



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

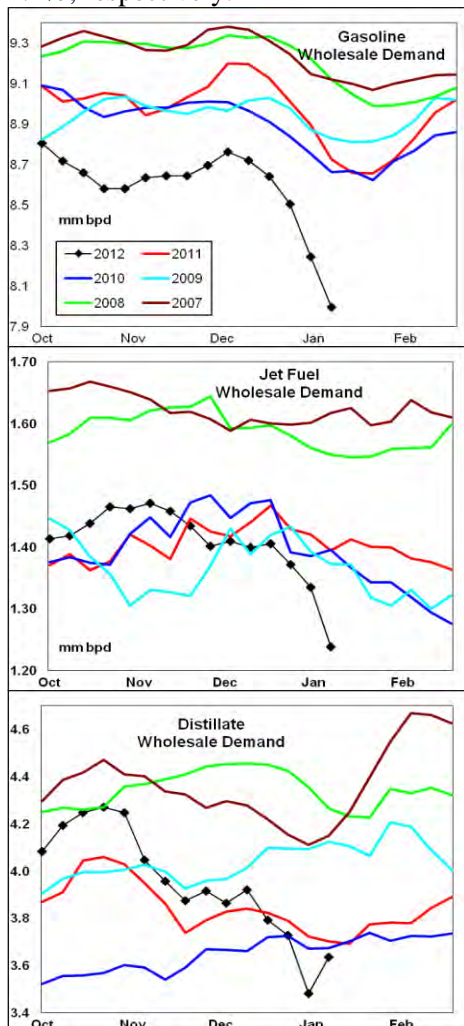
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Sunday, January 22, 2012



Major Fundamental Trends¹

The latest 4-wk average demand for transport fuels saw the largest year-on-year declines since the recession ended with gasoline, jet fuel and distillate demand down -6.1%, -5.6% and -4.4%; respectively.



Unusually warm temperatures and lack of inclement travel conditions failed to stimulate increased gasoline or jet fuel use. Record low heating degree days led to lower heating fuel demand and more efficient operation of commercial transport fleets, driving distillate demand lower.

Structural changes in gasoline use underlie the collapse in gasoline demand; a more fuel efficient

automobile fleet and a drop in miles traveled. With reduced employment, miles traveled for work commuting has also declined.

Weak demand has led to a sharp rise in gasoline stock levels in the Midwest, Rockies and West Coast. However the low level of imports and high exports from PADDs 1 and 3 has constrained seasonal stock builds in these regional markets. With refinery closures in Europe and announced closures in the Caribbean and PADD 1, fears of a supply squeeze in the New England and Central Atlantic Regions during the spring quarter has supported gasoline prices.

The recent weakness in distillate demand has more than offset lower seasonal production; leading to above average stock builds in the combined regions of PADD 1 + 2 + 3; with the build concentrated in the Midwest.

Demand increased +0.4 million bpd for distillate last week, while gasoline and jet fuel were each lower. Wholesale demand measured over the last four weeks compared to a year ago: gasoline decreased -6.1%; distillate down -4.4%; jet fuel down -5.6% while residual fuel oil increased +9.6%.

Stocks forward coverage: Gasoline demand coverage increased on a +3.7 million barrel stock build last week, with the coverage level reaching a new record high on weak demand.

Distillate coverage increased on a +0.4 million barrel stock build and continued weak demand. Coverage levels were below the last 2-years.

Jet fuel coverage levels were comparable to the last 2-years on a +0.8 million barrel stock build for the week.

Refinery utilization rates decreased on a -352,000 bpd drop in crude oil runs. During the latest 4-wk period crude oil input was -30,000 bpd below a year ago.

Gasoline yield % on crude oil runs increased on a +49,000 bpd rise in output, compared to a -352,000 bpd

fall in crude oil runs last week. Yield % on crude oil runs remained at the low end of the historic range.

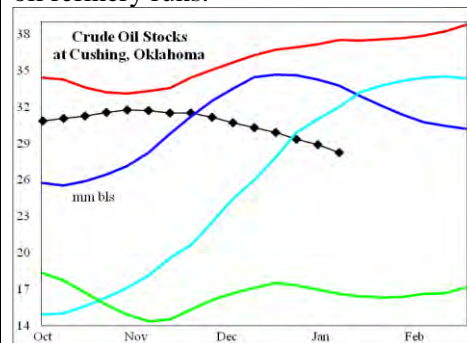
Distillate yield % on crude oil runs decreased on a -282,000 bpd drop in output, compared to the decline in crude oil runs. The yield % fell to the lowest level since October 2011.

Jet fuel yield % on crude oil runs decreased last week on a -69,000 bpd decline in output compared to lower crude oil runs. Yield % levels were below the 5-year mid range.

Petroleum Imports of crude oil fell -1.6 million bpd last week with sharp decreases in all major markets. Combined transport fuel imports were +159,000 bpd higher on the week.

During the latest 4-wk period crude oil imports increased +258,000 bpd over last year; distillate imports decreased -60,000 bpd; finished gasoline imports declined -10,000 bpd, gasoline blend stock imports declined -147,000 bpd; jet fuel imports were -45,000 bpd lower, while residual fuel oil imports declined -129,000 bpd.

Crude Oil stocks fell -3.4 million barrels last week, the result of a -1.6 million bpd drop in imports that more than offset the -0.4 decrease in crude oil refinery runs.



The counter seasonal drawdown of Cushing crude oil stocks continued last week, with the stock level now below each of the last 3-years. Attractively priced inland domestic supplies are being direct shipped to refiners and bypassing Cushing.

¹ Source is latest EIA Weekly Statistics



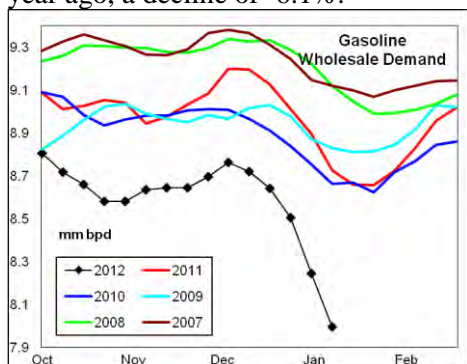
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Product Supply-Demand Trends

Gasoline demand extended the seasonal downtrend and year-on-year decline last week, falling to fresh 5-year lows. The latest 4-wk average demand was -548,000 bpd below a year ago, a decline of -6.1%.



Production increased +49,000 bpd last week, while imports climbed +109,000 bpd. Stocks increased +3.7 million barrels on the week.

Stock levels in the Central Atlantic Region of PADD 1 improved and in the Midwest stocks reached new 5-year highs.

Imports of blend stocks and finished product remain at exceptionally low levels on refinery closures in Europe.

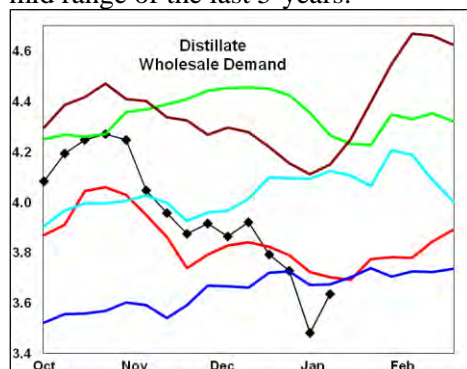
The rate of demand destruction continues to offset refiners and blenders curtailment of supply, lifting stock levels to match 5-year highs. All regional markets are very well supplied, except New England and the Central Atlantic Regions where stock levels remain below the historic mid range; increasing the risk of a supply squeeze in the spring driving season. Refinery closures in the Caribbean and Central Atlantic Region increase this risk even with exceptionally low demand.

Distillate demand increased +356,000 bpd last week, although the level remains below the 5-year range. The latest 4-wk average year-on-year change in demand was a -165,000 bpd decline; the largest decline since the recession ended.

Supplies declined -226,000 bpd on

sharply lower production; with the latest 4-wk average supply +152,000 bpd above a year ago. Stocks increased +0.4 million barrels on the week demand. Stock levels ended the week -18 million barrels below last year.

The latest 4-wk stock change in markets East of the Rockies was a build of +6.2 million barrels, above the mid range of the last 5-years.



Demand bounced back last week on higher heating fuel use and transport demand. However the year-on-year decline of -165,000 bpd, confirms the impact of an extremely warm winter on distillate demand.

With continued warm temperatures across much of country through early February, demand should remain lackluster.

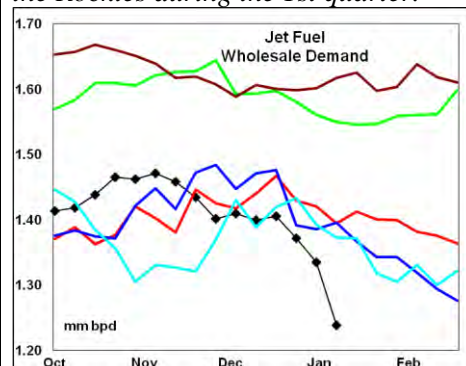
The Midwest, Rockies and West Coast markets each remain over supplied on weak demand and record high production rates that have lifted stock levels to 5-year highs. Exports from the Gulf and East Coast have drawn down stocks in those regions to levels sharply below the last 2-years.

Jet Fuel demand fell -169,000 bpd last week as the seasonal downtrend in demand began. The latest 4-wk average demand was -80,000 bpd below a year ago.

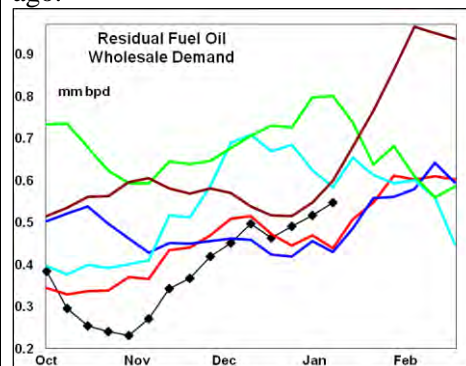
Supply decreased -75,000 bpd last week, on lower production. Stocks climbed +0.8 million barrels last week, a level -1.8% below last years' record high.

Stock levels remain particularly high in PADDs 2, 4 and 5, while stock levels in the Gulf are at the mid range.

The seasonal decline in demand should assure well supplied markets East of the Rockies during the 1st quarter.



Residual fuel oil demand increased +201,000 bpd on the week, to a level above the last 2-years. The latest 4-wk average was +46,000 bpd above a year ago.



Supply (production + imports) increased +106,000 bpd last week, on higher production and imports. The latest 4-wk average supply was -147,000 bpd below last year, and a record low for this time of year. Stocks decreased -1.3 million barrels to a level below the 5-year range.

Refiners and importers have reduced supplies to record low levels, leading to -4 million barrel stock drawdown during the last month. While stock levels in the key Gulf region remain above the mid range, on a national level the level has dropped below the 5-year range.



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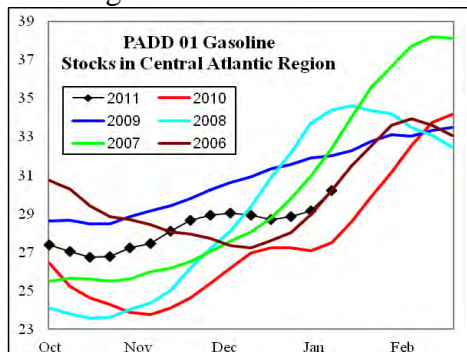
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PADD Supply Trends

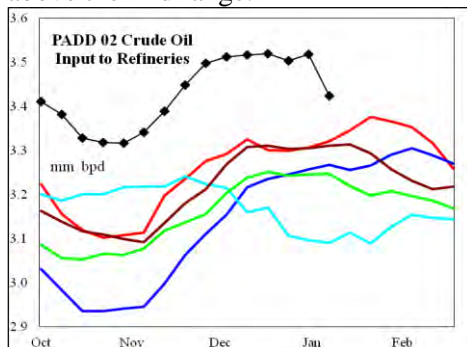
PADD 1 refinery crude oil runs increased +42,000 bpd on the week, with the latest 4-wk average -74,000 bpd below last year, and a record low rate for this time of year.

Gasoline production climbed +127,000 bpd last week, with an additional +176,000 bpd rise in imports. The increase in supply led to +1.1 million barrel stock build on the week. Stock levels in the key Central Atlantic Region are improving but still well below the mid range.



Distillate supply increased +31,000 bpd last week, with the latest 4-wk average -8,000 bpd below last year. Stocks decreased -0.6 million barrels on the week, with the level at the low end of the 5-year range.

Jet fuel stocks decreased -0.2 million barrels last week to a level above the mid range.



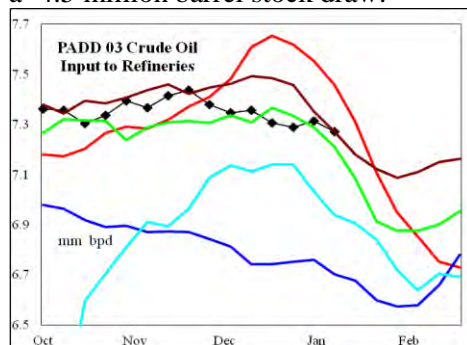
PADD 2 crude oil refinery runs fell -196,000 bpd last week, with the 4-wk average +209,000 bpd above last years' highs. Crude imports declined -158,000 bpd last week, with the latest 4-wk average +0.3 million bpd above a year ago.

Gasoline production increased +33,000 bpd, to a level near the mid range. Stocks increased +1.2 million barrels, to a level above the 5-year range.

Distillate production fell -137,000 bpd, with the 4-wk average +104,000 bpd above last year. Stocks increased +3 million barrels last week, to a level well above the 5-year range.

Jet fuel production decreased -5,000 bpd, a level above the historic range. Stocks were +3.8% above 5-year highs.

PADD 3 refinery runs declined -119,000 bpd last week, a level above the mid range. The latest 4-wk average thru put was -324,000 bpd below last year. Crude oil imports fell -0.9 million bpd, a level below the 5-year range. The drop in imports led to a -4.5 million barrel stock draw.



Gasoline production decreased -69,000 bpd on the week. Stocks increased +0.1 million barrels last week, to a level -6% below prior record highs.

Distillate production fell -145,000 bpd on the week, with the latest 4-wk average -4,000 bpd below the previous 5-year high. Stocks fell -2 million barrels, to a level -12 million barrels below the historic high for this time of year.

Jet fuel supply increased +3,000 bpd on the week, to a level comparable with the last 3-years. Stocks increased +0.6 million barrels to a level that matched the 5-year mid range.

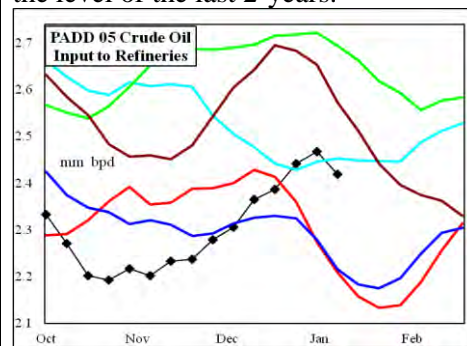
Residual fuel oil supplies increased +3,000 bpd on the week, due to higher production. Stocks fell -1.4 million barrels to a level below the last 2-years.

PADD 4 refinery crude runs decreased -5,000 bpd, with the level still a record high for this time of year. The most recent 4-wk average run rate was +46,000 bpd above a year ago.

Gasoline production decreased -13,000 bpd on the week, with the latest 4-wk average -35,000 bpd below last year. Stock levels match 5-year highs.

Distillate production decreased -6,000 bpd last week, with the level still a record high for this period. Stocks remain at a level above the historic range.

PADD 5 crude oil refinery runs declined -73,000 bpd last week, a level above the last 2-years. The latest 4-wk average thru put was +114,000 bpd above last year. Light product yield % on crude oil runs were slightly below the level of the last 2-years.



Gasoline production increased +77,000 bpd last week to a level above the last 3-years. Supply (production + imports) for the latest 4-wk average was -4,000 bpd below a year ago. Stocks climbed +1.3 million barrels on the week, although the level is below the 5-year mid range.

Distillate supply increased +32,000 bpd on the week, to a level above the 5-year range for the period. The latest 4-wk average supply was +61,000 bpd above a year ago. Stocks increased +0.2 million barrels to a level near 5-year highs.

Jet fuel supply fell -69,000 bpd, although the level remains above the last 3-years. Stocks increased +0.4 million barrels on the week, to a level that matched 5-year highs.

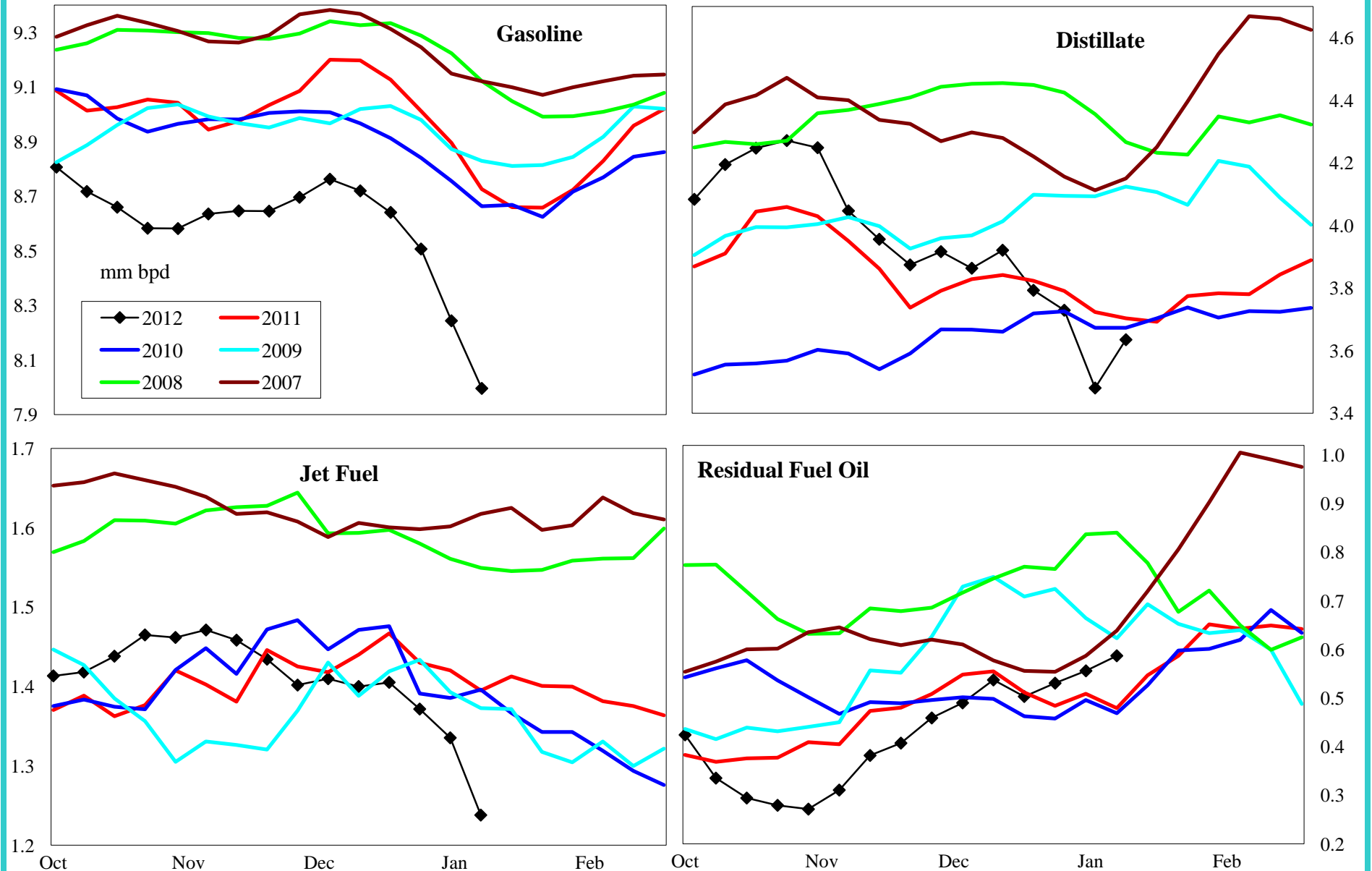


PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report January 19, 2012
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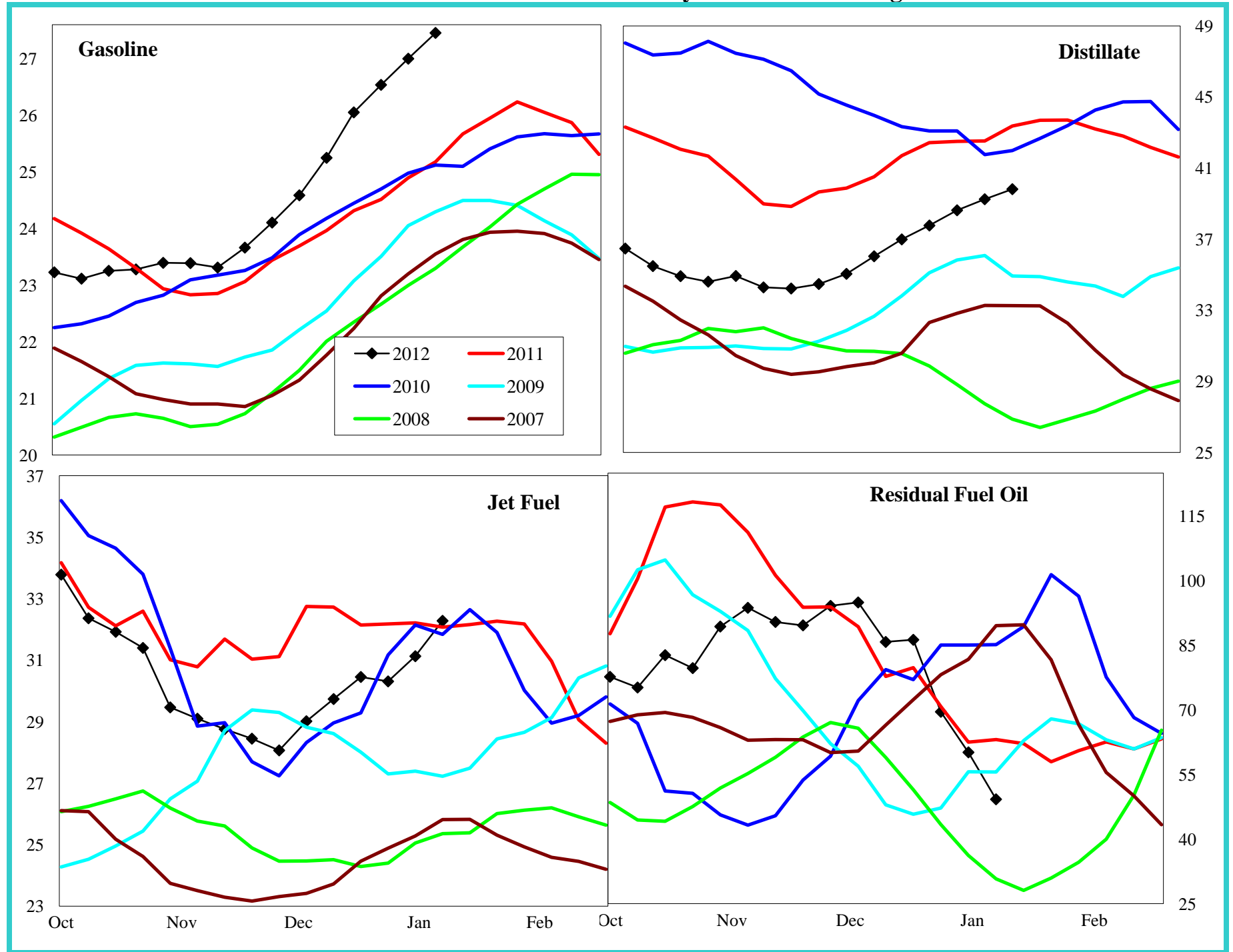
Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %			Imports	
Supply/Demand Trends	13-Jan-12	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-3,438	771	78	-4,514	139	89
	Imports	-1,642	-196	-158	-883	7	-411
	Input	-352	42	-196	-119	-5	-73
	% Utilization	-1.90					
Gasoline	Stocks	3,717	1,107	1,242	107	-13	1,276
	Production	49	127	33	-69	-13	77
	Imports	109	176	6	-56	0	-17
	Supplied	-183					
Distillate	Stocks	438	-576	2,991	-1,958	-215	195
	Production	-282	-32	-137	-145	-6	38
	Imports	56	63	-1	3	-1	-6
	Supplied	356					
Jet Fuel	Stocks	782	-197	42	613	-53	378
	Production	-69	-5	-5	3	1	-63
	Imports	-6	1	0	0	0	-6
	Supplied	-169					
Residual Fuel Oil	Stocks	-1,318	215	-52	-1,352	11	-141
	Production	47	6	14	25	2	2
	Imports	59	34	2	-22	0	46
	Supplied	201					

United States Wholesale Petroleum Demand

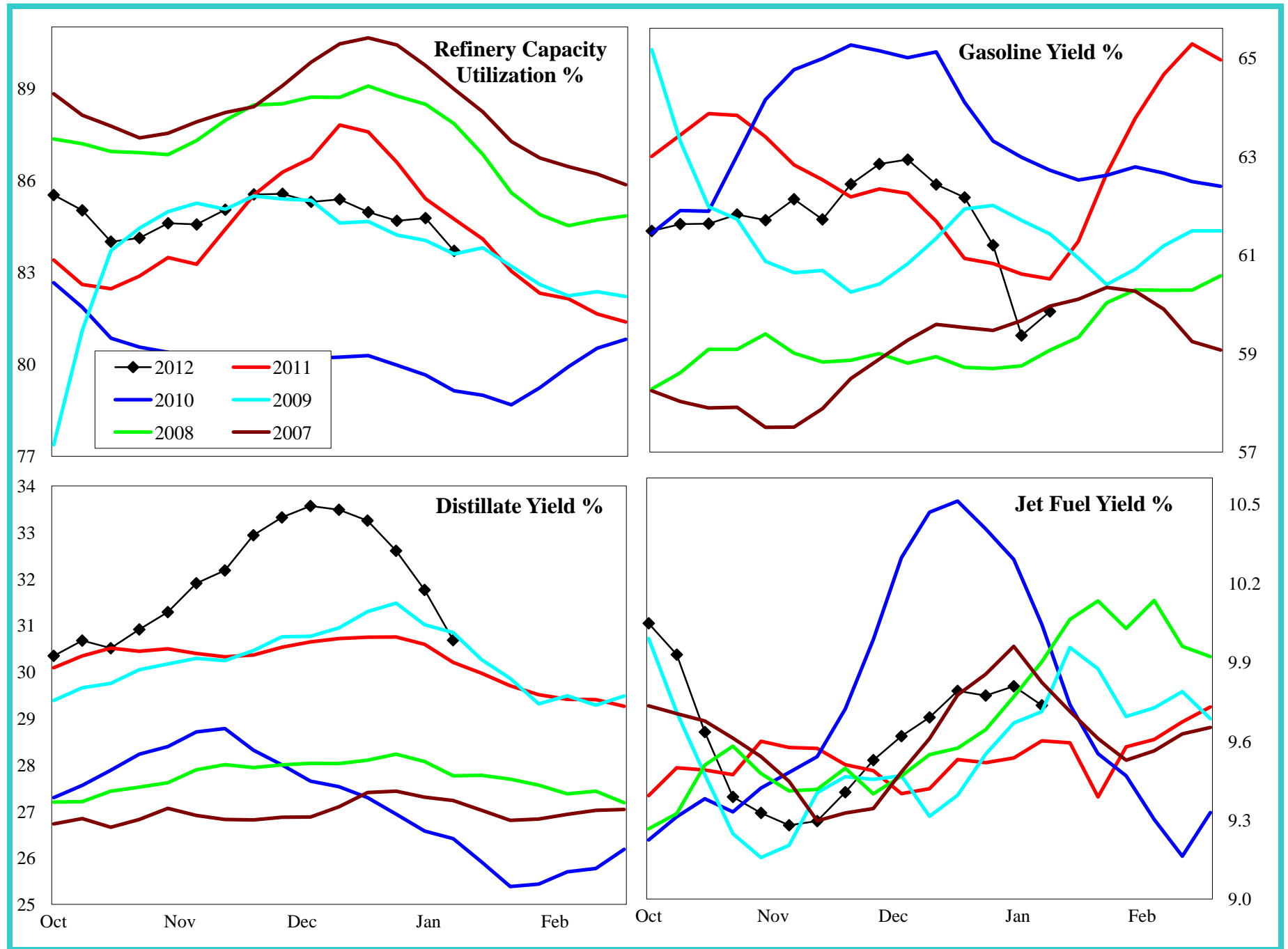


	000 bpd change from prior year				% change from prior year			
	4wk avg	Dec	Nov	Oct	4wk avg	Dec	Nov	Oct
Gasoline	-548	-155	-152	-359	-6.1	-1.7	-1.7	-4.0
Distillate	-165	-255	92	446	-4.4	-6.1	2.4	11.8
Jet Fuel	-80	22	81	-14	-5.6	1.6	5.8	-1.0
Resid	46	8	-214	-202	9.6	1.5	-38.8	-41.3

