

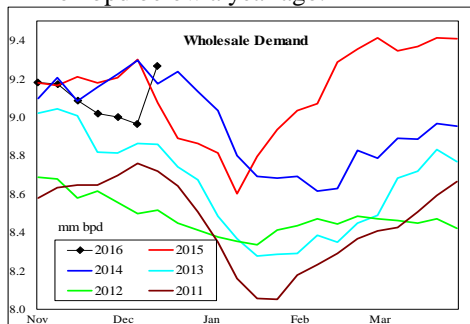


WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

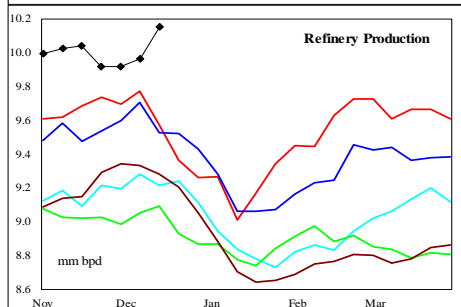
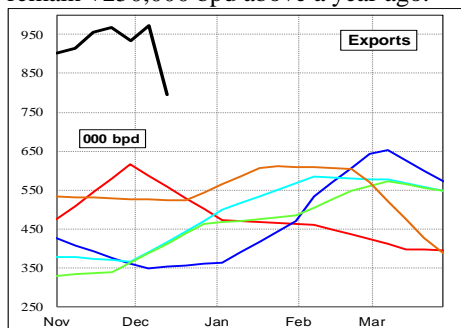
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, December 27, 2016

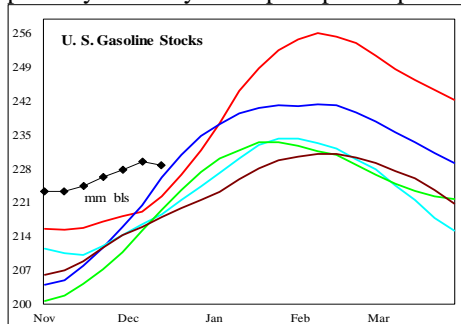
Wholesale demand increased +0.4 million bpd ahead of the Christmas holiday. The latest 4-wk average demand was -0.3 million bpd below a year ago.



Exports decreased from the prior week, but remain +250,000 bpd above a year ago.



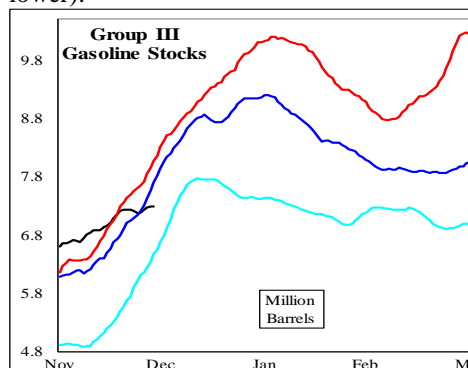
Supply increased +145,000 bpd on the week, driven by record production and partially offset by a sharp drop in imports.



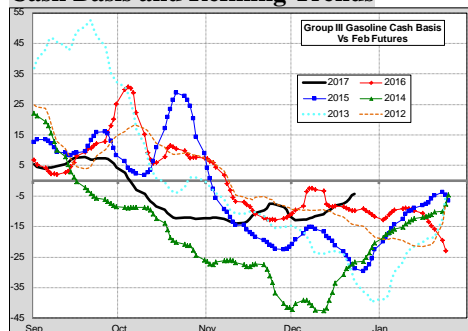
Stocks decreased -1.3 million barrels on

the week. Stock levels are now only slightly above the last two year, on a near record low rate of stock build the last month East of the Rockies.

Group III stocks increased +0.4 million barrels last week, although the level fell below the prior 2-yr (with consideration for added line fill this year to Little Rock, the stock level would be even lower).

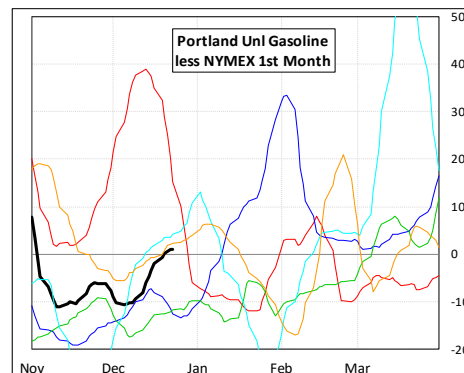


Cash Basis and Refining Trends



Cash basis for CBOB grade gasoline trended higher last week in Midwest and the Gulf markets. Basis levels ended the week at 5-yr highs for this time of year in 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.*

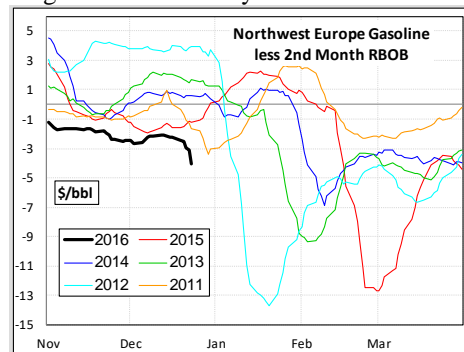
Basis in West Coast markets trended sharply higher last week. Basis levels in California markets ended the week at the low end of the historic range for the period. Northwest markets saw basis trading near the average of the last 2-yr.



Gasoline crack spreads trended higher in global markets last week, with levels below the average of the last 2-yr in all regions except the U.S. East Coast.

Cash basis in Global gasoline markets trended lower last week. All markets traded at levels near historic lows for the period.

Northwest Europe was particularly weak, trading below the 5-yr range for this time of year.



