


**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 26, 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 was flat last week at a level below last years' record lows. Both the sharp price decline that causes retailers to draw down stocks and high unemployment that limits consumer driving underlie the very lackluster demand.

Production decreased -220,000 bpd on the week, reducing output to the historic

mid range for the period. Imports climbed +266,000 bpd to the upper end of the historic range.

The latest 4-wk average supply was just +8,000 bpd above last year while demand was +2,000 bpd higher.

Stocks decreased -0.2 million barrels on the week, although the level sharply above the historic range for the period. The latest 4-wk stock change East of the Rockies was a +1.8 million barrel stock build, above the mid range.

Cash basis traded nearly unchanged in markets east of the Rockies. Basis jumped sharply in the middle of the current week on the west coast as unplanned refinery maintenance disrupted supplies.

Basis levels remain at the low end of the historic range in markets East of the Rockies. West Coast basis has jumped to near the mid range on the supply disruption.

Given the continued lackluster demand and record stock levels, basis levels may not experience any meaningful improvement in the near term.

Recent declines in production and some seasonal upturn should provide basis strength over the next 6-wks.

RBOB

New York Harbor basis to trade sideways in the near term on ample supply and weak demand; then strengthen modestly on higher seasonal demand.

Gulf Coast basis is at risk of further declines by mid summer on persistently high stock levels.

West Coast (Los Angeles) basis to trend higher on short term supply disruptions, then lower as key units return to operation.

Conventional

New York Harbor basis to trade sideways in the near term on ample supply and weak demand; then strengthen modestly on higher seasonal demand.

Chicago basis to remain at low end of historic range on ample supplies, with modest strength as summer demand trends higher.

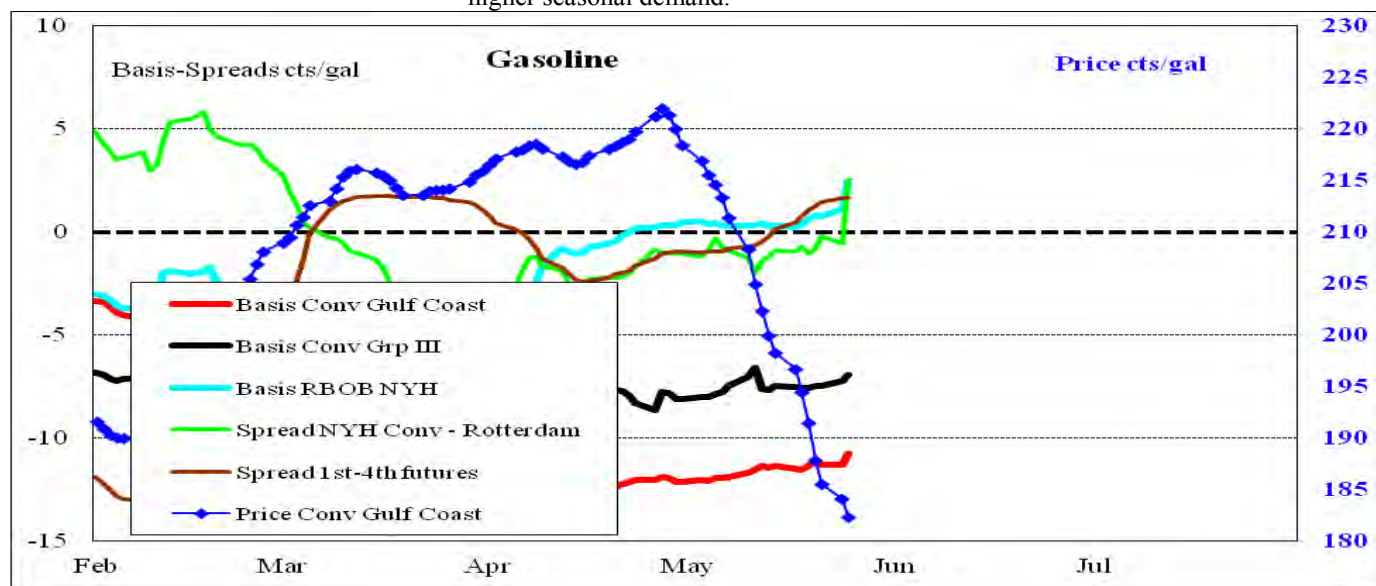
Group III basis to remain at low end of historic range on ample supplies, with modest strength as summer demand trends higher.

