

WEEKLY PETROLEUM SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Weekly Report

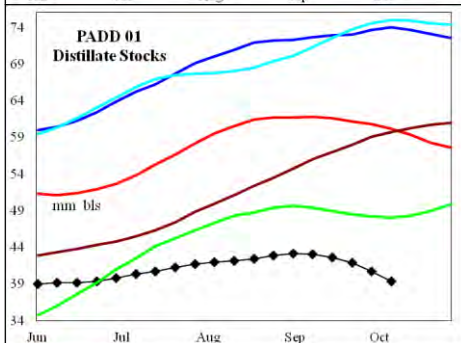
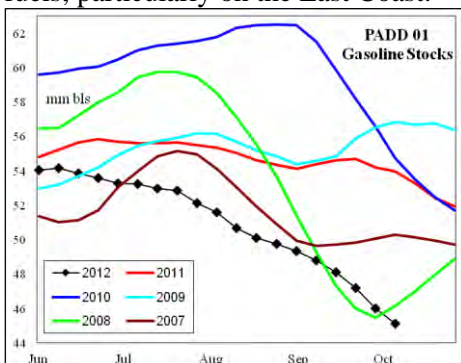
Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Thursday, October 11, 2012



Major Fundamental Trends¹

Production fell last week for all transport fuels a combined -0.8 million bpd, driven by a spat of unplanned refinery maintenance for downstream process units. The result was continued stock draws for all transport fuels, led by a -3.2 million barrel distillate draw.

This lost production, at the start of fall refinery maintenance season, points to risk of continued very tight supplies for gasoline and distillate fuels; particularly on the East Coast.



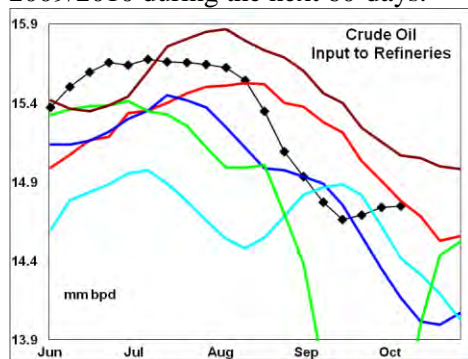
A tight European gasoline market and closure of refineries in Europe and the U.S. East coast underlies the drawdown of gasoline stocks.

Record exports of distillate from the East and Gulf coasts has driven a 2-year downtrend in distillate working stocks.

A normal northeast heating oil season will lead to a physical supply squeeze on the East Coast.

Refinery crude oil runs matched year ago levels last week, after falling -0.7 million bpd during September as a

result of the Gulf hurricane. Expect an above average fall maintenance season to push runs down to levels near 2009/2010 during the next 60-days.



Domestic crude oil supplies continue to increase as a result of the surge in shale oil exploration. Following an expansion in storage capacity in Cushing, stocks have increased +43% above last years' record high level. Inland domestic crude oil values are trading near historic high discounts against waterborne supplies and Canadian grades.

Demand for distillate fell -270,000 bpd last week, while other refined fuels saw modest decreases. Wholesale demand, measured over the last four weeks compared to a year ago: gasoline decreased -3.3%; distillate fell -3.5%; jet fuel down -0.9% while residual fuel oil decreased -22%.

Stocks forward coverage: Gasoline demand coverage fell a -0.5 million barrel stock draw. Coverage levels were below the last 2-years.

Distillate coverage fell on a -3.2 million barrel stock draw and robust demand. Coverage levels fell to a 5-year low.

Jet fuel coverage decreased on a -0.3 million barrel stock draw last week. Coverage levels ended the week well below the last 3-years.

Refinery utilization rates fell last week on a -97,000 million bpd decrease in crude oil runs, driven by start of fall refinery maintenance. During the latest 4-wk period crude oil input was -249,000 bpd below a year ago.

Gasoline yield % on crude oil runs plunged on a -469,000 bpd decline in

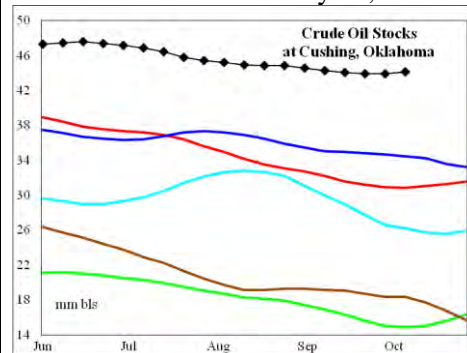
output compared to the -97,000 bpd drop in crude oil runs. Yield % on crude oil runs matched 5-year lows.

Distillate yield % on crude oil runs fell on a -253,000 bpd decline in production, compared to the small decrease in crude oil runs. The yield % fell below the last 2-years.

Jet fuel yield % on crude oil runs fell on a -81,000 bpd decline in output, compared to the small decrease in crude oil runs. The yield % remains at the upper end of the historic range.

Petroleum Imports of crude oil and distillate were higher last week, while gasoline and jet fuel were lower. During the latest 4-wk period crude oil imports were -0.5 million bpd below last year; distillate imports decreased -49,000 bpd; finished gasoline imports decreased -22,000 bpd, gasoline blend stock imports decreased -12,000 bpd; jet fuel imports were +36,000 bpd higher, while residual fuel oil imports decreased -33,000 bpd.

Crude Oil imports increased +0.1 million bpd last week, although the latest 4-wk average was -0.5 million bpd below last year and a record low. Stocks increased +1.7 million barrels, with builds in PADDs 2, 3 & 4. Cushing stocks ended the week +13.3 million barrels above last year, +43%.



¹ Source is latest EIA Weekly Statistics



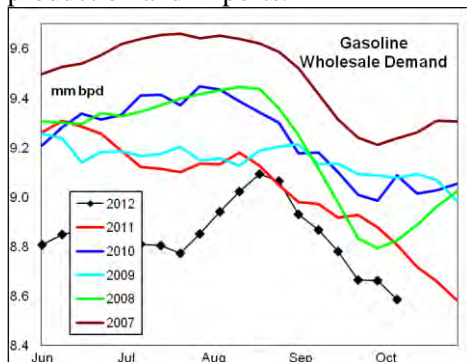
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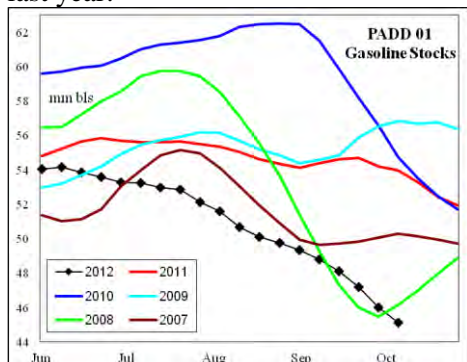
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Product Supply-Demand Trends

Gasoline demand decreased -46,000 bpd last week, extending the seasonal downtrend. The latest 4-wk average demand was -292,000 bpd below a year ago. Supply fell -540,000 bpd on the week, the result of lower production and imports.



Stocks decreased -0.5 million barrels on the week, including draws in all regions except the Gulf. Stock levels in the Central Atlantic region of PADD 1 fell to a new record low, -26% below last year.



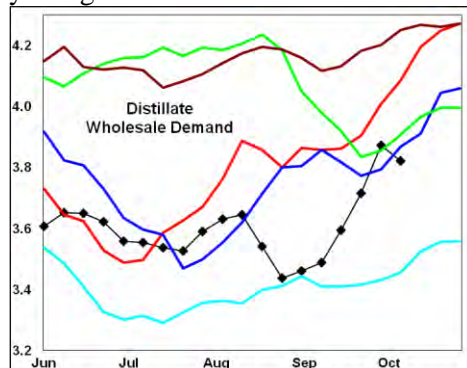
The latest 4-wk stock change in markets East of the Rockies was a -0.9 million barrel draw, compared to a -6 million barrel draw in each of the last 2-years.

Expect the supply squeeze on the East Coast to gradually improve on lower seasonal demand. Expect lower production as a result of fall refinery maintenance and lower imports due to a tight European market.

A supply squeeze on the West Coast should also improve on lower seasonal demand and very high production for this time of year.

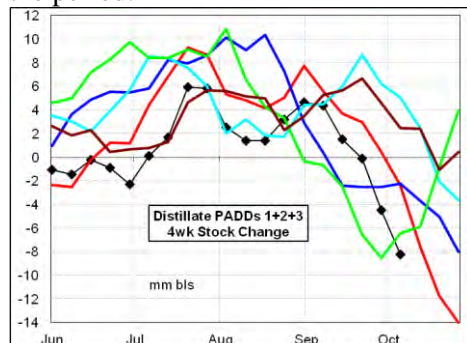
Distillate demand fell -270,000 bpd last week, reversing much of the prior week surge. The latest 4-wk average

demand was -140,000 bpd below a year ago.



Supply fell -197,000 bpd on the week due to sharply lower production. Stocks fell -3.2 million barrels (down -6.9 million barrels in just 2-wks) last 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 an -8.3 million barrel draw, a record for the period.



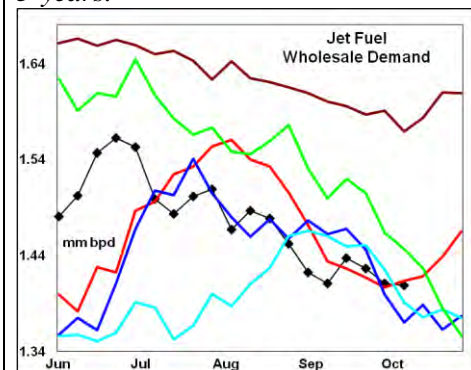
Robust exports, record low imports and reduced production underlie the very large stock draw down. Look for further stock draws during the next 60-days while refiners complete maintenance. Risk is unusually high for a supply squeeze on the East Coast during the 4th quarter.

Jet Fuel demand decreased -84,000 bpd on the week to a level comparable with the last 3-years. The latest 4-wk average demand was -13,000 bpd below a year ago.

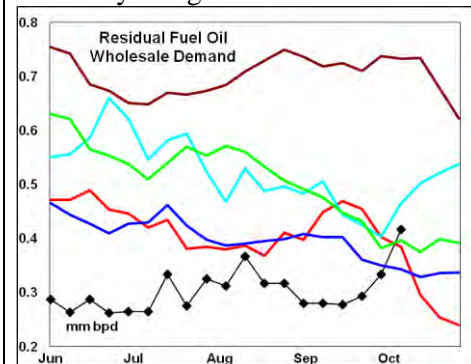
Supplies fell -178,000 bpd last week. Stocks decreased -0.3 million barrels on the week, to a level -5.8% below last year.

Look for demand to trend seasonally lower for the next 30-days. Production should also trend lower on

fall refinery maintenance. Stock builds are likely to slow with the season peak at the low end of the last 3-years.



Residual fuel oil demand decreased -21,000 bpd last week, with the latest 4-wk average demand -105,000 bpd below a year ago.



Supply (production + imports) fell -171,000 bpd last week, on lower imports. The latest 4-wk average supply was -93,000 bpd below last year on lower production and imports. Stocks fell -1.1 million barrels last week, to a level that matched year ago and 5-year lows.

Wholesale demand for the latest 4-wk period was -22% below a year ago, but up sharply from the latest quarter average. Stock levels remain at historic lows for this time of year.

Stock levels in the key Gulf Region ended the week near 5-year highs set in 2010.



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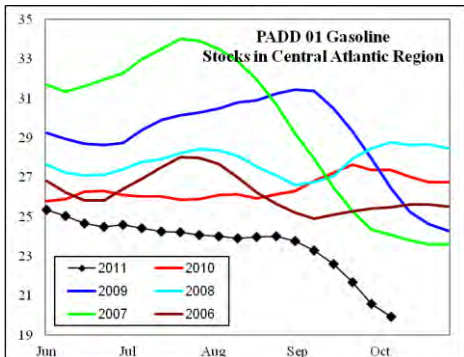
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PADD Supply Trends

PADD 1 refinery crude oil runs jumped +214,000 bpd last week, as the Delta Airlines Trainer, PA refinery came on line.

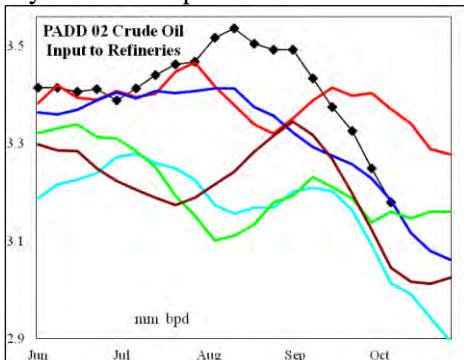
Gasoline supply decreased -119,000 bpd last week on lower imports. Stocks fell -1 million barrels on the week, with the level at a new record low.



Stock levels in the Central Atlantic region ended the week -26% below last year, and at all time lows for the fall quarter.

Distillate supply decreased -42,000 bpd on the week to a fresh 5-year low. Supply for the latest 4-wk period was -105,000 bpd below last year. Stocks plunged -1.8 million barrels, a level -34% below a year ago, a new record low.

Jet fuel supply increased +6,000 bpd last week, with the level still below the 5-year range. Stocks levels remain -5% below the lows of the last 3-years for the period.



PADD 2 crude oil refinery runs fell -121,000 bpd to a level that matched the 3-year mid range. The latest 4-wk average crude runs were -121,000 bpd below last year. Crude oil imports fell

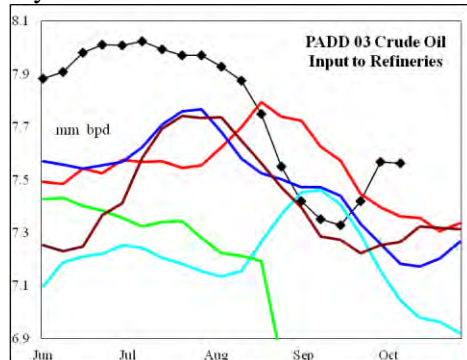
-123,000 bpd on the week to a level sharply below a year ago. Stocks increased +0.7 million barrels, with the level +12.3 million barrels above the prior record high.

Gasoline production declined -24,000 bpd on the week, with the latest 4-wk average -130,000 bpd below a year ago. Stocks decreased -0.4 million barrels to a level below each of the last 3-years.

Distillate production declined -37,000 bpd on the week, with the level still slightly above the 5-year range. Stocks fell -1.3 million barrels last week to a level that matched historic lows for the week.

Jet fuel production decreased -44,000 bpd last week, to a level at the low end of the historic range. Stocks decreased -0.3 million barrels to a level just above the prior historic high.

PADD 3 refinery runs declined -113,000 bpd on the week, still at a level above the 5-year range. Stocks increased +0.8 million barrels last week, to a level above four of the last 5-years.



Gasoline supply decreased -58,000 bpd last week. Stocks jumped +2 million barrels last week, to a level -5% below a year ago.

Distillate supply decreased -13,000 bpd on the week. Imports were 60,000 bpd, a record for the season. Production fell below year ago levels, with the latest 4-wk average supply +50,000 bpd above a year ago. Stocks increased +0.2 million barrels on the week, to a level -27% below last year.

Jet fuel production decreased -15,000 bpd last week, with the level

still above the 5-year range. Stocks were unchanged on the week, at a level 5% below the historic mid range.

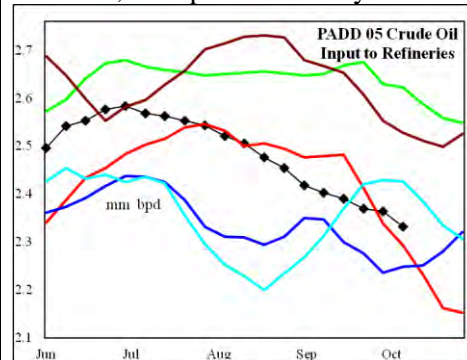
Residual fuel oil stocks were unchanged on the week, at a level near 5-year highs.

PADD 4 refinery crude runs decreased -26,000 bpd on the week, with the level matching 5-year season lows. The most recent 4-wk average run rate was +41,000 above a year ago.

Gasoline supply decreased -3,000 bpd on the week, to a level near the 5-year mid range. Stocks plunged -0.8 million barrels on the week, to a level at the low end of the historic range.

Distillate production fell -53,000 bpd last week, to a record low level for the season. Stocks fell -0.4 million barrels last week, to a level that matched 5-year highs for the period.

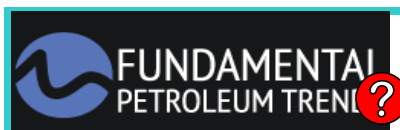
PADD 5 crude oil refinery runs declined -52,000 bpd last week, to a level near the latest 3-year mid range. Runs for the most recent 4-wk period were -30,000 bpd below last year.



Gasoline supply increased +53,000 bpd on the week, with production levels above the 5-year range. Stocks decreased -0.2 million barrels on the week, to a level that matched 5-year lows.

Distillate supply declined -56,000 bpd on the week, with the latest 4-wk unchanged from last year. Stocks were nearly unchanged on the week, at a level +2% above the prior 5-year high for this time of year.

Jet fuel supplies fell -129,000 bpd last week, reversing the previous week surge. Stock levels ended the week at 5-year mid range.

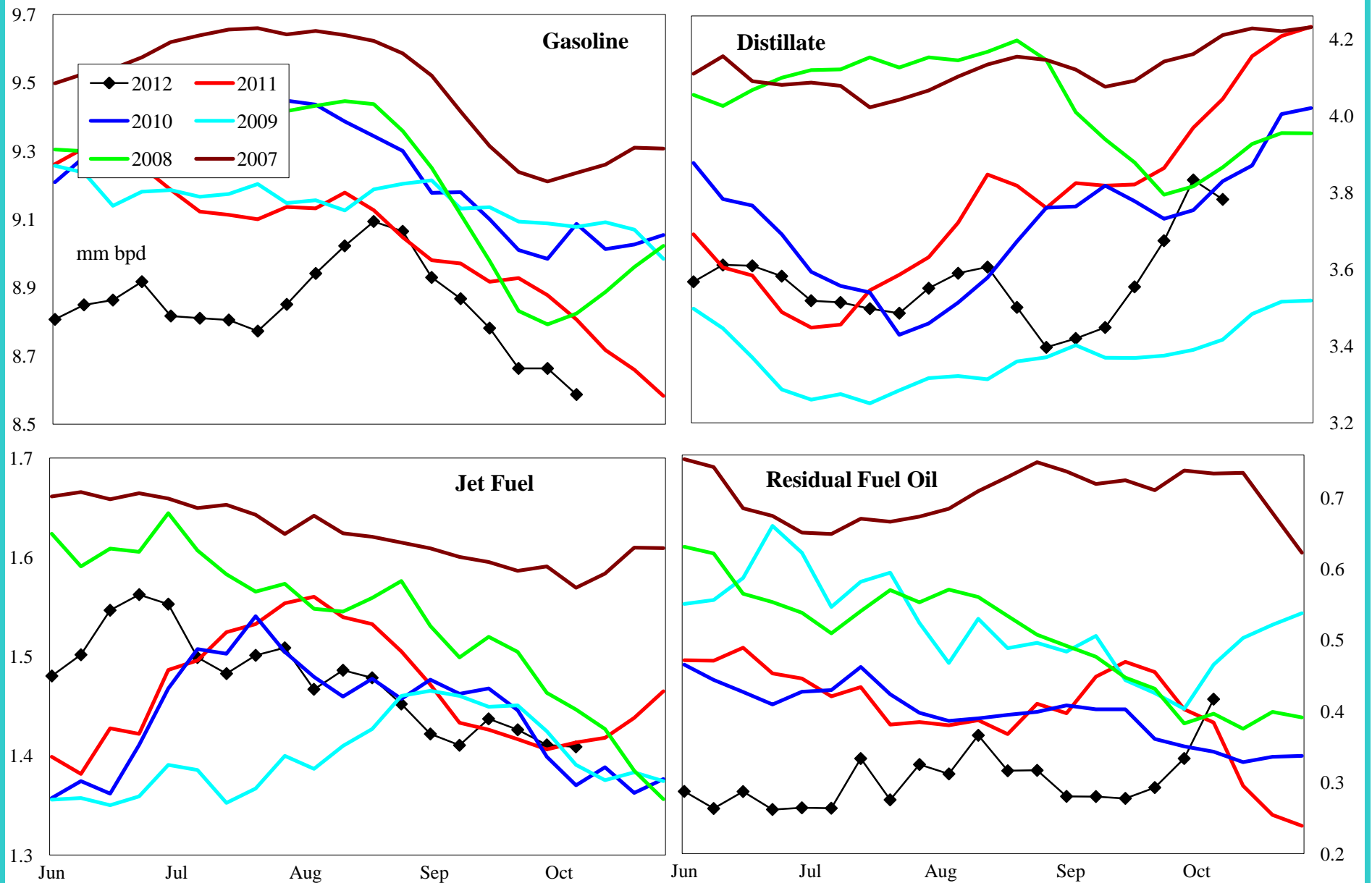


PETROLEUM: Graph Link and Weekly Summary

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Fundamental Trends	Wholesale Demand	Stocks Days Fwd Coverage	Refinery Utilization Product Yield %			Imports	
Supply/Demand Trends	5-Oct-12	EIA-DOE CHANGE FROM PRIOR WEEK					
	000 bpd stocks 000 bls	U. S. Total	PADD				
			1	2	3	4	5
Crude Oil	Stocks	1,672	-277	681	792	523	-46
	Imports	115	53	-123	29	101	56
	Input	-97	214	-121	-113	-26	-52
	% Utilization	-1.50					
Gasoline	Stocks	-534	-1,028	-434	1,998	-839	-231
	Production	-469	-36	-24	-79	-3	53
	Imports	-71	-83	-2	21	0	-8
	Supplied	-46					
Distillate	Stocks	-3,177	-1,786	-1,303	240	-401	72
	Production	-253	-40	-37	-70	-53	-54
	Imports	56	-2	2	57	-1	-2
	Supplied	-270					
Jet Fuel	Stocks	-254	33	-286	42	-60	18
	Production	-81	5	-44	-15	4	-30
	Imports	-97	1	0	0	0	-98
	Supplied	-84					
Residual Fuel Oil	Stocks	-1,067	-649	-98	-40	-4	-276
	Production	-28	25	-10	-18	-2	-24
	Imports	-143	-190	-3	109	0	-60
	Supplied	-21					

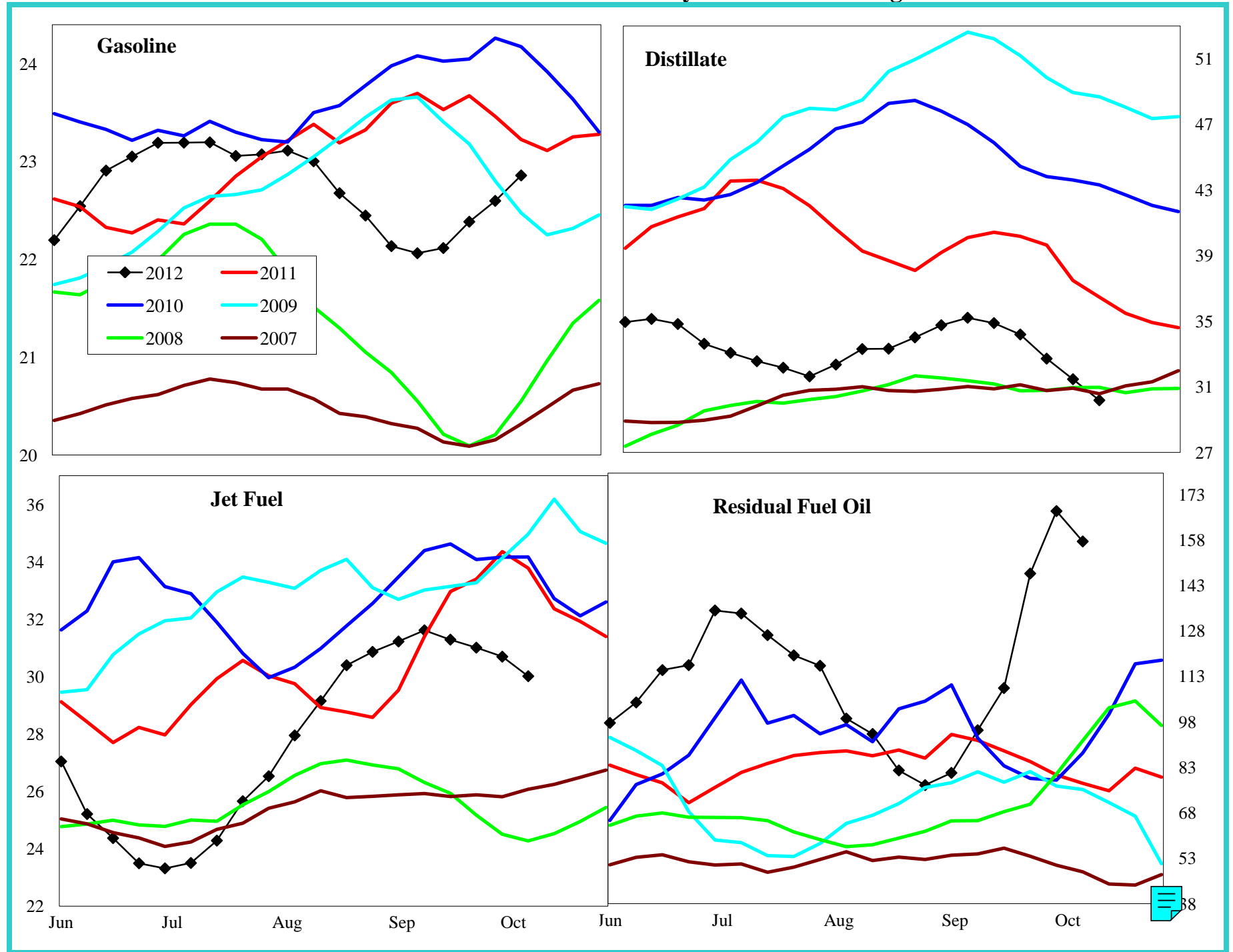
United States Wholesale Petroleum Demand



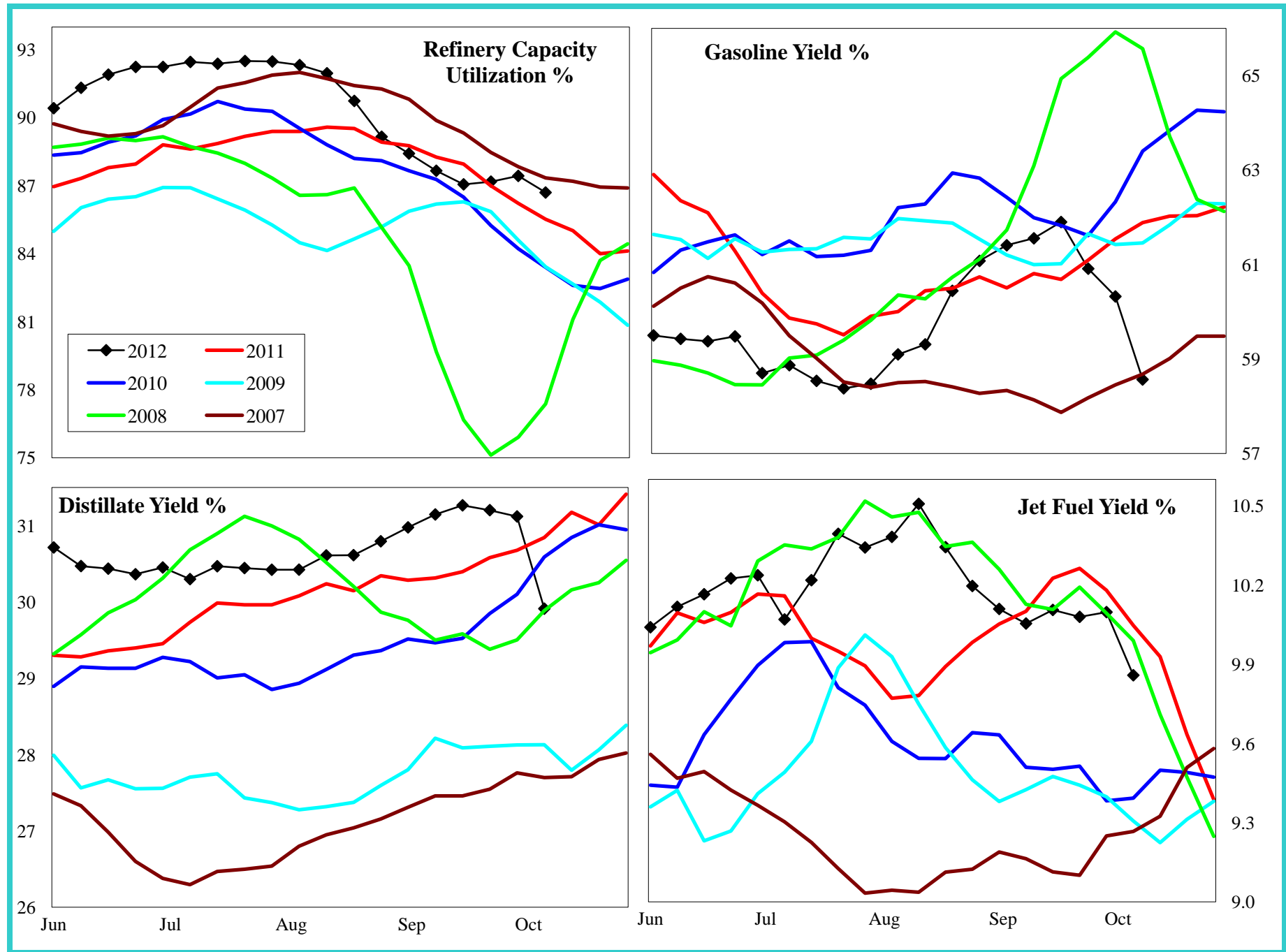
	000 bpd change from prior year				% change from prior year			
	4wk avg	Aug	Jul	Jun	4wk avg	Aug	Jul	Jun
Gasoline	-292	251	-204	-11	-3.3	2.8	-2.3	-0.1
Distillate	-140	-480	8	-174	-3.5	-12.1	0.2	-4.5
Jet Fuel	-13	-128	-11	0	-0.9	-8.2	-0.8	0.0
Resid	-105	76	28	-99	-22.3	23.8	8.9	-21.0



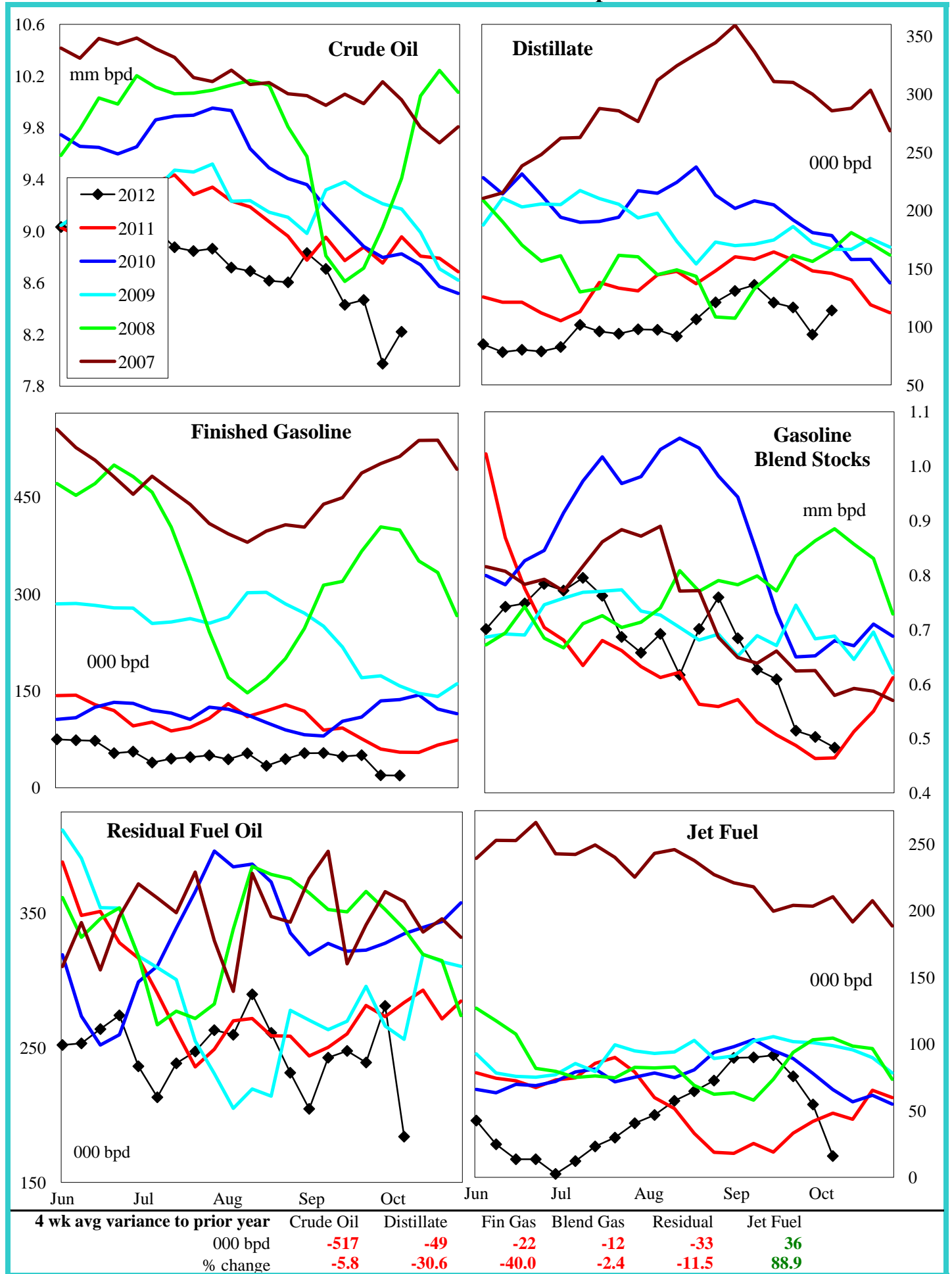
United States Product Stocks: Days Forward Coverage



