

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 1, 2010

The US Department of Energy said that the apparently successful bids for the US SPR's release of crude oil stocks totaled 31.04 million barrels at an average \$107.18/barrel. It said fifteen companies submitted offers.

The Netherlands held a tender on Friday for the sale of 600,000 barrels of crude, as part of the IEA's release of 60 million barrels of oil from strategic reserves. Separately, the 2.1 million barrels of crude oil being sold by Germany in the IEA's stock

Market Watch

The US Commerce Department said construction spending fell by 0.6% to a seasonally adjusted annual rate of \$753.48 billion. It was the sixth consecutive decline and the lowest seasonally adjusted level since September 1999. Spending in April was revised down to a fall of 0.6% compared with a previously estimated increase of 0.4%.

The pace of growth in US manufacturing increased for the first time in four months in June. The Institute for Supply Management said its index of national factory activity increased to 55.3 in June from 53.5 in May. The prices paid index fell to its lowest level since August 2010 at 68 from 76.5 while inventories increased to 54.1 from 48.7. The consumer sentiment index in June fell to 71.9 from 74.3.

The Thomson Reuters/University of Michigan's consumer sentiment index stood at 71.5 in June, down from 74.3 in May. The survey's index of current economic conditions increased to 82 from 81.9 in May.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 126.4 in the week ending June 24th from 127 the previous week. The index's annualized growth rate fell to 2% from 2.9% a week earlier.

The global manufacturing sector grew at its slowest pace in June in nearly two years. The Global Manufacturing PMI fell in June to 52.3 from 53 in May, its lowest level since July 2009.

Britain's manufacturing sector grew at its slowest pace in almost two years. The Markit/CIPS manufacturing PMI index fell to 51.3 in June from May's downwardly revised 52.

European Union's statistics office Eurostat said Euro zone unemployment was stable at 9.9% of the workforce in May. It said 15.51 million people were without jobs in the Euro zone.

A euro zone government source said a final agreement on a second bailout package for Greece could be held off until September. Earlier this month, European Commissioner for Economic and Monetary Affairs Olli Rehn had set July 11th as a deadline for taking decisions on a second Greek bailout package, including a private sector contribution. In recent days, national authorities have been discussing the nature of private sector participation with banks and other financial firms. Separately, the board of the Institute of International Finance said European governments and international organizations will need to backstop Greek banks until fiscal changes take hold. It added that Greece would require significant cash flow support for some years.

China's factory sector grew at its slowest pace in 28 months in June as new orders expanded less quickly. The China Federation of Logistics and Purchasing said the official purchasing managers' index fell to 50.9 in June from 52 in May. Meanwhile, the HSBC Markit Purchasing Managers' Index stood at 50.1, with output falling for the first time since July 2010.

India's manufacturing sector slowed down in June as output declined sharply. The HSBC Markit Purchasing Managers' Index fell to 55.3 in June from 57.5 in May, its lowest level since September last year and the largest fall since November 2008.

The European arm of Intercontinental Exchange said it would introduce the spread trade between ICE RBOB and ICE Heating Oil futures. The contract would be available for the front 12 months. The price would be expressed in terms of the premium or discount to ICE RBOB futures.

July
Calendar Averages
CL – \$94.94
HO – \$2.9245
RB – \$2.9726

release program will be available for physical delivery on Monday, July 4th.

Ecuador's Oil Minister Wilson Pastor said the oil market would not be affected in the Long term by the IEA's announcement to release strategic oil reserves.

Shipping and trade sources said that inquiry to store crude on tankers at sea in the US Gulf was increasing, although actual bookings have yet to be finalized. ICAP Shipping said the number of VLCCs used for floating storage in the US Gulf fell to three from four last week, with total global storage on VLCCs estimated at five vessels compared with six the previous week. A further four suezmaxes were being used to store crude, unchanged from last week.

A top military official said Venezuela's President Hugo Chavez remains in charge of the country and its military and is likely to return soon after admitting to having undergone surgery to remove a cancerous tumor. Military chief Henry Rangel Silva said the military would also continue to uphold the country's constitution.

