


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

 Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, May 12, 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		→	→

Wholesale demand decreased -142,000 bpd last week; due in part to the sharp drop in wholesale prices which caused the

downstream supply chain to draw down stocks.

Production declined -181,000 bpd on the week, to match the prior 5-year high for the week. Imports fell -293,000 bpd on the week, to match the mid range.

The latest 4-wk average supply was +260,000 bpd above a year ago.

Stocks decreased -2.8 million barrels on the week, although the level remains well above the historic range. The latest 4-wk stock change East of the Rockies was a +1.6 million barrel stock build, at the upper end of the historic range for the period.

Cash basis traded flat to slightly higher last week in markets East of the Rockies. Basis levels ended the week at the low end of the historic range, with the exception of NYH RBOB grade.

Expect basis to remain weak in the near term across all markets on excess supplies, including an oversupply of ethanol. While imports to the east coast decreased last week, favorable import economics should support near average levels during the balance of the quarter.

RBOB

New York Harbor basis to trade sideways on improving supply.

Gulf Coast basis to trade sideways in the near term on excess supply, then higher as the East Coast supply improves.

West Coast (Los Angeles) basis should improve on a seasonal decline in supply.

Conventional

New York Harbor basis to trade sideways on improved supply.

Chicago basis to trend higher on ongoing refinery maintenance in the region.

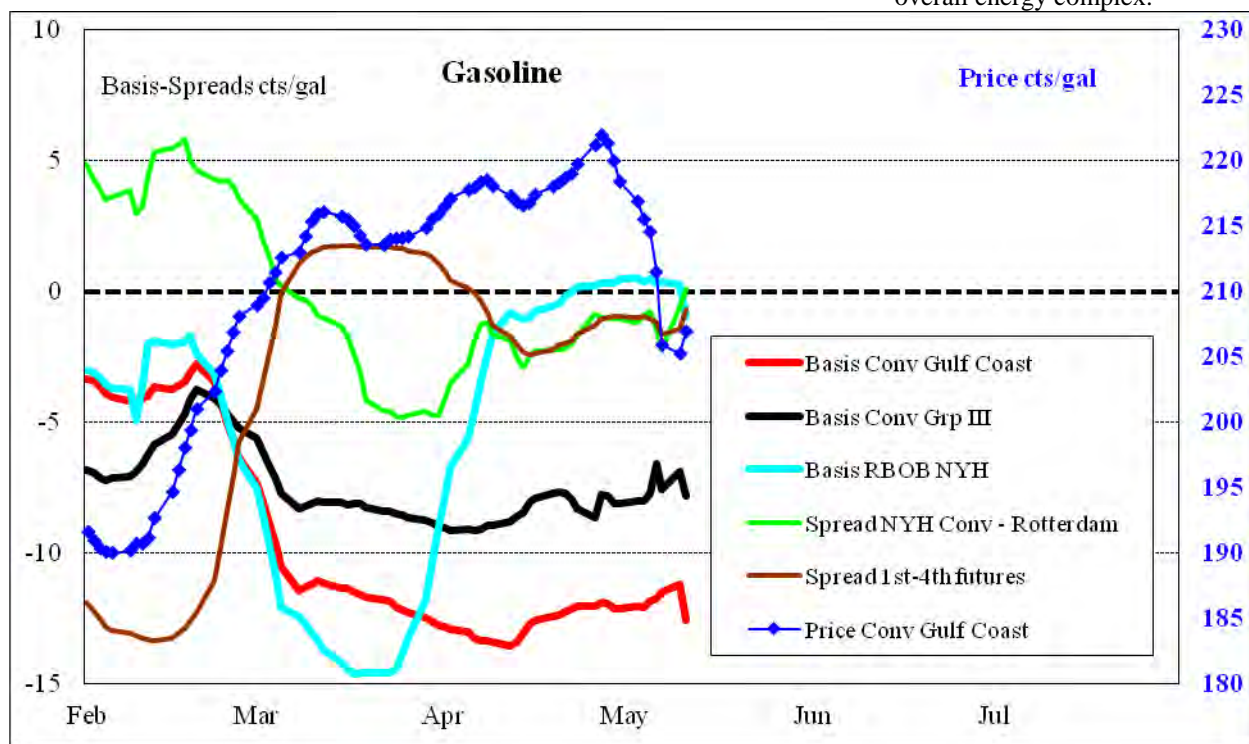
Group III basis to remain weak on high levels of supply in the near term, then strengthen as PADD 1 supply improves.

