



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 19, 2010

Venezuela's Ambassador to Iran, David Velasquez reiterated that Venezuela will continue to supply Iran with gasoline despite the threat of international sanctions. He said the Venezuelan government would not be bullied into halting gasoline shipments. Venezuela's President Hugo Chavez has defended Iran's nuclear program and condemned the UN sanctions resolution. Venezuela exports about 20,000 bpd of gasoline to Iran.

Oil Movements said OPEC's oil exports, excluding Angola and Ecuador, are forecast to fall by 240,000 bpd to 23.24 million bpd in the four weeks ending September 4th.

Genscape reported that oil inventories in Cushing, Oklahoma fell by 985,368 barrels to 38.9 million barrels in the week

Market Watch

The US National Hurricane Center said a large area of disturbed weather off the West Coast of Africa has a low 20% chance of developing into a tropical depression over the next 48 hours. It said conditions appear favorable for some development of the system as it moves west. Elsewhere, the NHC did not expect any significant development of a tropical wave over the Western Caribbean over the next day or two before it moves over the Yucatan Peninsula in Mexico and Central America Thursday night.

The National Weather Service said in its outlook for September-November that it expects above normal temperatures for the Southwest, West Texas and much of the eastern half of the US, except the Southeast.

The US Labor Department said initial claims for unemployment benefits unexpectedly increased last week to the highest level in nine months. It said initial claims in the week ending August 14th increased by 12,000 to a seasonally adjusted 500,000, the highest level since mid-November. The four week moving average increased by 8,000 to 482,500. Initial claims for the previous week, ending August 7th, were revised up to 488,000 from the originally reported 484,000. The report showed that the number of continuing claims in the week ending August 7th fell by 13,000 to 4,478,000 from the preceding week's revised level of 4,491,000. The unemployment rate for workers with unemployment insurance in the week ending August 7th was 3.5%, unchanged on the week.

Factory activity in the US Mid-Atlantic region unexpectedly contracted in August to its lowest level in more than a year. The Federal Reserve Bank of Philadelphia said its index of business conditions in the US Mid-Atlantic region fell in August to -7.7 from +5.1 in July. It was first contraction since July 2009.

The Conference Board Leading Economic Index for the US increased by 0.1% to 109.8 in July, in line with expectations and up from June's level. The June figure was revised lower to -.03% from the initially reported -0.2%. The Conference Board Coincident Economic Index for the US increased 0.2% in July to 101.4 following a 0.1% decline in June. The Conference Board Lagging Economic Index increased 0.4% in July to 107.9, following a 0.1% increase in June.

The Congressional Budget Office forecast that the US budget deficit will be 9.1% of GDP in fiscal 2010, down from a previous estimate of 9.4%.

**August
Calendar Averages**
CL – \$78.63
HO – \$2.0916
RB – \$2.0484

ending August 17th. It estimated that Cushing crude tanks were filled to 74% of capacity as of Tuesday, down from 77% a week earlier.

BP Plc will attempt to replace a damaged blow out preventer before it permanently plugs the ruptured deepwater Gulf of Mexico well. It has delayed the final plugging of the Macondo well to allow for the replacement of the blow out preventer.

Refinery News

A pipeline carrying gasoline and diesel from BP’s 435,000 bpd refinery in Whiting, Indiana was closed after a leak was discovered. The line was shut Wednesday and work was continuing to remove the concrete casing to discover the source of the leak. BP is uncertain when it will restart the refined oil products line.

