



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 16, 2009

The API reported that US oil and oil product demand in June fell by 5.4% on the year to 18.607 million bpd. US petroleum demand fell by 6% to 18.75 million bpd in the first half of 2009, falling to the lowest level for the six month period in more than 10 years. Gasoline demand in June increased by 16,000 bpd or 0.2% to 9.126 million bpd while demand in the first six months fell by 0.9% on the year. Distillate demand fell by 279,000 bpd or 7.4% on the year to 3.484 million bpd. The API reported that US crude oil production increased by 1.7% to 5.183 million bpd. Crude oil and petroleum product imports averaged 11.323 million bpd, down 15.2% on the

Market Watch

According to academic and former US government adviser Philip Verleger said crude oil prices will collapse to \$20/barrel this year as the recession cuts demand. He said a crude surplus of 100 million barrels will accumulate by the end of the year. He added that supply is outpacing demand by about 1 million bpd.

Goldman Sachs predicted that oil will rally to \$85/barrel by the end of the year and recommended that clients buy futures contracts for delivery in December 2011.

JPMorgan Chase & Co said its risk in commodities trading increased for the first time in three quarters. Its value at risk in commodities or the maximum it can lose a day in trading increased \$6 million or 21% to \$34 million in the second quarter. In the first quarter, its VaR was down 7%, while in the fourth quarter of 2008 it fell 27%. It is the first bank to report an increase in commodities trading risk for the second quarter. Goldman Sachs on Monday said its commodities VaR was unchanged from the first quarter but down 17% on the year.

The US Labor Department said the number of initial claims for unemployment benefits fell by 47,000 to 522,000 in the week ending July 11th. The four week average of new claims fell by 22,500 to 584,500, the lowest level since January 31st. The number of continuing claims fell by a record 642,000 during the week to 6,273,000, the lowest level since April 11. The unemployment rate for workers with unemployment insurance fell by 0.5% to 4.7%.

The Philadelphia Federal Reserve Bank said factory activity in the US Mid-Atlantic region fell for the 10th consecutive month in July. Its business activity index was at minus 7.5 in July compared with minus 2.2 in June.

China's statistics bureau said the economy's rebound remains uneven and unstable. The government's eight month stimulus program helped increase China's GDP growth to 7.9% in the second quarter from 6.1% in the first quarter. China's consumer price index in June fell by 1.7% on the year, the first consecutive monthly decline while its producer price index fell by 7.8%, the seventh consecutive monthly decline.

Traders said low water surcharges have been removed for freight shipping on the Danube River in Germany after widespread rain caused water levels to rise. Surcharges were imposed earlier this week on cargo customers to compensate vessel owners for lost revenue as their ships must sail partly loaded because of low water.

July Calendar Averages

CL – \$62.42
HO – \$1.5898
RB – \$1.7065

year. Total imports in June accounted for 60.8% of US oil demand, down from 67.8% on the year.

According to Oil Movements, OPEC’s crude oil exports, excluding Angola and Ecuador, are forecast to fall by 190,000 bpd to 22.55 million bpd in the four weeks ending August 1st. Exports from the group’s

Middle East countries are estimated to fall by 270,000 bpd to 16.35 million bpd. Oil Movement estimated OPEC was complying at 68% of its agreed cuts.

An OPEC delegate said he doubts OPEC will change its production policy. He believes OPEC members will emphasize compliance.

Nigeria’s Oil Minister pledged Thursday that a bill to reform the oil sector will strip the sector of secrecy and make it more transparent. He said the tests of all licenses, leases and contracts and any of the changes to such documents will no longer be confidential.

