FUNDAMENTAL PETROLEUM TRENDS

WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK
A Fundamental Petroleum Trends Weekly Report
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, September 28, 2012

Cash Basis Outlook			
Product	**Market**	**Weeks Forward**	
		1 - 2	**3 - 6**
RBOB	NYH	→ (red)	→ (red)
	Gulf	→ (green)	→ (gray)
	W Coast	→ (gray)	→ (red)
Conventional	NYH	→ (red)	→ (red)
	Gulf	→ (green)	→ (gray)
	Grp III	→ (green)	→ (red)
	Chicago	→ (green)	→ (red)
	W Coast	→ (gray)	→ (red)
Gulf Coast Price Outlook		→ (gray)	→ (red)

Wholesale demand increased +138,000 bpd last week with the level below the 5-year range. The latest 4-wk year-on-year change in demand was a -88,000 bpd decrease.

Supplies fell -155,000 bpd on lower production.

Stocks declined -0.4 million barrels, including -1 million barrel draw on the East Coast.

An extreme supply squeeze in NYH led to a collapse in cash basis in the Gulf and Midwest. Tight supplies on the West Coast lifted cash basis in California and the Northwest to near historic highs for this time of year.

Increased imports and receipts from the Gulf (where stocks increased +1.7 million barrels last week) should improve the supply balance on the East Coast and allow basis in the Gulf and Midwest to rebound from current lows by mid October.

RBOB
New York Harbor basis to trend lower as imports and receipts from the Gulf resupply the market.

Conventional
New York Harbor basis to trend lower as imports and receipts from the Gulf lift stock levels.

Chicago basis trend higher from current lows as the East Coast is resupplied.

Group III basis to trend modestly higher on very tight Group stock levels, and the East Coast market is resupplied.

Gulf Basis to bounce from current lows as the East Coast market is resupplied.

West Coast (Los Angeles) basis to pull back from the recent uptrend on lower seasonal demand.

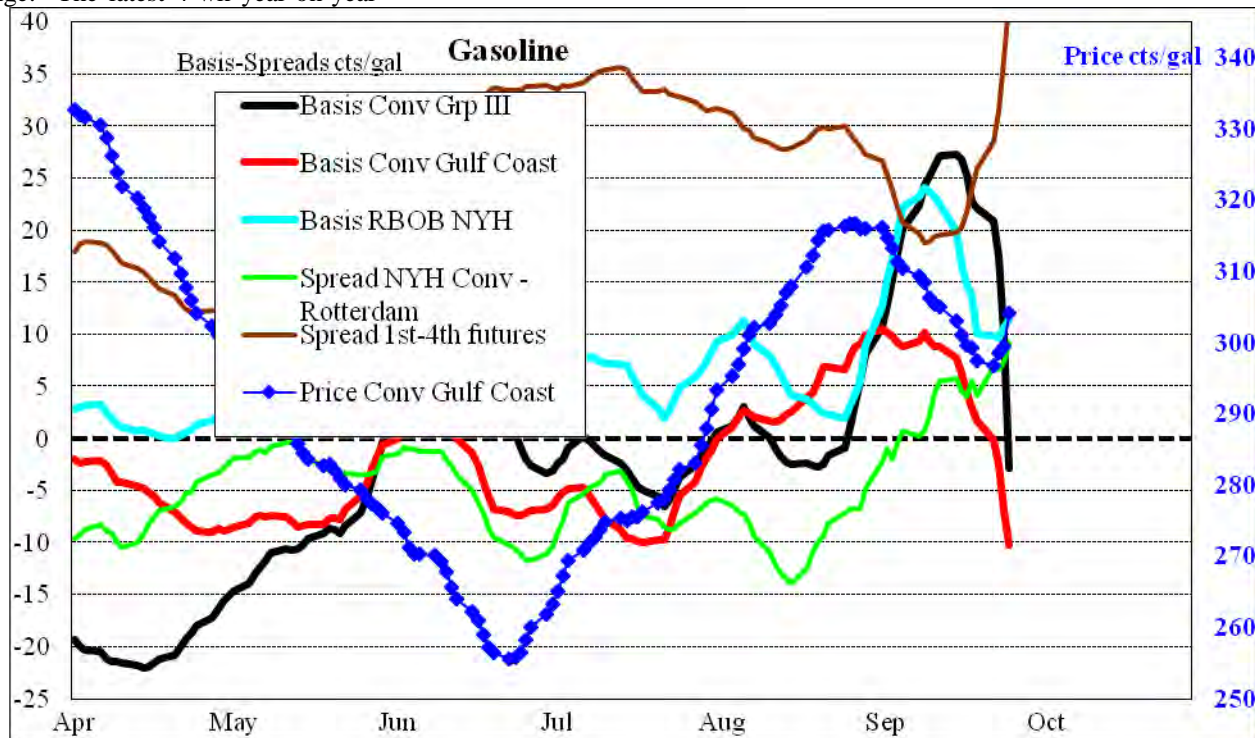## Gulf Coast Price
An exceptional supply squeeze on the East Coast has supported gasoline prices in the region and depressed cash basis in the Gulf and midwest markets. The squeeze is due in part to lost suppliers from hurricane Isaac and reduced imports.

