



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 18, 2011

The Obama administration imposed fresh sanctions on Syria's government, freezing any of its assets in the US as well as banning petroleum products of Syrian origin. The latest round of sanctions against Syrian President Bashar al-Assad and his government prohibit US entities from engaging in any transactions or dealings with Syrian petroleum products. The US also blacklisted Syria's General Petroleum Corp, Syrian Petroleum Co, Syrian Company for Oil Transport, Syrian Gas Co and Sytrol. Meanwhile traders and analysts said it would take several weeks before Syrian oil trade could grind to a halt, even if traders such as Vitol or Trafigura are forced to stop sending refined products for President Bashar Assad's government and companies such as Shell are forced to stop producing and exporting oil from Syria. They stated that oil markets would cope with the loss of Syrian supplies if Europe joins Washington in imposing new sanctions on the country but

Market Watch

The US National Hurricane Center said a tropical wave located about 200 miles southwest of Jamaica has an 80% chance of becoming a cyclone over the next 48 hours. A tropical depression could form late Thursday as the system moves westward at about 15 mph. Meanwhile, another tropical wave located over the eastern Atlantic, about 875 miles west of the Cape Verde Islands, continues to have a 10% chance of forming into a cyclone in the next 48 hours.

The US Labor Department said inflation resumed its climb in July as gasoline prices rebounded and food costs continued to increase. The Consumer Price Index in July increased a seasonally adjusted 0.5% on the month. It followed a 0.2% decline from May to June, when lower prices for gasoline helped inflation decline for the first time in a year. The core CPI, excluding energy and food, increased by 0.2% in July. It reported that energy prices increased by 2.8% in July after falling by 4.4% in June.

The US Labor Department also reported that the initial jobless claims increased by 9,000 to a seasonally adjusted 408,000 in the week ending August 13th. Claims filed in the previous week were upwardly revised to 399,000 from an originally reported 395,000. The four week moving average of new claims fell by 3,500 to 402,500. The report showed the number of continuing unemployment benefit claims increased by 7,000 to 3,702,000 in the week ending August 6th. The unemployment rate for workers with unemployment insurance for the week ending August 6th was unchanged at 2.9%.

Factory activity in the US Mid-Atlantic region fell in August, falling to the lowest level since March 2009. The Philadelphia Federal Reserve Bank said its business activity index fell to minus 30.7 from positive 3.2 in July.

The National Association of Realtors said US existing home sales in July unexpectedly fell by 3.5% to 4.67 million units. June's sales were upwardly revised to a 4.84 million unit rate.

The Conference Board index of leading indicators increased by 0.5% to 115.8 while the coincident index increased by 0.3% to 103.3 and the lagging index increased by 0.2% to 110 in July.

Iran sold its first consignment of crude on a new oil exchange after several attempts. The first trade on the market on the Gulf island of Kish, was for 500,000 barrels of Iran's heavy export grade crude sold at Iran's official selling price.

**August
Calendar Averages**
CL – \$86.66
HO – \$2.9280
RB – \$2.8384

added that prices would increase if Syria's ally, Iran becomes directly involved in a confrontation with the West.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to fall by 120,000 bpd to 22.63 million bpd in the four weeks ending September 3rd. Seaborne shipments in the Middle East are expected to fall by 120,000 bpd.

Refinery News

Colonial Pipeline allocated Cycle 48 shipments on its Line 01, main gasoline line north of Collins, Mississippi.

ConocoPhillips reported a release of sulfur dioxide from the sulfur plant incinerator at its 247,000 bpd Alliance refinery on the Mississippi River in Belle Chase, Louisiana on Wednesday.

