



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR JUNE 4, 2009**

---

Goldman Sachs raised its end of 2009 oil price forecast to \$85/barrel from \$65/barrel and introduced a new end of 2010 forecast of \$95/barrel. It said the recent rally in WTI prices is likely to be the first stage in the oil price rally that it expects will accompany an economic recovery. It said it expects further price increases in the second half of 2009 as the economy stabilizes and OPEC maintains its output cuts. It however stated that even if OPEC oil output increases next year there will still be insufficient supplies due to a lack of

#### **Market Watch**

In testimony before the Senate Agriculture Committee, hedge fund manager Michael Masters said Congress has not done enough to cut excessive speculation in the oil markets, leaving them open for another rally this year. He said oil prices are largely not determined by supply and demand but by speculation. Meanwhile, the chairman of the CFTC, Gary Gensler outlined reforms for the first comprehensive regulation of over-the-counter derivatives and the dealers who handle the instruments. He said the federal regulation must apply to all dealers and all types of derivatives. He suggested two sets of rules, one covering markets, including regulated exchanges, electronic trading and clearinghouses, and other governing dealers. The plan includes position limits on holdings. Dealers should be subject to capital requirements, initial margin requirements, business conduct rules and reporting and recordkeeping rules. The CFTC would also have the power to set position limits on OTC derivatives.

The US Labor Department reported that the number of US workers filing new unemployment claims fell by 4,000 to 621,000 in the week ending May 30<sup>th</sup>. It also reported that the four week average of new claims increased by 4,000 to 631,250. Meanwhile, the total of continuing claims fell to 15,000 to 6,735,000, the first decline since January 3<sup>rd</sup>. The unemployment rate for workers with unemployment insurance was 5%, unchanged on the week.

The Baltic Exchange's main sea freight index fell by 4.61% on Thursday after posting 15 consecutive sessions of gains. The index fell 198 points to 4,093 points on Thursday. Gains on the index had been driven by China's demand for goods.

Hin Leong Trading said the distillate market is still underperforming despite a recent rally and added that demand in Asia is unlikely to return to its peak till the world economy increases. Executive director Evan Lim said there has not been any improvement in consumption for diesel and jet kerosene fuel from major buyers Indonesia and Vietnam compared to last year, while supplies in Europe have been kept in floating storages rather than sold to end users.

Venezuela's President Hugo Chavez announced the takeover of a group of gas compression plants linked to the oil industry, in his latest move to tighten state control of the economy. He said the government is taking control of 70 gas compression units in 14 plants in several parts of the country. Venezuela's lawmakers aim to pass a new law that will allow the state to take control of the petrochemical industry. A takeover the petrochemical industry follows President Hugo Chavez's ongoing nationalization of oil services companies in recent weeks.

### June Calendar Averages

CL – \$68.02  
HO – \$1.7742  
RB – \$1.9283

investment.

OPEC's Secretary General Abdalla el-Badri said the current rally in oil prices is limited to about \$70-\$75/barrel due to the weakness in the world economy. He said the price of oil is being driven upward by dollar weakness and hopes of an economic recovery but noted that the world economy is not recovering as fast as the oil market. He said OPEC is seeing increased oil buying by China.

According to shipbroker Simpson Spence & Young Ltd, the number of VLCCs used to store crude oil worldwide fell to 34 at the end of May, down from 53 at the end of April after a rally in crude oil prices lured barrels onshore. Crude oil in floating storage in late May fell to about 90 million barrels from about 100 million barrels. The number of VLCCs in use in the US Gulf of Mexico fell to 16 at the end of May from 24 the previous month. A narrowing contango structure in crude oil futures during May also likely contributed to the release of crude from floating storage. Meanwhile ICAP Shipping estimated 33 VLCCs are currently in use for floating storage purposes. The head of tanker research said it will take quite a while to clear the overhang of floating storage and added if the contango fluctuates it could increase again before it decreases substantially.

