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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR NOVEMBER 25, 2009**

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Algeria's Oil Minister Chakib Khelil expects OPEC to keep production unchanged when it meets on December 22<sup>nd</sup>. He said OPEC countries will maintain production at the same level until they get more clarity on the situation of the world economy.

Meanwhile, Iran's Oil Minister Masoud Mirkazemi said OPEC will not hesitate to change its output when it meets on December 22<sup>nd</sup>. His comments are in contrast with statements by most OPEC ministers that they do not expect any change in quotas at OPEC's next meeting. He said the decision is dependent on the world's oil stocks, non-OPEC

production level and oil demand resulting from weather conditions.

#### **Market Watch**

The Commerce Department showed that consumer spending increased in October as incomes increased slightly more than expected and inflation remained low. It reported that US consumer spending increased by 0.7% compared with a September decline of 0.6% while personal income increased by 0.2% for the second consecutive month. The core price index for personal consumption expenditures, which excludes food and energy, in October increased by 0.2% on the month and by 1.4% on the year. Separately, the Commerce Department also said manufacturers' orders for durable goods fell by 0.6% to a seasonally adjusted \$166.17 billion. Orders for non-defense capital goods fell by 2.9% after increasing 2.6% in September. The Commerce Department also reported that new home sales unexpectedly increased in October. Sales of single family homes increased 6.2% to a seasonally adjusted annual rate of 430,000. Sales in September fell 2.4% to 405,000.

The US Labor Department reported that initial claims for unemployment benefits fell by 35,000 to 466,000 in the week ending November 21<sup>st</sup>. The previous week's level was revised to 501,000 from 505,000. The four week moving average of new claims fell by 16,500 to 496,500 from the previous week's revised average of 513,000. The number of continuing claims fell by 190,000 to 5,423,000 from the preceding week's revised level of 5,613,000. The unemployment rate for workers with unemployment insurance for the week ending November 14<sup>th</sup> was 4.1%, down 0.2% from the prior week's unrevised rate of 4.3%.

The US will pledge to cut its greenhouse gas emissions by 17% by 2020 at a UN climate change meeting in December. The US House of Representatives passed a bill that sets a 17% reduction target for emissions by 2020 from 2005 levels. A Senate version aims for a 20% cut.

The Japan Meteorological Agency said Japan will see mostly milder than average weather from December-February, likely limiting heating demand and thermal fuel consumption for the winter season. Both eastern and western Japan have a 50% chance of milder temperatures for the period. The northern region is also likely to see mostly above average temperatures for the period.

### DOE Stocks

**Crude** – up 1.019 million barrels  
**Distillate** – down 529,000 barrels  
**Gasoline** – up 1.003 million barrels  
**Refinery runs** – up 0.9%, at 80.3%

The head of the UN's IAEA Mohamed ElBaradei said a nuclear fuel swap inside Iran, as proposed by the country, is not an option.

### Refinery News

ExxonMobil's 326,000 bpd Fawley refinery has been unaffected by a fire after a lorry carrying liquefied natural gas crashed near the refinery on Tuesday and caught fire.

China's Sinopec has agreed to provide financing of \$6.5 billion for the construction and development of oil refineries in Iran.

India's refiners processed 3.372 million bpd of crude in October, up 7.2% on the year. Crude oil production fell by 2.2% on the year to 674,800 bpd in October.

India's Chennai Petroleum Corp has deferred a two month shutdown of nearly a third of its 190,000 bpd Manali refinery in southern India to the end of December. The company had initially planned to shut the 60,000 bpd crude distillation unit in September, which was postponed to October to meet local demand. The refinery's revamp will increase the refinery's annual naphtha output by 115,000 tons, diesel production by 170,000 tons and fuel oil production by 330,000 tons a year.