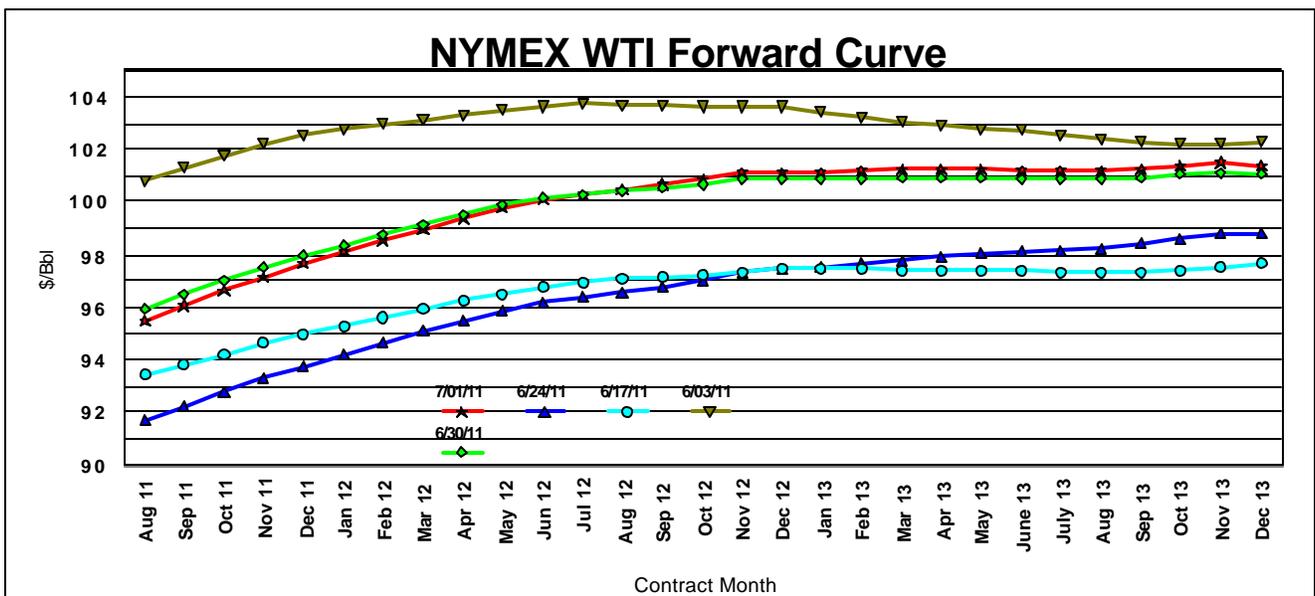
Refinery News

Valero Energy Corp reduced unit rates due to maintenance on an off gas compressor on Thursday at its 142,000 bpd refinery in Corpus Christi, Texas. There was a release of hydrogen sulfide, nitrogen oxide and sulfur dioxide from a flare stack due to the compressor work.

ExxonMobil Corp reported a shutdown of a hydrocracker unit at its 560,640 bpd Baytown, Texas refinery due to an exchanger leak. It said there was minimal impact on production and all customer needs were met.

Japan's Idemitsu Kosan Co expects to restart its 160,000 bpd crude distillation unit at its Aichi refinery in early July following repair work. The unit has been shut since Wednesday following a leak of liquefied petroleum gas from the flow monitor on a flash drum.

China's Sinopec Corp's 271,000 bpd Maoming refinery plans to service a 50,205 bpd unit for 11 days in July. It would reduce Maoming's crude runs this month by 6.4% from June to 1.18 million metric tons or 279,000 bpd.



South Korea's crude oil imports in June increased 9% on the year to 73.5 million barrels.

China Aviation oil bought up to 1.2 million barrels of jet fuel for the end of July to end of August loading via a tender.

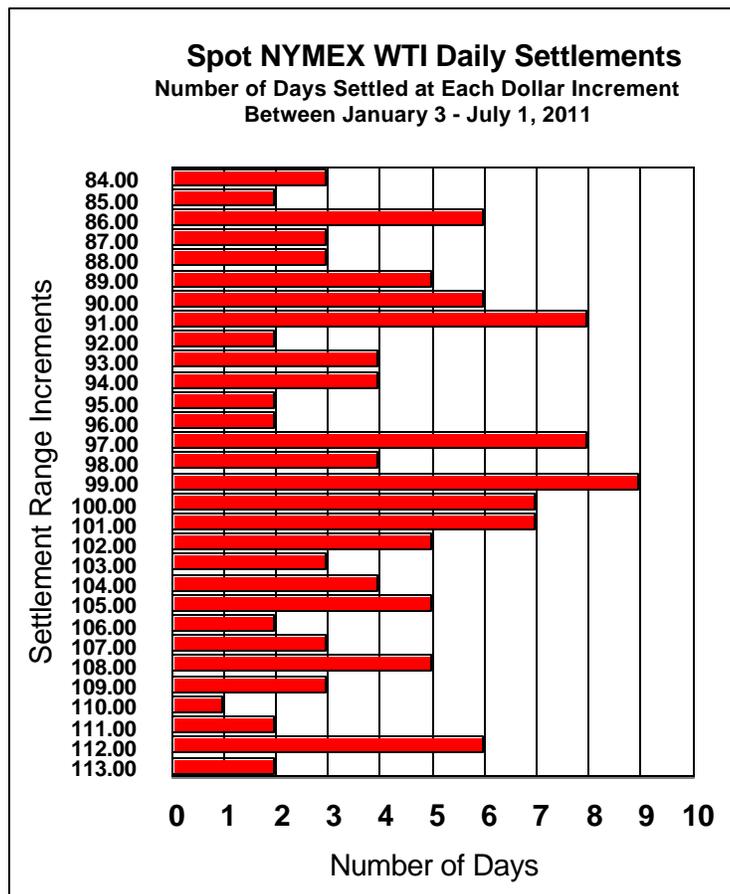
Production News

The US EPA has revised a set of clean air permits that Shell Oil Co has sought for drilling projects off the coast of Alaska. The move is significant step in Shell's efforts to drill in the Beaufort and Chukchi Seas.

