

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

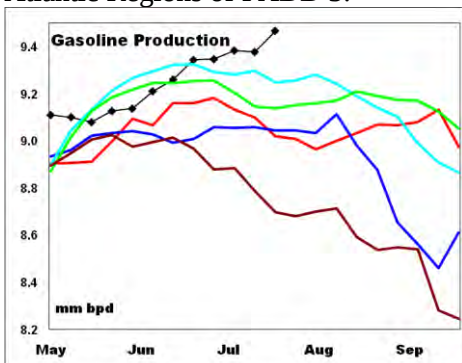
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, July 28, 2010



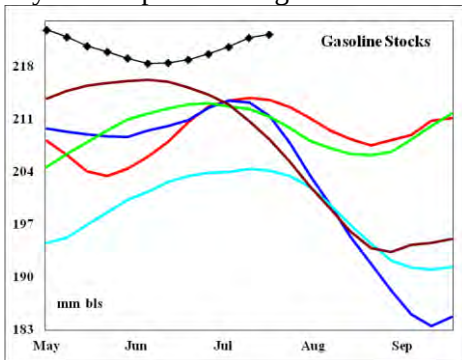
Major Fundamental Trends¹

Wholesale gasoline demand increased +552,000 bpd during the last 2-wks, lifting demand to pre recession levels.

However, stocks of gasoline increased +1.2 million barrels during the same 2-wk period, driving stock levels to new record highs. The capacity of the industry to produce record gasoline through both refining and blending has led to significant over supply in the key PADD 3 and Lower Atlantic Regions of PADD 3.



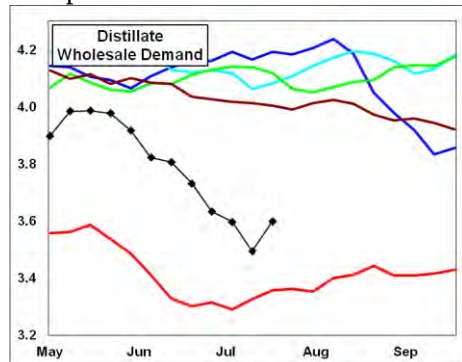
High levels of production in all regions point to significant risk of downside pressure on prices as the industry looks beyond the peak driving season.



Wholesale distillate demand increased +241,000 bpd last week, partially reversing the near -600,000 bpd declined during the prior 2-wks.

The level of demand remains well below pre recession rates and just modestly above a year ago. A slowing in the rate of growth of the U.S. manufacturing economy and consumer spending has limited demand for

transport diesel.



Production, while declining -162,000 bpd last week, remains near 5-year highs. Stock levels are above last years' record levels. The distillate market remains extremely over supplied. Significant 'carry' in the forward price curve should encourage further stock building.

Demand jumped for both gasoline and distillate last week, with each higher by +200,000 bpd.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +21%; distillate up +9.4%; jet fuel up +11% while residual fuel oil fell -21%.

Stocks forward coverage: Gasoline demand coverage decreased on a 2nd consecutive week of sharply higher seasonal demand with stock levels nearly unchanged. Coverage remains above the historic range.

Distillate demand coverage increased on a +0.9 million barrel stock build that offset higher demand. Coverage levels were near last years' record high.

Jet fuel coverage remains at eh upper end of the historic range on very high stock levels that are partially offset by recent increases in demand.

Residual fuel oil coverage remains extremely high on low demand and stock levels above the 5-year range.

Refinery utilization rates declined last week on a -55,000 bpd drop in crude oil runs. Crude thru put was near the 5-year mid range.

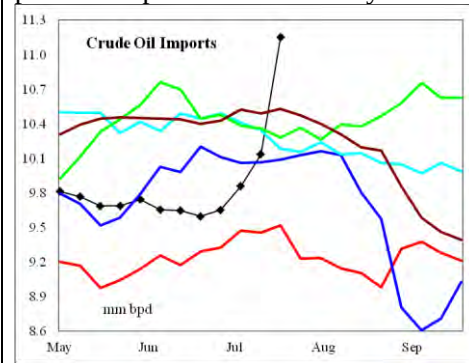
Gasoline yield % on crude oil runs jumped last week on a +256,000 bpd

rise in production compared to the -55,000 bpd decline in crude oil runs. Yield % was at the upper end of the historic range for the period.

Distillate yield % on crude oil runs declined on a -162,000 bpd decrease in output. Yield % was above four of the last five years.

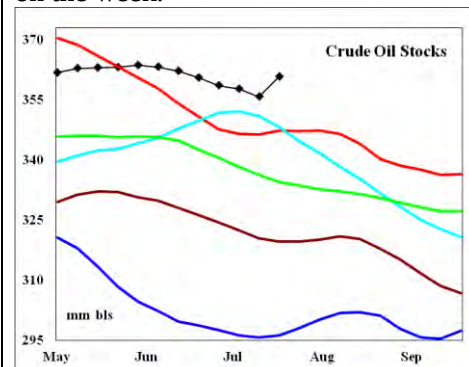
Jet fuel yield % on crude oil runs declined on a -52,000 bpd drop in production, with the yield % now below the mid range.

Petroleum Imports of crude oil surged +1.2 million bpd last week, while product imports were modestly lower.

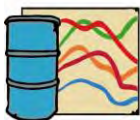


During the latest 4-wk period distillate imports decreased -30,000 bpd compared to last year; finished gasoline imports decreased -140,000 bpd, gasoline blend stock imports increased +209,000 bpd; jet fuel imports increased +1,000 bpd, while residual fuel oil imports increased +18,000 bpd.

Crude Oil imports spiked +1.2 million bpd higher last week. Imports were at record highs in PADD 3 and a record low in PADD 5. The surge in imports led to a +7.3 million barrel stock build on the week.



¹ Source is latest EIA Weekly Statistics



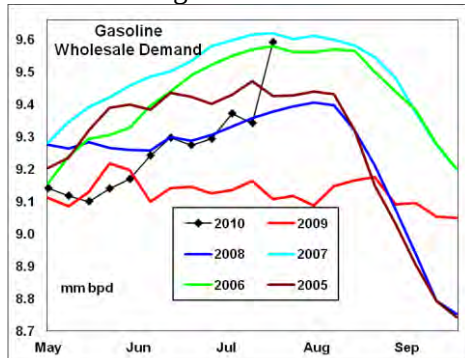
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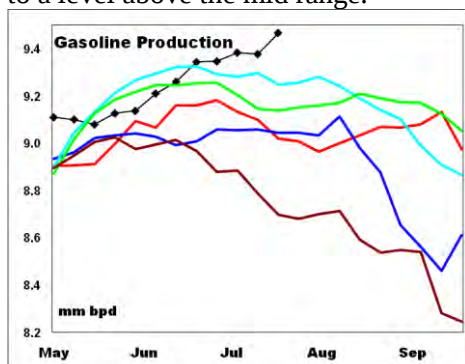
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Product Supply-Demand Trends

Gasoline demand climbed +197,000 bpd last week, for a +550,000 bpd increase during the last 2-wks.



Gasoline production increased +256,000 bpd on the week, to a new record high. The most recent 4-wk average was +280,000 bpd above last year. Imports decreased -93,000 bpd to a level above the mid range.



Record production matched the increased demand, leading to a +0.1 million barrel counter seasonal stock build. Stock levels were +9.2 million barrels above the prior historic high.

The Central Atlantic Region of PADD 1, PADD 2 and PADD 5 markets each reflect relatively tight gasoline supplies on stock levels below the mid range. However, high levels of production partially offset the lower stock levels.

New England and the Lower Atlantic Regions of PADD 1 and PADD 3 markets are extremely over supplied.

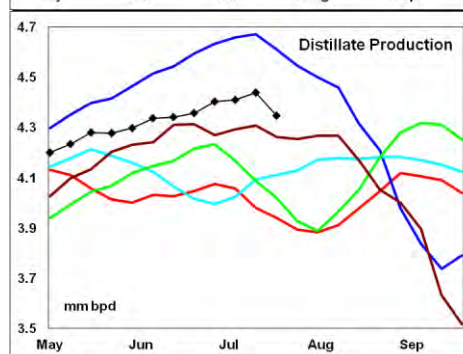
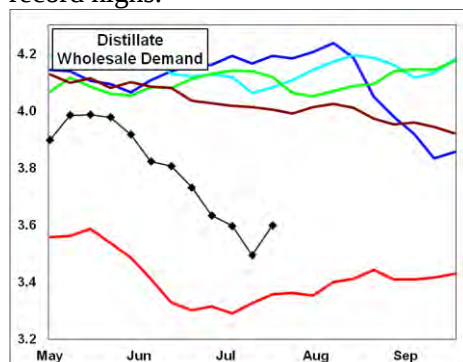
Record high production and stock levels point to high risk of downward pressure on prices as the industry looks past peak summer demand.

Distillate demand increased +241,000

bpd last week, partially offsetting the nearly -600,000 bpd decline of the prior 2-wks. Demand remains above last years' record lows, but well below pre recession levels.

Production declined -162,000 bpd, while imports also decreased -25,000 bpd on the week. Production remains at the upper end of the historic range.

Stocks increased +0.9 million barrels on the week. Stock levels are +4.9 million barrels above last years' record highs.



The -187,000 bpd drop in supply and increased demand limited the stock build last week. However, the market remains over supplied on record stock levels and very high production.

Expect price weakness relative to the overall energy complex.

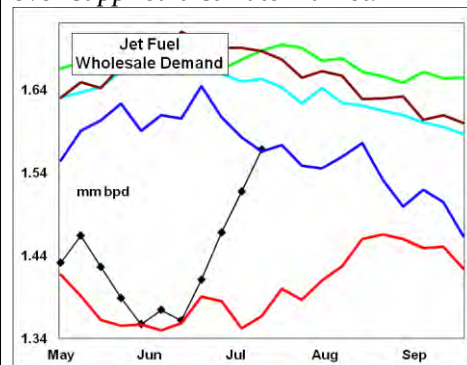
Jet Fuel demand decreased -55,000 bpd on the week. The latest 4-wk average demand was +153,000 bpd above last year.

Supply decreased -44,000 bpd on the week as a result of reduced production. Production levels remain above the mid range.

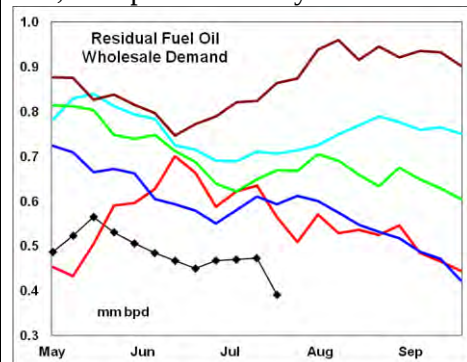
The latest 4-wk average supply was +96,000 bpd above a year ago. Stocks increased +0.3 million barrels

on the week, and remain +3.1 million barrels above the prior record high.

Jet fuel prices should remain weak on high stock levels, and an extremely over supplied distillate market.



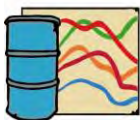
Residual fuel oil demand, including exports, declined -96,000 bpd last week, with the 4-wk average -133,000 bpd below last year.



Supply (production + imports) decreased -15,000 bpd on the week, with the latest 4-wk average -117,000 bpd below a year ago. Stocks extended a longer term downtrend, off -0.2 million barrels on the week. The level is now at the upper end of the 5-year range.

Refiners have cut production -23% compared to a year ago, by maximizing middle distillate output. The reduced supply has led to significant stock draws. However, given the very low level of demand, measured in days of forward coverage the market remains very well supplied.

Expect further improvement in the supply balance to provide modest price support compared to the energy complex.



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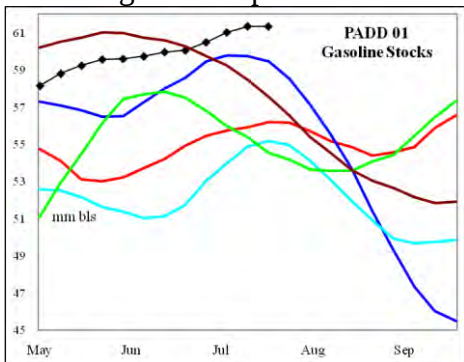
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PADD Supply Trends

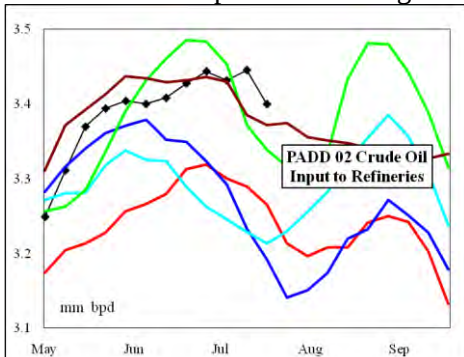
PADD 1 refinery crude oil runs decreased -22,000 bpd last week, with the 4-wk average -86,000 bpd below last years' record low rate.

Gasoline production increased +105,000 bpd on the week, with the latest 4-wk average +563,000 bpd above a year ago. Imports (blend stocks) were nearly unchanged at a level above the mid range. Stocks decreased -0.2 million barrels, but remain at a record high for the period.



Distillate supply decreased -10,000 bpd last week, on lower imports. Stocks increased +0.5 million barrels, slightly above the prior record high level.

Jet fuel supply increased +21,000 bpd on higher imports. Stocks declined -0.2 million barrels but remain above the prior historic high



PADD 2 crude oil refinery runs decreased -44,000 bpd, but remain above the historic range. Crude oil stocks increased +1.8 million barrels to a level +13 million barrels above the prior record. Imports decreased -44,000 bpd but remain well above the

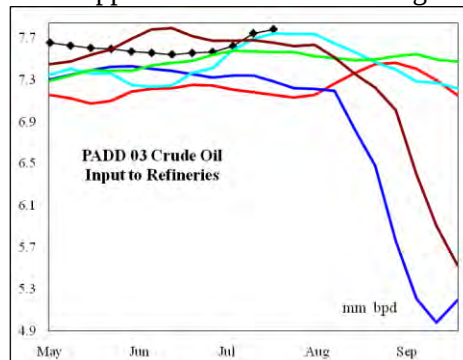
historic range.

Gasoline production increased +38,000 bpd last week, to a level near the 5-year high. Stocks were unchanged on the week, at a level near the mid range.

Distillate production fell -79,000 bpd on the week, but remains at a level near the 5-year high. Stocks increased +0.2 million barrels to a level at the upper end of the historic range.

Jet fuel production decreased -10,000 bpd, although the level remains well above the historic range. Stock levels remain well above the historic range.

PADD 3 refinery crude oil runs increased +45,000 bpd, to a level above the historic range. The latest 4-wk average was +475,000 bpd above a year ago. Crude imports spiked +1.7 million bpd last week, lifting stocks +8.2 million barrels. Stock levels are at the upper end of the historic range.



Gasoline production increased +31,000 bpd on the week. Stocks were nearly unchanged, with the level +9.4% above the prior record high.

Distillate production fell -68,000 bpd but remains near the 5-year high. Stocks increased +0.7 million barrels, with the level +13% above the prior record high.

Jet fuel production declined -22,000 bpd to the mid range. Stock levels are now +14% above the prior record high.

Residual fuel oil supply declined -49,000 bpd on lower imports. Stocks decreased -0.4 million barrels to the upper end of the historic range.

PADD 4 refinery crude runs decreased

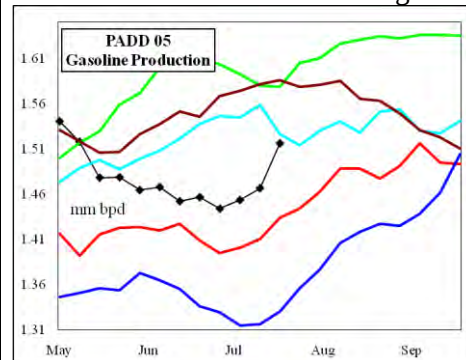
-4,000 bpd to the mid range. The latest 4-wk average thru put was comparable to last year. Imports jumped +132,000 bpd to a record high.

Gasoline production decreased -6,000 bpd on the week, but remains well above the historic range. Stock levels were +13% above the prior record high.

Distillate production decreased -21,000 bpd last week, to the mid range. Stock levels remain above the historic range.

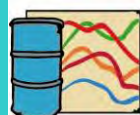
PADD 5 crude oil refinery runs decreased -30,000 bpd on the week, to the low end of the historic range. The latest 4-wk average run rate was +19,000 bpd above last year. Crude imports fell -0.7 million bpd, reversing the prior week surge. Stocks declined -4.4 million barrels to below the 5-year range.

Gasoline supply (production + imports) increased +77,000 bpd last week, to a level near the 5-year mid range. The latest 4-wk average supply was +62,000 bpd above last year. Stocks increased +0.2 million barrels, to the low end of the historic range.



Distillate production was unchanged on the week, at a level near the low end of the historic range. Stocks decreased -0.3 million barrels, to a level near the 5-year high.

Jet fuel supply decreased -40,000 bpd last week, to a level below the mid range. Stocks increased +0.2 million barrels to the upper end of the historic range.


**FUNDAMENTAL
PETROLEUM
TRENDS**

PETROLEUM: Graph Link and Weekly Summary

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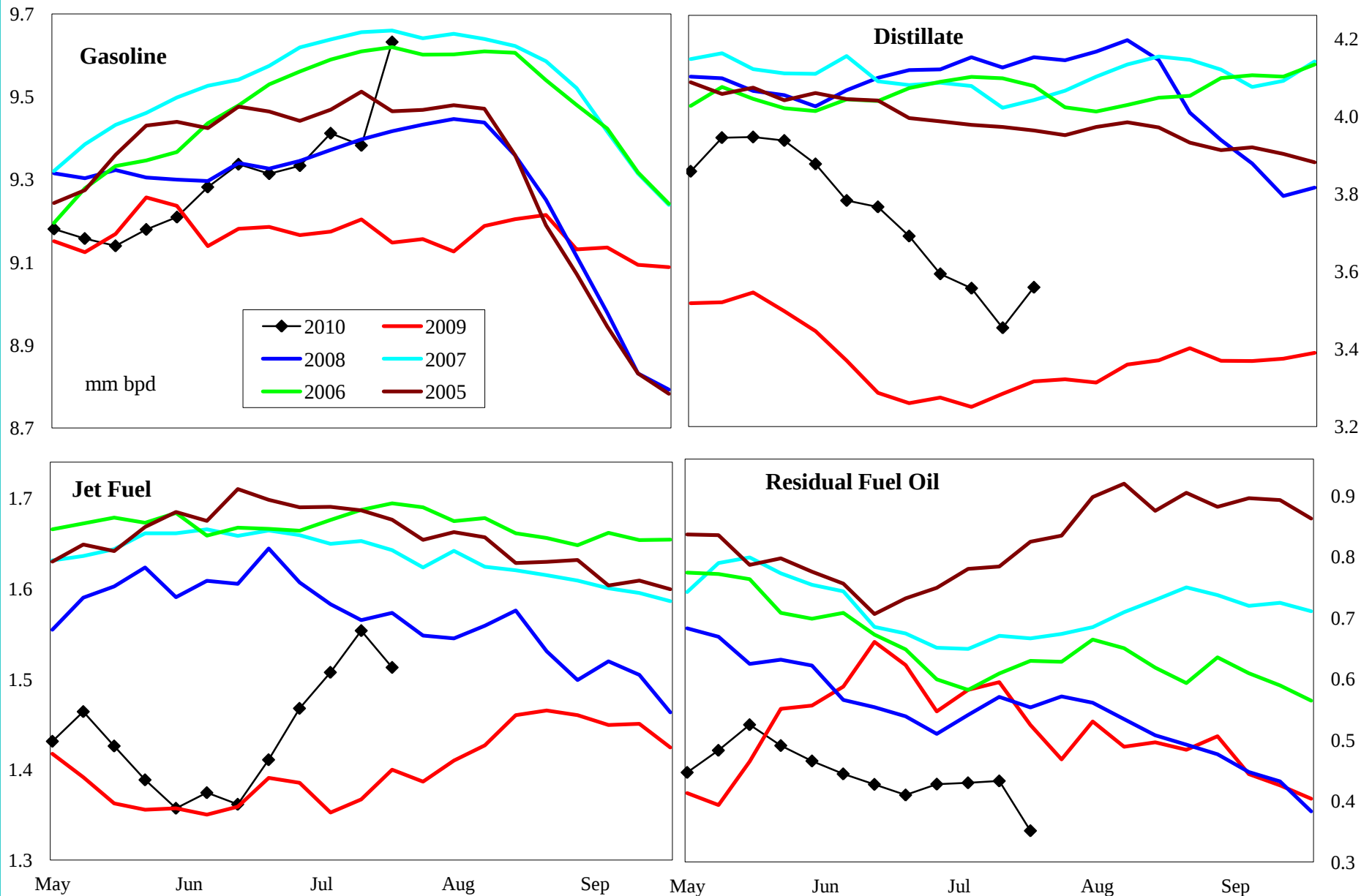
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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	23-Jul-10	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<u>Crude Oil</u>	Stocks	7,308	2,129	1,872	8,184	-460	-4,416
	Imports	1,176	36	-30	1,728	132	-691
	Input	-55	-22	-44	45	-4	-30
	% Utilization	-0.90					
<u>Gasoline</u>	Stocks	91	-239	-80	36	152	222
	Production	256	105	38	31	-6	88
	Imports	-93	-17	0	-64	0	-11
	Supplied	197					
<u>Distillate</u>	Stocks	938	465	172	673	-67	-306
	Production	-162	4	-79	-68	-21	1
	Imports	-25	-14	0	-9	-2	0
	Supplied	241					
<u>Jet Fuel</u>	Stocks	308	-164	86	138	7	240
	Production	-52	-16	-10	-22	7	-13
	Imports	8	37	0	-1	-1	-27
	Supplied	-55					
<u>Residual Fuel Oil</u>	Stocks	-216	129	101	-410	-7	-29
	Production	-17	-3	-10	13	0	-17
	Imports	2	72	0	-62	0	-7
	Supplied	-96					

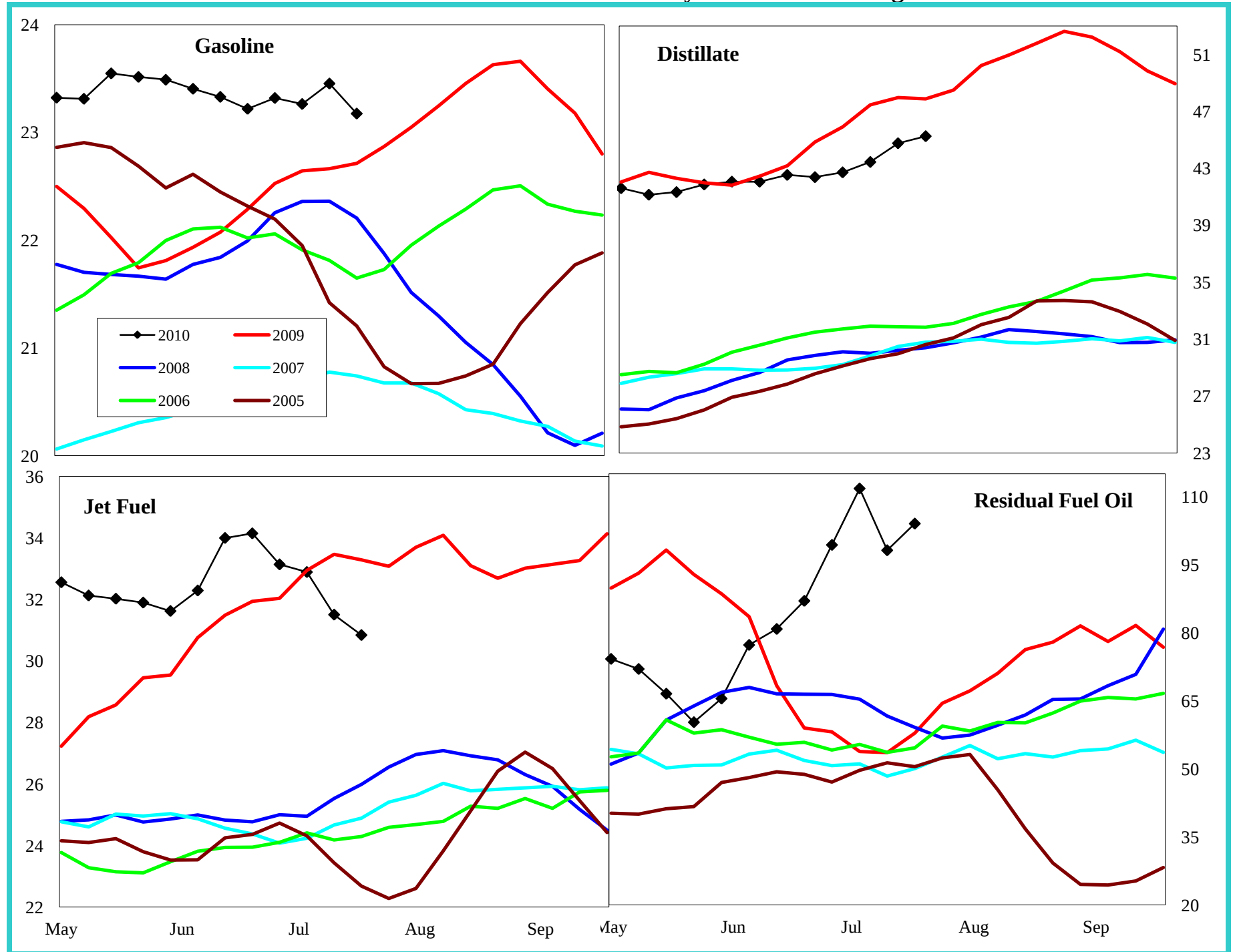
United States Wholesale Petroleum Demand



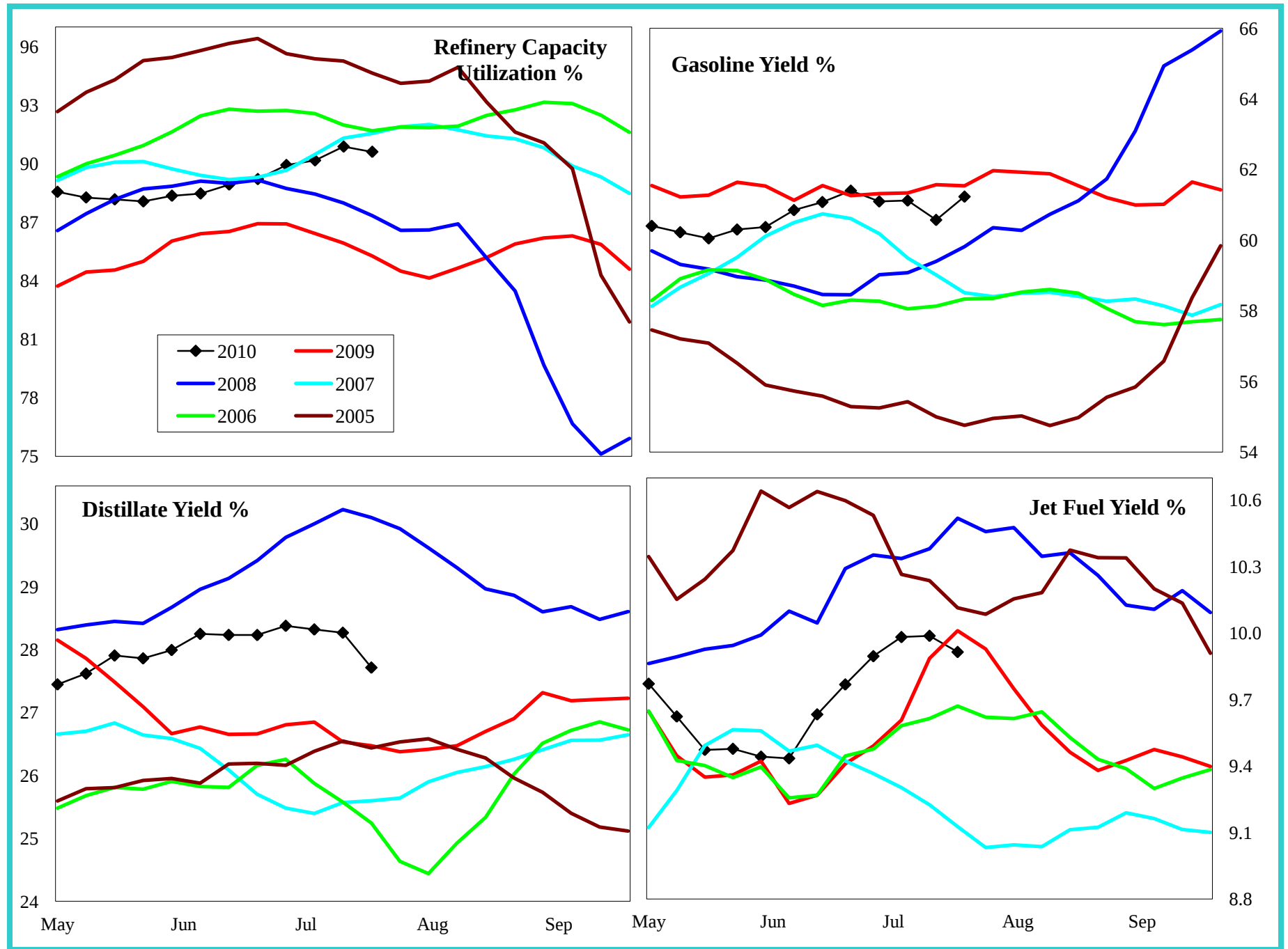
	000 bpd change from prior year				% change from prior year				
	4wk avg	Jun	May	Jan	4wk avg	Jun	May	Apr	
Gasoline	195	149	53	155	2.1	1.6	0.6	1.7	
Distillate	309	232	589	247	9.4	6.5	17.2	7.1	
Jet Fuel	153	-34	77	-33	11.2	-2.4	5.8	-2.3	
Resid	-133	-173	74	-95	-21.1	-28.8	15.1	-14.1	



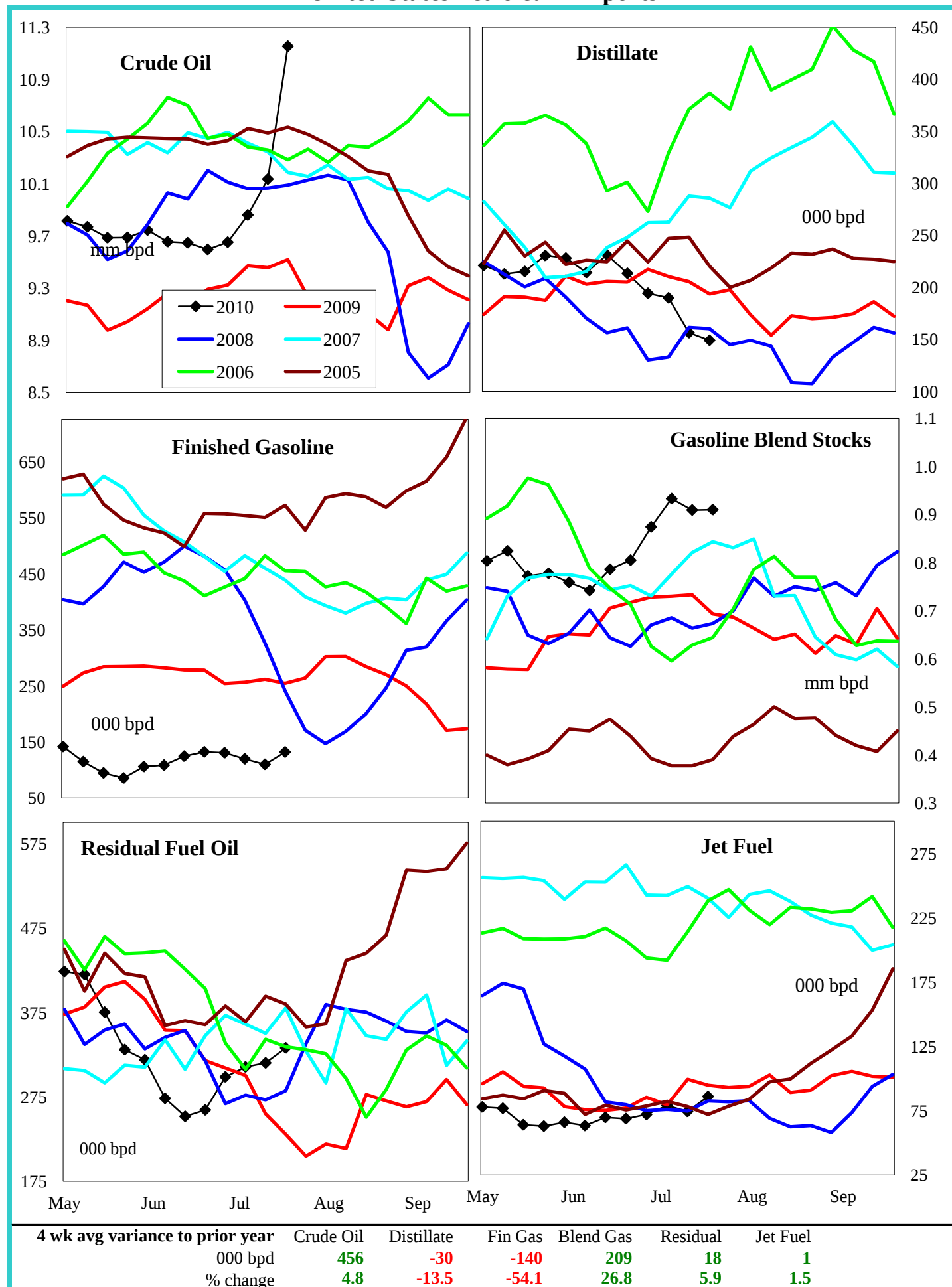
United States Product Stocks: Days Forward Coverage



