

**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, March 02, 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 increased +61,000 bpd last week, on improved weather and stock building by the downstream supply chain. The latest 4-wk average demand was +91,000 bpd above a year ago.

Production increased +83,000 bpd on the week, due to record blending activity that offset low crude oil runs. Imports were unchanged at a level near last years' record lows. Stocks decreased -3.6 million barrels on the week.

The latest 4-wk stock build East of the Rockies was +1.3 million barrels, slightly less than the mid range for the last 5-years.

Basis fell sharply across all regional markets on the roll to spring gasoline grade futures. Basis levels were particularly weak for NYH RBOB and all grades in the Gulf and Midwest markets.

Sharply rising futures market prices are likely to dampen the seasonal upturn in cash basis that occurs on higher seasonal demand and refinery maintenance.

RBOB

New York Harbor basis to trade sideways on improved supplies and pressure to liquidate winter grades.

West Coast (Los Angeles) basis to trade sideways as plants return to operation, then higher on improved seasonal demand.

Conventional

New York Harbor basis trade sideways on improved supplies and pressure to

liquidate winter grades, then higher on a rise in seasonal demand.

Chicago basis may weaken in the near term on liquidation of winter grades, then strengthen on an improved supply balance.

Group III to trade sideways in near term on excess supply, then higher on increased seasonal demand and spring refinery maintenance.

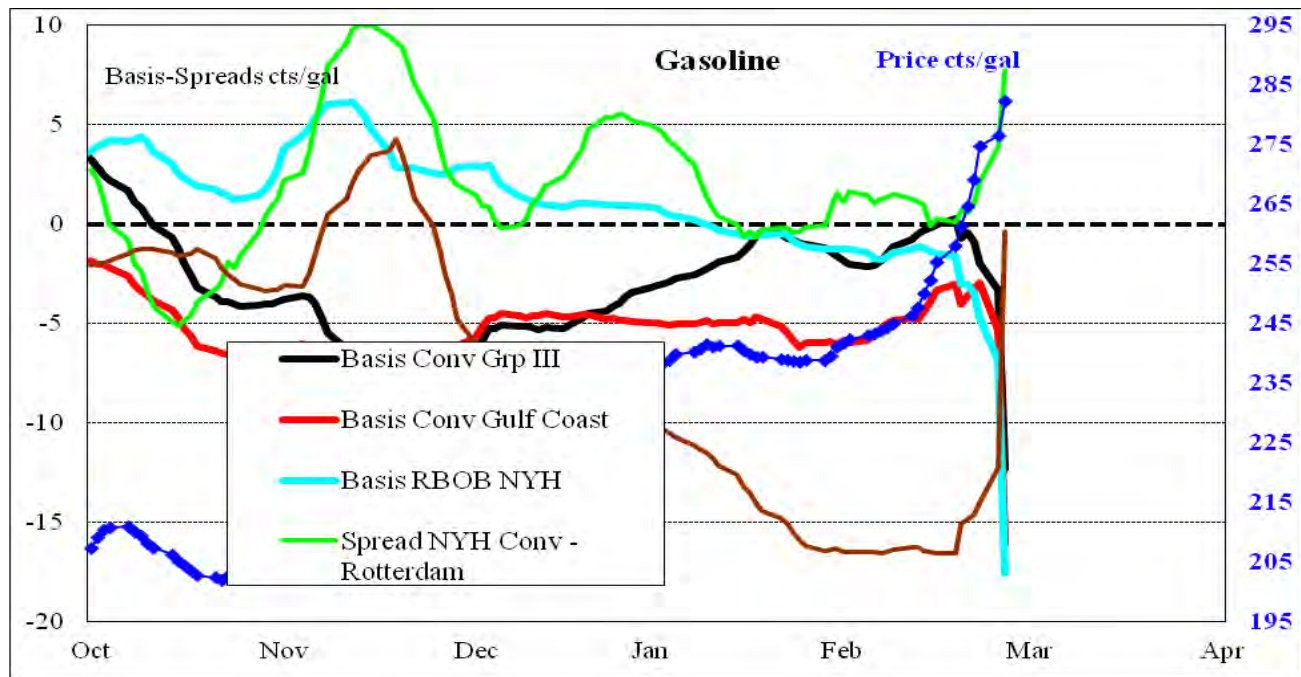
Gulf Basis to trade sideways on excess supply, then higher on improved supply balance.

