



## WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

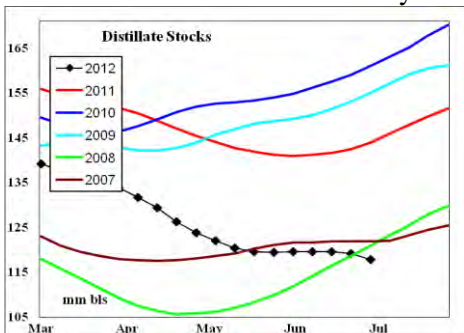
### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Thursday, July 05, 2012

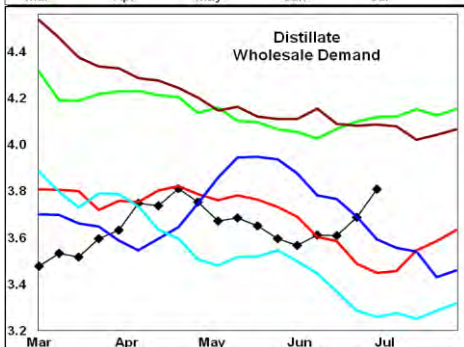
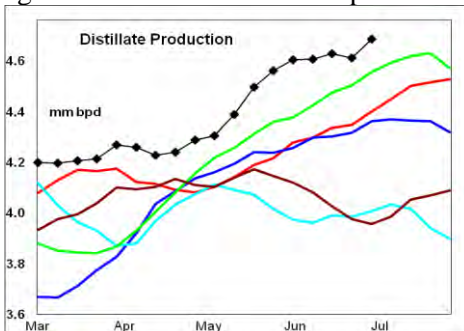


#### Major Fundamental Trends<sup>1</sup>

The distillate supply balance has become unusually tight with stock levels at a 5-year low for this time of year. Stocks in PADDs 1, 2 and 5 are each below the 5-year range. Stocks have decreased -2 million barrels during the last 60-days, compared to significant builds for the same period in four of the last 5-years.



The draw down in stocks has occurred even with record high production, that increased +306,000 bpd over a year ago for the most recent 4-wk period.

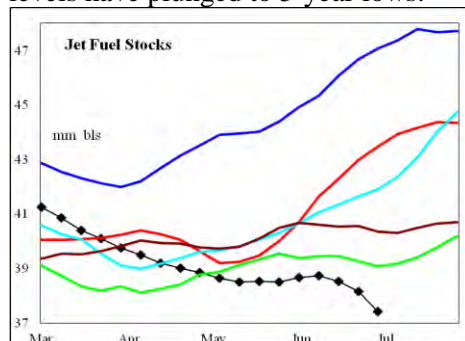


The deterioration in supply balance has been due to a) robust exports, b) a surge in demand during the last month and c) record low imports during 2012. The recent drought and record high

temperatures across the eastern 1/2 half of the country has contributed to the recent surge in diesel demand.

The U.S. distillate market risk a supply squeeze in the 2nd half of the year on record low stock levels.

Jet fuel demand has surged +11% year-on-year in the latest 4-wk period. While the increase may be due in part to private stock building by airlines, increased travel also has had an impact. As a result in the demand increase, and record low imports; stock levels have plunged to 5-year lows.



East of the Rockies jet markets risk a supply squeeze in the 3rd quarter on record low stock levels and lack of imports.

**Demand** for all transport fuels increased last week. Wholesale demand, measured over the last four weeks compared to a year ago: gasoline decreased -4.3%; distillate up +3.8%; jet fuel up +11.1% while residual fuel oil decreased -40%.

**Stocks forward coverage:** Gasoline demand coverage decreased slightly last week due to higher demand and little change in the stock level. Coverage levels matched historic highs.

Distillate coverage fell on a -1.1 million barrel stock draw and higher demand. Coverage levels were at the low end of the historic range.

Jet fuel coverage fell to a fresh 5-year low on a -0.8 million barrel stock draw and sharply higher demand. Extremely low coverage was driven by higher demand, robust exports and record low imports; partially offset by record high production.

**Refinery utilization** rates were nearly

unchanged on a -14,000 bpd decrease in crude oil runs. During the latest 4-wk period crude oil input was +449,000 bpd above a year ago.

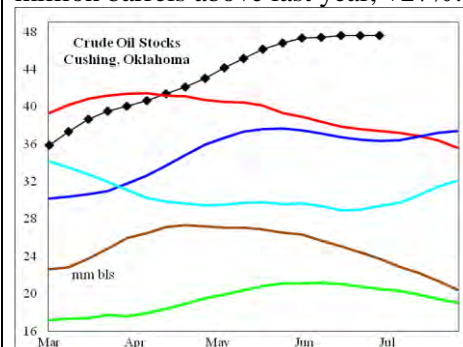
Gasoline yield % on crude oil runs increased on a +108,000 bpd rise in output compared to the -14,000 bpd decrease in crude oil runs. Yield % on crude oil runs was below the mid range.

Distillate yield % on crude oil runs jumped on a +207,000 bpd increase in production, compared to the small decrease in crude oil runs. The yield % matched was above the historic range.

Jet fuel yield % on crude oil runs was nearly unchanged on a -20,000 bpd decrease in output compared to the small decrease in crude oil runs. Yield % levels were comparable to the last 3-years.

**Petroleum Imports** of gasoline were slightly higher last week, middle distillates were flat, and crude oil decreased -0.3 million bpd. During the latest 4-wk period crude oil imports were -16,000 bpd below last year; distillate imports decreased -37,000 bpd; finished gasoline imports decreased -74,000 bpd, gasoline blend stock imports increased +50,000 bpd; jet fuel imports were -50,000 bpd lower, while residual fuel oil imports fell -67,000 bpd.

**Crude Oil** stocks fell -4.3 million barrels last week, including a +2.9 million barrel build on the West Coast. Cushing stocks ended the week +10.2 million barrels above last year, +27%.



<sup>1</sup> Source is latest EIA Weekly Statistics



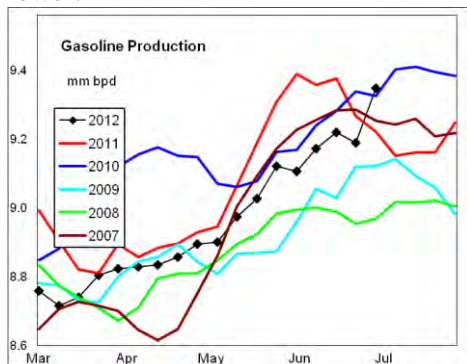
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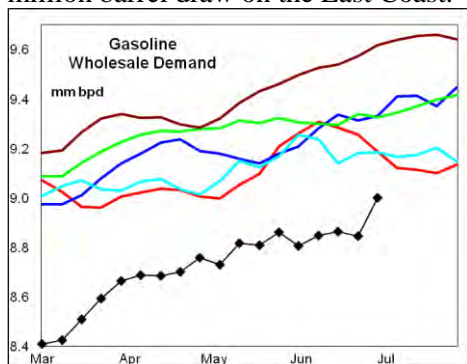
#### Product Supply-Demand Trends

**Gasoline** demand increased +155,000 bpd last week, to the highest level of the year. The latest 4-wk average demand was -397,000 bpd below a year ago, a decline of -4.3%. Production increased +108,000 bpd on the week, to a level that matched 5-year highs. During the latest 4-wk period, production averaged -99,000 bpd below last year, while imports of finished product were -74,000 bpd lower.



Imports increased +50,000 bpd last week, to a level comparable to a year ago.

Stocks increased +0.2 million barrels on the week, including a -1.8 million barrel draw on the East Coast.



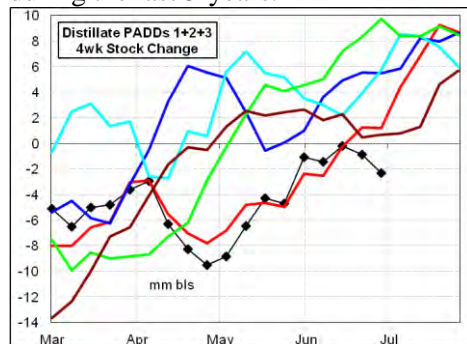
The latest 4-wk stock change in markets East of the Rockies was -0.8 million barrel draw, compared to an average build of +1.5 million barrels. Demand remains weak, offsetting lower production and imports. Stocks in the Central Atlantic and New England Regions fell to fresh 5-year lows last week.

Tightness in the key Central Atlantic Region of PADD 1 continues to drive a steep inversion in the

**NYMEX ROBOB forward price curve.** Distillate demand increased +22,000 bpd last week, to a level above the last 3-years. The latest 4-wk average demand was +137,000 bpd above a year ago.

Supplies jumped +198,000 bpd on the week, due to higher production. Stocks fell -1.1 million barrels on higher counter seasonal demand and robust exports.

The latest 4-wk stock draw in markets East of the Rockies was -2.3 million barrels, compared to an average build of +5.5 million barrels during the last 5-years.



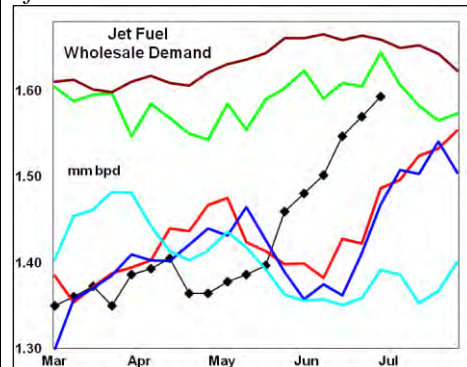
Production averaged +306,000 bpd above a year ago for the latest 4-wk period. However robust demand and exports has led to continued stock draws, driving stock levels to new 5-year lows. The current drought has likely increased demand for diesel use in irrigation, early season small grain harvest, even peaking electric power plants.

**Jet Fuel** demand increased +10,000 bpd last week, to a level sharply above the last 3-years. The latest 4-wk average demand was +159,000 bpd above a year ago, up +1%.

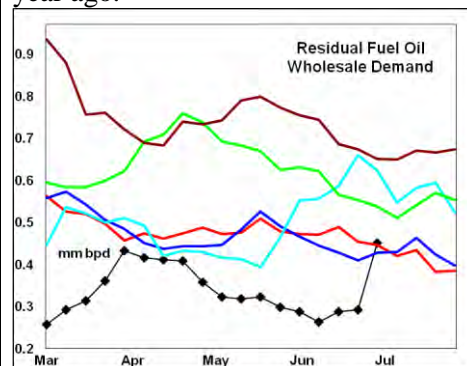
There were no imports last week and production decreased -20,000 bpd, a level equal to a year ago. Stocks fell -0.8 million barrels on the week, to a level -5.5 million barrels below last year.

Wholesale demand remains exceptionally robust, up +11% year-on-year for the most recent 4-wk period. Private stock building by airlines is believed to underly the surge; which if is the case, a sharp pull back in

demand will occur during the next next 30-days. Stock levels match 5-year lows in all regional markets East of the Rockies.



**Residual fuel oil** demand jumped +210,000 bpd last week. The latest 4-wk average was -207,000 bpd below a year ago.



Supply (production + imports) climbed +129,000 bpd last week, on higher production and imports. The latest 4-wk average supply was -78,000 bpd below last year on lower imports and production. Stocks were nearly unchanged on the week at a level slightly below the 5-year range.

Wholesale demand remains exceptionally weak, off -40% during the latest 4-wk period compared to a year ago. Imports are down -19% lower for the same period. Stocks surged +1.8 million barrels in PADD 1 last week, to a level near last year. Gulf stocks ended the week -1.5 million barrels below a year ago.





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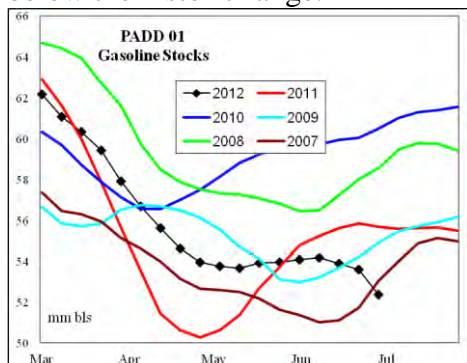
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#### PADD Supply Trends

**PADD 1** refinery crude oil runs decreased -51,000 bpd on the week, with the latest 4-wk average -155,000 bpd below last year.

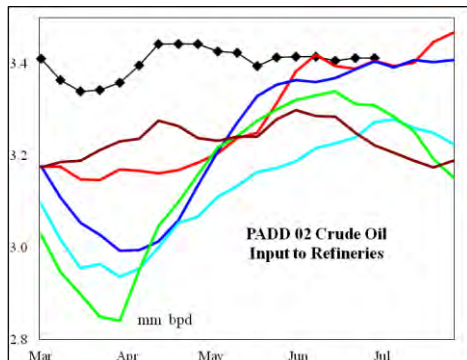
Gasoline imports increased +40,000 bpd on the week, while production was unchanged. Stocks fell -1.7 million barrels, to a level below the historic range.



Stock levels in the Central Atlantic and New England regions each fell to fresh 5-year lows. Stocks in the Lower Atlantic Region fell to a level below the last 2-years.

Distillate supply fell -93,000 bpd last week, to new 5-year lows. Stocks fell -1.1 million barrels on the week, to a fresh 5-year lows.

Jet fuel supply decreased -6,000 bpd on the week; with the latest 4-wk average -73,000 bpd below a year ago and at record lows. Stocks fell -0.8 million barrels to a new 5-year low for the season.



**PADD 2** crude oil refinery runs fell -28,000 bpd on the week, with the 4-wk average -16,000 bpd below last year. Crude oil imports decreased -211,000 bpd last week; with the latest 4-wk average +35% above last year. Stocks

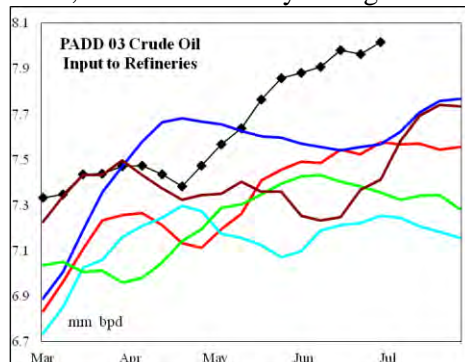
fell -1 million barrels, +11% above the prior 5-year high.

Gasoline production increased +69,000 bpd last week, to a level that matched 5-year highs. Stocks increased +0.2 million barrels, although the level remains below the 5-year range.

Distillate production increased +4,000 bpd on the week, to a level below the last 2-years. Stocks fell -0.4 million barrels last week, to a new 5-year low for this time of year.

Jet fuel production increased +26,000 bpd on the week, to a new record 5-year high. Stocks decreased -0.2 million barrels to a level near historic lows.

**PADD 3** refinery runs climbed +127,000 bpd last week, a new record high compared to prior years. The latest 4-wk average thru put was +468,000 bpd above last year. Crude oil imports fell -0.5 million bpd last week to a new record low level. Stocks fell -4.3 million barrels on the week, to a level near 5-year highs.



Gasoline production fell -97,000 bpd last week, to a level near summer quarter lows. Stocks climbed +0.9 million barrels last week, to a level below the last 3-years.

Distillate supply surged +186,000 bpd on the week, due to higher production and imports. Stocks increased +1 million barrels on higher supply.

Jet fuel production declined -16,000 bpd last week, to a level comparable to the last 2-years. Stocks were nearly unchanged on the week, at a level that matched 5-year lows.

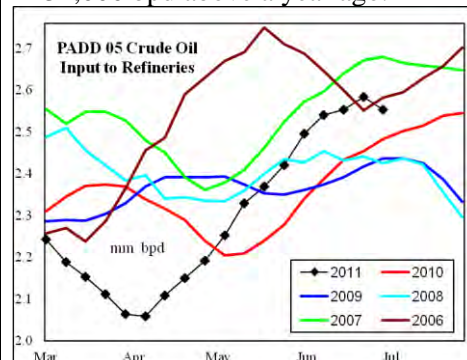
Residual fuel oil supplies increased +77,000 bpd last week, with production at a record 5-year high. The level of supply increased to above the last 2-years. Stocks fell -1.5 million barrels to a level below the last 2-years.

**PADD 4** refinery crude runs decreased -13,000 bpd on the week, still a level above the 5-year range. The most recent 4-wk average run rate was +20,000 above last year.

Gasoline supply declined -4,000 bpd on the week, to a level below the mid range. Stocks were nearly unchanged on the week, at a level -6% below last year.

Distillate production declined -13,000 bpd on the week, a level nearly +30,000 bpd above last year. Stocks decreased -0.2 million barrels on the week, although the level remains above the 5-year range for this time of year.

**PADD 5** crude oil refinery runs fell -50,000 bpd last week, a level well above each of the last 3-years. Runs for the most recent 4-wk period were +132,000 bpd above a year ago.



Gasoline supply decreased -17,000 bpd on the week; with the latest 4-wk average +29,000 bpd above a year ago. Stocks climbed +0.7 million barrels last week, to a level at the low end of the historic range.

Distillate supply surged +113,000 bpd on the week, to a season 5-year high. Stocks decreased -0.4 million barrels, a level -14% below last year. The spike in supply and drop in stocks points to a surge in exports.

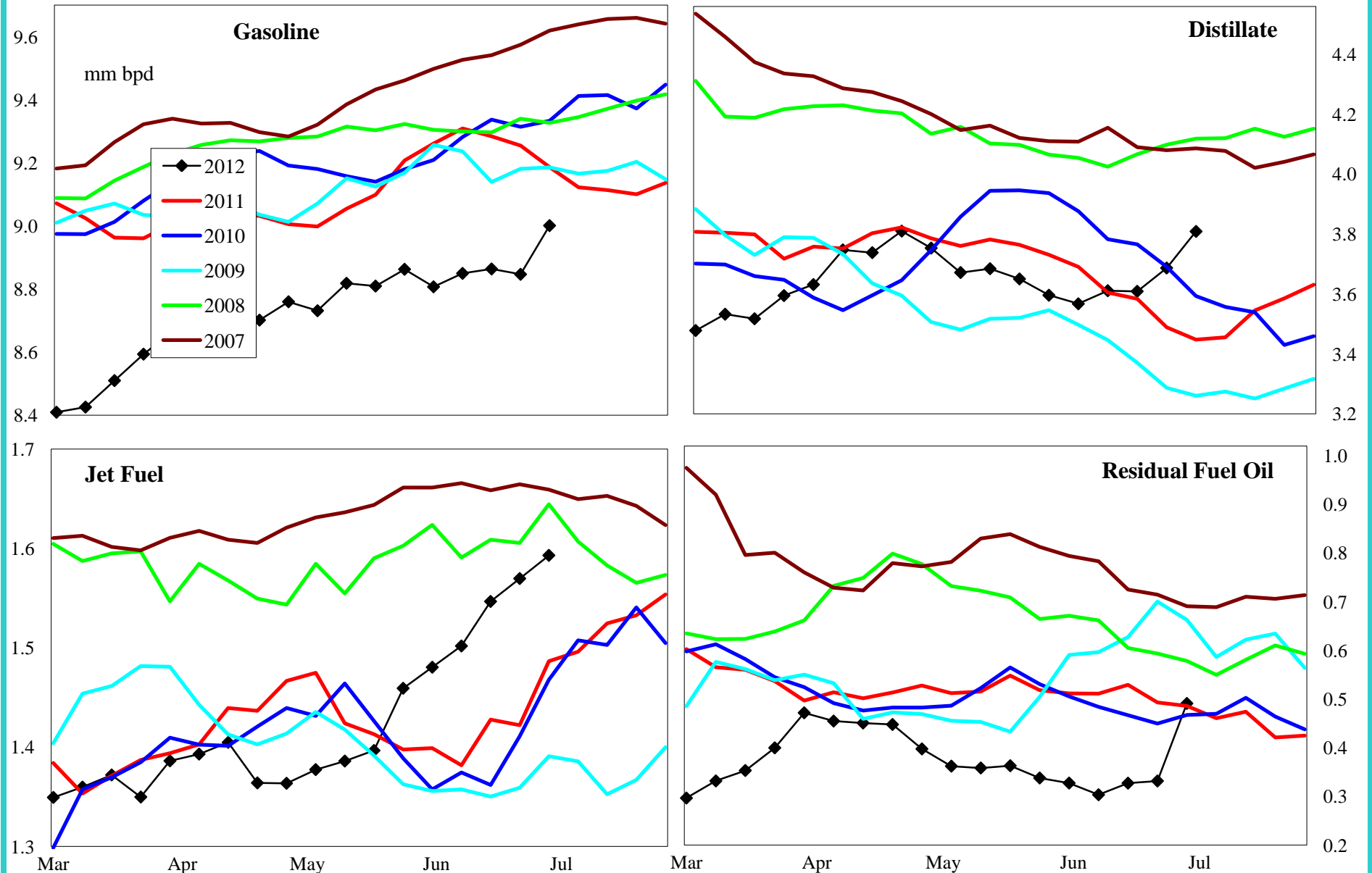


# PETROLEUM: Graph Link and Weekly Summary

A Fundamental Petroleum Trends Weekly Report July 5, 2012  
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Fundamental Trends	<a href="#">Wholesale Demand</a>	<a href="#">Stocks Days Fwd Coverage</a>	<a href="#">Refinery Utilization Product Yield %</a>				<a href="#">Imports</a>
Supply/Demand Trends	29-Jun-12	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
<a href="#">Crude Oil</a>	Stocks	-4,270	-1,419	-1,041	-4,343	-399	2,932
	Imports	-344	210	-211	-506	-48	209
	Input	-14	-51	-28	127	-13	-50
	% Utilization	-0.60					
<a href="#">Gasoline</a>	Stocks	151	-1,747	214	915	44	724
	Production	108	0	69	-97	-4	-9
	Imports	50	40	0	19	0	-8
	Supplied	155					
<a href="#">Distillate</a>	Stocks	-1,051	-1,094	-395	962	-171	-355
	Production	207	-35	4	146	-13	105
	Imports	-9	-58	1	40	0	8
	Supplied	22					
<a href="#">Jet Fuel</a>	Stocks	-810	-786	-155	-36	113	53
	Production	-20	-6	26	-16	5	-27
	Imports	-4	0	0	0	0	-4
	Supplied	10					
<a href="#">Residual Fuel Oil</a>	Stocks	107	1,795	-105	-1,516	17	-85
	Production	94	-26	3	99	0	18
	Imports	35	58	3	-20	0	-4
	Supplied	210					

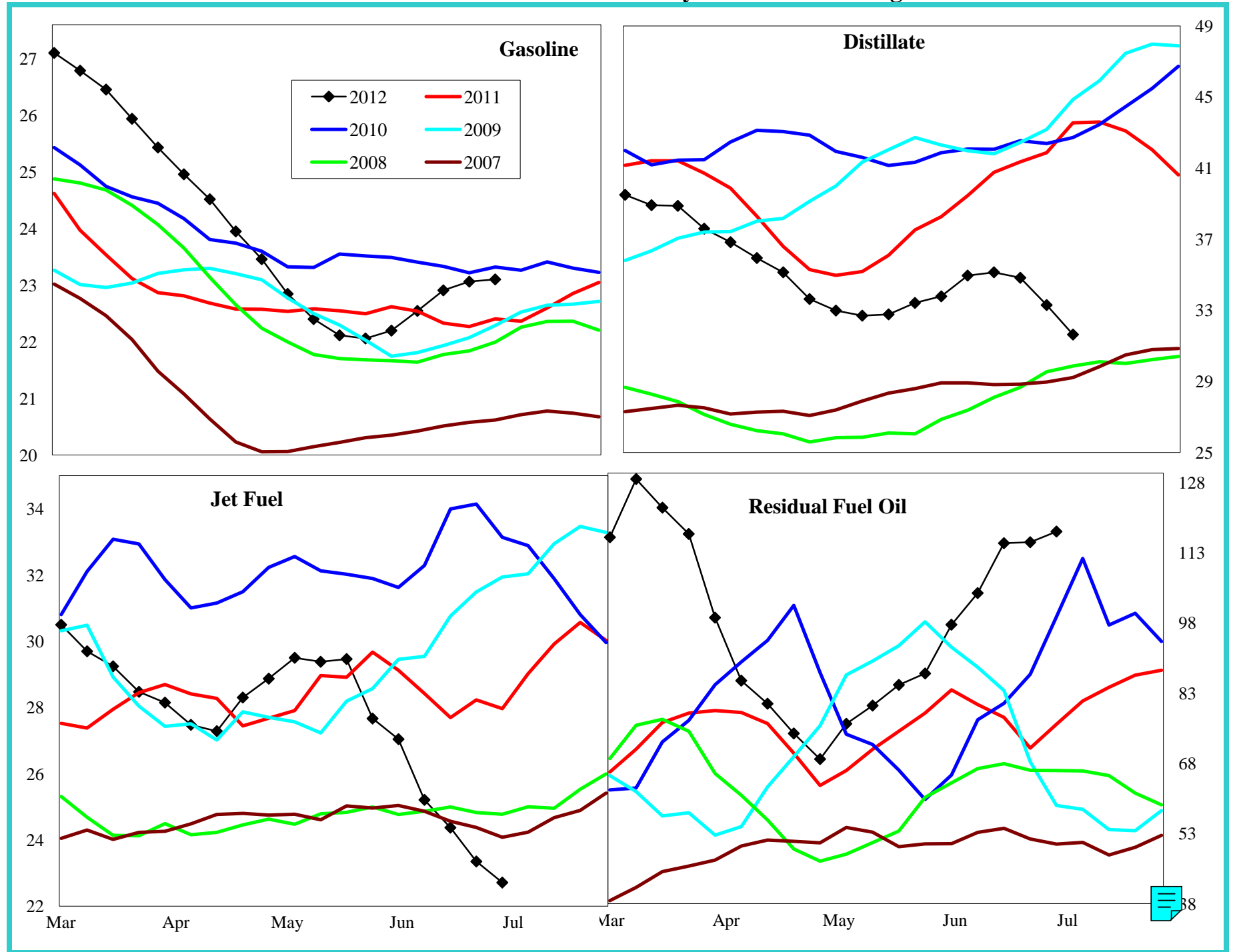
# United States Wholesale Petroleum Demand



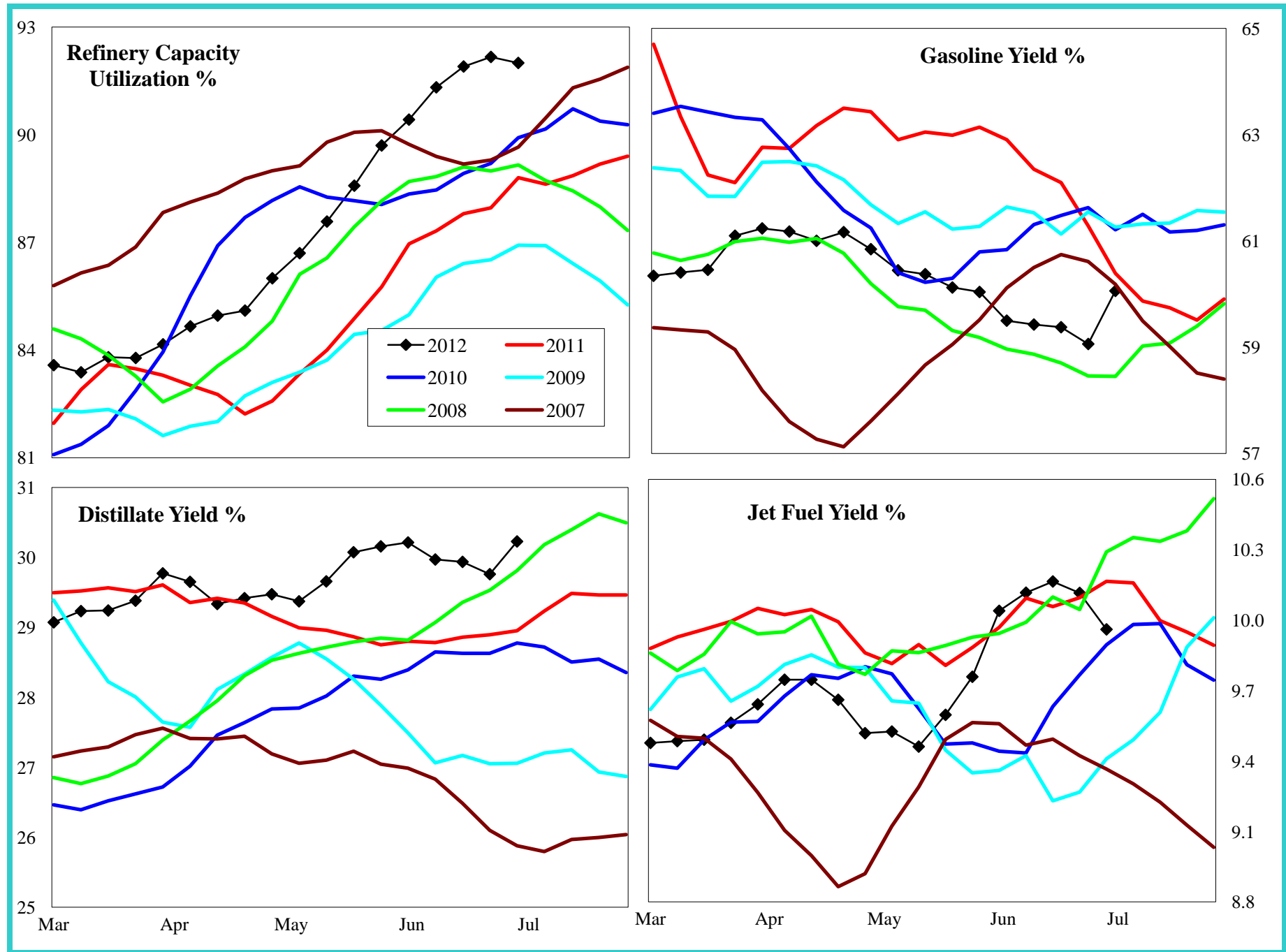
	000 bpd change from prior year				% change from prior year			
	4wk avg	May	Apr	Mar	4wk avg	May	Apr	Mar
<b>Gasoline</b>	-397	12	-55	-117	-4.3	0.1	-0.6	-1.3
<b>Distillate</b>	137	-33	141	-325	3.8	-0.9	3.8	-8.1
<b>Jet Fuel</b>	159	-16	-103	-7	11.1	-1.1	-7.1	-0.5
<b>Resid</b>	-207	-116	-172	-131	-40.1	-24.3	-28.7	-23.9



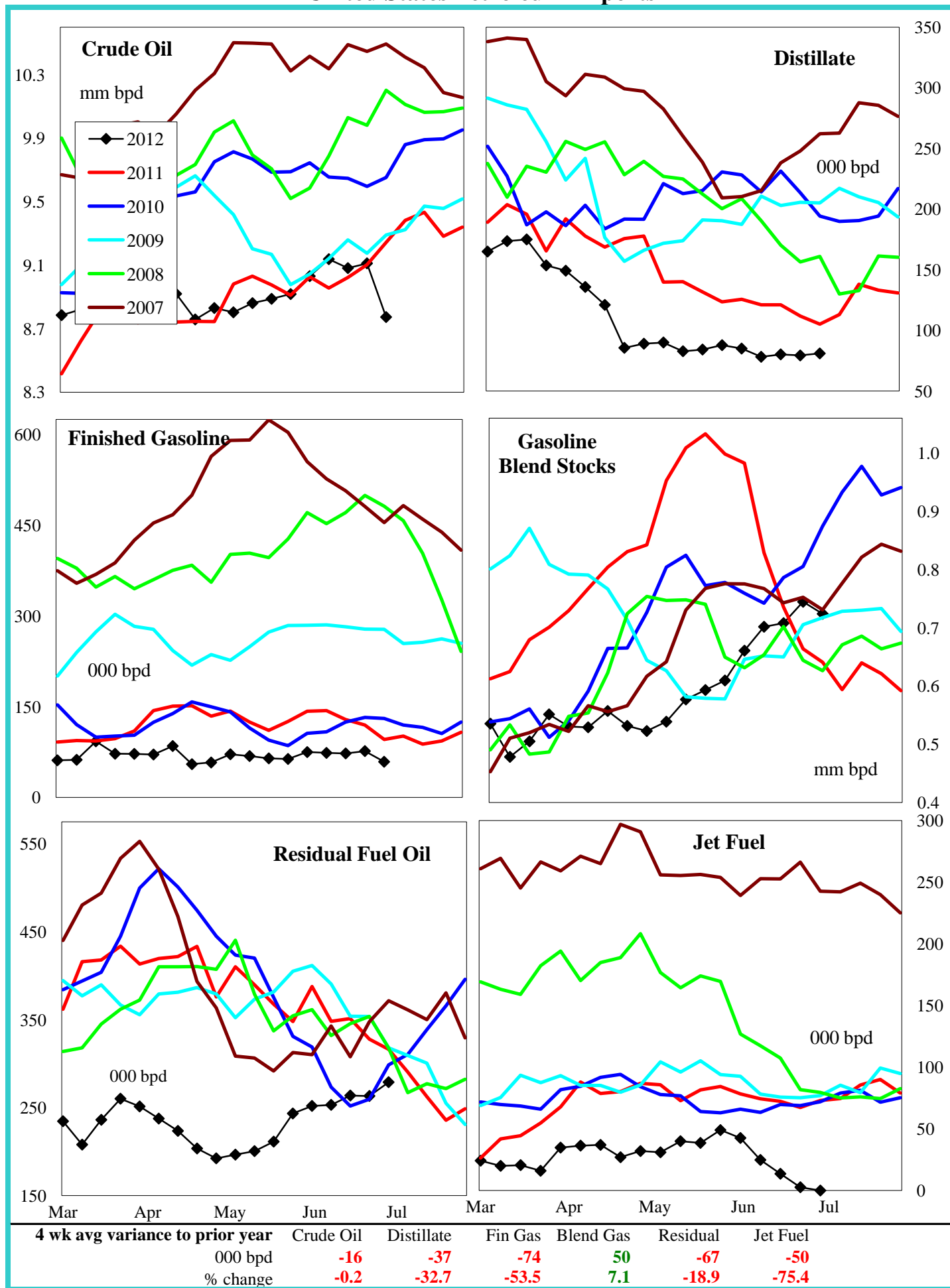
# United States Product Stocks: Days Forward Coverage



