



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 2, 2010

The National Hurricane Center at midmorning announced that Invest 91 has become the season's fourth tropical depression in the Atlantic. The system is some 1100 miles west-southwest of the Cape Verde Islands and is moving rather rapidly to the west-northwest at 15 knots. The system is expected to strengthen into a tropical storm possibly by late Monday but is not seen reaching hurricane strength over the next five days as it then turns toward the north and well away from the Atlantic seaboard.

The Trans Alaskan Pipeline system has restarted operations after a scheduled maintenance shutdown over the weekend. The pipeline was down for 31 hours and operators expected flows should be at normal levels today of 635,000 b/d. This was the second of two scheduled maintenance outages this summer.

Refinery News

Credit Suisse said today U.S. refined product margins were mostly lower last week. Midwest margins fell \$1.85 to \$8.59 a barrel. Smaller declines were recorded in the Northeast and on the Gulf Coast which dropped \$1.26 and 27 cents per barrels respectively.

Murphy Oil reported an internal power failure due to unknown causes on Saturday at its 34,000 b/d refinery in Superior, Wisconsin. This follows another brief external power outage late last week as well.

Market Watch

Federal Reserve Chairman Bernanke said Monday that while the U.S. economy continues to grow at a moderate pace, significant restraints remain for the recovery. He noted the housing market remained weak as well as the problem of high unemployment and as a result U.S. monetary policy must remain accommodative until the economic recovery is on a sustainable path and job creation picks up. He also noted that fiscal constraints at the state and local level were also hindering the national economic recovery.

U.S. construction spending unexpectedly rose 0.1% for June, due mostly to federally funded infrastructure projects. Market expectations had been for a 0.7% decrease. Private construction spending fell by 0.6% on the month.

The ISM manufacturing purchasing manager's index for July fell to 55.5 but was still slightly better than market expectation of 54.7.

China's purchasing manager's index fell to a 17 month low in July of 51.2 from 52.1 in June. Meanwhile HSBC reported that its Chinese manufacturing index shrank in July for the first time since the global downturn in March 2009 as the Chinese government stepped in to slow bank lending and slow property speculation.

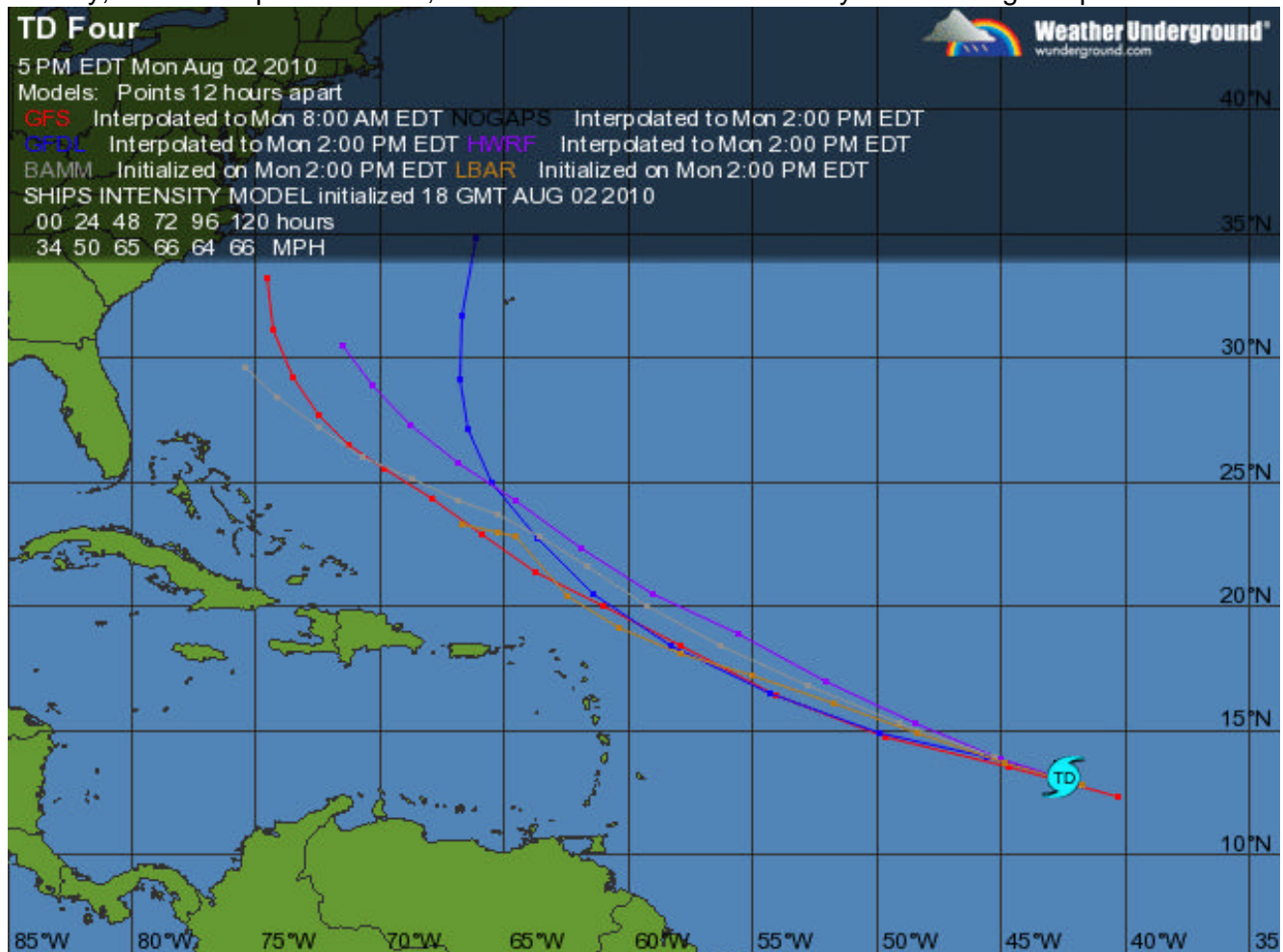
JP Morgan's Global Manufacturing PMI fell in July to 54.3 from 55 in June. This was an eighth month low.