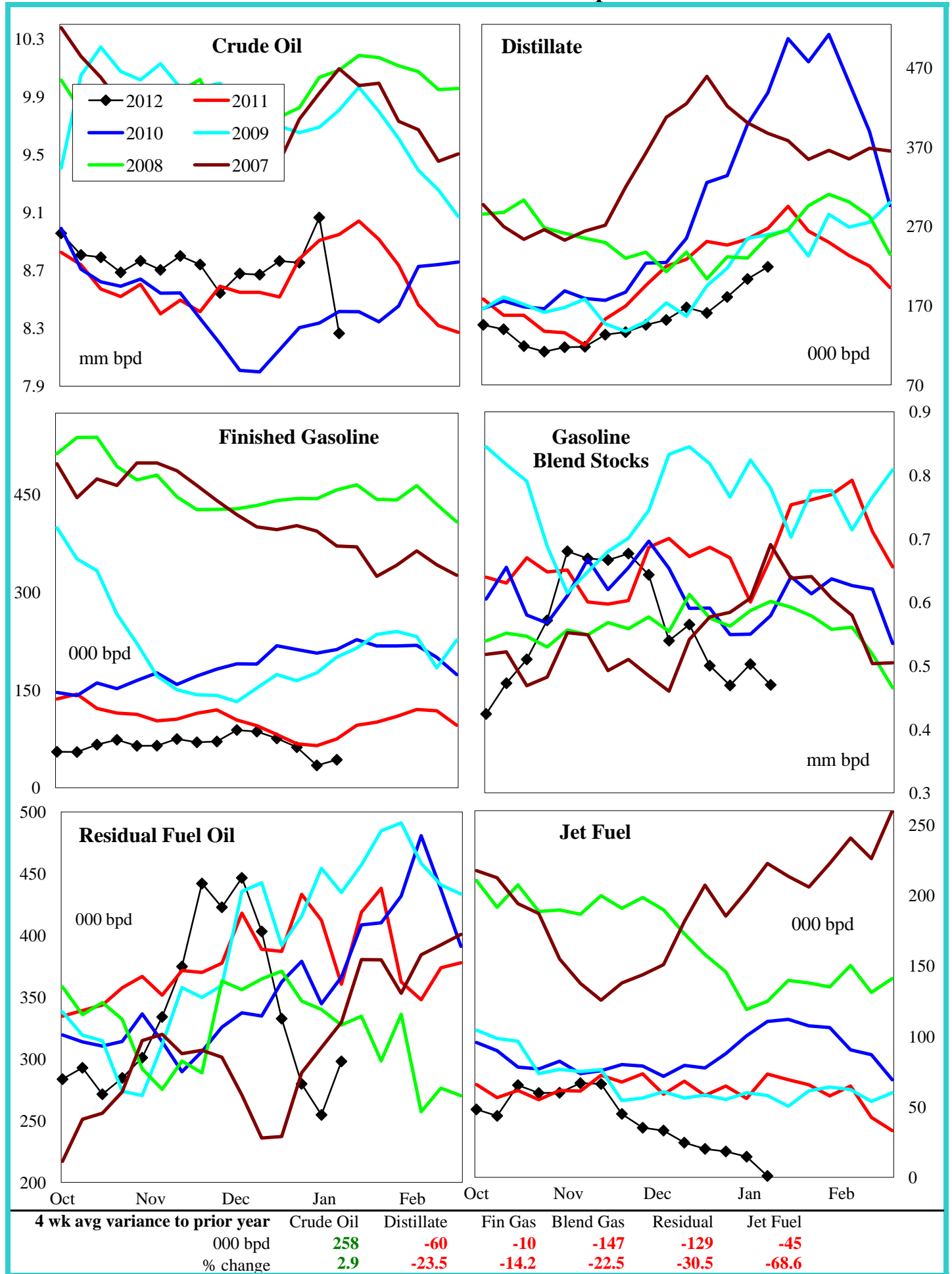


United States Product Stocks: Days Forward Coverage

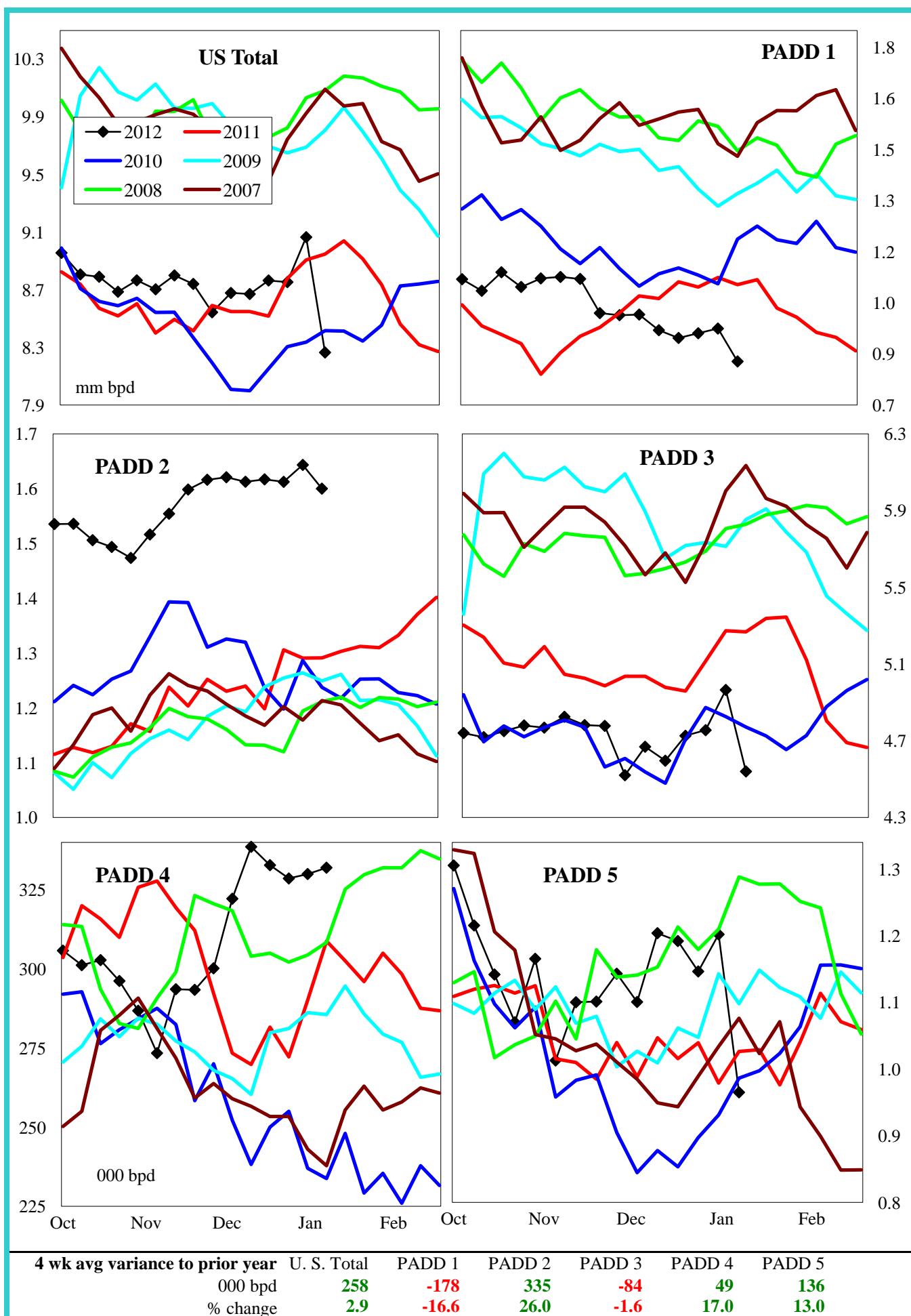
United States Refinery Percent Utilization Rate and Product Yields



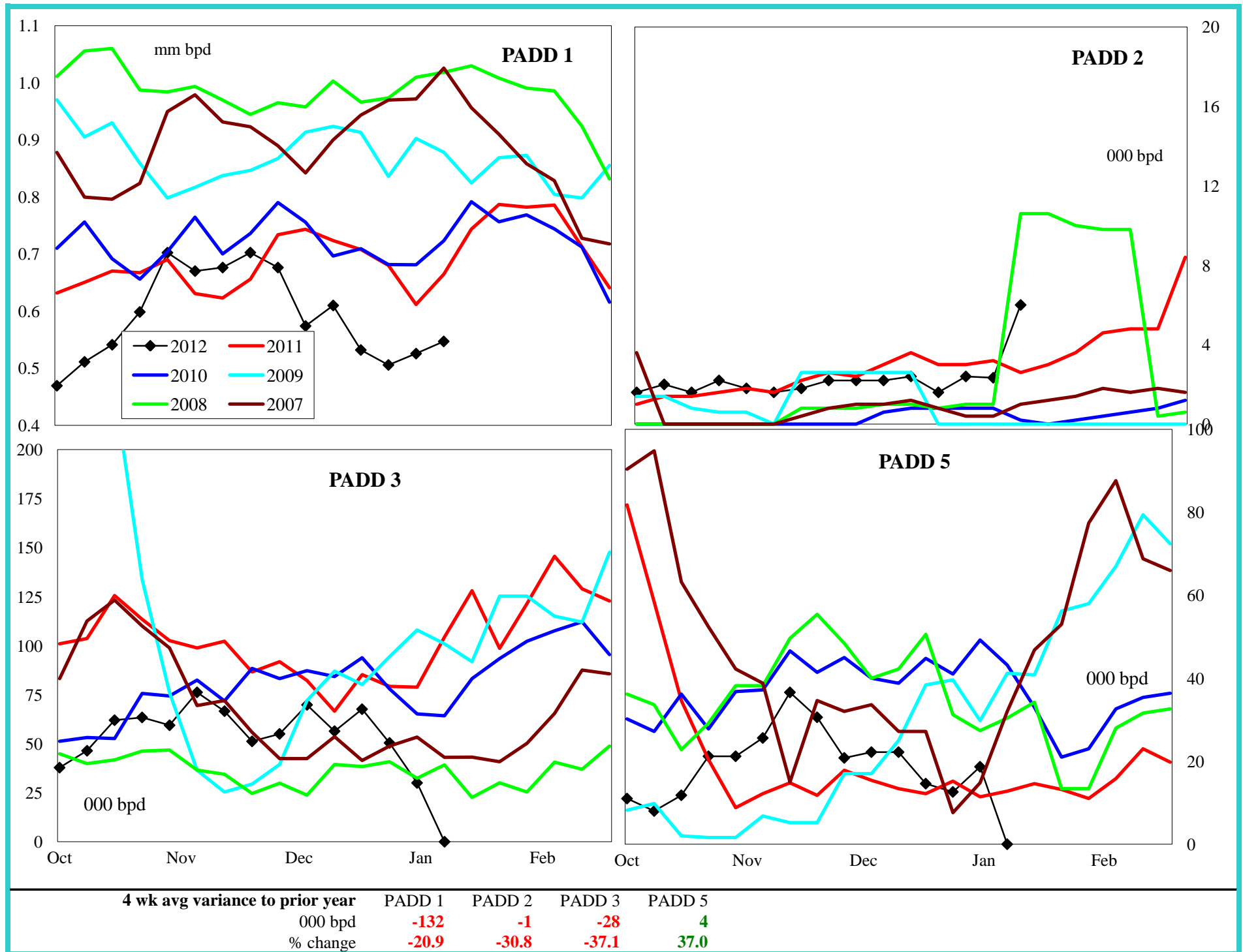
United States Petroleum Imports



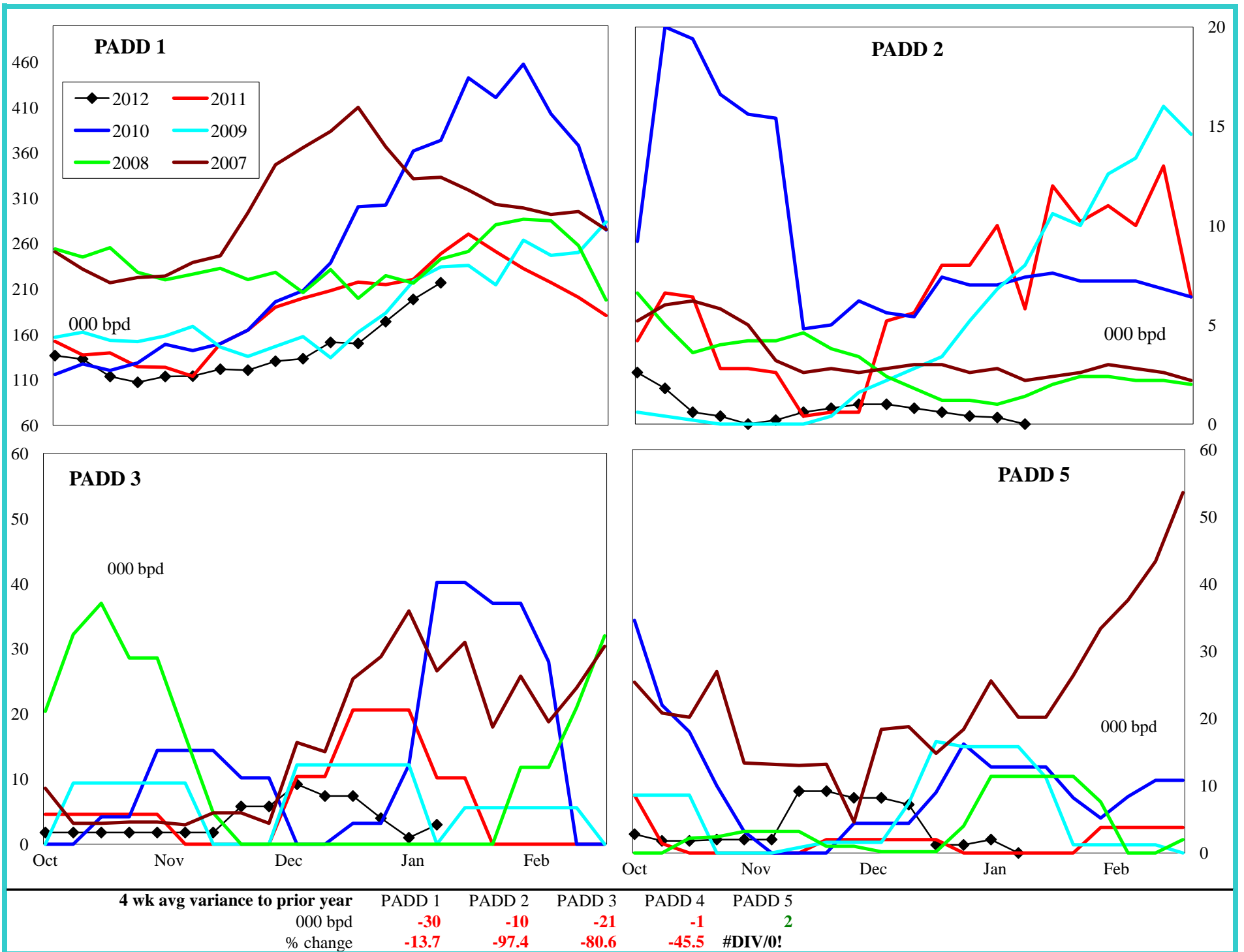
Crude Oil Imports by PADD



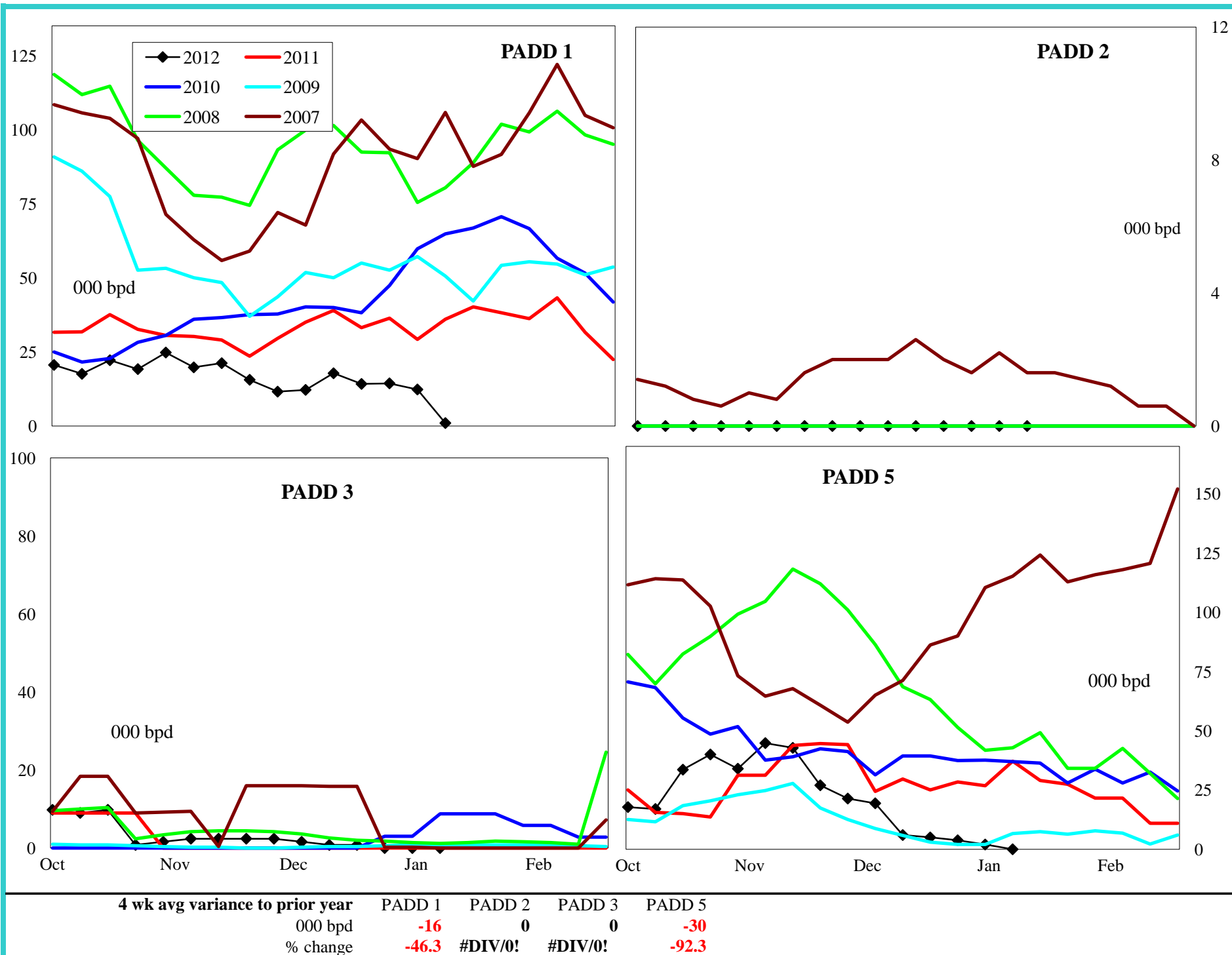
Gasoline Imports by PADD (Finished + Blend Stocks)



