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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 3, 2010

The US National Hurricane Center said tropical storm Colin degenerated into a remnant low pressure area on Tuesday. It was moving west to west-northwest on a path that could take it well east of the Bahamas by the weekend.

Kuwait's Oil Minister Sheik Ahmad al-Abdullah al-Sabah said oil prices might reach \$100/barrel in 2011 due to restrictions on exploration in the wake of the Gulf of Mexico oil spill as well as an expected increase in demand in developing countries. Separately, Kuwait's Oil Minister called on Russia to cooperate more closely with OPEC.

Venezuela's Oil Minister Rafael Ramirez said the country saw no change in OPEC quotas or production in the near future. He also said he saw Venezuelan oil production remaining stable at 3.01 million bpd throughout 2010. He does not expect further rig nationalizations.

Trade and shipping sources stated that ships carrying

Market Watch

US Treasury Secretary Timothy Geithner said the unemployment rate could increase for a couple of months before it falls.

The Commerce Department said US factory orders fell by more than expected in June from May, providing further evidence that the economy may be weakening. New orders for US manufactured goods fell by 1.2% in June to \$406.41 billion. It was the second consecutive decline, with factory orders in May falling by 1.8%. Orders for durable goods were revised in June to reflect a 1.2% decline.

The Commerce Department also reported that US consumer spending was flat in June as incomes stopped growing and prices remained unchanged. Consumer spending was unchanged last month after growing a revised 0.1% in May.

The National Association of Realtors' index for pending sales of used homes fell by 2.6% to 75.7. Home sales have declined for two consecutive months after a tax credit for buyers expired on April 30th. Year over year, the pending sales index was 18.6% below its level of 93 in June 2009.

European Union statistics office Eurostat said Euro zone produce prices increased marginally in June by 0.3%. It increased by 3% on the year. Euro zone consumer inflation increased to 1.7% year on year in July from 1.4% in June.

China's National Bureau of Statistics said the country's energy consumption used to make each unit of gross domestic product increased by 0.09% in the first half of the year.

Russia's Energy Minister Sergei Shmatko said he does not expect BP to sell their stake in TNK-BP and Rosneft.

Accuweather's meteorologist Joe Bastardi said temperatures are expected to be 0.5 to 1 degree Fahrenheit higher than normal this winter in the US Northeast. He said the winter would get off to a fast start in December but then thaw out across much of the eastern and central US by January. The worst winter weather will be relegated to the US Northwest.

API Stocks

Crude – down 776,000 barrels
Distillate – up 1.109 million barrels
Gasoline – up 2.305 million barrels
Refinery runs – down 0.7% at 86.7%

petroleum to Iran face greater scrutiny at ports in the UAE as new western sanctions take effect, forcing Iran to seek alternative hubs. While the latest sanctions have excluded Iranian crude sales, refined oil products imports have been affected with more ship owners fearful of being in breach of the measures.

Iran dismissed remarks by the chairman of the US Joint Chiefs of Staff, Admiral Mike Mullen that the US had plans to attack Iran. Iran's Foreign Ministry said the remarks were not noteworthy.

BP Plc on Tuesday began its static kill operation, where heavy mud is pumped into the well to plug the ruptured Gulf of Mexico well.

Israeli and Lebanese troops clashed on the two countries' border on Tuesday, raising concerns that a new round of fighting might erupt. A senior Israeli officer, two Lebanese soldiers and a Lebanese journalist were killed in the exchange of fire. The US called for both sides to exercise restraint. The UN Security Council also voiced concern.

Refinery News

Motiva Enterprises started maintenance on a fluid catalytic cracking unit at its 290,000 bpd Port Arthur, Texas refinery following a leak.

Citgo reported a release of unspecified materials into the air at its 429,500 bpd refinery in Lake Charles, Louisiana on Monday.

ConocoPhillips said maintenance is still underway at its Borger, Texas refinery following a steam release on Saturday. The refinery was operating and scheduled maintenance work was underway at the time of the incident.

Royal Dutch Shell Plc is carrying out maintenance at its 100,000 bpd Alberta refinery. It expects flaring at its Scotford refinery until late afternoon.