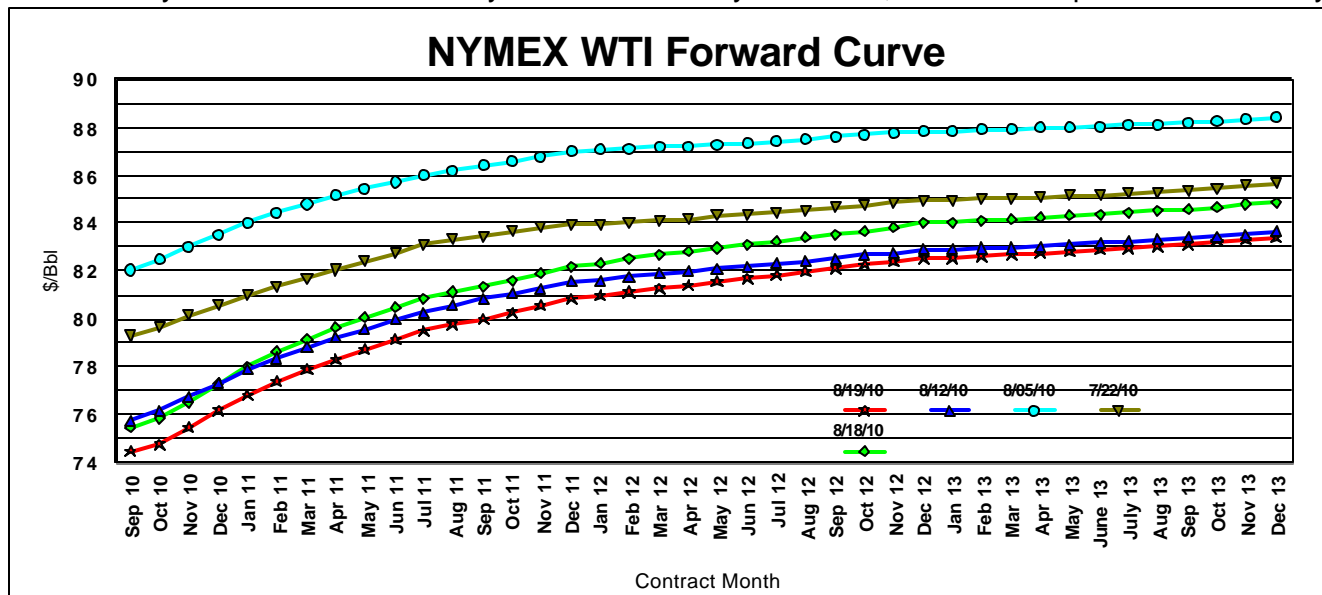
Valero Energy Corp expects to restart a naphtha hydrotreater at its 315,000 bpd Corpus Christi, Texas refinery later this week after repairing a leak. The hydrotreater was shut on Tuesday to repair a leaking heat exchanger. Separately, Valero Energy Corp said it plans to complete the turnaround currently underway at its shut 235,000 bpd refinery in Aruba in mid- October. Earlier estimates called for the work to be completed in early September, when a decision would be made on whether it was economically feasible to restart the refinery. The refinery was closed in 2009 due to poor margins.

BP Plc expects planned flaring activity to start on Friday at its 265,000 bpd Carson, California refinery. It said there is no unit breakdown associated with the flaring.

Venezuela’s PDVSA said the alkylation unit at its 187,000 bpd Puerto La Cruz refinery could restart in two weeks after an explosion that shut it down on Tuesday. PDVSA also said its flexicoker unit is fully operating at Venezuela’s Amuay refinery following the completion of maintenance work. The 64,000 bpd unit was shut on April 7th for scheduled maintenance.

Suncor Energy Inc said its upgrader 2 is expected to start six weeks of turnaround on September 9th. The turnaround is expected to reduce oil sands production by 35,000 bpd.

Gasoline stocks held in the Amsterdam-Rotterdam-Antwerp storage hub in the week ending August 19th increased by 5.35% on the week and by 72.24% on the year to 906,000 tons while gas oil stocks increased by 1.75% on the week but fell by 0.51% on the year to 2.734 million tons and fuel oil stocks increased by 5% on the week and by 129.09% on the year to 756,000 tons. Naphtha stocks fell by



14.29% on the week but fell by 21.05% on the year to 60,000 tons while jet fuel stocks increased by 0.72% on the week and by 9.6% on the year to 845,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.089 million barrels to 21.692 million barrels in the week ending August 18th. It also reported that the country's light distillate stocks fell by 380,000 barrels to 10.67 million barrels and its middle distillate stocks fell by 3.13 million barrels to 13.532 million barrels.

China Customs Statistics Informational Centre reported that China's diesel exports in July almost doubled from a month earlier to 520,000 tons. It is up 22% on the year. China's gasoline exports fell by 20% to 320,000 tons in July from 402,457 tons in June.

China National Petroleum Corp plans to complete construction of the China-Russia crude oil pipeline around the end of the month. The 1,000 kilometer pipeline is designed to carry up to 300,000 bpd of crude. First crude will flow through the pipeline to China by the end of the year. China's CNPC is building the pipeline from the Russian town of Skovorodino to China's oil production and refining hub of Daqing. It will connect with the new East Siberian-Pacific Ocean, or ESPO, pipeline.