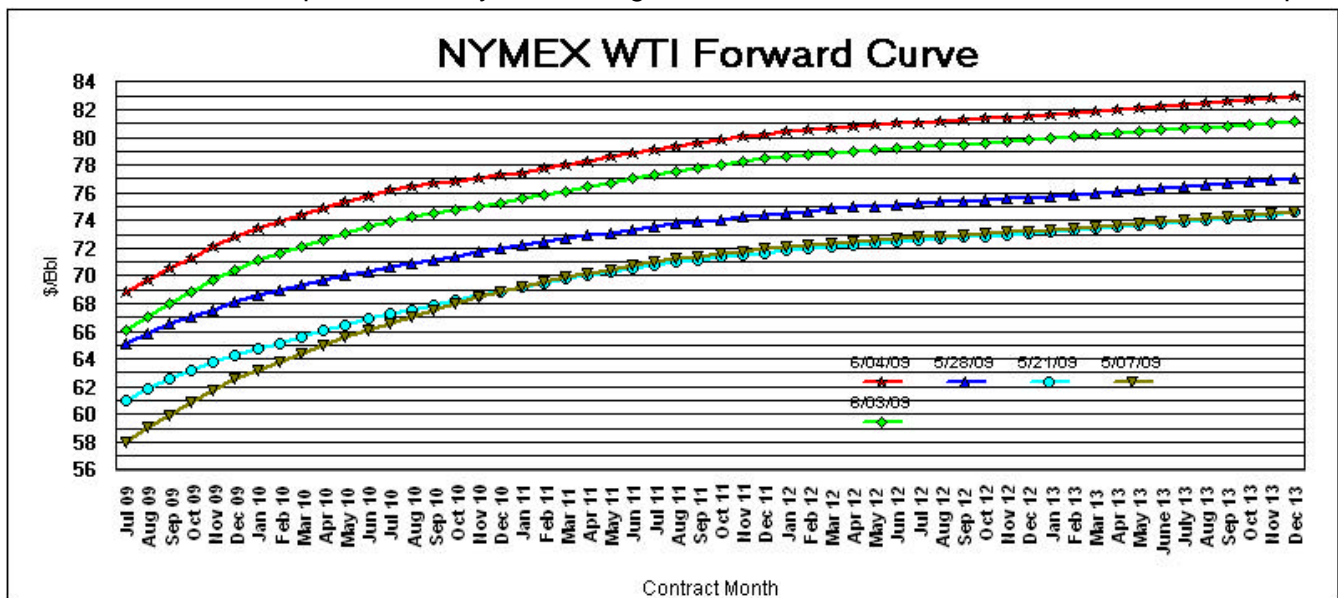
Separately, industry sources said the volume of refined fuel in floating storage has increased nearly 71% since early April. They said about 41 million barrels of gas oil and jet fuel is currently stored in tankers mostly off Europe's coast, up from about 24 million barrels in April.

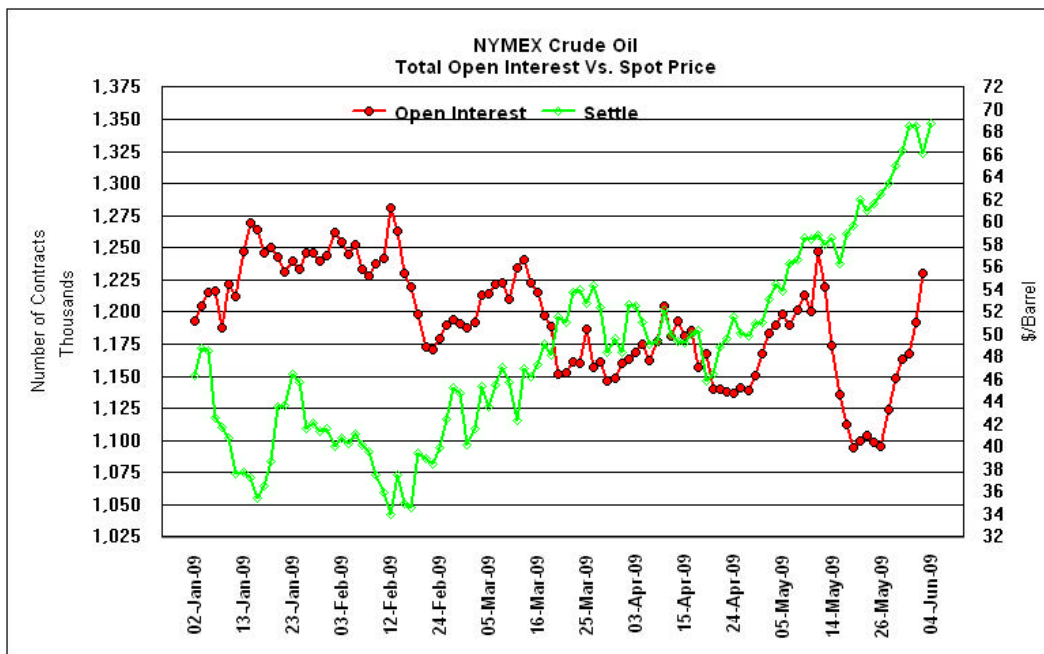
Oil Movements reported that OPEC's exports, excluding Angola and Ecuador, are forecast to increase by 250,000 bpd to 22.7 million bpd in the four week ending June 20<sup>th</sup>. It is the sixth consecutive weekly increase in OPEC shipments. OPEC's compliance with the supply cuts is slightly below 75%.

