

W The
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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 18, 2011

The API reported that US gasoline demand in May for the second consecutive month. Total US crude oil and oil product consumption in May increased 3.7% on the year to 19.526 million bpd. It reported that gasoline deliveries in May fell by 0.7% on the year to 9.155 million bpd while distillate deliveries increased by 7% on the year to 3.891 million bpd. Crude oil imports in May fell by 8.8% on the year to 8.772 million bpd while oil product imports fell by 12.6% on the year to 2.166 million bpd.

Market Watch

The IMF cut its forecast for US economic growth on Friday and warned the US and European countries that they are playing with fire unless they take immediate steps to reduce their budget deficits. The IMF said larger threats to growth had emerged since its previous report in April, citing the euro zone debt crisis and signs of overheating in emerging market economics. It forecast that US GDP would grow 2.5% this year and 2.7% in 2012 compared with its previous estimate of 2.8% and 2.9% growth, respectively. The IMF said it was slightly more optimistic about the euro area's growth prospects this year but a lack of political leadership in dealing with that crisis and the budget showdown in the US could create major financial volatility in coming months. It raised its growth view for the euro area in 2011 to 2% from 1.6%. For 2012, the IMF saw growth at 1.78%.

The Thomson Reuters/University of Michigan Surveys of Consumers' preliminary June consumer sentiment fell to 71.8 from 74.3 in the final May reading. Economists expected a preliminary June sentiment reading of 74.

The IntercontinentalExchange Inc suspended trading in ICE gasoil futures for contracts covering dates from January 2015 onwards. It has also proposed a period of formal consultation with its members and customers over the quality specification of gasoil, its benchmark contract would be based on. The decision comes as the physical gasoil market in Northwest Europe, which the ICE contract is tied into, has increasingly moved away from buying and selling 0.1% gasoil for a cleaner 0.05% gasoil grade which has a lower sulfur content.

High frequency trading could double from about 15% in two to three years, leaving commodity exchanges and regulators struggling to keep up. The ICE's CEO said exchanges were working on ways to target unintended price spikes, without losing the benefits and volumes high frequency trading firms bring. All signs point to continued growth of HFT in commodities. It is partly in response to increased competition and narrowing profit margins in the US equities, where high frequency trade is estimated to have declined from a year ago, along with lower volumes and volatility. CME Group Inc said automated trading, including both HFT and slower computer generated trades, accounted for almost a third of energy futures volumes in the fourth quarter of 2010.

According to BlackRock and ETF Securities, investors pulled over \$2.6 billion from commodity exchange traded products in May, largely due to a selloff in precious metals and a weaker economic outlook. The outflow was the year's largest, surpassing January's figure of just over \$2 billion. Investors pulled \$229 million from energy product EFTs.

A top Russian envoy said representatives of Muammar Gaddafi have made contact with the Libyan rebels in a number of European capitals, including Berlin, Paris and Oslo. Libyan rebel chief Mahmoud Jibril however denied suggestions that the insurgents were negotiating with Muammar

**June
Calendar Averages**
CL – \$98.49
HO – \$3.0572
RB – \$2.9843

Gaddafi's regime. Meanwhile, Libya's Muammar Gaddafi said NATO will be defeated and fail in its bid to bring about regime change in the country.

France's Foreign Ministry said France wants the European Union to impose tougher sanctions on Bashar al-Assad's Syrian regime in response to his crackdown on a revolt against his rule.

A top Saudi official said Yemeni President Ali Abdullah Saleh, being treated for shrapnel wounds in Saudi Arabia, will not return home contrary to claims that he will return soon. The official said the Yemeni president will not return to Yemen.

Refinery News

Valero Energy Corp's refinery in Benicia, California reported an emissions event to California state environmental regulators. It was not clear whether the even had an impact on operations. It also at its 235,000 bpd refinery in Aruba continues to operate at reduced rates following a power outage in one section of the plant on June 9th.

Repsol's 220,000 bpd Bilbao refinery was shut on Friday due to strike action expected to last more than three days.

