



WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

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| 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 -36,000 bpd last week, pointing to a below average rate of seasonal increase. The latest 4-wk year-on-year decline was -711,000 bpd (-7.8%).

Production decreased -59,000 bpd while imports increased +100,000 bpd on

the week. Supplies East of the Rockies remain sharply below the 5-year range. Stocks declined -1.2 million barrels, including a -1.6 million barrel draw on the East Coast. *Stock levels in the key Central Atlantic Region of PADD 1 ended the week comparable to the last 2-years. Stocks in both PADDs 3 and the Lower Atlantic Region of PADD 1 were above the 5-year range; these regions supply the key Central Atlantic Region and point to increased supplies for the northeast area.*

Cash basis extended the recent uptrend in NYH, the Gulf, Chicago for RBOB grades, and Northwest markets. Basis traded sideways in the Midwest for conventional grades and declined sharply in California markets.

Basis levels for RBOB grades in the Midwest and Gulf are near historic highs on tight supplies. Conventional grade basis in these markets are very weak.

Reduced supplies of RBOB grades in markets East of the Rockies has spiked basis while conventional grades remain weak. Look for broad based basis improvement as a result of reduced production during refinery maintenance and rising seasonal demand, although, at a lower level.

RBOB

New York Harbor basis to trend higher on seasonal increase in demand

Conventional

New York Harbor basis to trend higher on seasonal increase in demand.

Chicago basis to trend modestly higher on increased seasonal demand.

Group III basis to trend modestly higher on increased seasonal demand.

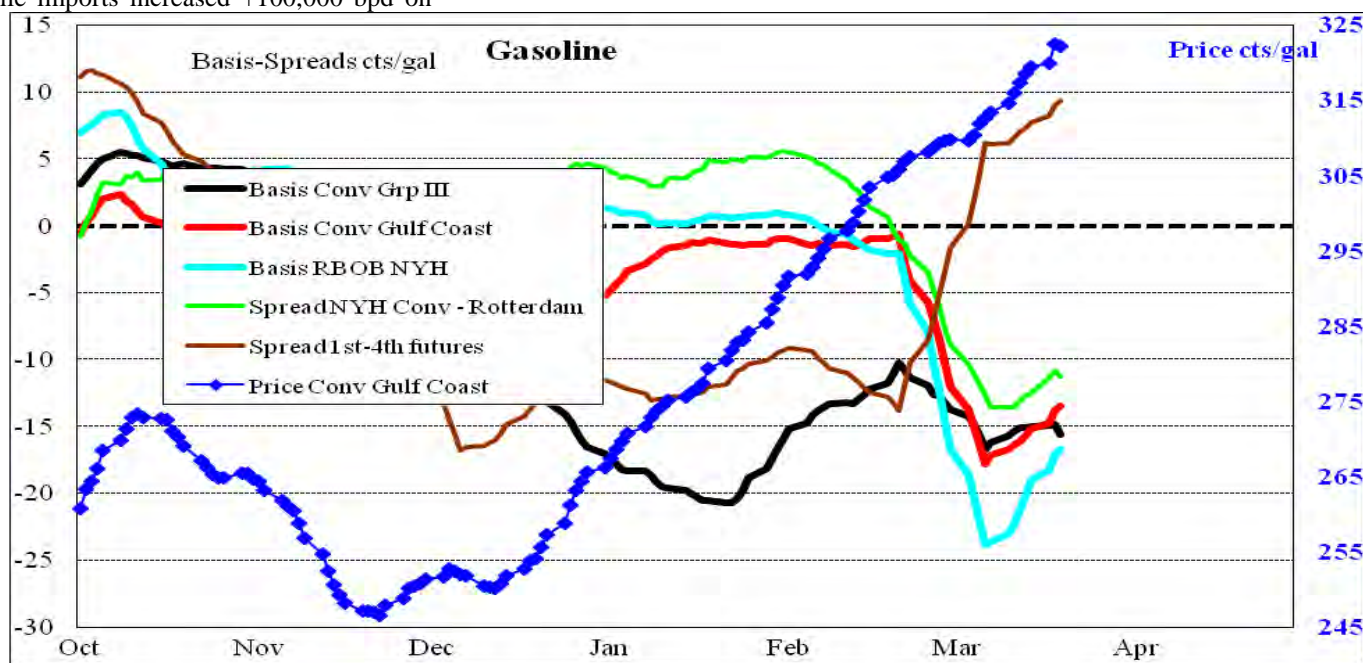
Gulf Basis Conventional grade to trend higher on reduced production and higher seasonal demand.

