

**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 18, 2009**

---

The head of Libya's National Oil Corp, Shokri Ghanem said OPEC should hold its oil output steady when it meets in December. He said oil prices, which are trading around \$80/barrel, are not high enough and not low enough to suggest the need for a change in output.

Iran's Foreign Minister Manouchehr Mottaki said Iran will not send its enriched uranium abroad for further processing but will consider swapping it for nuclear fuel within its borders. A draft deal brokered

#### **Market Watch**

The US Labor Department reported that US consumer prices continued to increase at a moderate pace in October. The seasonally adjusted Consumer Price Index increased 0.3% in October compared with a monthly 0.2% increase in September. The core CPI increased by 0.2% in October. In annual terms, the unadjusted CPI index fell for the eighth consecutive month in October by 0.2%.

The Commerce Department reported that home construction fell sharply in October by 10.6% to a seasonally adjusted 529,000 annual rate.

BNP Paribas increased its average price forecast for US light crude oil futures in 2010 to \$81/barrel from its previous estimate of \$78/barrel. It raised its average price estimate for the fourth quarter of 2009 to \$77/barrel from \$66/barrel. Separately, UBS AG increased its crude oil price forecast due to a weaker dollar and improved demand from non-OECD countries, particularly China. It increased its 2009 forecast of WTI to \$62.30/barrel from \$59.10/barrel. Its 2010 estimate was increased to \$75/barrel from \$70/barrel while its 2011 estimate was increased to \$80/barrel from \$71/barrel.

According to AAA, Americans will travel 1.4% more this Thanksgiving holiday weekend than they did last year. The increase reflects a 2.1% increase in travel by car and a 6.7% decrease in air travel. Last year, Thanksgiving travel in the US fell 25.2% due to the housing and financial crisis.

The Baltic Exchange's main sea freight index reached another 2009 high on Wednesday supported by strong cargo demand. The index increased 5.98% or 262 points to 4,643 points. Chinese demand for iron ore and coal, increasing port congestion in China and Australia and tight ship availability have helped drive a rally in recent sessions.

The European Union's Swedish presidency urged Russia on Wednesday to do more to combat climate change and discussed Russian energy supplies to Europe. The summit is intended to lay the foundations of a new economic and political partnership between the EU and Russia. The EU and Russia signed a memorandum on Monday requiring both sides to notify the other of any likely disruption to energy supplies and to work together to resolve the problem.

Venezuela announced a surprisingly large third quarter economic decline. Venezuela's central bank said lower oil revenues and the international downturn brought a 4.5% GDP decline in the quarter. It was the second consecutive quarterly decline this year. The oil sector fell 9.5% in the latest quarter compared with the same period in 2008. Venezuela's Finance Minister Ali Rodriguez said the country's economy could contract by as much as 2.2% this year. The government is hoping for a moderate recovery in 2010 when it is likely to increase public spending on social projects ahead of legislative elections in September.

### DOE Stocks

**Crude** – down 887,000 barrels

**Distillate** – down 328,000 barrels

**Gasoline** – down 1.755 million barrels

**Refinery runs** – down 0.5%, at 79.4%

by the UN's IAEA calls on Iran to send about 75% of its low-enriched uranium to Russia and France to be turned into fuel for a Tehran medical research reactor. He did not say what would happen to the low-enriched fuel it was prepared to swap but authorities have said in the past that it could be stockpiled in Iran under IAEA supervision. He said Iran is ready for another round of talks with world powers over

securing fuel for its research reactor.

Traders said 495,000 tons or 3.7 million barrels of distillates are provisionally booked for mid-November to early December lifting for sea storage, increasing the estimated stockpiles in tankers worldwide to 97.1 million barrels. Distillates stored in vessels have increased rapidly in the last seven months, starting with less than 30 million barrels in April and the latest fixtures will add up to at least 97 million barrels by early January when ships arrive in Europe.

The US Senate Agriculture Committee chairman Blanche Lincoln said she intends to draft legislation that will bring much needed transparency and accountability to the over-the-counter derivatives market. She said her bill would address issues such as prudential regulations related to enhanced capital and margin requirements, clearing of over-the-counter transactions as well as other matters including foreign exchange trading and foreign boards of trade.

The API reported that US demand for crude oil and petroleum products in October fell by 4.1% on the year to 18.886 million bpd. Gasoline demand fell by 42,000 bpd or 0.5% to 8.982 million bpd. It is the first decline in gasoline demand following four consecutive months of increases. Deliveries of distillates fell by 476,000 bpd or 11.4% to 3.706 million bpd. On the supply side, US crude oil production increased by 14.9% to 5.364 million bpd. Crude oil inventories at the end of October stood at 336.6 million barrels, up 7.7% on the year. Crude oil and petroleum product imports averaged 10.652 million bpd, down 19.3% on the year.

