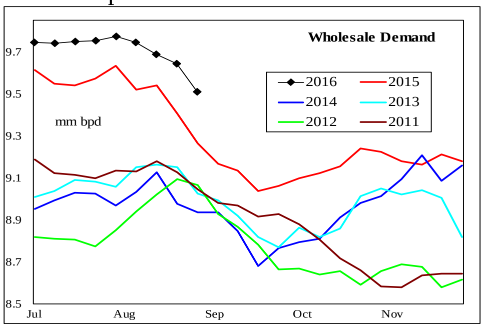
WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

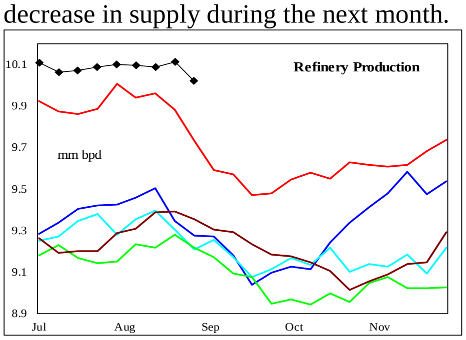
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, August 31, 2016

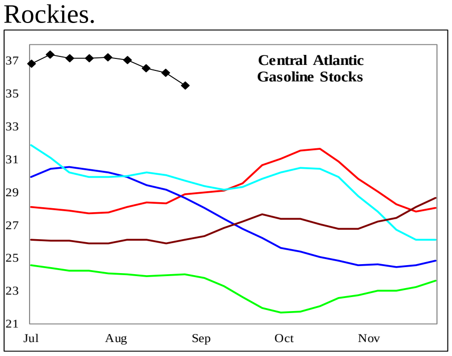
Wholesale demand decreased -0.15 million bpd on the week. Look for a sharp decrease during the next several weeks on an end to peak summer travel.



Supply was nearly unchanged on the week, with higher imports offsetting a decrease in production. Look for a sharp seasonal decrease in supply during the next month.

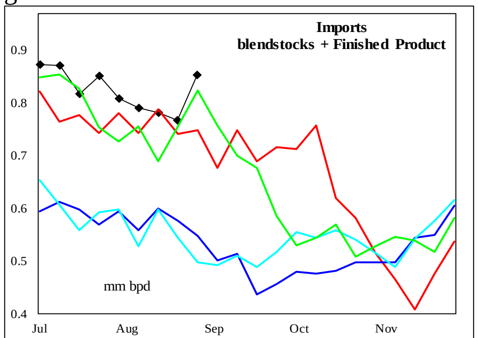


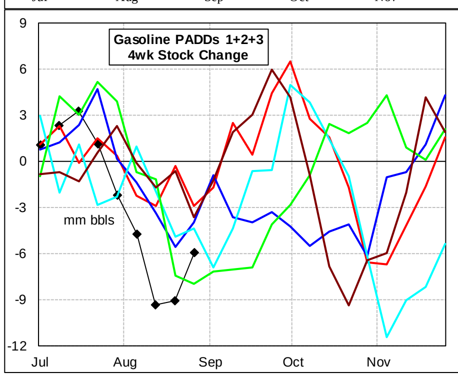
Stocks decreased -0.7 million barrels on the week. Significant builds in the Midwest and Gulf regions were offset by draws in other regions. Stock levels remain very high in all regions except the Rockies.



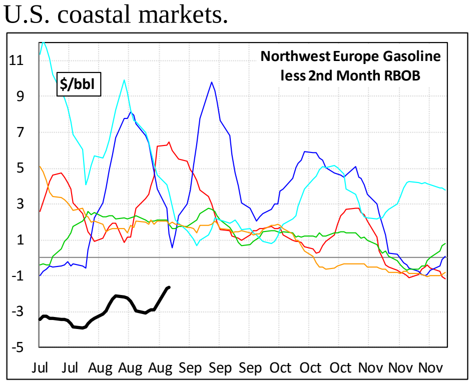
Imports increased +31,000 bpd last week, including record imports to the Gulf region.

Stock change in the combined markets East of the Rockies for the latest 4-wk period was a draw of -5.9 million barrels, compared to the -4 million barrel 3-yr average draw. Record imports have contributed to the very high stock levels in all coastal markets. The very high import level in the Gulf region points to a redirection away from the East Coast as a result of extremely high stocks during the conversion from summer to fall RVP grades.





Northwest European gasoline prices compared to the CME RBOB futures trended higher last week, although basis levels in all global markets continued to trade below the 5-yr range. This weakness should support a high level of exports to U.S. coastal markets.

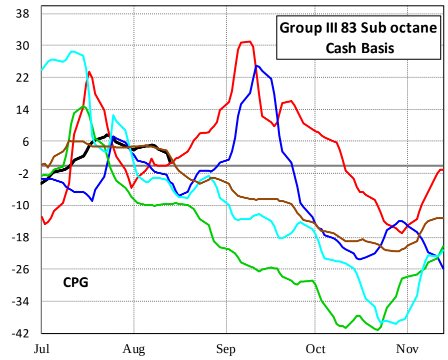


Exports for the week ending 22Jul16 were 454,000 bpd, +57,000 bpd above a year ago.

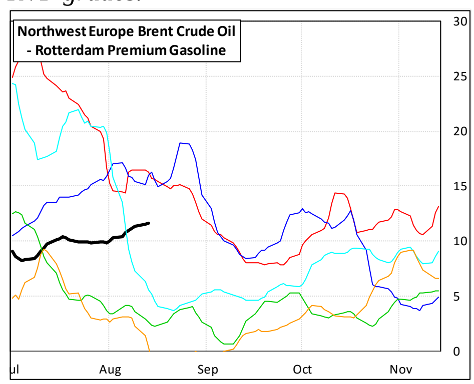
The high level of stocks risk renewed downward pressure on refining margins as peak summer demand ends this month.

Cash Basis and Refining Trends

Cash basis for CBOB grade gasoline trended lower in Midwest and Gulf markets last week; trading at 6-wk lows (versus October).



There is risk of further weakness in CBOB basis on an end to peak summer travel and high carry out inventories in most regional markets as the industry converts to fall RVP grades.



Gasoline crack spreads saw little change last week in most global markets, with the level near the 3-yr mid range in most regions.

Gulf Coast Price

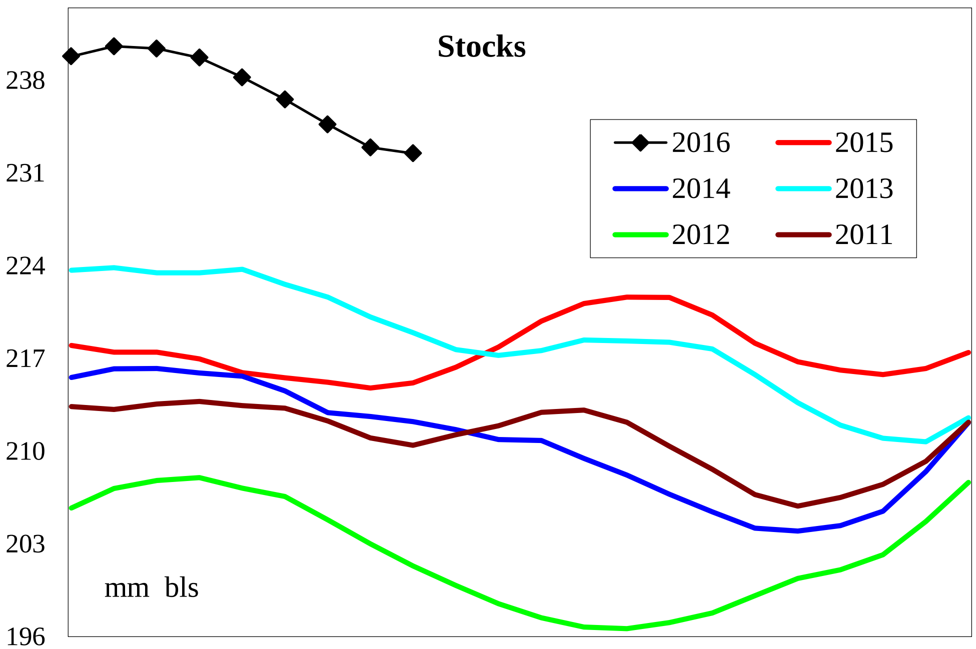
Global gasoline basis improved last week on weakness in U.S. futures; however, basis levels remain weak which should continue to attract a high level of imports to U.S. coastal markets.

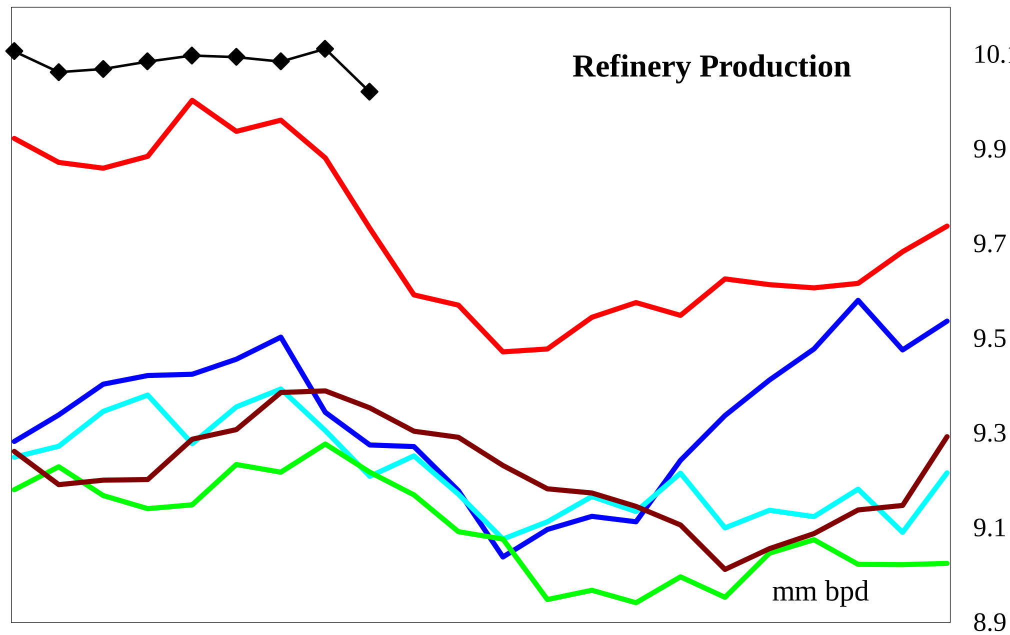
In the absence of weather disruptions on the Gulf, combined with a high level of imports; excess supply should continue to burden the East and Gulf coast markets.

