



RETAIL DIESEL FUEL OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, July 12, 2016

Region	Weekly Retail On-Highway Diesel Prices				Change from week ago
	Actual Price 1/		Forecast 2/		
	27Jun16	04Jul16	11Jul16	18Jul16	
U.S.	2.426	2.423	2.414	2.393	-0.021
East Coast	2.442	2.438	2.424	2.400	-0.024
New England	2.491	2.482	2.469	2.452	-0.017
Central Atlantic	2.535	2.535	2.521	2.501	-0.020
Lower Atlantic	2.361	2.355	2.341	2.328	-0.013
Midwest	2.389	2.389	2.385	2.369	-0.016
Gulf Coast	2.285	2.282	2.261	2.240	-0.021
Rocky Mountain	2.429	2.436	2.445	2.437	-0.008
West Coast	2.713	2.709	2.708	2.693	-0.015
California	2.803	2.798	2.784	2.784	-0.014

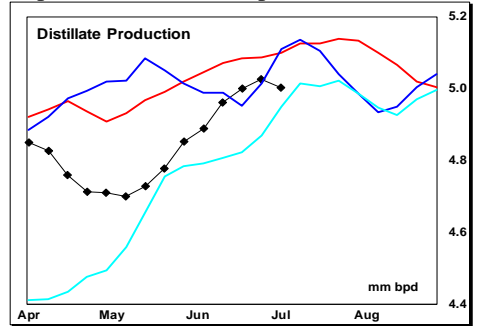
1/ Source: U.S. Energy Information Administration
2/ Source: Fundamental Petroleum Trends Reports

England and the Gulf regions; driven by extremely high stock levels. The region average retail price compared to the U.S. average traded above the last 3-yrs in the Rockies and West Coast, driven by above average refinery maintenance and low stock levels.

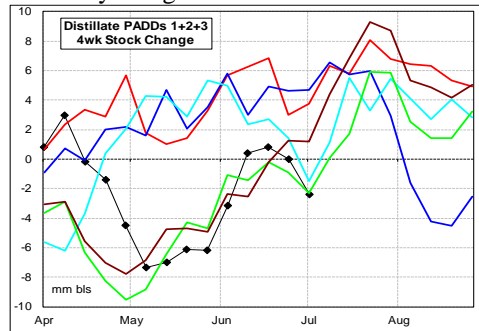
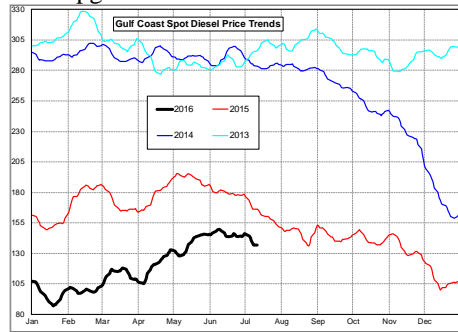
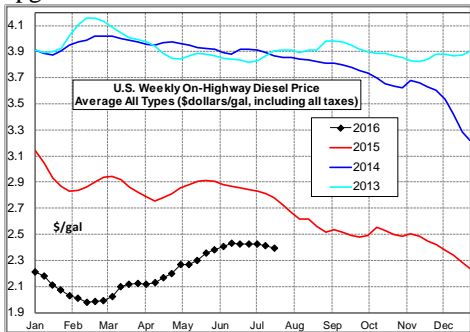
During the latest 4-wk period, production was -44,000 bpd below a year ago while imports were -64,000 bpd lower.

Diesel Fuel Price Trends U. S. retail diesel prices decreased -0.9 cpg last week. Prices declined in all markets East of the Rockies, led by the Gulf which saw a -2.1 cpg decline. The Rockies reported a +0.9 cpg increase for the week.

Gulf spot prices fell -10 cpg last week. Gulf Spot prices ended the week at a level -25 cpg below a year ago for the period. The spread between the U.S. average retail price and Gulf wholesale price increased +4.3 cpg.



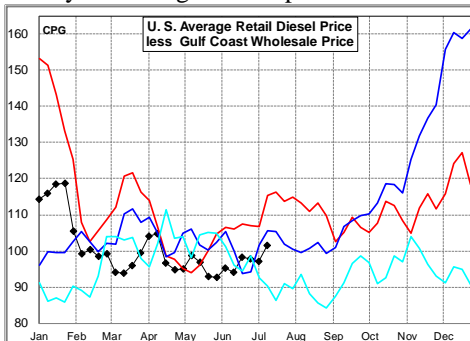
Distillate stocks fell -1.6 million barrels last week, to a level +11.5 million barrels above a year ago.



The U.S. average retail diesel price compared to the Gulf Coast wholesale market increased +4.3 cpg on the week. The spread ended the week at a level near the 3-yr mid range for the period.

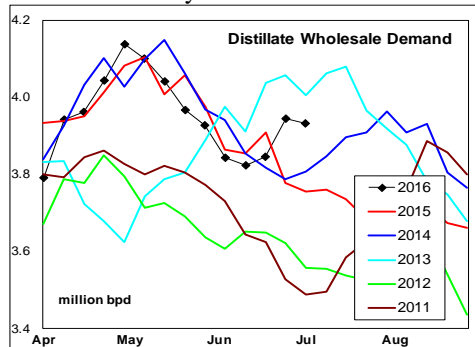
Look for the retail to wholesale price differential to trend higher in the near term on very high stock levels in the East and Gulf regions, and tightness in the Rockies and West Coast.

The latest 4-wk stock change East of the Rockies was a record draw of -2.3 million barrels compared to an average build of +4.2 million barrels the last 2-yrs.



Supply - Demand Fundamental Trends
Distillate wholesale demand decreased last week, although the level remains above the last 2-yrs.

Global Trends Driving Diesel Prices
The industry in markets East of the Rockies continues to limit production and imports of distillates, which combined with higher exports has led to the -6.5 million barrel variance in stock change during the last month, versus a year ago.



Slower global economic growth, strength of the U.S. \$dollar and excess global supply of gasoline during the peak driving season underlies the pull back in global oil prices.

The national average on-highway price ended the week -40 cpg below a year ago. The highest retail prices were in California at \$2.80/gal and the Central Atlantic at \$2.52/gal. The lowest prices were in the Gulf at \$2.26/gal.

The latest 4-wk average wholesale demand compared to a year ago was +57,000 bpd higher.

Diesel Price Outlook:

Rockies and West Coast markets should continue to report relatively high retail prices compared to the U.S. average, driven by lower stock levels and peak seasonal demand in these regions. Excess supply in the Northeast should continue to constrain prices in the region compared to the U.S. average.

The region average retail price compared to the U.S. average was below the last 3-yrs in the Lower Atlantic, New

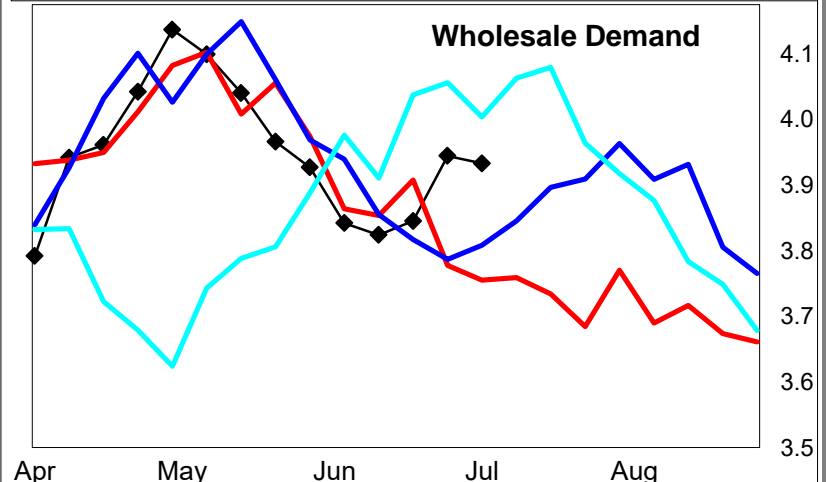
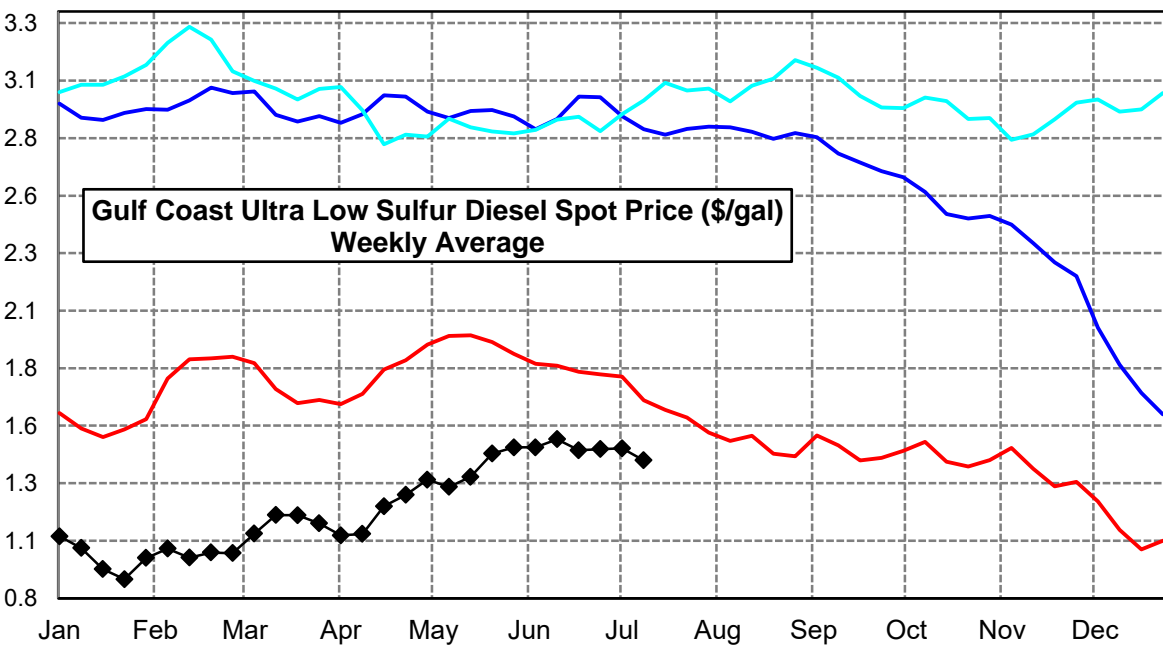
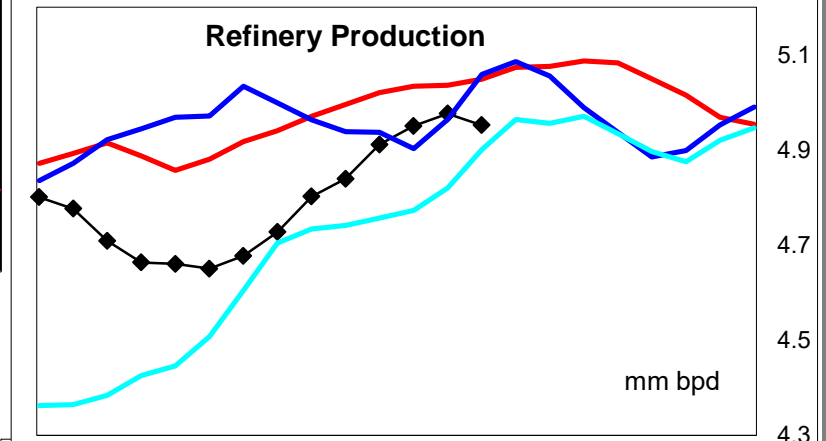
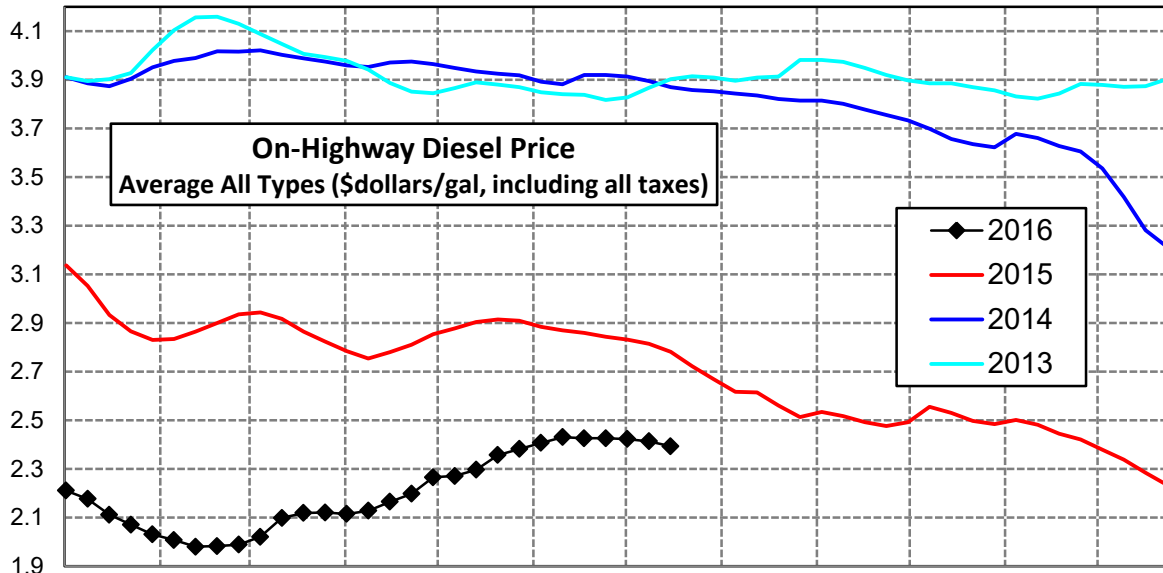
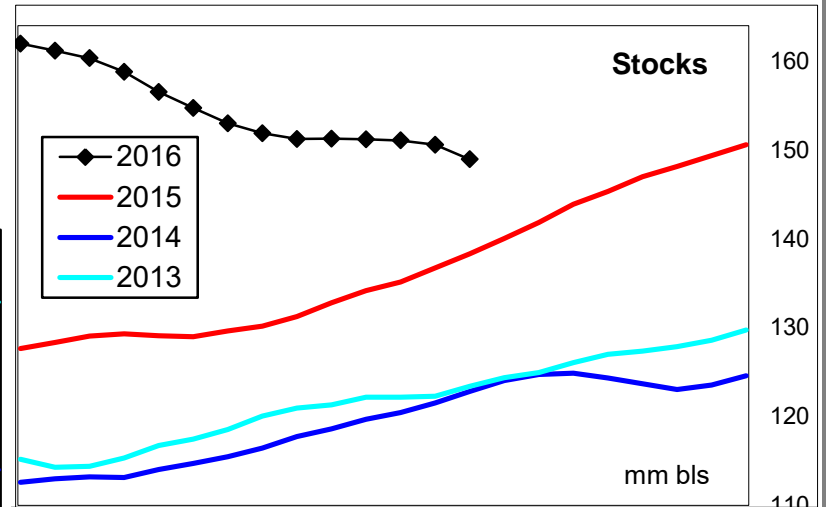
Supply decreased -33,000 bpd last week, the result of lower production.

