

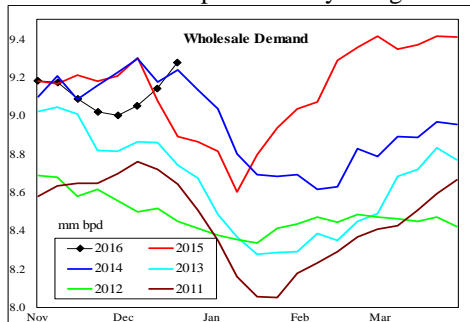


WEEKLY GASOLINE FUNDAMENTAL-PRICE-BASIS OUTLOOK

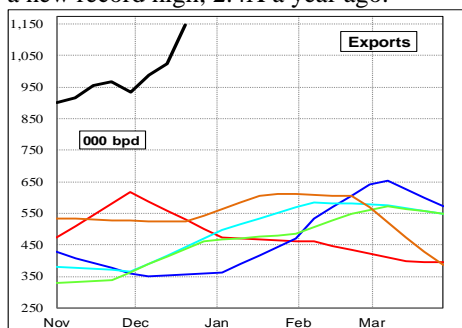
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, December 29, 2016

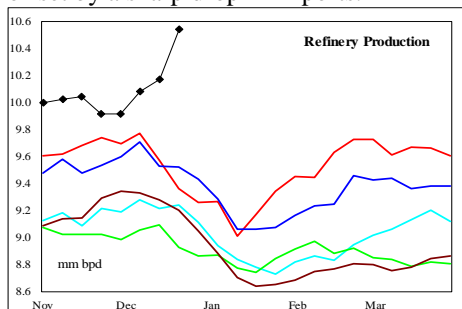
Wholesale demand was unchanged on the week. The latest 4-wk average demand was -0.3 million bpd below a year ago.



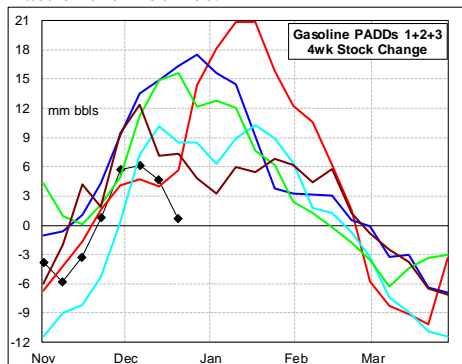
Exports were +1.15 million bpd last week, a new record high; 2.4X a year ago.



Supply increased +0.4 million bpd on the week, driven record production; partially offset by a sharp drop in imports.



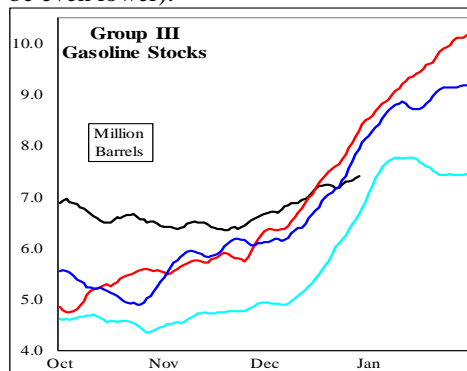
Stocks decreased -1.6 million barrels on the week including draws in all regions East of the Rockies.



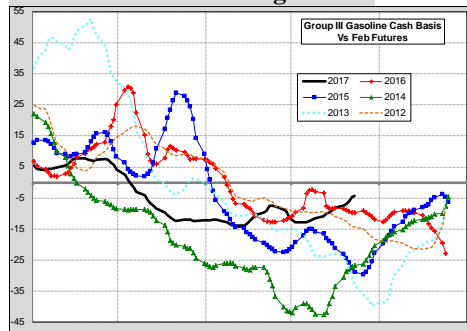
The latest 4-wk stock change for markets

East of the Rockies was a build of +0.7 million barrels compared to an average +12 million barrel build during the last 3-yrs. The current build was a record low for this time of year.

Group III stocks increased +0.4 million barrels last week, although the level was -1 million barrels below last year (with consideration for added line fill this year to Little Rock, the stock level would be even lower).

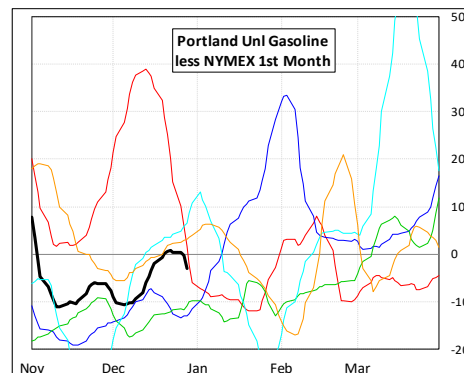


Cash Basis and Refining Trends



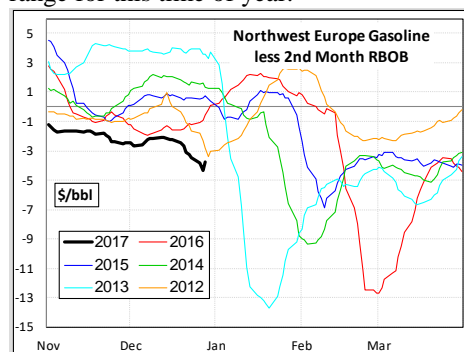
Cash basis for CBOB grade gasoline trended higher last week in Midwest and the Gulf markets. Basis levels ended the week at 5-yr highs for this time of year in Midwest and Gulf markets. *The dramatic increase in exports may limit seasonal weakness in basis for both the Gulf and Midwest markets during the next quarter.* Chicago basis pulled back late in the week, still ending at a level above the 5-yr range for the period.

Basis in West Coast markets trended lower in all markets except Los Angeles 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 above the average of the last 2-yrs.



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

Cash basis in all global gasoline markets trended lower last week. All markets traded at levels near historic lows for the period – pointing to a relatively tight U.S. market compared to other global markets. Northwest Europe was particularly weak, trading below the 5-yr range for this time of year.



