



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 28, 2011

Iran's Oil Minister Rostam Ghasemi downplayed the threat of a European Union ban on oil imports from his country, saying Europe has no alternative but to buy Iranian crude. He said Iran sold its current oil production four months in advance, much of it to Asia, so a ban would have little immediate impact. Meanwhile, a French push for a European Union embargo on Iranian oil has run into opposition in some EU capitals, signaling that any decision was unlikely before a December 9th

summit. Foreign Ministers from EU member states are expected to discuss new sanctions against Iran on Thursday following the release of a report by the IAEA that suggested Iran had worked on designing nuclear weapons.

Ecuador's Oil Minister Wilson Pastor said OPEC is likely to maintain its oil production quotas unchanged at its next meeting. He said that a price of between \$90 and \$100/barrel is adequate and reasonable for the oil market.

The OECD said the global economy recovery is running out of steam, leaving the euro zone stuck in a mild recession and the US at risk of following suit. It said in the absence of decision action from euro zone leaders, the European Central Bank alone has the power to contain the bloc's crisis. In the US, the Federal Reserve has little ammunition left. It forecast that world growth would slow to 3.4% in 2012 from 3.8% this year. The estimate is down from a previous estimate that the world economy

Market Watch

The US Commerce Department reported that new home sales increased slightly in October. New home sales increased 1.3% to a seasonally adjusted annual rate of 307,000 from a downwardly revised 303,000 in September. The median price in October for a new home was \$212,300, up from \$204,200 a year earlier.

The Federal Reserve Bank of Dallas' Texas Manufacturing Outlook Survey showed its general business activity index increased to 3.2 in November from 2.3 in October. However its production index for November fell to -5.1 in November from 4.1 in October.

According to a Reuters survey, WTI crude is expected to trade above \$100/barrel by 2013. It reported that WTI is expected to average \$96.50/barrel in 2012, up from a previous forecast of \$92/barrel. In the midterm, US crude is seen remaining at a discount to Brent crude, especially if the European Union imposes sanctions on Iranian oil. Analysts forecast Brent crude in 2013 at \$107/barrel, up from a previous forecast of \$106.80/barrel.

Germany and France are working together on a proposal for concrete and limited changes to the European Union treaty. Officials said Germany and France are exploring radical methods of securing deeper and more rapid fiscal integration among euro zone countries.

Nigeria has withdrawn \$2 billion from its crude oil savings for various projects and distributed more money in October to the three tiers of government than the previous month. The minister of state for finance said 615.76 billion naira or 43.85 billion was distributed from federal accounts to the three tiers of government for October, up from 611.5 billion in September.

**November
Calendar Averages**
CL - \$96.82
HO - \$3.0670
RB - \$2.5866

would grow 4.2% this year and 4.6% in 2012. It said the euro zone has already entered a recession and will see a growth of 0.2% in 2012, down from a previous forecast of 2%. The OECD forecast that the US economy is set to grow 1.7% in 2011 and 2% in 2012, down from its previous forecast of 2.6% and 3.1%, respectively. It also forecast that growth in the emerging Asian economic power would slow to 8.5% in 2012 from 9.3% in 2011.

Refinery News

Colonial Pipeline said it was freezing nominations on its Linden Delivery Line L2 for Cycle 64. It also stated that it will eliminate Cycle 3 of 2012 from all lines on its system to get the lifting schedules of the lines back on its shipping calendar.

Credit Suisse reported that refined product margins were up by about 6% on average in the week ending November 25th. It reported that refinery margins in the Northeast fell by 77 cents to \$6.32/barrel while margins in the Midwest fell by 26 cents to \$14.29/barrel and margins in the Gulf Coast increased by 62 cents to \$14.89/barrel. Margins in the Rockies region fell by 56 cents to \$27.44/barrel while margins in the West Coast increased by \$1.59 to \$5.50/barrel on the week.

IIR Energy reported that US oil refiners are expected to shut in 310,000 bpd of capacity in the week ending December 2nd, down from 569,000 bpd in the previous week.