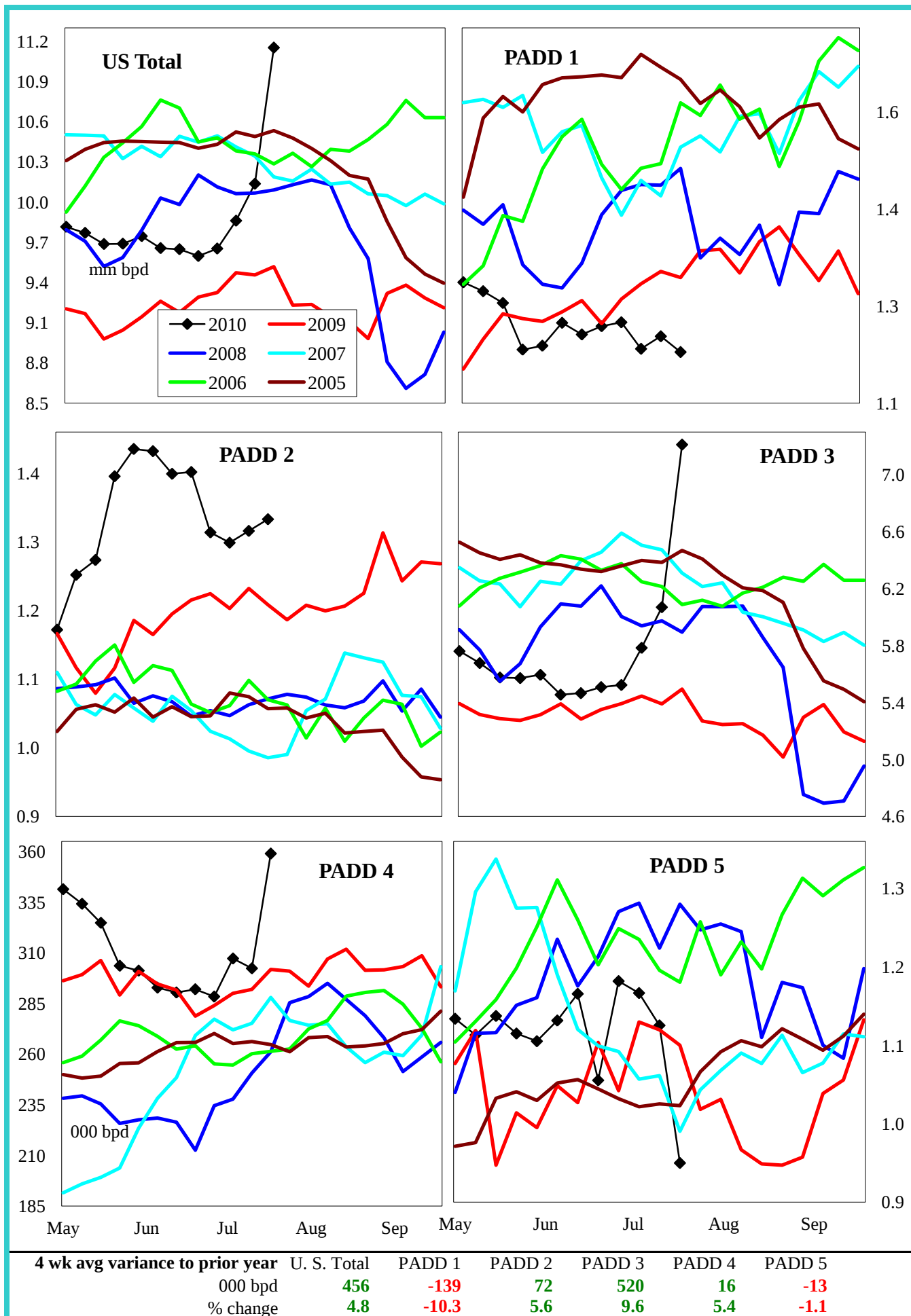
United States Refinery Percent Utilization Rate and Product Yields



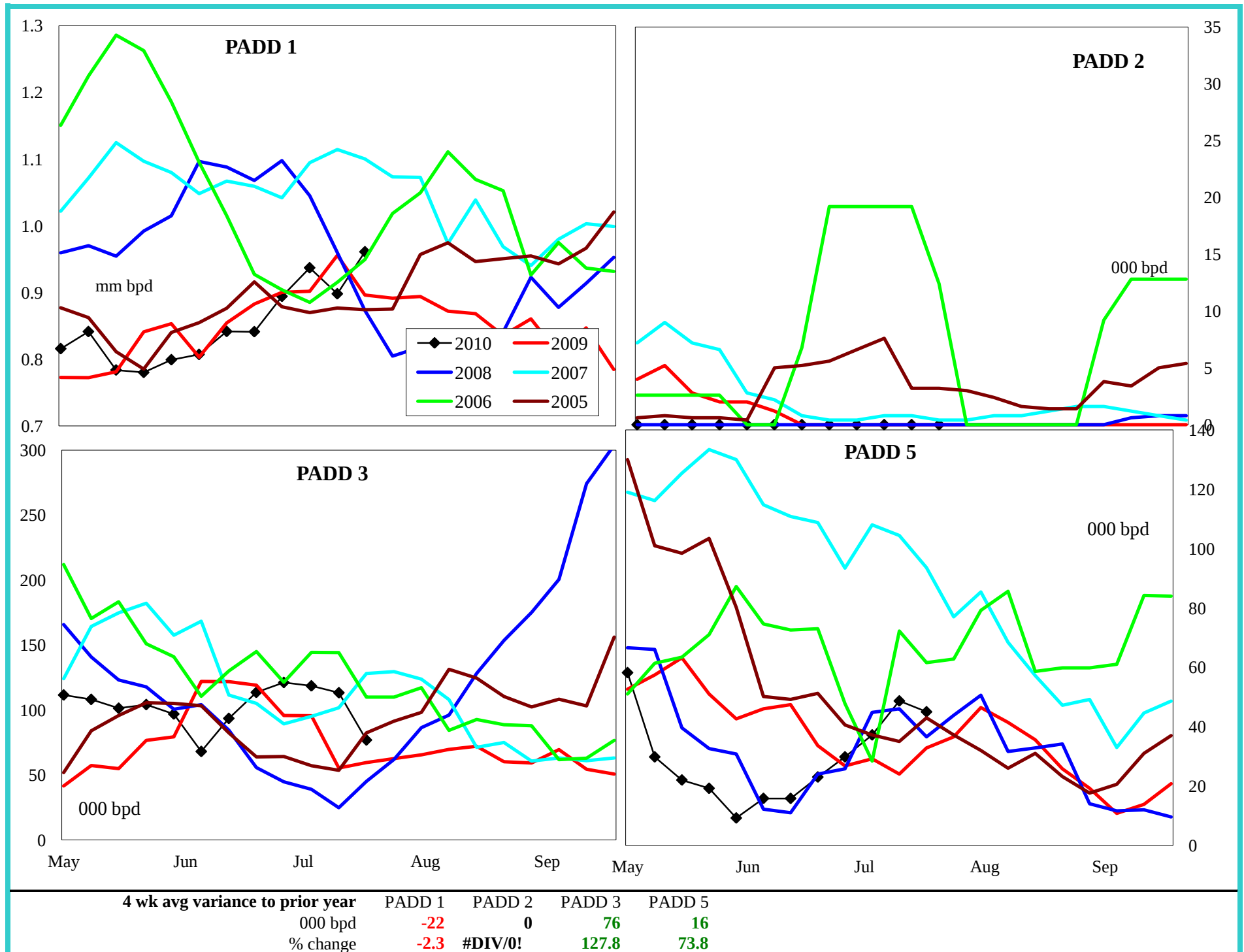
United States Petroleum Imports



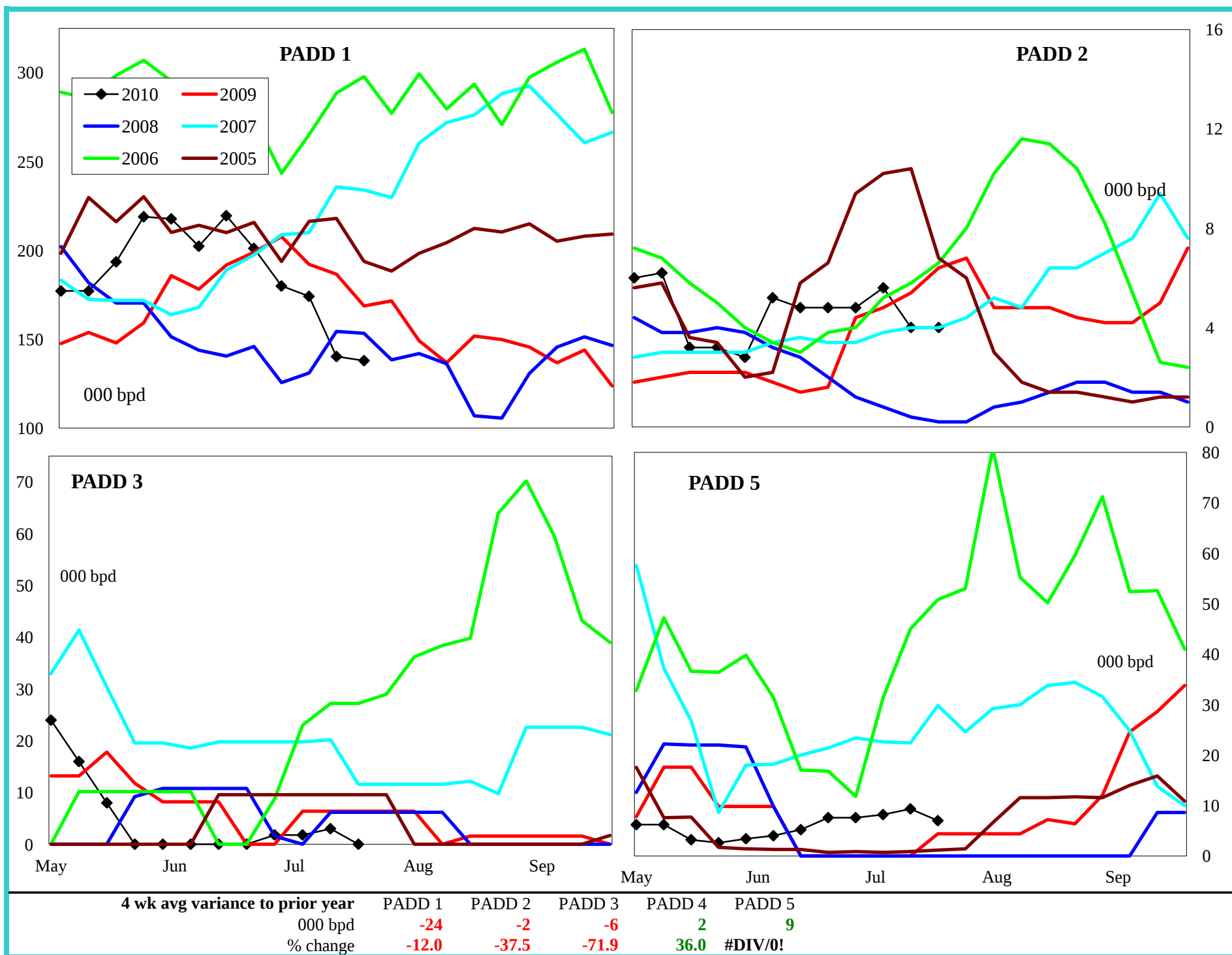
Crude Oil Imports by PADD



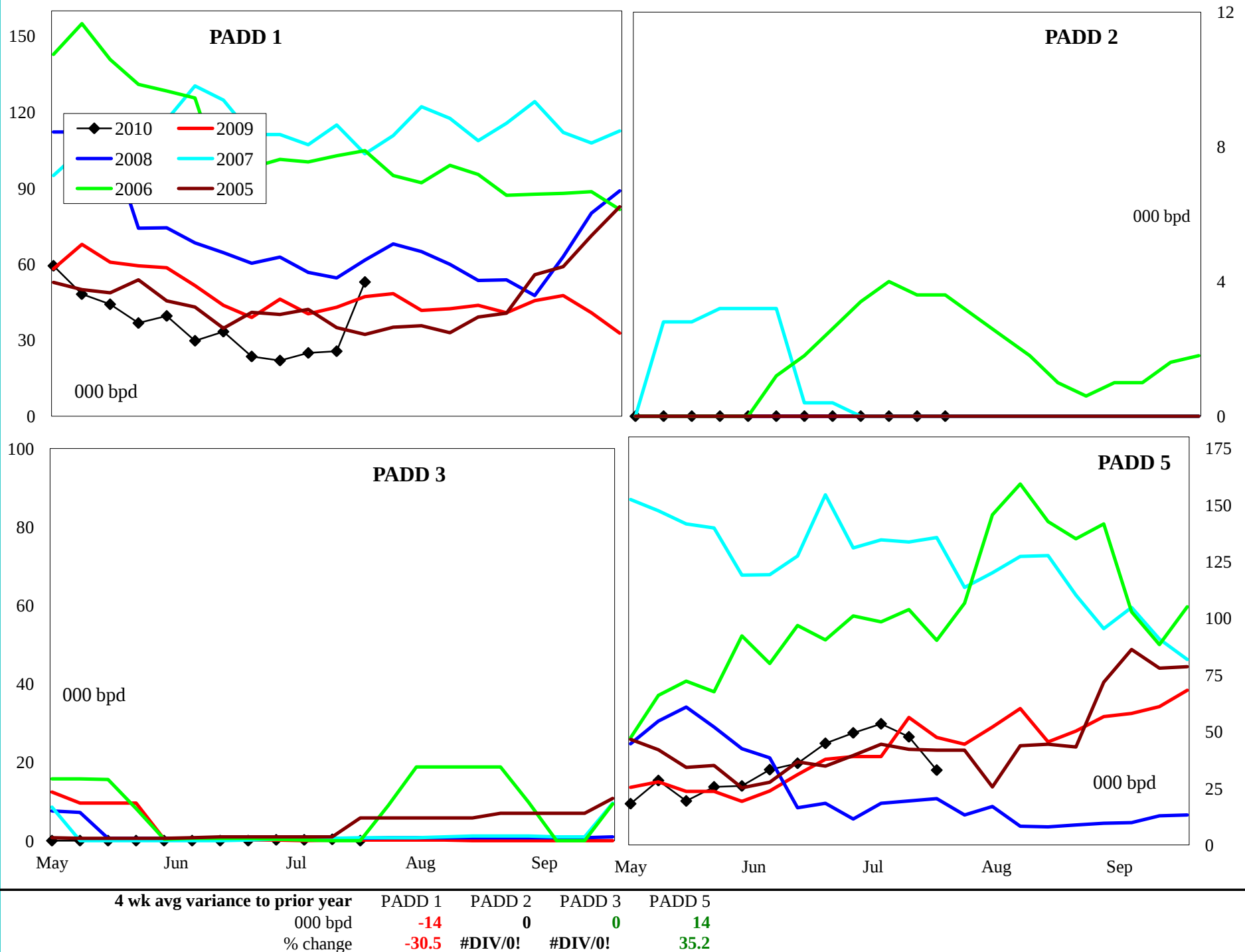
Gasoline Imports by PADD (Finished + Blend Stocks)



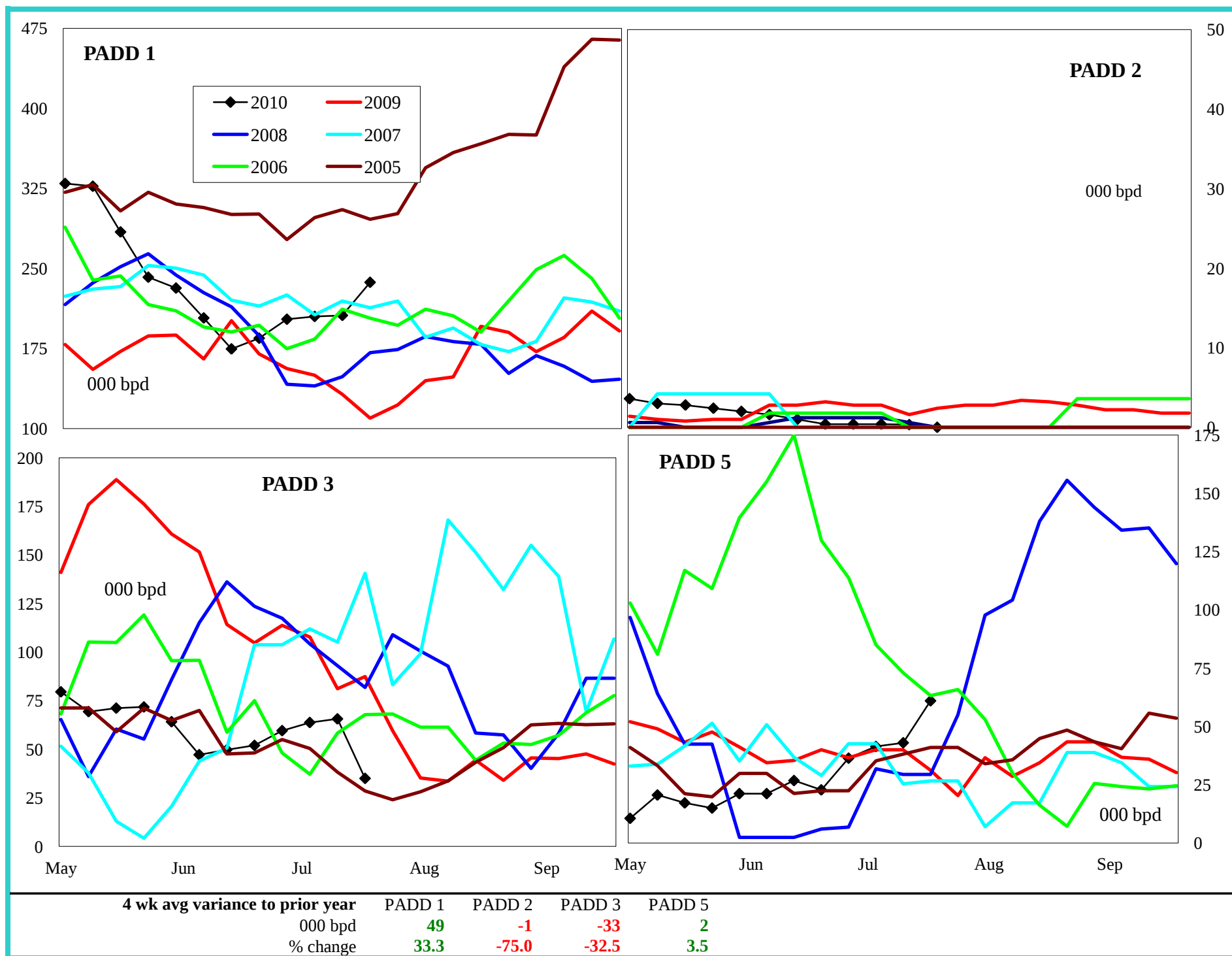
Distillate Imports by PADD



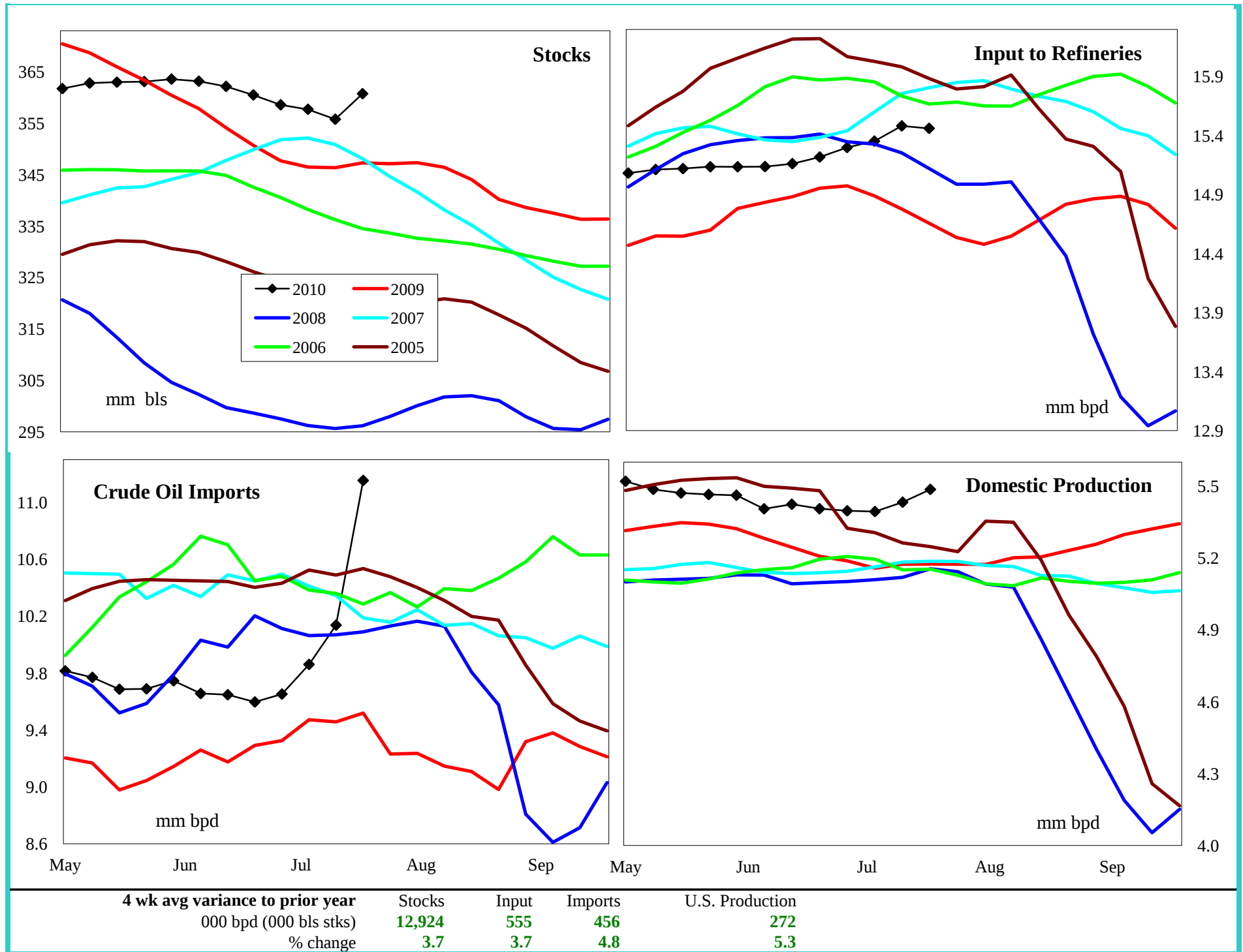
Jet Fuel Imports by PADD



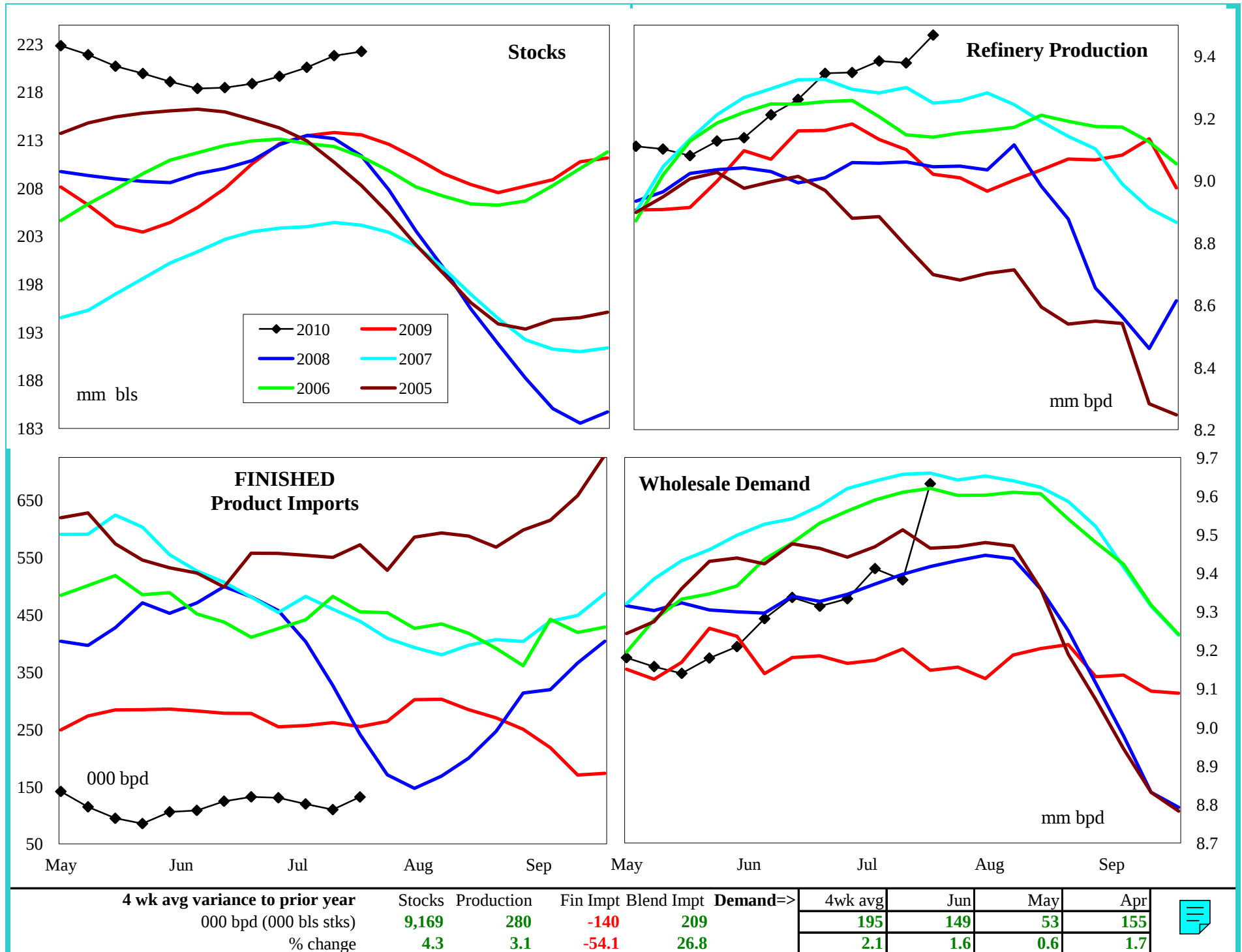
Residual Fuel Oil Imports by PADD



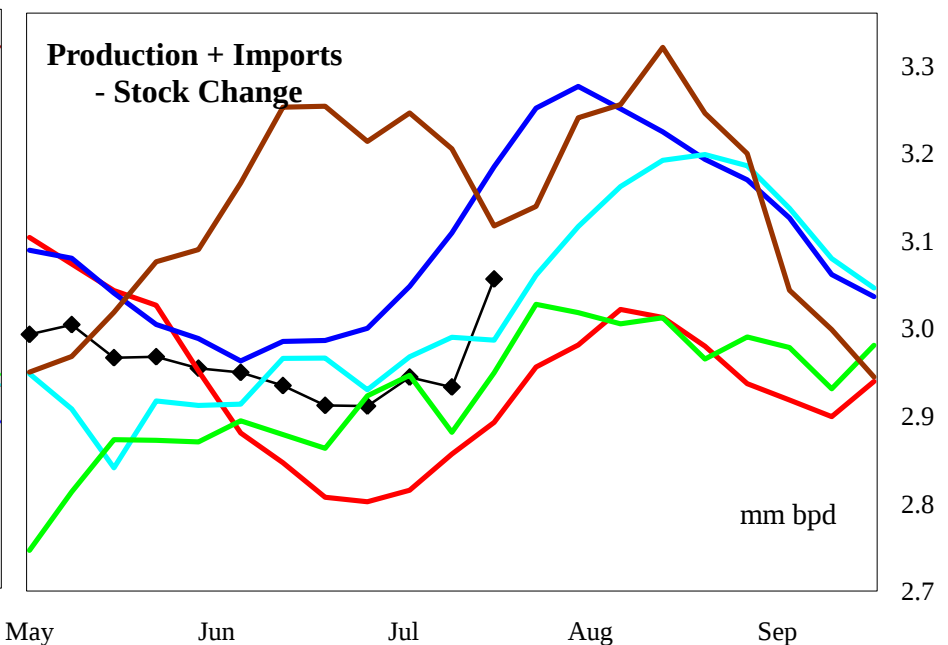
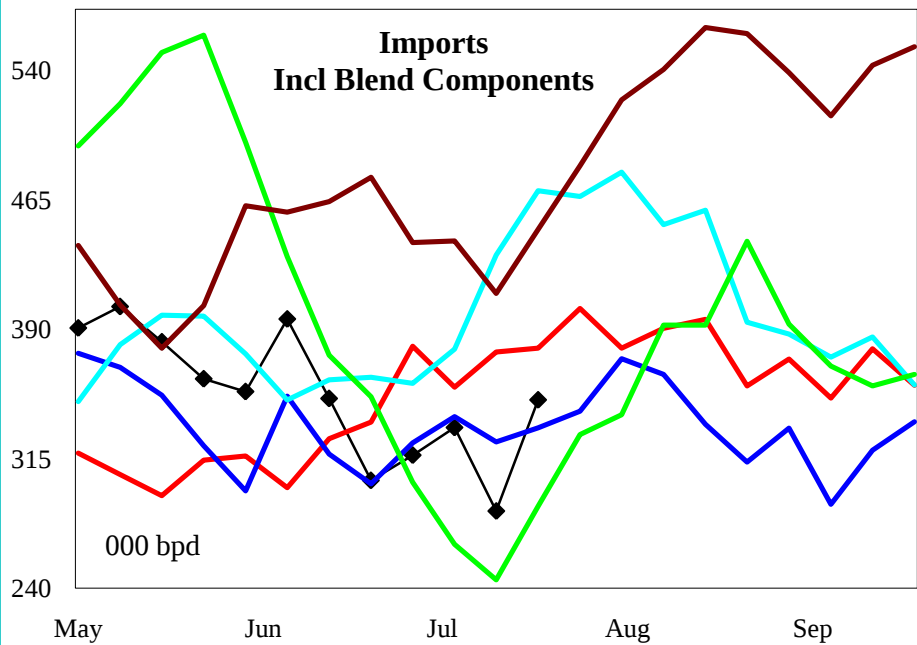
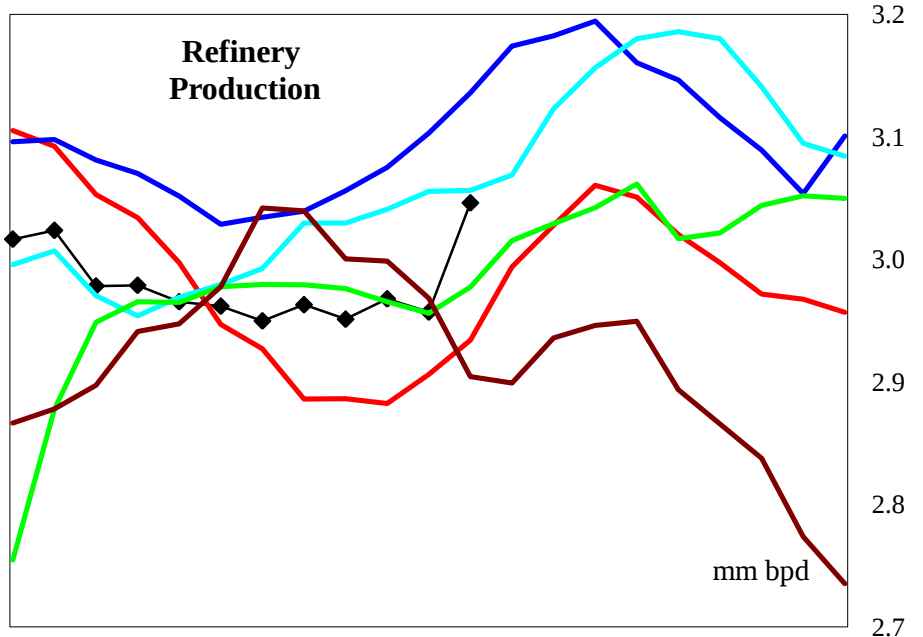
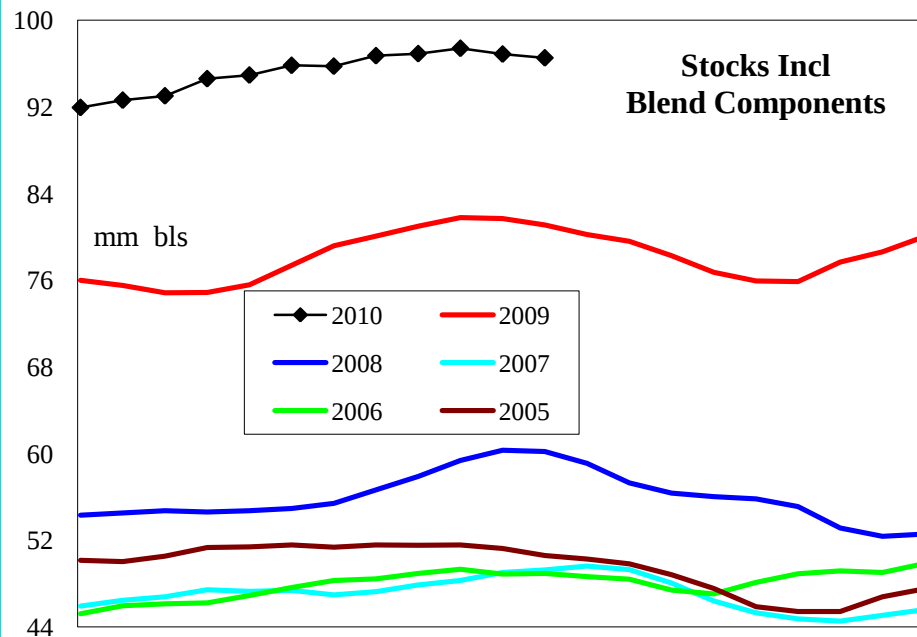
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