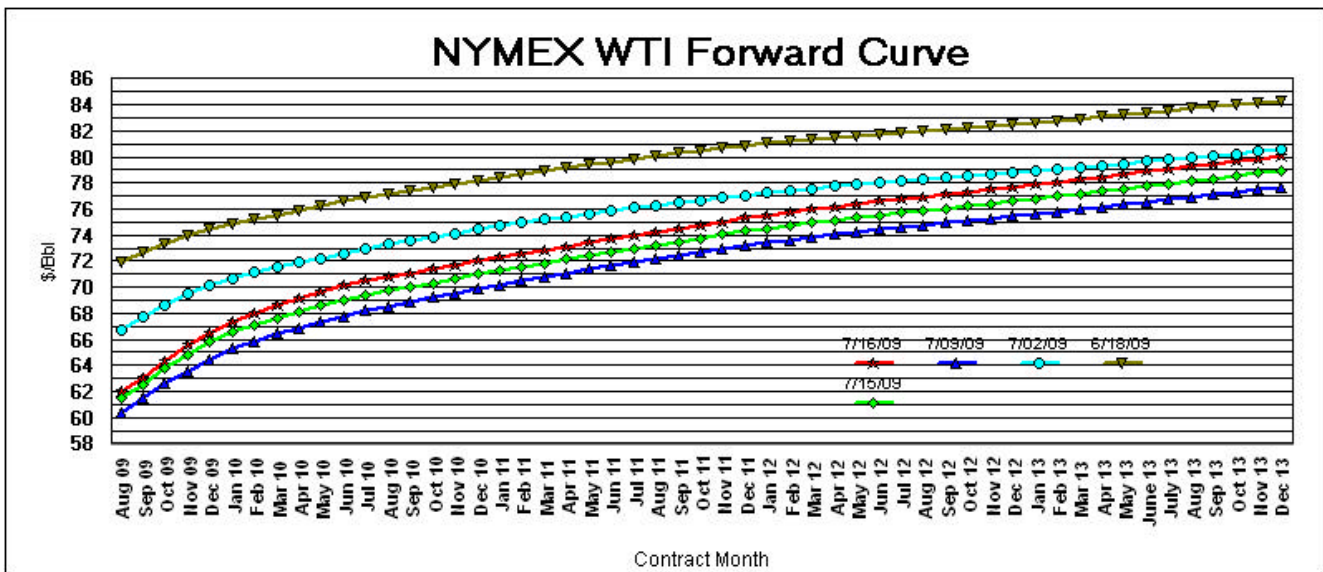
Refinery News

According to the EIA, future growth in US oil refining capacity is expected to be slow due to low demand, increased ethanol consumption and consumers buying fuel efficient vehicles. It said the 150 refineries in the US at the beginning of the year can process 17.7 million bpd of oil into gasoline, diesel, heating oil and other petroleum products. It is up 0.4% or 77,703 bpd from January 2008 and down from the 175,000 bpd average annual expansion of US oil refining capacity from 1996 to 2008.

ConocoPhillips warned of planned flaring between Friday, July 17th and July 24th at its Carson, California refinery. A notice filed with California pollution regulators did not say which units would be affected by the flaring at the refinery.

Valero Energy Corp has completed the shutdown of its 275,000 bpd Aruba refinery for economic reasons. It said it will reevaluate the economic conditions in two to three months for possible restart of the refinery.

Japan’s TomenGeneral Sekiyu said it has shutdown some unspecified units at its 335,000 bpd Kawasaki refinery in eastern Japan due to a cable problem.



NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 07/16/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	1	10P	55	3.18	3.41	750	0	0	
AO	3	10P	55	3.57	3.85	750	0	0	
AO	2	10P	55	3.38	3.68	750	0	0	
AO	1	10P	45	1.24	1.36	350	0	0	
AO	3	10P	45	1.51	1.67	350	0	0	
AO	2	10P	45	1.4	1.56	350	0	0	
LC	6	10C	85	4.31		7500	0	0	
LC	3	10P	50	2.45	2.66	4000	0	0	
LC	6	10C	90	3.37	3.24	1500	0	0	
LC	6	10C	80	5.75	5.44	1500	0	0	
LC	3	10C	90	2.52	2.45	1500	0	0	
LC	3	10C	80	4.49	4.28	1500	0	0	
LC	3	10C	85	3.33		1500	0	0	
LC	12	11C	80	10.27	9.8	1000	0	0	
LC	2	10C	100	1.19		1000	0	0	
LO	8	9P	60	0	0.3	6064	0.45	0.01	
LO	6	10C	85	4.32	4.09	5350	0	0	
LO	12	9P	30	0.11	0.13	4958	0.14	0.14	
LO	10	9P	55	1.83	1.99	4066	2.1	2.05	
LO	9	9P	50	0.4	0.44	3642	0.52	0.4	
LO	12	11C	120	2.91	2.68	3500	0	0	
LO	9	9C	70	1.13	1.07	3476	1.05	0.8	
LO	12	9P	55	2.79	3.04	3409	2.76	2.76	
LO	12	9P	35	0.26	0.3	3258	0.3	0.28	
LO	9	9P	40	0.05	0.05	2816	0.07	0.05	
LO	1	10P	55	3.12	3.34	2700	0	0	
LO	12	9P	50	1.71	1.89	2365	1.85	1.8	
LO	8	9C	62	0.02	0.61	2180	0.5	0.03	
LO	10	9P	45	0.44	0.5	2155	0	0	
LO	12	9C	100	0.5	0.5	2151	0.48	0.48	
LO	6	10C	90	3.38	3.25	2102	0	0	
LO	3	10P	60	5.12	5.5	2102	0	0	
LO	6	10C	100	2.15	2.08	2000	0	0	
LO	9	9P	55	0.98	1.09	1856	1.26	0.99	
LO	9	9P	45	0.15	0.16	1734	0.21	0.15	
LO	9	9C	68	1.62	1.53	1725	1.51	1.23	
LO	12	9P	65.5	6.56	6.99	1685	0	0	
LO	12	9C	65.5	7.57	7.26	1685	0	0	
LO	9	9C	65	2.65	2.51	1645	2.65	1.96	
LO	12	9P	47.5	1.32	1.46	1625	0	0	
OB	9	9C	1.9	0.0432	0.0464	189	0.04	0.04	
OB	9	9P	1.6	0.0615	0.0689	185	0	0	
OB	9	9P	1.65	0.0811	0.0892	177	0	0	
OH	8	9C	2	0.0002	0.0004	575	0	0	
OH	9	9P	1.4	0.0229	0.0314	350	0	0	
OH	9	9P	1.64	0.1055	0.1231	200	0	0	
OH	9	9C	1.64	0.1003	0.1003	200	0	0	

Royal Dutch Shell will shut a 34,000 bpd hydrocracker unit at its Singapore refinery from mid-September to mid-December for planned maintenance and to integrate the unit with a new ethylene complex. The shutdown will also enable further repairs to be down on the unit's furnace, which was damaged in May and forced the entire 500,000 bpd refinery to run at low throughput for about 30 days.

PetroChina has started an expansion of its Liaoyang refinery in northeastern China to prepare for more oil imports from Russia. It will add a hydrocracking unit with a capacity of 1 million tons/year, a 2 million tpy hydrorefining unit and a sulfur removing and recovering unit with a capacity of 30,000 tpy as well as other facilities including reserve tanks. Construction work is expected to be completed before the end of 2010.

