



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 14, 2010

OPEC stated in its monthly report that oil prices are likely to trade around \$70-\$80/barrel in coming months, supported by improving economic and oil market conditions. OPEC estimates world oil demand will increase by 900,000 bpd in 2010, up 200,000 bpd from its previous forecast. It reported that world demand for OPEC crude is estimated at 28.8 million bpd, down 135,000 bpd from its previous forecast.

Ambassadors of the five permanent members of the UN Security Council, the US, Britain, China, France and Russia

plus Germany met behind closed doors at the UN mission to the UN on Wednesday to resume talks on new UN sanctions against Iran. Earlier, the US Undersecretary of State for Political Affairs William Burns said the UN Security Council is likely to approve a new resolution imposing new sanctions on Iran in a matter of weeks. He said China is likely to agree to impose new UN sanctions on Iran over its nuclear program. However he warned it would be very difficult to get Russian and Chinese support for targeting Iran's imports of gasoline and other refined petroleum products. Separately, the vice chairman of the US Joint Chiefs of Staff, General James Cartwright said Iran could make enough highly enriched uranium for a nuclear bomb in one year but would likely not have the knowledge to

Market Watch

The US Labor Department said the seasonally adjusted Consumer Price Index in March increased by 0.1% on the month. The core CPI, which excludes food and energy prices, was unchanged compared with expectations for a 0.1% increase.

The US Commerce Department said retail sales increased by 1.6% in March compared with expectations of a 1.3% increase. February retail sales were adjusted upwards to a 0.5% increase from a previously reported 0.3% gain. The Commerce Department said inventories in February increased 0.5% on the month to a seasonally adjusted \$1.326 trillion. January inventories increased 0.2%, revised up from an originally reported flat reading. US business sales slowed in February, rising by 0.3% to \$1.042 trillion.

Federal Reserve Chairman Ben Bernanke said the US economy is still weighed down by weakness in the construction sector and state and city budgets. He noted encouraging signs that layoffs are slowing and employment has increased. He said that while the recent increase in jobs is encouraging, it will take a significant amount of time to restore the 8.5 million jobs that were lost during the past two years.

A record 2.5 billion barrels of oil traded on April 13th on the NYMEX and ICE. The volume is the equivalent of 30 times the amount of oil used around the world each day. In the US, a record 1,423,536 US crude oil futures contracts traded on the NYMEX, up 25% from the previous record set last week. In London, a further 1.1 million contracts traded on ICE on Wednesday.

JPMorgan Chase & Co cut back on commodity trading risks for a second consecutive quarter despite rebounding prices of raw materials. Its financial results showed it had a Value at Risk of \$15 million for commodities in the first quarter compared with \$17 million in the fourth quarter of 2009 and \$23 million in the third quarter.

DOE Stocks

Crude – down 2.2 million barrels
Distillate – up 1.1 million barrels
Gasoline – down 1.1 million barrels
Refinery runs – up 1.1%, at 85.6%

build a weapon for 3-5 years. The head of the US Defense Intelligence Agency said Iran could produce enough highly enriched uranium with the number of centrifuges it has installed to build a nuclear bomb in as little as a year.

Iran's Oil Minister Masoud Mirkazemi said UN sanctions would have no impact on Iran's oil industry. He said Iran has no problems meeting the country's petroleum demand. Meanwhile, the official IRNA news agency reported that Iran formally complained to the UN over comments by US President Barack Obama, which Iran considers to be "nuclear blackmail." In a letter submitted to the UN, Iran questions the intent of the US' new nuclear policy and says it contains threats of nuclear attack against Iran.

Refinery News

Three workers were injured in a fire that started in a gas compression unit at ExxonMobil's Baton Rouge, Louisiana refinery in Wednesday. A flash fire ignited from flammable vapors or light ends.

PDVSA's 320,000 bpd La Isla refinery in Curacao could restart at the end of the month after it was closed in early March. The refinery said seven replacement air compressors are due to arrive around April 25th for a power plant that shutdown and forced the closure of the refinery.