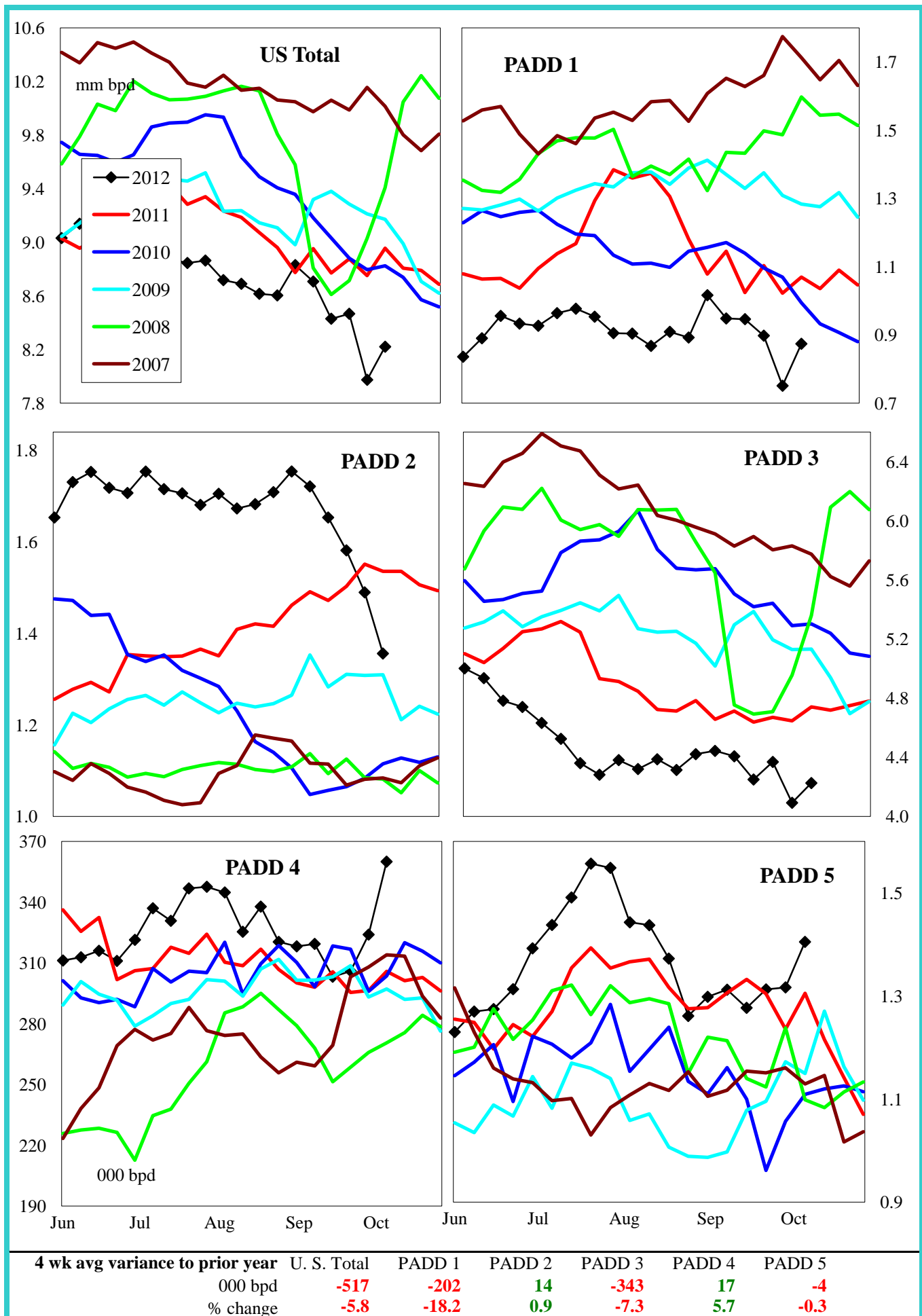
United States Refinery Percent Utilization Rate and Product Yields



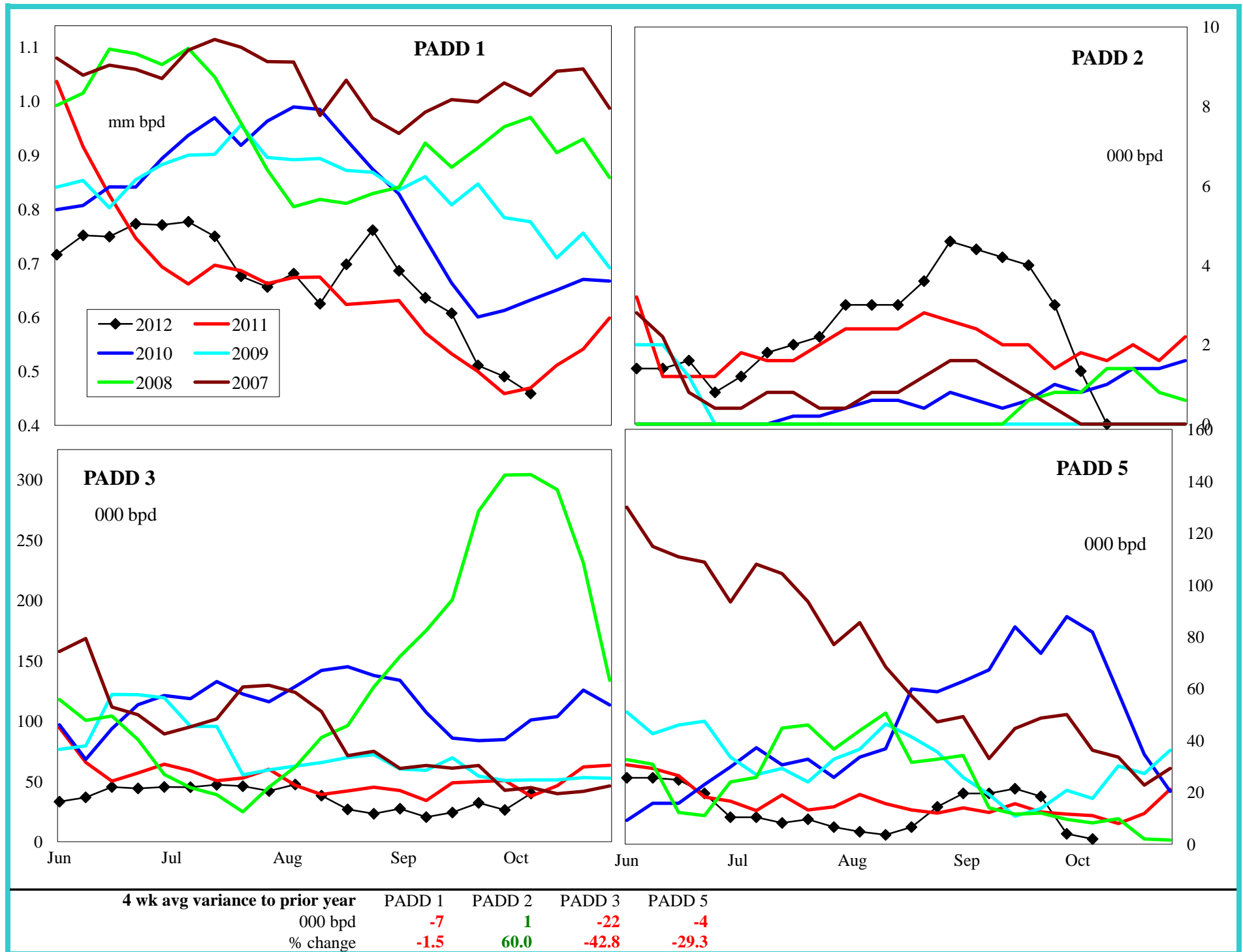
United States Petroleum Imports



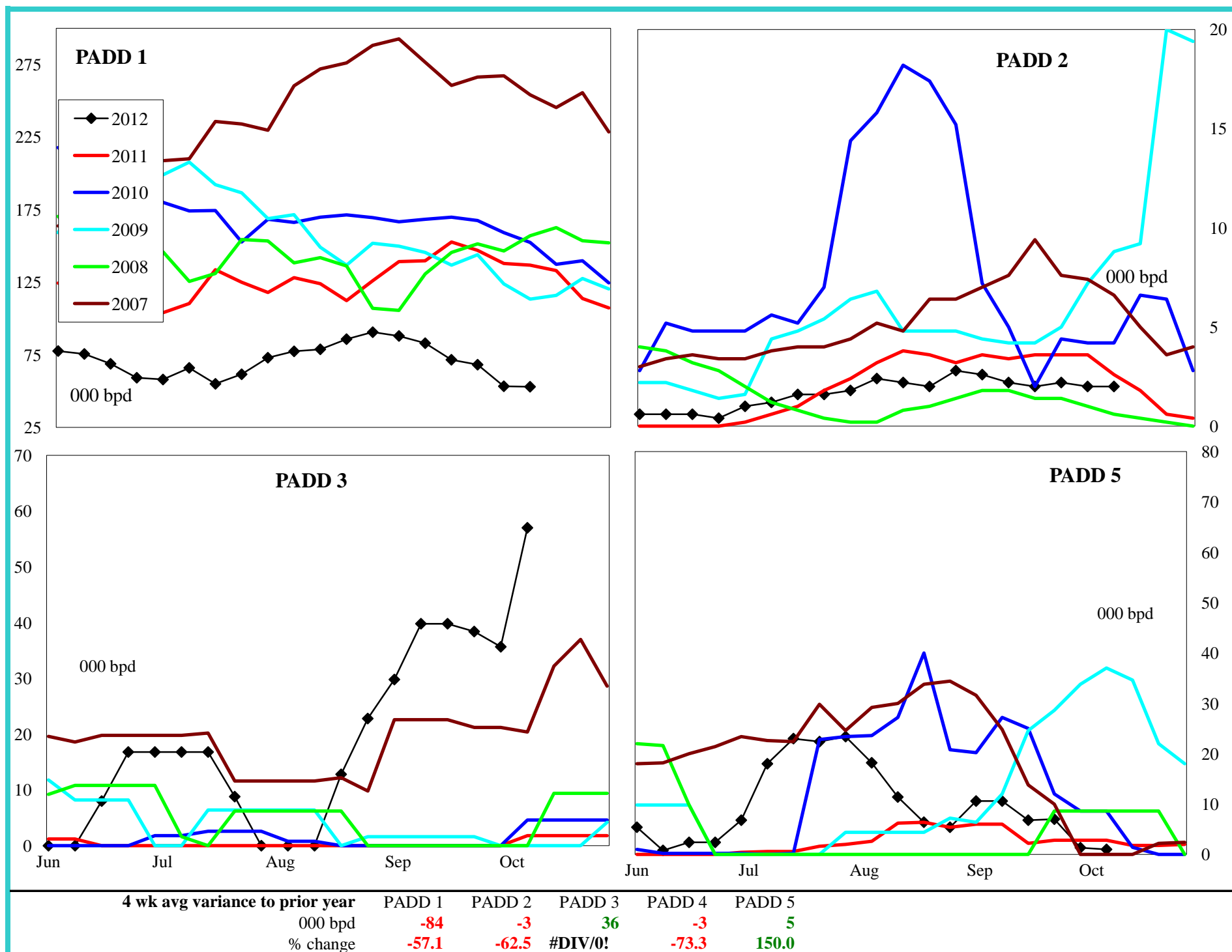
Crude Oil Imports by PADD



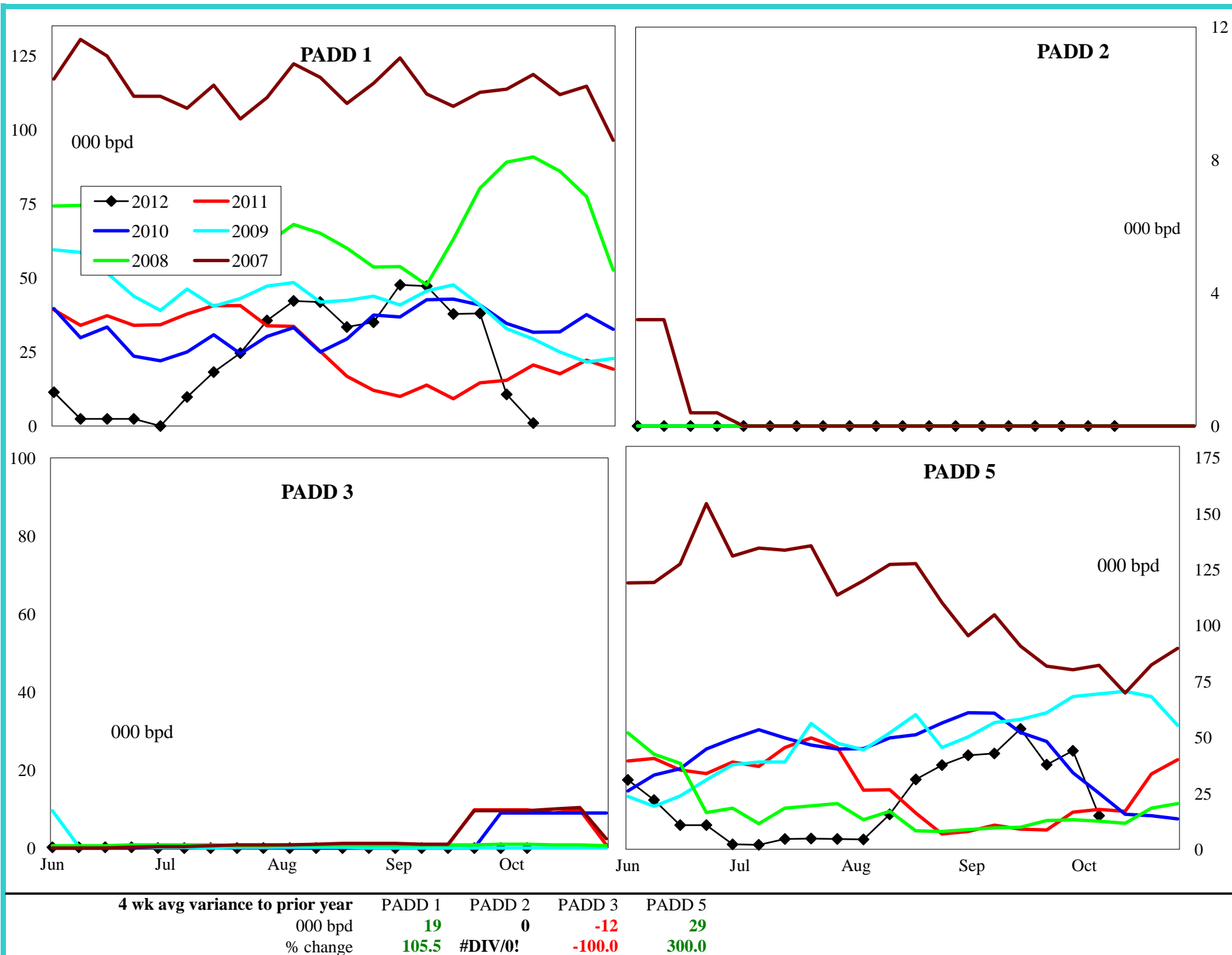
Gasoline Imports by PADD (Finished + Blend Stocks)



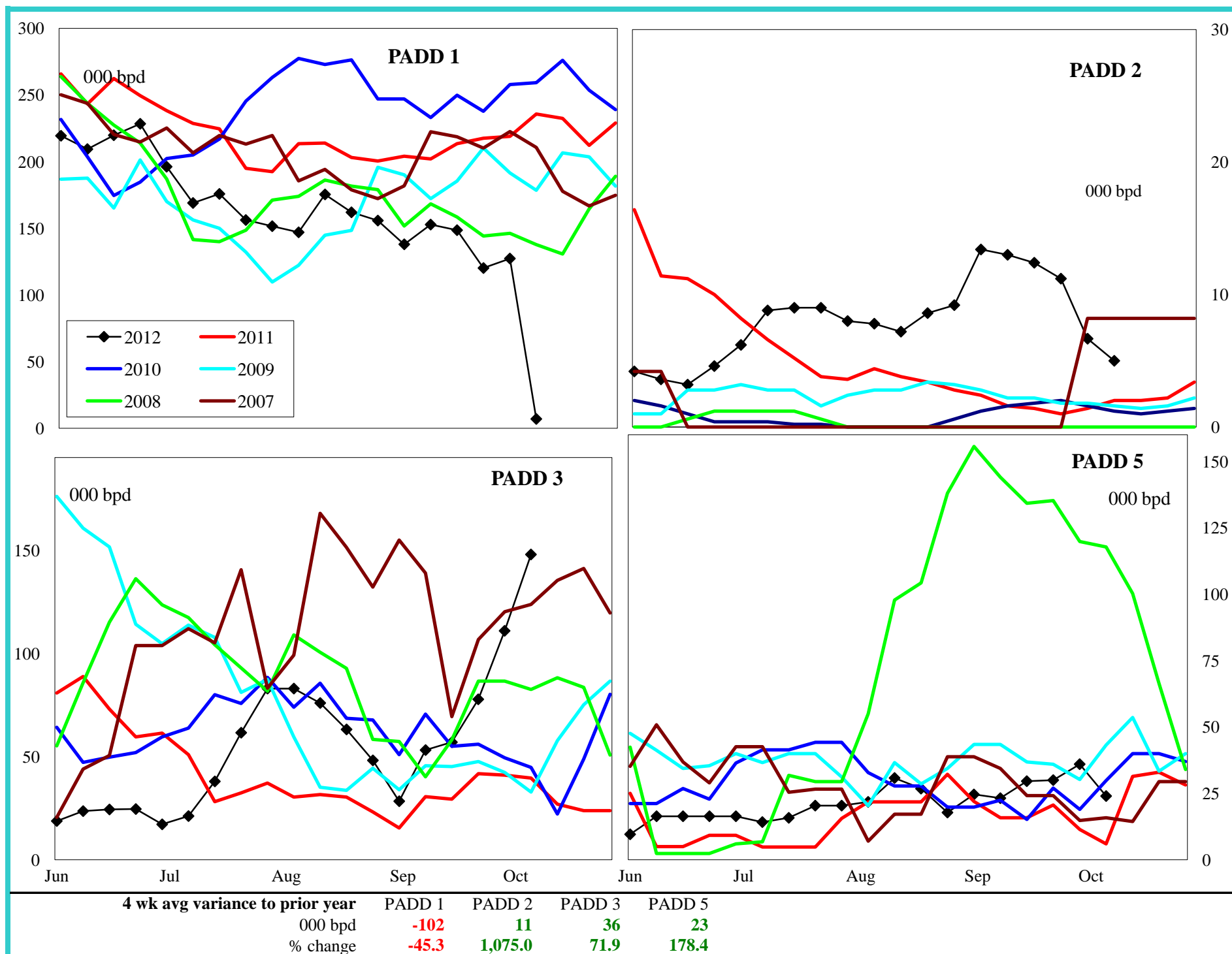
Distillate Imports by PADD



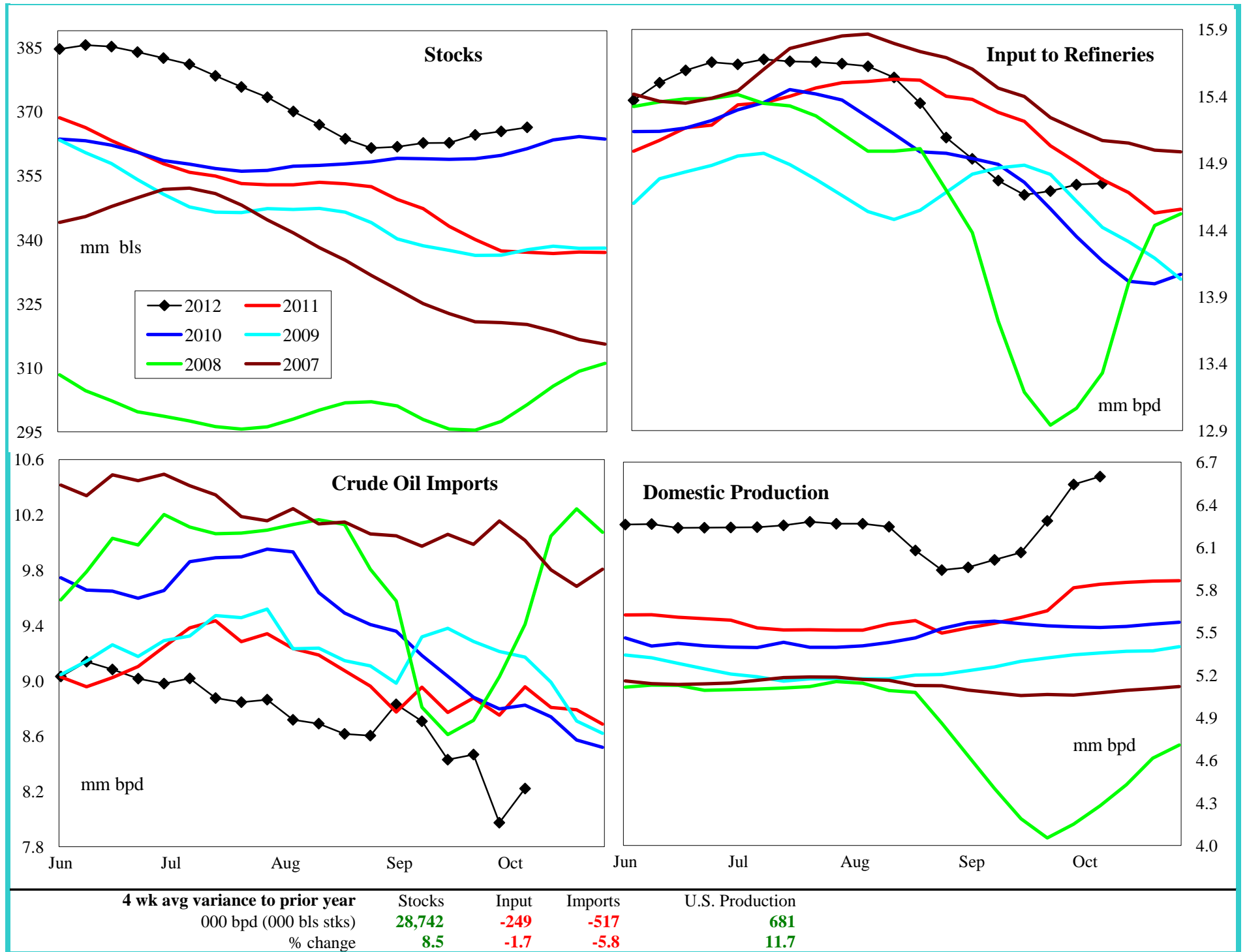
Jet Fuel Imports by PADD



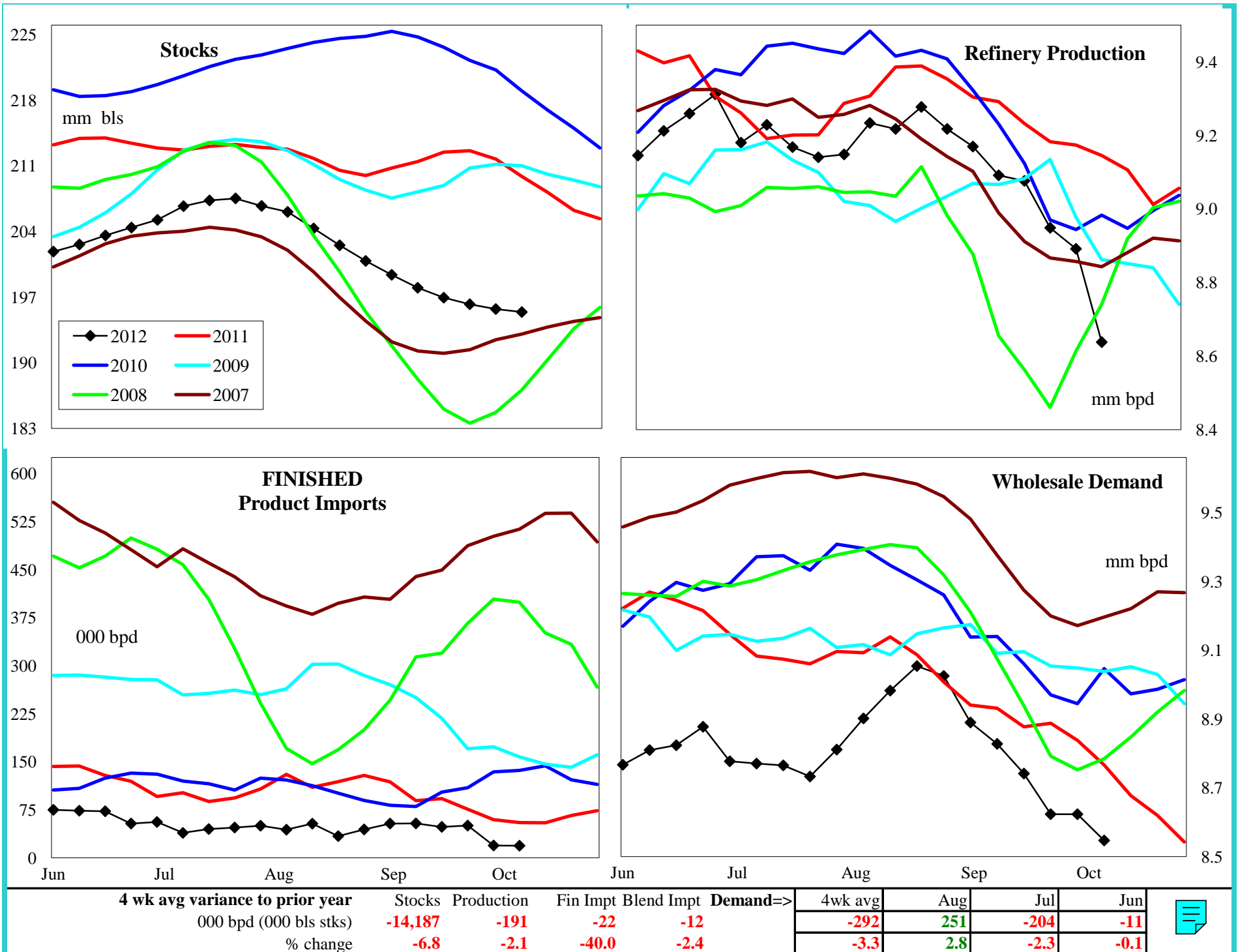
Residual Fuel Oil Imports by PADD



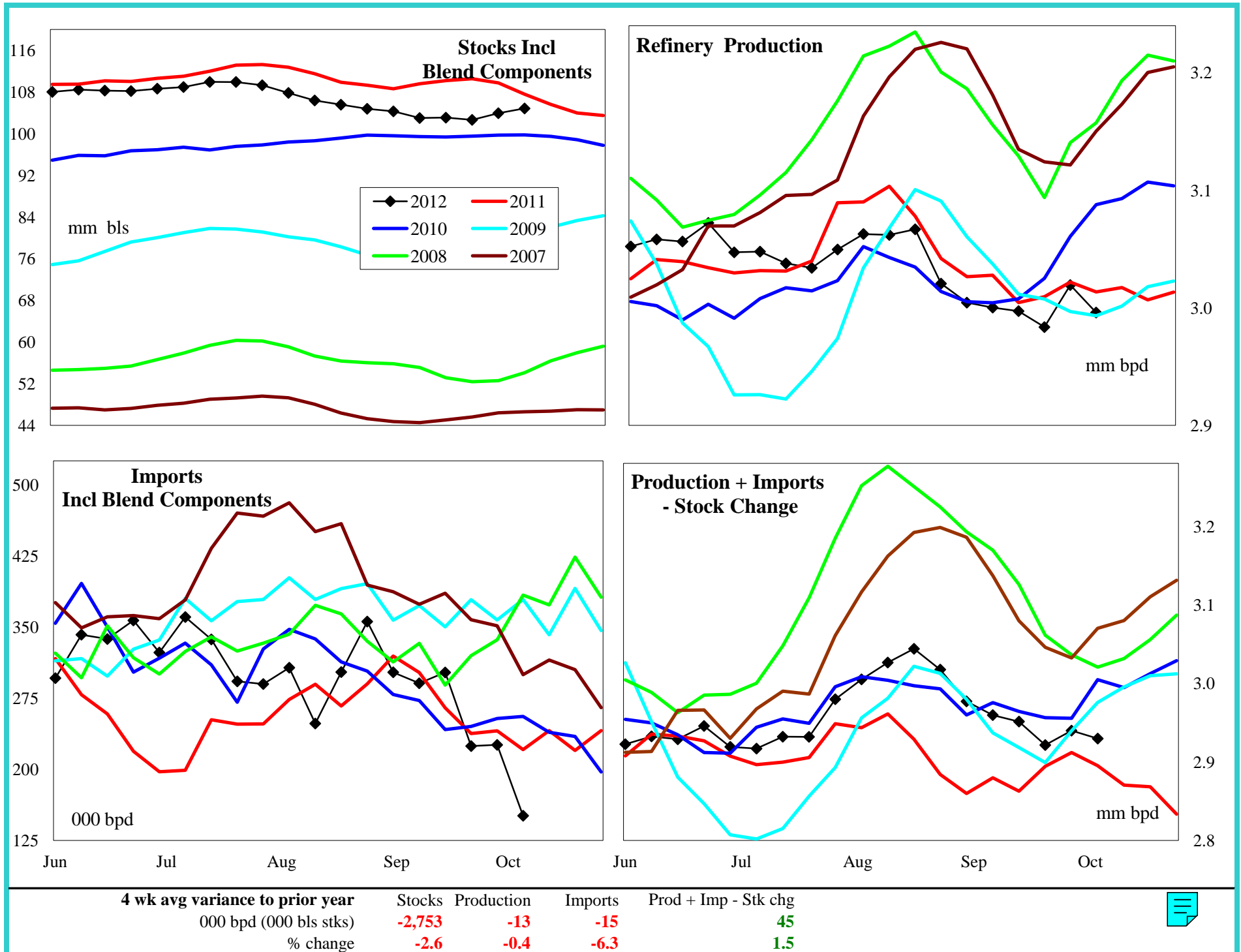
United States Crude Oil Supply and Demand Balance