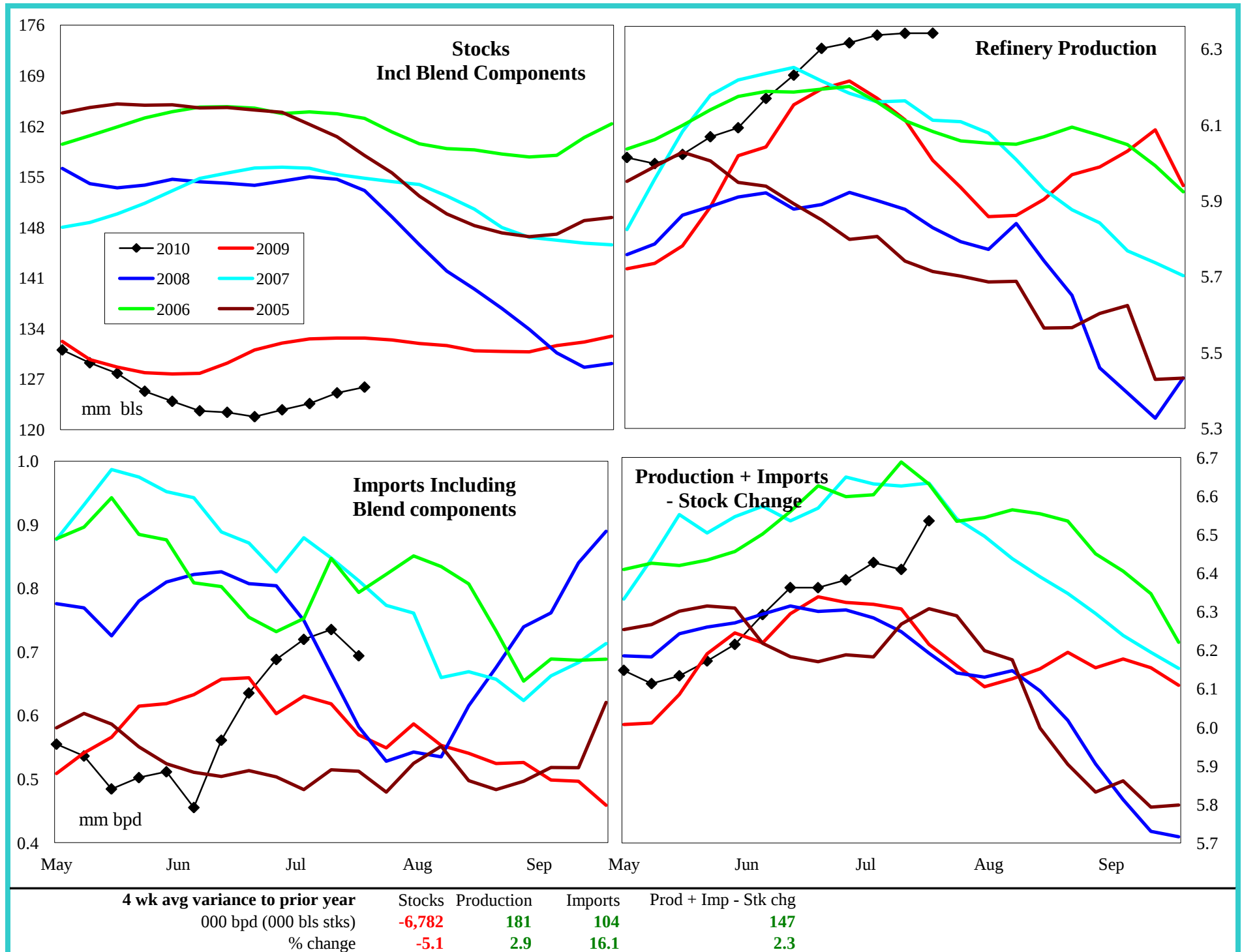
United States Reformulated Gasoline Supply



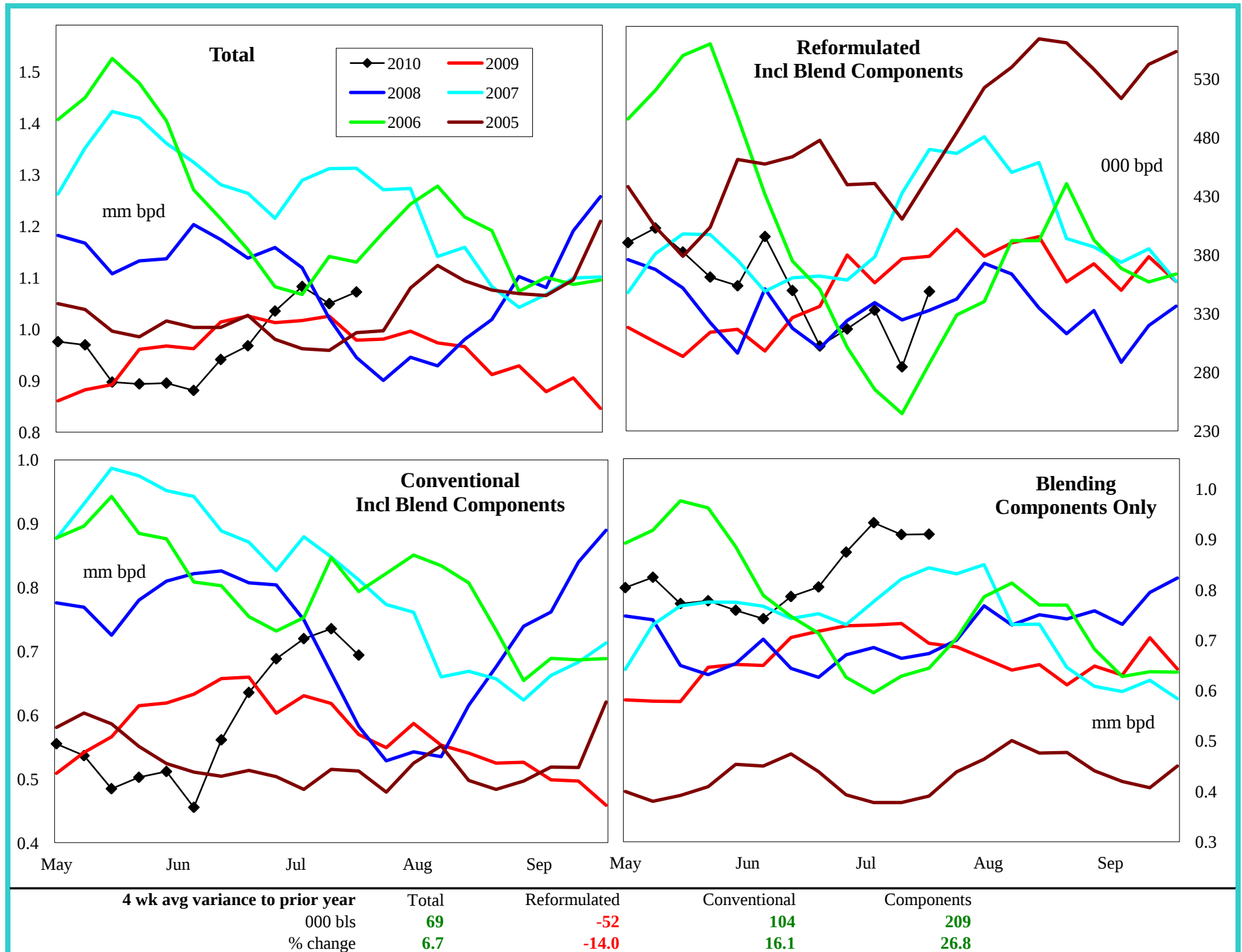
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
15,413	99	-52	120
19.0	3.4	-14.0	4.1

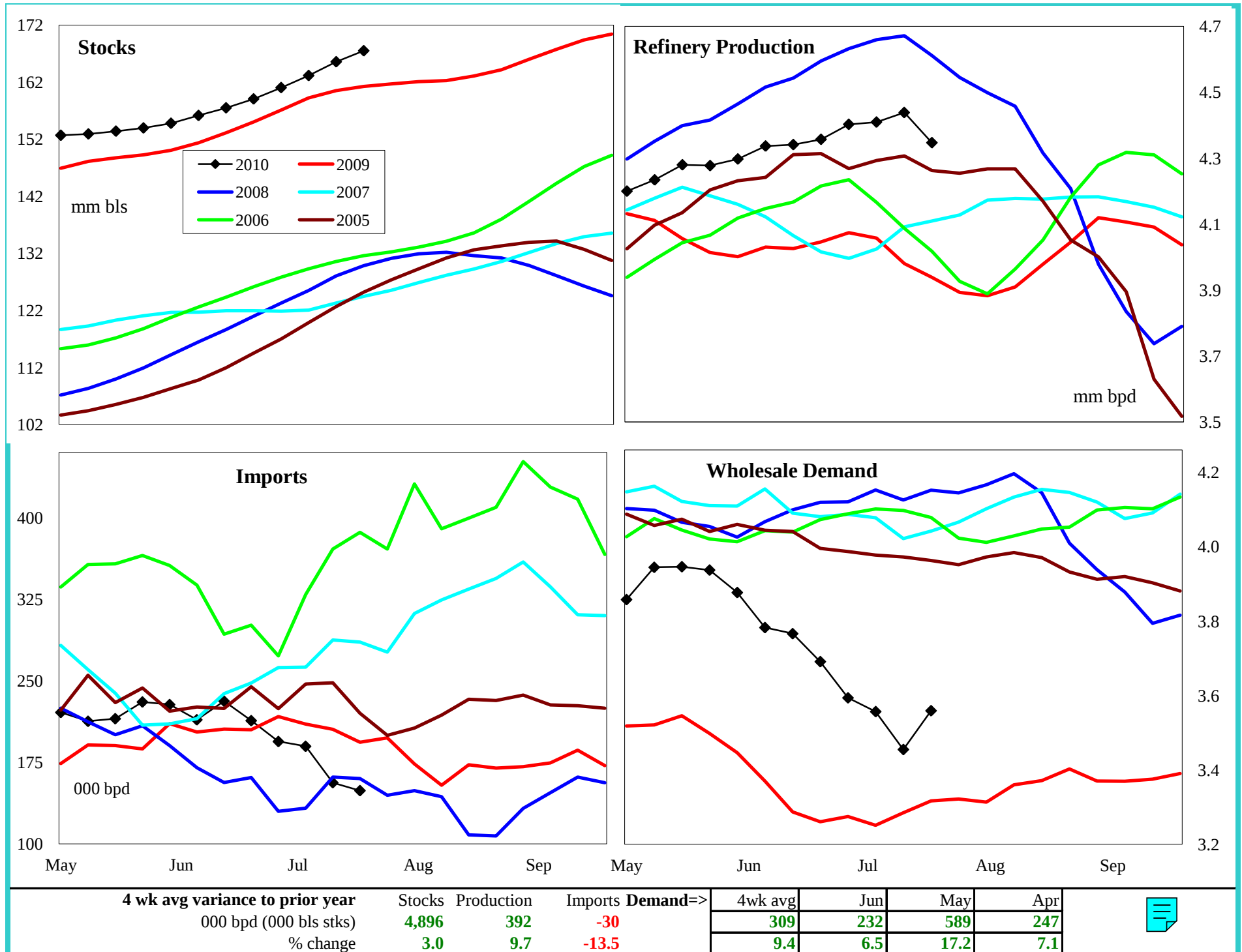
United States Conventional Gasoline Supply



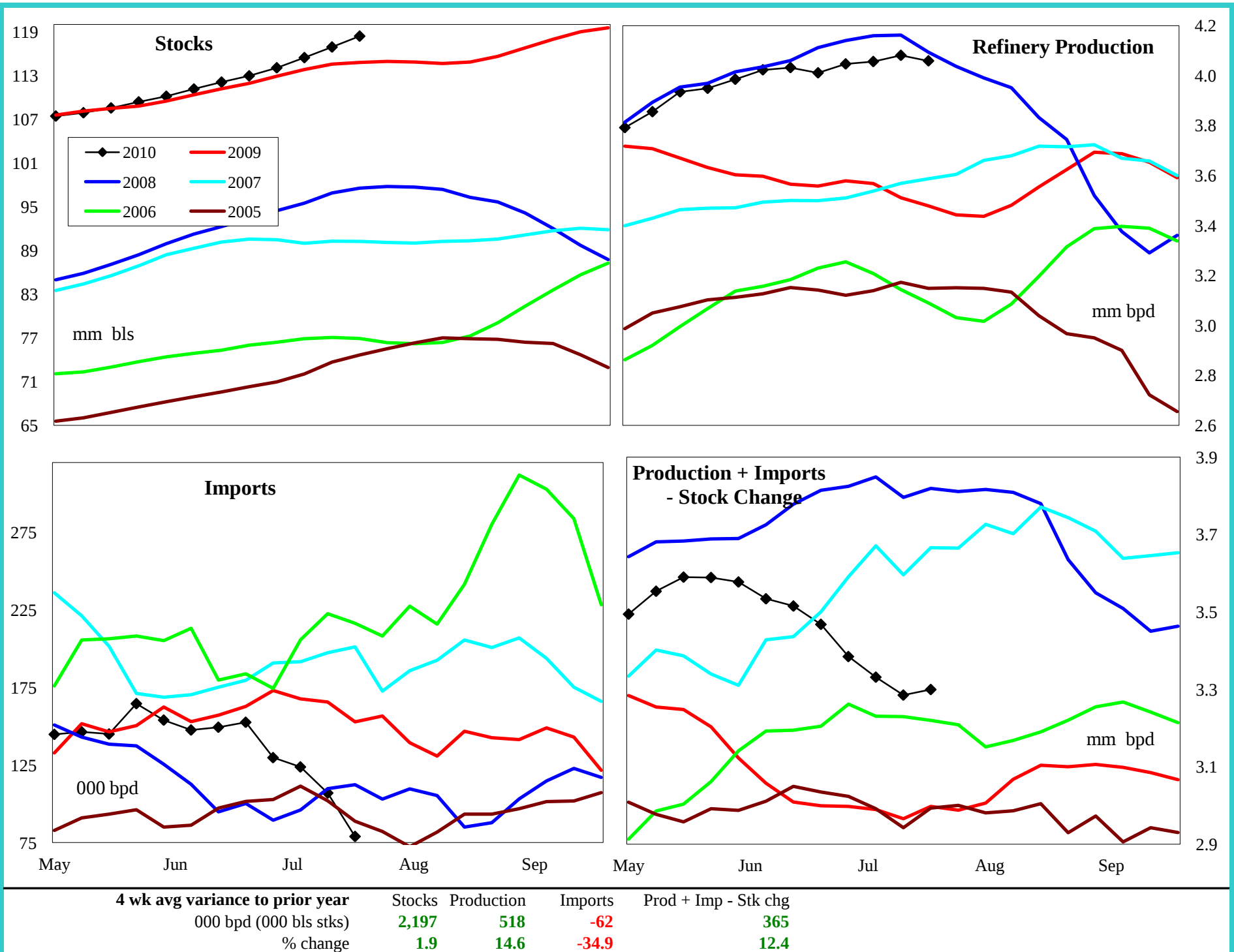
United States Gasoline Imports by Type



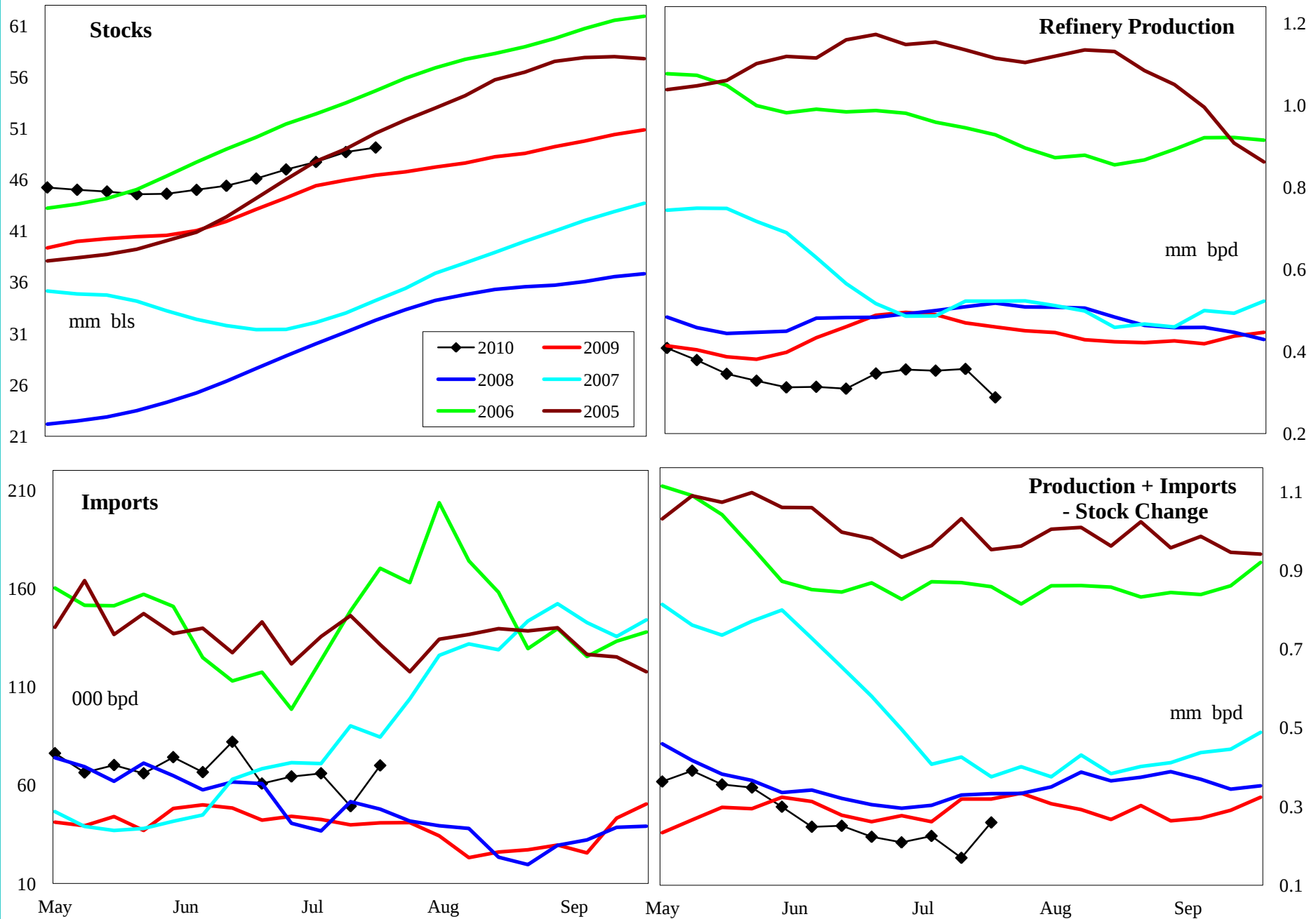
United States Distillate Supply and Demand Balance



United States Low Sulfur Distillate Supply



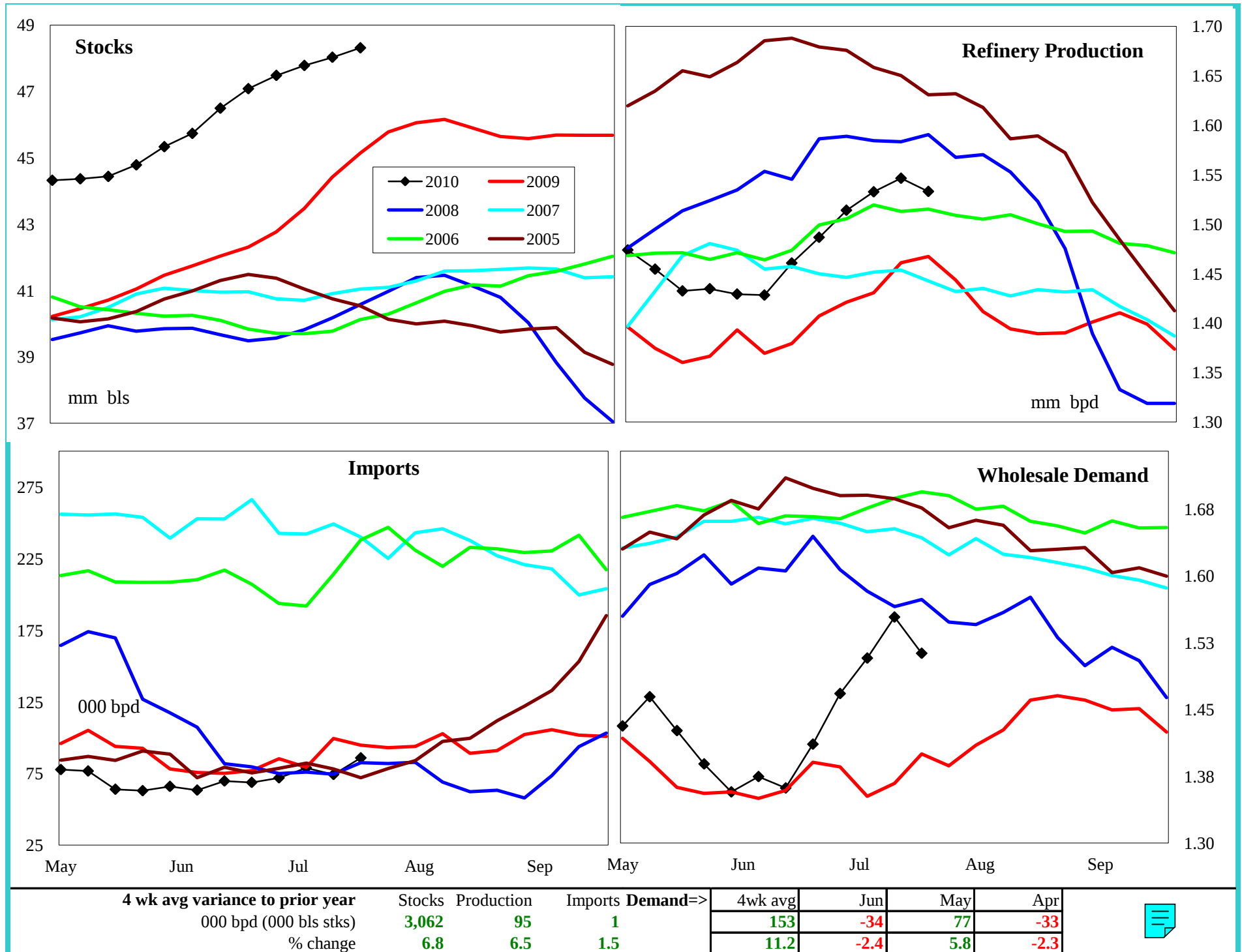
United States High Sulfur Distillate Supply



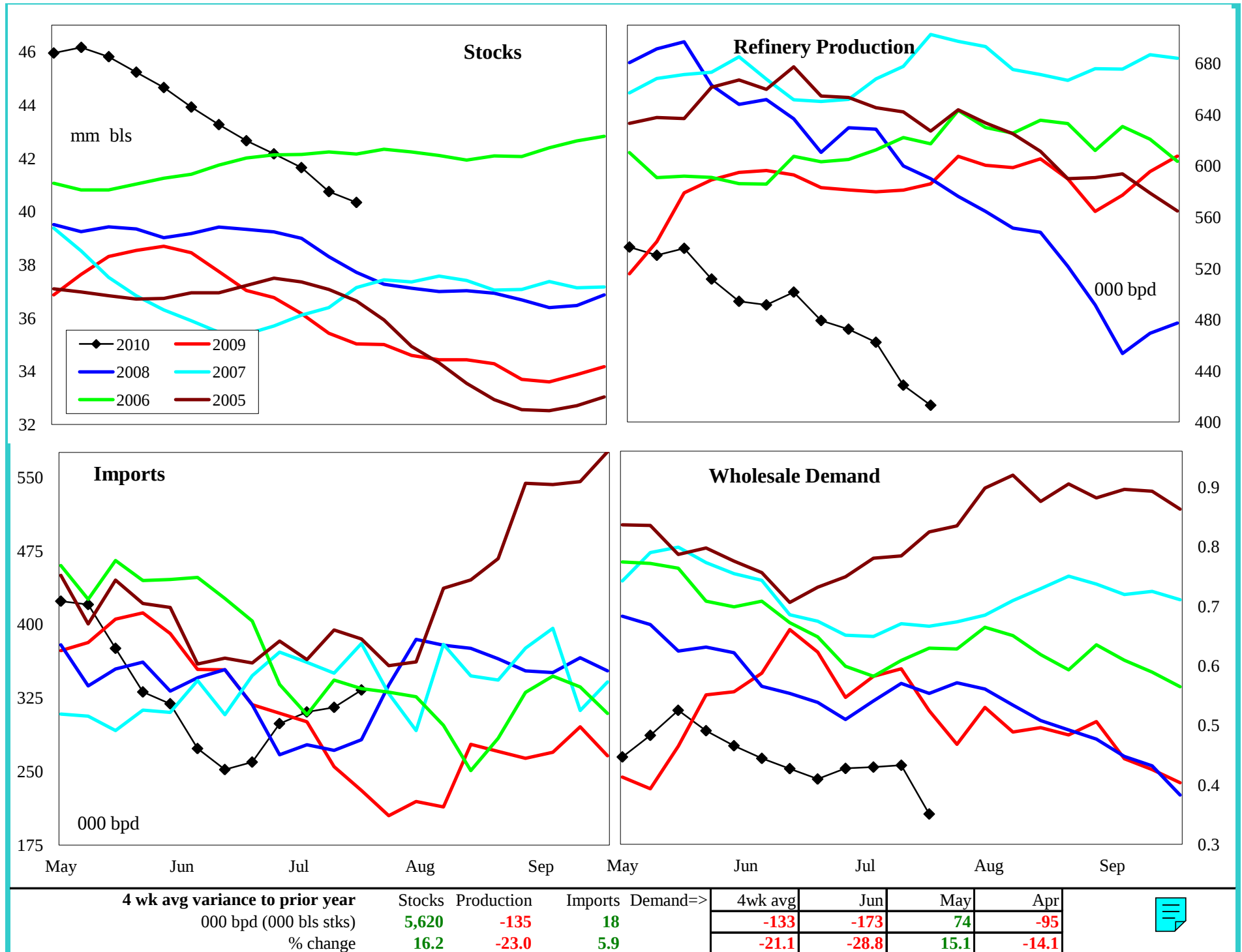
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
2,699	-126	32	-57
5.8	-26.4	73.1	-16.6

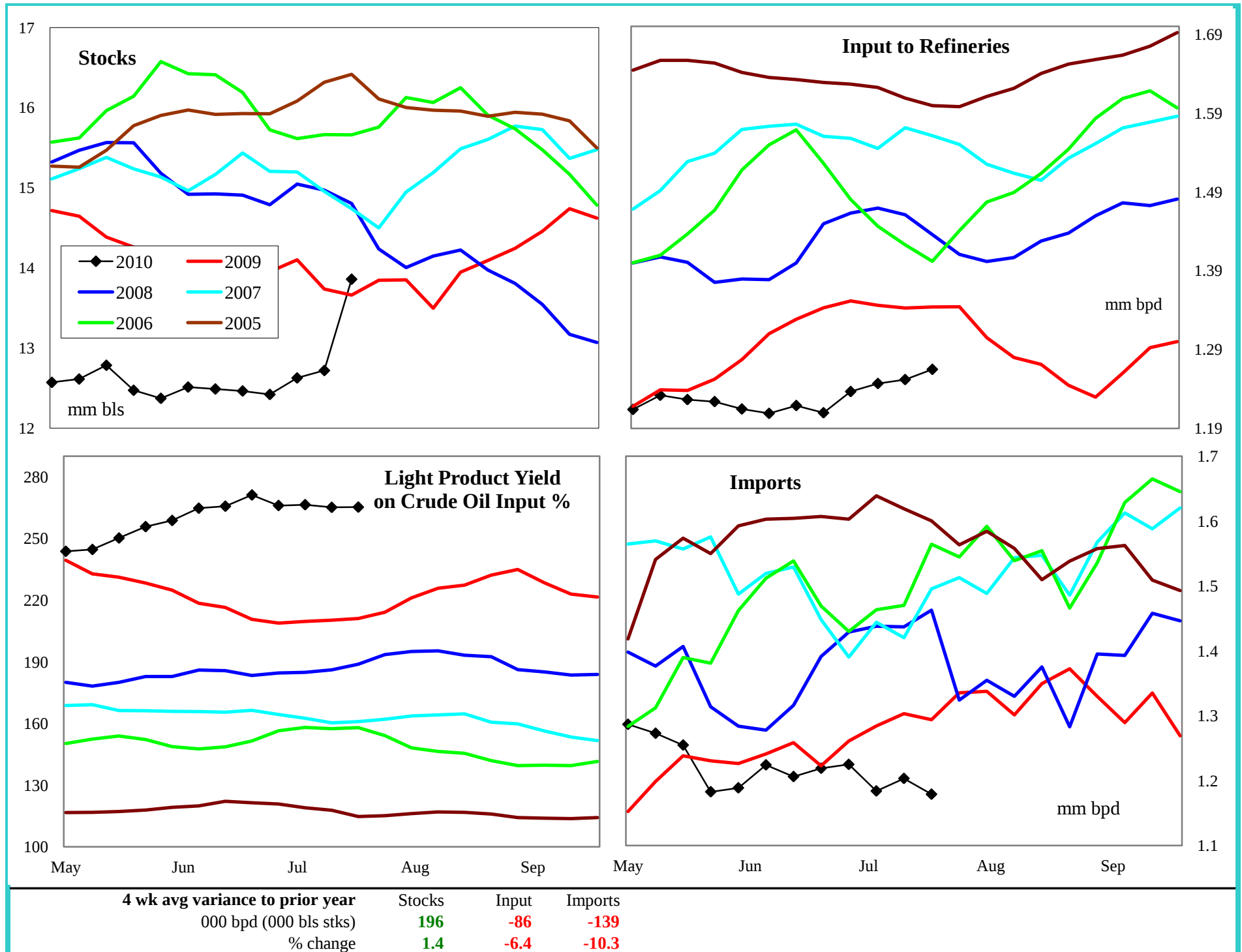
United States Jet Fuel Supply and Demand Balance



