

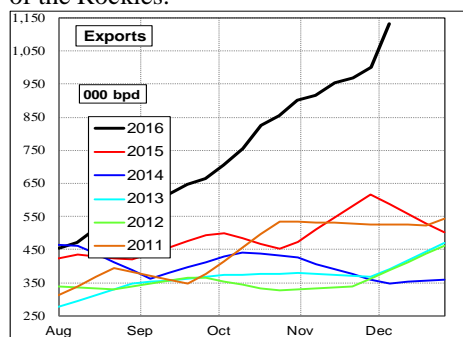


WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

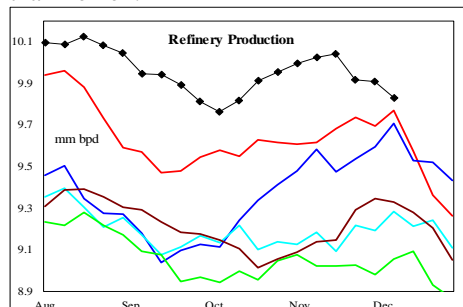
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, December 14, 2016

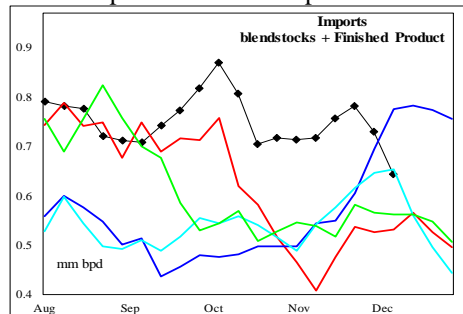
The surge in gasoline exports, primarily from the Gulf region, is changing the supply/demand balance across regions East of the Rockies.



Exporting 0.5 million bpd more gasoline than in prior years, will reduce the seasonal 'dumping' of Gulf product into the Midwest during the winter low demand quarter; maintain a higher average basis in Gulf and Midwest markets during peak demand periods; increase the East coast dependence on imports for supply. The growth in exports is due in part to the 'opening' of the Mexico to suppliers other than Pemex.

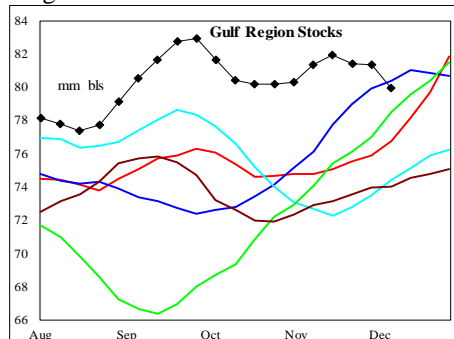


Supply decreased -113,000 bpd last week on lower production and imports.

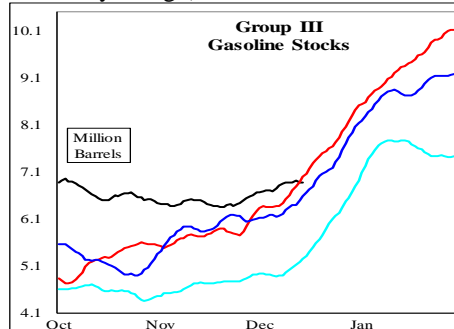


Stocks increased +0.5 million barrels on the week, with builds on the East Coast and Midwest. Stock levels are above the 5-yr range on the East Coast and Rockies. Other regions reported stock levels within

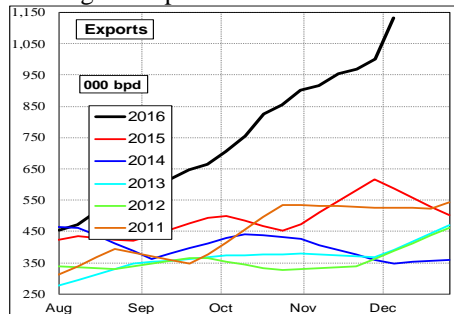
the range of the last 3-yr. West Coast stock levels remain below the 3-yr mid range.



Group III stocks were unchanged last week, at a level equal to a year ago (with consideration for added line fill this year to Little Rock, the stock level would be below a year ago).



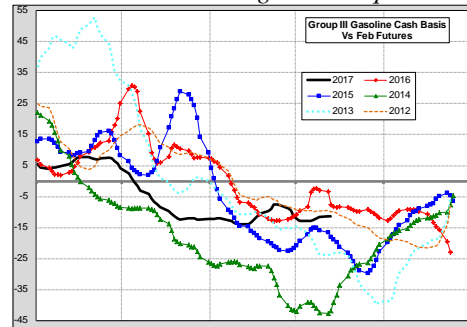
Exports were 1.1 million bpd last week, continuing the extremely high level that began in late August. High RINS values and opening of the Mexico market underlie the surge in exports.



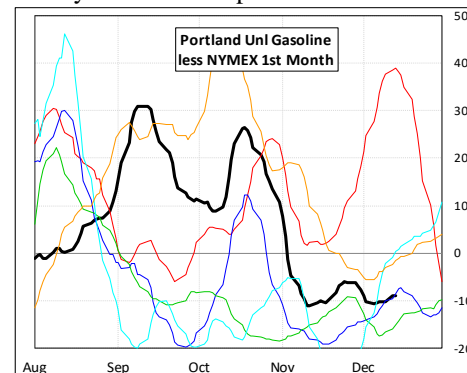
Cash Basis and Refining Trends

Cash basis for CBOB grade gasoline trended higher last week in Midwest and the Gulf markets. Basis levels ended the week near 3-yr highs for the period in all Midwest and Gulf markets. *The dramatic increase in exports may limit seasonal*

weakness in basis for both the Gulf and Midwest markets during the next quarter.



Basis in California markets extended the downtrend, falling to record low levels in Los Angeles for this time of year. Northwest markets saw basis trading near the 3-yr lows for the period.



Gasoline crack spreads trended lower in global markets last week, at levels below the average of the last 2-yr.

Cash basis in Global gasoline markets trended higher last week. All markets traded at levels equal to historic lows for the period. This weakness was due in part to strength in RBOB futures prices.