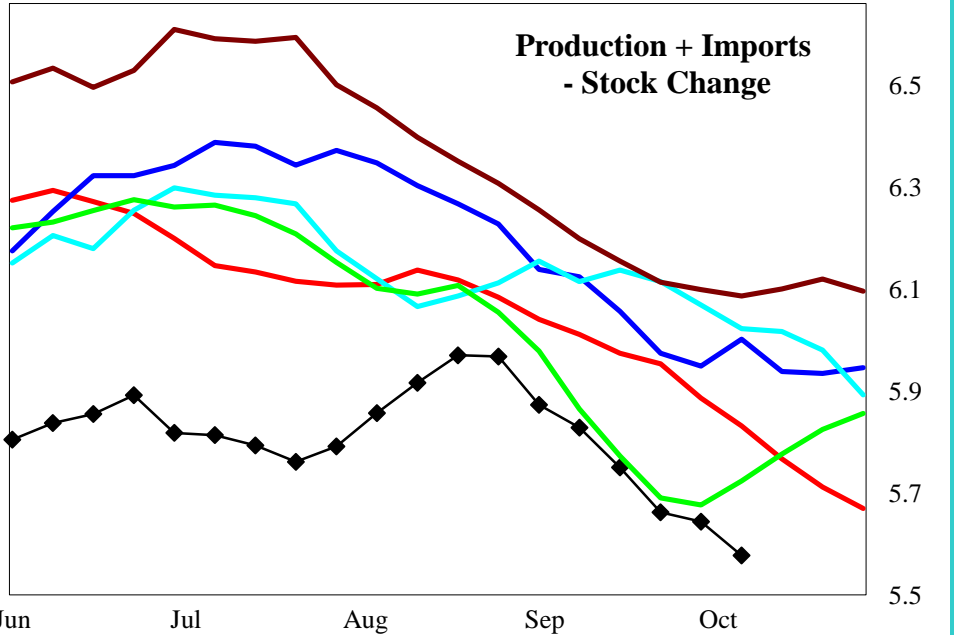
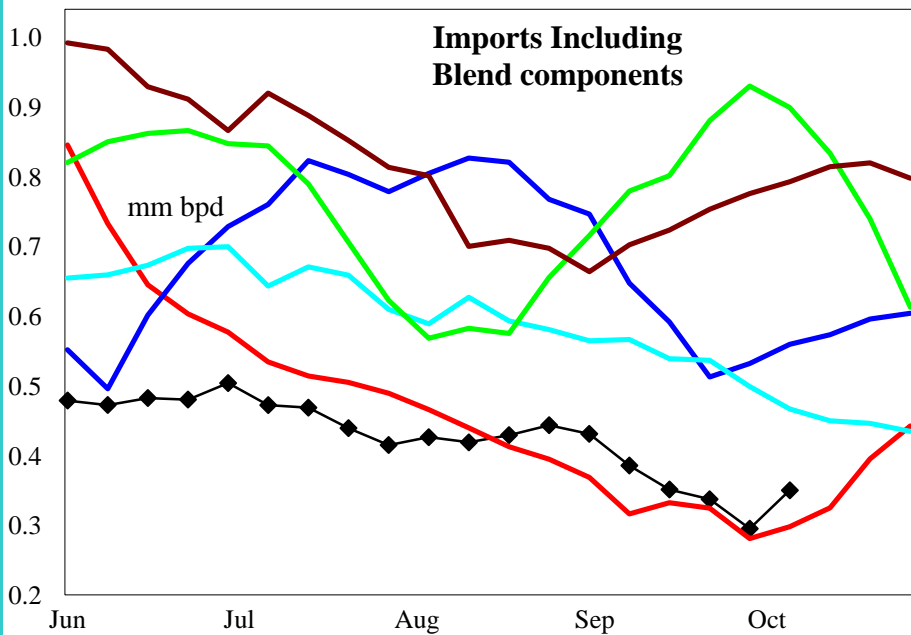
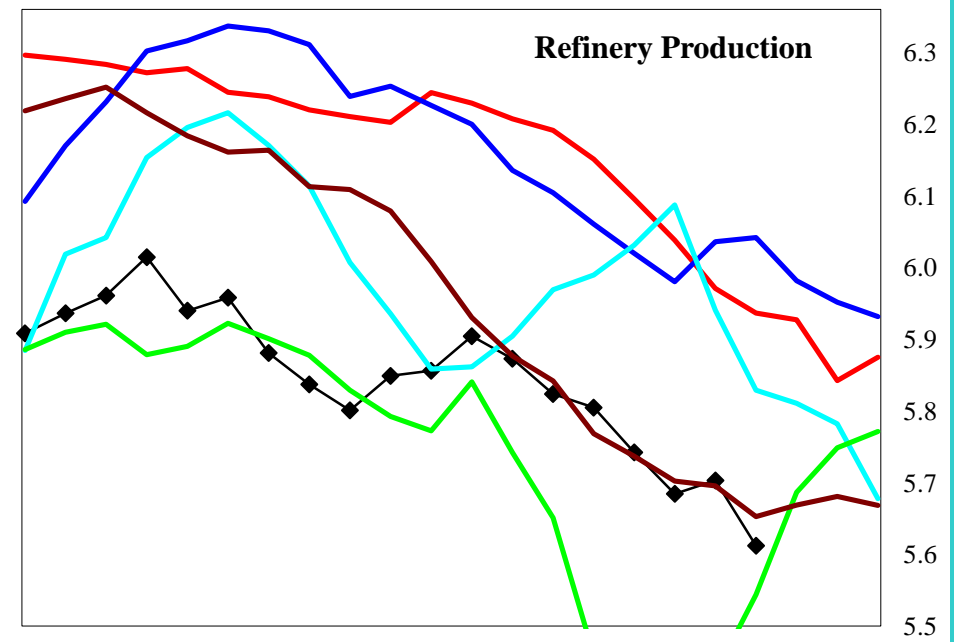
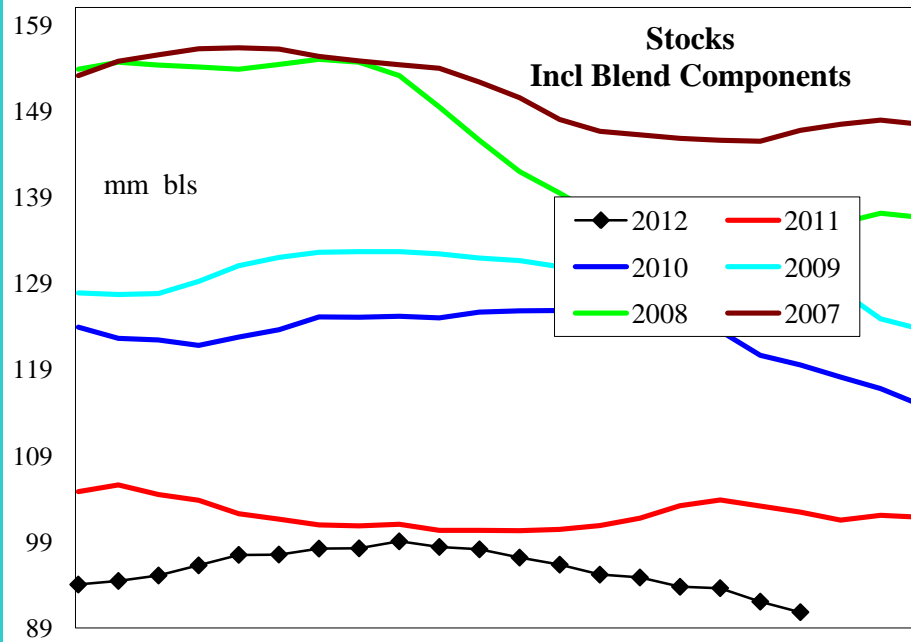
United States Gasoline Supply and Demand Balance



United States Reformulated Gasoline Supply



United States Conventional Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-11,621

-291

25

-253

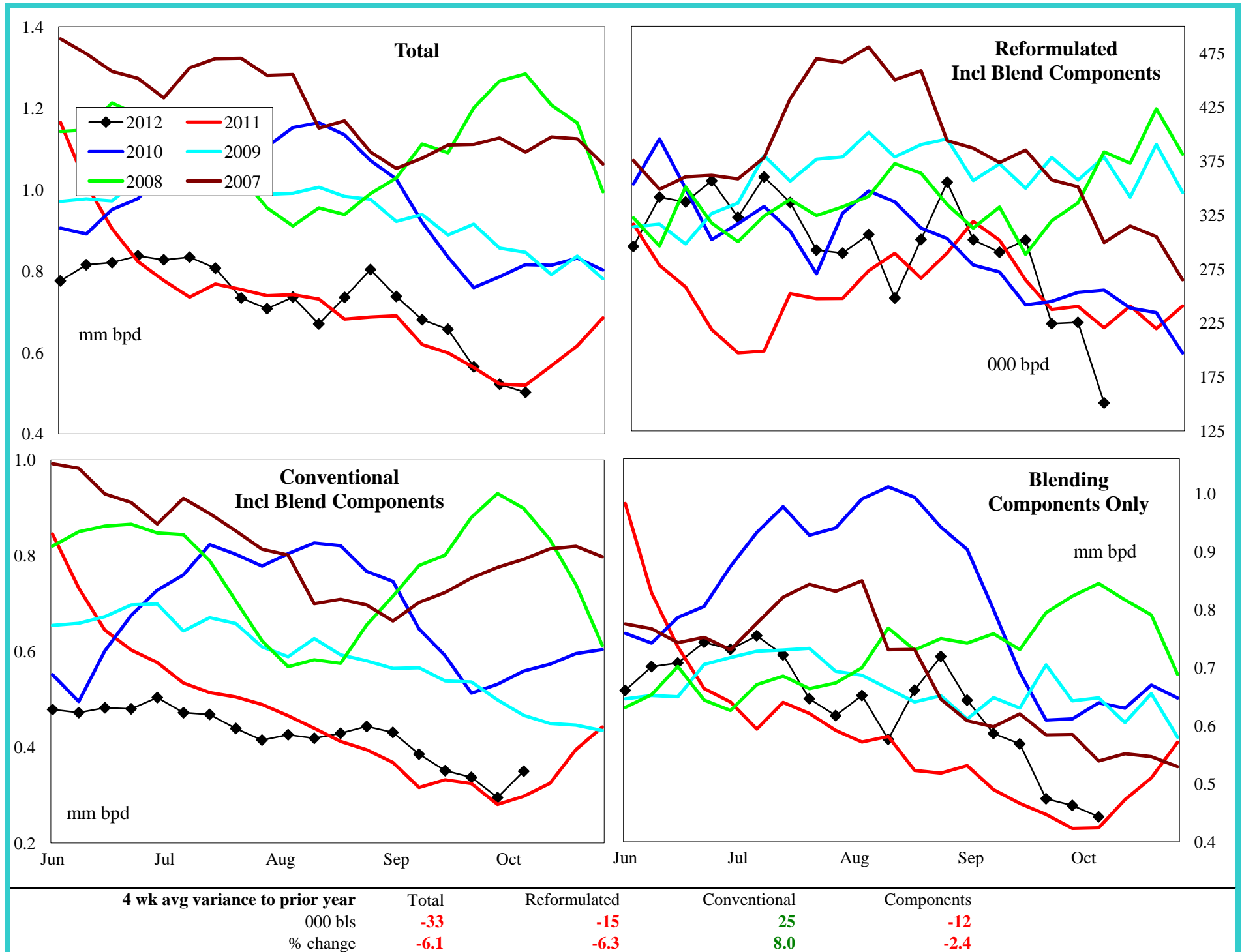
-11.3

-4.8

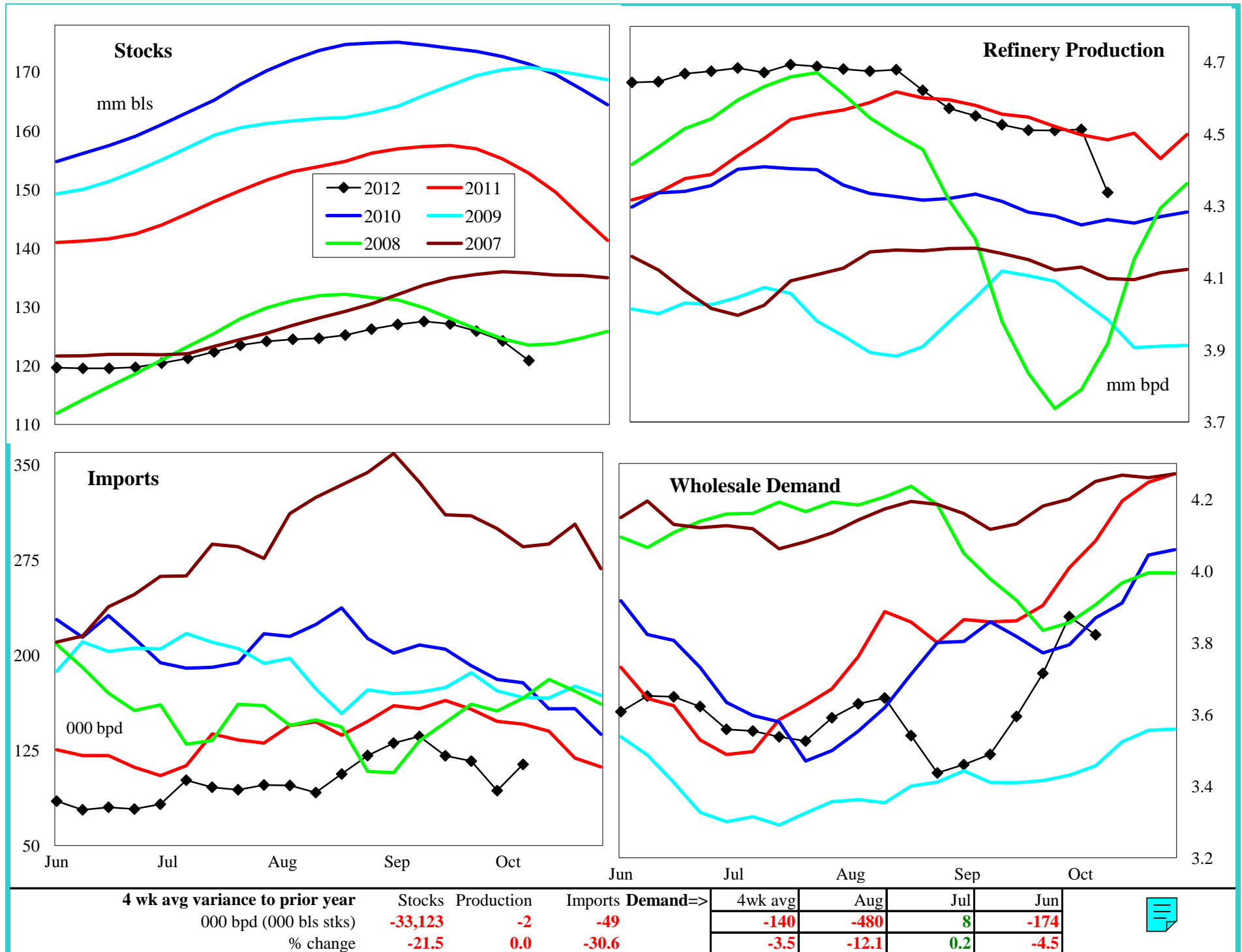
8.0

-4.3

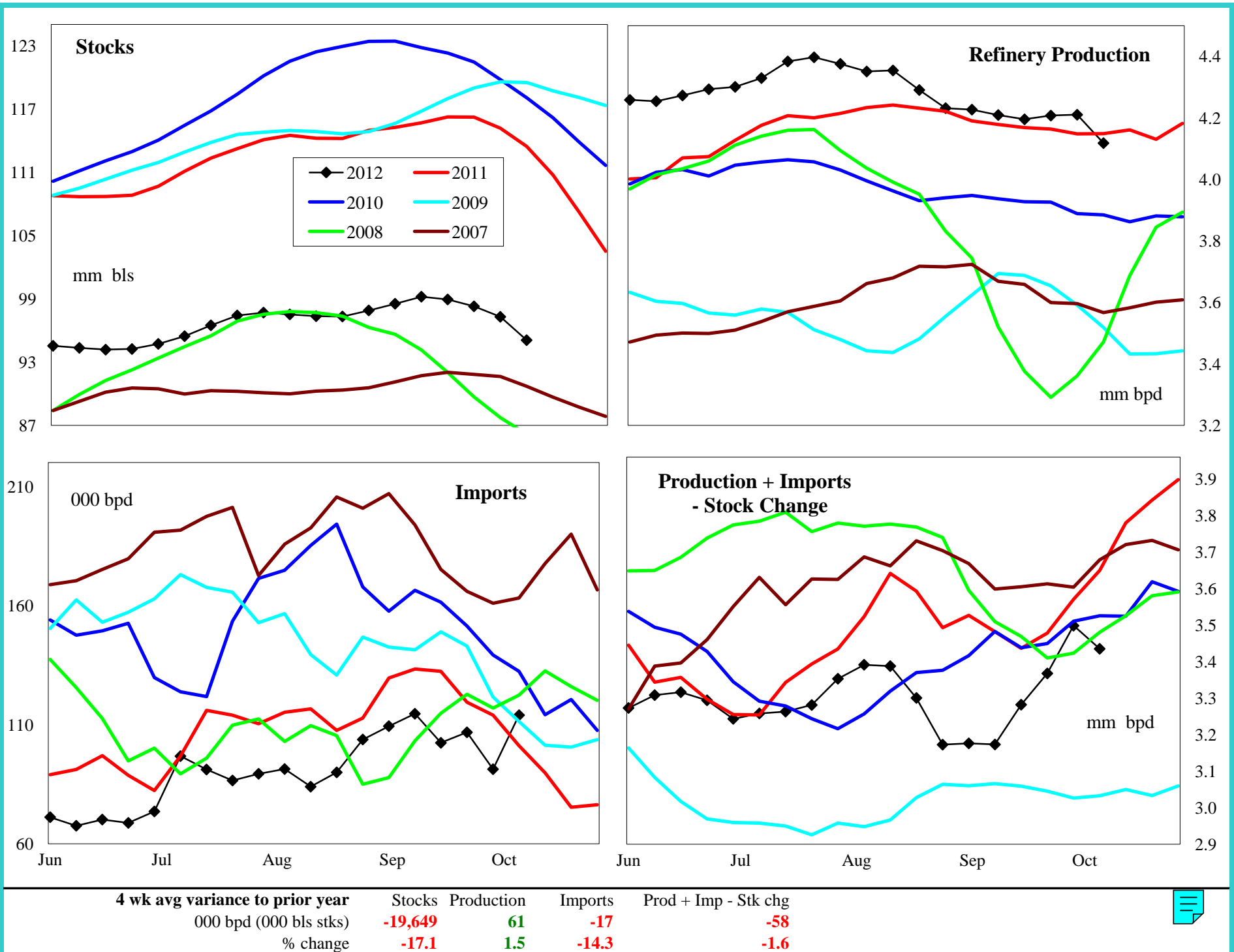
United States Gasoline Imports by Type



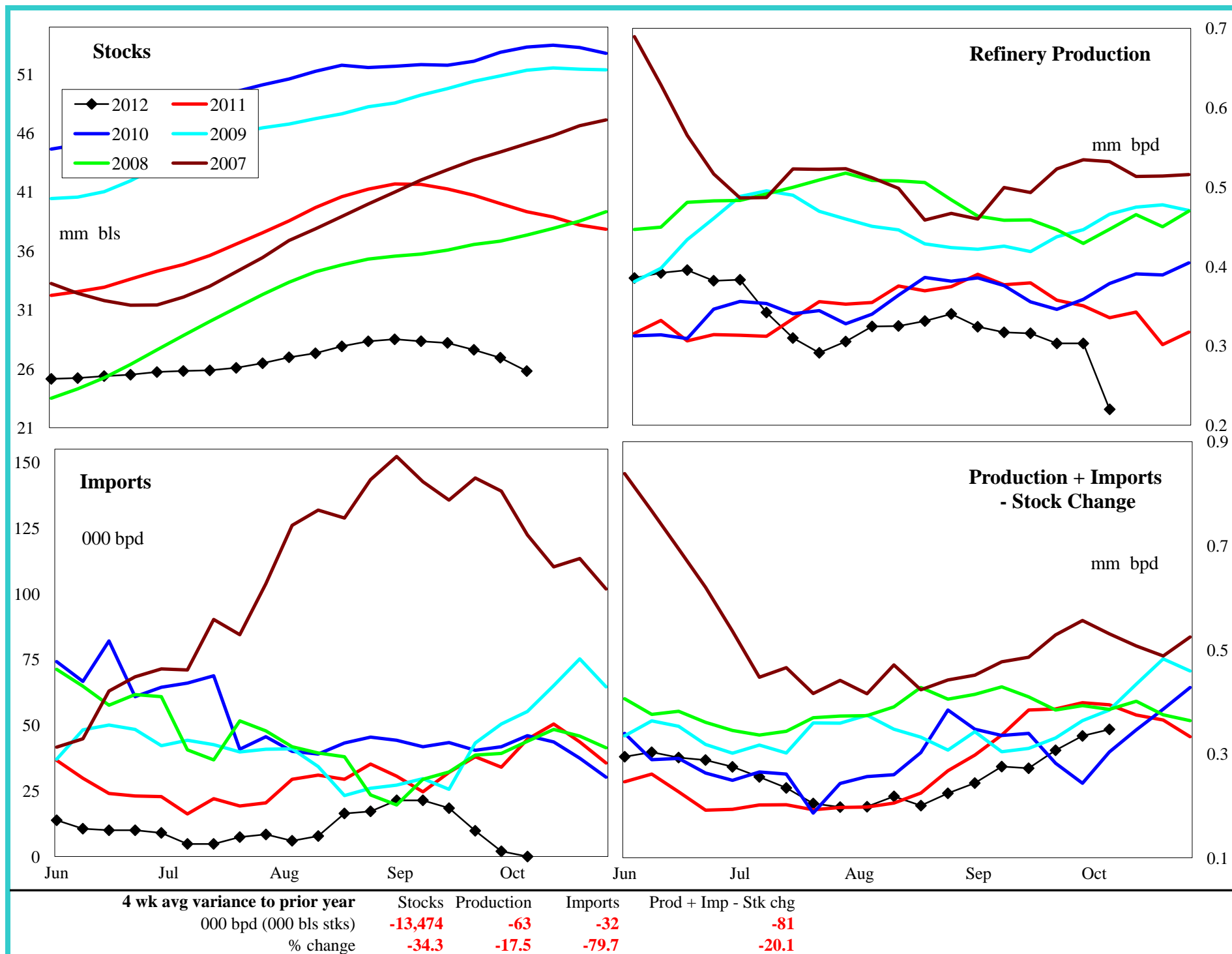
United States Distillate Supply and Demand Balance



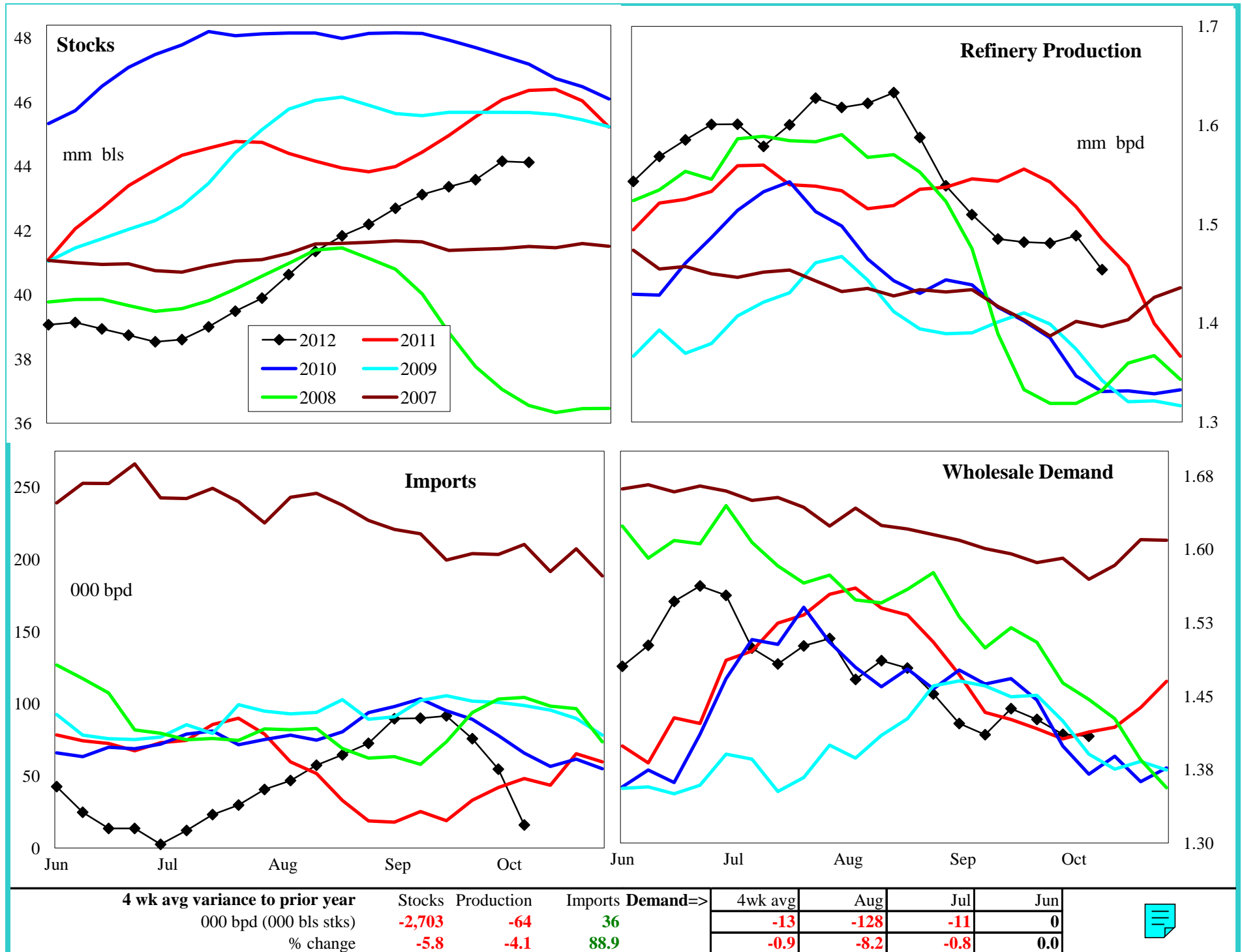
United States Low Sulfur Distillate Supply



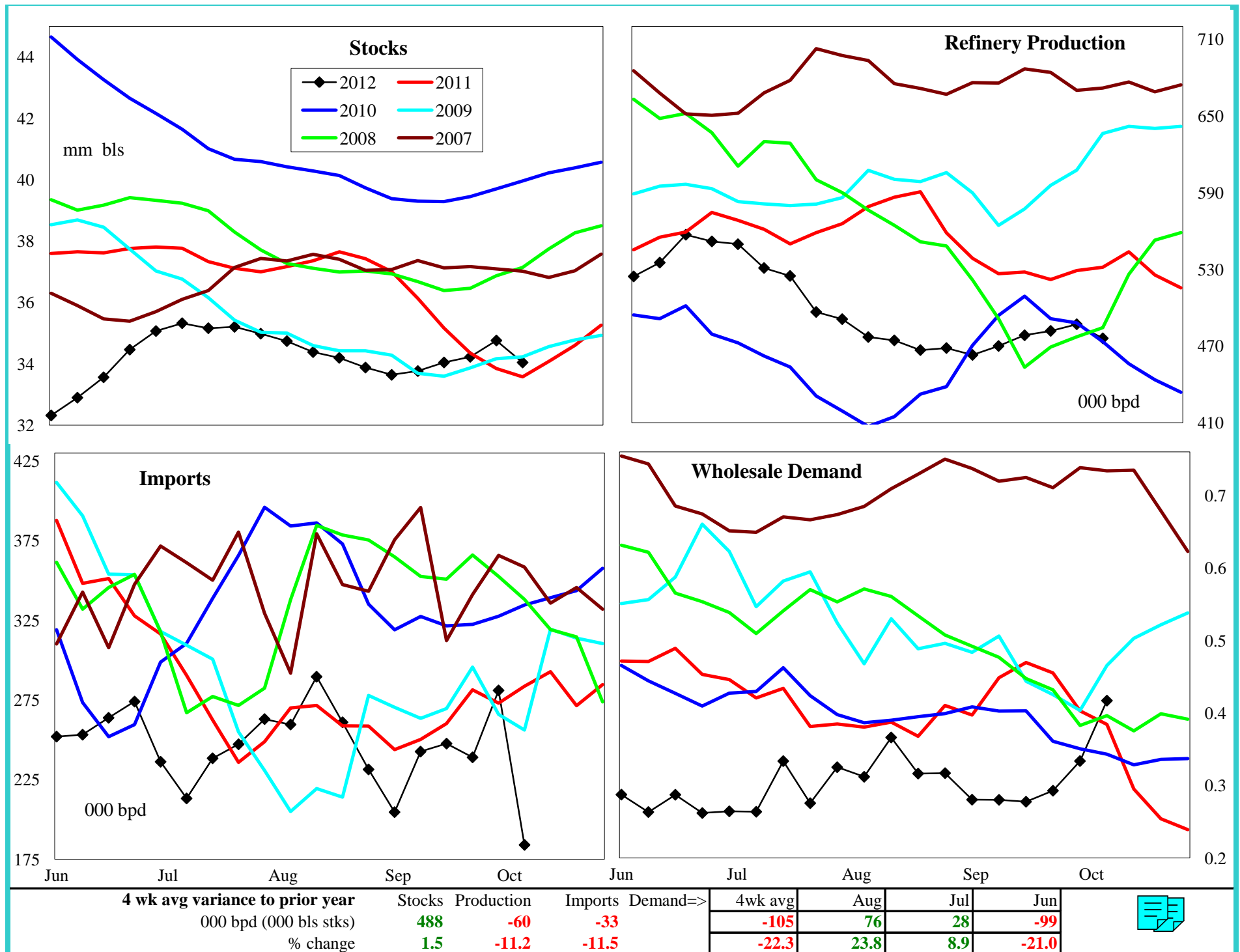
United States High Sulfur Distillate Supply



