

Crude Build on Lower Refinery Utilization But Product Stocks Fell

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Large crude build as refinery utilization drops further

Crude oil stocks rose 3.1 MMBbbls, above consensus of a 0.4 MMBbbl build & the 5-yr average of +1.5 MMBbbls. Cushing stocks (NYMEX delivery point) rose 0.8 MMBbbl to 35.1 MMBbbls (first build in 9 weeks). A large drop in refinery utilization was partly offset by slightly lower WoW imports which averaged 8.9 MMBbbl. Stocks are now 7% above 2009 & still above the top of the 5-yr range.

Refinery utilization fell week-on-week to a 27 week low

Refinery utilization fell 270 basis points to 83.1%, the lowest level since late March but still above the 5-year average of 80.9%. The decline in utilization enabled a 3.0 MMBbbl draw in product stocks, but utilization needs to remain low to further reduce excess product inventory which is still 8.6% above the 5-yr avg.

Product stocks draw primarily in gasoline and distillate inventories

Product stocks fell 3.0 MMBbbls to 777.9 MMBbbls, led by a 2.6 MMBbbls draw in gasoline stocks (bullish vs. consensus of -0.3 MMBbbl and the 5-yr avg of +0.1 MMBbbl) and a 1.1 MMBbbls draw in distillate stocks (also bullish vs. consensus of +1.0 MMBbbl but smaller than the 5-yr average of -1.6 MMBbbls).

Pace of demand growth remains firm

On an unadjusted basis, total product demand rose +2.2% vs. 2009, slightly below last week's 2.8% growth.

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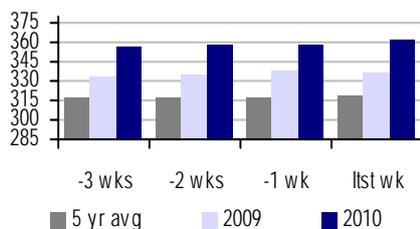
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Table 1: Key data in the Weekly Petroleum Status Report (week ended October 1st)

	Crude Oil		Gasoline		Middle Distillate		o/w Diesel	
	10/1 Level	wk/wk Change	10/1 Level	wk/wk Change	10/1 Level	wk/wk Change	10/1 Level	wk/wk Change
Balances (kbd)								
Production	5,514	-48	9,100	-105	4,152	-139	3,847	-93
Imports	8,926	-79	201	+98	179	-16	106	-66
Demand (Ref In)	14,151	-515	8,989	-394	3,724	-175	3,444	-373
Stocks (mmbbls)	360.9	+3.0	219.9	-2.6	172.5	-1.1	120.3	-0.9
Bloomberg Consensus		+0.4		-0.3		-1.0		

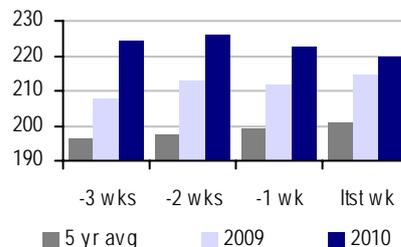
Source: EIA, UBS

Chart 1: Crude oil inventories (MMBbbls)



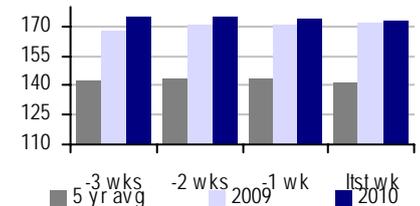
Source: EIA

Chart 2: Gasoline Inventories (MMBbbls)



Source: EIA

Chart 3: Distillate inventories (MMBbbls)



Source: EIA

This report has been prepared by UBS Limited

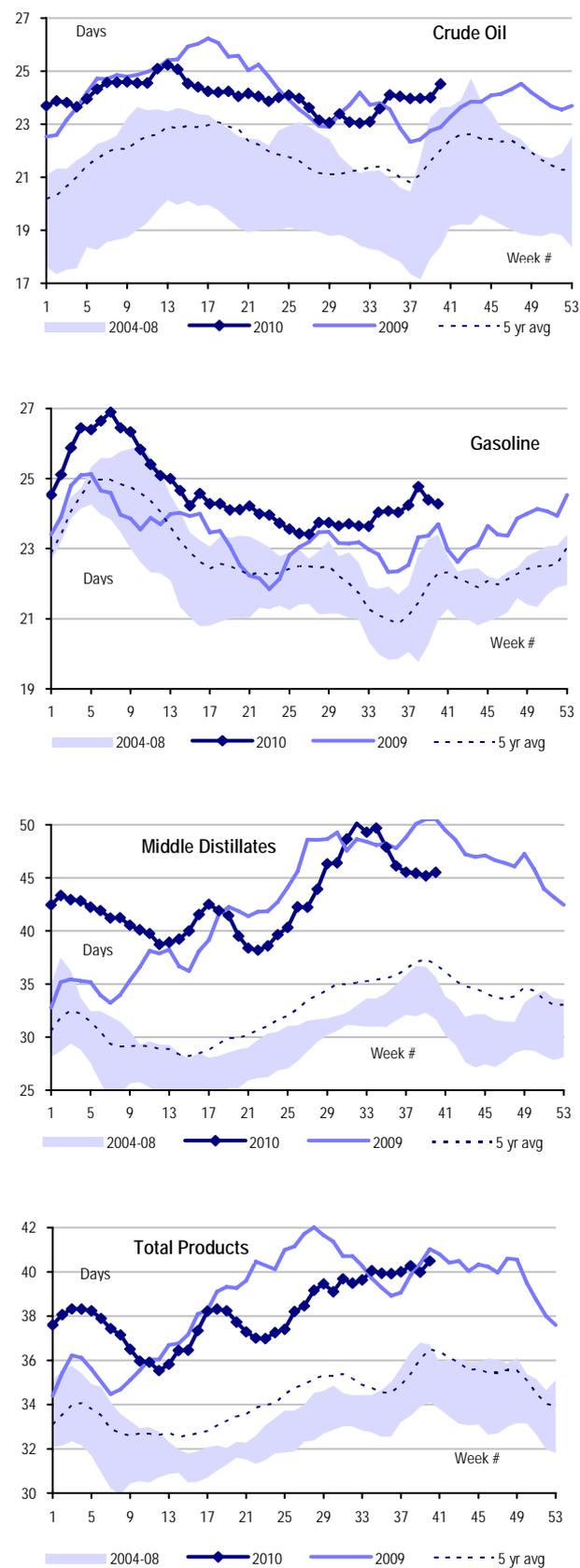
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.

