


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

 Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, January 13, 2011

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 -34,000 bpd last week, adding to the prior week collapse of -546,000 bpd as the seasonal decline in travel continues. The latest 4-wk average demand was +171,000 bpd above last year.

Production decreased -195,000 bpd last week; falling -556,000 bpd in the past 2-wks to a level that matched 5-year lows. Production fell to record lows in PADD 2 on unplanned maintenance.

Imports jumped +358,000 bpd on the week, which should lift output as these blend stocks are processed in the near term.

Stocks increased +5.1 million barrels, with significant builds in all regions except PADD 1 where stock levels remain below the 5-year range.

NYH basis remains elevated on low supplies. Basis traded at the low end of the historic range in West and Gulf markets. Midwest basis levels traded near the mid range on record low output and reduced stock levels.

Expect basis weakness in NYH and Chicago markets as supplies improve, with near term weakness in the Gulf on excess supply. Basis in the Group should trade near the seasonal mid range with reduced supplies offset by seasonally low demand and increased Gulf receipts.

RBOB

New York Harbor basis to trend lower on improved supply.

West Coast (Los Angeles) basis to bounce off season lows as winter maintenance limits supply.

Conventional

New York Harbor basis trend lower on improved supply.

Chicago basis to trend lower as supplies increase during a period of weak demand.

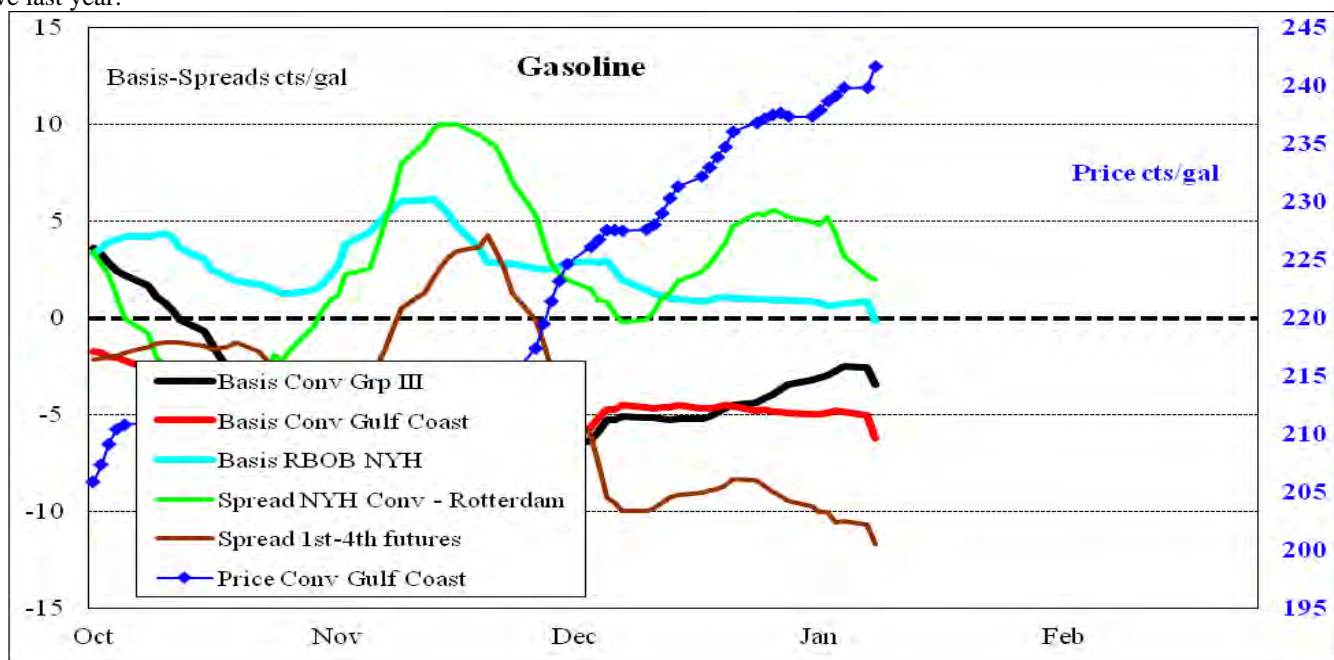
Group III to trade sideways on low seasonal demand, offset by unplanned refinery maintenance that limits stock building.

