



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 fell -437,000 bpd last week, reversing the prior week surge. The latest 4-wk year-on-year decline was -470,000 bpd (-5%).

Production fell -529,000 bpd on the week, reversing the previous week surge. Supplies were 505,000 bpd below last year in the combined markets East of the Rockies. Combined blend stock and finished product imports jumped +304,000 bpd, partially offsetting the drop in production.

Stocks increased +0.9 million barrels, with builds in all markets except the Gulf.

Cash basis extended the recent downtrend in all markets last week, except NYH where basis traded sideways. A steeply inverted NYMEX RBOB contract has depressed basis in nearly all markets, with West Coast markets matching 5-year lows.

Look for additional declines in cash basis in most regional markets as a result of the steeply inverted NYMEX RBOB contract and weak demand.

RBOB

New York Harbor basis to trade at levels above the historic average on low stock levels.

Conventional

New York Harbor basis to pull back from elevated levels on higher imports, which remain extremely attractive.

Chicago basis to trend lower on increased production and weak demand.

Group III basis to see a sharp pull back from elevated levels as refiners return to operation.

Gulf Basis to trend lower on increased seasonal production and weak demand.

West Coast (Los Angeles) basis to extend the current downtrend on record production and stock building.

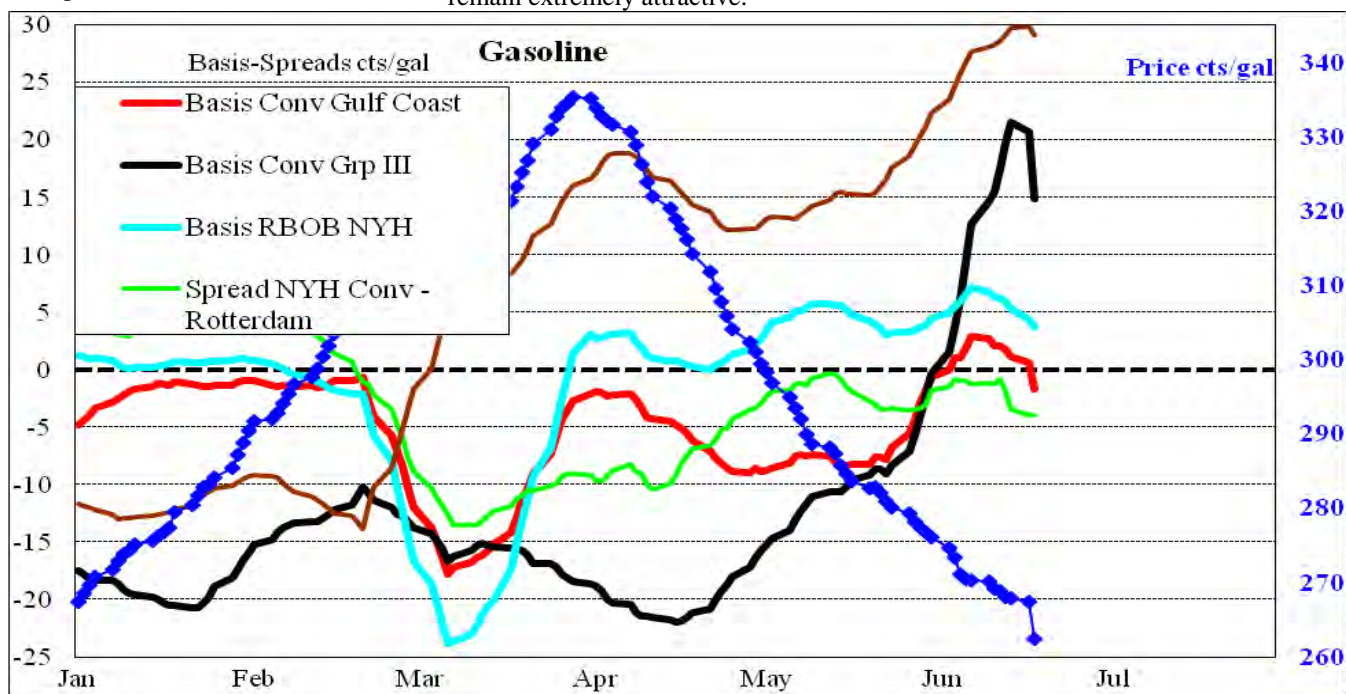
Gulf Coast Price

Atlantic Basin gasoline supplies are tight as evidenced by the steeply inverted forward gasoline price curve. Asian gasoline and Middle East price spreads to the NYMEX are unusually weak.

