



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 19, 2010

The API reported that a slight increase in US gasoline and diesel demand in October showed modest economic recovery. US gasoline demand in October increased by 0.6% on the year to 9.04 million bpd. US diesel demand in October increased by 4% on the year to 3.8 million bpd. In regards to supply, US crude oil production increased by 0.1% to 5.508 million bpd. Crude oil and petroleum product imports averaged 10.745 million bpd in

October, down 1.2% on the year. US crude oil inventories continued to build for the fourth consecutive month, reaching its highest level for October since 1980 at 366 million barrels.

Nigeria's President Goodluck Jonathan pledged to take a hard line against militants in the country's Niger Delta region, even as he reaffirmed the government's offer of amnesty to insurgents who lay down their arms. Meanwhile, Nigerian militants on Friday threatened to kidnap more oil workers after the military freed 19 hostages this week. The Movement for the Emancipation of the Niger Delta said it would carry out more kidnappings from oil facilities.

ICAP Shipping estimated that crude oil stored globally in VLCCs increased to 46 million barrels in the week ending November 19th from 44 million barrels in the week ending November 12th.

Refinery News

Market Watch

China ordered its banks on Friday to increase their reserves to the central bank for the second time in two weeks. The People's Bank of China said it would increase banks' required reserves by 50 basis points, its fifth such announcement this year. Including an earlier temporary increase, the move takes required reserve ratios to 18.5%, a record high. China's central bank said the tightening step was intended to strengthen liquidity management and appropriately control money and credit issuance. The 50 basis point increase, which takes effect on November 29th, should lock up about 350 billion yuan or \$52.7 billion that banks could otherwise lend.

The CFTC voted to propose rules on Friday designed to protect customers' money in the event their swap dealer goes bankrupt. The proposal is the latest as the CFTC works to implement provisions of the Dodd-Frank financial overhaul law governing swaps or instruments often used by corporations to hedge against risk like price movements or interest rate fluctuations. The law aims to reduce risk and improve price transparency in the over-the-counter derivatives market by requiring many swaps to be executed on trading platforms and routed to clearinghouses.

The US EPA will delay a decision that was expected in December on whether gasoline blended with up to 15% ethanol is safe to use in vehicles built during the 2001 to 2006 model years. The EPA is seeking up to one more month of testing on the effects of the E15 gasoline on vehicle engines.

**October
Calendar Averages**
CL – \$84.68
HO – \$2.3463
RB – \$2.1784

Enbridge Inc said it does not yet have a firm schedule for the restart of its 290,000 bpd Line 6B carrying Canadian crude into the US but does not expect the shutdown to impact scheduled deliveries. The line was shut on Wednesday evening after a routine smart pig detected a potential anomaly.

Shell Oil said there was no timetable for the restart of a 360,000 bpd pipeline carrying crude from Houma, Louisiana to Houston, Texas after it was shut on Tuesday due to the discovery of a leak.

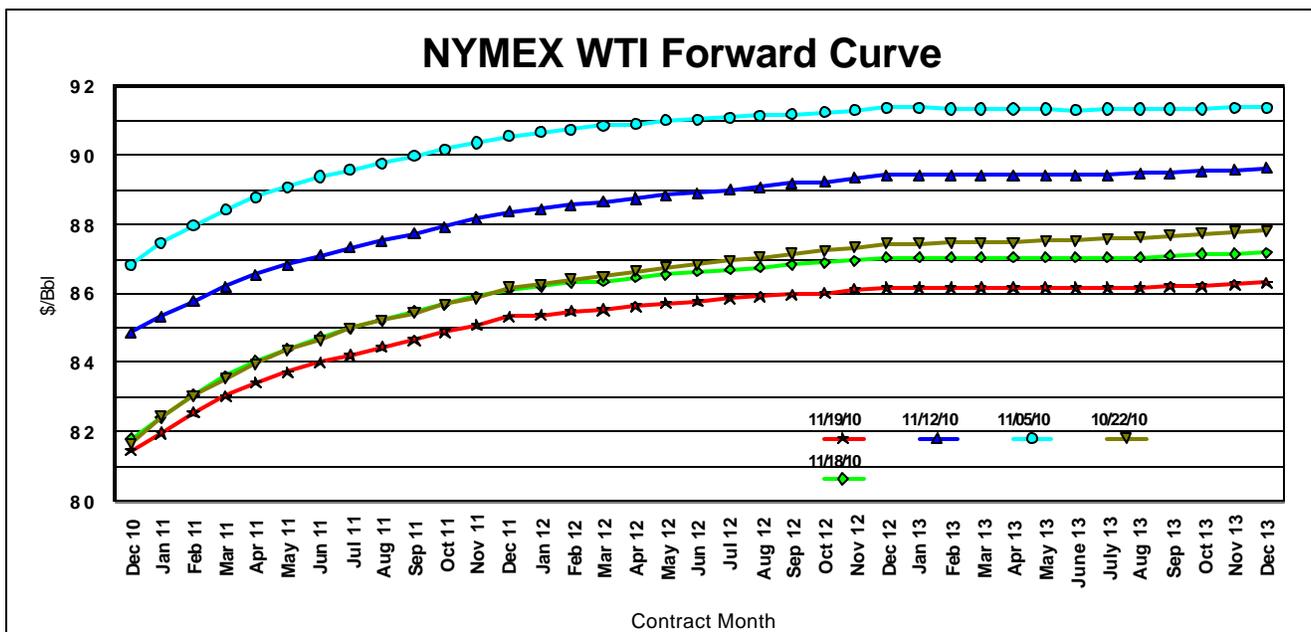
Alon USA Energy Inc had excess opacity at its 67,000 bpd Big Spring, Texas refinery on Friday because of a problem with its electrostatic precipitator following the completion of its plant maintenance.