Iran's Supreme Leader Ayatollah Ali Khamenei said that the countries of the Middle East shared a deep hatred of the US. He made his comment as US President Barack Obama arrived in Cairo to deliver an address to the Muslim world in a bid to heal a wide breach between the US and Islam.

### Refinery News

A fluid catalytic cracking unit at Sunoco Inc's 178,000 bpd Marcus Hook, PA refinery resumed operations after it was shut on May 17 due to an explosion and fire at the ethylene complex. Sunoco also said its 90,000 bpd fluid catalytic cracking unit in the Girard Point section of the Philadelphia





refinery has experienced problems since its expansion 2007 and was taken offline on Thursday for repairs.

Valero Energy Corp said a coker unit at its 210,000 bpd Delaware City, Delaware refinery resumed operations following a turnaround and is increasing to planned rates. It also stated that a

problem with a fluid catalytic cracker scrubber at its Delaware refinery had no impact on production. Also, a crude unit at its 170,000 bpd McKee, Texas refinery is operating at planned rates after it was restarted earlier in the week while a fluid catalytic cracking unit at the refinery is nearing planned rates.

Iran's National Oil Refining and Distribution Co said it will start a new catalytic cracking unit at its 450,000 bpd Abadan refinery in the second quarter of 2010. The new unit will increase its production of gasoline and thus help ease some of the country's import requirements.

Sinopec Corp's Guangzhou refinery will process 980,000 tons or 238,500 bpd of crude in June, up 63% on the month after completing major maintenance work. Sinopec also said it will raise its crude processing in June at its Qilu refinery by 33% to 206,800 bpd after completing maintenance work.

India's Reliance Industries exported four cargoes of gasoline to Iran in May, down from three in April, denying reports that the firm had stopped selling the fuel to Iran under US pressure. The Economic Times reported that Reliance halted gasoline export to Iran, to help avoid possible restrictions on sales of fuel to the US market.

