



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 30, 2010

Japanese oil sales in the first half of 2010 grew by 1%, but the Japanese ministry reported that Japanese oil product demand fell 4.7% in June from a year earlier, declining for the second straight month. Product demand last month was at 2.99 million b/d the lowest level for June in 22 years. The decline was led by B-type and C-type fuel oil sales as Japanese factory output declined. End of June oil product stocks were at 11.3 million kiloliters, up 1.1%

Tokyo Electric Power Company lowered their forecast for oil use on Friday by 21% for the current business year in order to take into account a higher projected nuclear utilization rate. The utility now expects to consume only 100,000 b/d of crude oil and fuel oil for the April 2010 - March 2011. It sees its nuclear average run rate for the year at 58% up from a 53% utilization rate earlier forecasted.

Refinery News

Flint Hills restarted its hydrocracker and a continuous catalyst regeneration unit at the west plant of its Corpus Christi refinery on Thursday after a brief snag caused disruptions at the plant.

Syncrude Canada said it would shut down one of its cokers in September for a 45-day maintenance turnaround. The maintenance work appears to have been prompted by recent problems with a

Market Watch

The Commerce Department reported this morning the U.S. GDP expanded at a 2.4% annual rate for the second quarter, while it revised higher its estimate for the first quarter to 3.7% growth pace. Market expectations had been for a 2.5% rate of growth for the second quarter. Much of the growth appears to have come from inventory building, government spending and a tax driven housing blip.

The Economic Cycle Research Institute said its weekly Leading Index rose to 121.1 in the week ending July 23rd from 120.6 in the previous week. The Index was at its highest level since June 25th

The Thomson Reuters/University of Michigan's Surveys of Consumers showed that consumer sentiment plunged in July to its lowest level in 9 months. July's reversal in consumer sentiment was dramatic after the index in June had reached its highest level in 2 ½ years.

The Institute for Supply Management - Chicago business index rose to 62.3 in July, much stronger than the 56.5 that most market participants had been expecting. The index stood at 54.2 in June.

Statistics Canada reported today that growth in Canada's economy edged up in May after unexpectedly stalling in April. The government reported the real GDP rose 0.1% in May led in part by oil and gas extraction industries. The Canadian economy posted a 4.9% growth rate in the 4Q2009 and a 6.1% growth rate in 1Q2010.

The head of China's State Administration of Foreign Exchange said China's economy should escape a double dip recession and should see GDP growth of more than 9% this year. While China would stick to the principle of diversifying the currency composition of its \$2.45 trillion in international reserves, but noted that China cannot adjust currency composition of its foreign exchange reserves in the short term.

vacuum distillation unit and a sour water stripper at its upgrader. Output at the Syncrude site averaged 324,000 b/d in the second quarter.

Total said on Friday that planned maintenance at its Lindsey refinery in the UK was completed, although one crude distillation unit remained shut for clean up work after a fire in June. The refinery has a total processing capacity of 223,000 b/d.

Japan's top oil refiner JX Holdings said it plans to refine 3% more crude oil in August than a year ago, but versus August 2008 refining volume would be down 14%.

Cosmo Oil said today that it plans to refine 10.2% less crude oil year on year in August and September.

Idemitsu Kosan projected their crude runs in the upcoming third quarter would be down 2%.

Seibu Oil announced it plans to conduct scheduled maintenance on its 120,000 b/d Yamaguchi refinery in August and September, which should result in the crude distillation unit being shut for about one week around late August to early September.

<p style="text-align: center;">July Calendar Averages CL- \$76.38 HO – \$2.0074 RB – \$2.0620</p>

India's annual domestic oil product sales rose 1.8% to 12 million tones in June the government reported today. The growth in product demand though was slower than in the previous month, despite higher demand for auto fuel. Auto fuel sales including gasoline and diesel moved higher on the month as dealers stocked fuel in anticipation of a hike in prices. The Indian government ended price control on retail prices of petrol and raised the prices of diesel, cooking gas and kerosene in June. Gasoline sales are up 12.7% in June, helped in part by a 30% jump in car sales. Diesel sales grew by 7.1%. Industrial output was last reported to have grown in May by 11.5%, is slowest rate in seven months. India's June product imports were up 32.8% year on year while product exports were up 21.6%.

Russian oil refining runs in June rose by 3.4% on an average basis compared to May.