### November

#### **Calendar Averages**

**CL** – 78.31

**HO** – 2.0239

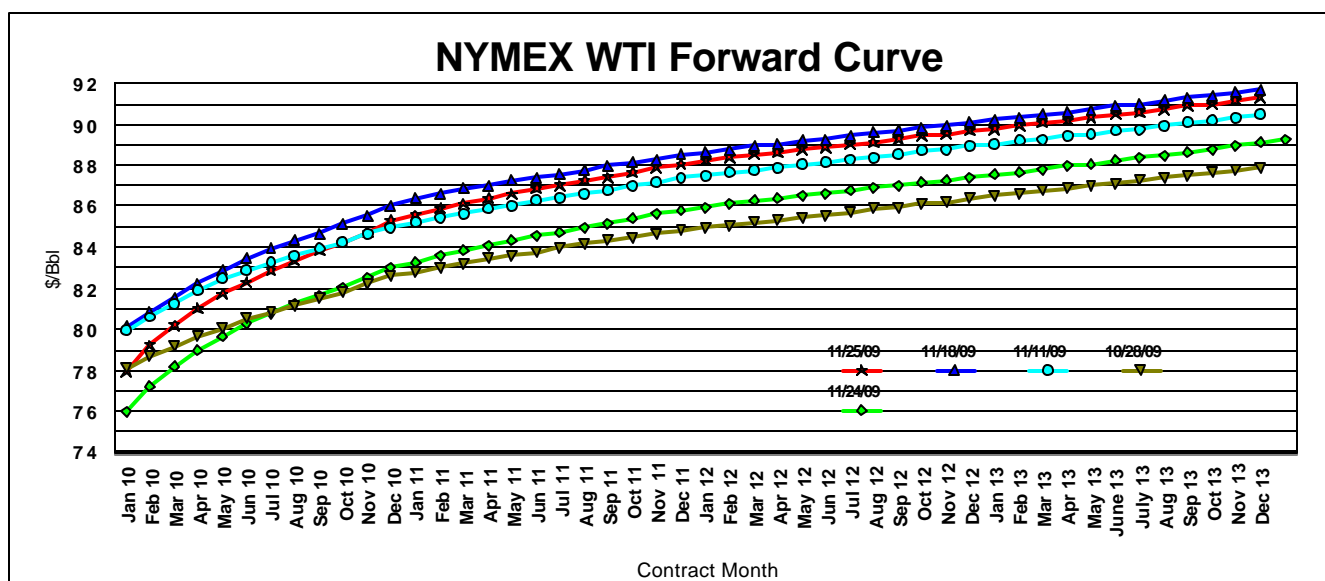
**RB** – 1.9774

Japan's Ministry of Finance reported that the country's imports of crude oil and condensate in October fell by 18.4% on the year to 16.2 million kiloliters or 3.3 million bpd.

