



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 30, 2009

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said oil prices should increase later this year on a seasonal increase in demand. He said current oil prices are not based on oil market fundamentals but on optimism about the economy.

According to Oil Movements, OPEC's crude oil exports, excluding Angola and Ecuador, are expected to fall by 150,000 bpd to 22.53 million barrels in the week ending August 15th. OPEC is meeting the lower end of 70-75% of promised cuts. Separately, Lloyd's Marine Intelligence Unit

Market Watch

The US Labor Department said the number of US workers filing initial claims for unemployment benefits increased by 25,000 to 584,000 on a seasonally adjusted basis in the week ending July 25th. The four week average fell by 8,250 to 559,000, the lowest level since January 24th. The total number of continuing claims fell by 54,000 during the week ending July 18th to 6,197,000, the lowest level since April 11.

The House Agriculture Committee chairman said it would be great if the Commodity Futures Trading Commission imposed position limits on oil futures contracts. The commission held two hearings this week on the question of whether it should set position limits on oil and other energy contracts, how limits should be structured, if they are proposed, and if some traders and investment funds should be exempt.

The US Commodity Futures Trading Commission said it will include traders' positions in ICE Futures Europe's WTI crude oil contract in its weekly Commitment of Traders report. The first publication of the data will be in its July 28th COT report.

The Intercontinental Exchange said it rarely sees participants in Europe's main oil market with excessive positions and it has no plans to publish figures on short and long positions on its contracts. ICE said it has no plans to publish names of dominant holders of physical or futures contracts but said it does provide the CFTC with large trader reports, with the agreement of the FSA.

Meanwhile, Britain's Financial Services Authority said it aims to work closely with its international regulatory counterparts on commodity markets. It was responding to questions on whether it would follow the US Commodity Futures Trading Commission in imposing more stringent regulations on commodity futures markets.

Russian oil trader Gunvor leased a supertanker to store about 2 million barrels of crude oil off the US Gulf Coast. Global crude oil inventories on ships now stand at about 50 million barrels, down 50% from 100 million barrels in April. Oil stocks at sea have fallen since April due to the narrowing contango, however prompt values have recently started to deepen further into discounts, making it worthwhile for traders to hold crude on tankers again. About 72 million barrels of diesel and jet fuel are currently being stored on ships globally, up nearly 10 million barrels since mid-June.

July Calendar Averages

CL – \$64.05
HO – \$1.6564
RB – \$1.7861

estimated average OPEC seaborne exports in the four weeks ending July 19th fell to 20.48 million bpd, from 20.95 million bpd in the four week period ending June 21st.

The EIA reported that US oil demand in May fell by 1.6 million bpd or 8.2% on the year to 18.176 million bpd, down 81,000 bpd from its previous estimate. Revised data showed that demand was at its lowest level since September, when hurricanes and the start of the economic slowdown hit oil consumption. Gasoline demand averaged 9.087 million bpd, down 1.8% or 164,000 bpd on the year while distillate demand averaged 3.421 million bpd in May, down 13% or 510,000 bpd on the year. Gasoline demand was revised down by 85,000 bpd while distillate demand was revised down by 167,000 bpd. Separately, the EIA reported that US crude oil imports in May fell by 7.5% on the year and by 5% on the month to 8.931 million bpd. Canada maintained its role as the largest source of US crude imports for the 39th consecutive month, with a total of 1.746 million bpd, down 108,000 bpd on the month. Imports from Venezuela increased by 53% on the month to 1.228 million bpd, the highest level since December 2007 while Mexico was the third largest source of US crude imports, with a total of 1.088 million bpd, down 7.6% on the month. Saudi Arabia was the fourth largest source of US crude import, with a total of 996,000 bpd, down 2.4% on the month.