Low stocks in the northeast, start of fall maintenance on the Gulf and limited imports in the near term will slow the rate at which the market is resupplied.
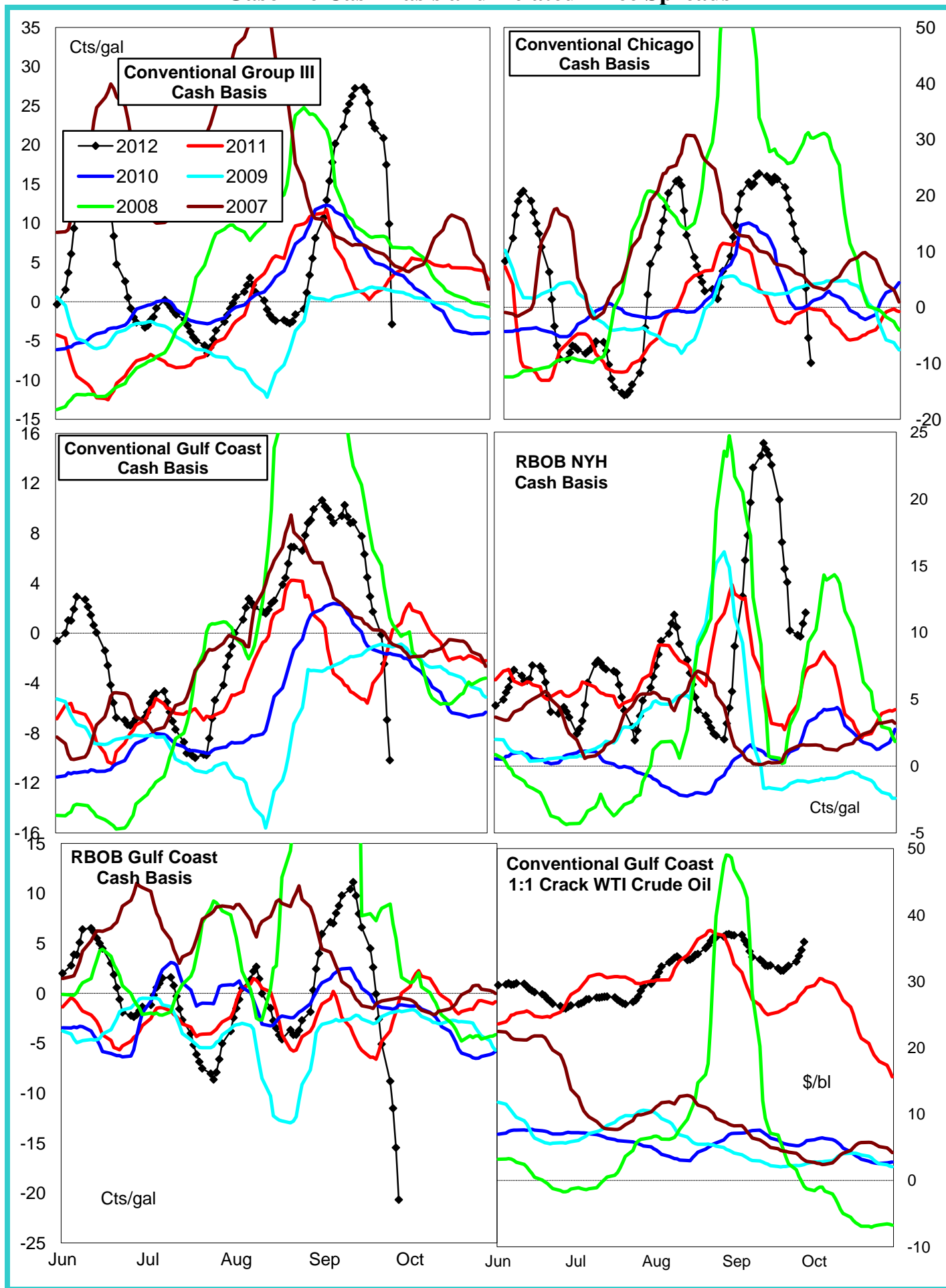
A rise in Middle East tension risk further upside in energy prices. This risk is offset by a continued slowdown in global economic growth.