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



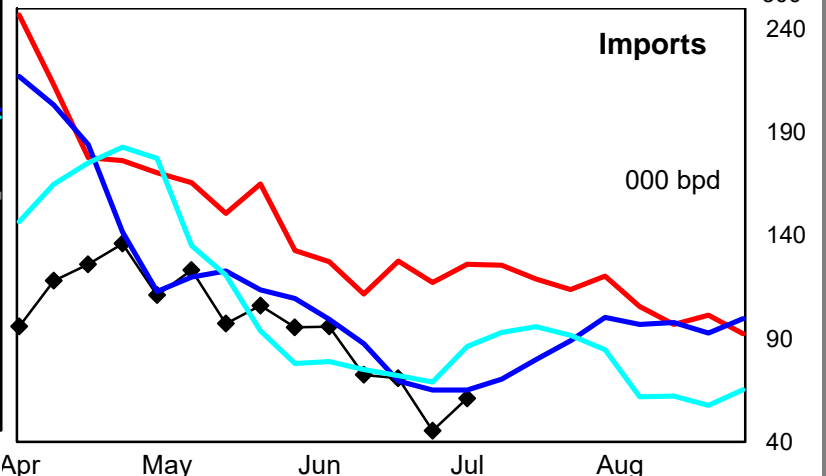
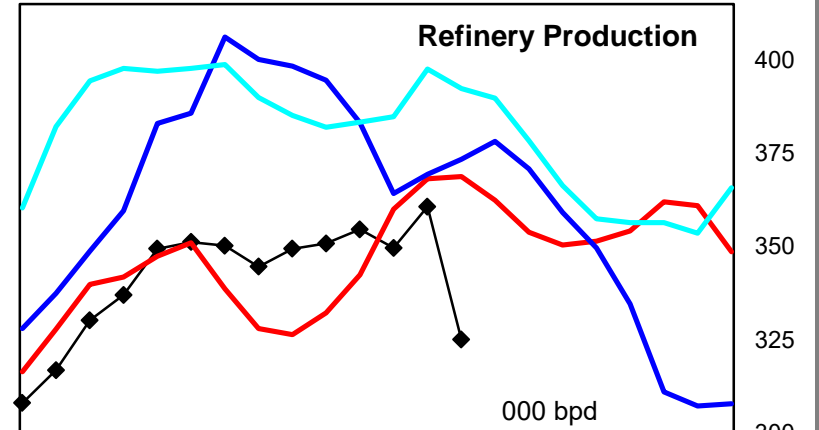
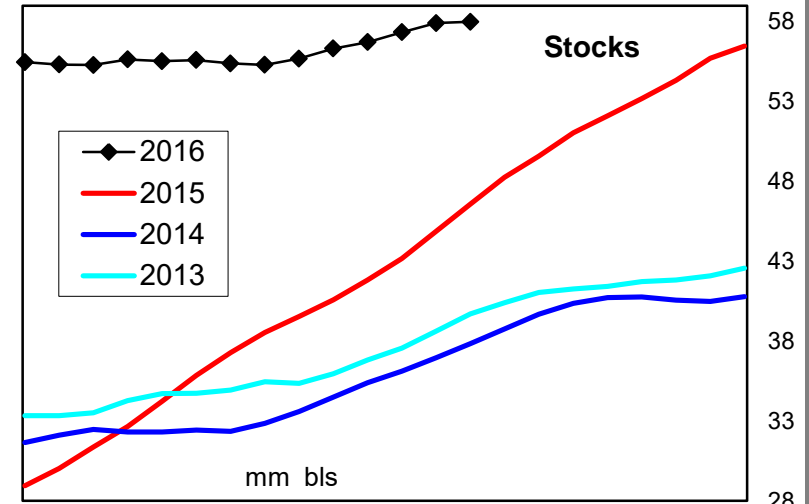
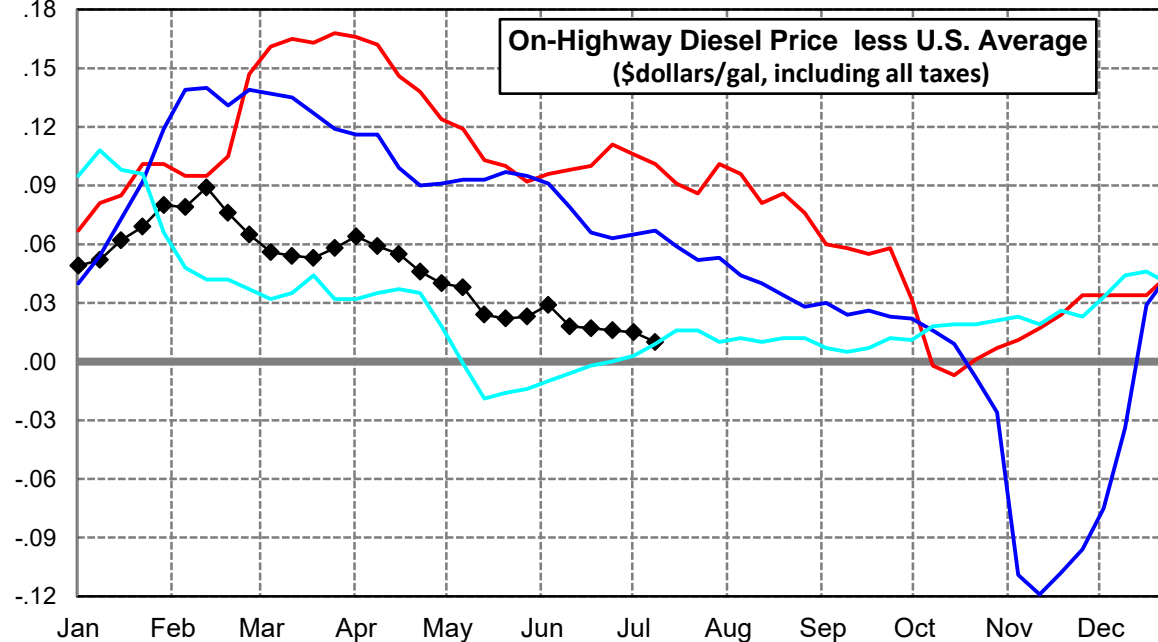
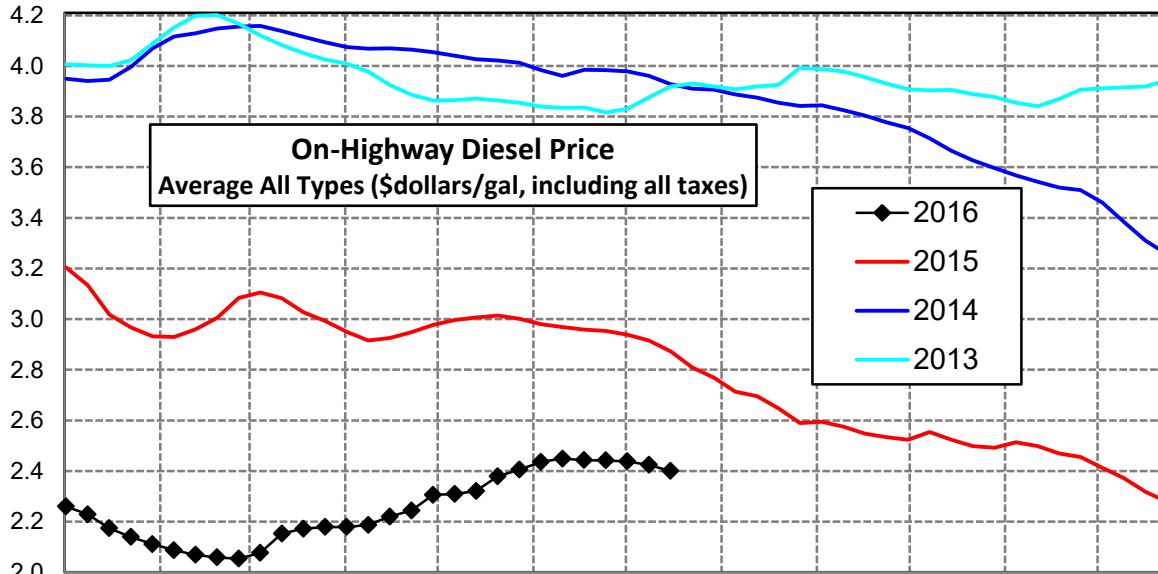
U. S. Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
United States Avg	\$2.426	\$2.423	\$2.414	\$2.393	-\$0.021
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