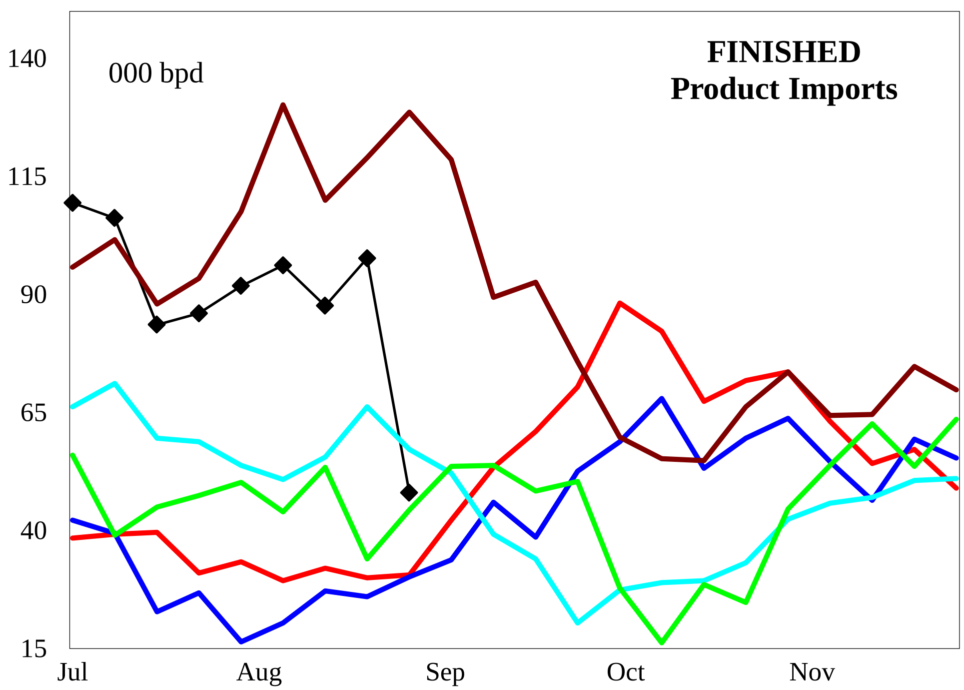
The start of fall refinery maintenance in the U.S. and Europe should lead to some improvement in the supply balance during the next quarter.

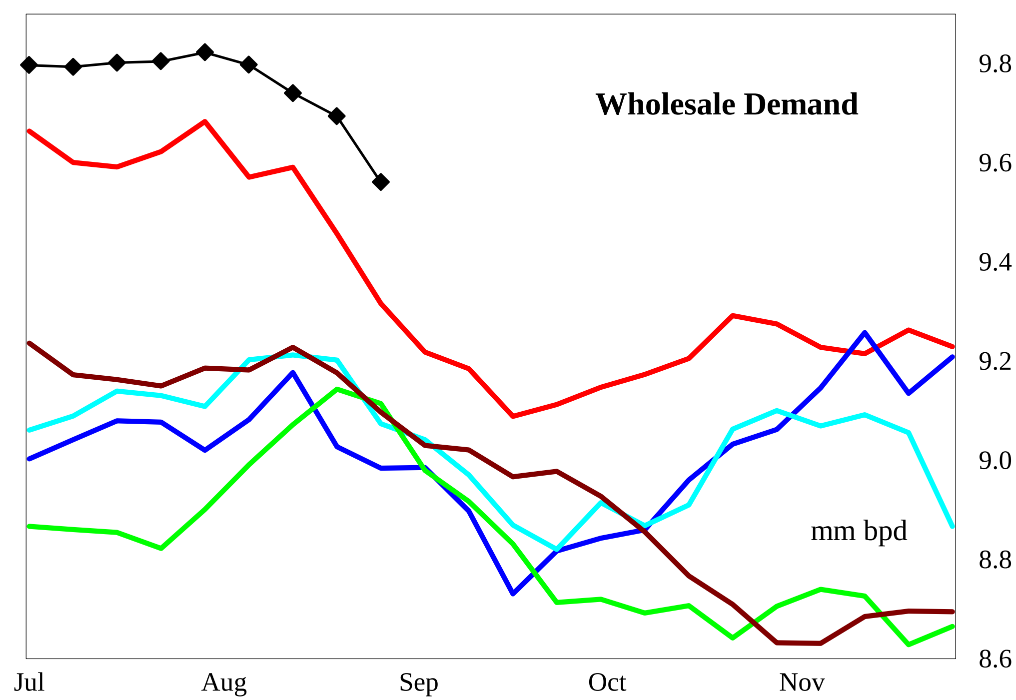
Excess global gasoline supply risk continued price weakness as fall grades reach the market next month.

United States Gasoline Supply and Demand









4 wk avg variance to prior year	Stocks	Production	Fin Impt	Blend Impt	**Demand=>**	4wk avg	Jul	Jun	May
000 bpd (000 bls stks)	17,841	153	64	-25		171	313	369	185
% change	8.3	1.5	202.4	-3.5		1.8	3.3	3.9	2.0

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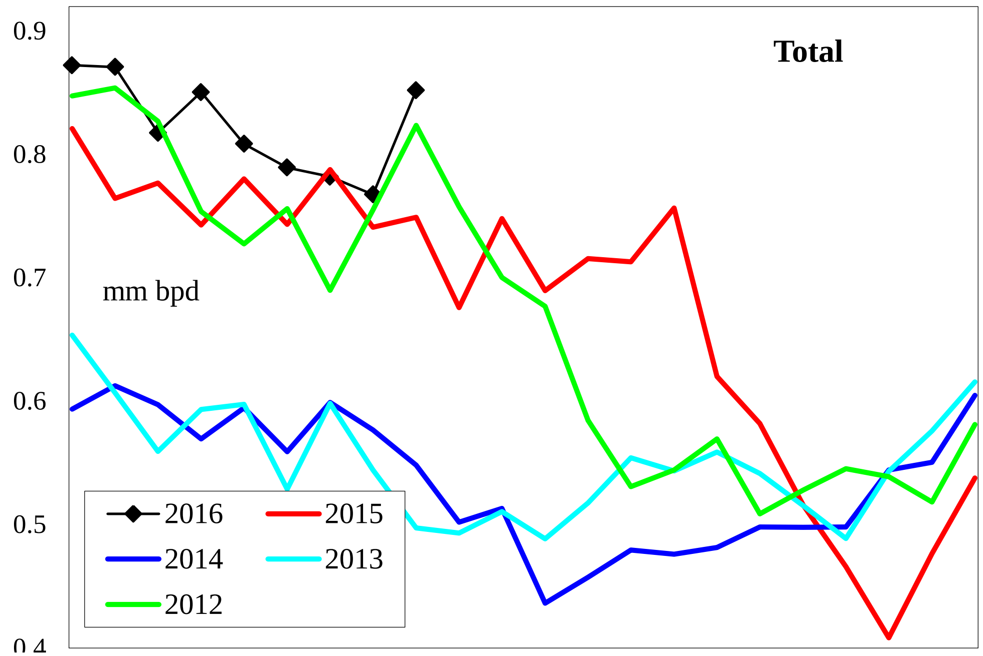
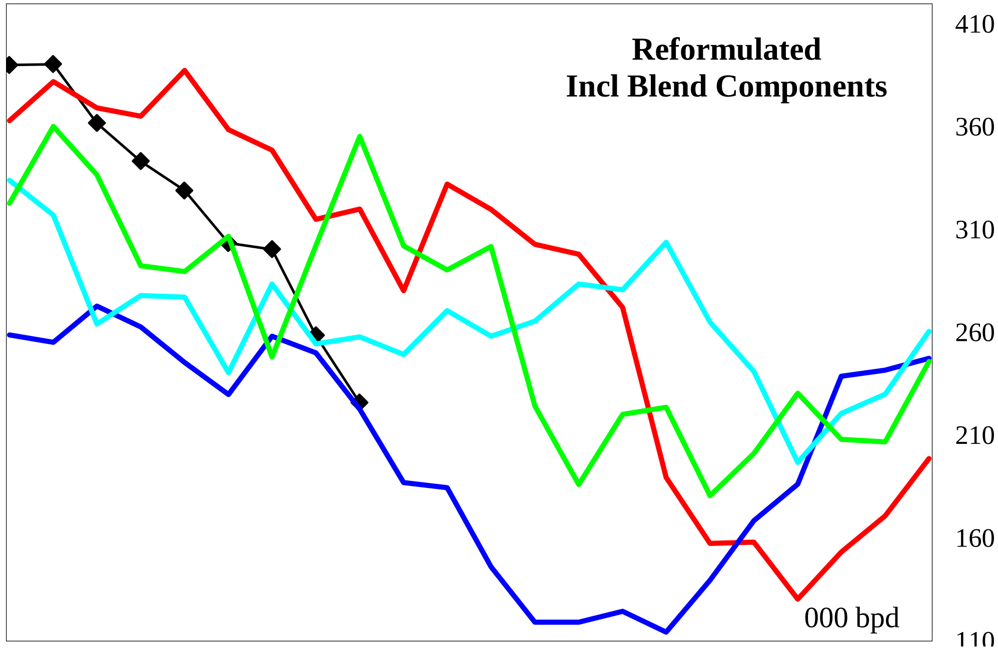
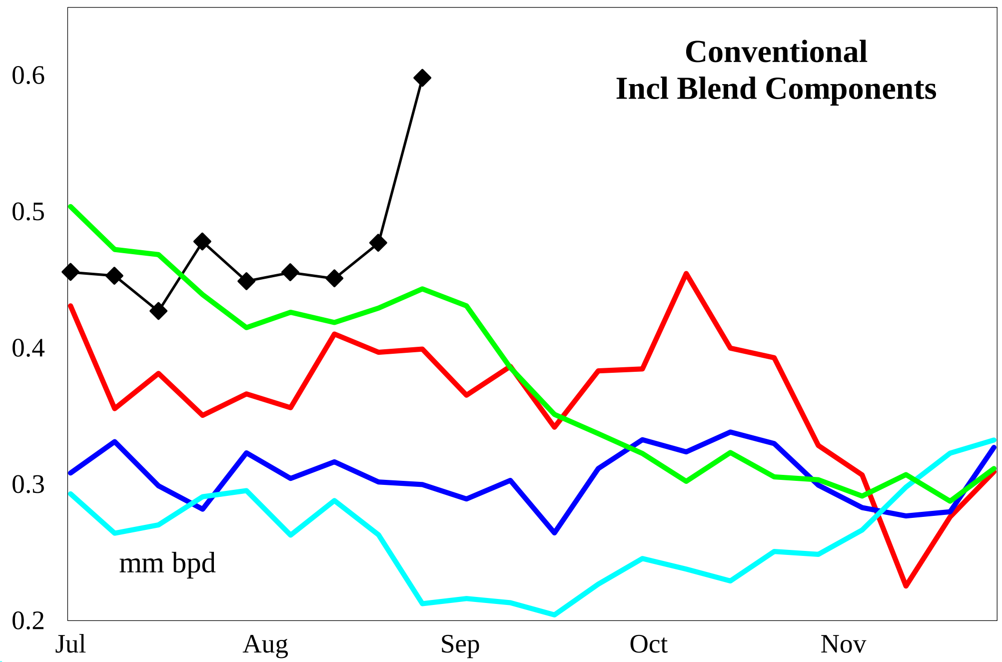
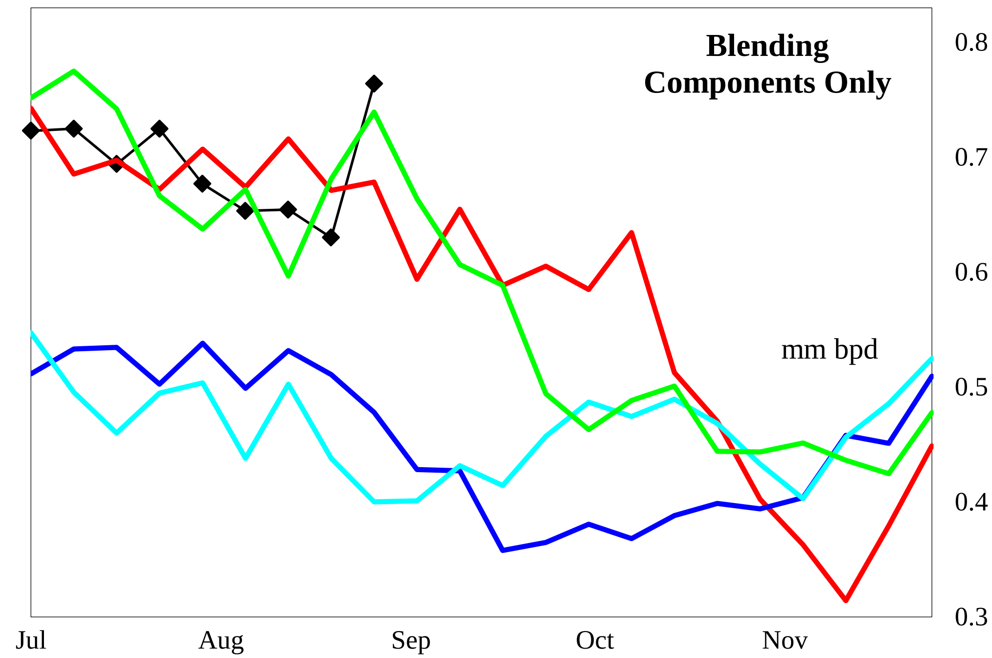
Gasoline Imports by Type









