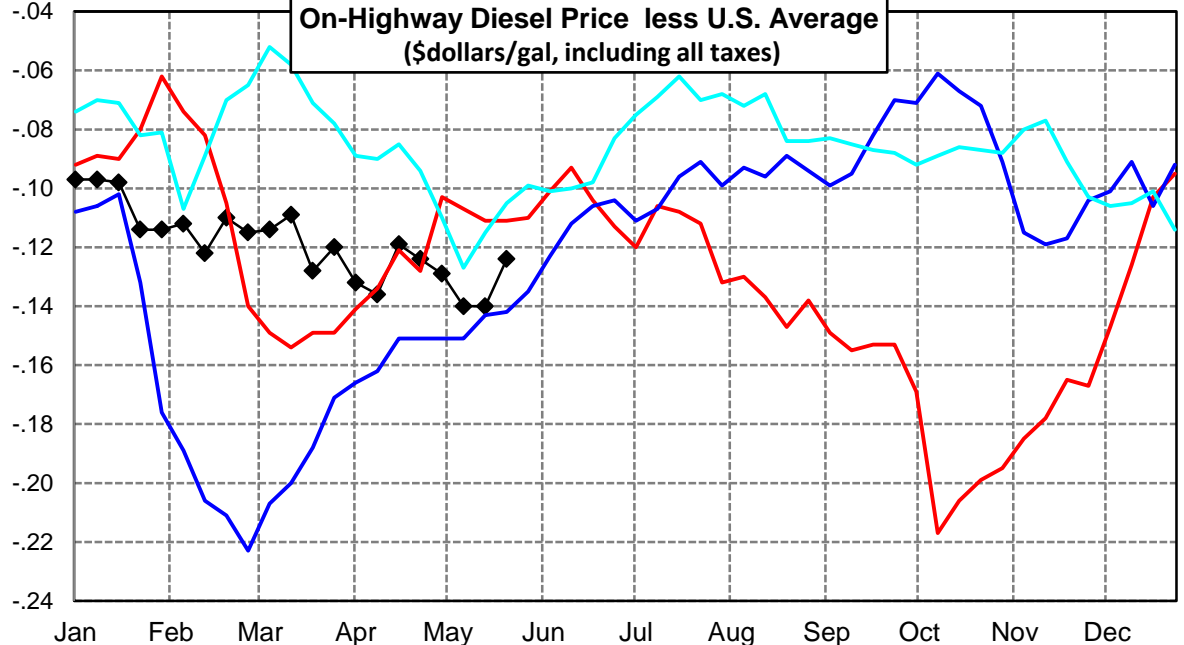
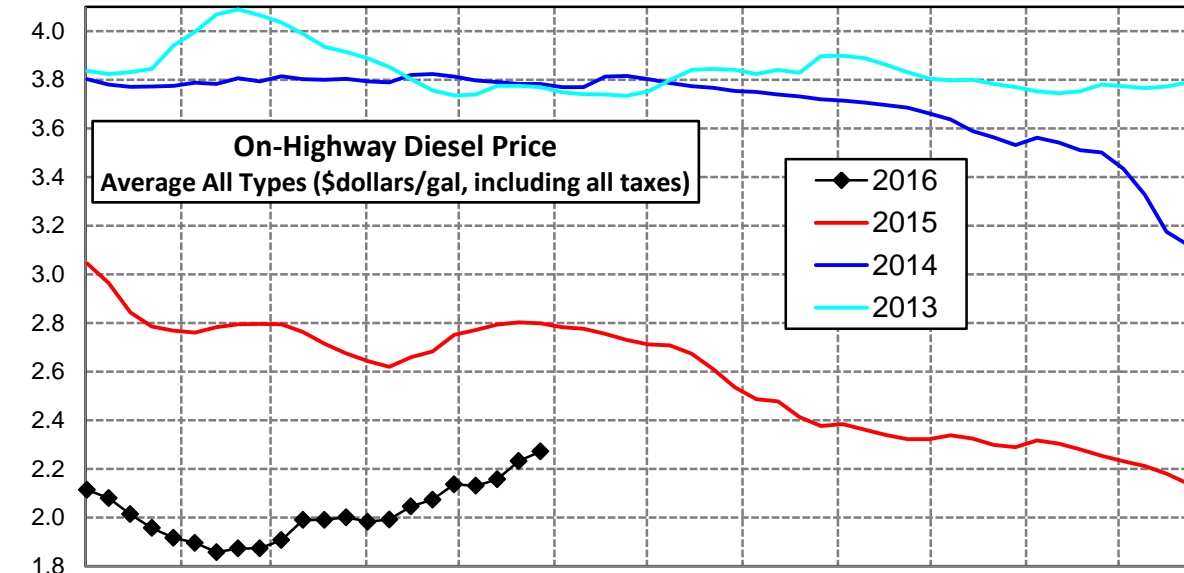
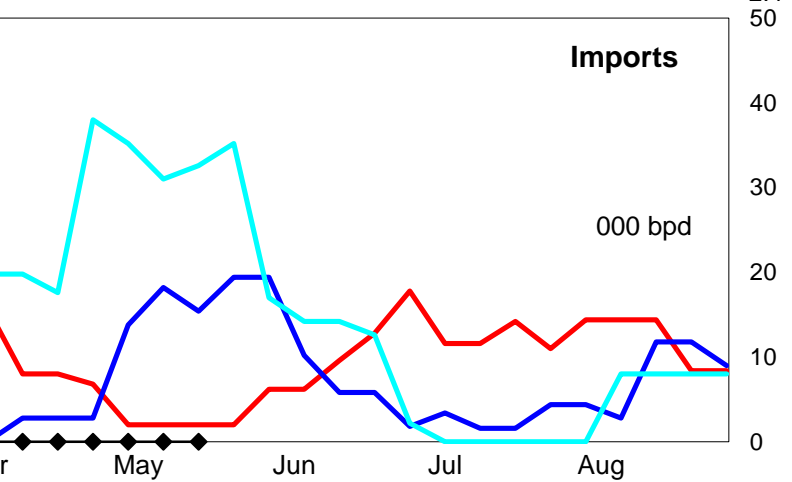
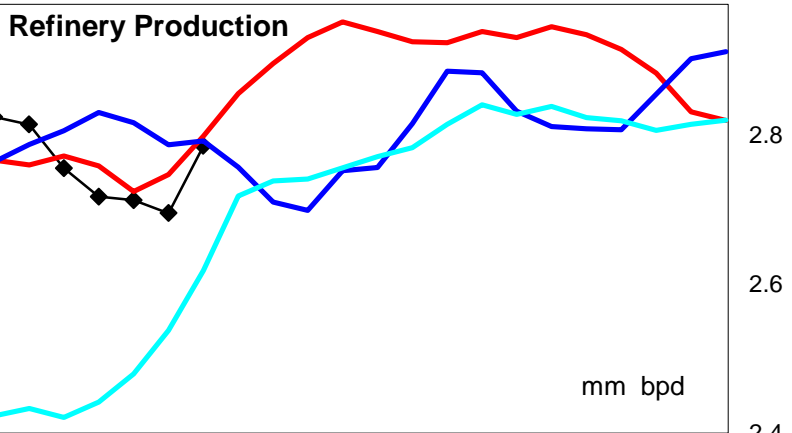
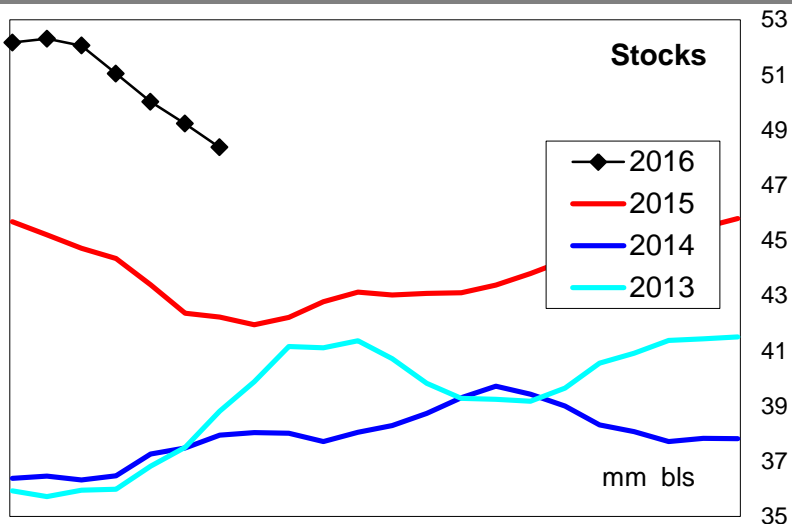
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
Midwest	\$2.241	\$2.271	\$2.325	\$2.367	\$0.042
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



