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ENERGY MARKET REPORT FOR JULY 14, 2011

Iran's Oil
Minister
Mohammad
Aliabadi said
there is plenty
of oil to satisfy
global
demand and
no need to
increase
production.
He said
supply is in
proportion to
demand and
in some
instances in
excess of it to
the extent that
more than 60
million barrels
of oil are
floating at sea.

Oil
Movements
reported that
exports from
OPEC's
Middle East
members are
expected to
increase by
170,000 bpd
to 22.99
million bpd in

Market Watch

The US Labor Department said the number of initial claims for unemployment benefits fell by 22,000 to 405,000 in the week ending July 9th. The four week moving average of new claims fell by 3,750 to 423,250. The Labor Department said the number of continuing unemployment benefit claims increased by 15,000 to 3.73 million in the week ending July 2nd. The unemployment rate for workers with unemployment insurance remained at 3% in the week ending July 2nd.

The US Labor Department also reported that the Producer Price Index in June fell 0.4% following an increase of 0.2% in May. Core prices increased 0.3% in June following a 0.2% in May.

The US Commerce Department said US retail sales increased 0.1% in June to \$3.87.79 billion after falling 0.1% in May. Sales excluding gasoline rebounded 0.3% after falling 0.2% in May. The US Commerce Department also stated that US business inventories increased more than expected in May as sales record their first decline in almost a year. It said inventories increased 1% to \$1.51 trillion after increasing by an upwardly revised 1% in April. Sales fell 0.1% in May following an increase of 0.1% in April.

Federal Reserve Chairman Ben Bernanke reiterated that the Federal Reserve would be ready to inject more money into the system should the US economy worsen. However he told a US Senate Committee that the time had not come yet and noted inflation had increased since late 2010.

The White House said President Barack Obama may summon Republicans and Democrats to Camp David to break a budget deadlock that is threatening the US' credit rating. However US congressional leaders said they were not interested. House Democratic leader Nancy Pelosi said a Camp David trip could delay immediate progress at daily White House talks. There is pressure to reach a deal that would allow Congress to raise the \$14.3 trillion debt limit before the Treasury Department runs out of money to cover the country's bills on August 2nd.

Standard & Poor's has warned US lawmakers privately that it would downgrade the country's debt if the Treasury Department is forced to prioritize payments because Congress does not raise the debt limit.

JPMorgan Chase & Co's commodities trading risk increased by 23% in the second quarter compared with the first quarter as energy, metals and agricultural prices fell. JPMorgan's value-at-Risk for commodities stood at \$16 million in the second quarter compared with \$13 million in the first quarter.

Barclays Capital said it was impossible to predict how much further the Brent/WTI crude oil spread may widen, saying it expects the oversupply at Cushing to worsen in 2012. A Barclays analyst said the current front month WTI-Brent spread of over \$20/barrel appeared unjustified at a time when Cushing has about 8 to 10 million barrels of additional capacity left to be filled.

Greece's Prime Minister George Papandreou said the country welcomed the fact that its European partners realize the need for a comprehensive solution to its debt problems.

China's official Xinhua News Agency reported that the country's total electric power consumption in the first half of the year increased 12.2% on the year to 2.25 trillion kilowatt hours. In June alone, power consumption increased by 13% on the year.

Cycles Research Investments said today that it sees oil and natural gas prices rising this summer before a downward correction follows in 2012, after which energy prices should level out at higher levels. The research company expects oil prices to reach a high of around \$125 per barrel by November and then there is a 75-80% chance of a strong downward correction by the end of the year. The company sees prices then stabilizing at fairly high levels afterwards as the industrialized world settles in for years of low growth. Meanwhile natural gas prices will begin to move higher in late July and early August followed by a correction after that.

the four weeks ending July 30th.