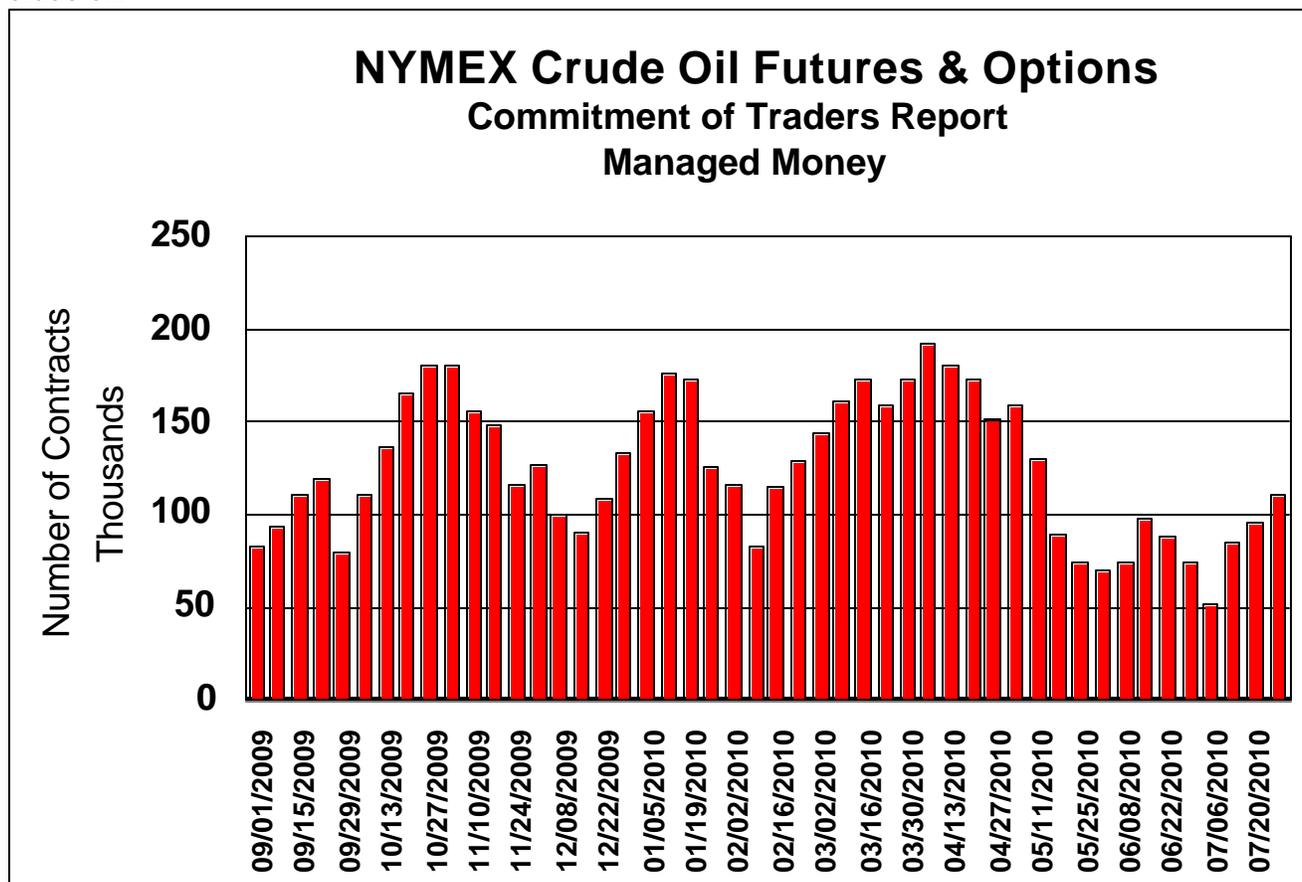
The Chinese government said that the threshold for adjustment in domestic oil product prices has not yet been reached. The comments come on the heels of recent media speculation that recent crude declines would have triggered cuts in domestic fuel prices. The government follows an oil product pricing mechanism, in which if the basket price of crude oil changes by more than 4% over 22 working days product prices will be realigned. China last cut gasoline and diesel prices on June 1st.

The chairman of Indian Oil said today that his company has no immediate plans to change gasoline prices, given that the Indian crude basket price remains fairly stable in a range of \$74-\$75 per barrel. Indian gasoline prices were deregulated on June 25th.

Production News

Chevron said today that a possible extension of a six-month drilling moratorium imposed in the Gulf of Mexico by the federal government could reduce oil supply and increase oil prices. The company estimated that its total 2010 oil production totals will be reduced by about 10,000 b/d as a result of the Gulf drilling moratorium. The company has three deepwater rigs contracted in the Gulf. Two are on standby waiting for approval to resume drilling operations and the other is currently being used by BP to drill the relief well.

Russian crude oil exports from Novorossiysk in August are expected to reach 3.56 million tons of Urals crude oil.



Enbridge said today that workers should have the broken portion of its Michigan pipeline exposed today. It noted that some 5000-6000 barrels of crude oil has been removed from the spill site. The crude oil pipeline carried Cold Lake bitumen mixed with diluent. The CEO said no estimate has yet been formulated for the restart of the damaged line and the ultimate decision to restart the line rests with regulators.

Market Commentary

After spending most of the session trading below unchanged, crude oil staged a mid-session rally that accelerated late in the day, taking the September contract to just above \$79.00. Crude oil initially traded lower in reaction to the U.S. Gross Domestic Product report that indicated economic growth eased in the second quarter, expanding by only 2.4 percent, lower than the revised 3.7 percent growth in the first quarter. Consumer sentiment for July dropped, adding to the pressure on prices. The late session rally came after a report by The Institute for Supply Management showed that consumer sentiment in July rose to 62.3 from 59.1 in June. The September contract, based upon a weekly spot continuation chart, had an inside trading week, settling slightly lower on the day. Moving oscillators are indicating that prices should begin next week trading to the upside. We would look for the September contract to attempt to trade above the upper trendline, which is set at \$79.94. A break above this line sets up for a test at \$86.14.

This afternoon's Commitment of Trades Report showed that commodity funds increased their net length in the crude oil futures and options market for the third straight week raising their net long position to the largest since the week ending May 4th.

Crude oil Sept 10 343,903 -13,036 Oct 10 98,018 -1,319 Nov 10 69,448 -7,053 Totals 1,230,396 -22,903 Heating oil Aug 10 5,622 -7,619 Sept 10 80,512 +1,905 Oct 10 36,591 +1,119 Totals 291,687 -3,336 Gasoline Aug 10 7,116 -8,143 Sept 10 99,780 +1,948 Oct 10 39,286 -273 Totals 241,109 -5,689.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7775		18965	20685	18890	21280
7569	7970	18480	21390	18750	21925
7427	8325	18365	21625	18420	24880
7293	8710	18055	21875	18260	27085