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Table 2: Summary of the DOE's Petroleum Status report for the week ended October 1st

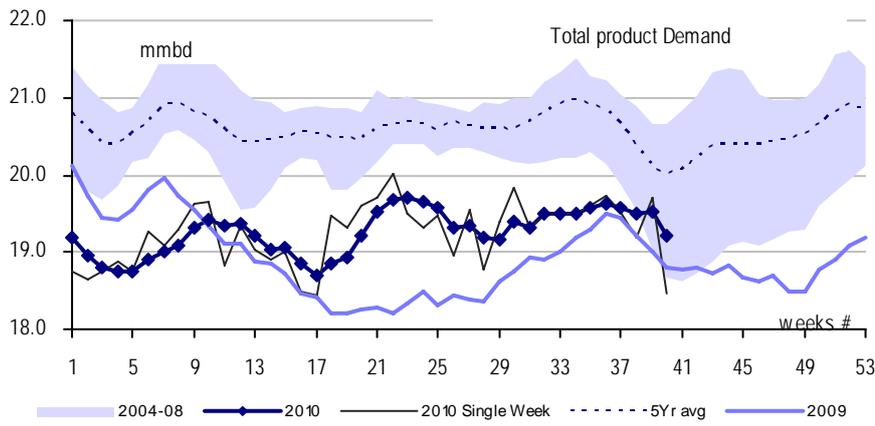
10/1/2010		Week to Wk Chg:		Latest	Change from :	
		Volume	%	Week	-52 wks	5 yr avg
CRUDE OIL						
Production	(MBbld)	-48	-0.9%	5,514	+154	+753
Imports		-79	-0.9%	8,926	-172	-663
Refinery Runs		-515	-3.5%	14,151	-456	+5
Utiliz. Rate	(%)		-3.1%	83.1%	-1.9%	+0.4%
Crude Oil Stks: (MMBbl)						
Commercial		+3.0	+0.8%	360.9	+23.5	+42.2
Padd I		+0.9	+9.3%	10.8	-4.1	-4.1
Padd II		+0.6	+0.6%	91.3	+14.5	+25.3
Cushing		+0.8	+2.2%	35.1	+10.0	+15.9
Padd III		+2.0	+1.1%	188.2	+11.4	+16.6
Pd II+III		+2.6	+0.9%	279.5	+25.9	+41.8
Padd IV		-0.1	-0.8%	16.0	+0.6	+2.0
Padd V		-0.3	-0.6%	54.6	+0.6	+2.4
Ref Run Cover	(Days)	+0.5	+2.2%	24.5	+1.6	+2.5
Refrun Cvr Pds II+III		+0.5	+2.0%	26.1	+1.7	+1.5
SPR	(MMBbl)	+0.0	+0.0%	726.4	+1.3	+26.1
GASOLINE						
Production	(MBbld)	-105	-1.1%	9,100	-317	+361
Imports		+98	+95%	201	+111	-283
Demand		-394	-4.2%	8,989	-280	-27
4 week avg		-69	-0.8%	9,060	+13	+52
Stocks: (MMBbl)						
US		-2.7	-1.2%	219.9	+5.5	+19.0
Padd I		-2.3	-3.9%	55.6	-3.1	+2.4
Padd II		+0.6	+1.2%	52.6	+1.9	+2.5
Padd III		-1.3	-1.7%	74.0	+3.7	+10.9
Padd V		+0.4	+1.1%	31.1	+2.7	+2.6
Demand Cover: (Days)		-0.1	-0.5%	24.3	+0.6	+2.0
MIDDLE DISTILLATES						
Production	(MBbld)	-139	-3.2%	4,152	+110	+267
Imports		-16	-8%	179	-35	-97
Demand		-175	-4.5%	3,724	+197	-311
4 week avg		-52	-1.4%	3,789	+390	-106
Stocks: (MMBbl)						
US		-1.1	-0.6%	172.5	+0.7	+30.7
Padd I		-0.5	-0.7%	73.9	-2.0	+11.6
Padd II		+0.7	+2.1%	32.4	-1.0	+2.6
Padd III		-0.8	-1.5%	50.6	+3.4	+15.7
Padd V		-0.6	-4.7%	12.1	+0.2	-0.0
Demand Cover: (Days)		+0.3	+0.7%	45.5	-5.0	+8.7
OF WHICH DIESEL						
Demand	(MBbld)	-373	-9.8%	3,444	+345	+18
4 week avg		-38	-1.1%	3,516	+415	+199
Stocks: (MMBbl)		-0.9	-0.8%	120.3	+0.1	+23.9
Demand Cover: (Days)		+0.1	+0.3%	34.2	-4.5	+6.7
Jet Fuel						
Demand	(MBbld)	+71	+5.2%	1,441	+16	-76
4 week avg		-25	-1.7%	1,450	+23	-80
Stocks: (MMBbl)		-0.9	-1.8%	47.2	+1.5	+6.5
Demand Cover: (Days)		-0.1	-0.2%	32.6	+0.5	+5.8
Fuel Oil						
Demand	(MBbld)	+7	1.7%	409	+53	-206
4 week avg		-35	-7.8%	416	+8	-205
Stocks: (MMBbl)		+0.3	+0.8%	39.6	+4.3	+2.4
Demand Cover: (Days)		+8.1	+9.3%	95.2	+8.9	+29.8
TOTAL PRODUCTS						
Demand	(MBbld)	-1255	-6.4%	18,453	-280	-1117
4 week avg		-317	-1.6%	19,214	+409	-508
Stocks: (MMBbl)		-3.0	-0.4%	778.0	+6.3	+59.0
Demand Cover: (Days)		+0.5	+1.3%	40.5	-0.5	+4.0

