



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR SEPTEMBER 30, 2011**

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#### **Refinery News**

Royal Dutch Shell's 500,000 b/d refinery in Singapore is expected to remain shut for at least a month as repairs and an investigation into this week's blaze is completed. Some 90% of

<p><b>September Calendar Averages</b> <b>CL - \$85.61</b> <b>HO - \$2.93.39</b> <b>RB - \$272.55</b></p>
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the refinery's output is exported. Reuters reported that according to several traders Shell has declared force majeure on a couple gasoil cargoes.

French refinery unions decided Friday against calling supportive strikes at the Fos-sur-Mer, La Mede and Lavera plants, to protest the closure of the LyondellBasell's Berre refinery.

ExxonMobil said it will shut is Altona refinery in Melbourne during

#### **Market Watch**

Japanese industrial production in August rose for the fifth consecutive month, increasing by a seasonally adjusted 0.8% from the previous month. While the trade ministry reported that industrial production has now almost completely recovered from the earthquake and tsunami, the gain in August was still less than the 1.5% gain expected by the market.

HSBC's China Purchasing Managers' Index showed the Chinese factory sector contracted slightly for a third consecutive month in September due to weaker global demand. The bank though noted the index reflected the lagged effects of credit tightening but at this time did not fear a sharp slowdown. The bank did report that factory inflation in China quickened markedly in September, with the sub-index for input prices climbing to a four month high of 59.5 in September from 55.9 in August. The Chinese Central Bank said today that curbing inflation remains the top priority for Chinese policy makers even though price pressures have eased.

The Chinese stock market dropped 0.3% on Friday to its lowest level in two and a half years, finishing the third quarter down with a 14.6% loss.

Euro zone annual consumer prices rose unexpectedly in September by 3.0% Eurostat reported today, up from 2.5% increase recorded in August. Market expectations had been for a 2.5% increase. European unemployment for August remained unchanged from July at 10% and down slightly from 10.3% in the same month a year ago.

The U.S. Commerce Department reported today that consumer spending which accounts for 70% of U.S. economic activity was unchanged in August after rising by 0.4% in July after being adjusted for inflation. Personal income slipped by 0.1%, the first decline since October 2009.

The Institute for Supply management-Chicago said its business barometer rose to 60.4 from 56.5 in August. Economists had been expecting a decline to 55.5. A reading above 50 indicates expansion.

German retail sales reportedly fell at their fastest pace in more than four years, dropping by 2.9% on a monthly basis and far outpacing the 0.5% expected by economists.

October and November for a planned maintenance turnaround. The refinery is expected to be offline for six weeks.

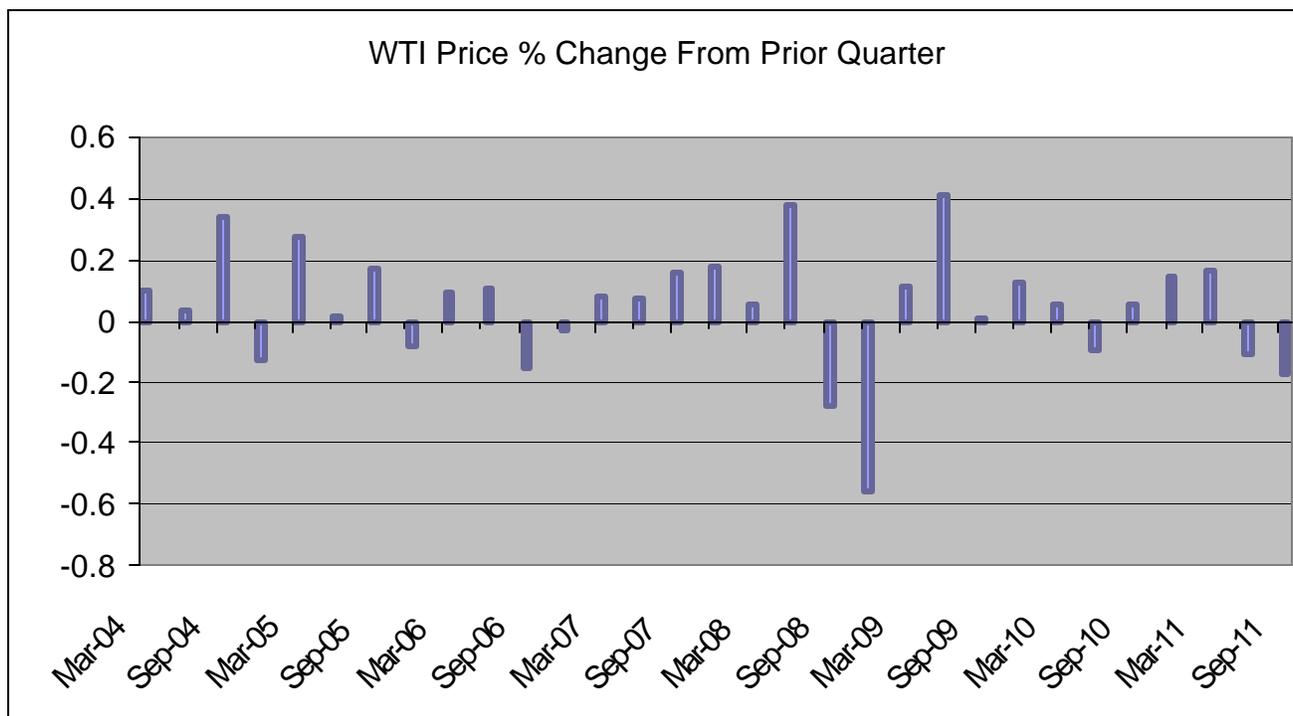
Motiva Enterprises reported reduced feed to the wet gas compressor after it tripped offline at its 234,700 b/d Norco refinery.

