



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 30, 2010

Refinery News

Unions at France's Fos-Lavera oil hub extended their strike for a fourth day on Thursday. Some 24 tankers carrying crude oil and products remained blocked. The strike had not yet impacted refining utilization rates but could if the strike drags on longer. Workers were due to meet with management on Thursday afternoon, have been protesting a French pension bill and are seeking job guarantees as part of the reform. The CGT Union reportedly said late today that the strike would continue through Monday.

The U.S. Department of Energy will send to the EPA its test results Thursday on whether vehicles made since 2007 can handle a higher blend of ethanol in their fuel. The EPA will then review the test data and make a decision on whether to approve raising the ethanol rate to 15% from 10% in the nation's gasoline pool. The EPA has said it will attempt to render a decision within two weeks after receiving the data.

Russian exports of gasoil and

Market Watch

The Institute for Supply Management's Chicago Purchasing Management Index rose to 60.4 in September, from 56.7 in August. Market expectations had been for the index to be at 55.9.

The U.S. Labor Department reported that new U.S. claims for jobless benefits fell last week by 16,000 to 453,000, far exceeding market expectations for claims to be at 460,000.

The U.S. Commerce Department reported that its final estimate for second quarter GDP was estimated at a 1.7% annual growth rate, up from a 1.6% gain previously estimated.

Federal Reserve Bank of Kansas City today released its monthly manufacturing index for September, which it placed at 14, versus 0 for August.

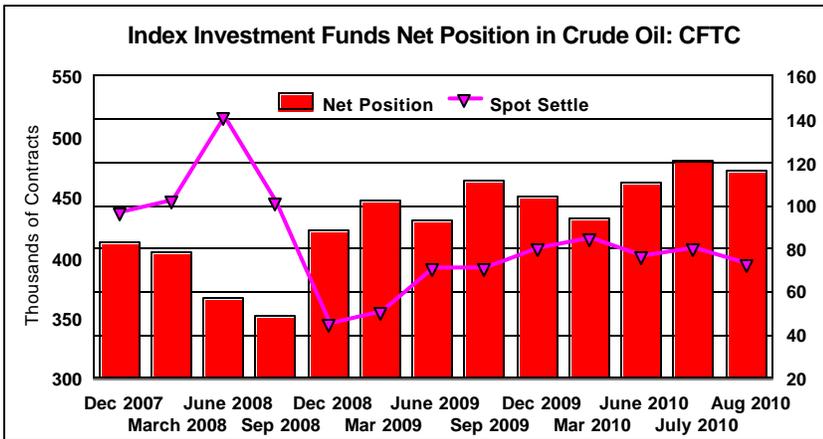
Japan's industrial output fell unexpectedly in August by 0.3%, as a result of a slowing in export growth. Market expectations had been for a 1.1% increase. Meanwhile Japanese retail sales rose 4.3% in August versus a year earlier.

Top U.S. market regulators are reportedly finalizing their "flash crash" report. Disagreements over the role of the futures market and how to identify specific firms have delayed the report and caused friction between the SEC and CFTC. Reuters has earlier reported that Waddell & Reed Financial had played a role in the May market plunge due to a large e-mini futures order.

The CFTC today reported that U.S. long only index fund investments declined by \$12.1 billion to \$212.3 billion in August, while U.S. short index investment in commodities declined by \$2.1 billion to \$51.9 billion during the month.

The CME announced today that it has moved the time for NYMEX and COMEX option exercise/abandon deadline back to 4:30 p.m. EDT from 5:30 p.m. EDT effective Friday. The change was in response to recent market feedback.

fuel oil fell in August due to higher domestic shipments. Russian refinery runs were up on a month on month basis, rising by 1.6% from July.



Japan's Ministry of Economy, Trade and Industry reported this morning that Japanese crude oil imports rose 0.3% in August from the prior month. It estimated that crude oil stocks stood at 97,048 million barrels, down 8.6% from the prior month and down 1.2% from the same month a year ago. Product stocks stood at 74.333 million, up 3.3% from July but 6.8% less than August 2009. Product

