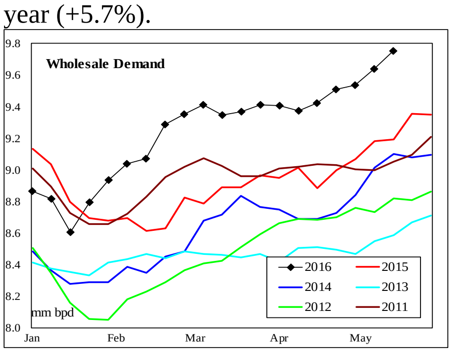
WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

A Fundamental Petroleum Trends Weekly Report

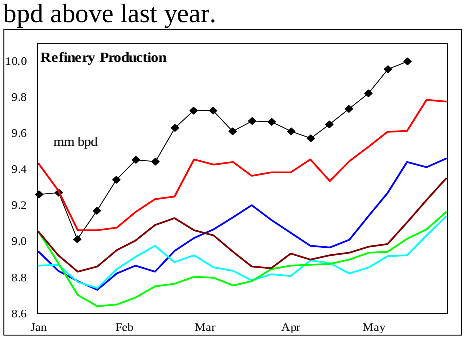
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, May 19, 2016

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

Wholesale demand increased +0.1 million bpd last week, to a level well above the prior 5-yrs. The latest 4-wk average demand was +0.5 million bpd above last year (+5.7%).

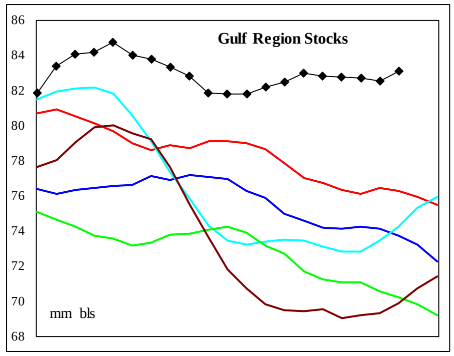


Supply decreased -142,000 bpd on the week. The latest 4-wk supply 0.41 million bpd above last year.

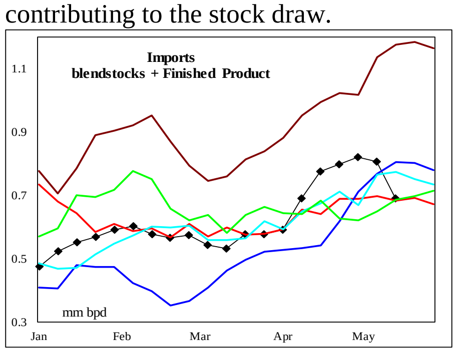


Stocks declined -2.5 million barrels with the draw concentrated in the Midwest, partially offset by a build in the Gulf. Stocks ended the week +14 million barrels above prior 5-yr highs.

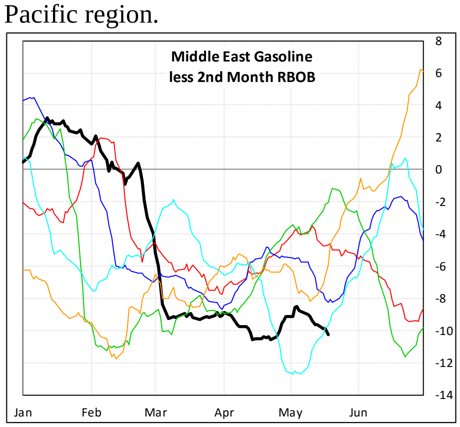
Stock levels in the Gulf region were +6.5 million barrels above last year, and a record for this time of year. Extremely high stocks in the Gulf are depressing cash basis.



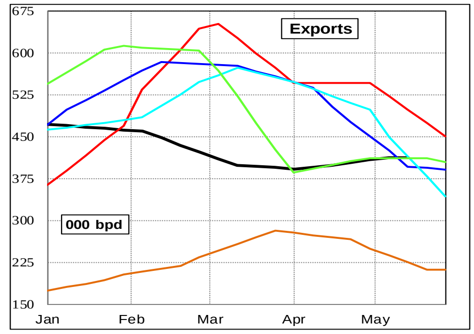
Imports fell -88,000 bpd on the week, contributing to the stock draw.



