WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, July 02, 2010

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

Wholesale demand increased +221,000 bpd last week, the largest week-on-week increase of the season.

Production increased +97,000 bpd on the week, a new 5-year high, due in part to very strong blend stock imports.

The latest 4-wk average supply was -75,000 bpd below last year while demand was +140,000 bpd higher.

Stocks increased +0.5 million barrels last week, to a level above the 5-year range. The latest 4-wk stock change East of the Rockies was +0.2 million barrels, at the low end of the historic range.

Cash basis traded flat to lower in most regional markets last week with the exception of Group III and the West Coast, each of which extended uptrend's.

Basis levels were above the mid range on the West Coast and Group III markets on relatively tight supplies. Other markets were at or below the mid range.

Relatively tight supplies in the Midwest and West Coasts should support basis compared to the Gulf and NYH. Excess refining capacity and lackluster demand should limit the magnitude and duration of basis strength.

RBOB

New York Harbor basis to trade sideways in the near term on ample supply; then strengthen as seasonal demand peaks.

Gulf Coast basis should strengthen on higher seasonal demand and lower flat price.

West Coast (Los Angeles) basis to trend lower as process units return to operation and imports arrive.

Conventional

New York Harbor basis to trade sideways in the near term on ample supply then strengthen as seasonal demand peaks.

Chicago basis to trend higher on relatively tight supply and peak summer demand.

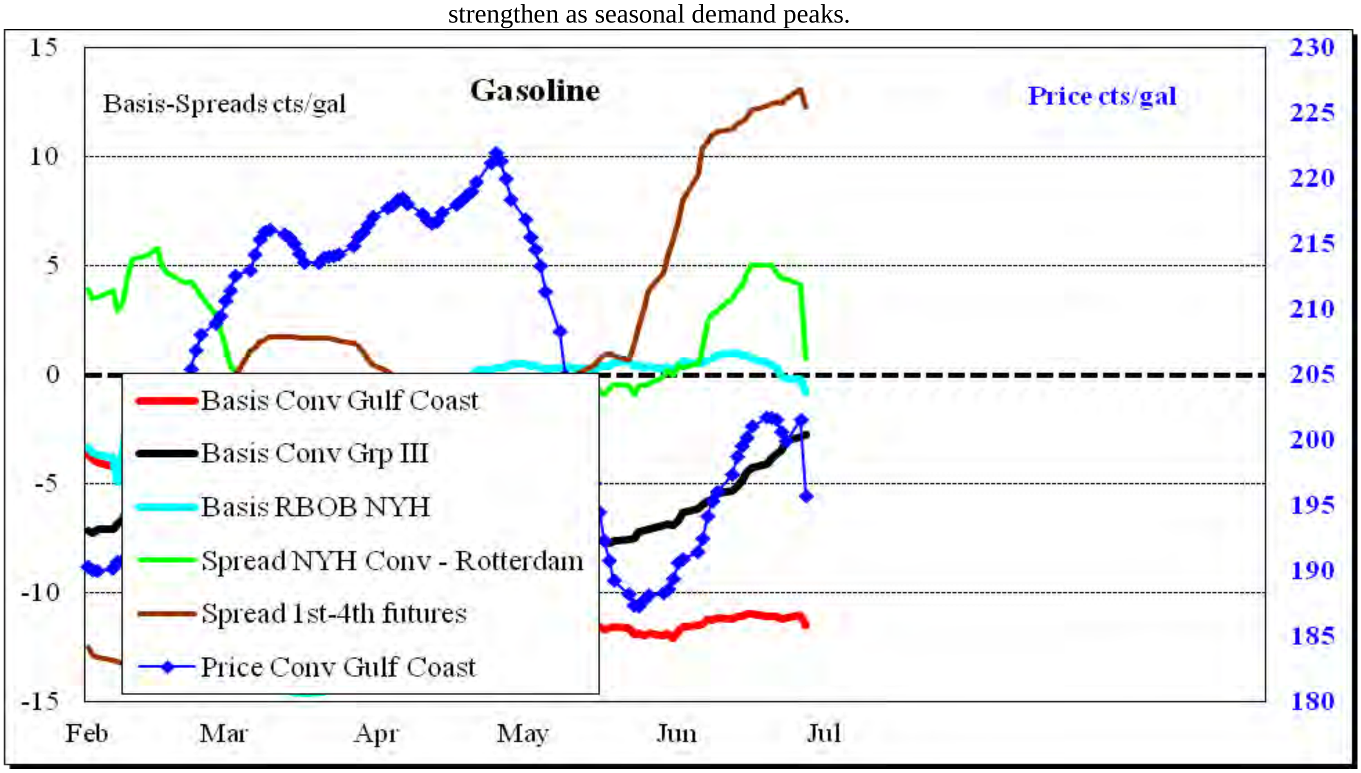
Group III basis to extend the recent uptrend on relatively tight supply and peak summer demand.