## United States Refinery Percent Utilization Rate and Product Yields

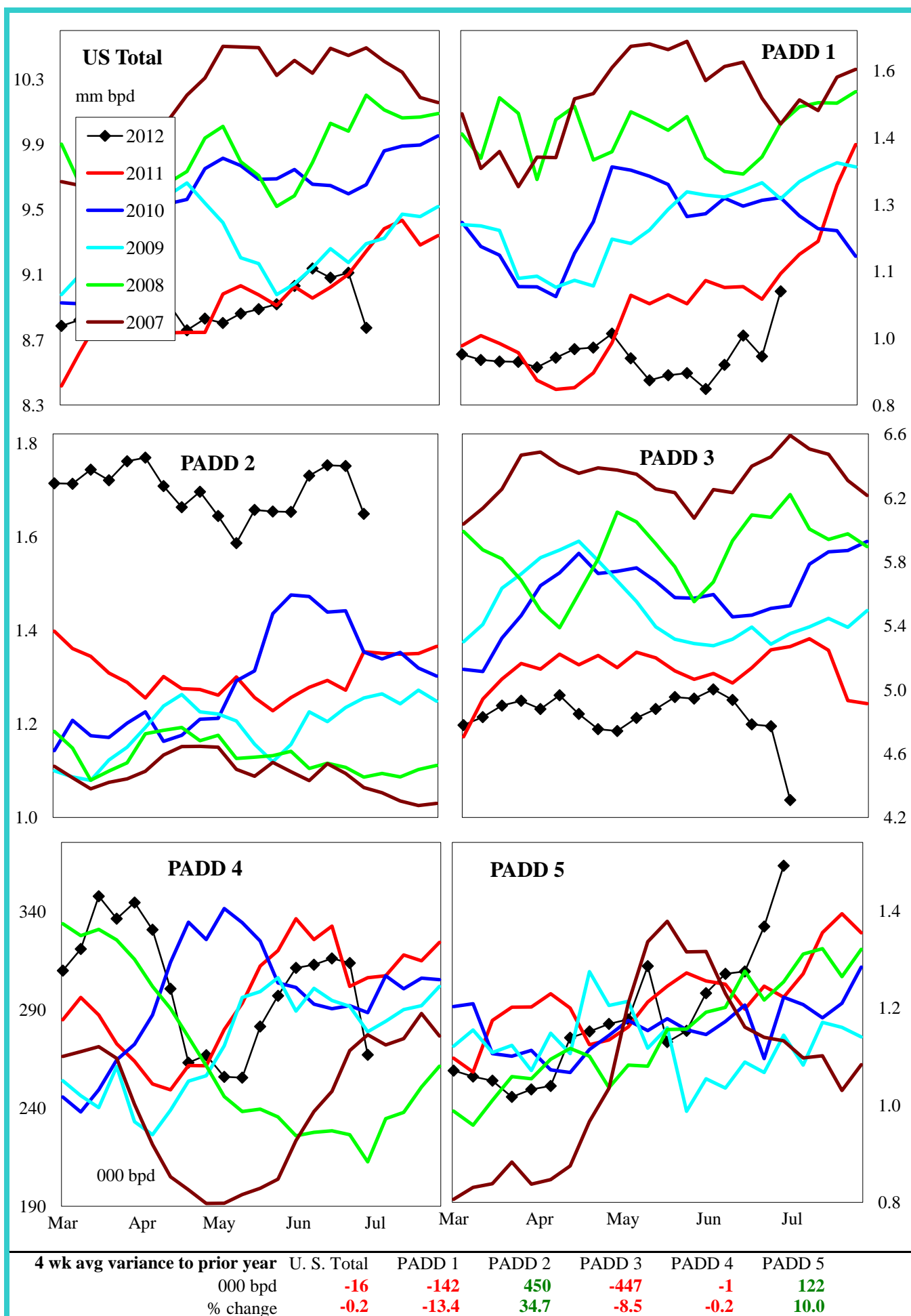


# United States Petroleum Imports

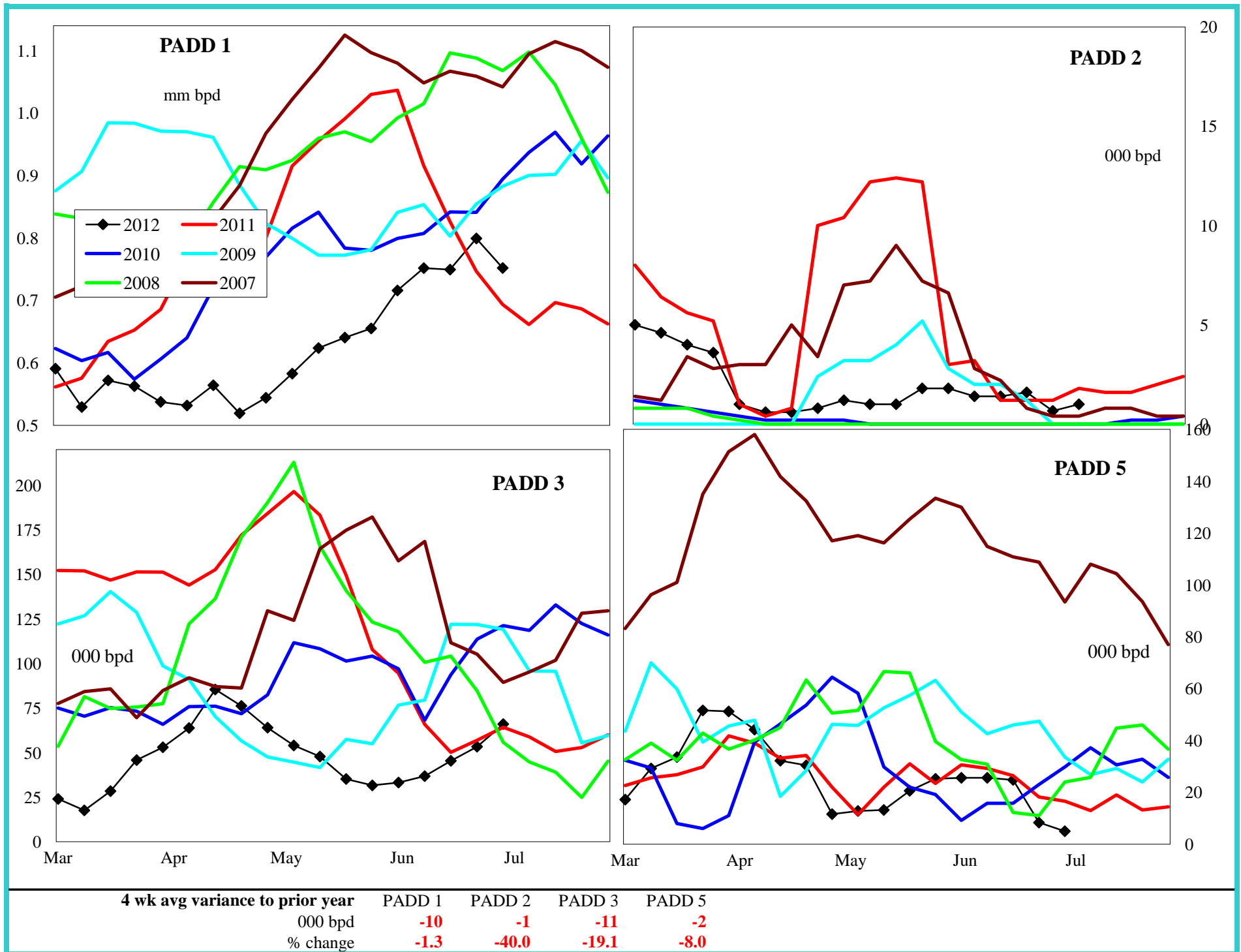




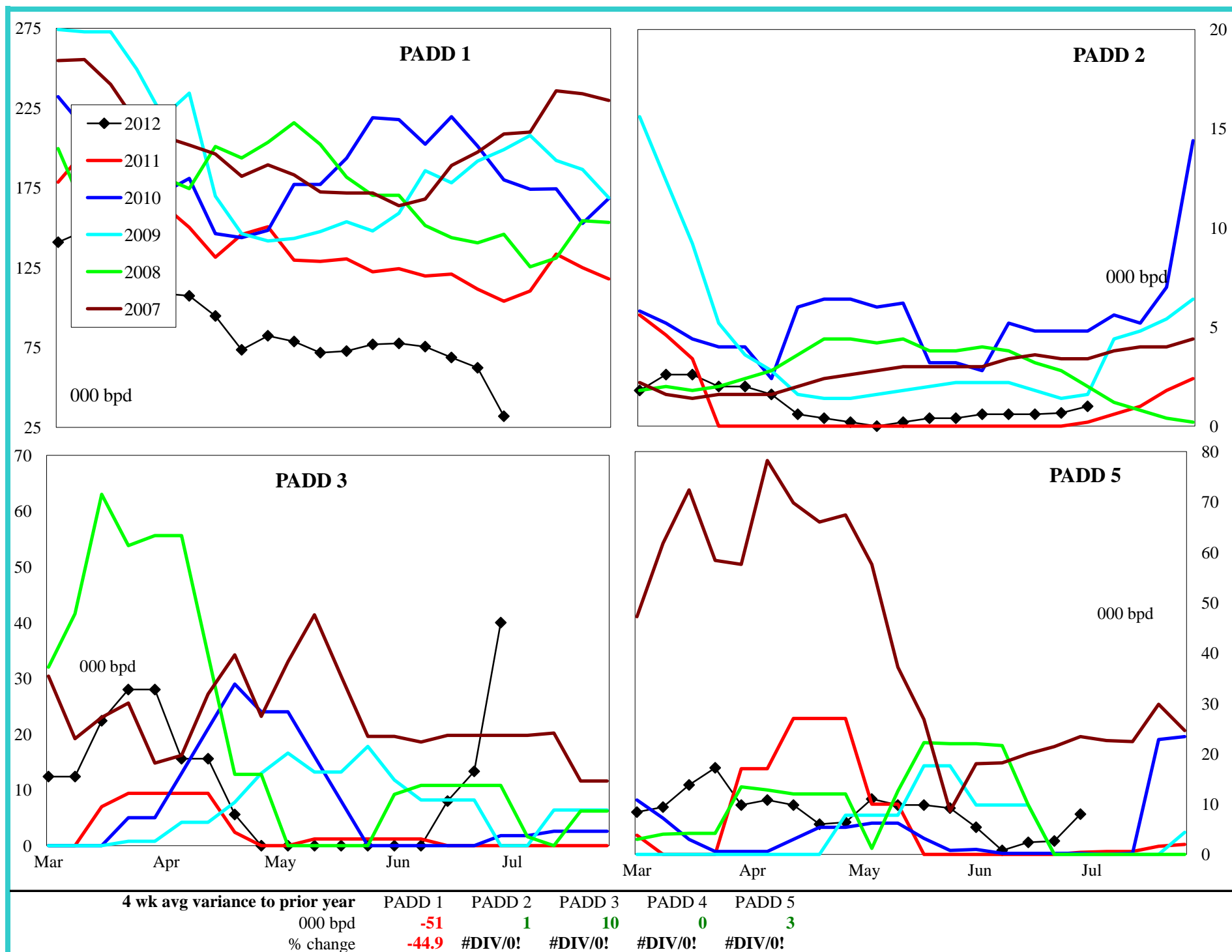
## Crude Oil Imports by PADD



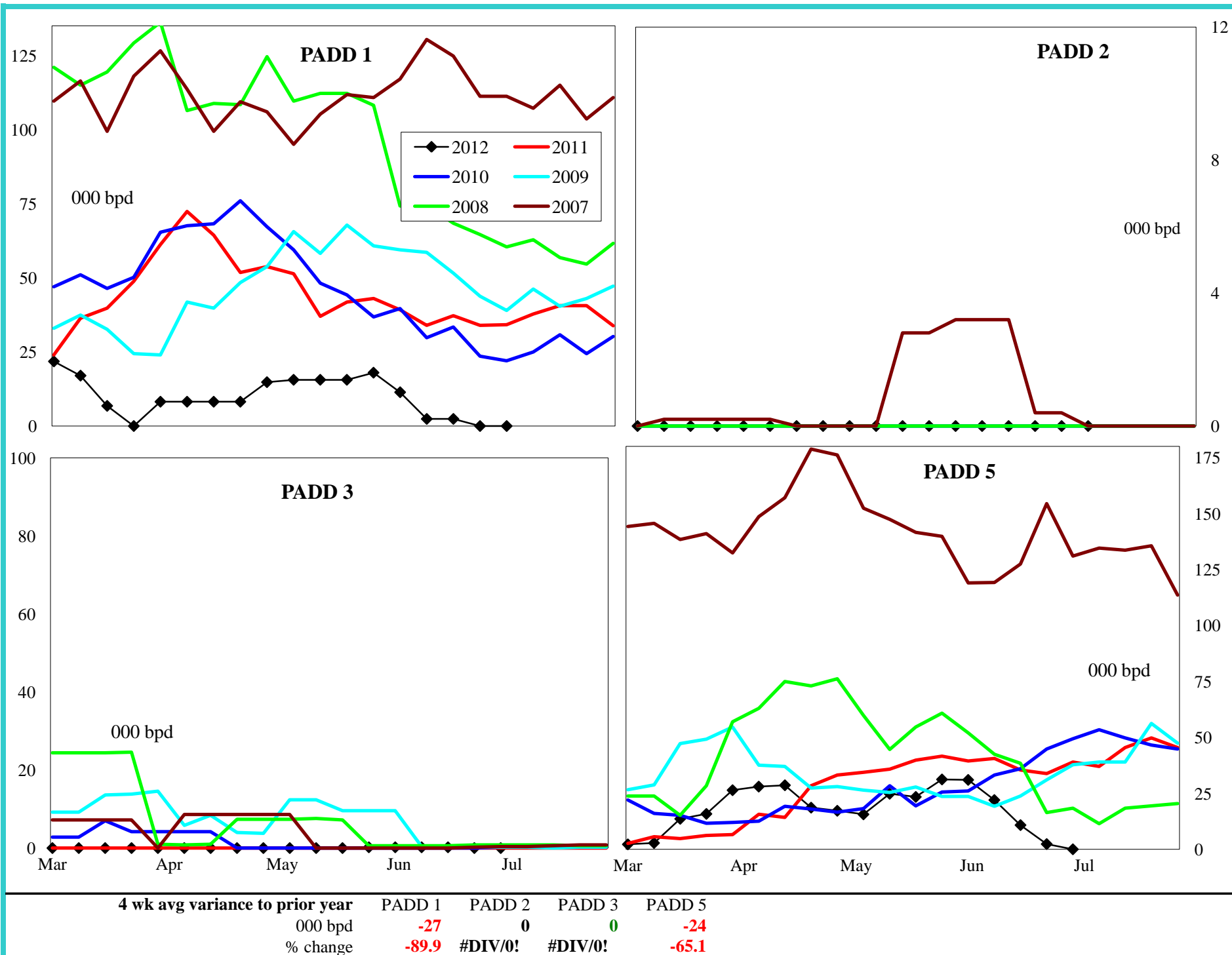
# Gasoline Imports by PADD (Finished + Blend Stocks)



# Distillate Imports by PADD

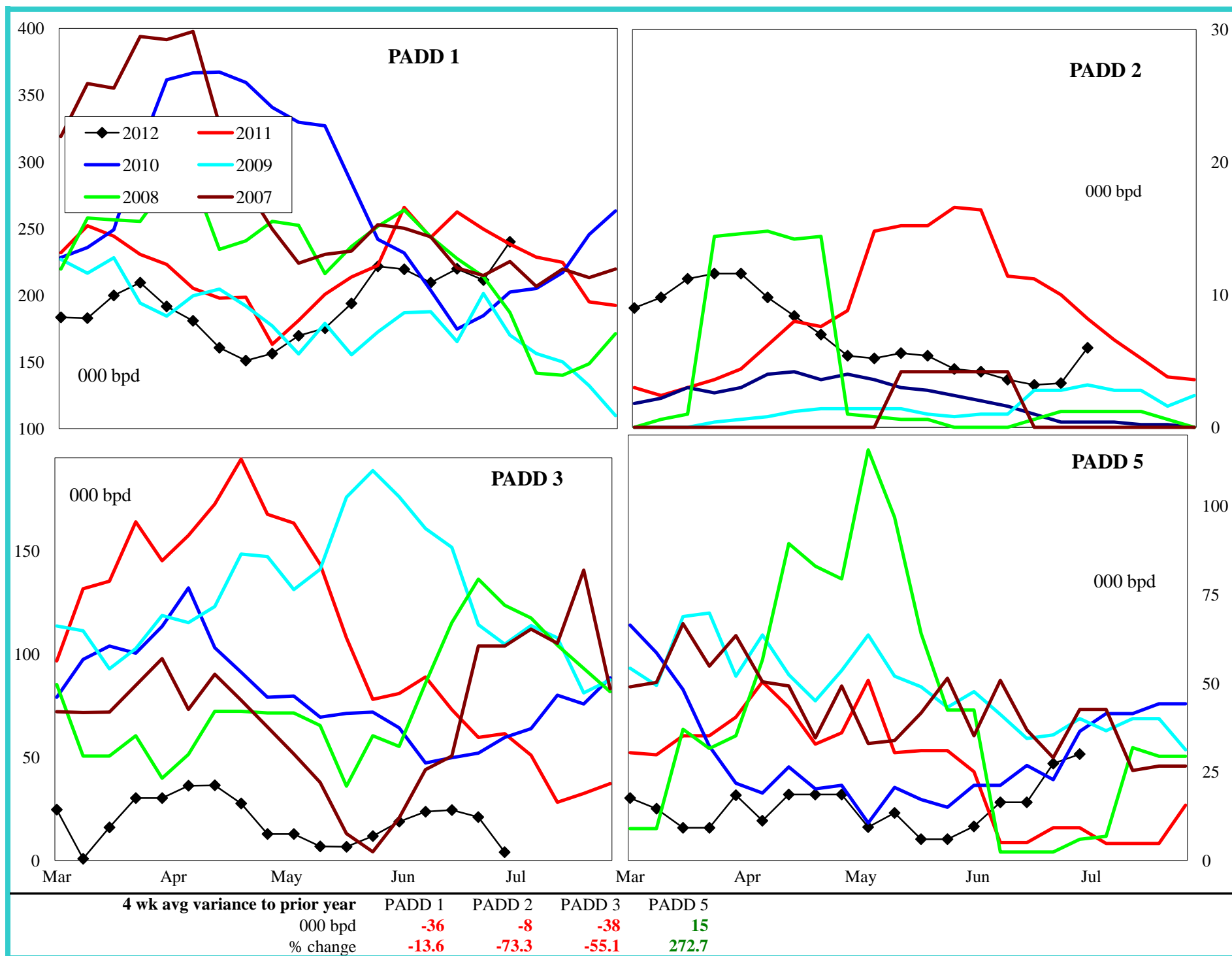


# Jet Fuel Imports by PADD

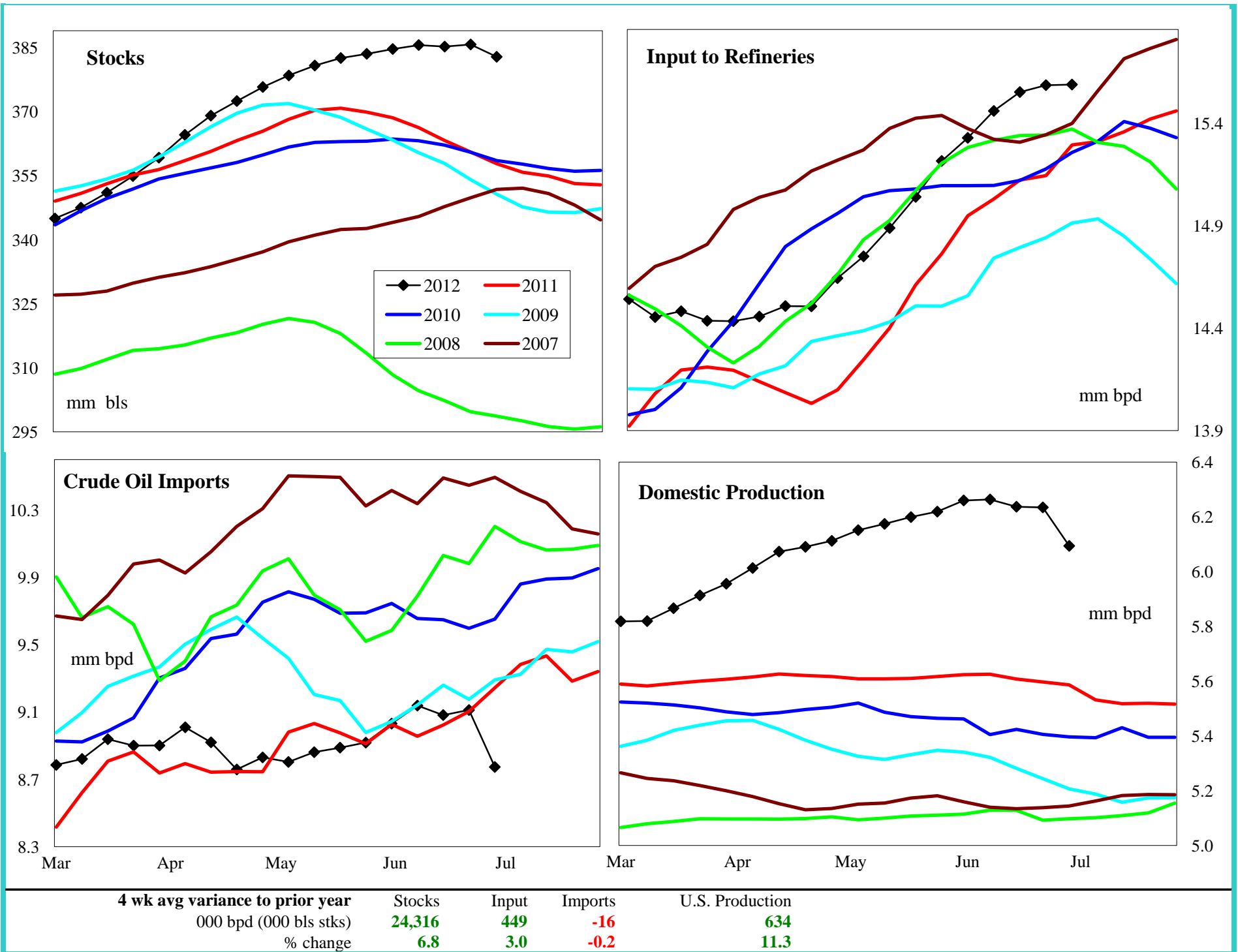




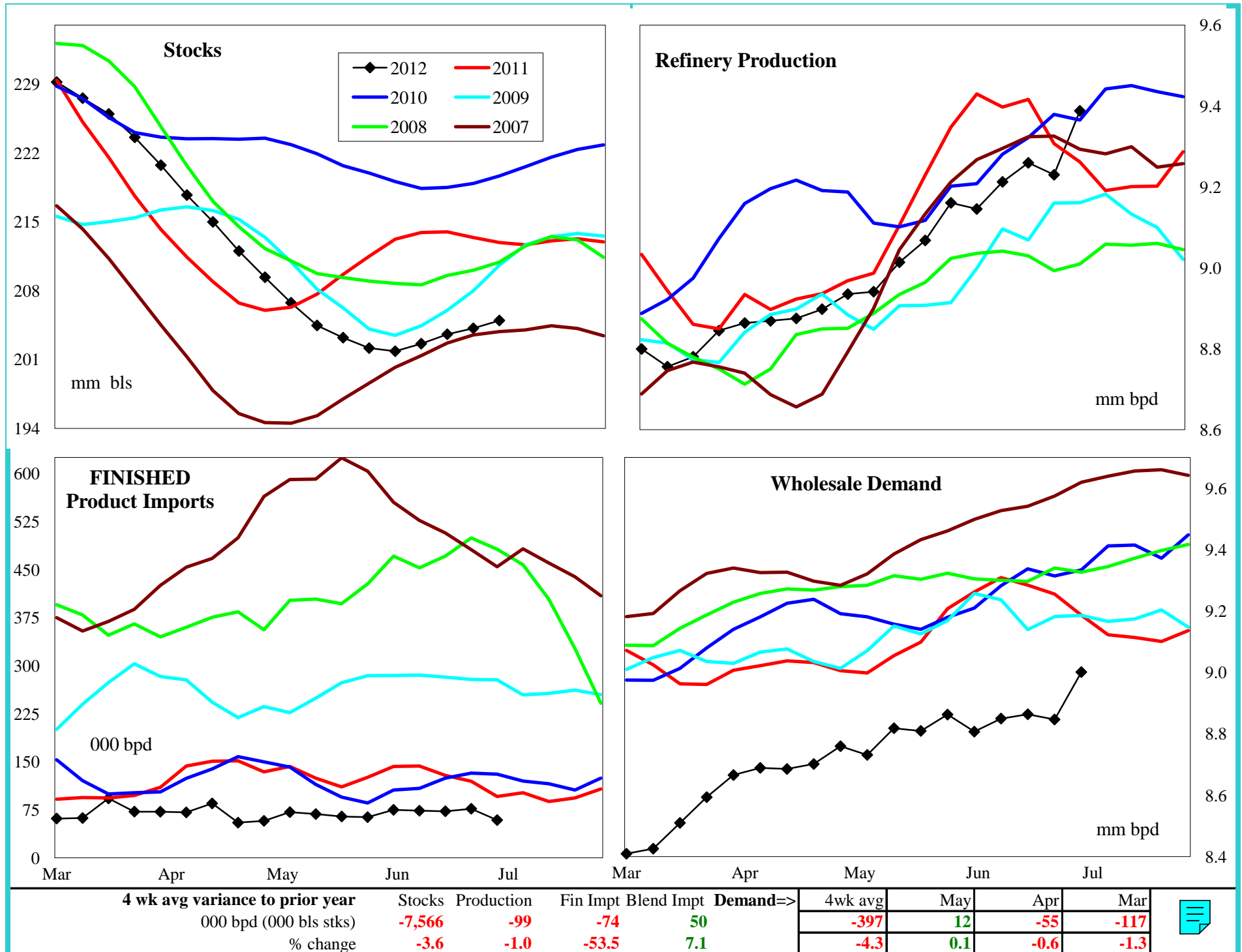
## Residual Fuel Oil Imports by PADD



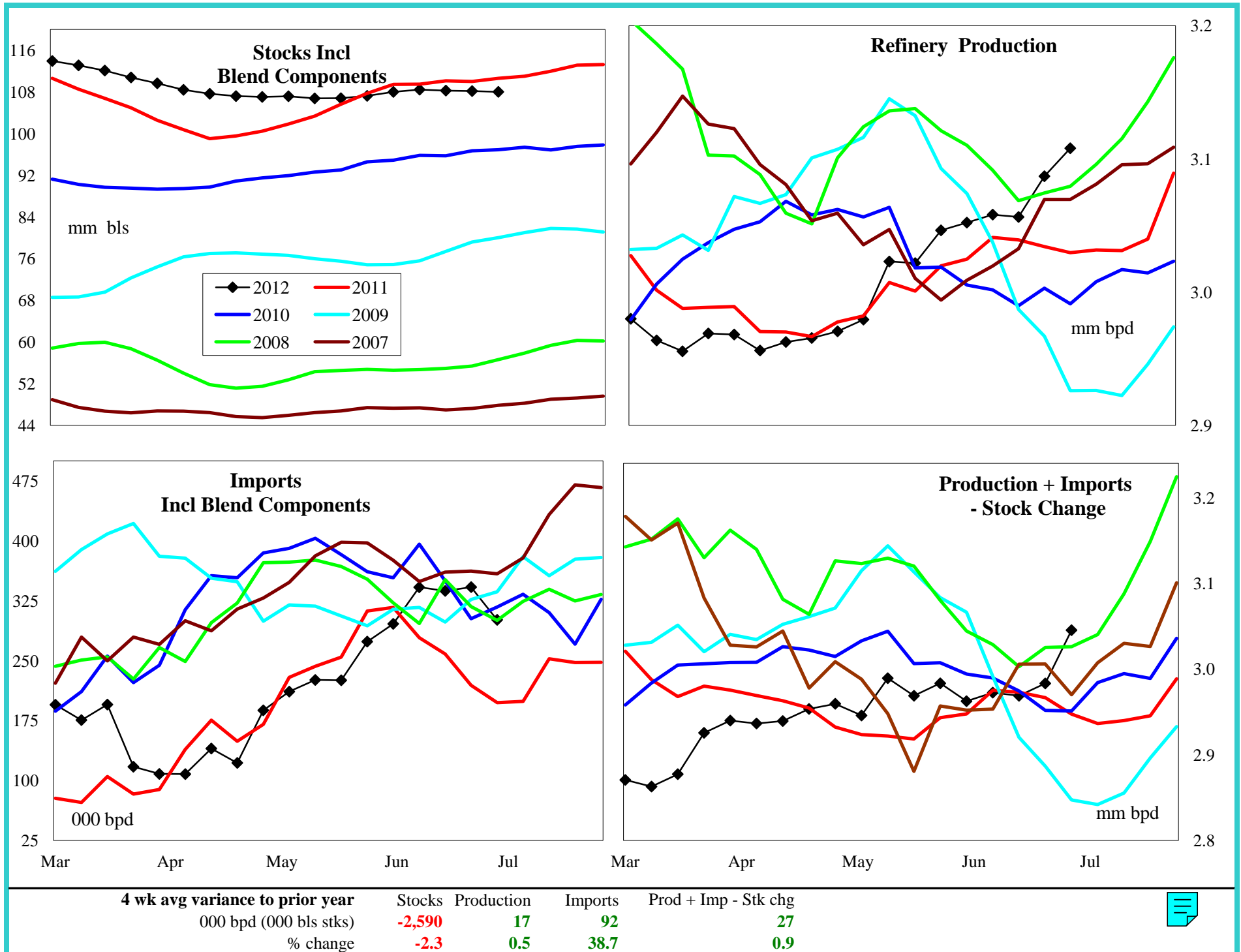
# United States Crude Oil Supply and Demand Balance



