



WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Wednesday, August 01, 2012

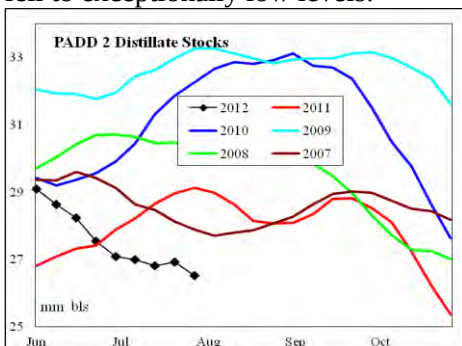


Major Fundamental Trends¹

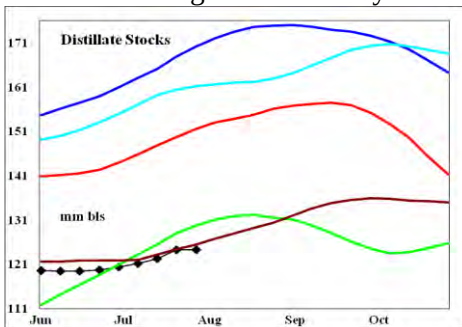
Regional market supply/demand imbalances are the headline this week. Unplanned refinery maintenance, extreme heat/drought, low stock levels and a lack of seasonal stock builds has led to wide price differentials between markets.

Supply disruptions in regional gasoline refining centers include the Central Atlantic Region of PADD 1, Chicago area, and West Coast markets.

Regional distillate markets experiencing a rapid tightening of supplies include the Chicago, Group and Rocky Mountain regions. The extreme heat and drought have lifted demand while stock levels in PADD 2 fell to exceptionally low levels.



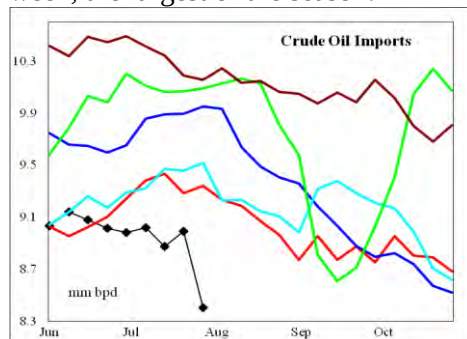
Distillate stock levels remain at 5-year lows, largely the result of a +235,000 bpd year-on-year increase in exports during the first 6-months of 2012. This increase represents a cumulative 35 million barrel jump in exports. Current distillate stock levels are approximately -35 million barrels below the average of the last 3-years.



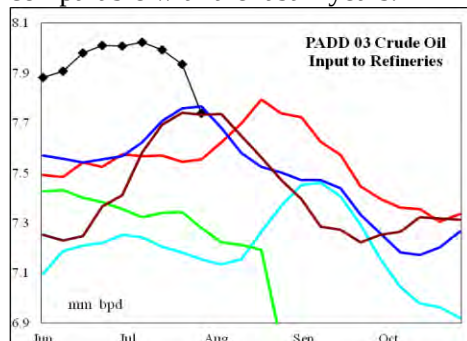
Very low distillate stock levels and

continued robust exports point to risk of tight domestic supplies in the 4th quarter.

Crude oil imports plunged -1.2 million bpd last week, with significant decreases in all regional markets except the West Coast. The drop in imports is in line with a seasonal decrease that begins in late July/early August, ahead of the start of fall refinery maintenance. The drop led to a -6.5 million barrel stock draw for the week, the largest of the season.



Crude oil runs in the Gulf fell over -0.3 million bpd last week, to a level comparable with the last 2-years.



Demand for the combined transport fuels climbed +0.7 million bpd last week. Wholesale demand, measured over the last four weeks compared to a year ago: gasoline decreased -3.4%; distillate -2.4%; jet fuel down -4.1% while residual fuel oil decreased -20%.

Stocks forward coverage: Gasoline demand coverage fell last week due to a -2.2 million barrel stock draw. Coverage levels matched 5-year highs for the week.

Distillate coverage decreased on a -1 million barrel stock draw and higher demand. Coverage levels are near historic lows.

Jet fuel coverage increased +1.1

million barrel stock build, partially offset by a surge in demand. Coverage levels remain below the last 3-years.

Refinery utilization rates fell last week on a -225,000 bpd decrease in crude oil runs. During the latest 4-wk period crude oil input was +248,000 bpd above a year ago.

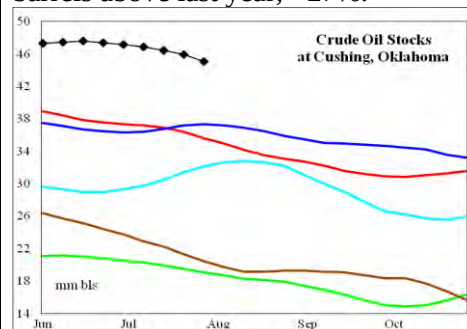
Gasoline yield % on crude oil runs fell on a -287,000 bpd decrease in output compared to the -225,000 bpd decline in crude oil runs. Yield % on crude oil runs were below the 5-year range.

Distillate yield % on crude oil runs increased on a -19,000 bpd drop in production, compared to the large decline in crude oil runs. The yield % matched year ago levels.

Jet fuel yield % on crude oil runs surged on a +189,000 bpd jump in output compared to the decline in crude oil runs.

Petroleum Imports of crude oil, gasoline and distillate each fell sharply last week. Crude oil imports fell -1.2 million bpd on the week. During the latest 4-wk period crude oil imports were -0.4 million bpd below last year; distillate imports decreased -42,000 bpd; finished gasoline imports decreased -46,000 bpd, gasoline blend stock imports increased +64,000 bpd; jet fuel imports were -65,000 bpd lower, while residual fuel oil imports decreased -3,000 bpd.

Crude Oil stocks fell -6.5 million barrels last week, including -3 million barrel draws in PADDs 2 and 3. U.S. stocks ended the week +18 million barrels above a year ago. Cushing stocks ended the week +9.5 million barrels above last year, +27%.



¹ Source is latest EIA Weekly Statistics



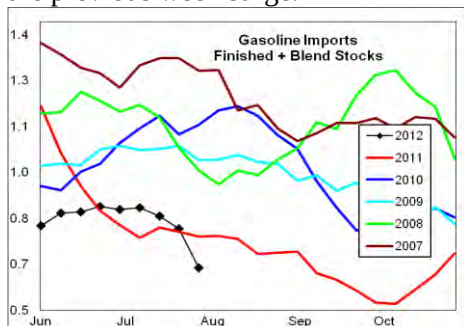
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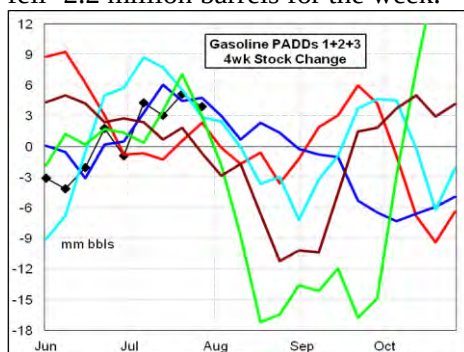
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Product Supply-Demand Trends

Gasoline demand increased +160,000 bpd last week, a level well below the historic range. The latest 4-wk average demand was -308,000 bpd below a year ago, a decline of -3.4%. Supplies fell -0.7 million bpd, giving up most of the previous week surge.



Imports again fell below last years' record lows. Combined with a -287,000 bpd drop in production, stocks fell -2.2 million barrels for the week.



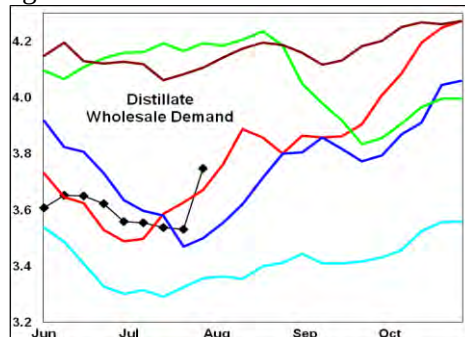
The latest 4-wk stock change in markets East of the Rockies was +3 million barrel build, above the historic mid range.

Refinery closures in Europe and the East Coast have limited supply surges to the Central Atlantic Region of PADD 1 this driving season. The result has been very low stock levels and a steeply inverted RBOB forward price curve.

Recent lower production on the West Coast and unplanned maintenance in the Midwest has driven regional supply disruptions.

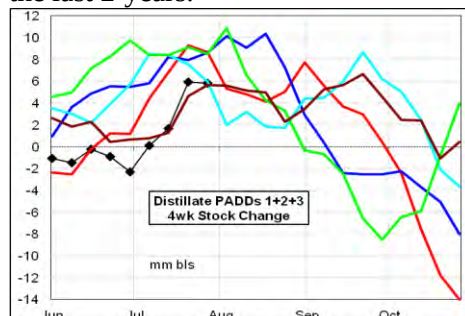
An end to peak summer wholesale demand should occur by mid month, followed by increased RVP in early September; fundamentals which should lead to improved supplies across markets.

Distillate demand jumped +264,000 bpd last week, to a level above the last 2-years. The latest 4-wk average demand was -86,000 bpd below a year ago.

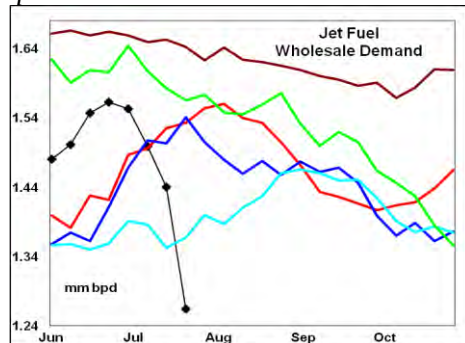


Supplies fell -119,000 bpd on the week, on sharply lower imports. Stocks fell -1 million barrels last week.

The latest 4-wk stock build in markets East of the Rockies was +6 million barrels, compared to an average build of +8 million barrels for the last 2-years.



Stocks ended the week -28 million barrels below last year; matching 5-year lows. Production has averaged +121,000 bpd above a year ago for the latest 4-wk period. Risk continues that stock builds will not lead to a meaningful increase in stock levels, leading to tight supplies in the 4th quarter.



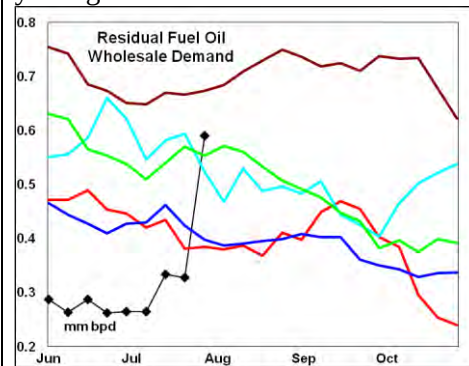
Jet Fuel demand reversed last week's

collapse, rising +238,000 bpd last week, to a level comparable with the last 2-years. The latest 4-wk average demand was -63,000 bpd below a year ago, down -4.1%.

Production surged +189,000 bpd last week, to a record weekly high. Stocks increased +1.1 million barrels on the week, to a level -10% below last year.

Even with this week's renewed surge in demand, the 4-wk average remains well below a year ago. High production, partially offset by low imports, should lead to stock building over then next 45-days.

Residual fuel oil demand spiked +410,000 bpd last week. The latest 4-wk average was -86,000 bpd below a year ago.



Supply (production + imports) increased +240,000 bpd last week, on higher imports. The latest 4-wk average supply was -48,000 bpd below last year on lower production. Stocks fell -1.4 million barrels on the week to a fresh 5-year low.

Wholesale demand spiked last week, lifting the 4-wk average to -20% below a year ago. A surge in imports partially offset the spike in demand.

Production in the key gulf region fell to the low end of the historic range last week. Stock levels in the region ended the week comparable to the last 2-years.



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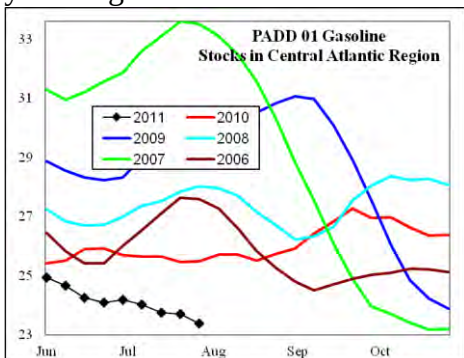
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PADD Supply Trends

PADD 1 refinery crude oil runs decreased -25,000 bpd on the week, with the latest 4-wk average -312,000 bpd below last year.

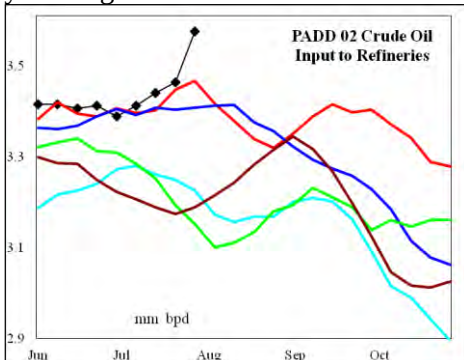
Gasoline imports fell -387,000 bpd on the week, while production also fell -102,000 bpd. Stocks decreased -1.3 million barrels last week, with the level below the 5-year range.



Stock levels in the Central Atlantic region fell to -8% below last years' record low level; risking a significant supply squeeze in this key region.

Distillate supply declined -57,000 bpd last week, on a sharp drop in imports. Supply for the latest 4-wk period was -118,000 bpd below last years' previous record low. Stocks decreased -0.5 million barrels on the week, a level below the historic range.

Jet fuel supply decreased -8,000 bpd on the week; with the latest 4-wk average -70,000 bpd below a year ago. Stocks jumped +1 million barrels last week, to a level at the low end of the 5-year range.



PADD 2 crude oil refinery runs increased +73,000 bpd on the week, to

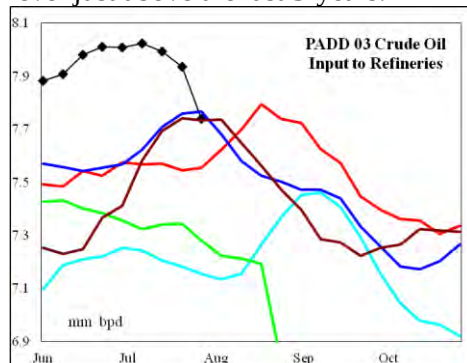
a record season high. Crude oil imports fell -311,000 bpd last week; with the level +30% above a year ago. Stocks fell -2.9 million barrels on record refinery runs and lower imports.

Gasoline production decreased -36,000 bpd last week, to a level -40,000 bpd below a year ago for the most recent 4-wk period. Stocks were nearly unchanged on the week, at a level near the mid range.

Distillate production climbed +71,000 bpd on the week, to a level that matched 5-year highs. Stocks fell -0.8 million barrels last week, to a new record low level.

Jet fuel production jumped +63,000 bpd on the week, to a record weekly high. Stocks increased +0.4 million barrels on the week, although the level remains near historic lows.

PADD 3 refinery runs fell -323,000 bpd last week, a level that matched previous 5-year highs. The latest 4-wk average thru put was +479,000 bpd above last year. Crude oil imports fell -0.7 million bpd last week, to a record 5-year low for the season. Stocks fell -3.9 million barrels on the week, to a level just above the last 3-years.



Gasoline production fell -122,000 bpd last week, a level below the last 2-months. Stocks decreased -0.5 million barrels last week, to a level that matched the 3-year average.

Distillate supply decreased -9,000 bpd on the week, a level above the last 5-years. Production was +190,000 bpd above a year ago for the latest 4-wk period. Stocks increased +0.7 million barrels on the week, a level -14% below a year ago.

Jet fuel production jumped +86,000 bpd last week, a record high level, and +67,000 bpd above last year for the most recent 4-wk period. Stocks decreased -0.3 million barrels to a level at the low end of the historic range.

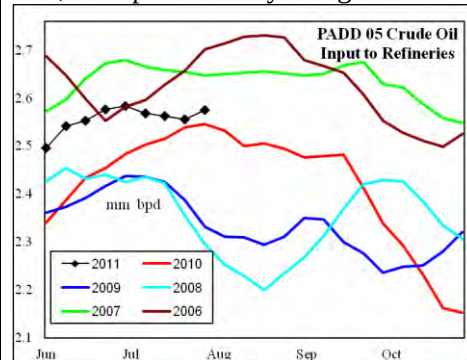
Residual fuel oil supplies increased +62,000 bpd last week. Stocks fell -1.1 million barrels to a level comparable with the last 2-years.

PADD 4 refinery crude runs decreased -3,000 bpd on the week, although the level remains above the 5-year range. The most recent 4-wk average run rate was +59,000 above last year.

Gasoline supply increased +4,000 bpd on the week, to a level at the low end of the historic range. Stocks were unchanged on the week, at a level above the 5-year range.

Distillate production fell -21,000 bpd on the week, with the latest 4-wk average +17,000 bpd above last year. Stocks decreased -0.2 million barrels, a level comparable to the last 3-years.

PADD 5 crude oil refinery runs increased +52,000 bpd last week, to a level above the last 3-years. Runs for the most recent 4-wk period were +27,000 bpd above a year ago.



Gasoline supply decreased -39,000 bpd on the week; with the latest 4-wk average -53,000 bpd below a year ago. Stocks declined -0.3 million barrels last week, and remain at a level well below the last 5-years.

Distillate supply fell -104,000 bpd on the week, with the level well below the historic mid range. Stocks decreased -0.2 million barrels, to a level well below the last 2-years.

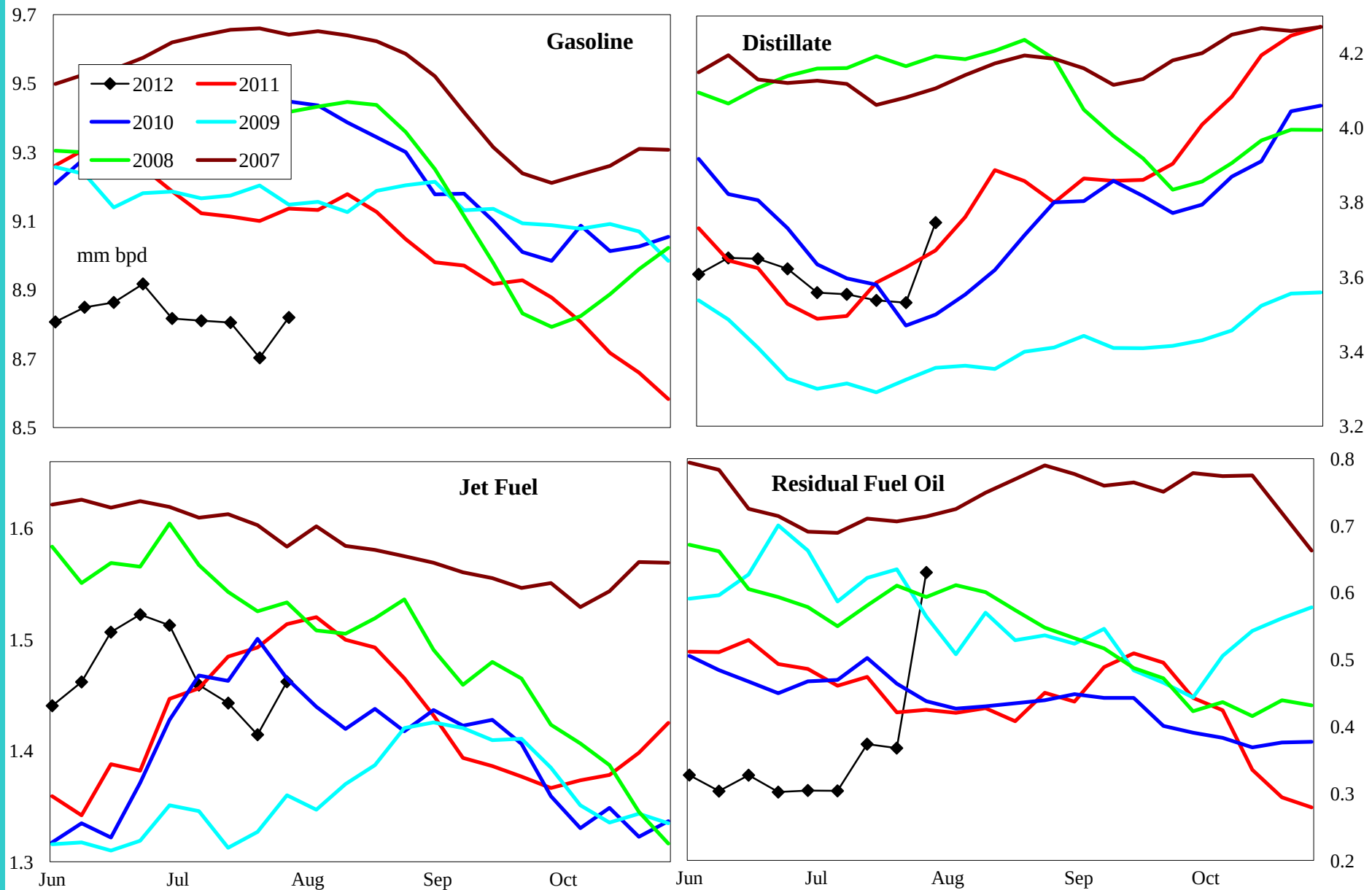


PETROLEUM: Graph Link and Weekly Summary

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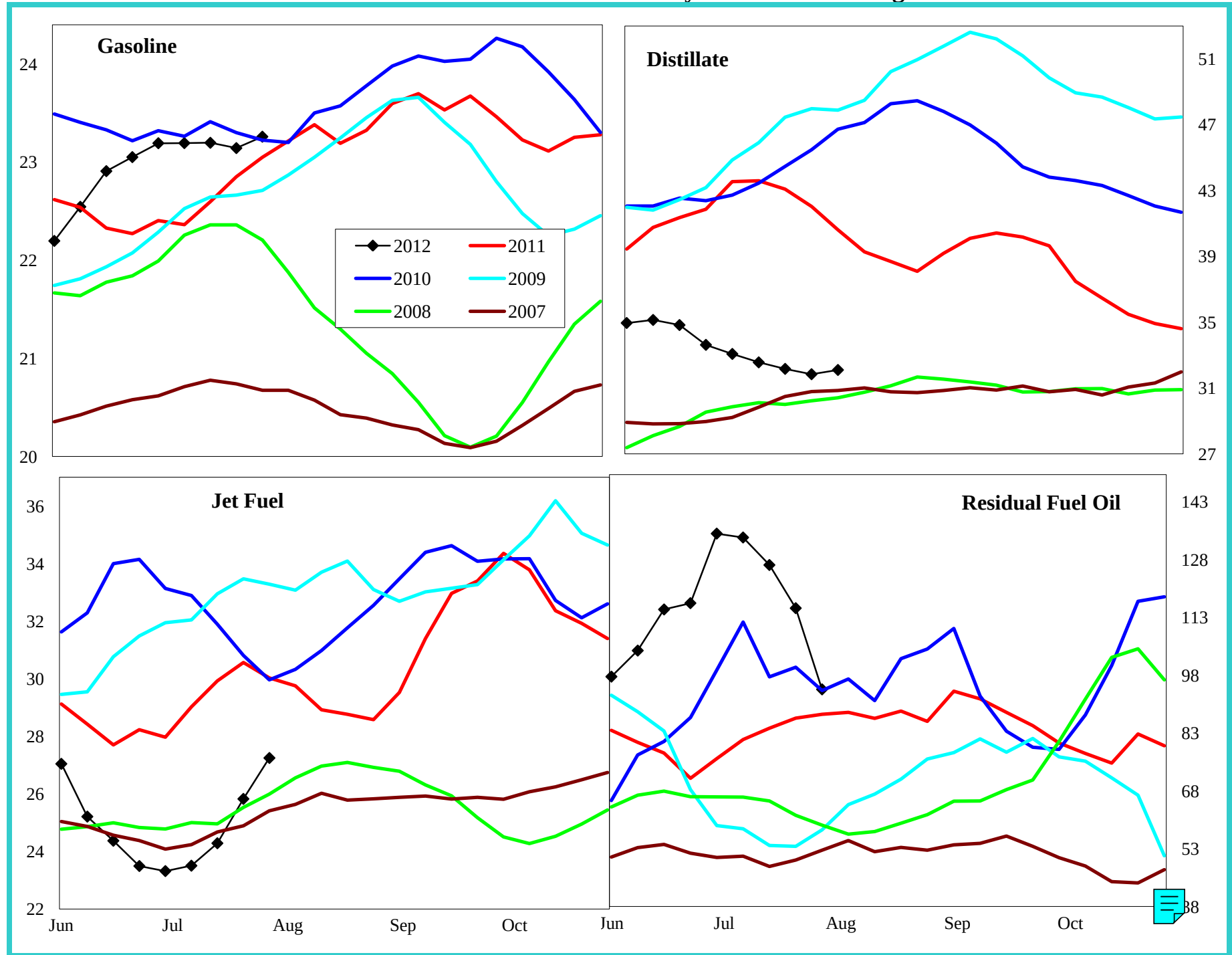
Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %				Imports
Supply/Demand Trends	27-Jul-12	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	-6,522	-1,336	-2,938	-3,871	101	1,520
	Imports	-1,227	-102	-311	-659	-153	-3
	Input	-225	-25	73	-323	-3	52
	% Utilization	-0.80					
Gasoline	Stocks	-2,174	-1,289	-136	-462	7	-295
	Production	-287	-102	-36	-122	4	-34
	Imports	-382	-387	-1	11	0	-5
	Supplied	160					
Distillate	Stocks	-974	-474	-817	678	-177	-185
	Production	-19	13	71	-9	-21	-73
	Imports	-100	-70	0	0	0	-31
	Supplied	264					
Jet Fuel	Stocks	1,070	976	373	-316	31	7
	Production	189	-1	63	86	2	41
	Imports	7	-7	0	0	0	15
	Supplied	238					
Residual Fuel Oil	Stocks	-1,424	-343	72	-1,060	-4	-91
	Production	22	-1	2	9	-2	13
	Imports	218	140	-10	53	0	35
	Supplied	410					

United States Wholesale Petroleum Demand

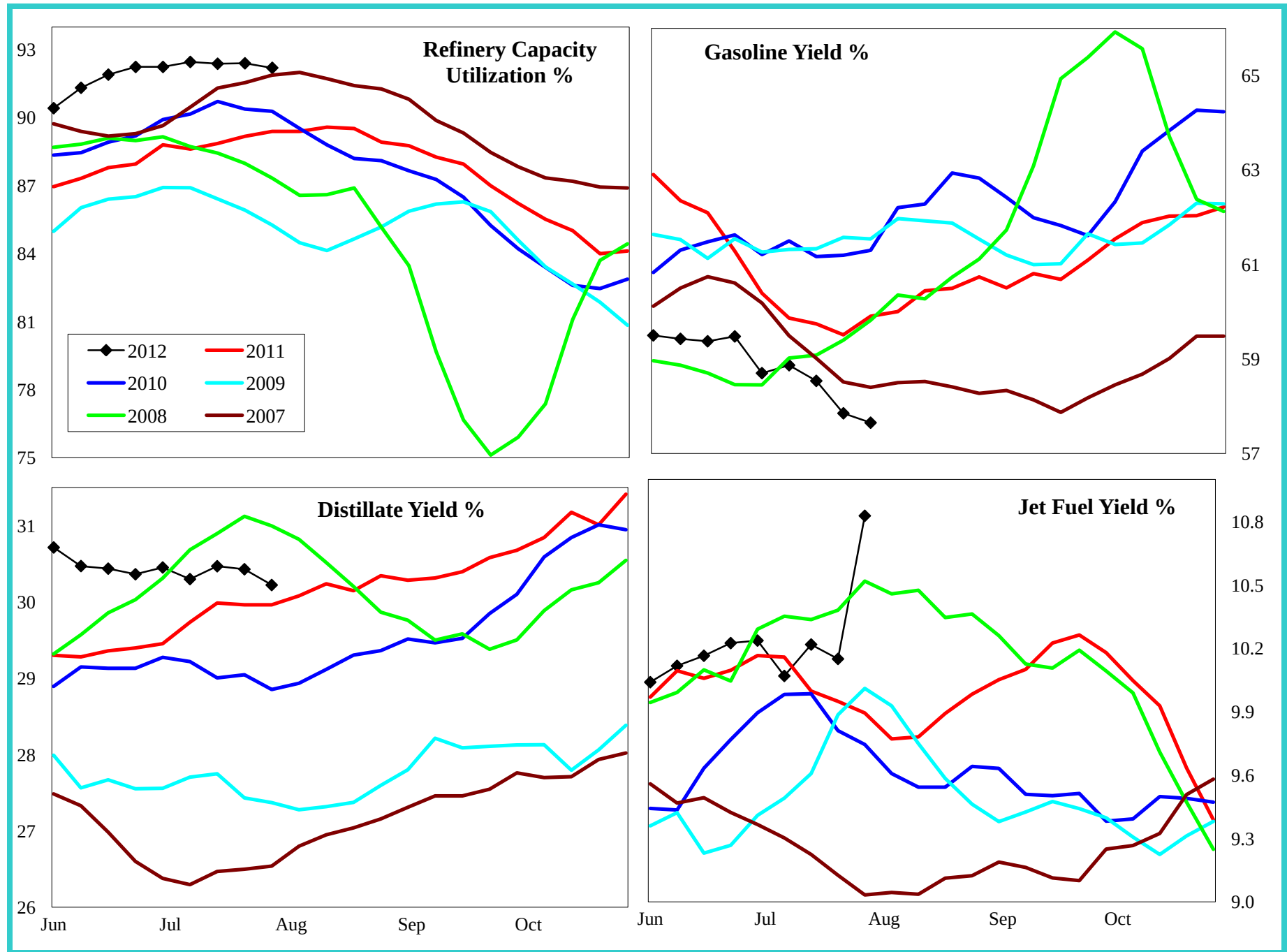


	000 bpd change from prior year				% change from prior year			
	4wk avg	Jun	May	Apr	4wk avg	Jun	May	Apr
Gasoline	-308	-128	12	55	-3.4	-1.4	0.1	0.6
Distillate	-86	-186	-33	-33	-2.4	-4.8	-0.9	-0.9
Jet Fuel	-63	44	-16	-92	-4.1	2.8	-1.1	-6.3
Resid	-86	-162	-116	-192	-20.0	-34.4	-24.3	-32.0

