



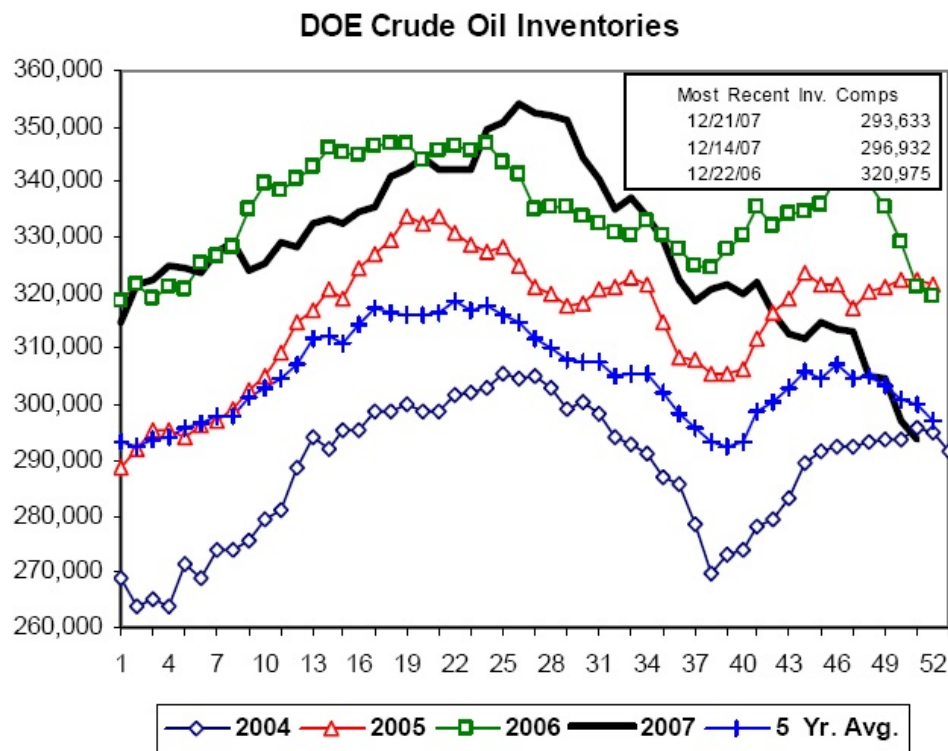
## This Week in Petroleum (TWIP) 12-27-2007

Posted by [Nate Hagens](#) on December 27, 2007 - 12:38pm

Topic: [Supply/Production](#)

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A bullish [TWIP](#) report just out. DOE reported Crude, motor gas and distillate complex down 5.4 million barrels. API had complex down 4.3 million barrels. As the below chart shows, this is quite the drop in oil inventories from this summer. Front month crude (feb) trading up \$1.50. Details and breakdown below the fold:



*Dept of Energy Crude oil Inventories (Thanks to Johnson Rice and Co.)*

Here was a Bloomberg survey of expectations for this mornings oil report (Note: this is the 'core' crude component which many look at as more stable than total commercial which includes, propane, residuals, etc.)

Crude oil: Down 1.6 million barrels

Motor gas: Up 1.6 million barrels

Distillates: Down 0.9 million barrels

Complex: **Down 1.0 million barrels**

Here were the actual numbers:

DOE:

Crude oil: Down 3.3 million barrels

Motor gas: Up 0.6 million barrels

Distillates: Down 2.8 million barrels

Complex **Down 5.4 million barrels**

API:

Crude oil: Up 0.9 million barrels

Motor gas: Down 2.4 million barrels

Distillates: Down 2.7 million barrels

Complex: **Down 4.3 million barrels**

From Daniel Burke at Johnson Rice:

We view today's DOE stats as bullish; total commercial stocks declined by 10.5 million barrels, while 4-wk trailing average total implied demand is up a healthy (weather-aided) 1.6% y-y. We would cast a slightly cautionary eye to this report though, as yearend reports can reflect inventory management/somewhat spotty reporting. Looking into early 2008, we see the potential for less supportive weekly reports: we expect rising crude stocks (due to an expected increase in crude imports), rising gasoline stocks (typically the case during January), and if weather moderates somewhat, less meaningful distillate stock draws.

One notable, fundamentally bullish aspect of recent reports that has contributed to the tight domestic stocks position has been a pronounced decline in distillate imports. Distillate imports dropped to 143,000 bpd last week, and have trended well below yearago and 5-yr averages (see chart below). We believe this reflects a tight global distillate market. U.S. distillate stocks dropped by 2.8 million barrels and now total 127 million barrels, vs. last year's 134 million barrels and the 5-yr average of 127 million barrels.

Crude stocks declined by 3.3 million barrels as imports remained relatively depressed. Imports averaged 9.8mmbpd, up from the prior week's unusually low 9.1 mmbpd, but still below the 10 mmbpd threshold. Most of the sequential increase in imports was seen on the East and West Coasts; **Gulf Coast crude stocks continue to decline and have reached a 3-yr low**. U.S. crude stocks have declined by 60 million barrels over the 2H07 and now total 294 million barrels, vs. 321 million barrels last year and the 5-yr average of 300 million barrels. Cushing stocks continue to inch upwards, reaching 17.5 million barrels (vs. 17.4 million barrels last week).

Gasoline stocks increased by a reported 0.6 million barrels to 206 million barrels. Stocks built despite relatively low gasoline yield, as refiners remain firmly in max distillate mode. Imports remain healthy at 1.0 mmbpd.

(thanks to equity research firm Johnson Rice)

The [innards](#) of the report are here, with a detailed explanation coming at 1:30 EST.

Robert, PG and I are traveling, so please deposit any relevant graphics, analysis, and commentary on this report below:



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