



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 22, 2011

The API said US demand for crude oil and petroleum products increased by 1.9% on the year to 19.652 million bpd in June. Gasoline demand was unchanged at 9.285 million bpd while distillate demand increased by 7.2% to 4.03 million bpd in June. On the supply side, crude oil production fell by 2% to 5.358 million bpd. Crude oil and petroleum product imports averaged 11.108 million bpd, down 10% on the year.

Market Watch

The US National Hurricane Center said a low pressure system located about 425 miles east of the Windward Islands continues to have a 20% chance of developing into a tropical cyclone during the next couple of days. Slow development of the system is possible as it moves westward to west-northwestward.

The Economic Cycle Research Institute said its Weekly Leading Index decreased to 127.5 in the week ending July 15th, a two week low, from 128.4 the previous week. The index's annualized growth rate remained constant at 1.7%.

The Labor Department said nonfarm payroll employment fell in 24 states during June. The largest decline in payroll employment occurred in Tennessee, cutting 16,900 jobs. Missouri followed with 15,700 jobs while Virginia payrolls fell by 14,600. The US unemployment rate increased in June to 9.2%.

New York Fed President William Dudley said the bond buying program was a modest help to the economy. He described the program as a success, saying it contributed to a firming of the economic activity around year end although the recovery remained distinctly subpar into 2011.

The European Union's Statistics Office said Euro zone industrial new orders increased more than expected in May by 3.6% following a decline of 0.1% in April. Industrial new orders in the European Union in May increased by 2.5% following an increase of 0.3% in April.

The National Development and Reform Commission said China's current inflation cycle is near a turning point and may head lower. An official said inflation may be lower in the second half of 2011 than in the first half as easing global commodity prices help to curb price pressures. China's annual inflation reached a three year high of 6.4% in June.

The Energy Department said a total of 1.77 million barrels of crude oil sold under the US emergency sale has been shipped from the SPR as of Thursday. Valero Energy Corp received 750,000 barrels while Plains All American Pipeline LP's Plains Marketing LP received 520,000 barrels and Shell Trading received 500,000 barrels. Deliveries scheduled for the week of July 17-23 total 4.52 million barrels with 8.74 million barrels set for delivery in July. The remaining 21.9 million barrels will be shipped in August.

Schlumberger Ltd said the IEA's release of 60 million barrels of emergency crude stocks was a meaningless exercise that had no chance to impact oil prices as it was intended. He said the rush to replace production lost in Libya's ongoing civil war and cash in on high oil prices has producers spending heavily on oilfield services.

July
Calendar Averages
CL – \$97.17
HO – \$3.0695
RB – \$3.0887

Japan's Trade Ministry extended a relaxation of commercial oil reserve requirements until December 31st, in line with a request by the IEA that member countries not move too quickly to replenish strategic stockpiles drawn down in recent weeks. Last month, Japan relaxed reserve requirements for refiners and importers to 67 days' worth of consumption, a three day reduction, with effect for one month, until July 26th.

European Central Bank policymaker Ewald Nowotny said the new rescue package for Greece is a step in the right direction but it does not mean that all problems in the euro zone have been solved. An emergency summit of euro zone leaders on Thursday agreed on a plan for debt stricken Greece that risks triggering a temporary default and that would give their rescue fund broader powers to try to prevent the crisis from spreading.

Iran's Foreign Minister Ali Akbar Salehi said Iran may consider talks with the US as long as it is between equals and the US respects its people's rights.

A UN envoy will seek to persuade parties in Libya to accept a plan that envisages a ceasefire and a power sharing government but with no role for Muammar Gaddafi. A European diplomat said he hoped both sides would accept his ideas. Meanwhile, a source at Russia's Foreign Ministry said Russian and Libyan diplomats discussed the possible exit of Libya's leader during talks this week.

