



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

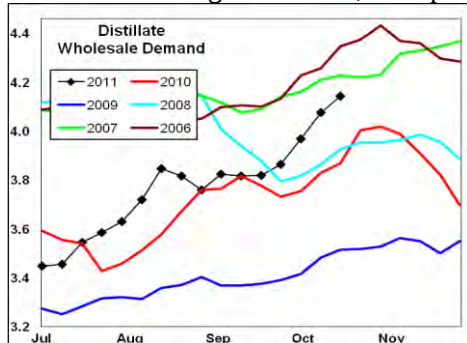
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, October 19, 2011

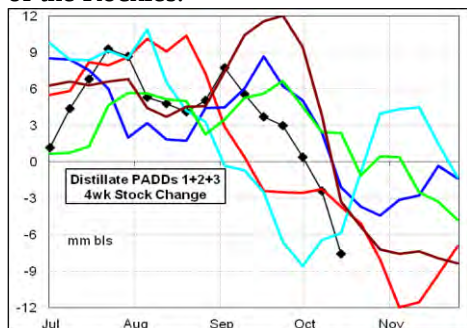


Major Fundamental Trends¹

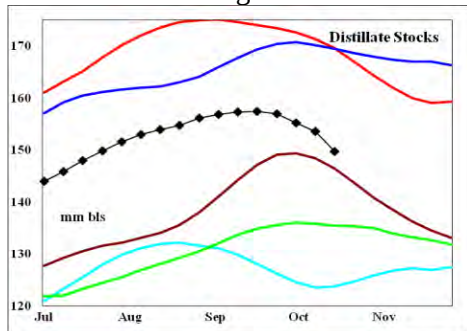
Distillate demand extended the robust seasonal increase and year-on-year growth last week. A seasonal increase of +0.6 million bpd has occurred from the July average to the 1st half of October. Year-on-year growth for the latest 4-wk average was +222,000 bpd.



This growth in demand, combined with strong exports, has more than offset record production rates, leading to a near record stock draw in markets East of the Rockies.

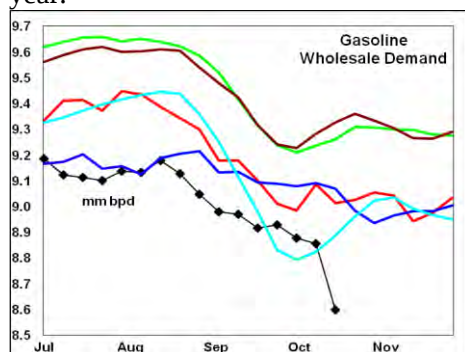


Stock levels ended the week -20.3 million barrels below last year, with levels particularly low in the key Central Atlantic Region and PADD 2.

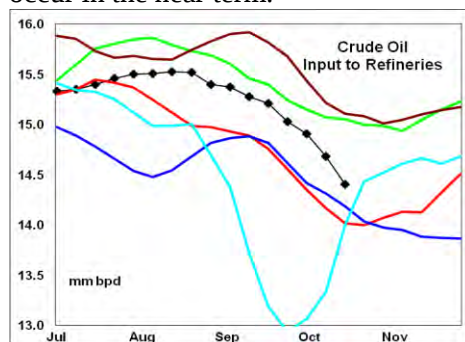


Weakness in the consumer sector was again evident last week on a -412,000

bpd drop in wholesale gasoline demand. While some of the decline reflected an end to downstream stock rebuilding that occurred as prices rebounded, the 4-wk average demand rate was -136,000 bpd below a year ago, and a record low for this time of year.



Refinery maintenance has led to a -1.1 million bpd decline in crude oil runs during the last 6-wks. Peak maintenance occurs during the 2nd half of October, so further declines should occur in the near term.



Demand for gasoline plunged last week as the downstream supply chain ended stock rebuilding that had been driven by the earlier price surge.

Wholesale demand measured over the last four weeks compared to a year ago: gasoline decreased -1.5%; distillate up +5.8%; jet fuel up +3.7% while residual fuel oil increased +24%. **Stocks forward coverage:** Gasoline demand coverage decreased on a -3.3 million barrel stock draw. Coverage levels were above four of the last 5-years.

Distillate coverage fell on a -4.3 million barrel stock draw and robust weekly demand. Coverage levels were significantly below the last 2-years.

Jet fuel coverage levels were

comparable to the last 2-years on a -0.4 million barrel stock draw.

Refinery utilization rates decreased on a -134,000 bpd decrease in crude oil runs. During the latest 4-wk period crude oil input was +631,000 bpd above a year ago.

Gasoline yield % on crude oil runs jumped on a +399,000 bpd rise in output, compared to the -134,000 bpd decline in crude oil input.

Yield % on crude oil runs was matched historic highs.

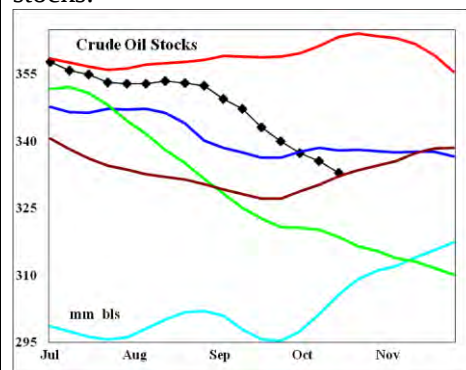
Distillate yield % on crude oil runs decreased slightly on a -35,000 bpd drop in production compared to the decrease in crude oil runs. Yield % on crude oil runs matched 5-year highs.

Jet fuel yield % on crude oil runs plunged last week on a -125,000 bpd drop in output. Yield % levels were slightly above the mid range.

Petroleum Imports of crude oil plunged -1.2 million bpd last week, with middle distillates also lower.

During the latest 4-wk period crude oil imports increased +0.2 million bpd compared to last year; distillate imports decreased -30,000 bpd; finished gasoline imports decreased -78,000 bpd, gasoline blend stock imports fell -212,000 bpd; jet fuel imports declined -24,000 bpd, while residual fuel oil imports decreased -37,000 bpd.

Crude Oil stocks fell -4.7 million barrels last week, extending the longer term draw down of stocks. A steeply inverted forward price curve for global crude oil grades, and fall refinery maintenance underlies the draw in stocks.



¹ Source is latest EIA Weekly Statistics



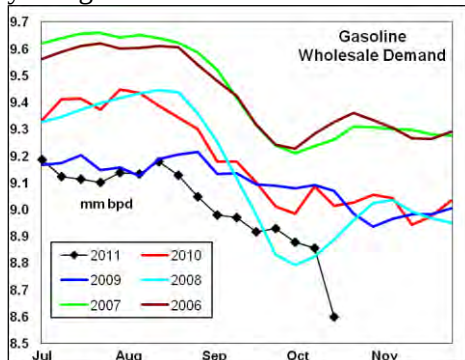
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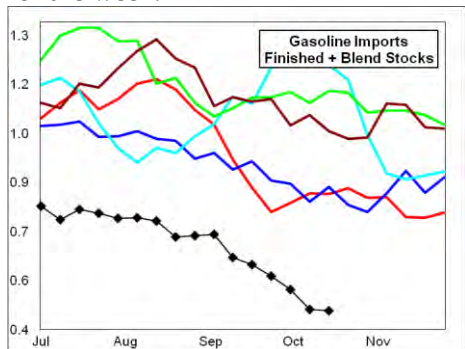
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Product Supply-Demand Trends

Gasoline demand plunged -415,000 bpd last week, with the latest 4-wk average demand -136,000 bpd below a year ago.



Production jumped +399,000 bpd on the week, reversing the prior week decline. Continued record low imports led to a -3.3 million barrel stock draw for the week.



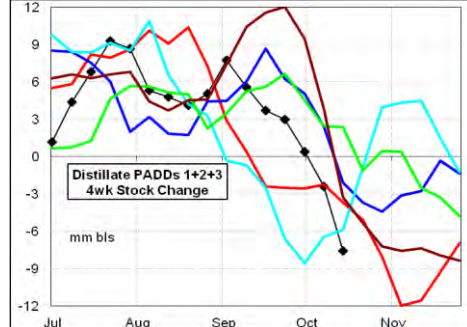
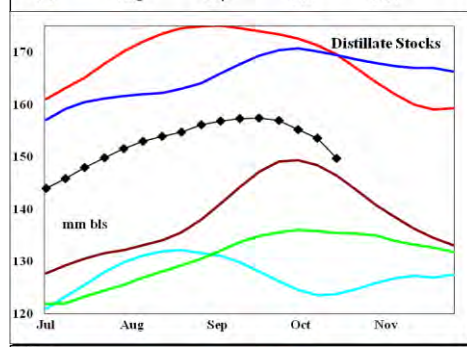
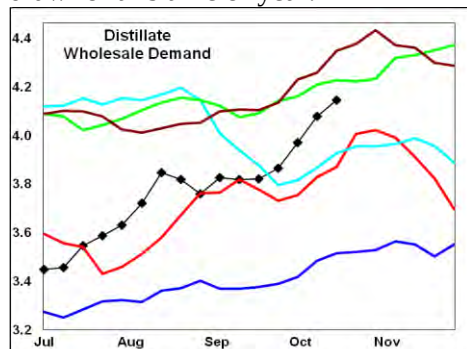
The sharp drop in wholesale demand last week reflects in part the earlier surge in wholesale prices, and an end to the stock rebuilding by the down steam supply chain. The 4-wkd average demand has again dropped below the 5-year range on very weak consumer spending.

Expect imports to trend higher in the near term on improved import economics, which should offset refinery maintenance in Eastern Canada; averting a more severe supply squeeze. Central Atlantic Region refiners should return from maintenance soon, further improving the supply balance in this key region.

Distillate demand increased +115,000 bpd last week, a level well above the last 3-years. The latest 4-wk average demand was +222,000 bpd above a year ago.

Supply decreased -45,000 bpd last week on lower production and imports. Production levels remain above the last 3-years. Very robust demand and ongoing refinery maintenance led to a -4.3 million barrel stock draw for the week. Stock levels ended the week -20.3 million barrels below last years' record high.

The latest 4-wk stock change in markets East of the Rockies was a draw of -7.6 million barrels, a record draw for this time of year.



Refinery maintenance, robust domestic demand and exports underlie the large stock draw down in markets East of the Rockies during the last month.

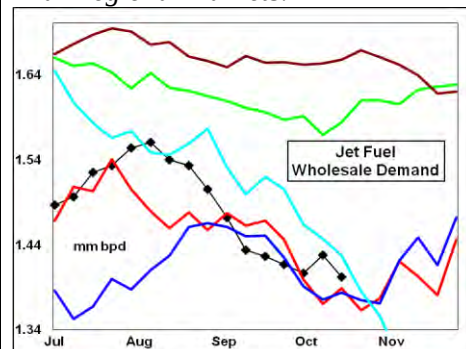
Expect further tightening of the supply balance during the next 30-days as maintenance continues and the heating season begins.

Jet Fuel demand decreased -53,000 bpd last week, with the level slightly

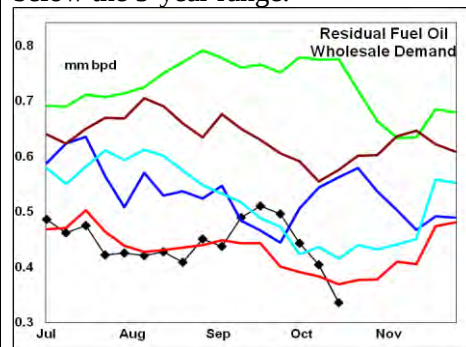
above the last 2-years. The latest 4-wk average demand was +52,000 bpd above last year.

Supply declined -163,000 bpd on the week, on lower production and imports. Stocks decreased -0.4 million barrels to a level that matched last years' record high.

Production fell sharply last week as refinery maintenance limited crude oil runs on the East and West Coasts. Stock levels remain near 5-year highs in all regional markets.



Residual fuel oil demand decreased -15,000 bpd on the week, to a level below the 5-year range.



Supply (production + imports) decreased -85,000 bpd last week, on lower production and imports. The latest 4-wk average supply was +21,000 bpd above last year. Stocks decreased -0.5 million barrels to a fresh record low.

The Gulf and West Coast markets remain well balanced, with stock levels at the mid range of the last 5-years. Closure of nearly 50% of production capacity in PADD 1 last year has resulted in a -35% drop in working stocks for the region.



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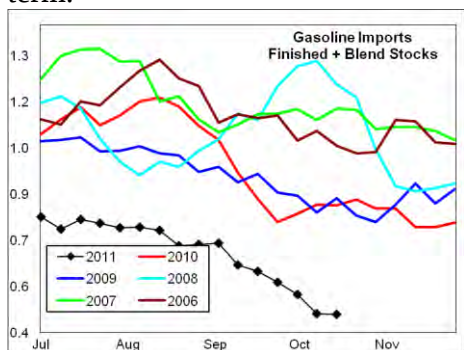
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PADD Supply Trends

PADD 1 refinery crude oil runs declined -10,000 bpd on the week, with the level +201,000 bpd above a year ago.

Gasoline supply increased +49,000 bpd last week with supply falling -56,000 bpd below a year ago. Imports remain extremely low; although, import economics have recently shifted in favor of imports from Europe which should led to increased imports in the near term.



Gasoline stocks fell -2.1 million barrels on the week, due to low imports and reduced production. *Current refinery maintenance limits on production should be partially offset by increased imports in the near term, the result of favorable import economics.*

Distillate supply was unchanged on the week at a level near last years' record lows. Stocks decreased -1 million barrels on the week, with the level below four of the last 5-years.

Jet fuel supply fell -37,000 bpd to a record low. Stock levels remain at the upper end of the historic range on high receipts from the Gulf.

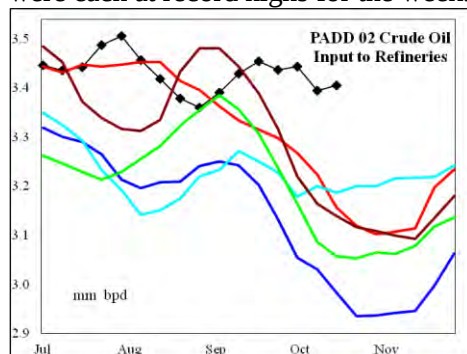
PADD 2 crude oil refinery runs increased +100,000 bpd last week, with the latest 4-wk average +177,000 bpd above a year ago, and at a 5-year high. Imports also reached new highs, up +47% from last year. Crude stock levels remain above the 5-year range.

Gasoline production declined -59,000 bpd on the week, a level just above the 5-year range. Stocks

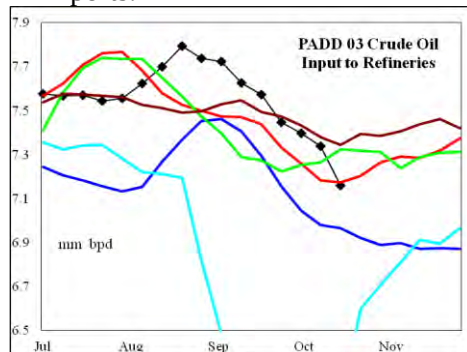
increased +0.1 million barrels, with the level below the mid range.

Distillate production decreased -69,000 bpd, to a level at the low end of the historic range. Stocks decreased -0.9 million barrels to a level that matched 5-year lows for the period.

Jet fuel production and stock levels were each at record highs for the week.



PADD 3 refinery runs decreased -188,000 with the level at 5-year mid range. The latest 4-wk average thru put was +188,000 bpd above last year. Crude oil stocks decreased -1.3 million barrels on a -0.4 million bpd decrease in imports.



Gasoline production increased +168,000 bpd on the week. Stocks decreased -1.3 million barrels last week, with the level just below historic highs.

Distillate production increased +46,000 bpd on the week; with the latest 4-wk average +164,000 bpd above the previous record high. Stocks fell -3 million barrels, although the level remains near historic highs.

Jet fuel production declined -56,000 bpd on the week, to a level above the mid range. Stocks were unchanged on the week, at a level well above the mid range.

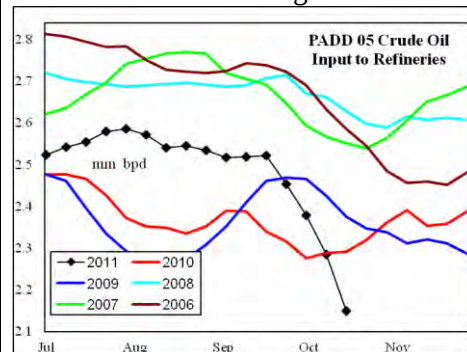
Residual fuel oil supplies fell -125,000 bpd on the week, due to lower production and imports. Stock levels remain slightly above the 5-year mid range.

PADD 4 refinery crude runs increased +45,000 bpd last week, with the most recent 4-wk average -36,000 bpd below a year ago. Run rates are now at the upper end of the historic range..

Gasoline production decreased -6,000 bpd last week, a level below the historic range. Stock levels were above the mid range.

Distillate production increased +19,000 bpd on the week, a level at the upper end of the historic range. Stocks increase +0.1 million barrels, with the level at the low end of the 5-year range.

PADD 5 crude oil refinery runs decreased -82,000 bpd on the week, with the level well below the 5-year range. The latest 4-wk average thru put was +102,000 bpd above last year. Light product yield % on crude oil runs reached a new record high.



Gasoline production decreased -25,000 bpd last week, a level at the low end of the historic range. Supply (production + imports) for the latest 4-wk average was -51,000 bpd below last year. Stocks decreased -0.1 million barrels to a level at the low end of the historic range.

Distillate production declined -37,000 bpd last week, to a level at the low end of the historic range; with the 4-wk average +48,000 bpd above a year ago. Stocks increased +0.5 million barrels to a level above the mid range.

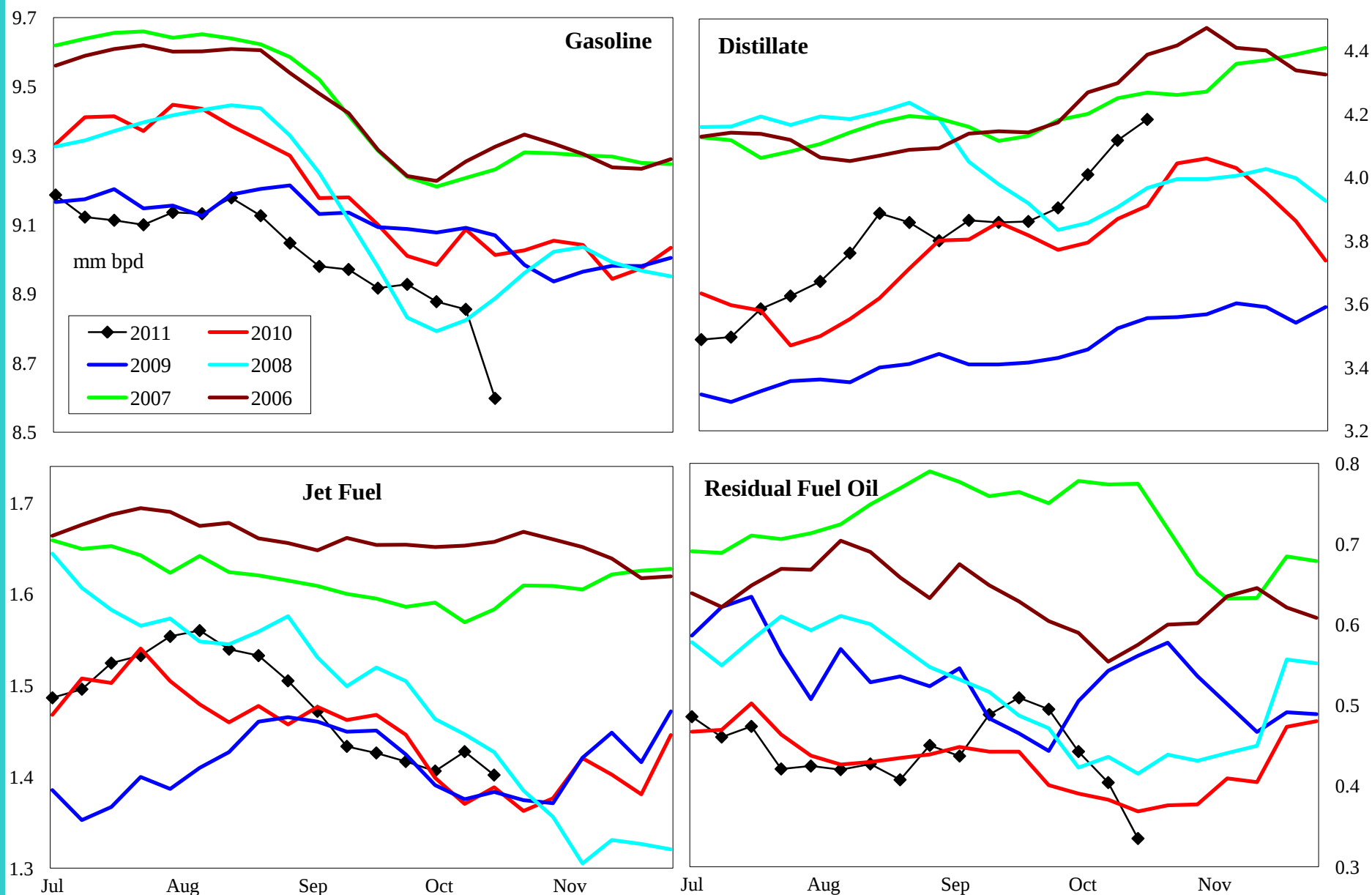


PETROLEUM: Graph Link and Weekly Summary

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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	14-Oct-11	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-4,729	-1,790	-368	-1,316	-266	-989
	Imports	-1,165	-547	98	-401	-27	-287
	Input	-134	-10	100	-188	45	-82
	% Utilization	-1.10					
Gasoline	Stocks	-3,324	-2,120	147	-1,253	40	-138
	Production	399	20	-59	168	-6	-25
	Imports	40	29	4	10	0	-2
	Supplied	-412					
Distillate	Stocks	-4,266	-952	-868	-3,043	111	488
	Production	-35	6	-69	46	19	-37
	Imports	-10	-6	1	0	-1	-4
	Supplied	115					
Jet Fuel	Stocks	-377	-189	62	20	41	-310
	Production	-125	-6	-10	-56	-8	-44
	Imports	-38	-31	0	-45	0	39
	Supplied	-53					
Residual Fuel Oil	Stocks	-461	244	-116	-186	9	-412
	Production	-47	-11	10	-59	0	11
	Imports	-38	44	3	-66	0	-18
	Supplied	-15					

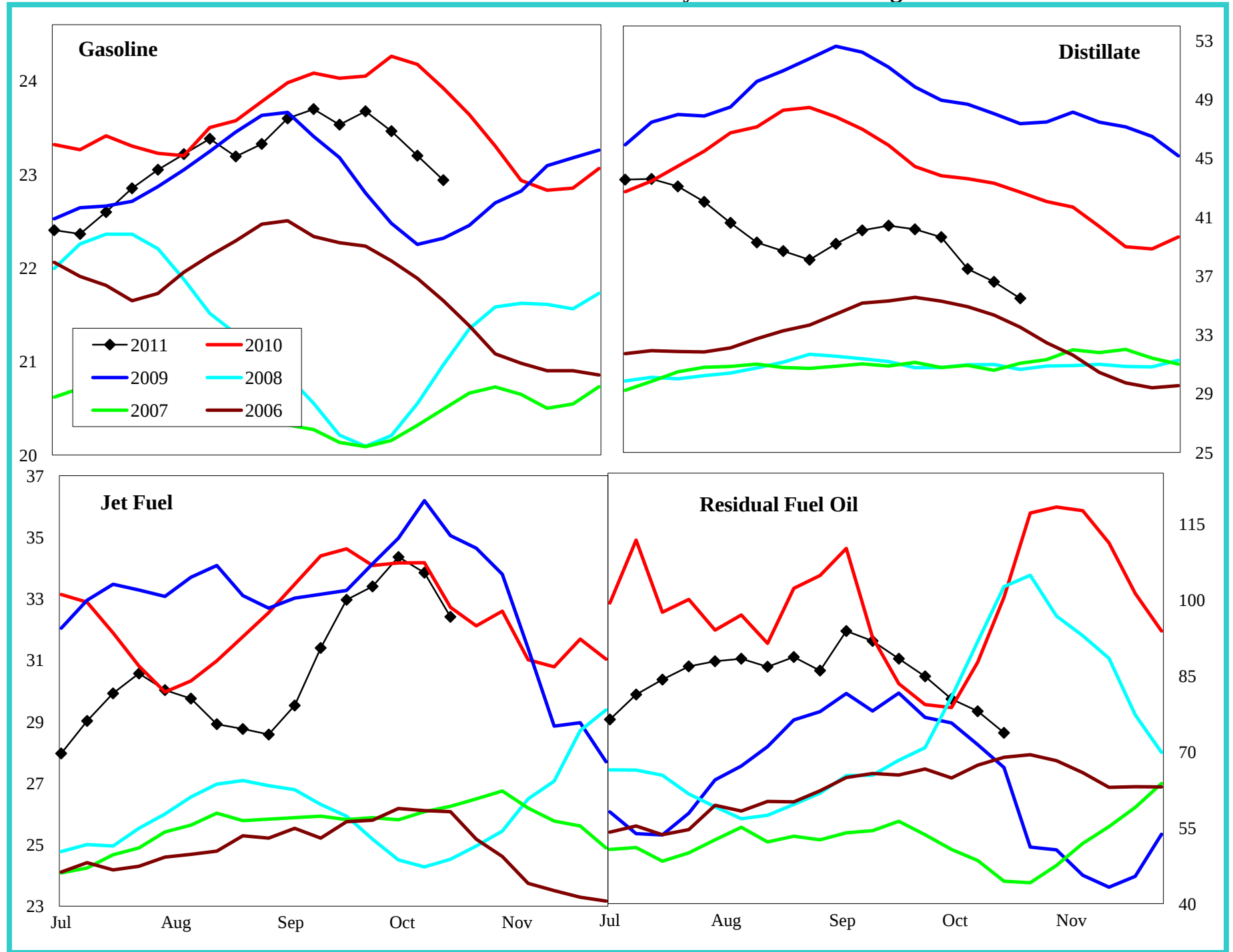
United States Wholesale Petroleum Demand



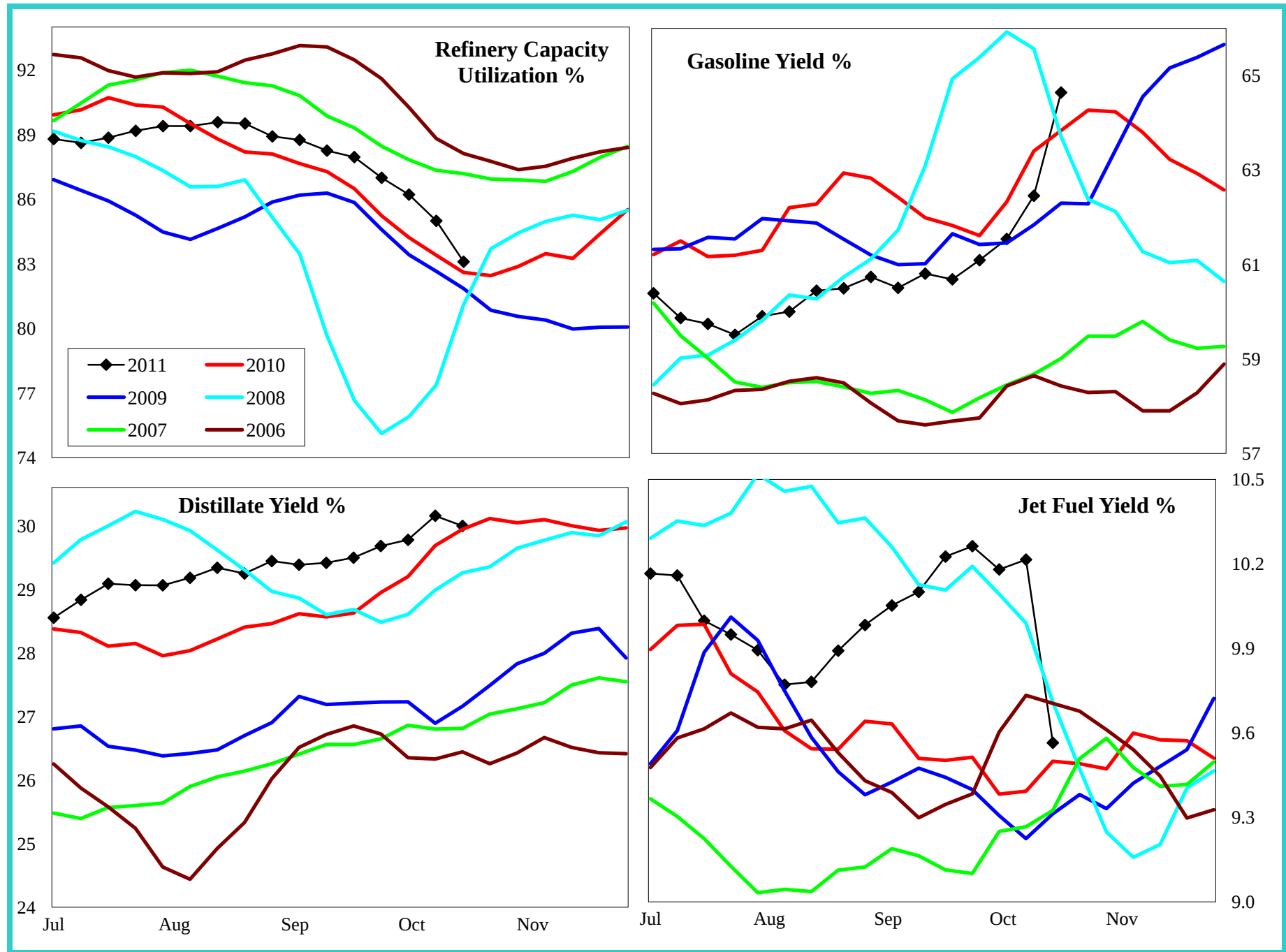
	000 bpd change from prior year				% change from prior year			
	4wk avg	Sep	Aug	Jul	4wk avg	Sep	Aug	Jul
Gasoline	-136	-205	-158	-341	-1.5	-2.2	-1.7	-3.7
Distillate	222	-23	6	-92	5.8	-0.6	0.2	-2.6
Jet Fuel	52	-50	32	-28	3.7	-3.4	2.2	-1.9
Resid	90	19	-62	-279	24.1	3.7	-13.0	-46.9



