



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 20, 2011

According to the SpendingPulse report released by MasterCard, US retail gasoline demand in the week ending December 9th fell by 4.4% on the year. It reported that the price of gasoline fell by 2 cents to \$3.27/gallon last week.

The Gulf Cooperation Council issued a statement calling on Iran to stop meddling in the internal affairs of the group's members.

The US Treasury added 10 businesses based mostly in Malta to its sanctions list Tuesday, accusing them as serving as front companies and agents for Iran's national shipping company.

An Iranian envoy said Iran invited the UN nuclear watchdog to visit for talks and would be ready to discuss concerns about its disputed atomic ambitions.

Oil workers in Kazakhstan were protesting to demand who ordered police to fire on protesters during clashes over the past days that killed at least 15 people in the worst violence seen in the country in decades. About 100 demonstrators confronted dozens of riot police in Aktau. The clashes have not spread beyond the region however political analysts say the protests suggest broader public pressure is mounting for President Nursultan Nazarbayev to relax the authoritarian system he has built.

API Stocks

Crude – down 4.574 million barrels
Distillate – down 2.779 million barrels
Gasoline – down 394,000 barrels
Refinery runs – down 2.1%, at 83.1%

Market Watch

The US Commerce Department said US home building increased to the highest level in 19 months during November. It reported that home construction in November increased by 9.3% to a seasonally adjusted annual rate of 685,000 from October. The increase in November was driven by a 25.3% increase in multifamily homes with at least two units. Construction of single family homes, which made up of about 65% of the market, increased 2.3%. The Commerce data showed newly issued building permits increased 5.7% from a month earlier to an annual rate of 681,000, the highest since March 2010.

Barclays Capital said investment flows into commodities totaled \$3.7 billion in November. It said commodities assets under management increased by \$5 billion since the end of October to \$426 billion at the end of November.

The US CFTC approved a rule requiring the reporting of complex swap trades in real time. However the agency delayed a decision on block trades until next year.

Refinery News

Kinder Morgan Energy Partners LP said its Trans Mountain oil pipeline to Canada's West Coast from Alberta was overbooked for January, forcing it to cut back on its shippers' nominated volumes. It said shippers would be able to move just 37% of nominated volumes on the pipeline system. This

Repsol YPF SA chief executive Antonio Brufau said it should be prepared to get crude from other sources in case imports from Iran are banned.

Nigerian exports of Bonny Light crude are expected to increase to 164,000 bpd in February from 158,000 bpd in January.

Brazil's Petrobras said its oil production would fall short of its 2011 production target. It said Petrobras should end the year with crude oil production output of 2 million bpd compared with a target of 2.1 million bpd. It said it would lose its status as a net oil exporter in 2011 amid an increase in imports of gasoline and diesel fuel. Petrobras exports about 500,000 bpd of crude. Petrobras is expected to end the year with average gasoline imports of between 45,000 and 47,000 bpd, up from about 9,000 bpd in 2010. Diesel fuel imports are expected to end the year at 862,000 bpd, up from 788,000 bpd in 2010. Separately, Petrobras said it is planning to drill 66 offshore wells in 2012, with at least 12 additional drilling rigs starting work in Atlantic Ocean basins. Three production projects would also come onstream next year.

Canada's Bankers Petroleum plans to spend \$215 million at its Albanian oilfield in 2012 and sees a 30% year on year growth in output there. It said that with five drilling rigs and a drilling budget of \$131 million it intends to drill a total of 100 horizontal and vertical wells.

BP Plc plans to invest \$15 billion in Angola over the next two decades. It has already invested \$15 billion in various projects in the country.

