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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 12, 2010

In its latest Short Term Energy Outlook, the EIA said the world oil market should gradually tighten in 2010 and 2011, provided the world economic recovery continues as projected. It reported that world oil demand in 2009 fell by 1.96% or 1.68 million bpd to 84.1 million bpd. Demand in 2010 and 2011 are expected to increase by 1.28% or 1.08 million bpd to 85.18 million bpd and by 1.73% or 1.47 million bpd to 86.65 million bpd, respectively.

Market Watch

European spot exports of gasoil to the US Northeast have stopped as milder weather has tempered demand. The arbitrage to send gas oil with 0.1% sulfur westwards across the Atlantic briefly opened in early January, prompting a drawdown of distillates held in floating storage. Sources estimate that at least 500,000 tons or 3.8 million barrels of gasoil has been shipped this month from idle vessels in Europe to be unloaded on the US East Coast. Shipbrokers and traders estimate there are still about 90 million barrels of distillates including heating oil in floating storage globally.

The US Commerce Department reported that the US deficit in international trade of goods and services expanded 9.7% to \$36.4 billion in November from \$33.19 billion in October. The November deficit was larger than market expectations of a \$34.7 billion deficit. The US bill for crude oil imports in November increased to \$17.81 billion from \$17.44 billion in October, as higher oil prices more than offset a drop in import volumes. Crude import volumes fell to 245.45 million barrels from 258.83 million barrels. The average price of crude increased \$5.15 to \$72.54/barrel, the highest price since October 2008.

An investment strategist at China's wealth fund said the dollar is currently at its bottom adding that there will be very limited space for the dollar to fall further. The strategist noted that China's dollar reserves enabled it to influence commodities markets. He said China can weigh down or push up the dollar exchange rate, which will have an impact on the world commodity futures market. The investment strategist also said that China's government will likely give the wealth fund more money to manage. However the size of the capital injection is unclear.

Indonesia's Finance Minister Sri Mulyani Indrawati said the country plans to revise up its forecasts for both oil price and the value of rupiah in its 2010 state budget. It will revise its oil price forecast up to an average of \$80/barrel from its previous forecast of \$65/barrel. The government expects the rupiah to average 9,500 per dollar this year against an earlier forecast of 10,000.

A total of 4,830 lots or 483,000 metric tons of gasoil was physically delivered against the expired ICE gasoil futures. It is up from 353,800 tons delivered against the December gasoil futures contract.

China's official Xinhua News Agency reported that 11% of 598 coal fired power plants in regions covered by the State Grid Corporation of China had insufficient coal inventories for three days of generation as of Sunday. It said 11% of the plants could shut down at any time after coal shortages led to the closure of 21 power generators.

China Meteorological Administration reported that temperatures in eight of 10 major cities across China were lower than their long-term averages in December. China has been hit by natural gas shortages and power strains since November as unusually early and cold weather caused a surge in power and heat demand.

API Stocks

Crude – up 1.206 million barrels
Distillate – up 3.595 million barrels
Gasoline – up 6.824 million barrels
Refinery runs – up 0.3%, at 79.8%

The EIA said non-OPEC supply in 2009 increased by 1.29% or 640,000 bpd to 50.29 million bpd while supply in 2010 is expected to increase by .84% or 420,000 bpd to 50.71 million bpd but then fall by 0.28% or 140,000 bpd in 2011. In regards to OPEC, the EIA expects that annual average OPEC crude oil production, which fell by almost 2.2 million bpd on average in 2009, will increase by an average of about