Gulf Basis is at risk of further declines by mid summer on persistently high stock levels.

West Coast (Los Angeles) to trend higher on short term supply disruptions, then lower as key units return to operation.

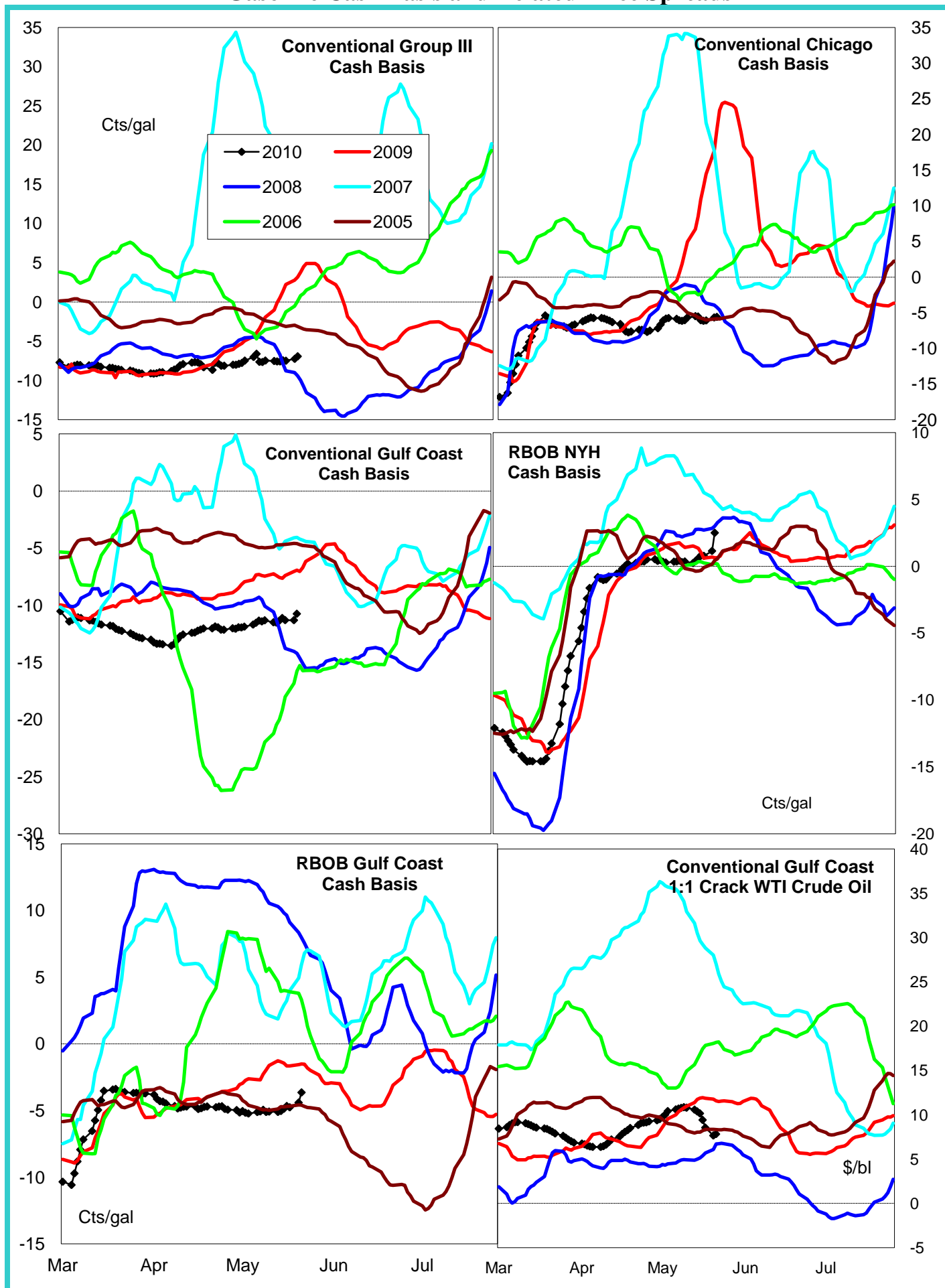
Gulf Coast Price

There has been no short term surge in regional markets on the run up to Memorial weekend and following the dramatic drop in flat price. The West Coast has jumped on supply disruptions. Otherwise the weak demand trends remain in place. This weakness points to the risk of a very oversupplied summer market.

