



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 21, 2005

An Iraqi oil official said Iraq's northern pipeline was sabotaged early Thursday, affecting the flow of Kirkuk crude exports. The blast occurred 10 kilometers north of the Baiji refinery.

According to Oil Movements, OPEC's oil exports are expected to increase 390,000 bpd to 24.5 million bpd in the four weeks ending August 6. It said exports bound for the US continue to increase.

Algeria's top envoy to Iraq and his driver were abducted Thursday in the Mansour district in Baghdad. Police officials said they had no further information.

Market Watch

Two weeks after the attacks in London, there were four incidents on London's transport system, causing three subway stations and bus to be evacuated. Metropolitan Police Commissioner Sir Ian Blair said the explosions or attempted explosions on London's transport network were almost simultaneous. Sources stated that two people were detained in the Whitehall government are of London following the series of explosions. The sources also stated that the police were searching for an unknown number of fugitives.

National Australia Bank Ltd said oil prices may rise as high as \$80/barrel this year on concern hurricanes will reduce supplies in the US. It increased its forecast for the average price of WTI in the third quarter by 12% to \$57.13/barrel, up 7.6% from \$53.09/barrel in the second quarter. It however forecast that oil prices will fall to \$55.50/barrel in the fourth quarter. Meanwhile, the Bank of Australia raised its estimate by 7.5% to \$57.50/barrel in the third quarter.

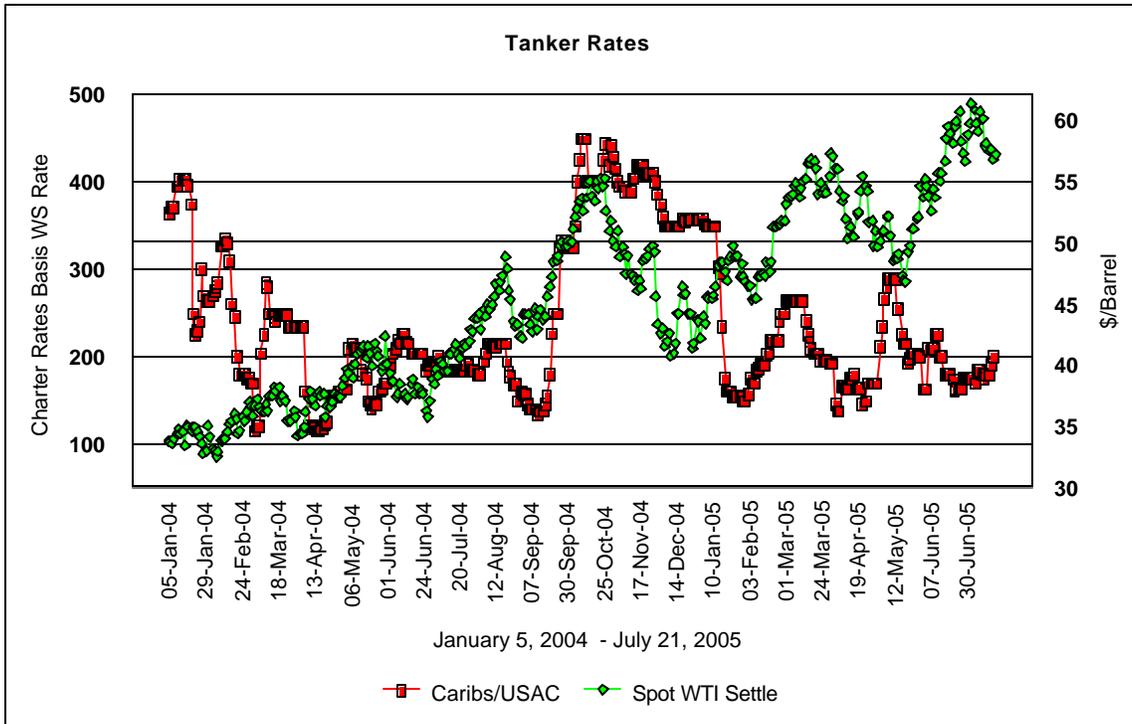
Saudi Arabia's deputy Interior Minister Prince Ahmed bin Abdul Aziz said King Fahd is recuperating at a Riyadh hospital and was expected to leave soon.

The Conference Board said its index of leading indicators increased 0.9% to 137.7 in June. It revised May's index upward to an unchanged reading from a previously reported 0.5% decline and increased May's index to a 0.2% increase from a previously reported unchanged reading.

China revalued the yuan by 2.1% and abandoned the currency's peg against the dollar. The central bank said the yuan's value would be linked to a basket of currencies of China's main trading partners. China has been under strong pressure from its trading partners to abandon the yuan's peg of 8.28/dollar, which they said undervalued the currency and handed Chinese exporters an unfair advantage on world markets. The new rate will be 8.11 yuan/dollar. The move is likely to raise immediate demand for imported crude but if a stronger currency slows the economy it could hit longer term consumption.

China's central bank reported that its input commodity prices in June increased by 3% on the year, down from a 3.2% increase seen in the previous month. The National Bureau of Statistics on Wednesday said producer prices in June were 5.2% higher on the year while consumer prices increased 1.6%.