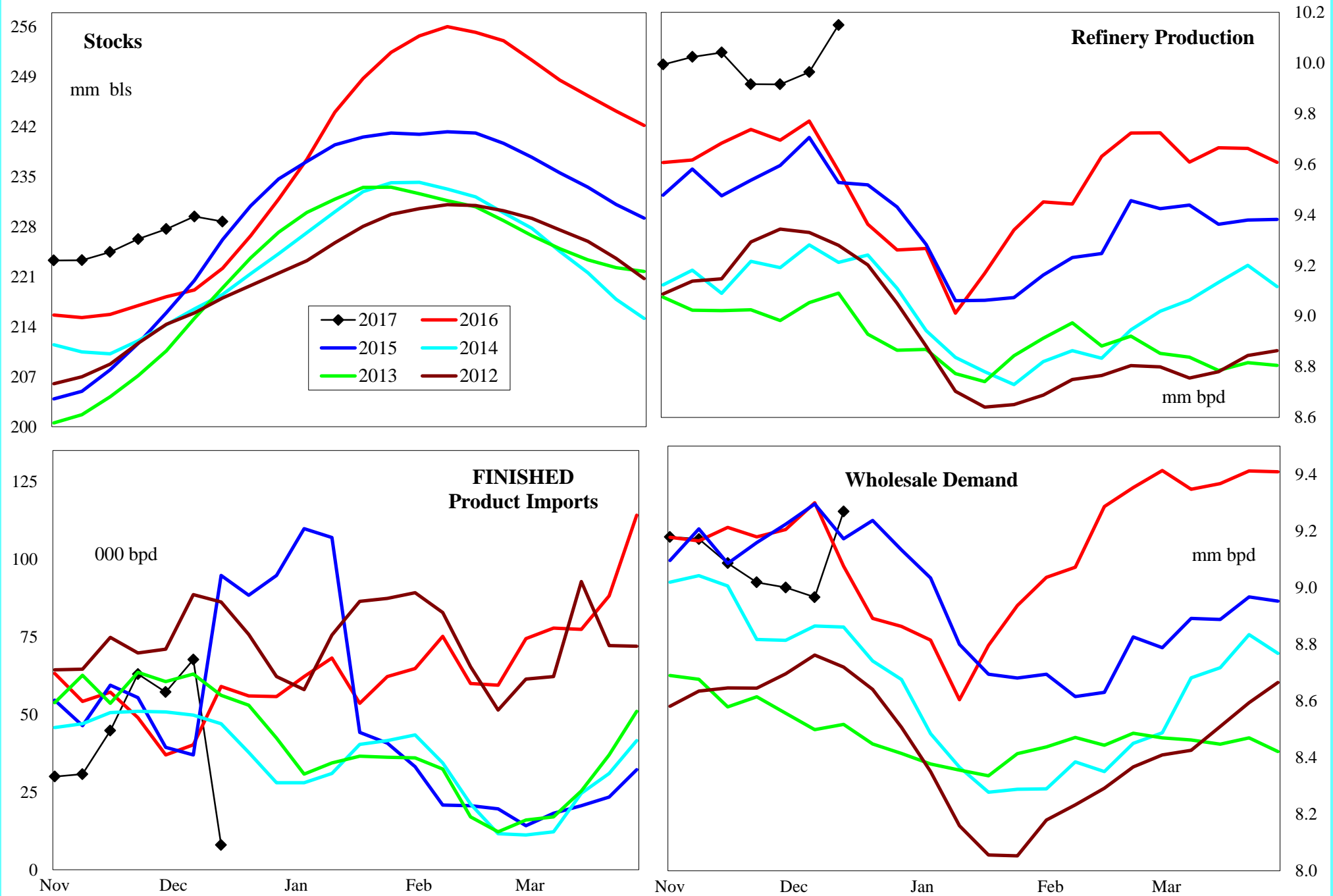
Gulf Coast Price

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.

Gasoline stocks are now only slightly above a year ago, with levels in the Midwest below the last 2-yr. A tightening of the gasoline supply balance, driven by the increase in exports should support wholesale prices ahead of the start of Gulf refinery maintenance next month.

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United States Gasoline Supply and Demand