4 wk avg variance to prior year	Total	Reformulated	Conventional	Components
000 bls	39	-64	105	-25
% change	5.2	-18.9	26.8	-3.5

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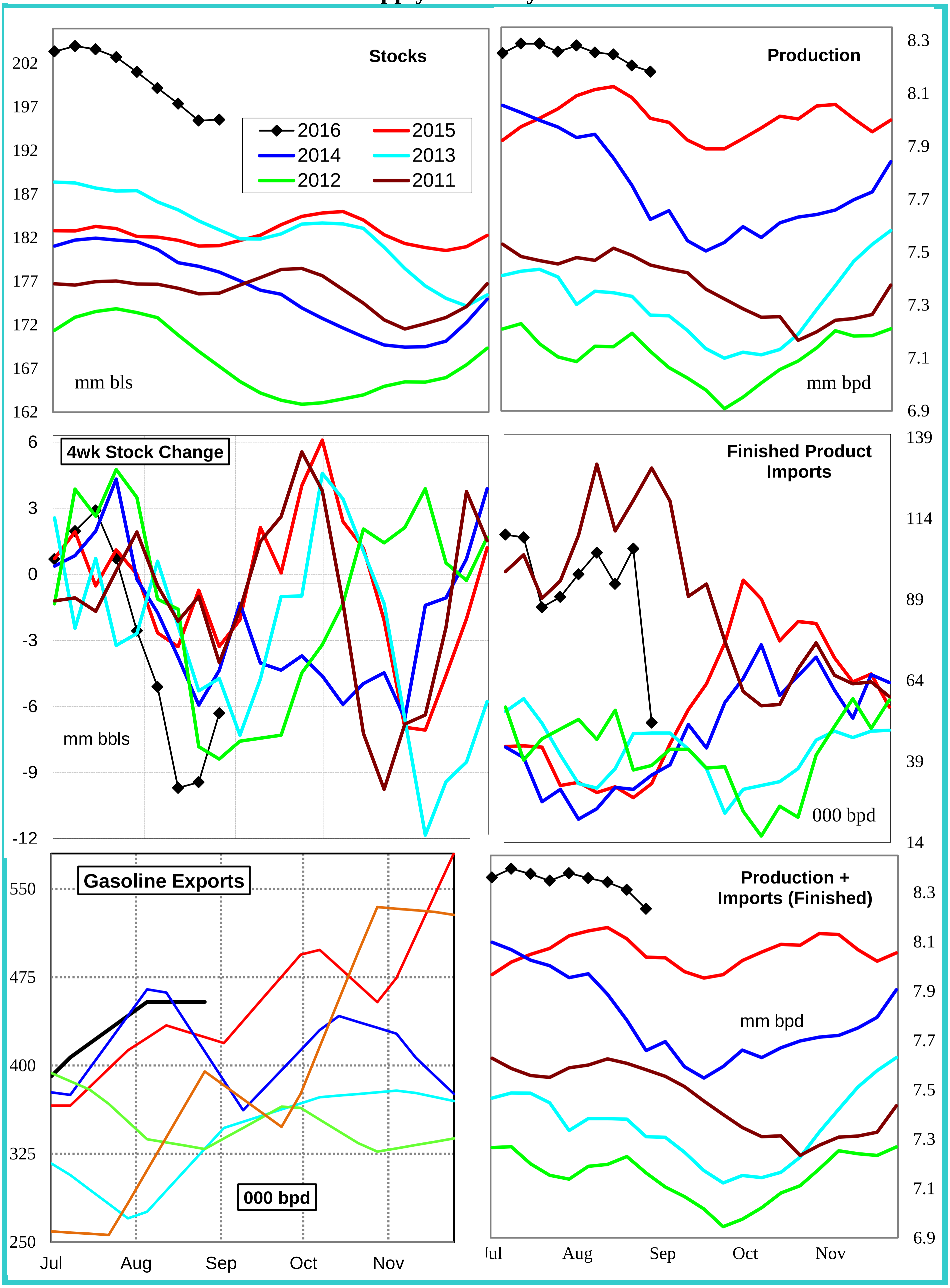
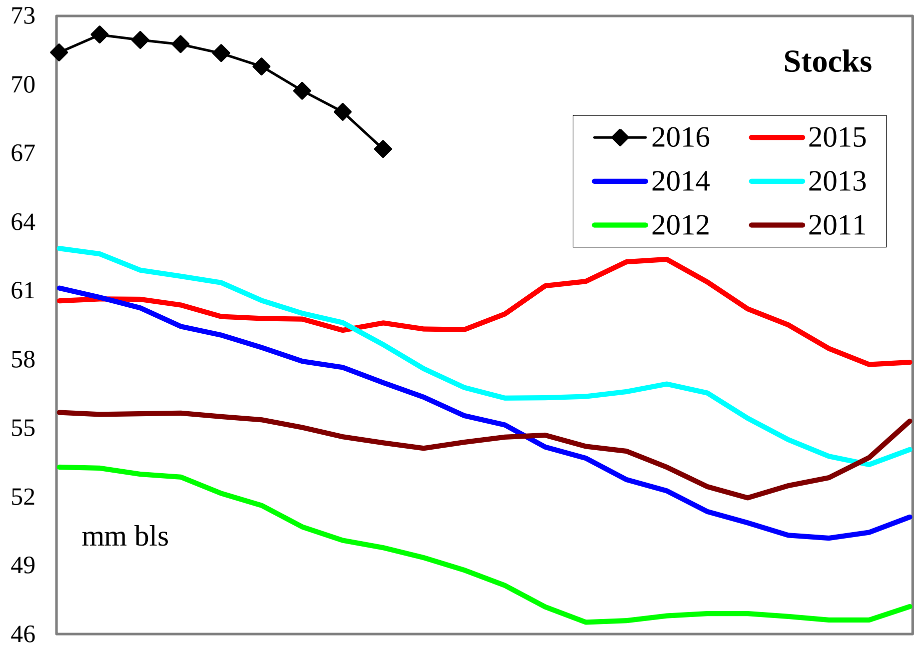
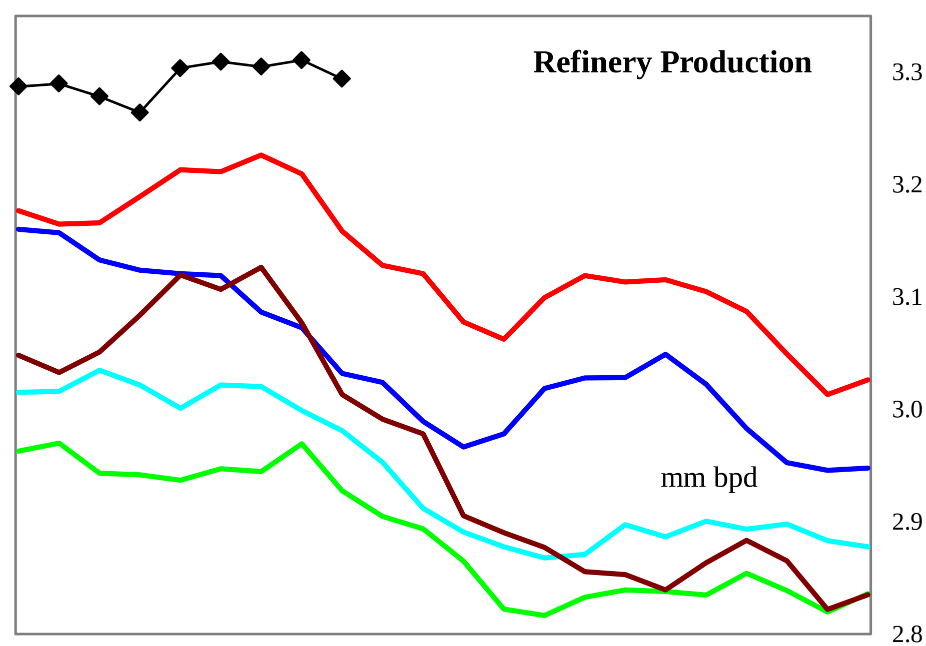
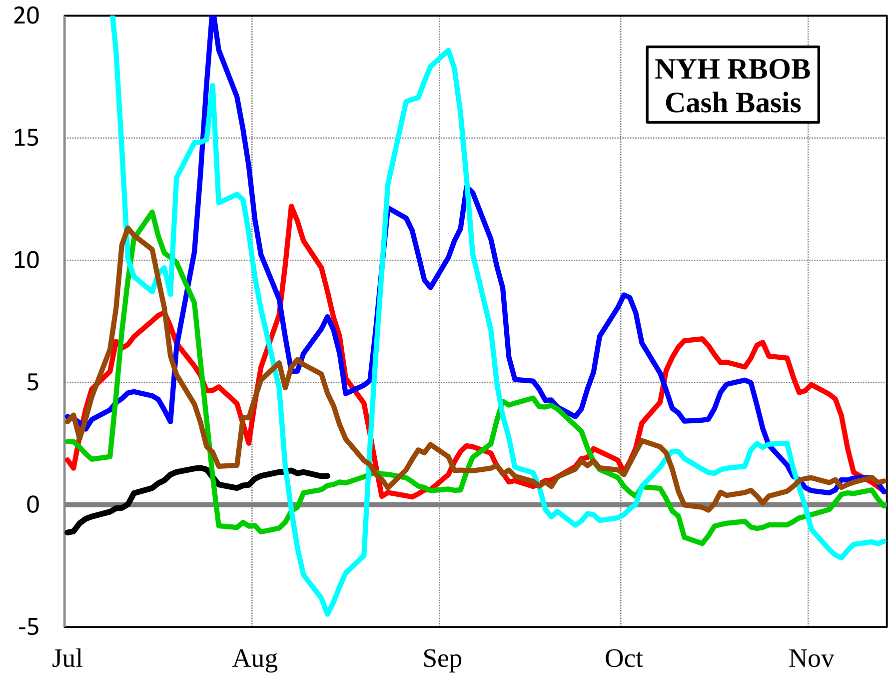
Gasoline Supply Summary PADDs 1+2+3