Analysts stated that after eight quarter of growth above 9%, China's economy is still showing few signs of any landing. However the annual GDP growth of 9.5% in the second quarter has failed to allay concerns of overcapacity. Some economists say the signs of overcapacity are already apparent. Profit growth fell in the second quarter as firms cut prices to preserve market share. Meanwhile consumer inflation fell in June to the lowest level since September 2003.



Refinery News

Refineries in India reported a 1.1% fall in crude processing in June due to a high base and maintenance shutdowns. Crude oil output was steady at 2.79 million tons or about 679,000 bpd. India's 18 refineries processed 10.64 million

tons or 2.59 million bpd of crude oil in June.

Production News

According to the MMS, there was a further recovery in the amount of oil and gas shut in by Hurricane Emily. It reported that there is a total of 30,183 bpd of crude oil and 219.8 mmcf/d of natural gas shut in. The cumulative lost oil production reached 245,435 barrels.

Royal Dutch/Shell has lifted its force majeure on fuel oil deliveries from Pernis refinery in Rotterdam.

BP Plc plans to restart production at an Alaskan oil field previously shut because of disappointing returns. Oil production at the Badami field on Alaska's North Slope could resume as early as this summer. BP expects output of 1,000 bpd.

A US Coast Guard investigation has delayed BP's preparation work on its Thunder Horse oil platform for first production. However BP said it is too early to say if the company will miss its target of pumping oil by the end of the year. The investigation is expected to last a month or more.

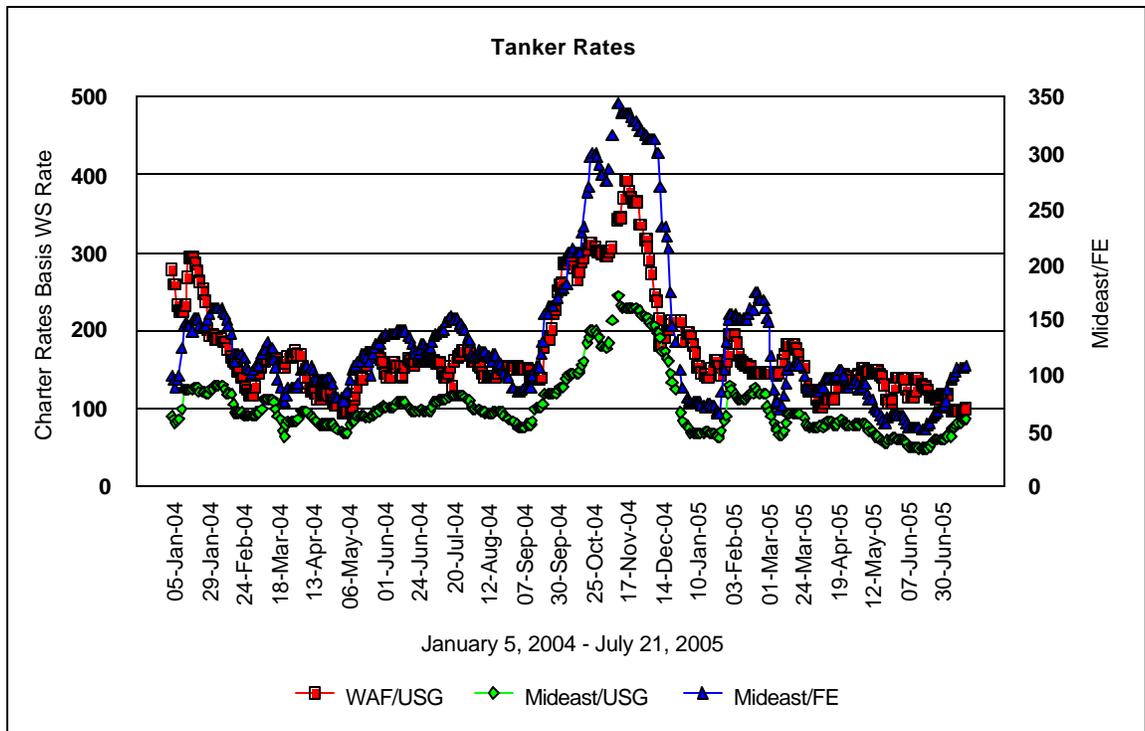
Mexico resumed oil shipments from its ports in the Gulf of Mexico on Wednesday. Pemex said it shipped 2 million barrels of crude oil. It is also restarting offshore oil production. It said output levels should be back to normal on Friday.

Georgia's Black Sea port of Batumi increased its crude oil shipments to 2.615 million tons in the first half of 2005 from 1.819 million tons last year. The total volume of shipments of crude oil and refined products increased to 4.429 million tons in the first half of 2005 from 3.307 million tons in the same period in 2004.

Singapore's International Enterprise reported that the country's light distillate stocks built by 125,000 barrels to 9.254 million barrels in the week ending July 20. It said Singapore's middle distillate stocks

fell by 265,000 barrels to 9.268 million barrels while residual fuel stocks fell by 690,000 barrels to 12.411 million barrels.