West Coast (Los Angeles) basis to trade sideways as plants return to operation, then higher on improved seasonal demand.

Gulf Coast Price

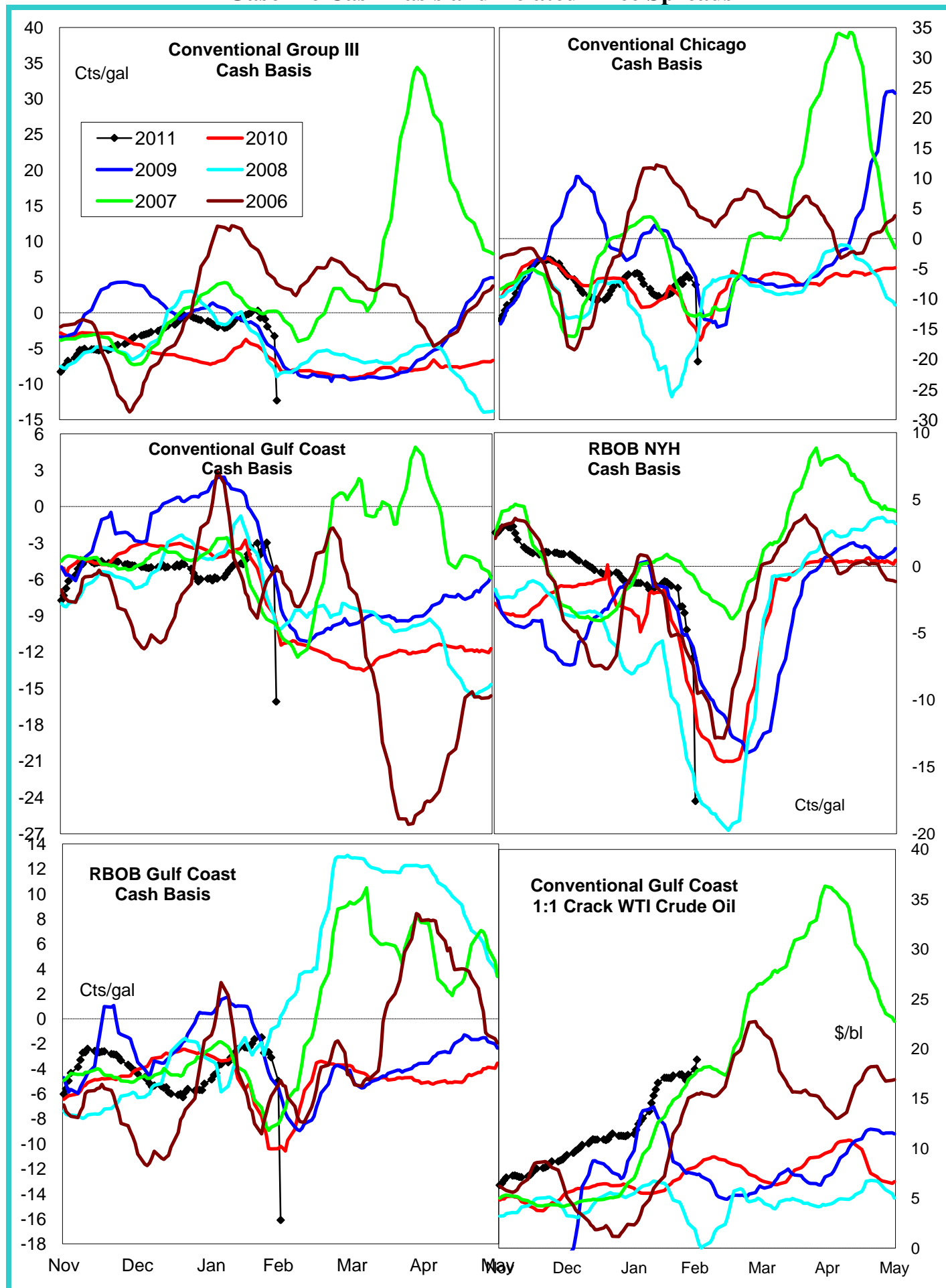
Exports of gasoline during December 2010, the latest month for which data were available reached 0.5 million bpd, compared to 150,000 bpd in years prior to the recession. This surge in gasoline exports has significantly reduced the seasonal over supply of gasoline, providing fundamental support to gasoline prices.

