



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 30, 2009

US Secretary of State Hillary Clinton suggested that the US will allow talks with Iran over its nuclear program to play out before considering new sanctions against Iran. He said the US is still trying to determine the extent of Iran's response to the UN drafted nuclear fuel deal. Iran on Thursday proposed changes to the UN drafted plan, making demands that seem to challenge the basis of the agreement with the US, France and Russia. Secretary of State Hillary Clinton did not say under what conditions the US would consider new sanctions against Iran. Meanwhile, France demanded that Iran make

Market Watch

The Commerce Department reported that personal income was flat on the month while spending fell by 0.5%. The 0.5% decline in spending is the largest since December 2008, when the recession was at its worst. It reported that spending in August increased by 0.1%, revised up from a previously estimated 1.3% increase. The price index for personal consumption expenditures, excluding food and energy, year over year increased by 1.3%.

The Labor Department said US labor costs continued to stagnate in the third quarter. The employment cost index increased 0.4% in the latest quarter, mirroring its second quarter increase. Wages and salaries, which account for 70% of compensation costs, increased 0.4%. Benefit costs also increased 0.4%. The trend of flattening paychecks shown in the report indicates households may continue to restrain spending.

CME Group Inc will launch two new oil derivatives based on a pricing index recently adopted by Saudi Arabia's state oil company. It will launch its Argus index based contracts on November 23rd. By January 2010, the CME plans to create a new US Gulf Coast sour crude oil futures contract that would trade on Globex. On Wednesday, Saudi Aramco said it will begin using the Argus index to price oil sold in the US, rather than a formula based off the CME's leading oil futures contract. The Argus index combines prices for three oil blends produced in the Gulf of Mexico, all sour crudes delivered at several points along the Gulf Coast. Argus Media said the Gulf Coast's web of pipelines and storage terminals allow its benchmark to more closely mirror world oil supply conditions, where Cushing based futures have in recent years occasionally twisted to reflect tight storage conditions at the delivery point.

a formal written response to the proposed UN brokered agreement without delay. Israeli Prime Minister Benjamin Netanyahu called the plan between Iran and major powers a positive first step. Separately, the official IRNA news agency said Iran wants more talks on how to procure nuclear fuel for an Iranian reactor before it gives a final reply to the UN drafted deal.

Refinery News

The EIA reported that US daily ethanol production fell in August for the first time in four months. Distillers produced more than 727,000 bpd of ethanol in August, down from 728,000 bpd in July. Fuel blenders and refiners mixed more than 672,000 bpd of ethanol into gasoline in August, down from 673,000 bpd in June.

**October
Calendar Averages**
CL – \$75.82
HO – \$1.9552
RB – \$1.9035

Enbridge Inc said oil flows from Canada to the US on its Line 3 have been sharply reduced due to maintenance. Line 3 carried 377,000 barrels of oil on Wednesday but was down to 22,400 barrels on Thursday. A spokesman attributed the cut in volume to regular maintenance.

Valero Energy Corp will soon restart a vacuum unit at the west plant of its 315,000 bpd Corpus Christ, Texas refinery following a brief outage to fix a leak.

Total was forced to shut down unit 821 at its 174,000 bpd refinery in Port Arthur, Texas after an operational upset.

Royal Dutch Shell Plc said an unspecified problem had resulted in unplanned maintenance at its 130,000 bpd Montreal East refinery. Separately, Shell is restarting a unit at its 98,000 bpd Scotford facility in Alberta, Canada following scheduled work.

Brazil's Petrobras said it concluded a deal with Venezuela's PDVSA to construct and operate a 230,000 bpd refinery in northeast Brazil.