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

8,241

3.7

Production

237

2.4

Fin Impt

32

122.9

Blend Impt

93

18.8

Demand=>

4wk avg

-282

-3.0

Nov

-54

-0.6

Oct

-172

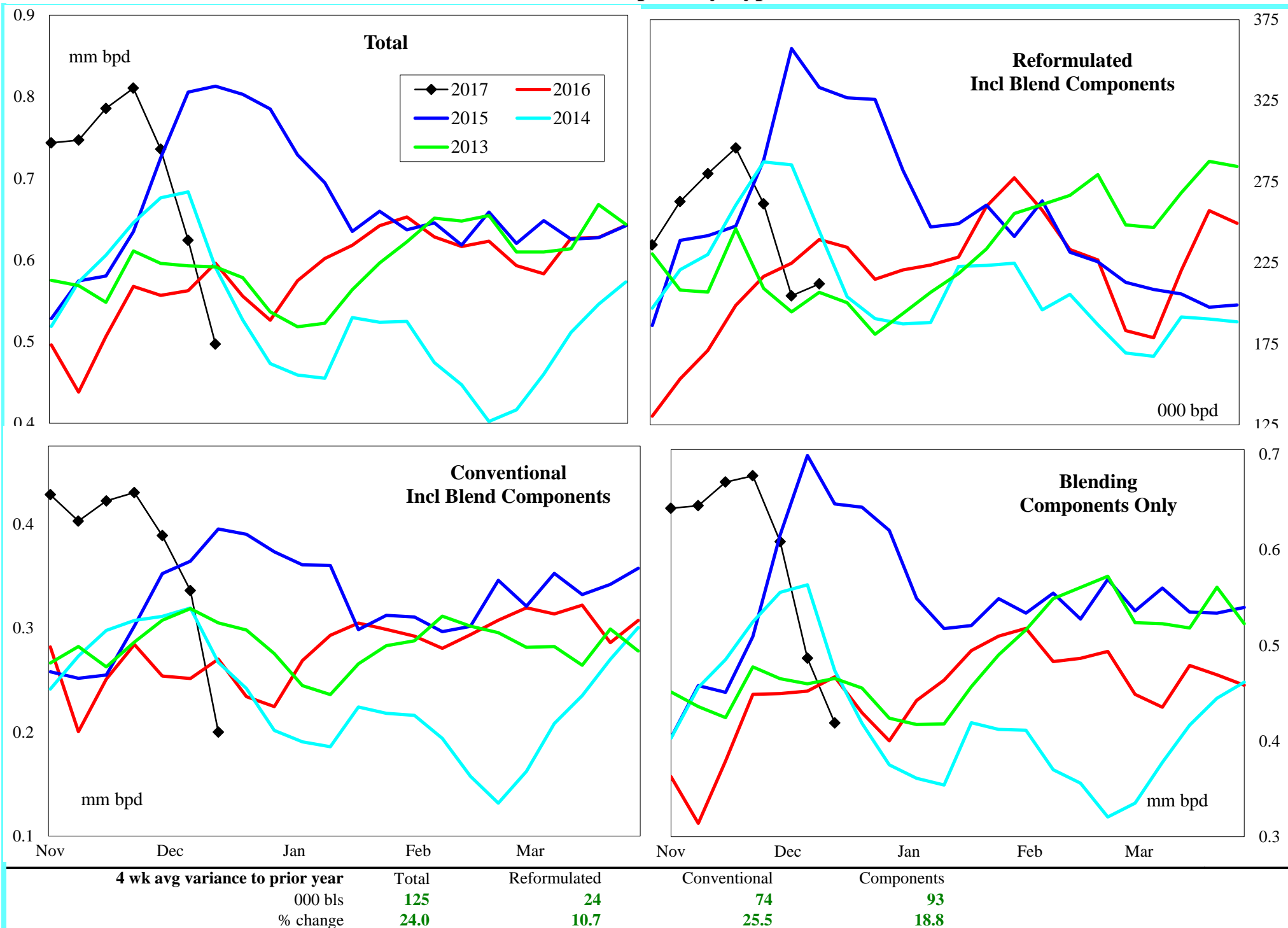