500,000 bpd per year through 2011 as world oil demand recovers. OPEC surplus crude oil production capacity, which averaged 2.8 million bpd during the 1998-2008 period will remain high, with surplus capacity reaching almost 6 million bpd by the end of the forecast period. As a result of low growth in non-OPEC supply, OPEC market share could increase to 42% in 2011 from 40% in 2009. The EIA estimates that OECD commercial oil inventories totaled 2.69 billion barrels at the end of 2009 or about 58 days of forward supply and about 80 million barrels more than the 5 year average for the corresponding time of year. The EIA reported that US oil demand in 2009 fell by 4.21% or 820,000 bpd to 18.68 million bpd. Demand in 2010 is expected to increase by 1.18% or 220,000 bpd to 18.9 million bpd while demand in 2011 is expected to increase by 1.11% or 210,000 bpd to 19.11 million bpd. Gasoline demand in 2009 is estimated at 9.00 million bpd and is expected to increase by 0.56% or 50,000 bpd to 9.05 million bpd in 2010 and by 0.77% or 70,000 bpd to 9.12 million bpd. Distillate demand in 2009 is estimated at 3.62 million bpd and increase by 2.21% or 80,000 bpd in 2010 and by 1.89% or 70,000 bpd in 2011. The EIA expects that the price of WTI, which averaged \$62/barrel in 2009 will average about \$80 and \$84/barrel in 2010 and 2011, respectively. Gasoline prices are expected to average \$2.84/gallon in 2010, up 1 cent from the previous forecast while diesel prices are expected to average \$2.98/gallon this year, up 2 cents from last month's estimate.

Top officials from the US, Britain, China, France, Russia and Germany are scheduled to meet at the European Union mission in New York on Saturday to consider new sanctions on Iran over its nuclear program. However they are not expected to issue a statement after the meeting.

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said there is no need for OPEC to change its supply policy at its next meeting in March. He said the oil price is "fantastic" and oil demand is rising. He said OPEC will not change its output policy unless oil prices exceed \$100/barrel.

Saudi Aramco's chief executive Khalid al-Falih sees oil prices starting to recover and demand rising slowly, helping to stabilize the world oil market.

Gunmen in Nigeria kidnapped three British workers and one Colombian on Tuesday in an attack on their convoy near Port Harcourt. A Nigerian security officer was killed in the incident as the expatriates travelled to work. A security source said the expatriates were contractors with Nigeria's National Engineering and Technical Company and working at the Afam power plant. Residents in Port Harcourt say violent crimes have become more common recently and blame it on former militants. Tensions have heightened further due to the prolonged absence of President Umaru Yar'Adua which has stalled the post-amnesty programs. Nigeria's President has been absent from Nigeria for more than seven weeks receiving medical attention in Saudi Arabia.

Iran's Foreign Ministry said there were signs of Israeli and US involvement in the killing of a university nuclear scientist in Tehran on Tuesday. It said "such terrorist acts and the apparent elimination of the country's nuclear scientists will definitely not obstruct scientific and technological processes."

According to MasterCard Advisors LLC, US gasoline demand increased by 2.1% or 188,000 bpd in the week ending January 8th to 9.12 million bpd. Demand increased 1.8% or 157,000 bpd on the year while the four week

**January
Calendar Average
CL – \$82.17
HO – \$218.34
RB – \$212.81**

average increased by 1.1% on the year. On a nationwide average, the retail price of gasoline increased by 8 cents on the week to \$2.70/gallon, the highest level since October 24th and up 55.2% on the year.

Refinery News

Chevron’s 260,000 bpd El Segundo, California refinery restarted a hydrocracker over the weekend following an unexpected shutdown on Friday due to a compressor failure.

ExxonMobil Corp’s 344,000 bpd refinery in Beaumont, Texas reported late Monday that a generator breaker tripped at one of its combustion units.

A fluid catalytic cracking unit at Citgo Petroleum Corp’s Corpus Christi, Texas refinery was shut Monday night after a rat caused a power shortage. The unit was shut to allow for repairs on the electrical wiring.

BP Plc reported a benzene line leak at its 417,000 bpd refinery in Texas City, Texas, which occurred on Monday afternoon.