Expect increased production as downstream gasoline units return from unplanned maintenance to lead to stock building during the summer quarter.

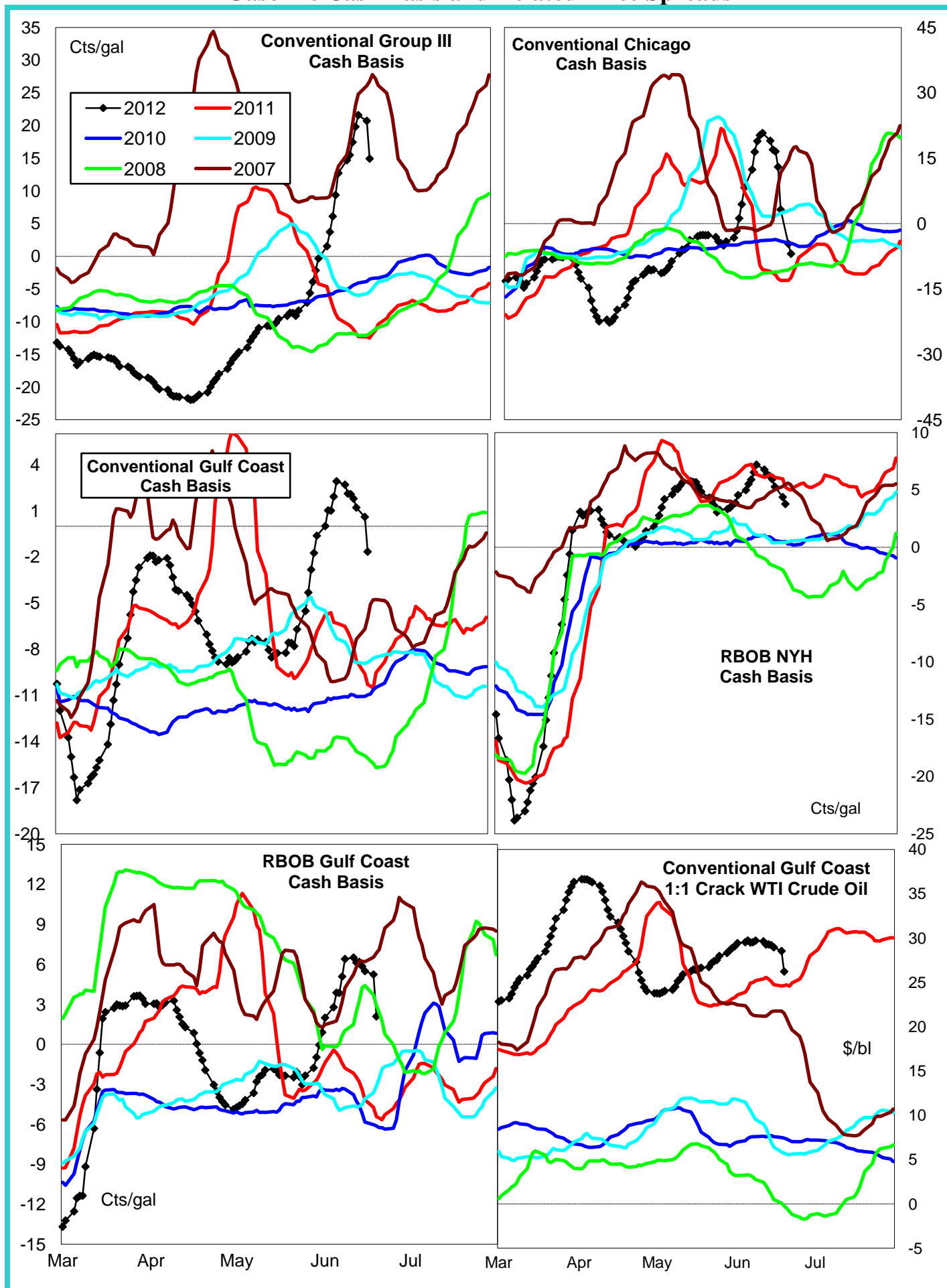
Recession and debt crisis in Europe, slower Asian economic growth and slower U.S. growth should limit global energy demand growth during the 2nd half of 2012. Concurrently high global crude oil production and stock levels are point to an oversupplied market.