Gulf Basis is should strengthen on higher seasonal demand and lower flat price.

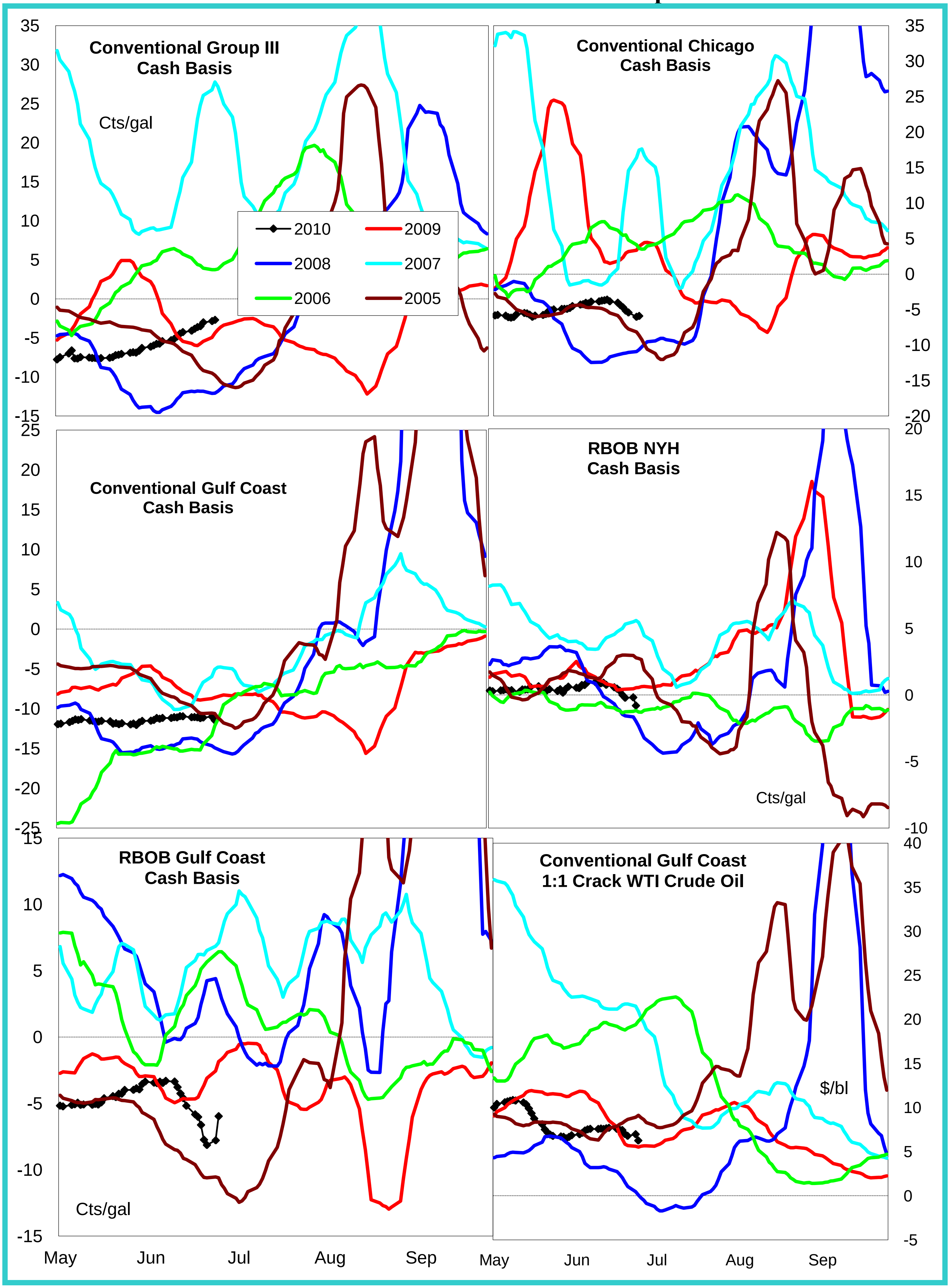
West Coast (Los Angeles) to trend lower as process units return to operation and imports arrive.