Iranian gasoline imports in July have been estimated to have fallen by 50% from May and June levels as new sanctions by the U.S. Europe and the UN appear to be taking a bite out of total imports.

Sunoco reported the smaller of two key gasoline making units at its Philadelphia refinery is ramping back up towards normal operating levels after being restarted ahead of schedule on Thursday. The 40,000 b/d FCC unit at the Point Breeze section of the 335,000 b/d refinery complex was taken out of service on July 25th for what was expected to be one week of repairs to fix a leak. The second unit a 90,000 b/d FCC unit in the Girard Point section of the plant though continues to operate at planned rates during the work.

Thirteen workers were hurt on Saturday in a process upset at ConocoPhillips 146,000 b/d joint venture refinery in Borger, Texas. The disruption occurred in the FCC unit when a steam line failed during maintenance at the refinery and portion of the refinery was evacuated

ConocoPhillips reported that a power disruption occurred at ConocoPhillips Arroyo Grande, California refinery, which was part of its 120,000 b/d of the San Francisco Bay area refining complex.



Delek U.S. Holdings said it has ended negotiations with Shell Canada regarding the sale of Montreal east refinery as both parties have been unable to resolve issues in negotiations. Delek said it looks forward to the completion of the regulatory review so it can complete converting the refinery into a terminal.

Production News

The CEO of Enbridge said Sunday that the company has no immediate plans to reopen the 6B crude pipeline, which ruptured last week in Michigan. The company today said again it did not have a time for restart of the pipeline and that restarting the line was not a priority. The company said that the

excavation on the damaged line had begun but the pipe has not yet been removed. The cause of the rupture still have not been determined

Total said Monday it temporarily shut down a small part of its Akpo offshore oil field in Nigeria following an accident on Saturday, but production was not significantly affected. The small part of the field that was shut down though has now been restarted. The field has a typical daily production rate of 185,000 b/d.

Statoil reported that it has started up production at the Morvin field in the Norwegian Sea, The field will have an initial production capacity of 24,000 b/d.

Russia's Energy Ministry reported that Russian oil output in July reached a record high of 10.14 mbd from 10.13 mbd in June

Market Commentary

As expected, crude oil began the week on a higher note, supported by bullish technicals and economically promising news. According to a report by the Institute for Supply Management, which gauges manufacturing in the U.S., manufacturing fell to 55.5, less than expected, during the month of July. A weak dollar also boosted demand for commodities as a financial hedge. Crude oil is once again defying its underlying fundamentals and taking on the role of a financial instrument. The September crude oil contract rose 3 percent, to its highest level since May 5th breaking above \$81.00 a barrel. With the trading range of \$70.00-\$80.00 penetrated, one would have thought that volume would have picked up quite significantly. Upon examination of the volume for the September contract, approximately 15,000 more contracts traded than that of Friday. We would have expected to see greater volume on the break above \$80.00. This may be a sign of cautious trading taking place. As long as price can continue to settle above the \$80.00, we would look for stretches towards the \$85.00 area.

Crude oil Sept 10 338,726 -5,180 Oct 10 98,955 +937 Nov 10 67,471 -1,977 Totals 1,220,292 -10,104 Heating oil Sept 10 82,041 +1,529 Oct 10 38,181 +1,590 Nov 30,583 +386 Totals 291,261 -426 Rbob Sept 10 100,235 +455 Oct 10 40,755 +1,469 Nov 10 34,074 +44 Totals 237,554 -3,555.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8000		18965	20685	21280	
7775		18480	21390	18890	21925
7569	8325	18365	21625	18750	24880
7427	8710	18055	21875	18420	27085