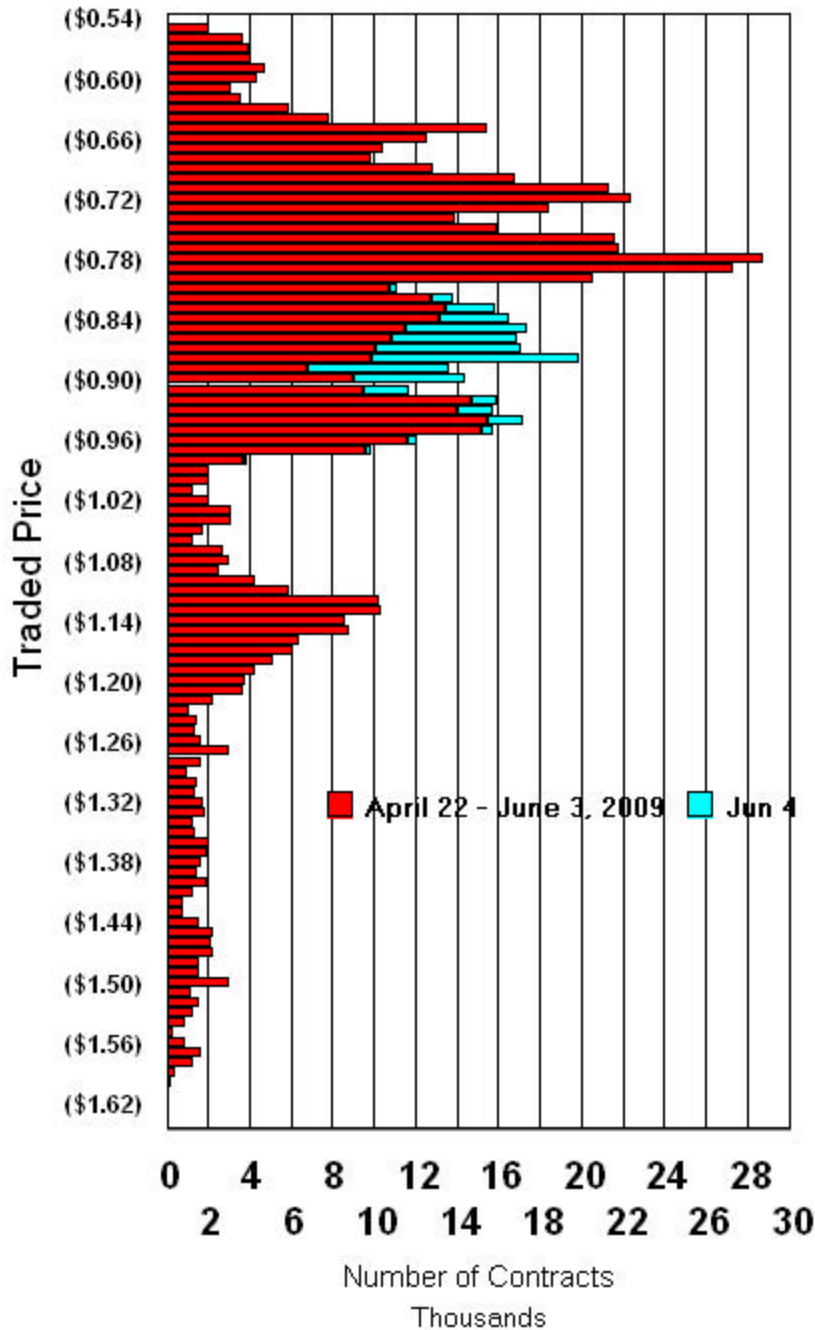
Indian Oil Corp plans to buy 1.31 million tons of auto fuel from Reliance Industries and may not import products this fiscal year.

Bharat Petroleum Corp will buy about 20,000 tons of petrol and about 180,000 tons of diesel from Reliance Industries this month.

Gas oil inventories in independent tanks in the Amsterdam-Rotterdam-Antwerp area in the week ending June 4<sup>th</sup> fell by 7.11% on the week but increased by 94.4% on the year to 2.508 million tons. Gasoline inventories increased by 6.19% on the week but fell by 35.02% on the year to 618,000 tons. It reported the weekly increase due to strong imports from France, Sweden and the UK. Exports went to Mexico, the US, Nigeria and West Africa. Fuel oil stocks increased by 39.29% on the week but fell by 10.31% on the year to 670,000 tons while naphtha stocks increased by 2.08% on the week but fell by 23.44% on the year to 98,000 tons. Jet fuel stocks increased by 6.91% on the week and by 257.2% on the year to 743,000 tons.

## NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 4, 2009

Trade Weighted: 6/2 -.85, 6/3 -0.94, 6/4 -0.88



Singapore's International Enterprises reported that the country's residual fuel stocks in the week ending June 3rd built by 1.574 million barrels to 19.711 million barrels. It also reported that the country's gasoline stocks built by 346,000 barrels to 9.672 million barrels and its distillate fuel stocks fell by 364,000 barrels to 11.53 million barrels on the week.

