



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 1, 2010

Diplomats said the US, Britain, France and Germany are expected to meet with Russia and China in New York next week to begin drafting a new round of UN sanctions against Iran. Earlier, officials said China agreed to negotiations with Western powers about imposing new sanctions on Iran. China's President Hu Jintao is also scheduled to attend a summit on nuclear security in Washington on April 12-13. The agreement to discuss sanctions marked a significant shift by China after months of fending off Western nations' demands for concerted pressure on Iran. However China's government insisted it was working for a peaceful resolution of the nuclear standoff.

Market Watch

The US Labor Department reported that the number of initial claims filed for unemployment benefits fell by 6,000 to 439,000 in the week ending March 27th. The previous week's level was revised upwards to 445,000 from 442,000. The market expected initial claims to fall by 2,000. The four week moving average fell by 6,750 to 447,250 from the previous week's revised average of 454,000. The number of continuing claims fell by 6,000 to 4,662,000 from the preceding week's revised level of 4,668,000. The unemployment rate for workers with unemployment insurance for the week ending March 20th was 3.6%, unchanged from the week.

The US Commerce Department said US construction spending fell for the fourth consecutive month in February. Spending fell by 1.3% in February to a seasonally adjusted annual rate of \$846.23 billion compared to the prior month. January spending was revised down, falling 1.4% instead of 0.6% as previously estimated. Spending fell 3.4% in December and 2.5% in November.

The Institute of Supply Management said the US manufacturing sector expanded in March at its fastest rate in more than five years. Its index of national factory activity increased to 59.6 from 56.5 in February. It was the highest reading since July 2004. The index's employment index fell slightly to 55.1 in March from 56.1 the prior month.

Goldman Sachs lowered its forecast for the March US payrolls report to a gain of 200,000 jobs from its previous expectation of a 275,000 rise. The March payrolls report is due at 8:30 am on Friday. Economists expect a rise of 190,000 in March payrolls following a 36,000 drop in February.

UK based Hermès Commodities said oil could fall in the short term however strong demand for diesel and gasoline in the second half of the year will increase crude prices above \$90/barrel. It said oil prices will also be supported by the potential for geopolitical shocks created by events in Iran and Iraq.

The Baltic Exchange's main sea freight index fell on Thursday although demand for coal and iron ore from Chinese buyers was improving. The index fell by 0.23% or 7 points to 2,991 points after rising on Wednesday.

CME Group announced an exclusive licensing agreement for the Net Energy Canadian Daily Index for Western Canadian Select Heavy Crude Oil. It plans to offer cash settled cleared swaps on the NY trading floor and through CME ClearPort. Trading and clearing is scheduled to start in the second quarter of 2010.

**April
Calendar Averages**
CL – \$84.87
HO – \$2.2167
RB – \$2.3237

On Wednesday, the US' ambassador to the UN, Susan Rice, said that the US, Britain, France, Russia and Germany had agreed with China to begin discussing a proposed UN Security Council resolution with new sanctions on Iran. Separately, French Foreign Minister Bernard Kouchner said China's agreement to take part in UN talks on imposing further sanctions against Iran is a "good surprise."

Oil Movements reported that OPEC's seaborne oil exports, excluding Angola and Ecuador, will increase by 420,000 bpd in the four weeks ending April 17th to 23.39 million bpd.

According to Genscape, oil inventories at Cushing, Oklahoma increased by 343,804 barrels to 32.1 million barrels in the week ending March 30th.