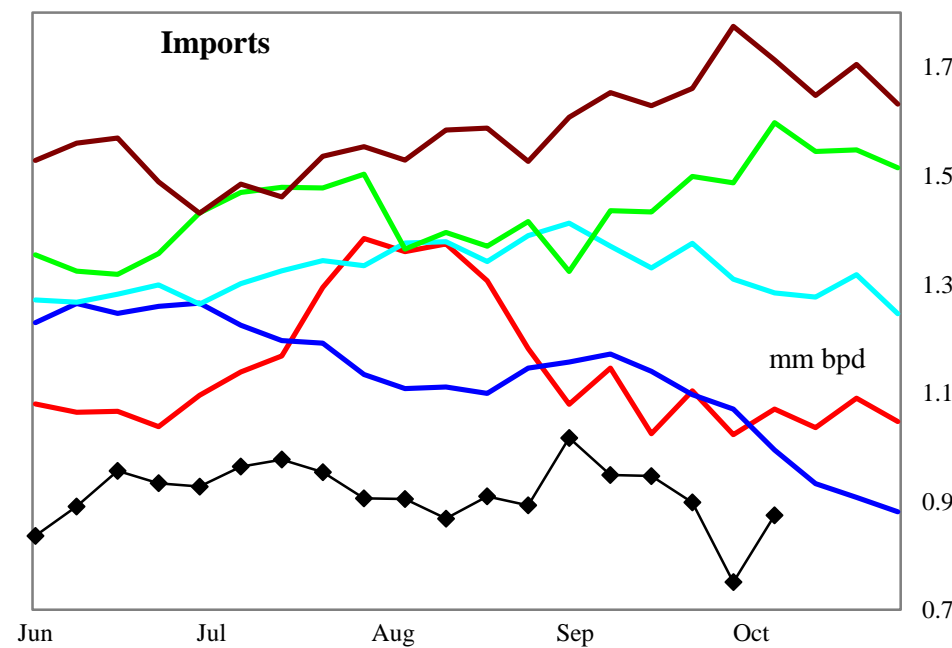
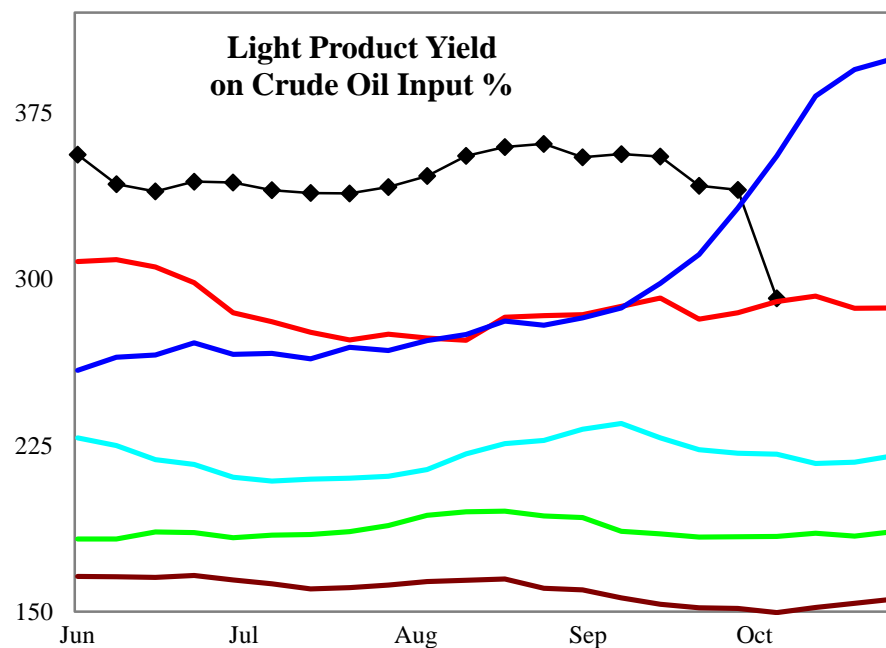
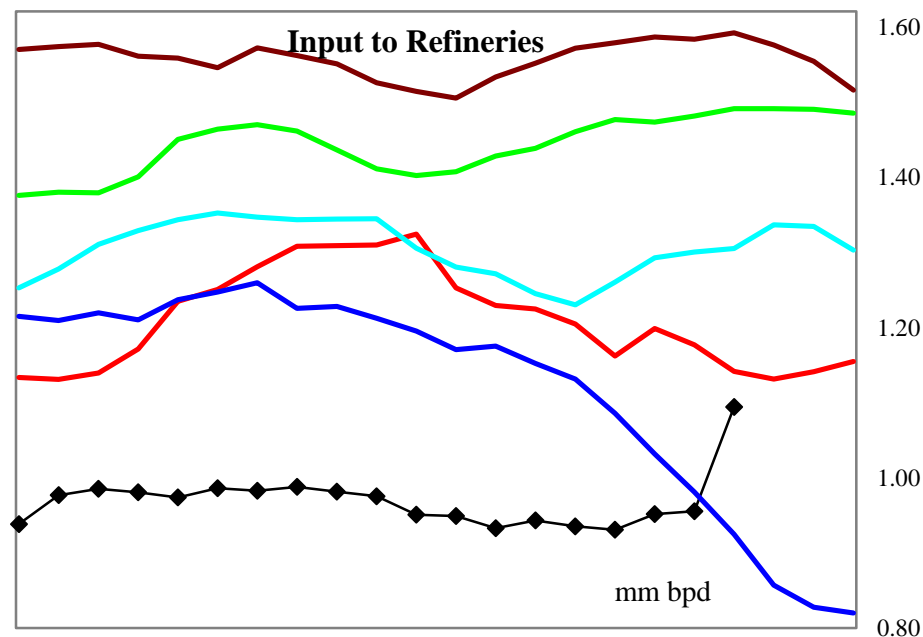
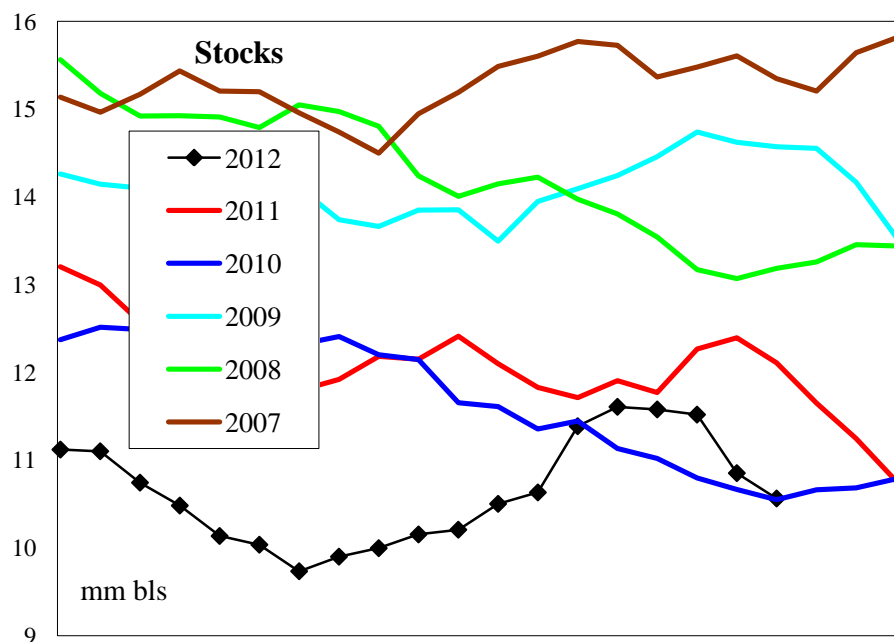
United States Jet Fuel Supply and Demand Balance



United States Residual Fuel Oil Supply and Demand Balance



PADD 1 Crude Oil Supply and Refining

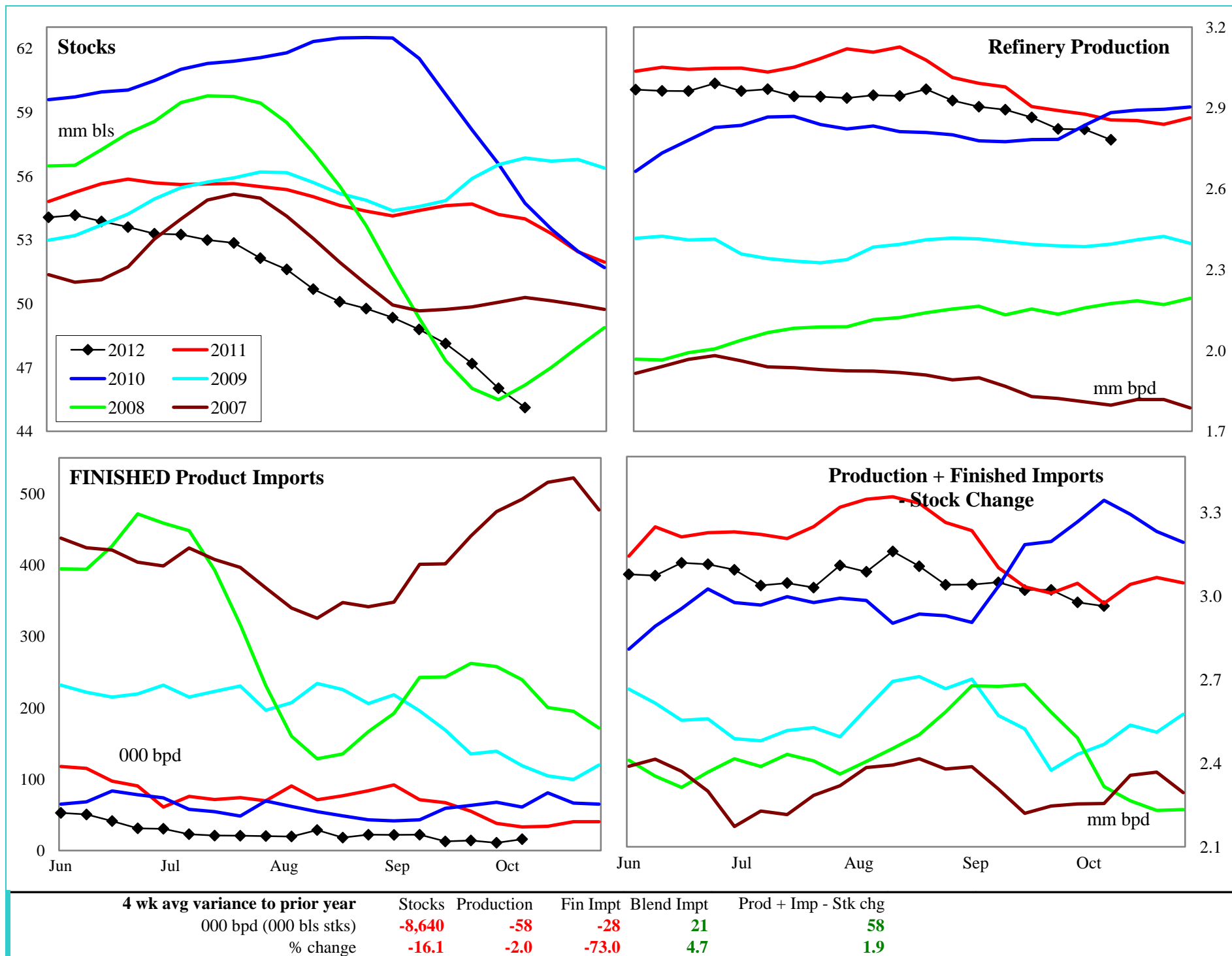


4 wk avg variance to prior year
000 bpd (000 bls stks)
% change

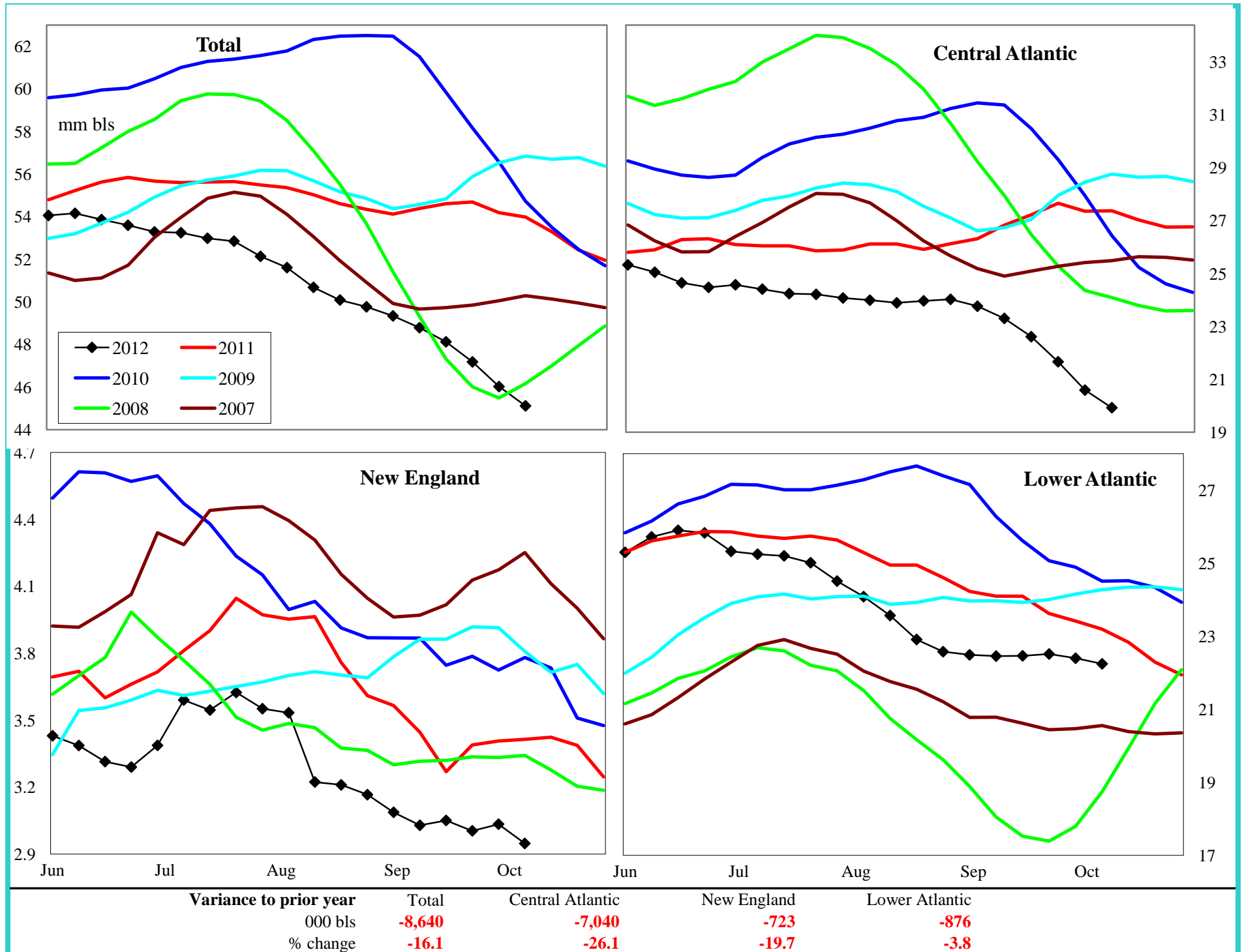
	Stocks	Input	Imports
000 bpd (000 bls stks)	-1,548	-230	-202
% change	-12.8	-19.3	-18.2



