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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 17, 2010

OPEC President Wilson Pastor said OPEC does not expect to change its output quota at its next meeting on December 11th in Quito, Ecuador.

The EIA reported that US imports of crude oil fell by 226,000 bpd to 7.83 million bpd in the week ending November 12th. The US imported 1.692 million bpd from Canada, down 168,000 bpd on the week while it imported 1.065 million bpd from Saudi Arabia, down 461,000 bpd on the week. The US imported 872,000 bpd from Mexico, down 336,000 bpd on the week while it imported 859,000 bpd from Venezuela, down

Market Watch

Bank of America Merrill Lynch said China is likely to become a net importer of diesel this year. It said exports of the fuel from Asia to Europe may therefore decline. It said exports are expected to decline by at least a third of normal levels. It said the middle distillate market is expected to remain tight globally until February as demand in Latin America also remains high. It added that in Europe, which has had to import diesel to meet regional demand, consumption of the fuel has reached record seasonal levels despite economic concerns and sovereign debt crisis in the region.

US consumer prices continued to increase modestly in October due to higher gasoline prices. The Labor Department reported that the seasonally adjusted Consumer Price Index in October increased by 0.2% from September. It was the fourth consecutive month that higher energy costs helped push prices higher. It reported that the CPI in September increased by 0.1%. The Core CPI in October was unchanged for the third consecutive month. The annual increase of 0.6% was the smallest since records started in 1957.

The Commerce Department reported that home construction in the US fell to the lowest level in 18 months during October. US housing starts fell by 11.7% to a seasonally adjusted annual rate of 519,000. Building permits increased by 0.5% to 550,000. Single-family home construction fell by 1.1% to 436,000 after increasing by a revised 2.1% in September.

Venezuela's GDP contracted for the sixth consecutive quarter from July through September. The economy contracted 0.4% in the third quarter compared with the same period last year. Venezuela's oil driven economy started contracting in April of last year and saw a 3.3% contraction in all of 2009. Venezuela's oil sector contracted 2.1% in the third quarter due to a decline in oil production.

China's State Council said it will introduce several measures to stabilize prices as it attempts to combat inflation amid increasing commodities prices. The cabinet called for an increase in oil product supplies, particularly diesel, amid severe domestic diesel shortages that are partly the result of the government's energy-saving efforts. The cabinet also pledged to stabilize natural gas prices. As part of the reform, the government has been planning to gradually increase the price of natural gas to encourage more efficient use and bring it in line with international levels. The government may consider intervening in certain markets by temporarily adjusting prices of some staple goods and production materials. It will also gradually increase payments from basic pension funds and unemployment insurance and increase minimum wages as part of measures to help low-income families cope with price rises.

China's National Bureau of Statistics said the country's consumer confidence index fell in the third quarter after increasing for five consecutive quarters. The index fell to 104 in the third quarter from 109 in the second quarter.

A French consultancy said Europe could struggle to reach its target of sourcing 20% of its energy from renewable in the next 10 years mostly due to a lack of financing.

The South Korean government unveiled proposed legislation governing its carbon emissions trading scheme. Under the proposed legislation, the government plans to allocate more than 90% of carbon trade rights with no charge during the first phase between 2013 and 2015.

DOE Stocks

Crude – down 7.286 million barrels
Distillate – down 1.11 million barrels
Gasoline – down 2.657 million barrels
Refinery runs – up 1.8%, at 84%

72,000 bpd on the week.

A Nigerian Foreign Ministry spokesman said Nigeria has reported the discovery of an illegal arms shipment from Iran to the UN Security Council. He said a formal notification was forwarded to the chairman of the Security Council conveying information that arms originating from Iran were seized. The

notification also informed the council that investigations into the circumstances into the arms consignment were ongoing. Iran has stated that the arms shipment discovered in Lagos was shipped to a West African country by a private company.

Iran started a five day nationwide military exercise on Tuesday to test the country's ability to deter air strikes. Iran staged a mock interception of enemy warplanes attacking its nuclear facilities as part of its biggest military exercises to improve its readiness to respond to possible threats.

Israel's top military officer, Lt. Gen. Gabi Ashkenazi said it remains unclear if economic sanctions against Iran will convince Iran to give up its nuclear program.