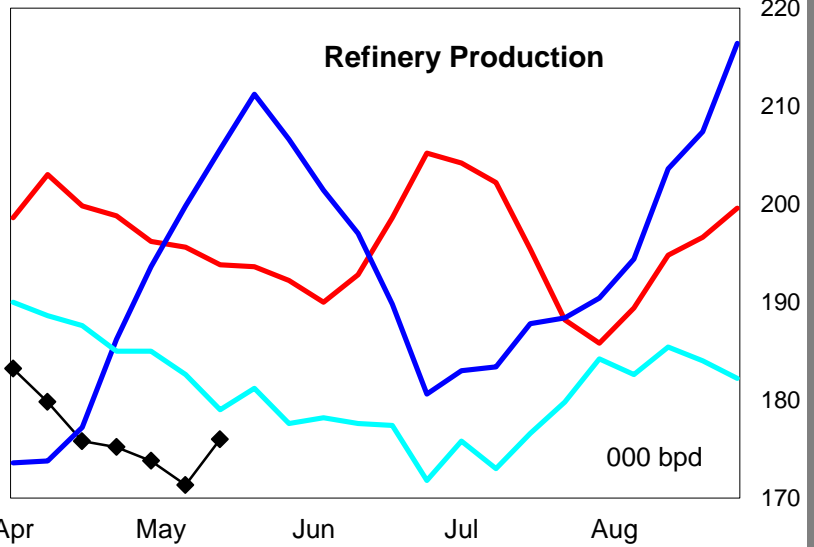
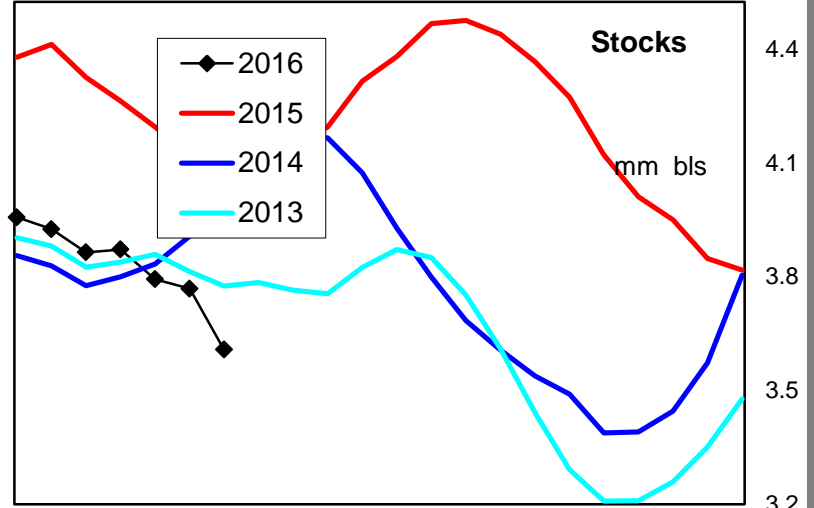
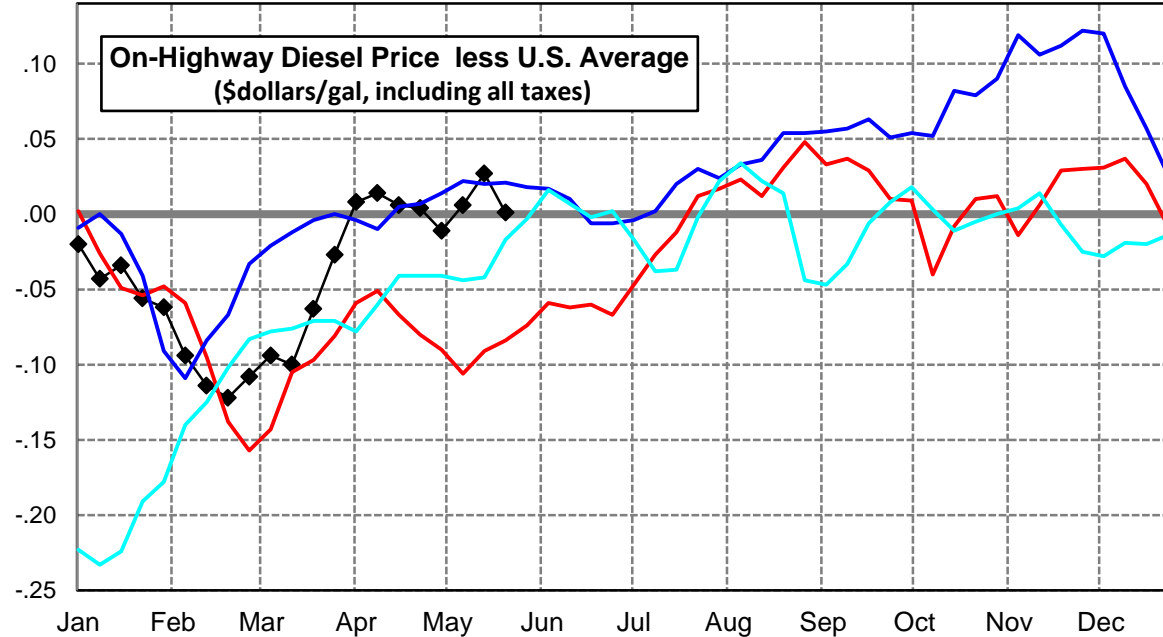
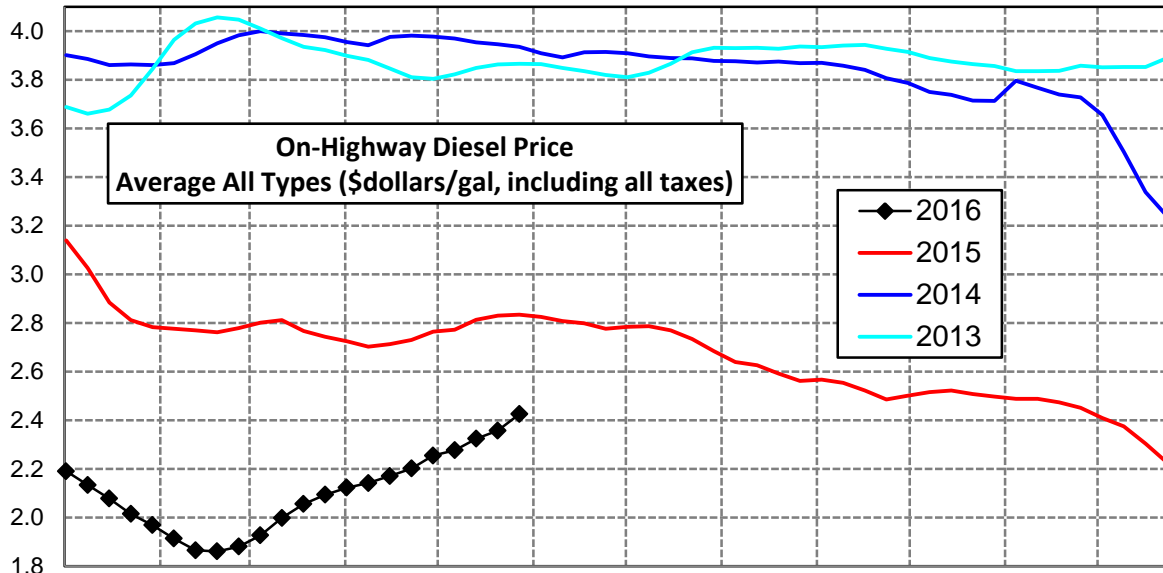
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
Gulf Coast	\$2.131	\$2.157	\$2.233	\$2.272	\$0.039
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