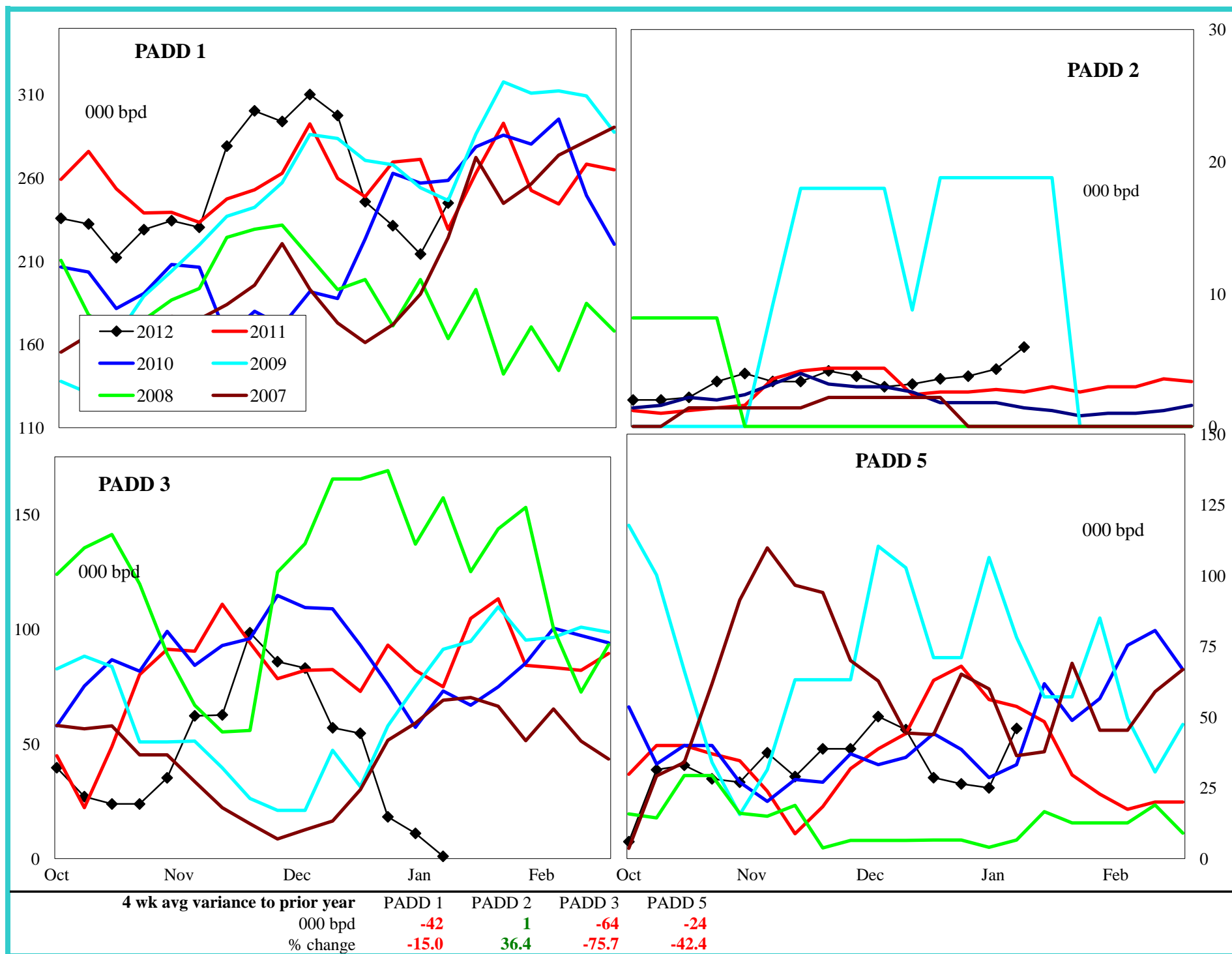
Distillate Imports by PADD



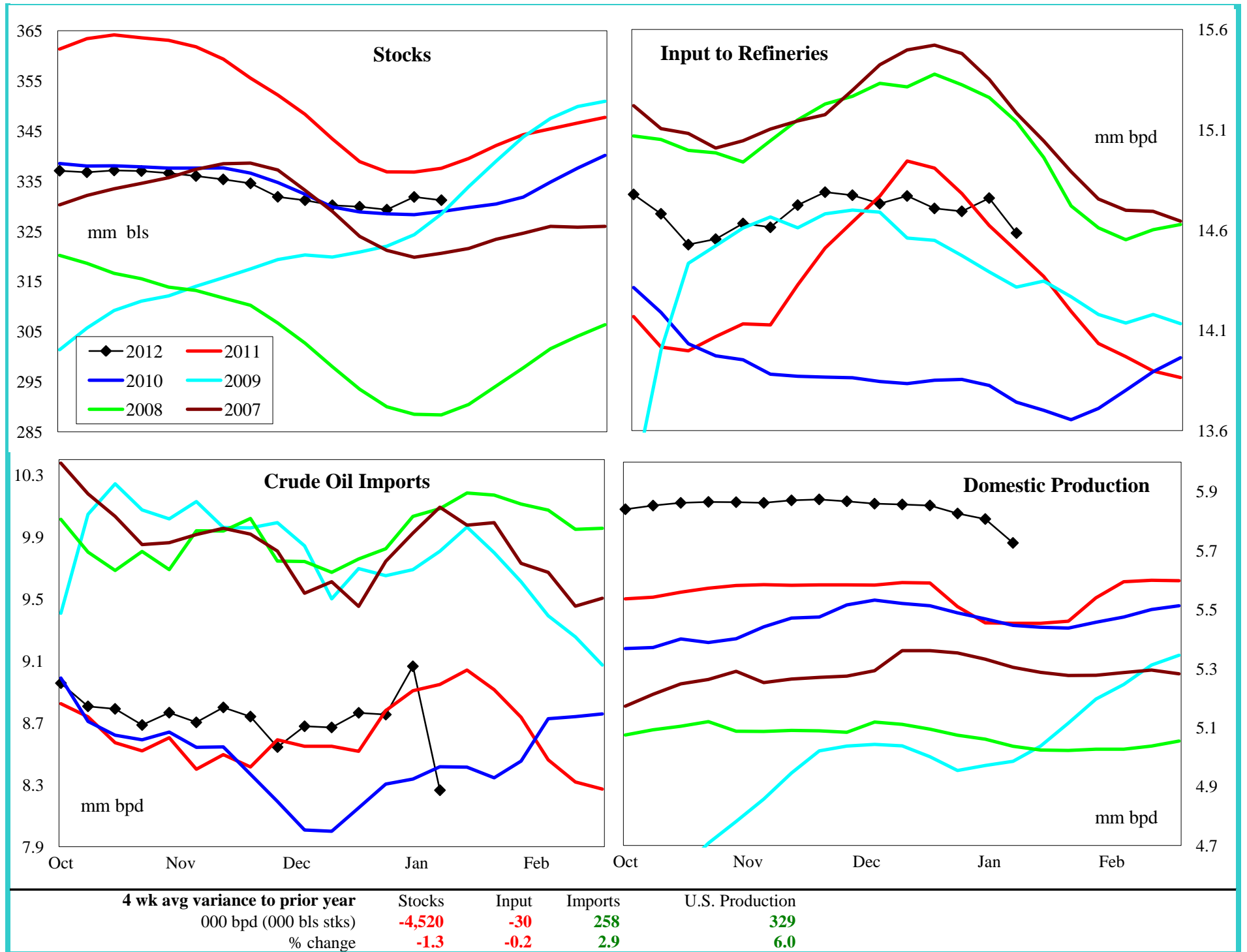
Jet Fuel Imports by PADD



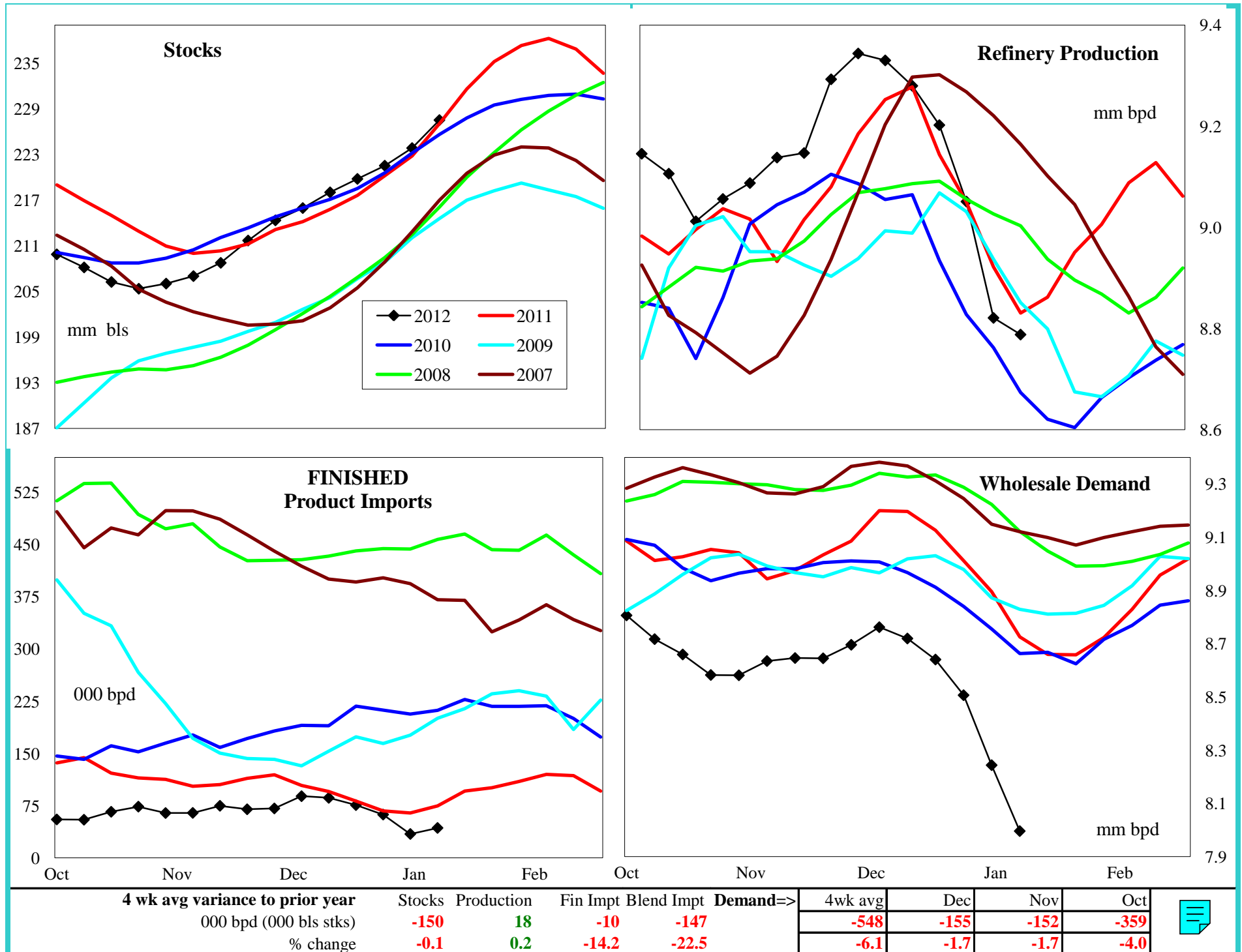
Residual Fuel Oil Imports by PADD

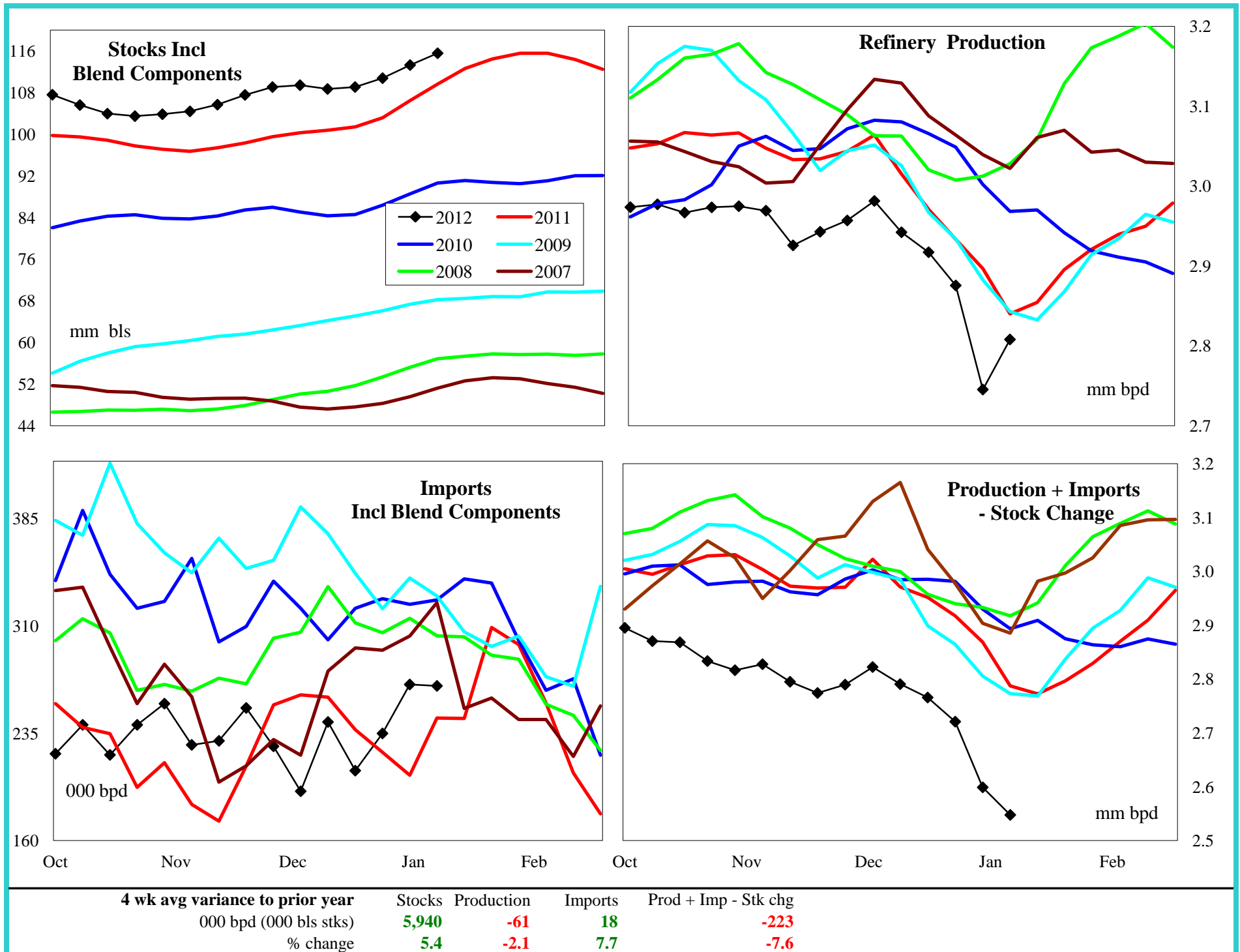


United States Crude Oil Supply and Demand Balance

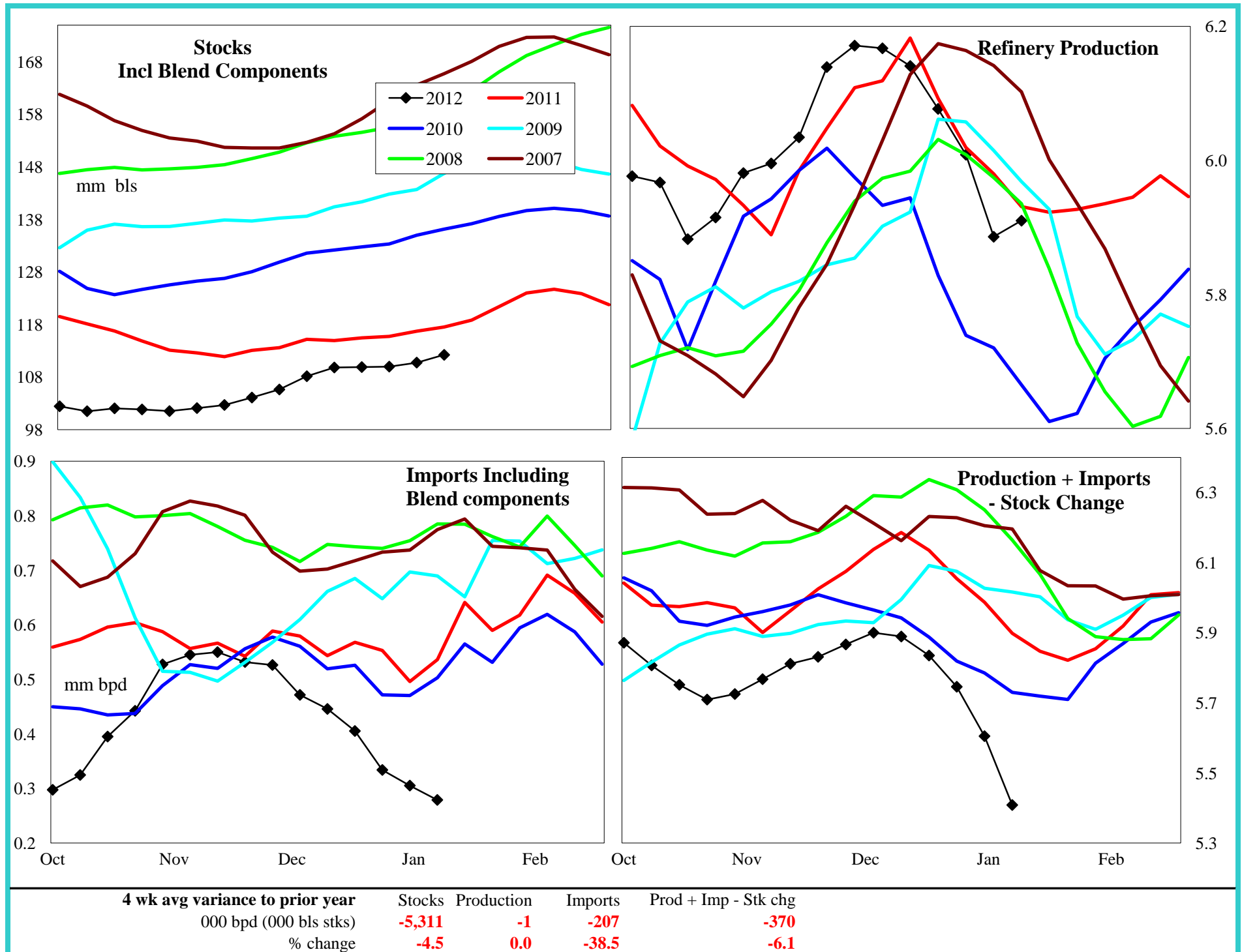


United States Gasoline Supply and Demand Balance

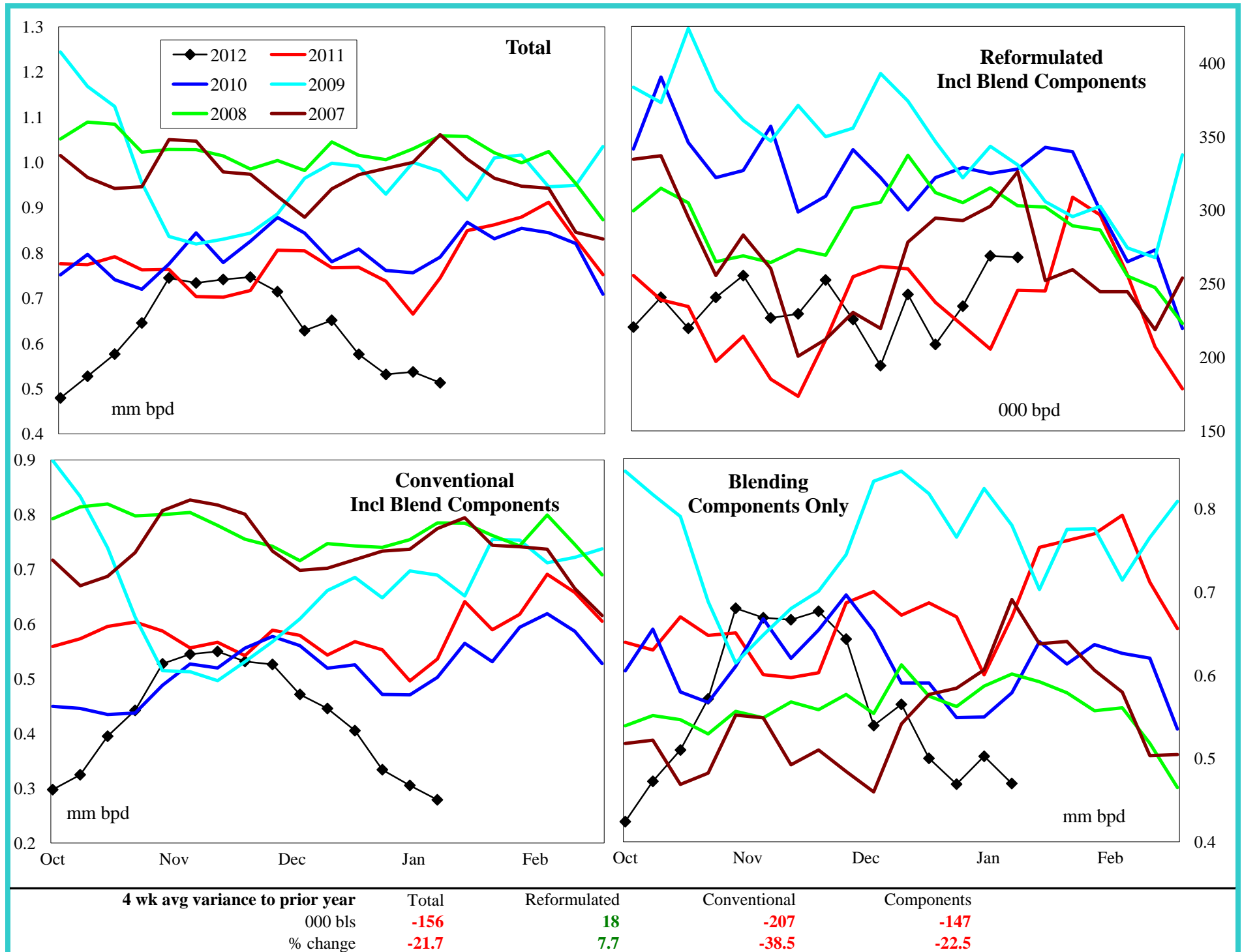




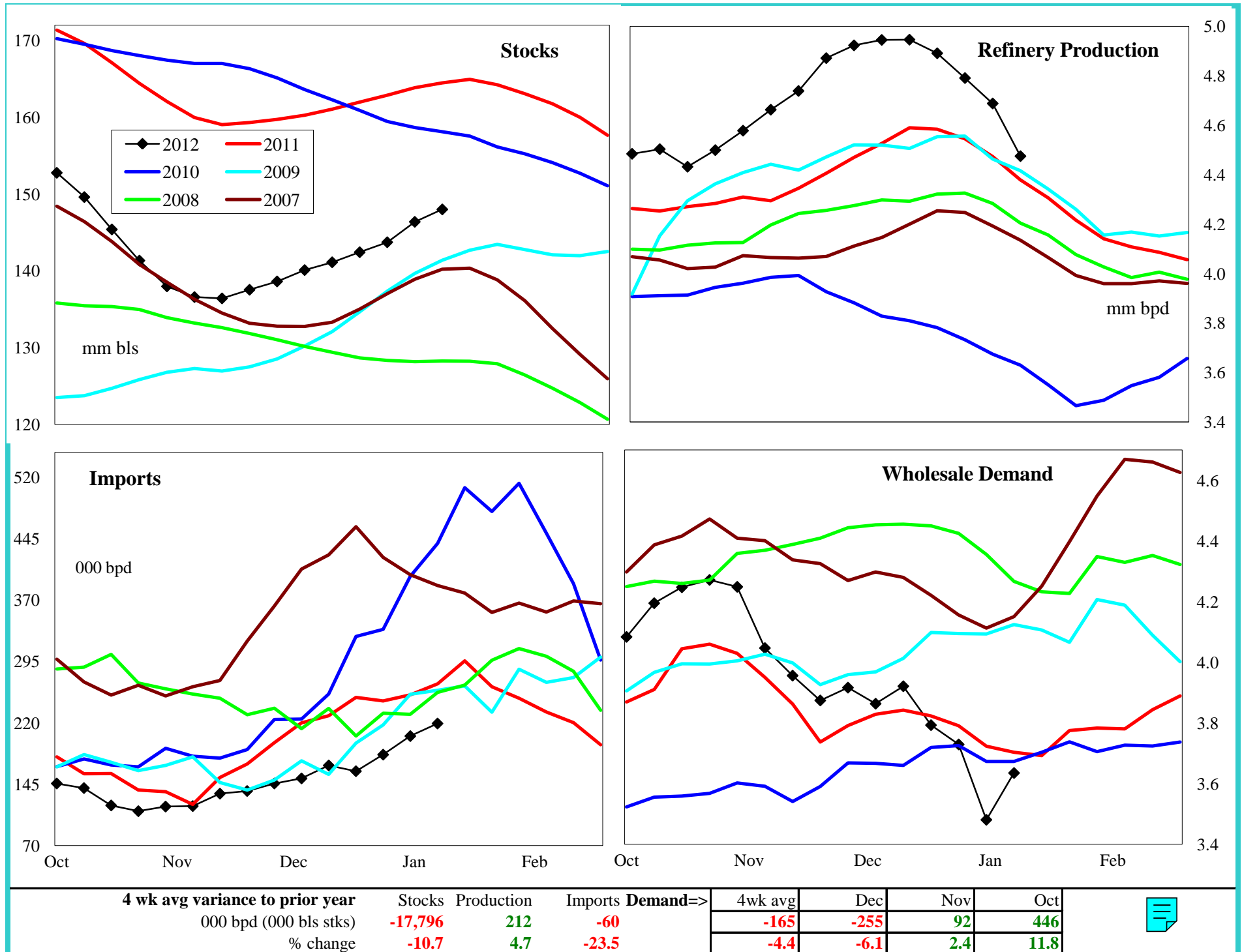
United States Conventional Gasoline Supply



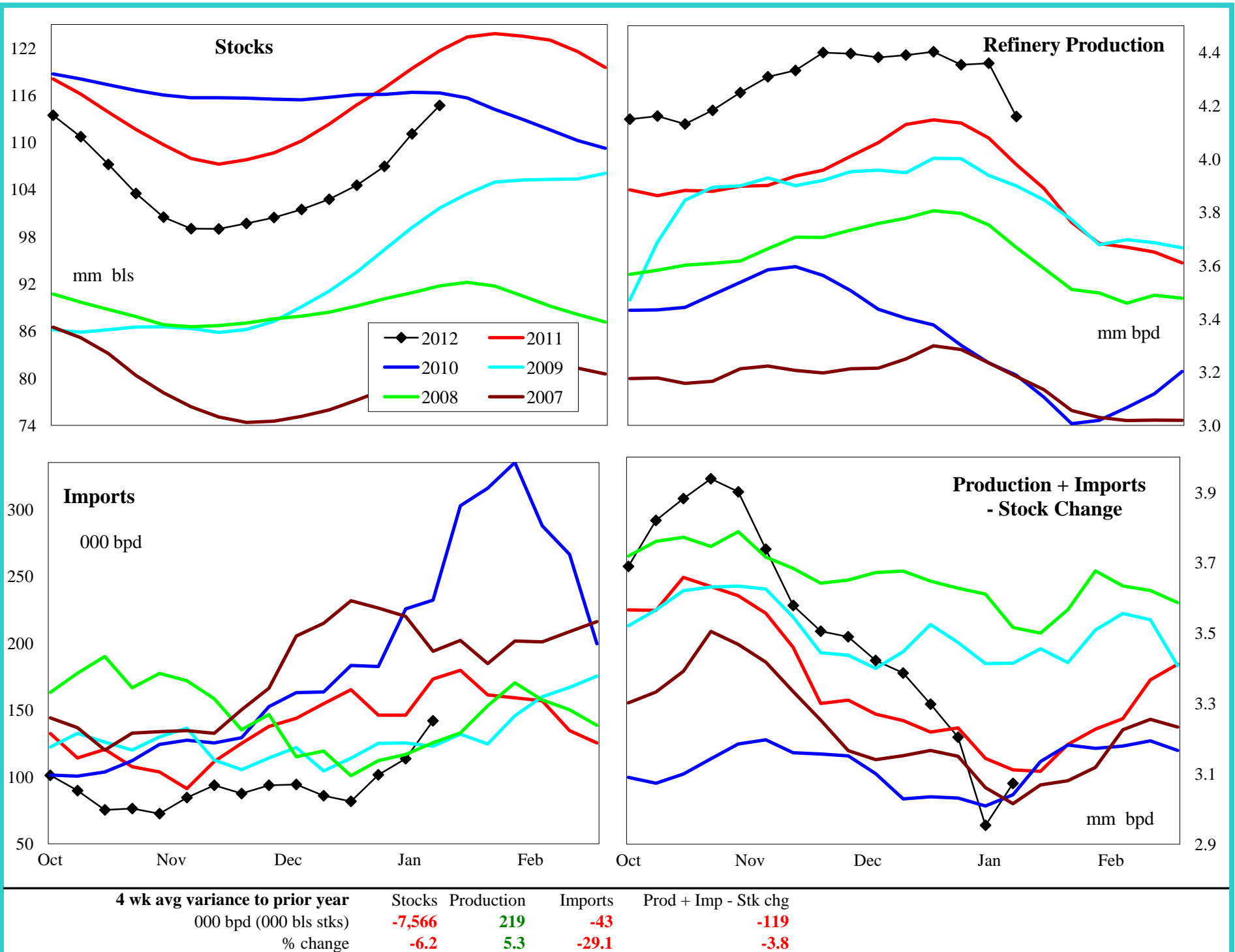
United States Gasoline Imports by Type



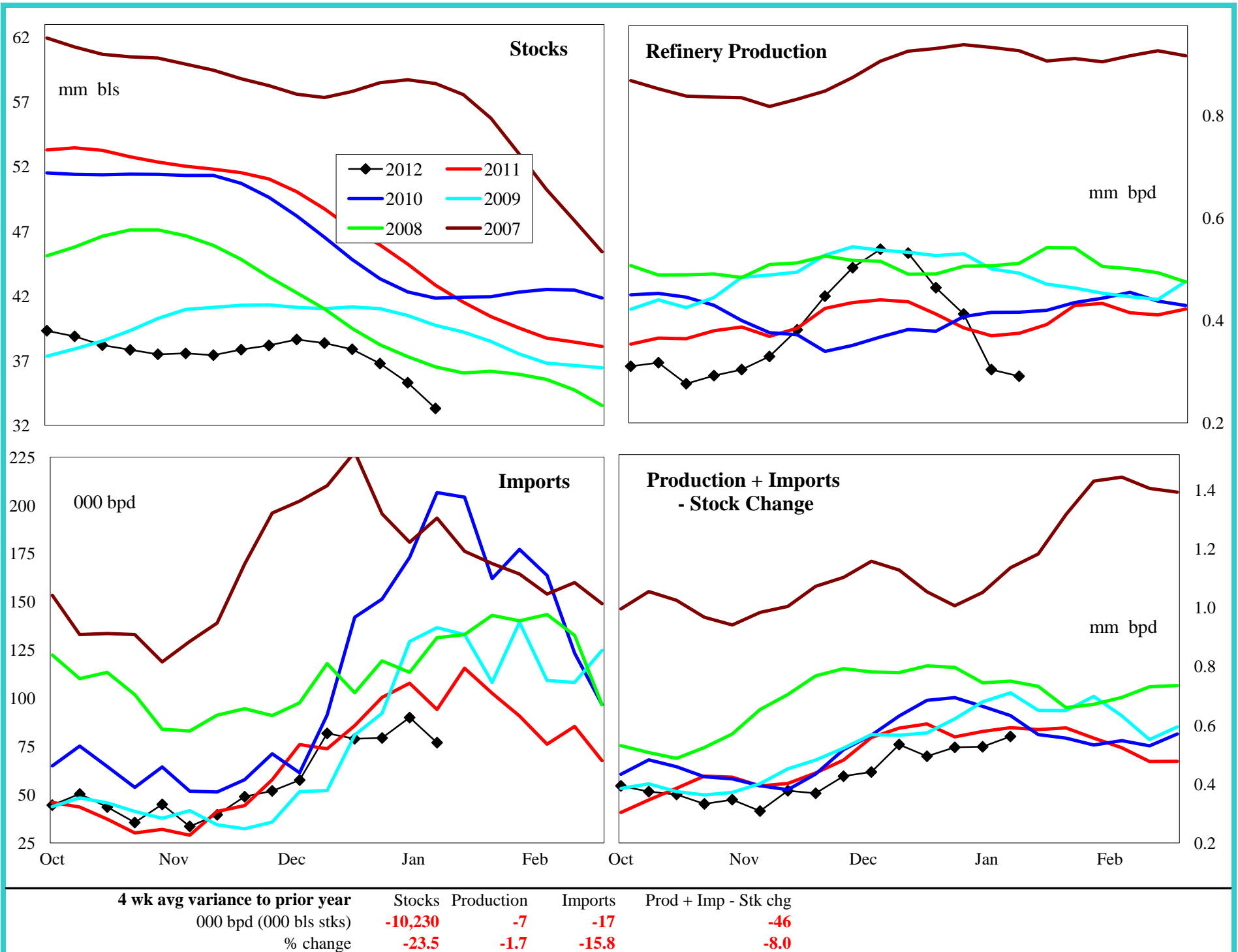
United States Distillate Supply and Demand Balance



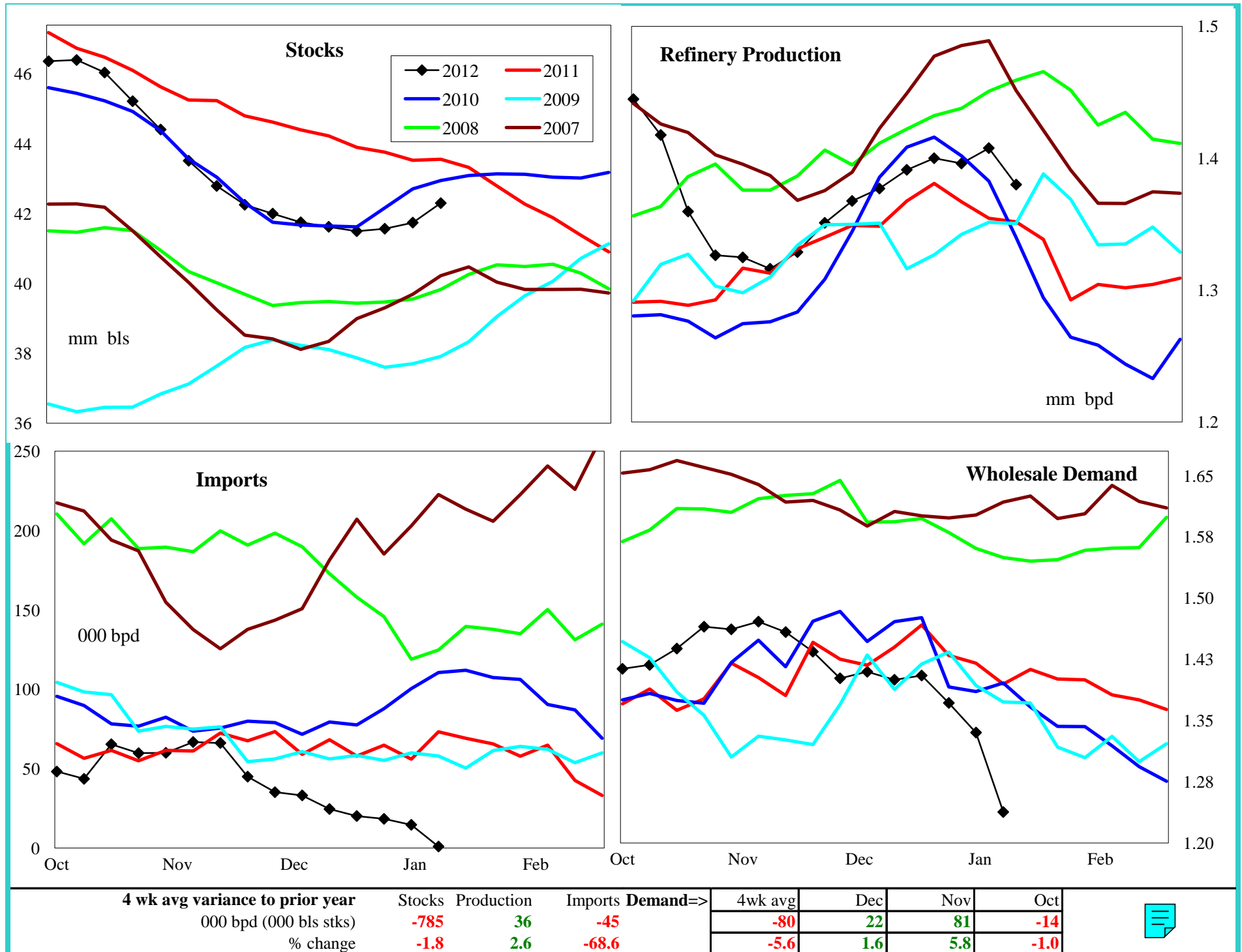
United States Low Sulfur Distillate Supply



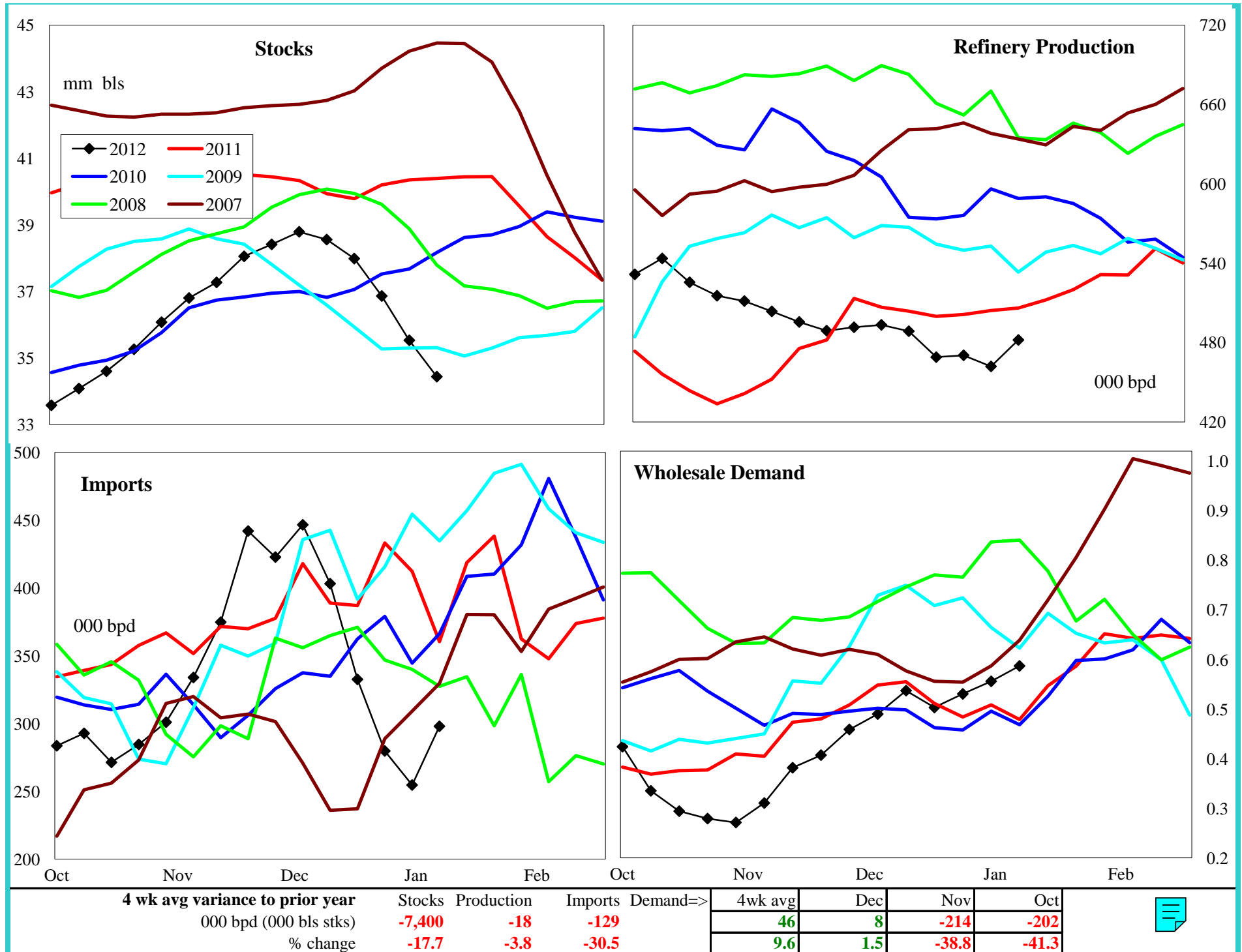
United States High Sulfur Distillate Supply



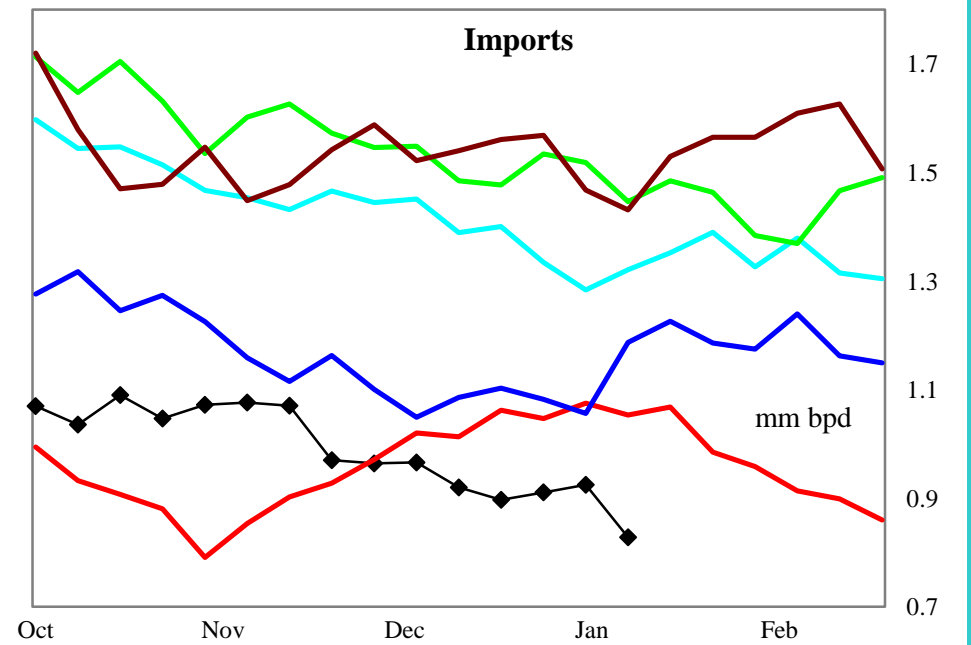
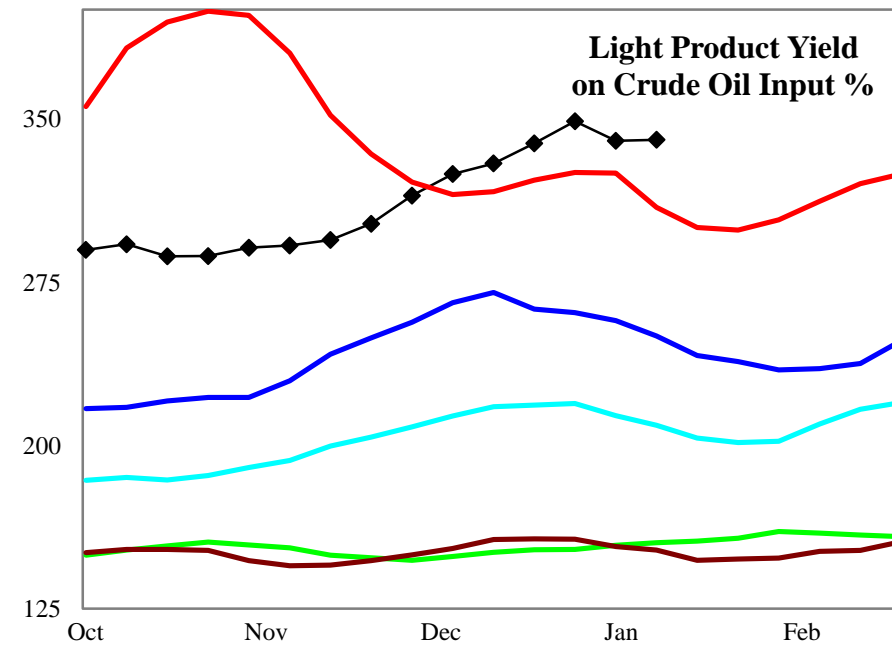
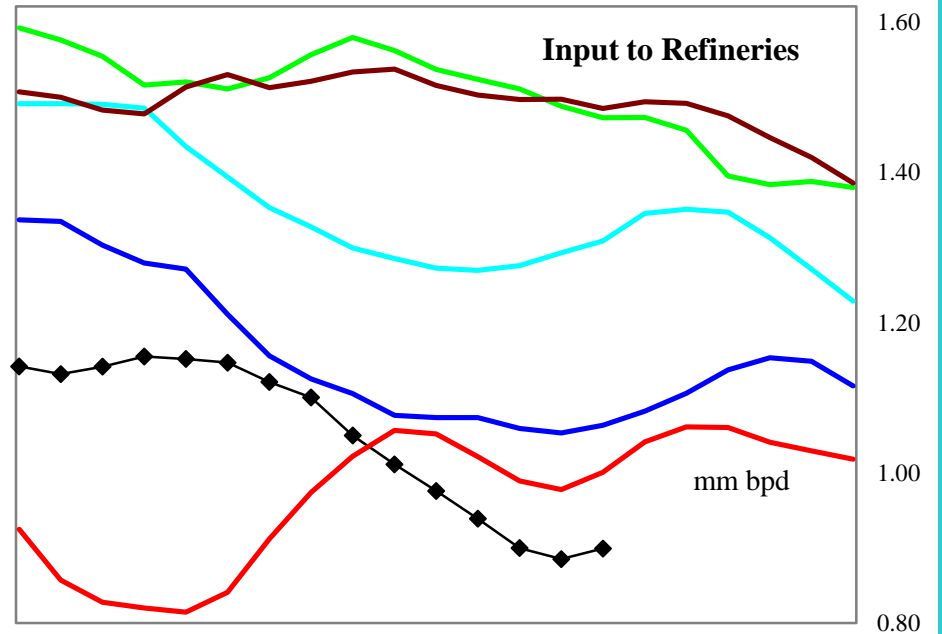
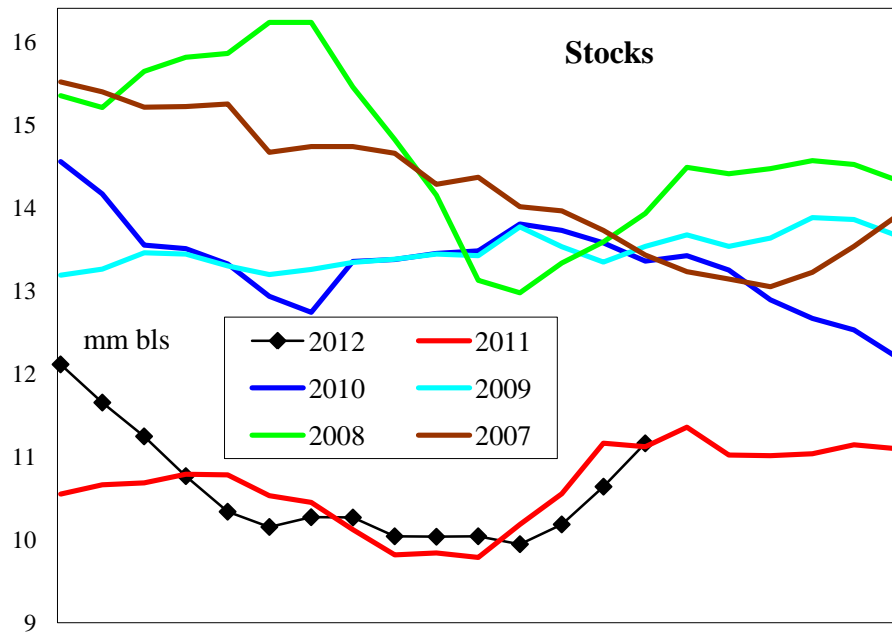
United States Jet Fuel Supply and Demand Balance