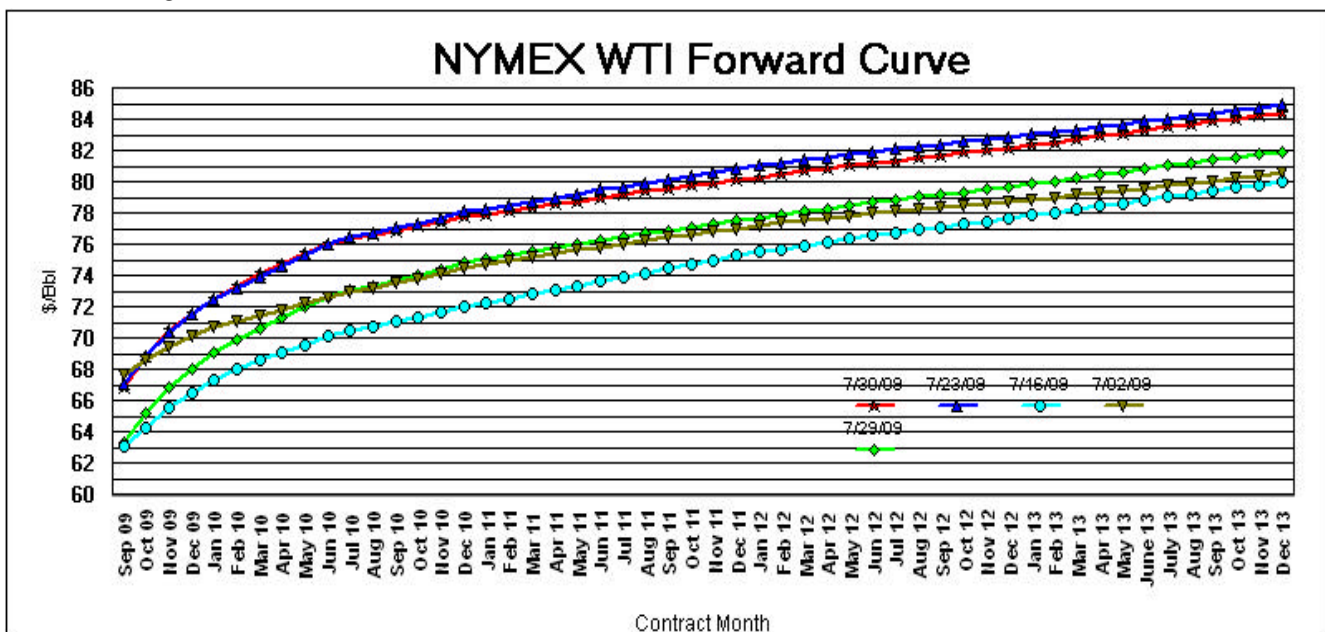
The California State Board of Equalization said gasoline demand in the state in April fell by 0.8% on the year while diesel demand fell by 4% on the year.

Refinery News

Industry experts said a crack in Shell's 173,000 bpd Eugene Island oil pipeline off the shore of Louisiana should be easy to repair, although the line may not carry crude for a few weeks. Shell has yet to detail the pipeline problem beyond saying a crack was discovered in the pipeline after it was shut on Saturday. The line, carrying 100,000 bpd at the time of the leak, has spilled an estimated 1,500 barrels of crude into the Gulf of Mexico since Saturday.

Tesoro Corp said a 35,000 bpd hydrocracking unit at its 166,000 bpd Golden Eagle refinery in Martinez, California is restarting and should return to service in less than a week. The shutdown has resulted in a cut of about 10,000 bpd of capacity. The unit was taken offline on July 21st.

Sunoco Inc is planning to shutdown the Girard Point section of its 335,000 bpd refinery for three weeks in August.



Royal Dutch Shell Plc plans to sell about 8% or the equivalent of about 330,000 bpd of its refining capacity in 2009-2010 to focus on higher margin and growth areas.

Saudi Aramco restarted its hydrocracker at Ras Tanura late last month after a lengthy shutdown, which prompted it to offer unusually high volumes of A960 fuel oil in the past few months. With the resumption of the 44,000 bpd unit, Aramco has been offering A961 cracked 180 centistoke fuel oil cargoes from its Ras Tanura refinery, instead of the A960 cargoes.

Kuwait has shut its 460,000 bpd Mina al-Ahmadi refinery due to a problem with a water cooling system. The restart will take up to three days. A Kuwait National Petroleum Co official said the shutdown will not affect Kuwait's supply to the local and international markets as it has enough stocks to guarantee delivery to buyers.

Japan's Showa Shell Sekiyu KK said it restarted the 45,000 bpd residue hydro desulfurization unit at its Yokkaichi refinery on Tuesday, in line with its schedule.

