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Energy Risk
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WEEKLY INVENTORY REVIEW

The DOE released the latest Weekly Petroleum Status Report for the week ending March 6, and we offer our thoughts on the numbers within the context of our forecast U.S. refinery balances.

On an aggregate basis the crude oil build was less constructive than the market was looking for, as was the rise in distillate supplies. In contrast, the gasoline draw substantially exceeded consensus expectations.

With regard to crude oil, stocks rose by 700,000 barrels. Supplies now stand at 212.5 million barrels and are 47.9 million barrels above last year. Stocks in PAD II fell by 300,000 barrels, including a draw at Cushing of 400,000 barrels. Supplies in PAD III rose by 900,000 barrels. Adding up all other districts yields a net inventory increase of 300,000 barrels.

Refinery crude oil runs declined by 229 MB/D from the previous week and averaged around 14.1 MMB/D. Gross crude oil imports rose by 93 MB/D to average some 9.1 MMB/D. Taking the DOE estimate of domestic crude oil production, total stocks "should have" gained by more than 2.8 million barrels.

Turning to refined products, the DOE reported that primary gasoline inventories fell by 3.0 million barrels to 212.5 million barrels, retaining a 19.2 million barrel deficit to last year. The stock decline was composed of an 800,000 barrel fall in finished mogas supplies and a 2.2 million barrel decline in blendstocks.

Refinery output of finished gasoline dropped by 464 MB/D from the prior period and averaged close to 8.5 MMB/D. Gross imports of total mogas

increased by 87 MB/D to average almost 1.3 MMB/D.

Implied gasoline demand declined by 232 MB/D from the previous week and averaged less than 9.0 MMB/D. Over the last four weeks implied gasoline demand is up by 1.6% versus the comparable period in 2008.

Finally, the DOE reported that distillate fuel oil stocks rose by 2.1 million barrels. The aggregate increase included a 700,000 barrel gain in ultra low-sulphur diesel stocks, unchanged other diesel supplies, and a 1.3 million barrel increase in heating oil inventories. Stocks now total 145.4 million barrels and stand 30.0 million barrels above last year.

Refinery production of distillate fuel increased by 155 MB/D on the week and averaged more than 4.2 MMB/D. Gross imports of distillate rose by 8 MB/D to average 302 MB/D.

Implied distillate demand gained by 20 MB/D from the prior period and averaged almost 3.8 MMB/D. Over the past four weeks implied distillate demand was off by 6.1% versus the comparable period last year.

On balance, the crude oil draw in PAD II remains consistent with our Base Case balances. Over time, imports into PAD III should stabilize and decline, allowing inventories on the Gulf Coast to fall as OPEC restraints continue and deliveries from offshore tanker storage taper off.

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