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, December 21, 2012

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

Wholesale demand increased +130,000 bpd last week, a level still below the historic range. The latest 4-wk year-on-year change in demand was a -250,000 bpd decline.

Supplies declined -0.1 million bpd on the week, driven by lower imports.

Seasonally weak demand led to a +2.2 million barrel increase in stocks.

Higher short term seasonal demand limited stock builds last week, and gave a modest lift to cash basis in markets other than the Group III. Even with the uptrend, basis levels remain well below the 5-year range in the Gulf, Chicago, Group III and all west coast markets.

RBOB

New York Harbor basis to trade at levels comparable to the 5-year range on seasonal stock building.

Conventional

New York Harbor basis to trade at levels within the 5-year range on seasonal stock builds.

Chicago basis to remain seasonally weak on low demand and extreme over supply in the Gulf.

Group III basis should remain weak over the next 90-days on seasonal stock builds and a relatively tight East Coast market.

Gulf Basis to improve from record low levels on exports and deliveries to other regional markets.

West Coast (Los Angeles) basis to remain very weak on extremely high production and record stock levels for this time of year.

Gulf Coast Price

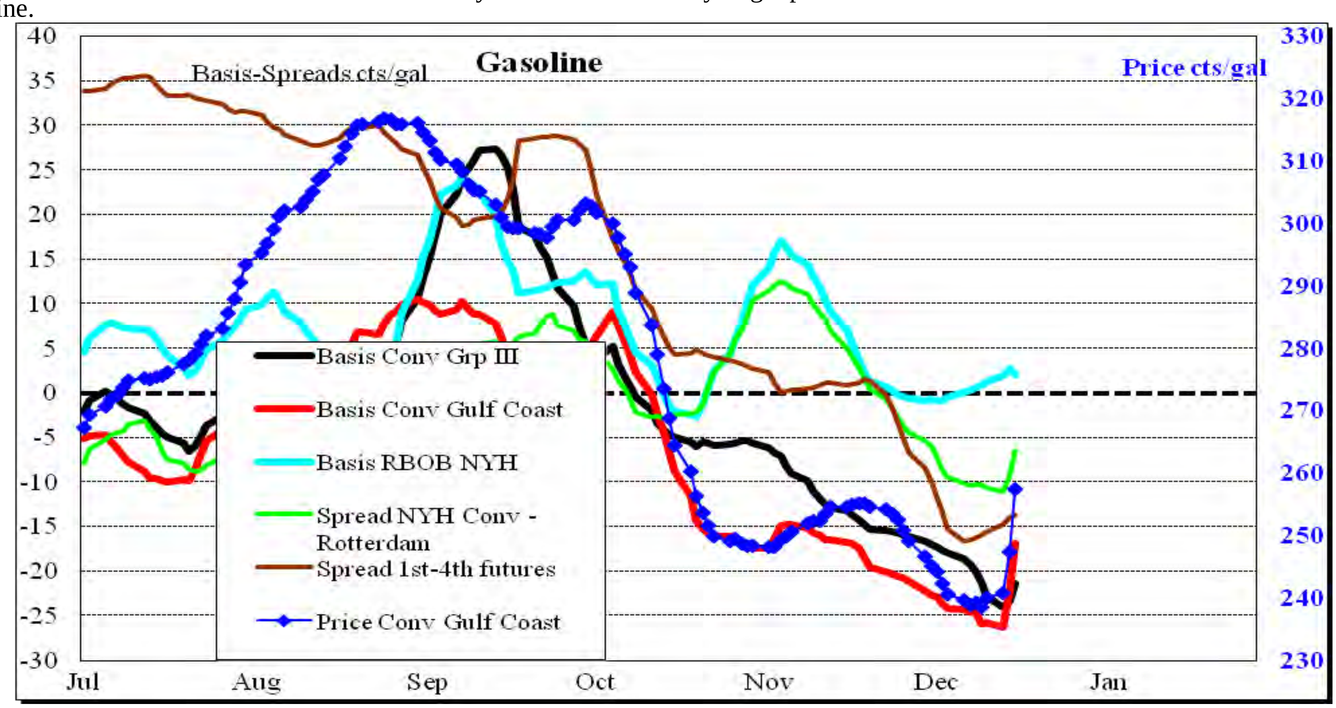
Gasoline stocks in the Gulf reached fresh record highs last week, driving basis to exceptionally low levels. These conditions opened the export window and should lead to a surge in export loadings over the next 30-days.

