

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 10, 2010

Iran's chief nuclear negotiator Saeed Jalili has proposed that negotiations with major powers should take place in Istanbul on November 23rd or December 5th. No date has yet been agreed by the parties. Iran's President Mahmoud Ahmadinejad said that Iran's right to nuclear capabilities was non-negotiable. He said Iran had always been in favor of talks held on a rational and logical basis but would not let anyone violate its basis rights.

Nigeria Labour Congress said it was calling off a nationwide strike but would meet again next month to evaluate the government's

Market Watch

The Labor Department said initial unemployment claims fell by 24,000 to 435,000 in the week ending November 6th, the lowest level in four months. The previous week's figures were revised to 459,000 from 457,000. The four week moving average fell by 10,000 to 446,500 from the prior week's revised average of 456,500. It reported that the number of continuing claims fell by 86,000 to 4,301,000 from the preceding week's revised level of 4,387,000. The unemployment rate for workers with unemployment insurance in the week ending October 30th was 3.4%, down 0.1% from the prior week's revised rate of 3.5%.

The Labor Department said US import prices in October increased at the strongest pace since April due to higher oil and food prices. The price of goods imported into the US increased by 0.9% last month following a decline of 0.1% in September. The October monthly increase was driven by a 3% rise in fuel import prices while food prices increased by 1.1% in October.

The Commerce Department said the US trade deficit contracted sharply in September. The total US deficit in international trade of goods and services fell by 5.3% to \$44 billion from an upwardly revised \$46.48 billion in August. The US trade deficit with China fell to \$27.83 billion after reaching a record \$28.04 billion in August. The US bill for crude imports in September fell to \$20.96 billion from \$22.55 billion in August.

Goldman Sachs Group Inc said that traders should bet on higher prices for European ICE gasoil futures contracts in the coming weeks due to a shortage of diesel in China. It expects China's to export significantly less diesel and start to import once again.

The EPA finalized rules requiring oil and natural gas plants to monitor and report all their greenhouse gas emissions beginning next year. Starting January 1, 2011, oil and gas facilities that emit more than 25,000 tons/year of carbon dioxide equivalent must monitor and report data on their greenhouse gases to the EPA. Starting in March 2012, companies will have to issue annual reports on their emissions.

China decided to tighten its bank reserve rule on Wednesday. The People's Bank of China said China's reserve requirement ratio for banks will increase by half a percentage point starting next week. This would put the standard ratio for large banks up to 17.5%, though the actual requirement imposed on individual banks can be higher or lower at the central bank's discretion. Requiring the banks to keep more money at the central bank will drain funds from the financial system, helping relieve some of the inflationary pressures.

Ireland's Prime Minister Brian Cowen is scrambling to get drastic austerity measures through Ireland's parliament next month. EU Economics Commissioner Olli Rehn said he has not discussed any need for EU bailout, adding he believes market confidence will be restored once the country published its four year plan to cut debt.

The Baltic Exchange's main sea freight index fell for the tenth session on Wednesday. The index fell 0.53% or 13 points to 2,454 points, its lowest level since October 1st. The Baltic's panamax index increased 3.22% on Wednesday while the capesize index fell by 1.42%.

DOE Stocks

Crude – down 3.274 million barrels
Distillate – down 4.972 million barrels
Gasoline – down 1.917 million barrels
Refinery runs – up 0.6%, at 82.4%

progress on meeting its demands for a higher minimum wage. Banks, schools and part of the public transport system were shut on Wednesday as the unions began a planned three day strike. The strike was called off following talks with the government.

The US National Hurricane Center said a low pressure system in the Caribbean has a 10% chance of becoming a tropical cyclone in the next 48 hours.

European Union Energy Commissioner Guenther Oettinger unveiled a strategy on Wednesday for investing 1 trillion euros or \$1.391 billion over the next decade in a shared EU energy network to increase solidarity and curb increasing dependence on fossil fuel imports. He said the availability of oil worldwide has peaked.

Trade sources said at least three or four spot cargoes of gasoline are expected to load from Europe, including France, in the second half of November to the US East Coast. The cargoes are expected to load between November 16th and 22nd in France, Italy and Spain with further shipments likely to follow. The spot arbitrage window to ship gasoline from Europe to the US East Coast has been closed for most of the year and was just briefly open due to a fall in import requirements from the US.

