



WEEKLY DISTILLATE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

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Cash Basis Outlook			
Product	Market	Weeks Forward	
		1 - 2	3 - 6
Heating Oil	NYH	→	→
	Gulf	→	→
Diesel	NYH	→	→
	Gulf	→	→
	Grp III	→	→
	Chicago	→	→
	W Coast	→	→
Gulf Coast Price Outlook		→	→

Wholesale demand has collapsed -1.1 million bpd during the last 3-wks in less transport use during the holiday period, substitution of natural gas for heating oil and stock draws in the downstream supply chain. The latest 4-wk average demand was -186,000 bpd below a year ago.

Supply increased +145,000 bpd on the week due to higher imports and production. The latest 4-wk average year-on-year change in supply was a +42,000 bpd increase. Production reached a 5-year high last week for the period.

Stocks jumped +6.8 million barrels last week on extremely low demand and season high production.

Cash basis trended higher in NYH, the Gulf and Los Angeles last week; each with access to export markets. Basis trended lower in all other markets.

Basis levels ended the week below the historic range in west coast regional markets, excluding Los Angeles. Markets East of the Rockies saw basis levels within the historic range.

Look for basis levels in Chicago, Group III, and west coast markets to trend lower, due to rapid stock builds. The Gulf should trade sideways, supported by high exports.

Heating Oil

New York Harbor cash basis to pull back from the recent surge on warmer than normal temperatures in the Northeast.

Gulf Coast cash basis to trend slightly higher on peak seasonal heating demand.

Diesel

New York Harbor cash basis to trade sideways at levels comparable to the last 2-years.

Gulf Coast basis to trade sideways on start of winter maintenance and strong exports.

Chicago basis to trend lower on peak seasonal output, with further weakness as the BPAmoco plant returns to full operation at month end.

West Coast (Los Angeles) basis to trend lower on seasonal stock builds ahead of the start of winter refinery maintenance.