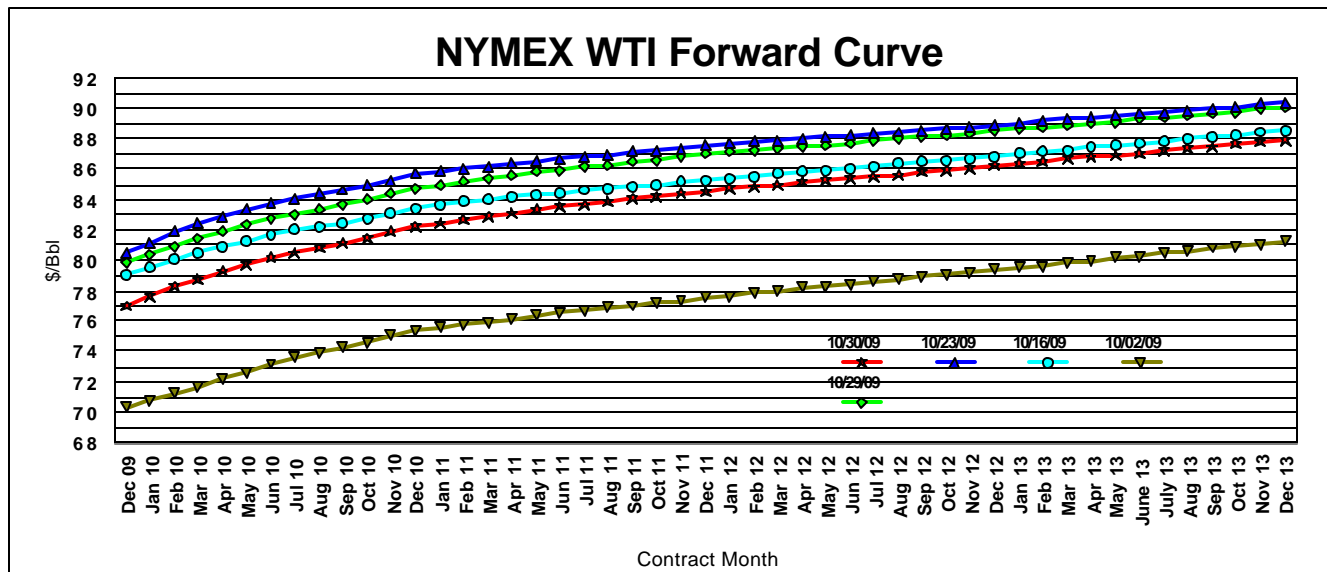
China's Sinopec Corp processed 3.59 million bpd of crude in the first nine months of the year, up 2.99% on the year. The refiner also reported a 5.5% year on year decline in total refined oil products sales to 89.57 million tons.

PetroChina produced 631.2 million barrels in the first nine months of the year, down 3.7% on the year. Its refinery runs fell by 5.5% on the year to 607.1 million barrels. It stated that its total fuel sales increased by 4.7% on the year to 73.17 million tons, with gasoline sales declining by 0.4% to 22.46 million tons, diesel sales increasing by 8% to 46.95 million tons and kerosene sales falling by 2.8% to 3.75 million tons.

Japan's Trade Ministry reported that the country's oil product sales in September fell 5.9% on the year to 14.58 million kiloliters or 3.06 million bpd. The fall in total oil sales in September came as gasoline sales fell 1.9% on the year. Reflecting weak demand, Japan's crude oil imports fell 18.7% to 15.62 million kl or 3.27 million bpd in September, the 12th consecutive month of year on year declines.

Production News

Qatar has notified at least two Asian term buyers that it will supply crude oil at full contracted volumes



for December, steady with November levels.

Iraq's Kirkuk oil pipeline has yet to resume pumping on Friday after it was sabotaged on Monday. Sources said the pipeline is now expected to restart on Saturday while another source said the restart date is not yet clear. There are loading delays of three to four days as a result of the halt. However it is not expected to take long to clear the backlog once pumping starts. Meanwhile, a Turkish government source said the pipeline will resume its operations within two days.

Indonesia's crude oil production fell to 828,400 bpd in October compared with 834,500 bpd in September. The country's condensate production increased slightly to 120,000 bpd in October from 118,000 bpd in September.

StatoilHydro ASA said it has no plans to make any new investment in Iran and confirmed its obligations at the Khorramabad block have ended. The company's obligations relating to seismic activities at the Khorramabad block in Iran were concluded before 2009 and there was no firm plans to drill the first exploration well there. Under the US Iran Sanctions Act companies are prohibited from investing more than \$20 million in the country.

