



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 19, 2011

US President Barack Obama said there was enough oil in world markets to meet demand, indicating speculators were to blame for increasing gasoline prices. He said increasing production of US oil and creating a market for fuel efficient cars would help meet the country's energy challenges.

US Energy Secretary Steven Chu said he was concerned that rising crude oil and gasoline prices could undermine a US economic recovery.

According to a SpendingPulse

Market Watch

According to a Dow Jones Newswires survey, WTI crude prices are expected to average \$101/barrel in 2011, up from its previous estimate of \$94.40/barrel. The price of WTI in 2012 is expected to average \$96.80/barrel, up from a previous estimate of \$95/barrel. The price of Brent crude is estimated to average \$108/barrel in 2011, up from a previous estimate of \$103.30/barrel while the price of Brent crude in 2012 is estimated to average \$101/barrel, down from a previous estimate of \$102/barrel.

The US Commerce Department said US home construction in March bounced back from February's low level. It stated that construction of homes and apartments in March increased by 7.2% on the month to a seasonally adjusted annual rate of 549,000 from a revised 512,000 in February. Building permits increased 11.2% on the month to an annual rate of 594,000. Meanwhile, housing units completed fell 14.2% to an annual rate of 509,000, the lowest figure on record.

US Treasury Secretary Timothy Geithner said there was no risk of a downgrade after Standard & Poor's threatened to lower its top tier rating on US government debt. He said prospects for a deficit reduction deal were improving. Standard & Poor's threatened to downgrade its AAA rating on US Treasury debt unless the Obama administration and Congress find a way to cut the federal budget deficit within two years.

Growth in euro zone services sector fell slightly this month. The Flash Markit Euro zone Services Purchasing Managers Index fell to 56.9 in April from the previous month's 57.2. The Flash Manufacturing PMI increased to 57.7 from 57.5 in March while the output index increased to 60 from 58.5. The euro zone composite PMI increased to 57.8 from March's 57.6.

China's factory expansion stabilized in April. The HSBC flash manufacturing purchasing managers' index was at 51.8 in April, unchanged from the final reading in March. The flash PMI indicated limited impact on China's factories from the disruption to global supply chains after Japan's earthquake and tsunami.

China, a large holder of US Treasury bonds, urged the US to adopt responsible measures after Standard & Poor's cut the outlook on US sovereign debt to negative. China's foreign ministry spokesman said China hopes the US will adopt responsible policy measures to protect the interests of investors.

A deputy governor at China's central bank said China has room to further increase its reserve requirement ratio for banks. He said China faces a relatively big challenge in meeting its full year inflation target of 4%.

Goldman Sachs increased its commodities trading risk by 60% in the first quarter amid a rally in oil, metals and grains. Goldman Sachs's value at risk (VaR) for commodities averaged \$37 million in the first three months of the year compared with \$23 million in the previous quarter. However it was lower compared with the \$49 million reported in the first quarter of 2010. Goldman Sachs however posted a 72% decline in first quarter profits to \$908 million as it made less money from trading bonds for clients.

The Baltic Exchange's main sea freight index continued to fall on Tuesday. Its main index was down 1% or 13% at 1,271 points on Tuesday. It was down more than 20% from the beginning of the year.

API Stocks

Crude – up 667,000 barrels
Distillate – down 3.361 million barrels
Gasoline – down 1.792 million barrels
Refinery runs – up 2.4% at 81.3%

report released by MasterCard Advisors, US weekly gasoline demand increased by 3.3% to 9.318 million bpd in the week ending April 15th. Demand is at its highest level since December 24, 2010. Weekly gasoline demand, which fell for

the seventh consecutive week, fell by 1.6% on the year. Four week demand averaged 9.206 million bpd, down 2.1% on the year. The US average retail price of gasoline increased by 9 cents to \$3.81/gallon.

