

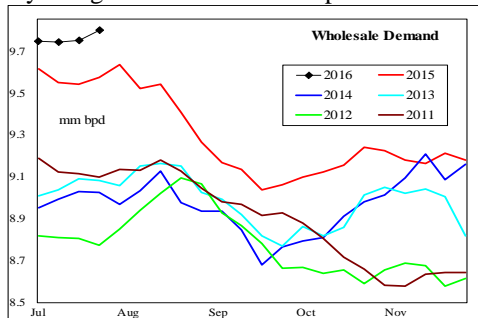


WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

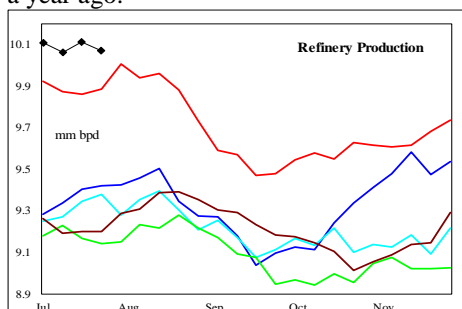
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, July 28, 2016

Wholesale demand was unchanged on the week, with the level +246,000 bpd above a year ago for the latest 4-wk period.

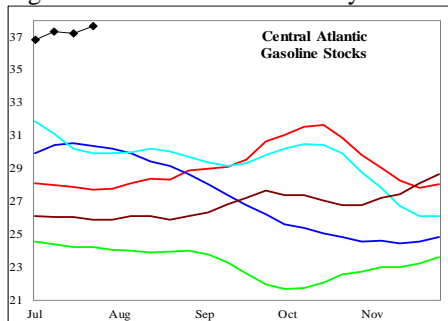


Supply was little changed on the week, with the 4-wk average +310,000 bpd above a year ago.



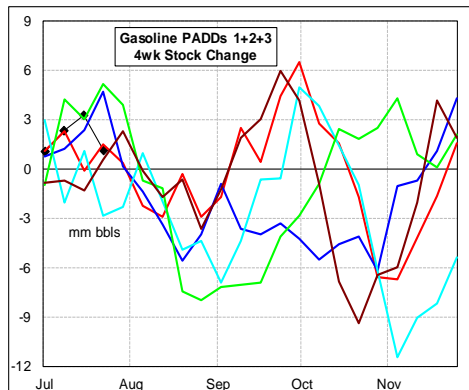
Stocks increased +0.5 million barrels, including a -2 million barrel draw in the Midwest. Stock levels remain extremely high in all regions, with the West Coast near 5-yr highs on a +0.8 million barrel build for the week.

Stock levels in the Central Atlantic region remain +35% above last year.

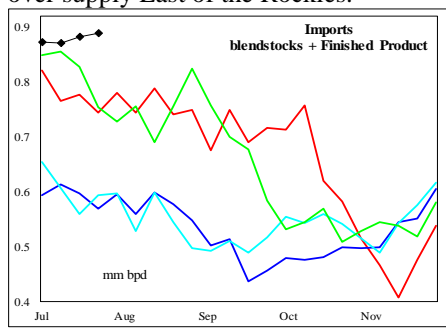


The over supplied East Coast is due to very high imports and record high refinery output.

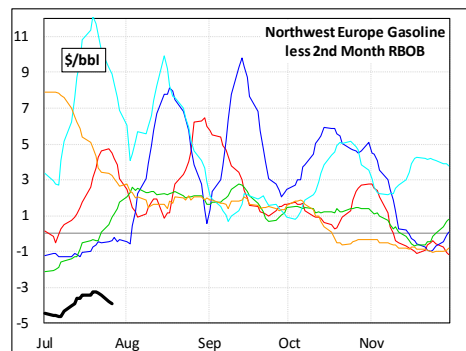
Stock change in the combined markets East of the Rockies for the latest 4-wk period was a build of +1.5 million barrels, comparable to the 3-yr mid range.



Imports decreased -28,000 bpd last week, but remain at record high levels, driving over supply East of the Rockies.



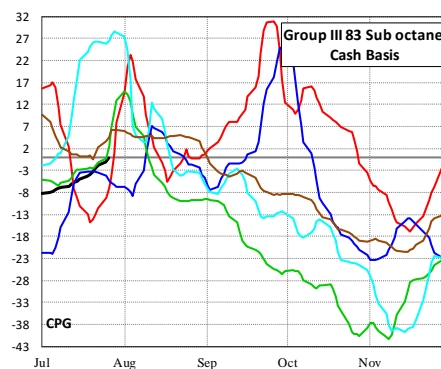
Northwest European gasoline prices compared to the CME RBOB futures remain extremely weak, trading at a level well below the 5-yr range. This weakness should support continued high imports to the East Coast.



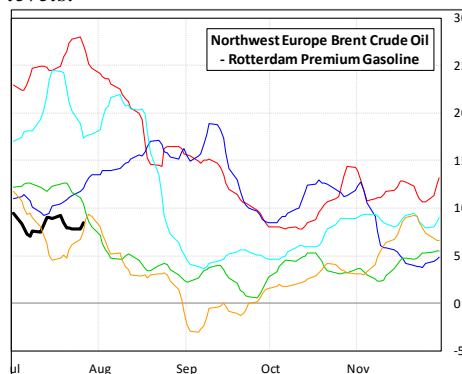
Exports for the week ending 22Jul16 were 454,000 bpd, +57,000 bpd above a year ago.

The very high level of stocks and lack of meaningful stock draws during the last month points to risk of further downward pressure on refining margins as peak summer demand ends next month.

Cash Basis and Refining Trends



The over supplied East Coast and peak summer demand underlies the continued uptrend in cash basis for Midwest and Gulf markets. All west coast markets saw a continued sharp downtrend in cash basis for the week, driven by near record stock levels.



Extremely weak gasoline crack spreads in Northwest Europe risk a pullback in production during the fall quarter, reducing the pressure for exports to the U.S. next quarter.