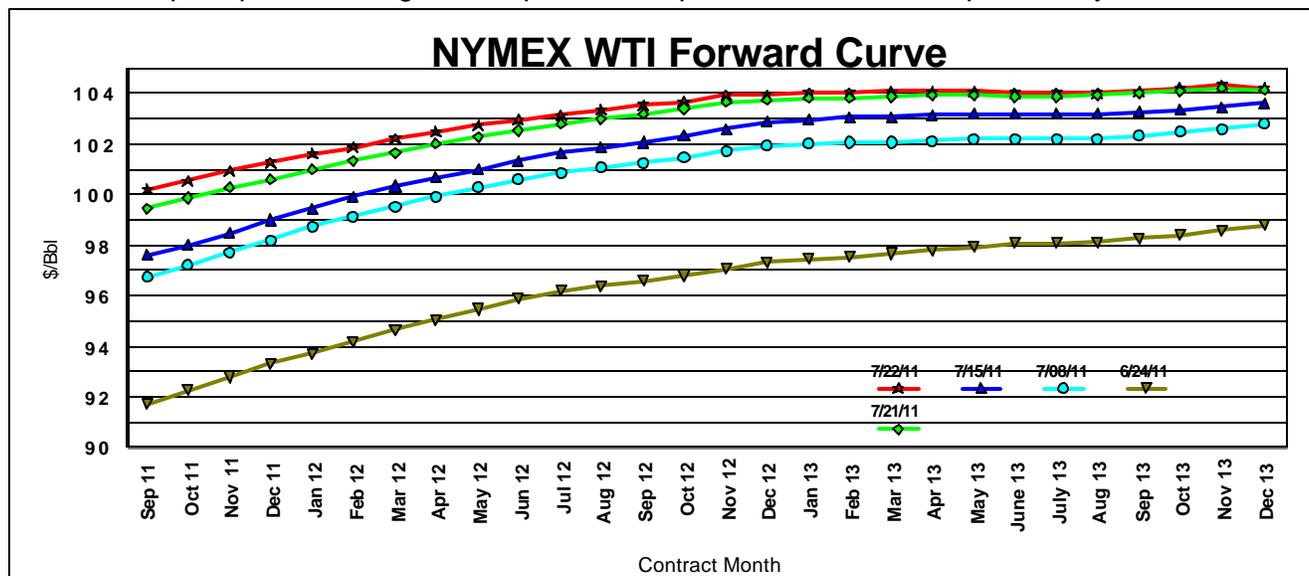
Refinery News

US officials will release an environmental review in August of TransCanada Corp's proposed 1,700 mile oil pipeline, allowing the government to stick to its plan to decide whether to approve the controversial project by the end of the year. The State Department is reviewing the pipeline proposal because the pipeline would cross national boundaries, extending from Canada to Texas.

The US EPA said cleanup crews have finished clearing four of the areas along the Yellowstone River affected by ExxonMobil Corp's pipeline oil spill in Montana. The EPA has identified 25 sites amid 1,200 acres around the river where oil and debris settled after the Silvertip pipeline leaked oil on July 1st.

Valero Energy Corp reported maintenance activities at Complex 3 of its 171,000 bpd McKee, Texas refinery. It said the maintenance work had no material impact on production or planned rates.

ConocoPhillips reported flaring due to power disruption at its 362,000 bpd refinery in Wood River,



Illinois on Thursday.

BP has restarted an ultracracker unit at its 437,080 bpd refinery as planned this week.

Royal Dutch Shell Plc is restarting its refinery in Sarnia, Ontario following a two month maintenance shutdown. The 75,000 bpd refinery is ramping up to full production rates.

Japan's Cosmo Oil Co restarted its 140,000 bpd crude distillation unit at its Sakaide refinery earlier in the day following regular maintenance. The crude distillation unit has been shut since June 20th.

S-Oil plans to shut one of its two crude distillation units in August for scheduled maintenance. The 232,000 bpd CDU No. 2 will undergo a maintenance shutdown for 20 days starting August 7th.

Iran's semi official Mehr news agency reported that Iran has no plans yet to cut oil exports to India over a payment dispute. Iran warned India earlier this week that it would stop exporting oil to India starting August 1st if the dispute over payments of Iranian oil exports was not resolved. Iran and India have been looking to resolve an impasse triggered in December when the Reserve Bank of India ended a regional clearing mechanism under US pressure. Meanwhile, a senior finance ministry official said India is yet to receive any official communication from Iran about halting oil supplies. India's Oil Minister Jaipal Reddy said India is hopeful Iran will continue to supply crude to the country. India's strategy to deal with the loss of crude from Iran in August is to buy more from Saudi Arabia and Iraq. Analysts said additional cargoes from Kuwait, the UAE as well as inventories held by refiners in India should prevent any supply squeeze. None of the five refiners have received a supply plan from Iran for August loading cargoes. India's Essar Oil Ltd said it did not expect to receive supplies from Iran next month. The company imports 36 million barrels of crude each year from Iran. Hindustan Petroleum Corp was also anticipating a halt in supplies from Iran.