Gulf Basis to trade sideways in the near term on excess supply, then higher as the East Coast supply improves.

West Coast (Los Angeles) basis should improve on a seasonal decline in supply.

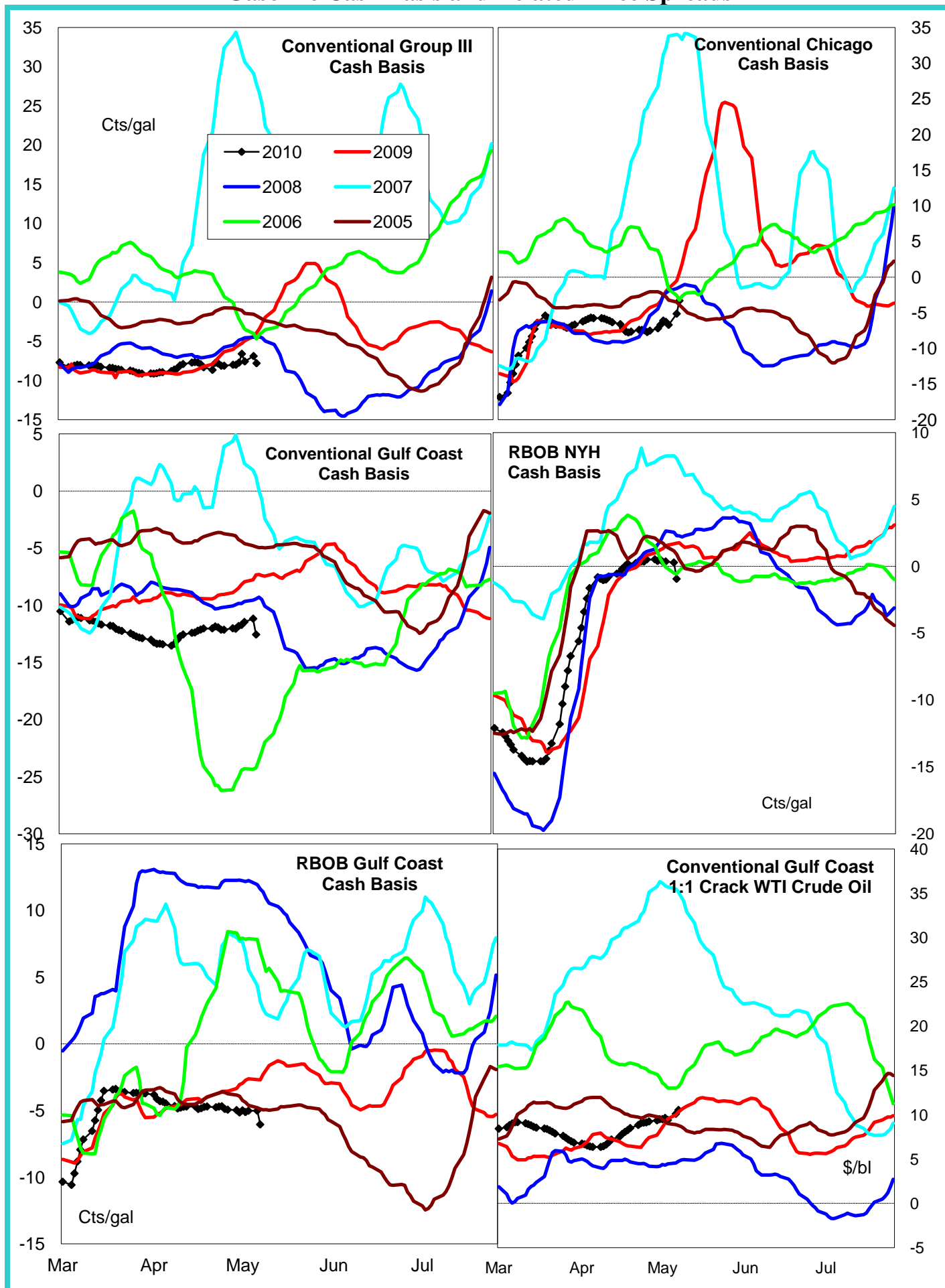
Gulf Coast Price

Gasoline supplies are very ample in key markets, and increased imports should improve the balance in PADD 1. High production should off increasing demand so the market remains well supplied ahead of the peak summer driving season. Expect modest price strength relative to the overall energy complex.

