

**FUNDAMENTAL
PETROLEUM
TRENDS?**

WEEKLY GASOLINE 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
RBOB	NYH	→	→
	Gulf	→	→
	W Coast	→	→
Conventional	NYH	→	→
	Gulf	→	→
	Grp III	→	→
	Chicago	→	→
	W Coast	→	→
Gulf Coast Price Outlook		→	→

Wholesale demand decreased just -1,000 bpd last week, following the sharp seasonal decline of -333,000 bpd the prior week. Weekly demand levels are below the five year range, due in part to inclement weather.

Production fell -560,000 bpd as Midwest refiners completed conversion of in process material the prior week and gasoline units on the East Coast were taken down for maintenance.

The latest 4-wk average supply was - 57,000 bpd below a year ago. This compares to the latest demand that was - 30,000 bpd below last year.

Very low demand offset the drop in production leading to a +3.8 million barrel stock build last week.

Although stock levels are at record highs for the period, the rate of stock building as measured by the latest 4-wk change was below four of the last five years. While stock levels are high, they are not building rapidly.

There are regional differences in stock levels. Stocks are extremely high in the Gulf, Lower Atlantic Region of PADD 1 and the West Coast. Stocks are lower in the Central Atlantic Region of PADD 1, PADDs 2 and 4.

Cash basis for conventional grades declined while RBOB grades traded sideways to higher last week in markets East of the Rockies. Cash basis fell sharply on the West Coast.

Basis levels remain at/above the five year mid range in markets East of the Rockies, while the West Coast is near record lows.

Weak seasonal and year-over-year demand should offset reduced supply and lead to continued stock builds. Low imports have limited stock builds in the Central Atlantic Region, but other markets remain at risk of extreme over supply.

Weak demand and high stock levels of winter grade product should lead to basis weakness late in the 1st quarter as product must then be turned over to spring grades.

RBOB

New York Harbor basis to trade sideways in the near term on reduced production and low imports that offset low demand, then lower as winter grades are turned.

Gulf Coast basis to trend lower on high stocks and weak seasonal demand.

West Coast (Los Angeles) basis to trend lower in near term on over supply, then higher as maintenance begins.

Conventional

New York Harbor basis to trade sideways on reduced production and low imports that offset low demand, then lower as winter grades are turned.

Group III basis trend higher in the near term on increased demand after inclement weather, then lower on high stocks.

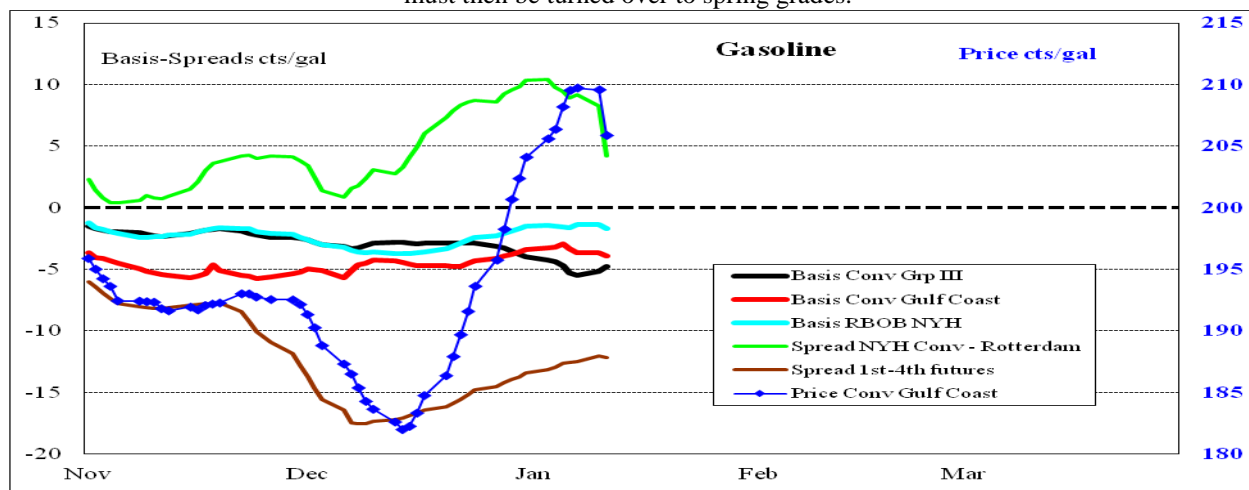
Chicago basis to decline on high production and weak demand.

