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Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 14, 2008

Market Watch

According to a Dow Jones survey, analysts increased their forecasts for US Light, Sweet crude in 2008 to $82.50/barrel from a previous estimate of $79.50. The price of crude is expected to average $78/barrel in 2009, up from a previous estimate of $77.60/barrel. Meanwhile the price of Brent in 2008 and 2009 are estimated to average $82/barrel and $79/barrel, respectively.

The EU's Environment Commissioner Stavros Dimas admitted that the EU did not foresee the problems raised by its policy to get 10% of its fuel from plants. Recent reports have warned of rising food prices and rainforest destruction from increased biofuel production. He said it would be better to miss the target than achieve it by harming the poor or damaging the environment.

NYMEX Holdings Inc said December average daily volume stood at 1.335 million contracts, up 16% from 1.149 million contracts traded in December 2006. NYMEX electronic volume on the CME Globex electronic trading platform was 618,912 contracts per day, up 65% from the 376,094 average daily contracts traded electronically in December 2006. NYMEX floor traded energy futures and options averaged 190,505 contracts per day for December 2007.

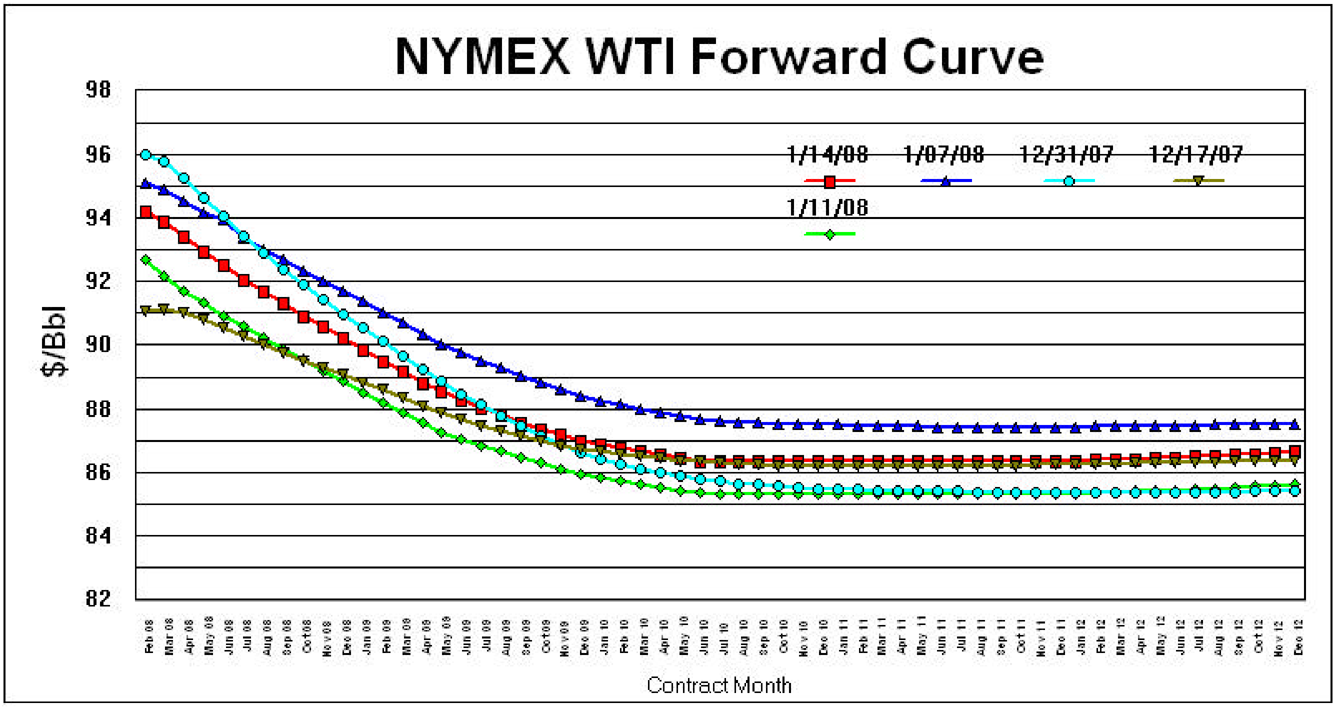
The NYMEX announced that the exchange floor would be closed for the Martin Luther King Jr holiday on Monday, January 21. NYMEX and Comex products on CME Globex and NYMEX Clearport would all open for trading/trade submission for the January 22 trade date until the trading halt at 5:15 pm. Day orders entered on CME Globex would be for the January 22 trade date and would continue until Tuesday's close at 5:15 pm. The markets will not be settled on January 21.