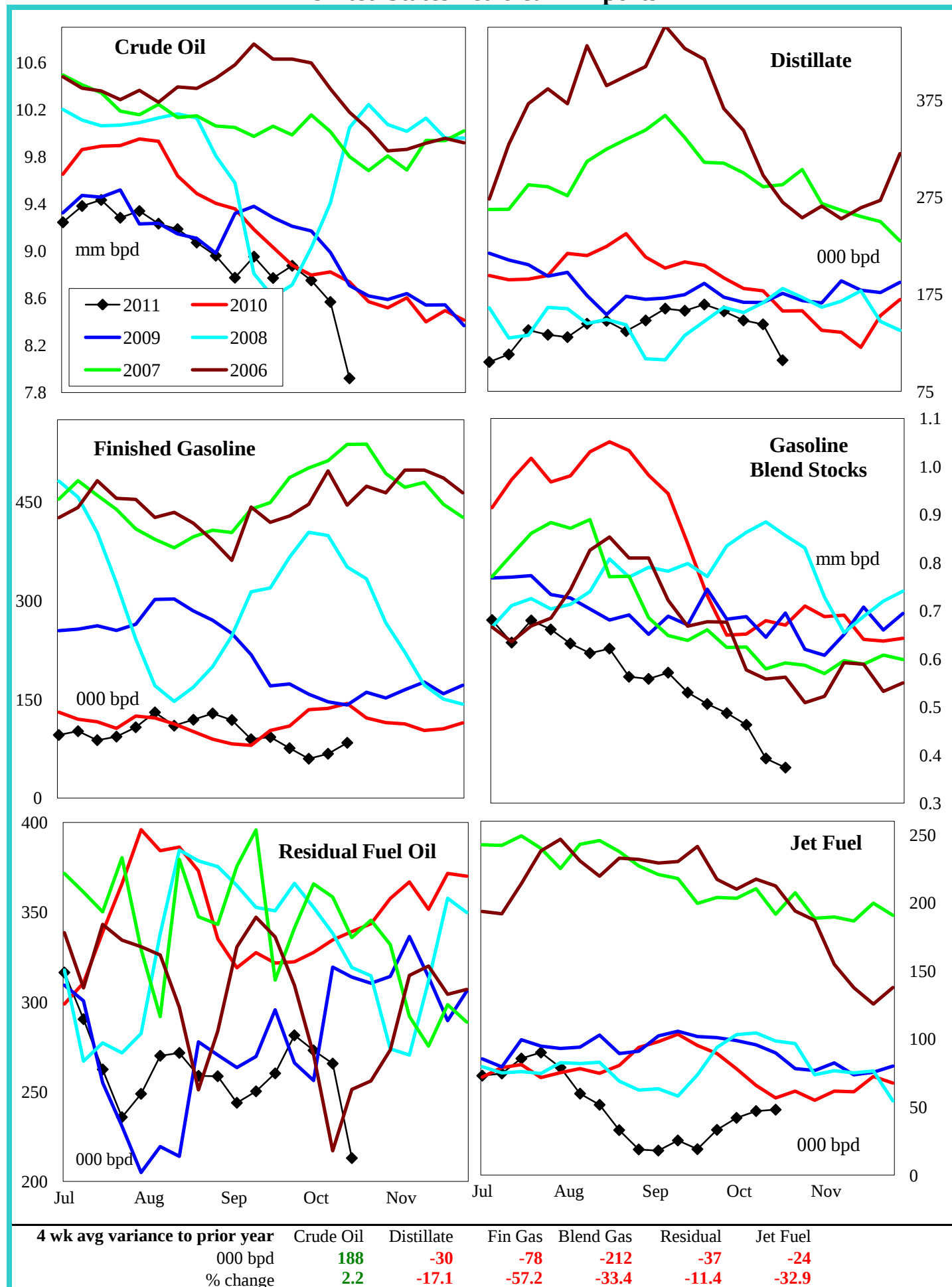
United States Product Stocks: Days Forward Coverage



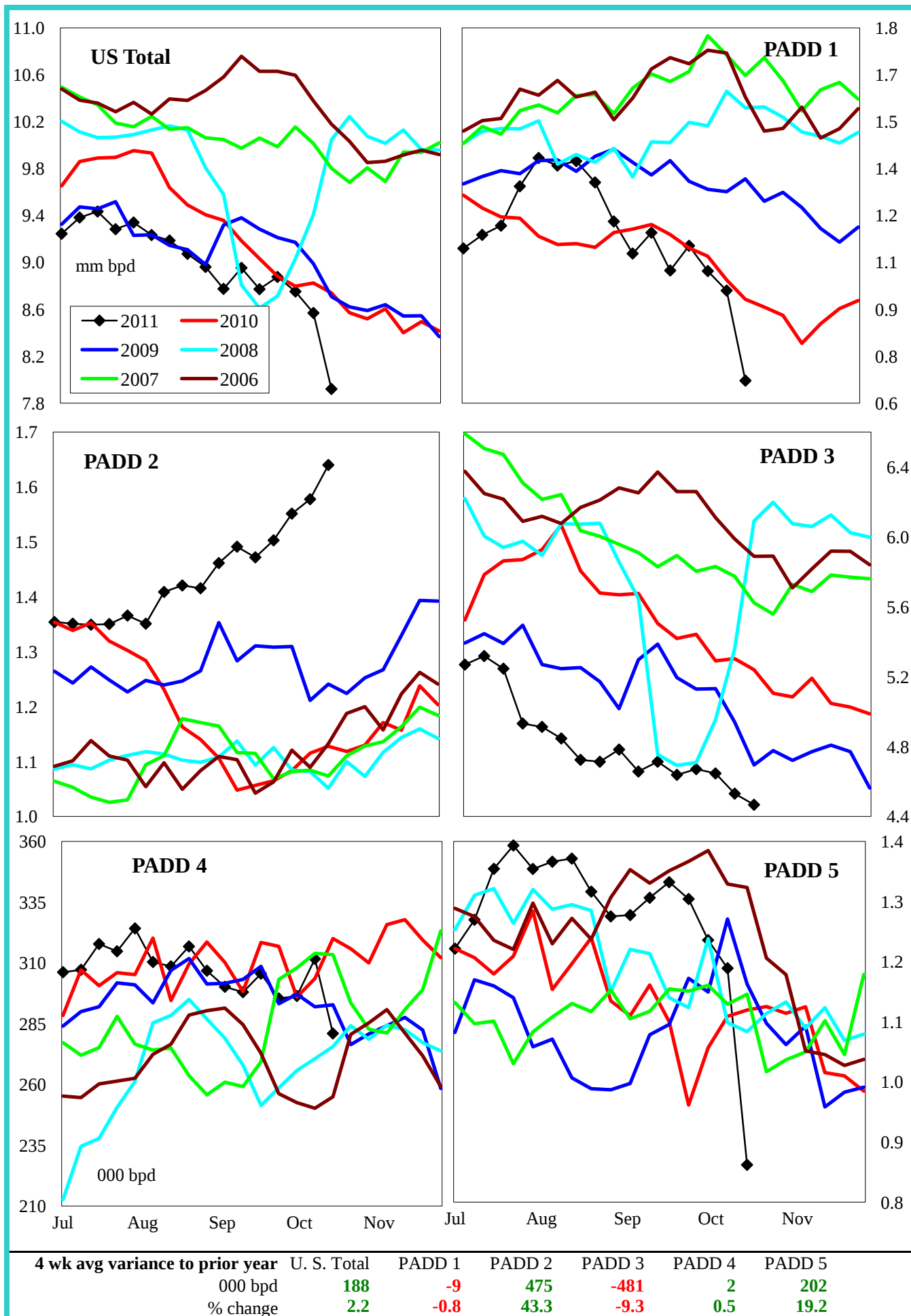
United States Refinery Percent Utilization Rate and Product Yields



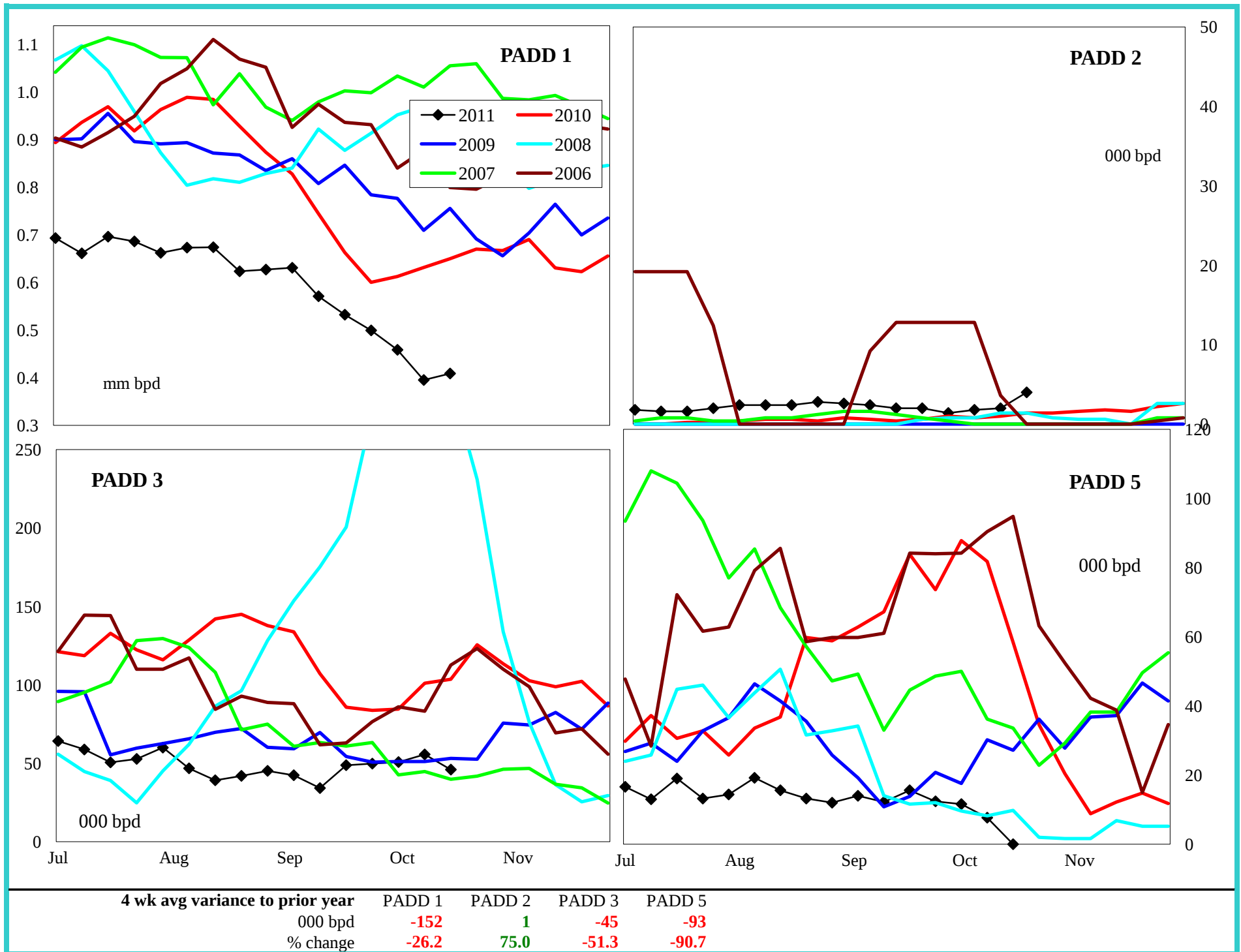
United States Petroleum Imports



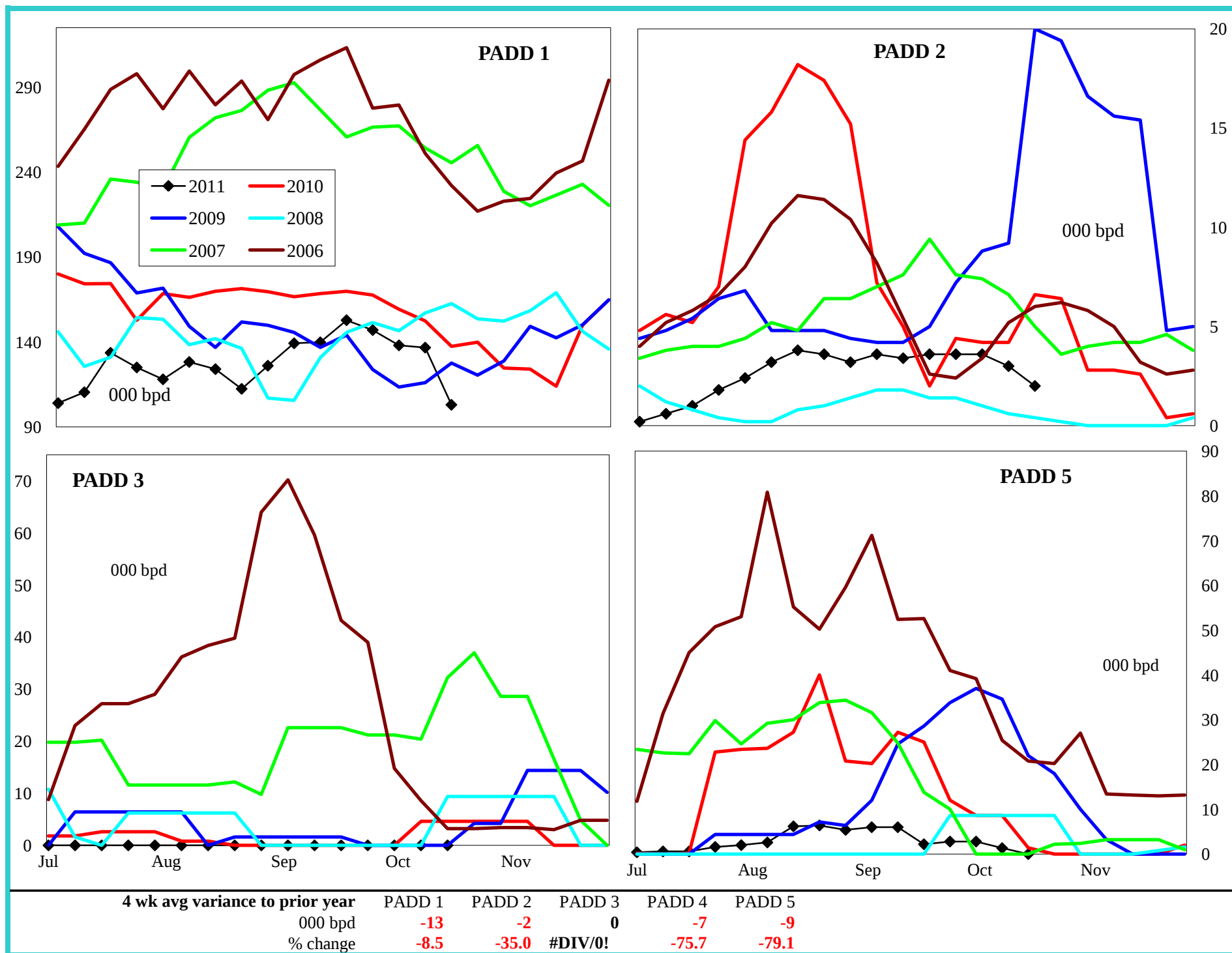
Crude Oil Imports by PADD



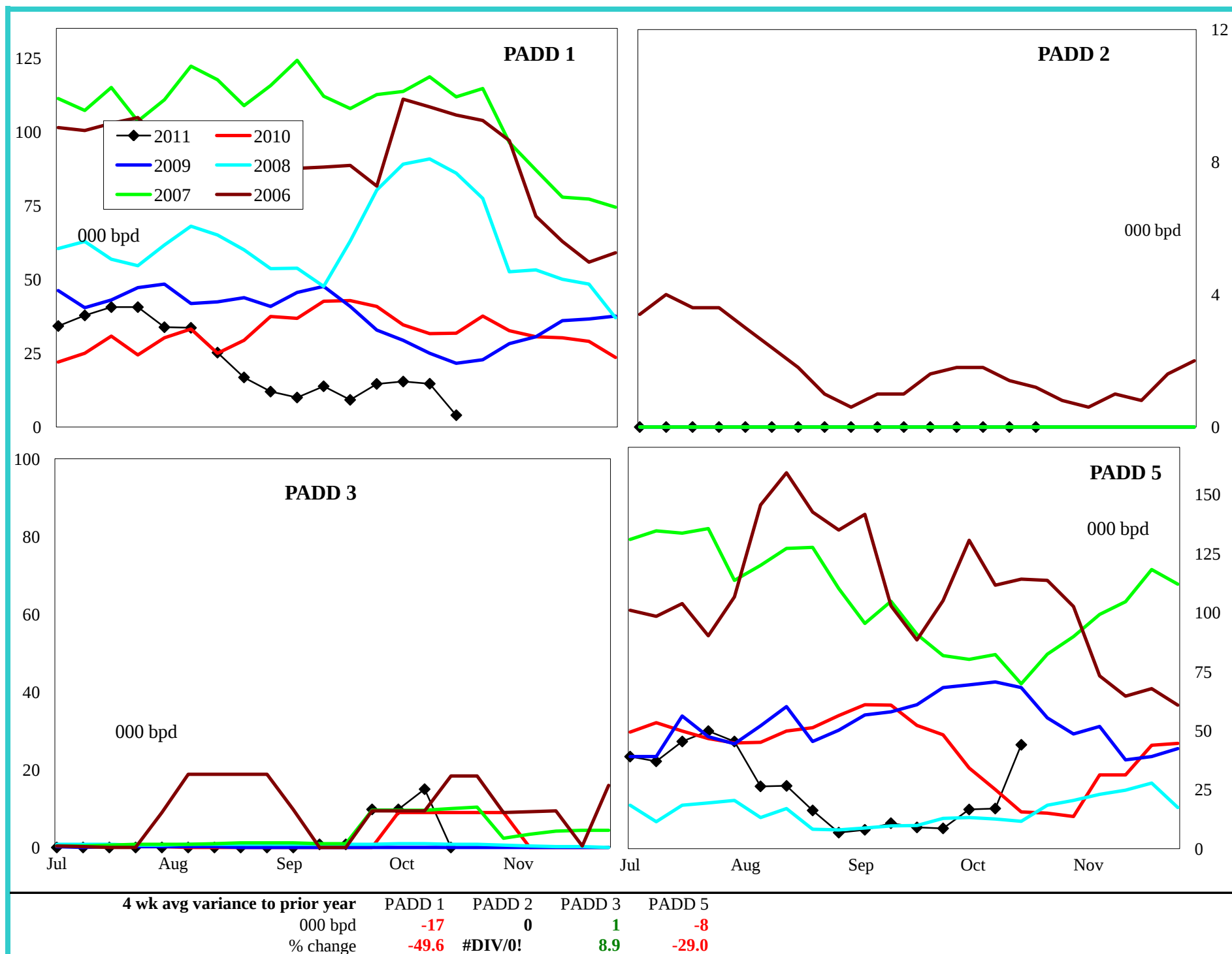
Gasoline Imports by PADD (Finished + Blend Stocks)



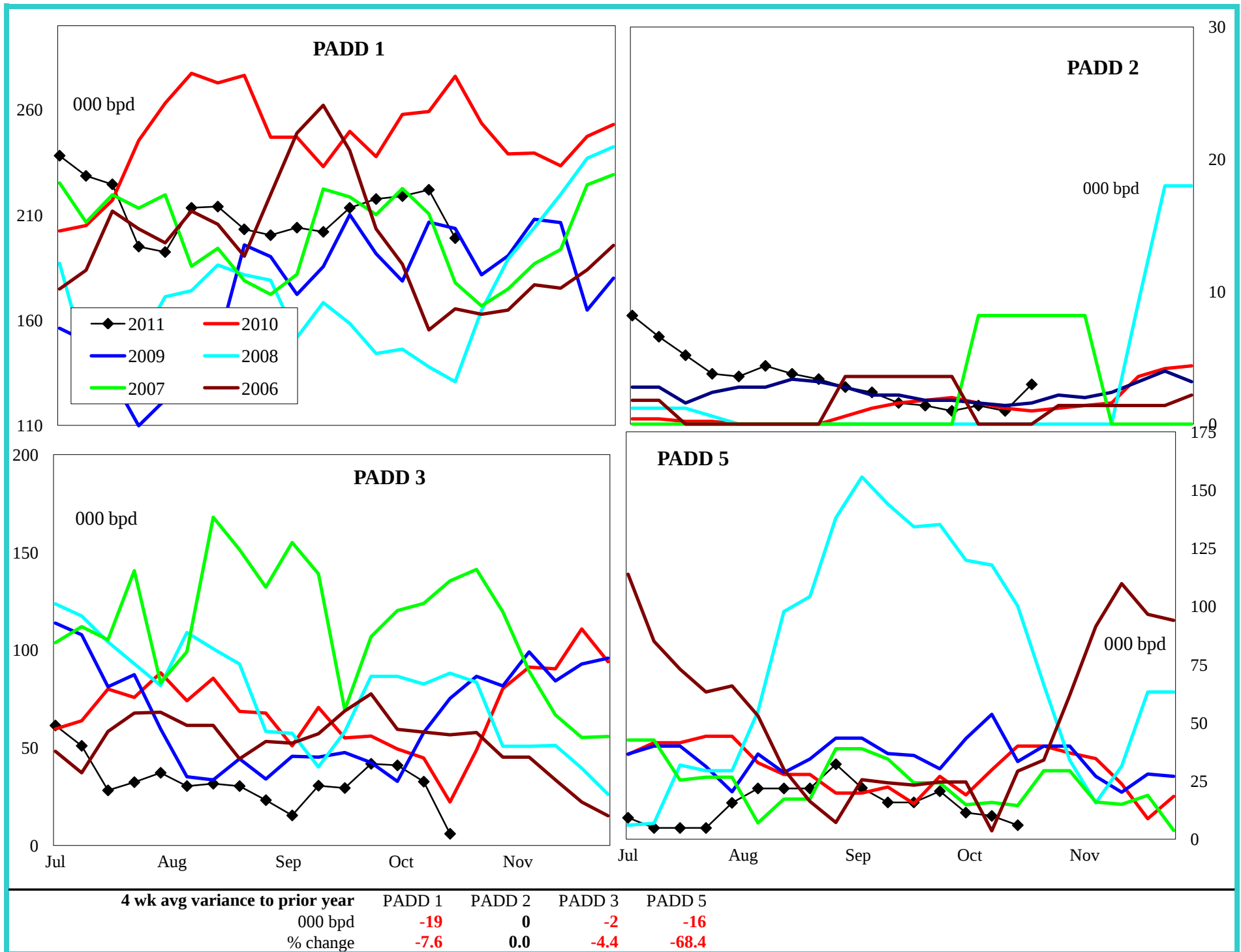
Distillate Imports by PADD



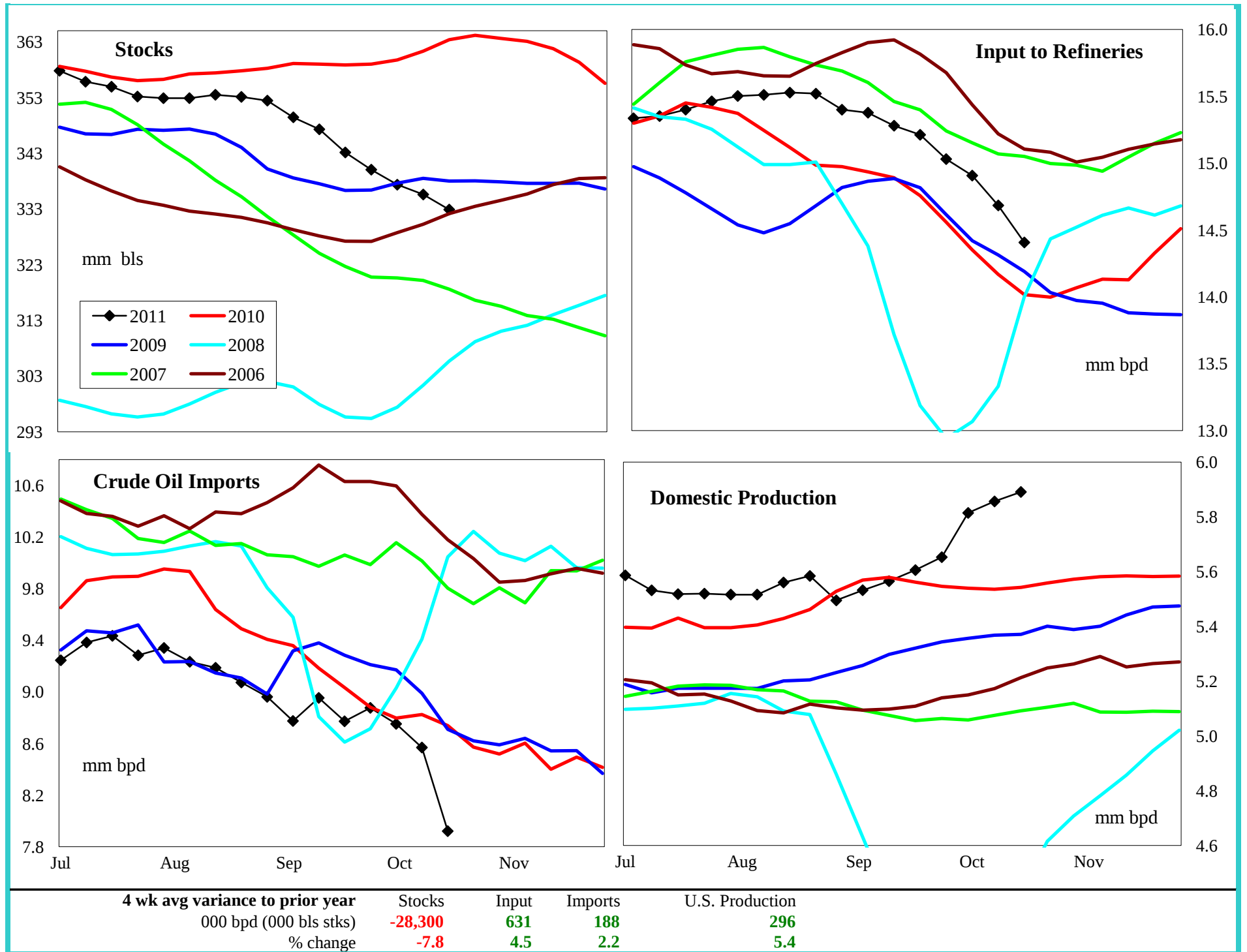
Jet Fuel Imports by PADD



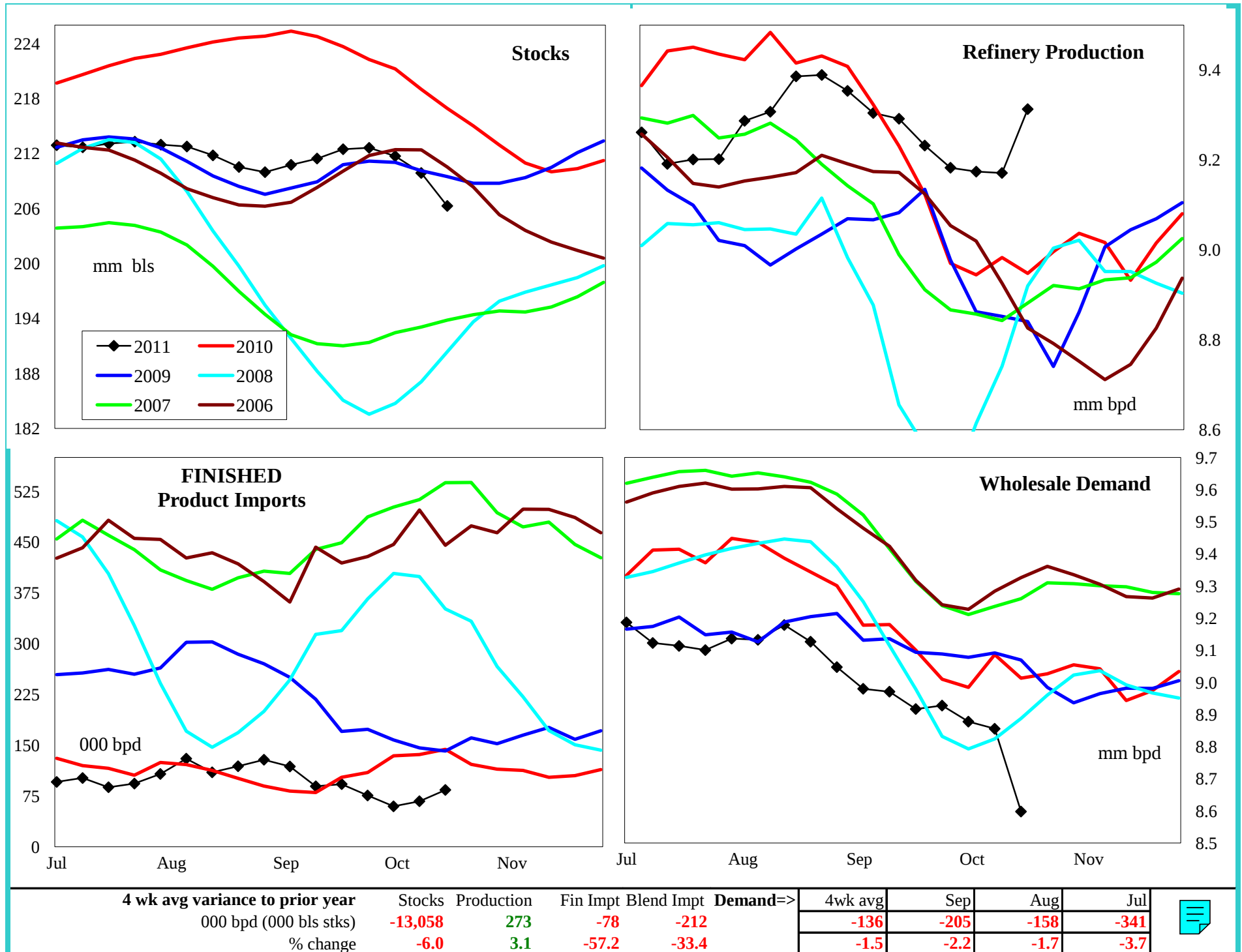
Residual Fuel Oil Imports by PADD



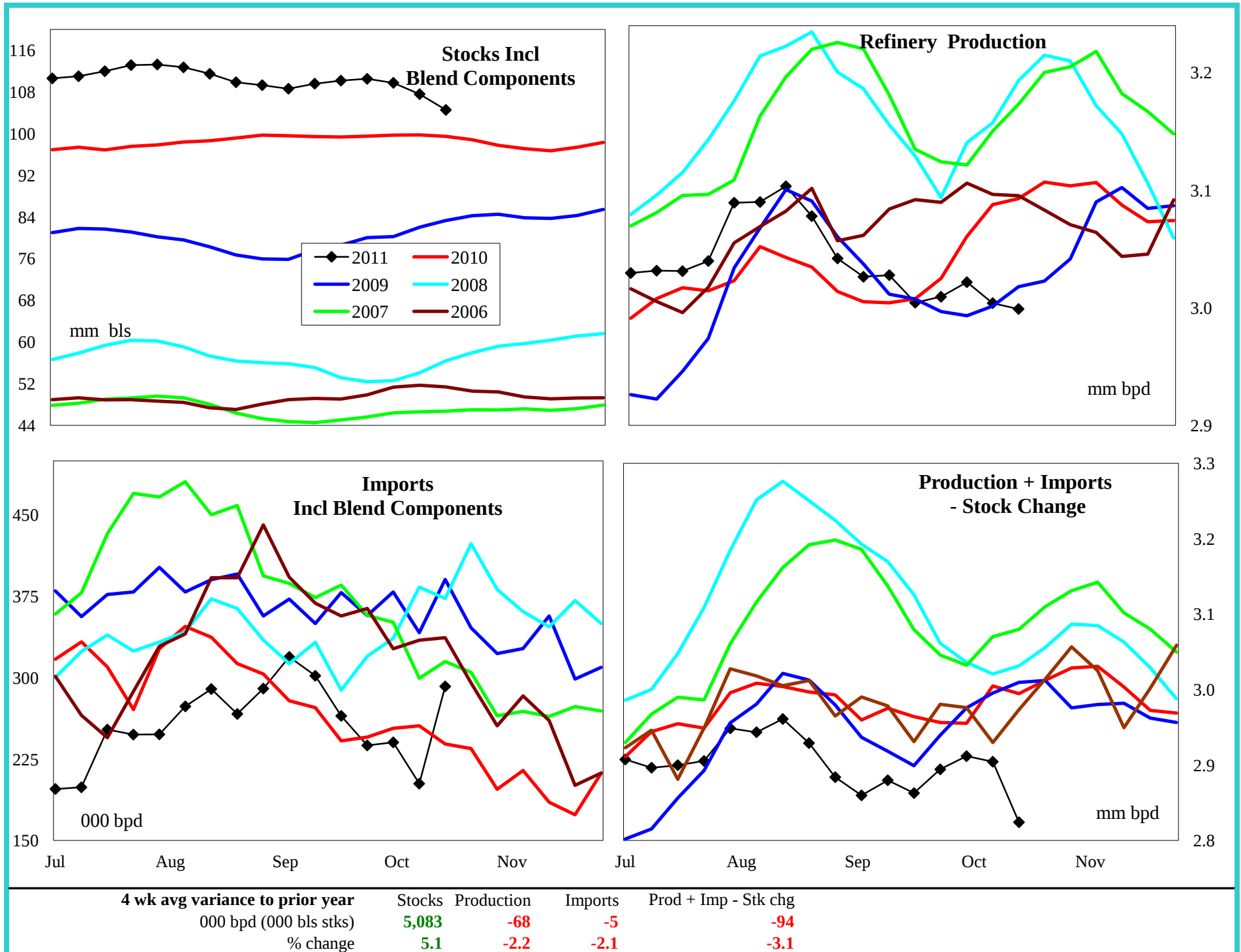
United States Crude Oil Supply and Demand Balance