Marathon Oil Corp is hopeful it would be able to resume operations in Libya after the political unrest in the country is resolved. Marathon's CEO Clarence Cazalot confirmed that Marathon has received a request for information from the US Securities and Exchange Commission regarding its operations in Libya.

BP restarted its 170,000-190,000 bpd Plutonio oilfield in Angola after a more than two month partial outage for maintenance work.

Iran has warned it would stop crude oil supplies to India from August if its payments are not made and a favorable mechanism for future payments is not developed. India and Iran have been trying to agree on a new payment mechanism after the Reserve Bank of India in December stopped trade-related payments through the Asian Clearing Union, which the US says is opaque and could be used by Tehran to finance its alleged nuclear weapons program. An executive at Hindustan Petroleum said the payments were being lined up by the Reserve Bank of India and would be made shortly.



Colombia's Mining Minister Carlos Rodado said the country's oil production continued to increase in June, extending a trend of record crude output in the country. Colombia's oil production in June averaged 930,569 bpd, up nearly 19% on the year.

Royal Dutch Shell Plc and its partners are expected to ask the Kazakh government for an extension to the 2013 deadline for the first oil from their Kashagan field. According to the UK's newspaper, The Daily Telegraph, the consortium rejected a plan to meet the deadline by producing at least 50,000 bpd directly onshore, bypassing an unfinished processing plant. As a result, the consortium now has no choice but to ask for an extension.

The Chevron Corp led Caspian Pipeline Consortium said it started a \$5.4 billion expansion to double the capacity of its pipeline, which carries crude oil from western Kazakhstan to the Black Sea port

of Novorossiisk, to 1.4 million bpd by 2015. The project will be implemented in three phases with capacity increasing progressively from 2012 to 2015.

Nigerian crude prices were pressured this week as buyers feared the imminent release of 30 million barrels of similar quality light, sweet oil in the US would halt the flow of West African crude across the Atlantic and drive buyers from the market. The oversupply in the US market could prompt sellers to divert cargoes of Nigerian oil elsewhere but may struggle to find buyers as demand in Europe for physical crude is also weak.

Russia's OAO Transneft may increase tariffs 8% by the end of the year. Pipeline tariffs are expected to increase by between 3%-5% on August 1st.

Market Commentary

Crude oil settled lower for the first time in four trading sessions, losing its momentum on news that economic growth in China and Europe maybe slowing. Volume was thin ahead of the U. S. Fourth of July holiday weekend. Late news Thursday by the U.S. government that it would release 30.2 million barrels of crude oil from its strategic reserves also weighed on prices and forced a narrowing of the August 3-2-1-crack spread. With the release of such barrels, more products should hit the market, adding additional weakness to this crack spread. During the first half of this year, which is comprised of 126 trading days, the average price for the spot month crude oil contract has been \$98.33. Two periods of consolidation have formed during this period between the ranges of \$86.00-\$93.00 and \$99.00 and \$101.00. With the August crude oil finishing the first half of the year just above the second range, we would look for a test back to the \$99.00 area, selling failures to trade above this level and buying breaks on successful ones.

The Commitment of Traders report showed that non-commercials in the crude market continued to cut their net long position. The funds cut their net long position by 14,513 contracts to 134,554 contracts in the week ending June 28th. The combined futures and options report showed that the funds cut their net long positions by 22,637 contracts to 176,440 contracts on the week. The disaggregated futures and options report showed that managed money funds also cut their net long position for the third consecutive week to 153,157 contracts, down 14,313 contracts in the latest week.

Crude oil: Aug 11 303,770 -7,296 Sept 11 196,259 +6,613 Oct 11 74,307 +481 Totals 1,523,018 +3,816 Heating oil: Aug 11 95,341 -2,200 Sept 11 47,673 +880 Oct 11 22,766 +444 Totals 301,707 -1,873 Rbob: Aug 11 76,780 +3,172 Sept 11 45,151 +56 Oct 11 23,717 +697 Totals 234,667 -631

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
			31325		
	9585	27150	32777		33369
	9821	26680	33370	26965	35915
	10244	27375	33510	26300	36310
8950	10339	23685		25683	
8700	10845	22960		25145	
8625	11120			24240	
8500	11483			23631	
8385	11563			23414	
	11703				

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.