United States Residual Fuel Oil Supply and Demand Balance



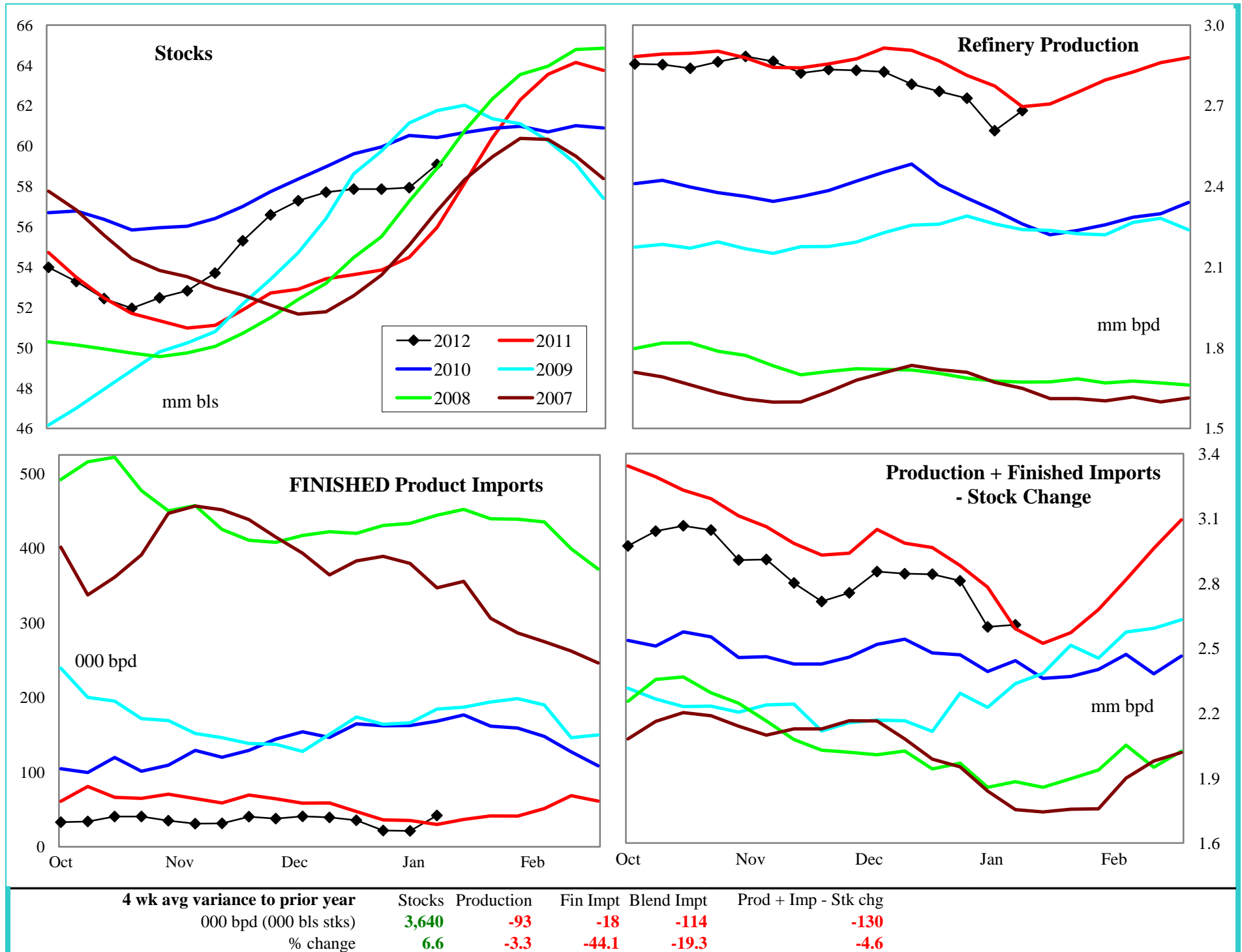
PADD 1 Crude Oil Supply and Refining



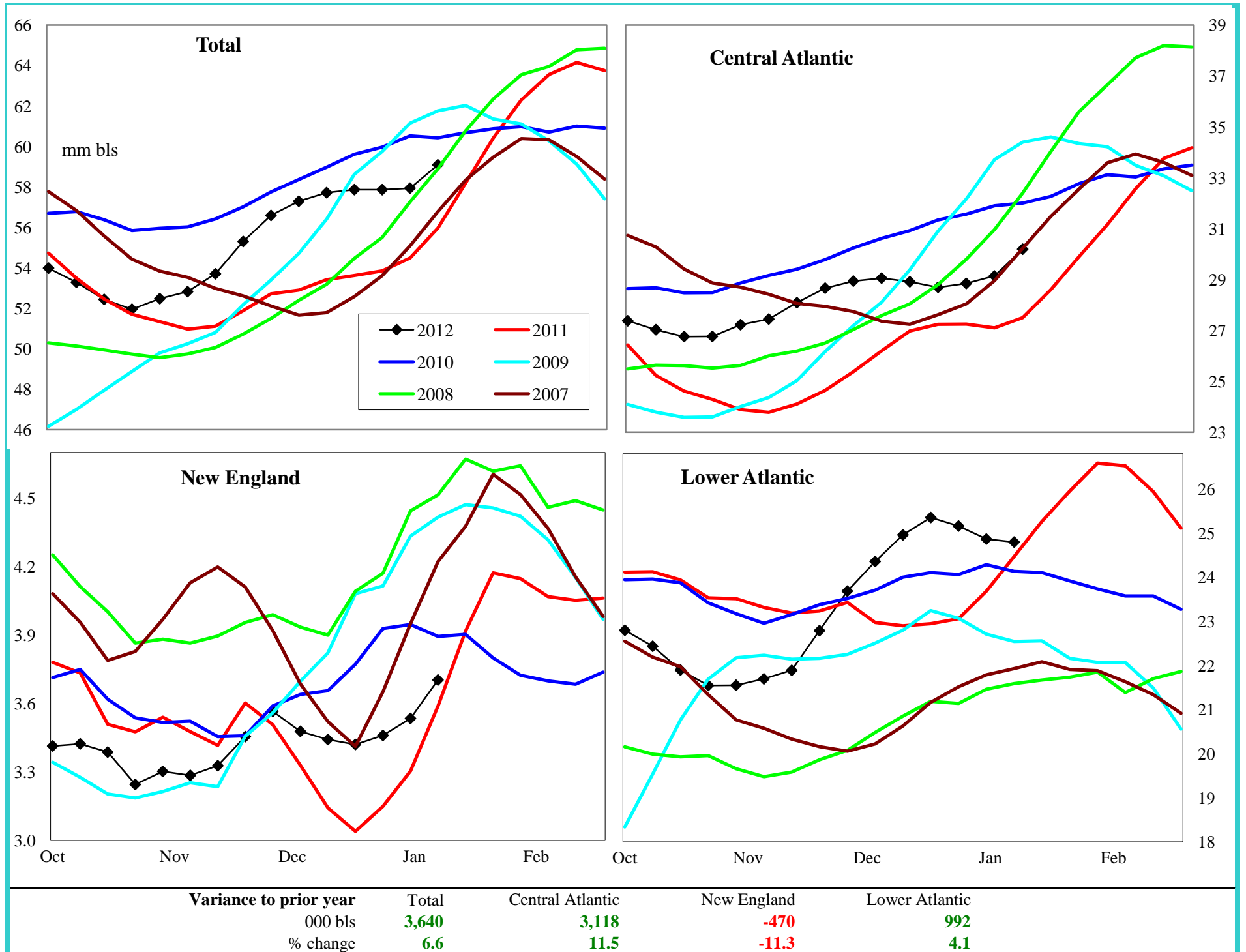
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

