



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR OCTOBER 14, 2010**

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OPEC decided on Thursday to maintain its current production policy. The decision was confirmed by OPEC President Wilson Pastor following a ministerial meeting in Vienna. OPEC Secretary General Abdullah al Badri said OPEC members need to comply more rigorously with their output quotas. He said compliance with the OPEC's quotas is 61%. He said the fall in the dollar is concerning OPEC oil ministers. The next OPEC meeting after its December 11<sup>th</sup> meeting in Quito, Ecuador is scheduled for June 2011.

Earlier, Saudi Arabia's Oil Minister Ali al Naimi said the country is content with current oil

#### **Market Watch**

The US National Hurricane Center said Hurricane Paula was downgraded to a tropical storm as it moved over western Cuba.

The US Labor Department reported that the number of US workers filing initial claims for unemployment benefits increased by 13,000 to 462,000 in the week ending October 9<sup>th</sup>. New claims for the previous week ending October 2<sup>nd</sup> was revised upwards to 449,000 from 445,000. The four week moving average of new claims increased by 2,250 to 459,000 from the prior week's revised average of 456,750. It reported that the number of continuing claims in the week ending October 2<sup>nd</sup> fell by 112,000 to 4,399,000 from the preceding week's revised level of 4,511,000. The unemployment rate for workers with unemployment insurance in the week ending October 2<sup>nd</sup> was 3.5%, down 0.1% on the week.

The US Labor Department reported that US producer prices increased for the third consecutive month in September due to higher food prices. The Producer Price Index increased by a seasonally adjusted 0.4% for finished goods in September. This followed a 0.4% increase in August and a 0.2% increase in July. The core Producer Price Index, excluding food and energy prices, increased by just 0.1% in September. For the 12 months ended in September, the Producer Price Index increased by 4%, accelerating from a 3.1% annual increase in August. The report showed food prices increased by 1.2% in September after falling by 0.3% in August while energy prices increased by 0.5% in September.

The US Commerce Department said the US trade deficit increased in August, inflated by a record setting deficit with its largest trading partner, China. It reported that the total US deficit in international trade of goods and services increased by 8.8% to \$46.35 billion from a downwardly revised \$42.58 billion in July. The US trade deficit with China increased to \$28.04 billion from \$25.92 billion in July. Imports from China increased by 6.1% to \$35.29 billion while exports fell by \$92 million to \$7.25 billion. It also reported that the US bill for crude oil imports in August increased to \$22.55 billion from \$22.47 billion in July.

A CFTC official said US regulators should be able to hold traders responsible for algorithms that cause harm to markets. The official said it could be difficult for the agency to regulate computer-generated violations because it has to prove traders intended to harm markets.

ICE Futures Europe said the number of gas oil futures contracts traded on the ICE reached a record high on Tuesday. It said on Tuesday, 344,731 gas oil futures contracts traded on ICE Futures Europe, surpassing the previous record of 343,672 contracts traded on February 10, 2010.

### **DOE Stocks**

**Crude** – down 416,000 barrels  
**Distillate** – down 255,000 barrels  
**Gasoline** – down 1.769 million barrels  
**Refinery runs** – down 1.2%, at 81.9%

market conditions. He said compliance needs to be improved. He said Saudi Arabia's oil production is currently 8.1 million bpd. The UAE's Oil Minister Mohammad al Hamli said OPEC hopes that a world economic recovery will increase demand for oil early next year. He said OPEC is satisfied with current oil prices as they serve the interest of both producers and consumers. Iran's Oil Minister Masoud

Mirkazemi said OPEC members are not fully benefitting from the current oil price due to rising commodity prices. He however said that he was satisfied with current prices. He also said the country's hydrocarbons sector is not suffering from international sanctions and it may even increase oil reserves again. He reiterated that the country had become self sufficient in gasoline production. Nigeria's Oil Minister Diezani Alison-Madueke said Nigeria will not do anything to disrupt the stability of world markets, responding to expectations that Nigeria may request OPEC to raise the level of its output quota. She also stated that Nigeria expects its energy bill to become law before the end of the year. Nigeria is also planning an oil licensing round before the end of the year. She said Nigeria's current production is about 1.9 million bpd. Algeria's Energy and Mines Minister Youcef Yousfi said Algeria would like to see an oil price of between \$80 and \$100/barrel.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 490,000 bpd to 23.39 million bpd in the four weeks ending October 30<sup>th</sup>.

