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ENERGY MARKET REPORT FOR JUNE 16, 2011

The IEA's Executive Director Nobuo Tanaka said the IEA is prepared to arrange the release of strategic reserves of crude oil by its member states to support the global economy. He said its member states are ready to act at any time if necessary. Signaling a much tighter oil market in both the short and medium term, he warned that high oil prices threaten a hard landing similar to the economic crash of 2008. In the short term, the IEA warned there is a danger of

Market Watch

The US Labor Department said initial unemployment claims fell by 16,000 to a seasonally adjusted 414,000 in the week ending June 11th. The prior week's level was revised to 430,000 from an originally reported 427,000. The four week moving average of new claims remained unchanged at last week's 424,750 level. The Labor Department said the number of continuing unemployment benefit claims fell by 21,000 to 3,675,000 in the week ending June 4th. The unemployment rate for workers with unemployment insurance was 2.9% in the week ending June 4th, unchanged on the week.

The US Commerce Department said the US current account deficit increased in the first quarter of 2011, due to higher imports. The current account deficit in the first quarter totaled \$119.3 billion, up from a \$112.2 billion deficit at the end of 2010. In the first quarter, the US trade deficit widened to \$140.8 billion from \$118.7 billion in the fourth quarter.

The Commerce Department also reported that US housing starts in May increased by 3.5% following a decline of 8.8% in April.

According to a Reuters survey, the US housing market is expected to fall further this year and remain the same in 2012. US home prices as measured by Standard & Poor's 20 city Composite Home Price Index is expected to fall 5% in 2011 as a whole before finding a floor and increasing just 0.5% in 2012.

The Philadelphia Federal Reserve Bank said its business activity index fell to minus 7.7 in June from positive 3.9 in May. Factory activity in the US Mid-Atlantic region unexpectedly fell in June to its lowest level in nearly 2 years. The new orders index also fell to minus 7.6 from 5.4 in May while inventories fell to minus 8.5 from minus 5.4.

The National Oceanic and Atmospheric Administration said the southern US, from Florida to eastern California, will see above normal temperatures in July through September. Below normal temperatures are expected in the northern Great Plains to northern Rockies. All other regions show equal chances of normal, above normal or below normal temperatures.

The US Senate voted 73 to 27 on Thursday to end the 45 cent/gallon subsidy the government gives refiners and the 54 cent/gallon tariff on imported ethanol from Brazil and other countries.

**June
Calendar Averages**
CL – \$98.95
HO – \$3.0634
RB – \$2.9875

overheating in prices resulting in economic damage this year if OPEC does not produce extra oil. It said the promise from Saudi Arabia to pump up to an extra 1 million bpd this month and next would bring welcome relief however it cautioned that some the additional Saudi crude may not substitute for higher quality Libyan crude. It said the current cushion of spare capacity will remain uncomfortably thin for several years, in large part because Libyan production may not return to pre war levels until 2014. The IEA stated that in the longer

term, fundamentals of steadily increasing demand, suggest that Brent crude will average \$103/barrel between 2011 and 2015 compared with a forecast of just \$84/barrel last year. In regards to refinery capacity, the IEA said global refinery capacity is expected to increase by 9.6 million bpd in the 2011-2016 period to 102.7 million bpd, outpacing demand growth. Global refinery utilization rates are expected to fall to 78% in 2016 from 82% in the 2006-2010 period. Global demand for crude from refineries is expected to increase sharply to 76.4 million bpd in July from a seasonal low of 72.6 million bpd in April.

The head of the IEA's oil markets division, David Fyfe said current prices for crude oil do not reflect any degree of excessive speculation. The IEA said commodity prices are driving movements in international exchange rates but there is no evidence of excessive speculation in the oil markets.