Brazil's Petrobras expects to complete maintenance of its Replan refinery in May. The company expects to halt gasoline imports in May.

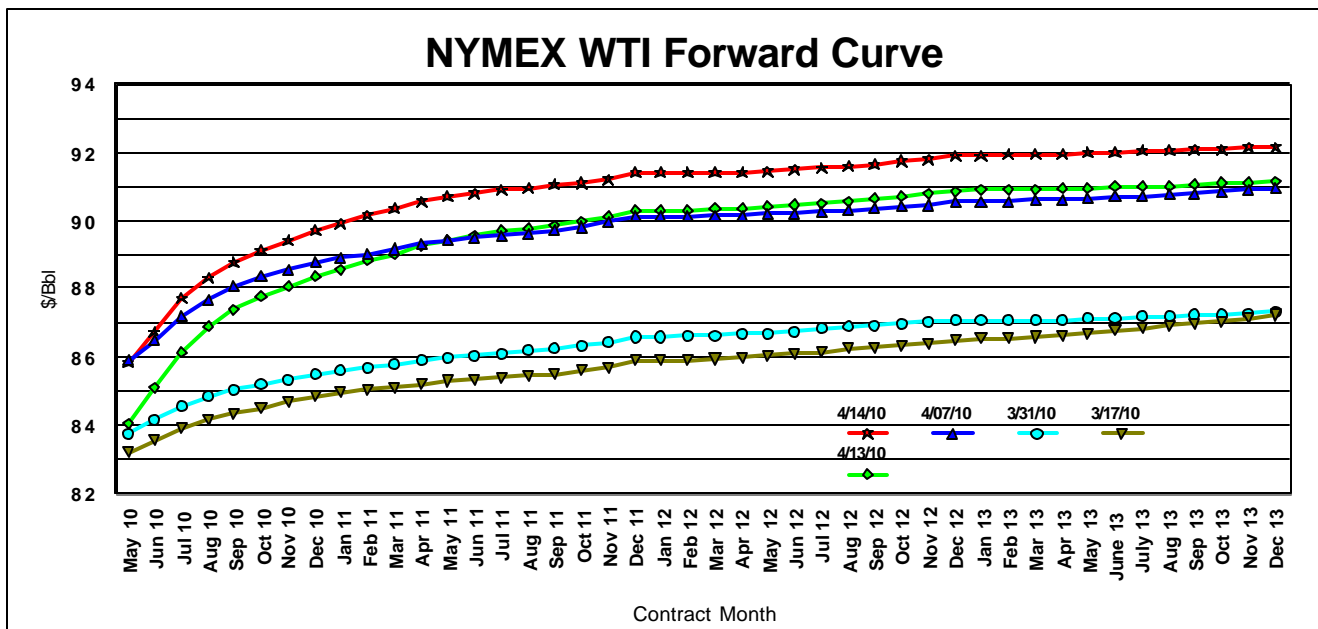
The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending April 10th increased by 5.23 million barrels on the week but fell by 5.62 million barrels on the year to 95.36 million barrels. Japan's gasoline stocks increased by 540,000 barrels on the week but fell by 1.44 million barrels on the year to 13.69 million barrels while kerosene stocks fell by 660,000 barrels on the week and by 1.01 million barrels on the year to 9.18 million barrels and naphtha stocks fell by 730,000 barrels on the week to 10.37 million barrels. Crude runs in Japan fell by 30,000 bpd on the week but increased by 280,000 bpd to 3.71 million bpd. Refinery utilization fell by 0.7% on the week but increased by 6.5% on the year to 77.3%. The PAJ also reported that Japan's total oil product sales fell by 3.1% on the week and by 9.2% on the year to 3.04 million bpd. Gasoline sales increased by 2.6% on the week but remained unchanged on the year at 960,000 bpd. It also reported that kerosene sales fell by 12.2% on the week but increased by 43.2% on the year to 470,000 bpd while gas oil sales increased by 1.2% on the week but fell by 12.4% on the year to 540,000 bpd. Naphtha sales fell by 0.4% on the week and by 16.9% on the year to 450,000 bpd while jet fuel sales fell by 30.7% on the week and by 47% on the year to 83,000 bpd.

