



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR AUGUST 27, 2010**

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#### **Refinery News**

Indian's domestic oil product sales in July rose 2% from a year ago to 11.42 million tones but were off 5% from June. Imports of products were up 34% from a year ago and were up 74% from June. The largest gains came from LPG and gasoline. Crude oil imports also rose 3.9% year on year and were some 5.2% higher than the prior month. Product exports continue to be higher year on year, with July levels some 26% higher than a year ago.

Exxon Mobil's recent announcement that it would shut several redundant units at its Chalmette refinery, appears will include the closure of a distillate hydrocracker, a gasoline reformer and a coking unit.

PBF Energy Partners said they plan to restart the shuttered 182,200 b/d Delaware City refinery in the spring of 2011, after completing a plant wide overhaul. PBF, led by Tom O'Malley, purchased the refinery from Valero in June. Valero had shuttered the refinery last November due to poor refining margins.

#### **Market Watch**

The U.S. Commerce Department reported this morning that it has revised downward its estimate for 2Q2010 GDP by 0.8% to 1.6% growth. This was slightly less of a downward revision than what the market had been expecting. It appears the growth was dragged lower by the largest increase in imports in 26 years, as imports jumped by 32.4%, dwarfing the 9.1% increase in exports. The trade deficit sliced 3.37% of the GDP.

China's industrial profits in January - July as reported by the Chinese government reached \$276.5 billion up 61.1% from the prior year.

The U.K. economy expanded by a revised 1.2% in the second quarter, as the service and construction sectors gathered traction the government reported.

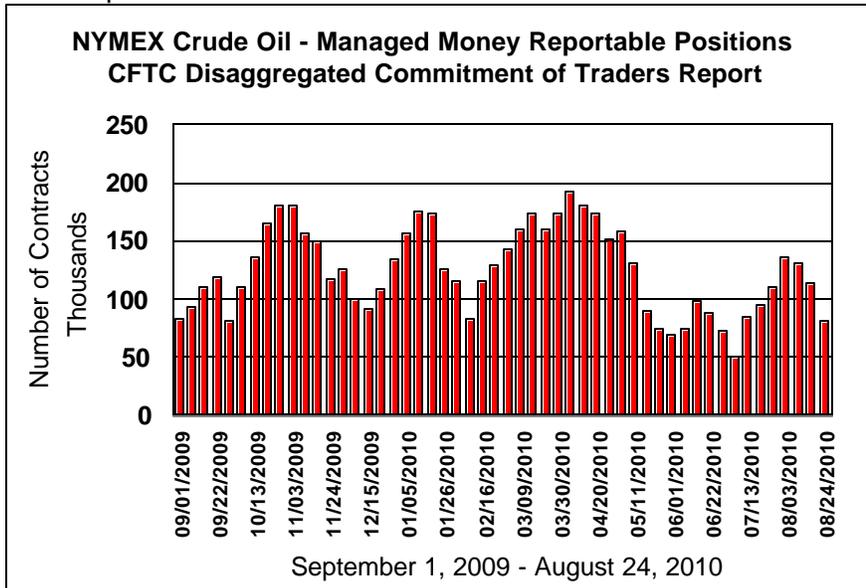
Federal Reserve Chairman Bernanke said today that the U.S. economic recovery has weakened more than expected and as a result the Fed is ready to take further steps if needed to spur slowing economic growth, but at this time FOMC has not decided on specific criteria or triggers for further action. He noted the central bank's purchases of long-term securities have been effective in lowering borrowing costs and that he believes the benefits of buying more such assets if needed would outweigh any disadvantages. He stressed that the high jobless rate remains a concern to policy makers and said the Fed would be vigilant against deflation, even though it currently is not a risk in the United States. He was confident that the U.S. recovery would not stall and noted that there appeared to be an upswing in consumer demand.

The Thomson Reuters/University of Michigan's Survey of Consumer Sentiment pulled back in late August from earlier in the month but still improved from late July. The survey's final August reading was at 68.9, but above the 67.8 reading at the end of July, which was the lowest level since November. The head of the survey noted that while an outright decline in consumer spending, on which 70% of the U.S. economy depends, is unlikely, the chances for a double dip recession is now "uncomfortably high" at 25%.

Chinese refinery runs averaged 83.8% as of Thursday, down 1.75% from two weeks earlier and down 0.84% from a year earlier.

**Production News**

Reuters reported today that it appears Nigerian exports will average 2.10 mbd in October, down slightly from a revised 2.13 mbd exported in September. These production levels still far exceed its OPEC quota of 1.67 mbd.



Indian crude oil production in July reached 3.232 million tones up nearly 16% from July 2009.

PetroChina said today that it has resumed production at around 30% of more than 4000 oil wells in its Daqing, Liaohe and Jilin oilfields in northeastern China which were shut down earlier this month due to flooding

**Market Commentary**

Today's weakness in the dollar and strength in equities supported crude oil, which

settled higher on the week. Three topical systems over the Atlantic Ocean also helped prop up prices, although as of now, they do not pose a threat to the Gulf of Mexico. This sparked off short covering based on the possibility of Tropical Storm Earl becoming a hurricane. The October crude oil contract experienced an outside trading session, extending below and above that of the previous one and settling higher on the day. It also broke below a long-standing weekly trend line, rose and settled back above it. Coming into the beginning of next week, we would look for the uptrend to continue with a test at \$76.87, the 50% retracement level derived from the range between \$82.97 and \$70.76.

This afternoon's Commitment of Traders Report showed that hedge funds continued to reduce their net length in the crude oil market for the third week in a row, dropping by over 32,000 lots in the week ended August 24<sup>th</sup>.

Crude oil: Oct 10 309,503 -6,342 Nov 10 147,481 +3,462 Dec 10 199,441 +3,702 Totals 1,252,554 +589 Heating oil: 16,777 -3,636 Oct 10 84,310 +637 Nov 10 42,157 -646 Totals 313,735 +689 Rbob: Sept 10 22,059 -5,846 Oct 10 90,906 -271 Nov 10 47,029 -182 Totals 244,148 -3,200.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7587	18965	22530	18240	
7109	7781	19236	22700	<b>16010</b>	22345
7000	7831	18920	22945		24880
6715			23775		27085

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