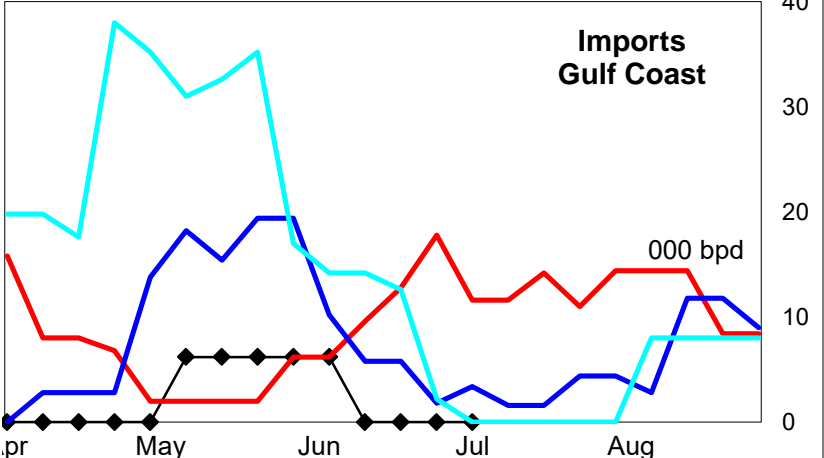
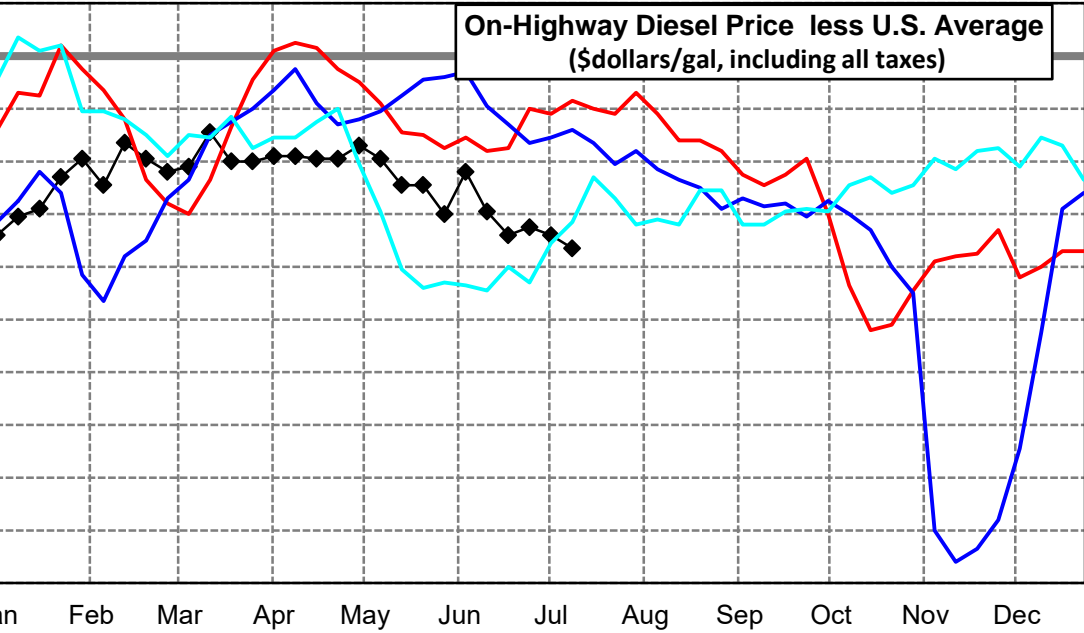
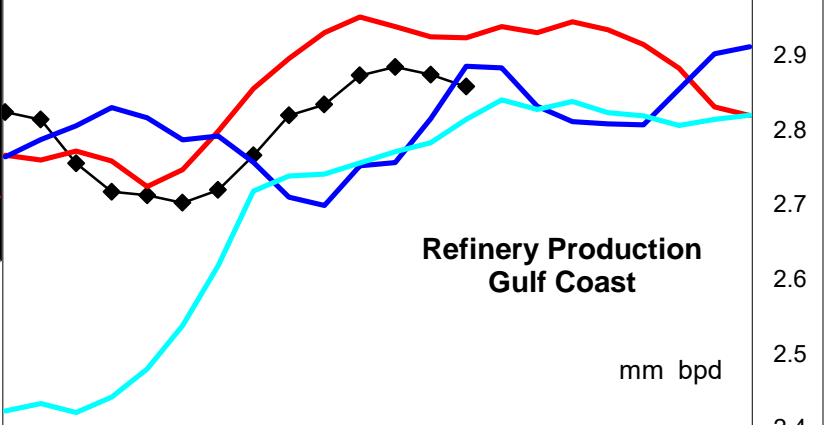
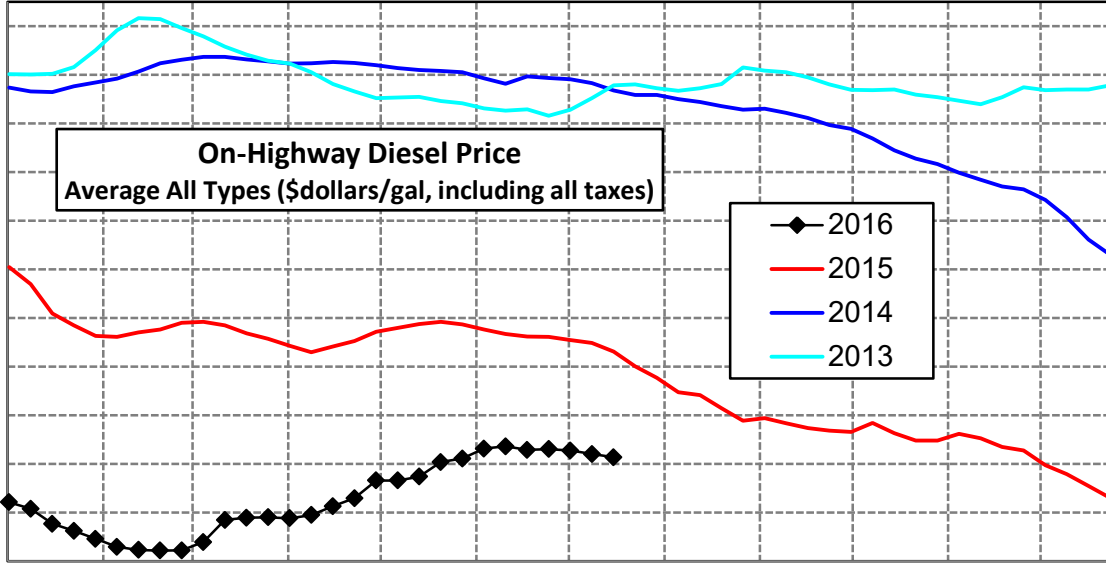
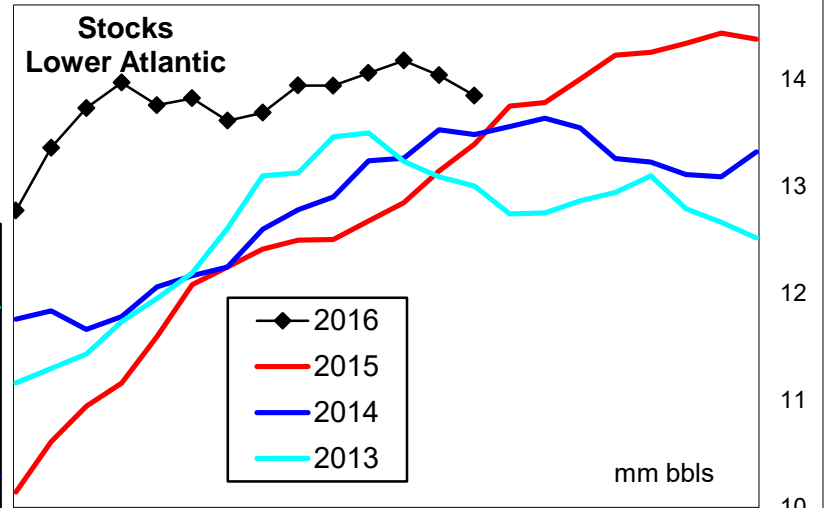
East Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
East Coast	\$2.442	\$2.438	\$2.424	\$2.400	-\$0.024
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



