



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 5, 2009

The IEA's Executive Director Nobuo Tanaka said oil price gains do not match market fundamentals. He said the price of crude is bound to rise higher in the long term as supply tightens and demand grows. He said low demand prevents investment into new oilfields, which may result in a supply crunch by 2015 if the global economy and oil demand both recover.

Goldman Sachs Group Inc's analyst,

Market Watch

The US Labor Department reported that US job losses softened last month, possibly signaling that the recession may be winding down. It reported that nonfarm payrolls fell by 345,000 in May compared with a revised 504,000 decline in April. It was the smallest decline since September and far less than forecast. The unemployment rate increased by 0.5% to 9.4%, the highest level since August 1983. In congressional testimony Wednesday, Federal Reserve Chairman Ben Bernanke warned that the labor market tends to lag the business cycle and added that even if the economy begins to recover, unemployment can still remain high. Average hourly earnings increased 2 cents to \$18.54. US Labor Secretary Hilda Solis denied that there was an error in the latest nonfarm payrolls report amid rumor circulating in the financial markets.

The Baltic Exchange's main sea freight index fell by 6.94% on Friday, its second consecutive decline following 15 consecutive days of making new highs, driven by Chinese demand for goods. The Baltic's Capesize index also fell by 9.91% on Friday.

Russia's Deputy Prime Minister Igor Sechin said he believes oil prices will rise to their peaks in 2-3 years if investments are not made now to support global production. He said the forecast made by Saudi Arabia's Oil Minister that oil prices can increase to \$150/barrel in 2-3 year can become a reality. He said a price of \$75/barrel is fair. He also warned that Russia's output will fall unless borrowing costs for its energy companies fall and called for a move away from trading oil only in US dollars.

BP's chief executive Tony Hayward said the price of oil may reach \$150-\$200/barrel by the middle of the next decade if oil companies do not invest enough. He said the outlook that world demand will stagnate is not realistic. He said while demand for oil in Organization for Economic Cooperation and Development will be flat or fall in the long run, demand in non-OECD countries will definitely increase.

The recent rise in oil prices may prompt Mexico to start hedging its 2010 crude exports due to the looming fiscal downturn the country faces next year. The finance ministry last year avoided a potentially devastating budget crisis when it hedged the country's net exports. Mexico quietly invested \$1.5 billion in the second half of 2008 as oil prices increase to record highs near \$150/barrel, locking a minimum price of \$70/barrel for more than 300 million barrels of oil exports.

CME Group announced that electronic trading hours for the CBOT grains, oilseeds and ethanol contracts will be expanded in the morning by one hour and fifteen minutes, until 7:15 a.m., beginning July 1. The new electronic trading hours will run from 6:00pm to 7:15 am CST Sunday through Friday for futures and options on futures.

Arjun Murti raised his fourth quarter estimate for WTI crude to \$70/barrel from \$60/barrel as output from non-OPEC members decline. He said crude oil prices may rise to \$65/barrel in the third quarter from an earlier estimate of \$50/barrel. The 2010 forecast for WTI was increased to \$80/barrel from \$70 and for 2011, the estimate was increased to \$100 from \$90/barrel.

June Calendar Averages
CL – \$68.10
HO – \$1.7734
RB – \$1.9336

Russia's top energy official Igor Sechin said the world needs to create new ways to trade oil as OPEC's instruments are often insufficient to have an impact on world oil prices. He said Russia's oil production can fall if Russian energy companies find it hard to borrow abroad.

