


**FUNDAMENTAL
PETROLEUM
TRENDS?**
WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK
A Fundamental Petroleum Trends Weekly Report

 Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, February 19, 2010

| 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 | | ➡ | ➡ |

The latest 4-wk average supply was - 70,000 bpd below a year ago. This compares to the latest demand that was - 265,000 bpd below last year.

Stocks increased +1.6 million barrels to a new 5-year high for the period. The latest 4-wk stock build East of the Rockies was +4.8 million barrels, at the mid range.

Production has been sharply curtailed in the midwest, while the Gulf remains below the historic range.

Cash basis trended higher last week in all markets East of the Rockies. Basis on the West Coast declined. Basis levels in the Group and LA markets remain below the historic range, while other markets are near the mid range.

Expect a sharp increase in demand from the weather induced lows last week. Combined with low production due to maintenance, basis should strengthen across all regional markets. Basis levels should pull back on the roll over to spring grades during March, but relative to current forward quotes, exhibit improving strength.

RBOB

New York Harbor basis to experience lower basis decline on transition from winter to spring grades due to low stock levels.

Gulf Coast basis to trend higher on improving demand, then lower on change over from winter grade product.

West Coast (Los Angeles) basis to trend seasonally higher on rising demand and seasonal stock draws.

Conventional

New York Harbor basis to experience lower basis decline on transition from winter to spring grades due to low stock levels

Chicago basis to trend higher in near term on increased demand then lower on change from winter to spring grade product.

Group III to trend higher in near term on increased demand but remain at low end of historic range on excess supplies.

Gulf Basis to trend higher on improving demand, then lower on change over from winter grade product.

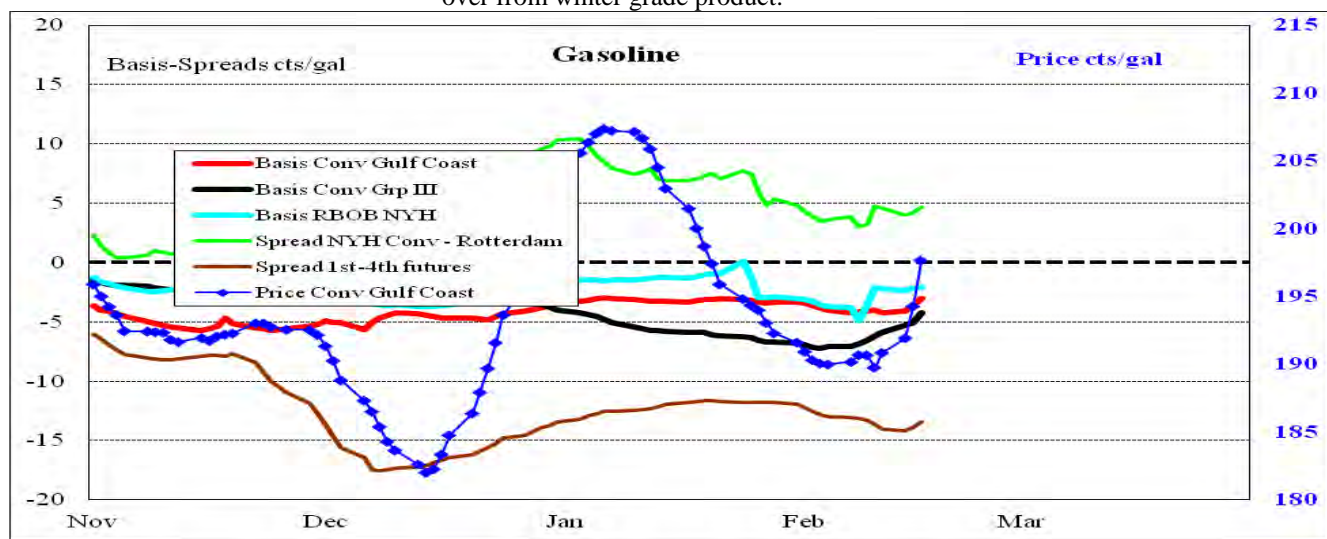
West Coast (Los Angeles) basis to trend seasonally higher on rising demand and seasonal stock draws.