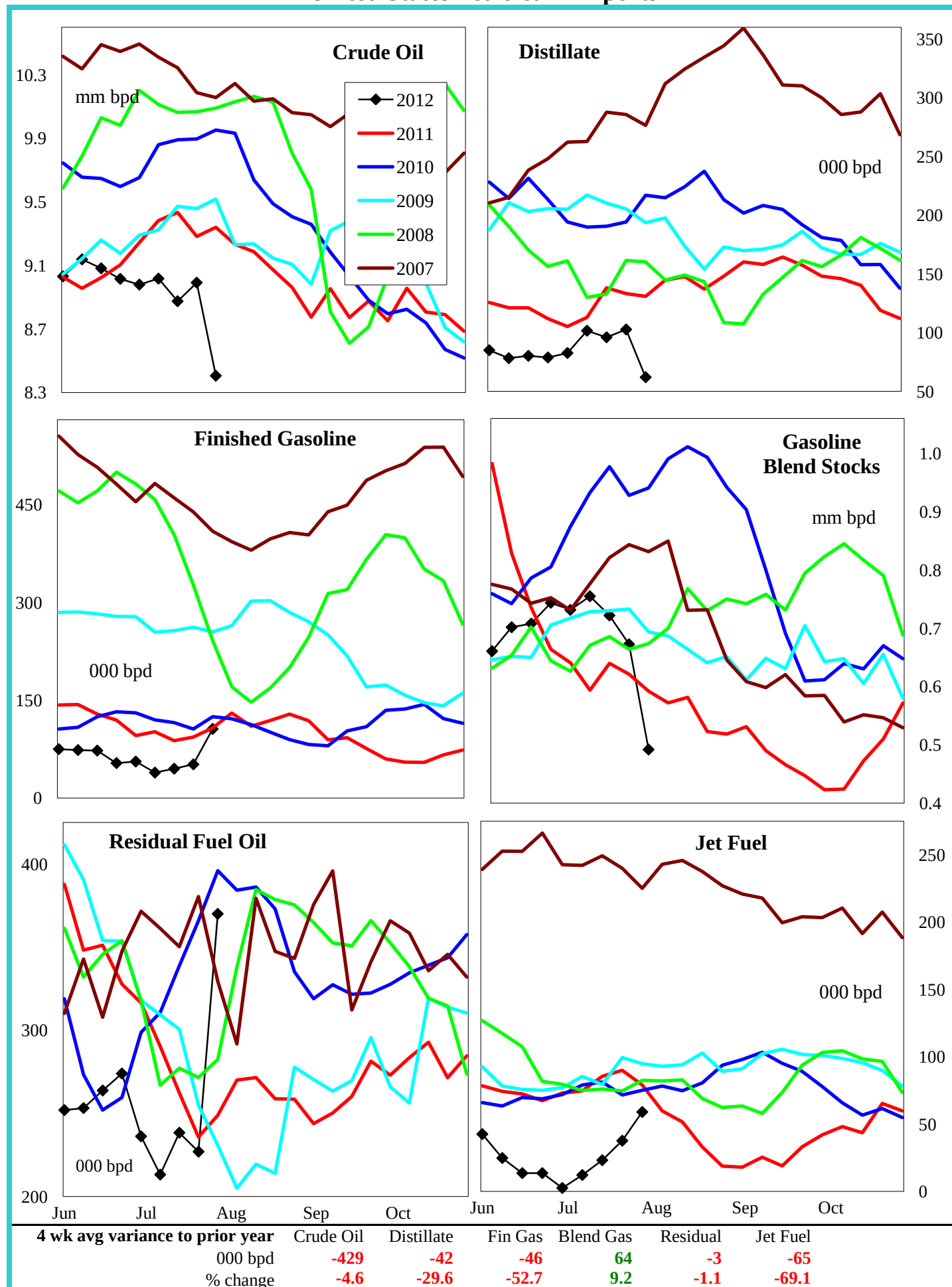


United States Product Stocks: Days Forward Coverage

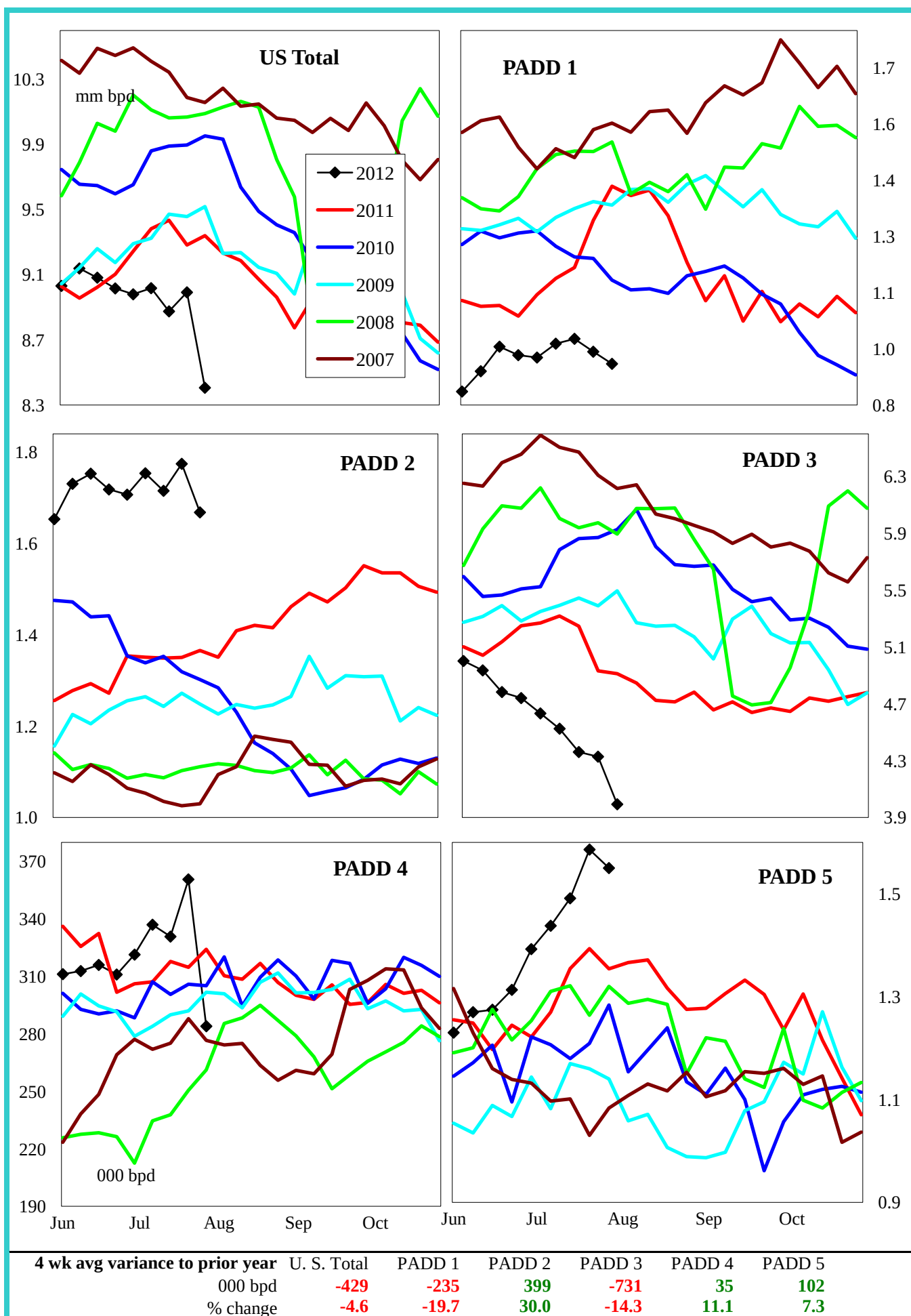
United States Refinery Percent Utilization Rate and Product Yields



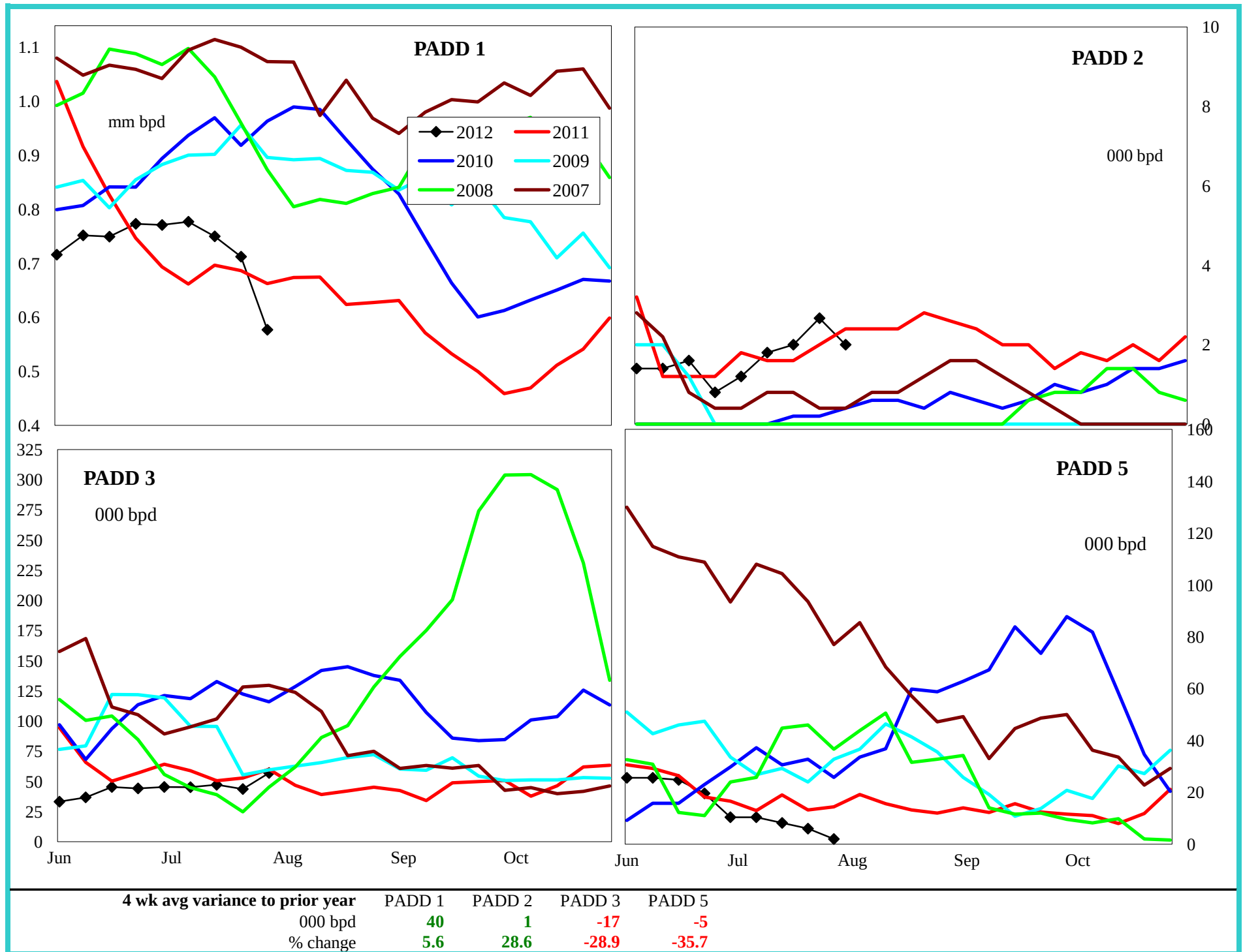
United States Petroleum Imports



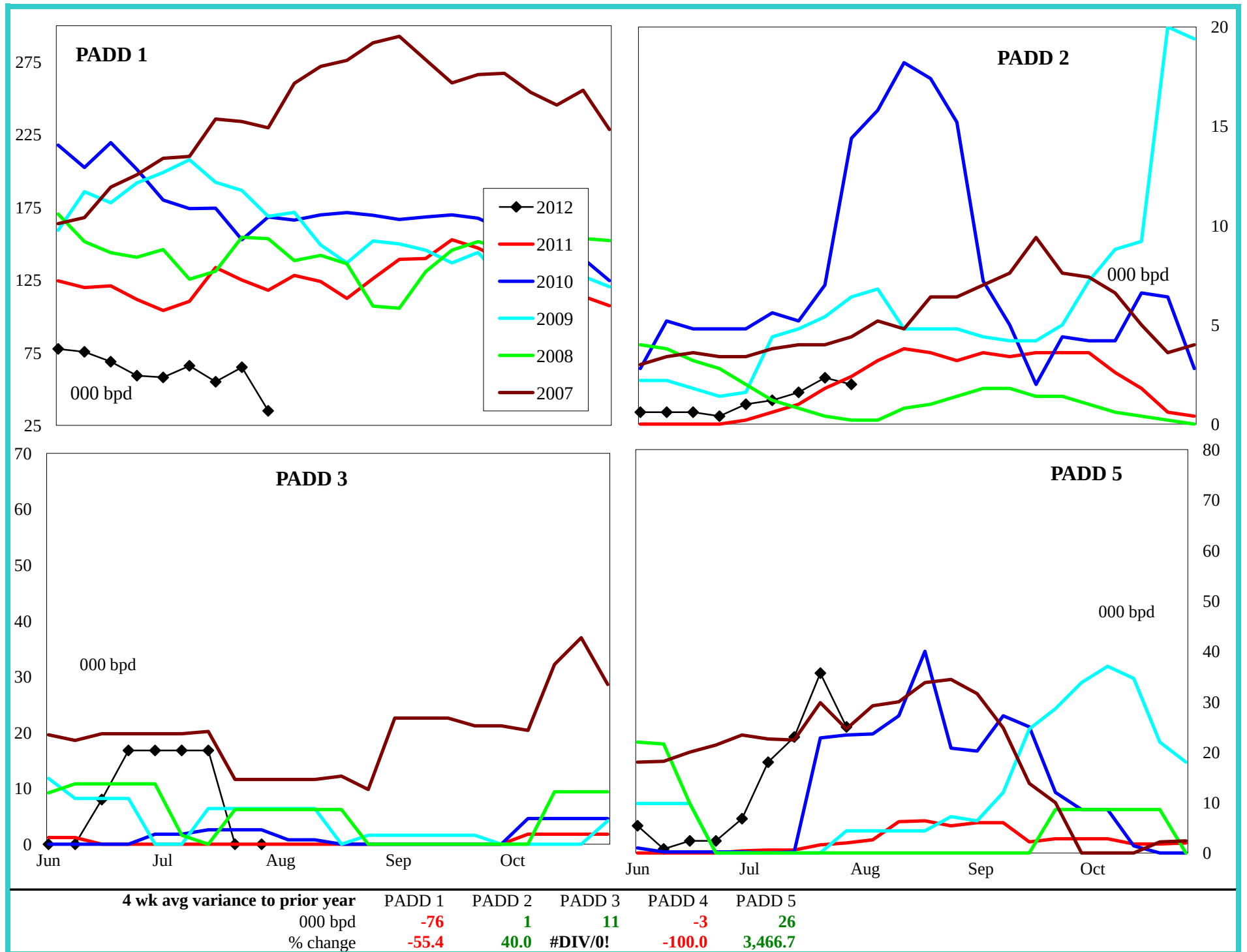
Crude Oil Imports by PADD



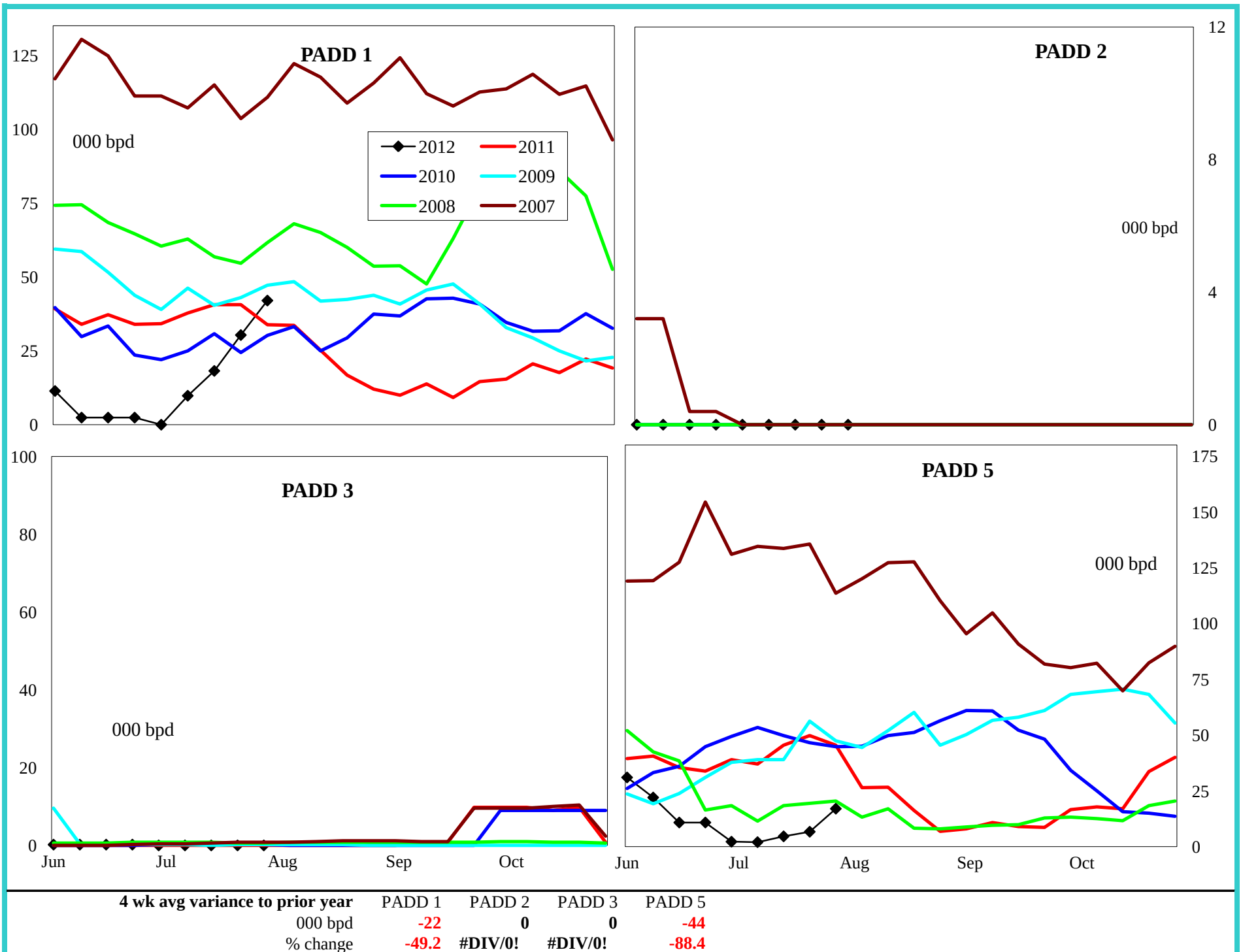
Gasoline Imports by PADD (Finished + Blend Stocks)



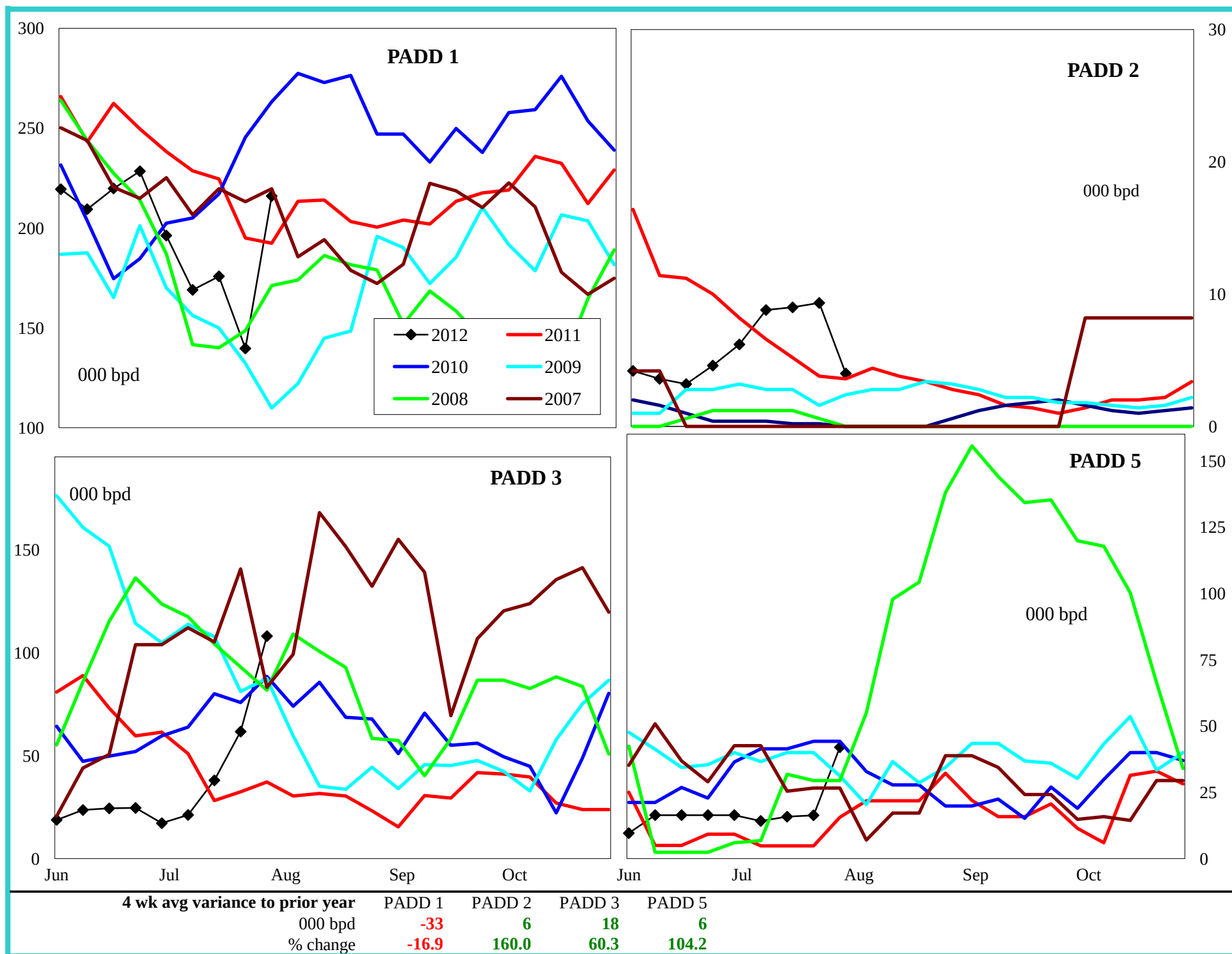
Distillate Imports by PADD



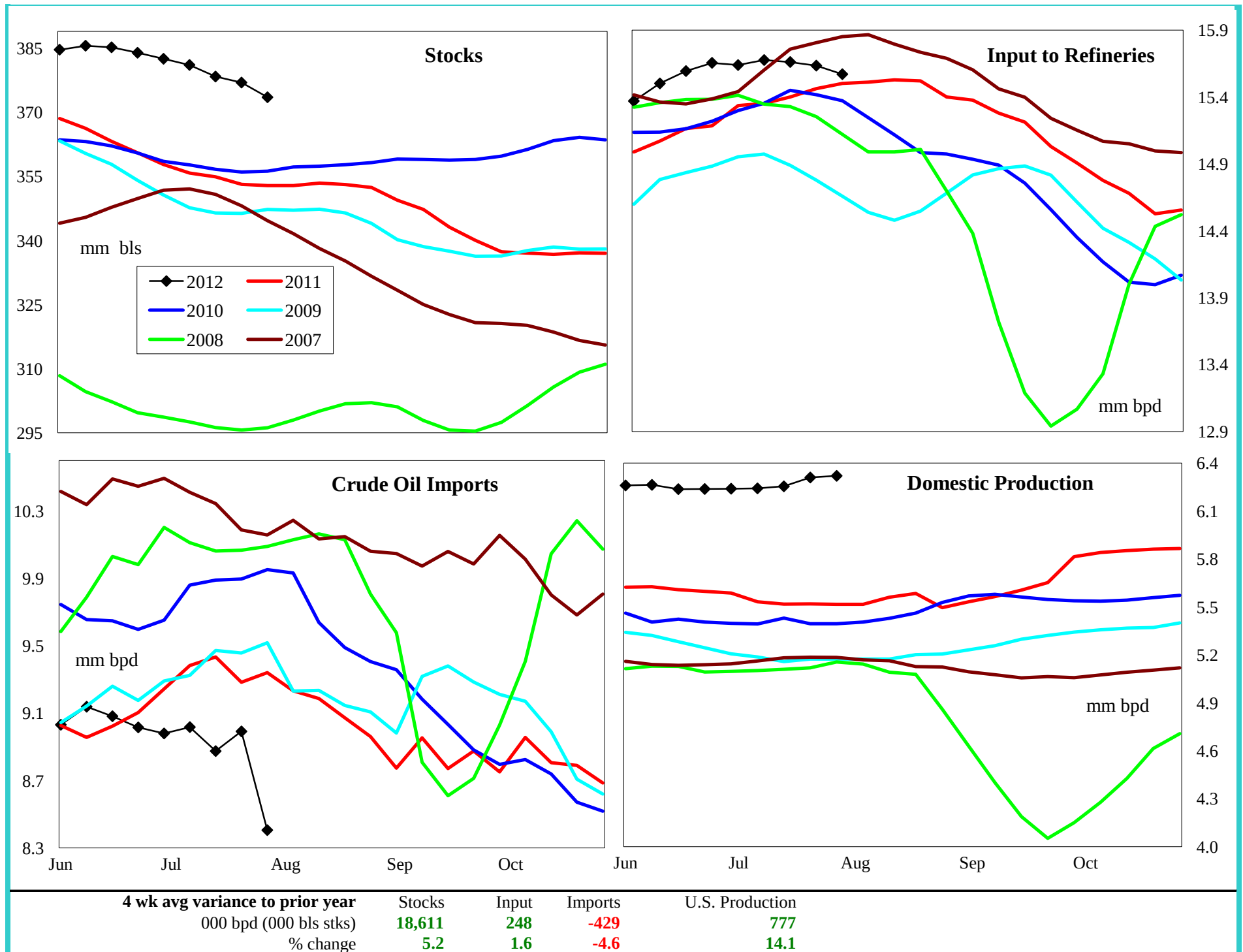
Jet Fuel Imports by PADD



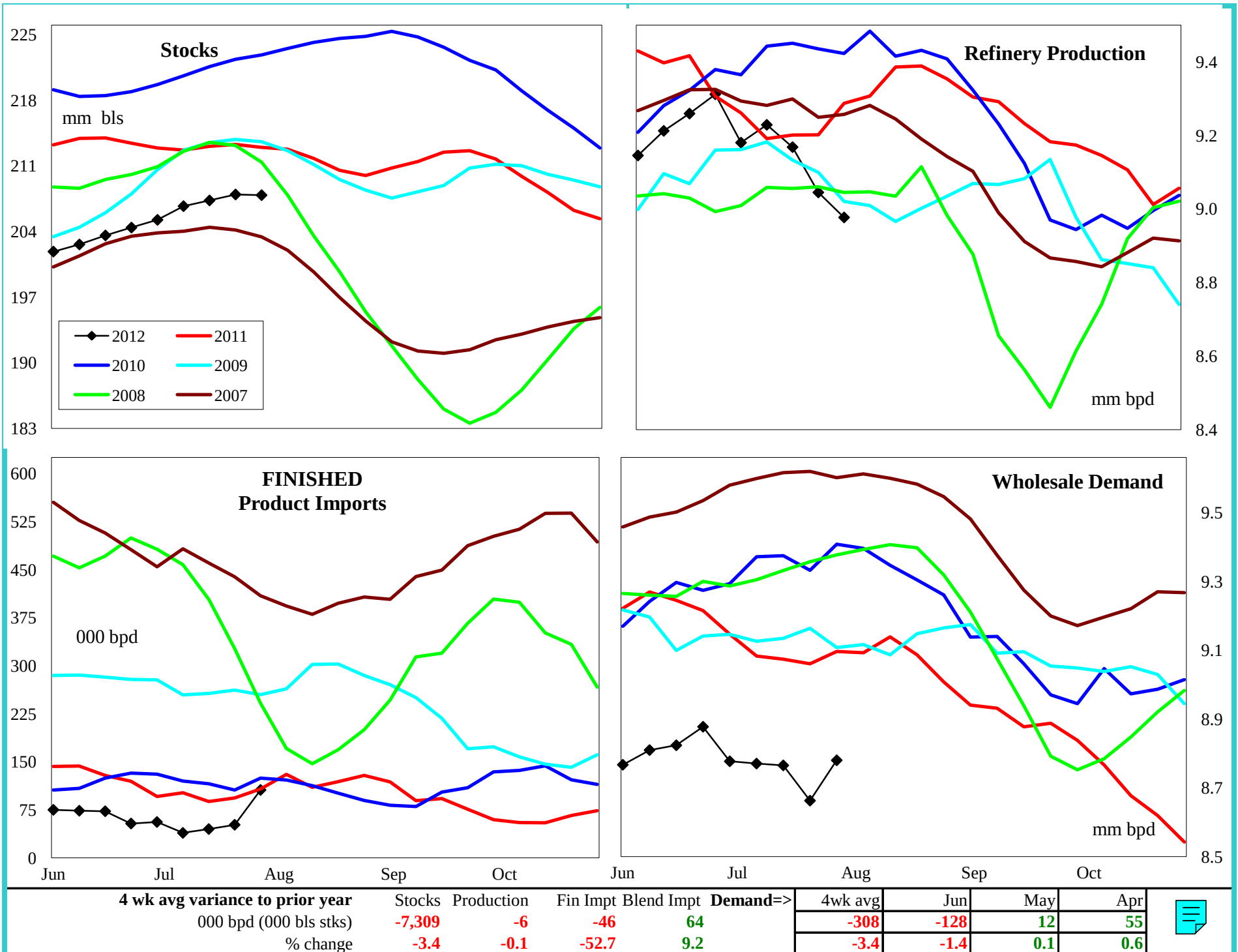
Residual Fuel Oil Imports by PADD



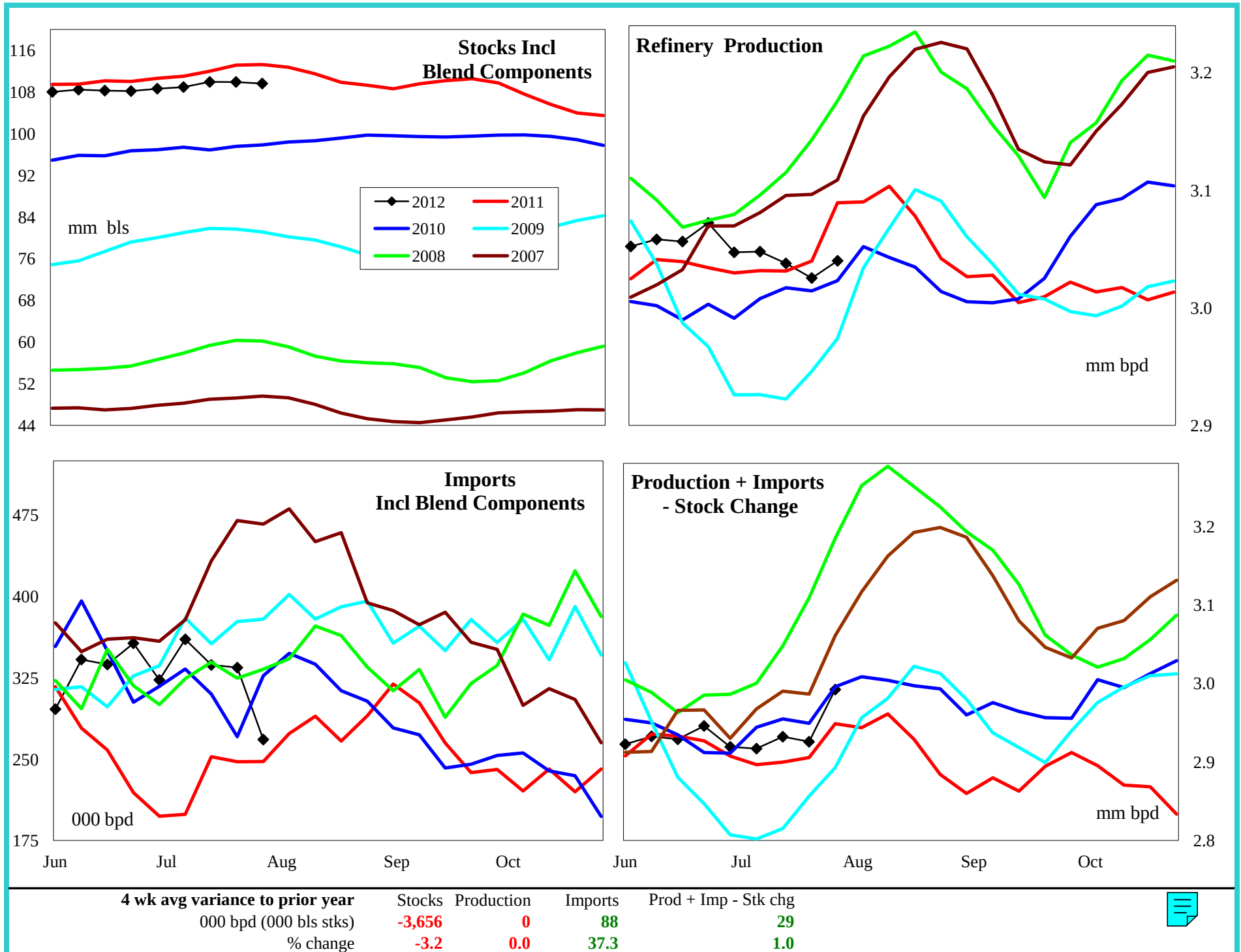
United States Crude Oil Supply and Demand Balance