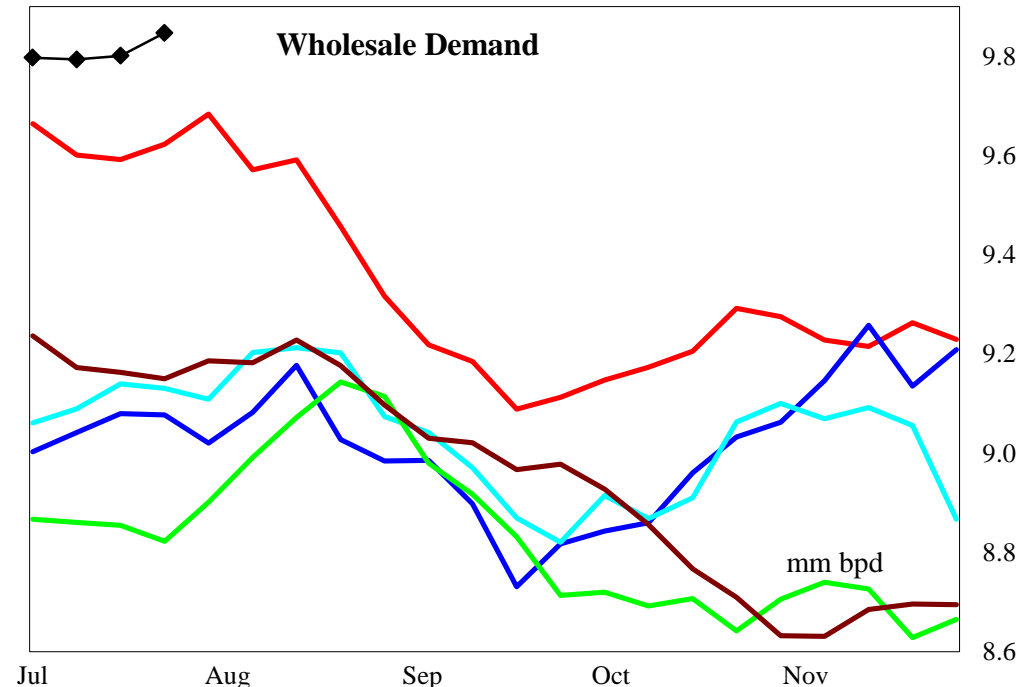
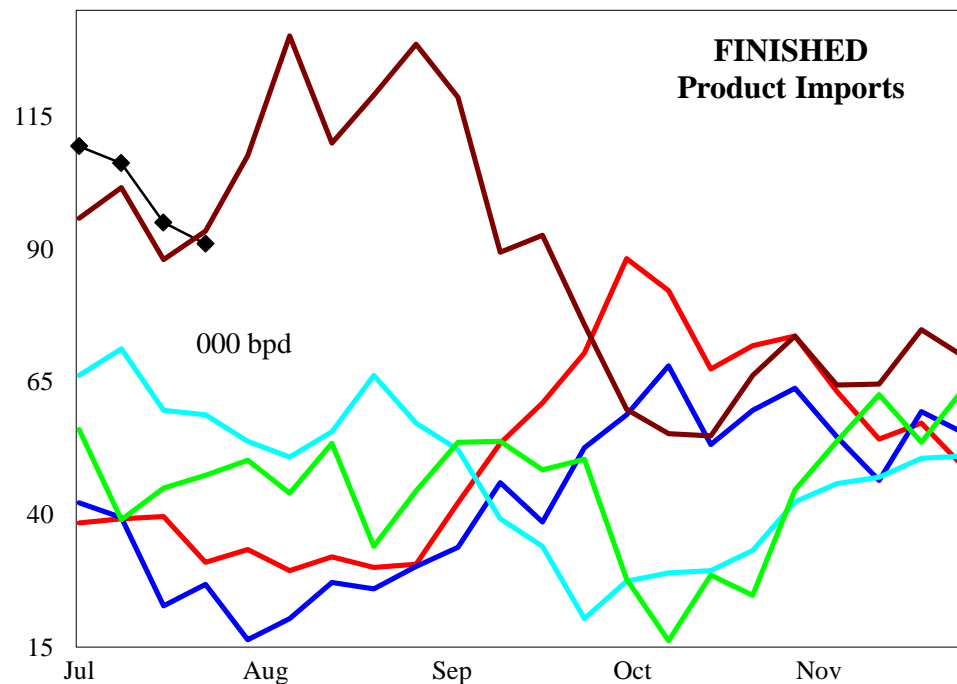
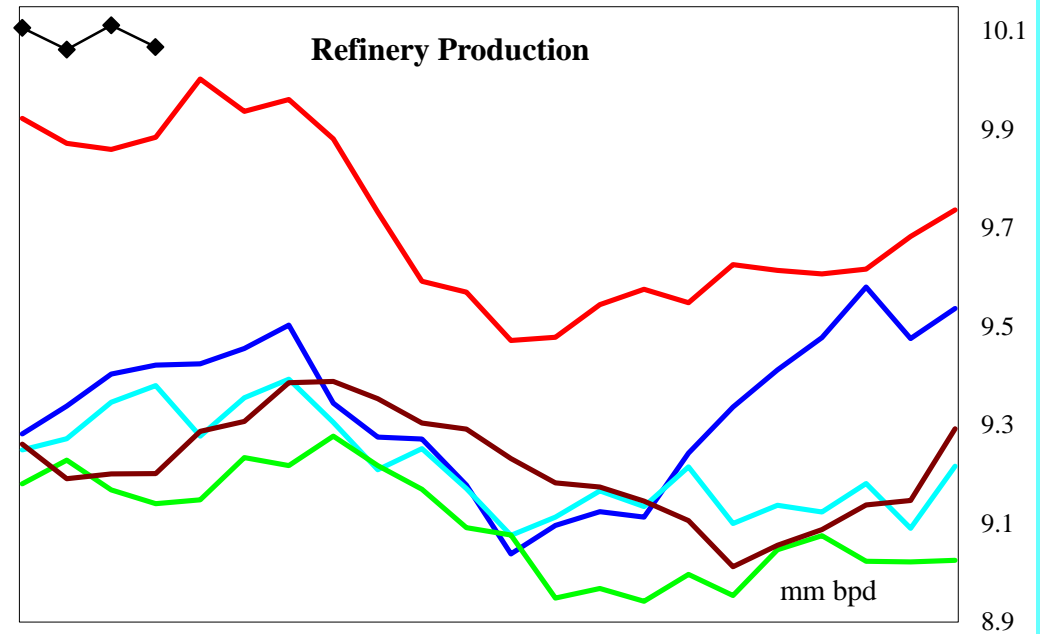
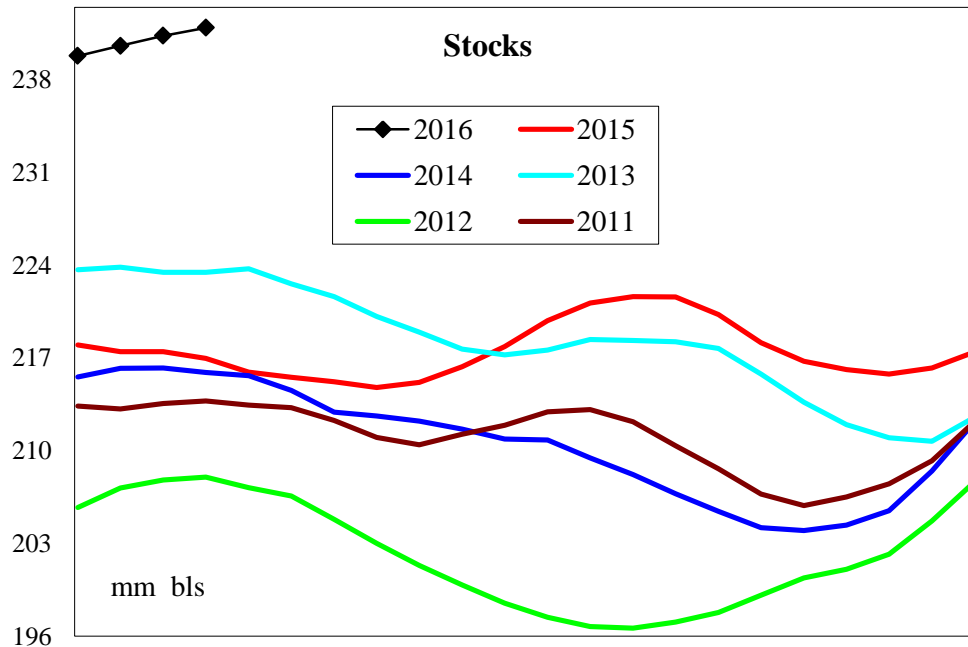
Gulf Coast Price

