

W The
Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 9, 2010

The US National Hurricane Center said a low pressure system over the Gulf of Mexico just off southwest Florida strengthened slightly and has a 30% chance of strengthening into a tropical depression over the next 48 hours as it moves towards the Louisiana coast. Most computer models forecast the system will move northwest across the Gulf and make landfall

in southeast Louisiana. Separately, the National Hurricane Center continued to follow a low pressure system in the Central Atlantic about 900 miles northeast of the eastern Caribbean Islands with a 70% chance of strengthening into a tropical depression. However the system was expected to turn northeast before reaching land in North America.

The US government's oil spill response chief, Retired Coast Guard Admiral Thad Allen said BP's relief well is closing in slowly on the below-seabed shaft of the blown out Gulf of Mexico oil well and is expected to intercept it and commence the bottom kill operation before the end of the week.

The adviser to Iran's Supreme Leader Ayatollah Ali Khamenei said Iran is ready to discuss its nuclear program with the US. He said Iran remains committed to resolving the problem through dialogue. Meanwhile on Sunday, US Secretary of State Hillary Clinton said the US remains open to engagement with Iran while adding Iran had to reassure the international community by words and actions as to what their nuclear program is intended for.

**August
Calendar Averages
CL – \$81.76
HO – \$2.1740
RB – \$2.1555**

Market Watch

The Conference Board said its Employment Trends Index increased to 97 in July from 96.7 in June. The index is up 9.8% on the year. The gauge of the US job market increased in July for the 14th consecutive month.

Iran's first Vice President Mohammad Reza Rahimi said Iran aims to reduce the dollars and euros in its foreign currency reserves. He said Iran is replacing the dollar and euros with the Iranian rials or the currency of any other country that cooperates with it. He announced last month that Iran would switch to currencies other than euros and dollars for its oil exports.

The China Securities Journal reported that China will soon unveil a plan for newly developing energy industries that will involve \$739 billion in investment through 2020.

The Baltic Exchange's main sea freight index increased 4.14% or 84 points to 2,114 points. The Baltic's capesize index increased by 13.26% on Monday while its panamax index increased by 1.01%.

Separately, the UN's IAEA said Iran has started using extra machines

installed this year to enrich nuclear material to higher levels more efficiently. It said Iran was using a second set of centrifuge machines at its Natanz plant to enrich uranium to 20% purity.

The EIA reported that the US average retail price of diesel increased by 6.3 cents to \$2.991/gallon in the week ending August 9th. Diesel prices have gained 9.2 cents or 3.2% in the past three weeks. It is up 36.6 cents/gallon or 13.9% on the year.

Refinery News

Enbridge Inc does not have a timeline to start repairs on its damaged Michigan line.

TransCanada Corp's Keystone XL line would still deliver 510,000 bpd despite pressure change. It said its move to lower operating pressure on planned Keystone XL line should reassure the public on pipeline safety.

ExxonMobil Corp reported the release of a gas or vapor cloud at its 238,600 bpd refinery in Joliet, Illinois on Saturday.

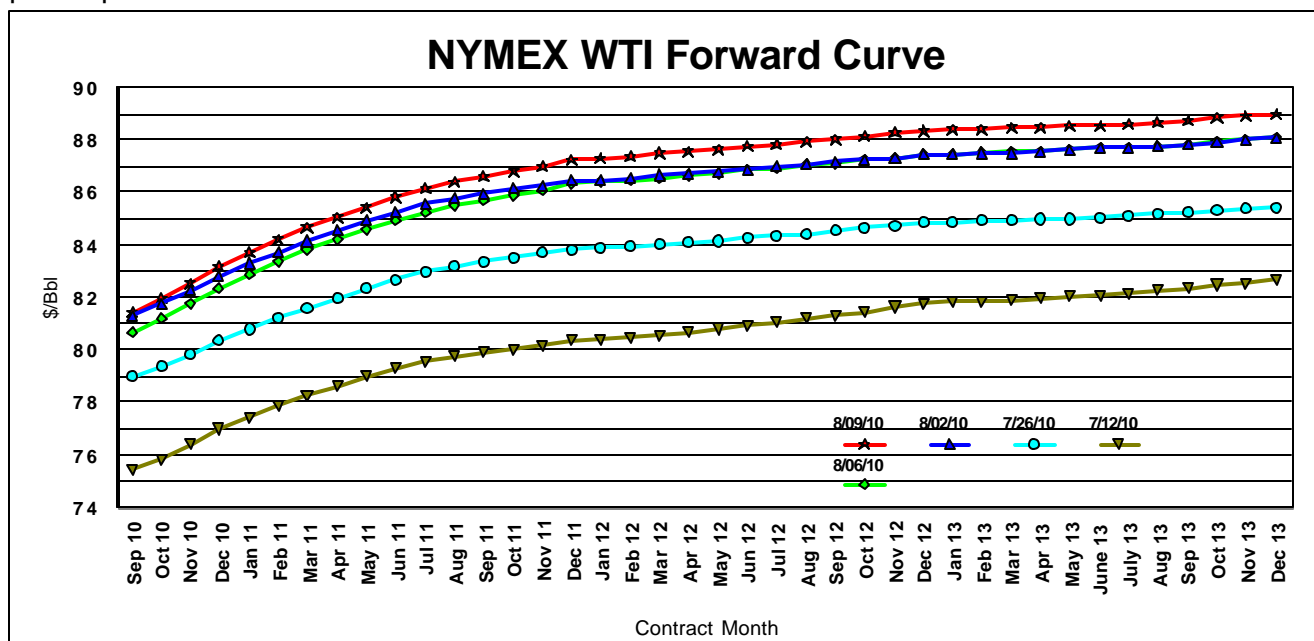
Tesoro Corp informed California state environmental regulators of its plan to flare excess volatile emissions at its 97,000 bpd Wilmington, California refinery.