Look for volatile energy prices with intermediate term downside risk due to slow global economic growth.
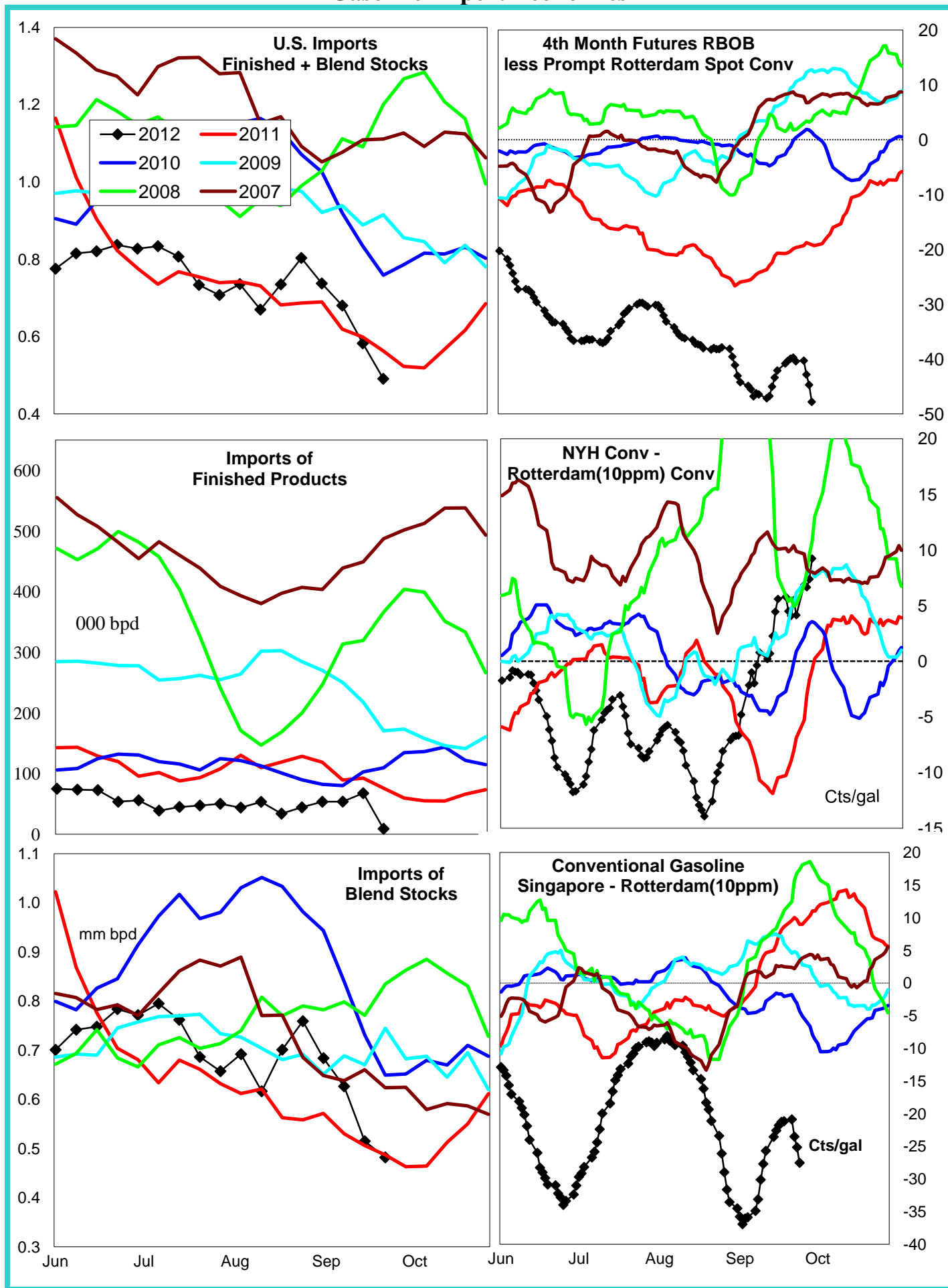