Gasoline inventories stored in independent tanks in the Amsterdam-Rotterdam-Antwerp area in the week ending July 30th fell by 4.77% on the week and by 11.47% on the year to 718,000 tons. Gas oil stocks fell by 3.04% on the week but increased by 62.57% on the year to 2.715 million tons while fuel oil stocks fell by 11.29% on the week and by 23.09% on the year to 503,000 tons. Naphtha stocks fell by 11.76% on the week and by 52.38% on the year to 60,000 tons while jet fuel stocks fell by 0.15% on the week but increased by 102.06% on the year to 687,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 178,000 barrels to 14.059 million barrels in the week ending July 30th. Its light distillate stocks built by 1.602 million barrels to 11.551 million barrels while middle distillate stocks built by 590,000 barrels to 14.368 million barrels.

Asian imports of West African crude are expected to reach 1.62 million bpd in August, the highest monthly volume since March 2006.

Indian Oil Corp plans to commission its naphtha cracker at Panipat by February.

India's domestic oil products sales in June increased by 10.7% on the year to 11.7 million tons while crude oil imports increased by 4.9% on the year.

Production News

Qatar has notified at least three Asian term buyers that it will supply its Land crude oil at full contracted volumes for September, unchanged from August levels. Qatar will also supply fully contracted volumes of its main Marine grade to at least one Asian term buyer, after supplying full crude allocations in August.

Indonesia's BPMIGAS said the country's oil production fell to 826,600 bpd in July from 829,200 bpd in June. The country's condensate output was stable at 120,000 bpd in July.

Pemex said it cut its 2009 output goal to 2.65 million bpd, underscoring its struggle to replace capacity lost at the Cantarell field. It previously said output would end the year around 2.75 million bpd. Mexico's oil production fell to 2.519 million bpd in June as production from Cantarell fell 37% on the year to 658,700 bpd.

Japan Petroleum Exploration Co has entered into negotiations with Iraqi authorities to develop the East Baghdad field. It has proposed developing the southern portion of the field, with initial output forecast at 400,000 bpd, enough to satisfy about 10% of Japanese demand.

Iraq's Oil Ministry said the country will hold an auction capping its second major bidding round for energy fields at the end of November. No exact date has been set for the auction, which will give foreign firms a change to compete for development contracts for 10 oilfields.

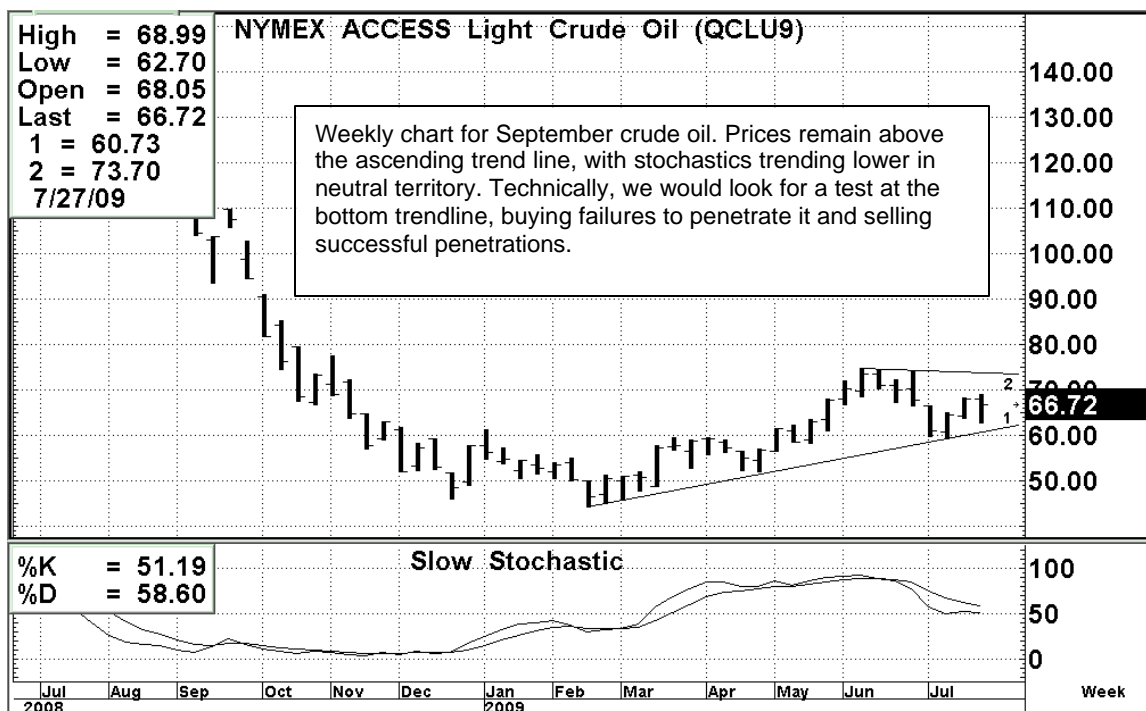
The Dubai Department of Petroleum Affairs said the country has set the official differential of its crude to Oman futures for October at a discount of 30 cents/barrel, wider than the 18 cent discount for September.

