



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 15, 2010

The IEA's Executive Director Nobuo Tanaka said the oil market will have plenty of supply until at least the end of 2011, if OPEC continues producing at current levels. There have been concerns about supply after recent sharp declines in crude and other oil products in floating storage due to high demand. He also stated that he believes that the impact of the US' latest round of quantitative easing has already been factored into the crude market. In regards to fuel subsidies, the IEA's Executive Director stated that by phasing out subsidies, it helps reduce demand of the global energy markets by 5 million bpd. Fossil fuel subsidies are on

Market Watch

The Commerce Department said US retail sales increased 1.2% in October. It was the fourth consecutive increase and the largest increase since March. Retail sales in September increased 0.7%, up from a previously estimated 0.6% increase.

The Commerce Department also reported that inventories at US businesses in September increased above expectations. Inventories increased 0.9% in September to a seasonally adjusted \$1.403 trillion. Inventories in August also increased 0.9%, revised up from a 0.6% increase. US business sales increased 0.5% in September to \$1.101 trillion following an upwardly revised 0.3% gain in August. The report showed that at the current sales pace, businesses had enough goods on hand in September to last 1.27 months, the same level in August and below 1.3 in September 2009.

The Federal Reserve Bank of New York's monthly Empire State Manufacturing Survey said orders and shipments in New York State weakened this month for the first time since mid-2009. It said manufacturers' general business index fell 27 points to minus 11.1. The new orders index fell 37 points to minus 24.4. Unfilled orders fell 23 points to minus 24.7. The shipments index fell 25 points to minus 6.3. Its employment index remains in positive territory, at plus 9.09.

According to the Federal Reserve Bank of Philadelphia's fourth quarter Survey of Professional Forecasters economists have cut nearly every important barometer of economic performance. Forecasters cut estimates of growth in the current quarter to 2.2% from last period's estimate of 2.8%. Forecasts of growth over coming years was also cut, with growth in 2011 estimated at 2.5% and 2.9% in 2012, down from the previous forecast of 3.6%. Unemployment is seen averaging 9.3% over 2011, 8.7% in 2012 and 7.9% in 2013. It currently stands at 9.6%. The only positive sign in the report were economists' lowering of their estimates of a double dip recession, they now see an 11% chance of a negative quarter compared with 16.8% in last quarter's survey.

The Association of American Railroads said US railroad carload traffic in the week ending October 30th fell 3.3% on the week but increased 6.3% on the year. Carload traffic for the first 43 weeks of the year was up 7.3% from the same period last year.

Ireland's opposition finance spokesman Michael Noonan said he believed European intervention in the Irish debt crisis was underway.

Portugal's Finance Minister Fernando Teixeira dos Santos said there is a high risk that Portugal will have to seek foreign financial aid.

Japan's Trade Ministry reported that the country's industrial output fell 1.6% in September. It was the fourth consecutive monthly decline. The decline in industrial output is less than the previously reported 1.9% decline but more than the 0.5% decline in August. The capacity utilization index fell 1.1% in September on the month to 87.3.

**October
Calendar Averages**
CL – \$85.82
HO – \$2.3695
RB – \$2.1762

course to reach \$600 billion by 2015 if no action is taken. The IEA has estimated that subsidies totaled \$312 billion in 2009.

US Energy Secretary Steven Chu acknowledged that the US and China subsidizes its renewable energy sector but stressed that such subsidies needed to be fair for all parties. The US Department of Commerce announced in September that it was starting an investigation into whether Chinese support for its domestic renewable companies broke international trade rules. China's Ministry of Commerce rejected this and said the claim it was unfairly supporting its green technology companies was groundless.