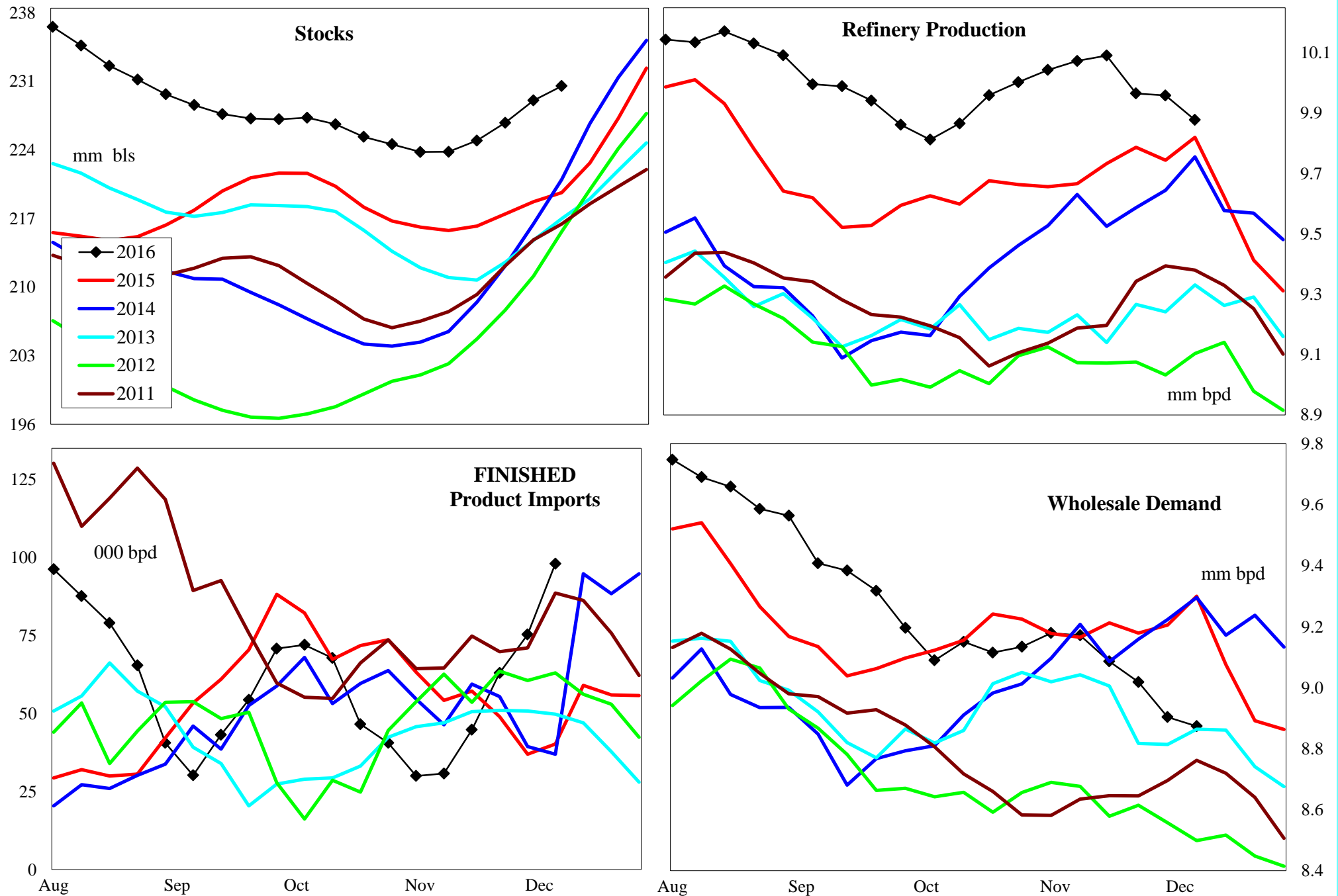
Gulf Coast Price

Exports from the Gulf look to change basis levels in that market as well as the Midwest during the normally depressed winter quarter. By moving product off shore, the extreme over supply in these markets during the winter quarter is less likely, with the result being higher average basis during this low demand period.

Very high stocks of all transport fuels and crude oil in the U.S. point to risk of a price pull back during the next quarter.

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United States Gasoline Supply and Demand