West Coast (Los Angeles) basis to rebound from recent collapse, trading at the low end of the historic range on high production.

Gulf Coast Price

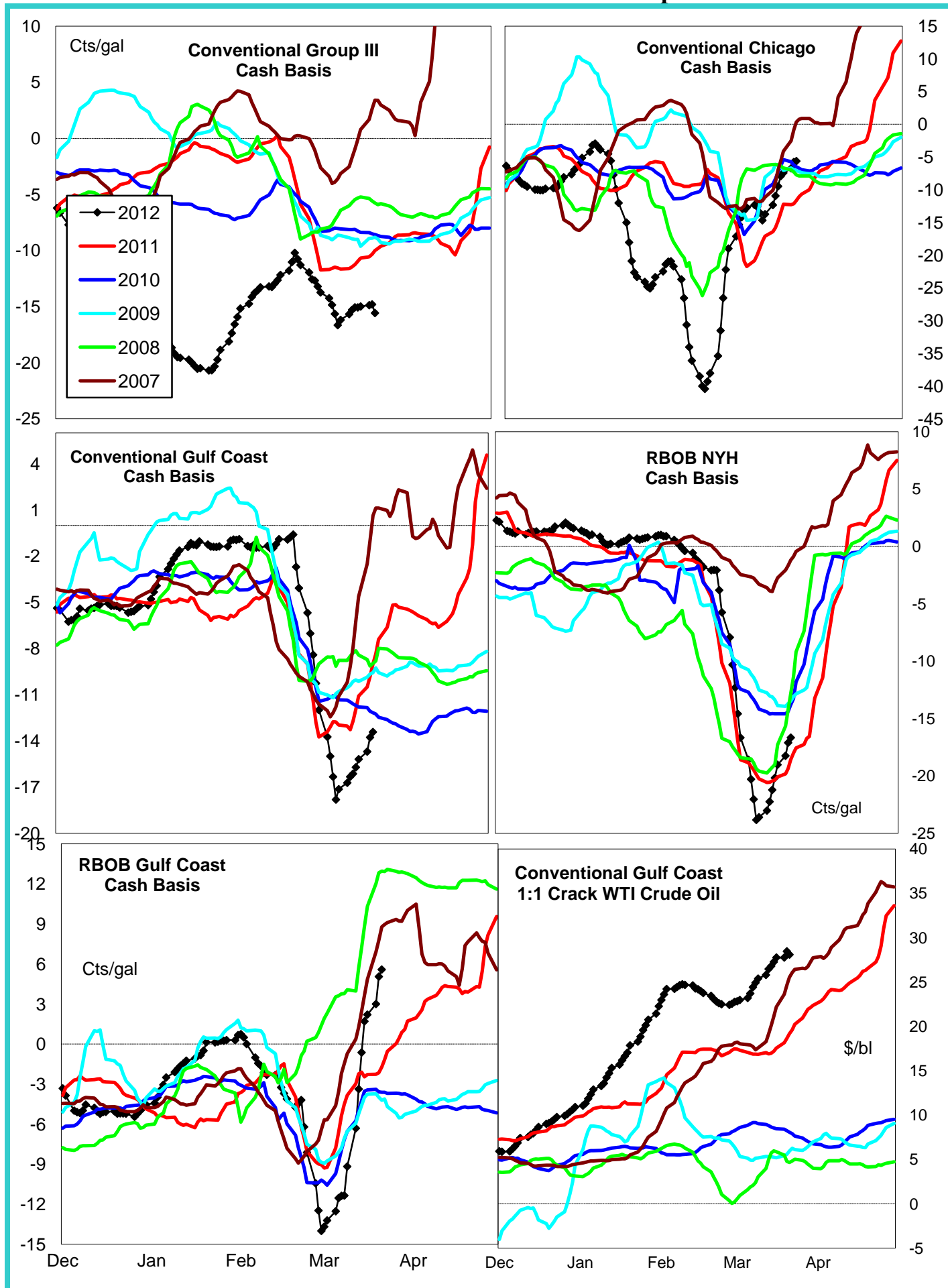
Gasoline supplies in the combined markets East of the Rockies are extremely low with both production and imports at 5-year lows; a reflection of weak demand. Concurrently, stock levels are near 5-year highs, driven by exceptionally low demand. Year on year demand is likely to decline further from current levels as a result of very high retail prices.