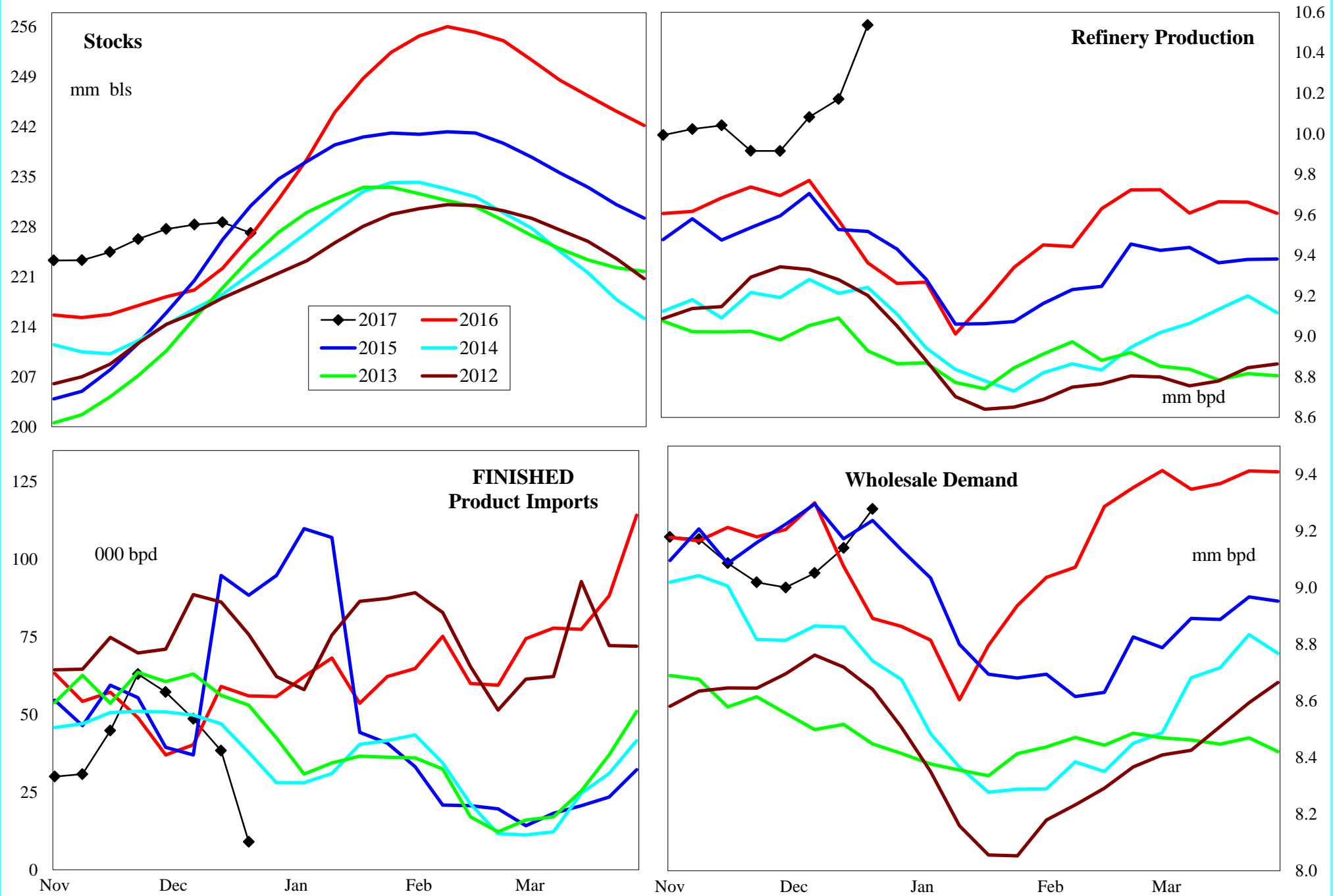
Gulf Coast Price

Exports have spiked to all time highs, up 2.4X a year ago. The increase has significantly tightened markets East of the Rockies where the latest 4-wk stock build is a record low. 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 comparable to the last 2-yrs, versus above the historic range just 1-month ago. 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