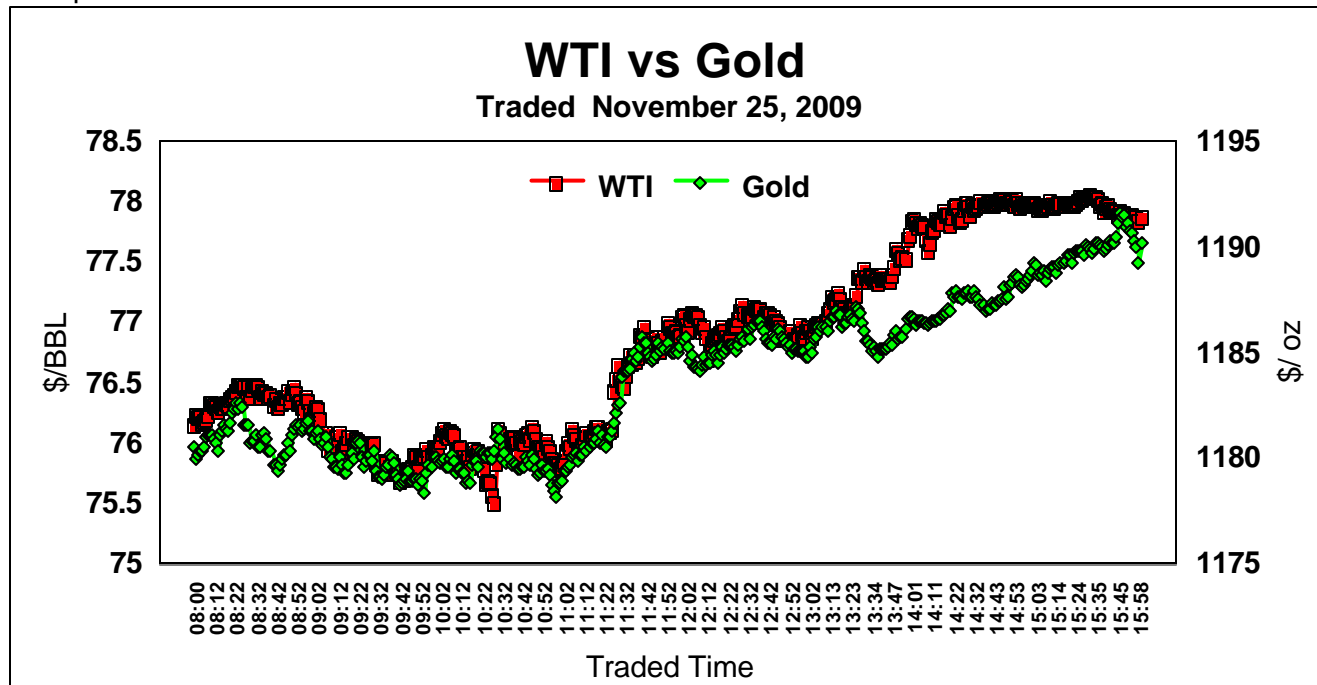
### Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas this week increased by 24 to 1,137. The number of rigs searching for oil increased by 4 to 379 while the number of rigs searching for natural gas increased by 22 to 748.

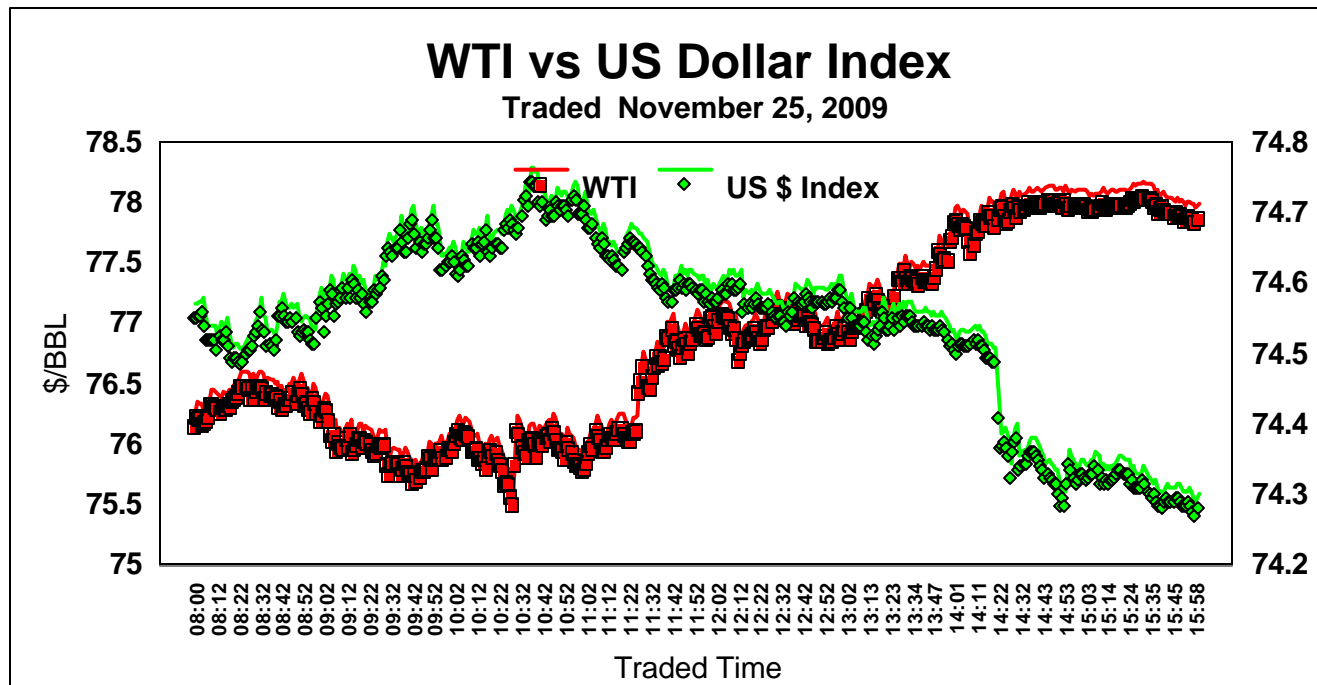
The flow of crude from the Kirkuk oil fields in northern Iraq to the Turkish export terminal of Ceyhan will remain suspended for the next few days. An Iraqi Oil Ministry spokesman said repairing the damaged part of the export pipeline will take a few days. Attackers sabotaged the pipeline halting the flow of at least 500,000 bpd of crude for export via the Turkish terminal.