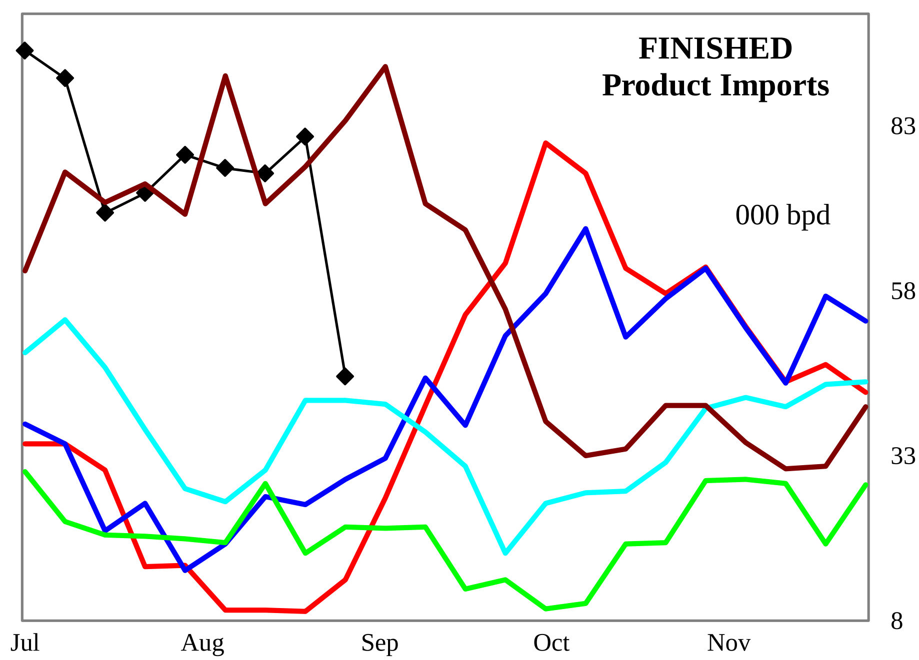


PADD 1 Gasoline Supply









4 wk avg variance to prior year	Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
000 bpd (000 bls stks)	7,360	86	72	-80	370
% change	12.3	2.7	733.3	-12.2	11.3

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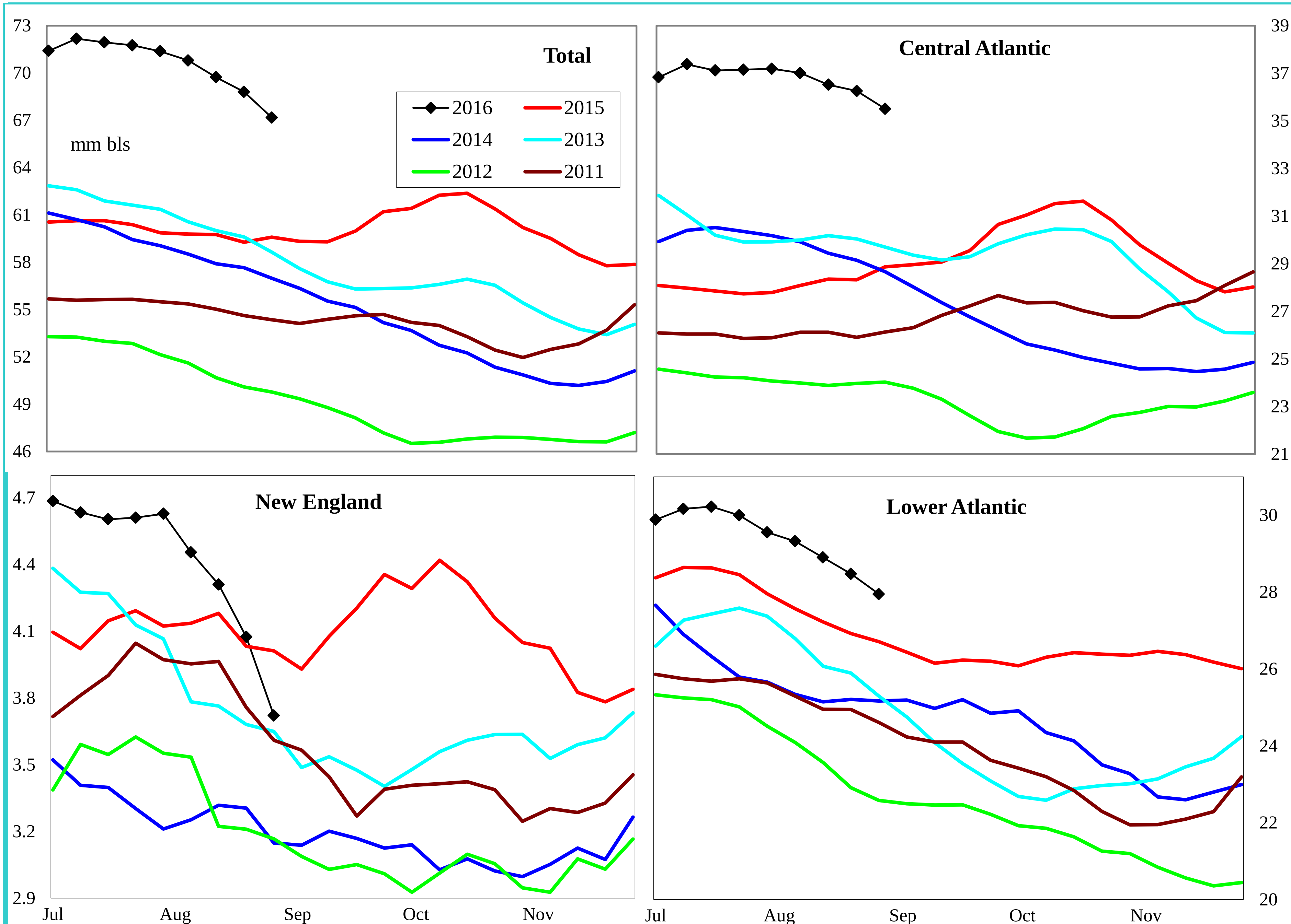
PADD 1 Gasoline Stocks by Region



Variance to prior year	Total	Central Atlantic	New England	Lower Atlantic
000 bls	7,360	6,297	-382	1,446
% change	12.3	21.6	-9.3	5.5

