

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

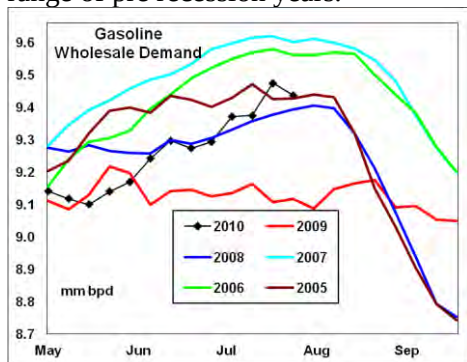
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, August 04, 2010

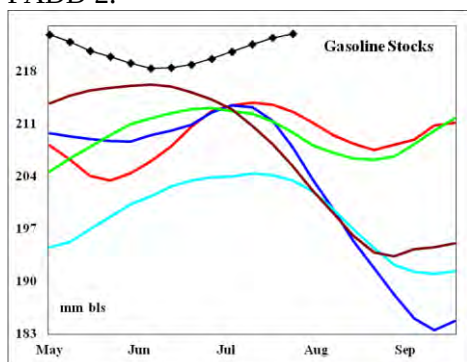


Major Fundamental Trends¹

Wholesale gasoline demand declined -155,000 bpd last week, although the level remains very robust, at the mid range of pre recession years.

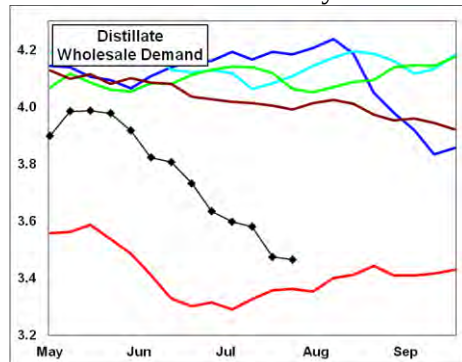


Even with robust gasoline demand, a record level of production, driven in part by very high blend stock imports, led to a counter seasonal stock build of +0.7 million barrels last week. Stock levels are now +10.1 million barrels above the prior 5-year high. Stock trends have failed to exhibit a seasonal draw which occurred in each of the last five years. The gasoline market is extremely over supplied in the key PADD 1 and 3 markets, which production is at a record level in PADD 2.



Distillate demand is extremely tepid, falling -135,000 bpd on the week. Demand has dropped to near year ago levels, with the latest 4-wk average just +91,000 bpd above last year. Compared to pre recession levels, demand remains extremely weak, pointing to a meaningful slow down in

the U.S. economic recovery.



Lackluster distillate demand, combined with very high production, has driven stock levels to a +8.2 million barrel increase above last years' record highs. Stock levels match or exceed 5-year highs in every regional market.

Jet fuel stock levels were well above the prior historic high, while the recent upturn in demand has been offset by recent declines.

In the absence of hurricane disruptions in the Gulf and slowing growth of the U.S. economy, (as evidenced by lackluster distillate demand), the transport fuels markets face exceptional over supply during the remainder of this year.

Demand declined a total of -354,000 bpd last week for transport fuels, with declines for each fuel. The pull back was expected following the prior 2-wk increases.

Wholesale demand (including exports) measured over the last four weeks compared to a year ago: gasoline +2.3%; distillate up +2.7%; jet fuel up +10.2% while residual fuel oil fell -19%.

Stocks forward coverage: Gasoline demand coverage increased on a drop in demand and +0.7 million barrel stock build. Coverage remains above the historic range.

Distillate demand coverage increased on a +2.2 million barrel stock build and decline in weekly demand. Coverage levels were near last years' record high.

Jet fuel coverage remains at the 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 at the upper end of the 5-year range.

Refinery utilization rates increased last week on a +113,000 bpd rise in crude oil runs. Crude thru put was significantly above levels of the last 2-years. near

Gasoline yield % on crude oil runs decreased last week on a -75,000 bpd decline in production compared to the +13,000 bpd increase in crude oil runs. Yield % was at the upper end of the historic range for the period.

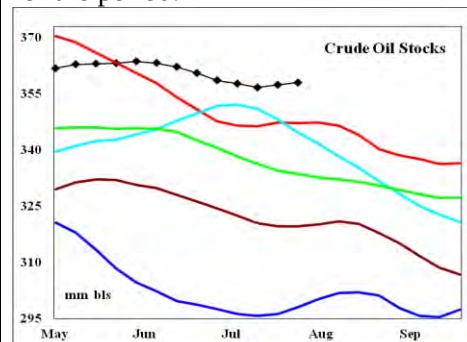
Distillate yield % on crude oil runs declined on a +3,000 bpd increase in output. Yield % was above four of the last five years.

Jet fuel yield % on crude oil runs declined on a -30,000 bpd drop in production, with the yield % now well below the mid range.

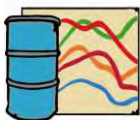
Petroleum Imports of crude oil fell sharply last week, while increasing for gasoline, distillate and residual fuel oil.

During the latest 4-wk period distillate imports decreased -38,000 bpd compared to last year; finished gasoline imports decreased -153,000 bpd, gasoline blend stock imports increased +264,000 bpd; jet fuel imports decreased -28,000 bpd, while residual fuel oil imports increased +130,000 bpd.

Crude Oil imports fell -1.5 million bpd last week, reversing the prior week spike. The lower imports led to a -2.8 million barrel stock draw. Stock levels reached new 5-year highs in Cushing for the period.



¹ Source is latest EIA Weekly Statistics



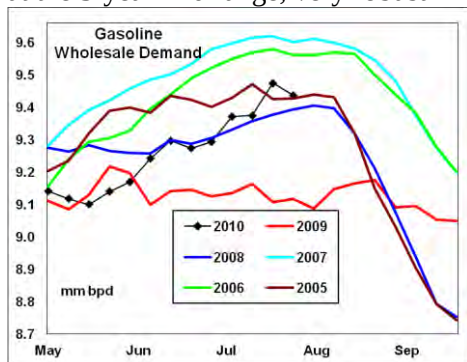
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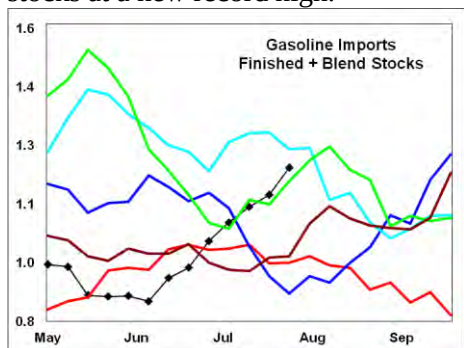
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Product Supply-Demand Trends

Gasoline demand decreased -155,000 bpd on the week, with the latest 4-wk average +209,000 bpd above a year ago. The weekly level of demand was at the 5-year mid range, very robust



Gasoline production decreased -75,000 bpd on the week, although the level remains above the 5-year range. The most recent 4-wk average was +209,000 bpd above last year. Imports increased +151,000 bpd, with blend stocks at a new record high.



Extremely high production led to a +0.7 million barrel counter seasonal stock build. Stock levels were +10.1 million barrels above the prior historic high.

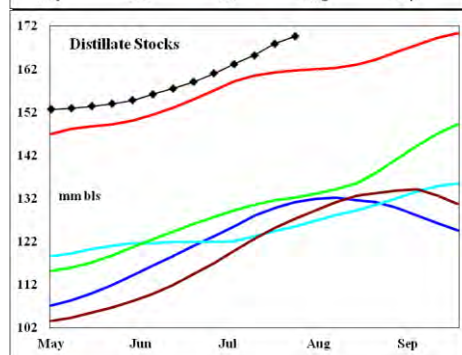
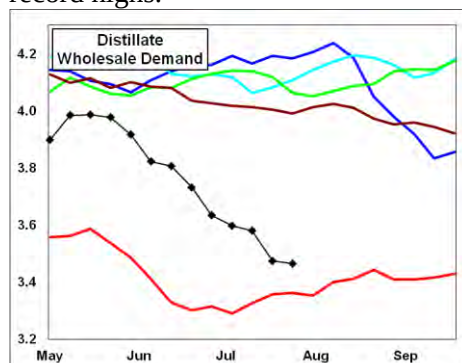
Stocks remain extremely high in the Gulf and Lower Atlantic region of PADD 1. Stocks also exhibit counter seasonal builds in PADD 2 and the Central Atlantic Region of PADD 1.

Record high stocks, counter seasonal builds, very high imports and record production are all fundamental trends that point to an over supplied market at the end of the peak driving season later this month. Expect exceptional weakness in gasoline prices compared to the overall energy complex.

Distillate demand decreased -135,000 bpd last week, driving the latest 4-wk average to just +91,000 bpd above last years' extremely depressed level.

Production was nearly unchanged on the week while imports increased +38,000 bpd. Production remains at the upper end of the historic range.

Stocks increased +2.2 million barrels on the week. Stock levels are +8.2 million barrels above last years' record highs.



Distillate demand remains extremely tepid, given the recent strong export rates. Weak domestic demand points toward a meaningful slowdown in the U.S. economy. Stock levels and production are each very high given lackluster demand. Following the recent surge, expect price weakness relative to the overall energy complex.

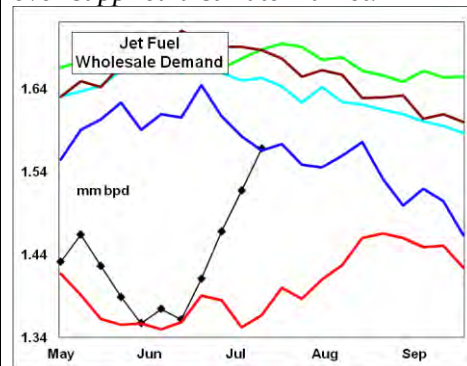
Jet Fuel demand decreased -64,000 bpd on the week, pushing the weekly level to near last years' record low. The latest 4-wk average demand was +142,000 bpd above last year.

Supply decreased -51,000 bpd on the week as a result of reduced production and imports. Production levels were at the mid range.

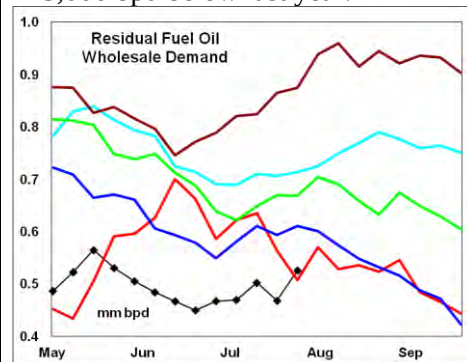
The latest 4-wk average supply

was +27,000 bpd above a year ago. Stocks increased +0.4 million barrels on the week, and remain +2.1 million barrels above the prior record high.

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



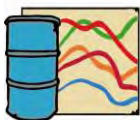
Residual fuel oil demand, including exports, increased +135,000 bpd last week, with the 4-wk average -115,000 bpd below last year.



Supply (production + imports) increased +145,000 bpd on the week, with the latest 4-wk average -12,000 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.

The -25% cut in refinery output has recently been offset by an increase in imports. Higher imports have slowed the rate of stock draws. The market remains well supplied on a -19% drop in demand compared to last years' record low level.

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



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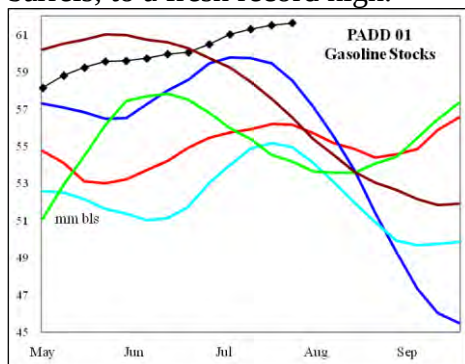
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PADD Supply Trends

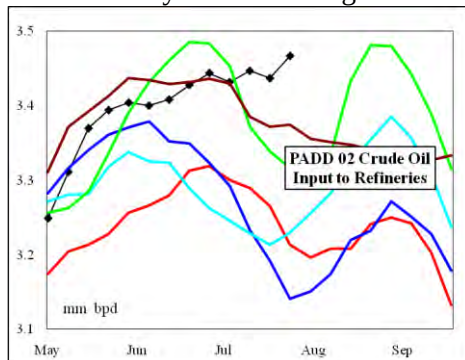
PADD 1 refinery crude oil runs increased +9,000 bpd last week, with the 4-wk average -78,000 bpd below last years' record low rate.

Gasoline production decreased -48,000 bpd on the week, with the latest 4-wk average +528,000 bpd above a year ago. Imports (blend stocks) increased +140,000 bpd to a new record high for the period. Stocks increased +0.3 million barrels, to a fresh record high.



Distillate supply increased +12,000 bpd last week, on higher imports. Stocks fell -0.7 million barrels, to a level that matched last years' record level.

Jet fuel supply decreased -14,000 bpd on lower imports. Stocks were nearly unchanged at a level that matched last years' record highs.



PADD 2 crude oil refinery runs increased +67000 bpd, to a new 5-year high for the period. Crude oil stocks were +15% above the prior 5-year high, with Cushing stocks also at a new high for this time of year.

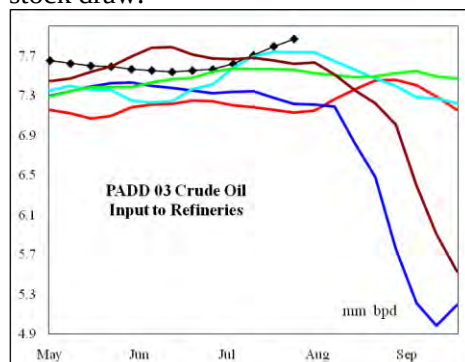
Gasoline production matched the 5-year high set in 2008. Stocks

increased +0.3 million barrels to a level above the mid range, exhibiting a counter seasonal build.

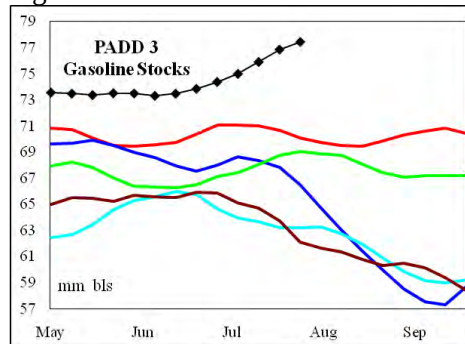
Distillate production increased +36,000 bpd on the week to a fresh 5-year high for the period. Stocks increased +1.2 million barrels to a level a level near the prior 5-yaer high.

Jet fuel production decreased -18,000 bpd, although the level remains well above the historic range. Stocks extended a recent downtrend, to a level just above the historic range.

PADD 3 refinery crude oil runs increased +89,000 bpd, to a new record high. The latest 4-wk average was +590,000 bpd above a year ago. Crude imports reversed the prior week surge, falling -1.6 million bpd. Lower imports led to a -3.8 million barrel stock draw.



Gasoline production declined -52,000 bpd on the week. Stocks jumped +0.9 million barrels, +10% above the 5-year high.



Distillate production matched the 5-year high set in 2008. Stocks increased +1.6 million barrels on the week, +18% above the prior record high.

Jet fuel production increased +15,000 bpd to a level above the mid

range. Stock levels are now +14% above the prior record high.

Residual fuel oil supply increased +139,000 bpd on the week. Stock levels were marginally above the historic range.

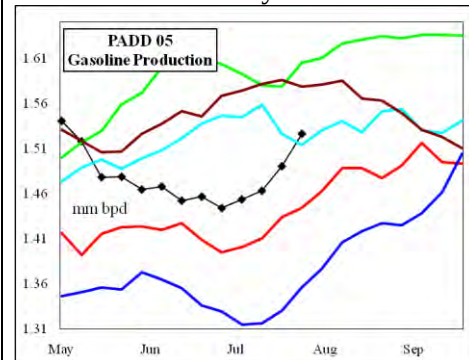
PADD 4 refinery crude runs fell -34,000 bpd on the week, to a level at the low end of the historic range. The latest 4-wk average thru put was comparable to last year. Imports were near the historic mid range.

Gasoline production decreased -22,000 bpd on the week, but remains at the upper end of the historic range. Stocks fell -0.4 million barrels, but remain above the historic range.

Distillate production was nearly unchanged on the week, at a level that matched the 5-year high. Stock levels remain above the historic range.

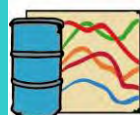
PADD 5 crude oil refinery runs decreased -18,000 bpd on the week, with the latest 4-wk average +99,000 bpd above last year. Crude imports increased +280,000 bpd, to the upper end of the historic range. Stocks increased +3 million barrels at the low end of the 5-year range.

Gasoline production reached the mid range of the last 5-years, a level above each of the prior 3-years. The latest 4-wk average supply was +70,000 bpd above last year. Stock levels remain near 5-year lows.



Distillate production declined -38000 bpd to match the 5-year low. Stock levels were at a new 5-year high.

Jet fuel supply decreased -26,000 bpd last week, falling below the 5-year range. Stocks jumped +0.5 million barrels to above the historic range.


**FUNDAMENTAL
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PETROLEUM: Graph Link and Weekly Summary

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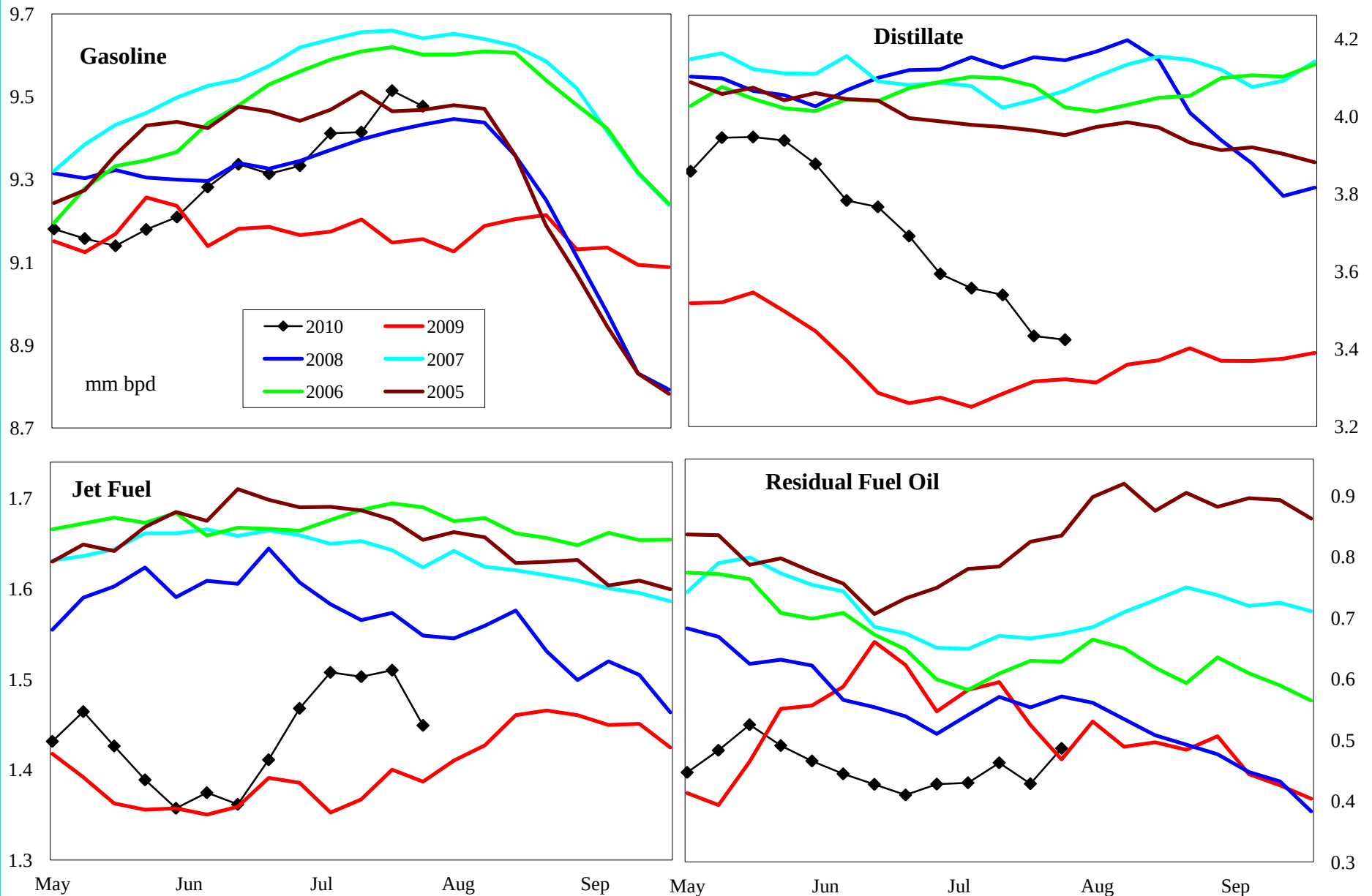
August 4, 2010

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Fundamental Trends	<u>Wholesale Demand</u>	<u>Stocks Days Fwd Coverage</u>	<u>Refinery Utilization</u> <u>Product Yield %</u>				<u>Imports</u>
Supply/Demand Trends	30-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	-2,784	-2,480	292	-3,764	165	3,001
	Imports	-1,524	-87	-2	-1,640	-76	280
	Input	113	9	67	89	-34	-18
	% Utilization	0.60					
<u>Gasoline</u>	Stocks	729	295	274	855	-417	-277
	Production	-75	-48	38	-52	-22	10
	Imports	151	140	1	47	0	-38
	Supplied	-155					
<u>Distillate</u>	Stocks	2,173	-694	1,156	1,645	-121	189
	Production	3	-14	36	15	5	-38
	Imports	38	26	7	4	1	1
	Supplied	-135					
<u>Jet Fuel</u>	Stocks	397	-6	-450	300	78	476
	Production	-30	8	-18	15	-5	-27
	Imports	-21	-22	0	0	0	1
	Supplied	-64					
<u>Residual Fuel Oil</u>	Stocks	-150	-294	-191	20	-3	318
	Production	53	4	9	39	-1	3
	Imports	92	60	0	93	0	-61
	Supplied	135					

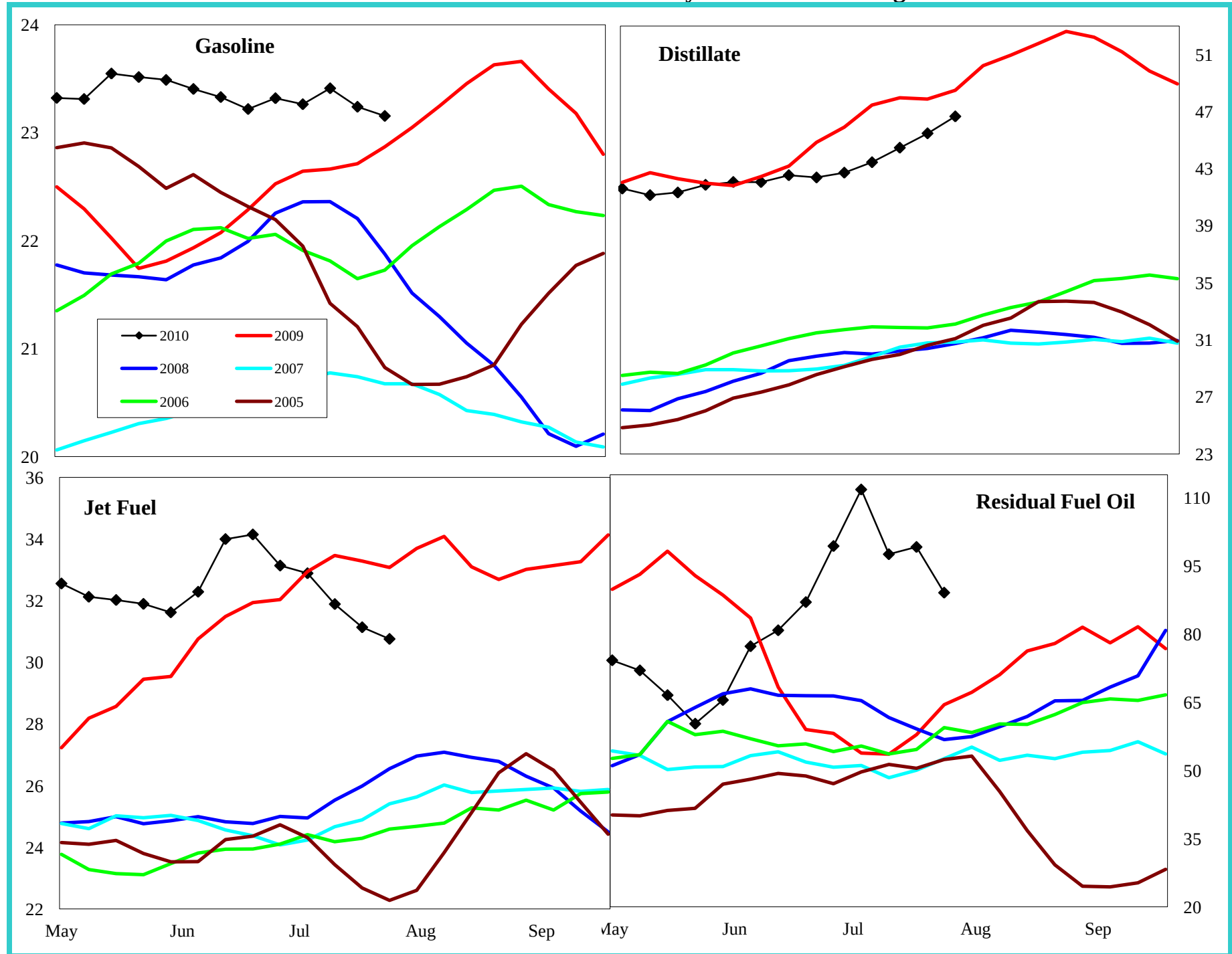
United States Wholesale Petroleum Demand



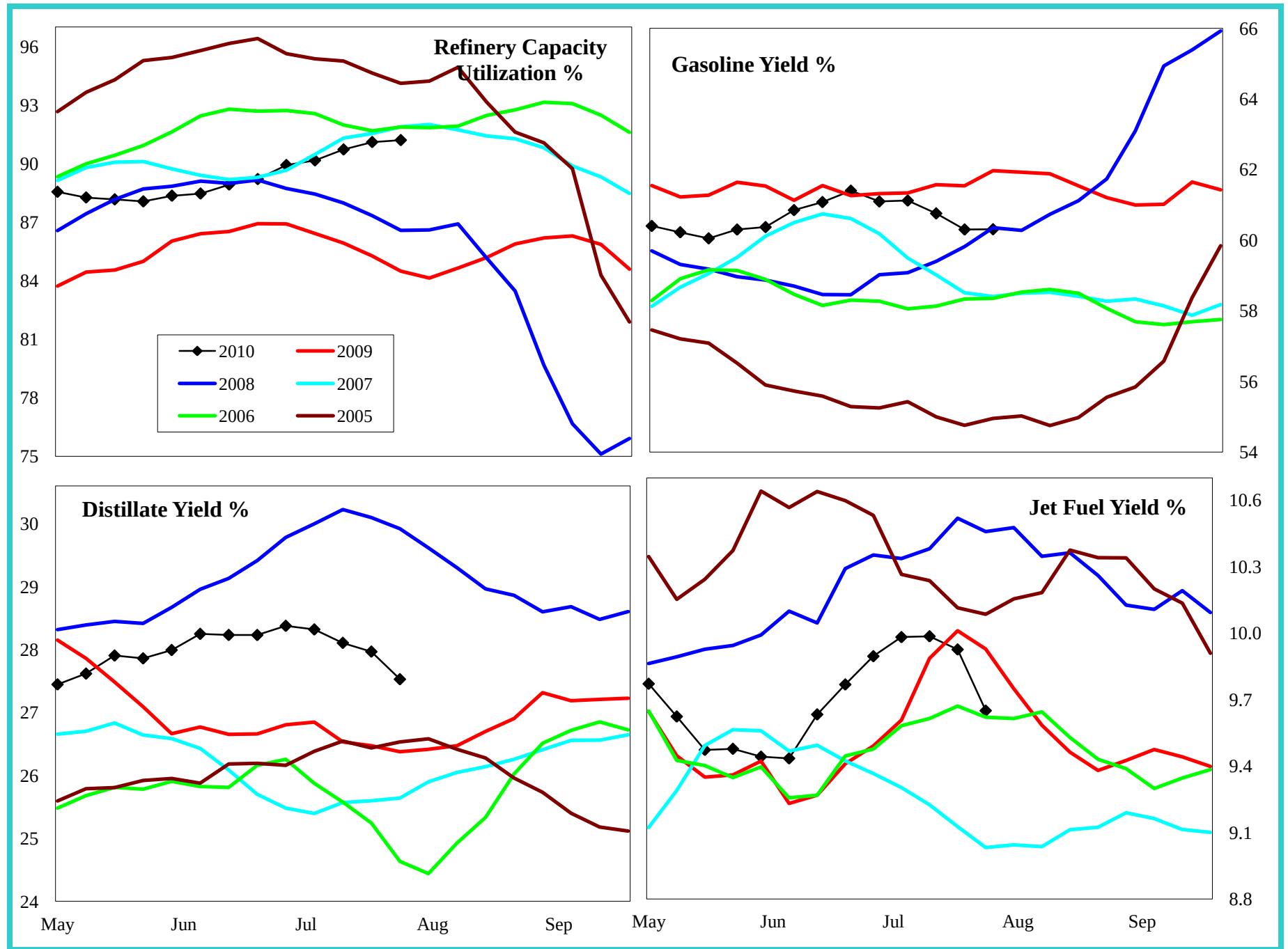
	000 bpd change from prior year				% change from prior year			
	4wk avg	Jul	Jun	May	4wk avg	Jul	Jun	May
Gasoline	209	139	129	133	2.3	1.5	1.4	1.5
Distillate	91	213	258	199	2.7	6.3	7.3	5.8
Jet Fuel	142	10	-74	93	10.2	0.7	-5.2	7.0
Resid	-115	178	-124	81	-19.1	55.8	-21.9	18.7



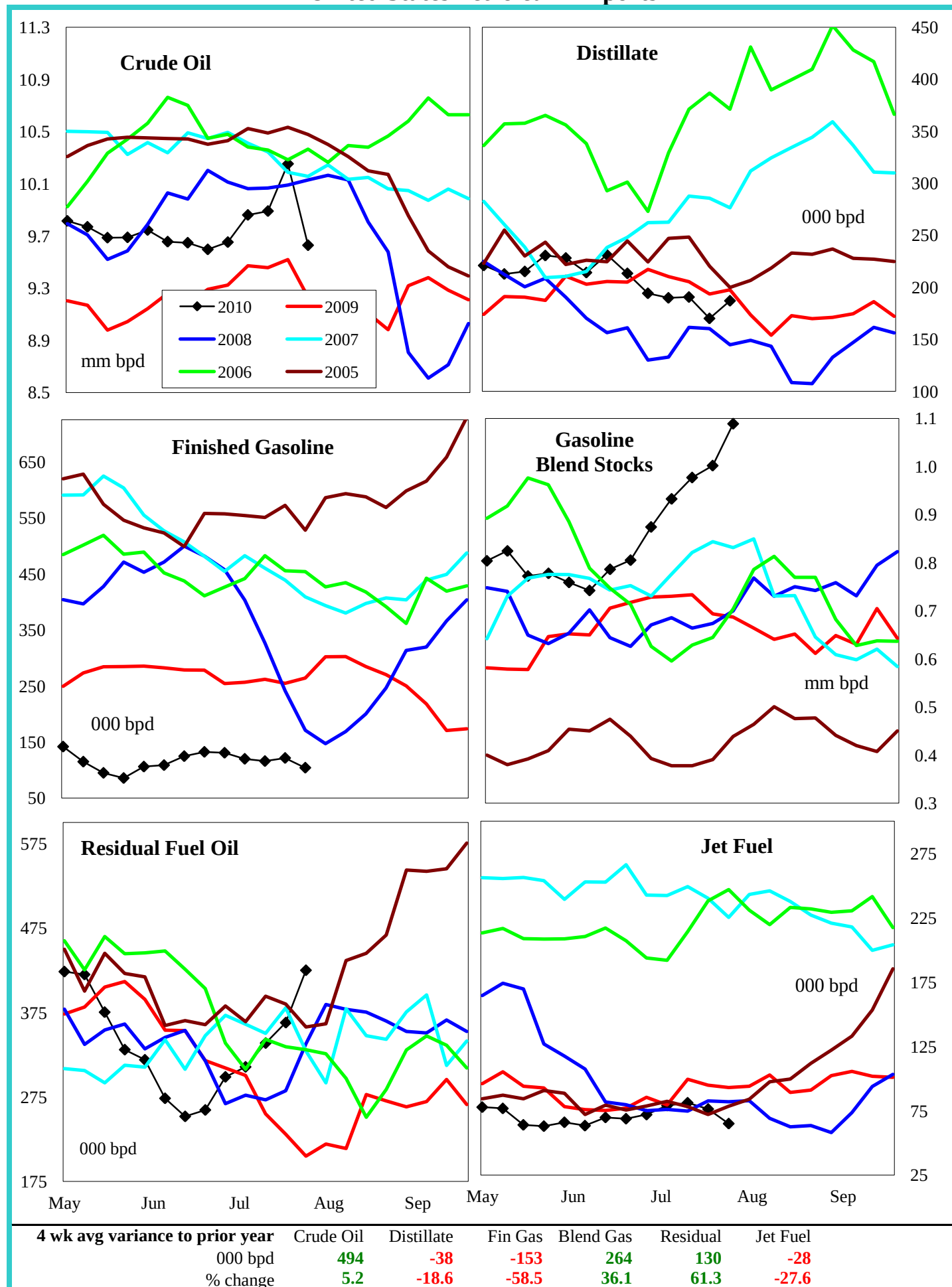
United States Product Stocks: Days Forward Coverage