Modest year-on-year demand growth, high imports and production continue to support extremely high stock levels of gasoline in all regions, including the West Coast. With wholesale demand to peak within 3-wks, there is risk of continued weak gasoline prices.

There is a meaningful risk that refiners in the East and Gulf coast regions may begin earlier than normal fall maintenance due to weak refining margins; driven by oversupply of gasoline.

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United States Gasoline Supply and Demand



4 wk avg variance to prior year

000 bpd (000 bls stks)

Stocks

25,530

Production

260

Fin Impt

50

Blend Impt

48

Demand=>

4wk avg

246

Jun

369

May

388

Apr

74

% change

11.8

2.6

120.6

6.8

2.6

3.9

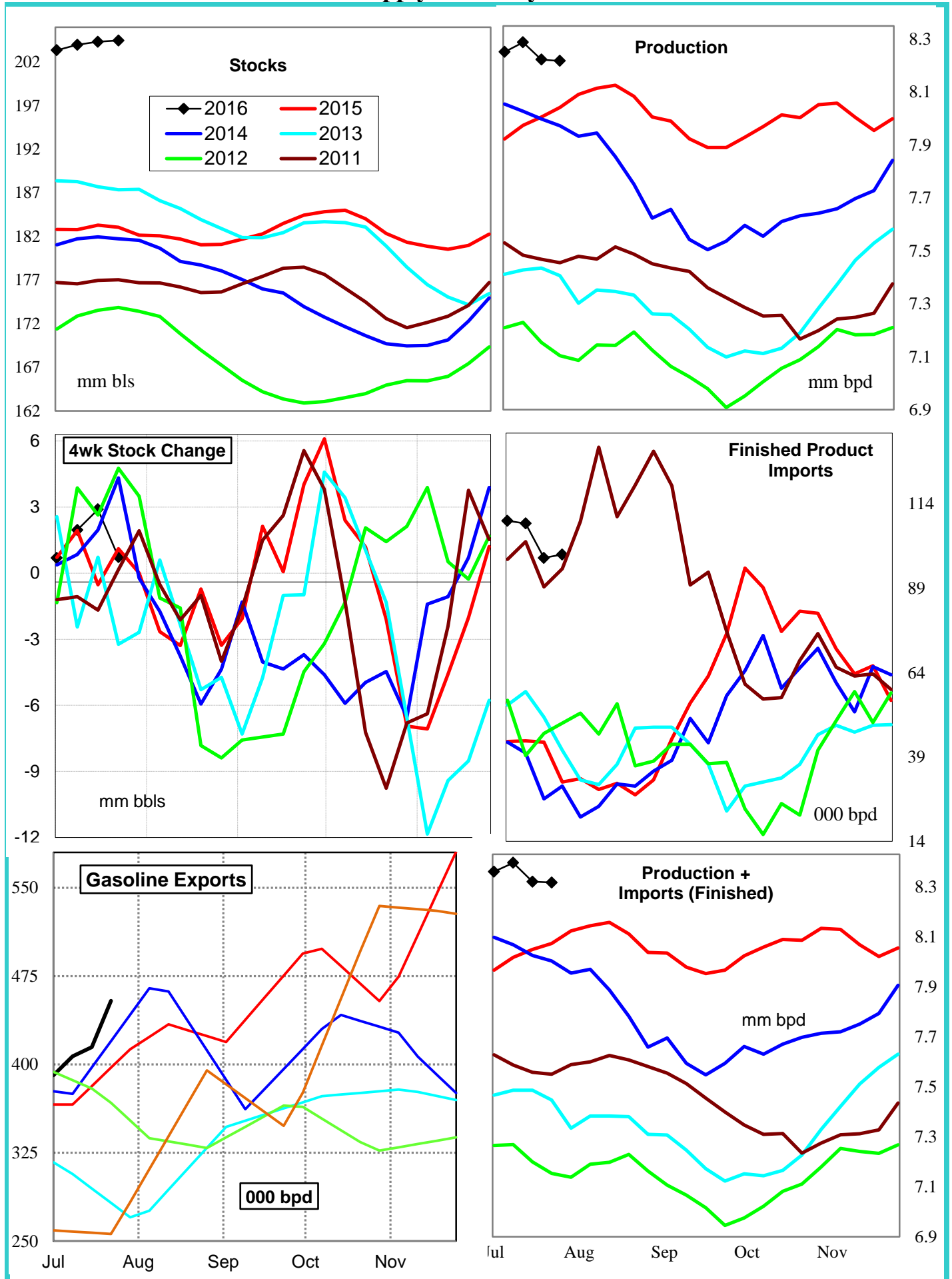
4.2

0.8

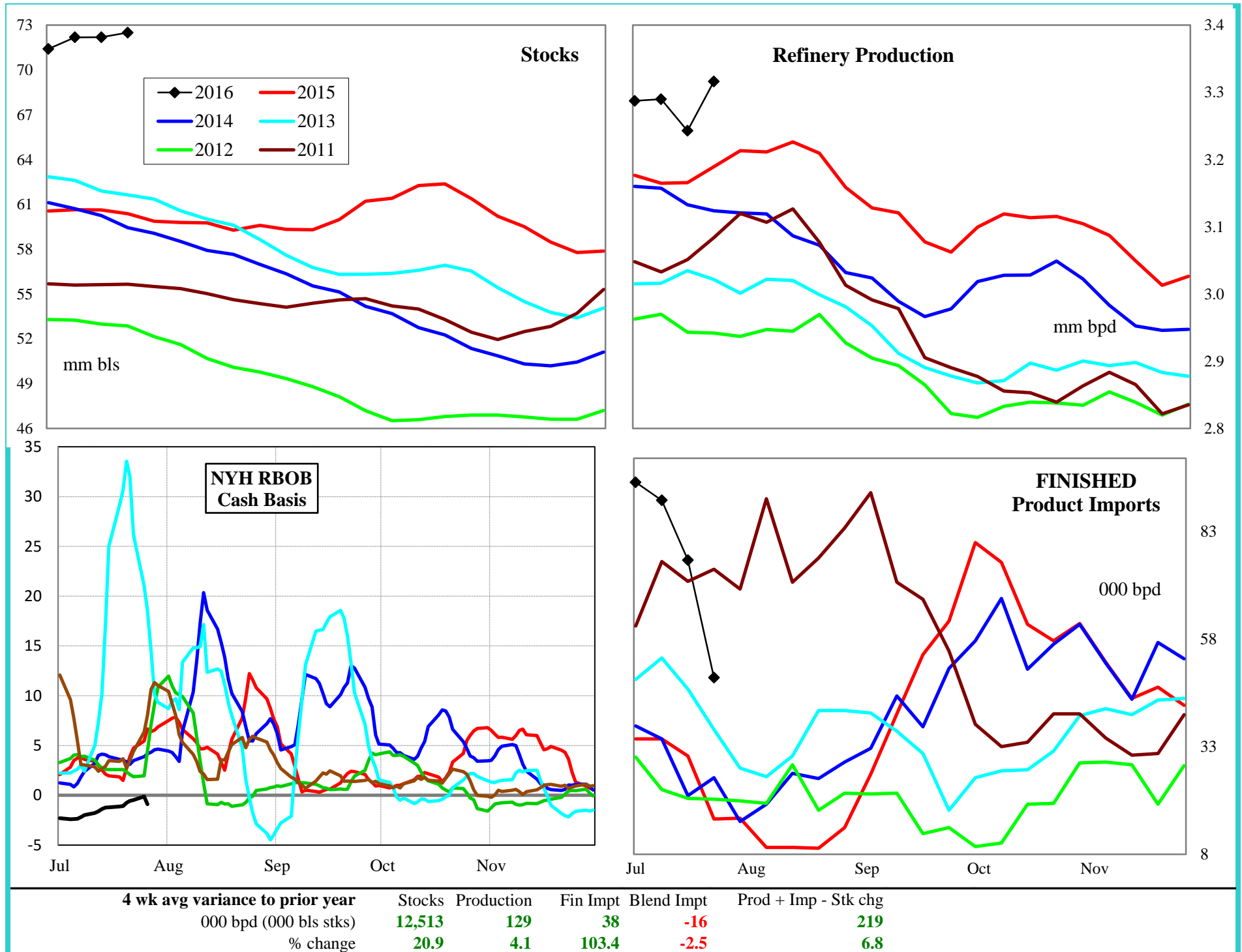
Gasoline Imports by Type



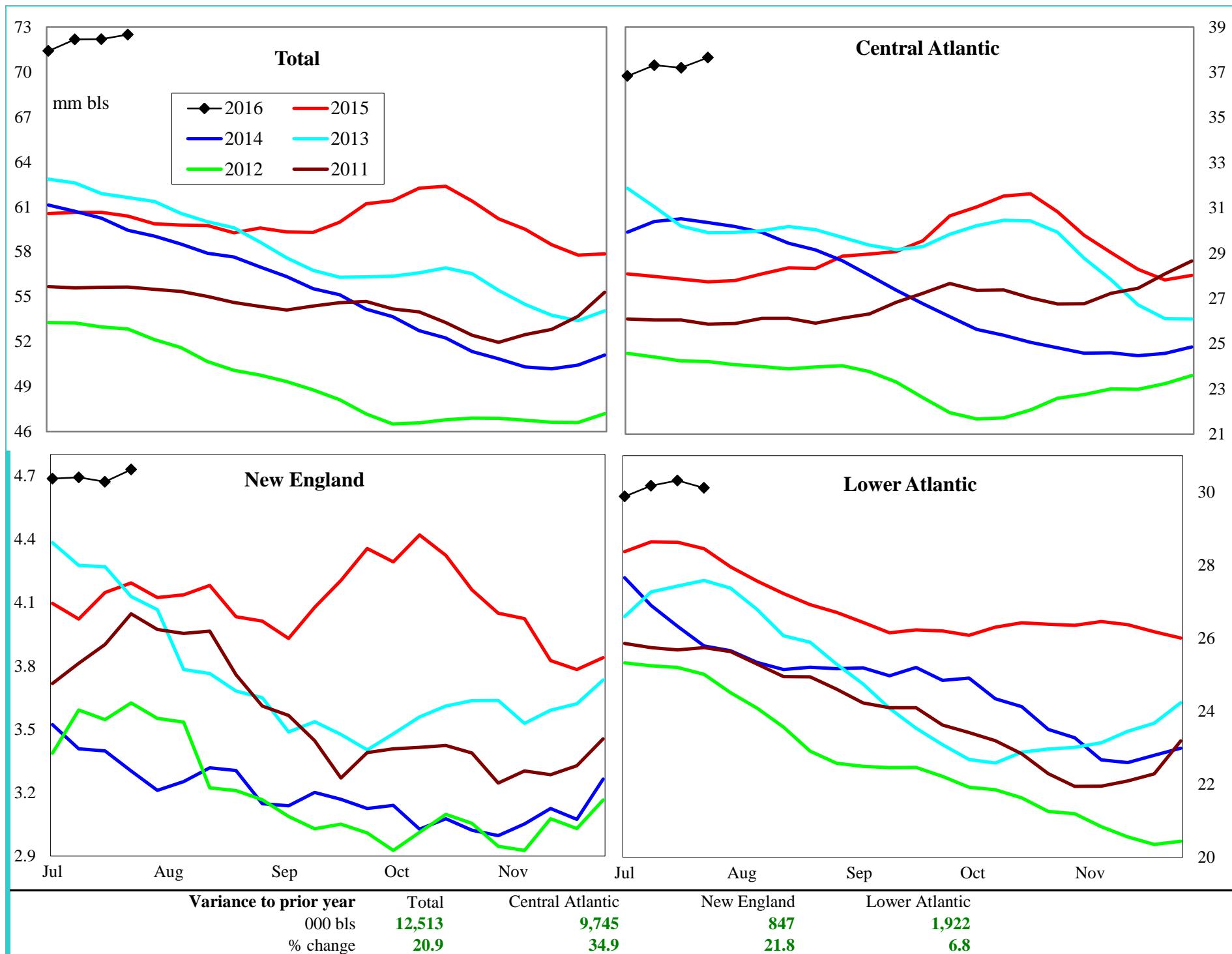
Gasoline Supply Summary PADDs 1+2+3



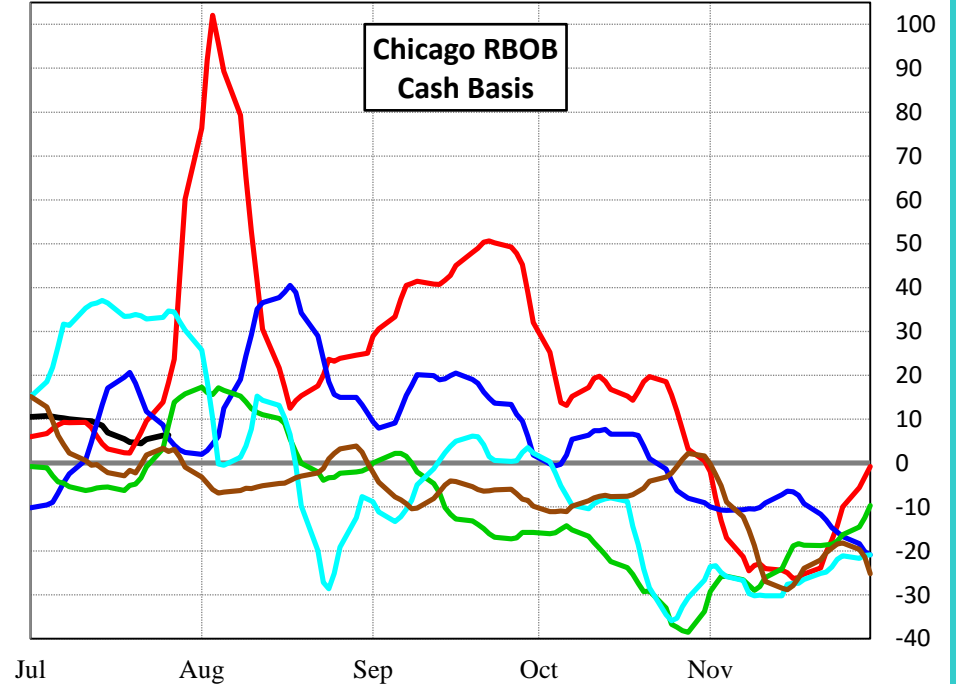
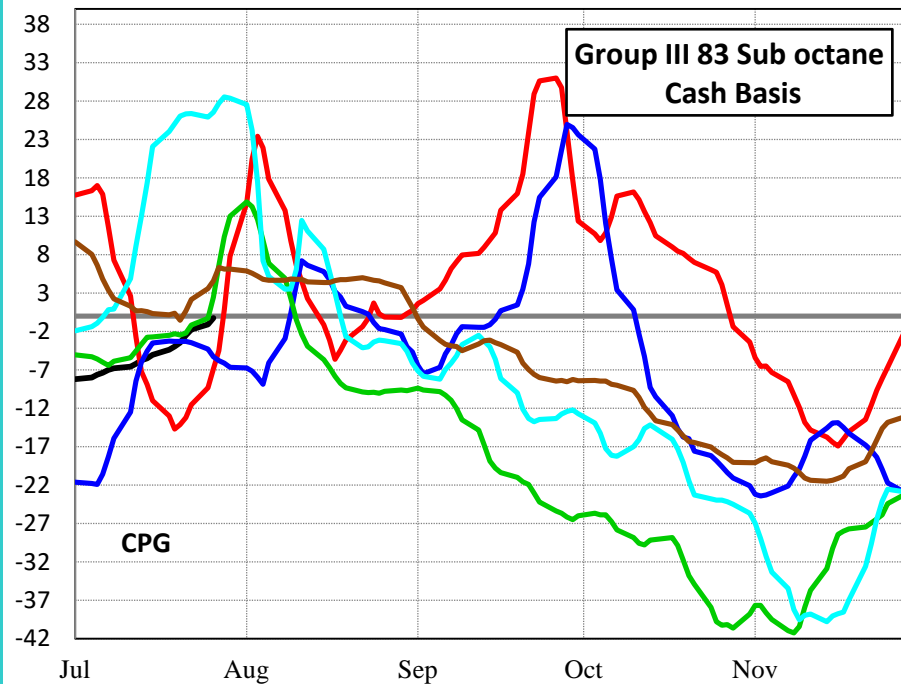
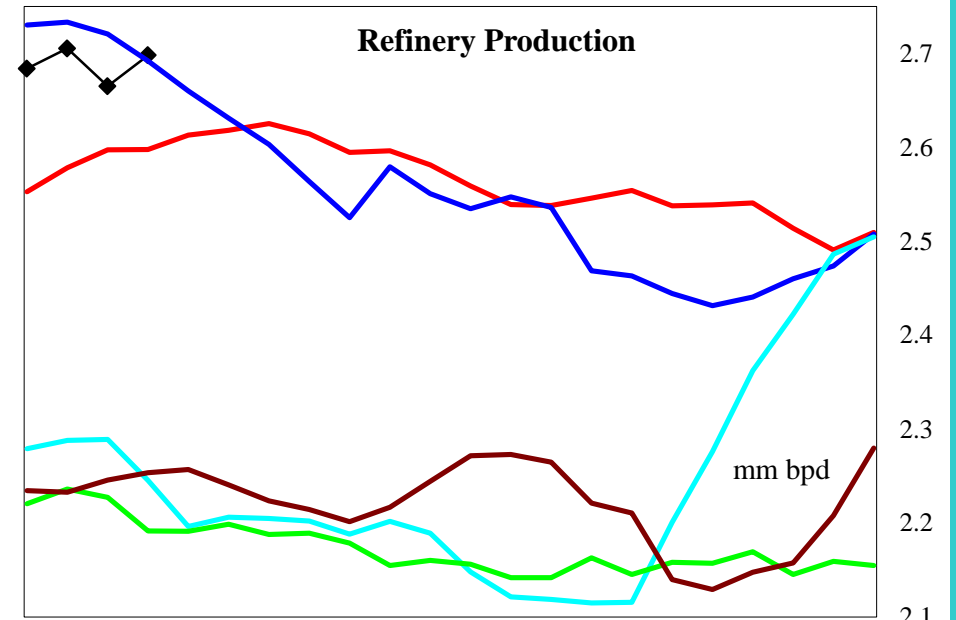
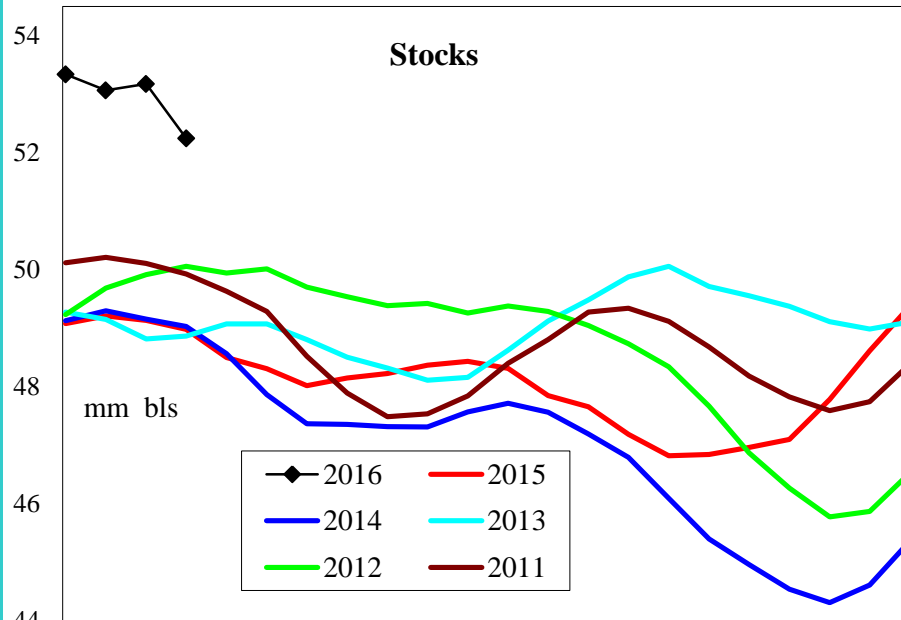
PADD 1 Gasoline Supply