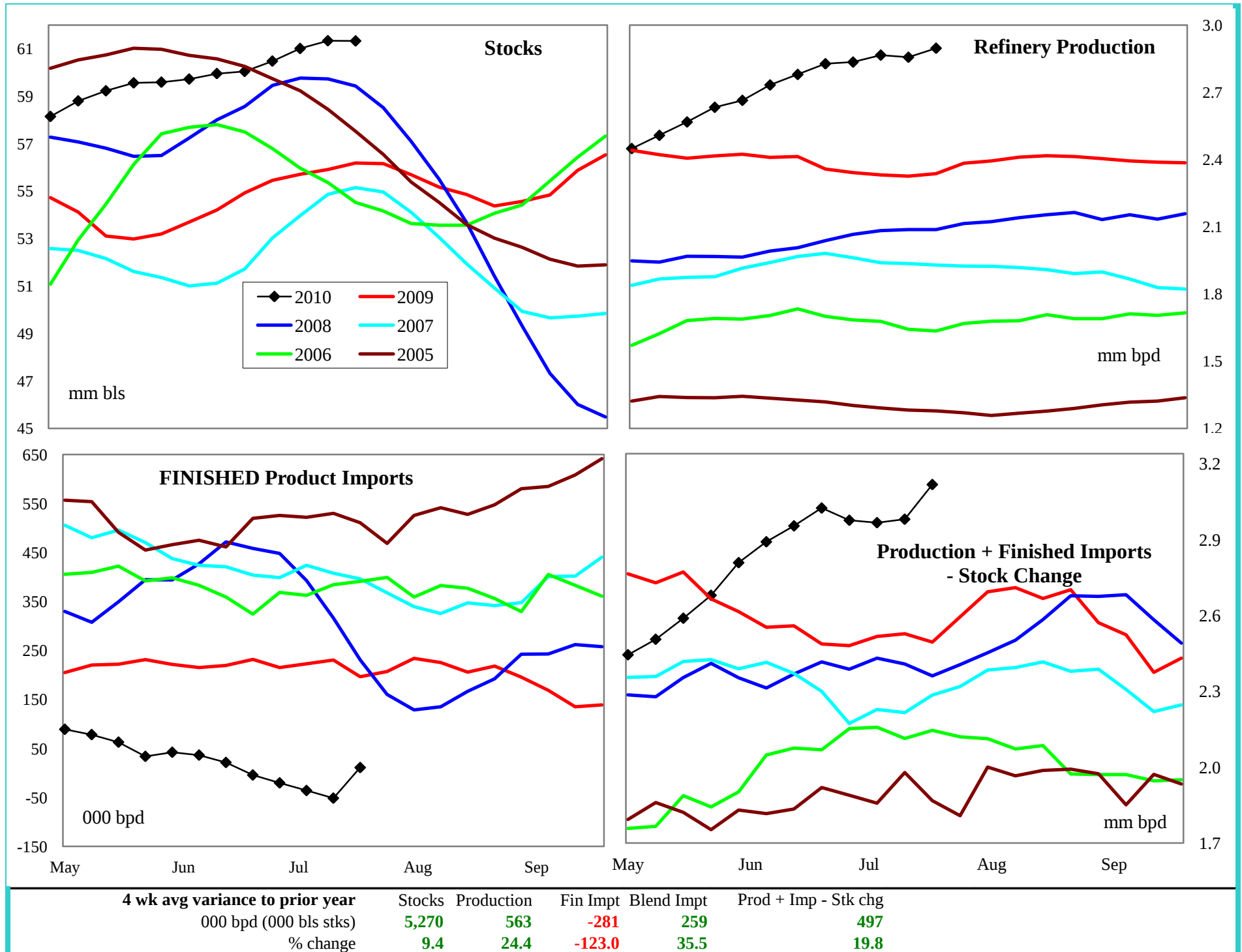
United States Residual Fuel Oil Supply and Demand Balance