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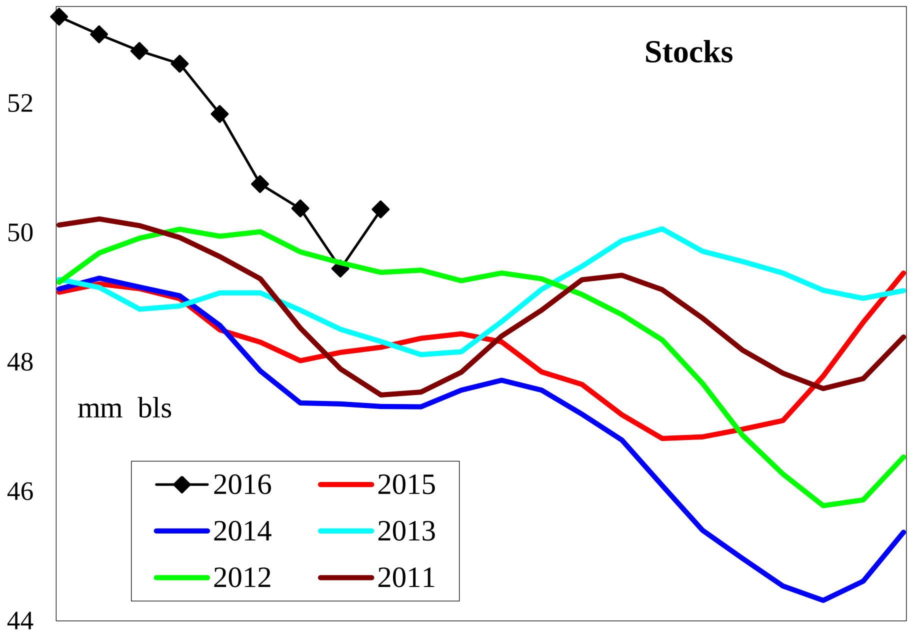
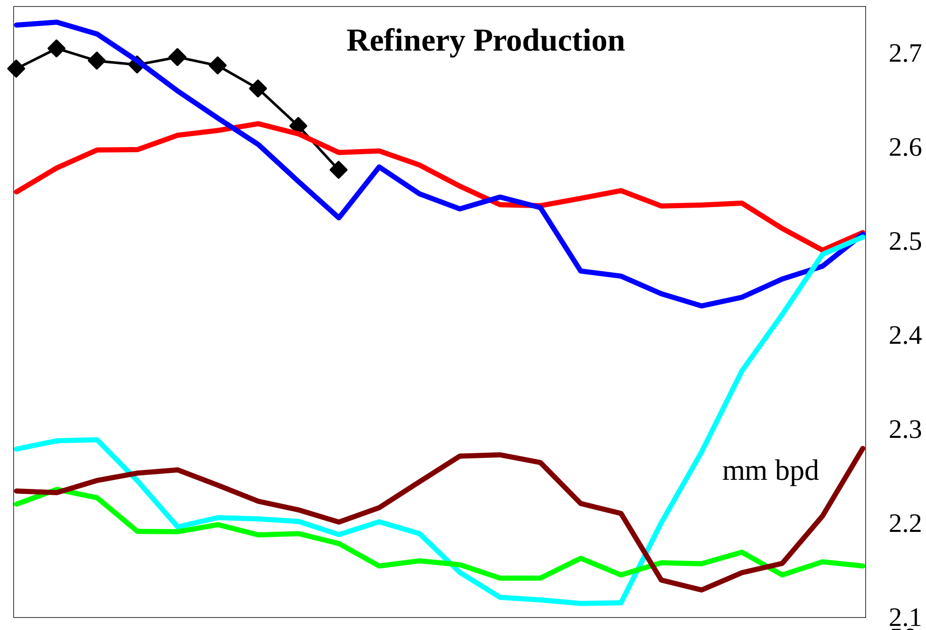
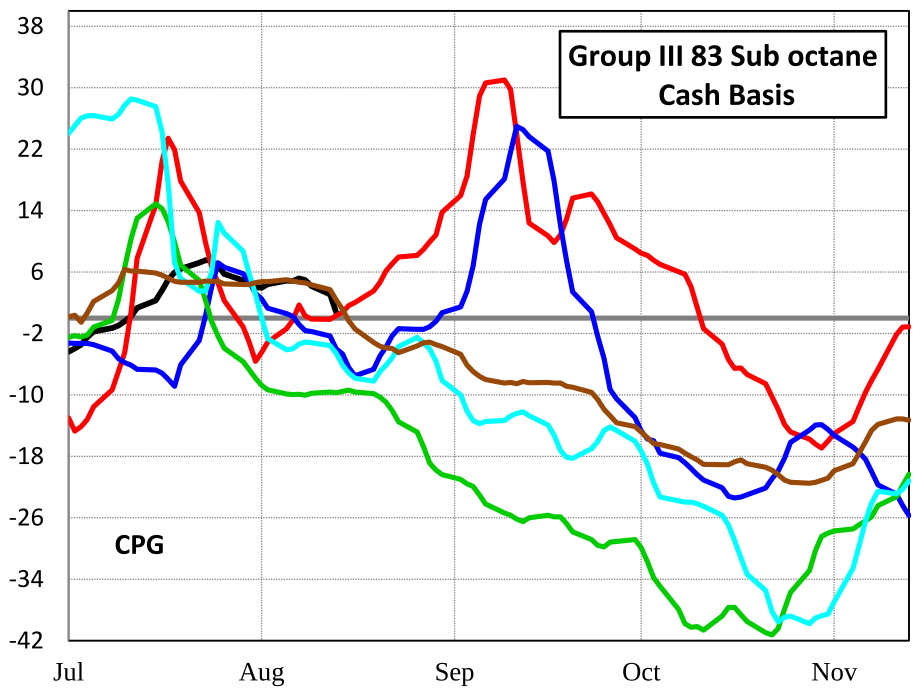
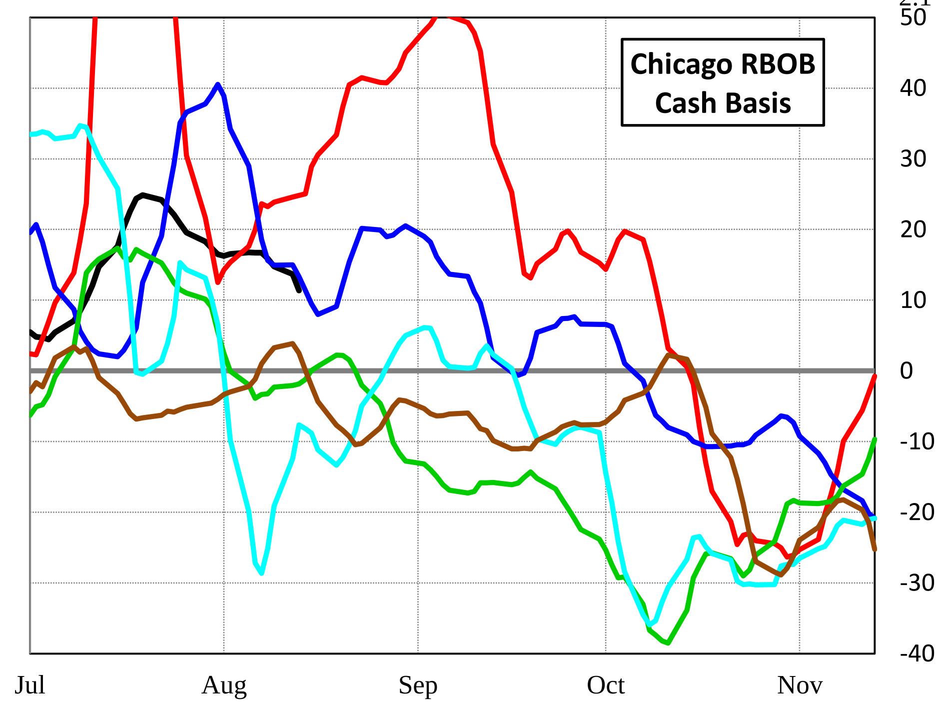
PADD 2 Gasoline Supply









4 wk avg variance to prior year	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	2,130	39	6	68
% change	4.5	1.5	184.6	2.5

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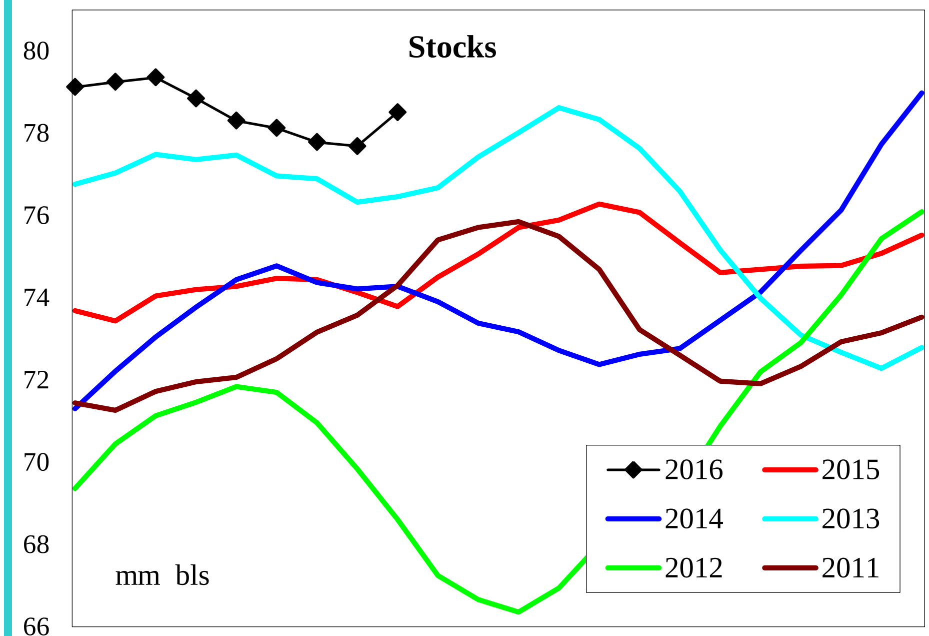
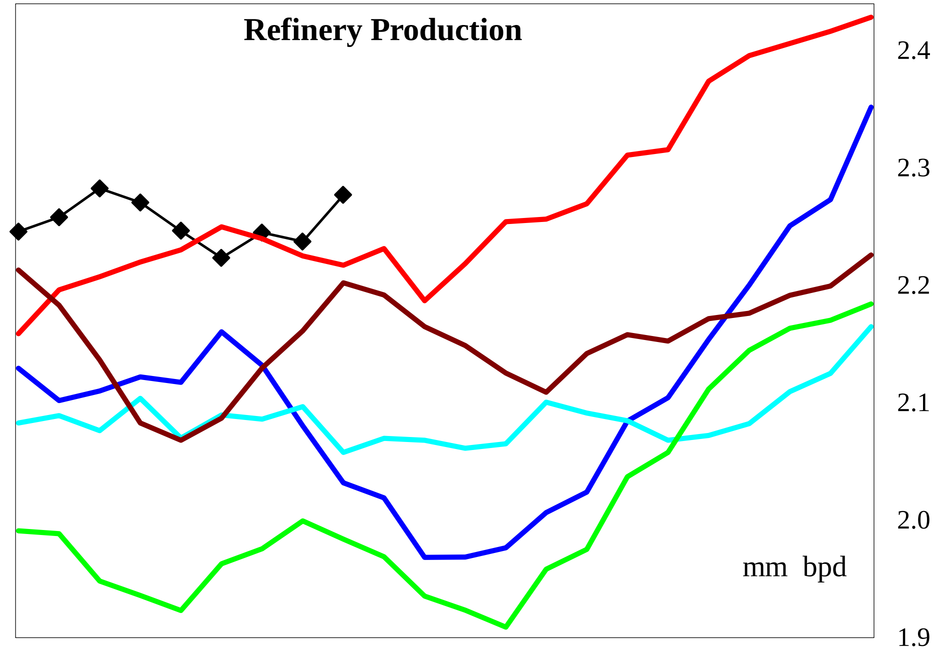
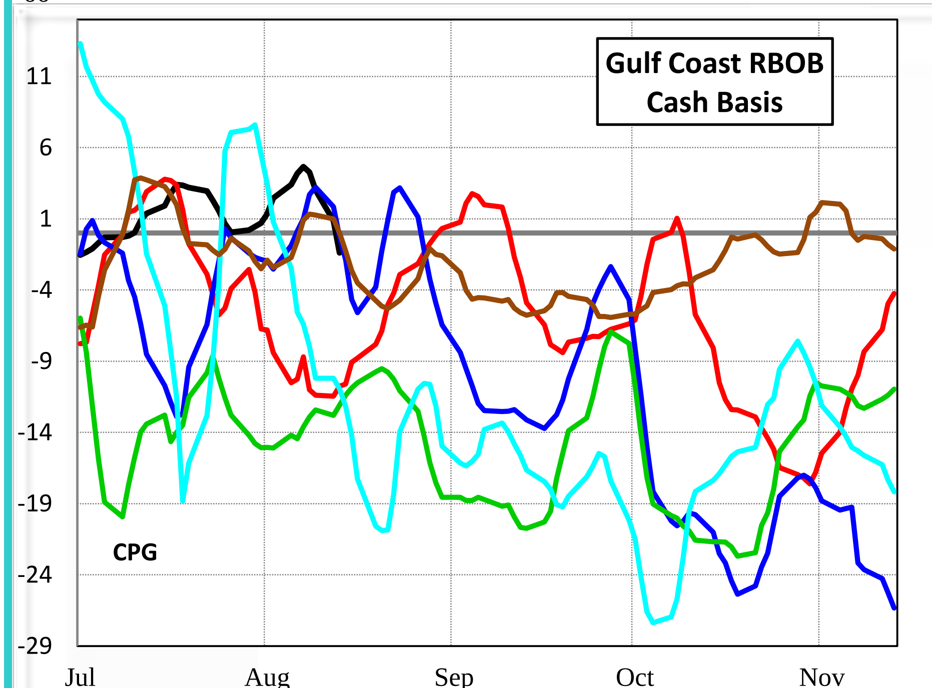
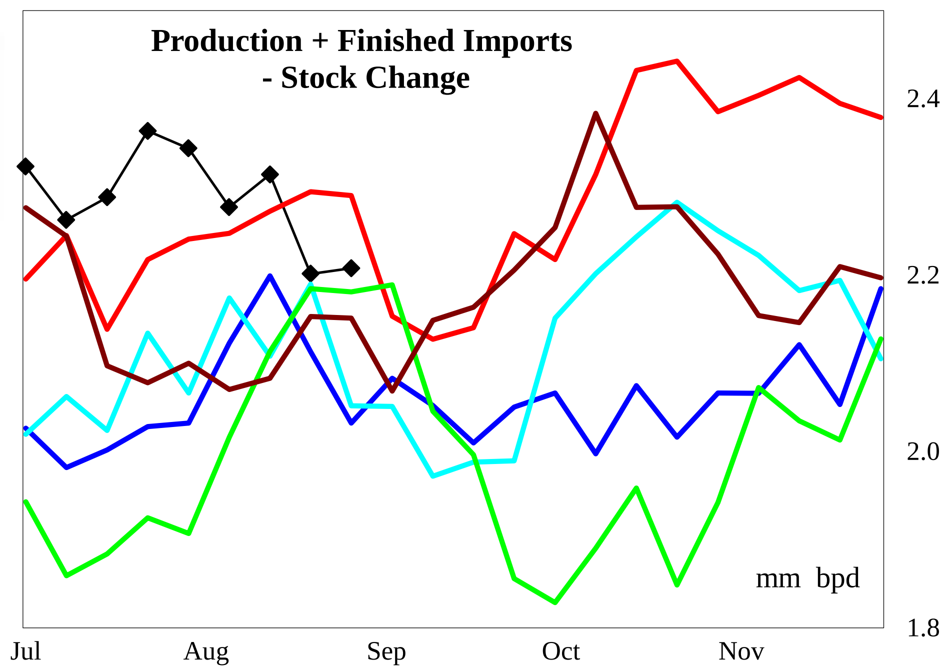
PADD 3 Gasoline Supply