# United States Gasoline Supply and Demand Balance

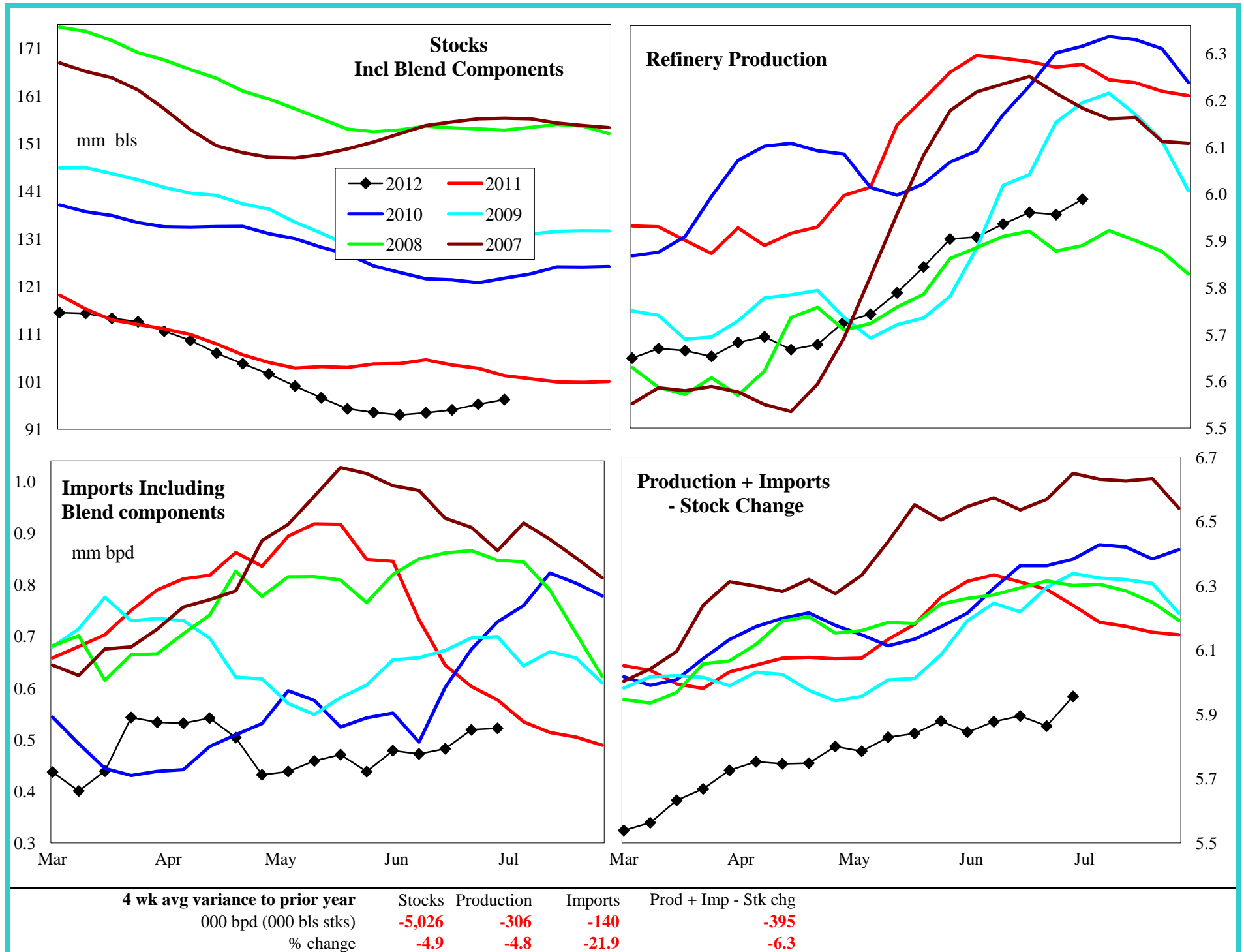


# United States Reformulated Gasoline Supply

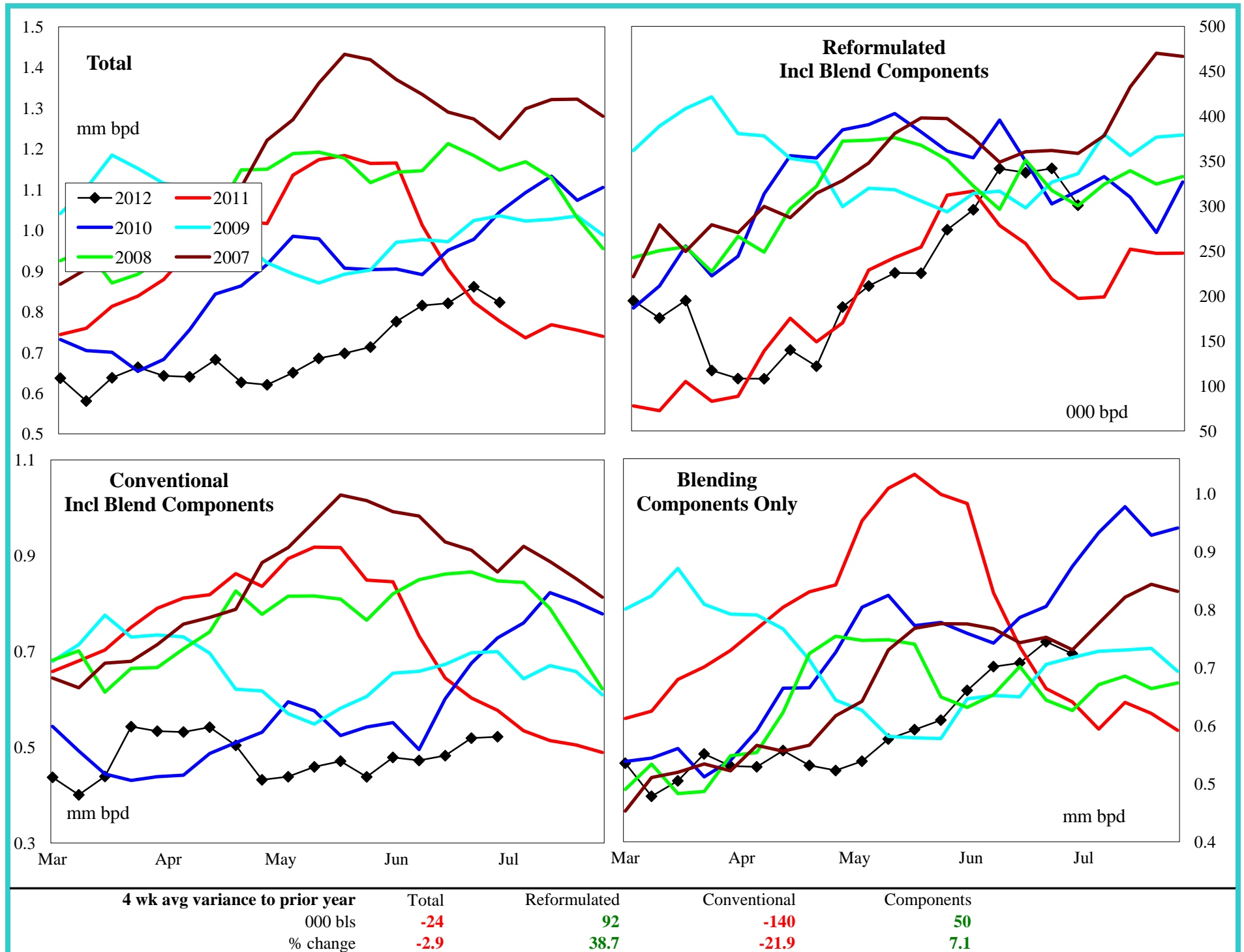




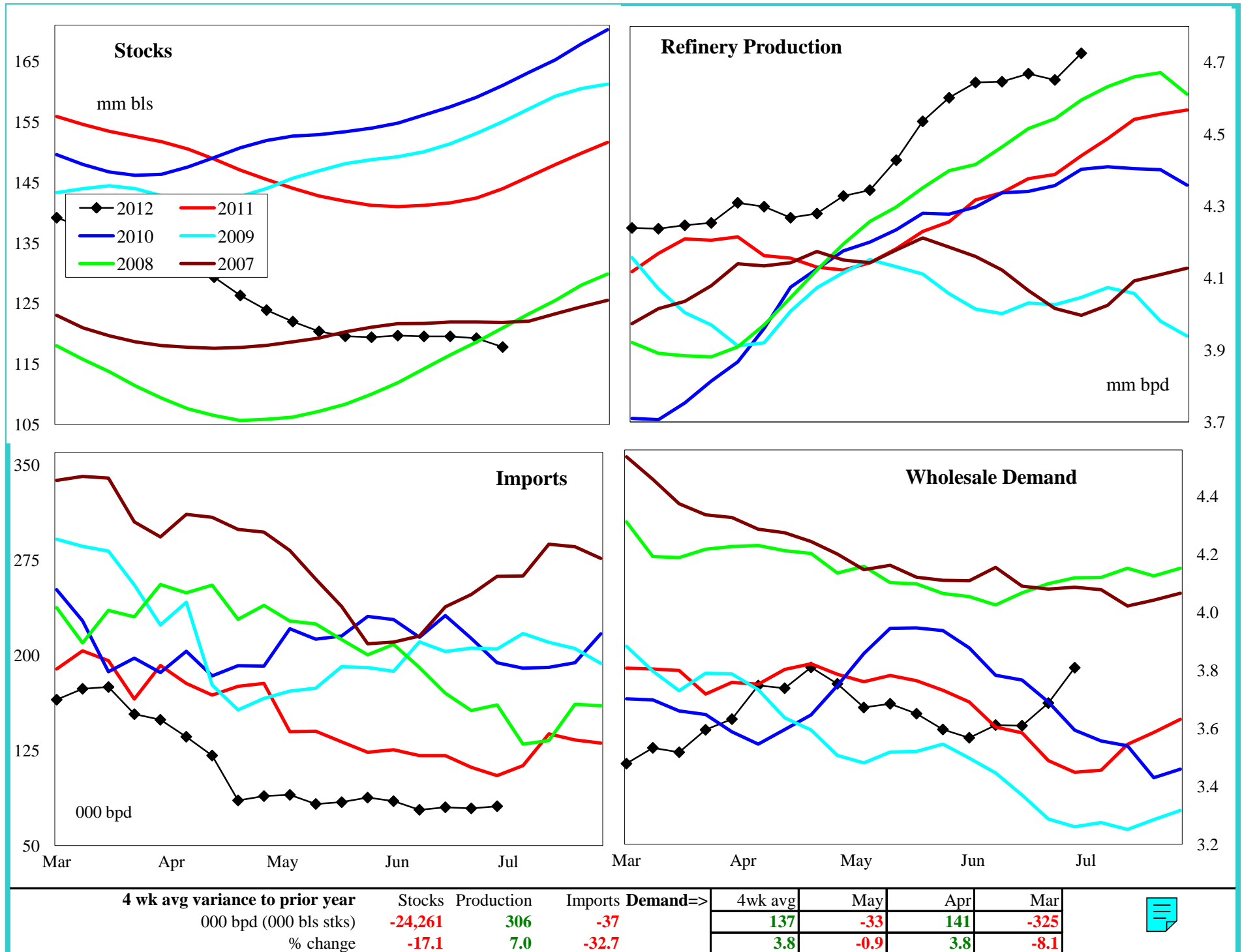
# United States Conventional Gasoline Supply



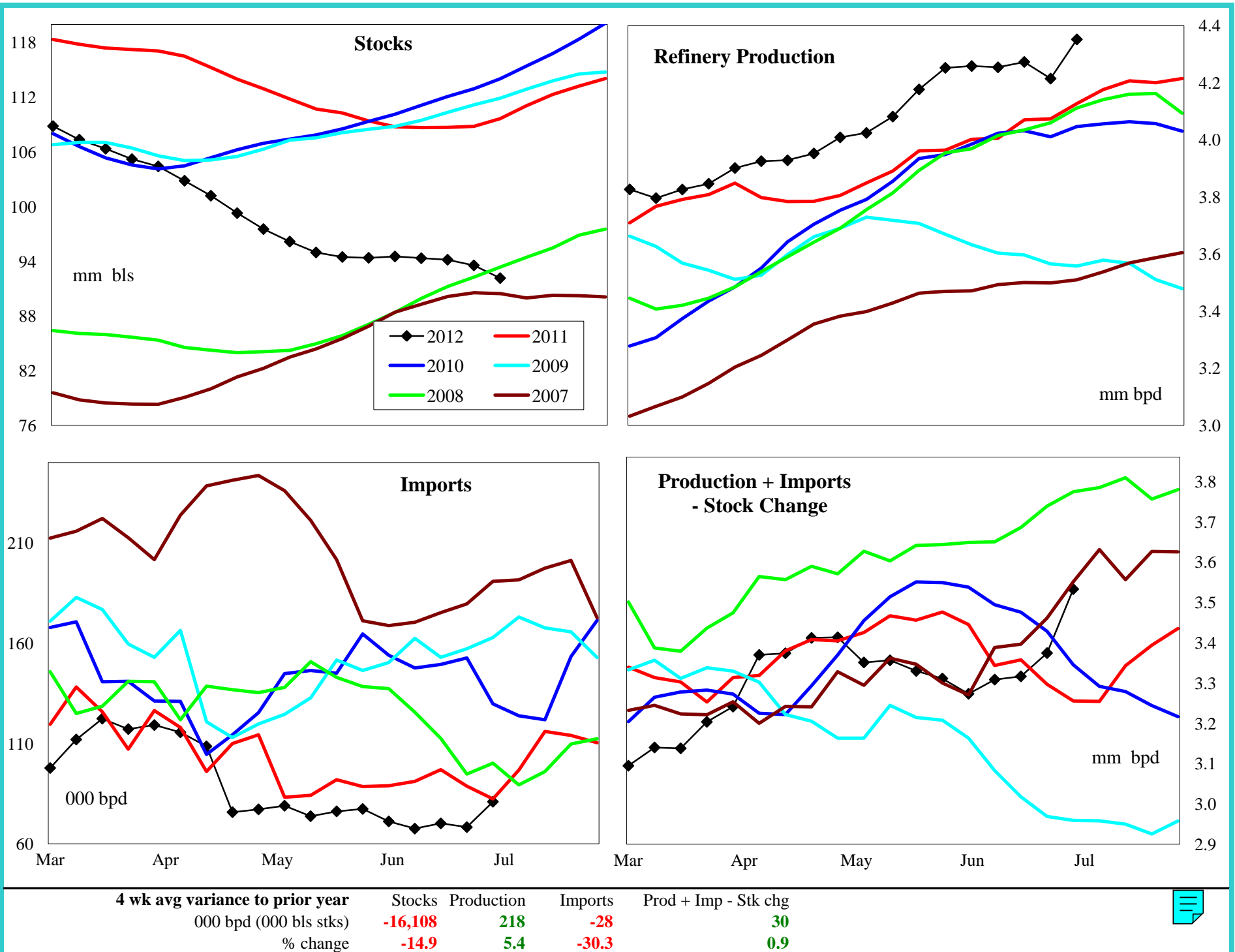
# United States Gasoline Imports by Type



# United States Distillate Supply and Demand Balance

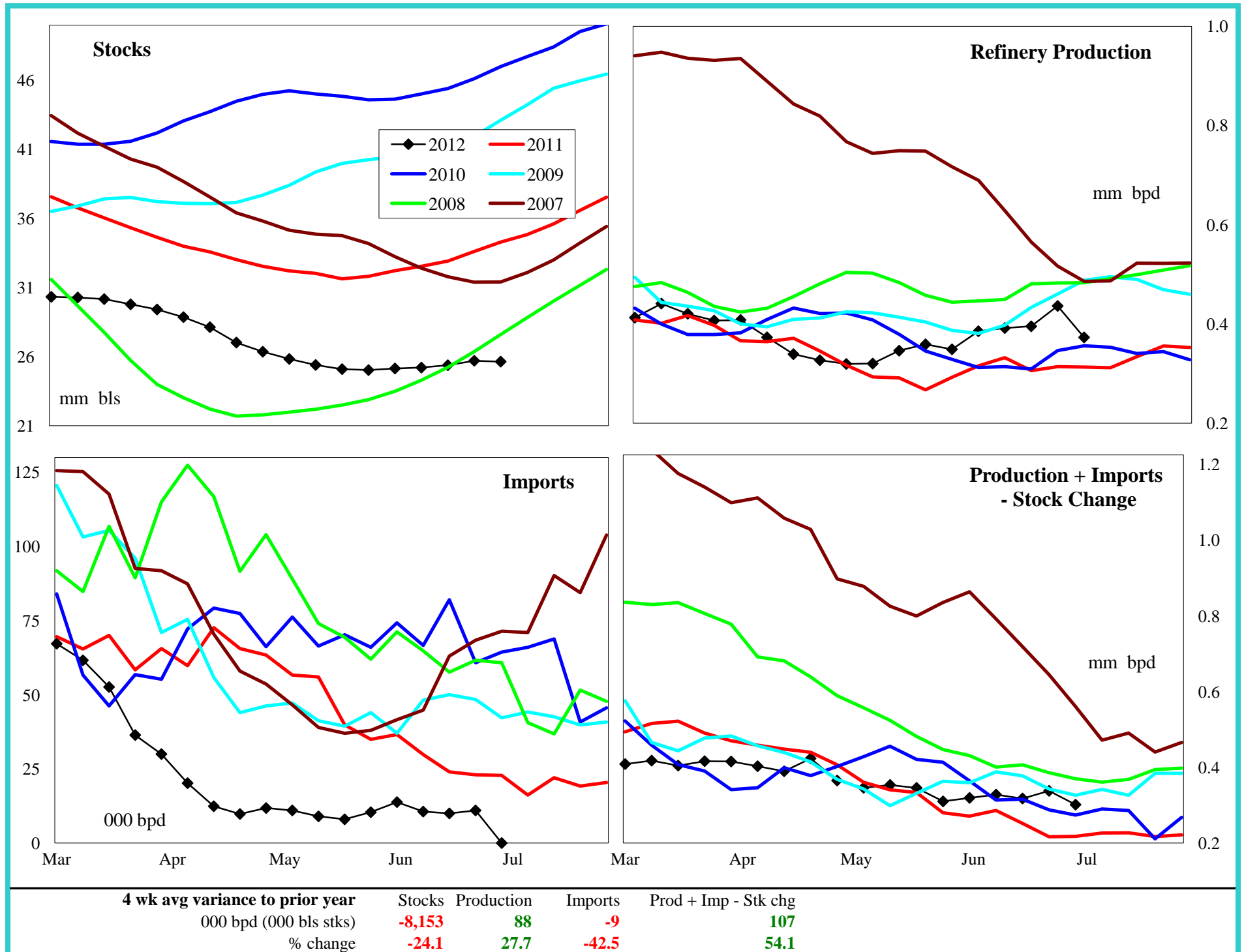


# United States Low Sulfur Distillate Supply

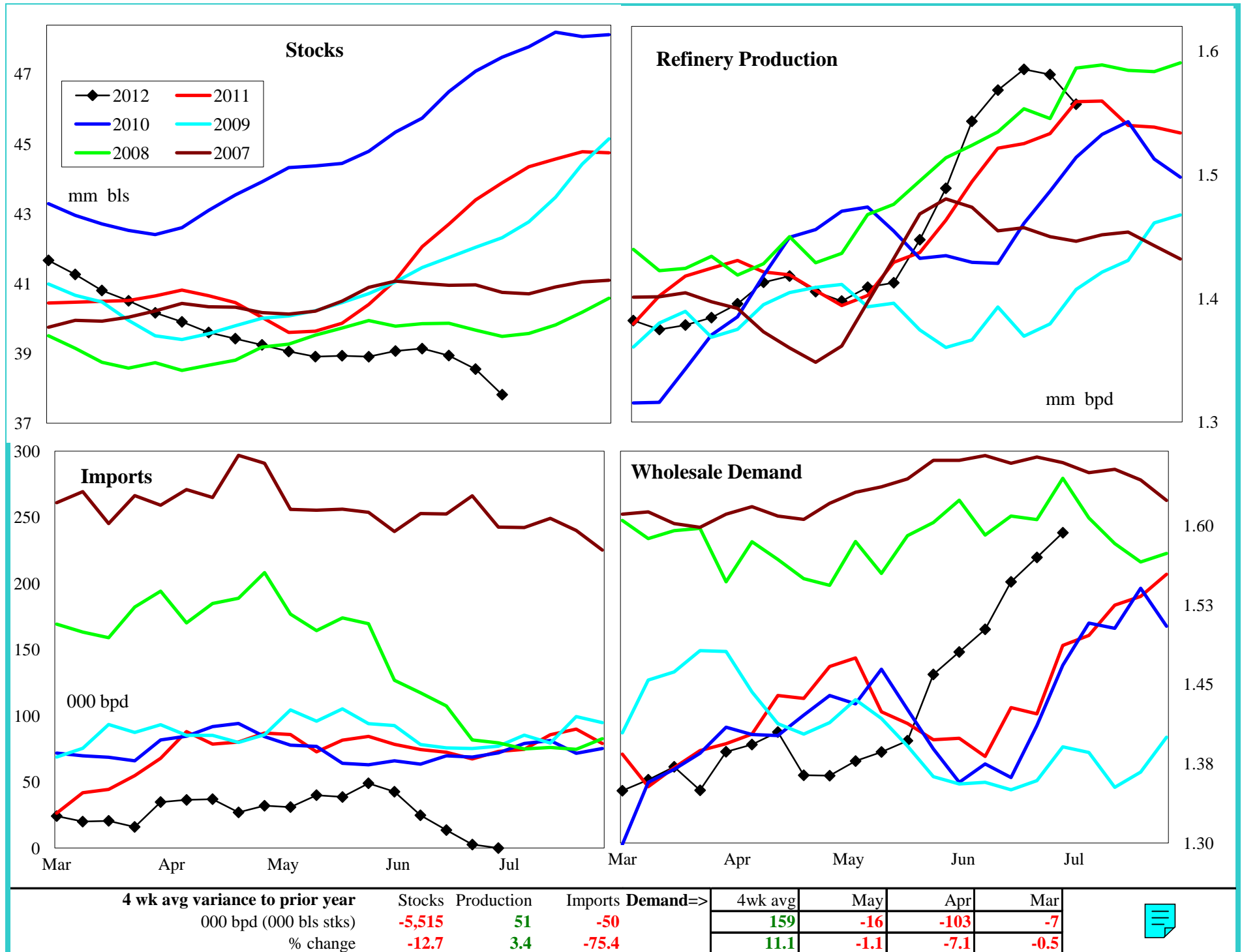




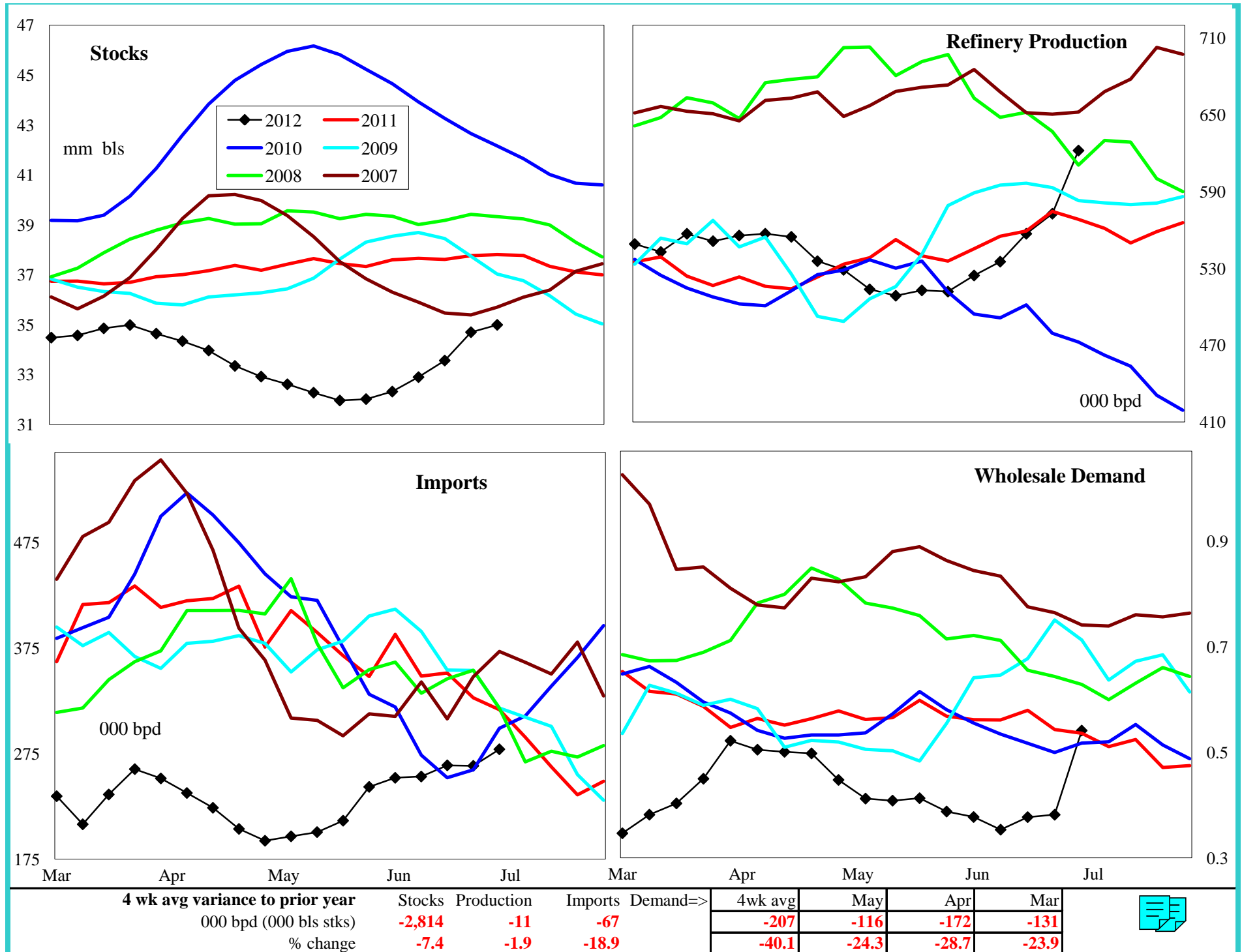
# United States High Sulfur Distillate Supply



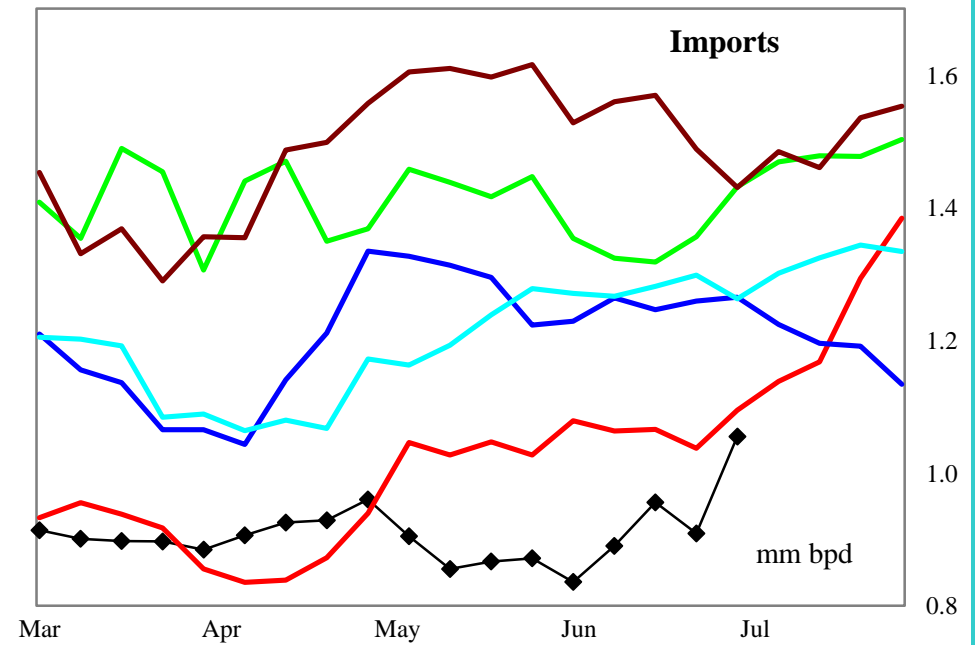
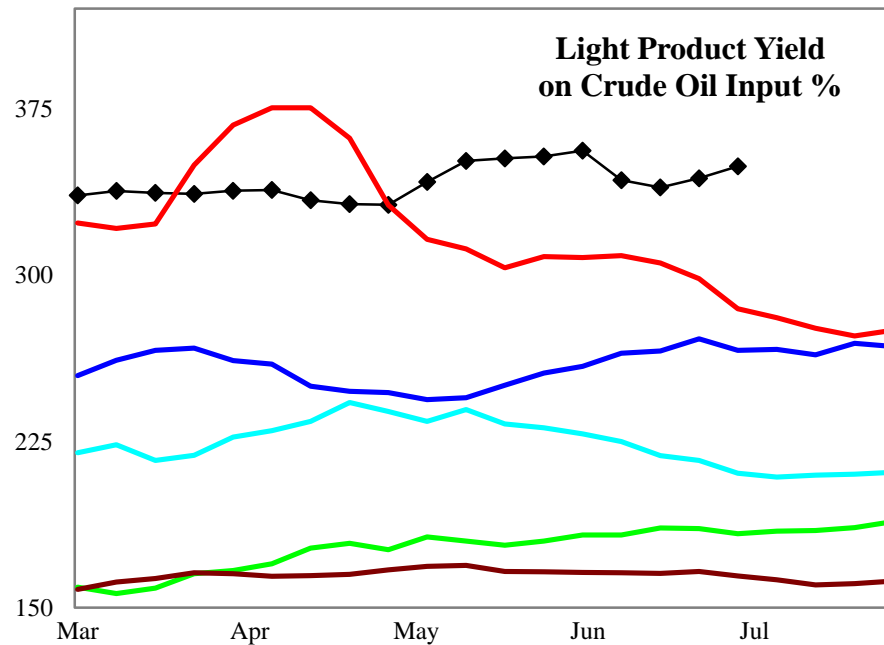
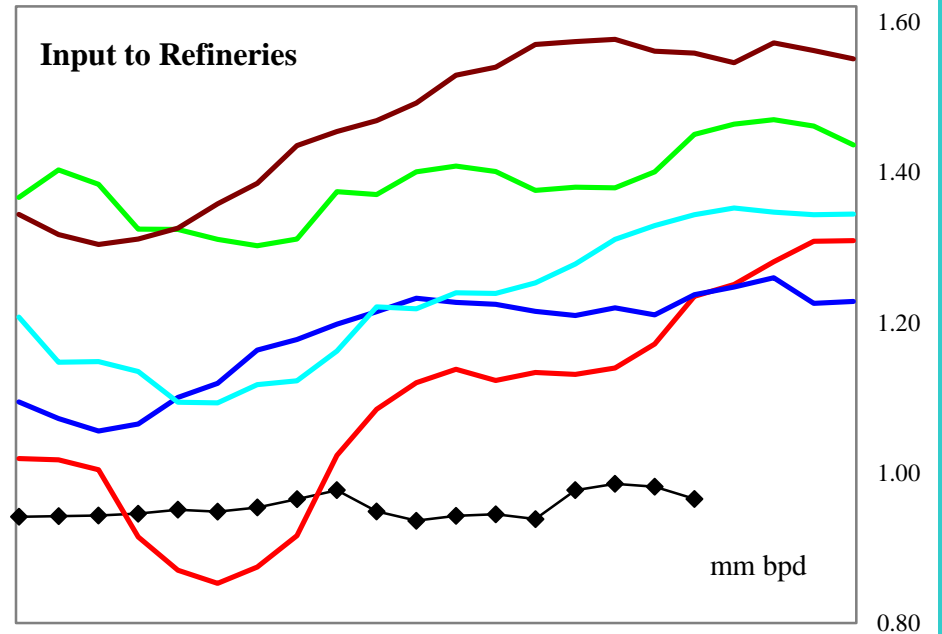
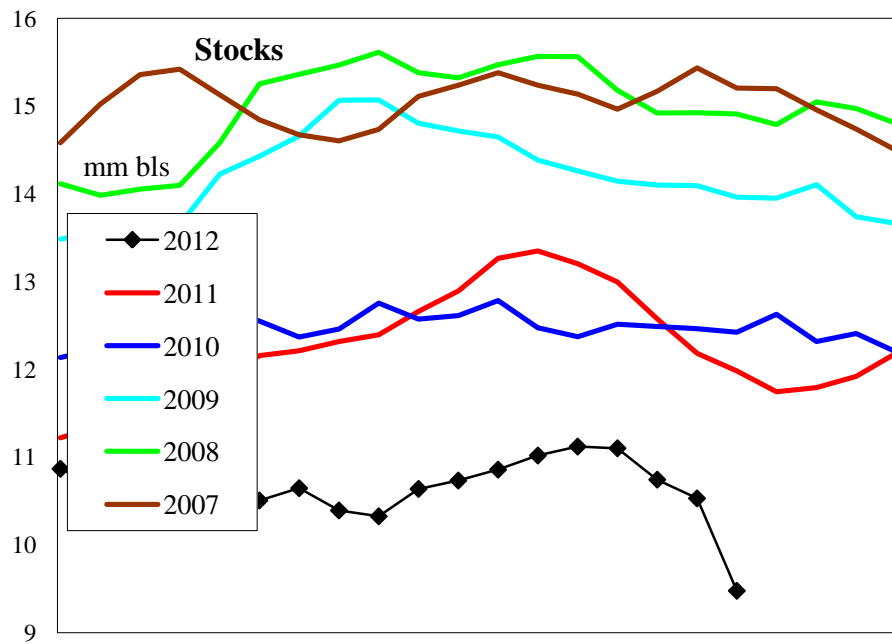
# United States Jet Fuel Supply and Demand Balance