Gulf Basis to exhibit near term weakness on excess supplies.

West Coast (Los Angeles) basis to trend lower on a seasonal decline in demand and stock builds.

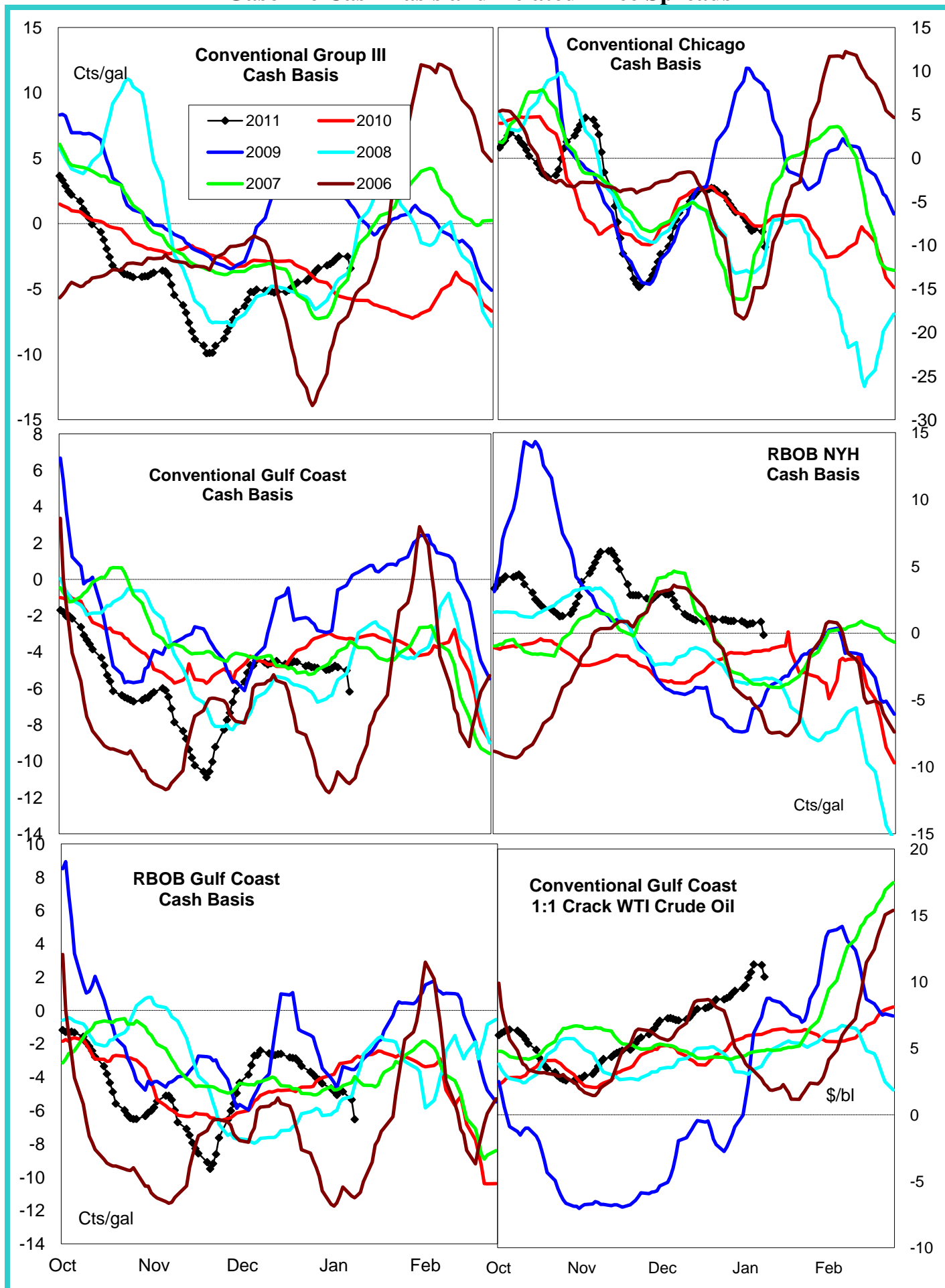
Gulf Coast Price

Tight supplies on the East Coast should began to improve on low seasonal demand and more favorable import economics during the 1st quarter. Very favorable refining margins and a light winter maintenance schedule should lead to increased production, which will drive seasonal stock builds in the midwest and East Coast. A pull back in prices is likely based on these trends during the 1st quarter.