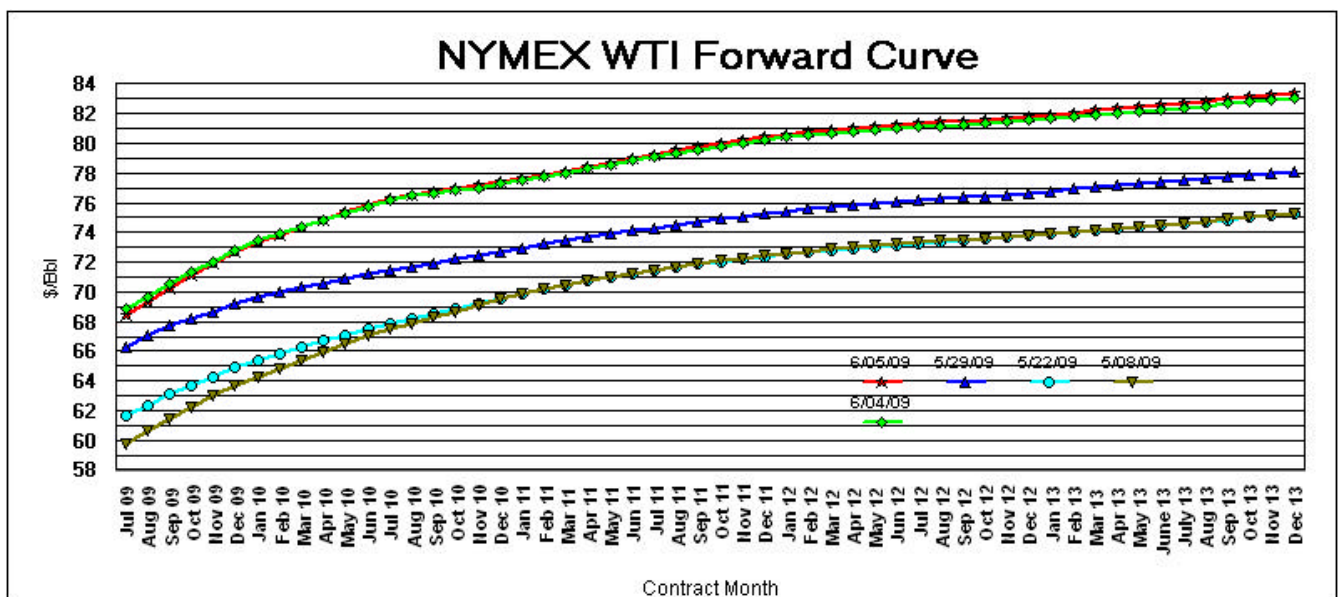
The Obama administration hopes that Iran will end months of stalling and respond to the US' overtures for better relations following Iran's June 12th presidential election. Experts believe that a win by President Mahmoud Ahmadinejad's rival, former Prime Minister Mirhossein Mousavi could improve the climate for either bilateral talks or those between major powers and Iran to settle disputes over its nuclear program. The former Prime Minister has pledged to continue nuclear talks with major powers if he is elected president, in contrast to President Ahmadinejad, who has ruled out negotiations.

Platts reported that foreign crude stored on tankers in the Gulf of Mexico, which amounts to 30 million barrels, is expected to fall to 10 million barrels by the end of June as storage economics come under heavy pressure.

PIRA stated that while land storage of gasoil is nearly full, the collapse in tanker markets has allowed inventories to be built in floating storage amid the price contango. It estimates that about 25-30 million barrels of diesel and heating oil is stored in 80,000 DWT and 105,000 DWT clean product tankers. The monthly cost of floating storage fell below \$1/barrel/month beginning in mid-March and continued to fall until recently. The increase in clean tanker rates has prompted traders to use newly built VLCCs for floating storage. Each VLCC can store about 2 million barrels of products at a cost of about 50 cents/barrel/month in addition to lightering costs of 25 cents-40 cents/barrel.