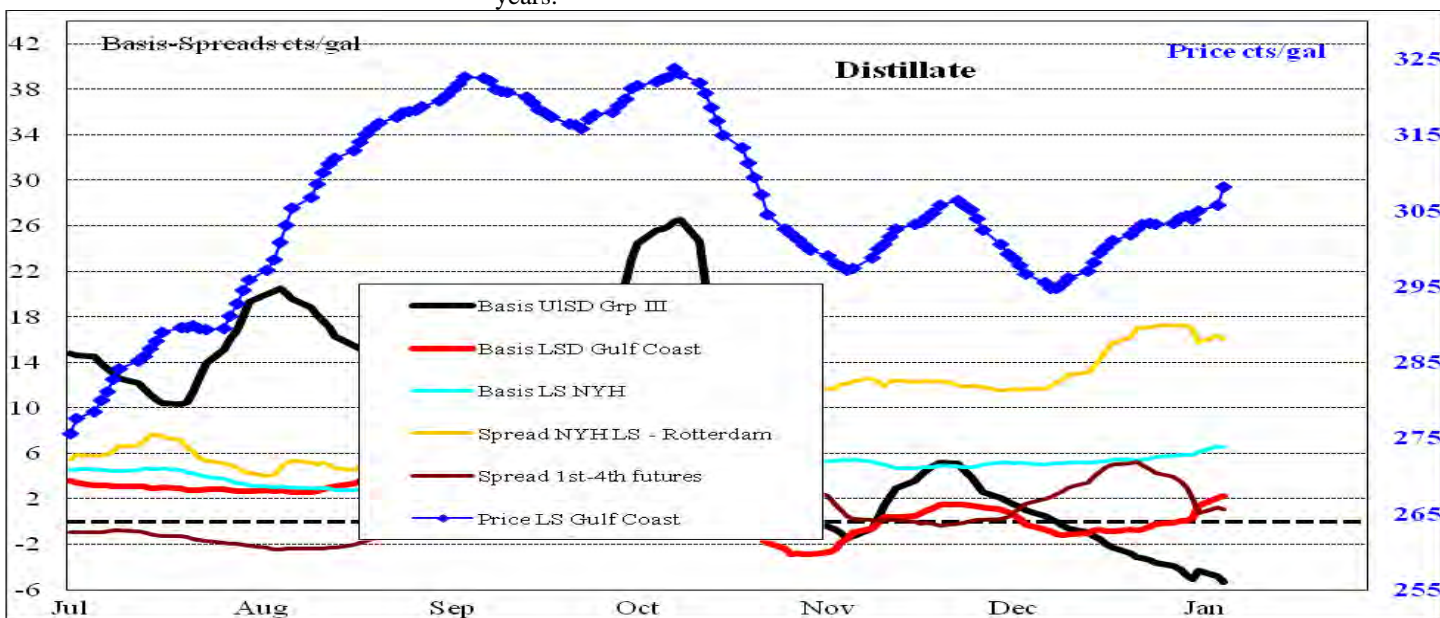
Gulf Coast Price

Wholesale demand remains extremely depressed, driven by lower transport fuel use during the holidays, below normal heating degree days, fuel substitution by natural gas and improving fleet efficiency. Combined with peak seasonal production, stocks increased with the 4-wk build East of the Rockies a record high last week.

European markets strengthened late last week, compared to U.S. East Coast prices, with the spread comparable to the last 2-years.

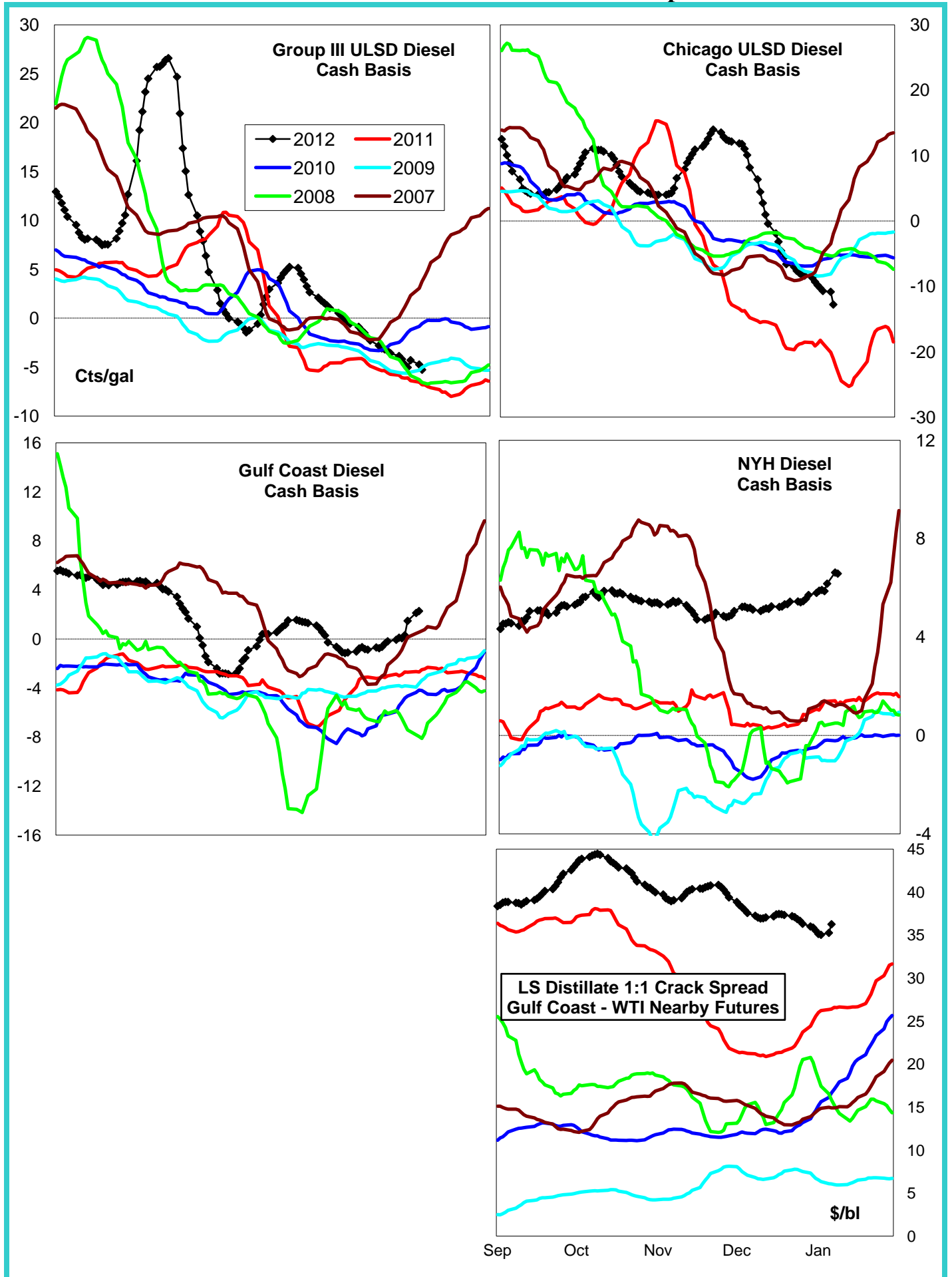
Year-on-year decreases in distillate demand point to a longer term improvement in the supply balance and stock levels which fell to record low levels in the 4th quarter.