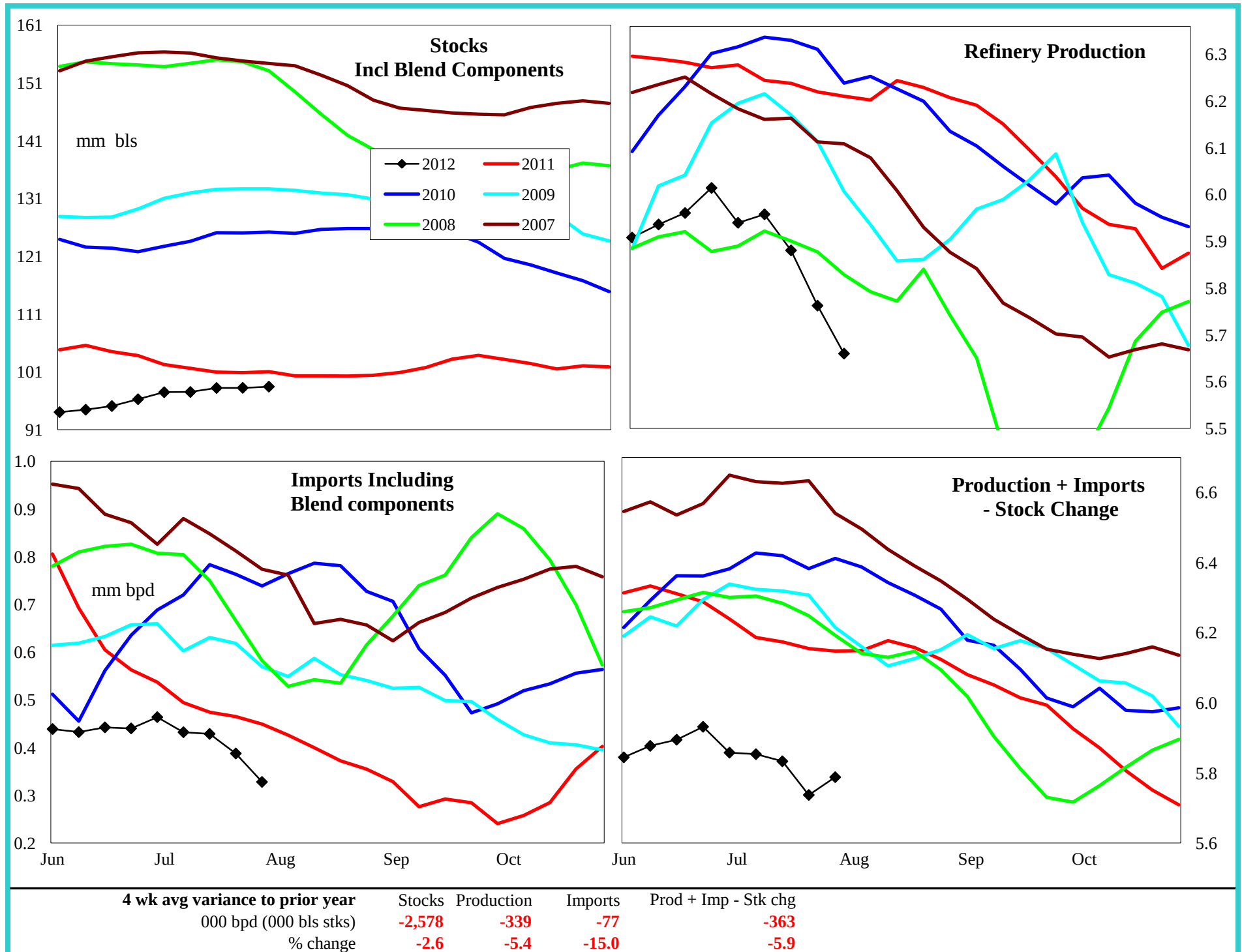
United States Gasoline Supply and Demand Balance



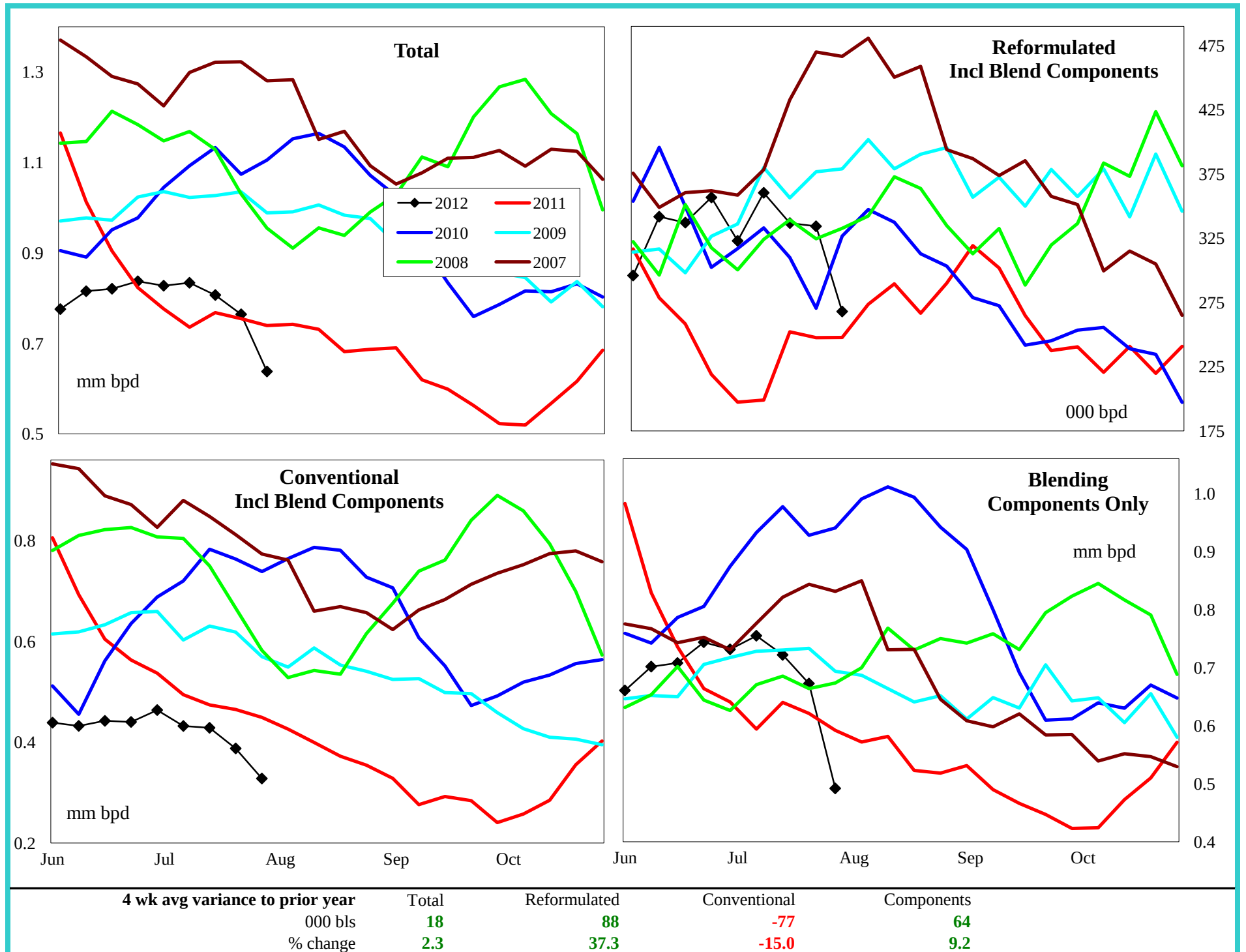
United States Reformulated Gasoline Supply



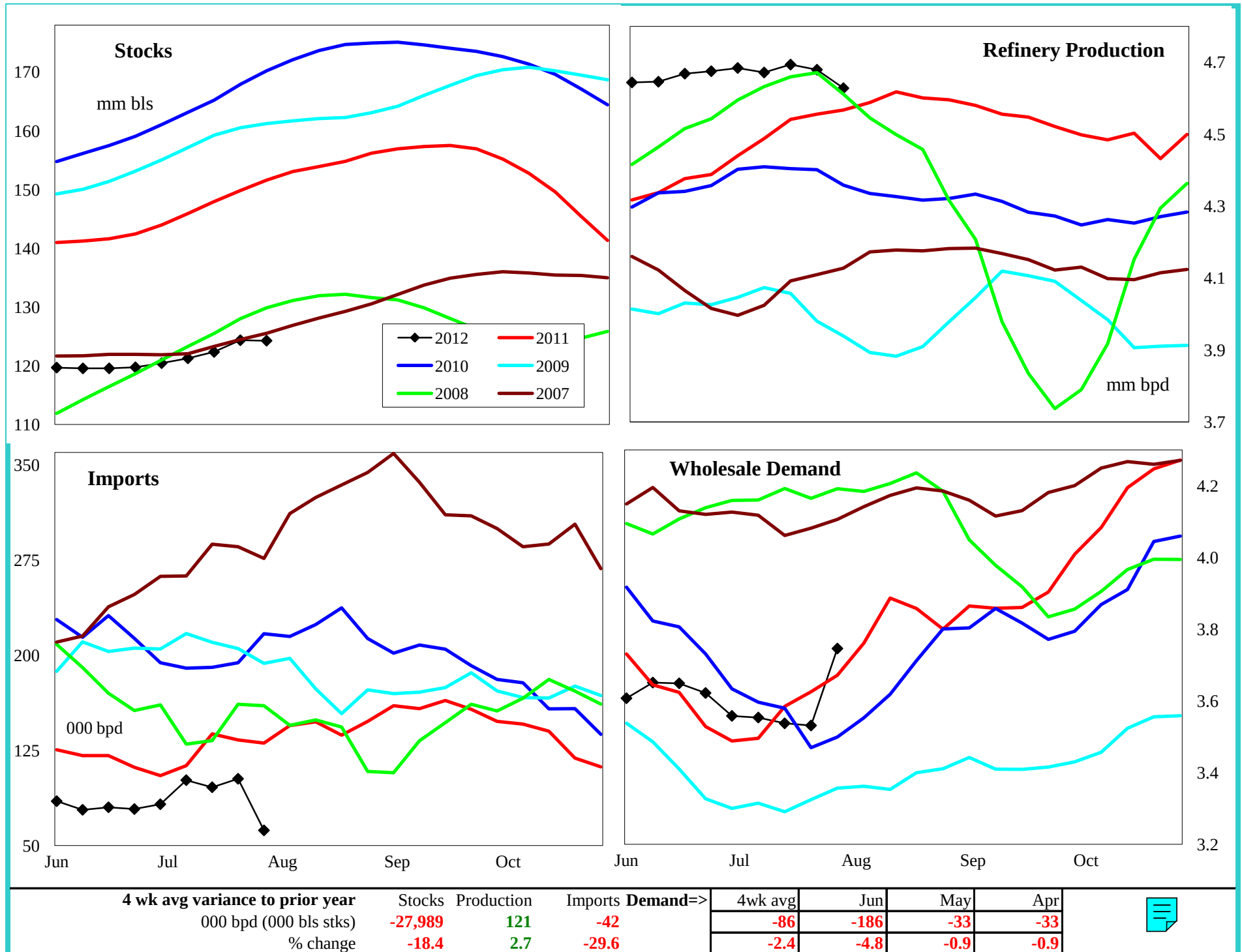
United States Conventional Gasoline Supply



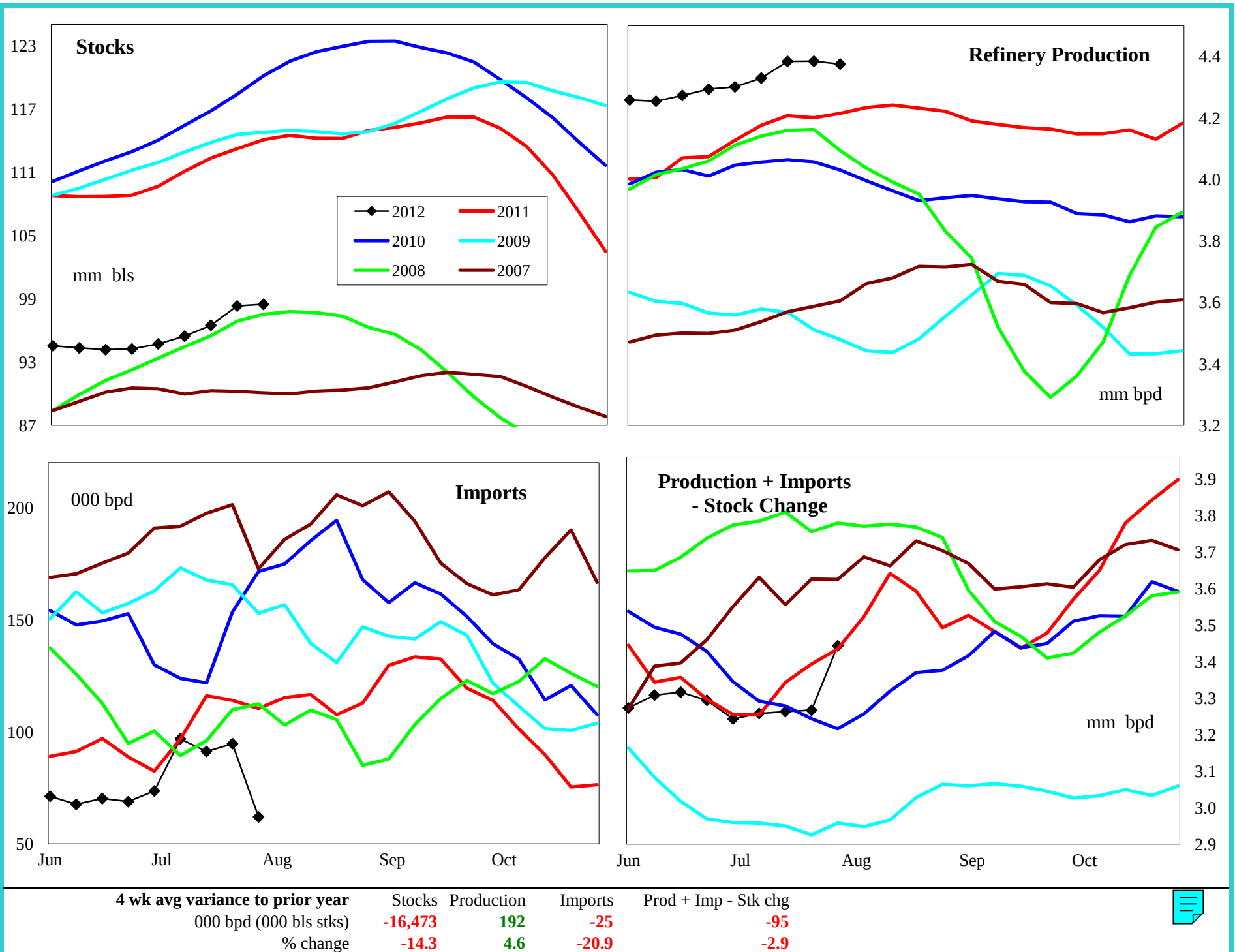
United States Gasoline Imports by Type



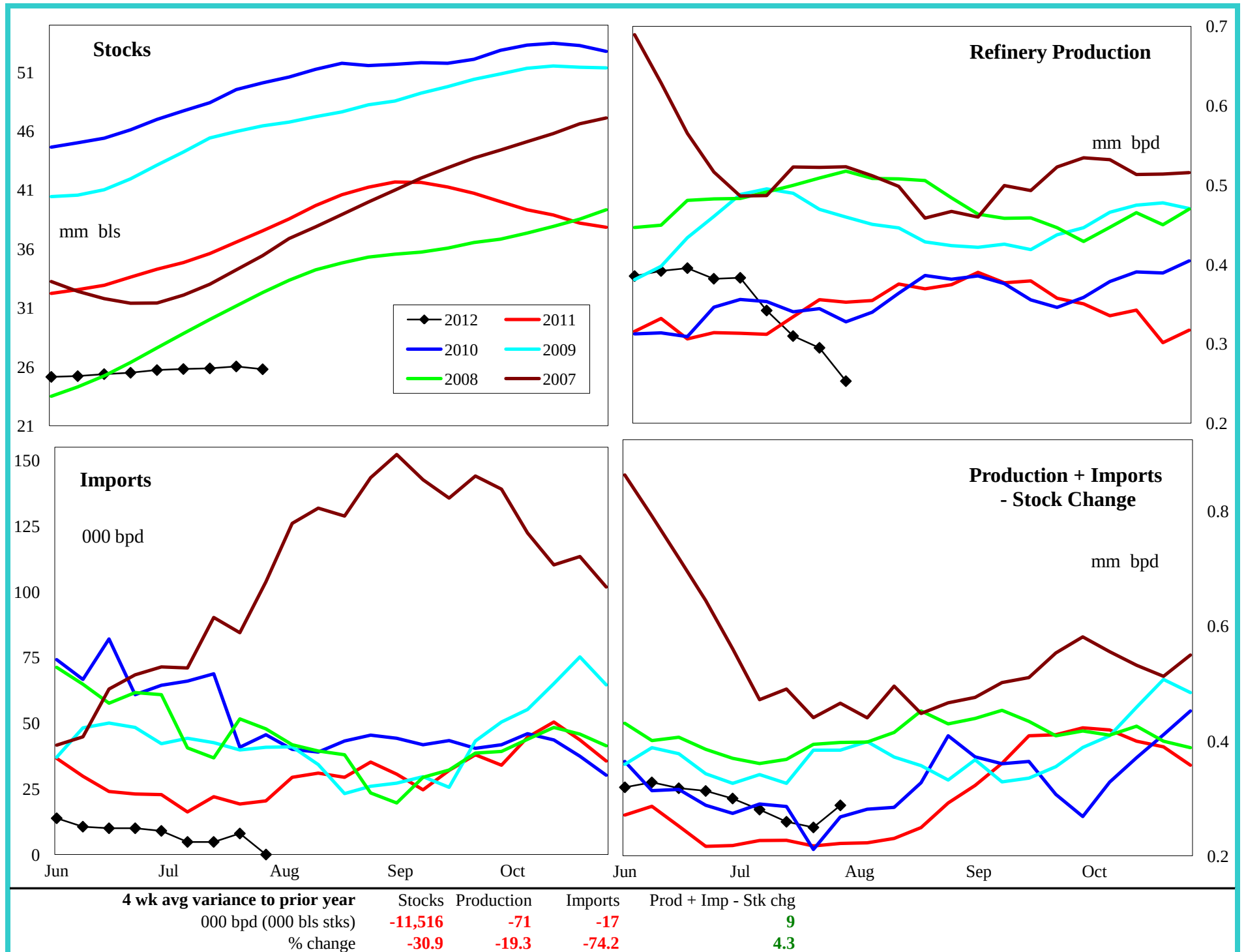
United States Distillate Supply and Demand Balance



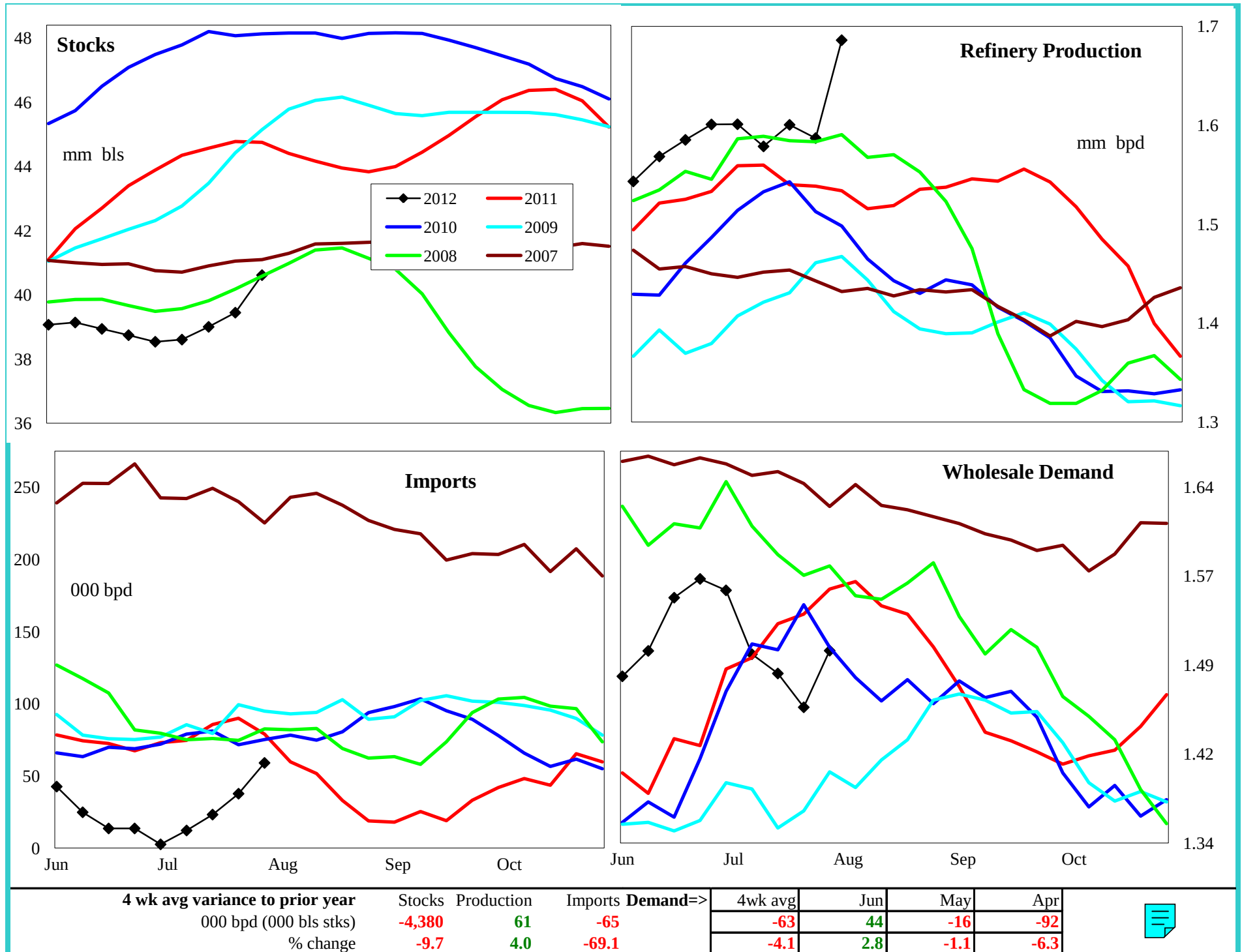
United States Low Sulfur Distillate Supply



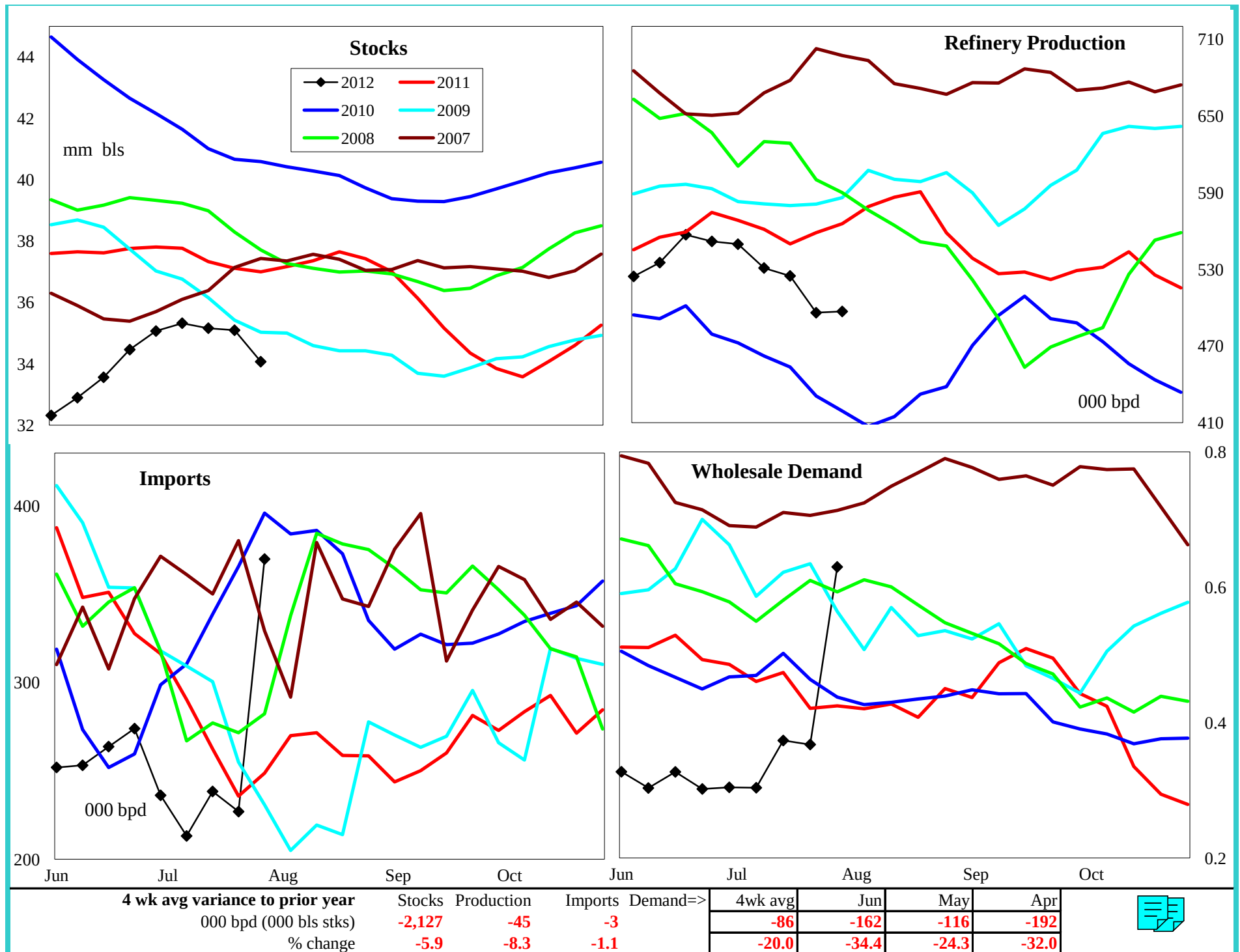
United States High Sulfur Distillate Supply