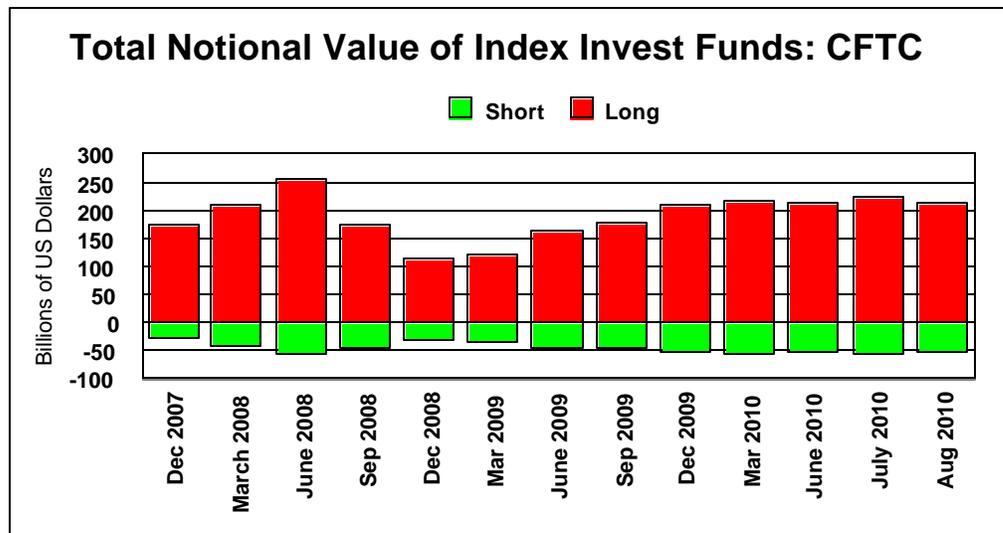
sales in August were estimated at 16.2 million kiloliters up 2.4% from a year earlier.

The International Enterprise reported that for the week ending September 29th, stocks of gasoline and naphtha in Singapore rose by 1.933 million on the week while stocks of distillate fell by 282,000 barrels to the lowest level in 14 weeks. Fuel oil stocks swelled by 2.387 million barrels reaching a three week high.

JX Nippon Oil & Energy said it plans to refine 5.52 million kiloliters of crude oil in October for domestic use, down 3% from year earlier levels.

ARA stocks of gasoline rose for the latest reporting period by 7.7% while distillate stocks fell 1.7%.

BP reported today it had discovered a leak on a crude pipeline at its Texas City refinery Thursday morning. The leak was quickly isolated and stopped and was contained. The announcement comes on the same



day that the company agreed to pay \$15 million to resolve violations of the Clean Air Act at the Texas City refinery. between March 2004 and August 2005.

Production News

Algeria said it is currently reviewing it will support OPEC cutting its oil production quotas when its meets next month in Vienna.

Two 600,000-barrel cargoes of North Sea Forties crude reportedly have been dropped from the October loading program, partly due to lower than planned output, possibly from the planned Nexen maintenance work.

A White House spokesman said today that a report from the Bureau of Ocean Energy Management, slated to be given to Secretary Salazar over the next few days, in providing suggested guidance on whether the drilling ban should be modified, may spur the lifting of the deep water drilling ban. The Obama administration today unveiled new regulations aimed at permanently reshaping U.S. offshore drilling in the wake of the BP offshore drilling disaster. The new stringent regulations establish new standards for cementing, blowout preventers and well design for offshore oil and gas projects.

Total SA and Royal Dutch Shell, along with two other oil firms; have committed to end their investments in Iran, the U.S. State Department said today. The move by the companies makes them eligible to avoid U.S. sanctions.

The British Department of Energy and Climate Change forecasted today that UK oil production is likely to fall to just 1.03 million barrels a day by 2015, down from 1.39 mbd produced in 2009.

Genscape reported that for the week ending September 28th it estimated crude oil stocks at Cushing, Oklahoma fell 341,058 barrels to 37.51 million barrels. This would make it the lowest level of stocks since April 27th.

Market Commentary

With today being the end of the third quarter and product expiration, it appears that this market experienced book squaring. Crude oil ended the third quarter up \$4.34 or 5.74 percent, the largest quarterly gain since the last quarter of 2009. Month on month, crude oil was up 11.19 percent, the largest monthly gain since May 2009. A decline in jobless claims of 16,000, coupled with a draw in gasoline inventories heightened hopes that the economy is on the mend. From a technical standpoint, the November crude oil is at a crucial point for continued moves higher. Based upon a weekly spot continuation, the November contract traded and settled above \$79.45, a channel top. Based upon this settlement, the upside objective is \$84.61. There is however resistance set at \$80.40. Should prices fail on followthrough at this level, we should see a dip back to the channel top.

Crude oil: Nov 10 342,688 -3,071 Dec 10 228,613 +1,237 Jan 11 104,647 +3,364 Totals 1,344,508 +11,753 Heating oil: Nov 10 102,904 +6,892 Dec 10 76,618 +3,462 Jan 11 45,256 +871 Totals 334,466 +6,122 Rbob: Nov 10 98,482 +256 Dec 10 45,945 +1,235 Jan 11 24,651 -97 Totals 237,029 -5,885

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7945	8040	19236	22530	18240	
7865	8130	18965	22700	16010	22345
7727	8461	18920	22945		24880
7367			23775		27085
7307					