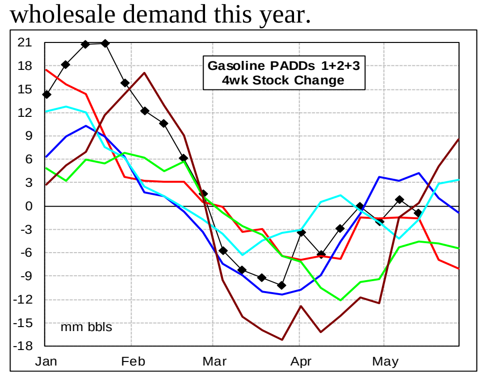
Gasoline basis in Asian and Middle East markets trended lower last week, and remain at 5-yr lows for this time of year, indicating continued oversupply in the Pacific region.



Exports for the week ending 22Apr16 were 413,000 bpd, down -134,000 bpd from a year ago.



Sharply lower exports have contributed to supply to meet the increase in domestic wholesale demand this year.



The latest 4-wk stock change in markets East of the Rockies was a -1.7 million barrel draw, comparable to the 3-yr mid range.

Cash Basis and Refining Trends

New York Harbor basis to trade sideways on high stock levels.

Chicago basis to trend higher in the near term on the run up to Memorial weekend.

Group III basis to trend modestly higher on increased seasonal demand, limited by high stock levels.

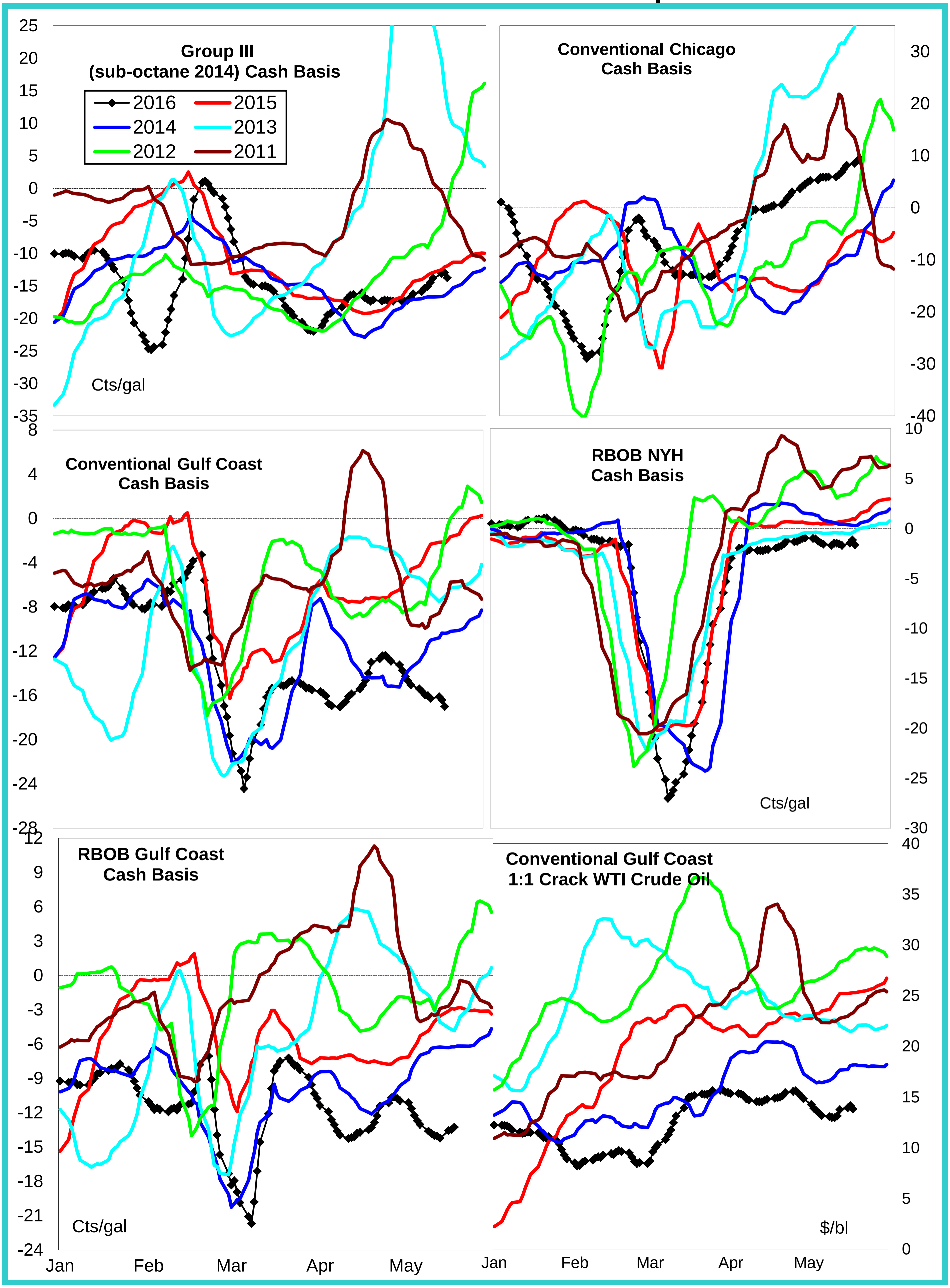
Gulf Basis to trade at record lows for this time of year on extremely high stock levels, with potential for an uptrend on any unplanned maintenance.