# United States Residual Fuel Oil Supply and Demand Balance



# PADD 1 Crude Oil Supply and Refining



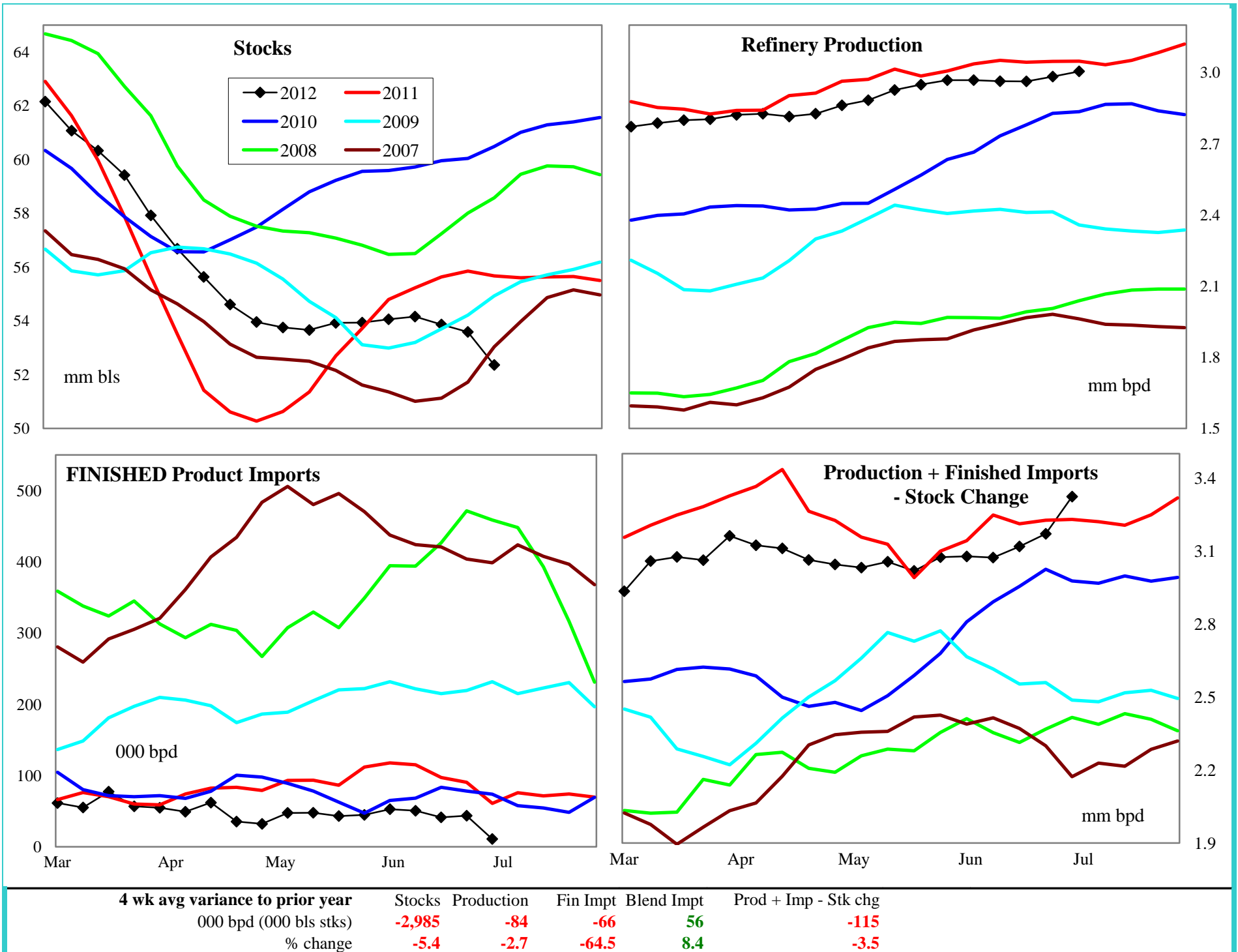
**4 wk avg variance to prior year**  
 000 bpd (000 bls stks)  
 % change

	Stocks	Input	Imports
000 bpd (000 bls stks)	-2,504	-155	-142
% change	-20.9	-13.6	-13.4

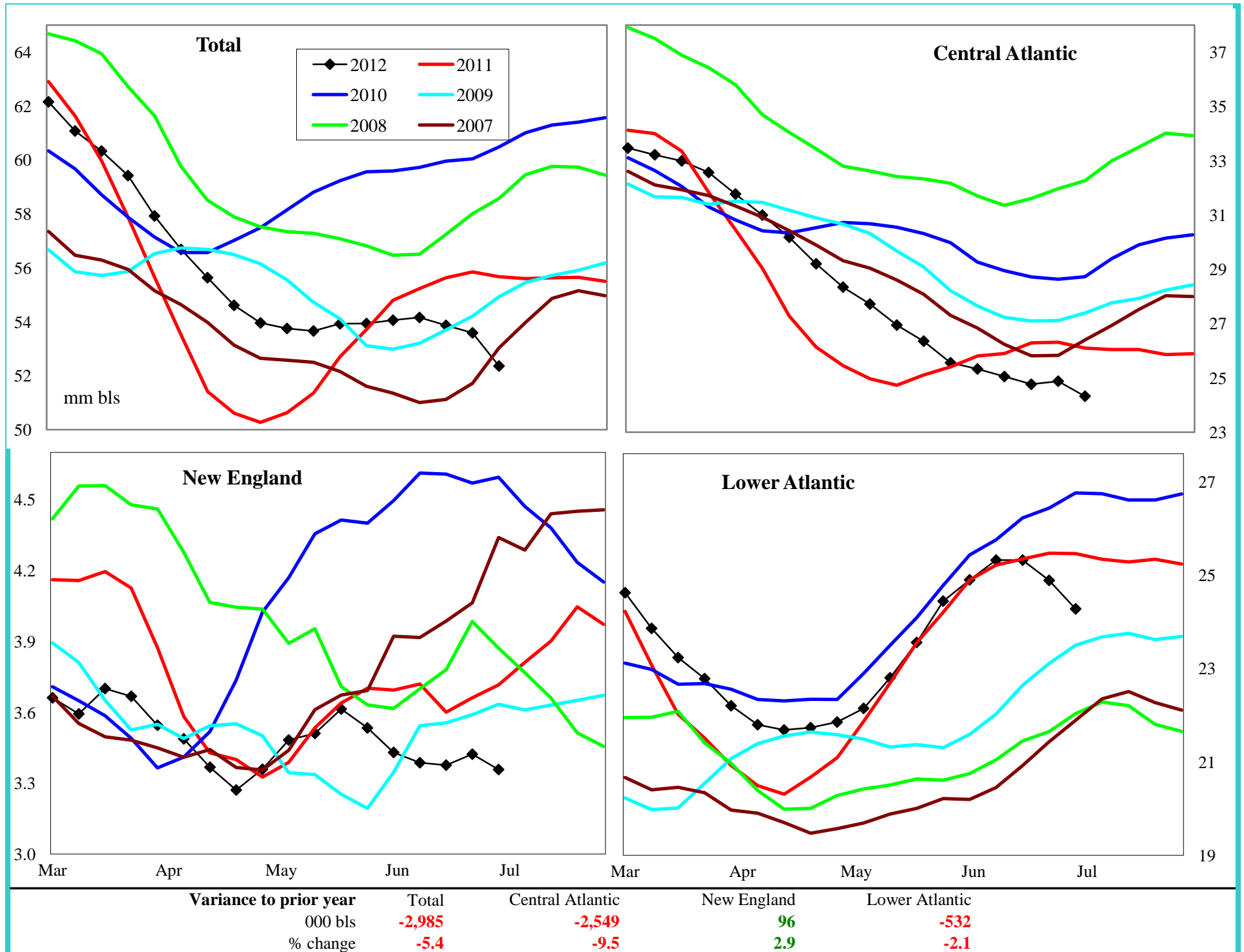




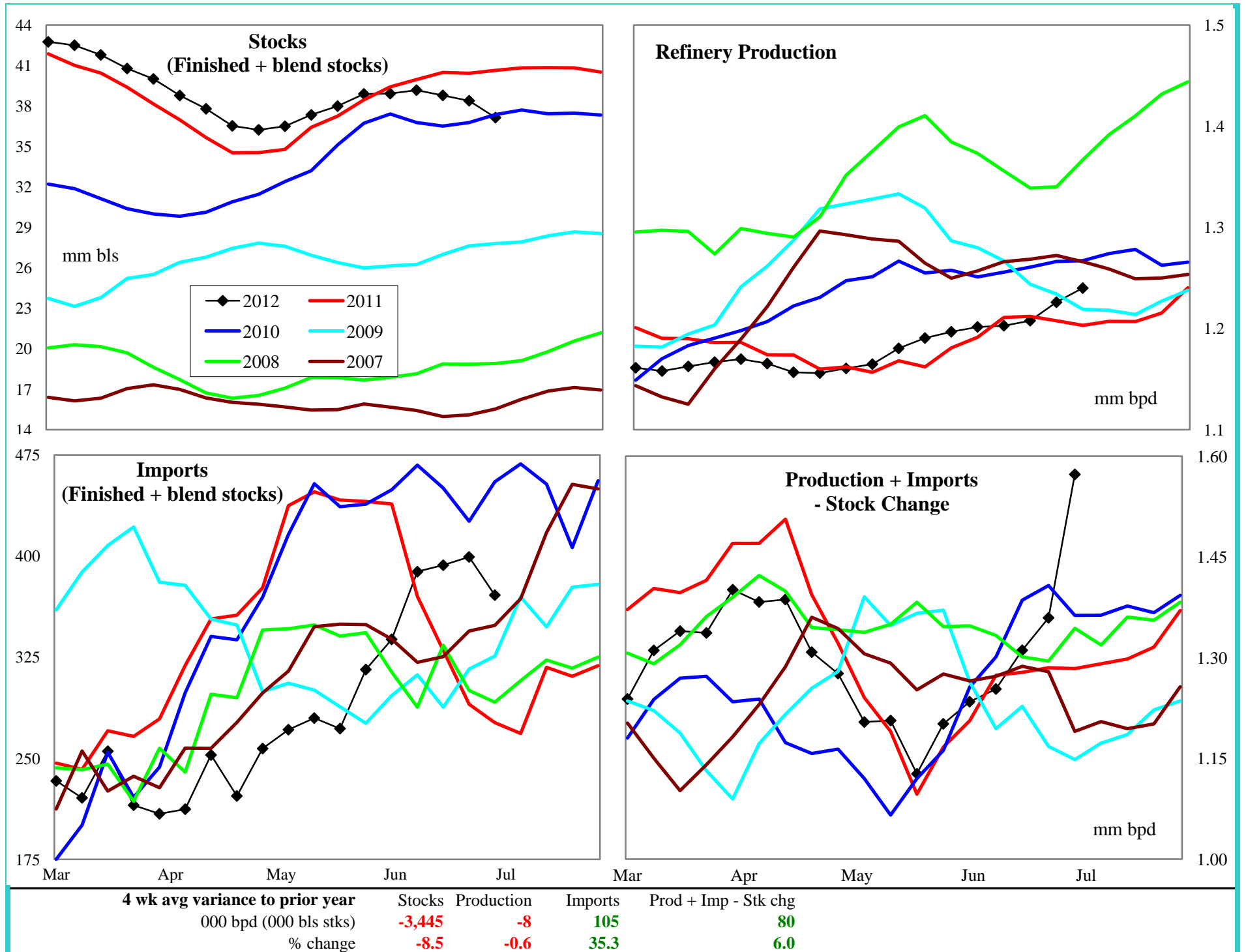
# PADD 1 Gasoline Supply



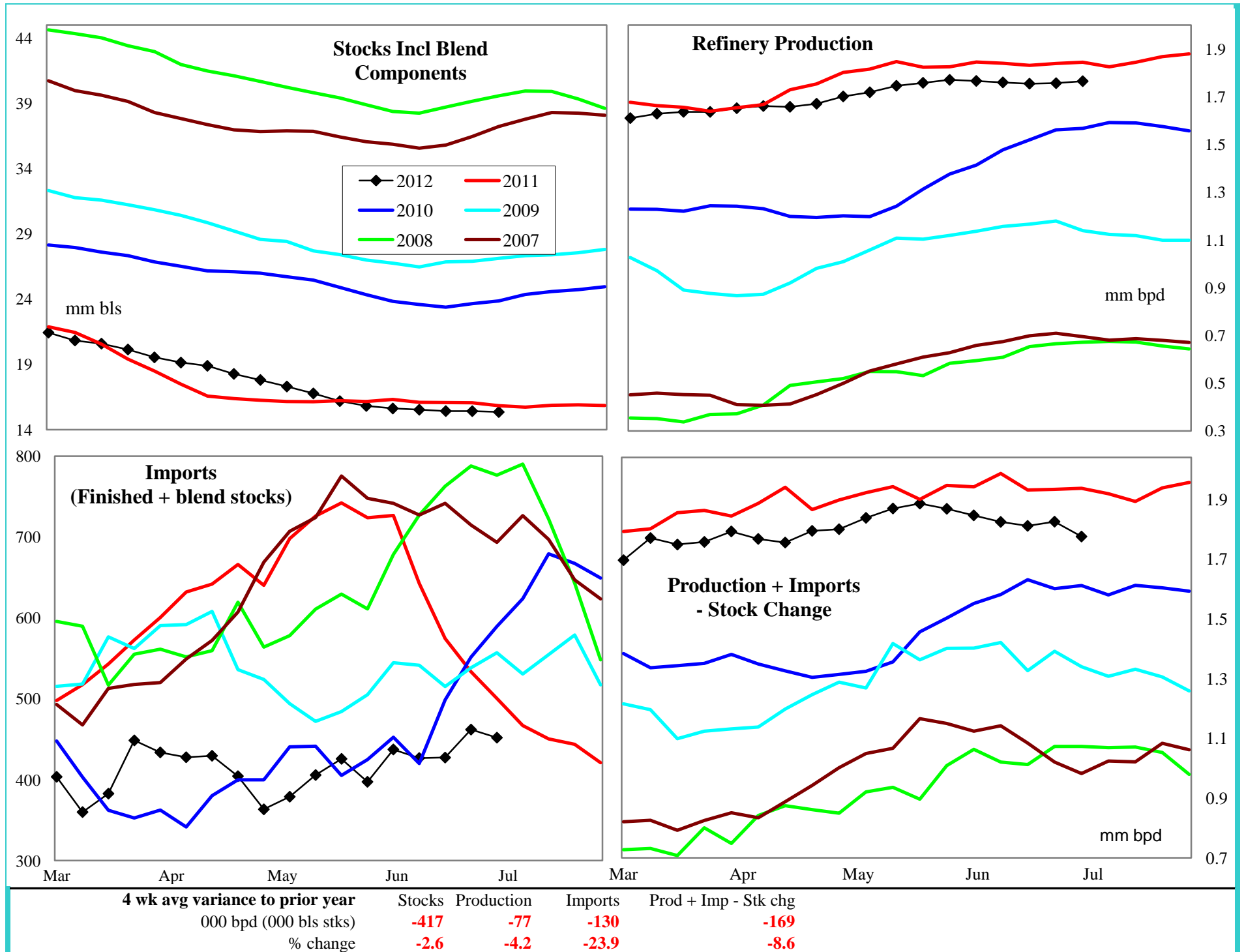
# PADD 1 Gasoline Stocks by Region



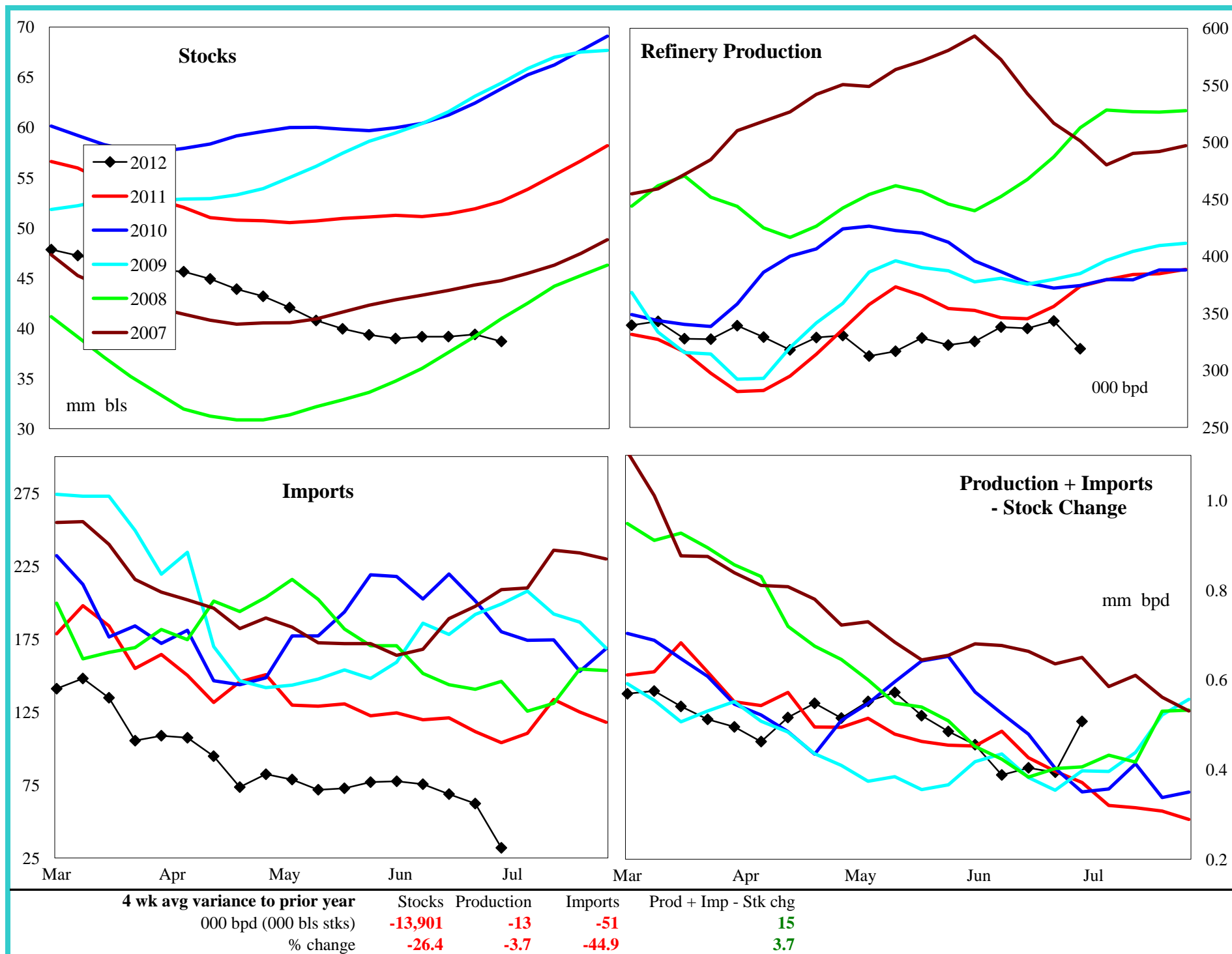
# PADD 1 Reformulated Gasoline Supply



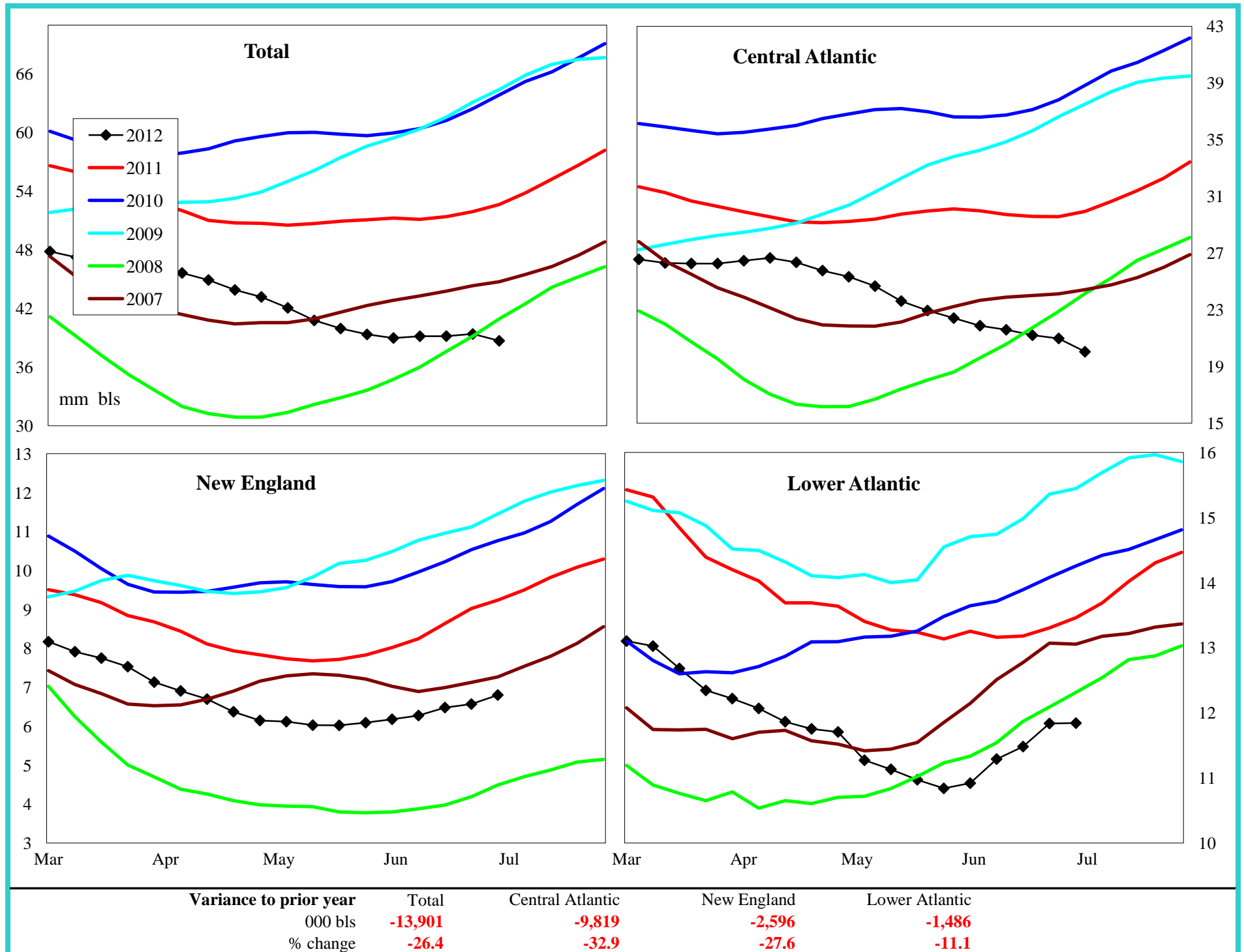
# PADD 1 Conventional Gasoline Supply



# PADD 1 Distillate Supply

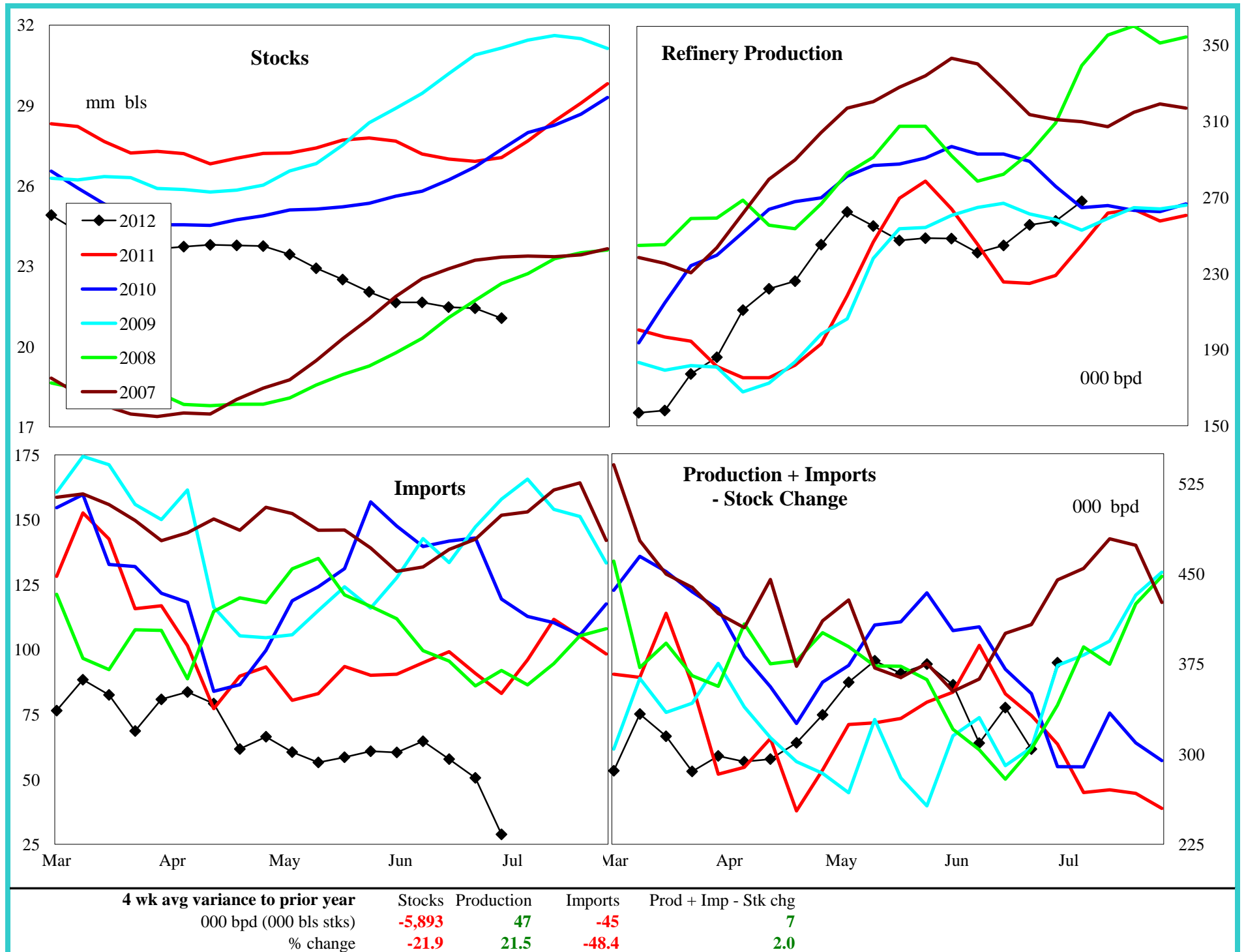


## PADD 1 Distillate Stocks by Region

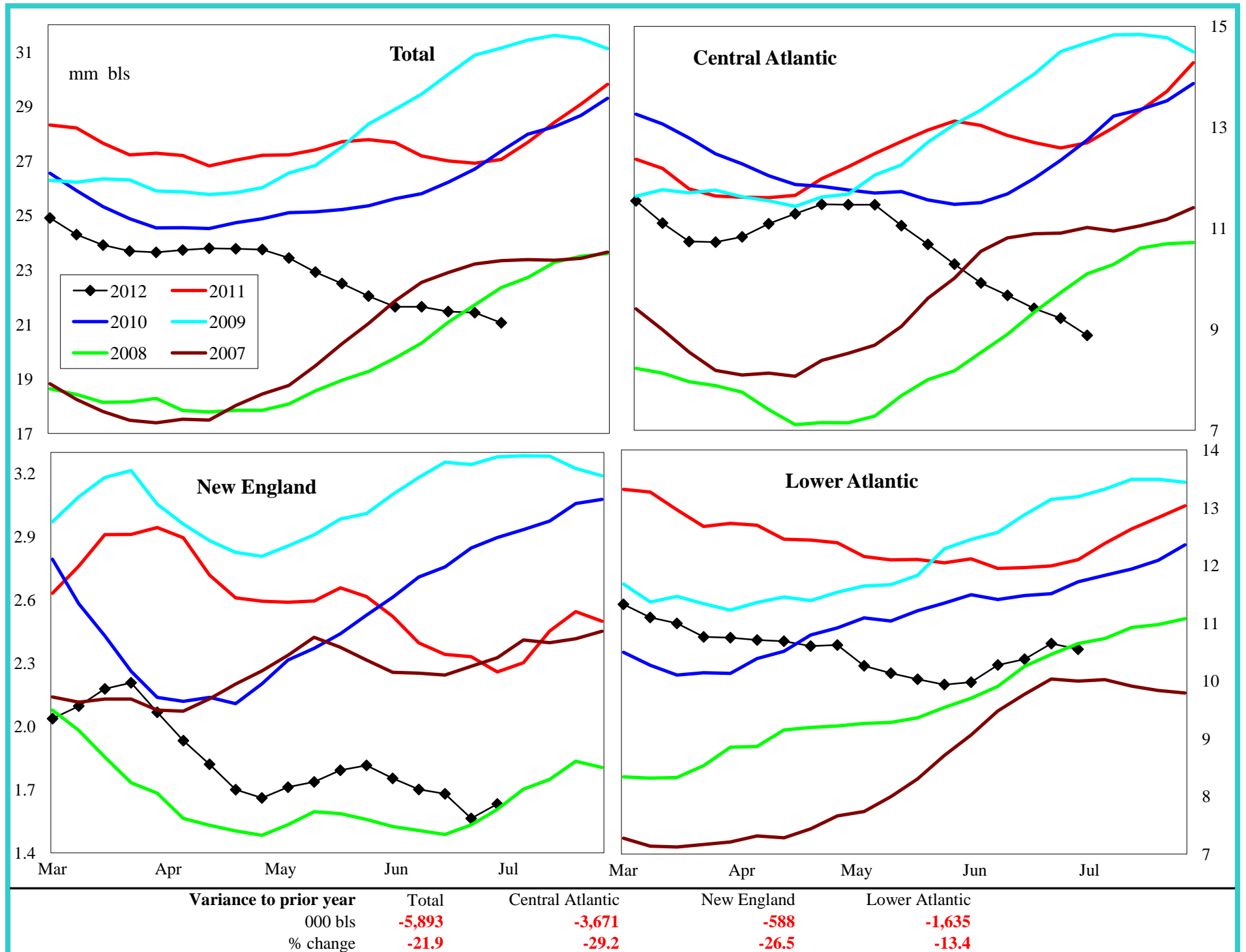




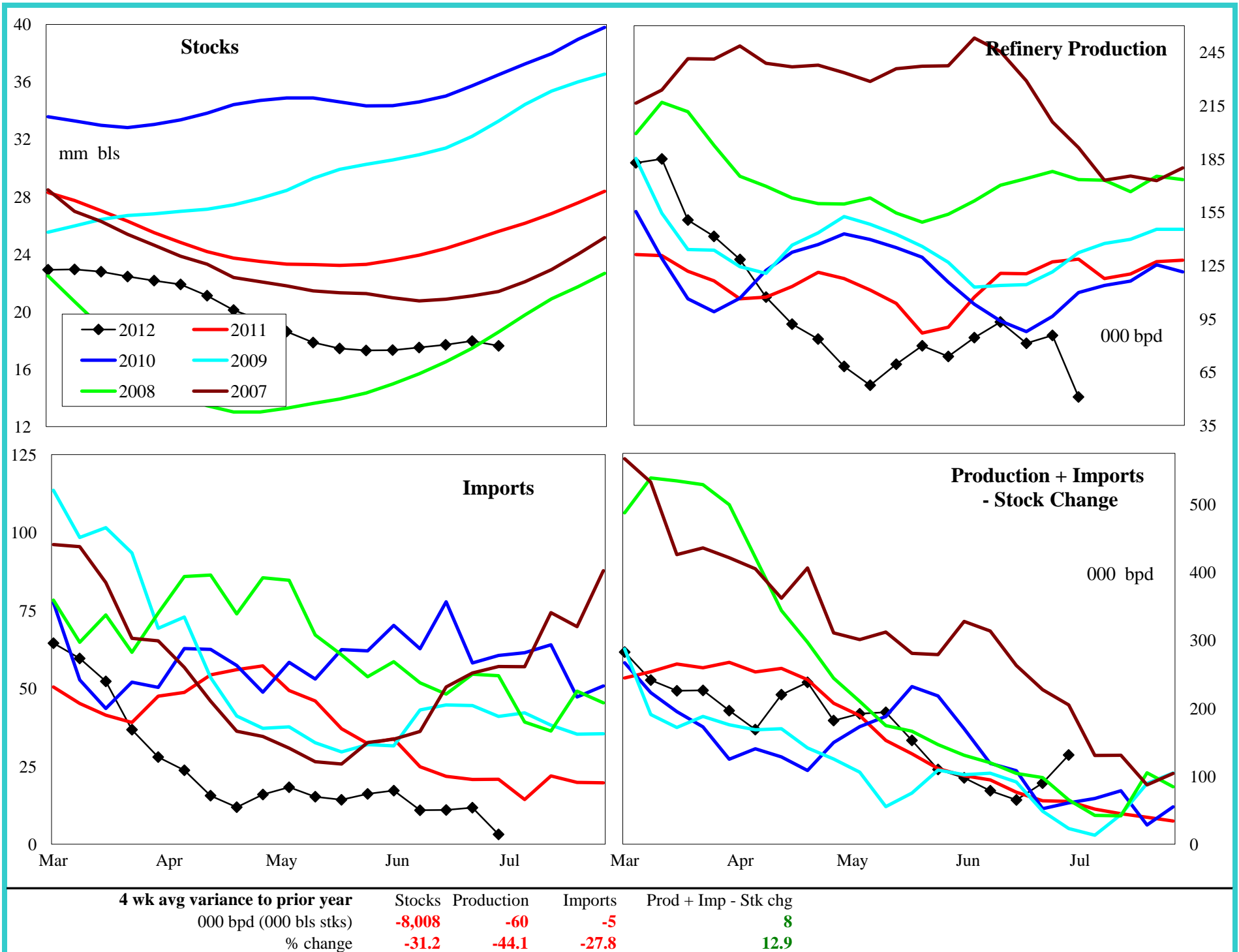
# PADD 1 Low Sulfur Distillate Supply



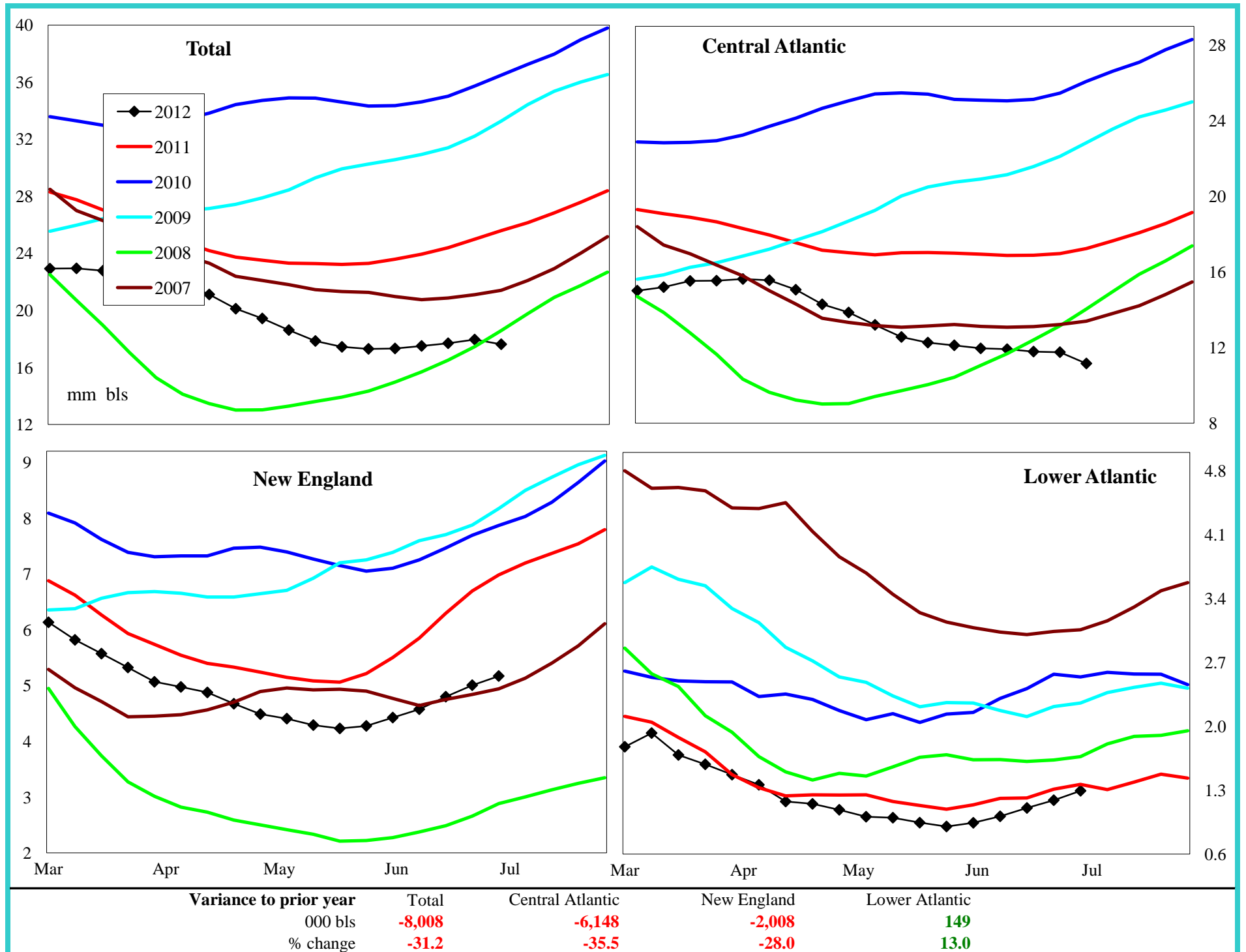
# PADD 1 Low Sulfur Distillate Stocks by Region



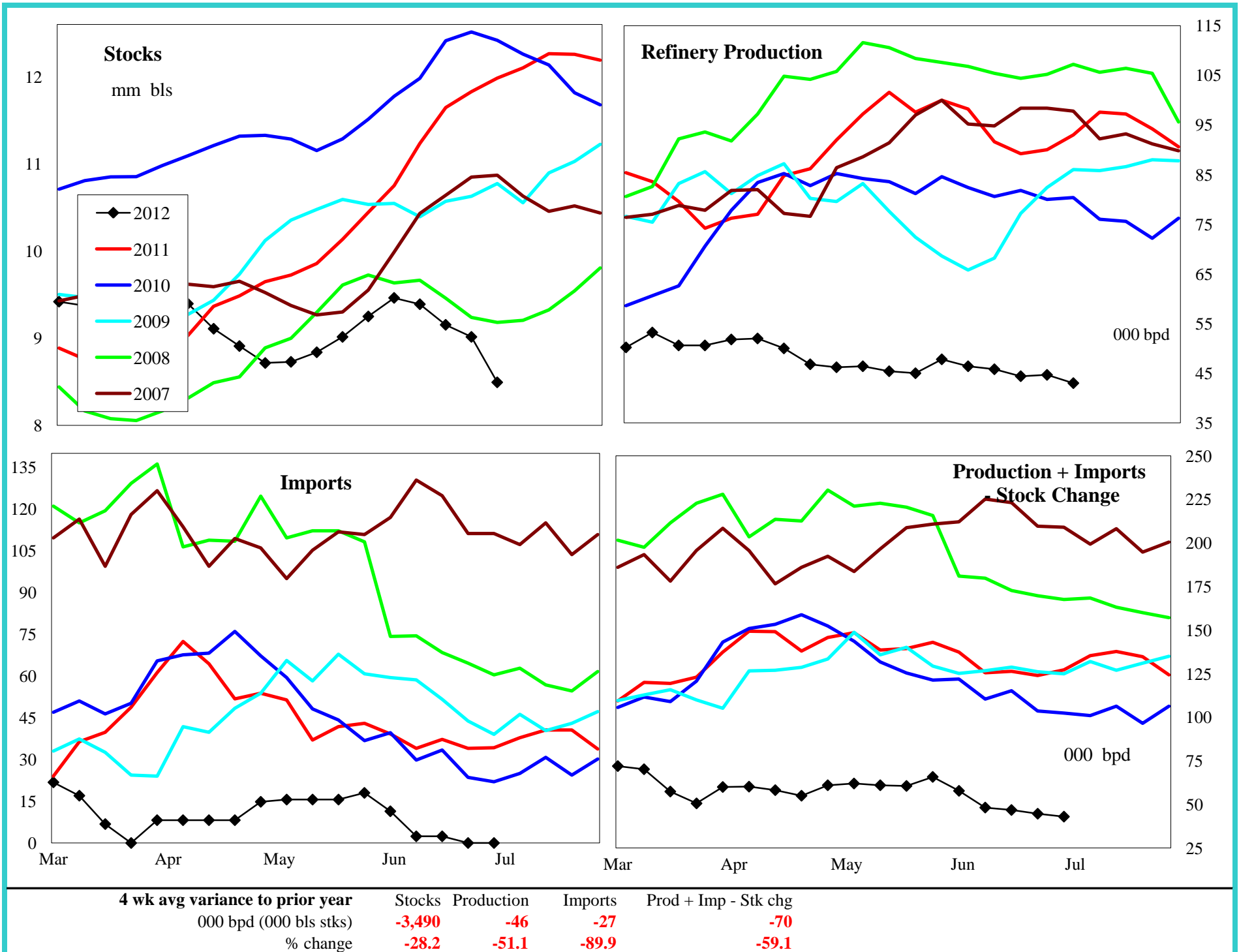
# PADD 1 High Sulfur Distillate Supply



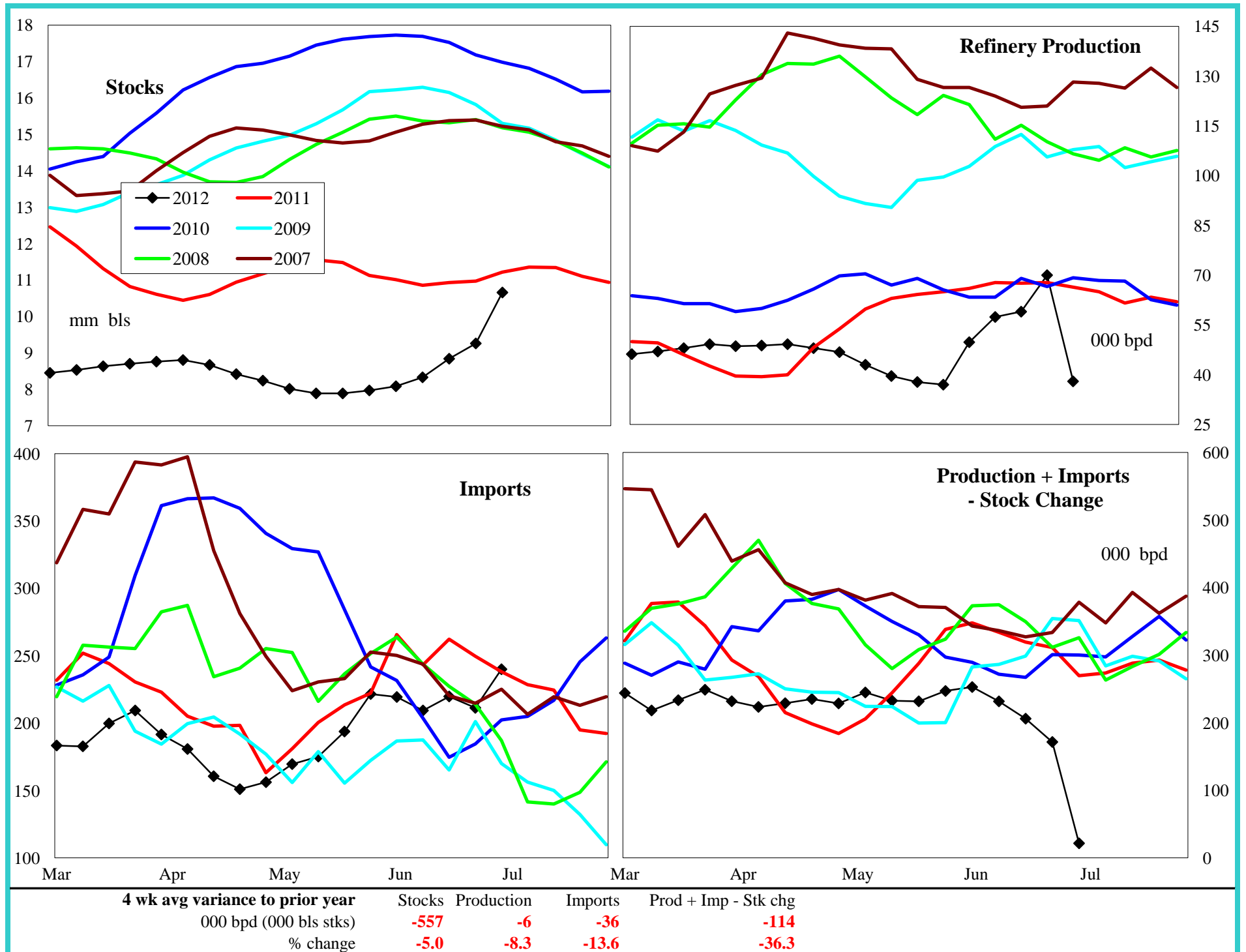
# PADD 1 High Sulfur Distillate Stocks by Region



