

THE VAN DER VALK GAS PRICE ADVISORY FOR 11-7-08

The Gas Guy advises to keep your eyes on the crude oil price.

Crude oil prices hit a 19-month low this week and are now expected to go below the magic \$60 per barrel mark. Overall U.S. fuel demand in October averaged a little over 19 million barrels per day. That is down almost 1.5 million barrels per day from a year ago according to the Department of Energy. Gasoline represents about a third of that total decrease with consumption estimated at 9 million barrels a day. The world's total fuel demand is still over 80 million barrels per day with the U.S using about 25% of that amount.

What we predicted last Tuesday: The price slide will continue at the pump for the next three days, and then level off at \$2.50 per gallon in Southern California

What happened: Regular unleaded prices have dropped 14 cents per gallon since Tuesday averaging \$2.64 for regular unleaded gasoline. The election on Tuesday gave the market a temporary bump up but those gains have all been wiped out in the last two days.

What we predict by next week Tuesday: Gasoline prices will continue to slide downward at a slower pace than we have seen in the last six weeks. The \$2.50 per gallon should be reached with crude oil prices still going down some more with the expected recession in the world's economy.

Prices for all commodities have been dropping with the WTI crude oil price taking its cue from the equities market for the last two months. Crude-oil inventories are at 312 million barrels, 1.5 percent above year-ago levels. The U.S. services sector, the largest component of the country's gross domestic product, contracted sharply in October and employment fell by an estimated 200,000 jobs.

Wednesday's DOE inventory report was expected to show a rise of 1.2 million barrels for crude oil and came up with a whopping increase of 1.8 million barrels instead. Gasoline stocks, which were anticipated to show a build of 600,000 barrels, doubled instead going up 1.2 million barrels. Distillates increased by 1.2 million barrels as well and came within expectations.

Subsequently gasoline and diesel prices dropped 20 cents per gallon in pipeline trading on the West Coast, giving back most of the gains from Tuesday's rise.

Gas prices will be leveling off in the next few weeks trying to find a bottom unless the psychological threshold of \$60 per barrel for crude is broken. Stocks of finished products at current levels should be adequate for the expected increase in traveling for the upcoming Thanksgiving Weekend.

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