Genscape reported that oil inventories at the Cushing, Oklahoma oil terminal fell by 519,623 barrels to 36.32 million barrels in the week ending October 12<sup>th</sup>. It estimated that Cushing crude tanks were filled to 70% of capacity as of Tuesday, down from 71% in the previous week.

### **Refinery News**

Nationwide strikes in France paralyzed the country's oil refining industry on Thursday, with only one of 12 plants operating normally and some petrol stations reporting brief shortages due to panic buying. The strike at the Fos Lavera oil port entered its 18<sup>th</sup> day on Thursday while workers at most refineries were also on strike as part of nationwide strikes across the country that started on Tuesday over government pension reforms. French unions called for a further day of strikes on October 19<sup>th</sup>. Striking workers were blocking fuel supplies at nine of the country's 12 oil refineries on Thursday. French oil lobby UFIP said supply shortages could start to affect petrol pumps by the middle of next week. The Marseille port authority said the strike was blocking 63 vessels, including 27 crude oil and 18 refined product tankers.

Petroplus Holdings AG said that its 161,800 bpd Petit Couronne oil refinery in France is shutting down due to the strike. It said the restart of the refinery is dependent on the outcome of the strikes.

Operations at ExxonMobil Corp's 192,500 bpd refinery in Chalmette, Louisiana returned to normal after a hydrogen sulfide leak was fixed. ExxonMobil also stated that its fire damaged hydrotreater at its 238,600 bpd refinery in Joliet, Illinois has been repaired. It said it resumed normal operations after it was shut on October 5<sup>th</sup> due to a compressor fire. .

Shell has shut its fluid catalytic cracking unit at its Dutch Pernis refinery for repairs and will start maintenance on its crude distillation unit and vacuum distillation unit in spring 2011.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending October 14<sup>th</sup> fell by 4.5% on the week but increased by 37.83% on the year to 849,000 tons while gas oil stocks increased by 3.67% on the week but fell by 6.48% on the year to 2.54 million tons and fuel oil stocks increased by 4.74% on the week and by 8.5% on the