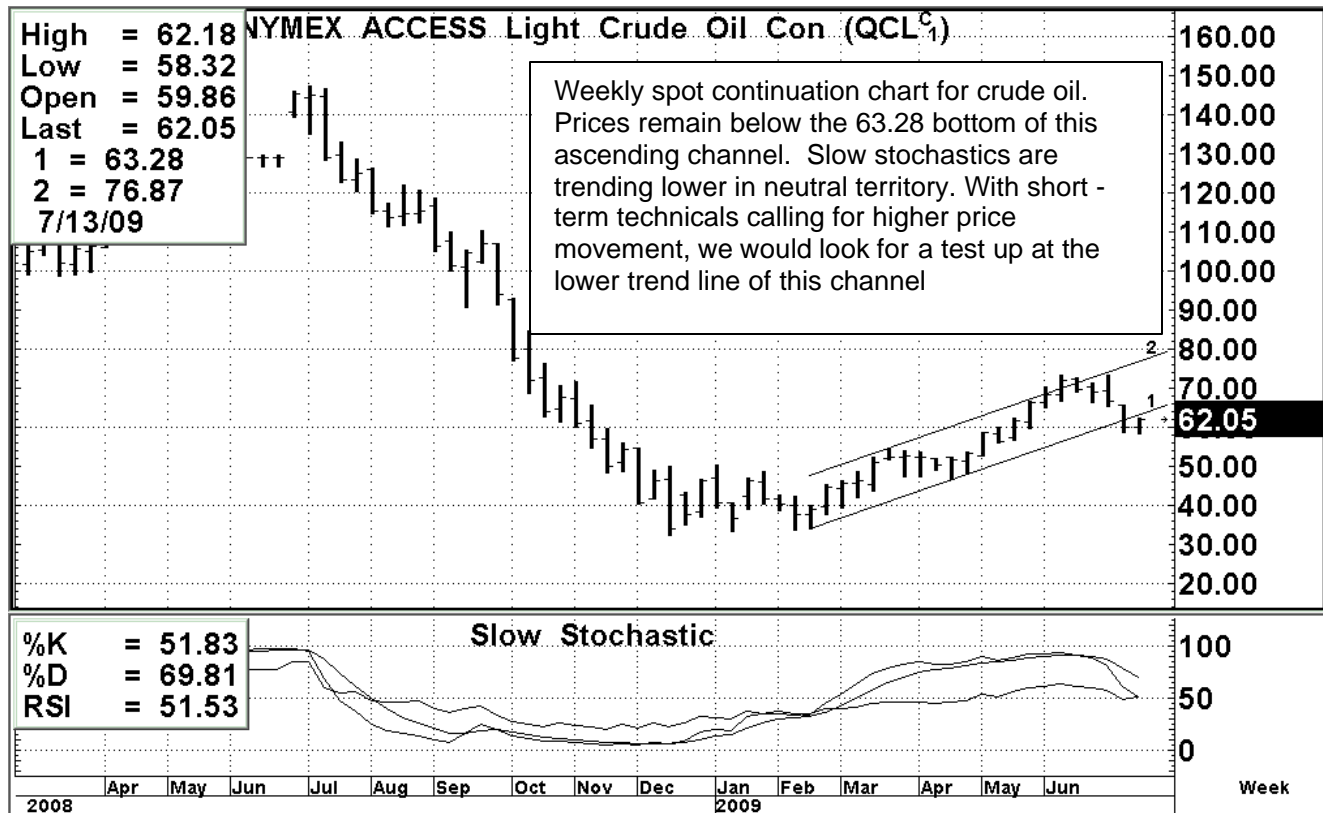
Refiners in Asia are expected to increase their exports of Russian Urals crude despite its unusual increase in premiums to the European benchmark due to limited supplies of Middle East grades. Flows of Urals to Asia are estimated to have increased to at least 5 million barrels a month since May as it becomes an increasingly attractive alternative to sour crudes from Gulf OPEC producers.

Gasoline stocks in independent tanks in the

Amsterdam-Rotterdam-Antwerp area in the week ending July 16th fell by 6.25% on the week but increased by 3.88% on the year to 750,000 tons. Gas oil stocks increased by 3.97% on the week and by 72.19% on the year to 2.805 million tons while fuel oil stocks fell by 11.44% on the week and by 33.05% on the year to 472,000 tons. Naphtha stocks fell by 28.44% on the week and by 43.88% on the year to 78,000 tons while jet fuel stocks increased by 10.83% on the week and by 118.5% on the year to 778,000 tons.