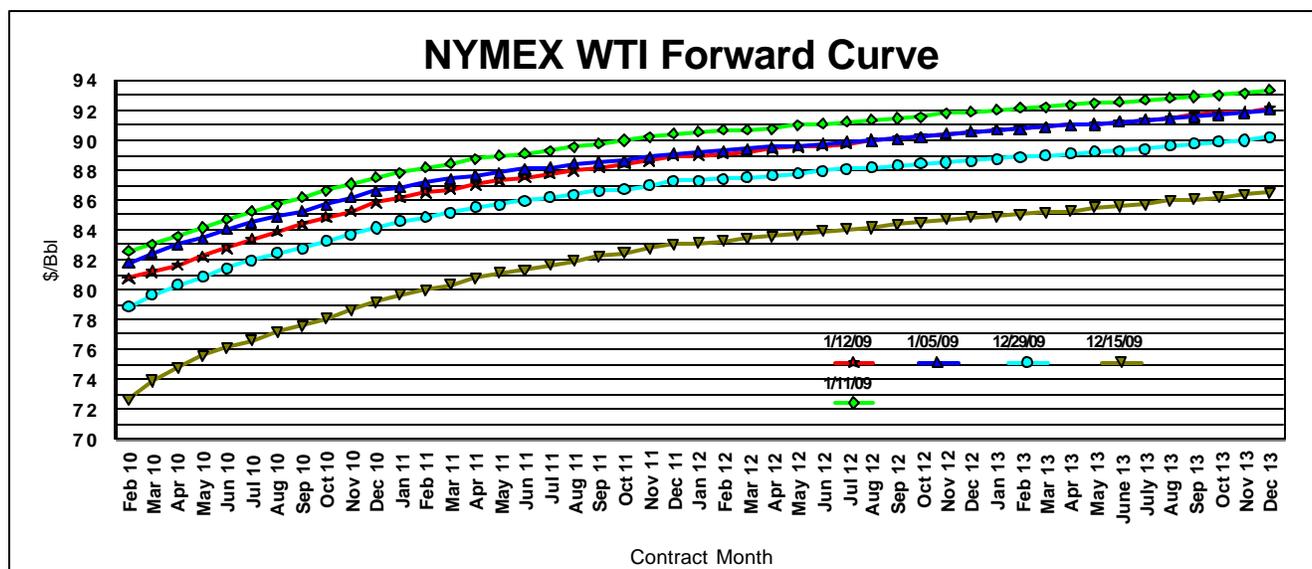
LyondellBasell’s 270,000 bpd Houston, Texas refinery ran at 218,000 bpd in November due to an extended overhaul of a crude distillation unit.

Tesoro Corp warned of planned flaring between Wednesday and Sunday at its 100,000 bpd Los Angeles refinery. A notice filed with California pollution regulators did not say why the flaring may occur but did say it was not related to an equipment breakdown at the refinery.

Western Refining said a leaking exchanger at its 107,000 bpd refinery in El Paso, Texas caused an air emissions incident.

Sunoco Inc said work to repair its Fulton, New York ethanol plant started on January 4th. The facility is expected to resume operations by mid-2010. The facility could eventually meet 25% of the company’s ethanol needs.

Total is considering permanently shutting its 137,000 bpd Dunkirk refinery in northern France because it failed to find a buyer. It shut the refinery on September 15th for an unspecified duration due to poor demand for fuel products and low refining margins.



A source at Russia's Transneft said Russia could halt oil deliveries to refineries in Belarus within a day, as existing supply contracts expire. Russia started cutting supplies through the Druzhba pipeline to Belarus' domestic market after a pricing deal between the two countries expired on December 31st. The source said refineries in Belarus can work another three to four days on existing reserves. Talks between Russian and Belarusian officials ended without an agreement on Saturday. However both sides have stated that they remain willing to continue negotiations.

Qatar Petroleum and ExxonMobil's planned petrochemical complex will cost about \$6 billion, almost double the initial estimated cost of the plant.