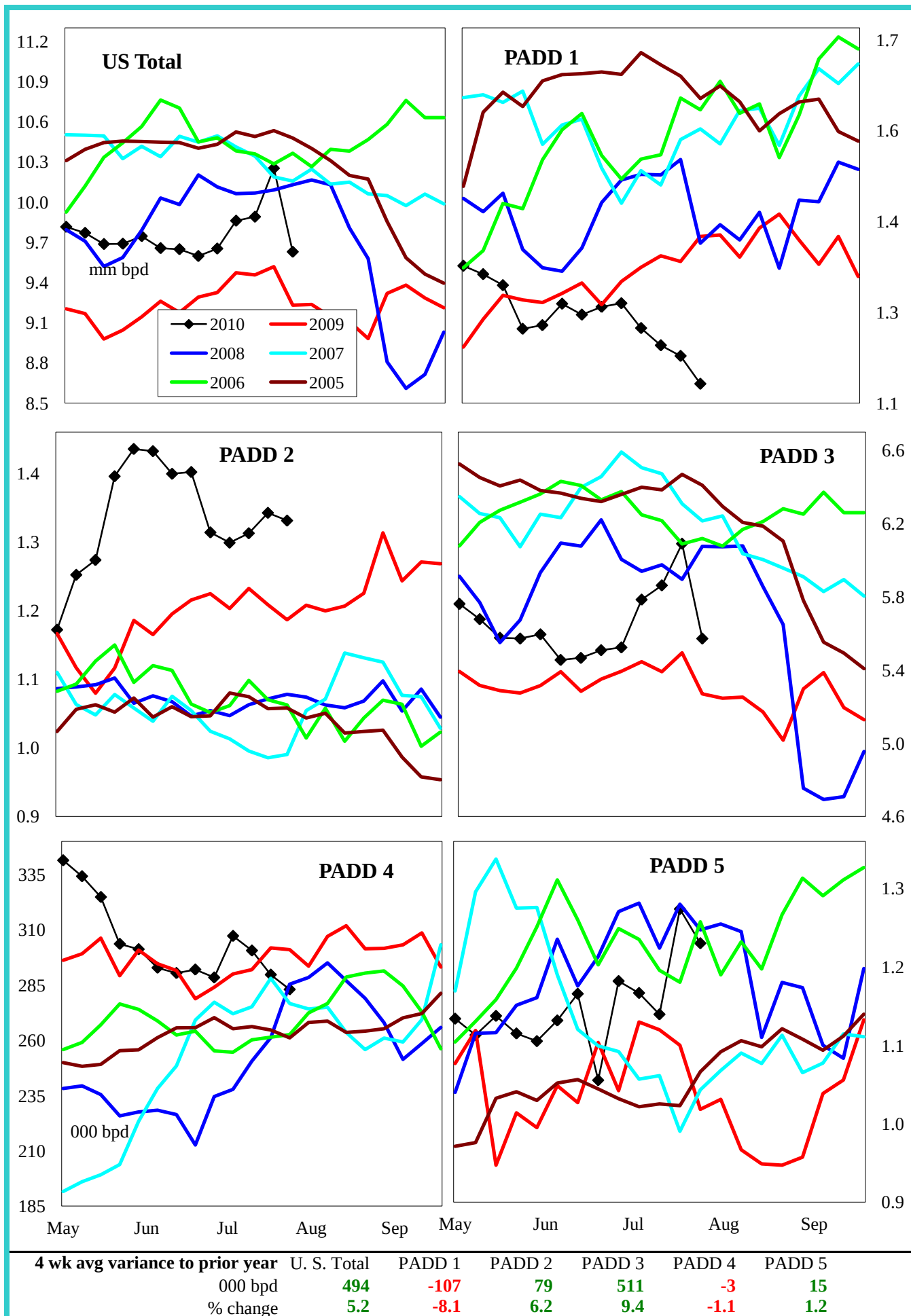
United States Refinery Percent Utilization Rate and Product Yields



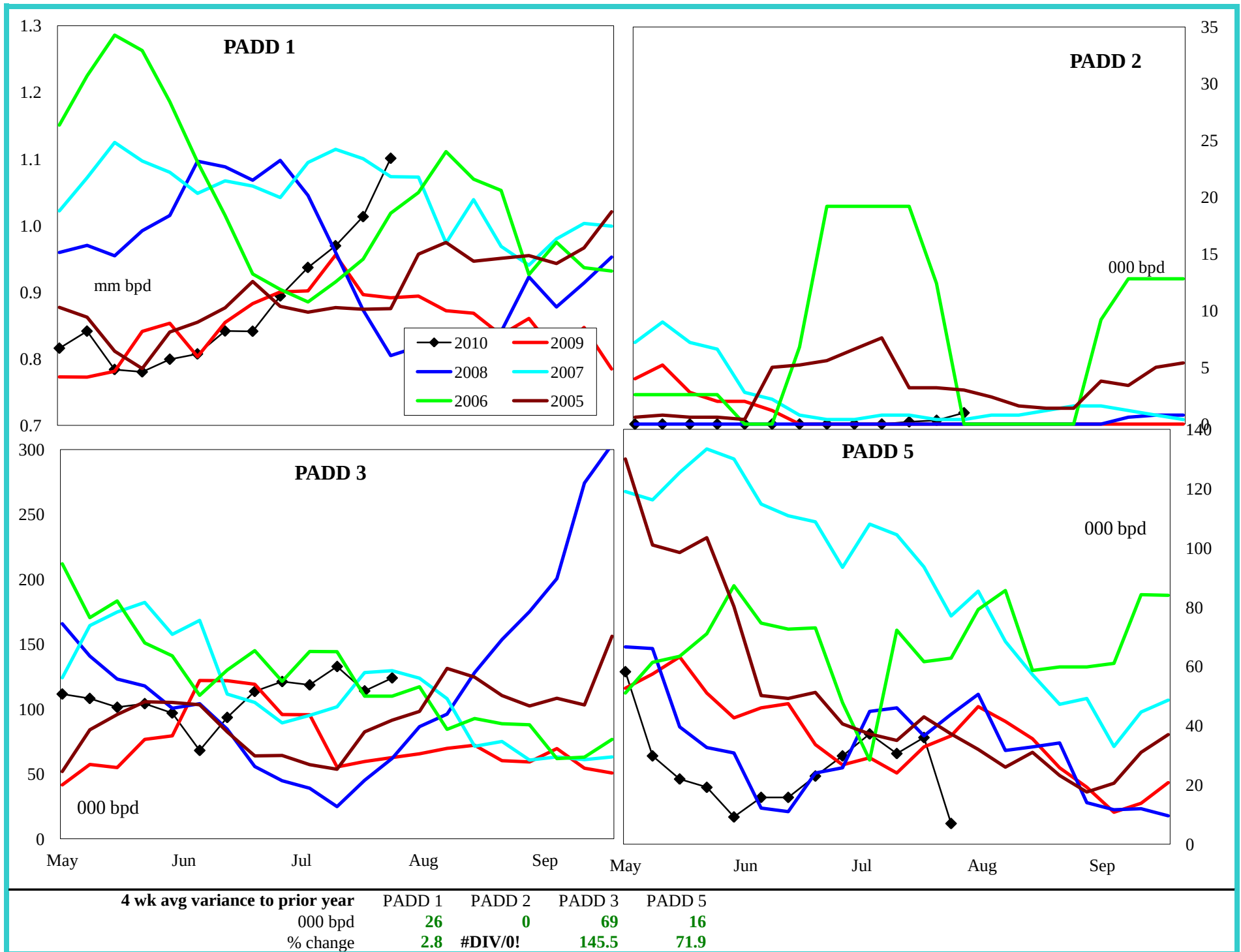
United States Petroleum Imports



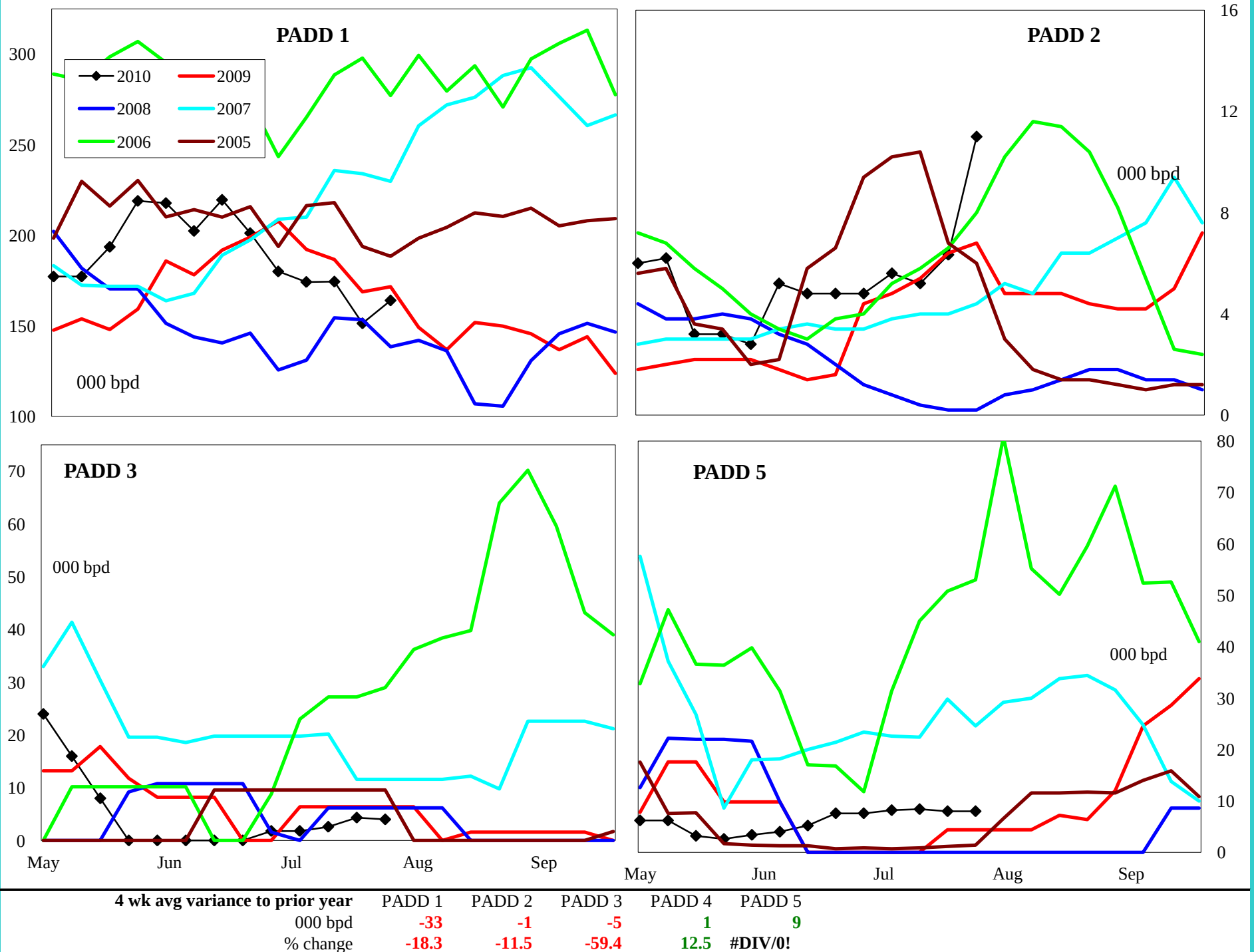
Crude Oil Imports by PADD



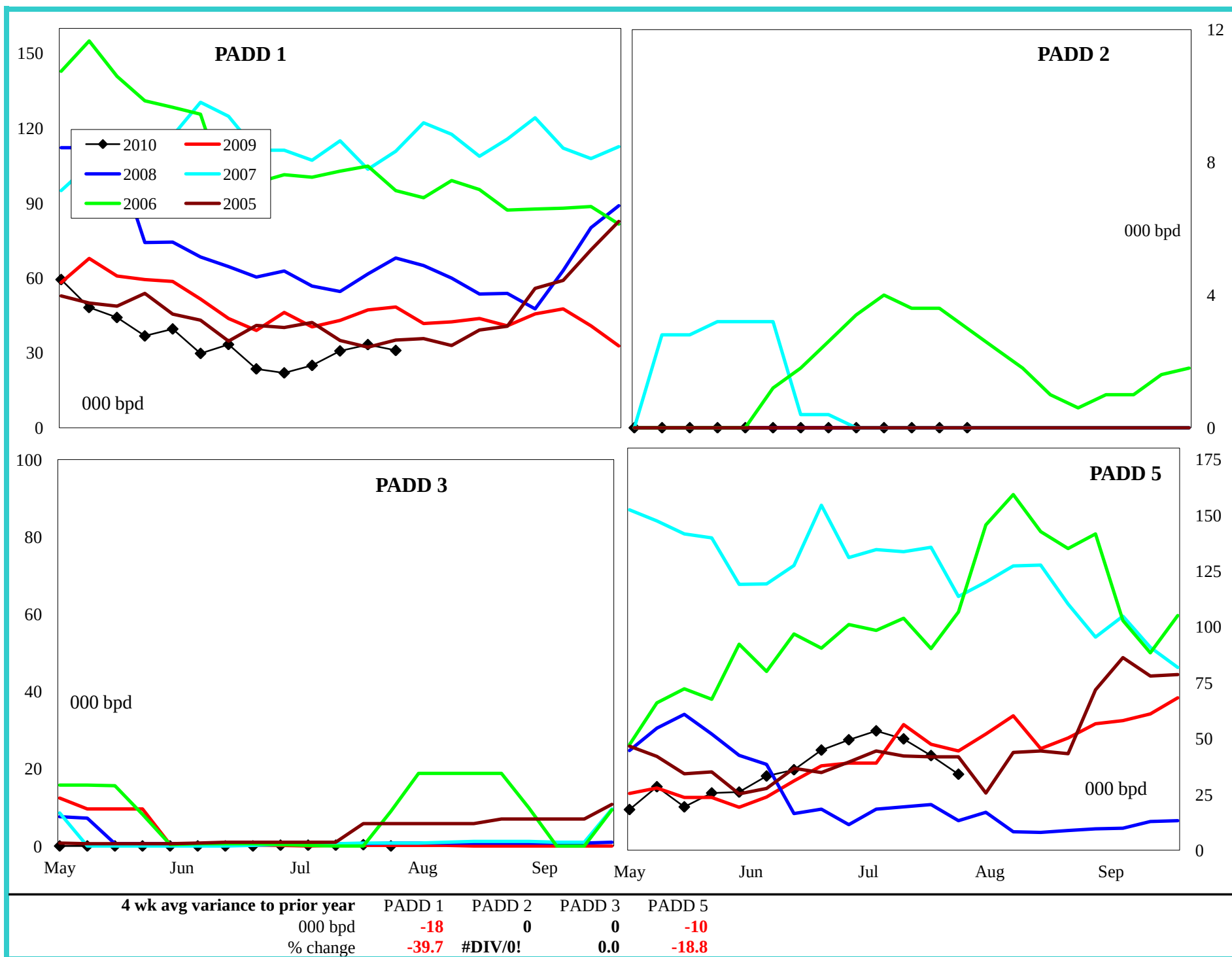
Gasoline Imports by PADD (Finished + Blend Stocks)



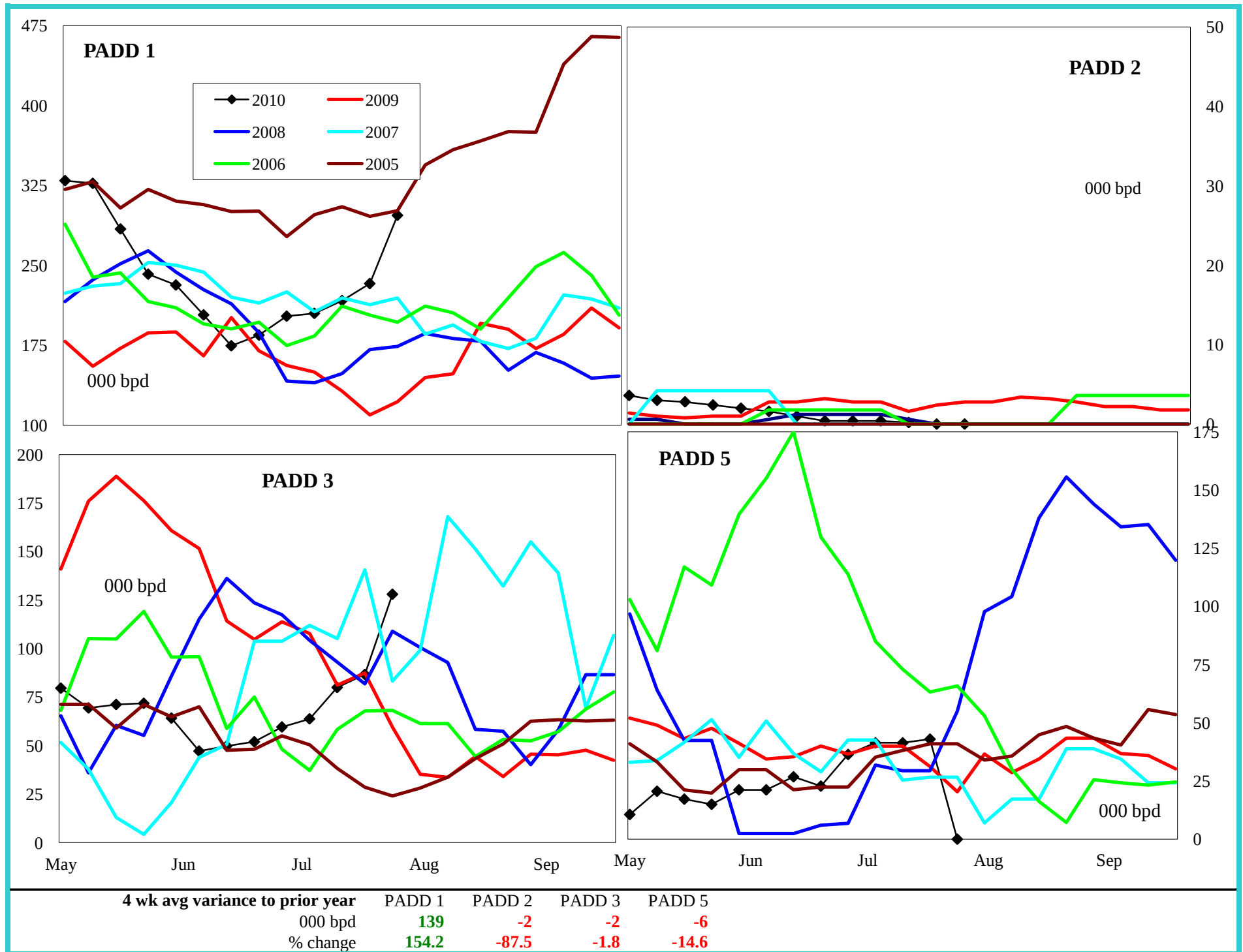
Distillate Imports by PADD



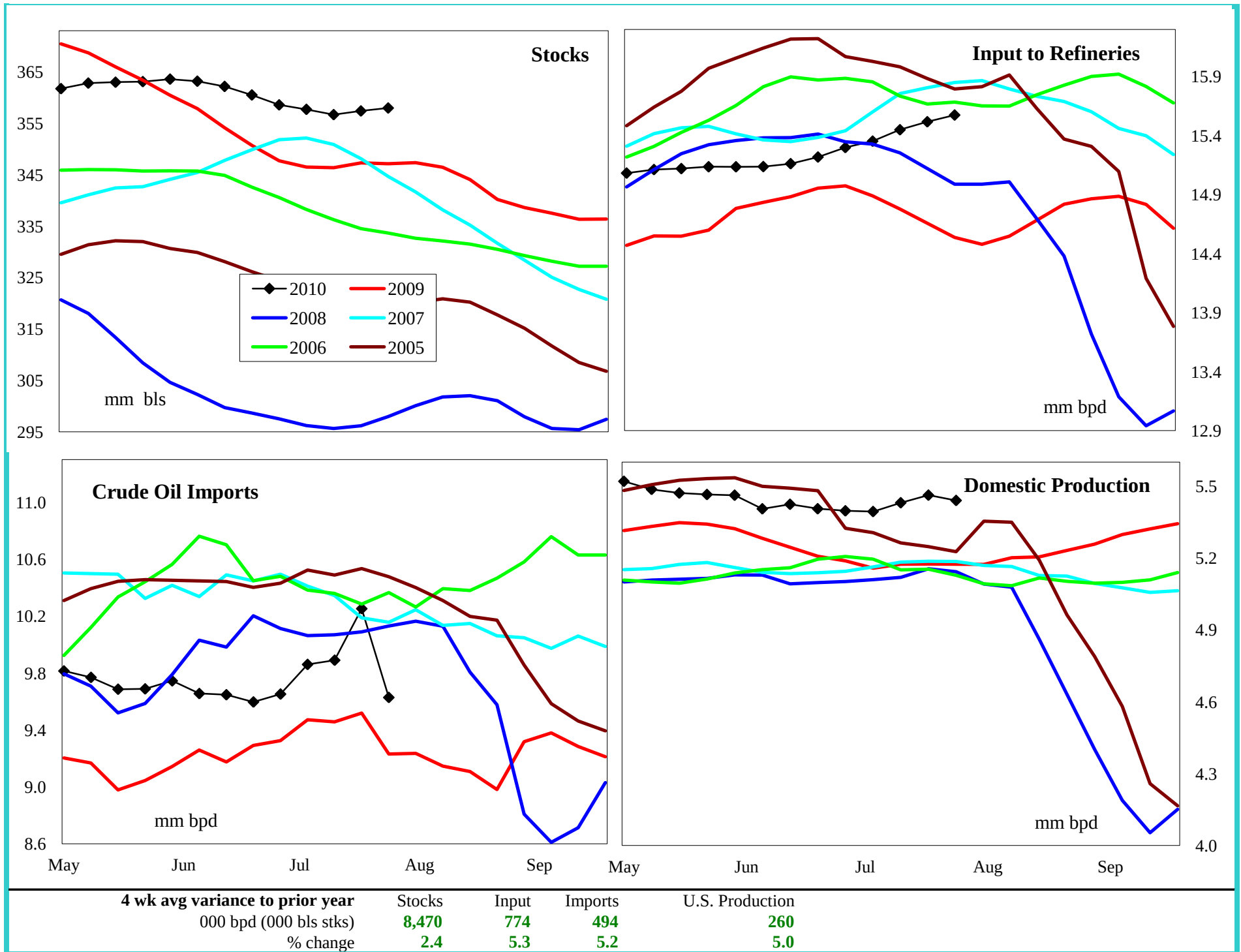
Jet Fuel Imports by PADD



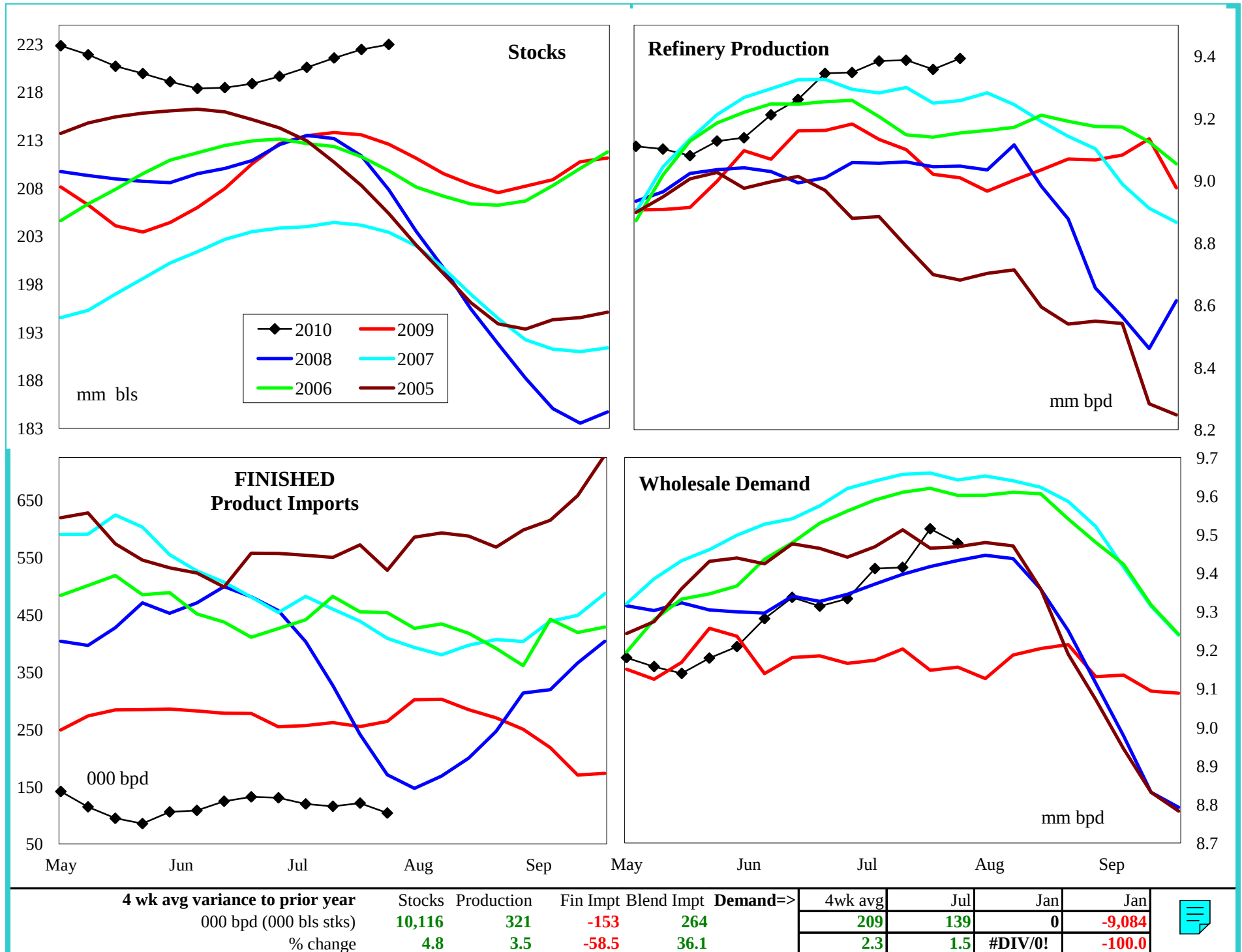
Residual Fuel Oil Imports by PADD



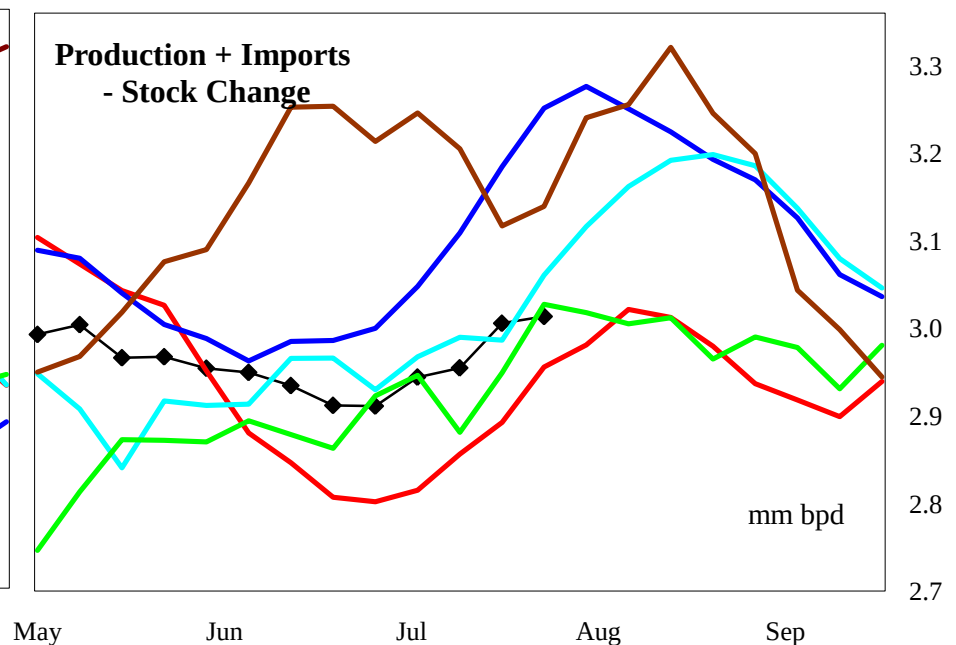
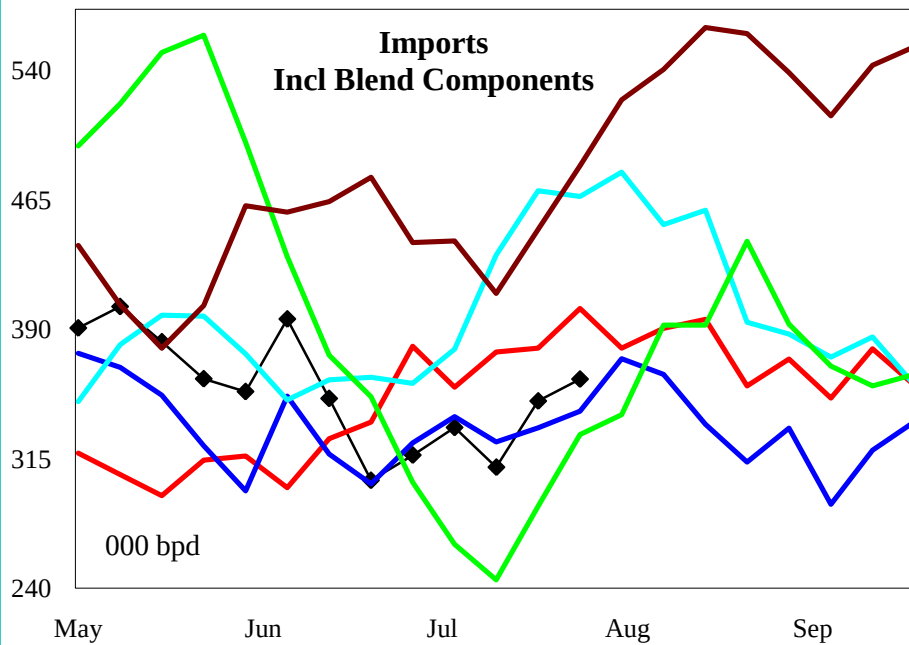
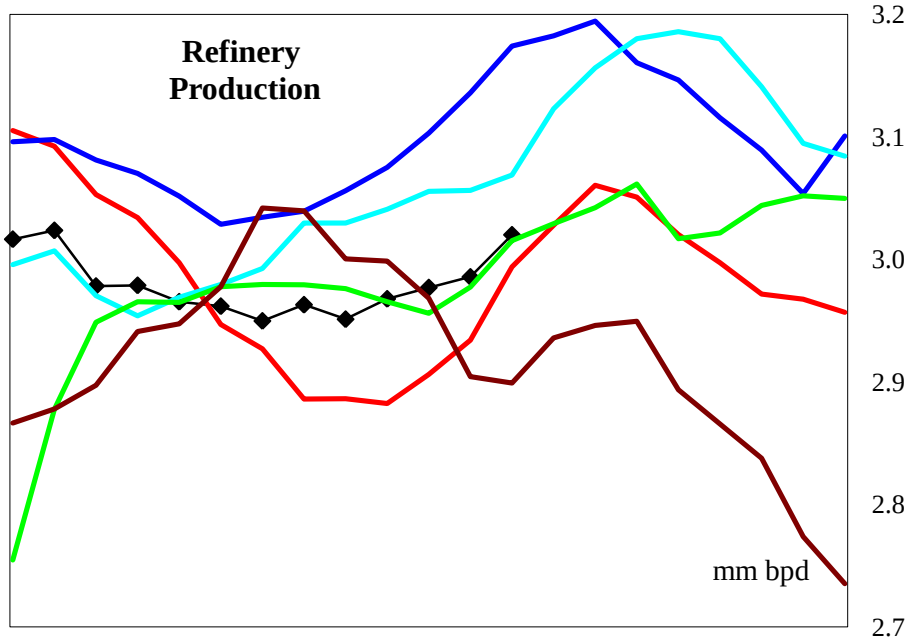
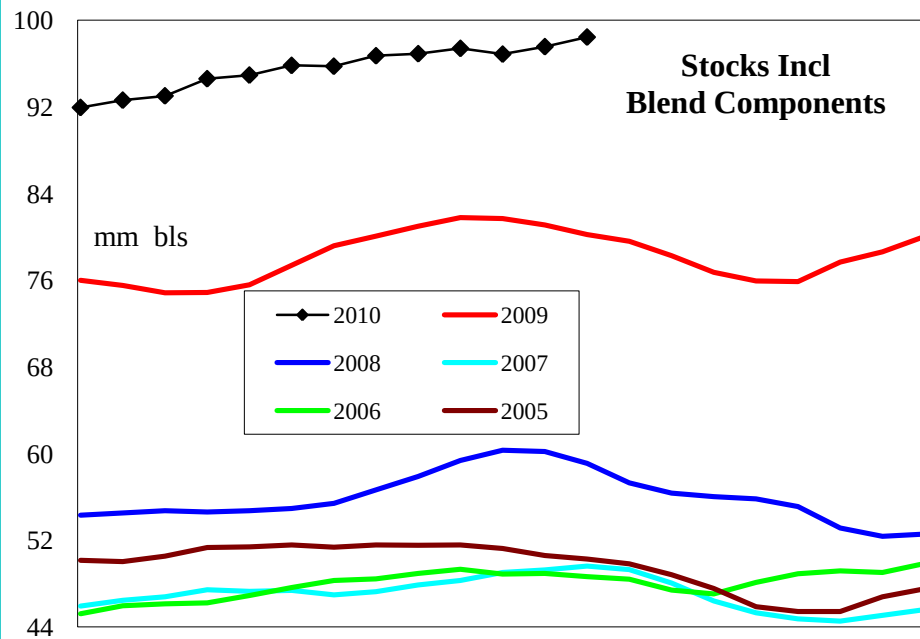
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