Colonial Pipeline said it is allocating nominations on its Linden line 2 and 6 for Cycle 53.

Japanese total oil production sales rose by 0.9% in August from a year earlier, impart due to higher utility demand for oil for power generation needs in the wake of the nuclear generation shortfall. Fuel oil sales were up 22.2% last month, while gasoline demand dropped by 2.1%, as demand was restricted by the expiration of a \$13 highway toll ceiling earlier this year. Japanese crude oil imports last month fell 2.5%.

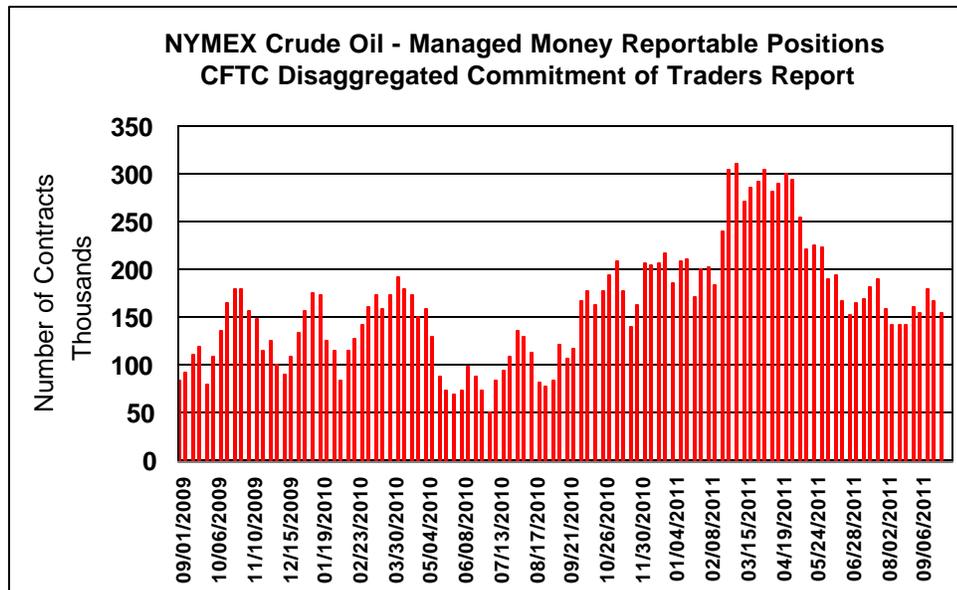
Russian exports of gasoline, gasoil and fuel oil fell in August versus July levels. Russian gasoline exports in August totaled 5,582 tonnes per day, down by 29.9% from July and down 34.9% from year ago levels. Domestic shipments of gasoline in August rose by 2.9% to 100,779 tonnes and were some 7.9% higher than a year ago. Gasoline exports were down 9.7% in August to 89,297 tonnes per day, while local supplies were up by 5.6% to 100,445 tonnes per day.

Reuters reported that ConocoPhillips has been moving a sizable volume of gasoline from Europe to the U.S. East Coast in recent weeks as the company ceased to process crude oil at its Trainer refinery in Pennsylvania. The shipment was larger than normal and has been from the company's European refining system and was done off the spot market. Conoco declined to comment on the report.



### **Production News**

The Norwegian Petroleum Directorate said Friday that Lundin's reserves upgrade for the recent Avaldsnes oil discovery is "positive". The company recently lifted its estimate for the discovery from 100-400 million barrels to 800 million to 1.8 billion barrels. The NPD though said it would await more exploration before it would confirm how big the discovery is.



Iraq's oil exports from its southern ports jumped up to 1.8 million barrels per day in September. This was the highest level since January.

Shell Pipeline said on Friday that was beginning the solicitation period for shippers to book firm capacity on its Westward Ho pipeline that will move as much as 900,000 b/d of crude oil from St. James, Louisiana to

Houston. The open season is slated to close by December 2m 2011 with the line potentially operational by early 2015.

Reuters reported today that trade sources noted another North Sea Forties crude oil cargo has been delayed by about three days in October. The sources said the delayed cargo was F1010, which had been slated for October 14-16<sup>th</sup> loading. The cargo is now expected to load on October 17-19.