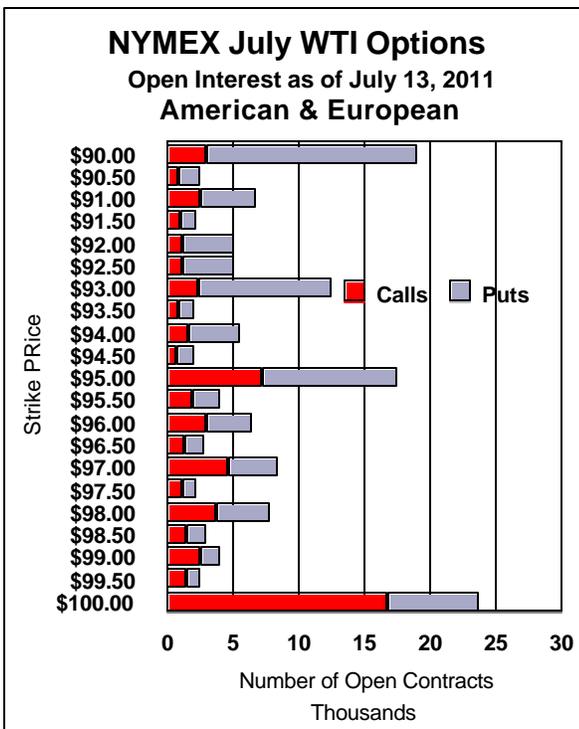
The number of tankers storing crude oil off the US Gulf Coast increased to four in July from two in June. The recent increase in floating storage comes ahead of the injection of 30.64 million barrels of crude oil onto the market from the US SPR as part of the IEA's stock release.

July Calendar Averages
CL – \$96.63
HO – \$3.0447
RB – \$3.0680

Refinery News

Kinder Morgan Energy Partners reported planned maintenance at the Pasadena terminal starting on July 14th and 15th.

The Trans Alaska Pipeline System will shut down during the weekend for scheduled maintenance. Alyeska Pipeline Service Co said several major work projects are scheduled to be completed during the shutdown. The shutdown will start Saturday morning and is expected to last through Sunday evening.



Saudi Aramco sold at least two rare fuel oil cargoes for prompt July loading from its Rabigh refinery. Its 92,000 bpd gasoline making unit is expected to be operational by the end of July, instead of mid-July. Saudi Aramco is also expected to continue importing more gasoline.

Iran is set to ship a rare cargo of gasoil to Singapore this week. The vessel Horizon Diana has been chartered to move 60,000 tons of the refined products from Iran for loading on July 16th.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending July 14th increased by 6.44% on the week but fell by 17.52% on the year to 744,000 tons. Gasoil stocks fell by 0.83% on the week but increased by 0.38% to 2.62 million tons while fuel oil stocks increased by 1.37% on the week but fell by 10.49% on the year to 742,000 tons. Naphtha stocks increased by 21.74% on the week and by 211.11% on the year to 112,000 tons while jet fuel stocks fell by 11.13% on the

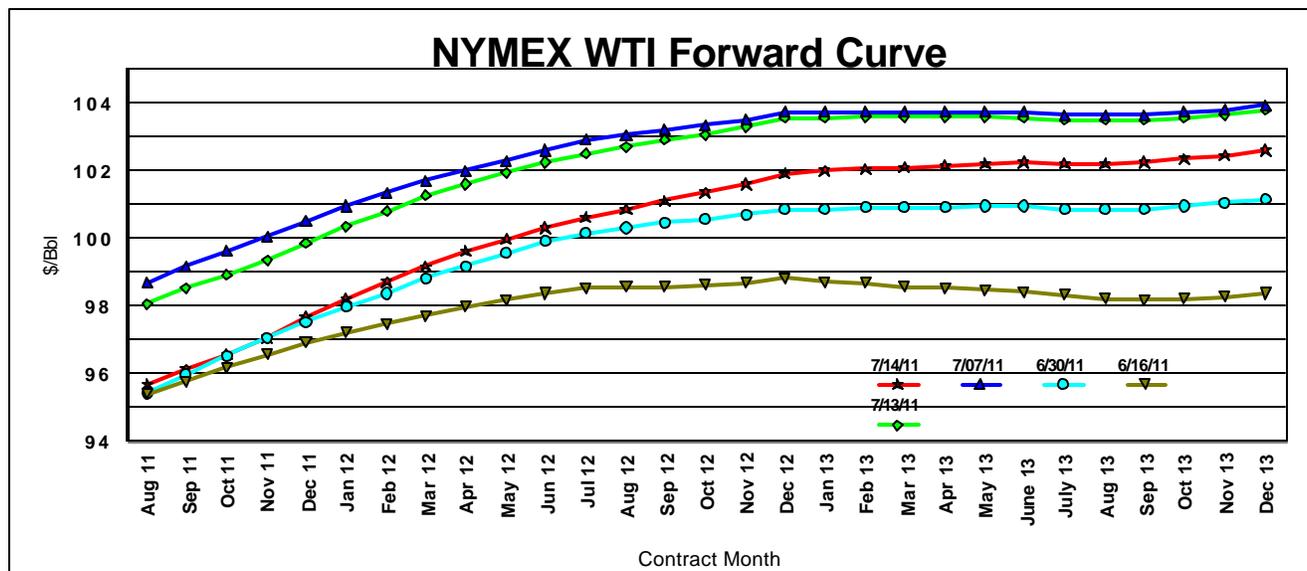
week and by 47.47% on the year to 415,000 tons.