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

10,661

Production

75

Fin Impt

28

Blend Impt

168

Demand=>

4wk avg

-277

Oct

-159

Sep

57

Aug

128

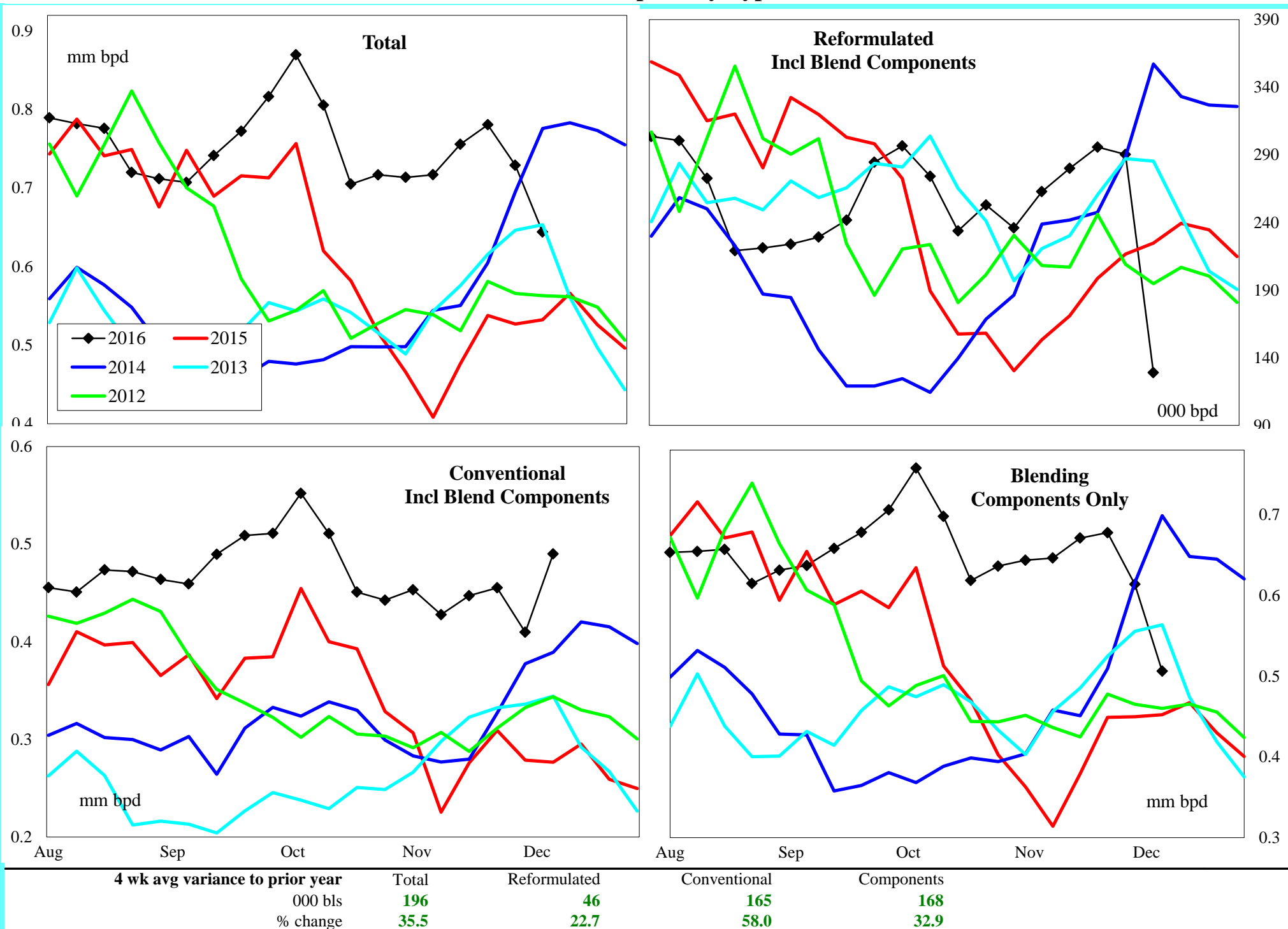
-3.0

-1.7

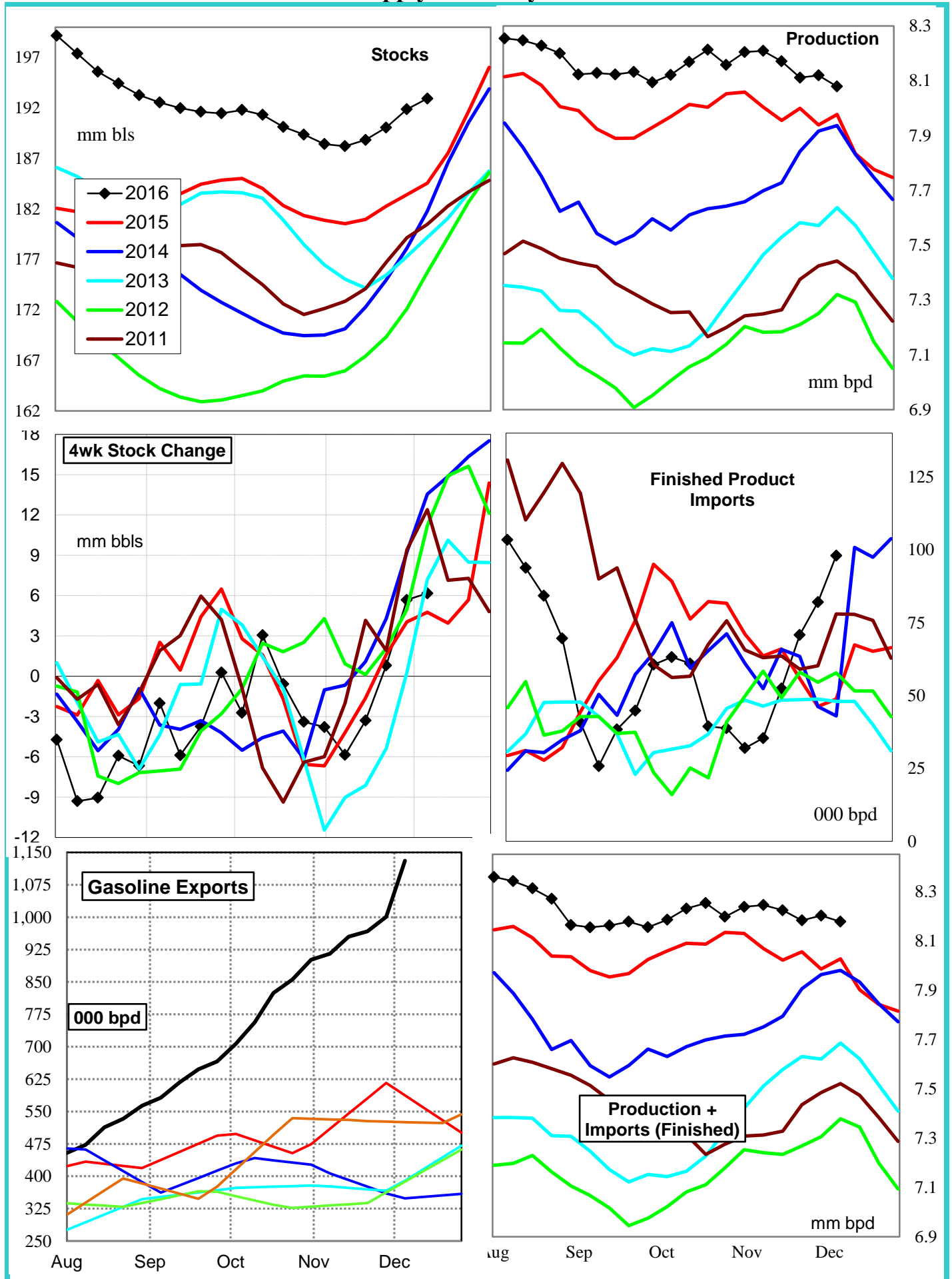
0.6

1.4

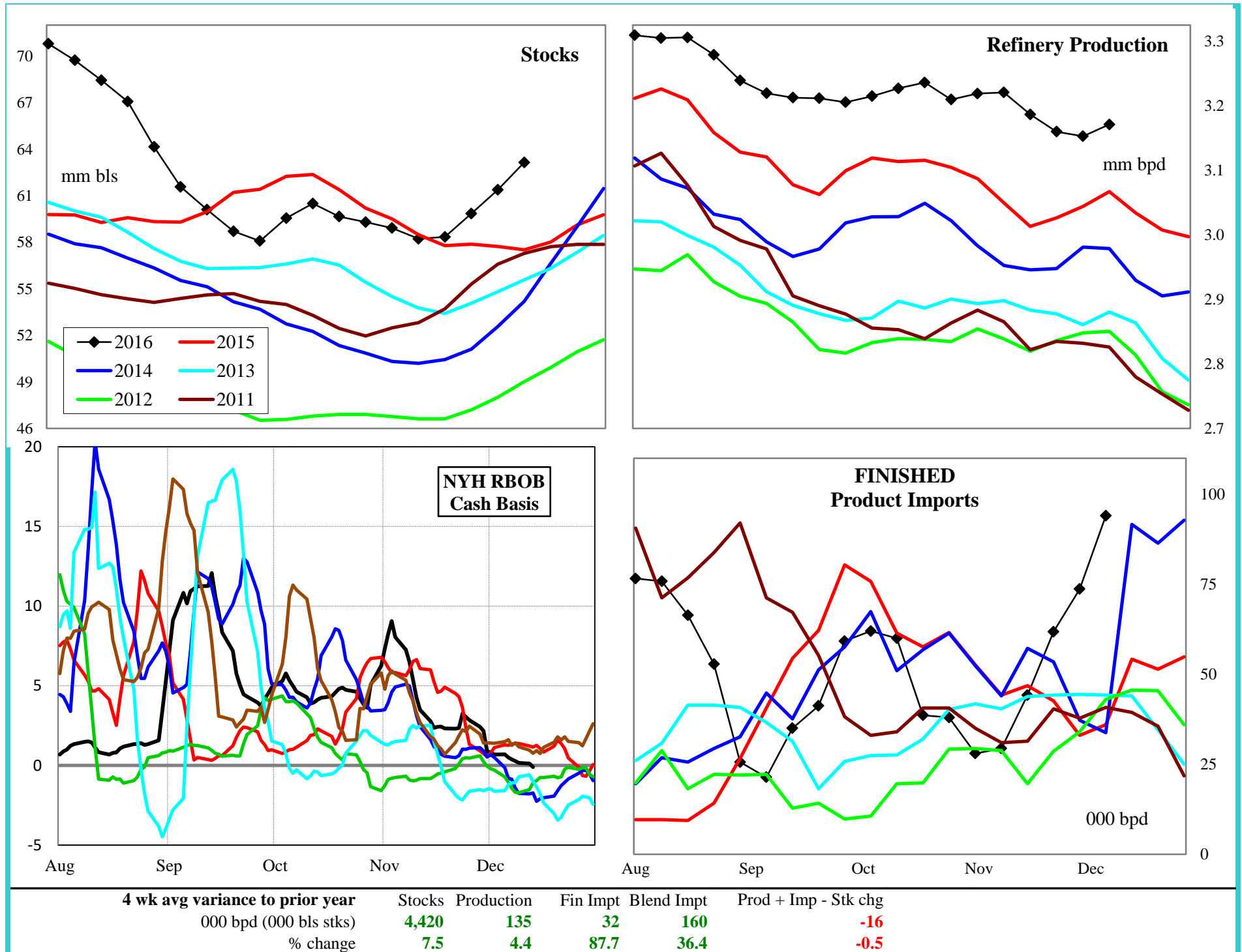