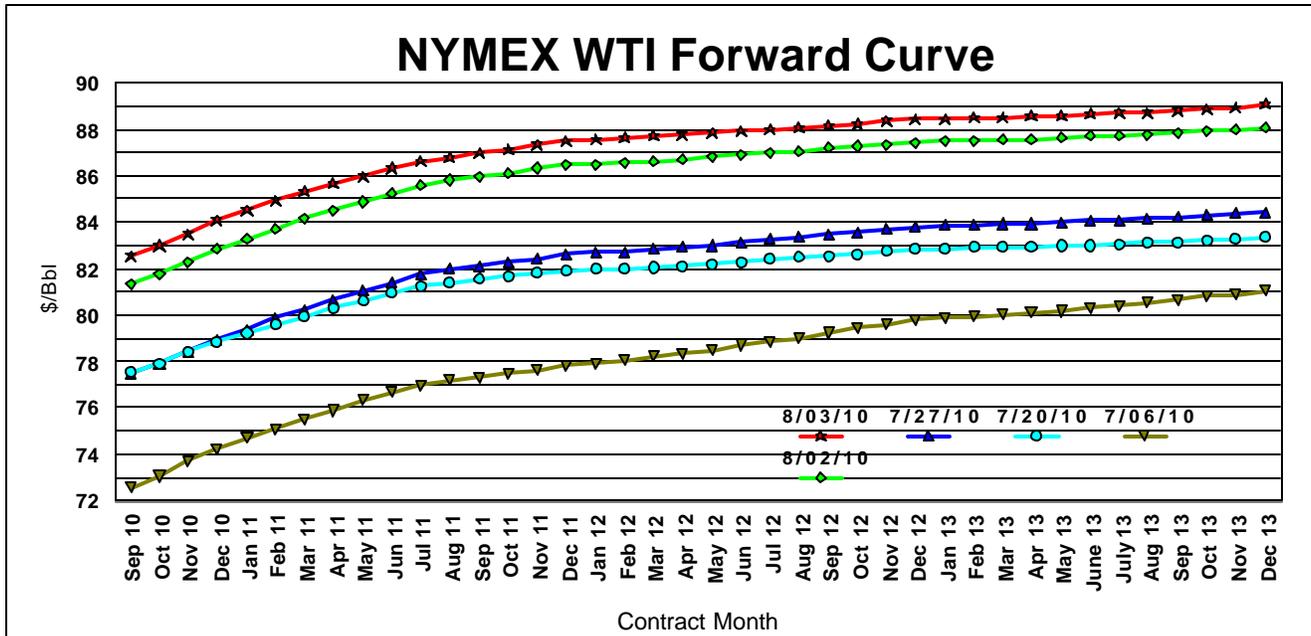
Venezuela's PDVSA restarted a 60,000 bpd fluid catalytic cracking unit at its El Palito refinery on Tuesday.

PetroChina will reduce its crude processing at its Lanzhou refinery in August by about 10% on the month due to unplanned repairs. It is expected to shut a 3 million ton/year catalytic cracking unit starting August 5th and a 5 million-tpy crude distillation unit starting August 10th for maintenance.

Japan's Cosmo Oil Co said it is aiming to begin commercial operations of three secondary units in its Sakai refinery by the end of the month, about four months later than originally planned. It had expected commercial operations of the three units, a 25,000 bpd coking unit, a 25,000 bpd gas oil desulphuriser and a 17,000 bpd naphtha desulphuriser to start in April after building was completed in February.

Japan's Idemitsu Kosan Co will restart this week an 18,000 bpd reforming unit at its Hokkaido refinery, which has been shut since late July due to a fire. It will also restart a 33,000 bpd residue fluid catalytic cracking unit at its Hokkaido refinery this week, which has been shut since mid-July after encountering problems restarting.

**August
Calendar Averages**
CL – \$81.95
HO – \$2.1769
RB – \$2.1810



Spain's Cepsa will conduct 25 days of scheduled maintenance on a crude distillation unit at its Huelva refinery in October and November. It will conduct 10 days of maintenance on a 130,000 bpd crude distillation unit at its refinery in Gibraltar San Roque in September.

Iran's Oil Minister Massoud Mirkazemi will travel to China on Wednesday to seek investment in new oil refineries. The visit comes as new sanctions imposed on Iran take effect, hampering its ability to import gasoline and making it increasingly difficult to get foreign investment and expertise to help increase refining capacity.

The southern Chinese city of Guangzhou has become the third city in China to introduce higher quality gasoline similar to Euro IV standard gasoline used in Europe. The city allowed sales of Yue 4 standard gasoline from August 1 and would introduce Yue 4 standard diesel next year, aiming to reduce vehicle emissions by 15%.

Production News

Nigeria's National Union of Petroleum and Natural Gas Workers, NUPENG, said Nigerian tanker drivers suspended the supply of petrol to Abuja in protest against the state of the country's roads. The action followed the expiration of a 21-day ultimatum that the union gave the government to take steps to fix the bad roads. The move is not expected to affect fuel supplies to other parts of the country.

Brazil's Petrobras notified the country's National Petroleum Agency that a well in the Campos Basin tested positive for oil. The discovery was made at a well in the Campos Basin's Marlim Leste field.

Abu Dhabi National Oil Co set the official selling price of Murban crude at \$73/barrel retroactively for July term supply, down \$1.80/barrel on the month.

OPEC's news agency reported that OPEC's basket of crudes increased by \$2.66 to \$77.09/barrel on Monday from \$74.43/barrel on Friday.

Market Commentary

Crude oil once again forged higher on speculation that tomorrow's inventory report will reflect declines and as the dollar fell against the euro. Having broken above the \$82.00 level, the September crude oil contract is now at a three month high. A tropical depression in the middle of the Atlantic Ocean has

become better organized and according to the U.S. National Hurricane Center formed into Tropical Storm Colin. This also leant support to the energy markets. As long as the dollar remains weak against the euro, we would continue to look for crude oil to work higher but would expect a pullback on bearish inventory numbers. The 200-day moving average, which is currently set at \$77.77, will have to prove to be a key support area. Should prices dip and hold this level, a buying opportunity will present itself. A settlement below this number confirmed with a cross to the downside of the slow stochastic, prices should test the \$75.00 level.

Crude oil Sept 10 335,666 -3,057 Oct 10 104,917 +5,962 Nov 10 74,036 +6,565 Totals 1,234,564 +14,272 Heating oil Sept 10 84,291 +2,250 Oct 10 39,456 +1,275 Nov 33,509 +2,926 Totals 300,355 +9,094 Rbob Sept 10 102,005 +1,770 Oct 10 41,758 +1,003 Nov 10 34,467 0393 Totals 241,063 +3,509

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8150	8325	18965	22530	21280	22345
79.00	8625	18480	22700	18890	24880
7775	8710	18365	22945	18750	27085
7500		18055	23775	18420	

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