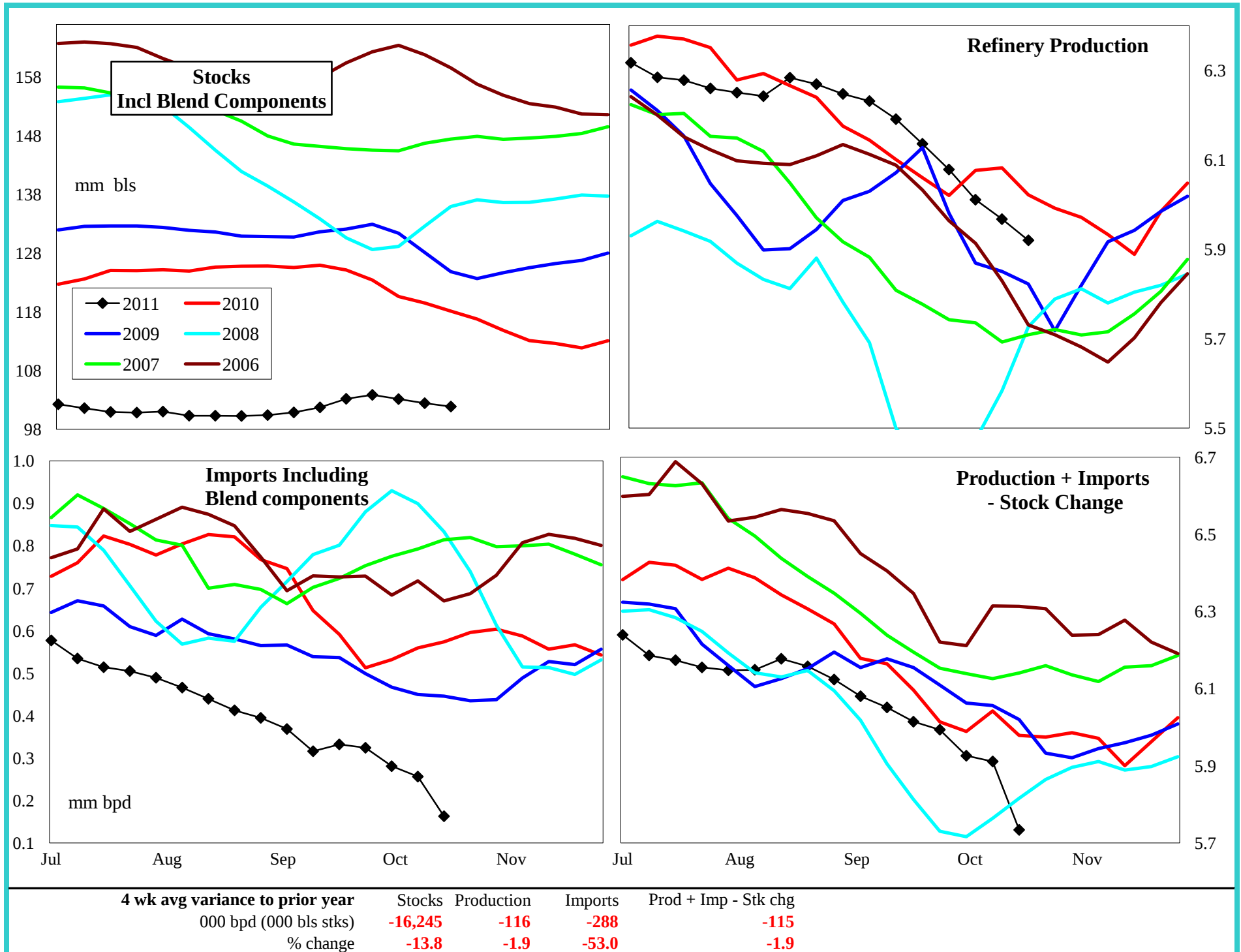
United States Gasoline Supply and Demand Balance



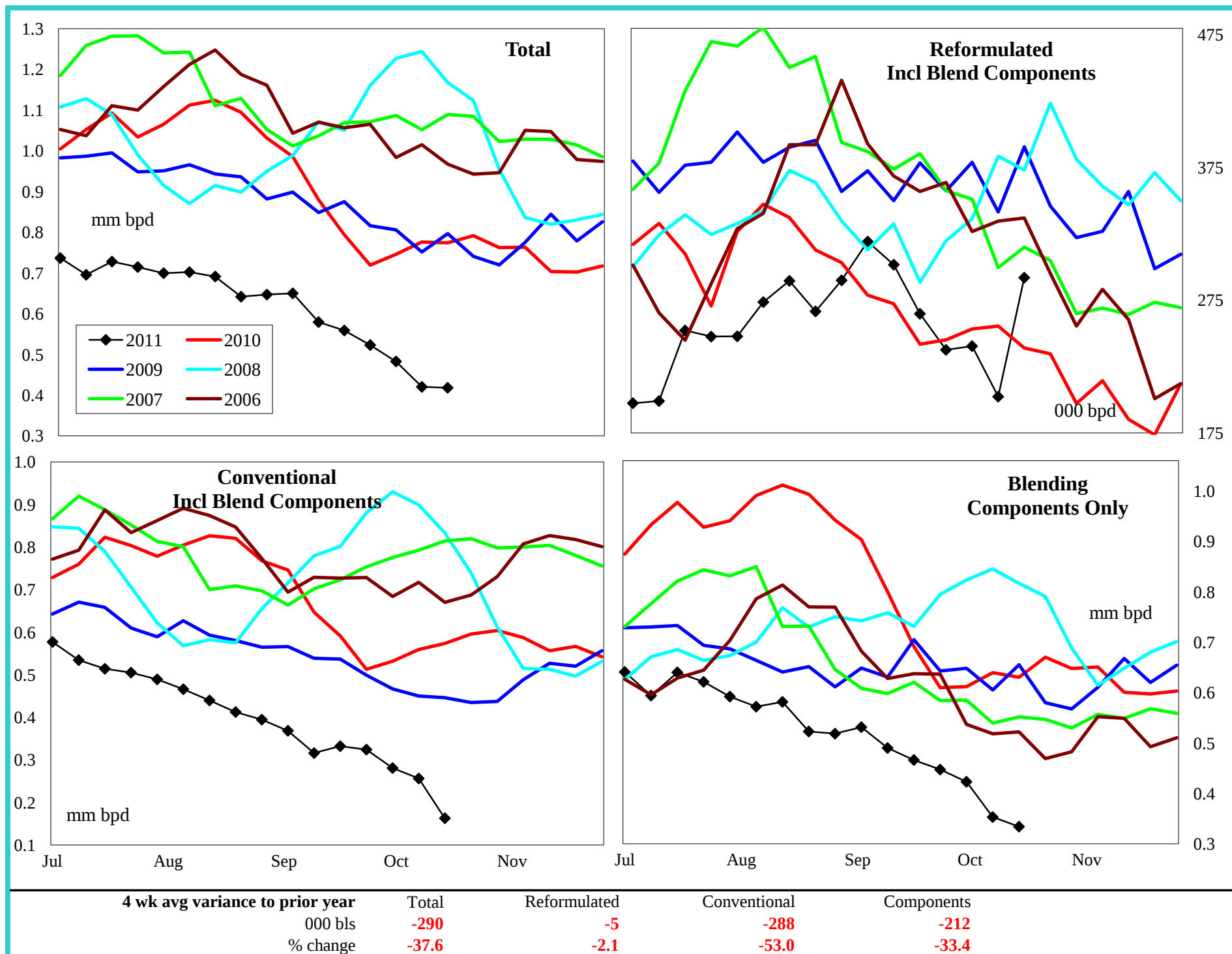
United States Reformulated Gasoline Supply



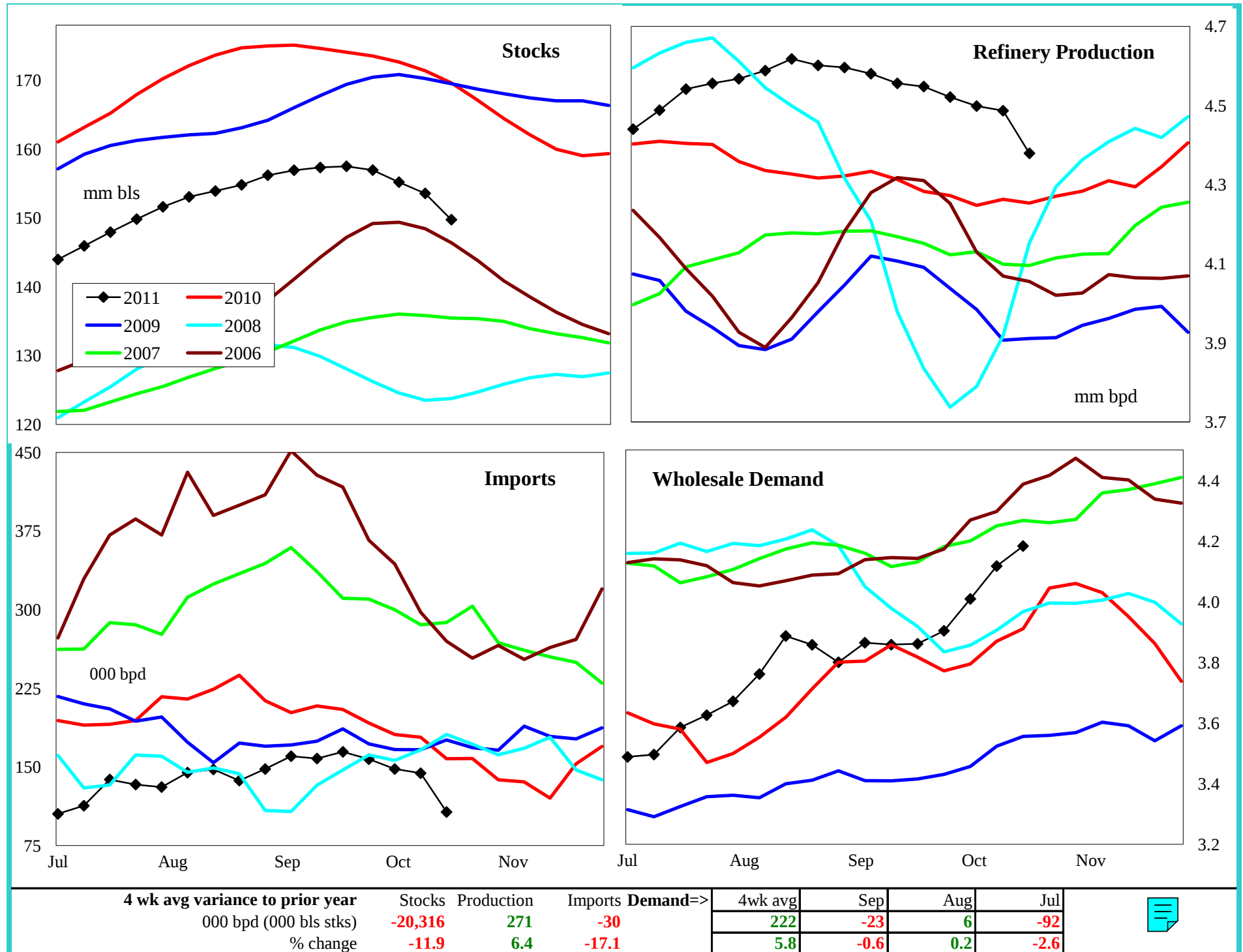
United States Conventional Gasoline Supply



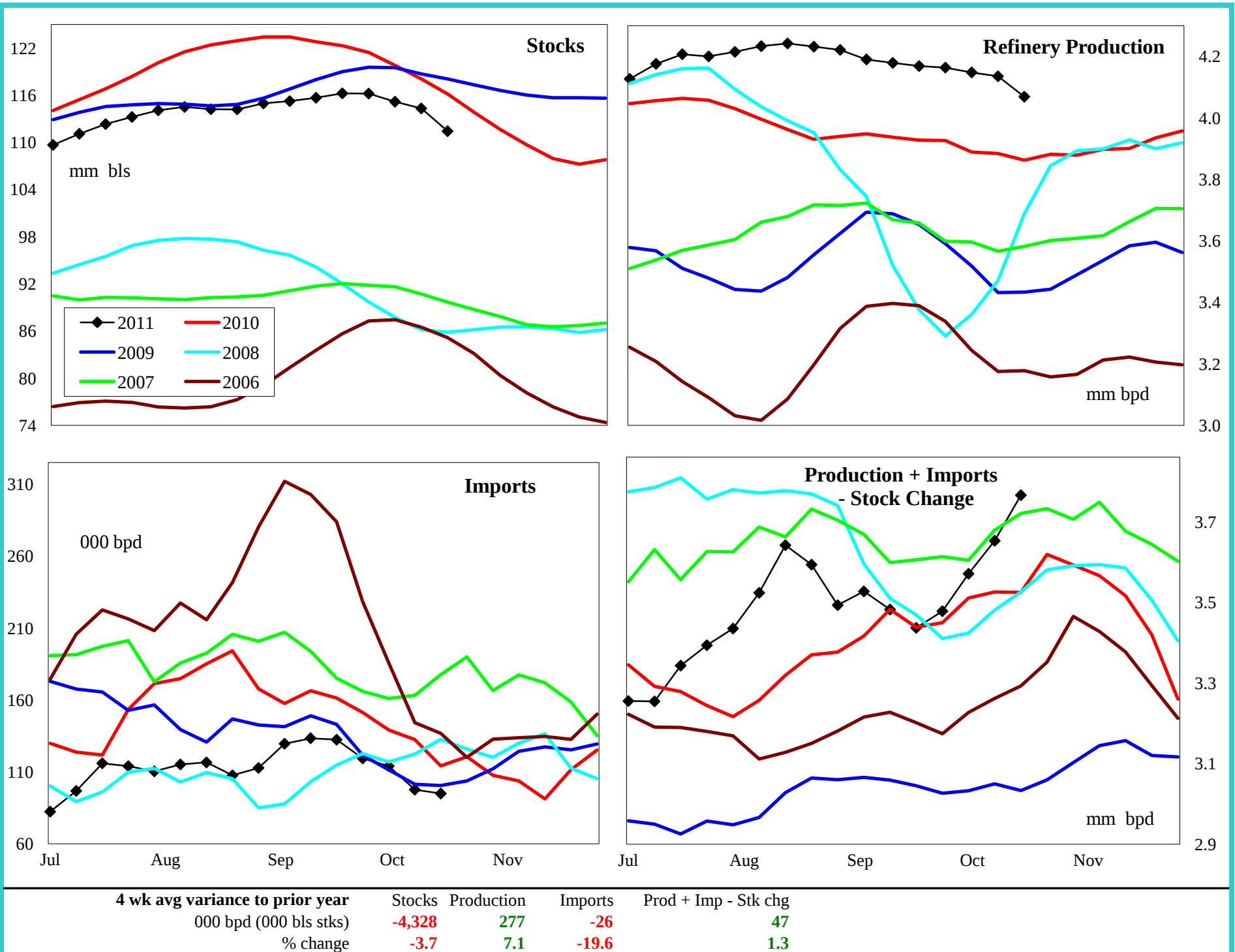
United States Gasoline Imports by Type



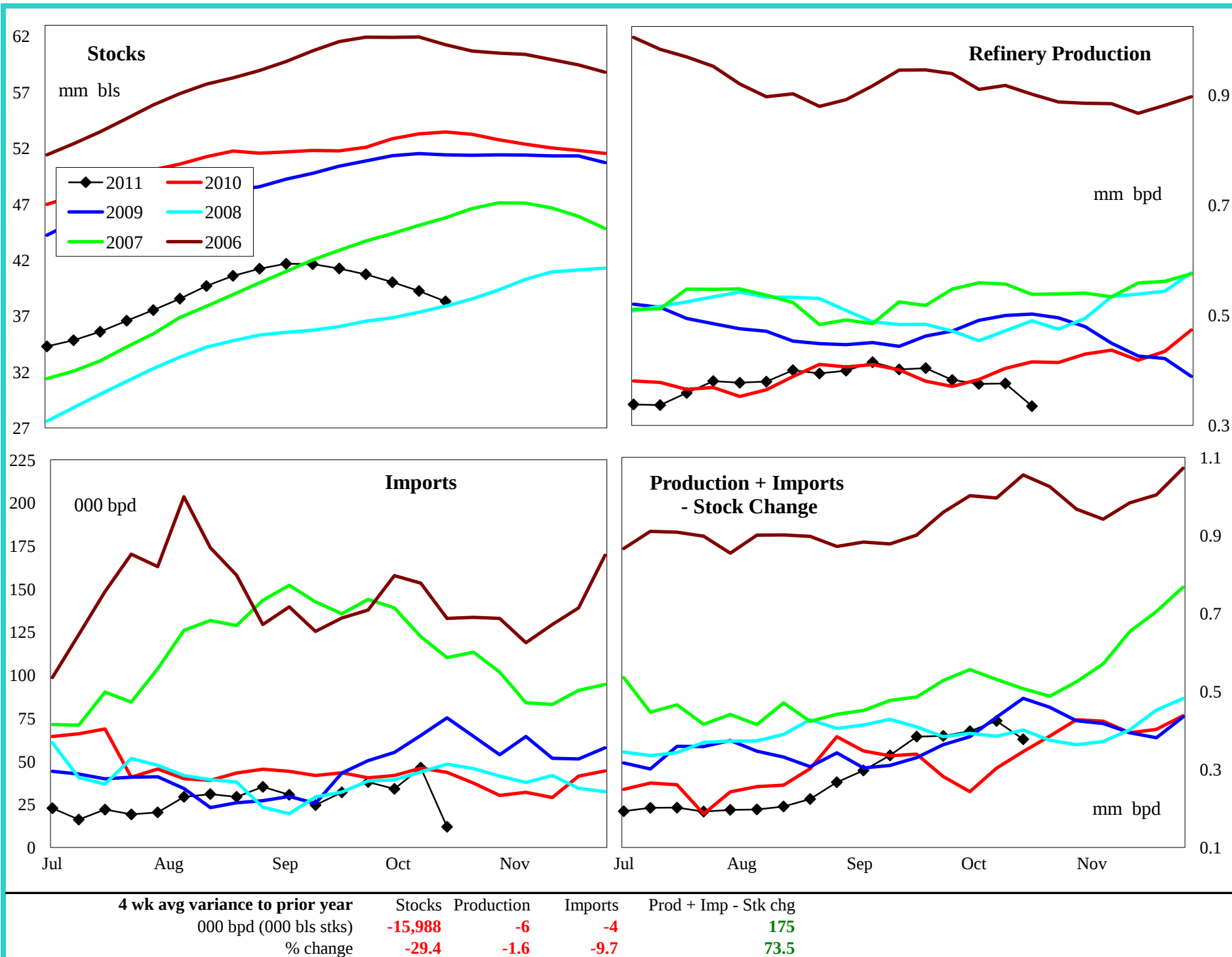
United States Distillate Supply and Demand Balance



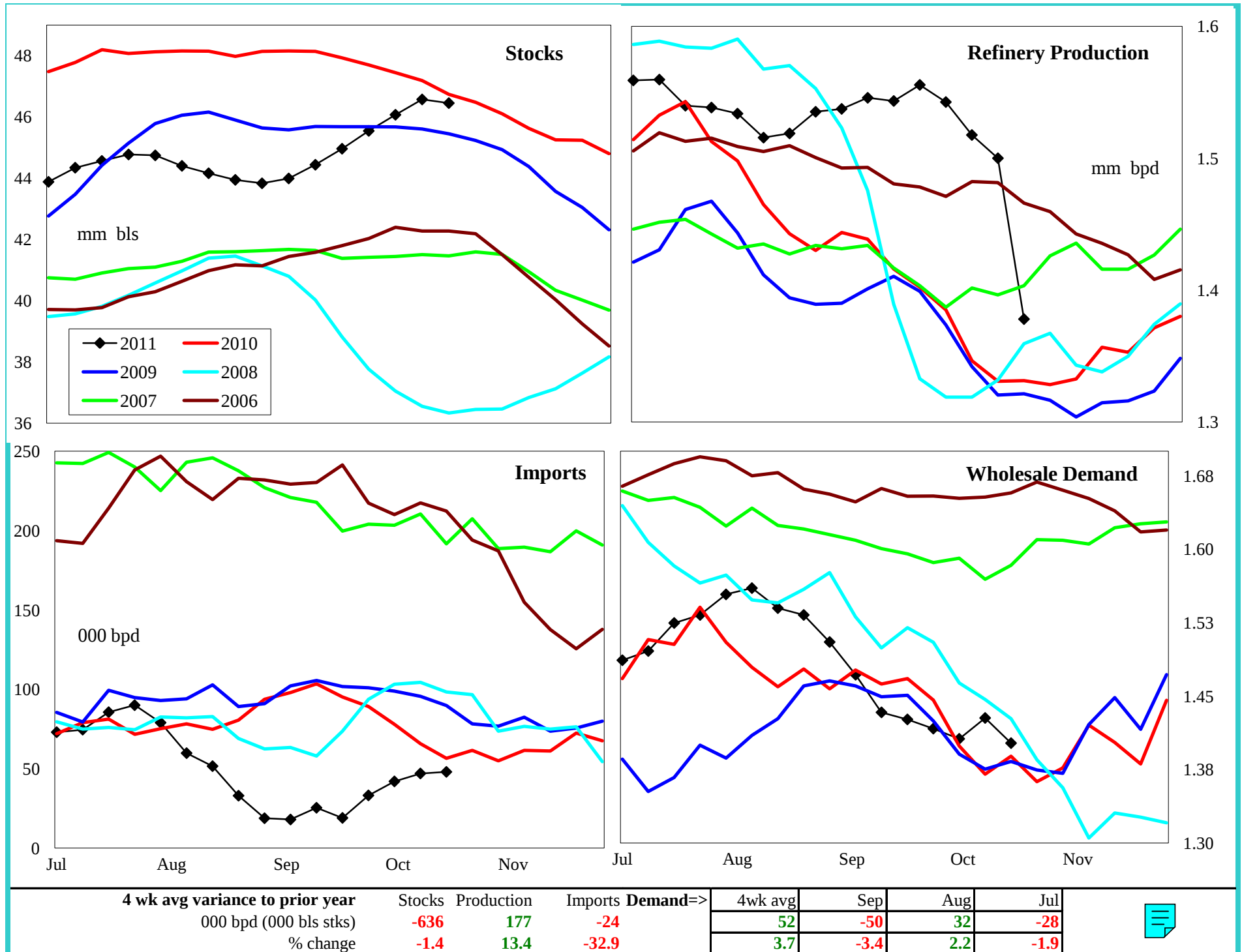
United States Low Sulfur Distillate Supply



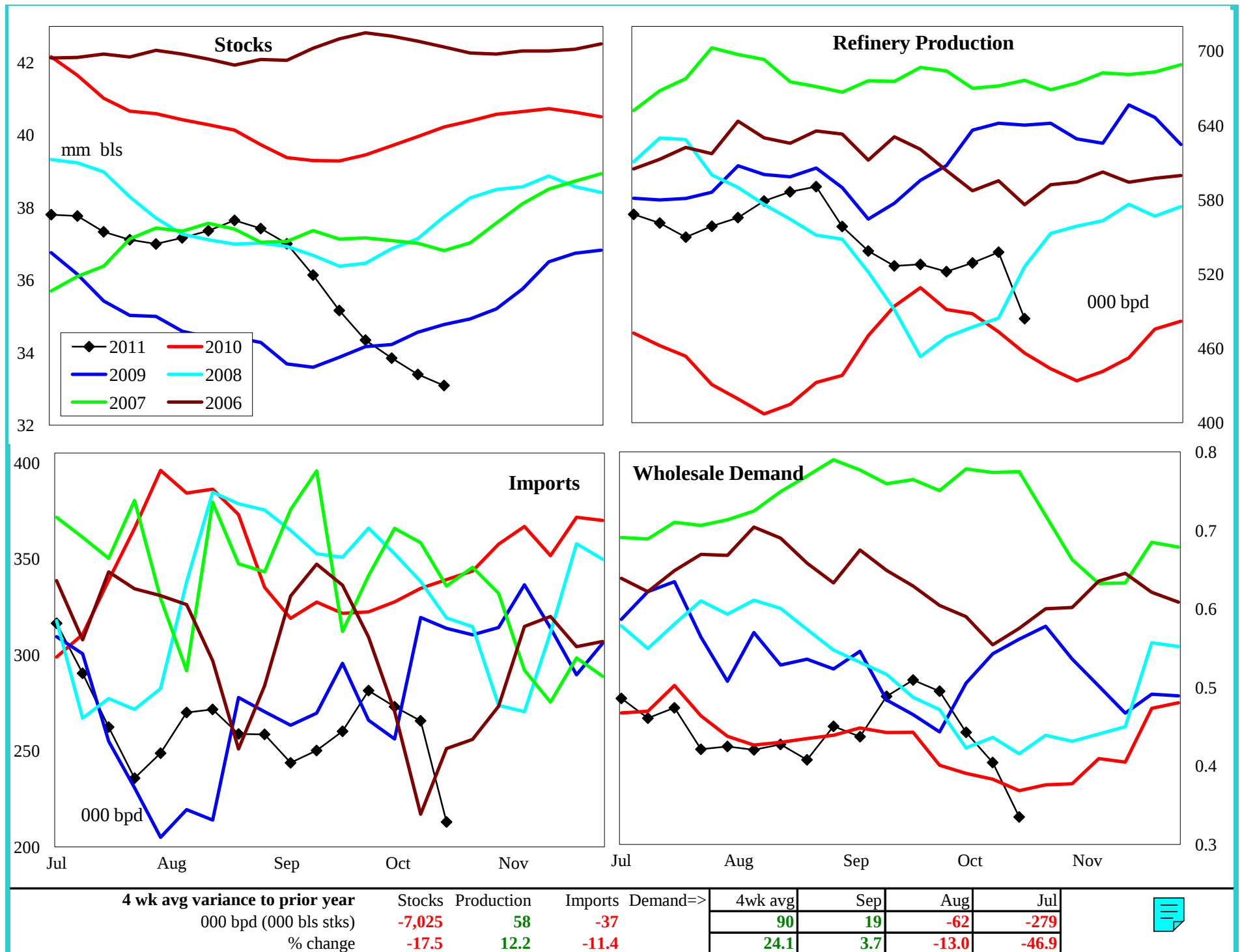
United States High Sulfur Distillate Supply



