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ENERGY MARKET REPORT FOR NOVEMBER 18, 2010

Iran's President Mahmoud Ahmadinejad said Iran was always ready for talks on its nuclear program but condemned Western attempts to pressure Iran with sanctions. Iran and world powers are scheduled to resume talks on the country's nuclear program on December 5th but the venue and agenda are yet to be agreed on.

Genscape reported that oil inventories at Cushing, Oklahoma increased by 952,037 barrels to 36.02 million barrels in the week ending November 16th. It was the third consecutive increase following five weeks of draws.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador,

Market Watch

The US Labor Department reported that the number of initial unemployment claims increased by 2,000 to 439,000 in the week ending November 13th. The previous week's figures were revised slightly upward to 437,000 from 435,000. The four week moving average fell by 4,000 to 443,000 from the prior week's revised average of 447,000 to its lowest level since September 6, 2008. It reported that the number of continuing claims fell by 48,000 to 4,295,000 from the preceding week's revised level of 4,343,000. The unemployment rate for workers with unemployment insurance for the week ending November 6th was 3.4%, down 0.1% from the prior week's revised rate of 3.5%.

The Philadelphia Federal Reserve Bank said its business activity index increased to 22.5 in November from 1 in October. Factory activity in the US Mid-Atlantic region increased more than expected on the month.

The Conference Board index of leading indicators in October increased by 0.5% to 111.3 while the index of coincident indicators increased by 0.1% to 101.5 and the index of lagging indicators increased by 0.1% to 108.7.

The National Oceanic and Atmospheric Administration reported that above normal temperatures are expected to be centered in Texas in December through February and extend throughout the south into the Rocky Mountains, Midwest and the mid-Atlantic regions. It stated that there is not a clear outlook for the US Northeast. It sees equal chances of normal, above normal or below normal temperatures in the region. Much of the west also has equal chances of normal, above normal and below normal temperatures.

A Nigerian presidential aide said he still hopes a law overhauling Nigeria's petroleum sector will be passed by year end. Nigeria's proposed oil reforms would increase the tax on deep offshore drilling. It will increase the tax to 60-70% from the current 50%.

In its semi-annual Economic Outlook, the OECD said its 33 member governments should begin tightening fiscal policy in the course of next year, unless the economy takes an unexpected turn for the worse. It forecast that world growth will slow down next year as the US rebounds less quickly than expected and growth in emerging countries moderate. It said the Federal Reserve should hold off on increasing interest rates until the recovery is firmly established in the middle of 2012 and added that Japan should wait until inflation is clearly positive before considering higher interest rates. It said the European Central Bank should not raise interest rates before 2012 and that the Bank of England keep its current policy stance until the middle of 2011. The OECD reported that inflation in China will level off slightly above 3% as rising import prices offset a decline in food price inflation. It stated that China's growth was increasing due to a turn in the inventory cycle and would remain buoyant for the coming two years. The annual rate of growth will reach 10% in the fourth quarter, up from 9.6% in the third quarter, making for full year growth of 10.5%. It forecast that China's economy would expand by 9.7% in both 2011 and 2012.

**October
Calendar Averages**
CL – \$84.90
HO – \$2.3514
RB – \$2.1771

are expected to increase by 270,000 bpd to 23.65 million bpd in the four weeks ending December 4th.

Refinery News

Colonial Pipeline is freezing nominations for cycles 63 on Linden Delivery Line L2 as demand for space is greater than capacity. Line L2 is a stub line carrying both distillates and gasoline from Linden’s main terminal into IMTT terminal in Bayonne, NJ.

Enbridge Inc said its 290,000 bpd crude line 6B carrying Canadian crude into the US was shut for routine inspection. The line was shut on Wednesday night after a routine smart pig run detected a potential anomaly. No leaks were discovered but a sleeve is likely to be put on the suspect area.

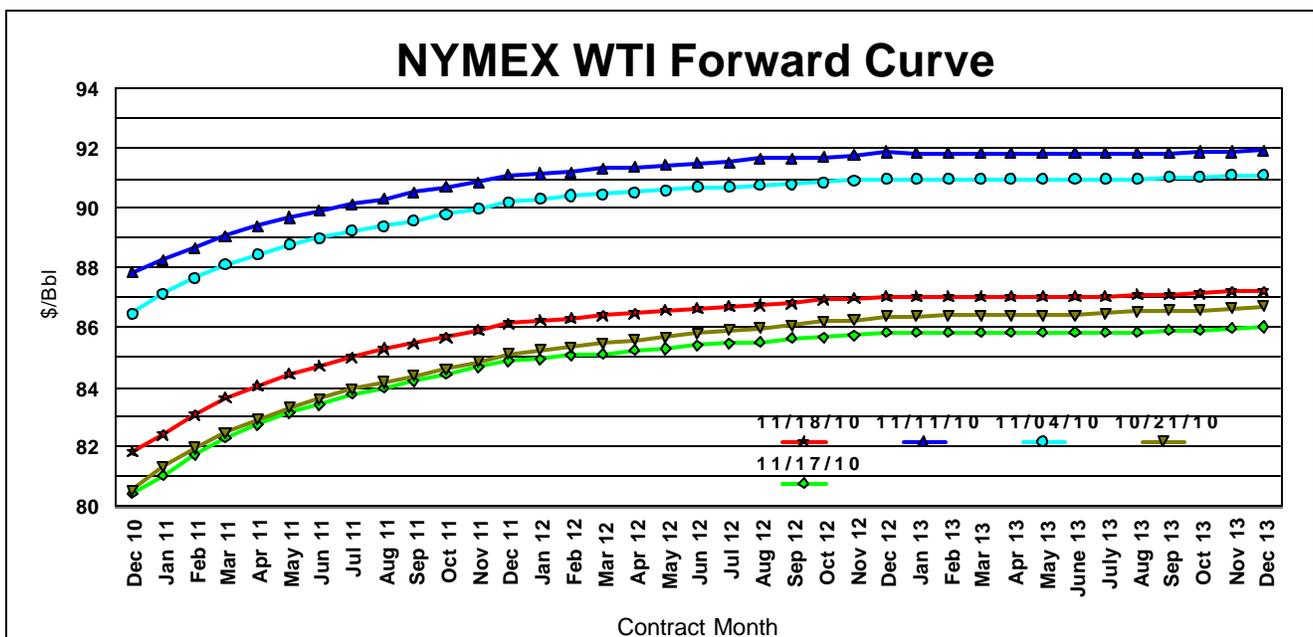
Shell Oil shut a 325,000 bpd crude oil pipeline running between Houma, Louisiana and Houston, Texas after a leak was discovered on Tuesday near Vinton, Louisiana. The line which carries crude from Louisiana into Houston, Texas is shut indefinitely for repair.