Gulf Coast Price

Expect a sharp near term increase in demand. Very weak demand compared to the historic range since the start of the new year may have been due in part to generally unfavorable travel weather, but may also point to weakness in consumer travel. The latter may extend into the spring quarter, limiting strength in gasoline pricing.

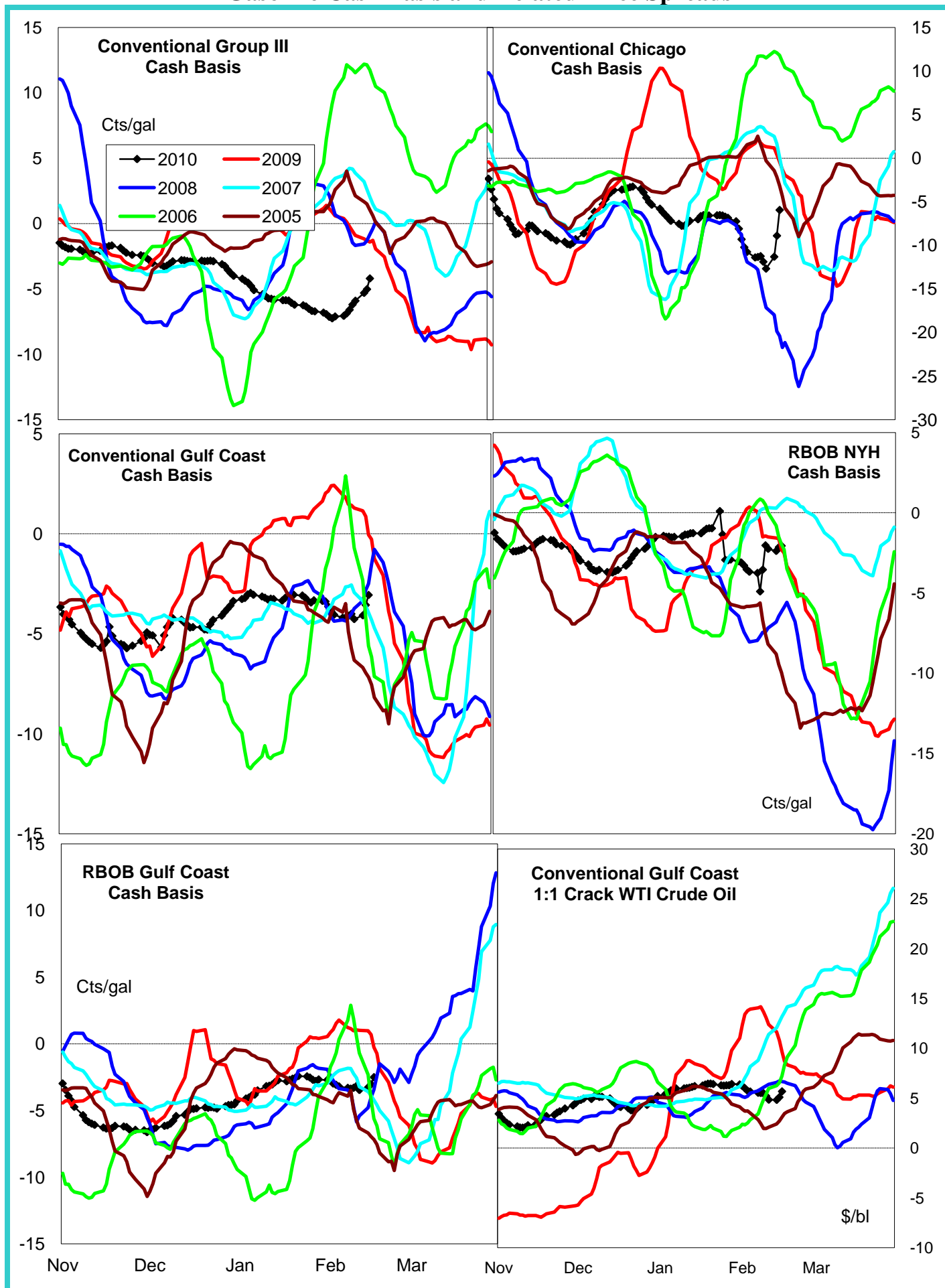
Wholesale demand fell -245,000 bpd last week on inclement weather that limited travel. This was in addition to the extended weakness of the prior month.