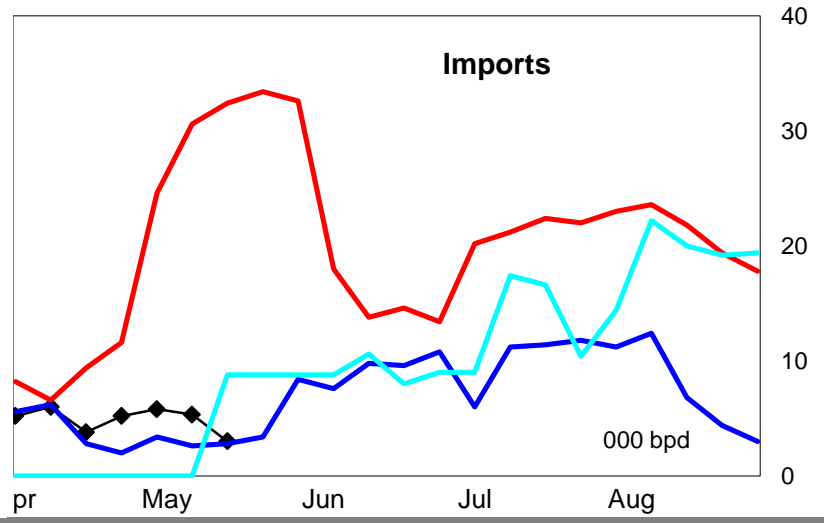
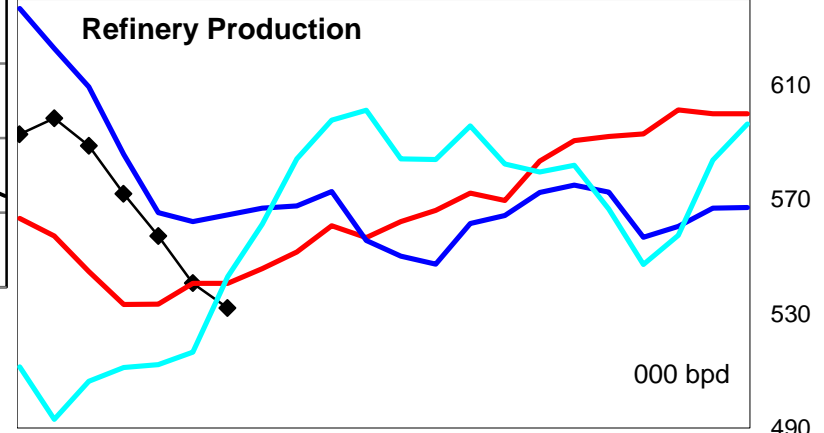
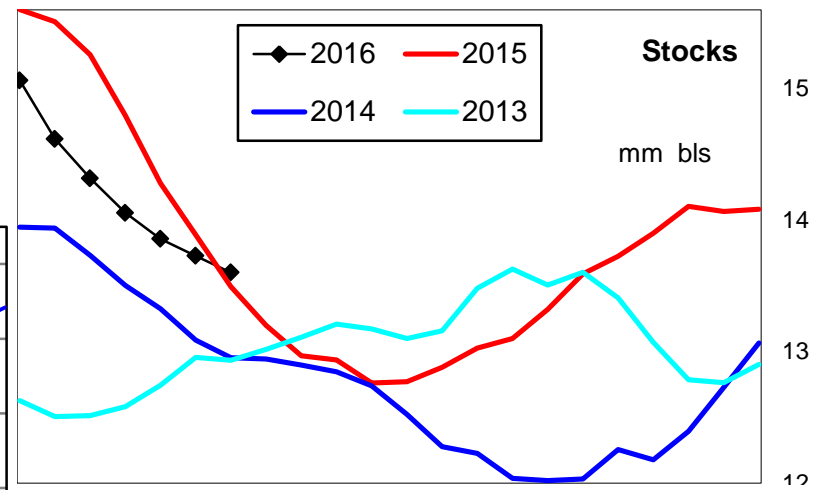
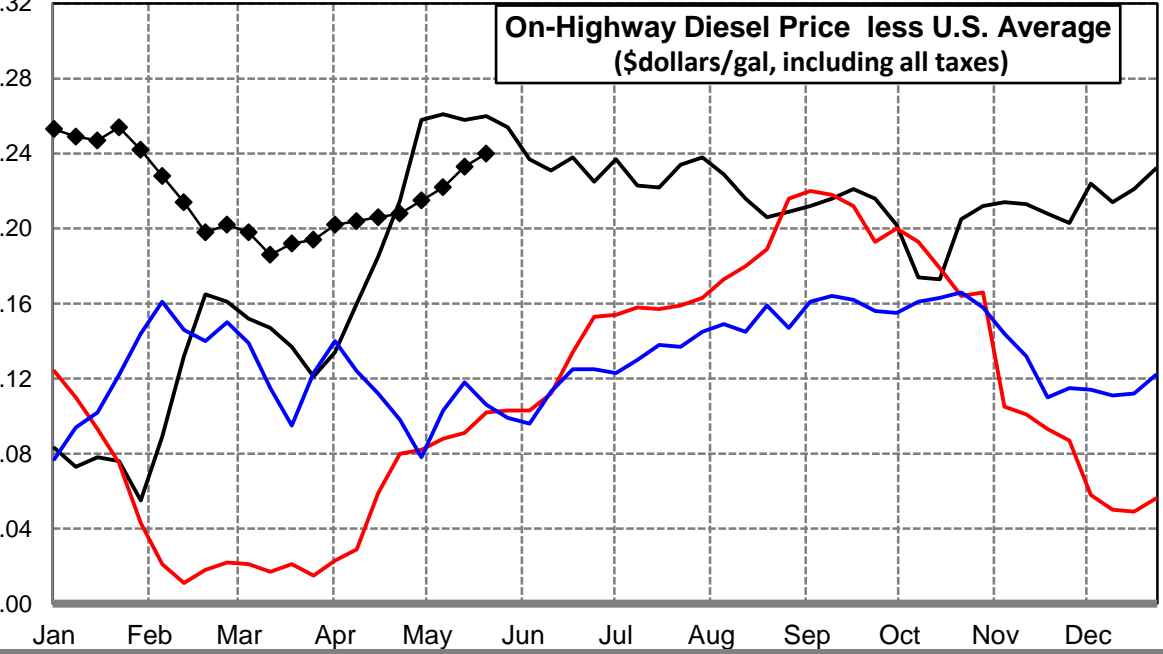
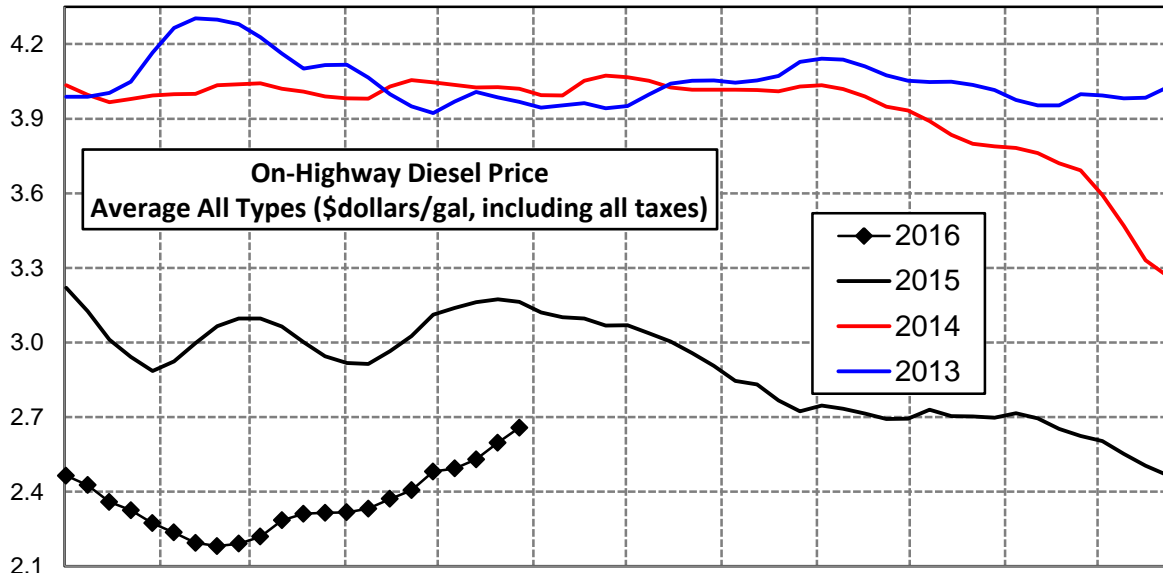
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
Rocky Mountain	\$2.277	\$2.324	\$2.358	\$2.426	\$0.068