Start of winter refinery maintenance in the Gulf region should lead to a meaningful decrease in supply during the next 60-days, concurrent with seasonally low demand for the period.

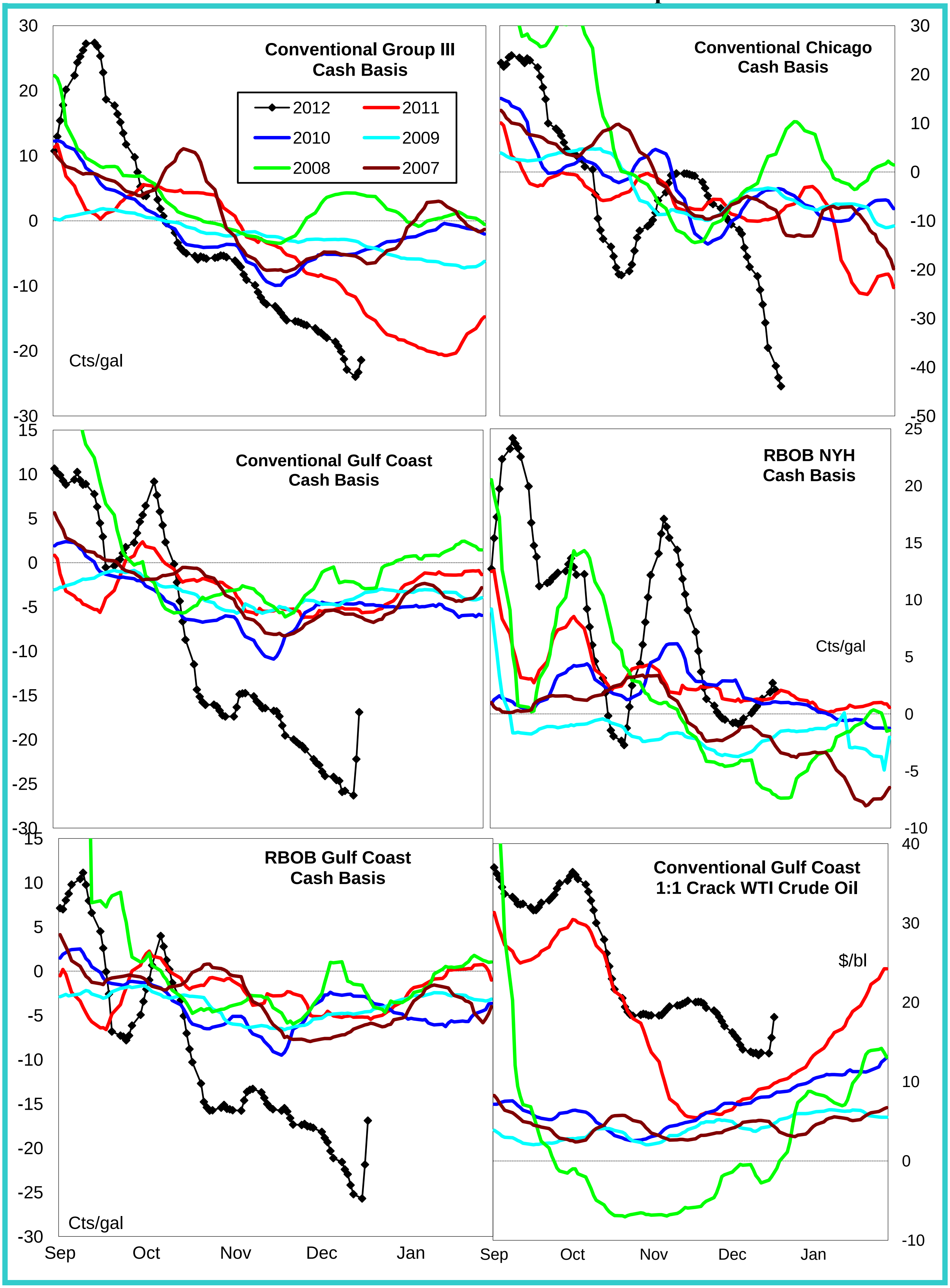
Year on year decreases in gasoline demand will likely drive stocks to new season highs in the Gulf, constraining prices during the 1st quarter.