-1.9

Sep

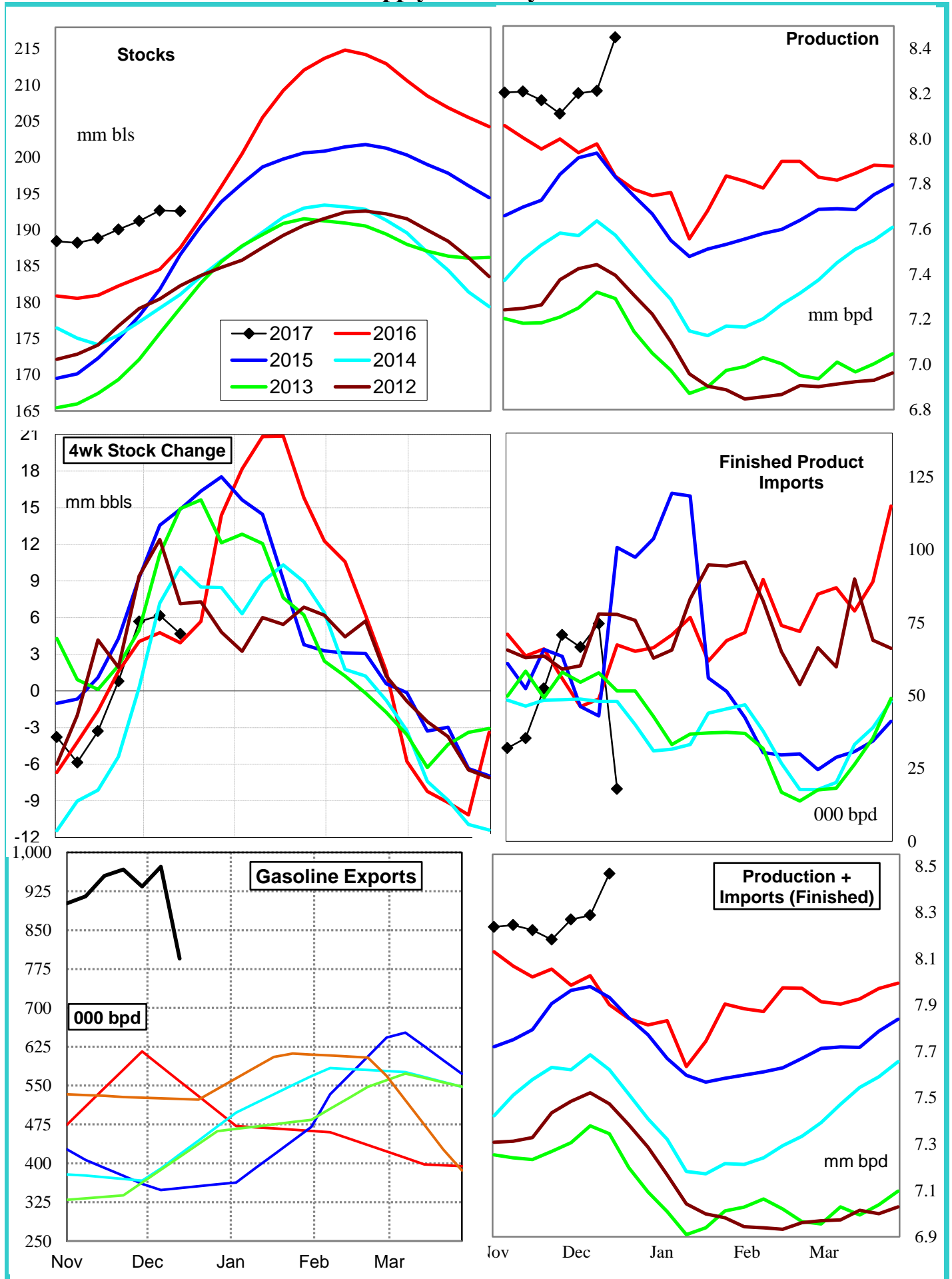
217

2.3

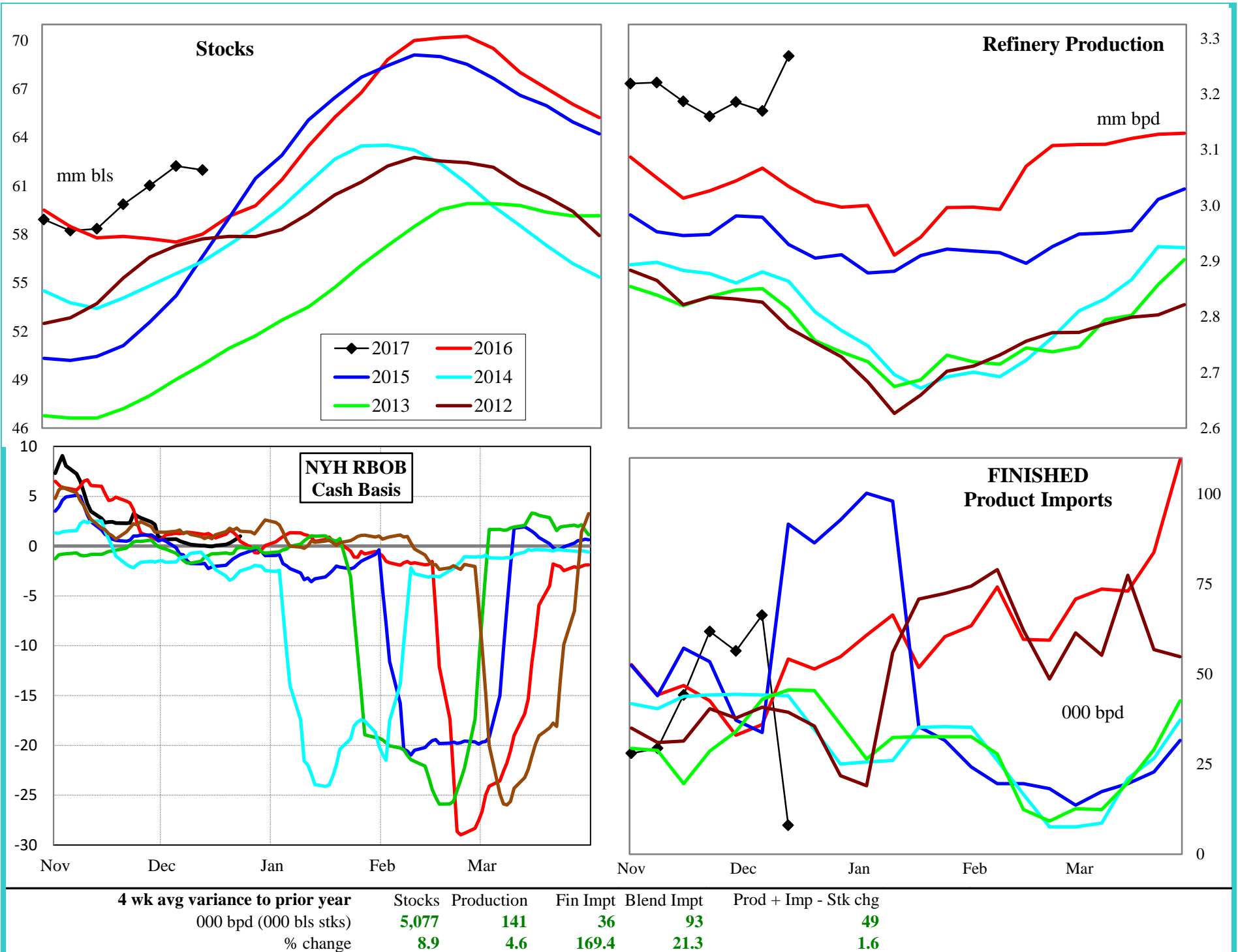
Gasoline Imports by Type



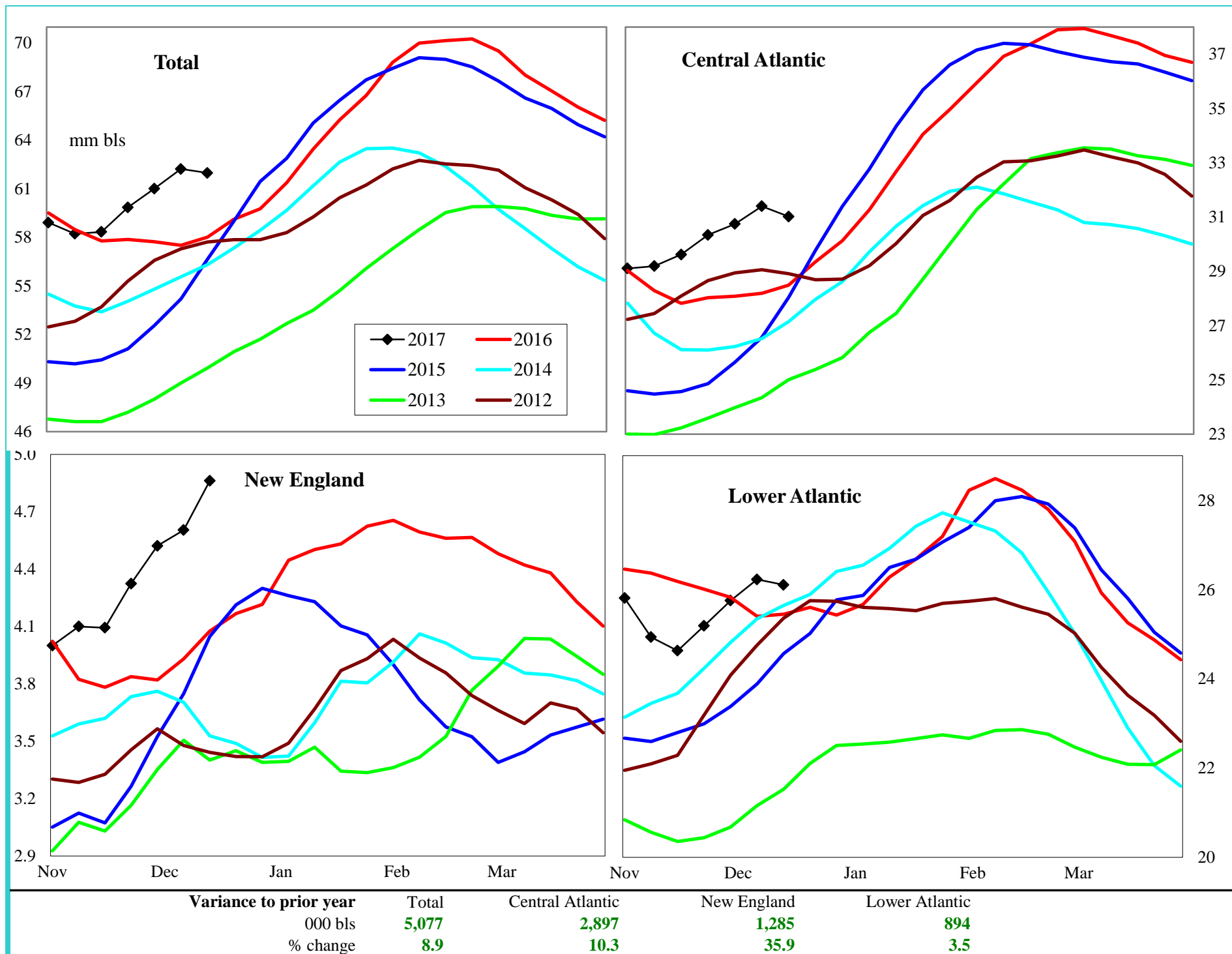