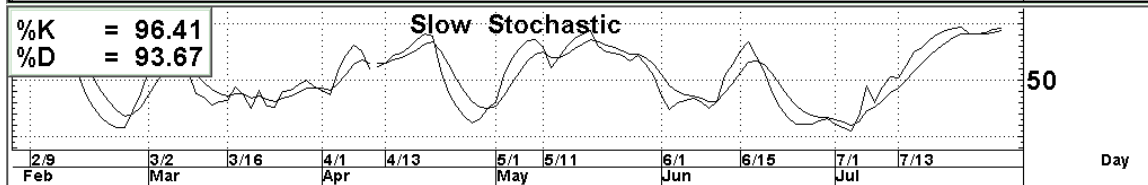
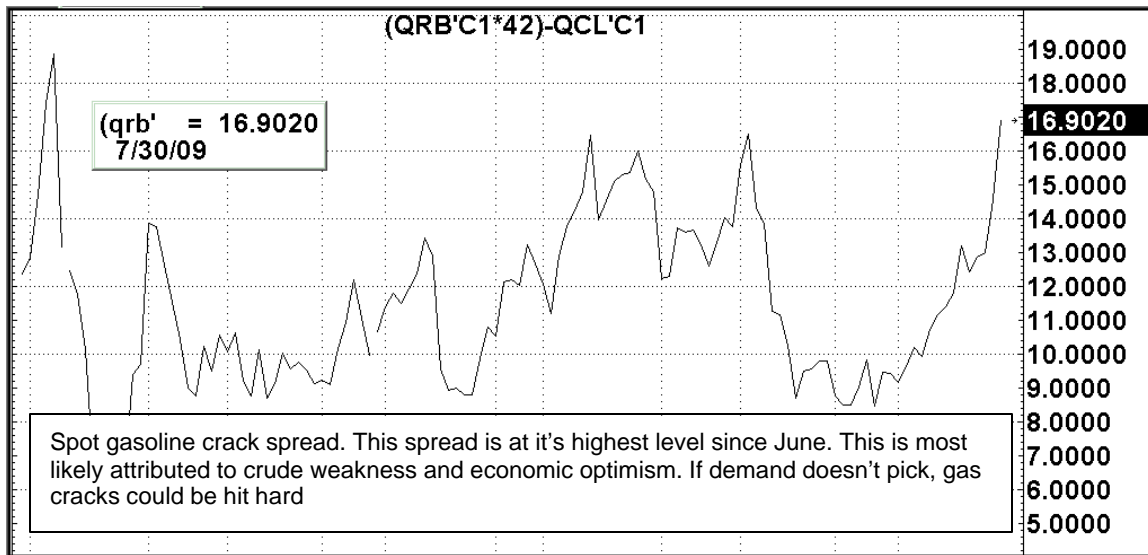
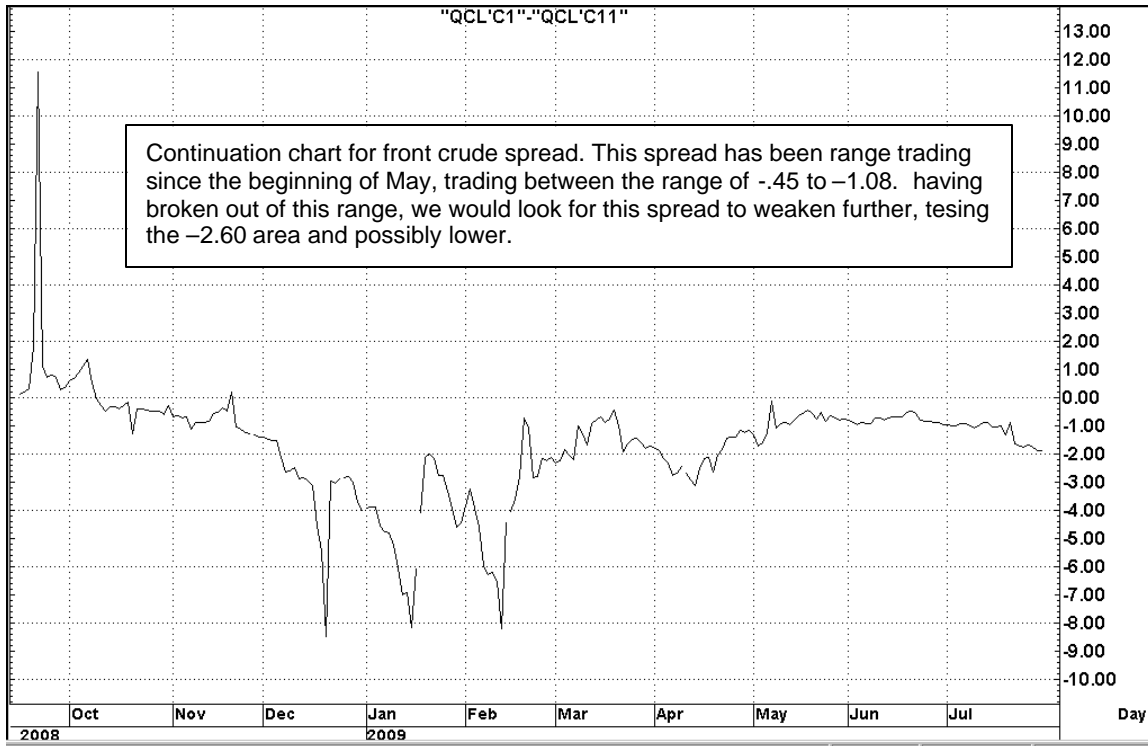
OPEC's news agency reported that OPEC's basket of crudes fell further to \$65.81/barrel on Wednesday from \$68.45/barrel on Tuesday.