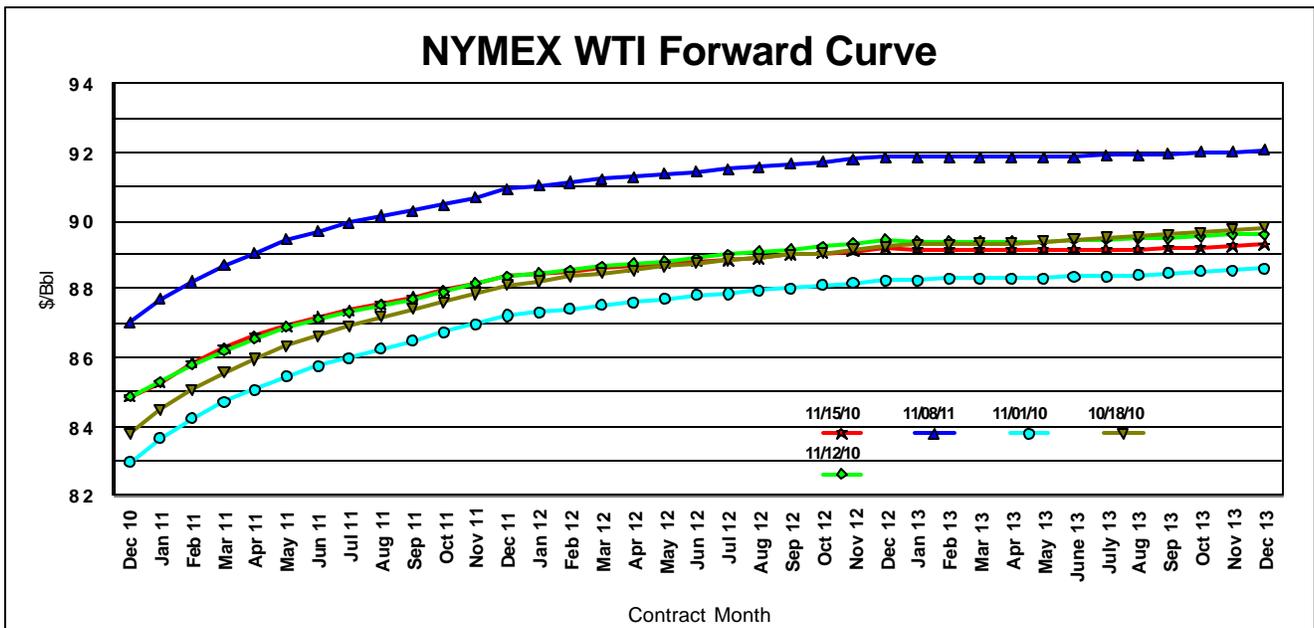
The EIA reported that the US average retail price of diesel increased by 6.8 cents to \$3.184/gallon in the week ending November 15th. It reported that diesel prices are 39.4 cents or 14.1% above a year ago. The EIA also reported that the US average retail price of gasoline increased by 2.7 cents to \$2.892/gallon on the week. Retail gasoline prices are 10% or 26.3 cents above a year ago.

The National Hurricane Center said a low pressure system in the southwestern Caribbean Sea still had a 20% chance of strengthening into a depression over the next 48 hours. So far, the system posed no threat to the Gulf of Mexico. Most weather models forecast the system moving northwest and reaching Central America in a few days.

Gunmen attacked an oil facility off the southern coast of Nigeria operated by ExxonMobil Corp Sunday night. A security source said it was unclear whether there were any injuries or damage. The site was a deep offshore facility off the coast of Akwa Ibom.

In a study, researchers at the University of California said the world will run out of oil about 100 years before replacement energy sources are available if oil use and development of new fuels continue at the current pace. It stated that if the world's oil reserves totaled 1.332 trillion barrels and oil demand stood at 85.22 million bpd and grow 1.3% a year, oil would be depleted by 2041.

The Bank of International Settlements said the dollar value of over-the-counter derivatives positions fell by 4% in the first half of 2010 as euro zone debt problems impacted the markets. The decline was an immediate consequence of the depreciation of European currencies against the dollar. The BIS' semi-annual survey on OTC derivatives at the end of June 2010 showed positions in all derivatives



fell to \$583 trillion, following a 2% rise in the second half of 2009. Asset price movements, however increased gross market values for existing OTC contracts by 15% to \$25 trillion at the end of June.

Refinery News

Credit Suisse reported that US refined products margins increased last week. Refinery margins in the Northeast increased by \$2.21 to \$8.35/barrel while margins in the Midwest increased by 72 cents to \$10.67/barrel while margins in the Gulf Coast increased by \$1.68 to \$7.34/barrel. Margins in the Rockies increased by 16 cents to \$16.05/barrel while margins in the West Coast increased by \$1.87 to \$14.79/barrel.

Sunoco suffered a fire at its hydrodesulphurization unit at the Point Breeze section of its 335,000 bpd refinery in Philadelphia early Friday. The unit was undergoing turnaround for 10 days when the fire occurred.

Valero Energy Corp reported flaring at the east plant of its 142,000 bpd Corpus Christi, Texas refinery due to excess pressure on a vessel. It flared process gases, including nitrogen oxide and sulfur dioxide. Operations were then returned to normal.

Chevron reported a release at its 330,000 bpd Pascagoula, Mississippi refinery due to equipment failure on Saturday. It said there was a leak in the process line and the resultant release of hydrogen sulfide was contained.

Traders said there was market talk of the restart of ConocoPhillips' 238,000 bpd Bayway, NJ refinery. ConocoPhillips shut the refinery late September for major maintenance but has had several power outages during the work which has delayed the restart.

Silver Eagle Refining was preparing to restart a 10,250 bpd vacuum distillation unit at its Woods Cross, Utah refinery that was shut a year ago following a pipe explosion.

Imperial Oil said it suffered a fire in an operating unit and was quickly extinguished.