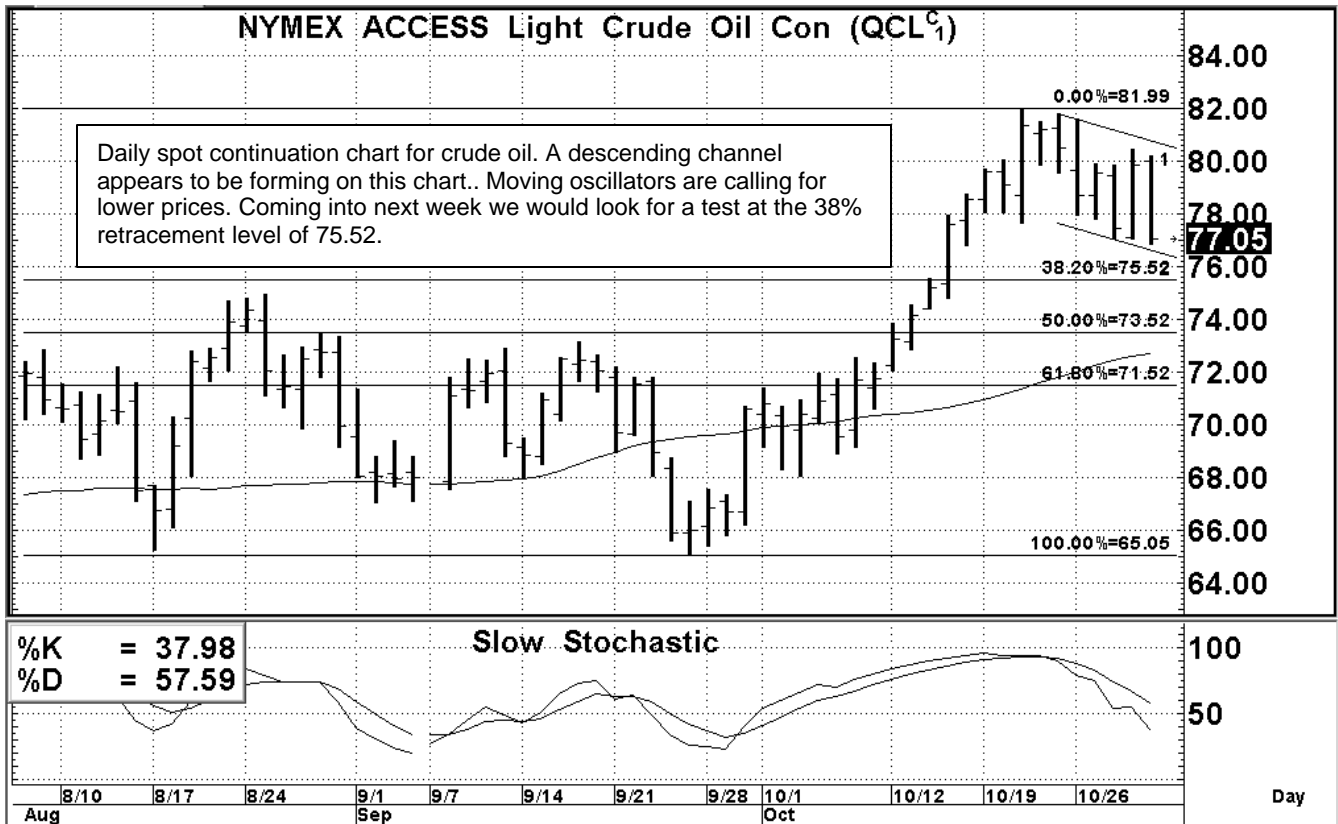
OPEC's news agency reported that OPEC's basket of crudes increased to \$75.94/barrel on Thursday from \$75.53/barrel on Wednesday.

Market Commentary

Disappointing economic news plagued the market place, raising concerns about demand. A disconcerting U.S. consumer spending report indicated that consumers spent 0.5 percent less in September, reflecting the first drop since April. With certain stimulus packages have ended or nearing their end, fear is spreading that the recent economic recovery will also come to an end. The equities market came off hard, the dollar rallied and the energy markets tumbled. Yesterdays economically driven rally was unable to sustain itself, as it appears that there is currently not enough positive news to support higher prices. The December crude oil contract lost 3 percent after failing above the \$80.00 level. While we would look for this market to continue to react to any economic news, our bias is to the downside. We would look for prices to start the week on a lower note, looking for a test at the \$75.52 38% retracement number using the range of \$81.99 - \$65.05.

Crude DEC.09 357,391 +8,342 JAN.10 159,786 +4,217 FEB.10 69,473 +3,476 MAR.10 52,482 +2,921 APR.10 24,225 +2,630 Totals: 1,235,387 +26,463. Heating NOV.09 8,001 -3,299 DEC.09 91,414 +85, Jan.10 55,158 +659 FEB.10 28,097 +902 MAR.10 18,657 -46 Totals: 314,211 -1,252 Gasoline NOV.09 6,825 -3,724 DEC.09 105,709 +1,982 JAN.10 49,933 +1,500 FEB.10 22,282 +1,168 MAR.10 19,410 +262 Totals: 246,794 +3,073.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 35,236 contracts to 109,619 contracts in the week ending October 27th. The combined futures and options report showed that non-commercials in the crude market also increased their net long position by 27,743 contracts to a record level of 191,523 contracts on the week. The funds cut their total short position by 16,846 contracts to 104,136 contracts on the week. The combined disaggregated report showed that producer/merchants increased their net short position by 3,939 contracts to 178,481 contracts while swap dealers switched from a net long position to a net short position by 3,192 contracts. Managed money traders cut increased their net long position by 15,694 contracts to 180,375 contracts while other reportable switched from a net short position of 901 contracts to a net long position of 11,148 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market increased their net long position by 4,200 contracts to 42,156 contracts on the week while non-commercials in the RBOB market increased their net long position by 3,126 contracts to 65,186 contracts on the week.



Crude Support	Crude Resistance
76.24, 75.52, 73.52, 71.52, 64.70, 63.38, 62.70, 61.61, 60.95	84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.9700, 1.8570, 1.7670	2.2110, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.9210, 1.9065, 1.8840, 1.8480, 1.7900	2.1100, 2.1600, 2.3350

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