Gasoline Imports by Type



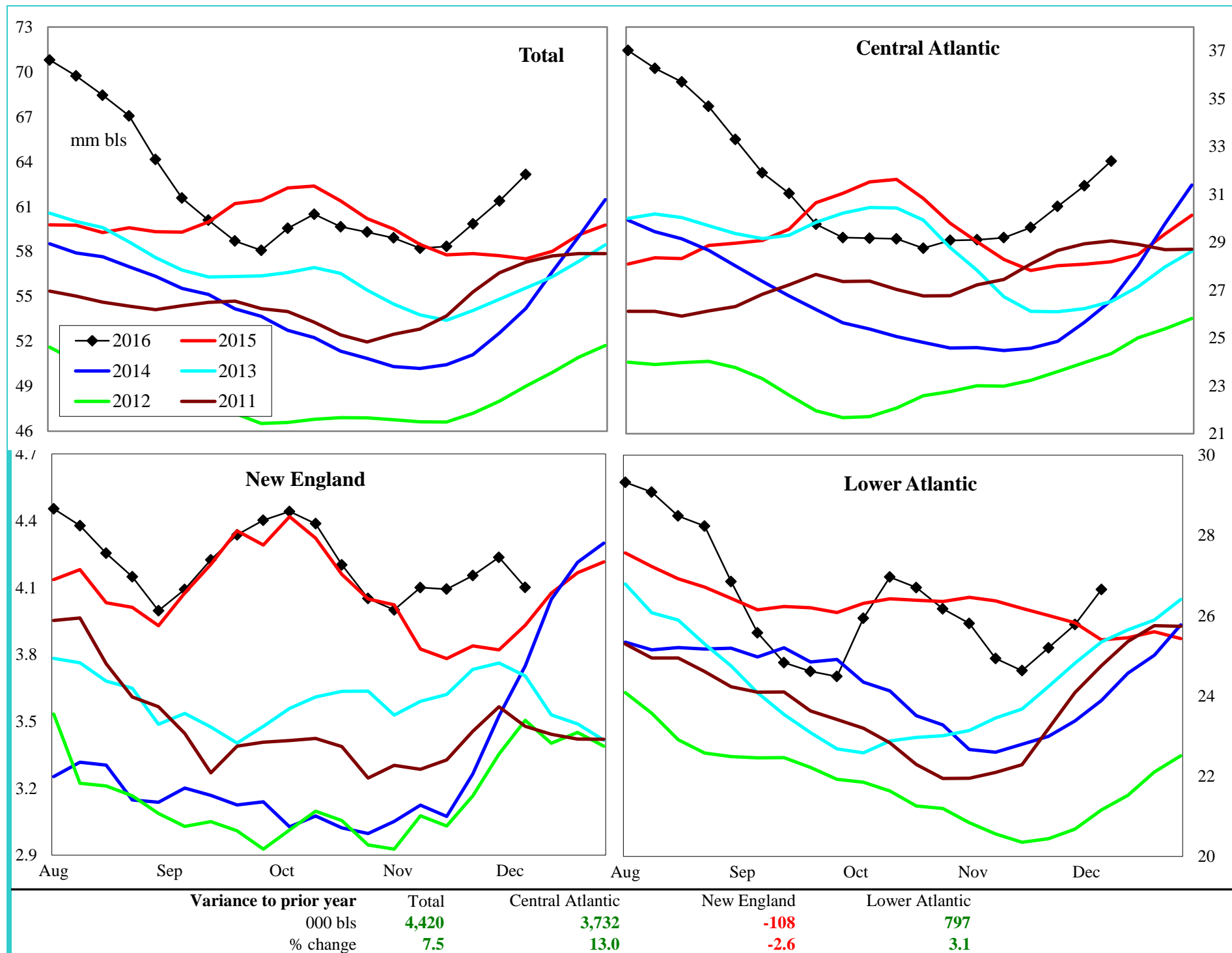
Gasoline Supply Summary PADDs 1+2+3



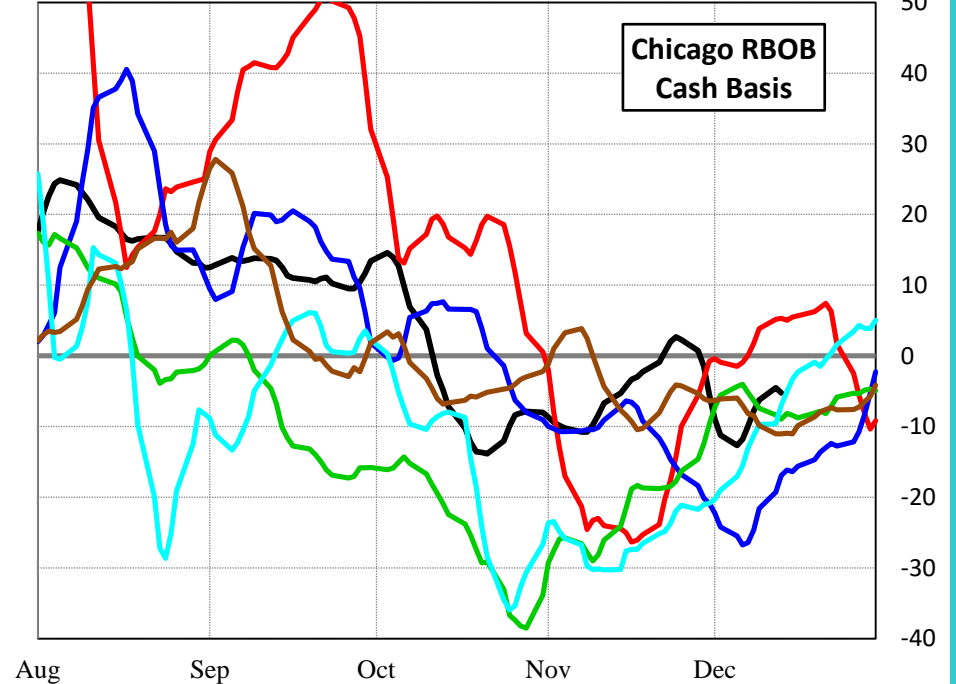