### Production News

ExxonMobil Exploration and Production Kuwait Ltd said it is ready to enter any oil project that Kuwait plans to implement. It said it is up to the Kuwaiti government to decide whether or not to accept ExxonMobil's participation in a local project.

A Total S.A. executive expects Iraq to award stakes in the oil fields that are open to bids this summer. Separately, the head of strategy and planning at Total said the company is assuming an oil price of \$50/barrel this year but that could increase to \$60/barrel next year and to \$80/barrel in the next two years.

OPEC's news agency reported that OPEC's basket of crude fell slightly to \$66.41/barrel on Wednesday from Tuesday's \$66.87/barrel.

### Market Commentary

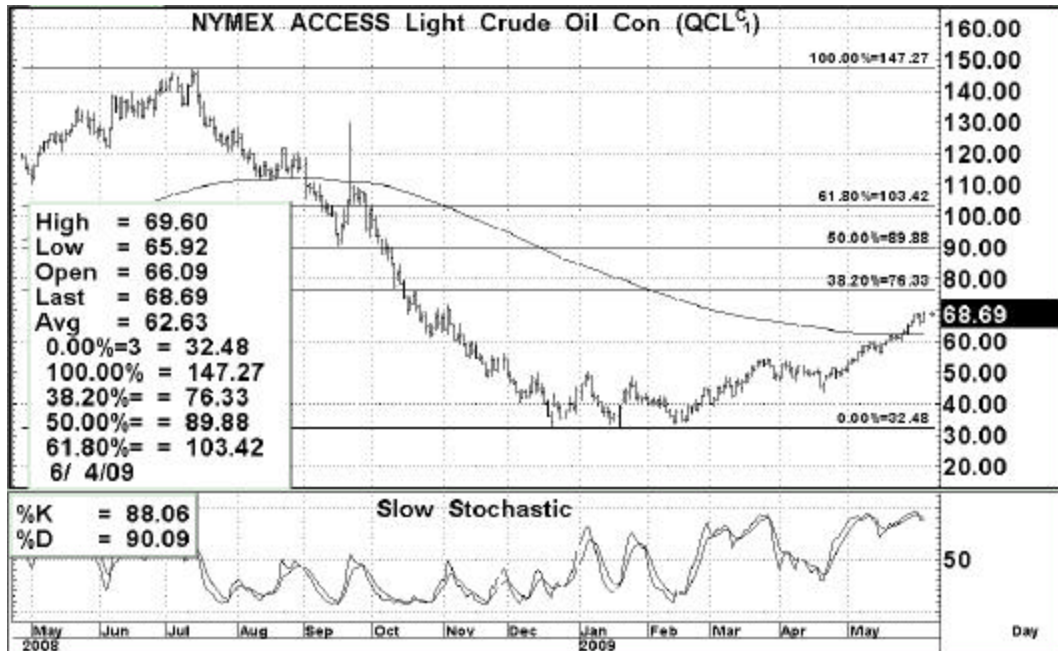
Once again crude oil defied the true fundamentals of this market as it reacted to statements made by Goldman Sachs stating that prices may reach \$85.00 by year-end based on a recovery in demand, which in turn will shrink supplies.

Falling U.S. jobless claims and a weak dollar added to market strength. Investors continue to partake in market activity with hopes of greater demand in the future as the economy improves. Promising economic data should be viewed with caution, as this comes at a time of high inventories and sluggish demand. The contango market condition in crude oil shrank slightly. Should this continue, it will bring with it signs that the economy may be turning around. The front month crude oil spread has found resistance at -.43 cents. This level has worked nicely as a pivotal area. Should the July/August spread