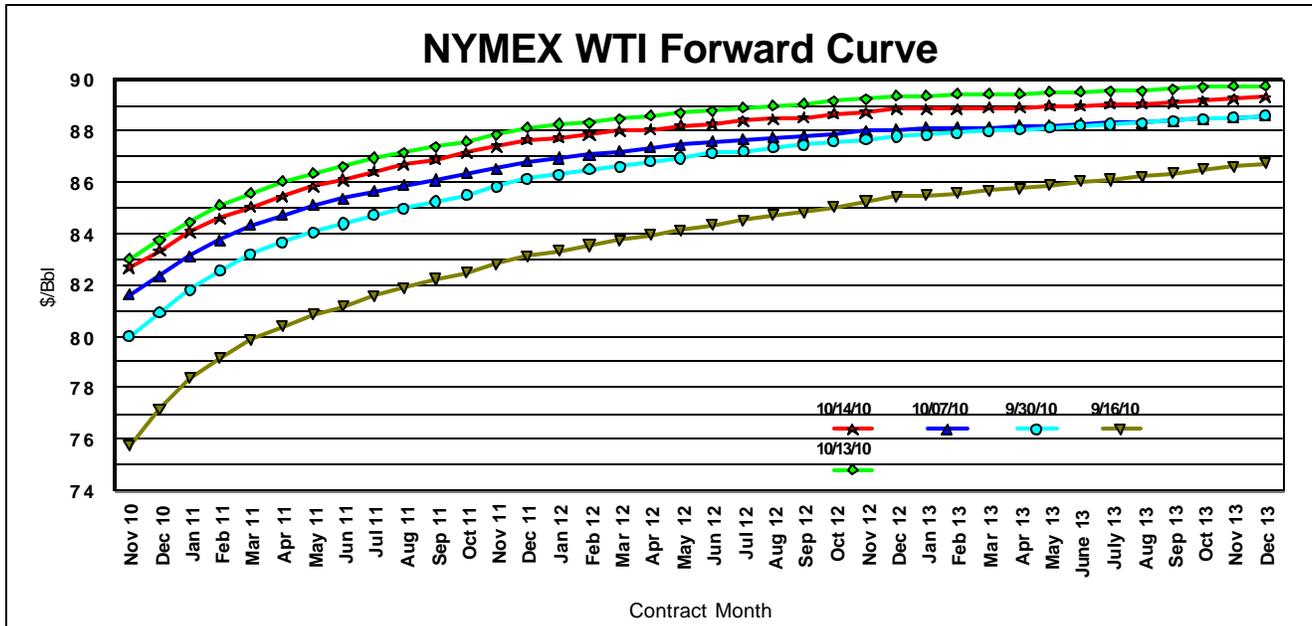
### **October**

#### **Calendar Averages**

**CL – \$82.30**

**HO – \$2.2849**

**RB – \$2.1322**



year to 817,000 tons. Naphtha stocks fell by 40% on the week and by 85.58% on the year to 15,000 tons and jet fuel stocks fell by 3.31% on the week and by 20.57% on the year to 672,000 tons.

The Petroleum Association of Japan reported that Japan's crude oil stocks in the week ending October 9<sup>h</sup> fell by 990,000 barrels on the week but increased by 2.64 million barrels on the year to 93.57 million barrels. Japan's gasoline stocks built by 40,000 barrels on the week but fell by 1.14 million barrels on the year to 11.73 million barrels while kerosene stocks built by 130,000 barrels on the week but fell by 4.56 million barrels on the year to 16.41 million barrels and naphtha stocks built by 910,000 barrels on the week to 13.85 million barrels. Japan's crude runs increased by 20,000 bpd on the week and by 30,000 bpd on the year to 3.34 million bpd, with its refinery utilization rate increased by 0.4% on the week and by 4% on the year to 72%. It reported that Japan's total oil product sales fell by 3.4% on the week and by 1% to 2.61 million bpd. Gasoline sales increased by 4% on the week but fell by 1.4% on the year to 970,000 bpd while kerosene sales increased by 9.7% on the week and by 42.6% on the year to 280,000 bpd and gas oil sales fell by 5.5% on the week but increased by 3.6% on the year to 580,000 bpd. Naphtha sales fell by 49.1% on the week and by 27.9% on the year to 150,000 bpd and jet fuel sales increased by 82.8% on the week but fell by 1.5% on the year to 132,000 bpd.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 646,000 barrels to 21.253 million barrels. It also reported that the country's light distillate stocks fell by 1.227 million barrels to 11.048 million barrels while middle distillate stocks built by 2.809 million barrels to 15.747 million barrels on the week.

### **Production News**

Iraq's Oil Minister said Hussein al-Shahristani said the country's oil production is expected to increase by 200,000-300,000 bpd next year. He said Iraq plans to increase its production to 12 million bpd in six years.

Qatar Petroleum plans to almost double crude output at its Bul Hanine offshore oil field to 100,000 bpd as it proceeds with its plans to increase production. It operates two offshore oil fields, the Bul Hanine and Maydan Mahzam that produce about 11% of the country's crude oil output of about 800,000 bpd.

Russia's OAO Rosneft received four licenses to develop offshore oil deposits in Russia's north. The government has given the company a license for the Yuzhno-Russky section in the Barents Sea and three Vostochno-Prinovozemelskiye sections in the Kara Sea.

Belarus and Ukraine will reverse oil flows along part of the Druzhba pipeline, allowing Venezuelan crude from Odessa to reach Belarus. It will send a trial shipment of 80,000 tons at the end of October or the beginning of November.