Gasoline — Basis-Spreads cts/gal, Price cts/gal

Legend:
- Basis Conv Grp III
- Basis Conv Gulf Coast
- Basis RBOB NYH
- Spread NYH Conv - Rotterdam
- Spread 1st-4th futures
- Price Conv Gulf Coast

Gasoline Cash Basis and Related Price Spreads

Gasoline Import Economics

**U.S. Imports
Finished + Blend Stocks**

Legend:
- 2012
- 2011
- 2010
- 2009
- 2008
- 2007

**4th Month Futures RBOB
less Prompt Rotterdam Spot Conv**

**Imports of
Finished Products**

000 bpd

**NYH Conv -
Rotterdam(10ppm) Conv**

Cts/gal

**Imports of
Blend Stocks**

mm bpd

**Conventional Gasoline
Singapore - Rotterdam(10ppm)**

Cts/gal

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Gasoline Supply by Region

Stocks PADD 1
Central Atlantic

2012	2011
2010	2009
2008	2007

Production
PADD 1

mm bpd

Stocks PADD 2

mm bls

Production
PADD 2

mm bpd

Stocks PADD 3

mm bls

Production
PADD 3

mm bpd
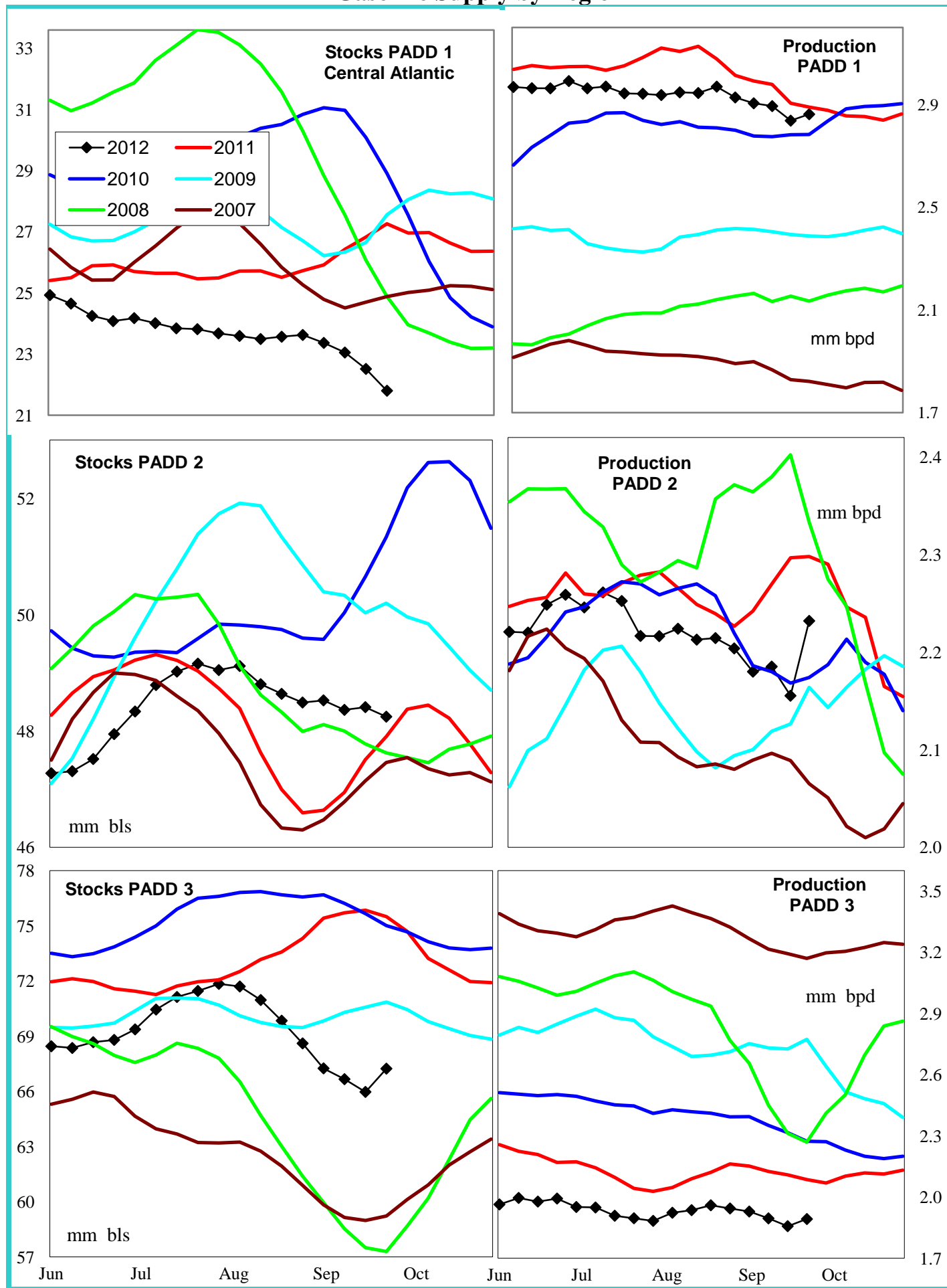
Gasoline Supply Summary PADDs 1+2+3

Stocks

mm bls

2012	2011
2010	2009
2008	2007

Production

mm bpd

4wk Stock Change

mm bbls

Finished Product Imports

000 bpd

U. S. Wholesale Demand

mm bpd

Production + Imports (Finished)

mm bpd

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PADD 5 Gasoline Supply

Refinery Production

mm bpd

RBOB Los Angeles Cash Basis

Cts/gal

Legend:
- 2012 (black)
- 2011 (red)
- 2010 (blue)
- 2009 (cyan)
- 2008 (green)
- 2007 (dark red)

Imports Finished + Blend stocks

000 bpd

RBOB Los Angeles - Singapore Conventional

Cts/gal

Stocks

mm bls

Conventional Los Angeles Cash Basis

Cts/gal