



## **ENERGY RISK MANAGEMENT**

Howard Rennell, Pat Shigueta,

& Karen Palladino

**(212) 624-1132 (888) 885-6100**

**[www.e-windham.com](http://www.e-windham.com)**

---

### **ENERGY MARKET REPORT FOR AUGUST 20, 2009**

---

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to remain unchanged at 22.59 million bpd in the four weeks ending September 5<sup>th</sup>. It expects shipments to begin easing the rest of September as energy demand wanes with the end of summer in the US and Europe. OPEC is complying with less than 70% of its promised output cuts. Separately, Lloyd's Marine Intelligence Unit estimated average OPEC seaborne exports increased to 20.8 million bpd in the

**Market Watch**  
According to the Labor Department, initial claims for unemployment benefits increased by 15,000 to 576,000 in the week ending August 15<sup>th</sup>. It is the highest level in three weeks. The four week average of new claims increased by 4,250 to 570,000. The report showed that the number of continuing claims increased by 2,000 to 6,241,000.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected in the Northeast, Southwest and West Coast of the US in September through November. It also said the weather phenomenon known as El Nino is expected to strengthen and persist into the winter and influence the forecast to as late as May 2010. Below normal temperatures are expected in the Southeast US and along the Gulf Coast from November to January and from February to April as a result of El Nino impacts.

The US National Hurricane Center said Hurricane Bill weakened on Thursday to a Category 3 storm with its winds dropping to 125 mph. However hurricane watchers said it had the potential to reach Category 4 status again. It is moving northwest at 18 mph and is expected to hold a northwesterly course for another day before turning north-northwest by late on Friday.

The chairman of the Commodity Futures Trading Commission, Gary Gensler said more over the counter derivatives should face mandatory clearing in suggesting improvements to the Obama administration plan to regulate the OTC derivatives market. He suggested language to prevent foreign exchange swaps from eluding regulation and stronger rules against fraudulent marketing of rolling spot commodity contracts. A part of the administration proposal is for standardized OTC derivatives to go through central clearing. In a letter to lawmakers, he said the requirement for clearing should include end users, who would be exempt under the administration proposal.

four weeks ending August 9<sup>th</sup> from 20.1 million bpd in the four weeks ending July 12<sup>th</sup>.

Iranian President Mahmoud Ahmadinejad will face a tough battle to win parliament's approval for his cabinet after lawmakers signaled they were likely to reject several proposed ministers. The nominated ministers include Commerce Minister Massoud Mirkazemi as the new oil minister. The outcome will be test of how secure Iran's President's grip is on power in the major oil exporter after his disputed re-election in June led to unrest in the country. Separately, Iran's OPEC governor,

**August Calendar Averages**  
**CL – \$70.50**  
**HO – \$1.8964**  
**RB – \$2.0190**

Mohammad Ali Khatibi said Iran's oil industry will support President Mahmoud Ahmadinejad's nomination for oil minister if approved by parliament.

Meanwhile, Iran's President Mahmoud Ahmadinejad shrugged off on Thursday the impact of any sanctions targeting Iran's gasoline imports and suggested it would soon be able to meet its own needs. US President Barack Obama has given Iran until September to start talks on trade benefits if it halts its nuclear enrichment program or face harsher sanctions. He said Iran broke down previous punitive measures imposed against the country and that talk of gasoline sanctions showed how politically backward its enemies are. A diplomat later said Iran allowed inspectors from the UN's IAEA to inspect the nuclear reactor at Arak last week for the first time in a year.

### **Refinery News**

Colonial Pipeline notified shippers it froze cycle 47 and 48 nominations on its main gasoline line is out of the Gulf Coast refinery row.