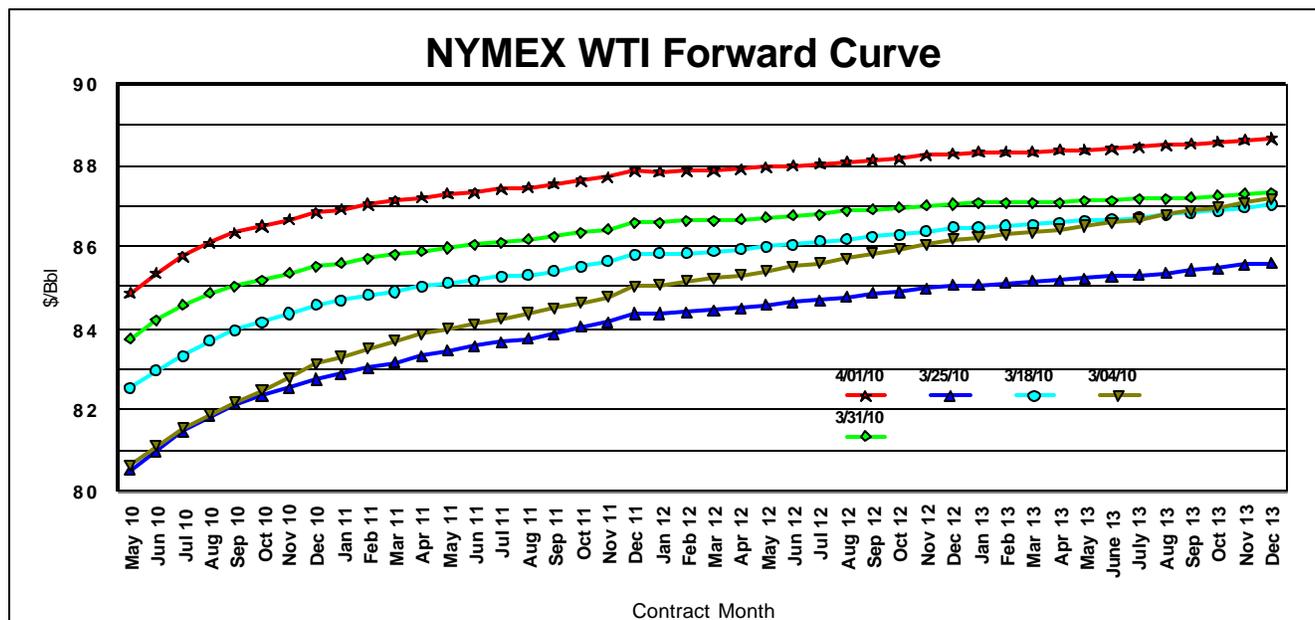
Royal Dutch Shell Plc will load light, sweet North Sea Forties crude onto a VLCCF in the next few days. The VLCC Onoba is scheduled to arrive April 3rd at Hound Point, Scotland. It remains unclear whether Shell will move the supertanker to other regions or float it in the North Sea.

The US Defense Department denied that the military, during a joint defense exercise with Saudi Arabia, test-fired a submarine-launched ballistic missile capable of carrying nuclear warheads. A Pentagon spokesman said there was no launch of Trident or any other missile during the exercise, which started last week. The denial came after wire services quoted an unnamed Western military official in Saudi Arabia on Wednesday that a Trident missile was launched out of Saudi Arabia.

The US EPA confirmed the first ever national greenhouse gas emission standards for new cars and trucks. It set average auto fuel economy standard of 35.5 miles/gallon by 2016, starting with 2012 new vehicles.

Carbon dioxide emissions in the European Union's cap-and-trade program fell faster than estimated as the region's economy contracted. EU emissions trading scheme limits the carbon emissions of 11,000 installations in heavy industrial sectors, covering 44% of EU emissions. The European Commission verified emissions were 1.69 billion metric tons for 2009, down 11% from 1.9 billion in 2008.

Refinery News



BP said it would perform maintenance associated with the J457 compressor at its 475,000 bpd refinery in Texas City, Texas. It said it would minimize emissions during the work, which was scheduled to start on April 1st and end of April 6th.

Weak margins could prompt European oil refiners to conduct large scale maintenance in April that may involve full plant shutdowns or the extension of ongoing closures. Planned maintenance work on crude distillation units will take at least 1.3 million bpd offline in April or about 8% of Europe's combined capacity of 16 million bpd. Maintenance shutdown is expected to peak in April and then ease to about 600,000 bpd in May.

PDVSA said its catalytic cracking unit at its Cardon refinery is in restart mode on Friday following a fire in the unit on Monday that halted operations. It said damage from the fire had been minor and the unit was restarting operations as repairs were being completed. PDVSA said supplies to domestic and international customers were guaranteed.

Ukraine's Odessa refinery has completed scheduled maintenance and is expected to start operations later this month. It plans to produce first fuel by April 10th.

Russia's TNK-BP has resumed full production at its Saratov refinery following an incident in a crude distillation unit.