West Coast (Los Angeles) basis to extend the current downtrend on high stock levels, then trend higher from near record lows for this time of year.

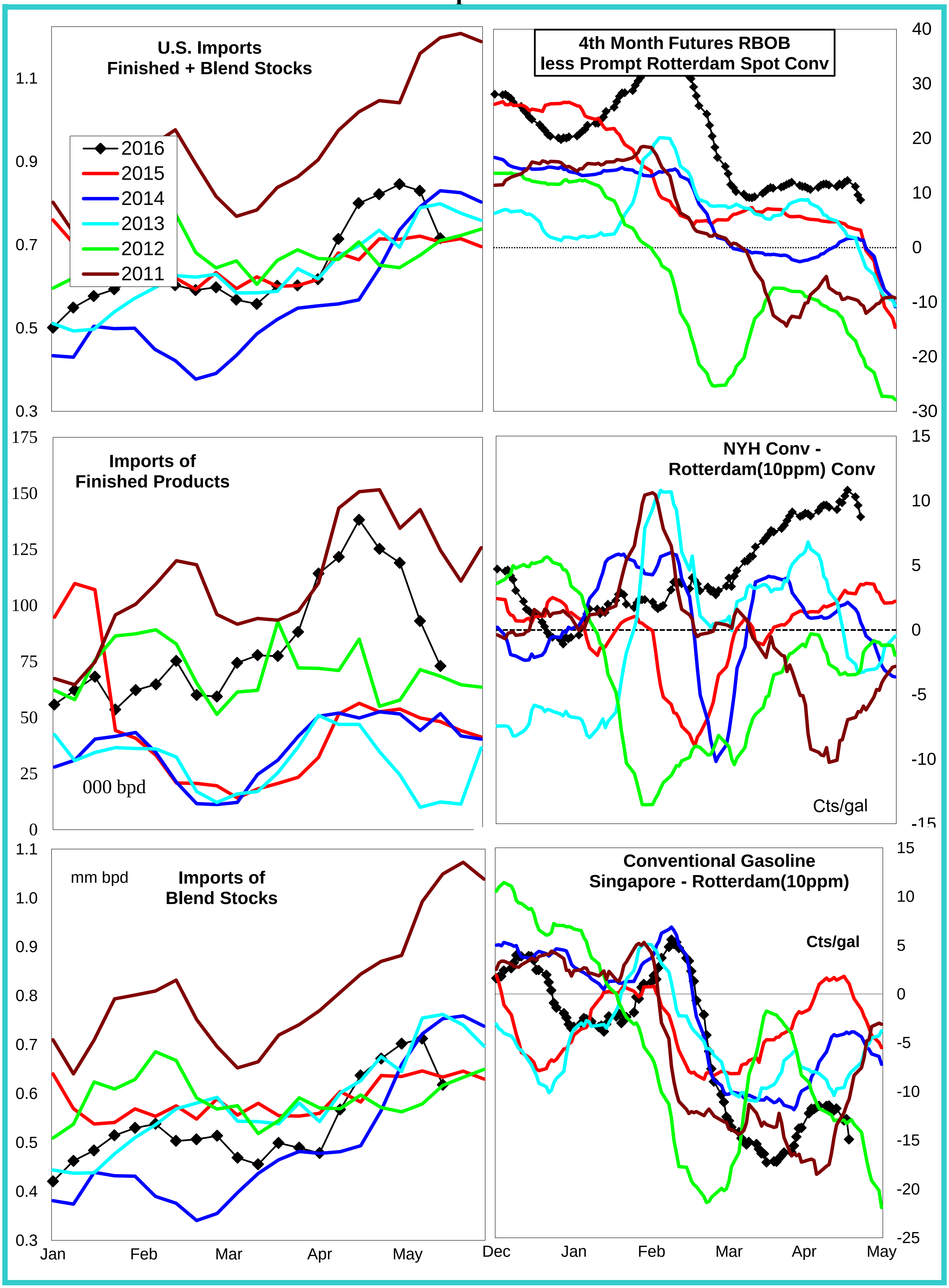
Gulf Coast Price

Robust wholesale demand is being offset by record production and imports that continue