Look for volatile energy prices with downside risk due to slow global economic growth.

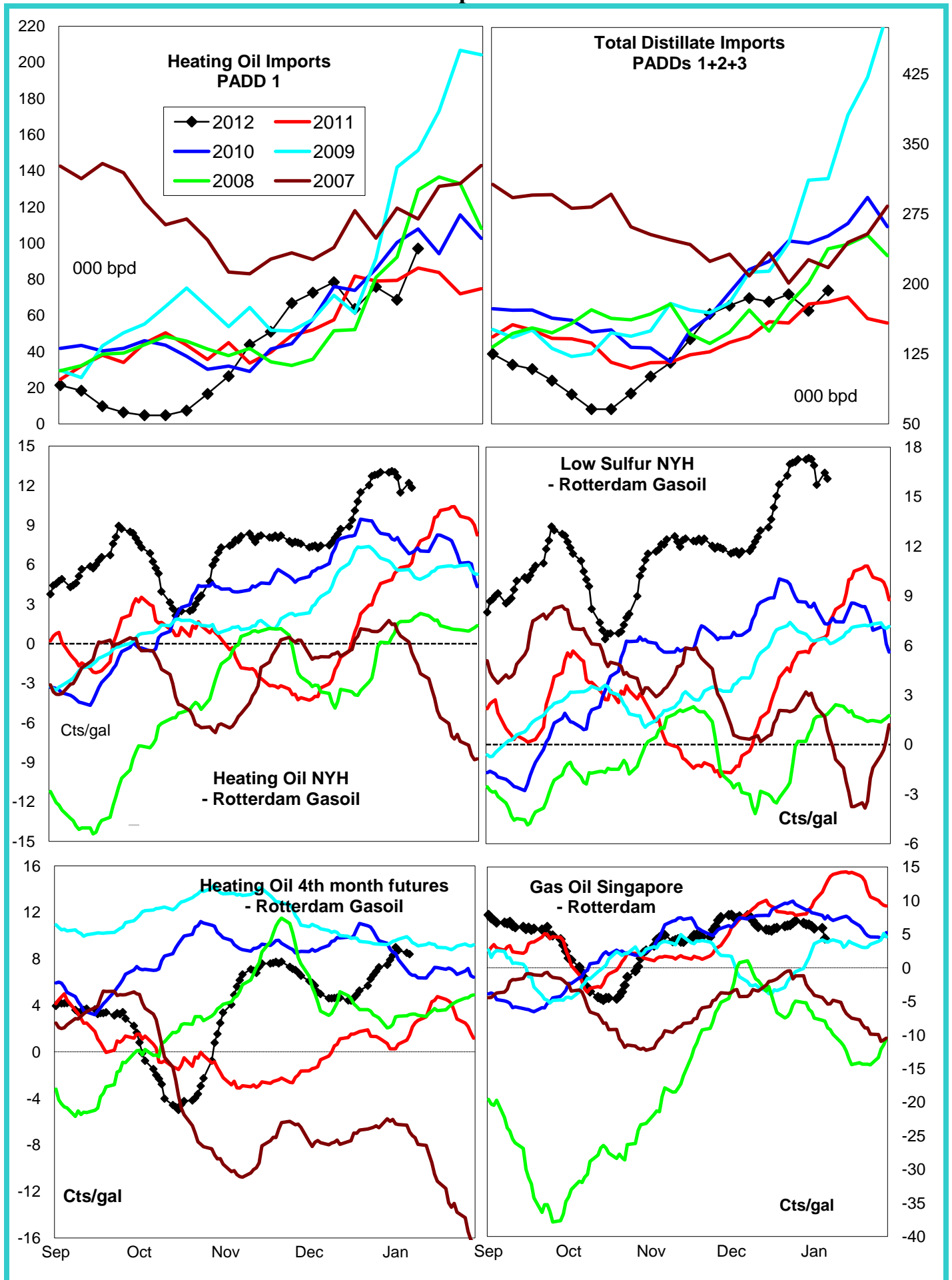