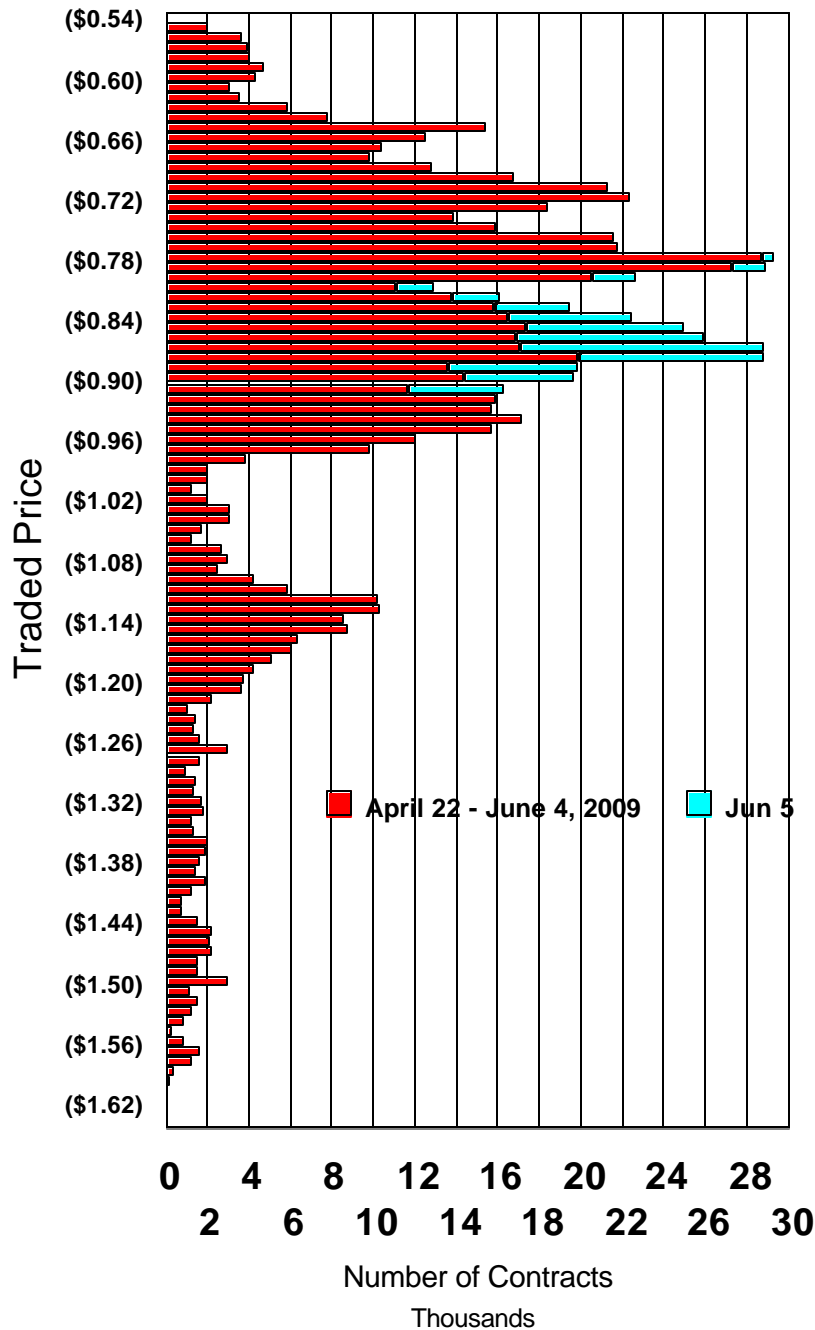
Separately, trading companies have booked brand new VLCCs in a rare move to store diesel off Singapore waters or Northwest Europe. Traders said about 520,000 tons of South Korean diesel will be lifted in June and will be anchored in those areas. Such floating volumes will be in addition to the 530,000 tons stored in smaller vessels of 80,000-100,000 tons off Singapore waters, Northwest Europe and West Africa.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, said that only a



NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 5, 2009

Trade Weighted: 6/3 -0.94, 6/4 -0.88, 6/5 -87



restructuring of the allocation of the country's oil revenues would end the violence in the region. In reaction to Nigeria's President Umaru Yar'Adua's renewed call on militants to accept his amnesty program, the militant group said it had no reason to believe the president's offer. The unrest in the Niger Delta has cut Nigeria's daily production to about 1.7 million bpd compared with 2.6 million bpd in January 2006.

Refinery News

Repairs at the 90,000 bpd fluid catalytic cracking unit in the Girard Point section of Sunoco Inc's Philadelphia refinery are expected to take one week. The unit was shut on Thursday for maintenance.

Valero Energy Corp said its fluid catalytic cracking unit at its 170,000 bpd McKee, Texas refinery resumed planned rates following its maintenance turnaround.

BP Plc restored operations of a fluid catalytic cracking unit at its 417,000 bpd Texas City, Texas refinery following an upset on Thursday.

Lithuania's Mazeikiu Nafta restarted its second diesel desulphurization unit and is operating at full rates. It had to shutdown the unit due to a small fire caused by a gas leak.

Indonesia's Pertamina may restart its 230,000 bpd crude distillation unit at its Cilacap refinery on Sunday. The unit was shut on Wednesday after an emergency tube burst, causing a fire.