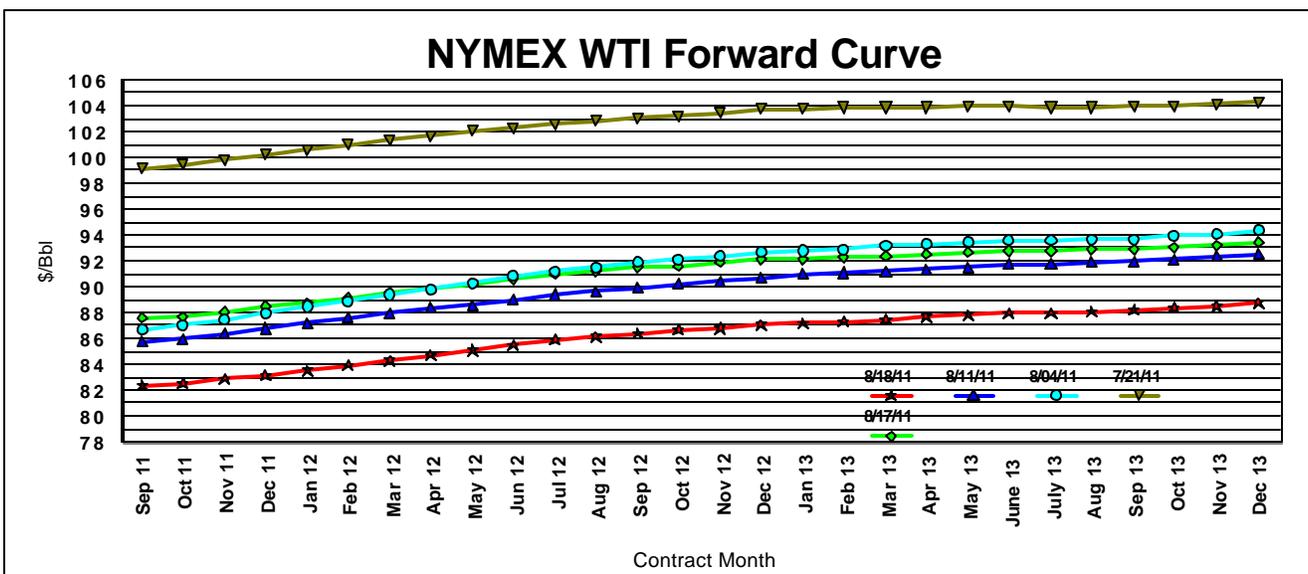
Total reported the shutdown of two units at its 232,000 bpd refinery in Port Arthur, Texas.

Tesoro Corp shut a CO boiler at its 120,000 bpd Anacortes, Washington refinery on Sunday. It said product supply to customers were not affected by the CO boiler shutdown.

Valero Energy Corp is restarting units at its 195,000 bpd Memphis refinery after a nearly two week outage. A fire on August 5th shut down two of the refinery's crude units, which begin the refining process. It said it would begin restarting one of the refinery's crude distillation units, its fluid catalytic cracking unit and other key units. The refinery is expected to operate at about half its capacity while an 80,000 bpd crude distillation unit remains shut for maintenance until September.

Libyan rebels were in control of the coastal oil refinery in Zawiyah on Thursday following conflict with forces loyal to Muammar Gaddafi. Meanwhile, Libya's opposition is getting two more oil products tankers. A tanker carrying fuel oil delivered by the UK's BB Energy Trading Ltd is on its way to the rebel's capital of Benghazi. The tanker is supplying about 22,000 tons on a credit basis. A tanker delivering 14,000 tons of diesel on behalf of Turkey arrived this week in Benghazi.

Qatar's Laffan Refinery Co awarded an engineering design contract for the expansion of its Ras Laffan refinery to France's Technip. Qatargas said the planned expansion would double the refinery's capacity to 292,000 bpd and is expected to be fully operational by the first quarter of 2016.



Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending August 18th increased by 4.69% on the week but fell by 35.98% on the year to 580,000 tons. Gas oil stocks increased by 0.59% on the week but fell by 13.28% on the year to 2.371 million tons while fuel oil stocks increased by 1.59% on the week but fell by 7.28% on the year to 701,000 tons. Naphtha stocks increased by 15.69% on the week but fell by 1.67% on the year to 59,000 tons while its jet fuel stocks fell by 0.19% on the week and by 38.11% on the year to 523,000 tons.