Gulf Basis to trend lower on high stocks and weak seasonal demand.

West Coast (Los Angeles) basis to trend lower in near term on over supply, then higher as maintenance begins.

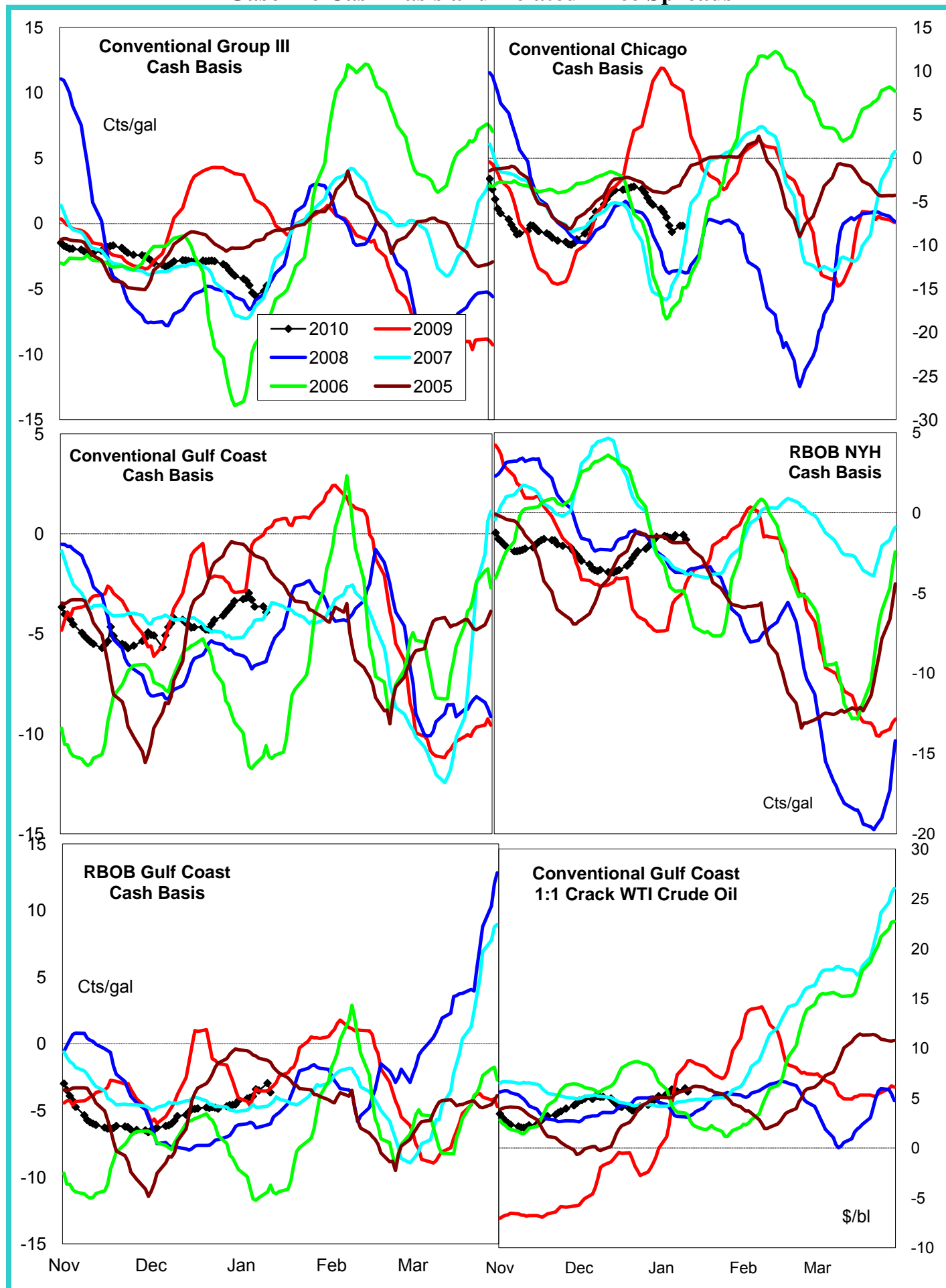
Gulf Coast Price

Gasoline supplies in the key Central Atlantic Region are not severely over supplied compared to the Gulf, lower Atlantic Region of PADD 1, Chicago and West Coast. Expect regional imbalances to persist with supplies tightening on the East & West coast, while building in the midwest.