China's twelve major plants plan to increase their crude oil processing to 2.59 million bpd in June, up about 10% on the month after some plants completed maintenance. The level will be the same as the record high crude runs in October and represents almost 92% of their total refining capacity.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/04/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	7	10P	70	7.14	7.76	474	0	0	
AO	8	10P	70	7.29	7.9	474	0	0	
AO	5	10P	70	7	7.57	474	0	0	
AO	4	10P	70	6.7	7.38	470	0	0	
AO	9	10P	70	7.45	8.01	470	0	0	
AO	6	10P	70	7.01	7.64	470	0	0	
LC	7	9P	55	0.09	0.15	3500	0	0	
LC	9	9P	40	0.06	0.07	3500	0	0	
LC	12	10C	90	6.2	5.44	750	0	0	
LC	12	9C	85	2.81	2.14	500	0	0	
LC	12	9P	63	3.63	4.15	500	0	0	
LC	12	16C	100	12.89	12.04	500	0	0	
LC	12	10C	95	4.93	4.29	500	0	0	
LO	6	10C	100	2.21	1.82	5955	0	0	
LO	7	9P	55	0.09	0.15	5534	0.11	0.05	
LO	12	9C	100	0.81	0.61	3552	0.75	0.75	
LO	8	9C	75	1.89	1.12	3395	2.14	1.45	
LO	8	9C	80	0.78	0.43	3243	0.99	0.57	
LO	7	9C	72	1.13	0.49	3176	1.39	0.6	
LO	9	9P	55	0.85	1.07	3094	0.9	0.85	
LO	7	9C	70	1.87	0.91	2975	2.2	1.07	
LO	7	9C	75	0.46	0.19	2943	0.63	0.25	
LO	8	9P	55	0.42	0.61	2801	0.54	0.4	
LO	12	9C	110	0.35	0.25	2400	0	0	
LO	7	9P	60	0.3	0.56	2376	0.4	0.25	
LO	9	9P	40	0.06	0.07	2356	0.12	0.06	
LO	12	9C	80	4.35	3.39	2172	4.51	3.65	
LO	12	10C	150	1.01	0.89	2171	1	0.8	
OB	9	9C	1.86	0.1965	0.166	293	0	0	
OB	8	9C	2	0.1037	0.0844	267	0.096	0.0832	
OB	8	9C	2.05	0.0855	0.0693	250	0	0	
OB	9	9C	1.92	0.1647	0.1391	236	0	0	
OB	10	9C	2	0.1067	0.0915	229	0	0	
OB	10	9P	1.4	0.0275	0.0363	200	0	0	
OH	12	9P	2	0.2338	0.2576	225	0	0	
OH	1	10P	2	0.2297		225	0	0	
OH	8	9C	1.8	0.1209	0.0987	225	0	0	
OH	12	9P	1.5	0.0435	0.05	200	0	0	
OH	12	9P	1.8	0.1339	0.1494	200	0	0	
WA	8	9P	-2	0.1	0.16	500	0	0	
WA	8	9P	-1.25	0.21	0.25	250	0	0	

Indonesia's Trans Pacific Petrochemical Indotama has yet to resume operations at its petrochemical and refining complex despite earlier plans that it would reopen in May. It is not clear why the restart has been delayed again. The continued delay of the restart of the complex, which includes a 100,000 bpd condensate splitter that can process naphtha or condensate, will reduce the demand for both the light product and super light crude. The complex was forced to shutdown since late February 2008, when it was forced to shutdown due to breaches in the breakwater wall that protects the plant from the sea.

India's domestic fuel sales growth slowed to an annual 1% in April. Domestic sales of oil products increased to 11.6 million tons in April due to a 4.8% increase in diesel sales to 4.73 million tons and a 7.8% to 1.02 million tons in petrol sales. Official data showed that India's crude oil imports in April fell by 12% on the year to 9.71 million tons while its product imports fell by 11% on the year to 2.17 million tons.

The National Iranian Oil Co has set up its first office in China to push for crude sales in China.

However Iran will have a difficult time increasing volumes in the absence of a refinery like the refinery and petrochemical venture in Fujian province that ties up Saudi Aramco and ExxonMobil with Sinopec. There are no signs of Iran investing in a refinery in China.

Production News

According to Baker Hughes, the number of oil and natural gas rigs in North America fell last month. It said the number of US rigs in May fell 7.7% on the month and by 51% on the year to 918. Internationally, the number of oil and gas rigs increased by 7 to 993 in May, down 7.6% on the year. Baker Hughes reported that the total number of oil and gas rigs in the US fell by 12 to 887 in the week ending June 5th. The number of rigs searching for oil fell by 8 to 179 while the number of rigs searching for natural gas fell by 3 to 700.