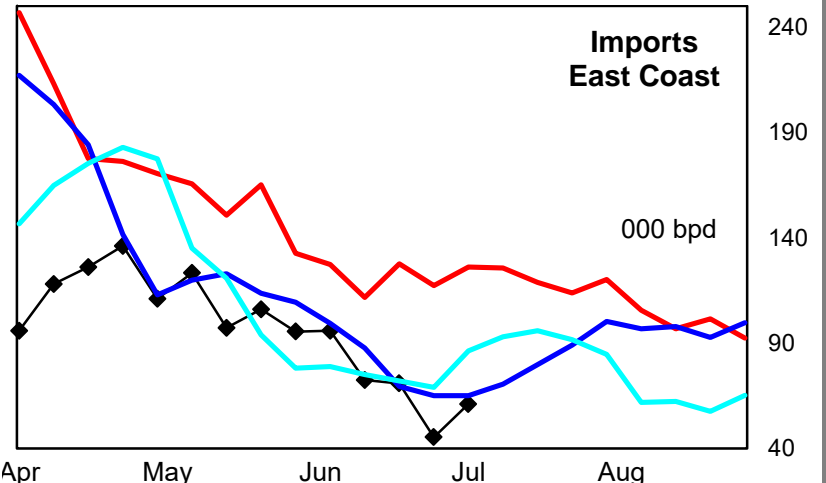
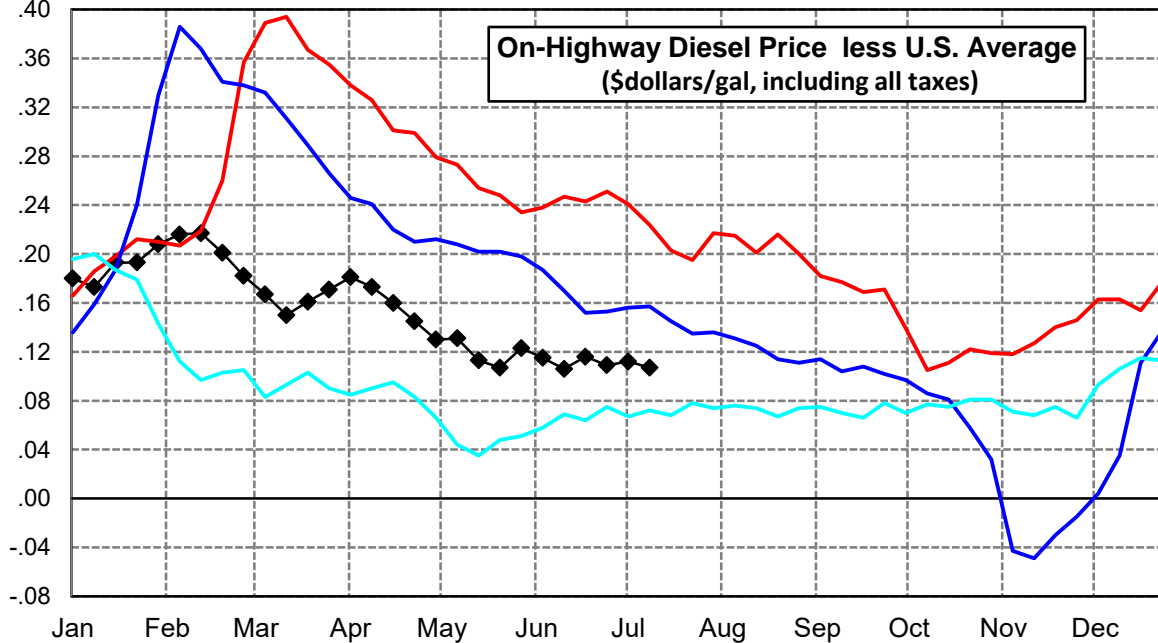
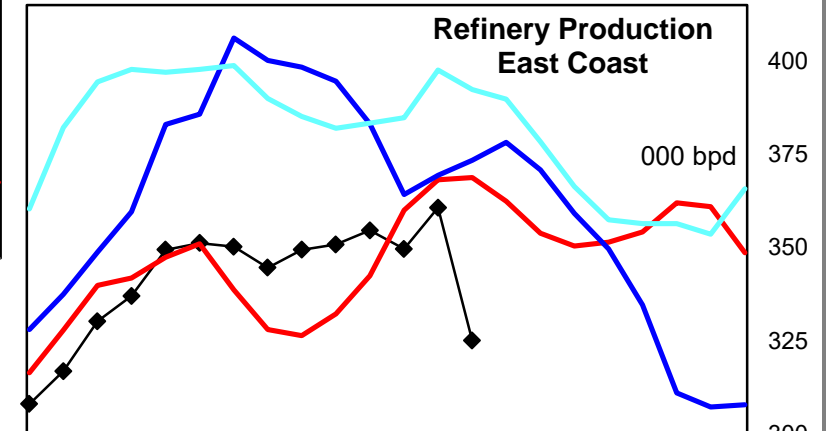
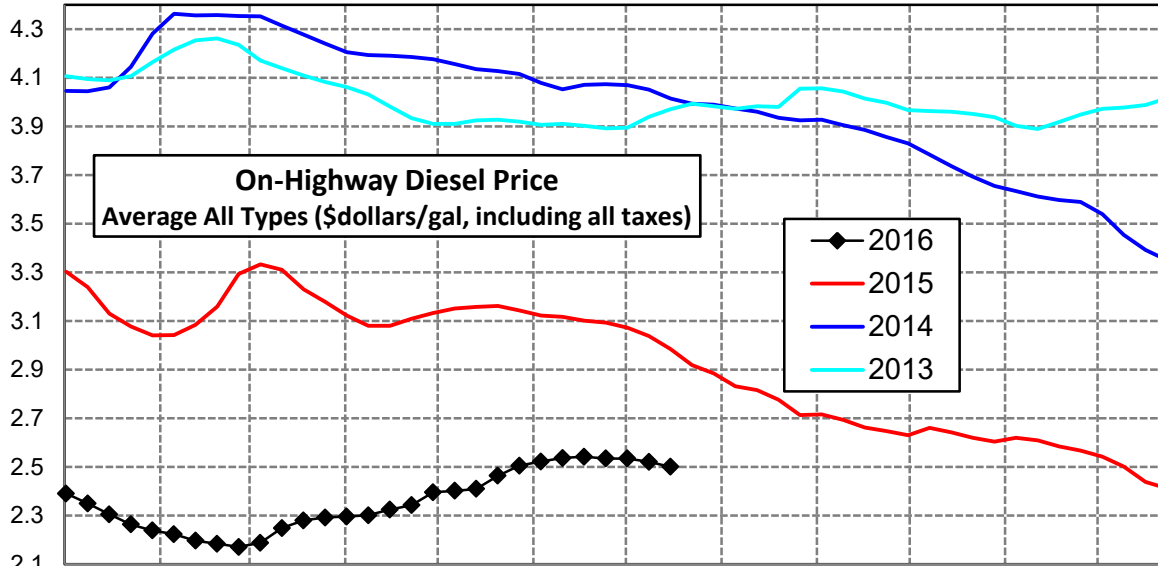
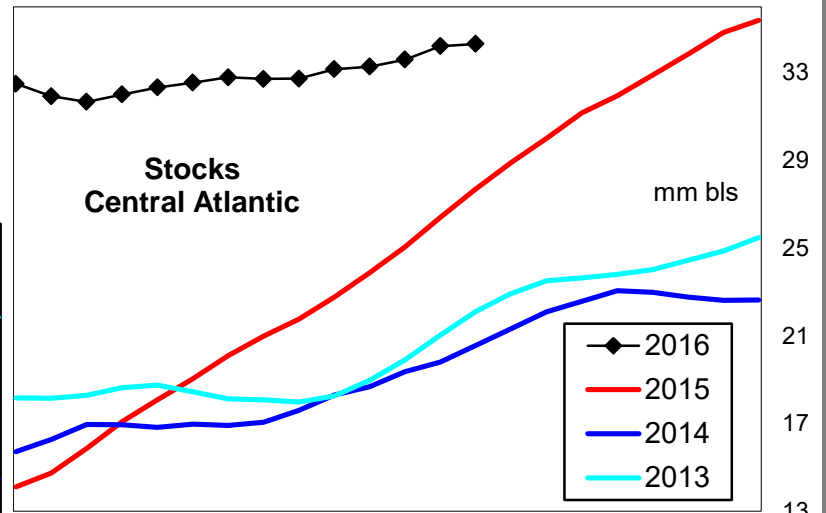
Lower Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
Lower Atlantic	\$2.361	\$2.355	\$2.341	\$2.328	-\$0.013
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



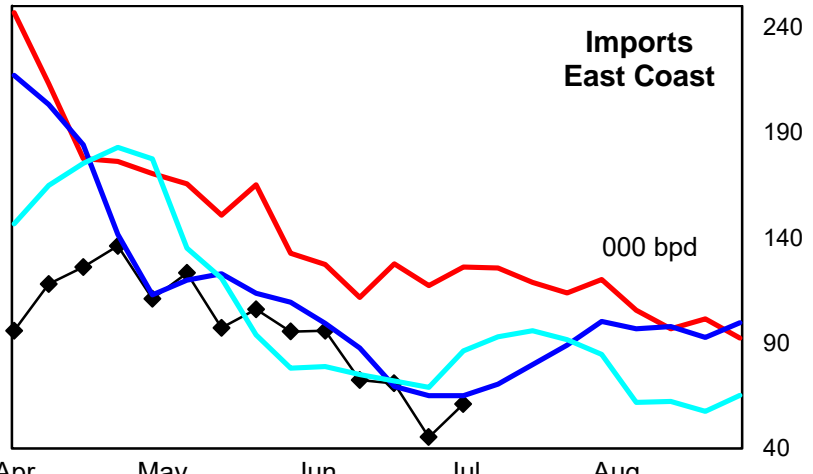
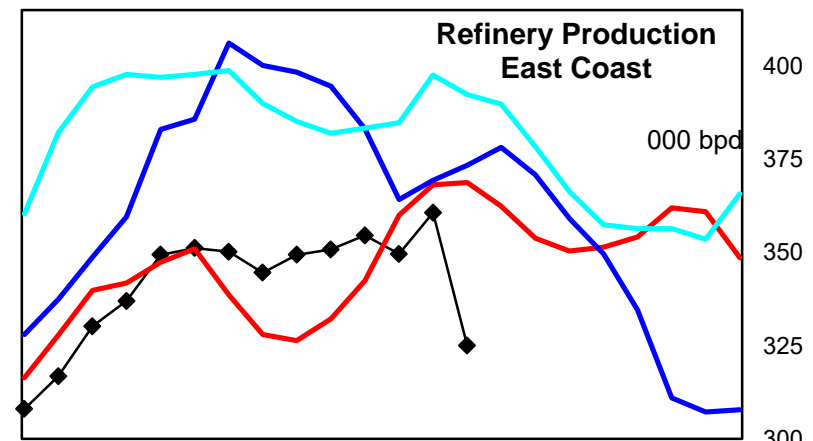
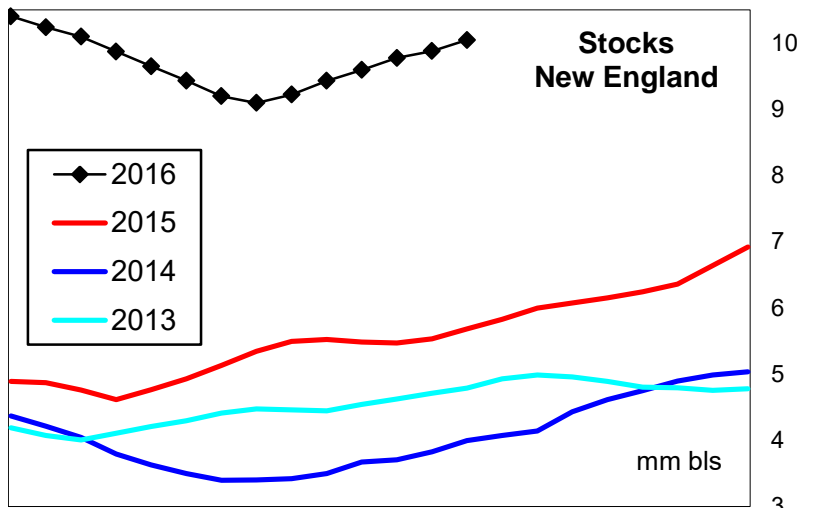
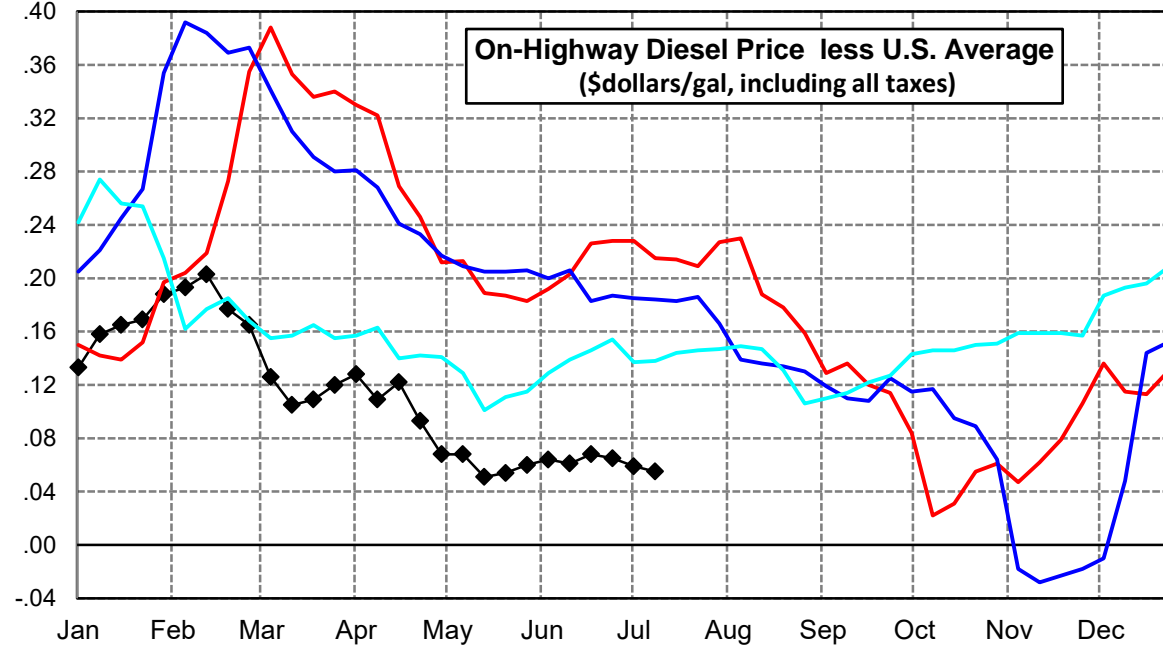
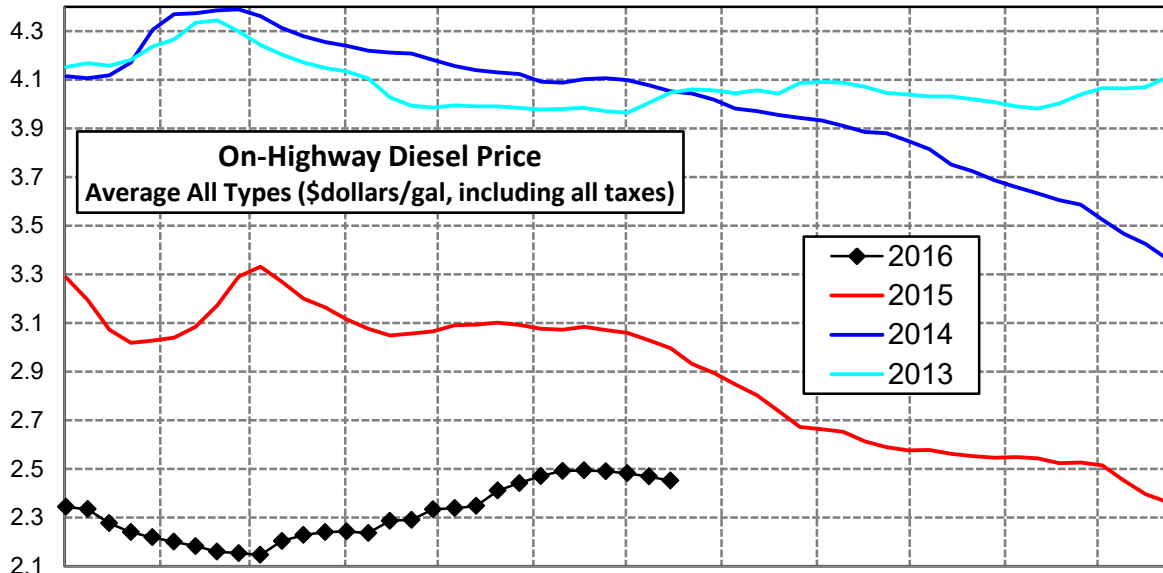
Central Atlantic Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
Central Atlantic	\$2.535	\$2.535	\$2.521	\$2.501	-\$0.020
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



