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WEEKLY INVENTORY REVIEW

The DOE released the latest Weekly Petroleum Status Report for the week ending May 23, and we wish to provide our customary perspective on the data within the context of our forecast U.S. refinery balances. In nutshell, the crude oil and gasoline draws were bullish, while the distillate build was greater than consensus expectations.

With regard to crude oil, stocks dropped by 8.8 million barrels. In a rare commentary, however, the DOE stated that the decline was due to temporary offloading delays on the Gulf Coast. Inventories now total 311.6 million barrels and are 33.6 million barrels below last year.

Supplies in PAD II fell by 400,000 barrels, but rose at Cushing by 700,000 barrels. Stocks in PAD III declined by 9.3 million barrels. Adding up all other districts yields a net inventory gain of 700,000 barrels.

Refinery crude oil runs rose by 214 MB/D on the week to average almost 15.3 MMB/D. Gross crude oil imports fell by 278 MB/D and averaged around 9.0 MMB/D. Taking the DOE estimate of domestic crude oil production, total stocks “should have” fallen by almost 8.5 million barrels.

Turning to refined products, the DOE reported that primary gasoline inventories fell by 3.2 million barrels. The decline was composed of unchanged finished mogas supplies and a 3.3 million barrel drop in blendstocks. Inventories stand at 206.2 million barrels and lie 5.1 million barrels above the same point in 2007.

Refinery production of finished gasoline rose by 70 MB/D from the previous week and averaged almost 9.1 MMB/D. Gross imports of total mogas declined by 120 MB/D to average about 1.0 MMB/D.

Implied gasoline demand rose by 14 MB/D from the previous period and averaged almost 9.4 MMB/D. For the last four weeks implied gasoline demand is off by 0.4% from last year, while year to date has declined by 0.6% versus the comparable period in 2007.

Finally, the DOE reported that distillate fuel oil inventories rose by 1.6 million barrels. The aggregate increase included a 1.5 million barrel gain in ultra low-sulphur diesel supplies, a 600,000 barrel fall in other diesel stocks, and a 600,000 barrel increase in heating oil inventories.

Refinery production of total distillate eased by 29 MB/D on the week to average around 4.3 MMB/D. Gross distillate imports rose by 52 MB/D from the previous week and averaged 250 MB/D.

Implied distillate demand fell by 107 MB/D on the week to average less than 4.1 MMB/D. Over the past four weeks implied distillate demand is up by 1.2% versus last year, while year to date has declined by 2.0% versus the comparable period in 2007.

On balance and in line with DOE commentary, we would look for a rebound in crude oil imports next week, suggesting a recovery in stocks from current levels.

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