The July loading program for North Sea Gullfaks crude oil scheduled the loading of 9.405 million barrels, up 4.275 million barrels from 5.13 million barrels in June. July's volume is equivalent to 303,387 bpd compared with 171,000 bpd in June.

Azerbaijan's Socar reported that its oil exports fell by 19.5% on the year to 12 million tons in January-May.

OPEC's news agency reported that OPEC's basket of crudes increased slightly to \$67.01/barrel on Thursday from \$66.41/barrel on Wednesday.

The Canadian Association of Petroleum Producers said today that Canadian oil sands production could grow by 175% to 3.3 mbd by 2025, despite across the board cancellations or postponements of projects last fall. The group said that if growth is confined to projects already operating or under construction, the oil sands will add only 800,000 b/d to the 2008 output of 1.2 mbd.

Market Commentary

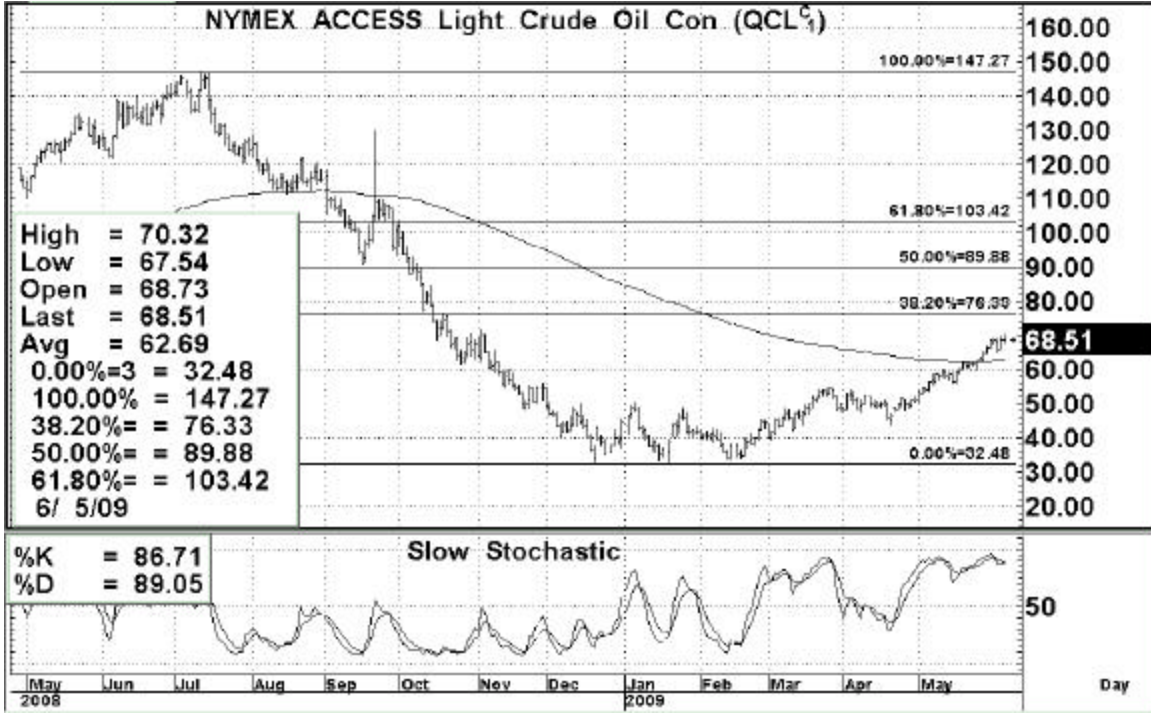
For the first time since November, crude oil traded above \$70.00 a barrel. Oil gained strength as investors sought out commodities as an alternative investment. The U. S. lost 345,000 jobs during the month of May, the lowest level in eight months. This gave bulls the go ahead to buy. As the dollar strengthened throughout the day, commodities lost their hedge appeal, pushing crude oil lower. The overall economic outlook is still bleak and the true underlying fundamentals of this market are bearish. Crude oil inventory levels are still high, with fuel demand at its lowest level since May of 1999. For these aforementioned reasons, we feel that the ability for prices to sustain strength is weak. From a technical perspective, crude oil appears to be over done to the downside. Slow stochastics are in overbought territory, with percent K trending lower than percent D. We would look for a correction to the downside and for July to test the \$62.69 200-day moving average. Heating oil appears to be topping out, building a wall of resistance around the 1.8140 level. Technical indicators are hinting that this market is overbought and a correction to the downside appears inevitable. We would look for prices to retreat and attempt to fill the gap made on June 1. This gap is set between 1.6780 and 1.6512.