5,723

2.6

Production

332

3.4

Fin Impt

4

8.7

Blend Impt

3

0.6

Demand=>

4wk avg

-261

-2.8

Nov

-54

-0.6

Oct

-172

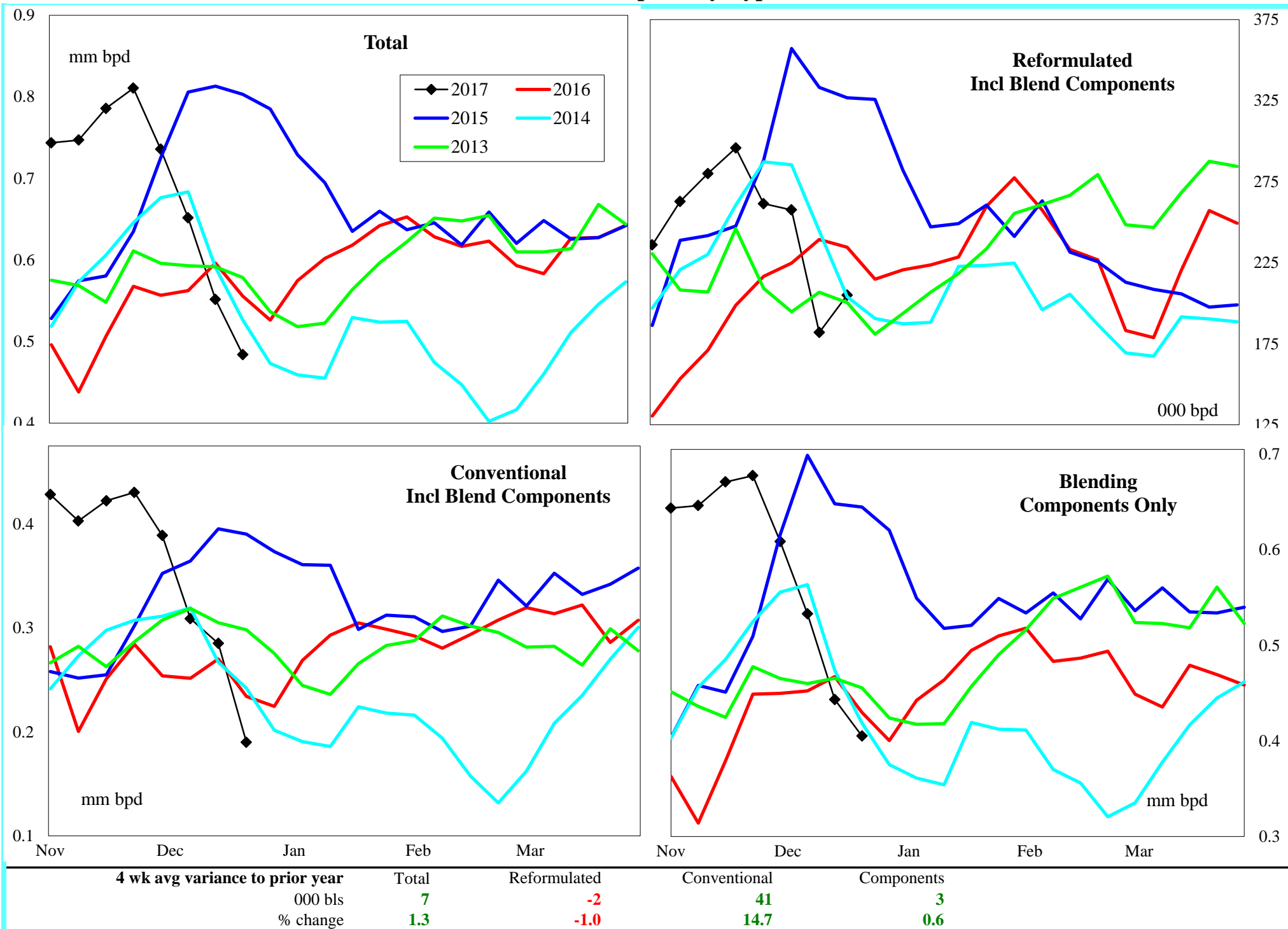
-1.9

Sep

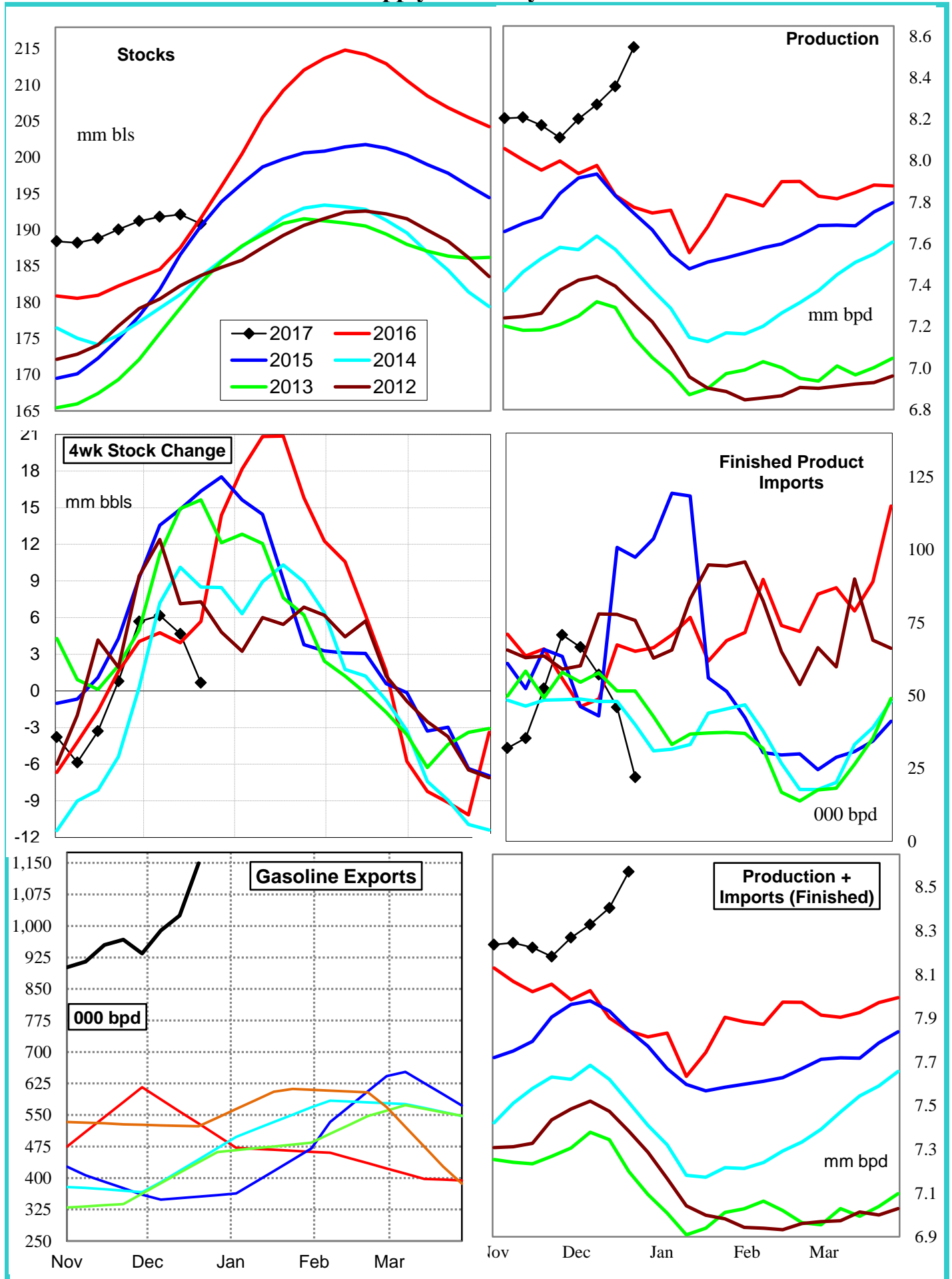
217

2.3

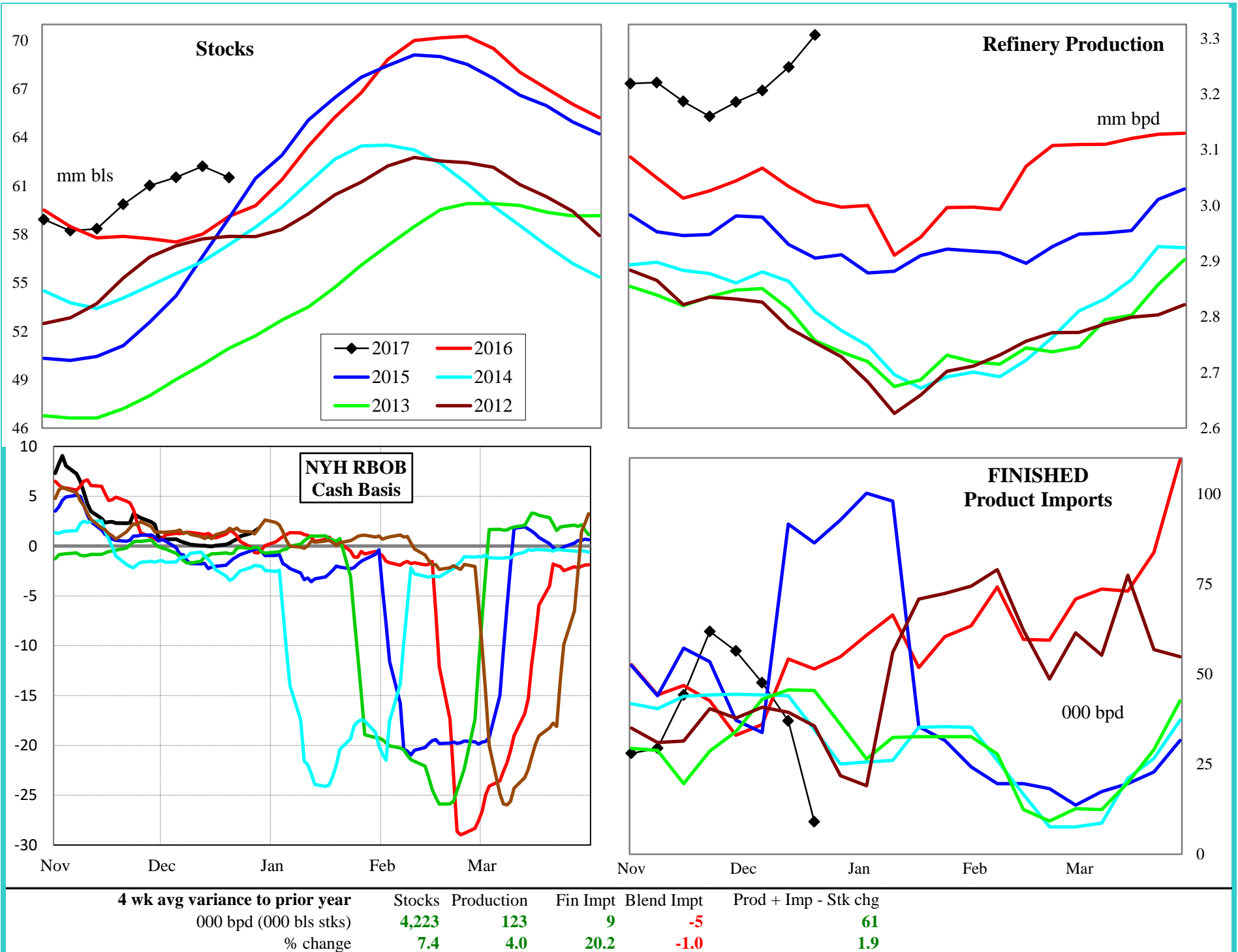