Inventory cover of 4wk avg. refinery crude runs and stock cover of latest 4wk avg. product deliveries:



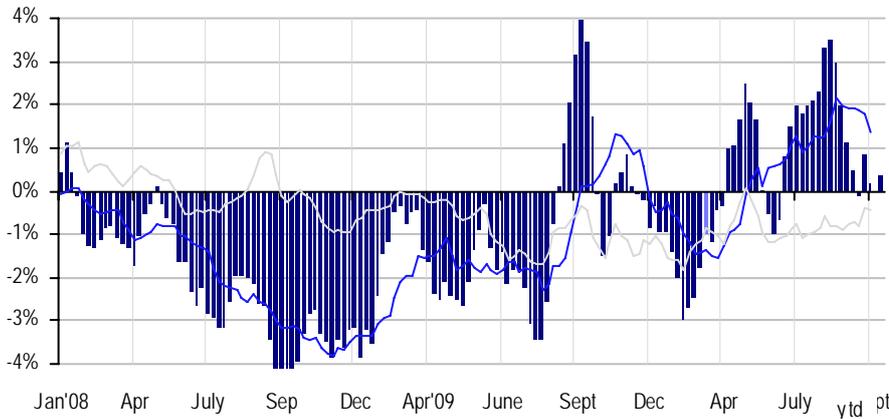
Source: EIA

Chart 4: US Oil Demand



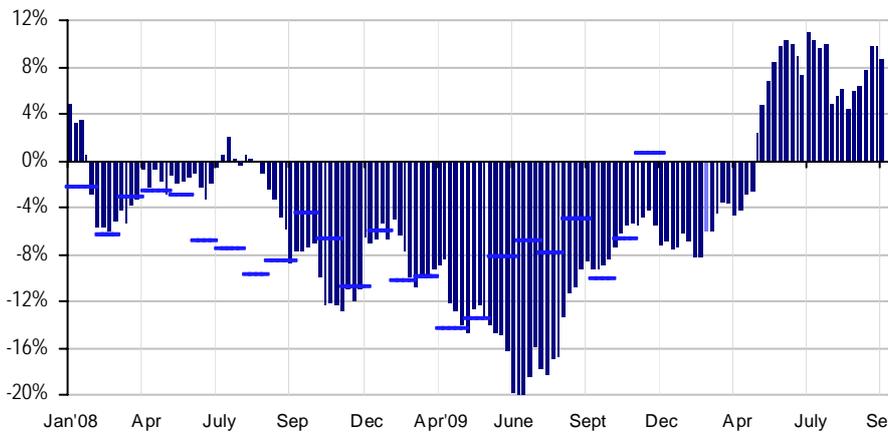
Source: EIA

Chart 5: US 4 week avg gasoline demand y/y decline



Source: EIA

Chart 6: US 4 week avg Middle Distillate demand y/y decline



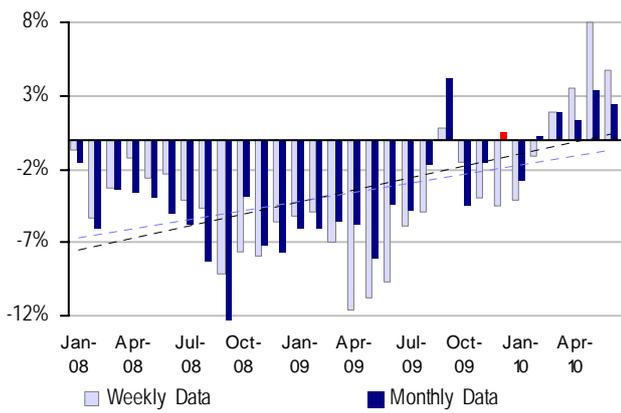
Source: EIA

Table 3: US oil demand by the numbers, years, quarters, months and latest weeklies at the bottom