Crude Oil JUL.09 344,711 -3,612 AUG.09 139,388 +5,591 SEP.09 87,070 +4,317 OCT.09 43,053 -974 Totals: 1,237,726 +7,916 N.Y. Heating Oil (HO) JUL.09 65,792 -1,506 AUG.09 33,819 +1,099 SEP.09 27,216 +769 OCT.09 17,465 +946 Totals: 278,013 +2,988 NEW YORK HARBOR RBOB (RB) JUL.09 90,407 -1,992 AUG.09 41,717 +2,904 SEP.09 30,933 +1,538 OCT.09 15,595 -6 Totals: 215,476 +2,188

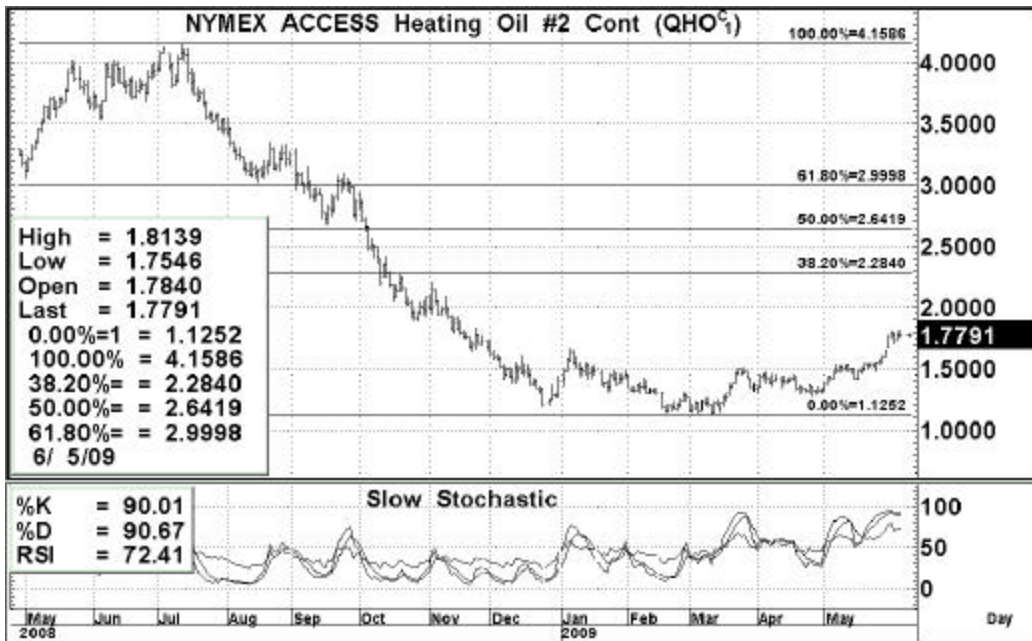
The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 435 contracts to 39,687 contracts in the week ending June 2nd. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 7,561 contracts to 109,159 contracts. The funds increased their total long position by 11,937 contracts to 199,076 contracts on the week. They have continued to add to their net long position in the last few trading sessions amid the market's move higher and the large builds in open interest. The combined

futures and options report showed that non-commercials in the product markets cut their net long position slightly, with funds in the heating oil market cutting their net long position by 101 contracts to 20,938 contracts and funds in the RBOB market cutting their net long position by 646 contracts to 61,378 contracts on the week.

Spot continuation chart for crude oil. Since crossing to the downside on Tues. slow stochastics remain pointing to the downside in overbought territory. Prices remain above 62.69, the 200-day moving average. We would look for a correction to the downside and for a test of the 200-day MA.



Spot continuation chart for heating oil. Slow stochastics are pointing lower in overbought territory. Despite the recent strength in heating oil, stochastics are indicative of a market that is overdone to the upside. We would look for a correction to the downside and for prices to attempt to fill the gap between 1.6780 and 1.6612



Crude Support	Crude Resistance
Spot 200 day MA 62.63 , 60.50 , 59.85, 58.90, 56.75,55.45,54.49,	71.80, 74.50, 76.10
Heat Support	Heat resistance
1.6780, 1.6512, 1.6235, 1.5615	1.83000, 1.9090
Gasoline support	Gasoline resistance
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

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