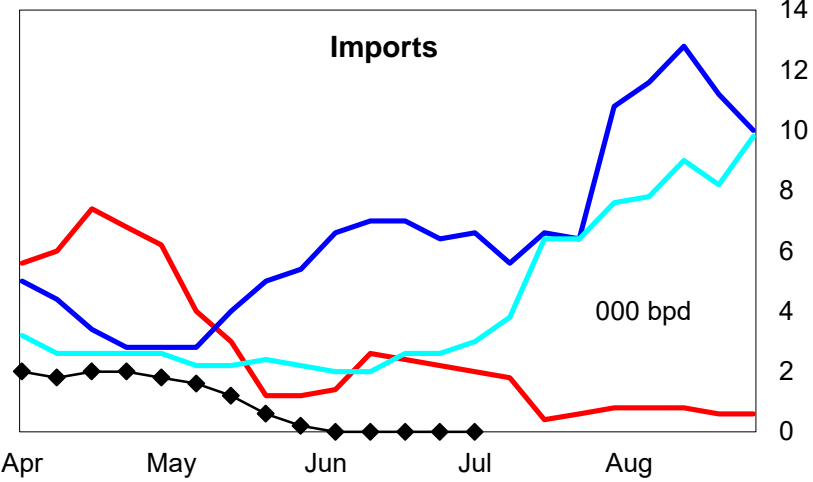
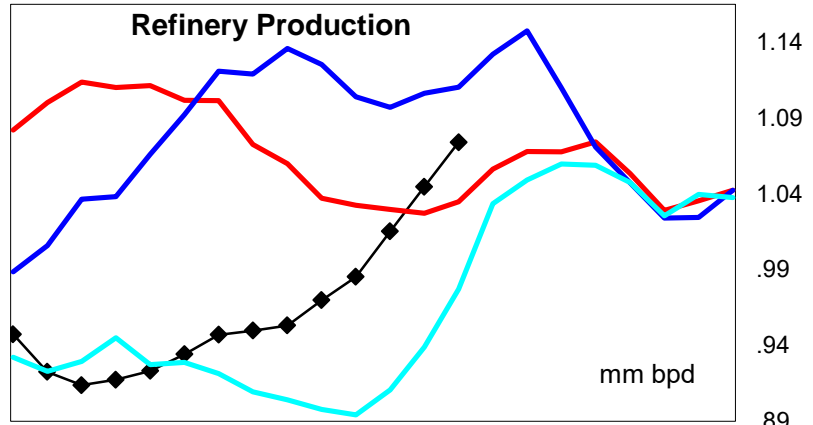
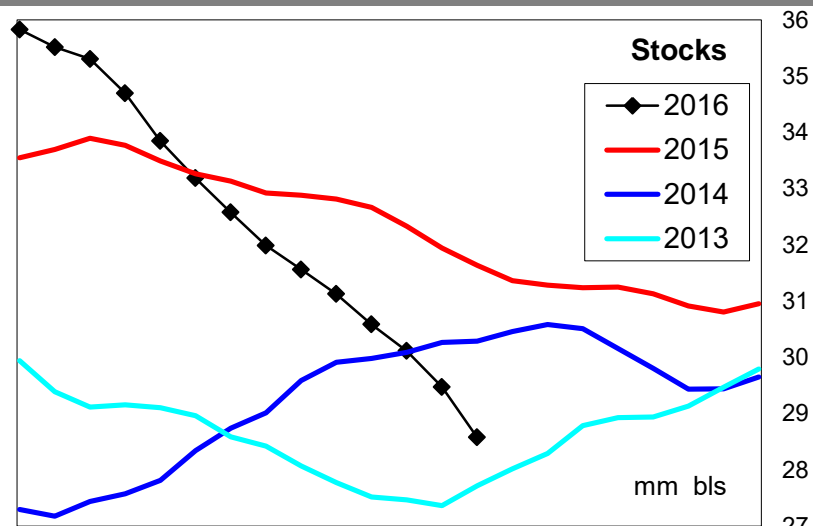
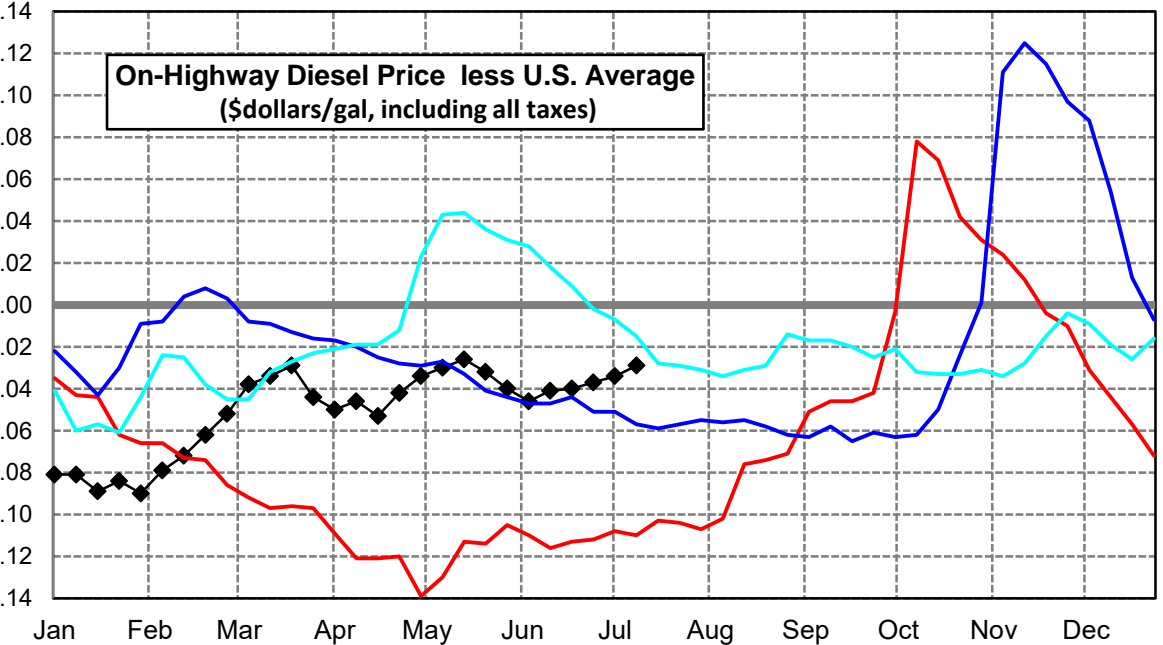
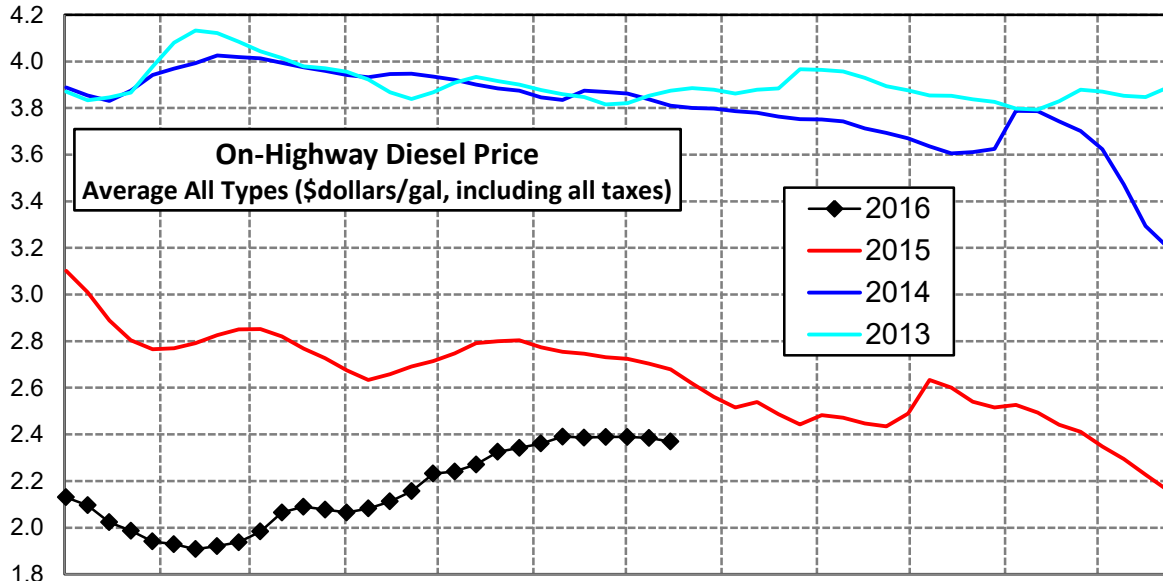
New England Region Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
New England	\$2.491	\$2.482	\$2.469	\$2.452	-\$0.017
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