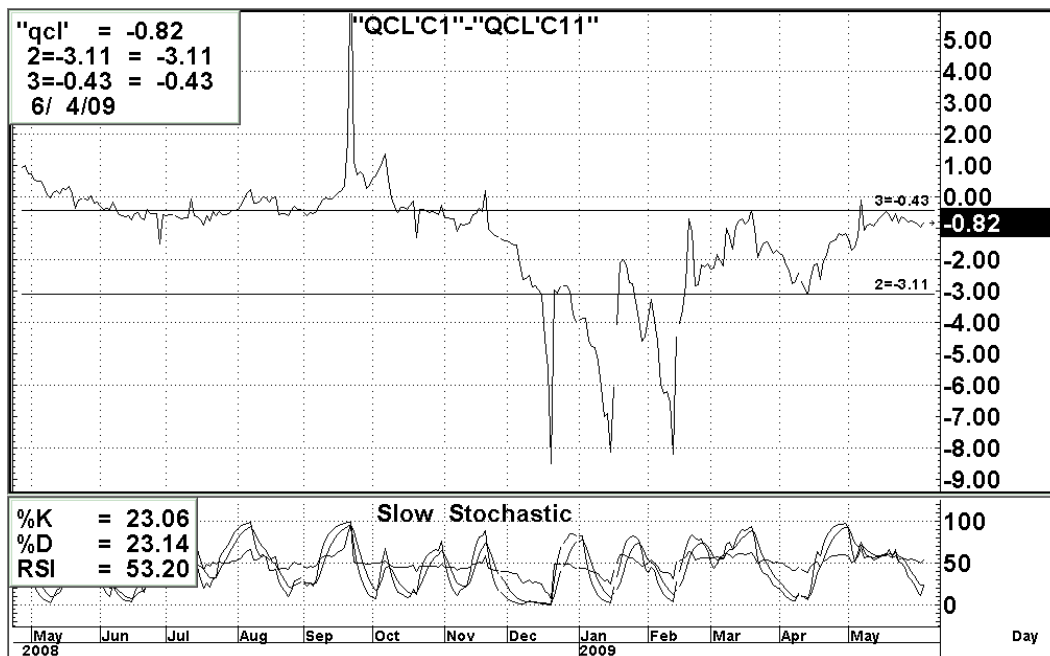
narrow to this level and hold, a sell signal would occur. Likewise, should it continue to narrow further, we would look for the July to gain additional strength against the August. Flat price approached a seven-month high with the July contract topping out at \$69.70. Technical indicators, although in overbought territory, are still pointing higher. News of a forced shut in at Sunoco's 335,000 bpd Girard Point fluid catalytic cracking unit should prove bullish for gasoline. The unit is expected to be down for at least a month.

Crude Oil JUL.09 348,323 +5,402 AUG.09 133,797 +8,673 SEP.09 82,753 +6,801 OCT.09 44,027 +3,109 Totals: 1,229,810 +38,172 N.Y. Heating Oil (HO) JUL.09 67,298 -694 AUG.09 32,720 +2,399 SEP.09 26,447 +2,087 OCT.09 16,519 +666 Totals: 275,025 +7,255 NEW YORK HARBOR RBOB (RB) JUL.09 92,399 -728 AUG.09 38,813 -477 SEP.09 29,395 +2,480 OCT.09 15,601 +632 Totals: 213,288 +2,878

Spot continuation chart for crude oil. Slow stochastics are in overbought territory but have not crossed to the upside. %K has once again turned upward, with %D turning lower. Should K cross back above D, this would indicate further upside move. For now the initial upside objective is 76.33, the 38.2% retracement between 147.27 and 32.48.



Continuation chart for the front month crude oil spread. The July/August spread gained strength today, with moving oscillators turning to the upside, just above over sold territory. Any hints of improvements in the economy will help to narrow the contango market condition that exists in this spread. At this point in time we would look for a test up at the -.43-resistance level.



<b>Crude Support</b>	<b>Crude Resistance</b>
Spot 200 day MA 62.63, 60.50 , 59.85, 58.90, 56.75,55.45,54.49,	71.80, 74.50, 76.10
<b>Heat Support</b>	<b>Heat resistance</b>
1.6775, 1.6550, 1.6235, 1.5615	1.83000, 1.9090
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.5370, 1.5260, 1.3560, 1.3400, 131.80,1.2700, 1.2625 1.1680,1.0128, .9590	2.0000, 2.0650, 2.1600

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.