The CFTC proposed new rules requiring swap dealers, large swap traders and futures brokers to establish firewalls between their trading and research desks. It is the latest rule being considered as the CFTC works to implement the Dodd-Frank financial law. The proposal would create firewalls between the research, trading and clearing units within swap dealers, major swap traders, futures brokers and introducing brokers. Under the rules, non-research staff would be restricted from influencing the content of a research report. Trading and clearing staff also would not be allowed to supervise researchers and a firm could not base a researcher's compensation on his or her contributions to the trading and clearing business. Also, dealers, major traders and futures brokers affiliated with dealers would be prohibited from interfering with clearing related decisions. It also proposed that swap dealers, major swap traders and future brokers would have to hire a chief compliance officer. The chief compliance officer would be required to fill an annual report with the CFTC that discusses the firm's compliance policies and areas of improvement and describes resources set aside for compliance issues.

Refinery News

Citgo Petroleum Corp reported an aromatics units shut at the east plant of its 163,000 bpd refinery in Corpus Christi, Texas. A report filed with state environmental regulators said the BTX unit was shut.

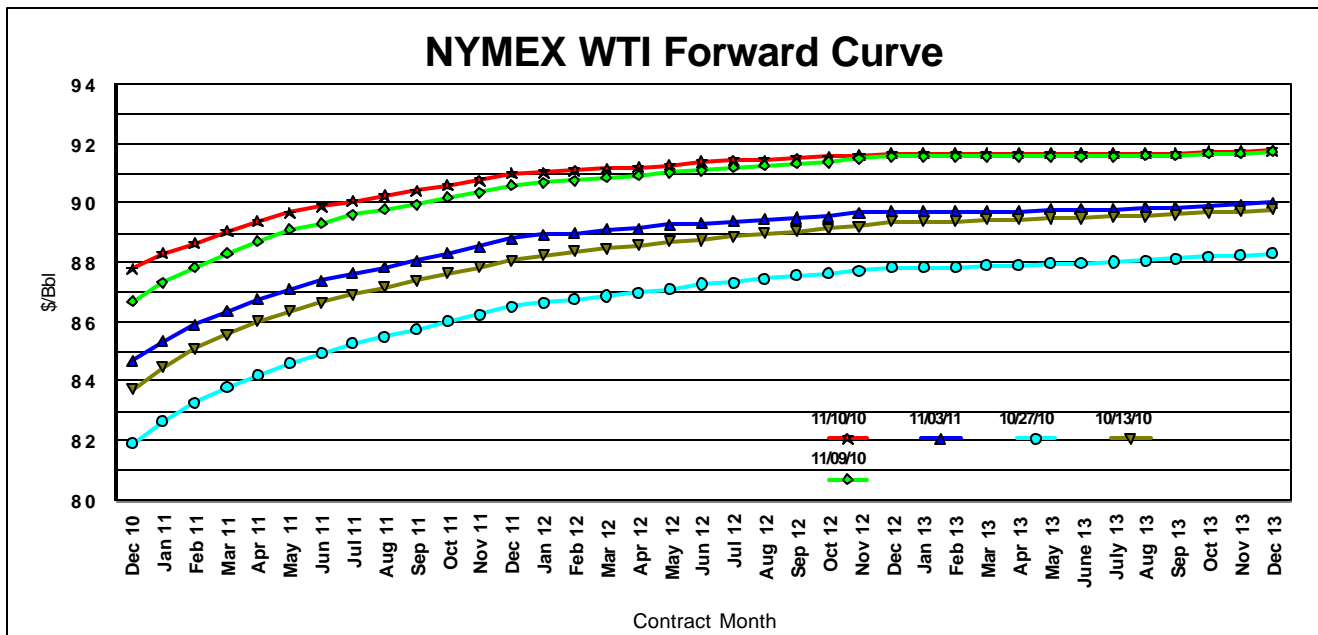
Flaring at Motiva Enterprises LLCs 234,000 bpd Norco refinery in St. Charles, Louisiana late Tuesday was caused by a tripped compressor unit.

ExxonMobil Corp said its 238,000 bpd refinery in Joliet, Illinois is still undergoing turnaround work. Exxon started scheduled maintenance on several processing units at the refinery in mid-October.