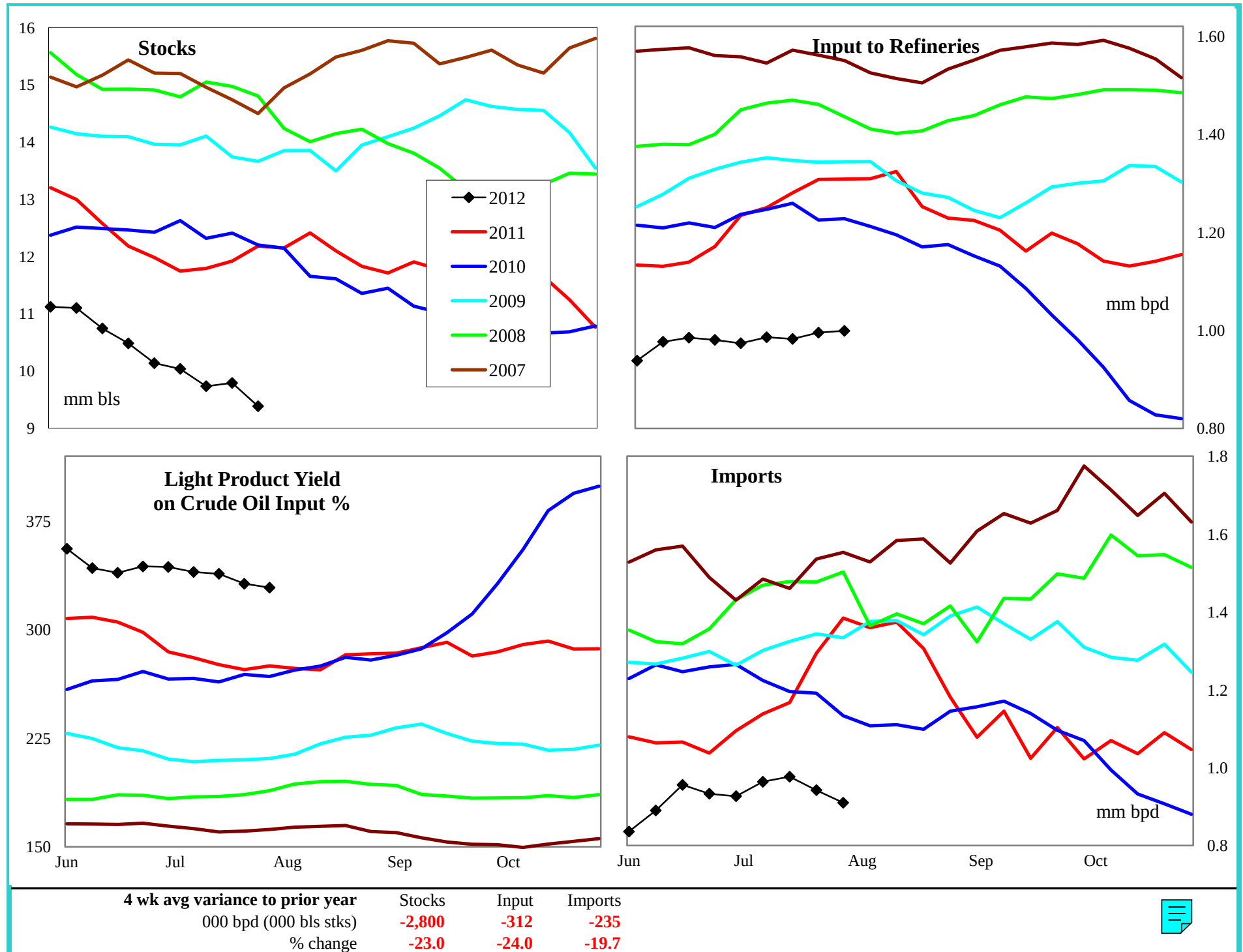
United States Jet Fuel Supply and Demand Balance



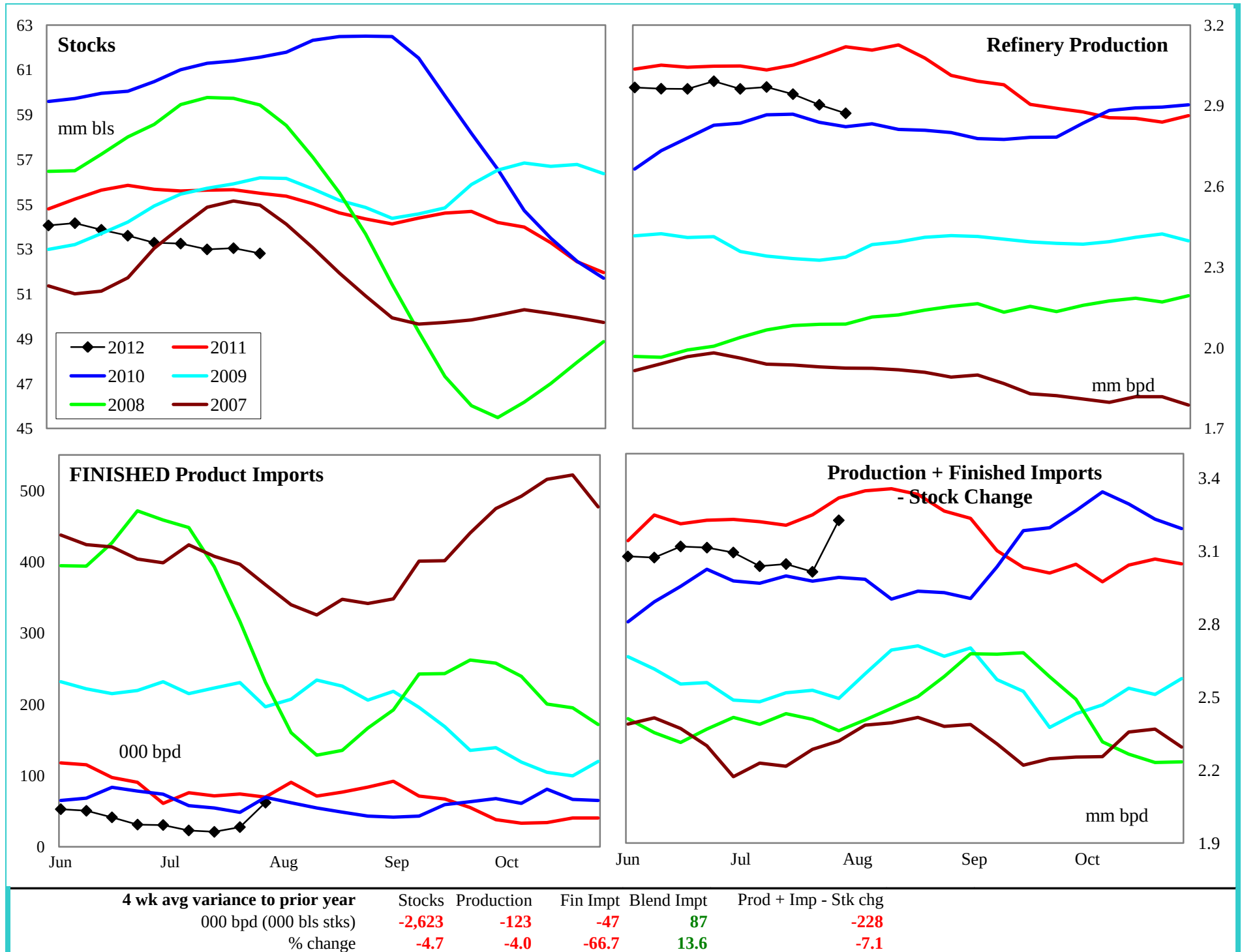
United States Residual Fuel Oil Supply and Demand Balance



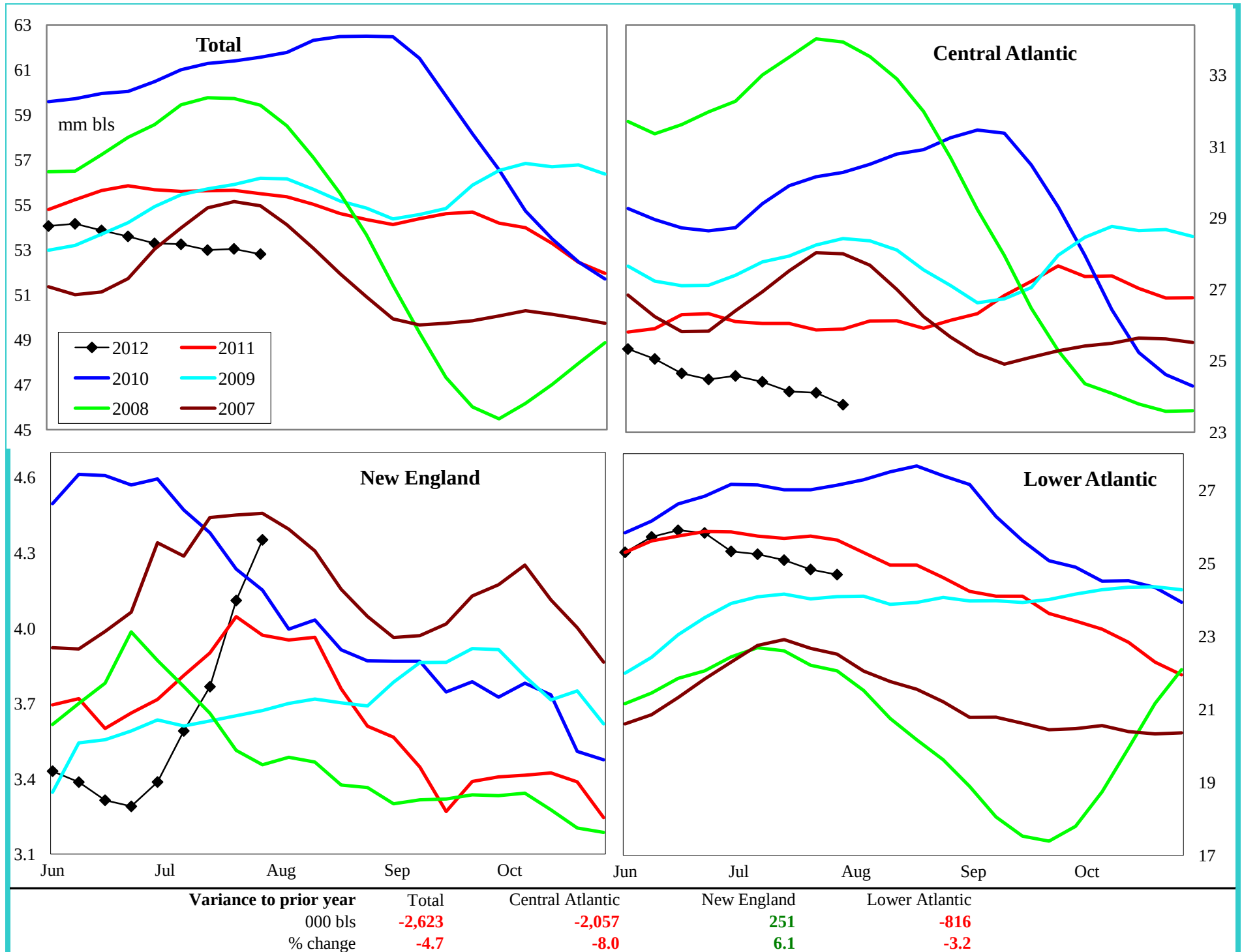
PADD 1 Crude Oil Supply and Refining



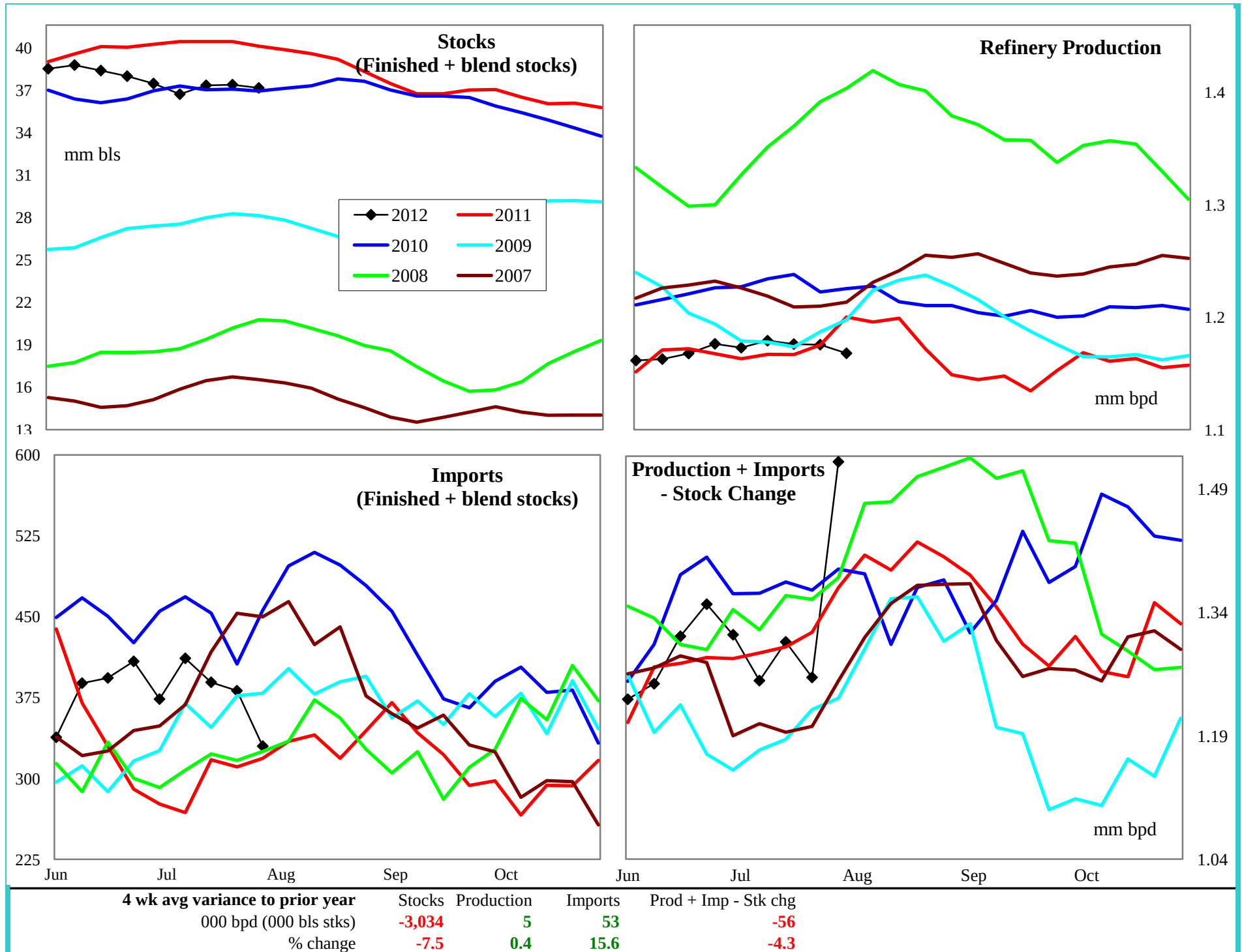
PADD 1 Gasoline Supply



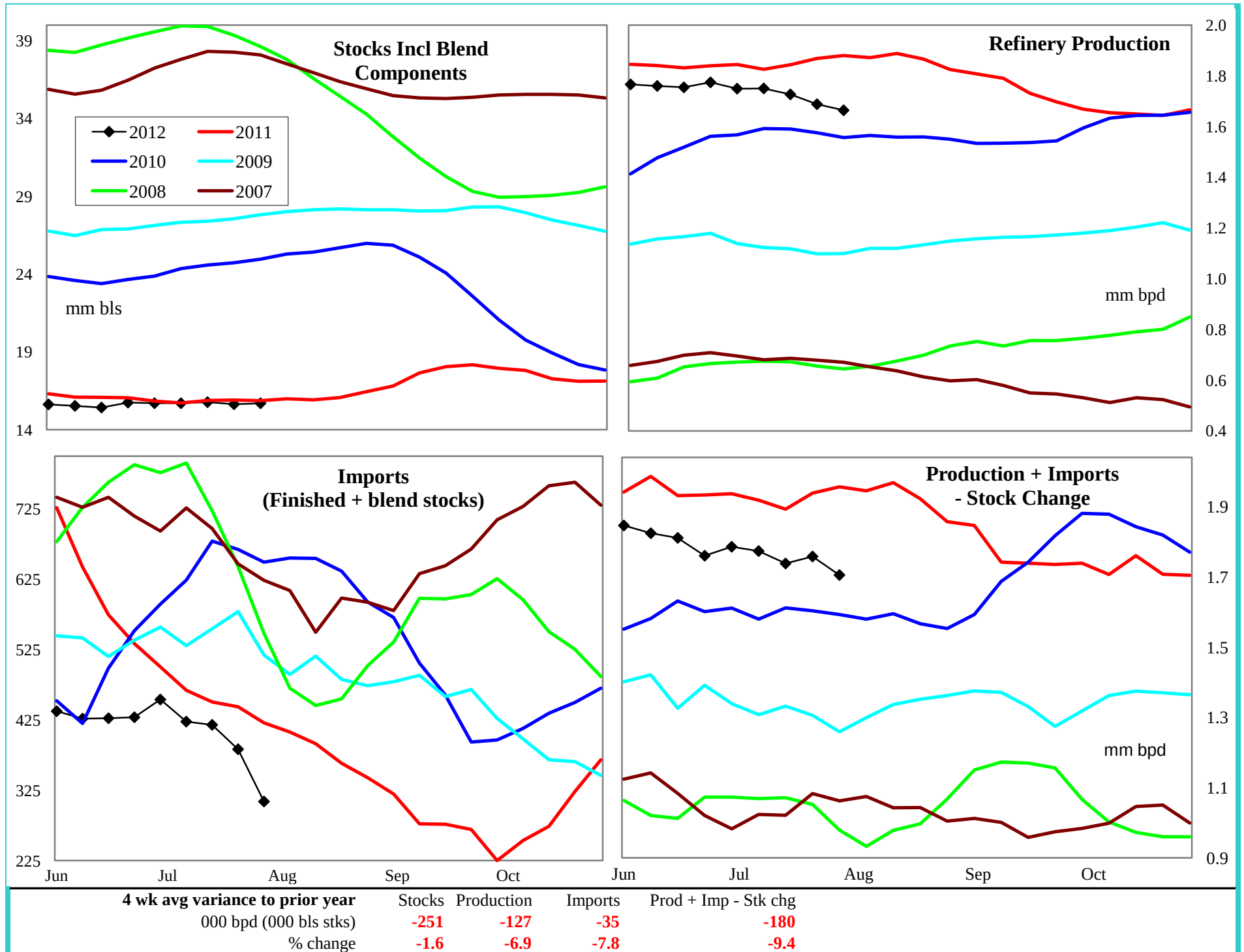
PADD 1 Gasoline Stocks by Region



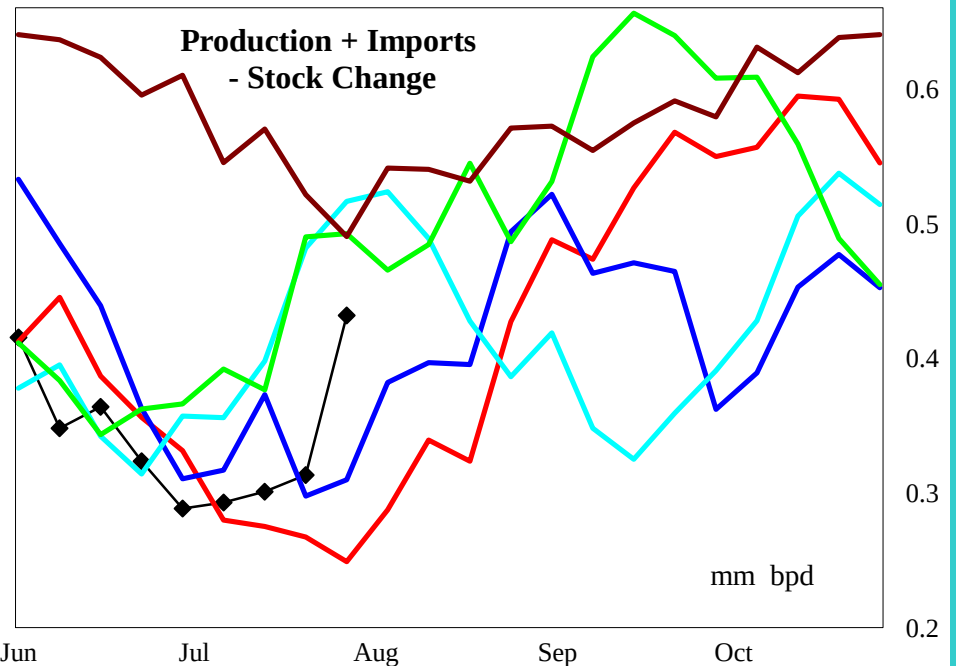
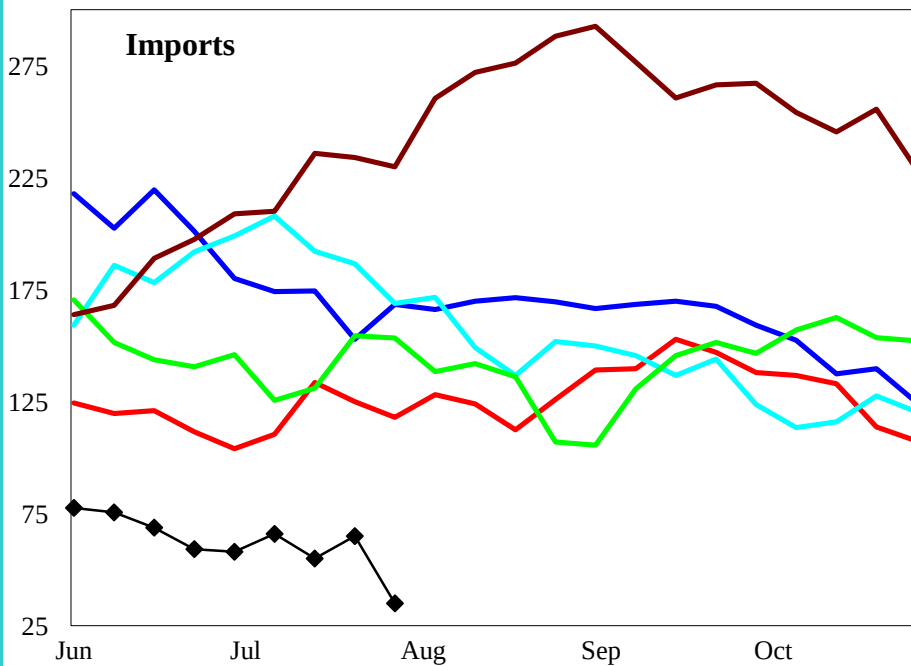
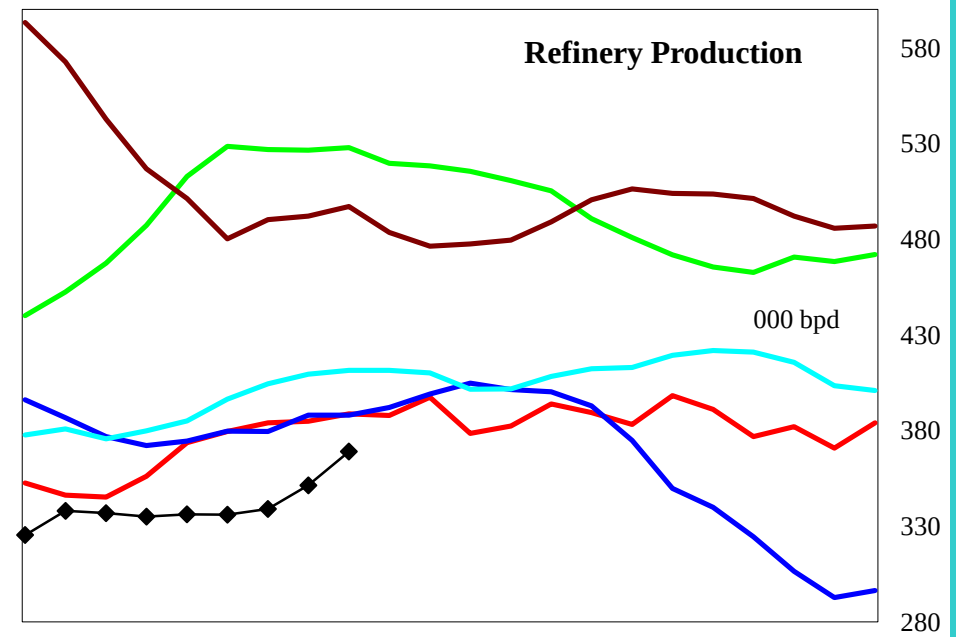
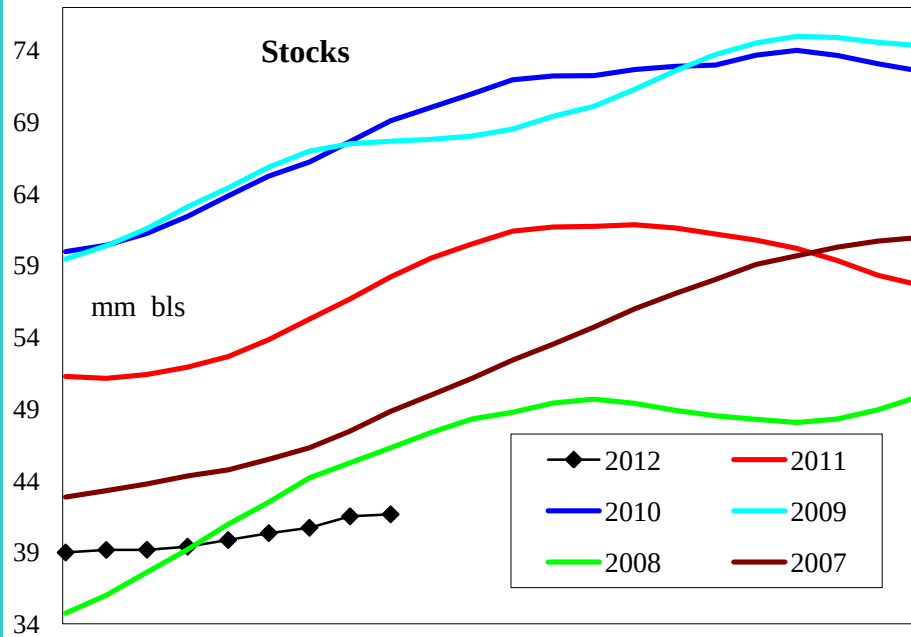
PADD 1 Reformulated Gasoline Supply



PADD 1 Conventional Gasoline Supply



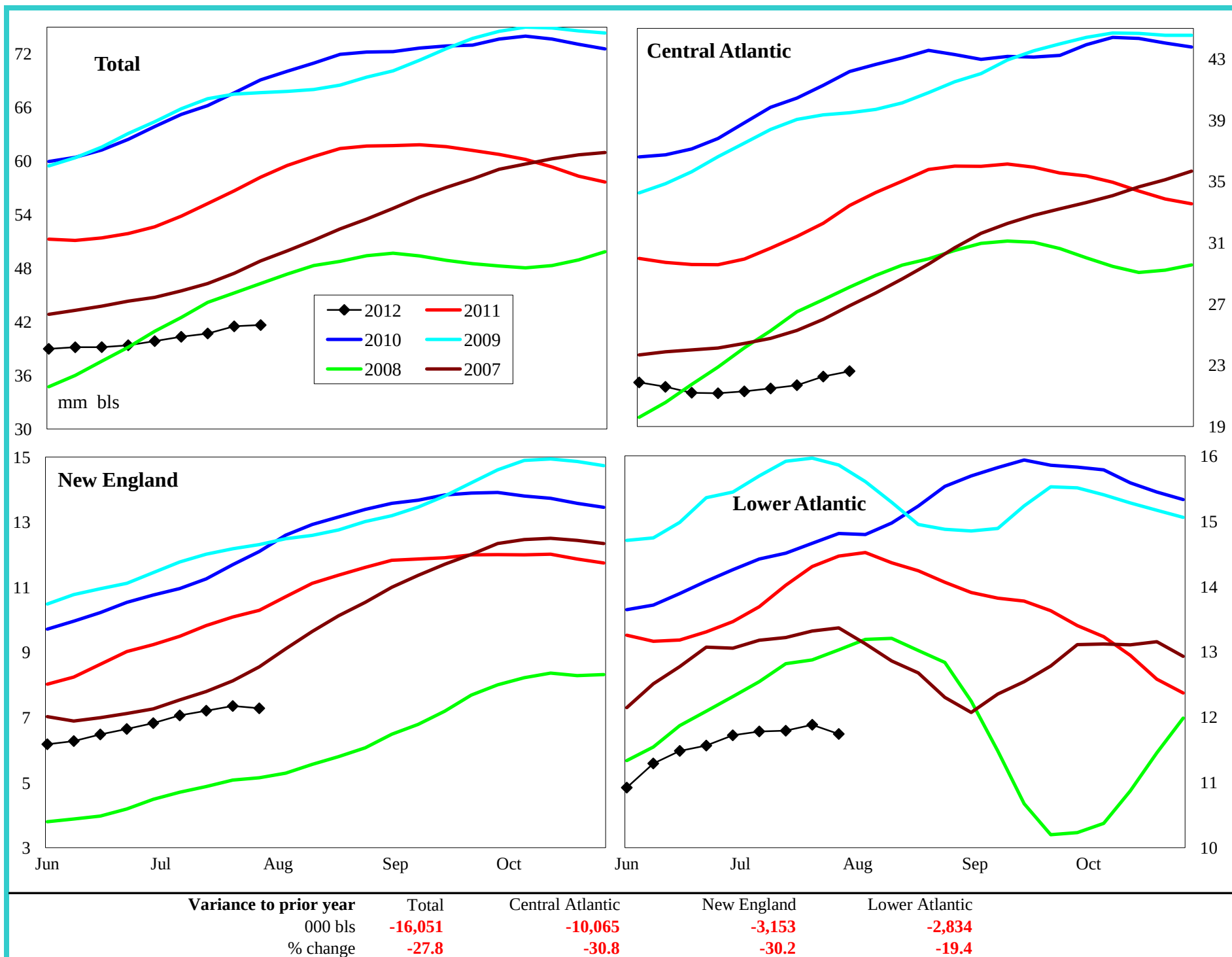
PADD 1 Distillate Supply



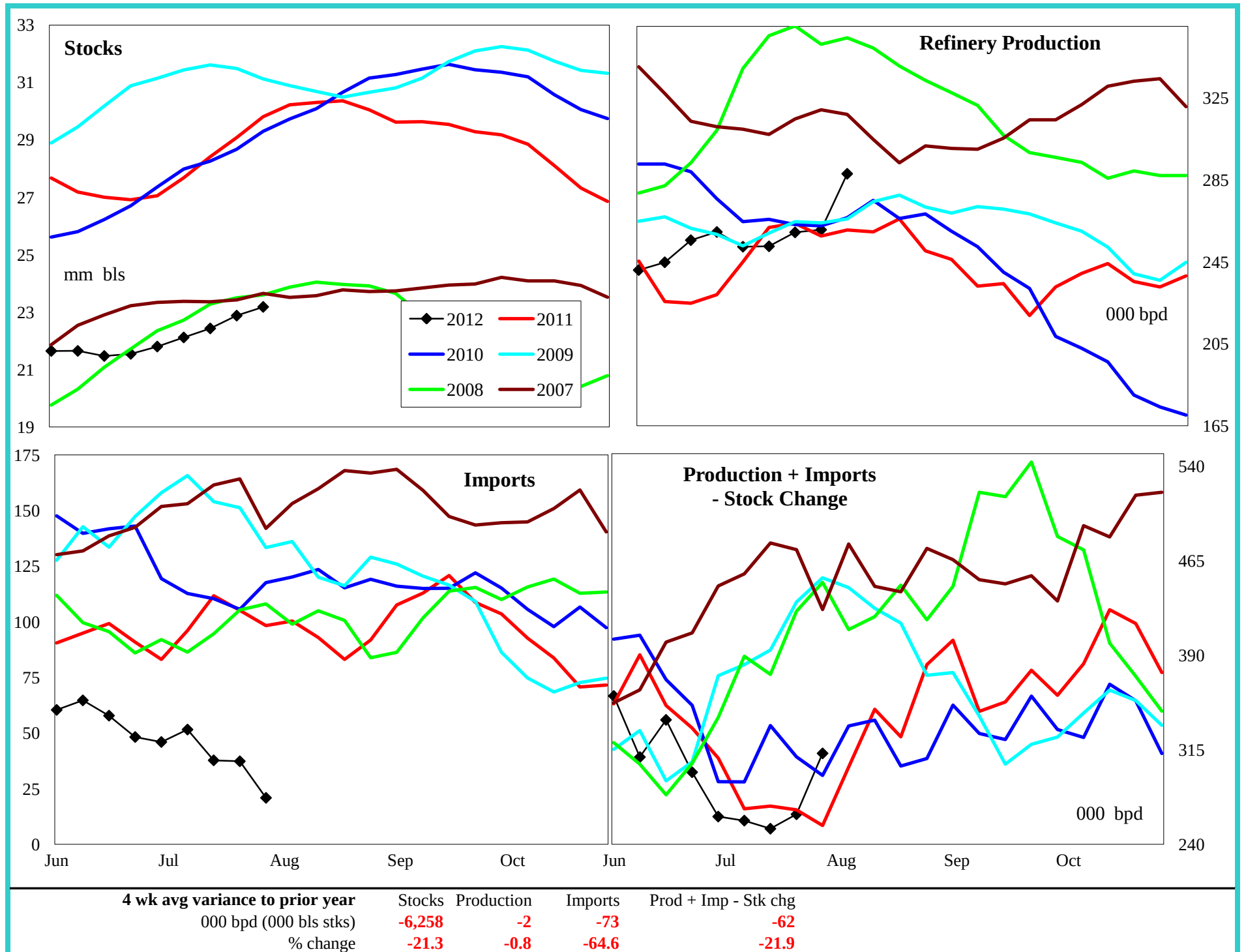
4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