All downstream process units have been restarted at ConocoPhillips' Bayway refinery in Linden, NJ following nearly eight weeks of work to install a new vacuum furnace. Crude oil processing was halted and some downstream operations were shut or reduced in late September to facilitate the installation project. Crude throughput could increase to a maximum of 265,000 bpd as early as Friday but may be held back until Monday as a precaution. The refinery's 140,000 bpd fluid catalytic cracking unit was running at reduced rates throughout the installation work. It is not clear whether the increased crude throughput will increase the unit's output or any other processing units' output. Separately, ConocoPhillips delayed by about two weeks the restart of an alkylation unit at its 247,000 bpd Alliance refinery in Belle Chase, Louisiana. The unit's restart is now scheduled for the end of November following the completion of maintenance work.

The last of the oil tankers backed up at the Fos-Lavera oil terminal was unloading on Friday, bringing the oil terminal back to normal after several weeks of strike action that idled loadings and unloading for over a month.

Reliance Industries Ltd said a crude distillation unit and a coker unit at its Jamnagar refinery complex resumed operations on November 17th. The units were shut in the last week of October for maintenance.

PetroChina is expected to import 200,000 tons of diesel and has delayed planned maintenance on its



Lanzhou refinery in order to increase supplies.

China's Sinopec Corp is scheduled to shut a 160,000 bpd crude distillation unit at its Gaoqiao refinery soon for one month of maintenance.

Japan's Idemitsu Kosan Co restarted a naphtha cracking unit at its Chiba plant on Friday, six days after an unplanned shutdown due to an unspecified problem with the unit.

OMV AG said Europe's refining industry needs to reduce its capacity by 15-20% to end overcapacity. It sees an 8% decline in European oil product demand by 2020.

Production News

Royal Dutch Shell PLC declared force majeure on exports of Bonny Light crude due to damage caused to the Trans-Niger Pipeline in the Niger Delta. Shell did not disclose how much production was under force majeure or what caused the damage.

Britain's North Sea Alba oil platform resumed production late on Thursday following a gas release on Wednesday. The platform produced an average of 28,300 barrels of oil and 277,500 cubic meters/day of gas in July.

Mexico's Transport Ministry reported that the Dos Bocas and Cayo Arcas oil ports were closed due to bad weather conditions in the Gulf of Mexico.

Azerbaijan's State Statistics Agency reported that the country produced 42.925 million metric tons of crude from January to October, up 1.6% on the year.

BP Plc's TNK-BP Ltd plans to double shipments of new ESPO crude to the Asia-Pacific region next year and hopes to send more crude to US refiners. Next year, TNK-BP is expected to send 10% of its total exports to the Pacific Coast, up from 5% at present. It currently exports about 500,000 bpd, of which about 25,000 bpd of ESPO crude from its Verkhnokhonskoye field in East Siberia are sent to the port of Kozmino on the Pacific Coast. The eastbound volumes are expected to double next year.