Yearly	Total		Gasoline		Diesel+heating oil		Jet Kero		Fuel oil		Others		Transport Fuels	
	mmbd	% y/y	mmbd	% y/y	mmbd	% y/y	mmbd	% y/y	mmbd	% y/y	mmbd	% y/y	mmbd	% y/y
2007	20.7	0.0%	9.3	0.4%	4.2	0.6%	1.7	-2%	0.7	5%	4.8	-1%	15.1	0.2%
2008	19.5	-5.7%	9.0	-3.2%	3.9	-6.0%	1.6	-6%	0.6	-14%	4.4	-9%	14.5	-4.3%
2009	18.8	-3.7%	9.0	0.1%	3.6	-8.0%	1.4	-9%	0.5	-18%	4.2	-4%	13.9	-3.9%
Quarterly														
1Q08	20.0	-3.6%	8.9	-1.2%	4.2	-4.0%	1.6	-4%	0.6	-25%	4.7	-4%	14.7	-2.3%
2Q08	19.8	-4.2%	9.2	-2.4%	3.9	-4.8%	1.6	-3%	0.7	-2%	4.4	-8%	14.7	-3.1%
3Q08	18.9	-8.8%	8.9	-5.9%	3.7	-10.1%	1.6	-5%	0.6	-18%	4.1	-13%	14.2	-7.0%
4Q08	19.3	-6.2%	9.0	-3.1%	3.9	-5.2%	1.4	-13%	0.6	-9%	4.3	-10%	14.3	-4.8%
1Q09	18.9	-5.9%	8.8	-1.5%	3.9	-7.5%	1.4	-12%	0.6	0%	4.2	-11%	13.8	-6.4%
2Q09	18.6	-6.1%	9.1	-0.7%	3.5	-11.8%	1.4	-13%	0.6	-19%	4.0	-8%	13.8	-6.0%
3Q09	18.7	-0.9%	9.2	2.5%	3.5	-6.4%	1.5	-7%	0.4	-34%	4.3	3%	14.1	-0.9%
4Q09	18.9	-1.9%	8.9	-0.1%	3.7	-6.1%	1.4	-4%	0.5	-19%	4.4	1%	14.0	-2.2%
Monthly														
Jan-09	19.0	-6.0%	8.6	-2.1%	4.1	-2.7%	1.36	-15%	0.8	11%	4.2	-15%	14.1	-3.7%
Feb-09	18.8	-6.0%	8.8	-0.3%	3.9	-9.7%	1.40	-12%	0.4	-17%	4.3	-10%	14.1	-4.3%
Mar-09	18.7	-5.6%	8.9	-1.8%	3.7	-10.0%	1.42	-10%	0.6	0%	4.1	-9%	14.1	-5.0%
Apr-09	18.7	-5.8%	9.0	-0.9%	3.5	-15.9%	1.45	-11%	0.7	-4%	4.1	-5%	13.9	-6.1%
May-09	18.2	-8.0%	9.1	-1.8%	3.4	-12.6%	1.34	-16%	0.4	-36%	3.9	-10%	13.9	-6.2%
Jun-09	18.8	-4.3%	9.2	0.8%	3.5	-6.6%	1.44	-12%	0.6	-17%	4.1	-8%	14.1	-2.6%
Jul-09	18.6	-4.8%	9.3	1.2%	3.4	-7.9%	1.51	-4%	0.3	-53%	4.1	-7%	14.2	-1.7%
Aug-09	18.9	-1.7%	9.3	1.8%	3.4	-6.4%	1.46	-11%	0.5	-8%	4.3	-1%	14.2	-1.8%
Sep-09	18.6	4.2%	8.9	4.9%	3.6	-4.8%	1.41	-5%	0.3	-35%	4.4	22%	13.9	1.1%
Oct-09	18.8	-4.5%	9.0	-0.4%	3.7	-12.6%	1.38	-3%	0.5	-17%	4.3	-4%	14.0	-4.2%
Nov-09	18.8	-1.6%	8.9	0.0%	3.6	-7.1%	1.37	-6%	0.4	-15%	4.4	3%	13.9	-2.5%
Dec-09	19.2	0.5%	8.9	0.0%	3.9	2.1%	1.40	-3%	0.6	-23%	4.5	5%	14.2	0.3%
4-week rolling averages by week														
01-Jan-10	19.2	-4.6%	9.0	-0.9%	3.7	-10.9%	1.51	4%	0.5	-41%	4.5	-2%	14.2	-3.3%
08-Jan-10	19.0	-3.9%	8.9	-0.3%	3.7	-9.6%	1.43	1%	0.5	-34%	4.5	-3%	14.0	-2.8%
15-Jan-10	18.8	-3.3%	8.8	-1.0%	3.7	-10.5%	1.37	1%	0.5	-22%	4.5	0%	13.8	-3.5%
22-Jan-10	18.8	-3.5%	8.7	-1.0%	3.7	-9.8%	1.39	-1%	0.5	-20%	4.5	-1%	13.7	-3.5%
29-Jan-10	18.7	-4.1%	8.6	-1.4%	3.7	-8.6%	1.36	1%	0.5	-32%	4.6	-3%	13.7	-3.2%
05-Feb-10	18.9	-4.5%	8.7	-2.0%	3.7	-10.6%	1.37	5%	0.5	-21%	4.6	-4%	13.7	-3.9%
12-Feb-10	19.0	-4.8%	8.6	-3.0%	3.7	-12.3%	1.37	5%	0.6	-4%	4.6	-4%	13.7	-5.0%