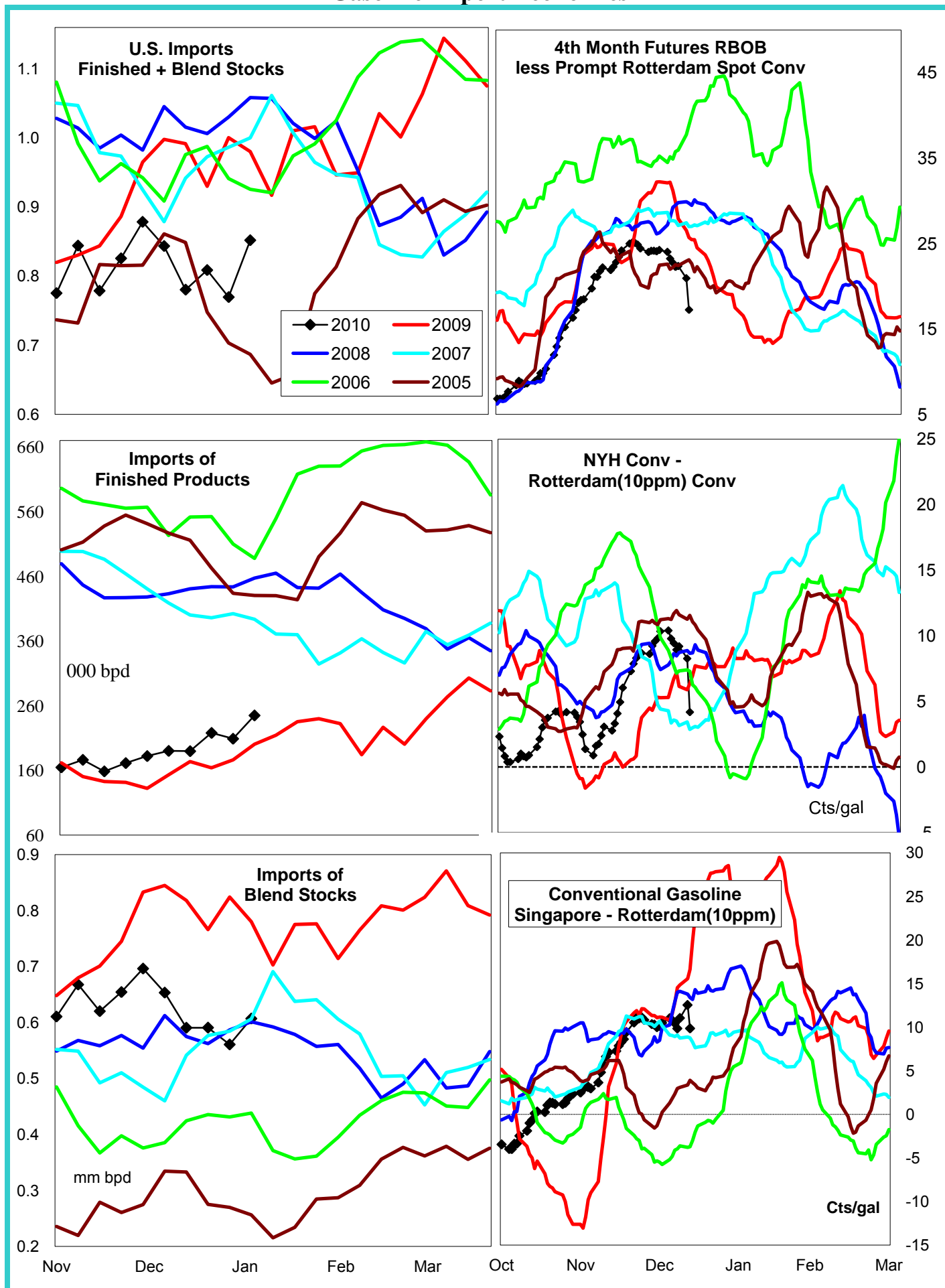


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