	Stocks	Input	Imports
000 bpd (000 bls stks)	40	-74	-178
% change	0.4	-7.7	-16.6

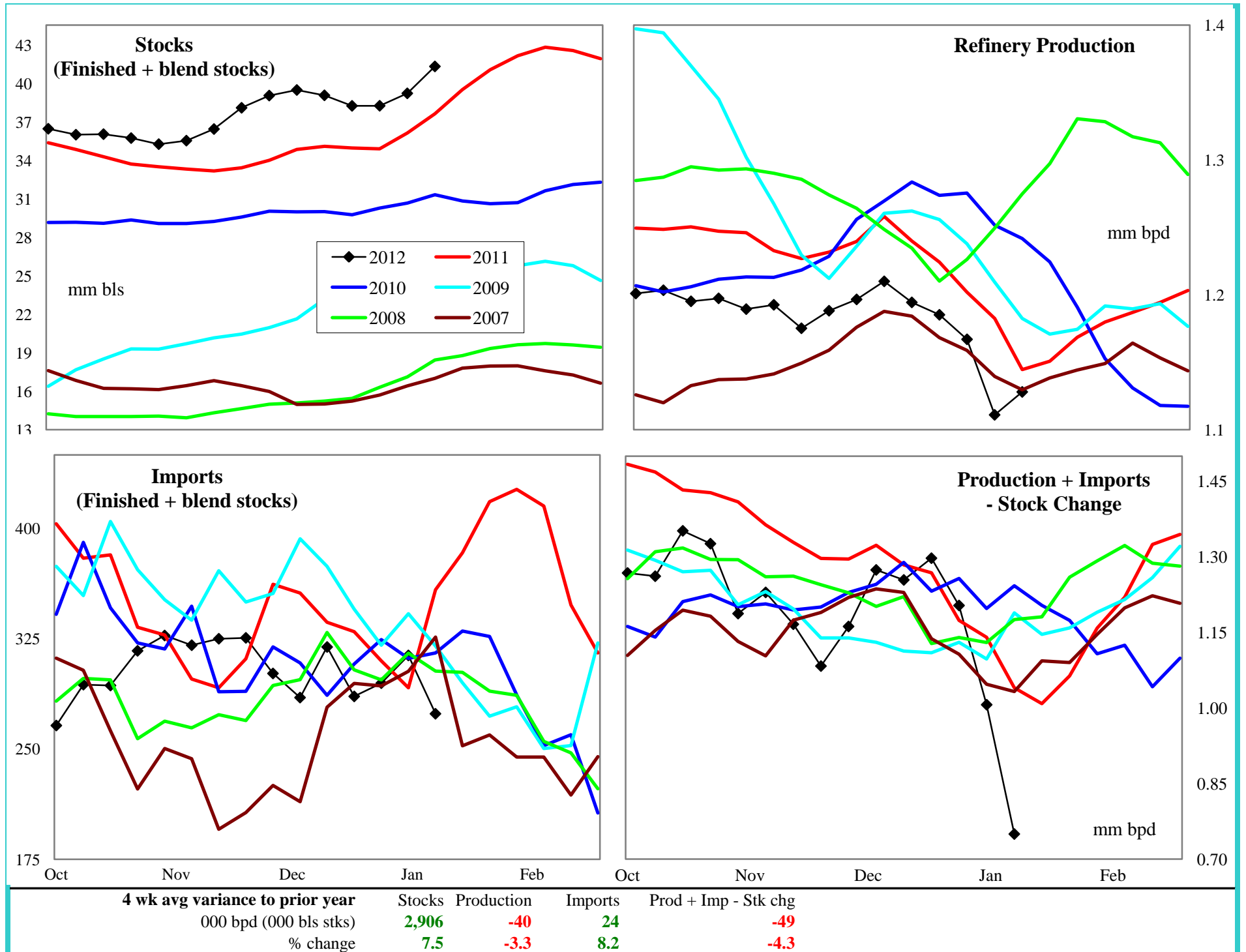
PADD 1 Gasoline Supply



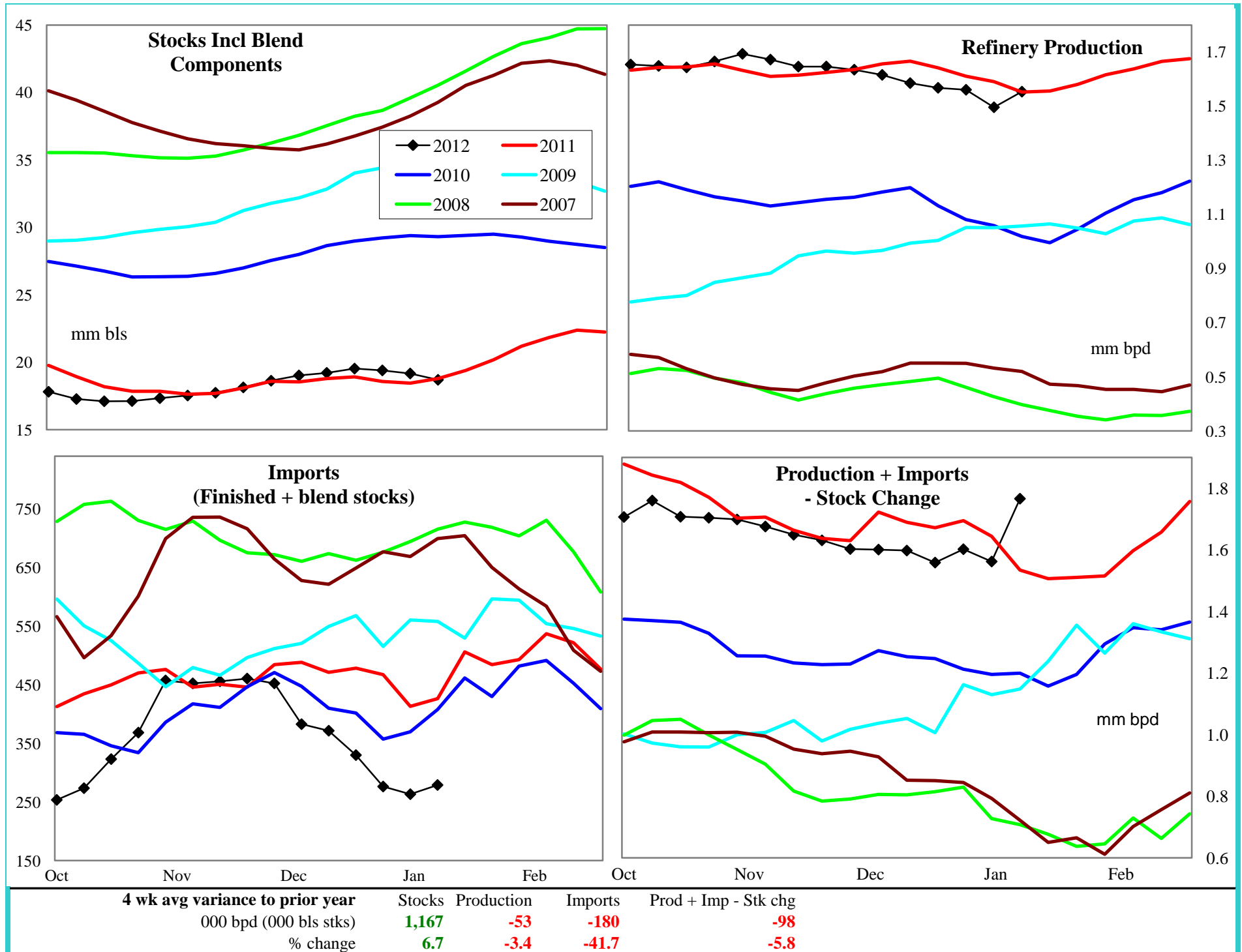
PADD 1 Gasoline Stocks by Region



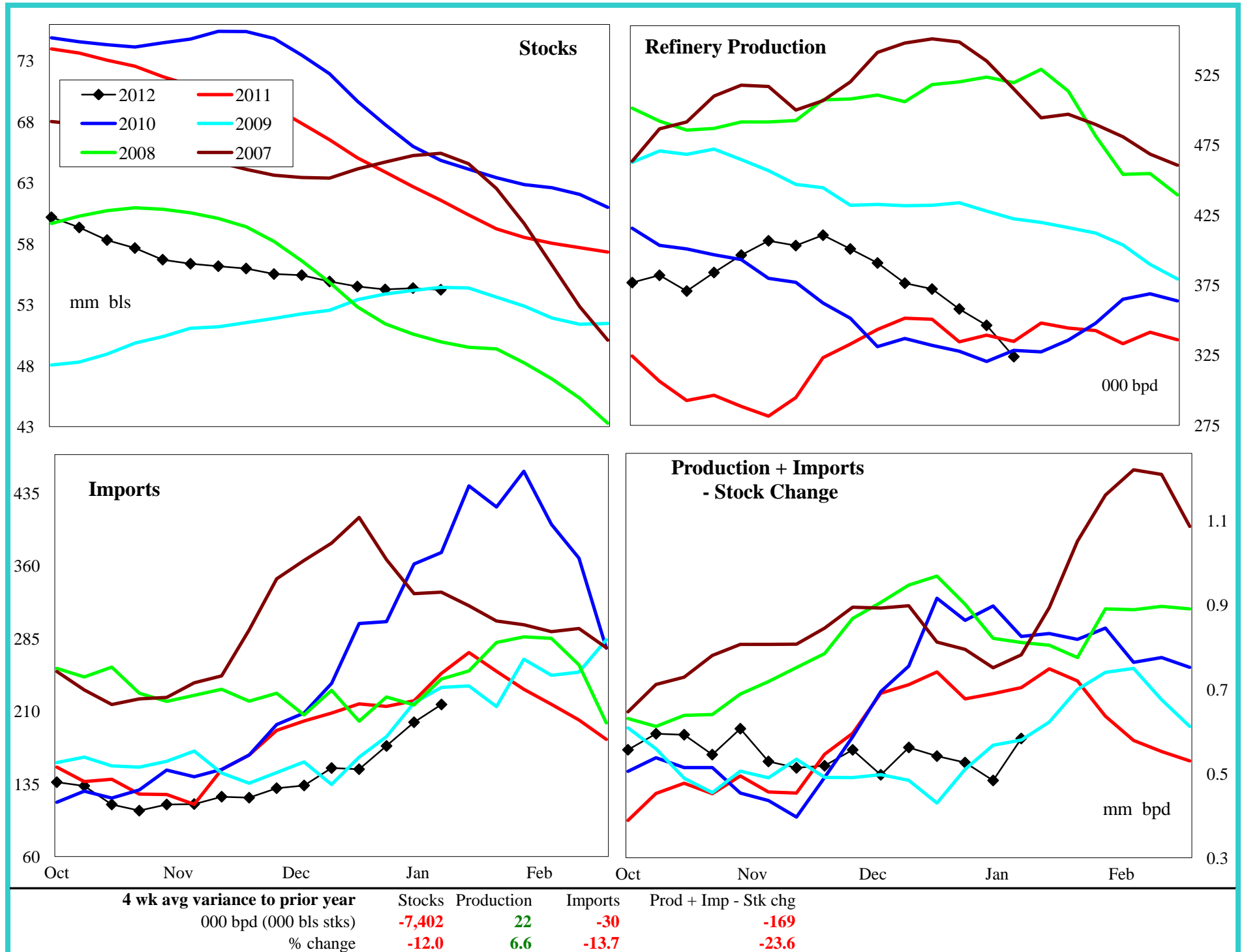
PADD 1 Reformulated Gasoline Supply



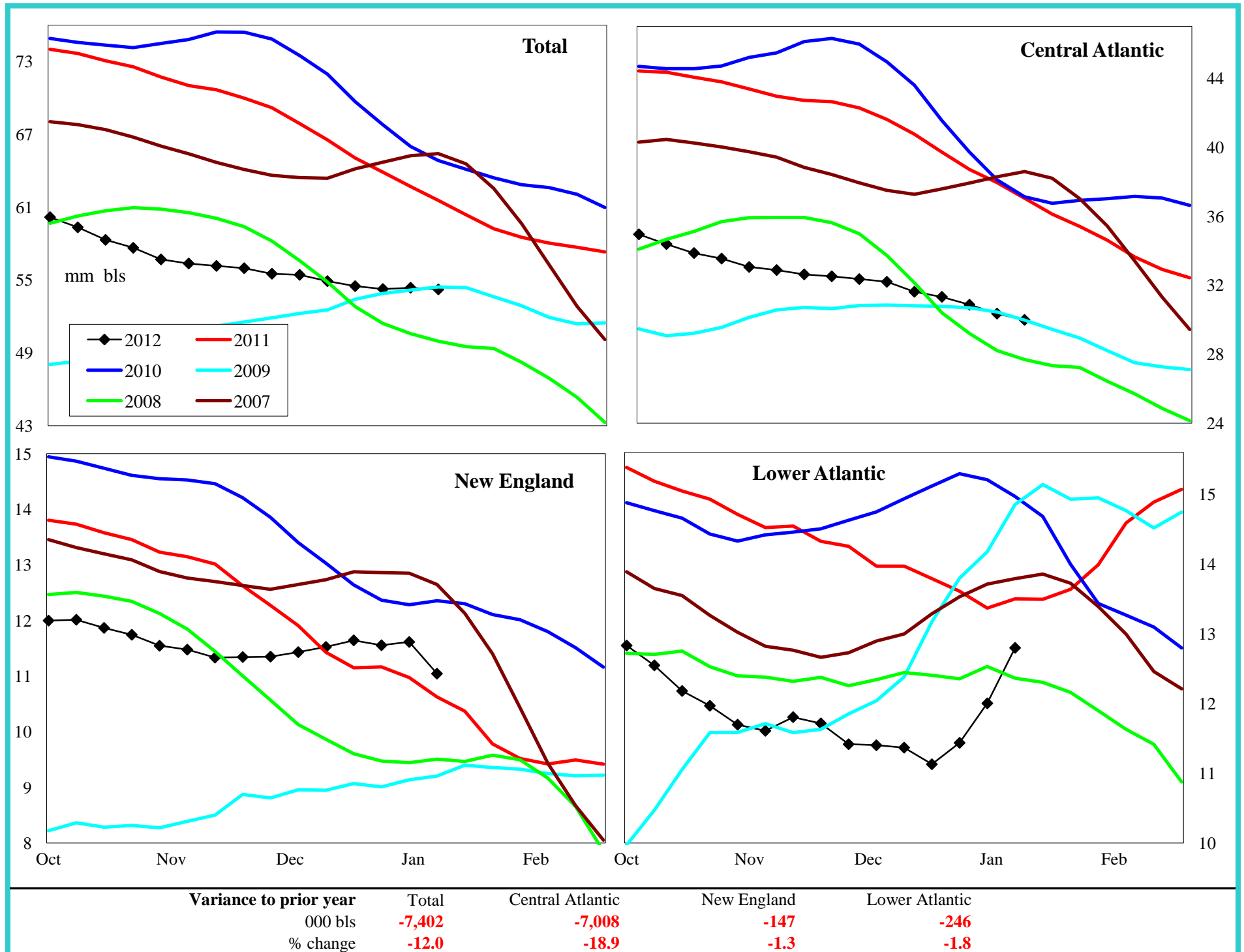
PADD 1 Conventional Gasoline Supply



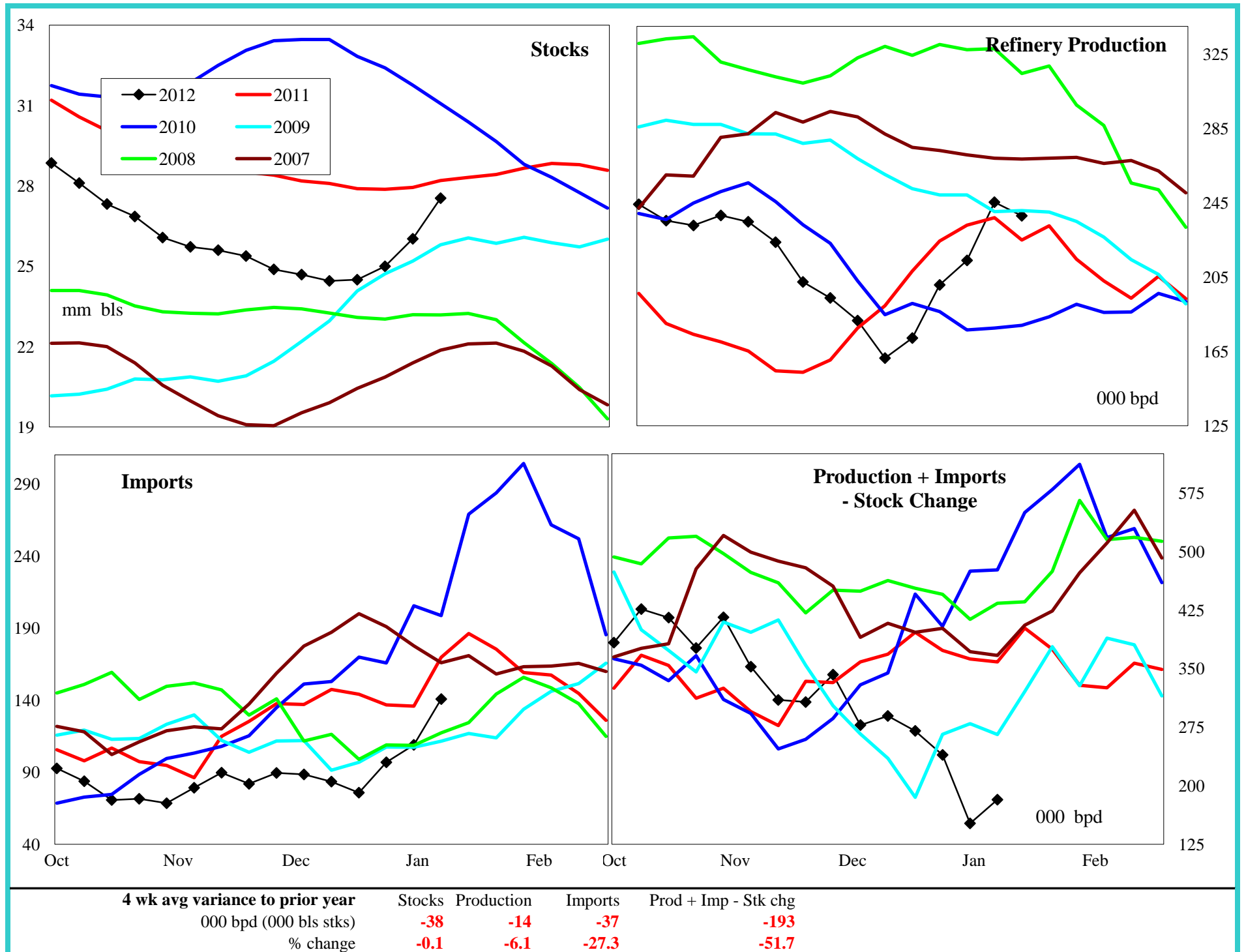
PADD 1 Distillate Supply



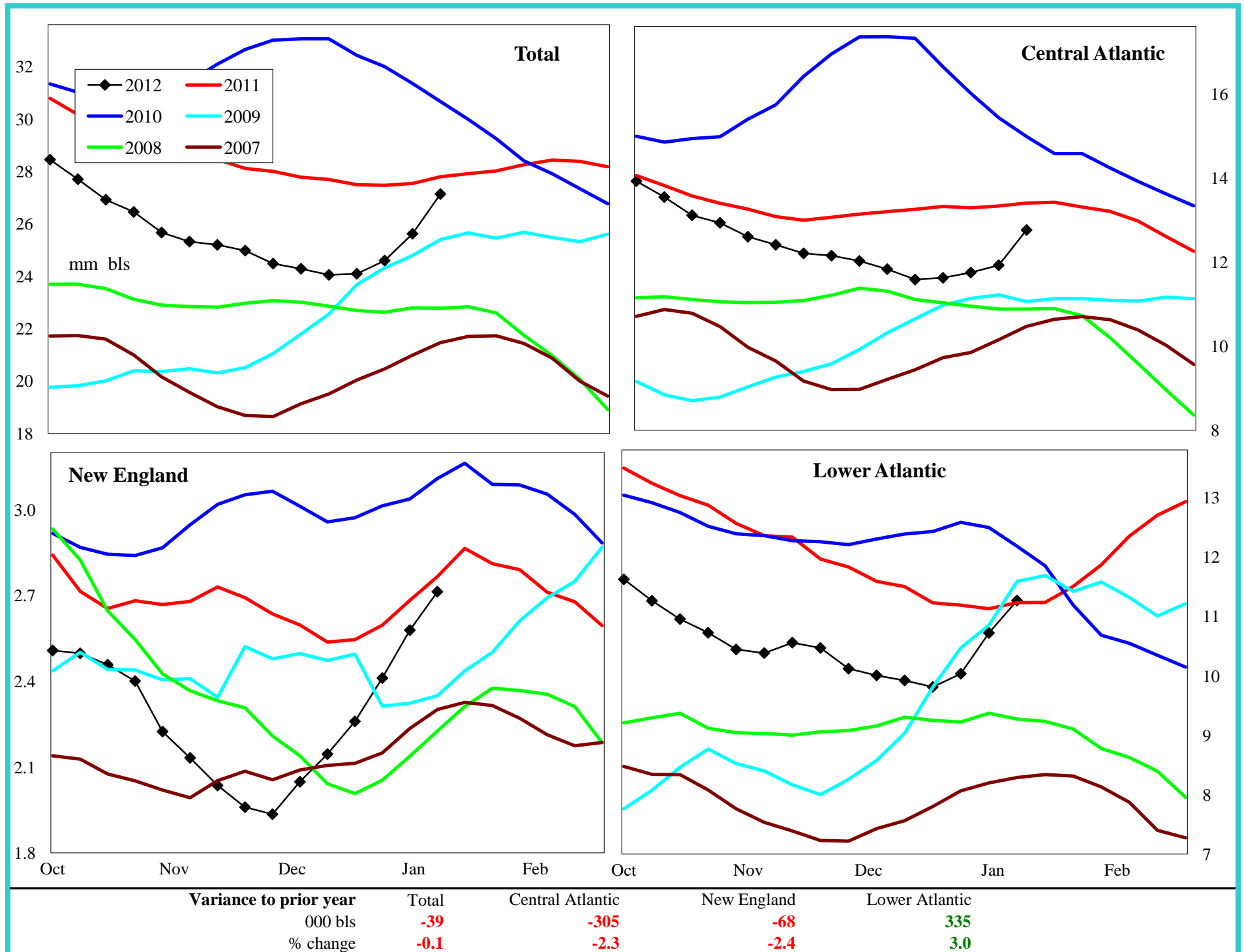
PADD 1 Distillate Stocks by Region



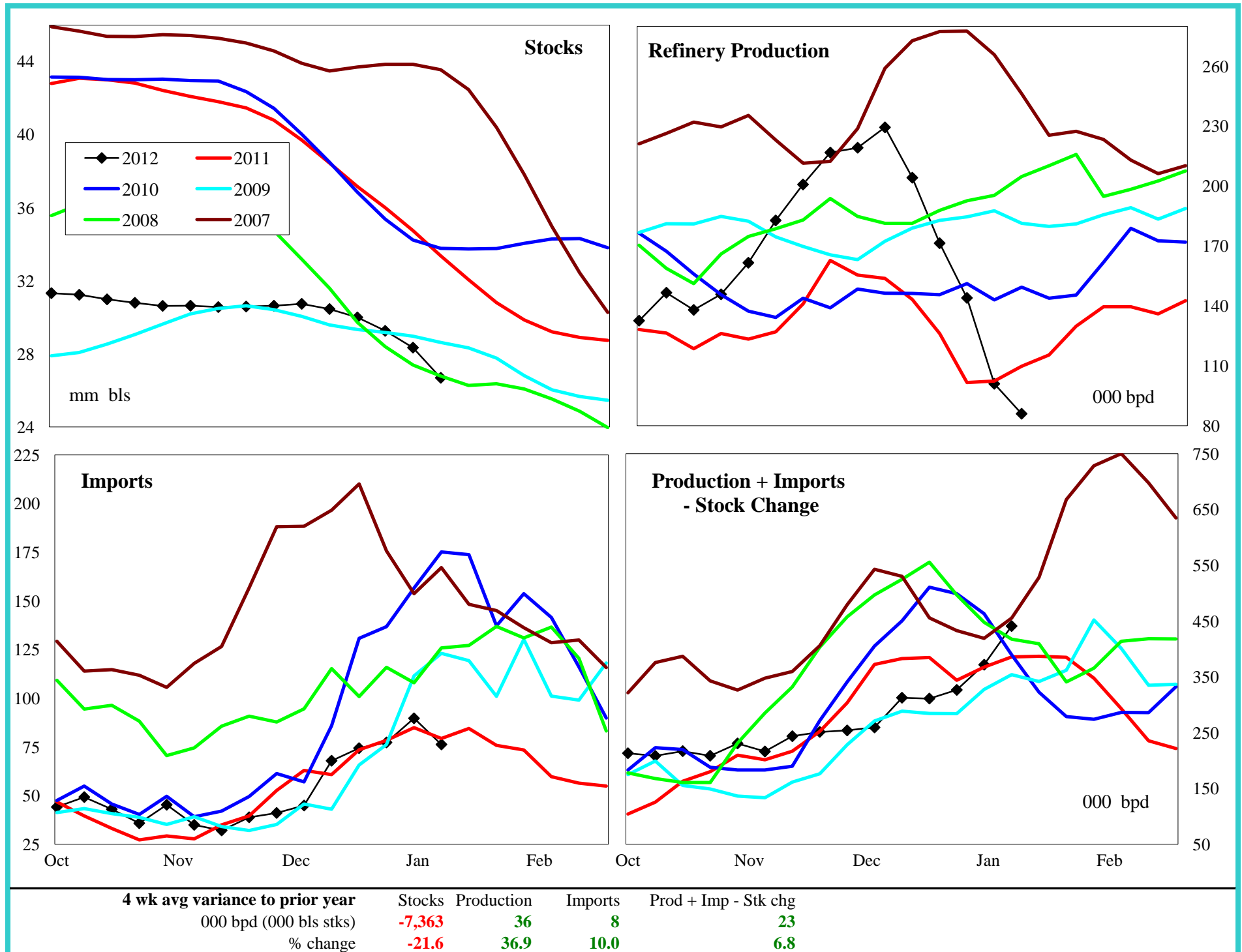
PADD 1 Low Sulfur Distillate Supply



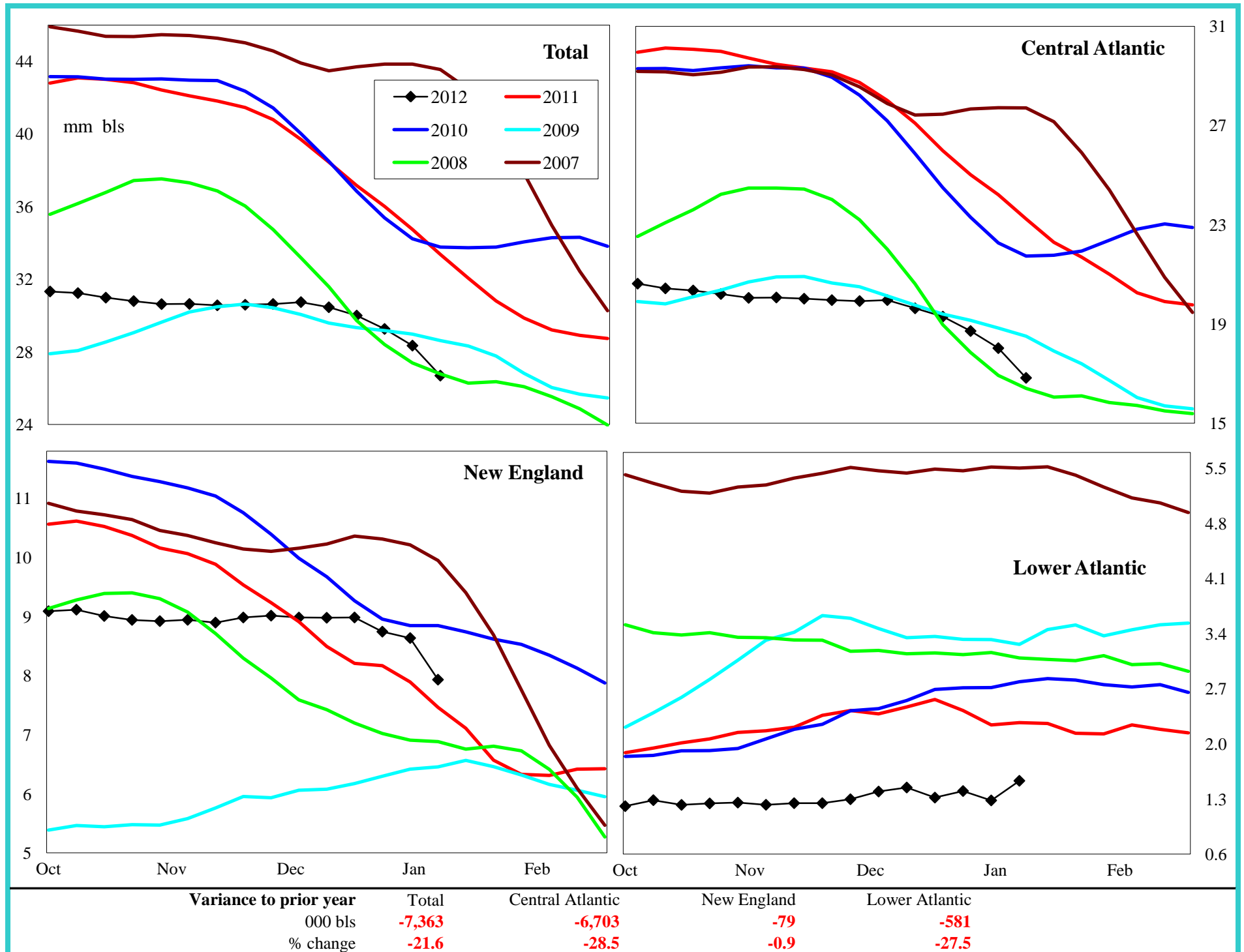
PADD 1 Low Sulfur Distillate Stocks by Region



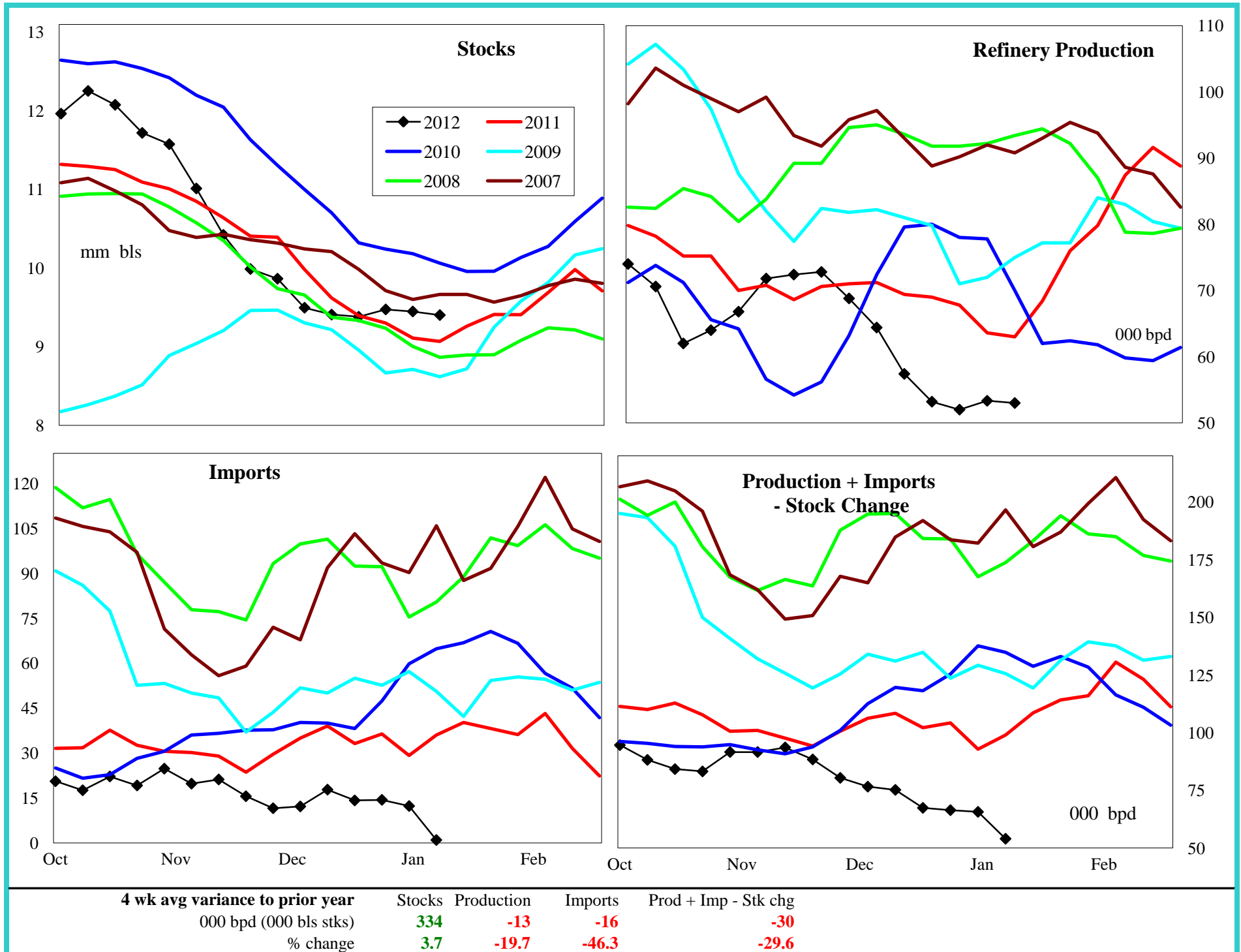
PADD 1 High Sulfur Distillate Supply



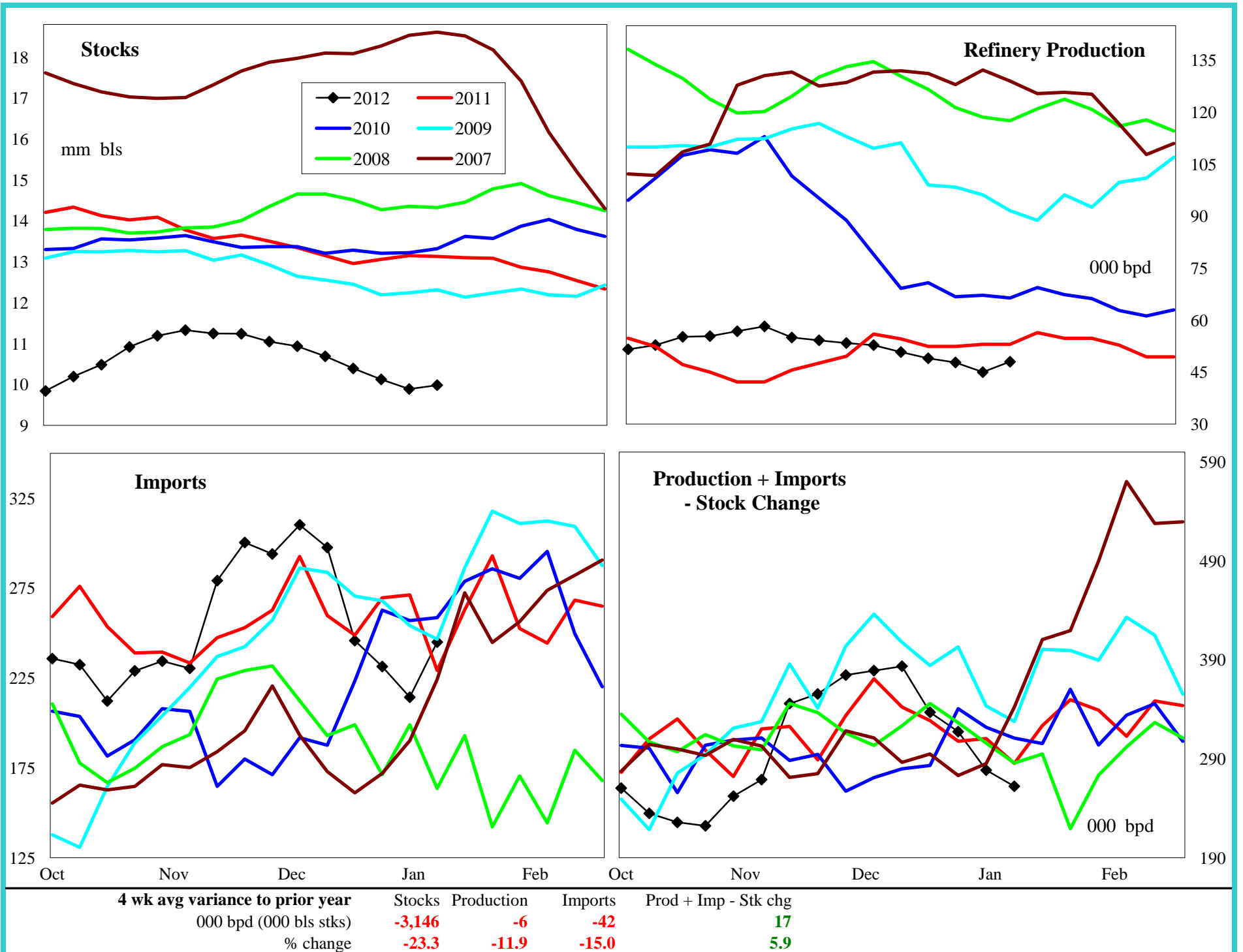
PADD 1 High Sulfur Distillate Stocks by Region



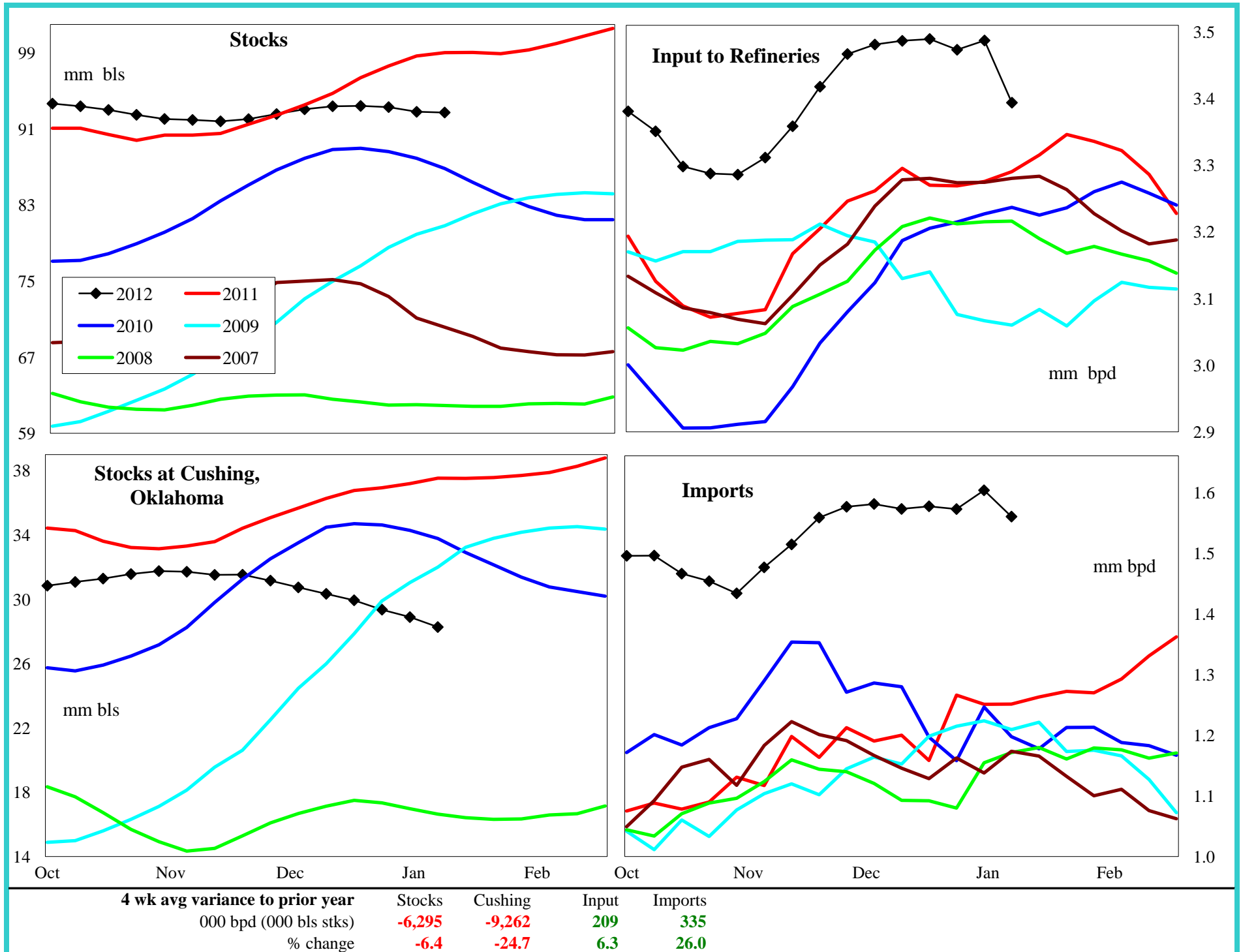
PADD 1 Jet Fuel Supply



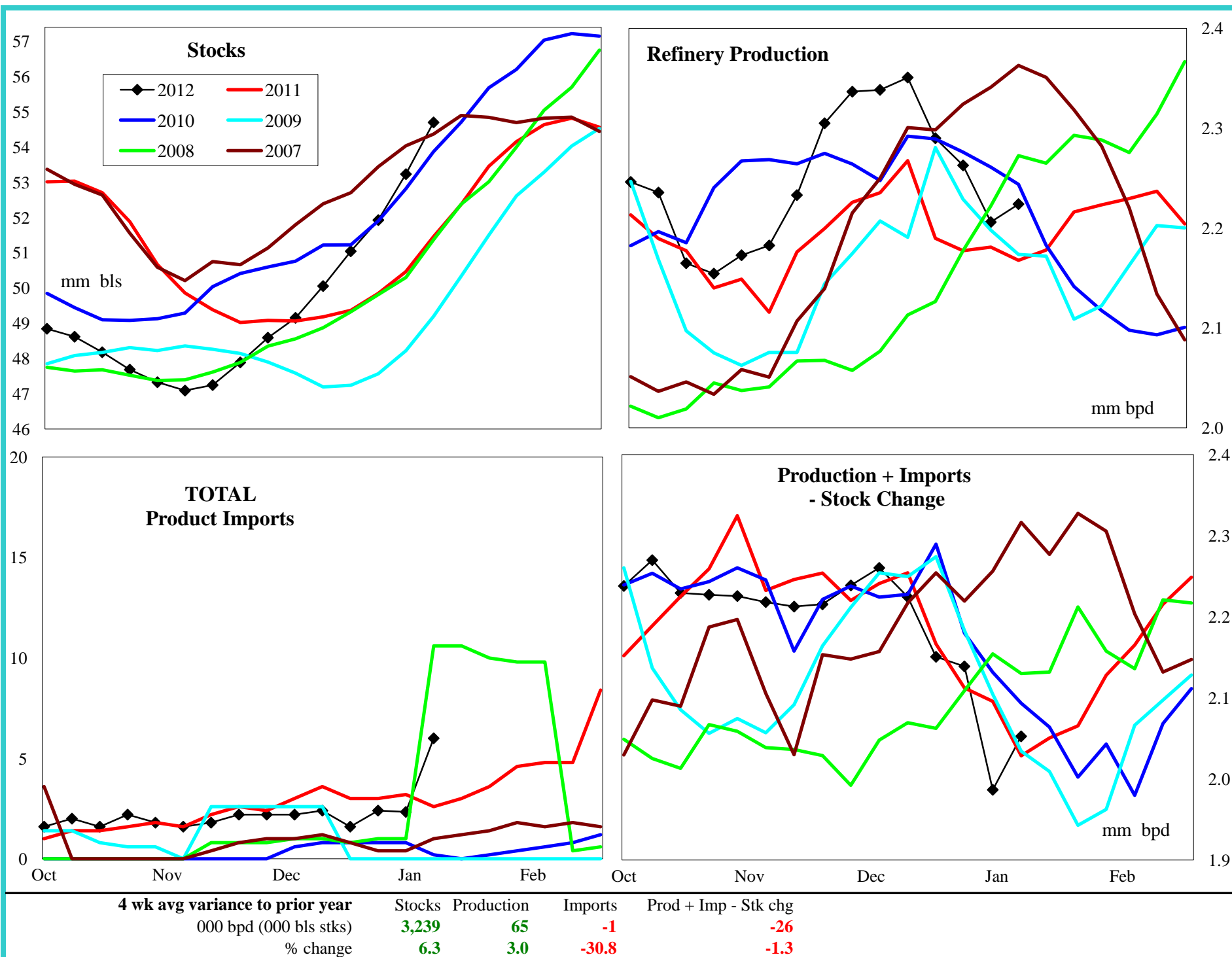
PADD 1 Residual Fuel Oil Supply



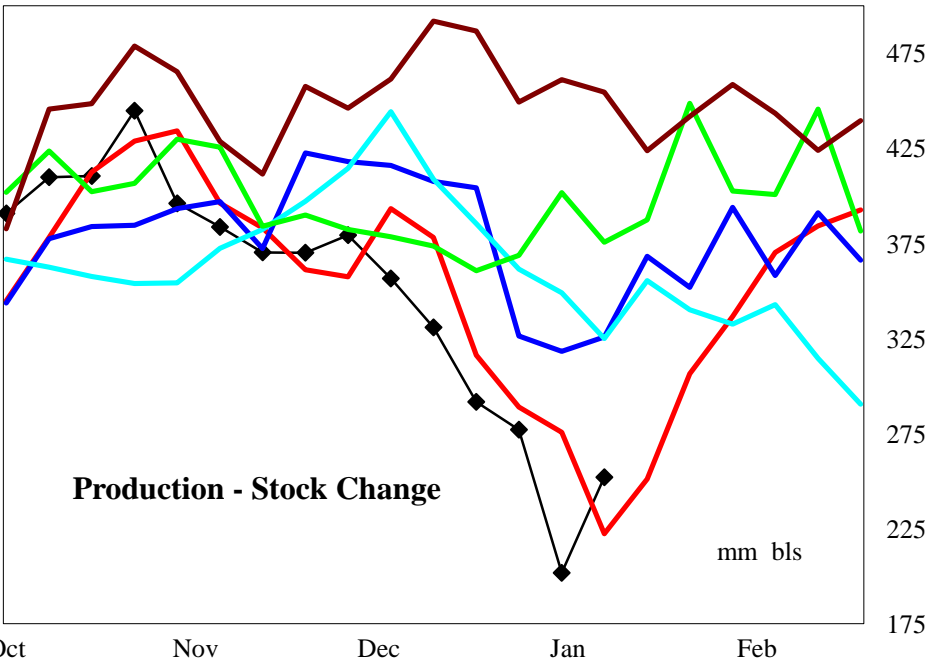
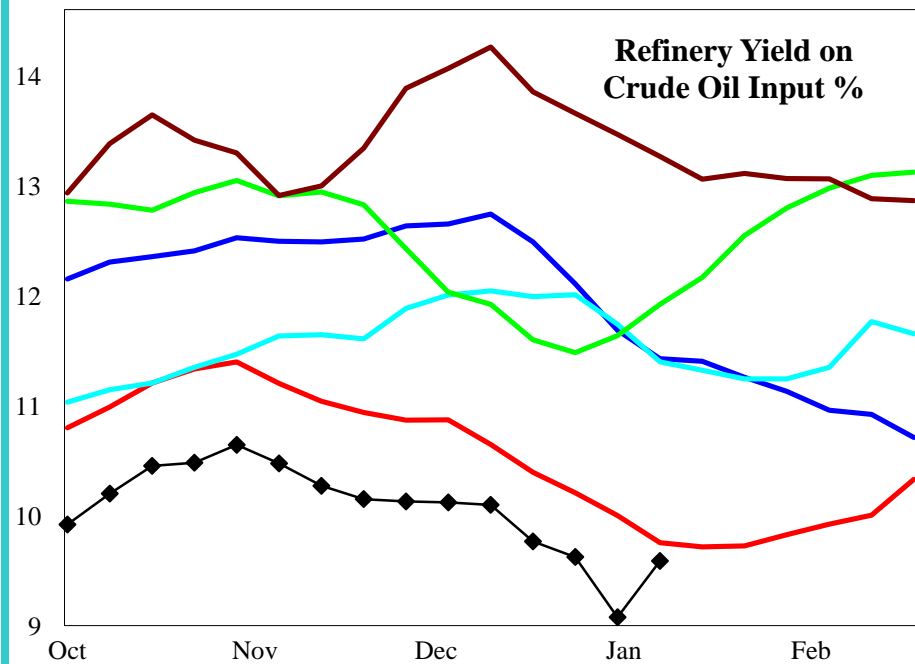
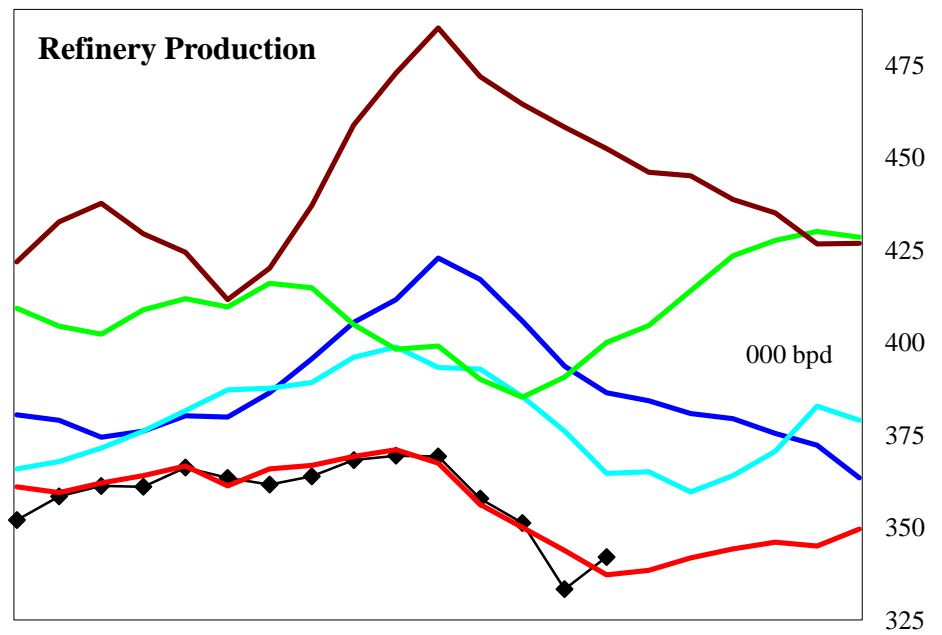
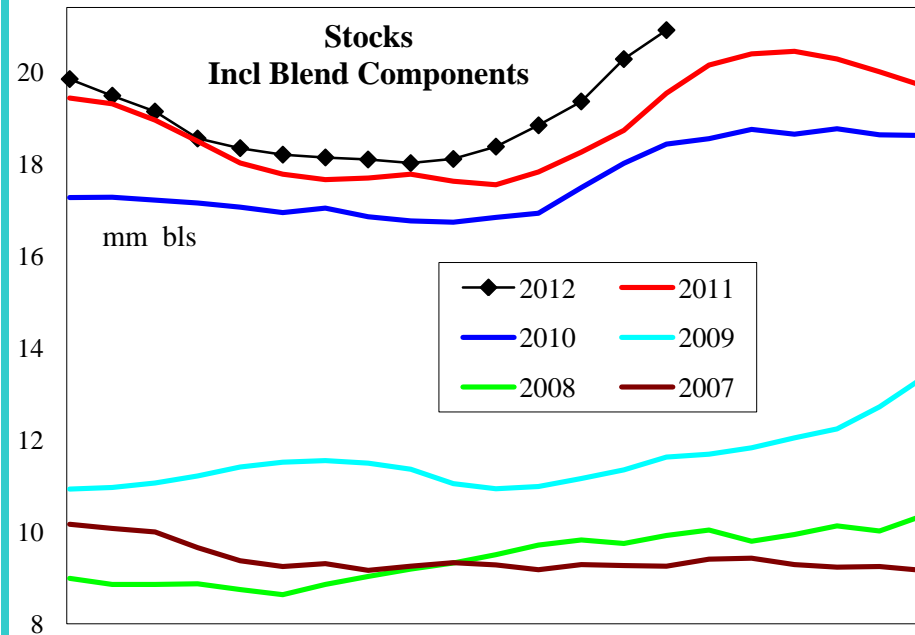
PADD 2 Crude Oil Supply and Refining



PADD 2 Gasoline Supply



PADD 2 Reformulated Gasoline Supply



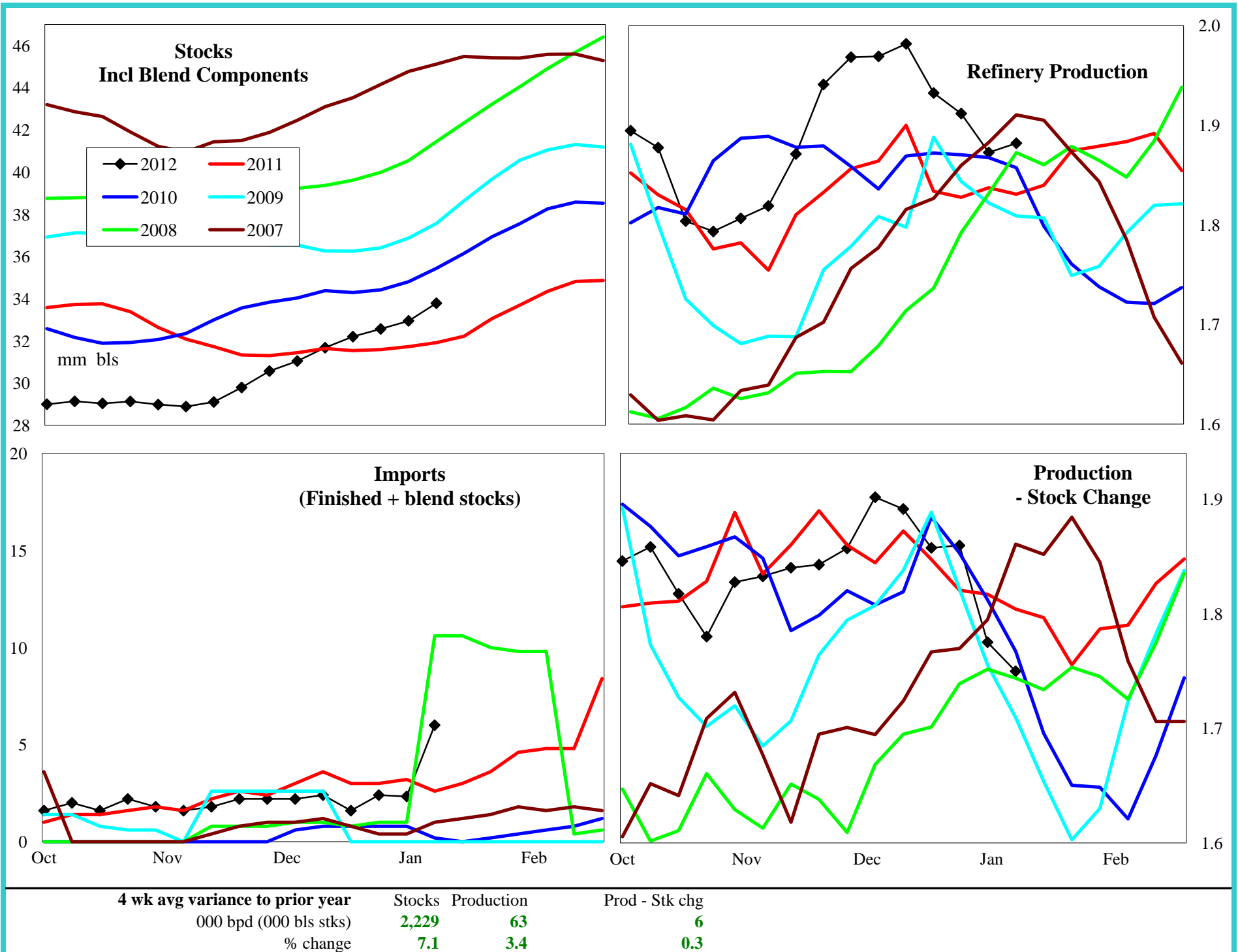
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks
1,373
7.0