Market Commentary

Despite the fact that the fundamentals of this market remain the same, which is bearish for prices, the energy markets took back yesterday's losses. A weak dollar, higher stock market and optimism concerning the economy were behind today's rally. While we cannot fight this market, it is still difficult to think that any moves higher can be sustained given the current fundamentals. The shape of the forward curve is still indicative of an over supplied under demanded market. The spot month crude oil spread has broken out of its range and continued weakness should follow. The front month gasoline crack spread is now at its highest level since the middle of June. Given the current bearish scenario for crude oil, rather than a true picture of demand for gasoline, we would look for gasoline cracks to continue to hold strength.

Crude Oil (SEP.09 321,276 -10,299 OCT.09 102,108 +2,063 NOV.09 55,861 +106 DEC.09 162,318 +422 JAN.10 34,457 -1,391 FEB.10 22,282 -145 Totals: 1,165,239 -8,341. Heating Oil (HO) AUG.09 12,141 -3,186 SEP.09 68,817 +2,158 OCT.09 34,247 +1,001 NOV.09 24,676 +878 DEC.09 37,963 -497 JAN.10 21,379 +803 FEB.10 13,998 +172 Totals: 302,446 +2,650. Harbor RBOB AUG.09 9,647 -5,628 SEP.09 91,305 +549 OCT.09 31,478 +1,085 NOV.09 14,793 -639 DEC.09 20,151 +511 JAN.10 10,454 +654 FEB.10 3,253 +9 Totals: 201,742 -3,234





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|---|---|
| Crude Support | Crude Resistance |
| 62.40, 61.61, 60.95, 56.40, 56.75, 55.45, 54.49, 48.00 | 66.68, 68.10, 70.10, 72.15, 73.38, 74.50, 76.13 |
| Heat Support | Heat resistance |
| 1.4220, 1.4130, 1.3720 | 1.8400, 1.8730, 1.9090, 1.9135 |
| Gasoline support | Gasoline resistance |
| 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400, | 1.9475, 1.9750, 1.9800, 2.0650, 2.1600 |

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