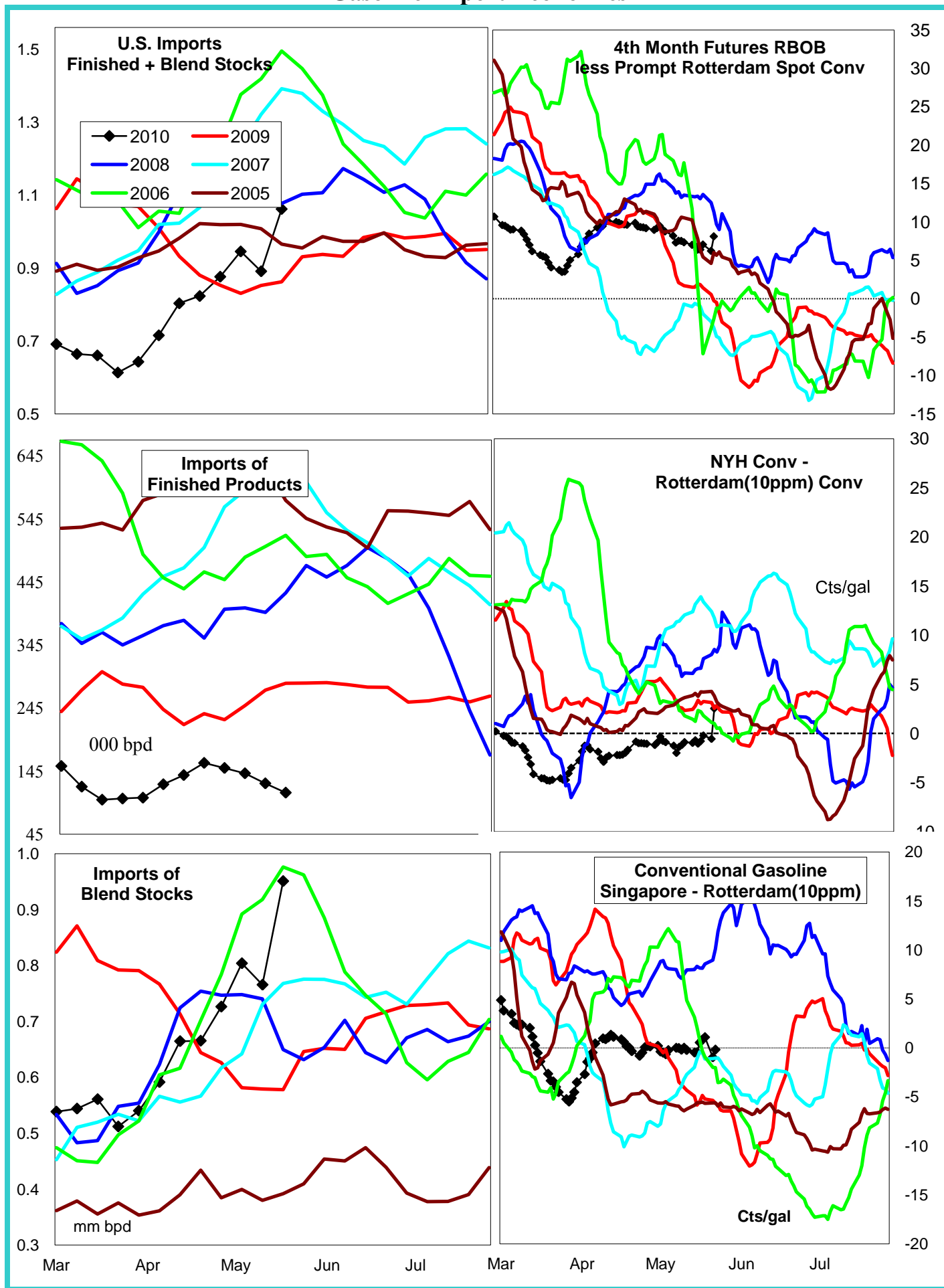


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