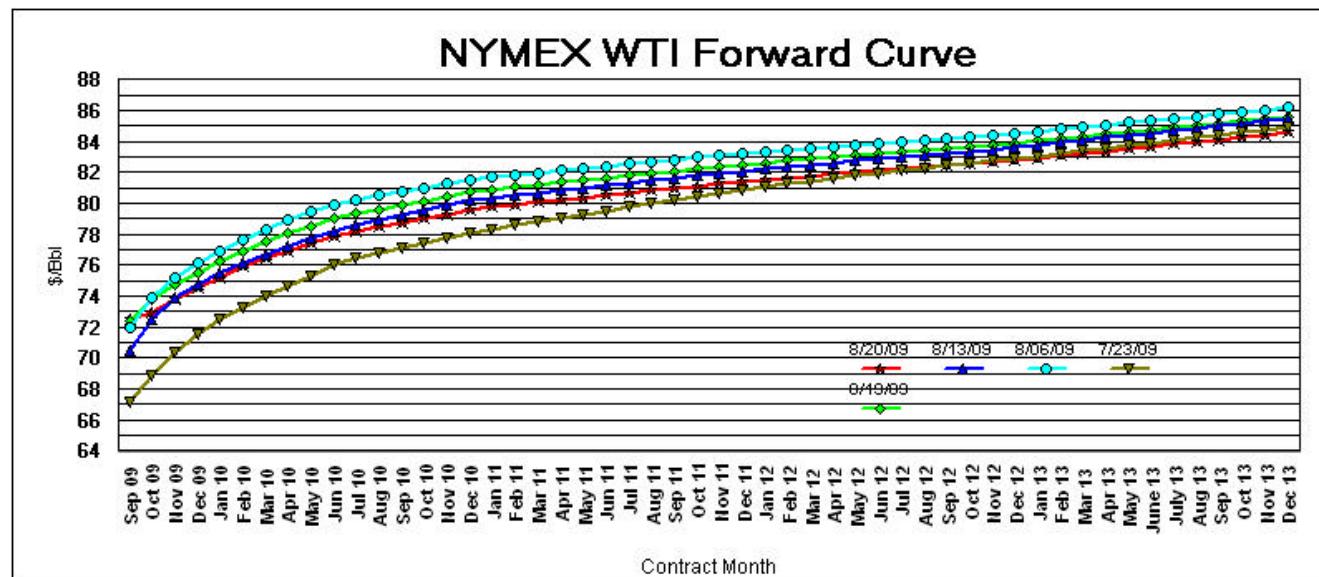
The US has approved Enbridge Inc's Alberta Clipper pipeline project, which will deliver Canadian oil to US refineries. Enbridge aims to start the 450,000 bpd pipeline by mid-2010.

Canada's East Coast oil producers said they are still only monitoring Hurricane Bill as it moves north toward Newfoundland, even as forecasters said the storm could pack 100 mph winds when it hits the region. Canada's three major oil projects in the region capable of producing about 250,000 bpd, could be directly in Bill's path when the storm arrives in the region late on Sunday night or early Monday morning.

CNOOC's first major refinery in southern China, the Huizhou plant, will run at 80-90% of its 240,000 bpd capacity for the rest of the year, following its start up in mid-March.

Taiwan CPC has restarted the smallest of its three naphtha crackers on Thursday following an unplanned shutdown two days ago due to compressor problems. The 230,000 ton/year No. 3 cracker unit is operating at about 80% of capacity. The other two units, with a total capacity of 830,000 tpy are operating around 90% of capacity.

Poland's PKN Orlen said its Lithuanian refiner Mazeikiu Nafta will shut for five to six weeks in October



and November 2010 for maintenance.

South Korea's Hyundai Oilbank Corp will sell 30,000 tons of diesel for September as it maximizes gas oil production in view of poor jet fuel demand, reversing its initial plans to skip spot diesel exports next month.

Product inventories in independent tanks in the Amsterdam-Rotterdam-Antwerp area fell in the week ending August 20<sup>th</sup>. Gas oil stocks fell by 5.14% on the week to 2.748 million tons. However gas oil stocks are up 40.92% on the year. Gasoline stocks fell by 19.2% on the week and by 38.62% on the year to 526,000 tons while fuel oil stocks fell by 34.13% on the week and by 53.32% on the year to 330,000 tons. Naphtha stocks fell by 3.8% on the week and by 19.15% on the year to 76,000 tons while jet fuel stocks fell by 0.64% on the week to 771,000 tons.

Singapore's International Enterprise said the country's residual fuel stocks fell by 1.473 million barrels to 19.8 million barrels in the week ending August 19<sup>th</sup>. It also stated that the country's light distillate stocks built by 222,000 barrels to 10.626 million barrels while middle distillate stocks built by 675,000 barrels to 15.008 million barrels on the week.