Production declined -379,000 bpd with lower output in all major regions. Imports also fell -459,000 bpd, due in part to weather limiting offloading on the East Coast.

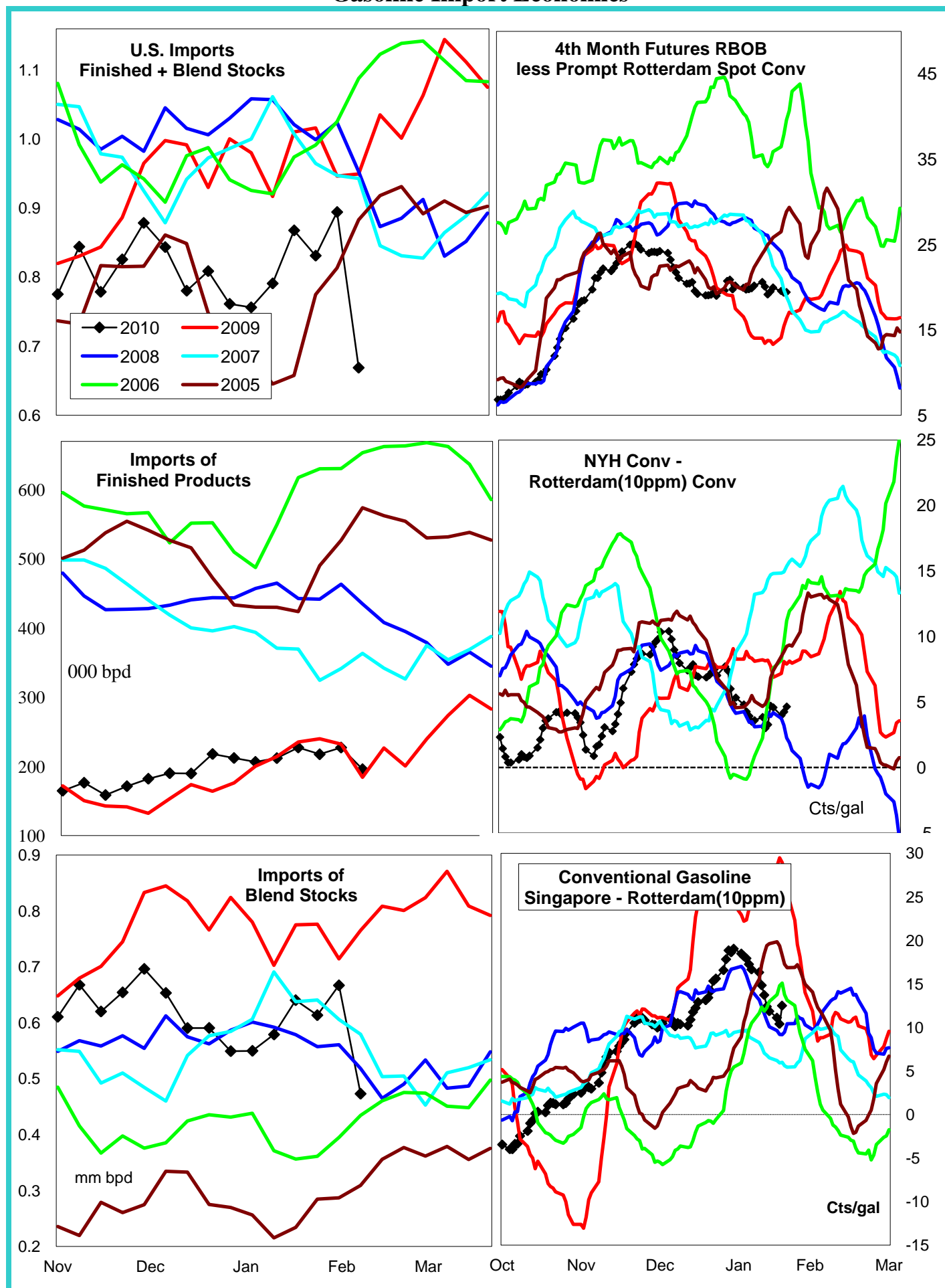


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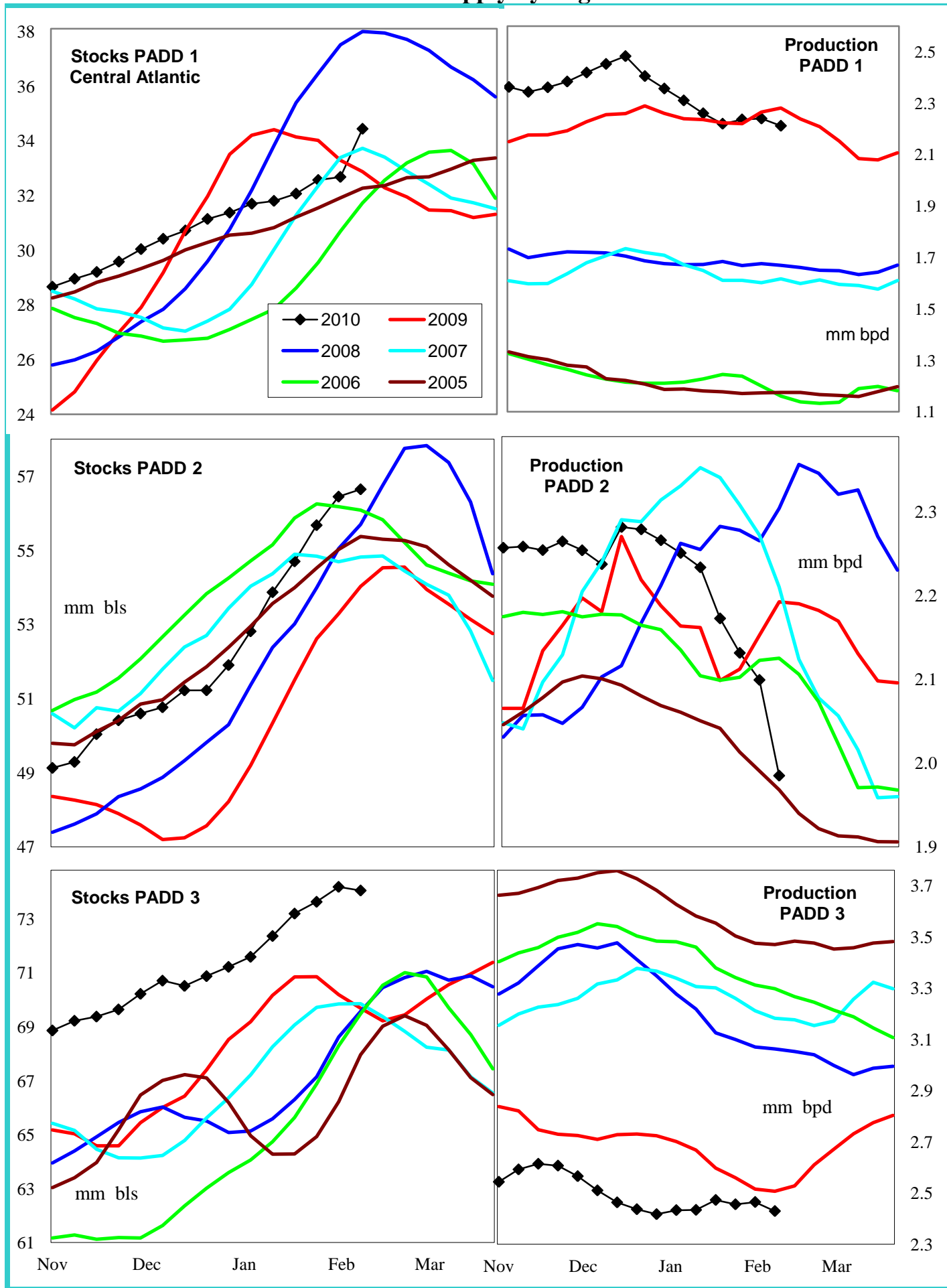
Gasoline Cash Basis and Related Price Spreads