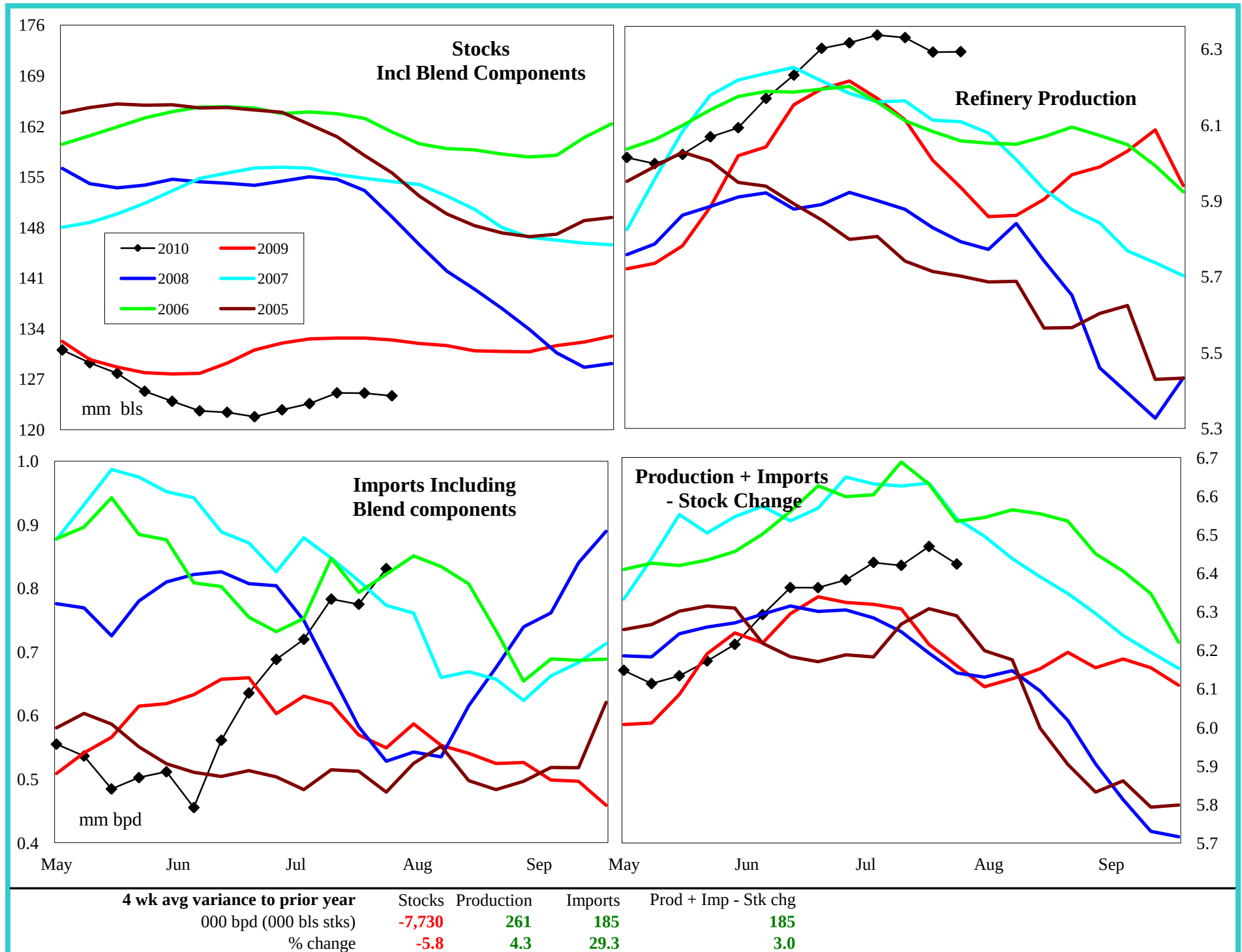
United States Reformulated Gasoline Supply



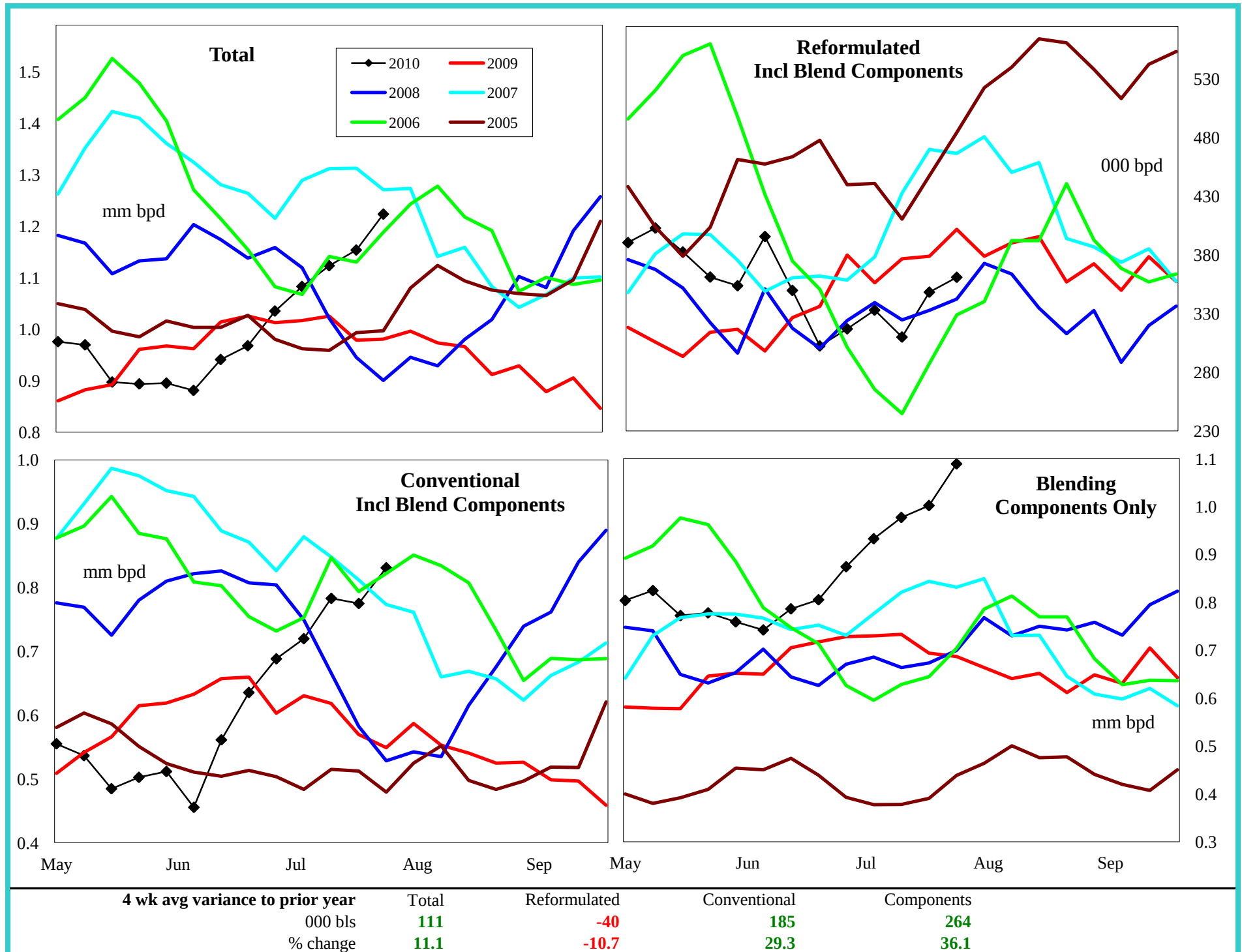
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
18,241	61	-40	100
22.7	2.0	-10.7	3.4

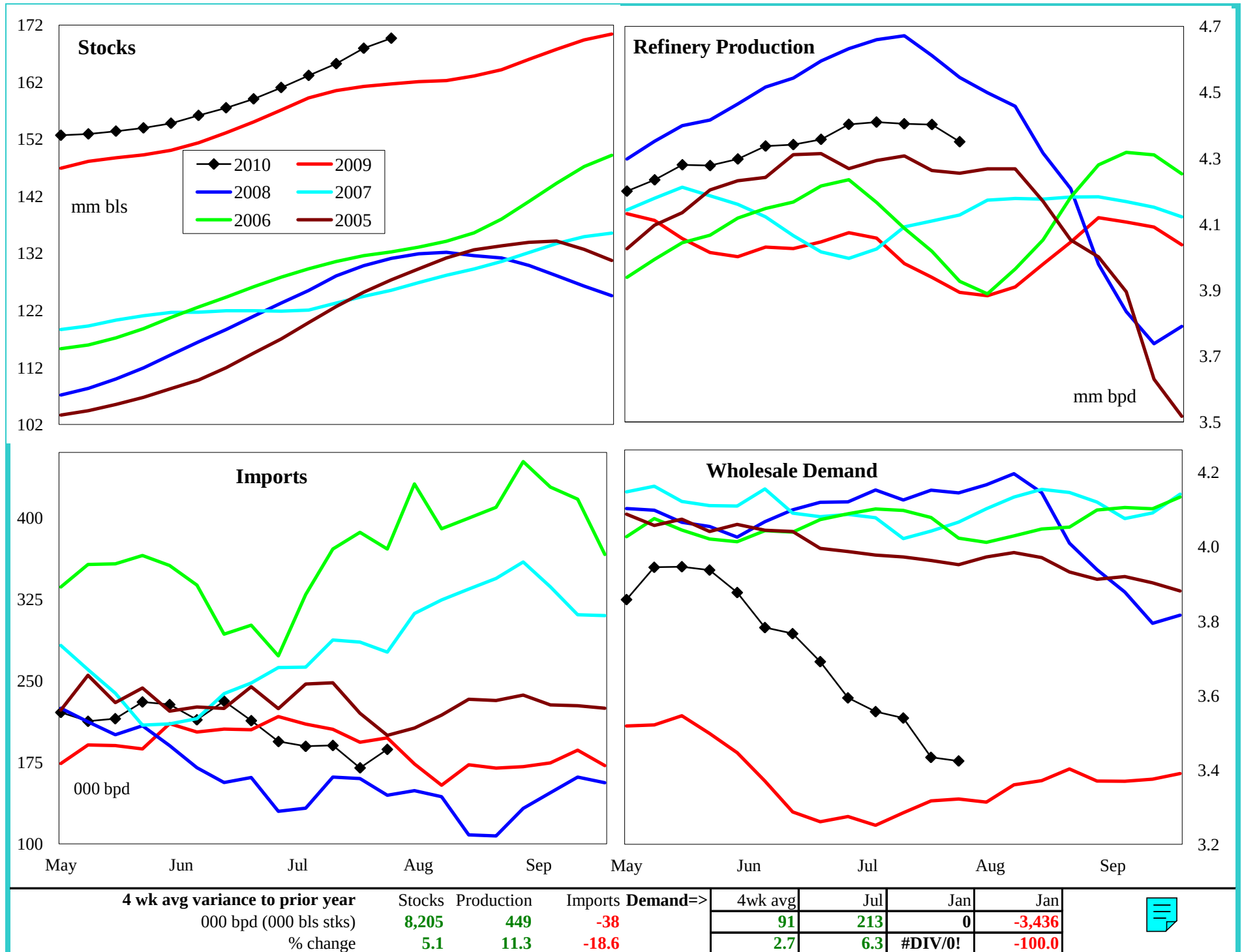
United States Conventional Gasoline Supply



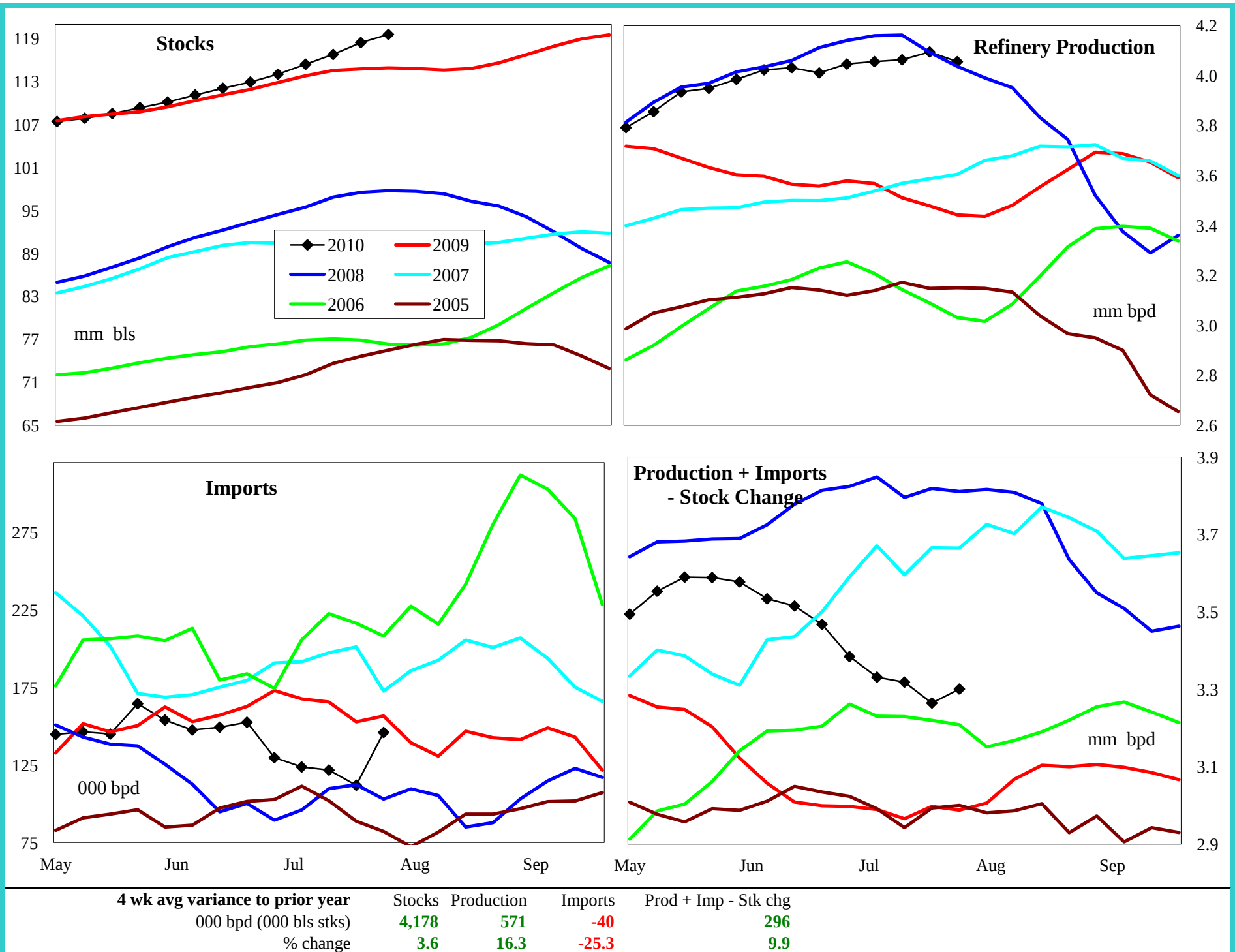
United States Gasoline Imports by Type



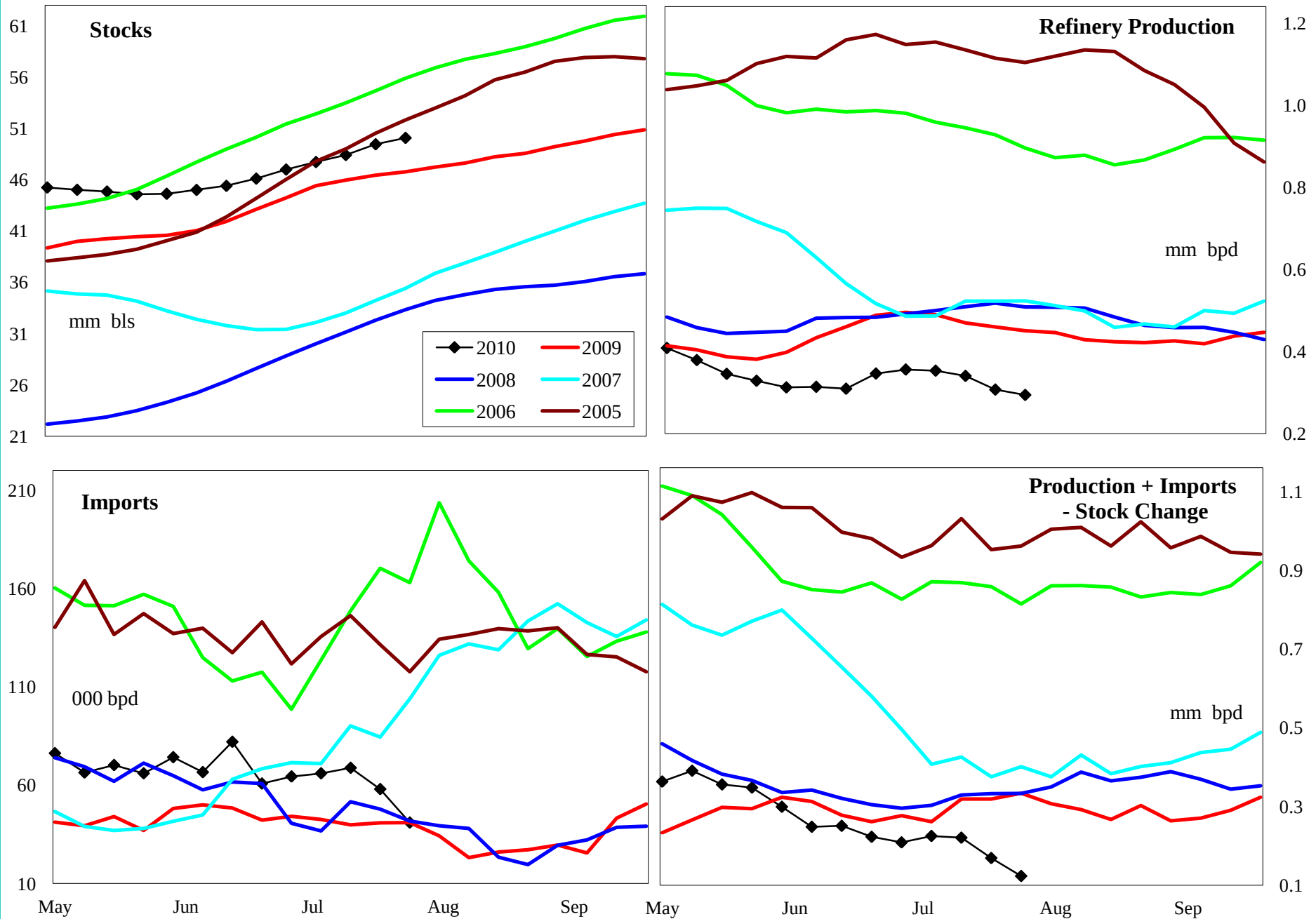
United States Distillate Supply and Demand Balance



United States Low Sulfur Distillate Supply



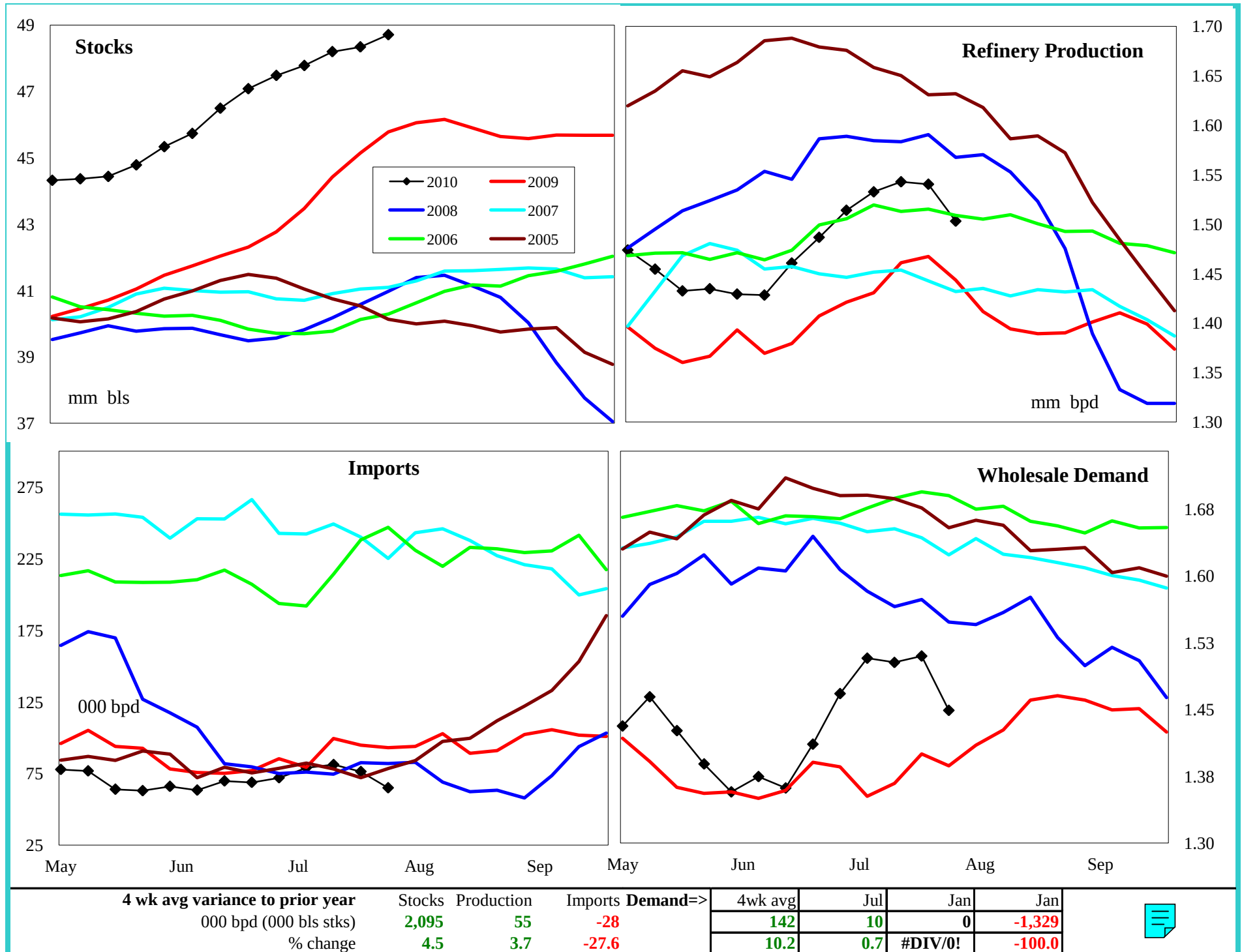
United States High Sulfur Distillate Supply



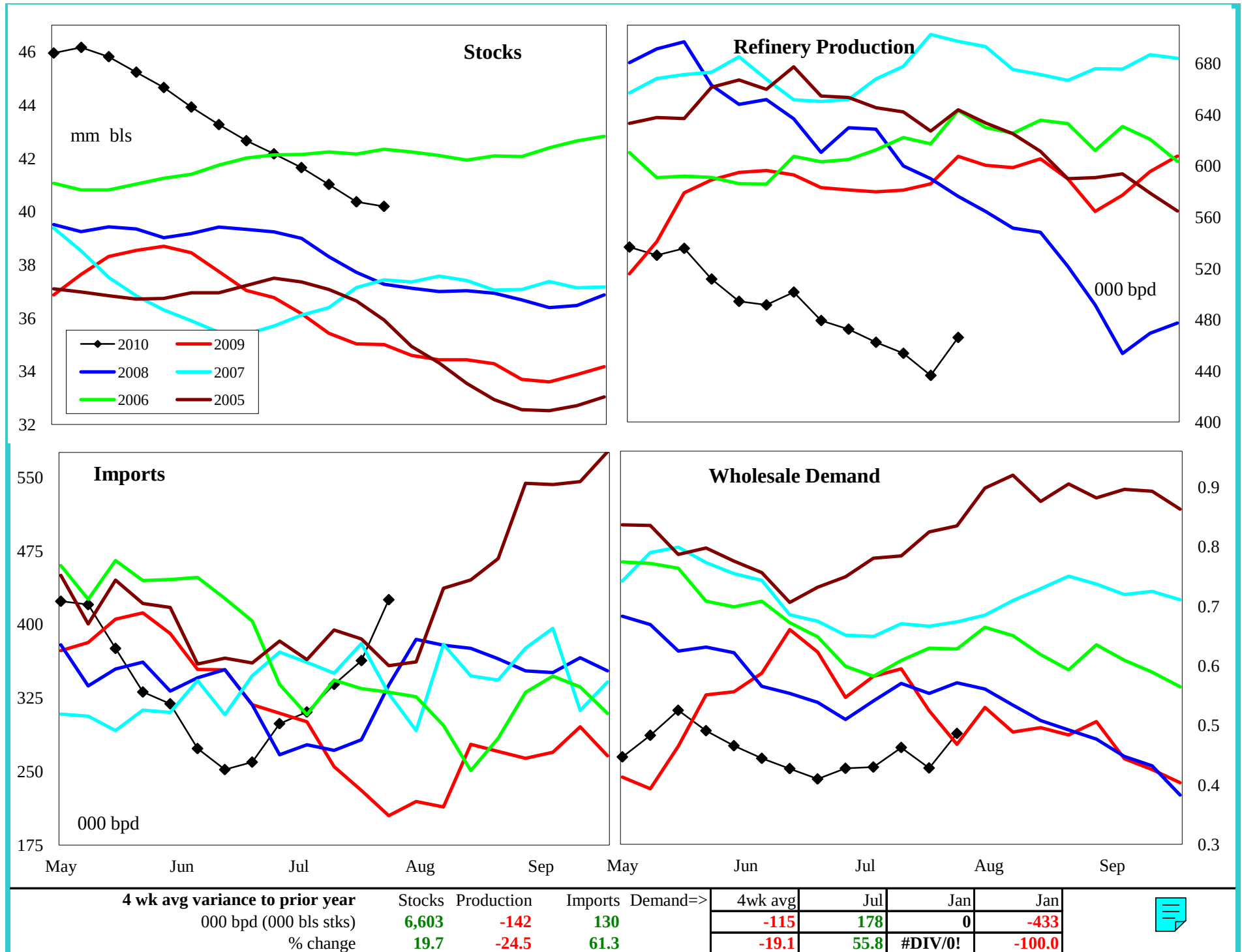
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bbls stks)	4,027	-123	2	-205
% change	8.7	-26.4	4.4	-50.9

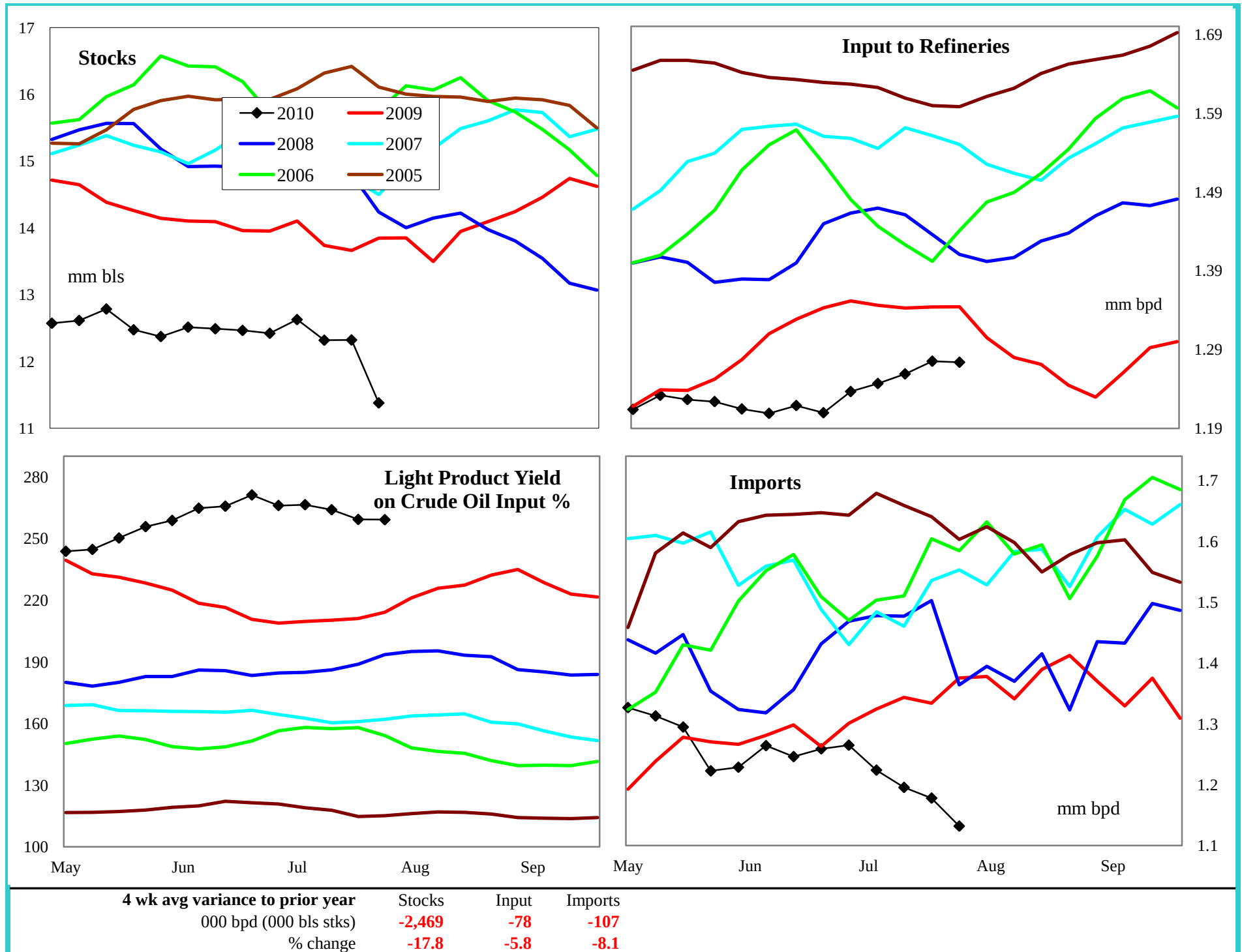
United States Jet Fuel Supply and Demand Balance