### **Production News**

Indonesia's Minister for Energy and Mineral Resources said Pertamina's production reached 184,158 bpd. Separately, Pertamina said it expects to produce an average of 175,000 bpd of crude this year, higher than its previous target of 171,000 bpd. A Pertamina official said the company can increase oil production from several areas, including South Sumatra, East Java and West Java.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 22.4 million barrels or 746,666 bpd of crude oil in September, down from 839,354 bpd in August.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$71.13/barrel on Wednesday from \$69.47/barrel on Tuesday.

### **Market Commentary**

Yesterday's gains in crude oil were given back early in the session after an unexpected increase in unemployment claims overshadowed yesterday's inventory decrease. The spot price of crude oil appears to be trading in a range of \$67.00 - \$73.00 over the past 3 weeks. Now that the October contract is the spot month, we will have to see if it can break out of this range. Uncertainty over the economy and its impact on demand will continue to move the energy markets as will the equities markets with hedgers looking for a safe place to invest. We may see imports increase next week as storm activity may have lead to the delay of tanker unloadings in the Gulf of Mexico. We would look for this market to continue to experience choppy trading as it responses to the ever changing signals concerning the rebound of the economic situation.

Crude Oil (SEP.09 19,934 -30,890 OCT.09 268,230 +13,279 NOV.09 122,279 +7,255 DEC.09 67,496 +2,476 JAN.10 38,379 -1,925 FEB.10 29,900 -1,054 Totals: 1,171,277 -1,895 Heating Oil (SEP.09 38,543 -3,028 OCT.09 64,136 +3,898 NOV.09 35,704 +1,968 DEC.09 45,175 +1,685 JAN.10 23,474 +759 FEB.10 15,933 +298 Totals: 317,997 +6,331 Harbor SEP.09 50,602 -5,380 OCT.09 67,852 +3,226 NOV.09 30,349 -269 DEC.09 30,718 +1,105 JAN.10 12,340 +24 FEB.10 3,996 -18 Totals: 222,889 - 325

High =  
 Low =  
 Open =  
 Close =  
 1 = 68.54  
 2 = 74.32  
 8/21/09

### NYMEX ACCESS Light Crude Oil (QCLV9)

80.00  
 75.00  
 72.85  
 70.00  
 65.00  
 60.00  
 55.00  
 50.00

October crude oil. October crude oil has been trading in an ascending pennant since the beginning of July. Slow stochastics are indicating higher moves. Tomorrow's pennant range is \$68.54 - \$74.32. Retreats from the upper trendline should be sold with breakouts bought. The projected upside target is \$80.10.

%K =  
 %D =  
 RSI =

### Slow Stochastic

50

Day

Apr 5/1 5/11  
 May Jun 6/1 6/15  
 Jul 7/1 7/13  
 Aug 8/3 8/17  
 Sep 9/1

### NYMEX ACCESS NY Harbor Gasoline (QRB<sub>1</sub>)

4.0000  
 3.5000  
 3.0000  
 2.5000  
 2.0000  
 1.5000  
 1.0000  
 0.5000

High = 2.0533  
 Low = 1.8865  
 Open = 1.9422  
 Last = 1.9848  
 1 = 1.7417  
 2 = 2.1281  
 8/17/09

Weekly spot continuation chart for crude oil. Prices appear poised to test the top of this ascending channel, with moving oscillators trending to the upside. Although this is a bullish scenario for prices, we believe with the unwinding of gasoline season that a break out of this channel will be difficult. Should prices trade at and fail to break above, a sell signal will occur.

### Slow Stochastic

100  
 50  
 0

Week

%K = 71.13  
 %D = 66.07

Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul  
 2008

<b>Crude Support</b>	<b>Crude Resistance</b>
66.75, 63.38, 62.70, 61.61, 60.95,	73.08. 73.38, 74.50, 76.13
<b>Heat Support</b>	<b>Heat resistance</b>
1.7340, 1.4220, 1.4130, 1.3720	2.0000, 2.0420, 204.65
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.9100, 1.8845, 1.8450, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.