Sunoco Inc’s chief executive Lynn Elsenhans said the US refining industry will have to focus on exporting diesel to growing markets instead of establishing refineries overseas. He forecast diesel crack spreads increasing to \$8-\$10/barrel in the coming year while the gasoline crack spread is expected to fall to \$6-\$8/barrel.

Citgo Petroleum Corp restarted a fluid catalytic cracking unit at its 167,000 bpd Lemont refinery in Illinois. It is operating at normal rates. The unit was shut due to a fire on November 3rd.

Chevron Corp shut a compressor at its 245,271 bpd refinery in Richmond, California, which caused a flare to release materials to the atmosphere.

PetroChina has increased its crude oil processing capacity in its Jilin refinery by a third to 200,000 bpd in order to receive and process Russian crude oil. The increase in capacity is part of the company’s preparation to treat Russian crude oil that will arrive via the China-Russian crude pipeline. The pipeline, connected to Russia’s East Siberian Pacific Ocean pipeline, will pump 60,800 bpd of crude in November and 70,600 bpd in December to China.



Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.015 million barrels to 18.955 million barrels in the week ending November 17th. It reported that the country's light distillate stocks increased by 623,000 barrels to 9.733 million barrels while middle distillate stocks fell by 721,000 barrels to 14.626 million barrels.

Three tankers have been fixed to transport at least 120,000 tons or 900,000 barrels of low sulfur diesel from Japan to Chile, loading between now and the end of November. Traders said Chile and Latin America as a whole, appear to be short on supplies due to stockpiling ahead of increased power generation needs during the peak summer season and as Europe draws more low sulfur barrels from the US Gulf Coast due to increasing demand from Germany.

China Customs Statistics Information Center said the country exported about 370,000 tons of gasoline and 360,000 tons of diesel in October. It reported that kerosene imports fell to 370,000 tons from September's 617,191 tons. It also stated the country imported 12.32 million tons of coal in October, down 19.6% on the month. The decline was due to the unusually high level of imports in September, when 15.32 million tons were shipped.

PetroChina has booked 35,000 tons of diesel from international market to help ease domestic shortages. It will consider importing more while keeping its refineries running at full capacity in December.

China's Unipet has booked more gas oil for December delivery to cover a domestic shortage, after importing 80,000 tons for November arrival. The volume for the December cargo was pegged at about 120,000 tons.

India's Bharat Petroleum Corp offered 20,000 tons of gasoline in a rare move. The reasons behind the move were not immediately known.

Production News

Chevron said Britain's North Sea Alba oil field has been closed since Wednesday following a gas release. The Alba oil field produced an average of 28,300 barrels of oil and 277,500 cubic meters/day of gas in July.

Nigeria is scheduled to export about 2.13 million bpd of crude in January, down from 2.15 million bpd in December. The loading programs show Nigeria will ship 72 full or partial cargoes in January.

OPEC's news agency reported that OPEC's basket of crudes fell to \$81.90/barrel on Wednesday from Tuesday's \$82.35/barrel level.

Market Commentary

Gasoline was today's talk of the market, with the December contract trading as much as 3.9 percent higher at one point during the session. A tight cash market, slightly lower imports, which were diverted to Canada and overseas, and weaker inventories were behind today's move. It appears that refiners have been experiencing inventory shortfall due to the aforementioned. Those caught short on supply, are scrambling in order to meet demand. With expectations that Bayway and Irving will be back on line soon, we should begin to see an influx of inventory into the NY Harbor and we could very easily see prices turn lower. From a technical standpoint, should prices trade below \$2.1485, we would look to exit any length.

Crude oil: Dec 10 78,839 -27,881 Jan 11 342,062 +20,237 Feb 11 105,334 +4,910 Totals 1,399,764 -
10 Heating oil: Dec 10 59,367 -5,124 Jan 11 82,244 -2,846 Feb 11 36,069 +2,400 Totals 313,904 -

7,928 Rbob: Dec 10 47,598 -4,647 Jan 11 99,878 +4,172 Feb 11 29,190 +2,587 Totals 290,448 +4,472

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
		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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