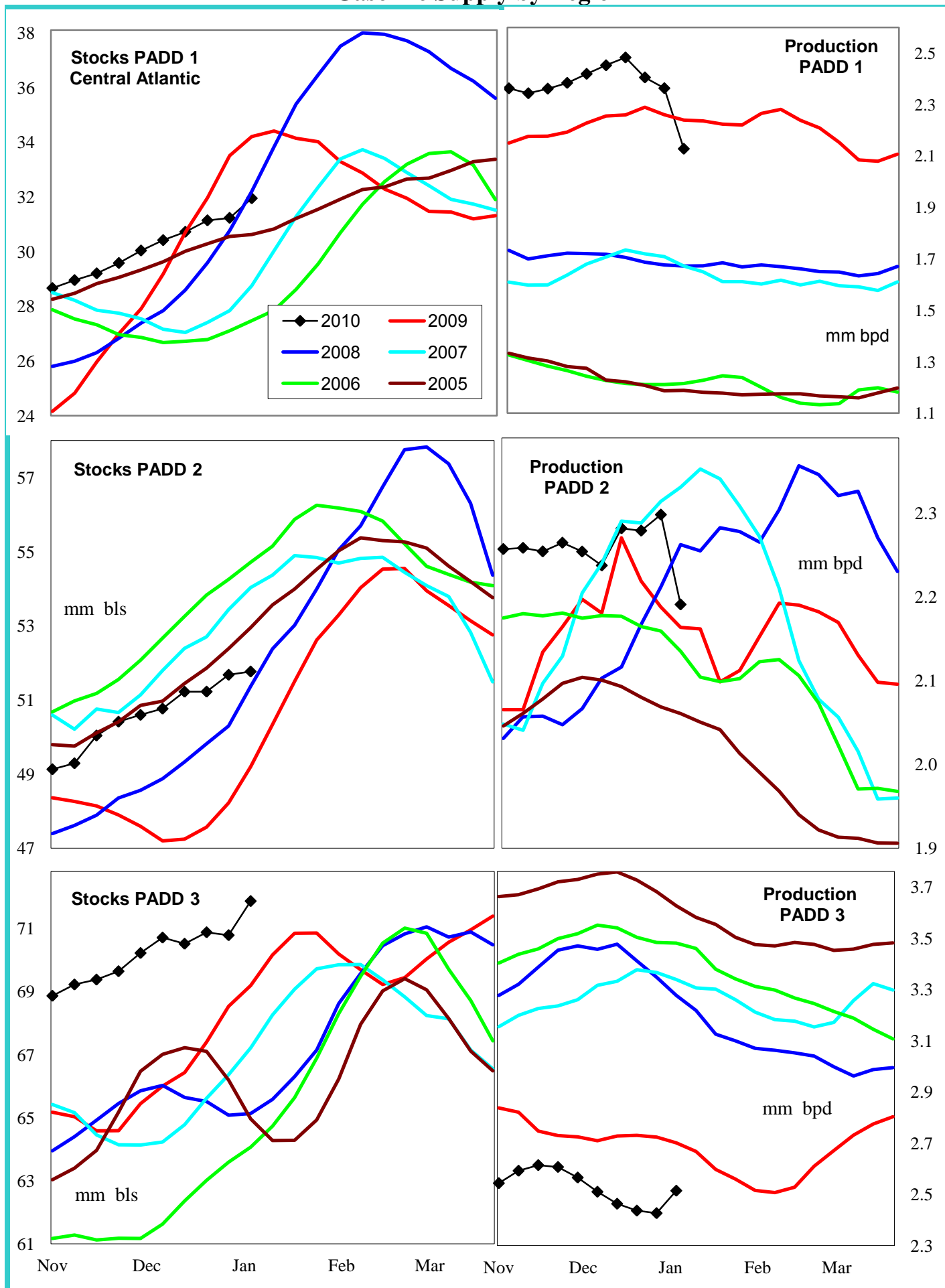
Gasoline Cash Basis and Related Price Spreads