Union officials said workers at PDVSA's 320,000 bpd La Isla refinery in Curacao ended their brief strike late Sunday. The workers started strike action on Saturday at the refinery, which has been shut since March due to power problems.

Indonesia's Pertamina may restart a 230,000 bpd Cilicap refinery unit this week. It gasoline stocks now stand at 16 days of forward supply, down from the usual 20 days while its diesel supplies stand at 20 days of forward supply.

Japan's Cosmo Oil Co plans to shut its 50,000 bpd No. 5 crude distillation unit at its Yokkaichi plant from early October to mid-November. It also plans to shut its 100,000 bpd crude distillation unit at its Sakai refinery from August 27th until late September.

Japan's Showa Shell Sekiyu cut imports of crude oil from the National Iranian Oil Co by 30% this year from 100,000 bpd to 70,000 bpd and may impose a larger cut if an agreement is not reached on fourth quarter prices.



A Japanese Trade Ministry official said the country is not considering an alternative route to the Strait of Hormuz for shipping crude oil. This follows reports last week that militants attacked a Japanese supertanker near the Strait of Hormuz with explosives on July 28th.

Indian Oil Corp Ltd floated its second spot tender for light sweet crude for October loading after purchasing a total of 5 million barrels of West African and Yemeni crude for October through its first tender.

Russia's Transneft will increase its Urals crude shipments from the Baltic Sea port of Primorsk in August by 400,000 tons after fears of forest fires force the company to postpone pipeline maintenance.

The Baku-Tbilisi-Ceyhan pipeline is expected to pump 24.5 million barrels of crude in September, up 650,000 barrels on the month.

Three crude tankers holding about 1.5 million barrels of crude for Bharat Petroleum Corp are stranded at the Mumbai port, which has been shut following an oil spill.

Production News

Norway's Statfjord crude oil system is scheduled to load about 171,000 bpd or 5.13 million barrels of crude in September, up from 110,000 bpd or 3.42 million barrels in August. The North Sea Gullfaks crude oil system is scheduled to load 171,000 bpd or 5.13 million bpd of crude in September, up slightly from 165,000 bpd in August.

Kuwait and Iraq are expected to reach an agreement soon setting guidelines for investing in shared oilfields. A Kuwaiti newspaper, the Al-Jarida daily said Kuwait and Iraq will delegate a third party to determine the size of the fields and each country's share in them.

An Iraqi oil official said Iraq's crude oil exports fell to 1.82 million bpd or 0.16% in July compared with 1.823 million bpd in June due to weather disruptions in southern export terminals, power cuts and acts of sabotage against the northern export pipeline. Iraq exported an average of 1.436 million bpd in July from its southern terminals compared with 1.44 million bpd in June while 374,000 bpd was shipped from its northern Kirkuk oil fields through the Turkish port of Ceyhan and 10,000 bpd was shipped by trucks to Jordan.

Ecuador's central bank said the country's output fell by 4% on the year to 86 million barrels in the first half of 2010. It said state production for the first half of the year was just under 51 million barrels, down 1.1% on the year.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$78.15/barrel on Friday from \$78.69/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$4.23/barrel to \$78.24/barrel in the week ending August 6th.

Market Commentary

Crude oil experienced another economically fueled rise as equities advanced, boosting confidence that the economy is rebounding. Market participants have been keeping a watchful eye on the equities market in anticipation of its impact on demand. So far, the U.S. government has been keeping interest rates low. Should they implement any new stimulus programs, this would in turn spark hopes of greater demand, thereby taking oil prices higher. The 3-2-1 crack margin, the cost of refining three barrels of crude oil into two barrels of gasoline and one barrel of heating oil fell 6.1 percent, basis the September contract. This decrease in margin discourages the incentive to buy and process oil into

gasoline and other by-products. With hedge funds increasing their net long positions in crude oil, the underlying fundamentals become overshadowed. From a technical perspective, this market appears to be over bought. We would look for the September contract to make an attempt to test the 200-day moving average of \$77.75, buying failed attempts to break to the downside and selling successful ones, looking for a run at the \$70.00 level.

Crude oil Sept 10 280,208 -26,333 Oct 10 134,372 +16,803 Nov 10 100,708 +6,708 Totals 1,255 904 +534 Heating oil Sept 10 78,584 -5,097 Oct 10 44,827 +2,219 Nov 36,356 +2,629 Totals 306,699 +442 Rbob Sept 10 86,936 -9,165 Oct 10 54,432 +5,456 Nov 10 40,132 +2,351 Totals 248,972 -204

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	8325		22530		22345
79.00	8625	20870	22700	18890	24880
7885	8710	20000	22945	18750	27085
7775		18965	23775	18420	

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.