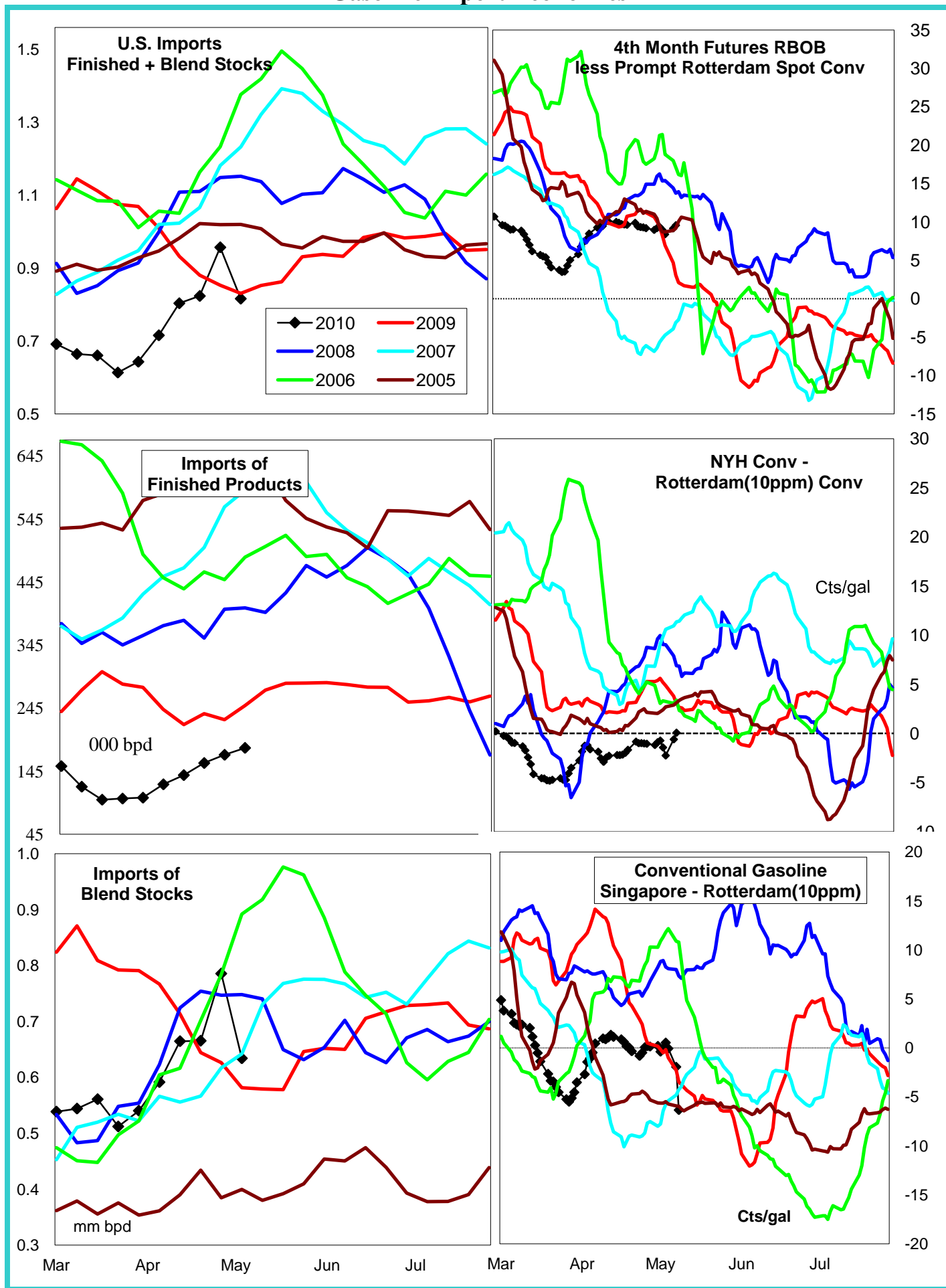


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