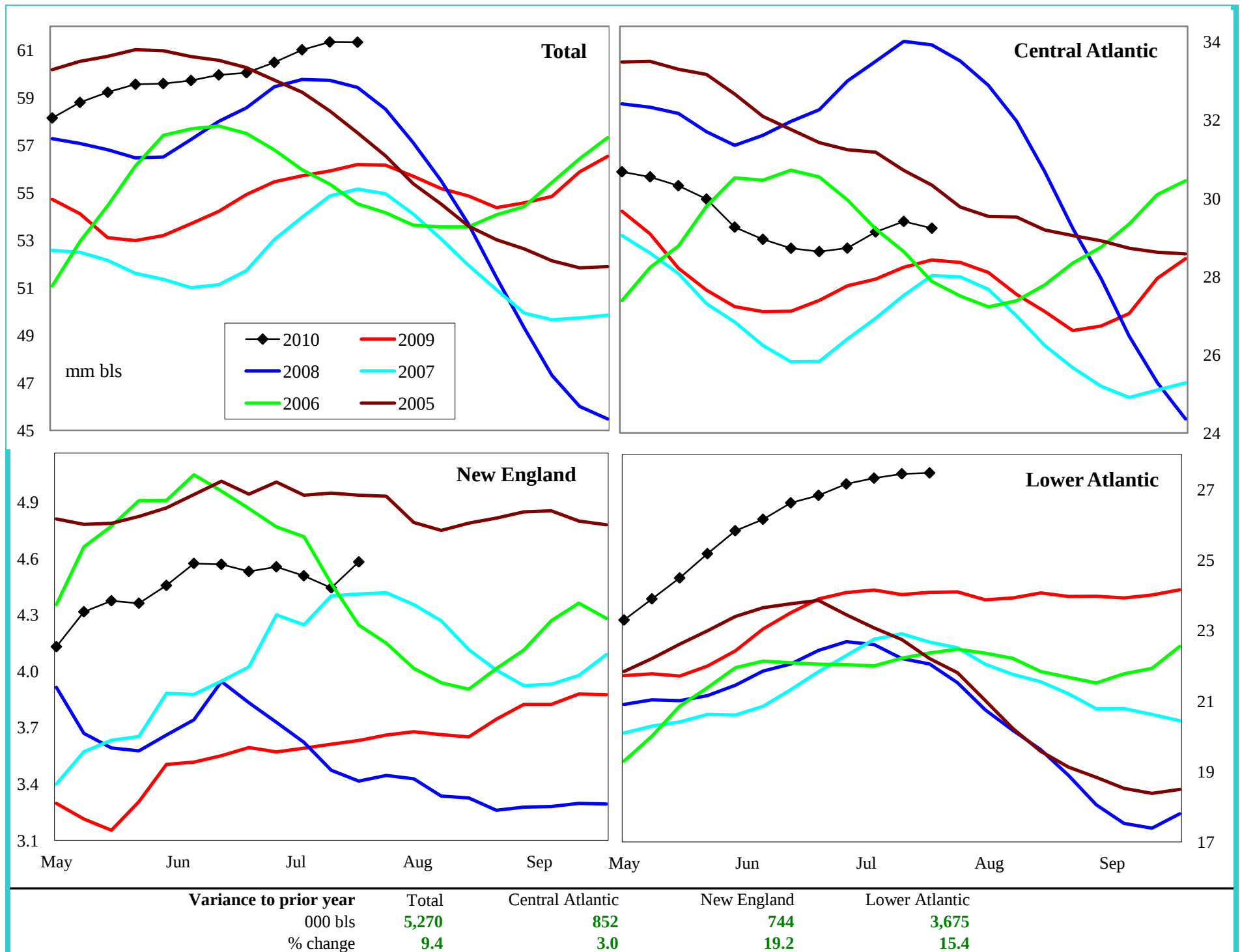
PADD 1 Crude Oil Supply and Refining



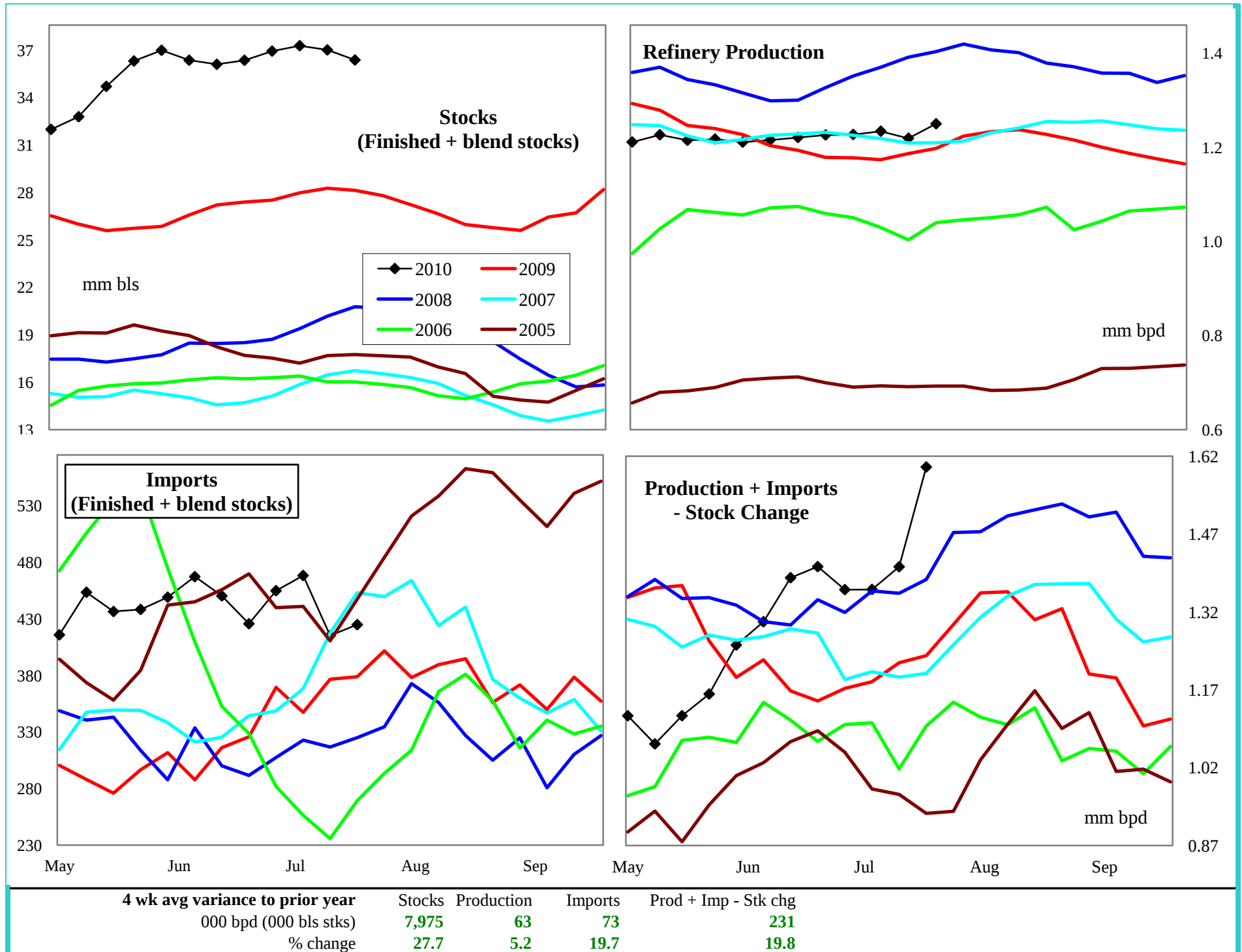
PADD 1 Gasoline Supply



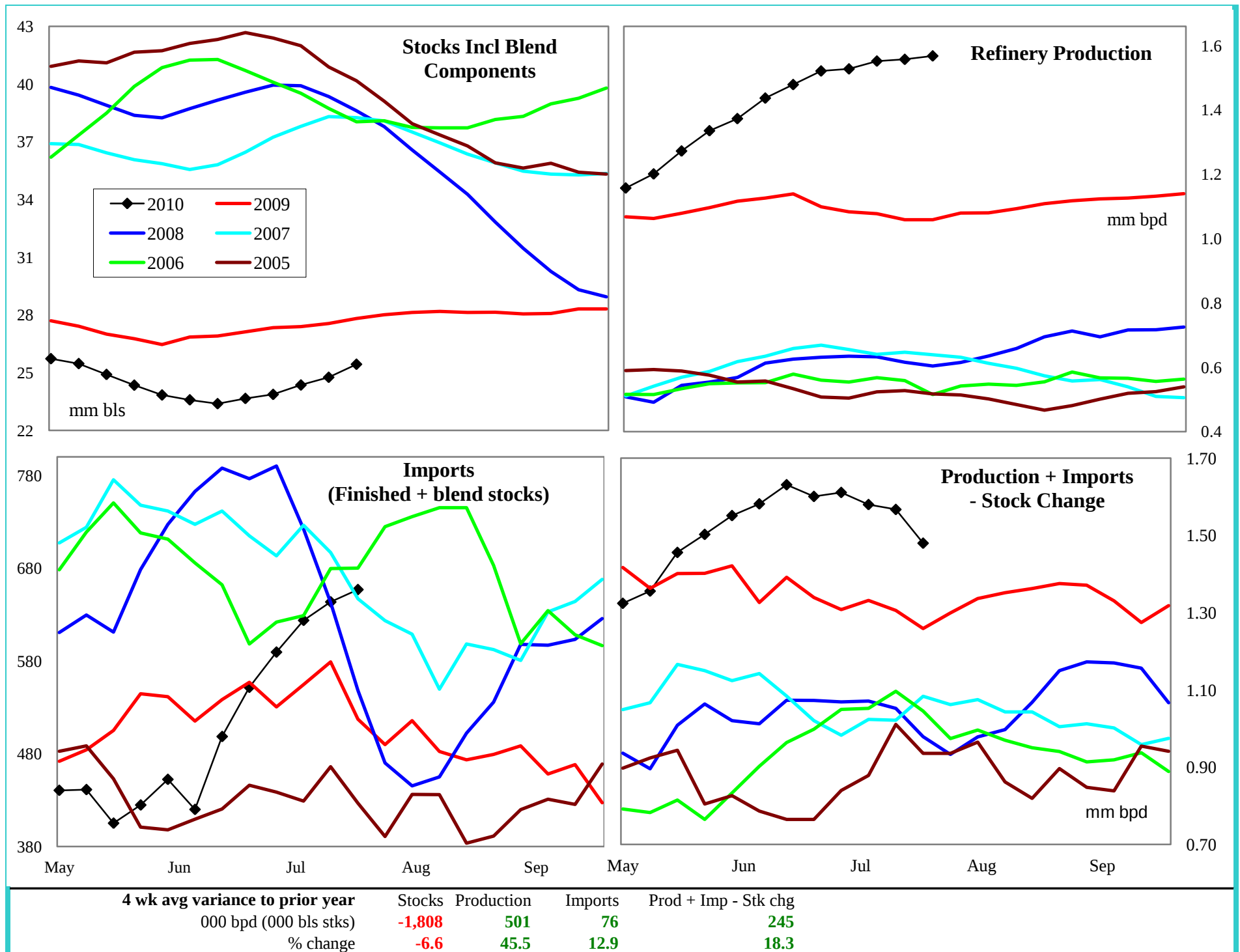
PADD 1 Gasoline Stocks by Region



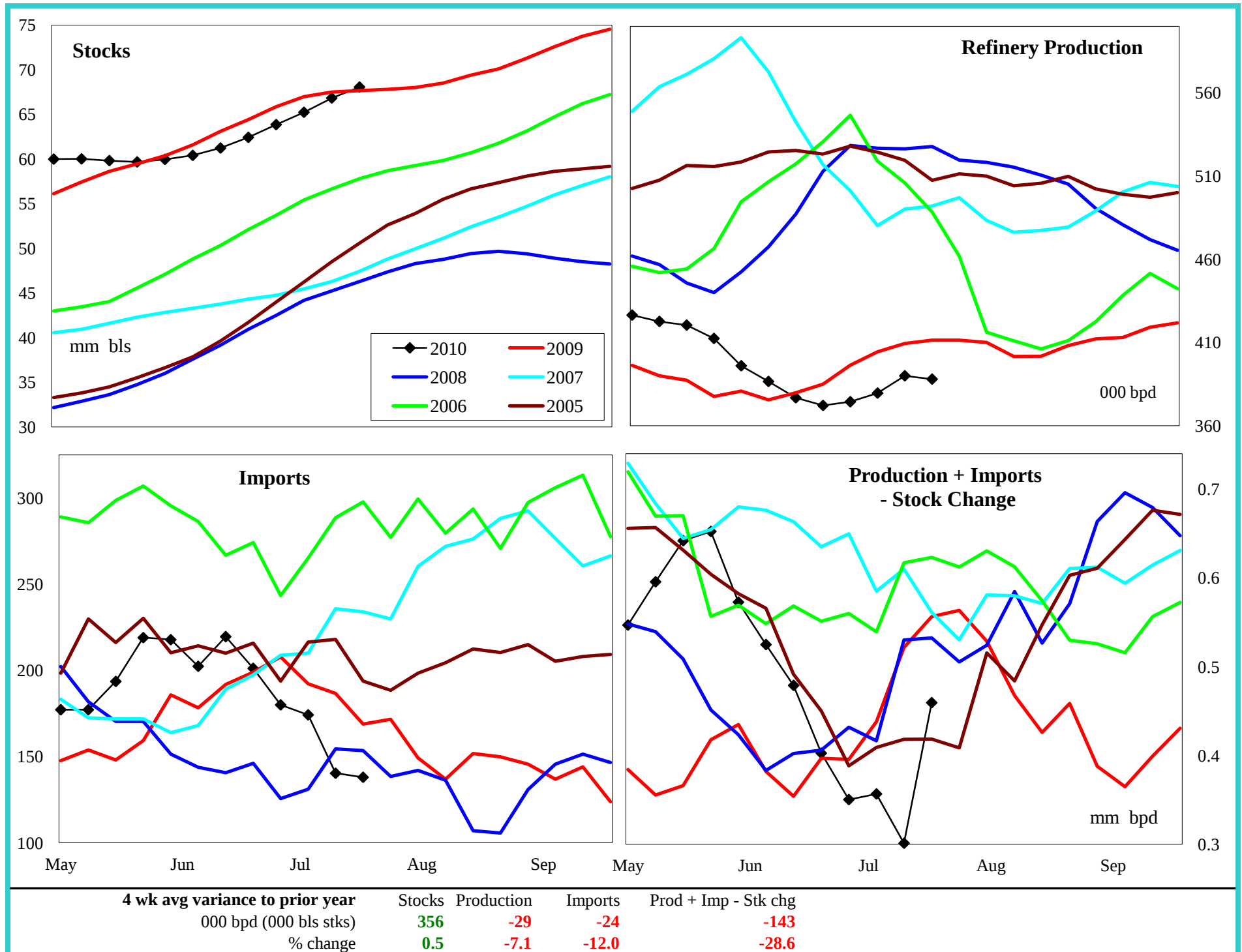
PADD 1 Reformulated Gasoline Supply



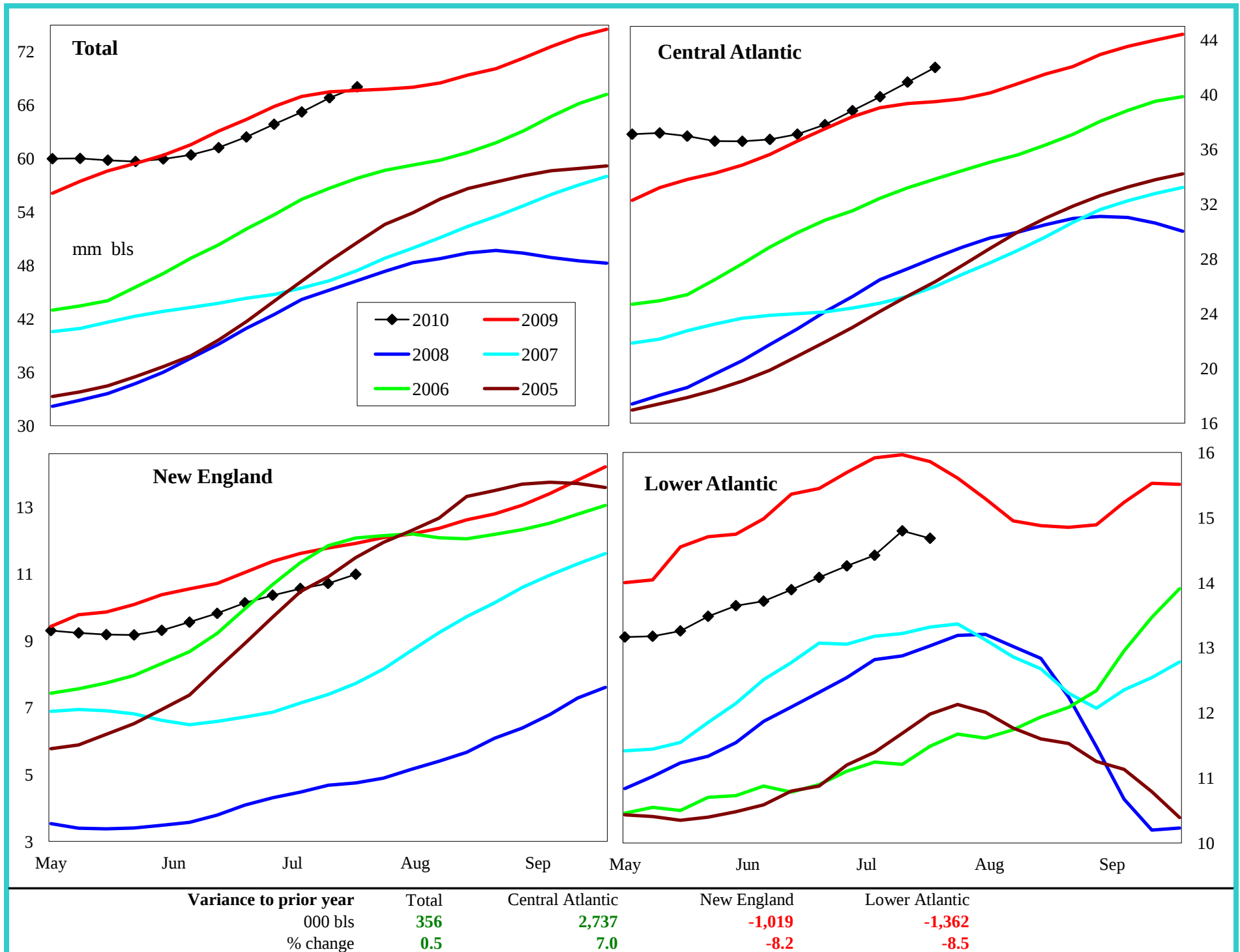
PADD 1 Conventional Gasoline Supply



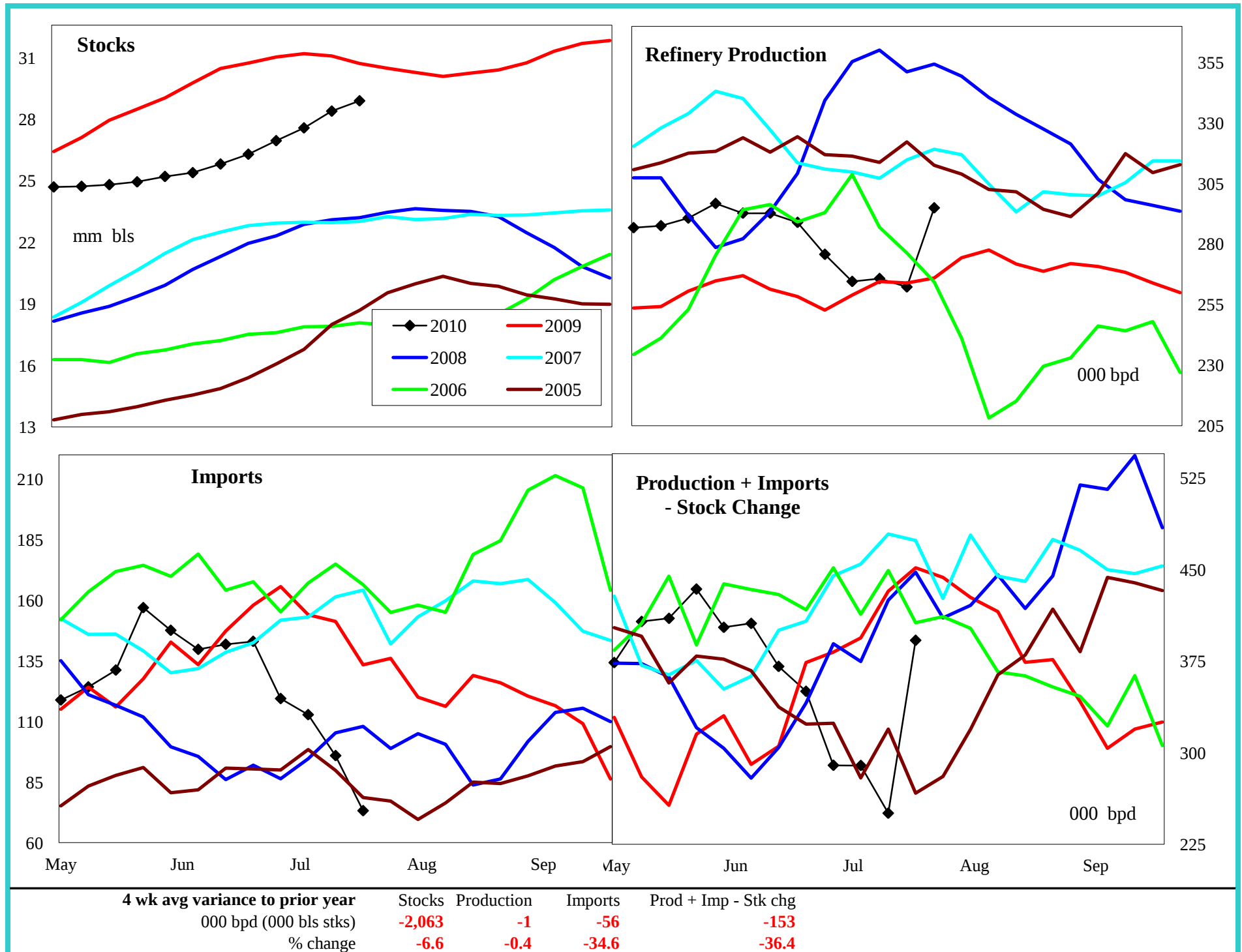
PADD 1 Distillate Supply



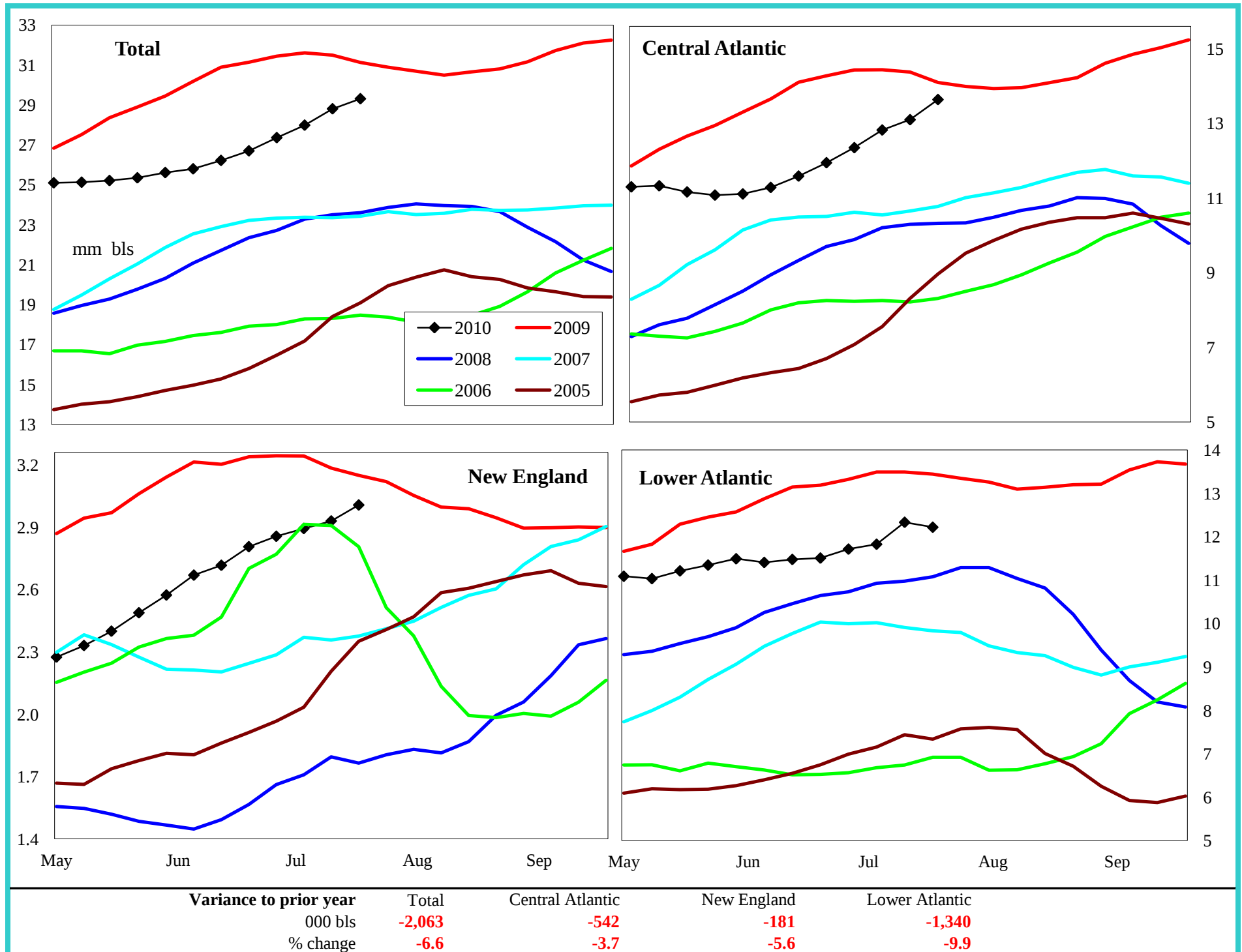
PADD 1 Distillate Stocks by Region



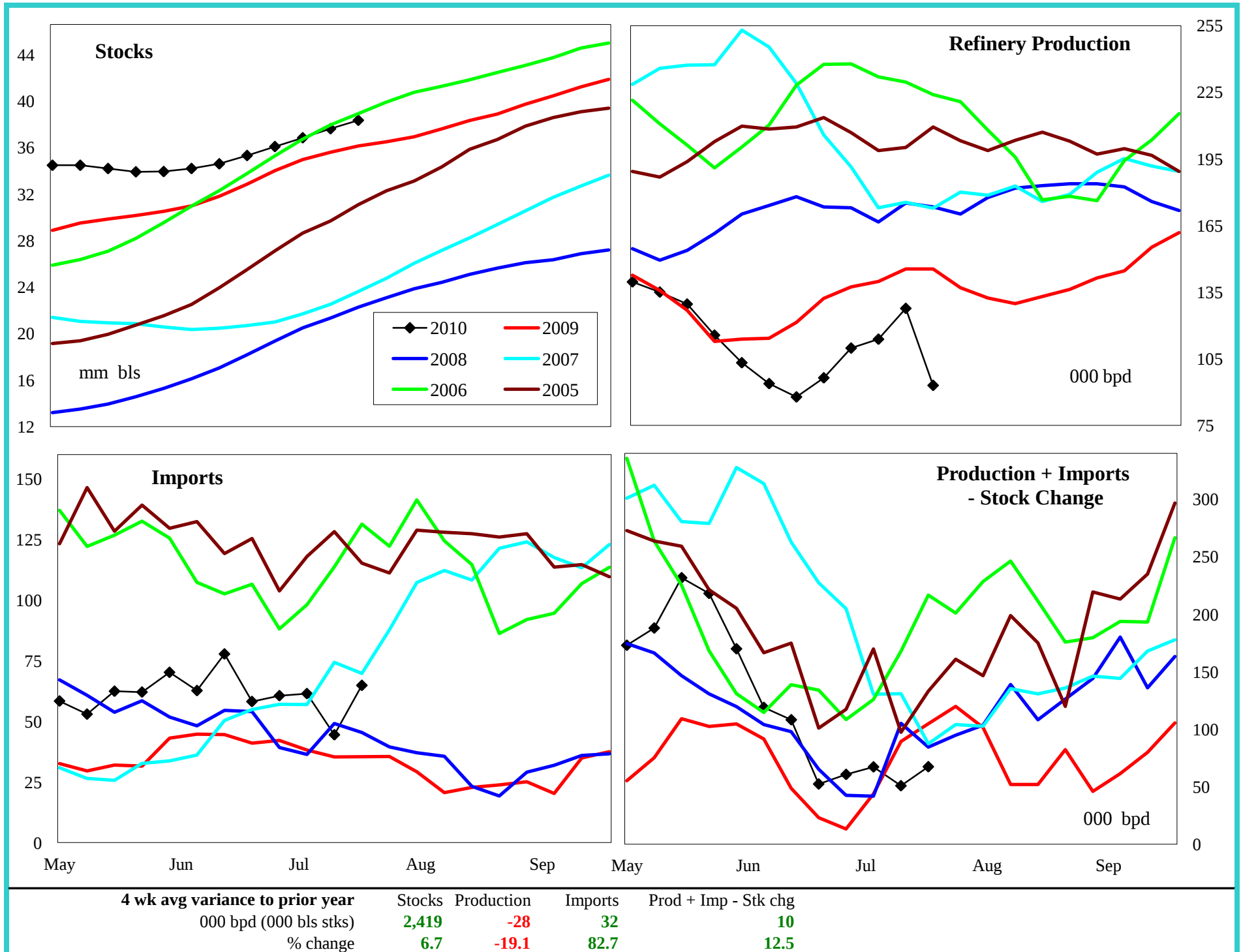
PADD 1 Low Sulfur Distillate Supply



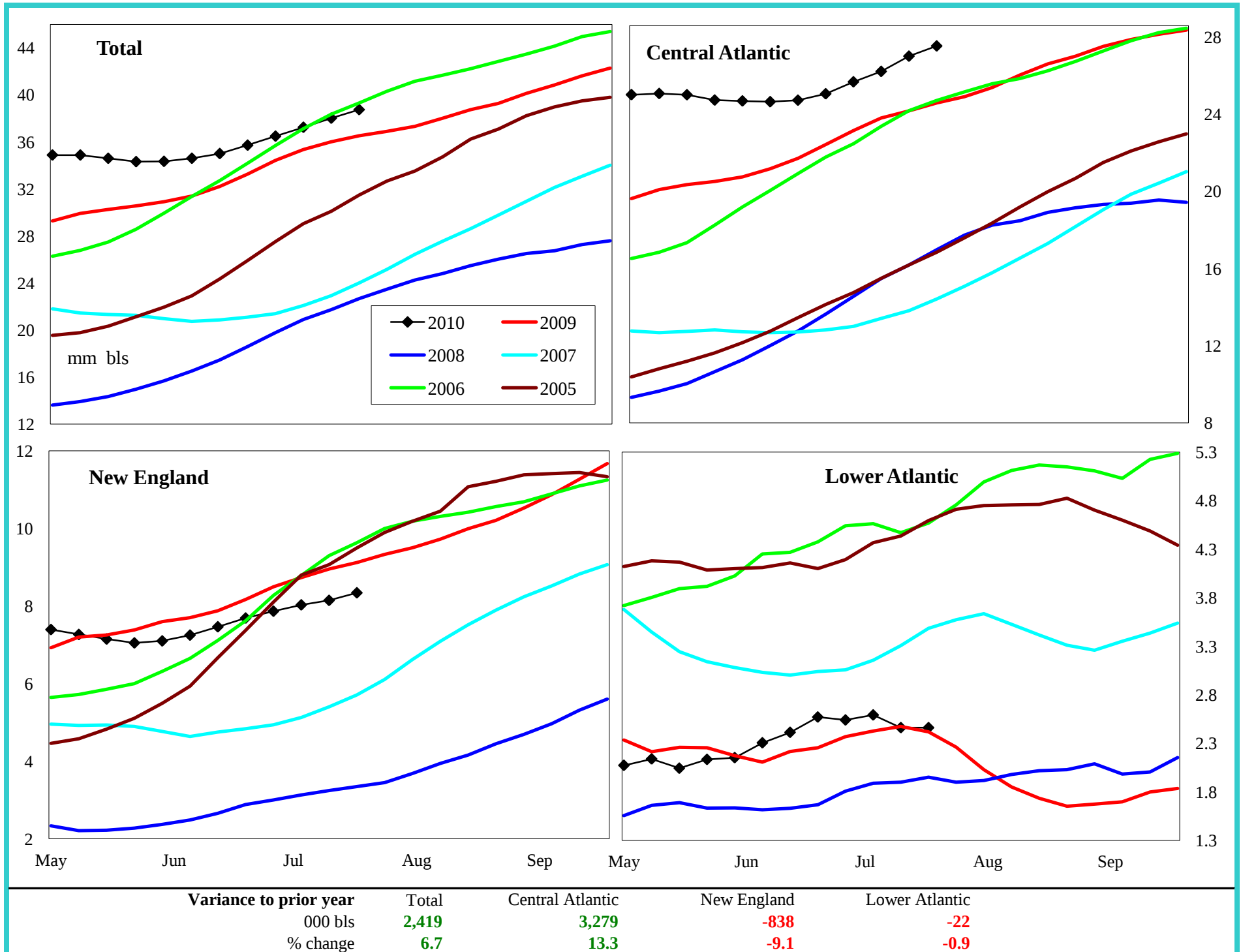
PADD 1 Low Sulfur Distillate Stocks by Region