### Refinery News

ExxonMobil Corp's refinery in Torrance, California reported flaring on Wednesday after experiencing a system upset. It said the refinery is now operating normally and expects no impact to production.

Total said the financing of a new oil refinery in Saudi Arabia, a joint venture between Saudi Aramco and Total, will be completed early next year. The \$12.8 billion Jubail refinery will be funded through 65% debt and 35% equity. The 400,000 bpd refinery will be commissioned at the end of 2012 and come online in March 2013.

Poet LLC expects an increase in construction of cellulosic-ethanol plants early in the next decade, assuming the EPA raises the amount of ethanol allowed in gasoline to 15% from 10.2%. It said the cost of making ethanol from products other than corn will be competitive with gasoline by 2011 and comparable to grain based fuel by mid-decade.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending November 14<sup>th</sup> fell by 2.81 million barrels on the week and by 23.42 million barrels on the year to 87.59 million barrels. Japan's gasoline stocks built by 420,000 barrels on the week and by 490,000 barrels on the year to 14 million barrels while kerosene stocks built by 600,000 barrels on the week but fell by 4.35 million barrels on the year and naphtha stocks fell by 1.53 million barrels on the week to 9.68 million barrels. Japan's refinery utilization rate increased by 1.8% on the week to 72.8%. It reported that total oil product sales increased by 0.8% on the week but fell by 3.6% on the year to 3 million bpd. Japan's gasoline sales fell by 9.8% on the

### **November**

#### **Calendar Averages**

**CL** – 78.76

**HO** – 2.0414

**RB** – 1.9790

week and by 4% on the year to 860,000 bpd while kerosene sales fell by 9% on the week and by 16.8% on the year to 380,000 bpd and gas oil sales increased by 5% on the week and by 1% on the year to 530,000 bpd. Its naphtha sales increased by 26% on the week and by 60.4% on the year to 570,000 bpd while jet fuel sales fell by 42% on the week and by 45.9% on the year to 78,000 bpd.

South Korea's GS Caltex plans to export 300,000 barrels of spot diesel in December, down from 900,000 barrels in November. The planned reduction is due to poor refining margins and slow crude runs.

South Korea's SK Energy will export 500,000-600,000 barrels of spot diesel in December compared with 600,000 barrels this month.

China plans to ban the use of single-hull oil tankers for domestic shipping a move to prevent potential environmental damage. The move would bring China's domestic rules into line with international standards that it plans to meet over the next 5 years. China has already banned most single-hull tankers from carrying more than 20,000 tons of heavy oil or 30,000 tons of refined fuel.

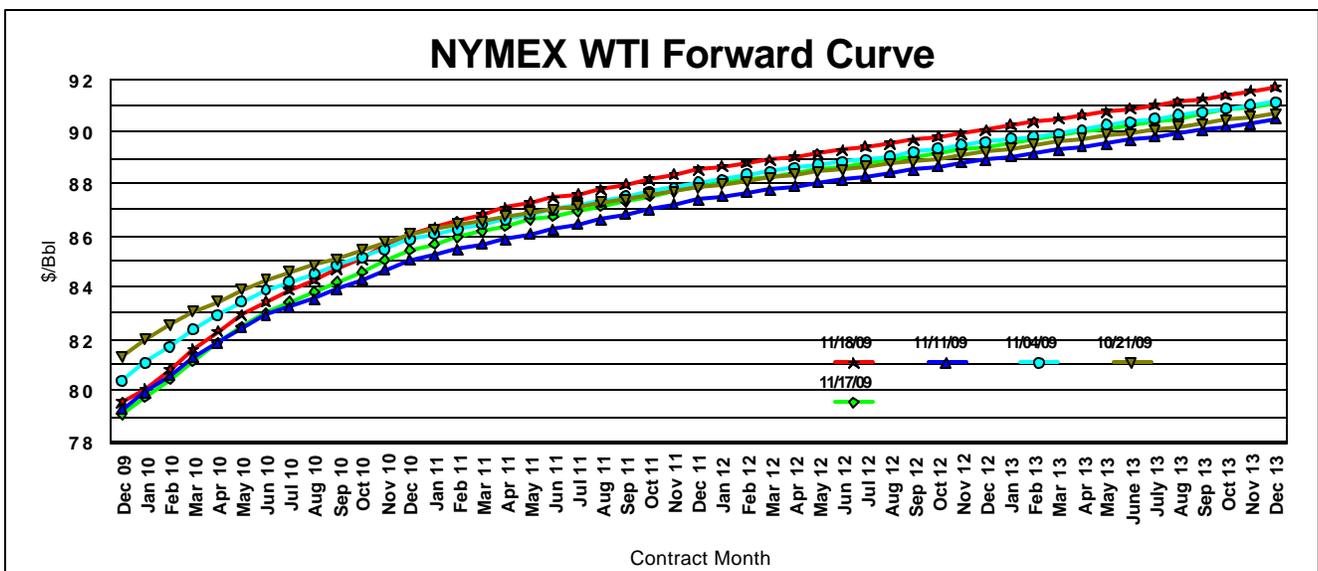
China's Xinhua news agency reported that the country's power plants have enough coal to ensure power supplies in snow-hit regions of China. An official from the State Grid Corp said power plants supplying the grid have about 27 million tons of coal and stocks are above the alert level. Heavy snowfall has hit northern and central provinces in the last ten days and has caused traffic problems and slowed transport of coal.