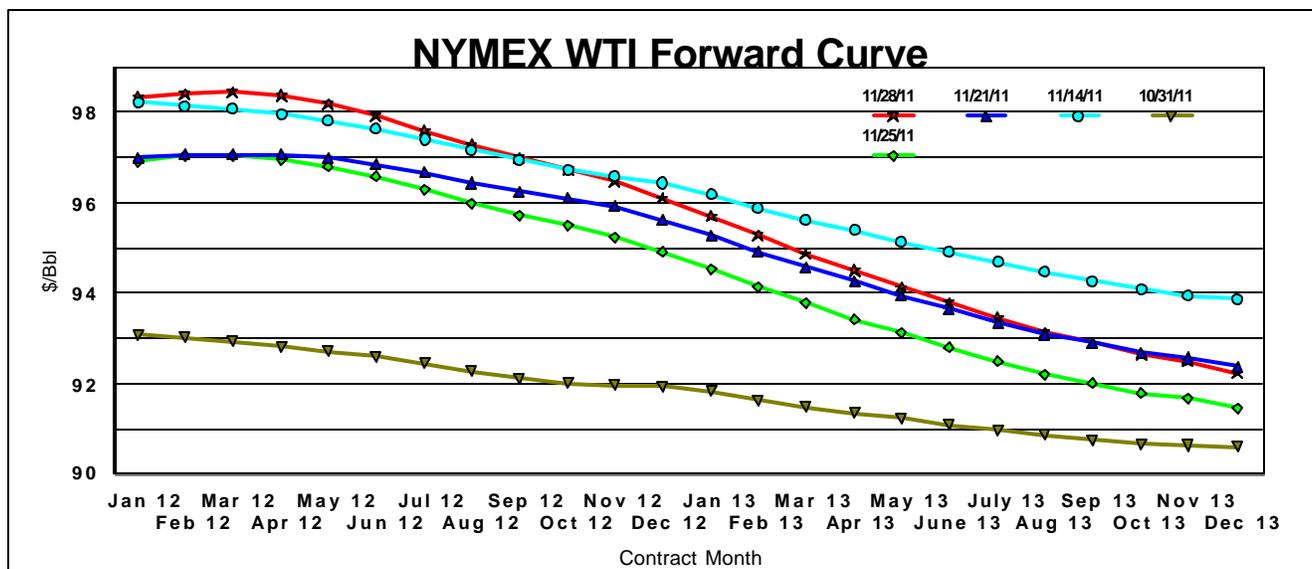
A power interruption within PBF Energy's 190,000 bpd oil refinery in Delaware City, Delaware resulted in process unit upsets and a boiler shutdown on Sunday. It said it was checking affected units in order to restart safely following the power outage.

Marathon Petroleum Corp said a unit shutdown for planned maintenance caused a release of hydrocarbons at its 78,000 bpd refinery in Canton, Ohio.

Valero Energy Corp said there was no impact on production from a brief power interruption on Wednesday at its 80,887 bpd refinery in Wilmington, California. Power was quickly restored and all units were operating at planned rates. Separately, it said work on a compressor has been completed and a hydrotreater has resumed operations at its 171,000 bpd refinery in McKee, Texas.

Delek reported that its fluid catalytic cracking unit at its Tyler, Texas refinery resumed operations.

Japan's Idemitsu Kosan Co restarted all secondary units at its 160,000 bpd Aichi refinery on Sunday



following the completion of maintenance. The secondary units were shut since late September for maintenance work.

Japan's JX Nippon Oil and Energy denied an industry research firm's report that it halted its 127,000 bpd crude distillation unit at its Marifu refinery.

China's Sinopec Group said it launched upgrading and expansion projects at its refinery in Jiujiang to increase crude runs by 60%. The refinery will be able to process 8 million metric tons of crude annually when the projects are completed, up from 5 million tons currently.