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



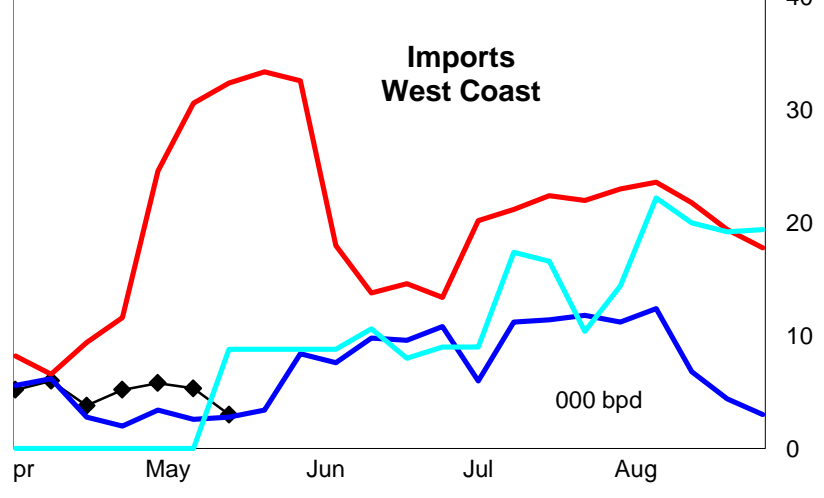
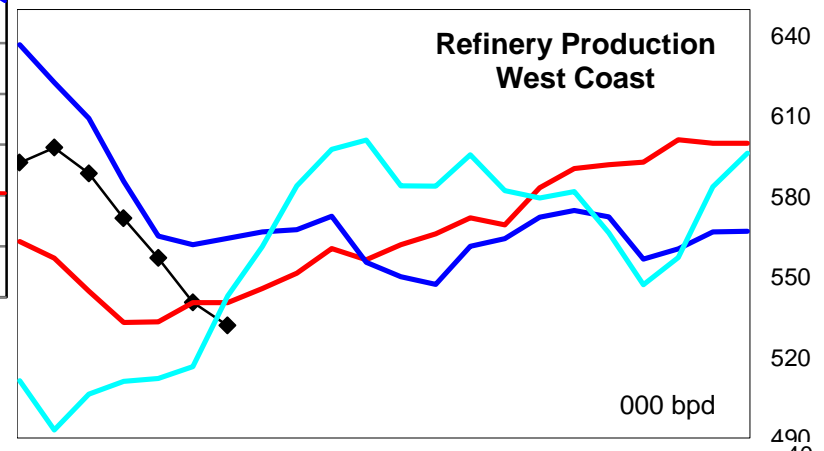
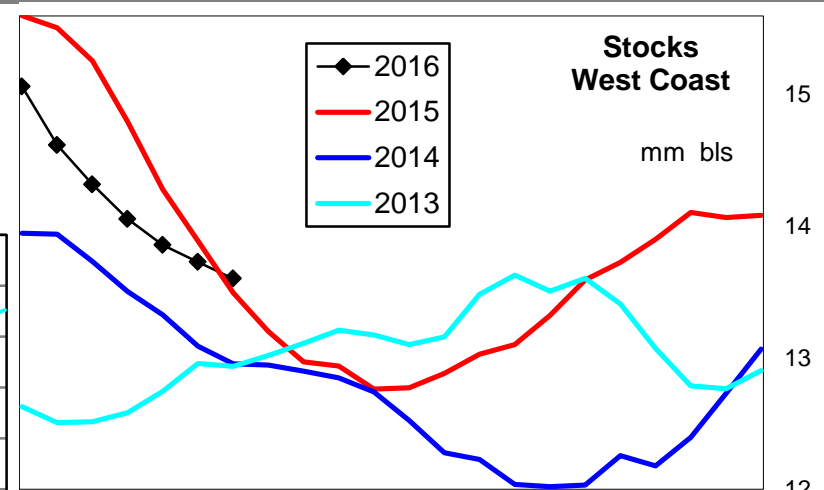
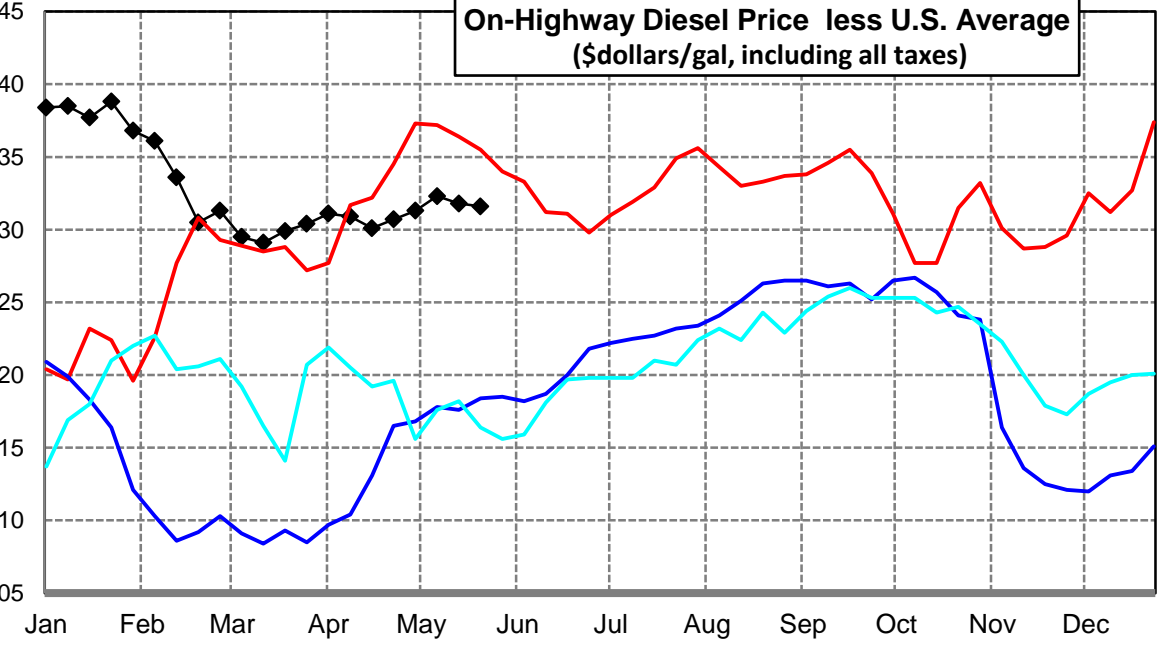
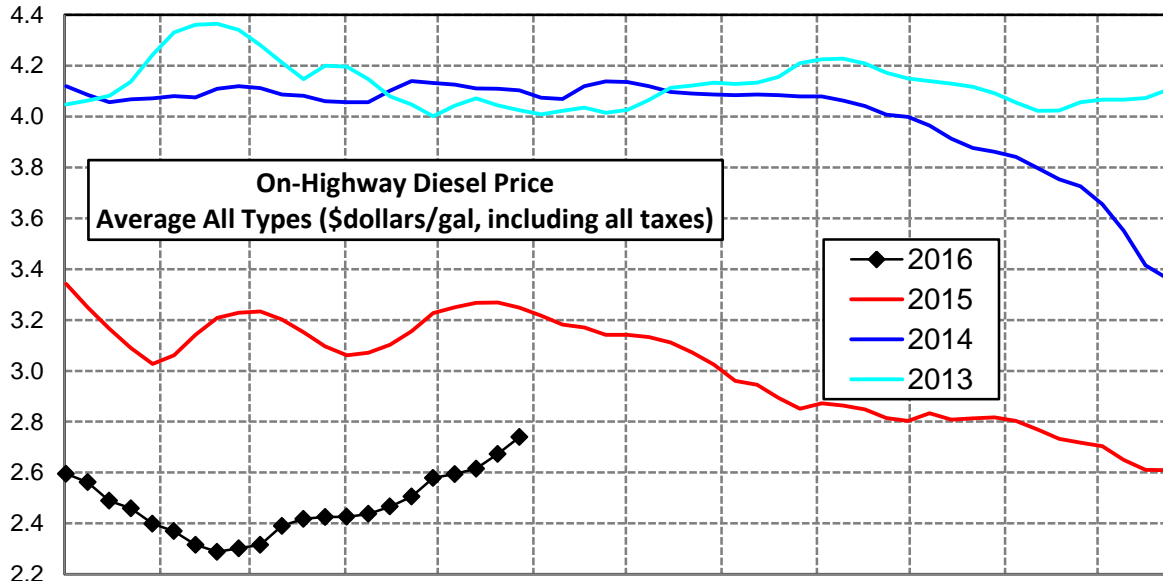
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	09May16	16May16	23May16	30May16	