Western fuel oil cargoes arriving in Asia in February have increased above 3 million tons amid the open West-to-East arbitrage window. The spillover of some cargoes due to arrive in late January will increase next month's volumes. The February arrivals are up from January's six month low of 2.8-2.9 million tons.

Royal Dutch Shell Plc may ship up to 90,000 metric tons of Asian gasoil to Europe later this month.

Indonesia's Pertamina is expected to import 17.28 million barrels of oil products in January and February. It will import 5.5 million barrels of gasoline and 1.8 million barrels of gasoil in January. In February, Pertamina will import 5.7 million barrels of gasoline and 3.6 million barrels of diesel. It is also expected to import 680,000 barrels of fuel oil in February.

India's Bharat Petroleum Corp Ltd is seeking sweet crude for March loading via a tender. BPCL bought a total of 7 million barrels of oil for February loading, higher than the normal monthly level of 2 million barrels, partly due to its new 120,000 bpd Bina refinery, which is expected to start a trial run in April.

Production News

Britain's North Sea Flotta crude oil stream is scheduled to load about 70,000 bpd of crude in February, up from about 42,000 bpd in January.

Russia's Energy Ministry reported that the country's crude oil and condensate production in 2010 will increase 0.16% on the year to 495 million metric tons or 3.6 billion barrels. Gasoline production is expected to increase by 4.13% to 37.2 million metric tons, of which 5.2 million tons may be exported. Its crude oil exports are expected to increase 0.4% to 247 million metric tons.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said Iraq is aiming to export about 2 million bpd of Basra Light crude and Kirkuk crude in the first half of 2010, up from 1.906 million bpd exported in 2009. He said 1.55 million bpd are expected to be sold via the southern Basra export terminal while the remaining 450,000 bpd are expected to be exported via the Turkish port of Ceyhan.

Ecuador's central bank reported that the country exported 108.11 million barrels or 323,671 bpd in the first 11 months of 2009, down 6% from the 115.49 million barrels or 344,734 bpd reported last year. Private companies exported 33.58 million barrels or 31% of the total.

Russia will likely increase its oil export duty in February to between \$271 and \$274/ton from \$267 in the current month to correspond with a slight increase in oil prices. Export duties on light refined products, such as gasoline and gas oil, are likely to total \$195-\$197/ton, up from the current level of \$192.20/ton. Export duties on heavy refined products, such as fuel oil, are likely to total \$105-\$106/ton, up from \$103.50/ton in January.