April Calendar Averages
CL – \$108.69
HO – \$3.2042
RB – \$3.2137

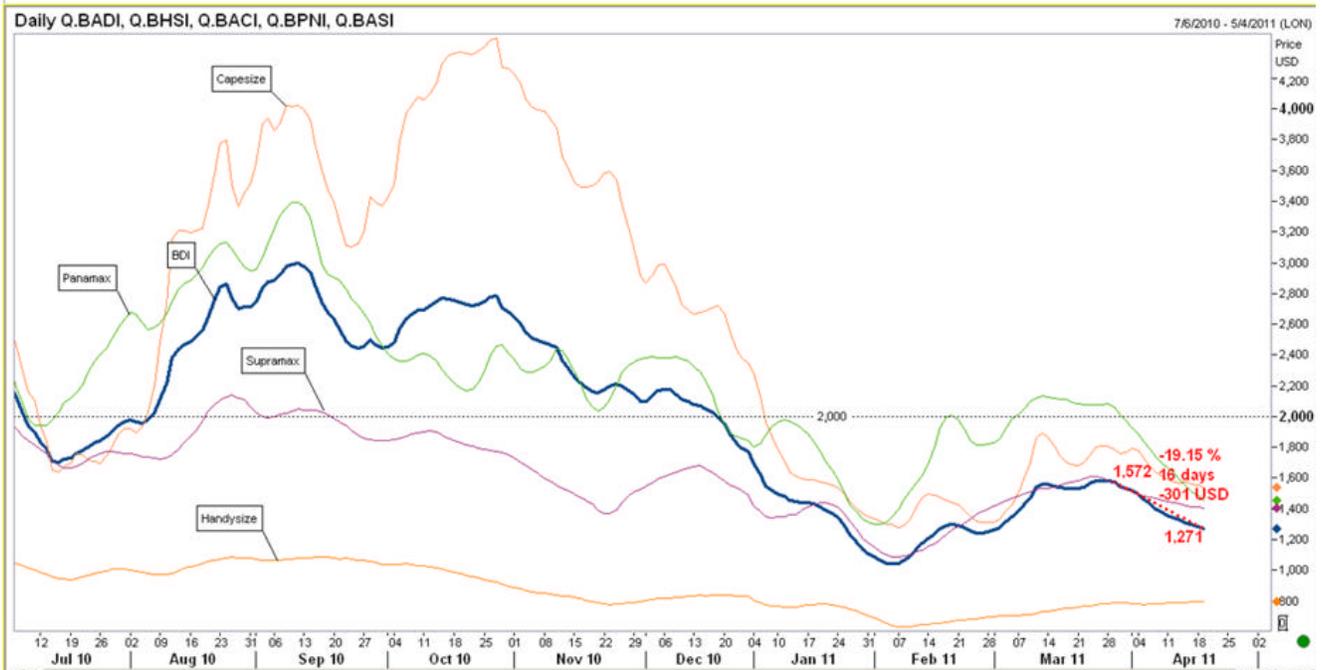
The Bureau of Ocean Energy Management, Regulation and Enforcement announced it completed a draft environmental assessment for an offshore lease sale in the Gulf of Mexico. It is working towards conducting the lease sale by the end of 2011. The sale would include areas in the western Gulf of Mexico that was originally scheduled for August 2010.