BNP Paribas said the Australian dollar has become closely correlated to crude oil this year, making it a better guide of oil price trends than the euro. It said the Australian dollar has not taken over the role of the euro with regard to oil.

An analyst at Russia's VTB Capital said the commodities super-cycle is only a third to halfway through its full 30 year trajectory, which should lead to most prices doubling in the next five to ten years. The analyst said the cycle will keep being driven by the infrastructure program in China, which is the world's largest consumer of metals and a major producer helping to set benchmarks for prices.

Nigerian security forces raided at least two suspected criminal camps in the Niger Delta on Wednesday following kidnappings and attacks on oil facilities. The joint military taskforce responsible for security in the wetlands region said it was carrying out operations in Delta and Bayelsa. Security sources said Nigeria's military freed 19 hostages including foreigners held by militants in the Niger Delta oil region in a land, air and sea operation.

Refinery News

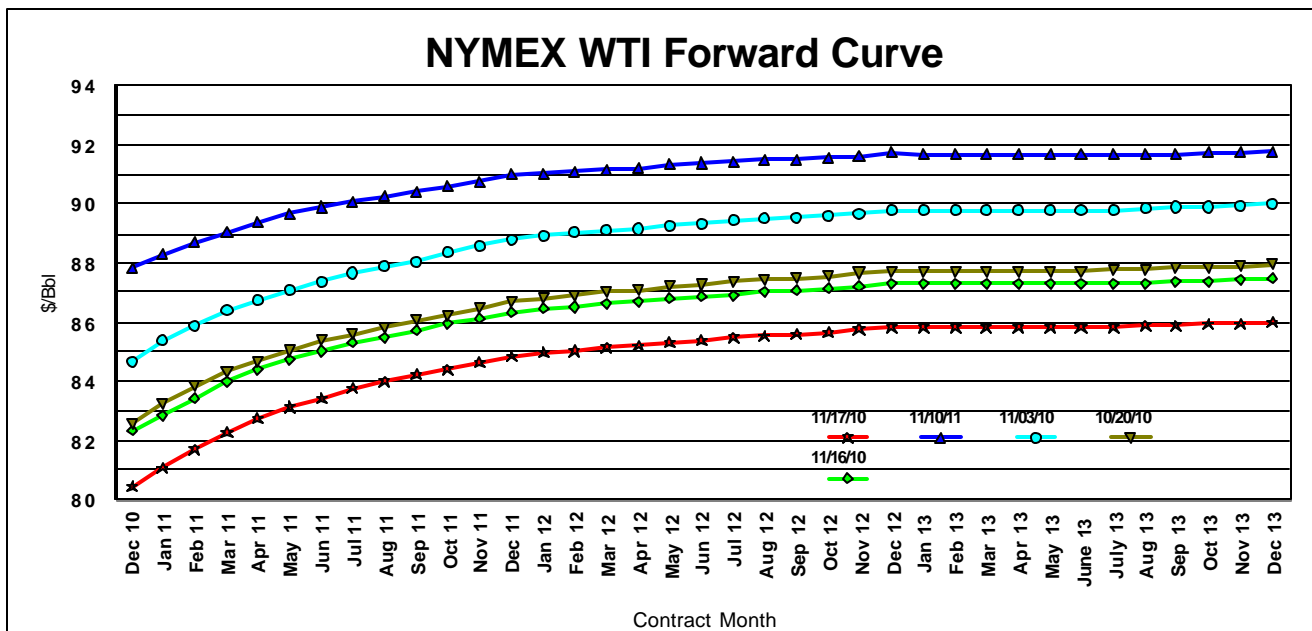
Colonial Pipeline is freezing nominations of its distillate line for cycle 67 as demand for space exceeds pipeline capacity.

Royal Dutch Shell said a flare line erosion at its 145,000 bpd Puget Sound refinery in Anacortes, Washington resulted in emissions.

Brazil's Petrobras said Brazil needs to build more oil refineries if it is to avoid becoming an importer of fuel and other oil products. Petrobras is investing \$78.7 billion over the next four years in its refining business, including construction of five new refineries.