Venezuela's gasoline exports has declined by 50% in four years and increasing domestic demand and problems with refineries threaten to make Venezuela a net importer of the fuel. Venezuela exported an average of 22,000 bpd in 2008, down 7% on the year. Economic growth and increasing car sales in the last few years increased gasoline consumption up by 23.4% between 2004 and 2008. Production however increased by just 10% in the same period. An economist said that reduced car sales and a slower growth in gasoline demand in 2008 saved the country from importing the fuel last year but warned its exports will continue to decline if the subsidy is not lifted.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 4.367 million barrels to 14.069 million barrels in the week ending July 15th. It also reported that the country's light distillate stocks built by 230,000 barrels to 10.081 million barrels and its middle distillate stocks built by 986,000 barrels to 13.803 million barrels on the week.



India's oil product sales in June increased by 13.9% on the year as weak monsoon rains caused an increase in demand for diesel for standby power in homes, farms and factories. Diesel demand in June increased by 19.4% on the year while petrol sales increased by 37.3% on the year to 11.10 million tons. Sales of liquefied natural gas increased by 8.2% on the year mainly due to higher demand from the power sector.

Production News

Total SA declared force majeure on cargoes of Nigerian Amenam crude oil loading in the second half of July. A trade source said the force majeure was a result of technical problems on a turbine compressor and not the result of militant activity. Amenam is scheduled to load about 153,000 bpd in July.

China's domestic crude oil production in June fell by 1.8% on the year to 15.7 million tons or 3.82 million bpd as China shut in costly marginal wells. It said China's natural gas production increased by 8.2% on the year to 6.8 billion cubic meters.

A trade unit representing workers of Iraq's Southern Oil Co threatened to prevent exploitation of one of Iraq's largest oil fields by BP Plc and China National Petroleum Corp. Last month, Iraq accepted an offer from BP and CNPC to work in the Rumaila oil field in southern Iraq, which has known reserves of 17.7 billion barrels.

Ecuador has prevented Perenco Corp from carrying out its plan to suspend its oil production after the government urged the company not to do so. Perenco had planned to suspend its Ecuadorian production after what it said were repeated violations of an arbitration order. It has been producing 22,000 bpd in Ecuador.

OPEC's news agency reported that OPEC's basket of crudes increased by 86 cents to \$61.73/barrel on Wednesday from \$60.87/barrel on Tuesday.

Market Commentary

Responding to a late session rally in equities and an economically optimistic report out of China, crude oil prices rose to above unchanged. Products also edged higher, with heating oil being the stronger of the two. The underlying fundamentals of this market are painting a clearly different picture, Crude oil inventories based upon a five – year average are running 23.714 million barrels higher and 47.596 million barrels above a year ago levels. Stock levels at Cushing, OK, the NYMEX delivery point, increased by 619,000 barrels to 30.803 million barrels. Poor product demand continues to plague this market, with demand for gasoline based upon a four – week average running a mere 0.8% lower year on year and demand for distillate based upon the same average down by 11.7%. These fundamentals are helping to contain recent rallies. Short-term technicals are calling for higher prices and we could see a test up around the \$63.28 level basis the August crude oil contract.