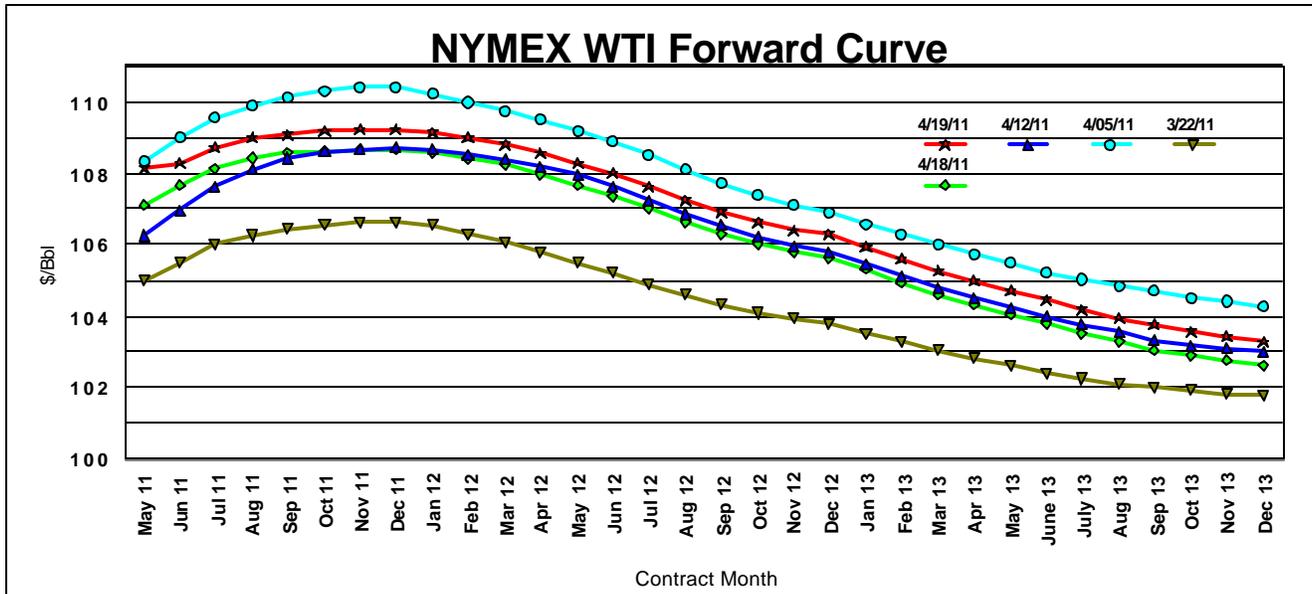
Iran’s Oil Minister Massoud Mirkazemi said oil prices are likely to remain high. He said increasing oil production would not lower oil prices. OPEC Secretary General Abdullah Al-Badri also predicted continued price strength. He does not expect oil prices to fall below \$100/barrel this year. He sees no need for OPEC to summon an emergency meeting before its next scheduled meeting in June.

Italy’s Foreign Minister Franco Frattini said an international meeting in Rome next month will discuss how to facilitate the sale of oil by rebel held eastern Libya. They will discuss international legal instruments to allow the sale of oil products. Meanwhile, the council that governs territory in eastern Libya held by forces opposed to the regime of Muammar Gaddafi plans to restart oil exports within a few weeks from the eastern port of Tobruk.

France’s Foreign Minister Alain Juppe said he was entirely hostile to the idea of sending coalition ground troops into Libya, even special forces to guide air strikes. Meanwhile, French Prime Minister Francois Fillon said France will step up its air strikes in Libya to protect civilians from Muammar Gaddafi’s forces. Separately, NATO acknowledged Tuesday that Libyan leader Muammar Gaddafi’s use of human shields to protect his forces in Misrata has shown the limitations of the alliance’s air campaign in Libya. Brigadier General Mark van Uhm said fighting between Gaddafi’s forces and opposition forces in Misrata has been intense in the past 10 days, with regime forces shelling the rebel held western city indiscriminately.

Baltic Dry freight rates are stuck in a downward trend





Human rights activists said Saudi authorities have arrested a Shi'ite Muslim intellectual in the oil producing eastern province where minority Shi'ites have staged protests calling for the release of prisoners held without trial and political and religious rights. Security forces arrested al-Saeed al-Majid, a Shi'ite writer on Sunday. The reason for his arrest was unclear.

Belgian oil tanker company Euronav said political unrest in the Middle East had a positive impact on demand in the oil freight markets, particularly in the market its Suezmax vessels.

Refinery News

Alon USA Energy Inc reported emissions from a diesel hydrotreater unit at its 67,000 bpd Big Spring, Texas refinery due to a compressor outage. It is working to resume normal operations.

Tesoro Corp reported that an unidentified unit was shutdown unexpectedly at its 96,860 bpd Wilmington, California refinery. It said the unit was restarting and added that there was no impact to its throughput. It was able to meet its regional product supply obligations.

ExxonMobil said a unit at its 238,600 bpd refinery in Joliet, Illinois tripped due to mechanical failure. It said the fluid catalytic cracking unit experienced an operational issue that resulted in flaring activity. It said there was no impact on production. ExxonMobil reported flaring activity at its 149,500 bpd Torrance, California refinery on Tuesday.

Marathon Petroleum Corp reported a problem in a fluid catalytic cracking unit at its 206,000 bpd Robinson, Illinois refinery which led to flaring. The upset was caused by incorrect pressure setting on a pressure controller for a wet gas compressor.