	Stocks	Production	Imports	Prod + Imp - Stk chg
000 bpd (000 bls stks)	-16,051	-42	-76	-41
% change	-27.8	-10.9	-55.4	-12.0

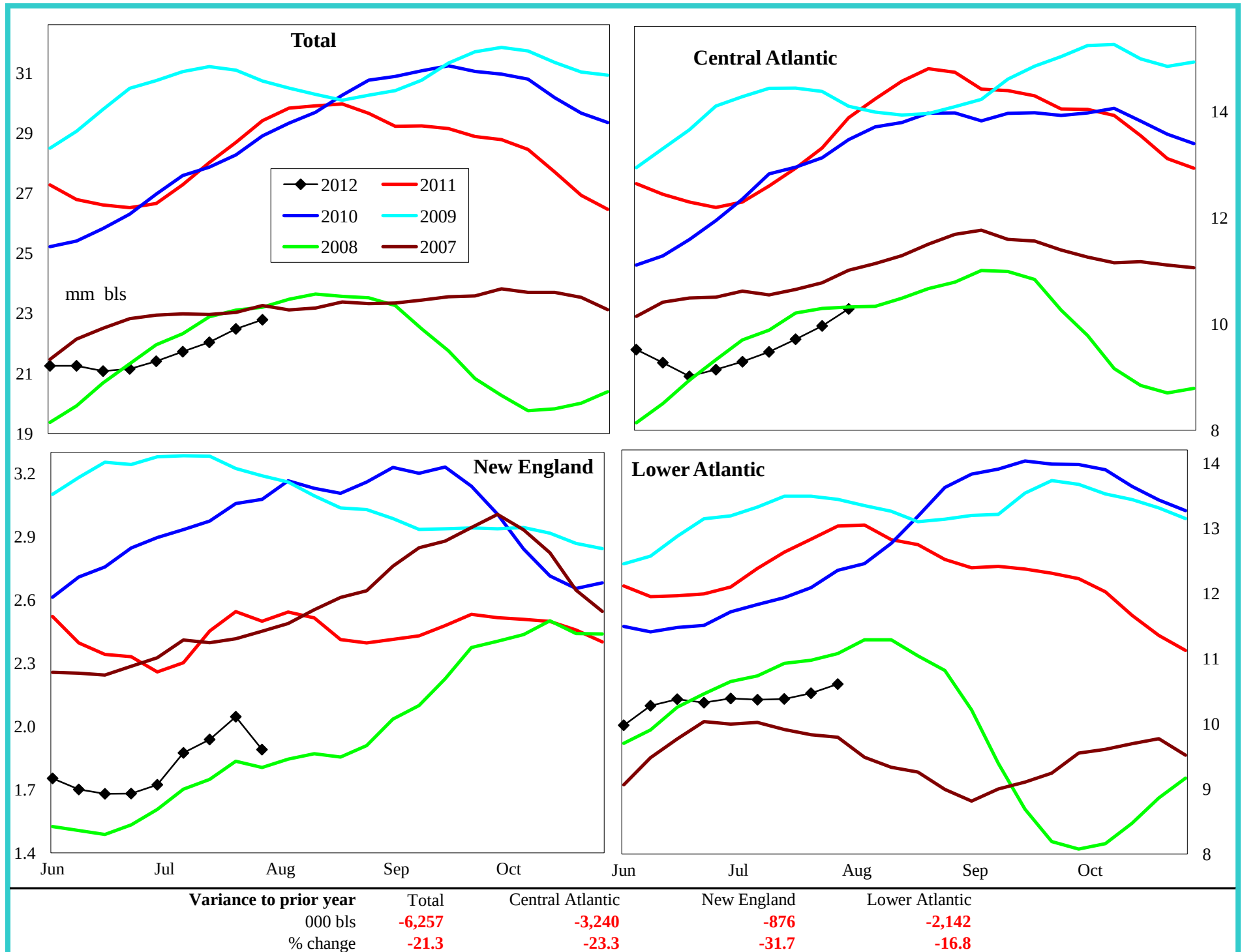
PADD 1 Distillate Stocks by Region



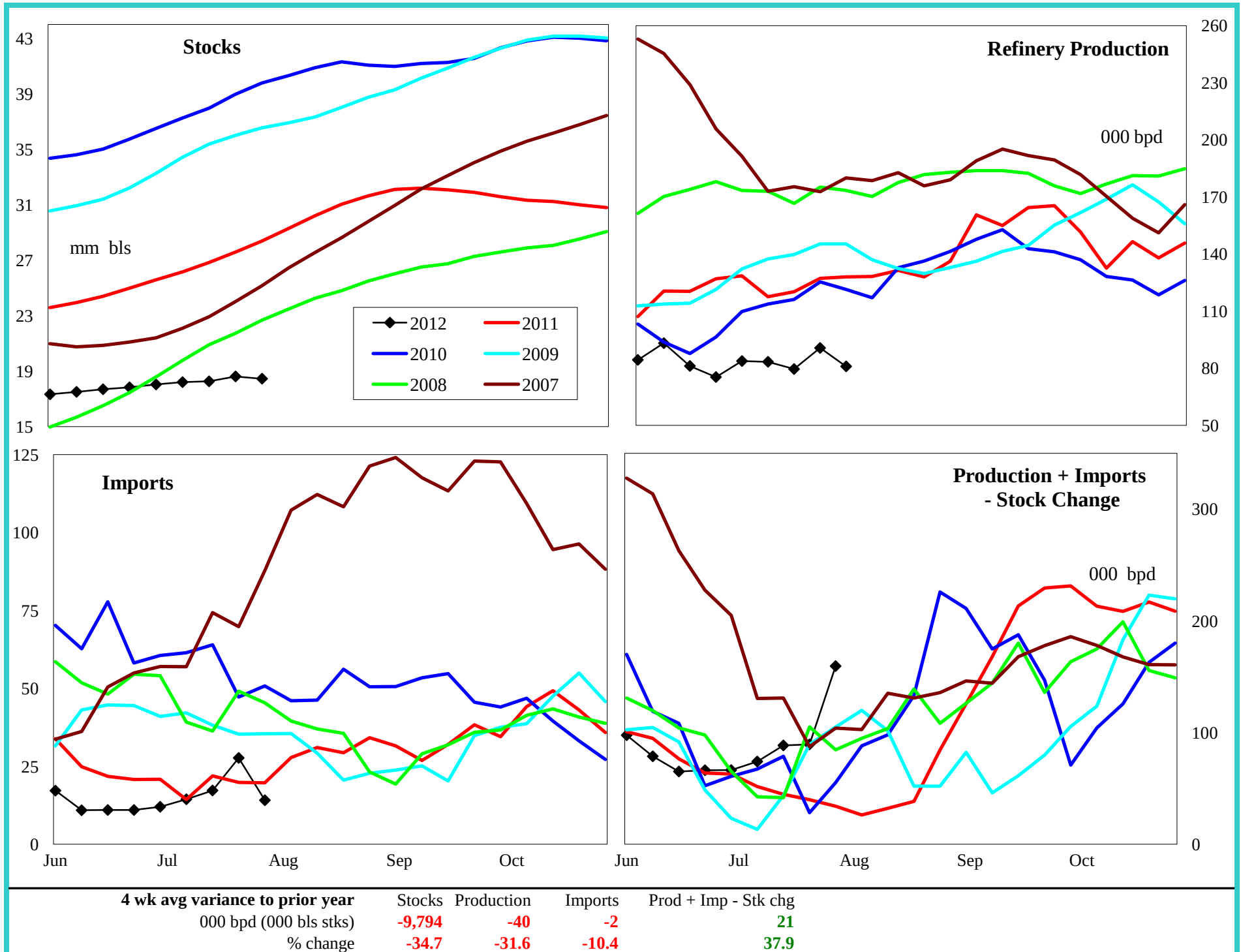
PADD 1 Low Sulfur Distillate Supply



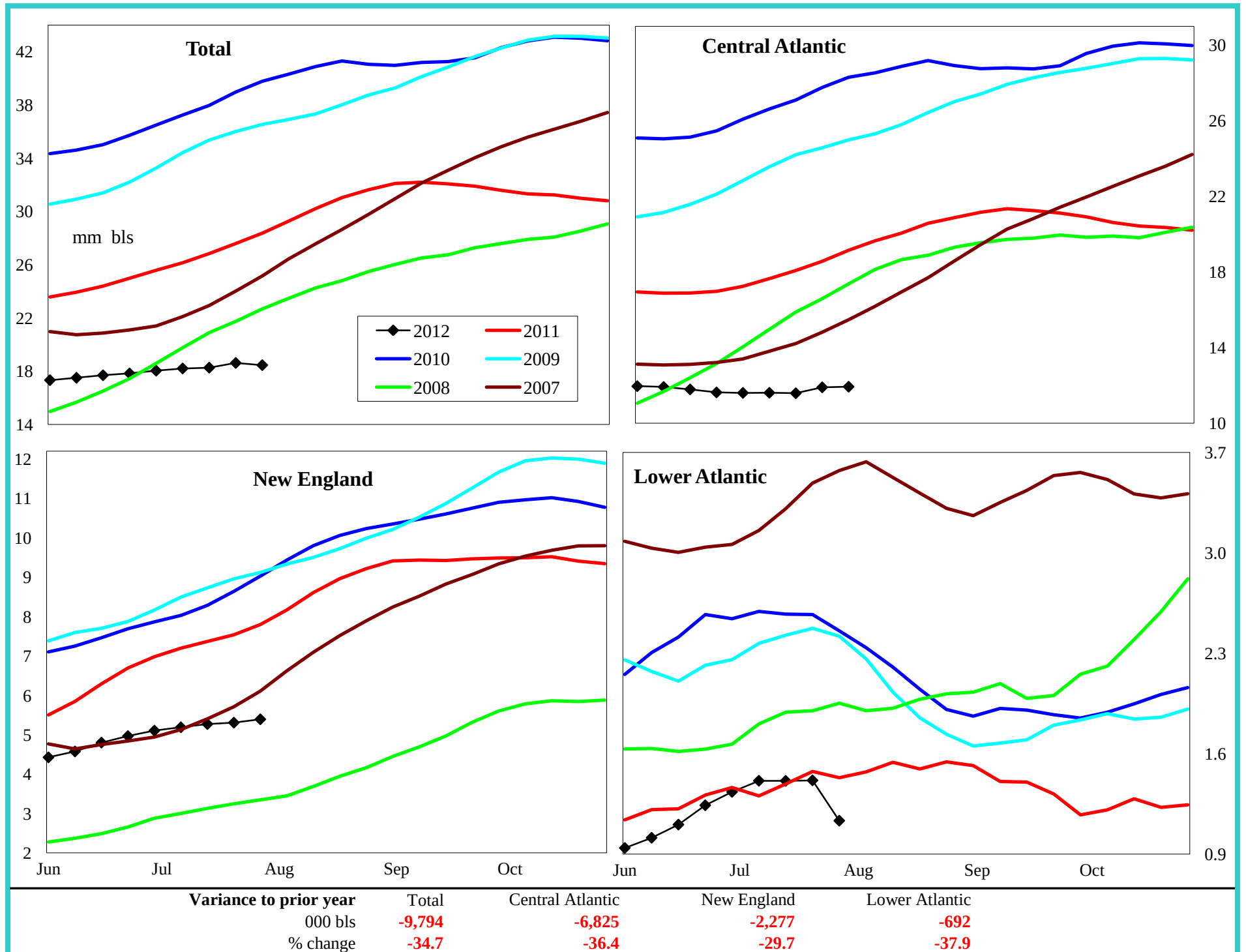
PADD 1 Low Sulfur Distillate Stocks by Region



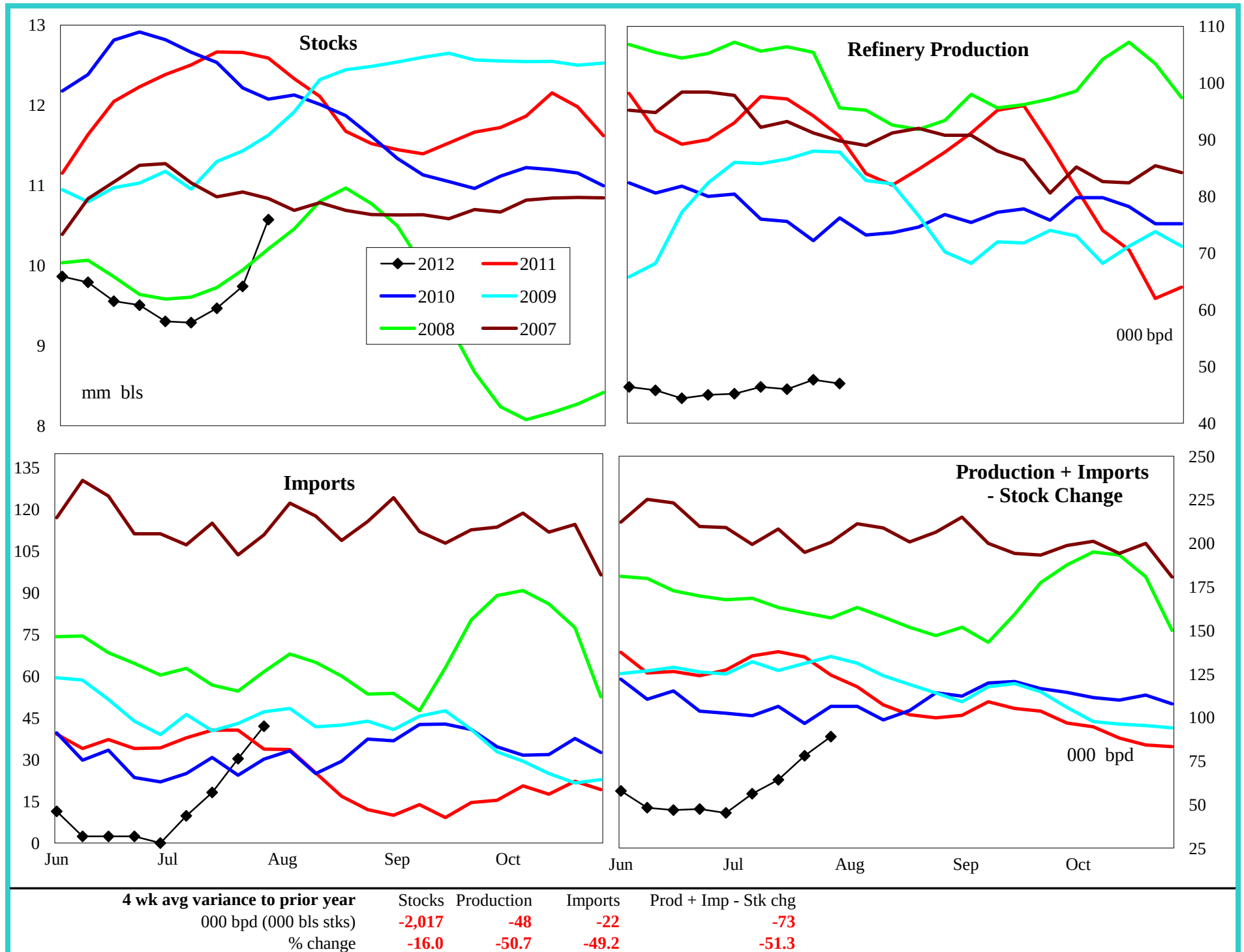
PADD 1 High Sulfur Distillate Supply



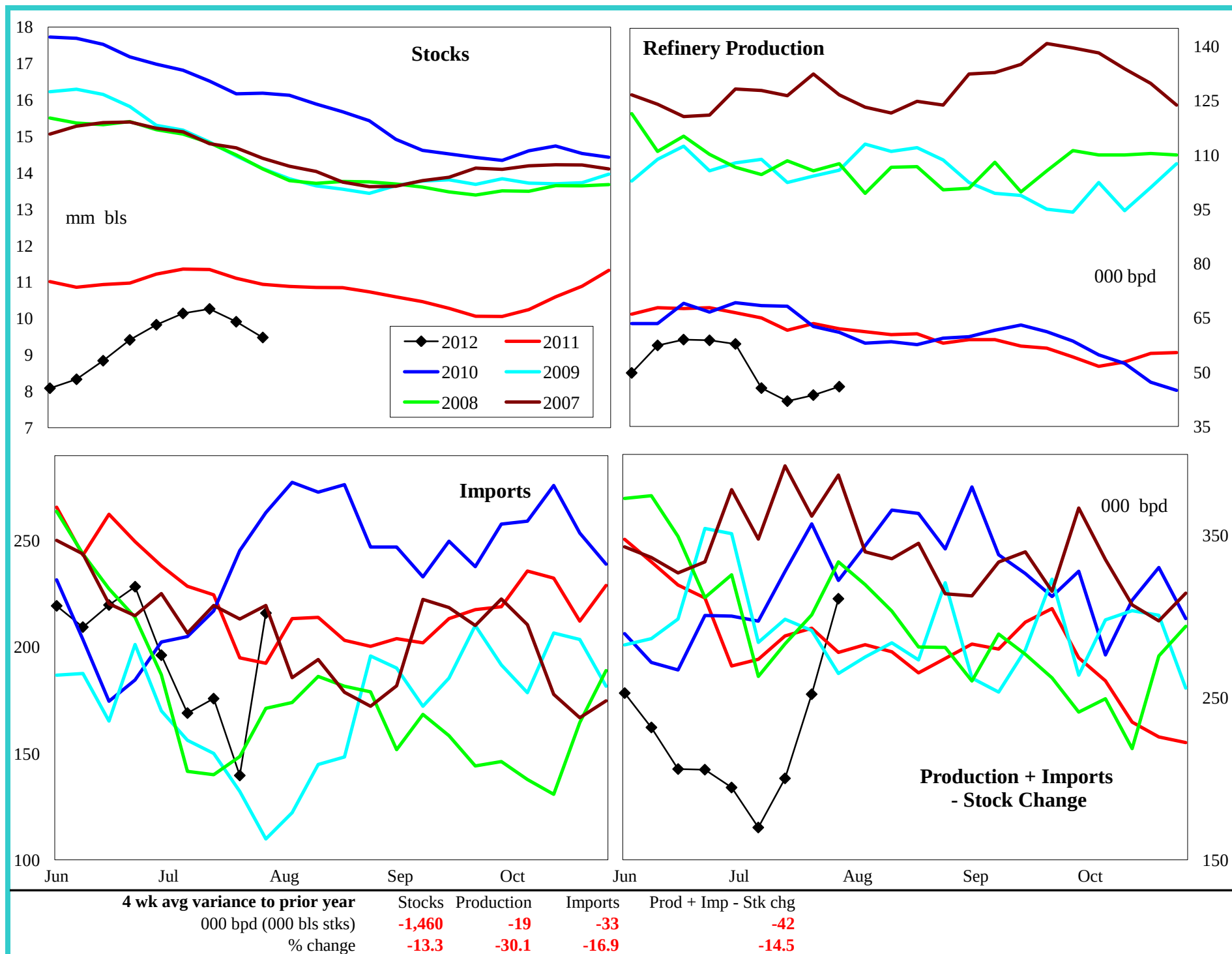
PADD 1 High Sulfur Distillate Stocks by Region