Russia's Energy Ministry reported that the country's refinery runs in October increased by 2.1% on the month to 4.99 million bpd. Its oil runs were up 0.1% on the year. It reported that Russia's gasoline production in October fell by 2.9% on the month and by 3.4% on the year to 97,355 tons/day while its gasoil output fell by 1.4% on the month and 5.5% on the year to 179,435 tons/day. Fuel oil production increased by 5.8% on the month but fell by 0.7% on the year to 5.814 million tons/day.

According to the Institute of Comprehensive Transportation under the National Development and Reform Commission, China may have to rely on foreign countries for 65% of its oil supplies by 2015, up from the current level of 55%. China is expected to import 370 million tons or 7.4 million bpd in 2015 compared with a demand level of 570 million tons. Its natural gas imports may reach 90 billion cubic meters in 2014 while consumption is expected to reach 230 bcm in the same year.

Water levels on the Rhine and Danube Rivers in Germany fell again over the weekend, causing increasing costs for cargo owners. However traders said that vessels continue to sail. The river is too shallow to allow vessels to sail with full loads from Duisburg in the north to Switzerland.

Production News

Libya's National Oil Corp said Waha Oil started crude oil production at the Dahra and Samah fields at a rate of 16,000 bpd on Sunday. The production represents 5% of the total production capacity of the company.

Statoil resumed operations at two floating oil platforms in the North Sea over the weekend while a third facility that was shut on Friday due to weather concerns, remained offline. It resumed operations at its Heidrum and Aasgard platforms on Saturday while the Njord platform is still not operating.

Sudan decided to halt South Sudan's oil exports because the two countries have not yet agreed on a transit fee for the new country to export its oil through Sudan. Sudan's government made the decision on November 17th. It said the pipeline was still operating and international companies would not be affected.

According to a preliminary export schedule, Russia is expected to increase its Urals oil exports from the Black Sea port of Novorossiisk in December to 3.8 million tons, up from 3.01 million tons in November.

Russia's OAO Transneft said the second phase of its Baltic Pipeline System will be delayed until the first quarter of 2012. The delay is not expected to alter the volumes of Urals oil available in the market as the crude that would have been shipped via the pipeline to the Baltic Sea port Ust-Luga near St. Petersburg can be delivered to other ports.

Indian state refiners could cut retail gasoline prices by about 1 rupee/liter or 1.5% as lower Singapore spot gasoline prices have offset the impact of a declining rupee. The companies cut petrol prices by about 3.2% earlier this month.

Market Commentary

The oil markets started out the morning stronger supported by stronger than expected reports of U.S. consumer purchases over the Thanksgiving holiday. The National Retail Federation reported that it estimated U.S. consumers spent a record \$52.4 billion during the holiday weekend. In addition the euro was pushed higher from weekend newspaper reports that German Chancellor Merkel and French President Sarkozy were working toward formulating a stability pact for the euro as well as an Italian newspaper reporting that the IMF was in talks to lend Italy up to 600 billion euros. In the background was also news that the Iranian situation continued to simmer as the British and French moved forward with proposing new sanctions on Iran. The January WTI contract prior to the start of the floor session not only pushed back above the \$100 price barrier but had retraced nearly 69% of the downward move of the past two weeks.

But despite the bullish technical picture that was developing early this morning, the bullish euphoria though began to moderate at mid morning as traders began to take note of some bearish news stories, such as the downward revision in the OECD's economic outlook, the denial by the IMF that it was in negotiations with Italy or Spain on such a bailout as well as continued reports of rebounding Libyan oil output. The market though still settled easily in positive territory with the January WTI contract posting its highest settlement November 17th.

This market we feel will continue to be greatly influenced by outside global macro news stories as traders attempt to anticipate the evolving European monetary situation. This volatility based on various news reports will probably continue until at least December 9th, when the European Union is scheduled to hold a summit of its leaders.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499	10074	29288	30100	24988	25466
9251	10337	28800	30307	24734	25595
8916	10753	26850	30622	24516	25939
8581			30937	24480	26283
			31956	23803	
50-day MA	89.63		2.9795		2.5905
100-day MA	89.84		3.0161		2.6726
200-day MA	95.51		3.0764		2.7323

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