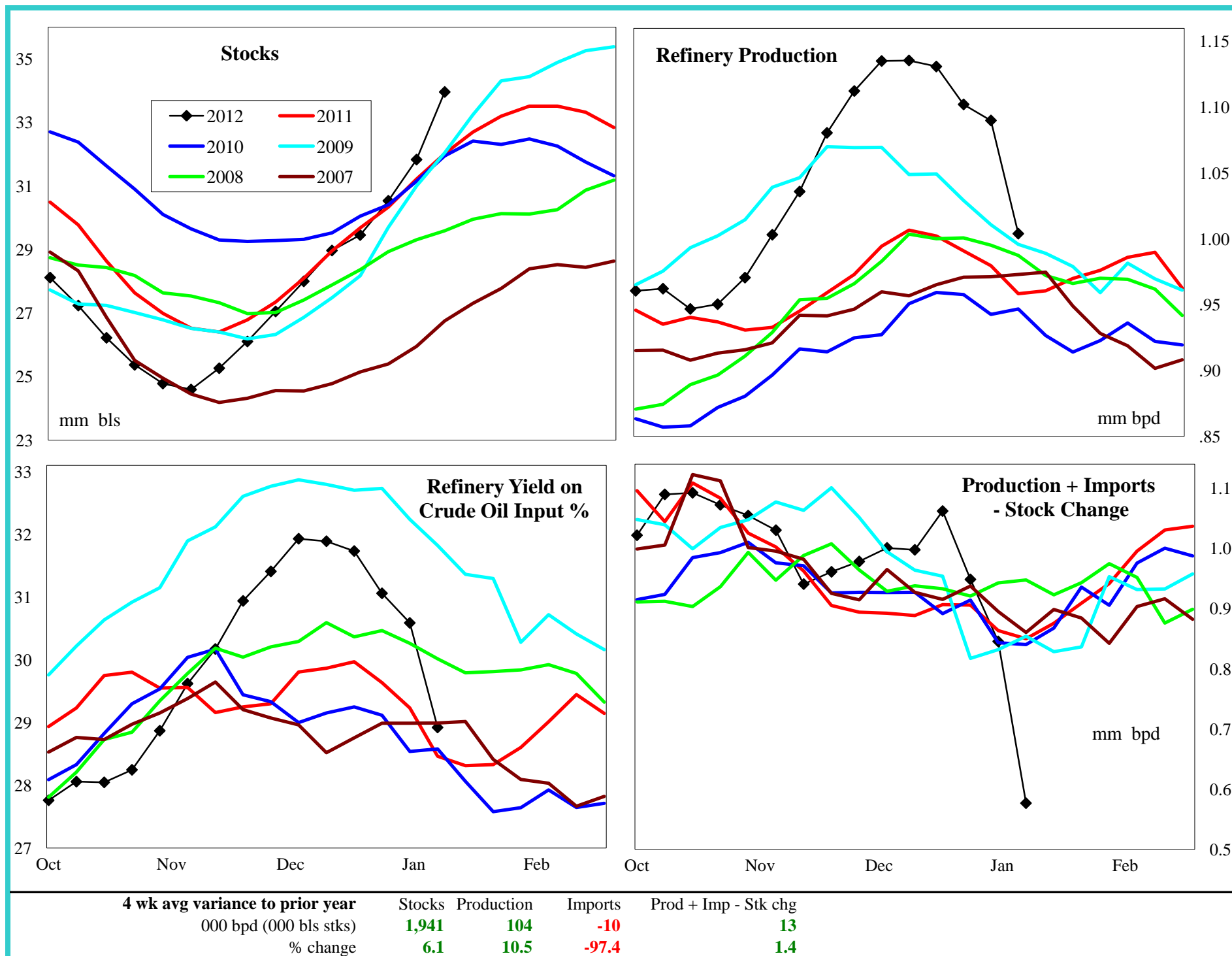
Production
-1
-0.2

Prod - Stk chg
-20
-7.3

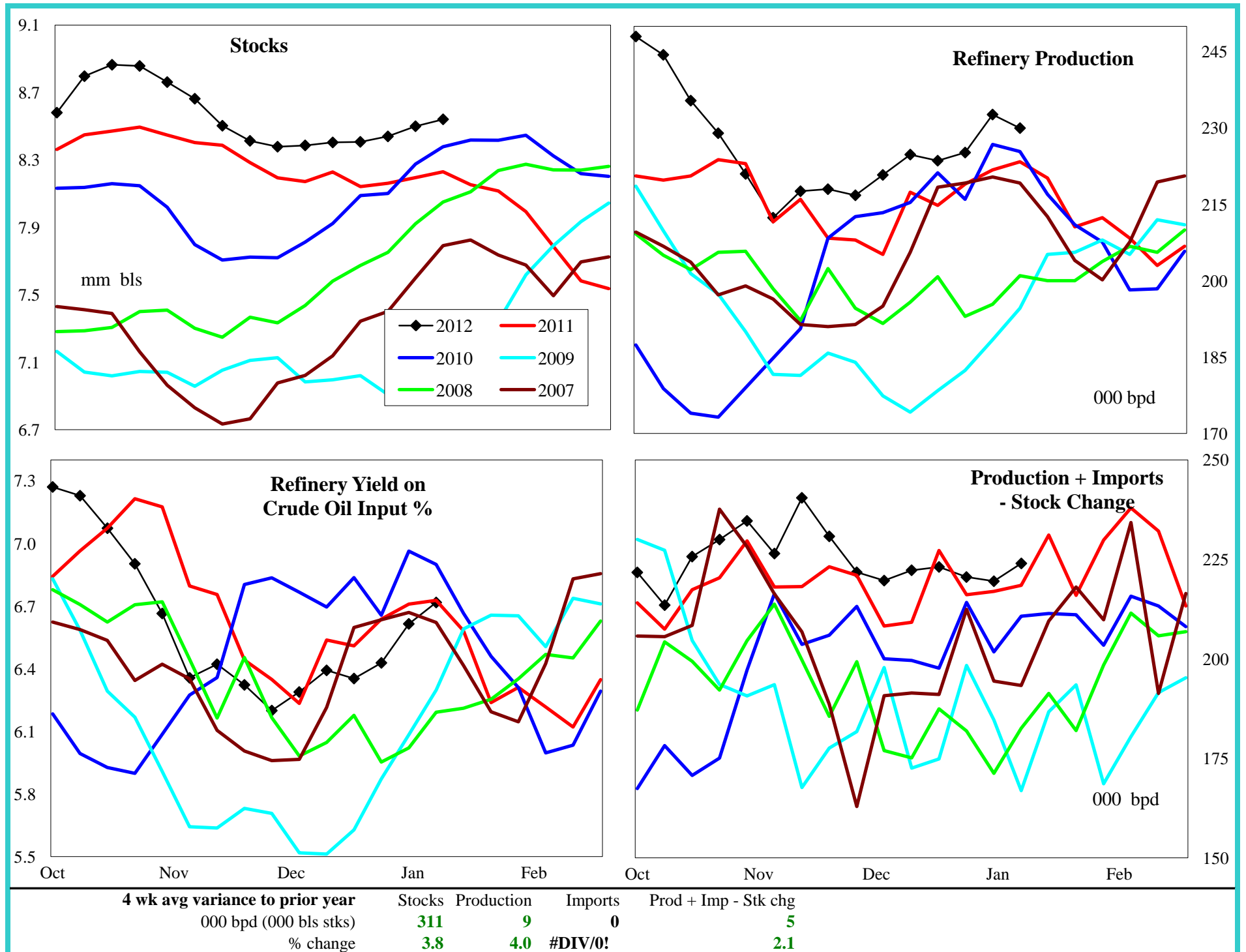
PADD 2 Conventional Gasoline Supply



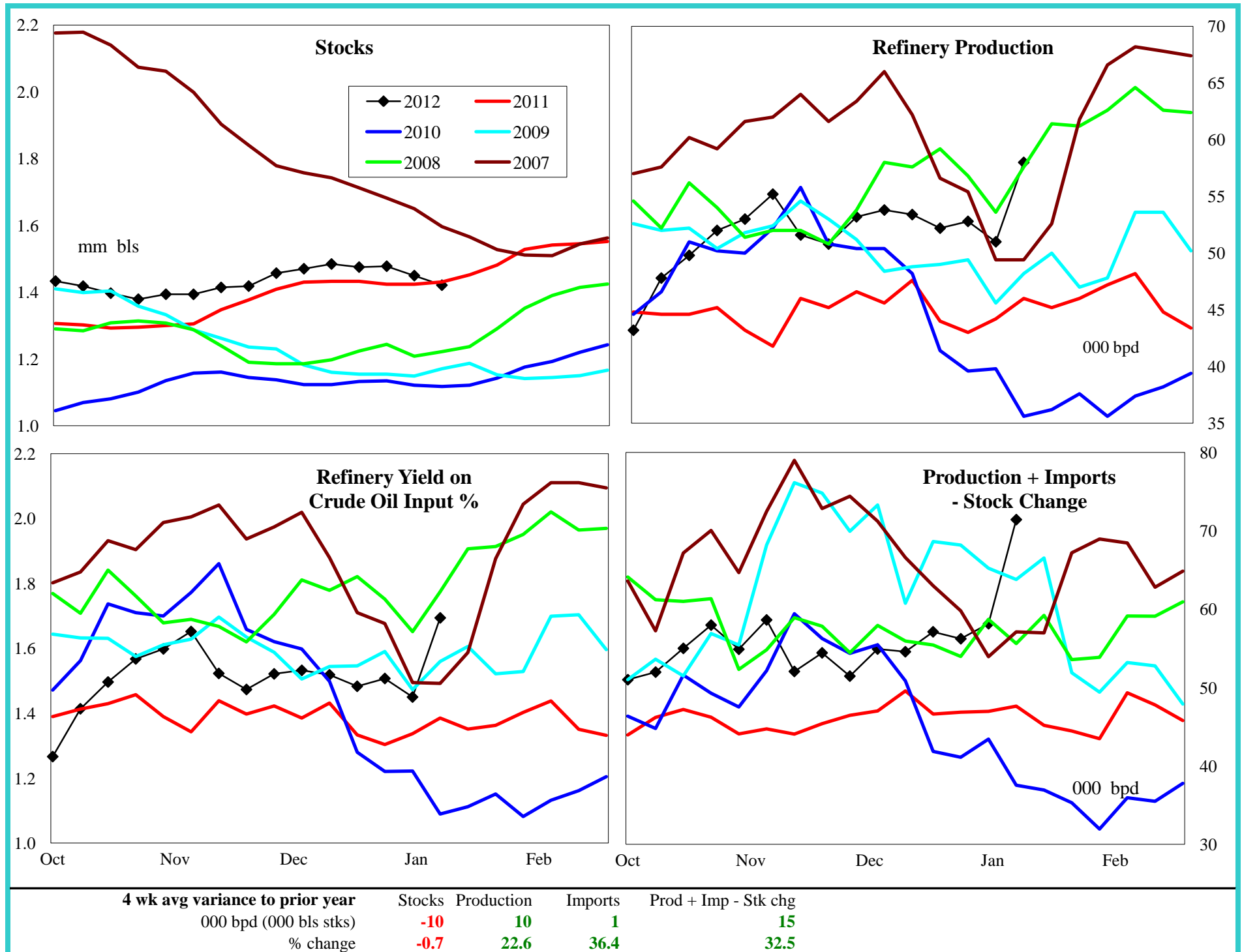
PADD 2 Distillate Supply



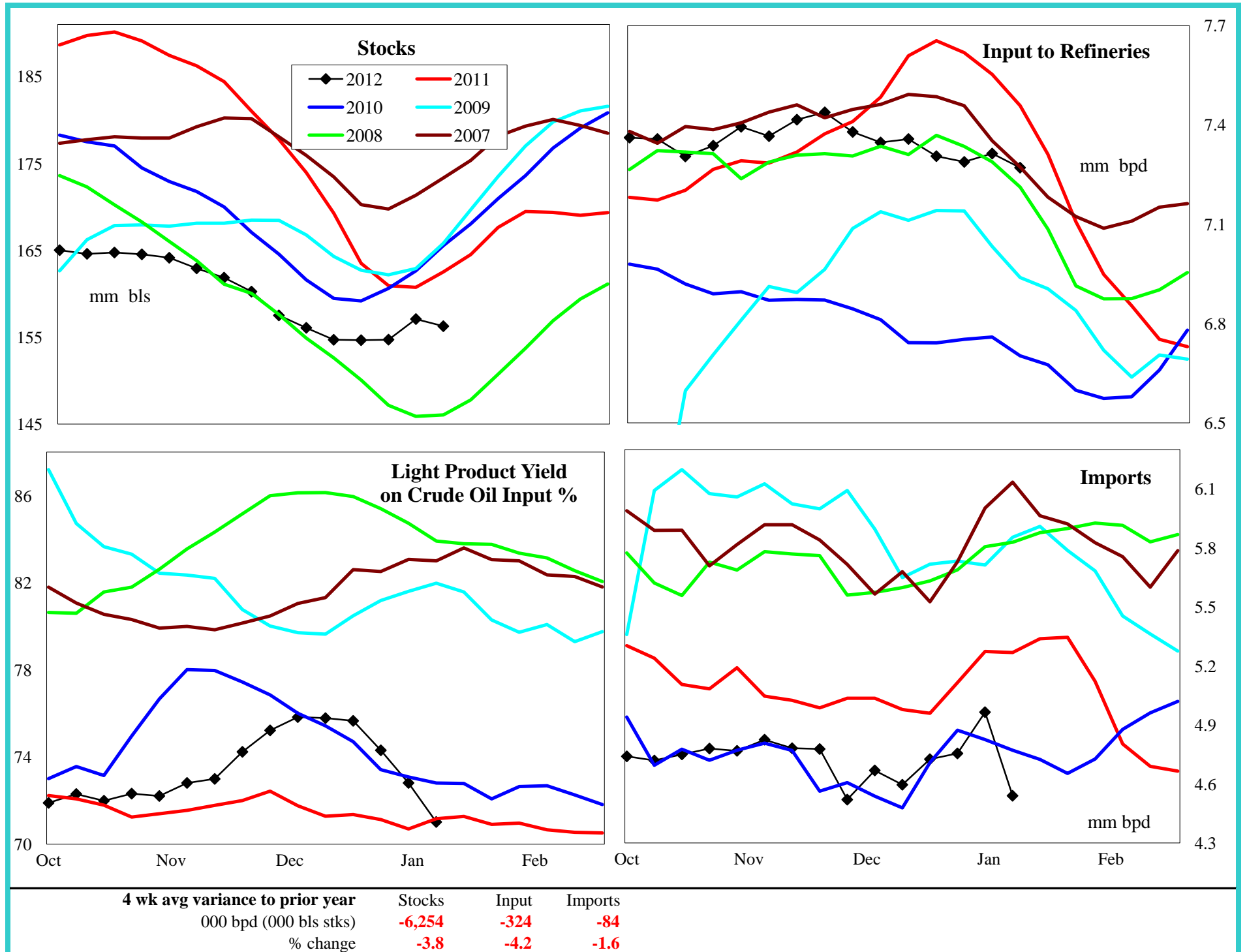
PADD 2 Jet Fuel Supply



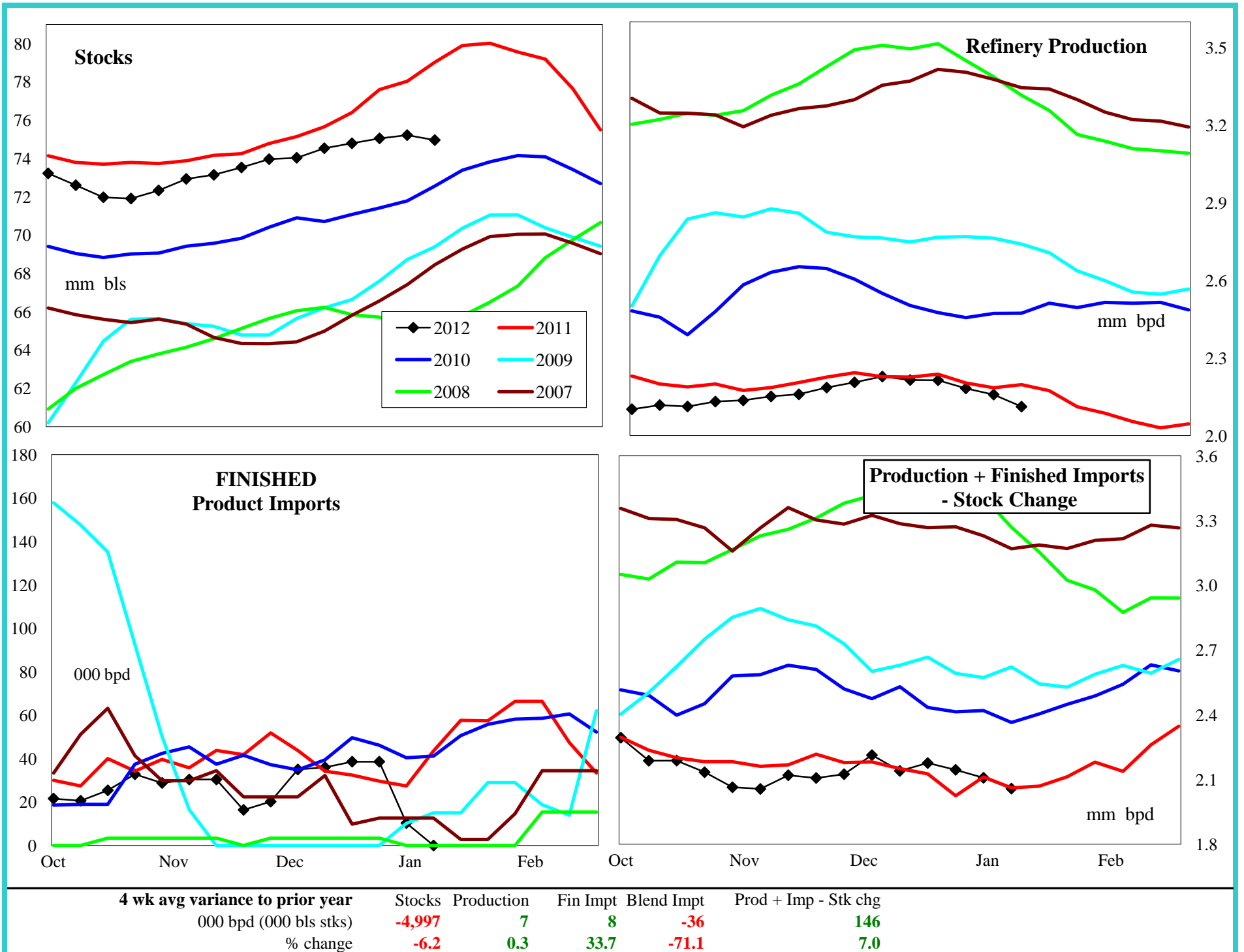
PADD 2 Residual Fuel Oil Supply



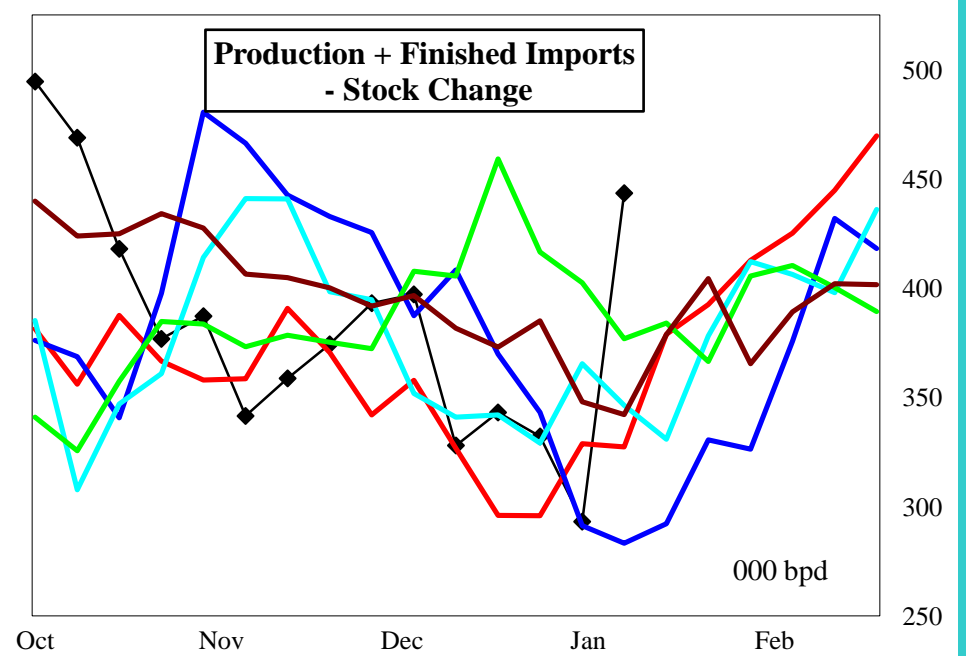
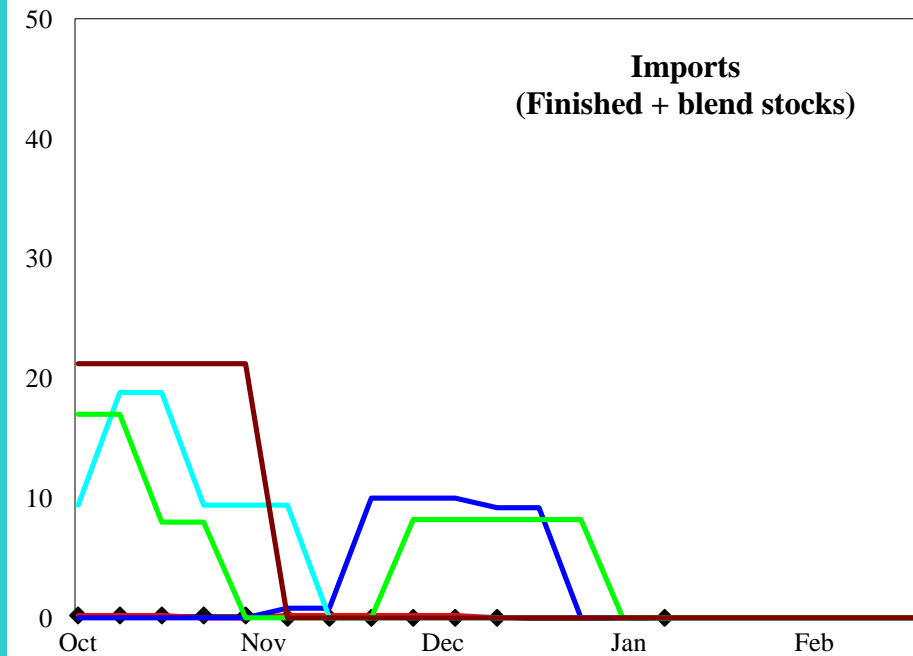
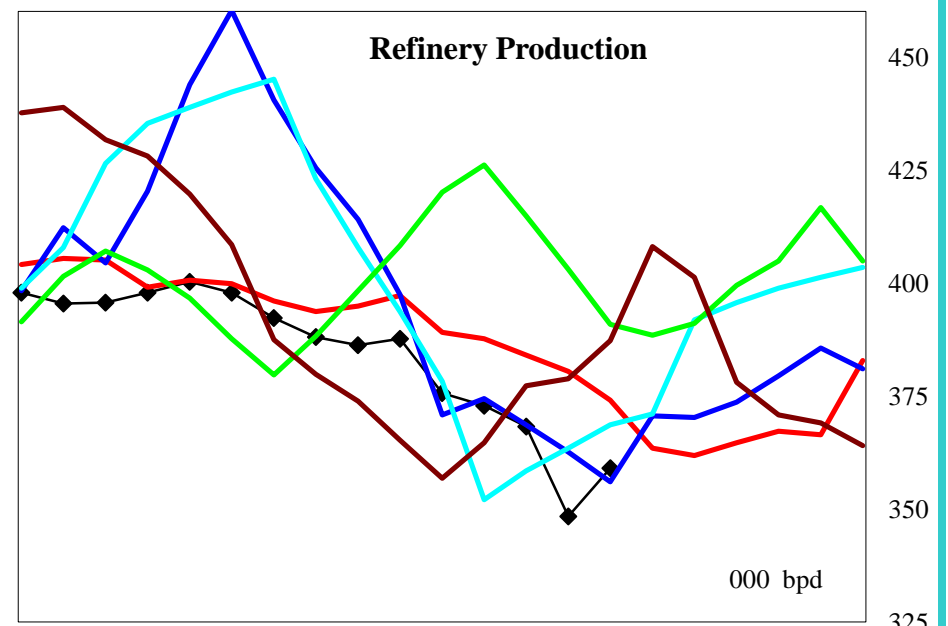
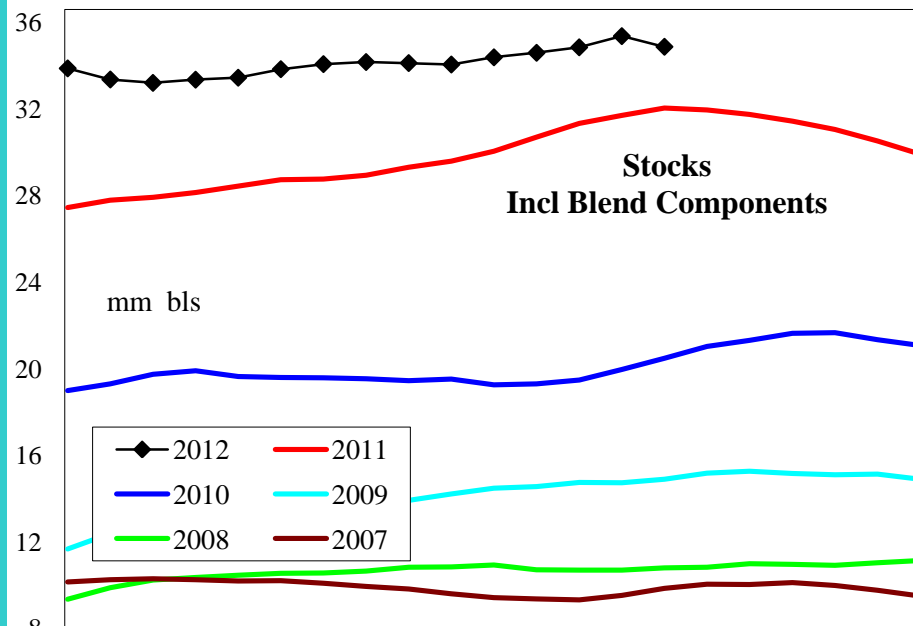
PADD 3 Crude Oil Supply and Refining



PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

2,769

8.5

Production

-18

-4.6

Imports

0

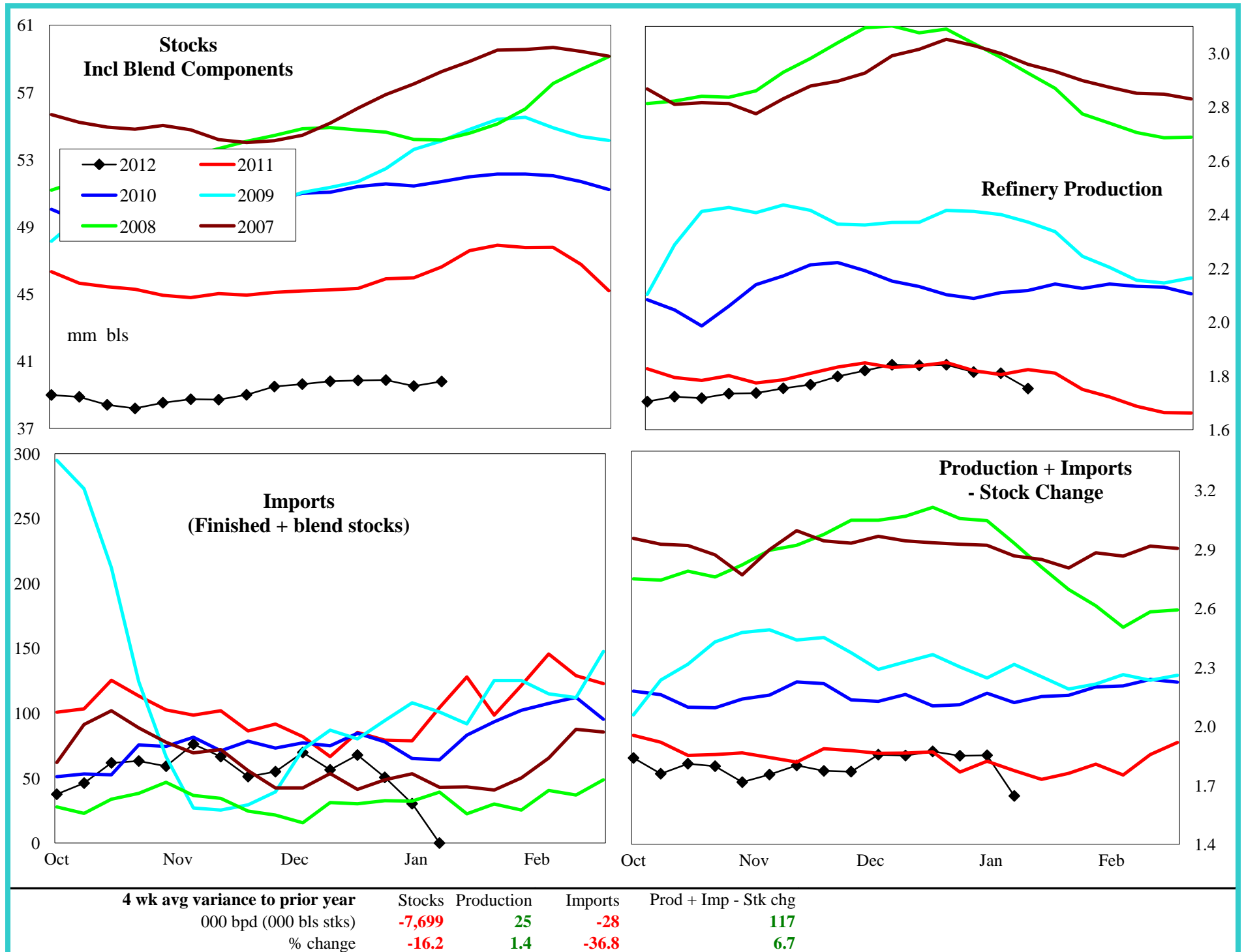
#DIV/0!