Royal Dutch Shell Plc declared a force majeure on oil exports from Nigeria's Forcados terminal for January and February following an attack on a water discharge line that affected its export pipeline as well last week. Exports have been halted since Friday. Shell said production was not impacted.

OPEC's Secretary General Abdullah al-Badri said OPEC would increase its oil production if needed at its next meetings on February 1 and March 5. He said current supplies were sufficient and added that speculation was the major factor driving prices. He said he did not expect oil prices to reach $100/barrel again given fundamentals. Separately, Qatar's Energy Minister Abdullah al-Attiyah said OPEC was unable to control prices.

French President Nicolas Sarkozy said he was concerned about the sharp increase in oil prices and urged Saudi Arabia to use its influence to

Jan Calendar Averages
CL – 96.04
HO – 262.98
RB – 244.60



play a moderating role.

Iran agreed to answer questions regarding its nuclear activities within one month during a meeting between Iranian leaders and the head of the IAEA. Iran provided information to the IAEA on Sunday about work to develop advanced centrifuges. The Deputy head of Iran's atomic energy agency, Mohammed Saeedi said the new deadline was agreed upon at Iranian initiative and would show the world Iran's nuclear goals are peaceful.

US President George W. Bush during his visit in Abu Dhabi warned Arab allies of the dangers posed by Iran. He said Iran was defying the UN and destabilizing the region by refusing to be open and transparent about its nuclear program. He called Iran the "world's leading state sponsor of terror" and urged Arab countries to join the US and confront the danger before it's too late.

The EIA reported that the US average retail price of diesel fell by 5 cents/gallon to $3.326/gallon in the week ending January 14. The EIA also reported that the US retail price of gasoline fell by 4.1 cents/gallon to $3.068/gallon on the week.

Refinery News

According to Credit Suisse, US refining margins in most regions fell in the week ending January 11. Margins in the West Coast fell by $6.81/barrel to $9.12/barrel on the week while margins in the Midwest fell by $2/barrel to $5.71/barrel. Gulf Coast margins fell by $1.74/barrel to $6.40/barrel while Northeast refiners saw margins fall by 92 cents to $8.27/barrel. However margins in the Rockies increased by $3.73/barrel to $10.43/barrel.

Valero Energy Corp flared gases yesterday at its 230,000 bpd Texas City, Texas refinery.

Venezuela's PDVSA said it partially closed its 640,000 bpd Amuay refinery on Saturday after an electrical failure. It said the shutdown would not affect exports and hoped to have the refinery functioning fully within five days.

A.P. Moller-Maersk said it suspended all shipping to the Onne port in Nigeria due to security concerns. Onne is not an oil export terminal but is used to supply oil industry contractors and ships that service the offshore sector.

Iraq's Kirkuk crude exports through the northern pipeline to Turkey remained on hold on Monday after exports were halted on Friday. Stocks in storage at Ceyhan stood at about 400,000 barrels.

India's Hindustan Construction Co has emerged as the lowest bidder to build the first strategic crude reserve. India aims to store 9.75 million barrels of oil in underground caverns by early 2011 as a first step and has government approval to expand its storage capacity to 36.65 million barrels. The stores would be used to hedge against volatility in international crude markets and feed domestic markets in case of short term supply disruptions.

China has imported 1-1.1 million tons of January delivery fuel oil so far and not much more is expected as demand from refiners remained low due to high prices.

Production News

Saudi Arabia has notified its customers in Asia and Europe that it would keep its crude supplies in February at the same levels as in January. Three Asian lifters said Saudi Arabia would supply the full contracted volumes of crude to Asia for February.

The Norwegian Petroleum Directorate said Norway's oil production in 2007 fell to 128.5 million standard cubic meters or 2.21 million bpd from 136.7 million standard cubic meters or 2.36 million bpd in 2006. Its oil production in 2008 is seen at 118 million standard cubic meters.

According to Iran's Oil Ministry, Iran is expected to sign a contract by late February with an unnamed Asian firm for the exploration and development of its Danan oilfield. While western firms have become more wary of investing in Iran due to the nuclear program dispute, Asian firms have proved less sensitive.