PADD 1 Gasoline Stocks by Region



PADD 2 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

3,263

6.7

Production

111

4.3

Imports

1

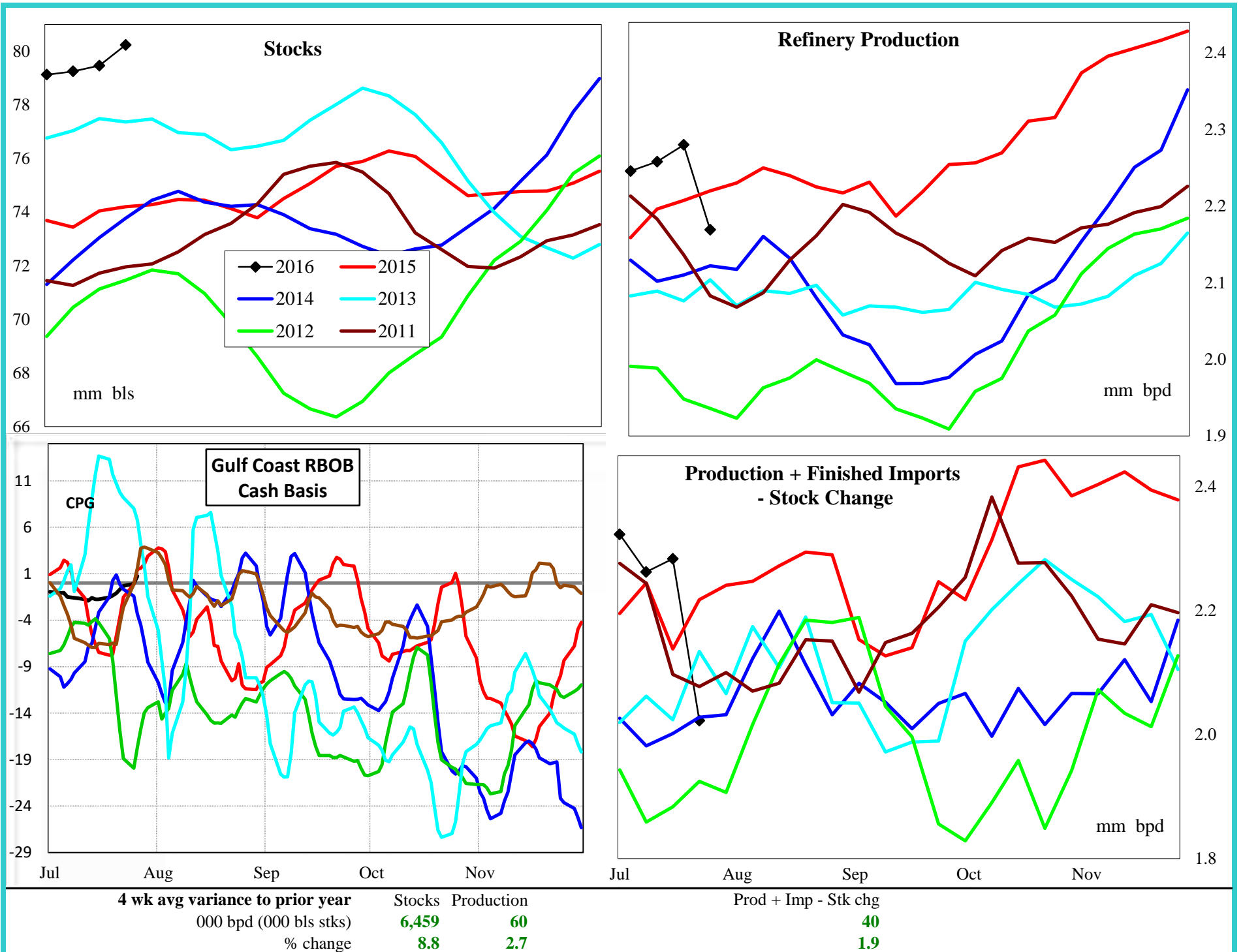
25.0

Prod + Imp - Stk chg

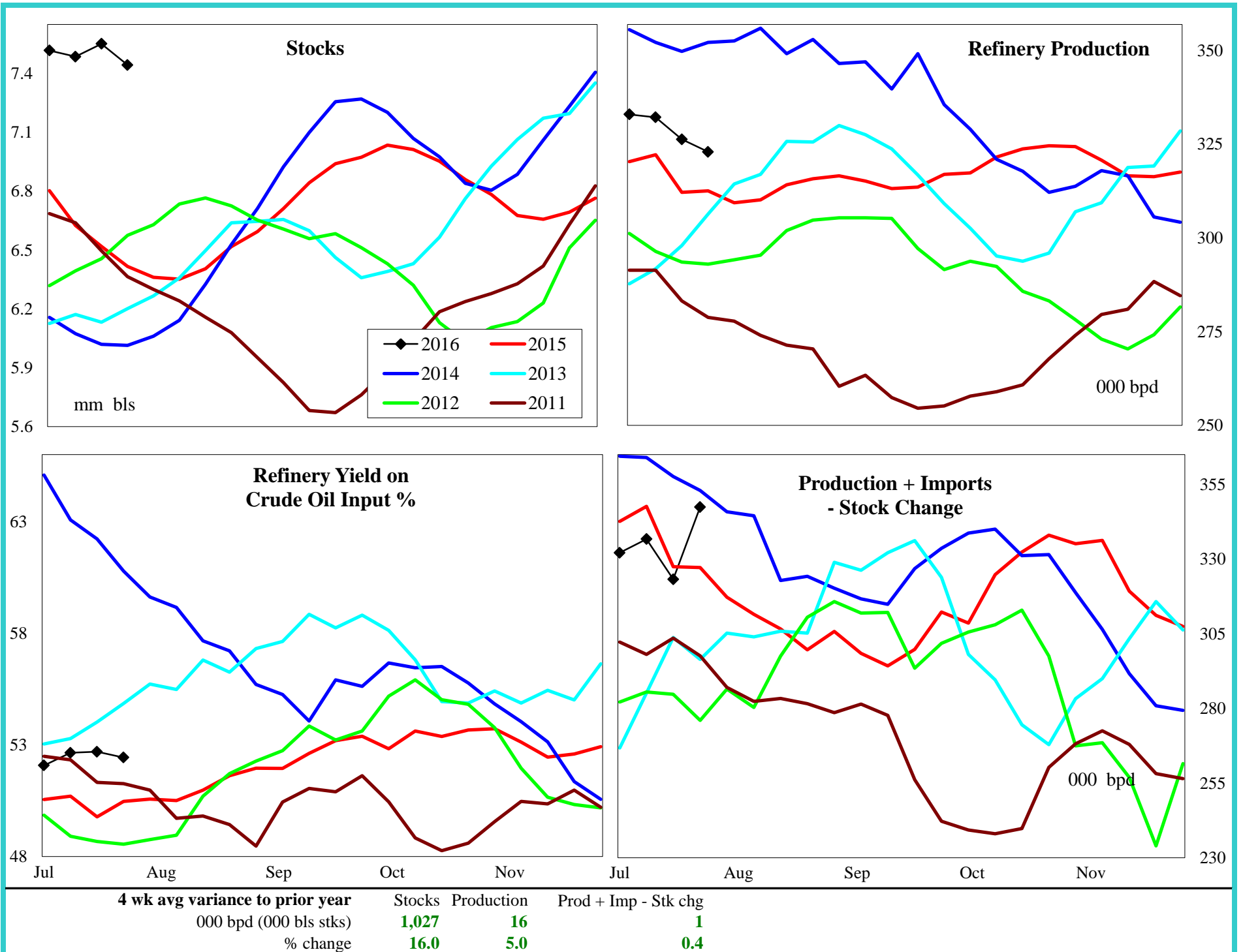
151

5.8

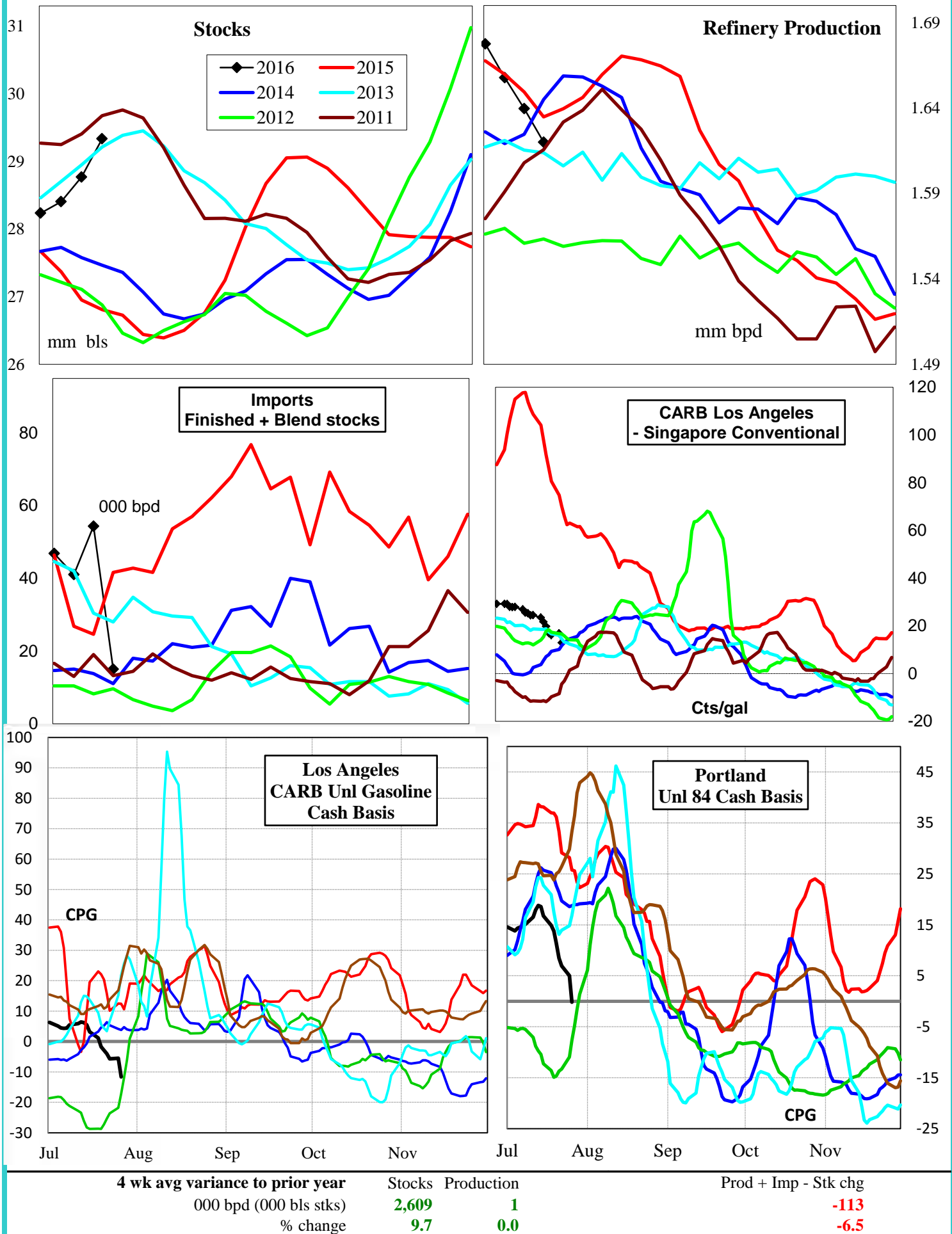
PADD 3 Gasoline Supply