19-Feb-10	19.1	-3.2%	8.7	-2.7%	3.7	-11.3%	1.32	1%	0.6	-3%	4.7	2%	13.8	-4.8%
26-Feb-10	19.3	-1.2%	8.8	-2.5%	3.7	-7.7%	1.29	-1%	0.7	37%	4.8	3%	13.8	-3.8%
05-Mar-10	19.4	0.3%	8.9	-1.8%	3.7	-6.1%	1.27	-6%	0.7	39%	4.9	8%	13.9	-3.4%
12-Mar-10	19.3	1.2%	8.9	-1.0%	3.7	-2.4%	1.29	-10%	0.6	17%	4.8	11%	14.0	-2.3%
19-Mar-10	19.4	1.3%	9.0	-1.2%	3.8	-1.0%	1.31	-10%	0.6	8%	4.7	11%	14.0	-2.0%
26-Mar-10	19.2	1.8%	9.0	-0.5%	3.7	-1.5%	1.37	-9%	0.6	3%	4.5	14%	14.1	-1.6%
02-Apr-10	19.0	0.9%	9.0	-0.4%	3.7	-3.3%	1.39	-8%	0.6	0%	4.4	11%	14.1	-1.9%
09-Apr-10	19.1	1.9%	9.1	1.0%	3.7	-4.8%	1.41	-3%	0.5	-2%	4.3	13%	14.2	-0.9%
16-Apr-10	18.9	2.1%	9.2	1.1%	3.6	-4.1%	1.43	0%	0.5	10%	4.2	10%	14.2	-0.4%
23-Apr-10	18.7	1.5%	9.2	1.6%	3.6	-3.0%	1.37	-2%	0.5	6%	4.1	6%	14.2	0.1%
30-Apr-10	18.8	3.5%	9.3	2.5%	3.6	3.1%	1.41	0%	0.5	-7%	4.1	9%	14.3	2.4%
07-May-10	18.9	4.0%	9.2	2.1%	3.7	6.3%	1.43	1%	0.5	5%	4.1	8%	14.4	3.0%
14-May-10	19.2	5.2%	9.2	1.6%	3.9	9.3%	1.44	0%	0.5	8%	4.2	11%	14.5	3.4%
21-May-10	19.5	6.7%	9.2	0.0%	4.0	10.8%	1.46	3%	0.5	11%	4.4	22%	14.6	3.0%
28-May-10	19.7	8.0%	9.1	-0.5%	4.0	11.6%	1.45	5%	0.5	32%	4.5	24%	14.6	3.1%
04-Jun-10	19.7	7.4%	9.1	-1.0%	4.0	12.1%	1.42	5%	0.6	5%	4.6	22%	14.6	2.9%
11-Jun-10	19.6	6.2%	9.2	-0.7%	4.0	12.5%	1.37	3%	0.5	-14%	4.6	23%	14.5	3.0%
18-Jun-10	19.6	6.9%	9.2	0.8%	3.9	12.8%	1.35	-1%	0.5	-19%	4.6	20%	14.5	3.6%
25-Jun-10	19.3	4.7%	9.3	1.5%	3.8	10.9%	1.35	-2%	0.4	-35%	4.4	14%	14.4	3.5%
02-Jul-10	19.3	5.1%	9.4	2.0%	3.8	15.8%	1.37	-1%	0.4	-35%	4.4	12%	14.5	5.0%
09-Jul-10	19.2	4.6%	9.3	1.8%	3.7	12.9%	1.44	4%	0.5	-26%	4.3	3%	14.5	4.7%
16-Jul-10	19.2	3.0%	9.4	2.0%	3.6	9.1%	1.51	11%	0.5	-20%	4.2	-1%	14.5	4.5%
23-Jul-10	19.4	3.4%	9.4	2.1%	3.6	9.4%	1.52	11%	0.5	-21%	4.4	-1%	14.5	4.7%
30-Jul-10	19.3	2.0%	9.4	2.3%	3.5	2.7%	1.53	10%	0.5	-12%	4.4	-3%	14.4	3.2%
06-Aug-10	19.5	3.1%	9.4	3.3%	3.5	3.6%	1.53	10%	0.4	-9%	4.6	-1%	14.4	4.1%
20-Aug-10	19.5	1.6%	9.4	3.0%	3.5	4.9%	1.47	3%	0.4	-13%	4.7	-2%	14.4	3.4%
27-Aug-10	19.6	1.4%	9.4	2.0%	3.7	7.8%	1.46	2%	0.4	-18%	4.7	-2%	14.5	3.3%
03-Sep-10	19.6	0.7%	9.4	1.1%	3.8	9.4%	1.45	-1%	0.4	-21%	4.6	-3%	14.6	2.9%
10-Sep-10	19.6	0.7%	9.3	0.5%	3.8	11.5%	1.47	-1%	0.4	-20%	4.6	-4%	14.6	3.0%
17-Sep-10	19.5	1.6%	9.1	-0.1%	3.8	12.9%	1.49	2%	0.5	-9%	4.6	-2%	14.5	3.3%
24-Sep-10	19.5	2.8%	9.1	0.9%	3.8	13.4%	1.47	1%	0.5	-8%	4.6	0%	14.4	3.9%
01-Oct-10	19.2	2.2%	9.1	0.1%	3.8	11.5%	1.45	1.6%	0.4	1.8%	4.5	-1%	14.3	3.1%
Latest single week														
01-Oct-10	18.5	-1.5%	9.0	-3.0%	3.7	5.6%	1.4	1.1%	0.4	15%	3.9	-6%	14.2	-0.5%