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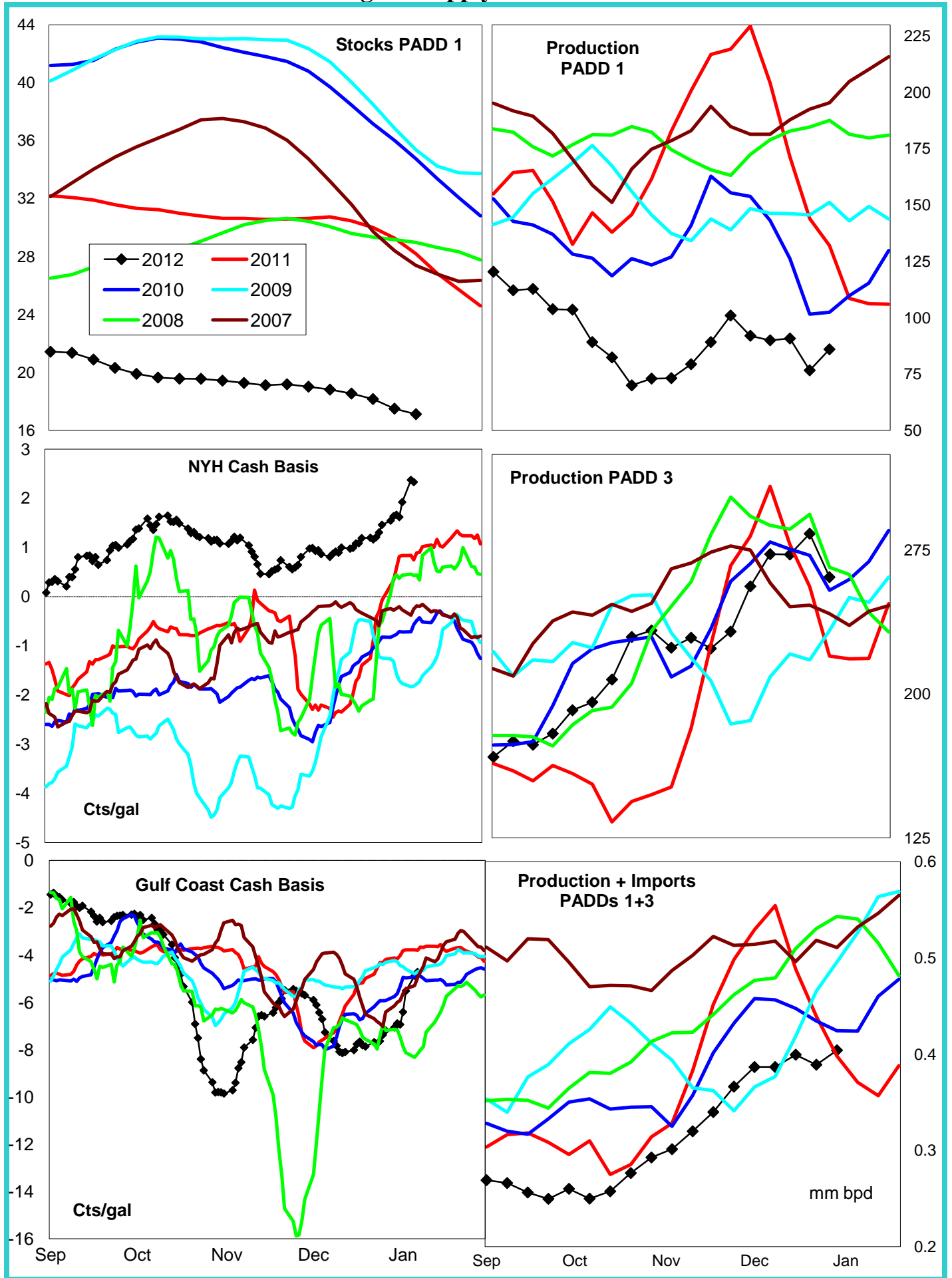
Diesel Cash Basis and Gulf Coast Crack Spread