Gasoline Supply Summary PADDs 1+2+3



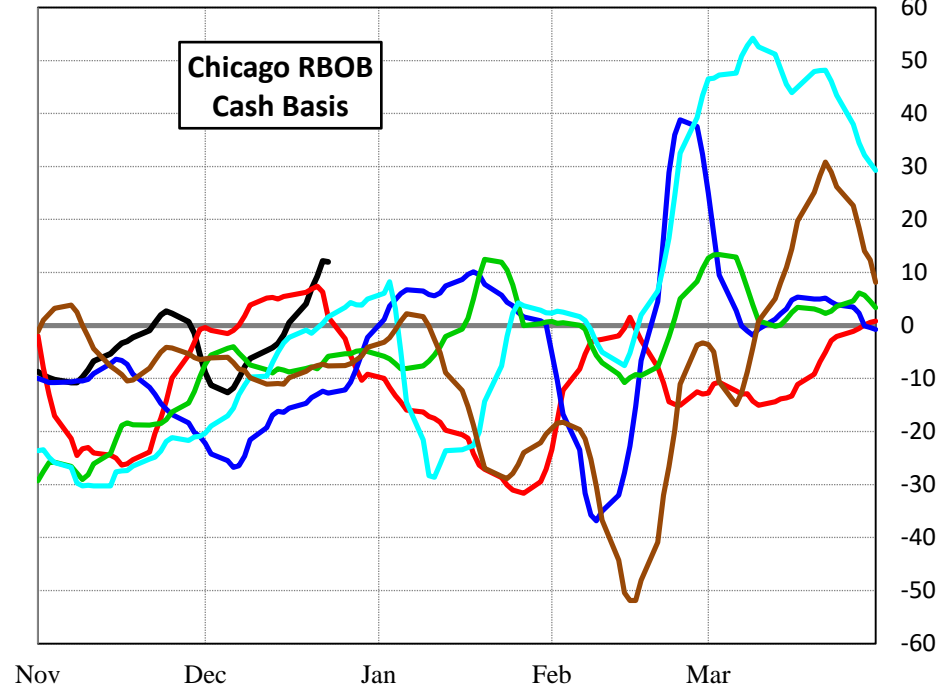
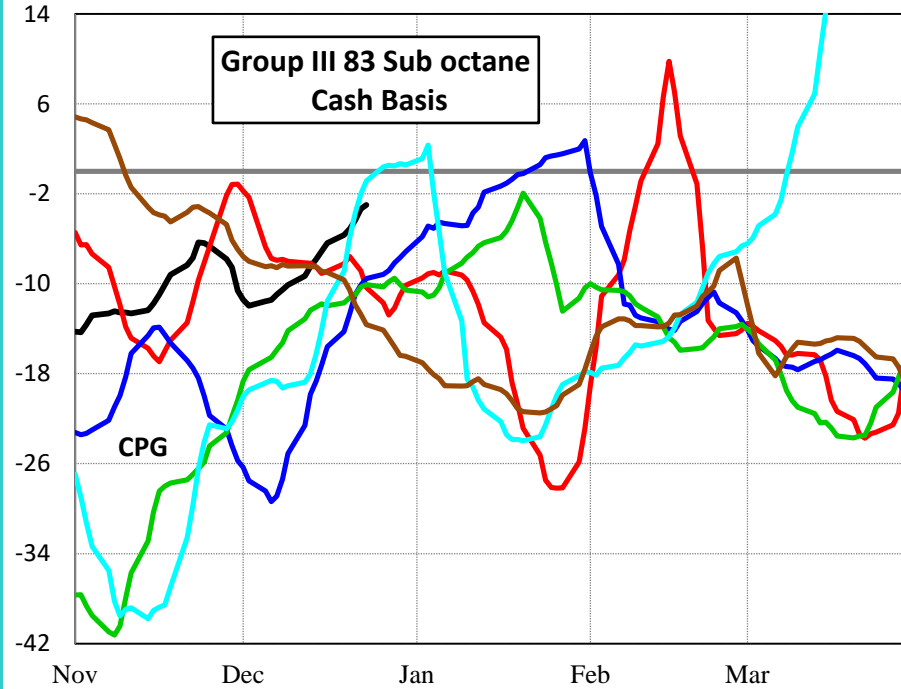
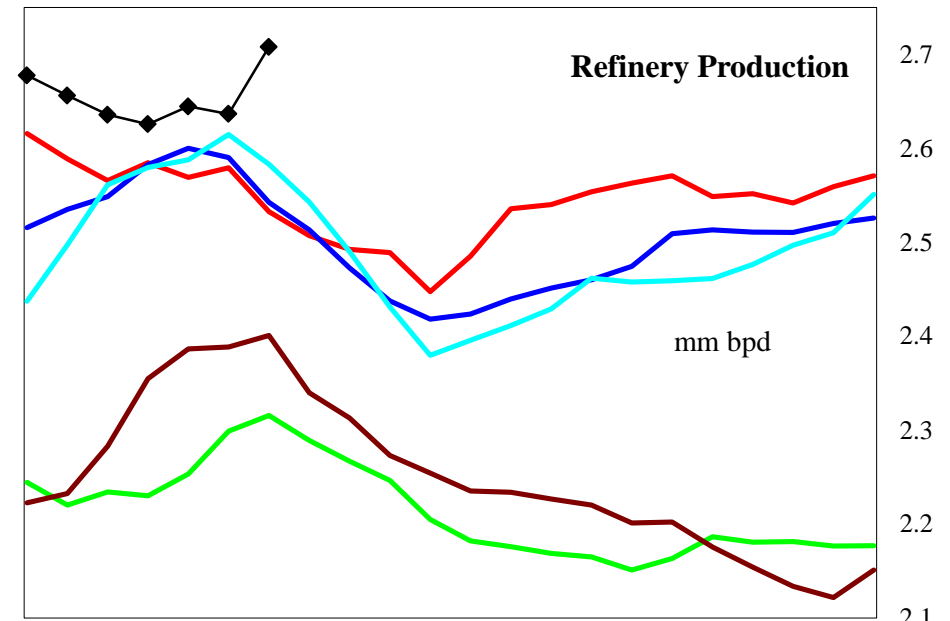
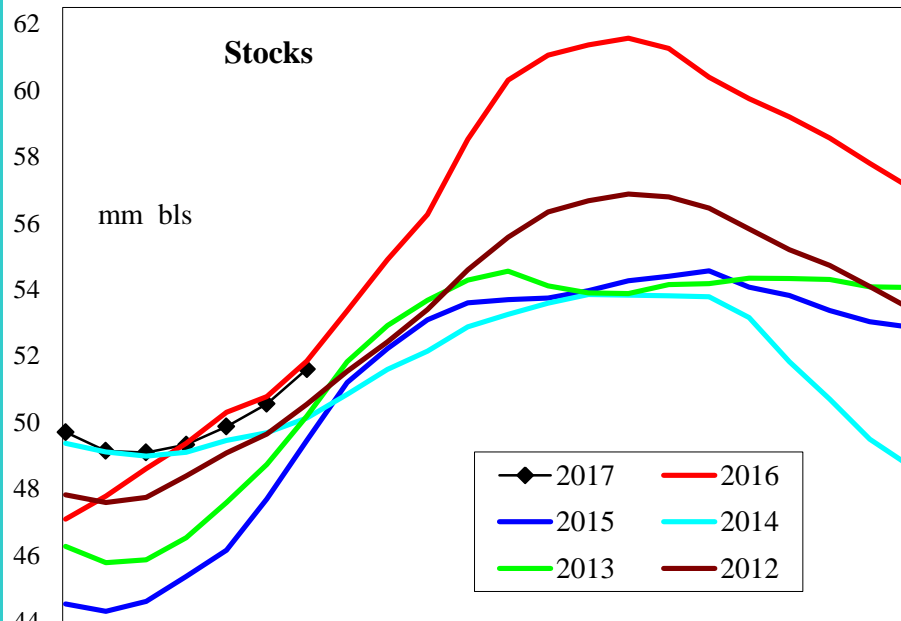
PADD 1 Gasoline Supply