to maintain stock levels above the 5-yr range in all markets except the West Coast, where stocks are above four of the last 5-yrs. There is risk of a price pull back following the Memorial week peak travel.

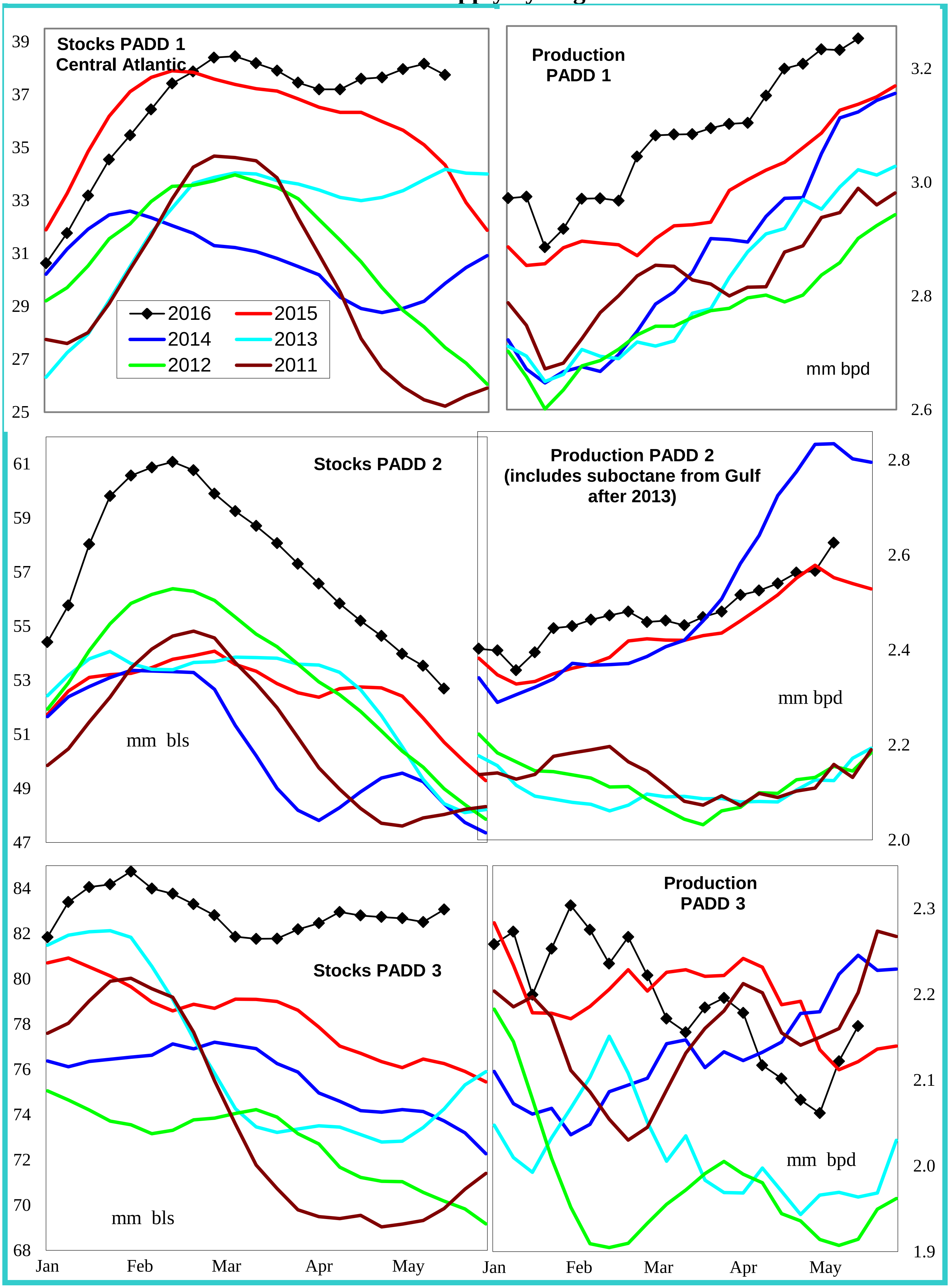
Gasoline Cash Basis and Related Price Spreads



