



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 12, 2011

Iran's newly appointed Oil Minister, Rostam Ghasemi downplayed the role that Saudi Arabia plays in OPEC. He said Iran and other OPEC members should play a more active role in the group. He said Iran has a critical role in OPEC and accused Saudi Arabia of serving the interests of Western oil consumers.

The US called on countries to stop buying Syrian oil and gas as it seeks to build pressure on Syria's President Bashar al-Assad to end a military crackdown against protestors. Meanwhile Vitol and Trafigura are supplying fuel to Syria despite a military crackdown by President Bashar al-Assad's security forces against protesters. Sytrol, Syria's state owned oil company, agreed to buy two 30,000-ton cargoes of gasoline.

Refinery News

Colonial Pipeline said it allocated its main gasoline line north of Collins, Mississippi for Cycle 47.

Alon USA Energy reported a hydrodesulfurization unit problem at its 67,000 bpd Big Spring, Texas refinery on Thursday.

North Atlantic Refining said turnaround work that started on May

Market Watch

The US National Hurricane Center tracked four low-pressure systems in the Atlantic, with three having a medium chance of forming into tropical cyclones. However they are not seen threatening the Gulf of Mexico. One system, located about 1,175 miles east of the northern Leeward Islands is moving northwestward at 20 mph and had a 40% of becoming a tropical cyclone in the next two days. Another system, located about 450 miles southwest of the southern Cape Verde Islands has a 40% chance of forming into a tropical cyclone in the next 48 hours as it moves westward at about 15-20 mph. A third tropical wave located about 200 miles north of Bermuda has become a little better organized and now has a 60% chance of becoming a cyclone as it moves northeastward at about 15-20 mph. Another low pressure area located about 700 miles northeast of the northern Leeward Islands has a 20% chance of becoming a tropical cyclone during the next two days as it moves southwestward at about 10 mph.

The US Commerce Department said US retail sales increased in July by 0.5% on the month to \$390.42 billion. June retail sales were up a revised 0.3%, up from an originally estimated 0.1% gain. The US Commerce Department also reported that US business inventories increased slightly less than expected in June. Inventories increased by 0.3% following a downwardly revised 0.9% increase in May.

The Thomson Reuters/University of Michigan's preliminary August reading on the overall index on consumer sentiment fell to 54.9, the lowest level since May 1980, down from 63.7 in July. It fell to its lowest level in more than three decades in early August. The survey's gauge of consumer expectations fell to 45.7 from July's 56. The survey's barometer of current economic conditions was 69.3 in August, down from 75.8 in July while the survey's one-year inflation expectation remained at 3.4%.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 127.9 in the week ending August 5th from 128.2 the previous week, originally reported at 128.3%. The index's annualized growth rate fell to 1.7% from 2.1% a week earlier.

The Survey of Professional Forecasters by the Federal Reserve Bank of Philadelphia showed a gloomier view for the next two years. Real GDP is expected to grow just 1.7% in 2011 and 2.6% in 2012, down from previous estimates of 2.7% and 3%, respectively. The jobless rate is now expected to average 9% this year and 8.6% in 2012 compared with previous estimates of 8.7% and 8.1%, respectively.

**August
Calendar Averages**
CL – \$86.87
HO – \$2.9278
RB – \$2.8356

5th at its 115,000 bpd Come By Chance refinery in Newfoundland was recently completed and all the units were in the process of restarting.

Irving Oil Ltd said operations at its 300,000 bpd New Brunswick refinery are normal following a minor upset on Thursday.

India's Finance Minister Pranab Mukherjee said India's new mechanism to pay Iran for crude oil imports is confidential. He said Iran has never threatened to stall crude oil supplies to India. Meanwhile, India's HPCL has started making payments to Iran for its oil imports, hoping to clear its debts by next month and buy two cargoes from Iran in September. HPCL has so far paid \$150 million and hope to clear its remaining outstanding debt of \$1 billion by next month. It said it was not planning to buy additional crude from Saudi Arabia in September. Separately, HPCL said it is hopeful that its fluid catalytic cracking unit at its Vizag refinery will be operational starting August 21st. The unit was unexpectedly shutdown on August 1st and added that there was no impact on output.

According to the China Daily, growth in China's apparent oil demand is expected to ease to an average 5% a year between 2011 and 2015, down from the 7.7% annual growth in the previous five years.

Middle East suppliers have sold three fuel oil cargoes, totaling about 250,000 tons for loading from the second half of August until early September at the highest premiums seen in at least more than a month.