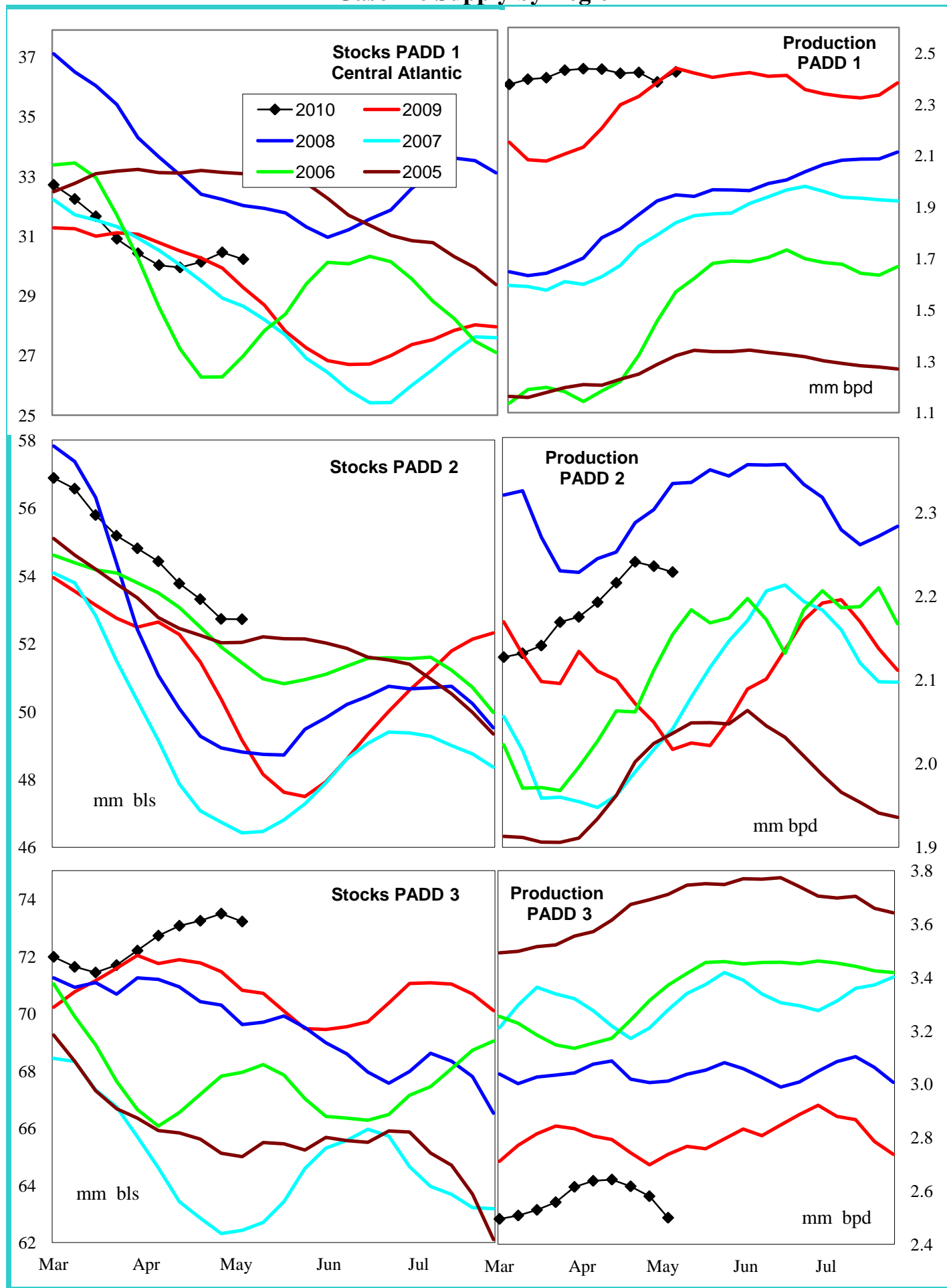
Gasoline Cash Basis and Related Price Spreads