Gulf Coast Price

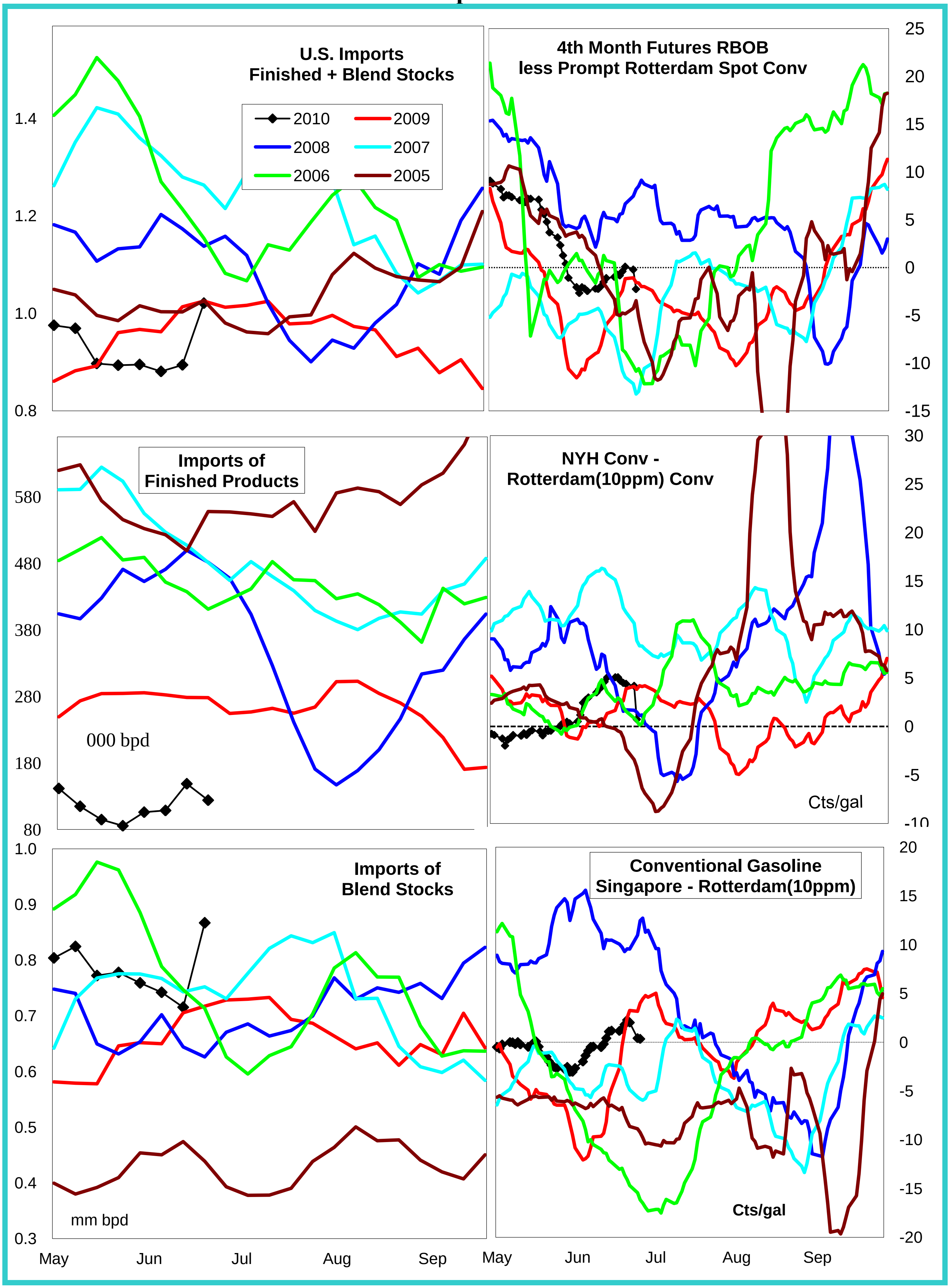
Peak seasonal demand should provide support to prices compared to the over all energy complex in the near term. However supplies should remain ample on imports of blend stocks, excess production capacity and a weak economy.