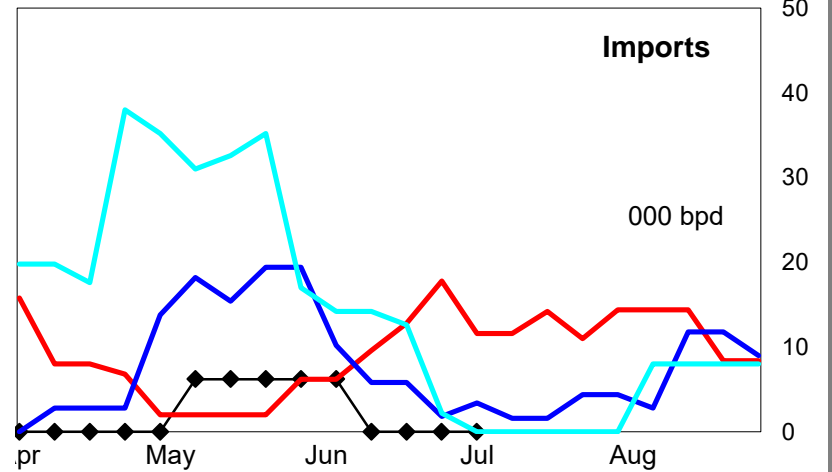
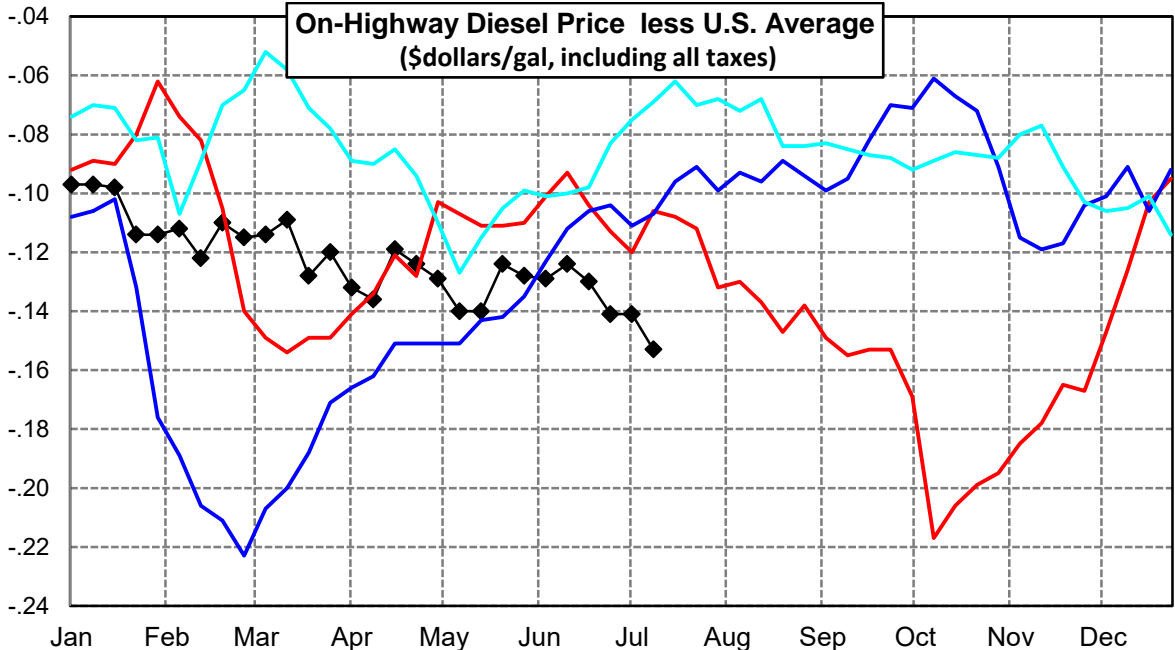
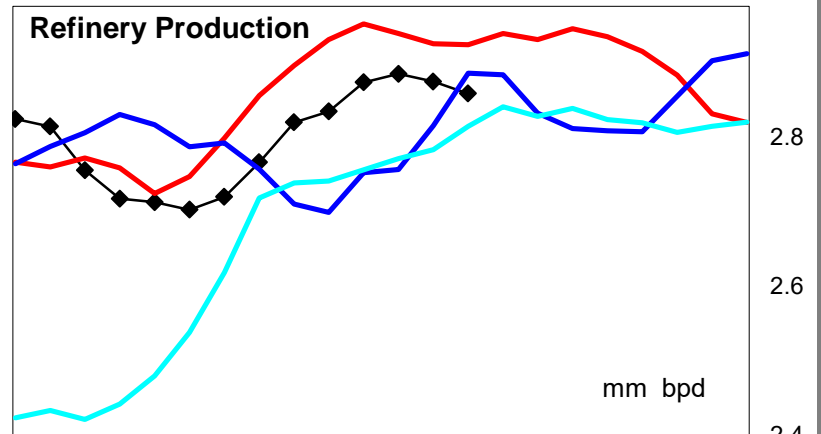
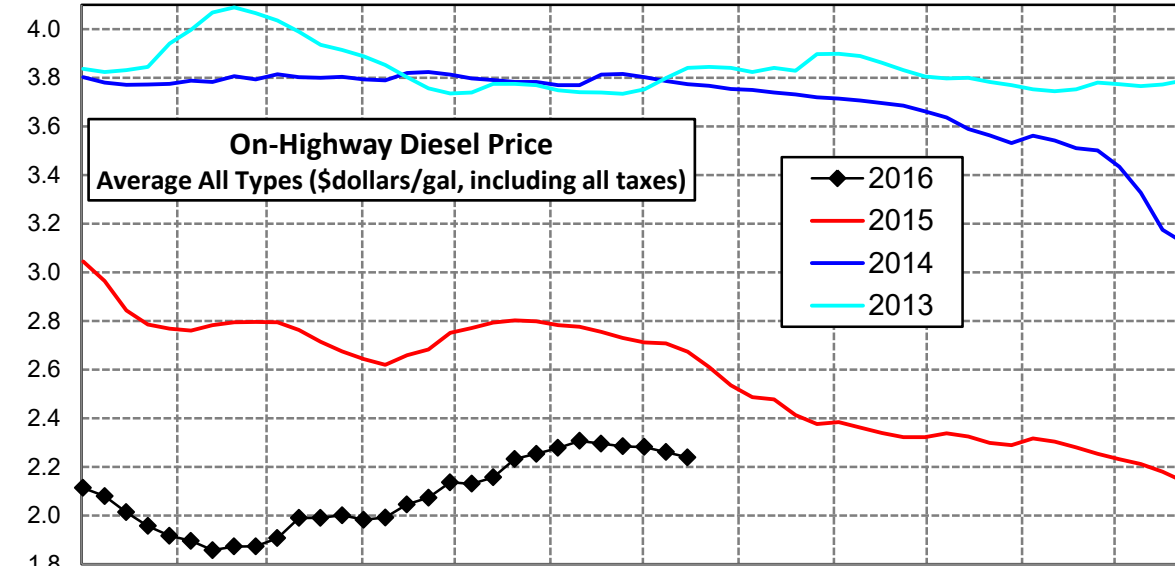
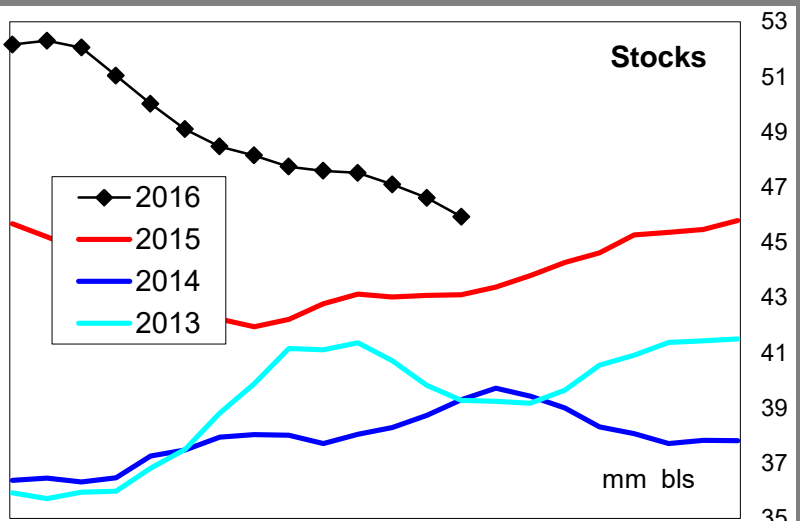
Midwest Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
Midwest	\$2.389	\$2.389	\$2.385	\$2.369	-\$0.016
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