Two gasoline units at Kuwait National Petroleum Co's Mina al-Ahmadi refinery remains shut as maintenance on the units is taking longer than expected. It is not known when the units will resume operations after they were shut around mid-October.

According to preliminary data from the General Administration of Customs, China imported 16.39 million metric tons or 3.88 million bpd of crude in October. It was down 15% on the year and down 32% on the month. Oil product imports totaled 2.72 million tons in October. China exported 260,000

**October
Calendar Averages**
CL – \$85.81
HO – \$2.3629
RB – \$2.1622



tons of crude and 1.88 million tons of oil products in October.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending November 6th fell by 2.31% on the week but increased by 0.39% on the year to 14.43 million kiloliters. Japan's gasoline stocks fell by 0.81% on the week and by 7.43% on the year to 2 million kl while gas oil stocks fell by 6.58% on the week and by 10.45% on the year to 1.76 million kl. Naphtha stocks increased by 12.71% on the week to 2.12 million kl while jet fuel stocks fell by 10.17% on the week and by 16.3% on the year to 800,000 kl and kerosene stocks fell by 2% on the week and by 9.92% on the year to 2.74 million kl.

Spot coal supplies in China have tightened over the past month, with some buyers saying it has become more difficult to secure immediate shipments as a cold snap in the north slowed output. Prices have rallied over 10% since September, amid growing speculation that China may again experience severely low winter temperatures, prompting traders and power stations to stockpile the fuel.

Production News

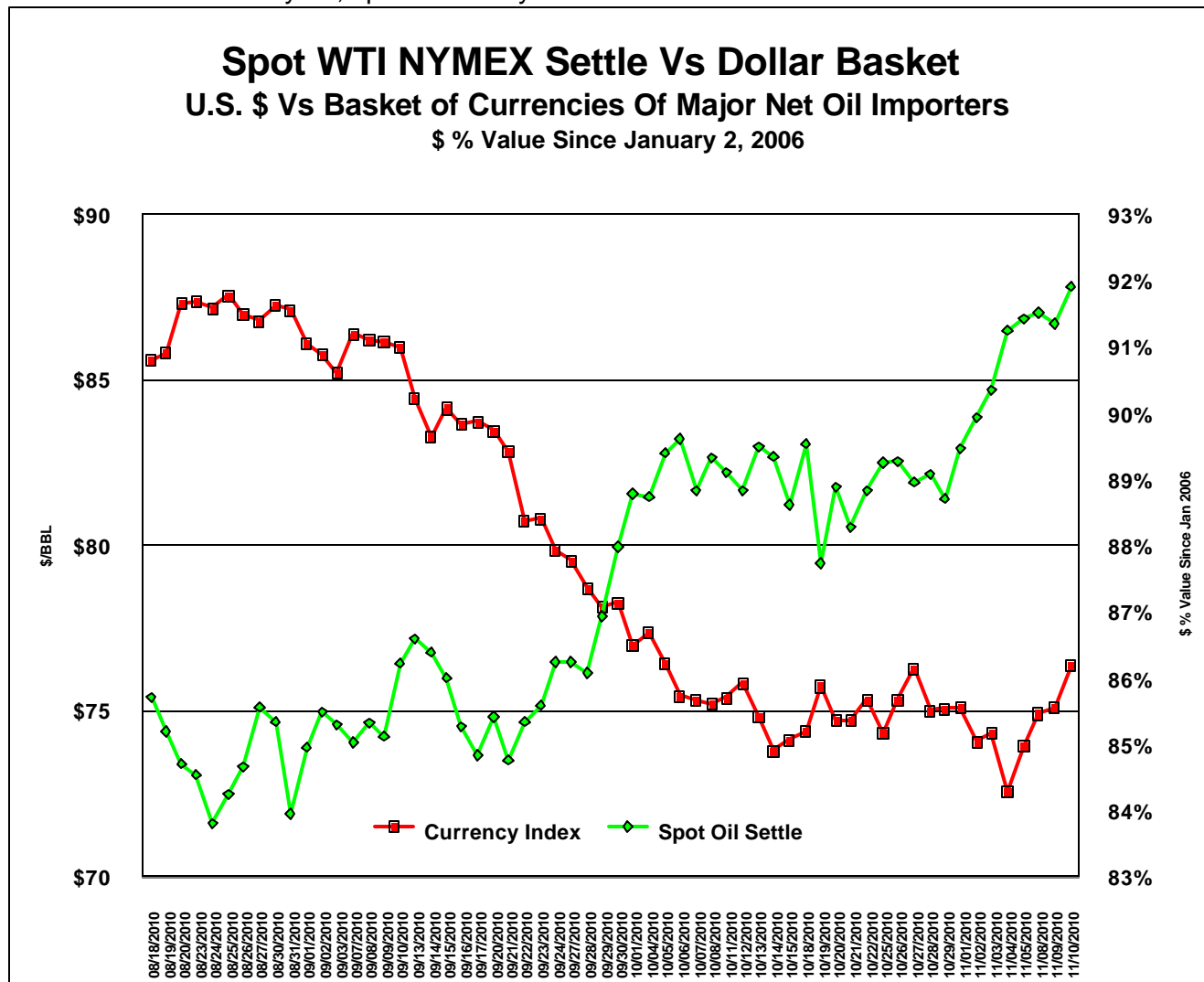
Saudi Arabia will supply full contracted volumes of crude oil in December to at least three Asian term buyers, steady with November levels as expected. However it will supply few heavier and more lighter grades to one major Asian buyer next month, even though it will keep the total supply steady from November at nominated volumes. Saudi Arabia will keep its oil supplies to two customers in Europe unchanged in December from November's level.