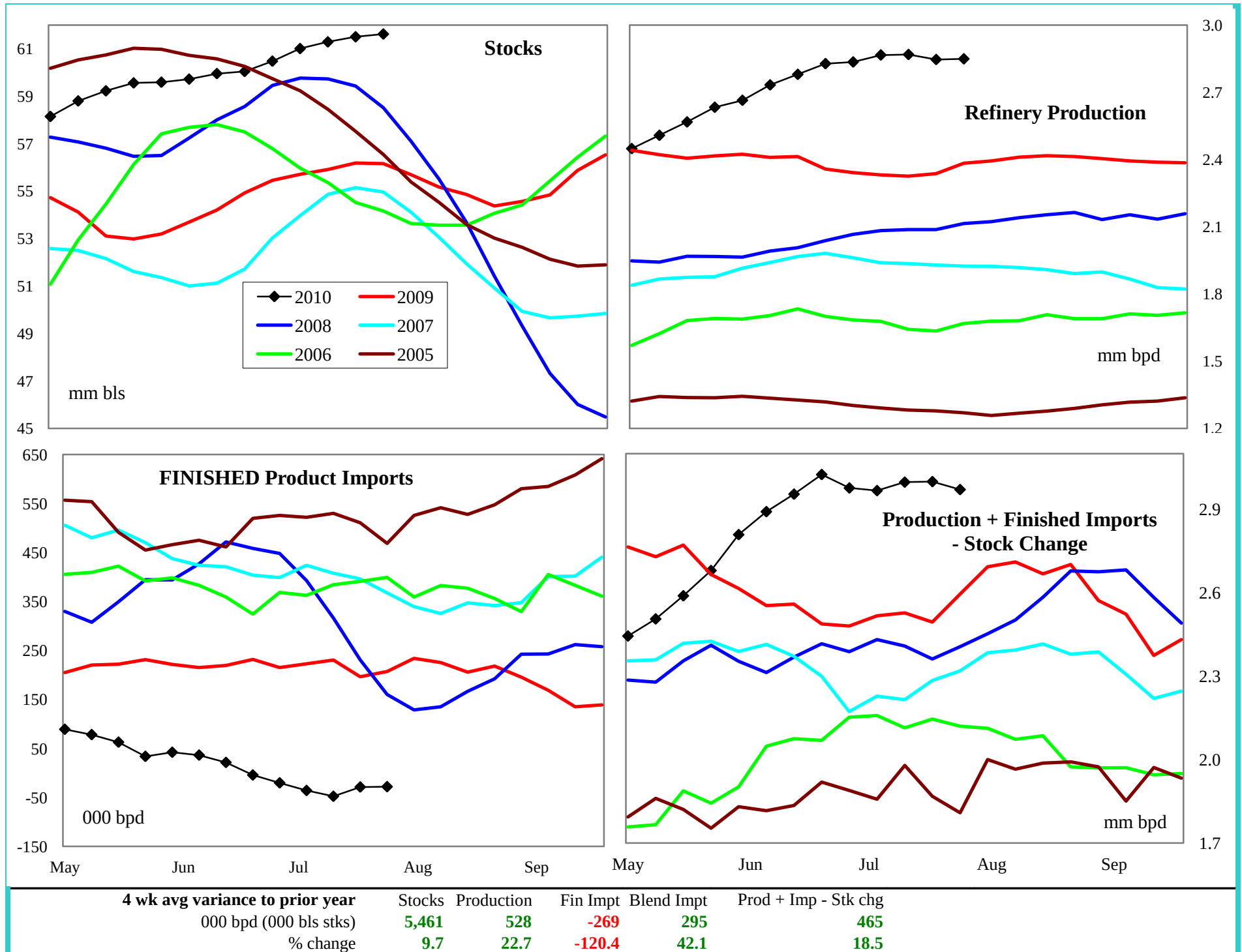
United States Residual Fuel Oil Supply and Demand Balance



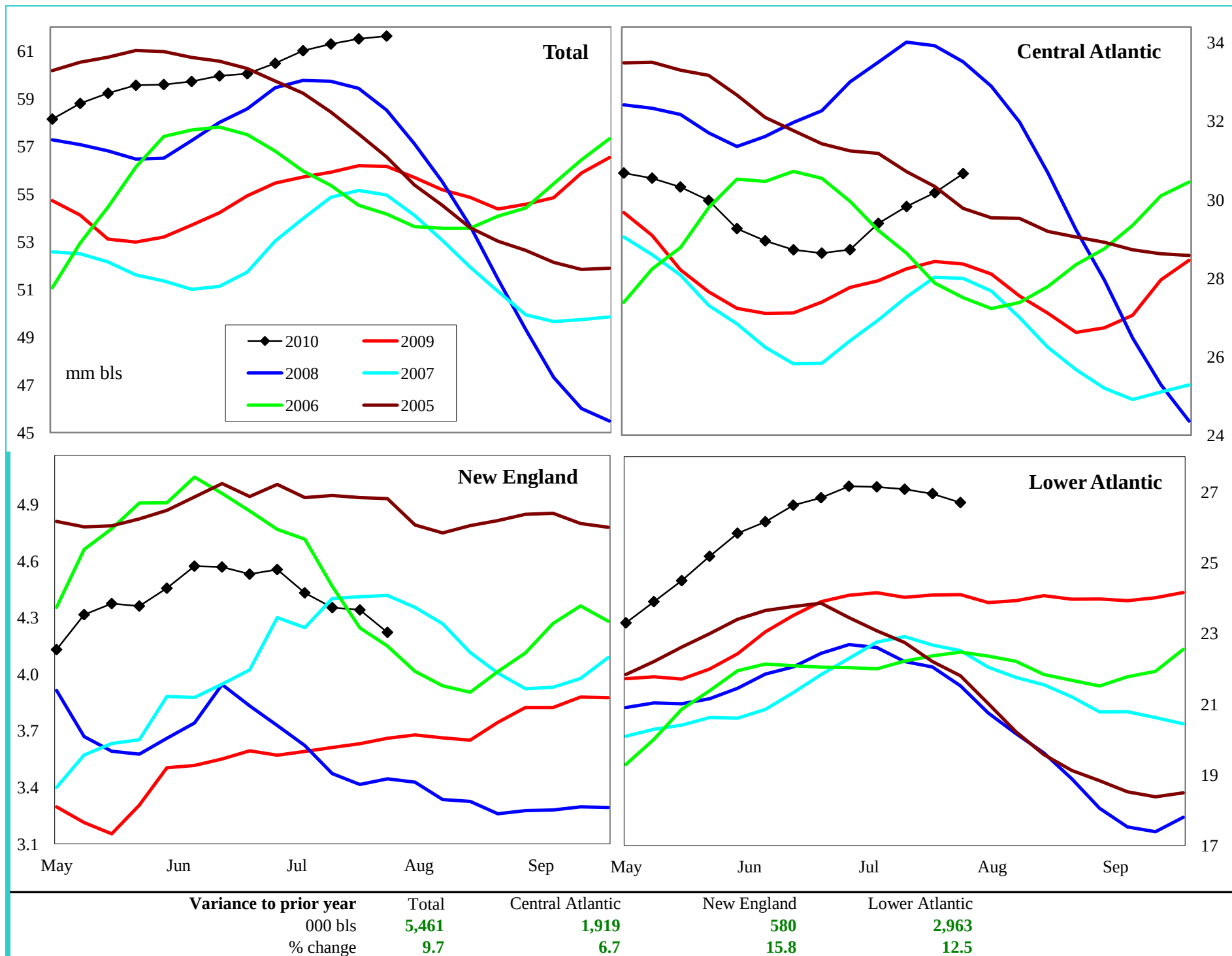
PADD 1 Crude Oil Supply and Refining



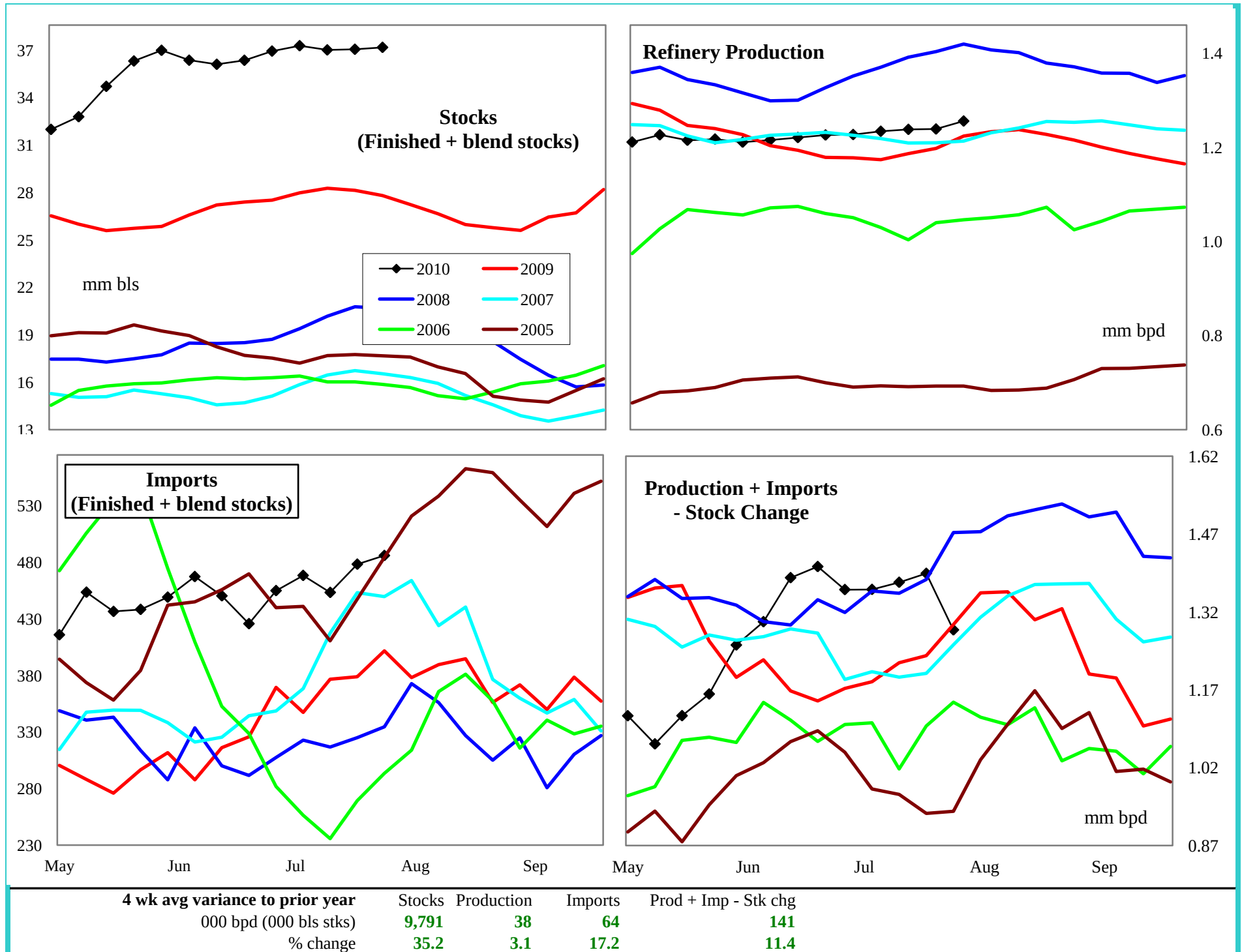
PADD 1 Gasoline Supply



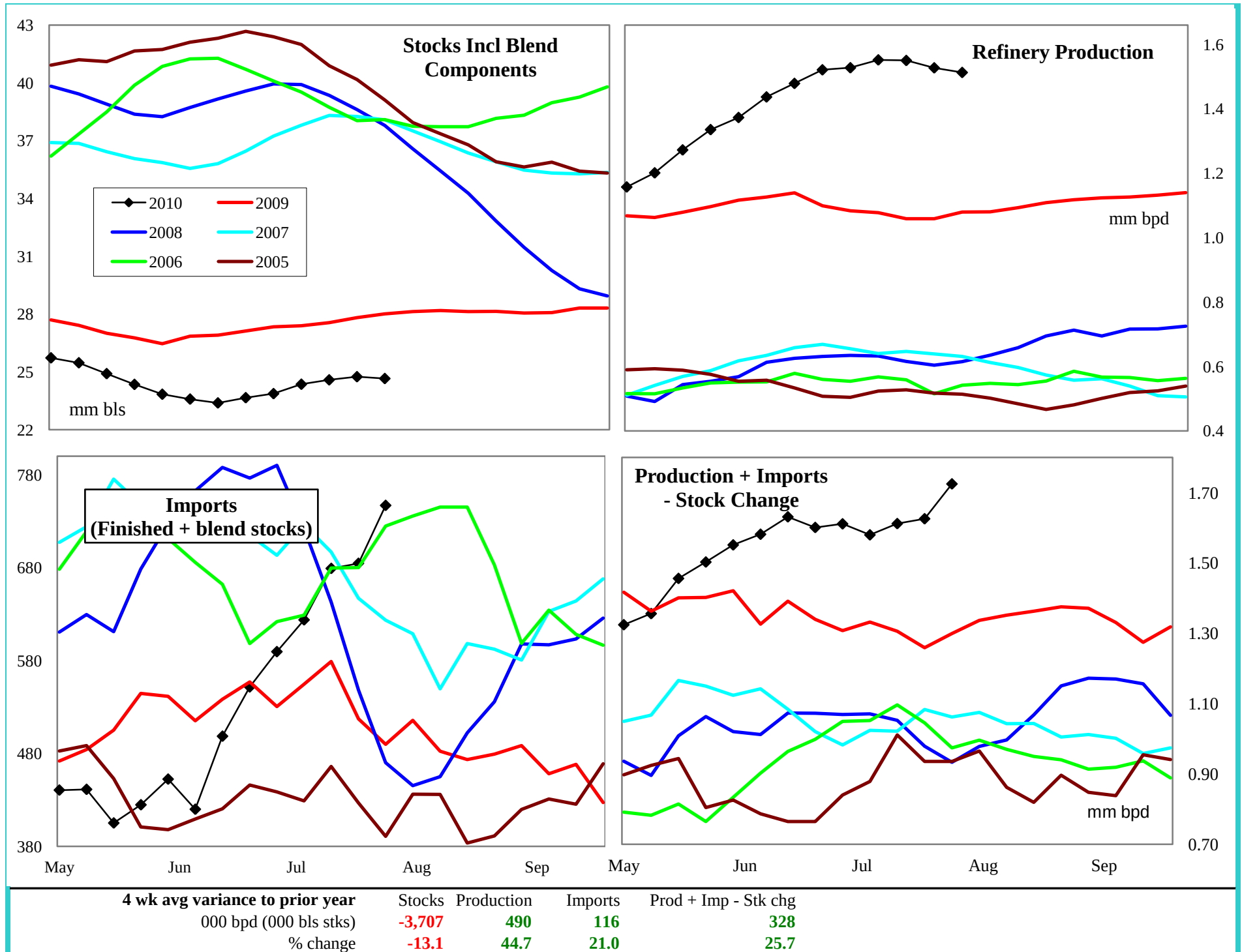
PADD 1 Gasoline Stocks by Region



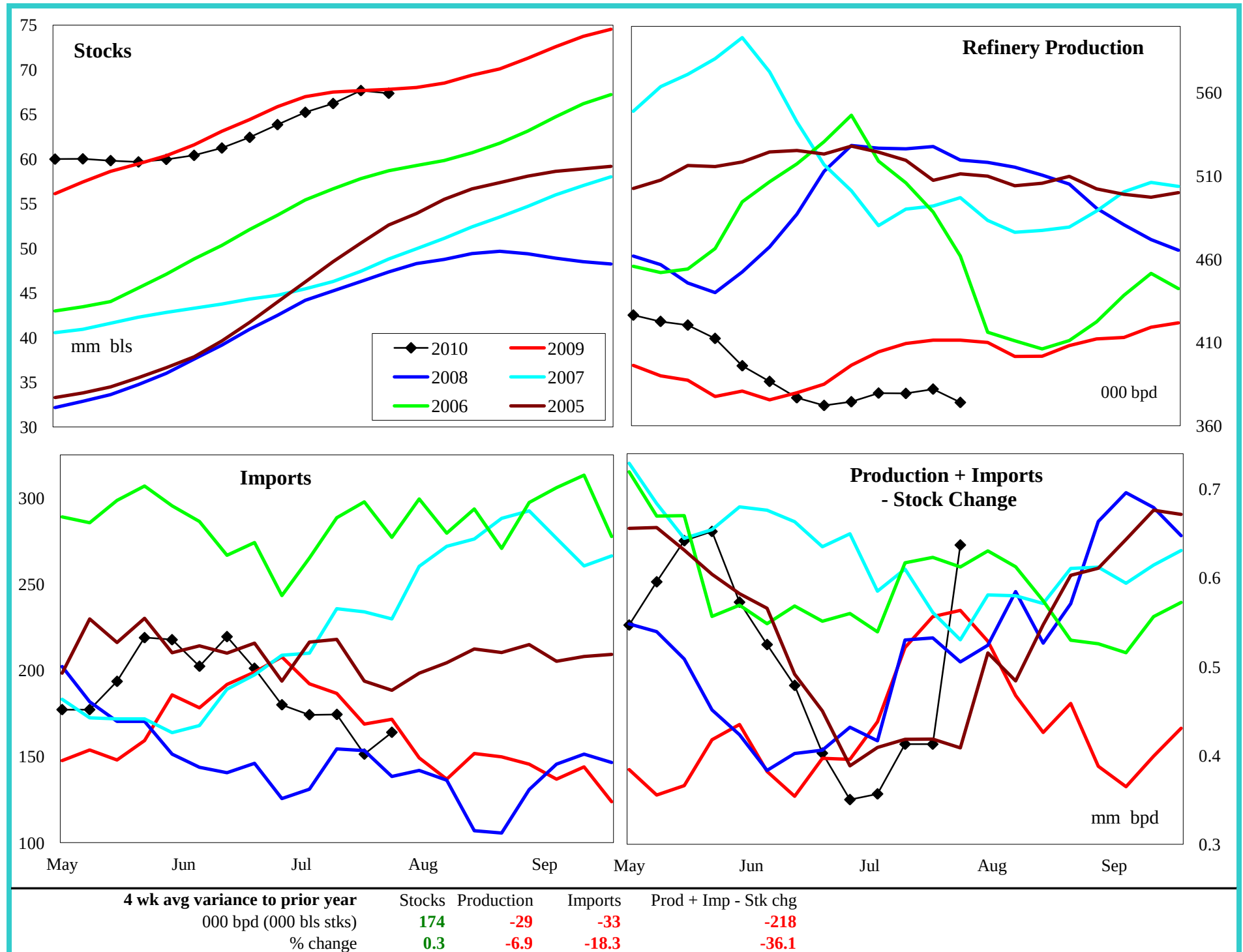
PADD 1 Reformulated Gasoline Supply



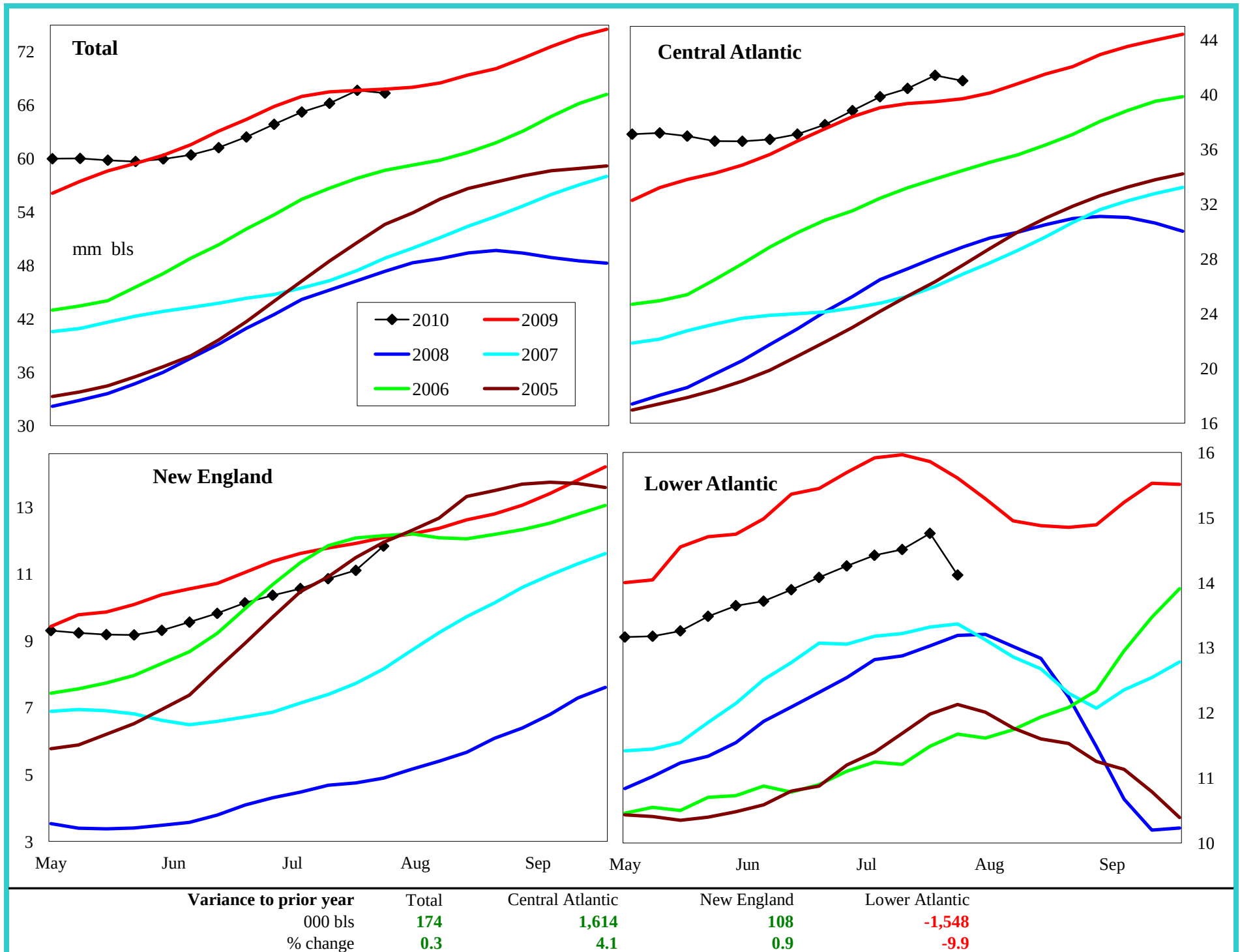
PADD 1 Conventional Gasoline Supply



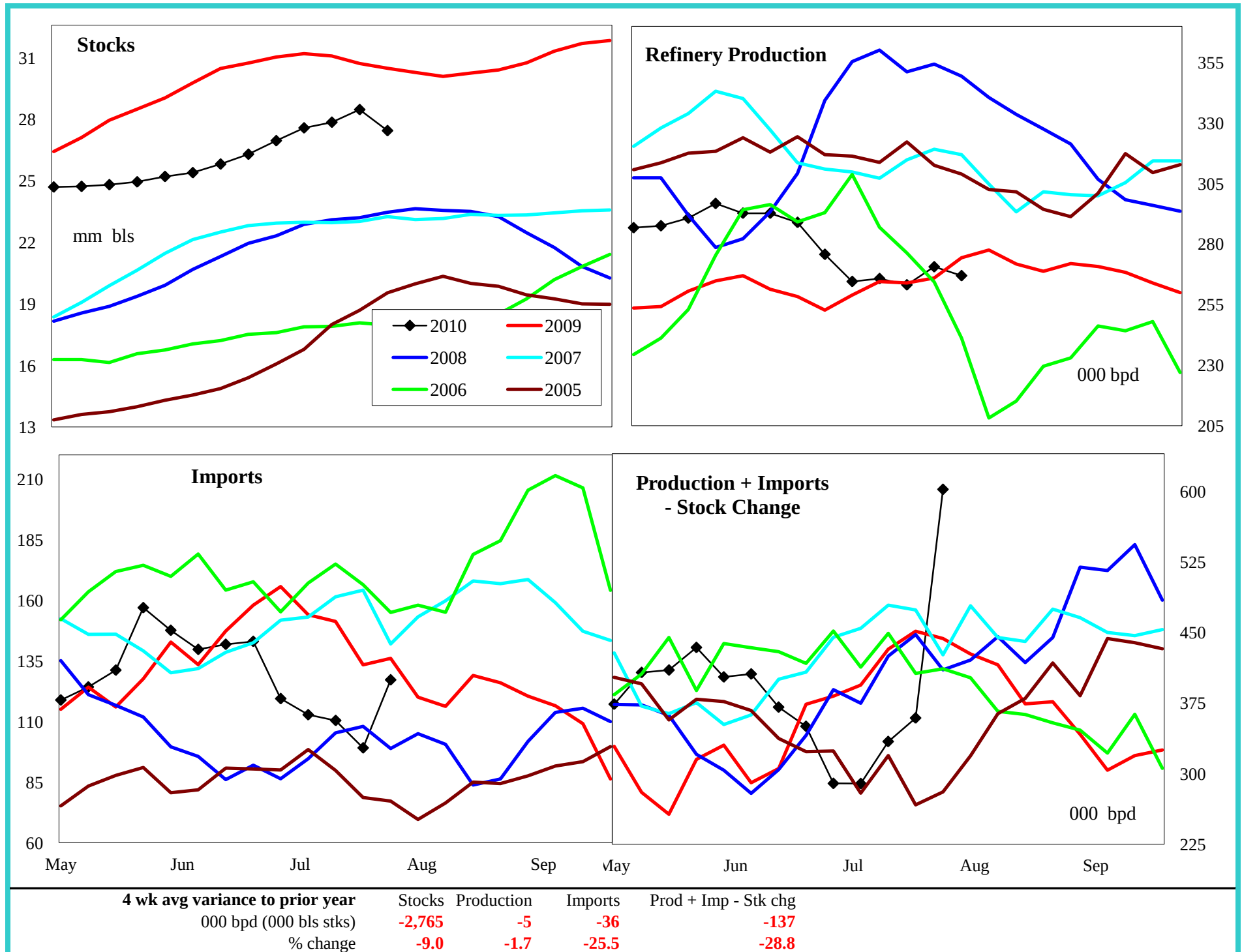
PADD 1 Distillate Supply



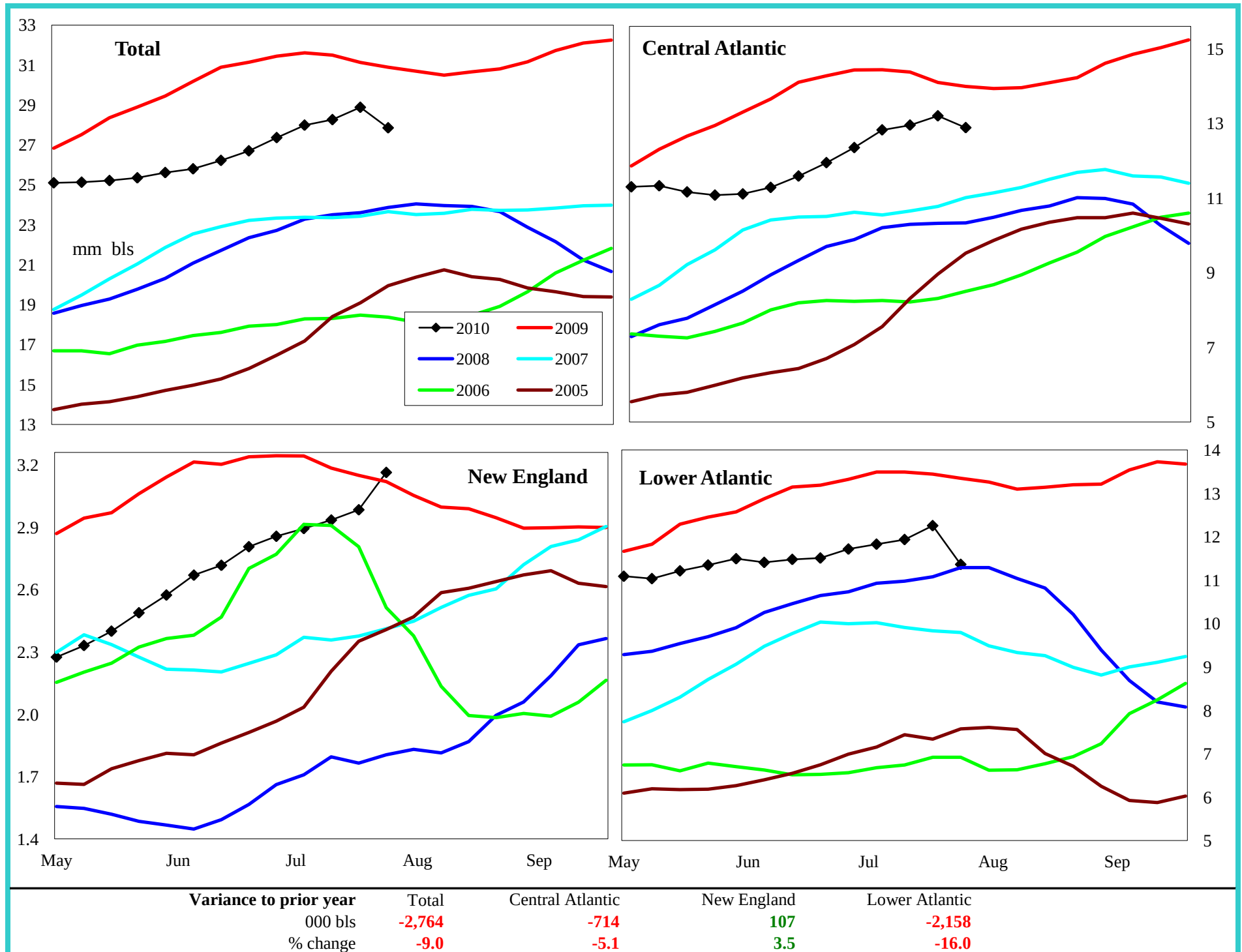
PADD 1 Distillate Stocks by Region



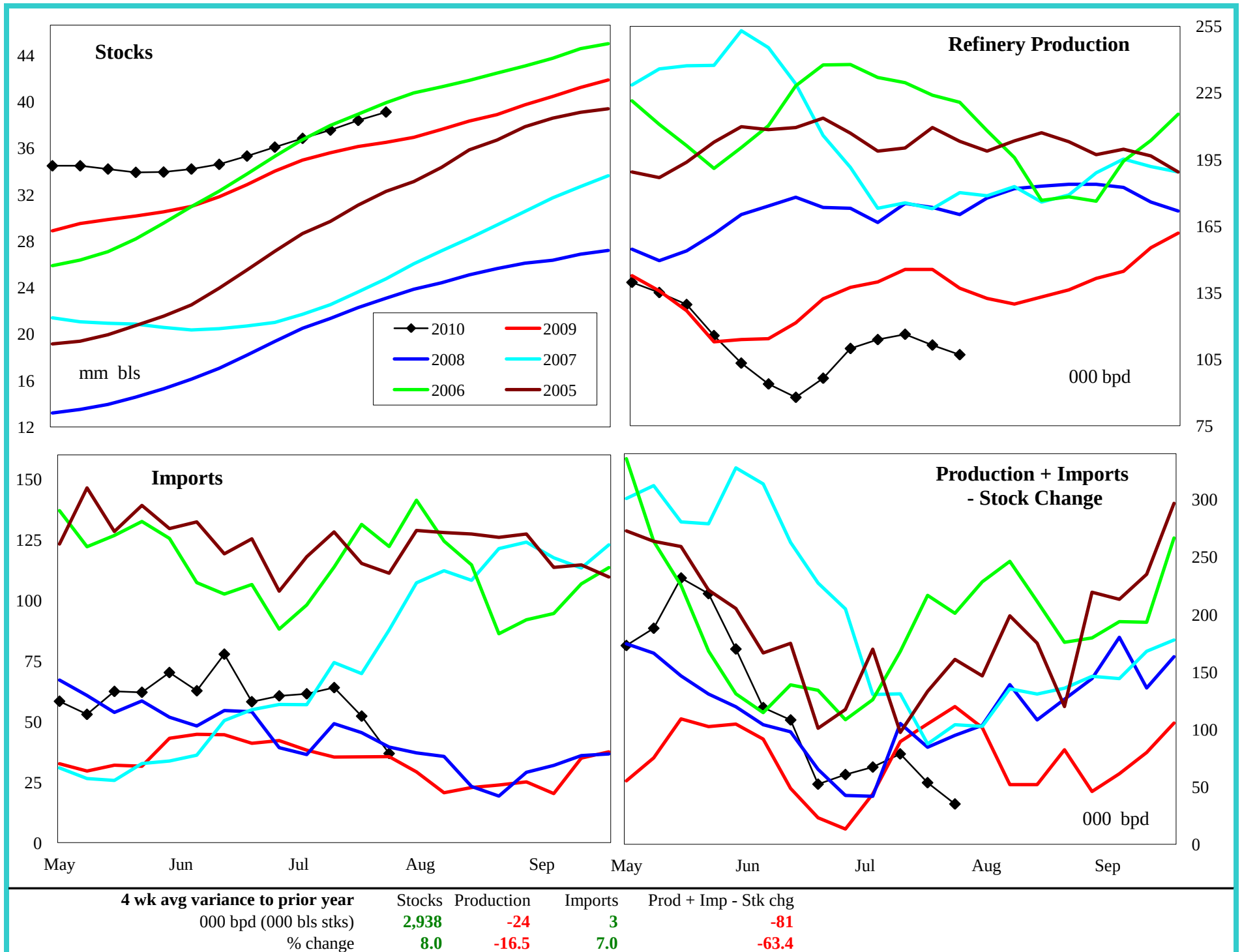
PADD 1 Low Sulfur Distillate Supply



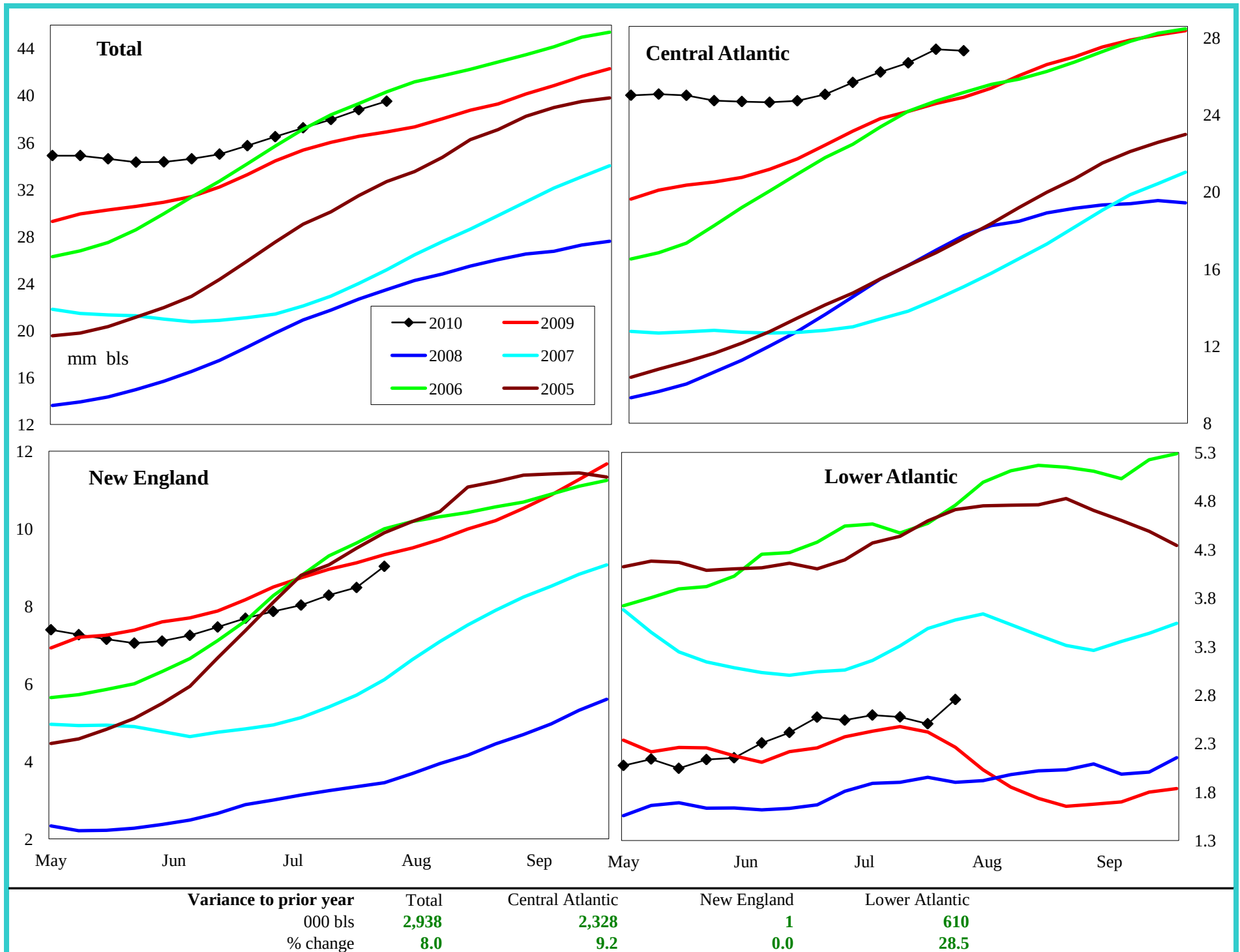
PADD 1 Low Sulfur Distillate Stocks by Region