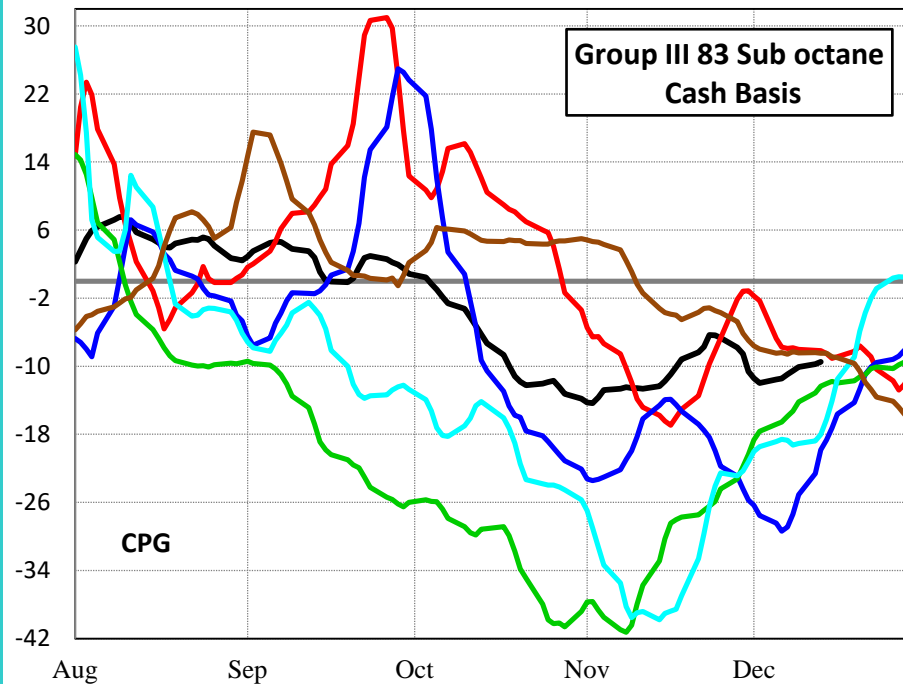
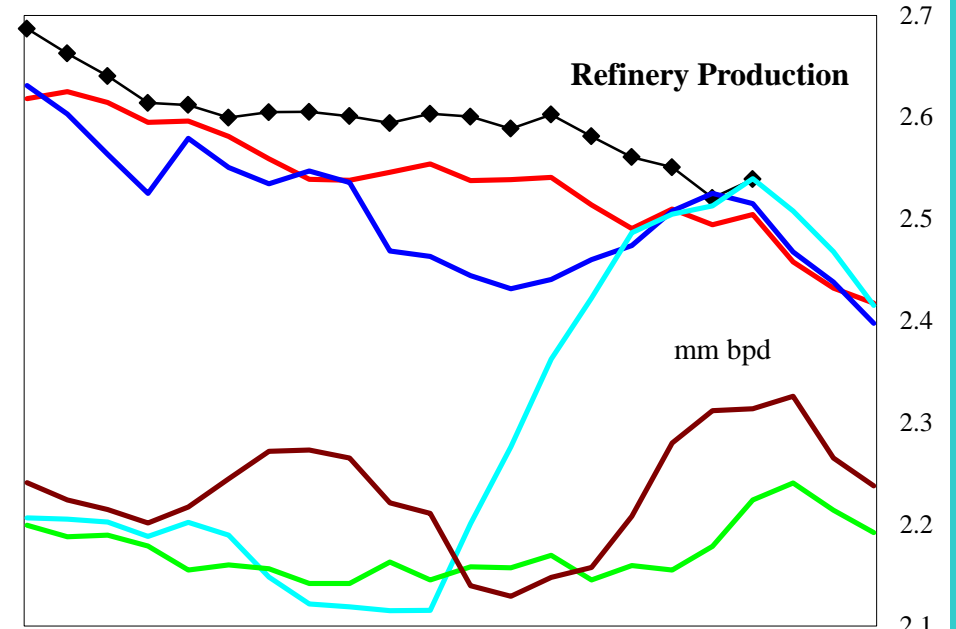
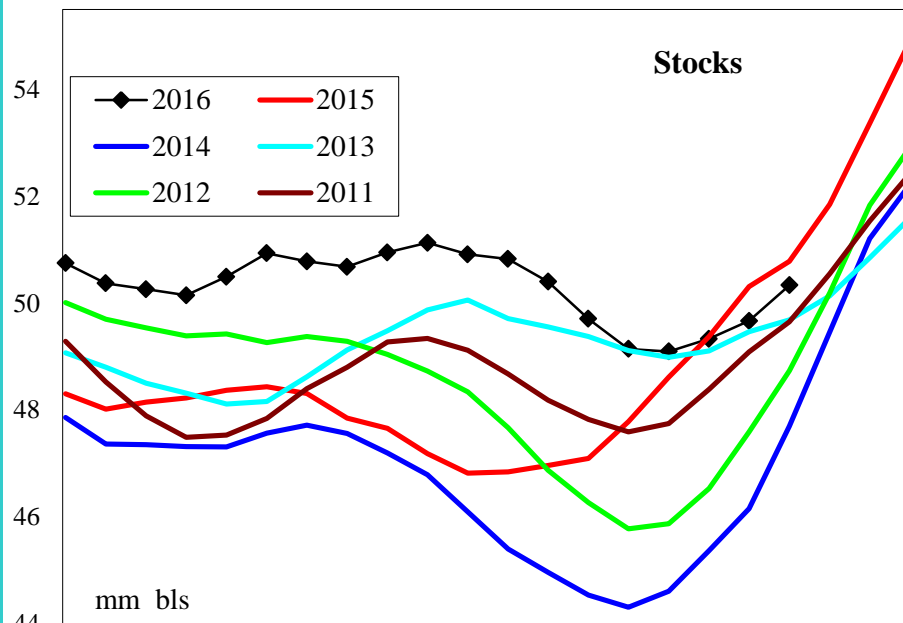
PADD 1 Gasoline Supply