The deep recession in Europe and slow economic growth in Asia should lead to slower demand growth for energy during the 1st half of 2013.

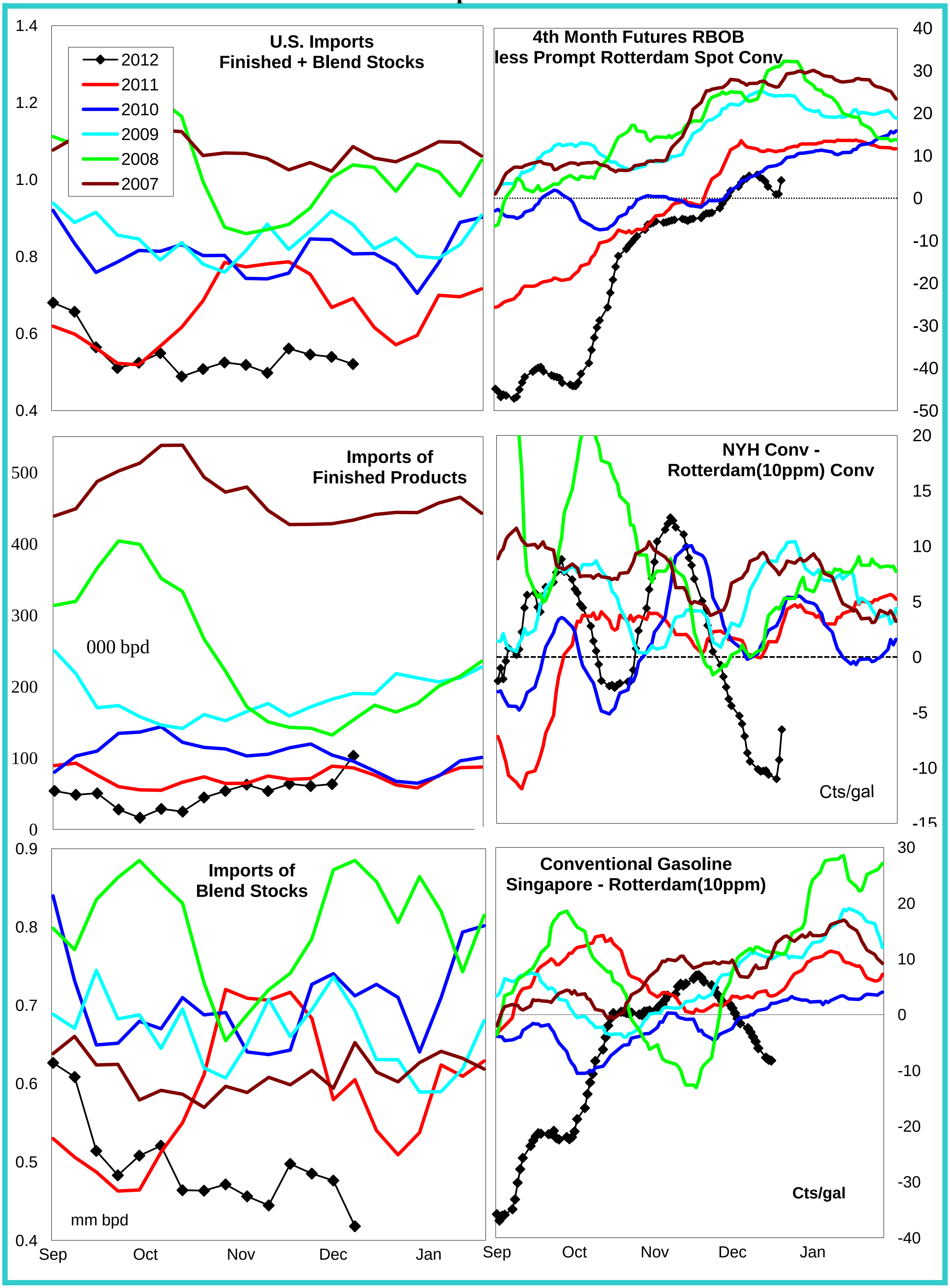
Look for volatile energy prices with downside risk due to slow global economic growth and seasonal over supplies of gasoline in major cash markets.