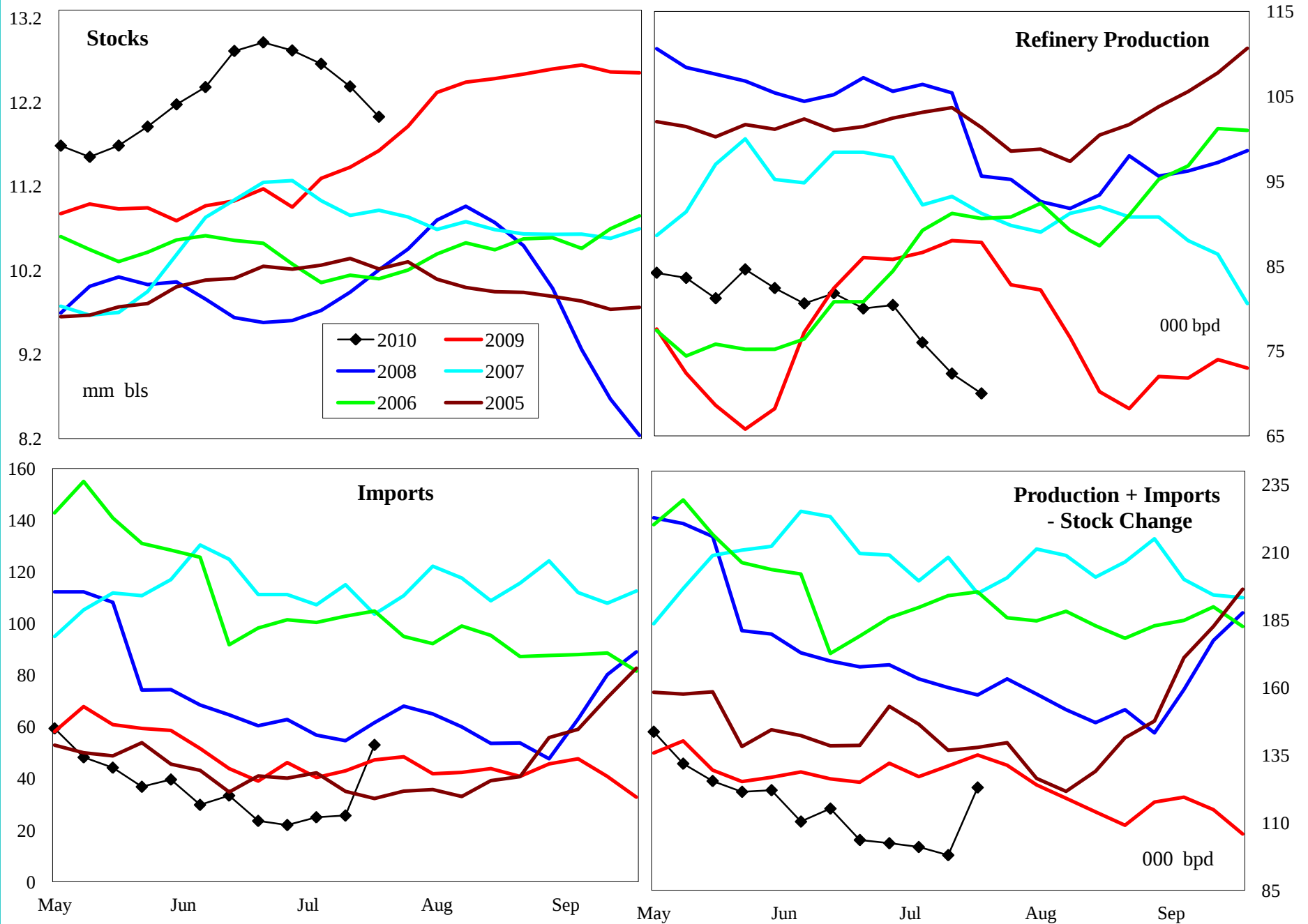
PADD 1 High Sulfur Distillate Supply



PADD 1 High Sulfur Distillate Stocks by Region



PADD 1 Jet Fuel Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

404

-12

-14

-21

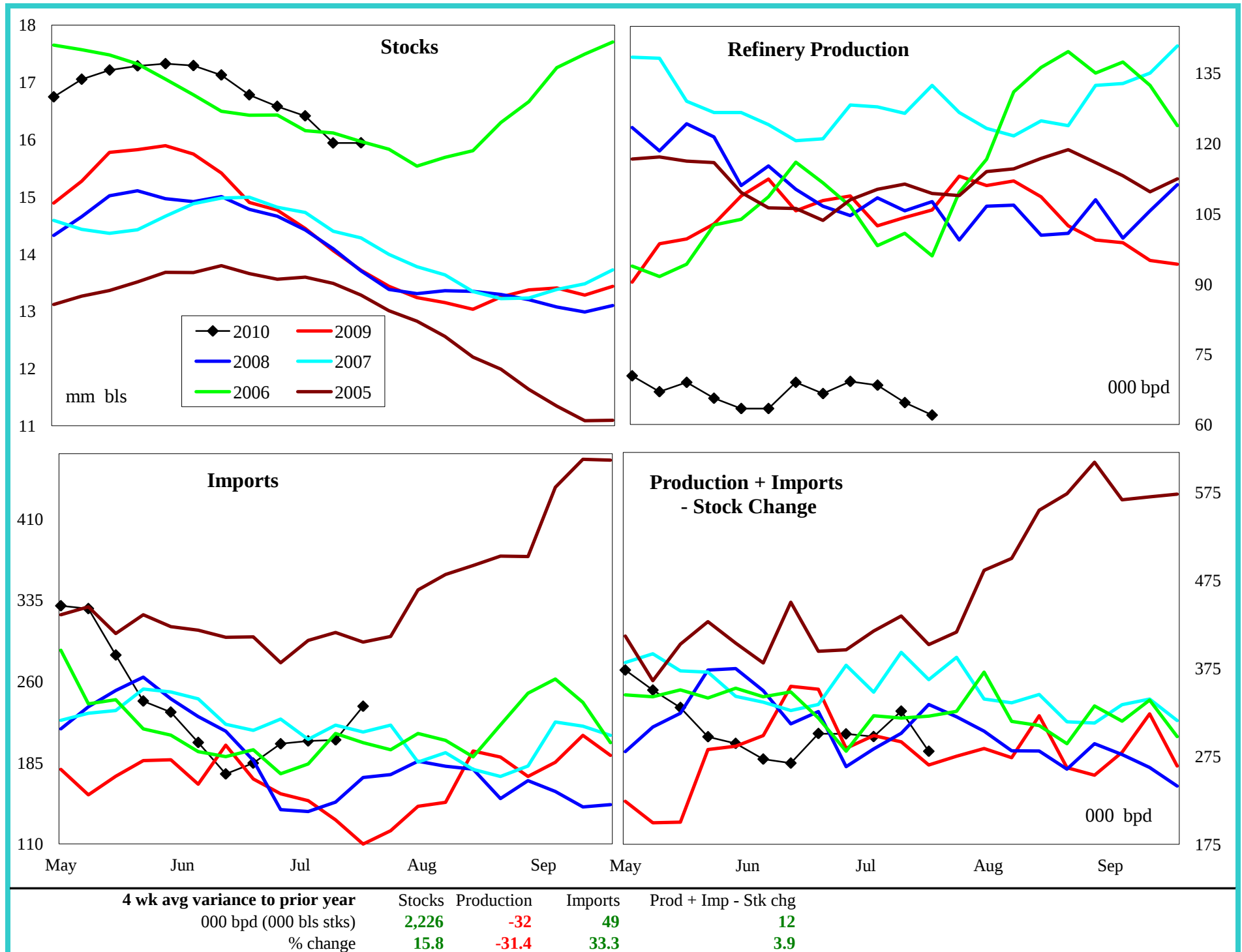
3.5

-14.2

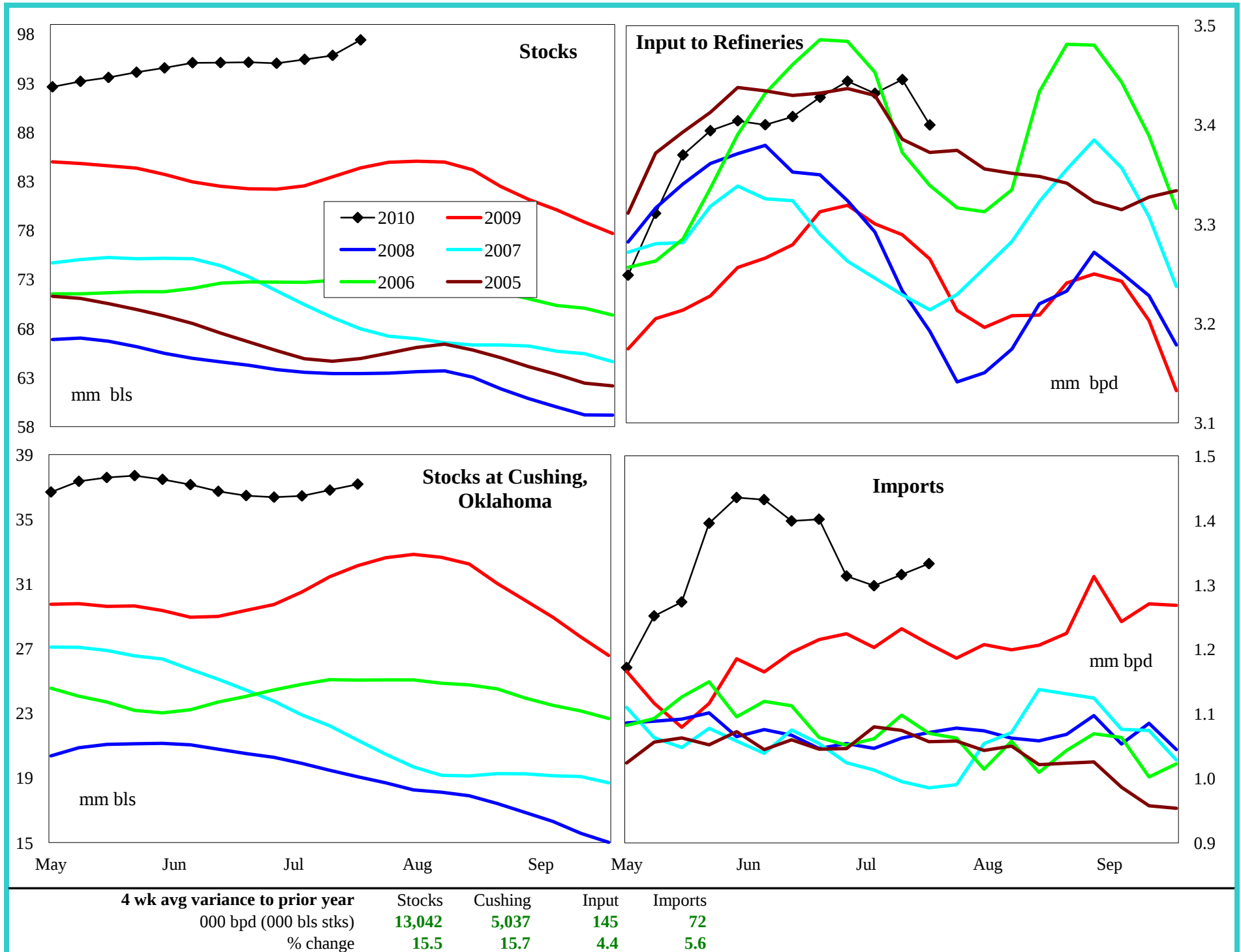
-30.5

-16.6

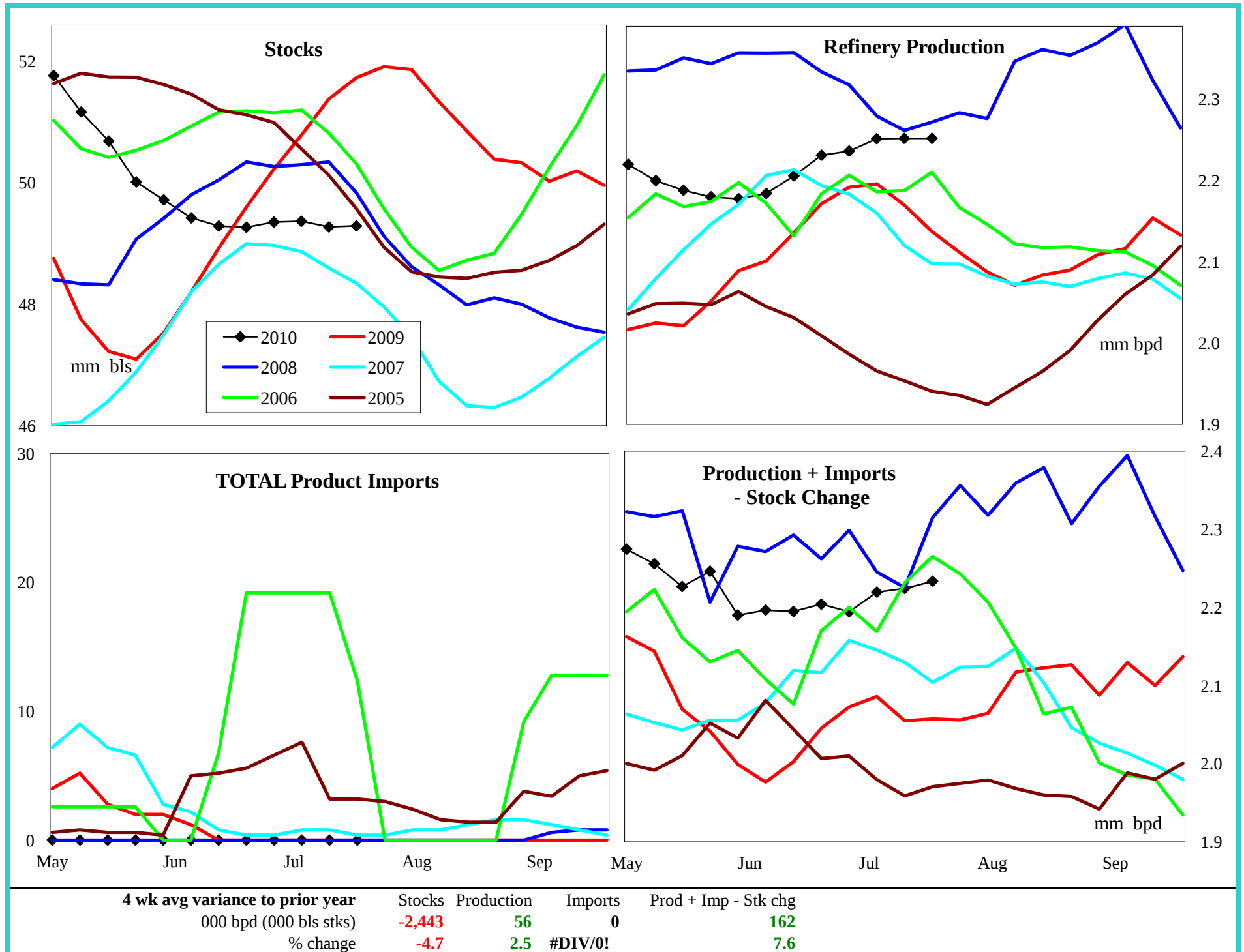
PADD 1 Residual Fuel Oil Supply



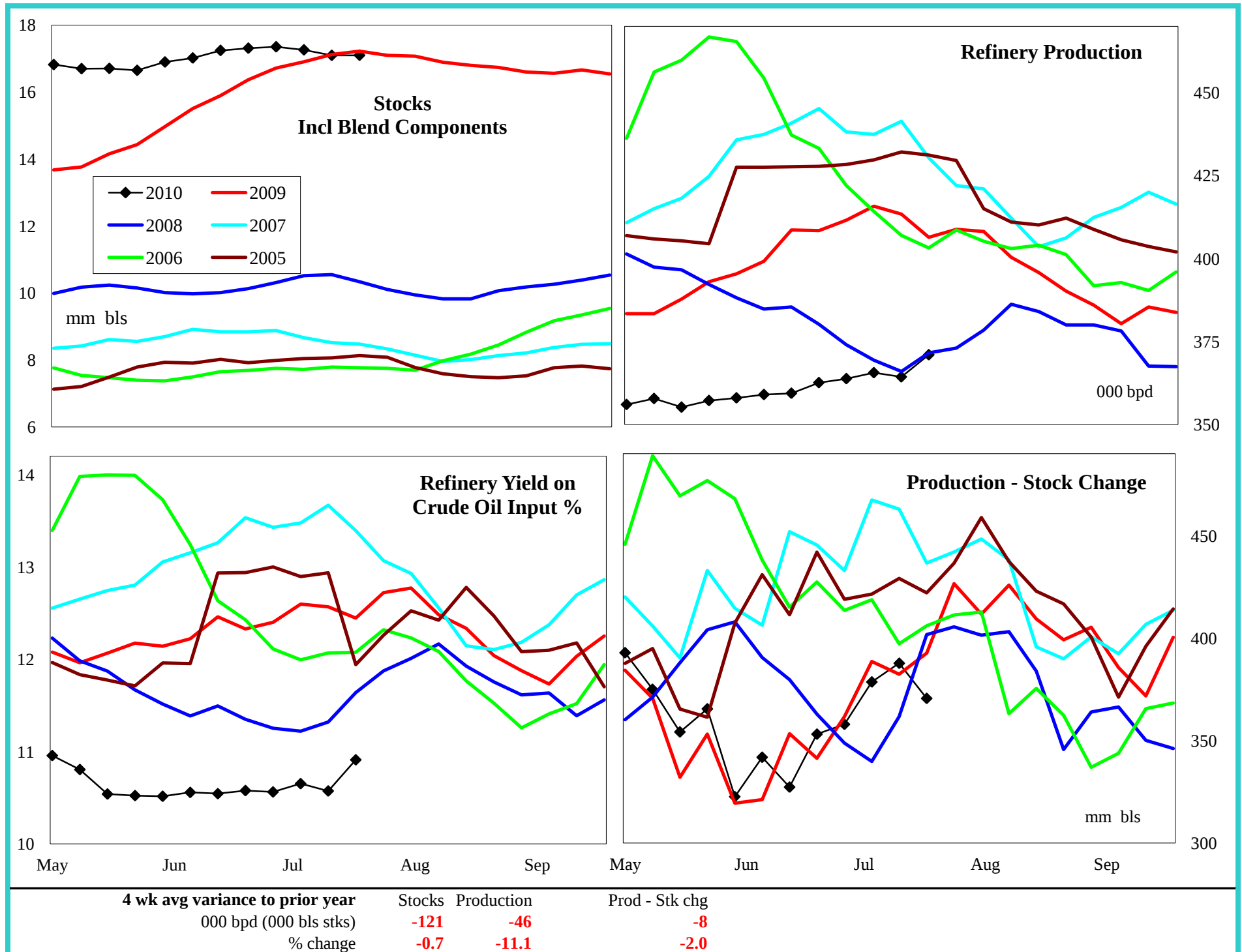
PADD 2 Crude Oil Supply and Refining



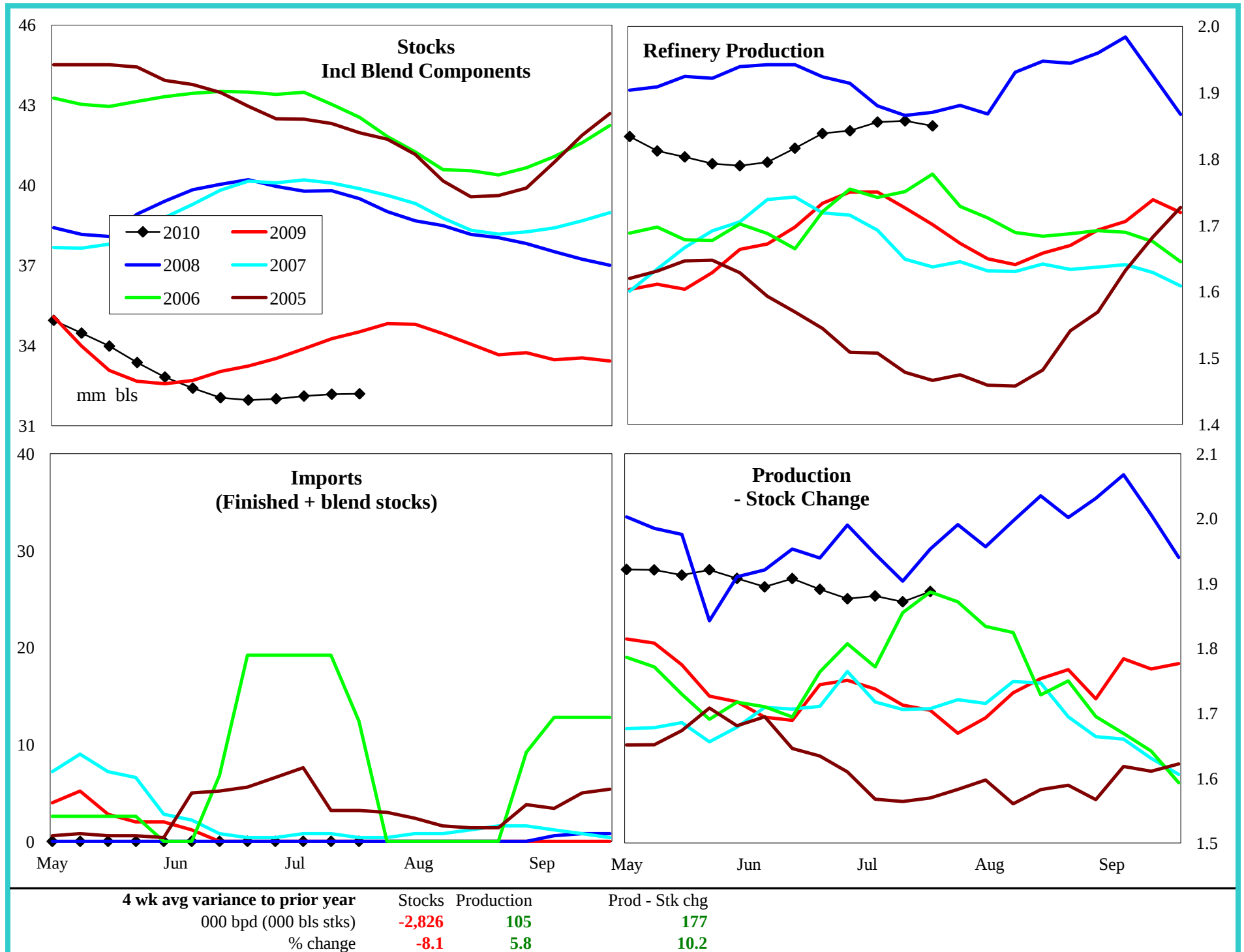
PADD 2 Gasoline Supply



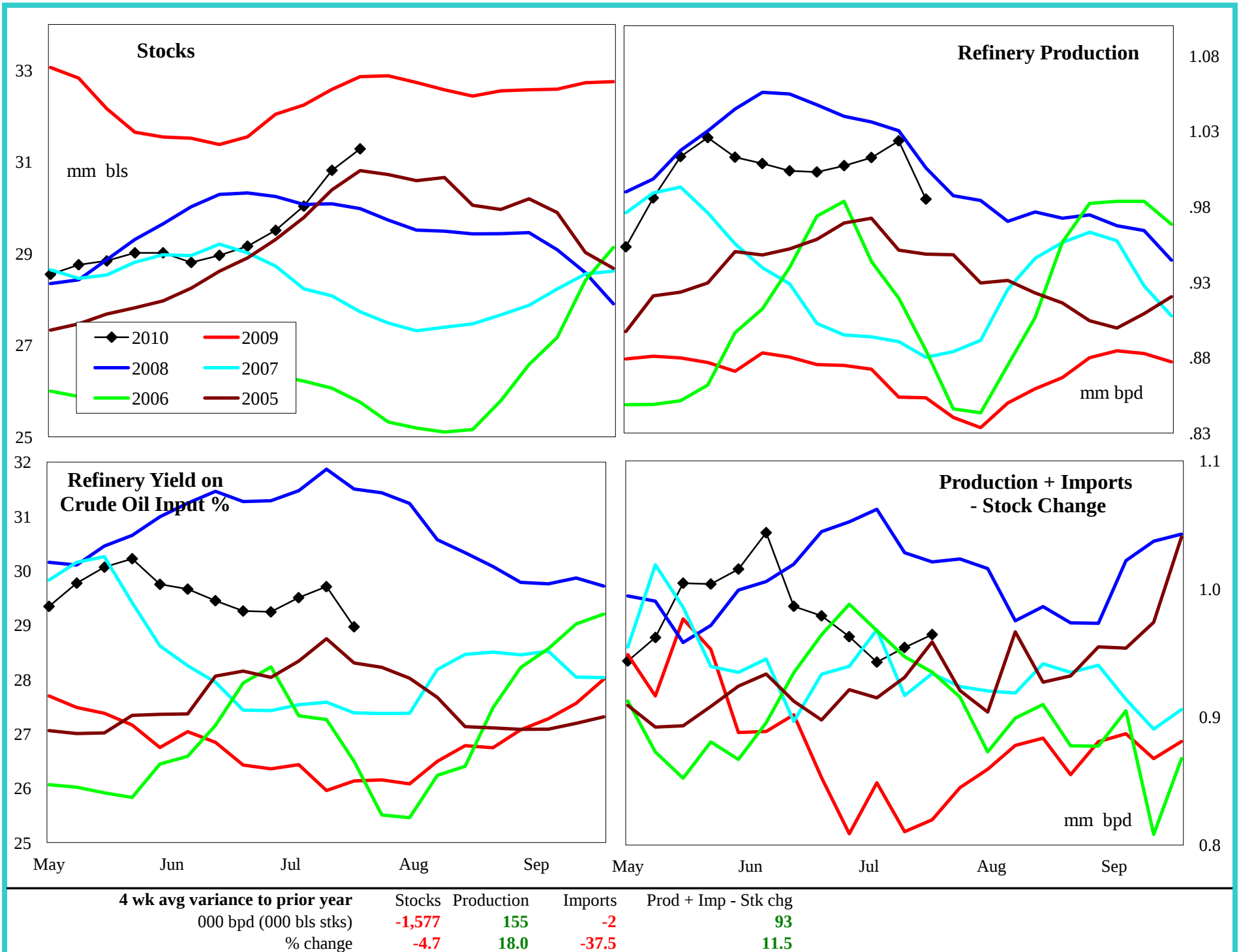
PADD 2 Reformulated Gasoline Supply



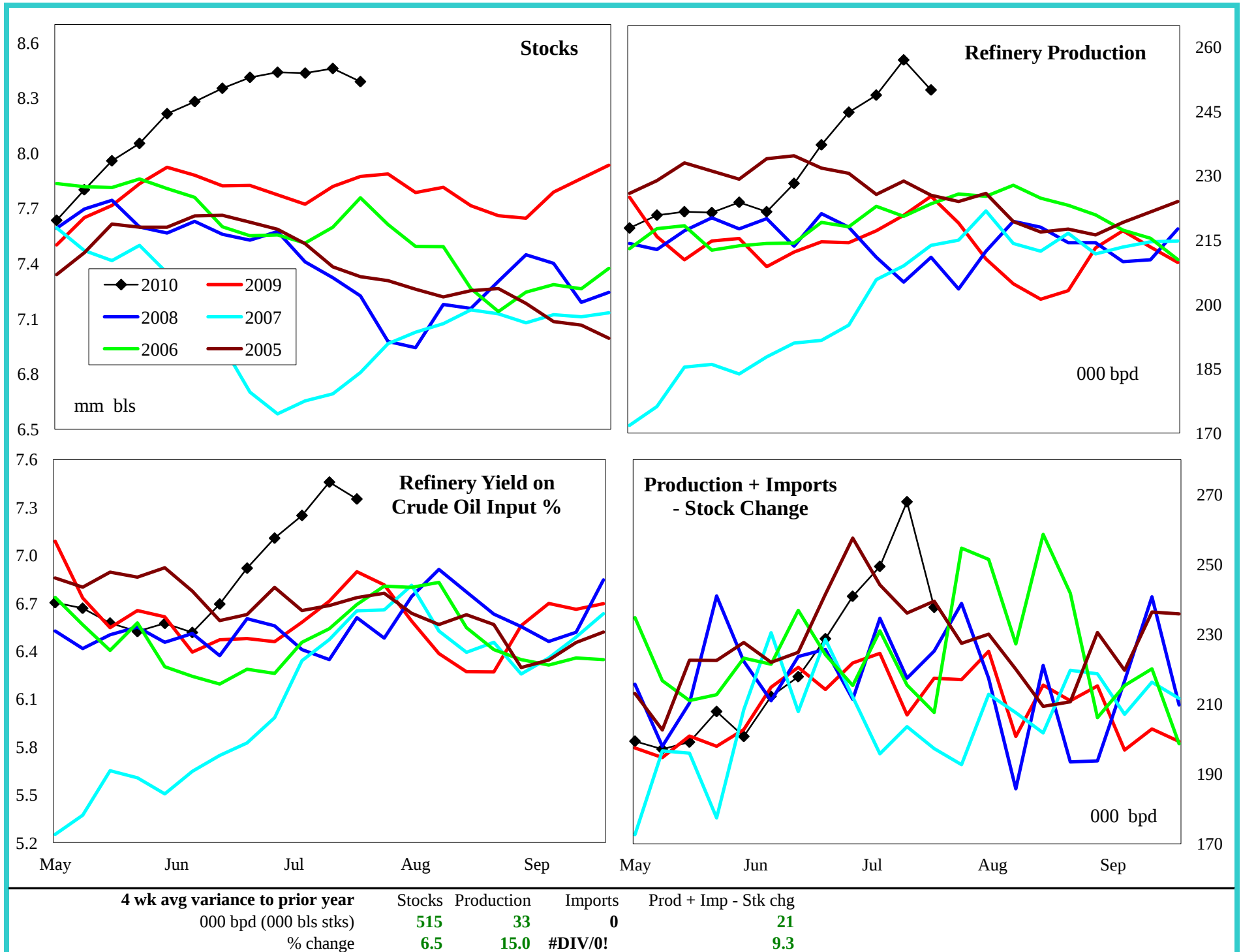
PADD 2 Conventional Gasoline Supply



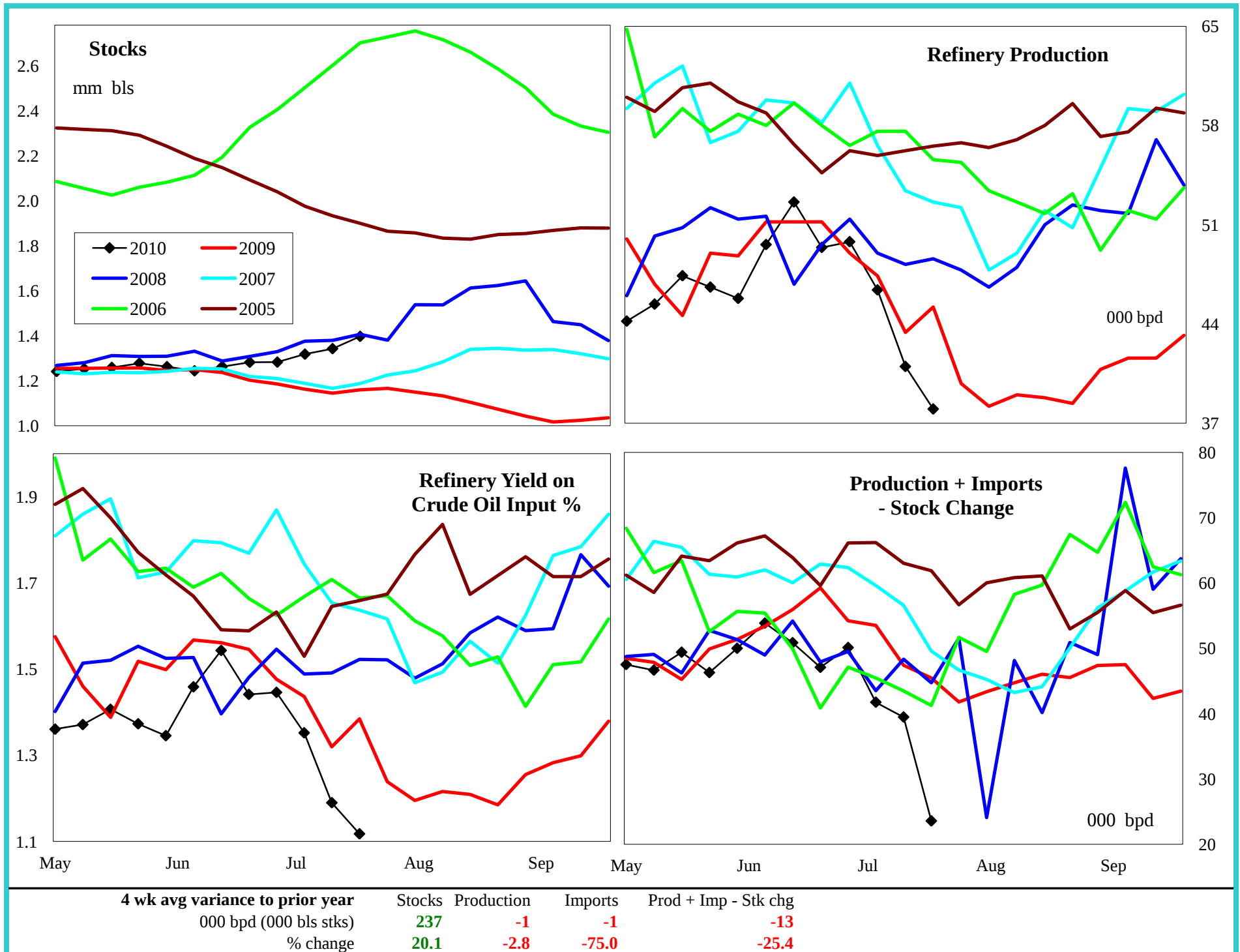
PADD 2 Distillate Supply



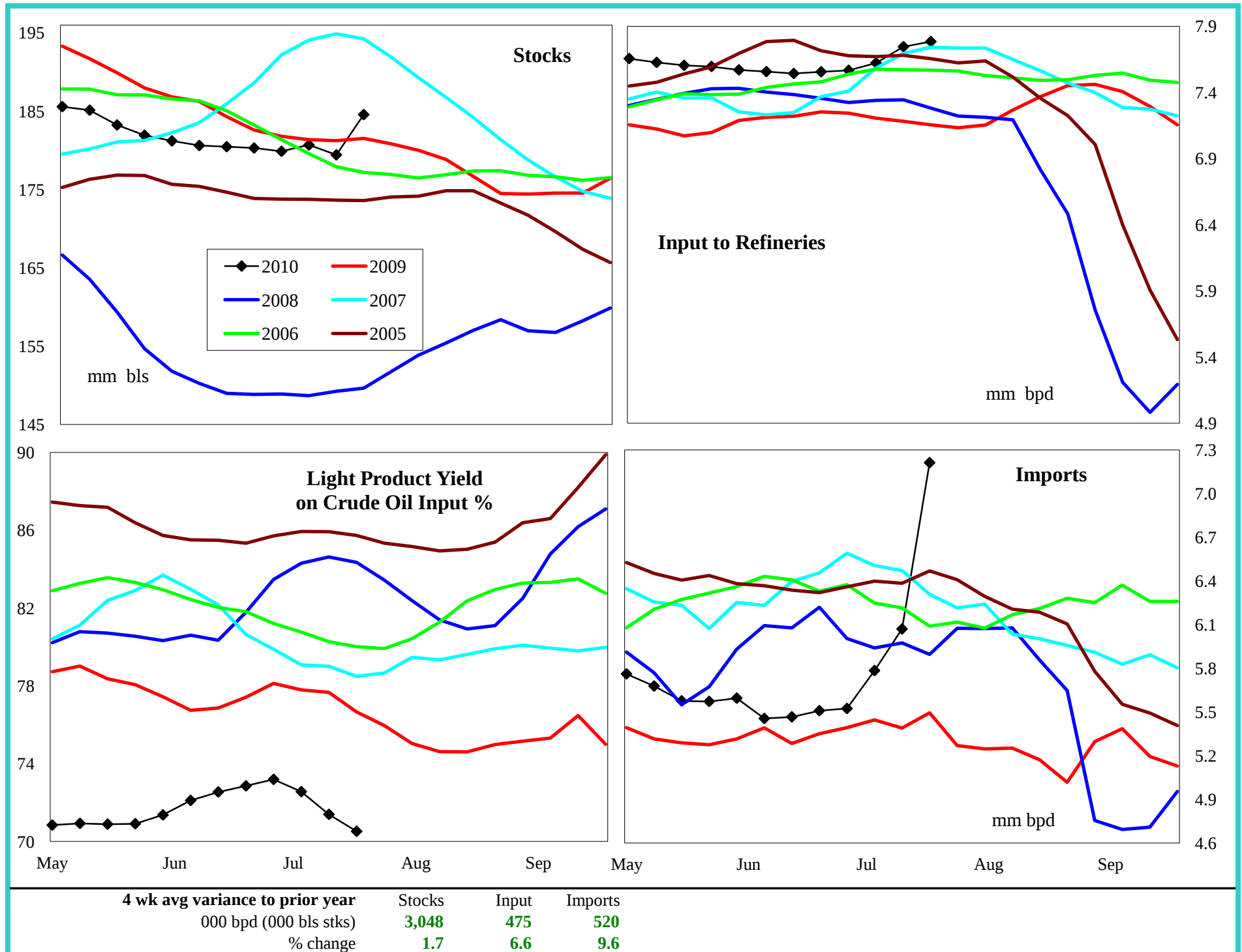
PADD 2 Jet Fuel Supply



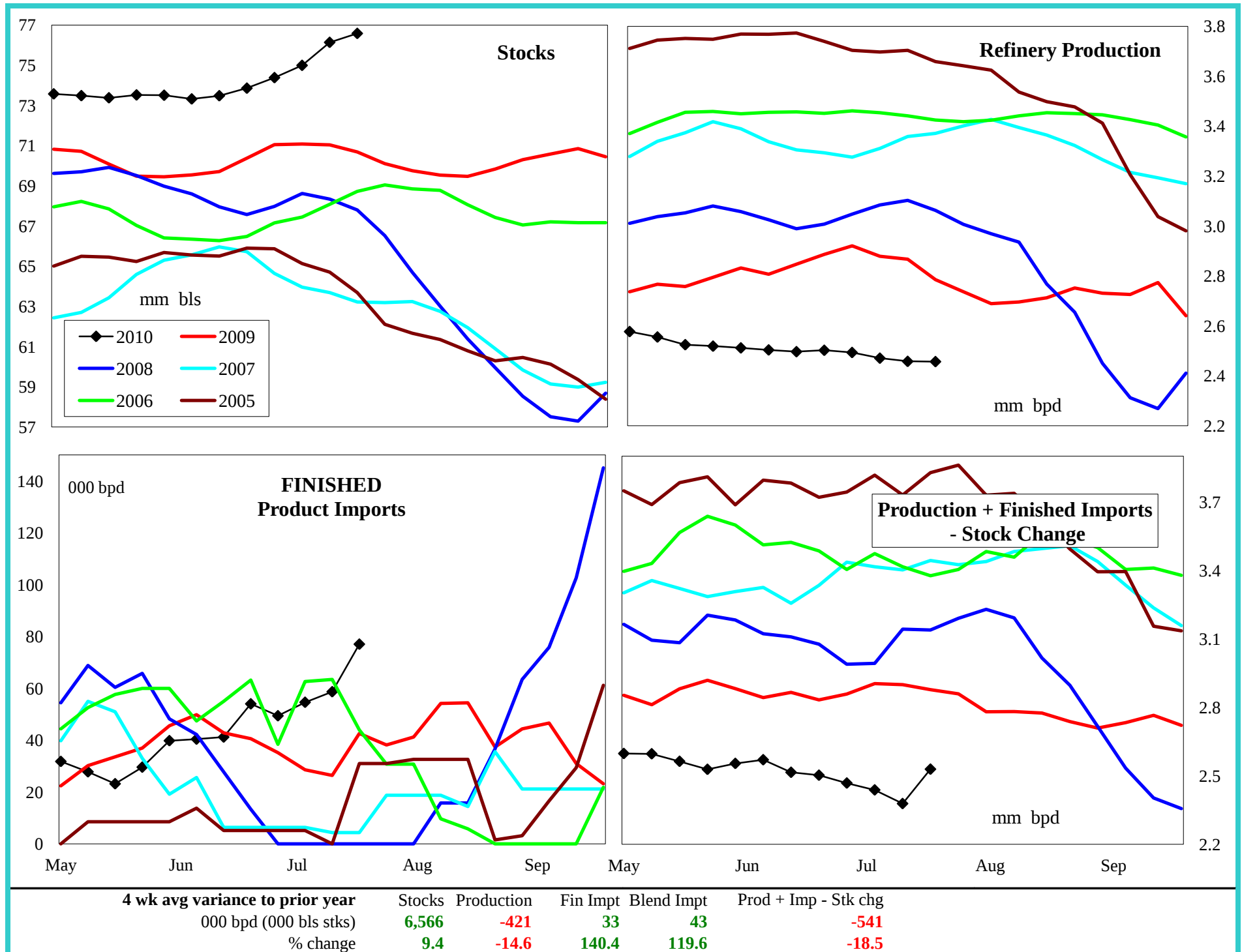
PADD 2 Residual Fuel Oil Supply



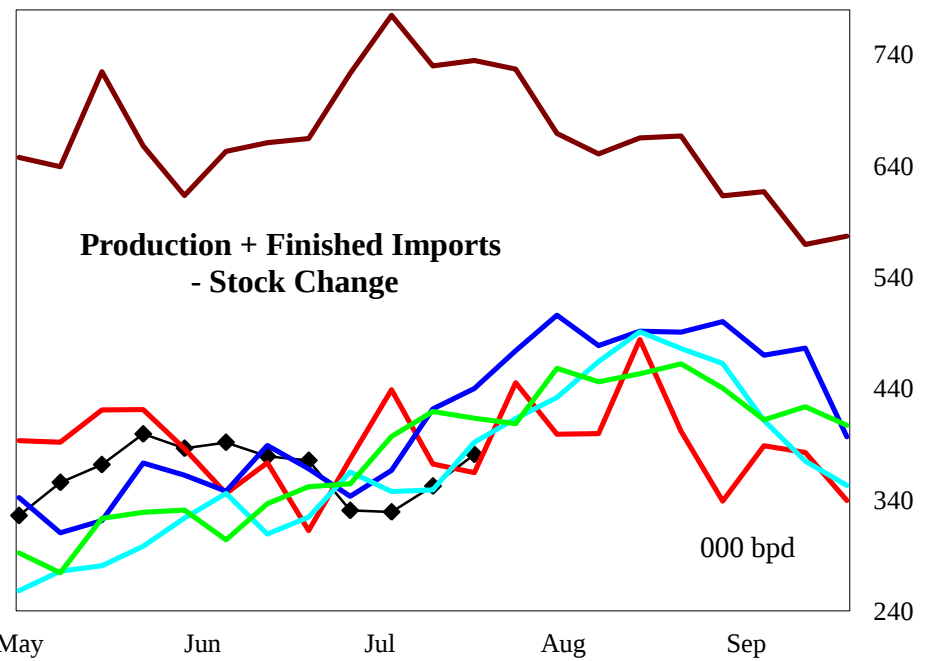
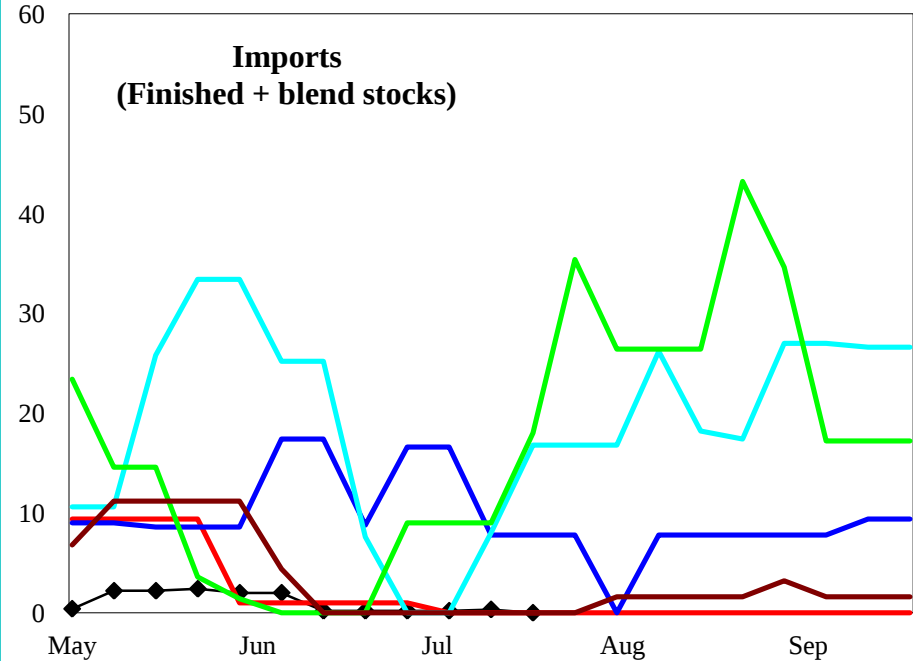
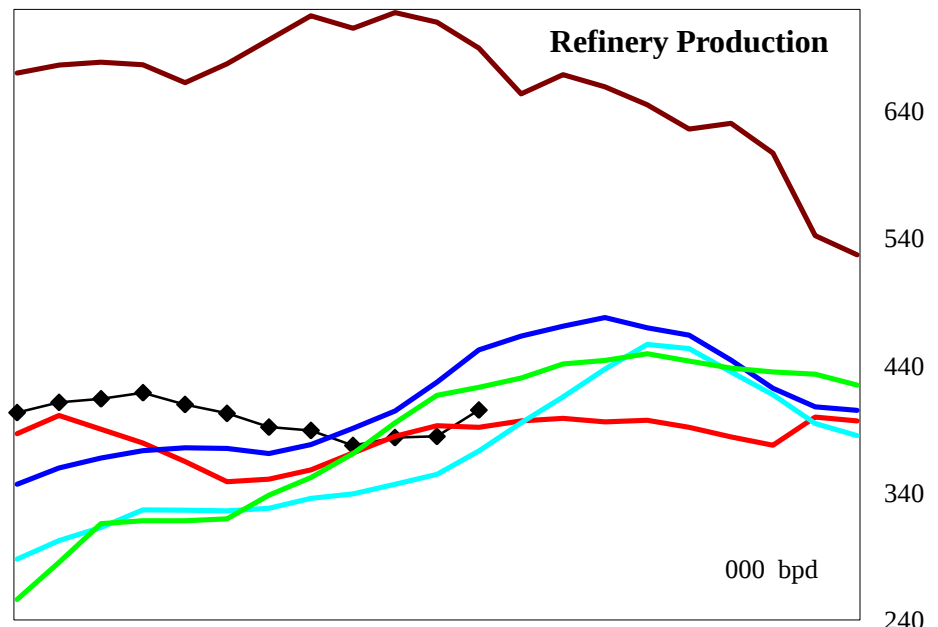
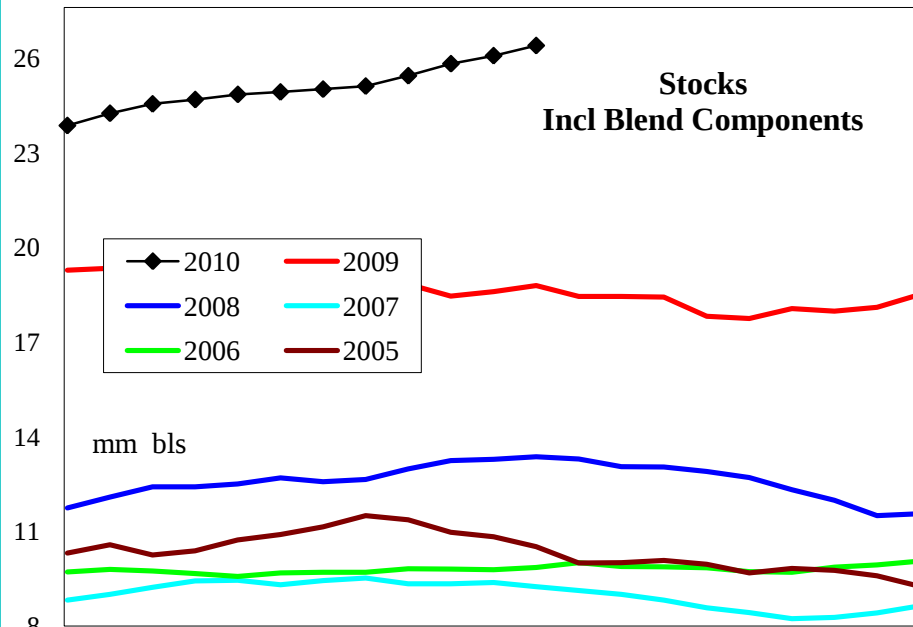
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



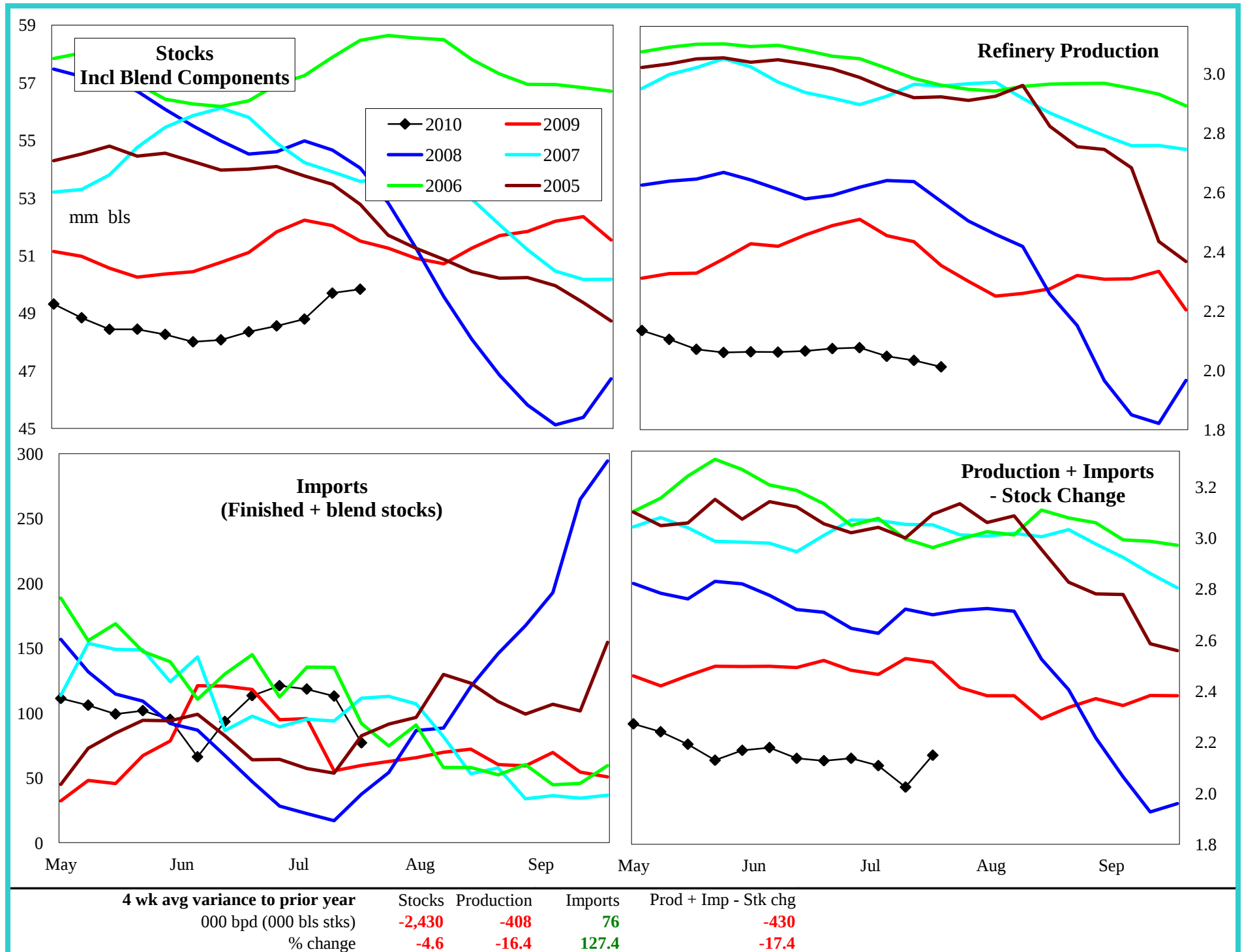
PADD 3 Reformulated Gasoline Supply



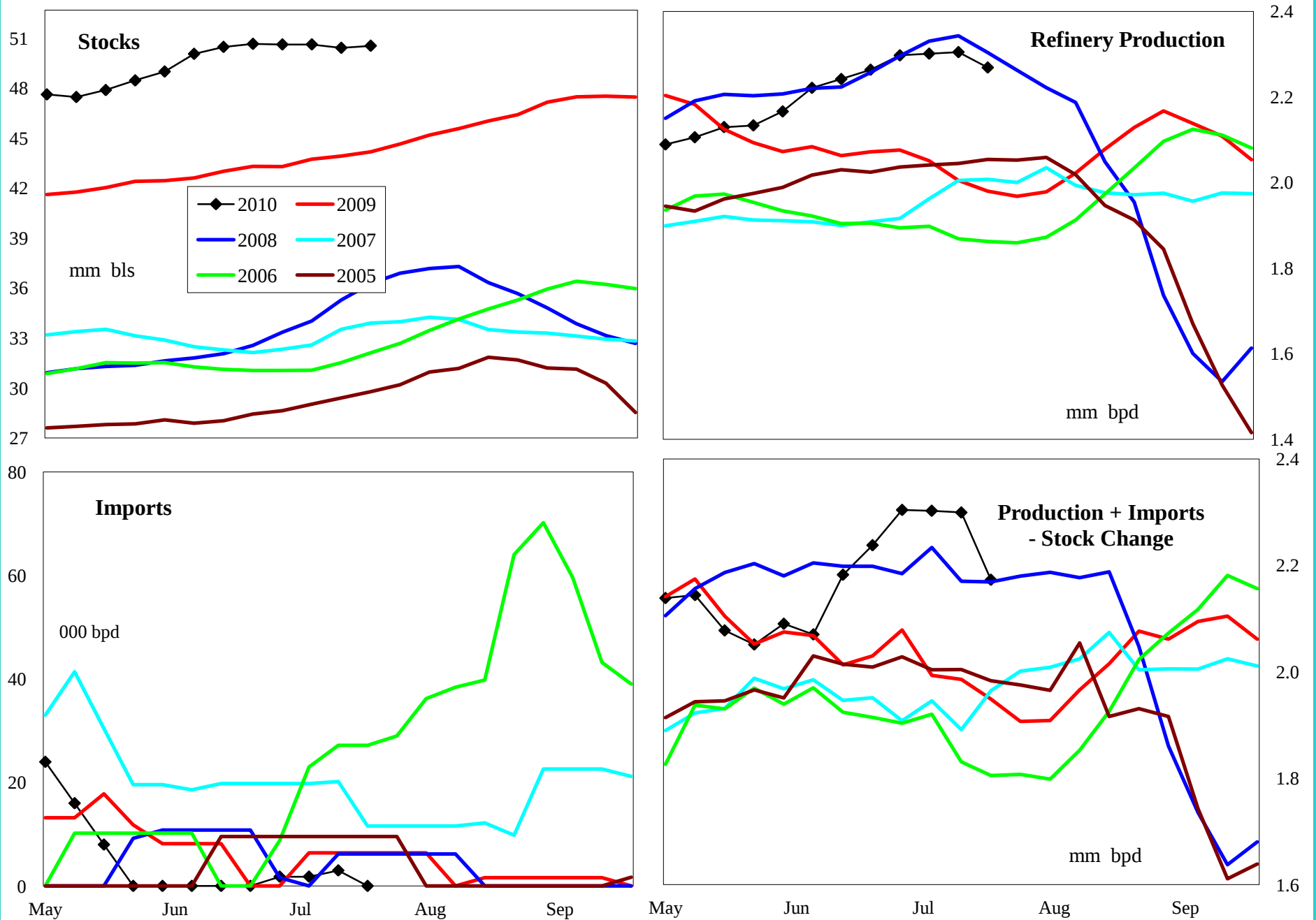
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks	Production	Imports	Prod + Imp - Stk chg
9,042	-14	0	-113
50.9	-3.4	#DIV/0!	-25.0