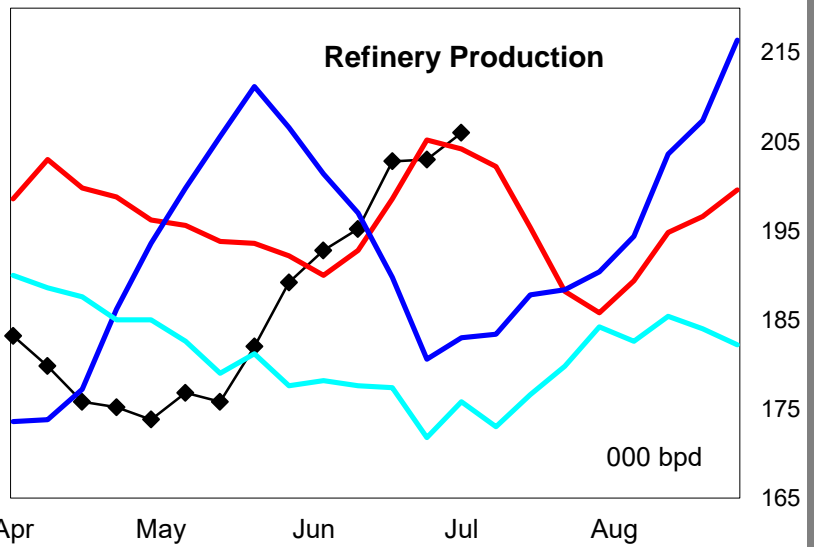
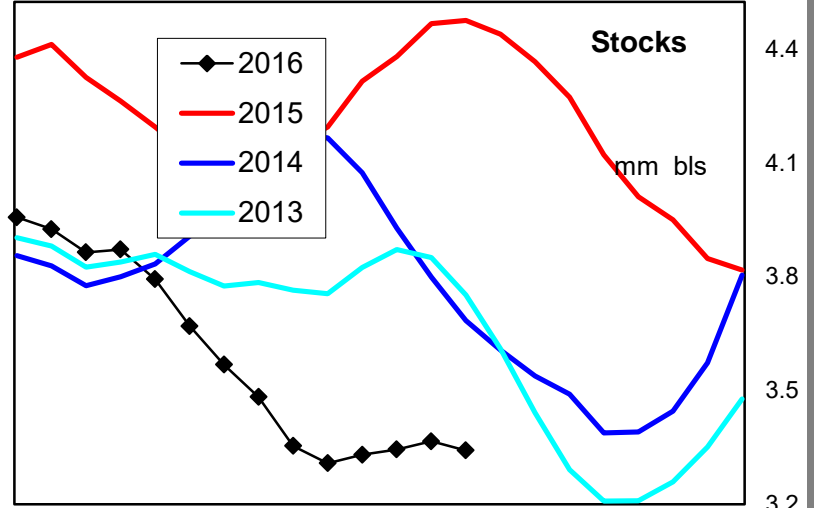
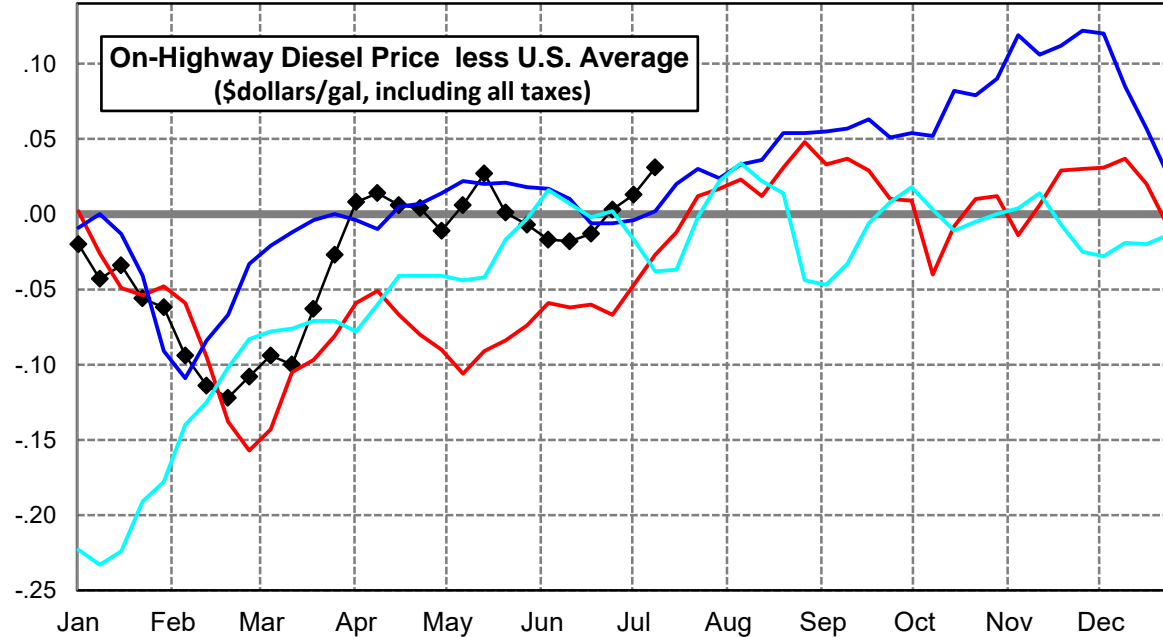
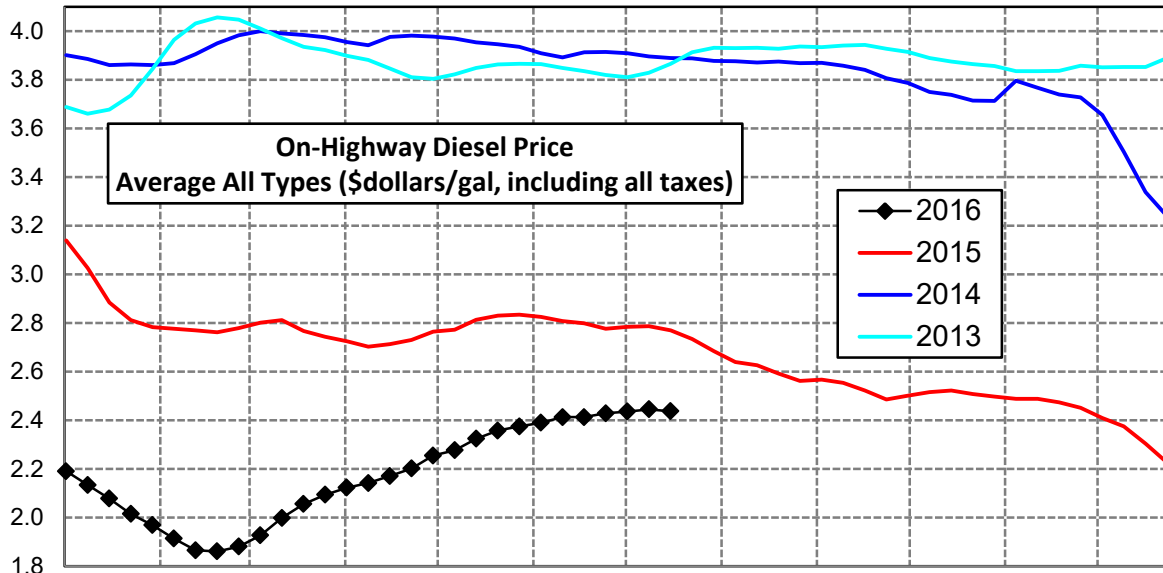
Gulf Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
Gulf Coast	\$2.285	\$2.282	\$2.261	\$2.240	-\$0.021
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



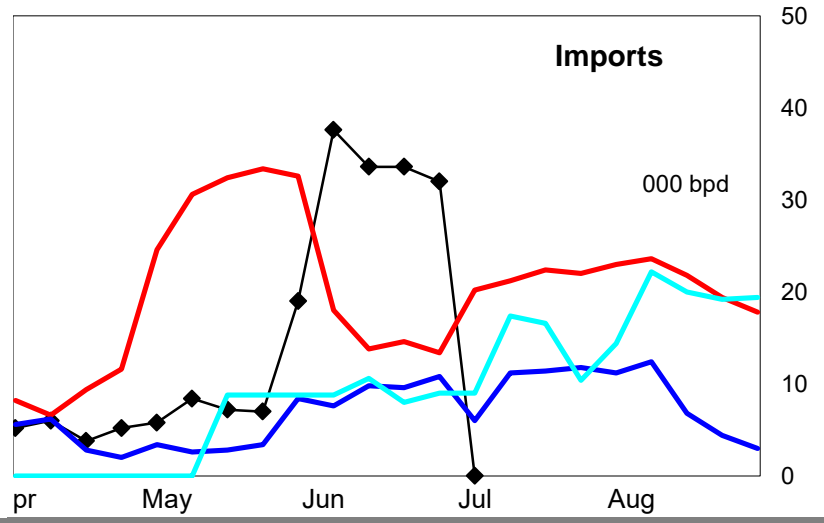
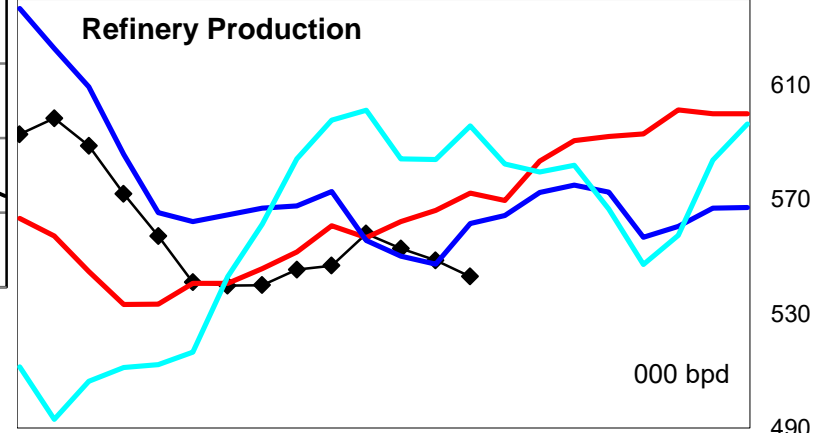
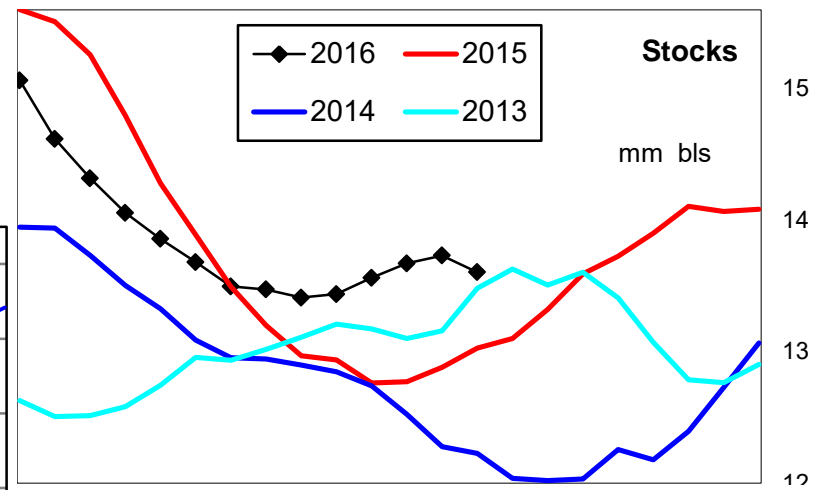
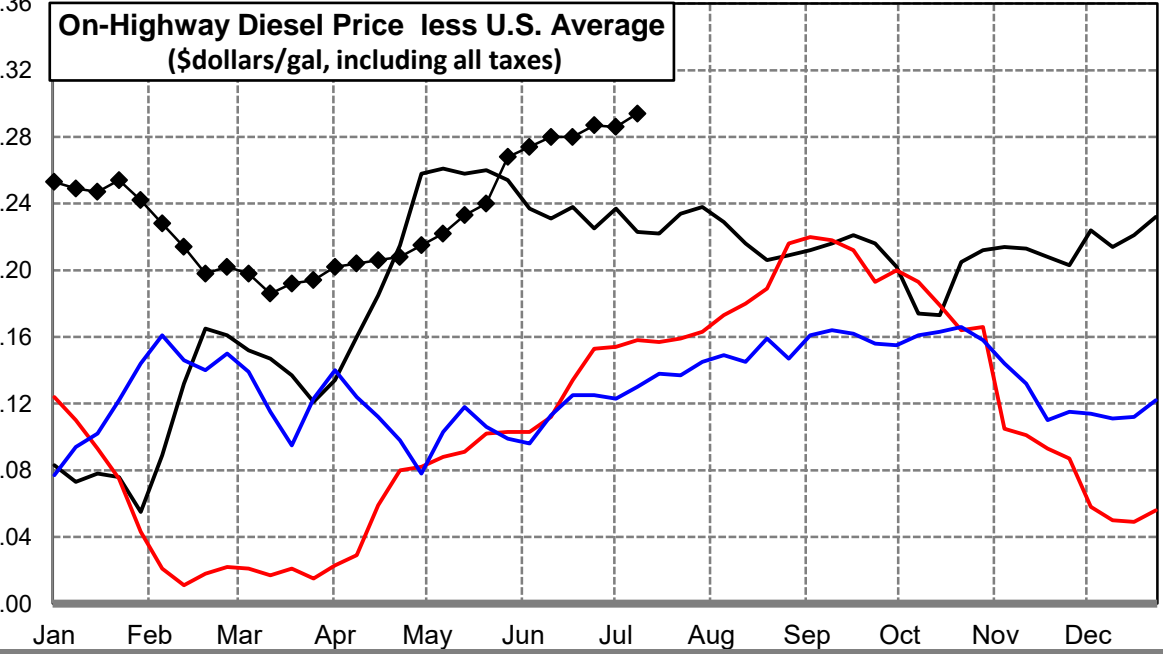
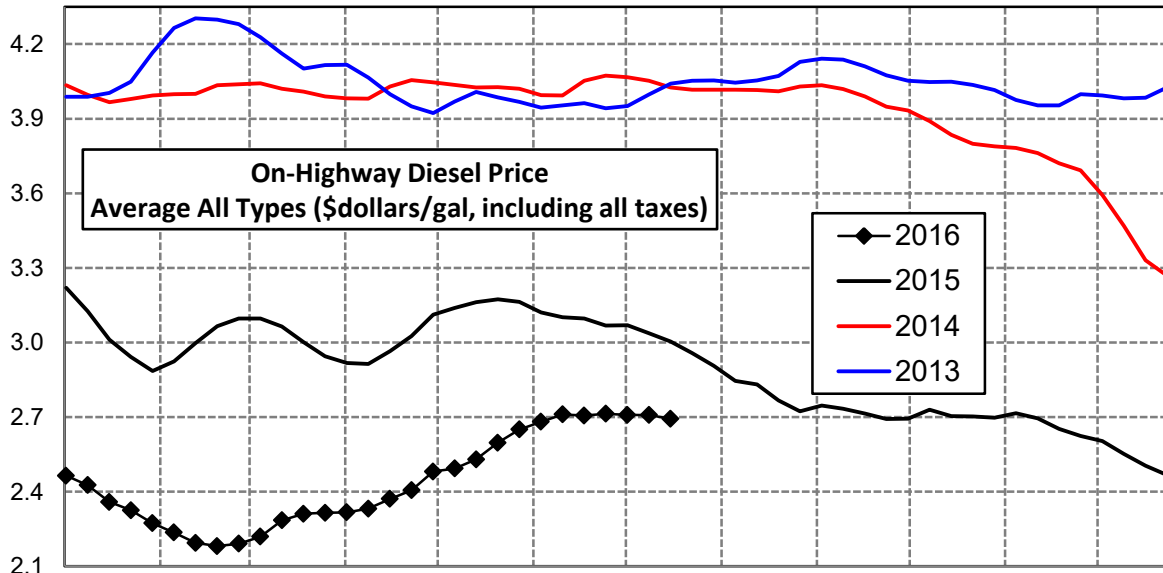
Rocky Mountain Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
Rocky Mountain	\$2.429	\$2.436	\$2.445	\$2.437	-\$0.008
1/ Source: U.S. Energy Information Administration					
2/ Source: Fundamental Petroleum Trends Reports					