Prod + Imp - Stk chg

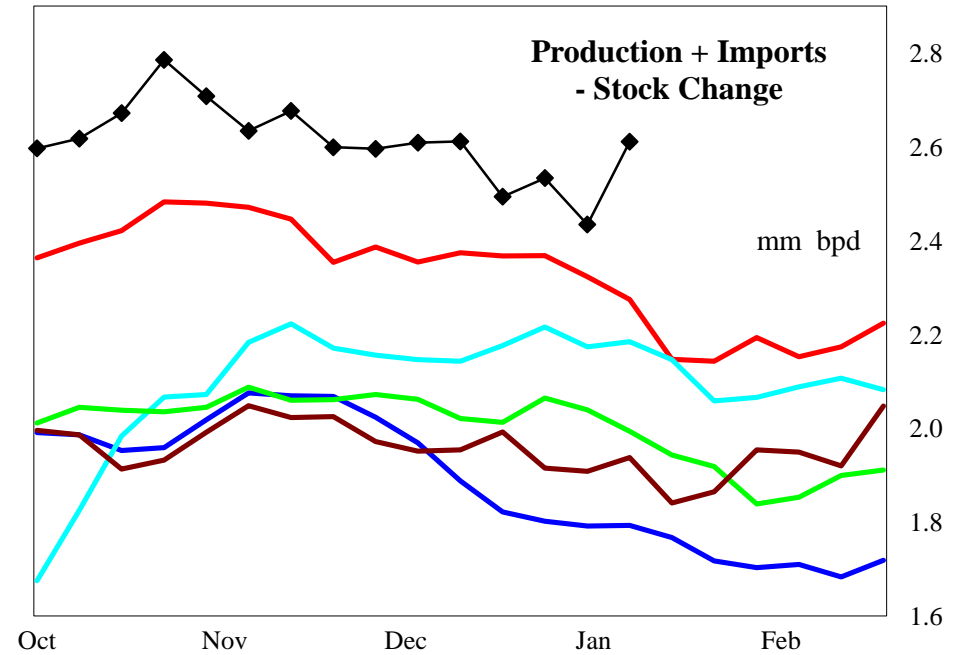
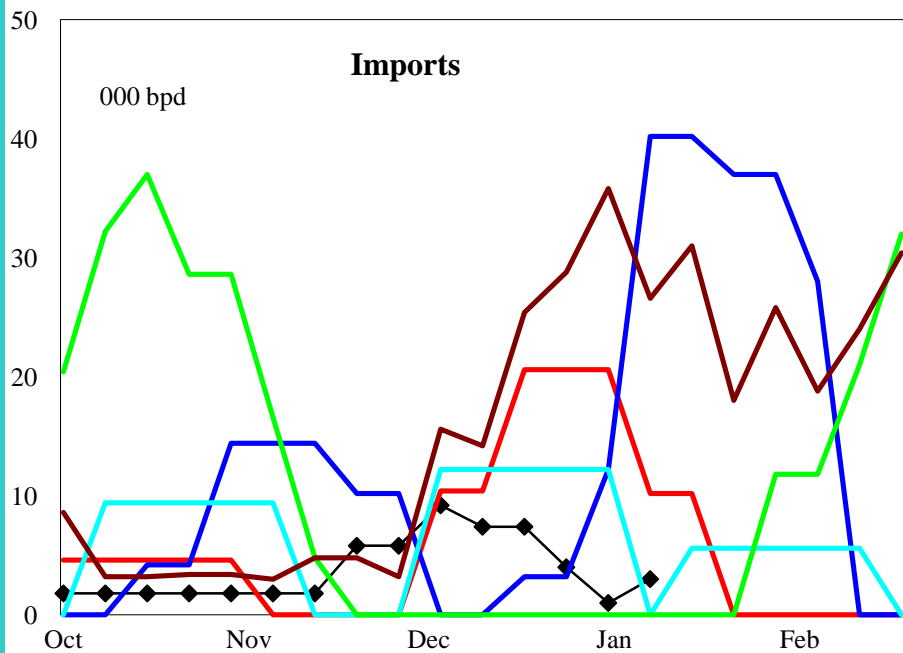
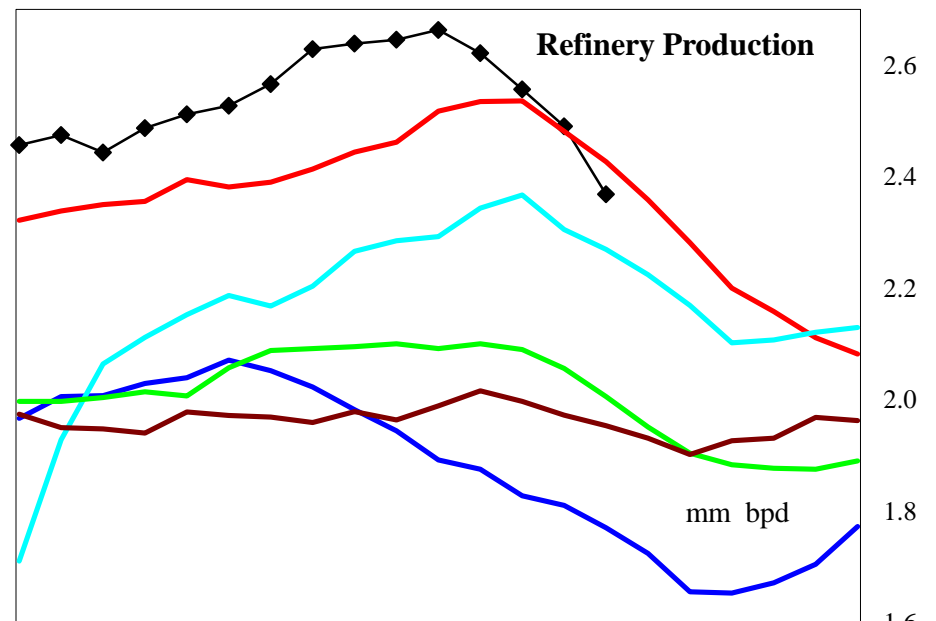
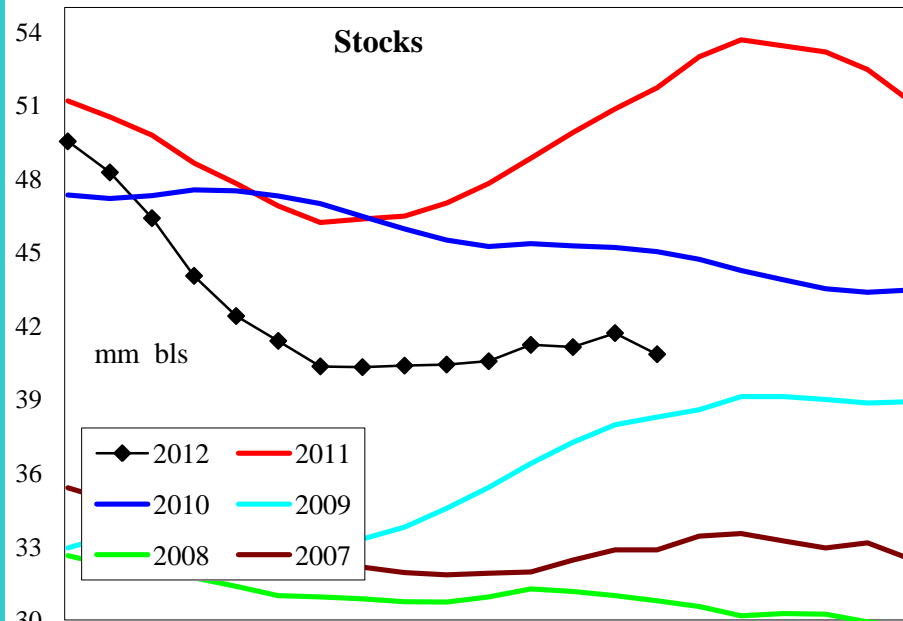
29