Gasoline prices should trend lower.

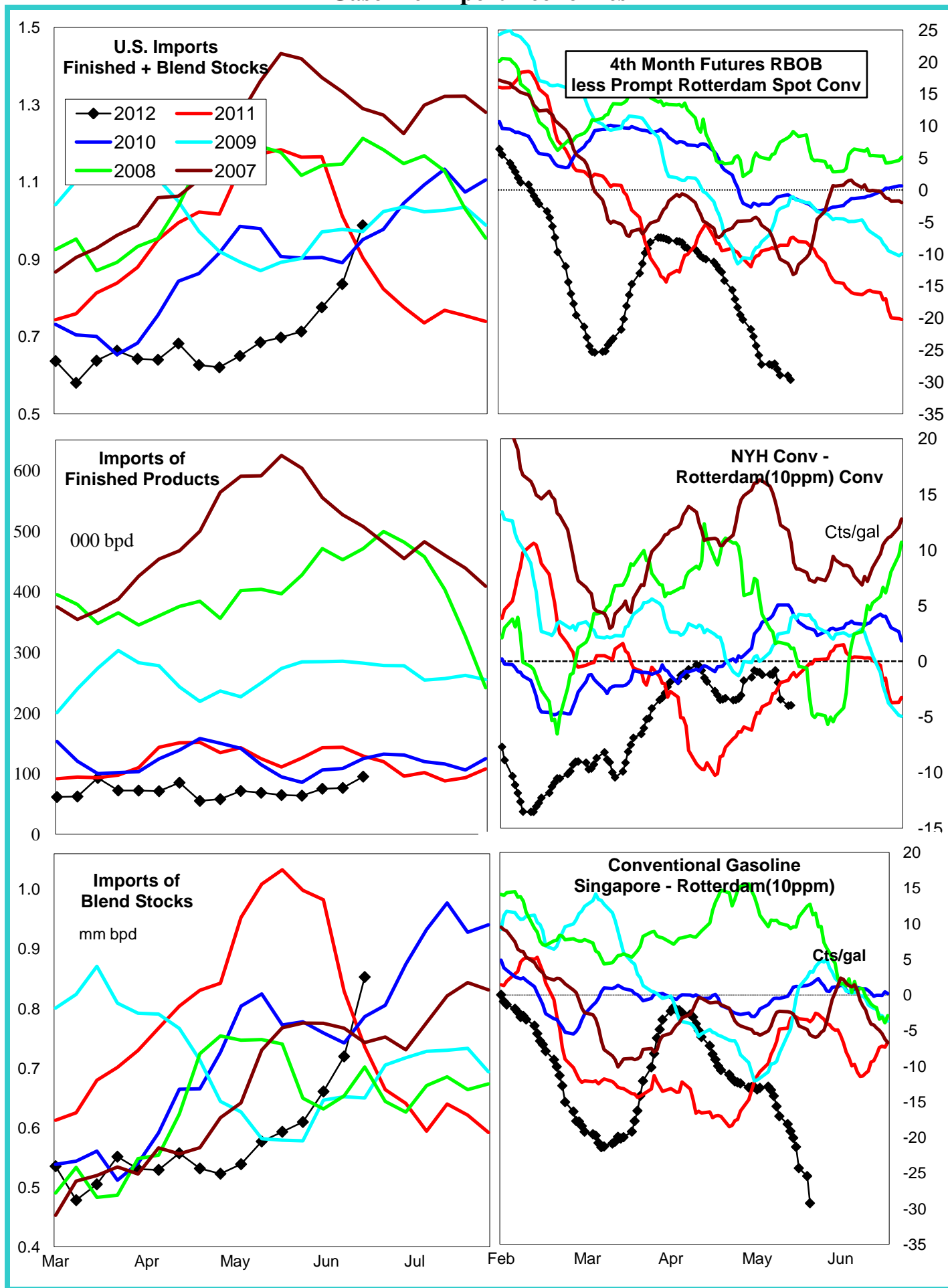


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