The spike in global energy prices and a seasonal tightening in gasoline supplies should provide ongoing support to prices during the quarter.

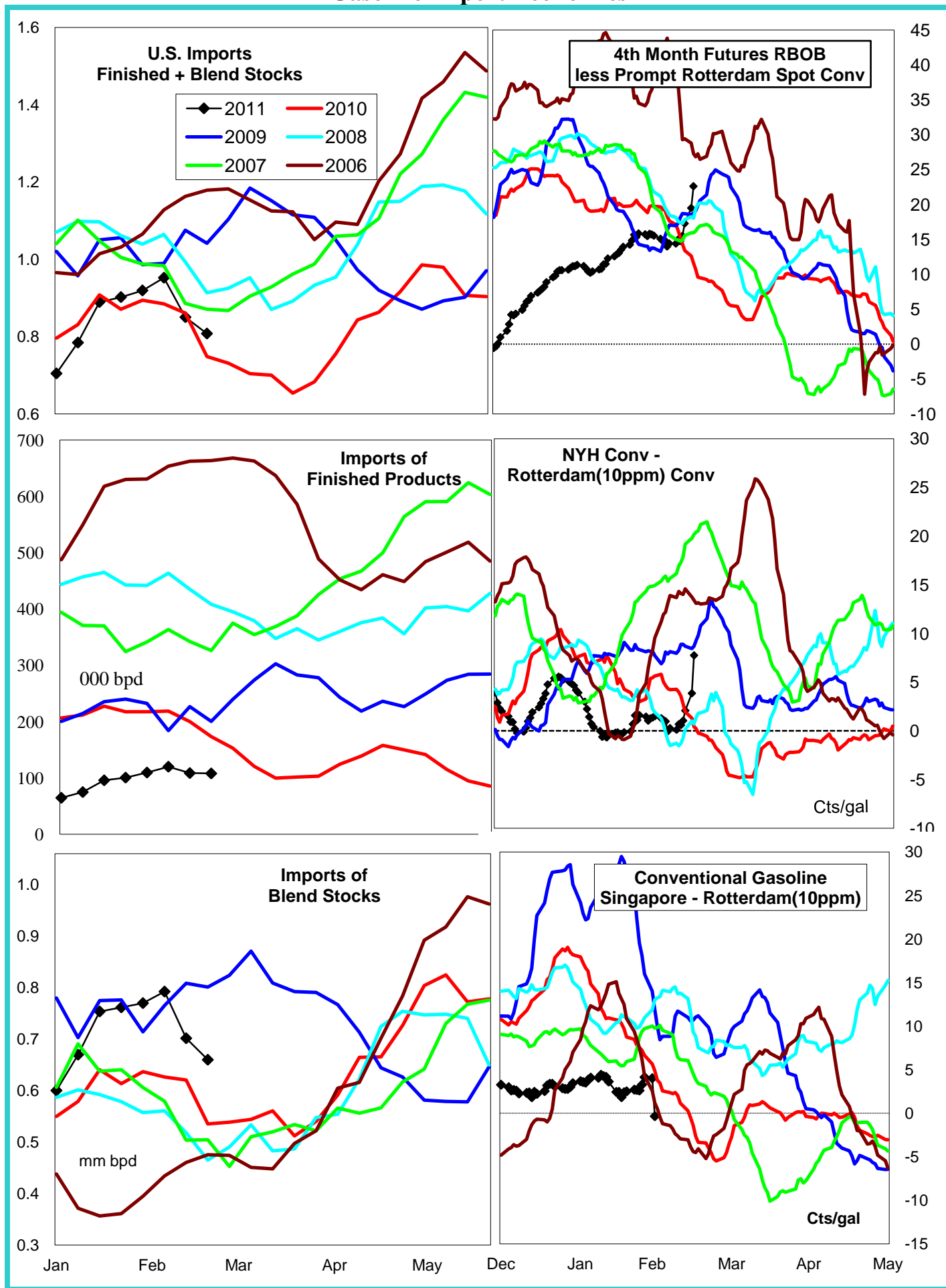


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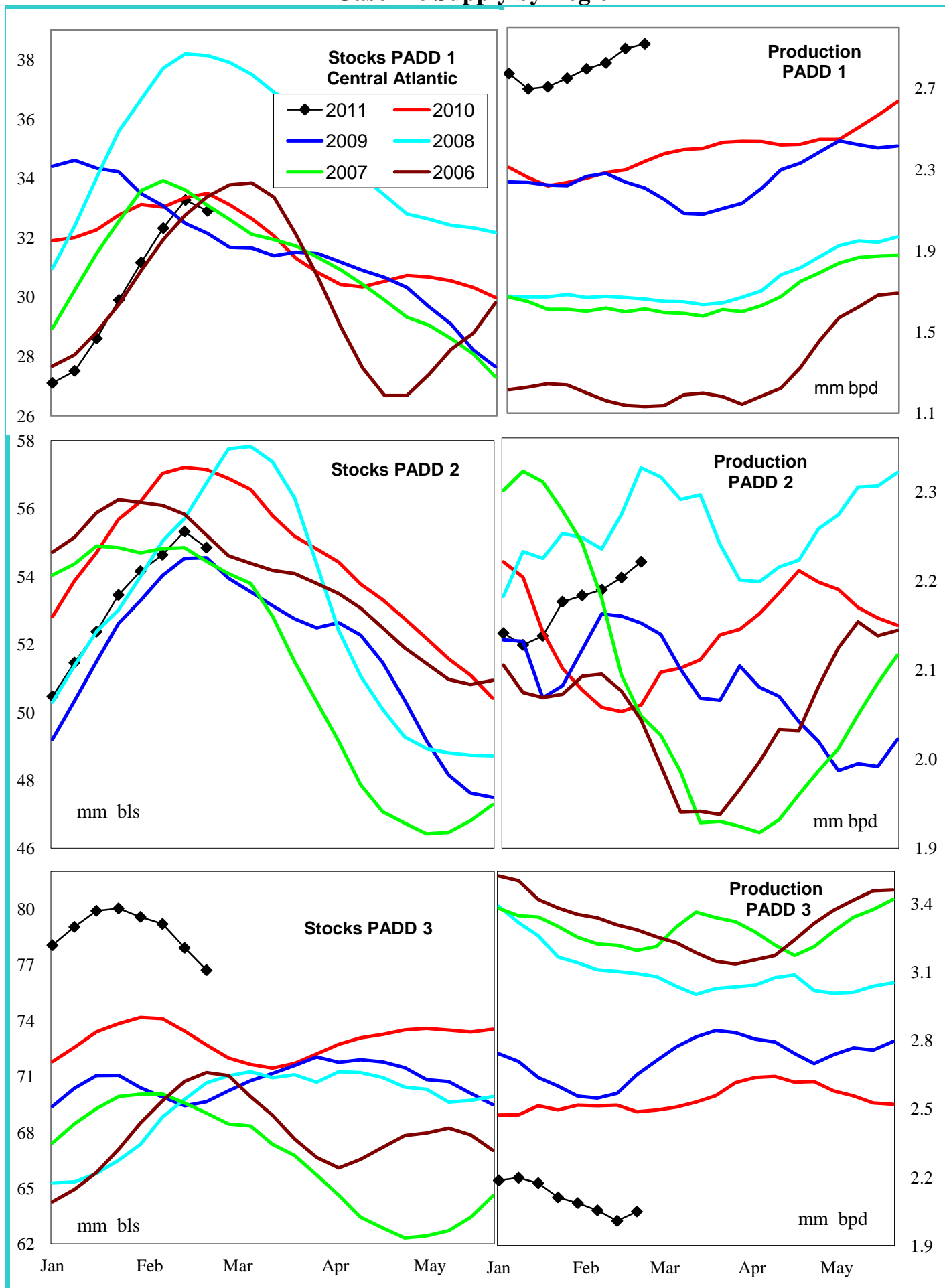
Gasoline Cash Basis and Related Price Spreads