PADD 1 Gasoline Stocks by Region



PADD 2 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-245

-0.5

Production

69

2.8

Imports

-2

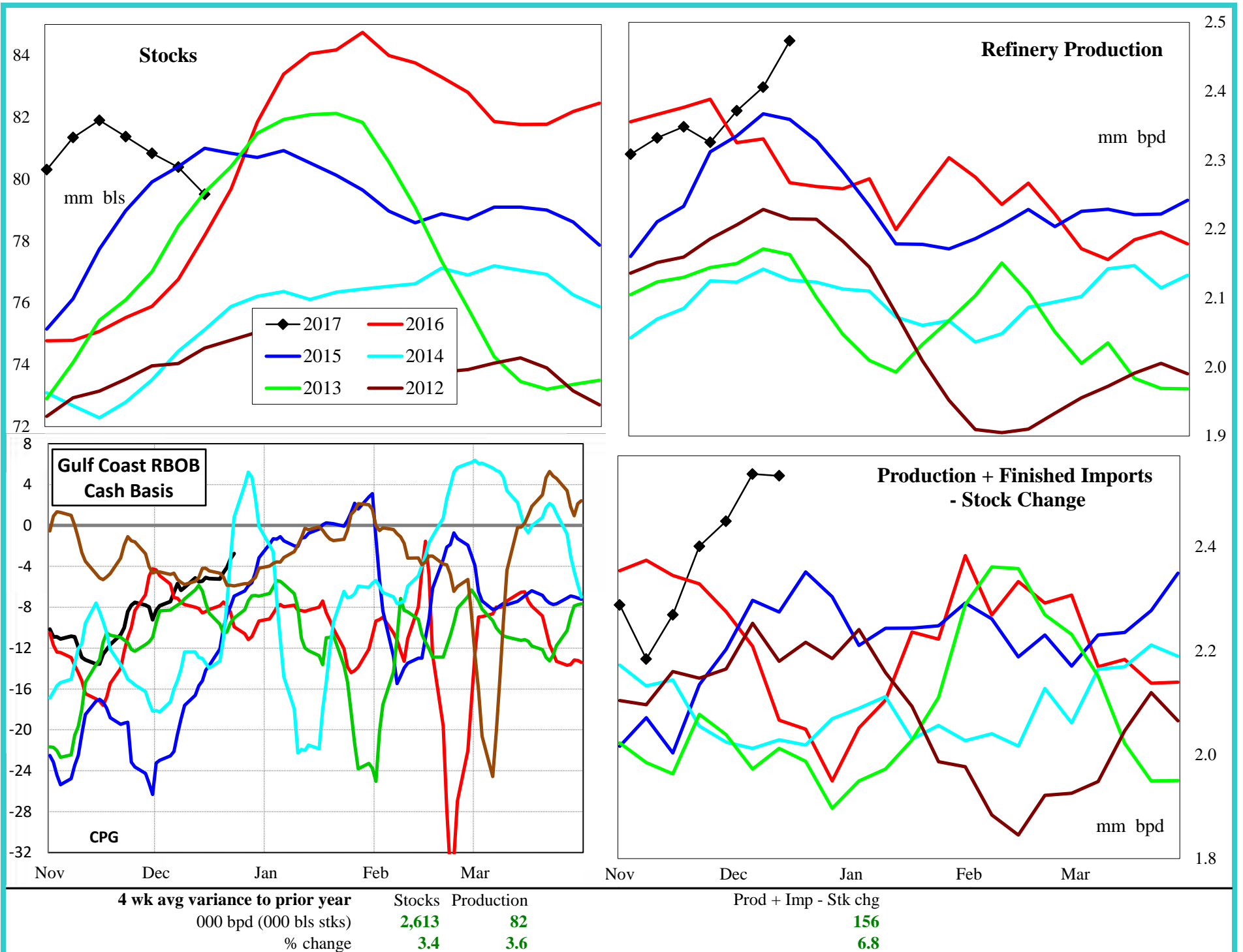
-20.5

Prod + Imp - Stk chg