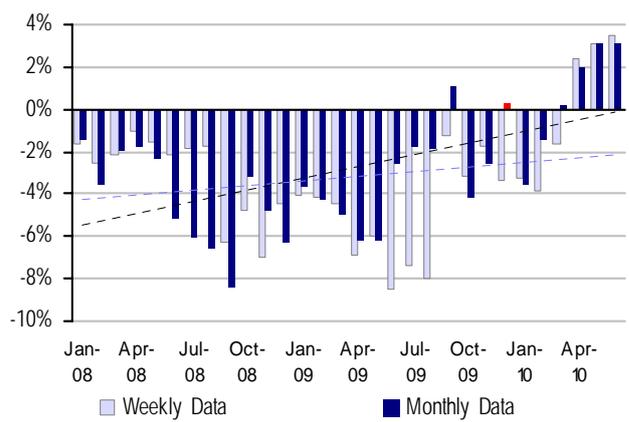
Source: EIA

Chart 7: Reported Total demand from Weekly and Monthly



Source: EIA

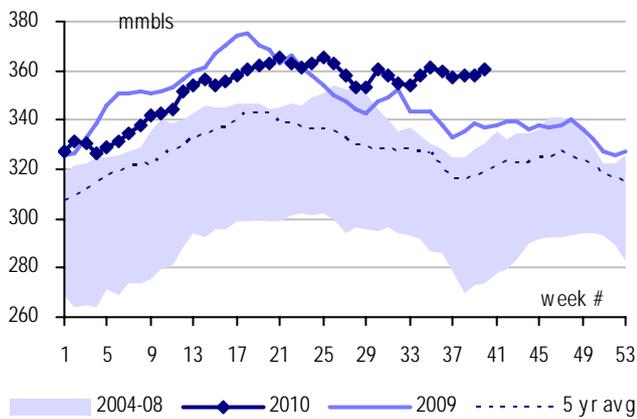
Chart 8: Reported Transport demand from Weekly and Monthly



Source: EIA

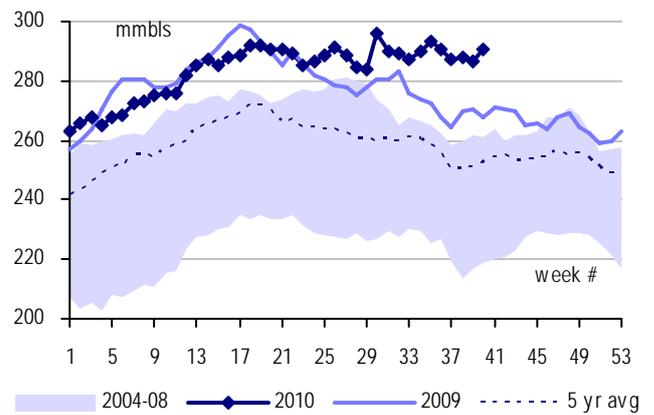
Simple inventory charts of crude oil and products (volume, mmbls)