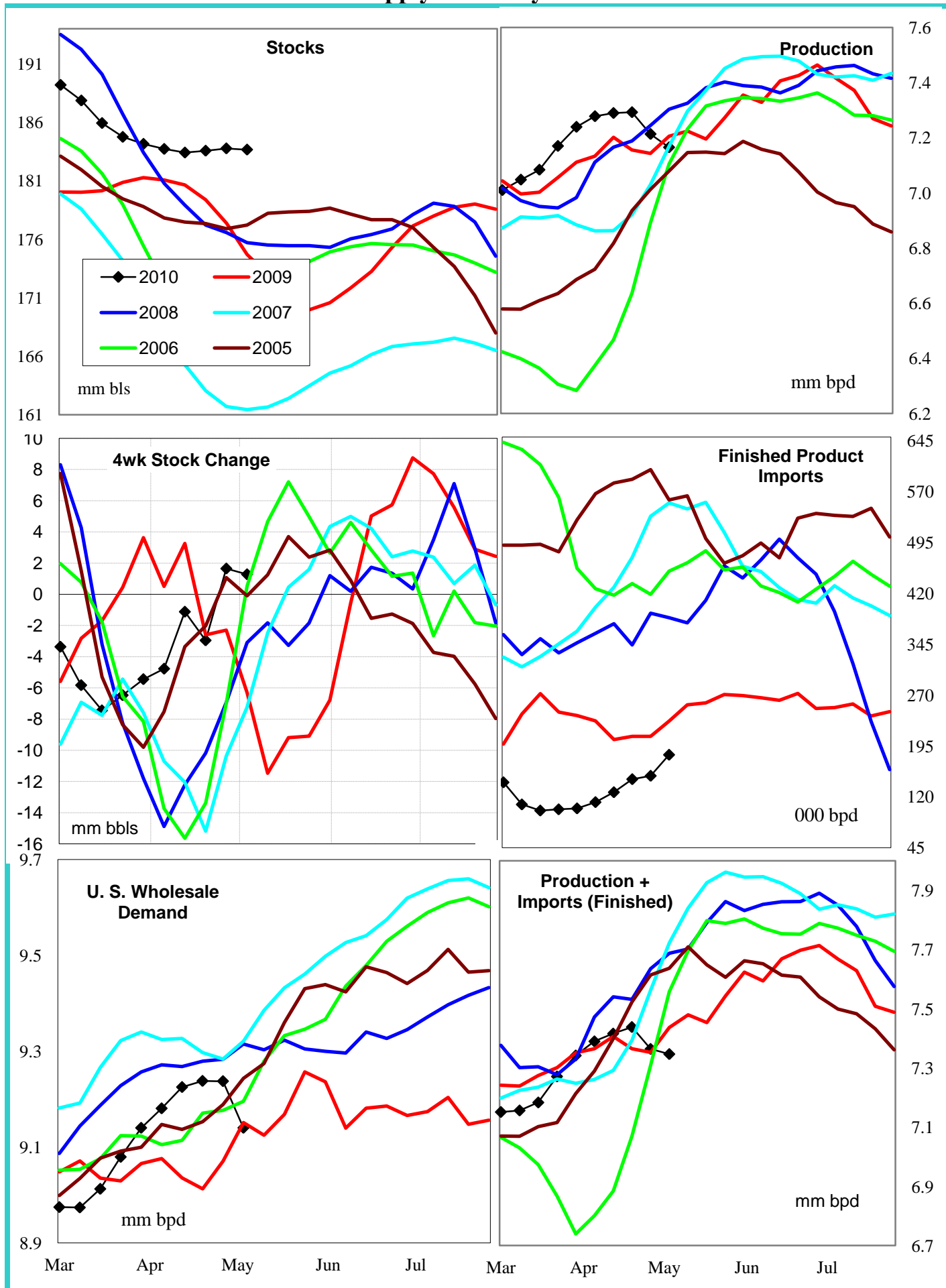
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply