

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

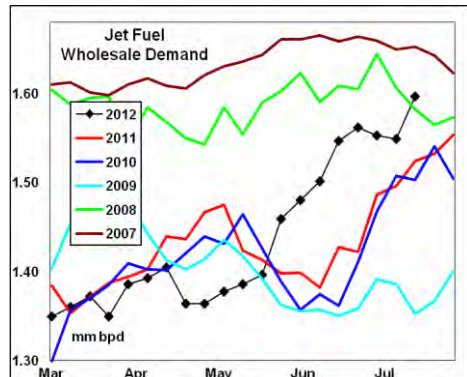
A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, July 18, 2012

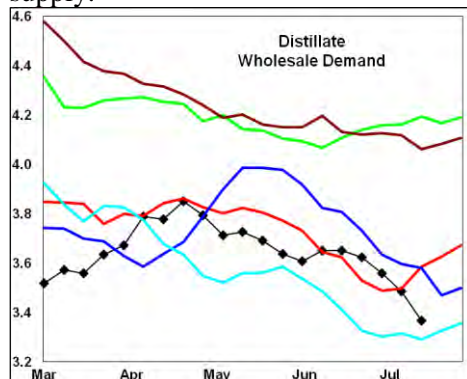


Major Fundamental Trends¹

Jet fuel wholesale demand continues to exhibit exceptionally robust growth, rising +5.4% during the last 2-months compared to a year ago. The extended period of growth points to higher end usage, not just stock rebuilding by airlines.



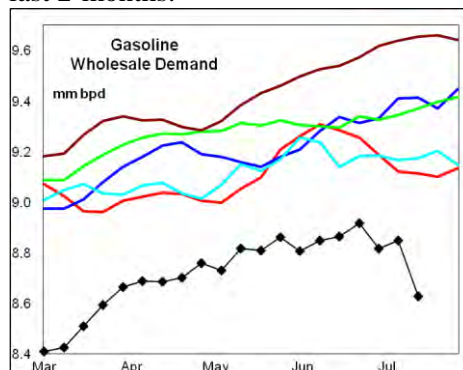
Stock levels of jet fuel have dropped to record lows, the result of higher demand and a collapse in imports. The market risk an extended period of tight supply.



Wholesale distillate demand during the most recent 2-month period was unchanged from a year ago. Stocks have seen a +5.7 million barrel build during the last 2-wks; driven by a pull back in demand and record production.

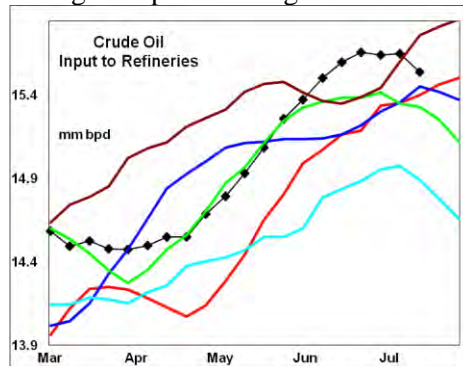
Robust exports have driven stocks to match 5-year low levels in the 1st half of this year. An extended period of high production and reduced demand will be necessary for a meaningful improvement in the supply balance.

Gasoline wholesale demand continues to see meaningful year-on-year declines, falling -4.2% over the last 2-months.



Production fell -424,000 bpd last week, while imports were also -284,000 bpd lower. This sharp drop in supply offset weak demand, leading to a -1.8 million barrel stock draw.

East Coast supplies remain very tight on refinery closures and lack of a surge in imports. Expect the forward price curve to remain steeply inverted through the peak driving season.



Crude oil runs are being adversely impacted by very high temperatures across key refining centers in the Midwest and Gulf that reduce operating efficiency.

Demand for gasoline fell sharply last week, while middle distillates increased. Wholesale demand, measured over the last four weeks compared to a year ago: gasoline decreased -3.3%; distillate up +1.9%; jet fuel up +5.3% while residual fuel oil decreased -32%.

Stocks forward coverage: Gasoline demand coverage decreased last week due to a -1.8 million barrel stock draw and decrease in demand. Coverage

levels were near 5-year highs for the week.

Distillate coverage increased on a +2.6 million barrel stock build and low demand. Coverage levels remain sharply below the last 3-years.

Jet fuel coverage fell on a -0.7 million barrel stock draw and rise in seasonal demand. Coverage levels fell to record lows.

Refinery utilization rates fell last week on a -236,000 bpd decrease in crude oil runs. During the latest 4-wk period crude oil input was +297,000 bpd above a year ago.

Gasoline yield % on crude oil runs decreased on a -424,000 bpd drop in output compared to the -236,000 bpd decline in crude oil runs. Yield % on crude oil runs fell to a record low.

Distillate yield % on crude oil runs increased on a +58,000 bpd rise in production, compared to the decrease in crude oil runs. The yield % was above the 5-year range.

Jet fuel yield % on crude oil runs fell on a -106,000 bpd decrease in output compared to the drop in crude oil runs. Yield % levels were above the last 3-years.

Petroleum Imports of gasoline fell sharply last week, while middle distillate imports were unchanged. During the latest 4-wk period crude oil imports were -0.4 million bpd below last year; distillate imports decreased -15,000 bpd; finished gasoline imports decreased -40,000 bpd, gasoline blend stock imports increased +73,000 bpd; jet fuel imports were -71,000 bpd lower, while residual fuel oil imports fell -66,000 bpd.

Crude Oil stocks decreased -0.8 million barrels last week, including a -0.5 million barrel draws each in PADDs 1, 4 and 5. U.S. stocks ended the week +26 million barrels above a year ago. Cushing stocks ended the week +9.4 million barrels above last year, +26%.

¹ Source is latest EIA Weekly Statistics



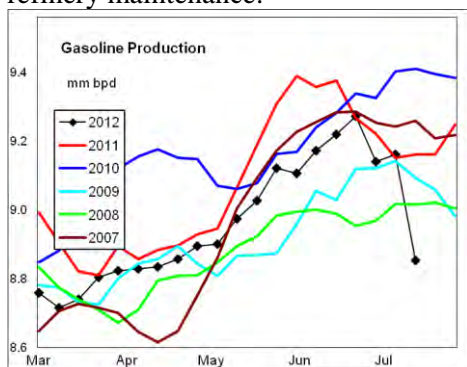
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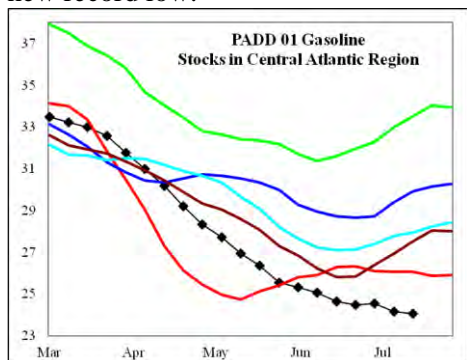
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Product Supply-Demand Trends

Gasoline demand fell -289,000 bpd last week, following last years' downtrend where July demand was below June. The latest 4-wk average demand was -306,000 bpd below a year ago, a decline of -3.3%. Supplies fell a combined -0.7 million barrels last week; including a -0.4 million bpd drop in production on unplanned refinery maintenance.



The collapse in supplies more than offset the decrease in demand, leading to a -1.8 million barrel stock draw last week. Stocks fell -1.2 million barrels on the East Coast, driving the level to a new record low.

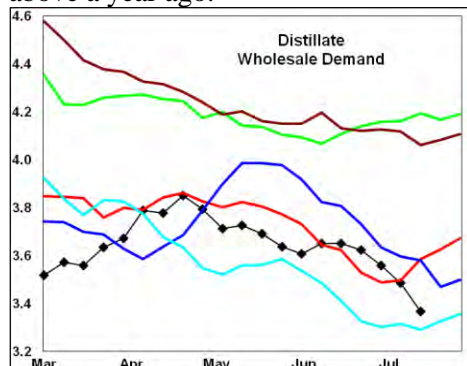


The latest 4-wk stock change in markets East of the Rockies was +3 million barrel build, equal to the historic mid range.

Very low stocks on the East Coast continue to support a record inversion in the forward price curve. Increased dependence on receipts from the Gulf (due to local refinery closures) and the lack of a seasonal surge in imports has led to the tightness; now likely to extend through the end of the peak driving season.

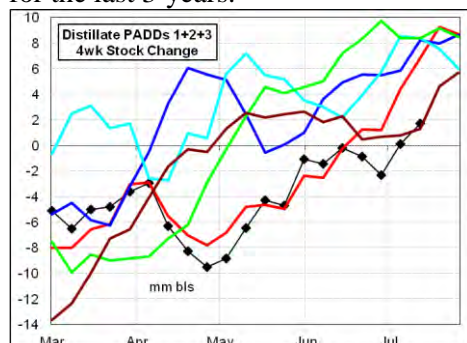
Distillate demand increased +122,000 bpd last week, to a level below each of

the last 2-years. The latest 4-wk average demand was +66,000 bpd above a year ago.

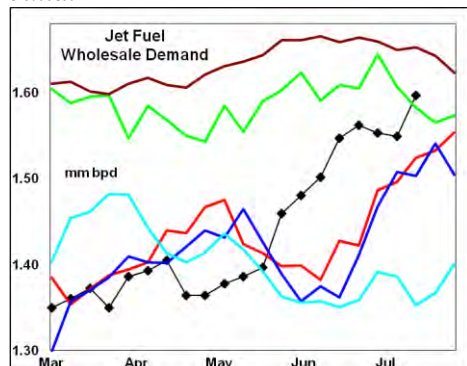


Supplies increased +51,000 bpd on the week, leading to a +2.6 million barrel stock build (+5.7 million barrels in the last 2-wks).

The latest 4-wk stock build in markets East of the Rockies was +1.7 million barrels, compared to an average build of +8.4 million barrels for the last 3-years.



Stocks match 5-year lows, both the level and rate of 4-wk build. Production has averaged +208,000 bpd above a year ago for the latest 4-wk period. A sustained period of high output and lower demand will be necessary to see a meaningful stock build.



Jet Fuel demand jumped +139,000 bpd

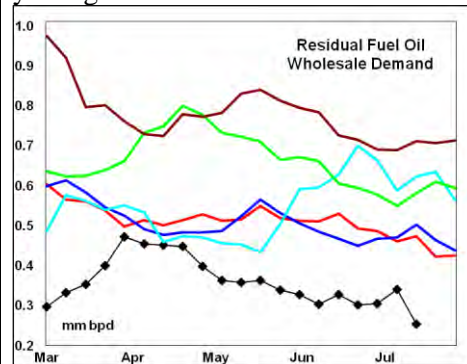
last week, to a level sharply above the last 2-years. The latest 4-wk average demand was +79,000 bpd above a year ago, up +5.3%.

Production fell -106,000 bpd last week, to a level that matched historic highs. Stocks fell -0.7 million barrels on the week, to a level remains -15% below last year.

The most recent 4-wk average demand was +79,000 bpd above a year ago. The growth in jet fuel demand appears to reflect actual useage rather than just stock building by airlines, with the year on year increase persisting for the last 2-months.

Stocks have hit record low levels on the higher demand and a lack of imports. While production increased +35,000 bpd during the last 4-wks, imports were down -71,000 bpd.

Residual fuel oil demand decreased -21,000 bpd last week. The latest 4-wk average was -154,000 bpd below a year ago.



Supply (production + imports) fell -71,000 bpd last week, on lower imports. The latest 4-wk average supply was -84,000 bpd below last year on lower imports and production. Stocks increased +0.2 million barrels on the week to a level lows of the last 5-years.

Wholesale demand remains exceptionally weak, off -32% during the latest 4-wk period compared to a year ago. Imports are down -22% for the same period. Stock levels have climbed +4 million barrels during the last 60-days, to the highest level of the year. Gulf stocks ended the week at levels comparable to the last 2-years.



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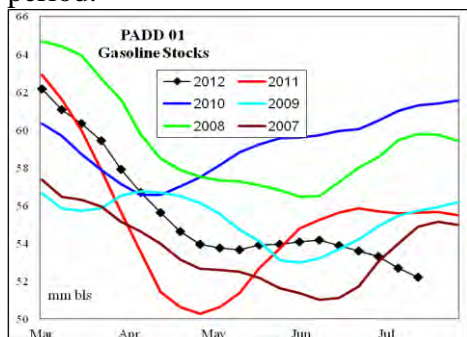
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PADD Supply Trends

PADD 1 refinery crude oil runs were unchanged on the week, with the latest 4-wk average -265,000 bpd below last year.

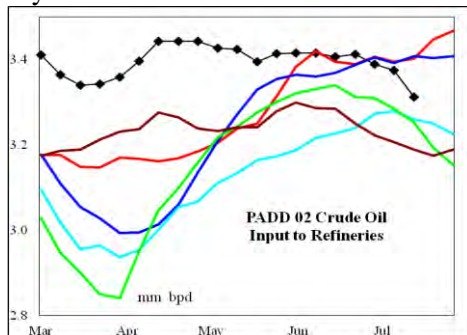
Gasoline imports fell -265,000 bpd on the week, while production declined -135,000 bpd. Stocks declined -1.2 million barrels last week, to a fresh 5-year low for the period.



Stock levels in the Central Atlantic and New England regions each continue at record lows. Stocks in the Lower Atlantic Region fell below the last 2-years.

Distillate supply increased +14,000 bpd last week, but remain -87,000 bpd below a year ago for the most recent 4-wk period. Stocks increased +0.4 million barrels on the week, a level still below the historic range.

Jet fuel supply increased +4,000 bpd on the week; with the latest 4-wk average -79,000 bpd below a year ago and at record lows. Stocks decreased -0.2 million barrels last week, to a fresh 5-year low.



PADD 2 crude oil refinery runs decreased -85,000 bpd on the week, with the 4-wk average +20,000 bpd above last year. Crude oil imports

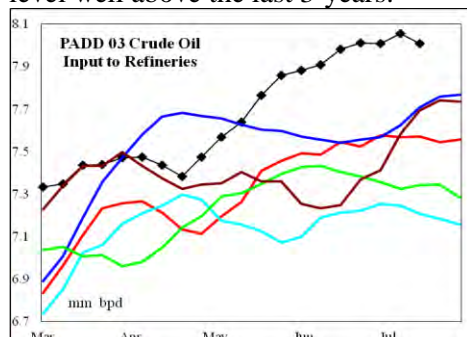
increased +72,000 bpd last week; with the latest 4-wk average +26% above last year. Stocks increased +0.7 million barrels, +11% above the prior 5-year high.

Gasoline production fell -69,000 bpd last week, to a level at the low end of the historic range. Stocks decreased -0.2 million barrels, to a level at the low end of the 5-year range.

Distillate production increased +10,000 bpd on the week, to a level that matched last year. Stocks increased +0.6 million barrels last week, although the level remains below the 5-year range.

Jet fuel production fell -48,000 bpd on the week, to a level below the last 2-years. Stocks decreased -0.3 million barrels to a fresh 5-year low.

PADD 3 refinery runs fell -131,000 bpd last week, a level still well above the historic range. The latest 4-wk average thru put was +400,000 bpd above last year. Crude oil imports decreased -0.2 million bpd last week to a level remains -16% below last year. Stocks were unchanged on the week, a level well above the last 3-years.



Gasoline production fell -192,000 bpd last week, to a level below the last 2-months. Stocks increased +0.4 million barrels last week, the 4th consecutive weekly build.

Distillate supply decreased -23,000 bpd on the week, due to lower imports. Production remains +215,000 bpd above a year ago for the latest 4-wk period. Stocks increased +1.4 million barrels to the highest level of the last 4-months.

Jet fuel production decreased -27,000 bpd last week, but remains

+13,000 bpd above a year ago for the last 4-wks. Stocks fell -0.4 million barrels to a record low level.

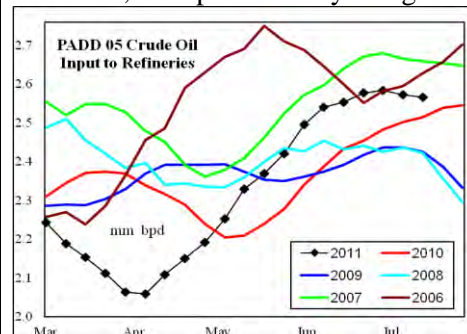
Residual fuel oil supplies increased +31,000 bpd last week. Stocks increased +0.6 million barrels to a level comparable to the last 2-years.

PADD 4 refinery crude runs increased +9,000 bpd on the week, a level above the 5-year range. The most recent 4-wk average run rate was +48,000 above last year.

Gasoline supply increased +16,000 bpd on the week, to a level near the mid range. Stocks decreased -0.1 million barrels to a level near the last 2-years.

Distillate production declined -9,000 bpd on the week, with the latest 4-wk average +24,000 bpd above last year. Stocks were unchanged on the week at a level above the 5-year range for this time of year.

PADD 5 crude oil refinery runs decreased -30,000 bpd last week, to a level above each of the last 3-years. Runs for the most recent 4-wk period were +94,000 bpd above a year ago.



Gasoline supply fell -89,000 bpd on the week; with the latest 4-wk average -21,000 bpd below a year ago. Stocks declined -0.7 million barrels last week, to a level below the historic range.

Distillate supply increased +56,000 bpd on the week, to a level above the 5-year range. Stocks increased +0.2 million barrels, a level -7% below last year.

Jet fuel supply decreased -35,000 bpd last week to a level that matched historic highs. Stocks ended the week just below the mid range.



PETROLEUM: Graph Link and Weekly Summary

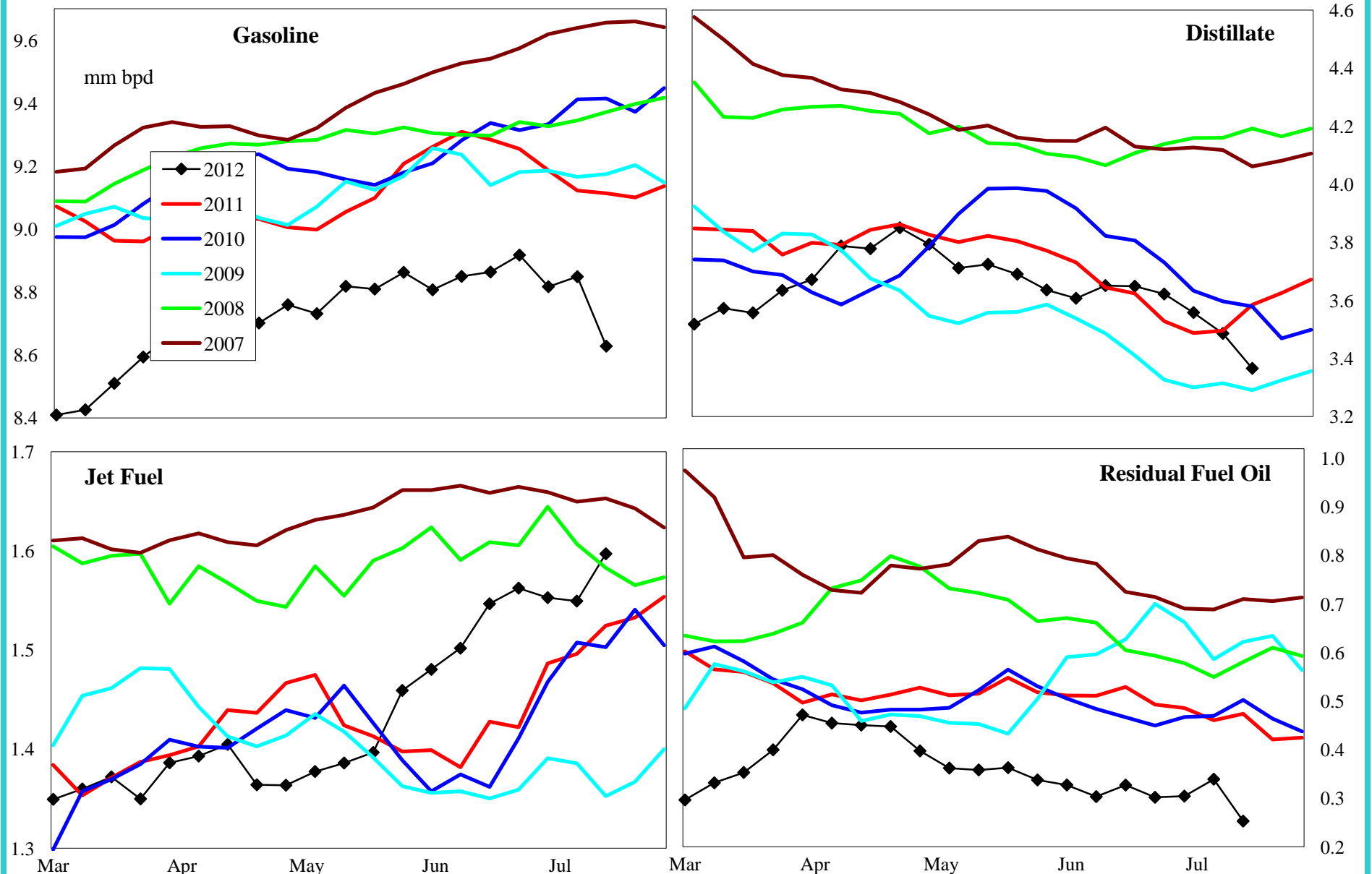
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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	13-Jul-12	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-809	-556	728	133	-654	-458
	Imports	311	-97	72	-171	56	449
	Input	-236	1	-85	-131	9	-30
	% Utilization	-0.70					
Gasoline	Stocks	-1,815	-1,240	-225	445	-145	-651
	Production	-424	-135	-69	-192	16	-81
	Imports	-284	-265	2	-11	0	-9
	Supplied	-289					
Distillate	Stocks	2,619	431	560	1,361	34	232
	Production	58	7	10	21	-9	30
	Imports	-7	7	3	-44	0	26
	Supplied	122					
Jet Fuel	Stocks	-682	-169	-303	-419	98	110
	Production	-106	4	-48	-27	-2	-33
	Imports	-1	0	0	0	0	-2
	Supplied	139					
Residual Fuel Oil	Stocks	192	-492	15	568	-12	114
	Production	2	-3	-17	10	1	12
	Imports	-73	-93	-1	21	0	0
	Supplied	-21					

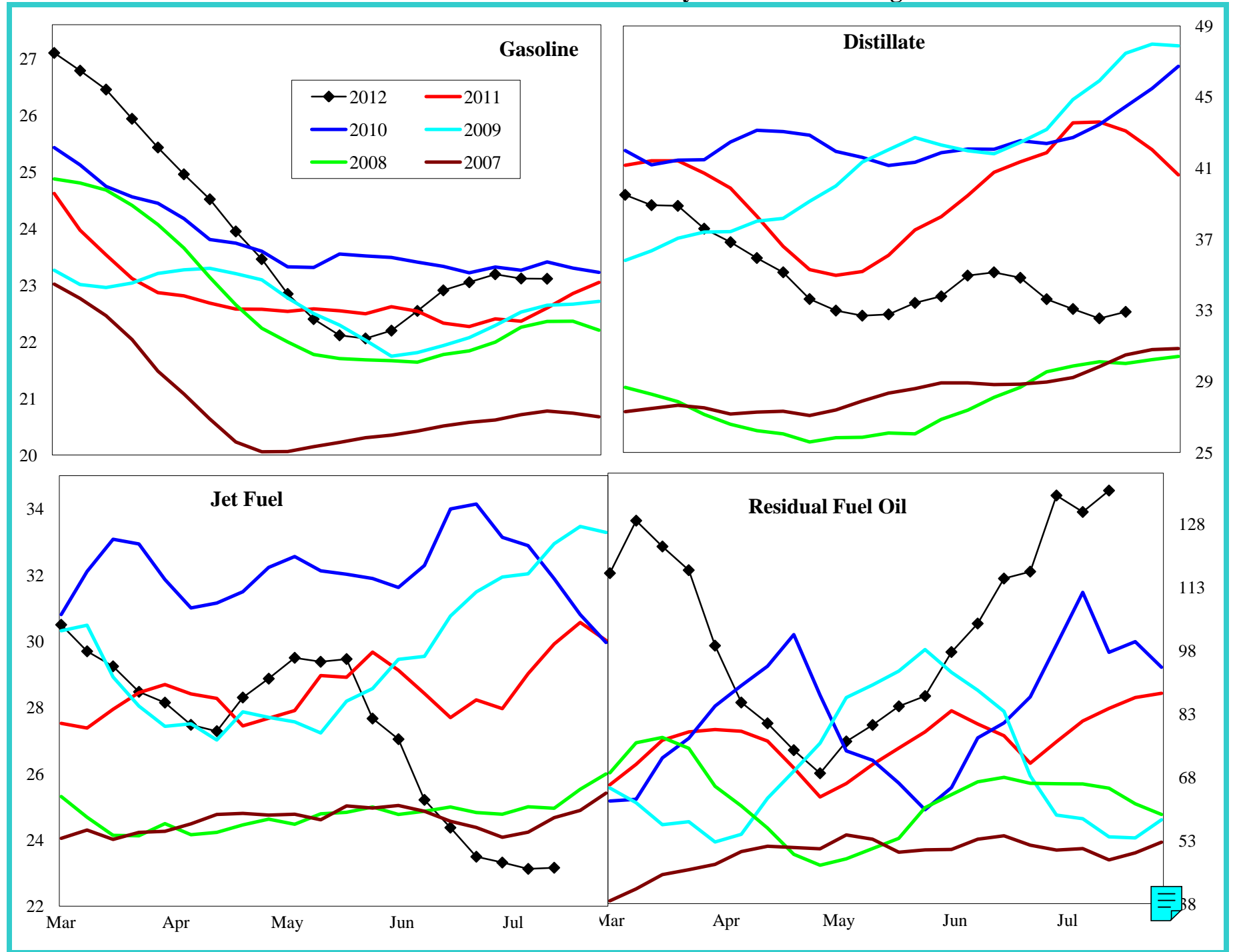
United States Wholesale Petroleum Demand



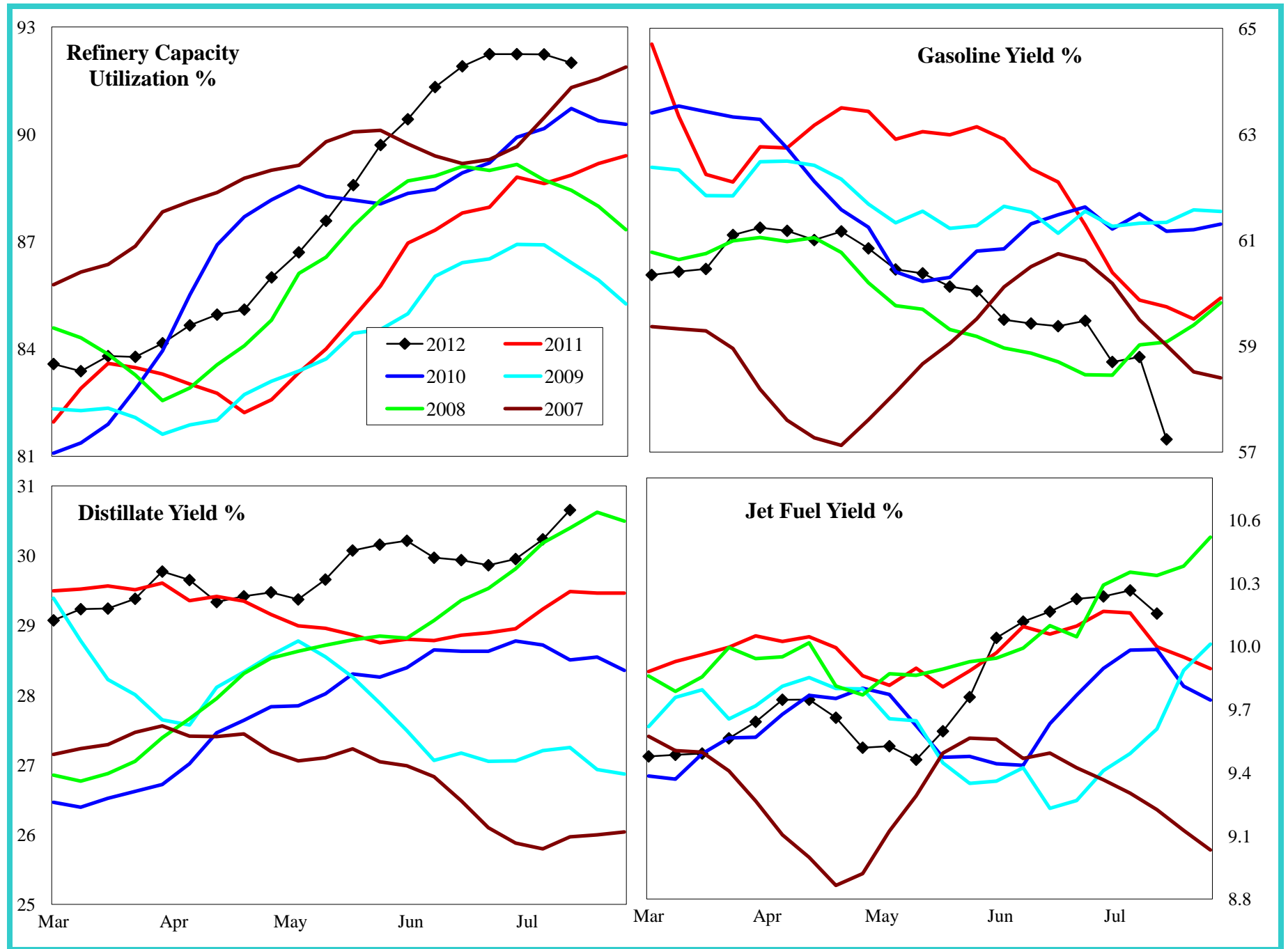
	000 bpd change from prior year				% change from prior year			
	4wk avg	Jun	May	Apr	4wk avg	Jun	May	Apr
Gasoline	-306	-128	12	55	-3.3	-1.4	0.1	0.6
Distillate	66	-186	-33	-33	1.9	-4.8	-0.9	-0.9
Jet Fuel	79	44	-16	-92	5.3	2.8	-1.1	-6.3
Resid	-154	-162	-116	-192	-32.2	-34.4	-24.3	-32.0



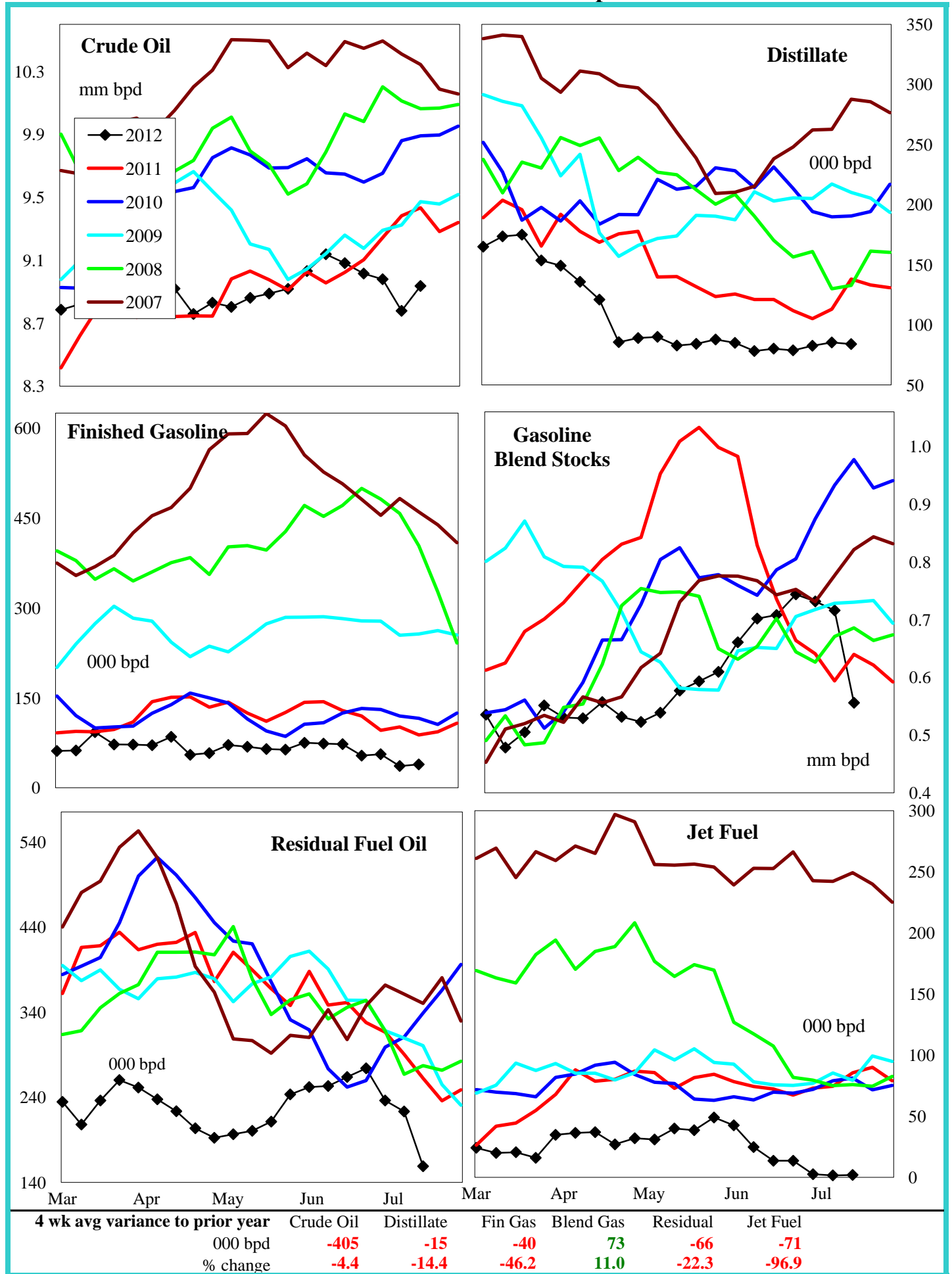
United States Product Stocks: Days Forward Coverage



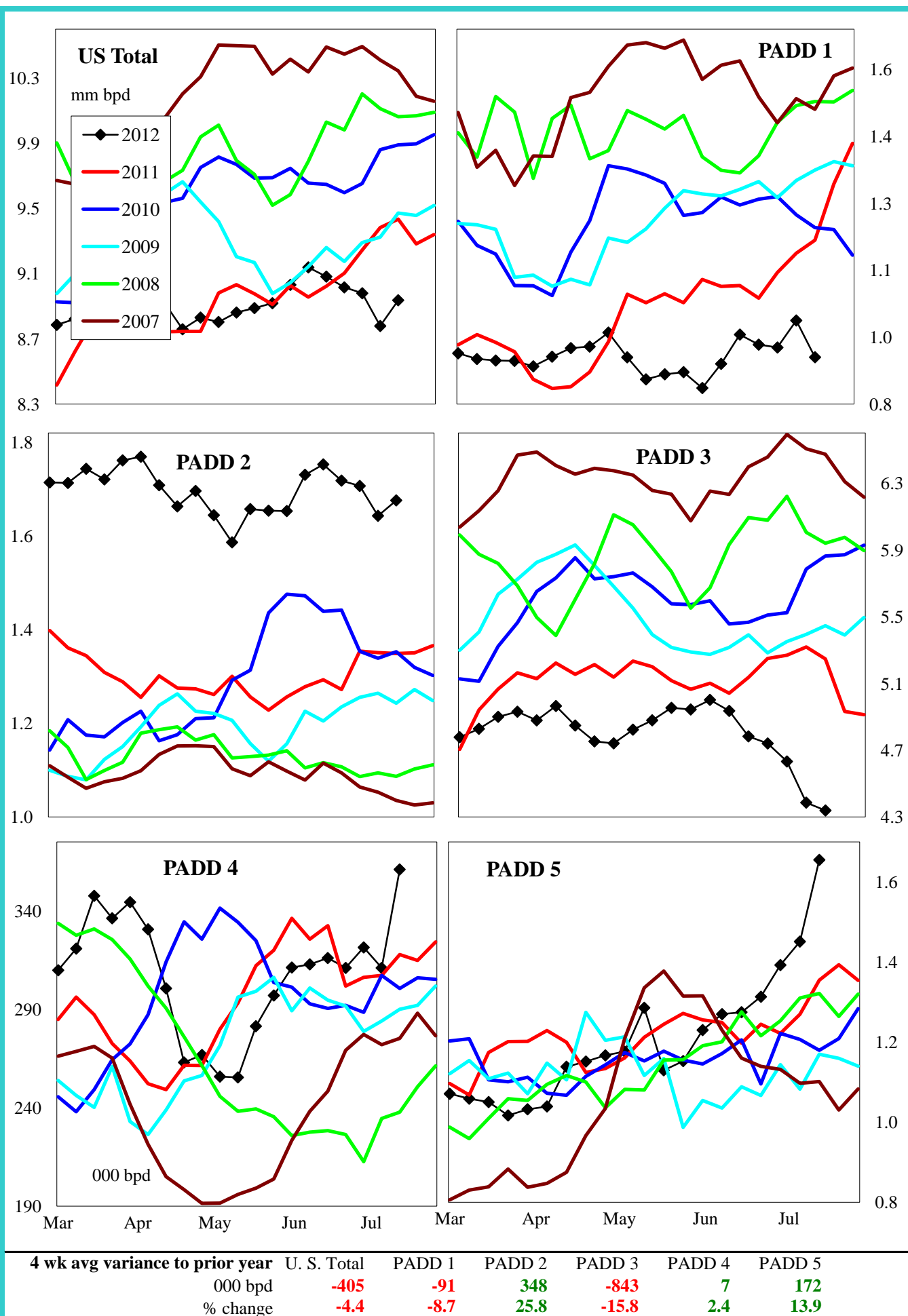
United States Refinery Percent Utilization Rate and Product Yields



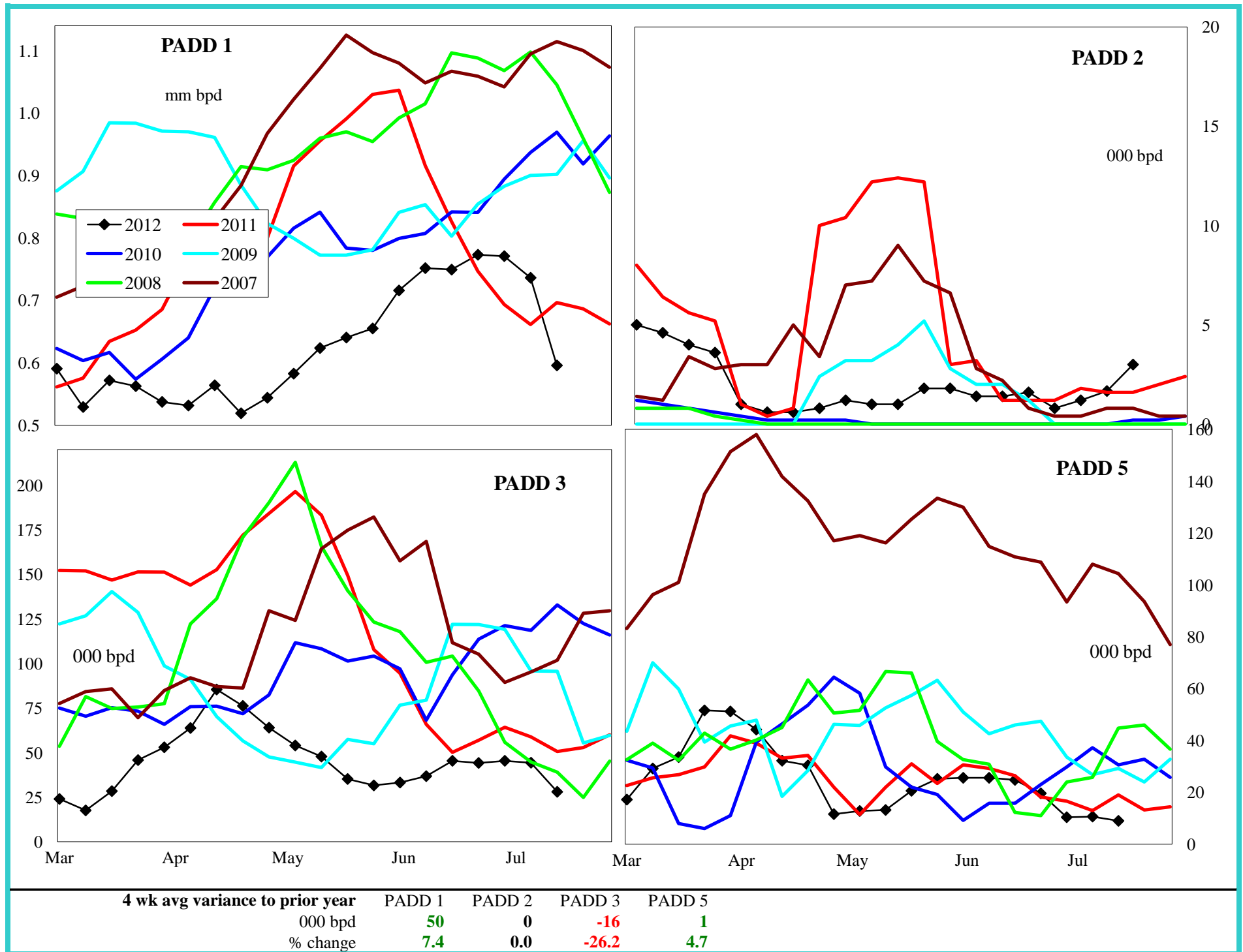
United States Petroleum Imports



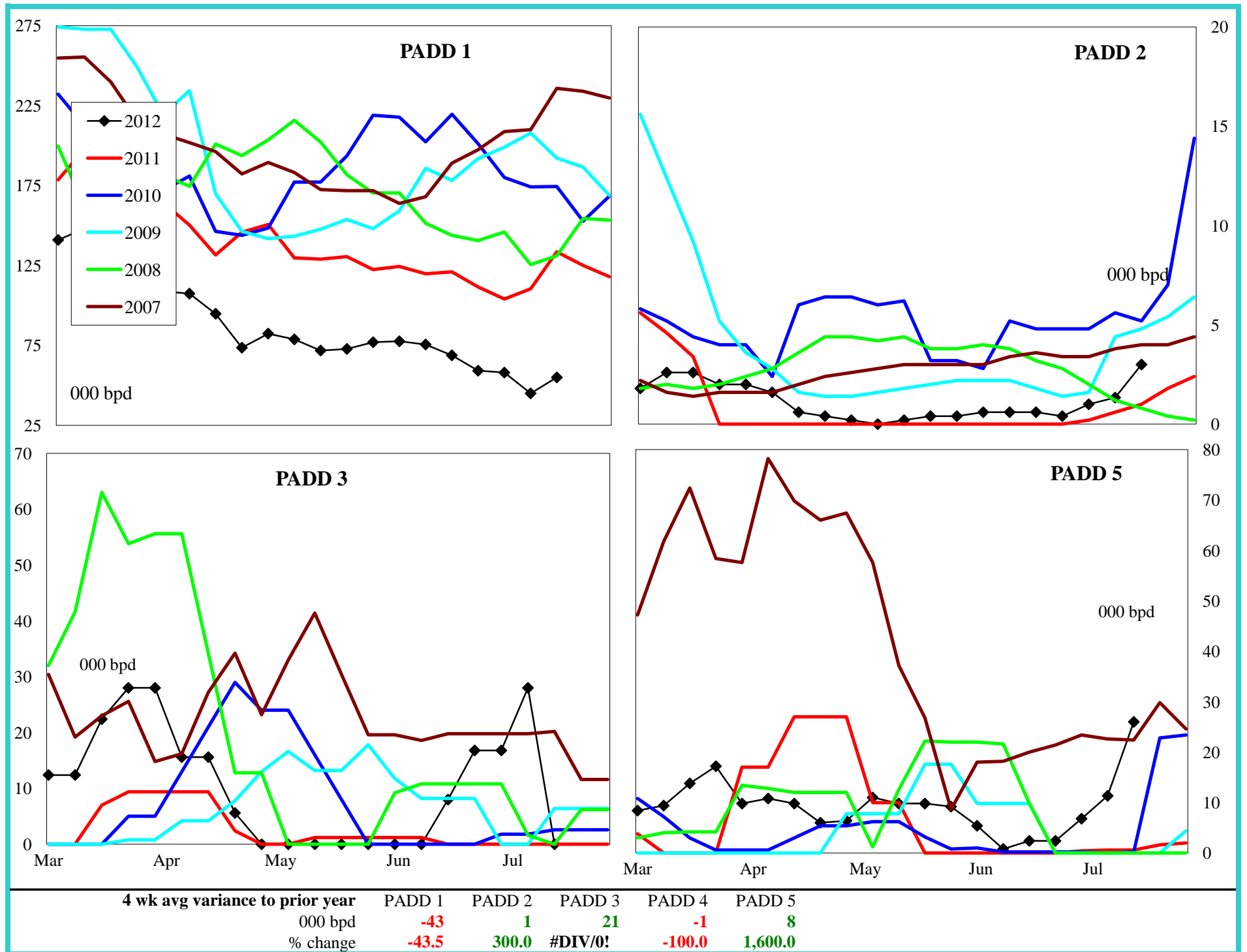
Crude Oil Imports by PADD



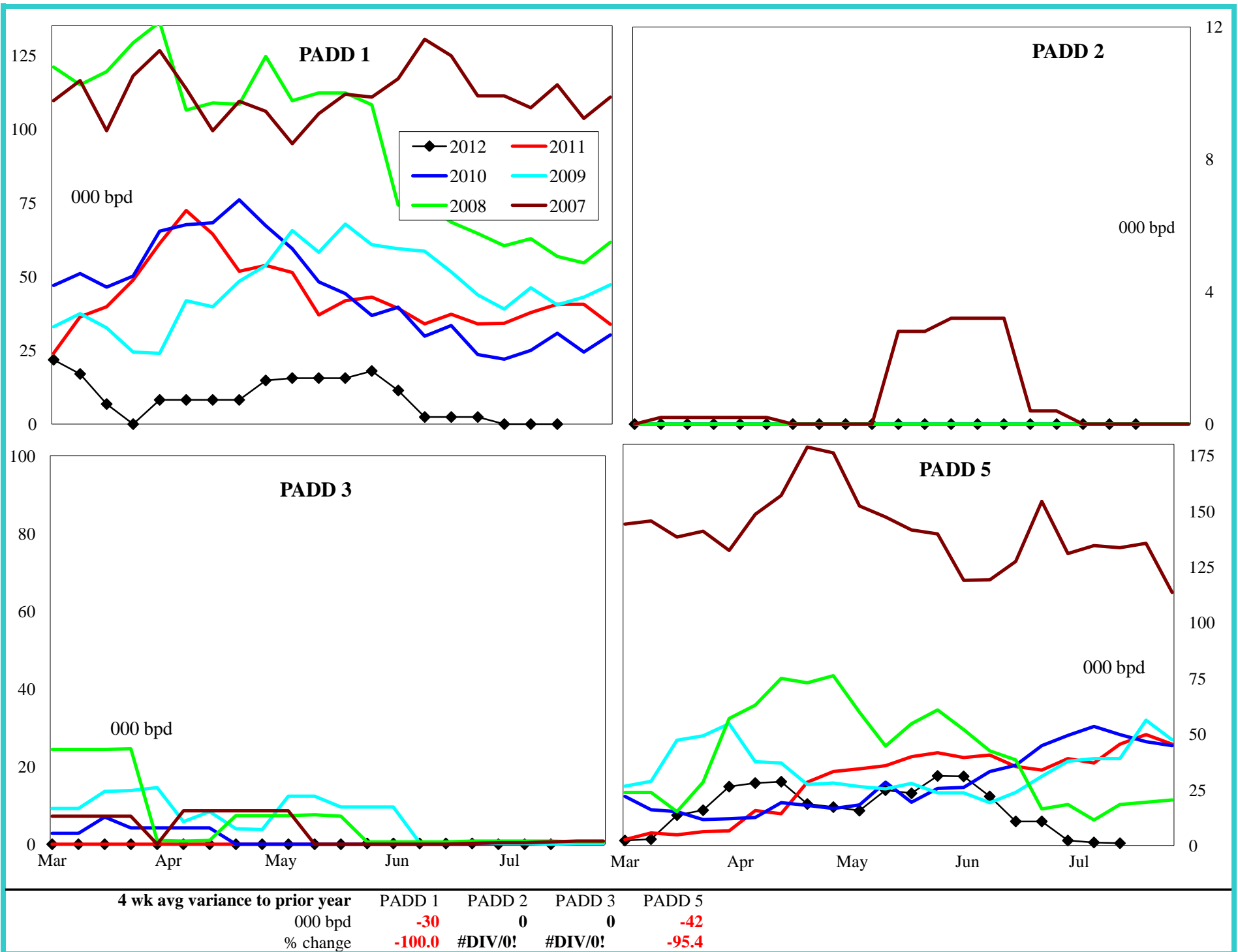
Gasoline Imports by PADD (Finished + Blend Stocks)



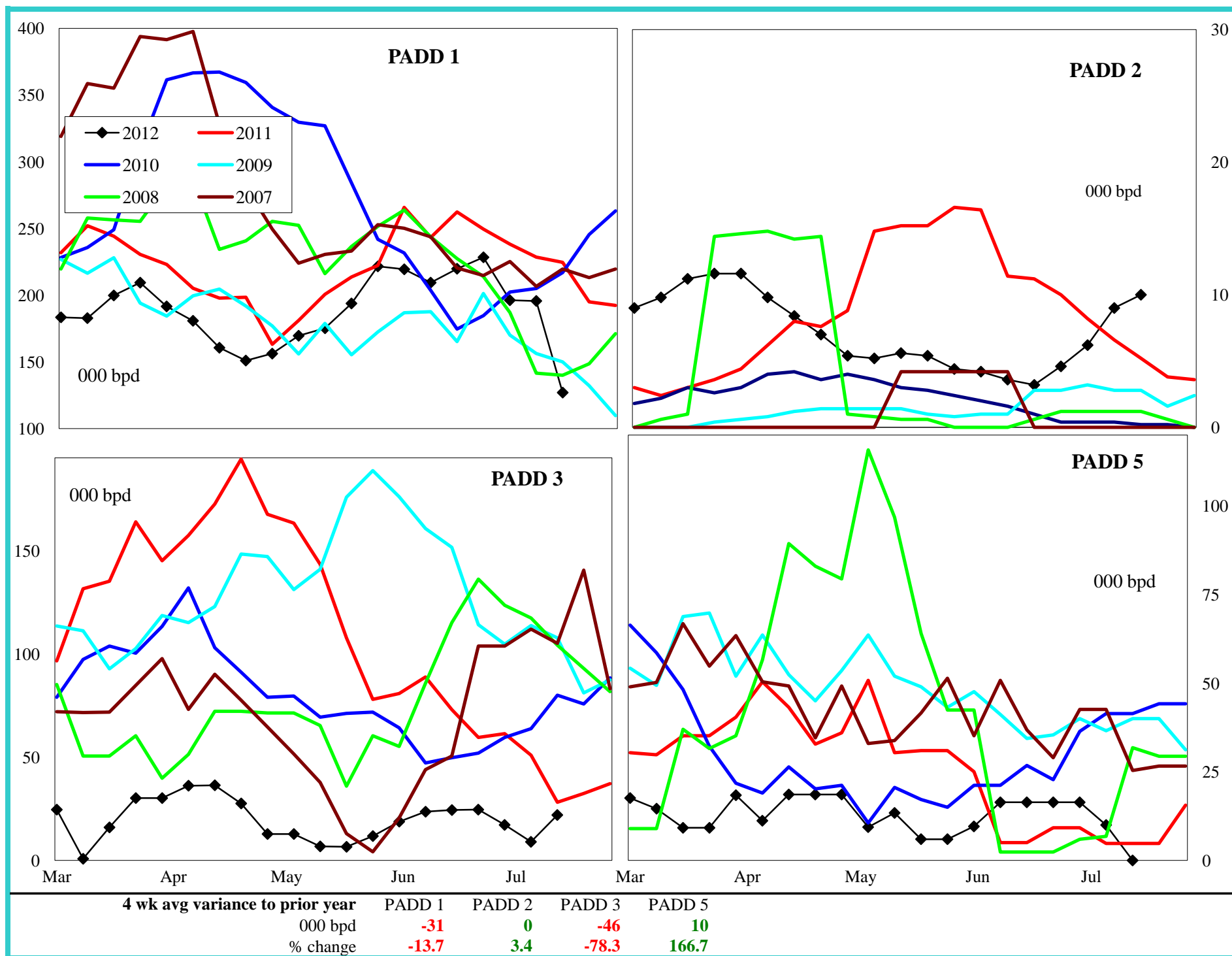
Distillate Imports by PADD



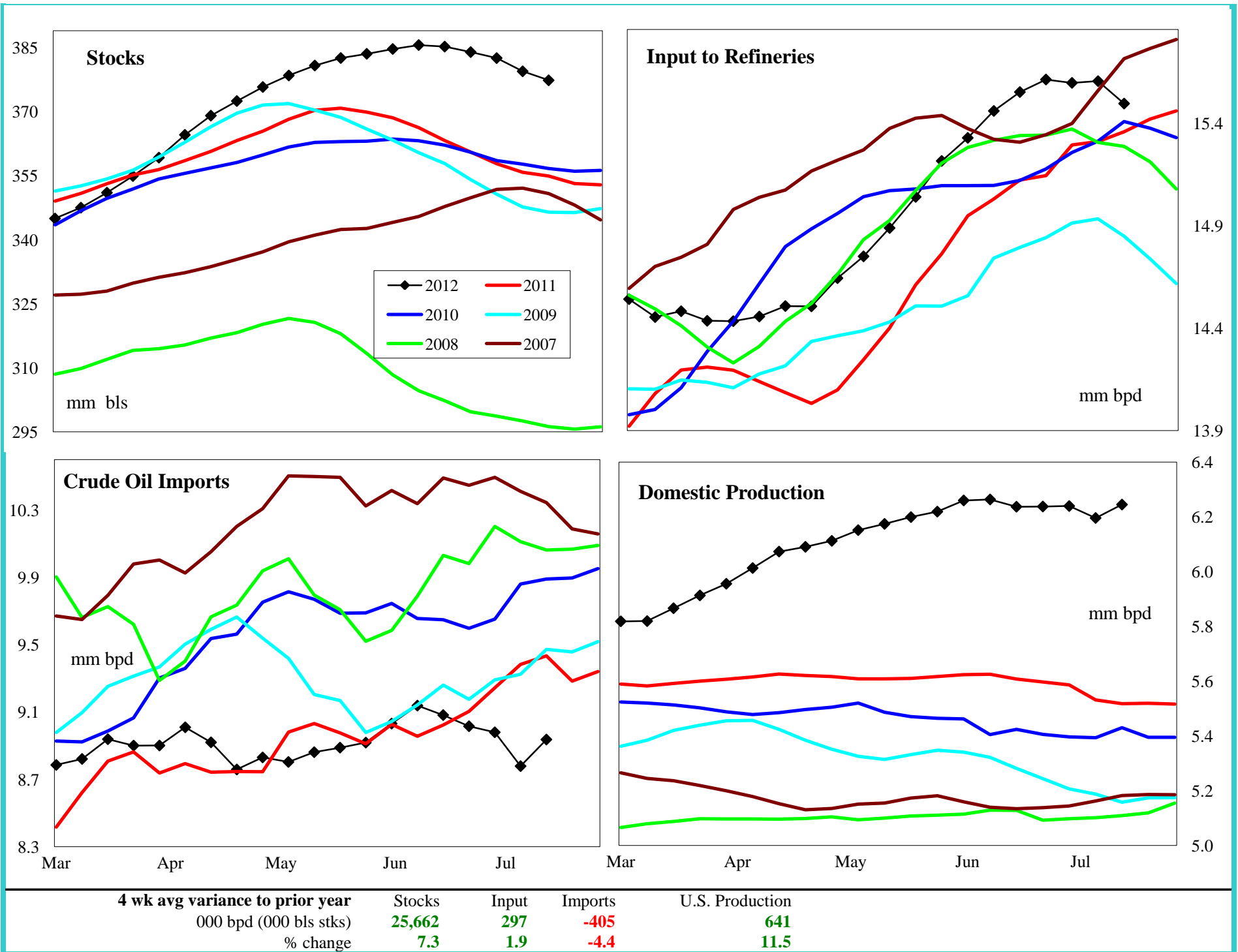
Jet Fuel Imports by PADD



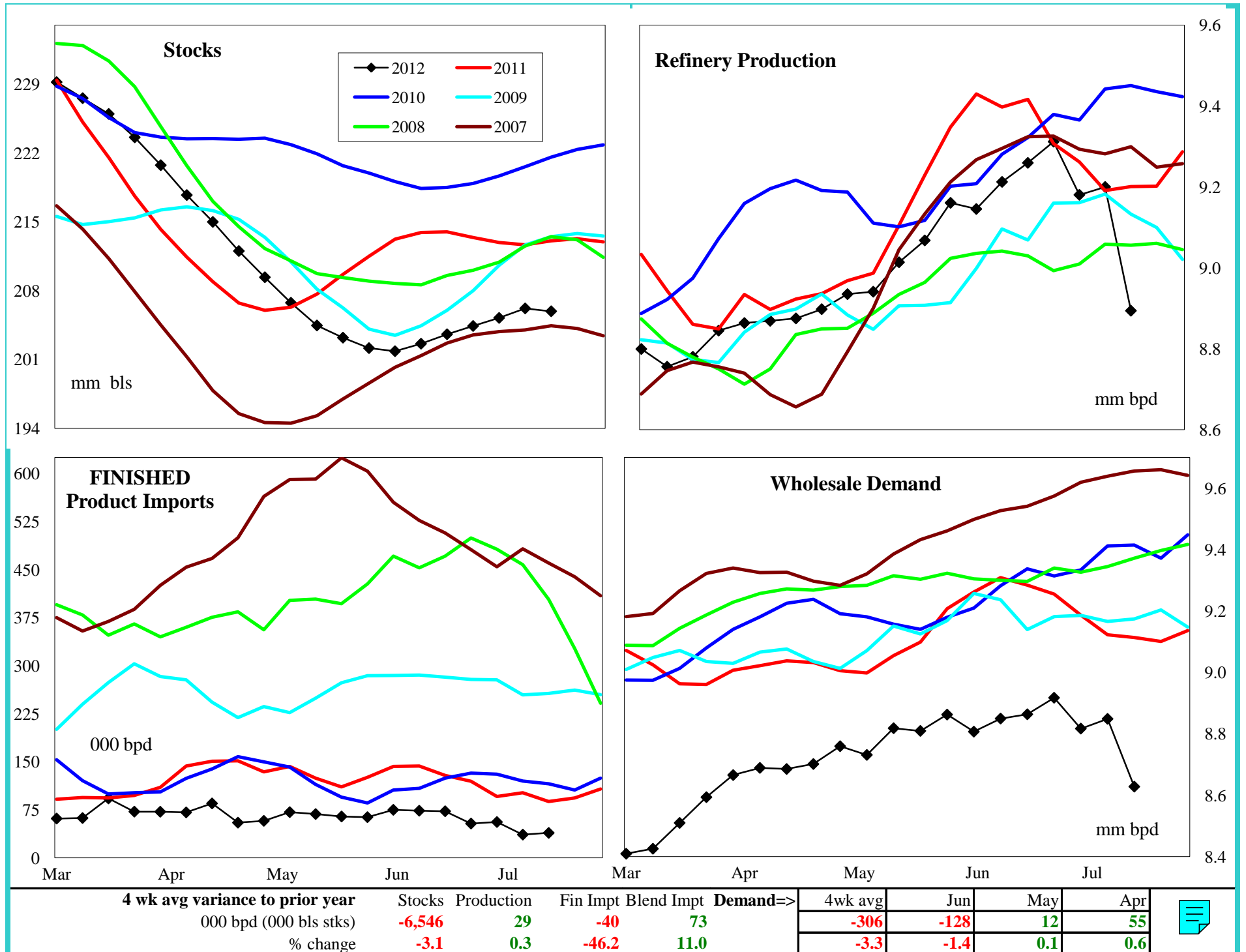
Residual Fuel Oil Imports by PADD



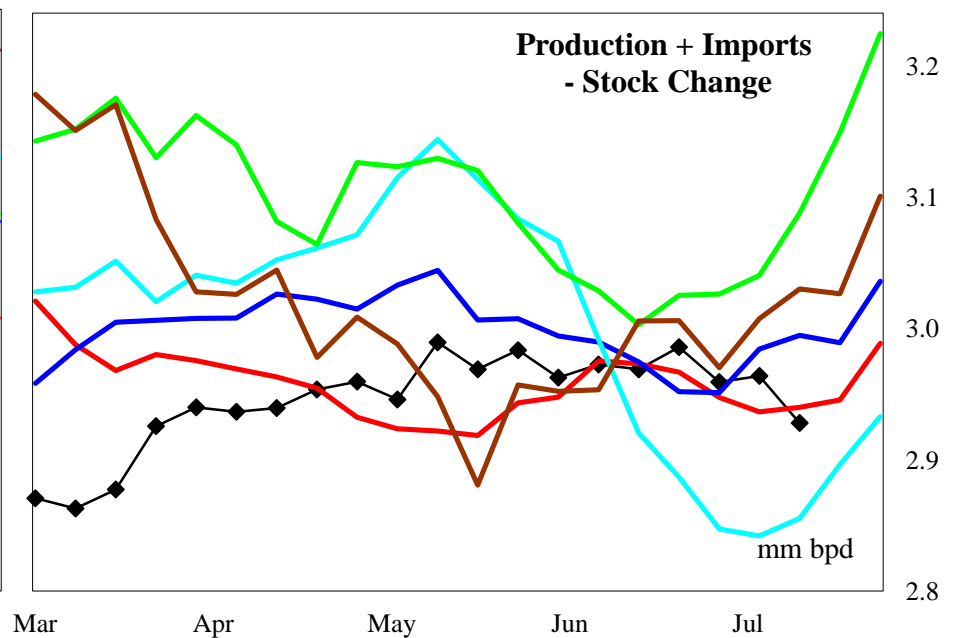
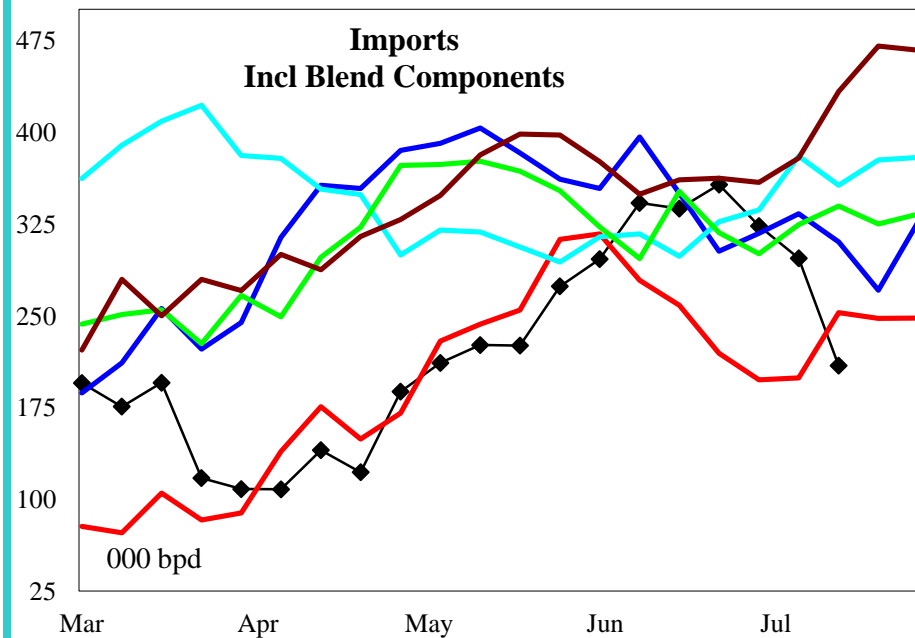
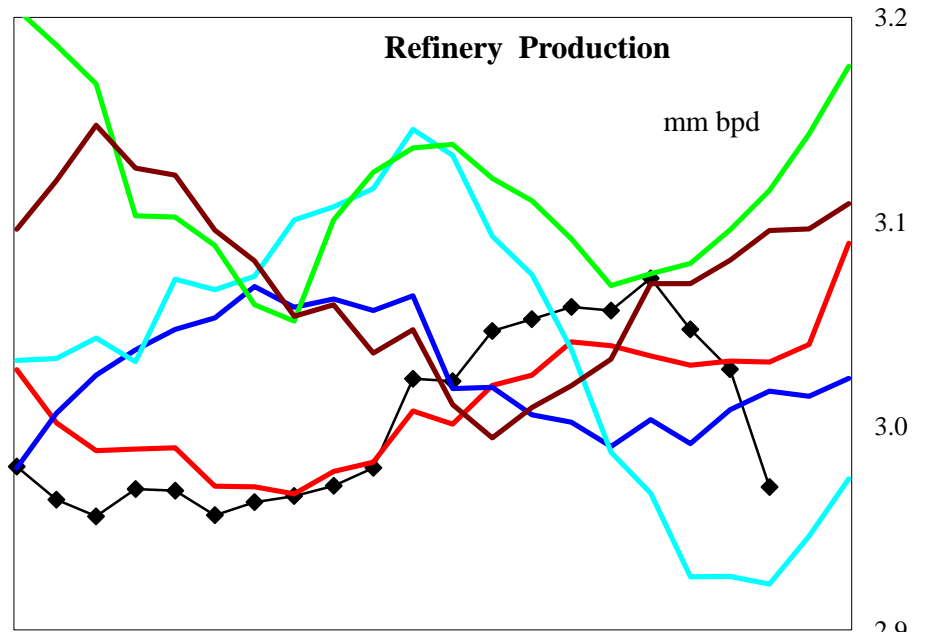
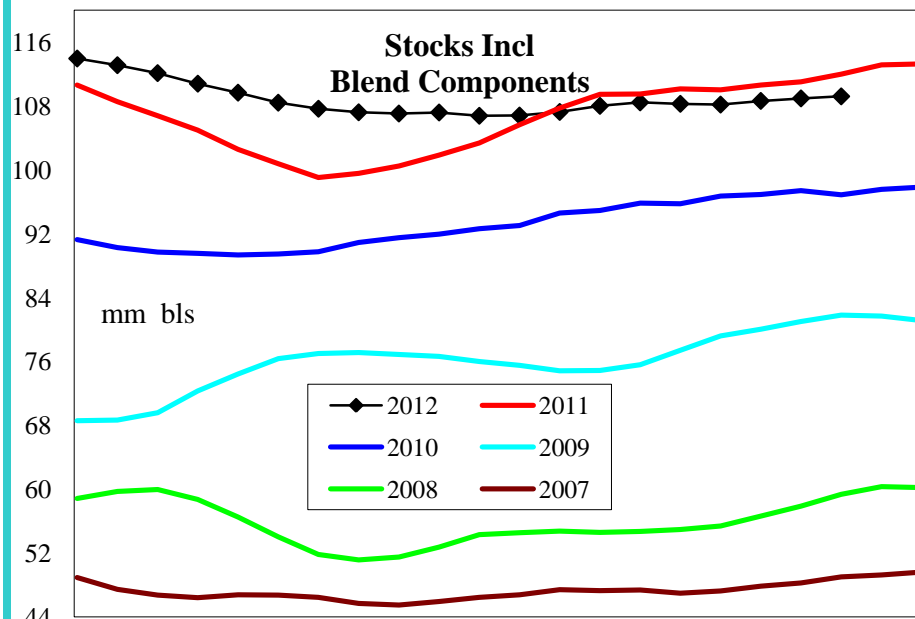
United States Crude Oil Supply and Demand Balance



United States Gasoline Supply and Demand Balance



United States Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

-2,787

-2.5

Production

22

0.7

Imports

79

36.6

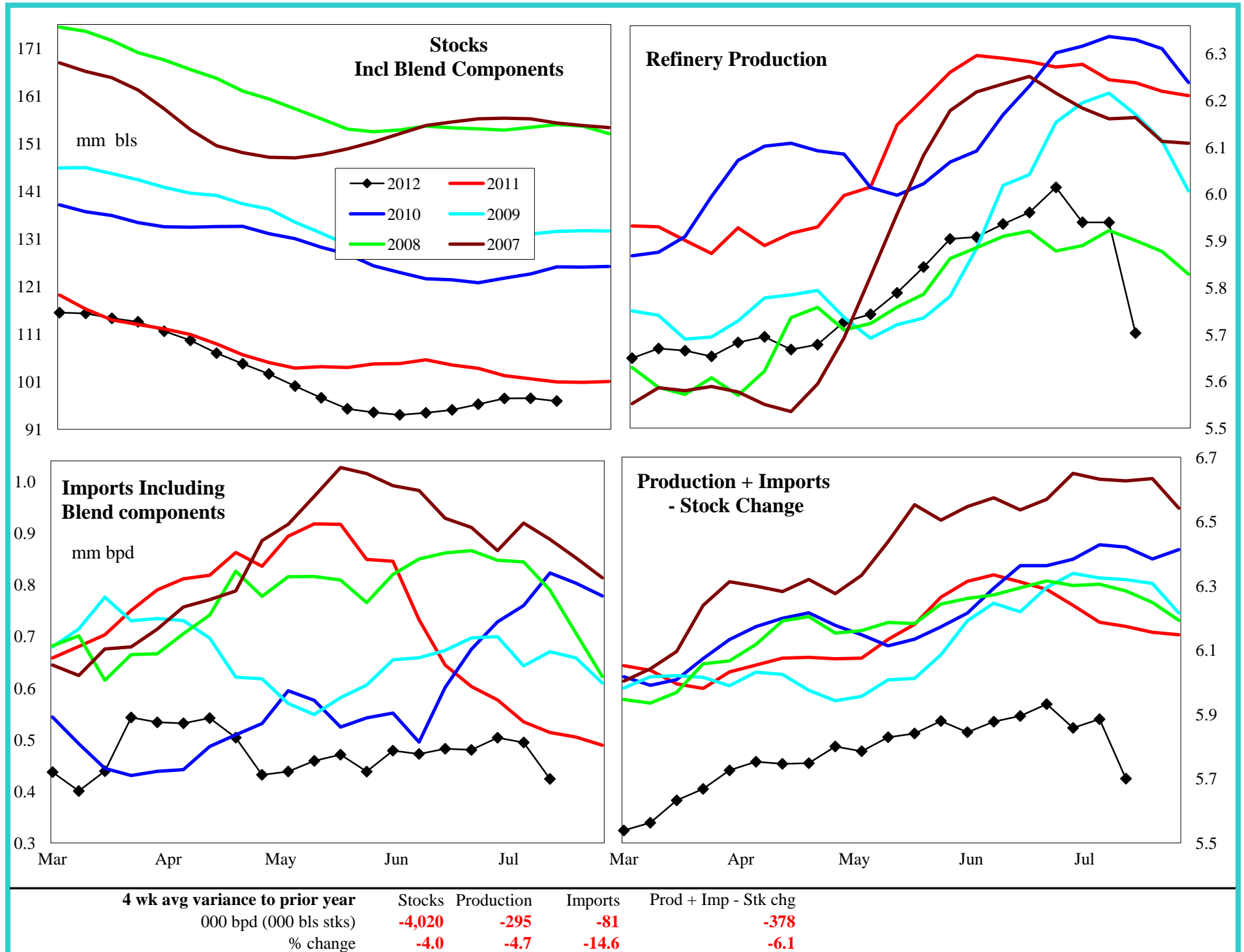
Prod + Imp - Stk chg

12

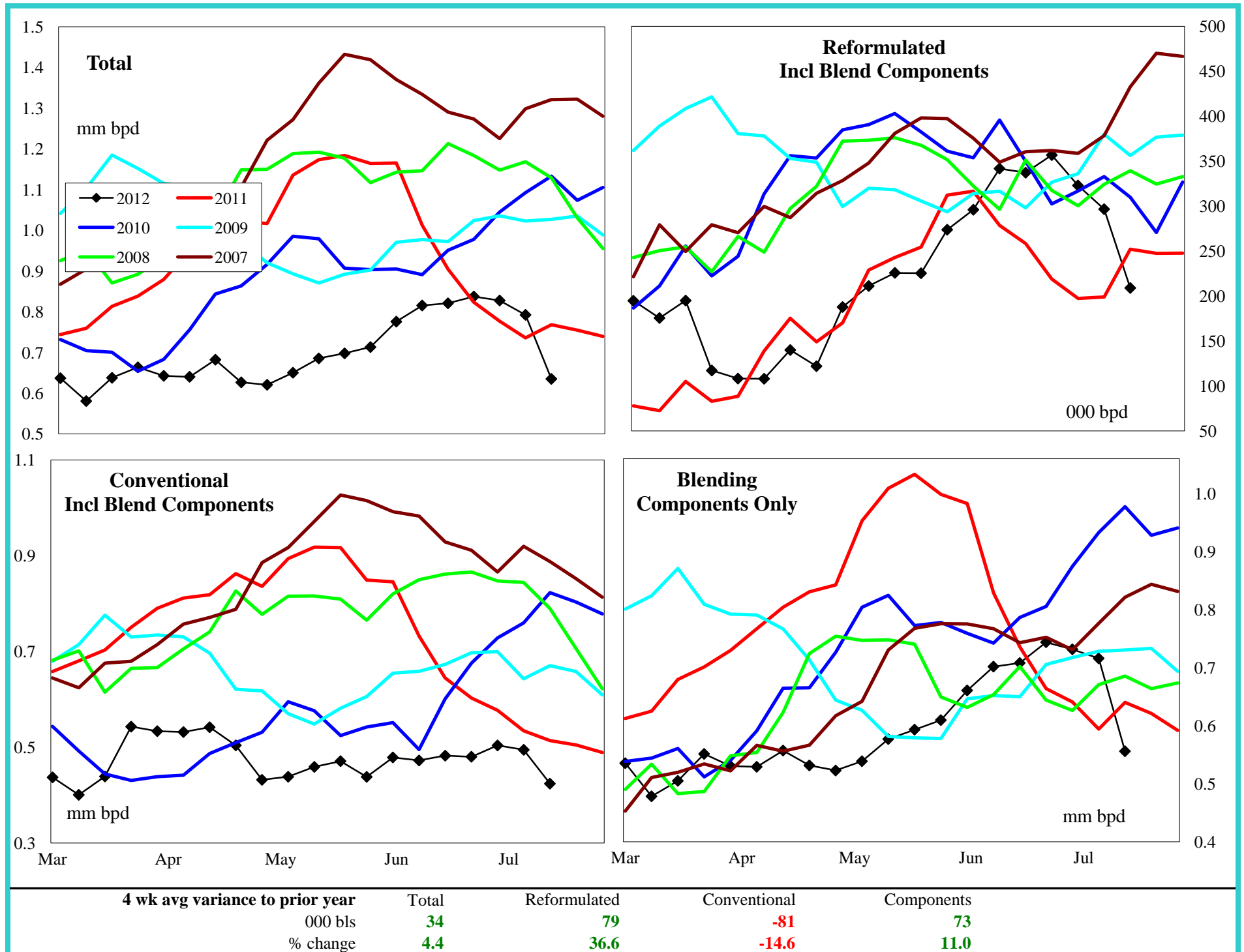
0.4



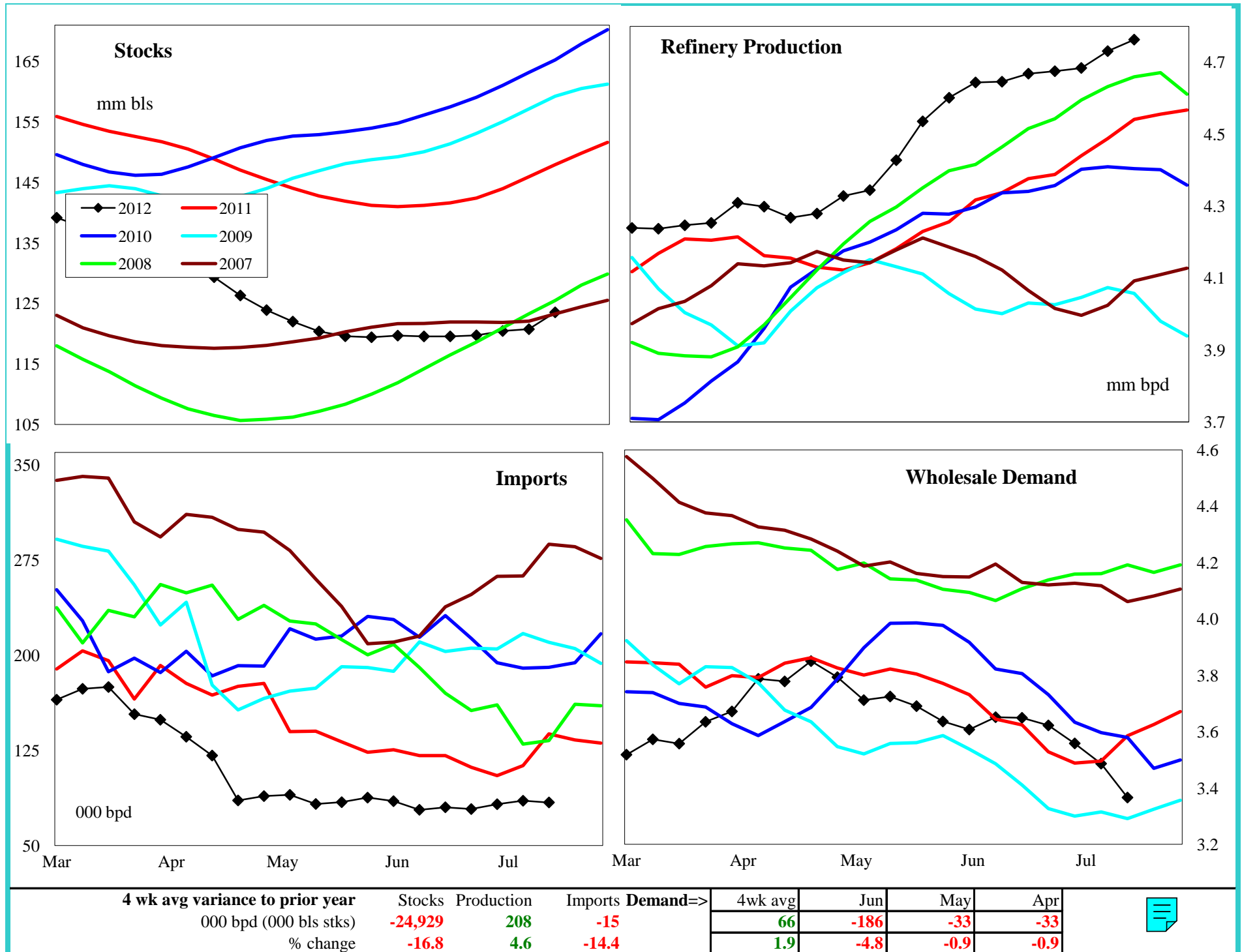
United States Conventional Gasoline Supply



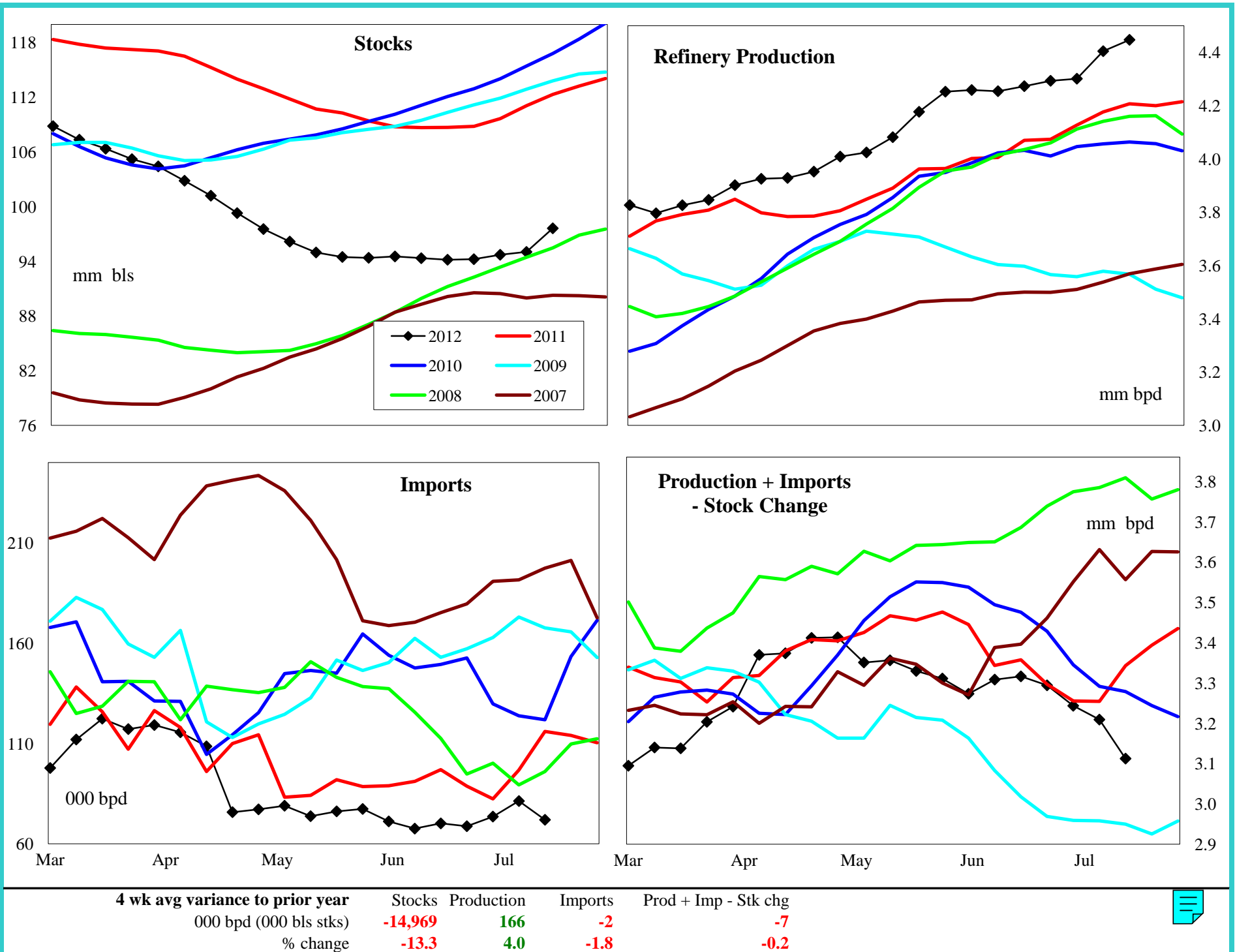
United States Gasoline Imports by Type



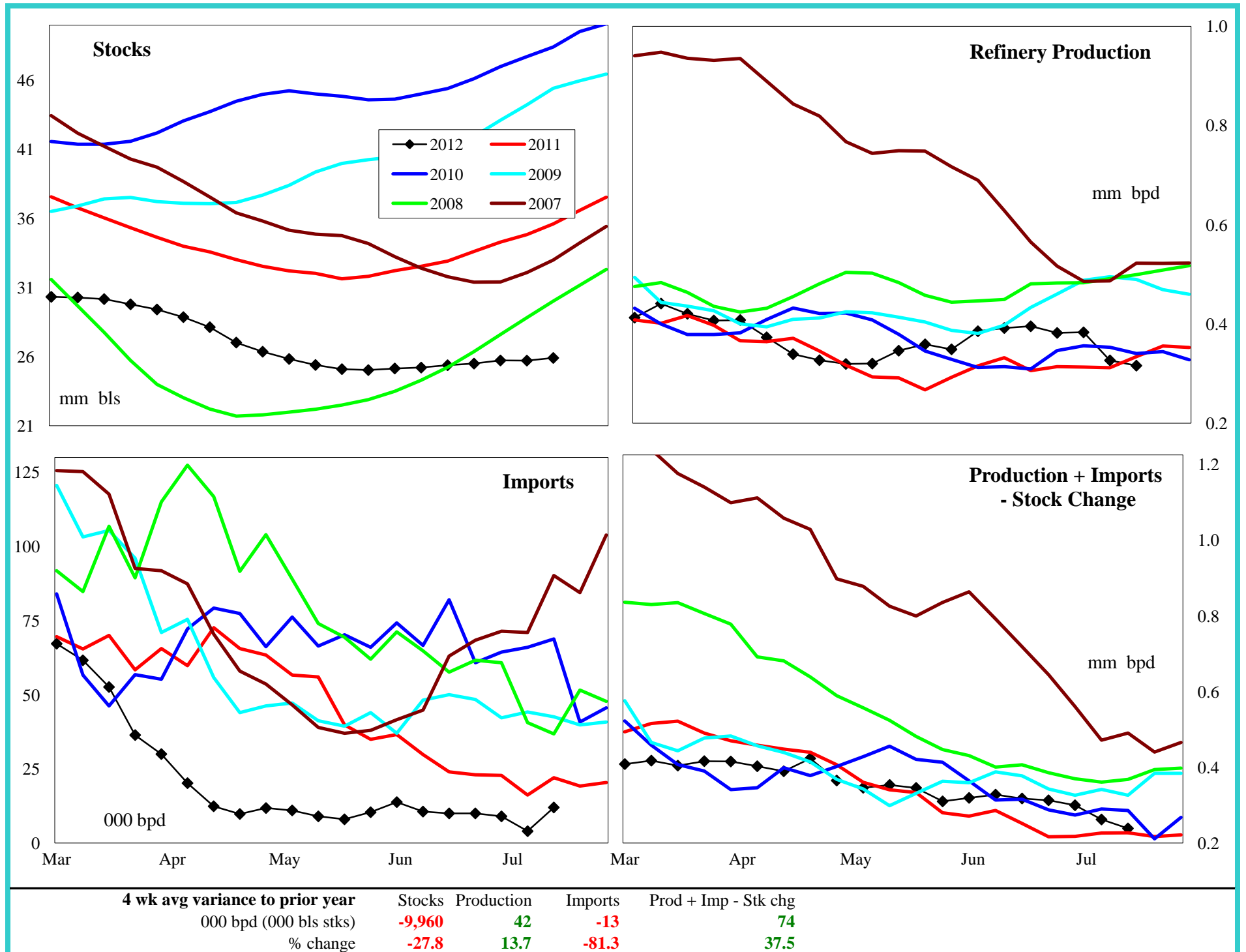
United States Distillate Supply and Demand Balance



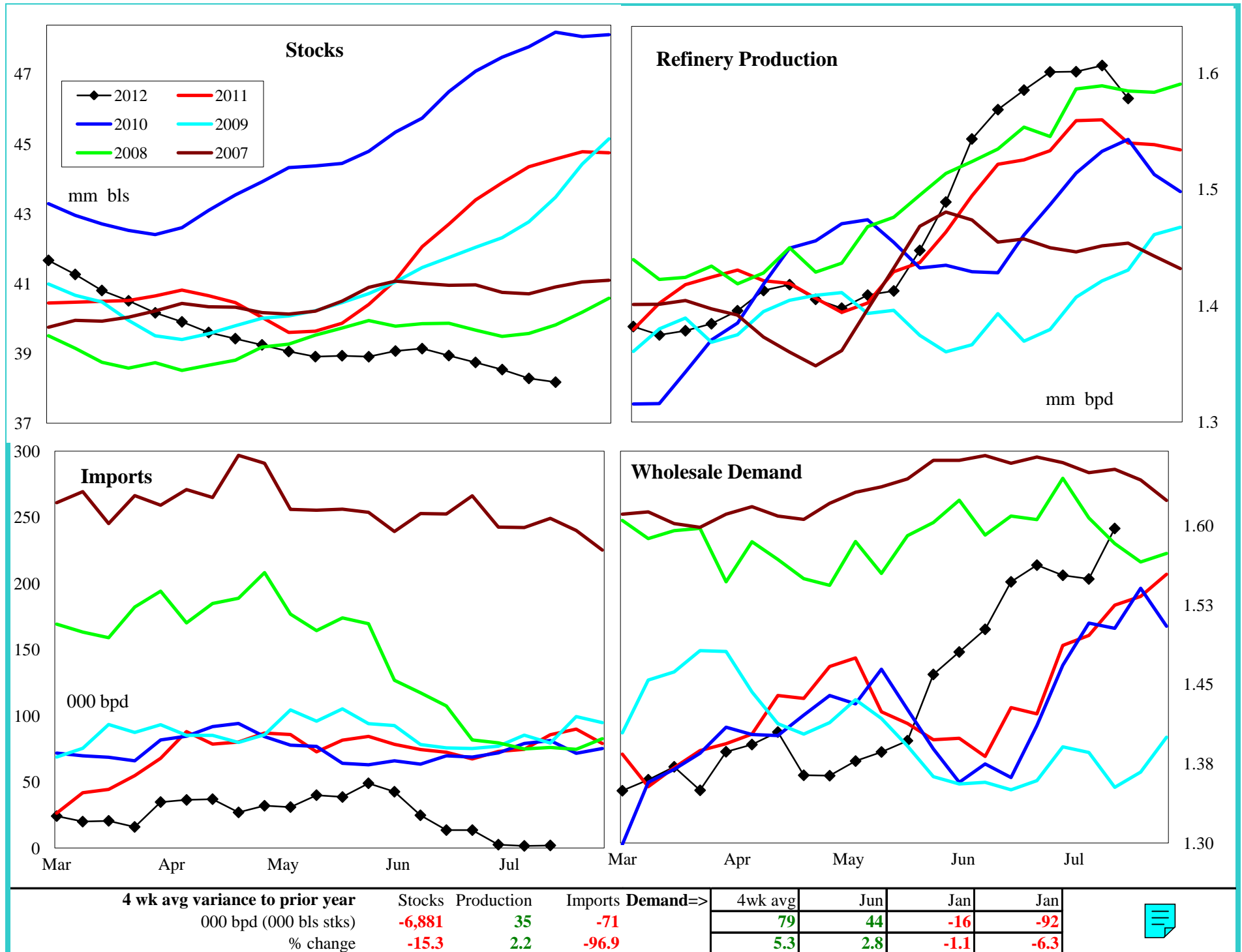
United States Low Sulfur Distillate Supply



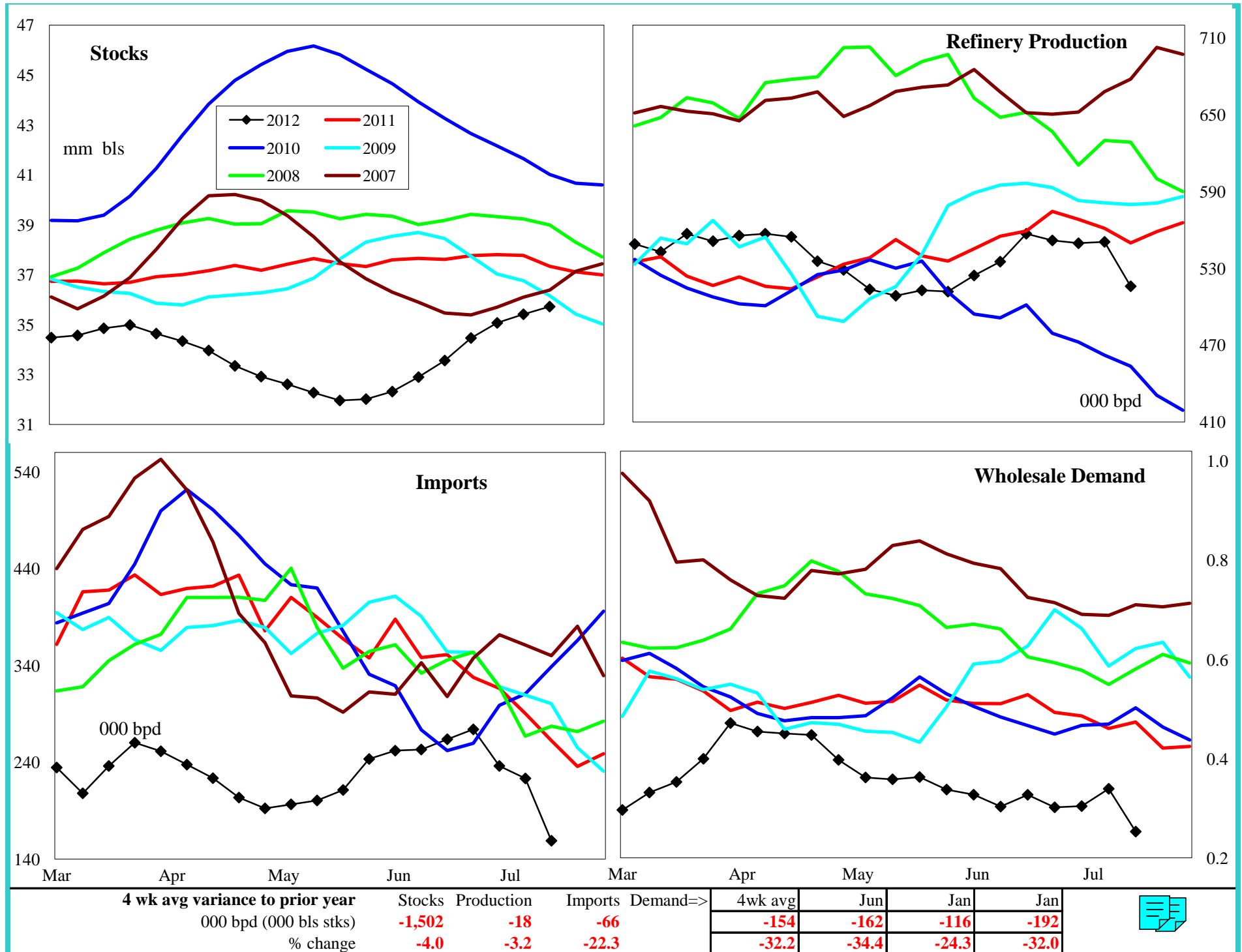
United States High Sulfur Distillate Supply



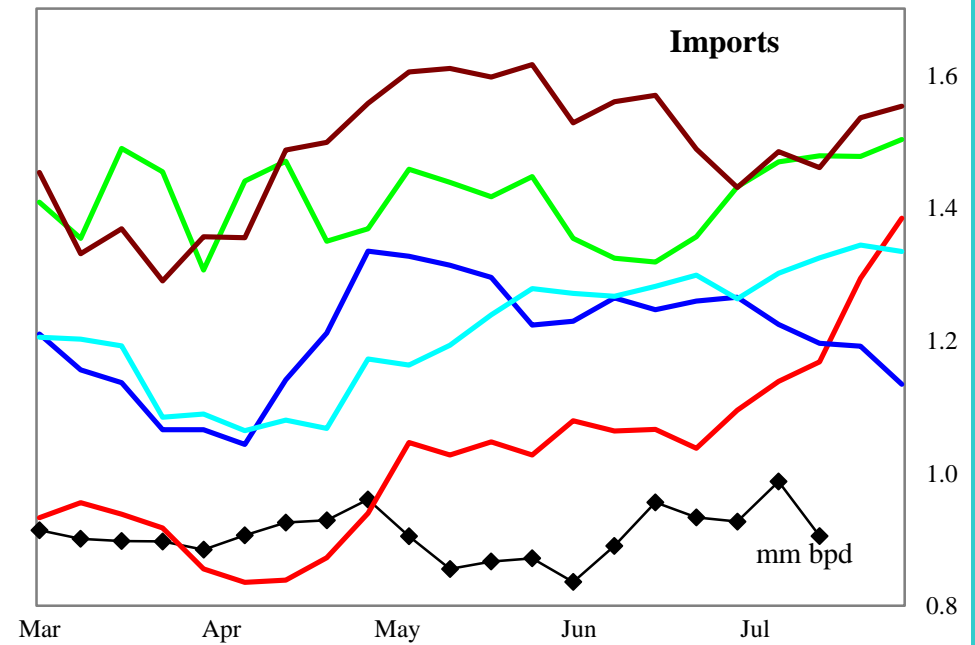
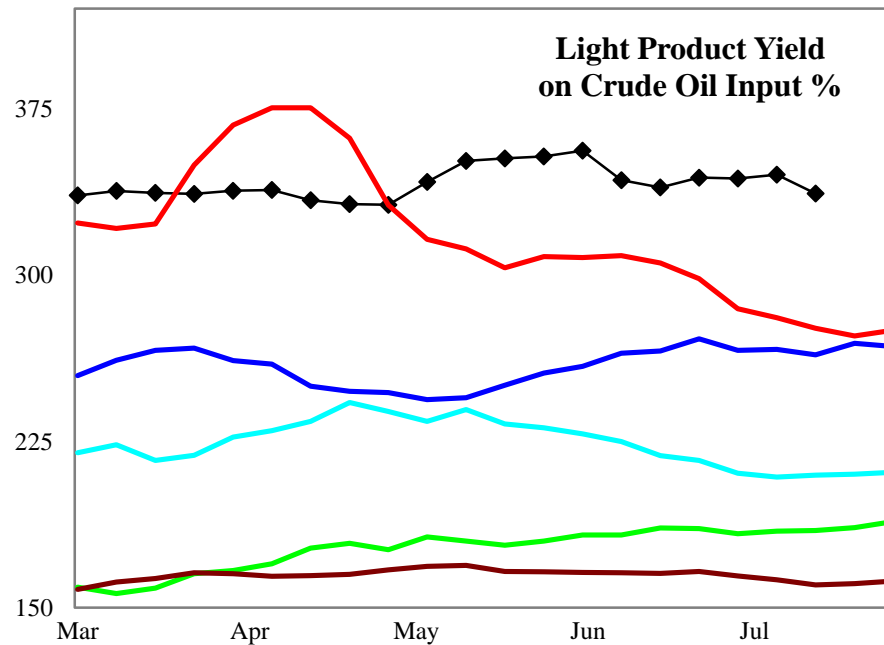
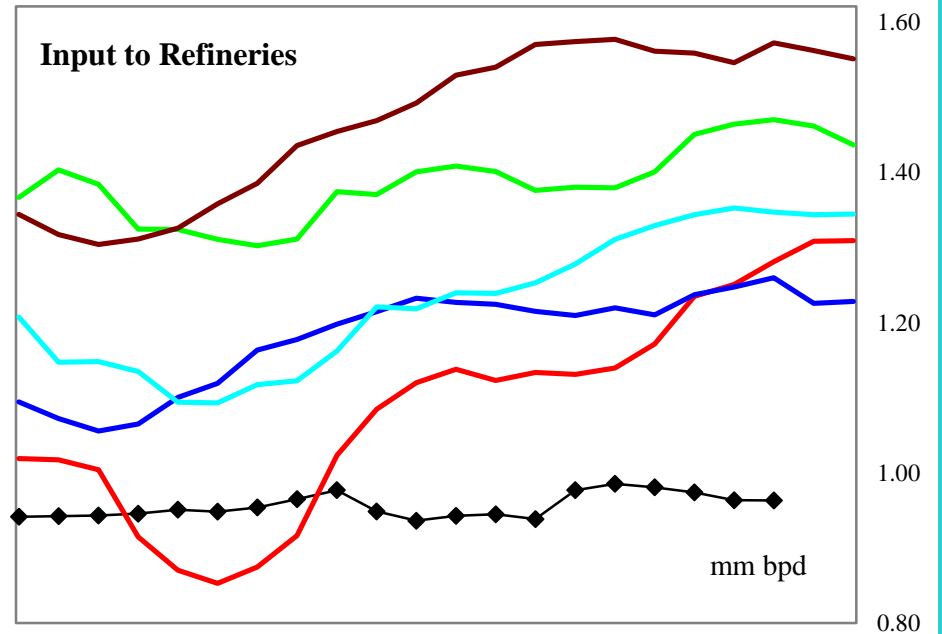
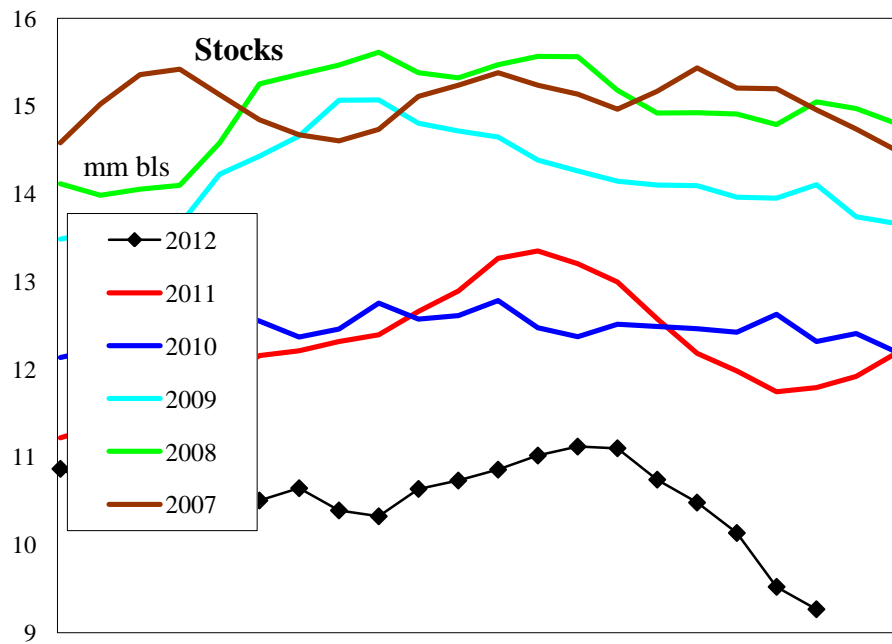
United States Jet Fuel Supply and Demand Balance



United States Residual Fuel Oil Supply and Demand Balance



PADD 1 Crude Oil Supply and Refining

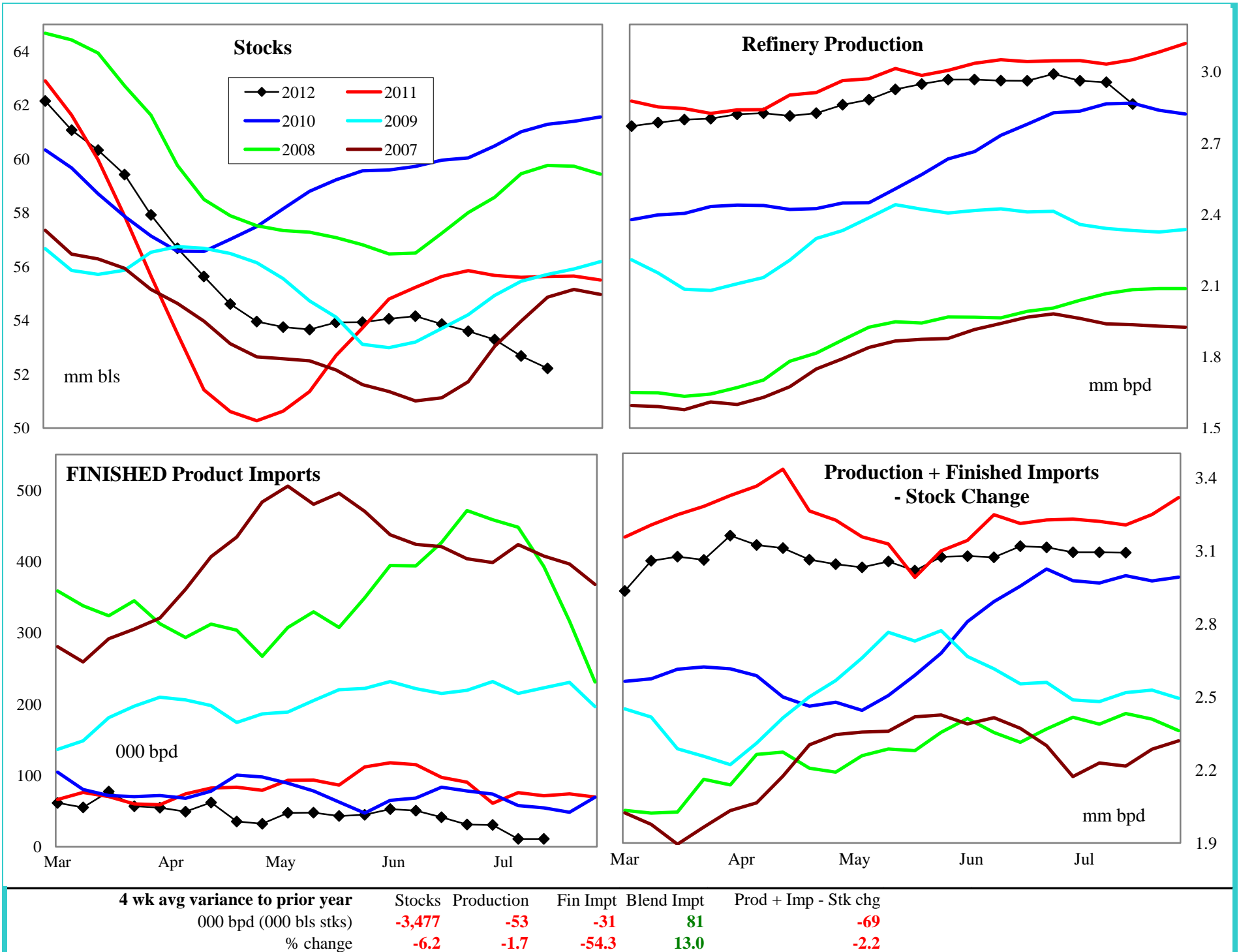


4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

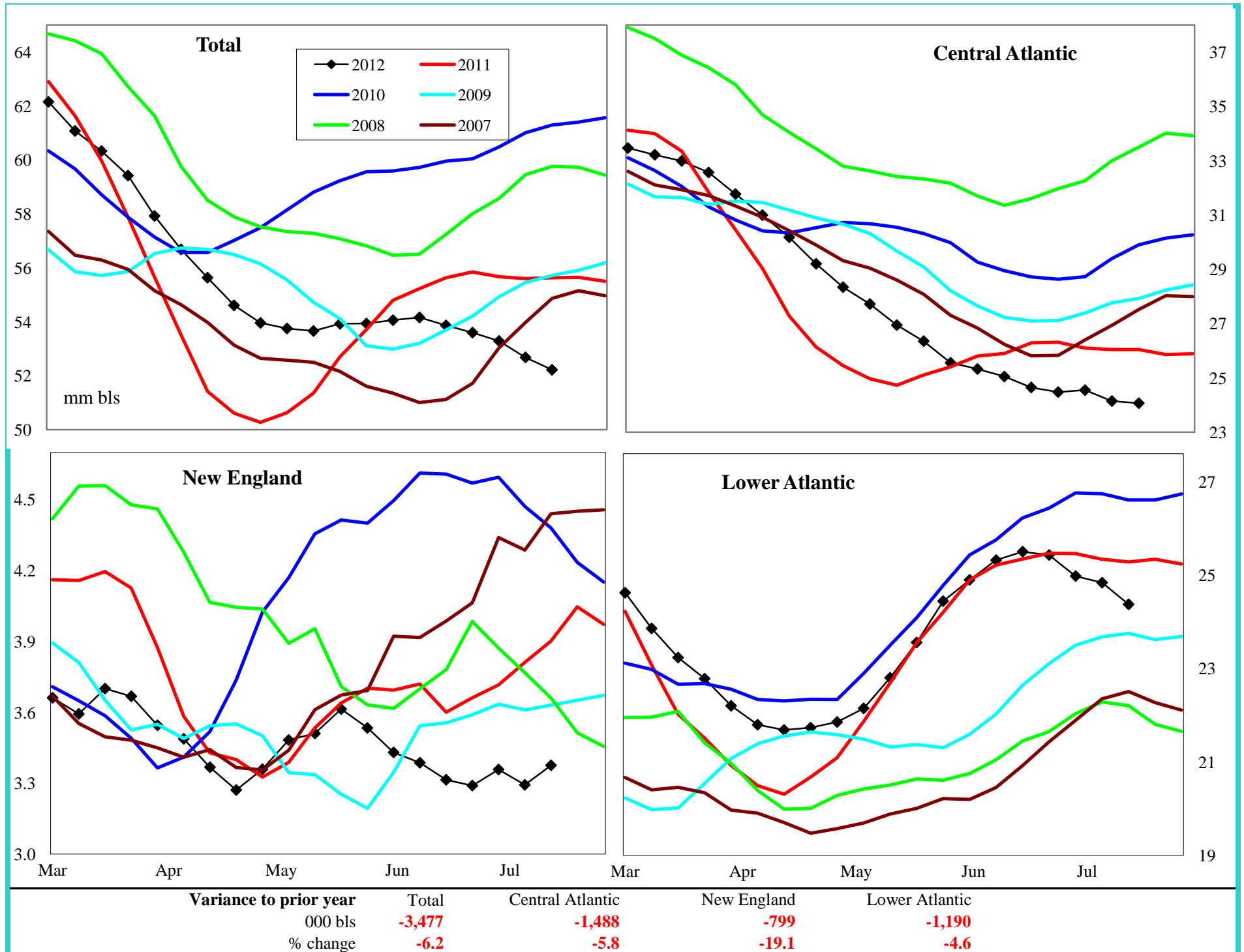
	Stocks	Input	Imports
000 bpd (000 bls stks)	-2,523	-265	-91
% change	-21.4	-21.3	-8.7



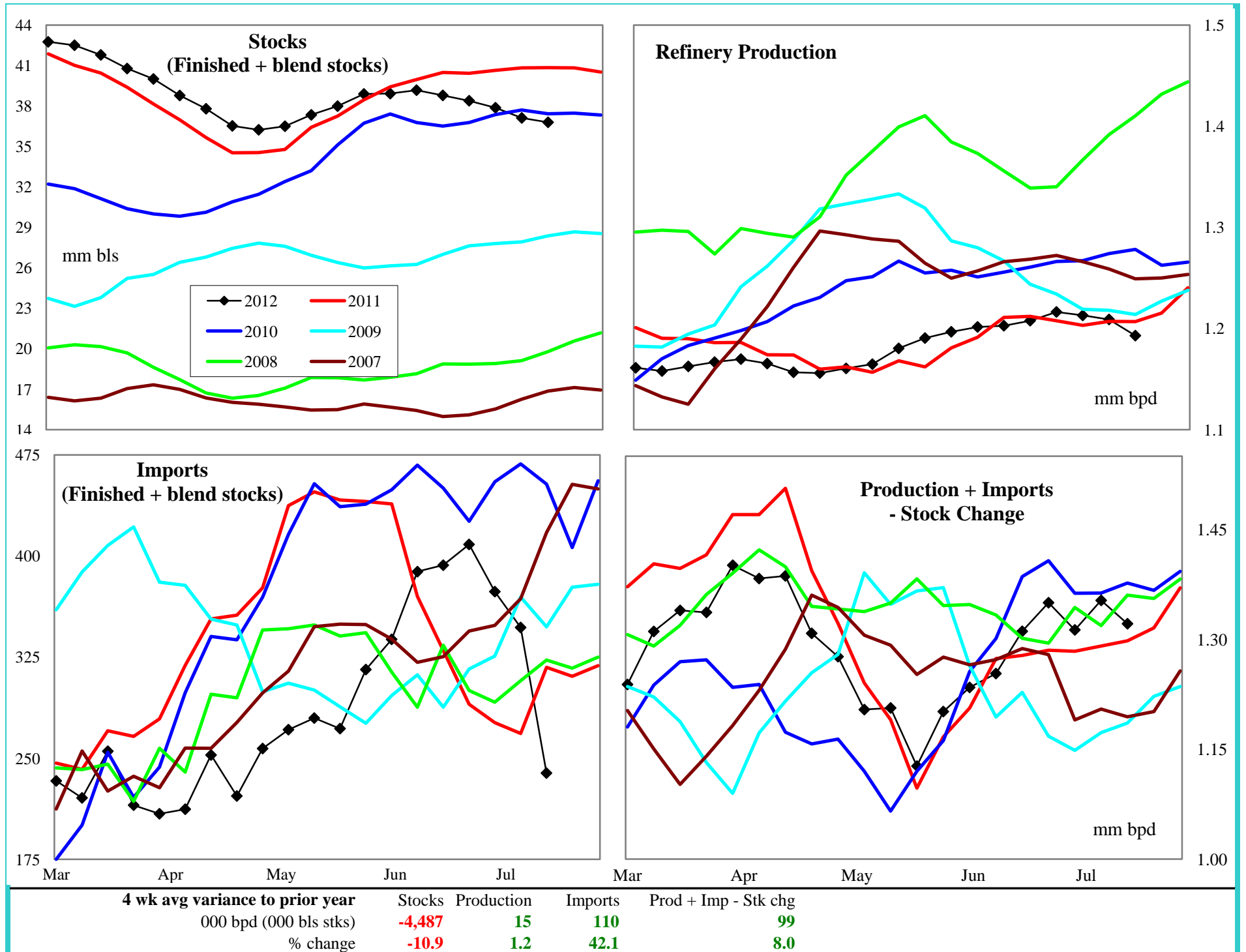
PADD 1 Gasoline Supply



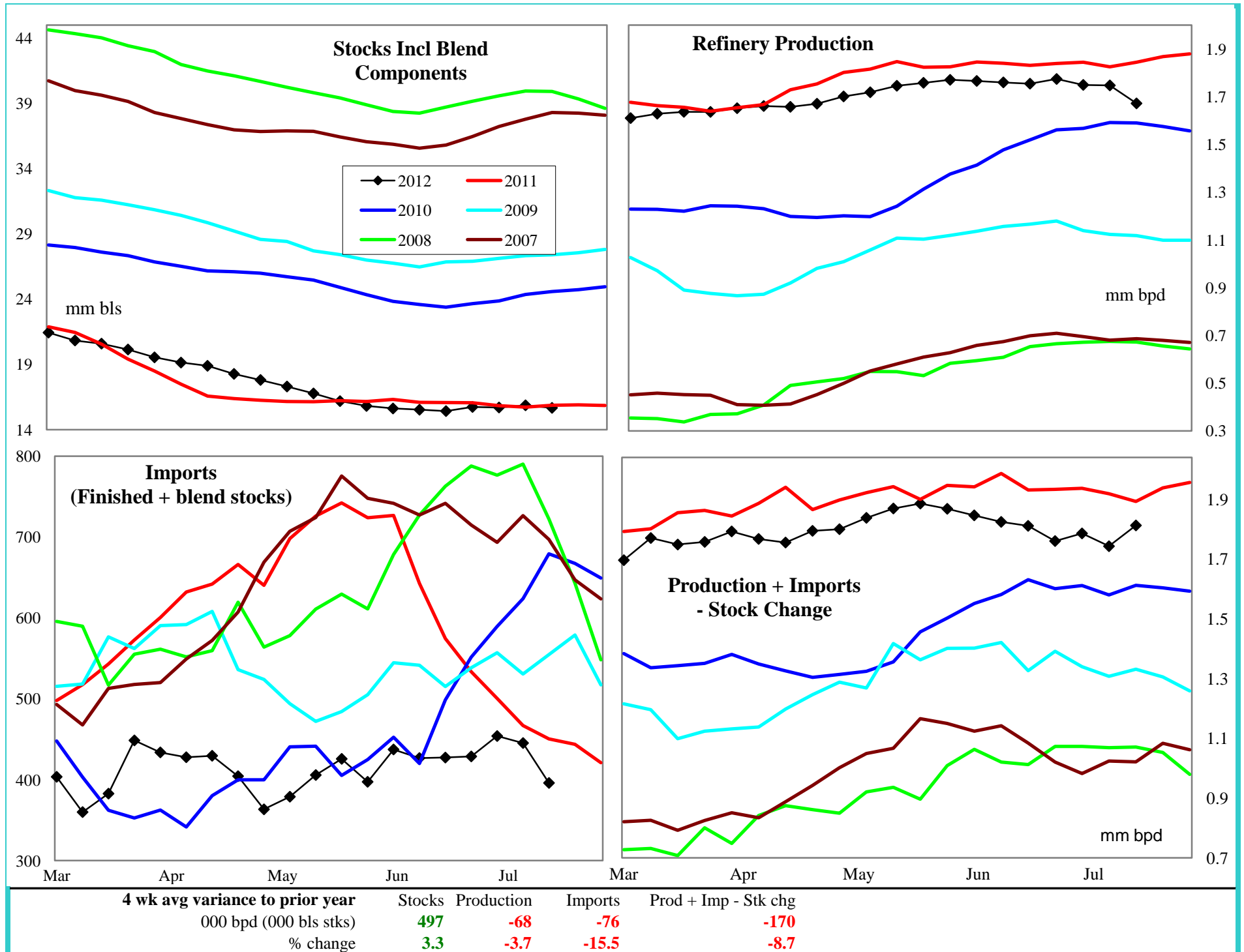
PADD 1 Gasoline Stocks by Region



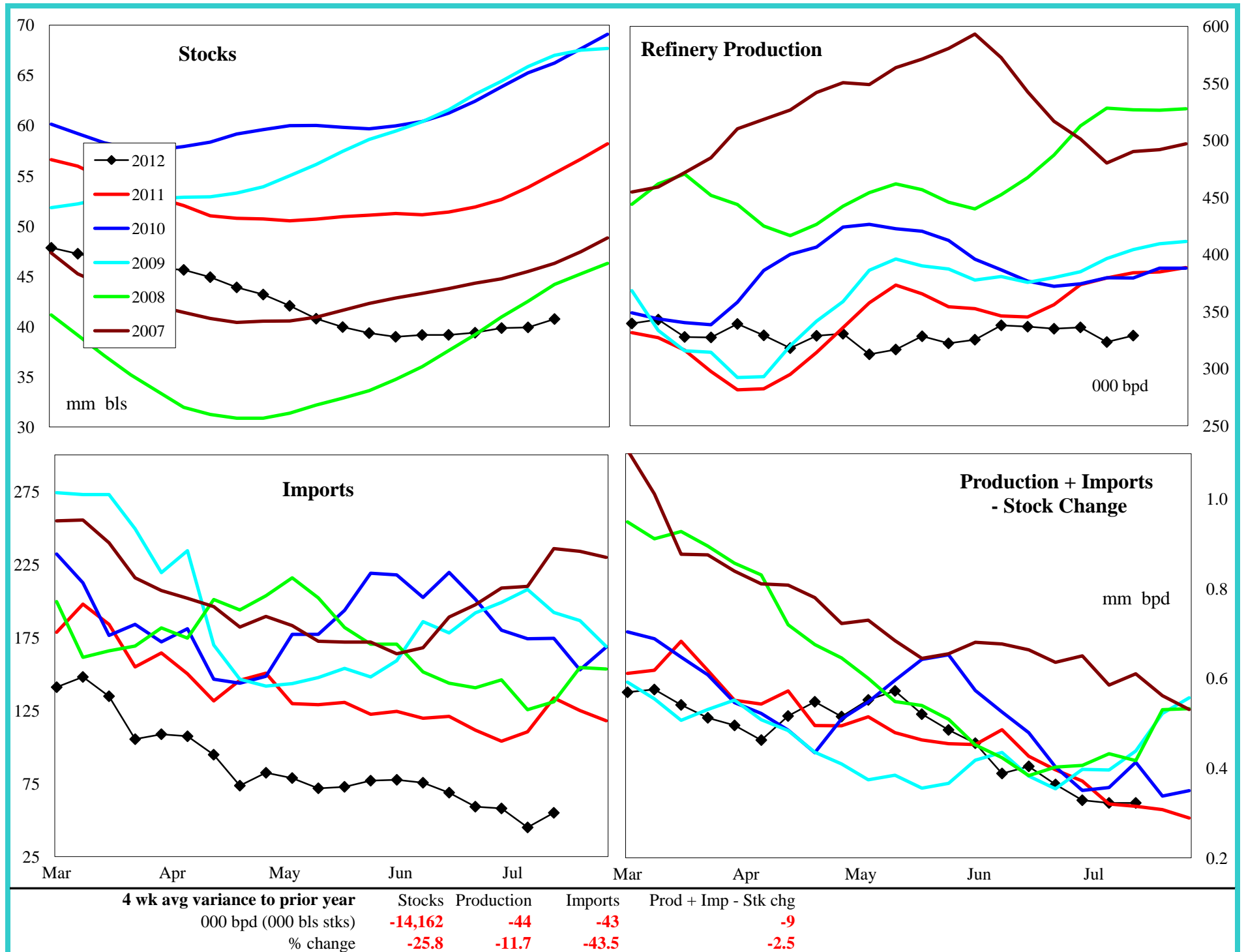
PADD 1 Reformulated Gasoline Supply



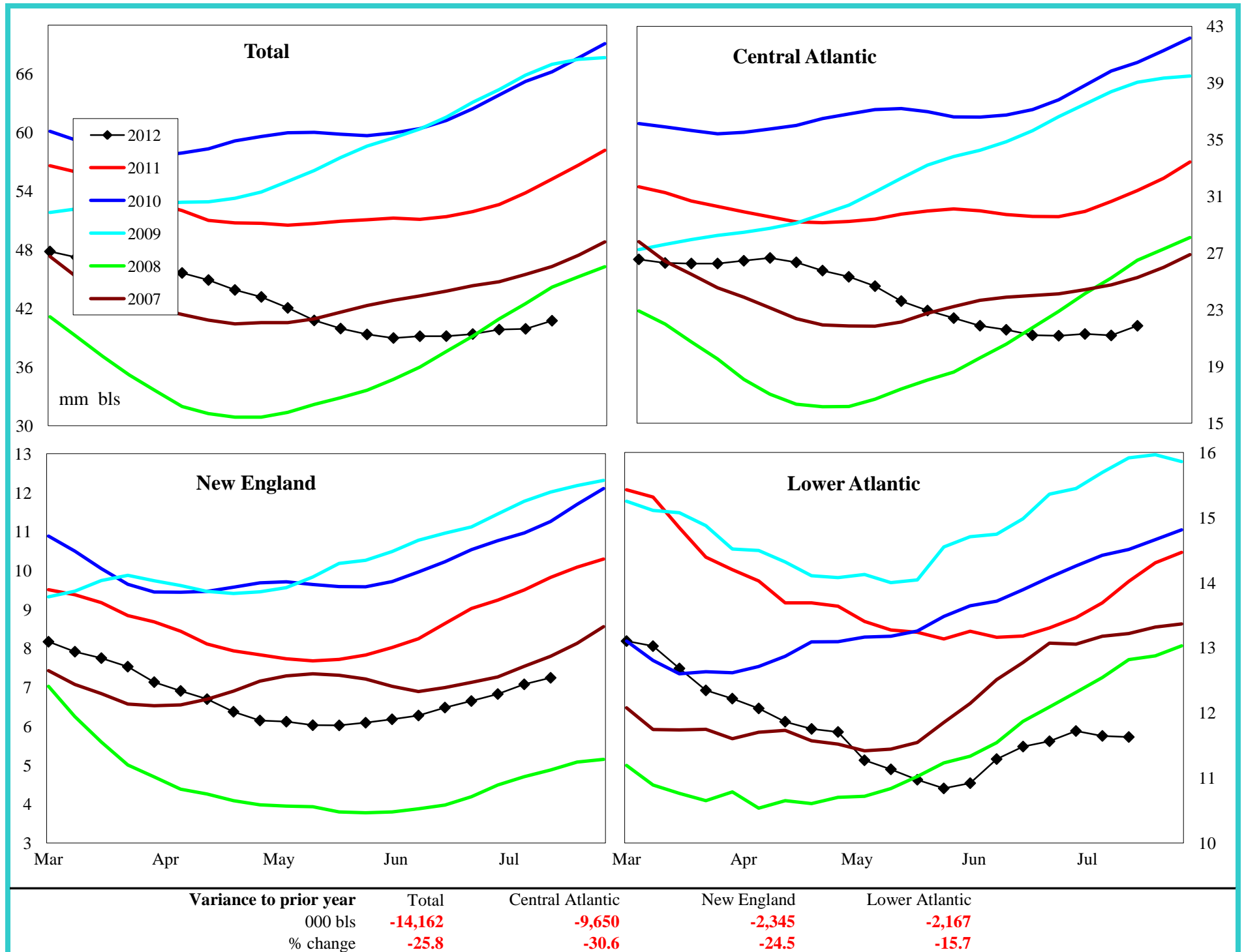
PADD 1 Conventional Gasoline Supply



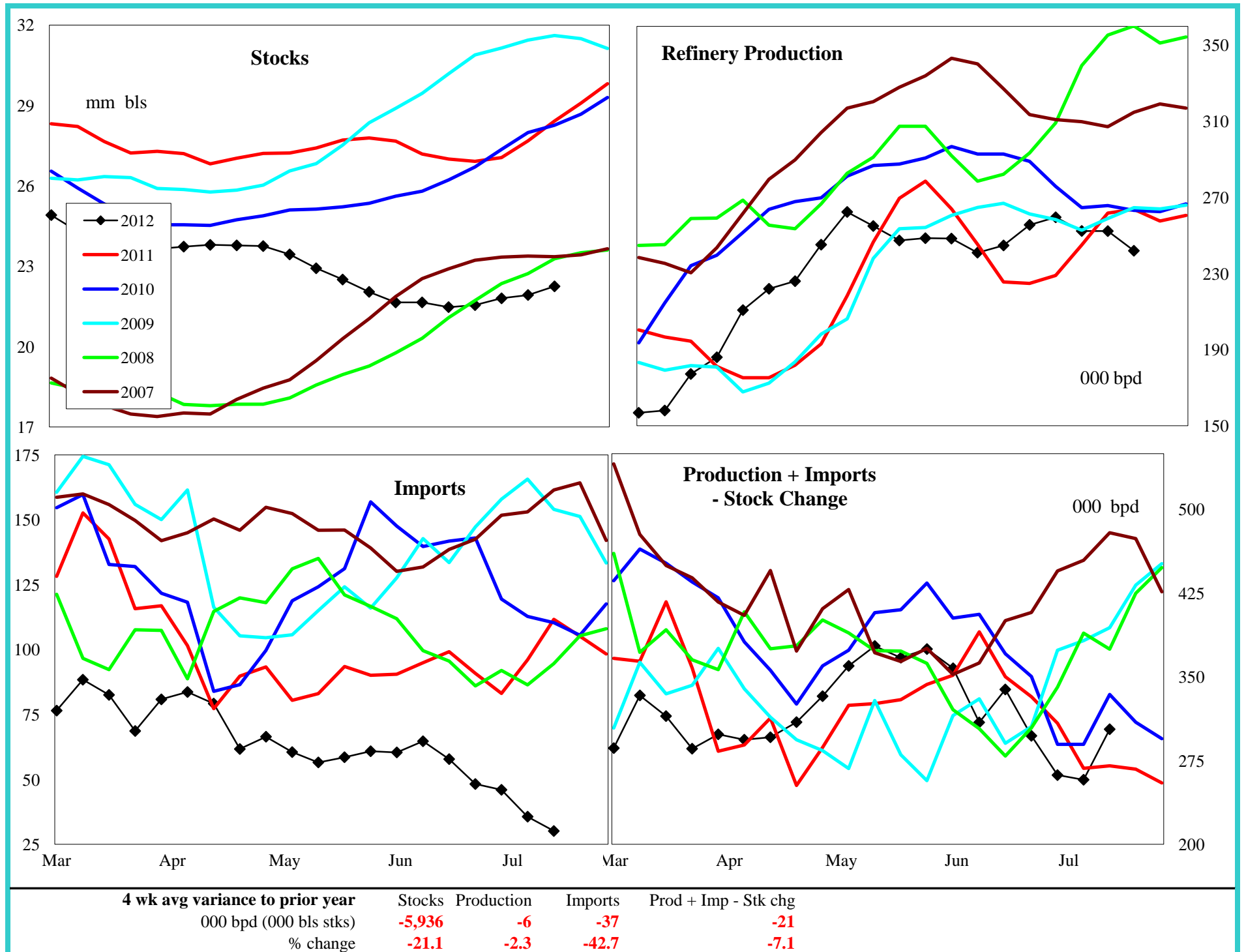
PADD 1 Distillate Supply



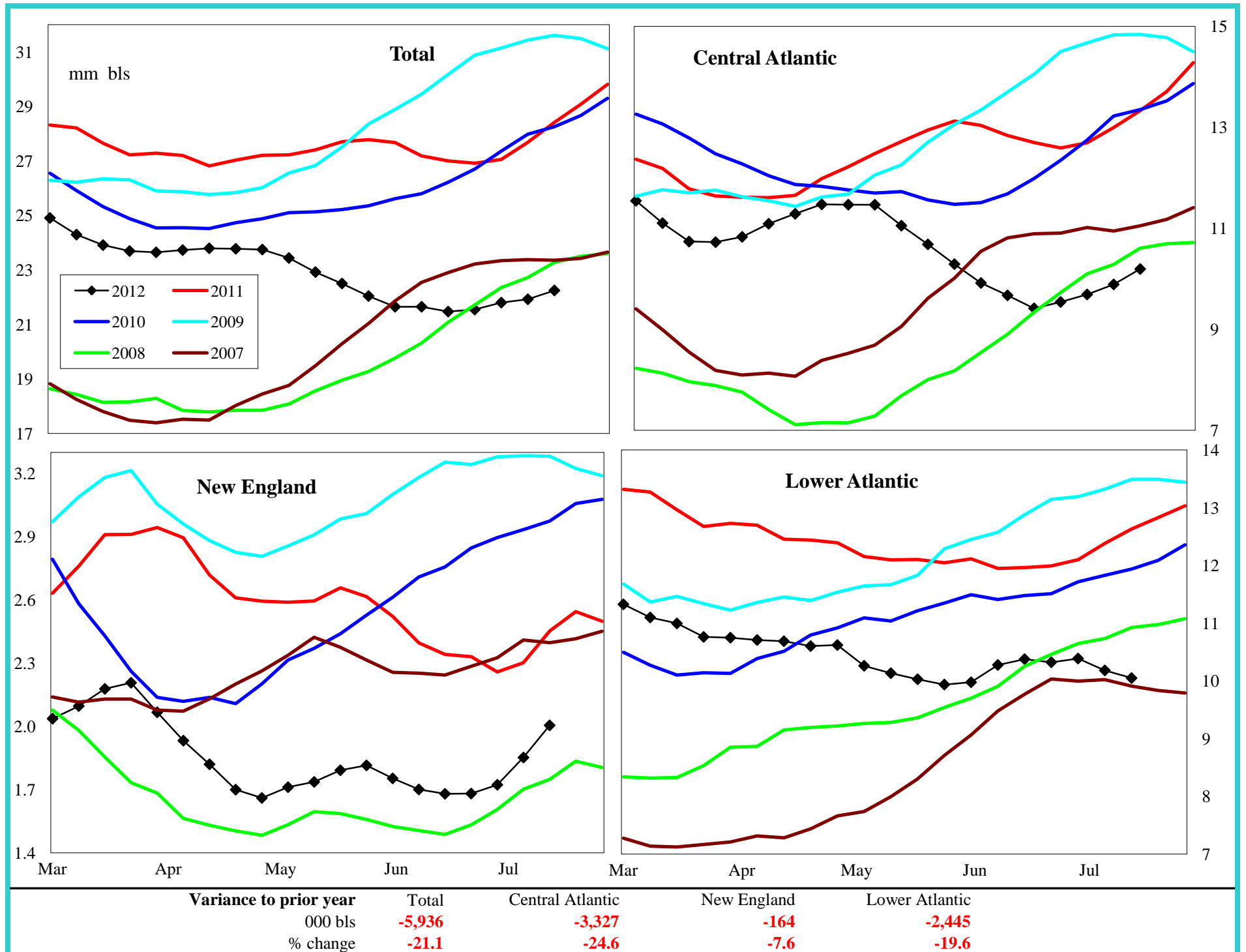
PADD 1 Distillate Stocks by Region



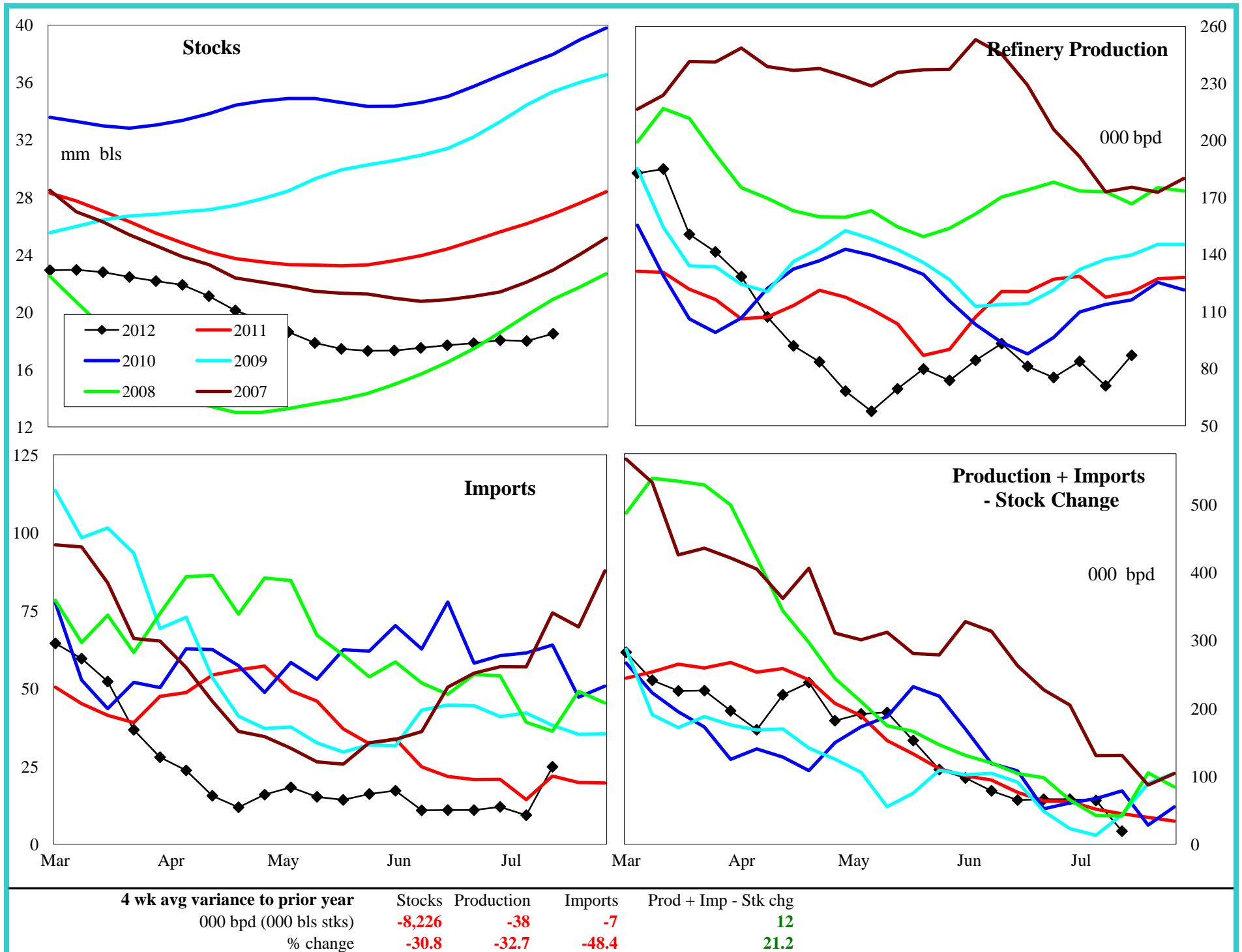
PADD 1 Low Sulfur Distillate Supply



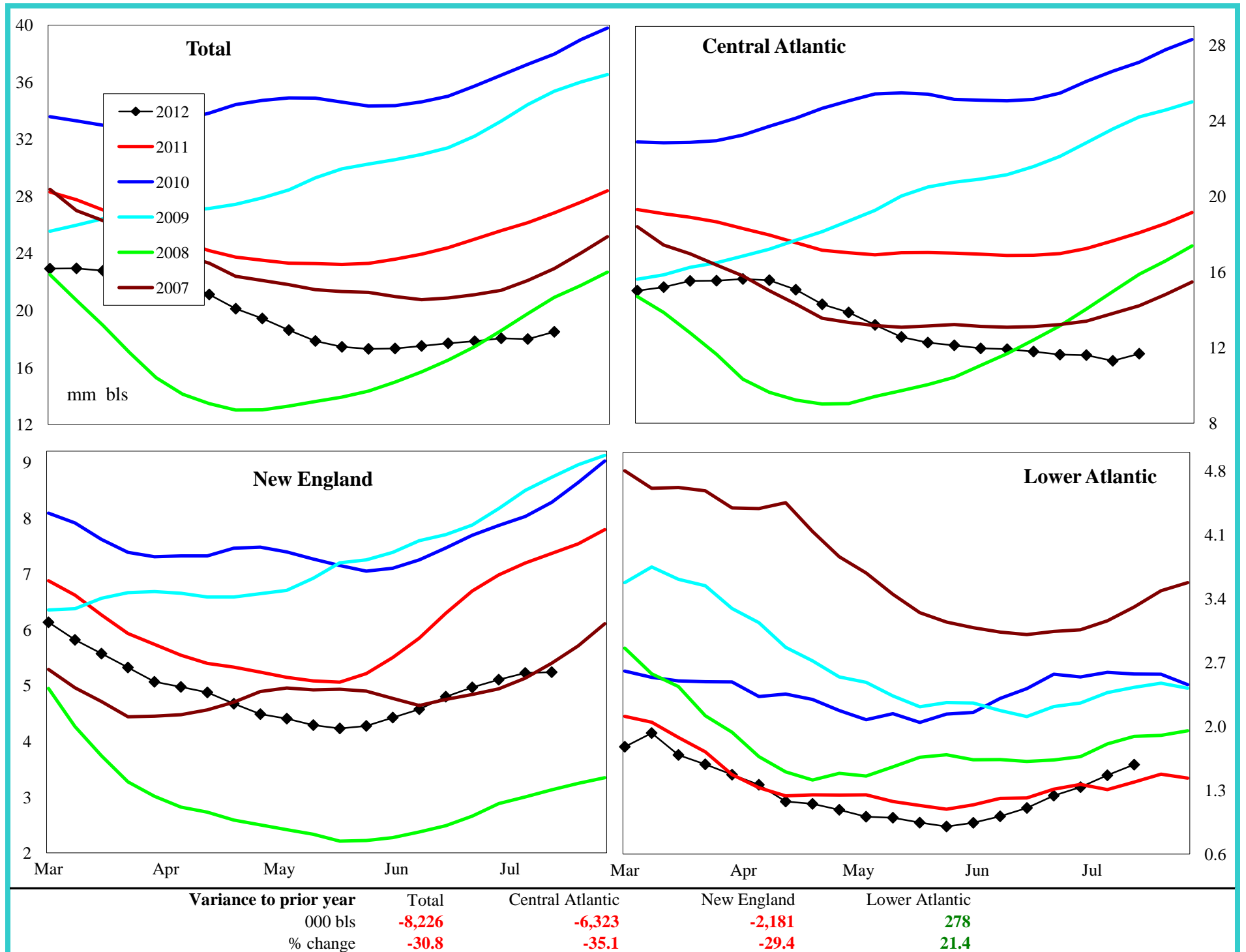
PADD 1 Low Sulfur Distillate Stocks by Region



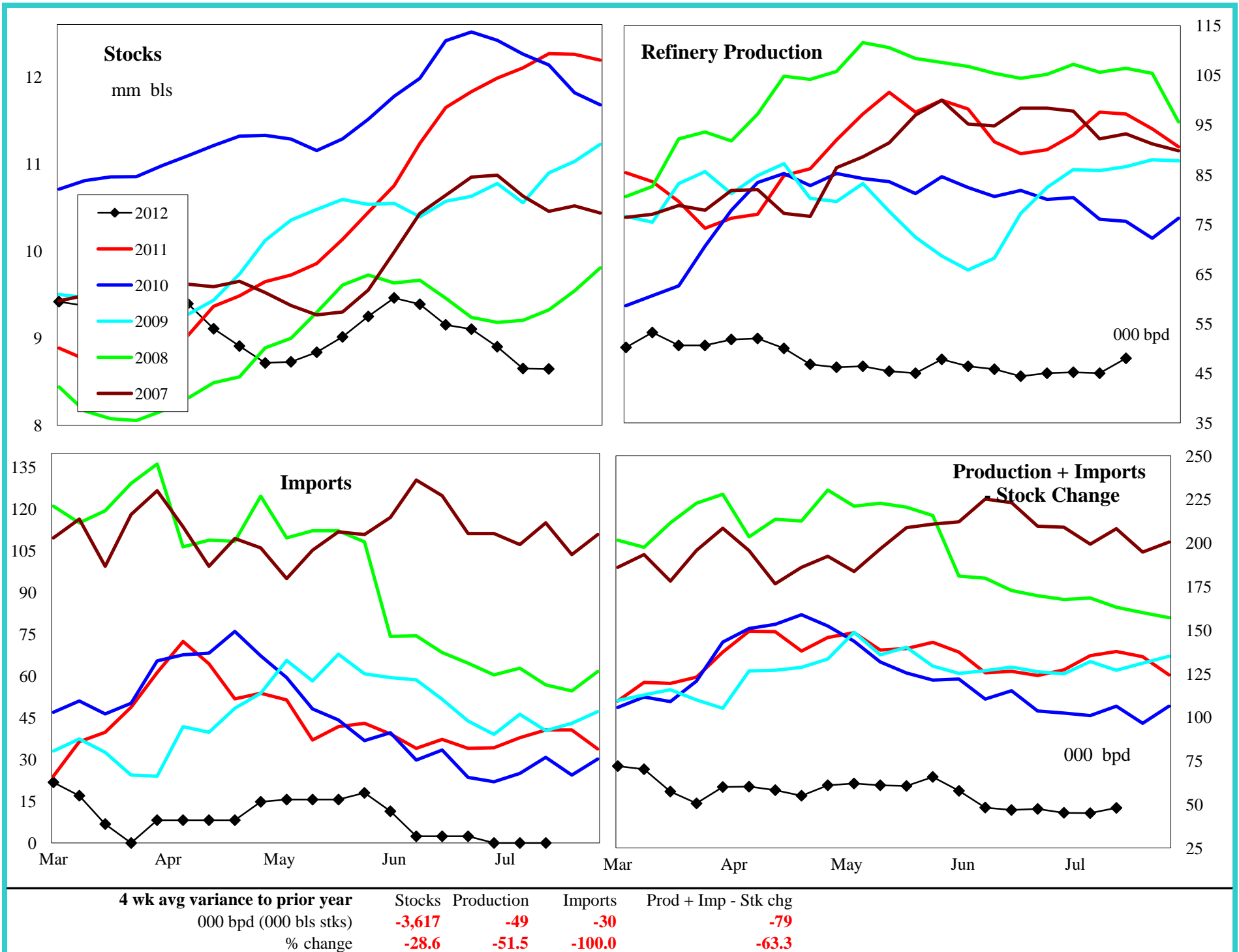
PADD 1 High Sulfur Distillate Supply



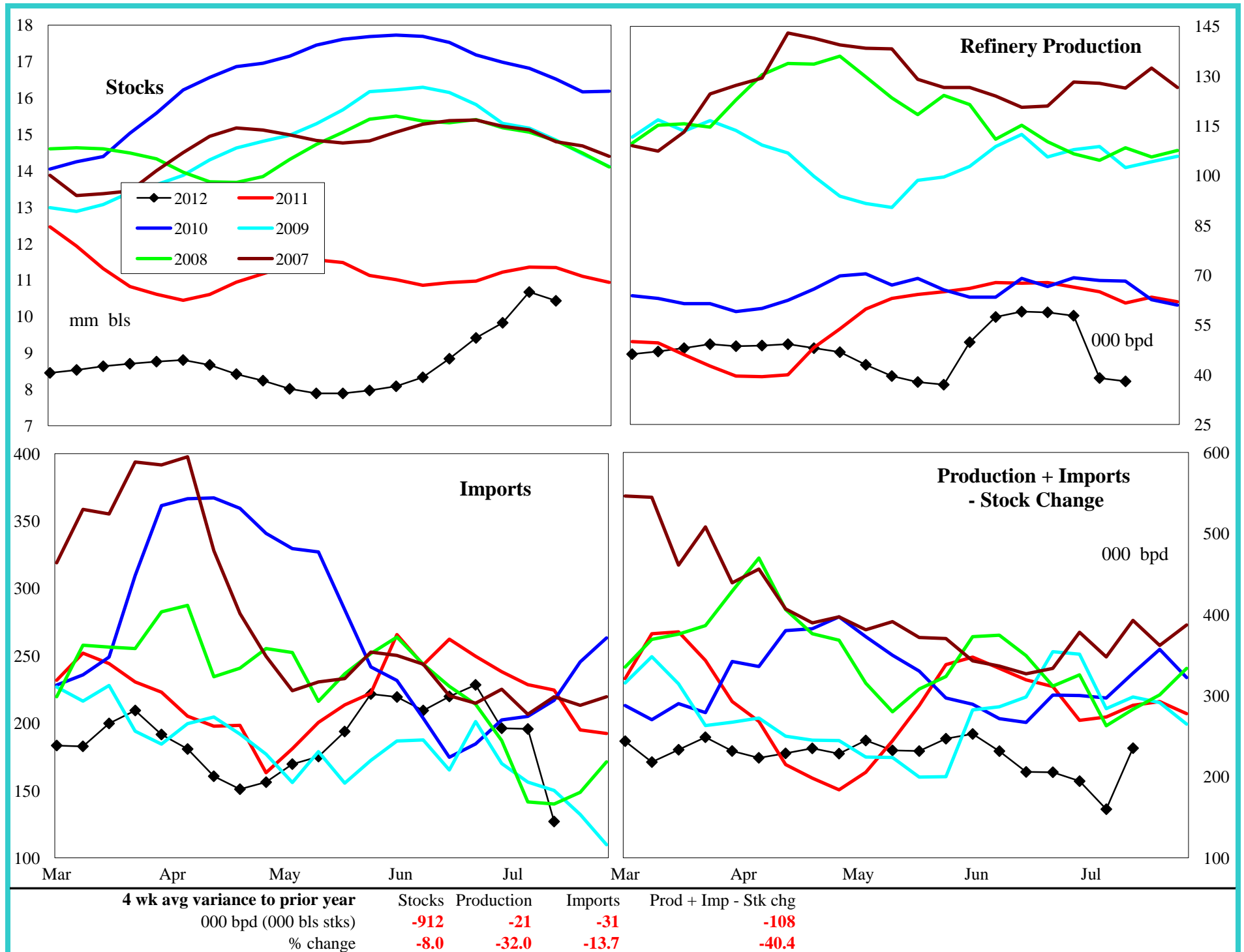
PADD 1 High Sulfur Distillate Stocks by Region



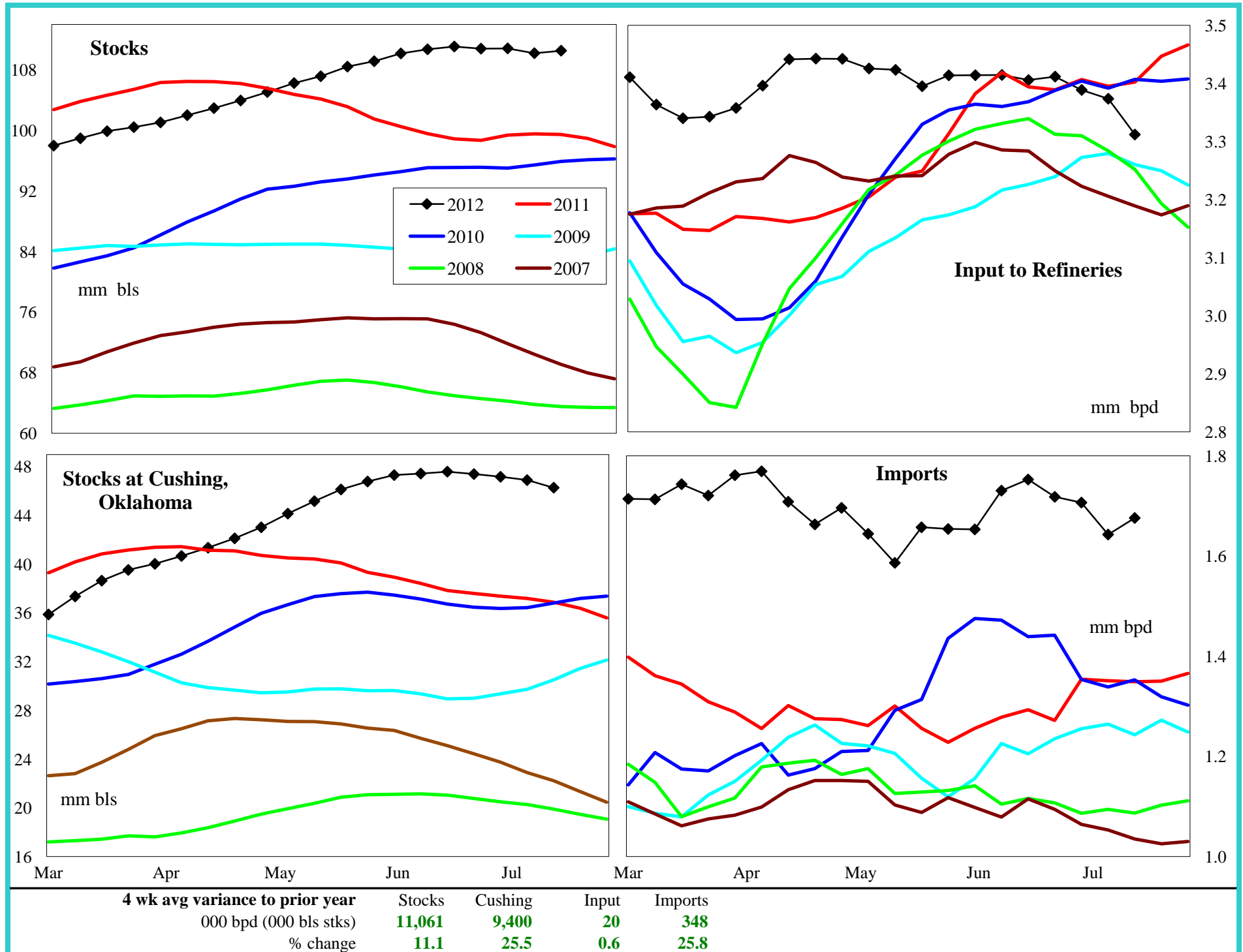
PADD 1 Jet Fuel Supply



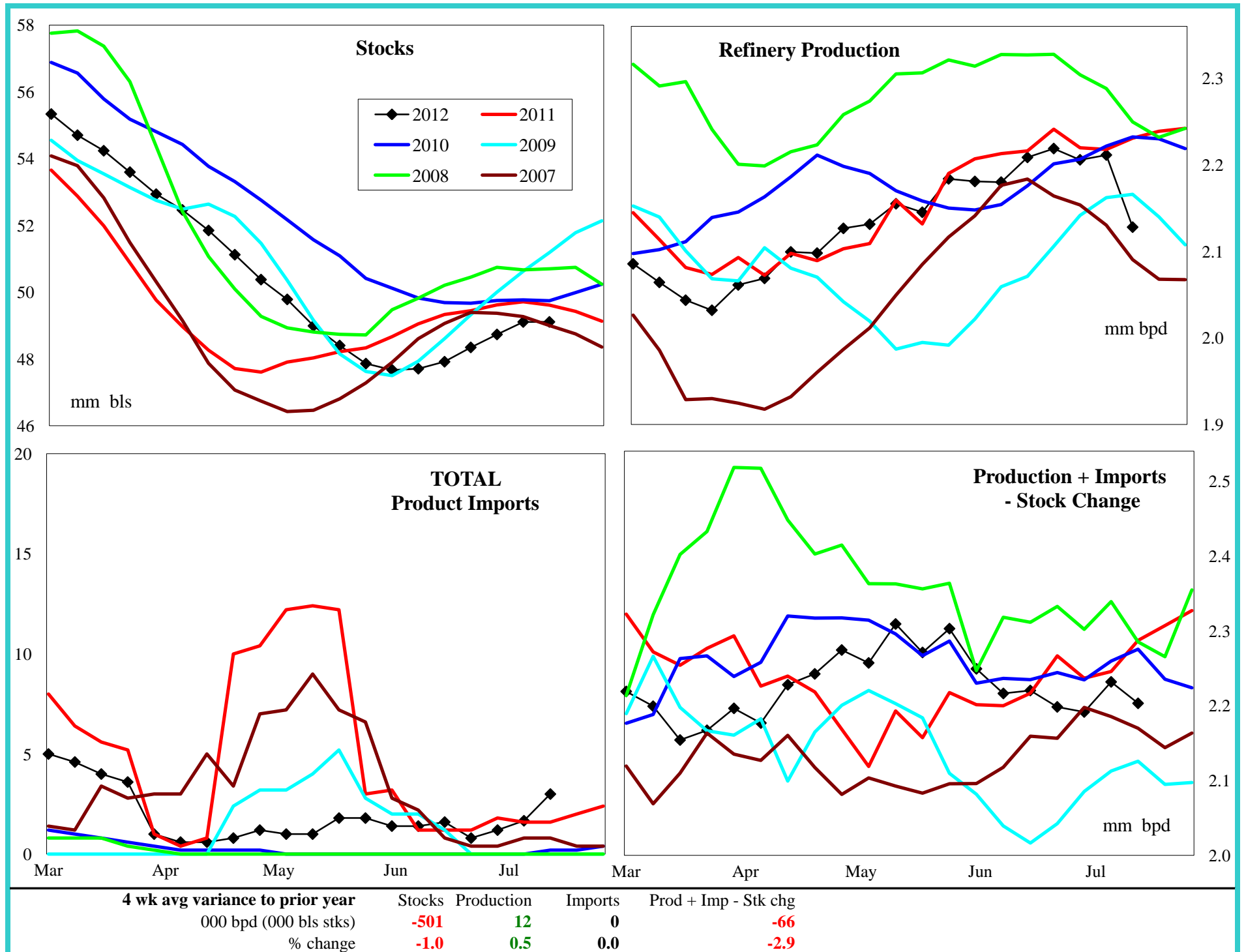
PADD 1 Residual Fuel Oil Supply



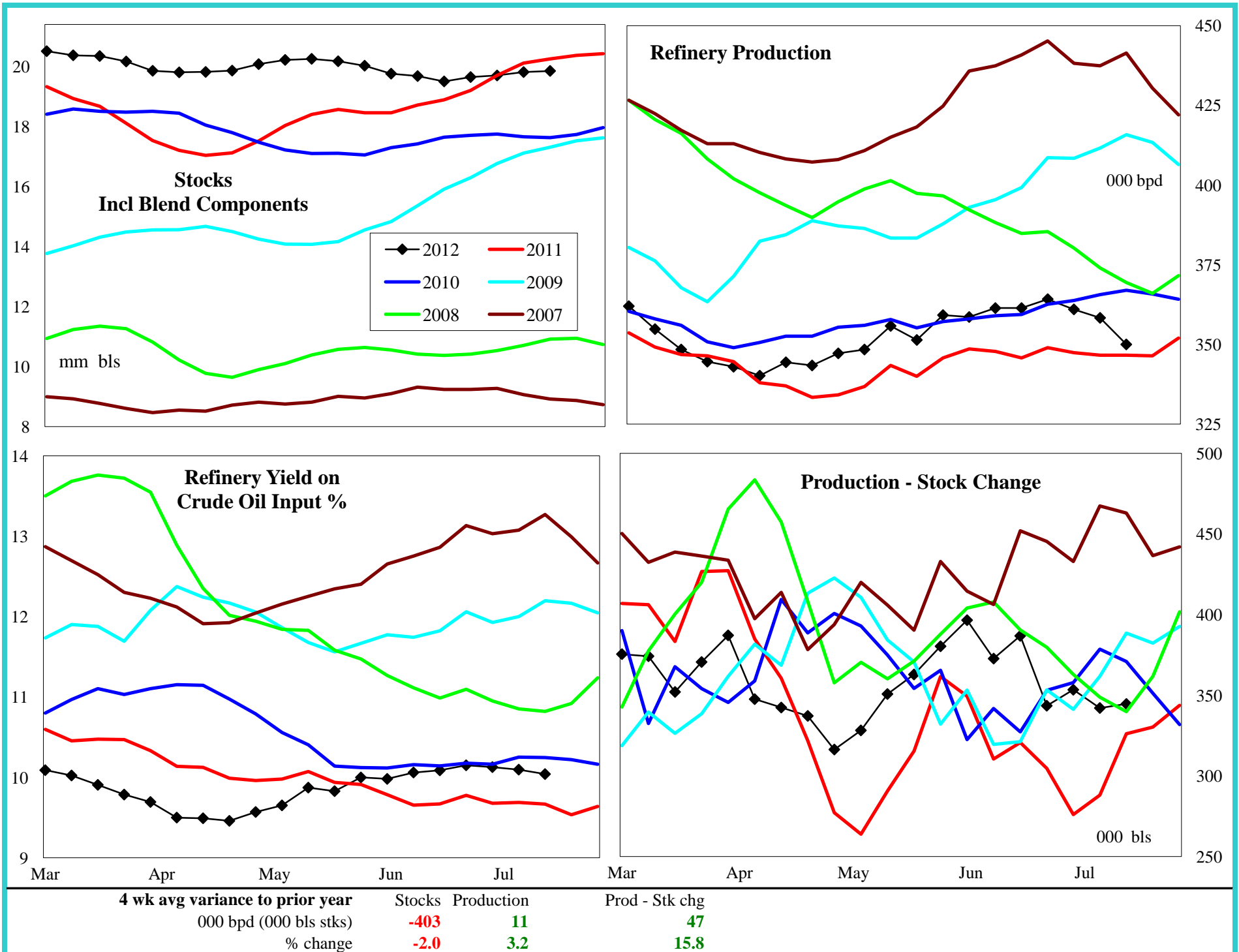
PADD 2 Crude Oil Supply and Refining



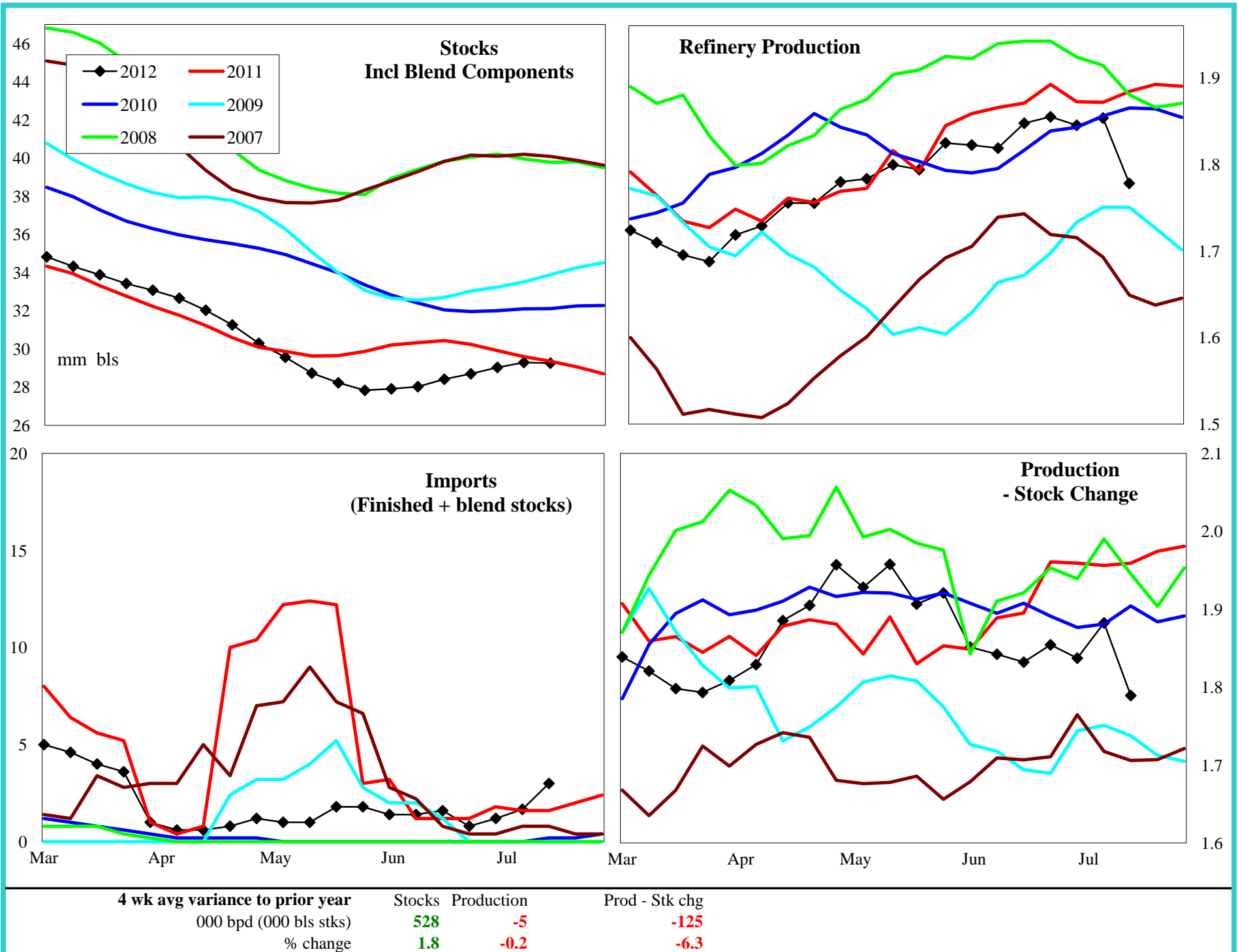
PADD 2 Gasoline Supply



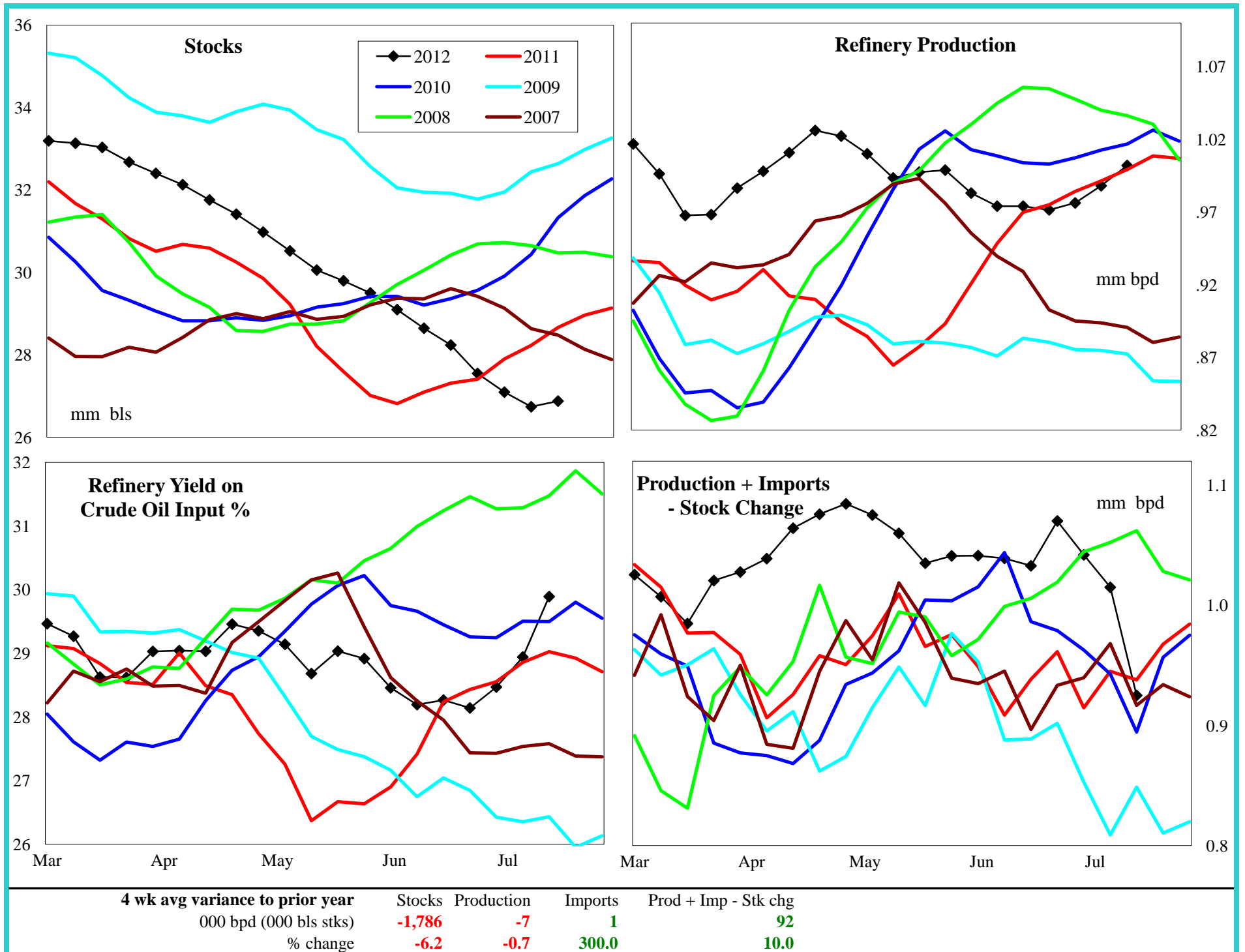
PADD 2 Reformulated Gasoline Supply



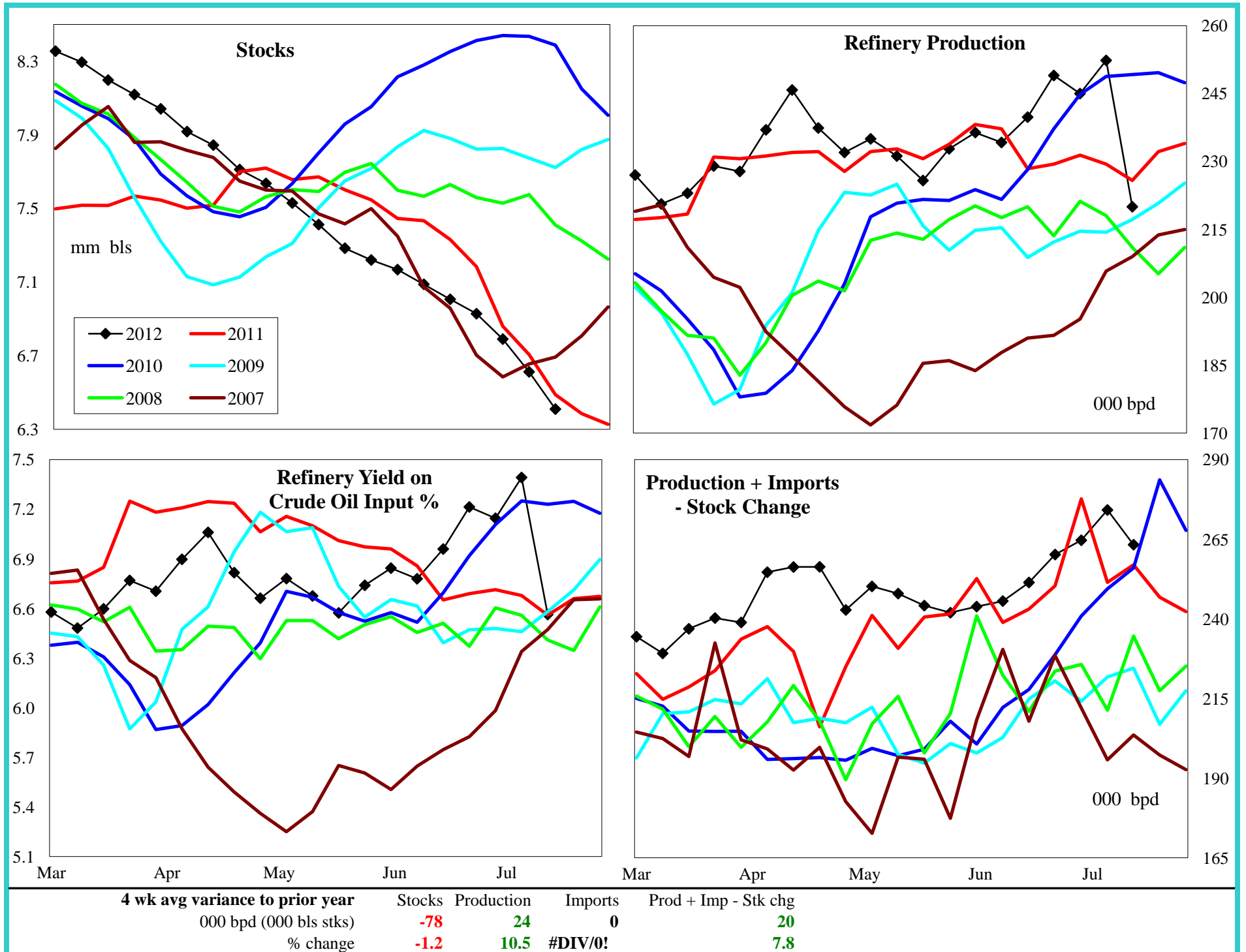
PADD 2 Conventional Gasoline Supply



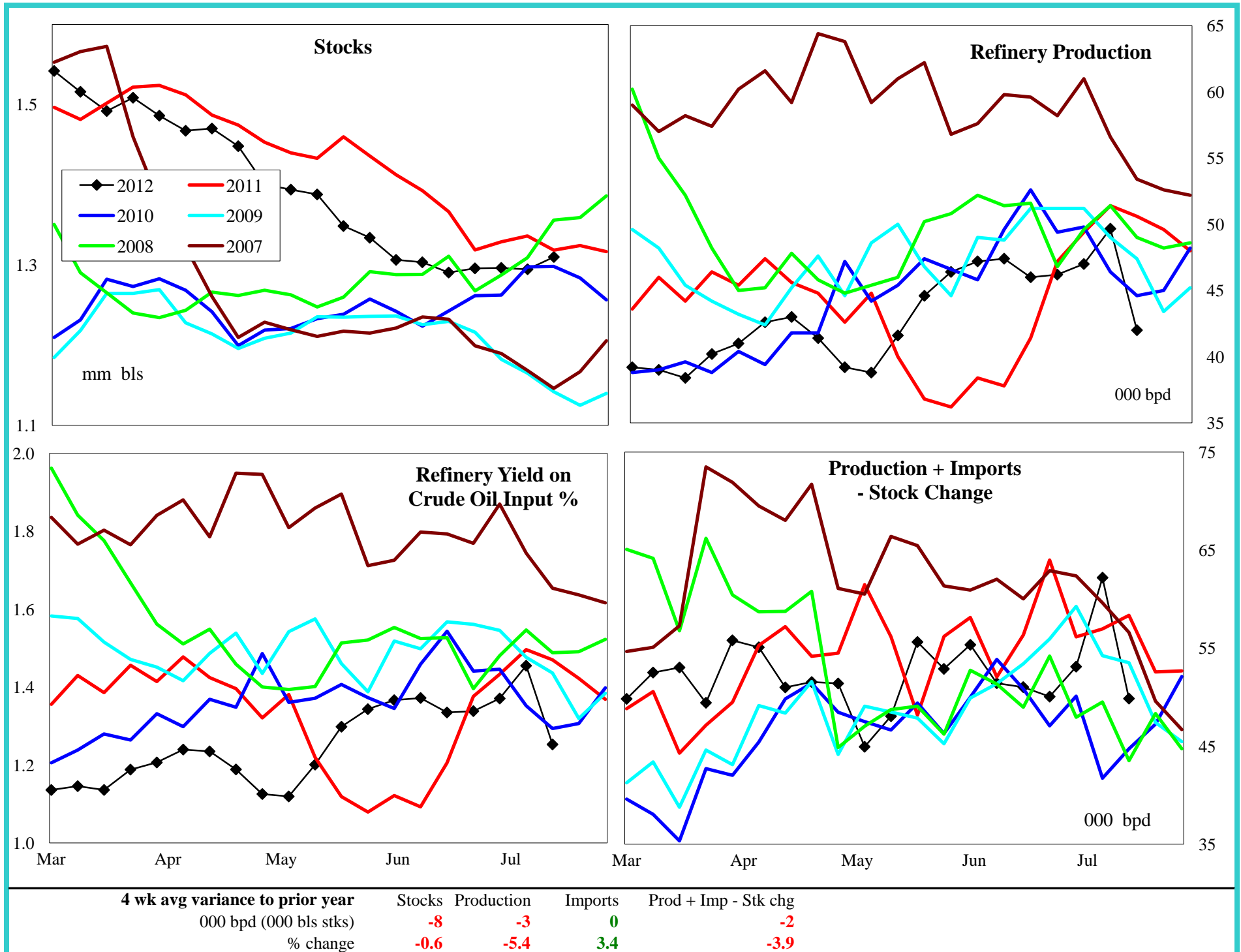
PADD 2 Distillate Supply



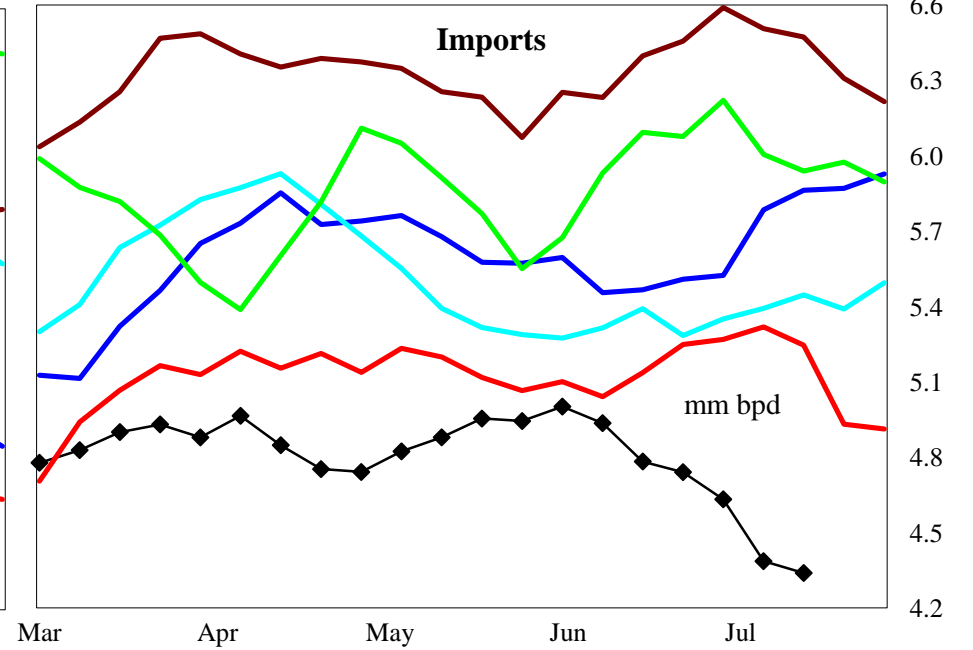
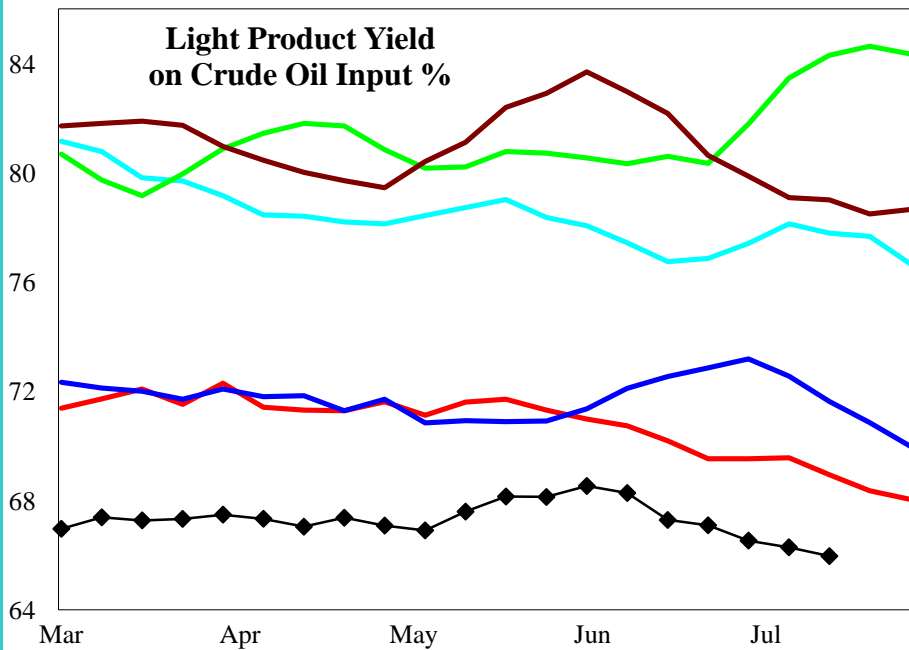
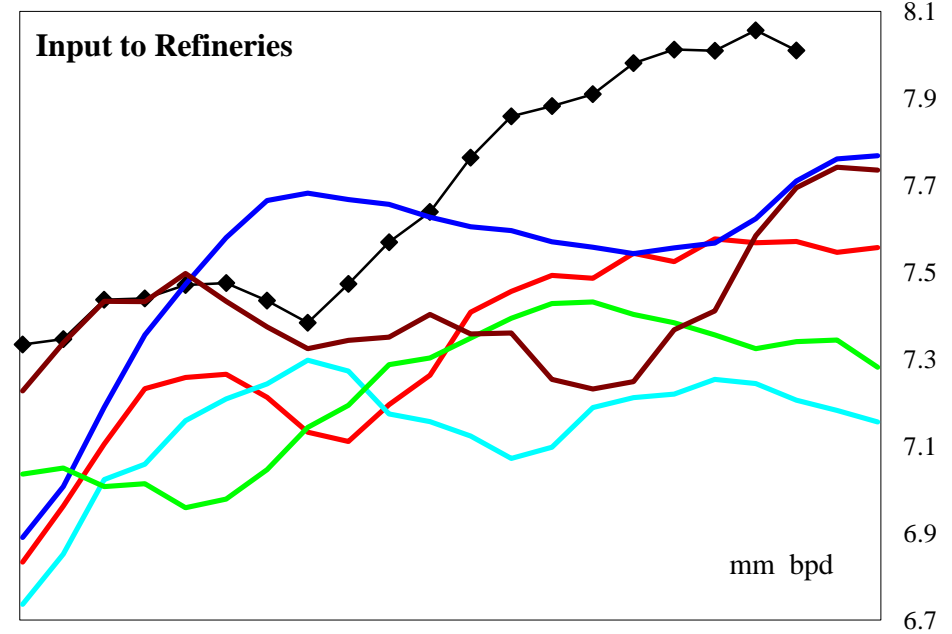
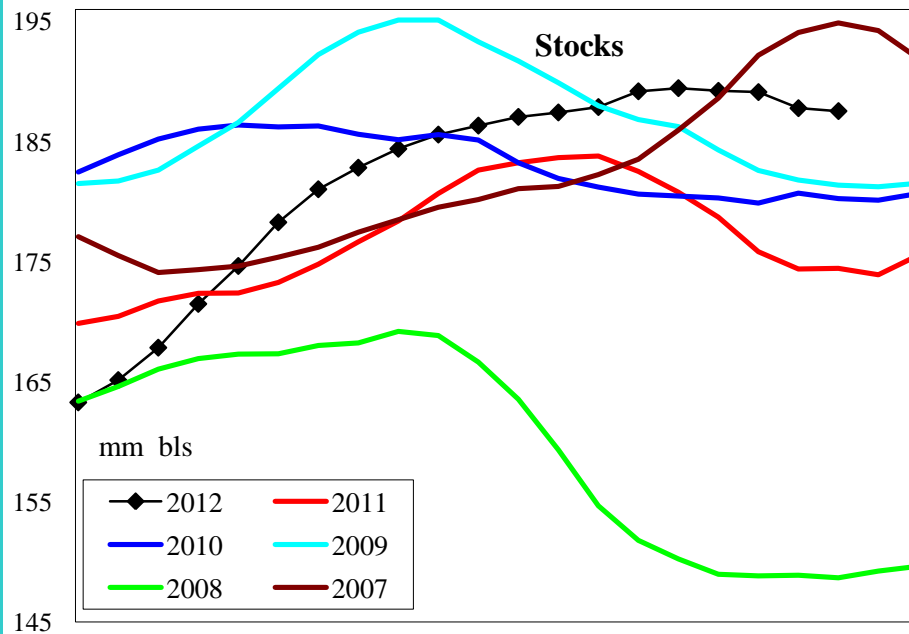
PADD 2 Jet Fuel Supply



PADD 2 Residual Fuel Oil Supply



PADD 3 Crude Oil Supply and Refining



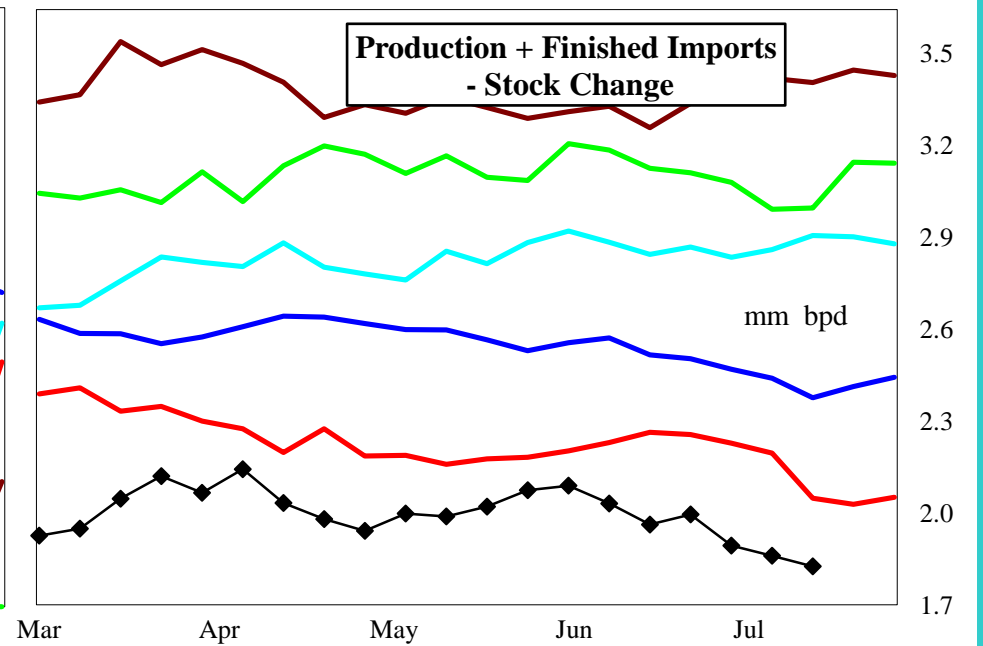
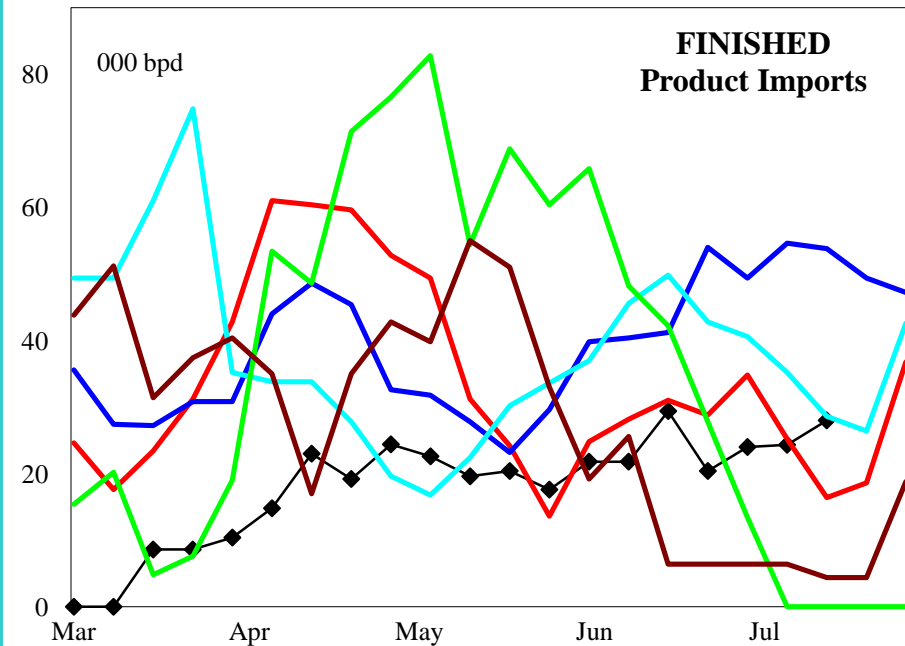
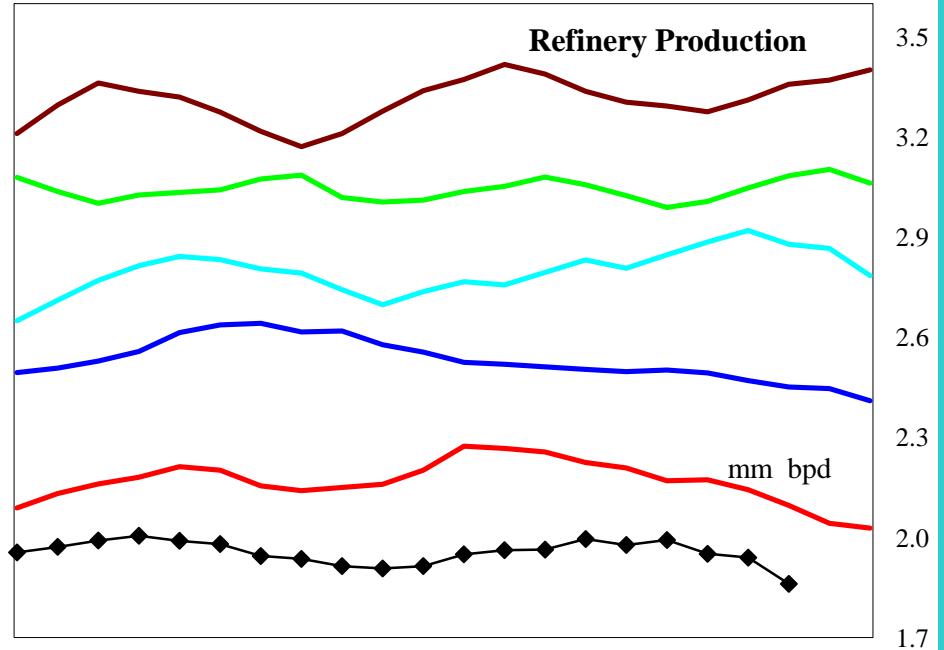
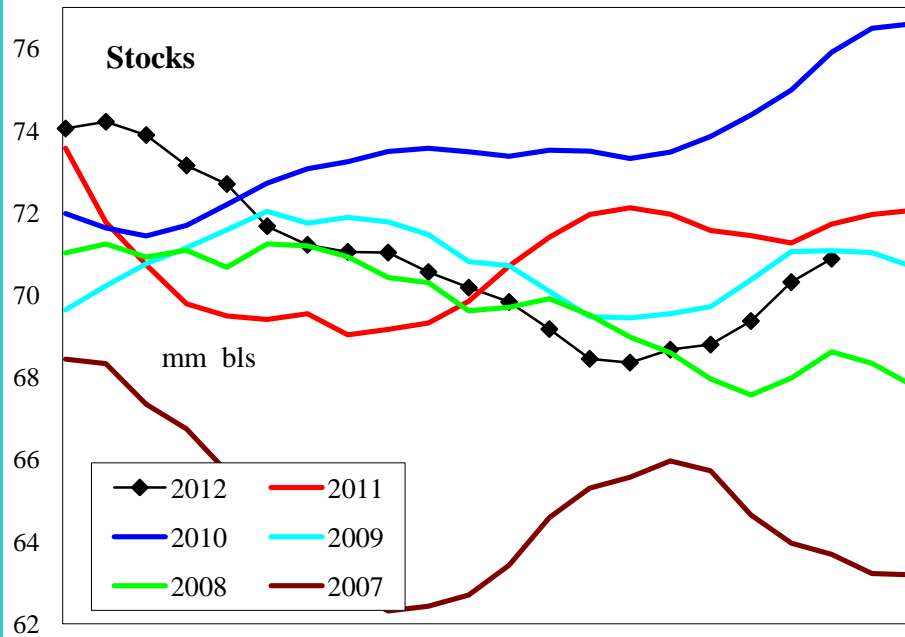
4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

Stocks
13,087
7.5

Input
400
5.3

Imports
-843
-15.8

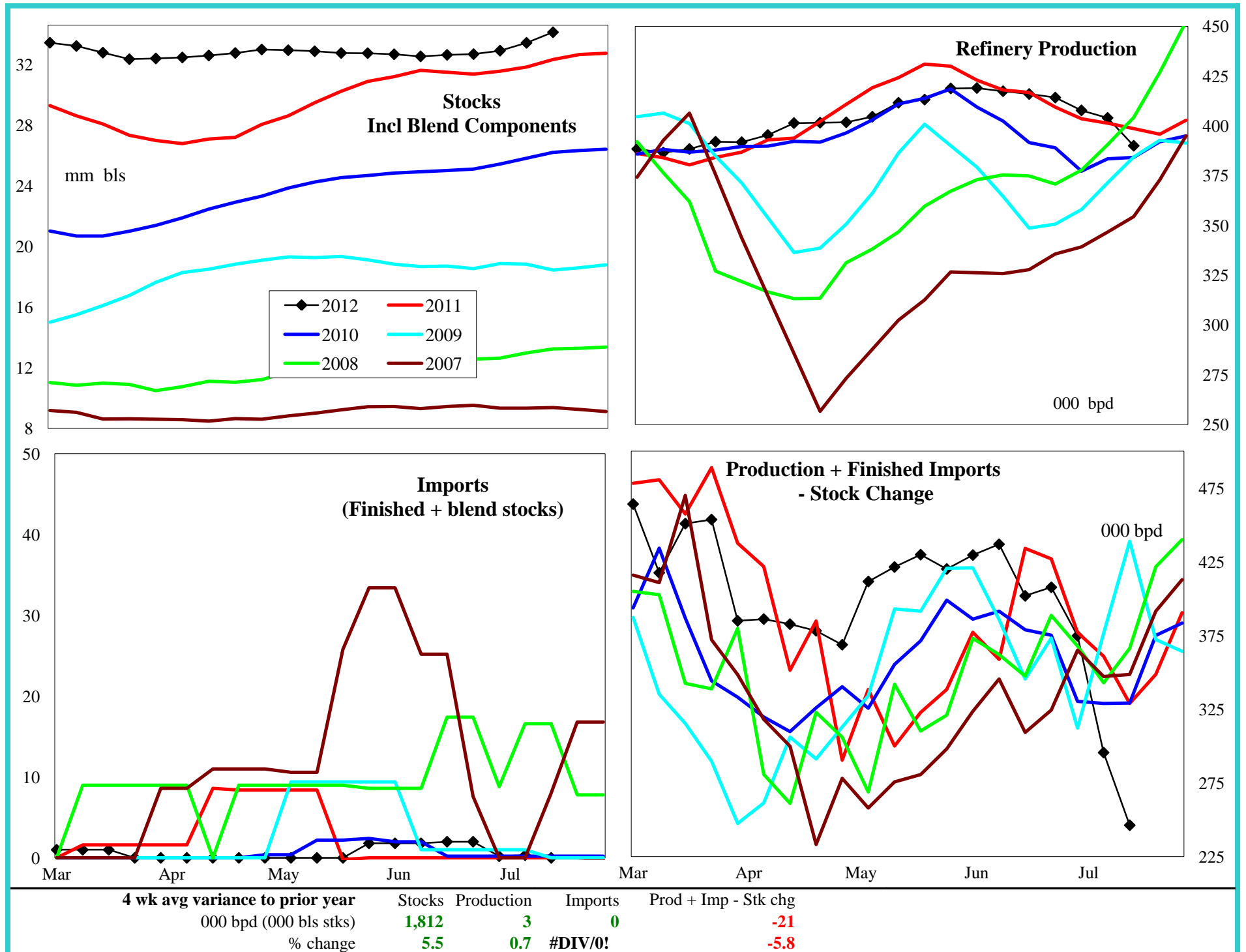
PADD 3 Gasoline Supply



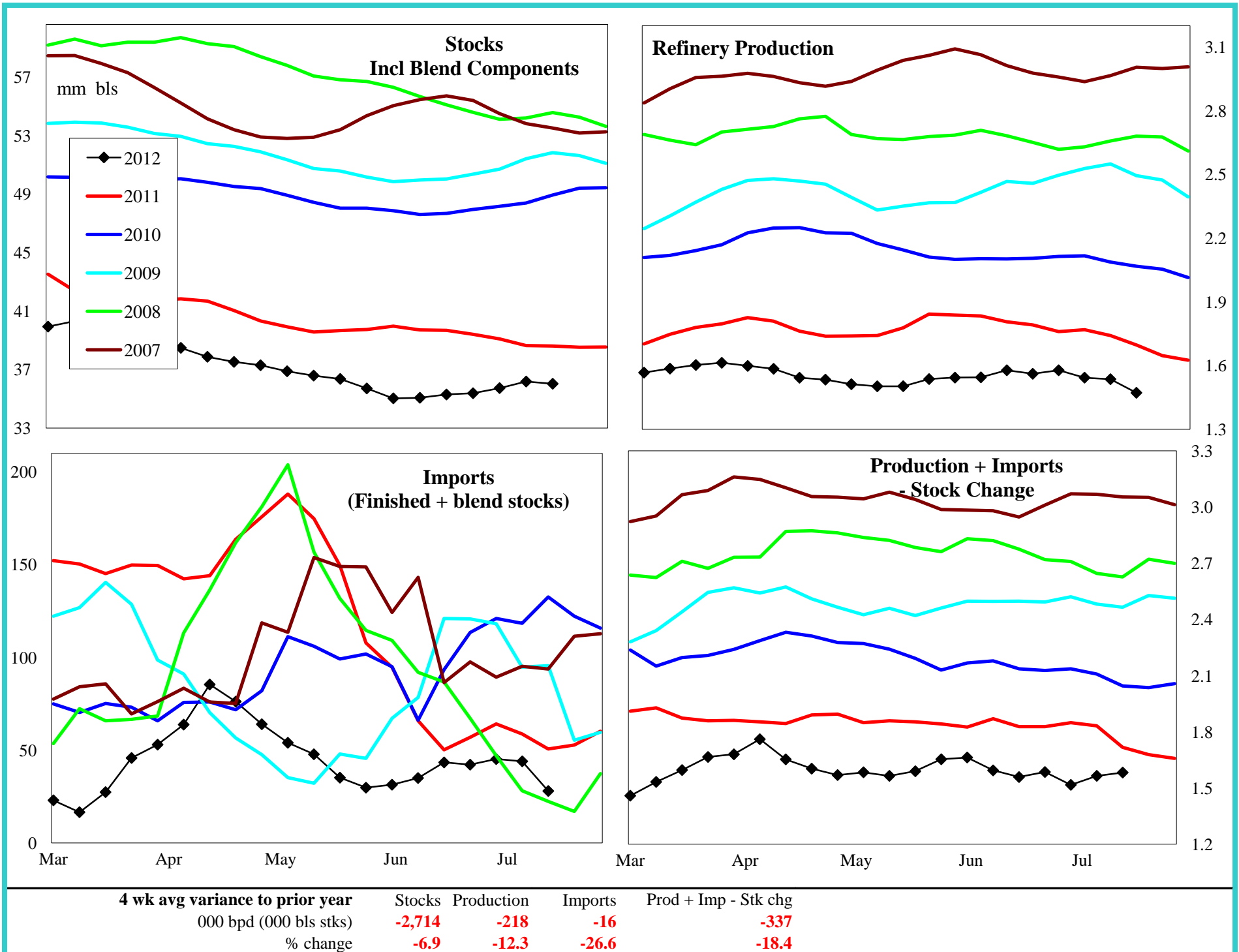
4 wk avg variance to prior year
 000 bpd (000 bbls stks)
 % change

Stocks	Production	Fin Impt	Blend Impt	Prod + Imp - Stk chg
-969	-216	-10	-6	-357
-1.3	-9.9	-35.4	-18.3	-16.2

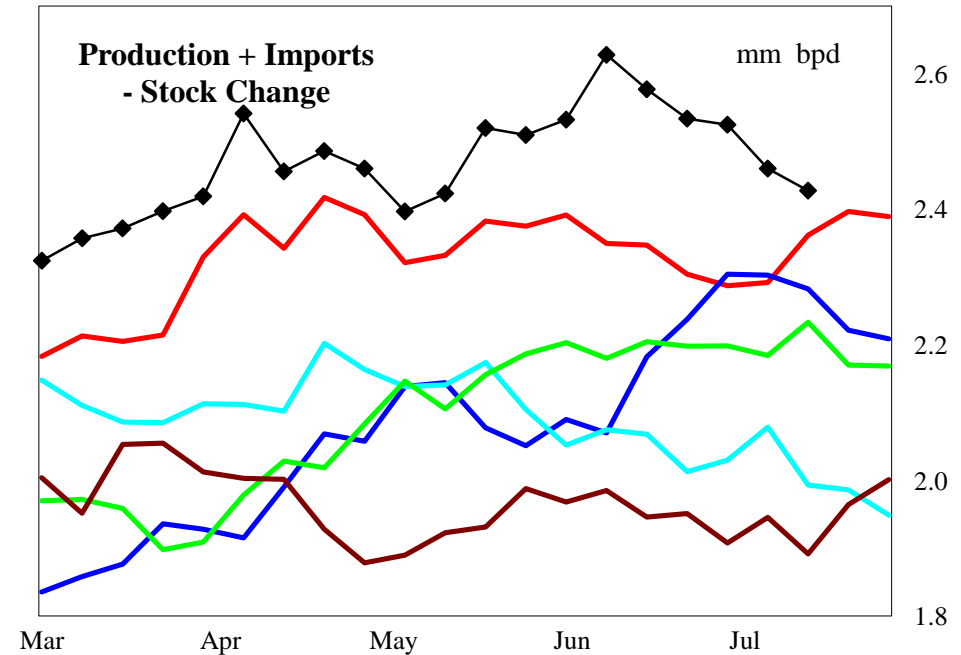
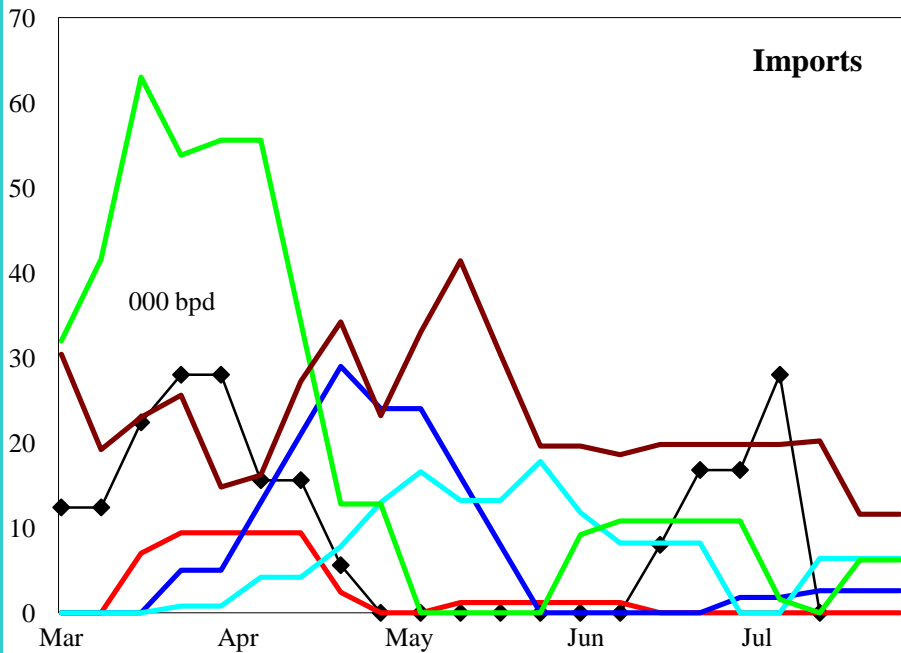
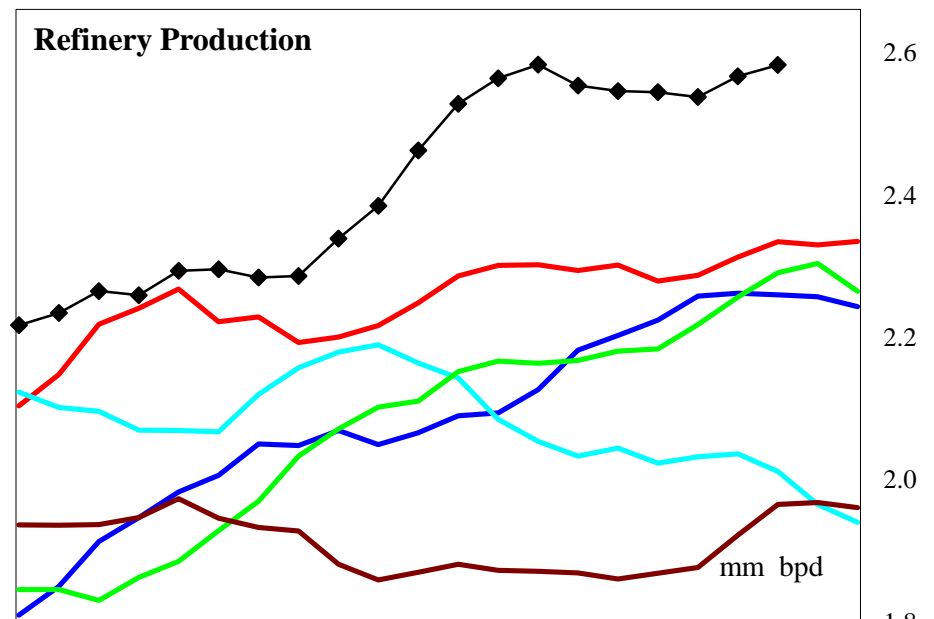
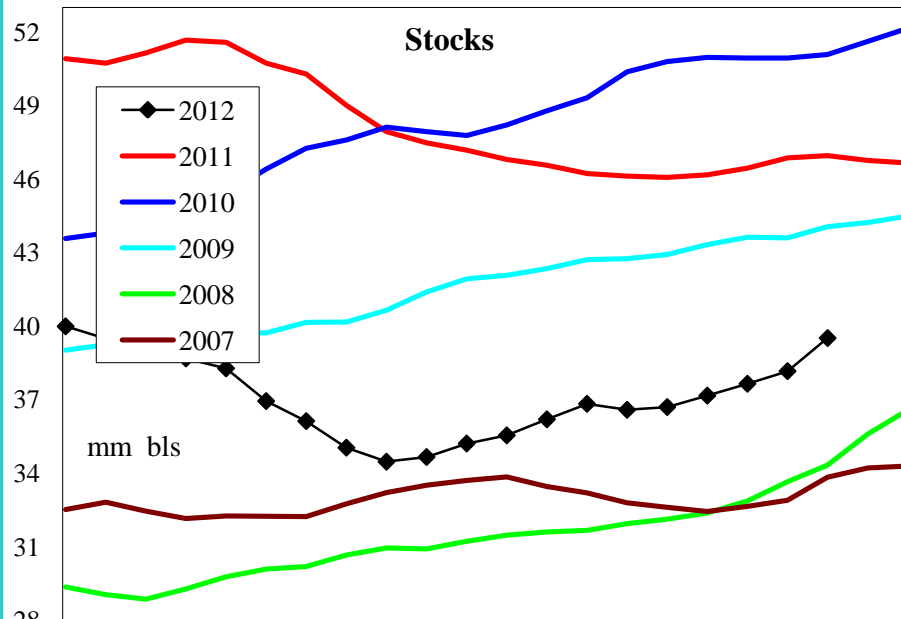
PADD 3 Reformulated Gasoline Supply



PADD 3 Conventional Gasoline Supply



PADD 3 Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-7,882

-16.6

Production

215

9.1

Imports

21

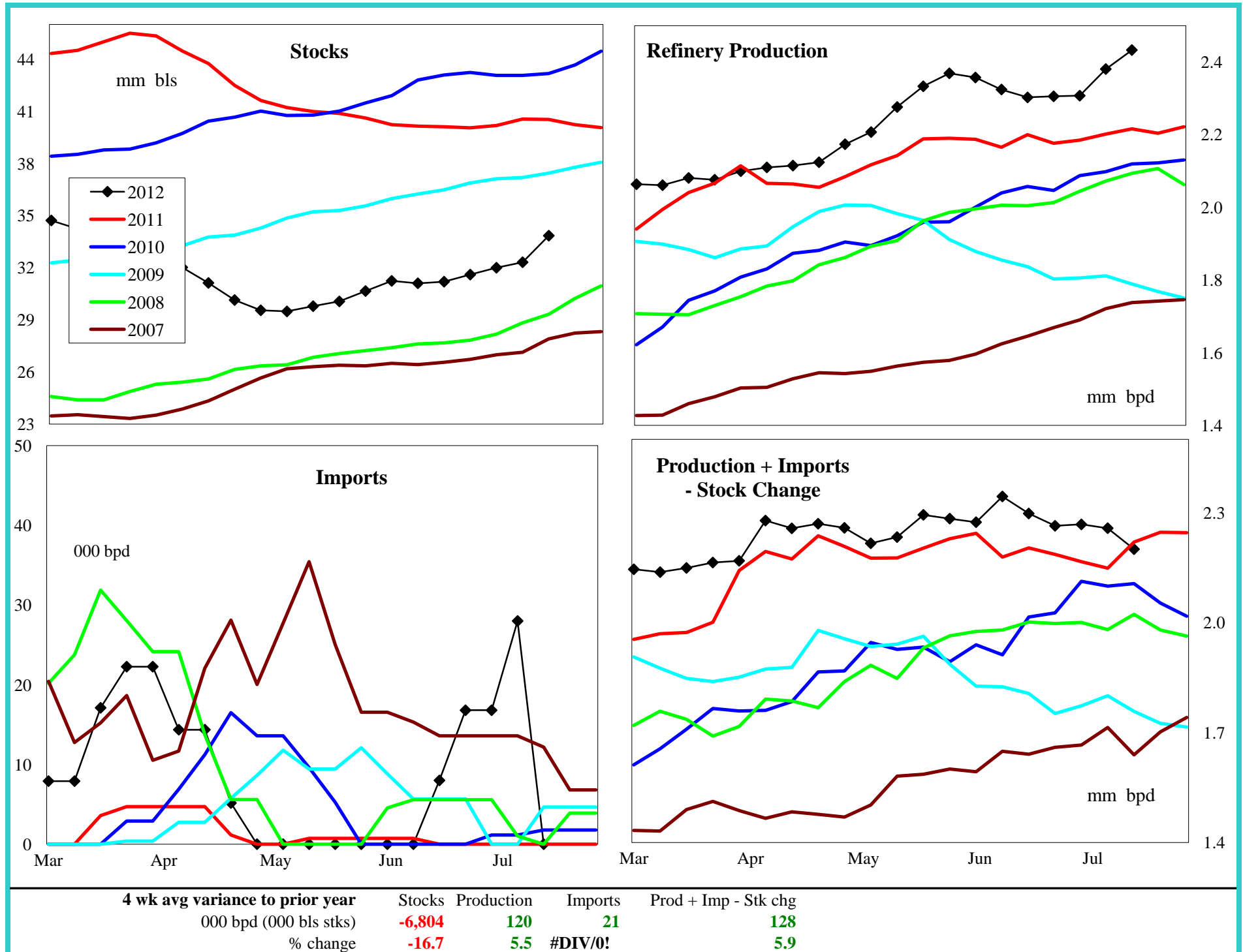
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Prod + Imp - Stk chg

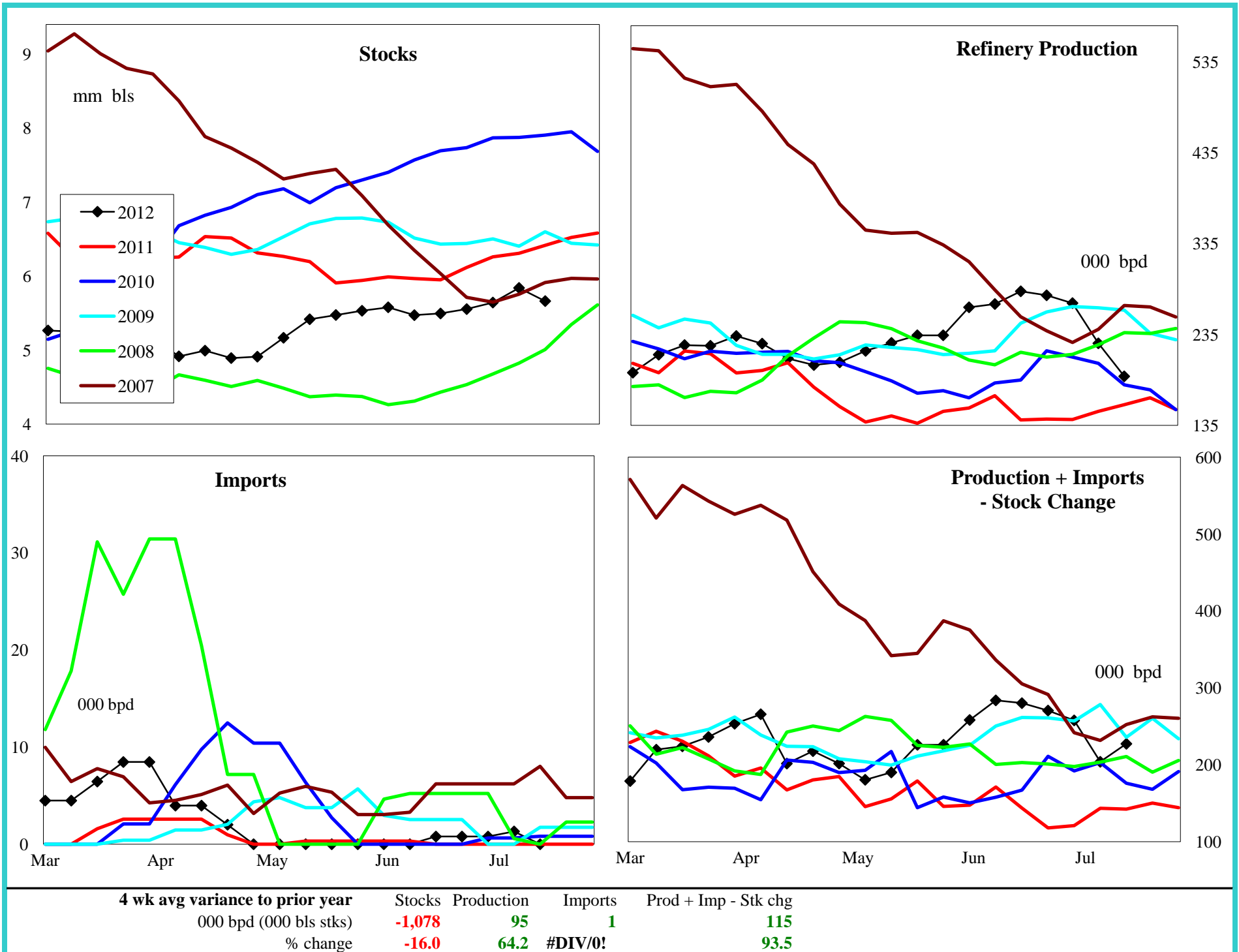
242

10.6

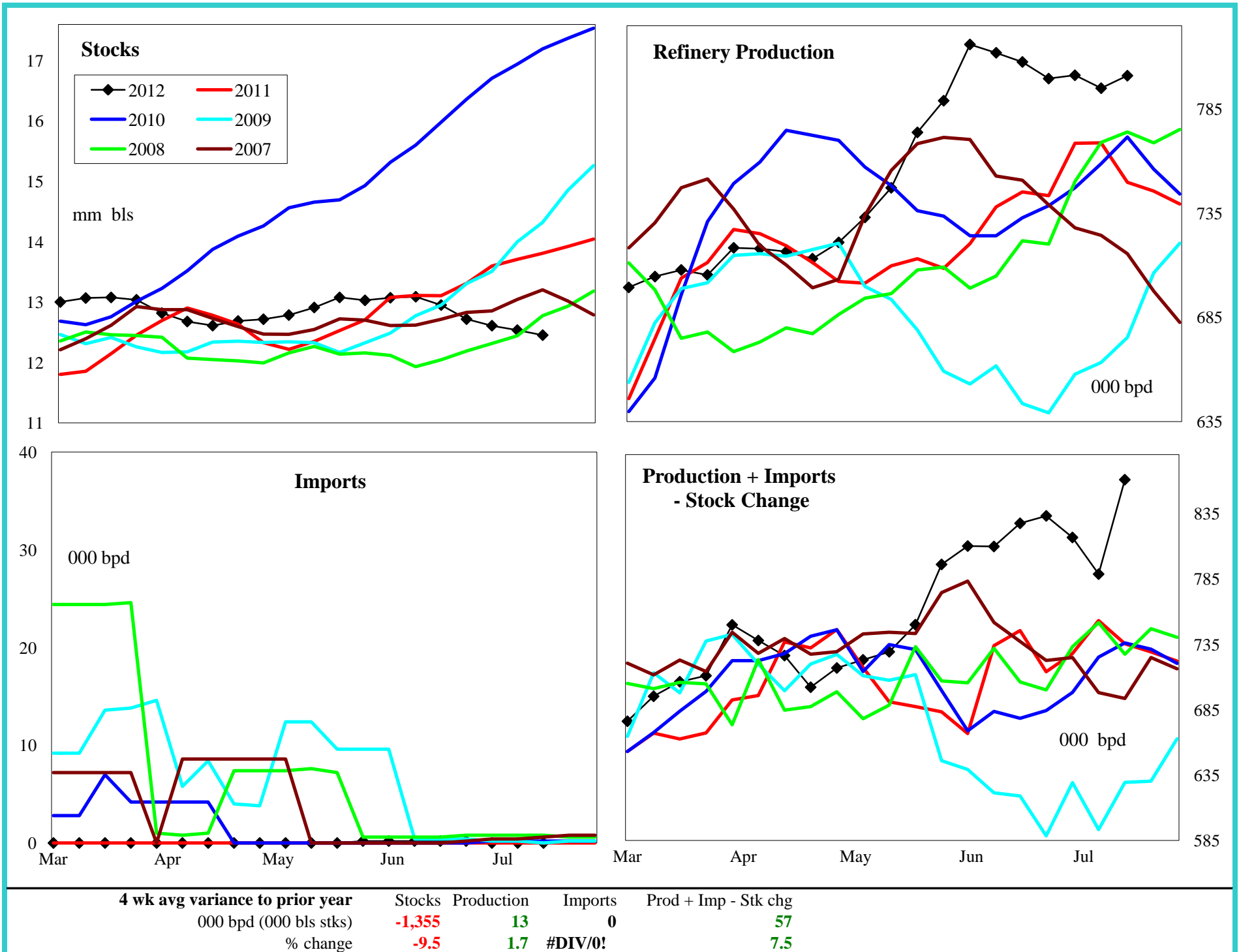
PADD 3 Low Sulfur Distillate Supply



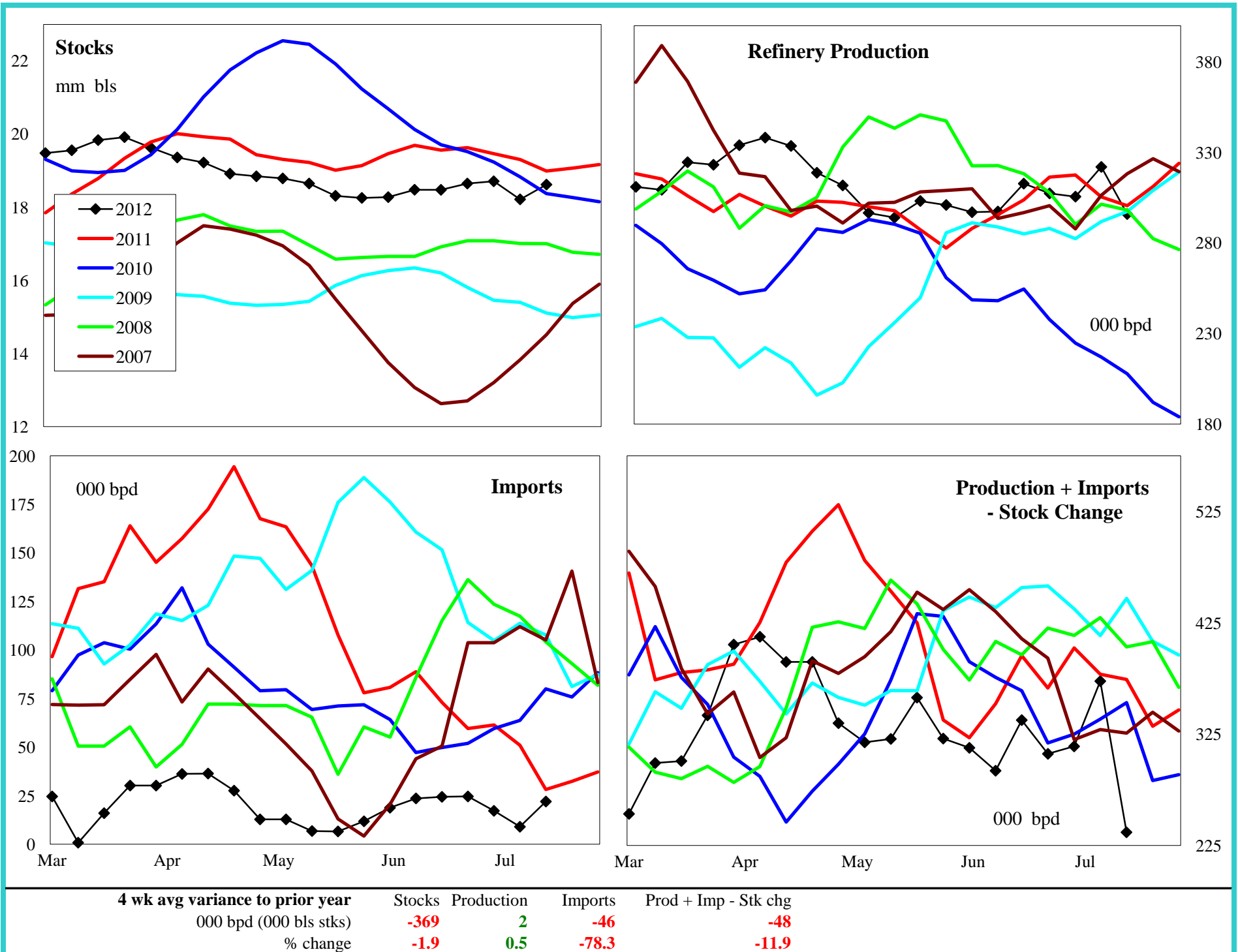
PADD 3 High Sulfur Distillate Supply



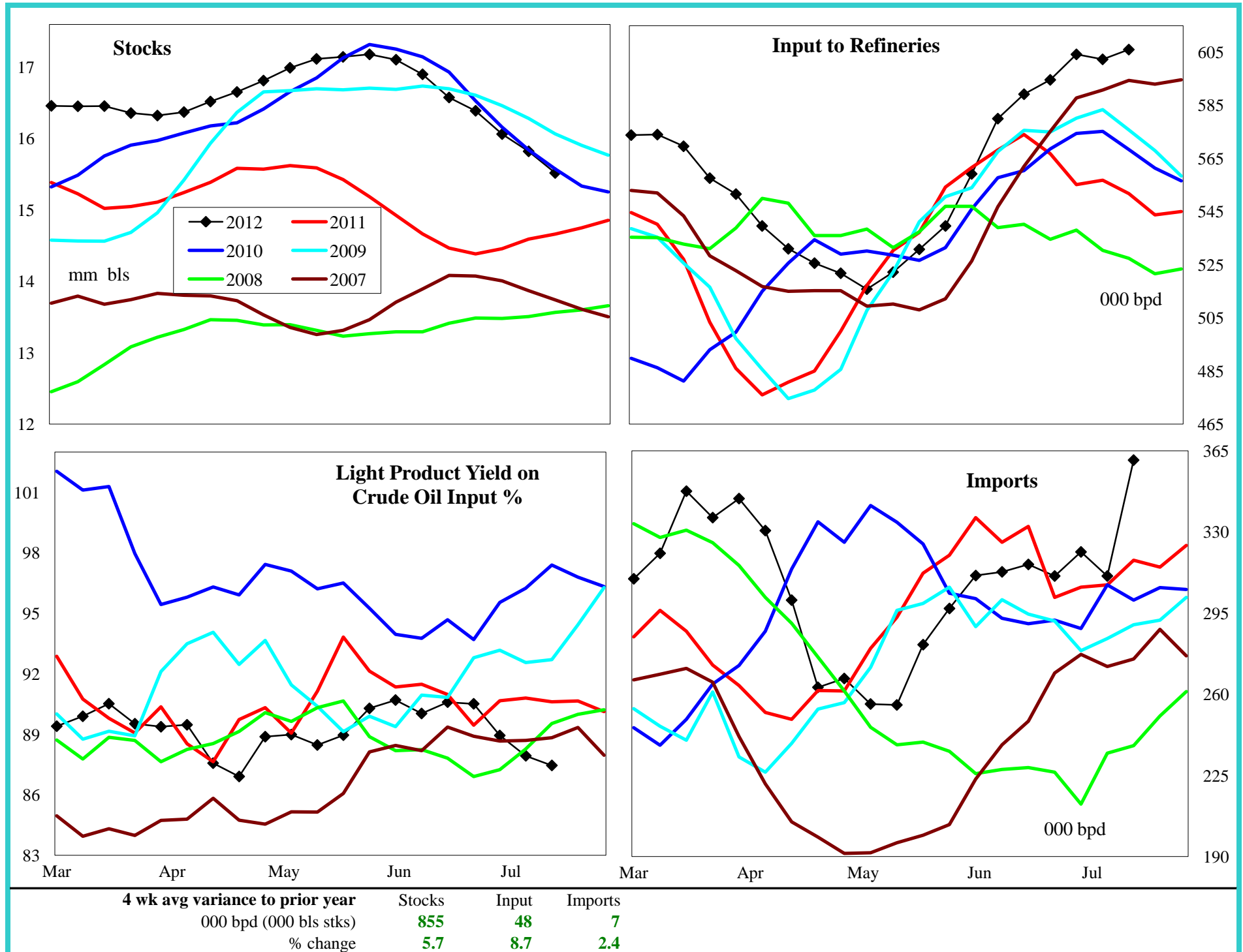
PADD 3 Jet Fuel Supply



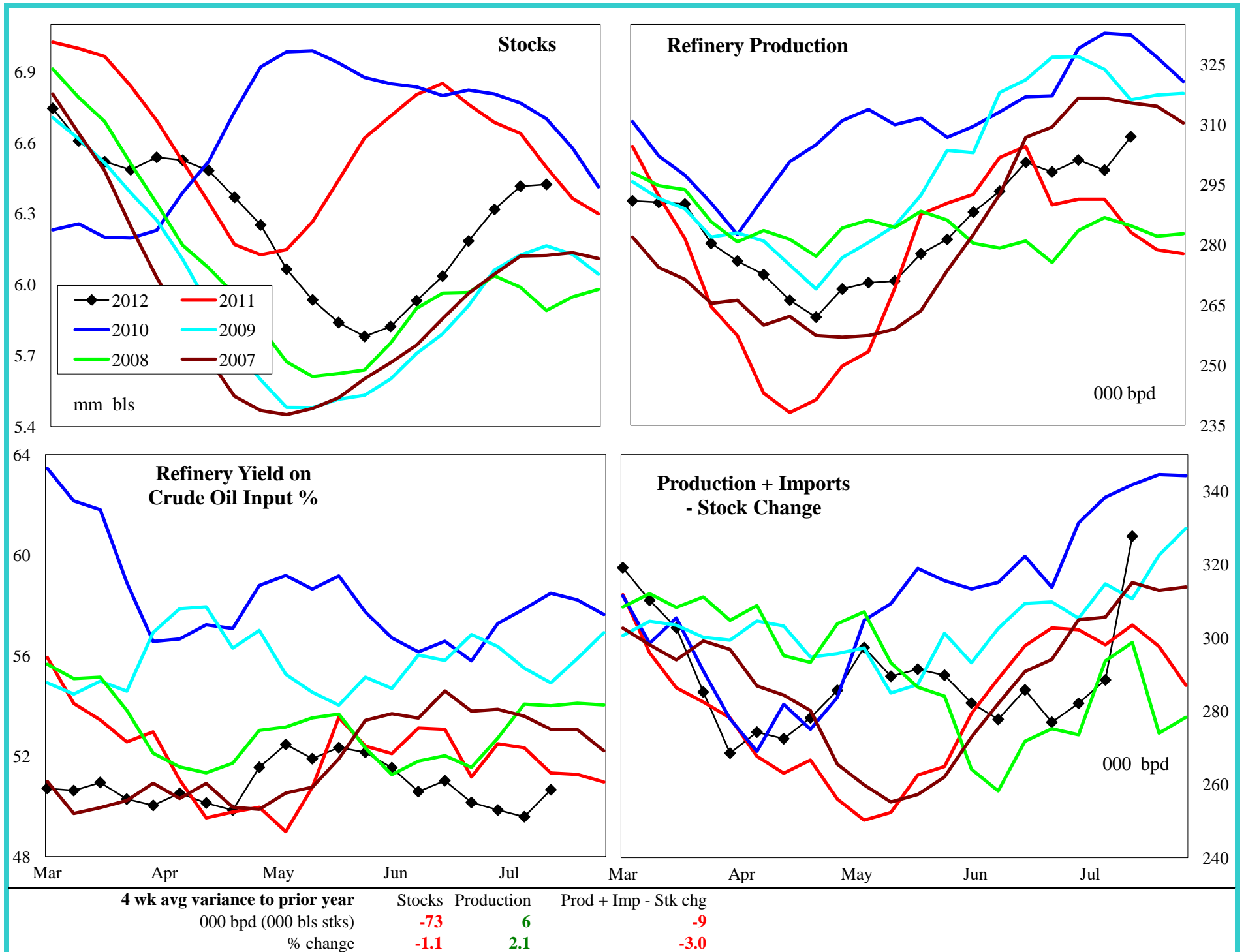
PADD 3 Residual Fuel Oil Supply



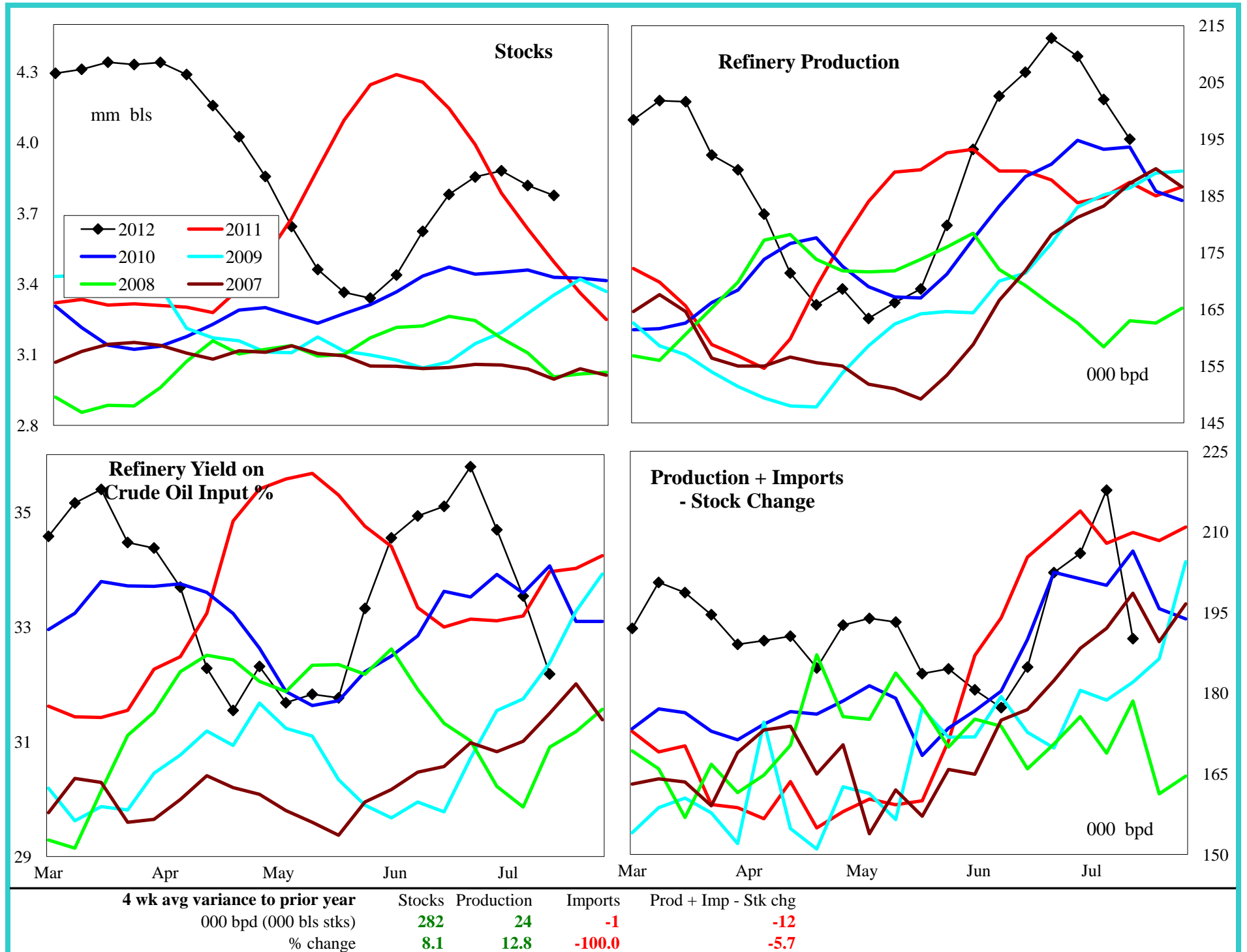
PADD 4 Crude Oil Supply and Refining



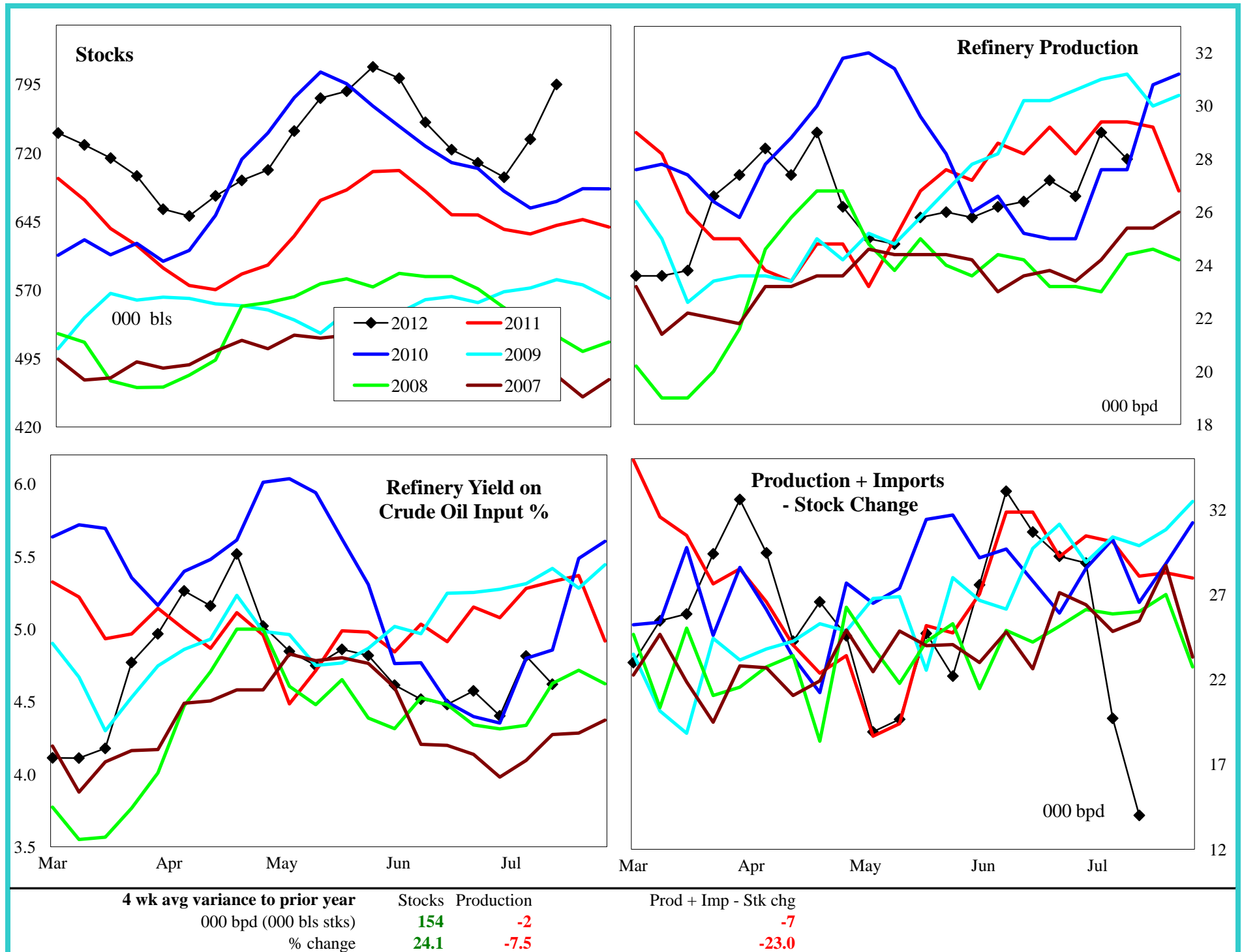
PADD 4 Gasoline Supply



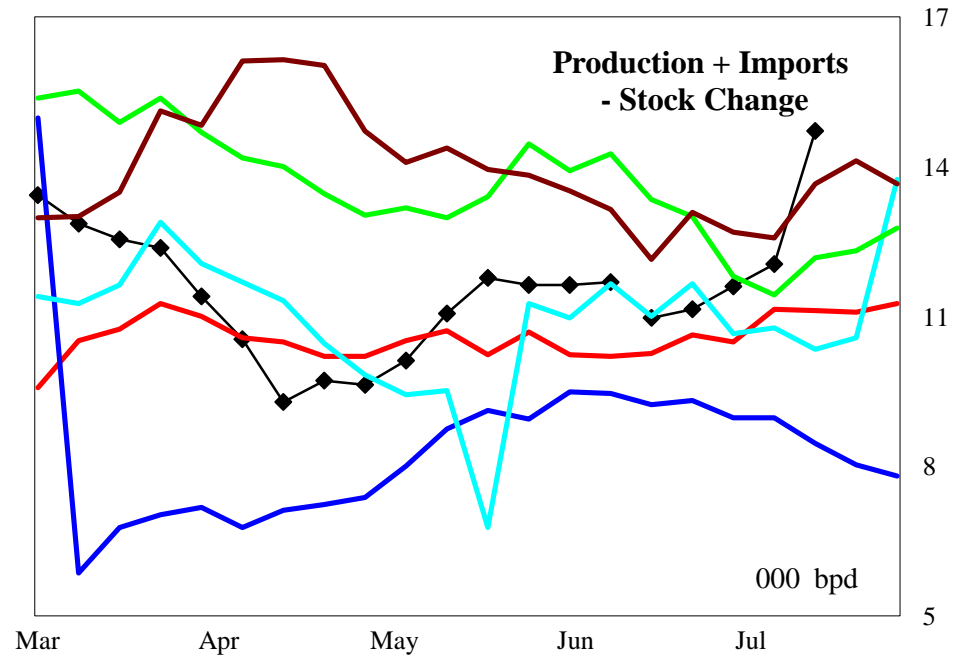
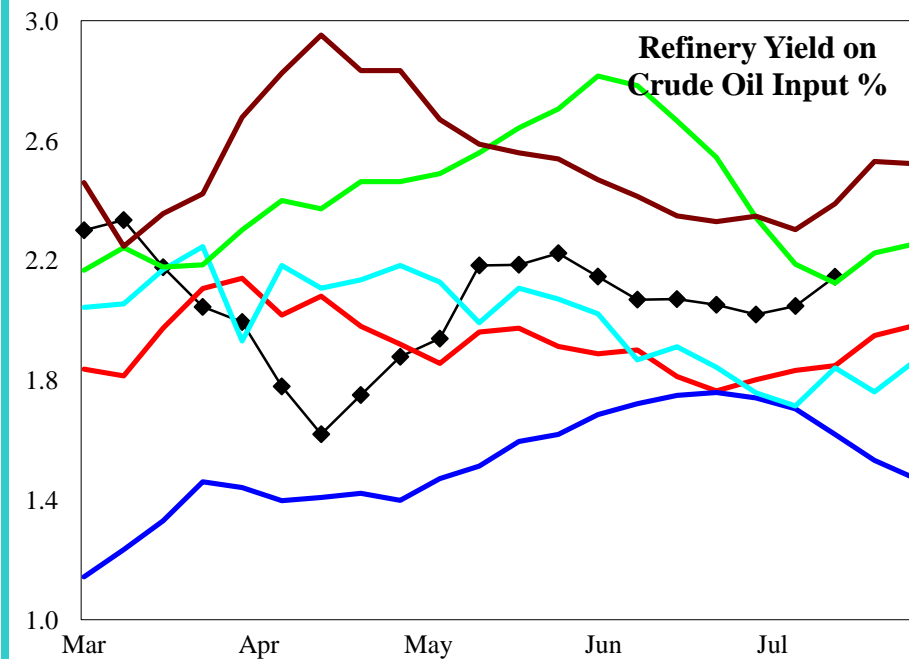
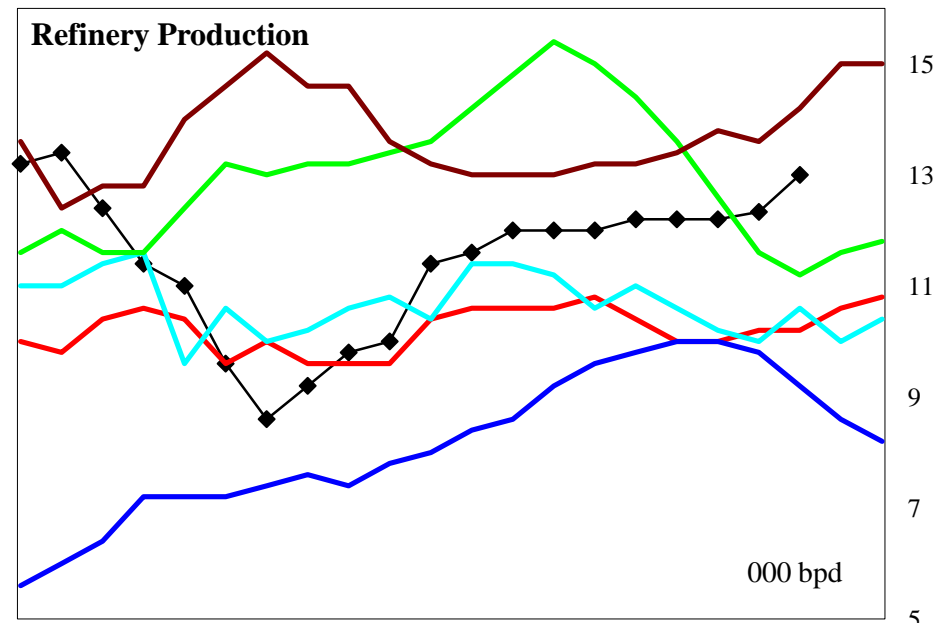
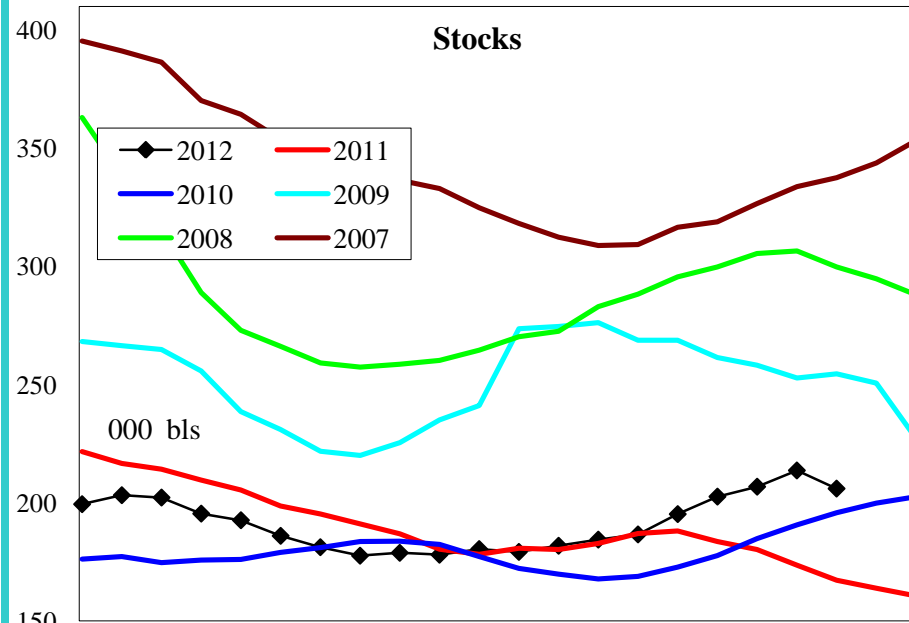
PADD 4 Distillate Supply



PADD 4 Jet Fuel Supply



PADD 4 Residual Fuel Oil Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

39

23.2

Production

2

22.5

Imports

0

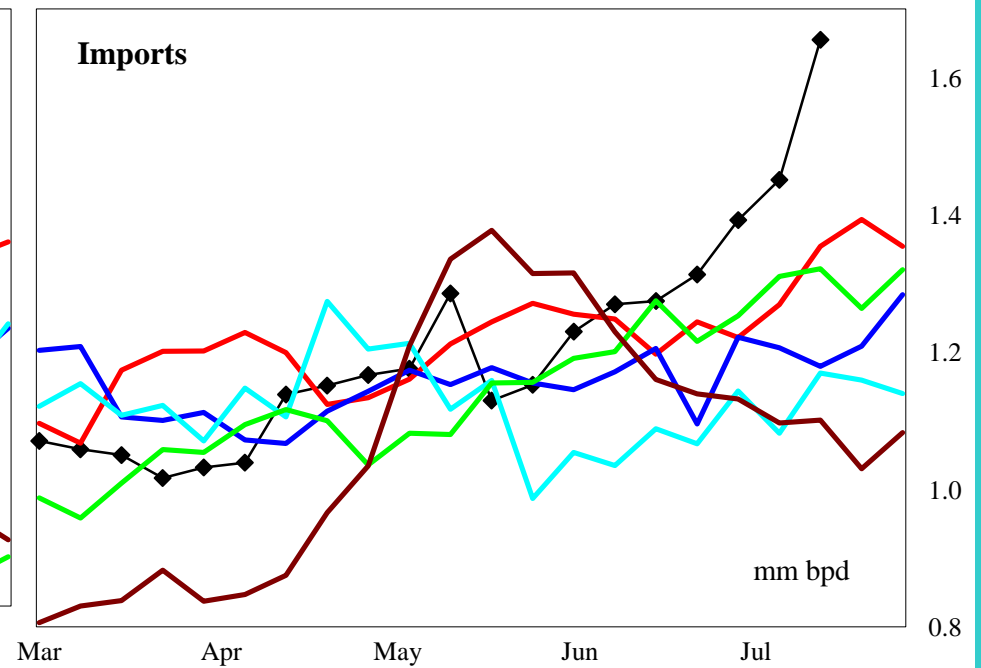
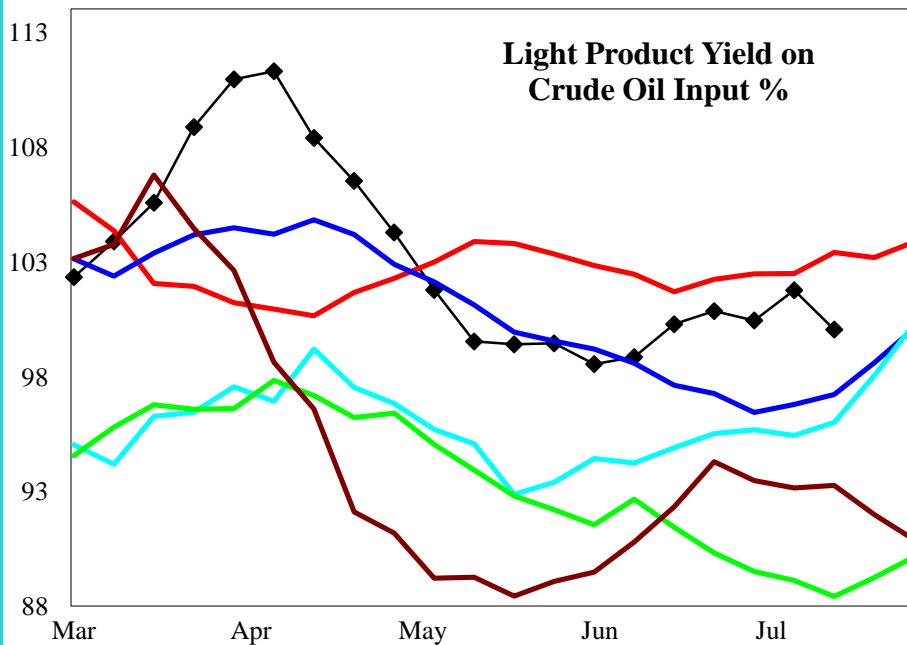
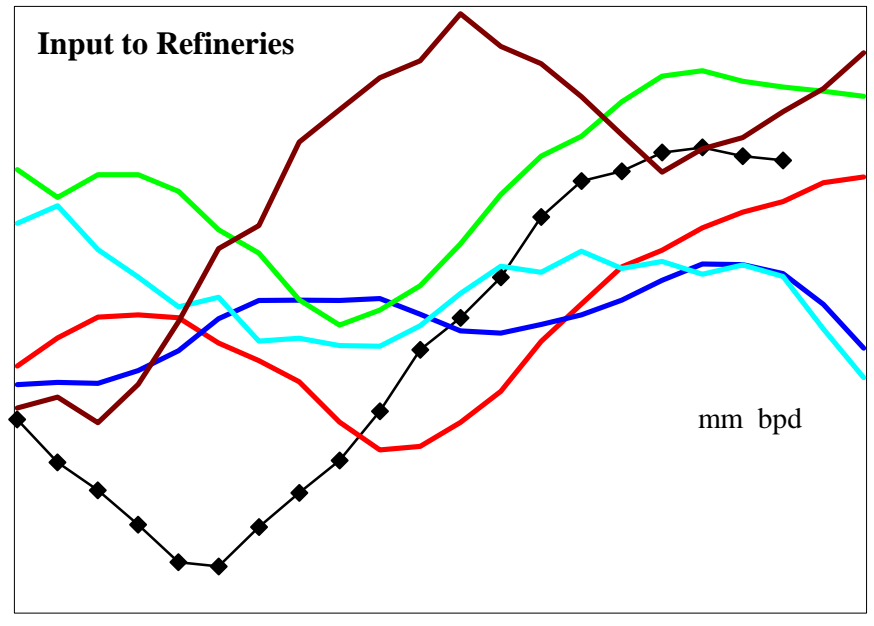
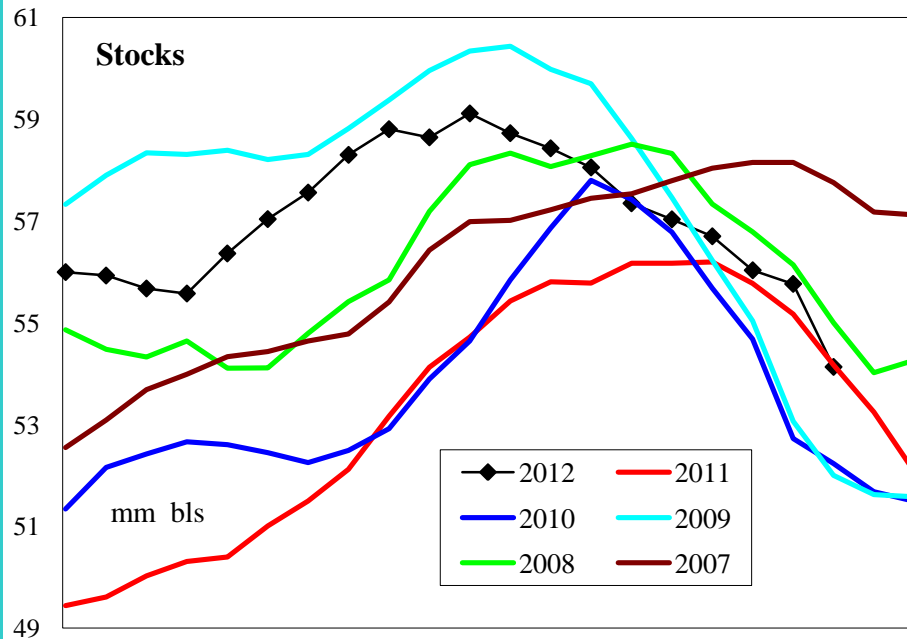
#DIV/0!

Prod + Imp - Stk chg

4

33.8

PADD 5 Crude Oil Supply and Refining



4 wk avg variance to prior year

000 bpd (000 bbls stks)

% change

Stocks

-41

-0.1

Input

94

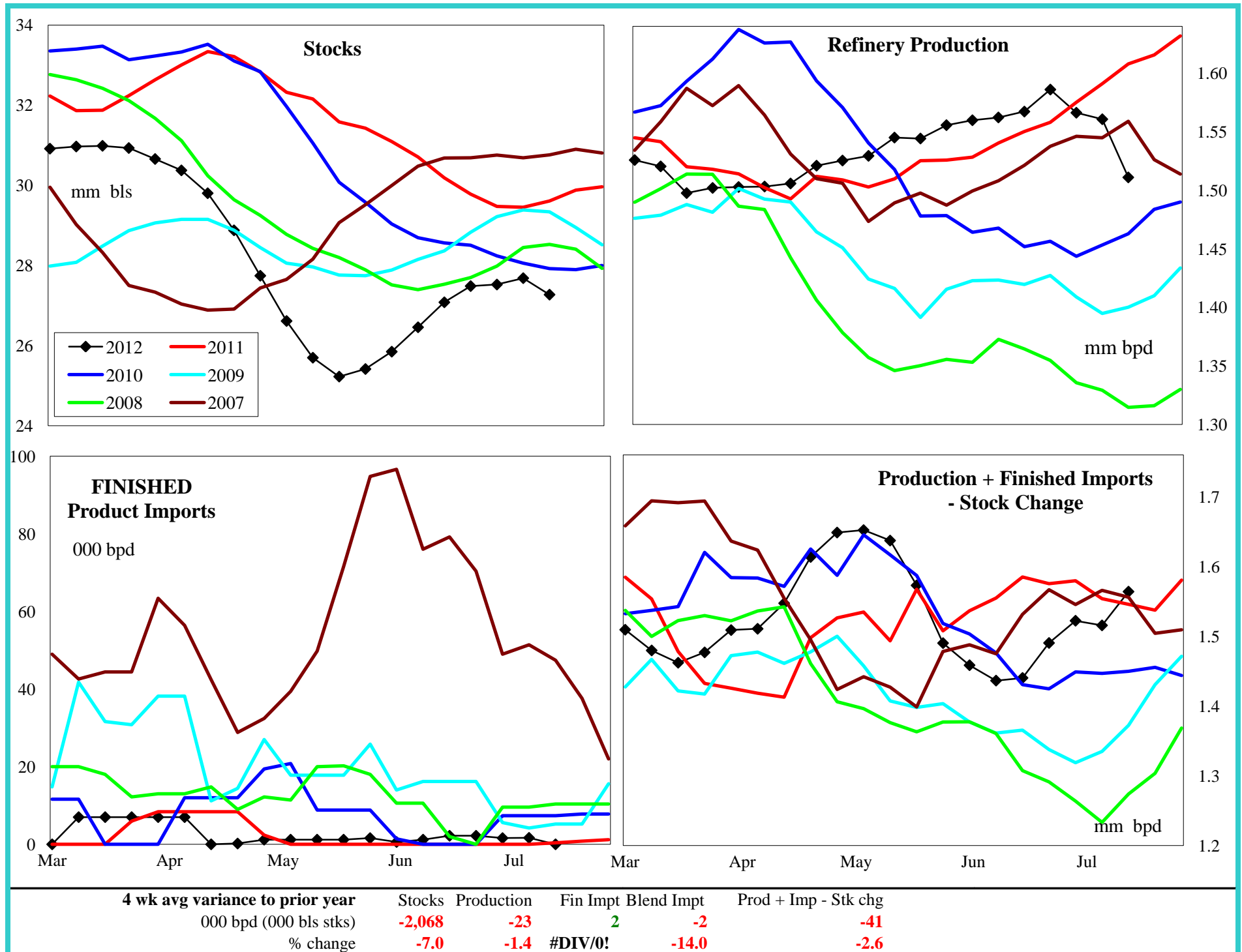
3.7

Imports

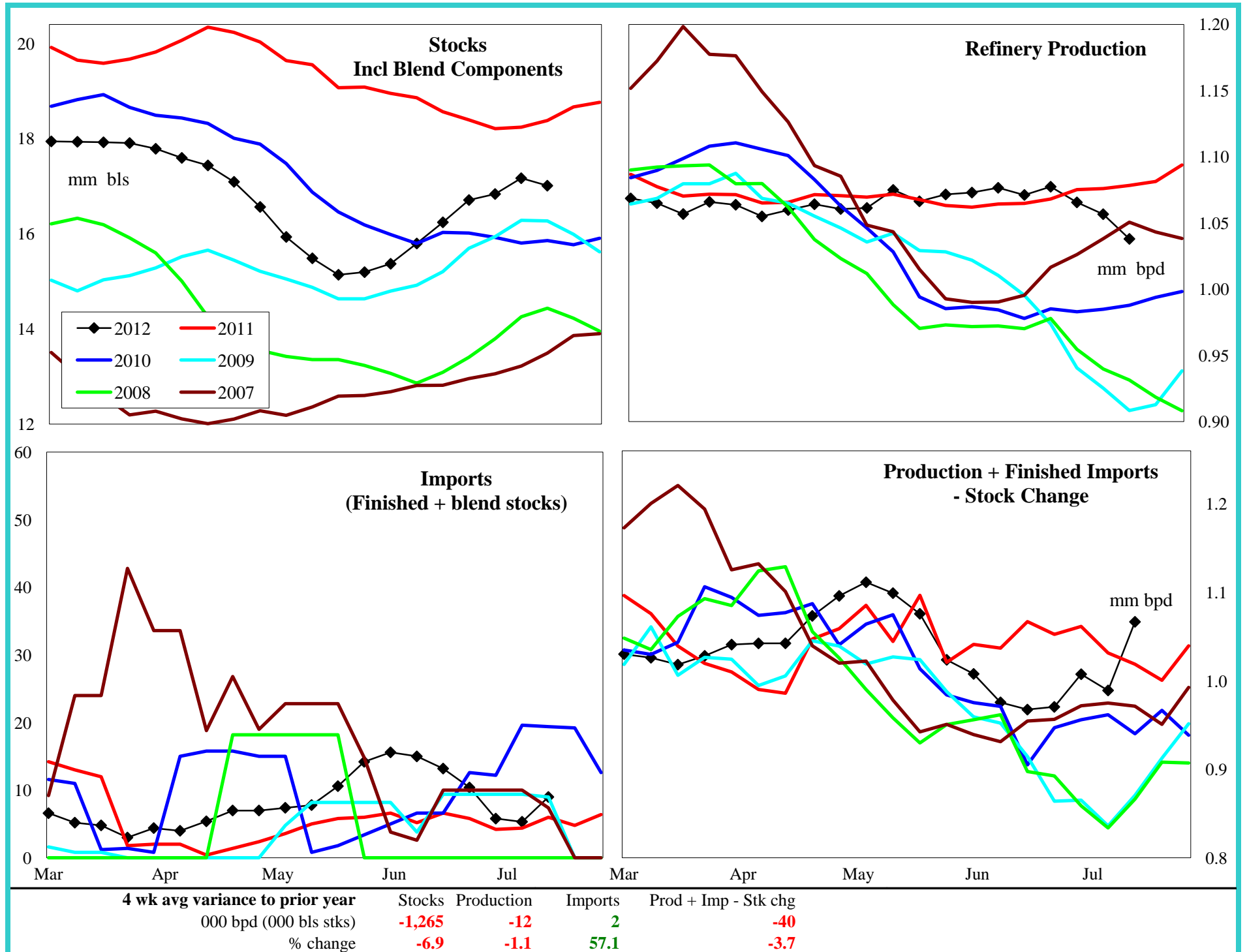
172

13.9

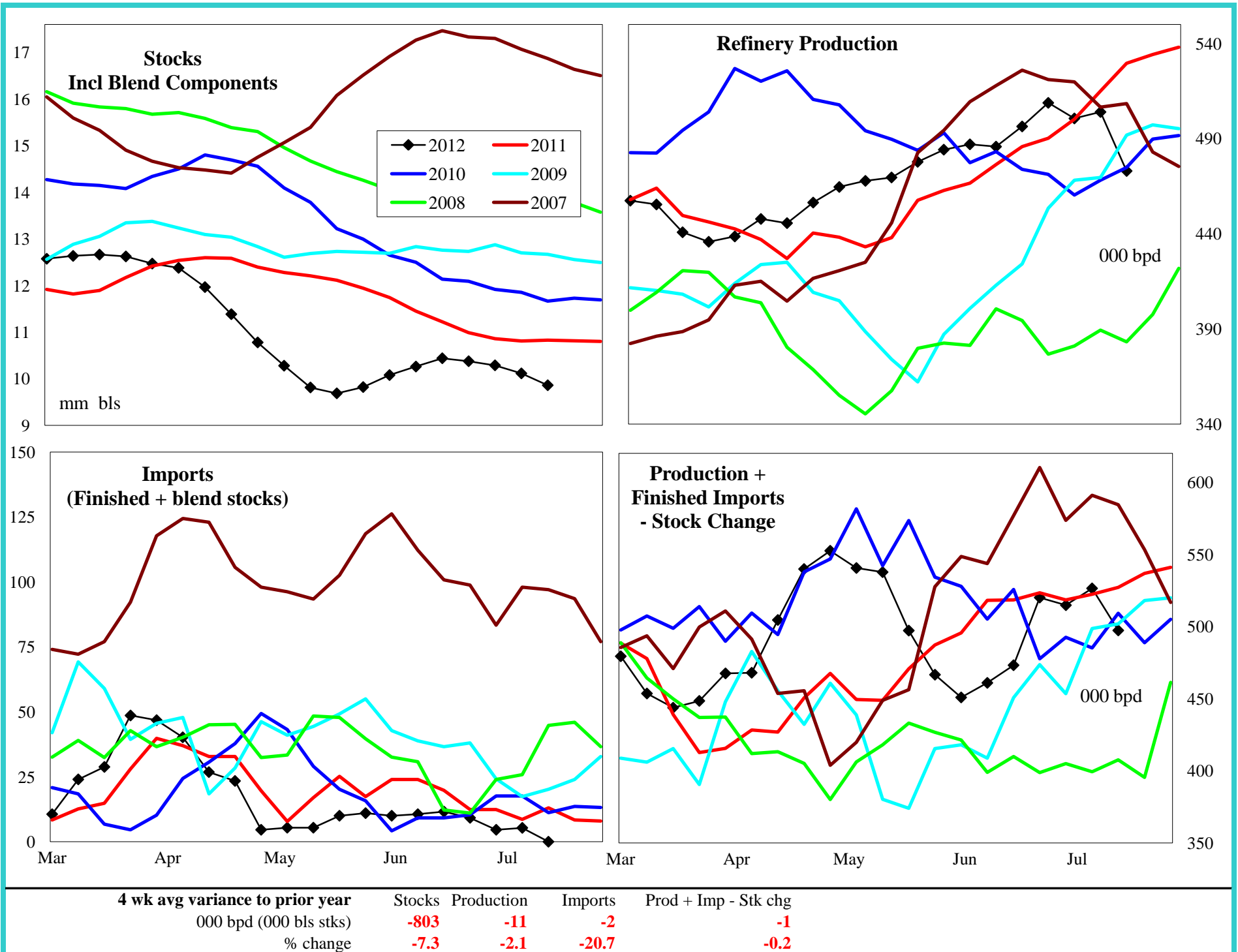
PADD 5 Gasoline Supply



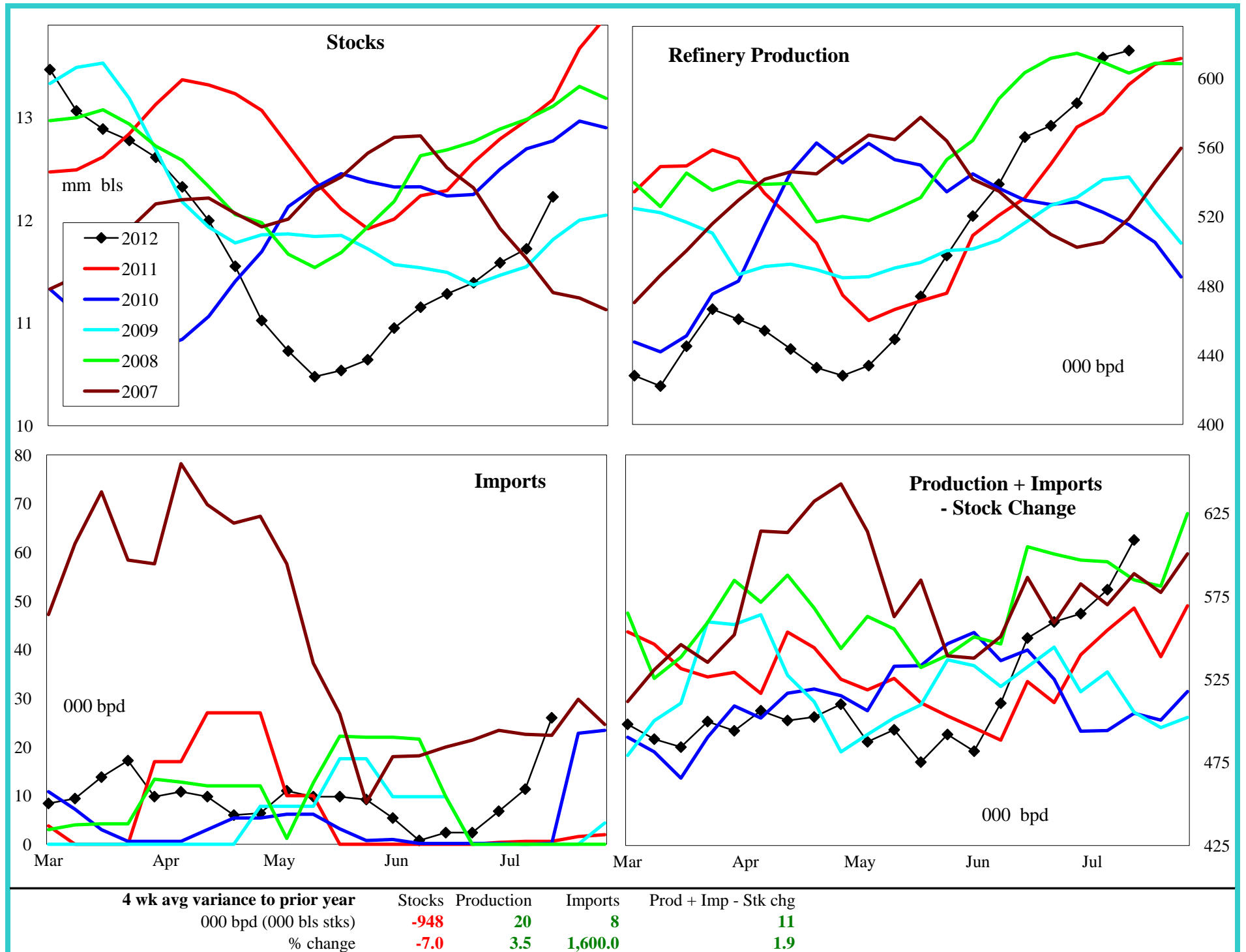
PADD 5 Reformulated Gasoline Supply



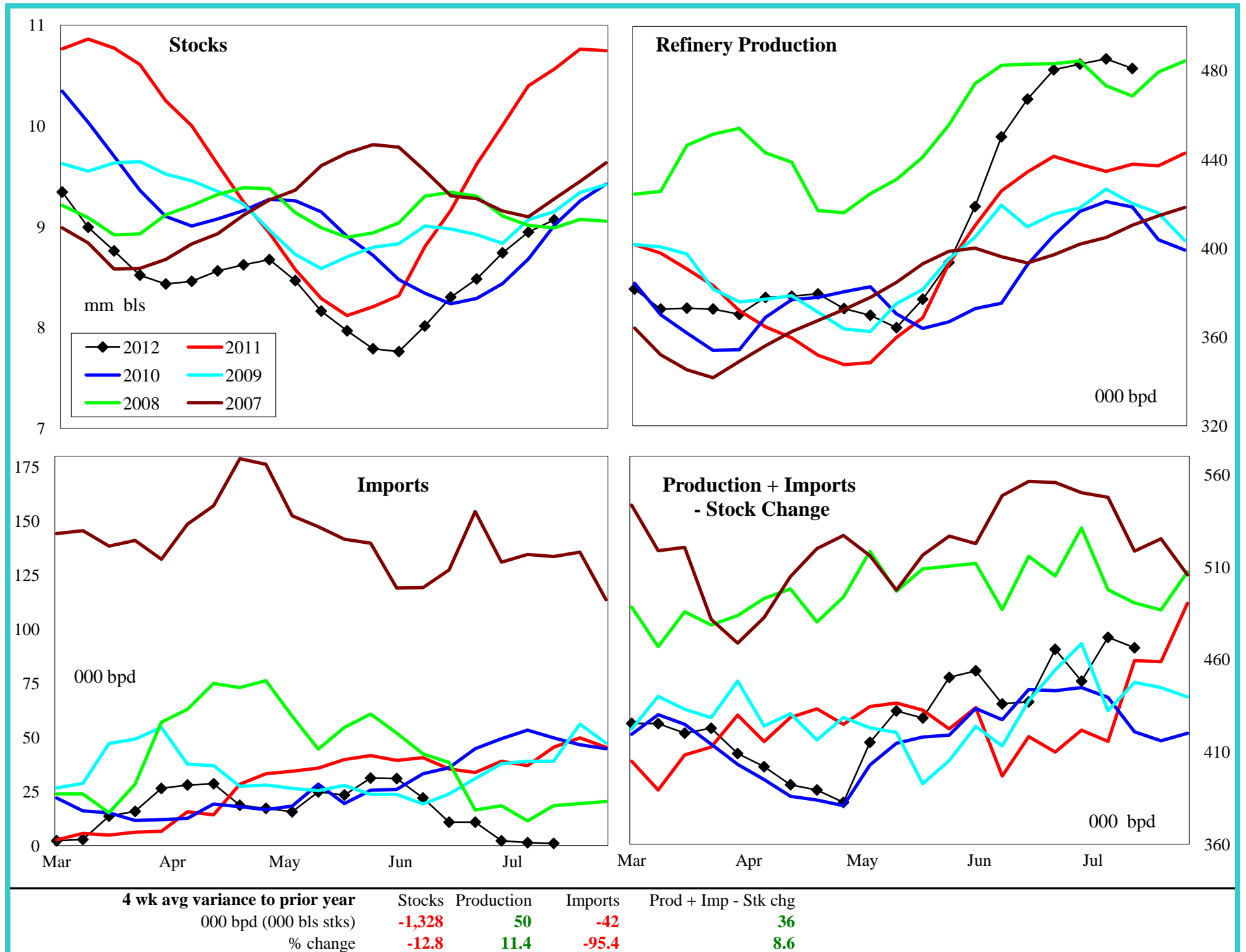
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