Gasoline inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending April 1st fell by 1.15% on the week but increased by 15.47% on the year to 948,000 tons. Gas oil stocks increased by 0.18% on the week but fell by 4.36% on the year to 2.215 million tons while fuel oil stocks fell by 5.97% on the week but increased by 43.22% on the year to 898,000 tons. Naphtha stocks fell by 36.49% on the week and by 47.19% on the year to 47,000 tons while jet fuel stocks increased by 11.8% on the week and by 13.93% on the year to 834,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 411,000 barrels to 23.806 million barrels in the week ending April 1st. It also reported that Singapore's light distillate stocks built by 1.801 million barrels to 12.268 million barrels while its middle distillate stocks fell by 700,000 barrels to 12.614 million barrels on the week.

Japan's Ministry of Economy, Trade and Industry reported that the country's oil product demand is expected to fall 4.2% in the financial year starting April 1st to 183.747 million kiloliters. Oil product demand in Japan is expected to fall 3.5% per year on average through fiscal 2014/15. Gasoline demand is expected to fall 3% in 2010/11 to 55.643 million kl while gas oil demand is expected to fall 3% to 31.324 million kl and fuel oil demand is expected to fall by 12.4% to 27.233 million kl. Fuel oil demand for utilities is expected to fall 26.8% to 5.203 million kl.

India's Reliance Industries increased its crude oil imports in January by 75% on the year to 1.451 million bpd and up 25% o the month from December's 1.16 million bpd. Reliance Industries will not renew a contract to import crude from Iran for financial year 2010. It did not purchase any crude from Iran in February and March.

Loadings of oil products at Lithuania's oil terminal Klaipedos Nafta increased to 700,000 tons in March from 500,000 tons last year. For January-March 2010 oil products loaded at the terminal fell slightly to 1.92 million tons from 1.95 million tons in 2009.

Glencore has fixed about 40,000 tons of gas oil for April 12th loading from South Korea to the US West Coast or Chile, bringing the total shipments of clean products from Asia to the West to about 405,000 tons.

Brazil's Foreign Trade Ministry reported that the country's ethanol exports fell to 68 million liters in March from 157 million liters reported last year. Brazil's ethanol export volume stood at 104.3 million liters in February.

Production News

Baker Hughes reported that the number of rigs drilling for oil and natural gas increased by 21 to 1,465 in the latest week. The number of rigs searching for crude oil increased by 13 to 502 while the number of rigs searching for natural gas increased by 8 to 949 on the week.

According to Dow Jones, OPEC's total oil production fell by 0.77% or 227,000 bpd in March to 29.235 million barrels. It reported that Iraq's oil production fell by 267,000 bpd to 2.3 million bpd. The drop offset a 40,000 bpd or 0.15% output increase by OPEC's 11 quota bound members in March to 26.935 million bpd. Quota bound members produced about 2.09 million bpd above their target of 24.845 million bpd in March. As a result, OPEC's compliance rate fell to 50% in March from 51% in February and 82% in March 2009. Saudi Arabia increased its production by 10,000 bpd to 8.235 million bpd, about 180,000 bpd above its quota while Iran's output reached 3.78 million bpd, about 440,000 bpd above its quota.

Venezuela's Energy Minister Rafael Ramirez said the country's average daily oil output this year will average 3.01 million barrels.

China's Sinopec Group is expected to sign a cooperation pact with Brazil's Petrobras this month that is likely to include a crude oil supply deal. China increased its Brazilian crude oil imports sharply in the first two months of the year to 1.5 million tons. The two months' purchase amounted to about 40% of China's imports from Brazil last year that totaled 4.06 million tons. Separately, Sinopec is in talks with Ecuador on the development of an oil block.