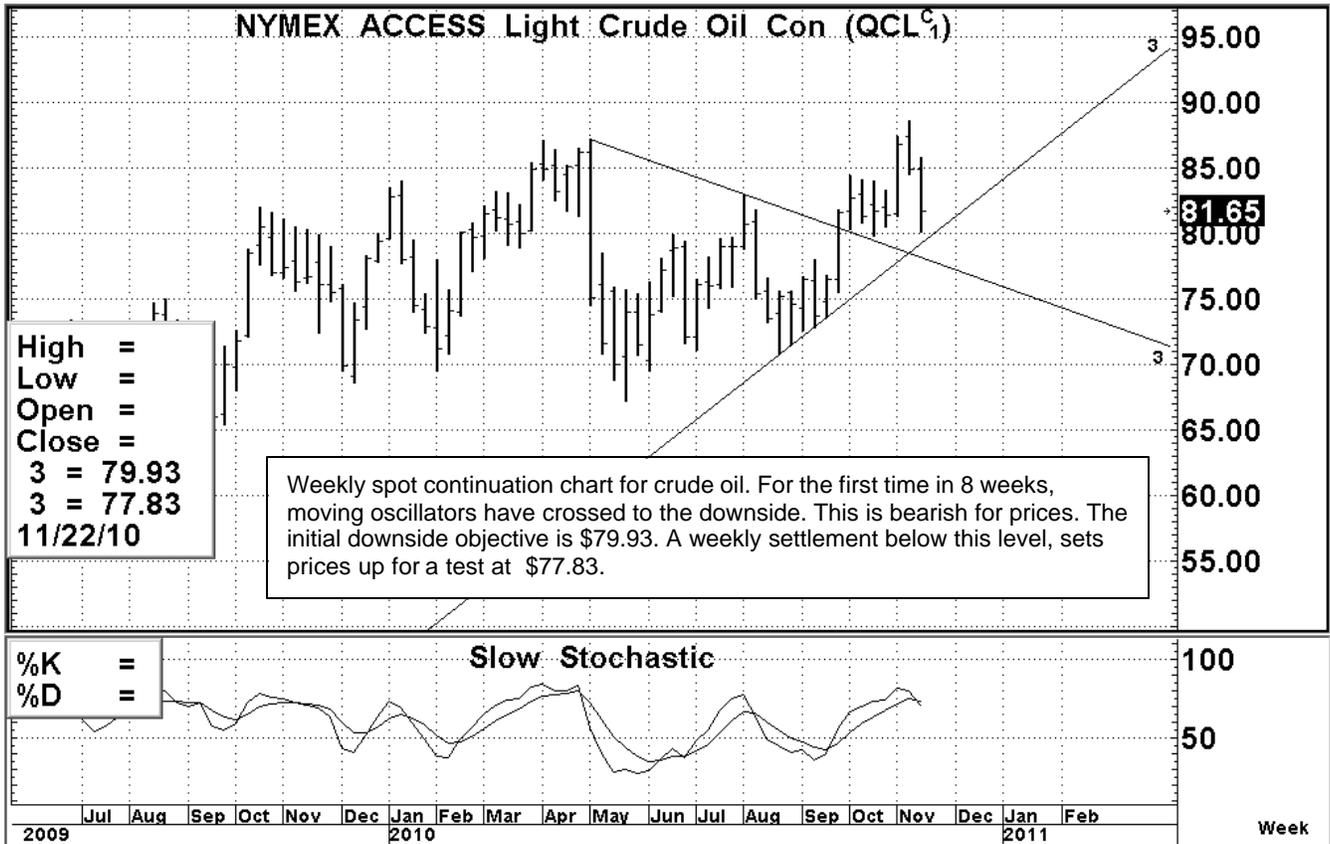
OPEC's news agency reported that OPEC's basket of crudes fell by 81 cents to \$81.09/barrel on Thursday from \$81.90/barrel on Wednesday.

Market Commentary

Crude oil fell to its lowest level in four weeks and its largest week on week loss in three months. This move comes on the heels of a move by China ordering banks to raise reserves in an effort to fight inflation. Oil prices also fell this week due to concerns that the European credit crisis would worsen because of bank debt in Ireland. Crude oil futures have been trading between \$68.00 and \$88.00 this year, making it the tightest range since 2003. This week marks the first time in eight weeks that slow stochastics have crossed to the down side, a bearish signal for prices. We should see prices continue lower, making next week's target to the downside, \$79.93. Below that is \$77.83, a long-standing weekly trendline.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 27,884 contracts to 171,991 contracts in the week ending November 16th. The combined futures and options report showed that non-commercials increased their net long position by 94,603 contracts to 212,117 contracts on the week, the highest level since early April. Meanwhile, the disaggregated futures and options report showed that managed money funds cut their net long position by 30,518 contracts to 178,397 contracts. This followed three consecutive weeks of increases in their net long position.

Crude oil: Jan 11 342,062 350,317 +8,255 Feb 11 111,697 +6,363 Mar 11 112,865 -261 Totals 1,351,302 -48,462 Heating oil: Dec 10 53,068 -6,299 Jan 11 88,994 +6,750 Feb 11 37,590 +1,521 Totals 317,652 +3,748 Rbob: Dec 10 44,294 -3,304 Jan 11 100,162 +284 Feb 11 31,269 +2,079 Totals 290,493 +45



Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7993		22040	24680		22770
7861	8890	21860	24950	20300	23050
77.83	9050	21375	26740	20130	24880
7643	9100	21140		18750	27085
7601	9385	20702		18240	
				16010	

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