4 wk avg variance to prior year	Stocks	Production	Prod + Imp - Stk chg
000 bpd (000 bls stks)	4,901	-28	-95
% change	6.7	-1.3	-4.1

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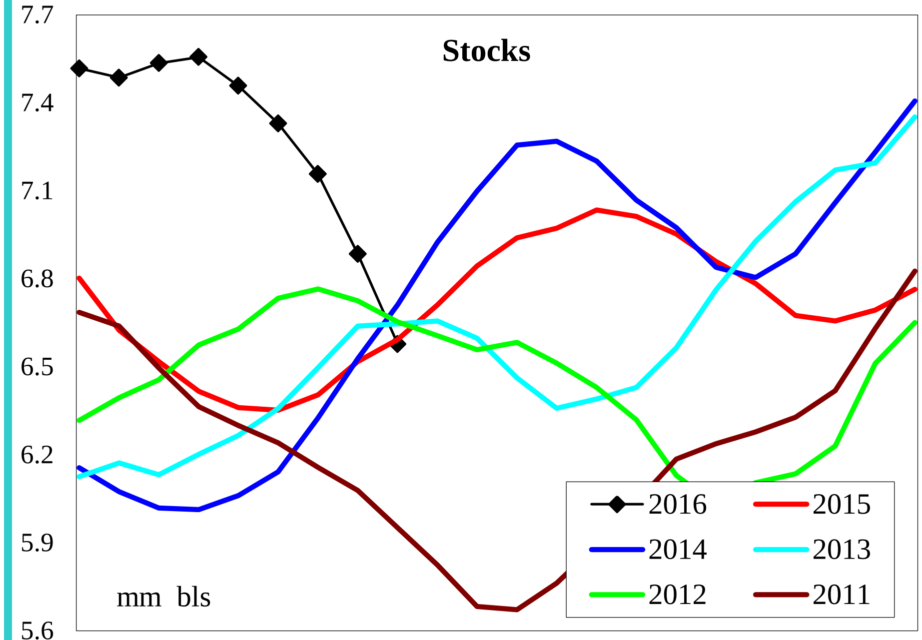
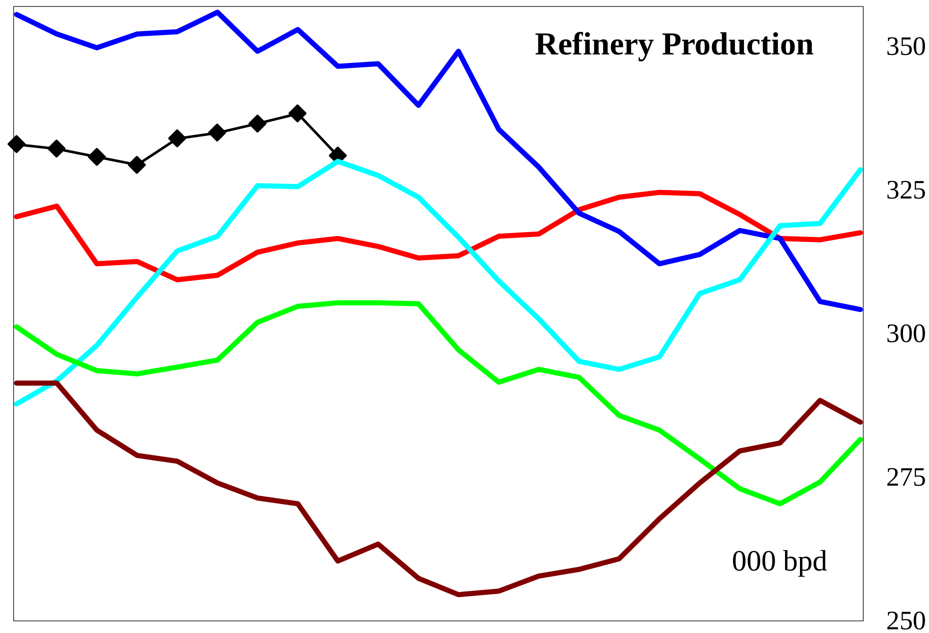
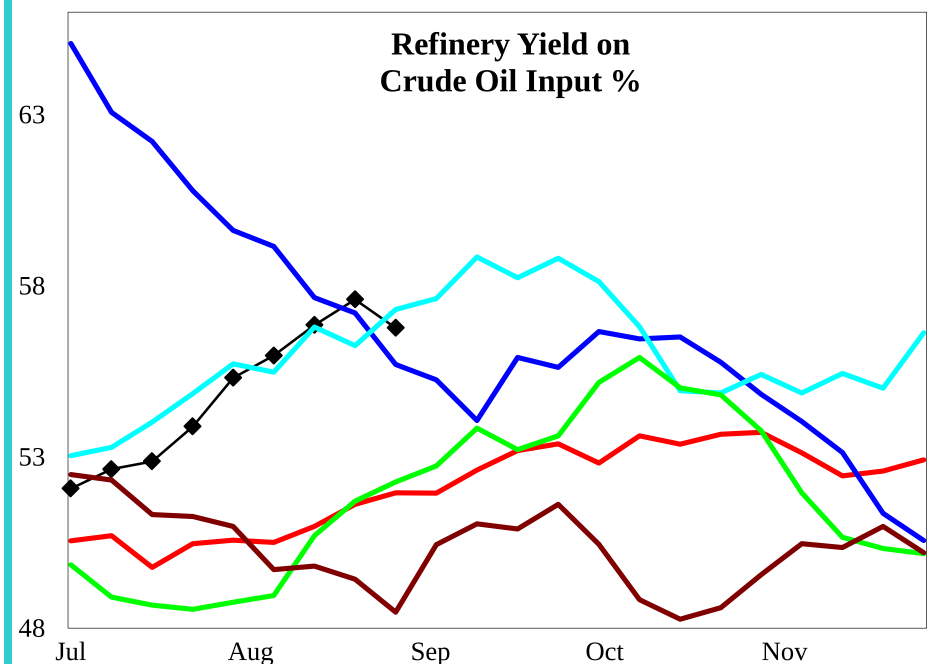
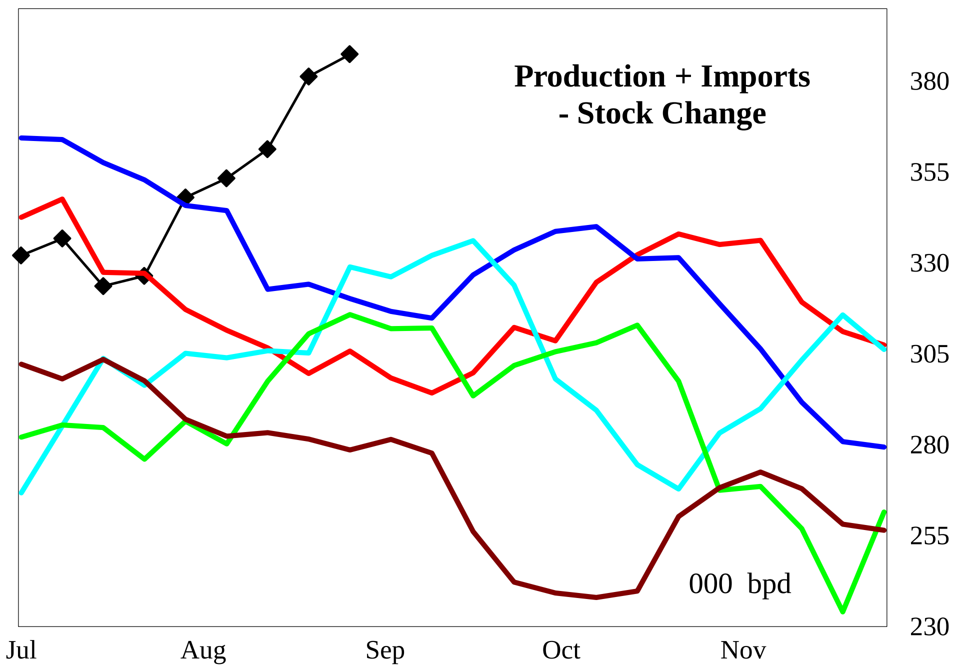
PADD 4 Gasoline Supply