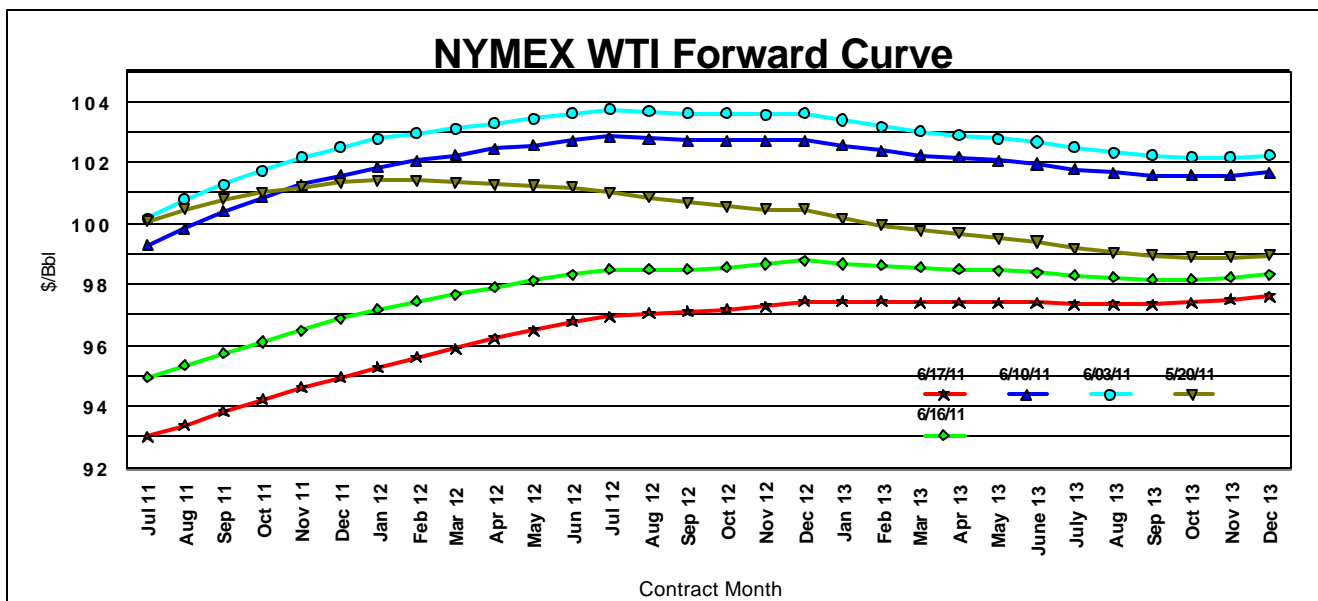
Saudi Arabia's fuel oil exports in June are estimated at 485,000 tons, down about 25% from May, in line with expectations due to peak summer demand in the country. About 250,000 tons of the Saudi cargoes are bound for East Asia in June, while another 225,000 tons are scheduled for July arrival.

Demand for oil products in Thailand increased by 4.8% in April from a year earlier to 606,369 bpd.

Production News

Shipbrokers said the number of crude oil tankers booked from the Middle East has increased by 15% in June due to an increase in Saudi Arabian exports. About 130 Very Large Crude Carriers, mostly bound for refineries in Asia, have been contracted out for June, up from about 113 the previous month and the highest since at least August 2005. At least 97 VLCCs from the Middle East were booked for Asia in June while 20 were bound for Europe and the US.

A cargo of North Sea Forties crude oil due to load in July has been delayed. Reduced output at Nexen's Buzzard field has cut flows along the Forties pipeline, leading to delays and cancellation of



cargoes loading in May and June.

BP expects to restart the 170,000-190,000 bpd Greater Plutonio oil field in Angola by the end of the month.

Colombia's Finance Minister Juan Carlos Echeverry said crude output in the country is expected to continue to increase until the end of the decade due to better recovery at existing fields. He said oil output would reach 1.5 million bpd of oil equivalent by 2015, with 1 million to 1.2 million bpd coming from Ecopetrol.

Maersk Oil said it has not approved a major investment in the development of a UK North Sea oil field in which it holds a minority stake. It said it would invest \$1 billion in the development plan for the Golden Eagle field. It estimates its share in the total reserves will come to about 45 million barrels of oil equivalent. Initial work on the Golden Eagle field is expected to start in November and first oil is expected in 2014, with an initial production rate of between 60,000-65,000 bpd.

Shell and Russia's Gazprom Neft signed an agreement on Friday to pursue potential joint projects in Western Siberia and outside of Russia.

Ghana's oil production is expected to increase in August from July but remain well short of Tullow Oil's target level of 120,000 bpd. The provisional loading program showed that the Jubilee field would load about 92,000 bpd, up from 62,000 bpd in July.

Mexico's Pemex is facing increasing theft of fuel from its pipelines as well as increased activity and sophistication among fuel thieves who extracted more fuel in the first four months of the year. It estimates that fuel theft in the January-April period amounted to 3 billion pesos or \$250 million, more than in all of 2010 or 20,000 bpd in terms of volume.

Market Commentary

Crude oil lost 6 percent on the week, settling below our weekly target of \$95.00. Greek debt continues to leave market participants with jitters in regards to its impact on demand and a slowing of economic growth. This week we saw a great amount of technical deterioration as the soon to expire July contract traded below key support. A weekly settlement below \$94.60 signals that a near term reversal of this market has taken place. With this in mind, we would anticipate prices to make a run at \$89.54, the 50% retracement of \$114.83 to \$64.24. Our initial downside objective remains \$89.50. A break below this objective would be confirmation that the aforementioned reversal is underway, opening the possibility that we may see dips to \$83.57.

The Commitment of Traders report showed that non-commercials in the crude market continued to cut their net long position by 9,753 contracts to 166,371 contracts in the week ending June 14th. The futures and options report showed that non-commercials in the crude cut their net long position by 6,236 contracts to 221,726 contracts on the week. The disaggregated futures and options report showed that manage money funds increased their net long position by 3,398 contracts to 194,372 contracts on the week. The funds have likely cut their net long position during the past few trading sessions, given the market's sell off this week.

Crude oil: July 11 89,807 -41,486 Aug 11 279,879 +12,264 Sept 11 157,599 +2,012 Totals 1,549,256 -21,438 Heating oil: July 11 72,709 -3,724 Aug 11 69,566 +3,215 Sept 11 44,545 +426 Totals 329,753 +2513 Rbob: July 11 48,887 -4,493 Aug 11 63,188 +4,082 Sept 11 42,042 -650 Totals 260,516 +767.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	10340		31325		
	10845	27695	32777		33369
9284	11120	26680	33370	26965	35915
9026	11483	27375	33510	26300	36310
8950	11563	23685		25683	
8700	11703	22960		25145	
8625	12126			24240	
8500	14933			23631	
8385				23414	

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