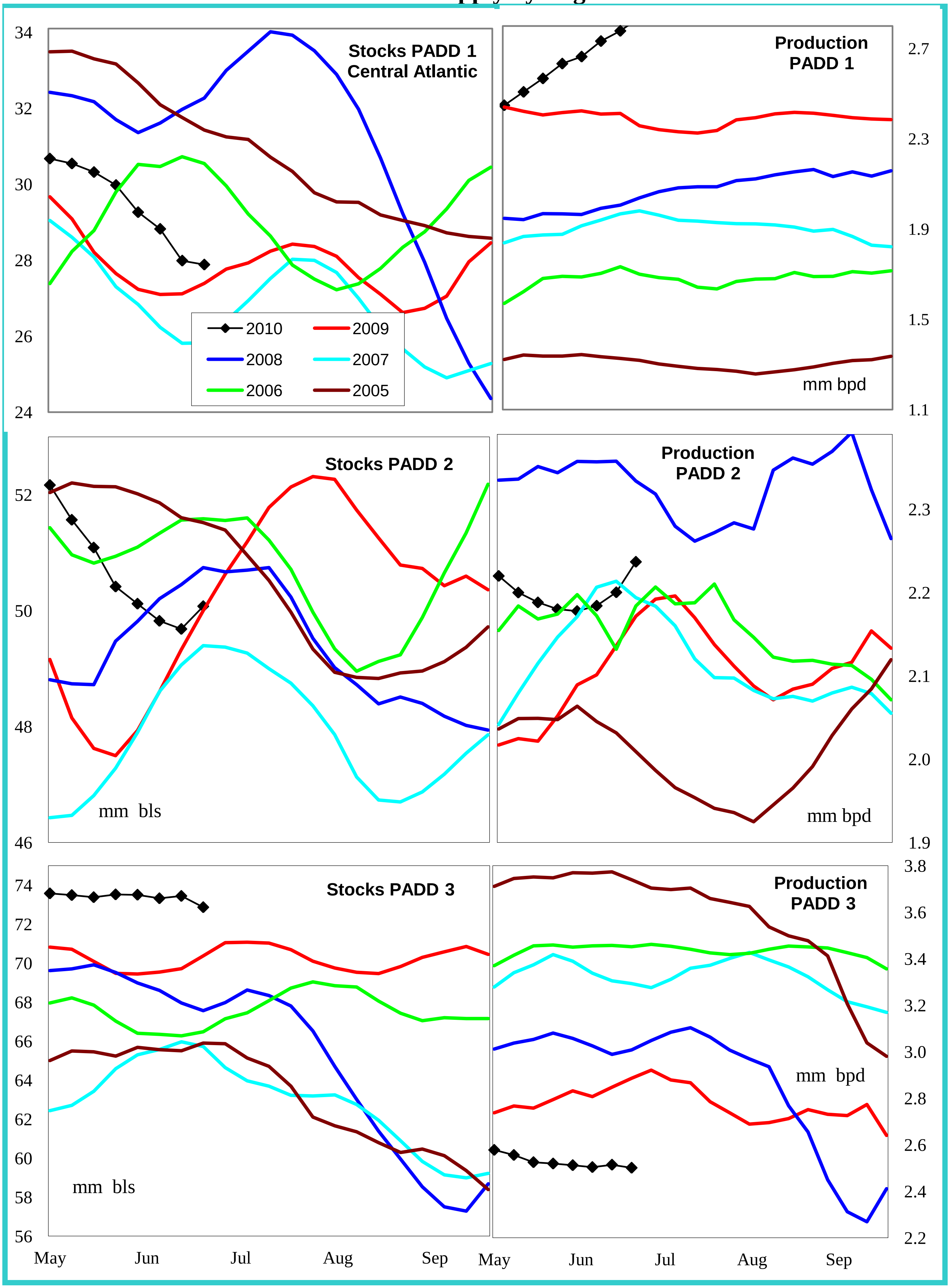
Gasoline Cash Basis and Related Price Spreads