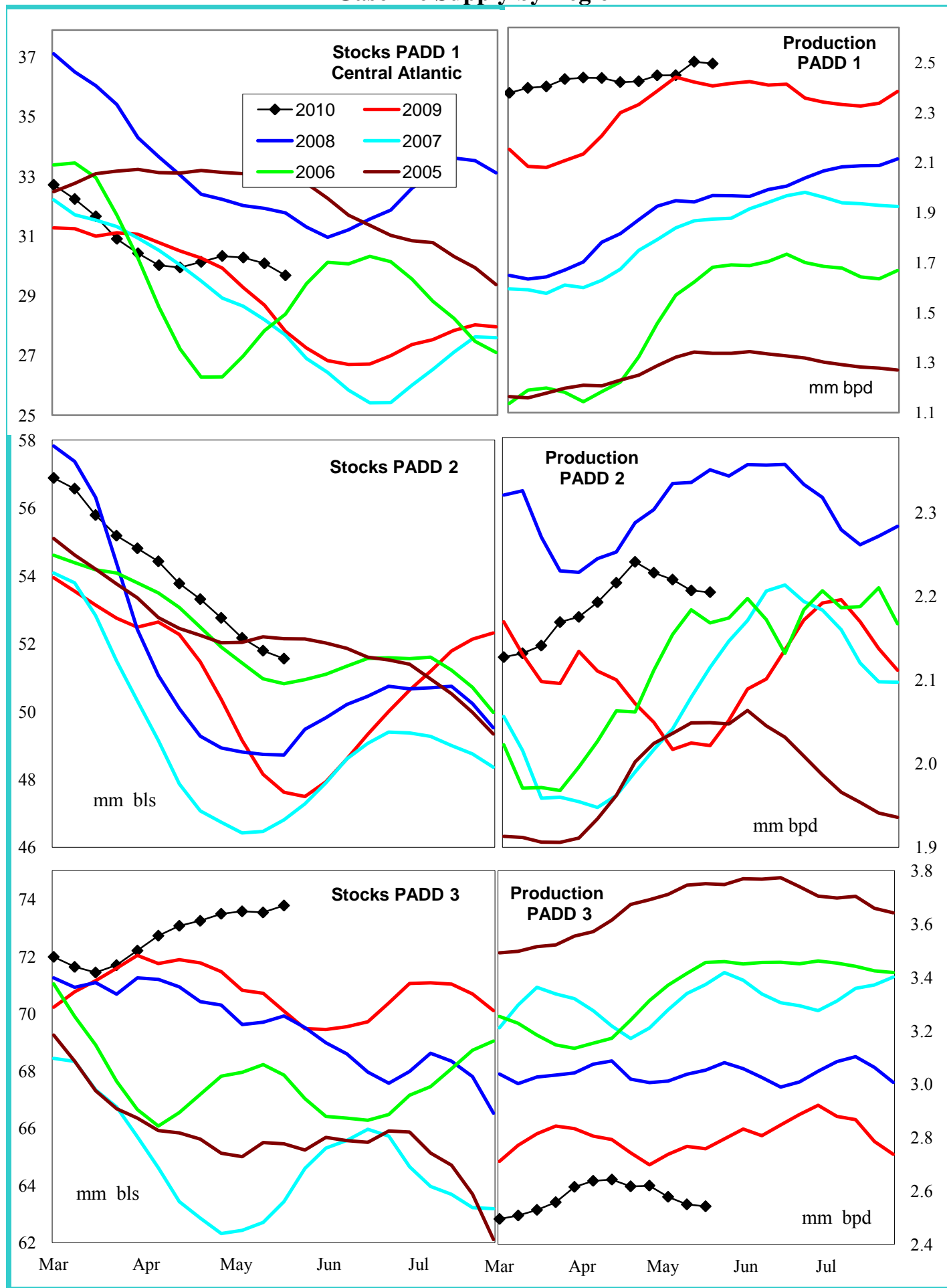
Gasoline Cash Basis and Related Price Spreads