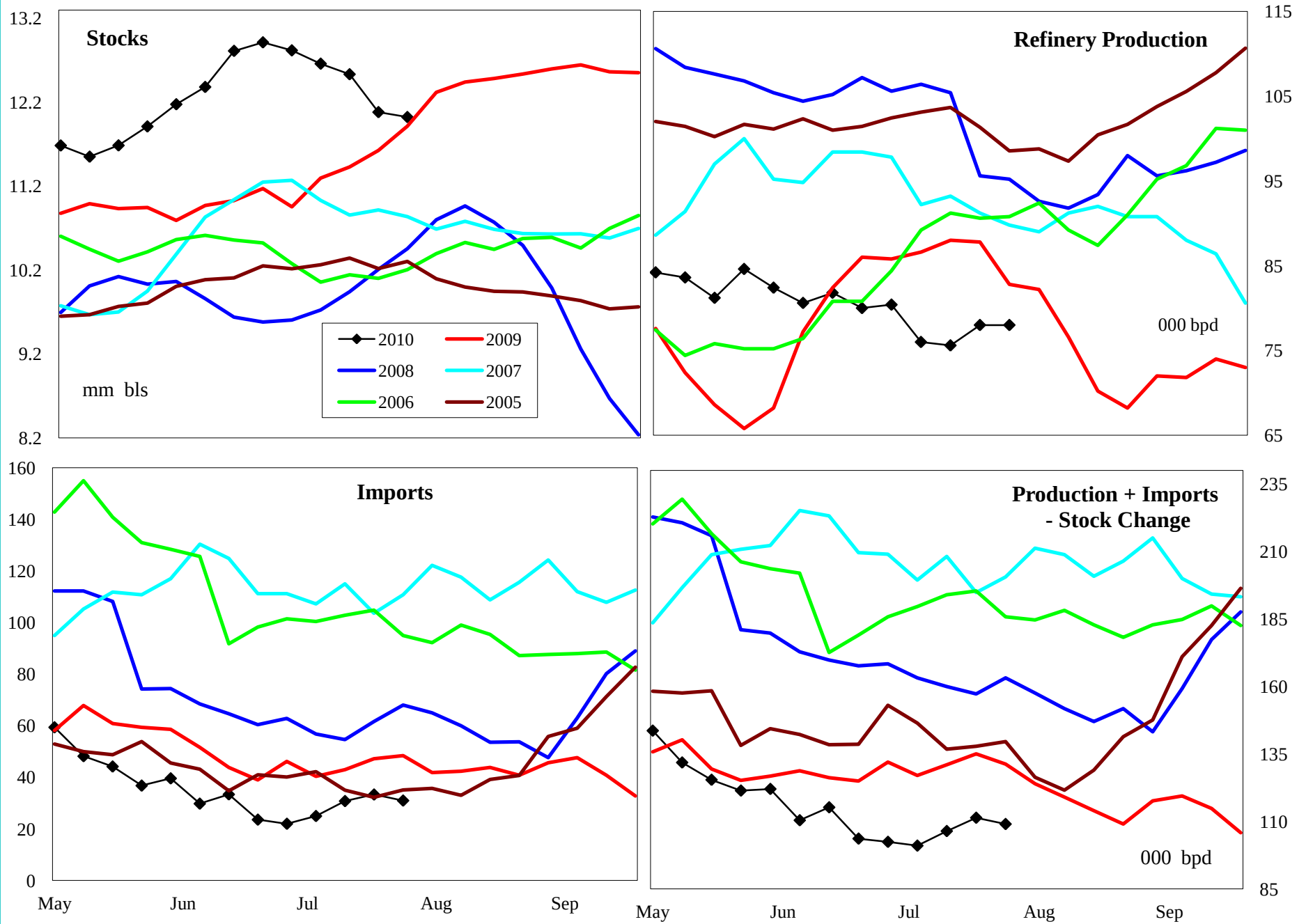
PADD 1 High Sulfur Distillate Supply



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

107

-9

-18

-32

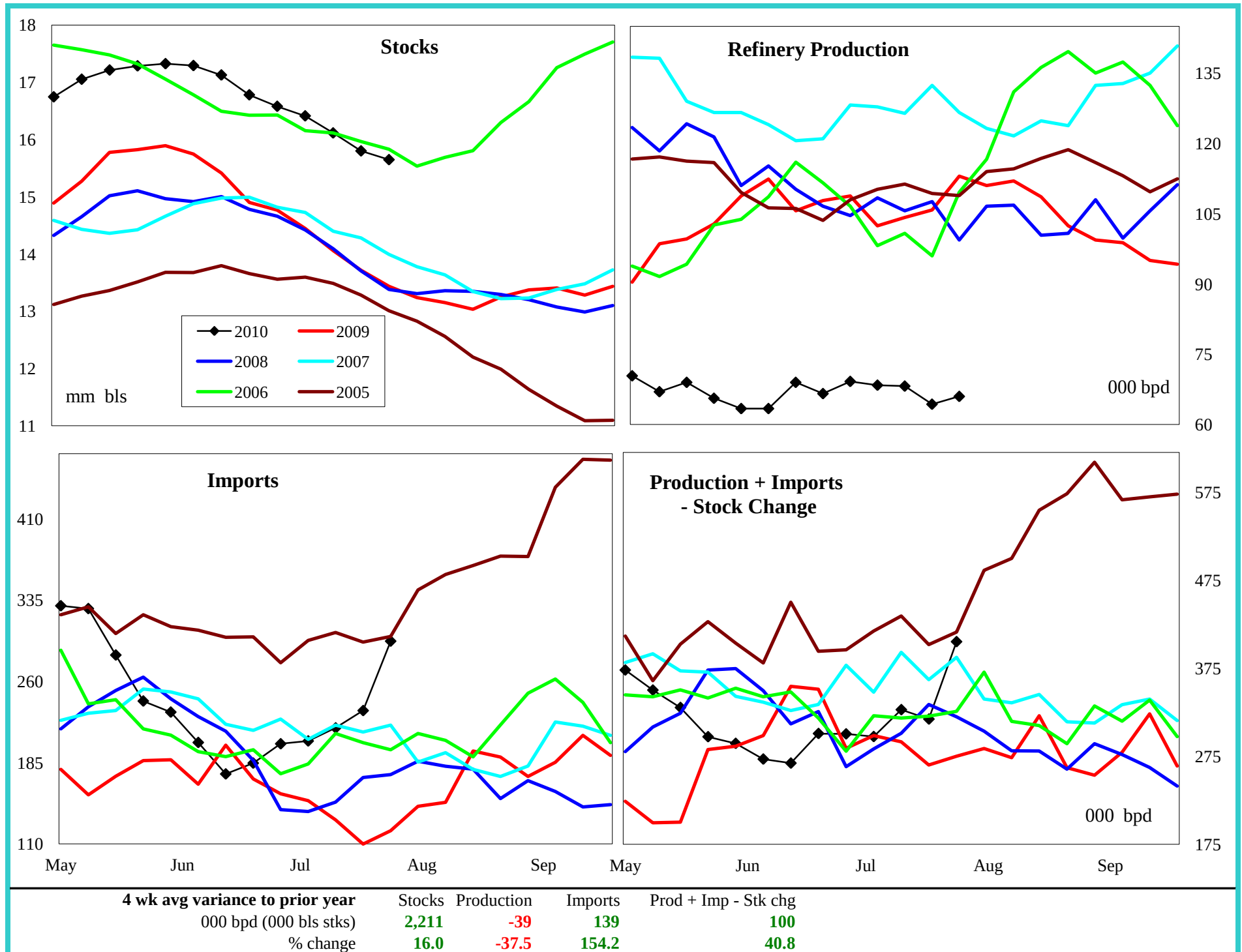
0.9

-10.9

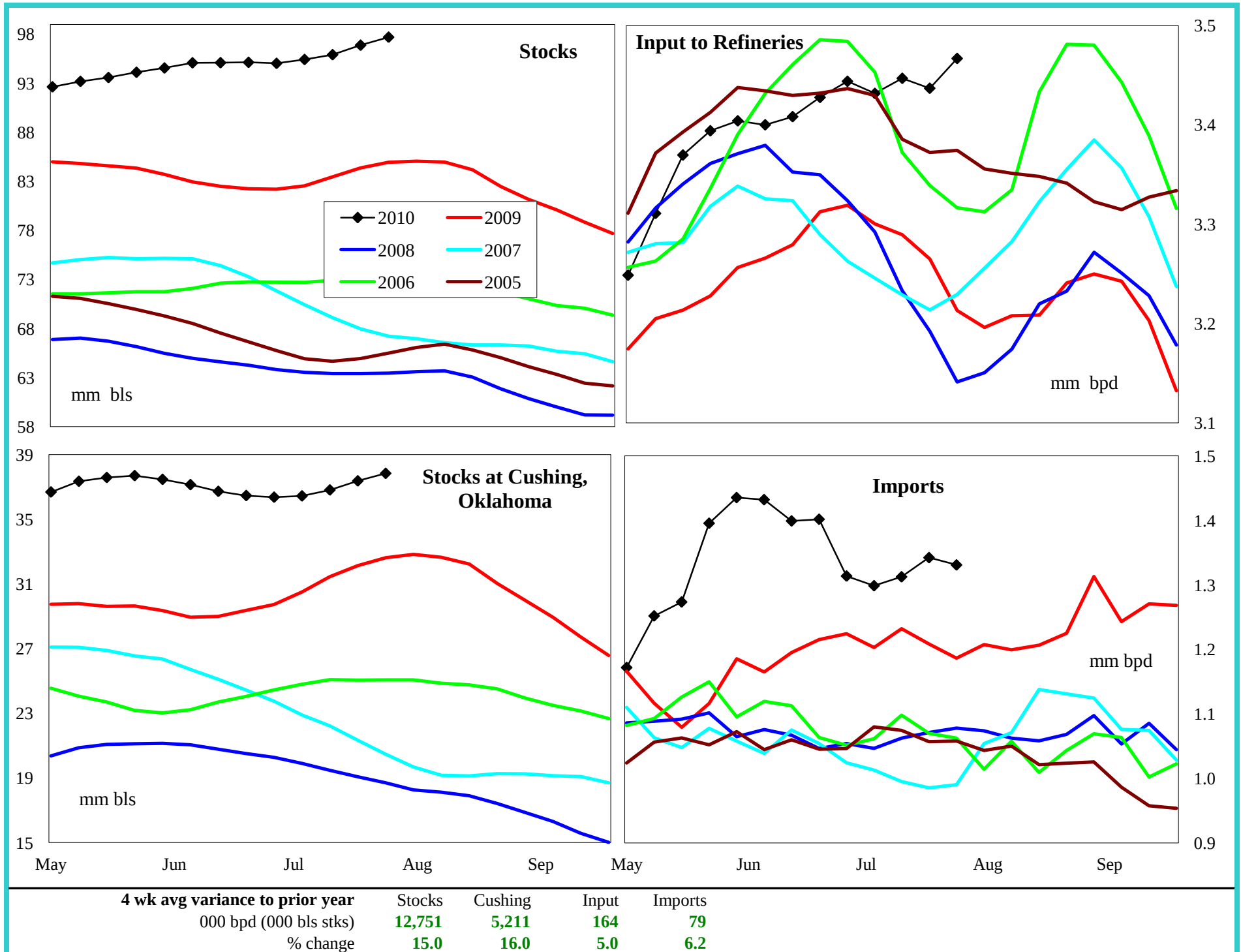
-39.7

-24.1

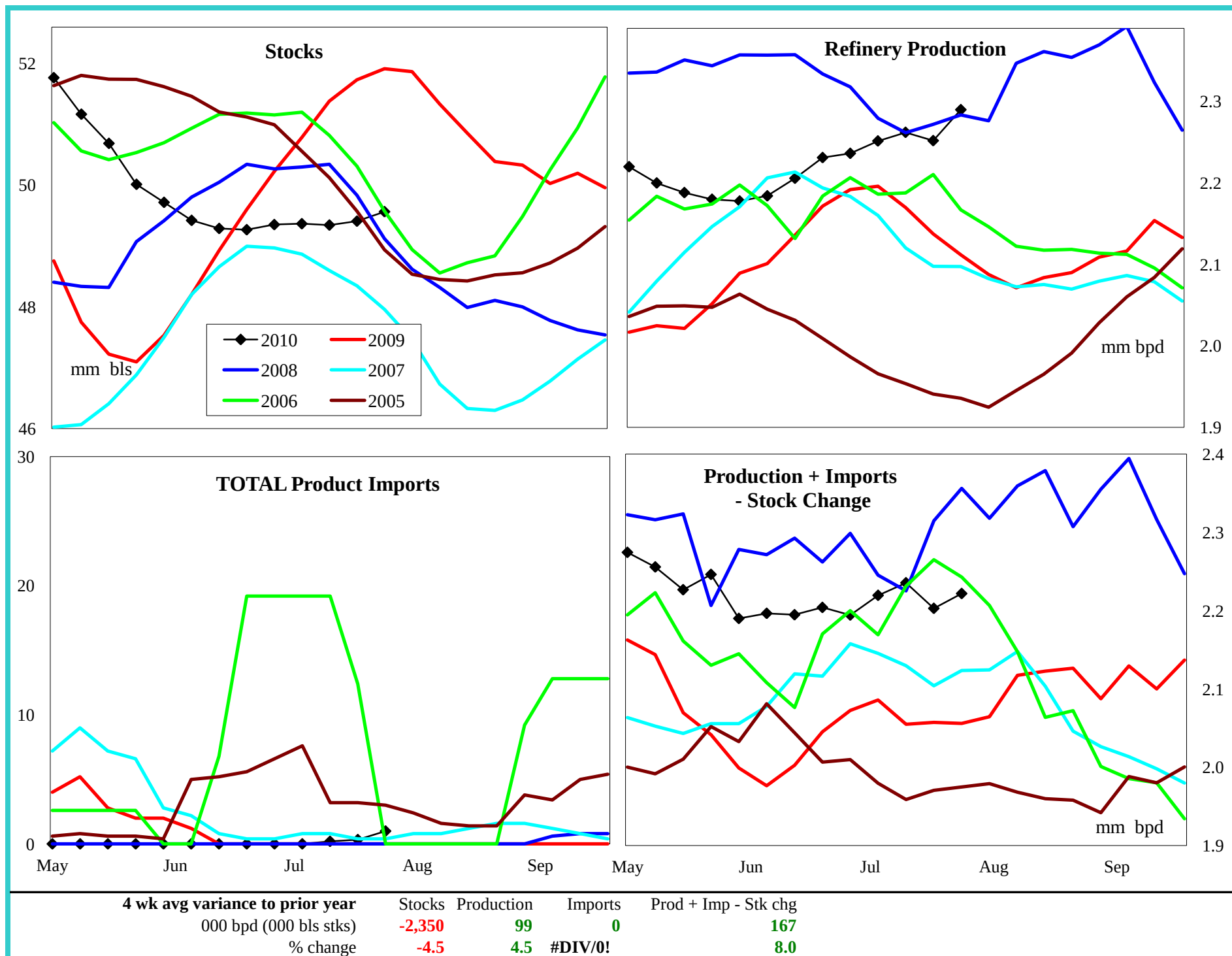
PADD 1 Residual Fuel Oil Supply



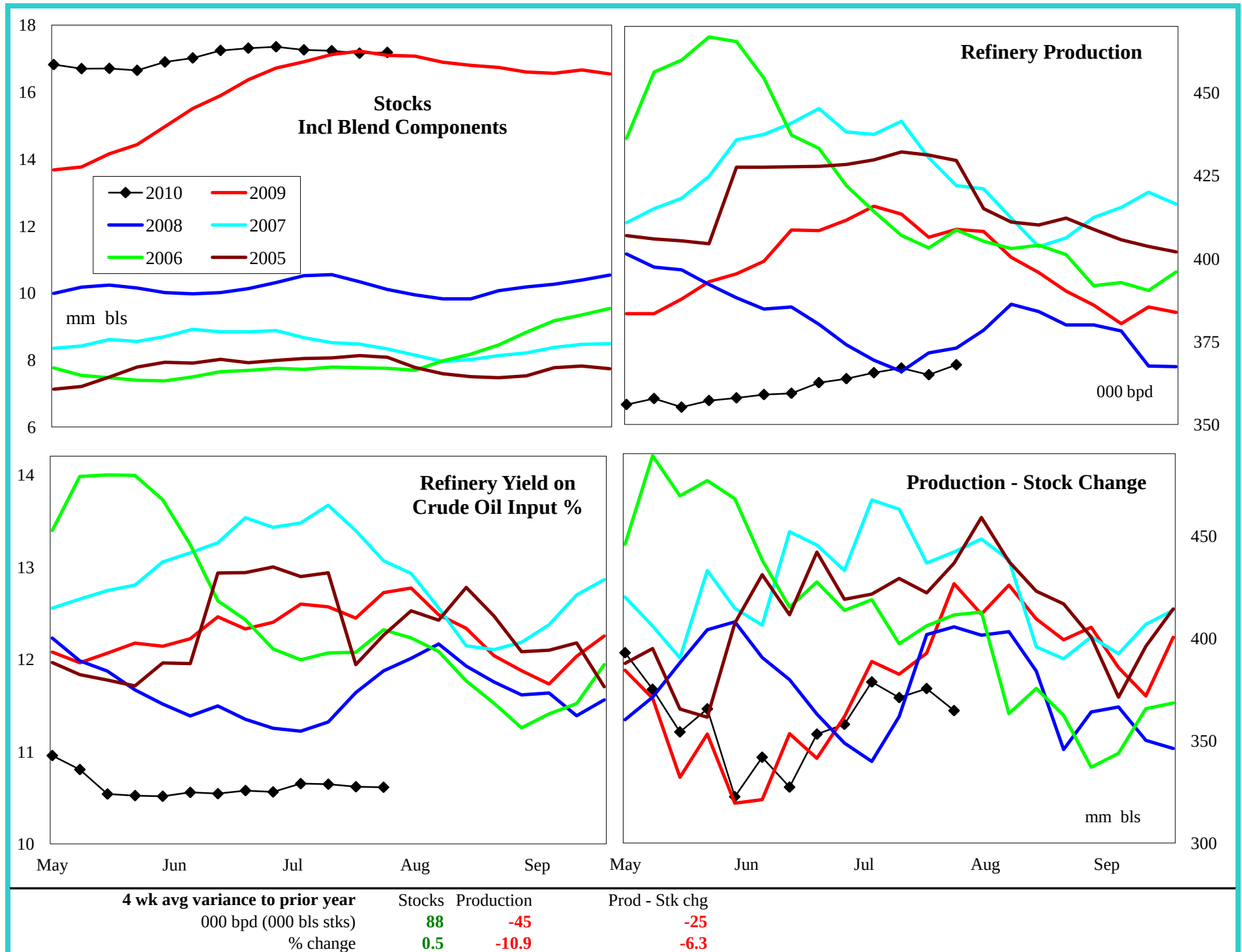
PADD 2 Crude Oil Supply and Refining



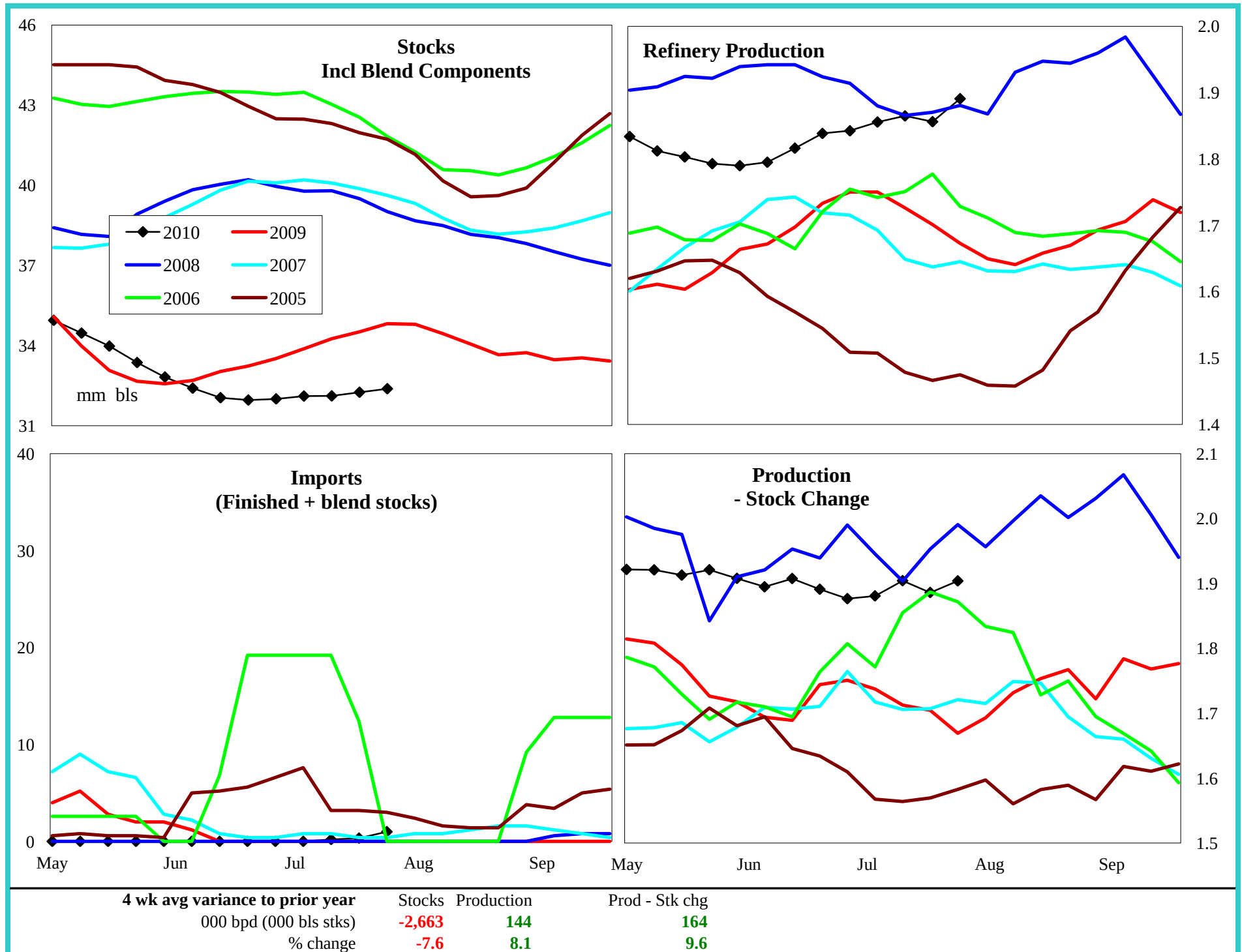
PADD 2 Gasoline Supply



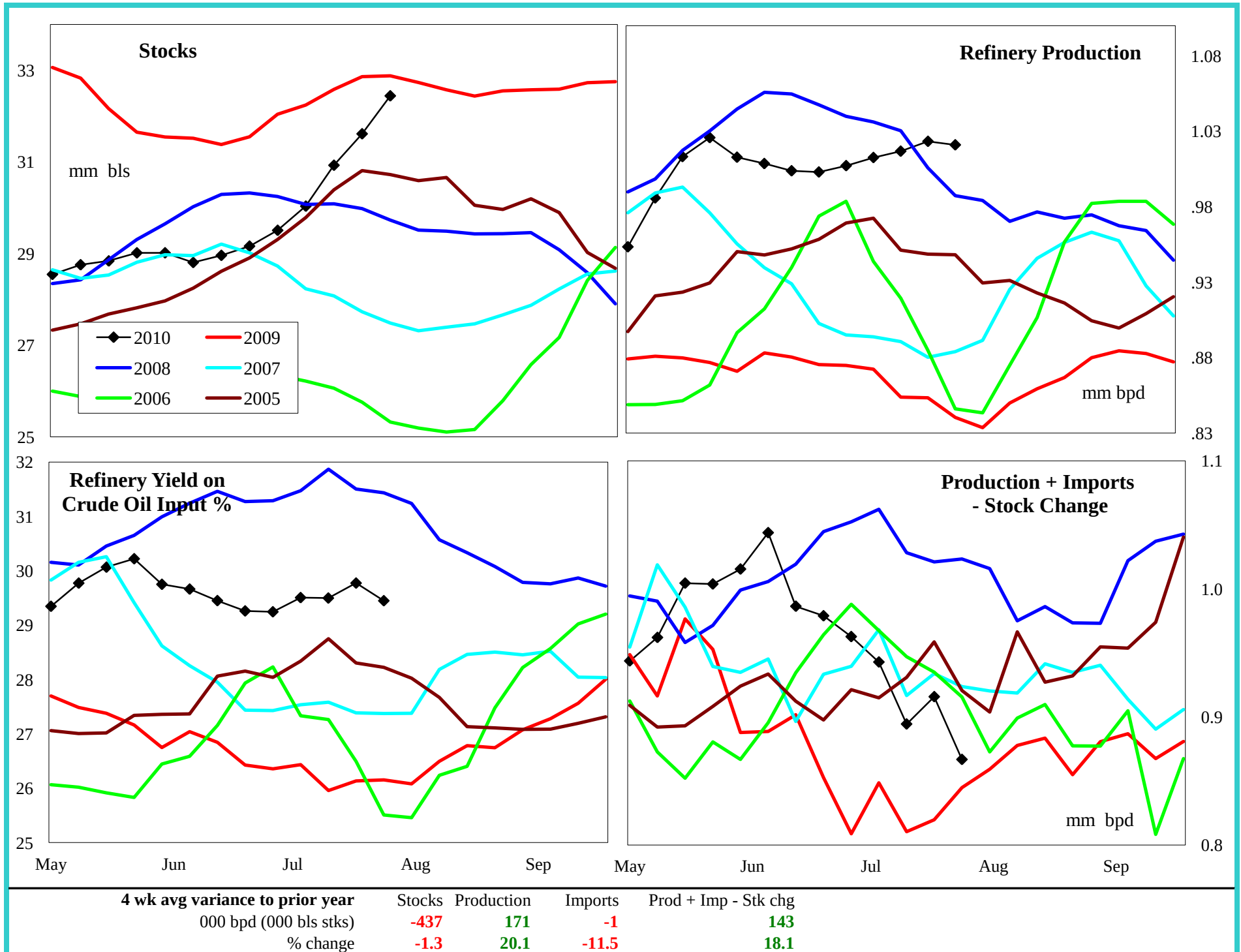
PADD 2 Reformulated Gasoline Supply



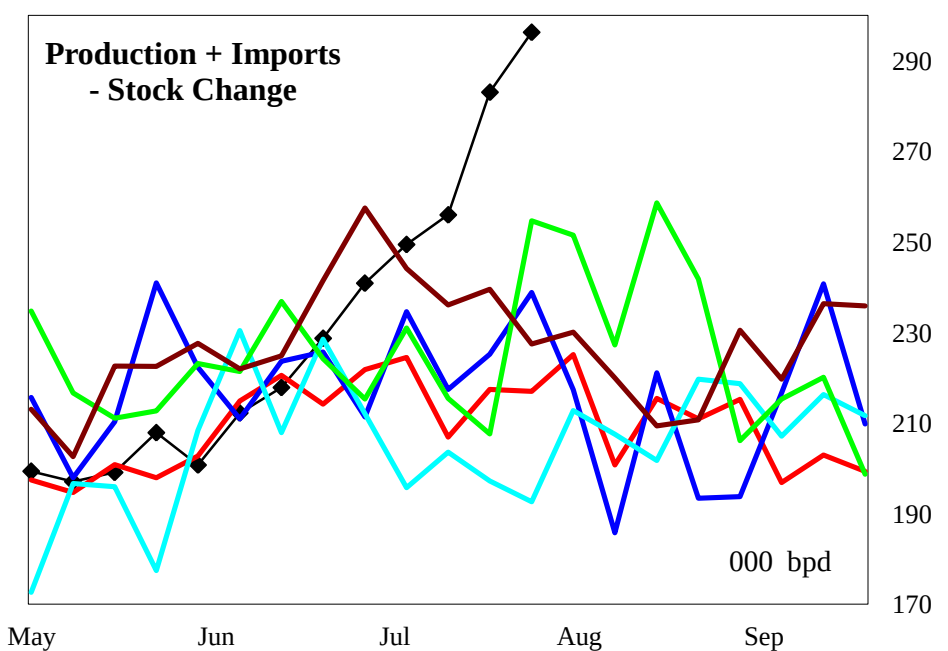
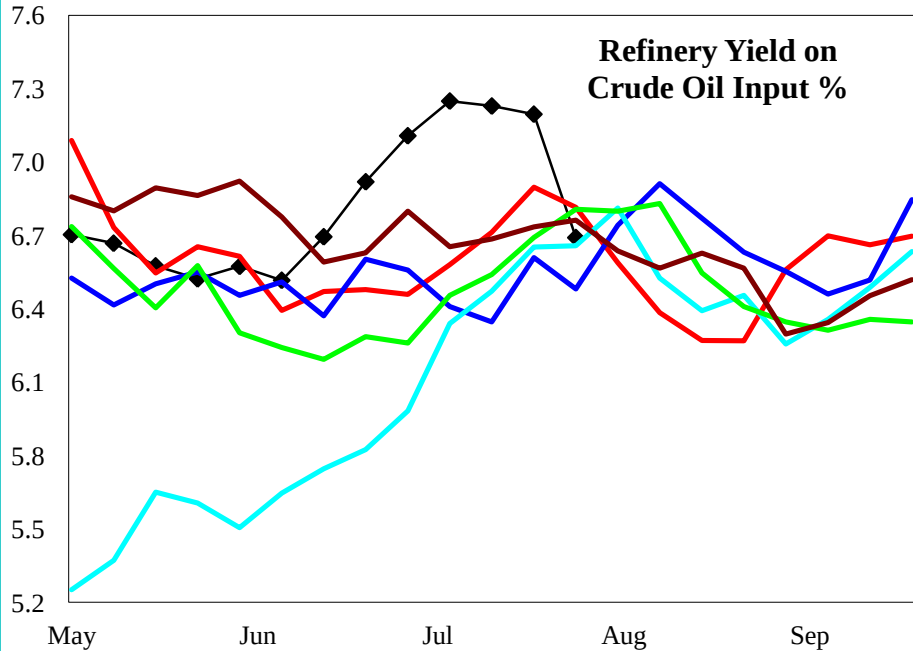
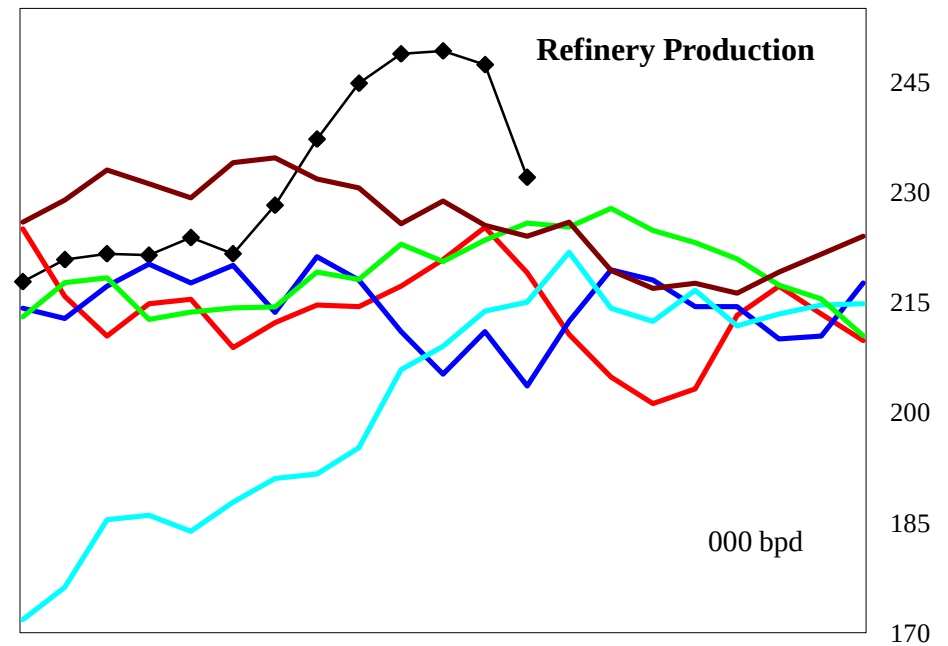
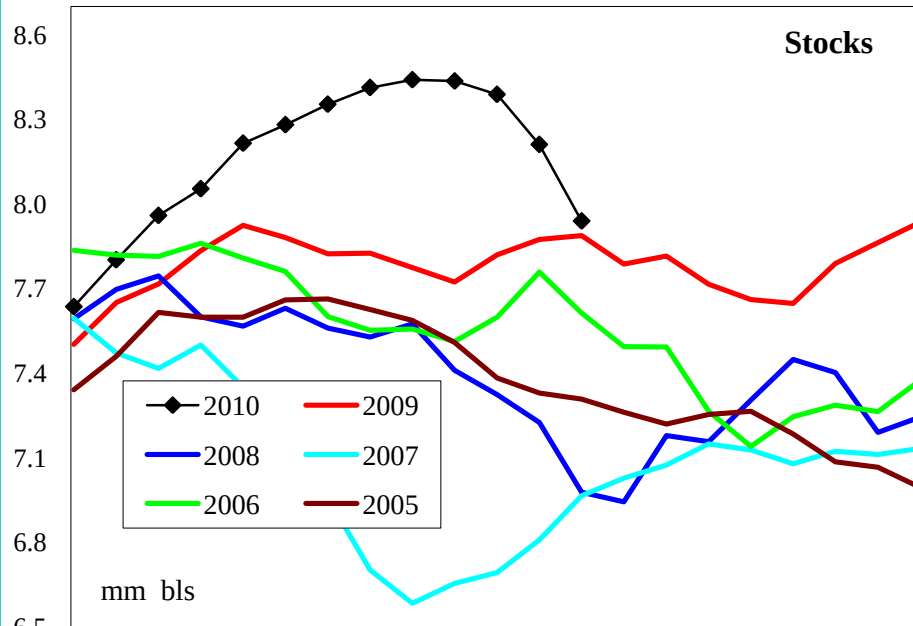
PADD 2 Conventional Gasoline Supply