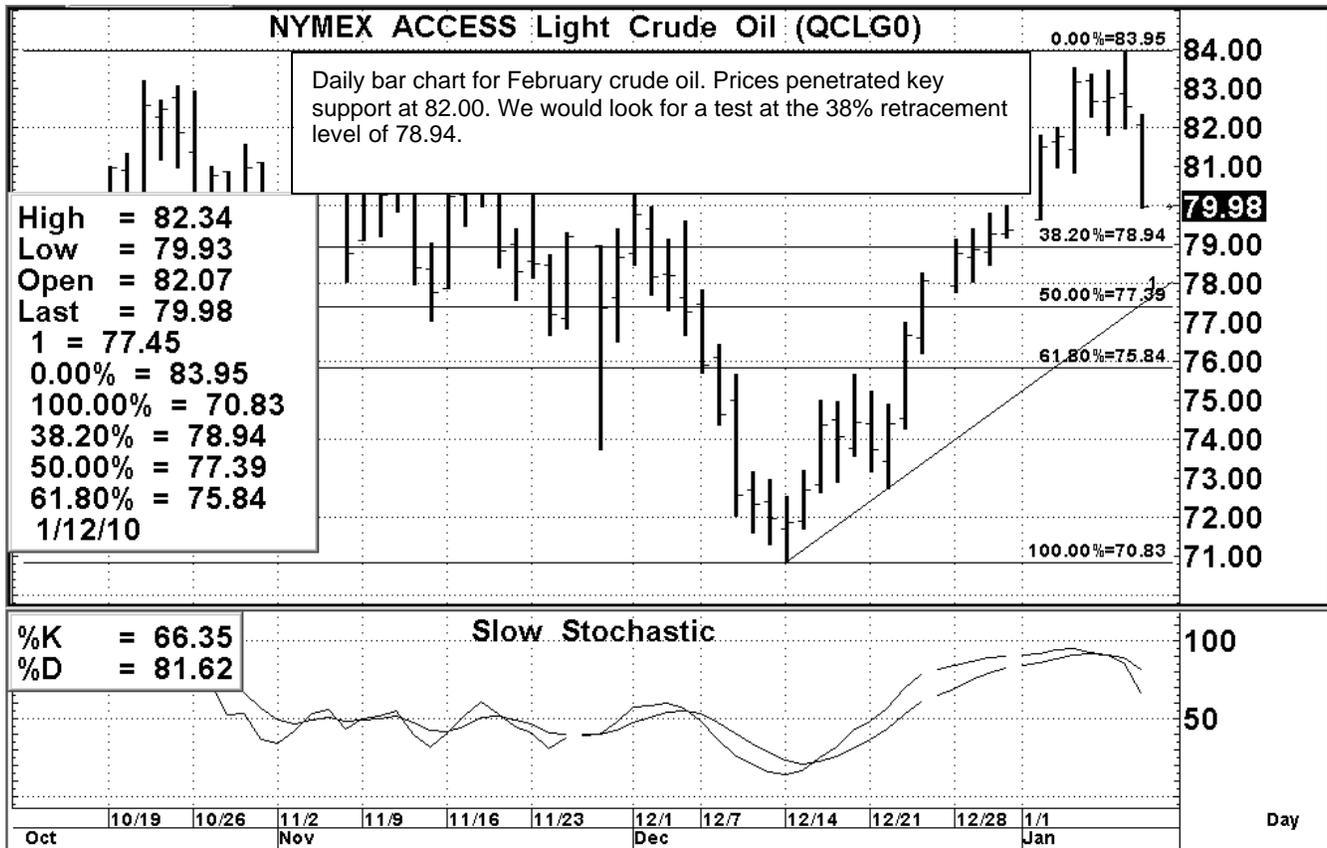
OPEC's news agency reported that OPEC's basket of crudes increased by 35 cents/barrel to \$80.29/barrel on Monday.

Market Commentary

Energy futures across the board sold off today in response to warmer weather predictions and reserve tightening in China. As China raised the proportion of deposits that banks must hold in reserve, thoughts of waning Chinese demand circulated the market place. The February crude oil contract hit a low of \$80.24, having penetrated the \$82.00 support level. A shift in the U.S. weather pattern sent heating oil tumbling lower, as longs liquidated their positions. Gasoline followed suit on concerns about demand. From a technical perspective all three markets appear to be head lower, as moving oscillators crossed to the downside. With February crude oil breaking and settling below the aforementioned key support at \$82.00, we would look for continued pressure, with an initial test at the \$78.95 support area.

Crude FEB.10 226,210 -24,161 MAR.10 227,888 +24,899 APR. 84,853 -671 Totals 1,294,224 +4,599
 Heating oil FEB 10 84,511 -5,066 MAR.10 68,361 +5,601 APR10 34,226 +1,243 Totals: 329,151 +5,230
 Gasoline FEB.10 80,936 -6,447 MAR. 10 60,178 +6,660 APR10 36,845 +709 Totals: 263,015 +2,773.

Crude Support Based on February	Crude Resistance Based on Feb
79.89, 78.95, 77.85, 75.00, 73.50, 72.91, 72.60, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	82.0084.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.7900, 1.7200 1.6600	2.1930, 2.2270, 2.3350,



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