



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 27, 2010

US Secretary of State Hillary Clinton said nothing new came from Iran's weekend talks with the UN's IAEA. She said the US was seeking tough new sanctions after weekend talks failed to make headway on Iran's nuclear program.

Meanwhile, US Defense Secretary Robert Gates said he was very satisfied with the Pentagon planning to counter the threat posed by Iran's nuclear program. Separately, UN Security Council member Brazil demand that Iran

guarantee its nuclear program has no military aims but added that it would work to avoid imposing new sanctions against Iran. Brazil's Foreign Minister Celso Amorim also urged Iran and world powers to show flexibility over an atomic fuel deal stalled for several months.

Market Watch

The Conference Board reported that US consumer confidence increased in April for the second consecutive month to 57.9 from a downwardly revised 52.3 in March. The expectations index increased to 77.4 in April, the highest level since October 2007 from a revised 70.4 in March. The present situation index increased to 28.6, the highest level since May 2009. Its "jobs hard to get" index fell to 45% from 46.3%, while the "jobs plentiful" index increased to 4.8% from 4%.

According to almost 75% of industry players surveyed by Reuters, financial speculators in oil are costing consumers at least \$300 billion/year. Of 40 traders and analysts, 73% believed increased speculation had increased prices above the level dictated by supply and demand with only 17% saying it had no impact.

The CFTC decided on Tuesday to extend oversight to seven energy contracts. It said seven contracts traded on the IntercontinentalExchange Inc met the criteria for additional oversight.

JPMorgan Funds has launched an actively managed commodities futures fund that seeks to better manage the volatility that comes with commodities investing. The Highbridge Dynamic Commodities Strategy Fund also aims to capture returns from both rising and falling prices of raw materials. The fund's inception date is January 13th with assets totaling \$25.88 million as of March 31st. Its net commodity exposure is 78.8% precious metals and financial commodities, 15.5% agriculture, 13.1% energy and 6.2% industrial metals.

Standard & Poor's cut its credit rating on Greece into junk territory and also downgraded Portugal's credit rating on Tuesday. As a result, gold futures rose to a two week high, supported by safe haven demand.

API Stocks

Crude – up 5.344 million barrels
Distillate – down 1.369 million barrels
Gasoline – down 658,000 barrels
Refinery runs – down 0.4%, at 84.7%

Iran's Deputy Oil Minister Nouredin Shahnazi-Zadeh said Iran has increased its strategic gasoline reserves and is not worried about the threat of fuel sanctions. He said Iran has increased its gasoline reserves by over 1 billion liters and has imposed domestic consumption management measures. He said the output of Iranian refineries was about 44.6 million

Italy's Eni SpA expects its 2010 refining margins to remain at an unprofitable level, as weak industry conditions are forecast to remain in the near future. It said high feedstock costs, weak demand, excess inventory levels and compressed differential between heavy and light crude oils will continue squeezing margins on products. Its 2010 refining throughputs are expected to remain in line with the 34.55 million metric tons of last year.

Crude oil storage capacity at Sinopec Group totaled 31 million cubic meters or about 195 million barrels at the end of 2009. The storage tanks, if fully filled, would be enough for Sinopec to process at the 2009 rate of about 3.68 million bpd, for about 53 days.

ExxonMobil Corp expects to start operations at a new cracking complex in Singapore at the end of 2011. The complex would add to rising supply in Asia where ethylene capacity will increase by 14% or more than 6 million tons/year in 2010 while Middle Eastern plants, brought on stream last year, are increasing output.

Production News

BP said the relief well that it will drill to permanently halt an oil leak spreading across the Gulf of Mexico will cost about \$100 million. BP is also working on other ways to halt the oil leak, including using remotely operated subsea robots to attempt to shut off the oil leak at the wellhead and constructing a canopy over the pipeline connected to the well that would gather the 1,000 barrels oil leaking a day.

Separately, BP Plc said profits from oil trading fell in the first quarter of the year compared with the trading profits made in the first quarter of 2009, when the oil market was in a deep contango. The contango has narrowed since last year. The discount of the nearby Brent crude contract to the second month in the first quarter of 2009 averaged about \$2/barrel compared with about 70 cents in the first quarter of this year. BP also reported that BP's total oil and gas production was 4.01 million bpd, down 0.1% on the year.