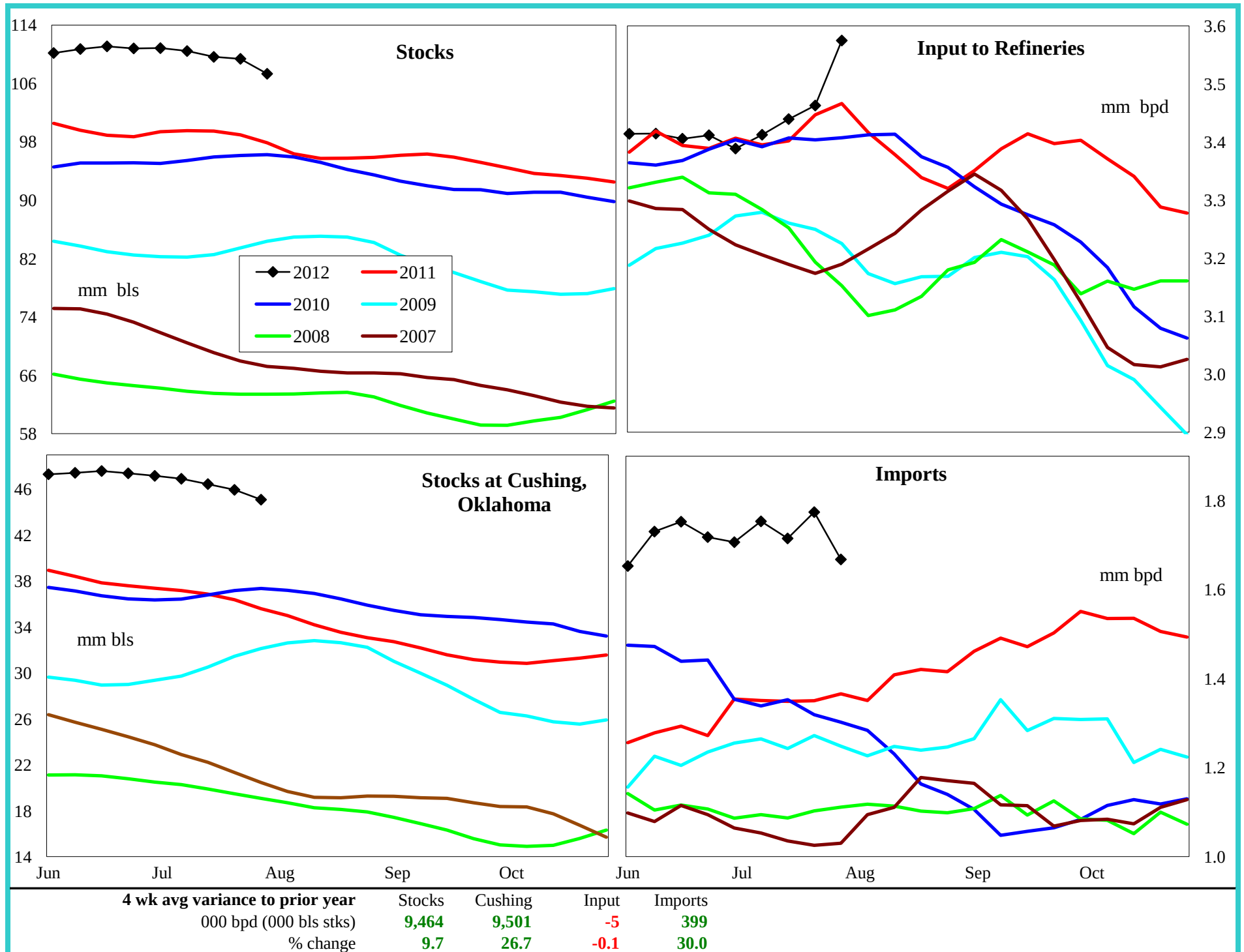
PADD 1 Jet Fuel Supply



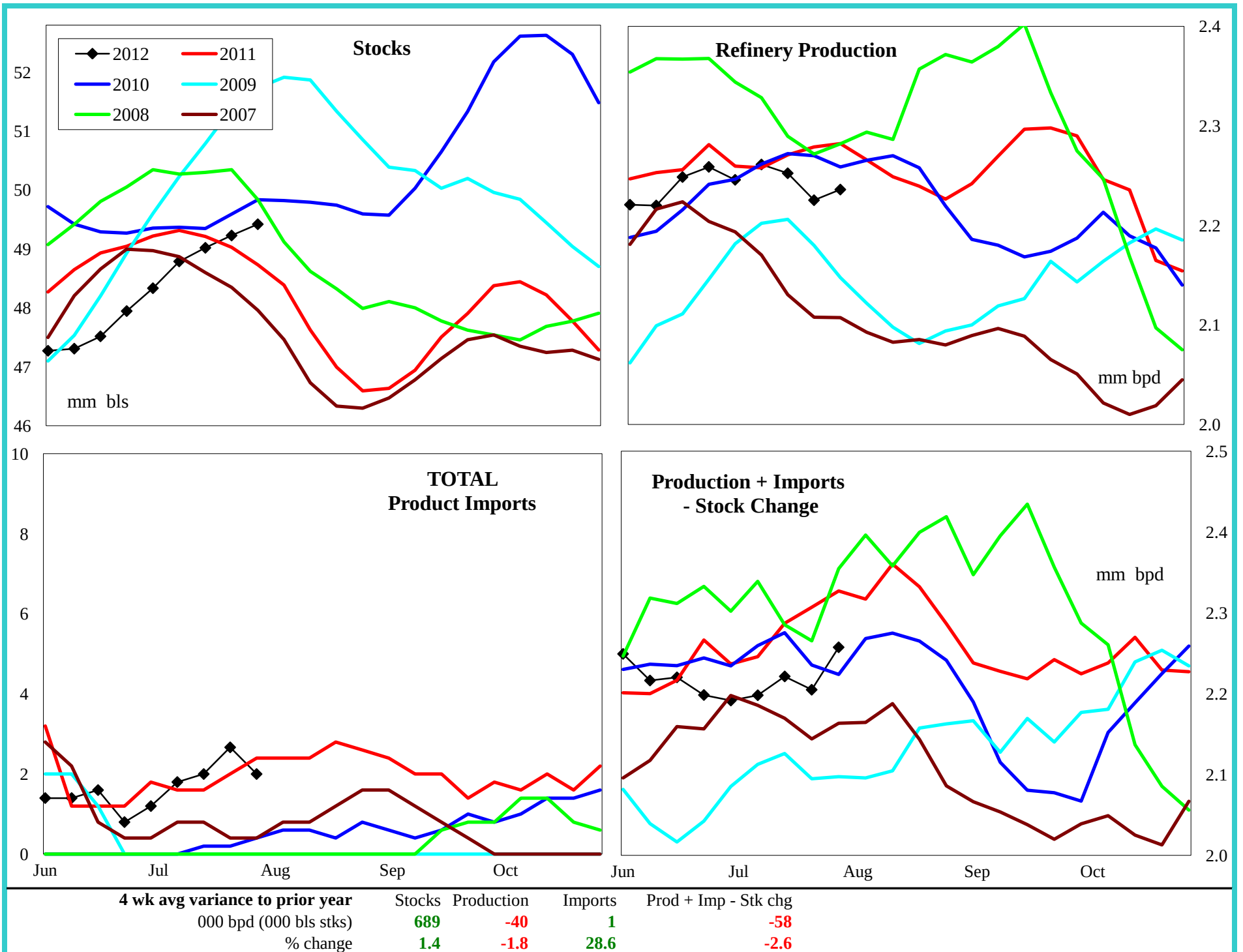
PADD 1 Residual Fuel Oil Supply



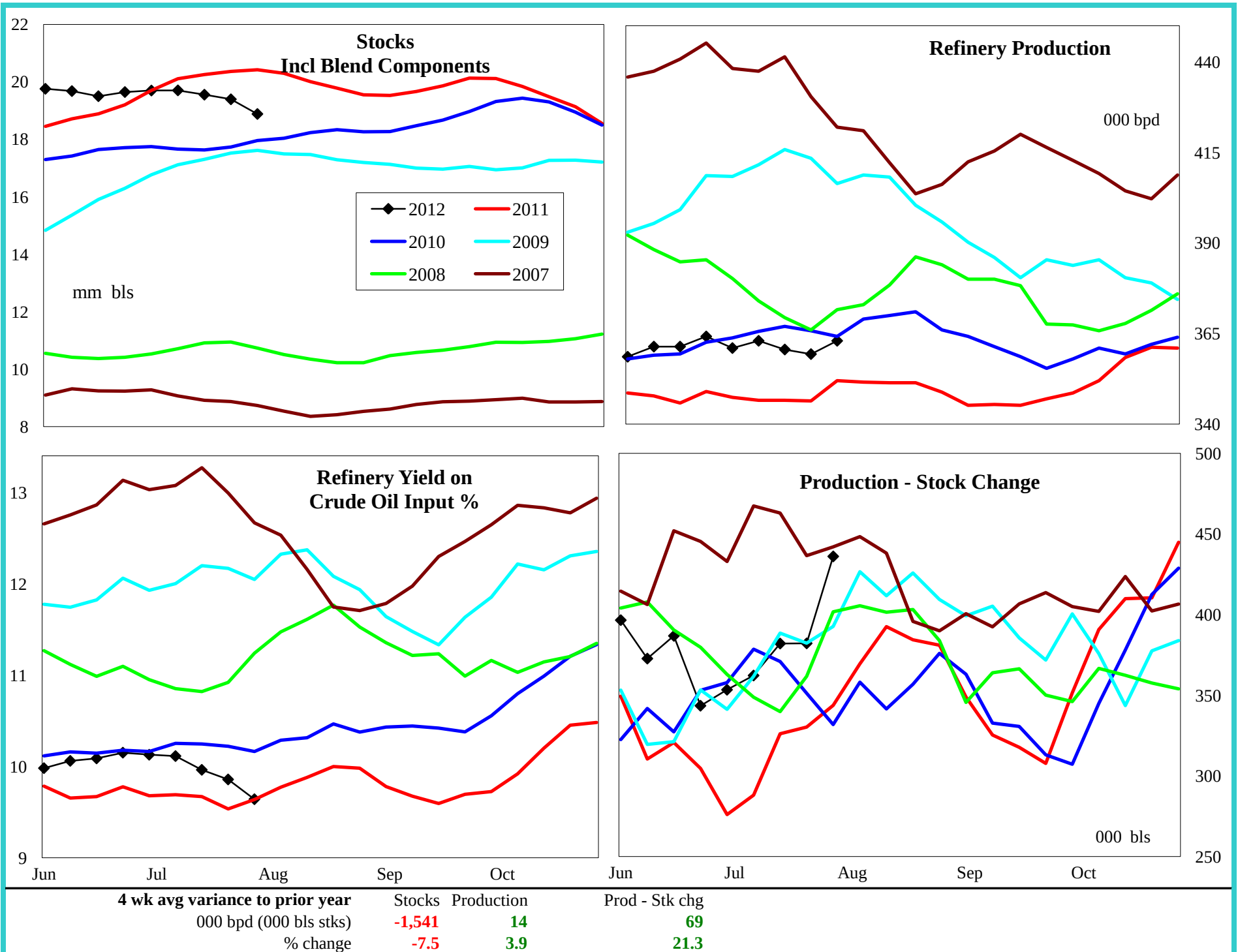
PADD 2 Crude Oil Supply and Refining



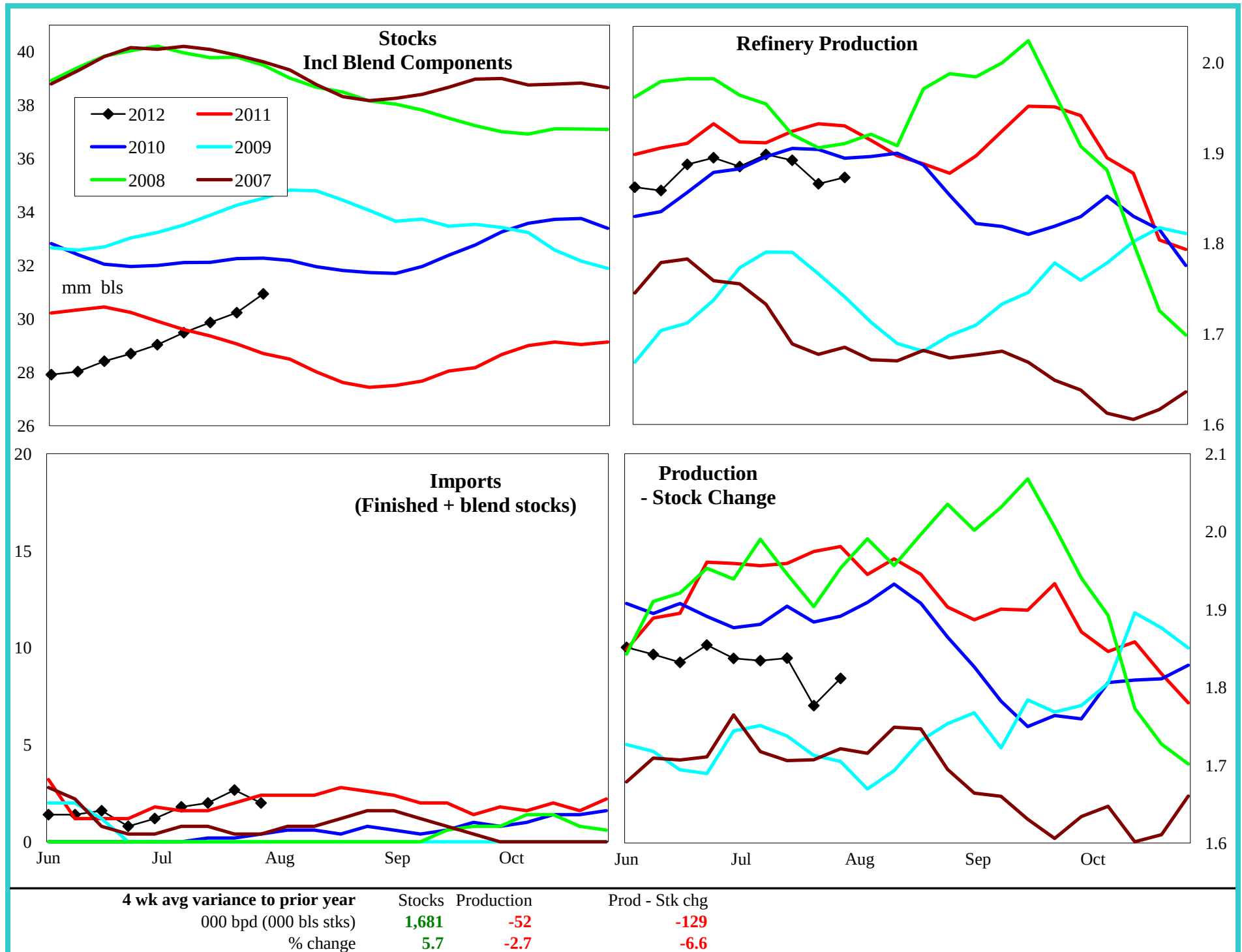
PADD 2 Gasoline Supply



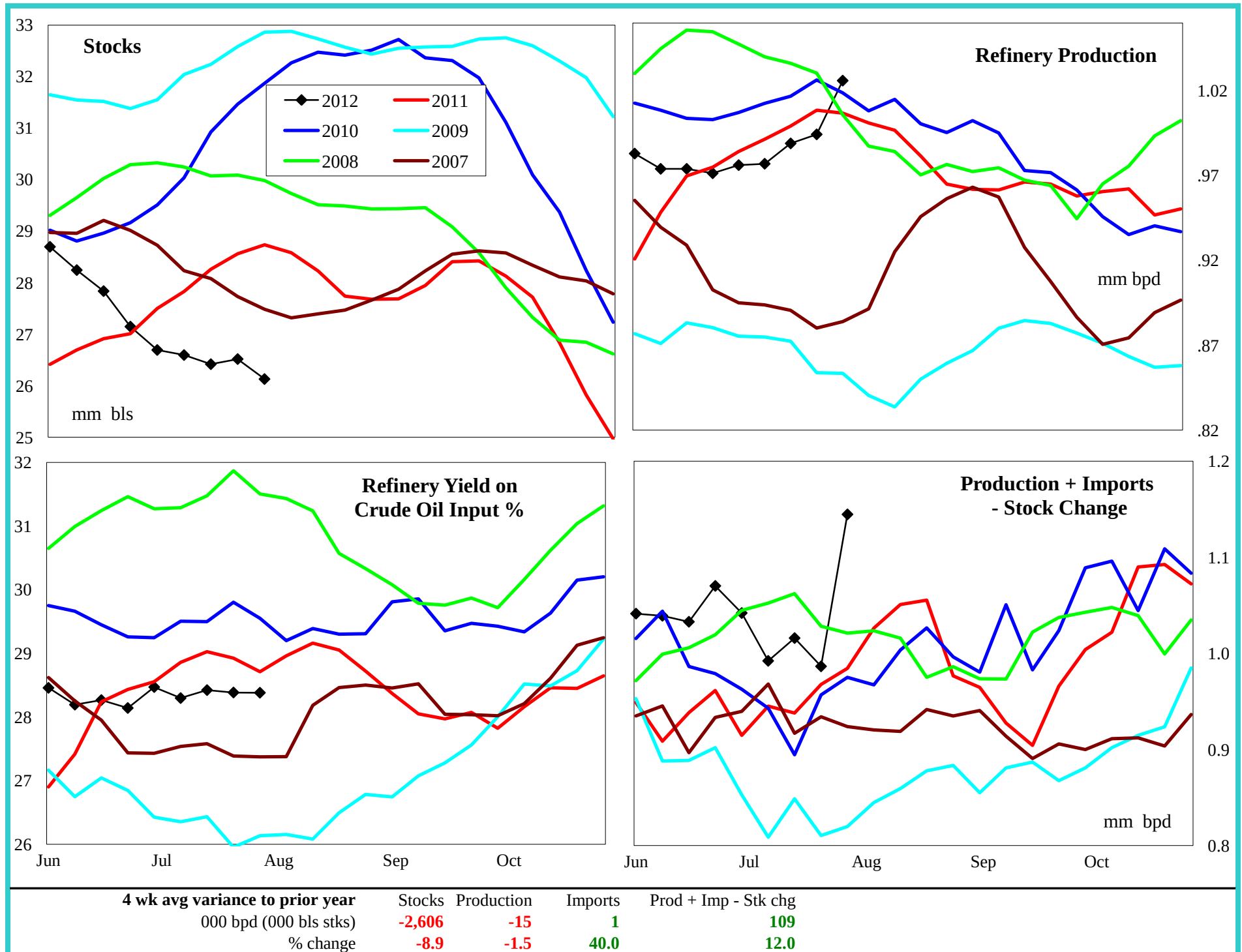
PADD 2 Reformulated Gasoline Supply



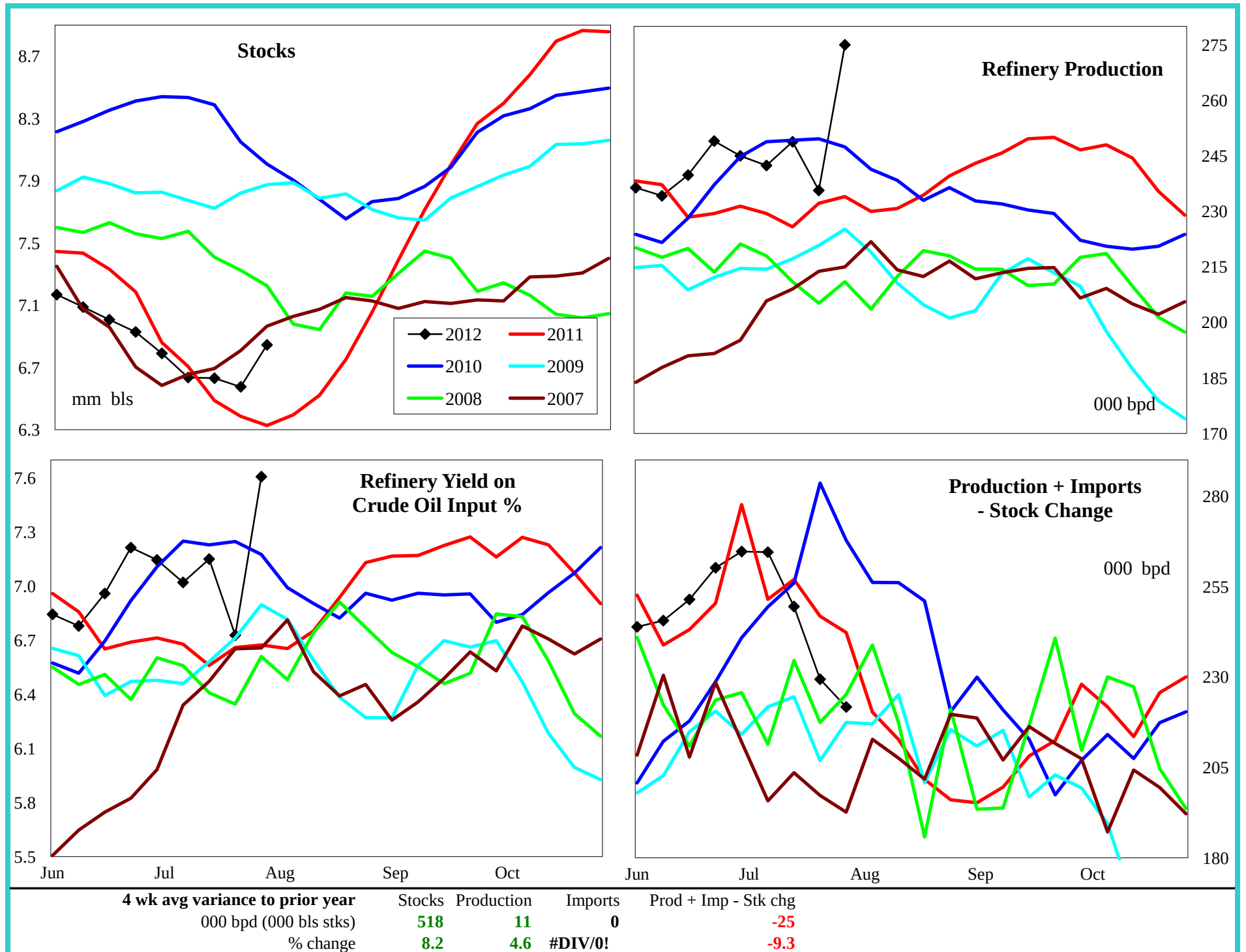
PADD 2 Conventional Gasoline Supply



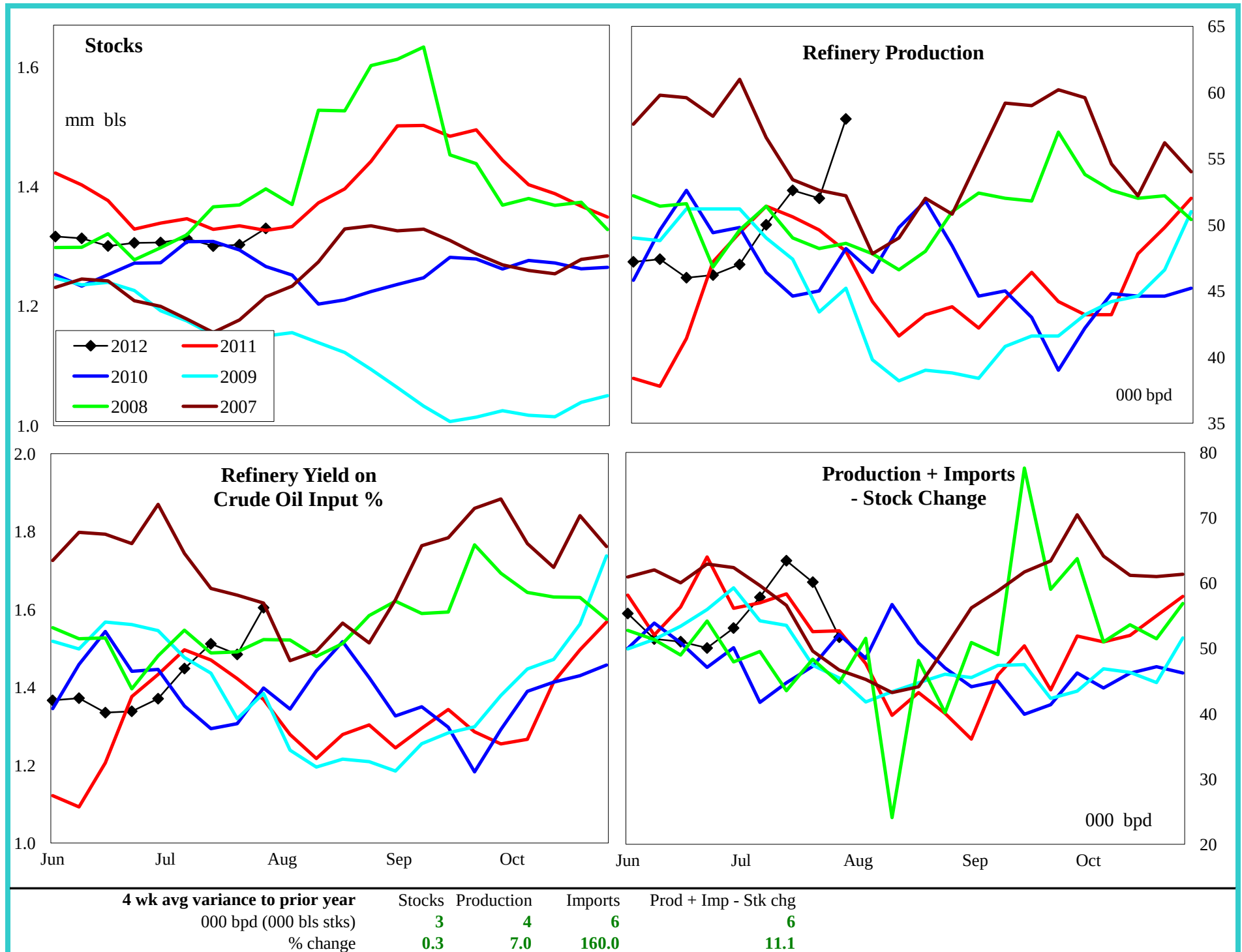
PADD 2 Distillate Supply



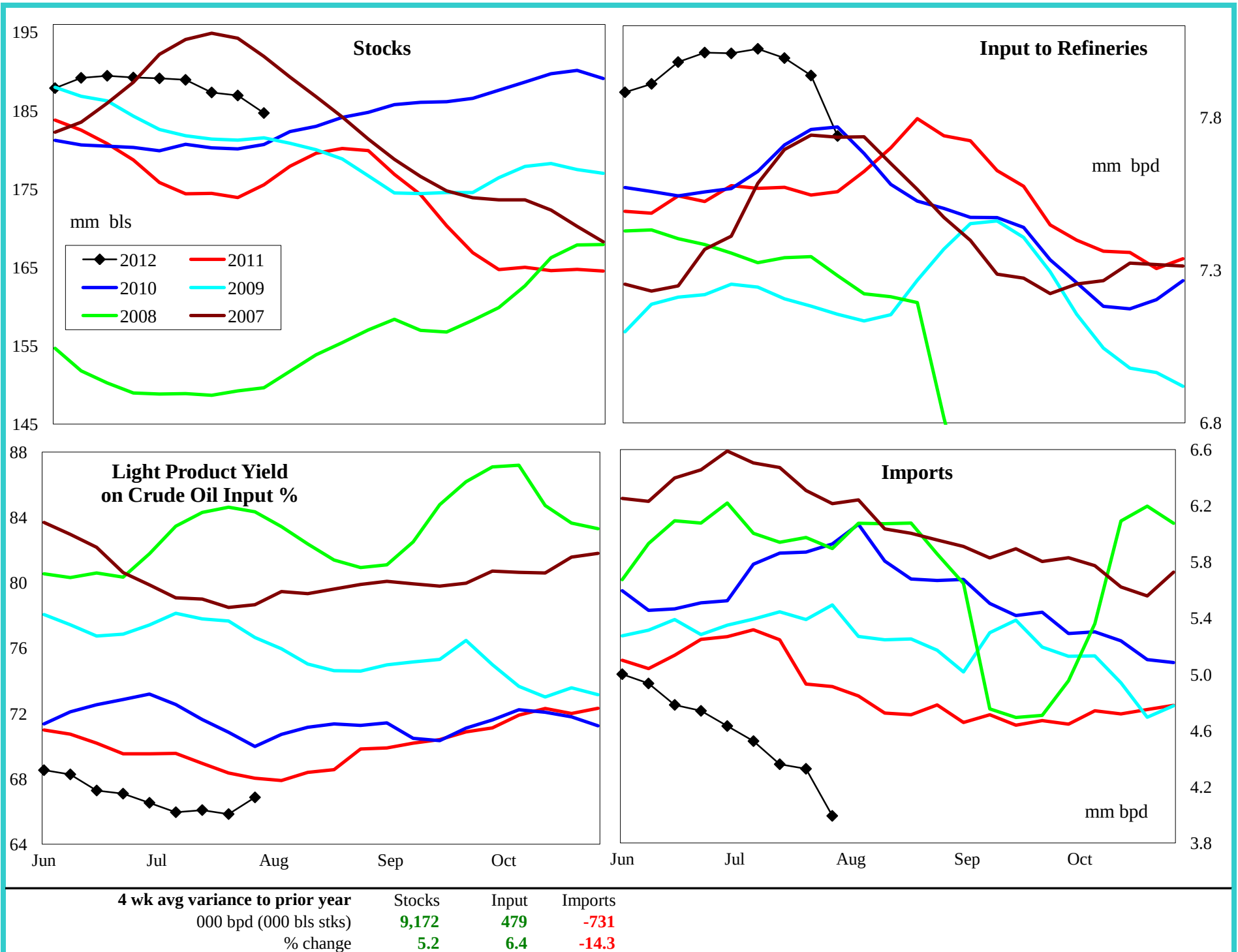
PADD 2 Jet Fuel Supply



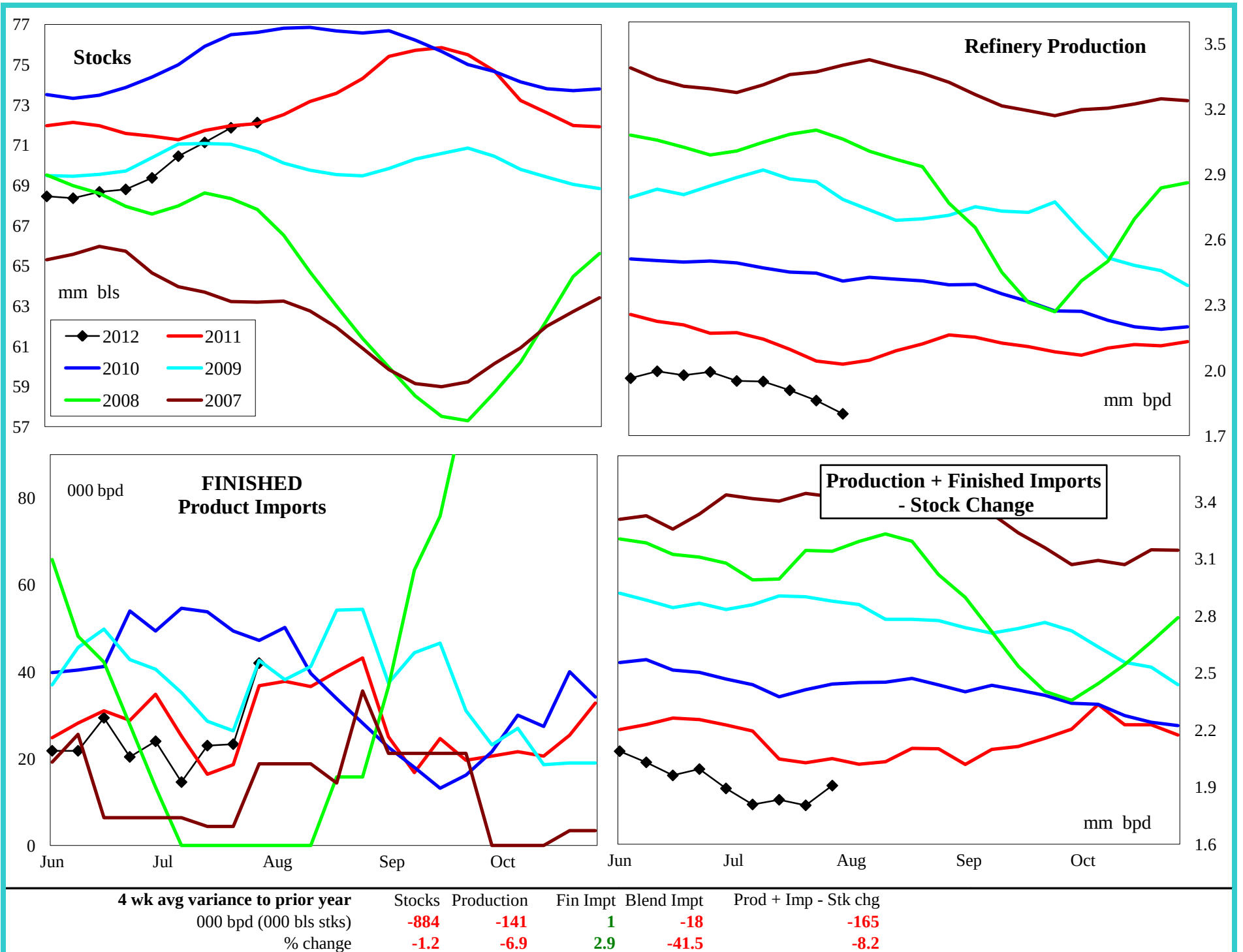
PADD 2 Residual Fuel Oil Supply