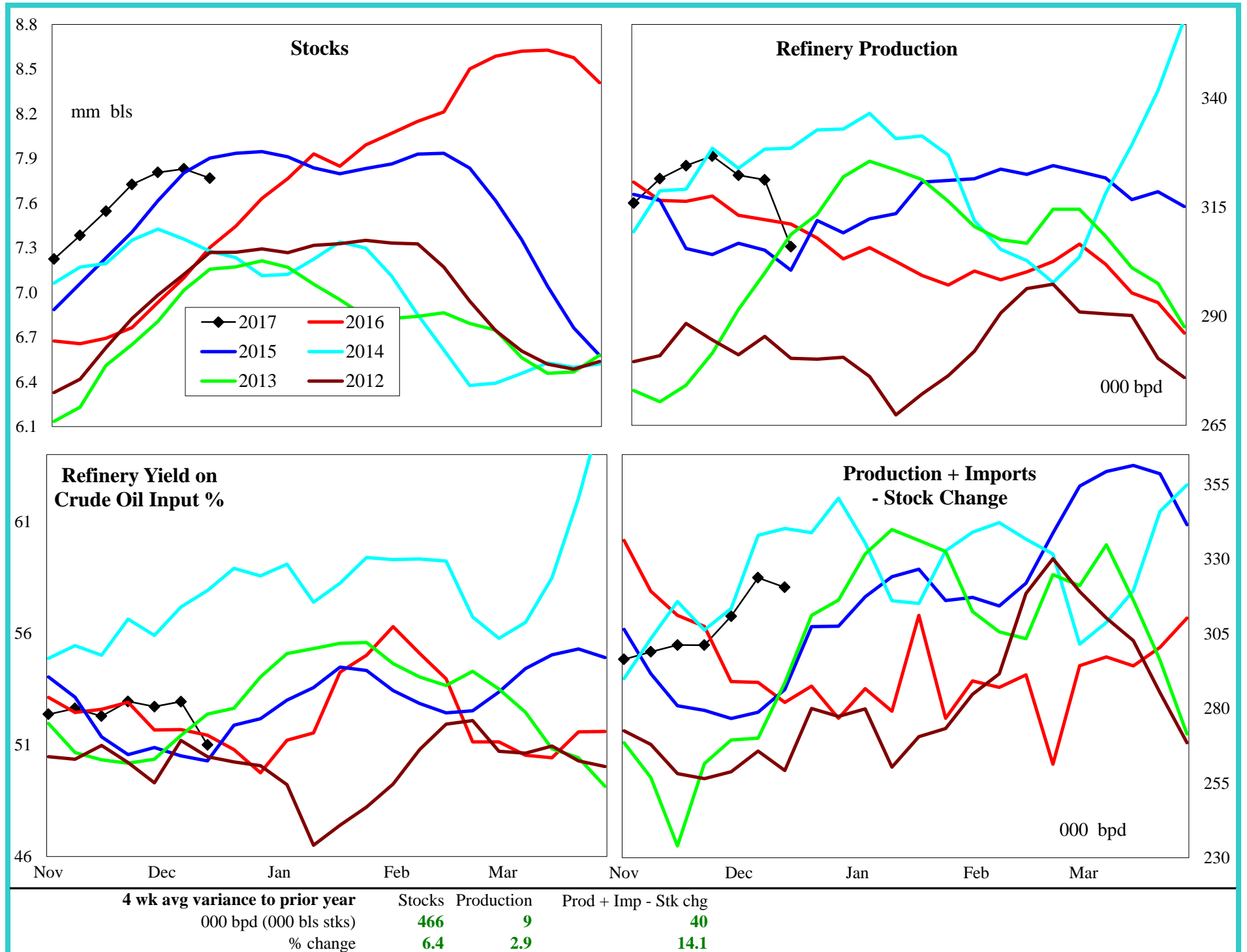
124

5.3

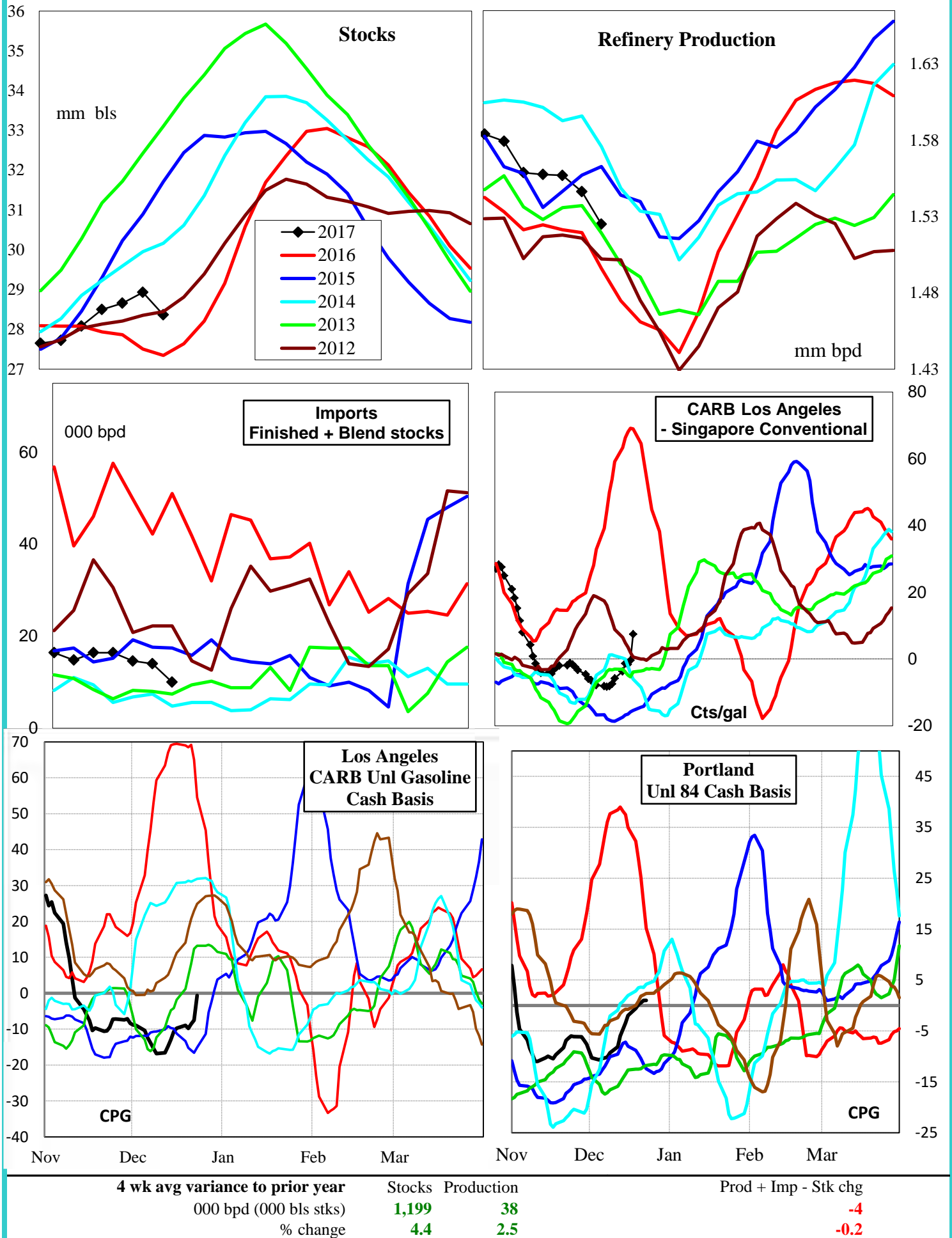
PADD 3 Gasoline Supply



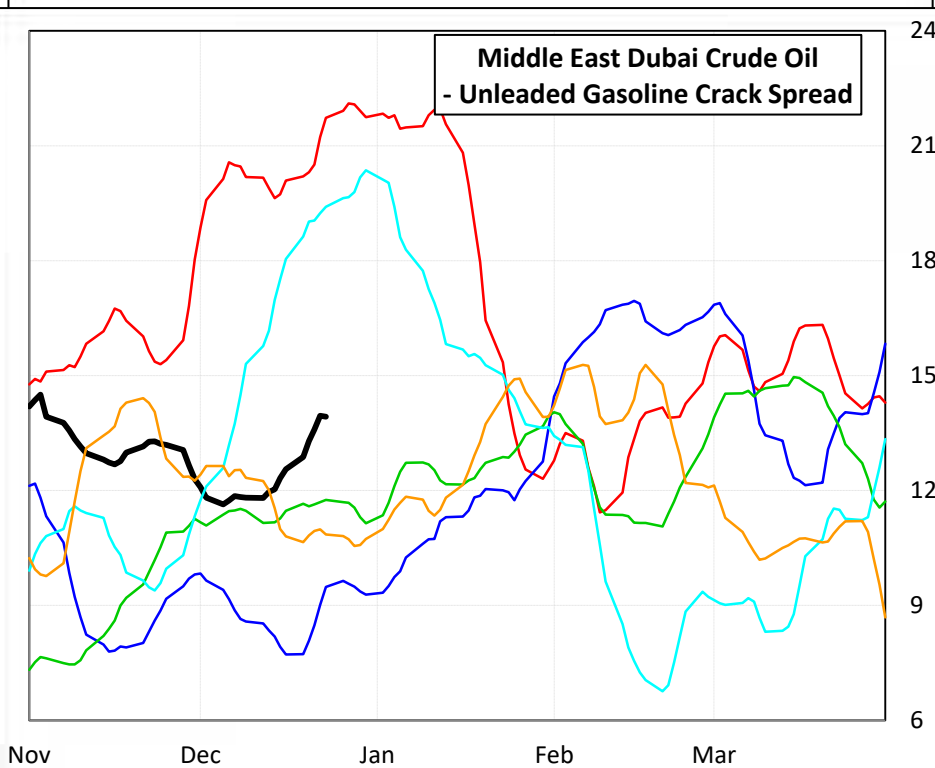
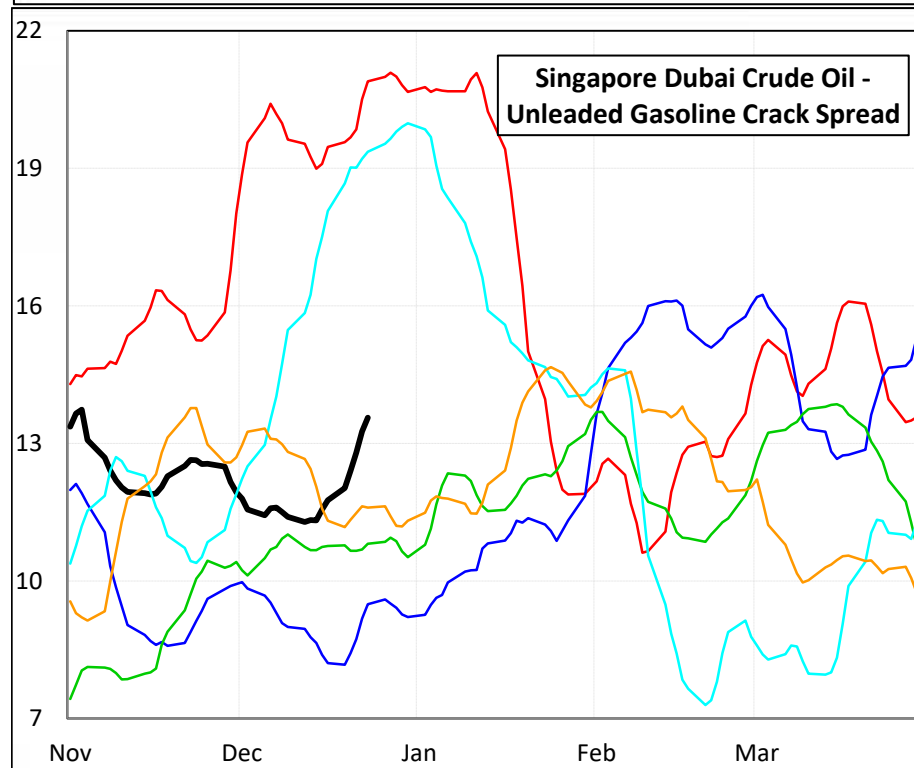