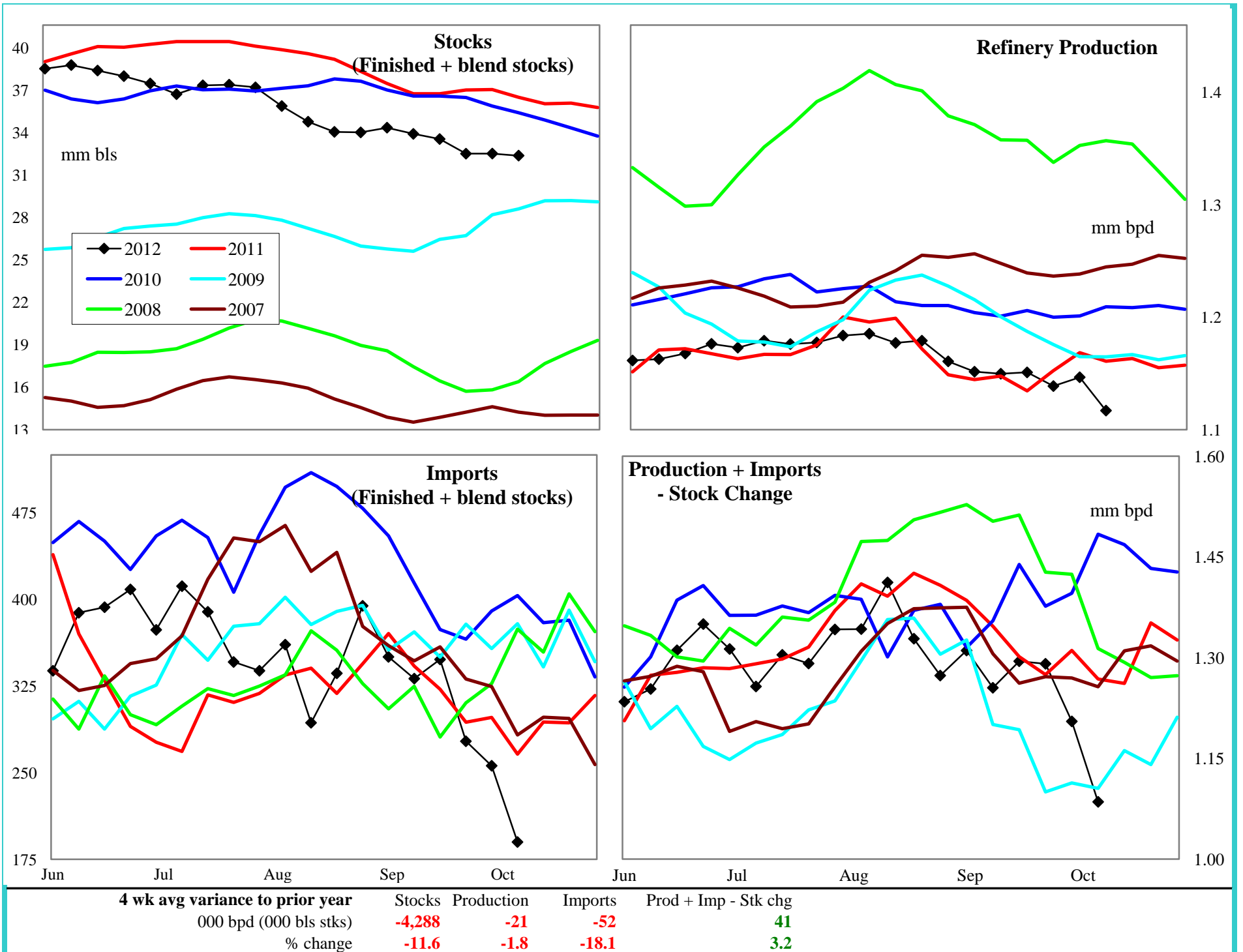
PADD 1 Gasoline Supply



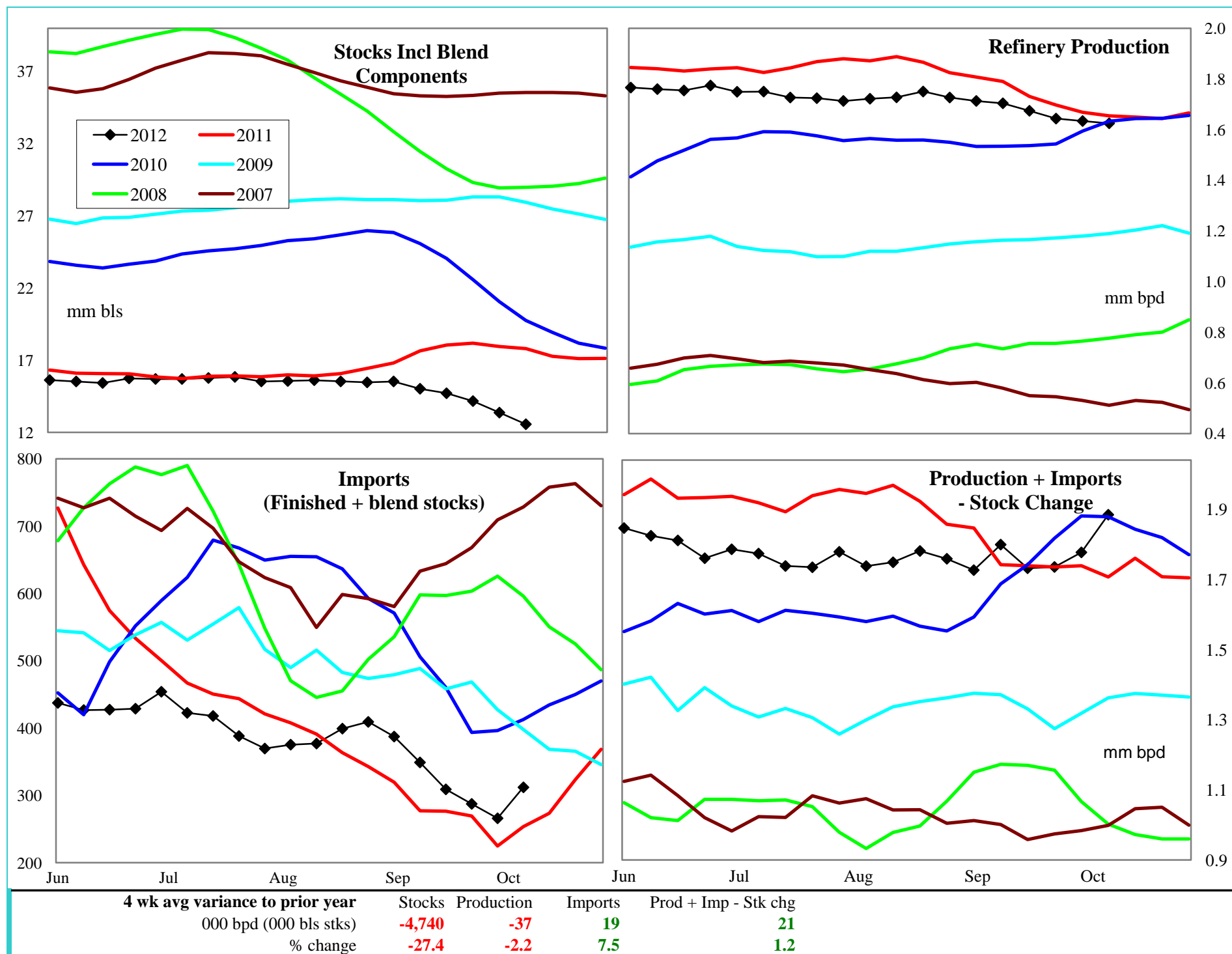
PADD 1 Gasoline Stocks by Region



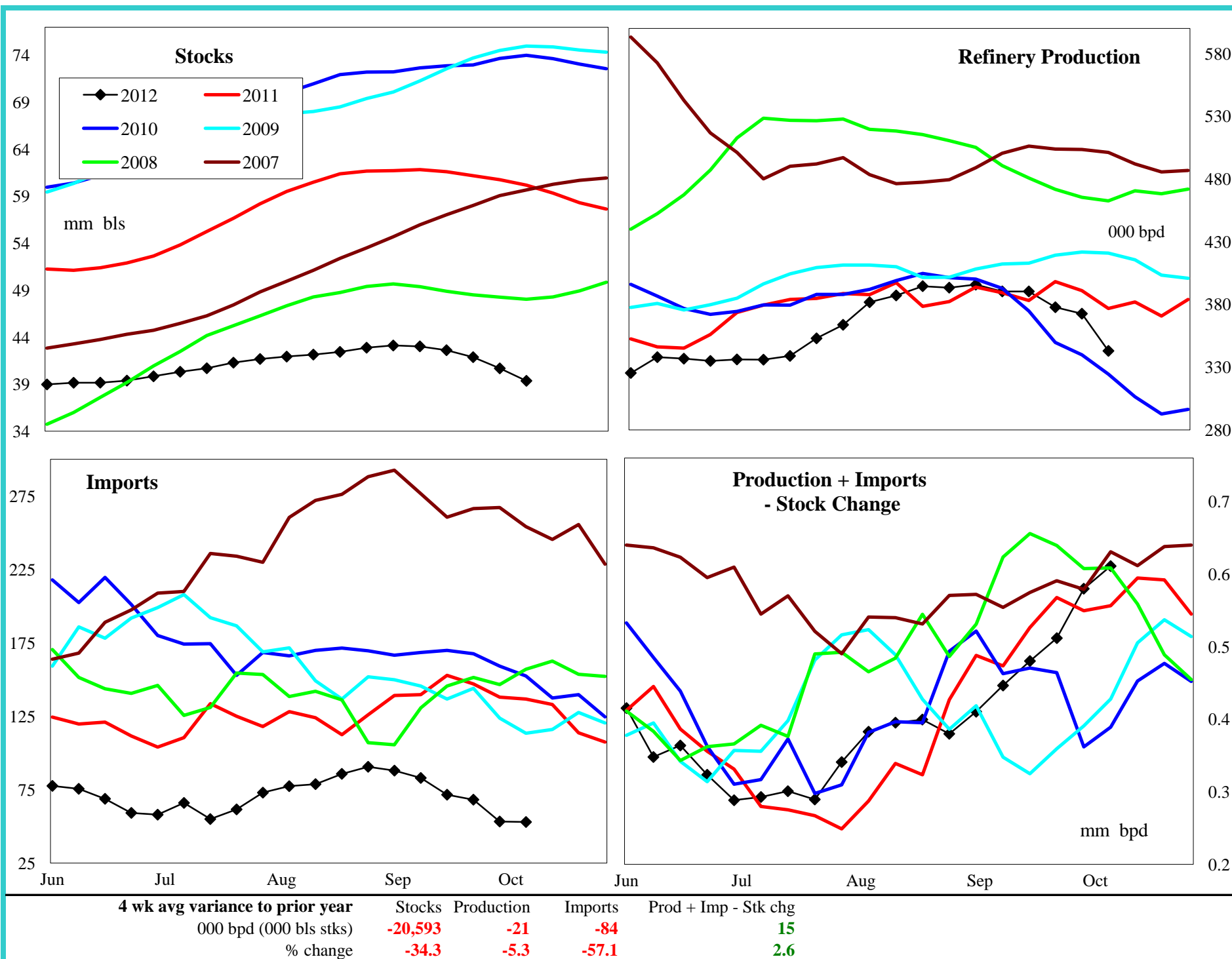
PADD 1 Reformulated Gasoline Supply



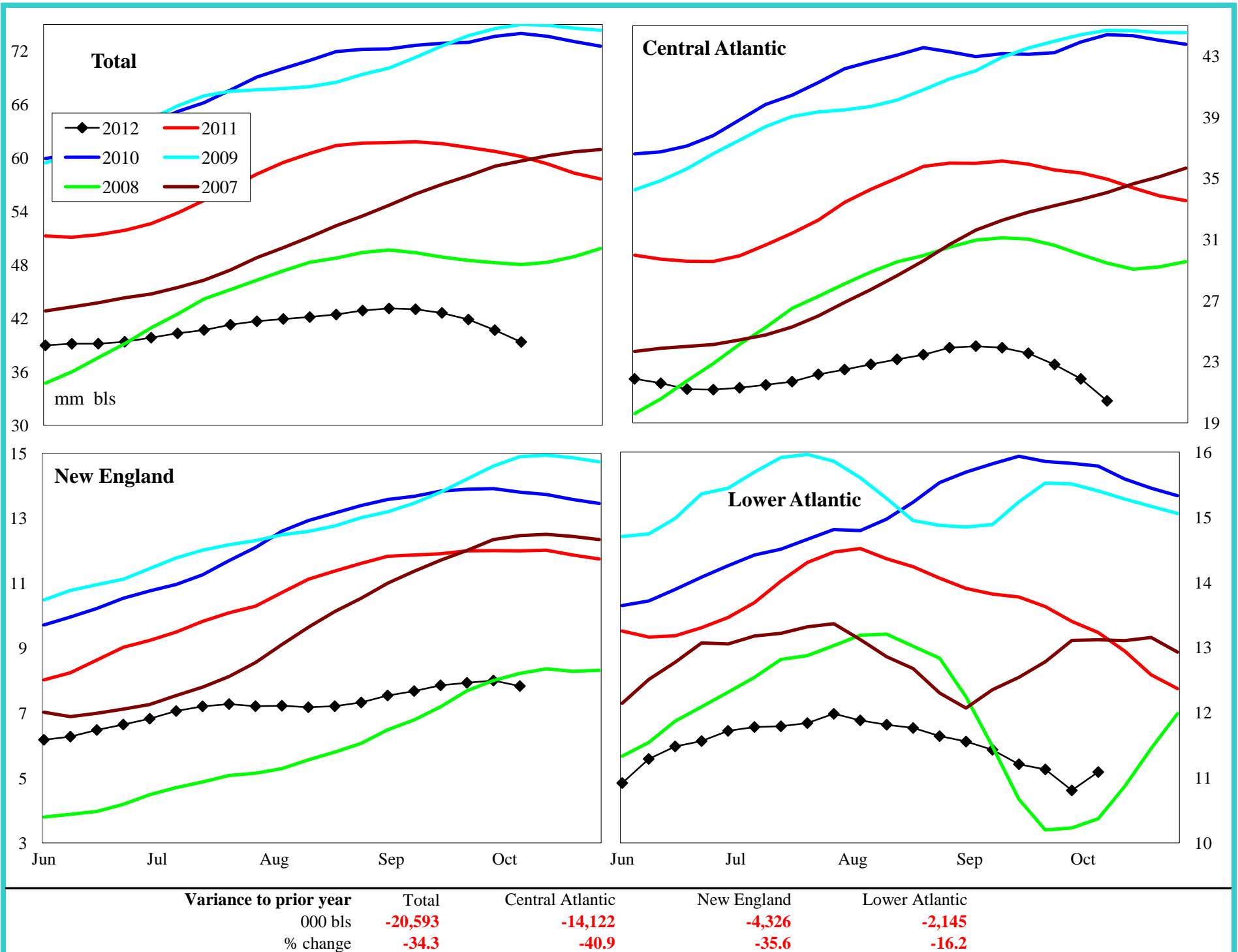
PADD 1 Conventional Gasoline Supply



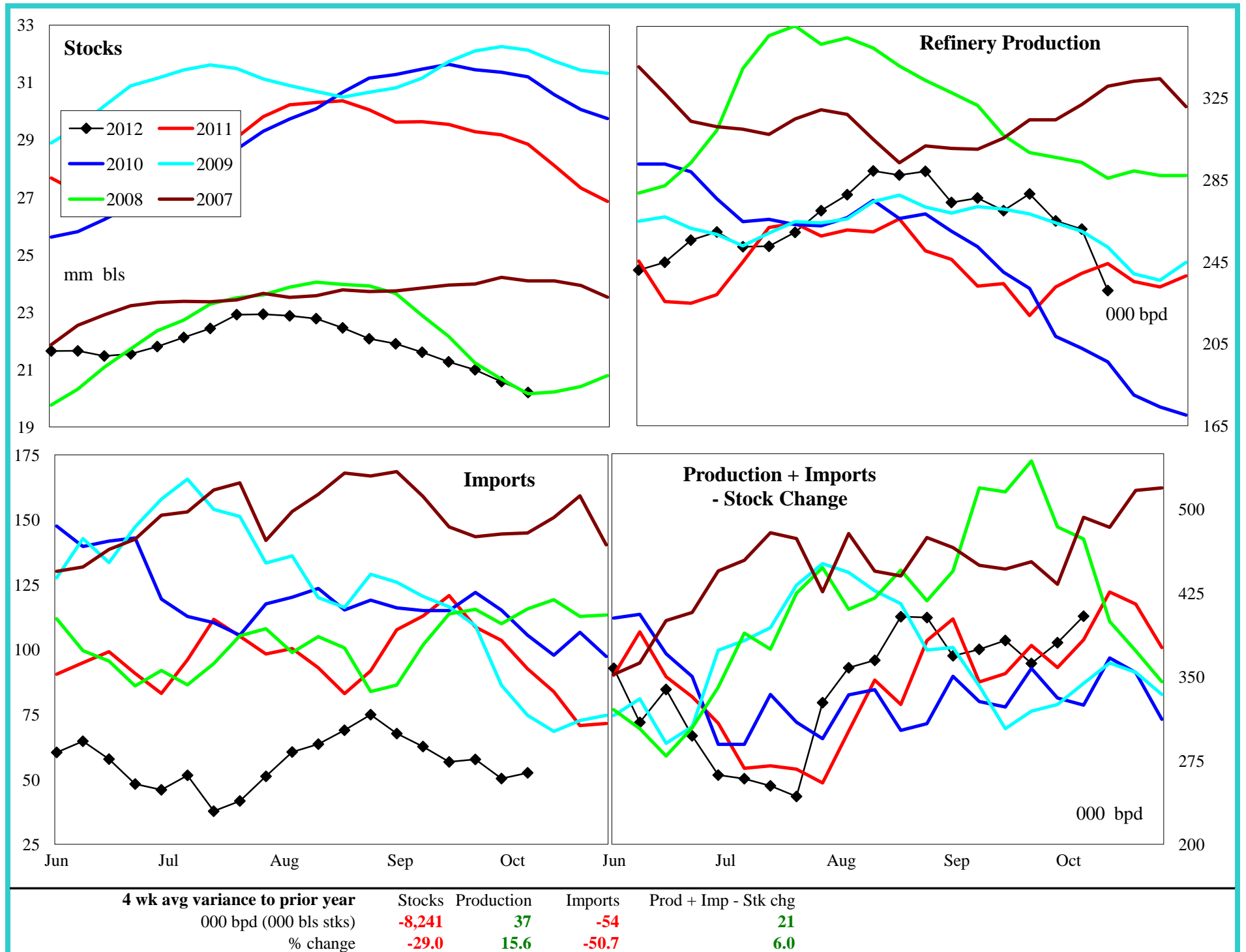
PADD 1 Distillate Supply



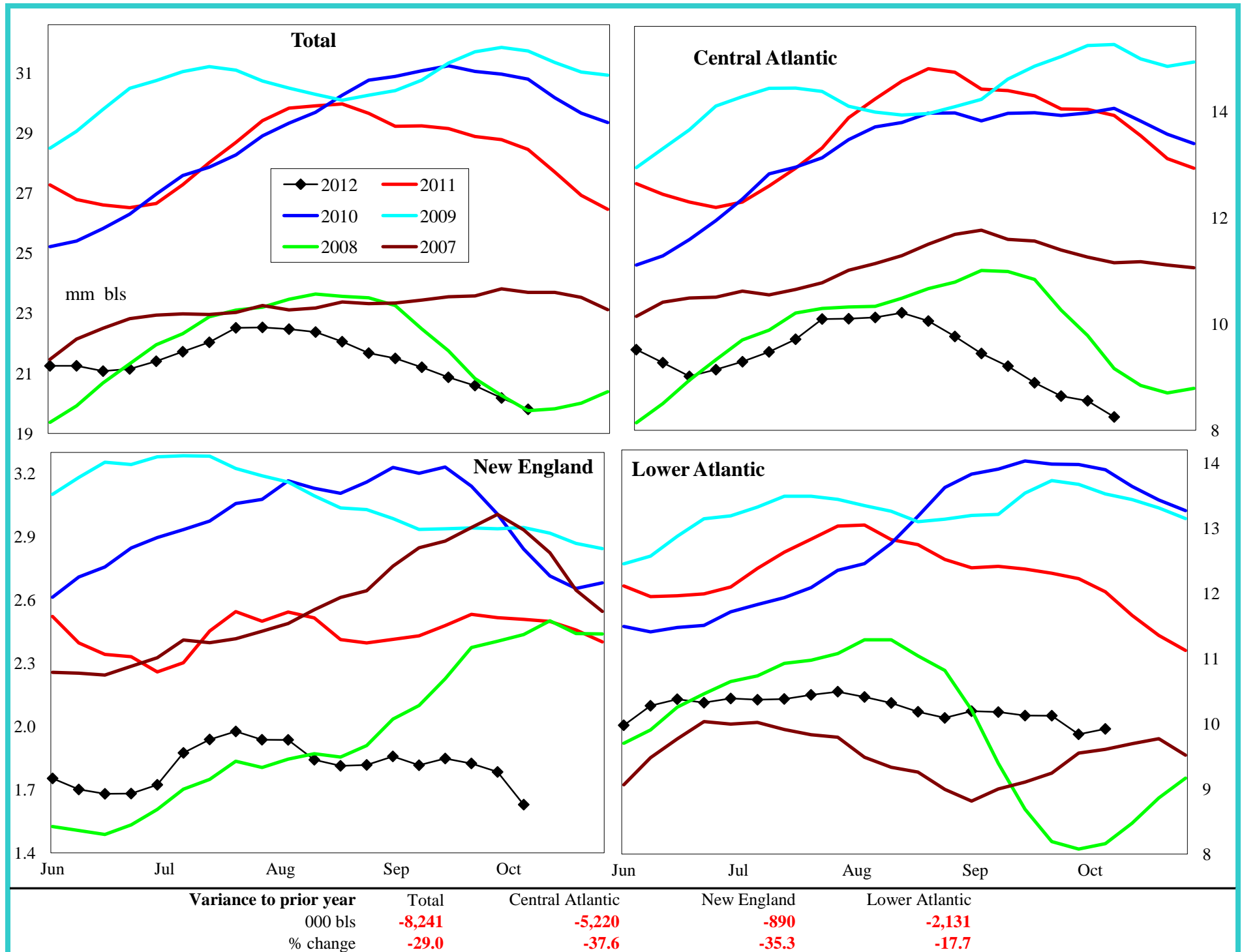
PADD 1 Distillate Stocks by Region



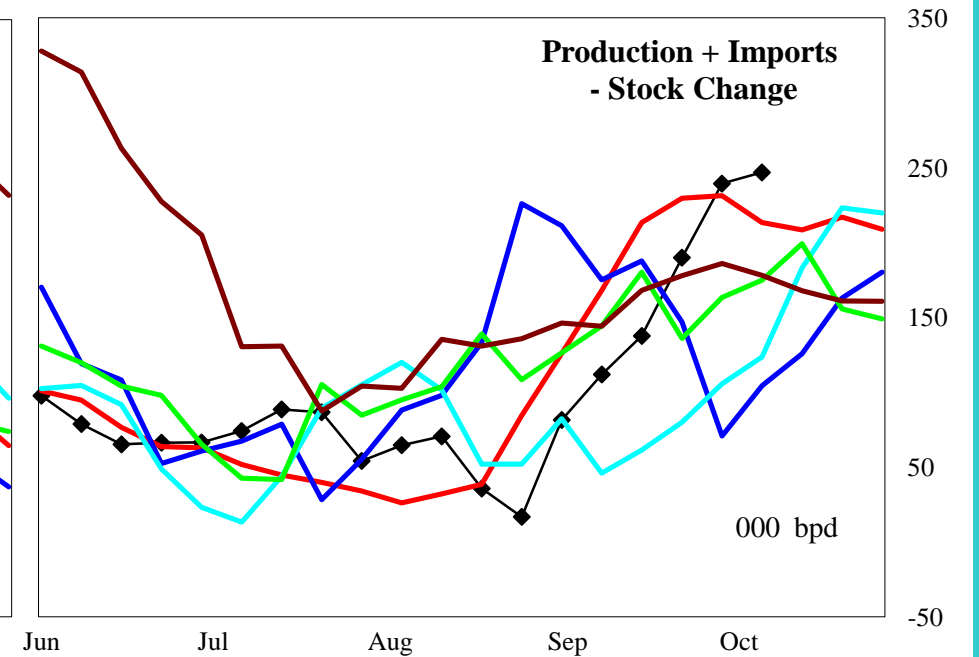
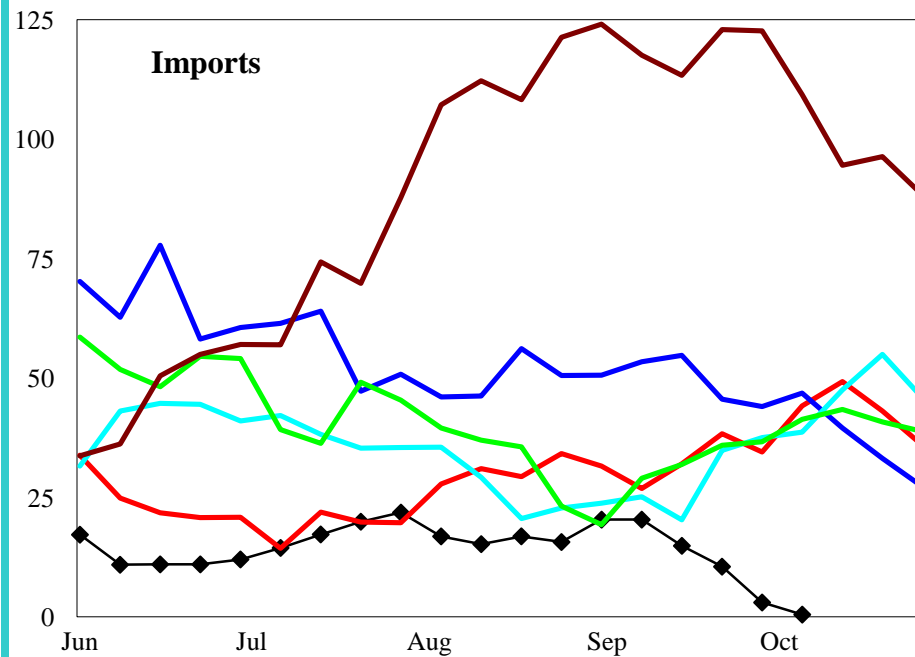
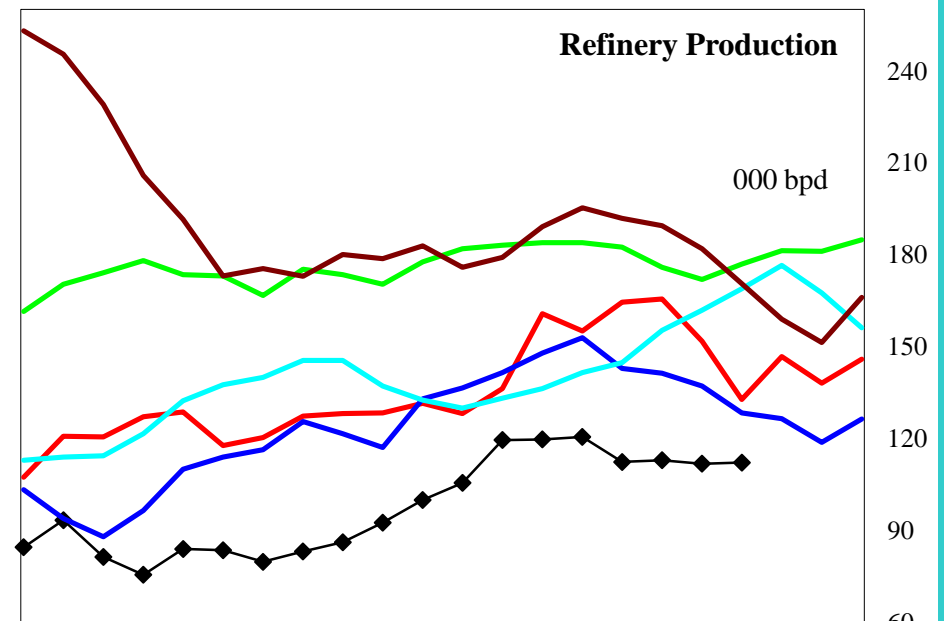
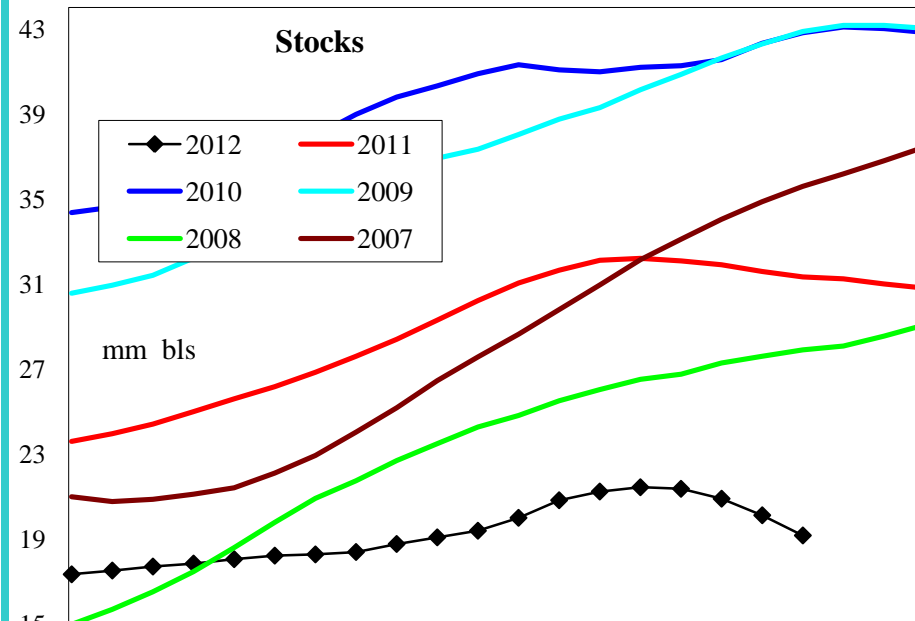
PADD 1 Low Sulfur Distillate Supply



PADD 1 Low Sulfur Distillate Stocks by Region



PADD 1 High Sulfur Distillate Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

-12,352

-58

-30

-6

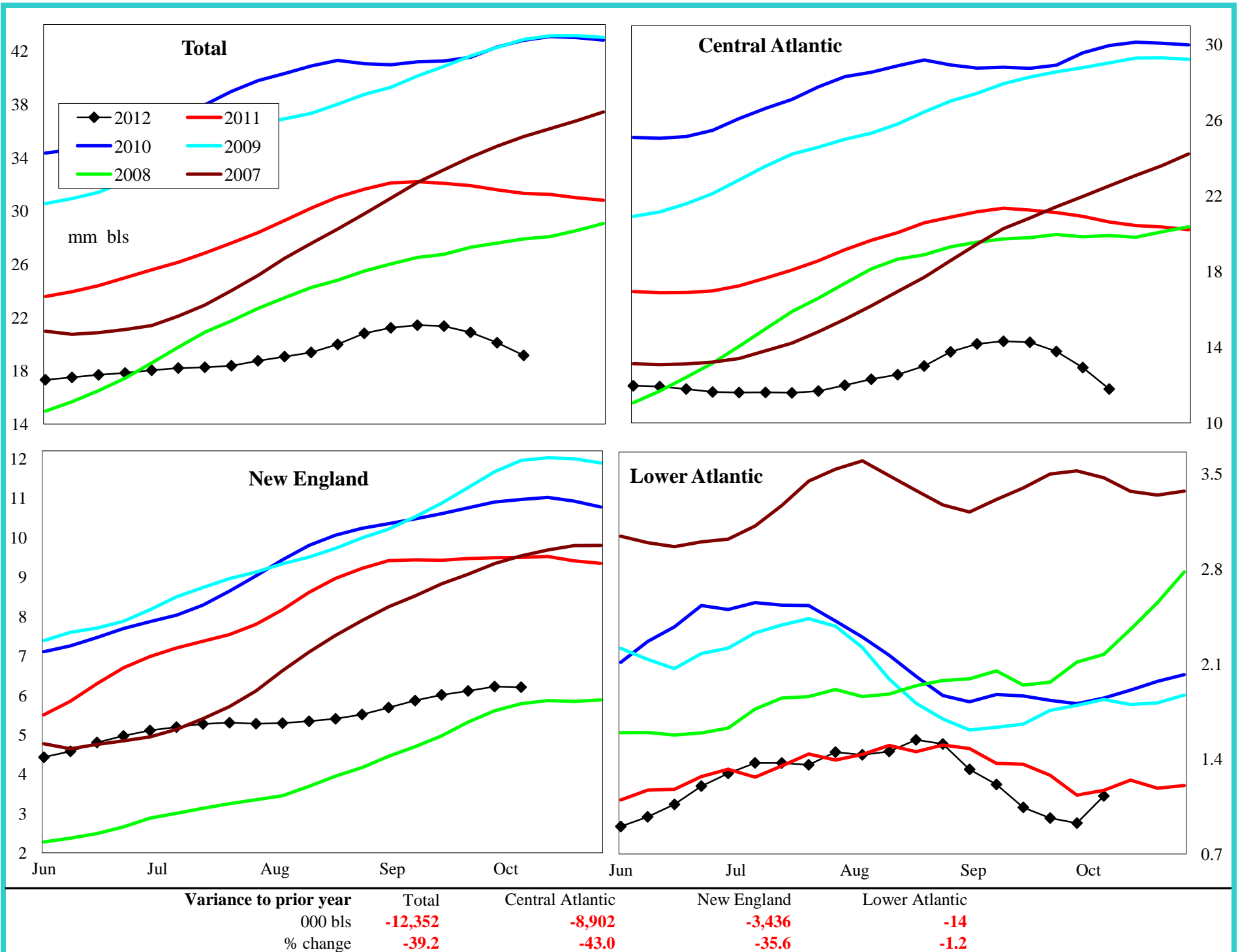
-39.2

-35.2

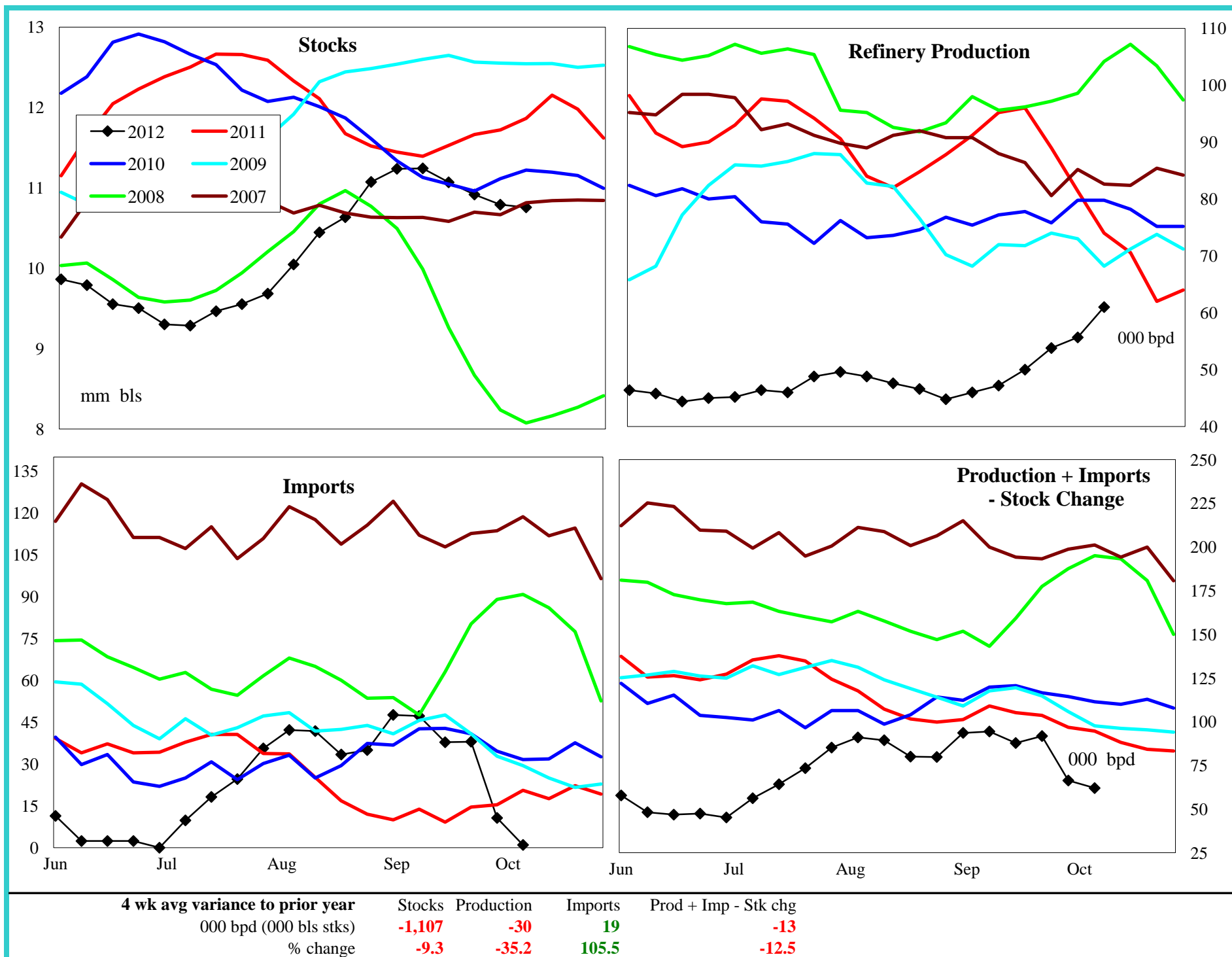
-73.9

-2.4

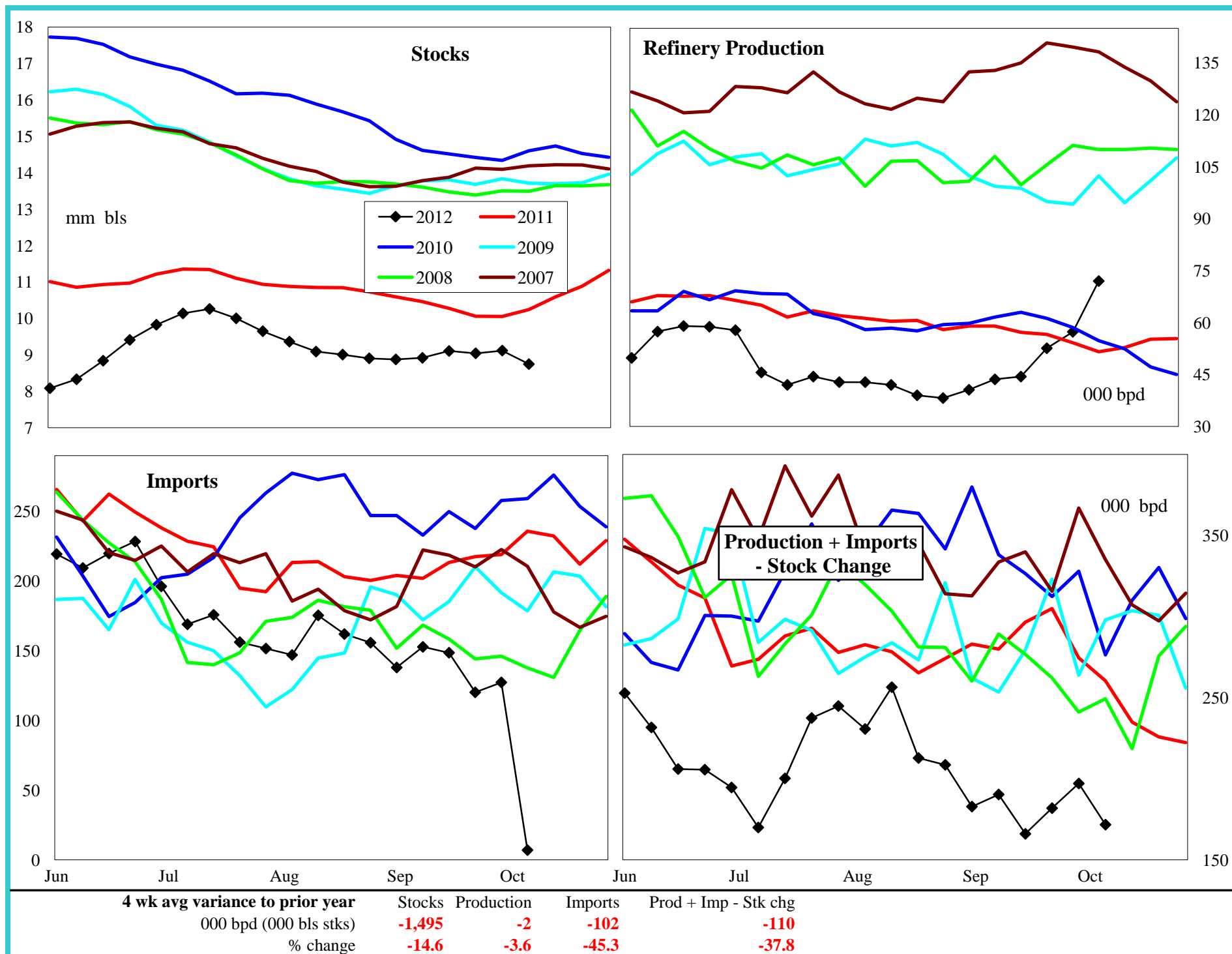
PADD 1 High Sulfur Distillate Stocks by Region