Chart 9: Crude oil stocks



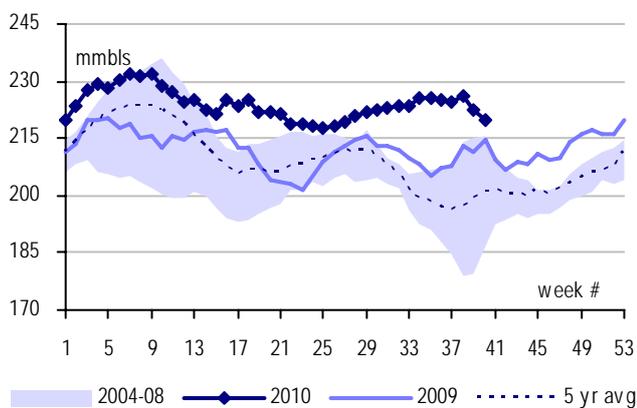
Source: EIA

Chart 10: Crude oil in PADD I, II, & III



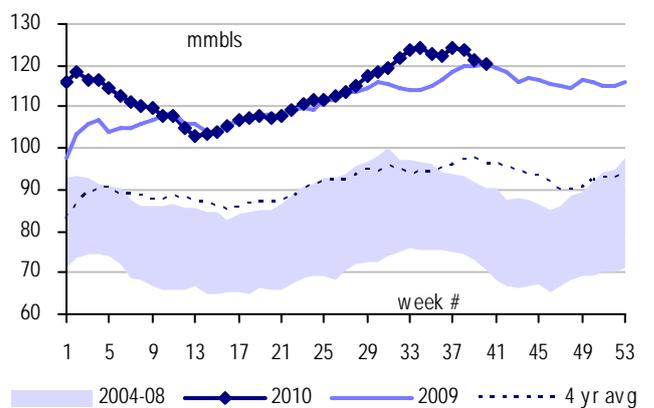
Source: EIA

Chart 11: Gasoline



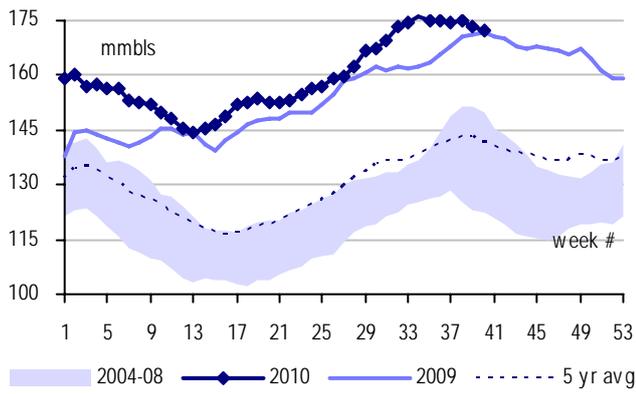
Source: EIA

Chart 12: Diesel



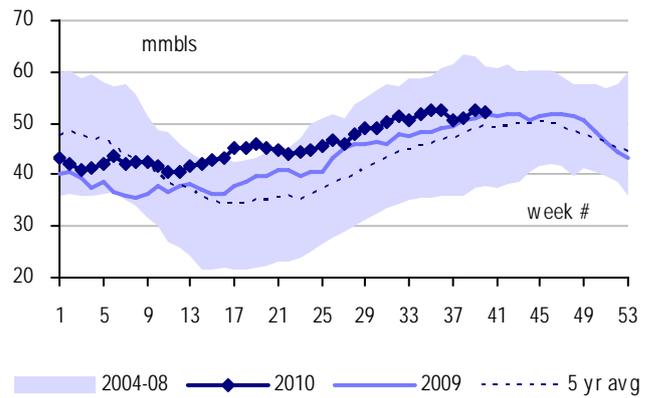
Source: EIA

Chart 13: Total middle distillates



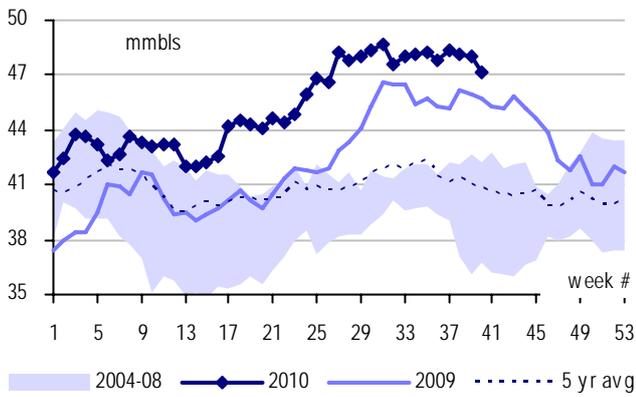
Source: EIA

Chart 14: Heating oil



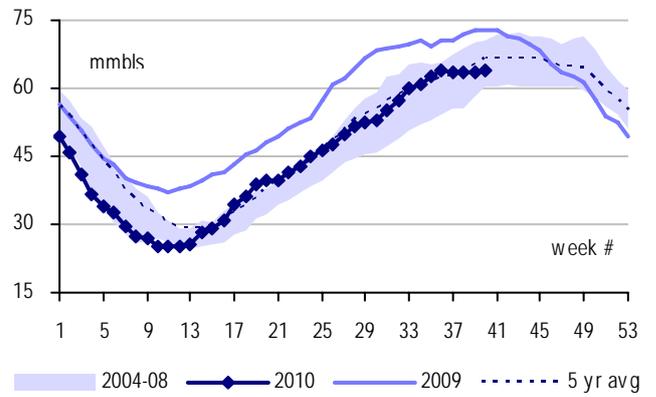
Source: EIA

Inventory Charts Continued...
Chart 15: Jet fuel



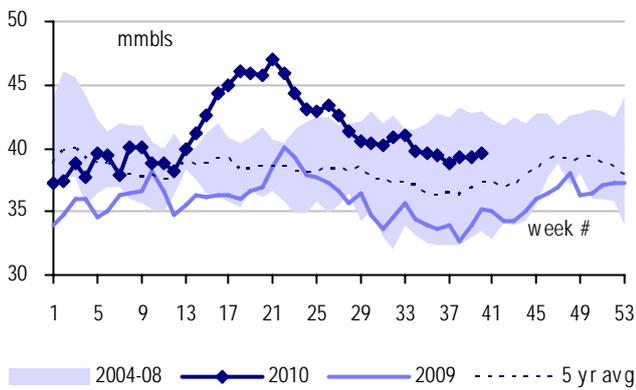
Source: EIA

Chart 16: Propane



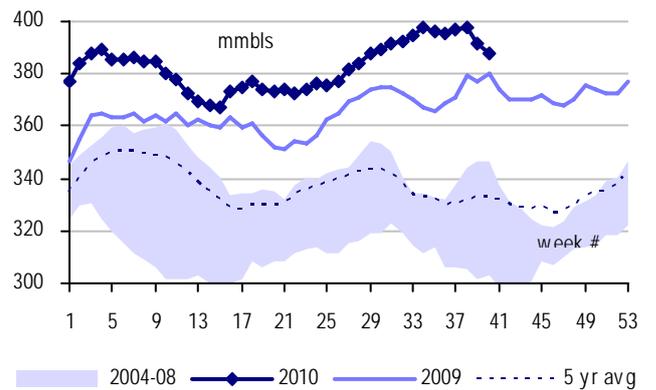
Source: EIA

Chart 17: Fuel oil



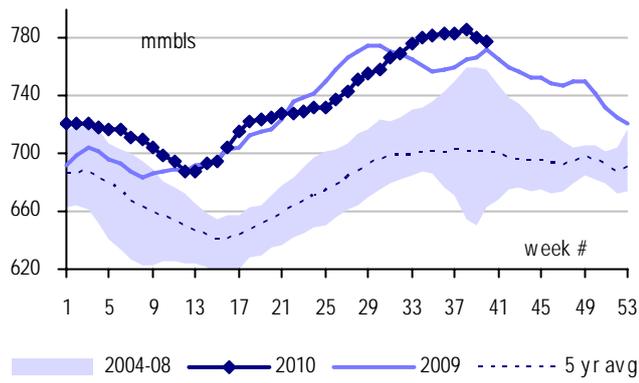
Source: EIA

Chart 18: Transport-fuel



Source: EIA

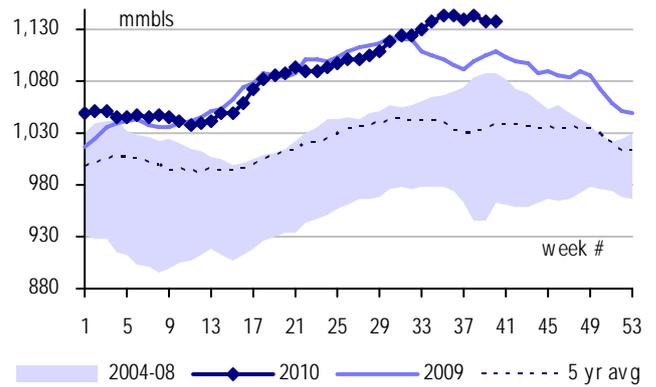
Chart 19: Total products



Source: EIA

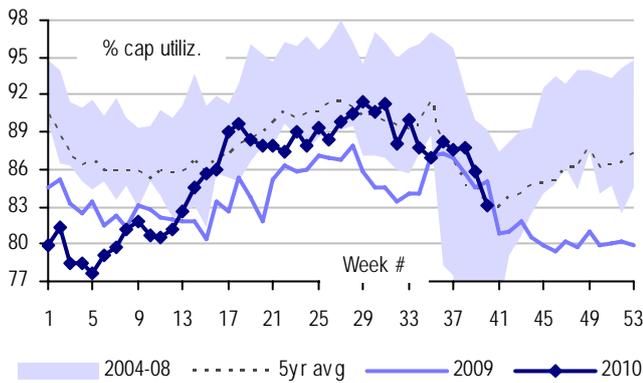