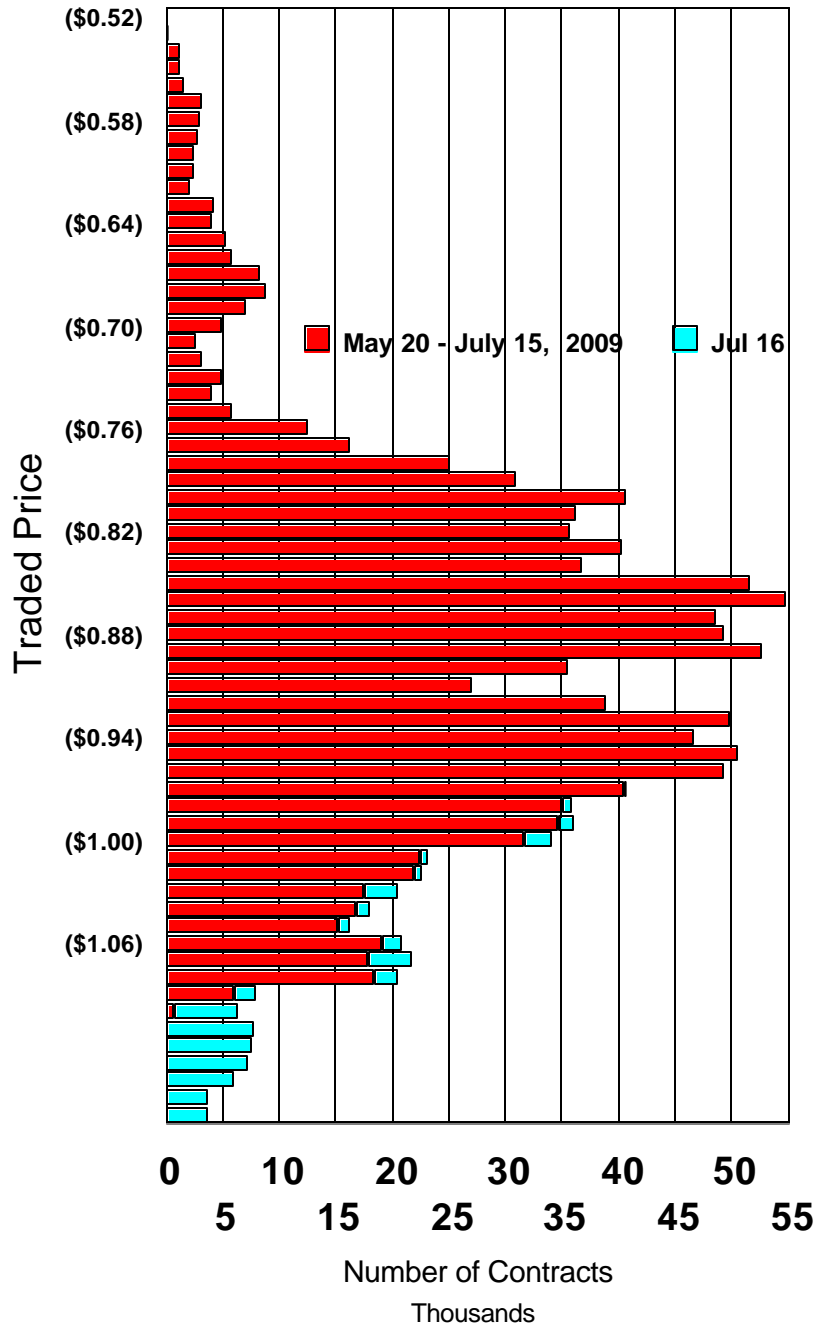
Crude AUG.09 95,171 -23,618 SEP.09 299,430 +10,306 OCT.09 87,339 +3,159
NOV.09 40,310 -1,439 Totals: 1,184,545 -19,184 N.Y. Heating Oil (HO) AUG.09 43,644 -2,521
SEP.09 52,501 +1,149 OCT.09 31,900 +156 NOV.09 18,481 +694 Totals: 294,464 + 778 N. Y.
HARBOR RBOB (RBAUG.09 46,253 +1,180 SEP.09 67,671 +2,255 OCT.09 27,399 -1,664 NOV.09
14,517 +1,415 Totals: 203,659 +6,852

Crude Support	Crude Resistance
60.95, 56.75, 55.45, 54.49, 48.00	62.77, 63.45, 66.25, 68.50, 70.10, 72.15, 74.50, 76.13
Heat Support	Heat resistance
1.4220, 1.4130, 1.3720	1.6145, 1.6255, 1.7070, 1.9090
Gasoline support	Gasoline resistance
1.5887, 1.5370, 1.5260, 1.3560, 1.3400, 1.2700, 1.2625, 1.1680	1.7755, 1.8460, 1.8265, 2.0650, 2.1600

NYMEX WTI: Aug Sep Spread

Price Vs Volume for May 20 - July 16, 2009

Trade Weighted 7/14-.82, 7/15 -0.97, 7/16 -1.11



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.