**Production News**

Mexico's Transport Ministry said Mexico closed its oil ports Dos Bocas and Cayo Arcas on Wednesday due to bad weather conditions. The Gulf Coast oil export terminal of Coatzacoalcos has been shut since Tuesday due to bad weather.

Nigeria's Minister of State for Petroleum, Odein Ajumogobia said Nigeria is pumping about 1.83 million bpd of crude and about 615,000 bpd of condensate. He said Nigeria has the potential to produce 3.7 million bpd of crude but OPEC production targets and damage to oil facilities have restricted output for now. Separately, he stated that fuel subsidies cost the Nigerian government 45 billion naira or \$300 million each month. Nigeria imports about 18 million liters of petrol/day or 85% of its fuel demand due to the condition of its four state owned refineries.

A group of Japanese companies led by Nippon Oil Corp could enter final negotiations for a deal to



develop Iraq's Nassiriya oil field as early as Sunday. Nippon Oil and its partners oil explorer Inpex Corp and plant engineering firm JGC Corp are close to signing an engineering, procurement and construction deal.

Total said it is preparing to submit a bid for Iraq's Majnoon oil field on December 11-12. It also confirmed it is preparing to submit a bid for the West Qurna-2 oil field.

Colombia's National Hydrocarbons Agency reported that the country's crude oil production in October increased to an average of 704,000 bpd from 623,000 bpd last year and 680,000 bpd in September. Average crude production in the first ten months of the year was 658,000 bpd.

Equatorial Guinea's oil production fall to about 250,000 bpd and is likely to remain largely unchanged for the foreseeable future as declining output in existing fields is offset by new production.

Russia's TNK-BP is looking at inorganic growth in the oil refining sector. He said is refineries are running at 90% of the capacity.

Russia will likely reintroduce an export duty on liquefied petroleum gas starting December 1 after world prices increased and heavy exports led to shortages on the local market. A Finance Ministry official said the duty could increase to about \$105/ton of LPG, in line with duties on heavy refined products such as fuel oil. He said the government had yet to take a final decision whether to impose the duty, abolished since January 1<sup>st</sup> to support LPG producers following a collapse in oil prices.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$76.97/barrel on Tuesday, up from \$76.49/barrel on Monday.

### **Market Commentary**

Inventory draws across the board pushed prices higher today. Imports fell and refineries were idle in response to the two-day closure of the LOOP, which may have been behind today's decrease in stockpiles. Demand for product remains sluggish, running behind last year's pace. Crude oil also gained strength off of the weak dollar, as investors turned to commodities as a financial hedge. Gasoline led the markets higher after posting larger than expected draws, which came in at 1.76 million barrels. Overall, this market remains well supplied as we await the onset of the deep winter heating season. The December crude oil contract penetrated the top of the descending channel that can be depicted on a spot continuation chart, but had a lack of follow-through and settled below the upper trendline. For technical trading purposes, we would look to use this trendline as a pivotal area, holding on to any length, should a settlement above this trendline occur. This channel will be set between \$80.04 and \$75.48 for tomorrow's trading session.

Crude DEC. 96,277 -66,239 JAN.10 319,930, +8,877 FEB.10 80,870 +3,530 MAR.10 70,604 +1,961  
Totals: 1,199,341 -45,354. Heating oil DEC.09 44,871 -2,171 Jan.10 83,924 2,550 FEB 10 35,486 -  
553 MAR.10 27,656 +713 Totals: 324,456 +278 Gasoline DEC.09 42,656 -1191 JAN.10 103,223  
+4,275 FEB.10 25,645 +1,253 MAR.10 26,267 +856 Totals: 266,806 +5,688.

<b>Crude Support</b>	<b>Crude Resistance</b>
75.63, 73.52, 71.52, 64.70, 63.38, 62.70, 61.61, 60.95	80.50, 84.83, 85.40, 86.60, 88.80
<b>Heat Support</b>	<b>Heat resistance</b>
1.9500, 1.9175, 1.8570, 1.7670	2.1580, 2.2110, 2.2575, 2.4200
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.9060, 1.8840, 1.8480, 1.7900	2.1100, 2.1600, 2.3350

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 purposes only. 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.