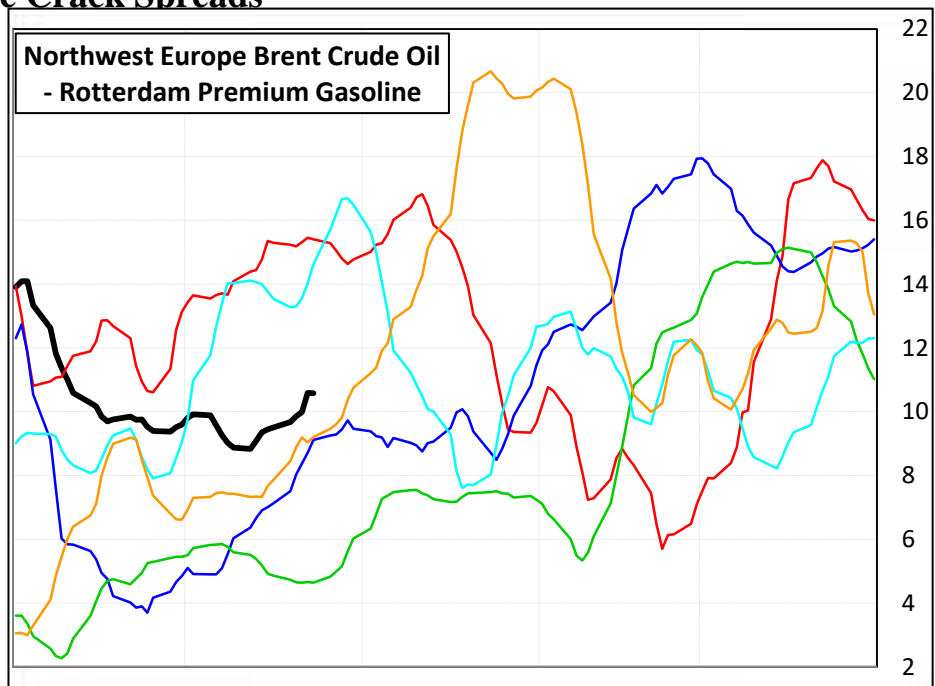
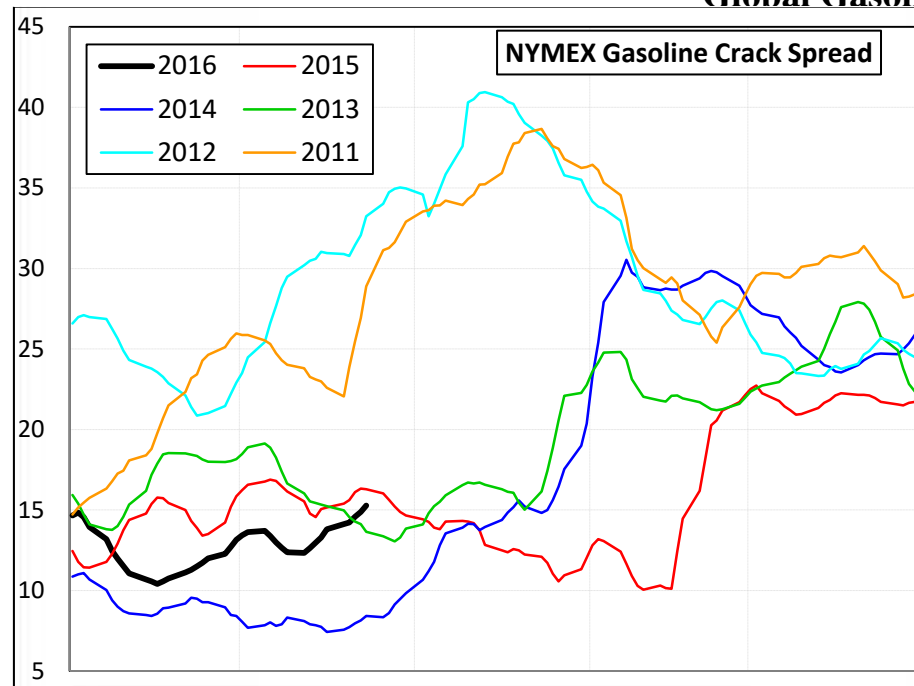
PADD 4 Gasoline Supply



PADD 5 Gasoline Supply



Global Gasoline Crack Spreads



Global Gasoline Cash Basis