German household heating oil stocks increased to 63% of capacity as of November 1st. It is up from 62% at the beginning of October but down from 68% last year.

China's Xinhua news agency reported that the country's crude oil and oil product inventories will likely have declined on the month at the end of October due to high refinery throughput and relatively low crude imports during the month. Diesel will likely have led inventory losses last month due to seasonal factors and economic recovery while gasoline and kerosene stocks may have rebounded slightly.

Taiwan's Bureau of Energy reported that the country's total oil product demand in September fell by 3.2% on the month and by 0.1% on the year to 4.142 million kiloliters of oil equivalent. It reported that refinery throughput fell by 9% on the month and by 23.3% on the year to 3.575 million kloe. Taiwan's crude imports increased by 10.3% on the month and by 2.9% on the year to 3.557 million kloe, gasoline exports increased by 13% on the month but fell by 27.6% on the year to 330,336 kloe, diesel exports increased by 2.1% on the month but fell by 40.1 on the year to 610,622 kloe and jet fuel exports fell by 21.5% on the month but increased by 4.7% on the year to 150,600 kloe.

Glencore International AG is shipping 80,000 metric tons of ultra-low-sulfur diesel to Europe from Taiwan.

An official at Indian Oil Corp said India is expected to import 3 million tons of liquefied petroleum gas this fiscal year and added that the imports may reach 5 million tons by 2015.

Production News

Nigeria expects to export 13 full cargoes of Qua Iboe crude for January loading, unchanged on the month. The country will export eight full cargoes of Bonny Light for January. It will also supply eight Agbami cargoes, six Bonga, five Escravos and six Forcados stems.

Turkey's Bosphorus Strait reopened on Monday morning after a two hour closure due to heavy fog.

The Association of Indonesian Biofuel Producers said the country's palm oil based biodiesel production is expected to increase by 17% next year due to increasing domestic consumption. Indonesia's biofuel producers expect to produce 700,000 kiloliters of palm oil based biodiesel in 2011, up from an estimated 600,000 kiloliters this year.

OPEC's news agency reported that OPEC's basket of crudes fell by \$2.14/barrel to \$83.67/barrel on Friday from \$85.81/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$2.13/barrel to \$84.86/barrel in the week ending November 12th.

National Iranian Oil Co cut its crude oil official selling prices for December term supply bound for Northwest Europe. It set the price of its Iranian Light crude at BWAVE minus \$2.45, down 25 cents on the month while the price of its Iranian Heavy crude was set at BWAVE minus \$3.85, down 35 cents and the price of its Forozan Blend crude was set at BWAVE minus \$3.80, down 35 cents. The price of its Iranian Light crude bound for the Mediterranean was set at BWAVE minus \$3.55, down 55 cents while the price of its Iranian Heavy crude was set at BWAVE minus \$5.35, down 85 cents and the price of its Forozan Blend crude was set at BWAVE minus \$5.30, down 85 cents. The price of its Iranian Light crude bound for Asia was set at the Oman/Dubai average plus 57 cents, up 40 cents while the price of its Iranian Heavy crude was set at the Oman/Dubai average minus \$1.53, up 20 cents and the price of its Forozan Blend was set at the Oman/Dubai average minus \$1.45, up 20 cents.

Market Commentary

Taking its cue from improving economic indicators in the U.S. and Japan, crude oil prices traded back above \$85.00. U.S. retail sales increased last month by 1.1 percent and Japan's gross domestic product grew at an annualized 3.9 percent rate in the third quarter, increasing hopes of an economic turnaround. Limiting today's move was a stronger dollar and concerns regarding European debt. Tightness in the New York Harbor continues to give rise to gasoline. The strikes in France, piggy backed by maintenance and unscheduled outages in the U.S. added to the shortness in supply. This too has help to support the price of crude oil. The January crude oil contract now has a double bottom around \$85.00. This may be the gravitational area for prices as we approach the end of this year. Crude oil has traded within the \$70.00-\$80.00 range for most of 2010. With prices trading above this level, we may very well see attempts at the \$90.00 range. We would keep in mind that the movement in the dollar, should it continue to gain strength, will act to keep a lid on prices.

Crude oil: Dec 10 197,922 -18,863 Jan 11 306,797 +243 Feb 11 99,971 +7,023 Totals 1,469,503 -7,670 Heating oil: Dec 10 74,854 -4,841 Jan 11 83,281 +675 Feb 11 34,223 +858 Totals 327,757 -1,523 Rbob: Dec 10 59,625 -2,157 Jan 11 91,703 +5,159 Feb 11 27,486 +1,215 Totals 286,970 +4,431

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	8890	24200	24680		22770
	9050	23795	24950	20300	23050
8420	9100	23390	26740	20130	24880
8330	9385	23490		18750	27085
7943		23574		18240	
7815				16010	

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