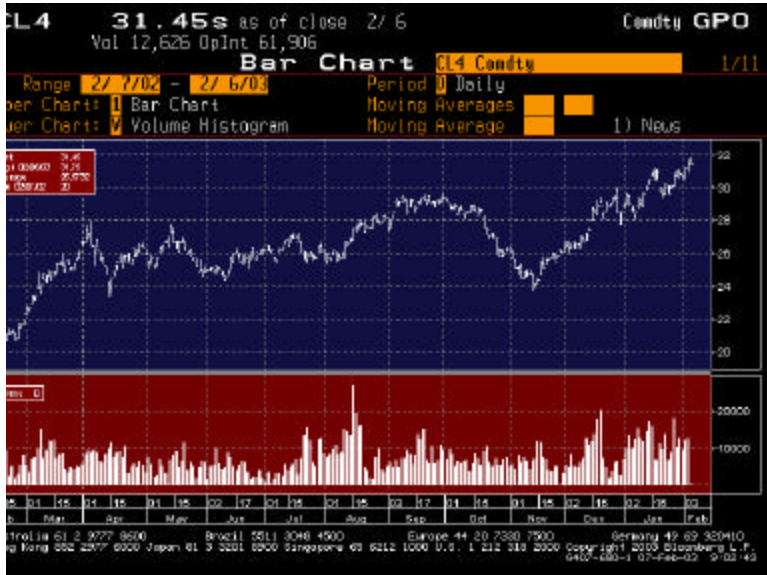




Gasoline or Crude: Which is the Problem for the Consumer?



The issue right now (after low refinery runs caused by bad crack spreads) will be gasoline. Product prices will stay high even if crude declines assuming a favorable war outcome (regarding the fields). The Venezuelan situation is not likely to improve very much, and Saudi production will have to expand by at least an extra million barrels to prevent a gigantic price spike. We may expect some decline thereafter **if the U.S. can resume export of Iraqi oil immediately. That is a very big assumption.**

Gasoline prices are going to stay high so we have to distinguish between the psychology of high gasoline prices and the psychology of "things getting better."



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