Gasoline Imports by Type



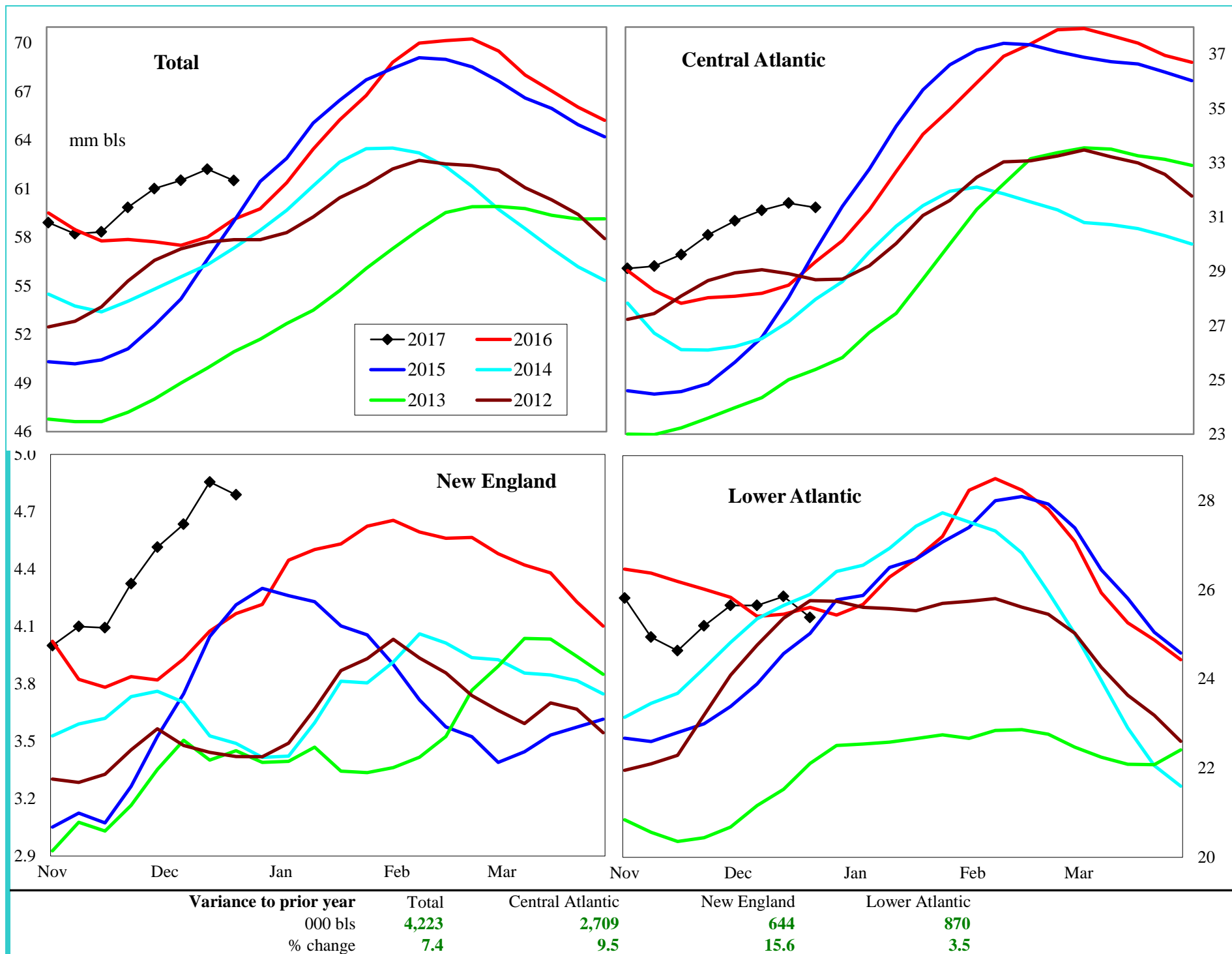
Gasoline Supply Summary PADDs 1+2+3



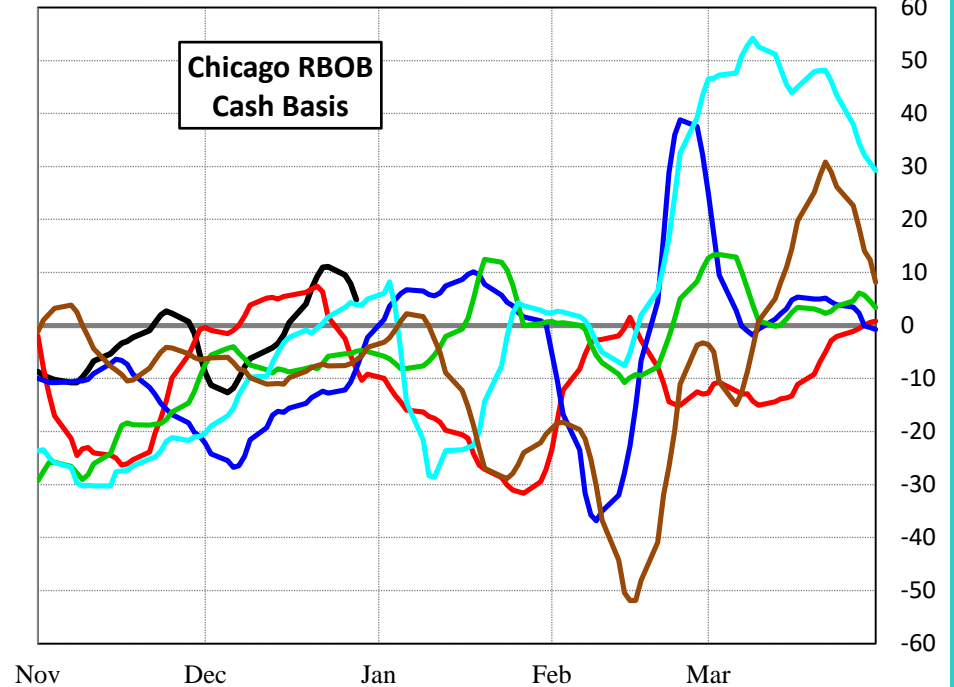