Maersk Oil said that DUC oil and condensate production in October totaled 215,800 bpd. Its year to date production stood at 70.7 million barrels.



Iraq and Kuwait are engaged in technical negotiations to strike a deal over production from border oil fields. Consultations are ongoing to select the best mechanism that fairly guarantees the rights of both sides and serves their interests. A number of oilfields lie on the joint borders of the two countries, including the Iraqi Rumaila field which extends into Kuwait where it is known as Ritqa. There are other fields in Zubair and Safwan.



According to preliminary loading programs, Nigeria's crude oil exports are expected to reach a six month high in January. Nigeria's crude oil output is set to average 2.01 million bpd in January, up from 2 million bpd in December. The main Nigerian crude oil streams are set to load 70 full or part-cargoes in January, down from 71 in December. Nigeria plans to export four cargoes or 123,000 bpd of Bonny Light crude. Nigeria plans to export five Amenam crude oil cargoes for January loading. It

also plans to export five Bonga and six Erha cargoes for January. It is also likely to export six Brass River crude cargoes. It also scheduled to export a total of 73 cargoes in January.

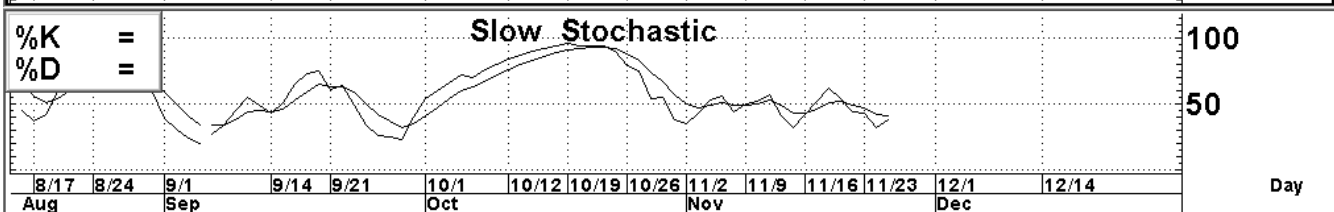
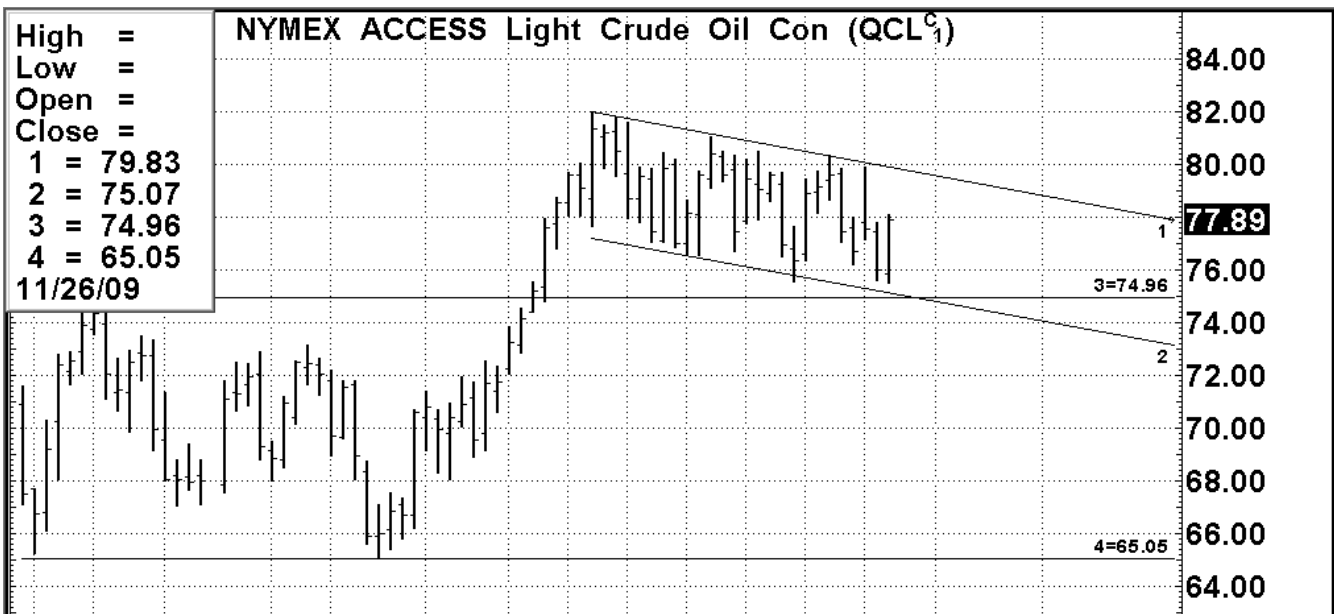
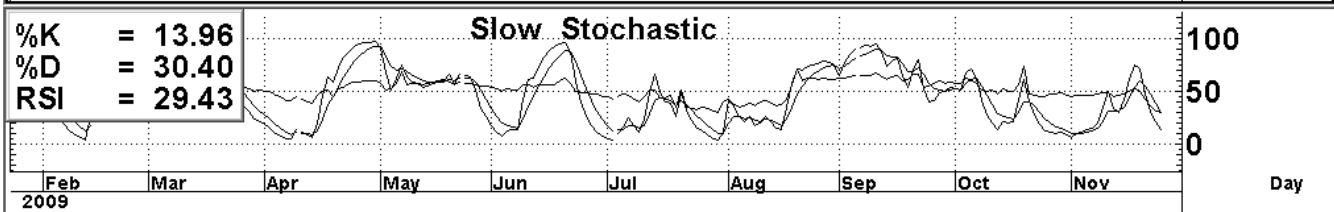
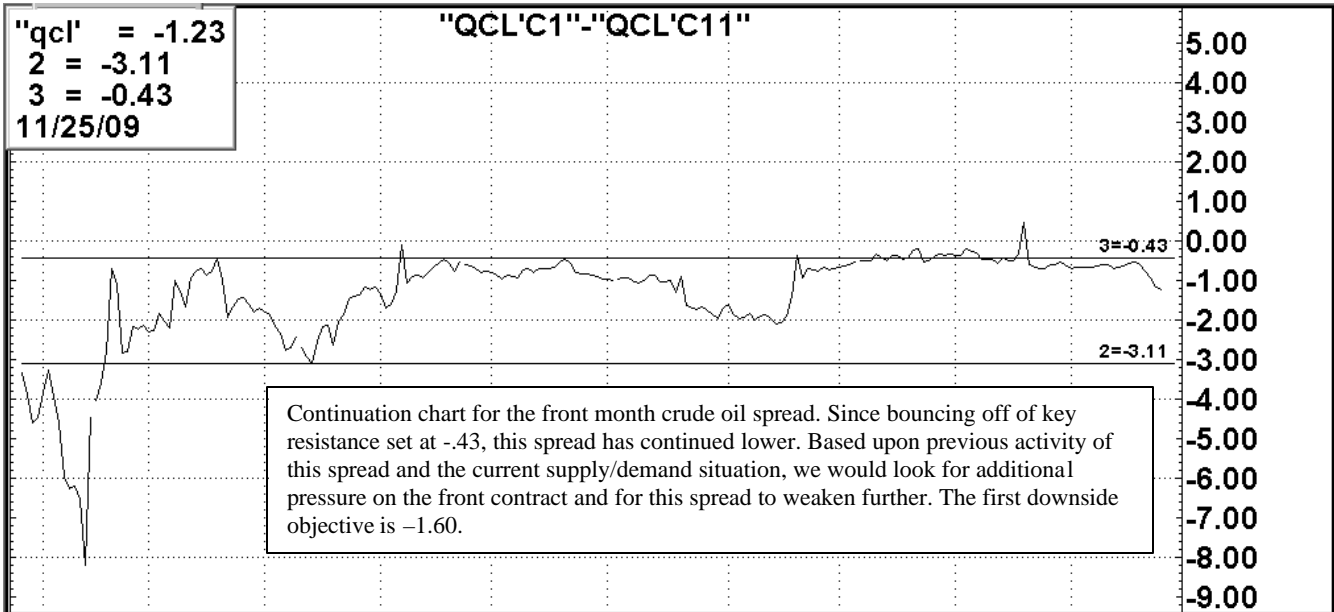
According to a Reuters survey, African oil production is expected to increase 6% in the next two years if new projects start up as expected and tensions continue to ease in Nigeria. The increase would bring the continent's crude production to 11 million bpd, increasing its share of the world market to nearly 13% from just over 12%.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.51/barrel to \$75.22/barrel on Tuesday from \$76.73/barrel on Monday.