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

5,827

12.9

Production

278

13.7

Imports

-6

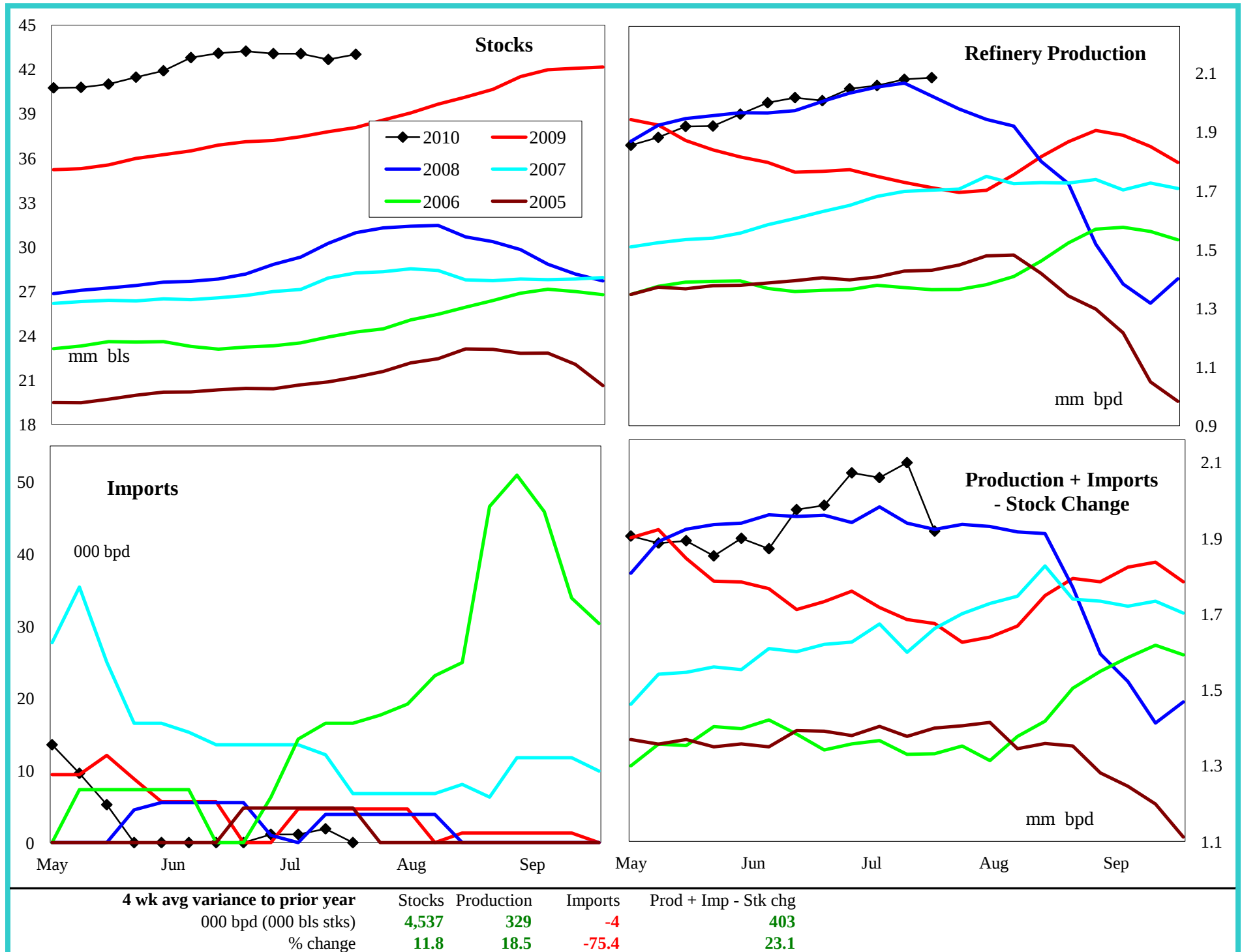
-71.9

Prod + Imp - Stk chg

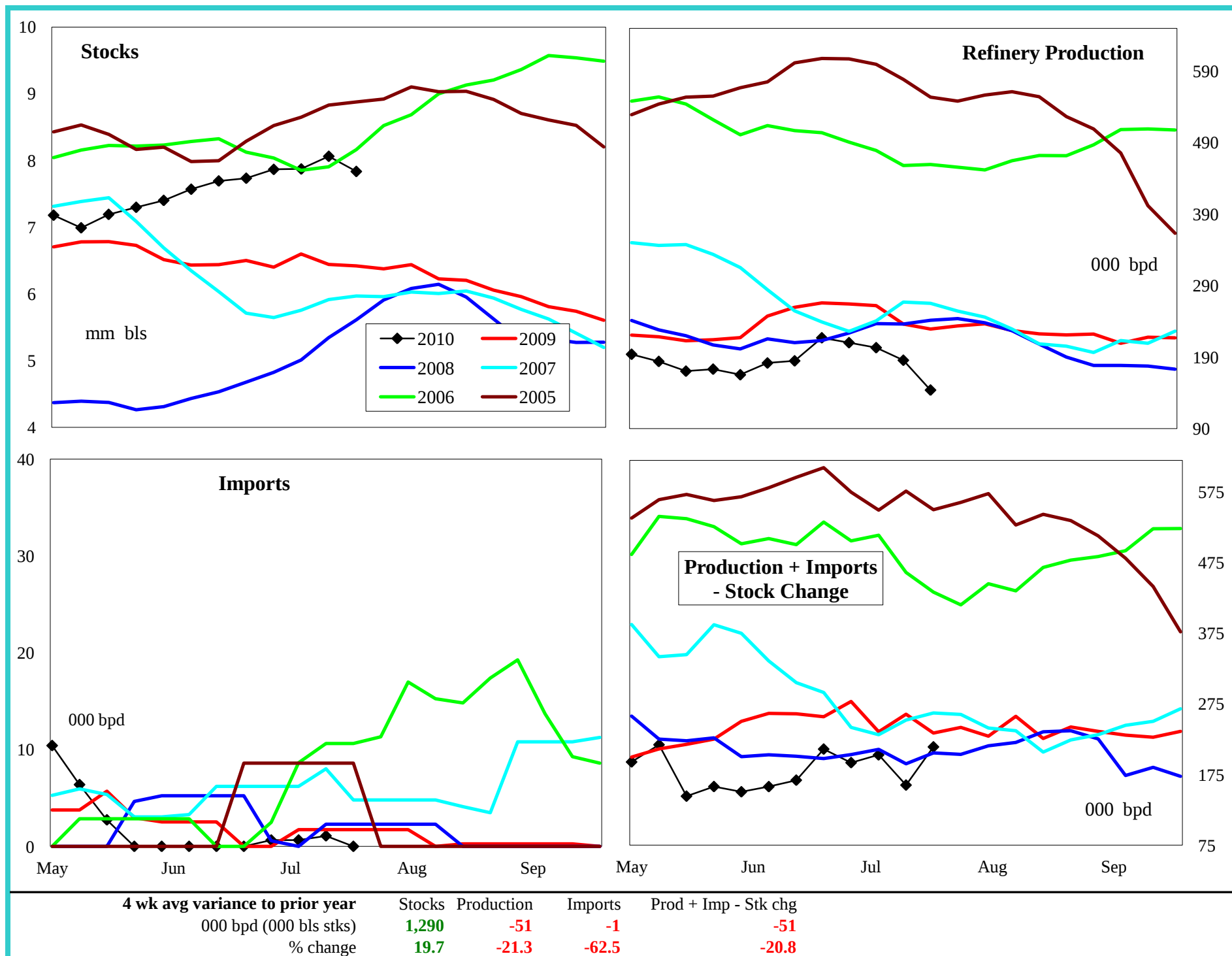
352

17.7

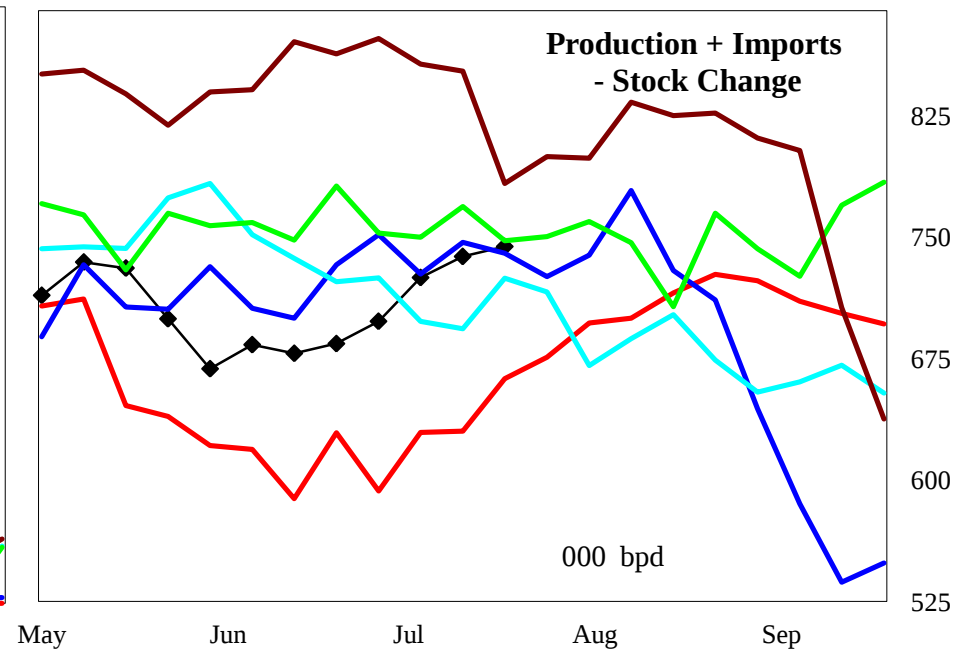
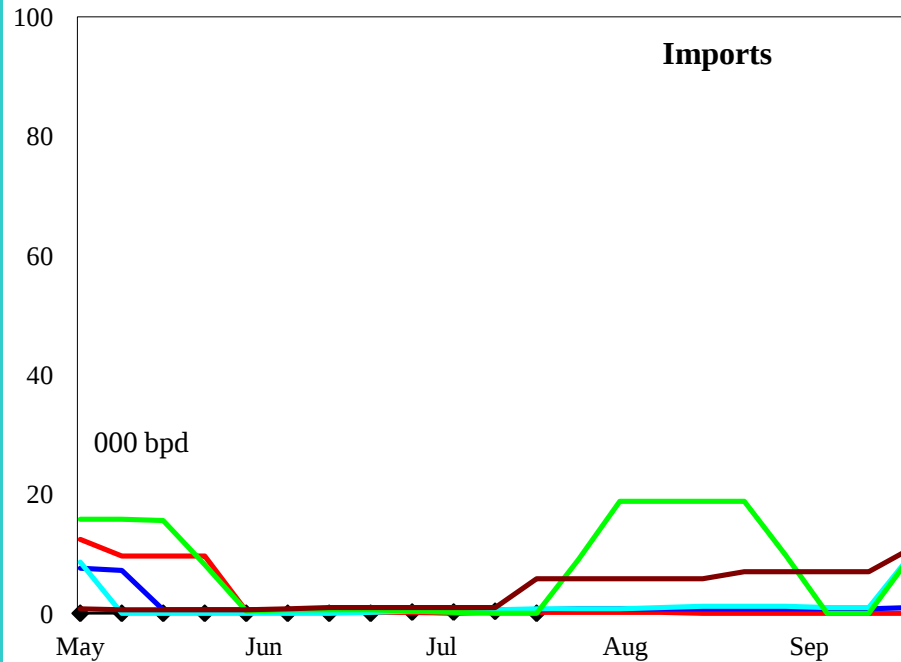
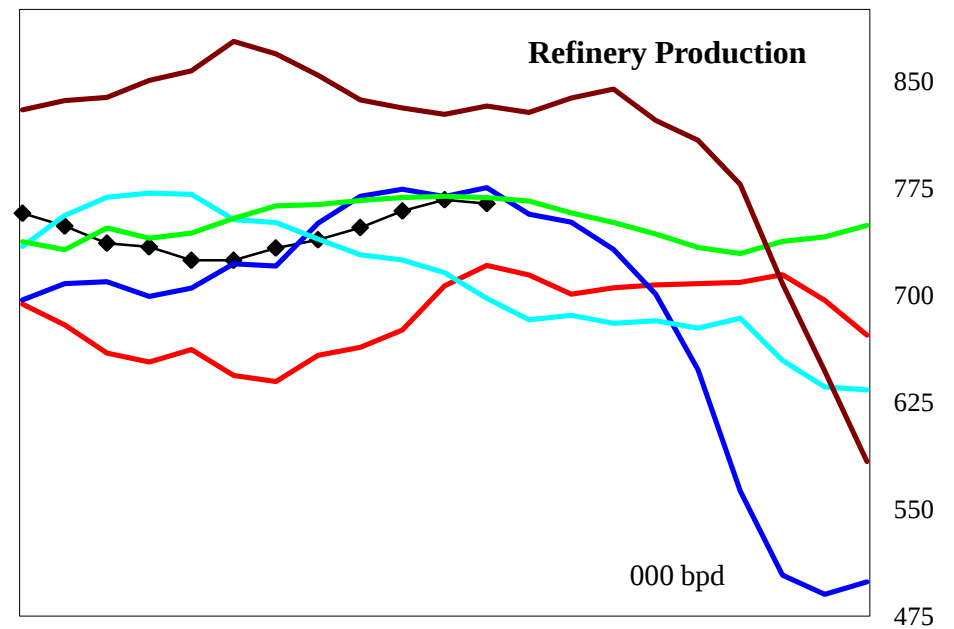
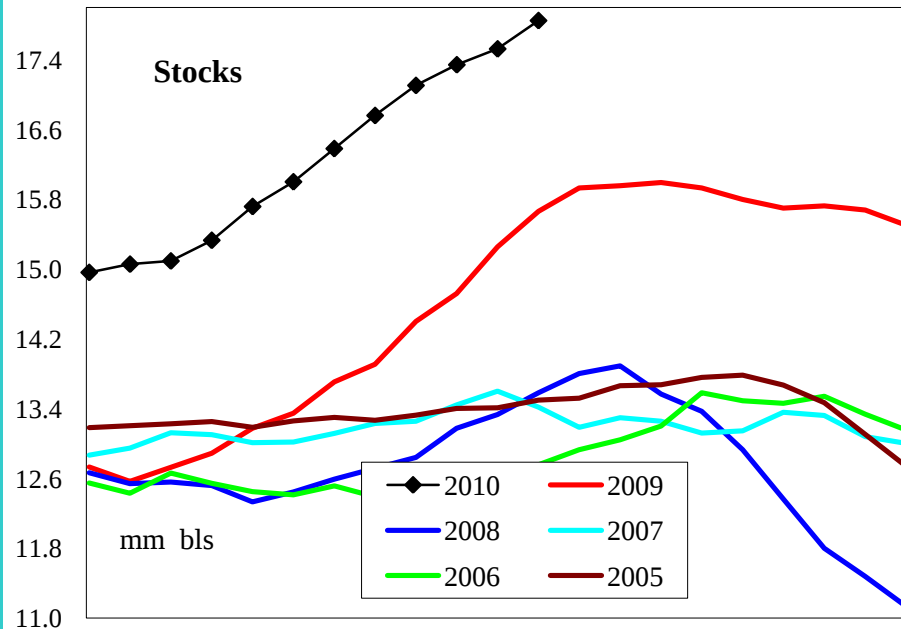
PADD 3 Low Sulfur Distillate Supply



PADD 3 High Sulfur Distillate Supply



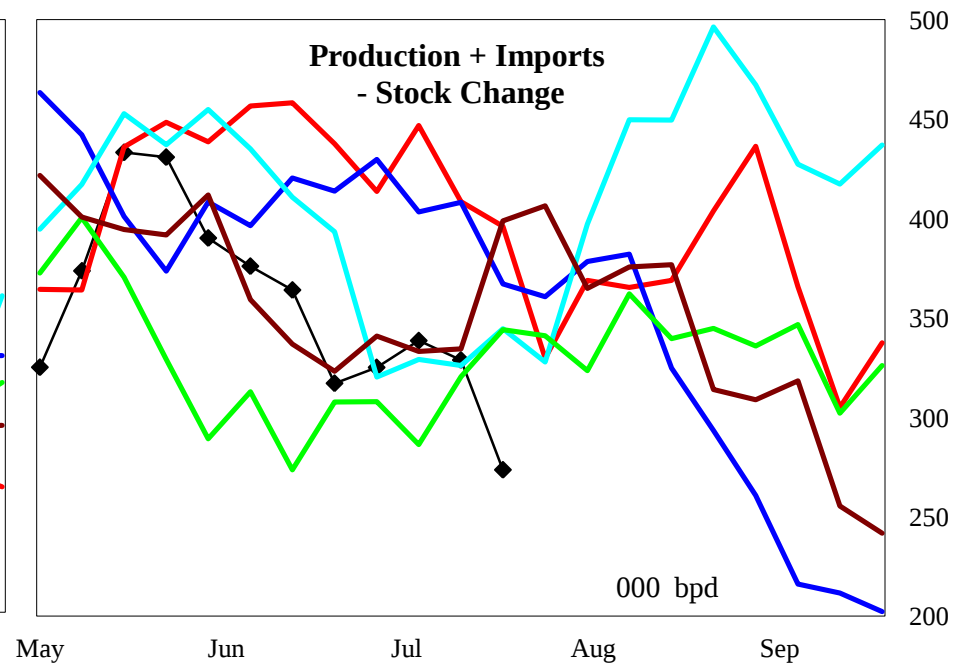
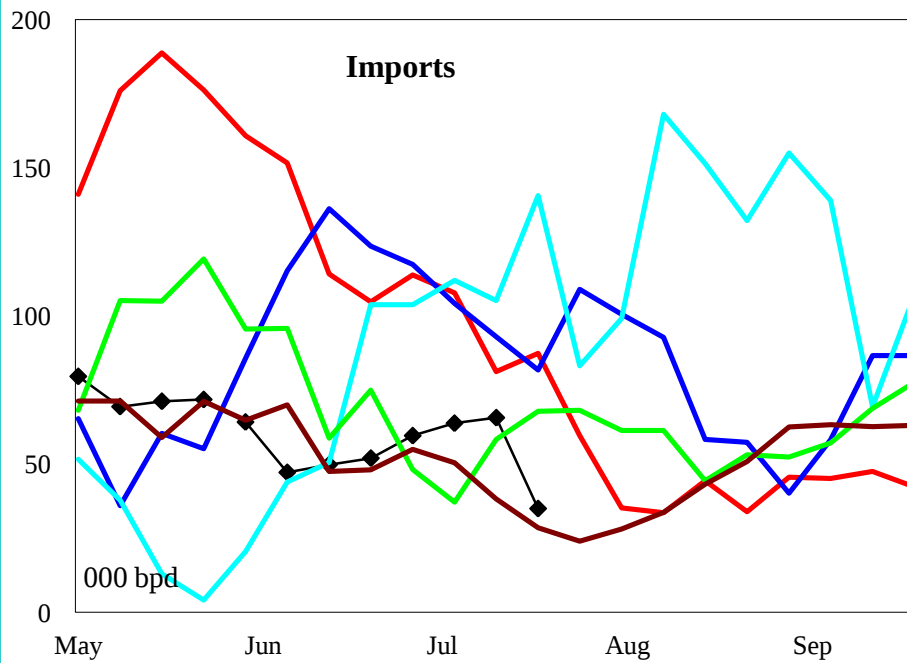
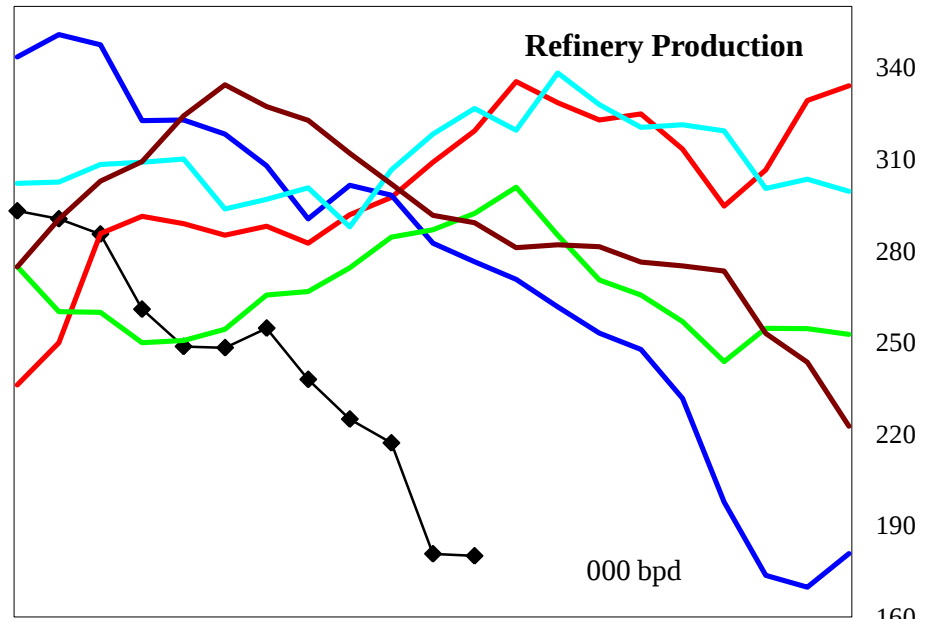
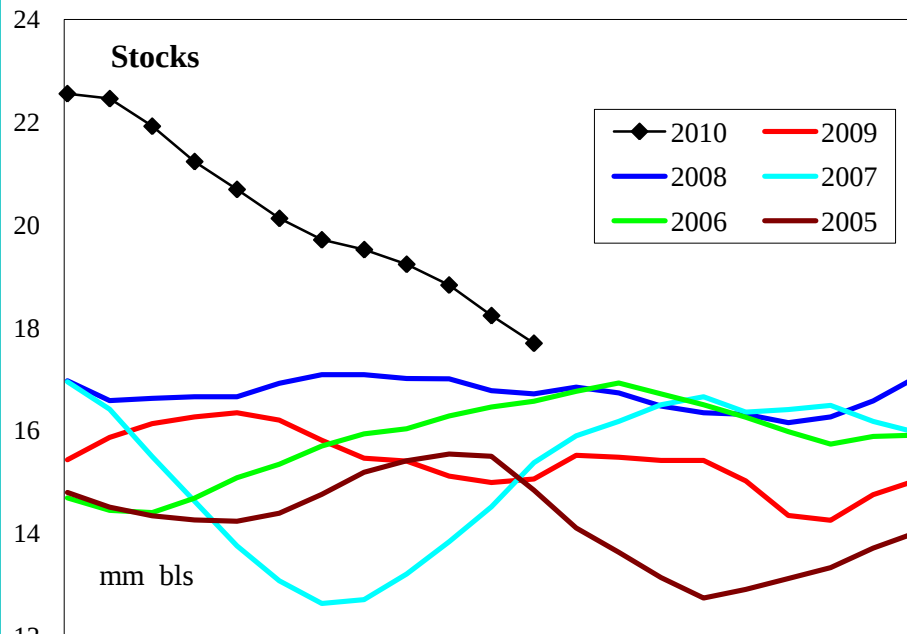
PADD 3 Jet Fuel Supply



4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
2,189	74	0	117
14.0	10.6	#DIV/0!	18.8

PADD 3 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

2,642

17.6

Production

-103

-33.4

Imports

-33

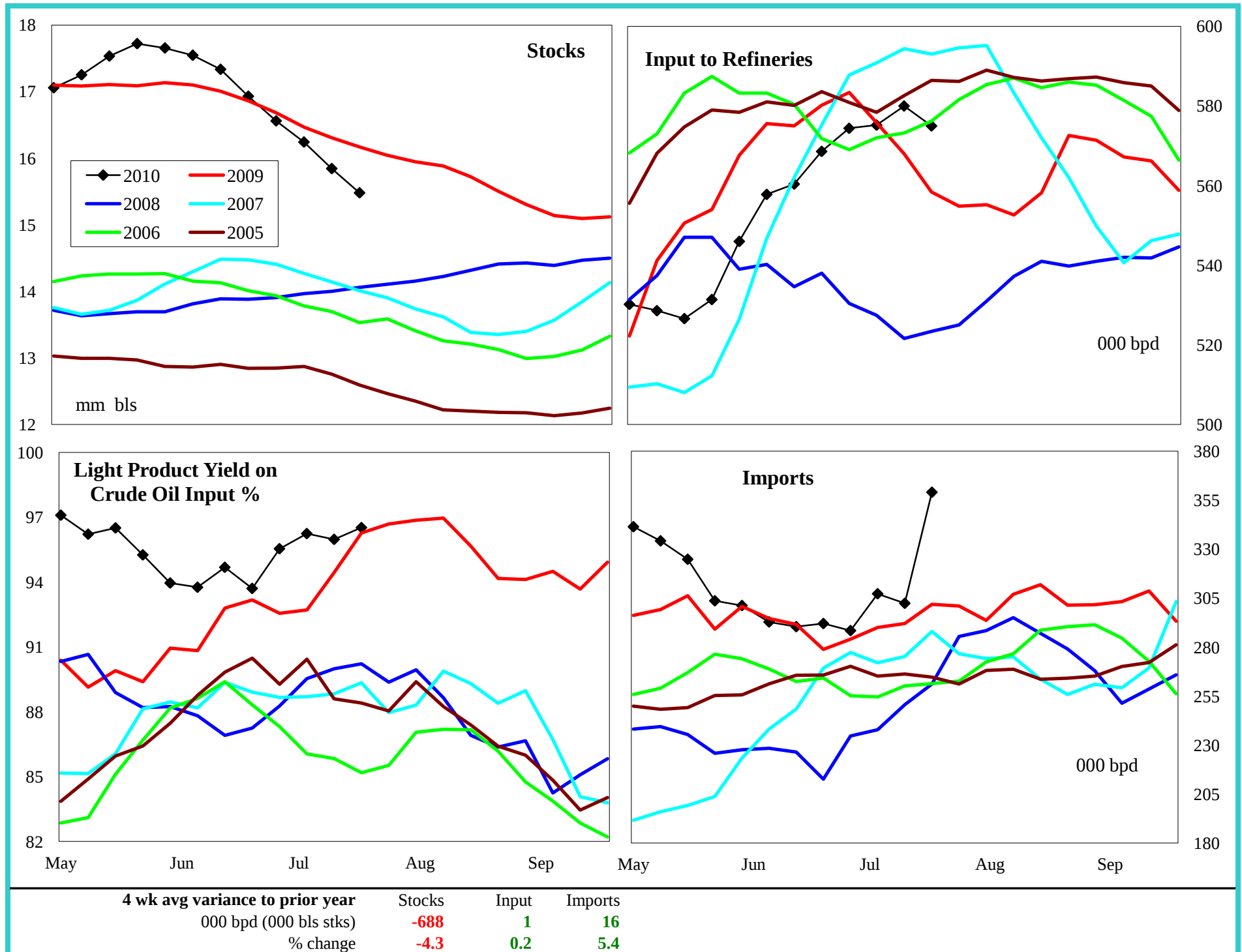
-32.5

Prod + Imp - Stk chg

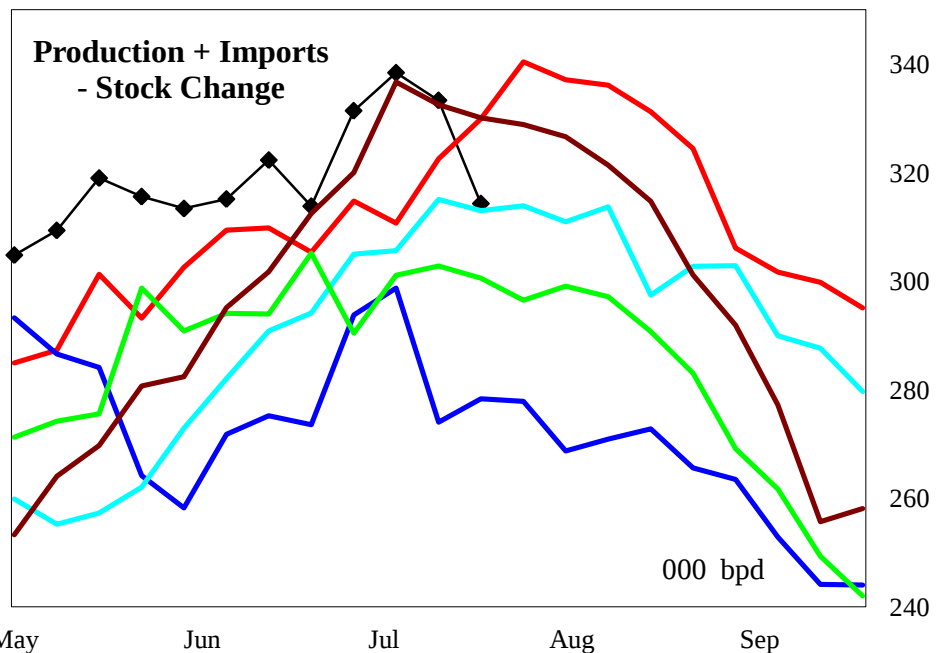
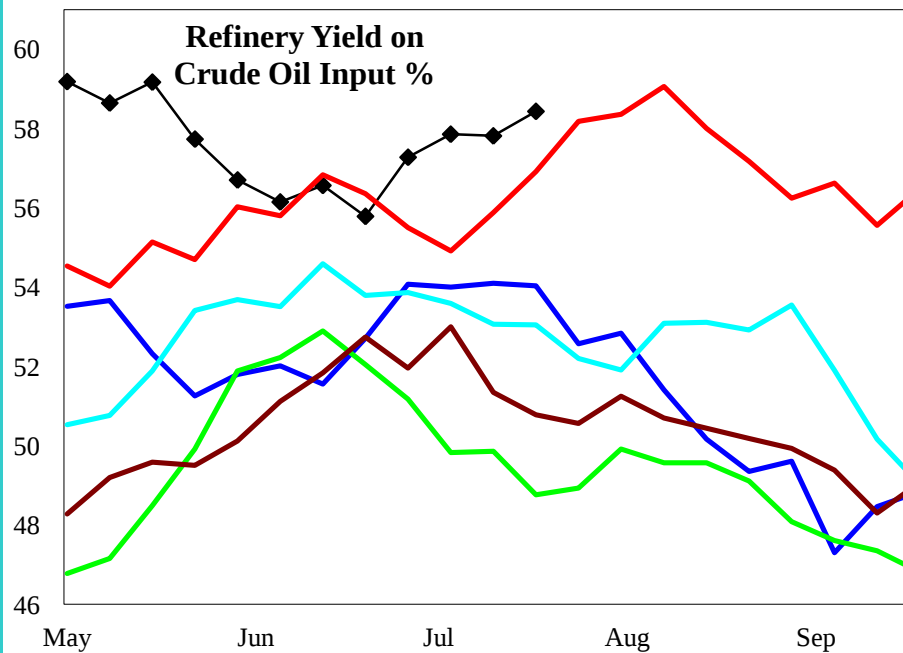
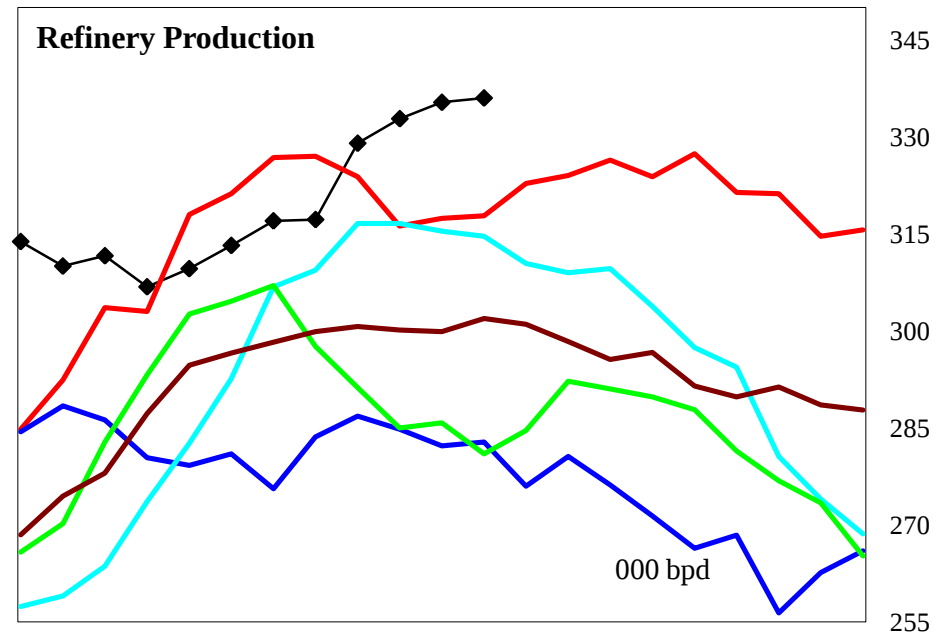
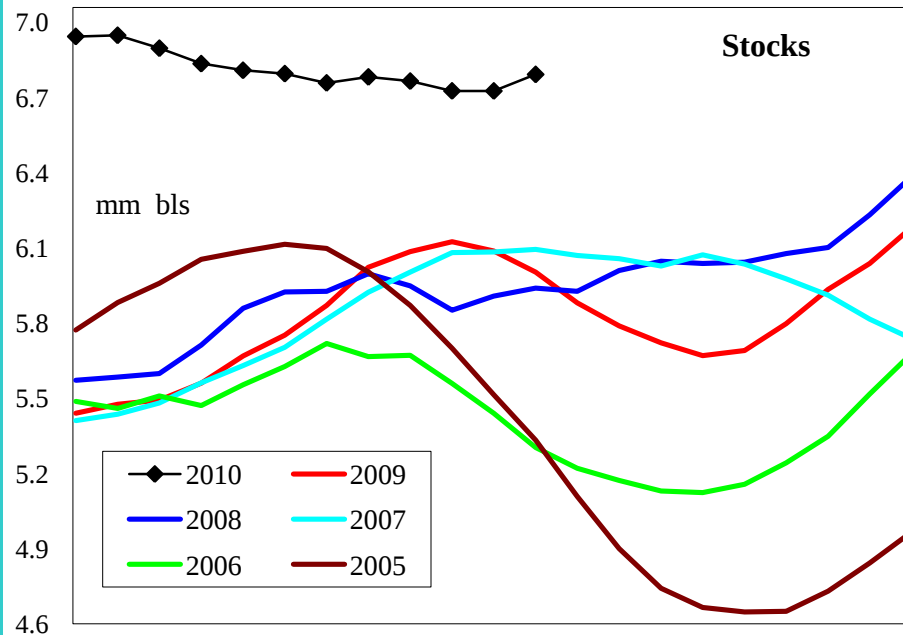
-82