The Petroleum Association of Japan reported that the country's crude stocks in the week ending November 13th increased by 4.07 million barrels on the week and by 7.23 million barrels on the year to 94.83 million barrels. It reported that Japan's gasoline stocks increased by 50,000 barrels on the week but fell by 1.38 million barrels on the year to 12.62 million barrels while kerosene stocks fell by 350,000 barrels on the week and by 2.85 million barrels on the year to 16.89 million barrels and naphtha stocks fell by 1.12 million barrels on the week to 12.24 million barrels. It reported that Japan's crude runs increased by 210,000 bpd on the

October Calendar Averages
CL – \$85.14
HO – \$2.3558
RB – \$2.1732



week and by 180,000 bpd on the year to 3.72 million bpd, with refinery runs increasing by 5% on the week and by 9.7% on the year to 82.5%. Total product sales increased by 10.7% on the week and by 4.2% on the year to 3.13 million bpd. Gasoline sales fell by 5.7% on the week but increased by 9.2% on the year to 940,000 bpd, gas oil sales fell by 9.9% on the week and by 8.9% on the year to 580,000 bpd, kerosene sales increased by 13.5% on the week and by 12.7% on the year to 430,000 bpd, naphtha sales increased by 163.9% on the week but fell by 4.4% on the year to 540,000 bpd and jet fuel sales fell by 4.2% on the week but increased by 33.3% on the year to 104,000 bpd.

Tokyo Electric Power Co plans to restart its 1,100 Mw No. 5 reactor at its Kashiwazaki-Kariwa plant, which was damaged by an earthquake in July 2007. TEPCO restarted the No. 6 and No. 7 units last year and the No. 1 unit earlier this year at the refinery.

Production News

Statoil said it will develop the Smørbukk North-East field as satellite to the Asgard B platform, with production expected to start in December 2011 instead of 2013 as originally planned. It said oil, gas and condensate reserves in the field are expected to total 16 million barrels of oil equivalent.

BP Plc has halted production at a North Sea platform co-owned with Iran, as it works out whether it is breaching any European sanctions.

Nigeria is likely to export about 2.06 million bpd of crude oil in January compared with 2.15 million bpd in December. It is scheduled to ship 69 full or partial cargoes in January compared with 77 in December.

Brazil's Petrobras expects crude oil exports to increase to 800,000 bpd by 2020 as new oil production from offshore fields come online. It said that by 2020, Brazil should have refining capacity of 3.2 million bpd and production of about 4 million bpd. Between January and September of this year, Petrobras imported an average of 331,000 bpd while exports averaged 516,000 bpd for a net export level of 185,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.04/barrel to \$82.35/barrel on Tuesday from \$83.39/barrel on Monday.

Brazil's cane industry association Unica said sugar output in Brazil's center-south totaled 30.5 million tons in the 2010/11 season through November 1st, up 24% on the year. In the second half of October, mills in the region produced 1.9 million tons of sugar, up 15.6% on the year.

Market Commentary

Despite a 7.7 million barrel draw in crude oil inventories, prices fell for the fourth straight day, pressured by speculation that China will raise interests in order to cool down its economy. Gasoline posted modest losses as inventories fell 1.7 million barrels and heating oil fell as much 3 percent during the trading session as it responded to an increase of 222,000 barrels in distillate inventories. The global economic situation continues to overshadow the true underlying fundamentals of this market, as is evident in crude oil's response to a 7.7 million barrel draw in inventories. It appears that demand is picking up, with inventories for crude oil and gasoline declining for the second straight week. The January crude oil contract surpassed our downside objective of \$81.11, settling below it at \$80.44. Technically, this market should continue lower, with a test at the 200-day moving average of \$78.61. A break below this level sets up prices for a test at the \$76.43 trendline. We would, however expect prices to continue to react to the global economic situation and to trade accordingly.

Crude oil: Dec 10 106,720 -61,560 Jan 11 321,825 +11,063 Feb 11 100,424 -1,575 Totals 1,399,774 -54,986 Heating oil: Dec 10 64,491 -6,491 Jan 11 85,090 +1,388 Feb 11 33,669 -868 Totals 321.832 -4,454 Rbob: Dec 10 52,245 -4,579 Jan 11 95,706 -167 Feb 11 26,603 -1,120 Totals 285,976 -4,979

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	8111	22040	24680		22770
7922	8890	21860	24950	20300	23050
7861	9050	21375	26740	20130	24880
7643	9100	21140		18750	27085
7601	9385	20702		18240	
				16010	

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