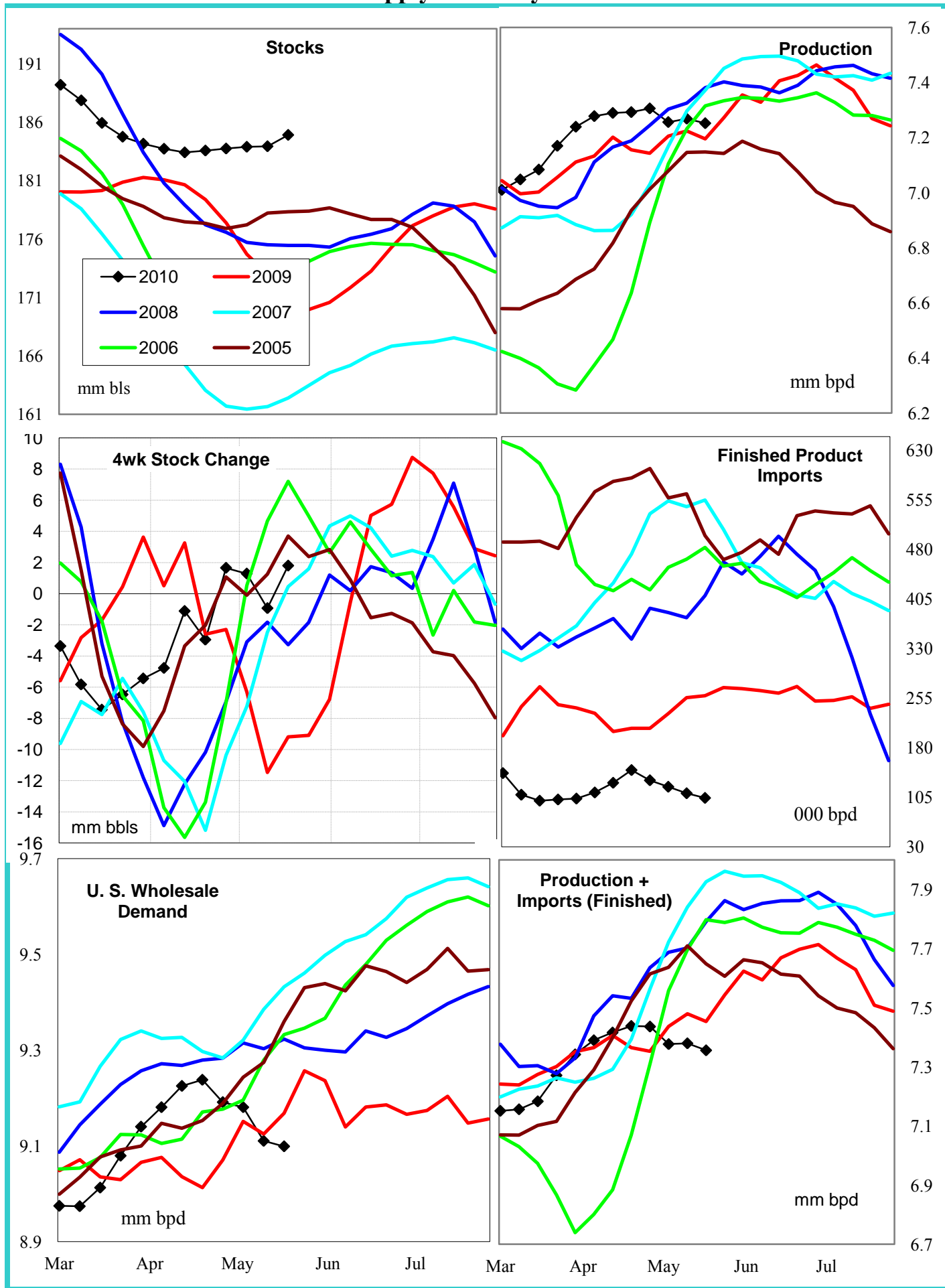
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