-18.7

PADD 4 Crude Oil Supply and Refining



PADD 4 Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

Production

Prod + Imp - Stk chg

789

23

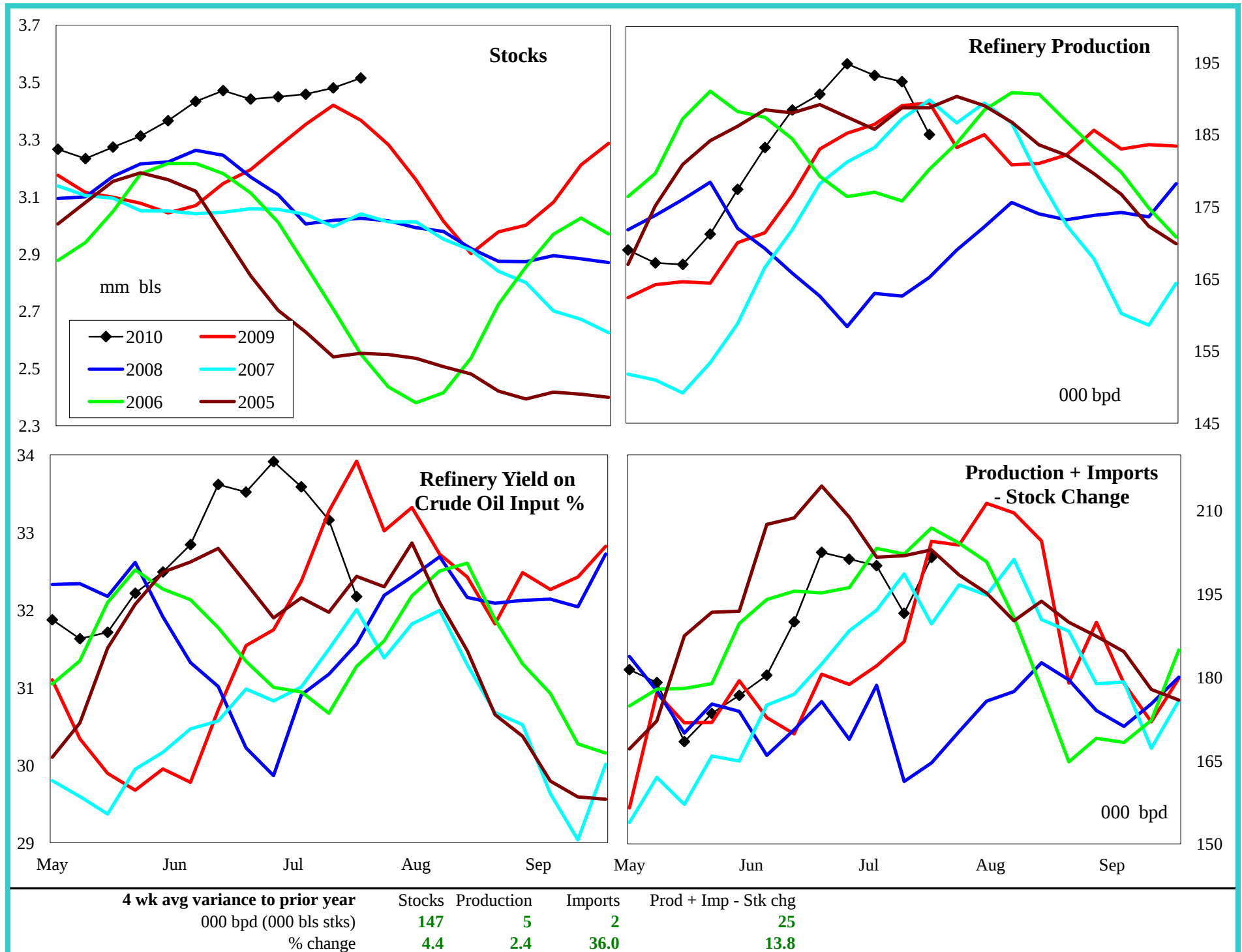
23

13.1

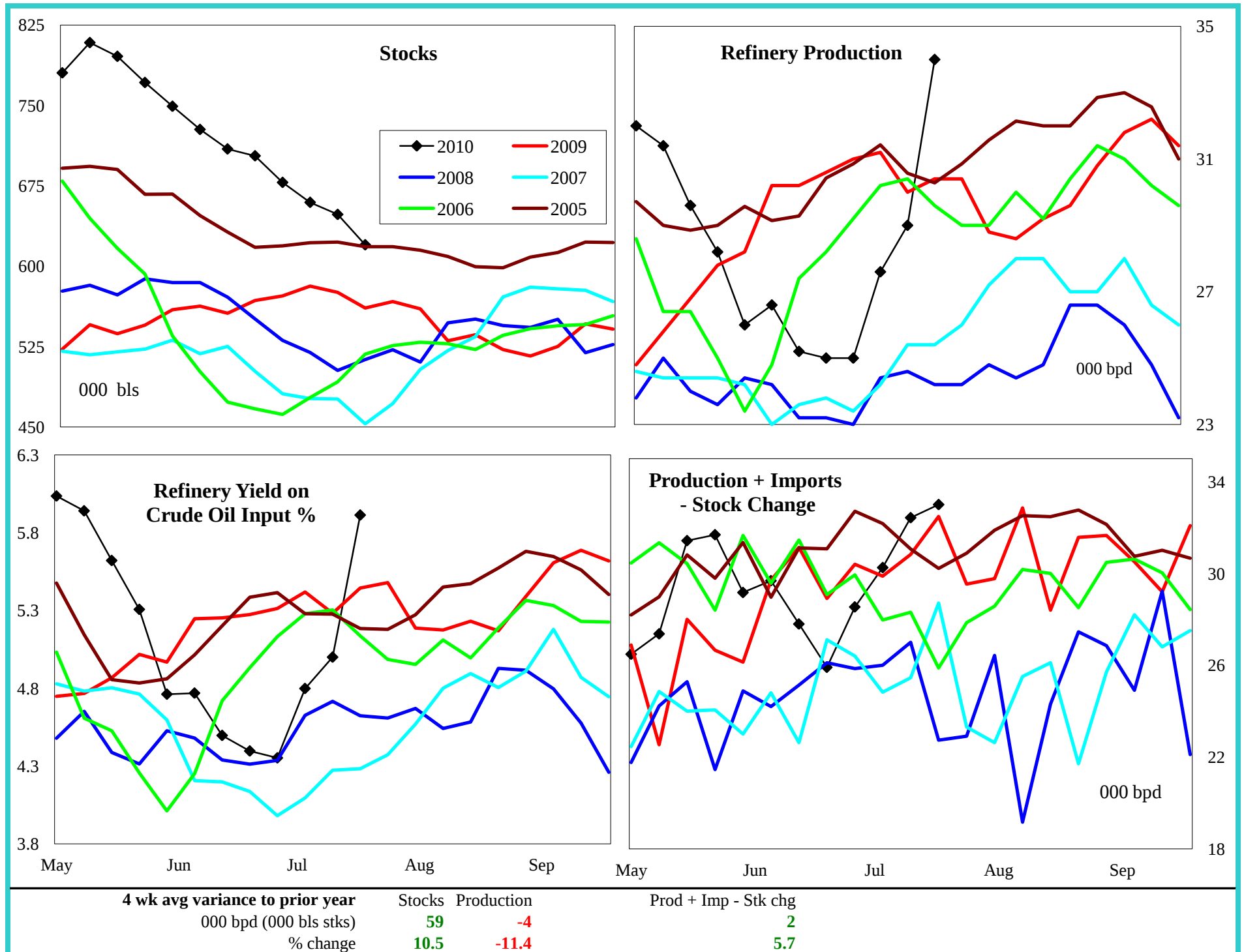
7.3

7.3

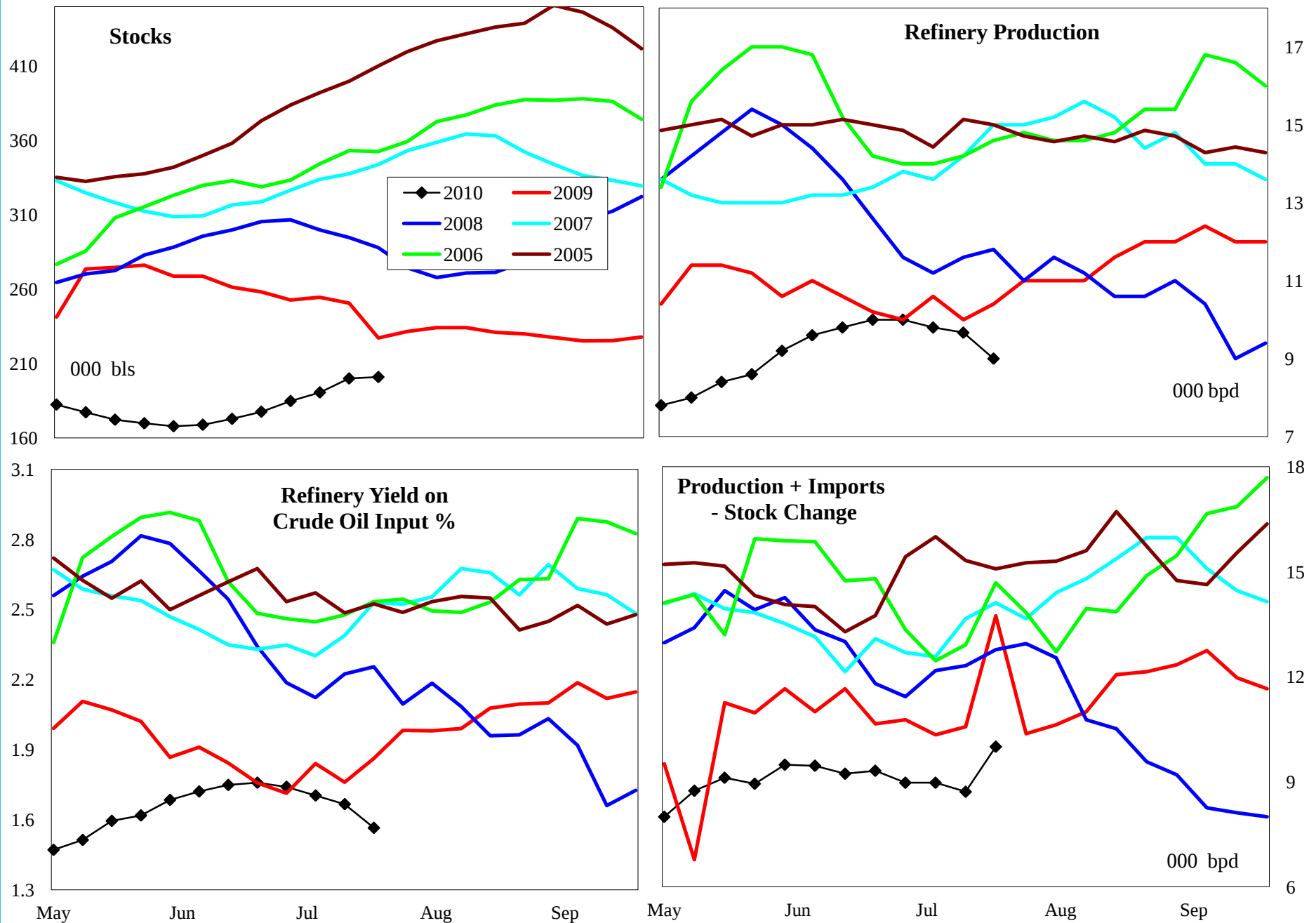
PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply



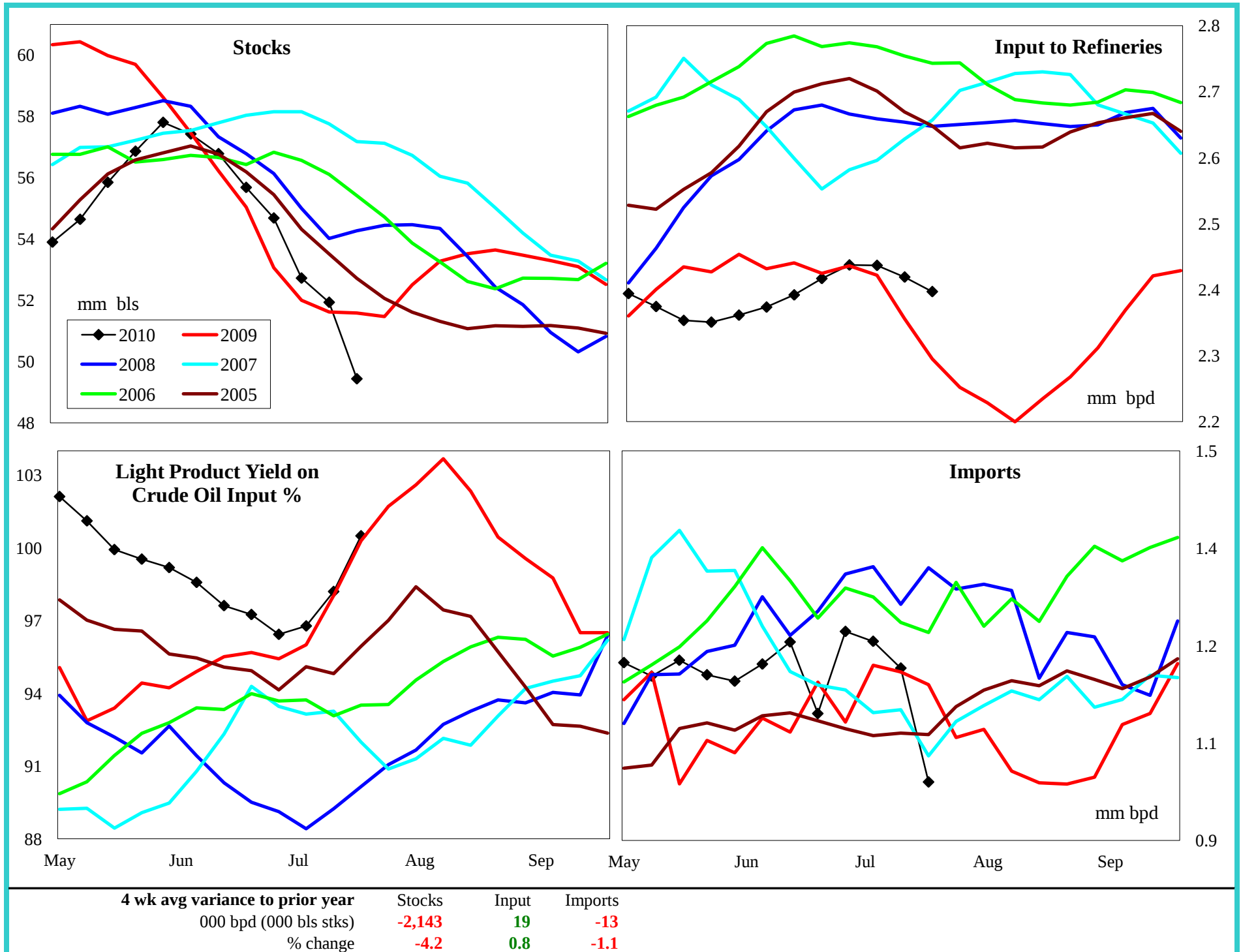
PADD 4 Residual Fuel Oil Supply



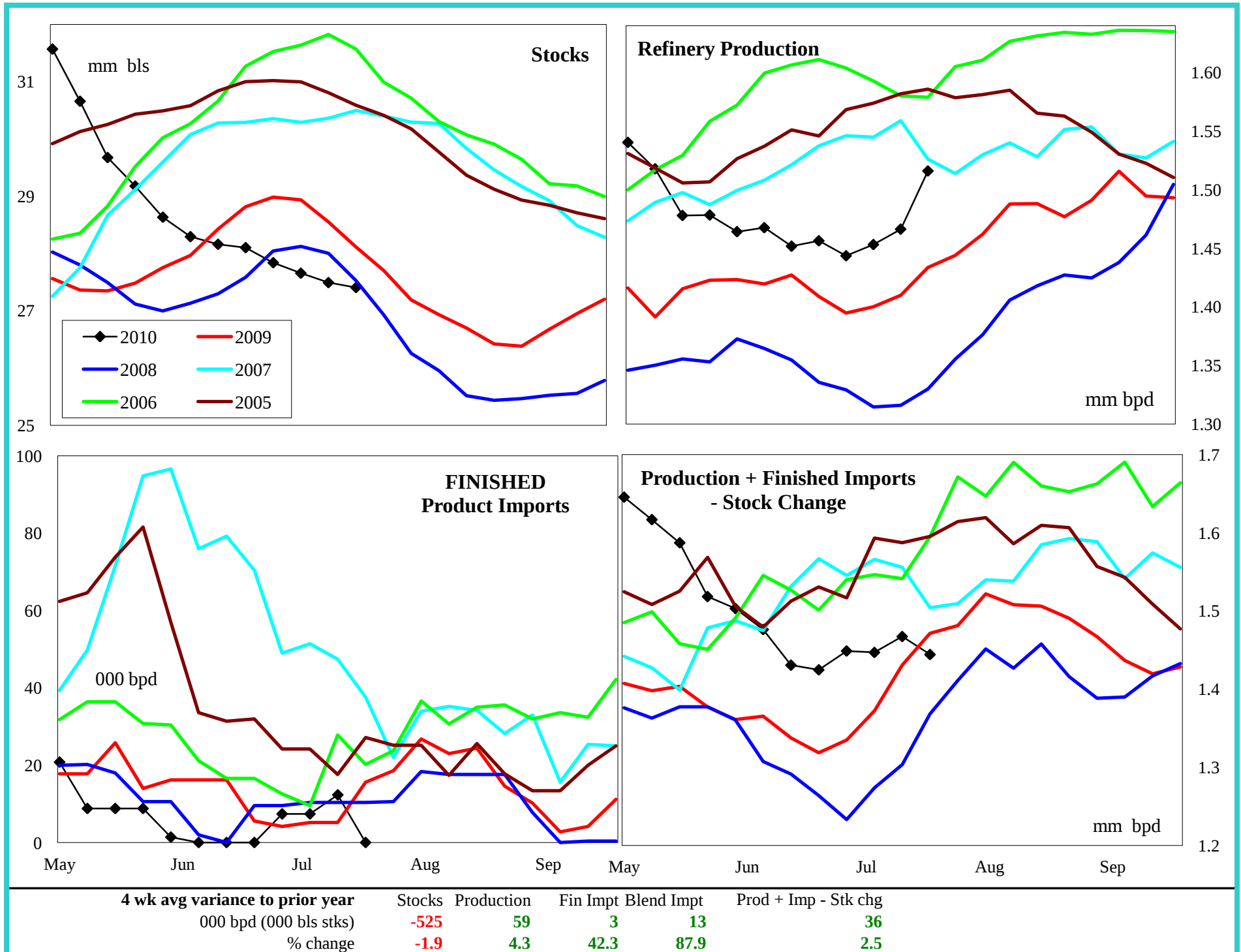
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
-26	-1	0	-3
-11.5	-7.3	#DIV/0!	-20.5

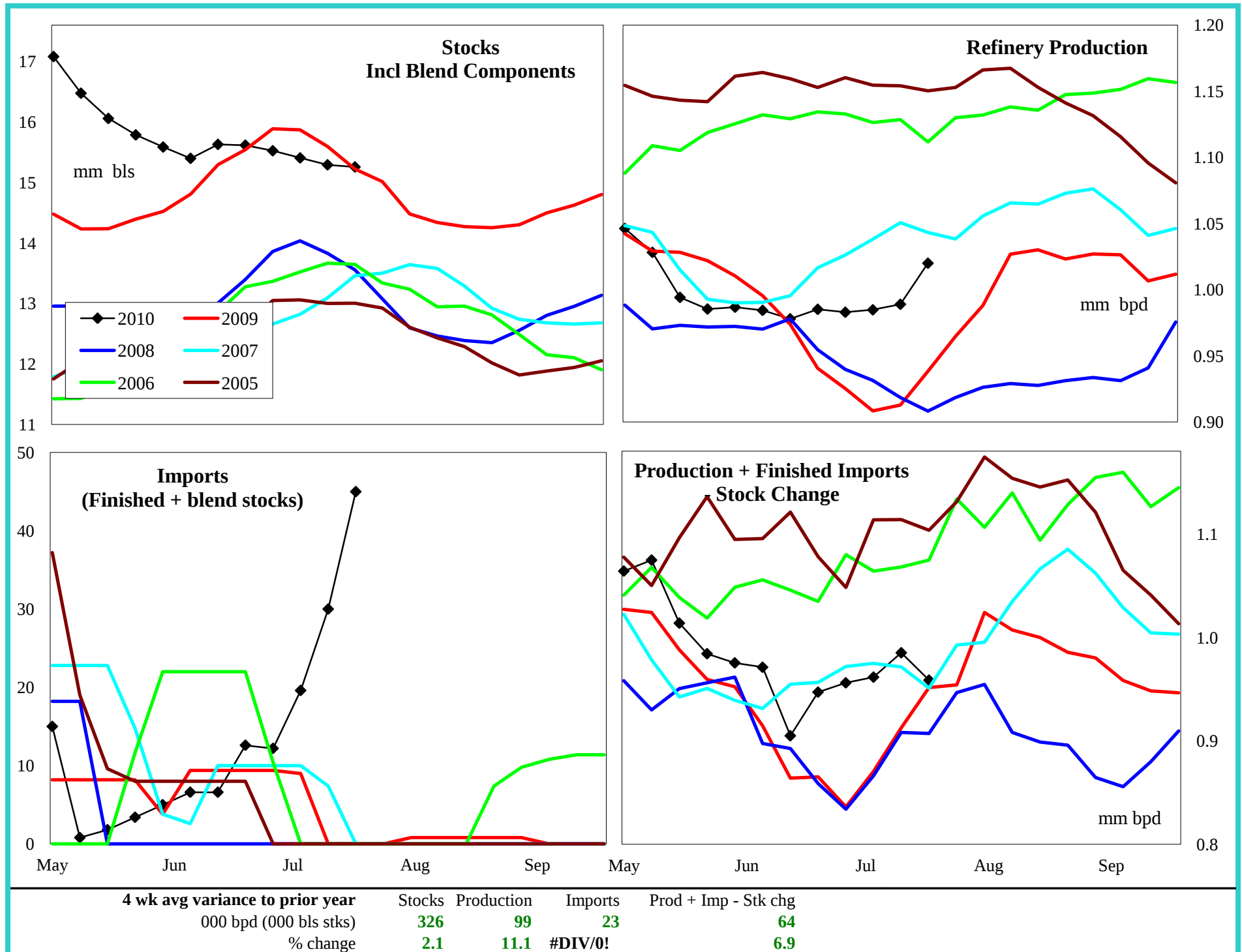
PADD 5 Crude Oil Supply and Refining



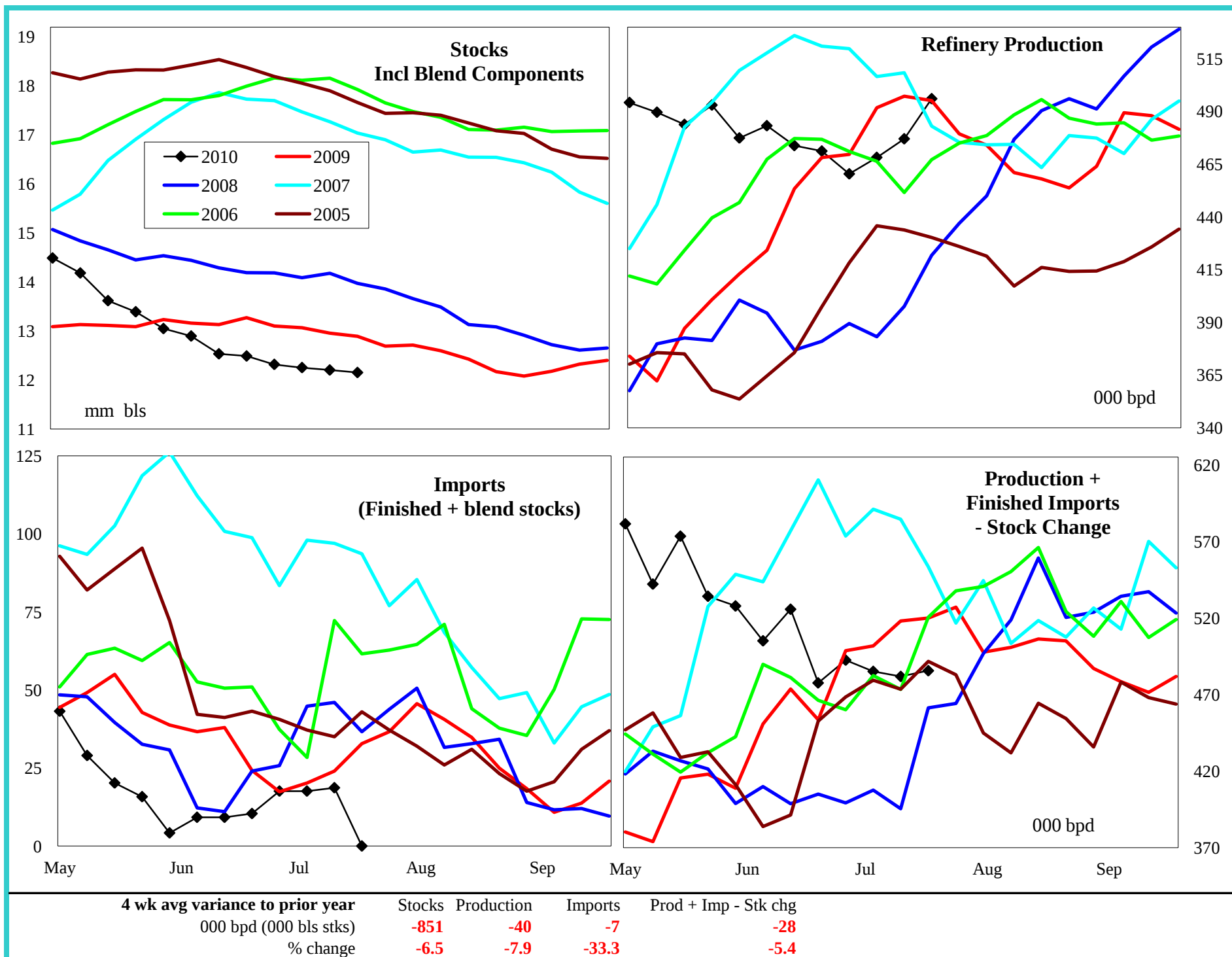
PADD 5 Gasoline Supply



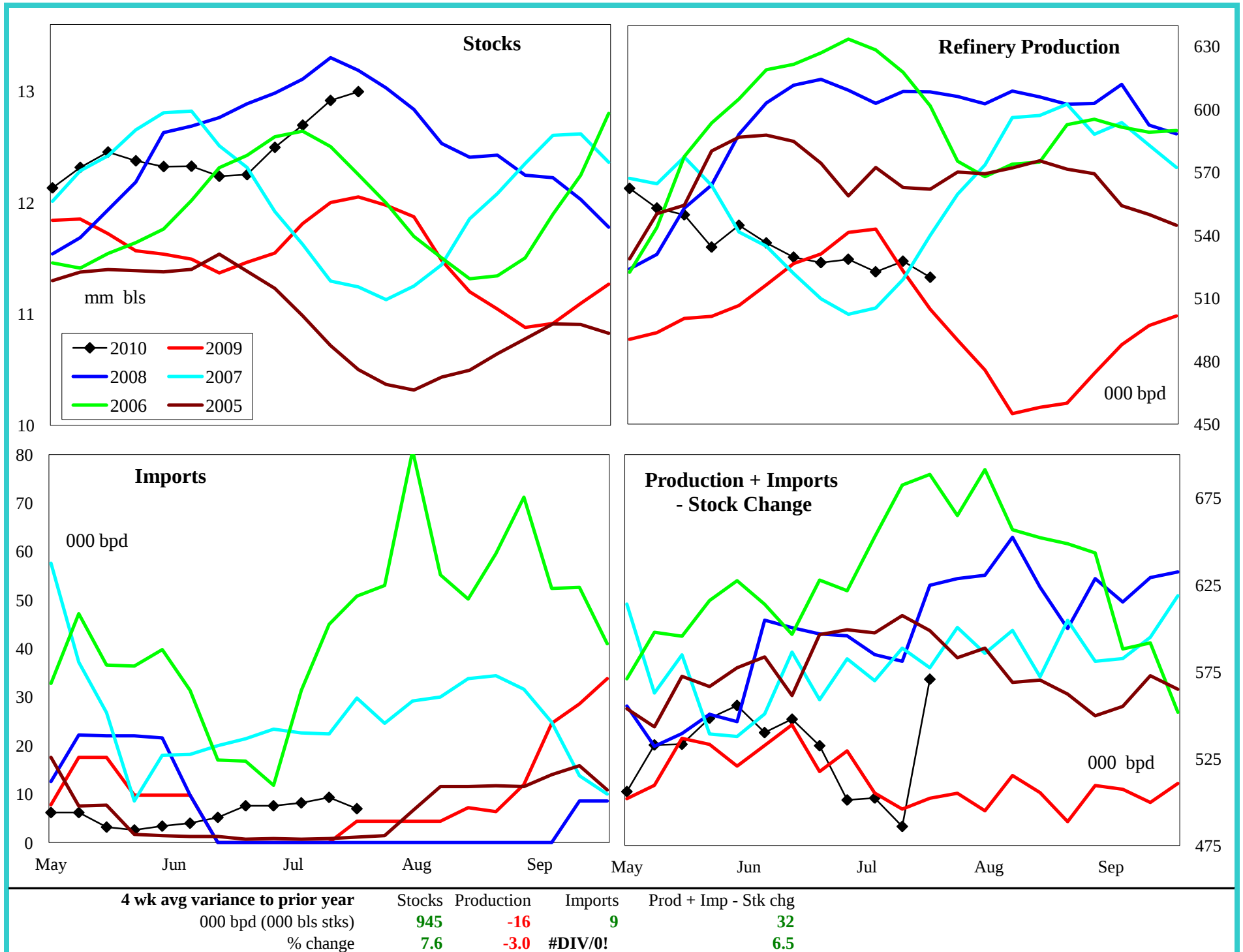
PADD 5 Reformulated Gasoline Supply



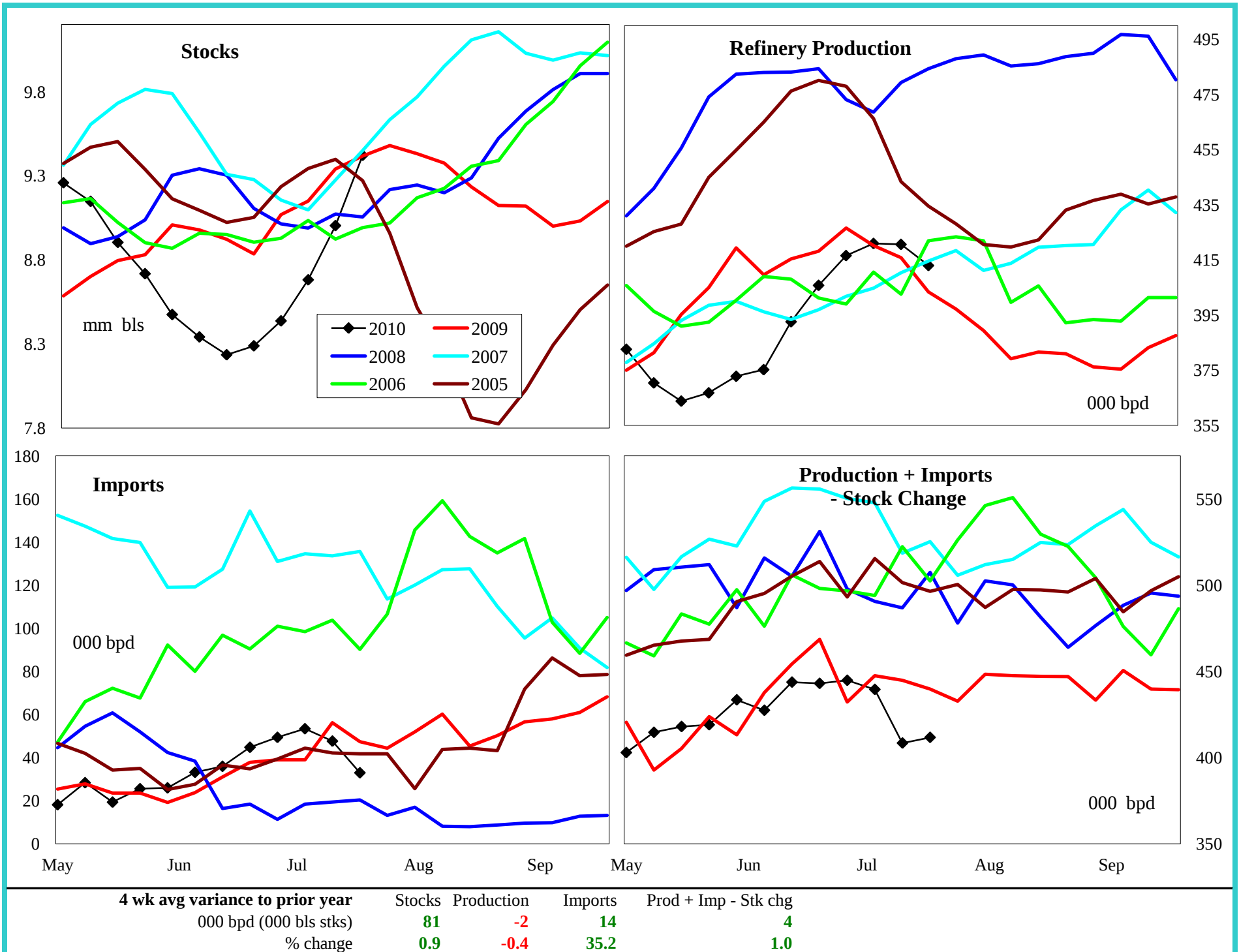
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