Please note 5 year avg represents 2005-09 period.

Chart 20: Total commercial



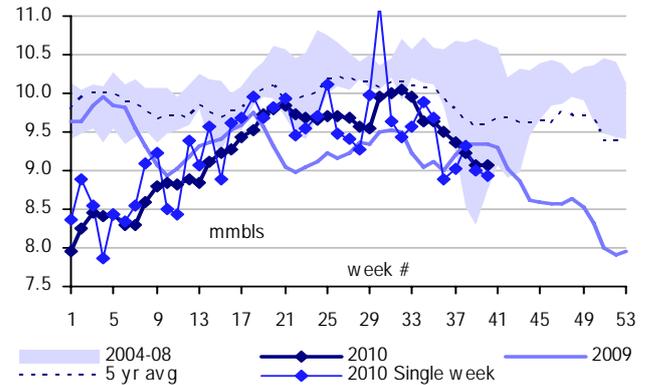
Source: EIA

Chart 21: US refinery utilization rates



Source: EIA

Chart 22: Rolling 4-week average US crude oil imports



Source: EIA

■ **Statement of Risk**

Oil prices are extremely volatile in the short, medium and long term, as they are frequently affected by inherently unpredictable events, including natural disasters.

In history, oil prices have proved consistently unpredictable because so many political, geological, and economic trends and events affect the supply of and demand for oil.

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Neutral	Hold/Neutral	40%	33%
Sell	Sell	9%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	20%
Sell	Sell	less than 1%	0%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2010.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

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