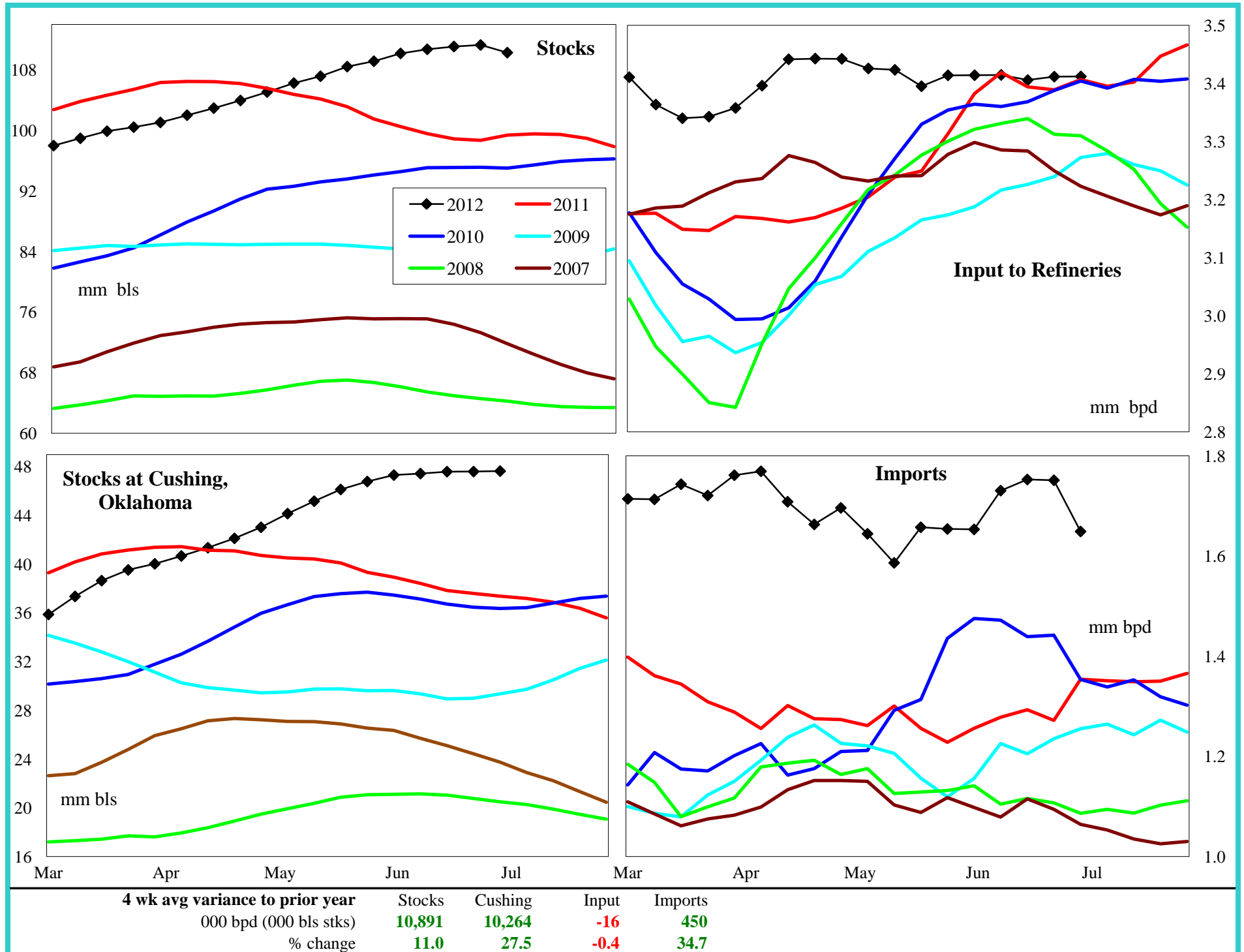
# PADD 1 Jet Fuel Supply



# PADD 1 Residual Fuel Oil Supply

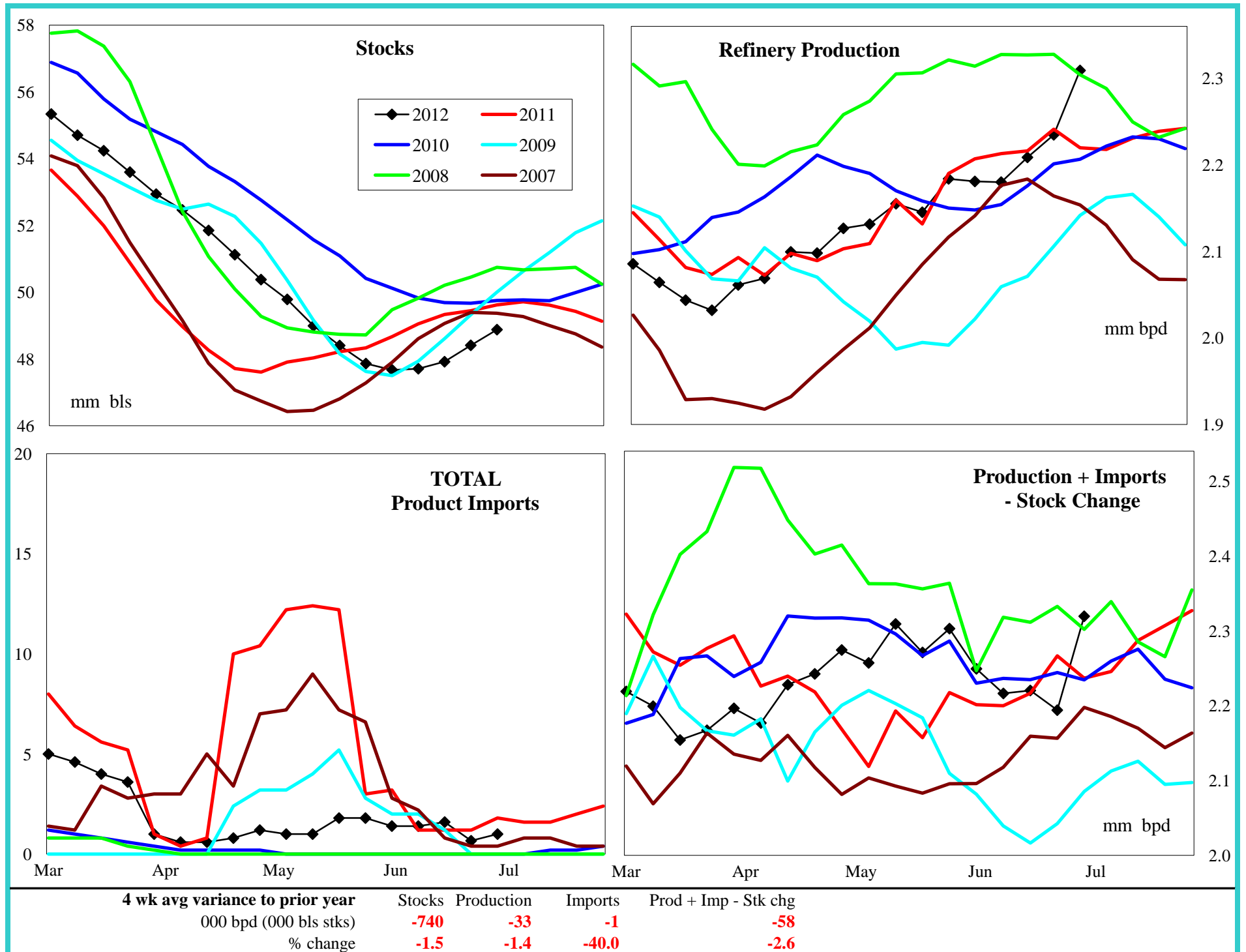


# PADD 2 Crude Oil Supply and Refining

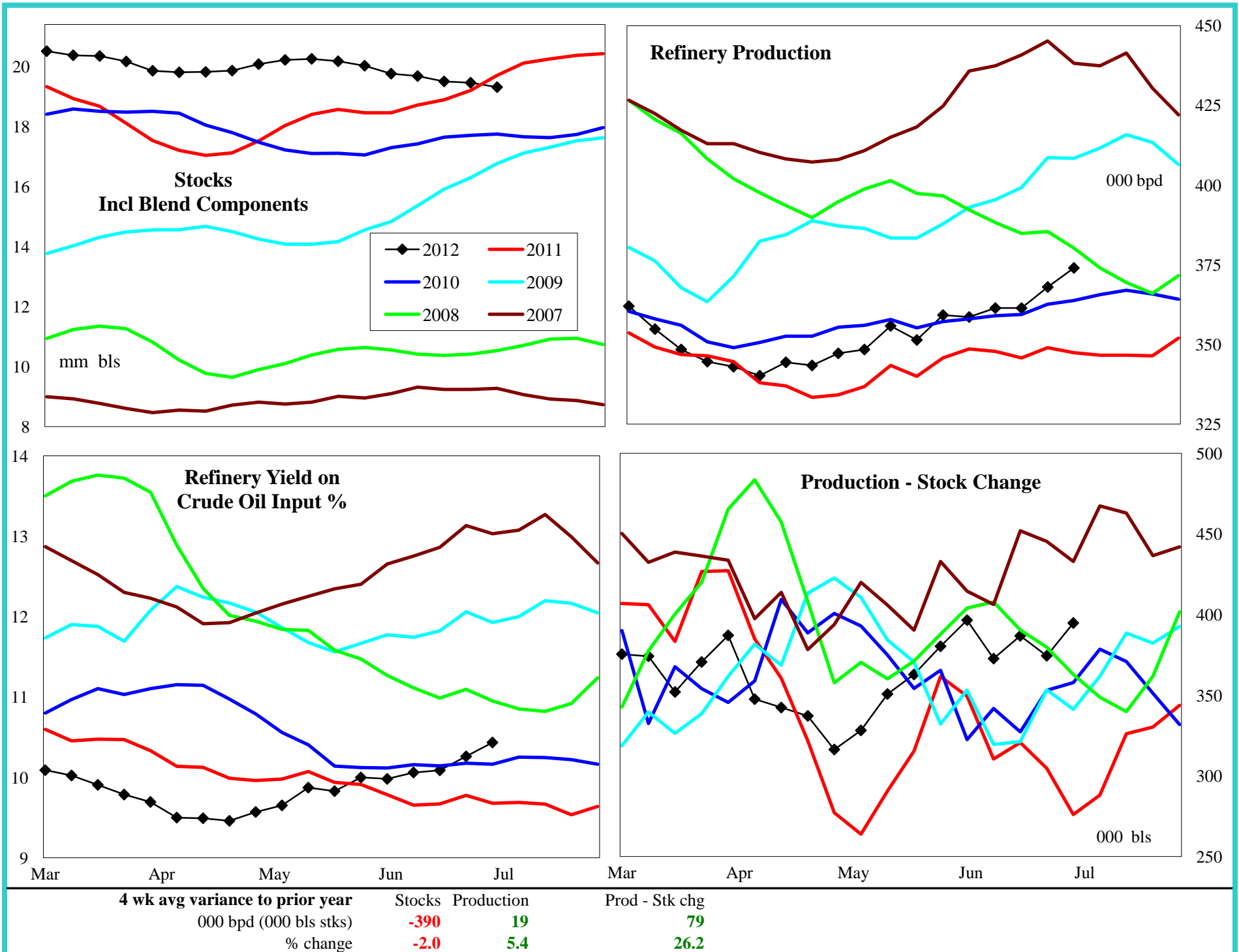




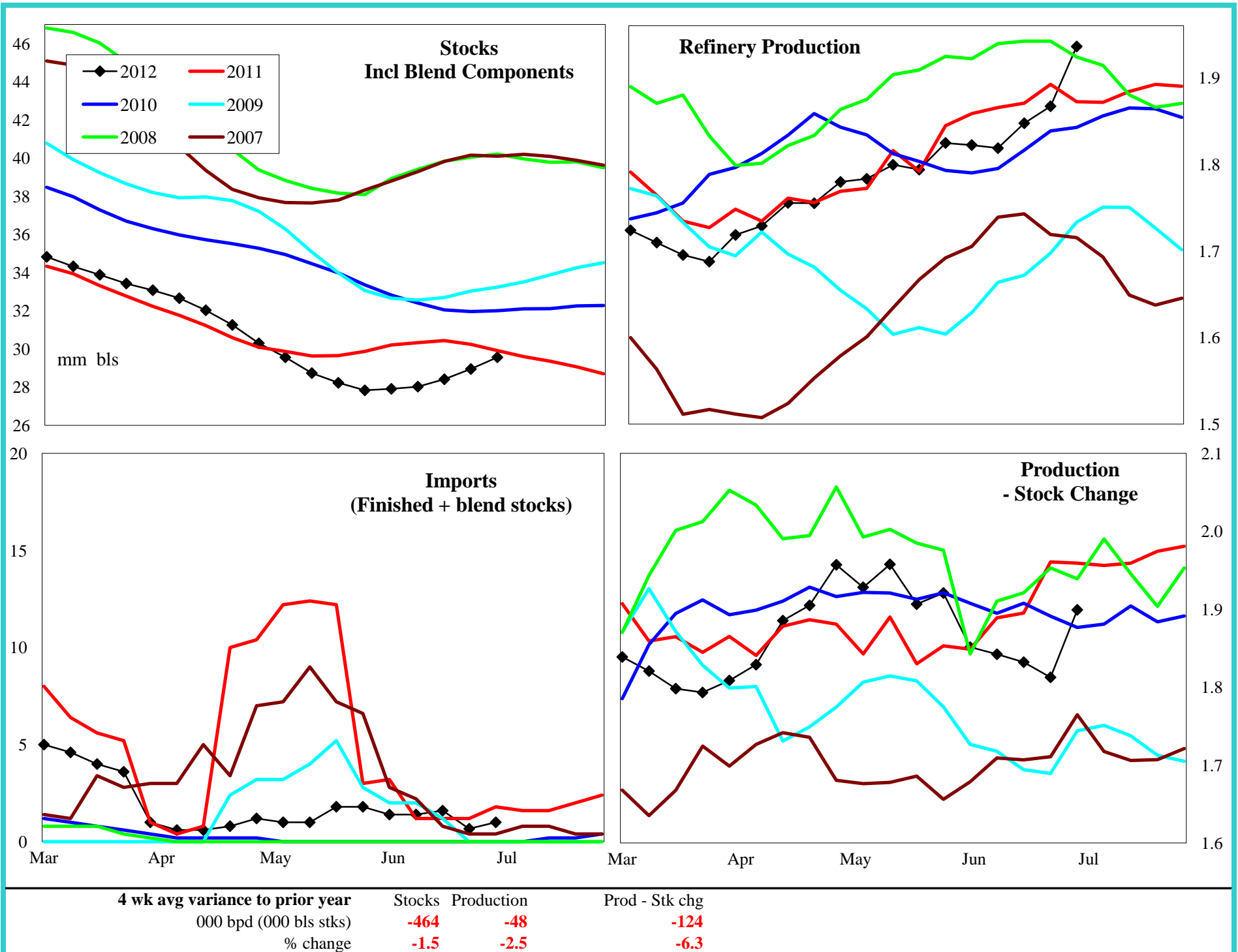
# PADD 2 Gasoline Supply



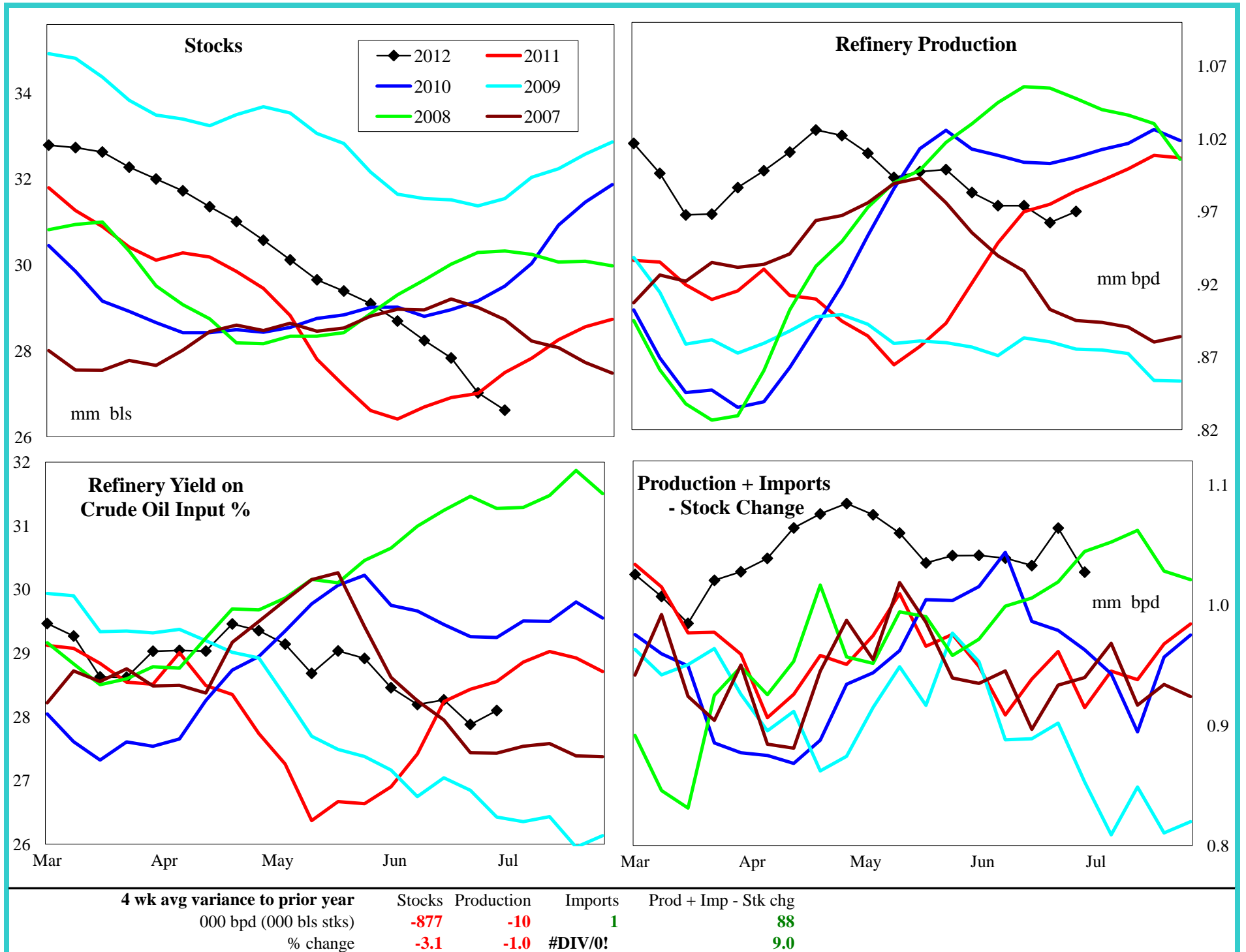
## PADD 2 Reformulated Gasoline Supply



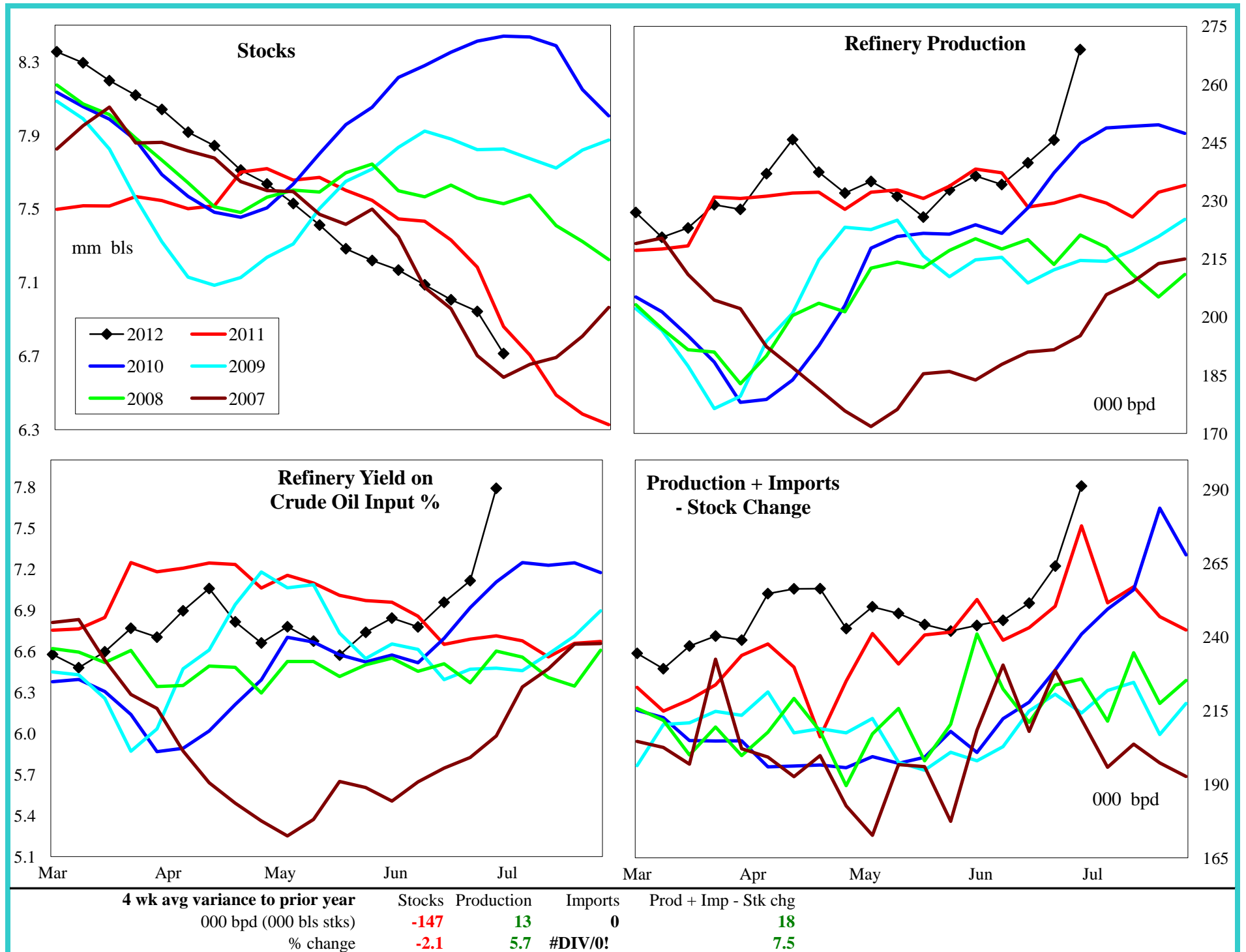
# PADD 2 Conventional Gasoline Supply



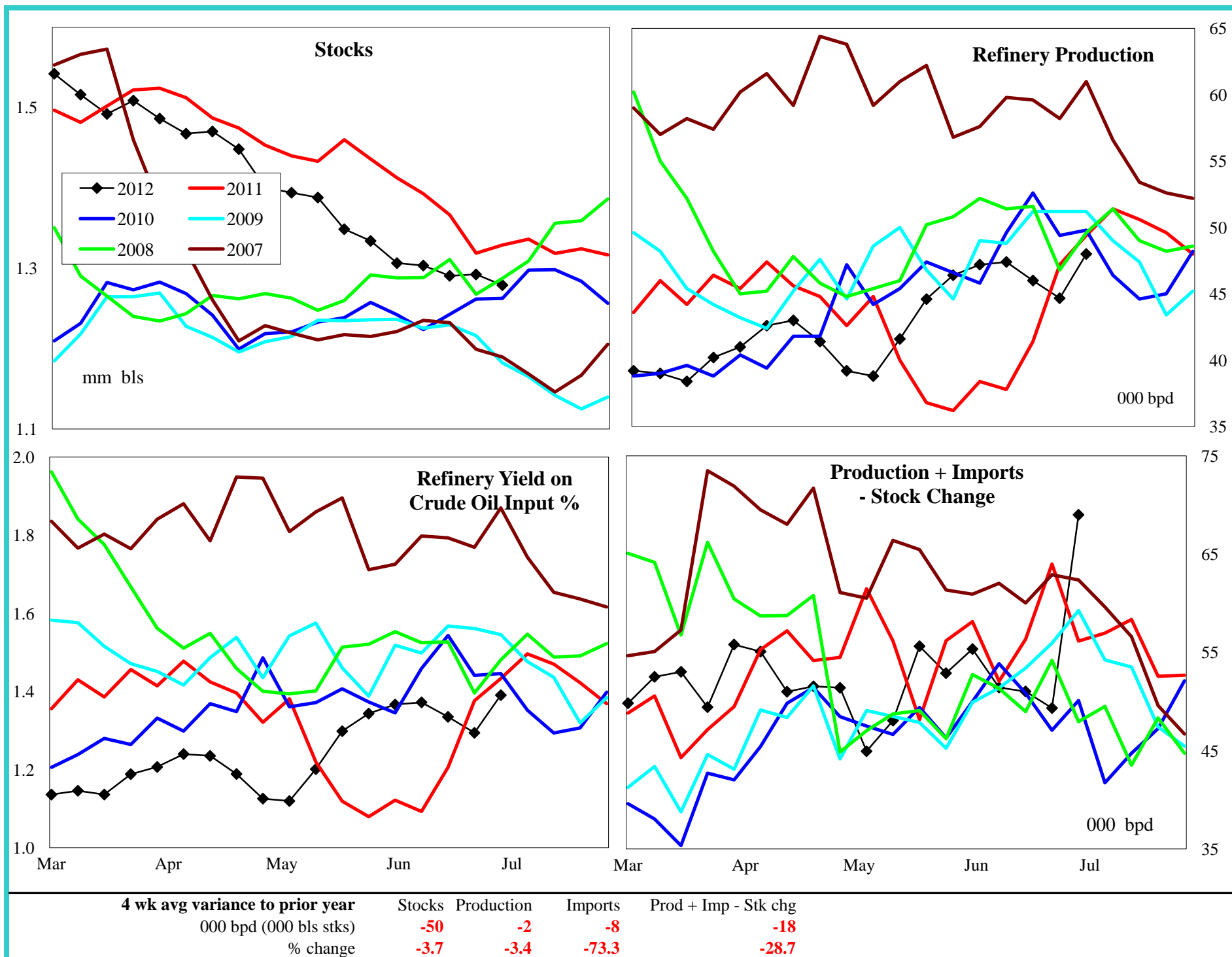
# PADD 2 Distillate Supply



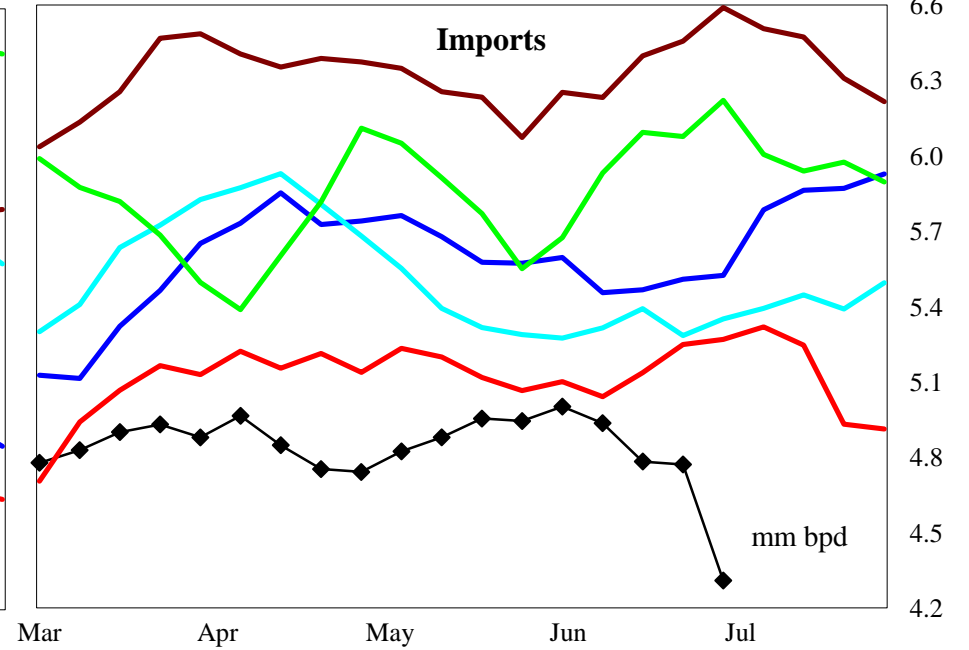
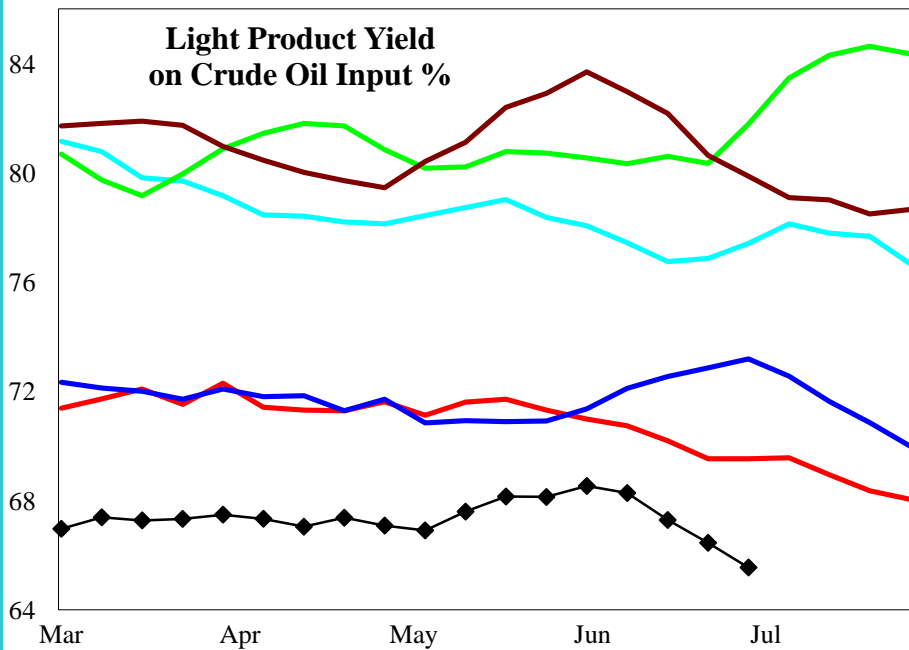
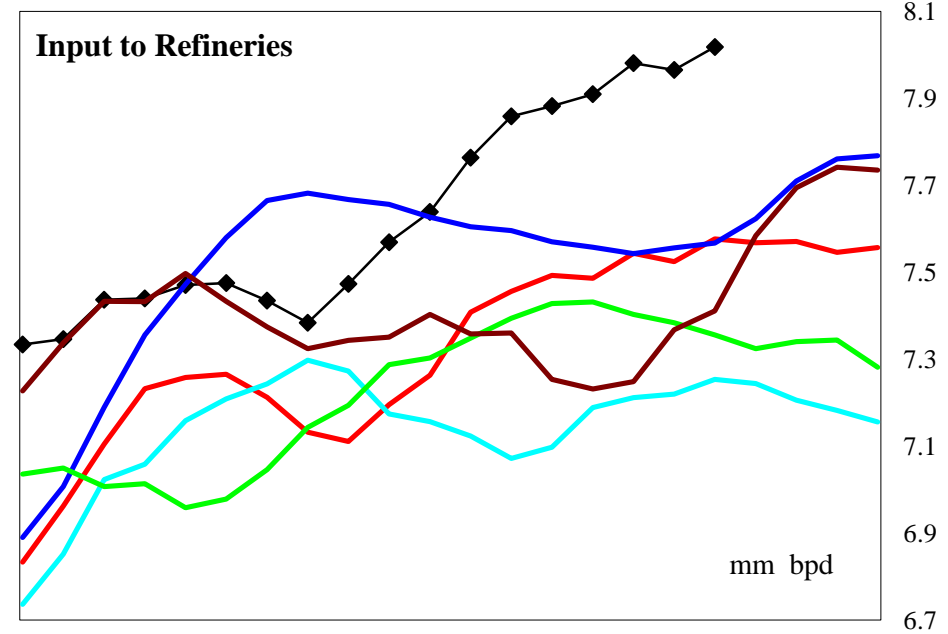
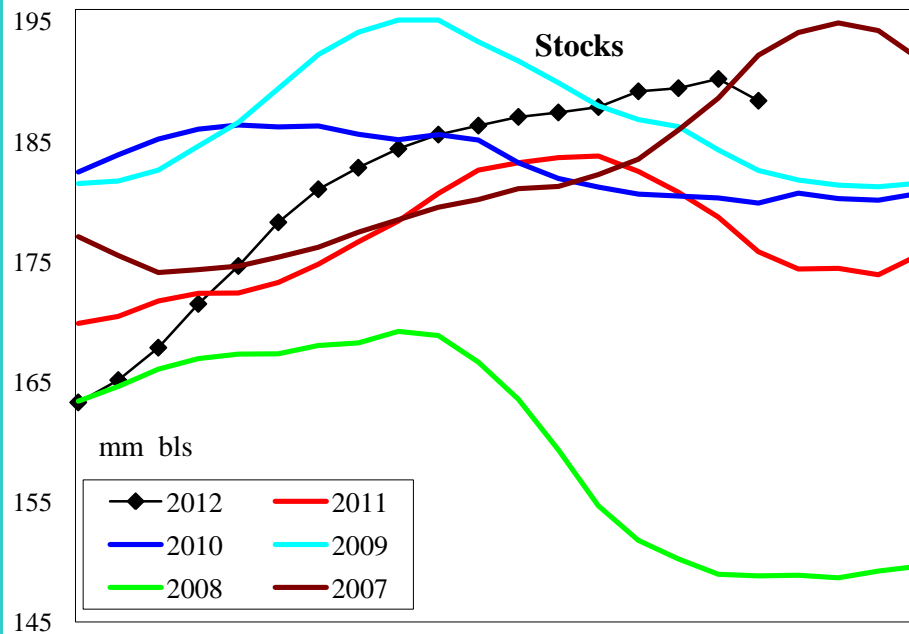
# PADD 2 Jet Fuel Supply



# PADD 2 Residual Fuel Oil Supply



# PADD 3 Crude Oil Supply and Refining



**4 wk avg variance to prior year**

000 bpd (000 bls stks)

% change

**Stocks**

**12,579**

**7.2**

**Input**

**468**

**6.2**

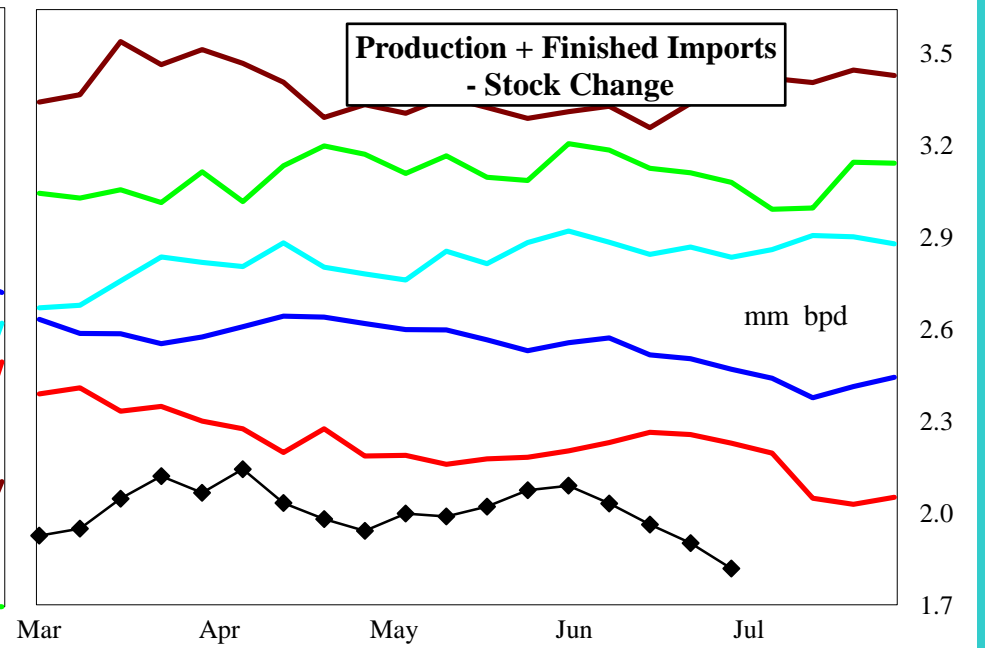
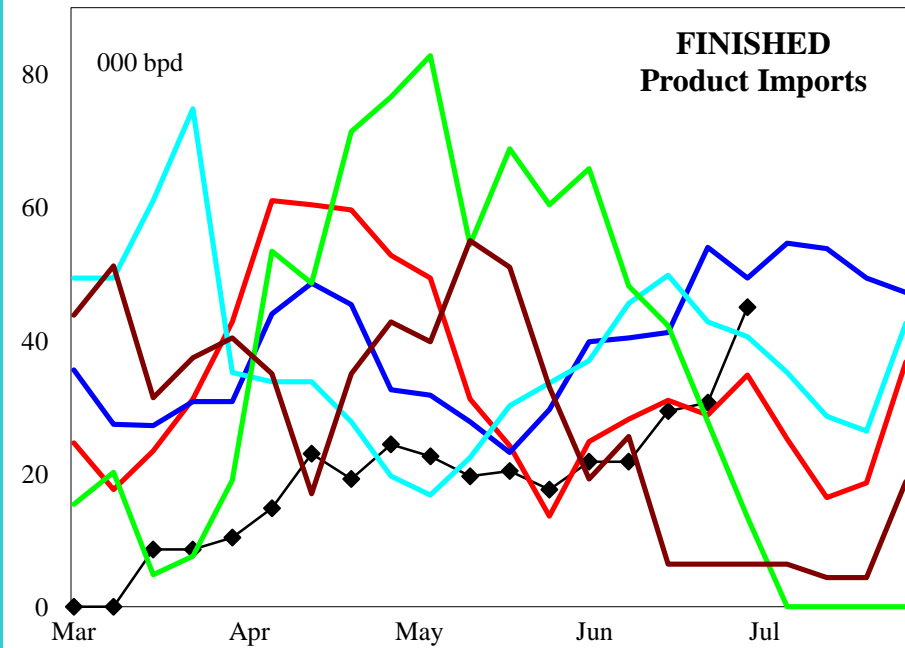
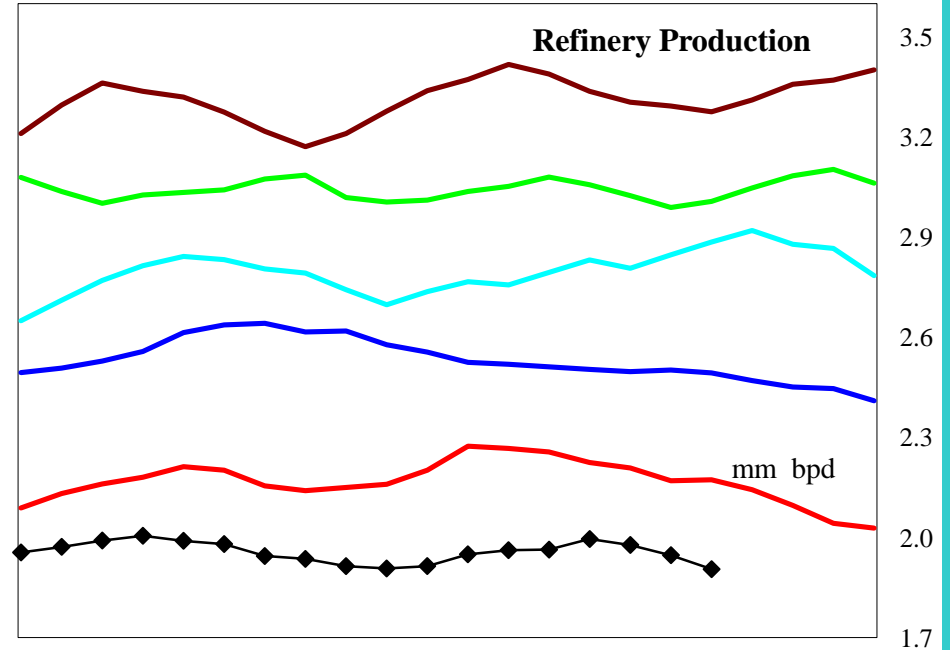
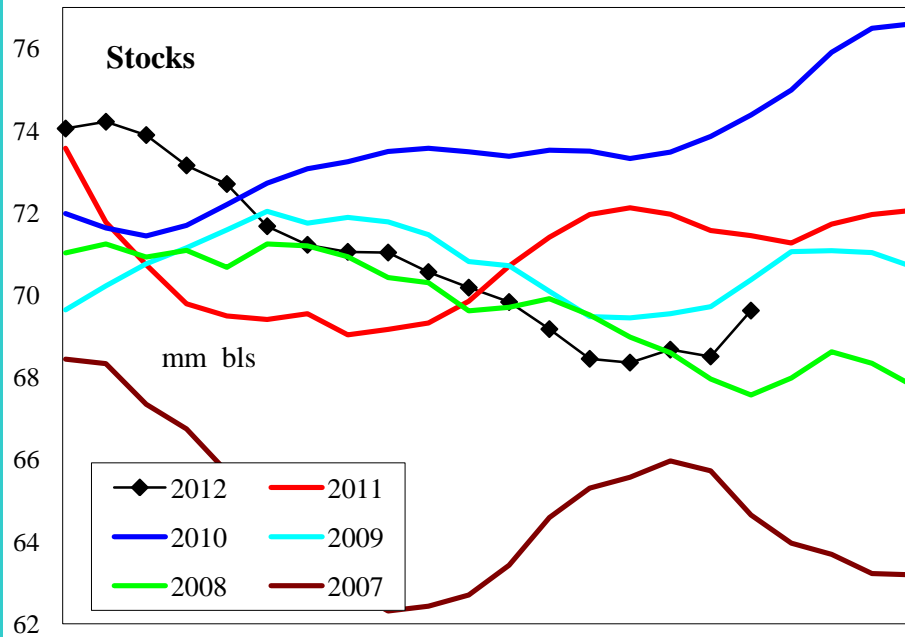
**Imports**

**-447**

**-8.5**



# PADD 3 Gasoline Supply



**4 wk avg variance to prior year**

000 bpd (000 bbls stks)

% change

Stocks

-1,562

-2.2

Production

-202

-9.2

Fin Impt

-11

-29.2

Blend Impt

0

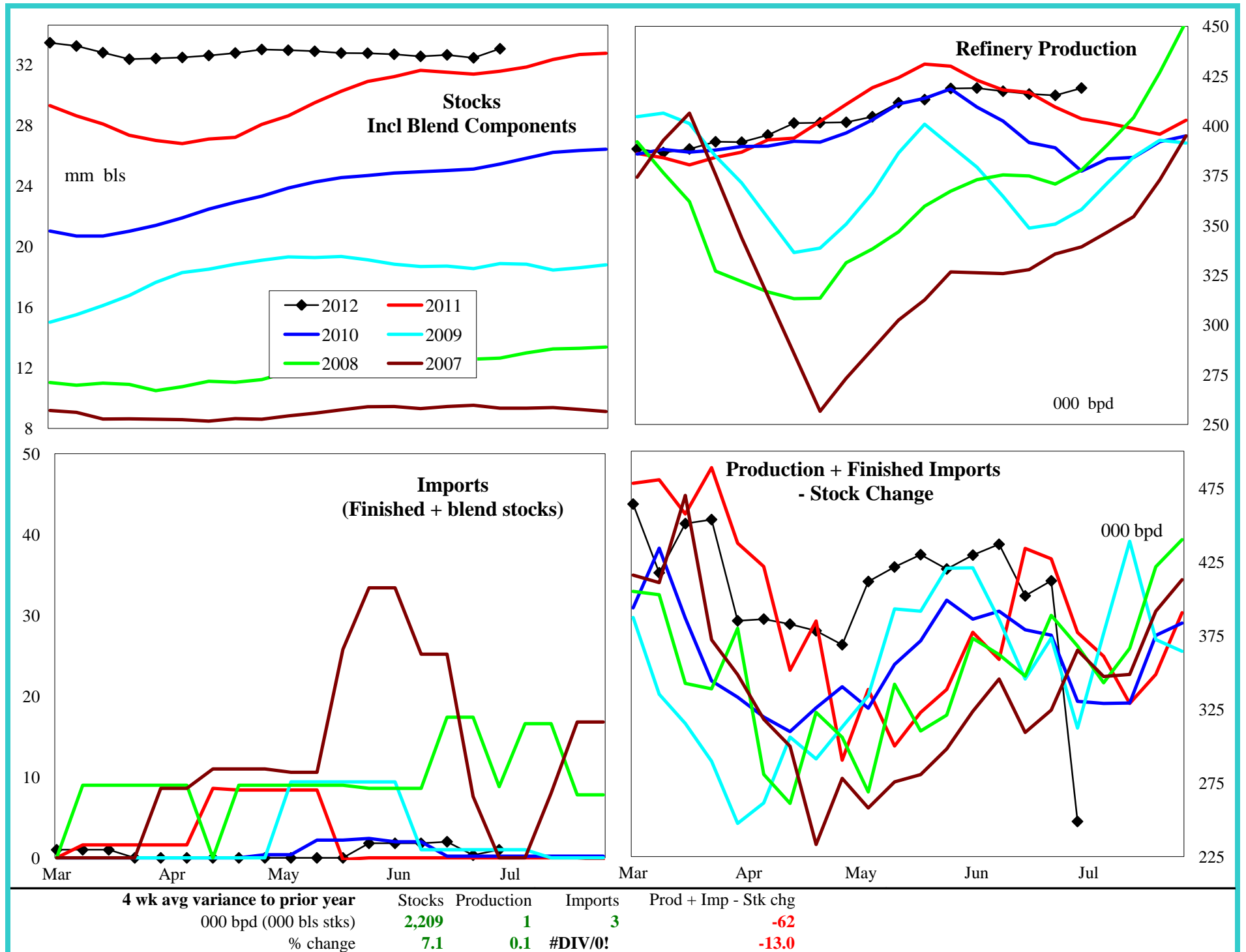
-1.2

Prod + Imp - Stk chg

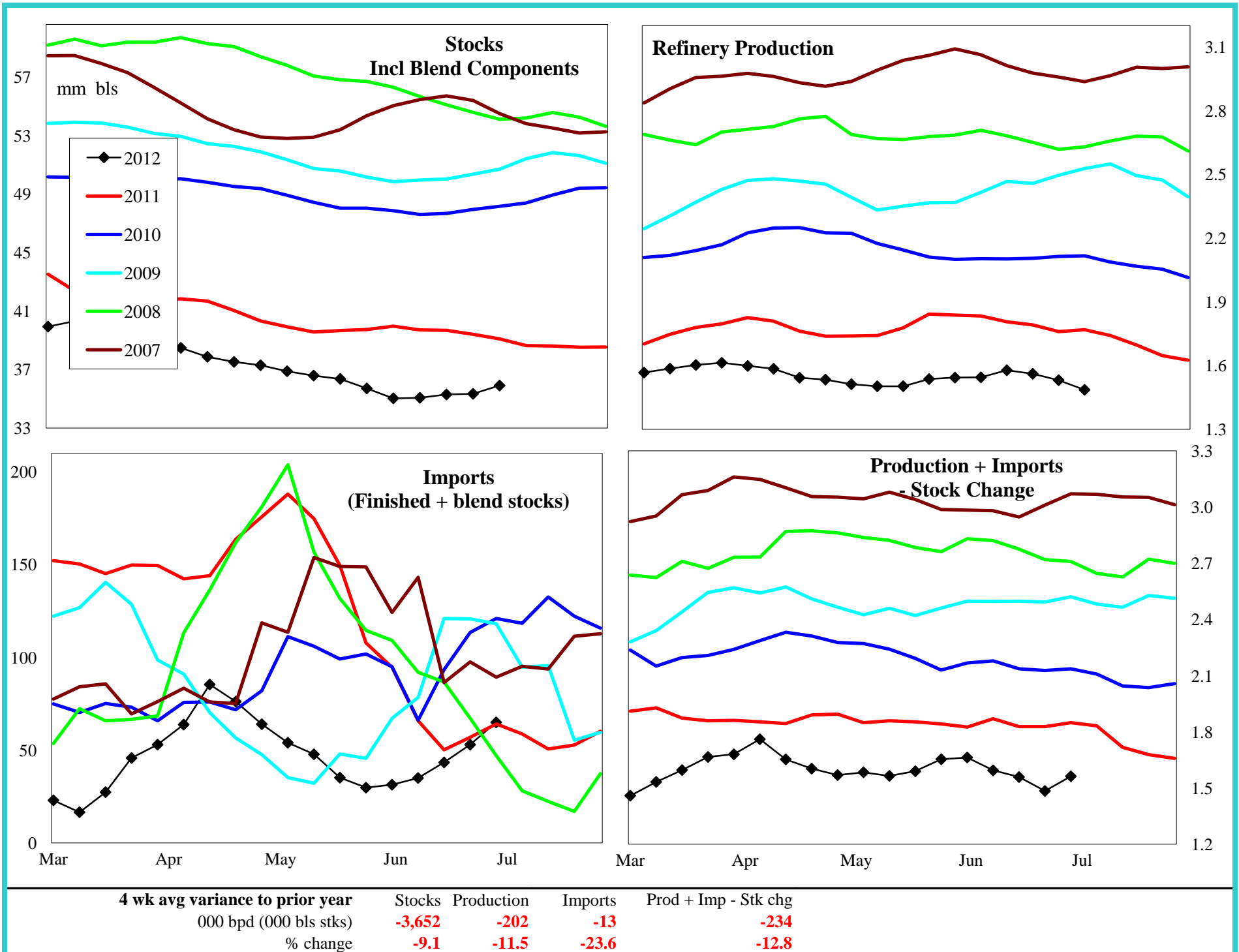
-292

-12.7

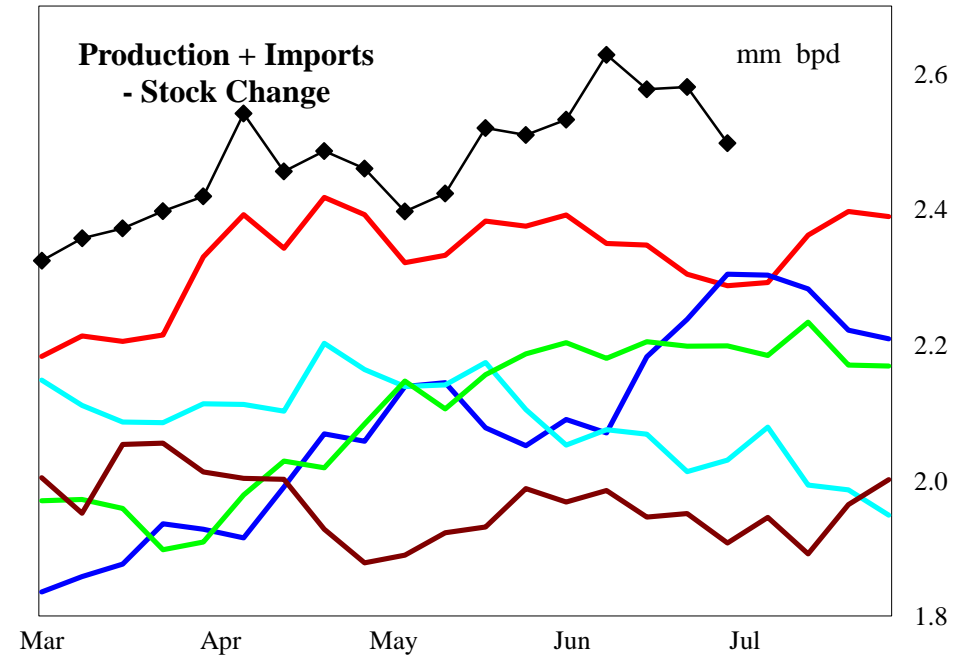
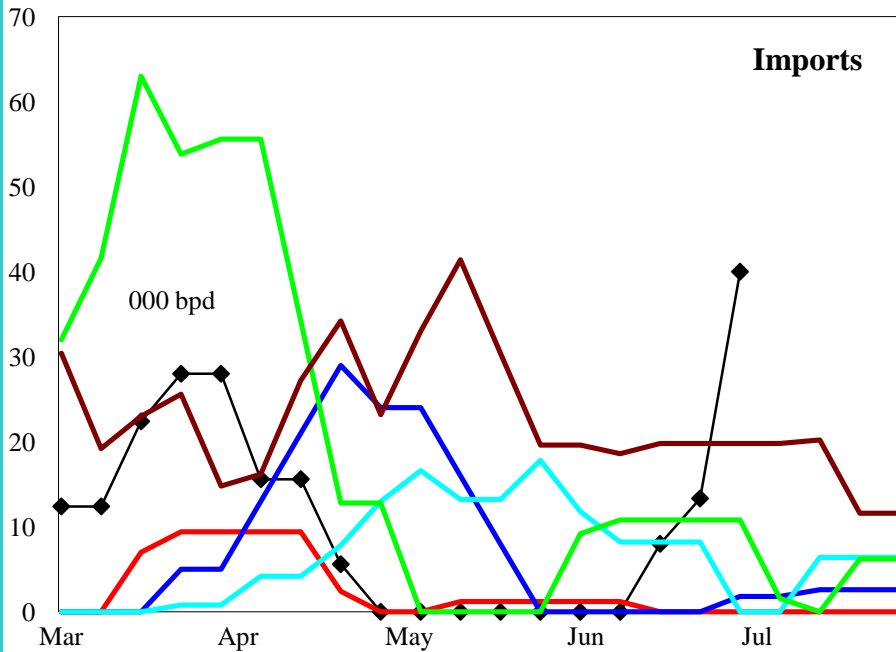
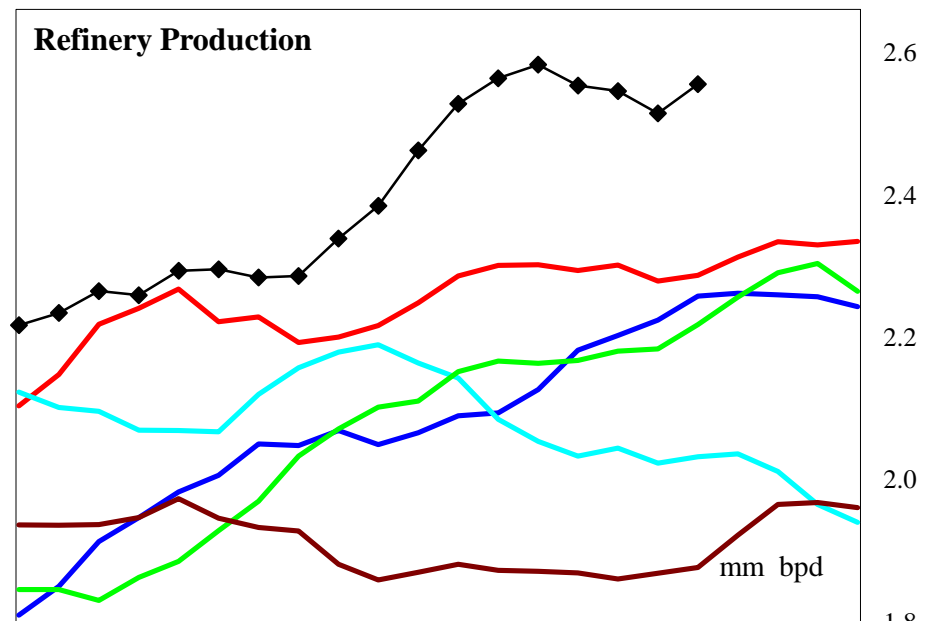
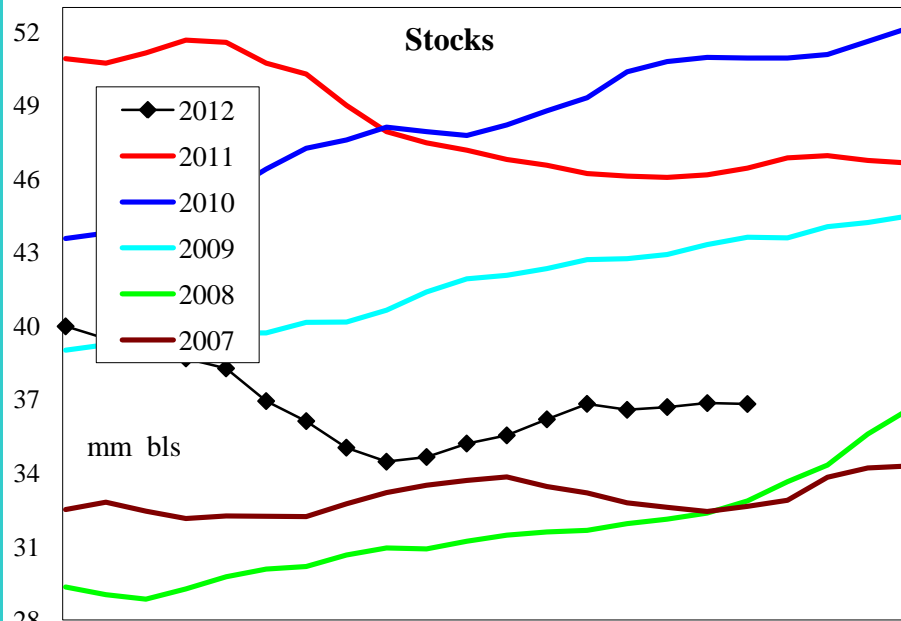
# PADD 3 Reformulated Gasoline Supply