Analysts said China's most recent increase in fuel prices is not enough to increase inflation or impact demand from the country's auto industry, meaning its refineries will continue to run all full capacity as margins increase. The National Development and Reform Commission said the increase in fuel prices would cause an increase of 0.07% in consumer inflation. Crude throughput at China's top refineries will reach a new high in April or 11% above the March level, as refineries return from shutdowns to meet improving domestic fuel sales.

Combined stocks of gasoline, diesel and kerosene held by PetroChina and Sinopec in March fell by 6.75% on the month as domestic sales increased by 30%. Gasoline stocks fell 2.5% while diesel stocks fell by 9.6%. Gasoline sales increased by 1.7% to 6 million tons in March while diesel sales increased by 51% to 13.4 million tons.

April Calendar Averages
CL – \$85.42
HO – \$2.2362
RB – \$2.3180

Chinaoil has sold two gasoline cargoes or 30,000 tons for April delivery to



Iran, offsetting a void left by fuel suppliers halting shipments under threat of US sanctions. The cargoes were Chinaoil's first direct sales to Iran since at least January 2009.

Production News

Royal Dutch Shell halted the production of about 100,000 bpd at its EA field off Nigeria which was temporarily shut down for repairs. The field was scheduled to be overhauled in May, however bad weather has forced the schedule to be brought forward.

The chairman and managing director of Kuwait Oil Co, Sami Fahad Al-Rushaid said Kuwait's oil output capacity will reach 3 million bpd in August, up from the current 2.9 million bpd level.

Ecuador's central bank reported that the country's crude oil export revenue totaled \$1.28 billion for January and February, up 137% on the year due to an increase in oil prices. Ecuador exported 18.04 million barrels in the first two months of 2010, down 11% from 20.24 million barrels reported last year.

OPEC's news agency reported that OPEC's basket of crudes fell by 68 cents to \$81.52/barrel on Tuesday from \$82.20/barrel on Monday.

Market Commentary

Crude oil's advance exceeded our expectations as it reacted to a surprise decrease of 2.2 million barrels in supplies, breaking a 10-week streak of increases. Gasoline stocks also decreased more than expected, adding to the run-up in prices. Hopes of economic growth came in the form of U.S. retail sales, which reflected a gain of 1.6 percent for March, the largest gain in four months. With the CPI indicating that inflation is non-existent, interest should remain low, thereby attracting investors who enjoy financing their long positions at zero-percent interest. As has been the case with crude oil lately, this market can turn on a dime and appears to be turning to the upside once again. With the financial situation being supportive for prices, coupled with bullish technicals, we once again have to look to the upside for crude oil. As mentioned in previous reports, this market is technically still in an up trend after having experienced a failed attempt to trade below the ascending channel. We are cautiously holding on to longs, looking for a test at the channel top, which comes into tomorrow's session set at \$91.30. Our view remains that prices will continue to react to the global economic situation, with the underlying fundamentals dragging prices back to reality.

Crude oil May 10 156,631 -39,561 June 10 312,797 +39,573, July 10 162,244 +5,607 Totals 1,392,323 +6,175 Heating oil May 10 71,978 -9,309 June10 62,950 +563 July 10 31,145 -1,801 Totals: 298,513 -10,768. Gasoline May 10 86,860 -9,234 June 10 86,922 +7,443 July 10 46,480 +1,896 Totals 323,469 +1,641

Crude Support	Crude Resistance
8435, 83.24 82.50, 82.19, 679.75-79.51, 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	86.65, 87.85, 88.80, 89.10, 89.88, 92.75
Heat Support	Heat resistance
2.2120, 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	2.4850, 2.5040, 2.5115

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