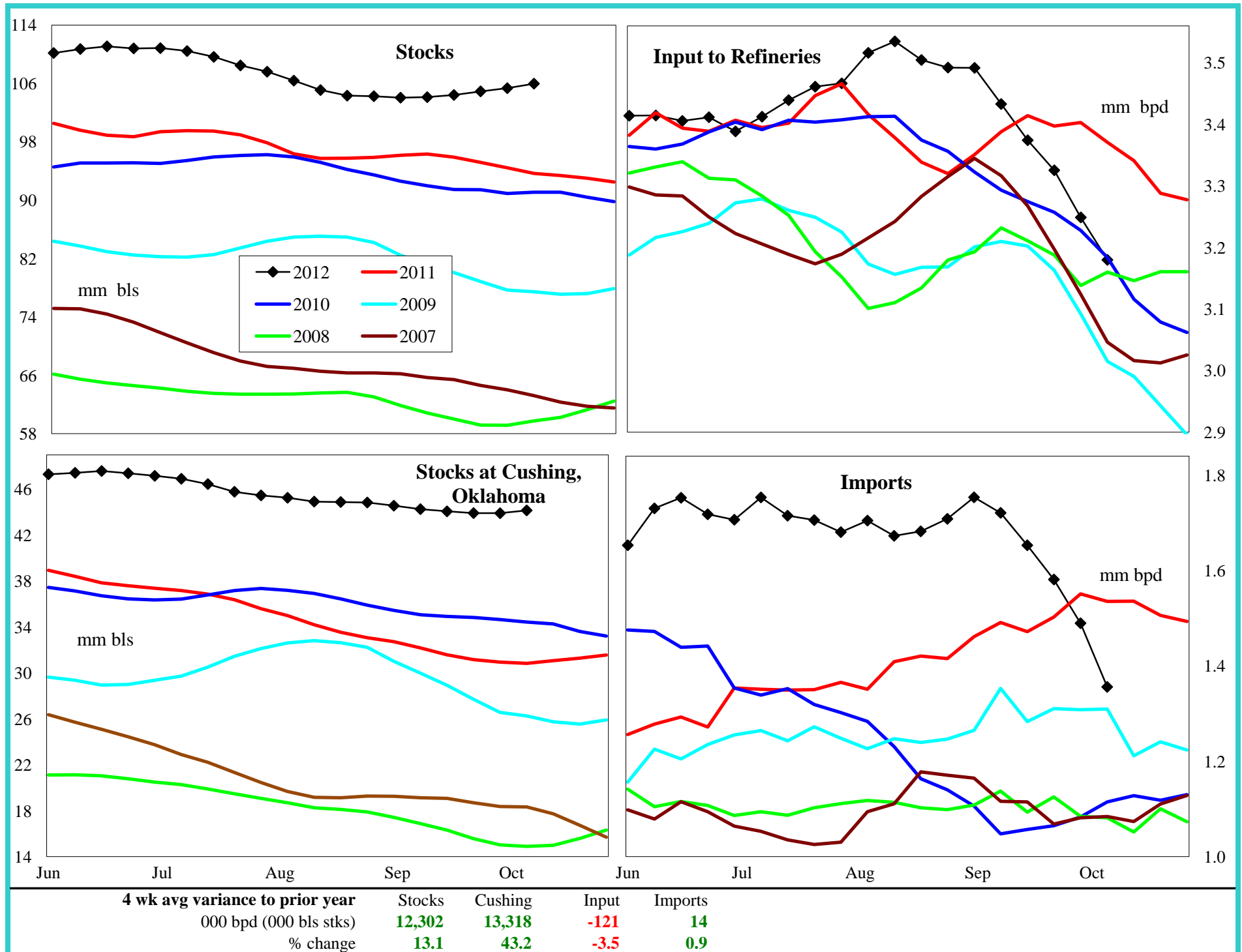
PADD 1 Jet Fuel Supply



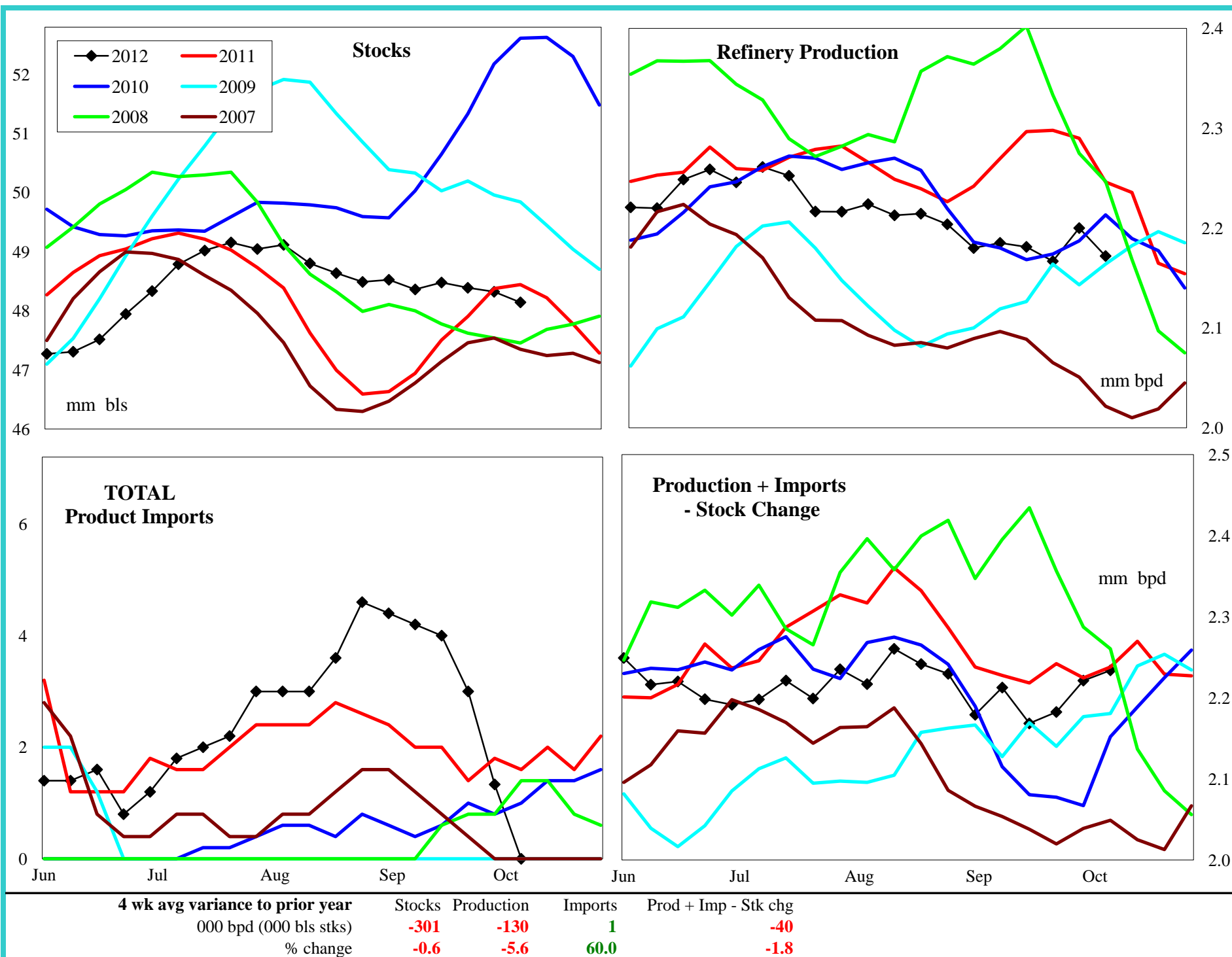
PADD 1 Residual Fuel Oil Supply



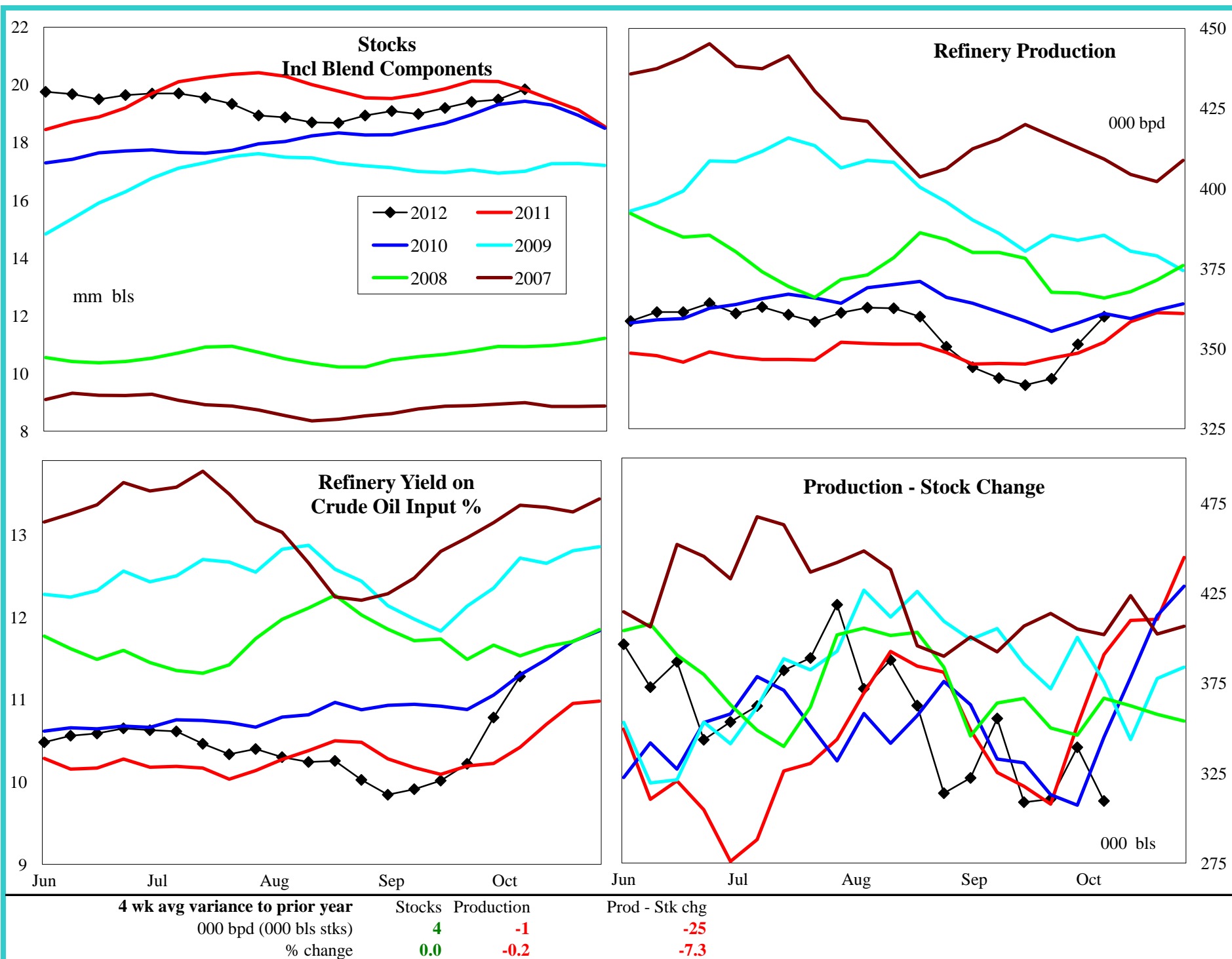
PADD 2 Crude Oil Supply and Refining



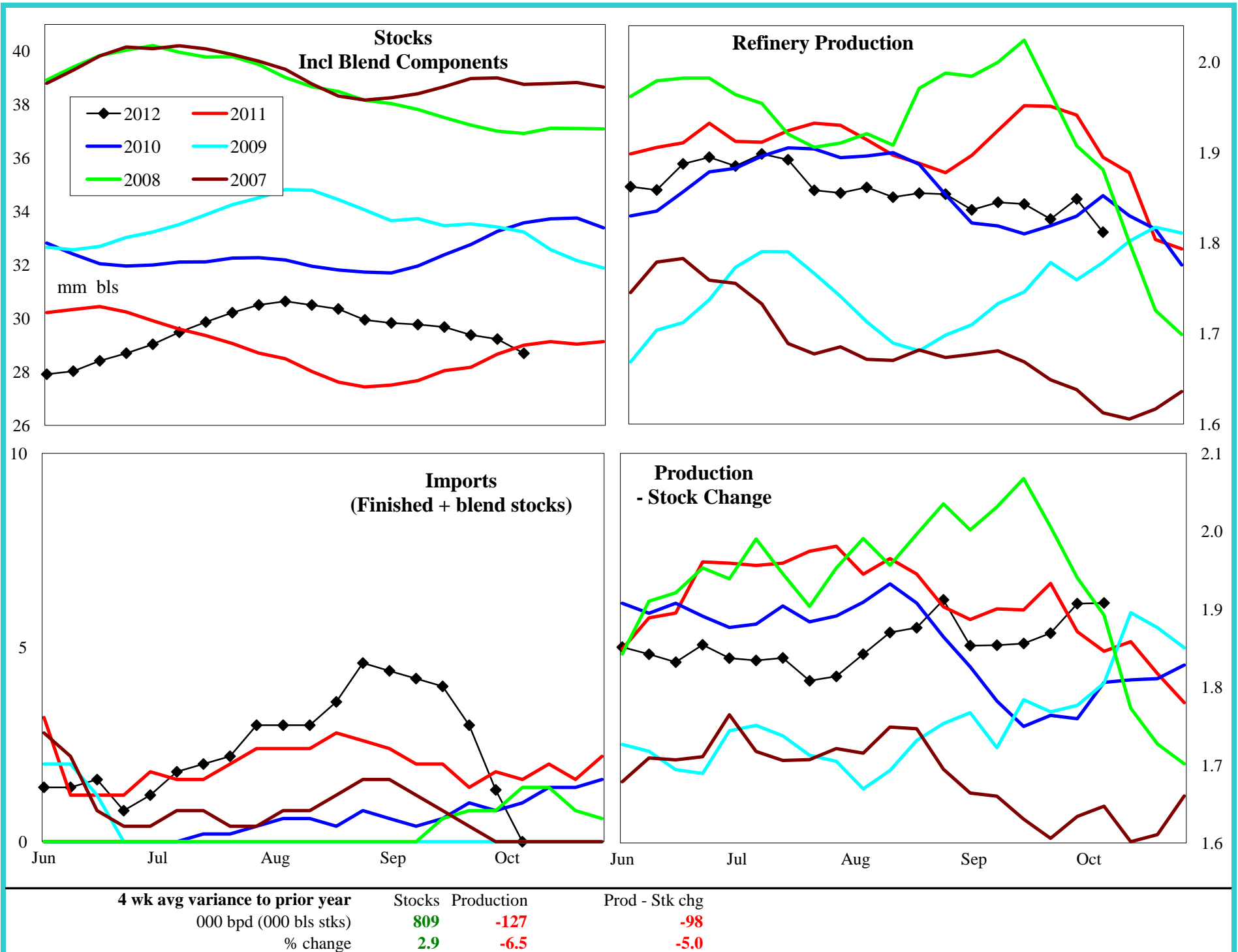
PADD 2 Gasoline Supply



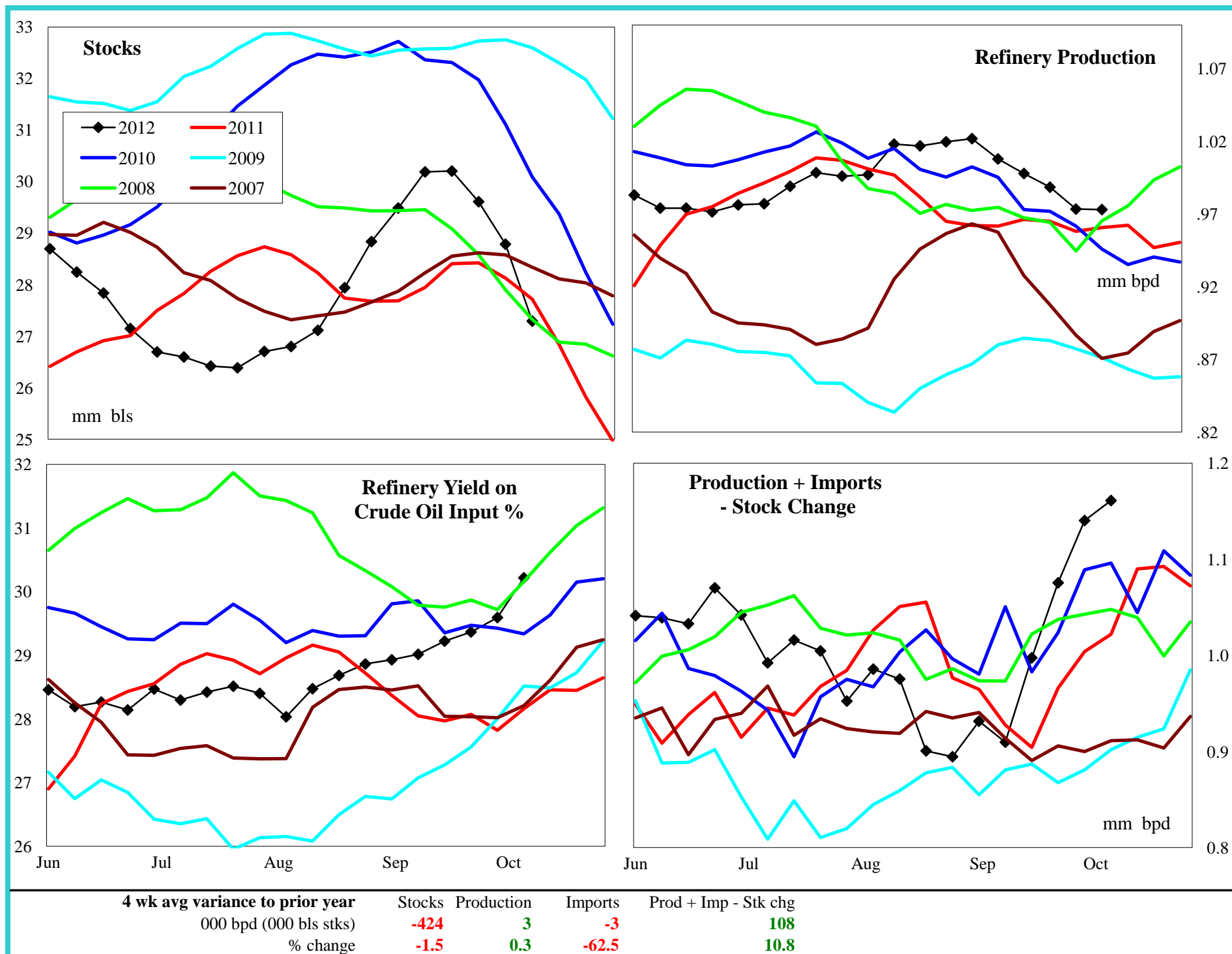
PADD 2 Reformulated Gasoline Supply



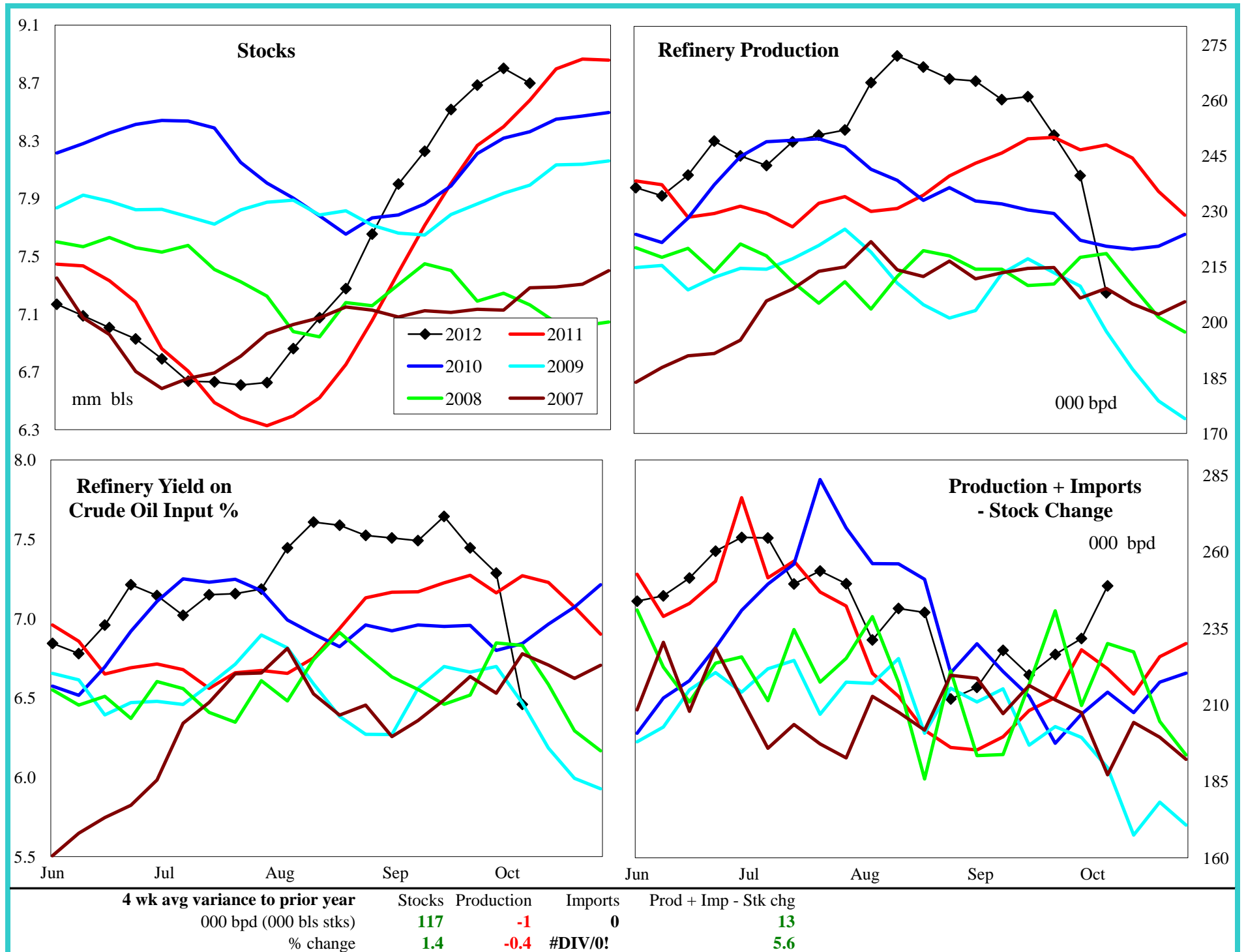
PADD 2 Conventional Gasoline Supply



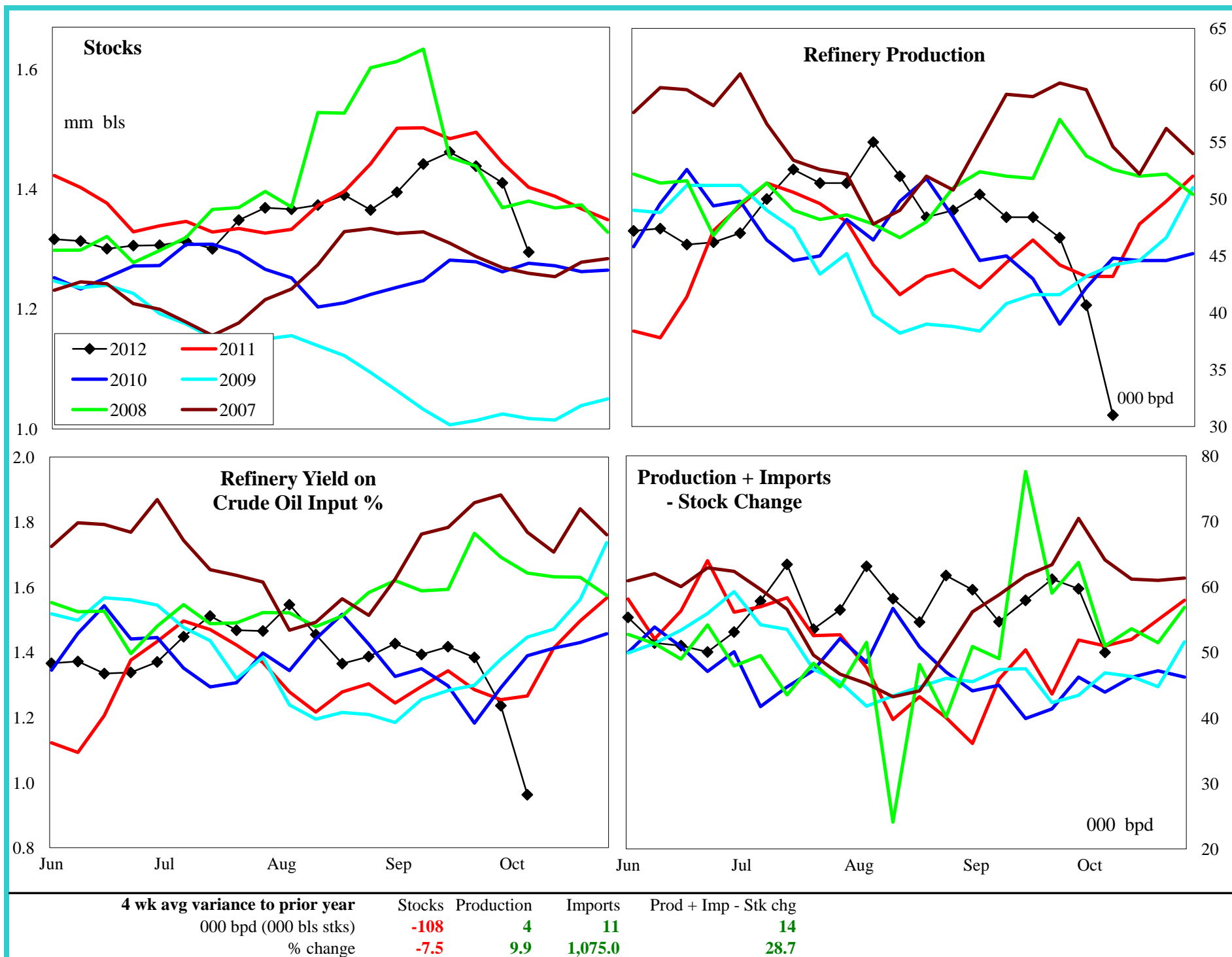
PADD 2 Distillate Supply



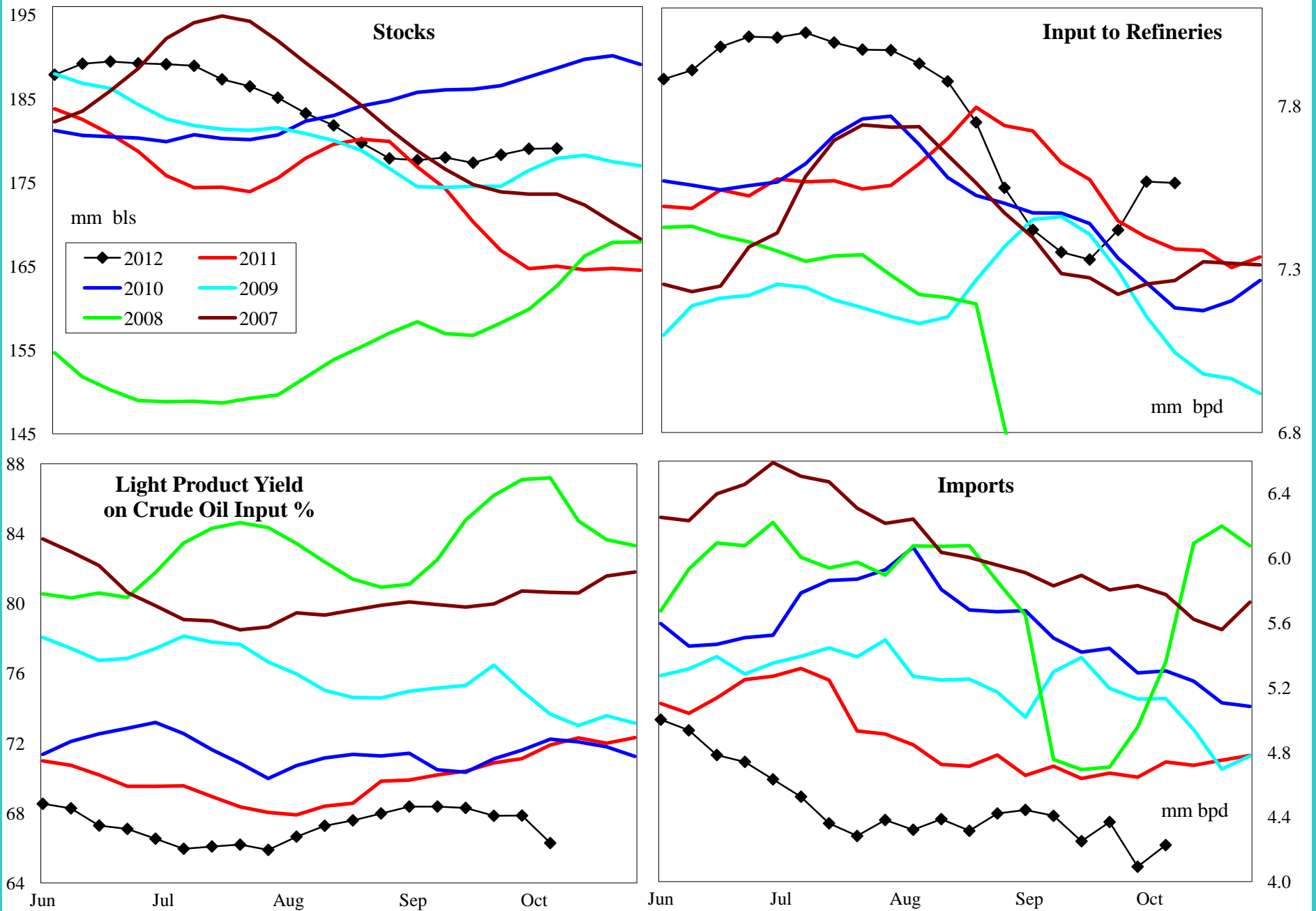
PADD 2 Jet Fuel Supply



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

14,050

8.5

Input

91

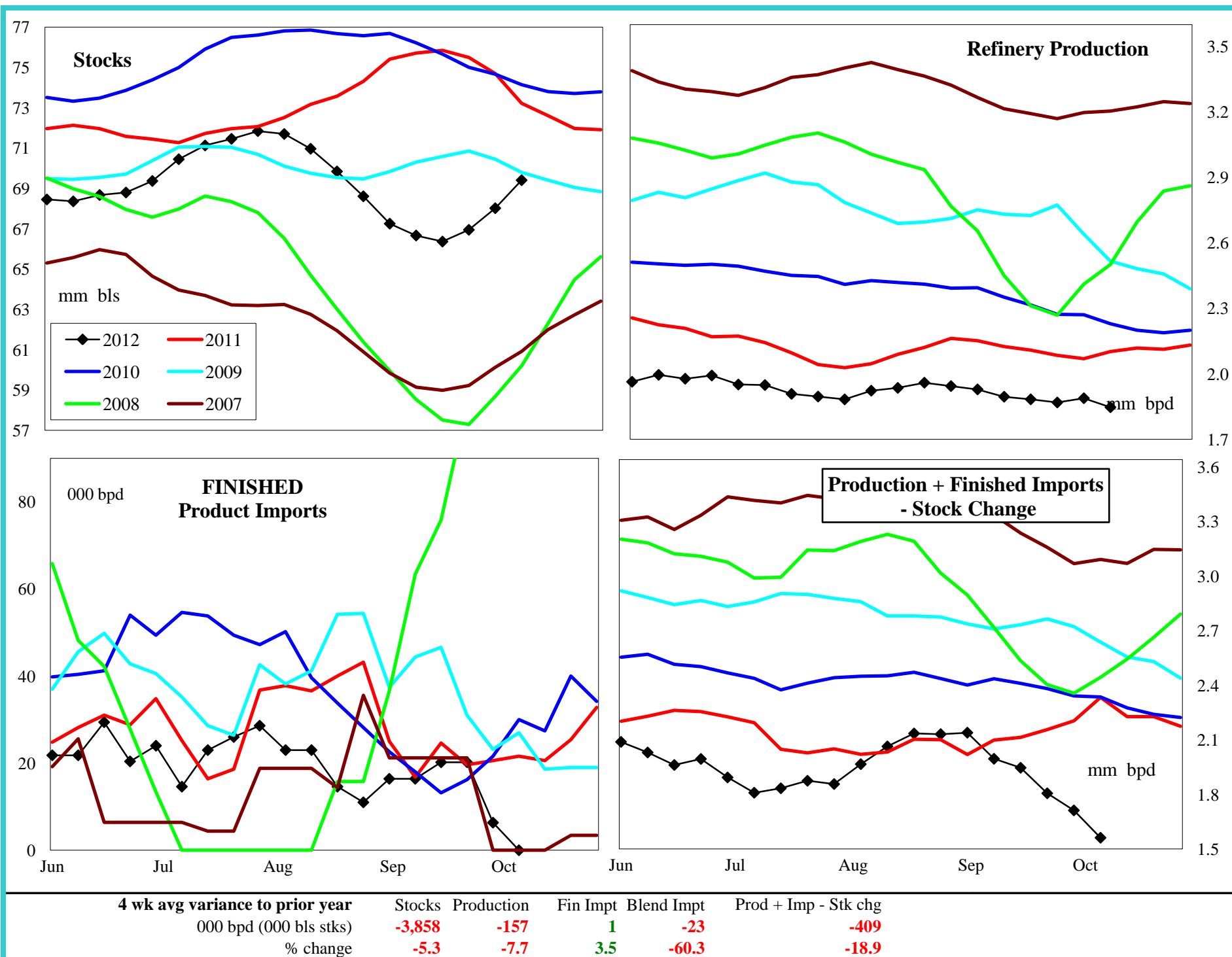
1.2

Imports

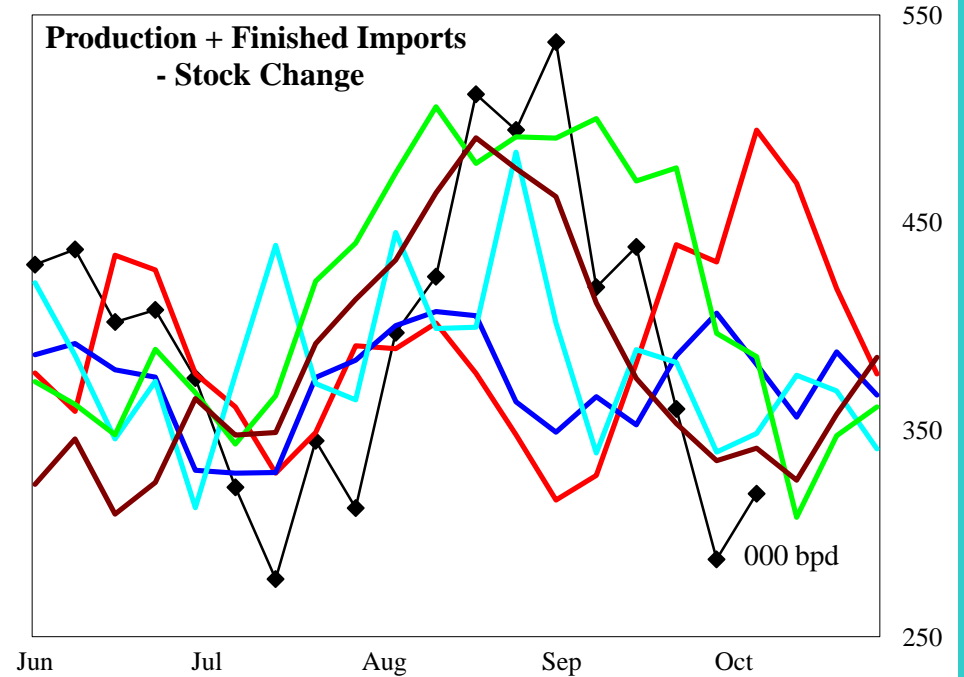
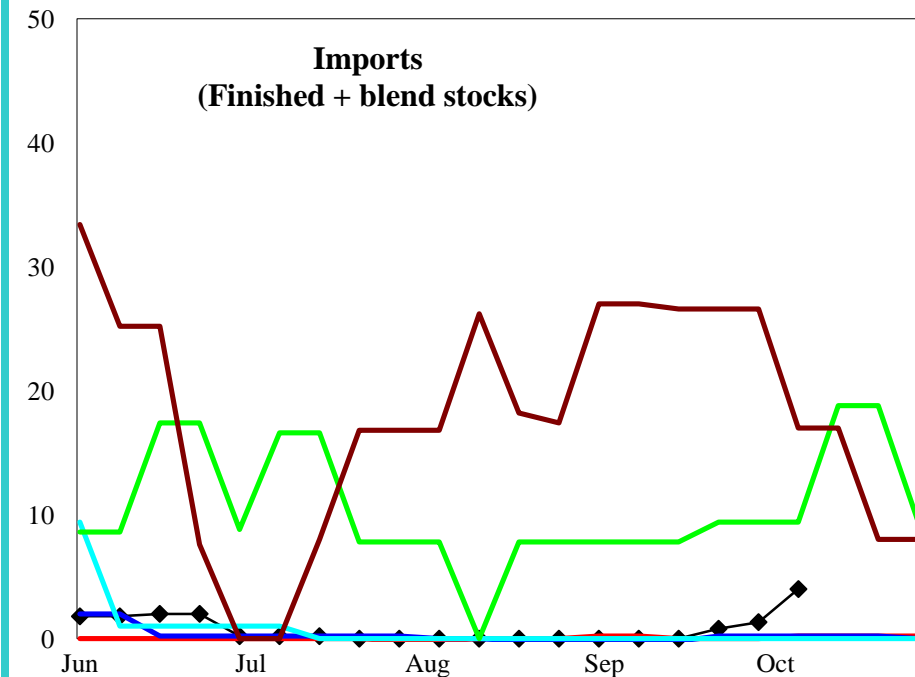
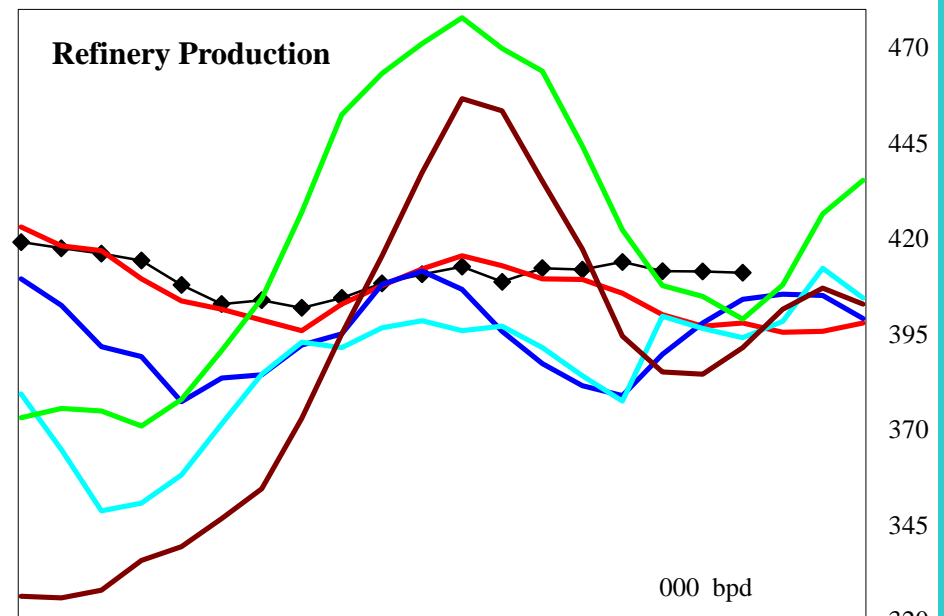
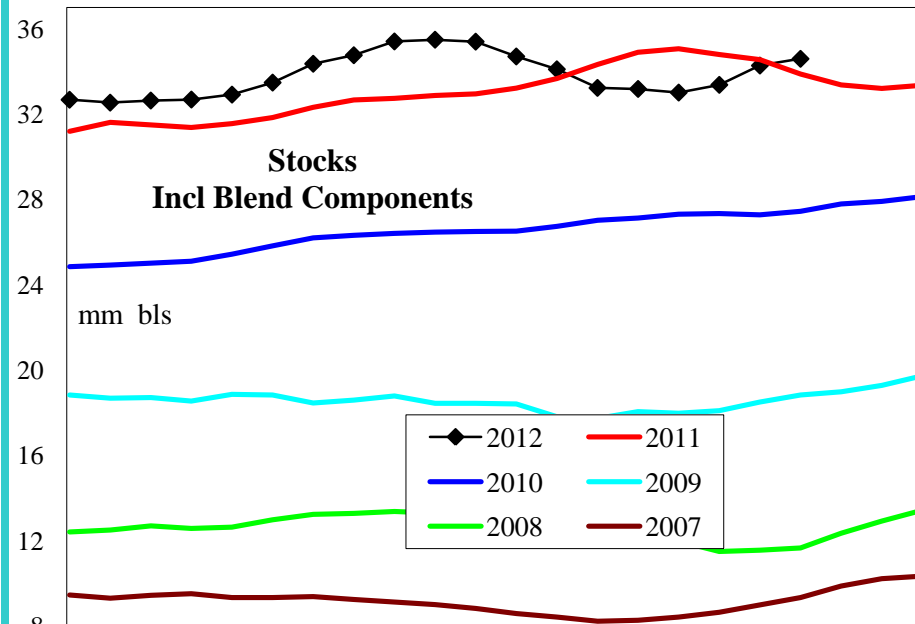
-343