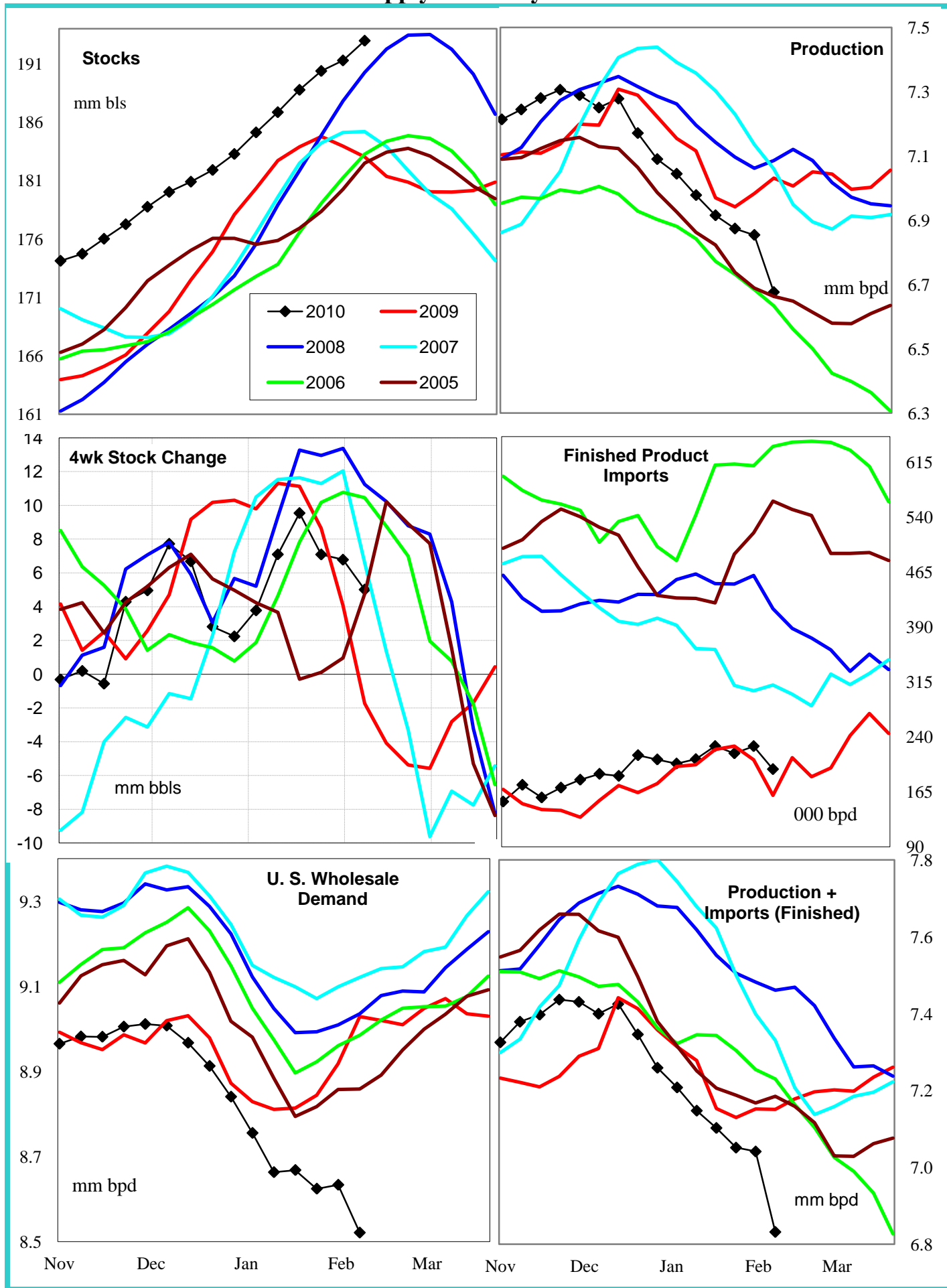
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