The loadings of North Sea BFOE crude, a basket of Brent, Forties, Oseberg and Ekofisk grades, will total 36.3 million barrels or 1.17 million bpd in December, compared with 37.4 million barrels or 1.25 million bpd in November.

The December program for North Sea Ekofisk crude is scheduled to load 10.45 million barrels, down 1.75 million barrels from 12.2 million barrels in November. It is equivalent to 337,097 bpd compared with 406,667 bpd in November. The December program for North Sea Statfjord crude is scheduled to load 5.985 million barrels, up 855,000 barrels from November. The volume is equivalent to 193,065 bpd compared with 171,000 bpd in November. Meanwhile, the December program for North Sea Alvheim crude is scheduled to load 3.9 million barrels, unchanged on the month. The volume is equivalent to 125,806 bpd, down from 130,000 bpd in November.

Norway's Petoro said oil production off Norway is declining faster than expected and added that energy companies are not investing enough to increase recovery from maturing fields. The company, which has no operations of its own but manages the Norwegian state's stakes in oil and gas fields off Norway, said oil companies are not drilling enough new production well to maintain production.

The Central Bank of Ecuador reported that the country's crude oil export revenue totaled \$6.44 billion for the January-September period, up 52% on the year. Ecuador exported 92.16 million barrels in the first nine months of the year, up 2% on the year.



OPEC's news agency reported that OPEC's basket of crudes increased by 30 cents to \$84.92/barrel on Tuesday from \$84.62/barrel on Monday.