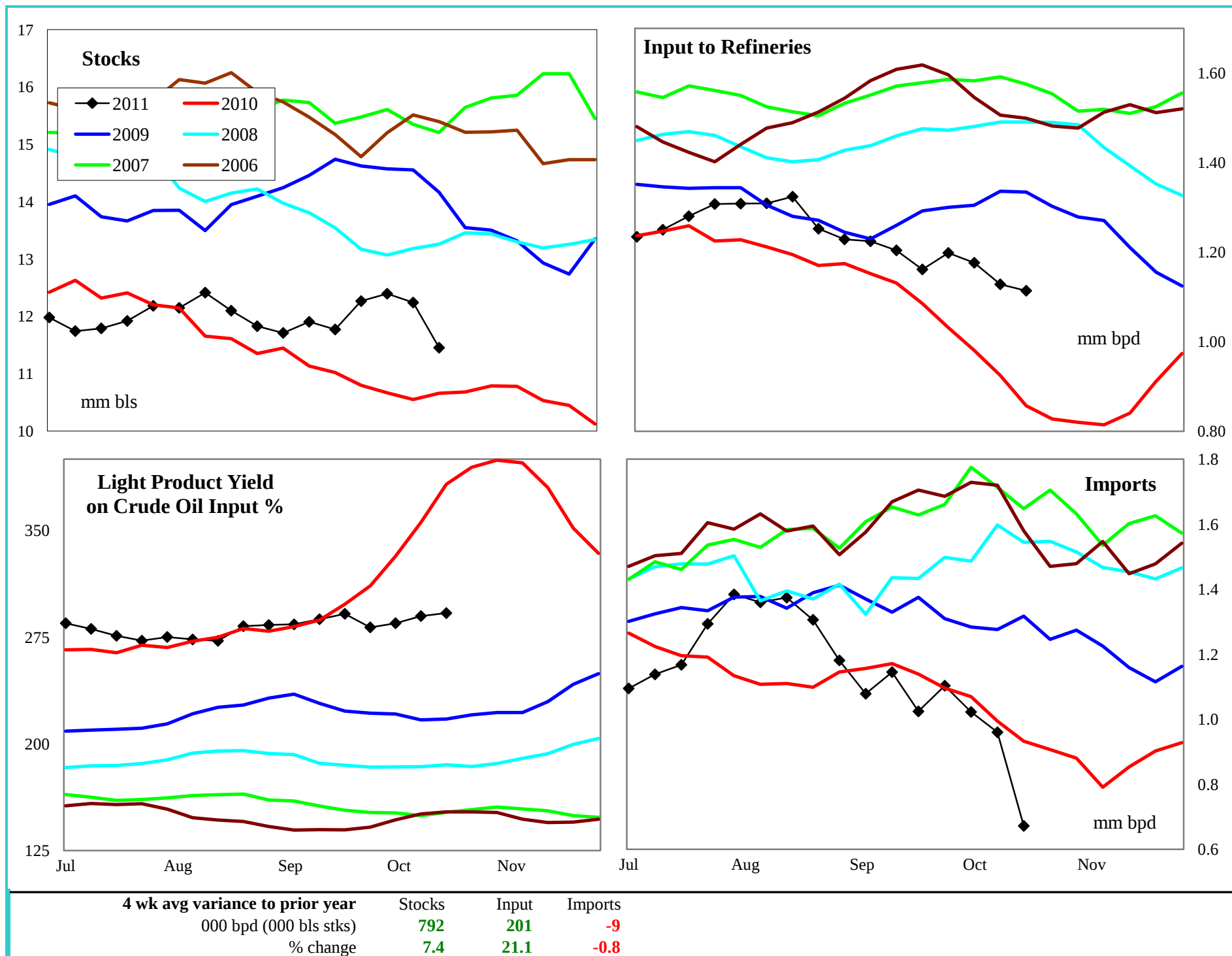
United States Jet Fuel Supply and Demand Balance



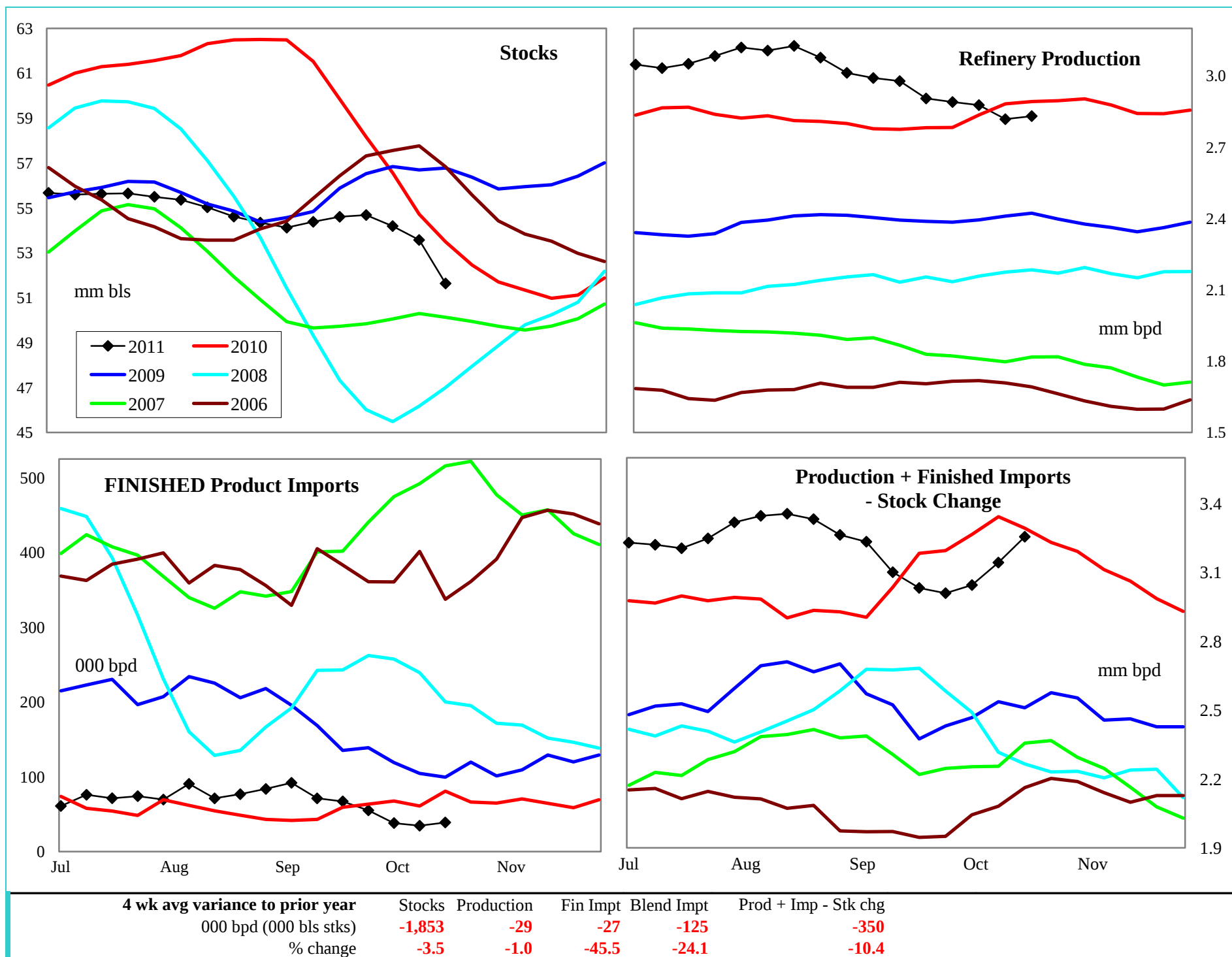
United States Residual Fuel Oil Supply and Demand Balance