-7.3

PADD 3 Gasoline Supply



PADD 3 Reformulated Gasoline Supply



4 wk avg variance to prior year

000 bpd (000 bls stks)

% change

Stocks

Production

Imports

Prod + Imp - Stk chg

646

17

1

-104

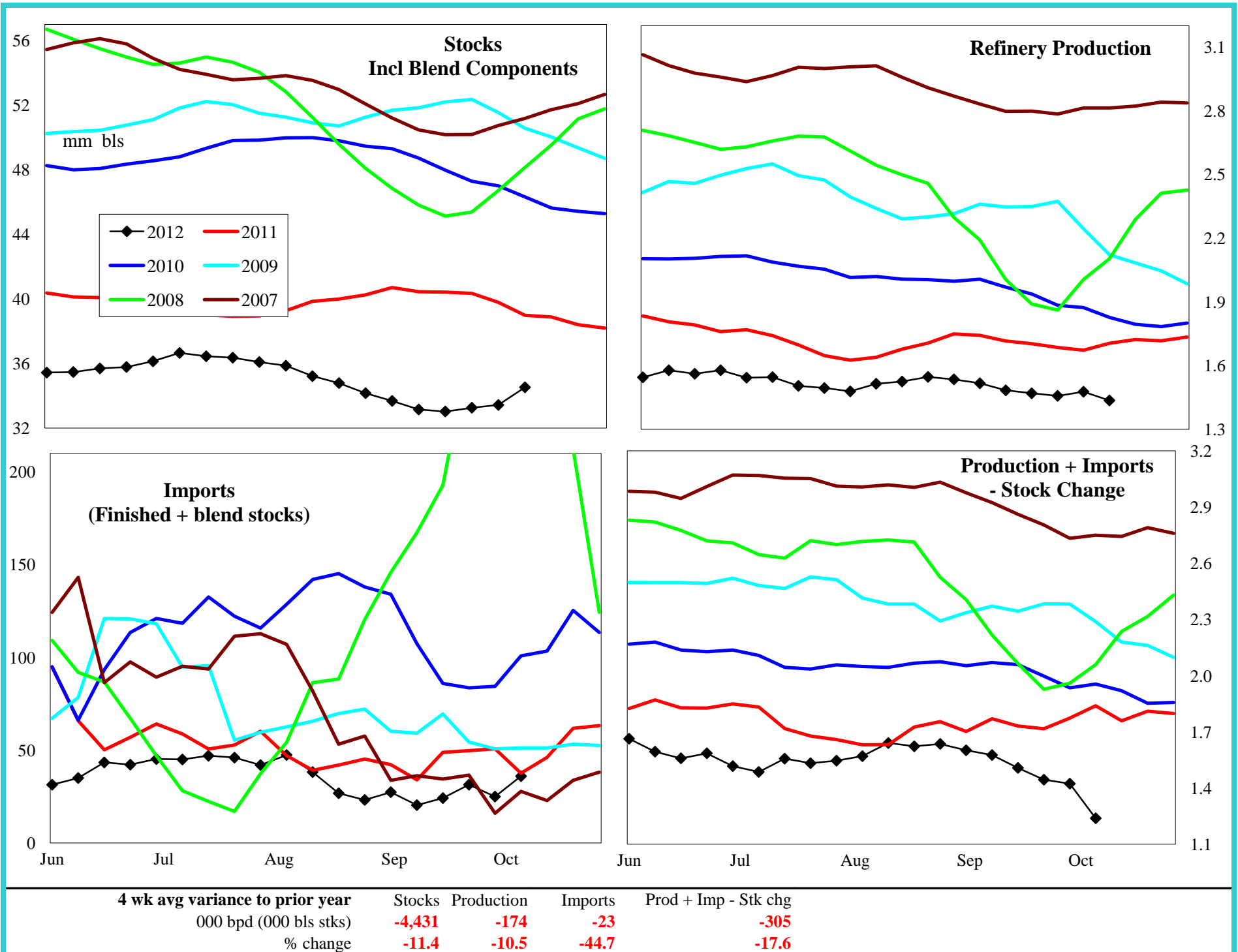
1.9

4.3

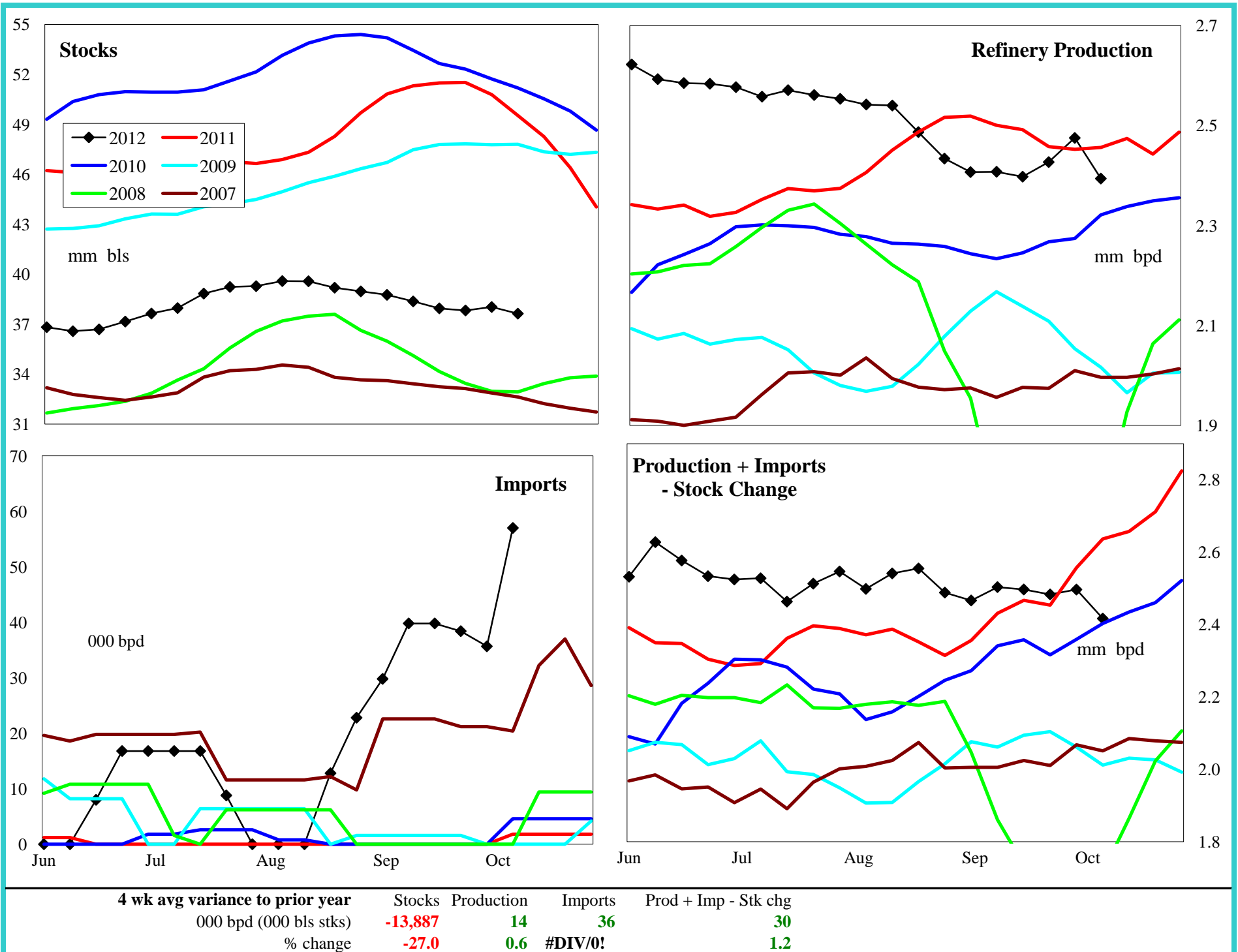
#DIV/0!