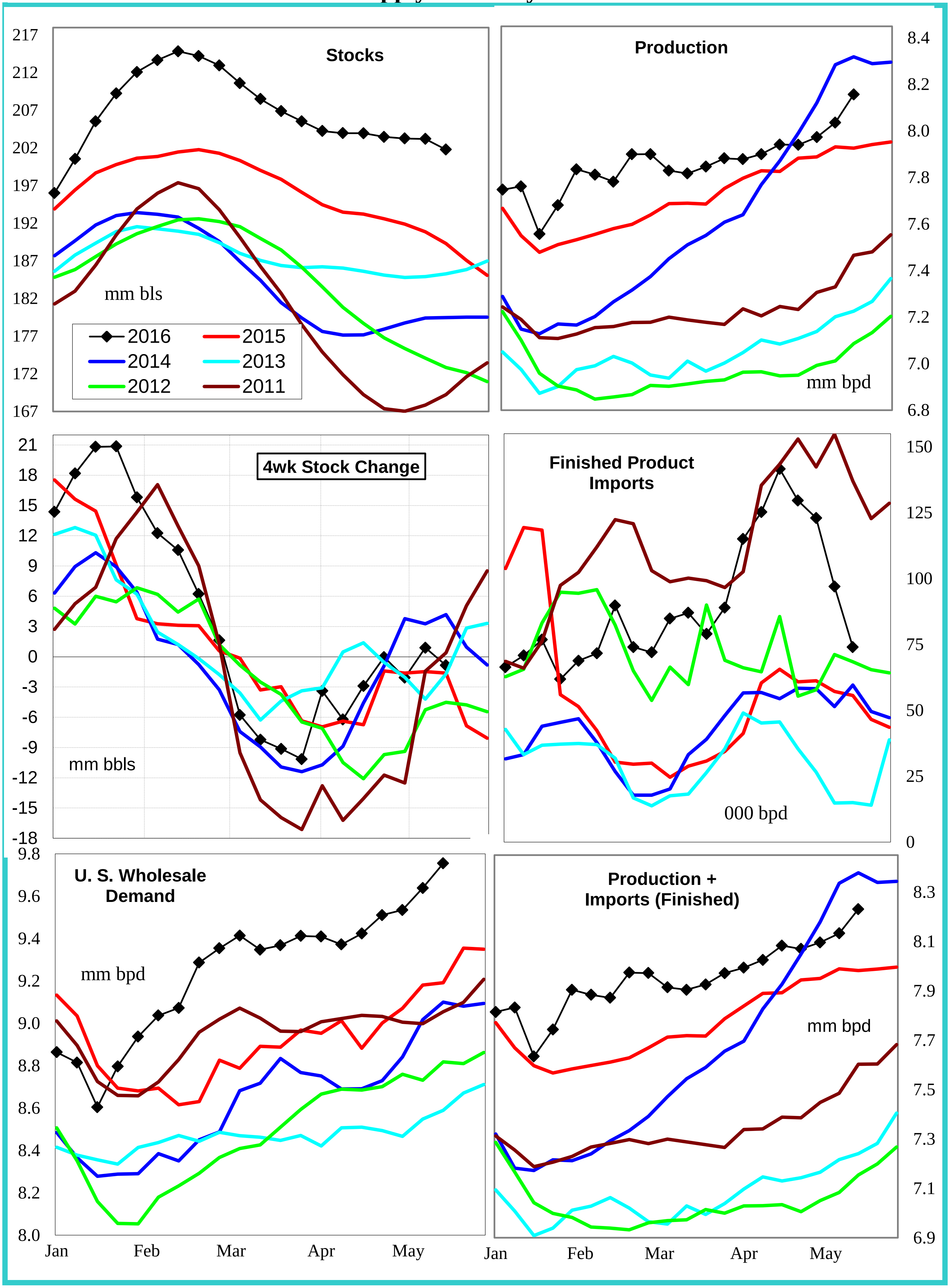
Gasoline Import Economics



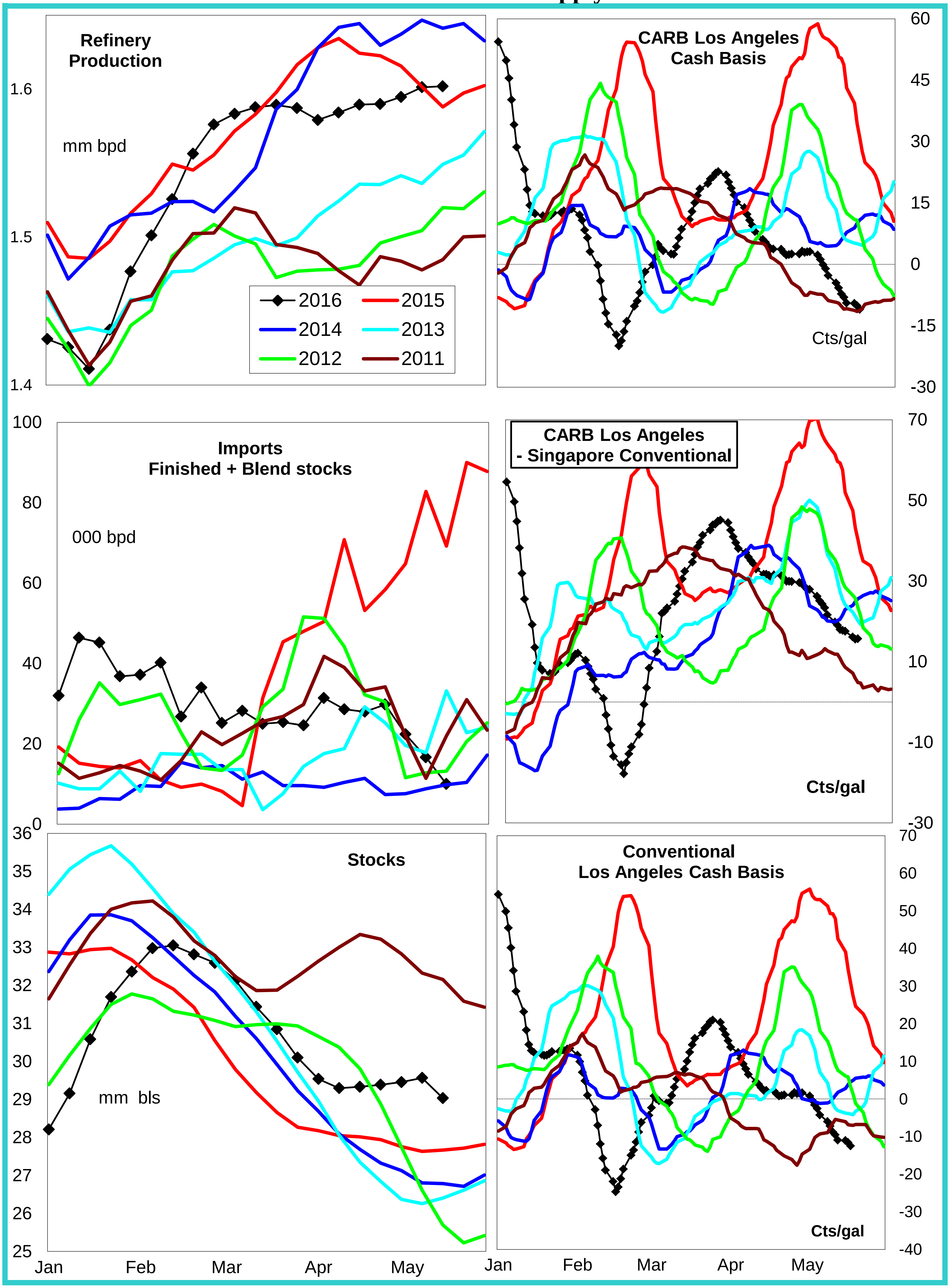
Gasoline Supply by Region



Gasoline Supply Summary PADDs 1+2+3



PADD 5 Gasoline Supply



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