BP Plc expects to lift oil output at Iraq's Rumaila field by 10% within 18 months. A consortium led by BP has agreed to invest \$15 billion to increase production at Iraq's Rumaila field to 2.85 million bpd from its current 1 million bpd production level.

Royal Dutch Shell said the 75,000 bpd Nakika crude oil pipeline and oil platform in the US Gulf of Mexico resumed normal operations after they were briefly closed last week as a precaution. The pipeline was shut due to its proximity to the Transocean Horizon platform, which exploded and sank in the Gulf last week.

Total said the restart of Britain's North Sea Elgin-Franklin gas field is ongoing after it was shut over the weekend. However it declined to comment on when normal production levels may be reached.

Oil exports from Iraq's southern Basra oil terminal fell to 960,000 bpd on Tuesday from 1.512 million bpd the previous day, due to low crude storage quantities.

A senior Kuwaiti official said total oil production in Saudi Arabia and Kuwait shared Neutral Zone stood at 610,000 bpd. Output from the shared zone's Khafji field currently stood at 310,000 bpd.

Norway's Statoil said production at Iraq's West Qurna phase two oilfield will reach 120,000 bpd in 2012. Statoil and its consortium partner Russia's Lukoil have already started issuing tenders for work at the field.

Abu Dhabi National Oil Co will increase the supply of Murban crude slightly but cut its Lower Zakum crude volumes in June. ADNOC plans to supply Murban crude at 12% below contract volumes in June, up from 13% in May. It plans to supply Lower Zakum at 20% below contract volumes, down from 15% in May.

OPEC's news agency reported that OPEC's basket of crudes increased by 90 cents to \$83.91/barrel on Monday from \$83.01/barrel on Friday.

Market Commentary

Crude oil fell 2.1 percent as the dollar strengthened and equities fell in response to Standard and Poor's lowering its sovereign credit rating on Greece and Portugal. This move brought about concerns regarding an economic recovery and more directly its impact on demand, causing investor liquidation of long positions. Today's sell-off comes ahead of tomorrow's inventory report, which is expected to reflect a 1 million barrel increase in crude oil, an increase of 800,000 barrels in gasoline and an increase of 1.5 million barrels in distillates. The front month spread continues to weaken, settling at -\$2.56, a decrease of 29 cents. This is an indication that demand continues to suffer in an overstocked market. Coming into tomorrow's session, we would look for continued downside movement and for a dip in prices towards the \$80.00 level.

Crude oil June 10 369,104 +6,908 July 10 194,540 +7,565 Aug 10 84,056 +5,564 Totals 1,387,462 +19,781 Heating oil May 22,350 -4,748 June 10 98,230 +5,867 July 10 38,768 +1,320 Totals: 309,389 +3,517 Gasoline May 10 29,393 -3,622 June 10 108,427 +1,510 July 10 53,618 -2,911 Totals 317,596 -4,480

The API reported a larger than expected build in crude stocks of 5.344 million barrels on the week. It reported large builds of 1.676 million barrels in Padd 2 and 3.702 million barrels in Padd 3. It reported the build in crude stocks as runs fell by 109,000 bpd to 14.541 million bpd. However the API reported that crude imports fell by 456,000 bpd to 9.439 million bpd on the week. The API reported an unexpected draw of 1.3 million barrels in distillate stock. It reported the draw in distillate stocks despite the fall in apparent demand of 6.2% on the week to 4.317 million bpd. Apparent demand basis its three week moving average increased by 2.1% on the week to 4.305 million bpd. The API reported that distillate production fell by 68,000 bpd or 1.7% on the week to 3.924 million bpd. The API also reported that gasoline stocks fell by 658,000 barrels on the week. It reported a large draw of 1.443 million barrels in Padd 2. It reported the draw in gasoline stocks as production fell by 196,000 bpd or 2.1% on the week to 8.983 million bpd. It however reported that apparent demand fell by 3.3% on the week to 9.207 million bpd while apparent demand basis its three week moving average fell by 2.2% on the week to 9.279 million bpd.

Crude Support	Crude Resistance
82.00, 80.27, 79.75-79.51, 78.43, 76.15, 75.37, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	,85.71, 86.65, 87.85, 88.80, 89.10, 89.88, 92.75
Heat Support	Heat resistance
2.1084, 2.0800, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.3000, 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	2.3635, 2.4850, 2.5040, 2.5115

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