PADD 1 Gasoline Stocks by Region



PADD 2 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-447

-0.9

Production

49

1.9

Imports

-1

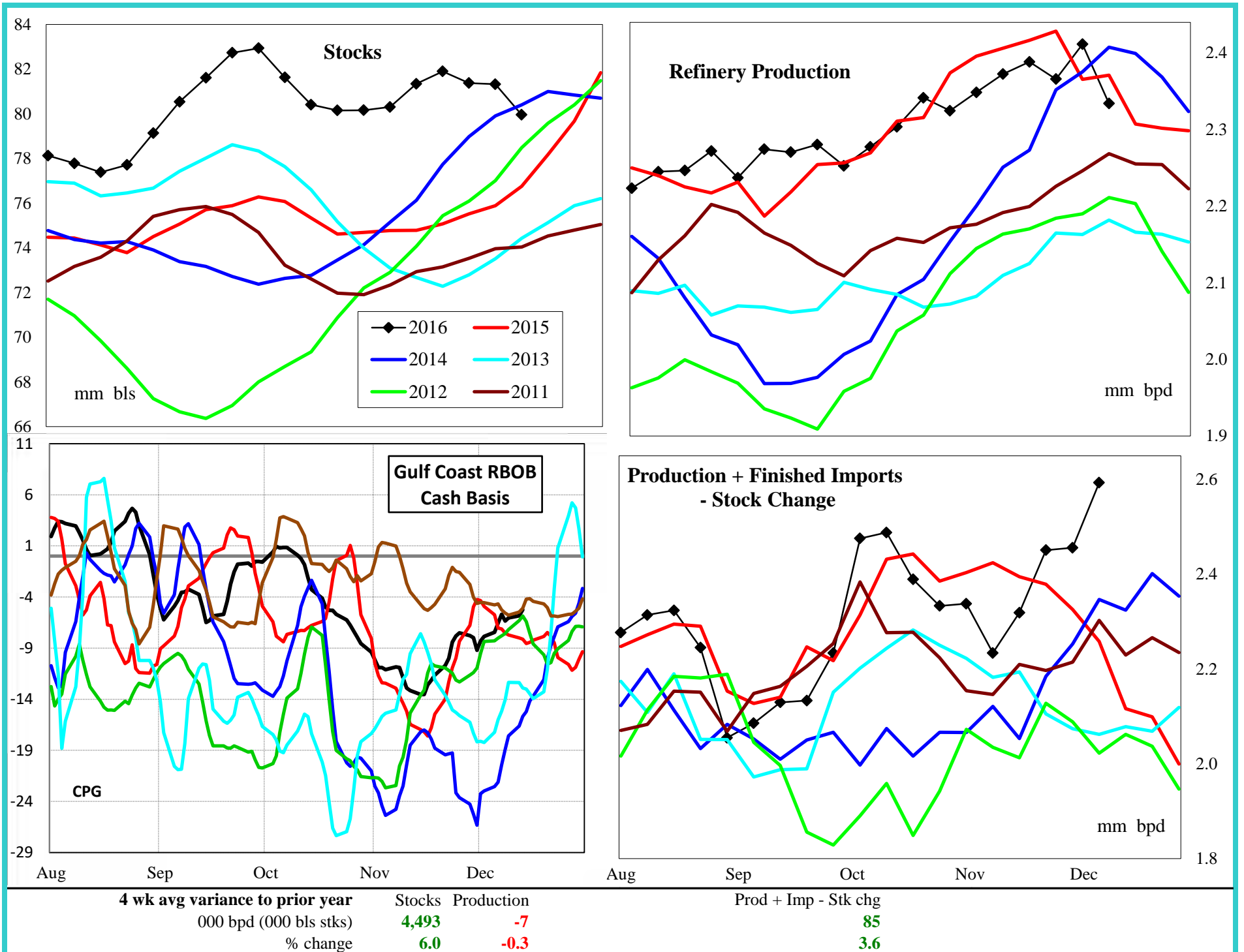
-8.9

Prod + Imp - Stk chg

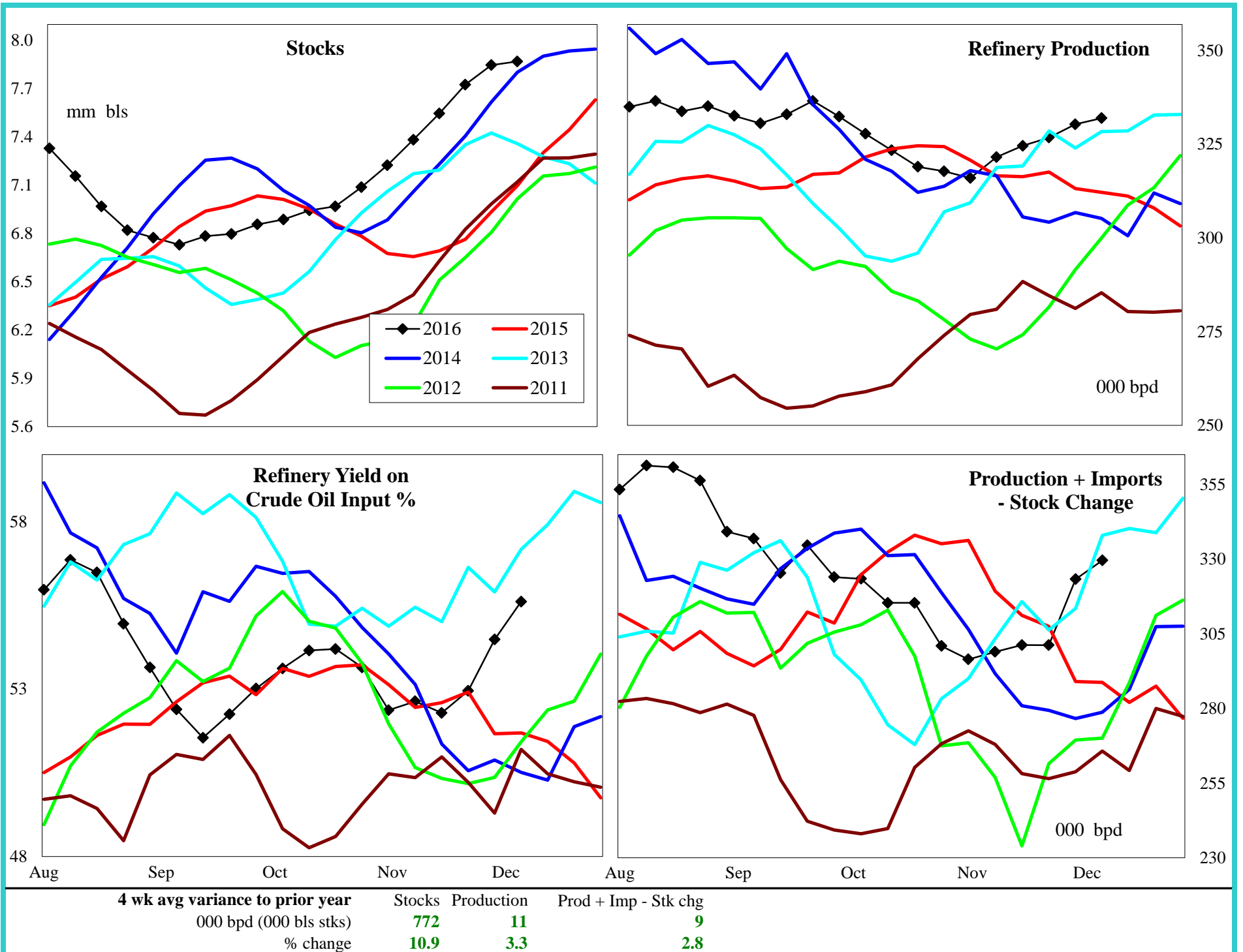