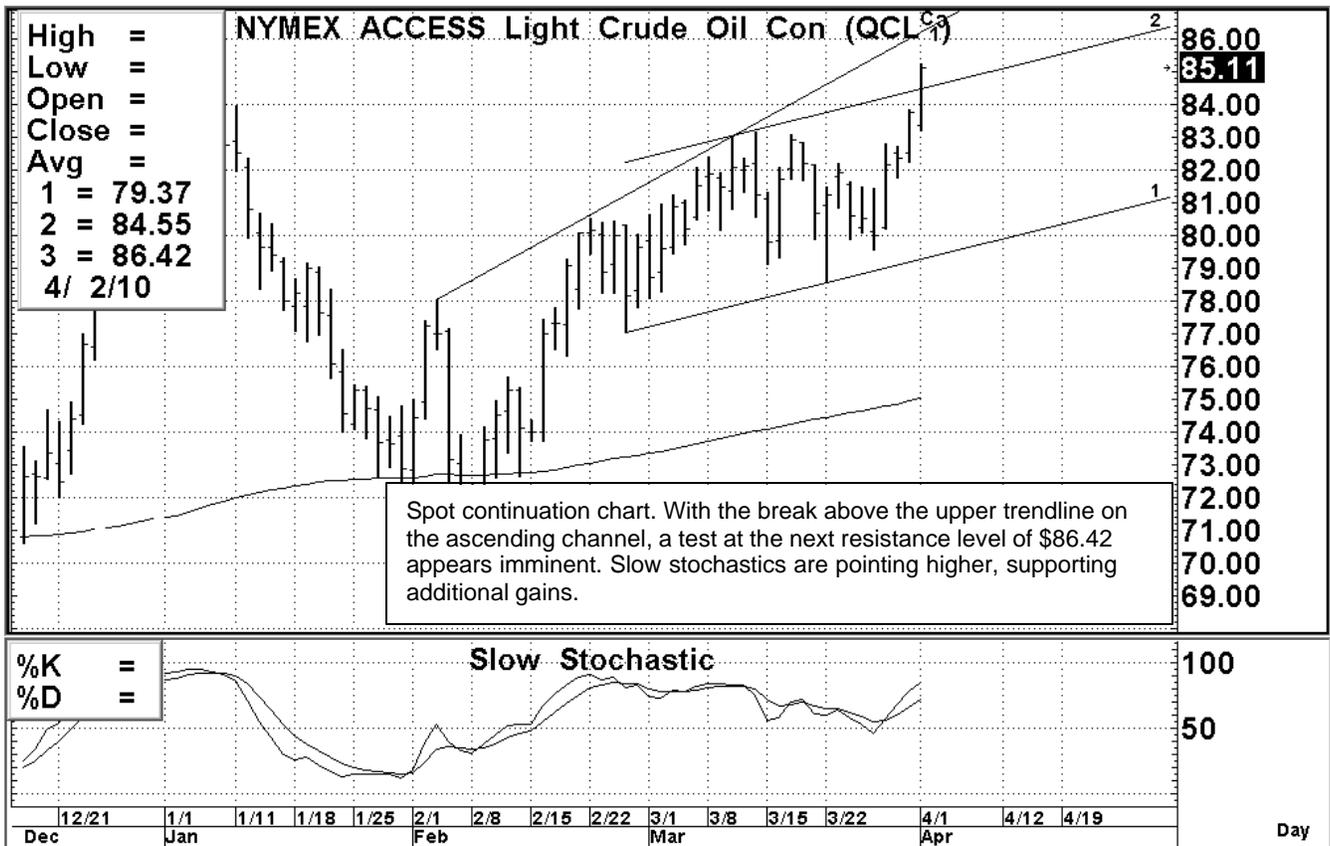
OPEC's news agency reported that OPEC's basket of crudes increased further to \$78.70/barrel on Wednesday from \$78.21/barrel on Tuesday.

Market Commentary

Global economic growth was behind today's move higher, pushing crude oil to its highest level in 18-months as optimism over increasing demand circulated the marketplace. Weakness in the dollar versus the euro sparked a new wave of investor buying, mixed with possible short covering ahead of the long Easter weekend. Gasoline and heating oil also enjoyed gains. Although it appears that the fundamental hue of this market may be changing, we would like to see positive demand growth in next week's inventory numbers to support additional moves higher. Technically, the May crude oil contract broke out of the ascending channel on a spot continuation chart. This channel penetration sets prices up for a test at \$86.42.

Crude oil May 10 319,344 +5,441 June 10 182,483 +4,426, July 112,057 +5,954 Totals 1,310,328 +26,482 Heating oil May 10 103,881 +3,545 June10 54,523 +1,118 July 10 29,030 +107 Totals: 318,876 -423. Gasoline May 10 129,341++4,949 June 10 61,767 +3,547July 10 34,439 +1,348 Totals 318,414 +5,287

Crude Support	Crude Resistance
84.55, 83.95, 83.18, 79.75-79.51, 78.43, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	85.40, 86.42, 88.80, 89.88
Heat Support	Heat resistance
2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.4200, 2.4940,
Gasoline support	Gasoline resistance
2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.3350, 2.5040, 2.5115



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