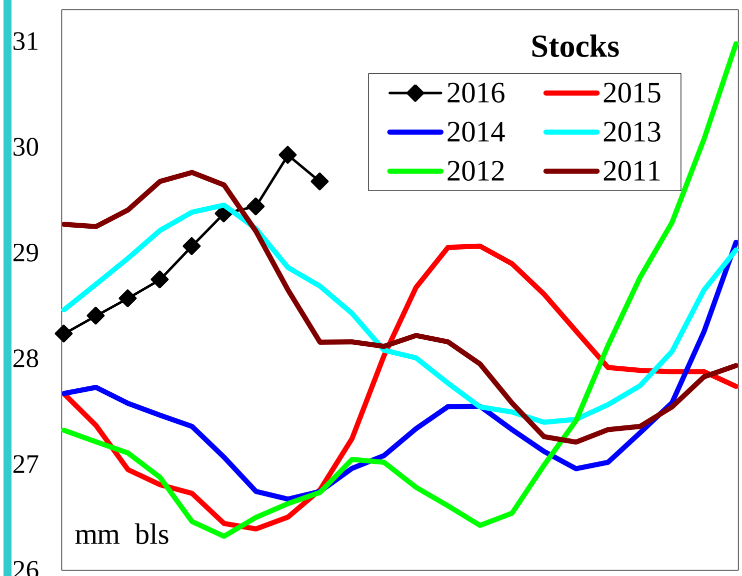


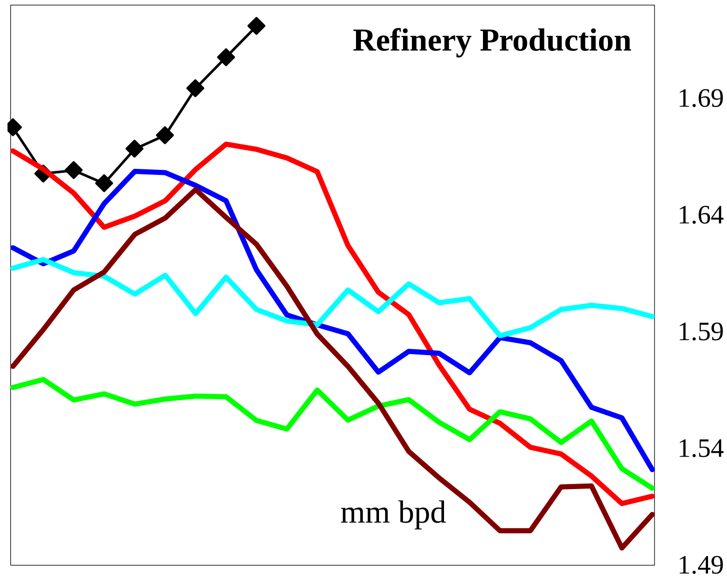


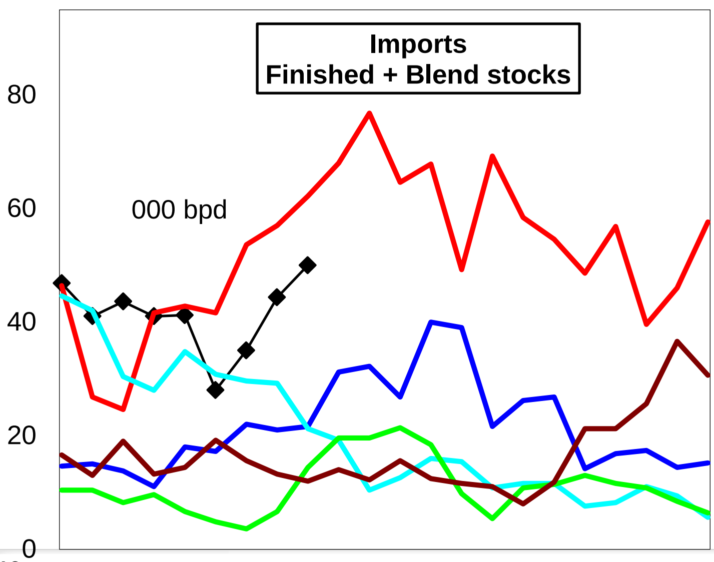


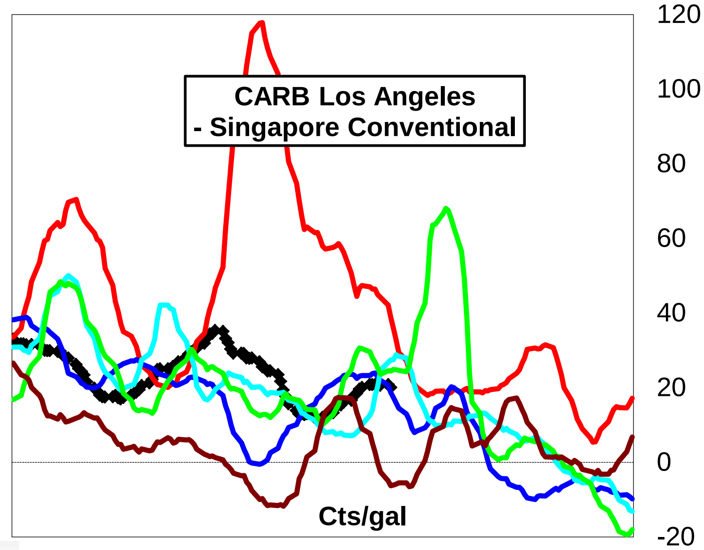
4 wk avg variance to prior year	Stocks	Production	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-16	21	74
% change	-0.2	6.5	24.6

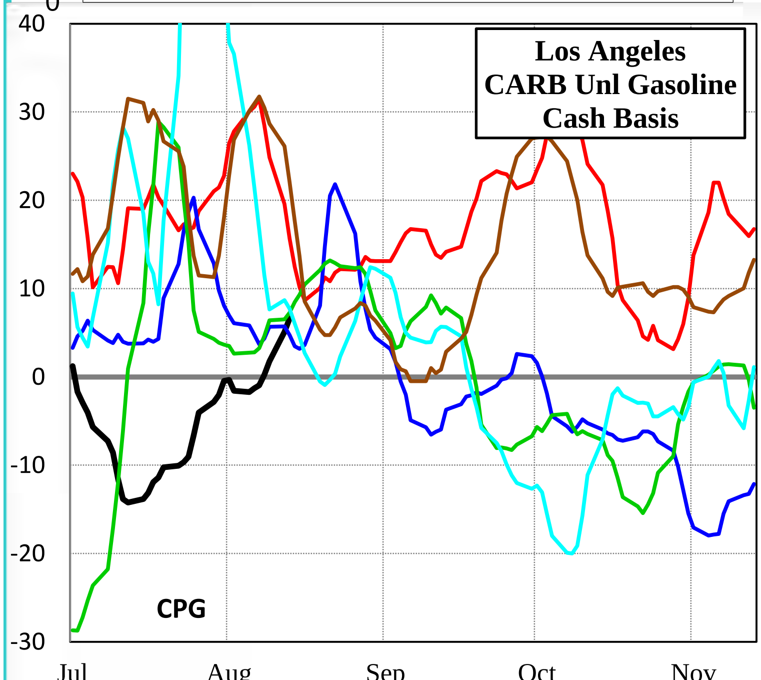
PADD 5 Gasoline Supply

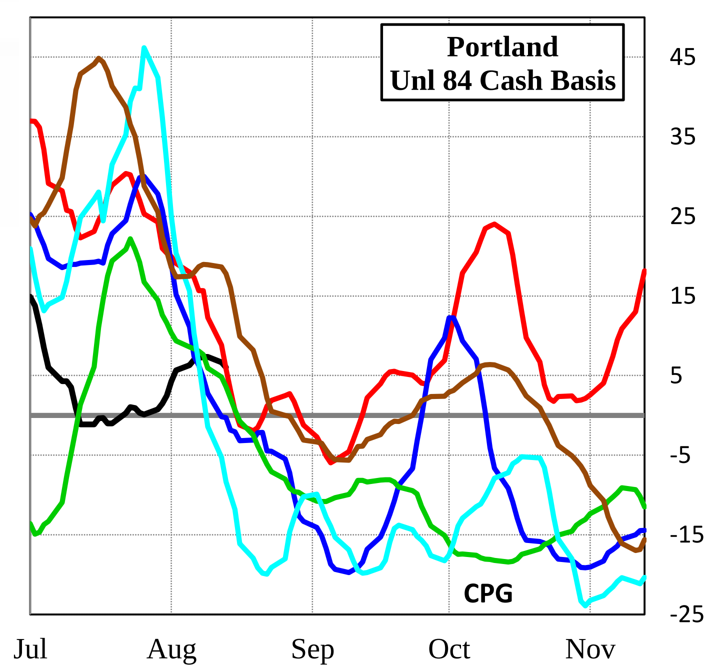












4 wk avg variance to prior year	Stocks	Production	Prod + Imp - Stk chg
000 bpd (000 bls stks)	3,211	32	-4
% change	12.0	1.9	-0.2