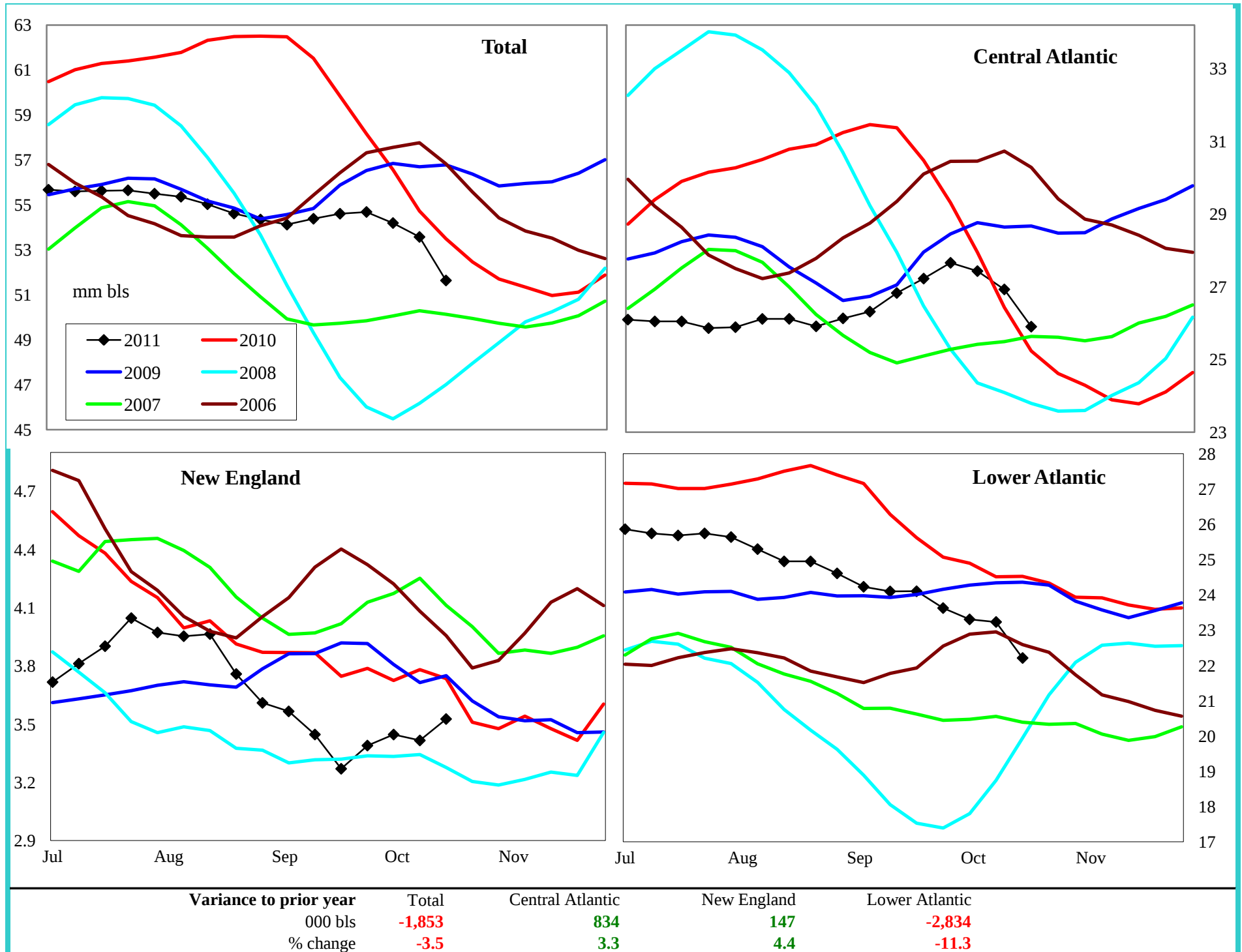
PADD 1 Crude Oil Supply and Refining



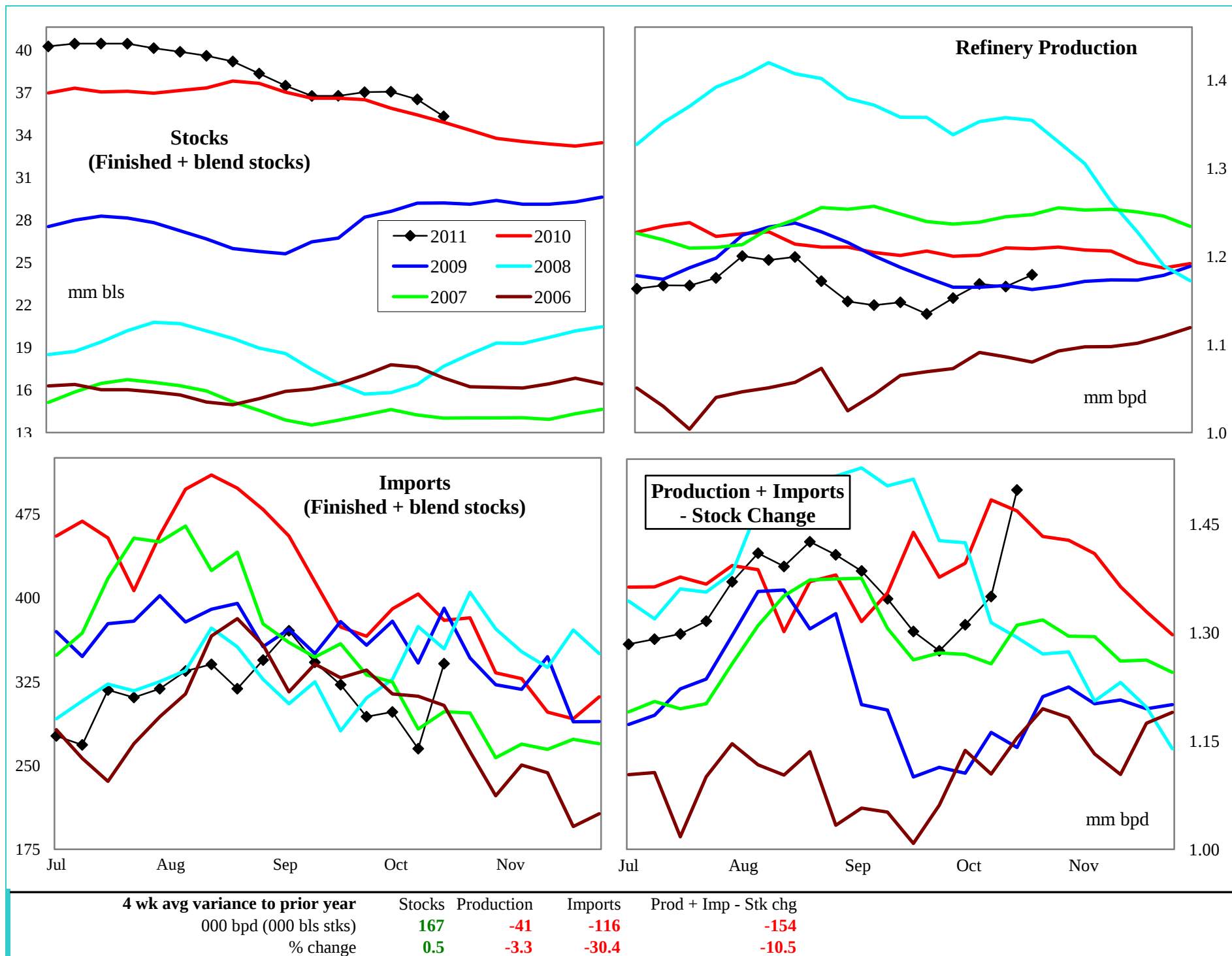
PADD 1 Gasoline Supply



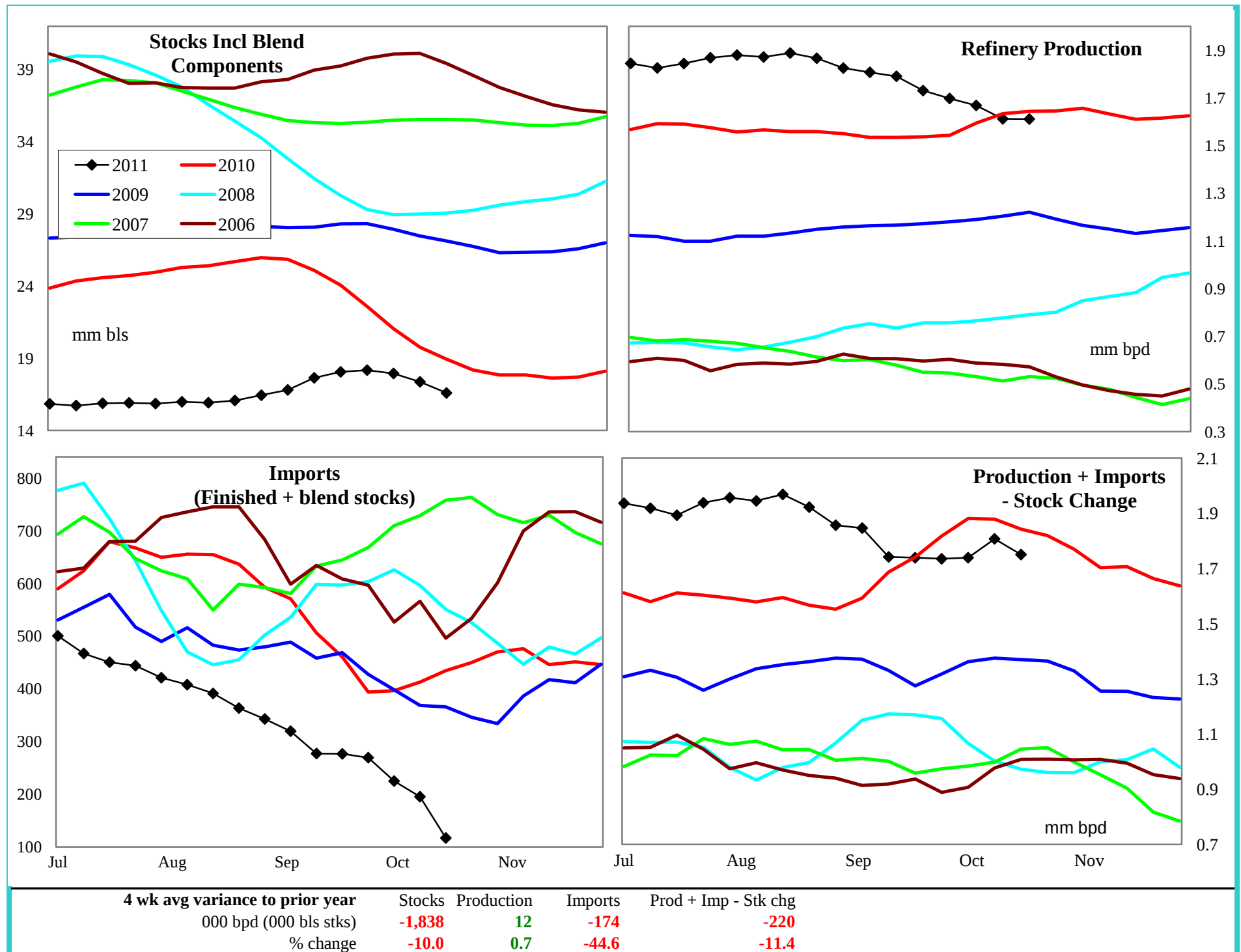
PADD 1 Gasoline Stocks by Region



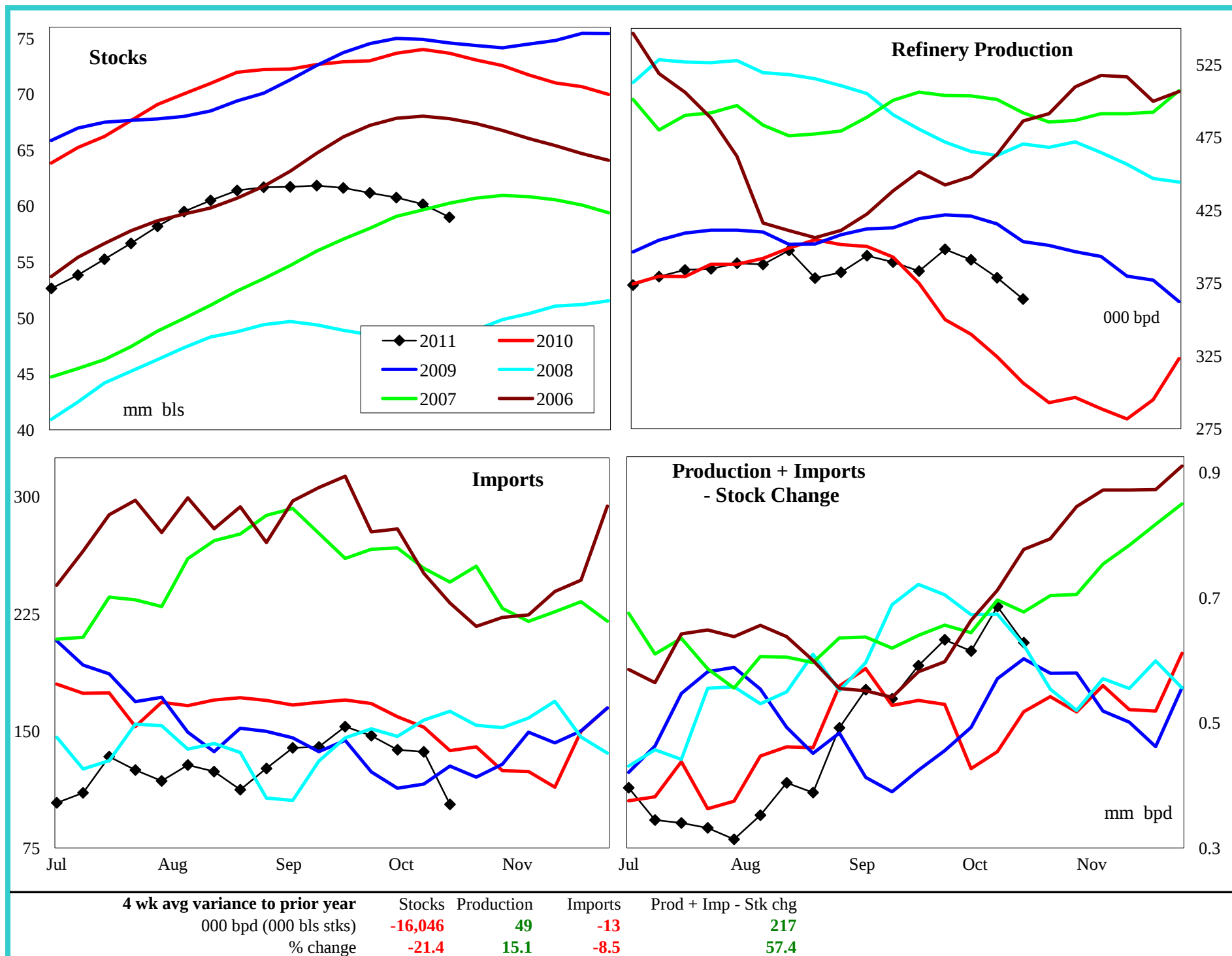
PADD 1 Reformulated Gasoline Supply



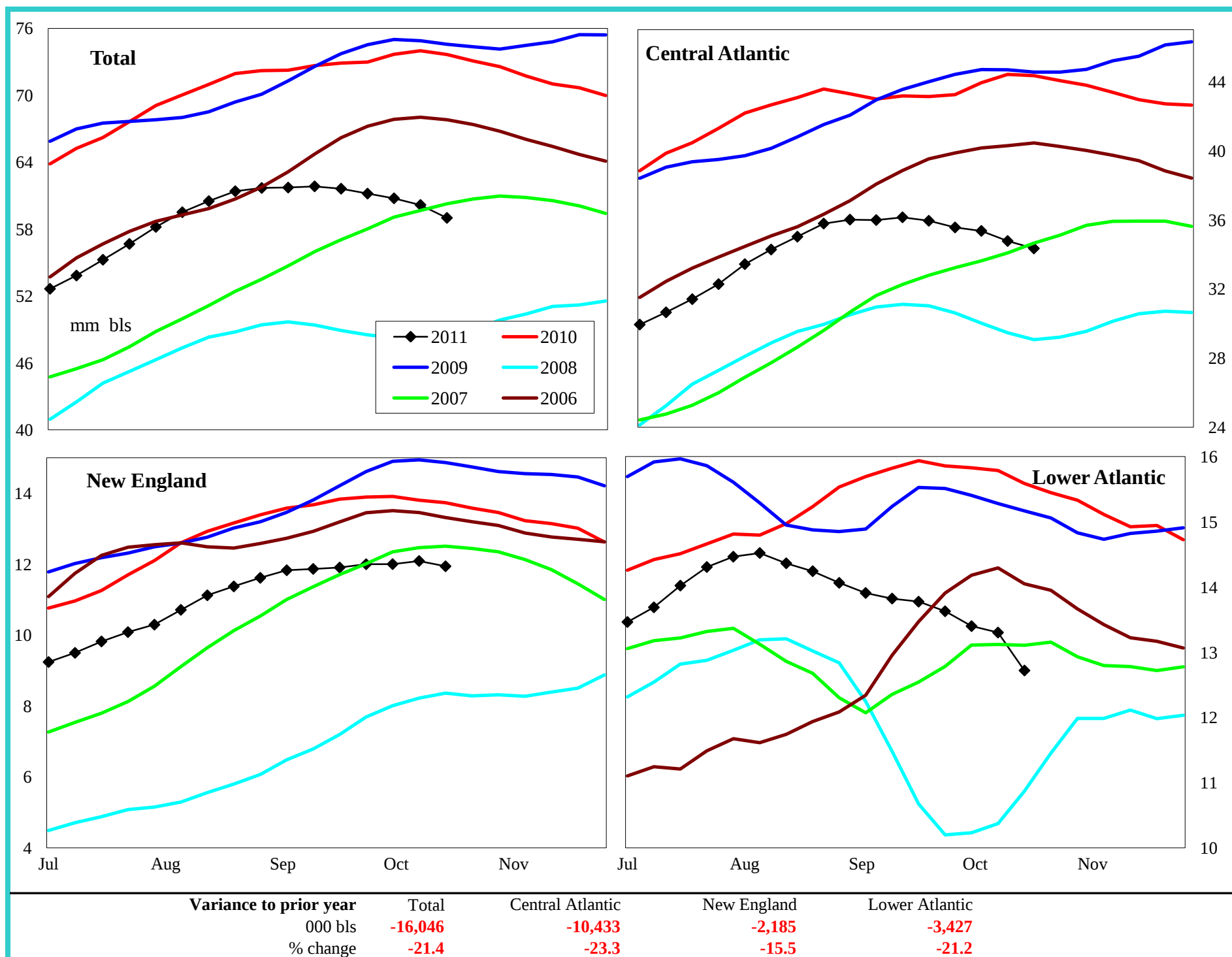
PADD 1 Conventional Gasoline Supply



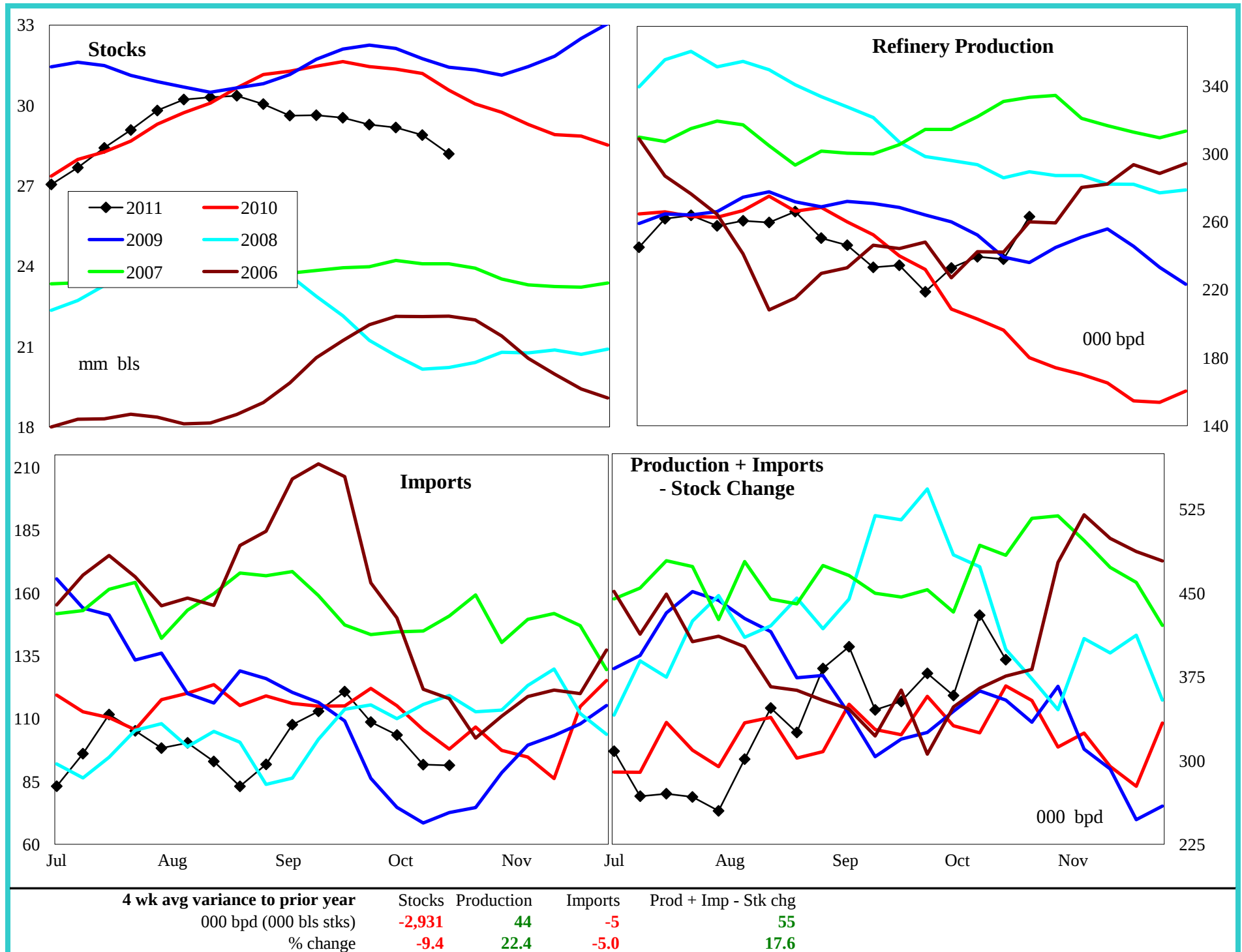
PADD 1 Distillate Supply



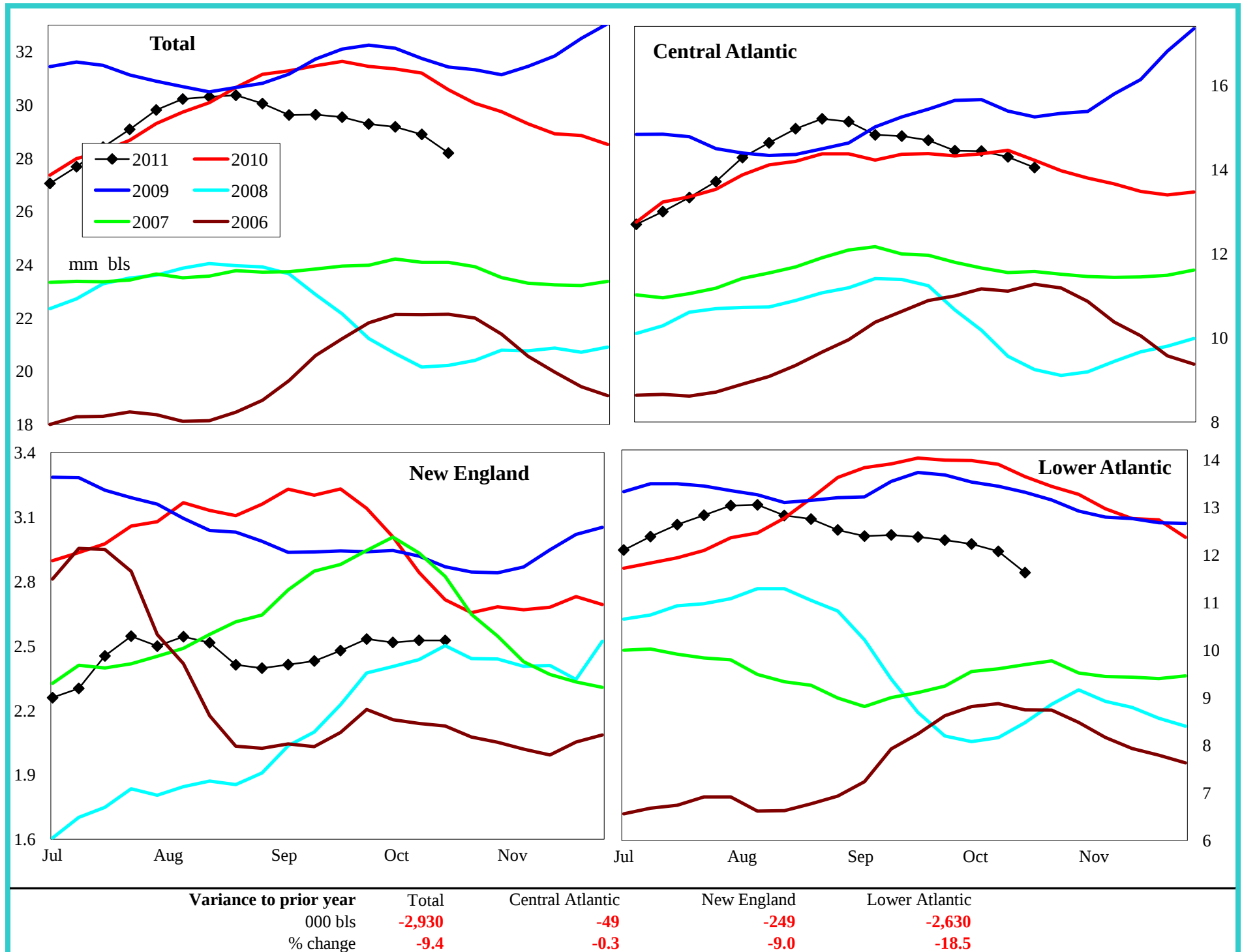
PADD 1 Distillate Stocks by Region



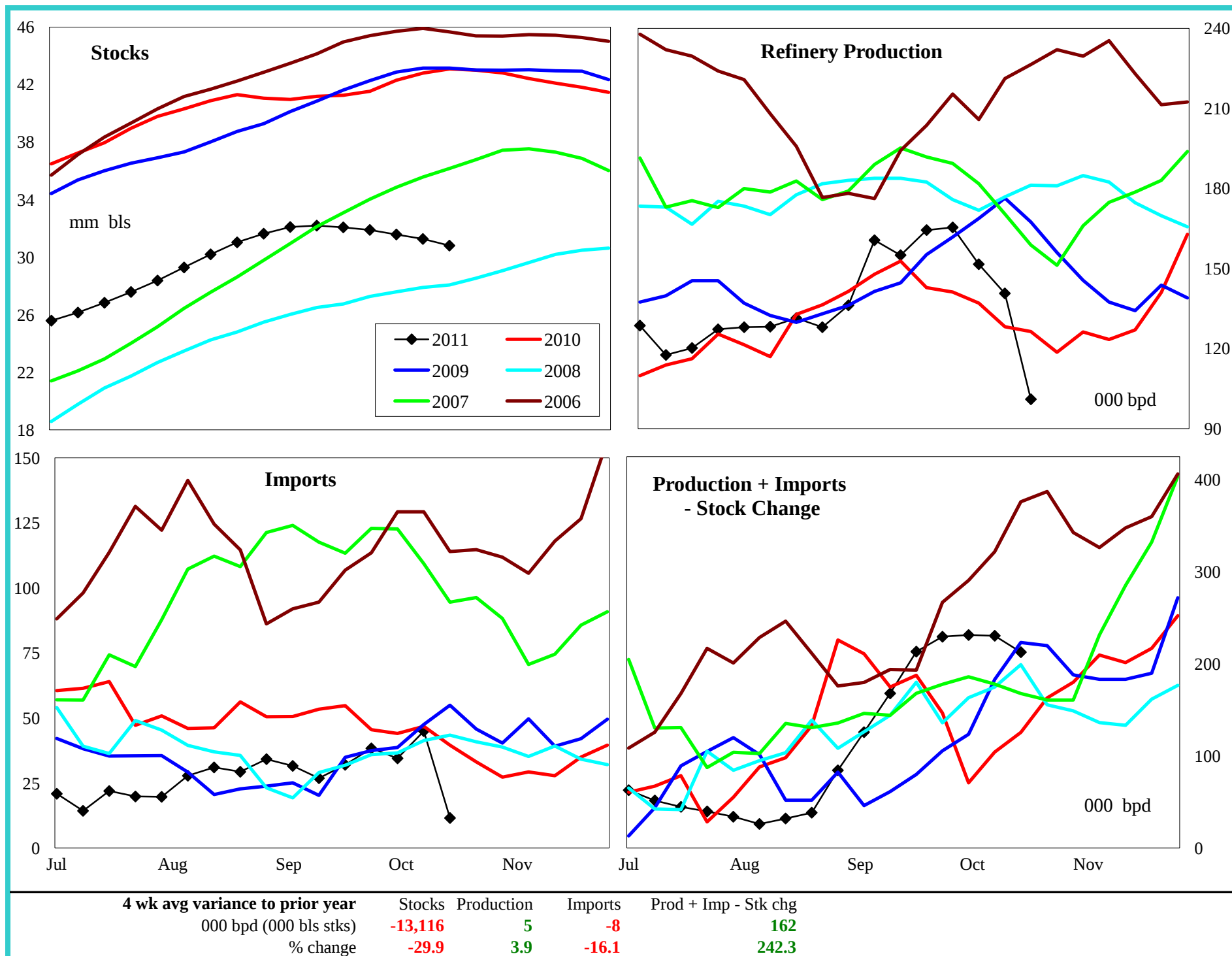
PADD 1 Low Sulfur Distillate Supply



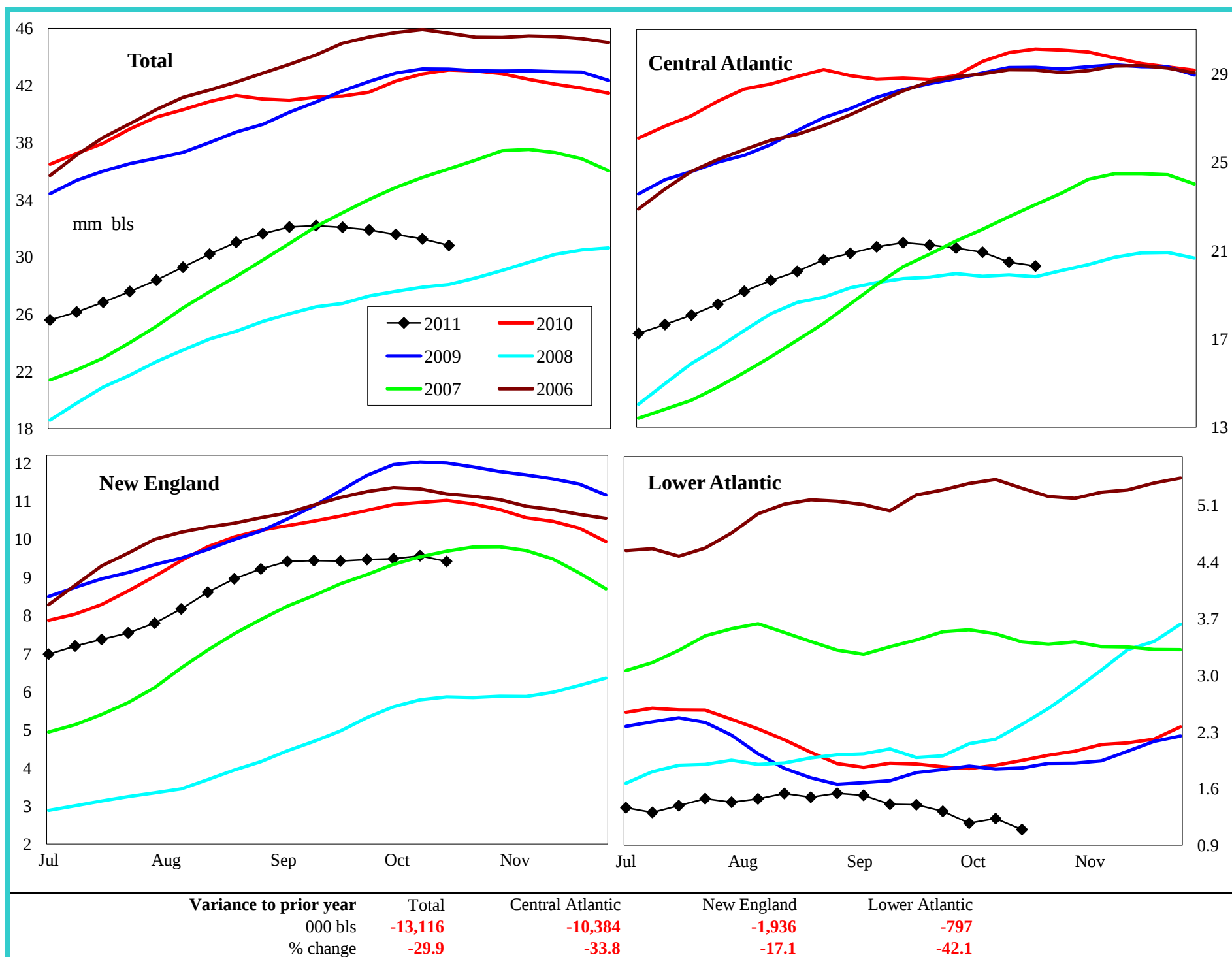
PADD 1 Low Sulfur Distillate Stocks by Region



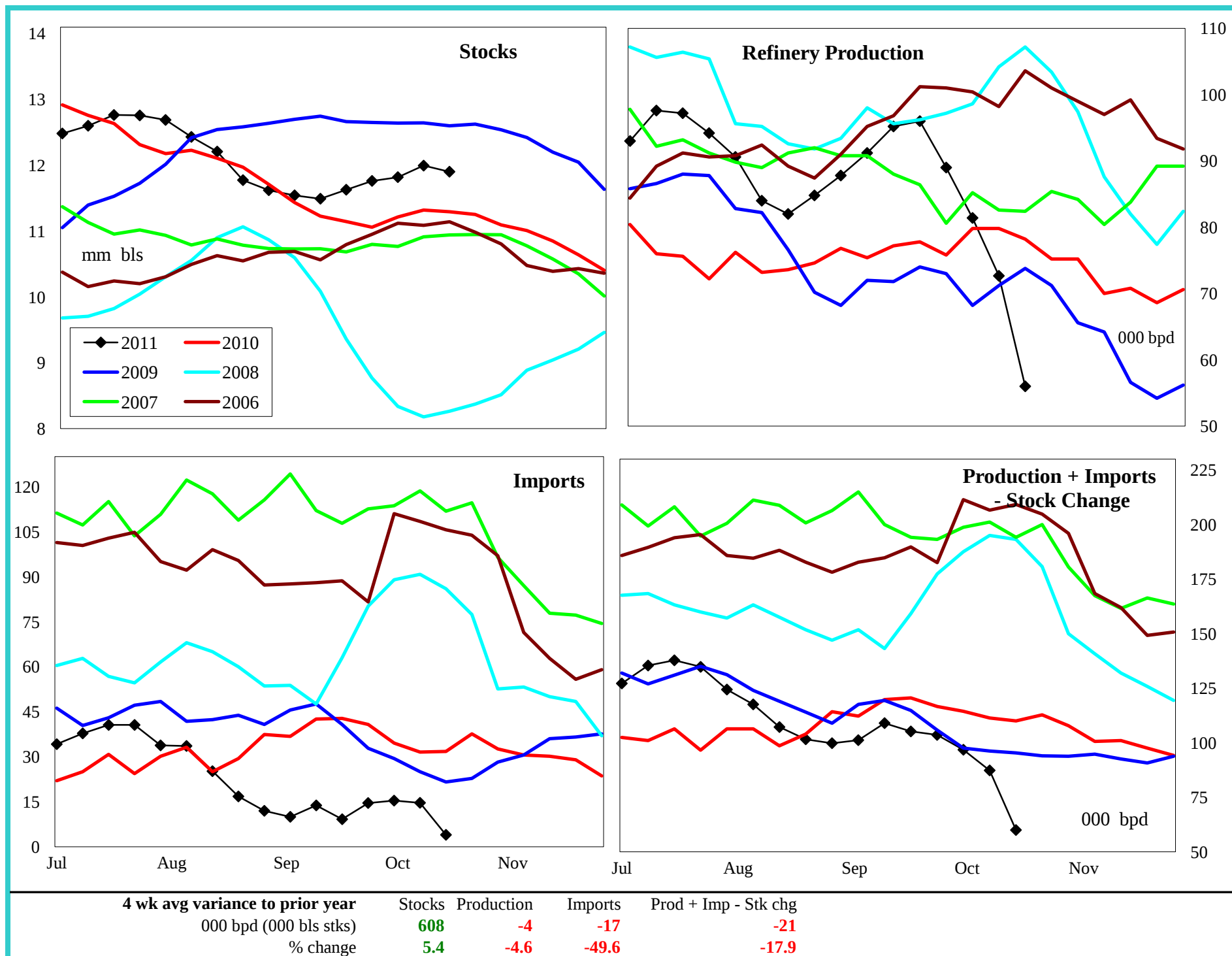
PADD 1 High Sulfur Distillate Supply



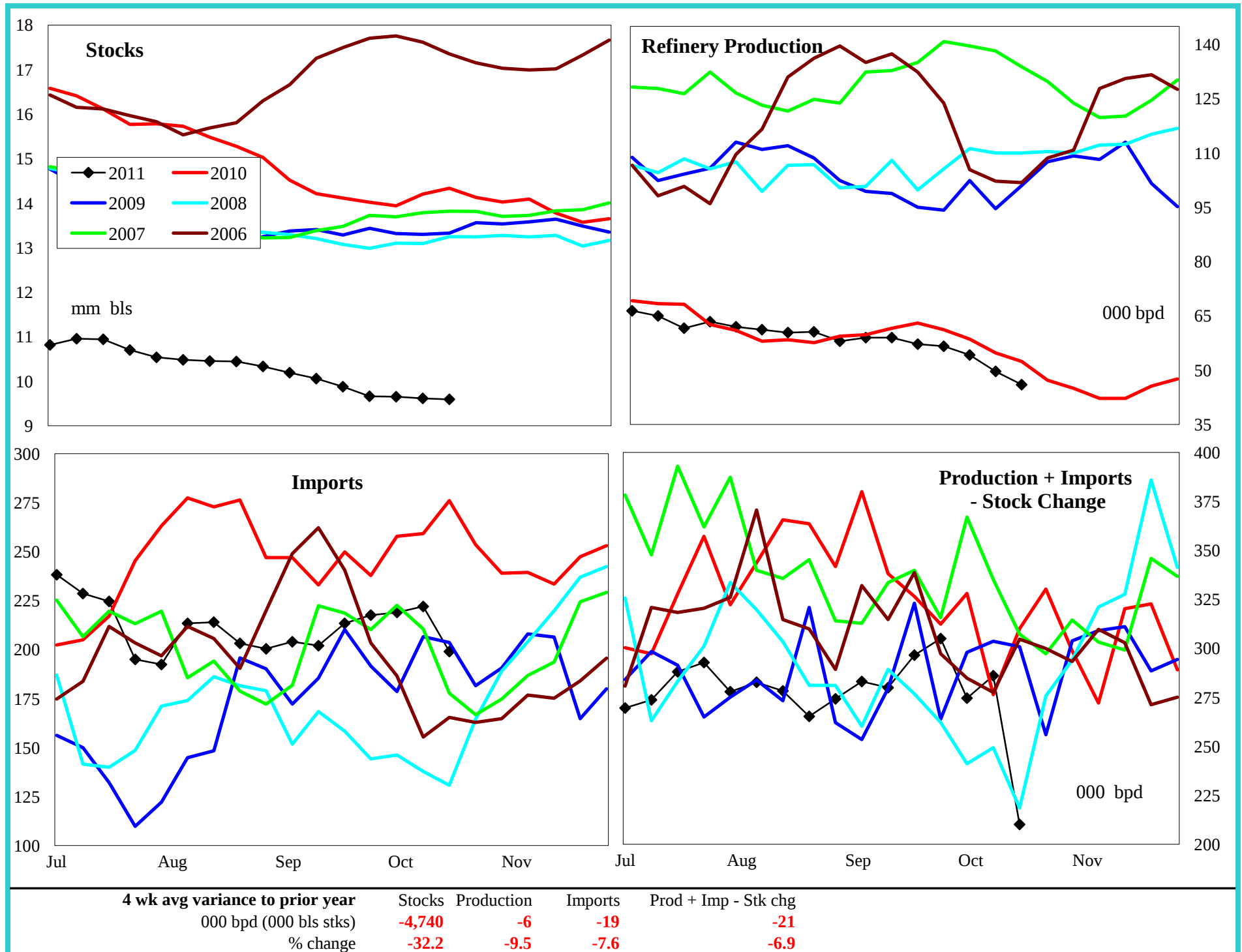
PADD 1 High Sulfur Distillate Stocks by Region



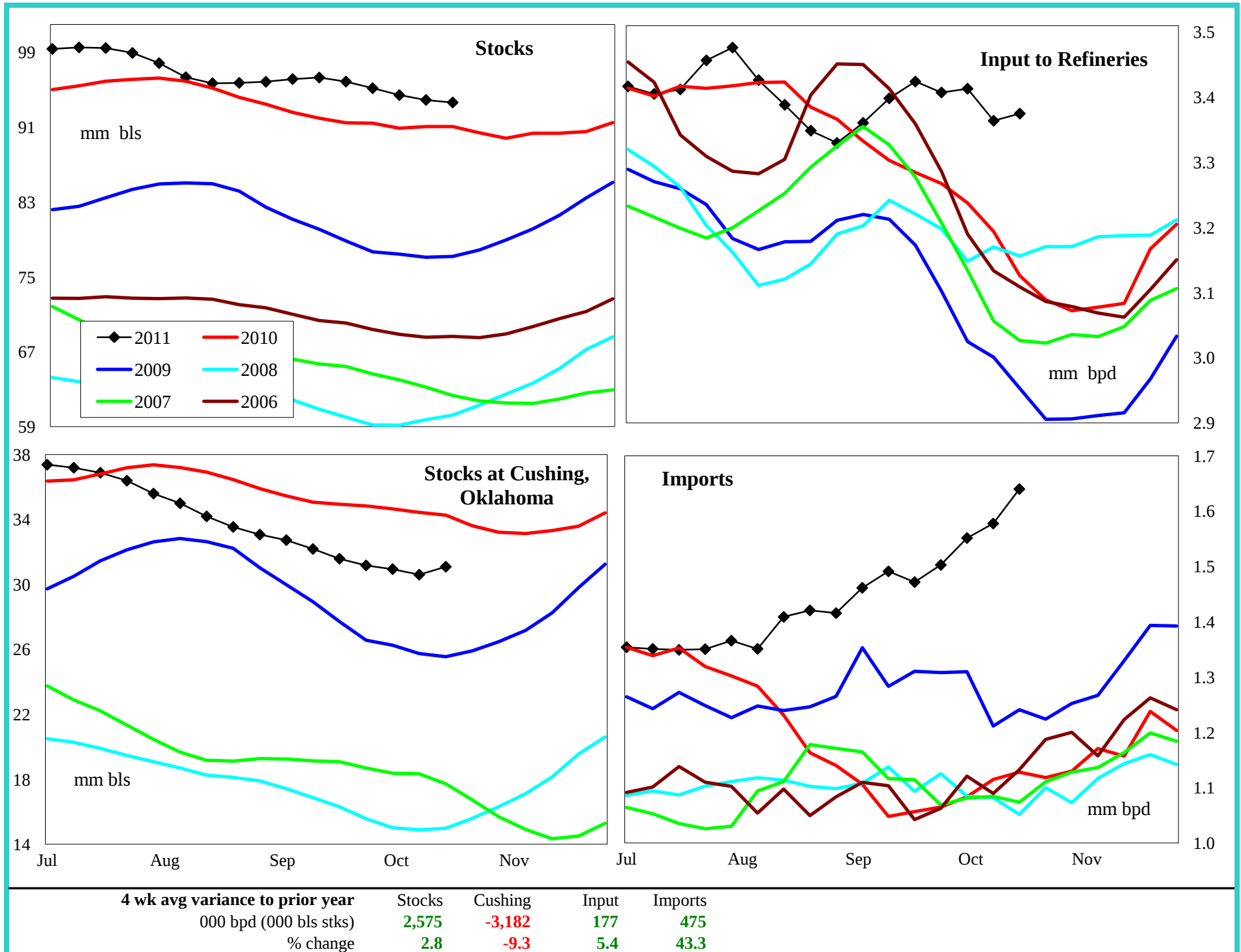
PADD 1 Jet Fuel Supply



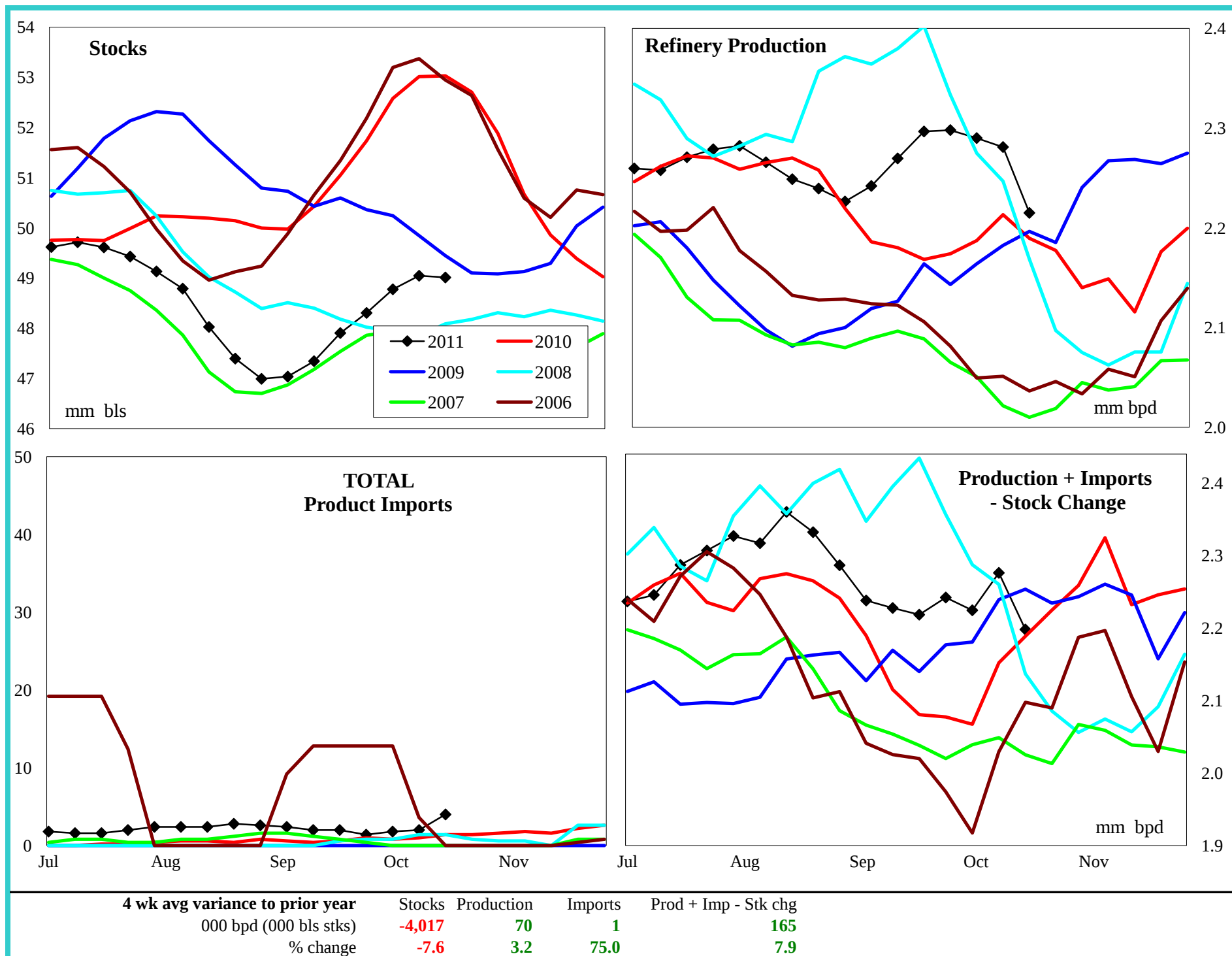
PADD 1 Residual Fuel Oil Supply



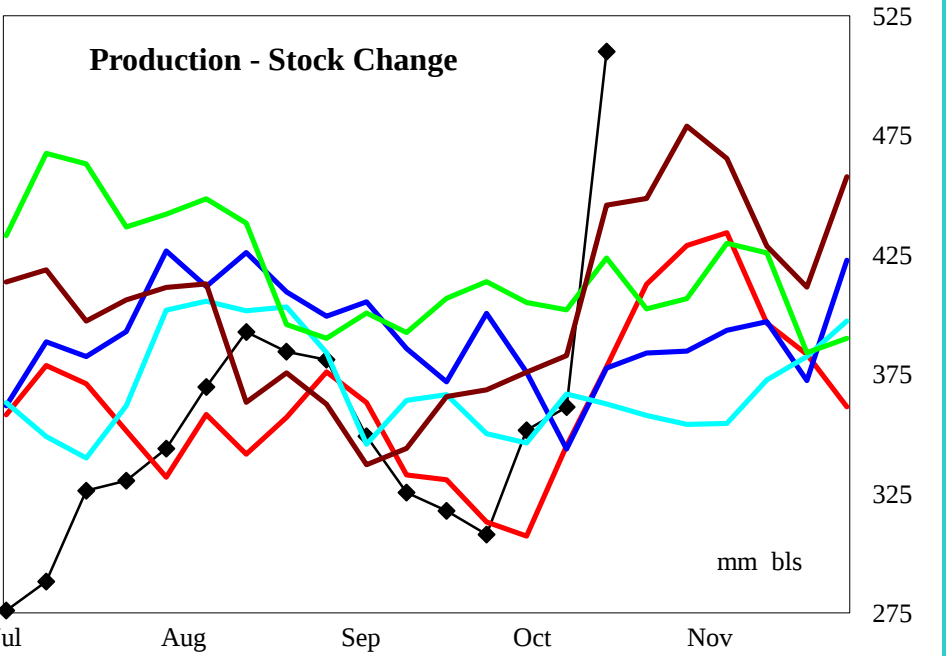
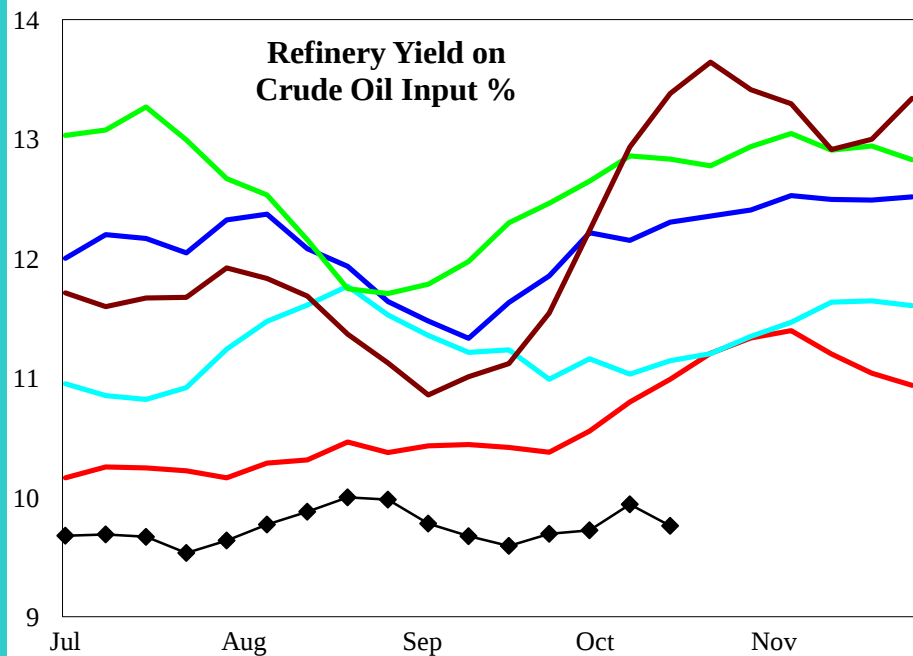
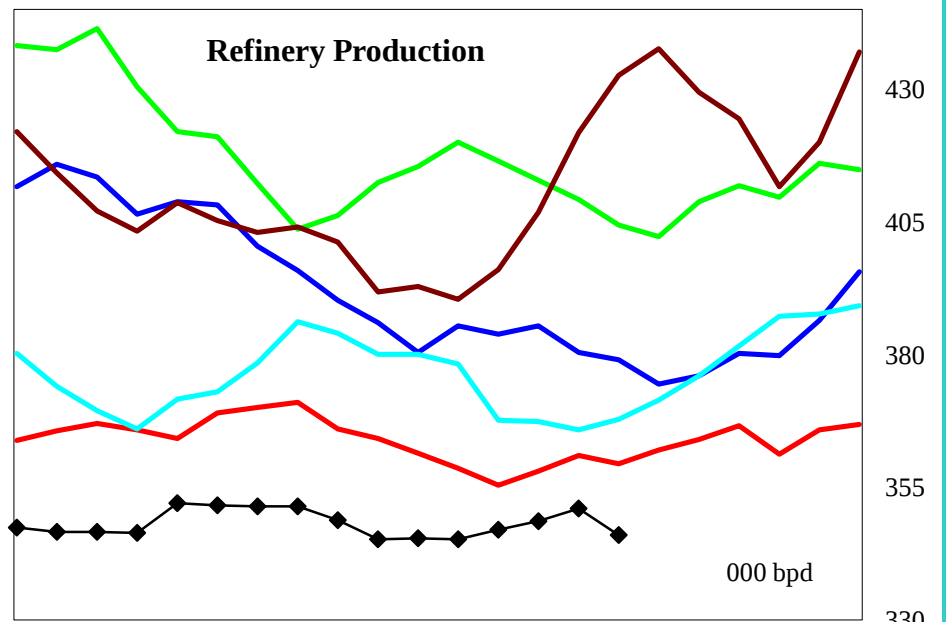
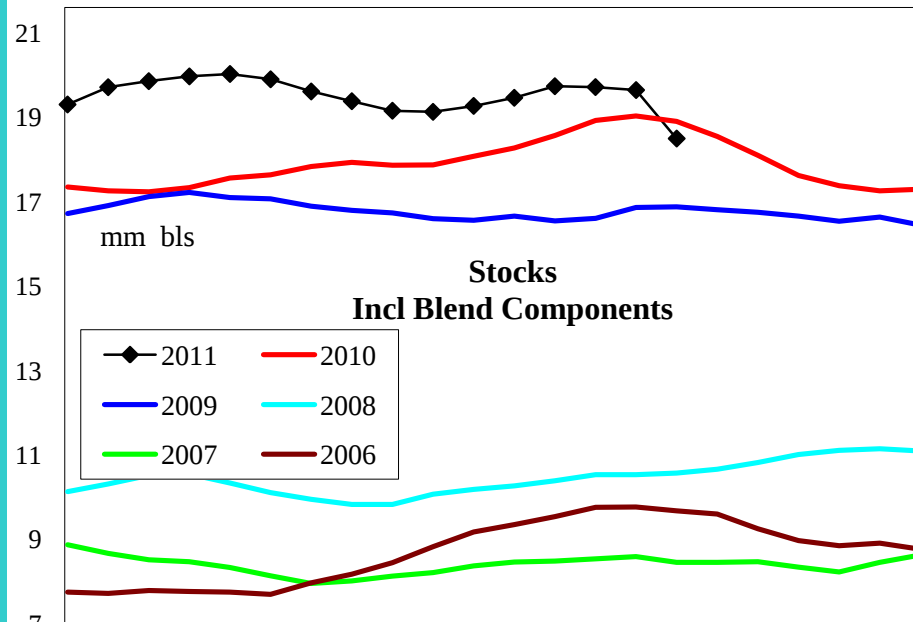
PADD 2 Crude Oil Supply and Refining



PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

-407

-10

-2.1

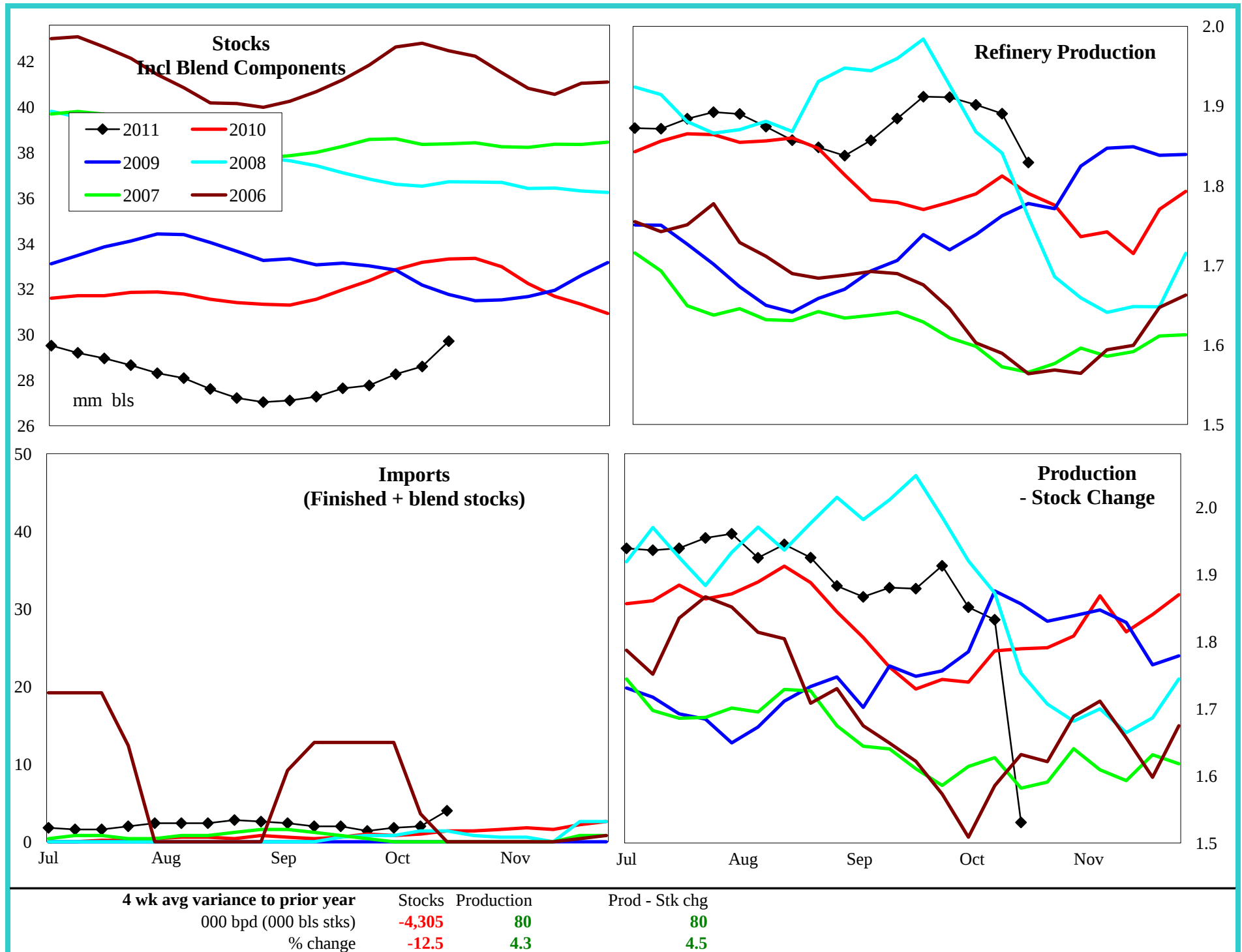
-2.9

Prod - Stk chg

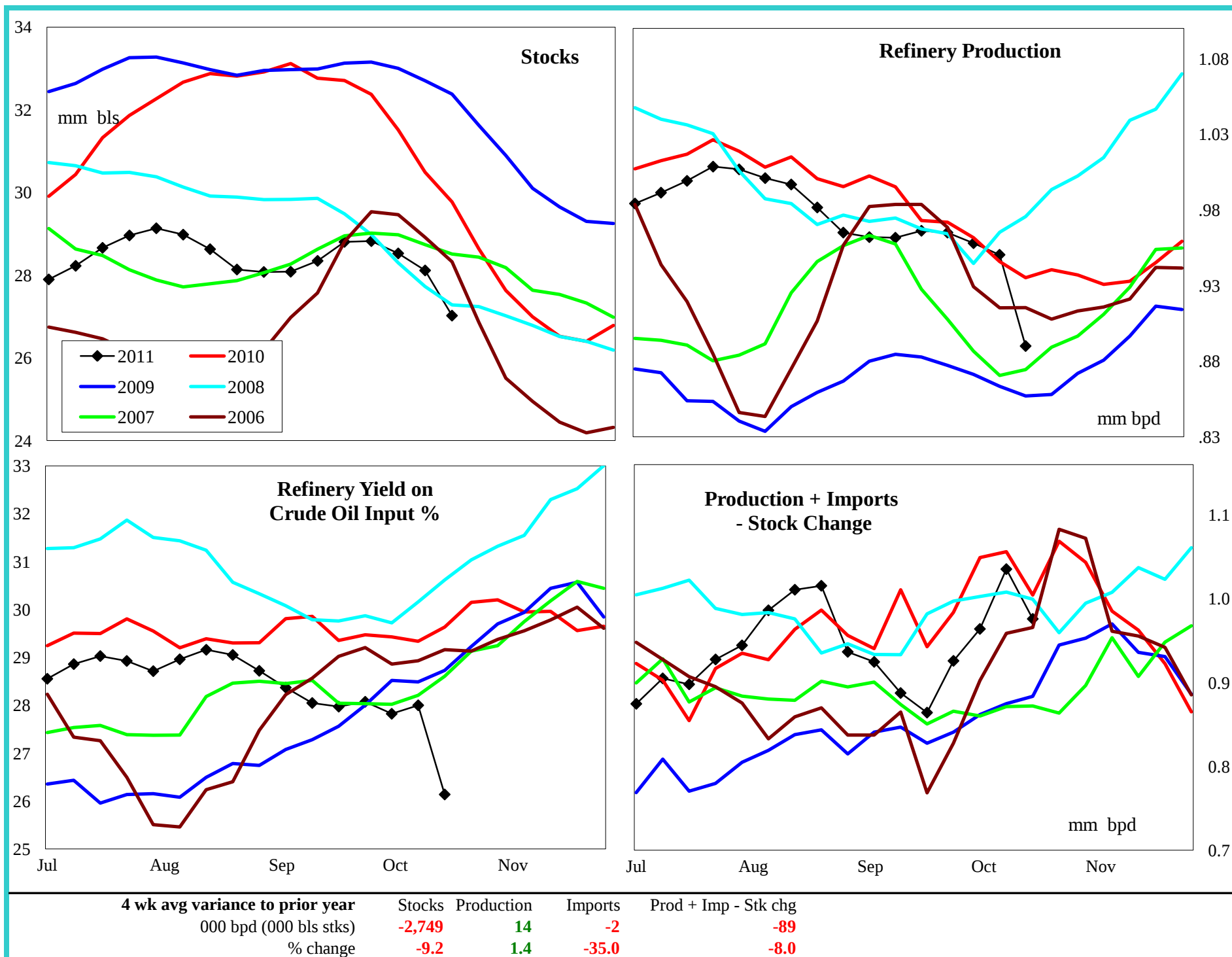
47

13.9

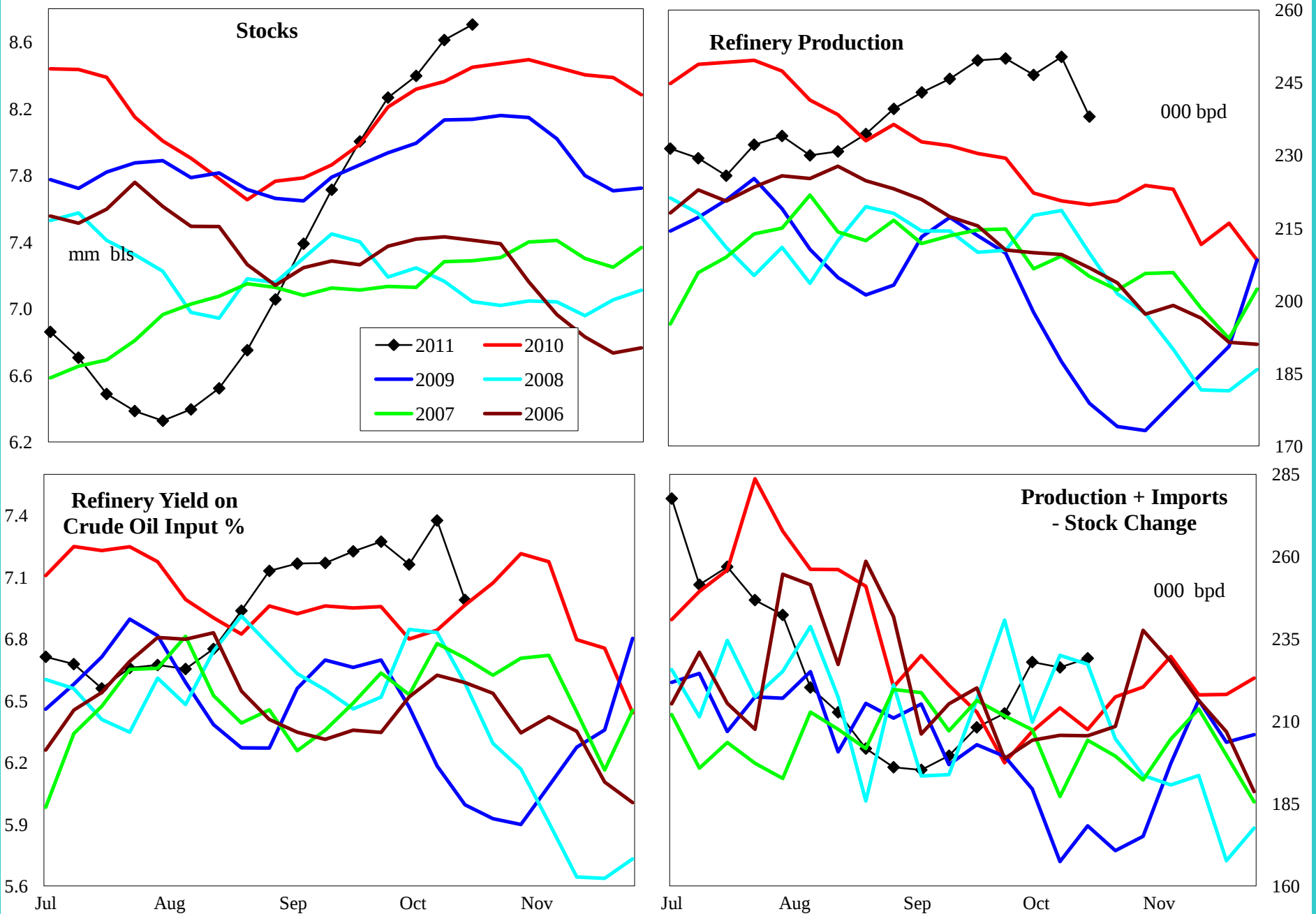
PADD 2 Conventional Gasoline Supply



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

257

26

0

15

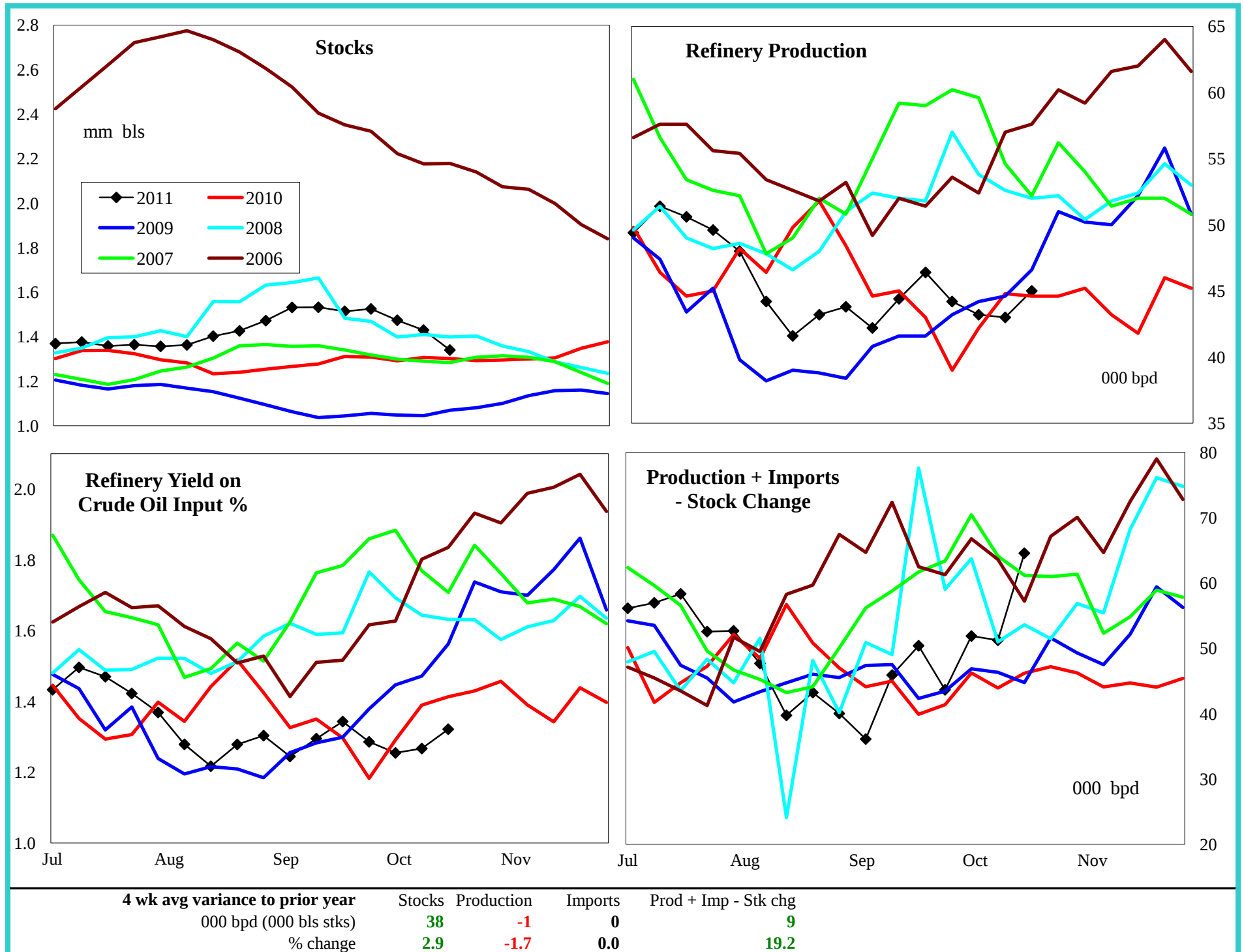
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11.9

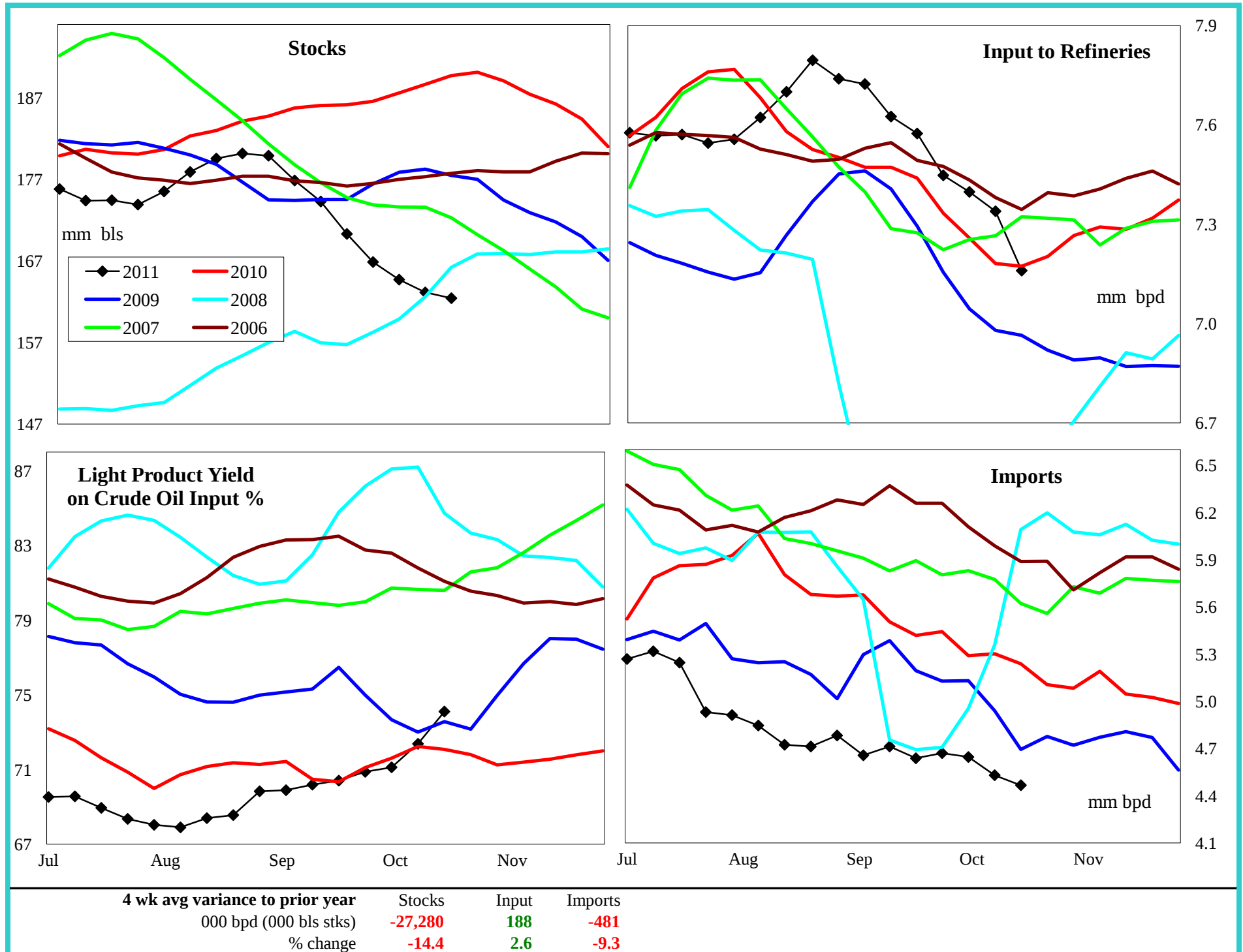
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7.4