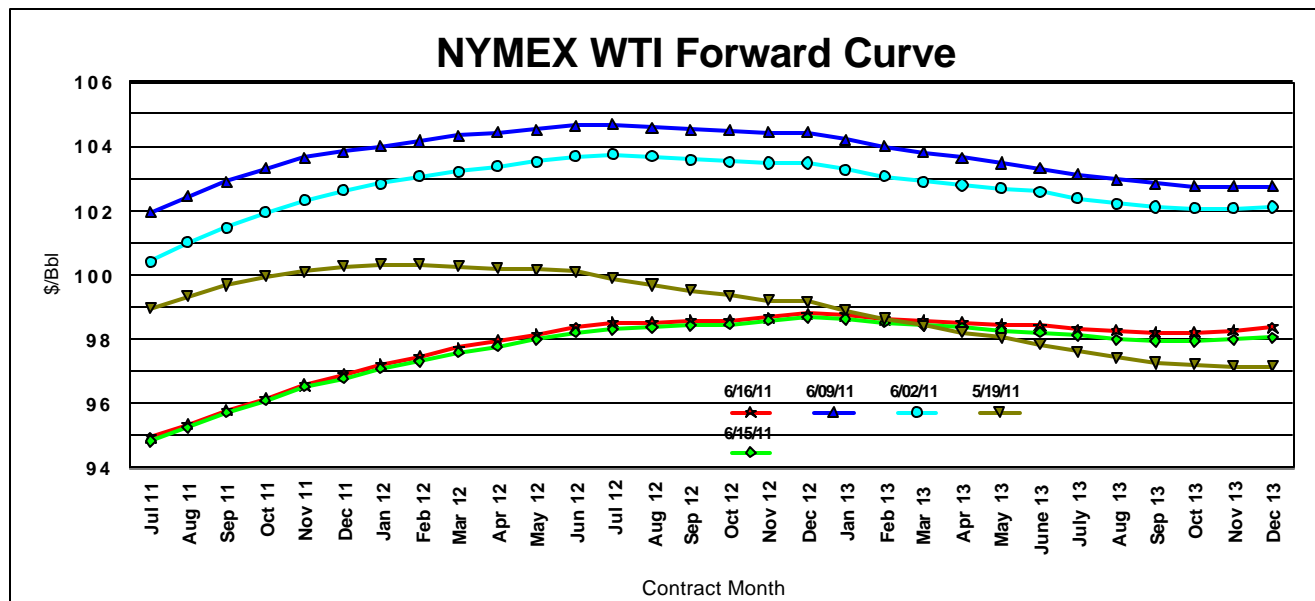
Oil Movements said Middle Eastern shipments from OPEC are set to fall sharply in June. Middle Eastern seaborne exports are set to fall by 210,000 bpd in the four weeks ending July 2nd. Overall OPEC oil exports, excluding Angola and Ecuador, are set to fall by 170,000 bpd in the four weeks ending July 2nd to 22.81 million bpd.

The IMF is very concerned by the latest political turmoil in Greece but stands ready to help if the government can win consent for its austerity plan. It said is ready to support Greece but needs the Greek government to approve its economic restructuring plans and Europe to ensure full financing for the program, which is set to expire in 2013. Greek Prime Minister George Papandreou said he would reshuffle his cabinet and call a confidence vote in his government, in the face of continued resistance from the opposition and some members of his own party to an austerity package demanded by its international lenders.

China's President Hu Jintao said during a visit to Russia that both Russia and China want to continue pushing forward energy cooperation. Separately, in a joint declaration, Russia's President Dmitry Medvedev and China's President Hu Jintao noted the need for diplomatic solutions to the disputes over the nuclear programs of Iran and North Korea. They agreed that Iran had a right to peacefully use nuclear power. Both Russia and China expressed concern about the situation in Libya and urged strict adherence to UN Security Council resolutions, signaling dissatisfaction with Western air strikes.

Refinery News

The high price of corn and low price of ethanol have some gasoline blenders and refiners contemplating buying Renewable Identification Number or RINS. Late last week, corn prices rallied on reports that the US corn harvest was expected to be 2% lower than previously forecast, ethanol prices fell and the prices of RINS increased to 4.30/gallon. A decline in prices this week are making



the level more economically attractive to blenders, importers and refiners.

TransCanada Corp said it would reduce the flow of oil on its Keystone Pipeline by 12% in June and July to 400,000 to 450,000 bpd in order to replace some parts. The flow rate would be cut from the 530,000 bpd the company had contracted for June.