9.1

PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-11,920

-4

-21

123

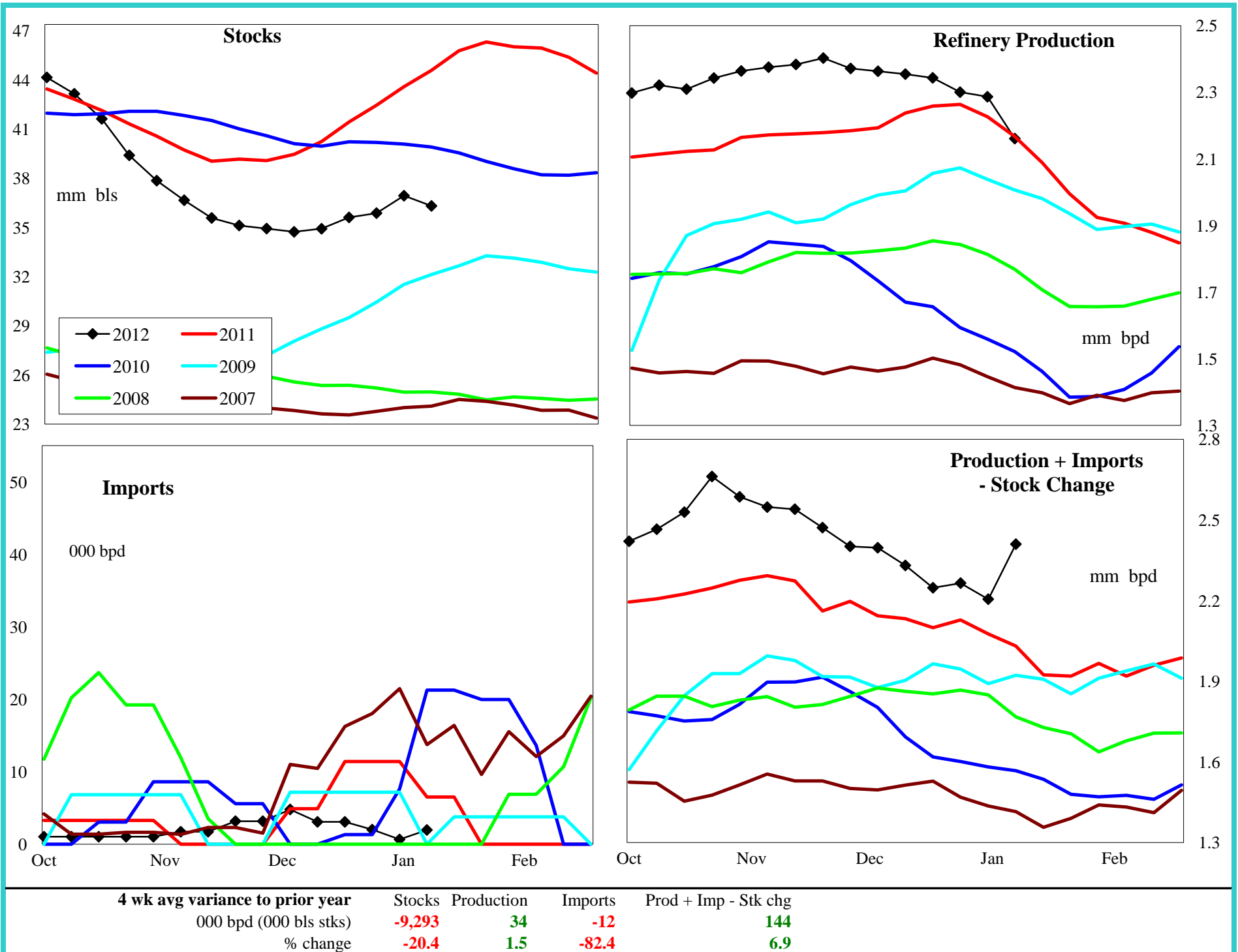
-22.6

-0.2

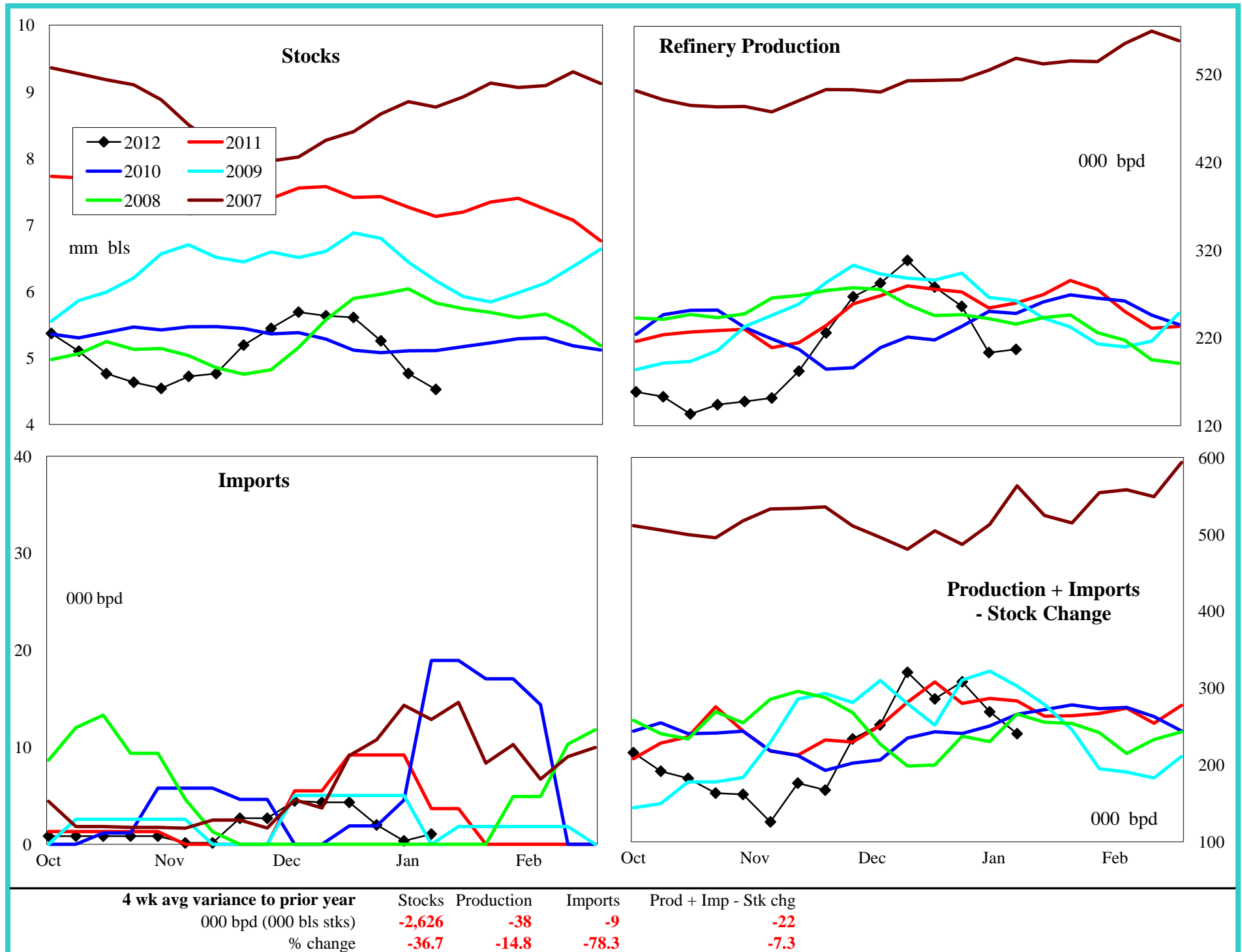
-80.6

5.2

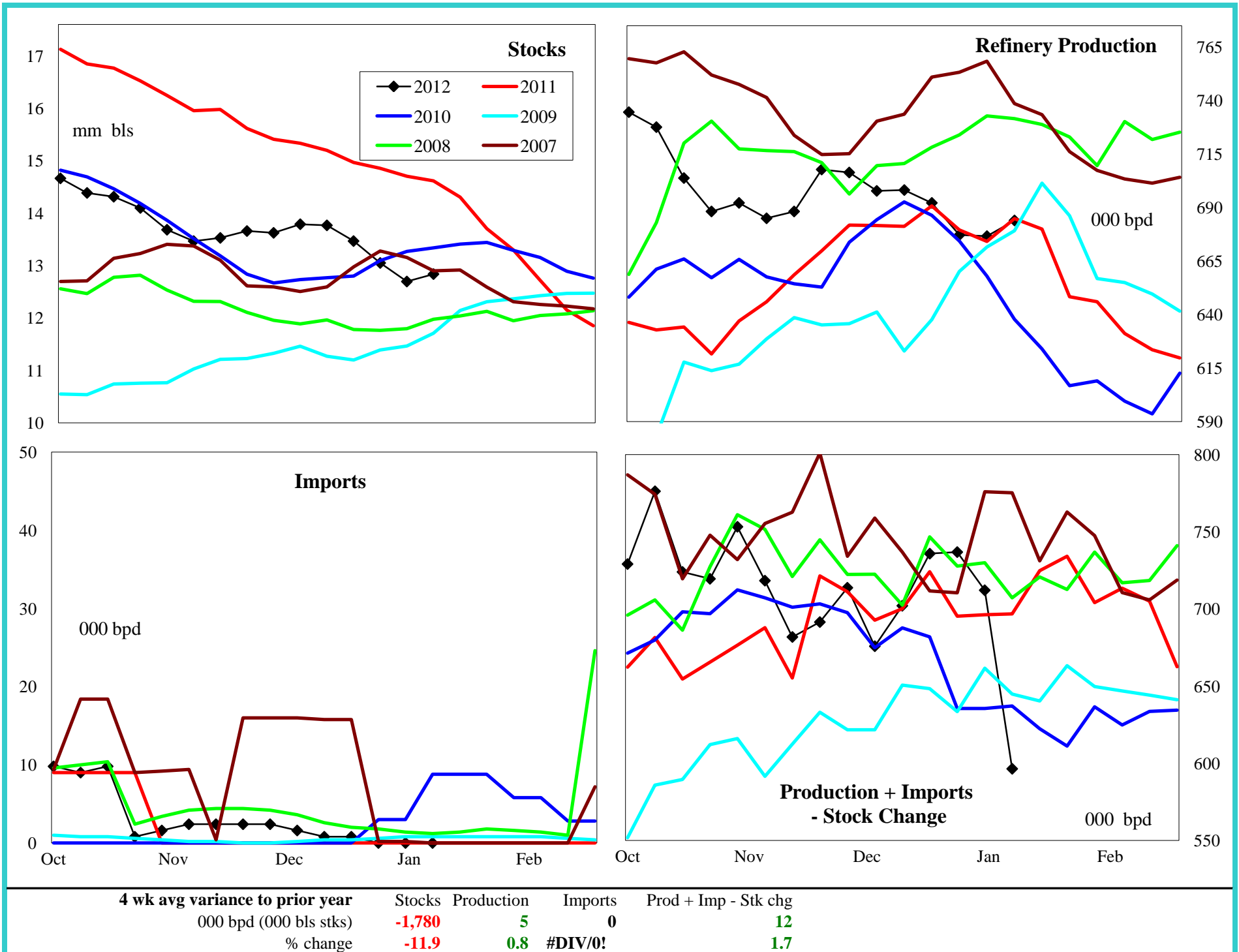
PADD 3 Low Sulfur Distillate Supply



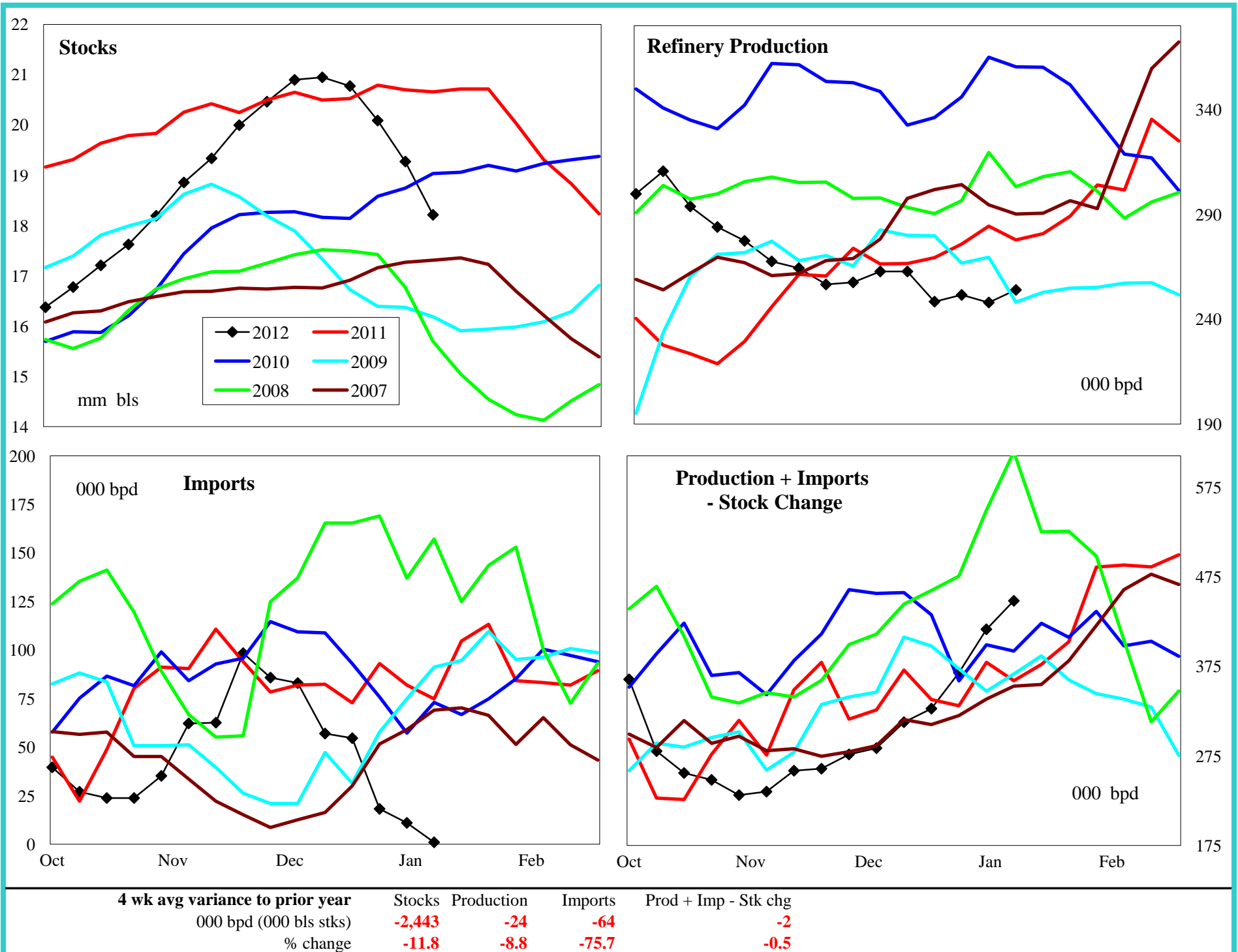
PADD 3 High Sulfur Distillate Supply



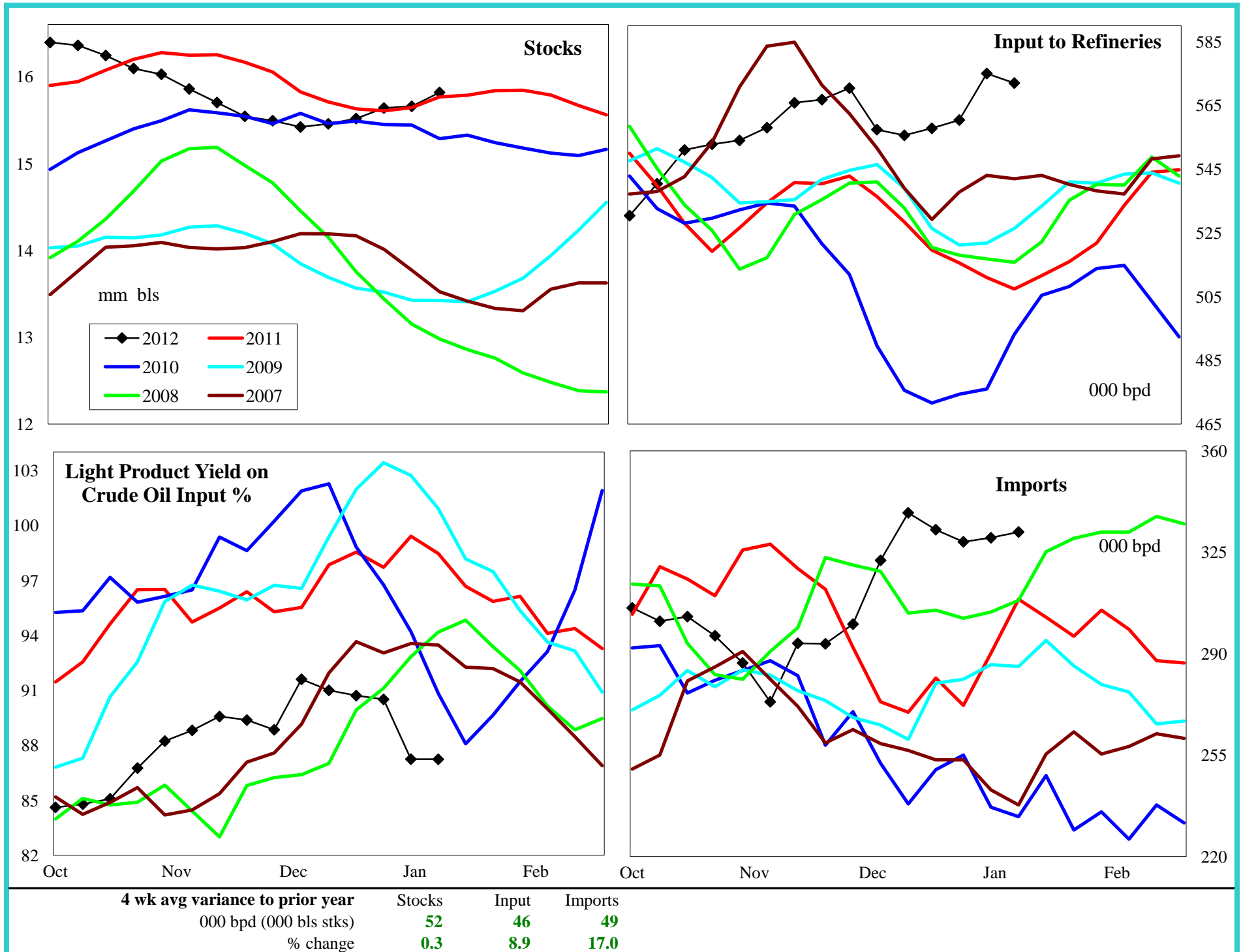
PADD 3 Jet Fuel Supply



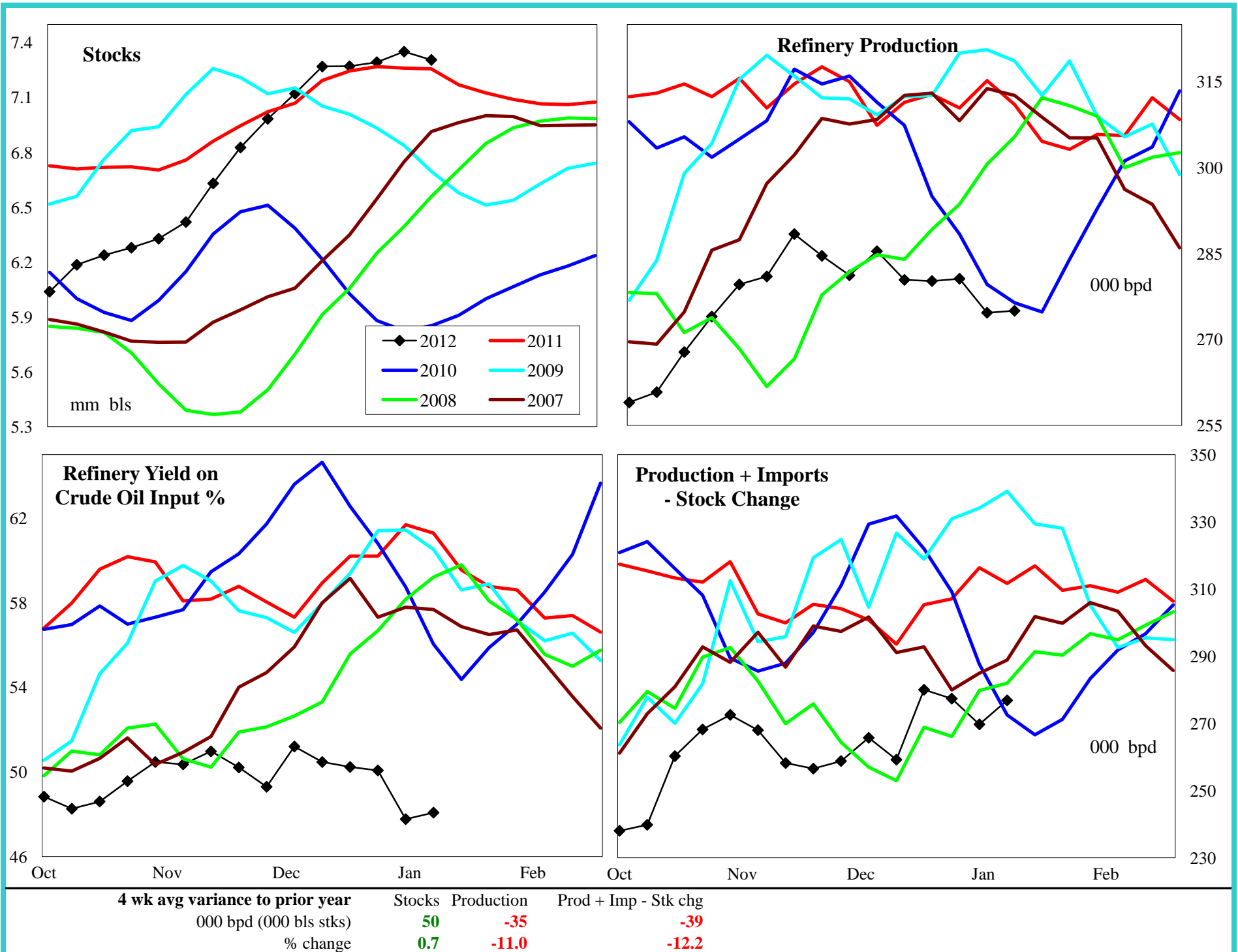
PADD 3 Residual Fuel Oil Supply



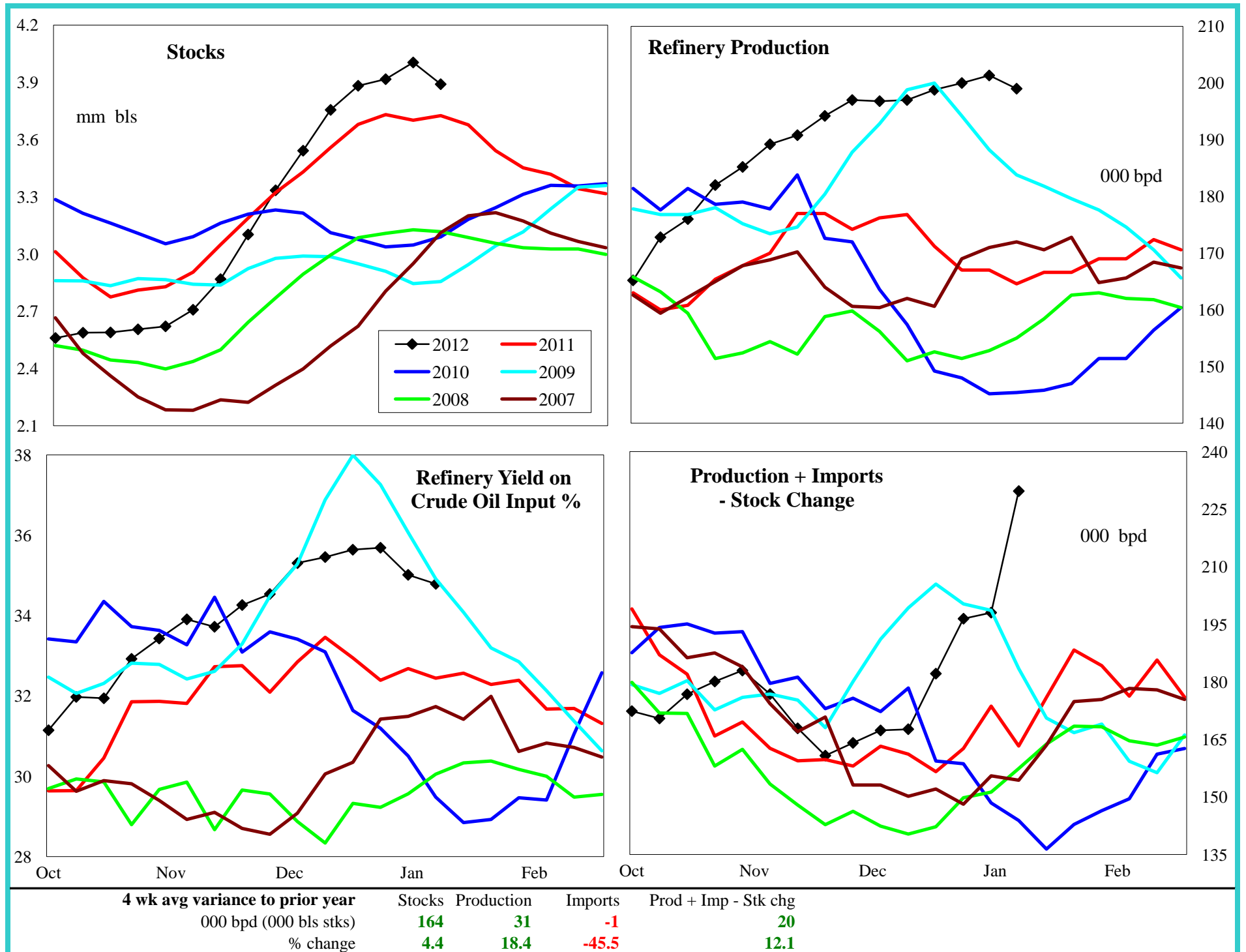
PADD 4 Crude Oil Supply and Refining



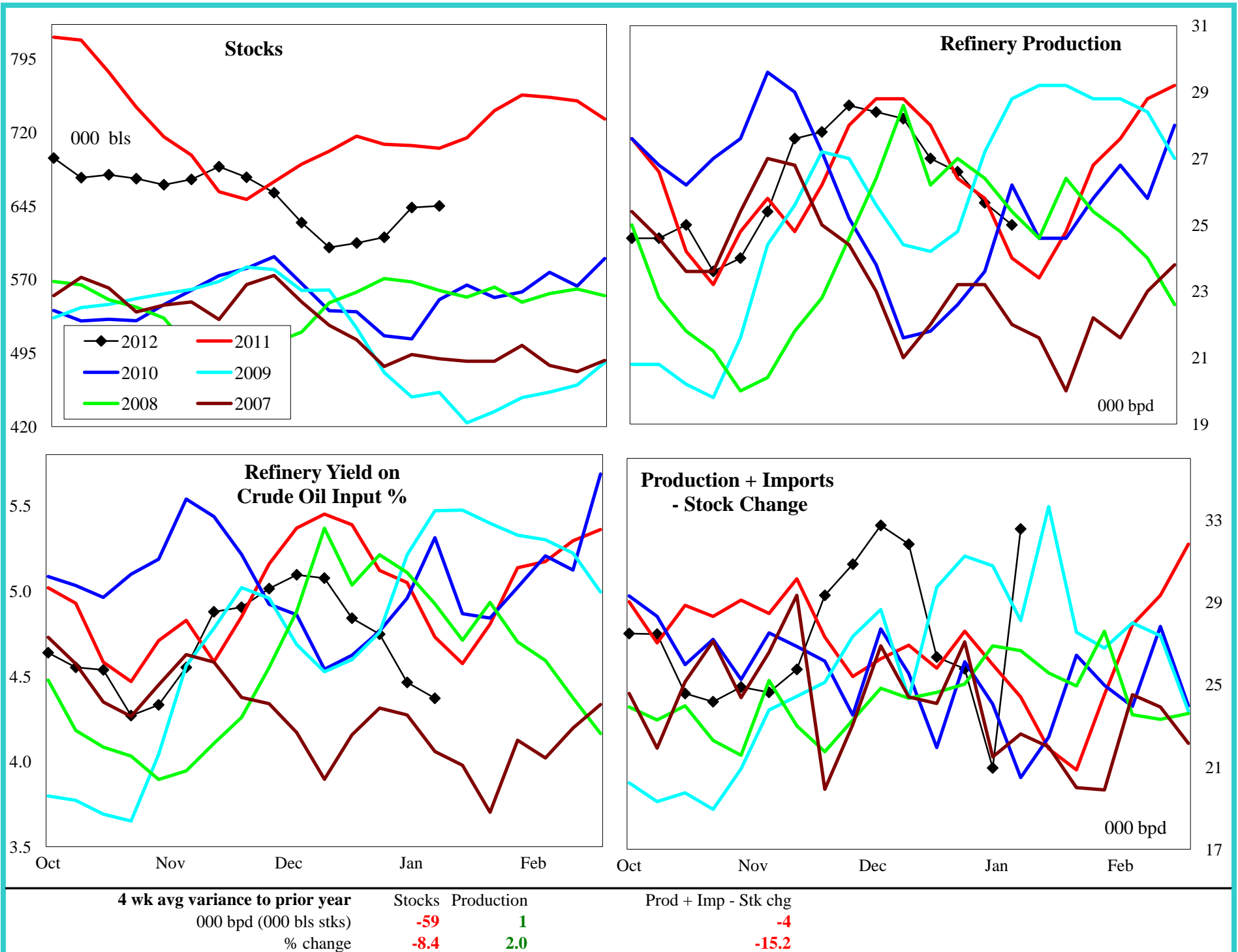
PADD 4 Gasoline Supply



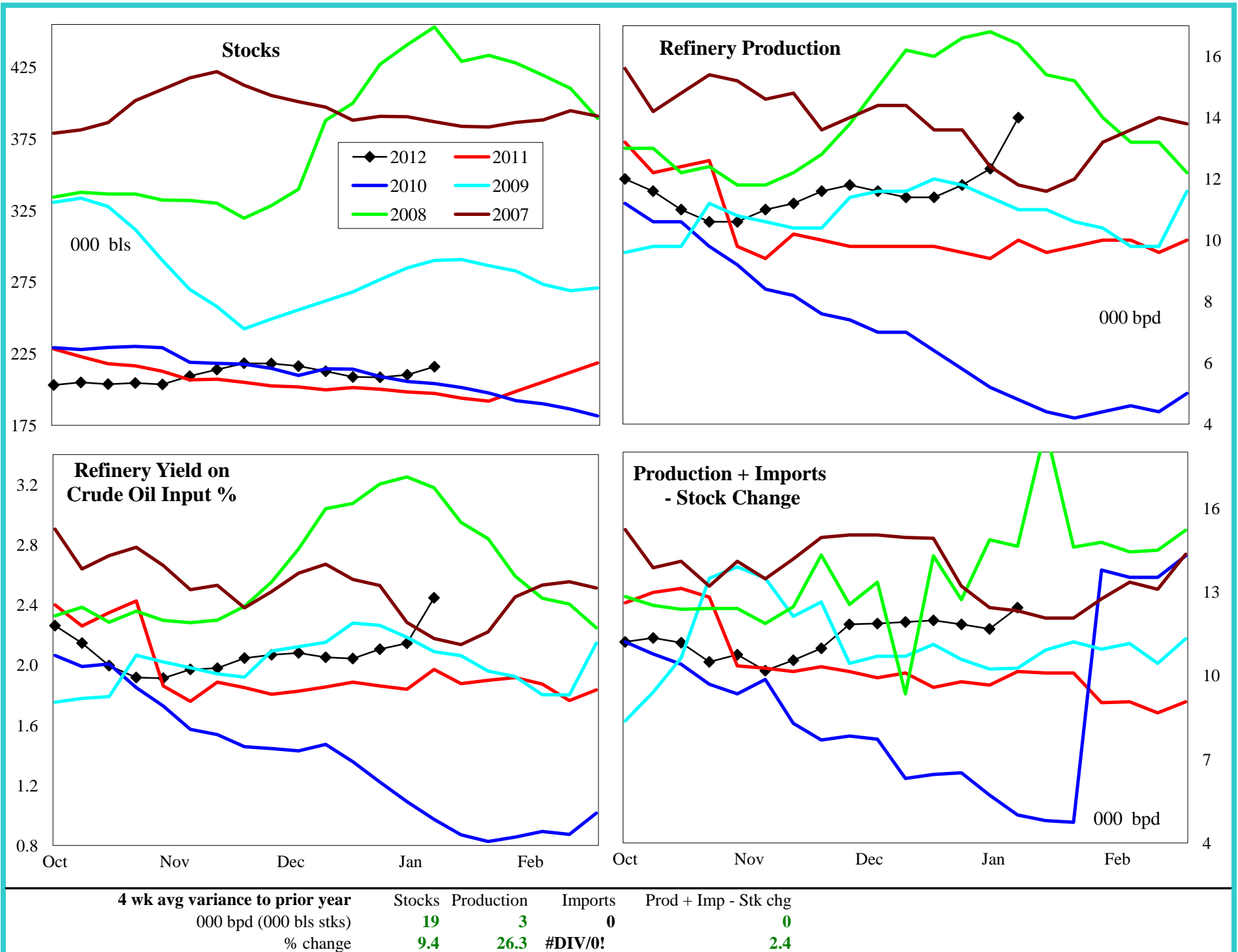
PADD 4 Distillate Supply



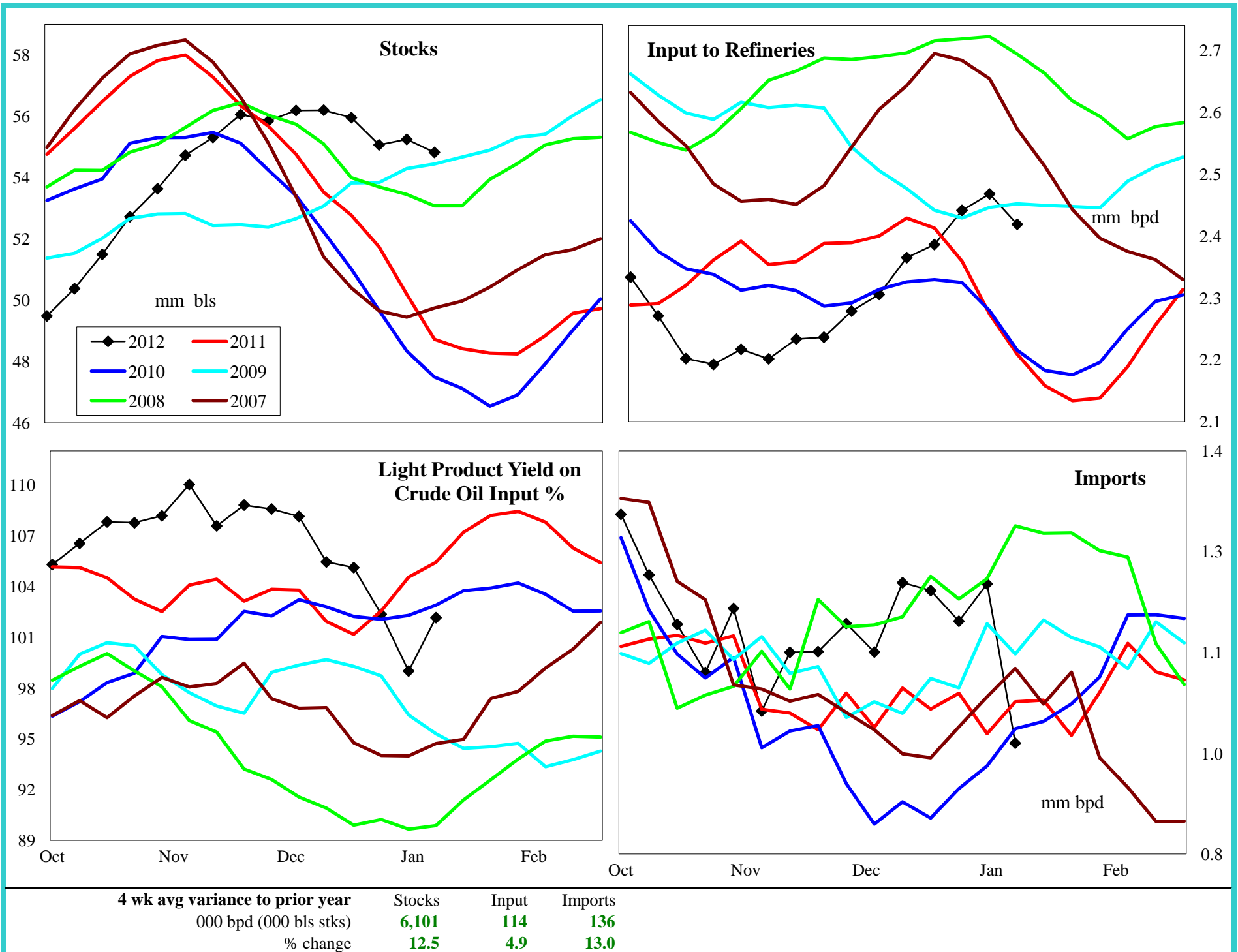
PADD 4 Jet Fuel Supply



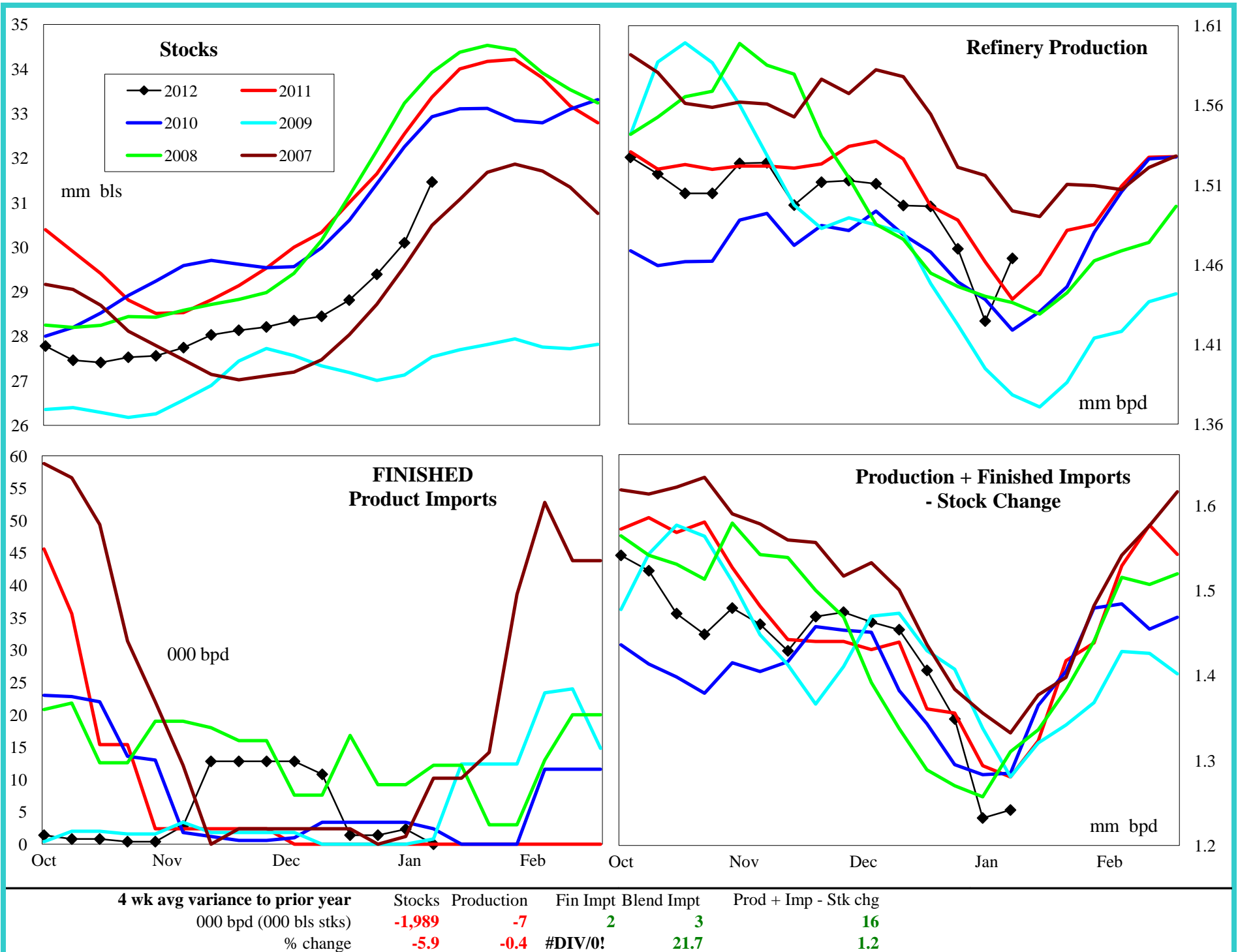
PADD 4 Residual Fuel Oil Supply



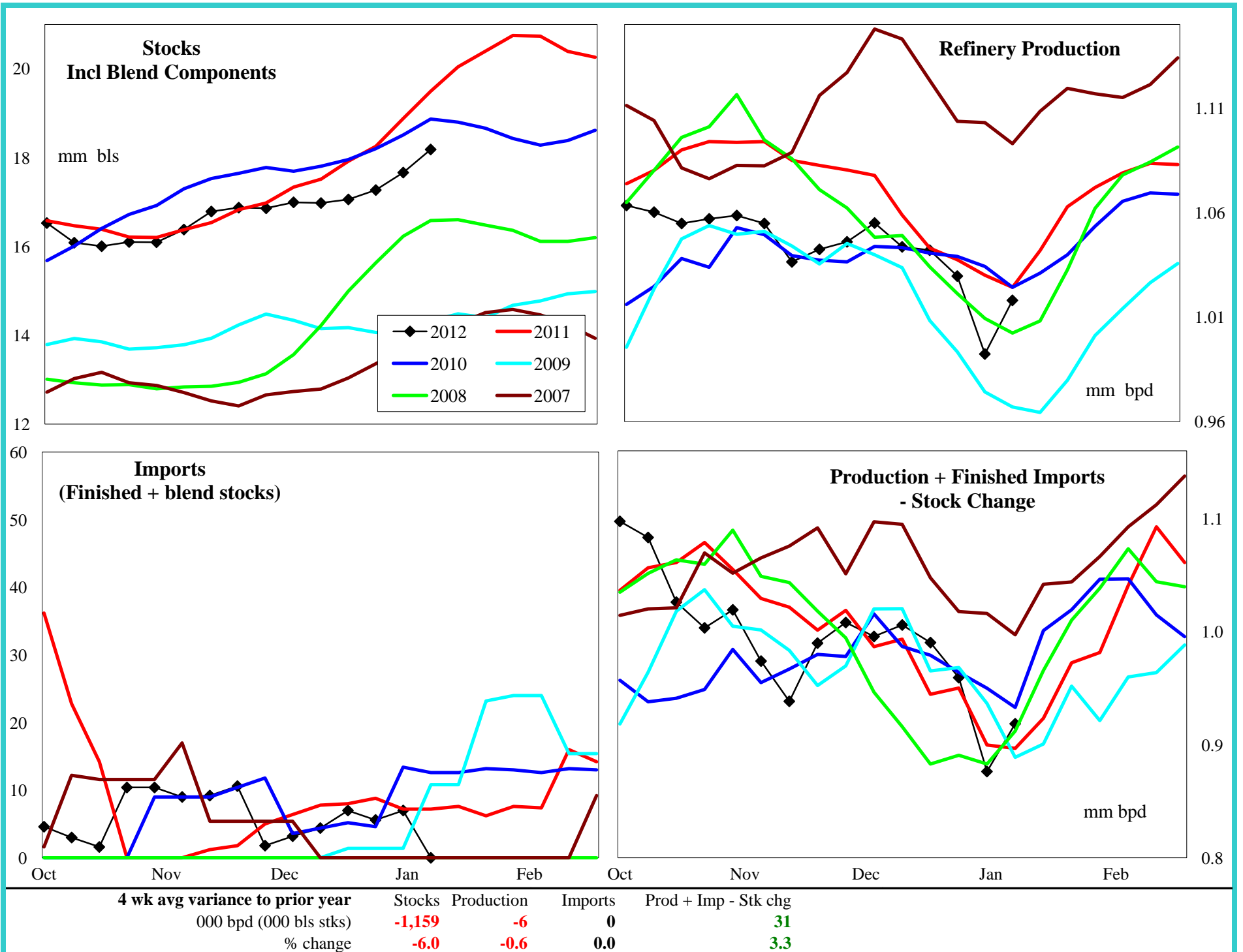
PADD 5 Crude Oil Supply and Refining



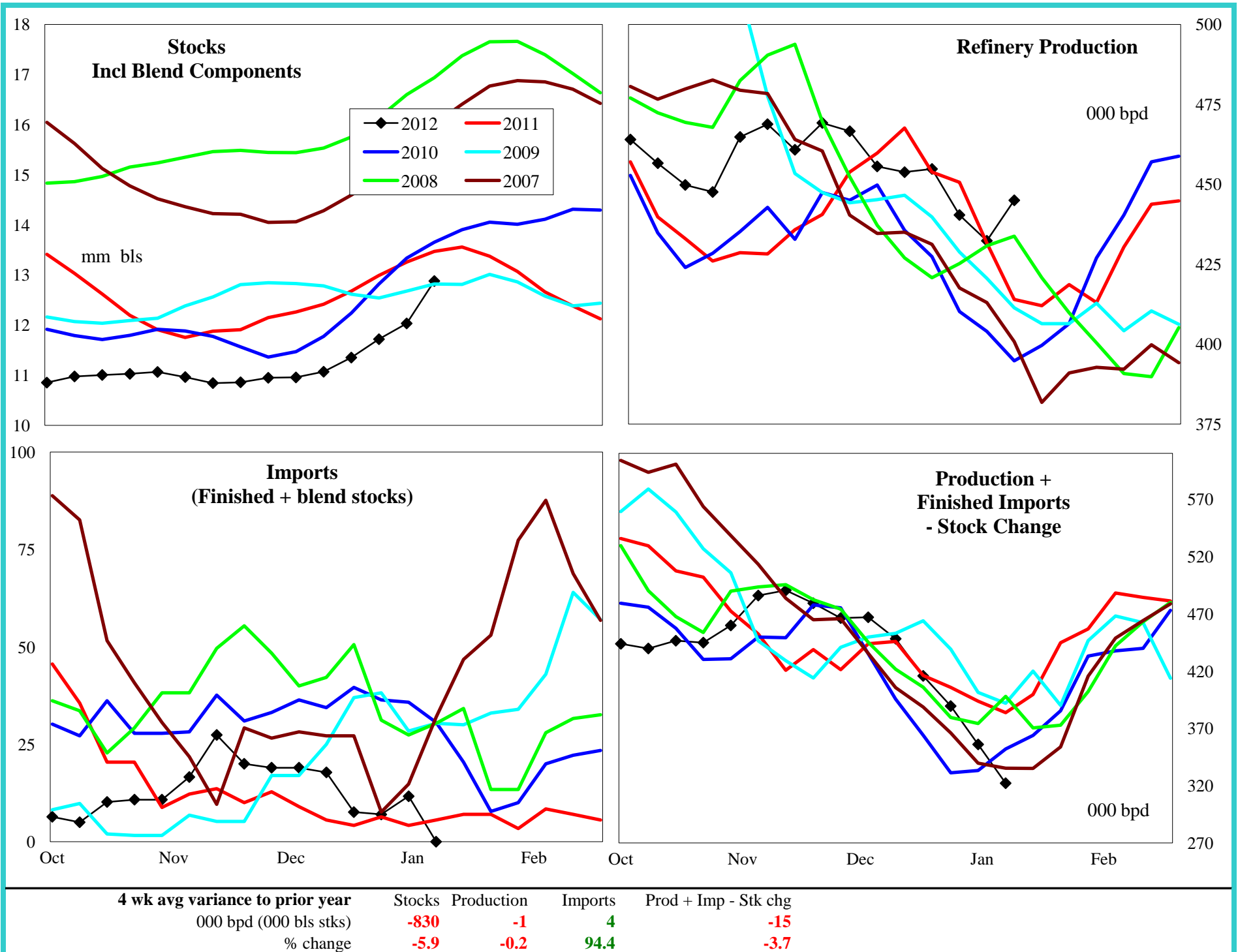
PADD 5 Gasoline Supply



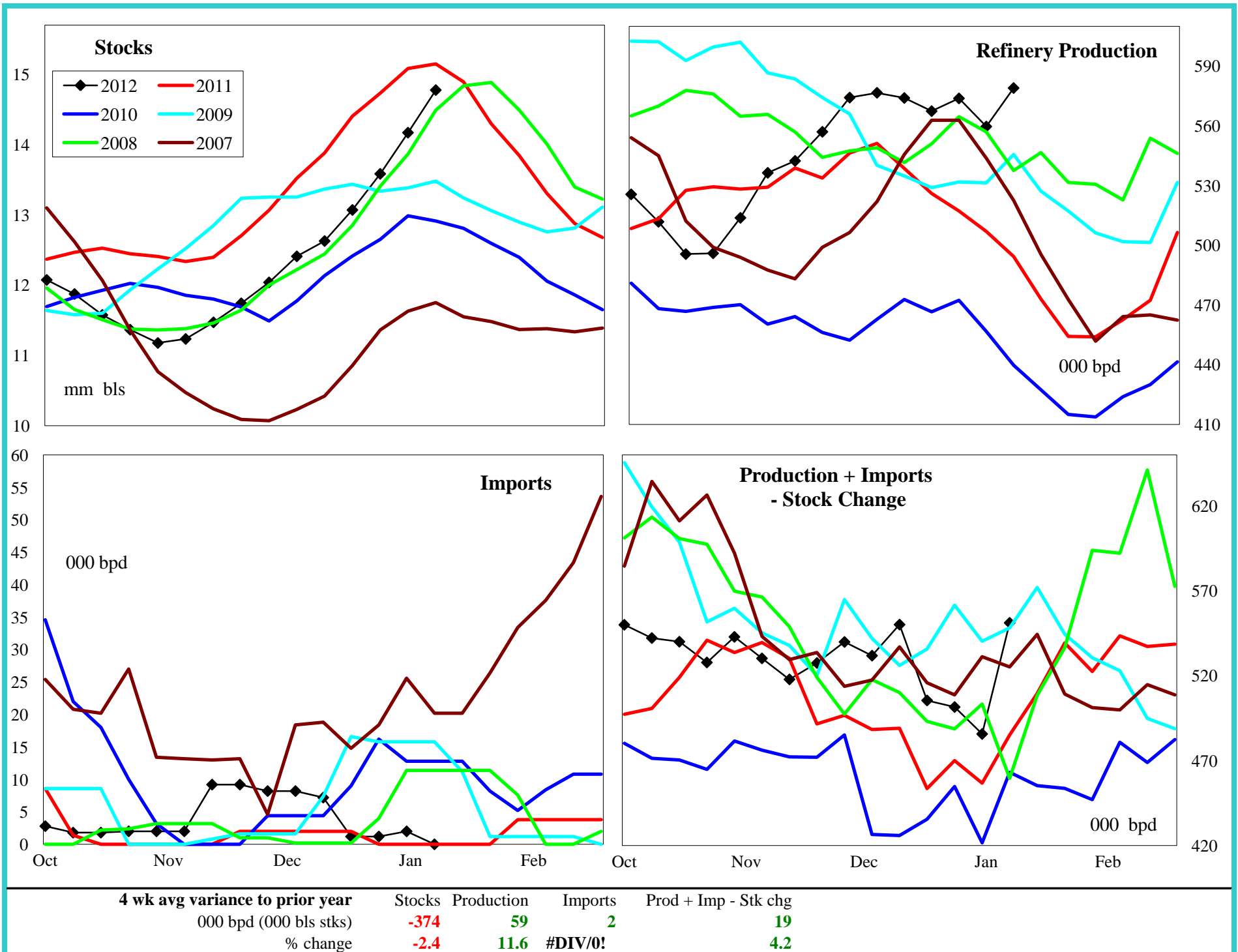
PADD 5 Reformulated Gasoline Supply



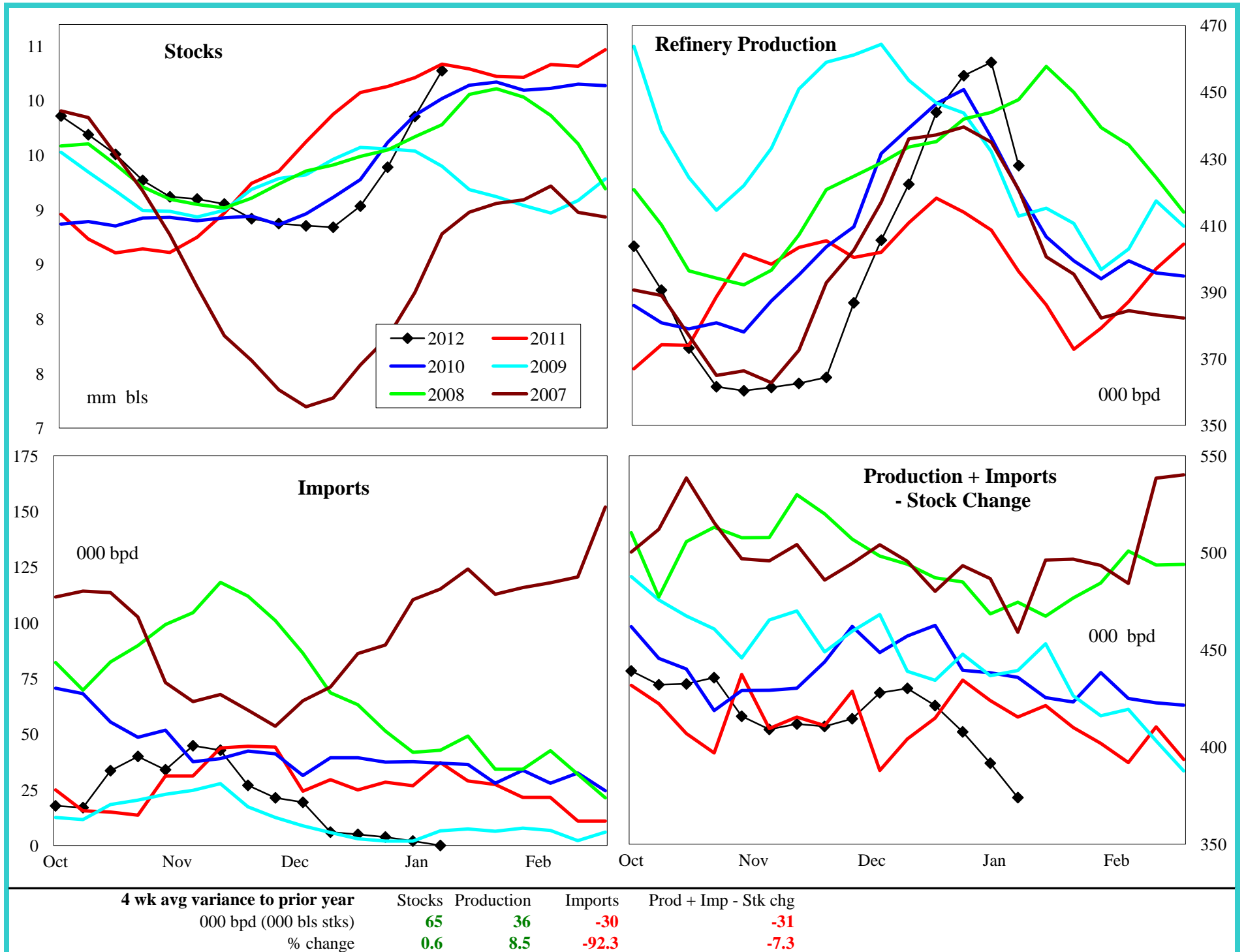
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