Gasoline Cash Basis and Related Price Spreads



Gasoline Import Economics



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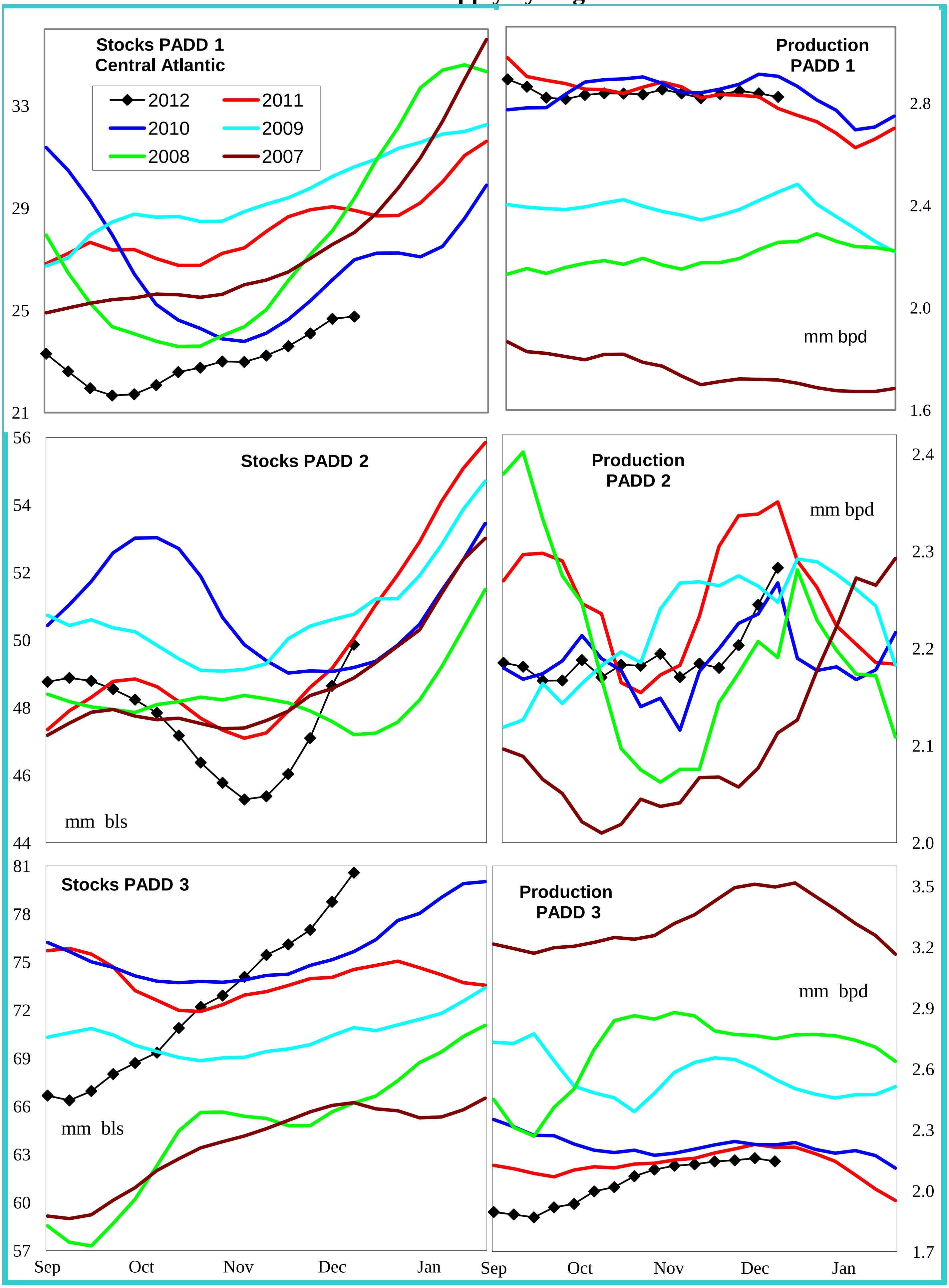
Gasoline Supply by Region