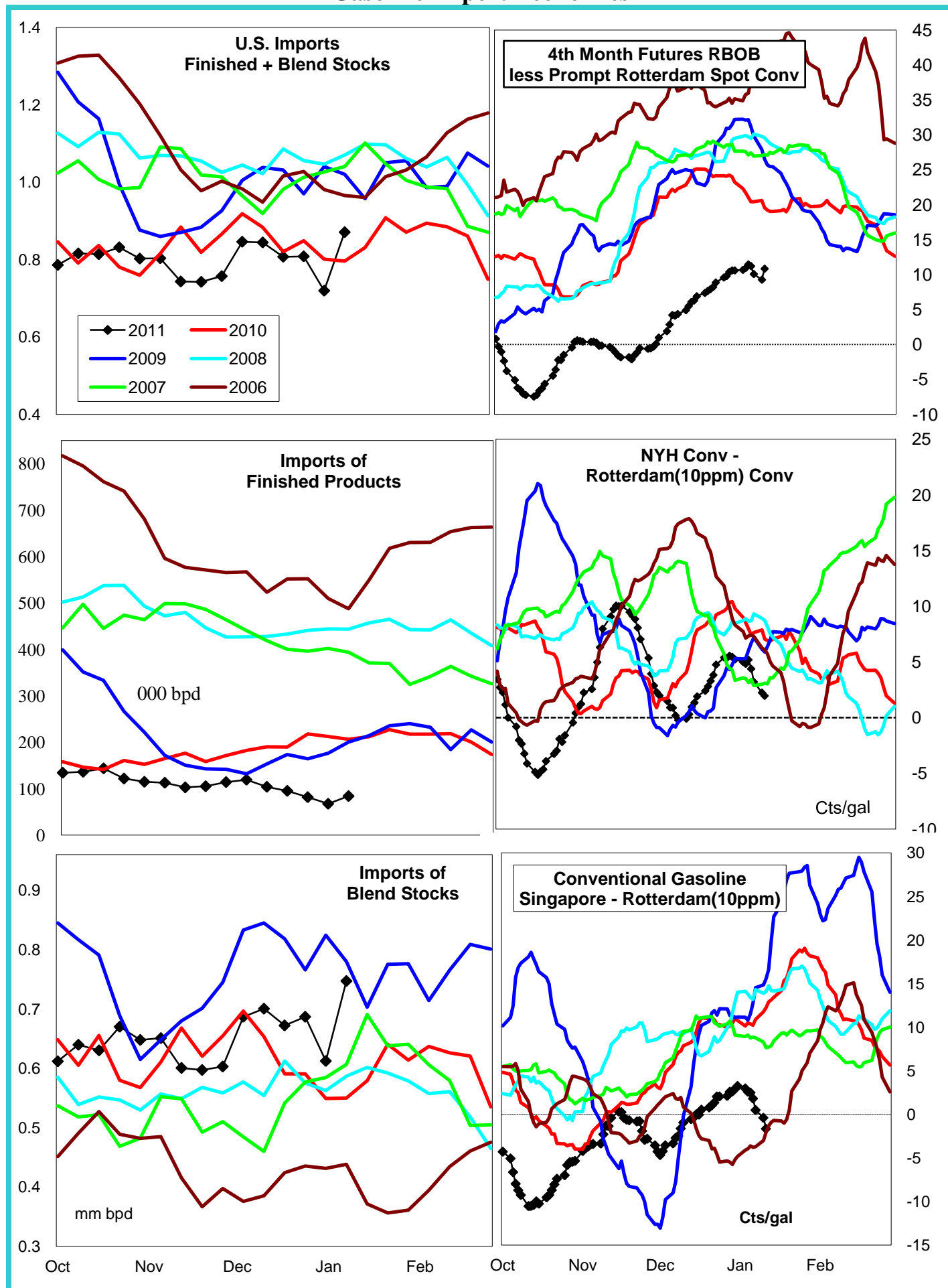


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