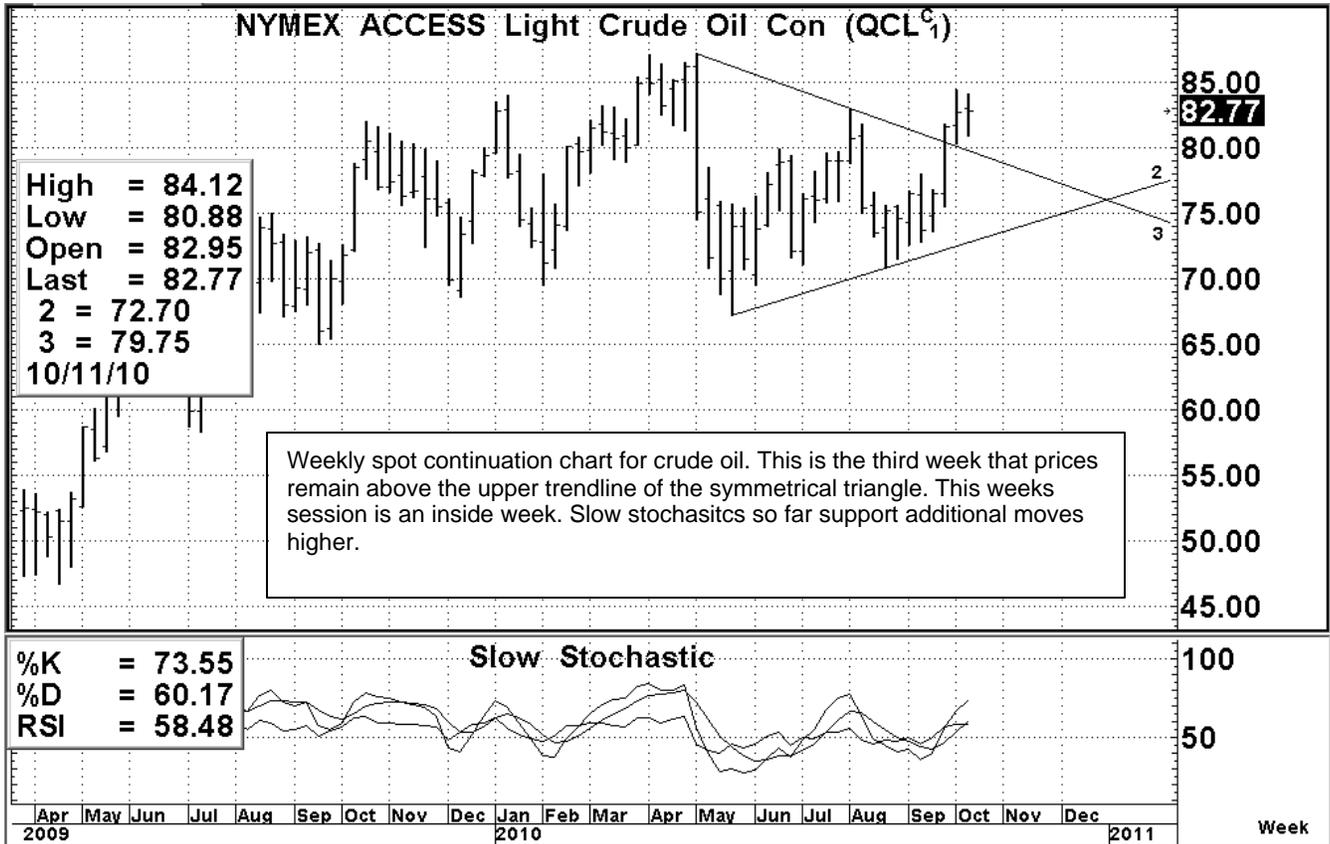
Emerge Oil and Gas said production for the first two weeks of October averaged 6,200 bpd of oil equivalent.

**Market Commentary**

Crude oil traded higher early in the session as the dollar weakened, boosting the appeal of commodities as an investment hedge. With the release of the DOE numbers indicating that supplies fell less than what the API report indicated and a rise in U.S. jobless claims, prices were unable to hold on to their early gains. This market continues to be dollar dominated, remaining in its uptrend. Based upon a weekly spot continuation chart, crude oil has remained above the upper trendline of a symmetrical triangle. So far, it remains trading within last week's trading range of \$84.43-\$80.30. This inside trading session, should it remain intact after tomorrow's close should see prices higher next week. From a technical standpoint, the upside objective based upon the aforementioned breakout, would be \$88.65. Reaching this objective depends upon the movement of the dollar and this market's ability to hold on to gains.

Crude oil: Nov 10 162,926 -21,677 Dec 10 373,124 +38,456 Jan 11 158,728 +5,260 Totals 1,475,340 +33,296 Heating oil: Nov 10 70,238 -4,915 Dec 10 82,123 +2,291 Jan 11 56,230 +1,197 Totals 324,251 -266 Rbob: Nov 10 64,346 -4,713 Dec 10 76,256 +3,862 Jan 11 40,687 +390 Totals 270,839 +950

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7975	8461	19236		18240	
7921	8610	18965	23775	<b>16010</b>	22345
7760	8715	18920			24880
7598					27085
7278					



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