113

4.7

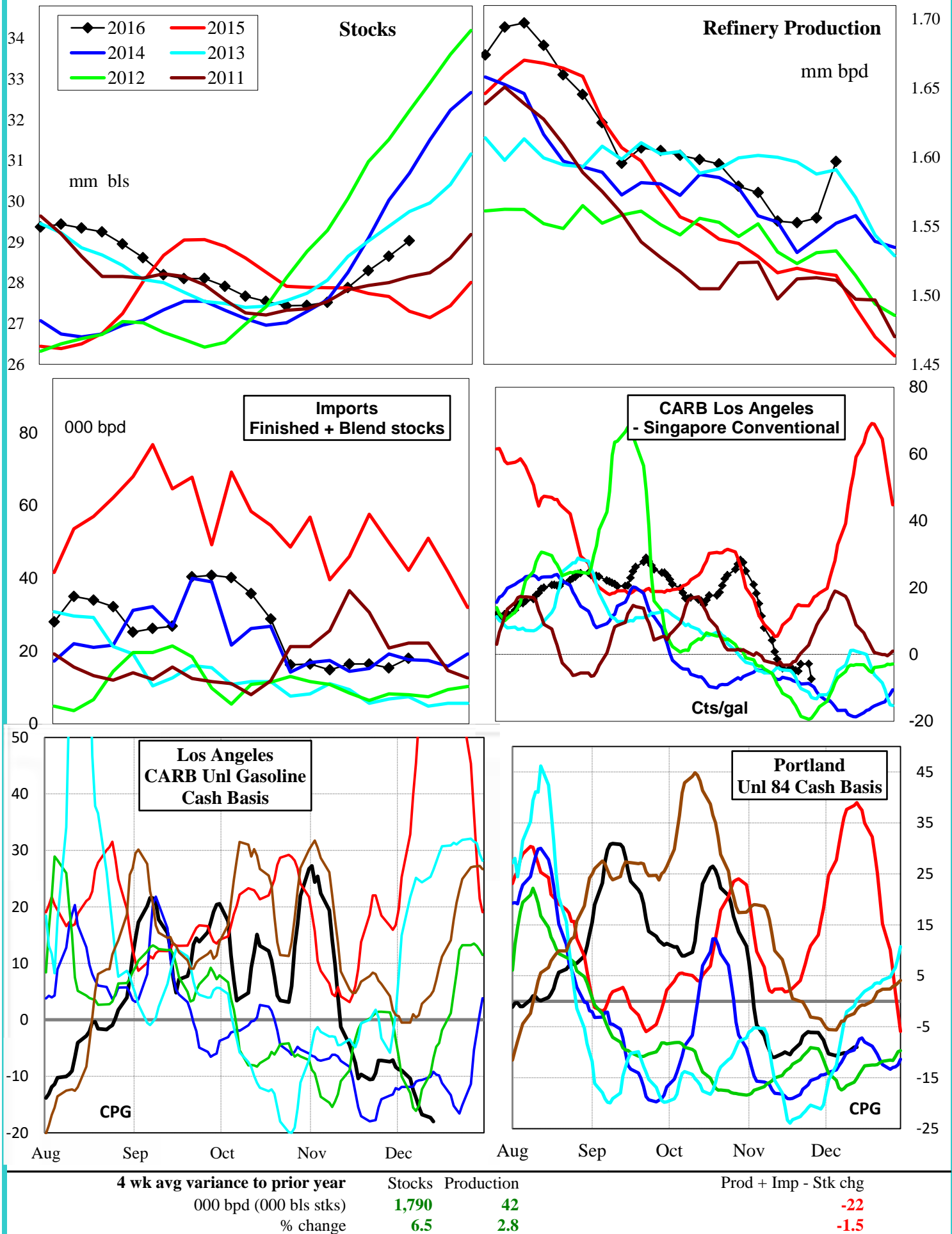
PADD 3 Gasoline Supply



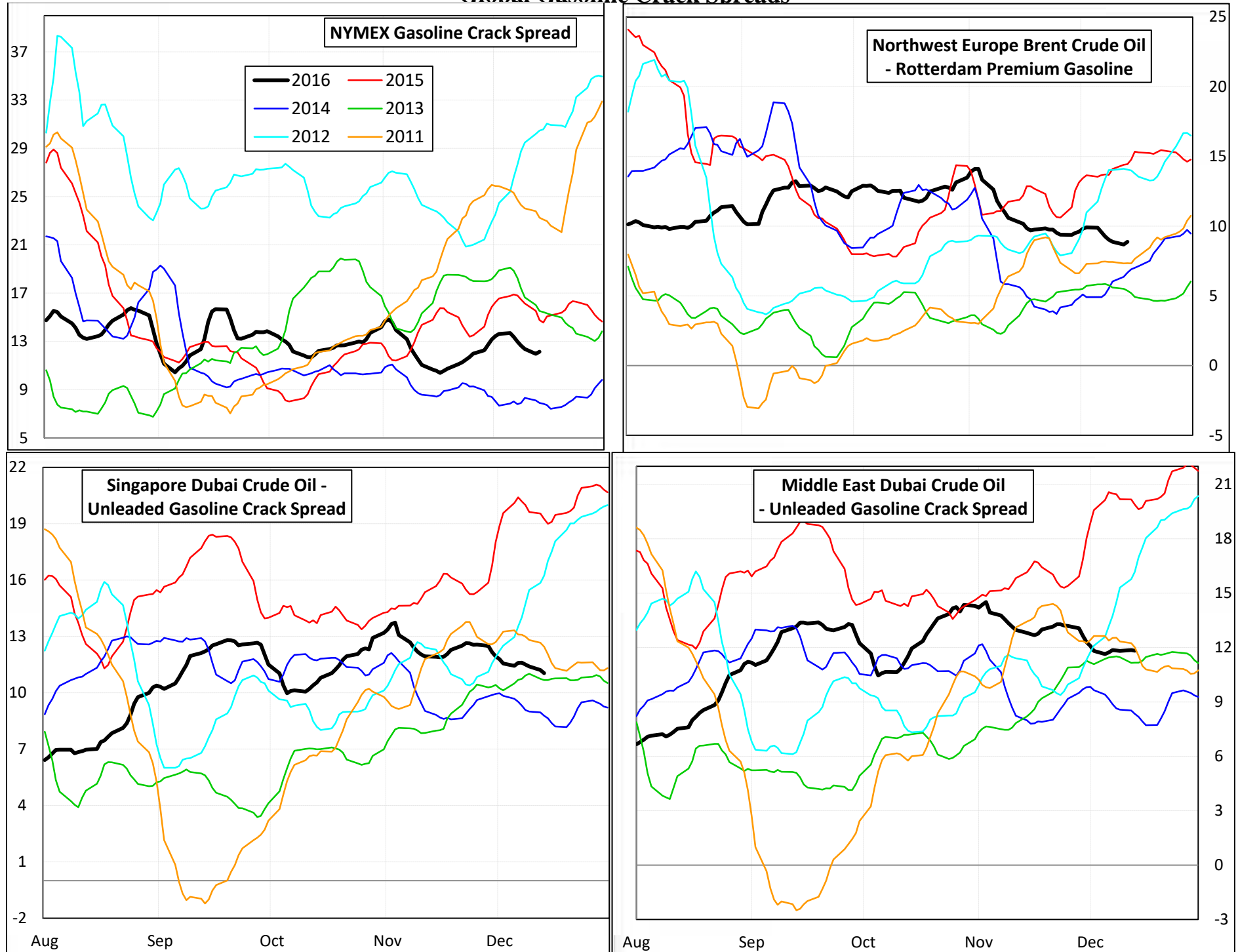
PADD 4 Gasoline Supply



PADD 5 Gasoline Supply



Global Gasoline Crack Spreads



Global Gasoline Cash Basis