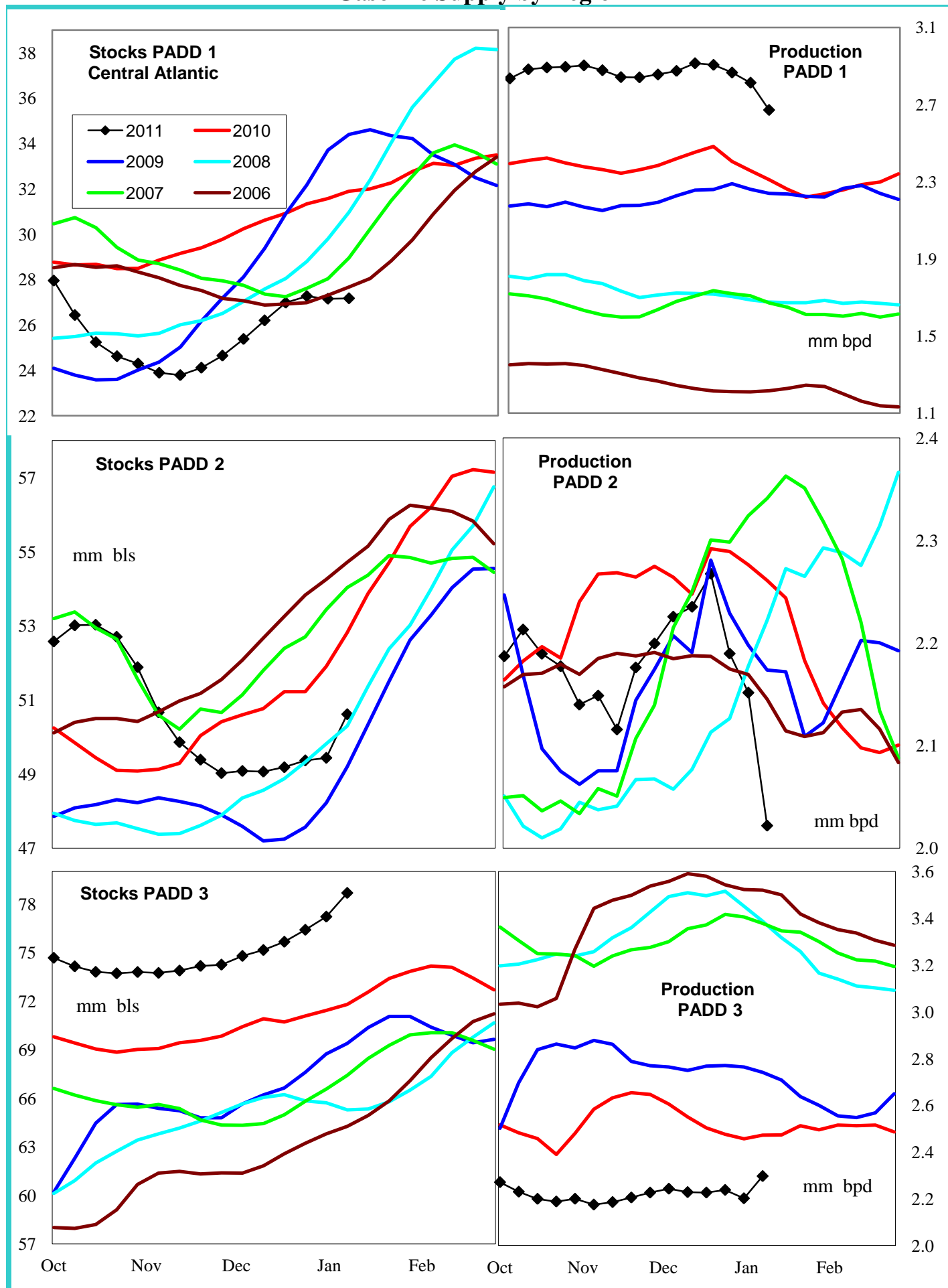
Gasoline Cash Basis and Related Price Spreads