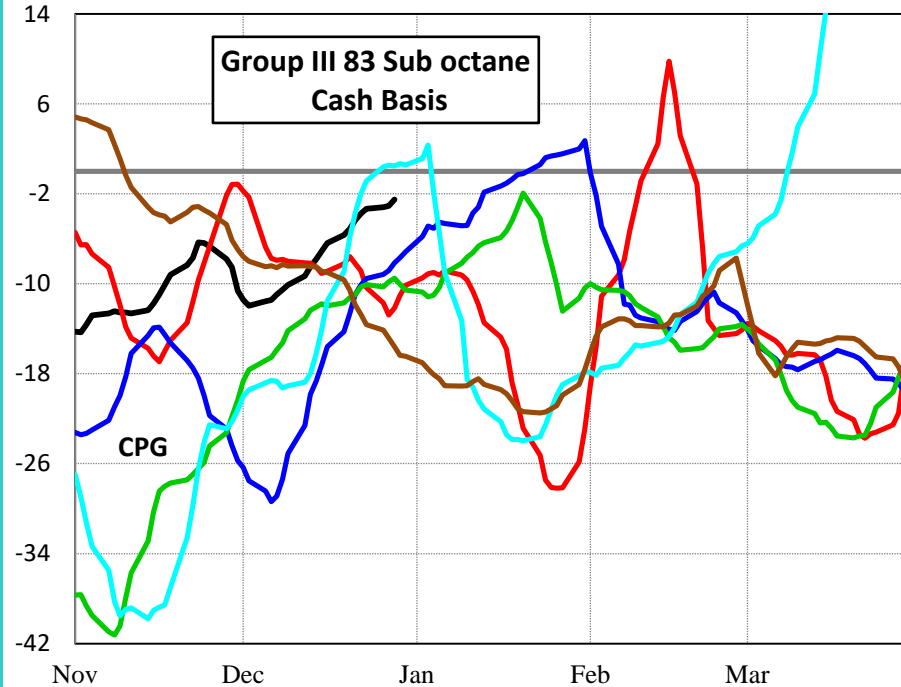
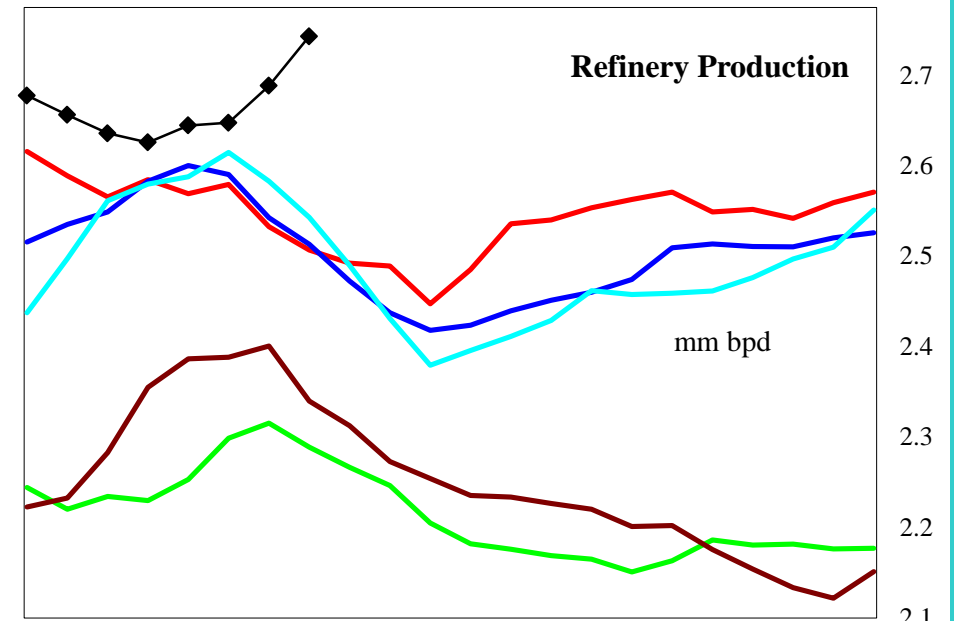
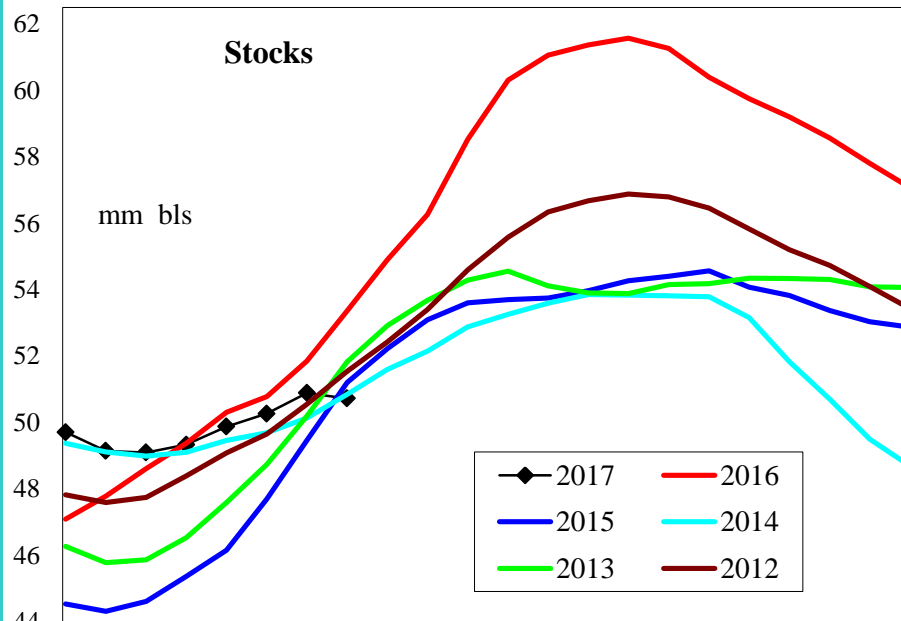
PADD 1 Gasoline Supply