West Coast	\$2.493	\$2.530	\$2.597	\$2.657	\$0.060
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
	09May16	16May16	23May16	30May16	
California	\$2.594	\$2.615	\$2.673	\$2.739	\$0.066
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-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	1.989	2.054	2.154	2.171	1.945	1.937	1.874	1.881	2.191	2.302
Mon-07-Mar-16	2.021	2.077	2.147	2.188	1.979	1.983	1.907	1.927	2.219	2.316
Mon-14-Mar-16	2.099	2.153	2.204	2.249	2.070	2.065	1.990	1.999	2.285	2.390
Mon-21-Mar-16	2.119	2.172	2.228	2.280	2.079	2.090	1.991	2.056	2.311	2.418
Mon-28-Mar-16	2.121	2.179	2.241	2.292	2.081	2.077	2.001	2.094	2.315	2.425
Mon-04-Apr-16	2.115	2.179	2.243	2.296	2.077	2.065	1.983	2.123	2.317	2.426
Mon-11-Apr-16	2.128	2.187	2.237	2.301	2.090	2.082	1.992	2.142	2.332	2.437
Mon-18-Apr-16	2.165	2.220	2.287	2.325	2.126	2.112	2.046	2.171	2.371	2.466
Mon-25-Apr-16	2.198	2.244	2.291	2.343	2.159	2.156	2.074	2.202	2.406	2.505
Mon-02-May-16	2.266	2.306	2.334	2.396	2.232	2.232	2.137	2.255	2.481	2.579
Mon-09-May-16	2.271	2.309	2.339	2.402	2.232	2.241	2.131	2.277	2.493	2.594
Mon-16-May-16	2.297	2.321	2.348	2.410	2.248	2.271	2.157	2.324	2.530	2.615
Mon-23-May-16	2.357	2.379	2.411	2.464	2.308	2.325	2.233	2.358	2.597	2.673
Mon-30-May-16	2.412	2.434	2.461	2.516	2.359	2.367	2.272	2.426	2.657	2.739

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.