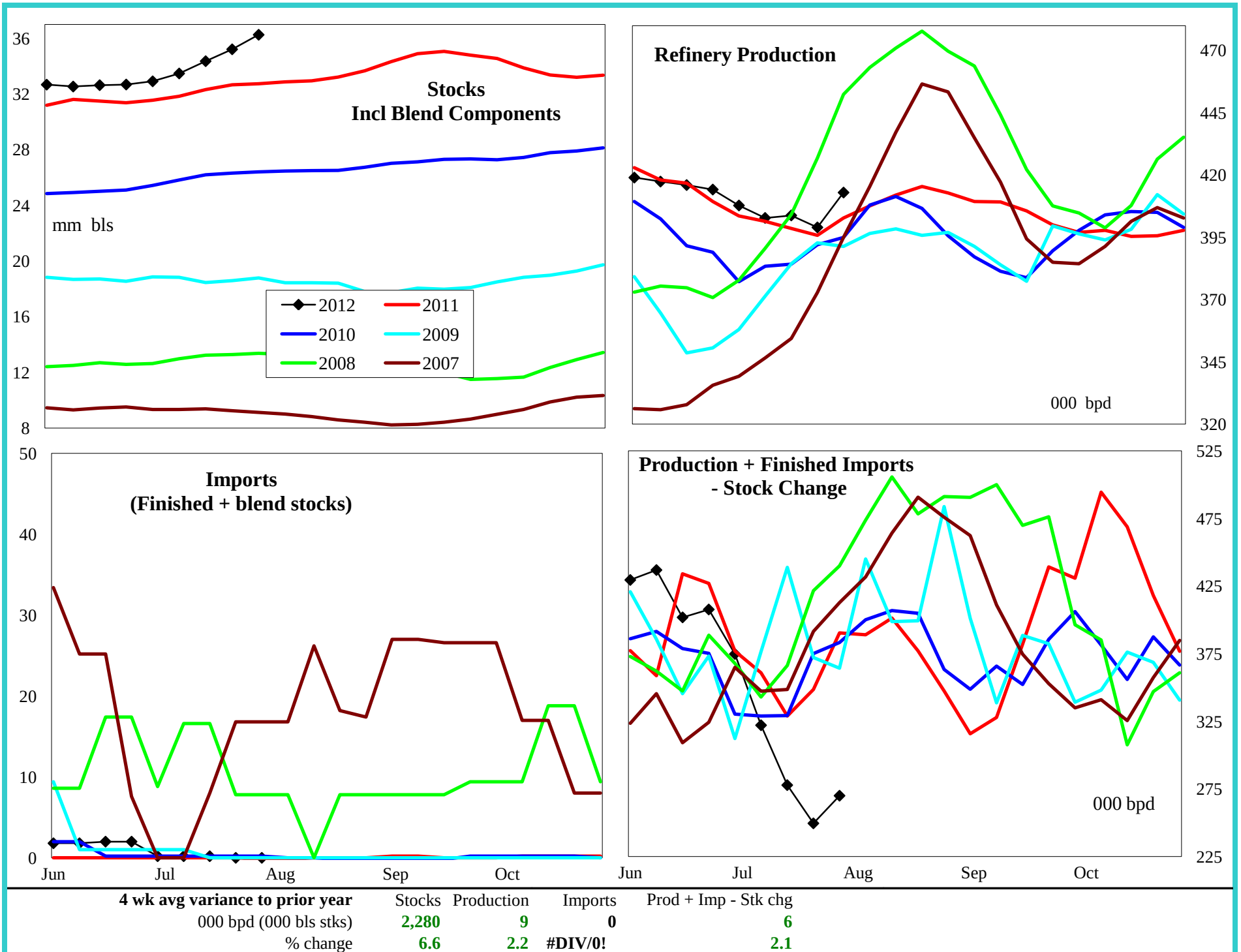
PADD 3 Crude Oil Supply and Refining



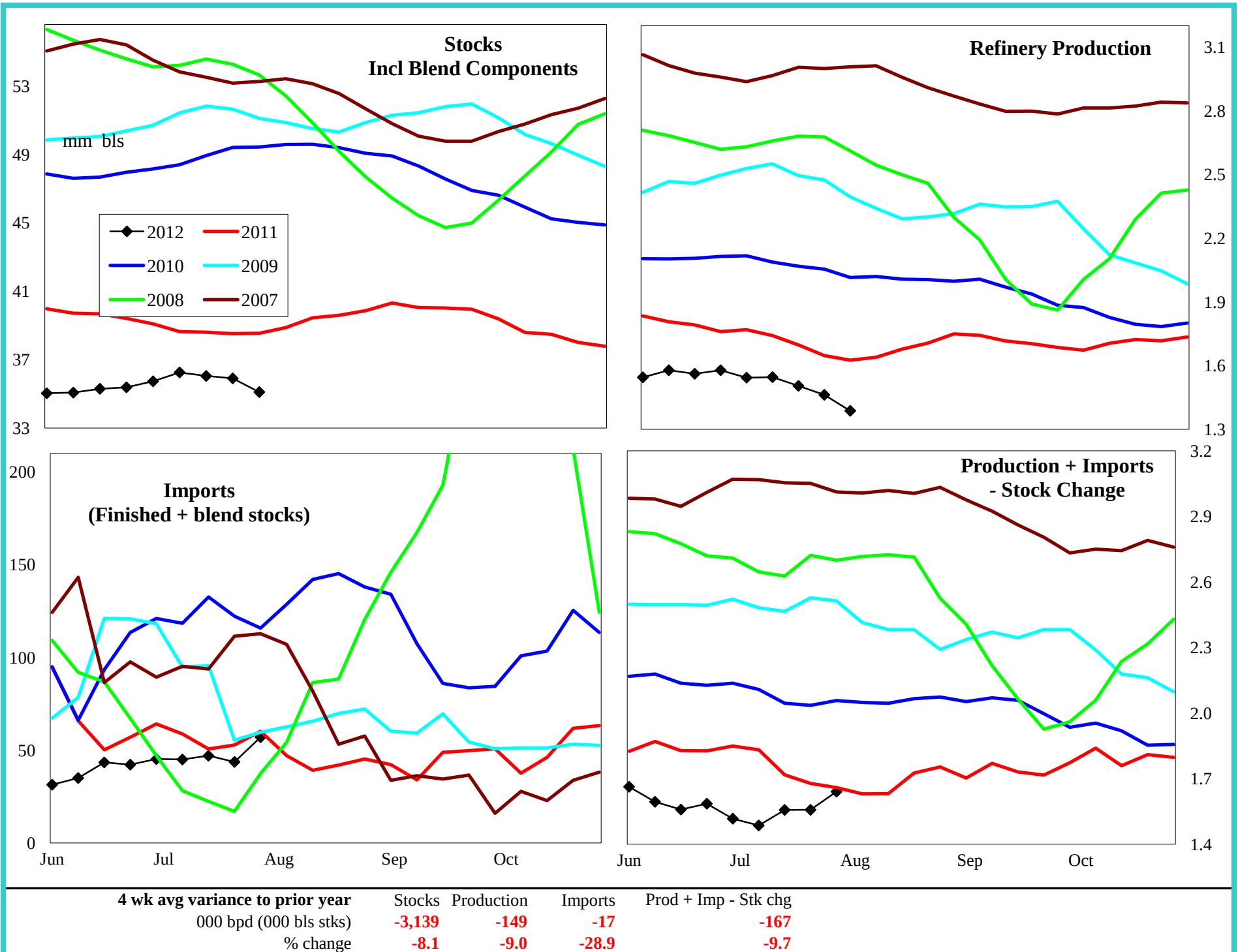
PADD 3 Gasoline Supply



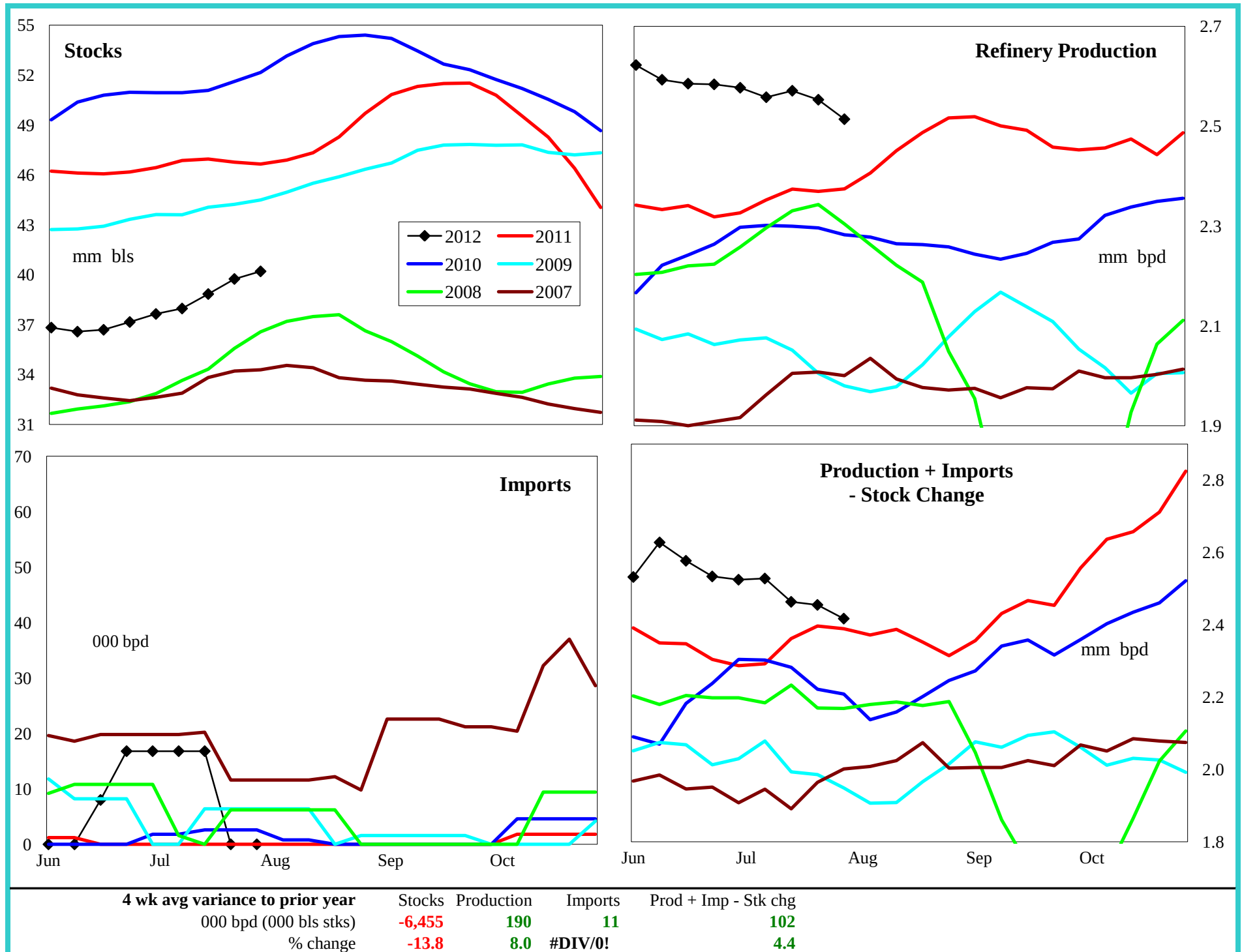
PADD 3 Reformulated Gasoline Supply



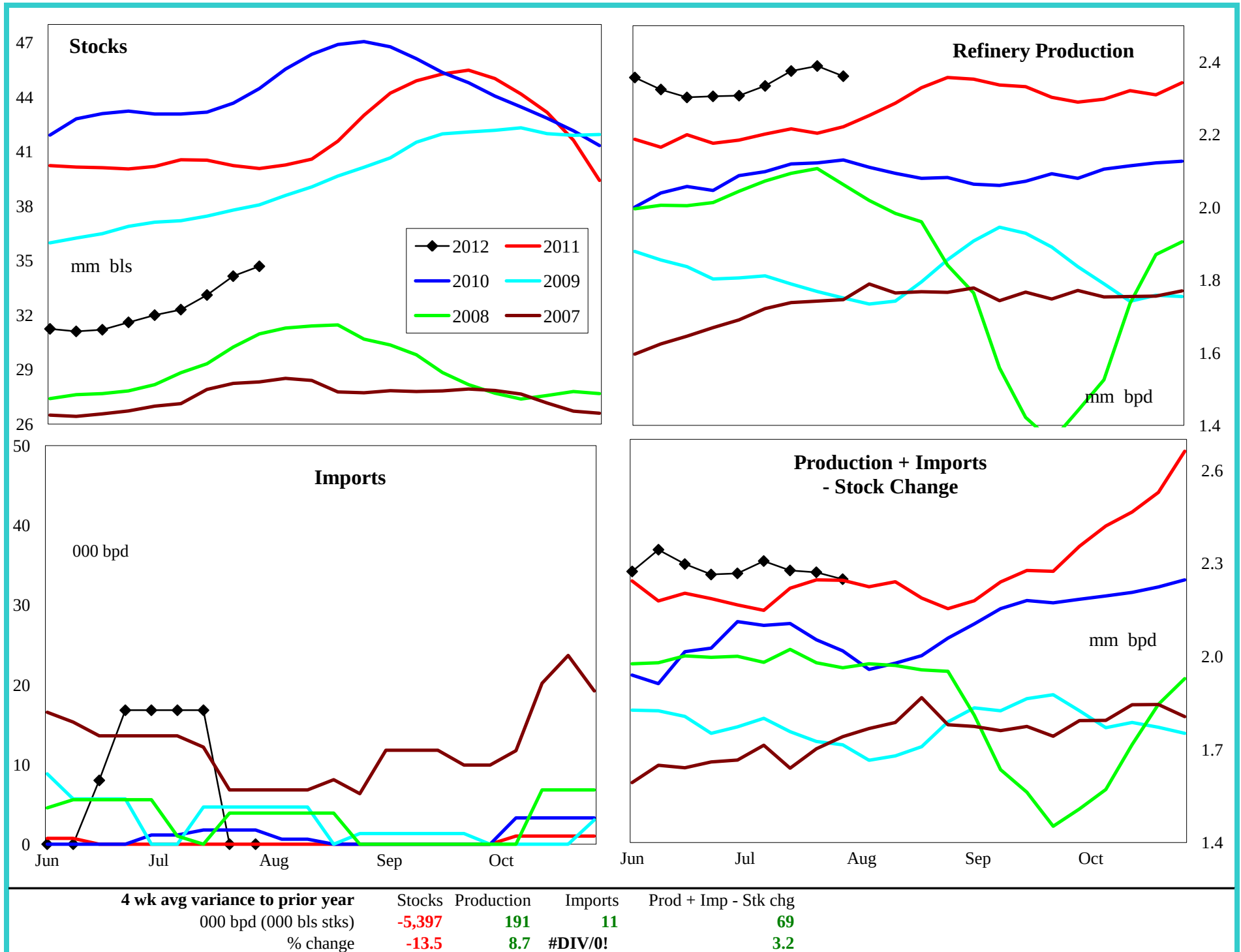
PADD 3 Conventional Gasoline Supply



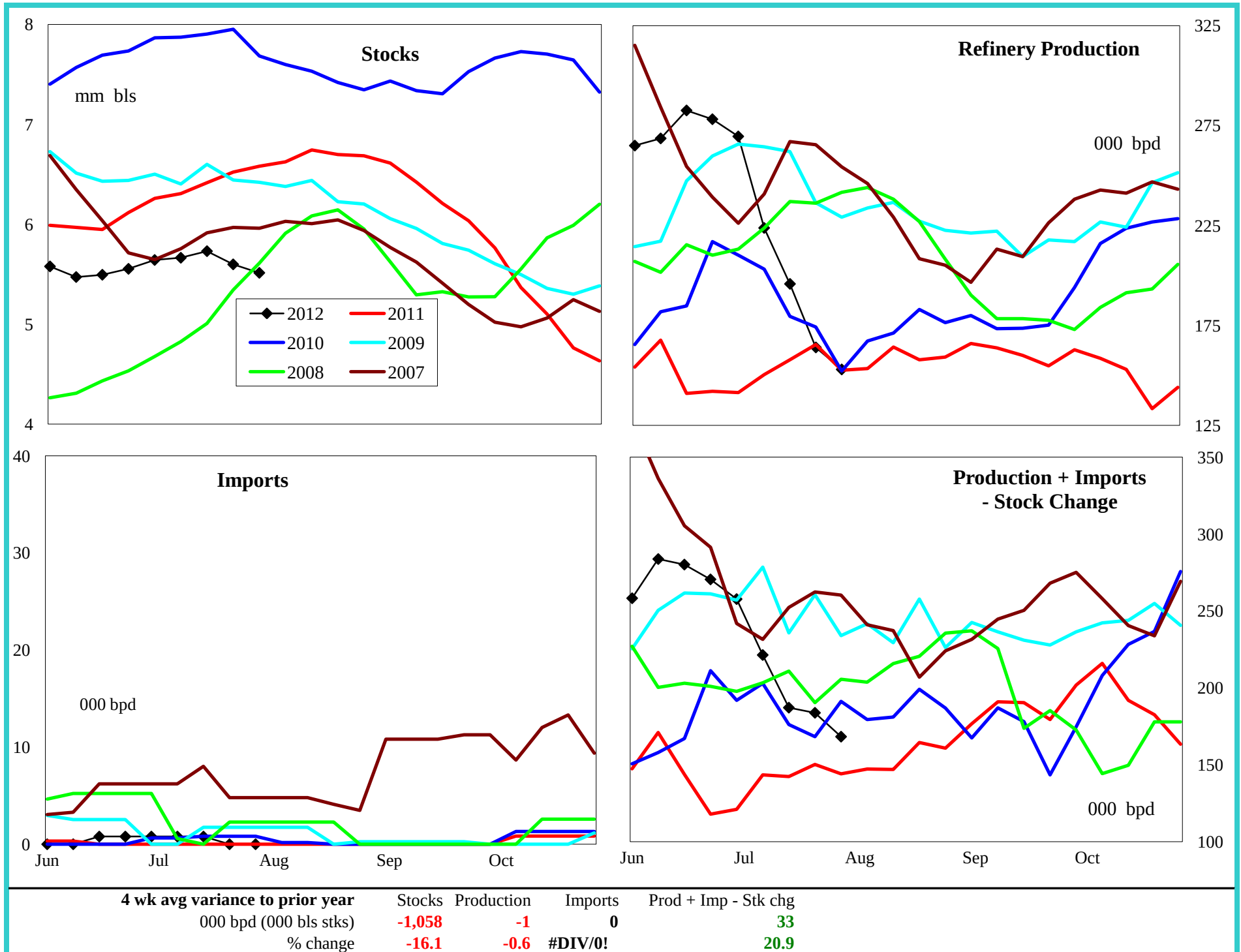
PADD 3 Distillate Supply



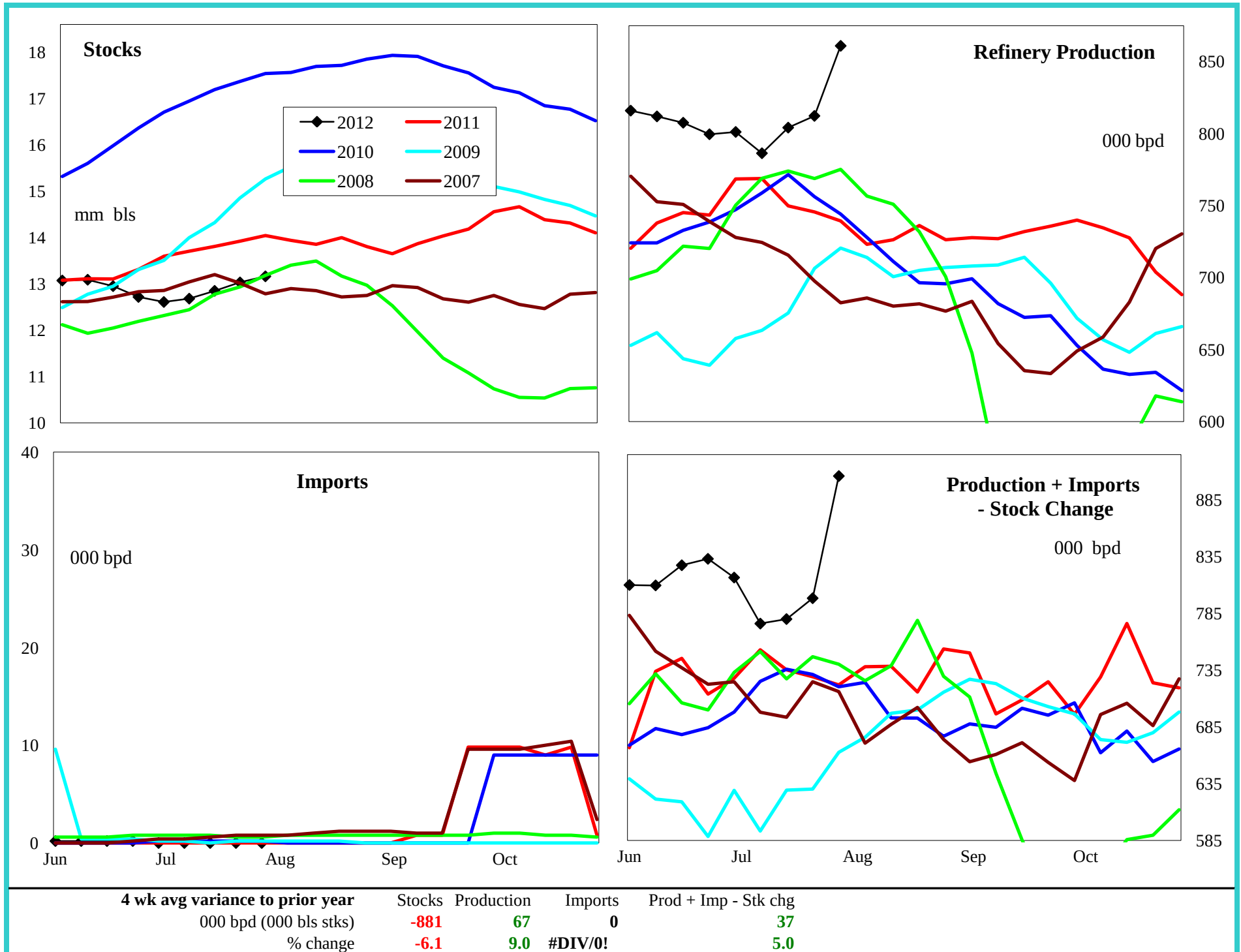
PADD 3 Low Sulfur Distillate Supply



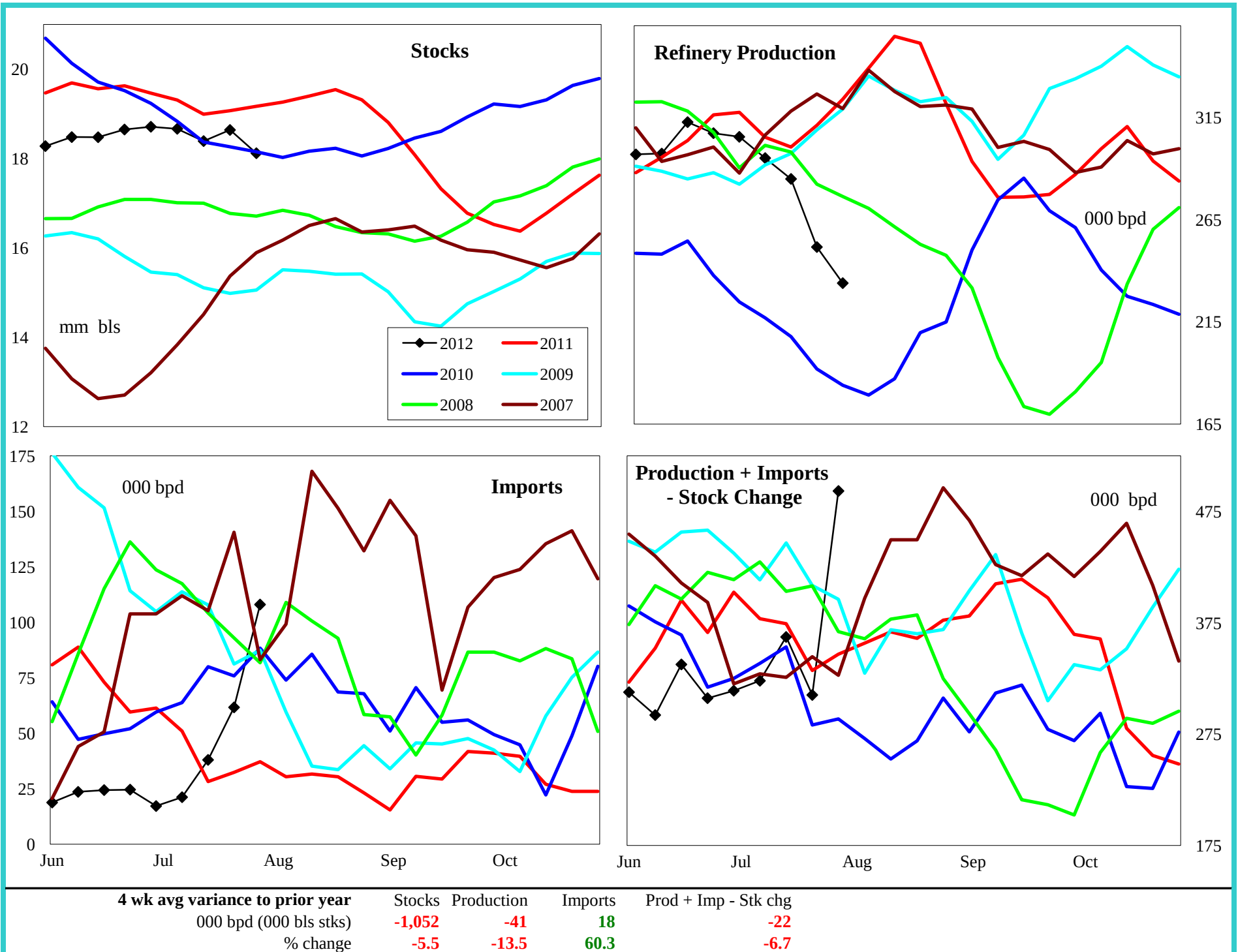
PADD 3 High Sulfur Distillate Supply



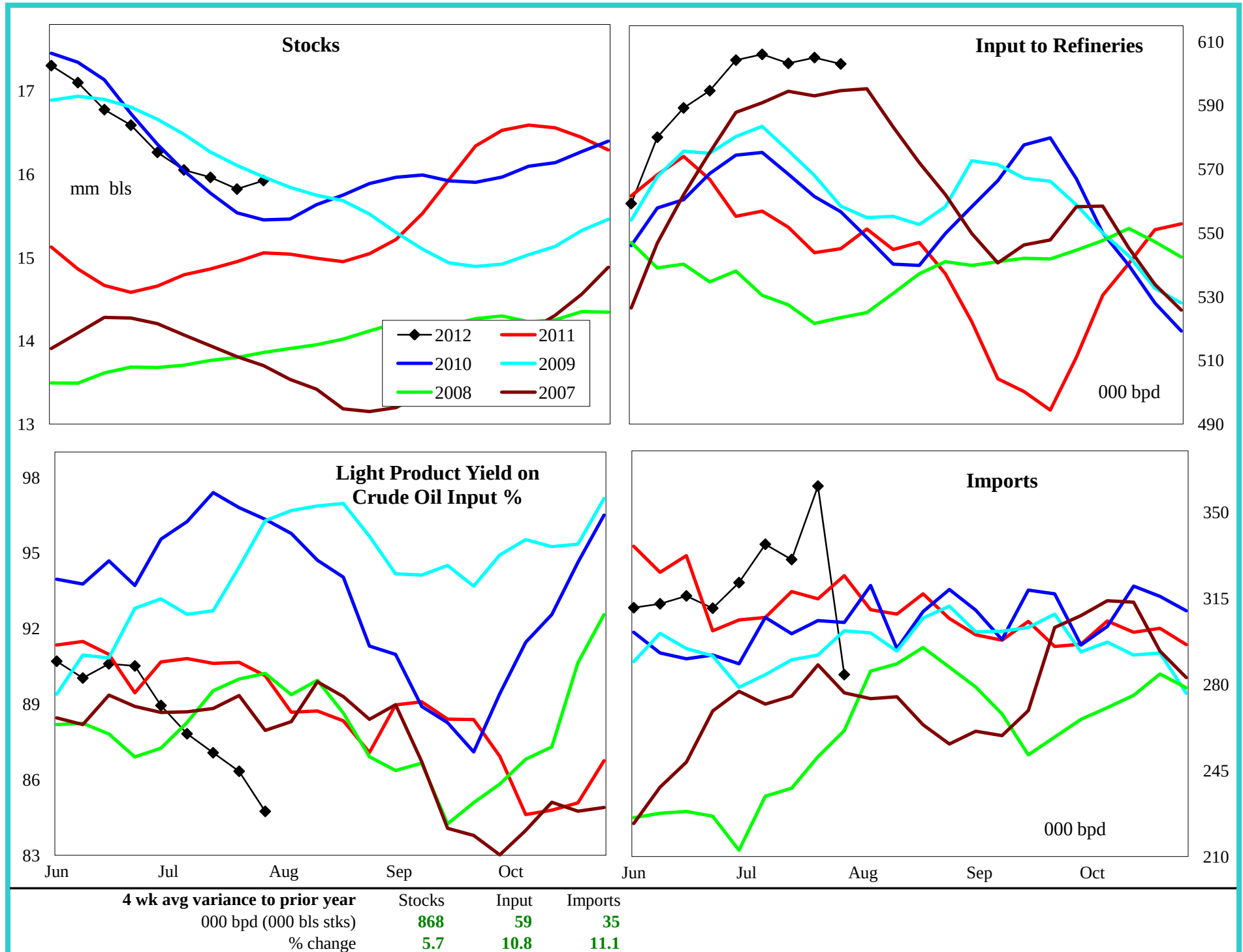
PADD 3 Jet Fuel Supply



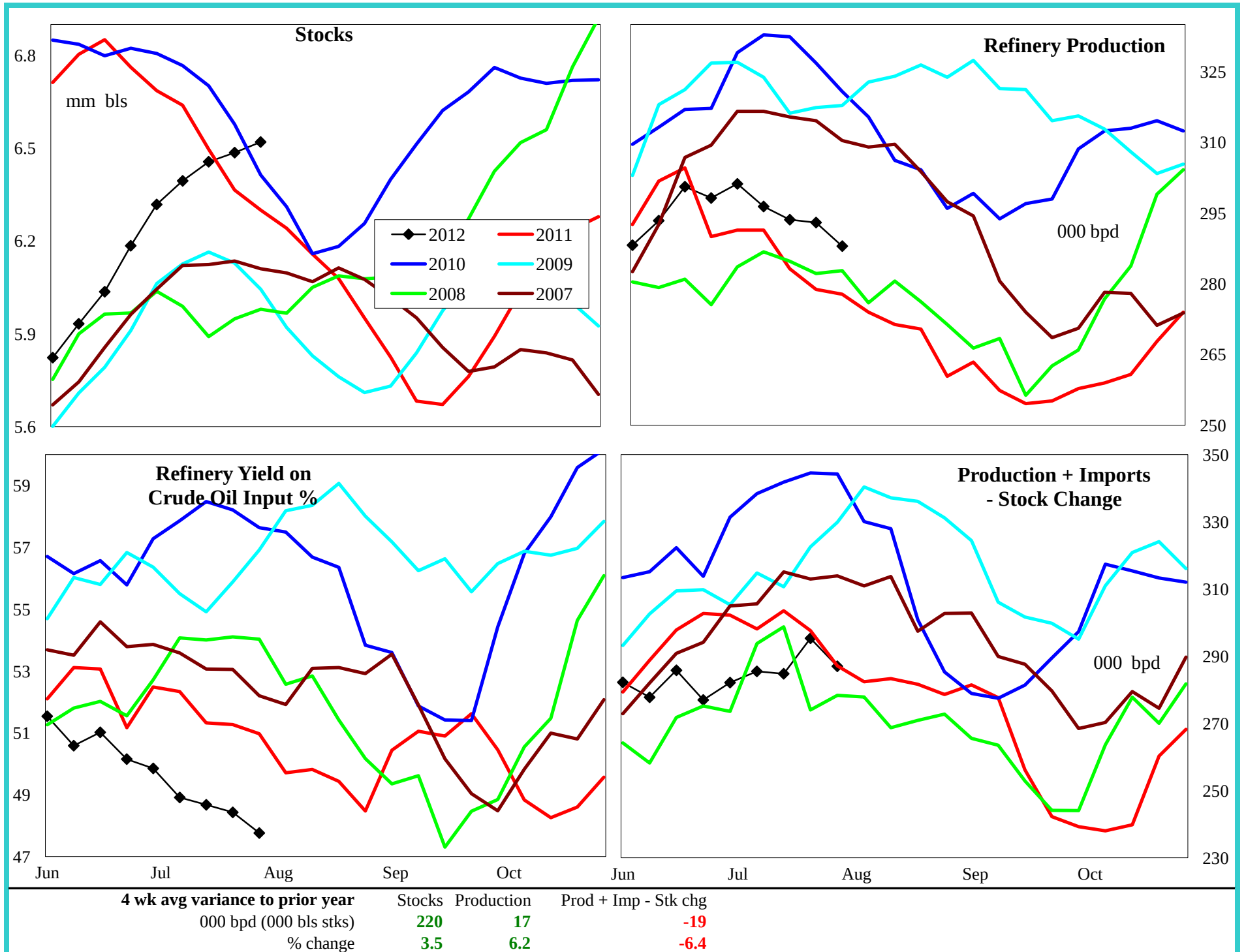
PADD 3 Residual Fuel Oil Supply