These fundamentals point to risk of a significant price pull back ahead of the peak demand period.

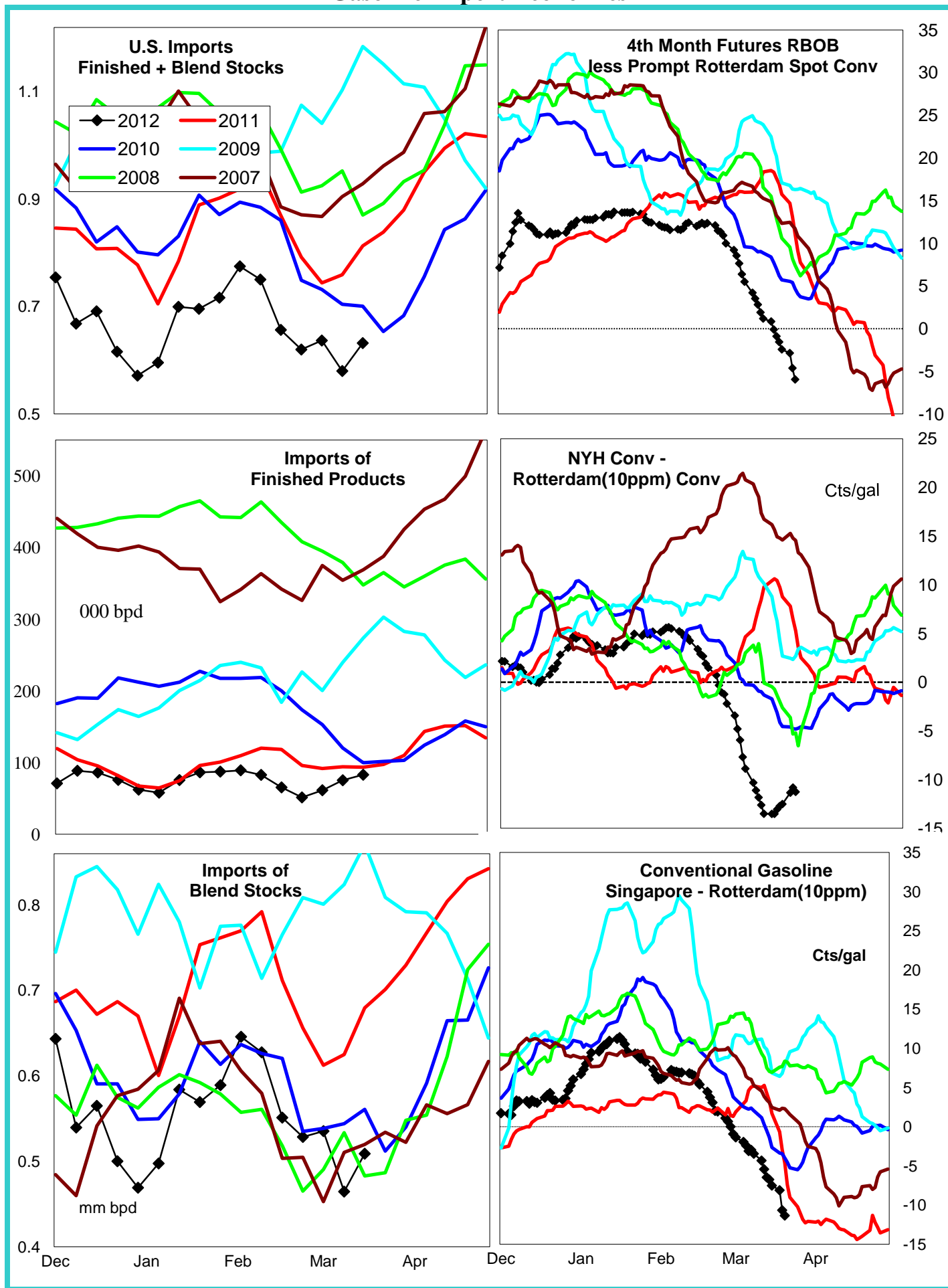