Production News

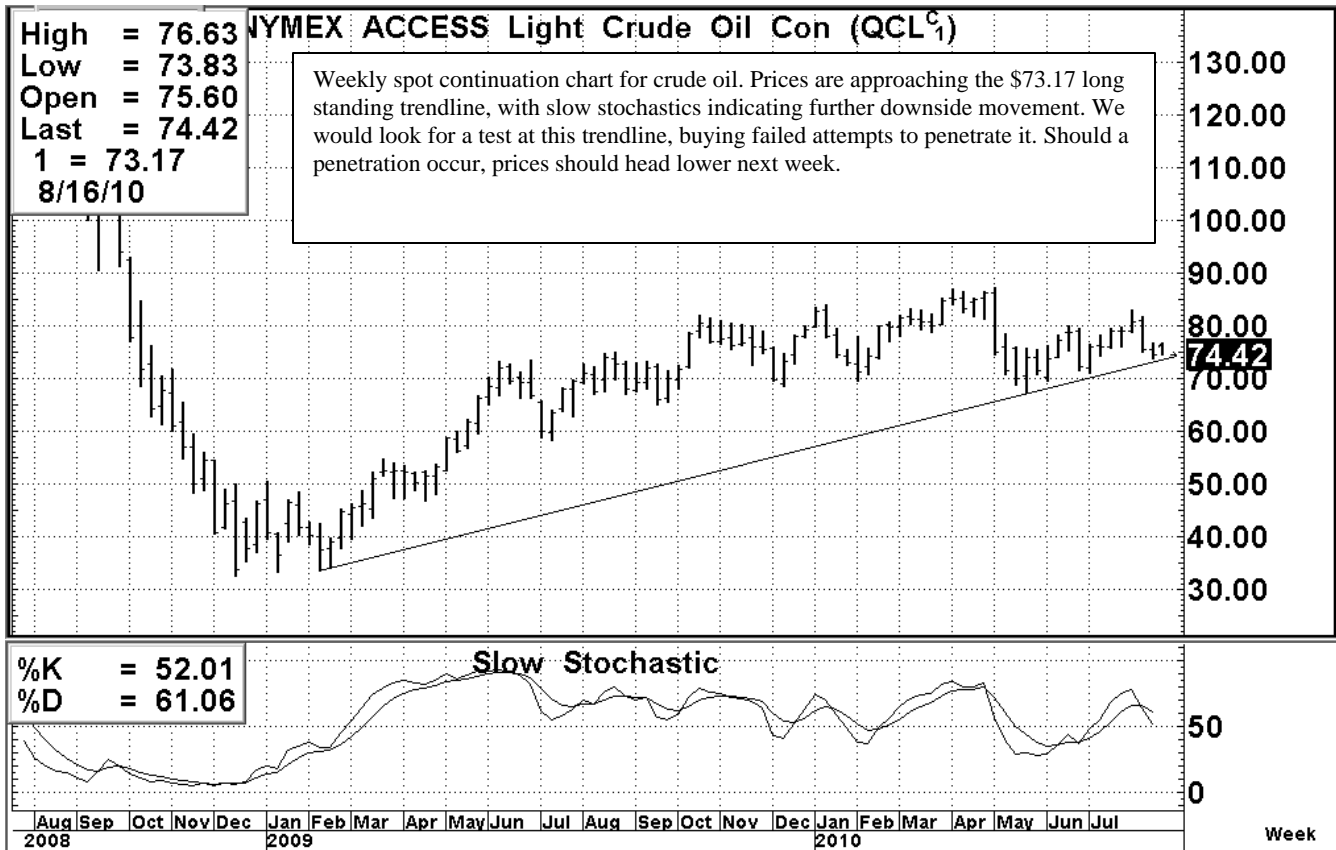
OPEC's news agency reported that OPEC's basket of crudes fell by 20 cents to \$73.05/barrel on Wednesday from \$73.25/barrel on Tuesday.

Market Commentary

On signs that the economy is slowing yet again, crude oil sold off today, dipping just below \$74.00. Initial U.S jobless claims increased by 12,000 to 500,000 during the week ending August 14, according to Labor Department numbers. Factory orders unexpectedly slowed in August according to the Philadelphia Federal Reserve, adding to the pressure on prices. This, combined with weak fundamentals, brings forth thoughts of sluggish demand. Crude oil this week has now traded to its lowest level in six weeks, with today's low unable to penetrate the \$73.83 low made yesterday. Based upon a weekly spot continuation chart for crude oil, prices are approaching a long-standing trendline that dates back to January 2009. The trendline is set at \$73.17 for this week and that will be our target for tomorrow.

Crude oil: Sept 10 49,167 -17,673 Oct 10 297,318 +10,428,868 Nov 10 140,106 Totals 1,265,123 - 2,217 Heating oil: Sept 10 42,012 -3,183 Oct 10 59,551 +1,871 Nov 10 43,061 +407 Totals 297,940 - 429 Rbob: Sept 10 52,438 -1,903 Oct 10 76,076 -126 Nov 10 47,081 -761 Totals 250,139 -914.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7317	7506	18965	22530		19260
7299	7477	19236	22700	18890	22345
7109	7781	18920	22945	18750	24880
7000	7885		23775	18420	27085



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