Chevron Corp reported a planned startup of an unspecified unit, which led to emissions of nitrogen oxides, at its 330,000 bpd Pascagoula, Mississippi refinery.

United Refining Co said it is restarting units at its 65,000 bpd Warren, Pennsylvania refinery.

Placid Refining Co restarted its fire hit crude unit at its 57,000 bpd Port Allen, Louisiana refinery. It completed repairs to the unit that was shut due to a fire on Sunday. There was no impact on product supplies to customers due to the fire.

A contract worker was found dead from unknown causes at Motiva Enterprises' refinery in Port Arthur, Texas. The body of the contract worker was found Monday evening. Motiva is currently working to expand the 285,000 bpd refinery.

A Libya oil official said the Zawiyah oil refinery returned to normal production capacity. The Libyan oil official said the country is working to ensure the arrival of successive cargoes of gasoline to meet demand.

Indonesia's PT Pertamina will likely extend a shutdown of a 200,000 bpd crude distillation unit at its Balikpapan refinery to 45 days from 30 days planned originally to avoid a repeat of fires that damaged storage facilities at another of the company's refineries.

Japan is shipping its first oil products since the earthquake and tsunami struck the country a month ago. Japan is shipping at least 100,000 tons of diesel to Singapore in April, with more expected in May. Shipping data shows tanker Pacific Vega was chartered to carry 40,000 tons of clean products from Japan to Singapore for April 14 loading. Two other tankers, the Mare Di Genova and Nanjing, are provisionally chartered to ship 30,000-40,000 tons each for April 20 and April 28 loading. Japan will likely limit exports once reconstruction work begins.

China's Sinopec is expected to keep its refineries operating at full capacity in April and reduce exports of refined products to ensure there is sufficient domestic supplies to meet demand. It plans to produce 10.54 million tons of refined oil products this month, up 410,000 tons from a year earlier. It said it would increase its production of gasoline and diesel and cut output of chemical products. The halt in exports is not expected to have much impact on regional fuel markets, as Sinopec exports only limited amounts of gasoline and high sulfur diesel to Vietnam and Indonesia.

Production News

Brazil's Petrobras said it concluded negotiations for the first export shipment of oil from a presalt field. Petrobras sold 1 million barrels of oil from the Lula presalt field in Brazil to Chile's Empresa Nacional de Petroleo. The oil would be shipped in mid-May to Quintero and San Vicente in Chile. Brazil's presalt fields have an estimated reserve of about 50 billion barrels of oil.

Colombia's Cano Limon-Covenas oil pipeline was attacked, halting pumping until repairs are completed. An Ecopetrol official said the pipeline was attacked around midnight Saturday. The pipeline, which has a capacity of 220,000 bpd, was only pumping about 80,000 bpd.

India's Oil Minister S. Jaipal Reddy said his ministry is in touch with the finance ministry to resolve a dispute over how to pay for Iranian crude oil imports. India has been searching for a permanent method to make payments to Iran for crude imports since its central bank scrapped a clearinghouse system in December.

Market Commentary

Weakness in the dollar and strength in equities boosted the June crude oil contract above \$109 a barrel. Prices were trading as low as \$106 prior to a report indicating that the euro zone grew unexpectedly. Helping to exaggerate today's move can be attributed to light volume due to the Passover and Easter Holidays and the expiration of the May contract. The May contract halted at \$108.42, the resistance level on a spot continuation chart. We would look to use this level as a pivotal area for the now front month June contract, buying bounces off of it and selling successful penetrations.

Crude oil: June 11 351,785 +28,323 July 11 186,376 +629 Aug 11 68,123 +2,340 Totals 1,545,215 – 7,807 Heating oil: May 11 59,318 –6,532 June 11 86,997 +8,284 July 11 42,502 +845 Totals 315,486 +4,285 Rbob: May 11 56,811 –6,166 June11 78,052 +4,377 July 41,997 –559 Totals 293,374 –1,219

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10845		30810			35915
10484	10910	27980		30130	36310
10270	11563	26680	33510	26965	
10136	11703	27375		26300	
10000	12126	23685		25683	
9622	14933	22960		25145	
9540				24240	
9267				23631	
9635				23414	

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