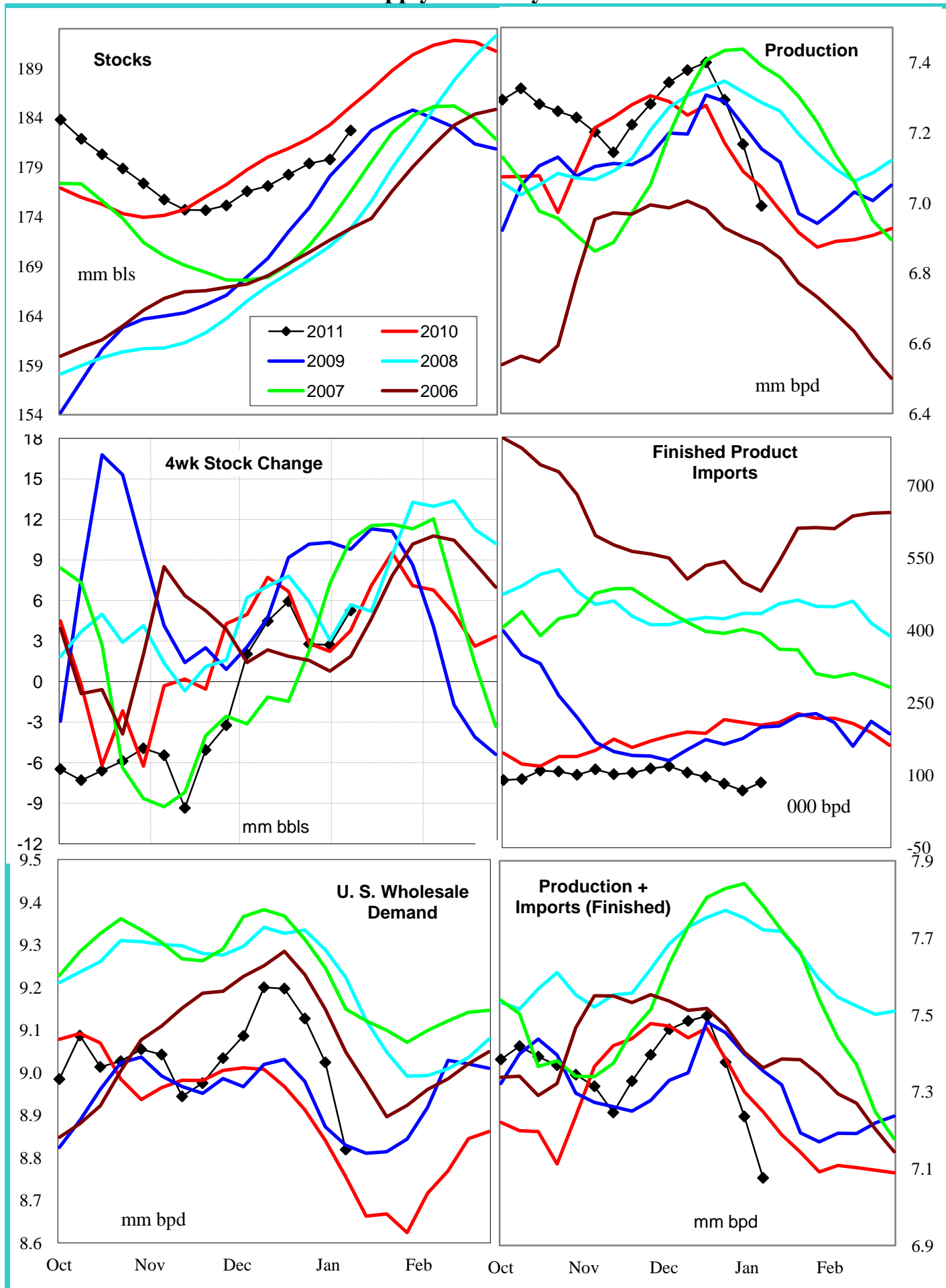
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