# PADD 3 Conventional Gasoline Supply



# PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-9,209

-20.0

Production

274

11.9

Imports

10

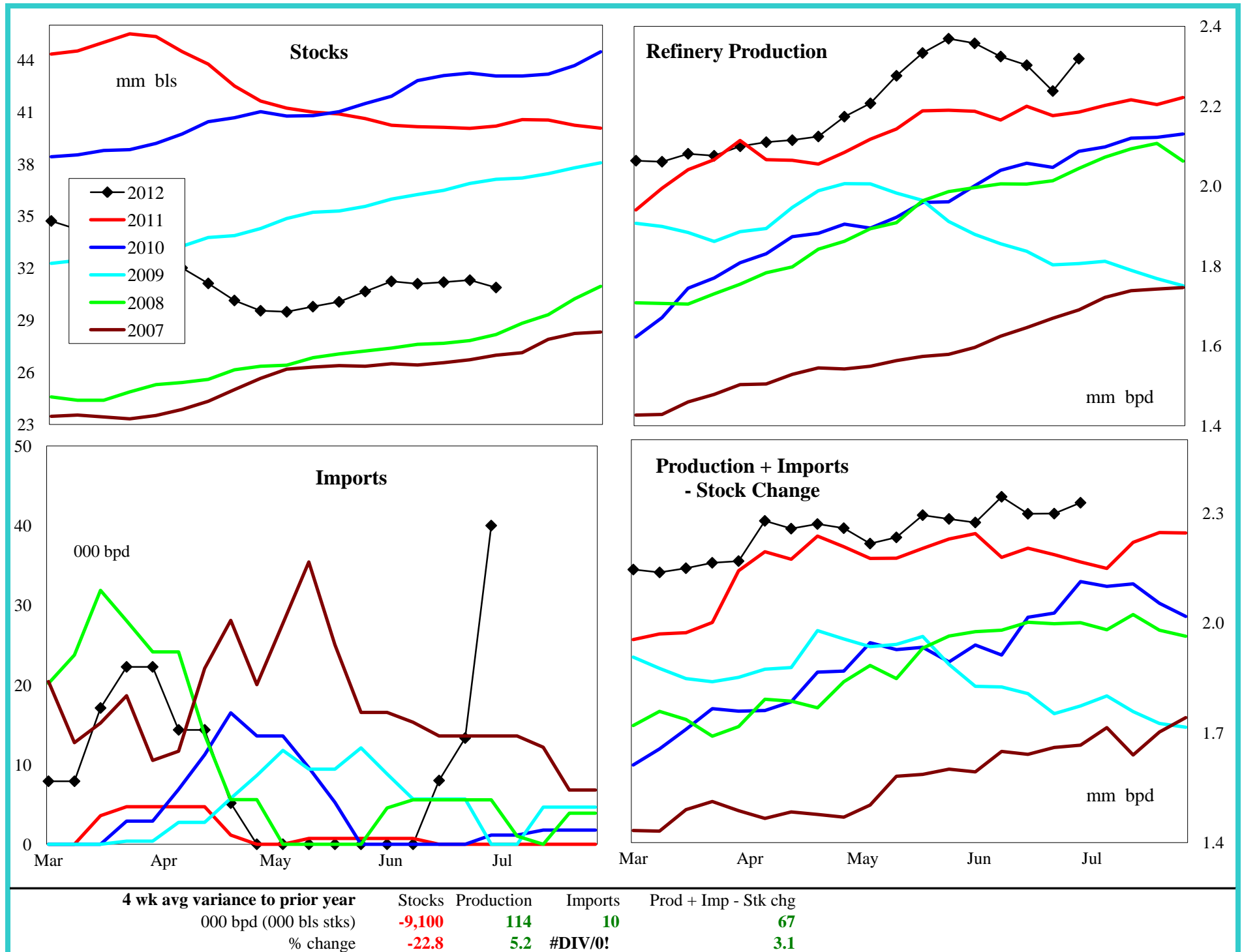
#DIV/0!