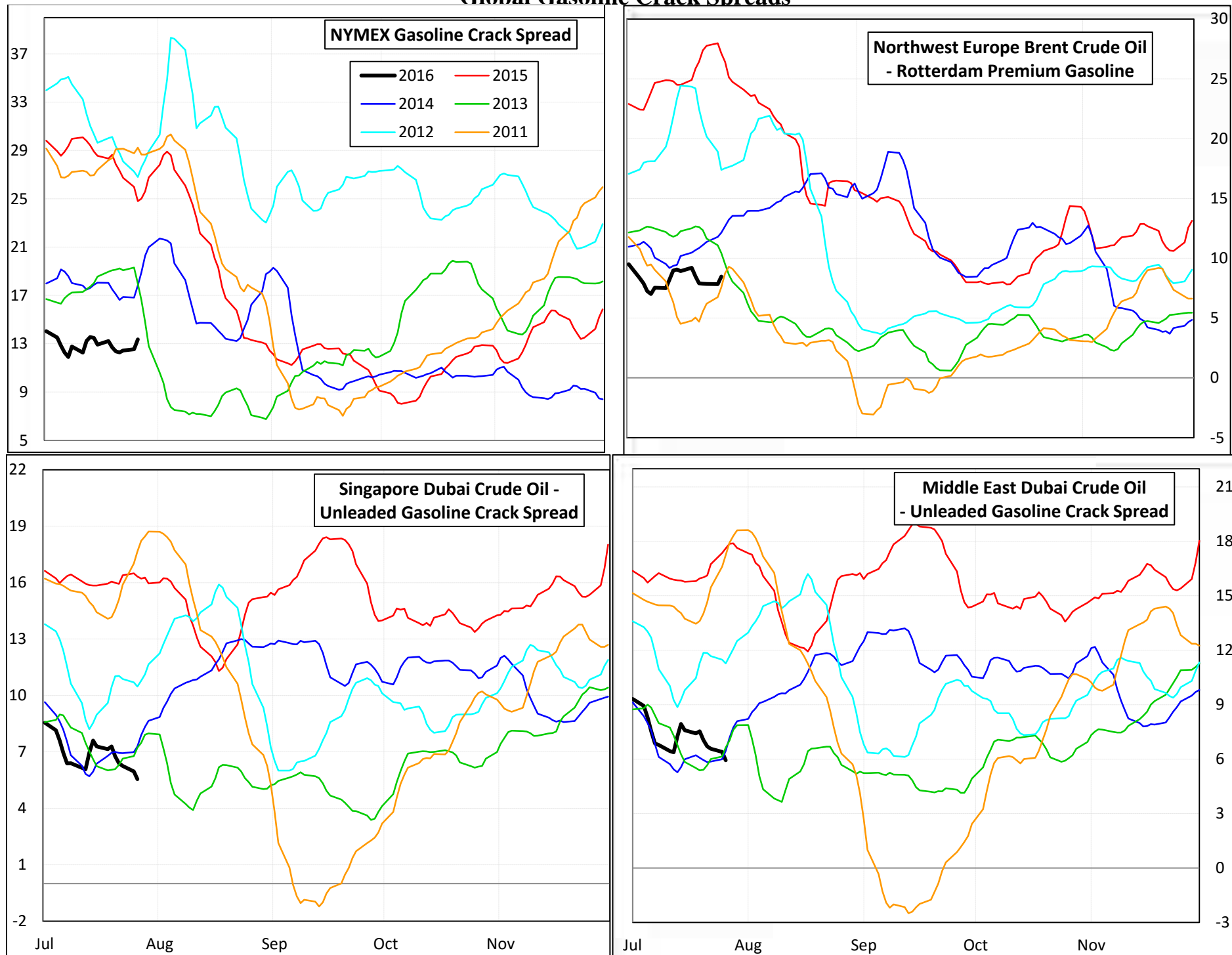
PADD 4 Gasoline Supply



PADD 5 Gasoline Supply



Global Gasoline Crack Spreads



Global Gasoline Cash Basis