Valero Energy Corp still expects to restart a coker unit at its 287,000 bpd Port Arthur, Texas refinery by the end of the week. The refinery has been running at minimal rates since a June 6th lightning strike shut the coking unit. Separately, Valero's 87,400 bpd Ardmore, Oklahoma refinery has completed maintenance work on a heat exchanger. The work did not affect production at the refinery.

PBF Energy reported emissions of sulfur dioxide from a loss in water head pressure in the flare system Thursday at its 182,000 bpd Delaware City, Delaware refinery.

Motiva Enterprises' 234,700 bpd Norco, Louisiana refinery reported a compressor trip on Wednesday.

European refiners could see weak margins amid high prices of feedstock crude and weak demand for products. The difficult operating environment could force some refiners to cut runs or reduce their throughput to avoid running at a loss.

Gasoline stocks held in independent storage in the Amsterdam-Antwerp-Rotterdam area in the week ending June 16th increased by 4.62% on the week but fell by 38.62% on the year to 612,000 tons while fuel oil stocks fell by 10.76% on the week but increased by 4.44% on the year to 846,000 tons and gasoil stocks fell by 3.39% on the week but increased by 21.23% on the year to 2.821 million tons. Naphtha stocks increased by 107.14% on the week and by 70.59% on the year to 87,000 tons while jet fuel stocks fell by 16.2% on the week and by 42.6% on the year to 419,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.58 million barrels to 17.963 million barrels in the week ending June 15th. It also reported that Singapore's light distillate stocks fell by 210,000 barrels to 9.253 million barrels while middle distillate stocks fell by 439,000 barrels to 14.693 million barrels on the week.

Production News

The first shipment of Saudi crude oil donated to Yemen to help relieve fuel shortages arrived at the port of Aden on Thursday. Saudi Arabia donated 3 million barrels of oil to Yemen. The first tanker carrying 600,000 barrels arrived at the port and will be sent to Aden's refinery, which has been shut for months due to unrest, to be processed into oil products.

Kuwait Ports Authority said it halted vessel traffic in local ports due to low visibility and strong winds. The authority will allow the resumption of traffic once the weather improves.

The IEA reported that Venezuela's oil production totaled 2.46 million bpd in May, down from 2.48 million bpd in April.

Angola is scheduled to export 1.58 million bpd of crude in August, down from 1.7 million bpd in July.

Russia's Rosneft may increase its oil shipments to China, above its current level of 300,000 bpd to feed a planned refinery.

Brazil's Petrobras said its crude oil and natural gas production in May increased slightly as several new wells started production. Petrobras produced an average 2.586 million bpd of oil equivalent in

May, up 0.8% from 2.566 million bpd of oil equivalent in April. Its domestic crude oil production was stable in May at an average of 2.003 million bpd.

Market Commentary

Crude oil rebounded slightly today, supported by expectations of higher demand by the IEA and a brighter outlook for the U.S. housing markets and jobs report. Keeping a lid on prices was a report by the Federal Reserve stating that factory orders in the mid-Atlantic dipped to a two-year low, furthering concerns about an economic recovery. The expiration of the July options contract contributed to today's tight trading range. Activity appeared to be nervous after yesterday's precipitous sell-off left traders uncertain as to whether or not the U.S. jobless claims and housing starts are enough to spur an economic recovery. Time will tell as to whether or not expectations for an increase in global demand will prove fruitful enough to pick away at supplies. We still believe that there is additional room to the downside for this market but would like to see this weeks trading session finish below \$95.00. Our initial downside objective remains \$89.50.

Crude oil: July 11 131,293 -35,948 Aug 11 267,615 +25,048 Sept 11 155,587 +2,105 Totals 1,570,694 -14,233 Heating oil: July 11 76,433 -3,687 Aug 11 66,351 +2,412 Sept 11 44,119 -724 Totals 327,240 -3,632 Rbob: July 11 53,380 -2,354 Aug 11 59,106 +308 Sept 11 42,692 -447 Totals 259,749 -3,181.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	10340		31325		
9401	10845	27695	32777		33369
9284	11120	26680	33370	26965	35915
8980	11483	27375	33510	26300	36310
8700	11563	23685		25683	
8625	11703	22960		25145	
8500	12126			24240	
8385	14933			23631	
				23414	

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