PADD 2 Distillate Supply



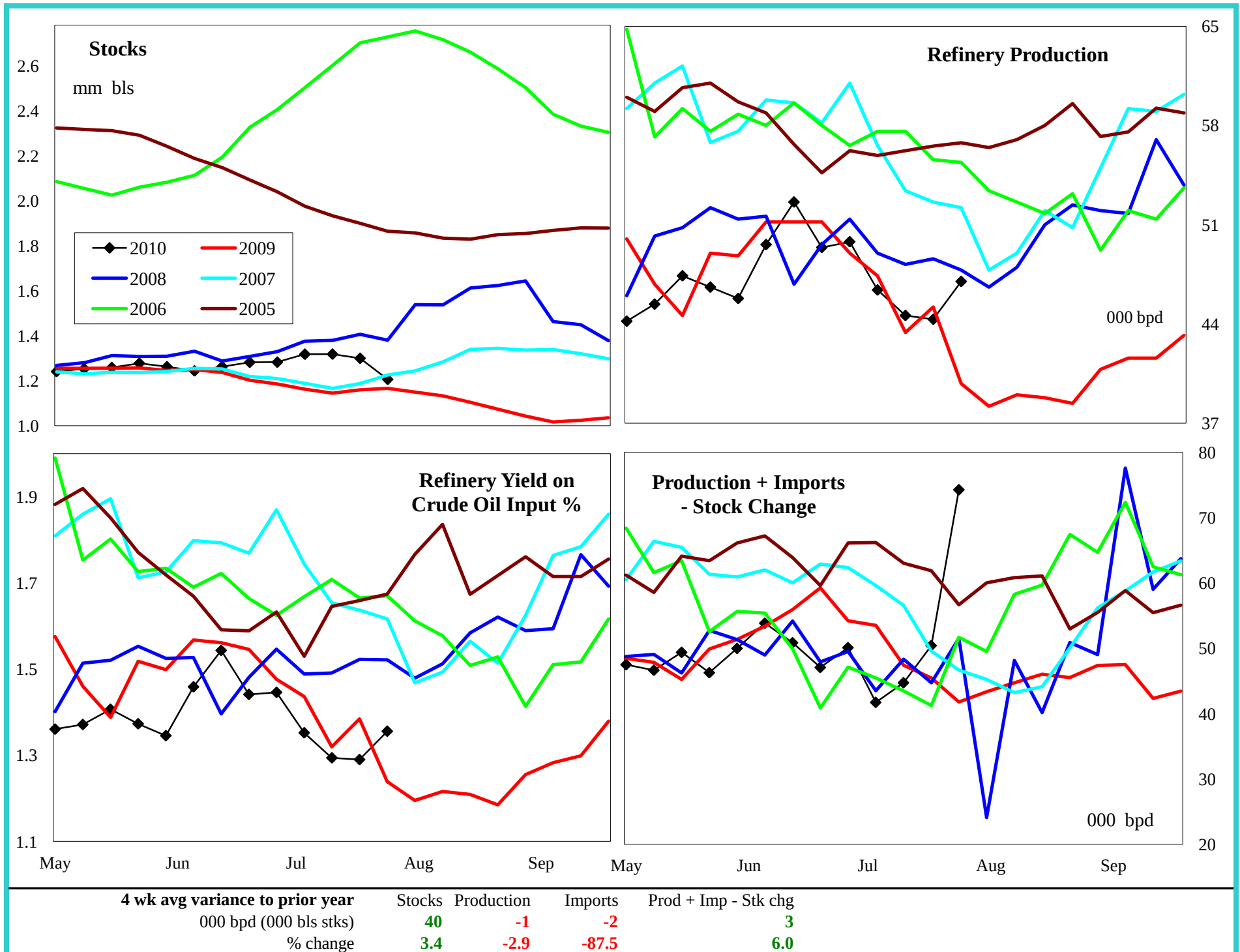
PADD 2 Jet Fuel Supply



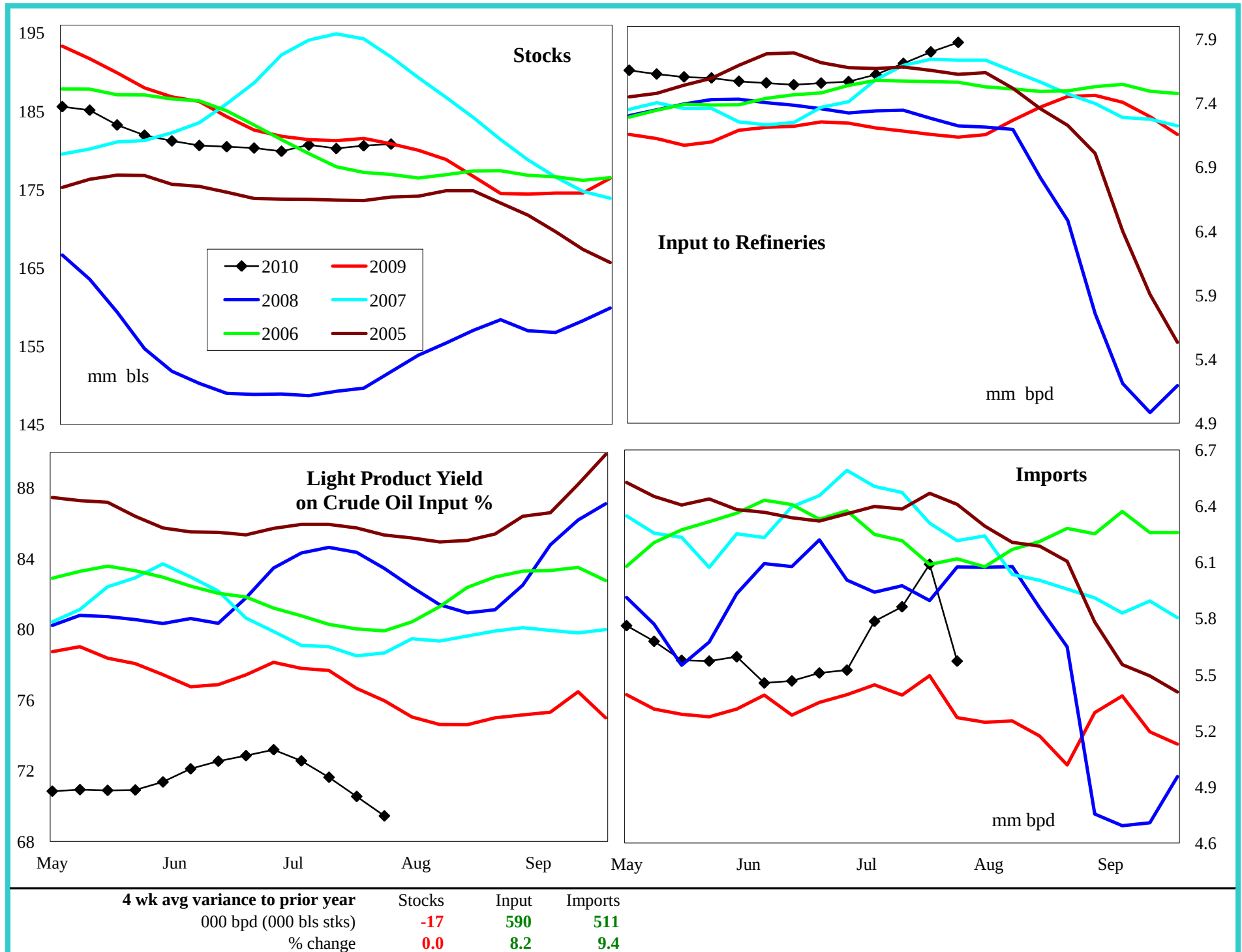
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
51	25	0	61
0.6	11.2	#DIV/0!	28.4

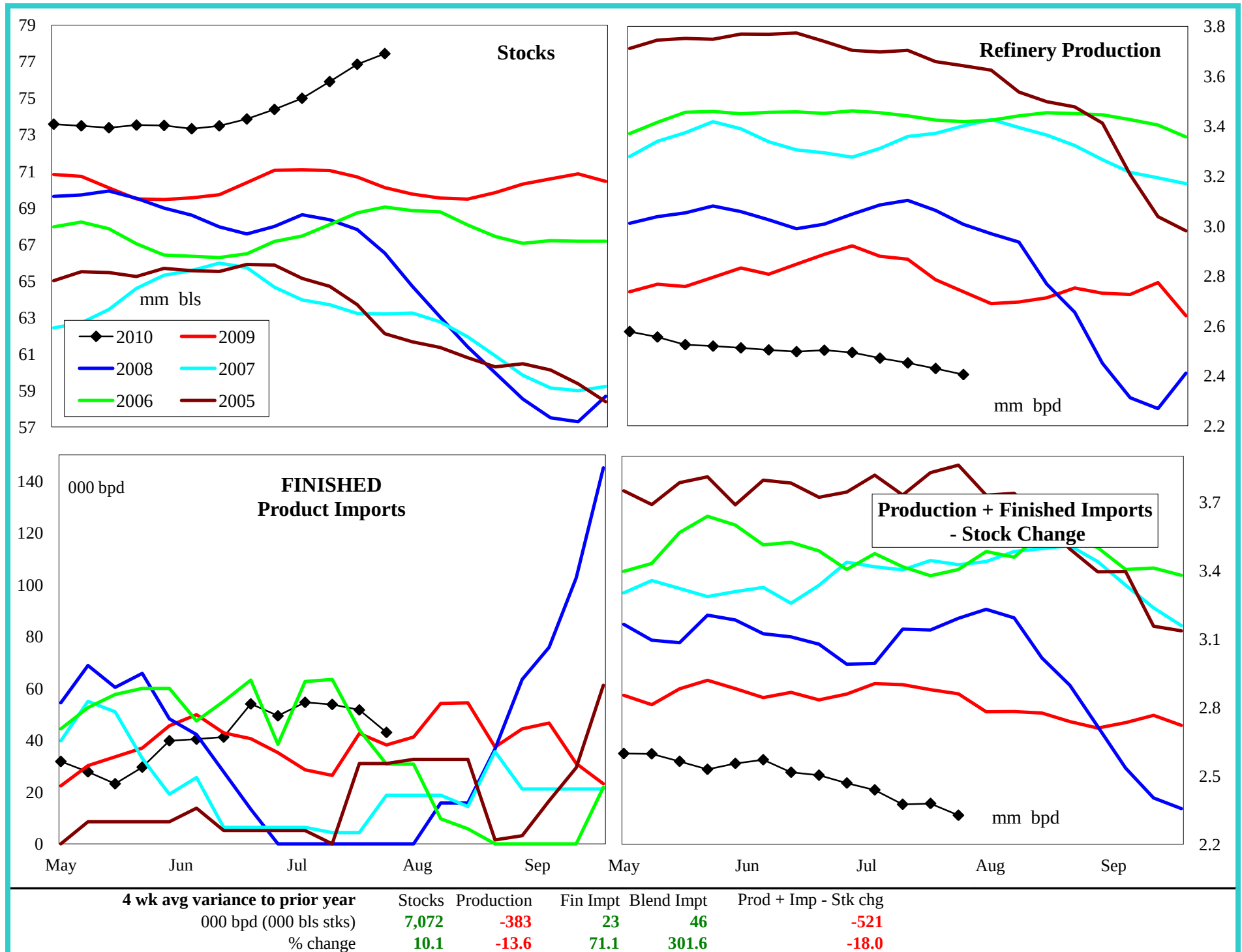
PADD 2 Residual Fuel Oil Supply



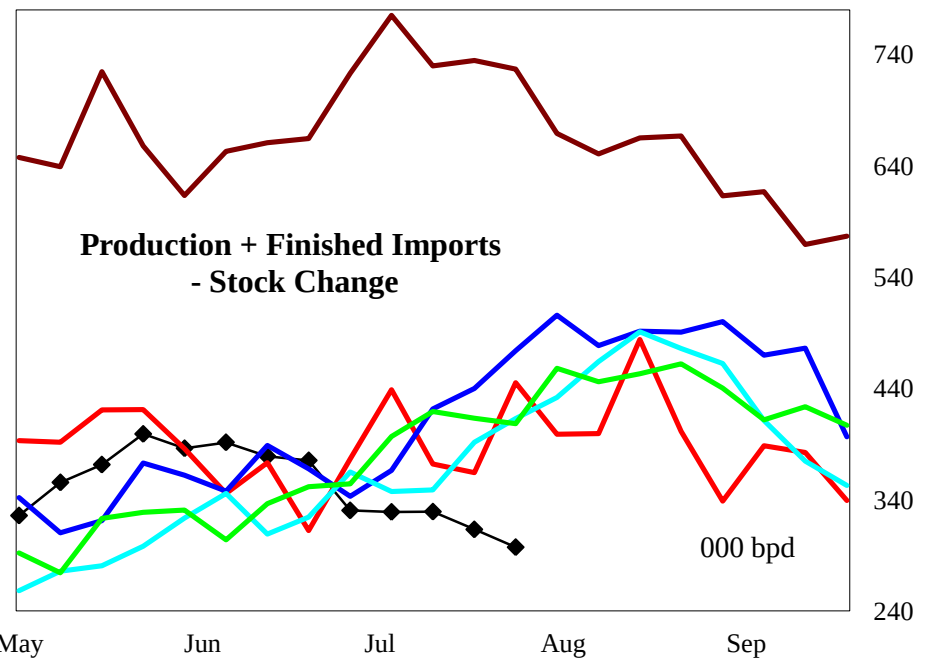
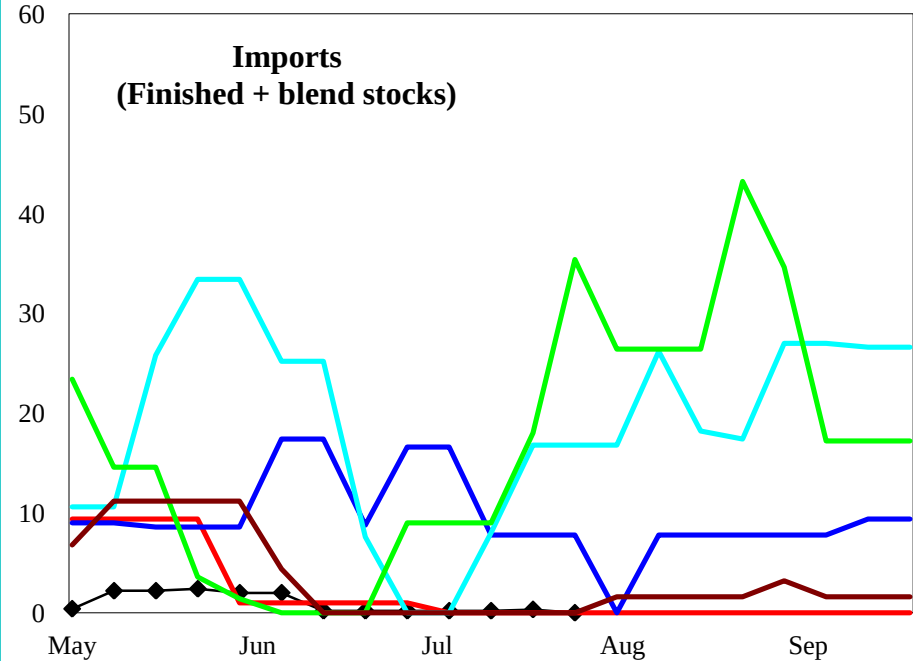
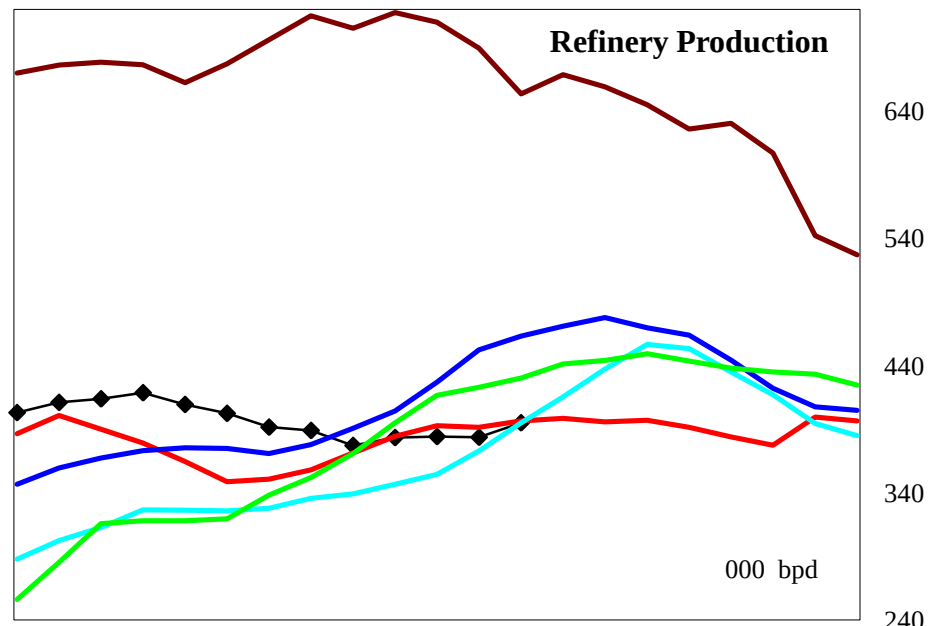
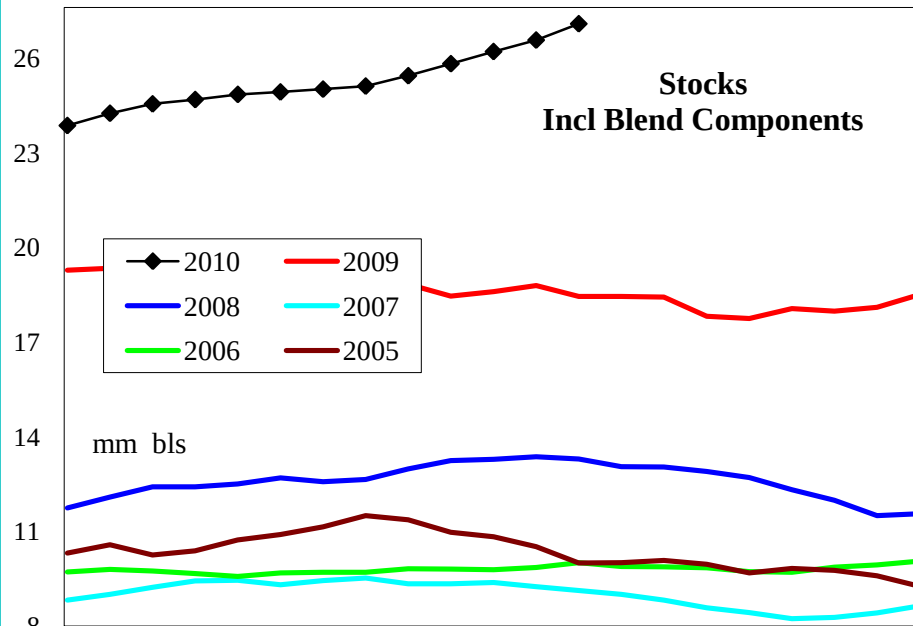
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



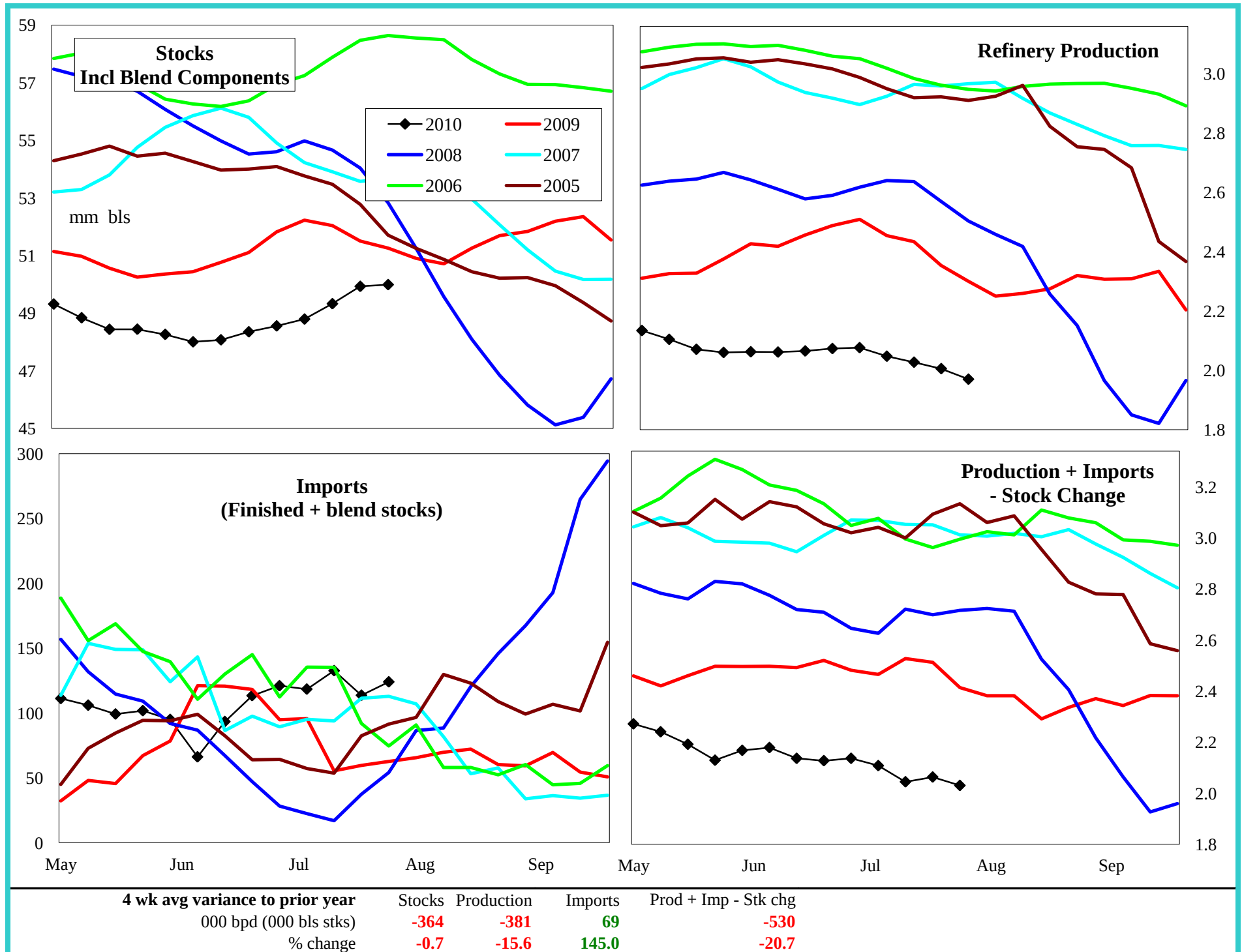
PADD 3 Reformulated Gasoline Supply



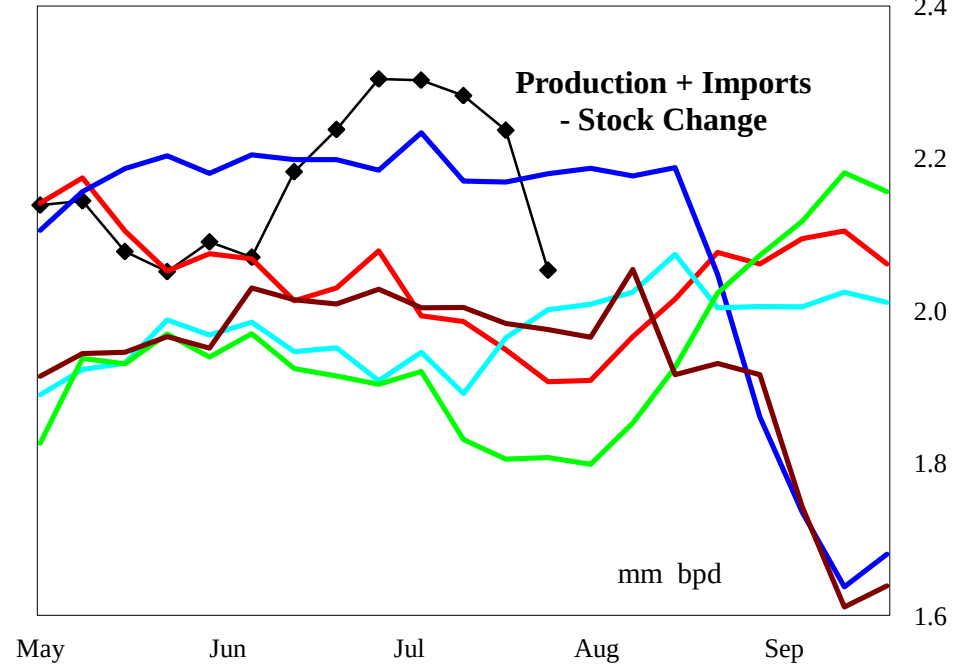
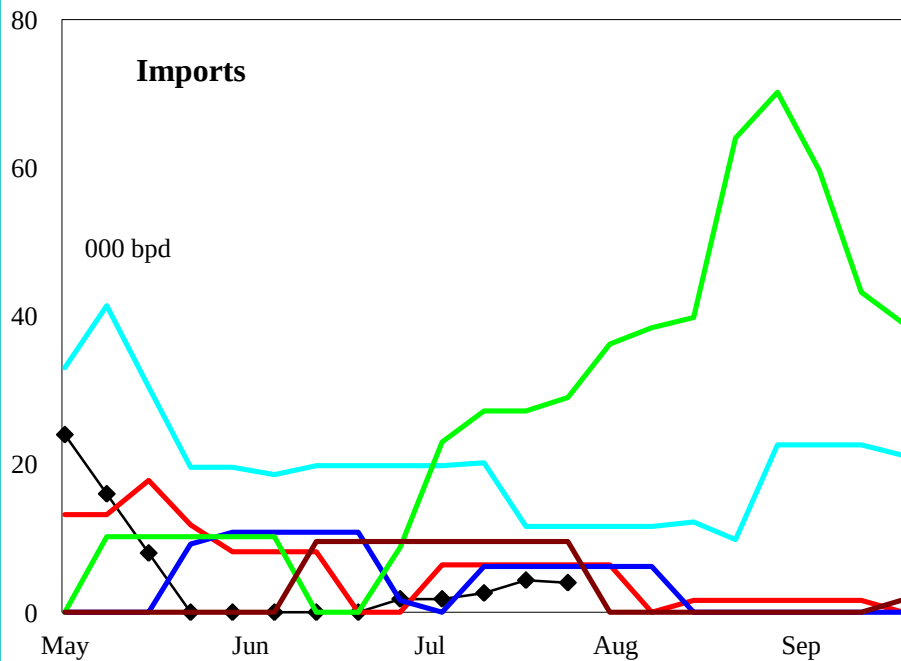
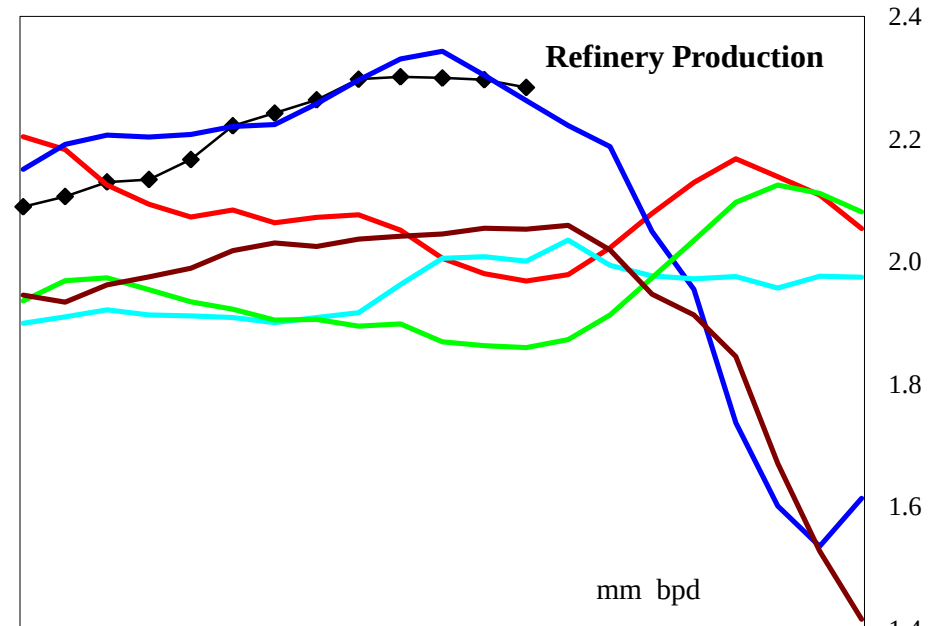
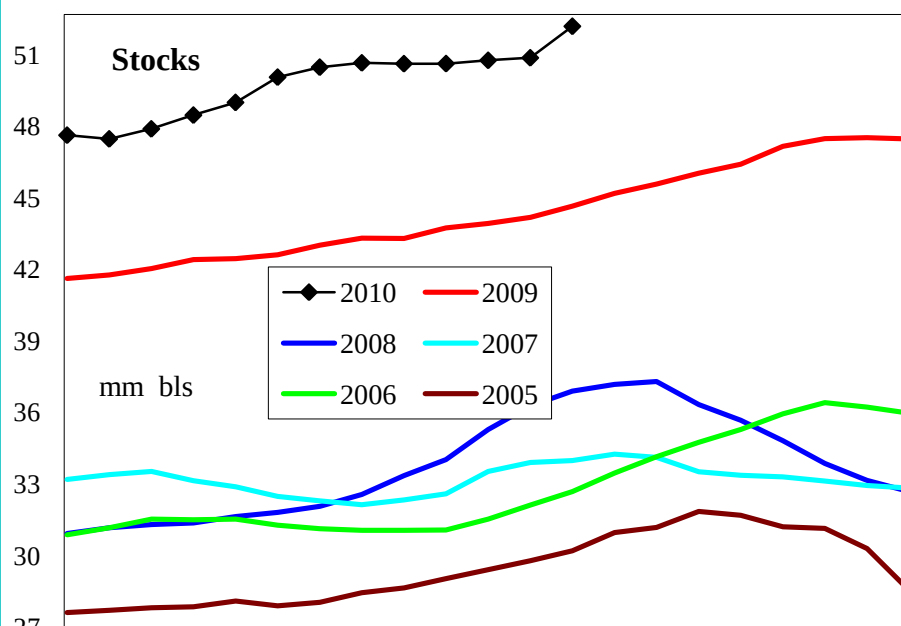
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks	Production	Imports	Prod + Imp - Stk chg
7,477	-3	0	7
37.4	-0.6	#DIV/0!	2.2