**Market Commentary**

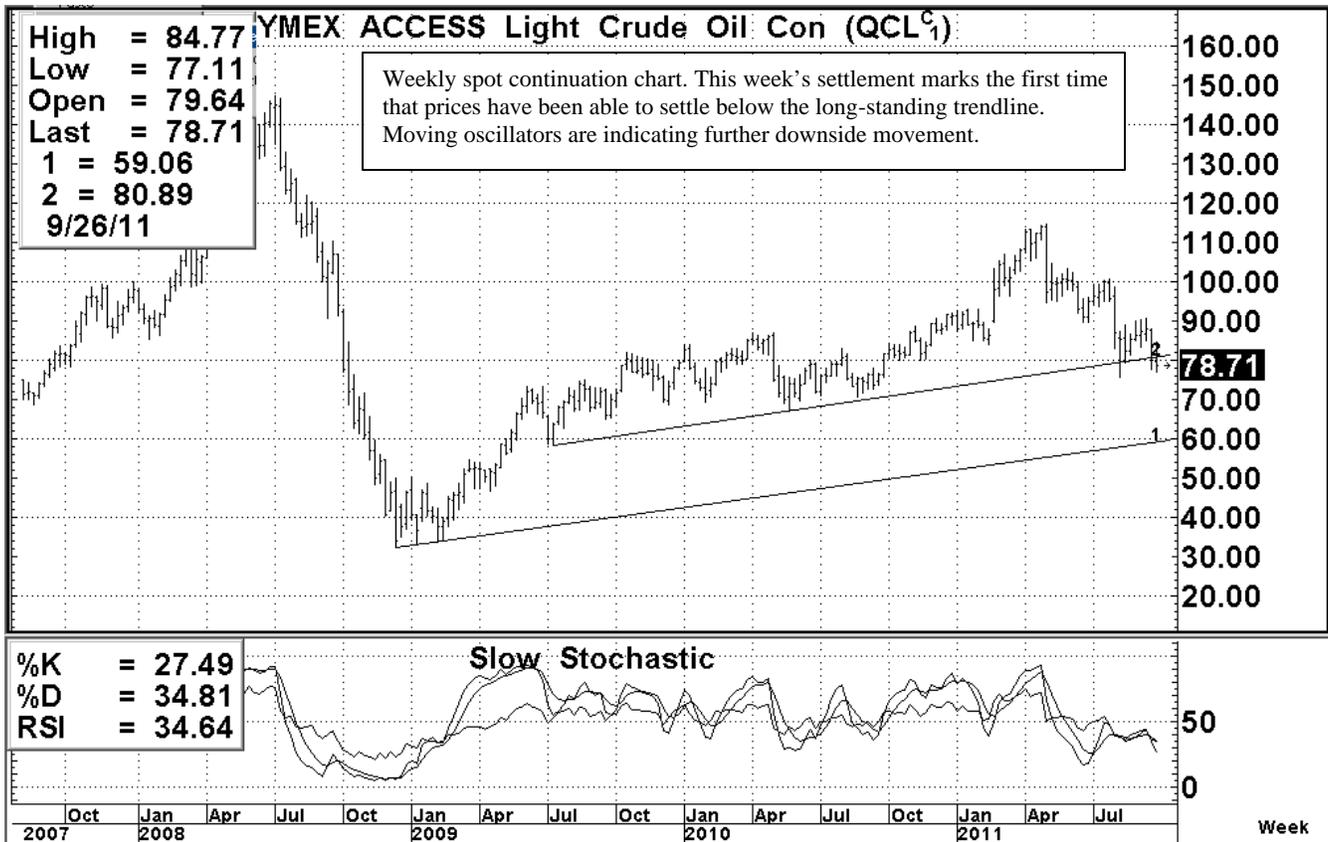
Crude oil experienced a late session sell-off this prior to the close, forcing a settlement below \$80.00 in the November contract. This is the largest quarterly sell-off crude oil has had since 2008, when the economic crisis sent prices spiraling downward. Today's settlement below \$80.89 marks the first time crude oil settled below a long standing trendline that can be depicted on a weekly spot continuation chart. This trendline dates back to July 2009. This technical breakdown, combined with the global economic situation should continue to add pressure on prices. Coming into next week we would look for prices to test initial support at \$75.70.

This afternoon's Commitment of traders report showed that the commodity funds through the week ending September 27<sup>th</sup> basically kept their net length unchanged in the WTI market, but decreased their net length in the heating oil and RBOB contracts by 12,045 and 11,030 lots respectively.

Crude oil: Nov 11 291,199 -4,279 Dec 11 210,986 +1,436 Jan 12 123,988 +2,481 Totals 1,385,590 +2,964 Heating oil: Nov 11 103,021 3,052 Dec 11 62,619 +186 Jan 12 37,612 +386 Totals 326,686 -2,100 Rbob: Nov 11 81,215 +1,383 Dec 11 53,099 +970 Jan 12 26,833 -86 Totals 258,221 -9,311

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7570	8500	27020	32777	25145	33369
7487	8817	26680	33370	24240	35915
7365	9060	27375	33510	23631	36310
6423	9122	23685		23414	

6394	9726	22960			
	9872				
	10071				
	10222				
<b>50-day MA</b>	<b>87.50</b>				
<b>200-day MA</b>	<b>95.25</b>				



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