China's energy information portal C1 Energy reported that profits that southern China's refiners can make from exporting diesel have increased recently following gains in Singapore diesel prices. Southern China diesel exports can make a profit of CNY640/ton, CNY272 higher than two weeks ago. However any company importing diesel could lose CNY350/ton.

Japan booked at least 14 clean tankers to export 720,000 tons of fuel products in July, up five fold from June's level as refiners increased their output. The shipments, which are destined mainly for Singapore and Australia, included 300,000 tons of gasoil, 120,000 tons of jet fuel and 100,000 tons each of gasoline and ultra low sulfur diesel.

Western Japan utility Chugoku Electric Power Co said it has no plans to increase fossil fuel purchases to make up for lost generating capacity from the unplanned shutdown of the 1,000 Mw Misumi coal fired plant due to technical problems.

Traders said crude and condensate exports from Australia, Papua New Guinea and East Timor are expected to increase in September from the previous month as the supply of heavy sweet grades will increase. A total of 20 cargoes will be available for September loading, up from 17 in August.

Vietnam's General Statistics Office said the country's crude oil exports between January and July fell 3.9% on the year to 4.71 million tons or 163,000 bpd.

Petroecuador exported 9.2 million barrels of crude oil in June, up 11% on the year. Exports of Oriente crude reached 5.82 million barrels in June while exports of Napo crude reached 3.38 million barrels.

Production News

A cargo of North Sea Forties crude will be delayed in August. Reduced output at Nexen's Buzzard field in the North Sea has curbed flows along the Forties pipeline leading to several delays and cancellation of cargoes loading since May. The latest delayed cargo was scheduled to load on August 10-12. An additional three cargoes of North Sea Forties crude have been delayed in August. The loading dates of cargoes F0809 and Fo810 have been delayed to August 22-24 from original loading dates of August 19-21 and August 21-23, respectively. Forties cargo F0815 is due to load on August 29-31 compared with an original loading date of August 27-29.

The Central Bank of Ecuador said the country's crude oil production in May fell by 1.4% on the month to 497,000 bpd or 15.42 million barrels. Petroecuador, Petroamazonas and Rio Napo produced 11.07 million barrels in May while private companies' oil production totaled 4.35 million barrels.

Market Commentary

Crude oil traded higher for the fourth straight day on hopes that the U.S. will increase its debt ceiling and that the European community will work to together to solve their debt issues. With crude oil's break above resistance at \$99.24, the upside momentum should continue into next week. We should see extended gains up to the \$102.22 resistance level. A break above this resistance level indicates a retracement back to the year high of \$114.83. A breach of the \$114.83 signifies that the consolidation period has ended and prices continue to move higher.

Crude oil: Sept 11 381,714 +5,321 Oct 11 93,310 +5,137 Nov 11 73,456 +3,627 Totals 1,490,919 +13,933 Heating oil: Aug 11 44,611 -5,284 Sept 11 82,097 +3,066 Oct 11 36,609 -624 Totals 312,529 -2,457 Rbob: Aug 11 35,597 -5,982 Sept 11 87,808 +7,939 Oct 11 34,581 +1,438 Totals 258,598 +4,259

The Commitment of Traders Report showed that non-commercials in the crude market continued to increase their net long position by 4,052 contracts to 154,947 contracts in the week ending July 19th. The combined futures and options report showed that non-commercials increased their net long position by 7,828 contracts to 202,274 contracts on the week. The disaggregated futures and options report showed that managed money funds increased their net long position by 13,452 contracts to 182,285 contracts on the week.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9924			31379		
9428	10071	27150	32777		33369
9355	10222	26680	33370	26965	35915
9122	10339	27375	33510	26300	36310
8950	10845	23685		25683	
8700	11120	22960		25145	
8625	11483			24240	
8500	11563			23631	

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