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

7,865

17.6

Production

305

15.3

Imports

-5

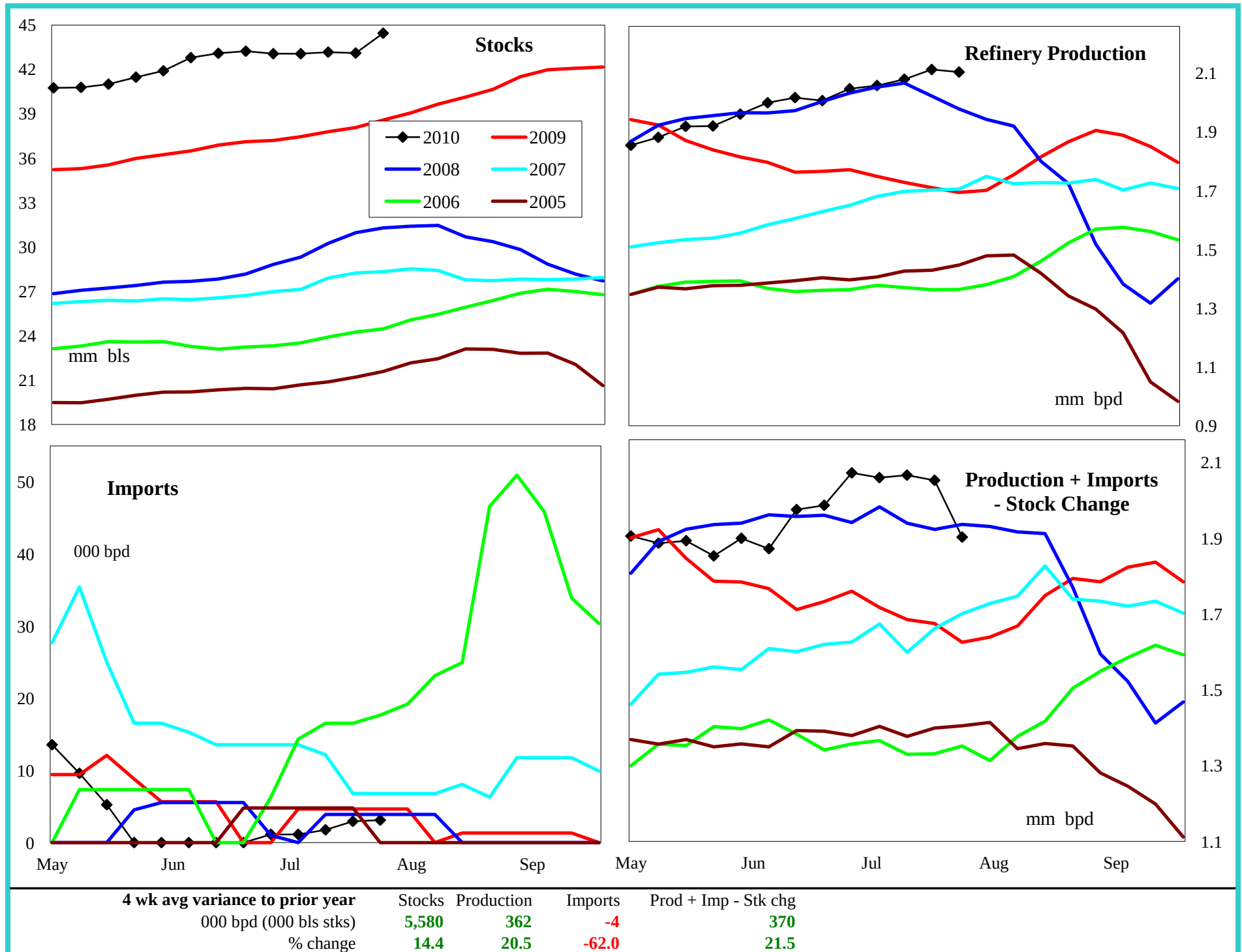
-59.4

Prod + Imp - Stk chg

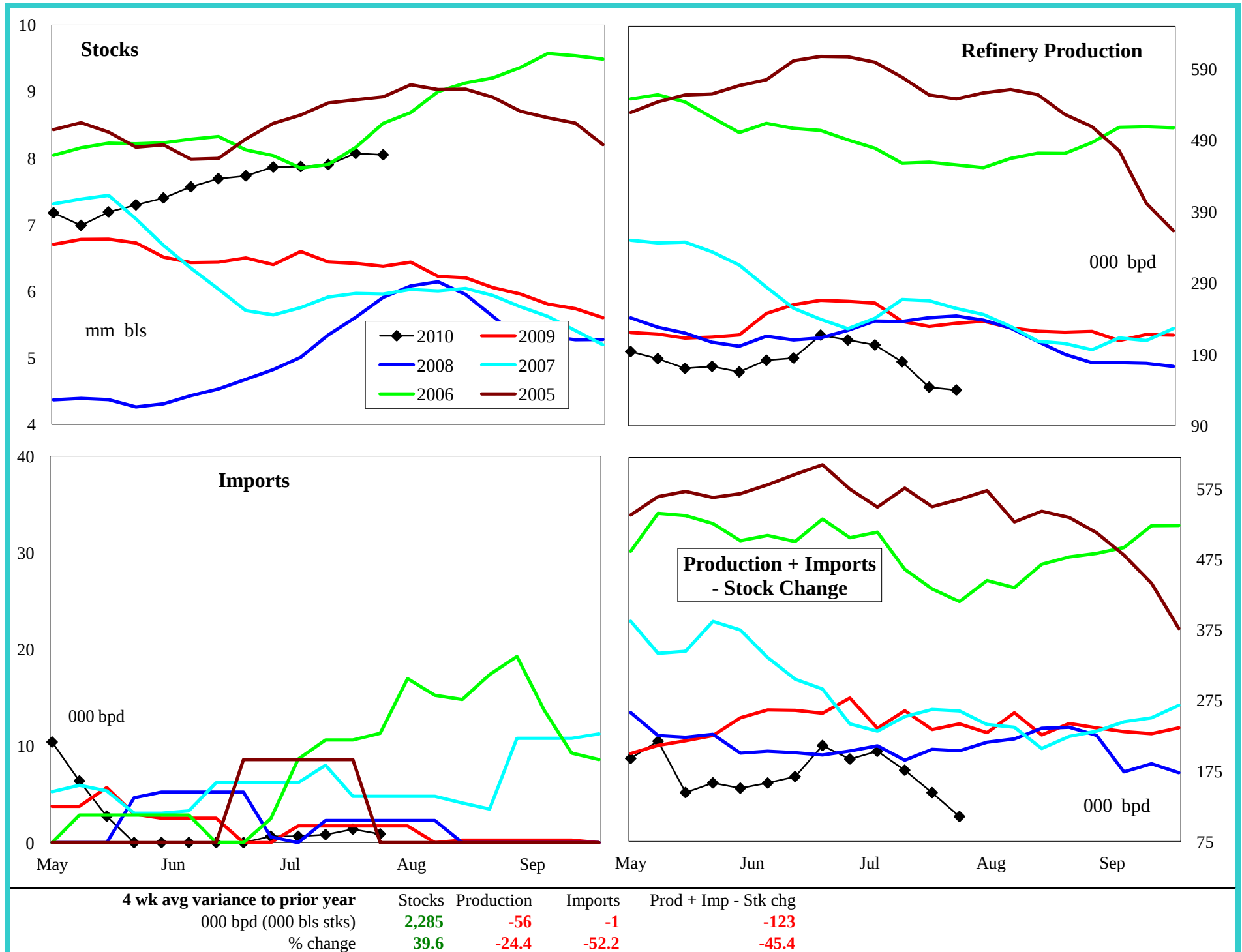
247

12.4

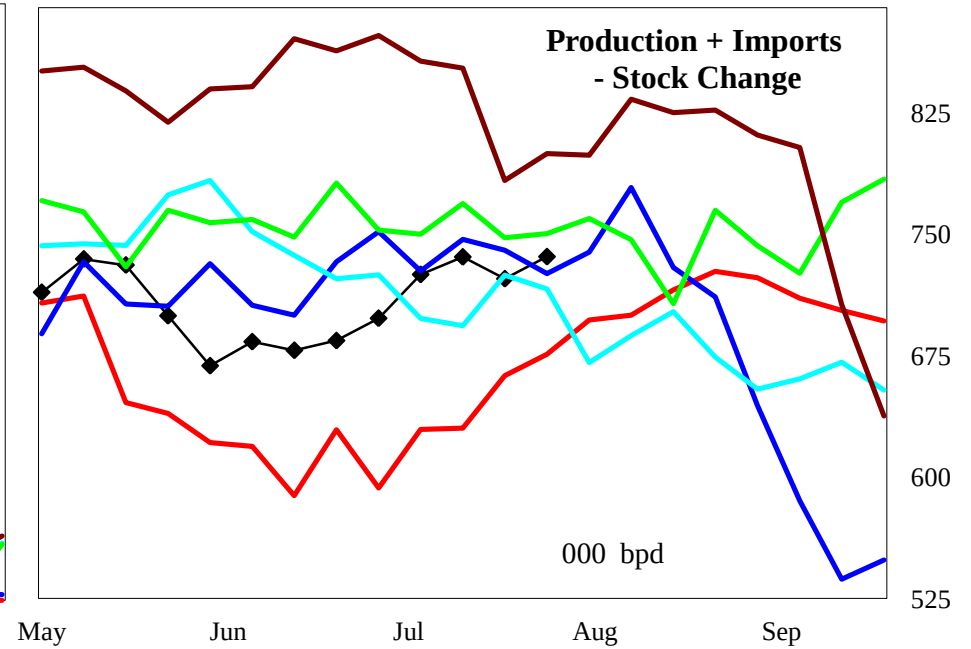
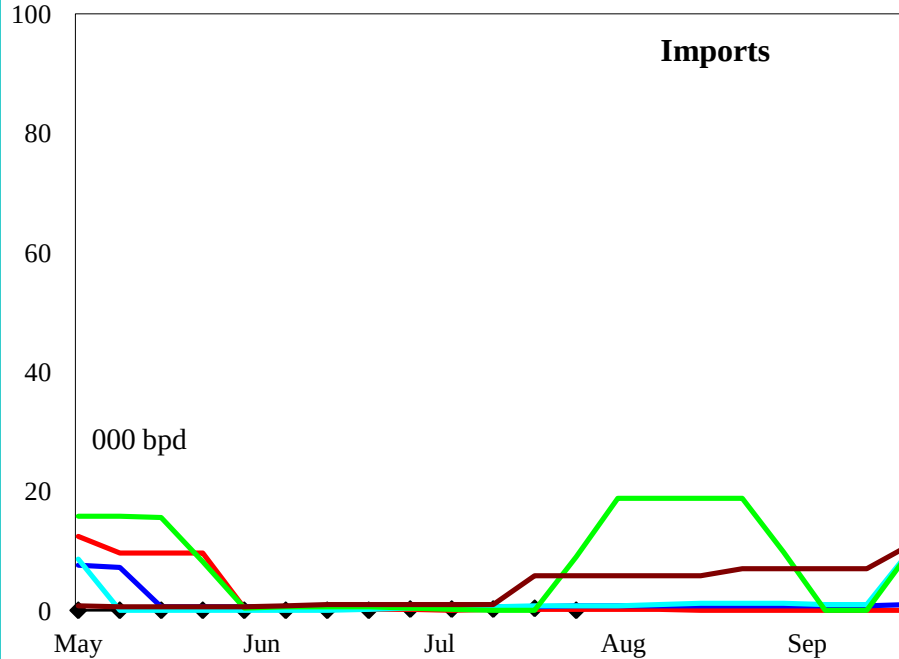
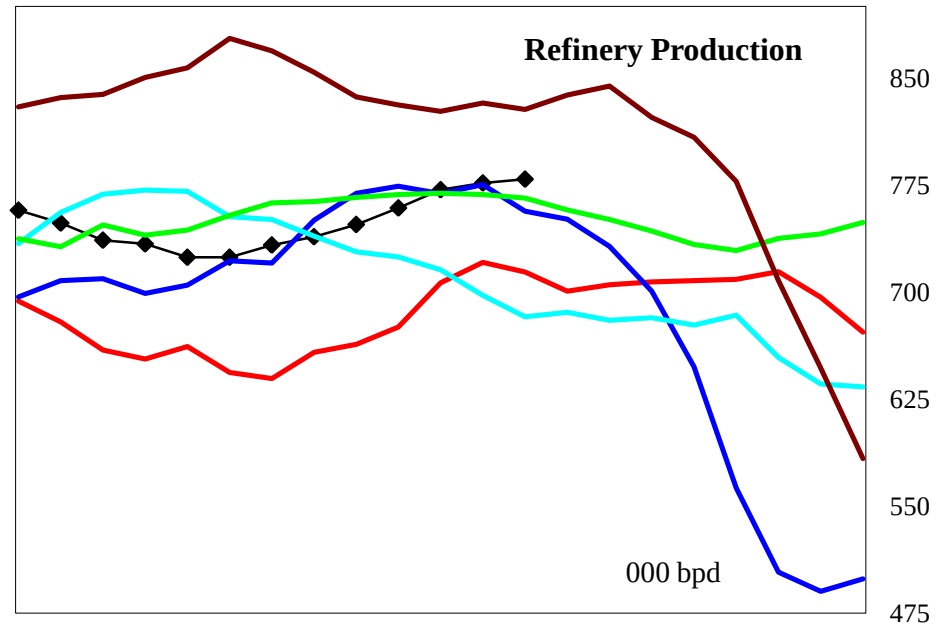
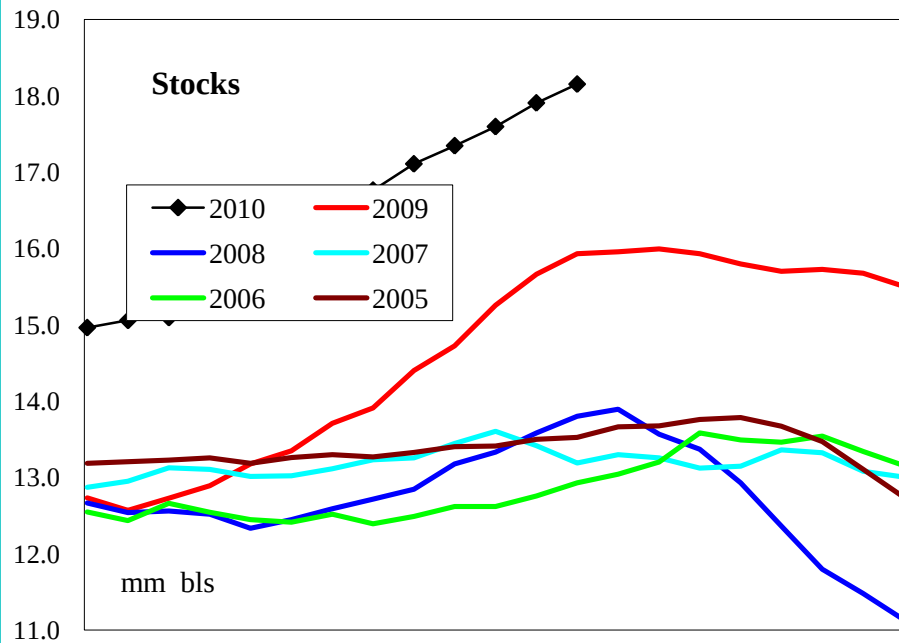
PADD 3 Low Sulfur Distillate Supply



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

2,221

13.9

Production

43

5.8

Imports

0

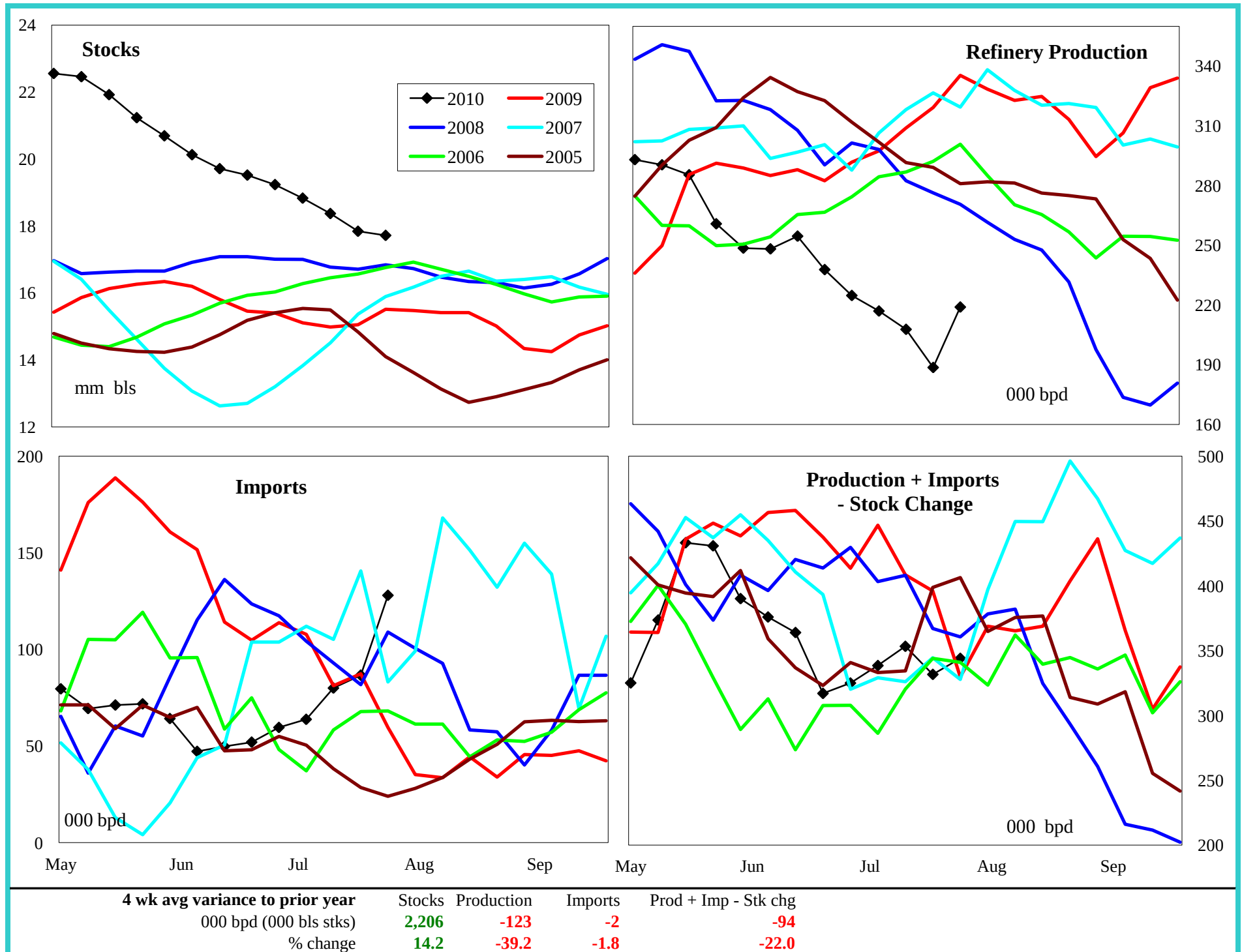
0.0

Prod + Imp - Stk chg

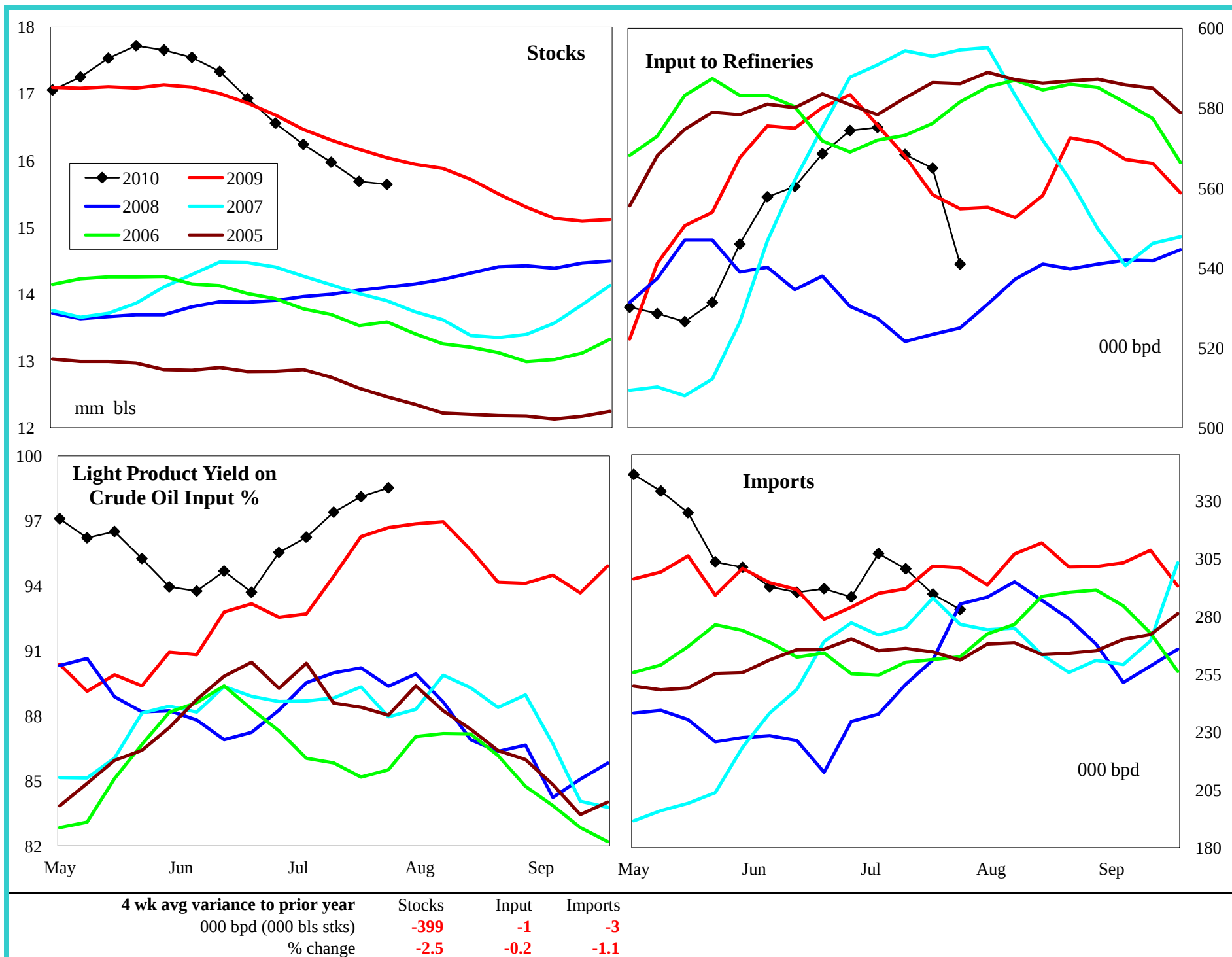
85

13.1

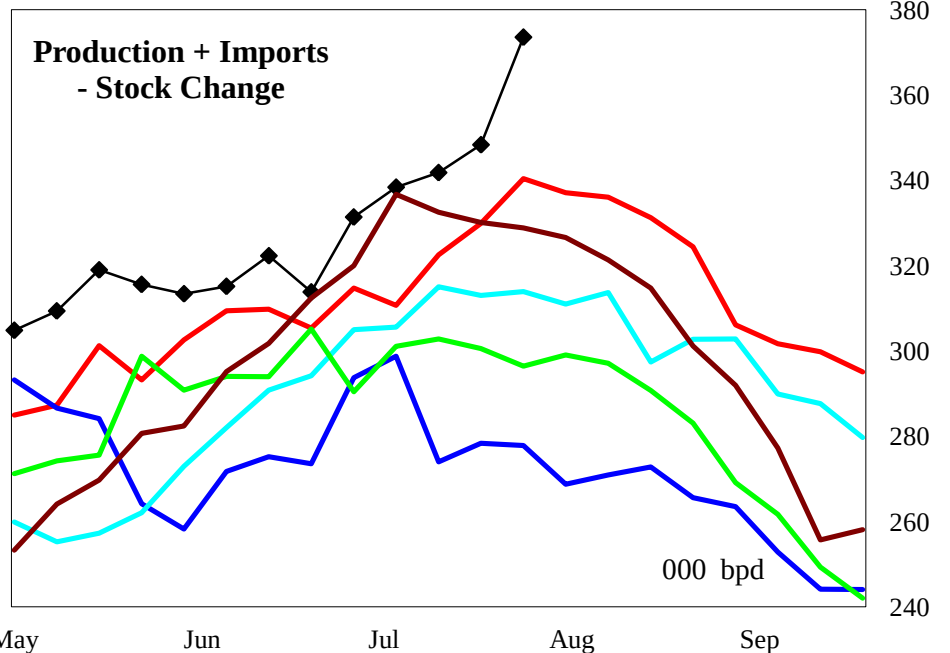
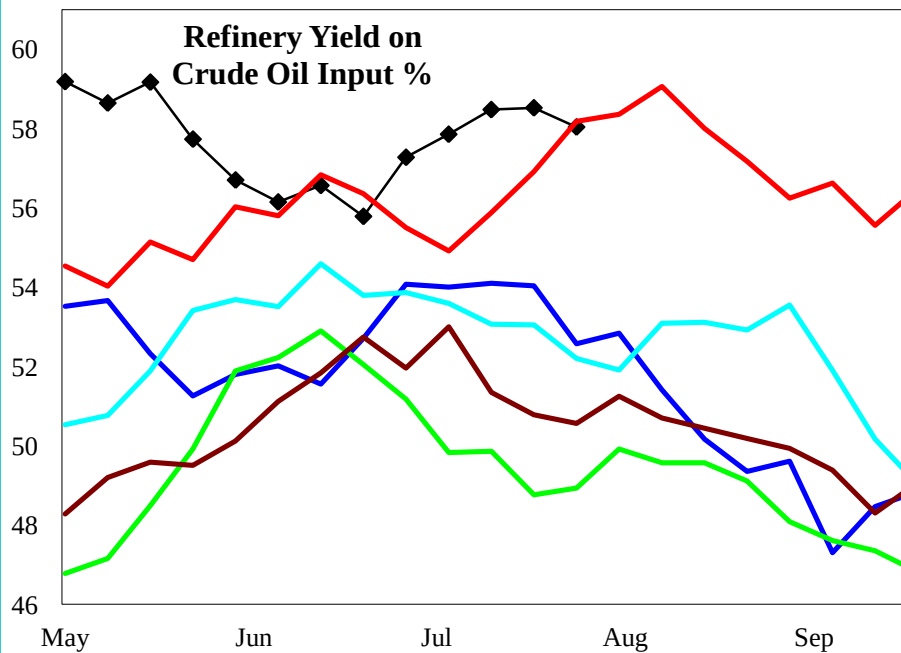
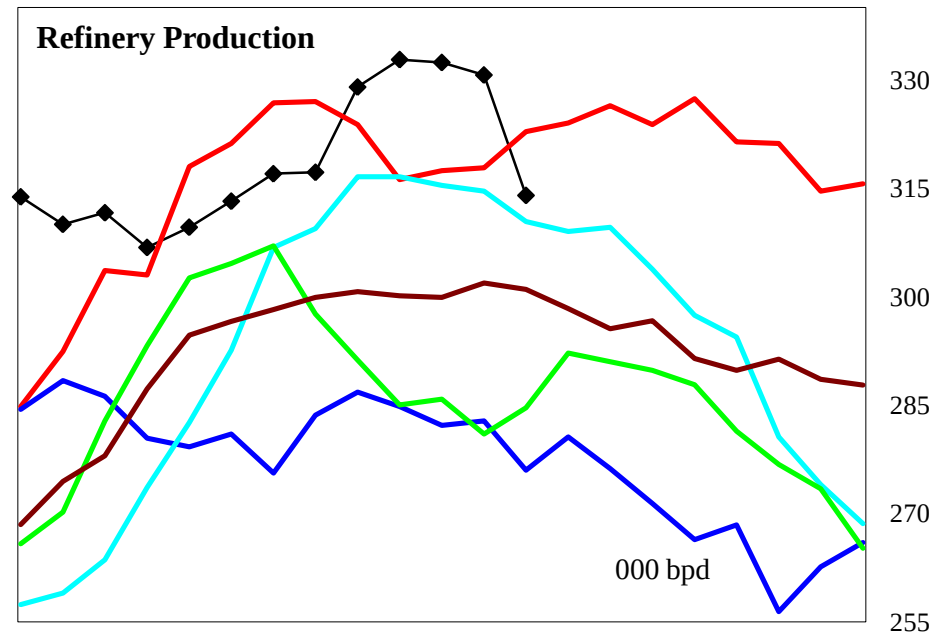
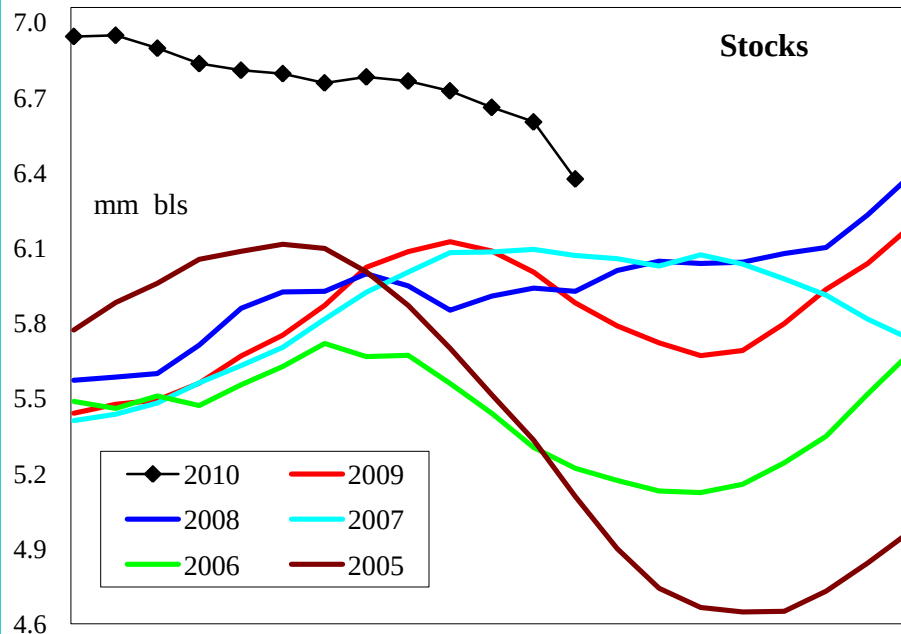
PADD 3 Residual Fuel Oil Supply