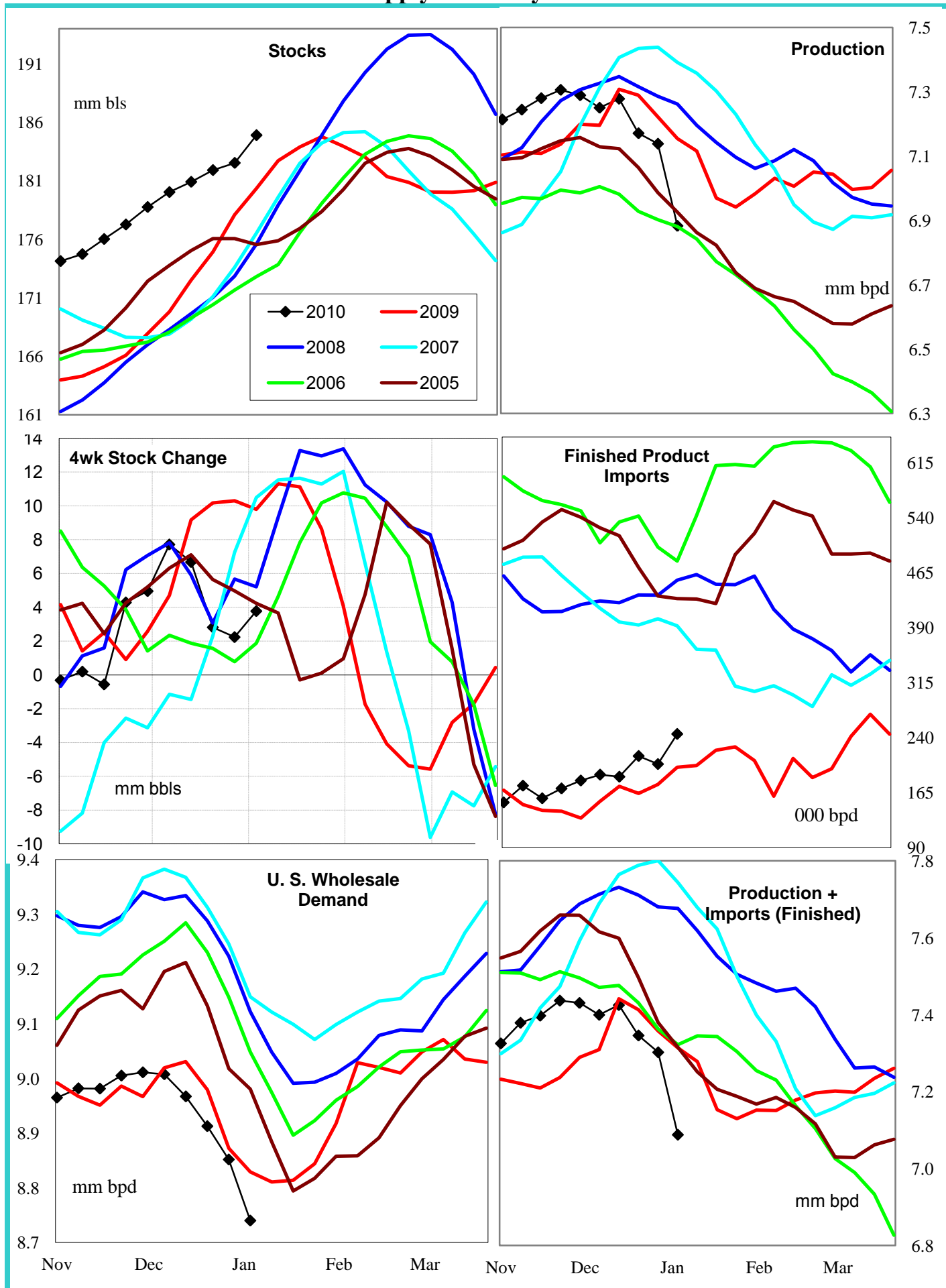
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