### **Market Commentary**

Crude oil re-established its relationship with the dollar and gold today after the release of the DOE numbers indicated that U.S. fuel demand increased for the second week. Jobless claims in the U.S. fell last week to their lowest level since September 2008, sending hopes of economic recovery through the marketplace. Bulls poked their horns into the increase in demand, while bears dug their claws into inventory builds. In the end, prices were bullied higher. Given that this is a short trading week and the market lost volume due to the U.S. Thanksgiving Holiday, we will get a clearer picture of market opinion when we return next week. The shape of the forward curve continues to indicate longs are putting on positions in the middle to back end of the curve and that this market, in the near term, is still significantly supplied and lacking demand. Inventory increases at Cushing, OK, the NYMEX delivery point, pressured the January/February crude oil spread, which settled six-cents lower on the day. This spread should succumb to further pressure given the supply surplus and we could see additional supply builds. On a technical basis, January crude oil contract experienced an outside trading session, establishing a lower low and a higher high than that of the previous session. The fact that it settled higher on the day, gives a supportive signal for prices. Percent K on the slow stochastics has turned higher but is yet to cross above percent D. A cross of K over D would signal a shift in market direction.

Crude Jan. 10 348,313 10,001 FEB.10 97,763 489 MAR.10 86,410, 6,815 Totals: 1,182,804. Heating oil Jan.10 89,463 4,052. FEB 10 39,705 1,848 MAR.10 34,967 2,085 Totals: 325,501 1,866 Gasoline JAN.10 102,905,-9,248 FEB.10 30,353 3,566 MAR. 10 30,433 1,487 Totals: 257,325 -10,672.



<b>Crude Support</b>	<b>Crude Resistance</b>
75.40, 74.96, 73.52, 71.52, 65.05, 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

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