Kazakhstan's Energy Minister Sauat Mynbayev said it would double its stake in the Kashagan oilfield, stripping Italy's Eni of its leading role in the project, which would be further delayed to the end of 2011. Kazakhstan had previously demanded an increased stake in the project and compensation for cost overruns and the delay in the start of oil output at the field from the initial target of 2005. KazMunaiGas said it had agreed with the consortium to increase its stake in a move to help solve the dispute.

Kazakhstan increased its oil and gas condensate output by 3.8% year on year to 67.456 million tons in 2007. Its oil production increased by 2.2% to 55.551 million tons while its condensate production increased by 11.6% to 11.906 million tons.

Turkish officials said Iranian natural gas deliveries to Turkey have not yet been restored and it remains unclear when they would be despite earlier pledges from Iran. Over the weekend, Iran said it would not resume normal deliveries to Turkey on Monday as previously promised if it were unable to meet domestic demand.

OPEC's news agency reported that OPEC's basket of crudes fell further to $88.50/barrel on Friday from Thursday's $89.86/barrel.

Market Commentary

With colder than normal weather forecasted for the next eight to fifteen-day outlook, prices went on the offensive, rallying back against last week's tumble. Aiding the move higher was a weaker dollar and reports of force majeure by Royal Dutch Shell at its Forcados terminal in Nigeria. From a technical perspective, this market traded and settled above the upward channel on the spot continuation chart that began back in August. At this point we would look for prices to continue their rebound with a test of the $95.85 resistance area. Should prices break above $94.55, we would look to buy the February crude and would want to take profits at the aforementioned resistance level of $95.85. Our bias, however, is still to the downside and we continue to look for prices to reach the support set at $85.55. Spread wise with February going off the board, we would focus our attention on the March/April spread and would look for it to trade within the range of 0.57 and 0.38. We would buy a break above 0.57 and sell a break below 0.38. Open interest in crude oil is 1,445,375 up 20,238, Feb.08 201,622, down 19,818 and March 318,474, up 27,786. Similarly, the product markets retraced their previous losses and ended the session sharply higher. The heating oil market bounced off an overnight low of 260.60 and rallied to a high of 259.79 amid the supportive weather reports. The market later erased some of its gains and found support at 256.65 as it settled in a sideways trading pattern during the remainder of the session. The heating oil market settled up 5.33 cents at 258.92. The RBOB market also bounced off an overnight low of 231.35 as it retraced Friday's losses and traded to 236.50, where it held some resistance for much of the day. The market later breached that level and rallied to a high of 237.50 ahead of the close. The market settled up 5.25 cents at 237.28. While the markets traded higher during today's session, the markets continue to trade within their downward trend channels. The markets are seen retracing their gains and trading lower ahead of Wednesday's release of the weekly petroleum stock reports, which are expected to show builds across the board. In the heating oil market, support is seen at 256.65, 253.47, 252.80, 250.12, 247.55, 246.27, 245.59 and 244.05. Resistance is seen at 258.99, 259.79, 262.45, 266.87, 269.08, 272.70 and 274.75. In the RBOB, support is seen at 235.95, 234.30, 233.35, 231.35 followed by 230.61, 230.00, 227.29, 225.94 and 221.45. Resistance is seen at 237.54, 239.15, 244.40, 248.50, 249.55 and 251.57.

			Explanation
CL	Resistance	94.65, 95.85,99.29, 100.09, 100.15	Previous high, Basis trendline, Previous highs
		94.43	Monday's high
	94.20, up $1.51		
	Support	93.31, 93.00, 92.41	Monday's low
		92.31, 91.14, 86.63, 85.55, 83.00, 76.19	Previous low, 62%(85.60 and 100.09), Previous lows
HO	Resistance	262.45, 266.87, 269.08, 272.70, 274.75	Previous highs
		258.99, 259.79	Basis trendline, Monday's high
	258.92, up 5.33 cents		
	Support	256.65, 253.47	Monday's low
		252.80, 250.12, 247.55, 246.27, 245.59, 244.05	Previous lows, Basis trendline, Previous low
RB	Resistance	239.15, 244.40, 248.50, 249.55, 251.57	Basis trendline, Previous highs
		237.54	Monday's high
	237.28, up 5.25 cents		
	Support	235.95, 234.30, 233.35, 231.35	Monday's low
		230.61, 230.00, 227.29, 225.94 , 221.45	Previous lows, Basis trendline, Previous low