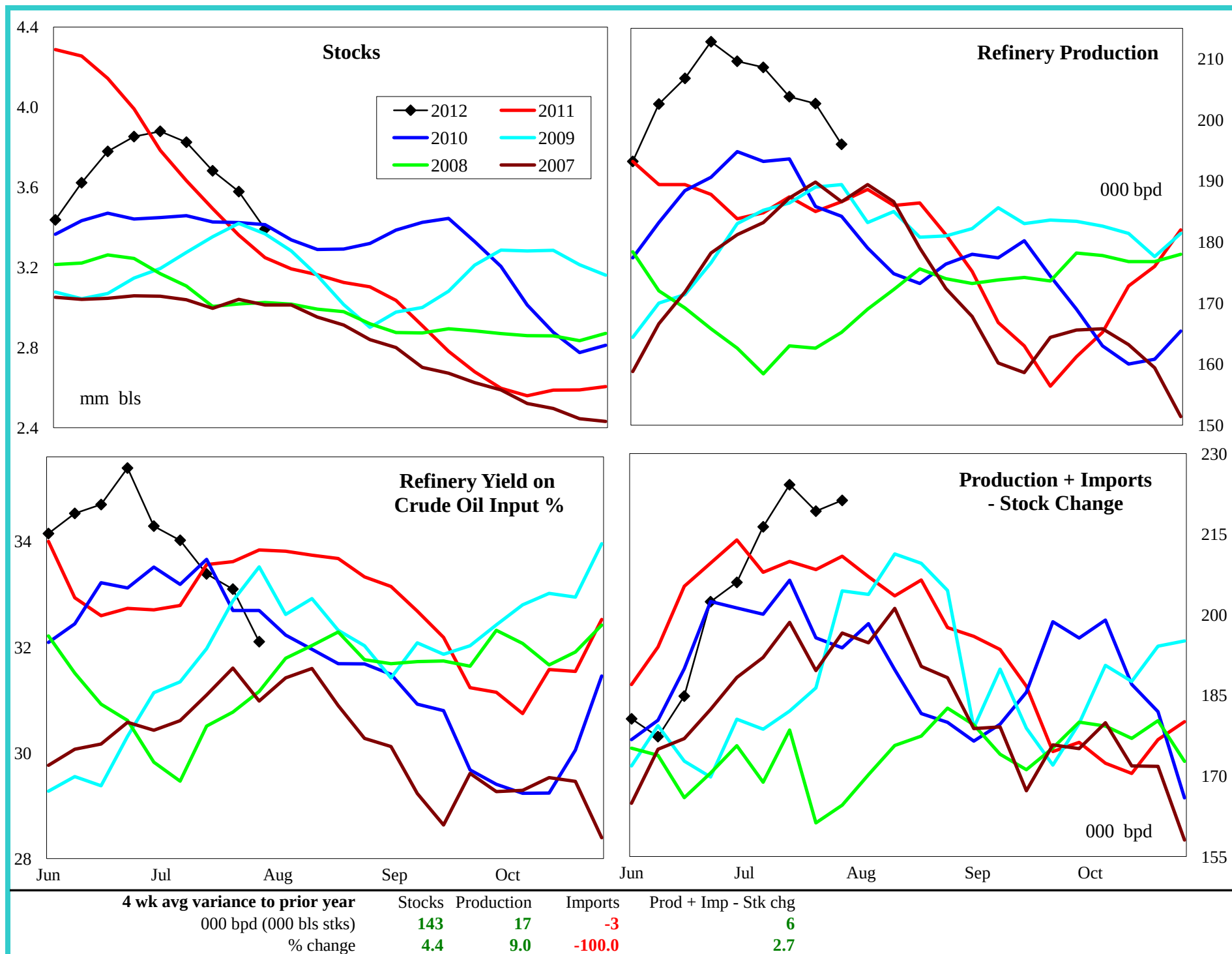
PADD 4 Crude Oil Supply and Refining



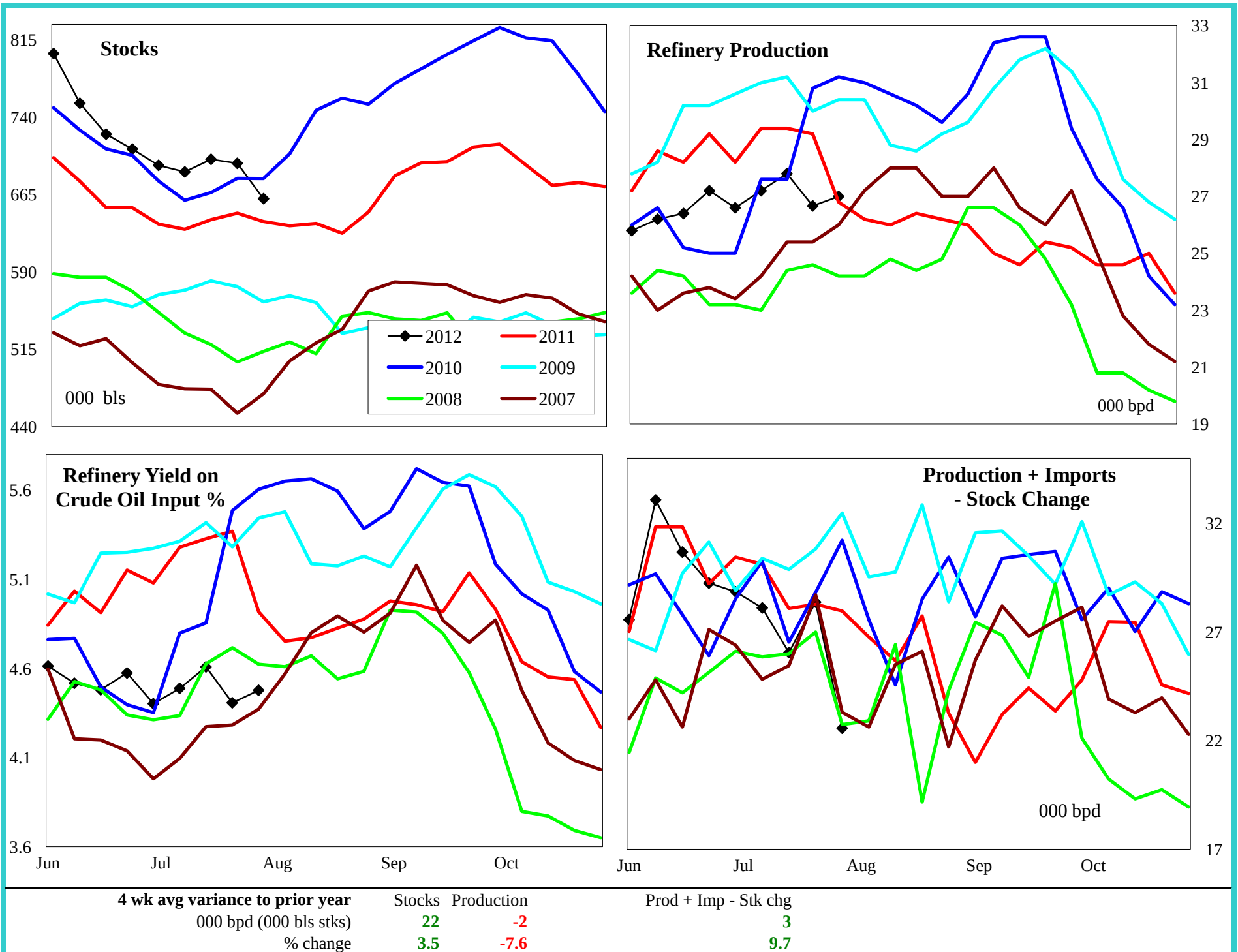
PADD 4 Gasoline Supply



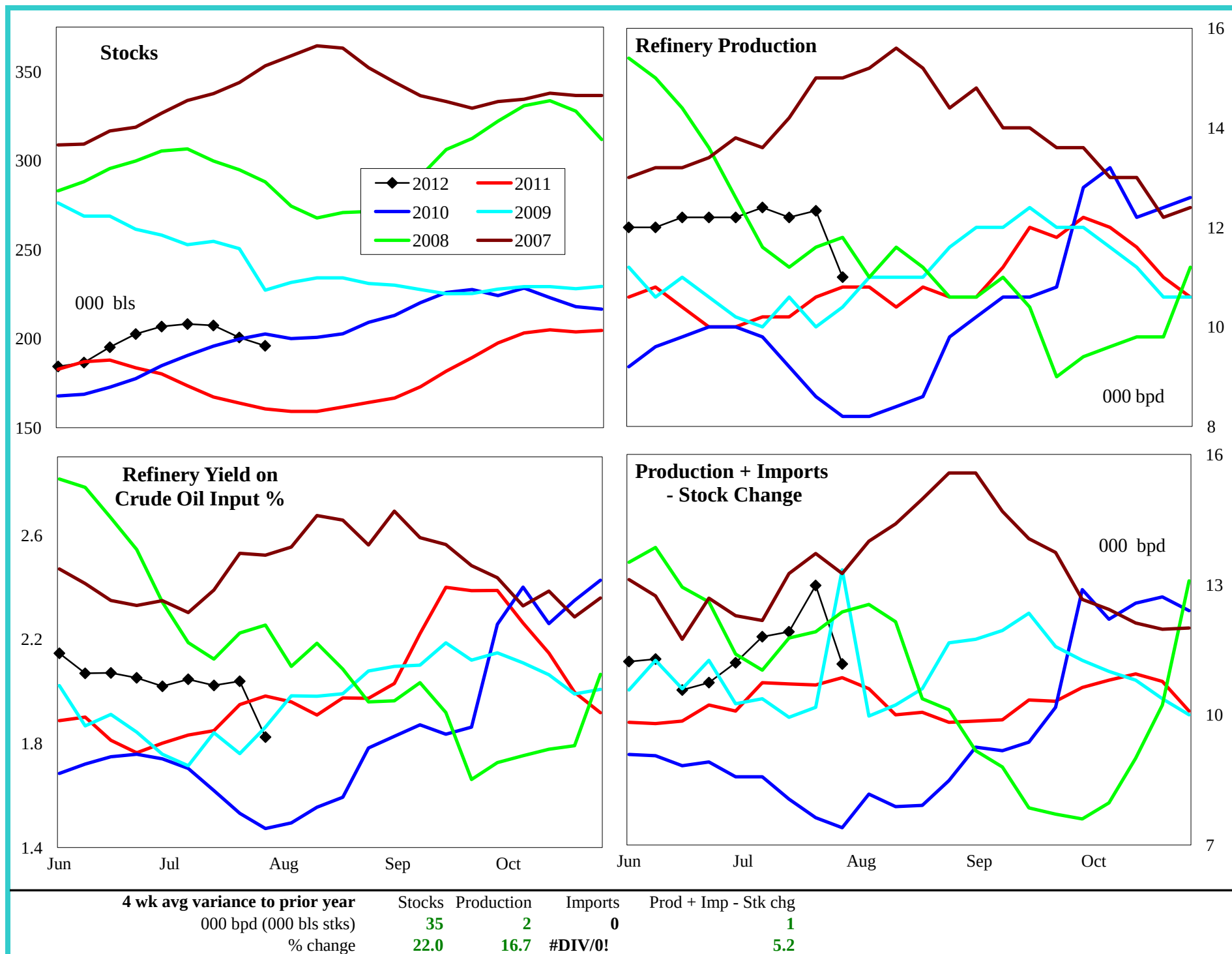
PADD 4 Distillate Supply



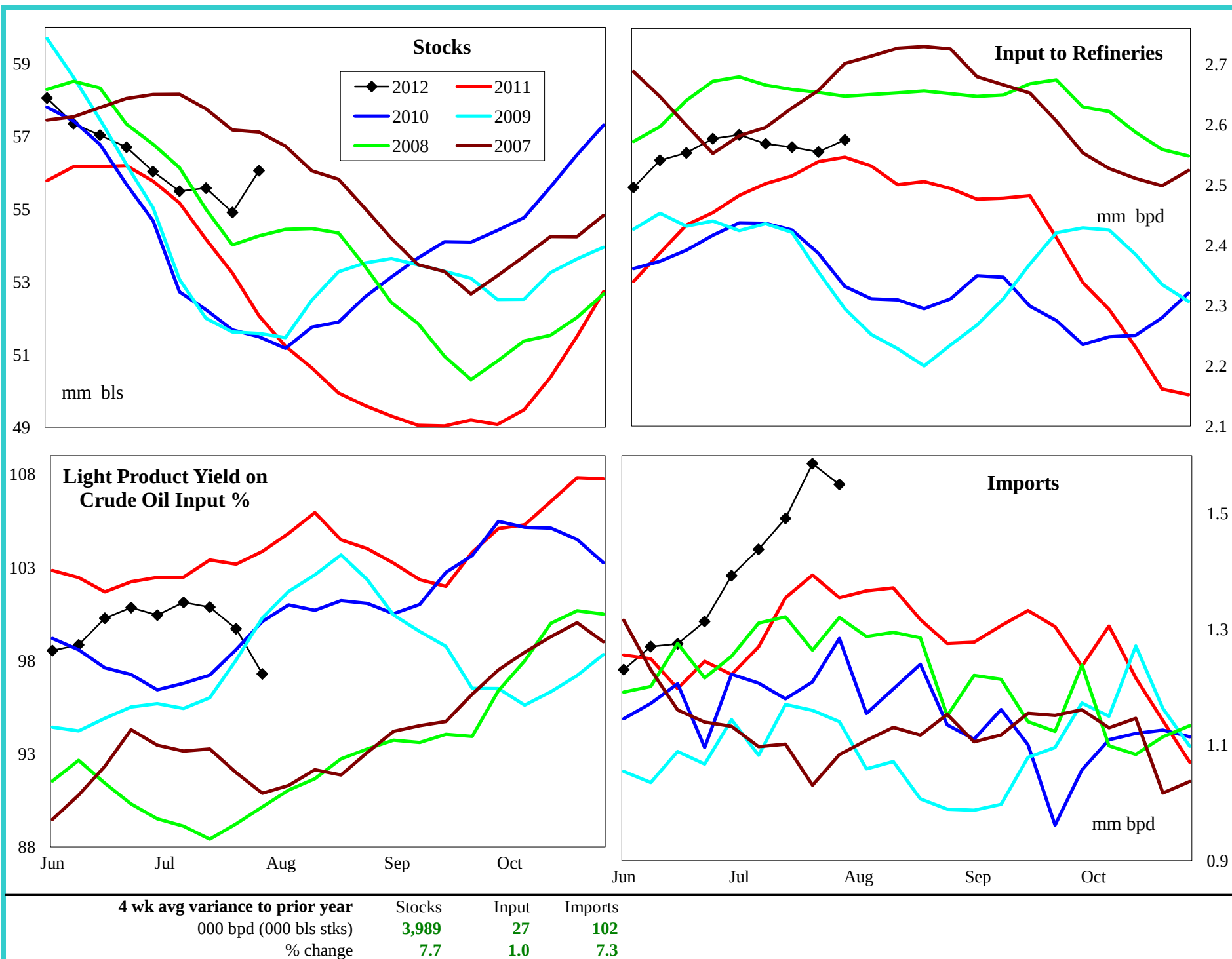
PADD 4 Jet Fuel Supply



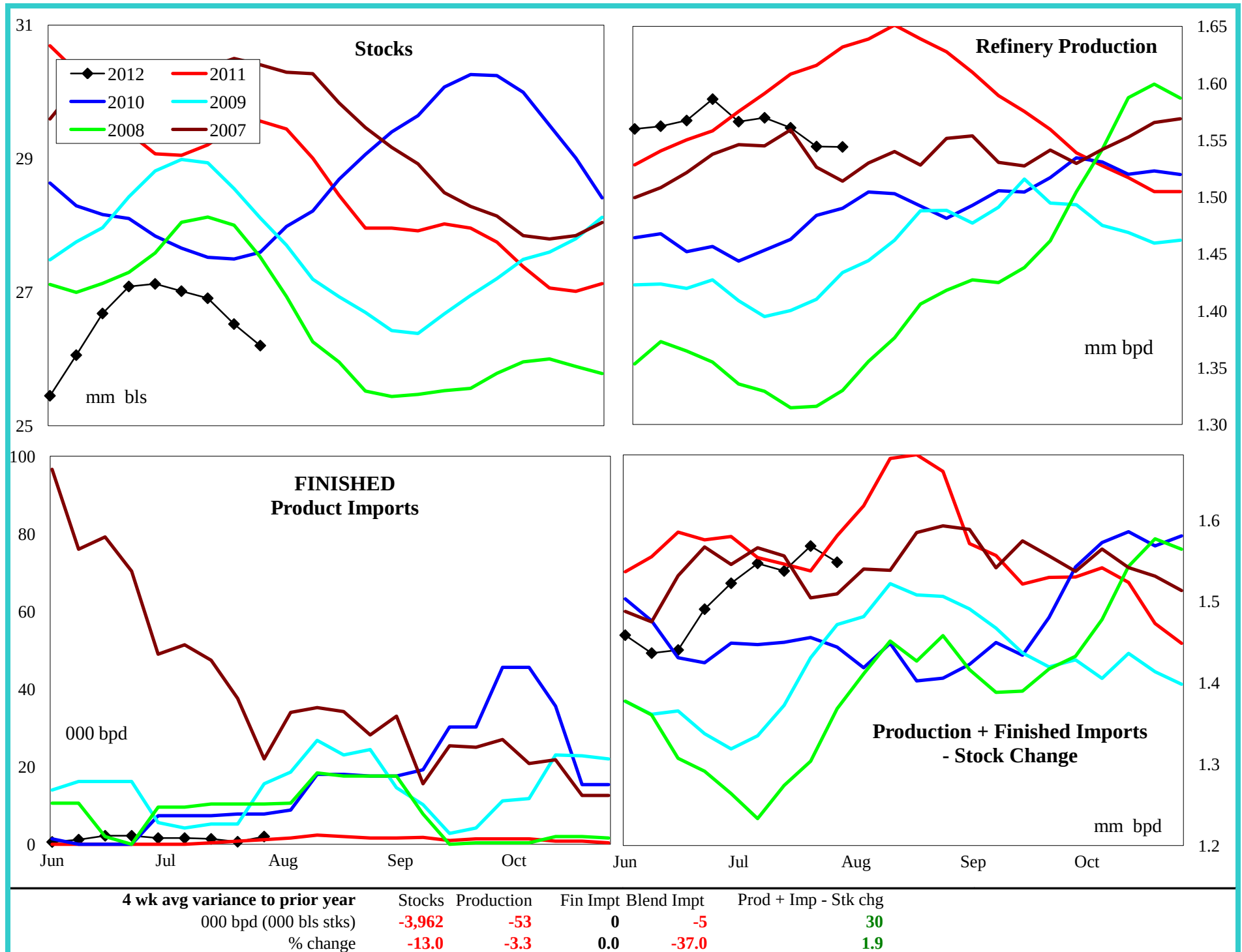
PADD 4 Residual Fuel Oil Supply



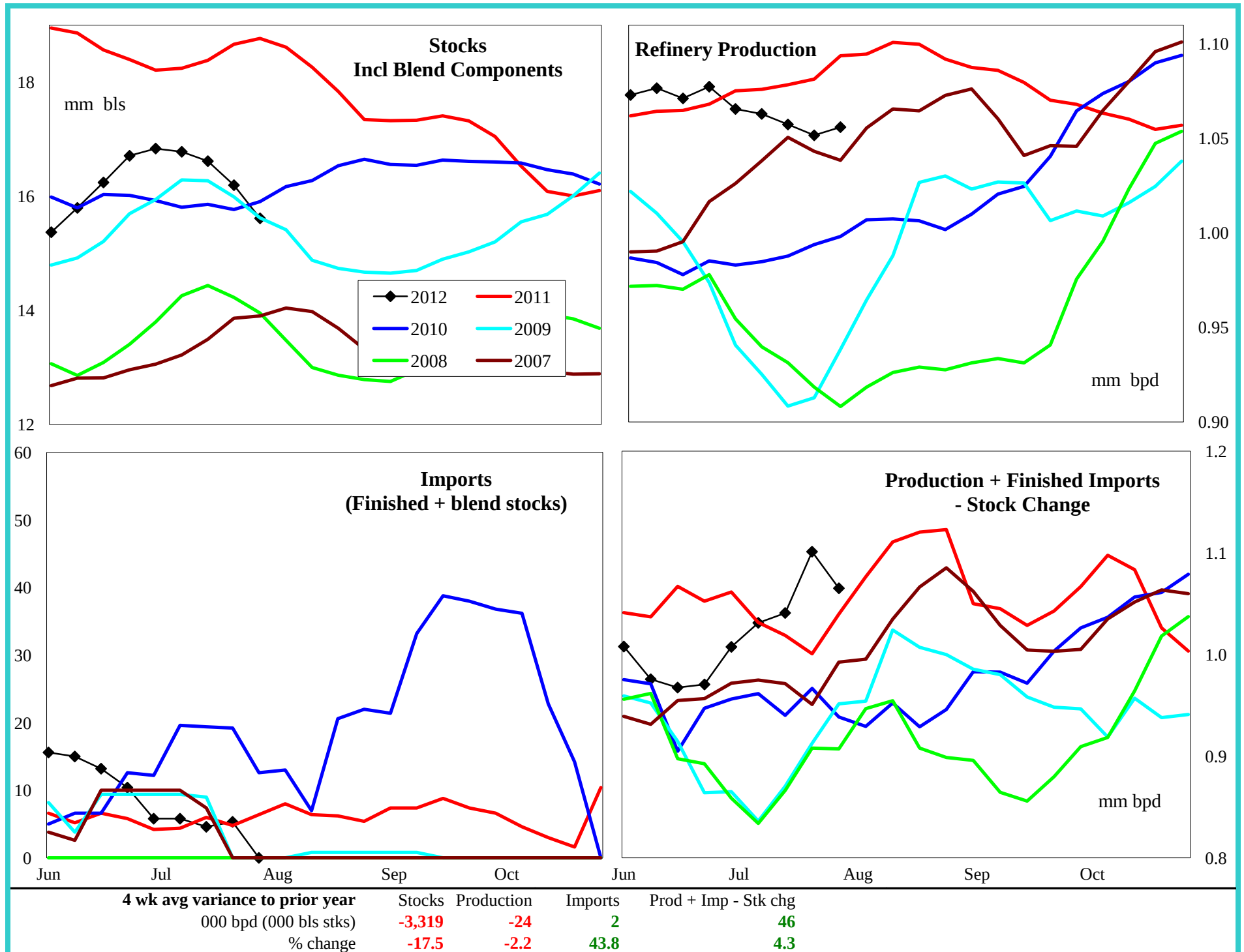
PADD 5 Crude Oil Supply and Refining



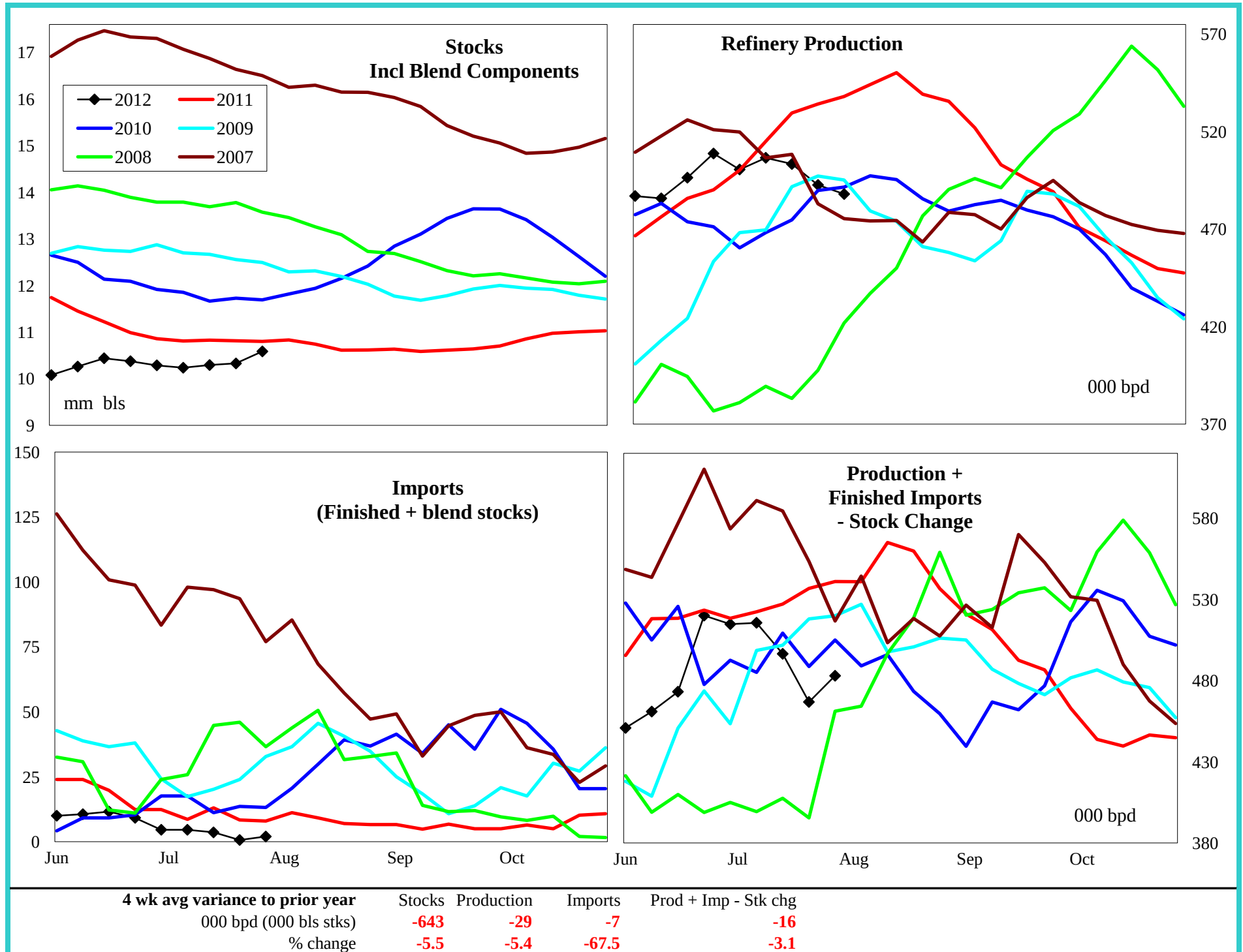
PADD 5 Gasoline Supply



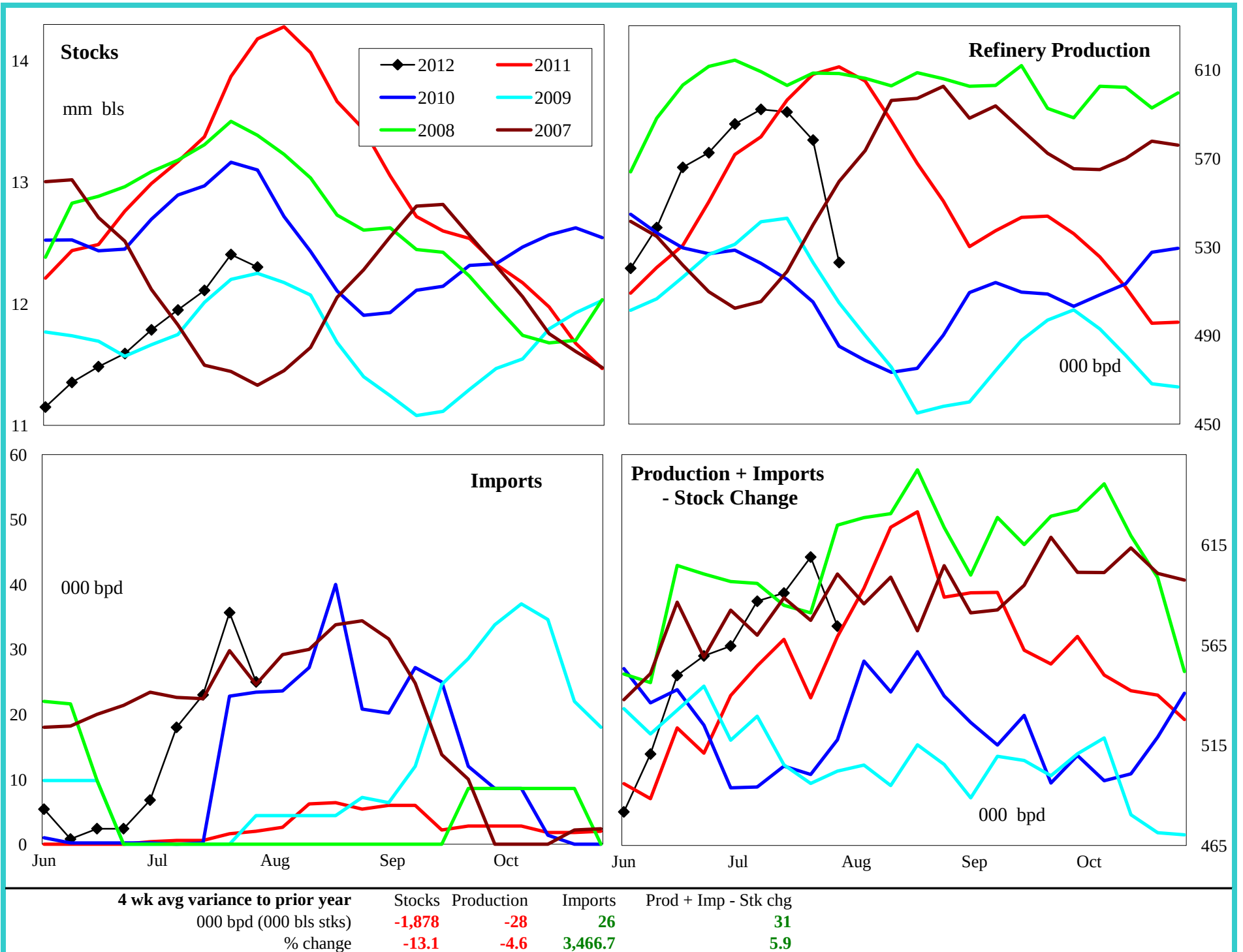
PADD 5 Reformulated Gasoline Supply



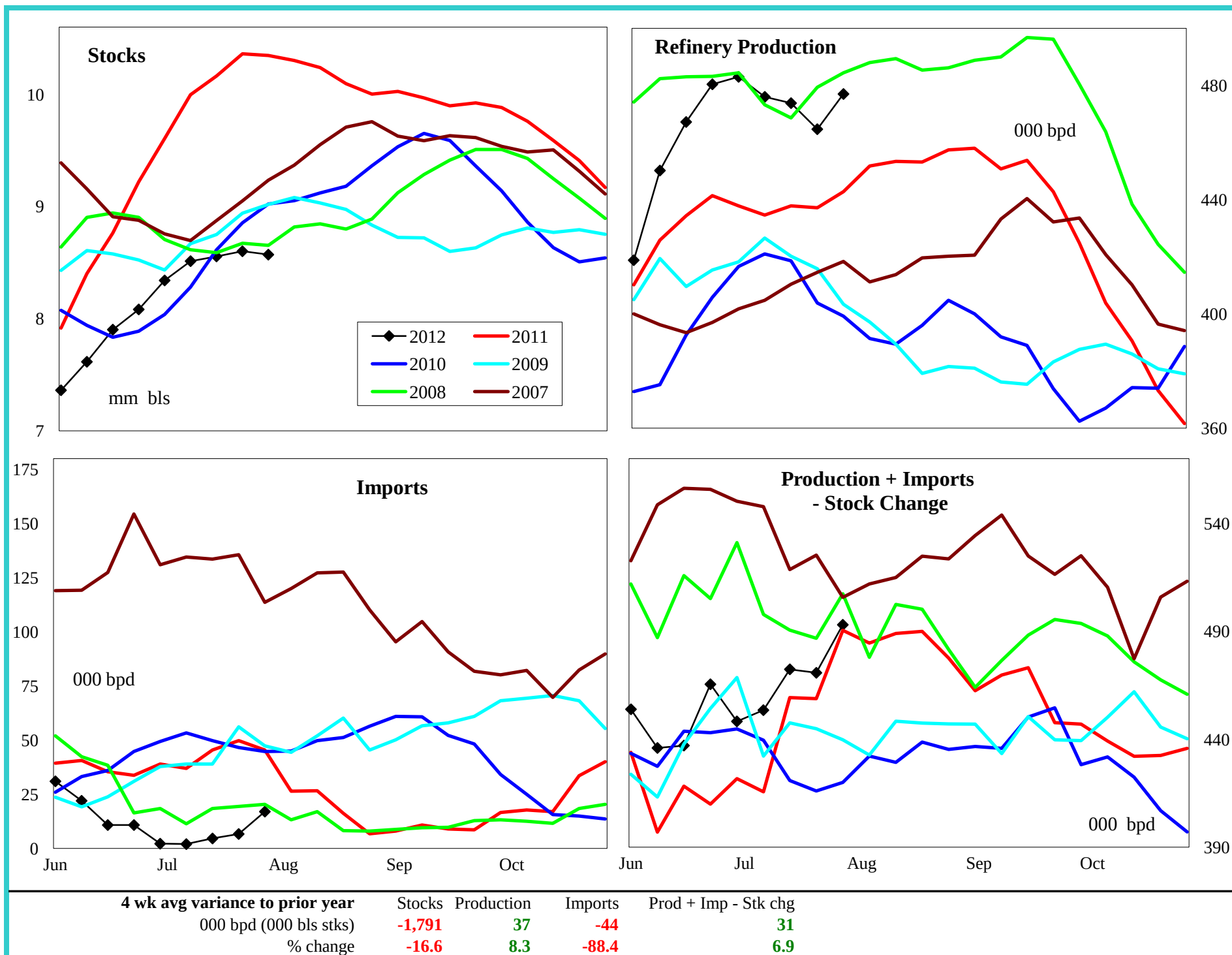
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