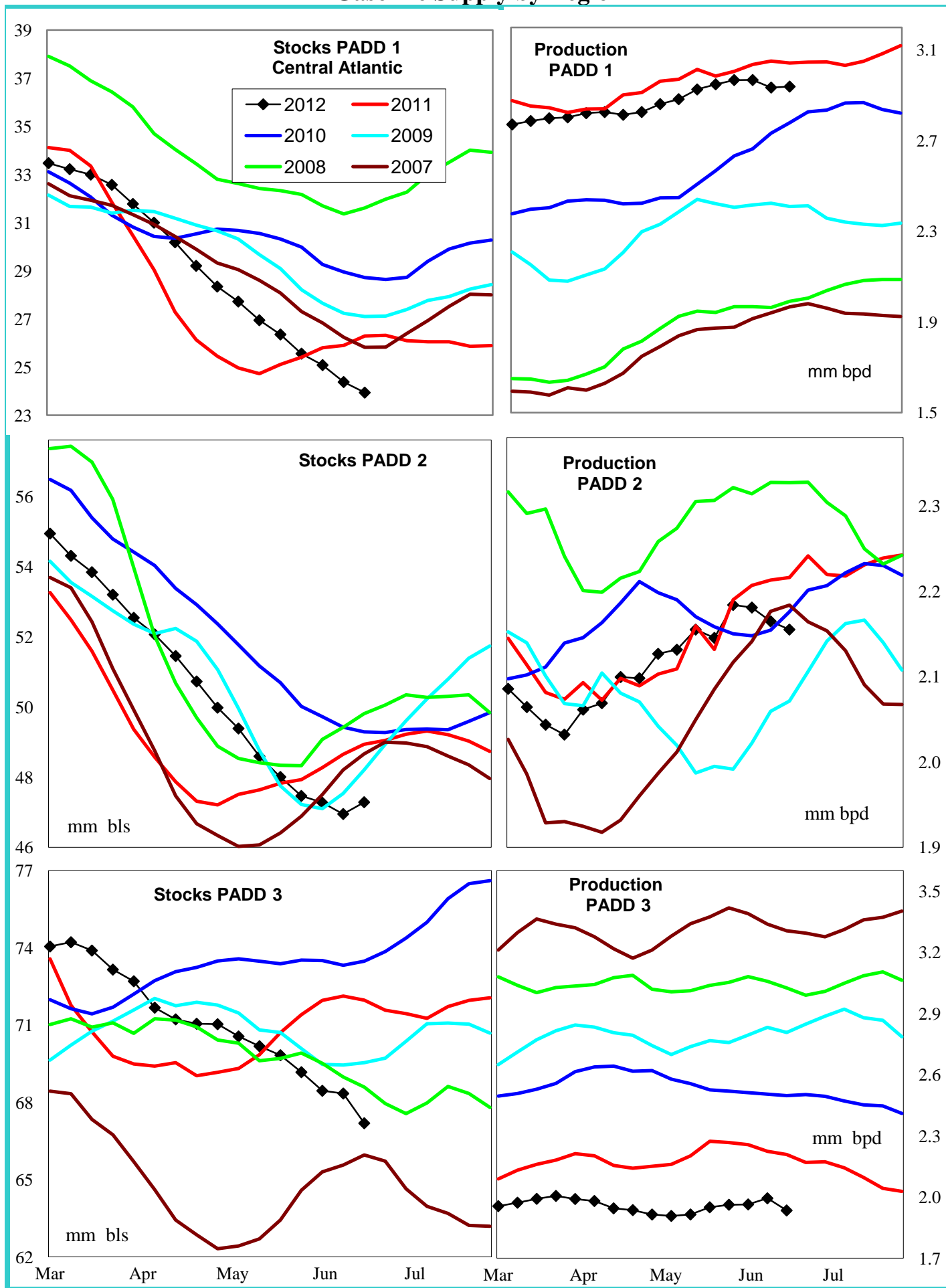
Gasoline Cash Basis and Related Price Spreads