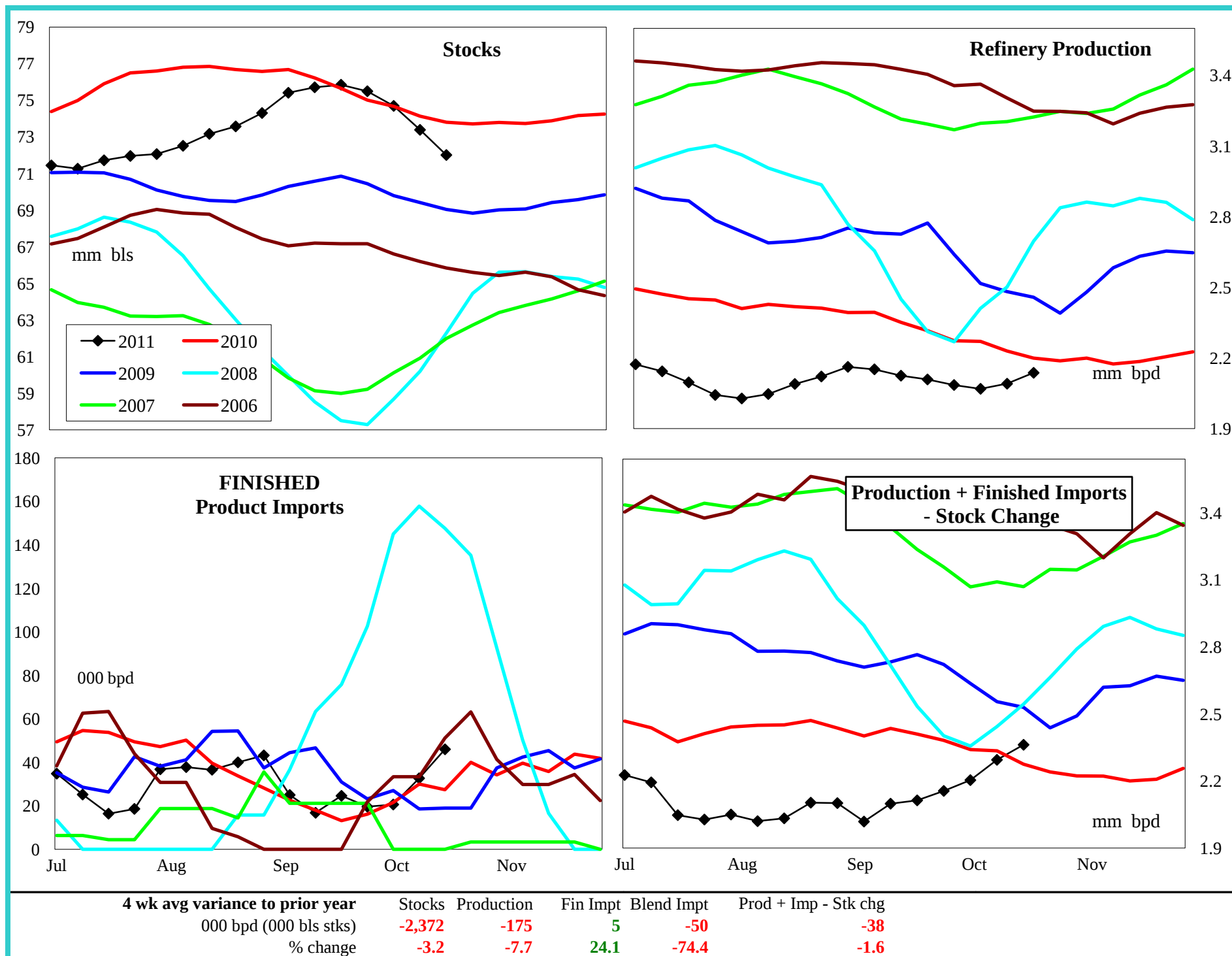
PADD 2 Residual Fuel Oil Supply



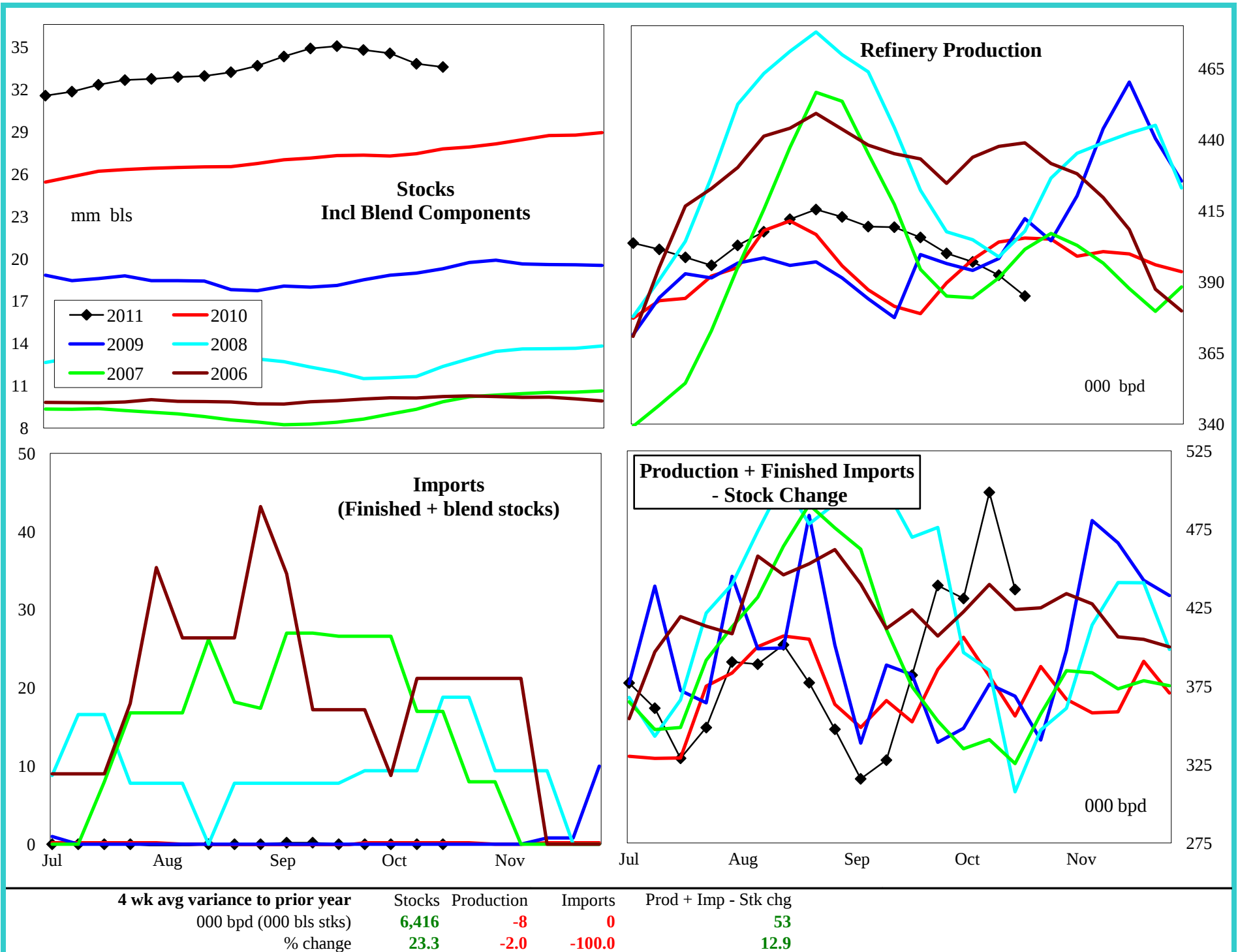
PADD 3 Crude Oil Supply and Refining



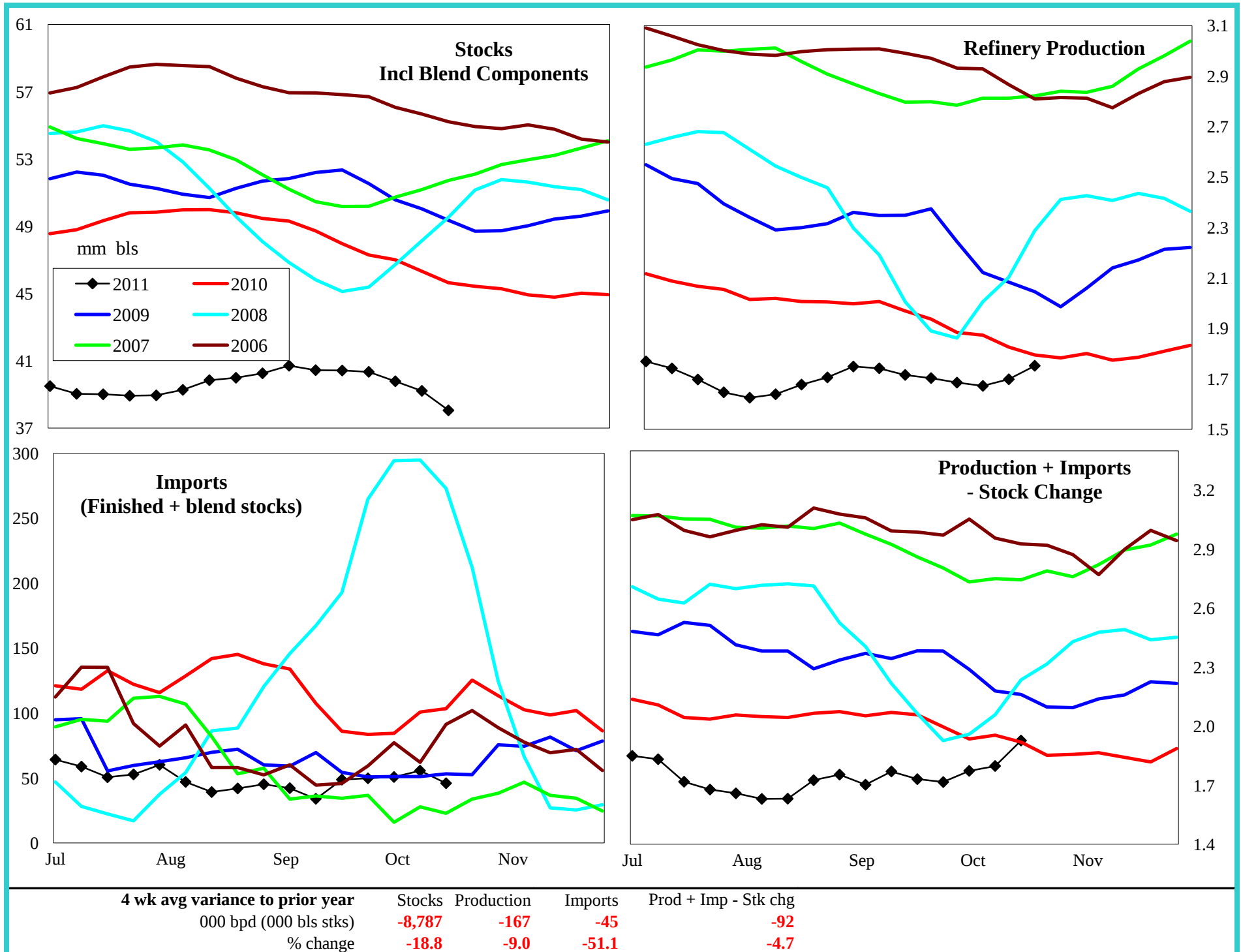
PADD 3 Gasoline Supply



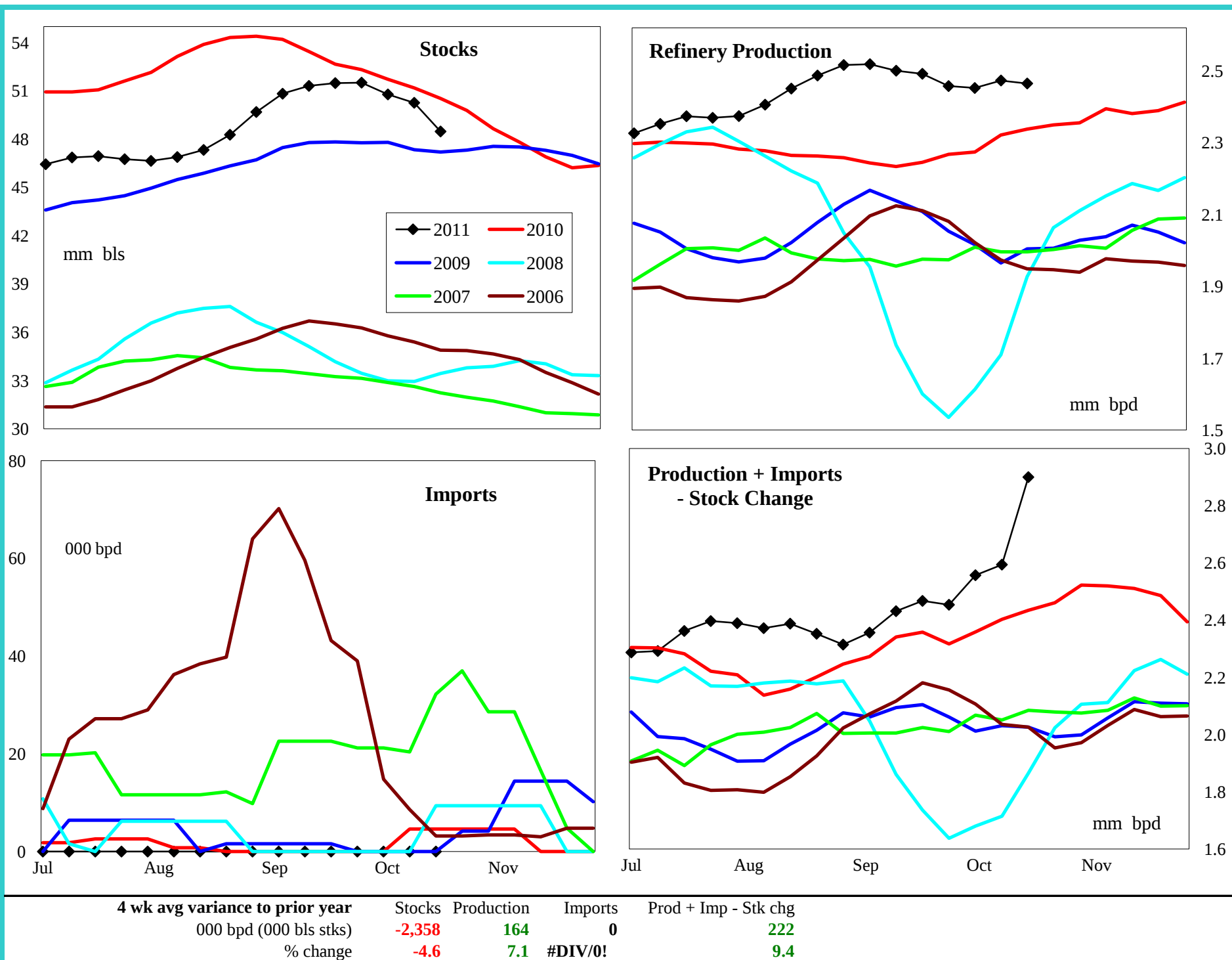
PADD 3 Reformulated Gasoline Supply



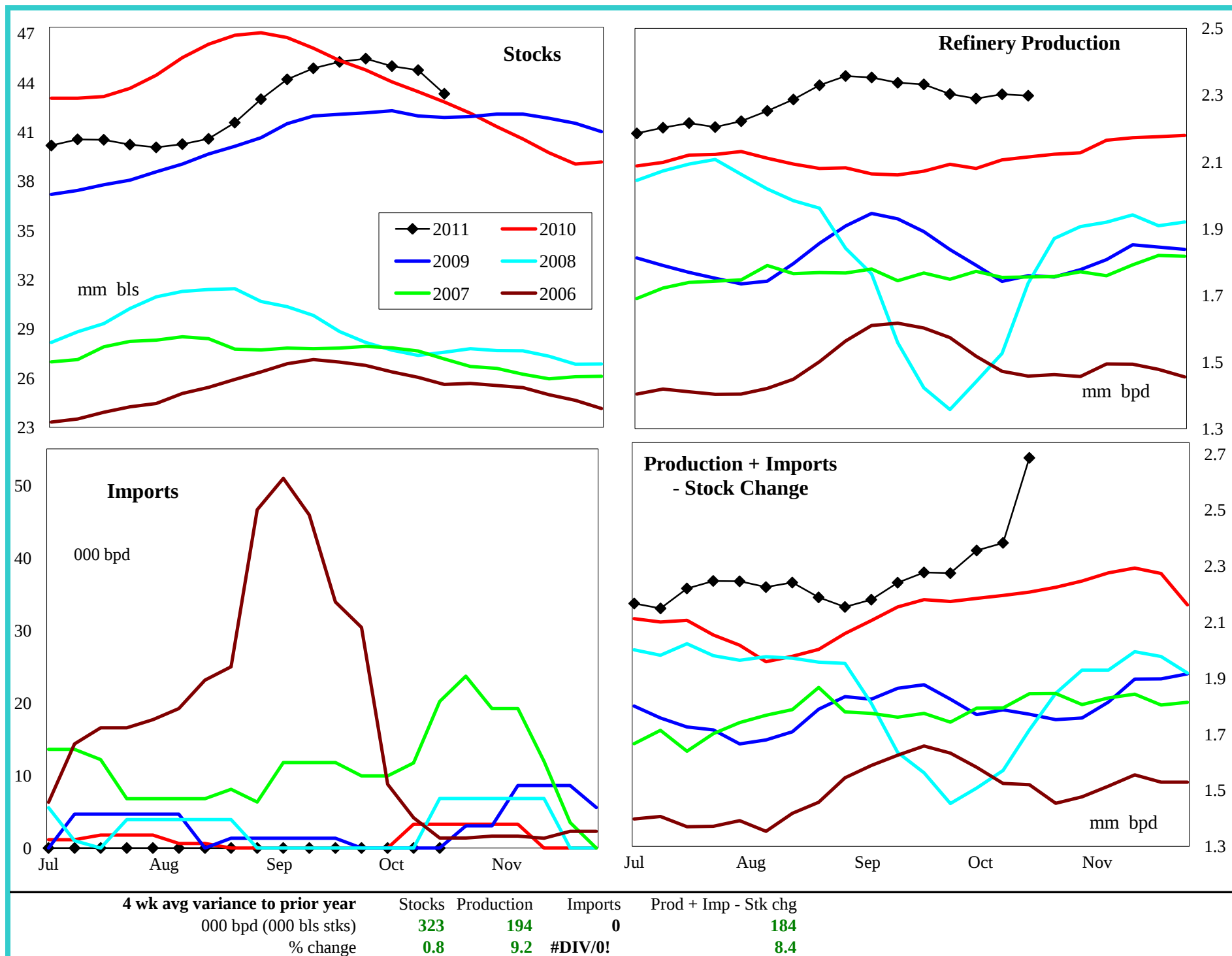
PADD 3 Conventional Gasoline Supply



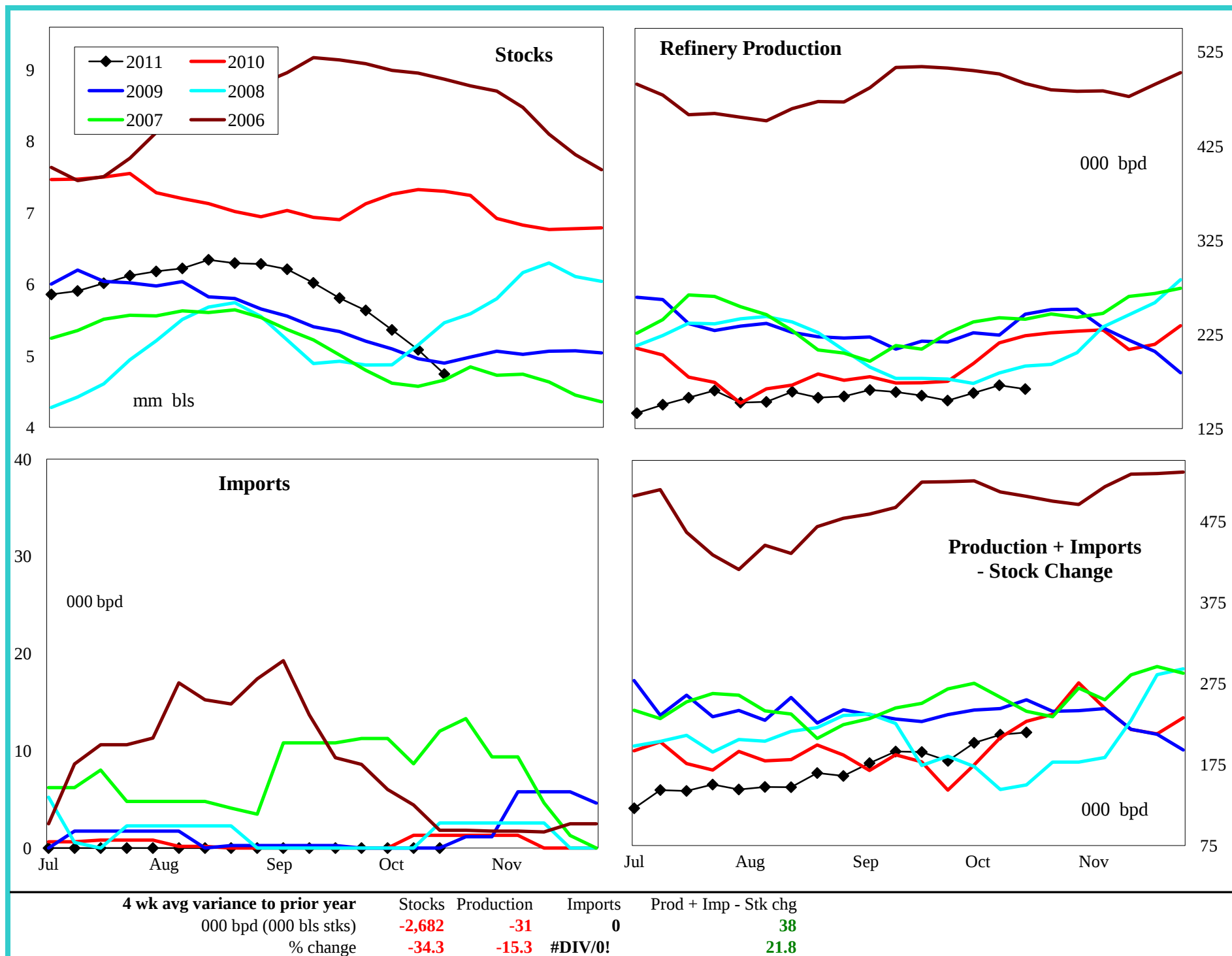
PADD 3 Distillate Supply



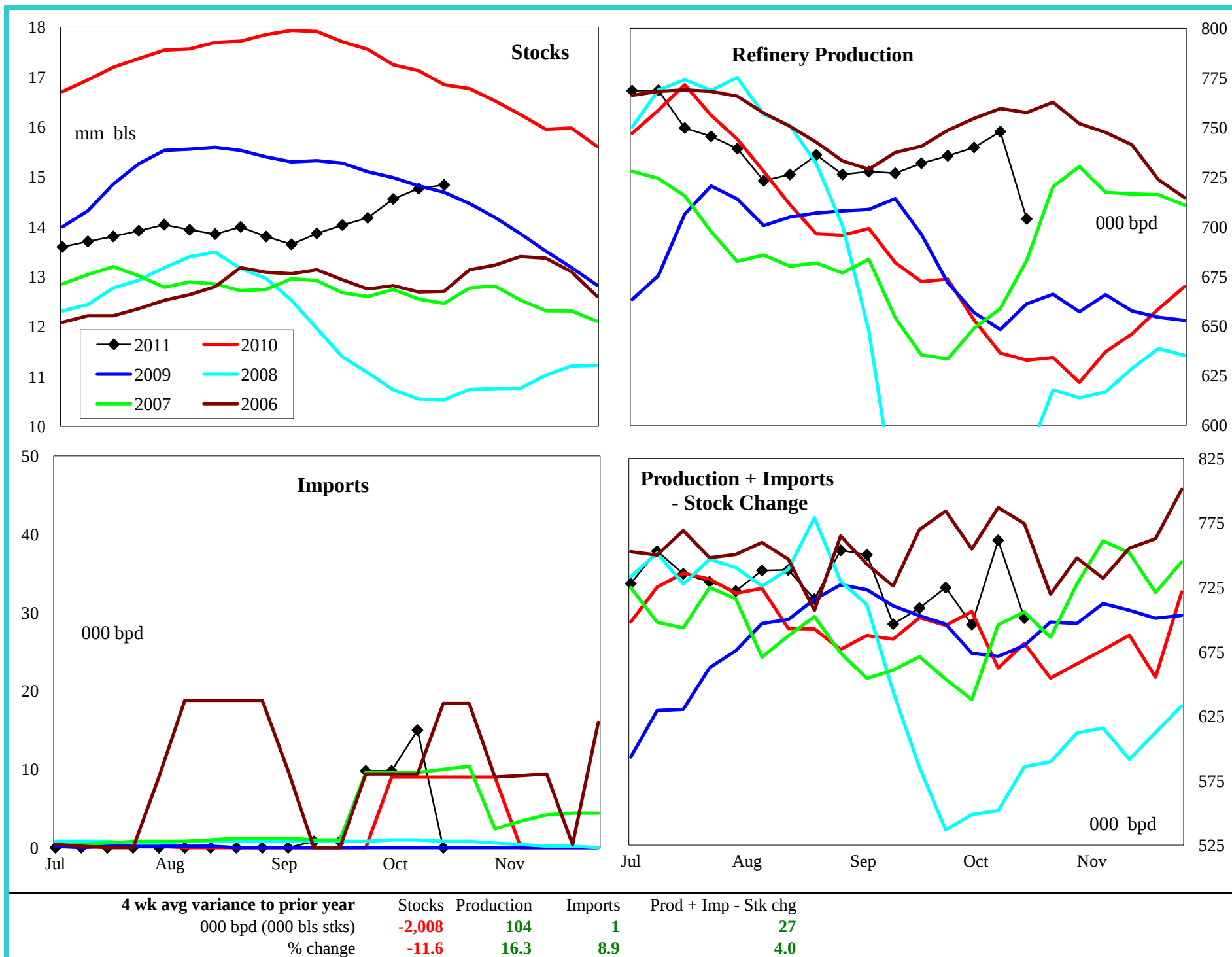
PADD 3 Low Sulfur Distillate Supply



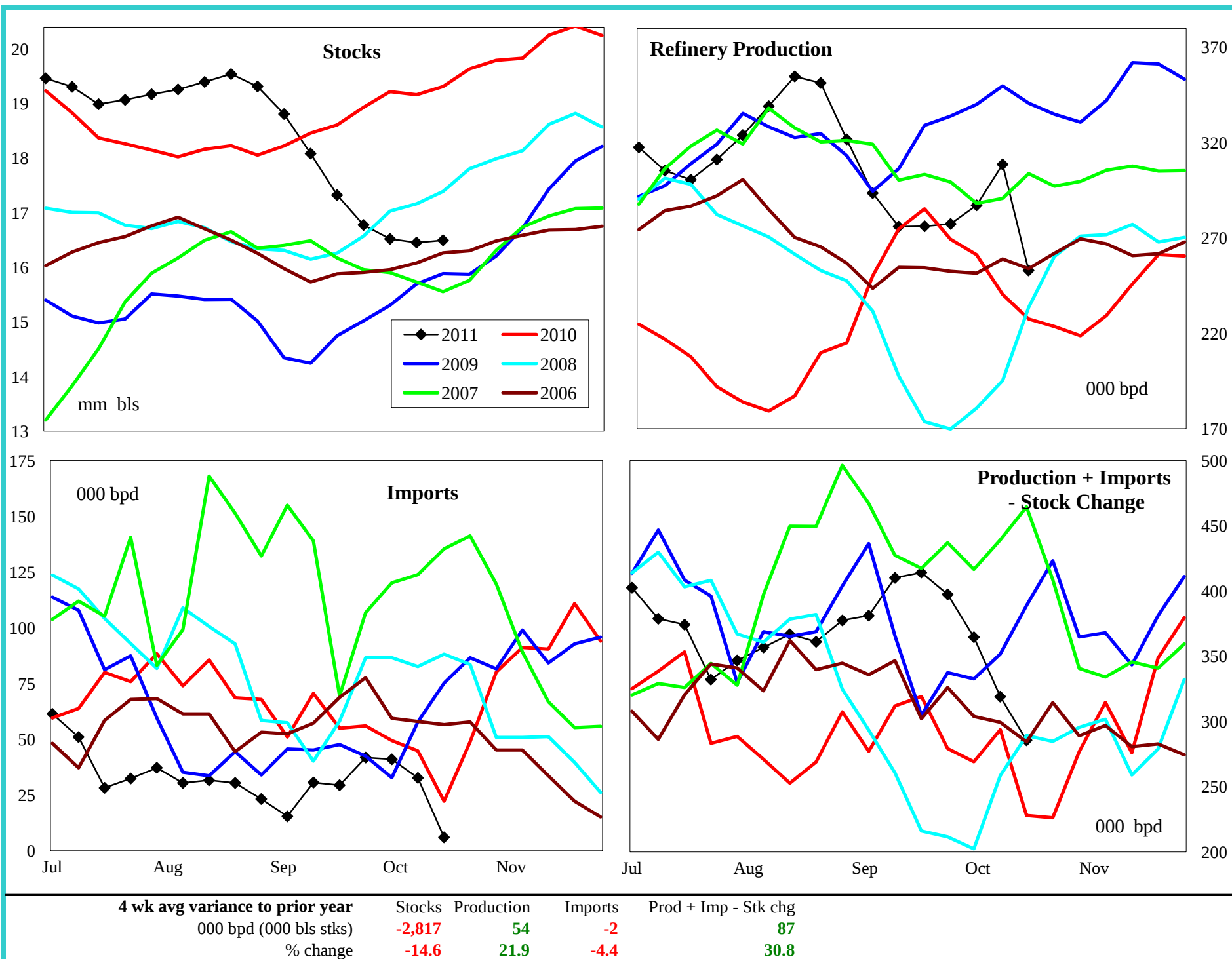
PADD 3 High Sulfur Distillate Supply



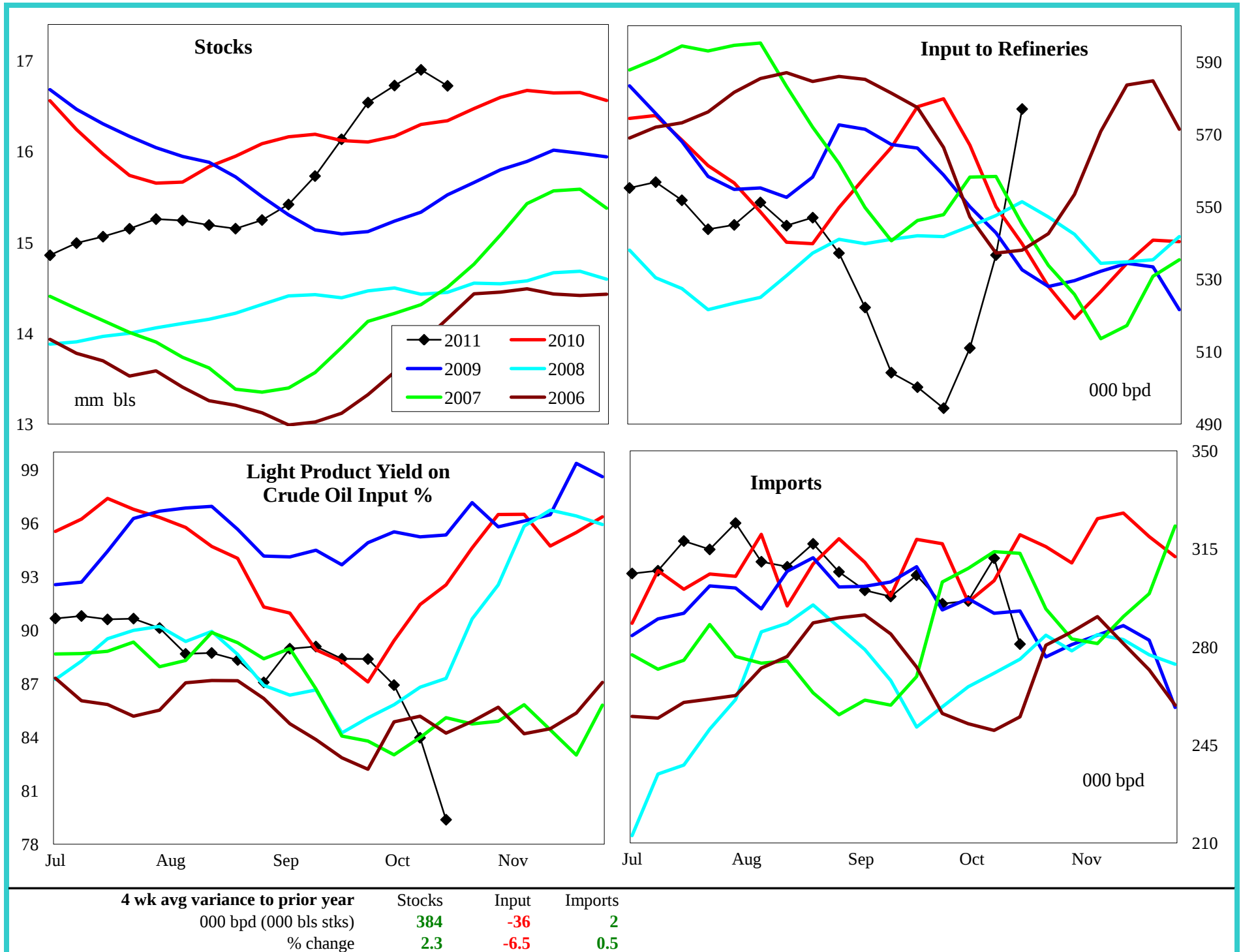
PADD 3 Jet Fuel Supply



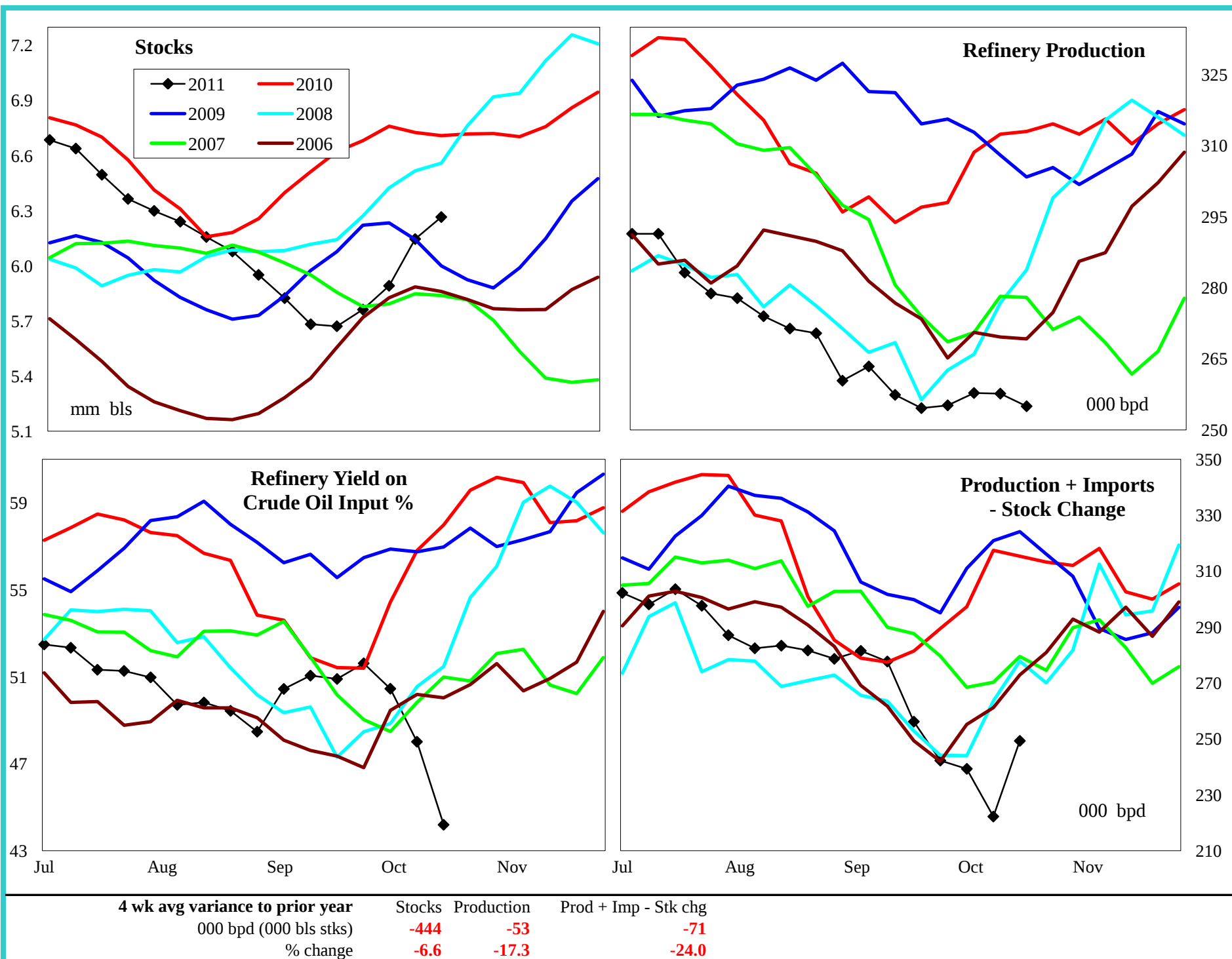