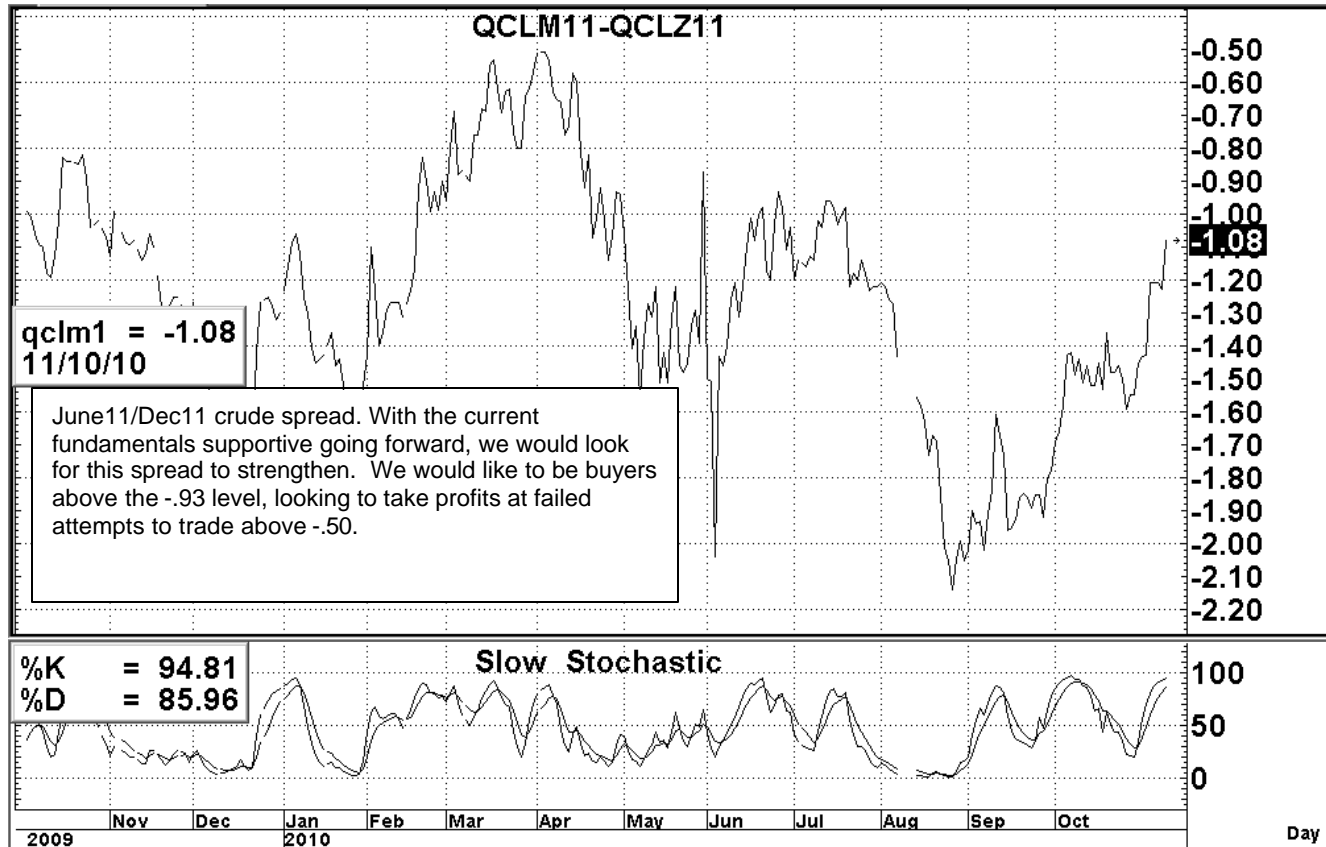
Russia's Finance Ministry said Russia may increase its oil export duty in December by about 4% to \$302-\$304/ton following an increase in oil prices. The export duty on crude from new fields in East Siberia is expected to increase to \$107-\$108/ton, up from \$98.80/ton in November. The duty on light refined fuels is expected to increase to \$216-\$217/ton compared with \$208.10/ton while the duty on fuel oil is expected to increase to \$117/ton from \$112.10/ton in November.

Market Commentary

Crude oil moved higher today in reaction to a surprise in the weekly DOE numbers, which reflected increases across the board. The surprise increase in crude oil inventories is most likely attributed to a drop in imports and an increase in refinery utilization. Crude oil prices reached their highest level in two years, peaking the day at \$88.10 basis the December contract. This is the fundamental boost hedge fund traders have been waiting for. With the expectation that demand going forward will continue to grow, we would look for the forward curve to show increases in the deferred contracts. With this in mind we would like to buy the June11 and sell the December 11 contract. There is resistance on this spread set at $-.93$ cents. We would look to buy this spread with a break above this level, looking for a test at $-.50$ cents. Any failure for this spread to trade above this level would lead us to exit long positions. Likewise, successful breaks above it would lead us to add to our length.

Crude oil: Dec 10 269,039 $-36,766$ Jan 11 274,091 $+27,767$ Feb 11 94,283 $+1,334$ Totals 1,486,195 $-6,471$
 Heating oil: Dec 10 89,386 $-3,786$ Jan 11 80,037 $+2,330$ Feb 11 29,436 $+790$ Totals 328,182 $+1,409$
 Rbob: Dec 10 80,476 $-1,433$ Jan 11 81,620 $+5,507$ Feb 11 23,392 $+1,968$ Totals 292,042 $+9,304$

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8749		24200			
8610	8890	23795		20300	22345
8420	9100	23390	24680	20130	24880
8330		23490	24950	18750	27085
7943		23574		18240	
				16010	



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposely. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.