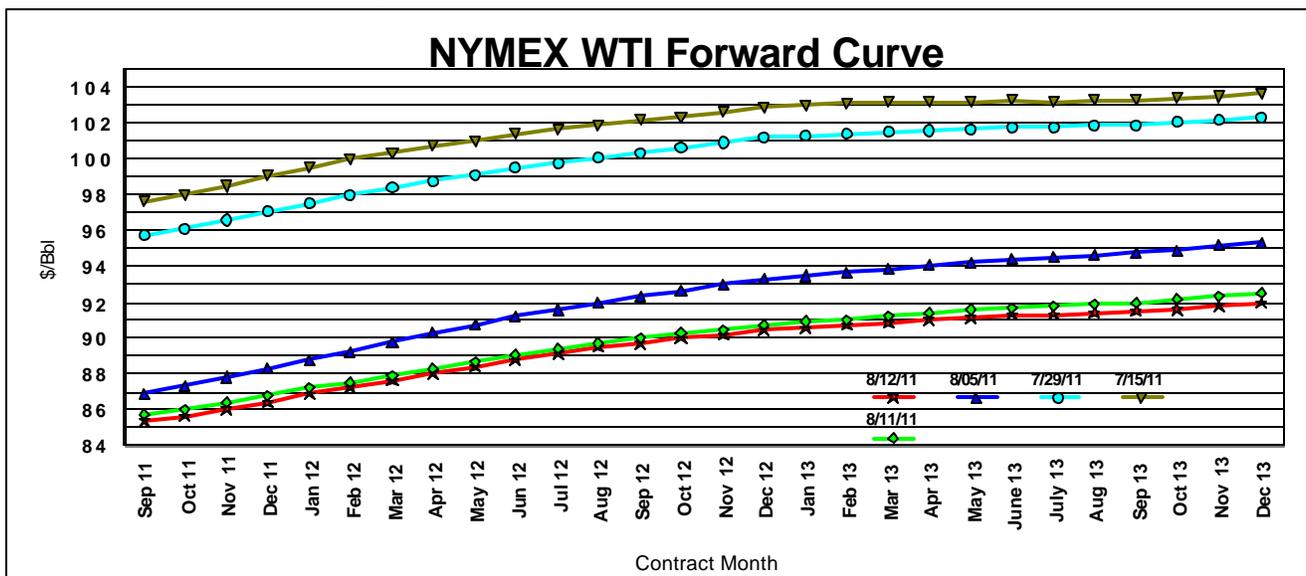
Yemen's Aden Refinery sold 60,000 tons of heavy and light naphtha in a rare move.

German household consumer heating oil stocks increased to about 53% of capacity at the beginning of August. It is up from 50% in the beginning of July.

Production News

North Dakota oil production reached a record high in June at just under 385,000 bpd.

Two more Forties crude cargoes for August loading have been delayed as volumes of oil running through the BP Plc operated Forties Pipeline System have been lower than normal due to maintenance. The additional deferrals bring the total number of delayed cargoes for August loading to 11 out of the scheduled 16.



Royal Dutch Shell Plc confirmed that an oil spill occurred at its Gannet Alpha platform in the UK North Sea. Separately, it stated that it restarted North Sea Brent Alpha and Bravo fields following a 7-month shutdown.

Kuwait Oil Co said it controlled a limited fire that started earlier at a gas pipeline at the Burgan oilfield. It said operations at the company proceeded normally after isolating the damaged pipeline.

Azerbaijan's State Statistics Committee said the country's oil and condensate production in the first seven months of the year fell by 6.7% on the year to 27.7 million tons. Its natural gas production fell by 1.9% to 15.1 billion cubic meters. Production of refined products fell to 3.64 million tons in January-July 2011 from 3.66 million tons in the same period last year.

Brazil's HRT Participacoes em Petroleo S.A. plans to drill 65 exploration wells and develop production at 52 wells by the end of 2014. It is drilling its first wells in Brazil's Solimoes Basin and in Namibia this year. The company's net potential resources at the two sites were recently announced at a total of 7.9 billion barrels of oil equivalent.

ConocoPhillips China said that as much as 2,500 barrels of oil and mud leaked from an oilfield in China's northern Bohai Bay. It said a recent inspection of the C platform of Penglai 19-3 oil field found more oil based drilling mud on the sea floor than originally estimated. It said it expected to complete a cleanup by the end of the month.

Vietnam's Petrolimex secured a long-term contract to supply fuel oil to state run Bangladesh Petroleum.

Market Commentary

Crude oil gained for the third straight day, rebounding after a report by the U.S. Commerce Department indicated retail sales for the month of July increased by 0.5 percent. The market, however, was unable to sustain itself above unchanged. It was good news again for consumers as the price of gasoline followed crude oil lower. Concerns about current economic conditions have left demand running 3 percent lower than the same time last year. This has led to caution by investors, as they seek safer havens for their assets. The September crude oil contract traded above the bottom trendline of the descending channel but failed to settle above it. Moving oscillators have turned to the upside, which is supportive for prices. As mentioned previously, we would look for advancements back in to the channel, which is set between \$86.49 and \$98.72.

Crude oil: Sept 11 215,412 -32,116 Oct 11 239,210 +24,716 Nov 11 140,069 +6,733 Totals 1,580,041 -257
Heating oil: Sept 11 70,857 -2,564 Oct 11 56,153 +1,724 Nov 11 38,152 +1,001 Totals 313,173 +846
Rbob: Sept 11 60,799 -5,101 Oct 11 57,049 +1,926 Nov 11 31,909 +2,871 Totals 248,206 -609

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 11,658 contracts to 135,718 contracts in the week ending August 9th. The combined futures and options report showed that non-commercials cut their net long position by 13,175 contracts to 178,993 contracts on the week. Meanwhile the disaggregated futures and options report also showed that managed money funds cut their net long position by 17,313 contracts to 142,938 contracts on the week.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7552	8649	27020	32777	25145	33369
7487	8832	26680	33370	24240	35915
7365	8988	27375	33510	23631	36310
6423	9122	23685		23414	
6394	9726	22960			
6119	9872				
	10071				
	10222				
50-day MA	95.22				
200-day MA	95.18				

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