PADD 1 Gasoline Stocks by Region



PADD 2 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-2,638

-5.0

Production

81

3.2

Imports

-2

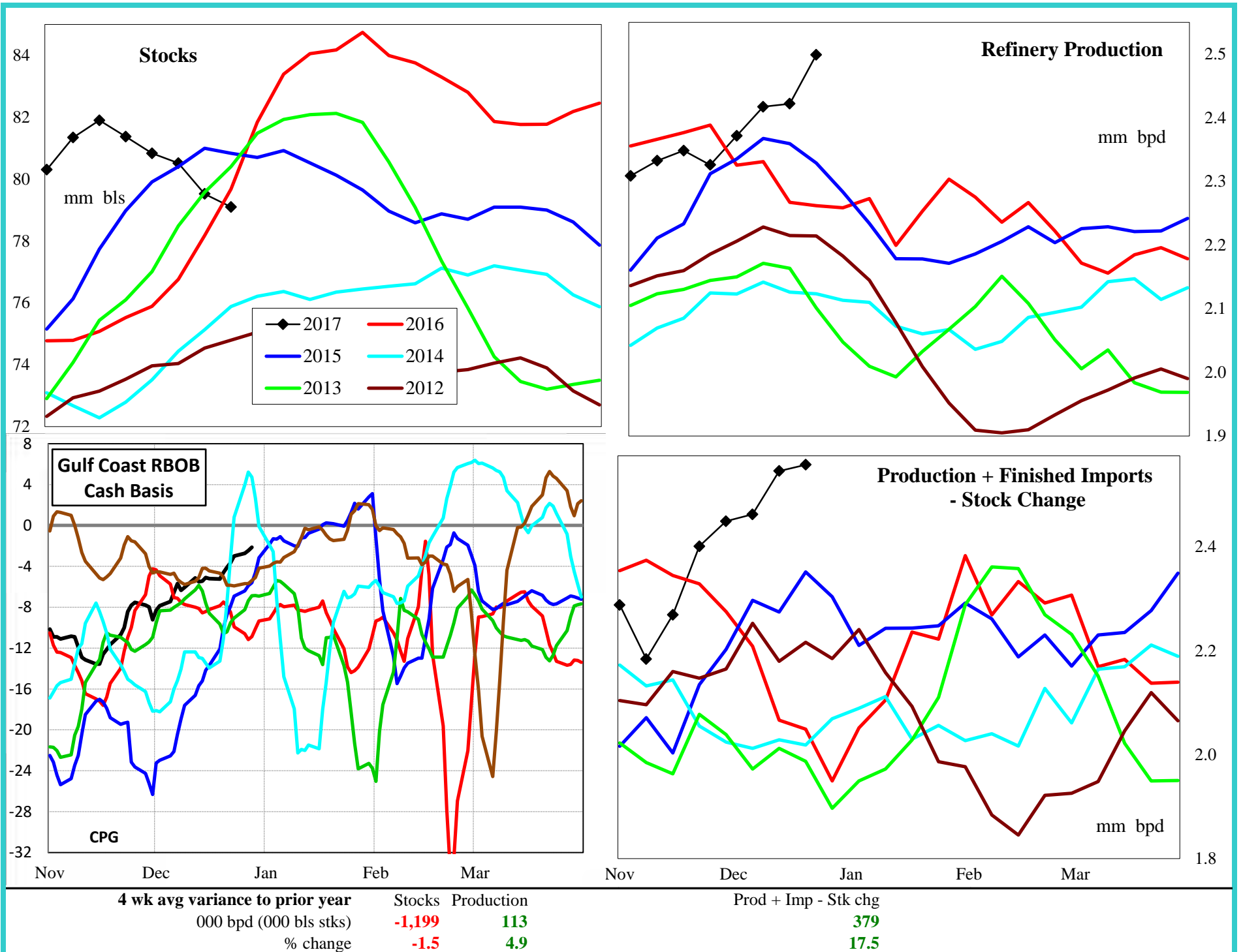
-13.6

Prod + Imp - Stk chg

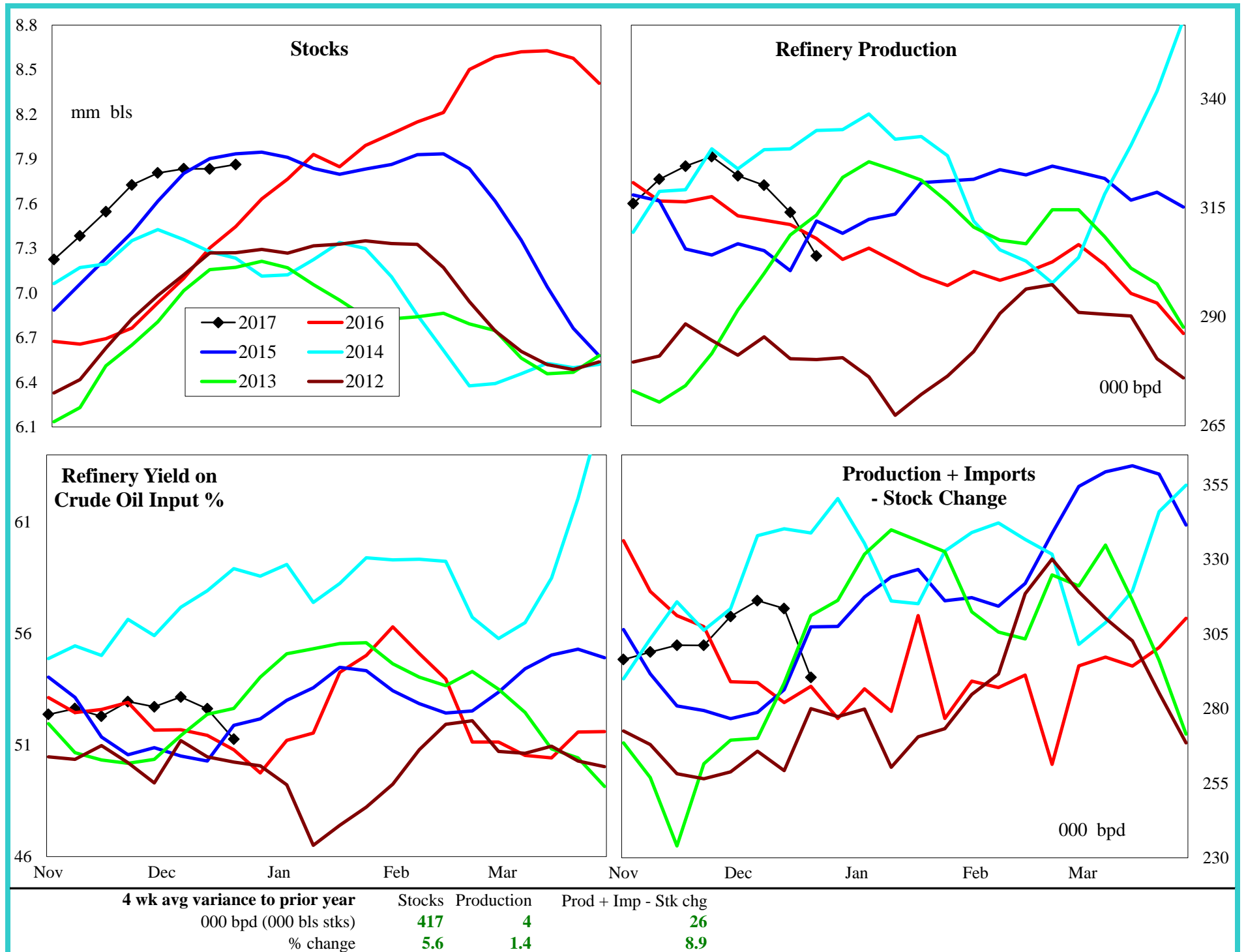