China will increase retail diesel and gasoline prices by about 6% this weekend, its



third increase this year. Retail diesel prices will increase by 6% or 250 yuan to 4,388 yuan/ton while gasoline prices will increase 6.4% or 300 yuan to 4,975 yuan/ton, effective July 23.

China's Sinopec Corp is expected to export 220,000 tons of diesel in August, unchanged on the month as the company kept a steady outflow due to low domestic demand and low retail prices. Even though China's economy has remained strong, oil consumption by power plants and small scale generators has been limited by higher hydropower generation and increased coal supplies. Meanwhile, Sinopec is expected to cut its August gasoline exports by 15% from July levels to 170,000 tons.

The Petroleum Association of Japan reported that the country's gasoline stocks increased by 95,931 kiloliters to 2.277 million kl or 14.34 million barrels in the week ending July 16. Japanese refiners raised their July wholesale prices by 3 yen or more per liter due to more expensive crude imports last month, which prompted local oil product wholesalers to build gasoline stocks. Meanwhile, the average operating rate of refineries was 84%, up from the previous week's level of 83.4%. Japan's commercial crude oil stocks totaled 17.58 million kl or 110.57 million barrels in the week ending July 16, down from 18.16 million kl in the previous week.

Meanwhile, Japan's Finance Ministry stated that Japan's crude oil imports increased by 14.9% on the year to 19.927 million kiloliters or 4.18 million bpd of crude last month. June oil product imports, mainly naphtha and gasoline, fell by 7.5% to 2.415 million kl or 506,000 bpd from a year earlier. During the first six months of the year, crude imports increased by 0.4% to 119.913 million kl or 4.1 million bpd. Oil product imports totaled 15.114 million kl or 522,000 bpd, up 0.8% year on year.

South Korea's demand for oil products is gradually recovering after contracting by 1.3% last year. Meanwhile its oil product exports are expected to continue rising in coming months due to still weak domestic demand. South Korea's oil product consumption in the first half of the year increased by 2.6% on the year to 386.9 million barrels or 2.14 million bpd. Demand in June increased by 1.8% on the year to 1.98 million bpd, still slower than the average demand in the first six months. Total oil

product exports increased by 3.2% to 634,800 bpd in the first six months of the year. In June, exports stood at 682,700 bpd, down 384,000 barrels on the month but it is up 118.2% on the year.

South Korea's Korea National Oil Corp said the country imported 65.9 million barrels of crude in June, up 2.5% on the year. It reported that oil product production increased to 67.725 million barrels in June, up from 66.376 million bpd last year while oil products demand increased to 59.5 million barrels in June, up from 58.4 million barrels last year. Its oil products imports fell to 13.019 million barrels from 18.157 million barrels while its exports increased to 20.48 million barrels, up from 9.384 million barrels last year.

Market Commentary

The oil market traded in mostly negative territory for much of the session and settled down 89 cents at 57.13. The market was initially supported overnight by the news that China would no longer peg the yuan to the US dollar but instead let it float in a tight band against a basket of foreign currencies. However the initial bullish reaction to the news was overshadowed by concerns over the series of explosions in London's Underground train stations. The market opened down 42 cents at 57.60 and quickly rallied to a high of 58.06. However the market erased its gains and settled in a range from 57.00 to 57.70 before further selling pushed the market to a low of 56.50. The September crude contract later bounced off its low and traded back above the 57.00 level ahead of the close. Volume in the crude was lighter today with 163,000 lots booked on the day. The heating oil market also settled in negative territory as it continued to trend lower. The market posted an intraday high of 161.00 early in the session before it erased its gains and tumbled to a low of 155.60 ahead of the close. It settled down 2.88 cents at 156.89. Unlike the crude and heating oil markets, the gasoline market settled in positive territory, up 50 points at 168.10. The market traded to a high of 169.00 before it breached its previous low of 165.50 and sold off to a low of 165.10. However the market bounced off that level and erased some of its losses ahead of the close. Volumes in the product markets were good with 44,000 lots traded in each the heating oil and gasoline markets.

The crude market is seen initially retracing some today's losses. However the market still seems to be caught in a downward trend. The market is seen holding support at 56.50 followed by 56.10 and its previous lows

of 55.45-55.40. Meanwhile resistance is seen at 57.50 and 58.10.

Technical Analysis		
	Levels	Explanation
CL 57.13, down 89 cents	Resistance 58.10	Thursday's high
	Support 57.50	
HO 156.89, down 2.88 cents	Resistance 56.50	Thursday's low
	Support 56.10, 55.45-55.40	Basis trendline, Previous lows
HU 168.10, up 50 points	Resistance 161.00, 162.23	Thursday's high, Basis trendline
	Support 157.50, 159.00	
HU 168.10, up 50 points	Resistance 155.60	Thursday's low
	Support 154.00, 150.65	Previous low, Basis trendline
HU 168.10, up 50 points	Resistance 169.75, 173.00	Basis trendline, Previous high
	Support 169.00	Thursday's high
HU 168.10, up 50 points	Resistance 165.10	Thursday's low
	Support 163.50, 162.50	Previous lows