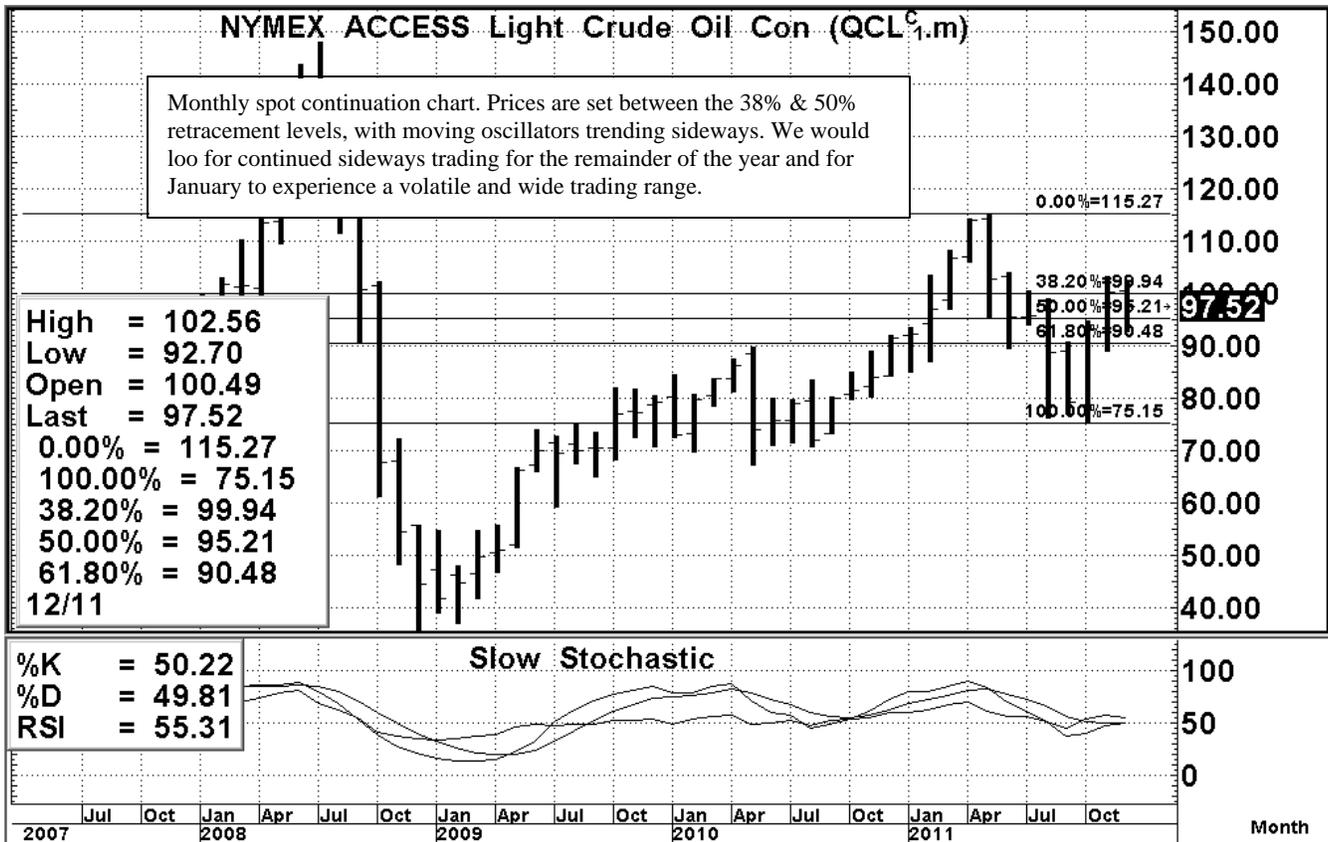
Market Commentary

Crude oil edged higher on thinly traded volume exceeding our expectations. The expiring January contract breached the \$97.00 level, supported on concerns of supply disruptions from Iran and a 9.3 percent increase in U.S. housing starts. This is the largest increase in new home construction in 19 months. Based upon a monthly spot continuation chart, December has so far been an inside trading month and is currently trading below last month's settlement of \$100.36. Based upon the aforementioned chart and using the range of \$115.27 and \$75.15, prices are currently trading between the 38 percent retracement of \$99.94 and the 50 percent retracement of \$95.21. Three out of the last six months have been inside trading months and followed by volatile trading with wide ranges the following month. Based upon this observation, we would expect the New Year to start off with a volatile beginning and for January to experience a wide range.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499		27505	29288		25939
9591		26975	28800	24734	26283
9251	10337	26850	30937	24516	
8916	10753	26680	31956	24480	
8581	11483			23803	
50-day MA	94.89				
100-day MA	90.01				
200-day MA	95.67				

MONTH	CRUDE (NYMEX)				WTI (ICE)				BRENT (ICE)			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
JAN	242384	232761	9623	18.678%	0	32338	-32338	0.000%	0	0	0	0.000%
FEB	22440	58145	-35705	1.729%	71619	72946	-1327	18.048%	165225	166959	-1734	19.212%
MAR	144697	141853	2844	11.150%	33226	32778	448	8.373%	154934	145108	9826	18.015%
Dec-12	167119	166705	414	12.878%	64197	64124	73	16.178%	96423	96500	-77	11.212%
Dec-13	74408	74714	-306	5.734%	36630	36633	-3	9.231%	44953	44761	192	5.227%
TOTAL	1297716	1317220	-19504		396822	431331	-34509		860014	846572	13442	

MONTH	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	86562	86967	-405	31.600%	35419	40885	-5466	12.519%
JAN	42543	41491	1052	15.530%	62657	59125	3532	22.147%
FEB	31413	30537	876	11.467%	44729	43850	879	15.810%
Dec-12	18223	18312	-89	6.652%	13328	13355	-27	4.711%
TOTAL	273933	268959	4974		282916	282383	533	



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 permission is prohibited.