Prod + Imp - Stk chg

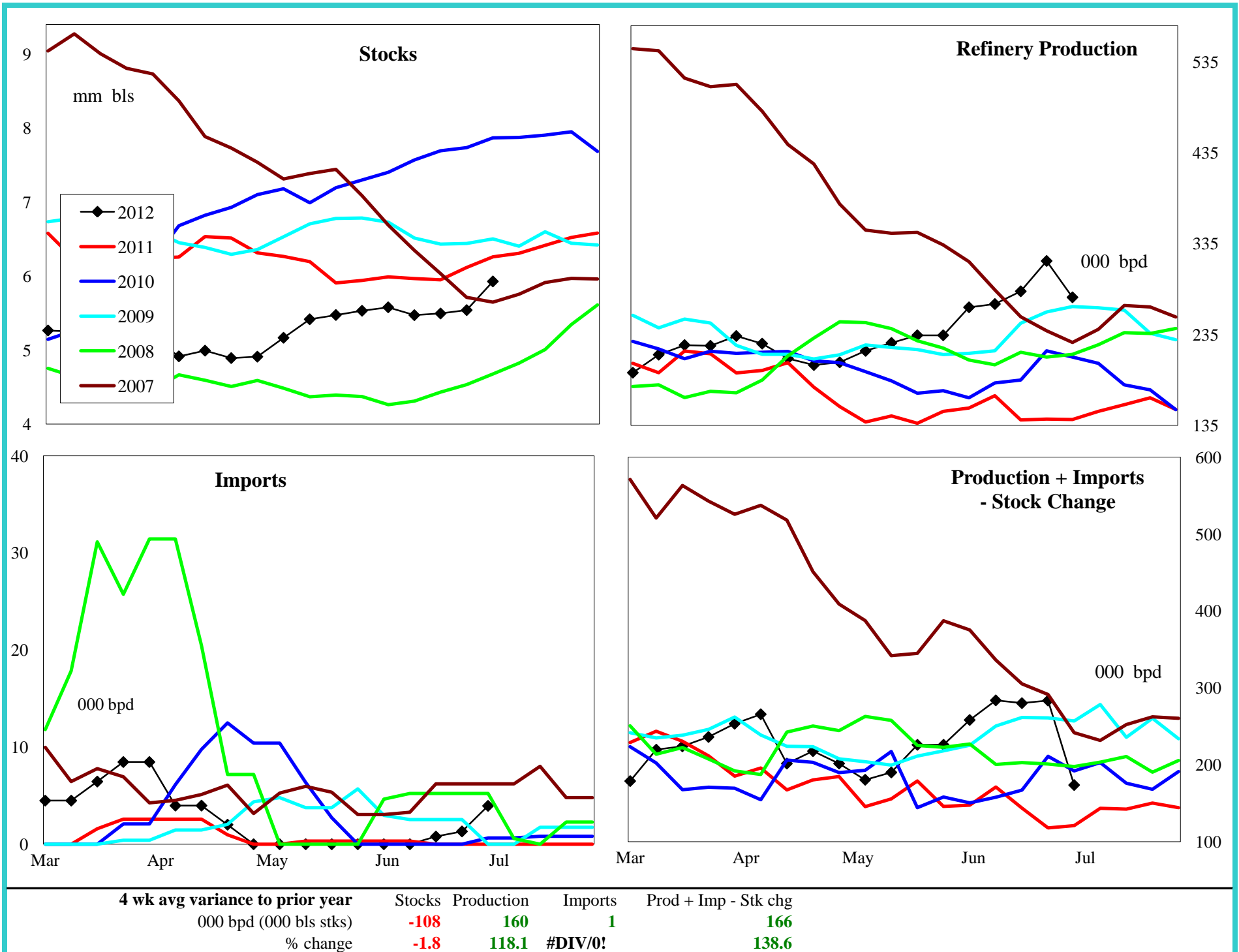
232

10.0

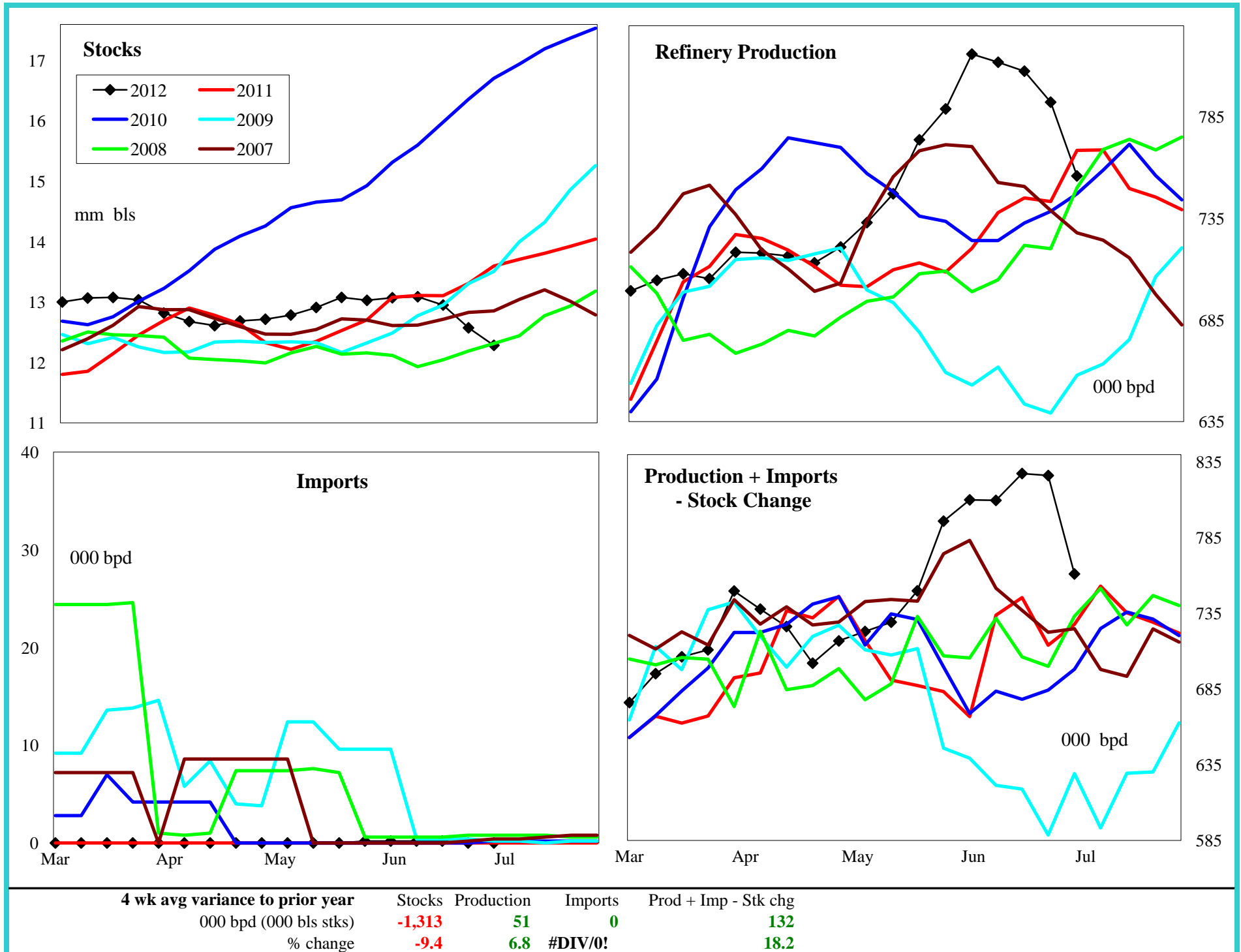
# PADD 3 Low Sulfur Distillate Supply



# PADD 3 High Sulfur Distillate Supply

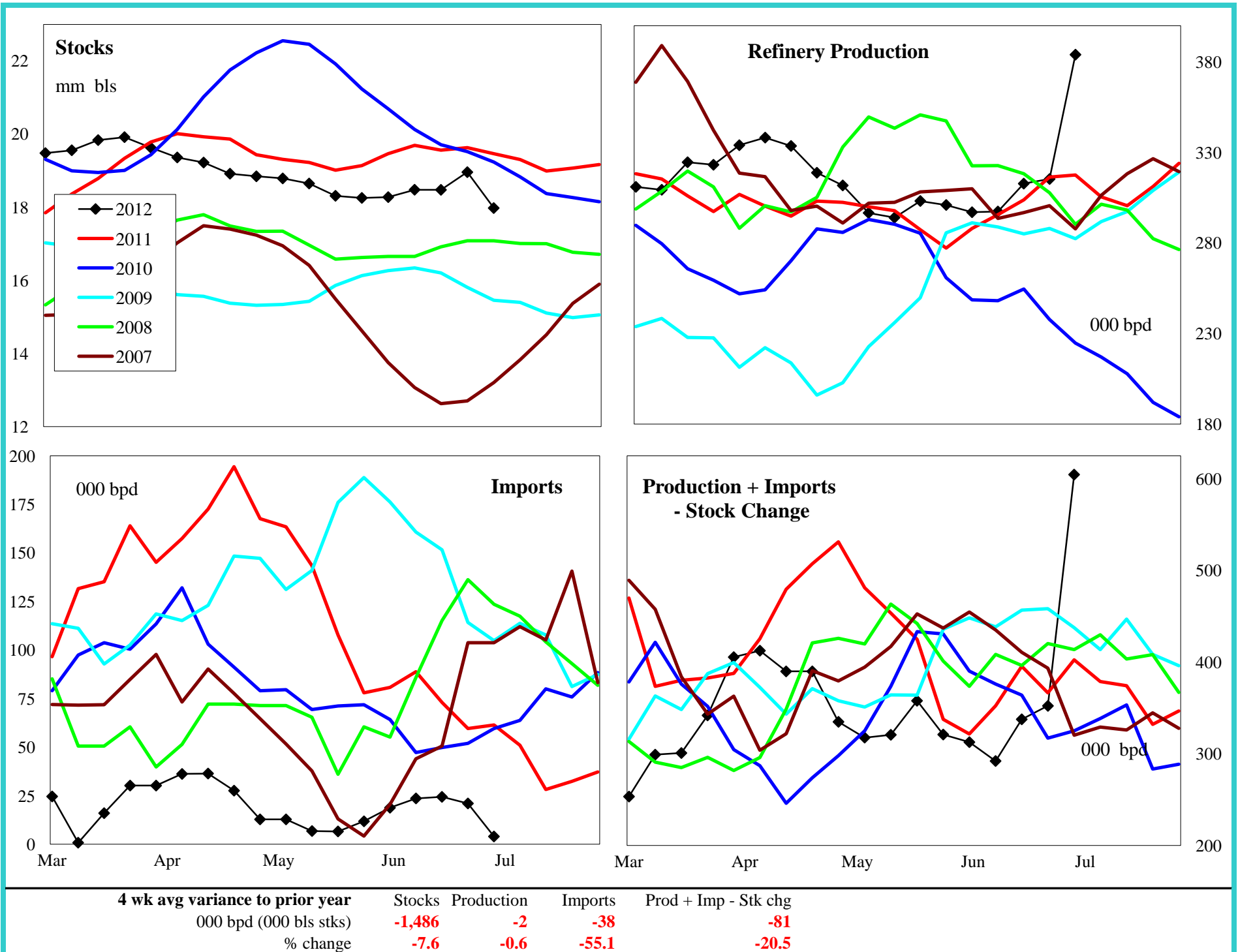


# PADD 3 Jet Fuel Supply

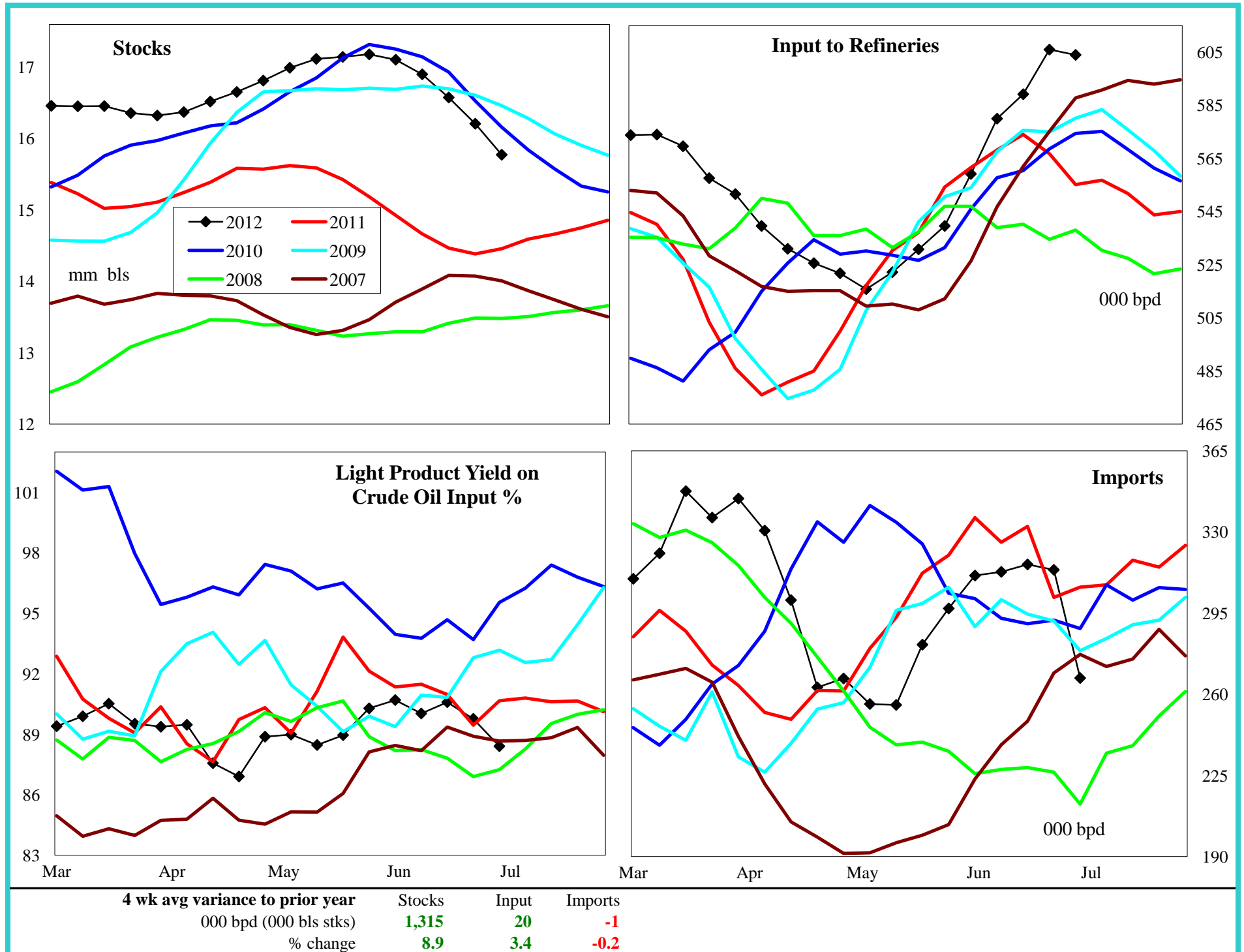




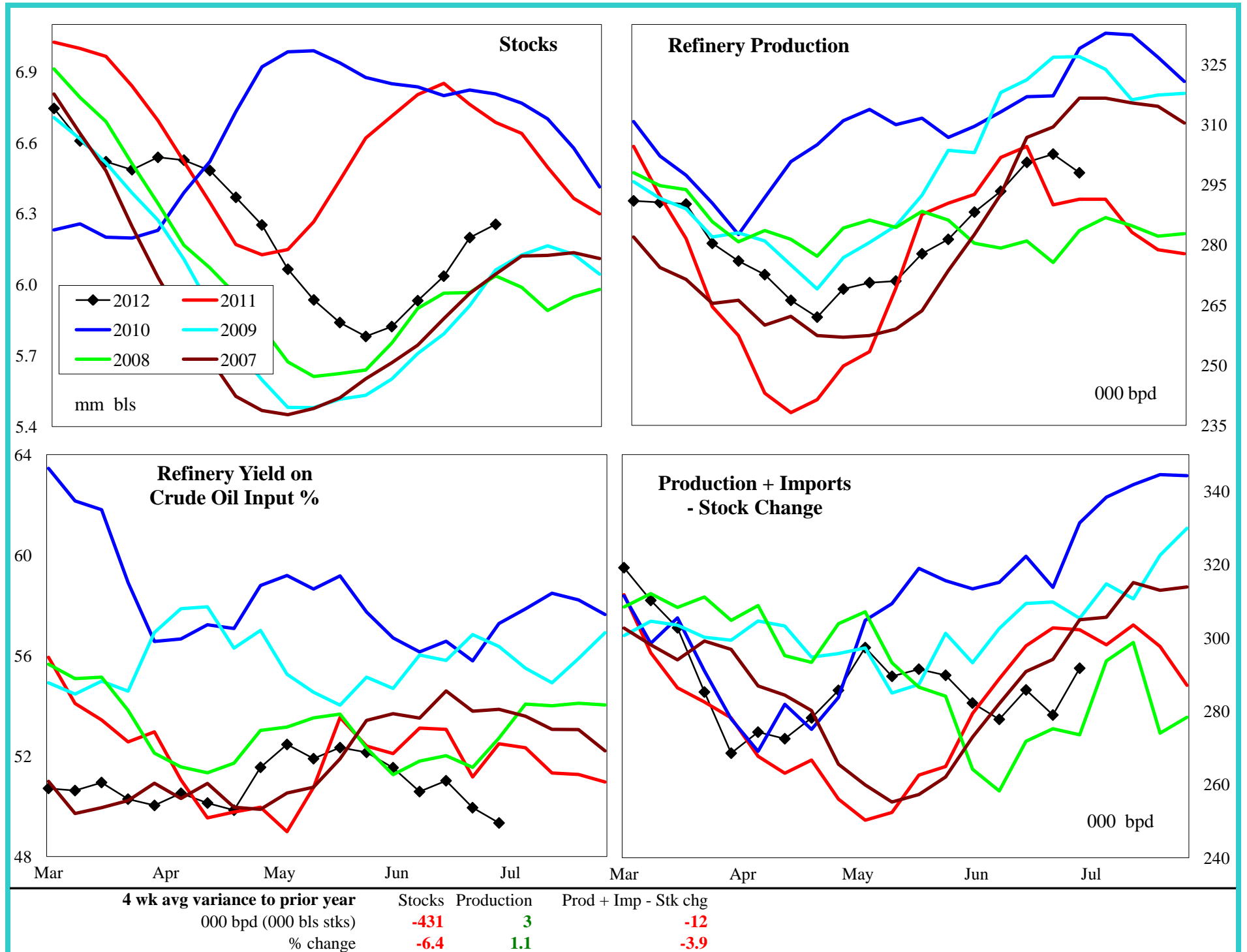
# PADD 3 Residual Fuel Oil Supply



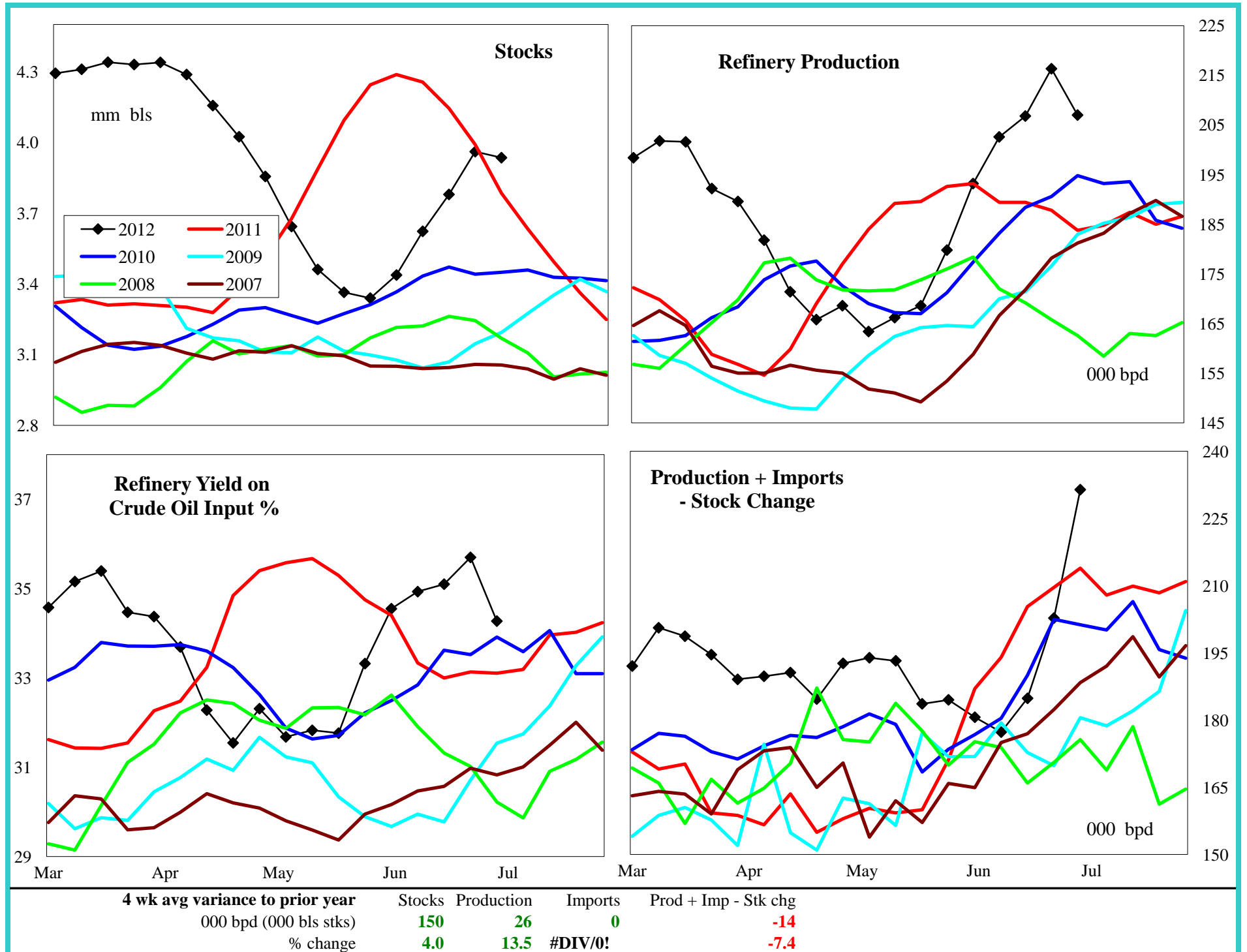
# PADD 4 Crude Oil Supply and Refining



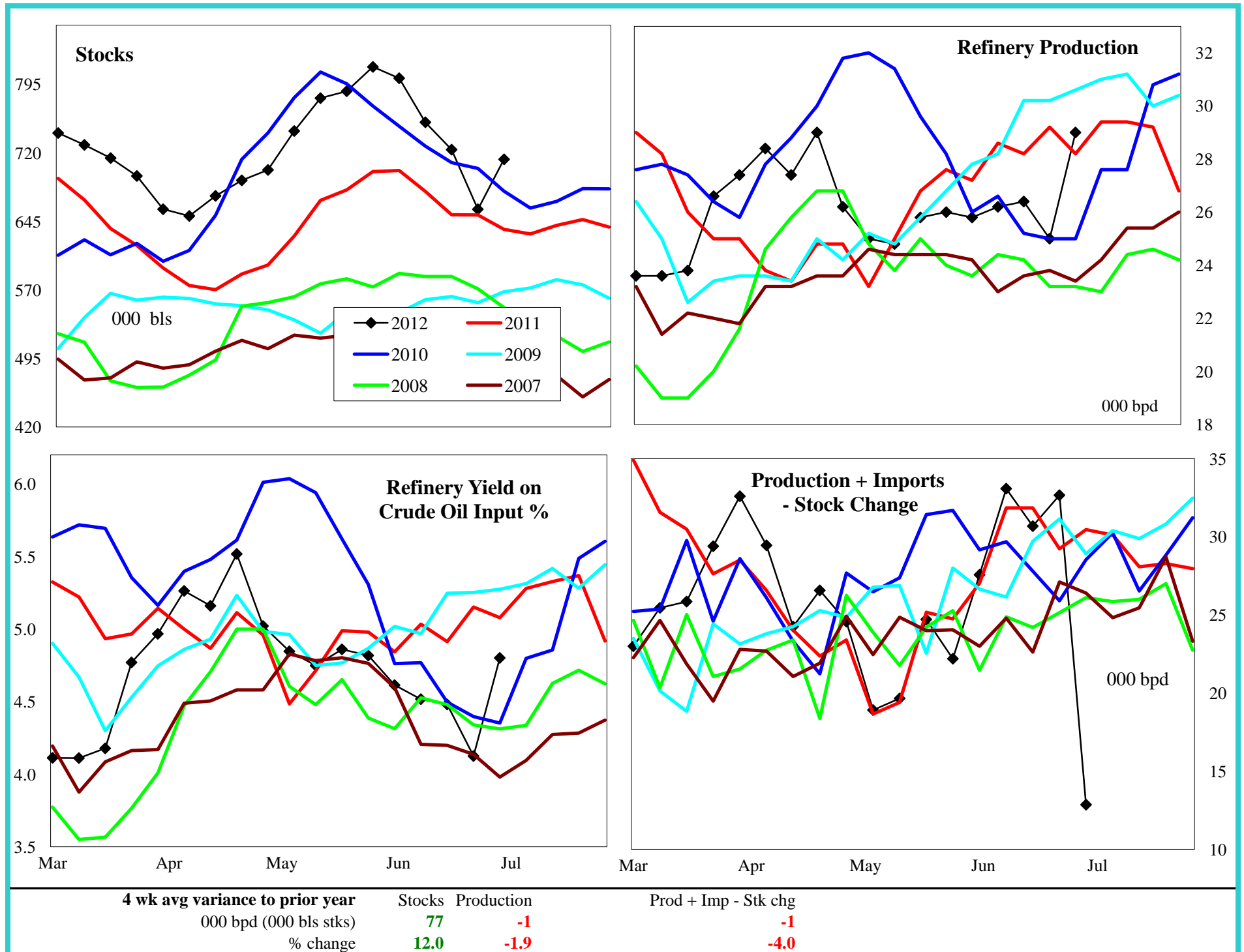
# PADD 4 Gasoline Supply



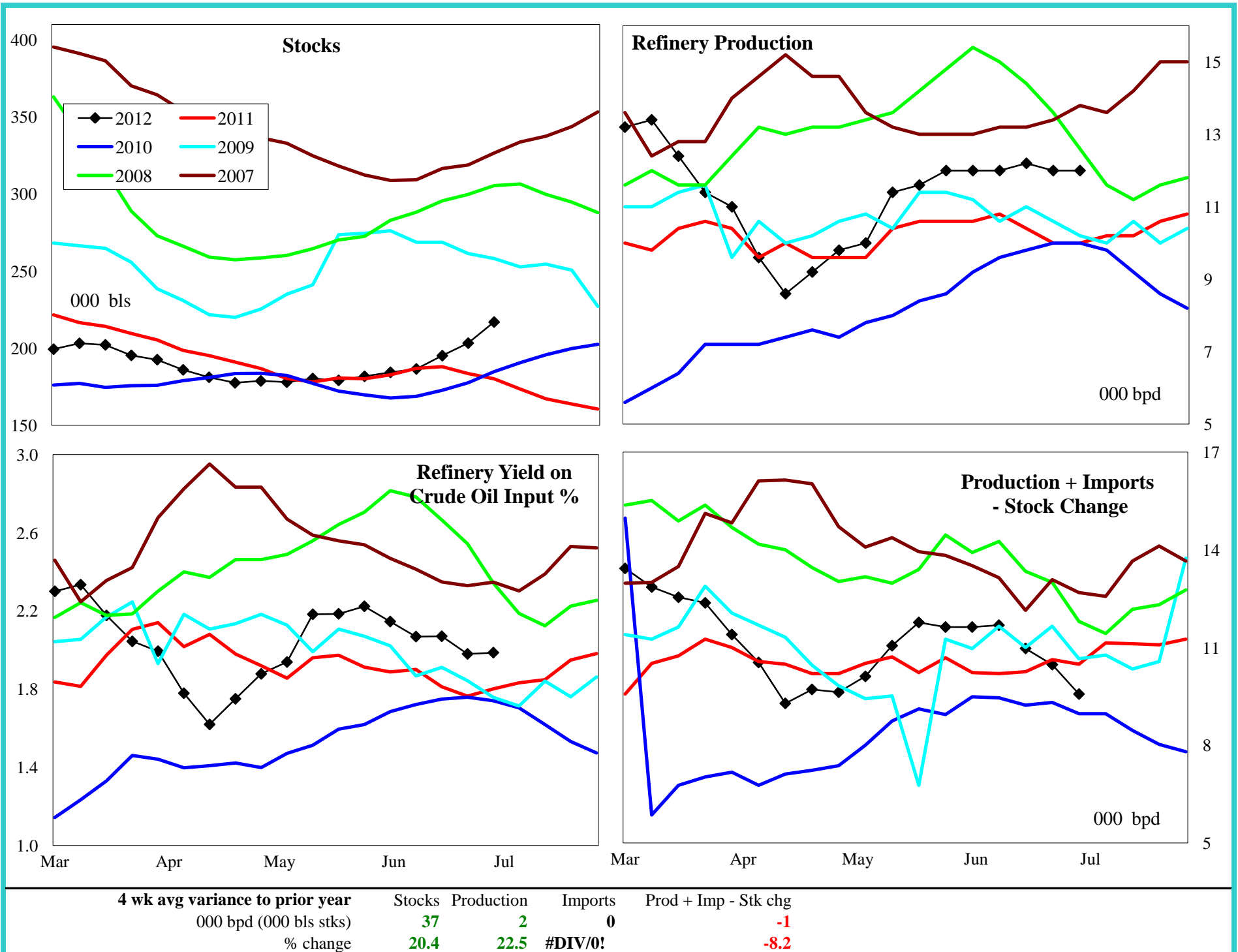
# PADD 4 Distillate Supply



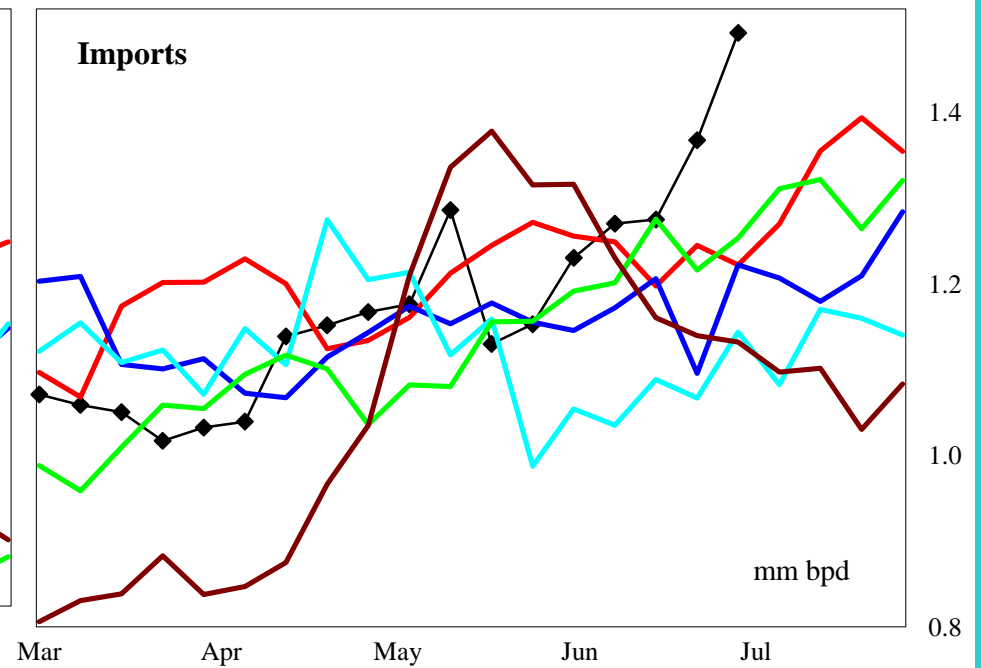
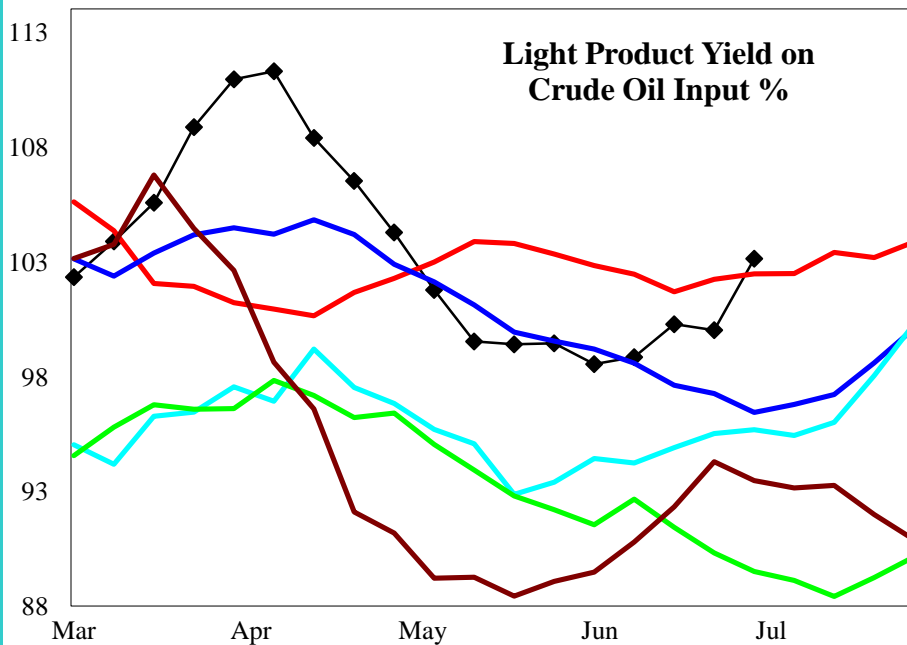
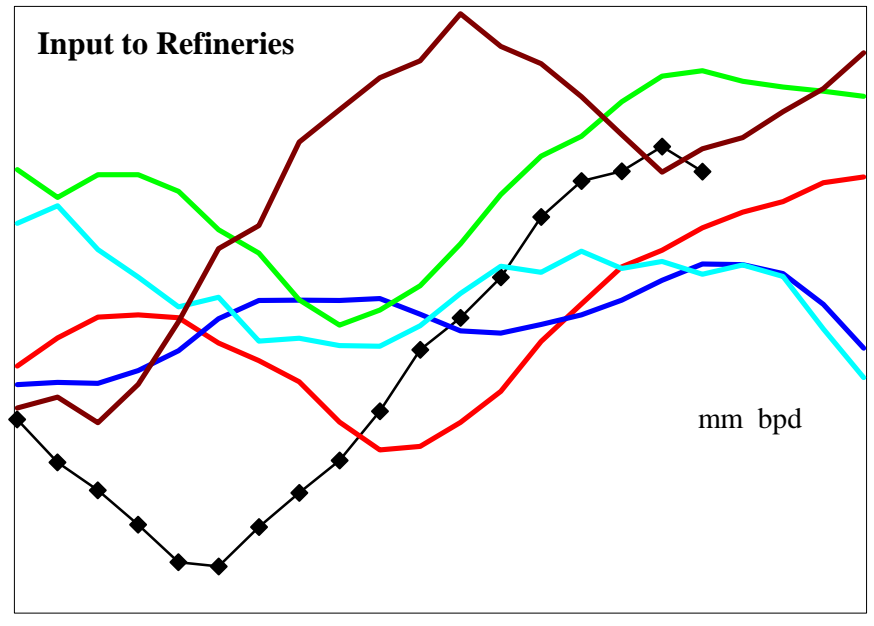
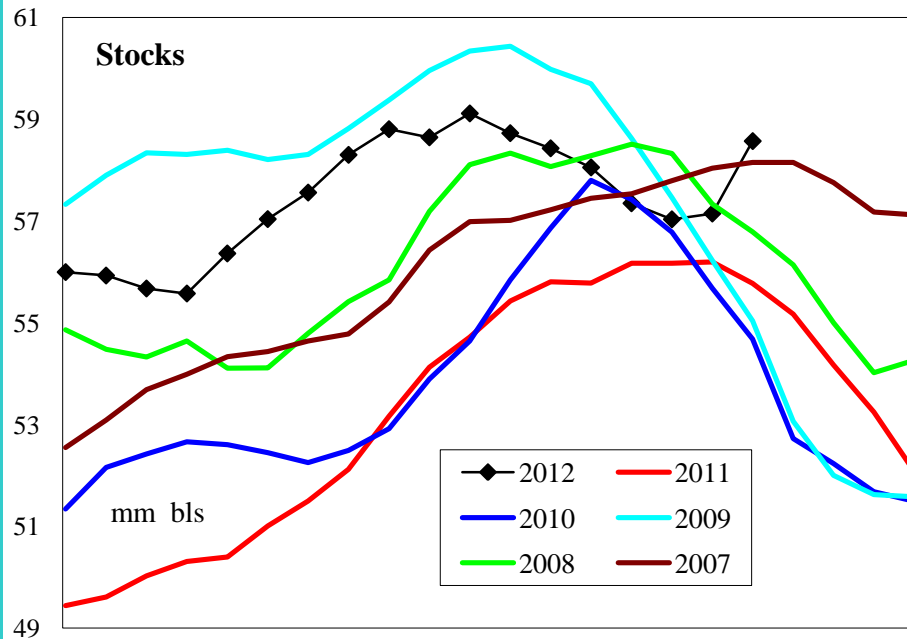
# PADD 4 Jet Fuel Supply



# PADD 4 Residual Fuel Oil Supply



# PADD 5 Crude Oil Supply and Refining



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

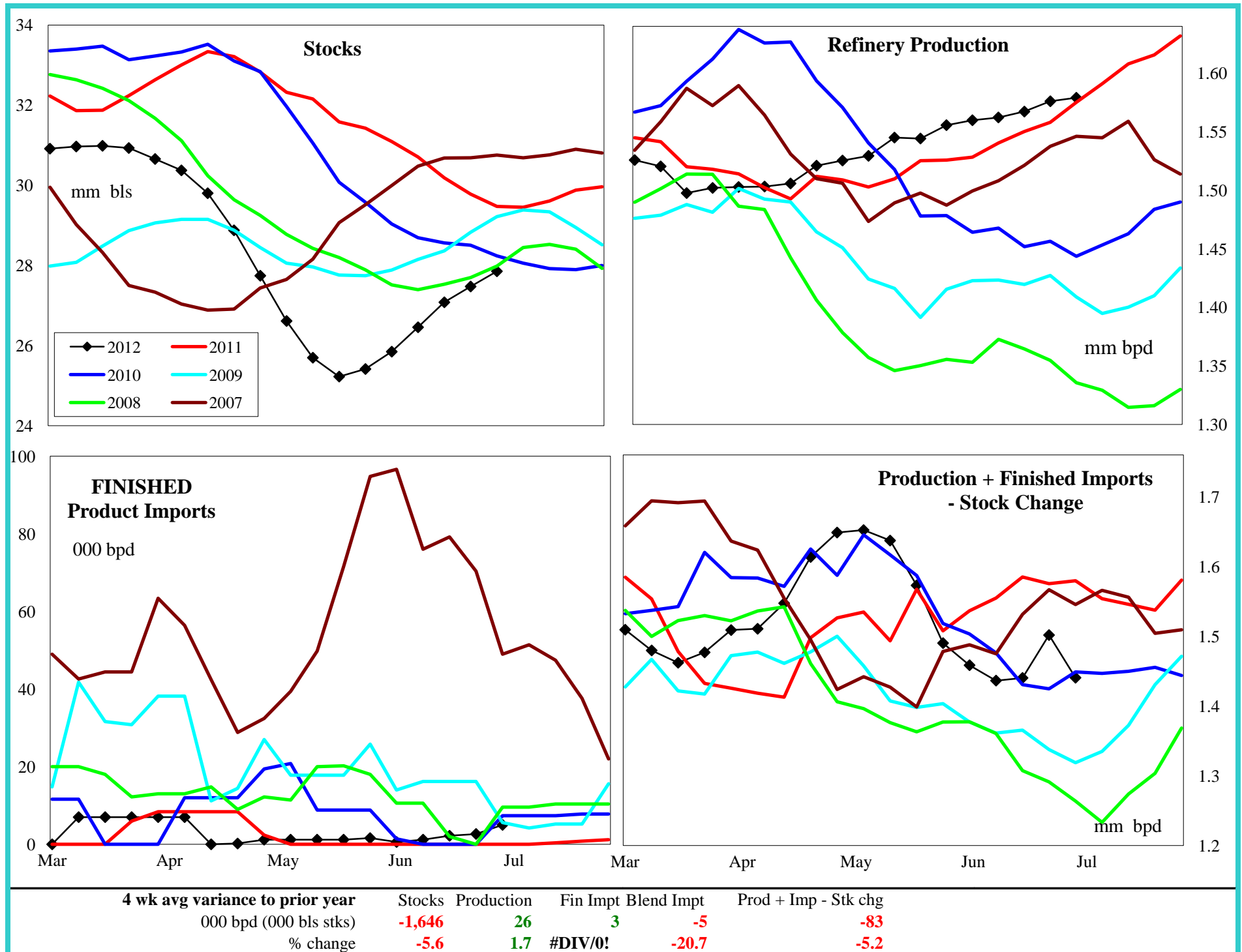
Stocks  
**2,799**  
**5.0**

Input  
**132**  
**5.3**

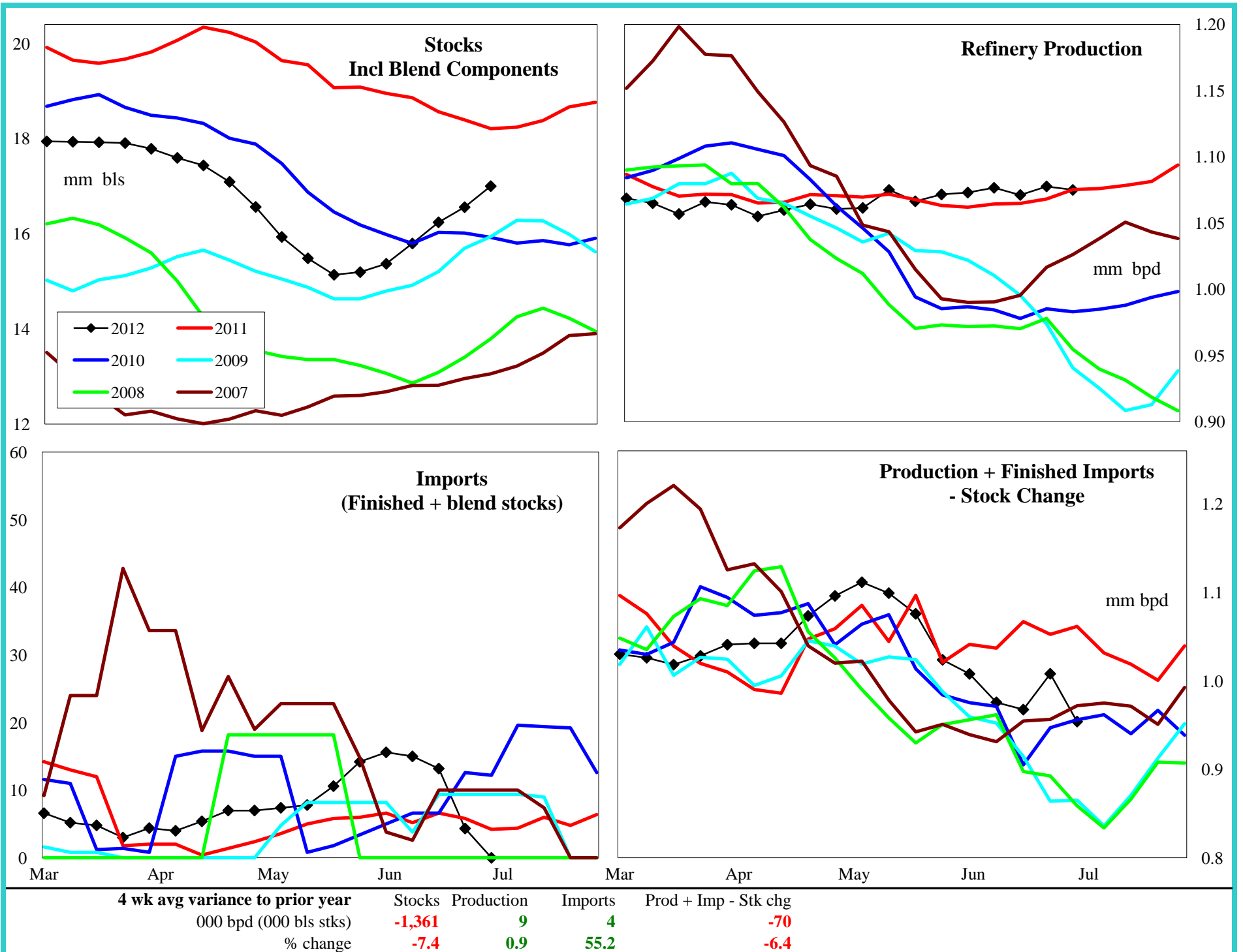
Imports  
**122**  
**10.0**



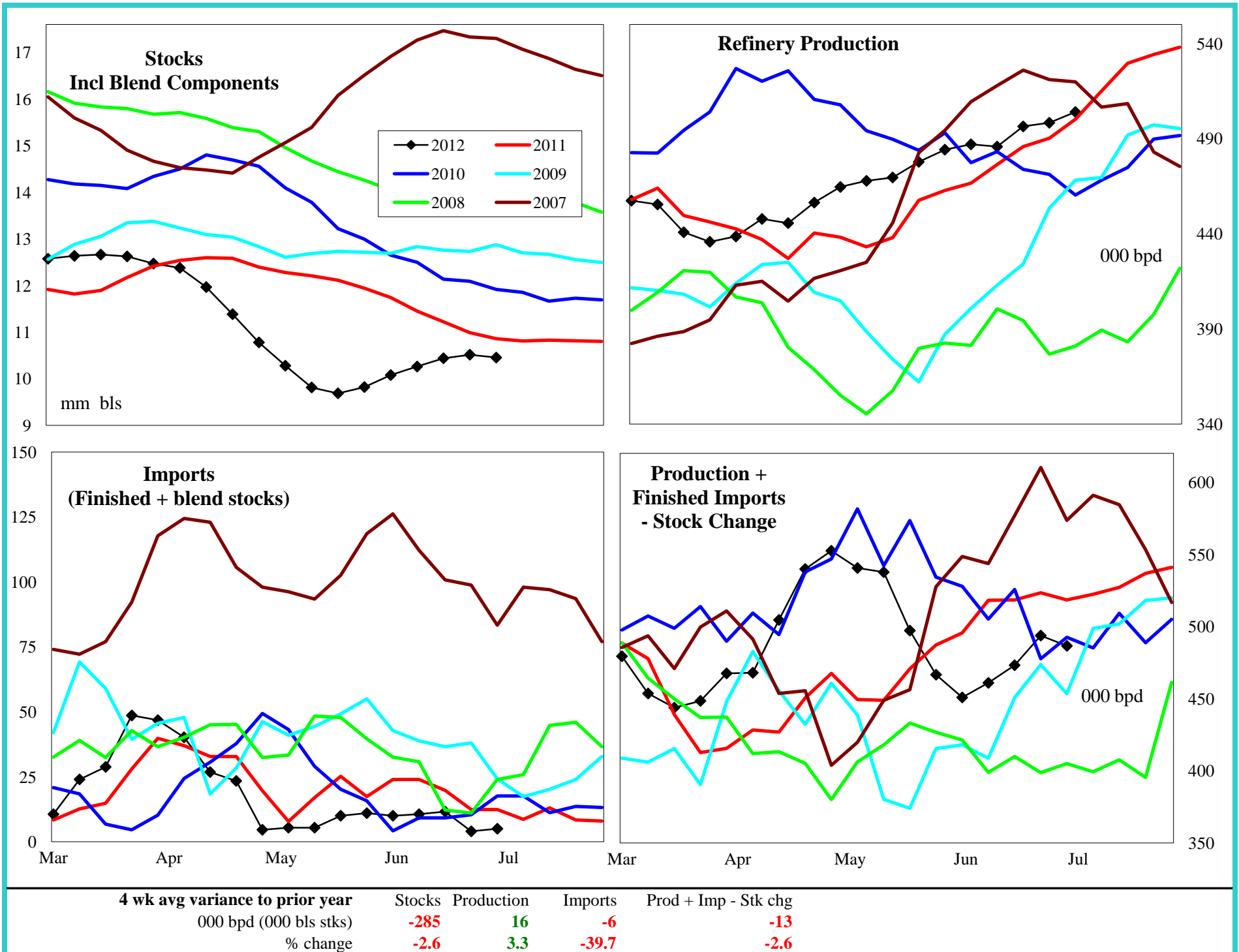
# PADD 5 Gasoline Supply



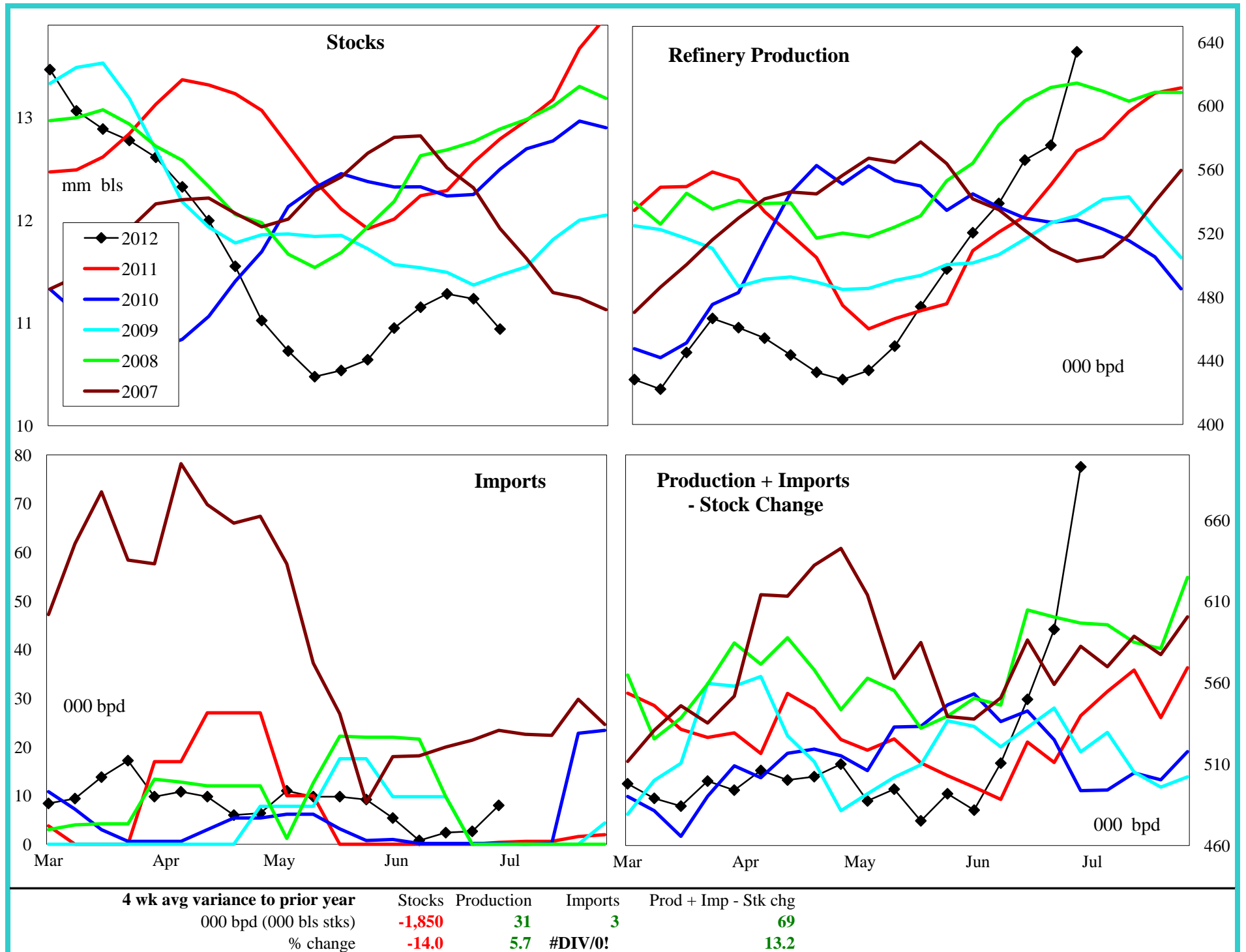
# PADD 5 Reformulated Gasoline Supply



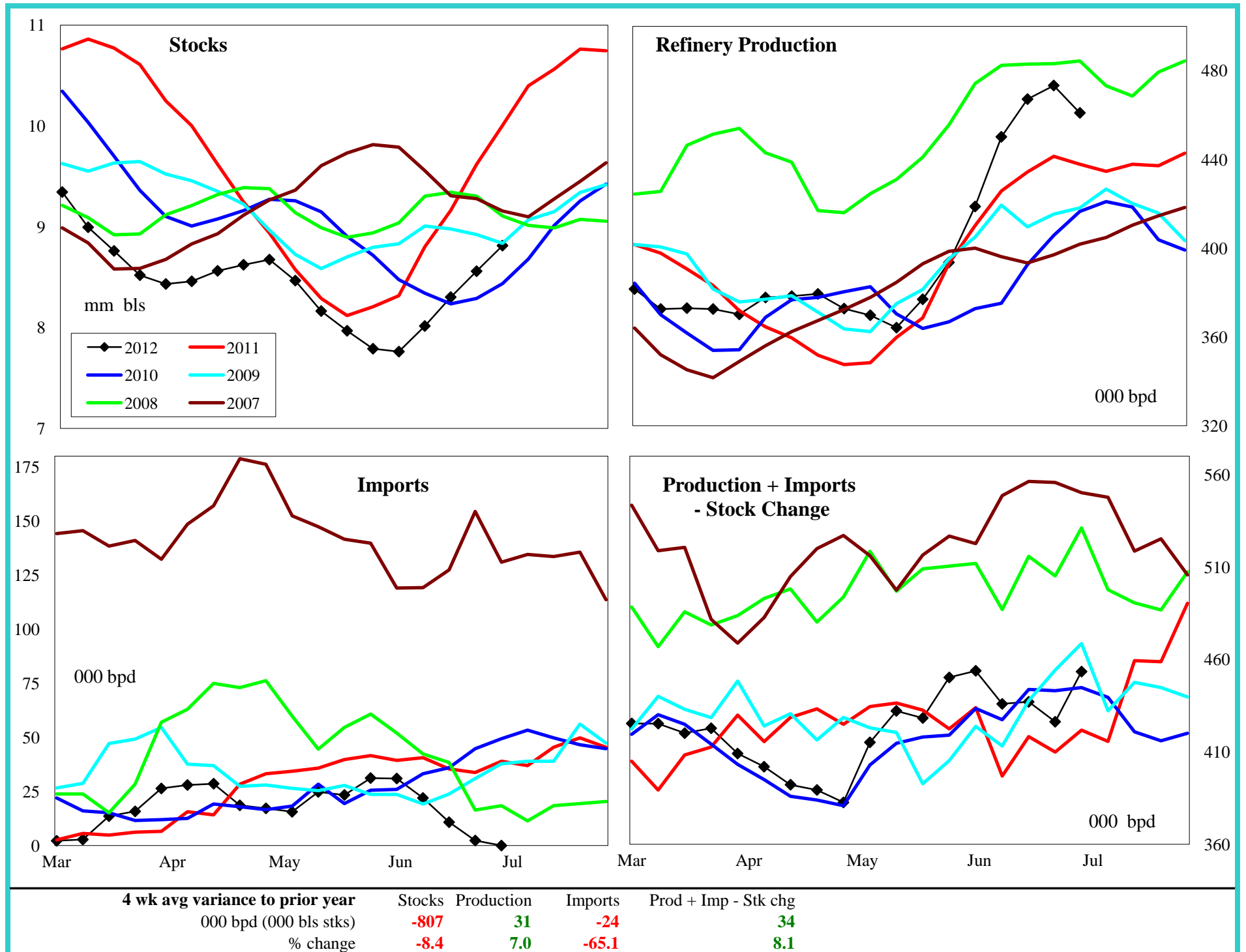
# PADD 5 Conventional Gasoline Supply



# PADD 5 Distillate Supply



# PADD 5 Jet Fuel Supply



# PADD 5 Residual Fuel Oil Supply