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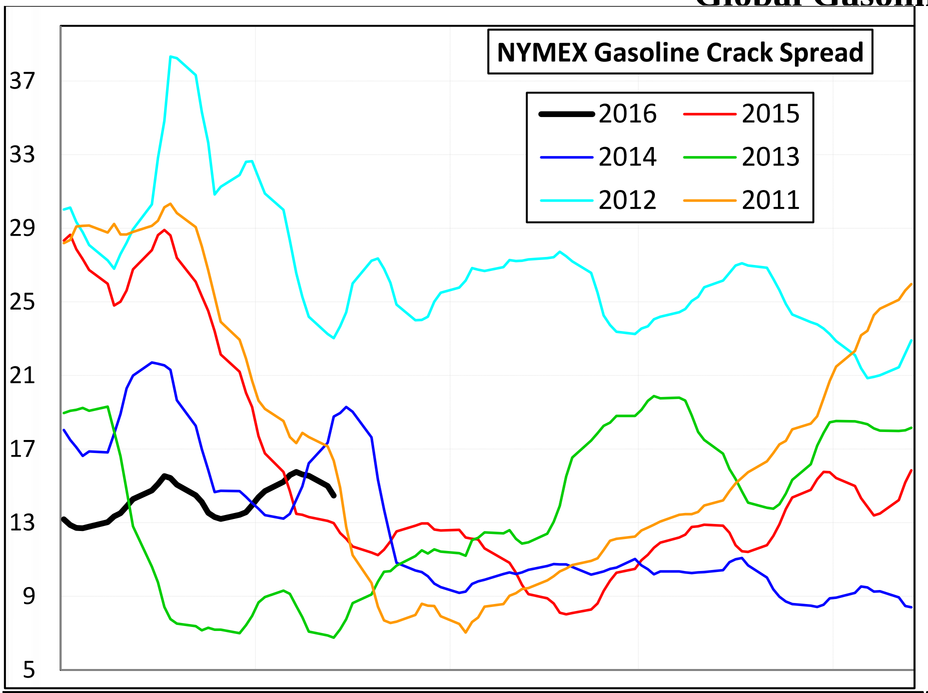
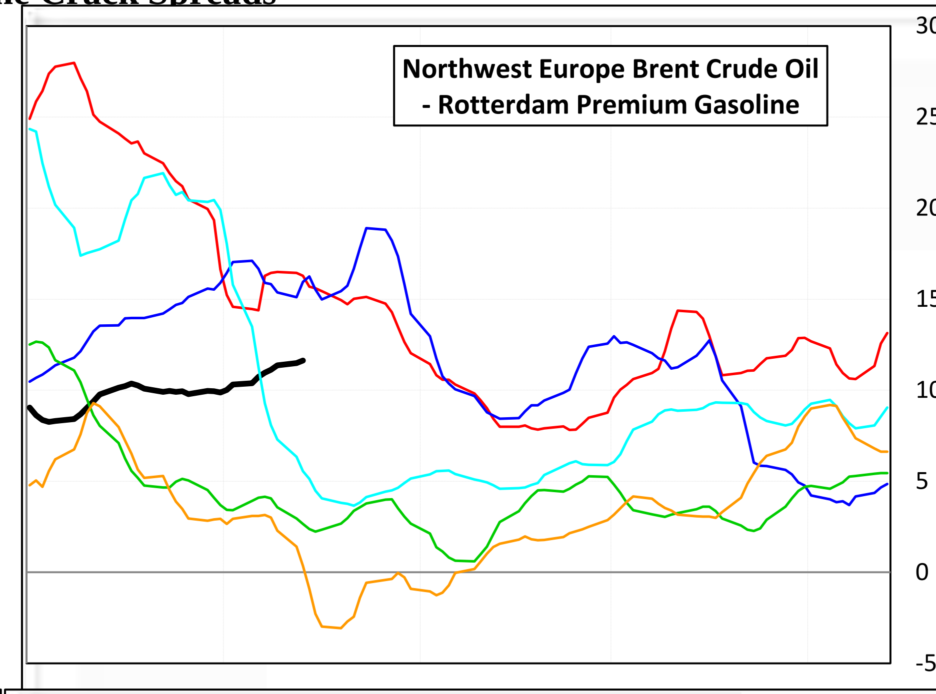
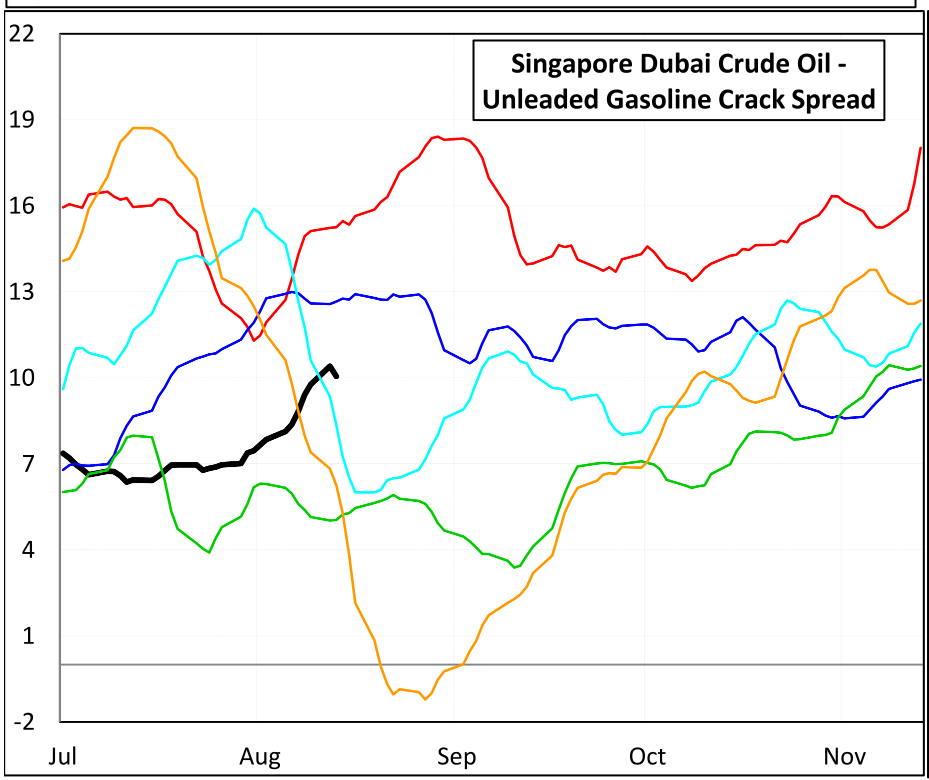
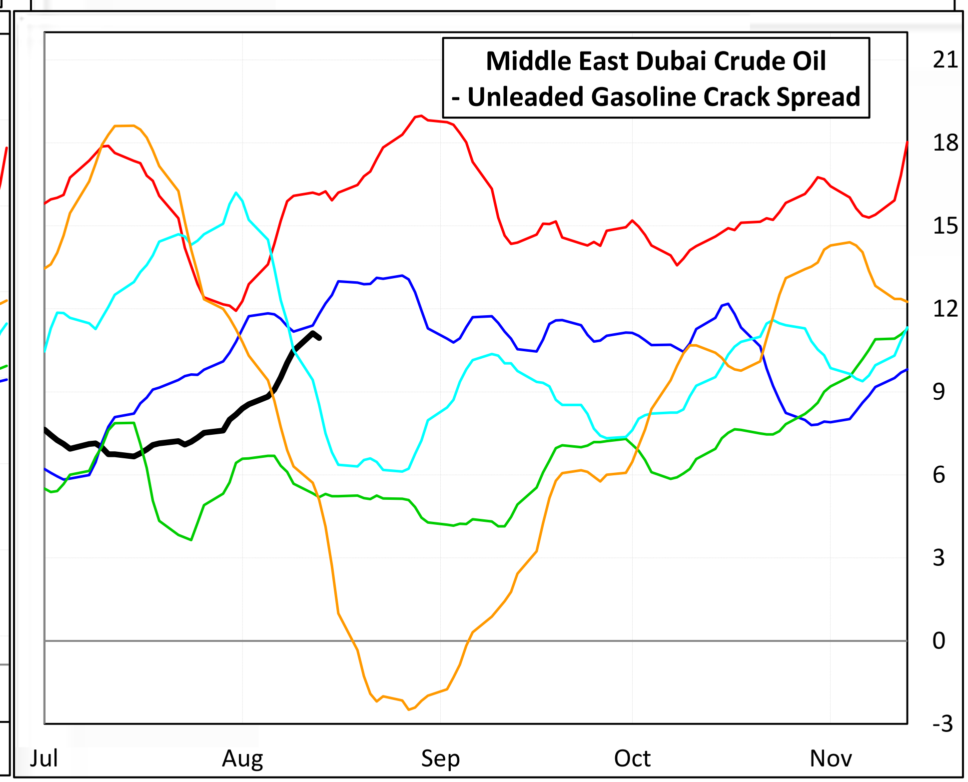
Global Gasoline Crack Spreads









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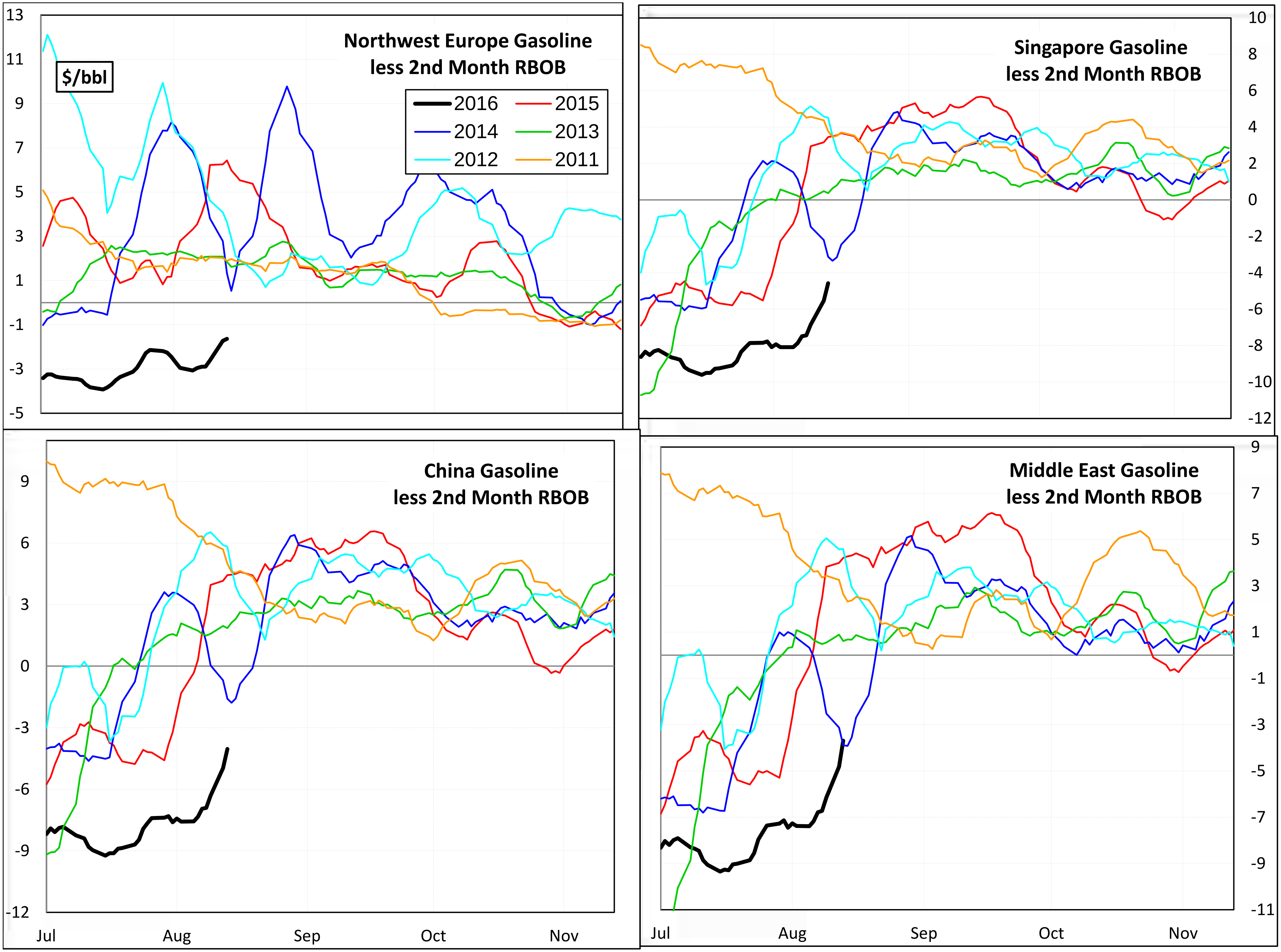
Global Gasoline Cash Basis



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