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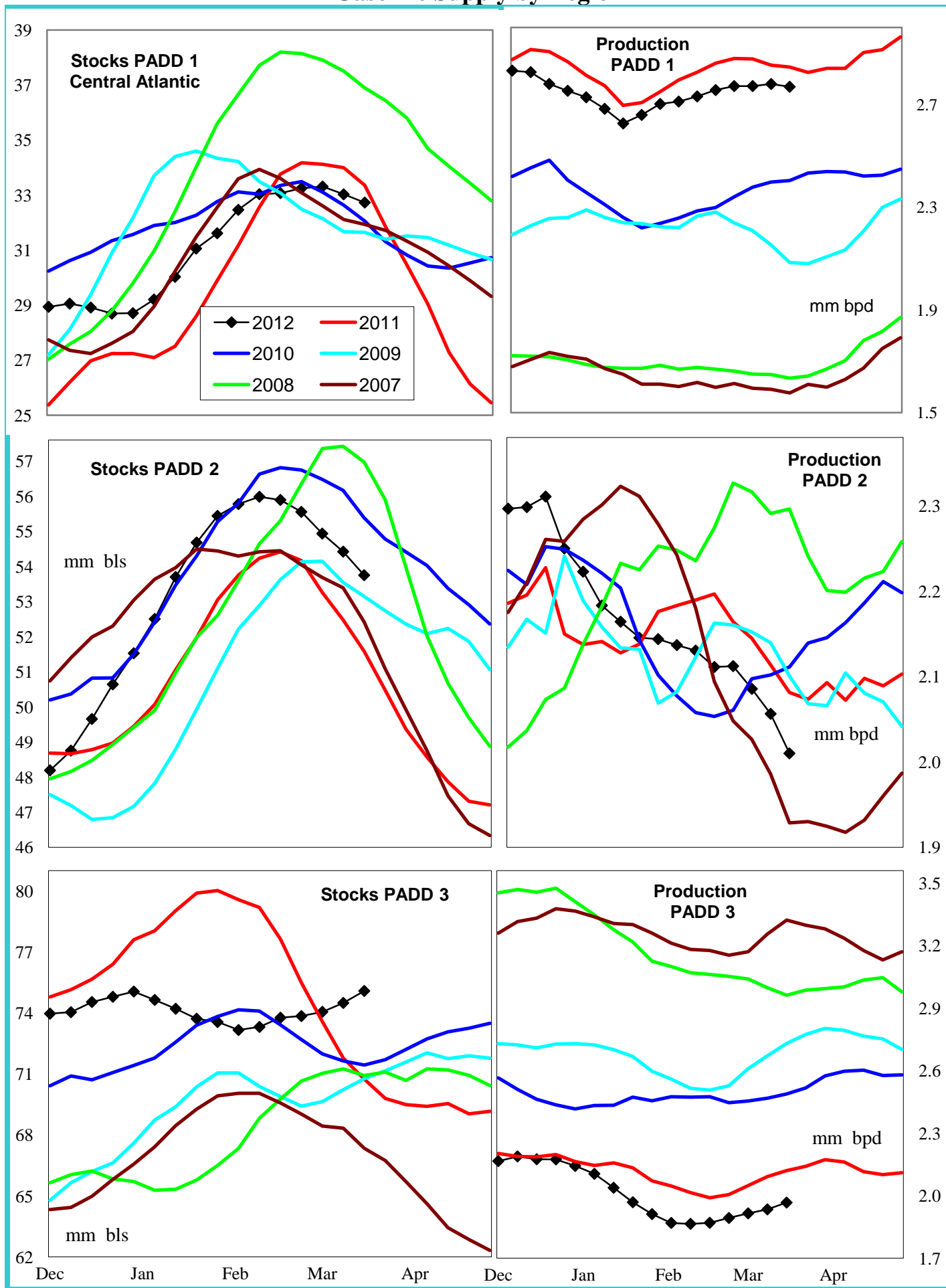
Gasoline Cash Basis and Related Price Spreads