-24.1

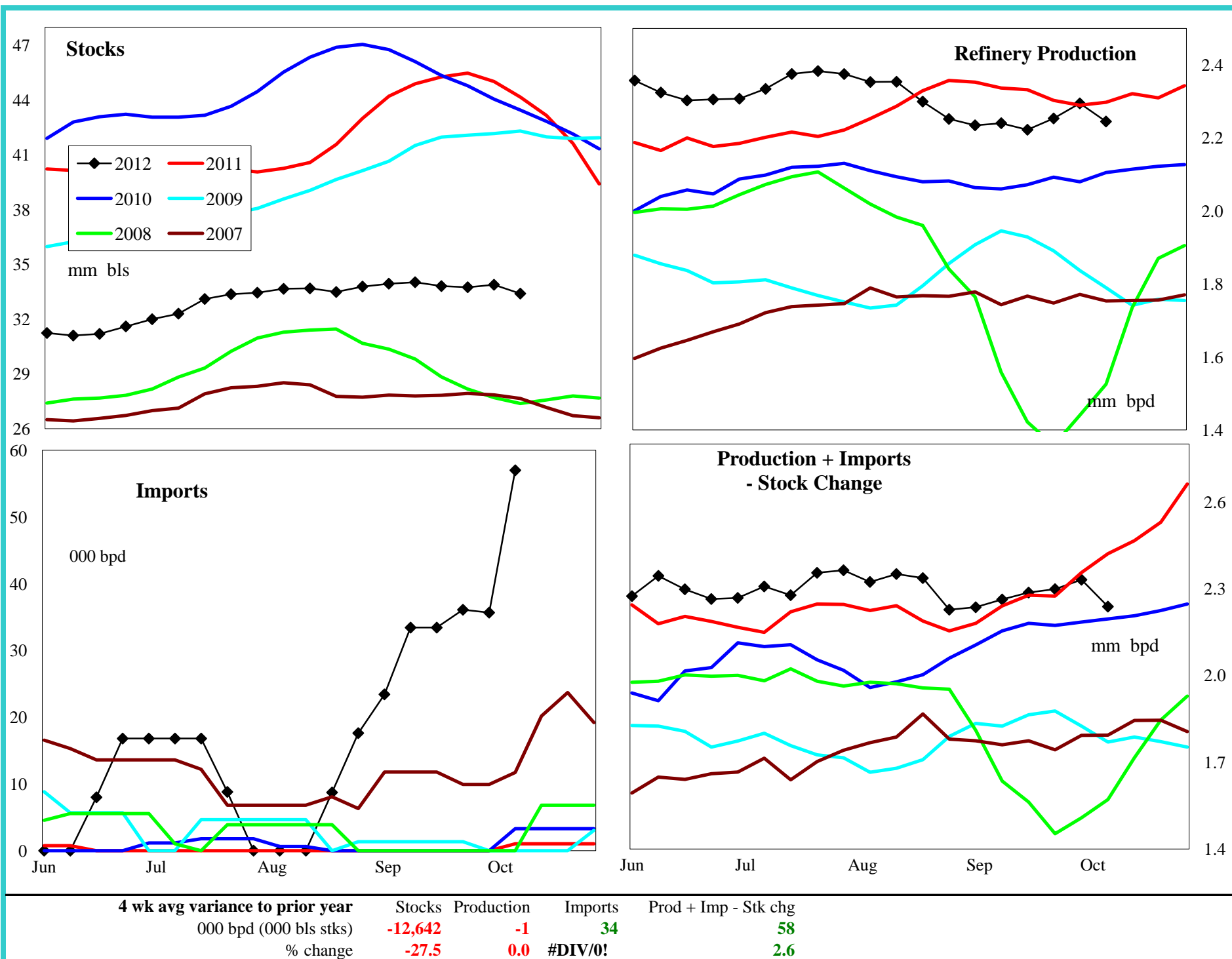
PADD 3 Conventional Gasoline Supply



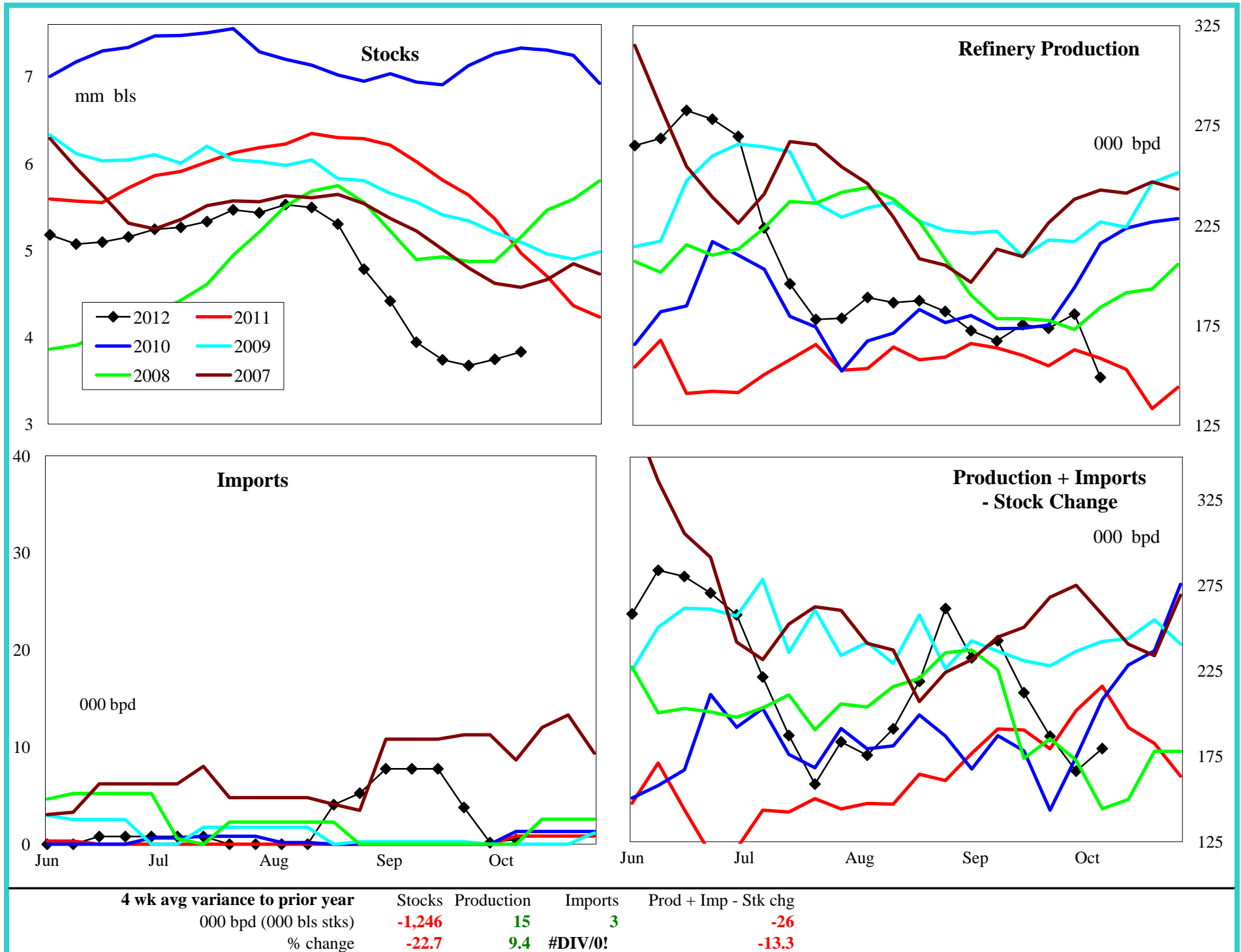
PADD 3 Distillate Supply



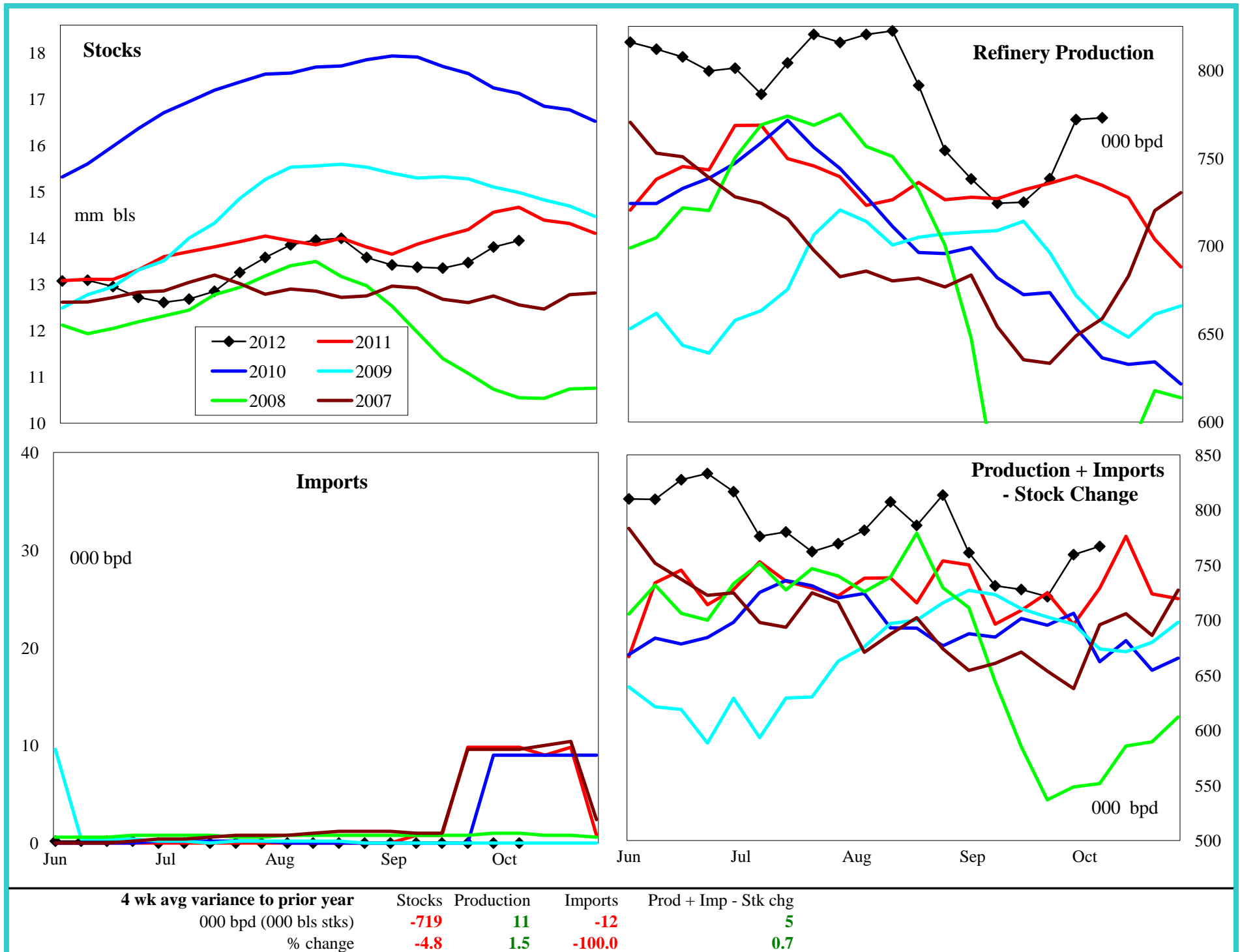
PADD 3 Low Sulfur Distillate Supply



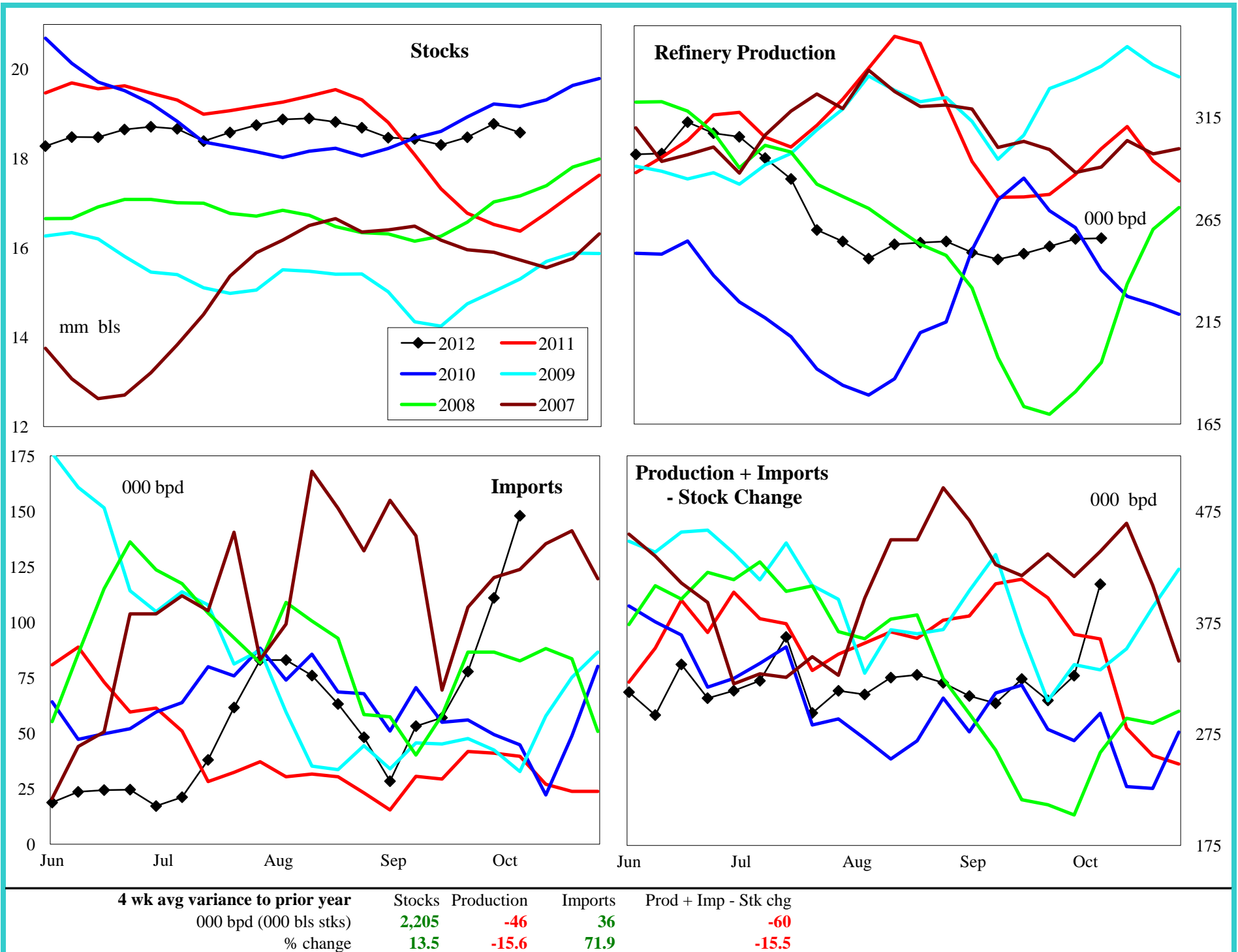
PADD 3 High Sulfur Distillate Supply



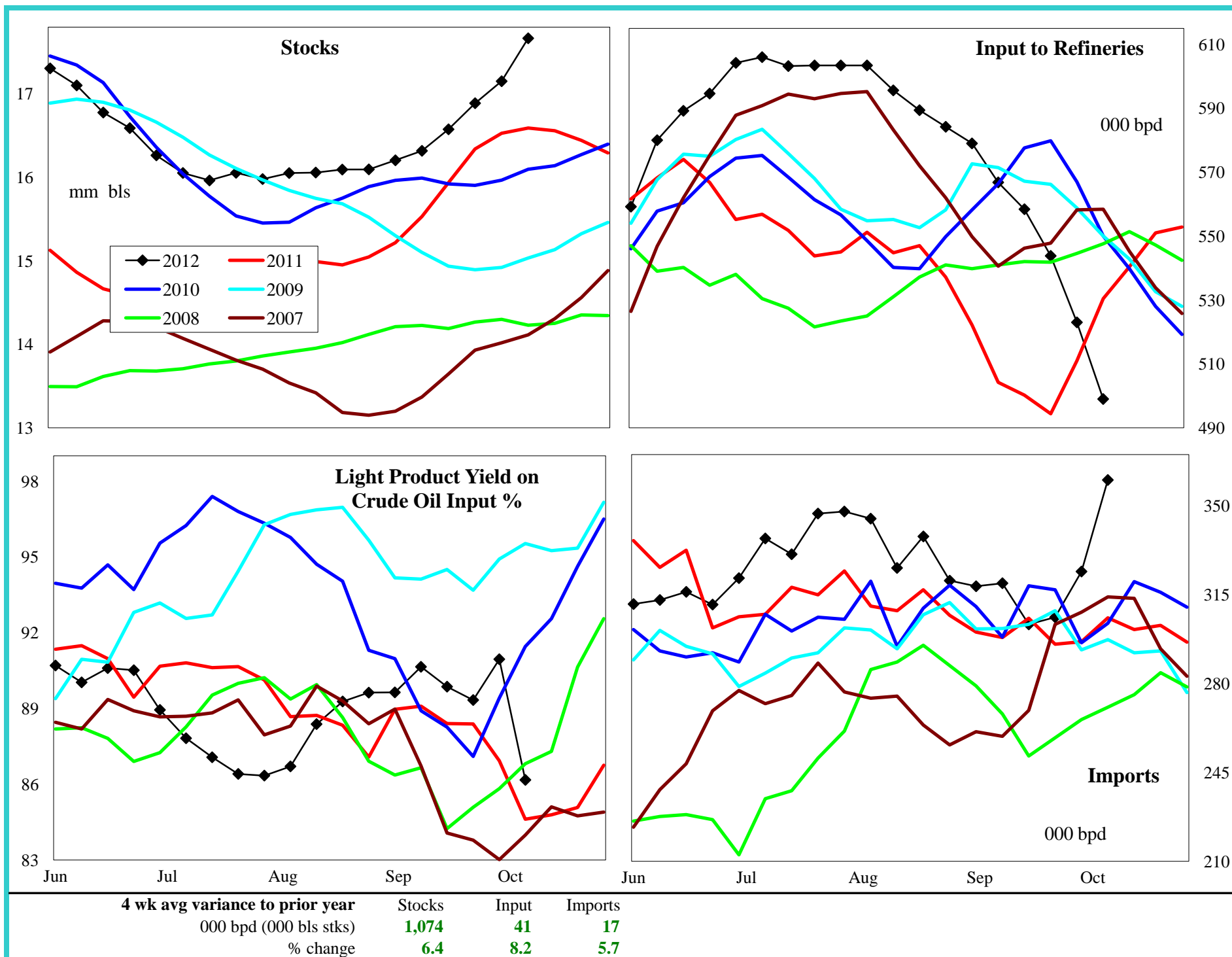
PADD 3 Jet Fuel Supply



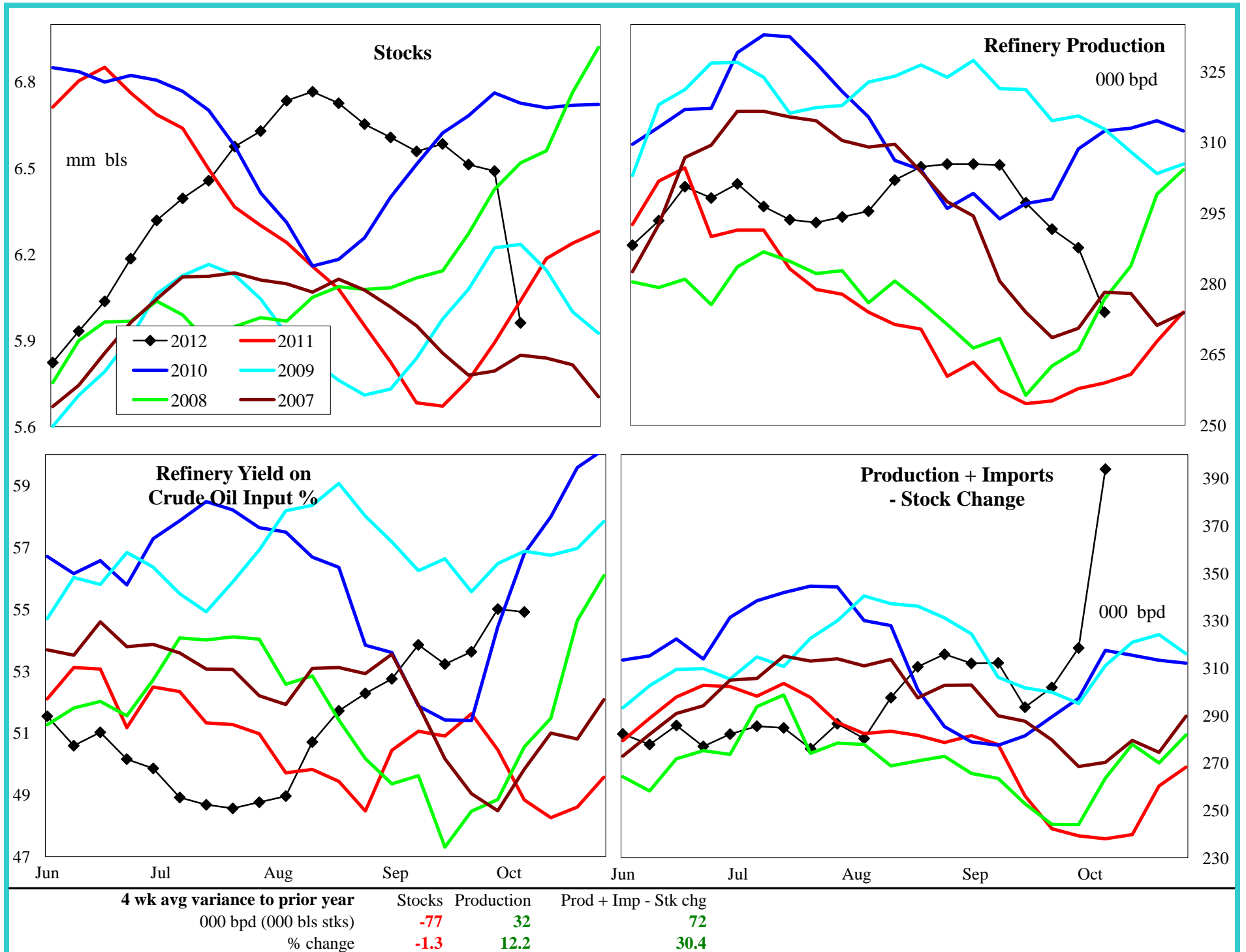
PADD 3 Residual Fuel Oil Supply



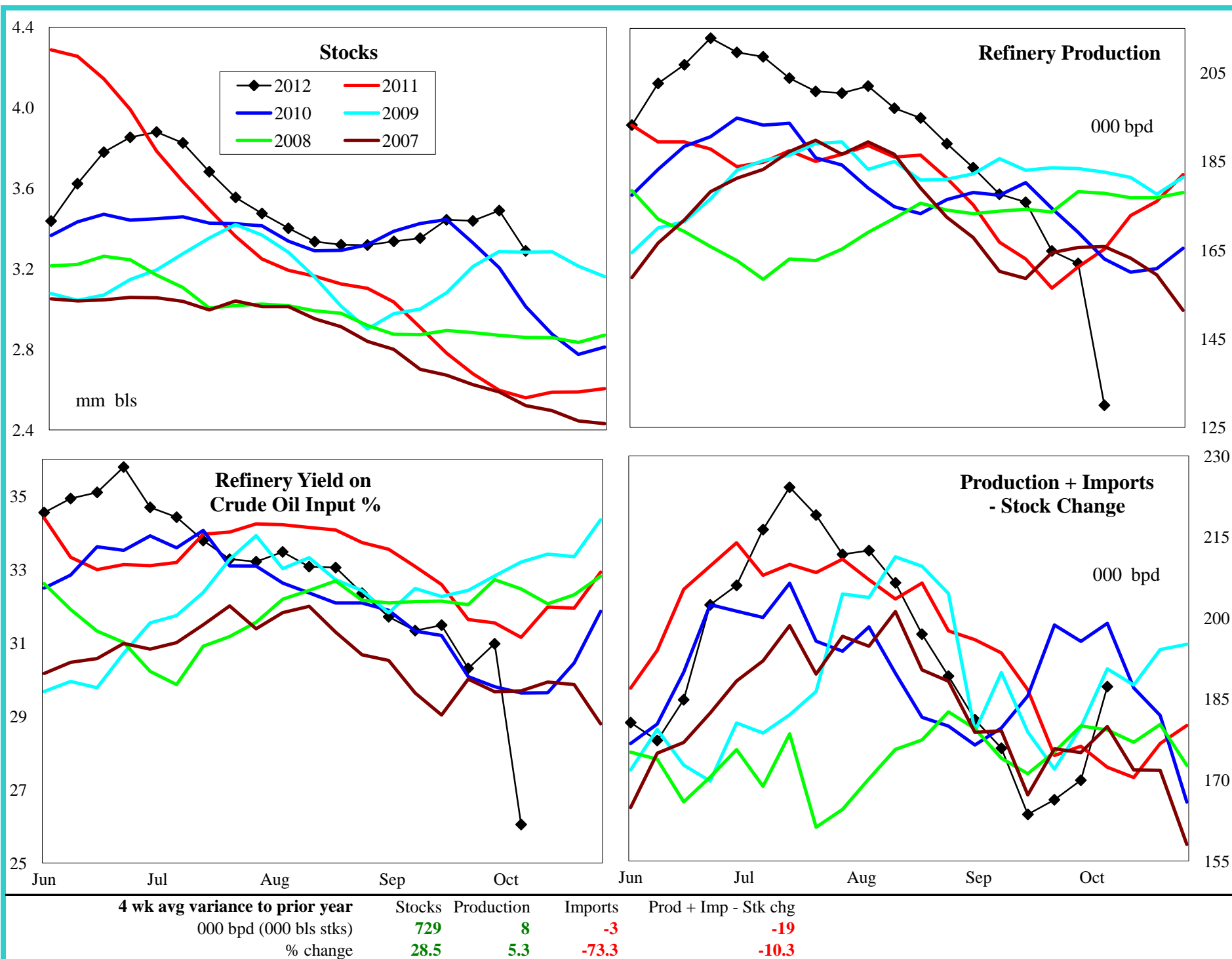
PADD 4 Crude Oil Supply and Refining



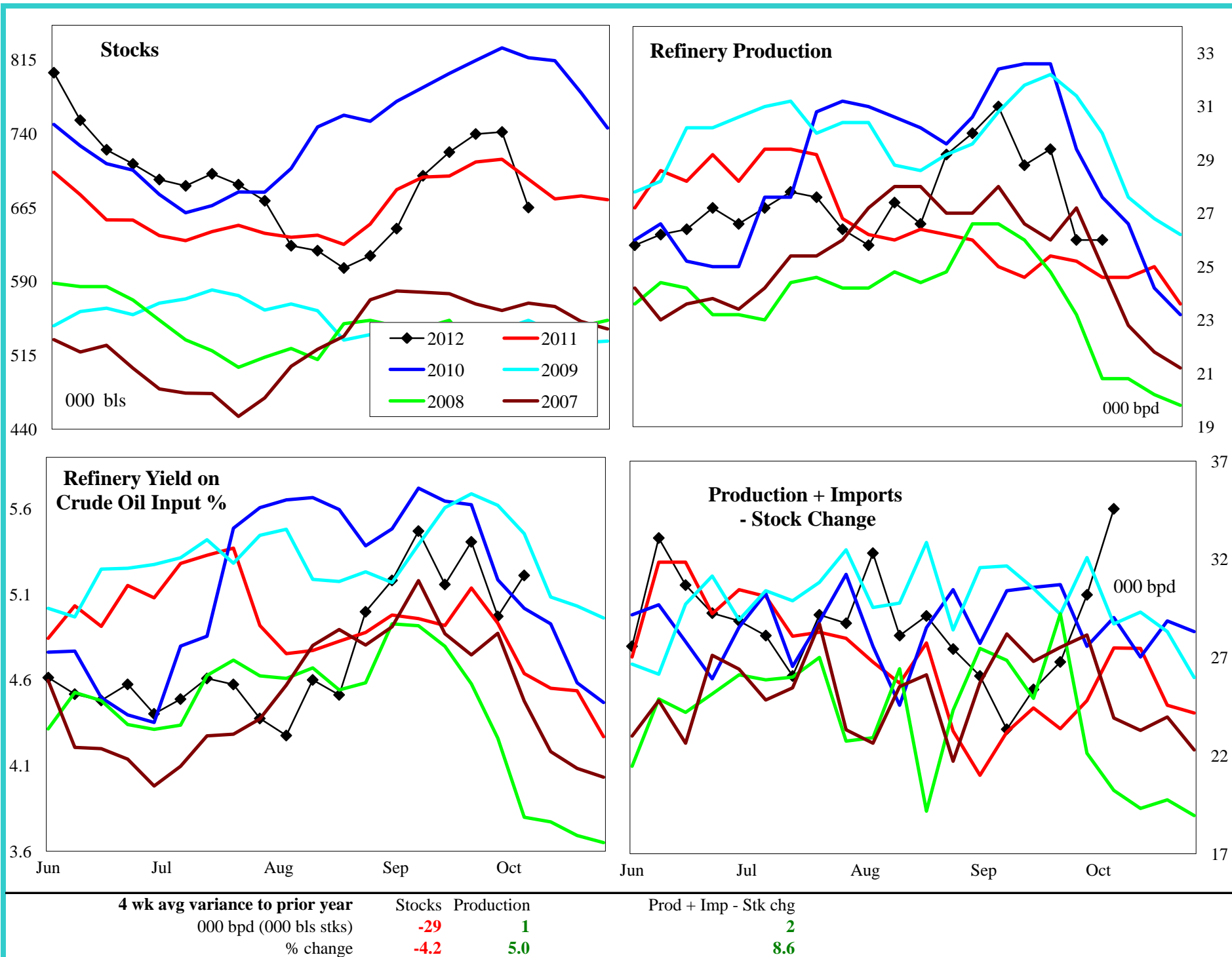
PADD 4 Gasoline Supply



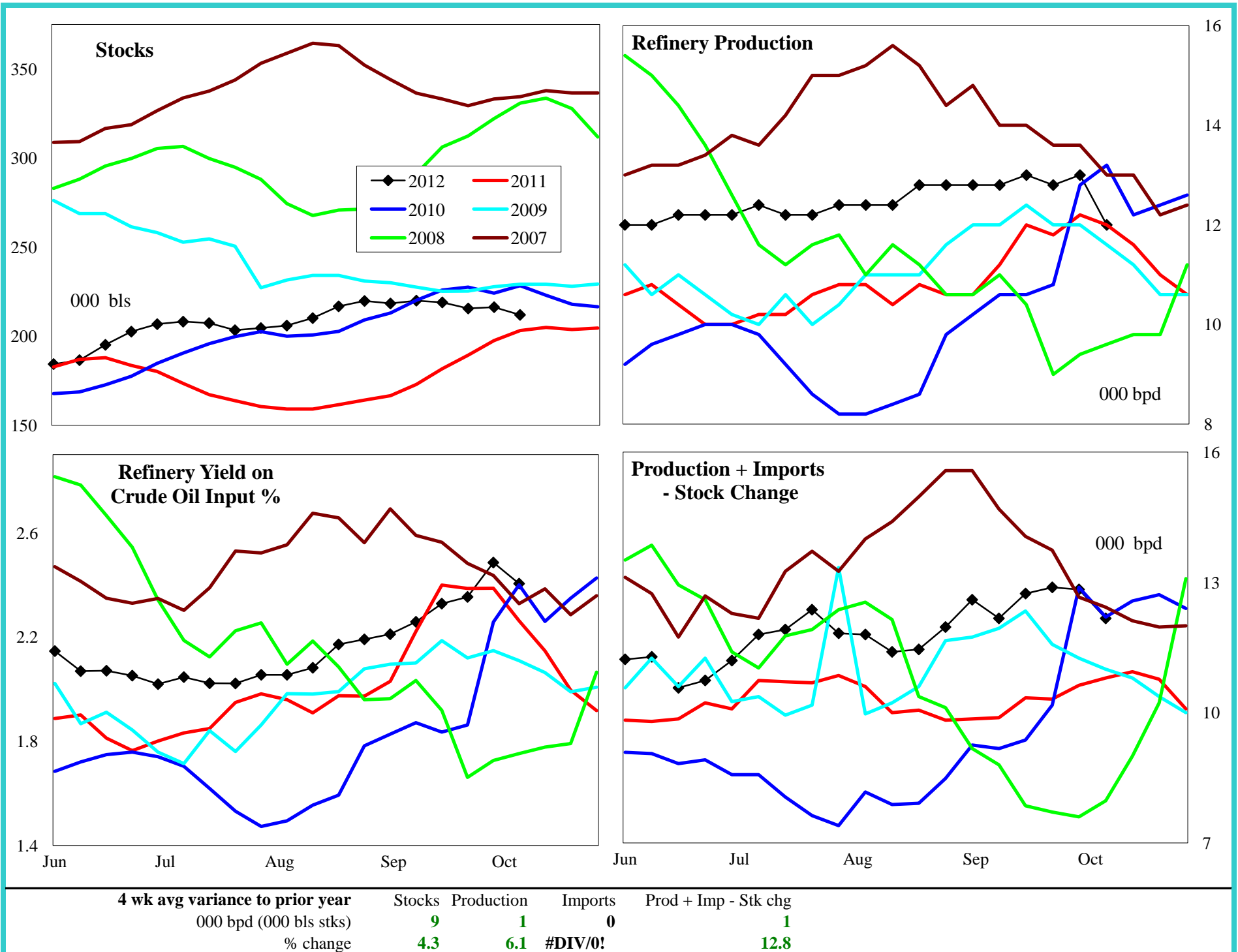
PADD 4 Distillate Supply



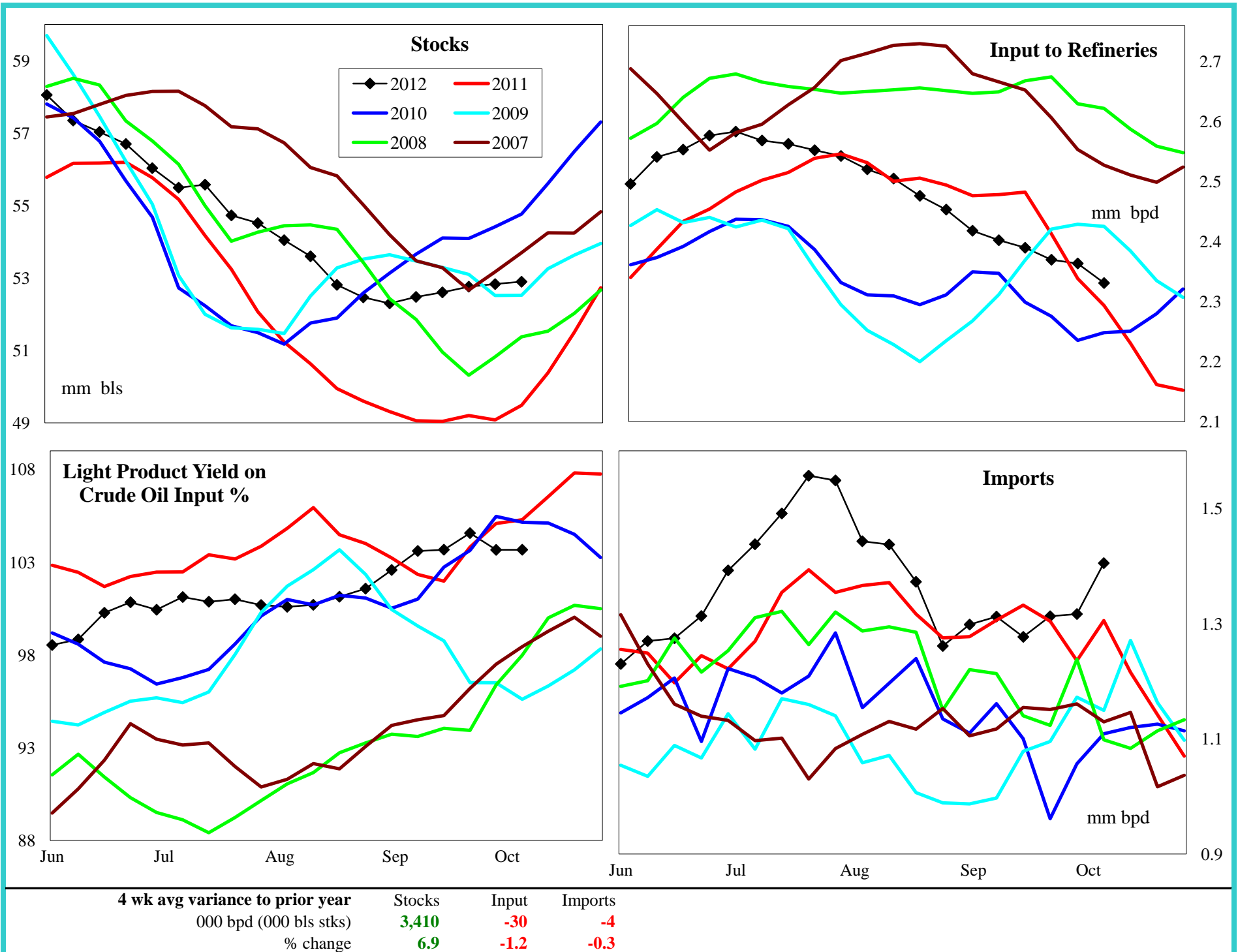
PADD 4 Jet Fuel Supply



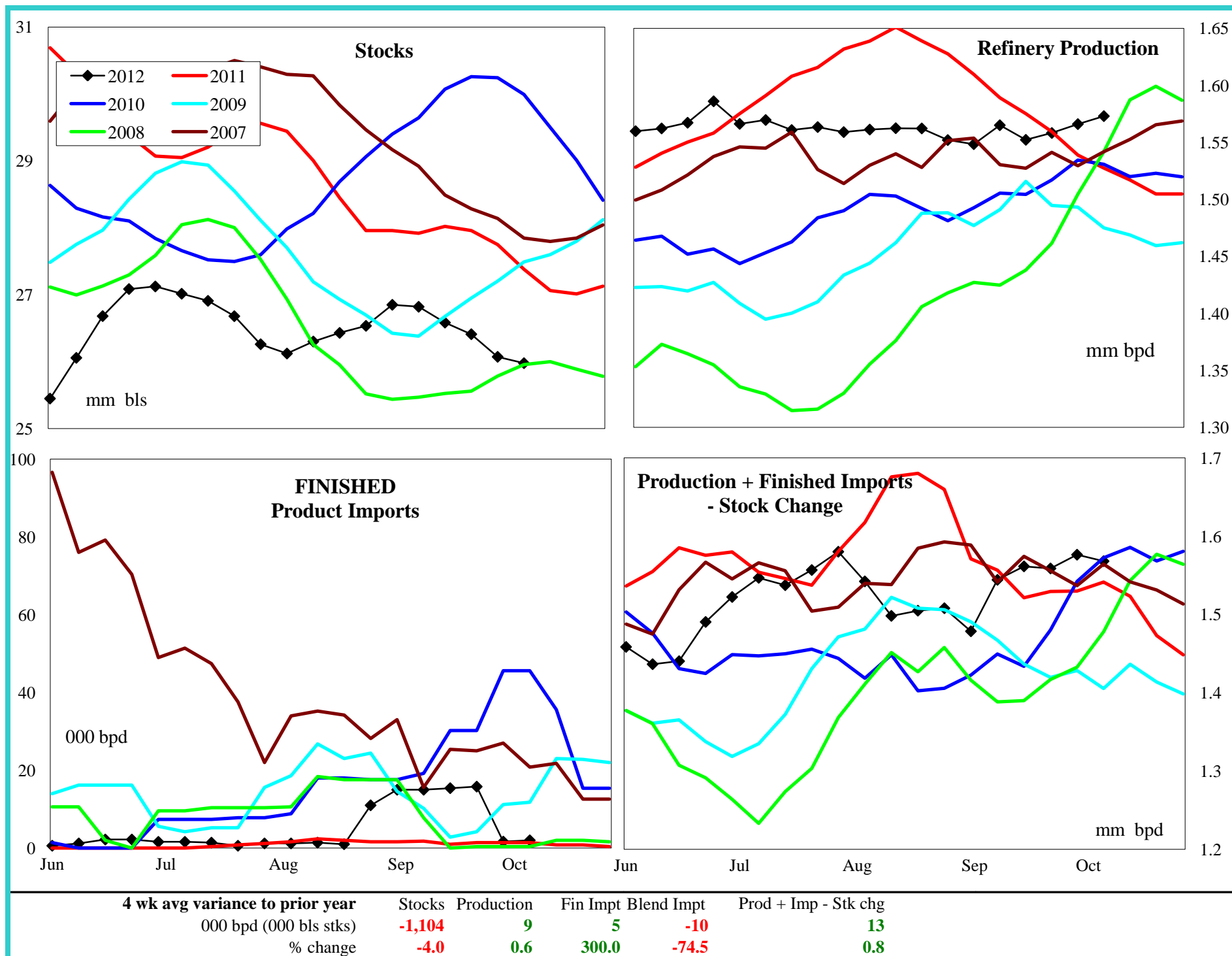
PADD 4 Residual Fuel Oil Supply



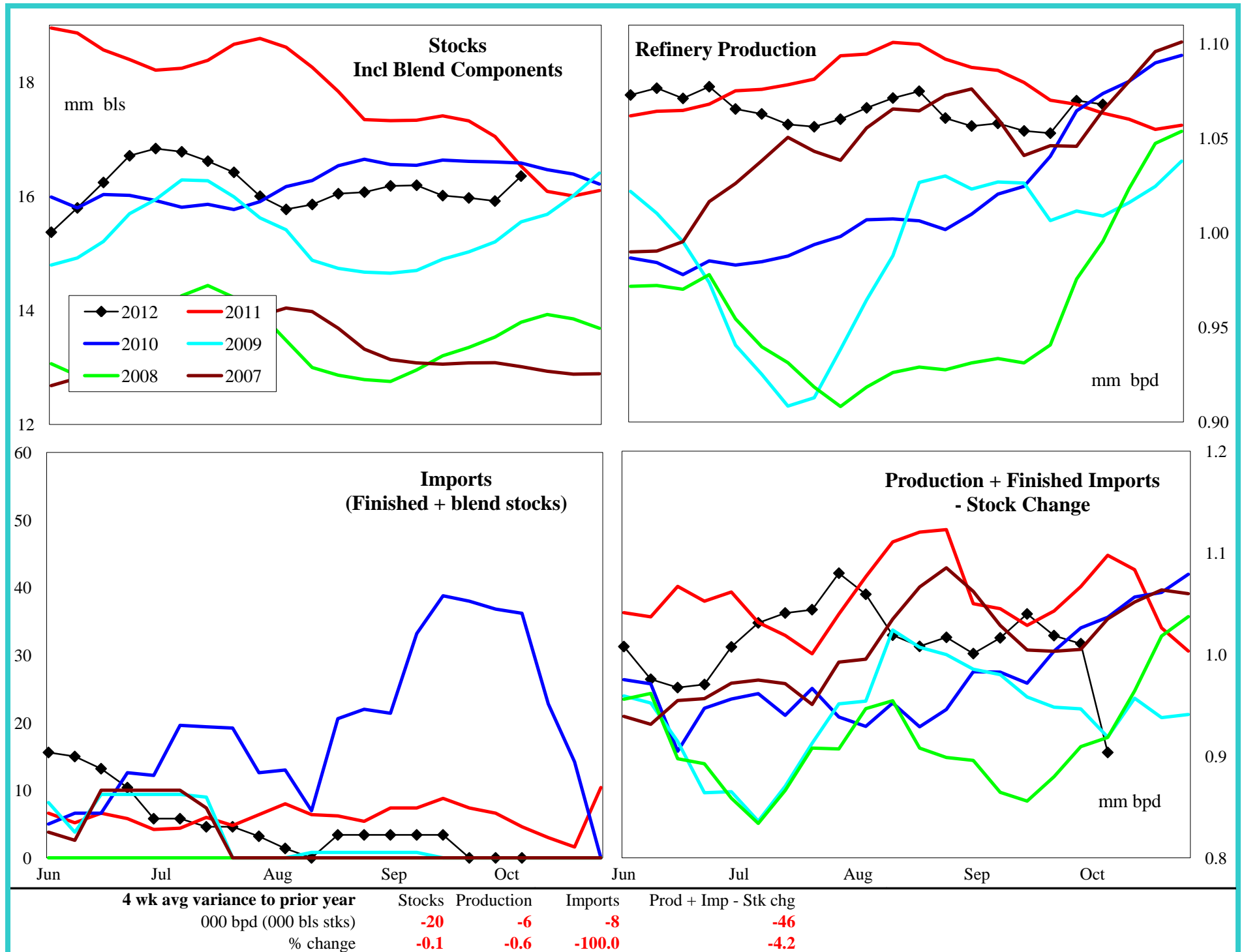
PADD 5 Crude Oil Supply and Refining



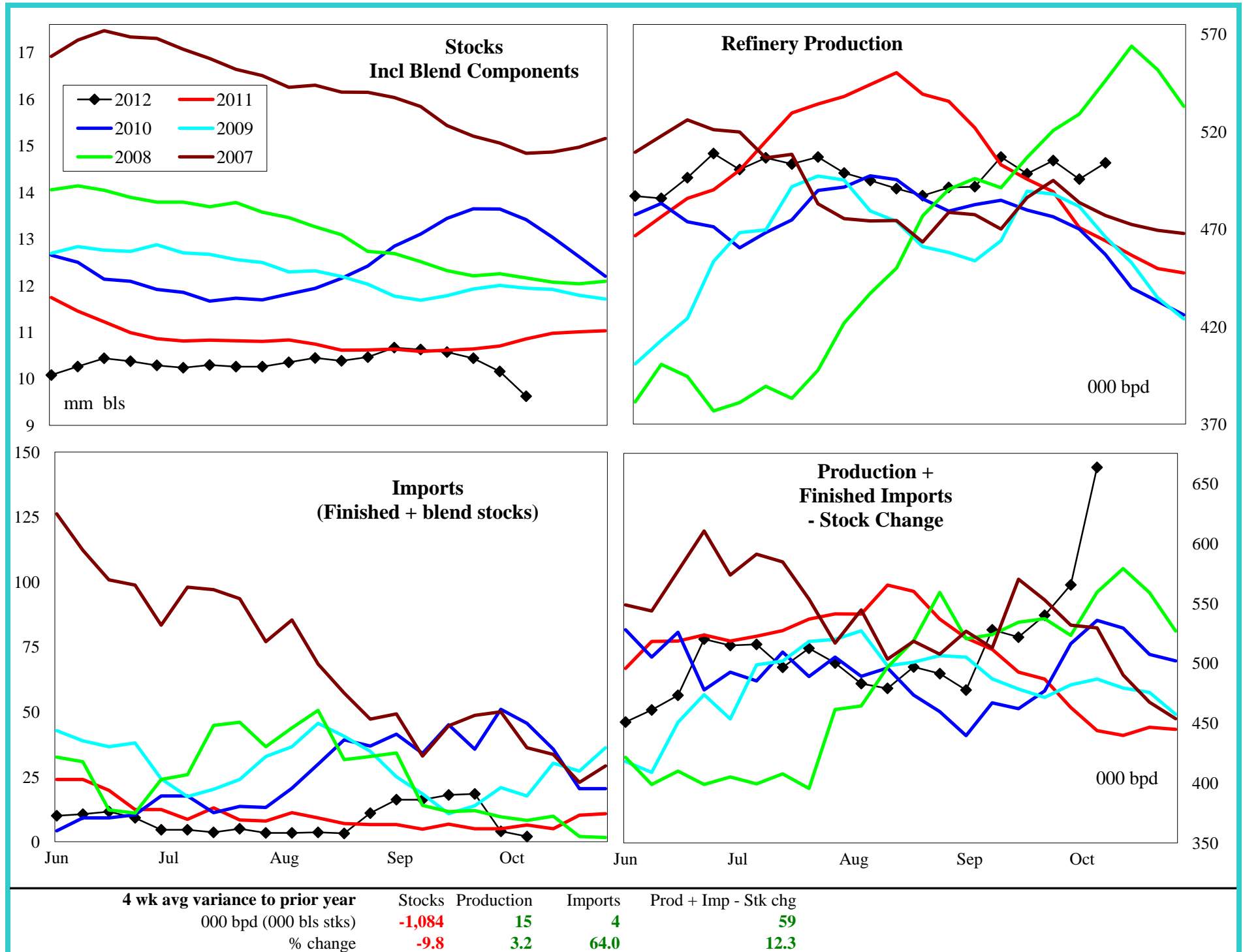
PADD 5 Gasoline Supply



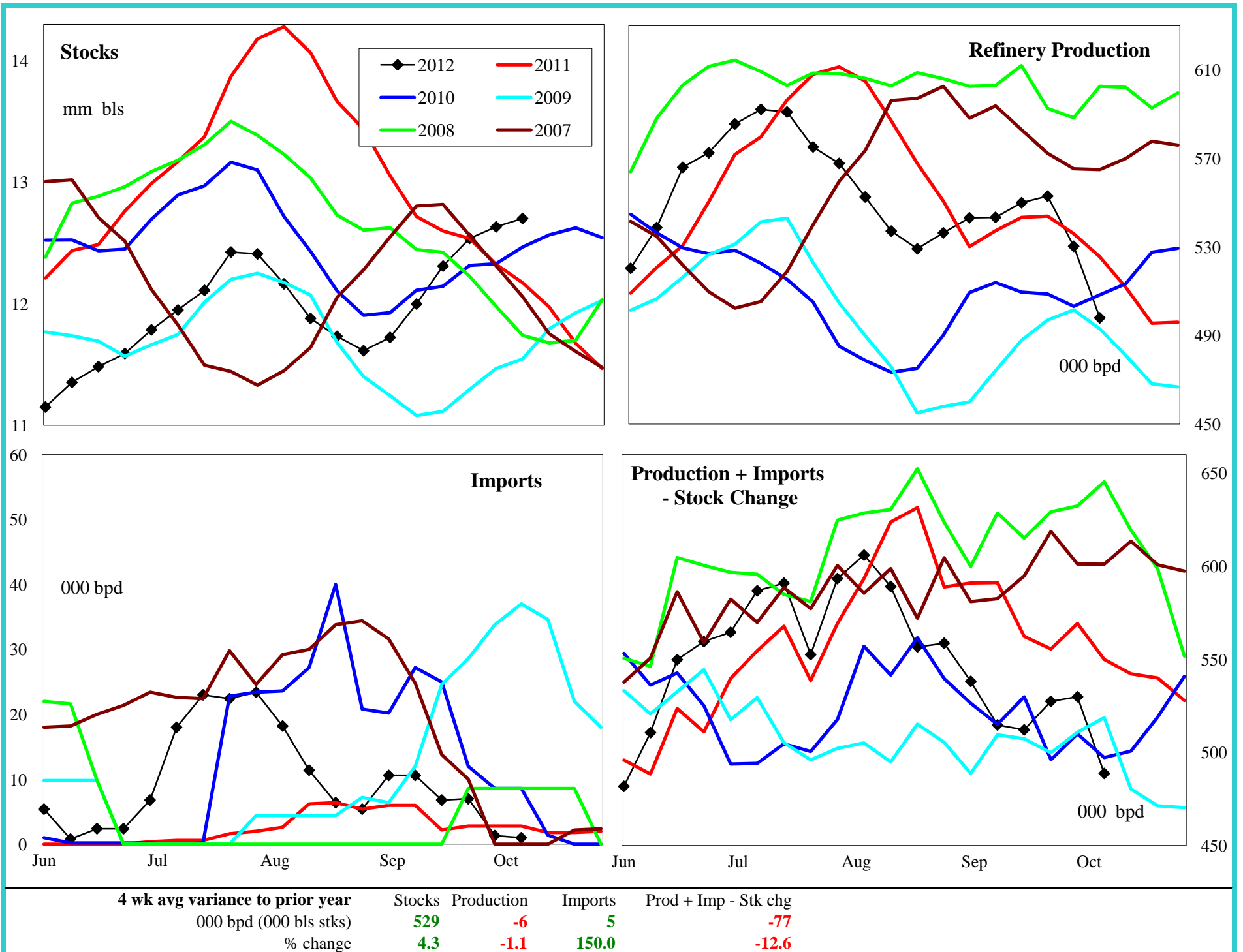
PADD 5 Reformulated Gasoline Supply



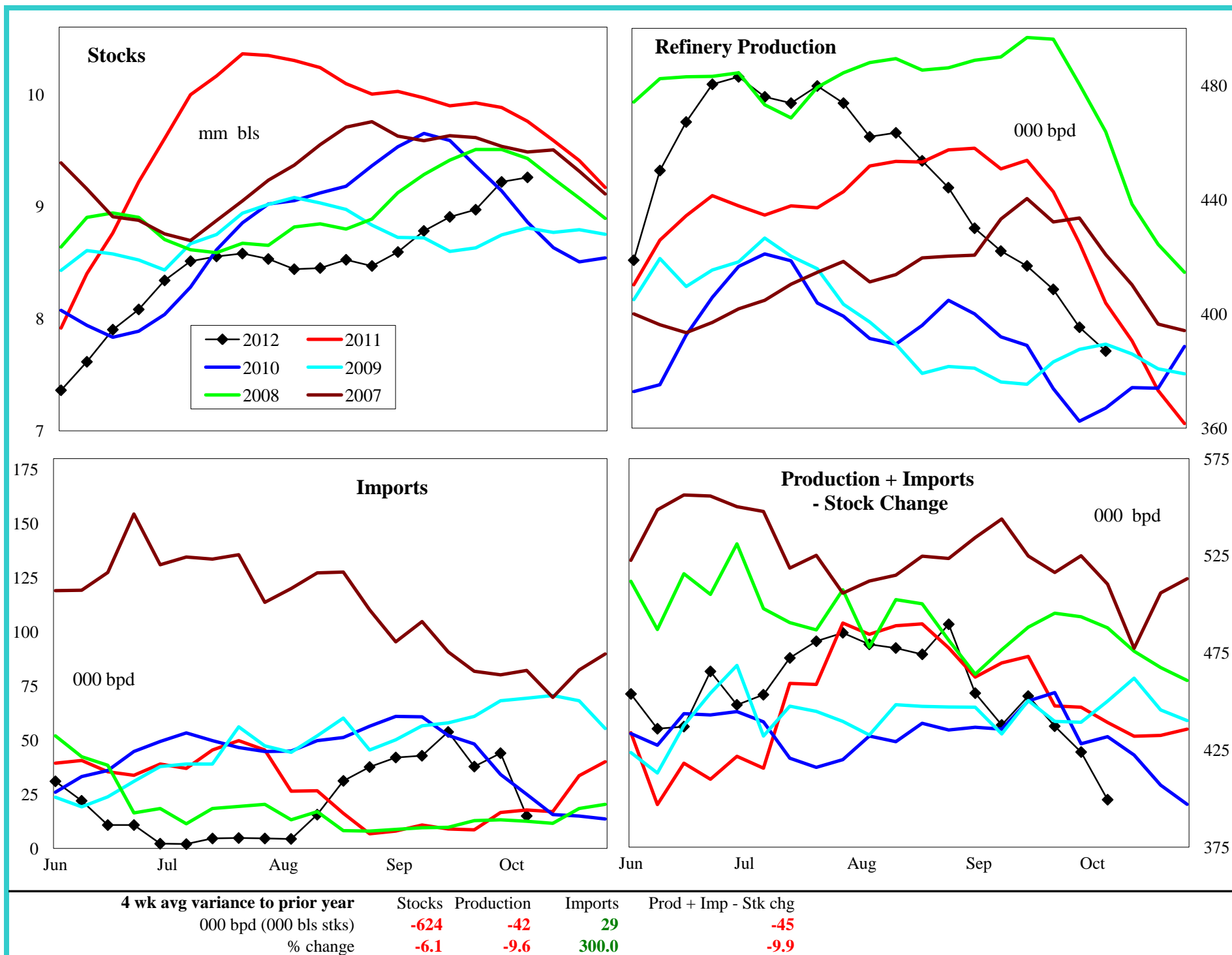
PADD 5 Conventional Gasoline Supply



PADD 5 Distillate Supply



PADD 5 Jet Fuel Supply



PADD 5 Residual Fuel Oil Supply