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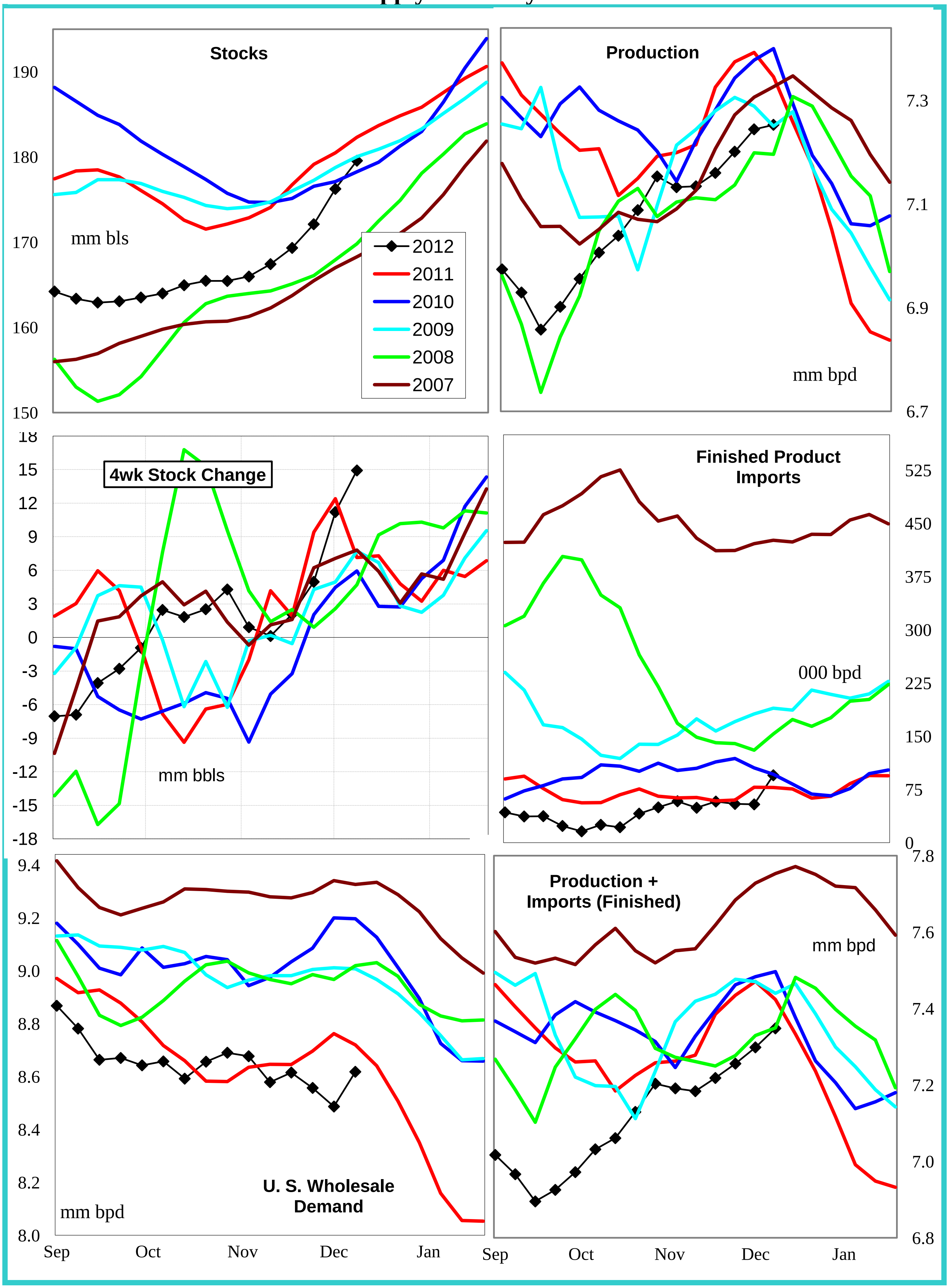
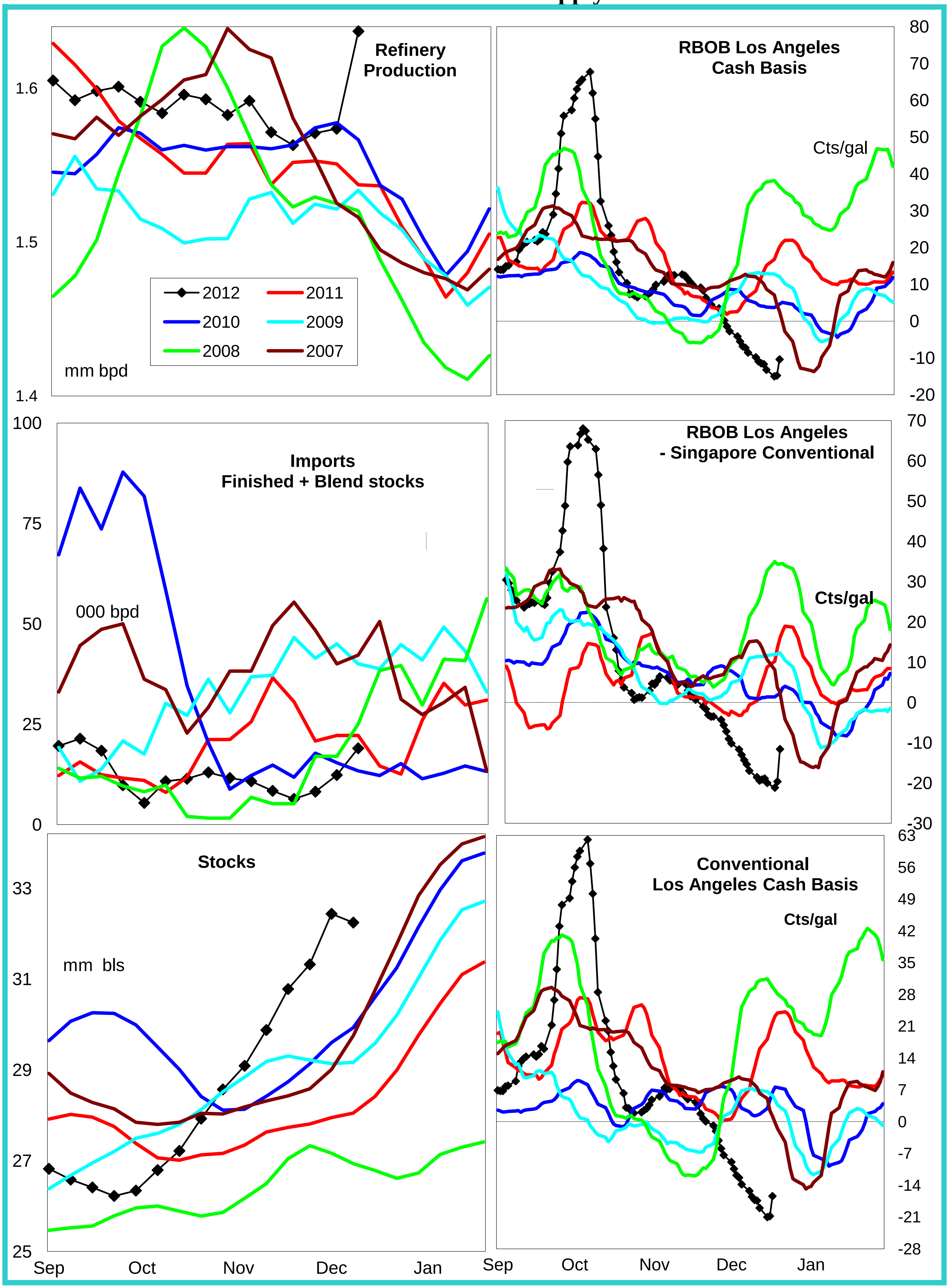
Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply



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