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Managing volatile price spreads between markets

See your risks in real-time

Gasoline and diesel price volatility has become more extreme. The average daily price change in Chicago in the first three quarters of 2015 was more than 5 ¢/USG, and was more than 3.5 ¢/USG in both New York and Houston. In August of 2015, more than half of the trading days in Chicago saw a price move greater than 10 ¢/USG.

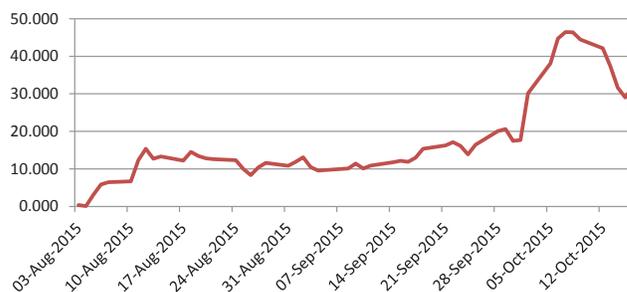
An unexpected shutdown of a distillation unit at BP's Whiting refinery caused gasoline prices in Chicago to spike which in turn caused premiums over the Houston market to jump higher. As supply concerns appeared overblown and product made its way to the Chicago market from Houston the higher premiums abated almost as quickly as they had appeared. By comparison slowing production due to widespread turnaround maintenance limited available supplies and led to a subsequent steady increase in premiums relative to Houston.

CBOB: Chicago less Houston



Strong refinery production to meet increased gasoline demand resulted in an oversupply of diesel fuel which insulated the Chicago ULSD market from the distillation unit shutdown at the Whiting refinery. Seasonal demand increased during the widespread turnaround maintenance which caused prices to spike and spreads to Houston to jump higher.

ULSD: Chicago less Houston



US regional markets are less able to balance and supply each other than in the past. Local refining capacity has diminished in some locations and pipelines moving fuel between regions are typically full. Making matters worse, exports of gasoline and diesel from the US have soared, leaving resupply from the US Gulf coast refining center uncertain.

Downstream terminals are particularly exposed when one market center spikes or dives when another does not. One terminal located in the geographical margin between spot market centers may price on New York spot basis but a neighboring terminal may price on Houston instead. When the spreads blow out, lifters may turn to one terminal over another, throwing off expectations for volumes sold, equipment dispatch and fuel resupply.

With pipeline allocations becoming intractable, these spreads have become permanently wide and volatile. As a result, the marginal zone within which downstream dislocation occurs is now wider. Consistently wide spreads make arbitrage economics for trucking more viable, which then leads to a different set of unexpected risks and opportunities.

Market Reporting

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Argus Spot Ticker

illuminating the markets

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Live spreads between markets

Argus is now publishing real-time spreads between these cash markets in our new real-time transparency tool, The Argus Spot Ticker. We do the math and present to you the spreads so that you can better predict the impact on your business. We also take a snapshot of the entire US market at 1:30 CST and 2:30 CST, so that you can lock down the spreads for various pricing uses.

Argus' Spot Ticker team is in constant contact with the trading community, gathering cash differential bids and offers from the spot market and applying them to the moving Nymex pricing basis. Unlike other spot tickers, the Argus price represents the executable value at that moment in time, not the price of the last done deal which can be stale and lag behind the real market. When you are exposed to spreads between markets, the last thing you want to compare are prices that are both stale and hours apart.

From these real-time prices, Argus creates real-time spreads between all the major US market pairs.

At any moment you will know exactly what the spread between New York and Houston is and whether it has widened or narrowed. You can react more quickly than your competitors and shift your logistics to reduce your exposure.

Argus responds with innovations

Because of our commitment to representing the market over the entire day, Argus has far more access to transactions, bids and offers than any other price reporting agency. This access to the industry has allowed Argus to be the first with innovations like Argus Line Space, a market that was created by the very same bottlenecks that are creating today's incredible price volatility.

Argus has innovated again and provided both real-time executable values and real-time physical market spreads.

How can you see your risks in real-time?

The live regional spreads are only available to subscribers of [Argus Spot Ticker](#).

- Go [here](#) to trial Argus Spot Ticker
- Go [here](#) to read more about the methodology

Regional spreads	New York-Houston	Chicago-Houston	Tulsa-Houston	Chicago-Tulsa	New York-Chicago	SF-LA	Portland-LA
CBOB	0.0984	0.2059	0.2459	-0.04	-0.1075	-	-0.21
RBOB	0.0834	0.2434	-	-	-0.16	-0.0521	-
Ethanol	0.03	-0.085	-	-	0.115	-	-
ULSD	0.065	0.33	0.095	0.235	-0.265	-0.03	-0.0425

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