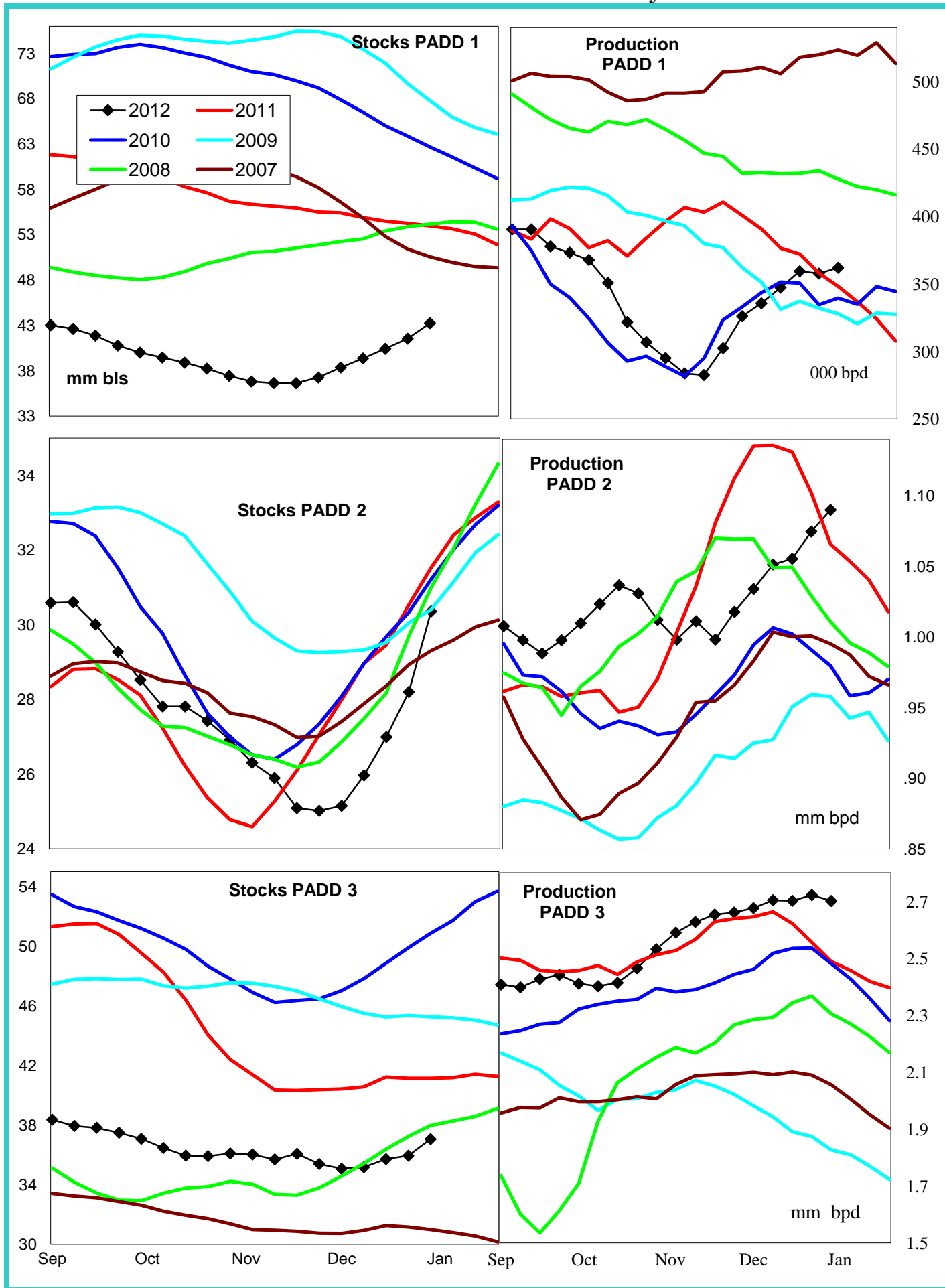
Distillate Import Economics



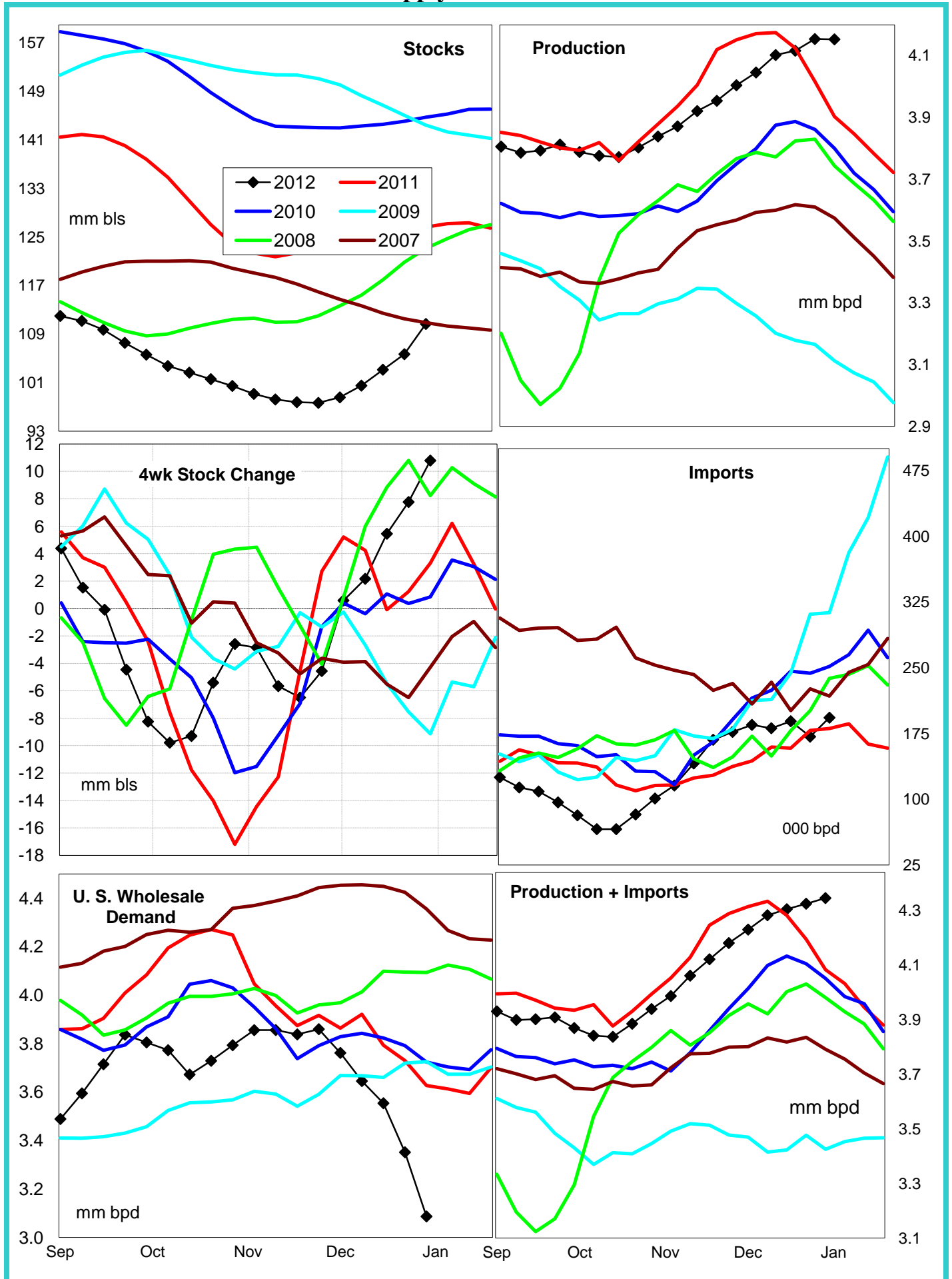
Heating Oil Supply and Cash Basis



Total Distillate Production and Stocks by PADD



Total Distillate Supply - Demand PADDs 1 + 2 + 3



PADD 5 Diesel Supply