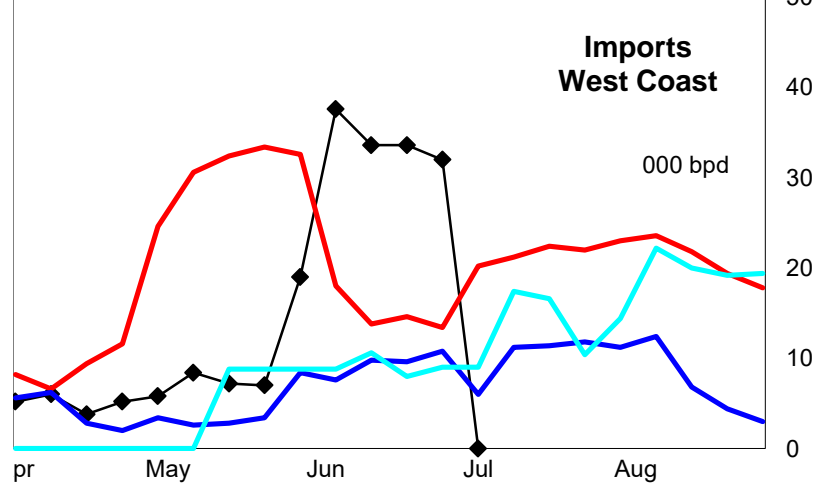
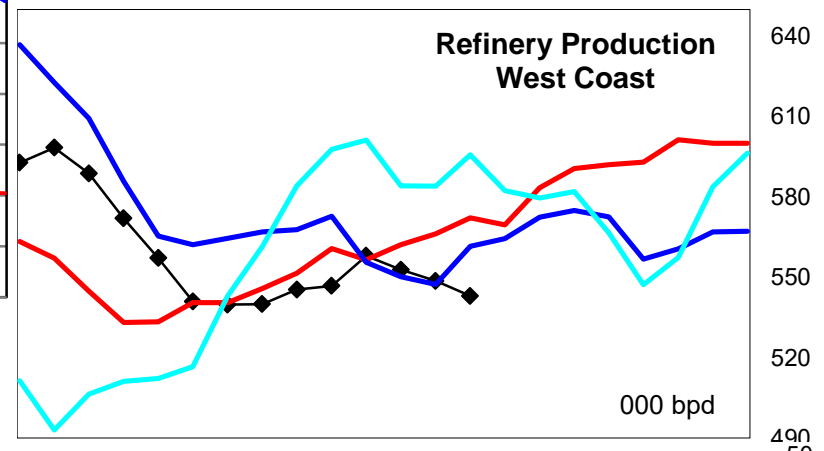
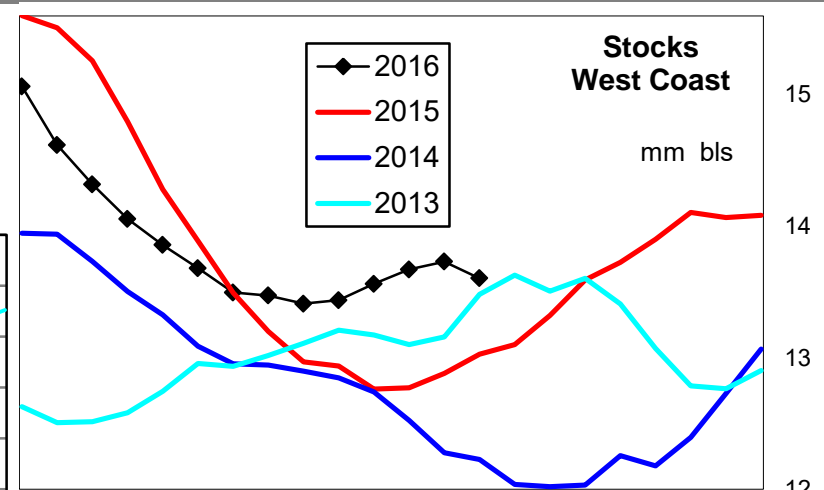
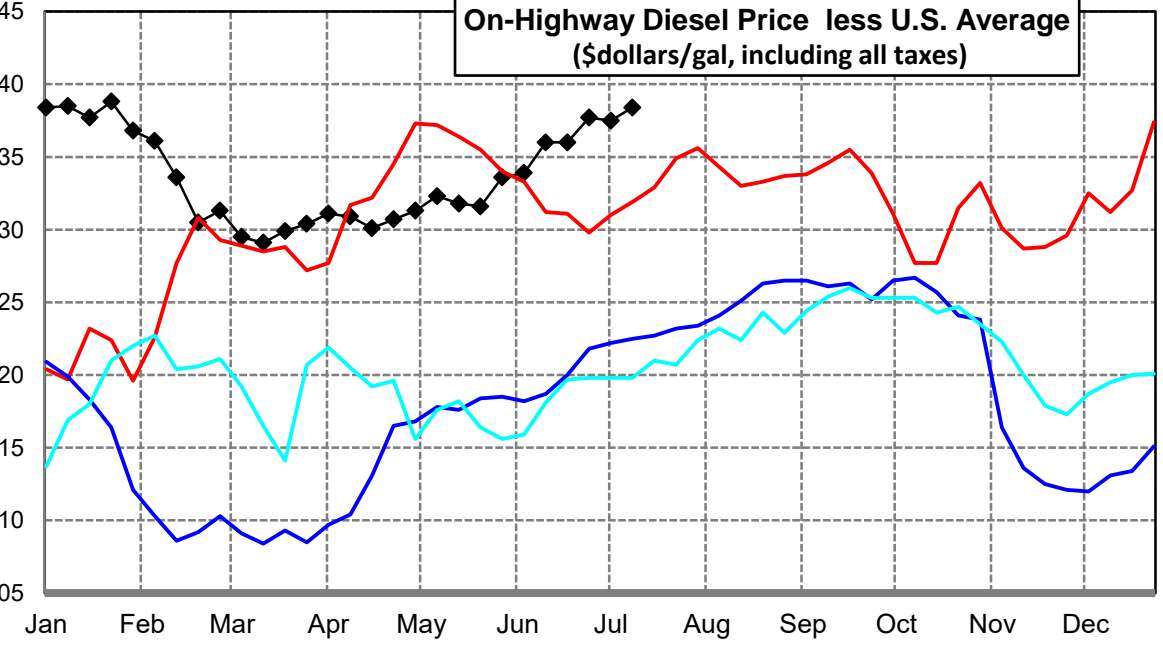
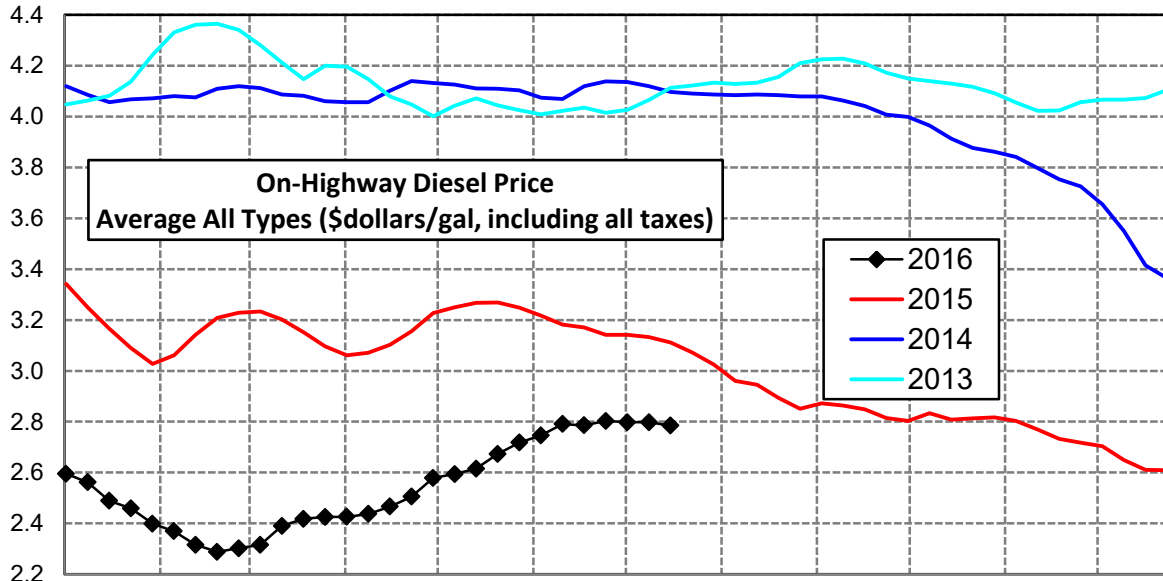
West Coast Diesel Supply Fundamentals and On-Highway Price Trends

Weekly Retail On-Highway Diesel Prices					
Region	Actual Price week ending 1/			Forecast 2/	Change from week
	27Jun16	04Jul16	11Jul16	18Jul16	
West Coast	\$2.713	\$2.709	\$2.708	\$2.693	-\$0.015
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
	27Jun16	04Jul16	11Jul16	18Jul16	
California	\$2.803	\$2.798	\$2.798	\$2.784	-\$0.014
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-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	2.382	2.405	2.442	2.505	2.322	2.342	2.254	2.375	2.650	2.718
Mon-06-Jun-16	2.407	2.436	2.471	2.522	2.363	2.361	2.278	2.390	2.681	2.746
Mon-13-Jun-16	2.431	2.449	2.492	2.537	2.372	2.390	2.307	2.413	2.711	2.791
Mon-20-Jun-16	2.426	2.443	2.494	2.542	2.358	2.386	2.296	2.413	2.706	2.786
Mon-27-Jun-16	2.426	2.442	2.491	2.535	2.361	2.389	2.285	2.429	2.713	2.803
Mon-04-Jul-16	2.423	2.438	2.482	2.535	2.355	2.389	2.282	2.436	2.709	2.798
Mon-11-Jul-16	2.414	2.424	2.469	2.521	2.341	2.385	2.261	2.445	2.708	2.798
Mon-18-Jul-16	2.393	2.400	2.452	2.501	2.328	2.369	2.240	2.437	2.693	2.784
Mon-25-Jul-16										
Mon-01-Aug-16										
Mon-08-Aug-16										
Mon-15-Aug-16										
Mon-22-Aug-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.