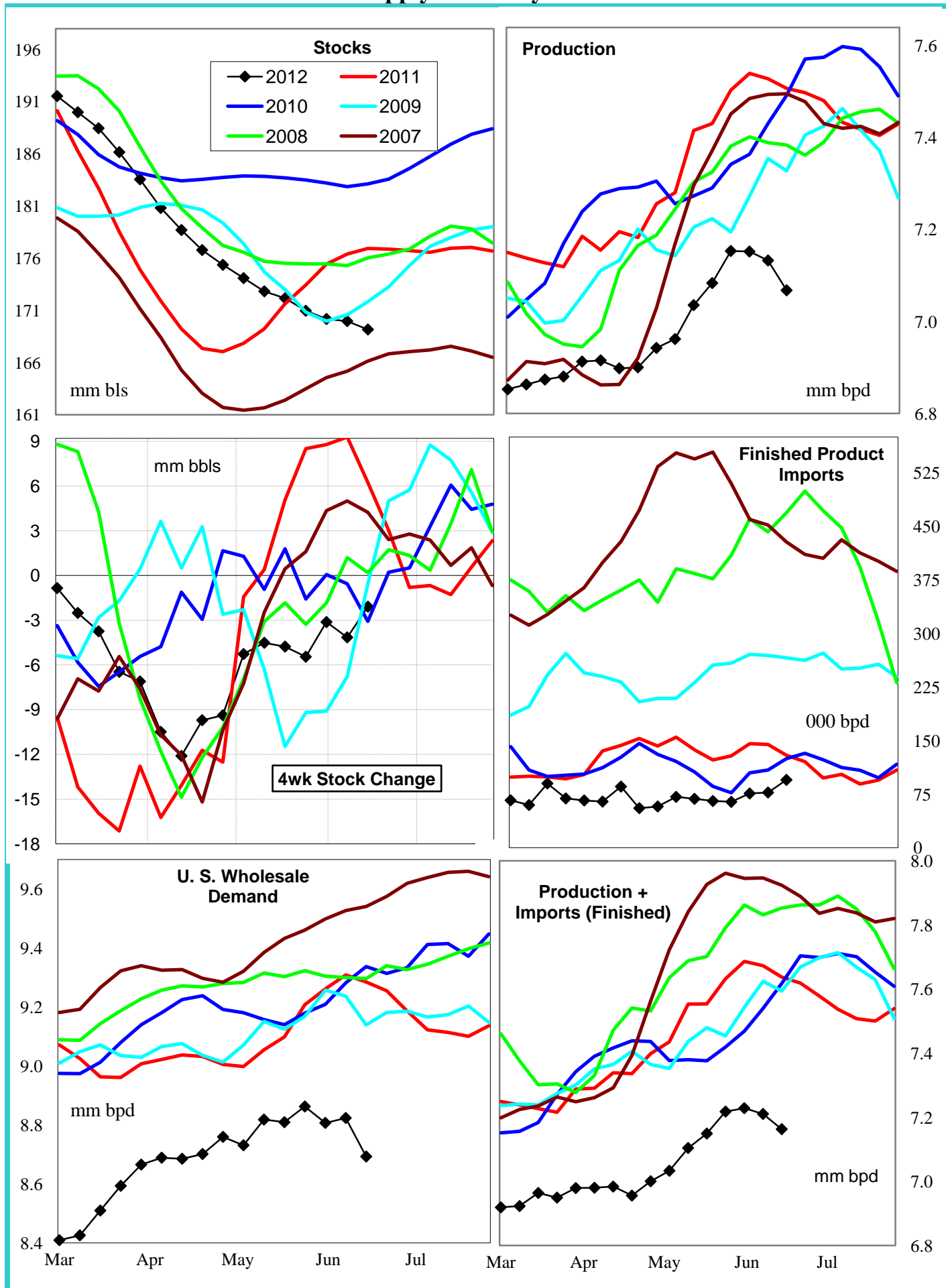
Gasoline Import Economics



Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply

