



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 22, 2010

The EIA reported that US imports of Canadian and Mexican crude increased in the week ending December 17th by 367,000 bpd and 594,000 bpd to 1.975 million bpd and 1.554 million bpd, respectively. US imports of Saudi Arabian crude also increased by 122,000 bpd to 1.149 million bpd. Crude imports from Nigeria and Venezuela fell by 67,000 bpd to 992,000 bpd and by 103,000 to 758,000 bpd, respectively. US crude imports from Iraq increased by 29,000 bpd to 118,000 bpd.

Market Watch

The Commerce Department said the US economy grew slightly more than previously thought in the third quarter as companies increased inventories. GDP increased at seasonally and inflation adjusted annual rate of 2.6% in July through September. It previously estimated that GDP increased by 2.5% in the third quarter following an increase of 1.7% in the second quarter. It reported that third quarter business inventories increased by \$121.4 billion, revised up from the \$111.5 billion increase previously estimated and up from \$68.8 billion in the second quarter. It also reported that consumer spending, accounting for about 70% of demand in the US economy, increased 2.4%, down from a previously estimated 2.8% increase.

The National Association of Realtors said sales of previously owned homes increased less than expected in November. Sales increased by 5.6% to a seasonally adjusted annual unit rate of 4.68 million units.

The Federal Housing Finance Agency's latest House Price Index showed that US home prices increased by 0.7% on the month in October. US home prices were 3.4% below their October 2009 level and 14.5% below their April 2007 peak. Home prices fell a revised 1.2% from August to September.

China National Petroleum Corp and Saudi Arabian Oil Co signed a memorandum of understanding to cooperate in expanding crude oil trading and on petrochemical projects.

India's Finance Secretary Ashok Chawia said India does not plan to cut the excise tax on gasoline or the import tax on crude oil.

Russia's President Dmitry Medvedev said Iran's policy on its nuclear program is "unreasonably tough" and called for Iran to allow IAEA inspections of its nuclear program. He said Iran should allow IAEA officials on its territory and make it possible to bring the situation under control.

DOE Stocks

Crude – down 5.333 million barrels
Distillate – down 589,000 barrels
Gasoline – up 2.4 million barrels
Refinery runs – up 0.3%, at 87.7%

Refinery News

The units shut earlier this week at ExxonMobil Corp's 149,500 bpd oil refinery in Torrance, California were identified as a fluid catalytic cracking unit and an alkylation unit. ExxonMobil said the shutdowns would impact production but added that it expects to meet all its contractual commitments. The units were restarted on Wednesday.

Valero Energy Corp shut down a 12,000 bpd hydrocracker unit at its 142,000 bpd Corpus Christi, Texas refinery to repair a leak.

December Calendar Averages
CL – \$88.55
HO – \$2.4737
RB – \$2.3359

The Nigerian National Petroleum Corp said three of the country’s four refineries are not operating because pipelines feeding the facilities were damaged in militant sabotage attacks. It said vandalism of pipelines led it to shutdown the Warri, Kaduna and Port Harcourt refineries.

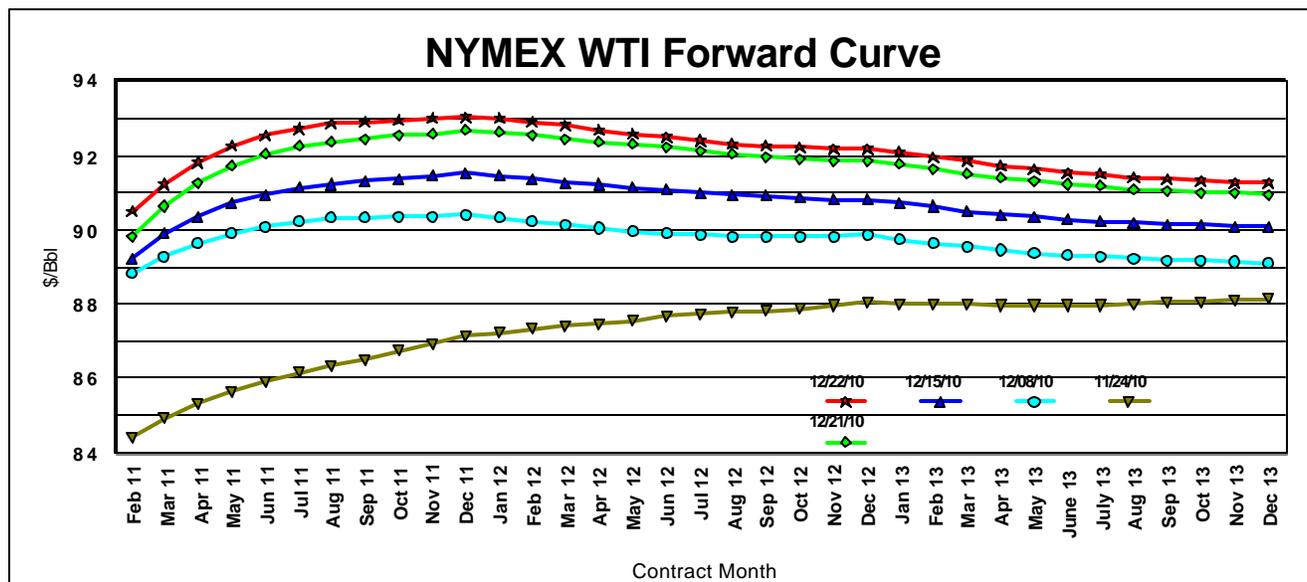
Japan’s Ministry of Finance reported that the country’s crude oil and condensate imports in November increased by 5.8% on the year to 18.83 million kiloliters or 3.95 million bpd. The country’s imports of liquefied natural gas increased by 11.1% on the year to 5.76 million metric tons.

China’s commercial crude oil stocks at the end of November fell by 3.2% on the month. The country’s diesel inventories increased by 0.8% on the month while its gasoline stocks increased by 8.7% on the month and kerosene stocks increased by 7%. Overall oil product stocks at the end of November increased by 5% on the month.

About 100,000 tons of naphtha scheduled for January loading from Saudi Arabia will be delayed by 1-2 weeks due to tight supplies.

The Petroleum Association of Japan reported that the country’s crude oil inventories in the week ending December 18th increased by 5.61 million barrels on the week and by 5.2 million barrels on the year to 100.01 million barrels. Japan’s gasoline stocks fell by 330,000 barrels on the week and by 430,000 barrels on the year to 13.36 million barrels while its kerosene stocks fell by 470,000 barrels on the week and by 3 million barrels on the year to 16.53 million barrels and its naphtha stocks increased by 500,000 barrels to 11.33 million barrels. The PAJ also reported that total oil products stocks fell by 3.6% on the week and by 3.4% on the year to 3.29 million bpd. Gasoline sales increased by 12.6% on the week and by 4.4% on the year to 1.06 million bpd and gas oil sales increased by 6.9% on the week and by 7.5% on the year to 580,000 bpd. Naphtha sales fell by 45.2% on the week and by 11.6% on the year to 330,000 bpd while jet fuel sales increased by 303.85 on the week and by 1.3% on the year to 132,000 bpd and kerosene sales fell by 13.8% on the week and by 26.1% on the year to 490,000 bpd.

The China Electricity Council is forecasting China’s average annual power consumption growth from



2011 to 2015 at 8.5%. The pace may slow to 5.5% during the 2015-2020 period. China's electricity consumption is about 4.17 trillion kilowatt hours this year, up 14.6% on the year.

Production News

Mexico's Pemex reopened the Nuevo Teapa-Tula oil pipeline that ruptured early Sunday, causing an explosion and fires in the town of San Martin Texmelucan. Pemex said investigators have yet to determine the exact cause of the pipeline's breach and have not rule out mechanical failure but added that the leak site showed signs of tampering.

Iraq's Oil Minister Abdul Kareem Luaiby said the country's oil production increased by 100,000 bpd to 2.5 million bpd. He said the increase came from the southern Rumaila and Zubair oil fields.

A preliminary export schedule showed that Russian oil exports may fall sharply from the Baltic Sea in January due to a pipeline maintenance, while rising from the Black Sea.

OPEC's news agency reported that OPEC's basket of crudes increased by 95 cents to \$89.54/barrel on Tuesday.

Market Commentary

Crude oil hit a 2-year high after the DOE report indicated that inventories dropped 5.33 million barrels and the economy in the U.S. expanded in the third quarter, slightly beating expectations. This is the third straight week that inventories have reflected drawdowns in stockpiles. Recent cold weather has also been one of the catalysts behind the bullishness in this market. Cold weather has been persistent in Europe, with China and parts of the U.S. experiencing cold weather as well. It remains yet to be seen as to whether or not high prices can sustain themselves along with signs of economic growth. Weather forecasts for later in the month are calling for milder temperatures, removing the cold weather factor from the scenario. Gasoline remains strong as rumors of tightness in the New York Harbor circulate the marketplace. Light volume may be one contributing factor to the recent move higher, aided by allegedly delayed cargoes into the harbor. We remain with a wait and see attitude as to whether or not prices for both gasoline and crude oil will be able to sustain themselves at current levels or if a price correction is due.

Crude oil: Feb 11 308,656 +3,445 Mar 11 183,153 -3,395 April 11 80,991 +4,813 Totals 1,369,544 +9,764 Heating oil: Jan 11 41,659 -8,864 Feb 11 90,372 +7,996 Mar 11 50,072 +273 Totals 310,699 -163Rbob: Jan 11 35,397 -6,239 Feb 11 87,697 +3,739 Mar 11 44,218 -569 Totals 282,834 -905

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8826		23685	26712		24880
8583		22960	27070	22560	27085
8350	9100	22013	29500	22050	
7993	9385	21860	30955	21600	
7900		21140		20300	
7871		20702		20130	
7783					

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