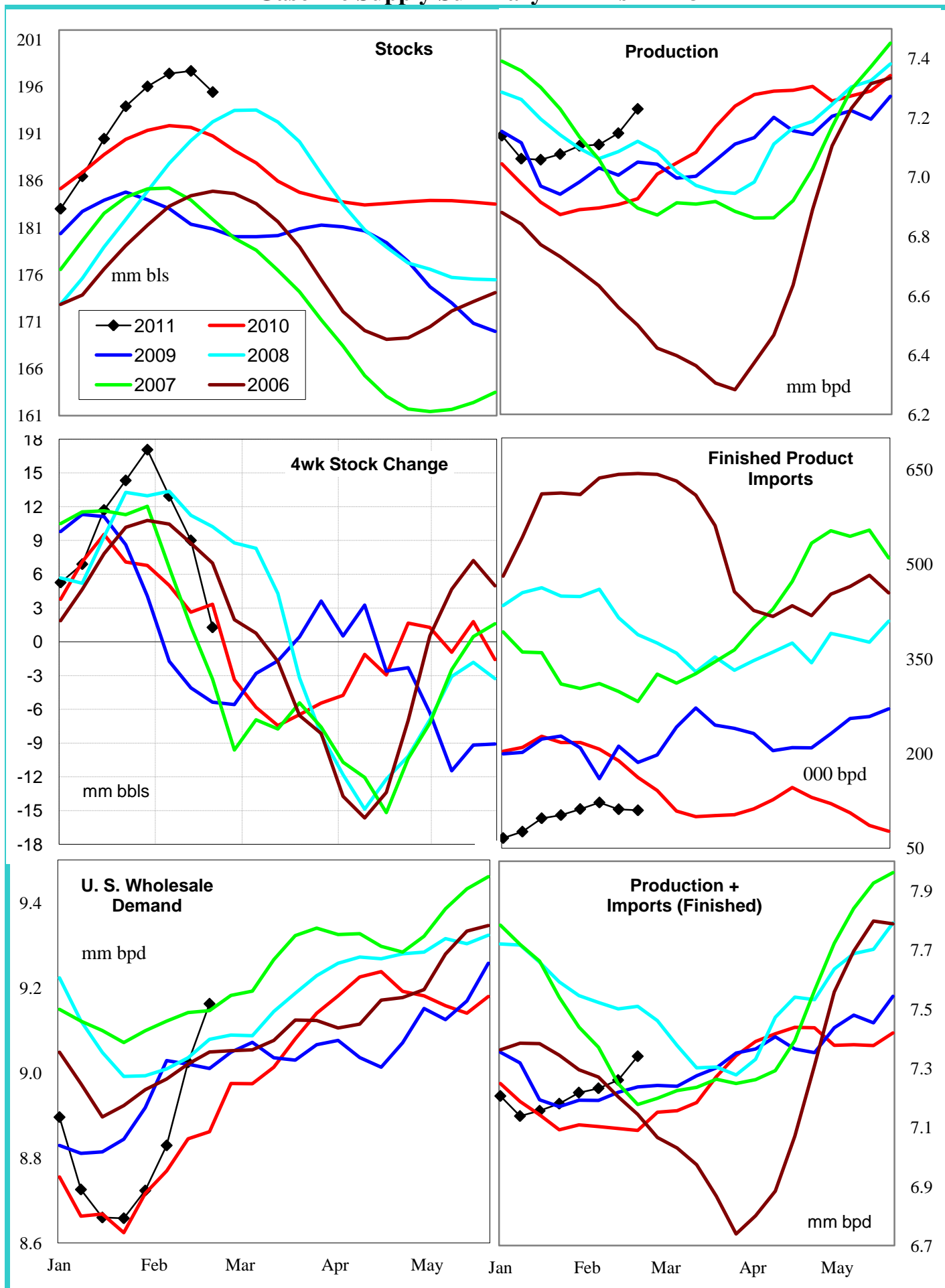
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

