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## ESAI Press Release: Rosier Market Outlook, But Risk Remains for Refiners

**BOSTON**—May 19, 2010— As driving season gets underway, the U.S. has become the locomotive for demand recovery in the Atlantic Basin. ESAI's latest *Atlantic Basin Stockwatch Marketview* has uncovered that although gasoline and diesel fundamentals indicate substantial improvement over 2009, there are still factors that will limit the pace of recovery.

In gasoline markets, surging crack spreads and strong preliminary figures draw a stark contrast to last year, with hopes of recovery pushing margins to over \$15/barrel over WTI. However, financial market distortions might be exaggerating this view. When compared against Louisiana Light Sweet, gasoline is more sober, with spreads at less than half that amount, indicating a muted gasoline margin outlook and limits to refinery profits.

Despite consistent improvement, diesel is still in trouble. ESAI Principal Andrew Reed notes, "That diesel demand is growing again is not in doubt, the weakness that lies ahead is in the production side" The U.S. will run a 450,000 b/d gasoil surplus from May to October. The resulting inventory build in both the U.S. and Europe, where stocks are already bearishly high, will be a big step backwards for the recovery of gasoil fundamentals.

In the near term, Atlantic Basin market margins will weaken under the weight of these elevated expectations. Through the remainder of the summer current exuberance will level off, leading to a slow and steady improvement in contrast to the roller coaster ride seen in today's market.

For a copy of ESAI's Atlantic Basin Stockwatch Marketview, contact Soner Kanlier at [skanlier@esai.com](mailto:skanlier@esai.com)

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**About ESAI:** ESAI, founded in 1984, provides market research and strategic advisory services to [energy](#) and [power](#) markets. ESAI provides a framework for interpreting and prioritizing empirical market data and industry information. ESAI provides detailed analysis of energy and power markets and explains future market trends.