PADD 4 Crude Oil Supply and Refining



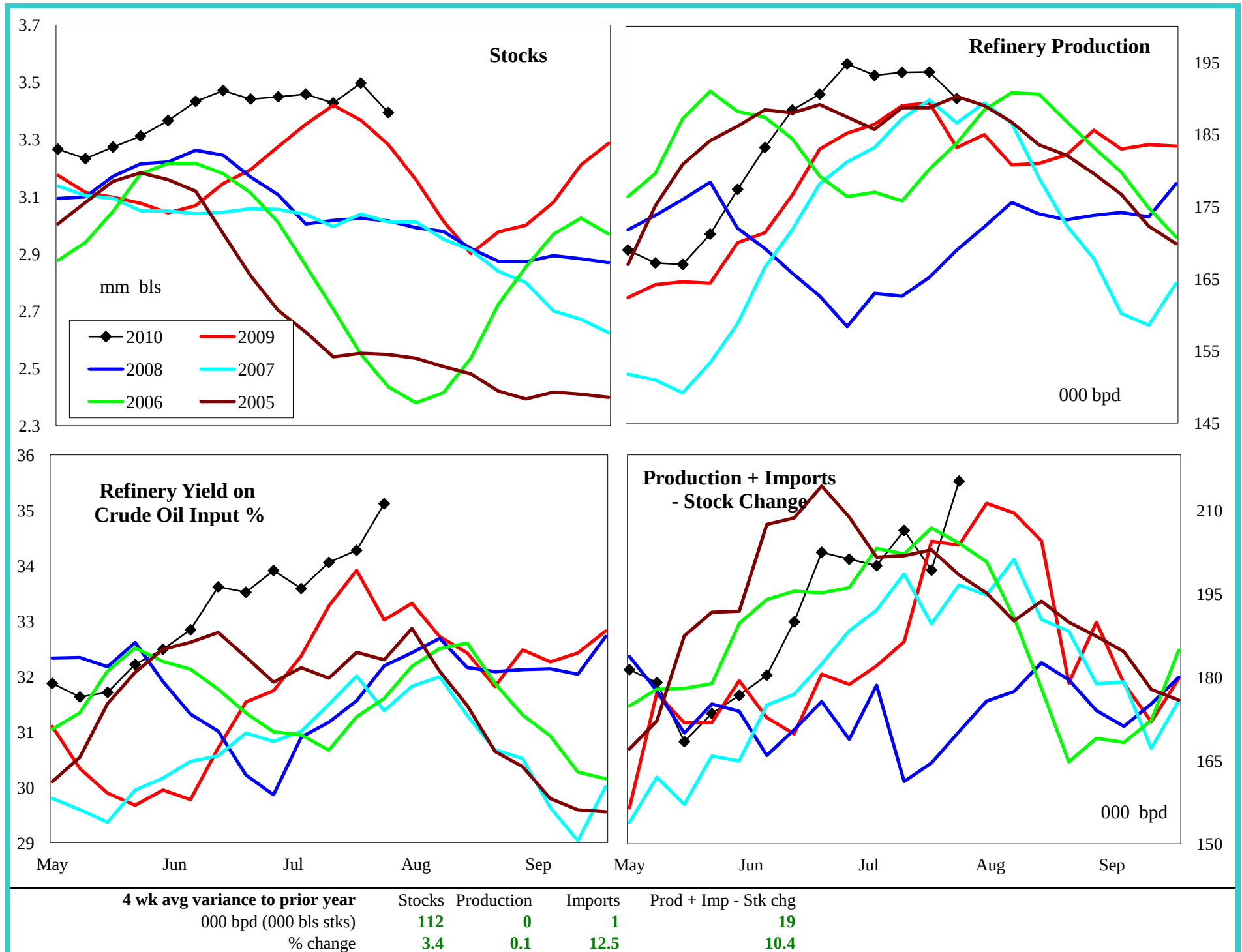
PADD 4 Gasoline Supply



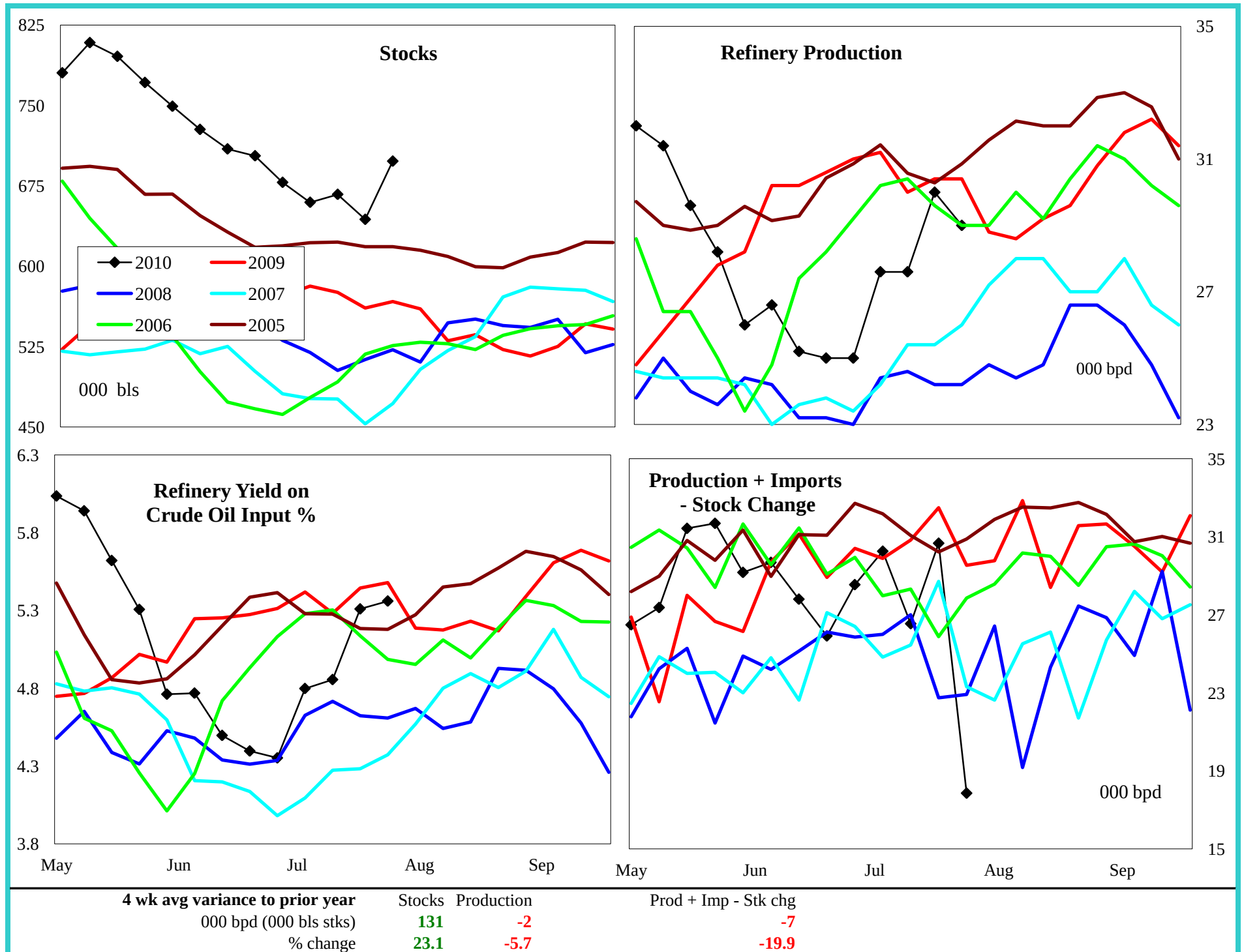
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

	Stocks	Production	Prod + Imp - Stk chg
000 bpd (000 bbls stks)	495	12	13
% change	8.4	3.6	3.8

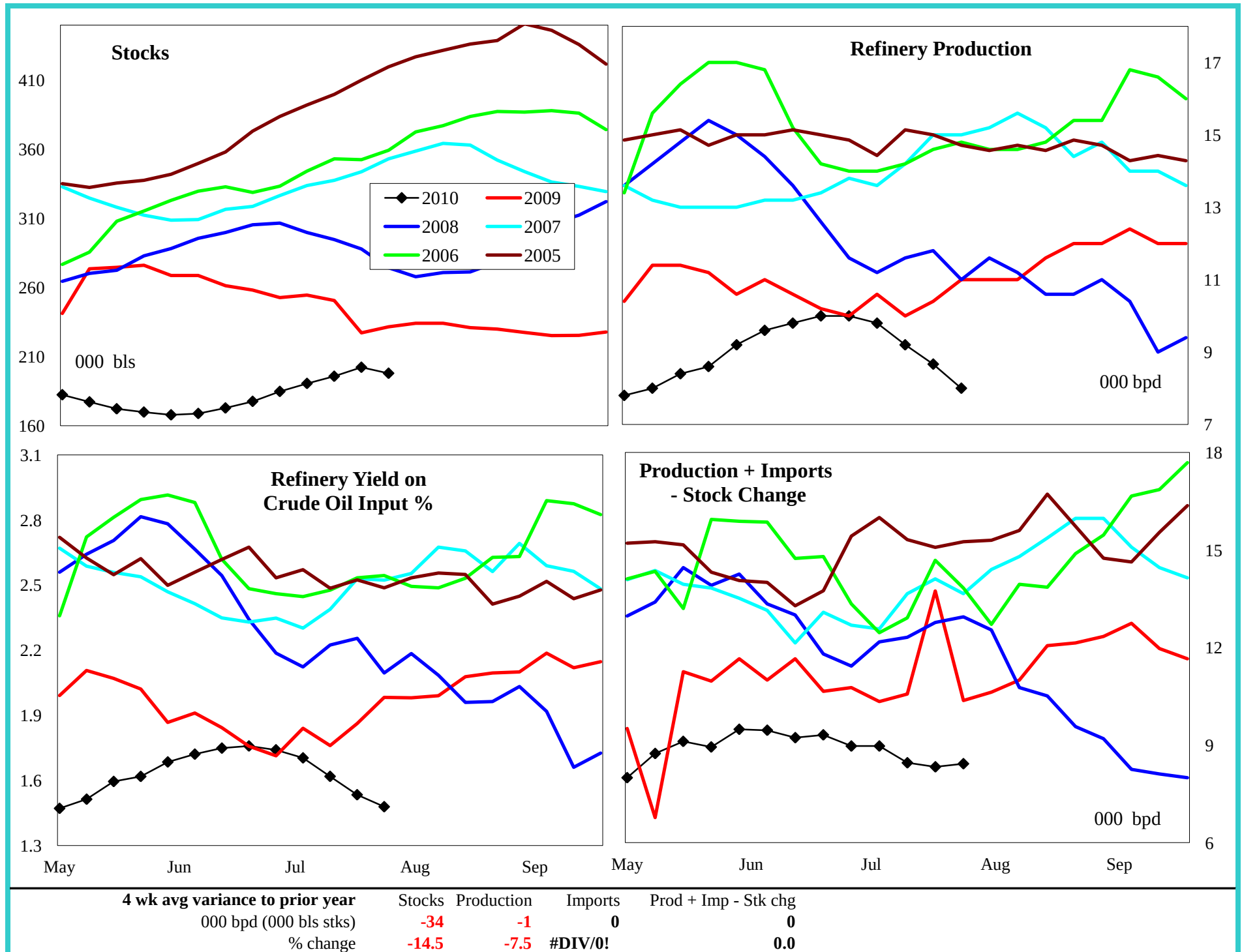
PADD 4 Distillate Supply



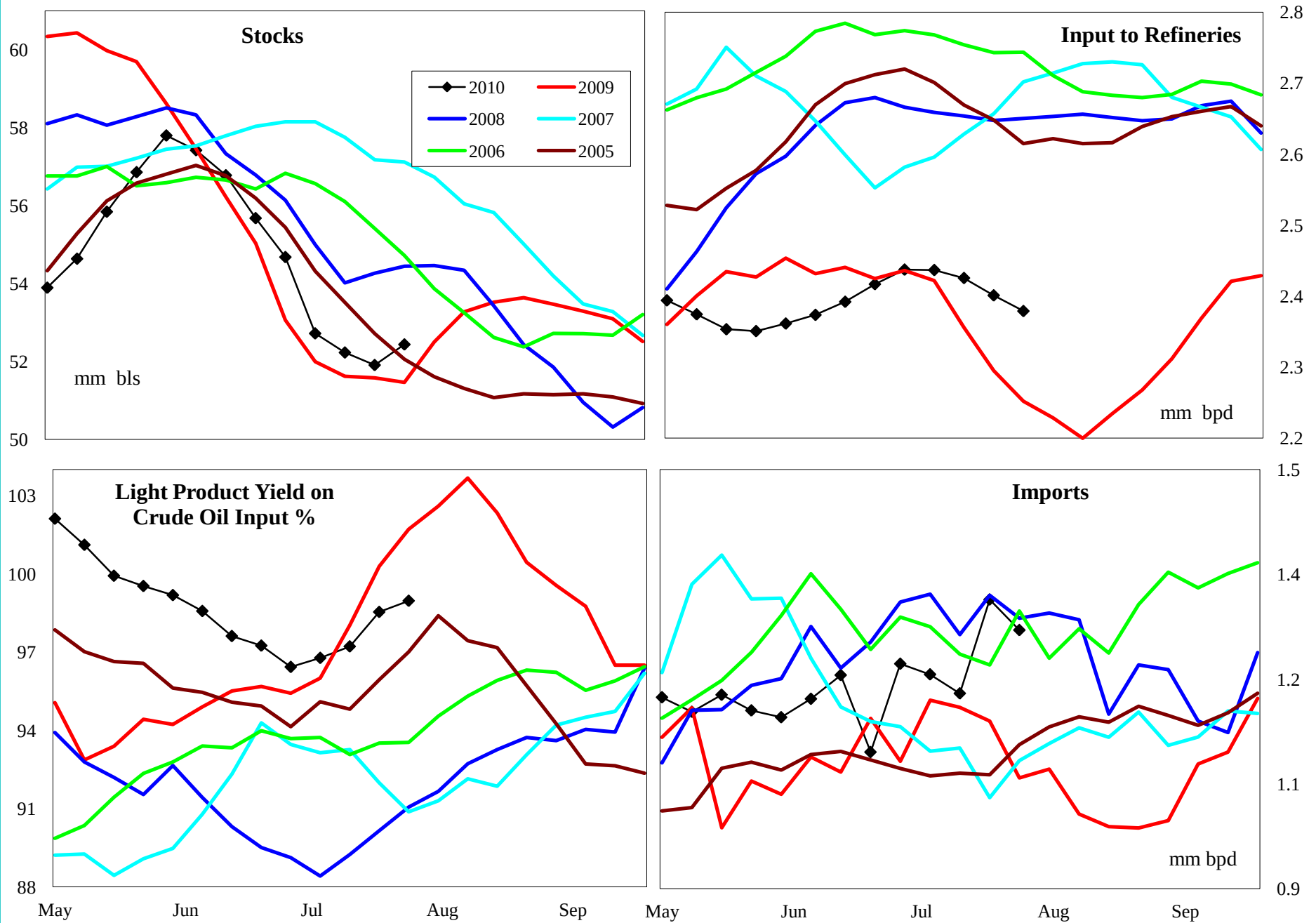
PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



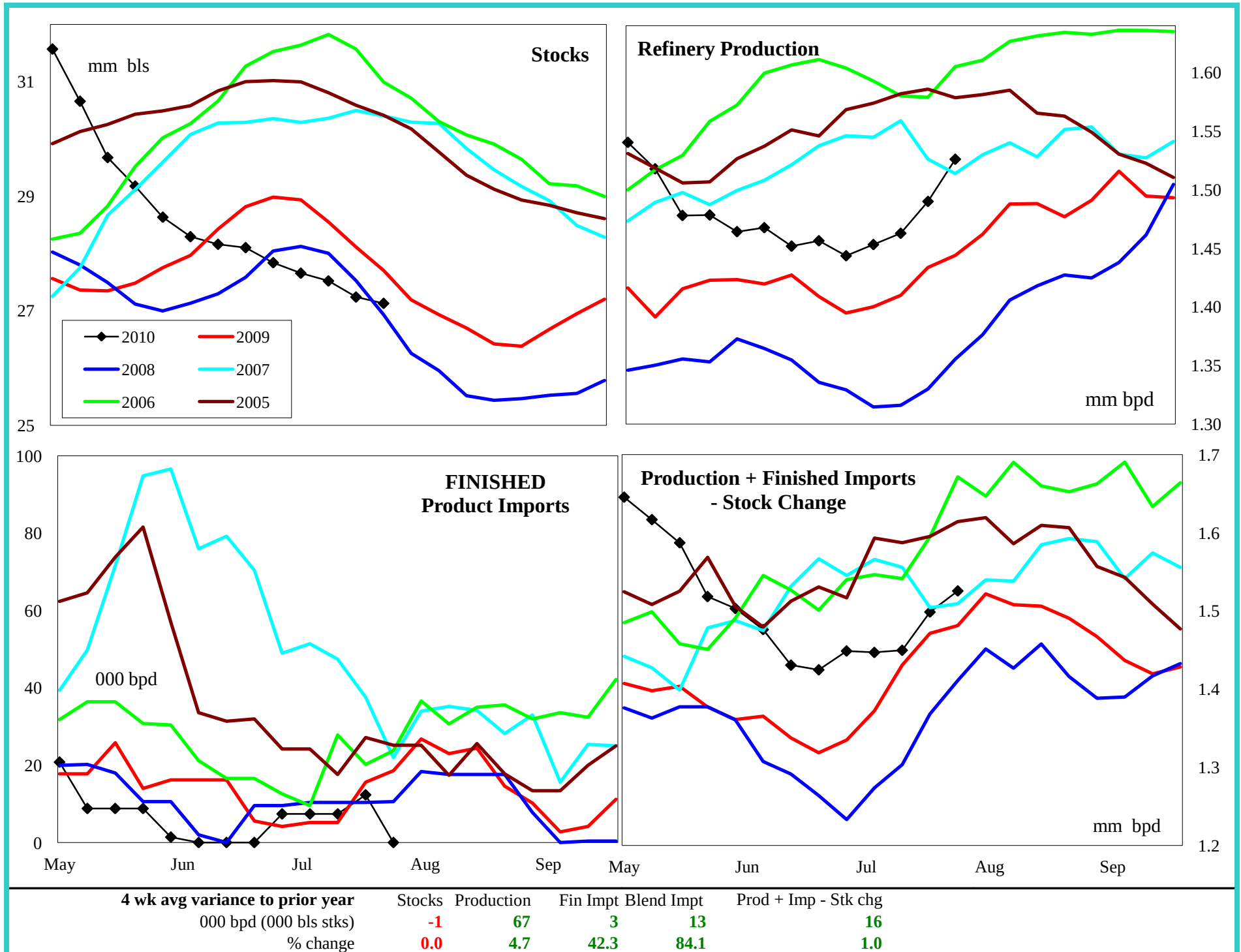
PADD 5 Crude Oil Supply and Refining



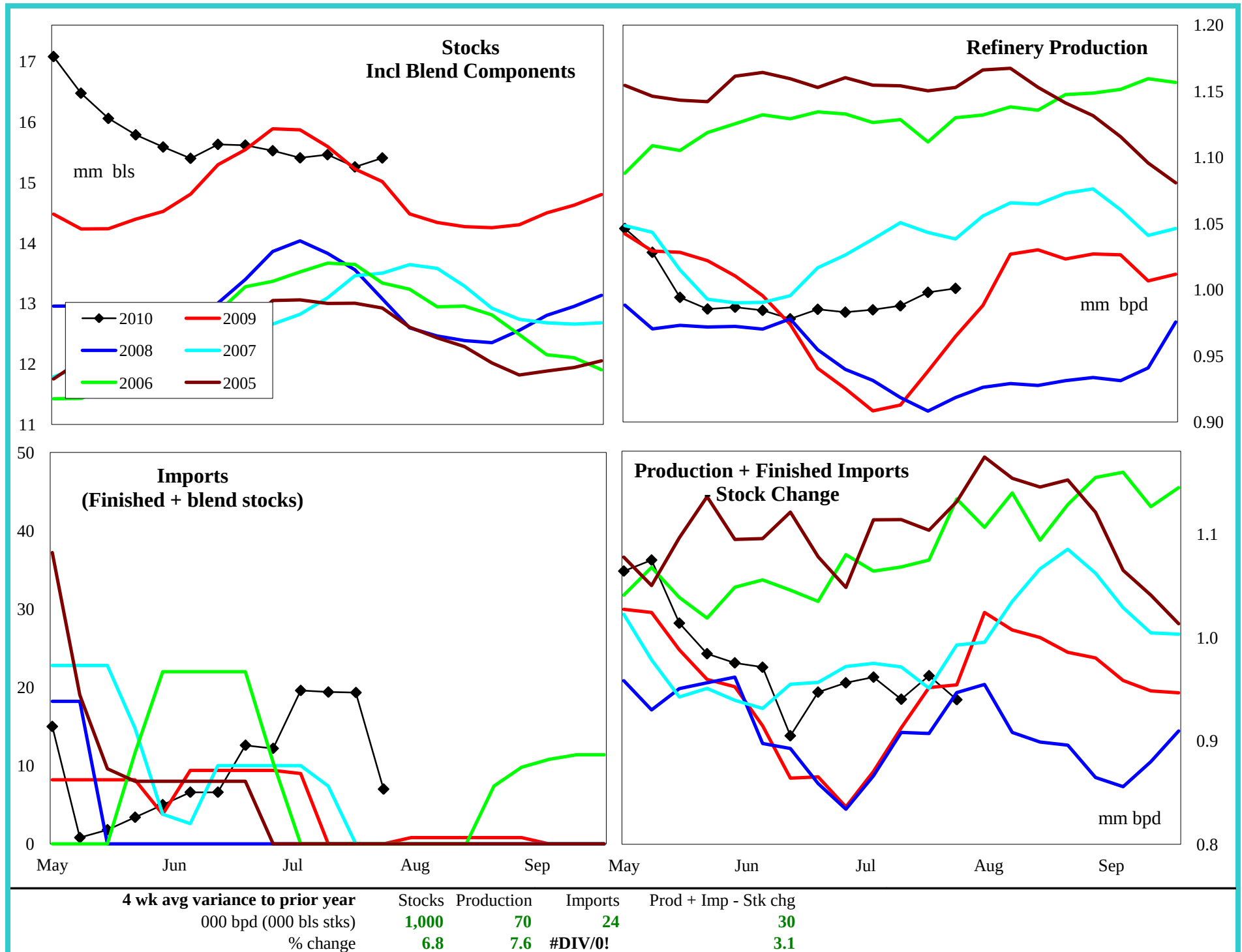
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	972	99	15
% change	1.9	4.2	1.2

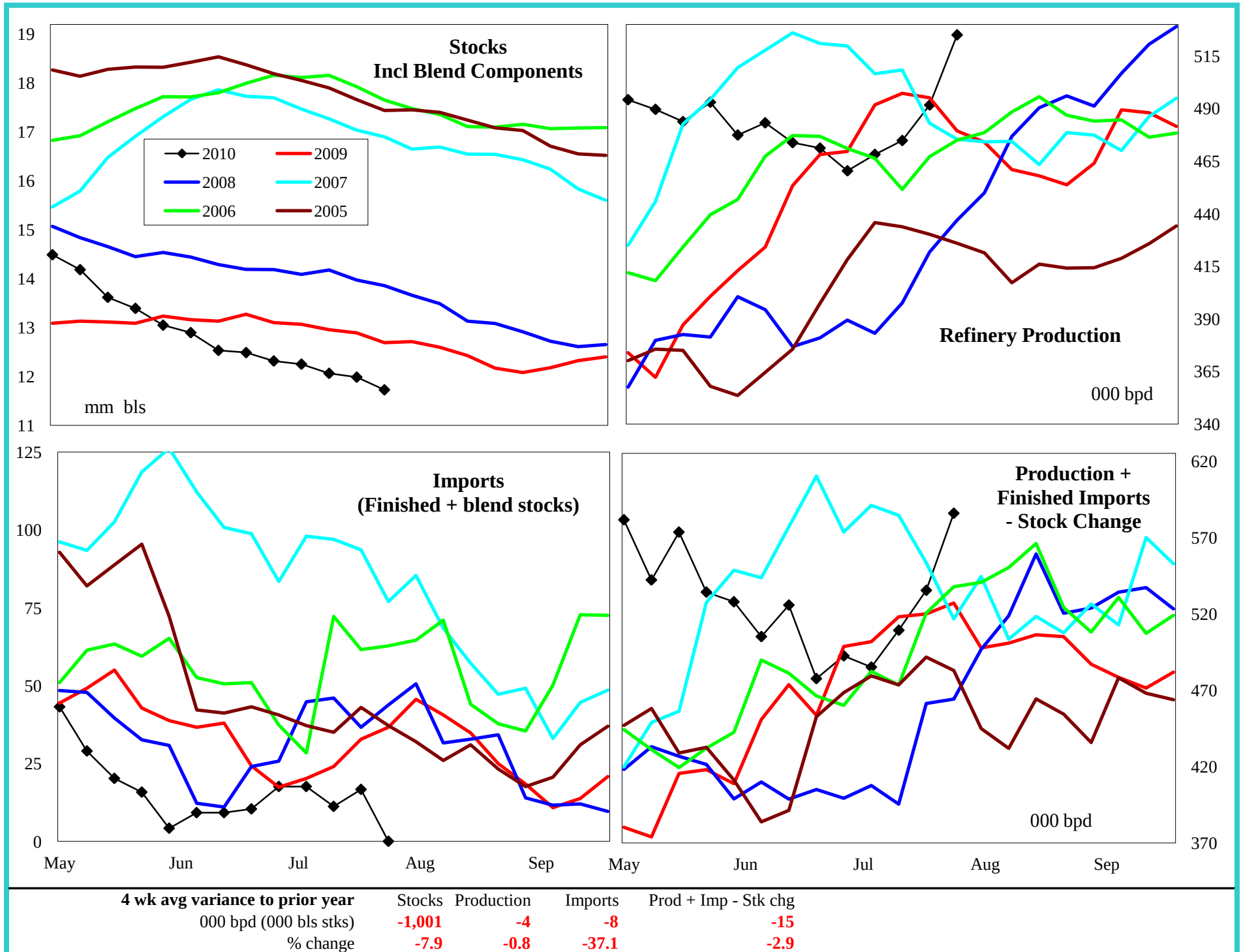
PADD 5 Gasoline Supply



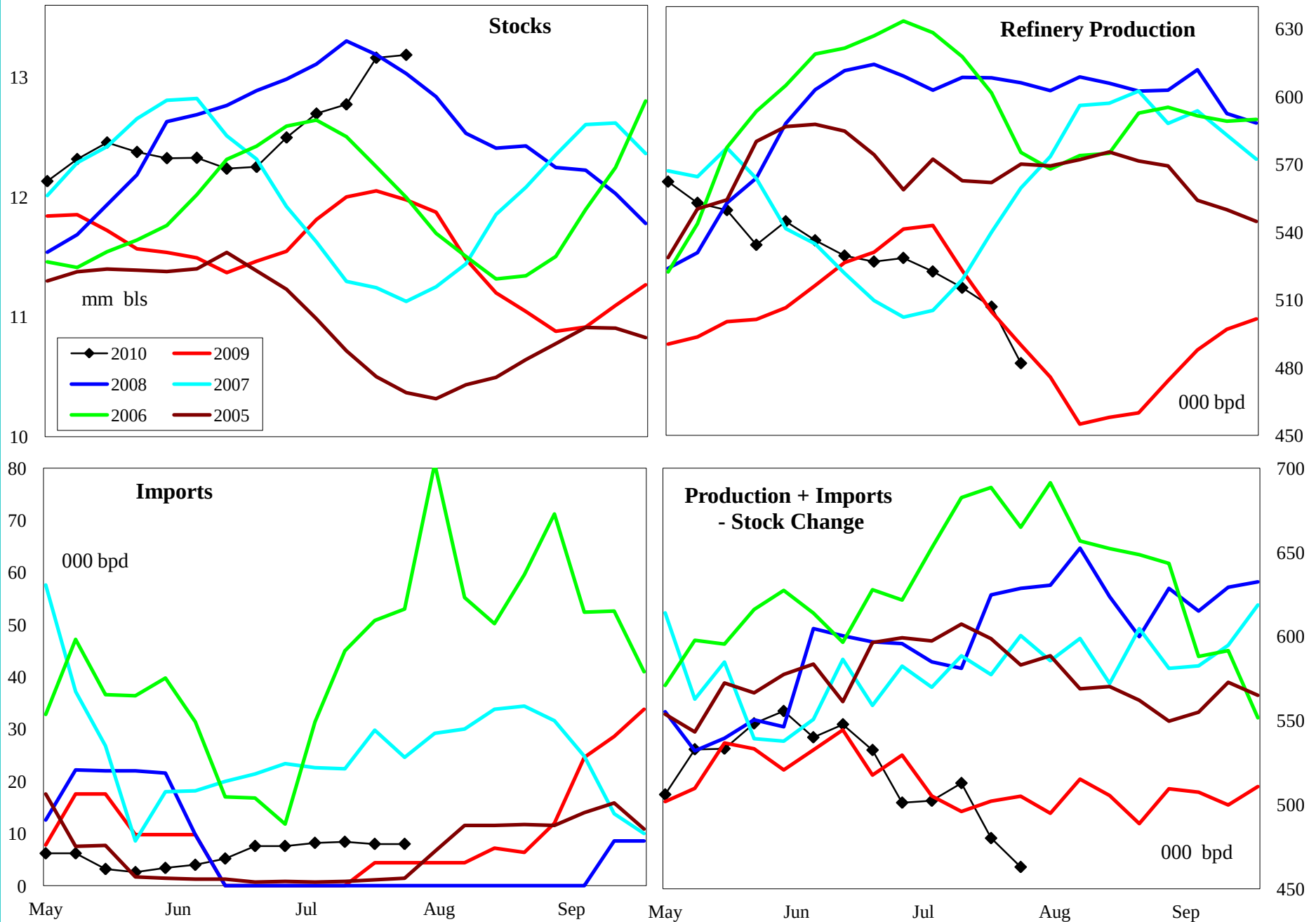
PADD 5 Reformulated Gasoline Supply



PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

1,209

9.8

Production

1

0.2

Imports

9

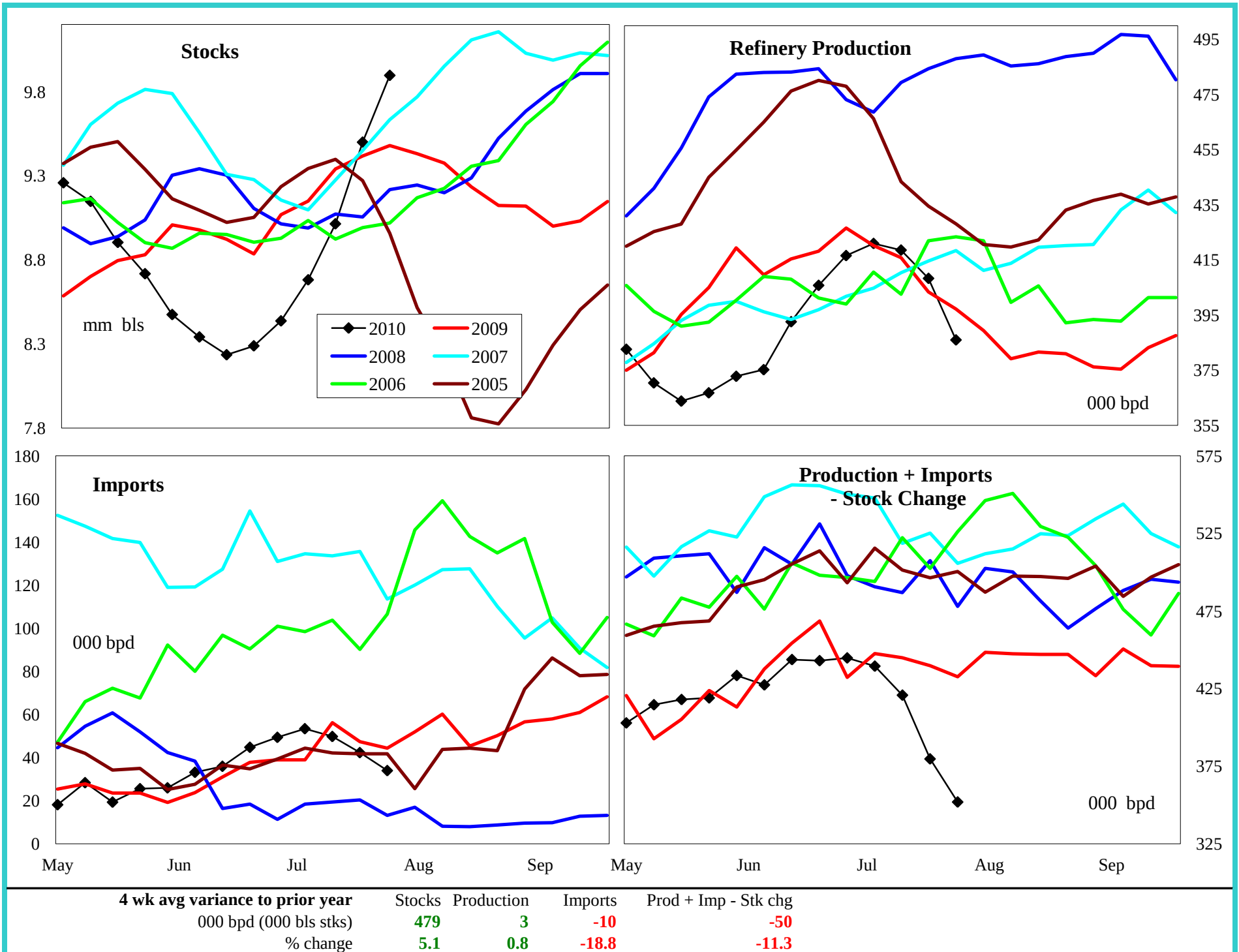
#DIV/0!

Prod + Imp - Stk chg

-15

-3.0

PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