Singapore's International Enterprise said the country's residual fuel stocks in the week ending July 13th fell by 1.671 million barrels to 17.513 million barrels. Singapore's light distillate stocks increased by 222,000 barrels to 9.745 million barrels while its middle distillate stocks fell by 215,000 barrels to 15.857 million barrels on the week.

Production News

Nexen said the 200,000 bpd Buzzard oilfield in the North Sea should resume full operations in August following the completion of maintenance. However it said output in the second quarter was the equivalent of 114,000 bpd because of unplanned maintenance to repair the cooling system and interruptions to a natural gas export pipeline.

Investigators for the Petroleum Safety Authority Norway said they would fly to BP's Valhall field on Thursday to investigate the causes of a fire that forced a total evacuation of workers and halted output. Meanwhile, a BP spokesman said it was still unclear when production would resume at the field. Production at the platform was 40,000 to 42,000 bpd before the fire halted operations.



Libyan Prime Minister Al-Baghdadi Ali Al-Mahmoudi said the government of Libyan leader Muammar Gaddafi has halted all cooperation with Italy's Eni. Eni was the largest foreign oil company in Libya but angered the government by suspending operations and establishing ties with rebels trying to overthrow the Muammar Gaddafi. Libya's Prime Minister said the government was in talks with Russian, Chinese and US firms over new projects in Libya. Eni declined to comment on reports that Libya halted all energy cooperation with Italy.

Nigerian youths broke into a Niger Delta crude oil flow station owned by Royal Dutch Shell on Thursday in protest of the firm's failure to provide their communities with electricity. A spokesman for a joint security task force said the protests could continue as long as it did not impact the general public.

Nigeria is currently producing 2.6 million bpd of crude oil, up from about 2.2 million bpd a month ago.

Azerbaijan's oil and gas condensate production fell by 5.6% on the year to 23.9 million tons in the first half of 2011. Azerbaijan's State Statistics Committee said production of refined products fell to 3.02 million tons in the first six months of 2011 from 3.13 million tons in the same period last year.

Abu Dhabi National Oil Co has signed a deal with China National Petroleum Co to increase its annually contracted oil exports to 200,000 bpd from 2014 for 20 years.

Russia's government has sent letters to oil companies asking them to allocate oil products, mainly diesel, for strategic reserves. Earlier this week, Russia's Energy Minister said the company would put up to 2 million tons of fuel oil into reserves for use in market interventions. Sources said the government is seeking about 1 million tons of winter diesel for the fund, about 600,000 tons of gasoline and 300,000 to 400,000 tons of jet fuel.

Market Commentary

When Federal Reserve Chairman Ben Bernanke speaks, traders listen. Sitting before the Senate Banking Committee, Bernanke stated that the Federal Reserve is not ready to put into place any additional stimulus plans. This strengthened the dollar and weakened commodities, taking crude oil down. The August crude oil lost 3.6 percent prior to recovering. With tomorrow being expiration for the August crude oil options and the combined open interest in the \$95.00 strike for both calls and puts sitting just under 25,000, prices gravitated towards this level. Coming into tomorrow's session, we would look for prices to remain within this area. The August/September crude oil spread has been trading in a tight range, between $-.42/-40$. This has been an area of concentration for the front spread for quite some time. There is resistance in this spread around $-.13$, with support set at $-.77$. The WTI/Brent arbitrage gained 98 cents, currently trading $\$-19.75$, slightly higher than yesterday's level.

Crude oil: Aug 11 159,031 $-26,053$ Sept 11 308,043 $+31,294$ Oct 11 85,649 $+5,955$ Totals 1,552,946 $+14,690$ Heating oil: Aug 11 66,415 $-2,251$ Sept 11 63,373 $+7,124$ Oct 11 33,797 $+1,020$ Totals 305,975 $+7,788$ Rbob: Aug 11 64,337 $-1,132$ Sept 11 56,827 $+2,529$ Oct 11 29,471 $+1,253$ Totals 239,324 $+3,152$.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9428	9924		31342		
9122	10071	27150	32777		33369
8950	10222	26680	33370	26965	35915
8700	10339	27375	33510	26300	36310
8625	10845	23685		25683	
8500	11120	22960		25145	
8385	11483			24240	
	11563			23631	
50-day MA	97.69			23414	
200-day MA	94.10				

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