Japan's Ministry of Finance reported that customs cleared oil imports in July fell by 11.2% on the year to 16.031 million kiloliters or 3.25 million bpd.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 266,000 barrels to 19.864 million barrels in the week ending August 17th. It also reported that Singapore's light distillate stocks increased by 1.044 million barrels to 9.973 million barrels while middle distillate stocks fell by 607,000 barrels to 14.227 million barrels on the week.

Malaysia's national power producer, Tenaga Nasional bought 130,000 tons of fuel oil for power generation, the third time it has purchased large volumes this year. The purchases are due to a prolonged gas shortage that has resulted in the country's power sector receiving a third less of its allocation by Petronas, which has shut its gas facilities for frequent maintenance.

Production News

The Norwegian Petroleum Directorate said Norway's preliminary oil production in July increased to 1.664 million bpd from 1.543 million bpd in June. Its NGL and condensate production also increased to 301,000 bpd in July from 296,000 bpd in June. Norway's natural gas production increased to 7.3 bcm in July from 6.3 bcm in June.

A subsidiary of ConocoPhillips said that with the approval from China's marine authority, the company resumed operations at some wells in China's Bohai Bay that were ordered to shut down after an oil spill. The oil spill at the Penglai 19-3 oil field polluted 840 kilometers of water.

Exports of Nigeria's Qua Iboe crude are set to fall in October 337,000 bpd from 380,000 bpd in September. A total of 11 cargoes of 950,000 barrels each are due to load in October.

Sweet crude and condensate exports from Australia, Papua New Guinea and East Timor are expected to increase in October as two fields resume production. A total of 22-23 cargoes would be available for October loading, up from 20 in August, as the Van Gogh field resumed production after repairs while the Cossack field would restart as a new floating production storage and offloading unit has been installed at the site.

Mexico's Pemex awarded an operations contract for the Magallanes oil field to Petrofac.

Gulf Keystone Petroleum Ltd said it made a new high pressure oil and gas discovery with its Shaikan-2 Appraisal well in the Kurdistan region of Iraq. The discovery flows at variable rates up to a maximum of 4,450 bpd with associated gas of 813,000 cubic feet/day.

Russia's first ice resistant offshore production platform is due to arrive at its designated location in the Pechora Sea within 10 days and start drilling in the Prirazlomnoye field. Gazprom plans to start production there in the first quarter of 2012.

OPEC's news agency reported that OPEC's basket of crudes increased to \$106.88/barrel on Wednesday from \$105.42 on Tuesday.

Market Commentary

Oil plunged today on a dismal economic outlook for the U.S. Poor economic news came by way of an increase in jobless claims, which expanded by 5,000 last week, and shrinking manufacturing in the Philadelphia region. This combined with the European sovereign debt issue, sent traders scrambling for coverage in more secure investments. Gasoline also succumbed to the economic pressure, falling 3 percent from yesterday's close. Gasoline should continue to fall as we near the end of the U.S. summer driving season, and refiners begin to switch to winter blends. Technical indicators for crude oil have crossed to the downside, which is bearish for prices. With September expiring on Monday, October will be the spot month contract. We would look for dips to the recent low of \$75.00 and beyond.

Crude oil: Sept 11 82,463 -48,238 Oct 11 297,012 +21,390 Nov 11 146,489 -1,157 Totals 1,520,485 -32,536 Heating oil: Sept 11 57,018 -4,091 Oct 11 61,304 +1,504 Nov 11 39,920 +448 Totals 311,461 -232 Rbob: Sept 11 53,885 -4,347 Oct 11 64,191 +322 Nov 11 32,544 +423 Totals 254,975 1,876

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7552		27020	32777	25145	33369
7487		26680	33370	24240	35915
7365	8988	27375	33510	23631	36310
6423	9122	23685		23414	
6394	9726	22960			
6119	9872				
	10071				
	10222				
50-day MA	93.52				
200-day MA	95.27				

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