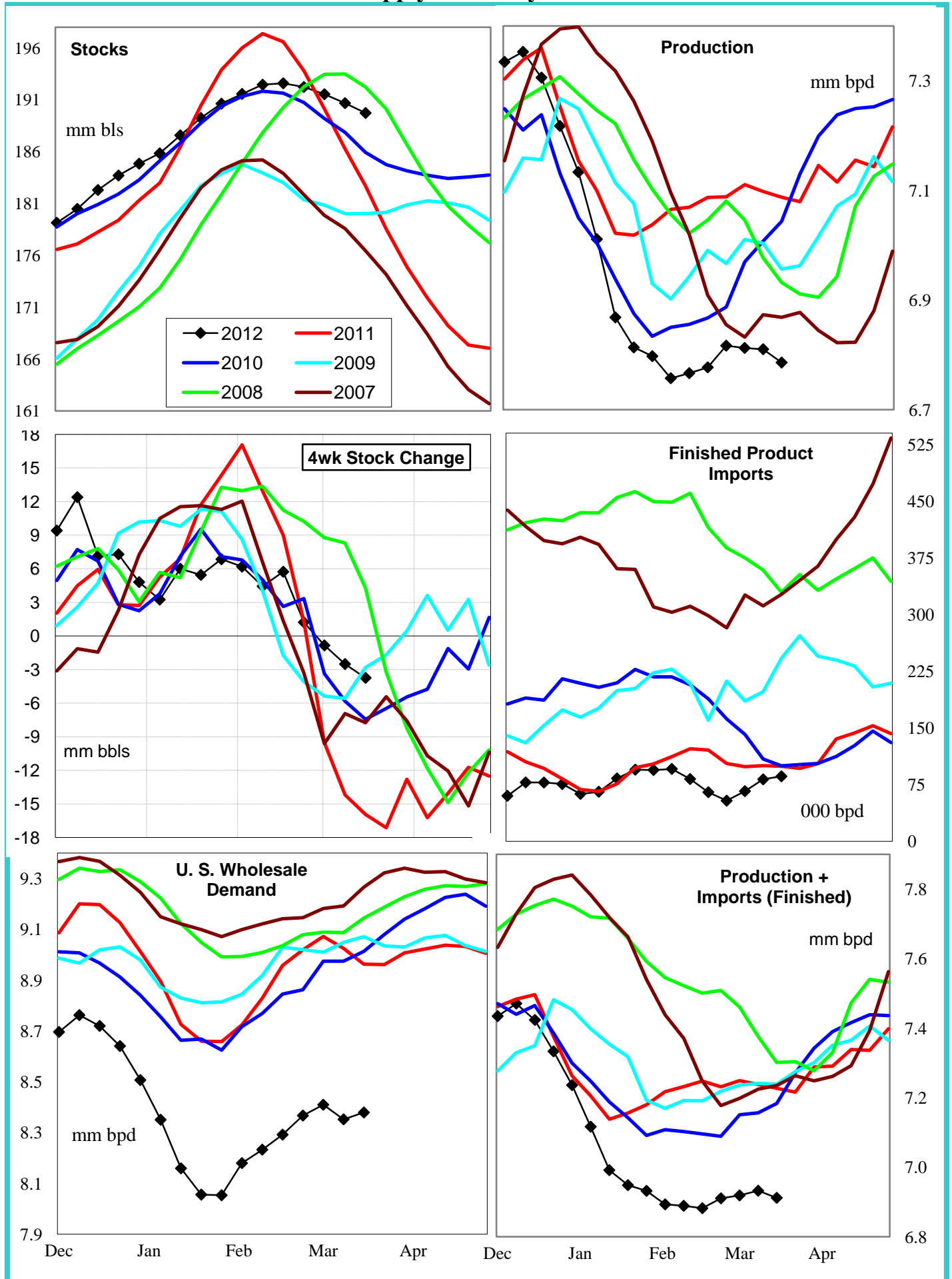
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

