

THE VAN DER VALK GAS PRICE ADVISORY AS OF 11-14-08

The Gas Guy predicted that the crude oil market was poised to drop into the mid-fifties this week. It did get to \$54.67 per barrel briefly yesterday before “shooting” back up to \$58.24. Refiners are now selling their finished products for less than their raw materials costs. Consumers can be thankful for at least having a temporary reprieve on the price of gasoline. Unfortunately the good times at the pump won’t last and gas prices will be going back up after the first of the year.

What we predict: Gasoline prices will level off at their current levels in anticipation of the traveling for the Thanksgiving weekend.

What happened - Gas prices dropped 9 cents and diesel dropped 8 ½ cents per gallon on average since Tuesday. Some Arco and Valero gas stations in the Montebello and Whittier area are already reported to be posting \$2.259 per gallon for regular unleaded.

What we predicted last Tuesday: Gas prices will drop at between six to nine cents per gallon with some Independent Unbranded stations even dropping below \$2.25 per gallon this week in the area. The gasbuddy.com web site showed the following snapshot for the Los Angeles area gas prices:

Los Angeles Price Snapshot	
Today	2.441
Yesterday	2.460
One Week Ago	2.630
One Month Ago	3.419
One Year Ago	3.107

The price of crude oil price went back up to over \$58 per barrel yesterday on speculation that a 10 percent drop in prices over the previous two days was larger than justified. The stock market went up over 500 points as well and the two markets are now tied together like Siamese twins.

Crude oil prices are expected to firm up as further production cuts are announced at the end of this month by OPEC in Cairo, Egypt. Refining margins are now at their lowest ebb in over 3 years and have caused some small oil refineries to start cutting back rates on producing gasoline. The Paramount refinery located in the Los Angeles basin was already reported to have shut down for unplanned maintenance.

Gasoline prices will be steady between the \$2 to \$2.25 mark since they have actually declined at a faster rate than crude oil prices. The latter would have to drop to \$45 per barrel to sustain the \$2 per gallon level that gasoline is currently fetching at some independent unbranded stations.

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