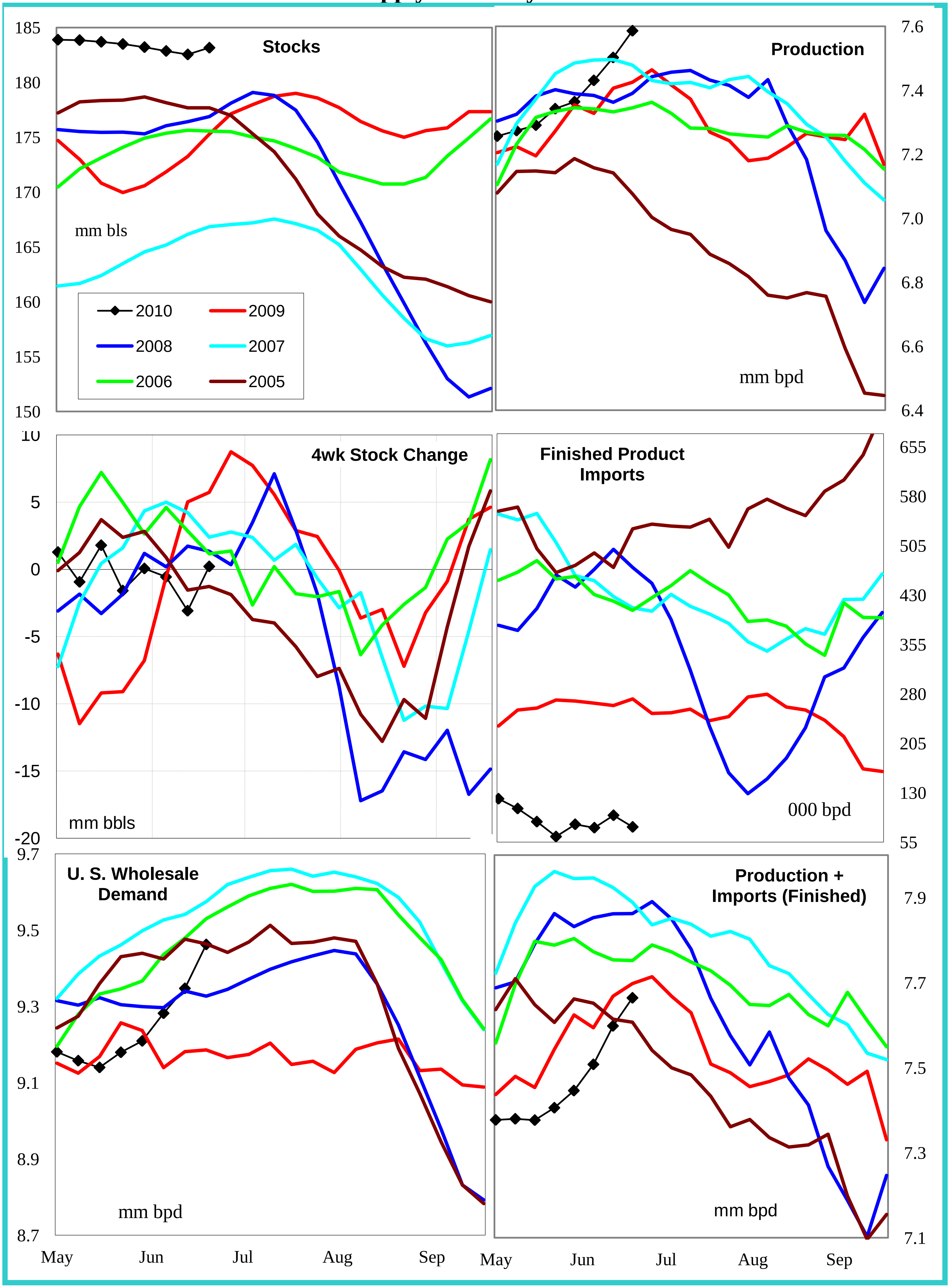
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



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PADD 5 Gasoline Supply