66

2.6

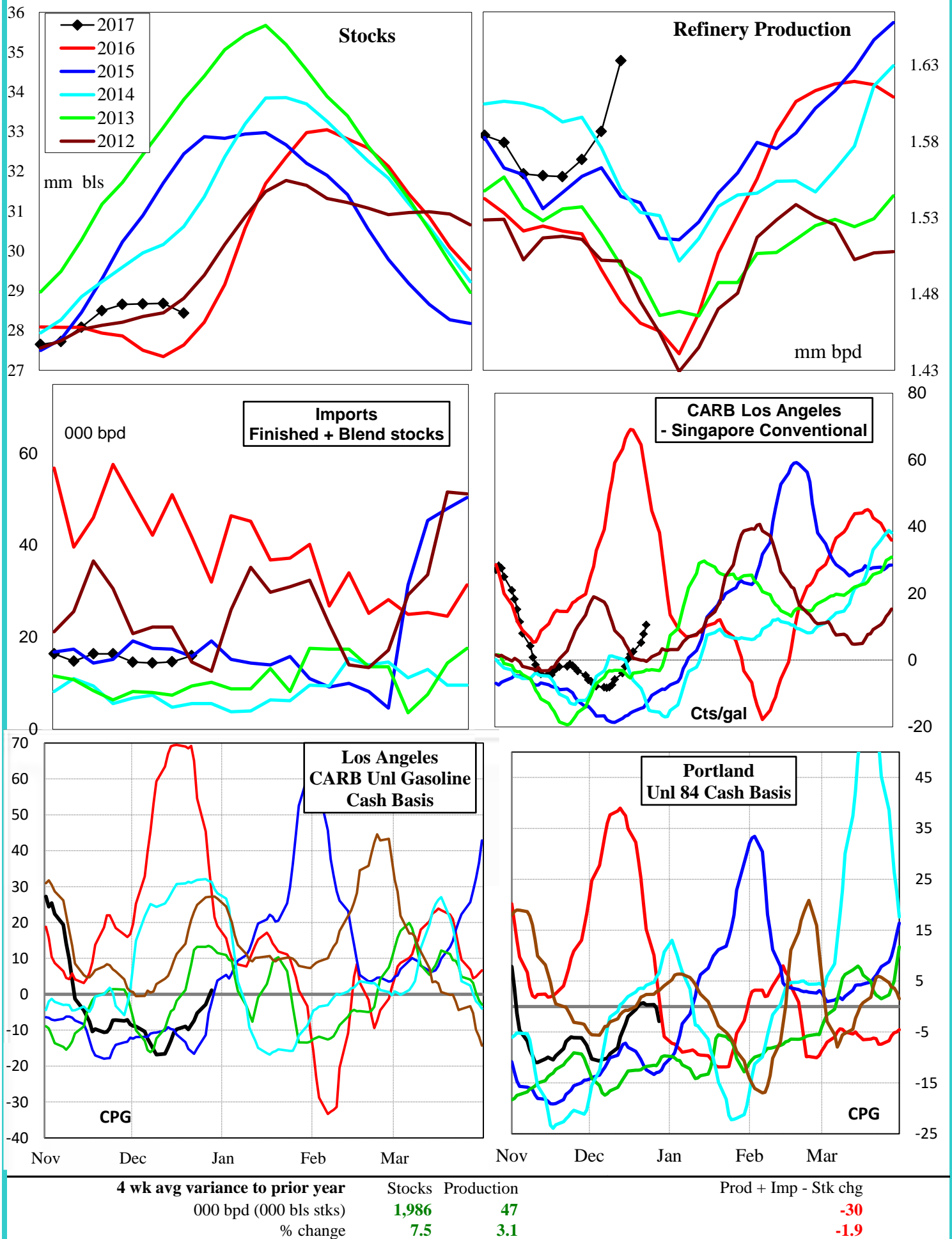
PADD 3 Gasoline Supply



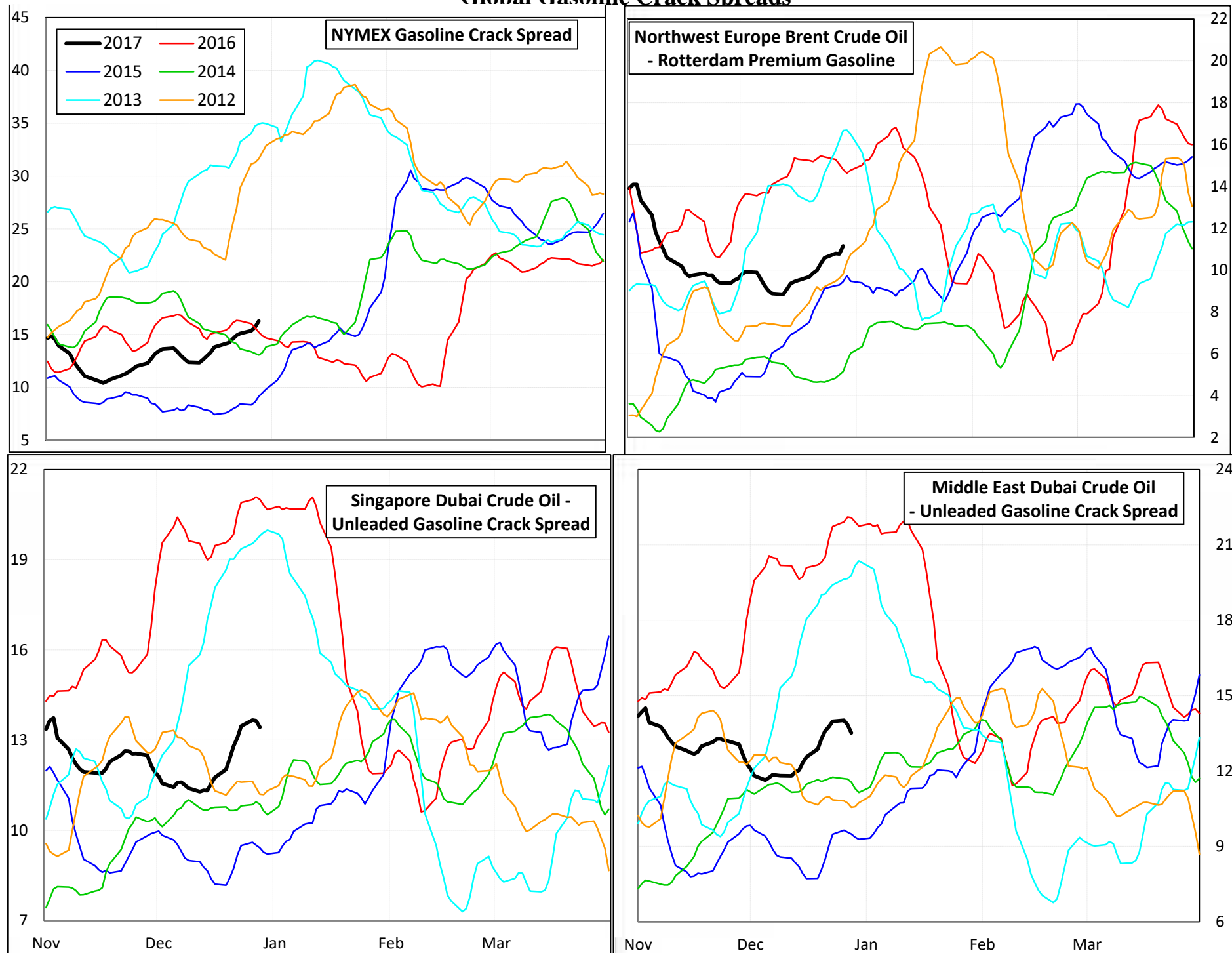
PADD 4 Gasoline Supply



PADD 5 Gasoline Supply



Global Gasoline Crack Spreads



Global Gasoline Cash Basis