PADD 3 Residual Fuel Oil Supply



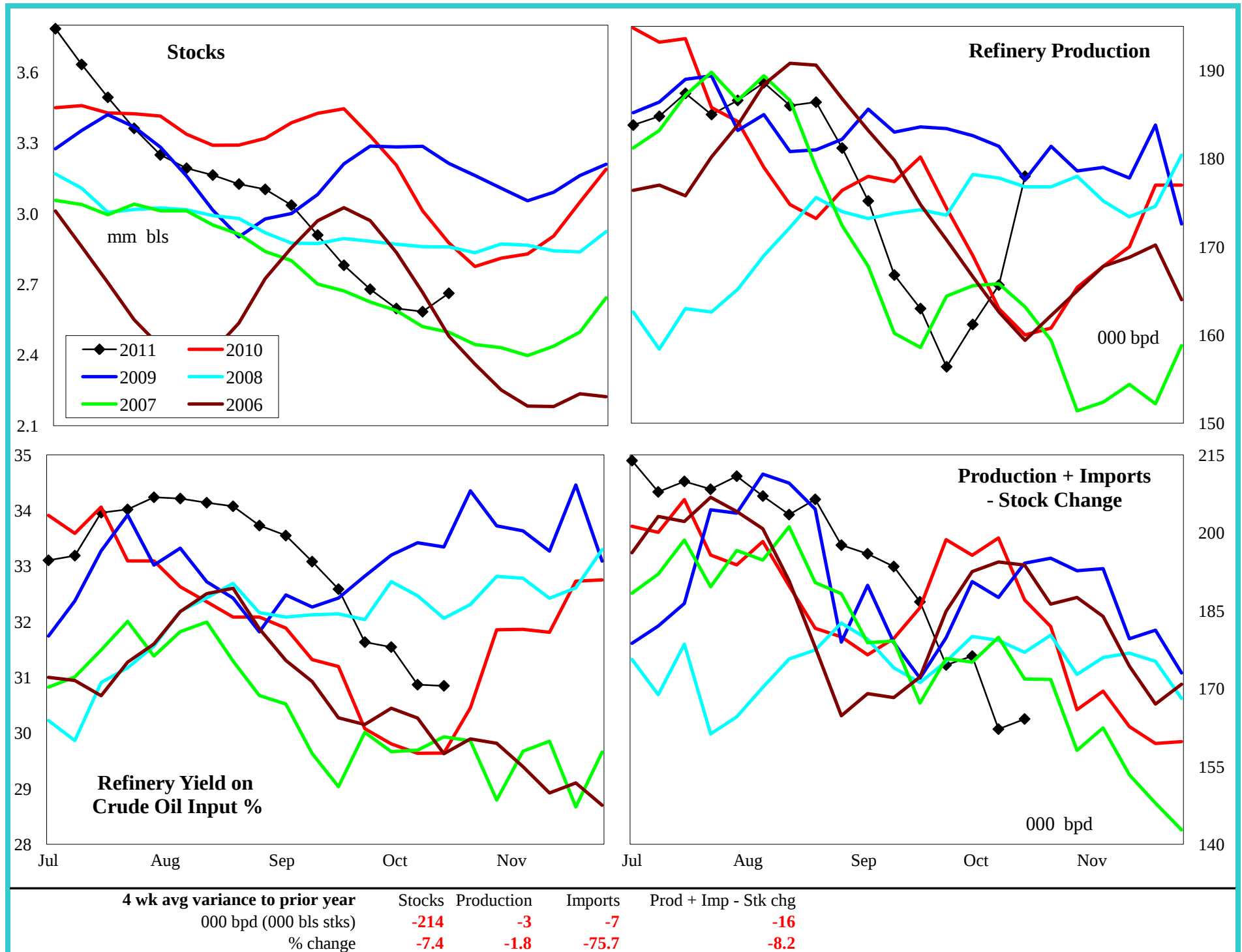
PADD 4 Crude Oil Supply and Refining



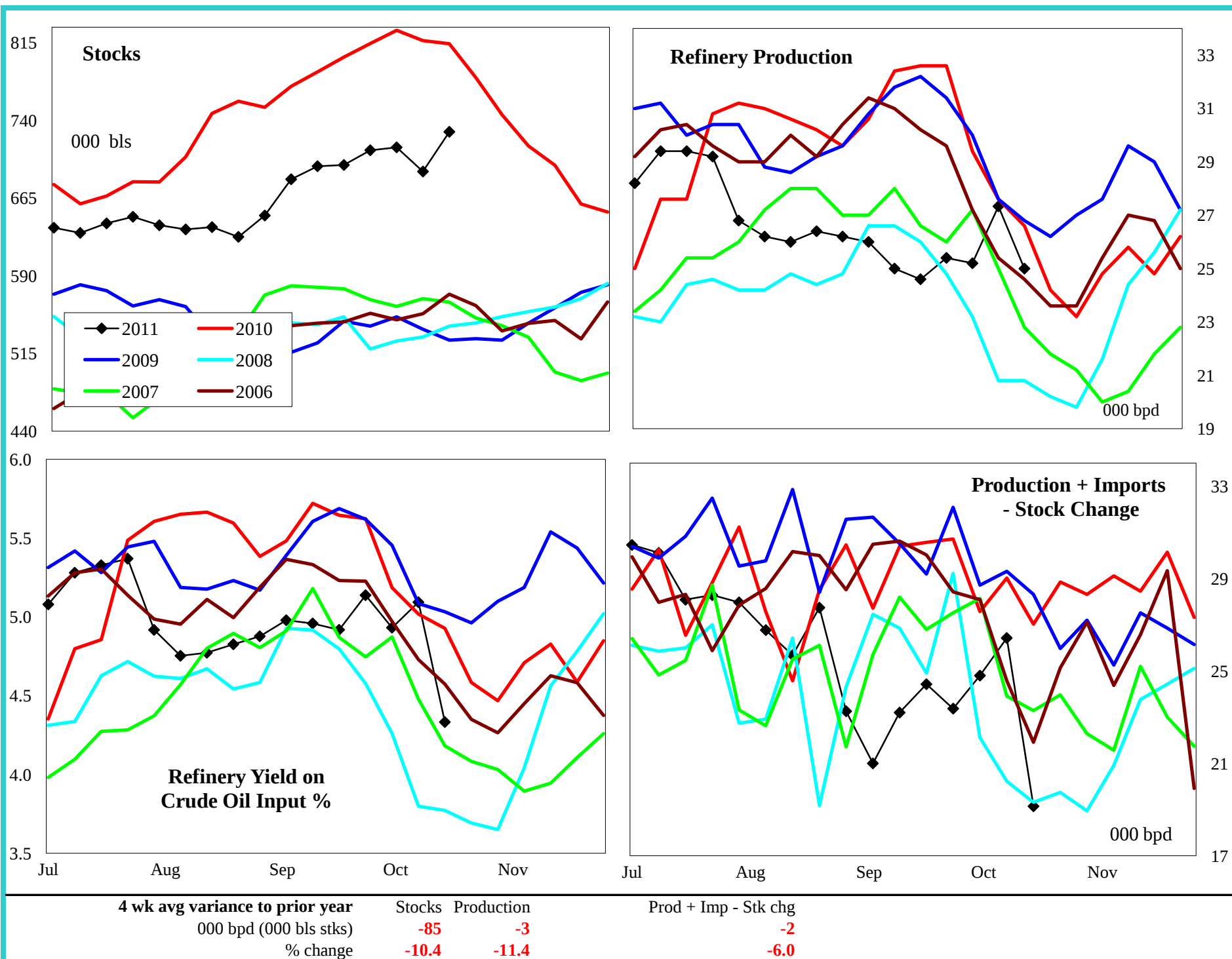
PADD 4 Gasoline Supply



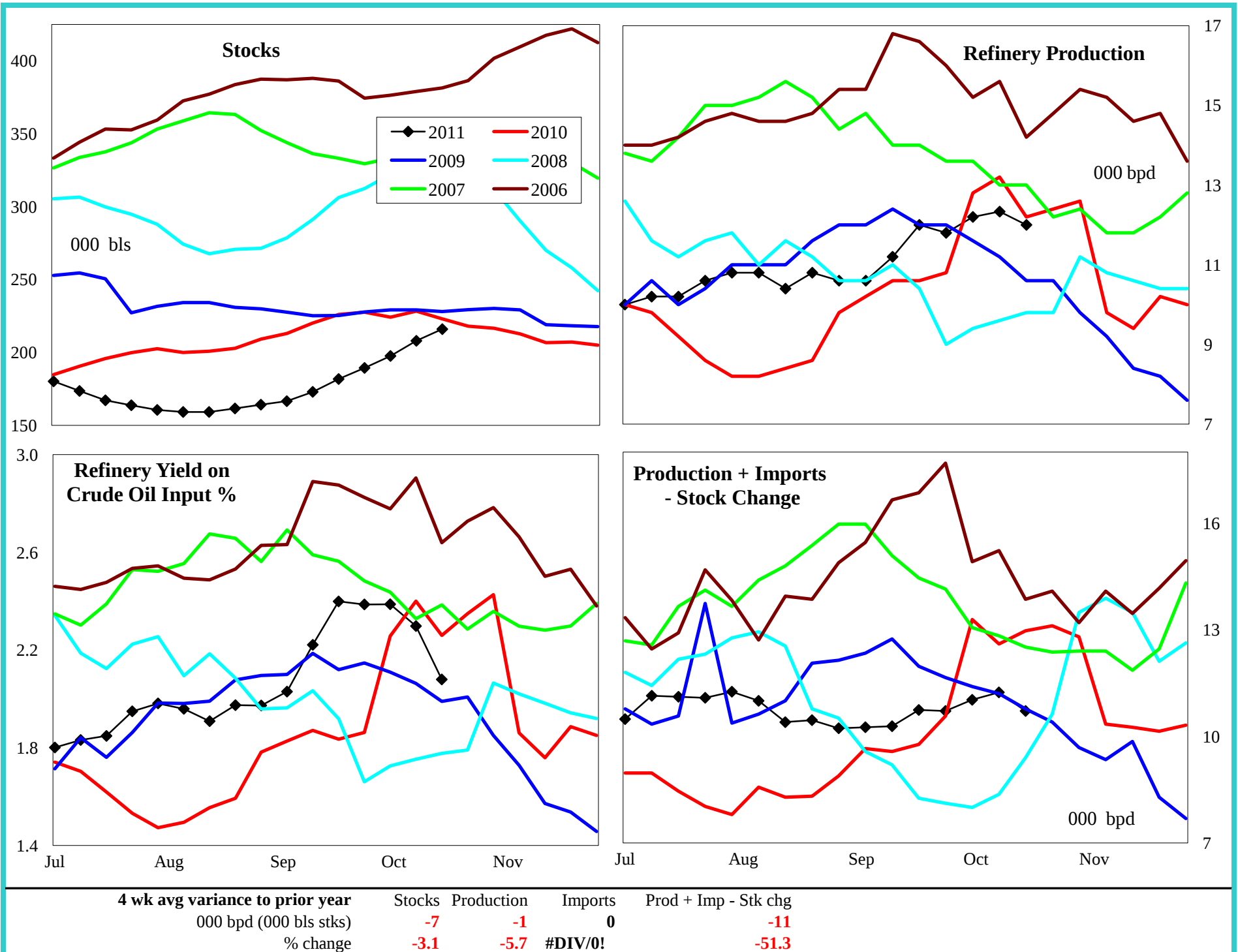
PADD 4 Distillate Supply



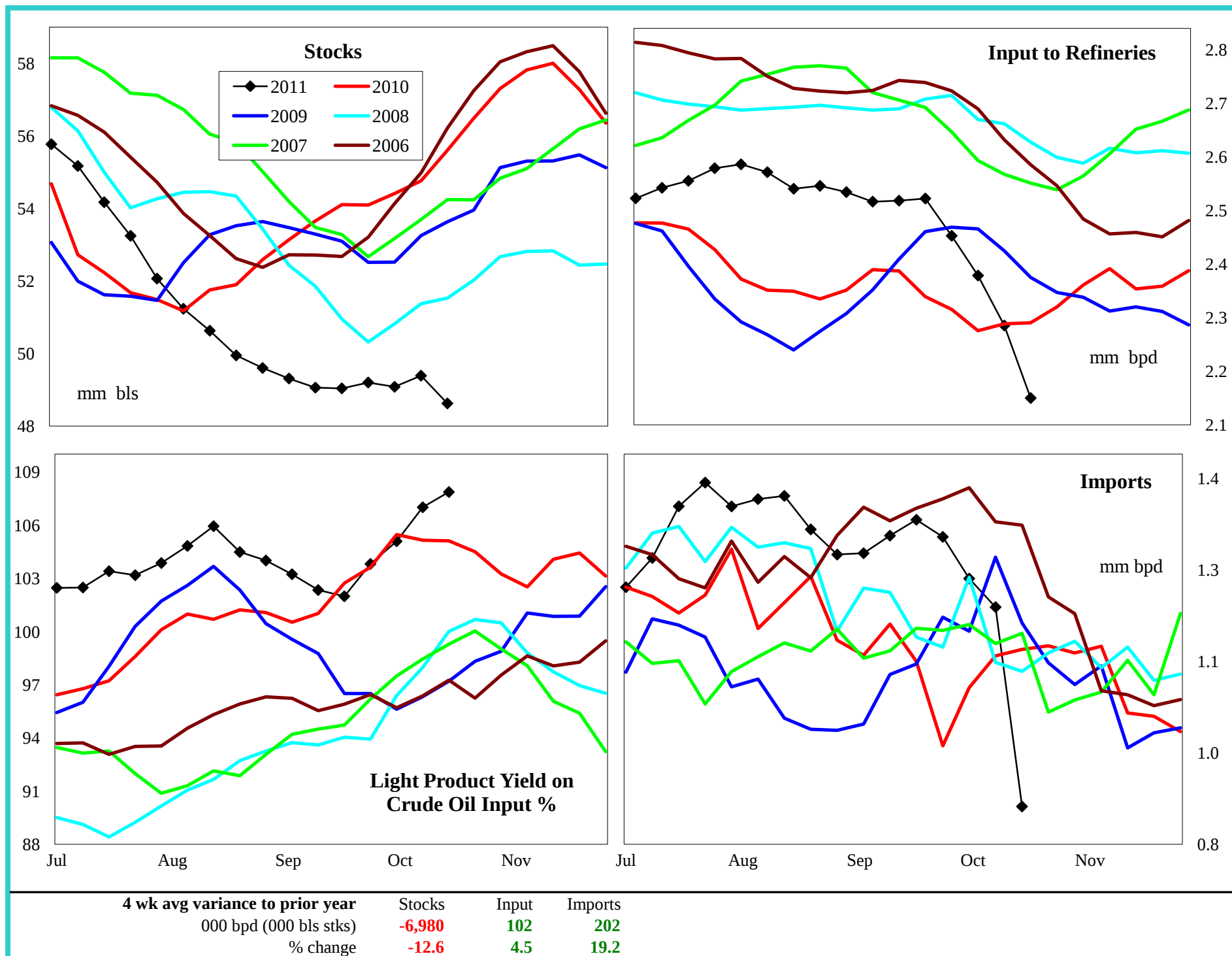
PADD 4 Jet Fuel Supply



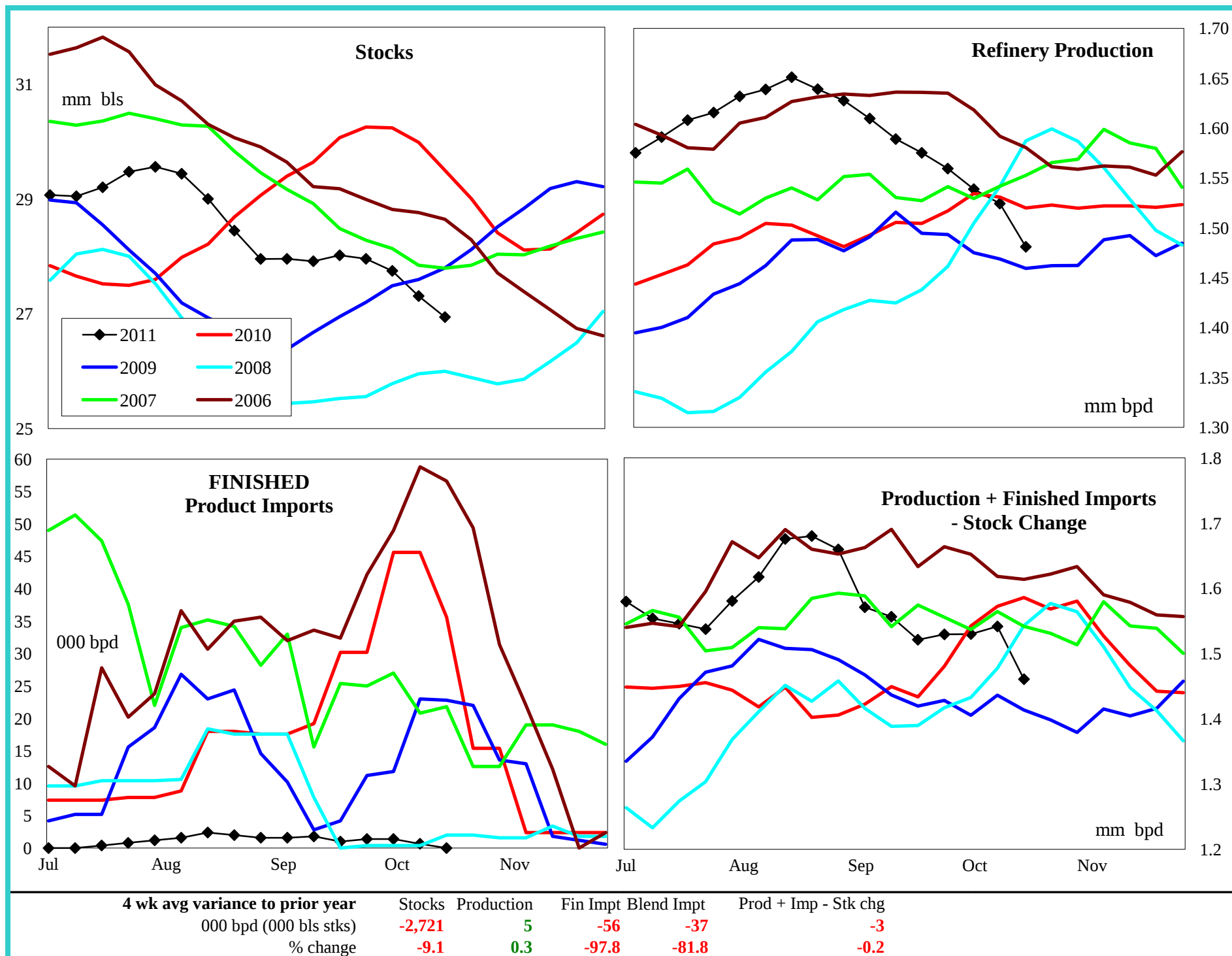
PADD 4 Residual Fuel Oil Supply



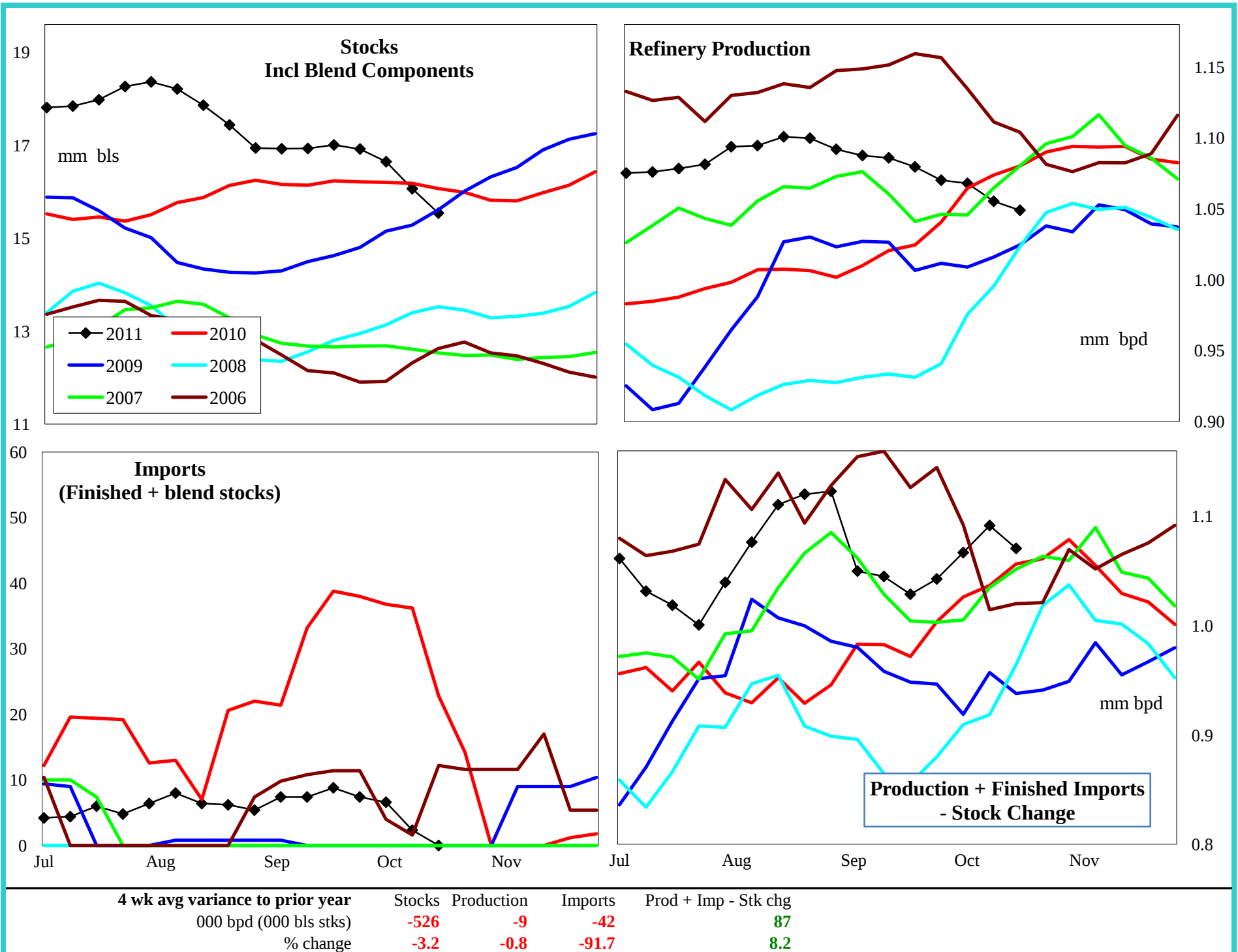
PADD 5 Crude Oil Supply and Refining



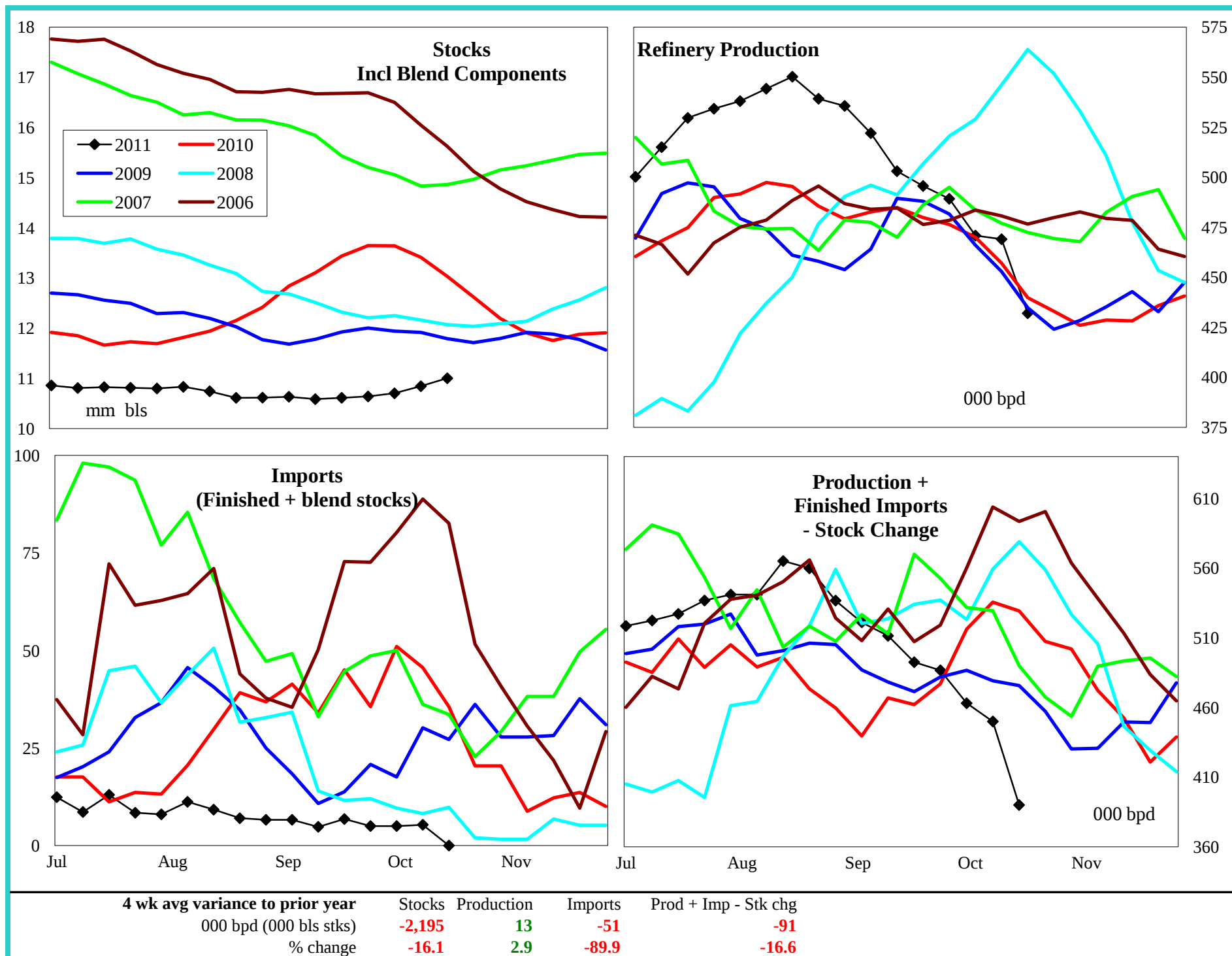
PADD 5 Gasoline Supply



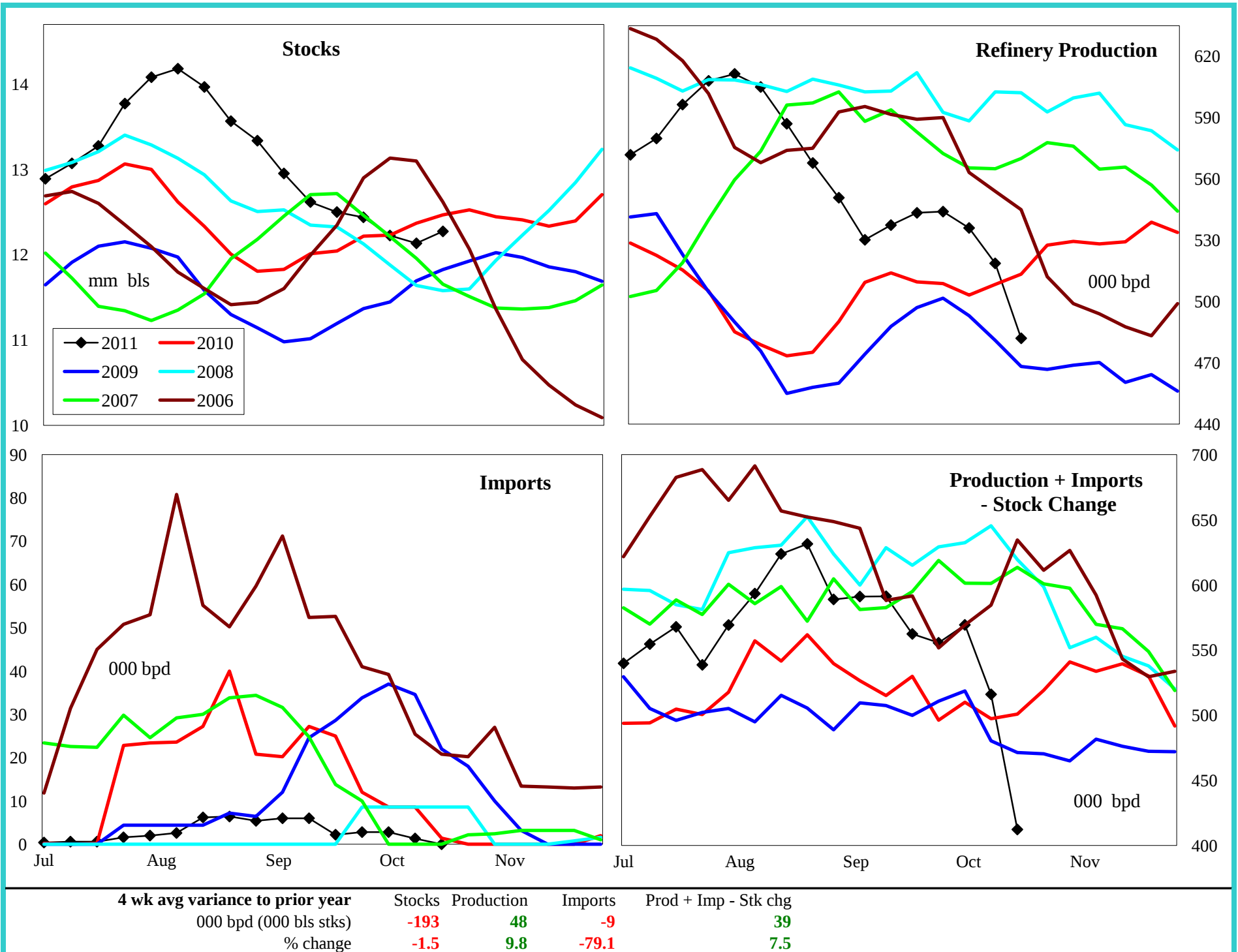
PADD 5 Reformulated Gasoline Supply



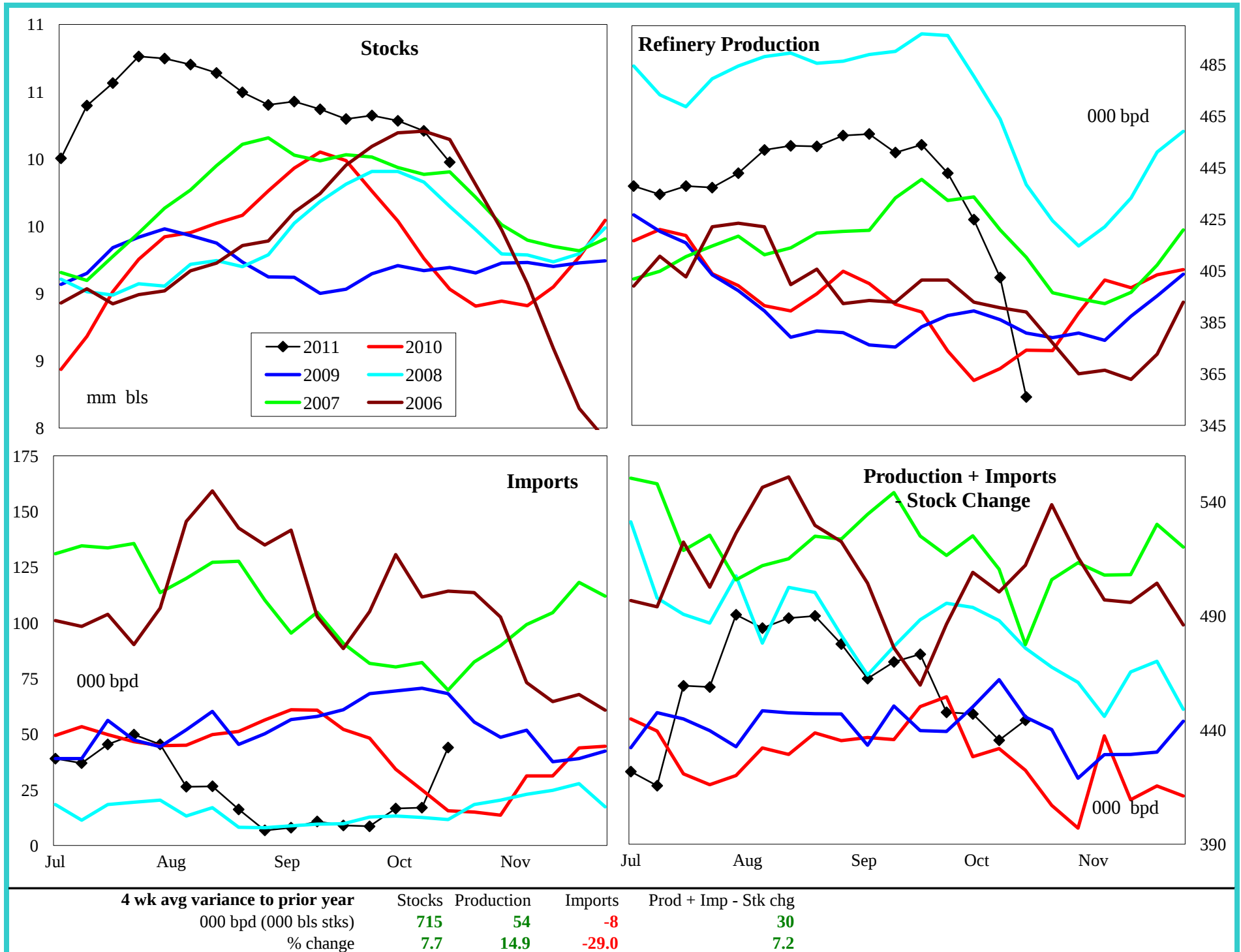
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

